2019 FINANCIAL STATEMENTS

FARM CREDIT EAST

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(dollars in thousands)	December 31				
BALANCE SHEET DATA	**2019**	**2018**	**2017**	**2016**	**2015**
Loans	$7,434,982	$6,964,353	$6,605,200	$6,288,175	$6,094,507
Less: Allowance for loan losses	84,234	78,370	75,751	77,583	76,361
Net loans	7,350,748	6,885,983	6,529,449	6,210,592	6,018,146
Cash	21,481	23,395	48,736	22,581	14,463
Investment in CoBank, ACB	250,266	235,769	224,509	216,249	207,106
Other property owned	1,657	2,609	1,447	766	1,946
Other assets	124,831	116,764	106,837	91,332	84,645
Total assets	$7,748,983	$7,264,520	$6,910,978	$6,541,520	$6,326,306
Obligations with maturities of one year or less	$168,482	$153,380	$147,009	$133,252	$115,361
Obligations with maturities greater than one year	6,036,193	5,657,199	5,414,435	5,161,666	5,050,959
Total liabilities	6,204,675	5,810,579	5,561,444	5,294,918	5,166,320
Capital stock and participation certificates	15,499	15,079	14,808	14,338	14,124
Additional paid-in capital	229,198	229,198	229,198	229,198	229,198
Unallocated retained earnings	1,345,666	1,255,417	1,157,496	1,057,428	962,070
Accumulated other comprehensive loss	(46,055)	(45,753)	(51,968)	(54,362)	(45,406)
Total members' equity	1,544,308	1,453,941	1,349,534	1,246,602	1,159,986
Total liabilities and members' equity	$7,748,983	$7,264,520	$6,910,978	$6,541,520	$6,326,306

	For the Year Ended December 31				
STATEMENT OF COMPREHENSIVE INCOME DATA	**2019**	**2018**	**2017**	**2016**	**2015**
Net interest income	$225,649	$208,523	$197,405	$185,442	$177,679
Provision for loan losses	5,000	5,000	-	-	3,000
Noninterest expenses, net	32,952	24,308	36,056	32,681	28,876
Provision for income taxes	1,504	1,294	1,281	1,403	2,562
Net income	$186,193	$177,921	$160,068	$151,358	$143,241
Comprehensive income	$184,947	$184,136	$162,462	$142,402	$139,476
KEY FINANCIAL RATIOS					
Return on average assets	2.50%	2.54%	2.41%	2.38%	2.36%
Return on average members' equity	12.18%	12.57%	12.24%	12.40%	12.64%
Net interest income as a percentage of average earning assets	3.17%	3.11%	3.11%	3.05%	3.07%
Members' equity as a percentage of total assets	19.93%	20.01%	19.53%	19.06%	18.34%
Debt to members' equity	4.0:1	4.0:1	4.12:1	4.25:1	4.45:1
Net (charge-offs) recoveries as a percentage of average loans	(0.01%)	(0.04%)	0.00%	(0.01%)	(0.02%)
Allowance for credit losses as a percentage of loans and accrued interest receivable	1.25%	1.27%	1.31%	1.37%	1.43%
Common Equity Tier 1 (CET1) Capital	17.42%	17.72%	17.34%	n/a	n/a
Tier 1 Capital	17.42%	17.72%	17.34%	n/a	n/a
Total Capital	18.63%	18.92%	18.59%	n/a	n/a
Tier 1 Leverage	18.35%	18.53%	18.20%	n/a	n/a
Unallocated Retained Earnings and URE Equivalents (UREE) Leverage	20.13%	20.31%	19.97%	n/a	n/a
Permanent capital ratio	17.61%	17.91%	17.53%	17.16%	16.35%
Net income distribution					
Cash patronage declared	$70,000	$65,000	$60,000	$56,000	$53,000
Special cash patronage	$25,000	$15,000	$ -	$ -	$ -

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion summarizes the financial position and results of operations of Farm Credit East, ACA (Farm Credit East or the Association) as of December 31, 2019 with comparisons to prior years. The commentary includes material known trends, commitments, events or uncertainties that have impacted or are reasonably likely to impact our financial condition and results of operations. The discussion and analysis should be read in conjunction with the accompanying consolidated financial statements, footnotes and other sections of this Annual Report. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee.

