Purpose-Driven Leadership

2019 ANNUAL REPORT

Here to Help You Grow®

2019 Board of Directors

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Wendell, ID

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Dillon, MT
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Newman Lake, WA
Shawn Walters
Newdale, ID

(front row L to R)
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Spokane, WA
Dave Hedlin
Mt. Vernon, WA
Nels DeBruycker
Choteau, MT

(front row L to R)
Dave Nisbet
Bay Center, WA
Susan Doverspike
Burns, OR
Jim Farmer
Nyssa, OR

(back row L to R)
Derek Schafer
Ritzville, WA
Duane (Skip) Gray
Albany, OR
Karen Schott
Broadview, MT

Chair Message

At the Young and Beginning Producers Conference in January 2019 we talked about cooperative business models. For some, the principles were relatively new, especially as they pertain to financial institutions. Cooperatives vary in type and membership, yet their sole mission is to meet member objectives and adapt to their changing needs. What makes Northwest FCS unique?

Ours is a purpose-driven cooperative, focused solely on agriculture, forestry and fisheries. I can't think of a more noble purpose. True to the cooperative spirit, we help our customers navigate change by investing in management education and learning opportunities to help them grow. Here, stewardship is ingrained in our purpose as we collectively give back to support our rural communities. And, we share a percentage of the association's earnings with the customer-members who helped create it.

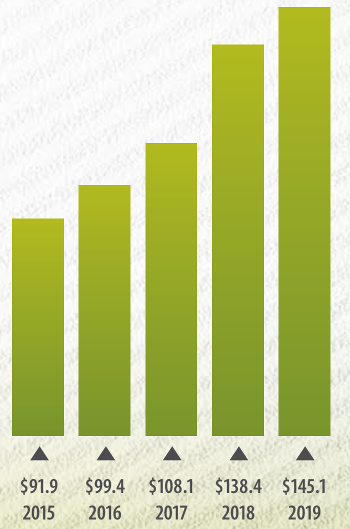
By all measures, 2019 was another great year for the association. Based on our strong financial performance, the board voted to continue cash patronage dividends at 1.25% of our customers' eligible average daily loan balances. For 2019, this amounts to $145.1 million. Since 2000, Northwest FCS has paid more than $1 billion in cash patronage to customer-members which provides a significant economic boost to the rural communities we serve.

I'm honored to serve on the Northwest FCS board alongside my fellow producers and directors. As the association continues to prosper and grow our capital, we carefully consider how to build value in a purposeful and balanced way. We're investing in new technology to improve service and efficiency. Like our customers, we know the investments we make today matter as we prepare for future generations.

On behalf of the board, I want to thank our local advisors who serve a vitally important role in this cooperative by providing feedback on what we're doing well and where we can improve. Our sincere gratitude to senior management and Northwest FCS employees whose dedication and devotion ensure the long-term viability of the cooperative. And, thank you to our customer-members for your continued business and the trust you place in us.

Greg Hirai

Cash Patronage Paid
($ in millions)



Greg Hirai - Board Chair

CEO Insights

Phil DiPofi - President and CEO

Purpose-Driven Leadership

At Northwest Farm Credit Services, our fundamental purpose is to improve the lives of our customers and employees, the communities where we work and raise our families, and the Northwest agriculture, food and fiber industries that perform a vital role in the United States and around the world. For us, this is more than just a motto on our website, it's something we live out every day.

Effective leadership at every level of this organization is critically important to achieving our purpose, especially given the rapid pace of change and the complex business environments we work in. As I meet with customers, they often share the same challenges and perspectives we do. For us, leadership doesn't just come from a job title or position on an organizational chart. Everyone can be a leader.

We believe leadership is the ability to work with others to achieve a common purpose, to best serve customers and colleagues. Leadership is working effectively in our communities, with our neighbors and even with our competitors. Purpose-driven leadership is the differentiator between an average performing business and an exceptionally performing one.

2019 was another year of strong performance for your Northwest FCS cooperative. We made important, incremental contributions in each of the four core areas of our business: to deepen customer-member relationships, develop talented employees, maximize operational efficiencies and deliver strong financial performance.

Customer Capacity

Positive customer experiences lead to more opportunities to build relationships and trust. That's why we continue to focus on actions that drive customer engagement – being accessible and responsive, helpful and clear in our communications and making it easier for customers to do business with us. Our primary method for measuring engagement is research conducted and analyzed by the Gallup organization. These results continue to improve and in 2019 customer engagement neared world-class status.

We know our performance as a cooperative ultimately depends on the success of our customer-members. We continue to invest in our Business Management Center to provide information and resources, in a variety of ways, to help our customers navigate change. In June 2020 we look forward to our new Leadership Development Conference where customers and employees will learn together side by side.

Delivering value for our customer-members also means building and expanding strategic partnerships. In 2019 we began working with a group of western Farm Credit associations who plan to offer residential, country home loans to customers in their markets. Given our experience and expertise in this area, we look forward to supporting them in meeting the unique needs of rural homeowners.

Human Resource Capacity

The strength of this cooperative has always been defined by the quality of our people. I'm incredibly proud of our employees and their dedication to this organization. As we continue to implement new technology, our employees are learning new systems and how to do things differently. Their ability to adapt is a true testament to their appetite for learning. Our people understand the "why" behind the changes we're making and love the challenge of finding new ways to make it easier for us to serve our customers.

Strong employee engagement is the foundation for providing world-class service for our customer-members. In 2019 Northwest FCS was once again named a Gallup Great Workplace Award winner for our ability to create an engaging culture for customers and employees. We were also named The Best Place to Work in the Inland Northwest among large employers for the fourth year in a row. Being named a great company to work for is a valuable tool in telling our story to potential employees who care deeply about investing their time working for a company with a great culture.

Operations Capacity

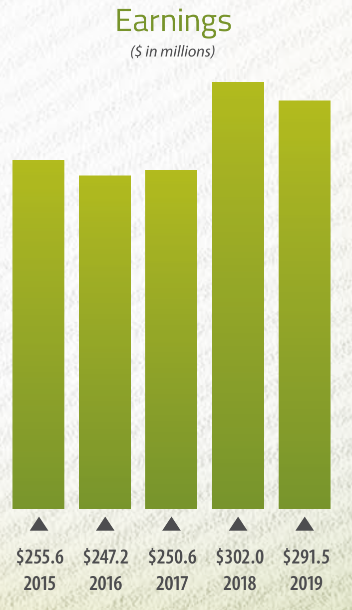
2019 was a pivotal year for building more capacity in our processes and technologies. From strengthening internal controls, to addressing risk management and cybersecurity, it was a busy and productive year. We also began the process to replace our loan origination system. More than 100 employees participated in working sessions to help us improve how we process and administer loans using new tools and technologies. Ultimately our commitment is to make it easier for our customers to do business with us and for our employees to do their jobs supporting them.

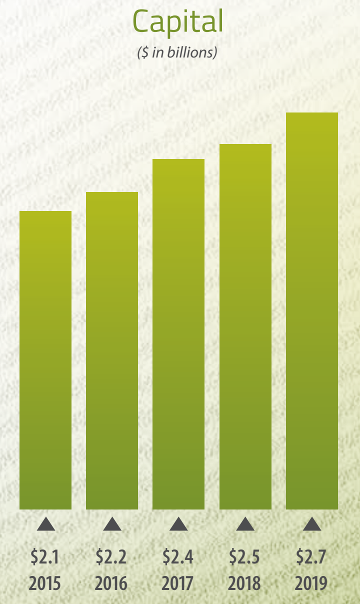
Financial Capacity

Our strong financial performance continued in 2019 with solid earnings, loan and capital growth, and improved credit quality. We continue to be a leader in returning value to our customer-members through one of the highest patronage levels in the Farm Credit System. In 2019 the association earned $291.5 million and grew capital 5.7% to $2.7 billion. Compared to other parts of the country, conditions for our Northwest producers were more favorable relative to weather and trade impacts. The association's solid financial performance in 2019 positions us well to weather future downturns and serve our customers during periods of volatility.

Looking Ahead

2019 marked my ninth year with the Northwest FCS team. I'm proud of the organization's accomplishments related to both the financial and non-financial aspects of the business. As we build on those accomplishments in 2020, we'll continue our focus on developing leaders, customer-members and employees, as we thoughtfully and purposefully serve Northwest agriculture, forestry, fisheries and our rural communities.





Purpose-driven

We're an engaged community that serves a noble purpose, providing food and fiber to support a growing world. We are the people who grow, process, research and finance agriculture, forestry and fisheries in the Northwest.

Leaders together

We value integrity, trust and respect in the relationships we build with each other. We're open to input and learning new things. And, we share our knowledge to help others as we embrace change and seek opportunity together.

"Northwest Farm Credit took a chance on us and they have a personal investment in our future."

Jordan and Susan Whittaker - *Leadore, Idaho*

The Power of Youth

Jordan and Susan Whittaker were newlyweds (just 24 and 19 years old) when we gave them their first loan to buy 100 heifer cows. Jordan's family had been customers for more than 40 years, but he and Susan were taking this step on their own, without cosigners. Back then the young couple had big dreams, a rough business plan and a skinny balance sheet. It's amazing what people can do when someone believes in them.

Today, Jordan and Susan run three separate businesses in Leadore, Idaho (population 103). They've taken on their share of the family's cattle operation in a well-executed succession plan. Their young kids are now proud members of the cow-moving crew. Jordan and Susan also run a small irrigation business that provides essential services (and much-needed employment) in the remote, rural community they love. When they came to us with a bold idea for a new business, we listened.

Jordan believed he could harness the power of water flowing into the canyon and convert it into a renewable energy source. We trusted him. Over nine years the couple installed more than 12,000 feet of underground metal pipe (in 20-foot sections) as they wound their way through government red tape. They call their first hydroelectric power plant a labor of love. Since then, they've installed a second, with a third on the way, as part of their succession plan for the next generation.

"None of this would be possible without the people at Northwest Farm Credit," Jordan says. "You've been with us every step of the way. When our financial acumen wasn't the greatest, you taught us about the numbers. You helped us develop a business plan that would really work. When people are invested in you, they can critique you and encourage you when you need it. Northwest Farm Credit took a chance on us and they have a personal investment in our future."

"It's rewarding to work for a company that embraces change and invests in new technology to make our jobs easier."

Mecale Dunn, ***Business Technology Advisor*** *- Nampa, Idaho*

Change Agent

Mecale Dunn was working for a wholesale mortgage lender 12 years ago and looking for new opportunities. With her lending experience and background in farming, a coworker recommended she apply for a job with us. It seemed like a good fit. When Mecale talked to her husband, he said she should visit with his dad who had a 40-year career as a Northwest FCS appraiser. They were right. Mecale was a perfect addition to our team.

Mecale has worked as a financial specialist, credit officer, relationship manager for country home loans and now, in a new role, as business technology advisor. There's no one better to help people implement new technology than someone who has walked a mile in their shoes. Mecale is a conduit between our branch staff and tech teams at headquarters so she's able to explain the "why" behind a change and how it makes our jobs easier.

Mecale is someone you can count on. She takes great joy in helping others, whether it's training on new software or packing meals for the Idaho Foodbank. Mecale embraces change and doesn't shy away when things get tough. Instead, she looks for opportunities to learn and helps us all do the same.

"Technology is a game changer for us and for our customers," Mecale says. "It's rewarding to work for a company that embraces change and invests in new systems to make our jobs easier."

"I appreciate all the opportunities we have at Northwest FCS to learn, grow and share our knowledge."

Melissa Newton, ***Financial Specialist*** *- Billings, Montana*

Natural Resource

Melissa Newton joined our team six years ago as a junior in college. She was studying accounting at Montana State University and applied for a summer internship. As soon as she graduated, we offered her a position as a financial specialist. Lucky for her, we had a job open in Billings, Montana, closer to her hometown. Lucky for us, Melissa is a farm kid who loves a challenge and the opportunity to learn.

Financial specialists like Melissa are … well, special. They have widespread knowledge about a lot of different things. When someone emails or calls with questions, it's Melissa's job to find the answers or someone who has them. She's learned about complex water rights and brand liens on cattle, detailed title reports and assets for collateral. If you're a customer in Billings, chances are she knows your voice on the phone and maybe the names of your children, too.

She's also learning to manage a farm business firsthand. Melissa and her husband, Rob, raise sugar beets, alfalfa hay and corn silage. She drives corn truck during harvest. Together they support other young producers and recently served on the steering committee for the Montana Department of Agriculture's Young Ag Couples Conference.

"I appreciate all the opportunities we have to learn and grow," says Melissa. "We're encouraged to share our knowledge with each other and with our customers, so everyone has access to the tools they need to be successful."

“Relationships, trust and integrity are important to us and to the people we choose to do business with.”

Courtney Herzog - *Rapelje, Montana*

Built on Trust

Courtney Herzog always knew he’d return to the family business after college to work alongside his dad and brother. Their family has been farming and ranching the hills of southern Montana for three generations. In the early years they raised market hogs and feeder pigs. Today, they raise cattle and cereal grains. The Herzogs have seen good times and plenty of downturns and we’ve been with them every step of the way.

Courtney and his family manage roughly 35,000 acres of land in Rapelje, Montana, a notoriously dry part of the state. Hay production can be a challenge even in the wettest of years. Today they use a number of range management techniques to keep their cattle on standing grass as much as possible throughout the year. They know every time they put a machine between a cow and the forage, it’s costing them money.

“Things are changing constantly in agriculture,” Courtney says. “Right now, margins are tight, inputs are high, and mistakes are much harder to cover. That’s why we trust the people at Farm Credit. Bo Kombol knows our business and he’s a great sounding board for our ideas. I’m not worried that he’s just lending me money to make himself look good. I tell Bo the business plans only my family hears about because I know he always has my back.”

Courtney and his wife, Kim, continue to find ways to diversify their income and spread their risk. Kim runs a pheasant-hunting business seven months of the year. Courtney sells bale beds for pickup trucks, including installation and ongoing service. They rely solely on repeat business and word of mouth. Something that comes easily when you treat people the way you want to be treated.

“Your word is your bond,” Courtney says. “If you say you’re going to do something, people need to trust that you’ll follow through. That’s why we surround ourselves with people who share our same values. Relationships, trust and integrity are important to us and to the people we choose to do business with.”

"In those down years you helped us and gave us ideas. They weren't always the ideas we wanted to hear, but they were the right ones."

J. Frank Schmidt and Jan Barkley - *Boring, Oregon*

Family Trees

J. Frank Schmidt & Son Co. has been growing trees and "new ideas" in Oregon for more than 70 years. In fact, the Schmidt family has introduced, patented and trademarked over 100 varieties. The Red Sunset Maple proudly bears their signature. Together, Frank and his sister, Jan, lead this business of more than 2,500 acres and 400 employees they call family. The sheer size and complexity of the operation made the Great Recession of 2008 – and its deep impact on the nursery and timber industries – even more difficult to manage.

The Schmidts weathered downturns before, just not one of this magnitude or longevity. They were implementing lean manufacturing long before the term was popular to streamline their processes. We helped them finance a 10-year transition from overhead sprinklers to drip irrigation that saved them money on water, fertilizer and labor. Yet, no one could have predicted the length of the 2008 recession lasting a full, three-to-seven-year production cycle. We all dug in deep to ride it out together.

"It has always impressed me that people at Farm Credit know the ups and downs of agriculture because they've lived it," says Frank. "Many are from farm families like our own, so they understand the unique challenges we have. In those down years you helped us and gave us ideas. They weren't always the ideas we wanted to hear, but they were the right ones. Unfortunately, the recession took several of our competitors – really good nurserymen – out of the business."

Today, Frank and Jan are preparing the next generation for their future in the nursery. Jan's son Sam and their nephew Gordy are active in production and management. The Schmidts have asked them and Frank's son John to join a talented group of outside advisors on the board. These young men also attend our financial seminars and management programs as they continue their education. We look forward to seeing their imprint on the future of this business as we continue to manage through change together.

"As foresters, our job is to be trusted advisors who provide insight and information to help our customers be successful."

Mike Wheeler, ***VP-Appraisal Services*** *- Salem, Oregon*

Ground Support

Mike Wheeler is an outdoor enthusiast with a heart for service. As a youngster he wanted to be a game warden, but serving his country came first. Mike spent six years in the Navy with two tours in the Persian Gulf. He then served in the Air National Guard to help pay for college and earned his forestry degree. Mike has been a certified appraiser with us for 23 years. Today, he leads and mentors others, including Chad Gilbreath, a talented forest engineering grad with a master's degree in business.

It takes a thorough understanding of the industry to appraise the value of forest assets (timber and land). An accurate appraisal reduces risk. It can help a customer receive top dollar for a property or bid for timberland at a competitive price. Yet, imagine calculating the value of forest acres that may not be harvested for 50 years. That's why people have come to rely on Mike and Chad's knowledge and their utmost integrity.

The two share a unique bond. Hands down, they love being out in the woods. Both are thoughtful and meticulous. Mike, the wise mentor and Chad, the talented up-and-comer. Both are deeply committed to the natural resource industries and the customers they serve.

"Our customers are producers, the doers, who are converting natural resources into the products we all need," says Mike. "As foresters, our job is to be trusted advisors who provide insight and information to help them be successful."

"Our company's commitment to the ag industries and our local communities is what makes me excited to come to work every day."

Trevor Faucett, ***Relationship Manager*** *- Burlington, Washington*

Consummate Coach

When you ask Trevor Faucett what he likes most about his job, he's quick to tell you about the amazing people he gets to work with every day. Salt-of-the-earth customers in very diverse industries. Coworkers (and friends) who support each other. People in rural communities along the I-5 corridor who care deeply for agriculture. Trevor is the kind of person who always thinks of others first, which makes him an invaluable relationship manager.

Trevor has been with Northwest FCS for 12 years. In that time, he's completed his master's degree with our tuition reimbursement program and graduated from the Ag Forestry Leadership program with our support. Today, he uses this knowledge to help customers plan for the future. He works with various lending teams to ensure we stay ahead of our customers' credit needs. And, he loves to dive deep into understanding customers' financials so he can structure the best loan packages for them.

Helping others just comes naturally to Trevor, whether he's coaching youth sports or encouraging nonprofits to apply for our Rural Community Grants. Trevor grew up in a small town, so he understands the benefits and the challenges. That's why he's always the first one to pitch in and give back.

"Our company's commitment to the ag industries and our local communities is unique," Trevor says. "As an employee, this is what makes me excited to come to work every day."

"We choose to do business with Northwest Farm Credit because you understand the business of agriculture."

Rob Dhaliwal - *Everson, Washington*

Fruitful Endeavors

Rob Dhaliwal's father, Sam, immigrated from Punjab, India, home to some of the most fertile soils in the world. He planted his first 35 acres of raspberries in Washington in the spring of 1987. Rob grew up in the business and watched his dad work hard to improve the quality of their fruit and add more acres. Over the years he has seen tremendous change in the berry industry (and the family business) since he graduated from college and joined his first industry association board at the age of 23.

To be on the forefront of change Rob has stayed deeply in tune with the industry. His early service on association boards – at the state and national levels – exposed him to new ideas and a network of people. He has also helped his fellow growers stay attuned to changes in new plant varieties, technologies and labor trends. Being active in the industry takes time, which we all know is in short supply. But Rob considers the time spent to be a very wise investment.

Today, Samson Farms is a leading blueberry and raspberry producer in the state. They also grow black currants and have a winery on site. We helped the family finance their first processing facility in 2006 to give them greater control over quality and marketing. Now, they harvest berries mechanically with 100% traceability back to the field. With recent tech upgrades, the majority of their fruit is immediately quick frozen and shipped to buyers in the U.S. and abroad.

"We choose to do business with Northwest Farm Credit because you understand the business of agriculture," Rob says. "You know the industries we're competing in, especially the raspberry industry. Blueberries are grown throughout the U.S., but raspberries are unique, and you understand this industry better than most. Agriculture isn't a steady revenue business and the people at Farm Credit understand that, too. We know we can rely on you for service, consistency and help when we need it."

"At Farm Credit, we're part of the food chain, financing production, processing, marketing and transportation to feed a growing world."

Rich Hendershot, ***Senior VP-Credit Approval*** *- Spokane, Washington*

Rich with Experience

They say wisdom is gained only through experience, which is precisely what Rich Hendershot brings to our team. Rich has worked in the Farm Credit System for 38 years, first in Ohio and Kentucky, before moving to the Northwest in 1990. As senior vice president of credit approval, his insights into the world of numbers and the diverse industries we serve help us (and our customers) make wise credit decisions.

Today, Rich manages our credit approval and industry insights teams. Different, yet complementary areas, perfectly suited to his skills and experience. On the credit side, loans of a certain size or complexity are sent to Rich's team for approval. He analyzes the numbers, knowing the best decisions – for customers and our cooperative – are deeply rooted in industry knowledge. Industry teams across our association keep the pulse on market projections to help us all make wise choices.

To say Rich is analytical may be an understatement. He's tracked every household expense (down to the penny) for the past 30 years. Numbers often tell a greater story, which in this case points to the heart of a generous man. Rich and his wife, Carol, give a significant portion of their time and income each year to help those in need – children, the elderly and everyone in between.

"Our mission in life matters," says Rich. "At Farm Credit, we're part of the food chain, financing production, processing, marketing and transportation to feed a growing world."

"We are incredibly passionate about the customers and communities we serve, and it shows."

Erin Wells, ***VP-Country Home Lending*** *- Spokane, Washington*

Living Her Legacy

You won't find a better teammate than Erin Wells. She's worked with and managed numerous teams since she started her career with us 20 years ago. Erin has a knack for finding better, more efficient ways to do things: improve a process, measure feedback, engage others to get 'er done and have some fun. It's probably not surprising given Erin's history as a national team-roping competitor (with her husband, Matt) and her lifetime of experience in agriculture.

As vice president of country home lending, Erin and her team make dreams come true. Residential financing is complicated though, with lots of rules and regulations. Even more so when you're financing land in the country to build, or a home on acreage with income potential. Yet, these properties fit perfectly in our wheelhouse and Erin's too. She leads our team as they work with customers efficiently throughout the loan process. From groundbreaking … to move-in day.

Erin loves to work hard and make a difference in the lives of others. She credits her work ethic and leadership skills to the lessons she learned early in 4-H and FFA. Today, she carries the legacy forward as a proud leader of the Hustle & Heart 4-H Club, teaching life skills, financial management and teamwork to the next generation of promising young leaders.

"What I love most about working here is we practice what we preach," Erin says. "We are incredibly passionate about the customers and communities we serve, and it shows."

