QUARTERLY REPORT TO SHAREHOLDERS
June 30, 2023

OFFICE LOCATIONS

Blackfoot Admin/Branch Office
188 W Judicial St (PO Box 985)
Blackfoot, ID 83221
(208) 785-1510

Rexburg Branch Office
1586 N 2nd E
Rexburg, ID 83440
(208) 356-5479

American Falls Branch Office
2883 Highway 39
American Falls, ID 83211
(208) 226-5251

Twin Falls Branch Office
Suite 100A, 1096 Eastland Drive North
Twin Falls, ID 83301
(208) 734-0635

DIRECTORS, OFFICERS AND STAFF

BOARD OF DIRECTORS

Ken Black, Chairman.......... Burley
Richard Blaser.......... Rexburg
Tina Clinger.......... American Falls
Scott R. Giltner.......... Jerome
Sam Jensen.......... Firth
Ryan Mathews.......... Blackfoot
Bruce Ricks.......... Sugar City

OFFICERS

Marc Fonnesbeck.......... President and CEO
Jim Chase.......... Secretary and CFO
Adam C. Jensen.......... Executive Vice President and CCO
Kirk Powell.......... Vice President of Capital Markets
Katie Wallace.......... Vice President of Human Resources
Dana Wood.......... Vice President of Operations
Ryan Funk.......... Vice President and CIO

HEADQUARTERS STAFF

Jan Gamble.......... Senior Operations Assistant
Lori Bartausky.......... Operations Assistant
Travis Crook.......... IT Technician

AUDIT COORDINATOR

Meagan Reed.......... Audit Coordinator

BRANCH STAFF

Blackfoot Branch Office (208) 785-1510
Katie Wallace.......... Branch Manager
Avery Robertson.......... Assistant Branch Manager
Josey Carter.......... Credit Analyst
Tenaia Giannini.......... Credit Support Specialist
Kristen Ipsen.......... Operations Assistant
Hallie Mickelsen.......... Operations Assistant

Rexburg Branch Office (208) 356-5479
Nick Bazil.......... Branch Manager
Doug Eck.......... Evaluation Manager and Senior Loan Officer
Jared Ashcraft.......... Loan Officer
Maguel Sommer.......... Loan Officer
Sam Erickson.......... Operations Assistant
Tina Morton.......... Senior Loan Processing Specialist

American Falls Branch Office (208) 226-5251
Dana Wood.......... Branch Manager
Dylan Orr.......... Loan Officer
Rob Acevedo.......... Credit Analyst
Cyndi Campbell.......... Operations Assistant
Maxine Olson.......... Operations Assistant
Meagan Reed.......... Loan Processing Specialist

Twin Falls Branch Office (208) 734-0635
Tianna Fife.......... Branch Manager
Sean Zaugg.......... Senior Loan Officer
Dave Scott.......... Marketing Officer
Kaylie Collins.......... Credit Support Specialist
Nicolette Mikesell.......... Operations Assistant

Idaho AgCredit

Helping you grow

REPORT OF MANAGEMENT

The consolidated financial statements of Idaho AgCredit, ACA and its wholly owned subsidiaries Idaho AgCredit, FLCA and Idaho AgCredit, PCA (collectively Idaho AgCredit) are prepared by management, which is responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles appropriate under the circumstances and under the oversight of the Audit Committee (comprised of all board members), and in the opinion of management, fairly present the financial condition and results of operations of Idaho AgCredit.

To meet its responsibility for reliable financial information, management depends on Idaho AgCredit's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are properly authorized and recorded. The systems have been designed to provide the information to facilitate the recognition of costs in relation to benefits derived. To monitor compliance, Idaho AgCredit's staff, contract auditors, CoBank, ACB (CoBank) and an independent accounting firm perform reviews of the accounting records, review accounting systems and internal controls, and recommend improvements as appropriate.

The 2022 consolidated financial statements of Idaho AgCredit were audited by Wipfli LLP, certified public accountants (CPAs), who also conducted a review of the accounting records and such other auditing procedures as they considered necessary to comply with generally accepted auditing standards. A copy of their report was presented in the 2022 Annual Report to Shareholders (Annual Report).

The activities of Idaho AgCredit are also reviewed by the Farm Credit Administration (FCA), and certain actions of Idaho AgCredit are subject to approval by CoBank. Certain actions of CoBank are also subject to FCA approval. The annual and quarterly reports of Idaho AgCredit and CoBank are available upon request at no cost at Idaho AgCredit's administrative and branch offices, or on the websites at www.idahoagcredit.com and www.cobank.com, respectively.

The Board of Directors and Audit Committee have overall responsibility for Idaho AgCredit's systems of internal control and financial reporting. In connection with this obligation, each consults regularly with management and periodically reviews the scope and results of work performed by the CPAs. The CPAs also have direct access to the Board of Directors and Audit Committee.

The undersigned hereby certify that this report has been reviewed and prepared in accordance with all applicable statutory or regulatory requirements and that the information contained herein is true, accurate, and complete to the best of the undersigned's knowledge and belief.

Ken Black
Board Chairman

Marc Fonnesbeck
President and CEO

Ryan Mathews
Audit Committee Chairman

Jim Chase
Secretary and CFO

July 26, 2023

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

Overview and Economic Conditions:

The following discussion summarizes the financial position and results of operations of Idaho AgCredit for the three months ended June 30, 2023, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2022 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of the Audit Committee.