Farm Credit East's Annual and Quarterly reports to stockholders are available on the Association's website, **farmcrediteast.com**, or can be obtained free of charge by calling the Association's main office at 860-741-4380. Annual reports are available 75 days after year end and quarterly reports are available 40 days after each calendar quarter end.

Dollar amounts are in thousands unless otherwise noted.

BUSINESS OVERVIEW

Farm Credit East is a lending institution of the Farm Credit System (the System). We are 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 American farmers, ranchers and producers or harvesters of aquatic products, timber products and farm-related businesses through a member-owned cooperative system. This is done by making loans and providing financial services. 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.

As a cooperative, we are owned by the members we serve. Our territory served extends across a diverse agricultural region covering the entire states of Connecticut, Maine, Massachusetts, Rhode Island and New Jersey, six counties of New Hampshire and all of New York except two counties. The Association makes short and intermediate term loans for agricultural production and long term real estate mortgage loans. Additionally, we provide other related services to our borrowers, such as financial recordkeeping, payroll, tax return preparation, tax planning, farm accounting software, fee appraisals, farm business consulting, leasing, credit life insurance and multi-peril crop insurance, as an agent. Our success begins with our extensive agricultural experience and knowledge of the market.

As part of the System, the Association obtains the funding for its lending and operations from CoBank, ACB (CoBank). CoBank is a cooperative of which Farm Credit East is an owner and member. The Association, along with other Farm Credit System (FCS) entities, also purchases payroll and other human resource services from CoBank. The Association is materially affected by CoBank's financial condition and results of operations. To obtain a free copy of the CoBank Annual Report to Stockholders, please contact us at one of our offices or by accessing CoBank's website at www.cobank.com. We purchase technology and other operational services from Farm Credit Financial Partners, Inc (FPI). We are an owner of FPI, along with other FPI customers.

YEAR IN REVIEW

Farm Credit East benefits from serving a diverse portfolio of loans from the farm, forest products and fishing industries, each of which has its own unique set of economic drivers. Consumer sensitive industries such as greenhouse, nursery, sod, farm retail, direct to consumer vegetable and fruit, and wineries generally benefited from a robust nonfarm economy in 2019. Rising consumer purchasing power and continued low unemployment were beneficial along with the ongoing trend to "buy local." Forest product industries were still relatively strong given markets for pulp and paper and lumber prices were down from their highs of 2018 and there's some softness in demand and prices for some hardwood varieties. Some commodity industries such as cash crops continued to face headwinds during 2019 due to in part to trade disruptions, though there may be some resolution on some trade issues heading into 2020. There was significant milk price improvement in 2019, an important boost for an industry that has had several years of depressed prices. Producers across the region generally faced a late, wet spring and many areas dealt with difficult harvest conditions, but weather patterns for most of the growing season were favorable. Cost inflation has impacted purchased inputs, labor costs, health insurance and other services but somewhat offset as the Federal Reserve lowered short-term interest rates three times in 2019, and Farm Credit East lowered rates an additional 0.25% outside of the Federal Reserve actions.

Farm Credit East experienced another year of strong financial performance in 2019. Loan volume increased 6.8% to $7.4 billion as of December 31, 2019, with average loan volume for the year increasing 6.4% as well. Net income grew to $186.2 million in 2019, an $8.3 million increase compared to 2018. The 4.6% increase reflects significantly higher net interest income offset by lower noninterest income and by higher operating expenses. From its 2019 earnings, Farm Credit East declared two separate patronage dividends totaling $95.0 million combined. $70 million will be distributed in cash in 2020. A special cash patronage dividend of $25.0 million was paid in October 2019.

Overall loan quality measures for Farm Credit East remain strong. At December 31, 2019, 3.8% of loans were classified as adverse assets, compared to 3.5% at December 31, 2018. Nonaccrual loans decreased to $39.9 million at December 31, 2019, from $45.8 million one year ago. The Association's allowance for credit losses totaled $93.4 million at December 31, 2019, or 1.3% of total loans.