Local Advisors

IDAHO

Luke Adams	*Rupert*
Logan Alder	*Malad*
Greg Andersen	*American Falls*
Jeff Bartschi	*Montpelier*
Cody Bingham	*Jerome*
Jeff Blanksma Jr.	*Hammett*
Chris Brannan	*Craigmont*
Connie Christensen	*Blackfoot*
Brent Clayton	*Ammon*
Joseph Clayton	*Eagle*
Craig Corbett	*Grace*
Coy Crapo	*St. Anthony*
Jack Faulkner	*Gooding*
Bruce Foster	*Aberdeen*
Darin Harper	*Declo*
Burke Hillman	*Hamer*
Brian Huettig	*Hazelton*
Josh Jones	*Troy*
Kryst Krein	*American Falls*
Derek Larson	*Burley*
Brent Lott	*Idaho Falls*
Ray Matsuura	*Blackfoot*
Eric Maupin	*Ashton*
Joe Miller	*Jerome*
Ron Mio	*Fruitland*
Nathan Noah	*Cambridge*
Lisa Patterson	*Heyburn*
Greg Payne	*Caldwell*
Scott Searle	*Shelley*
Chad Stibal	*Blackfoot*
Jeanne Stubbers	*Kamiah*
Robert Swainston	*Preston*
Gerald Tews	*Filer*
Camellia Thurgood	*Nampa*
Justin Tindall	*Bruneau*
Ritchey Toevs	*Aberdeen*
Steven Toone	*Grace*
Greg Troost	*Parma*
Garth VanOrden	*Blackfoot*
Shane Webster	*Rexburg*
Jordan Whittaker	*Leadore*
Pete Wittman	*Lapwai*

MONTANA

Les Arthun	*Wilsall*
Neil Barnosky	*Sheridan*
David Bell	*Great Falls*
Roger Berg	*Hilger*
Bill Bergin Jr.	*Melstone*
Mark Bergstrom	*Brady*
Dusty Berwick	*Bainville*
Shawna Billmayer	*Hogeland*
Bart Bitz	*Big Sandy*
Ryan Bogar	*Vida*
Jon Bolstad	*Homestead*
Rich Bronec	*Carter*
Shilo Capp	*Volborg*
Sandy Carey	*Boulder*
Mark Coverdell	*Fairfield*
Terrence Droge	*Harrison*
Nate Finch	*Dillon*
Brandon Flynn	*Townsend*
Joe Fretheim	*Shelby*
Scott Glasscock	*Angela*
Garrett Grubb	*Conrad*
Colleen Gustafson	*Browning*
Craig Henke	*Chester*
Courtney Herzog	*Rapelje*
Blaine Hoversland	*Wolf Point*
Mike Huber	*Great Falls*
Tony Johnson	*Dell*
Kelly Kehler	*St. Xavier*
Steve Lackman	*Miles City*
Tim Lake	*Polson*
Andy Maki	*Corvallis*
Jim McCabe	*Ekalaka*
Jared Miller	*Gildford*
Corie Mydland	*Joliet*
Kurt Myllymaki	*Stanford*
Ken Olson	*Richey*
Jon Owen	*Geraldine*
Miles Passmore	*Kalispell*
Tracey Pearce	*Twin Bridges*
Trudi Peterson	*Judith Gap*
Ryan Pfeifle	*Great Falls*
Jeff Schafer	*Denton*
Jim Stampfel	*Absarokee*
Carmie Steffes	*Plevna*
Lacey Sutherlin	*Missoula*
Kurt Swanson	*Valier*
Lori Swanson	*Chinook*
Duane Talcott	*Hammond*
Jayme Tash	*Dillon*
Carla Tihista	*Nashua*
Kelly Toavs	*Wolf Point*
Mark Tombre	*Savage*
Lee Van Dyke	*Manhattan*
Patrick Verlanic	*Drummond*

OREGON

Ross Allen	*Medford*
Reed Anderson	*Brownsville*
Roben Arnoldus	*Cove*
Glenn Barrett	*Bonanza*
Steve Bickford	*Hood River*
Wade Bingaman	*Imbler*
Alex Blosser	*Dayton*
Ryan Boyle	*Madras*
Jason Chapman	*Klamath Falls*
Tim Dahle	*The Dalles*
Paul Denfeld	*Hillsboro*
Karl Dettwyler	*Silverton*
Mike DeWall	*Harrisburg*
Amy Doerfler	*Aumsville*
Tom Fessler	*Mt. Angel*
Joe Finegan	*Cornelius*
Javier Goirigolzarri	*Roseburg*
Shelly Gray	*North Powder*
Levi Hermens	*Wallowa*
Joe Hill	*Baker City*
Karl Jensen	*Pilot Rock*
Kenneth Jensen	*Vale*
Kyle Kenagy	*Roseburg*
Alan Keudell	*Aumsville*
Jeremy Knapp	*Langlois*
Diane Kunkel	*Portland*
Lee Lage	*Hood River*
Julie Lourenzo	*Tillamook*
Bill Martin	*Rufus*
Jerry May	*Central Point*
Beth McClaran	*Joseph*
David Neal	*Tangent*
Ellie Norris	*Roseburg*
Randy Perkins	*Adams*
Nathan Rea	*Milton Freewater*
John Reerslev	*Junction City*
Stephen Roth	*Brothers*
Shannon Rust	*Echo*
Marc Staunton	*Merrill*
Eric White	*Nyssa*
Walter Woodhouse	*Merrill*

WASHINGTON

Brian Alegria	*Tieton*
Justin Andrews	*Prosser*
Steve Bangs	*Toppenish*
Loren Beale	*Pomeroy*
Caleb Boettcher	*Eatonville*
April Clayton	*Orondo*
Scott Crawford	*Kennewick*
Adam Dolsen	*Yakima*
Kevin Dorsing	*Royal City*
Jill Douglas	*Pasco*
Chris Eckhart	*Deer Park*
Patrick Escure	*Quincy*
Alan Groff	*Wenatchee*
David Hubbard	*Davenport*
Ian Jefferds	*Coupeville*
Russ Kehl	*Quincy*
Cris Kincaid	*Pullman*
Leanne Krainick	*Enumclaw*
Steve Krupke	*Reardan*
Josh Lawrence	*Royal City*
Mike Lowe	*Ellensburg*
Dan McClure	*Walla Walla*
Zach Miller	*Pasco*
Kyle Morscheck	*Clarkston*
Rosella Mosby	*Auburn*
Jerry Nelson	*Burlington*
Brian O'Leary	*Seattle*
Ed Poulsen	*Shoreline*
Bob Ricci	*Snohomish*
Brenton Roy	*Prosser*
Michael Roy	*Moxee*
Jason Salvo	*Duvall*
Jerry Smith	*Benton City*
Court Stanley	*Centralia*
Jim Stone	*Lakewood*
Lori Stonecipher	*Walla Walla*
Doug Swinney	*Palouse*
Keith Tiegs	*Pasco*
John Tillman	*Elma*
Nick Weber	*Cotton*
Bill Wirth	*East Wenatchee*

As of 1.22.2020

2019 NORTHWEST FARM CREDIT SERVICES, ACA

Annual Report to Stockholders

REPORT OF MANAGEMENT

The financial statements of Northwest Farm Credit Services, ACA and its wholly-owned subsidiaries (Northwest FCS) 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 Northwest FCS. Other financial information included in the 2019 Annual Report to Stockholders is consistent with that in the financial statements.

To meet its responsibility for reliable financial information, management depends on the Northwest FCS' accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurances 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. Northwest FCS is also examined by the Farm Credit Administration.

The Chief Executive Officer, as delegated by the Northwest FCS Board of Directors, has overall responsibility for Northwest FCS' 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 Northwest FCS' 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 Northwest FCS in addition to reviewing Northwest FCS' 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 2019 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.

Phil DiPofi
President and CEO
February 28, 2020

Tom Nakano
EVP-Chief Administrative and Financial Officer
February 28, 2020

Gregory K. Hirai
Chair of the Board
February 28, 2020

NORTHWEST FARM CREDIT SERVICES, ACA

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Northwest FCS principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for Northwest FCS' 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 Northwest FCS' 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 Northwest FCS, (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 Northwest FCS, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Northwest FCS' assets that could have a material effect on its consolidated financial statements.

Northwest FCS' management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2019. 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, Northwest FCS concluded that as of December 31, 2019, the internal control over financial reporting was effective. Additionally, based on this assessment, Northwest FCS determined there were no material weaknesses in the internal control over financial reporting as of December 31, 2019. There were no material changes in the internal control over financial reporting during the year ended December 31, 2019.

Phil DiPofi
President and CEO
February 28, 2020

Tom Nakano
EVP-Chief Administrative and Financial Officer
February 28, 2020

Gregory K. Hirai
Chair of the Board
February 28, 2020

REPORT OF AUDIT COMMITTEE

The Audit Committee is composed of six members of the Northwest FCS Board of Directors. In 2019, the Audit Committee met four times in person and participated in conference calls, as needed. The Audit Committee oversees the scope of Northwest FCS' internal audit program, the independence of the outside auditors, the adequacy of Northwest FCS' 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 2019. 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 generally accepted auditing standards 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, 2019 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 Northwest FCS Board of Directors include the audited financial statements in the annual report as of and for the year ended December 31, 2019.

Christy Burmeister-Smith

Christy Burmeister-Smith
Chair of the Audit Committee
February 28, 2020

Skip Gray
Jim Farmer
John Helle
Karen Schott
Julie Shiflett

NORTHWEST FARM CREDIT SERVICES, ACA

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(dollars in thousands)

December 31,	*2019*	*2018*	*2017*	*2016*	*2015*
CONDENSED BALANCE SHEETS					
Cash	57,432	64,170	29,904	45,565	44,802
Loans	$ 12,057,655	$ 11,345,642	$ 10,893,385	$ 10,434,135	$ 10,103,918
Less: allowance for loan losses	72,500	78,000	82,000	78,500	76,500
Net loans	11,985,155	11,267,642	10,811,385	10,355,635	10,027,418
Investment in CoBank, ACB	403,572	384,764	368,671	354,111	339,965
Other assets	327,688	270,255	242,418	227,214	206,884
Total assets	$ 12,773,847	$ 11,986,831	$ 11,452,378	$ 10,982,525	$ 10,619,069
Obligations with maturities of one year or less	$ 5,142,204	$ 4,600,431	$ 4,650,416	$ 4,379,655	$ 4,092,864
Obligations with maturities greater than one year	4,957,292	4,857,087	4,434,751	4,383,319	4,455,624
Total liabilities	10,099,496	9,457,518	9,085,167	8,762,974	8,548,488
Capital stock and participation certificates	12,830	12,672	12,691	12,577	12,655
Accumulated other comprehensive loss, net of tax	(32,786)	(31,297)	(29,645)	(34,653)	(35,929)
Allocated retained earnings*	1,535,119	1,423,416	1,318,933	1,221,391	1,122,924
Unallocated retained earnings	1,159,188	1,124,522	1,065,232	1,020,236	970,931
Total members' equity	2,674,351	2,529,313	2,367,211	2,219,551	2,070,581
Total liabilities and members' equity	$ 12,773,847	$ 11,986,831	$ 11,452,378	$ 10,982,525	$ 10,619,069
CONDENSED STATEMENTS OF INCOME					
Net interest income	$ 339,099	$ 329,176	$ 314,878	$ 300,234	$ 297,703
(Credit loss reversal) provision for credit losses	(3,210)	(9,314)	5,388	83	(12,321)
Noninterest income	119,297	122,468	99,973	96,933	90,220
Noninterest expense	169,030	157,784	157,239	148,678	143,203
Provision for income taxes	1,123	1,196	1,575	1,201	1,440
Net income	$ 291,453	$ 301,978	$ 250,649	$ 247,205	$ 255,601
KEY FINANCIAL RATIOS FOR THE YEAR					
Return on average assets	2.4%	2.6%	2.3%	2.3%	2.5%
Return on average members' equity	11.2%	12.3%	10.9%	11.5%	12.8%
Net interest income as a percentage of average earning assets	3.0%	3.0%	3.0%	3.0%	3.1%
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	20.9%	21.1%	20.7%	20.2%	19.5%
Debt as a ratio to members' equity	3.8:1	3.7:1	3.8:1	3.9:1	4.1:1
Allowance for loan losses as a percentage of loans and accrued interest	0.6%	0.7%	0.7%	0.7%	0.8%
Permanent capital ratio	18.0%	17.8%	17.3%	16.8%	16.1%
Common Equity Tier 1 (CET1) Capital	17.9%	17.6%	17.2%	-	-
Tier 1 Capital	17.9%	17.6%	17.2%	-	-
Total Capital	18.6%	18.5%	18.1%	-	-
Tier 1 Leverage	19.4%	19.2%	18.8%	-	-
Unallocated Retained Earnings and URE Equivalents (UREE) Leverage	20.5%	20.1%	19.6%	-	-
Total surplus ratio**	-	-	-	16.7%	16.0%
Core capital ratio**	-	-	-	16.7%	16.0%
OTHER					
Loans serviced for other entities	$ 4,653,151	$ 4,419,300	$ 3,914,748	$ 3,759,490	$ 3,382,498
Patronage	$ 145,084	$ 138,397	$ 108,111	$ 99,433	$ 91,900

**Represents non-qualified written notices of allocation which are included within Unallocated retained earnings in the Consolidated Financial Statements.*

***Represent Farm Credit Administration capital ratios that were effective through December 31, 2016.*

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

The following discussion summarizes the financial condition and results of operations of Northwest Farm Credit Services, an Agricultural Credit Association (ACA), and its wholly-owned subsidiaries (collectively referred to as Northwest FCS) as of and for the year ended December 31, 2019. The commentary should be read in conjunction with the accompanying Consolidated Financial Statements and Notes. Dollar amounts are in thousands unless otherwise stated.

Northwest FCS quarterly and annual reports to shareholders may be obtained free of charge on Northwest FCS' website, www.northwestfcs.com, or upon request at Northwest FCS, ACA, P.O. Box 2515, Spokane, Washington 99220-2515, or by telephone at (509) 340-5300 or toll free at (800) 743-2125.

The Consolidated Financial Statements were prepared under the oversight of the Audit Committee.

Forward-Looking Statements

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

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

Business Overview

Farm Credit System Structure and Mission

Northwest FCS is one of 68 associations in the 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 Administration (FCA) is the System's independent safety and soundness federal regulator and was established to supervise, examine and regulate System institutions.

Farm Bill

U.S. agriculture has historically received financial support from the U.S. government through direct payments, crop insurance and other benefits. The Agricultural Improvement Act of 2018 (Farm Bill) was signed into law in December 2018 and amends and extends major programs for crop insurance and commodity support programs, strengthens livestock disaster programs, and provides dairy producers with an updated voluntary margin protection program that provides additional risk management options to dairy operations. The Farm Bill is administered by the United States Department of Agriculture (USDA) for five years through 2023. Elimination of support in the future could have a negative impact on the loan quality of certain borrowers who could be affected by such a reduction. Other political, legislative and regulatory activities may also impact the level or existence of certain government programs that support agriculture.

Structure and Focus

Northwest FCS is a customer-member cooperative that provides credit and financially related services to or for the benefit of eligible customers primarily in the states of Washington, Idaho, Oregon, Montana and Alaska. Northwest FCS makes short-term, intermediate-term and long-term loans; provides commitments to extend credit; and offers advance conditional payment accounts to farmers, ranchers, rural residents and agribusinesses. Northwest FCS 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, Northwest FCS offers its customers services such as fee appraisals, business management education and planning services. Northwest FCS' success begins with its extensive agricultural experience and knowledge of the market and is dependent on the level of engagement of its customers.

As part of the System, Northwest FCS obtains funding for its lending and operations from CoBank, ACB, and its wholly-owned subsidiaries (CoBank), which is one of the four Farm Credit System Banks. CoBank is a cooperative of which Northwest FCS is a member. CoBank, its related associations, and AgVantis Inc. (AgVantis), a technology service corporation, are referred to as the District.

The financial condition and results of operations of CoBank, may materially affect the risk associated with stockholder investments in Northwest FCS. The CoBank quarterly and annual reports are available free of charge on CoBank's website, www.cobank.com, upon request at Northwest FCS, P.O. Box 2515, Spokane, Washington 99220-2515, by telephone at (509) 340-5300, toll free at (800) 743-2125, or upon request at any Northwest FCS office location. Annual reports are available within 75 days after year end and quarterly reports are available within 40 days after the calendar quarter end.

2019 Financial Highlights

The year ended December 31, 2019, was another year of strong financial performance for Northwest FCS. Highlights include:

- Net interest income of $339.1 million and net income of $291.5 million.
- Loan portfolio volume increased 6.3 percent, with an ending total loan and accrued interest balance of $12.2 billion.
- Capital levels remained strong and well in excess of regulatory minimums. As of December 31, 2019, members' equity totaled approximately $2.7 billion, an increase of 5.7 percent.

Commodity Review and Outlook

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

Dairy: Northwest FCS' 12-month dairy outlook anticipates slightly profitable, stable returns in 2020. This comes as milk processors take a more active role in supply management.

Fruit and Tree Nuts: The principal commodity financed by Northwest FCS in this sector is apples. Northwest FCS' 12-month outlook anticipates slight profits for growers. The large apple crop has tempered prices. However, good fruit movement and continued trade agreement momentum should support prices in 2020. Varieties and quality continue to play a role in profitability.

Forest Products: Northwest FCS' 12-month outlook calls for profitable margins for timberland owners and sawmill operators. Although log prices remain low compared to 2018's peak, margins are profitable for timberland owners and prices are expected to remain stable or improve. Processors have worked through high-cost logs from 2018 and lumber prices are slightly improving.

Cattle and Livestock: The principal commodity financed by Northwest FCS in this sector is cattle and calves. Northwest FCS' 12-month outlook suggests profitability throughout the beef sector. Slaughter facilities are very profitable as they remain in a position of leverage over producers. Cattle feeders will be break-even to slightly profitable with variation based on risk management strategies. Cattle producers are expected to be slightly profitable, as strong demand for beef is coupled with peak cattle inventory.

Potatoes: Northwest FCS' 12-month outlook is for profitable contracted and uncontracted potatoes. An early cold snap froze as much as 15 percent of fresh market potatoes in Idaho. Other major production regions in the U.S. suffered the same fate. Inventory is lower year over year and higher prices will ration supplies for the rest of the 2019-20 marketing season.

Grains: Northwest FCS' 12-month outlook calls for break-even returns. USDA's projected 2019-20 season-average farm price for all-wheat is $4.80 per bushel, down $0.20 from last year. Variability in yield and quality will drive individual producer profitability.

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

Financial Condition

Loan Portfolio

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

December 31,	*2019*		*2018*		*2017*	
	Outstanding	*Percent*	*Outstanding*	*Percent*	*Outstanding*	*Percent*
Production agriculture:						
Real estate mortgage	$ 5,737,000	47.2%	$ 5,347,044	46.7%	$ 5,105,725	46.6%
Production and intermediate-term	3,266,103	26.8%	2,984,821	26.1%	2,883,774	26.2%
Agribusiness:						
Processing and marketing	1,492,281	12.3%	1,479,904	12.9%	1,256,300	11.4%
Loans to cooperatives	465,278	3.8%	420,126	3.6%	480,533	4.3%
Farm-related business	246,477	2.0%	226,309	2.0%	177,021	1.6%
Rural residential real estate	527,413	4.3%	609,700	5.3%	696,992	6.3%
Rural infrastructure:						
Energy	229,238	1.9%	191,370	1.7%	184,669	1.7%
Communications	58,409	0.5%	61,418	0.5%	78,421	0.7%
Water and waste disposal	64,705	0.5%	49,350	0.4%	29,383	0.3%
Other:						
Leases	70,186	0.6%	62,694	0.5%	73,180	0.7%
Other	11,491	0.1%	15,649	0.1%	20,309	0.2%
Total	**$ 12,168,581**	**100.0%**	**$ 11,448,385**	**100.0%**	**$ 10,986,307**	**100.0%**

Northwest FCS makes 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, and loan size and structure.

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

December 31,	*2019*	*2018*	*2017*
Participations purchased	$ 2,520,429	$ 2,132,722	$ 2,039,813
Participations sold	$ 4,541,935	$ 4,308,968	$ 3,784,417

Loan concentrations by state are presented in the following table:

December 31,	*2019*	*2018*	*2017*
Washington	31.2%	31.7%	30.3%
Idaho	20.2%	21.1%	21.1%
Oregon	18.4%	18.6%	19.4%
Montana	7.6%	7.7%	7.7%
Other	22.6%	20.9%	21.5%
Total	**100.0%**	**100.0%**	**100.0%**

The following table shows the primary agricultural commodities produced by Northwest FCS customers 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. A primary business category is assigned when the commodity or industry accounts for 50 percent or more of the total value of sales for a business; however, a large percentage of agricultural operations include more than one commodity.

December 31,	*2019*	*2018*	*2017*
Dairy	11.4%	12.2%	12.0%
Fruit and tree nuts	11.1%	10.5%	9.9%
Forest products	10.4%	10.4%	10.7%
Cattle and livestock	9.3%	9.0%	8.6%
Potatoes	6.8%	7.0%	7.1%
Grains	6.3%	6.3%	6.0%
Ag processing	6.3%	6.0%	5.6%
Agricultural services	6.1%	5.8%	4.9%
Other concentrations in aggregate	32.3%	32.8%	35.2%
Total	**100.0%**	**100.0%**	**100.0%**

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

December 31,		*2019*		*2018*		*2017*
Performing loans and interest	**$**	**12,089,409**	**$**	**11,356,310**	**$**	**10,935,603**
Nonperforming assets:						
Nonaccrual loans		65,124		73,452		29,030
Restructured accrual loans		11,012		14,441		20,548
Accrual loans 90 days or more past due		3,036		4,182		1,126
Total impaired loans and interest	**$**	**79,172**	**$**	**92,075**	**$**	**50,704**
Other property owned, net		-		373		2,239
Total nonperforming assets	**$**	**79,172**	**$**	**92,448**	**$**	**52,943**
Total loans and interest	**$**	**12,168,581**	**$**	**11,448,385**	**$**	**10,986,307**
Nonaccrual loans to total loans and accrued interest		0.5%		0.6%		0.3%
Impaired loans to total loans and accrued interest		0.7%		0.8%		0.5%
Nonperforming assets to total loans and accrued interest		0.7%		0.8%		0.5%

Total nonperforming assets at December 31, 2019, decreased by $13,276 or 14.4 percent compared to December 31, 2018. Nonaccrual loans decreased by $8,328 at December 31, 2019, compared to December 31, 2018 and consist primarily of dairy, potatoes and ag processing categories. Accruing restructured loan volume decreased by $3,429 compared to December 31, 2018, primarily related to loan repayments. Loans 90 days or more past due and still accruing interest decreased by $1,146 from December 31, 2018, and were adequately secured and in the process of collection.

Nonaccrual loan changes are summarized in the following table:

Year ended December 31,		*2019*		*2018*		*2017*
Beginning balance	$	73,452	$	29,030	$	31,747
Transfer from accrual status		21,397		64,582		6,901
Return to accrual status		(6,415)		(59)		(3,461)
Charge-offs		(210)		(1,177)		(855)
Transfers to other property owned		(36)		(143)		(1,542)
Repayments, net		(23,064)		(18,781)		(3,760)
Ending balance	**$**	**65,124**	**$**	**73,452**	**$**	**29,030**

As of December 31, 2019, 2018 and 2017, nonaccrual loans that were current as to principal and interest were 59.8 percent, 62.1 percent and 48.5 percent, respectively. Additional loan information is in Note 4 to the Consolidated Financial Statements.

Allowance for Credit Losses

The allowance for credit losses is composed of the allowance for loan losses (ALL) and the reserve for unfunded lending commitments. The allowance for credit losses is the best estimate of the amount of probable losses inherent in the loan portfolio at the balance sheet date. The allowance for credit losses is determined based on a periodic evaluation of the loan portfolio and unfunded lending commitments, which generally considers types of loans, credit quality, specific industry conditions, general economic and political conditions, weather-related conditions, and changes in the character, composition and performance of the portfolio, among other factors. The allowance for credit losses is calculated based on a historical loss model that takes into consideration various risk characteristics of the loan portfolio. Northwest FCS evaluates the reasonableness of this model and determines whether adjustments to the allowance are appropriate to reflect the risks inherent in the portfolio.

Individual loans are evaluated based on the borrower's overall financial condition, resources and payment history; the prospects for support from any financially responsible guarantor; and, if appropriate, the estimated net realizable value of any collateral. The allowance for loan losses attributable to these loans is established by a process that estimates the probable loss inherent in the loans. These specific loan loss reserves at December 31, 2019, 2018 and 2017, totaled $2,242, $3,553 and $2,951, respectively. The ALL reserves, including the specific reserves, at December 31, 2019, 2018 and 2017, totaled $72,500, $78,000 and $82,000, respectively.

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

December 31,	*2019*	*2018*	*2017*
Allowance for loan losses as a percentage of:			
Total loans	0.6%	0.7%	0.8%
Nonaccrual loans	111.3%	106.2%	282.5%
Impaired loans	91.6%	84.7%	161.7%

Northwest FCS maintains a reserve for unfunded lending commitments that reflects its best estimate of losses inherent in lending commitments made to customers but not yet disbursed. Factors such as the likelihood of disbursement and loss given default are used in determining this reserve. This reserve is reported within other liabilities in the Consolidated Balance Sheets and totaled $19,500, $17,000 and $22,500 at December 31, 2019, 2018 and 2017, respectively.

Results of Operations

Net income for the year ended December 31, 2019, was $291,453, compared to $301,978 for 2018 and $250,649 for 2017. The following table provides detail of changes in the components of net income:

Change between the years ended December 31,		*2019 and 2018*		*2018 and 2017*
Increase in net interest income	$	9,923	$	14,298
(Increase) decrease in provision for credit losses		(6,104)		14,702
(Decrease) increase in noninterest income		(3,171)		22,495
Increase in noninterest expense		(11,246)		(545)
Decrease in provision for income taxes		73		379
Total (decrease) increase in net income	**$**	**(10,525)**	**$**	**51,329**

Net Interest Income: Net interest income was $9,923 higher in 2019 compared to 2018 and $14,298 higher in 2018 compared to 2017, both primarily due to an increase in the rates and volume of interest bearing assets, partially offset by an increase in the rates and volume of interest bearing liabilities. Net interest income includes $3,728, $4,314 and $4,972 of net loan fee accretion for the years ended December 31, 2019, 2018 and 2017, respectively.