Economic conditions for the three months ended June 30, 2023 reflected commodity prices above breakeven for potatoes, wheat, barley, beef, and sugar beets. Alfalfa is operating at near breakeven due to lower demand and untimely rains during first crop harvesting. Dairy operations have been generally operating below breakeven due sluggish demand and over production along with high feed costs. Due to the uncertain nature of changes to consumption habits and market changes due to ongoing world events, it is too soon to accurately predict commodity prices in the near term. Most operations have sufficient diversification to weather short cycles of below breakeven prices for one or two commodities, but these operations may have to make difficult choices regarding machinery replacement and containment of operating costs. Water is expected to be adequate for 2023. Agricultural real estate prices appear to be steady to increasing. The increases in real estate values in the last several years could lead to increased loan risk on those operations which purchased higher cost land if real estate values and rental rates decrease. Idaho AgCredit's net income reflects the strong economic success of its customers.

Loan Portfolio:

Gross loan volume as of June 30, 2023 increased $12,976,836 from $337,734,361 at the prior quarter end to $350,711,197, and increased $17,583,663 compared to the same quarter in the prior year. The current quarter change in loan volume reflected seasonal changes in operating loan volume and net new commercial and mortgage loan volume. The increase in gross loan volume from the prior year reflects a net decrease in commercial loans and an increase in mortgage and mortgage purchased participation loans with other lenders.

Nonaccrual loan volume at June 30, 2023 was $422,204, or 0.12% of gross loan volume, compared to $607,271, or 0.18% on the same date in the prior year. Idaho AgCredit's total loan portfolio is presently graded 99.3% acceptable and OAEM compared to 99.2% acceptable and OAEM in the prior year. Idaho AgCredit's long-term goal for acceptable and OAEM credit remains at 90.0% or better.

Idaho AgCredit had no net investment in other property owned (aka acquired property) at June 30, 2023, which was the same as on the same date in the prior year. Idaho AgCredit's investment in accrual sales contracts at June 30, 2023 was $16,295 compared to $26,895 in the prior year. Idaho AgCredit's ratio of liabilities to net worth at June 30, 2023 was 4.05:1 compared to 4.07:1 the prior year. This ratio change (which reflects that total liabilities have decreased in proportion to net worth) has been caused by retained earnings growing faster to loan volume growth and the change in the corresponding debt with CoBank.

Results of Operations:

Idaho AgCredit's net income of $1,928,669 for the quarter was up $534,696 compared to the same quarter in the prior year. The net interest income after the provision for losses of loan principal and commitment for the quarter was $708,903 higher than the same period in the prior year due to an increase in net interest income of $847,520 and an increase in the net provision for loan losses of $138,617. Noninterest income for the quarter was $45,784 lower than the prior year, primarily due to a decrease in patronage from CoBank of $11,000, an increase of other patronage of $9,724, a decrease in loan fees of $43,503 primarily due to a one-time collection of $33,926 in prepayment/breakage fees in 2022, and a net decrease of $1,005 in financially related service income and other noninterest income. Noninterest expenses for the quarter were $107,423 higher than the prior year due to the increase in salaries and benefits of $108,684, a decrease of $4,191 in director compensation, an increase in occupancy expense of $3,042, a decrease in in Farm Credit Insurance Fund premiums of $49,000, an increase in supervisory and examination costs of $1,449, a decrease in purchased services of $9,514, and a net increase in all other noninterest expenses of $56,953. The provision for income taxes was increased by $21,000 from the prior year.

The allowance for credit losses on loans balance at June 30, 2023 totaled $1,737,019 or 0.50% of gross loan volume compared to an allowance of $1,479,933 or 0.44% of gross loan volume for the same date in the prior year. This increase of $257,086 from the prior year primarily reflects $115,434 in one-time adjustments in calculation methodology effective January 1, 2023 and $141,652 in changes in credit quality and loan volume. The allowance for credit losses for unfunded commitments balance at June 30, 2023 totaled $183,612 compared to an allowance of $68,762 for the same date in the prior year. The increase of $114,850 primarily reflects $116,617 in one-time adjustments in calculation methodology effective January 1, 2023 and a decrease of $1,767 in changes in credit quality and unfunded commitment volume. After assessing the relative risk based upon economic conditions, historical annual credit loss experience and potential future losses, management believes the allowances for credit losses adequately cover the inherent risk in the loan portfolio. Ultimate losses which may be experienced by Idaho AgCredit depend upon the impact of future commodity prices, real estate values, government subsidy and disaster programs, weather-related occurrences, operating decisions and public policy. These same factors may also generate recoveries of losses previously recognized.