Association capital levels remain well in excess of regulatory minimums. As of December 31, 2019, members' equity totaled $1.5 billion and our permanent capital and total regulatory capital ratios were 17.6% and 18.6%, respectively, at December 31, 2019 — both well in excess of the regulatory minimums of 7.0% and 8.0%.

The U.S. general economy remains relatively solid, particularly compared to other developed nations. However, indications are that the economy slowed somewhat in the second half of 2019 going into 2020. U.S. GDP growth decelerated from the 3.1% seen in the first quarter of the year, ending at 2.3% growth for the full year. Estimates for 2020 are for growth of about 2.0%.

Consumer spending is likely to soften going forward, but will continue to support the economy, as consumer confidence remains high. Job growth has slowed as well, as the nation nears full employment, but the labor market will remain extremely tight going into next year, given that the headline unemployment rate stands close to a 50-year low at 3.6%.

While U.S. consumers remain confident, business sentiment shows signs of weakening, amidst market volatility, tariffs and trade uncertainty, a strong dollar, and a global manufacturing slowdown.

The U.S. Federal Reserve, in an effort to support the economy's continued expansion, made three 0.25% interest rate decreases in 2019.

The ongoing trade and tariff disputes with major trading partners around the globe remain cause for concern entering 2020, although some progress has been made recently. While some U.S. manufacturers are benefiting from a more protected domestic market, others are facing both higher prices for imported raw materials and reduced access to international markets due to foreign countries' retaliatory tariffs on U.S. exports.

The US-Mexico-Canada Agreement (USMCA) was ratified by the U.S. Congress in January 2020 and now awaits ratification by Canada's legislature (Mexico had previously ratified the agreement). While some Canadian lawmakers have raised concerns about the agreement, its ratification seems likely. The USMCA is generally considered to be a favorable agreement for U.S. agriculture.

In September 2019, the U.S. and Japan agreed to a significant trade deal, after resolving some last-minute concerns from Japan regarding tariffs on Japanese-made cars and auto parts. U.S. exporters, including agriculture, have been concerned about trade with Pacific-rim nations since the U.S. pulled out of the Trans-Pacific Partnership, or TPP. Japan, the world's third-largest economy, represents a significant market for American farm products, averaging $11 billion in purchases annually over the last 20 years. This is despite an average 17.3% tariff on U.S. ag products, which would be significantly reduced in the new agreement. Under the agreement, Japan will eliminate or reduce tariffs on a long list of US agricultural products, including a number of dairy products.

Trade with China remains the most prominent of our numerous trade disputes around the globe. In January 2020, the U.S. and China agreed to a partial truce in their ongoing trade war, signing what is being referred to as the "Phase 1" China trade deal.

THE FARM ECONOMY

Net farm income in the Northeast region is estimated to have increased in 2019 and is forecast to increase again slightly in 2020. This forecasted increase in 2020 is due partly to a modest projected increase in milk prices over 2019, as well as continued good performance by other industry segments such as the nursery/greenhouse, agricultural retail and forest products sectors. Nationally, 2019 net farm income is estimated by USDA at $94 billion.

AGRICULTURAL OUTLOOK

Dairy: Northeast dairy farms continue to show a wide range of operating results, with many farms managing to remain profitable, while others face narrow margins with some exiting after several years of low milk prices. However, milk prices have significantly increased over the past year, and are projected to increase further in 2020. Despite rising milk prices, expansion has been limited, in part due to milk handlers' attempts at managing their supply.

Cash Field Crops: This category includes corn for grain, soybeans, hay, wheat and some small grains. 2019 was a challenging growing year for much of the country, which means reduced production, and some support for higher prices. Growing conditions were variable throughout the Northeast, with some producers reporting good crop yields while others experienced production challenges. Cash field growers in general should be modestly above break-even for 2019, depending on their individual yields and marketing strategies. Trade mitigation payments have helped at the margin. 2019/20 pricing for corn is forecast in the $3.85/bu. range and soybeans should be in the $9.00/bu. range.

Timber and Forest Products: The forest products industry encompasses a variety of business types, ranging from timberland ownership, to sawmills, to loggers. Most aspects of the industry experienced positive economic performance in 2019.