Influences on net interest income from changes in effective rates on, and volume of, interest earning assets and interest bearing liabilities between the years ended December 31, 2019, and 2018, and between the years ended December 31, 2018, and 2017, are presented in the following tables:

Change between years ended December 31, 2019 and 2018		*Change in income/expense*		*Change in rate*		*Change in volume*
Interest income on total loans	$	44,017	$	21,281	$	22,736
Interest income on investment securities		10		-		10
Total interest income	**$**	**44,027**	**$**	**21,281**	**$**	**22,746**
Total interest expense		(34,104)		(25,396)		(8,708)
Net interest income	**$**	**9,923**	**$**	**(4,115)**	**$**	**14,038**

Change between years ended December 31, 2018 and 2017		*Change in income/expense*		*Change in rate*		*Change in volume*
Interest income on total loans	$	68,333	$	47,218	$	21,115
Interest income on investment securities		-		-		-
Total interest income	**$**	**68,333**	**$**	**47,218**	**$**	**21,115**
Total interest expense		(54,035)		(48,139)		(5,896)
Net interest income	**$**	**14,298**	**$**	**(921)**	**$**	**15,219**

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

Year ended December 31,		*2019*		*2018*		*2017*
Net interest income	$	339,099	$	329,176	$	314,878
Average balances:						
Total loans	$	11,490,978	$	11,026,988	$	10,554,615
Investment securities		600		-		-
Total average interest earning assets	**$**	**11,491,578**	**$**	**11,026,988**	**$**	**10,554,615**
Total average interest bearing liabilities	**$**	**9,291,588**	**$**	**8,924,157**	**$**	**8,601,956**
Average yields and rates:						
Interest earning total loans yield		5.09%		4.90%		4.47%
Interest earning investment securities yield		1.67%		0.00%		0.00%
Rate paid on interest bearing liabilities		2.64%		2.37%		1.83%
Interest rate spread		2.45%		2.53%		2.64%
Net interest margin (net interest income as a percentage of average interest earning assets)		2.95%		2.99%		2.98%

Credit loss reversal/provision for credit losses: In 2019, the credit loss reversal of $3,210 was primarily the result of improved credit quality. In 2018, the credit loss reversal of $9,314 was primarily attributed to selling the ProPartners loan portfolio to AgriBank on December 1, 2018. In 2017, the provision for credit losses of $5,388 was primarily the result of credit and collateral migrations, growth in the loan portfolio and an increase in the reserve for unfunded lending commitments.

Noninterest income: In 2019, noninterest income decreased $3,171 or 2.6 percent compared to 2018, primarily due to a decrease in patronage income of $4,146 and a decrease in other noninterest income of $1,047, offset by an increase in financially related services of $1,559. Patronage income decreased as a result of reduced patronage from CoBank, primarily related to additional patronage of $1,263 in 2019 compared to $7,180 in 2018. The decrease was partially offset by increased patronage from loan volume sold to other Farm Credit System entities. The decrease in other noninterest income was primarily due to a $2,649 refund received in 2019 from the Farm Credit System Insurance Corporation (Insurance Corporation) of excess amounts in the Farm Credit Insurance Fund (Insurance Fund) compared to a $7,124 refund received in 2018, partially offset by an increase of $2,541 related to the new investment in AgriBank effective December 1, 2018.

In 2018, noninterest income increased $22,495 or 22.5 percent compared to 2017, primarily due to an increase in patronage income of $12,611 and an increase in other noninterest income of $7,896. The increase in patronage income was primarily due to the additional patronage distribution from CoBank mentioned above and the remaining increase was due to higher patronage income on sold loan volume and an increase in the average note payable to CoBank compared to 2017. The other noninterest income increase was primarily due to the Insurance Corporation refund mentioned above. No similar refunds were received in 2017.

Noninterest expense: In 2019, noninterest expense increased $11,246 or 7.1 percent compared to 2018, primarily related to increased salaries and employee benefits of $9,078. Salaries and employee benefits increased as a result of the normal merit administration, increased cost of benefits, higher incentive compensation, and strategic increases in staffing levels.

In 2018, noninterest expenses increased $545 or 0.3 percent compared to 2017, primarily related to increased salaries and employee benefits of $3,450 and higher purchased services of $1,545, offset by a decrease in insurance fund premiums of $4,367. Salaries and employee benefits increased as a result of the normal merit administration and higher incentive compensation. The purchased services increase was primarily due to higher technology fees. The insurance fund premium decrease was due to a decline in the premium assessment of 9 basis points in 2018, compared to 15 basis points in 2017.

Salaries and employee benefits includes a reduction of $7,512, $7,313, and $7,059 in deferred loan origination costs for the years ended December 31, 2019, 2018 and 2017, respectively. Deferred loan origination costs are periodically updated to reflect cost changes, primarily related to salaries and employee benefits.

Liquidity and Funding Sources

The primary source of Northwest FCS liquidity and funding is a direct loan from CoBank that is reported as a note payable to CoBank, ACB in the Consolidated Balance Sheets. As described in Note 8 to the Consolidated Financial Statements, this direct loan is governed by a General Financing Agreement (GFA), is collateralized by a pledge of substantially all of Northwest FCS' assets and is also subject to:

- Borrowing limits, and financial and credit metrics that if not maintained can result in increases to the funding costs;
- Liquidity standards that require compliance with FCA regulations regarding liquidity and to meet this requirement, Northwest FCS is allocated a share of CoBank's liquid assets for calculation purposes; and
- Net interest income and market value of equity sensitivity requirements, which are discussed further in the 'Asset/Liability Management' section below.

Northwest FCS is currently in compliance with the GFA and does not foresee issues with obtaining funding or maintaining liquidity.

Northwest FCS plans to continue to fund lending operations primarily through its borrowing relationship with CoBank and from retained earnings. CoBank's primary source of funds is the issuance of Systemwide Debt Securities to investors through the Federal Farm Credit Banks Funding Corporation. This access has traditionally provided a dependable source of competitively priced debt that is critical for supporting the purpose of providing credit to agriculture and rural America.

Northwest FCS has a secondary source of liquidity and funding through an uncommitted Federal Funds line of credit with Wells Fargo Bank, N.A. The amount available through this line is $75,000 and is intended to provide liquidity for disaster recovery or other emergency situations. At December 31, 2019, 2018 and 2017, no balance was outstanding on this line of credit.

Asset/Liability Management

In the normal course of lending activities, Northwest FCS 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 over the long term. 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 Northwest FCS actively manages interest rate risk within the policy limits approved by the Northwest FCS Board of Directors (the board) through the strategies established by the 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, 2019. The interest rate gap analysis is a static indicator for how Northwest FCS 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, 2019	*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	$ 4,981,216	$ 214,984	$ -	$ -	$ -	$ 5,196,200
Adjustable rate loans	43,869	93,250	99,184	330,532	217,968	784,803
Fixed rate loans, prepayable	20,853	162,730	175,581	1,049,678	698,391	2,107,233
Fixed rate loans	44,579	182,724	229,122	1,819,754	1,628,116	3,904,295
Nonaccrual loans	43,731	4,651	5,581	11,161	-	65,124
Total Loans	$ 5,134,248	$ 658,339	$ 509,468	$ 3,211,125	$ 2,544,475	$ 12,057,655
Investment securities	47	39	47	15,189	-	15,322
Total interest earning assets	**$ 5,134,295**	**$ 658,378**	**$ 509,515**	**$ 3,226,314**	**$ 2,544,475**	**$ 12,072,977**
Interest bearing liabilities:						
Floating rate debt	$ 4,238,744	$ 400,000	$ 300	$ -	$ -	$ 4,639,044
Discount notes	(146)	84,699	19,922	-	-	104,475
Fixed rate debt, callable	36,928	152,596	67,709	751,294	705,202	1,713,729
Fixed rate debt	41,889	184,714	487,185	1,113,870	1,355,076	3,182,734
Effect of interest rate swaps	615,000	(25,000)	(200,000)	(385,000)	(5,000)	-
Future payment fund	194,678	-	-	-	-	194,678
Total interest bearing liabilities	**$ 5,127,093**	**$ 797,009**	**$ 375,116**	**$ 1,480,164**	**$ 2,055,278**	**$ 9,834,660**
Interest rate sensitivity gap	**$ 7,202**	**$ (138,631)**	**$ 134,399**	**$ 1,746,150**	**$ 489,197**	**$ 2,238,317**
Cumulative gap	**$ 7,202**	**$ (131,429)**	**$ 2,970**	**$ 1,749,120**	**$ 2,238,317**	
Cumulative gap/total interest-earning assets	0.06%	-1.09%	0.02%	14.49%	18.54%	

Northwest FCS' interest rate gap as of December 31, 2019, is characterized as relatively neutral. A neutral position means the impact to earnings from a change in interest rates is limited. 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 make adjustments as needed to the products and related funding strategies.

Northwest FCS' 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 the 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 when the rate on the three-month U.S. Treasury bill is less than 4 percent, FCA guidelines prescribe the Regulatory Down Policy shock measure should be used in lieu of the down 2 percent measure, with that measure equal to one-half the three-month U.S. Treasury bill rate. This was the case as of December 31, 2019, with the Regulatory Down Policy shock measure being down 0.76 percent. In the event where the current three-month U.S. Treasury bill rate is negative, Northwest FCS will coordinate with FCA and CoBank for the Regulatory Down Policy shock amount. The GFA also uses these simulation results to assess compliance with the net interest income and market value of equity sensitivity requirements, and necessary follow-up action(s), if any.

December 31, 2019	*Regulatory down policy shock*	*- 1% shock*	*+ 1% shock*	*+ 2% shock*	*+ 3% shock*
Change in net interest income	0.52%	0.53%	-0.04%	-0.21%	-0.46%
Change in market value of equity	1.76%	2.33%	-2.05%	-4.07%	-6.10%

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

As of December 31, 2019, all interest rate risk-related measures were within the board policy limits, GFA requirements and management guidelines.

Investment Securities

Northwest FCS holds investment securities primarily to maintain a liquidity reserve and to manage short-term surplus funds. In accordance with Board-approved policies, Northwest FCS purchases high credit quality investment securities with the goal of ensuring that the investment portfolio is readily marketable and available to serve as a source of liquidity in the event of disruption to

Northwest FCS' normal funding sources. Additional investment securities information is in Note 2 and Note 3 to the Consolidated Financial Statements.

Use of Derivatives

To achieve risk management objectives and satisfy the financing needs of its borrowers, Northwest FCS executes derivative transactions with CoBank. Derivatives (primarily interest rate swaps) are used to manage liquidity and the interest 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 at December 31, 2019, are shown in the following table.

	Derivative Financial Instruments at December 31, 2019			
Derivative product	*Notional amount*	*Weighted average receive rate*	*Weighted average pay rate*	*Fair value*
Receive fixed swaps	$ 615,000	2.08%	1.73%	$ 6,902
Total	**$ 615,000**	**2.08%**	**1.73%**	**$ 6,902**

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

	Notional amounts of derivative financial instruments by strategy		
Strategy	*2019*	*2018*	*2017*
Liquidity management	$ 475,000	$ 475,000	$ 375,000
Equity positioning	140,000	81,000	20,000
Total	**$ 615,000**	**$ 556,000**	**$ 395,000**

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 LIBOR. 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 Northwest FCS to issue fixed rate debt with a corresponding receive-fixed, pay-floating interest rate swap to fund assets with shorter repricing terms.

Equity Positioning

Northwest FCS also uses interest rate swaps to manage market 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, Northwest FCS enters into receive-fixed interest rate swaps to produce the desired equity investment maturity profile.

Options Risk Management

In the course of managing risk for the loan portfolio, Northwest FCS has periodically hedged the potential impact of rising interest rates on floating-rate debt.

Additional derivative information is in Note 16 to the Consolidated Financial Statements.

Uncertainty Surrounding the Future of LIBOR

In 2017, the United Kingdom's Financial Conduct Authority, which regulates the London Inter-Bank Offered Rate (LIBOR), announced its intention to stop persuading or compelling the group of major banks that sustains LIBOR to submit rate quotations after 2021. As a result, it is uncertain whether LIBOR will continue to be quoted after 2021.

In the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee (ARRC) of the Federal Reserve Board and the Federal Reserve Bank of New York. Specifically, the ARRC has proposed the Secured Overnight Financing Rate (SOFR) as the recommended alternative to LIBOR and the Federal Reserve Bank of New York began publishing SOFR in April of 2018.

In September 2018, the FCA issued guidance for System institutions to follow as they prepare for the expected phase-out of LIBOR.

Northwest FCS continues to analyze potential risks associated with the LIBOR transition, including financial, operational, legal, tax, reputational and compliance risks. At this time, Northwest FCS is unable to predict whether or when LIBOR will cease to be available or if SOFR or any other alternative reference rate will become the benchmark to replace LIBOR. Because Northwest FCS routinely engages in transactions involving financial instruments that reference LIBOR, these developments could have a material impact on Northwest FCS, Northwest FCS borrowers, investors, customers and counterparties. Northwest FCS completed its first SOFR indexed debt trade in January of 2020.

Members' Equity

Northwest FCS 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, Northwest FCS takes into account credit risk, funding and interest rate risks, contingent and off-balance sheet liabilities and other conditions warranting additional capital. Northwest FCS' capital position is reflected in the following ratio comparisons:

December 31,	*2019*	*2018*	*2017*
Debt to members' equity	3.8:1	3.7:1	3.8:1
Members' equity as a percent of total loans	22.2%	22.3%	21.7%
Members' equity as a percent of total assets	20.9%	21.1%	20.7%

Capital Regulations

The FCA regulations require Northwest FCS to maintain minimums for various regulatory capital ratios. These regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1, and total capital ratios. These regulations also added tier 1 leverage ratio, and unallocated retained earnings and equivalents leverage ratio. The permanent capital ratio continues to remain in effect, with some modifications to align with the regulations.

Management is not aware of any reasons why the regulatory capital requirements would not be met in 2020, nor is it currently or expected to be prohibited from retiring stock or distributing earnings in 2020. For additional information related to capital and related requirements and restrictions, refer to Note 9 to the Consolidated Financial Statements.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of Northwest Farm Credit Services, ACA and Subsidiaries:

We have audited the accompanying consolidated financial statements of Northwest Farm Credit Services, ACA and its subsidiaries ("the Association"), which comprise the consolidated balance sheets as of December 31, 2019, 2018 and 2017, and the related consolidated statements of income, of comprehensive income, of changes in members' equity, and of cash flows for the years then ended.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Association's preparation and fair presentation of the consolidated financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northwest Farm Credit Services, ACA and its subsidiaries as of December 31, 2019, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Salt Lake City, Utah
February 28, 2020

CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

December 31,	***2019***	***2018***	***2017***
ASSETS			
Cash	$ 57,432	$ 64,170	$ 29,904
Investment securities	15,322	-	-
Loans	12,057,655	11,345,642	10,893,385
Less: allowance for loan losses	72,500	78,000	82,000
Net loans	11,985,155	11,267,642	10,811,385
Accrued interest receivable	111,332	102,828	93,289
Investment in CoBank, ACB	403,572	384,764	368,671
Patronage receivable	67,760	64,343	58,801
Investment in other Farm Credit Institutions	49,997	49,615	34,175
Premises and equipment, net	38,068	32,731	34,184
Other assets	45,209	20,738	21,969
Total assets	$ 12,773,847	$ 11,986,831	$ 11,452,378
LIABILITIES			
Note payable to CoBank, ACB	$ 9,639,982	$ 8,969,333	$ 8,606,069
Advance conditional payments and other interest bearing liabilities	194,678	242,872	264,256
Accrued interest payable	36,654	36,433	28,391
Patronage payable	145,030	138,400	108,119
Other liabilities	83,152	70,480	78,332
Total liabilities	10,099,496	9,457,518	9,085,167
Commitments and Contingent Liabilities (Note 15)			
MEMBERS' EQUITY			
Capital stock and participation certificates	12,830	12,672	12,691
Accumulated other comprehensive loss, net of tax	(32,786)	(31,297)	(29,645)
Unallocated retained earnings	2,694,307	2,547,938	2,384,165
Total members' equity	2,674,351	2,529,313	2,367,211
Total liabilities and members' equity	$ 12,773,847	$ 11,986,831	$ 11,452,378

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

N O R T H W E S T   F A R M   C R E D I T   S E R V I C E S ,   A C A

CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands)

For the year ended December 31,	*2019*	*2018*	*2017*
NET INTEREST INCOME			
Interest income	$ 584,477	$ 540,450	$ 472,117
Interest expense	245,378	211,274	157,239
Net interest income	339,099	329,176	314,878
(Credit loss reversal) provision for credit losses	(3,210)	(9,314)	5,388
Net interest income after (credit loss reversal) provision for credit losses	342,309	338,490	309,490
NONINTEREST INCOME			
Patronage income	69,233	73,379	60,768
Financially related services	25,410	23,851	22,278
Loan and other fees	11,007	10,544	10,129
Other noninterest income	13,647	14,694	6,798
Total noninterest income	119,297	122,468	99,973
NONINTEREST EXPENSE			
Salaries and employee benefits	96,658	87,580	84,130
Purchased services	27,239	26,251	24,973
Occupancy and equipment expenses	10,335	10,948	12,309
Insurance fund premiums	7,680	7,331	11,698
Other noninterest expenses	27,118	25,674	24,129
Total noninterest expense	169,030	157,784	157,239
Income before income taxes	292,576	303,174	252,224
Provision for income taxes	1,123	1,196	1,575
Net income	$ 291,453	$ 301,978	$ 250,649

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(dollars in thousands) ***For the year ended December 31,***	***2019***	***2018***	***2017***
Net income	$ 291,453	$ 301,978	$ 250,649
Amortization of (income) costs included in net periodic pension (income) cost and other actuarial adjustments, net of deferred income tax	(1,529)	(1,460)	4,648
Net change in unrealized gain on investment securities	40	-	-
Net change in cash flow hedges	-	-	360
Other comprehensive (loss) income, net of tax	(1,489)	(1,460)	5,008
Comprehensive income	$ 289,964	$ 300,518	$ 255,657

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

(dollars in thousands)

For the year ended December 31,	***2019***	***2018***	***2017***
Balance at beginning of period	$ 2,529,313	$ 2,367,211	$ 2,219,551
Comprehensive income	289,964	300,518	255,657
Capital stock and participation certificates issued	1,410	1,310	1,275
Capital stock and participation certificates retired	(1,252)	(1,329)	(1,161)
Patronage	(145,084)	(138,397)	(108,111)
Balance at end of period	$ 2,674,351	$ 2,529,313	$ 2,367,211

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

N O R T H W E S T   F A R M   C R E D I T   S E R V I C E S ,   A C A

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

Year ended December 31,	***2019***	***2018***	***2017***
Cash flows from operating activities:			
Net income	$ 291,453	$ 301,978	$ 250,649
Adjustments to reconcile net income to net cash from operating activities:			
(Credit loss reversal) provision for credit losses	(3,210)	(9,314)	5,388
Depreciation and amortization	4,188	4,250	3,417
Net loss on early extinguishment of notes payable	4,667	3,532	4,345
Zero-coupon discount notes interest	(2,831)	703	112
Other, net	120	413	(352)
Changes in:			
Accrued interest receivable	(8,504)	(9,539)	(6,683)
Other assets	(9,774)	(7,002)	(3,123)
Accrued interest payable	221	8,042	5,308
Other liabilities	(227)	(7,730)	1,397
Net cash provided by operating activities	276,103	285,333	260,458
Cash flows from investing activities:			
Increase in loans, net	(711,839)	(452,586)	(460,026)
Increase in CoBank, ACB and other investments	(16,736)	(28,948)	(14,711)
Purchase of investment securities	(15,286)	-	-
Purchases of premises and equipment	(7,375)	(2,416)	(6,767)
Other investing activity, net	(85)	956	1,997
Net cash used in investing activities	(751,321)	(482,994)	(479,507)
Cash flows from financing activities:			
Increase in notes payable, net	661,800	364,613	299,100
Payments on early extinguishment of notes payable	(4,667)	(3,532)	(4,345)
(Decrease) increase in advanced conditional payments	(49,796)	(21,019)	7,949
Capital stock and participation certificates issued	1,410	1,310	1,275
Capital stock and participation certificates retired	(1,252)	(1,329)	(1,161)
Distribution of patronage	(138,454)	(108,116)	(99,430)
Other financing activity, net	(561)	-	-
Net cash provided by financing activities	468,480	231,927	203,388
Net (decrease) increase in cash	(6,738)	34,266	(15,661)
Cash at beginning of period	64,170	29,904	45,565
Cash at end of period	$ 57,432	$ 64,170	$ 29,904

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

NORTHWEST FARM CREDIT SERVICES, ACA

SUPPLEMENTAL CONSOLIDATED STATEMENTS OF CASH FLOWS INFORMATION

(dollars in thousands)

Year ended December 31,	***2019***	***2018***	***2017***
Supplemental schedule of non-cash investing and financing activities:			
Premises acquired under operating leases	$ (13,712)	$ -	$ -
Premises acquired under finance leases	(2,920)	-	-
Stock patronage income received from CoBank	(2,453)	(2,585)	(2,315)
Net loan (recoveries) charge-offs	(210)	186	(112)
Other non-cash activity, net	(37)	(292)	(2,051)
Supplemental cash flow information:			
Interest paid	$ 230,128	$ 182,718	$ 139,504
Income taxes paid (net of refunds)	658	727	(1,031)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except as noted)

NOTE 1 – Organization and Operations

Organization

Northwest Farm Credit Services, ACA and its subsidiaries, Northwest Farm Credit Services, FLCA (the Federal Land Credit Association (FLCA)) and Northwest Farm Credit Services, PCA (the Production Credit Association (PCA)), (collectively referred to as Northwest FCS), is a customer-member cooperative that provides credit and financially related services to or for the benefit of eligible customers primarily in the states of Washington, Idaho, Oregon, Montana and Alaska.

Northwest FCS is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations, which was established 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). The System is composed of three Farm Credit Banks (FCBs), one Agricultural Credit Bank (ACB) and 68 associations.

CoBank, ACB, and its wholly-owned subsidiaries (CoBank or Bank), 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. The District consists of CoBank and 22 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- and intermediate-term loans 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 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 (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 System-wide 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 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.

Operations

The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow, and financially related services that Northwest FCS can offer. Northwest FCS 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.

Northwest FCS 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, Northwest FCS offers services to customers such as fee appraisals, business management education and planning services.

Northwest FCS, 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, 2019, Northwest FCS owned approximately 13 percent of AgDirect.

Northwest FCS joined an alliance with other System Institutions 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. Effective December 1, 2018, Northwest FCS sold its 10 percent share of the loan portfolio to AgriBank, FCB (AgriBank). As part of the agreement with AgriBank, Northwest FCS will invest 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 Northwest FCS. The CoBank Annual Report is available free of charge on CoBank's website, www.cobank.com. Upon request, stockholders of Northwest FCS 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 Northwest FCS 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.

Reclassifications

Certain amounts in prior years' financial statements have been reclassified to conform to current financial statement presentation. There are reclassifications within the Consolidated Balance Sheets, Consolidated Statements of Cash Flows and Note 10 - Taxes.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. 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.

Significant Accounting Policies

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.

Investment Securities

Northwest FCS' investment securities portfolio began in December of 2019. In accordance with FCA regulations, Northwest FCS, with the approval of CoBank, may purchase and hold investments. Northwest FCS must identify and evaluate how the investments contribute to managing risk. Only debt securities issued by, or unconditionally guaranteed or insured as to the timely payment of principal and interest by the United States Government or its agencies are investments Northwest FCS may acquire. The total amount of investments allowed must not exceed 10 percent of the Northwest FCS' 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 that are reported as a separate component of members' equity (accumulated other comprehensive income (loss)). Changes in the fair value of these investments are reflected as direct charges or credits to other comprehensive income, unless the investment is deemed to be other-than-temporarily impaired. Impairment is considered to be other-than-temporary if the present value of cash flows expected to be collected from the debt security is less than the amortized cost basis of the security (any such shortfall is referred to as a "credit loss"). If Northwest FCS 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 impairment is other-than-temporary and should be recognized currently in earnings in an amount equal to the entire difference between fair value and amortized cost. If a credit loss exists, but

Northwest FCS does not intend to sell the impaired debt security and is not more likely than not to be required to sell before recovery, the impairment is other-than-temporary and should be separated into (i) the estimated amount relating to credit loss, and (ii) the amount relating to all other factors. Only the estimated credit loss amount is recognized currently in earnings, with the remainder of the loss amount recognized in accumulated other comprehensive income (loss).

In subsequent periods, if the present value of cash flows expected to be collected is less than the amortized cost basis, Northwest FCS would record an additional other-than-temporary impairment and adjust the yield of the security prospectively. The amount of total other-than-temporary impairment for an available-for-sale security that previously was impaired is determined as the difference between its carrying amount prior to the determination of other-than-temporary impairment and its fair value.

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

For additional information, refer to Note 3.

Loans and Allowance for Credit Losses

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 carried at their principal amount outstanding adjusted for charge-offs, deferred loan fees or costs and purchase premiums or discounts. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. Loan origination fees and direct loan origination costs are capitalized, and the net fee or cost is amortized over the estimated life of the related loan as an adjustment to yield. These deferred origination costs are periodically evaluated. Unamortized net loan origination fees included as an offset to loans in the Consolidated Balance Sheets were $18,993, $16,908 and $16,574 as of December 31, 2019, 2018 and 2017, respectively.

Northwest FCS 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, Northwest FCS 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.

Impaired loans are loans for which it is probable that not all principal and interest will be collected according to the contractual terms of the loan and are generally considered substandard or doubtful, which is in accordance with the FCA Uniform Classification System. Impaired loans include nonaccrual loans, restructured loans and loans past due 90 days or more and still accruing interest. 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 formally restructured 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.