Capital Resources:

Shareholders' equity at June 30, 2023 was $73,005,054, which increased $3,577,701 from $69,427,353 at December 31, 2022. This increase is due to net income plus net stock changes and one-time adjustments for the calculation methodology of the Allowance for Credit Losses for loans of $115,434 and the Allowance for Credit Losses for Loan Commitment of $116,618. Since January 1, 2005, Idaho AgCredit's stock requirement has been the minimum allowed by regulation, which is the lesser of 2% of the outstanding principal balance or $1,000 per customer. Idaho AgCredit's capital amounts, categories and ratios at June 30, 2023 exceeded the FCA minimum regulatory requirements which became effective January 1, 2017.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	June 30, 2023 Unaudited	December 31, 2022 Audited	June 30, 2022 Unaudited
ASSETS			
Loans	**$350,711,197**	$348,517,350	$333,127,534
Less allowance for credit losses on loans	**1,737,019**	1,540,260	1,479,933
Net loans	**348,974,178**	346,977,090	331,647,601
Cash	**2,872,948**	2,956,846	922,141
Accrued interest receivable	**5,328,740**	5,284,325	4,457,230
Investment in CoBank	**7,896,585**	9,239,674	9,239,674
Premises and equipment, net	**1,289,992**	1,250,482	1,242,925
Other property owned	**0**	0	0
Prepaid pension expense	**1,774,778**	1,801,994	1,578,570
Deferred tax asset (liability), net	**(166,000)**	(166,000)	(65,000)
Other assets	**777,961**	1,671,085	807,118
Total assets	**$368,749,182**	$369,015,496	$349,830,259
LIABILITIES			
Note payable to CoBank	**$251,076,090**	$279,008,801	$260,342,491
Advance conditional payments	**42,531,923**	15,602,116	19,266,890
Accrued interest payable	**1,187,384**	733,189	459,456
Patronage distributions payable	**0**	3,184,070	0
Reserve for credit losses on loan commitment	**183,612**	113,504	68,762
Other liabilities	**765,119**	946,463	701,131
Total liabilities	**$295,744,128**	$299,588,143	$280,838,730
Commitments and Contingencies (See Notes)			
SHAREHOLDERS' EQUITY			
Capital stock and participation certificates	**$511,780**	$506,675	$516,330
Allocated retained earnings (Memo Nonqualified)	**28,403,776**	25,909,762	25,909,762
Unallocated retained earnings	**44,089,498**	43,010,916	42,565,437
Accumulated other comprehensive income/(loss)	**0**	0	0
Total shareholders' equity	**$73,005,054**	$69,427,353	$68,991,529
Total liabilities and shareholders' equity	**$368,749,182**	$369,015,496	$349,830,259

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
INTEREST INCOME				
Loans	**$4,989,300**	$3,496,664	**$9,432,285**	$6,758,639
Total interest income	**4,989,300**	3,496,664	**9,432,285**	6,758,639
INTEREST EXPENSE				
Notes payable to CoBank	**1,482,087**	1,240,748	**2,822,009**	2,405,618
Advance conditional payments	**437,769**	33,992	**797,746**	50,249
Total interest expense	**1,919,856**	1,274,740	**3,619,755**	2,455,867
Net interest income	**3,069,444**	2,221,924	**5,812,530**	4,302,772
(Provision for) or Reversal of loan losses and reserves	**(127,727)**	10,890	**(34,817)**	35,824
Net interest income after (provision)/reversal	**2,941,717**	2,232,814	**5,777,713**	4,338,596
NONINTEREST INCOME				
Patronage distributions from CoBank	**274,000**	285,000	**542,717**	590,950
Patronage distributions from other Farm Credit Inst.	**26**	(9,698)	**48,781**	55,383
Loan fees	**64,230**	107,733	**225,183**	211,935
Financially related services income	**154**	1,365	**406**	1,482
Other noninterest income	**1,727**	1,521	**3,329**	2,847
Total Noninterest Income	**340,137**	385,921	**820,416**	862,597
NONINTEREST EXPENSE				
Salaries and employee benefits	**950,539**	841,855	**1,909,235**	1,722,311
Director's Compensation	**8,307**	12,498	**28,949**	23,807
Occupancy and equipment	**40,847**	37,805	**77,843**	77,727
Farm Credit Insurance Fund premiums	**80,000**	129,000	**177,000**	217,000
Supervisory and examination costs	**34,990**	33,541	**69,980**	67,082
Purchased Services	**54,232**	63,746	**139,756**	165,548
Data processing services	**2,430**	2,430	**4,860**	4,860
Losses/(Gains) on other property owned, net	**0**	0	**0**	0
Other noninterest expense	**160,840**	103,887	**343,858**	274,513
Total noninterest expense	**1,332,185**	1,224,762	**2,751,481**	2,552,848
Income (loss) before income taxes	**1,949,669**	1,393,973	**3,846,648**	2,648,345
(Provision for)/Benefit from income taxes	**(21,000)**	0	**(42,000)**	(31,000)
Net Income/Comprehensive income	**$1,928,669**	$1,393,973	**$3,804,648**	$2,617,345

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Capital Stock and Participation Certificates	Memo Allocated Retained Earnings	Unallocated Retained Earnings	Total Shareholders' Equity
Balance at December 31, 2021	$504,265	$24,303,750	$41,554,104	$66,362,119
Net income/Comprehensive Income		1,606,012	1,011,333	2,617,345
Stock issued	91,675			91,675
Stock retired	(79,610)			(79,610)
Patronage Distributions (Cash)				
Other (rounding)		0	0	0
Balance at June 30, 2022	$516,330	$25,909,762	$42,565,437	$68,991,529
Balance at December 31, 2022	$506,675	$25,909,762	$43,010,916	$69,427,353
Net income/Comprehensive Income		2,494,014	1,310,634	3,804,648
Stock issued	82,655			82,655
Stock retired	(77,550)			(77,550)
Patronage Distributions (Cash)				
January 1, 2023 adjustment for ACL-Loans			(115,434)	(115,434)
January 1, 2023 adjustment for ACL-Commitments			(116,617)	(116,617)
Other (rounding)		0	(1)	(1)
Balance at June 30, 2023	**$511,780**	**$28,403,776**	**$44,089,498**	**$73,005,054**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Organization and Significant Accounting Policies:

A description of the organization and operations of Idaho AgCredit, ACA (Idaho AgCredit), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2022, are contained in the 2022 Annual Report to Shareholders (Annual Report). The accompanying unaudited second-quarter 2023 financial statements have been prepared in accordance with the accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2022, as contained in the Annual Report.