Lumber prices have declined to more normal levels since the fall of 2018 when they peaked at record highs. However, margins remain adequate for most Northeast sawmills. Hardwood lumber, which is more susceptible to trade impacts, has seen lower prices, and mills focused on hardwoods may see narrower margins for 2020, depending on what happens with new trade agreements.

Improving paper markets, especially containerboard and tissue, along with strong pulp markets, have supported capital projects at various Northeast pulp and paper mills. Subsequently, pulp markets are strengthening and harvest levels are increasing in all species in the Northeast. Stumpage prices in most species and products have been moving upward, with further improvement expected.

Loggers in Northern Maine faced substantial challenges in recent years, but ongoing improvement in pulp and paper markets has helped the industry. After the exit of some firms in recent years, logging capacity is now in closer alignment with demand in most parts of our service area.

Livestock: In the Northeast, this is a very diverse sector ranging from beef or other protein producers, both full- and part-time, as well as equine, which itself can be broken down into racing/breeding and boarding and training enterprises.

Most livestock product commodity prices in 2019 were relatively weak. However, many Northeast producers serve specialty markets which have been quite resilient and bring higher prices than national indexes. Recreational equine markets are supported principally by local recreational demand and nonfarm income and have been tracking upward along with the general economy.

The New York horse racing industry has had positive results. Prices for state-bred thoroughbreds remain high, which is positive for breeding farms and the industry in general.

Fruit: This is a diverse category consisting of fresh market and processing apples, grapes for juice, farm wineries, small fruits, cranberries and more.

Apples: New York's 2019 apple production is estimated roughly in line with the state's five-year average, although yield varied by region. Washington state had a large crop, which typically drives the market, putting some downward pressure on prices. Nonetheless, Northeast growers generally report good pricing and movement for most fresh market varieties, although this varies somewhat across the region.

Juice Grapes: Challenging weather conditions led to variable results for juice grape growers in the region. For the Niagara variety, some growers reported normal crops while others have experienced losses and filed crop insurance claims. The Concord harvest went very well, and most fields reported good sugar content and tonnage. Projected pricing has increased by $5-10 per ton over 2018.

Wine: Reports indicate that visitor counts continue to decline slightly due to an increasing number of craft beverage businesses across the region competing for customers, but overall retail spending has kept pace as price points have increased. Wine grape growers generally reported a good growing year across most of the Northeast in terms of both yield and quality.

Small Fruits: New Jersey blueberry growers reported steady prices, but some quality challenges due to excessive moisture. In Maine, prices remain low for wild blueberries.

Cranberries: National production for 2019 came in at 9,040,000 barrels, 3% higher than the 5-year average. Growers are somewhat encouraged that markets for sweetened-dried-cranberries look tight. Independent pricing has ticked up, and some new buyers have entered the market. Pricing has improved but remains low by recent historical standards.

Greenhouse and Nursery: Greenhouse and Nursery growers throughout the Northeast generally reported a good 2019 season, although many had hoped for greater sales increases than what was realized. Growers have reported that demand and pricing trended slightly higher this season, particularly in nursery crops as demand from landscapers has been strong.

For garden centers and retail growers, results have varied but are generally positive. Competition from chain stores has been challenging. As with other agricultural sectors, labor supply continues to be a major issue.

Aquatic / Fishing: The Maine lobster industry has started to see some decline in catch levels, while increased costs have squeezed margins. Scallop prices and catch levels have held up well. For groundfish, prices have held steady, and the catch has been good on the species they are allowed to land, as quotas and permits remain limiting for this sector.

Manufacturing, Marketing & Processing: Value-added businesses that process, market and/or otherwise add value to raw agricultural commodities are eligible for financing when they are owned by eligible borrowers, or when organized as a cooperative and financed by CoBank under its lending authorities. In addition to directly financing such eligible borrowers, Farm Credit East purchases loan participations through CoBank, other System entities and commercial banks in such eligible businesses.

Businesses range in size from small farm-based specialty food processors to large marketing cooperatives. These loans encompass diverse businesses including sawmills, dairy processing, fruit juice, canned and frozen vegetables, preparation of fresh vegetables and fruits and seafood processing. There is a wide range of economic drivers and financial performance among these companies. These businesses are a critical component of the farm, forest and fishing economy as they create markets for commodities, value-added opportunities for producers and jobs and economic activity in local communities, often in rural areas.