A restructured loan constitutes a troubled debt restructuring if for economic or legal reasons related to the debtor's financial difficulties, Northwest FCS grants a concession to the debtor that it would not otherwise consider. Concessions vary, are borrower specific and may include any of the following: interest rate reductions, term extensions or adjustments, or loan reamortization. In rare cases, principal obligations may be reduced. If the borrower's ability to meet the revised payment schedule is uncertain, the loan is classified as a nonaccrual loan.

Loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days or more (unless adequately secured and in the process of collection) or circumstances indicate that collection of principal and/or interest is in doubt. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is reversed (if accrued in the current year) and/or charged against the allowance for loan losses (if accrued in the prior year). Loans are charged-off at the time they are determined to be uncollectible.

When loans are in nonaccrual status, loan payments are generally applied against the recorded nonaccrual balance. A nonaccrual loan may, at times, be maintained on a cash basis. As a cash basis nonaccrual loan, the recognition of interest income from cash payments received is allowed when the collectability of the recorded investment in the loan is no longer in doubt and the loan does not have a remaining unrecovered charge-off associated with it. Nonaccrual loans may be returned to accrual status when all contractual principal and interest are current, the borrower has demonstrated payment performance, there are no unrecovered prior charge-offs and collection of future payments are no longer in doubt. 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 is first recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

Northwest FCS uses a two-dimensional loan risk rating model based on internally generated combined System risk rating guidance that incorporates a 14-point scale to identify and track the probability of borrower default and a separate scale addressing loss given default. Probability of default is the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. 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 is past due more than 90 days. The loss given default is management's estimate as to the anticipated economic loss on a specific loan assuming default has occurred or is expected to occur within the next 12 months.

Each of the probability of default categories carries a distinct percentage of default probability. The 14-point scale provides for granularity of the probability of default, especially in the acceptable ratings. There are nine acceptable categories that range from a borrower of the highest quality to a borrower of minimally acceptable quality. The probability of default between 1 and 9 is very narrow and would reflect almost no default to a minimal default percentage. The probability of default grows more rapidly as a loan moves from a "9" to other assets especially mentioned (viable) and grows significantly as a loan moves to a substandard (non-viable) level. A substandard rating indicates that the probability of default is almost certain.

The credit risk rating methodology is a key component of Northwest FCS' allowance for loan losses evaluation, and is generally incorporated into its loan underwriting standards, pricing and internal lending limits. The allowance for loan losses is maintained at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio. The allowance is increased through provisions for loan losses and loan recoveries and is decreased through loan loss reversals and loan charge-offs. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, environmental conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions and prior loan loss experience. The allowance for loan losses encompasses various judgments, evaluations and appraisals with respect to the loans and their underlying security that, by their nature, contain elements of uncertainty, imprecision and variability. Changes in the agricultural economy and environment, and their impact on borrower repayment capacity, will cause various judgments, evaluations and appraisals to change over time. Accordingly, actual circumstances could vary significantly from Northwest FCS' expectations and estimates. Macro-economic factors that management considers in determining and supporting the level of allowance for loan losses include, but are not limited to, the loan portfolio composition and concentrations, collateral values, commodity prices, import/export levels, government assistance programs, regional and global economic effects and weather-related influences.

The allowance for loan losses includes components for loans individually evaluated for impairment and loans collectively evaluated for impairment. Generally, loans individually evaluated in the allowance for loan losses represent 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. For those loans collectively evaluated for impairment, the allowance for loan losses is determined using the risk rating model as previously discussed.

The reserve for unfunded lending commitments is based on management's best estimate of losses inherent in lending commitments made to customers but not yet disbursed. Factors such as likelihood of disbursal and likelihood of losses given default are used in determining this contingency. 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.

For additional information, refer to Note 4.

Investment in CoBank, ACB

Northwest FCS' investment in CoBank is in the form of Class A stock. The minimum required investment is 4 percent of Northwest FCS' prior year's average direct loan volume. In addition, Northwest FCS is required to capitalize its patronage-based participation loans sold to CoBank at 8 percent of Northwest FCS' prior 10-year average balance of such participations sold to CoBank. The investment in CoBank is composed of purchased stock and stock received as patronage. Accounting for this investment is on the cost plus allocated equities basis. Northwest FCS owned approximately 11 percent of the outstanding common stock of CoBank at December 31, 2019. For additional information, refer to Note 5.

Patronage Receivable

Northwest FCS records patronage receivables on an accrual basis, primarily related to patronage from CoBank. Under the current CoBank capital plan, they distribute patronage from Northwest FCS' 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 provided on the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows: Buildings are 40 years; leasehold improvements are the lesser of the remaining lease term or 10 years; and furniture and equipment are one to seven years. Land is carried at cost and is not depreciated. Gains and losses on dispositions are reflected in other noninterest expenses in the Consolidated Statements of Income. Maintenance and repairs are charged to occupancy and equipment expense and significant improvements are capitalized. For additional information, refer to Note 6.

Leases

Northwest FCS 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 in 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 in the Consolidated Balance Sheets.

ROU assets represent Northwest FCS' 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, Northwest FCS generally uses the incremental borrowing rate based on the estimated rate of interest for 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. Northwest FCS' lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

For additional information, refer to Note 7.

Advanced Conditional Payments

Northwest FCS 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 in the Consolidated Balance Sheets. Advanced conditional payments are not insured. Interest is paid by Northwest FCS on such accounts.

Patronage Payable

Northwest FCS 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 Northwest FCS participate in the Farm Credit Foundations Defined Contribution/401(k) Retirement Plan (Defined Contribution Plan) or the Defined Benefit Pension Plan (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 Pension Plan uses the Projected Unit Credit actuarial method for funding purposes and for financial reporting purposes.

The Defined Contribution Plan has two components. In this plan, Northwest FCS 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 Northwest FCS 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.

Certain management or highly compensated employees who participate in the Pension Plan also participate in a nonqualified Northwest FCS Defined Benefit Restoration Plan (Restoration Plan). Each eligible employee whose retirement benefit under the Pension Plan is limited by IRC Sections 401(a) (17), 415, or any code provision or government regulations subsequently issued, will receive a benefit if these programs are continued. Under the current plan, the monthly benefit is equal to the difference between the participant's actual monthly retirement benefit payment under the Pension Plan and the monthly retirement benefit payment that would be payable to the participant under the Pension Plan if the limitations of IRC Sections 401(a) (17), 415, or any code provision or government regulations subsequently issued, did not apply. For additional information, refer to Note 11.

Income Taxes

As previously described, Northwest Farm Credit Services, 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. Noninterest expenses are allocated to each subsidiary based on estimated relative service. 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 Idaho, Oregon, Montana, Alaska and California. 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. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. Northwest FCS 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 10.

Deferred taxes are recorded on the tax effect of all temporary differences based on the assumption such temporary differences are retained by Northwest FCS 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 Northwest FCS' expected qualified patronage refunds that reduce taxable earnings.

Deferred income taxes have not been provided by Northwest FCS on stock patronage distributions received from the Bank 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 the Bank, or if converted to cash, to pass through any distribution related to pre-1993 earnings to Northwest FCS' stockholders through qualified patronage allocations.

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

Other Comprehensive Income (Loss)

Other comprehensive income (loss) is a measure of all changes in the equity of Northwest FCS 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 composed of adjustments related to Northwest FCS' investment securities available-for-sale, Pension Plan and Restoration Plan as well as adjustments related to derivative contracts used to manage interest rate and foreign currency exchange rate risk on assets. For additional information, refer to Note 9.

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 1 assets include assets held in trust funds, which relate to amounts in a deferred compensation and a supplemental retirement plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

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. Investment securities are classified as Level 2 and are determined by a third-party pricing service that uses valuation models to estimate current market prices. Inputs and assumptions related to these models are typically observable in the marketplace. Pension Plan assets that are derived from observable inputs are included in Level 2.

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 Companies (RBICs). Pension Plan assets that are supported by little or no market data in determining the fair value are included in Level 3.

The fair value disclosures are presented in Note 11 and Note 14.

Derivative Instruments and Hedging Activity

In the normal course of business, Northwest FCS enters into derivative financial instruments that are principally used to manage interest rate and foreign currency exchange rate risk on assets. Derivatives are recorded in the Consolidated Balance Sheets as other assets and other liabilities at fair value.

Changes in the fair value of derivatives are recorded in current period earnings or accumulated other comprehensive income (loss), depending on the use of the derivative and whether it qualifies for hedge accounting. For fair value hedge transactions that hedge changes in the fair value of assets, liabilities or firm commitments, 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 cash flow hedge transactions, in which Northwest FCS is hedging the variability of future cash flows related to a variable-rate asset, liability or a forecasted transaction, changes in the fair value of the derivative will generally be deferred and reported in accumulated other comprehensive income (loss). The gains and losses on the derivative that are deferred and reported in accumulated other comprehensive income (loss) will be reclassified as earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portion of all hedges is recorded in current period earnings. For derivatives not designated for hedge accounting, the related change in fair value is recorded in current period earnings.

Northwest FCS 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 or cash flow hedges to (1) specific assets or liabilities in the Consolidated Balance Sheets, or (2) firm commitments or forecasted transactions. Northwest FCS 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 or cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. Northwest FCS 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 or cash flows 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 or cash flow hedge, or if management removes the hedge designation, Northwest FCS 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 discontinued cash flow hedges, Northwest FCS amortizes the component of other comprehensive income (loss) to net interest income over the original term of the hedge contract.

For additional information, refer to Note 16.

Off-Balance Sheet Credit Exposures

Commitments to extend credit are agreements to lend to customers. The commitments generally have 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.

Investment in Rural Business Investment Companies

Northwest FCS and other System institutions are among the limited partners invested in three Rural Business Investment Companies (RBICs). The RBICs facilitate equity and debt investments in agriculture-related businesses that create growth and job opportunities in rural America. The RBICs are included in other assets in the Consolidated Balance Sheets. Accounting for these investments are on the cost method and are assessed for impairment on a quarterly basis. If impairment exists, losses would be included in other noninterest income on the Consolidated Statements of Income in the year of impairment.

Recently Issued or Adopted Accounting Pronouncements

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

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

In August 2018, the FASB issued guidance, Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement. The guidance modifies the requirements on fair value measurements by removing, modifying or adding to the disclosures. This guidance becomes effective for interim and annual periods beginning after December 15, 2019. Early adoption is permitted and an entity is permitted to early adopt any removal or modified disclosures and delay adoption of the additional disclosures until their effective date. Northwest FCS adopted the removal and modified disclosures as of December 31, 2018.

In August 2017, the FASB issued guidance, Targeted Improvements to Accounting for Hedging Activities. The guidance better aligns an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments in this guidance require an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. This guidance also addresses the timing of effectiveness testing, qualitative and quantitative effectiveness testing and components that can be excluded from effectiveness testing. This guidance became effective for interim and annual periods beginning after December 15, 2018. The adoption of this guidance did not have a material impact on Northwest FCS' financial condition or results of operations, but did impact the derivative disclosures.

In June 2016, the FASB issued guidance, Measurement of Credit Losses on Financial Instruments. The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance becomes effective for interim and annual periods beginning after December 15, 2020, with early application permitted. In November 2019, the FASB issued an update that amends the mandatory effective date for this guidance for certain institutions. As a result of the change, the new credit loss standard becomes effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. Northwest FCS is currently assessing the impact this guidance will have on its financial statements upon adoption, which will be partially dependent on the composition of its portfolio and asset quality at the adoption date, as well as economic conditions and forecasts at the time of adoption. Implementation efforts are underway and include the development and testing of Northwest FCS' system, data requirements, guidance interpretation and related accounting policy decisions and consideration of relevant internal processes and controls.

In February 2016, the FASB issued guidance, Leases. The guidance requires the recognition by lessees of lease assets and lease liabilities on the balance sheet for the rights and obligations created by those leases. Leases with lease terms of more than 12 months are impacted by this guidance. This guidance became effective for interim and annual periods beginning after December 15, 2018. The adoption of this guidance did not materially impact Northwest FCS' financial condition or its results of operations but did impact lease disclosures. Northwest FCS adopted this guidance on January 1, 2019. For additional information, refer to Note 7.

NOTE 3 – Investment Securities

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

December 31, 2019	*Amortized cost*	*Gross unrealized gains*	*Gross unrealized losses*	*Fair value*
U.S. Treasury debt securities	$ 15,282	$ 40	$ -	$ 15,322
Total	**$ 15,282**	**$ 40**	**$ -**	**$ 15,322**

A summary of the contractual maturity, amortized cost, fair value and weighted average yield of investment securities by investment category at December 31, 2019 is as follows:

	Contractual Maturity				
December 31, 2019	*In one year or less*	*One to five years*	*Five to ten years*	*After ten years*	*Total*
U.S. Treasury debt securities					
Amortized cost	$ -	$ 15,282	$ -	$ -	**$ 15,282**
Fair value	$ -	$ 15,322	$ -	$ -	**$ 15,322**
Weighted average yield	0.00%	1.72%	0.00%	0.00%	**1.72%**

See Note 14 for disclosures about estimated fair values of financial instruments, including investments.

NOTE 4 – Loans and Allowance for Credit Losses

A summary of loans follows:

December 31,	*2019*	*2018*	*2017*
Real estate mortgage	$ 5,659,839	$ 5,276,940	$ 5,042,939
Production and intermediate-term	3,243,531	2,964,171	2,864,680
Agribusiness	2,195,455	2,117,212	1,906,381
Rural residential real estate	525,790	607,835	694,753
Rural infrastructure	351,661	301,544	291,655
Other	81,379	77,940	92,977
Total loans	**$ 12,057,655**	**$ 11,345,642**	**$ 10,893,385**

Northwest FCS may purchase or sell loan participation interests with other entities to diversify risk, manage loan volume and comply with FCA regulations. The following tables present information regarding participations purchased and sold. Participations purchased volume in the tables exclude syndications and purchases of other interests in loans:

	Farm Credit institutions		*Non- Farm Credit institutions*		*Total*	
December 31, 2019	*Participations purchased*	*Participations sold*	*Participations purchased*	*Participations sold*	*Participations purchased*	*Participations sold*
Real estate mortgage	$ 498,613	$ 608,998	$ 29	$ 3	$ 498,642	$ 609,001
Production and intermediate-term	607,058	3,144,724	506	-	607,564	3,144,724
Agribusiness	989,627	777,729	3,000	10,481	992,627	788,210
Rural infrastructure	351,661	-	-	-	351,661	-
Other	69,935	-	-	-	69,935	-
Total	**$ 2,516,894**	**$ 4,531,451**	**$ 3,535**	**$ 10,484**	**$ 2,520,429**	**$ 4,541,935**

	Farm Credit institutions		*Non- Farm Credit institutions*		*Total*	
December 31, 2018	*Participations purchased*	*Participations sold*	*Participations purchased*	*Participations sold*	*Participations purchased*	*Participations sold*
Real estate mortgage	$ 421,870	$ 564,831	$ 46	$ 11	$ 421,916	$ 564,842
Production and intermediate-term	517,569	2,875,582	1,220	-	518,789	2,875,582
Agribusiness	827,709	855,863	408	12,681	828,117	868,544
Rural infrastructure	301,544	-	-	-	301,544	-
Other	62,356	-	-	-	62,356	-
Total	**$ 2,131,048**	**$ 4,296,276**	**$ 1,674**	**$ 12,692**	**$ 2,132,722**	**$ 4,308,968**

	Farm Credit institutions		*Non- Farm Credit institutions*		*Total*	
December 31, 2017	*Participations purchased*	*Participations sold*	*Participations purchased*	*Participations sold*	*Participations purchased*	*Participations sold*
Real estate mortgage	$ 402,664	$ 526,742	$ 109	$ 20	$ 402,773	$ 526,762
Production and intermediate-term	450,425	2,535,015	2,507	-	452,932	2,535,015
Agribusiness	819,709	709,823	-	12,817	819,709	722,640
Rural infrastructure	291,655	-	-	-	291,655	-
Other	72,744	-	-	-	72,744	-
Total	**$ 2,037,197**	**$ 3,771,580**	**$ 2,616**	**$ 12,837**	**$ 2,039,813**	**$ 3,784,417**

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

- Acceptable – Assets are expected to be fully collectible and represent the highest quality.
- Other assets especially mentioned (OAEM) – Assets are currently collectible but exhibit some potential weakness.
- Substandard – Assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan.

- Doubtful – Assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable.
- Loss – Assets are considered uncollectible.

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies but typically includes farmland and income-producing property, such as crops and livestock; machinery and equipment; and inventories and receivables. Long-term real estate loans are secured by first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (97 percent if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of Northwest FCS in the collateral, may result in loan-to-value ratios in excess of the regulatory maximum.

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

December 31, 2019	*Acceptable*	*OAEM*	*Substandard/ doubtful*	*Total*
Real estate mortgage	93.9%	3.1%	3.0%	100.0%
Production and intermediate-term	91.4%	3.1%	5.5%	100.0%
Agribusiness	96.2%	2.3%	1.5%	100.0%
Rural residential real estate	96.4%	1.1%	2.5%	100.0%
Rural infrastructure	95.4%	0.0%	4.6%	100.0%
Other	92.3%	1.9%	5.8%	100.0%
Total	**93.8%**	**2.8%**	**3.4%**	**100.0%**

December 31, 2018	*Acceptable*	*OAEM*	*Substandard/ doubtful*	*Total*
Real estate mortgage	91.8%	3.5%	4.7%	100.0%
Production and intermediate-term	89.9%	3.5%	6.6%	100.0%
Agribusiness	94.6%	2.7%	2.7%	100.0%
Rural residential real estate	96.4%	1.3%	2.3%	100.0%
Rural infrastructure	98.0%	2.0%	0.0%	100.0%
Other	93.0%	1.8%	5.2%	100.0%
Total	**92.2%**	**3.2%**	**4.6%**	**100.0%**

December 31, 2017	*Acceptable*	*OAEM*	*Substandard/ doubtful*	*Total*
Real estate mortgage	92.6%	4.4%	3.0%	100.0%
Production and intermediate-term	90.4%	4.9%	4.7%	100.0%
Agribusiness	94.3%	1.5%	4.2%	100.0%
Rural residential real estate	98.0%	0.6%	1.4%	100.0%
Rural infrastructure	100.0%	0.0%	0.0%	100.0%
Other	94.4%	0.7%	4.9%	100.0%
Total	**92.9%**	**3.6%**	**3.5%**	**100.0%**

Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. The following table presents information related to impaired loans, including accrued interest, where applicable:

December 31,		*2019*		*2018*		*2017*
Nonaccrual loans:						
Current as to principal and interest	$	38,938	$	45,607	$	14,077
Past due		26,186		27,845		14,953
Total nonaccrual loans	**$**	**65,124**	**$**	**73,452**	**$**	**29,030**
Impaired accrual loans:						
Restructured accrual loans	$	11,012	$	14,441	$	20,548
Accrual loans 90 days or more past due		3,036		4,182		1,126
Total impaired accrual loans	**$**	**14,048**	**$**	**18,623**	**$**	**21,674**
Total impaired loans	**$**	**79,172**	**$**	**92,075**	**$**	**50,704**

Commitments to lend additional funds to borrowers whose loans were classified as impaired at December 31, 2019, 2018 and 2017 totaled $4,403, $4,236 and $84, respectively.

Nonperforming assets consist of impaired loans and other property owned. The following table presents these nonperforming assets, including related accrued interest where applicable:

December 31,		*2019*		*2018*		*2017*
Nonaccrual loans:						
Real estate mortgage	$	25,303	$	26,802	$	16,582
Production and intermediate-term		23,124		16,096		10,692
Agribusiness		11,030		22,753		238
Rural residential real estate		2,094		3,740		1,124
Other		3,573		4,061		394
Total nonaccrual loans	**$**	**65,124**	**$**	**73,452**	**$**	**29,030**
Accruing restructured loans:						
Real estate mortgage	$	1,575	$	3,998	$	6,050
Production and intermediate-term		8,247		8,670		12,589
Agribusiness		-		-		21
Rural residential real estate		1,190		1,773		1,888
Total accruing restructured loans	**$**	**11,012**	**$**	**14,441**	**$**	**20,548**
Accruing loans 90 days or more past due:						
Real estate mortgage	$	-	$	1,274	$	-
Production and intermediate-term		3,036		2,908		403
Rural residential real estate		-		-		723
Total accruing loans 90 days or more past due	**$**	**3,036**	**$**	**4,182**	**$**	**1,126**
Total impaired loans	**$**	**79,172**	**$**	**92,075**	**$**	**50,704**
Other property owned		-		373		2,239
Total nonperforming assets	**$**	**79,172**	**$**	**92,448**	**$**	**52,943**

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

December 31, 2019		*Recorded investment**		*Unpaid principal balance***		*Related allowance*		*Average impaired loans*		*Interest income recognized on impaired loans*
Impaired loans with a related allowance for loan losses:										
Real estate mortgage	$	-	$	-	$	-	$	-	$	-
Production and intermediate-term		889		853		782		4,042		-
Agribusiness		6,843		7,440		1,460		7,246		-
Rural residential real estate		-		-		-		262		-
Other		-		-		-		-		-
Total impaired loans with a related allowance	**$**	**7,732**	**$**	**8,293**	**$**	**2,242**	**$**	**11,550**	**$**	**-**
Impaired loans with no related allowance for loan losses:										
Real estate mortgage	$	26,878	$	27,939	$	-	$	30,533	$	1,340
Production and intermediate-term		33,518		37,531		-		27,911		1,164
Agribusiness		4,187		6,078		-		13,258		26
Rural residential real estate		3,284		3,437		-		4,401		328
Other		3,573		3,584		-		3,679		241
Total impaired loans with no related allowance	**$**	**71,440**	**$**	**78,569**	**$**	**-**	**$**	**79,782**	**$**	**3,099**
Total impaired loans:										
Real estate mortgage	$	26,878	$	27,939	$	-	$	30,533	$	1,340
Production and intermediate-term		34,407		38,384		782		31,953		1,164
Agribusiness		11,030		13,518		1,460		20,504		26
Rural residential real estate		3,284		3,437		-		4,663		328
Other		3,573		3,584		-		3,679		241
Total impaired loans	**$**	**79,172**	**$**	**86,862**	**$**	**2,242**	**$**	**91,332**	**$**	**3,099**

**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.*

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

December 31, 2018	Recorded investment*	Unpaid principal balance**	Related allowance	Average impaired loans	Interest income recognized on impaired loans
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ -	$ -	$ -	$ 10,936	$ -
Production and intermediate-term	768	1,003	174	4,080	-
Agribusiness	7,719	8,010	3,371	7,119	-
Rural residential real estate	341	326	8	462	-
Other	-	-	-	344	-
Total impaired loans with a related allowance	**$ 8,828**	**$ 9,339**	**$ 3,553**	**$ 22,941**	**$ -**
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 32,074	$ 32,073	$ -	$ 22,973	$ 705
Production and intermediate-term	26,906	30,456	-	23,813	1,351
Agribusiness	15,034	15,591	-	10,084	114
Rural residential real estate	5,172	5,355	-	3,668	271
Other	4,061	4,100	-	2,176	148
Total impaired loans with no related allowance	**$ 83,247**	**$ 87,575**	**$ -**	**$ 62,714**	**$ 2,589**
Total impaired loans:					
Real estate mortgage	$ 32,074	$ 32,073	$ -	$ 33,909	$ 705
Production and intermediate-term	27,674	31,459	174	27,893	1,351
Agribusiness	22,753	23,601	3,371	17,203	114
Rural residential real estate	5,513	5,681	8	4,130	271
Other	4,061	4,100	-	2,520	148
Total impaired loans	**$ 92,075**	**$ 96,914**	**$ 3,553**	**$ 85,655**	**$ 2,589**

**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.*

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

December 31, 2017	Recorded investment*	Unpaid principal balance**	Related allowance	Average impaired loans	Interest income recognized on impaired loans
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ 10,172	$ 10,879	$ 1,851	$ 10,603	$ -
Production and intermediate-term	1,918	2,263	1,100	1,757	-
Agribusiness	-	-	-	40	-
Rural residential real estate	-	-	-	141	-
Other	-	-	-	-	-
Total impaired loans with a related allowance	**$ 12,090**	**$ 13,142**	**$ 2,951**	**$ 12,541**	**$ -**
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 12,460	$ 12,591	$ -	$ 15,037	$ 897
Production and intermediate-term	21,766	26,987	-	28,275	1,571
Agribusiness	259	259	-	527	6
Rural residential real estate	3,735	3,927	-	3,738	313
Other	394	404	-	393	-
Total impaired loans with no related allowance	**$ 38,614**	**$ 44,168**	**$ -**	**$ 47,970**	**$ 2,787**
Total impaired loans:					
Real estate mortgage	$ 22,632	$ 23,470	$ 1,851	$ 25,640	$ 897
Production and intermediate-term	23,684	29,250	1,100	30,032	1,571
Agribusiness	259	259	-	567	6
Rural residential real estate	3,735	3,927	-	3,879	313
Other	394	404	-	393	-
Total impaired loans	**$ 50,704**	**$ 57,310**	**$ 2,951**	**$ 60,511**	**$ 2,787**

**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.*

***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. The following table presents interest income recognized on impaired loans:

Year ended December 31,	2019	2018	2017
Interest income recognized on:			
Nonaccrual loans	$ 2,065	$ 1,136	$ 988
Restructured accrual loans	707	977	1,309
Accrual loans 90 days or more past due	327	476	490
Interest income recognized on impaired loans	**$ 3,099**	**$ 2,589**	**$ 2,787**

Interest income on nonaccrual and accruing restructured loans that would have been recognized under the original loan terms were as follows:

Year ended December 31,	*2019*	*2018*	*2017*
Interest income which would have been recognized under the original loan terms	$ 6,080	$ 5,188	$ 3,322
Less: interest income recognized	(2,772)	(2,113)	(2,297)
Foregone (recognized) interest income	**$ 3,308**	**$ 3,075**	**$ 1,025**

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

December 31, 2019	*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	$ 5,722,312	$ 11,368	$ 3,320	$ 14,688	$ 5,737,000	$ -
Production and intermediate-term	3,226,051	32,211	7,841	40,052	3,266,103	3,036
Agribusiness	2,203,173	55	808	863	2,204,036	-
Rural residential real estate	524,095	3,004	314	3,318	527,413	-
Rural infrastructure	352,352	-	-	-	352,352	-
Other	78,723	2,954	-	2,954	81,677	-
Total	**$ 12,106,706**	**$ 49,592**	**$ 12,283**	**$ 61,875**	**$ 12,168,581**	**$ 3,036**

December 31, 2018	*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	$ 5,304,210	$ 24,832	$ 18,002	$ 42,834	$ 5,347,044	$ 1,274
Production and intermediate-term	2,950,152	23,296	11,373	34,669	2,984,821	2,908
Agribusiness	2,124,928	1,201	210	1,411	2,126,339	-
Rural residential real estate	604,004	3,796	1,900	5,696	609,700	-
Rural infrastructure	302,138	-	-	-	302,138	-
Other	77,372	971	-	971	78,343	-
Total	**$ 11,362,804**	**$ 54,096**	**$ 31,485**	**$ 85,581**	**$ 11,448,385**	**$ 4,182**

December 31, 2017	*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	$ 5,088,161	$ 12,924	$ 4,640	$ 17,564	$ 5,105,725	$ -
Production and intermediate-term	2,862,186	12,721	8,867	21,588	2,883,774	403
Agribusiness	1,910,226	3,390	238	3,628	1,913,854	-
Rural residential real estate	689,682	6,468	842	7,310	696,992	723
Rural infrastructure	292,473	-	-	-	292,473	-
Other	85,583	7,904	2	7,906	93,489	-
Total	**$ 10,928,311**	**$ 43,407**	**$ 14,589**	**$ 57,996**	**$ 10,986,307**	**$ 1,126**

** 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.*

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider.