In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods have been made. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2023. Descriptions of the significant accounting policies are included in the Annual Report. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

Recently Adopted or Issued Accounting Pronouncements

On January 1, 2023, the Institution adopted the Financial Accounting Standards Board (FASB) guidance entitled “Measurement of Credit Losses on Financial Instruments” and other subsequently issued accounting standards updates related to credit losses. This guidance replaced the current incurred loss impairment methodology with a single allowance framework that estimates the current expected credit losses (CECL) over the remaining contractual life for all financial assets measured at amortized cost and certain off-balance- sheet credit exposures. This guidance is applied on a modified retrospective basis. This framework requires management to consider in its estimate of the allowance for credit losses (ACL) relevant historical events, current conditions and reasonable and supportable forecasts that consider macroeconomic conditions. In addition, the guidance amends existing impairment guidance for held-to-maturity and available-for-sale investments to incorporate an allowance for credit losses related to these securities, which will allow for the reversal of credit impairments in the event that the credit of an issuer improves.

Also adopted effective January 1, 2023, was the updated guidance entitled “Financial Instruments – Credit Losses: Troubled Debt Restructurings and Vintage Disclosure.” This guidance requires the creditor to determine whether a modification results in a new loan or a continuation of an existing loan, among other disclosures specific to modifications with borrowers that are experiencing financial difficulties. The update eliminated the accounting guidance for troubled debt restructurings by creditors. The update also requires disclosure of current period gross write-offs by year of origination for financing receivables and net investments in leases on a prospective basis.
The following table presents the impact to the allowance for credit losses and retained earnings upon adoption of this guidance on January 1, 2023:

	December 31, 2022	CECL adoption impact	January 1, 2023
Assets:			
Allowance for credit losses on loans	$1,540,260	$115,434	$1,655,694
Deferred Tax Asset	0	0	0
Liabilities			
Allowance for credit losses on unfunded commitments	$113,504	$116,617	$230,121
Deferred tax liability	166,000	0	166,000
Retained Earnings			
Unallocated retained earnings, net of tax	$68,920,678	$232,051	$68,688,627

In December 2022, the FASB issued an update entitled "Reference Rate Reform - Deferral of the Sunset Date of Topic 848." In March 2020, the FASB issued guidance entitled “Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Reference Rate Reform)," which provided optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform to ease the potential burden related to reference rate reform (transition away from the London Inter-Bank Offered Rate (LIBOR)) with the optional amendments effective as of March 12, 2020 through December 31, 2022, the sunset date. At the time the update was issued, the expectation was that LIBOR would cease to be published after December 31, 2021.

In January 2021, the FASB issued an update to Reference Rate Reform whereby certain derivative instruments could be modified to change the rate used for margining, discounting, or contract price alignment. An entity could elect to apply the new amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments did not apply to contract modifications made or new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022.

Subsequent to the issuance of the January 2021 update, it was announced that the intended cessation date for various tenors of LIBOR would be June 30, 2023, thus necessitating the update to the sunset date. The amendments in the current update defer the sunset date from December 31, 2022 to December 31, 2024, after which entities will no longer be permitted to apply the relief.

In March 2022, the FASB issued an update entitled "Derivatives and Hedging: Fair Value Hedging – Portfolio Layer Method." Under current guidance, the last-of-layer method enables an entity to apply fair value hedging to a stated amount of a closed portfolio of prepayable financial assets (or one or more beneficial interests secured by a portfolio of prepayable financial instruments) without having to consider prepayment risk or credit risk when measuring those assets. This guidance will allow entities to apply the portfolio layer method to portfolios of all financial assets, including both prepayable and nonprepayable financial assets. This scope expansion is consistent with the FASB's efforts to simplify hedge accounting and allows entities to apply the same method to similar hedging strategies. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted on any date on or after the issuance of this update for any entity that has adopted amendments previously issued. Although the System does not have a current derivative hedging strategy in which the last-of-layer method is used, System institutions are currently evaluating the impact of this update on future derivative hedging strategies.

Loans and Allowance for Credit Losses

Loans are generally carried at their principal amount outstanding adjusted for charge-offs, deferred loan fees or costs, and valuation adjustments relating to hedging activities. Loan origination fees and direct loan origination costs are netted and capitalized and the net fee or cost is amortized over the average life of the related loan as an adjustment to interest income. Loan prepayment fees are reported in interest income. Interest on loans is accrued and credited to interest income based on the daily principal amount outstanding.

Nonaccrual Loans

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

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

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

Accrued interest receivable
The entity elected to continue classifying accrued interest on loans in accrued interest receivable and not as part of loans on the Consolidated Statements of Financial Condition. The entity also elected to not estimate an allowance on interest receivable balances because the nonaccrual policies in place provide for the accrual of interest to cease on a timely basis when all contractual amounts are not expected.