LOAN PORTFOLIO

Loans outstanding were $7.4 billion at December 31, 2019 an increase of $470.6 million, or 6.8% from the December 31, 2018 balance of $7.0 billion. The combined period to period growth was driven by our branch-based farm loan portfolio which grew $124.8 million, or 2.6%, as strong demand for agricultural products benefited our producers. Our residential Country Living mortgage program grew $87.5 million, or 11.0%, as reasonably strong demand continued in our Local Service Area (LSA) for this product and our commercial loan group grew $257.8 million, or 19.3%, because of increased capital market activity resulting in additional purchased loan participations.

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

December 31	2019		2018		2017	
Real estate mortgage	$ 3,313,001	44.4%	$ 3,203,837	45.8%	$ 3,067,210	46.3%
Production and intermediate	2,694,110	36.1	2,544,044	36.4	2,441,441	36.8
Agribusiness	1,218,477	16.3	1,060,466	15.2	954,114	14.4
Rural infrastructure	154,459	2.1	105,614	1.5	85,982	1.3
Rural residential real estate	57,095	0.8	56,276	0.8	56,766	0.9
Other	26,106	0.3	22,870	0.3	22,910	0.3
Total Loans	$ 7,463,248	100.0%	$ 6,993,107	100.0%	$ 6,628,423	100.0%

While we make loans and provide financially related services to qualified borrowers in agricultural and rural sectors and to certain related entities, our loan portfolio is diversified by loan participations purchased and sold, geographic locations served, commodities financed and loan size.

The Association purchases loan participations from other System and non-System entities to generate additional earnings and diversify risk related to existing commodities financed and our geographic area served. In addition, we sell a portion of certain large loans to other System and non-System entities to reduce risk and comply with lending limits we have established. Our volume of participations purchased and sold as of December 31 are reflected in the following table.

December 31	2019	2018	2017
Purchased participations	$ 1,353,817	$ 1,149,175	$ 1,092,584
Sold participations	$ 1,024,874	$ 911,759	$ 780,536

Loans are originated and serviced within the LSA in New York, New Jersey, Maine and throughout Southern New England. The geographic distribution of loans follows. As previously mentioned, we purchase loan participations outside our territory — which are included in other states in the following table.

December 31	2019	2018	2017
New York	48%	49%	48%
New Jersey	11	11	12
Maine	8	8	7
Massachusetts	6	6	6
Connecticut	5	5	6
Rhode Island, New Hampshire and other states	22	21	21
Total	100%	100%	100%

The following table shows the primary agricultural commodities produced by our borrowers 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% or more of the total value of sales for a business; however, a large percentage of agricultural operations typically includes more than one commodity.

December 31	2019	2018	2017
Dairy	21.4%	23.0%	23.1%
Timber	10.2	10.0	10.0
Cash Field	9.9	10.1	10.5
Processing and Marketing	9.9	9.1	8.0
Livestock	9.2	9.6	9.5
Fruit	8.8	9.0	8.9
Aquatic	4.2	4.3	4.4
Vegetables	3.9	3.6	3.2
Farm Services	3.7	3.8	3.6
Potato	3.1	2.6	3.1
Greenhouse	3.1	3.3	3.5
Nursery	3.1	3.2	3.5
All Other	9.5	8.4	8.7
Total	100%	100%	100%

CREDIT COMMITMENTS

Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan agreement contract. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. We may also participate in standby letters of credit to satisfy the financing needs of our borrowers. These standby letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. The following table summarizes the maturity distribution of unfunded credit commitments on loans at December 31, 2019.

	Less than 1 year	1 – 3 years	3 – 5 years	Over 5 years	Total
Commitments to extend credit	$ 1,199,759	$ 742,898	$ 220,583	$ 13,962	$ 2,177,202
Standby letters of credit	24,797	2,003	-	-	26,800
Commercial letters of credit	378	20,676	10,013	8,044	39,111
Total commitments	$ 1,224,934	$ 765,577	$ 230,596	$ 22,006	$ 2,243,113

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements.