The following table presents additional information regarding TDRs:

Year ended December 31,	*2019*		*2018*		*2017*	
	Pre-modification outstanding recorded investment	*Post-modification outstanding recorded investment*	*Pre-modification outstanding recorded investment*	*Post-modification outstanding recorded investment*	*Pre-modification outstanding recorded investment*	*Post-modification outstanding recorded investment*
Troubled debt restructurings:						
Real estate mortgage	$ 11,926	$ 11,926	$ 386	$ 403	$ -	$ -
Production and intermediate-term	10,725	10,725	6,628	6,628	504	507
Agribusiness	545	545	7,857	8,402	461	451
Total	**$ 23,196**	**$ 23,196**	**$ 14,871**	**$ 15,433**	**$ 965**	**$ 958**

Note: Pre-modification represents the recorded investment just prior to restructuring and post-modification represents the recorded investment immediately following the restructuring. The recorded investment is the face amount of the receivable 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.

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,	*2019*	*2018*	*2017*
Troubled debt restructurings that subsequently defaulted:			
Production and intermediate-term	$ 492	$ -	$ 32
Agribusiness	-	7,680	-
Total	**$ 492**	**$ 7,680**	**$ 32**

The following table provides information on outstanding TDRs. These loans are included as impaired loans in the impaired loans tables.

December 31,	*2019*		*2018*		*2017*	
	Loans modified as TDRs	*TDRs in nonaccrual status*	*Loans modified as TDRs*	*TDRs in nonaccrual status*	*Loans modified as TDRs*	*TDRs in nonaccrual status*
TDRs:						
Real estate mortgage	$ 14,473	$ 12,898	$ 5,042	$ 1,044	$ 6,830	$ 780
Production and intermediate-term	25,634	17,387	16,263	7,593	14,487	1,898
Agribusiness	6,619	6,619	7,680	7,680	21	-
Rural residential real estate	1,190	-	1,773	-	1,888	-
Total	**$ 47,916**	**$ 36,904**	**$ 30,758**	**$ 16,317**	**$ 23,226**	**$ 2,678**

Summaries of the changes in the allowance for loan losses and the ending balance of loans and accrued interest outstanding are as follows:

	Real estate mortgage	Production and intermediate-term	Agribusiness	Rural residential real estate	Rural infrastructure	Other	Total
Allowance for loan losses:							
Balance at December 31, 2018	$ 20,955	$ 30,871	$ 20,715	$ 2,693	$ 1,751	$ 1,015	78,000
Charge-offs	(20)	(176)	(13)	(1)	-	-	(210)
Recoveries	73	321	8	18	-	-	420
(Loan loss reversal) provision for loan losses	(2,176)	(1,992)	(2,308)	(613)	836	543	(5,710)
Balance at December 31, 2019	**$ 18,832**	**$ 29,024**	**$ 18,402**	**$ 2,097**	**$ 2,587**	**$ 1,558**	**$ 72,500**
Ending balance: Allowance individually evaluated for impairment	$ -	$ 782	$ 1,460	$ -	$ -	$ -	$ 2,242
Ending balance: Allowance collectively evaluated for impairment	18,832	28,242	16,942	2,097	2,587	1,558	70,258
Balance at December 31, 2019	**$ 18,832**	**$ 29,024**	**$ 18,402**	**$ 2,097**	**$ 2,587**	**$ 1,558**	**$ 72,500**
Recorded investments in loans outstanding:							
Ending balance: Loans individually evaluated for impairment	$ 26,878	$ 31,371	$ 11,030	$ 3,284	$ -	$ 3,573	$ 76,136
Ending balance: Loans collectively evaluated for impairment	5,710,122	3,234,732	2,193,006	524,129	352,352	78,104	12,092,445
Balance at December 31, 2019	**$ 5,737,000**	**$ 3,266,103**	**$ 2,204,036**	**$ 527,413**	**$ 352,352**	**$ 81,677**	**$ 12,168,581**

	Real estate mortgage	Production and intermediate-term	Agribusiness	Rural residential real estate	Rural infrastructure	Other	Total
Allowance for loan losses:							
Balance at December 31, 2017	$ 21,823	$ 30,920	$ 20,725	$ 3,114	$ 3,032	$ 2,386	82,000
Charge-offs	(238)	(920)	(14)	(2)	-	(3)	(1,177)
Recoveries	110	706	58	117	-	-	991
(Loan loss reversal) provision for loan losses	(740)	165	(54)	(536)	(1,281)	(1,368)	(3,814)
Balance at December 31, 2018	**$ 20,955**	**$ 30,871**	**$ 20,715**	**$ 2,693**	**$ 1,751**	**$ 1,015**	**$ 78,000**
Ending balance: Allowance individually evaluated for impairment	$ -	$ 174	$ 3,371	$ 8	$ -	$ -	$ 3,553
Ending balance: Allowance collectively evaluated for impairment	20,955	30,697	17,344	2,685	1,751	1,015	74,447
Balance at December 31, 2018	**$ 20,955**	**$ 30,871**	**$ 20,715**	**$ 2,693**	**$ 1,751**	**$ 1,015**	**$ 78,000**
Recorded investments in loans outstanding:							
Ending balance: Loans individually evaluated for impairment	$ 30,800	$ 24,766	$ 22,753	$ 5,513	$ -	$ 4,061	$ 87,893
Ending balance: Loans collectively evaluated for impairment	5,316,244	2,960,055	2,103,586	604,187	302,138	74,282	11,360,492
Balance at December 31, 2018	**$ 5,347,044**	**$ 2,984,821**	**$ 2,126,339**	**$ 609,700**	**$ 302,138**	**$ 78,343**	**$ 11,448,385**

	Real estate mortgage	Production and intermediate-term	Agribusiness	Rural residential real estate	Rural infrastructure	Other	Total
Allowance for loan losses:							
Balance at December 31, 2016	$ 17,848	$ 31,258	$ 19,606	$ 4,074	$ 4,336	$ 1,378	78,500
Charge-offs	(1)	(637)	(2)	(215)	-	-	(855)
Recoveries	3	929	-	35	-	-	967
Provision for loan losses (loan loss reversal)	3,973	(630)	1,121	(780)	(1,304)	1,008	3,388
Balance at December 31, 2017	**$ 21,823**	**$ 30,920**	**$ 20,725**	**$ 3,114**	**$ 3,032**	**$ 2,386**	**$ 82,000**
Ending balance: Allowance individually evaluated for impairment	$ 1,851	$ 1,100	$ -	$ -	$ -	$ -	$ 2,951
Ending balance: Allowance collectively evaluated for impairment	19,972	29,820	20,725	3,114	3,032	2,386	79,049
Balance at December 31, 2017	**$ 21,823**	**$ 30,920**	**$ 20,725**	**$ 3,114**	**$ 3,032**	**$ 2,386**	**$ 82,000**
Recorded investments in loans outstanding:							
Ending balance: Loans individually evaluated for impairment	$ 22,632	$ 23,281	$ 259	$ 3,012	$ -	$ 394	$ 49,578
Ending balance: Loans collectively evaluated for impairment	5,083,093	2,860,493	1,913,595	693,980	292,473	93,095	10,936,729
Balance at December 31, 2017	**$ 5,105,725**	**$ 2,883,774**	**$ 1,913,854**	**$ 696,992**	**$ 292,473**	**$ 93,489**	**$ 10,986,307**

A summary of changes in the reserve for unfunded lending commitments follows:

	2019	2018	2017
Balance at January 1,	$ 17,000	$ 22,500	$ 20,500
Provision (reversal) for unfunded lending commitments	2,500	(5,500)	2,000
Balance at December 31,	**$ 19,500**	**$ 17,000**	**$ 22,500**

NOTE 5– Investment in CoBank, ACB

At December 31, 2019, Northwest FCS' investment in CoBank is in the form of Class A stock with a par value of $100 per share. Northwest FCS is required to own stock in CoBank to capitalize both its direct loan balance and participation loans sold to CoBank. The current CoBank capital plan related to the direct loan balance has a targeted equity level at 4 percent of Northwest FCS' prior year's average direct loan volume and includes a targeted patronage distribution of 0.40 percent of the current year average loan volume that is paid in cash. Under the current CoBank capital plan applicable to participation loans sold to CoBank, the targeted equity level is 8 percent of the 10-year historical average loan volume and includes a targeted patronage distribution of 0.95 percent of the current year average loan volume that 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.

As of December 31, 2019, 2018 and 2017, Northwest FCS owned approximately 11 percent of the issued stock of CoBank. The following table provides key financial metrics for CoBank:

December 31,	2019	2018	2017
CoBank total assets	$ 145,004,063	$ 139,015,657	$ 129,210,813
CoBank total members' equity	$ 10,566,893	$ 9,534,933	$ 9,060,077
CoBank net income	$ 1,091,228	$ 1,190,775	$ 1,125,321

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 take into account 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,	*2019*	*2018*	*2017*
Land	$ 6,194	$ 5,393	$ 5,393
Buildings and leasehold improvements	38,429	31,120	30,555
Furniture and equipment	18,266	18,095	17,809
Less: accumulated depreciation	(24,821)	(21,877)	(19,573)
Total premises and equipment, net	**$ 38,068**	**$ 32,731**	**$ 34,184**
Depreciation expense	**$ 3,955**	**$ 4,132**	**$ 3,366**

NOTE 7 – Leases

Northwest FCS' leases consist primarily of leased locations and fleet vehicles that expire between 2020 and 2029. Adoption of the leasing standard impacted Northwest FCS' results as follows:

	Classification on the Consolidated Balance Sheets	*As of December 31, 2019*	*As previously reported December 31, 2018*	*Lease standard adjustment*	*As of January 1, 2019*
Operating leases	Other assets	$ 13,903	$ -	$ 13,712	$ 13,712
Finance leases	Premises and equipment, net	4,303	2,920	-	2,920
Total lease assets		**$ 18,206**	**$ 2,920**	**$ 13,712**	**$ 16,632**
Operating leases	Other liabilities	$ 14,644	$ -	$ 14,201	$ 14,201
Financing leases	Advance conditional payments and other interest bearing liabilities	4,766	3,164	-	3,164
Total lease liabilities		**$ 19,410**	**$ 3,164**	**$ 14,201**	**$ 17,365**

The components of lease expense were as follows:

Year ended December 31,	*Classification on the Consolidated Statements of Income*	*2019*
Operating lease cost	Occupancy and equipment expense	$ 4,948
Short-term lease cost	Occupancy and equipment expense	9
Finance lease cost:		
Amortization of right-of-use assets	Occupancy and equipment expense	653
Interest on lease liabilities	Interest expense	335
Variable lease cost (costs excluded from lease payments)	Occupancy and equipment expense	694
Sublease income	Other noninterest income	(9)
Net lease cost		**$ 6,630**

Other information related to leases was as follows:

Year ended December 31,	*2019*
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	$ 5,026
Financing cash flows for finance leases	$ 561
Operating cash flows for finance leases	$ 333
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	$ 4,747
Finance leases	$ 2,066

Lease term and discount rate are as follows:

December 31,	*2019*
Weighted average remaining lease term in years:	
Operating leases	4.49
Finance leases	9.23
Weighted average discount rate:	
Operating leases	2.51%
Finance leases	6.48%

Future minimum lease payments under non-cancellable leases as of December 31, 2019 were as follows:

	Operating leases	*Finance leases*	*Total*
2020	$ 4,647	$ 896	$ 5,543
2021	4,197	813	5,010
2022	3,423	670	4,093
2023	1,937	630	2,567
2024	1,279	584	1,863
Thereafter total lease payments	1,519	2,469	3,988
Less: interest	(2,358)	(1,296)	(3,654)
Total	**$ 14,644**	**$ 4,766**	**$ 19,410**

NOTE 8 – Note Payable to CoBank, ACB

Northwest FCS' indebtedness to CoBank represents borrowings by Northwest FCS to fund its loan portfolio. This indebtedness is collateralized by a pledge of substantially all of Northwest FCS' 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 weighted average interest rate for all debt was 2.34, 2.70 and 2.07 percent, at December 31, 2019, 2018 and 2017, respectively. The GFA is subject to renewal periodically and requires the association to comply with certain covenants. Northwest FCS was in compliance with the terms and conditions of the GFA as of December 31, 2019. Management expects to renew the GFA in advance of the maturity date on January 1, 2023.

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

December 31,		*2019*		*2018*		*2017*
Fixed rate debt	$	4,896,463	$	4,761,371	$	4,266,026
Floating rate debt		2,940,500		2,507,000		2,567,800
Daily revolving line of credit		1,698,544		608,072		545,435
Discount notes		104,475		1,092,890		1,226,808
Total	**$**	**9,639,982**	**$**	**8,969,333**	**$**	**8,606,069**

Fixed rate debt typically has maturities ranging from one to 30 years and at December 31, 2019, included callable debt of $1,717,000 with a range of call dates between January 2020 and December 2021. Floating rate debt generally has maturities ranging from one year to five years. Discount notes have maturities from one day to 365 days. The daily revolving line of credit is renewed annually and is priced at the overnight discount note rate.

The maturities of debt within the note payable to CoBank as of December 31, 2019, are shown below:

Year of maturity		*Amount*	*Weighted average interest rate*
2020	$	4,682,690	1.94%
2021		1,259,288	2.18%
2022		685,068	2.23%
2023		375,246	2.80%
2024		228,226	2.74%
Subsequent years		2,409,464	3.11%
Total	**$**	**9,639,982**	**2.34%**

Under the Farm Credit Act, Northwest FCS is obligated to borrow only from CoBank, unless CoBank gives approval to borrow elsewhere. CoBank, consistent with FCA regulations, has established limitations on Northwest FCS' ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2019, Northwest FCS' note payable is within the specified limitations.

Northwest FCS has a secondary source of liquidity and funding through an uncommitted Federal Funds line of credit with Wells Fargo Bank, N.A. The amount available through this line is $75,000 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, Northwest FCS would not need to notify CoBank prior to use of the line of credit. At December 31, 2019, 2018 and 2017, no balance was outstanding on this line of credit.

NOTE 9 – Members' Equity

A description of Northwest FCS' 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 Northwest FCS' capitalization bylaws, each borrower is required to invest in Northwest FCS as a condition of borrowing. Borrowers acquire ownership of capital stock or participation certificates at the time the loan is made. Borrowers are not currently required to make a cash investment to acquire capital stock or participation certificates, however, their obligation to pay for the capital stock or participation certificates is maintained as an interest free obligation with Northwest FCS. The capital stock and participation certificates are at-risk investments as described in the Northwest FCS capitalization bylaws. Northwest FCS retains a first lien on common stock or participation certificates owned by its borrowers.

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 Northwest FCS 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 Northwest FCS' 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 Northwest FCS 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. Effective January 1, 2017, regulatory capital requirements for Farm Credit System banks and associations were adopted. These requirements replaced the core surplus and total surplus ratios with common equity tier 1, tier 1 and total capital ratio requirements. The requirements also added a tier 1 leverage ratio, and an unallocated retained earnings and equivalents (UREE) leverage ratio. The permanent capital ratio continues to remain in effect, however the risk-adjusted assets are calculated differently than in the past.

Northwest FCS 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, 2019	*As of December 31, 2018*	*As of December 31, 2017*	*Regulatory minimums*	*Regulatory minimums with buffer**
Risk-adjusted:					
Common equity tier 1 ratio	17.9%	17.6%	17.2%	4.5%	7.0%
Tier 1 capital ratio	17.9%	17.6%	17.2%	6.0%	8.5%
Total capital ratio	18.6%	18.5%	18.1%	8.0%	10.5%
Permanent capital ratio	18.0%	17.8%	17.3%	7.0%	-
Non-risk-adjusted:					
Tier 1 leverage ratio**	19.4%	19.2%	18.8%	4.0%	5.0%
UREE leverage ratio	20.5%	20.1%	19.6%	1.5%	-

**The capital requirements have a three-year phase-in of the capital conservation buffer applied to the risk-adjusted capital ratios. There is no phase-in of the leverage buffer. Amounts shown reflect the full capital conservation buffer.*

***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 Northwest FCS' 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. Northwest FCS has not been called upon to initiate any such transfers and is not aware of any proposed action under this regulation.

Description of Equities

Northwest FCS 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, 2019, there were 2,445,012 shares outstanding with a total par value of $12,225. 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, 2019, there were 120,973 units outstanding with a total par value of $605.

Northwest FCS is authorized to issue 100 million shares of Class D nonvoting stock to CoBank with a par value of $5. Class D nonvoting stock is not transferable and is required to be issued for cash, with Northwest FCS having no authority to require additional capital contributions. Retirement and earnings distributions are subject to statutory and regulatory restrictions. At December 31, 2019, 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 Northwest FCS. Nonvoting common stockholders are eligible to participate in other services offered by Northwest FCS. Each owner or the joint owners of voting common stock is 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 Northwest FCS, 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

Northwest FCS' 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 ending December 31, 2019, 2018 and 2017, the board approved cash patronage distributions of $145,084, $138,397 and $108,111, 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 2019, the board approved a resolution to distribute a portion of 2020 earnings in the form of patronage to its stockholders. The patronage will be accrued and declared in 2020 and paid in 2021.

All earnings not distributed as qualified patronage allocations or appropriated for some other purpose are retained as unallocated retained earnings. At December 31, 2019, 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 as unallocated retained earnings. The board considers these unallocated retained earnings to be permanently invested in Northwest FCS. 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 Loss

Northwest FCS reports accumulated other comprehensive (loss) income as a component of members' equity. The following tables present activity in the accumulated other comprehensive (loss) income, net of tax by component:

	Pension and other benefit plans, net of tax	*Unrealized gains on investment securities*	*Unrealized (losses) gains on cash flow hedges, net of tax*	*Total accumulated other comprehensive (loss) income, net of tax*
Balance at December 31, 2018	**$ (31,297)**	**$ -**	**$ -**	**$ (31,297)**
Other comprehensive income before reclassifications	(3,381)	40	-	(3,341)
Amounts reclassified from accumulated other comprehensive loss	1,852	-	-	1,852
Net current period other comprehensive (loss) income	(1,529)	40	-	(1,489)
Balance at December 31, 2019	**$ (32,826)**	**$ 40**	**$ -**	**$ (32,786)**
Balance at December 31, 2017	**$ (29,645)**	**$ -**	**$ -**	**$ (29,645)**
Other comprehensive income before reclassifications	(3,146)	-	-	(3,146)
Amounts reclassified from accumulated other comprehensive loss	1,686	-	-	1,686
Consolidated Balance Sheets reclassification of stranded tax effects from accumulated other comprehensive loss to unallocated retained earnings	(192)	-	-	(192)
Net current period other comprehensive income	(1,652)	-	-	(1,652)
Balance at December 31, 2018	**$ (31,297)**	**$ -**	**$ -**	**$ (31,297)**
Balance at December 31, 2016	$ (34,293)	$ -	$ (360)	**$ (34,653)**
Other comprehensive loss before reclassifications	2,750	-	-	2,750
Amounts reclassified from accumulated other comprehensive loss	1,898	-	360	2,258
Net current period other comprehensive income	4,648	-	360	5,008
Balance at December 31, 2017	**$ (29,645)**	**$ -**	**$ -**	**$ (29,645)**

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,		*2019*	*2018*	*2017*
Unrealized gains on cash flow hedges, net:				
Interest rate contracts	Net interest income	$ -	$ -	$ (360)
Pension and other benefit plans:				
Amortization of net actuarial loss	Salaries and employee benefits	$ (1,876)	$ (1,725)	$ (2,090)
Deferred tax	Provision for income taxes	24	39	192
Total reclassifications		**$ (1,852)**	**$ (1,686)**	**$ (2,258)**

NOTE 10 – Income Taxes

The provision for income taxes follows:

Year ended December 31,	*2019*	*2018*	*2017*
Current:			
Federal	$ 327	$ 489	$ 834
State	64	160	127
Total current provision for income taxes	**$ 391**	**$ 649**	**$ 961**
Deferred:			
Federal	$ 134	$ 222	$ 5,791
State	14	350	(142)
Total deferred provision for income taxes	**$ 148**	**$ 572**	**$ 5,649**
Increase (decrease) in deferred tax asset valuation allowance	584	(25)	(5,035)
Provision for income taxes	**$ 1,123**	**$ 1,196**	**$ 1,575**

The provision for income taxes in 2017 included $646 in net deferred tax expense resulting from the enactment of TCJA 2017 which, among other things, lowered the federal corporate tax rate from 35 percent to 21 percent beginning in 2018. The change to the lower corporate tax rate led to a revaluation of the deferred tax assets and deferred tax liabilities in the period of enactment.

The provision for income tax 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,	*2019*	*2018*	*2017*
Federal tax at statutory rate	$ 61,441	$ 63,666	$ 85,756
State tax, net	61	403	(10)
Effect of nontaxable activities	(44,461)	(48,067)	(64,632)
Patronage distribution	(16,672)	(14,961)	(19,575)
Increase (decrease) in deferred tax asset valuation allowance	584	(25)	(5,035)
Change in tax rates, excluding impacts to valuation allowance	-	-	3,598
Other	170	180	1,473
Provision for income taxes	**$ 1,123**	**$ 1,196**	**$ 1,575**

Deferred tax assets and liabilities were composed of the following:

December 31,	*2019*	*2018*	*2017*
Allowance for credit losses	$ 9,985	$ 11,120	$ 11,465
Employee benefits, net	5,973	5,121	4,931
Interest on nonaccrual loans	924	684	577
Deferred loan fees and costs, net	400	216	280
Other	-	777	167
Gross deferred tax assets	**$ 17,282**	**$ 17,918**	**$ 17,420**
Patronage	(7,538)	(7,436)	(6,643)
Gross deferred tax liabilities	**$ (7,538)**	**$ (7,436)**	**$ (6,643)**
Valuation allowance	(8,999)	(9,020)	(9,499)
Net deferred tax asset	**$ 745**	**$ 1,462**	**$ 1,278**

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.