Loan Modifications to Borrowers Experiencing Financial Difficulty
Loan modifications may be granted to borrowers experiencing financial difficulty. Modifications can be in the form of one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant payment delay or a term extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions.

Collateral dependent loans
Collateral dependent loans are loans secured by collateral, including but not limited to agricultural real estate, crop inventory, equipment and livestock. CECL requires an entity to measure the expected credit losses based on fair value of the collateral at the reporting date when the entity determines that foreclosure is probable. Additionally, CECL allows a fair value practical expedient as a measurement approach for loans when the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulties. Under the practical expedient measurement approach, the expected credit losses is based on the difference between the fair value of the collateral less estimated costs to sell and the amortized cost basis of the loan.

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

- the allowance for credit losses on loans (ACLL)
- the allowance for unfunded commitments, which is presented on the balance sheet in the reserve for credit losses on loan commitment

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

Methodology for Allowance for Credit Losses on Loans
The ACLL represents management's estimate of credit losses over the remaining expected life of loans. Loans are evaluated on the amortized cost basis, including premiums, discounts and fair value hedge accounting adjustments.

The entity employs a disciplined process and methodology to establish its ACLL. In estimating the component of the ACLL that share common risk characteristics, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. Relevant risk characteristics include loan type, commodity, credit quality rating, delinquency category or business segment or a combination of these classes. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by credit quality rating or delinquency buckets using historical life-of-loan analysis periods for loan types, and the severity of loss, based on the aggregate net lifetime losses incurred per loan pool. The primary components of the ACLL model are probability of default (PD) and loss given default (LGD) factors derived from historical losses, a forward-looking CECL factor derived from macroeconomic factors that consider significant datapoints (interest rate forecasts, economic forecasts, water forecasts, and agricultural commodity and asset values), and a portfolio pool adjustment adder. The forward-looking period ranges from 12 to 24 months, with a median of 18 months.

The ACLL considers factors for each loan pool to adjust for differences between the historical period used to calculate historical default and loss severity rates and expected conditions over the remaining lives of the loans in the portfolio related to:

- lending policies and procedures;
- national, regional and local economic business conditions and developments that affect the collectability of the portfolio, including the condition of various markets;
- the nature of the loan portfolio, including the terms of the loans;
- the experience, ability and depth of the lending management and other relevant staff;
- the volume and severity of past due and adversely classified or graded loans and the volume of nonaccrual loans;
- the quality of the loan review and process;
- the value of underlying collateral for collateral-dependent loans;
- the existence and effect of any concentrations of credit and changes in the level of such concentrations; and
- the effect of external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing portfolio.

The entity uses a single economic scenario over the reasonable and supportable forecast period of 12 to 24 month (median 18 months). Subsequent to the forecast period, the institution reverts to long run historical loss experience beyond the forecast period on a straight-line basis to inform the estimate of losses for the remaining contractual life of the loan portfolio.

The economic forecasts incorporate macroeconomic variables, including interest rate forecasts, economic forecasts, water forecasts, and agricultural commodity and asset values. Also considered are loan and borrower characteristics, such as internal risk ratings, delinquency status, collateral type, and the remaining term of the loan, adjusted for expected prepayments. The macroeconomic forecasts are updated on a quarterly basis.

In addition to the quantitative calculation, the institution considers the imprecision inherent in the process and methodology, emerging risk assessments and other subjective factors, which may lead to a qualitative adjustment to the modeled ACLL results. Expected credit loss estimates also include consideration of expected cash recoveries on loans previously charged-off or expected recoveries on collateral dependent loans where recovery is expected through sale of the collateral. Qualitative adjustments, if applicable, are anticipated to be infrequent and of short duration. Qualitative adjustments are updated on a quarterly basis.

Prior to January 1, 2023, the allowance for loan losses was maintained at a level considered adequate to provide for probable losses existing in and inherent in the loan portfolio. The allowance was based on a periodic evaluation of the loan portfolio in which numerous factors are considered, including economic conditions, collateral values, borrowers’ financial conditions, loan portfolio composition and prior loan loss experience. The allowance for loan losses encompassed various judgments, evaluations and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity would cause these various judgments, evaluations and appraisals to change over time. Management considered a number of factors in determining and supporting the levels of the allowances for loan losses, which include, but are not limited to, the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences.

Allowance for Credit Losses on Unfunded Commitments

The entity evaluates the need for an allowance for credit losses on unfunded commitments under CECL and, if required, an amount is recognized and included in other liabilities on the Consolidated Statements of Financial Condition. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the institution and applying the loss factors used in the ACLL methodology to the results of the usage calculation. No allowance for credit losses are recorded for commitments that are unconditionally cancellable.

Idaho AgCredit may have loans in the categories of real estate mortgage, production and intermediate term, agribusiness (which may be further broken down into loans to cooperatives, processing and marketing and farm related business), rural infrastructure, rural residential real estate and other. Only those categories for which Idaho AgCredit had loans are shown in these schedules.