HIGH RISK ASSETS

Nonperforming loan volume is comprised of nonaccrual loans, accruing restructured loans, and loans 90 days past due still accruing interest, and are referred to as impaired loans. Nonaccrual loans represent all loans where there is a reasonable doubt as to collection of principal and/or interest. High Risk assets consist of impaired loans and other property owned. The following table summarizes high risk assets and delinquency information:

December 31	2019	2018	2017
Nonaccrual	$ 39,901	$ 45,771	$ 35,600
Accruing loans 90 Days or more past due	2,734	757	1,821
Accruing restructured loans	347	617	643
Total Impaired Loans	$ 42,982	$ 47,145	$ 38,064
Other Property Owned	1,657	2,609	1,447
Total High Risk Assets	$ 44,639	$ 49,754	$ 39,511
Impaired Loans to Total Loans	0.58%	0.68%	0.58%
High Risk Assets to Total Loans	0.60%	0.71%	0.60%
Nonaccrual Loans to Total Loans	0.54%	0.66%	0.54%
Delinquencies as a % of performing loans	0.39%	0.40%	0.21%

The decrease in high risk assets was largely due to a lower level of nonaccrual loans offset by higher volume of accruing 90 day loans in our portfolio. Nonaccrual loans represent all loans where there is a reasonable doubt as to the collection of all principal and/or interest. Nonaccrual loans totaled $39.9 million, a decrease of $5.9 million from the end of 2018. The decrease is primarily a result of a paydown on a large nonaccrual loan in our capital markets group. These paydowns were somewhat offset by additional credit relationships being transferred into nonaccrual status.

Other property owned is comprised of real or personal property that has been acquired through foreclosure or deed in lieu of foreclosure. At December 31, 2019 other property owned totaled $1.7 million, a decrease of $0.9 million from the end of 2018. During 2019 five properties were acquired totaling $0.5 million which were offset by five properties disposed of totaling $0.7 million. In addition, there were write downs totaling $0.7 million. Other property owned was $1.4 million at December 31, 2017. The Association is actively marketing all other property owned assets and intends to dispose of all properties in an orderly and timely fashion.

For additional loan type information, see Note 3 to the consolidated financial statements "Loans, Loan Quality and Allowance for Credit Losses."

CREDIT QUALITY CONDITIONS AND MEASUREMENTS IN THE LOAN PORTFOLIO

We review the credit quality of the loan portfolio on an ongoing basis as part of our risk management practices. Each loan is classified according to the Uniform Classification System (UCS) which is used by all System institutions. The following table presents statistics based on UCS classified as a percent of total loans and related accrued interest.

December 31	2019	2018	2017
Acceptable	91.56%	92.20%	93.54%
Special mention	4.66	4.27	2.77
Substandard/doubtful	3.78	3.53	3.69
Total	100.00%	100.00%	100.00%

Overall loan quality measures remain strong at December 31, 2019. During 2019 loans classified Acceptable decreased by 0.6% of total loans while loans classified as Special Mention increased by 0.4% of total loans, due to continuing challenges impacting a small number of loans to dairy, cash grains and some logging customers. The level of adversely classified loans ("Substandard," "Doubtful" and "Loss") as a percent of total loans and related accrued interest increased slightly from 3.5% a year ago to 3.8% at December 31, 2019. As we enter 2020 we expect to see some improvement in credit quality due to improving commodity prices.

CREDIT RISK MANAGEMENT

Credit risk arises from the inability of an obligor to meet its repayment obligation and exists in our outstanding loans, unfunded loan commitments and letters of credit. We manage credit risk associated with our lending activities through an assessment of the credit risk profile of each individual borrower based on an analysis of the borrower's credit history, repayment capacity, financial position and collateral. Repayment capacity focuses on the borrower's ability to repay the loan based on cash flows from operations or other sources of income. The Association also manages credit risk by establishing limits for single borrower hold positions and industry concentrations based on underlying risks. The geographic and commodity diversity in the loan portfolio, coupled with disciplined underwriting, reduces the potential for significant credit losses.