Northwest FCS recorded a valuation allowance in 2019, 2018 and 2017 as reflected in the tables above. Northwest FCS will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly.

Northwest FCS recognizes interest and penalties related to unrecognized tax positions as an adjustment to income tax expense. The total amount of unrecognized tax benefits that, if recognized, would have no effect on the effective tax rate. Northwest FCS 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 2016 and forward.

NOTE 11 – Employee Benefit Plans

Certain employees of Northwest FCS participate in a Pension Plan, a defined benefit retirement plan. The Department of Labor has determined the plan to be a governmental plan; therefore, the plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plan is not subject to ERISA, the plan's benefits are not insured by the Pension Benefit Guaranty Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of the plan's termination is contingent on the sufficiency of the plan's net assets to provide benefits at that time. Northwest FCS contributes amounts necessary on an actuarial basis to provide the 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 in the Pension Plan document.

For a limited number of highly-compensated participants in the Pension Plan mentioned above, Northwest FCS also has a Restoration Plan to restore benefits to those Pension Plan participants whose compensation or benefits exceeds the maximum allowed for a qualified pension plan per IRS regulations or wages excluded from compensation in the Pension Plan due to deferrals in a nonqualified deferred compensation plan.

The following tables set forth the obligations and funded status of Northwest FCS' Pension Plan and Restoration Plan:

December 31,	*2019*	*2018*	*2017*
Change in projected benefit obligation:			
Benefit obligation at January 1,	$ 79,245	$ 87,093	$ 86,764
Service cost	45	75	124
Interest cost	2,918	2,648	2,782
Actuarial loss (gain)	11,233	(4,463)	3,466
Benefits paid	(6,285)	(6,108)	(6,043)
Projected benefit obligation at December 31,	**$ 87,156**	**$ 79,245**	**$ 87,093**
Change in plan assets:			
Fair value of plan assets at January 1,	$ 70,297	$ 77,071	$ 71,256
Actual return (loss) on plan assets	11,929	(1,666)	10,858
Employer contributions	1,000	1,000	1,000
Benefits paid	(6,285)	(6,108)	(6,043)
Fair value of plan assets at December 31,	**$ 76,941**	**$ 70,297**	**$ 77,071**
Unfunded liability	**$ (10,215)**	**$ (8,948)**	**$ (10,022)**
Accumulated benefit obligation	**$ 86,409**	**$ 78,343**	**$ 85,601**

December 31,	*2019*	*2018*	*2017*
Amounts recognized in the balance sheets consist of:			
Other liabilities	$ (10,215)	$ (8,948)	$ (10,022)
Net amount recognized	**$ (10,215)**	**$ (8,948)**	**$ (10,022)**
Amounts recognized in accumulated other comprehensive loss consist of:			
Net loss	$ 31,884	$ 30,771	$ 30,311
Net amount recognized	**$ 31,884**	**$ 30,771**	**$ 30,311**
Weighted-average assumptions used to determine benefit obligations			
Defined benefit pension plan:			
Discount rate	3.11%	4.26%	3.59%
Rate of compensation increase	3.50%	4.50%	4.50%
Defined benefit restoration plan:			
Discount rate	N/A*	3.12%	2.61%
Rate of compensation increase	N/A*	4.50%	4.50%

**The benefit obligation for the Defined Benefit Restoration Plan will be fully paid in the first quarter of 2020, therefore the assumptions above are not applicable.*

The projected benefit obligation, accumulated benefit obligation and the fair value of plan assets for each of Northwest FCS' post-retirement benefit plans are presented in the following tables. Each of the plans has an accumulated benefit obligation in excess of plan assets in each of the periods reported:

	Defined Benefit Pension Plan		
December 31,	*2019*	*2018*	*2017*
Projected benefit obligation	$ 86,188	$ 78,441	$ 86,262
Accumulated benefit obligation	$ 85,441	$ 77,539	$ 84,885
Fair value of plan assets	$ 76,941	$ 70,297	$ 77,071

	Defined Benefit Restoration Plan		
December 31,	*2019*	*2018*	*2017*
Projected benefit obligation	$ 968	$ 804	$ 831
Accumulated benefit obligation	$ 968	$ 804	$ 716

The components of net periodic pension cost and other amounts recognized in other comprehensive loss were as follows:

Year ended December 31,	*2019*	*2018*	*2017*
Components of net periodic benefit (income) cost:			
Service cost	$ 45	$ 75	$ 124
Interest cost	2,918	2,648	2,782
Expected return on plan assets	(3,868)	(4,983)	(4,587)
Amortization of net loss	1,876	1,725	2,090
Settlement	183	-	-
Net periodic benefit cost (income)	**$ 1,154**	**$ (535)**	**$ 409**
Other changes in plan assets and benefit obligations recognized in other comprehensive loss:			
Net actuarial loss (gain)	$ 3,172	$ 2,185	$ (2,805)
Amortization of net loss	(1,876)	(1,725)	(2,090)
Total recognized in other comprehensive loss (income)	**$ 1,296**	**$ 460**	**$ (4,895)**
Weighted-average assumptions used to determine net costs			
Defined benefit pension plan:			
Discount rate			
Projected benefit obligation	4.26%	3.59%	4.06%
Service cost	4.40%	3.74%	4.33%
Interest cost	3.88%	3.18%	3.35%
Expected long-term return on plan assets	5.75%	6.75%	6.75%
Rate of compensation increase	4.50%	4.50%	4.50%
Defined benefit restoration plan:			
Discount rate			
Projected benefit obligation	3.12%	2.61%	2.37%
Interest cost	3.12%	2.55%	2.28%
Rate of compensation increase	4.50%	4.50%	4.50%

The estimated net loss for the Pension Plan that will be amortized from accumulated other comprehensive loss into the net periodic benefit cost in 2020 is $1,891. There are no remaining prior service costs in accumulated other comprehensive loss as of December 31, 2019.

Assumptions

Northwest FCS measures benefit obligations and net periodic benefit cost using assumptions designed to reflect future economic conditions. The most significant assumptions used in calculating the benefit obligations are discount rates, mortality rates and compensation rate increases. In addition to these assumptions, expected return on plan assets is also a significant driver in the measurement of net periodic benefit cost.

The independent actuary calculates the discount rates using a full yield curve method. The approach maps a high-quality bond yield curve to the duration of the plans' liabilities, thus approximating each cash flow of the liability stream to be discounted at an interest rate specifically applicable to its respective period in time.

The expected long-term rate of return assumption is determined by the Farm Credit Foundations Plan Sponsor Committee (PSC) with input from the Farm Credit Foundations Trust Committee (Trust Committee). Historical return information is used to establish a best-estimate range for each asset class in which the plans are invested. The most appropriate rate is selected from the best-estimate range, taking into consideration the duration of plan benefit liabilities and Trust Committee's investment policies. The Farm Credit Foundations Plan Sponsor and Trust Committees provide oversight of the benefit plans. These governance committees are composed of elected or appointed representatives, generally senior leadership and/or Board of Director members, from the participating organizations. The PSC is responsible for decisions regarding retirement benefits at the direction of the participating employers. The Trust Committee is responsible for fiduciary and plan administrative functions.

Estimated Future Contributions and Benefit Payments

Northwest FCS expects to make a contribution of approximately $3,000 to the Pension Plan in 2020.

The following table presents the expected future payments, which reflect expected future service, as appropriate, from the Pension Plan and Restoration Plan:

		Expected payments
2020	$	7,556
2021	$	6,289
2022	$	6,229
2023	$	6,065
2024	$	5,920
2025 through 2029	$	26,901

Plan Assets

The funding objective of the Pension Plan and Restoration Plans is to provide present and future retirement or survivor benefits for its members by achieving an attractive rate of return, as defined by the plans' policy statements, without exposing the plan to undue risks.

The Trust Committee approved an investment policy, which has the overall objective to meet the benefit obligations for the plan beneficiaries and to earn a long-term rate of return consistent with the related cash flow profile of the underlying benefit obligations. The policy uses a risk management strategy designed to reduce investment risks as the funded status improves. To implement the policy, the plan has adopted a diversified set of portfolio management strategies to optimize the risk reward profile of the plan. Plan assets are divided into two primary component portfolios:

- A return-seeking portfolio that is invested in a diversified set of assets designed to deliver performance in excess of the underlying liability growth rate coupled with diversification controls regarding the level of risk. Equity exposures are expected to be the primary drivers of excess returns, but also introduce the greatest level of volatility of returns. Accordingly, the return-seeking portfolio contains additional asset classes that are intended to diversify equity risk as well as contribute to excess return.

  The largest subset contains U.S. equities including securities that are both actively and passively managed to their benchmarks across a full spectrum of capitalization and styles. Non-U.S. equities contain securities in both passively and actively managed strategies. Currency futures and forward contracts may be held for the sole purpose of hedging existing currency risk in the portfolio. Other investments that serve as equity diversifiers include:
  - Multi-asset credit: fixed income portfolio of securities below investment grade including up to 30 percent of the portfolio in non-U.S. issuers; also invested in Emerging Market Debt and Bank Loans
  - Global real estate: portfolio of diversified real estate investment trusts and private direct real estate
  - Hedge fund of funds: multi-manager strategy that employs non-directional hedge funds that have low correlation to public equity movements
  - Private credit: multi-manager strategy of private debt managers

- Insurance linked securities: investment structures that fund insurance companies for catastrophic losses

These portfolios combine income generation and capital appreciation opportunities from developed markets globally. Other investment strategies may be employed to gain certain market exposures, reduce portfolio risk and to further diversify portfolio assets.

- A liability hedging portfolio that is primarily invested in intermediate-term and long-term investment grade corporate bonds in actively managed strategies that are intended to hedge interest rate risk. The portfolio will progressively increase in size as the plan's funded ratio improves. The use of selected portfolio strategies incorporating derivatives may be employed to improve the liability hedging characteristics or reduce risk. Finally, there is a managed liquidity portfolio that is comprised of short-term assets intended to pay periodic plan benefits and expenses.

Portfolios are measured and monitored daily to ensure compliance with the investment policy. Tactical tilts (investing above or below the policy target allocation for each asset class to achieve above policy benchmark returns) will be employed based on medium term views and capital market assumptions, but will remain within stated policy ranges. For 2020, the asset allocation policy of the pension plan provides a target of 43 percent of assets in return seeking investments and 57 percent of assets in liability hedging investments. Specifically, return seeking investments include: global equity securities, global real estate investment trust securities, hedge funds, and high yield bonds; and liability hedging investments include high quality credit debt securities.

The fair values of the Pension Plan assets measured at fair value on a recurring basis were as follows:

	Fair value measurements			
December 31, 2019	*Quoted prices in active markets for identical assets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total*
Asset Category:				
Cash and cash equivalents	$ 1,084	$ -	$ -	$ 1,084
Mutual funds:				
Domestic funds	-	7,566	-	7,566
International funds	-	12,364	-	12,364
Bond funds	-	3,908	-	3,908
Real estate equity funds	-	40	480	520
Fixed income funds	-	42,755	-	42,755
Total assets in fair value hierarchy	**$ 1,084**	**$ 66,633**	**$ 480**	**$ 68,197**
Investments measured at net asset value*				8,744
Total assets at fair value				**$ 76,941**

**Certain investments that are measured at fair value using the net asset value per share as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the net assets in the pension plans.*

	Fair value measurements			
December 31, 2018	*Quoted prices in active markets for identical assets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total*
Asset Category:				
Cash and cash equivalents	$ 1,248	$ -	$ -	$ 1,248
Mutual funds:				
Domestic funds	-	6,110	-	6,110
International funds	-	9,922	-	9,922
Bond funds	-	3,478	-	3,478
Real estate equity funds	-	35	240	275
Fixed income funds	-	40,842	-	40,842
Total assets in fair value hierarchy	**$ 1,248**	**$ 60,387**	**$ 240**	**$ 61,875**
Investments measured at net asset value*				8,422
Total assets at fair value				**$ 70,297**

**Certain investments that are measured at fair value using the net asset value per share as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the net assets in the pension plans.*

December 31, 2017	Fair value measurements: Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Asset Category:				
Cash and cash equivalents	$ 1,402	$ -	$ -	$ 1,402
Mutual funds:				
Domestic funds	-	12,411	-	12,411
International funds	-	21,036	-	21,036
Bond funds	-	7,508	-	7,508
Real estate equity funds	-	35	295	330
Fixed income funds	-	20,943	-	20,943
Total assets in fair value hierarchy	**$ 1,402**	**$ 61,933**	**$ 295**	**$ 63,630**
Investments measured at net asset value*				13,441
Total assets at fair value				**$ 77,071**

**Certain investments that are measured at fair value using the net asset value per share as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the net assets in the pension plans.*

There were no significant transfers in or out of Levels 1, 2 or 3 during the year.

Valuation Techniques

Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets would be classified as Level 1. Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with observable market data would be classified as Level 2. In addition, assets measured at Net Asset Value (NAV) per share and may be redeemed at NAV per share at the measurement date are classified as Level 2. Assets valued using unobservable inputs (e.g., a company's own assumptions and data) would be classified as Level 3. All assets are evaluated at the fund level. Refer to Note 14 for a complete description of fair value measurements.

Other Post-Employment Benefit Plans

Employees not eligible to participate in the Pension Plan participate in the Defined Contribution Plan, which is in accordance with Section 401 of the IRC. The Defined Contribution Plan requires the employer to contribute 3 percent of eligible employee compensation for eligible employees. For eligible employees hired prior to January 1, 2007, up to an additional 5 percent of compensation in excess of the employee social security wage base is available. The Defined Contribution Plan expense recorded by Northwest FCS was $2,135, $1,974 and $1,848 in 2019, 2018 and 2017, respectively.

All Northwest FCS employees may elect to defer a portion of their salaries in accordance with IRS rules. For employees participating in the Pension Plan, Northwest FCS matches employee contributions up to a maximum of 100 percent of the employees' first 2 percent of eligible earnings and 50 percent on the next 4 percent of eligible earnings. For employees participating in the Defined Contribution Plan, Northwest FCS matches employee contributions up to a maximum of 100 percent on the employees' first 6 percent of eligible earnings. Employer matching contributions were $5,256, $4,586 and $4,189 for the years ended December 31, 2019, 2018 and 2017, respectively.

NOTE 12 – Related Party Transactions

In the ordinary course of business, Northwest FCS 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 Northwest FCS.

Loan information to related parties was as follows:

	2019	2018	2017
Balance at January 1,	$ 36,047	$ 30,961	$ 27,105
New and advances on loans	33,557	33,203	28,317
Repayments and other	(34,555)	(28,117)	(24,461)
Balance at December 31,	**$ 35,049**	**$ 36,047**	**$ 30,961**

The Repayments and other above reflects changes in related parties for the respective periods. In the opinion of management, none of these loans outstanding at December 31, 2019, involved more than a normal risk of collectability.

In the ordinary course of business, Northwest FCS 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.

Northwest FCS also recognized $47,520, $55,940 and $47,770 of patronage income from CoBank for the years ended December 31, 2019, 2018 and 2017, respectively. Patronage distributed from CoBank was in cash and stock. The amounts accrued for 2019 will be paid by CoBank in 2020. As of December 31, 2019, Northwest FCS' investment in CoBank was $403,572, which was included in assets in the Consolidated Balance Sheets.

In the normal course of business, Northwest FCS purchases loan participations from CoBank and also sells loan participations to CoBank. At December 31, 2019, Northwest FCS had sold participation interests to CoBank totaling $1,606,211 and had purchased loan participation interests from CoBank totaling $1,131,322.

As of December 31, 2019, Northwest FCS' investment in AgDirect was $28,323, which was included in investment in other Farm Credit Institutions in the Consolidated Balance Sheets. Accounting for this investment is on a cost basis. Income recorded related to AgDirect for the years ended December 31, 2019, 2018 and 2017, was $4,211, $4,071 and $3,164, respectively, which were included within other noninterest income in the Consolidated Statements of Income.

As of December 31, 2019, Northwest FCS' investment in AgriBank was $15,367. This investment supports ProPartners input financing and is included in investment in other Farm Credit Institutions in the Consolidated Balance Sheets. Accounting for this investment is on a cost basis. Income recorded related to AgriBank for the year ended December 31, 2019 and 2018 was $2,878 and $337 respectively, which was included within other noninterest income in the Consolidated Statements of Income. As of December 1, 2018, Northwest FCS sold ProPartners loan volume to AgriBank, which reduced loans in the Consolidated Balance Sheets by $120,745, and agreed to sell all future loan volume related to ProPartners to AgriBank. Northwest FCS recorded a loss on the sale of the existing portfolio of $665, which was included within other noninterest income in the Consolidated Statements of Income for the year ended December 31, 2018. As part of the agreement with AgriBank, Northwest FCS invested in AgriBank, Class F common stock, and will continue to invest 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. Northwest FCS has ownership interests in the following service organizations:

- Northwest FCS, 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, 2019, Northwest FCS owned approximately 20 percent of FPI and the investment in FPI was $4,799, of which $3,380 was included in investment in other Farm Credit Institutions in the Consolidated Balance Sheets and $1,419 was recorded in accumulated other comprehensive loss, net of tax in the Consolidated Balance Sheets. Accounting for this investment is on the equity method. Income (loss) recorded related to FPI for the years ended December 31, 2019, 2018 and 2017, was ($37), $247 and ($89) respectively, which were included within other noninterest income in the Consolidated Statements of Income. The total cost of services purchased from FPI for the years ended December 31, 2019, 2018 and 2017, was $15,243, $17,140 and $15,975 respectively, which were included within purchased services in the Consolidated Statements of Income.

- Farm Credit System Association Captive Insurance Company (Captive), which provides corporate insurance coverage to member organizations. As of December 31, 2019, Northwest FCS' investment in the Captive was $2,843, which was included in investment in other Farm Credit Institutions in the Consolidated Balance Sheets. Income recorded related to the Captive for the years ended December 31, 2019, 2018 and 2017, was $186, $185 and $363, respectively, which were included within patronage income in the Consolidated Statements of Income.

- Farm Credit Foundations (Foundations), which provides benefits and payroll services to Northwest FCS as well as certain other System entities. As of December 31, 2019, Northwest FCS' investment in Foundations was $80, which was included in investment in other Farm Credit Institutions in the Consolidated Balance Sheets. The total cost of services purchased from Foundations for the years ended December 31, 2019, 2018 and 2017, was $693, $678 and $685, respectively, which were included within purchased services in the Consolidated Statements of Income.

As of December 31, 2019, Northwest FCS had equity ownerships 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 have not had any activity since creation.

	Ownership %
Assembly, LLC	100.0%
Assembly I, LLC	100.0%
Avail, LLC	100.0%

NOTE 13 – Regulatory Enforcement Matters

No FCA regulatory enforcement actions currently exist with respect to Northwest FCS.

NOTE 14 – 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. 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, 2019	*Level 1*	*Level 2*	*Level 3*	*Total fair value*
Assets:				
Investment securities	$ -	$ 15,322	$ -	$ 15,322
Derivative assets	-	6,924	-	6,924
RBICs	-	-	1,275	1,275
Total assets	**$ -**	**$ 22,246**	**$ 1,275**	**$ 23,521**
Liabilities:				
Derivative liabilities	$ -	$ 22	$ -	$ 22
Total liabilities	**$ -**	**$ 22**	**$ -**	**$ 22**

	Fair value measurement using			
December 31, 2018	*Level 1*	*Level 2*	*Level 3*	*Total fair value*
Assets:				
Investment securities	$ -	$ -	$ -	$ -
Derivative assets	-	764	-	764
RBICs	-	-	100	100
Total assets	**$ -**	**$ 764**	**$ 100**	**$ 864**
Liabilities:				
Derivative liabilities	$ -	$ 5,522	$ -	$ 5,522
Total liabilities	**$ -**	**$ 5,522**	**$ -**	**$ 5,522**

	Fair value measurement using			
December 31, 2017	*Level 1*	*Level 2*	*Level 3*	*Total fair value*
Assets:				
Investment securities	$ -	$ -	$ -	$ -
Derivative assets	-	-	-	-
RBICs	-	-	-	-
Total assets	**$ -**	**$ -**	**$ -**	**$ -**
Liabilities:				
Derivative liabilities	$ -	$ 2,665	$ -	$ 2,665
Total liabilities	**$ -**	**$ 2,665**	**$ -**	**$ 2,665**

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, 2019	$ -	$ -	$ 10,717	$ 10,717
December 31, 2018	$ -	$ -	$ 5,478	$ 5,478
December 31, 2017	$ -	$ -	$ 9,291	$ 9,291

Valuation Techniques

As more fully 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 Northwest FCS' assets and liabilities.

Investment Securities

Investment securities are classified within Level 2 as they are determined by a third-party pricing service that uses valuation models to estimate current market prices. Inputs and assumptions related to these models are typically observable in the marketplace. Such models incorporate prepayment assumptions and underlying collateral information to generate cash flows that are discounted using appropriate benchmark interest rate curves and volatilities. These third-party valuation models also incorporate information regarding non-binding broker/dealer quotes, available trade information, historical cash flows, credit ratings, and other market information. 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 as their basis readily observable market parameters and are classified within the fair value Level 2 hierarchy. Such derivatives include interest rate swaps and foreign currency forward contracts.

The models used to determine the fair value of derivative assets and liabilities use an income approach based on observable market inputs, including the LIBOR curves and volatility assumptions about future interest rate movements.

For additional information on derivative instruments, refer to Note 9 and Note 16.

RBICs

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

Nonaccrual Loans

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

NOTE 15 – Commitments and Contingencies

Northwest FCS has various commitments outstanding and contingent liabilities.

Northwest FCS may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its customers and to manage their 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, 2019, there were $3,448,238 of commitments to extend credit and there were $15,005 of commercial letters of credit.
Northwest FCS 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 in the Consolidated Balance Sheets. At December 31, 2019, $55,072 of standby letters of credit were outstanding. The outstanding standby letters of credit have expiration dates ranging from 2020 to 2025.

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.

Northwest FCS along with other System institutions are limited partners invested in three RBICs. Northwest FCS' total unfunded commitments at December 31, 2019, was $13,725, with varying commitment end dates through October 2024. Certain commitments may have an option to extend under specific circumstances. Northwest FCS is expected to invest in the remaining unfunded commitments.

In the normal course of business, we may be subject to a variety of legal matters, which may result in contingencies. In addition, actions are pending against Northwest FCS 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 Northwest FCS.

NOTE 16 – Derivative Instruments and Hedging Activities

Risk Management Objectives and Strategies

Northwest FCS maintains an overall risk management strategy that incorporates the use of derivative financial instruments to minimize significant unplanned fluctuations in earnings that are caused by interest rate and foreign exchange rate volatility. The goal is to manage interest rate sensitivity and foreign exchange risk by modifying the repricing or maturity characteristics of certain balance sheet assets and liabilities and foreign currency exchange contracts. As a result of interest rate and foreign exchange 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. Interest rate and foreign exchange fluctuations also cause interest income and interest expense of variable-rate assets and liabilities to increase or decrease. The effect of this variability in earnings is expected to be substantially offset by gains and losses on the derivative instruments that are used to hedge these assets and liabilities. Northwest FCS 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 or foreign exchange rates.

By using derivative instruments, Northwest FCS 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 Northwest FCS, thus creating a repayment risk for Northwest FCS. When the fair value of the derivative contract is negative, Northwest FCS owes the counterparty and, therefore assumes no repayment risk. Northwest FCS' 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 Northwest FCS' Board of Directors. The resulting hedging strategies are then incorporated into Northwest FCS' overall risk-management strategies.

Uses of Derivatives

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

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

	Activity in the notional amounts of derivative financial instruments		
	Interest rate swaps	*Interest rate caps*	*Total*
December 31, 2018	$ 556,000	$ -	$ 556,000
Additions	59,000	-	59,000
Maturities	-	-	-
December 31, 2019	**$ 615,000**	**$ -**	**$ 615,000**

	Activity in the notional amounts of derivative financial instruments		
	Interest rate swaps	*Interest rate caps*	*Total*
December 31, 2017	$ 395,000	$ -	$ 395,000
Additions	161,000	-	161,000
Maturities	-	-	-
December 31, 2018	**$ 556,000**	**$ -**	**$ 556,000**

	Activity in the notional amounts of derivative financial instruments		
	Interest rate swaps	*Interest rate caps*	*Total*
December 31, 2016	$ -	$ 73,000	$ 73,000
Additions	395,000	-	395,000
Maturities	-	(73,000)	(73,000)
December 31, 2017	**$ 395,000**	**$ -**	**$ 395,000**

Accounting for Derivative Instruments and Hedging Activities

Northwest FCS records derivatives as assets or liabilities at their fair value in the Consolidated Balance Sheets. Northwest FCS records changes in the fair value of a derivative in current period earnings or accumulated other comprehensive income (loss), depending on the use of the derivative and whether it qualifies for hedge accounting. 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 by changes in the hedged item's fair value attributable to the risk being hedged. For cash flow hedge transactions, in which Northwest FCS hedges the variability of future cash flows related to a variable-rate or foreign currency denominated assets or liabilities, changes in the fair value of the derivative are reported in accumulated other comprehensive income (loss). The gains and losses on the derivatives that are reported in accumulated other comprehensive income (loss) will be reclassified as earnings in the periods in which earnings are affected by the variability of the cash flows of the hedged item. Northwest FCS records the ineffective portion of all hedges in current period earnings.