Note 2 – Loans and Allowance for Credit Losses:

A summary of loans (excluding related accrued interest) follows:

Loans	**June 30, 2023**	December 31, 2022
Real estate mortgage	**$221,932,309**	$228,339,461
Production and intermediate term	**77,954,278**	96,818,433
Agribusiness	**37,842,237**	19,726,572
Rural infrastructure	**12,982,373**	3,632,884
Total loans	**$350,711,197**	$348,517,350

Idaho AgCredit purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. All of Idaho AgCredit's participations purchased and participations sold are with other Farm Credit Institutions. The following table presents information regarding participations purchased and sold (excluding related accrued interest) as of June 30, 2023:

	Other Farm Credit Institutions	
Participation Loans	Purchased	Sold
Real estate mortgage	$41,697,462	$17,037,714
Production and intermediate term	2,383,269	3,112,222
Agribusiness	13,174,314	0
Rural infrastructure	12,982,373	0
Total	$70,237,418	$20,149,936

Credit Quality

Credit risk arises from the potential inability of an obligor to meet its payment obligation and exists in our outstanding loans, letters of credit and unfunded loan commitments. The entity manages credit risk associated with the retail lending activities through an analysis of the credit risk profile of an individual borrower using its own set of underwriting standards and lending policies, approved by its board of directors, which provides direction to its loan officers. The retail credit risk management process begins with an analysis of the borrower’s credit history, repayment capacity, financial position and collateral, which includes an analysis of credit scores for smaller loans. Repayment capacity focuses on the borrower’s ability to repay the loan based on cash flows from operations or other sources of income, including off-farm income. Real estate mortgage loans must be secured by first liens on the real estate (collateral). As required by Farm Credit Administration regulations, each institution that makes loans on a secured basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be made only in amounts up to 85% of the original appraised value of the property taken as security or up to 97% of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Loans other than real estate mortgage may be made on a secured or unsecured basis.

The entity uses a two-dimensional risk rating model based on an internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating 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 during the life of the loan. The loss given default is management’s estimate as to the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower or the loan is classified nonaccrual. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses and risks in a particular relationship. The institution reviews, at least on an annual basis, or when a credit action is taken the probability of default category.

Each of the probability of default categories carries a distinct percentage of default probability. The probability of default rate between one and nine of the acceptable categories is very narrow and would reflect almost no default to a minimal default percentage. The probability of default rate grows more rapidly as a loan moves from acceptable to other assets especially mentioned and grows significantly as a loan moves to a substandard (viable) level. A substandard (non-viable) rating indicates that the probability of default is almost certain. These 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, or collateral pledged on the loan,
- *doubtful*: assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing facts, conditions and values that make collection in full highly questionable, and
- *loss*: assets are considered uncollectible.

The following table presents credit quality indicators by loan type and the related principal balance:

	Term Loans Amortized Cost by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	
	2023	2022	2021	2020	2019	Prior			Total
Real estate mortgage									
Acceptable	9,956,914	25,028,440	35,978,477	41,989,167	18,468,468	78,045,776	7,703,069		217,170,311
OAEM			933,903	1,582,168		823,605	5,000		3,344,676
Substandard		1,261,920	1,175			149,176	4,050		1,416,321
Doubtful							1,000		1,000
									221,932,308
Production and Intermediate-term									
Acceptable	17,818,121	9,039,636	11,220,929	5,407,359	1,360,065	1,150,326	29,585,533		75,581,969
OAEM	917,595	200,044	79,370						1,197,009
Substandard	903,128					2,320			905,448
Doubtful						269,853			269,853
									77,954,279
Agribusiness									
Acceptable	19,087,030	7,777,779	2,306,810	1,763,513	1,395,269	3,452,540	2,059,296		37,842,237
									37,842,237
Rural Infrastructure									
Acceptable	9,349,489	971,723	1,603,125	1,058,036					12,982,373
									12,982,373
Total Loans									
Acceptable	56,211,554	42,817,578	51,109,341	50,218,075	21,223,802	82,648,642	39,347,898	0	343,576,890
OAEM	917,595	200,044	1,013,273	1,582,168	0	823,605	5,000	0	4,541,685
Substandard	903,128	1,261,920	1,175	0	0	151,496	4,050	0	2,321,769
Doubtful	0	0	0	0	0	269,853	1,000	0	270,853
Current charge-offs	0	0	0	0	0	0	0	0	0
Totals:	**58,032,277**	**44,279,542**	**52,123,789**	**51,800,243**	**21,223,802**	**83,893,596**	**39,357,948**	**0**	**350,711,197**

All categories are shown in Total Loans, but only applicable categories are shown elsewhere. Minor rounding differences compared to other schedules.

The following table shows loans under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type as of:

	June 30, 2023	December 31, 2022*
Real estate mortgage		
Acceptable	**97.9%**	97.8%
OAEM	**1.5%**	1.6%
Substandard	**0.6%**	0.6%
Doubtful	**0.0%**	0.0%
	100.0%	100.0%
Production and intermediate term		
Acceptable	**97.0%**	97.7%
OAEM	**1.5%**	1.3%
Substandard	**1.2%**	0.7%
Doubtful	**0.3%**	0.3%
	100.0%	100.0%
Agribusiness		
Acceptable	**100.0%**	100.0%
OAEM	**0.0%**	0.0%
Substandard	**0.0%**	0.0%
Doubtful	**0.0%**	0.0%
	100.0%	100.0%
Rural infrastructure		
Acceptable	**100.0%**	100.0%
OAEM	**0.0%**	0.0%
Substandard	**0.0%**	0.0%
Doubtful	**0.0%**	0.0%
	100.0%	100.0%
Total loans		
Acceptable	**98.0%**	97.9%
OAEM	**1.2%**	1.4%
Substandard	**0.7%**	0.6%
Doubtful	**0.1%**	0.1%
	100.0%	100.0%

*Prior to the adoption of CECL on January 1, 2023, loans were presented with accrued interest receivable

Accrued interest receivable on loans of $5,328,740 and $5,284,325 at June 30, 2023 and December 31, 2022 have been excluded from the amortized cost of loans and reported separately in the Consolidated Statements of Financial Condition. The entity did not write off any accrued interest receivable for the three months ended June 30, 2023 and 2022.