To further manage portfolio risk, the Association is a Preferred Lender under the USDA's Farm Service Agency guarantee program and as of December 31, 2019 has guarantees totaling $276.2 million. In addition, the Association has loan guarantees with State agencies totaling $14.2 million. The Association also participates in the Farmer Mac Long-Term Standby Purchase Commitment (LTSPC), and as of December 31, 2019, commitments totaling $8.8 million were in this program.

ALLOWANCE FOR CREDIT LOSSES

The allowance for loan losses reflects an adjustment to the carrying value of our total loan portfolio for inherent credit losses related to outstanding balances. We provide line of credit financing to customers to cover short-term and variable needs. As a result, Farm Credit East has significant unfunded commitments for which we maintain a separate reserve. This reserve is reported as a liability on the Association's consolidated balance sheet. We refer to the combined amounts of the allowance for loan losses and the reserve for unfunded commitments as the allowance for credit losses (ACL).

The ACL reflects our assessment of the risk of probable and estimable loss related to outstanding balances and unfunded commitments in our loan portfolio. The ACL is maintained at a level consistent with this assessment, considering such factors as loss experience, portfolio quality, portfolio concentrations, current and historical production conditions, modeling imprecision, our mission and economic and environmental factors specific to our portfolio segments.

The ACL is based on regular evaluation of our loan portfolio. Our methodology consists of analysis of specific individual loans and evaluation of the remaining portfolio. Senior level staff approves specific loan reserve related activity. The Audit Committee of the board of directors reviews and approves the allowance for credit losses on a quarterly basis. The allowance for credit losses at each period end was considered by management to be adequate.

Comparative allowance coverage, as a percentage of key loan categories, are reflected in the following table.

December 31	**2019**	**2018**	**2017**
Components:			
Allowance for loan losses	$ 84,234	$ 78,370	$ 75,751
Reserve for unfunded commitments	9,125	10,483	11,044
Allowance for Credit Losses (ACL)	$ 93,359	$ 88,853	$ 86,795
ACL as a percentage of:			
Total loans	1.26%	1.28%	1.31%
Nonaccrual loans	234.0%	194.13%	243.81%
Impaired loans	217.2%	188.47%	228.02%

The Association recognized a provision for loan losses of $5.0 million in 2019 and 2018. $0 provision for loan losses was recorded in 2017. The allowance for credit losses increased as net charge offs of $0.4 million were recorded and offset by the $5.0 million provision for loan losses during 2019.

For further discussion regarding the allowance for credit losses, refer to Note 3 to the consolidated financial statements, "Loans, Loan Quality and Allowance for Credit Losses."

RESULTS OF OPERATIONS

Net income was $186.2 million for the twelve months ending December 31, 2019 an increase of $8.3 million, or 4.6%, from $177.9 million for 2018. Net income was $160.1 million for the twelve months ending December 31, 2017. Our strong earnings primarily reflect significantly higher net interest income offset by lower noninterest income and higher operating expenses. The following table reflects key performance results *($ in millions)*:

For the Year Ended December 31	**2019**	**2018**	**2017**
Net income	$ 186.2	$ 177.9	$ 160.1
Net interest income	$ 225.6	$ 208.5	$ 197.4
Net interest margin	3.17%	3.11%	3.11%
Return on average assets	2.50%	2.54%	2.41%
Return on average members equity	12.18%	12.57%	12.24%

Changes in the significant components impacting the results of operations are summarized in the following table *($ in millions)*:

Increase (decrease) due to:	**2019 versus 2018**	**2018 versus 2017**
Net interest income	$ 17.1	$ 11.1
Provision for loan losses	-	(5.0)
Noninterest income	(5.3)	11.9
Noninterest expenses	(3.3)	(0.2)
Provision for income taxes	(0.2)	-
Total	$ 8.3	$ 17.8

NET INTEREST INCOME

Net interest income increased $17.1 million or 8.2% to $225.6 million in 2019, compared to $208.5 million in 2018. Net interest income was $197.4 million for the twelve months ending December 31, 2017. The following table quantifies the changes in net interest income *($ in millions)*:

Changes in net interest income due to:	**2019 versus 2018**	**2018 versus 2017**
Volume	$ 39.4	$ 6.8
Nonaccrual and other income	(0.5)	(0.2)
Rates and margin	(23.3)	11.4
Hedging activity	1.5	(6.9)
Total	$ 17.1	$ 11.1