Fair Value Hedges

The majority of the notional amount of the fair value hedging activity relates to entering into receive-fixed, pay-floating interest rate swaps primarily to synthetically convert non-callable fixed-rate debt to floating-rate debt for liquidity management purposes. For the remaining fair value hedges, Northwest FCS enters into receive-fixed, pay-floating swaps to align its equity positioning with its overall risk management strategy. Northwest FCS includes the gain or loss on the hedged items in the same line item (interest expense) as the offsetting loss or gain on the related interest rate swaps. The following amounts were recorded on the balance sheet related to fair value hedges:

	Carrying amount of the hedged item		
	December 31, 2019	*December 31, 2018*	*December 31, 2017*
Note payable to CoBank, ACB	$ 621,949	$ 551,268	$ 389,516

	Cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged item		
	December 31, 2019	*December 31, 2018*	*December 31, 2017*
Note payable to CoBank, ACB	$ 6,949	$ (4,732)	$ (5,484)

Cash Flow Hedges

Northwest FCS had purchased an interest rate cap from CoBank to hedge the potential impact of rising interest rates on a portion of its variable-rate debt. If the strike rate of the purchased interest rate cap was exceeded, Northwest FCS would have received cash flows on the derivative to hedge its variable-rate funding exposure above such strike levels. The interest rate cap was accounted for as a cash flow hedge, and matured in August 2017.

Northwest FCS can also use foreign exchange forward contracts to "lock in" a desired cash flow on foreign denominated loans. The specific terms and amounts of the forwards are determined based on the known cash flows on the loans. Each cash flow is hedged via a separate foreign exchange forward sale as it arises.

Summary of Derivative Instruments and Hedging Activities

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

	Fair value of derivative financial instruments	
December 31, 2019	*Derivative assets (1)*	*Derivative liabilities (2)*
Derivatives designated as hedging instruments:		
Interest rate contracts	$ 6,924	$ 22
Total derivatives designated as hedging instruments	**$ 6,924**	**$ 22**

	Fair value of derivative financial instruments	
December 31, 2018	*Derivative assets (1)*	*Derivative liabilities (2)*
Derivatives designated as hedging instruments:		
Interest rate contracts	$ 764	$ 5,522
Total derivatives designated as hedging instruments	**$ 764**	**$ 5,522**

	Fair value of derivative financial instruments	
December 31, 2017	*Derivative assets (1)*	*Derivative liabilities (2)*
Derivatives designated as hedging instruments:		
Interest rate contracts	$ -	$ 2,665
Total derivatives designated as hedging instruments	**$ -**	**$ 2,665**

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

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

	Effect of fair value hedge accounting on the Consolidated Statement of Income		
Year ended December 31, 2019	*Interest income*	*Interest expense*	*Net interest income*
Total amount of line items presented in Consolidated Statement of Income	$ 584,477	$ (245,378)	$ 339,099
Gain (loss) on fair value hedge relationships:			
Receive fixed swaps:			
Recognized on derivatives	$ -	$ 11,660	$ -
Recognized on hedged items	-	(11,681)	-
Net expense recognized on fair value hedges	**$ -**	**$ (21)**	**$ -**

	Effect of fair value hedge accounting on the Consolidated Statement of Income		
Year ended December 31, 2018	*Interest income*	*Interest expense*	*Net interest income*
Total amount of line items presented in Consolidated Statement of Income	$ 540,450	$ (211,274)	$ 329,176
(Loss) gain on fair value hedge relationships:			
Receive fixed swaps:			
Recognized on derivatives	$ -	$ (2,093)	$ -
Recognized on hedged items	-	2,053	-
Net expense recognized on fair value hedges	**$ -**	**$ (40)**	**$ -**

	Effect of fair value hedge accounting on the Consolidated Statement of Income		
Year ended December 31, 2017	*Interest income*	*Interest expense*	*Net interest income*
Total amount of line items presented in Consolidated Statement of Income	$ 472,117	$ (157,239)	$ 314,878
(Loss) gain on fair value hedge relationships:			
Receive fixed swaps:			
Recognized on derivatives	$ -	$ (2,665)	$ -
Recognized on hedged items	-	2,679	-
Net income recognized on fair value hedges	**$ -**	**$ 14**	**$ -**

As a result of the cash flow hedge maturing in August of 2017, there was no impact to the Consolidated Statements of Comprehensive Income for the years ended December 31, 2019, and December 31, 2018.

	Derivative financial instruments in cash flow hedging relationships		
December 31, 2017	*Amount of gain or (loss) recognized in accumulated other comprehensive loss on derivative (1)*	*Amount of gain or (loss) reclassified from accumulated other comprehensive loss to income on derivative (1)(3)*	*Amount of gain or (loss) recognized in income on derivative (2)(3)*
Interest rate contracts	$ -	$ 360	$ -
Foreign exchange contracts	-	-	-
Total	**$ -**	**$ 360**	**$ -**

(1) Effective portion.
(2) Ineffective portion and amount excluded from effectiveness assessment.
(3) Located in interest expense in the Consolidated Statements of Income for each of the respective periods presented.

Counterparty Credit Risk

The use of derivatives for risk management introduces counterparty credit risk. Generally, when the fair value of a derivative contract is positive, Northwest FCS is exposed to credit risk. Northwest FCS has an International Securities Dealer Association agreement with CoBank, which meets the definition of a Qualifying Master Netting Agreement per FCA Regulations and requires the net settlement of covered contracts. Collateral is not exchanged between Northwest FCS and CoBank. Notwithstanding netting provisions, derivative assets and liabilities are not offset in the accompanying Consolidated Balance Sheets.

For additional information on derivative instruments, refer to Note 9 and Note 14.

NOTE 17– Quarterly Financial Information (Unaudited)

Quarterly results of operations were as follows:

Quarters ending in 2019	*First*	*Second*	*Third*	*Fourth*	*Total*
Net interest income	$ 81,653	$ 82,183	$ 85,997	$ 89,266	$ 339,099
Provision for credit losses (credit loss reversal)	3,455	(61)	(1,601)	(5,003)	(3,210)
Noninterest income	27,835	25,644	27,394	38,424	119,297
Noninterest expenses and provision for income taxes	(39,955)	(40,694)	(41,606)	(47,898)	(170,153)
Net income	**$ 66,078**	**$ 67,194**	**$ 73,386**	**$ 84,795**	**$ 291,453**

Quarters ending in 2018	*First*	*Second*	*Third*	*Fourth*	*Total*
Net interest income	$ 79,547	$ 80,779	$ 84,580	$ 84,270	$ 329,176
(Credit loss reversal) provision for credit losses	(19)	(3,844)	1,662	(7,113)	(9,314)
Noninterest income	32,727	22,708	31,919	35,114	122,468
Noninterest expenses and provision for income taxes	(37,524)	(37,588)	(38,837)	(45,031)	(158,980)
Net income	**$ 74,769**	**$ 69,743**	**$ 76,000**	**$ 81,466**	**$ 301,978**

Quarters ending in 2017	*First*	*Second*	*Third*	*Fourth*	*Total*
Net interest income	$ 75,994	$ 76,779	$ 80,813	$ 81,292	$ 314,878
(Credit loss reversal) provision for credit losses	(2,553)	5,300	(2,195)	4,836	5,388
Noninterest income	24,063	21,729	23,093	31,088	99,973
Noninterest expenses and provision for income taxes	(37,255)	(38,554)	(38,329)	(44,676)	(158,814)
Net income	**$ 65,355**	**$ 54,654**	**$ 67,772**	**$ 62,868**	**$ 250,649**

Northwest FCS' 2019 Quarterly Reports to Stockholders are available free of charge by contacting Northwest Farm Credit Services, ACA, P.O. Box 2515, Spokane Washington 99220-2515 or contacting by telephone at (509) 340-5300 or toll free at (800) 743-2125. Northwest FCS' 2019 Quarterly Reports to Stockholders are also available free of charge at any office location or at www.northwestfcs.com. The 2020 Quarterly Reports to Stockholders will be available on approximately May 8, 2020, August 7, 2020 and November 9, 2020. The Northwest FCS 2020 Annual Report will be available on approximately March 16, 2021.

NOTE 18 – Subsequent Events

Northwest FCS has evaluated subsequent events through February 28, 2020, the date the financial statements were issued or available to be issued, and has determined that there are no other 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

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

Legal Proceedings

Information regarding legal proceedings is incorporated herein by reference to Note 15 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 9 of the Consolidated Financial Statements included in this annual report.

Description of Liabilities

Information regarding liabilities is incorporated herein by reference to Notes 7, 8, 10, 11, 15 and 16 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 Northwest FCS' Board of Directors (the board) is composed of 14 director positions. Each director elected by the voting membership represents one of the 11 geographic regions that constitute Northwest FCS' operating territory. Three directors are appointed by the board. Two of these board-appointed directors are outside directors, who cannot be customers, stockholders, employees or agents of any Farm Credit institution. One of the two outside directors is currently 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. Currently, both outside directors qualify as financial experts and one acts as an alternate to the designated "financial expert." The third board-appointed director position is a stockholder and is intended to ensure representation of market segments not currently represented by the stockholder-elected director positions or to bring additional desired skills or background to the board.

Director learning and development is comprehensive and includes new director orientation, fundamental learning, an annual self-assessment, and ongoing development and connection activities within and outside the Farm Credit System. Focus areas include directors' roles and responsibilities; financial performance, reporting and oversight; and financial and lending institution best practices.

The board is independent of management. The President and Chief Executive Officer (CEO) and the Senior Vice President (SVP)-Internal Audit report to the board and no management or employees may serve as directors. The board generally has five regularly scheduled meetings each year, plus interim conference calls as needed between meetings. One of those regularly scheduled meetings is conducted as a comprehensive strategic planning session. The board operates with a structure of five committees: Governance, Audit, Human Resources, Risk and Strategy. 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 Northwest FCS' 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.

With the exception of the Governance and Human Resources Committees, committee members, as well as the Chairs and Vice Chairs, are identified by the board Chair in consultation with the board Vice Chair and CEO as part of the board's annual reorganization process. In the case of the Governance Committee, committee members, as well as the Chair and Vice Chair, are set by policy as outlined below. In the case of the Human Resources Committee, the CEO does not participate in identifying its members or its Chair and Vice Chair. The Human Resources Committee members, Chair and Vice Chair are identified by the board Chair in consultation with the Vice Chair and at least one outside director. Following are full descriptions of the committees:

Governance Committee

This committee is made up of the Chair and Vice Chair of the board as well as the Chair of the Human Resources, Audit, Risk and Strategy Committees. The director who is appointed to the board of the Farm Credit Council also sits on this committee. The board Chair and Vice Chair act as the Chair and Vice Chair of 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. Committee duties also include serving as an ad hoc committee on major System and organizational issues, including System legislative and regulatory affairs and related matters. This committee also oversees the director nomination and election processes, director training, standards of conduct and serves as a search committee for appointed director positions and CEO transition, if needed.

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 has determined that outside director Christy Burmeister-Smith has the qualifications and experience necessary to serve as the "financial expert," as defined by FCA regulation, and she has been designated as such. Outside director Julie Shiflett also qualifies as a "financial expert" and is the designated alternate to serve in Christy Burmeister-Smith'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 Internal Audit department 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. The Audit Committee's charter is posted on Northwest FCS' website at www.northwestfcs.com.

Human Resources Committee

This committee is made up of at least three board members and includes the board Chair and Vice Chair, at least one outside director and additional board members selected by the board Chair in consultation with the board Vice Chair and an outside director. The board Chair also designates the Chair and Vice Chair of this committee. Neither the CEO nor any member of management can be involved in the selection of committee 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 compensation plan. 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. 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 Resources Committee before they become effective. The committee is also responsible for director compensation and for oversight of Northwest FCS' 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 provides oversight for the majority of the enterprise risk management practices of the association, including risk definitions, risk metrics, risk appetite statements and risk monitoring for asset liability management, compliance, counterparty, credit default, data management, financial management, information security, and portfolio strategy. The committee reviews the quarterly allowance for credit losses. The committee reviews and recommends to the full board for approval underwriting standards and portfolio and lending limit policies that guide all of Northwest FCS' lending and credit related activities. In addition to monitoring the overall credit characteristics of the industries Northwest FCS serves and the existing portfolio, the committee also reviews and approves, or recommends to the full board for approval, certain credit related actions that exceed management's delegated authority. This committee also oversees key risk areas associated with Northwest FCS' financial plan, budget, operations, technology, funding, interest rate, liquidity and capital management as well as those risks associated with its alliance partners and counterparties.

Strategy Committee

This committee provides oversight in developing and monitoring the association's strategic and business plans in accordance with Northwest FCS' mission, policies and procedures. It is responsible to ensure board planning sessions and the association's overall strategic planning processes serve as foundations for the business plan. This specifically includes evaluating potential benefits, costs, risks and strategies for considering opportunities such as emerging technologies, product development, joint ventures, strategic alliances, mergers and acquisitions. The committee oversees marketing, advertising, community support and local regulatory and legislative activities. It provides oversight of the Local Advisor program, Crop Insurance and the Business Management Center. The committee also evaluates management's assessment of the association's internal strengths and weaknesses and external factors such as economic, competitor and political trends. The committee's authority is generally limited to investigation, development of proposed positions and making recommendations to the full board for approval when appropriate.

Northwest FCS' Directors

The following represents information regarding the directors of Northwest FCS, including their principal occupations, employment experience and business interests where they serve as a board director or as a senior officer. All directors are elected or appointed to serve five-year terms 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.

Christy Burmeister-Smith – Newman Lake, Washington

Board-Appointed Outside Director
Appointed in 2010; term expires 2020. Serves as the designated "financial expert" on the Northwest FCS board. Member of Audit (Chair), Governance and Strategy Committees.
Principal Occupation/Experience: Past Vice President-Controller and Principal Accounting Officer, Avista Corporation, a provider of utility services (retired September 30, 2015).
Other Affiliations: None.

Nels DeBruycker – Choteau, Montana

Elected in 2018; term expires 2023. Member of Risk and Strategy (Vice Chair) Committees.
Principal Occupation/Experience: Owner-Operator, NLD, Inc., a farm/ranch operation; 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; term expires 2020. Member of Strategy (Chair), Governance and Risk Committees.
Principal Occupation/Experience: Owner-Operator/Secretary, Hotchkiss Company, Inc. and Owner-Operator/Manager, Doverspike Land, LLC, cow/calf/yearling operations that produce beef and grow native meadow grass hay.
Other Affiliations: Member/Manager, Well Field, LLC, and Best Lane, LLC, solar electrical generation.

Jim Farmer – Nyssa, Oregon

Elected in 2010; term expires 2020. Member of Audit and Strategy Committees.
Principal Occupation/Experience: President and Co-Owner, Fort Boise Produce Co., a family held corporation that packs and markets fresh onions; Secretary and Co-Owner, Deseret Farms, Inc., a family held corporation that produces onions, wheat, field corn and dry edible beans for seed.
Other Affiliations: None.

Duane (Skip) Gray – Albany, Oregon

Elected in 2015; term expires 2020. Member of Audit (Vice Chair) and Human Resources Committees.

Principal Occupation/Experience: President, Gray Farms, Inc., diversified crop farm; Member/Manager, Lakeside Ag-Ventures, LLC, vegetable seed, grass seed sales and custom applications; Member/Manager of Parent Entity, Cascade Foods, LLC, hazelnut processing and marketing.

Other Affiliations: Member/Manager, Earthsource Investments, LLC, real estate investment.

David Hedlin – Mt. Vernon, Washington

Elected in 2006; term expires 2021. Member of Risk and Strategy Committees.

Principal Occupation/Experience: Owner/Partner/Operator, R C Koudal Land Co. and Hedlin Farms, vegetable seed, pickling cucumbers, pumpkins and wheat farming.

Other Affiliations: None.

John Helle - Dillon, Montana

Elected in 2012; term expires 2022. Member of Human Resources (Vice Chair) and Audit Committees.

Principal Occupation/Experience: Partner, Helle Livestock, a commercial and purebred sheep operation; Partner, Rebish and Helle, farming small grains and hay; Part owner, Village Vista, LLC, land management; Part owner, Duckworth, Inc., a vertically integrated apparel company taking wool from sheep to shelf; Part owner, HR Wool, LLC, textile production.

Other Affiliations: None.

Greg Hirai – Wendell, Idaho

Board Chair

Elected in 2014; term expires 2024. Member of Governance (Chair) and Human Resources Committees.

Principal Occupation/Experience: Owner/Partner/Operator, Hirai Farms, LLC, a producer of agricultural crops and some custom farming activities; Owner, Hirai Farms Storages, LLC, a potato storage company.

Other Affiliations: Board Member, North Side Canal Company, LTD, and North Side Energy Company, Inc., providing water management.

Dave Nisbet – Bay Center, Washington

Board-Appointed Stockholder Director

Appointed in 2007; term expires 2022. Member of Governance, Risk, and Strategy Committees.

Principal Occupation/Experience: Owner, Nisbet Oyster Co., Inc.; President and CEO, Goose Point Oysters, Inc., and Hawaiian Shellfish, LLC, shellfish processing plant, hatchery and grower of Pacific oysters; Member, Nisbet, LLC, commercial fishing and shellfish.

Other Affiliations: Board Member, The Farm Credit Council, a Farm Credit System trade association handling legislative and regulatory matters

Nate Riggers – Nezperce, Idaho

Vice Chair

Elected in 2014; term expires 2024. Member of Governance (Vice Chair) Human Resources and Risk Committees.

Principal Occupation/Experience: Partner/Operator, Riggers-Clearwater Farms, J.V., farming operation producing small grains; Partner, Riggers Land, LLC, owns farmland and farm facilities; President, Riggers Brothers, Inc., NCR Farm, Inc., and SNS, Inc., all partners in Riggers-Clearwater Farms J.V.

Other Affiliations: None.

Derek Schafer – Ritzville, Washington

Elected in 2017; term expires 2022. Member of Risk (Chair), Human Resources and Governance Committees.

Principal Occupation/Experience: Vice President, Schafer Ranch, LTD; Treasurer, Fields & Furrows, Inc.; President, The Family Plow Inc.; President, 509 Farms, Inc., farms producing wheat; President, Homestead Family Grain, Co., a grain and seed dealer; Vice President, More Prophet Seeding, LTD, equipment manufacturing; Manager, Grainland Acres, LLC, farming operations.

Other Affiliations: None.

Karen Schott – Broadview, Montana

Elected in 2006; term expires 2021. Member of Audit and Human Resources Committees.

Principal Occupation/Experience: Owner/Secretary, Bar Four F Ranch, Inc., raising winter wheat, spring wheat and peas; manages a lease pasture operation.

Other Affiliations: None.

Julie Shiflett – Spokane, Washington

Board-Appointed Outside Director

Appointed in 2008; term expires 2023. Serves as the alternate to the designated "financial expert" on the board. Member of Audit, Governance and Human Resources (Chair) Committees.

Principal Occupation/Experience: EVP, CFO and Treasurer of RLH Corporation, hospitality services. Founding Partner, Northwest CFO, assists emerging and mid-market companies to increase cash flow, profitability, sales, and company value.

Other Affiliations: Director and Audit Committee Chair, American Chemet Corporation, a powder based chemicals manufacturer; Director, Smoky Mountain Metals, and Royal Metal Powders, subsidiaries of American Chemet Corporation; Director and Audit Committee Chair, Morrison-Maierle, and Director, Keller Associates, engineering firms.

Shawn Walters – Newdale, Idaho

Board Appointed in 2010 to fill remaining term of a vacated director position. Elected in 2011; term expires 2021. Member of Risk (Vice Chair) and Strategy Committees.

Principal Occupation/Experience: Co-Owner, Walters Produce, Inc., fresh pack potato operation; Owner, Shawn Walters Farms, Inc.; Co-Venturer, Walters & Walters, J.V.; Partner, Idaho Grain Producers; Partner, Aristocrat Farms; Member, Walters Osgood Farms, LLC; Managing Member, Walters Mountain View Farms, LLC, farming operations; Managing Member, Walters Farms, LLC; Managing Member, Walters Family Limited Partnership Osgood; and Walters Family Limited Partnership Newdale; Member, Aristocrat Investments, LLC, land ownership.

Other Affiliations: Director, Enterprise Canal, delivering natural flow and reservoir storage water to landowners; Director, Growmark, a marketing cooperative; Member, Mountain View Holdings, LLC: and Main Street Investments, LLC, real estate loans and rental properties.

Compensation of Directors

The Human Resources Committee oversees director compensation. The committee 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 committee recommends for approval adjustments to director compensation including any pay differentials to the Chair or other key board positions.

Director compensation in May 2019 was approved at a rate of $56,300 per year. The Chairs of both the Audit and Human Resources Committees are paid $64,745, representing an additional 15 percent, and the board Chair is paid $70,375 representing an additional 25 percent, reflecting the unique responsibilities and significant additional time demands of these three positions. Each director receives a monthly retainer of $4,695, the Chairs of the Audit and Human Resources Committees receive a monthly retainer of $5,395, and the Chair of the board receives a monthly retainer of $5,865. No additional per diem is paid for attendance at Northwest FCS' 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, Northwest FCS purchases Accidental Death and Disability and Business Travel Accident coverage for each director.

Directors and senior officers are reimbursed for reasonable travel expenses 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 Stockholder and Local Advisors Meeting, strategic 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 2019 was $94,767 compared to $68,021 in 2018, and $106,213 in 2017. The Director Compensation policy is available and will be disclosed to stockholders upon request.

Information for each director for the year ended December 31, 2019, is as follows:

	Board meeting days	*Other official duty days*	*Travel days*	*Compensation paid during 2019*
Christy Burmeister-Smith	14	13	2	$ 64,215
Nels DeBruycker	14	16	14	55,865
Susan Doverspike	14	16	13	55,865
Jim Farmer	14	8	7	55,865
Duane (Skip) Gray	14	11	8	55,865
Dave Hedlin	14	5	9	55,865
John Helle	14	7	8	55,865
Greg Hirai	14	17	12	69,805
Dave Nisbet	14	8	9	55,865
Nate Riggers	12	11	8	55,865
Derek Schafer	14	10	4	55,865
Karen Schott	14	3	6	55,865
Julie Shiflett	14	4	1	64,215
Shawn Walters	14	7	7	55,865
Total				**$ 812,750**

Senior Officers

Listed below are the CEO and five individuals collectively referred to as the Senior Officers of Northwest FCS at December 31, 2019. Four of the Senior Officers reported to the CEO and were on the Management Executive Committee (MEC). Below is information on the experience of the Northwest FCS Senior Officers, as well as any business interest for which they serve on the board of directors or act as a senior officer and the primary business in which it is engaged.

Phil DiPofi, President and CEO

Mr. DiPofi has served as President and CEO since January 1, 2011. Prior to that, he held various senior officer positions with CoBank. He serves as a member of the Gonzaga School of Leadership Studies Advisory Board, which advises the dean, faculty, and staff on strategic planning, giving, and curricular initiatives to strengthen the school and promote Gonzaga's students and programs.

Tom Nakano, Executive Vice President-Chief Administrative and Financial Officer

Mr. Nakano has served as Executive Vice President-Chief Administrative and Financial Officer since January 1, 2014. Prior to that, he held various positions with Northwest FCS since being hired in 1993. Mr. Nakano serves on the board of directors of Financial Partners, Inc. (FPI), which provides information technology solutions for various Farm Credit entities, including Northwest FCS. He is also the Chair of FPI's Audit Committee. Mr. Nakano also serves as a board member and Chair of the Oregon State University Alumni Association, which engages alumni and friends to promote the advancement of the university and build alumni membership, programs and value-added services.

Mark Nonnenmacher, Executive Vice President-Special Industry Lending and Services

Mr. Nonnenmacher has served as Executive Vice President-Special Industry Lending and Services since January 1, 2015. Prior to that, he held various positions with Northwest FCS since being hired in 2012. Mr. Nonnenmacher serves as a director on the University of Montana - College of Forestry Advisory Board. This board provides input to the dean for program composition, as well as outreach and communication. He also serves on the ProPartners Financial Board, providing strategic direction for this System-led vendor financing program for crop inputs.

Bill Perry, Executive Vice President-Lending and Insurance

Mr. Perry has served as Executive Vice President-Lending and Insurance since January 1, 2019. He served as Montana President from 2015 through 2018. Prior to that, he held various positions with Northwest FCS since being hired in 2004. 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 also 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.

John Phelan, Executive Vice President-Chief Risk and Credit Officer

Mr. Phelan has served as Executive Vice President-Chief Risk and Credit Officer since March 1, 2019. He served as Executive Vice President-Chief Risk Officer from January 2011 through February 2019. Prior to that, he held various positions with Northwest FCS since being hired in 1992. Effective January 1, 2020, Mr. Phelan joined 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, including Northwest FCS.