The following table reflects nonperforming assets, which consist of nonaccrual loans and other property owned and related credit quality statistics:

	June 30, 2023	December 31, 2022
Nonaccrual loans:		
Real estate mortgage	**$152,351**	$152,076
Production and Intermediate term	**269,853**	277,053
Agribusiness	**0**	0
Rural infrastructure	**0**	0
Total nonaccrual loans	**$422,204**	$429,129
Other property owned	**0**	0
Total nonperforming assets	**$0**	$0
Nonaccrual loans as a percentage of total loans	0.12%	0.12%
Nonperforming assets as a percentage of total loans and other property owned	0.12%	0.12%
Nonperforming assets as a percentage of capital	0.58%	0.62%

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

	June 30, 2023			Interest Income Recognized	
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	for the Three Months ended June 30, 2023	for the Six Months ended June 30, 2023
Nonaccrual loans:					
Real estate mortgage	**$0**	**$152,351**	**$152,351**	**$0**	**$5**
Production and Intermediate term	**269,853**	**0**	**269,853**	**0**	**0**
Agribusiness	**0**	**0**	**0**	**0**	**0**
Rural infrastructure	**0**	**0**	**0**	**0**	**0**
Total nonaccrual loans	**$269,853**	**$152,351**	**$422,204**	**$0**	**$5**

The following table provides an age analysis of past due loans (excluding accrued interest) as of:

(Dollars in Thousands)	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or <30 Days Past Due	Total Loans	90 Days or More Past Due and Accruing
June 30, 2023						
Real estate mortgage	**$936**	**$0**	**$936**	**$220,997**	**$221,933**	**$0**
Production and intermediate term	**0**	**0**	**0**	**77,954**	**77,954**	**0**
Agribusiness	**0**	**0**	**0**	**37,842**	**37,842**	**0**
Rural infrastructure	**0**	**0**	**0**	**12,982**	**12,982**	**0**
Total	**$936**	**$0**	**$936**	**$349,775**	**$350,711**	**$0**

The following table provides an age analysis of past due loans (including accrued interest, prior to the adoption of CECL) as of:

(Dollars in Thousands)	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or <30 Days Past Due	Total Loans	90 Days or More Past Due and Accruing
December 31, 2022						
Real estate mortgage	$931	$0	$931	$231,258	$232,189	$0
Production and intermediate term	449	0	449	97,629	98,078	0
Agribusiness	34	0	34	19,867	19,901	0
Rural infrastructure	0	0	0	3,634	3,634	0
Total	$1,414	$0	$1,414	$352,388	$353,802	$0

A loan is considered collateral dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The collateral dependent loans are primarily real estate mortgage loans.

Allowance for Credit Losses
The credit risk rating methodology is a key component of the institution's allowance for credit losses evaluation, and is generally incorporated into the institution's loan underwriting standards and internal lending limits. In addition, borrower and commodity concentration lending and leasing limits have been established by the institution to manage credit exposure. The regulatory limit to a single borrower or lessee is 15% of the institution's lending and leasing limit base including long-term, short-term and intermediate-term lending authorities. Idaho AgCredit's board of directors have established more restrictive lending limits.

Effective January 1, 2023, the System adopted the CECL accounting guidance as described in Note 1 – Organization and Significant Accounting Policies. A summary of changes in the allowance for credit losses by portfolio segment are as follows:

	Beginning Balance	Cumulative effect of change in accounting principle	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Ending Balance
March 31, 2023 to June 30, 2023						
Allowance for Credit Losses (Loans)						
Real estate mortgage	**$497,888**	**$0**	**$0**	**$0**	**$4,630**	**$502,518**
Production and intermediate term	**632,301**	**0**	**0**	**0**	**45,422**	**677,723**
Agribusiness	**421,355**	**0**	**0**	**0**	**46,519**	**467,874**
Rural infrastructure	**59,281**	**0**	**0**	**0**	**29,623**	**88,904**
Total	**$1,610,825**	**$0**	**$0**	**$0**	**$126,194**	**$1,737,019**
Allowance for Unfunded Commitments						
Real estate mortgage	**$2,208**	**$0**	**$0**	**$0**	**($119)**	**$2,089**
Production and intermediate term	**132,585**	**0**	**0**	**0**	**(430)**	**132,155**
Agribusiness	**43,695**	**0**	**0**	**0**	**3,201**	**46,896**
Rural infrastructure	**3,591**	**0**	**0**	**0**	**(1,119)**	**2,472**
Total	**$182,079**	**$0**	**$0**	**$0**	**$1,533**	**$183,612**
Total allowance for credit losses	**$1,792,904**	**$0**	**$0**	**$0**	**$127,727**	**$1,920,631**
December 31, 2022 to June 30, 2023						
Allowance for Credit Losses (Loans)						
Real estate mortgage	**$588,599**	**$21,323**	**$0**	**$0**	**($107,404)**	**$502,518**
Production and intermediate term	**856,037**	**(10,283)**	**0**	**0**	**(168,031)**	**677,723**
Agribusiness	**88,058**	**95,920**	**0**	**0**	**283,896**	**467,874**
Rural infrastructure	**7,566**	**8,474**	**0**	**0**	**72,864**	**88,904**
Total	**$1,540,260**	**$115,434**	**$0**	**$0**	**$81,325**	**$1,737,019**
Allowance for Unfunded Commitments						
Real estate mortgage	**$782**	**$789**	**$0**	**$0**	**$518**	**$2,089**
Production and intermediate term	**52,881**	**49,406**	**0**	**0**	**29,868**	**132,155**
Agribusiness	**57,507**	**63,809**	**0**	**0**	**(74,420)**	**46,896**
Rural infrastructure	**2,333**	**2,613**	**0**	**0**	**(2,474)**	**2,472**
Total	**$113,503**	**$116,617**	**$0**	**$0**	**($46,508)**	**$183,612**
Total allowance for credit losses	**$1,653,763**	**$232,051**	**$0**	**$0**	**$34,817**	**$1,920,631**

	Beginning Balance	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Ending Balance
March 31, 2022 to June 30, 2022*					
Allowance for Credit Losses (Loans)					
Real estate mortgage	$566,288	$0	$0	($5,081)	$561,207
Production and intermediate term	839,657	0	0	10,830	850,487
Agribusiness	48,813	0	0	13,783	62,596
Rural infrastructure	17,319	0	0	(11,675)	5,644
Total	$1,472,077	$0	$0	$7,857	$1,479,934
Allowance for Unfunded Commitments					
Real estate mortgage	$1,283	$0	$0	($105)	$1,178
Production and intermediate term	78,711	0	0	(15,205)	63,506
Agribusiness	6,665	0	0	(5,501)	1,164
Rural infrastructure	550	0	0	2,364	2,914
Total	$87,209	$0	$0	($18,447)	$68,762
Total allowance for credit losses	$1,559,286	$0	$0	($10,590)	$1,548,696
December 31, 2021 to June 30, 2022*					
Allowance for Credit Losses (Loans)					
Real estate mortgage	$557,102	$0	$0	$4,105	$561,207
Production and intermediate term	915,850	0	0	(65,363)	850,487
Agribusiness	35,079	0	0	27,517	62,596
Rural infrastructure	15,257	0	0	(9,613)	5,644
Total	$1,523,288	$0	$0	($43,354)	$1,479,934
Allowance for Unfunded Commitments					
Real estate mortgage	$2,286	$0	$0	($1,108)	$1,178
Production and intermediate term	52,452	0	0	11,054	63,506
Agribusiness	5,915	0	0	(4,751)	1,164
Rural infrastructure	579	0	0	2,335	2,914
Total	$61,232	$0	$0	$7,530	$68,762
Total allowance for credit losses	$1,584,520	$0	$0	($35,824)	$1,548,696

*For periods prior to January 1, 2023, the allowance was based on probable and estimable losses inherent in the portfolio

Loan Modifications to Borrowers Experiencing Financial Difficulties

Loan modifications may be granted to borrowers experiencing financial difficulty. qualifying disclosable modifications are one or a combination of principal forgiveness, interest rate reduction, forbearance or term extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions. Idaho AgCredit has not had any such modifications since the loan modification guidance was adopted.

Troubled Debt Restructurings

Prior to January 1, 2023 and the adoption of updated FASB guidance on loan modifications, a restructuring of a loan constituted a troubled debt restructuring, also known as formally restructured, if the creditor for economic or legal reasons related to the borrower's financial difficulties granted a concession to the borrower that it would not otherwise consider. Concessions varied by program and were borrower-specific and could include interest rate reductions, term extensions, payment deferrals, acceptance of additional collateral in lieu of payments or principal forgiveness. Idaho AgCredit has not had any such restructurings during any of the years shown.

Note 3 – Capital:

There have not been any significant capitalization bylaw changes or significant other capitalization plan or status changes since the date of the Annual Report and Idaho AgCredit is in compliance with FCA capital regulations.

Note 4 – Income Taxes:

There have not been any significant changes in the composition or valuation of tax assets or liabilities since the date of the Annual Report.

Note 5 – Contingent Liabilities and Litigation:

Idaho AgCredit has various commitments outstanding and contingent liabilities, as described in Note 14 "Commitments and Contingencies" of the Annual Report. There have not been any significant changes related to this subject area since that report, other than normal seasonal and operational variations in the amounts of outstanding commitments and deposit balances. There are no legal actions pending against Idaho AgCredit.

Note 6 – Whistleblower Notices:

Idaho AgCredit has established a whistleblower program to encourage reporting by any employee, customer or member of the public about any improper accounting or other activity to Idaho AgCredit's Audit Committee. Details about the whistleblower program and contact information for making whistleblower complaints are listed on Idaho AgCredit's website at www.idahoagcredit.com.

Note 7 – Subsequent Events:

Idaho AgCredit has evaluated subsequent events through July 26, 2023, which is the date the financial statements were available to be issued.