Terry Schmidt, Senior Vice President-General Counsel

Mr. Schmidt has served as Senior Vice President-General Counsel since December 1, 2019. Prior to that, he served as Assistant General Counsel since being hired in 2013. Mr. Schmidt reports to the Executive Vice President-Chief Administrative and Financial Officer.

As of January 1, 2020, the additional MEC members that do not meet the regulatory definition of Senior Officers are as follows:

- Linda Hendricksen, Senior Vice President-Marketing and Public Affairs
- Brent Fetsch, Oregon President
- Doug Robison, Idaho President
- Josh Siler, Washington President
- Megan Shroyer, Montana President

Compensation of CEO and Other Senior Officers

Summary

The compensation program for the CEO and other Senior Officers of Northwest FCS, as defined by FCA regulations, is designed to reward management for performance that builds long-term value for stockholders, fulfills Northwest FCS' purpose, ensures safety and soundness of the organization and enhances the value of the cooperative. This is accomplished by tying a significant portion of compensation for the leadership team to balanced scorecards of performance measures that are consistent with the strategy and purpose.

To demonstrate commitment to align compensation with strong governance practices that are in the interests of stockholders, the goal of the Human Resources Committee (committee) is to ensure:

- A strong linkage between pay and performance of the organization,
- Multiple-year measurements to reward for sustained performance,
- Competitive compensation through market data review,
- Overall compensation program design, including incentive plans, does not encourage excessive risk taking, and
- Best governance practices are followed.

Compensation Philosophy and Objectives

The compensation program is intended to:

- Support a strong and enduring cooperative enterprise,
- Successfully execute Northwest FCS' purpose,
- Reinforce a high-performance culture through pay for performance,
- Attract and retain talented staff needed to achieve Northwest FCS' purpose, and
- Provide competitive total compensation opportunities that balance current rewards with long-term opportunities and provide security contingent upon performance.

Linking Pay and Performance

The framework for compensation is designed to pay for performance. To achieve competitive compensation levels, management must achieve strong results across multiple measures of performance. As described in the program design below, a large percentage of Senior Officer compensation is "at risk" if Northwest FCS results are below plan, and as a result, compensation paid would be less than competitive levels. The at-risk component of compensation is provided through short-term and long-term incentives while the "fixed" portion is salary and benefits, as explained below.

Program Design

The compensation program for the CEO and other Senior Officers has four components:

Component	Purpose
Salary	Pay a competitive salary to reward for experience, skills and performance. Provide a competitive basis for other rewards based on salary.
Short-Term Incentive Plan (STIP)	Reward for accomplishing annual Northwest FCS goals that over time result in long-term success. Reward for profitability, return on equity, loan quality, expense control and achieving strategic business objectives. Reward for individual employee contributions.
Long-Term Incentive Plan (LTIP)	Reward for sustained performance, safety and soundness of Northwest FCS. Reward for achieving multiple-year Northwest FCS goals for profitability, return on equity, loan quality, capital adequacy and achieving strategic business objectives. Retain top performers based on performance.
Benefits	Provide financial security through a competitive benefits program and limited perquisites, which are considered "indirect" compensation.
Total	Each component and the total compensation package are managed to be competitive and ensure a linkage to performance.

Performance Assessment

A framework of multiple performance metrics, goals and individual performance assessments reinforces Northwest FCS' pay for performance philosophy. This framework balances annual and multiple-year performance measures. The STIP is based upon multiple measures of organizational performance, including an individual performance factor. The LTIP is based on various performance measures over three years of organizational results.

The following table summarizes the scorecards for each plan:

Component	Metric	Performance Period
STIP	• Net Income after Tax • Return on Equity • Adverse Assets/Total Regulatory Capital • Efficiency Ratio • Strategic Business Objectives	Annual
LTIP	• Net Income after Tax • Return on Equity • Adverse Assets/Total Regulatory Capital (plans beginning 2017 and after) or Adverse Assets/Risk Funds (plans beginning prior to 2017) • Common Equity Tier 1 (plans beginning 2017 and after) or Core Capital (plans beginning prior to 2017) • Strategic Business Objectives	Multiple-Year

At the beginning of each performance period, the committee approves the weighting, financial targets and goals for each category, including minimum levels of performance required in order for an award to be earned in each category and maximum levels of performance on which an incentive will be paid. The approved weights, financial targets and goals are aligned with the organization's business plan financial metrics to ensure Senior Officer incentives match business plan objectives. In addition, a minimum Return on Assets threshold must be achieved before any incentives are earned. The committee has discretion to adjust awards or performance assessments as needed to ensure rewards align with the pay for performance philosophy.

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. Participants that voluntarily terminate employment or do not maintain satisfactory performance may forfeit short-term and long-term awards. As a part of Northwest FCS' performance management process, all employees are provided performance reviews, and in the case of the CEO, the performance review process is coordinated by the committee with input and approval by the board.

All Senior Officers participate in the STIP, and the CEO and MEC participate in the LTIP. STIP and LTIP awards are paid in the year following the performance period based on achievement of targets and goals and after audited financial statements are issued. The awards for the 2015-2017 LTIP were paid in 2018. The 2016-2018 LTIP awards were paid in 2019. The 2017-2019 LTIP awards will be paid in 2020 as disclosed in the Summary Compensation Table. Current plans are based on three years of performance and include the 2017-2019 LTIP, 2018-2020 LTIP and 2019-2021 LTIP.

The measures used in incentive compensation are believed to be key drivers of Northwest FCS' long-term success and are directly correlated to the pay received by Senior Officers. Components of compensation increased or decreased in 2019 based on the level of achievement of these goals, which are tied to Northwest FCS' purpose and strategy.

To calculate incentive awards, Northwest FCS aggregates the performance under each plan and calculates a separate Corporate Performance Factor for the STIP and LTIP. Actual awards under the STIP and LTIP for the CEO and other Senior Officers were determined as follows:

STIP Award Calculation = **Salary** x **STIP Award Target** x **STIP Corporate Performance Factor** x **Individual Performance Factor**

LTIP Award Calculation = **Salary** x **LTIP Award Target** x **LTIP Corporate Performance Factor**

The salary for the STIP award calculation is as of the last day of the performance period and the salary for the LTIP award calculation is as of the beginning of the three year performance period. Actual STIP and LTIP awards earned for the CEO and other Senior Officers are presented in the Summary Compensation Table.

The board has the authority to require reimbursement (clawback) of all or a portion of any payment made to the CEO or MEC 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 MEC engaged in intentional misconduct or gross negligence that was at least partly responsible for the restatement.

Encouraging Appropriate Risk Taking

The compensation program is structured to provide a balance of components that are based upon multiple financial and nonfinancial measures of performance. It is designed to encourage the appropriate level of risk-taking, consistent with maintaining safety and soundness, and measurements aligned with the business plan, strategy and purpose.

A primary focus of the committee is to ensure compensation programs have adequate risk mitigating features. The committee, together with its compensation consultant, conducts annual risk assessments of the compensation program, which include process, tone and culture. The compensation program is also reviewed by our internal audit function, as well as discussed as part of our enterprise risk management efforts. Moreover, the compensation program and risks are routinely discussed at the board-level, both with and without the CEO present.

The committee has taken the following measures to ensure the compensation program does not encourage inappropriate risk taking:

- Implemented caps on incentive plans.
- Balanced incentive compensation through a STIP and LTIP.
- Designed incentive plans to provide rewards based upon multiple financial and nonfinancial measures and goals.
- Incorporated individual performance into the STIP based upon the performance management system.
- 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.

Based on these various steps, we do not believe the compensation program creates risks that are reasonably likely to have a material adverse effect on the organization.

Human Resources Committee Governance Process and Decisions

The committee is composed of members of the board and recommends CEO compensation decisions to the board. In carrying out its responsibilities, the committee regularly reports to and consults with the board and, when appropriate, discusses compensation matters with the CEO. The committee reviews pay and performance matters throughout the year with the assistance of management and an independent consultant. The committee's process includes:

- Selecting and approving performance measures for the STIP and LTIP balanced scorecards,
- Reviewing corporate performance against approved goals and determining final achievement,
- Assessing CEO performance and reviewing MEC performance assessments conducted by the CEO,
- Determining and approving each component of CEO compensation for the next year using market comparisons and performance assessments,
- Reviewing MEC compensation packages and levels,
- Approving actual awards under incentive programs for the CEO based upon performance assessments,
- Approving overall compensation plans and any design changes to compensation programs for the compensation period,
- Reviewing and approving programs that provide benefits or potential benefits to management such as employment agreements, severance benefits and other benefit programs, and
- Assessing the risk of programs on an annual basis to ensure the operation of the programs does not create a material adverse risk to the organization.

In conducting its responsibilities as determined by the board, the committee has reviewed and concluded that:

- Long-term compensation and retirement benefit obligations are appropriate for the participants in the plans given their roles and responsibilities,
- Incentive programs are not unreasonable or disproportionate to the services provided by the CEO, other Senior Officers and other employees of Northwest FCS, and
- Levels and design of the CEO and other Senior Officer's total compensation align with Northwest FCS' strategy.

CEO Compensation

The committee reviews and approves the CEO's total compensation based on the CEO's performance, Northwest FCS' 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. The CEO participates in the STIP and LTIP programs in addition to receiving salary and benefits.

The "Short-Term Incentive Compensation" shown in the Summary Compensation Table reflects the STIP earned by the CEO in each year, which is paid in the following year. The CEO's STIP potential, for each respective plan year, was a target of 50 percent of salary to be awarded for meeting the pre-established goals described above, with the opportunity to earn from 0 percent up to twice the target for exceeding those goals depending on Northwest FCS' and the CEO's performance.

The "Long-Term Incentive Compensation" shown in the Summary Compensation Table for 2017 represents the 2015-2017 LTIP award, 2018 represents the 2016-2018 LTIP award, and 2019 represents the 2017-2019 LTIP. The CEO's LTIP award potential, for each respective plan, was a target of 70 percent of salary to be awarded for meeting the pre-established goals described above, with the opportunity to earn from 0 percent up to twice the target for exceeding the goals depending on Northwest FCS' performance.

Northwest FCS makes an annual contribution to the CEO's Non-Qualified Defined Contribution Plan in an amount equal to the lesser of $200,000 or 15 percent of the total of his base salary and STIP. It is reported under "Deferred and Perquisites" in the Summary Compensation Table. The amounts earned related to this award were $200,000 for the years ended December 31, 2019 and 2018, and $181,748 for the year ended December 31, 2017.

As of December 31, 2019, the CEO is employed pursuant to an employment agreement that will terminate on December 31, 2024. The employment agreement provides specified compensation and related benefits in the event his employment is terminated, except for termination for cause. In the event of termination by Northwest FCS prior to the CEO reaching age 62 and except for cause, the employment agreement provides for payment of his salary through the date of termination, a prorated LTIP incentive payout and payment of three times his base compensation. In the event of termination by Northwest FCS on or after age 62, except for cause or change in control, the employment agreement provides for payment of his salary through the date of termination, a prorated LTIP incentive payout and a specified payment. The employment agreement also provides certain payments upon death, disability or a change in control. To receive payments and other benefits under the agreement, the CEO must sign a release agreement to give up any claims, actions or lawsuits against Northwest FCS that relate to his employment and termination of employment from Northwest FCS.

The CEO is also employed subject to a Restrictive Covenant Agreement (RCA), which requires non-solicitation of employees or customers by the CEO for 24 months following termination of employment.

Other Senior Officer Compensation

In addition to receiving base salary and benefits generally provided to management personnel, the Senior Officers participate in the STIP and the MEC participates in the LTIP. The STIP and LTIP provide Senior Officers the opportunity to earn awards as a percent of their base salaries for meeting pre-established performance goals. One Senior Officer has an additional agreement for specified compensation based on terms included in the agreement. The committee reviews the total compensation of the MEC based on their individual performance assessments provided by the CEO, Northwest FCS' performance, and market considerations prepared by an independent consultant using the same comparable financial institutions used for the CEO's compensation.

STIP targets for plans reflected in the Summary Compensation Table ranged from 20 percent to 35 percent of salary, with the potential to earn from 0 percent up to twice the target for exceeding those goals depending on Northwest FCS' and the individual's performance. LTIP targets for plans reflected in the Summary Compensation Table ranged from 20 percent to 40 percent of salary, with the potential to earn from 0 percent up to one and a half or two times the target for exceeding those goals depending on the respective plan and Northwest FCS' performance.

As of December 31, 2019, the MEC is provided specified severance and other benefits in the event their employment is terminated, except for termination for cause. In the event of termination, except for cause, the MEC is entitled to a lump sum severance payment equal to one times base compensation. To receive the severance payment, the MEC must sign a release agreement to give up any claims, actions or lawsuits against Northwest FCS that relate to their employment and termination of employment from Northwest FCS.
The Senior Officers are also employed subject to an RCA, which requires non-solicitation of employees or customers by the Senior Officers for 24 months following termination of employment.

Summary Compensation Table

The compensation shown in the following table is the actual compensation earned by the CEO and other Senior Officers during the years ended December 31, 2019, 2018 and 2017. The 2017 period also includes compensation earned by highly compensated employees, as required by FCA regulations. Highly compensated employees are determined excluding changes in pension value.

		Annual					
President and CEO	*Year*	*Salary*	*Short-term incentive compensation (1)*	*Long-term incentive compensation (2)*	*Deferred and perquisites (3)*	*Other (4)*	***Total***
Phil DiPofi	2019	$ 755,000	617,880	798,525	278,157	22,029	**$ 2,471,591**
Phil DiPofi	2018	$ 725,334	625,795	596,990	311,173	14,897	**$ 2,274,189**
Phil DiPofi	2017	$ 697,500	509,652	558,600	267,684	25,610	**$ 2,059,046**

		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***
7	2019	$ 1,604,042	687,360	961,835	221,640	1,998,681	**$ 5,473,558**
9	2018	$ 2,421,279	1,107,465	960,455	242,494	212,767	**$ 4,944,460**
11	2017	$ 2,848,574	1,790,286	897,549	142,466	558,300	**$ 6,237,175**

(1) Represents the STIP previously described for 2019, 2018 and 2017, which is paid in the first quarter of the year subsequent to the reported year to persons who continue to be employed by Northwest FCS or unless otherwise provided for. The 2017 year also includes insurance agent compensation for highly compensated employees. The insurance agent compensation plan was terminated in 2017, and the insurance agents were moved to the STIP. The plan covered certain insurance agents that were formerly not participating in the STIP. Payments under the plan were based on an individual's performance rating during the year and insurance commissions earned by Northwest FCS. Payments were made twice per year, and the final payment under this plan was made in December 2017.

(2) Represents the LTIP described previously for the 2017-2019 plan (presented in 2019), 2016-2018 plan (presented within 2018) and 2015-2017 plan (presented within 2017). Pro-rata LTIP amounts earned by departed Senior Officers are also included within this category.

(3) Various deferred or perquisite amounts include, but are not limited to, the CEO Non-Qualified Defined Contribution Plan discussed previously, other non-qualified contributions made by Northwest FCS, long-term disability, life insurance benefits, vacation payouts and adjustments and vehicle allowances.

(4) Represents 401(k) employer contributions, changes in pension value, separation payments, tax reimbursement and other compensation of minimal value. The change in pension value is defined as the change in the vested portion of the present value of the accumulated benefit obligation from December 31 of the prior year to December 31 of the most recent year. This change in value does not represent cash payments made, but rather is an estimate of the change in Northwest FCS' future obligations under the pension plans. The value of the pension benefits increased significantly from December 31, 2018 to December 31, 2019, due to the discount rate, mortality and retirement assumptions related to final benefit amounts. A positive change in pension value is included in the December 31, 2019 and 2017 totals. For December 31, 2018, there was a reduction in pension value totaling $255,968, which is excluded from the table above.

(5) The 2019 count and compensation includes Senior Officers for the period of time in which they served as Senior Officers. Four served as Senior Officers for the entire year, and three served as Senior Officers for a portion of the year due to retirement, departure or becoming a Senior Officer. In 2019, the regulatory definition of a Senior Officer was reevaluated and beginning in 2019 includes fewer individuals.

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

As of December 31, 2019, there were no Senior Officers in the Defined Benefit Pension Plan or Defined Benefit Pension Restoration Plan.

Transactions with Senior Officers and Directors

Information regarding related party transactions is incorporated herein by reference from Note 12 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, 2020, or at any time during 2019.

Relationship with Independent Public Auditors

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

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

(dollars in thousands)

Year ended December 31,	*2019*	*2018*	*2017*
Annual audit services	$ 362	$ 236	$ 280
Tax services	8	9	-
Non-audit services*	-	-	142
Total	**$ 370**	**$ 245**	**$ 422**

**All non-audit services were approved by the Audit Committee*
Non-audit service fees in 2017 were for consulting related to process improvements.

Consolidated Financial Statements

The Consolidated Financial Statements, together with the Independent Auditor's Report dated February 28, 2020 and the Report of Management appearing in this annual report, are incorporated herein by reference.

Relationship with CoBank, ACB

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

- Northwest FCS' statutory obligation to borrow from CoBank, ACB is discussed in Note 8 of the Consolidated Financial Statements.
- CoBank, ACB's ability to access the capital of Northwest FCS is discussed in Note 5 of the Consolidated Financial Statements.
- The major terms of any capital preservation, loss sharing or financial assistance agreements between Northwest FCS and CoBank, ACB are discussed in Notes 2 and 9 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 Northwest FCS and Northwest FCS' investment in CoBank, ACB is discussed in Notes 1 and 5 of the Consolidated Financial Statements.
- CoBank, ACB is required to distribute its annual report to shareholders of Northwest FCS 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, Northwest FCS holds customer financial and other non-public information in strict confidence. Federal regulations allow disclosure of such information by Northwest FCS only in certain situations.

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

Program Definitions

Northwest FCS has a specific program in place to serve the credit and related needs of young, beginning and small farmers and ranchers (YBS) in its territory. The 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 $250,000 in annual gross sales of agricultural or aquatic products as of the loan transaction date.

Mission and Objectives

Mission Statement

To advance young, beginning, and small farmers' success through deliberate strategies in lending and professional development.

Objectives of the Program

- To promote agriculture by encouraging and developing YBS customers to enter into or remain in agriculture by supporting their efforts to do so.
- To recognize the challenges facing YBS customers attempting to obtain credit and establish a viable enterprise, and to establish Northwest FCS as a leader in providing the products and services necessary for them to succeed.
- To 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.
- To 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 YBS Program directly and in coordination with other organizations that allow Northwest FCS to effectively serve the needs within these producer segments. Highlights of the YBS Program include:

- The AgVision® program enhances Northwest FCS' ability to serve the young, beginning and small producers who are actively involved in farming and those who may not meet traditional credit standards. AgVision customers account for $897.4 million of loan volume. Through this program, special consideration is given in loan underwriting ratios, interest rate reductions, and origination and appraisal fee waivers. About $2.4 million in fee waivers have been provided to AgVision customers since 2001, with nearly $326 thousand in fees waived in 2019.
- Reimbursements to customers for educational expenses, technology purchases, recordkeeping and tax planning and preparation services since the 2001 inception of the AgVision program totaled $880.4 thousand. Reimbursements totaled $52.2 thousand in 2019.
- An advisory group that includes young, beginning and small farmers and ranchers who provide Northwest FCS 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.
- Northwest FCS' interest only, JumpStart™ loan program is designed to help entrepreneurs begin promising new ventures in agriculture.
- Customer education programs are tailored to YBS producers focusing on areas such as farm economics, financial literacy, profitability, cash flow, personal finance and succession planning.

- The Northwest FCS 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.
- Northwest FCS 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, 2019	*Number of loans*		*Volume*
Young	280	$	71,826
Beginning	319	$	86,720
Small	241	$	42,252

Regional Demographics

The service area of Northwest FCS primarily includes the states of Washington, Montana, Oregon, Idaho and Alaska. The following table compares demographic information from the USDA's 2017 Census of Agriculture to the 2012 census for YBS producers in Northwest FCS' area. This census is conducted every five years.

Census of Agriculture - Young, Beginning and Small Producers 2017 vs. 2012

The 2017 Census of Agriculture results show a 1.9 percent increase in small producers from 2012 to 2017. The young and beginning producer data cannot be compared between the 2017 and 2012 census due to a change in the census process. The 2012 census data for young and beginning producers included data for up to three producers for each organization whereas the 2017 census data included up to five producers, thus expanding the number of producers included in these categories in 2017.

	Young		*Beginning*		*Small*	
Geography	*2017*	*2012*	*2017*	*2012*	*2017*	*2012*
Washington	3,565	1,707	10,842	8,355	32,016	33,228
Oregon	4,265	1,419	11,844	6,506	34,807	32,548
Idaho	3,134	1,547	8,123	4,799	22,044	21,555
Montana	3,129	1,387	7,316	4,713	23,115	23,612
Alaska	112	37	444	211	897	719
Total	**14,205**	**6,097**	**38,569**	**24,584**	**112,879**	**111,662**

YBS Volume in the Northwest FCS Portfolio

The following table reflects the percentage of YBS producers' loans in the Northwest FCS loan portfolio as of December 31, 2019. Methods by which the Census demographics and the Northwest FCS' data are presented differ as the Census data is based on number of producers, while Northwest FCS' data is based on number of loans. Additionally, the FCA definition of a young farmer is an individual who is 35 years or younger, while the USDA uses an individual 34 years old or less; FCA beginning farmers have 10 years or less farming or ranching experience while the Census of Agriculture considers nine years or less farming or ranching experience. The USDA small producers' definition aligns closely with the FCA definition and overall the USDA study is the most useful tool to accurately measure association YBS goals and results.

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

(dollars in thousands)

December 31, 2019	*Number of loans*	*Percent of total*		*Loans and commitments outstanding*	*Percent of total*
Total loans and commitments outstanding at year end	22,231		$	15,575,970	
Young farmers and ranchers	4,114	18.51%	$	1,741,734	11.18%
Beginning farmers and ranchers	6,048	27.21%	$	2,311,916	14.84%
Small farmers and ranchers	6,317	28.42%	$	1,181,199	7.58%

The table above includes loan participation interests from states outside Northwest FCS' chartered territory.

Goals and Results

Quantitative goals are established each year for YBS producers' loan volume and numbers based on demographic data. The 2019 goals and actual results were as follows:

2019 Young, Beginning and Small Service Goals & Results

(dollars in thousands)

	Goals by number of loans	*Actual by number of loans*		*Goals by loan volume*		*Actual by loan volume*
Young	4,225	4,114	$	1,763,525	$	1,741,734
Beginning	5,995	6,048	$	2,275,335	$	2,311,916
Small	6,505	6,317	$	1,196,045	$	1,181,199

OFFICE LOCATIONS

Northwest FCS Headquarters

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

** Northwest FCS Owned*

Idaho

73 Fort Hall Avenue, Suite A
American Falls, Idaho 83211
(208) 226-1340

370 N Meridian Street, Suite A
Blackfoot, Idaho 83221
(208) 782-3800

1408 Pomerelle Avenue, Suite B
Burley, Idaho 83318
(208) 678-6650

417 Main Street
Cottonwood, Idaho 83522
(208) 962-2280

1215 Pier View Drive
Idaho Falls, Idaho 83402*
(208) 552-2300

2631 Nez Perce Drive, Suite 201
Lewiston, Idaho 83501
(208) 799-4800

16034 Equine Drive
Nampa, Idaho 83687
(208) 468-1600

102 N State Street, Suite 2
Preston, Idaho 83263
(208) 852-2145

1036 Erikson Drive
Rexburg, Idaho 83440
(208) 656-2100

815 N College Road
Twin Falls, Idaho 83301
(208) 732-1000

139 River Vista Place, Suite 201
Twin Falls, Idaho 83301
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Montana

3490 Gabel Road, Suite 300
Billings, Montana 59102
(406) 651-1670

1001 W Oak Street, Suite 200
Bozeman, Montana 59715
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519 S Main Street
Conrad, Montana 59425
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134 E Reeder Street
Dillon, Montana 59725
(406) 683-1200

54147 US Highway 2, Suite A
Glasgow, Montana 59230
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700 River Drive S
Great Falls, Montana 59405
(406) 268-2200

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120 Wunderlin Street, Suite 6
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3021 Palmer Street, Suite B
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123 N Central Avenue
Sidney, Montana 59270
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Oregon

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Central Point, Oregon 97502
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Wenatchee, Washington 98801
(509) 665-2160

1360 N 16th Avenue
Yakima, Washington 98902
(509) 225-3200

Northwest
FARM CREDIT SERVICES

PO Box 2515
Spokane, Washington 99220-2515

New address?
Please notify your Northwest FCS branch.

Visit us at: **northwestfcs.com**

The 2019 Annual Report is also posted online.
For additional printed copies contact Northwest FCS at 1.800.743.2125