The Association's average loan rate was 5.33% in 2019, up from 5.08% in 2018 while the Association's average cost of debt funding increased by similar amounts to 2.66% in 2019 compared to 2.40% in 2018. Interest income and cost of debt are both higher due to increases in publicized short term rates in 2019 which increases both Farm Credit East's and our customer's cost of borrowing. The average interest rate spread over cost of funding decreased one basis point year over year from 2.68% to 2.67%. The decrease in spreads was due to slightly lower average yield on variable rate loans, reflective of spread compression from increased competition for the business of our customers. Of the $17.1 million increase from 2018, $39.4 million was due to increased debt funded loan volume. Collection of nonaccrual and other interest income decreased by $0.5 million over 2018. The decreased return on equity offset by slightly lower margin over cost of funding was $23.3 million while the Association's hedging strategy decreased net interest income by $3.8 million, a $1.5 million increase from 2018.

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

For the Year Ended December 31	2019	2018	2017
Net interest income	$ 225,649	$ 208,523	$ 197,405
Average balances:			
Average interest earning loans	$ 7,128,678	$ 6,704,670	$ 6,352,757
Average interest bearing liabilities	$ 5,822,909	$ 5,484,438	$ 5,233,586
Average rates:			
Interest earning loan	5.33%	5.08%	4.45%
Interest bearing liabilities	2.66%	2.40%	1.76%
Interest rate spread	2.67%	2.68%	2.69%
Net interest margin (interest income as a percentage of average interest earning loans)	3.17%	3.11%	3.11%

PROVISION FOR LOAN LOSSES/ (LOAN LOSS REVERSALS)

We monitor our loan portfolio on a regular basis to determine if any increase through provision for loan losses or decrease through a loan loss reversal in our allowance for loan losses is warranted based on our assessment of the probable and estimable losses inherent in our loan portfolio. The allowance for loan losses covers the funded portion of loans outstanding, while the reserve for unfunded commitments covers losses on unfunded lending commitments.

Farm Credit East recorded a provision for loan losses of $5.0 million for the year ended December 31, 2019 and December 31, 2018. This provision for loan losses is primarily due to deterioration in credit quality impacting a small number of customers and growth in the loan portfolio. The Association recognized no provision for loan losses in 2017.

NONINTEREST INCOME

Noninterest income decreased $5.3 million, or (7.4%), to $66.4 million for the twelve months ended December 31, 2019 as compared to $71.7 million in 2018. Noninterest income is primarily composed of patronage income, financially related services income, loan fees and compensation on participation loans. Noninterest income totaled $59.8 million for the twelve months ending December 31, 2017.

Patronage income from CoBank is a significant part of the Association's noninterest income. Patronage income is based on the average balance of the Association's note payable to CoBank. For the year ended December 31, 2019, CoBank patronage income totaled $22.7 million, a decrease of $1.4 million from $24.7 million in 2018. The patronage rates paid by CoBank on the Association's note payable were 40 basis points in 2019 and 45 basis points in 2018 and 2017. Patronage income from CoBank was $23.5 million for the twelve months ending December 31, 2017.

In December 2019, CoBank paid a special patronage distribution of $0.6 million compared to $4.1 million in 2018 and $0 in 2017.

Farm Credit East also receives patronage income from CoBank and other Farm Credit entities that purchased interests in loans originated by the Association. For the twelve months ended December 31, 2019, this revenue totaled $7.9 million compared to $6.4 million in 2018 and $6.1 million in 2017.

Noninterest income also includes fees for financially related services, loan fees, compensation on participation loans and other noninterest income. These noninterest income sources totaled $35.2 million for the twelve months ending December 31, 2019 a decrease of $1.3 million, or (3.7%) from 2018. Included in noninterest income is $1.6 million in refunds received for a portion of excess Insurance Fund premiums paid in prior years compared to $5.1 million received in 2018, a decrease of $3.5 million. These refunds are a nonrecurring item and represents the Association's portion of the excess in the System-wide Insurance Fund above the required minimum secure base amount. Financially related services fee income is the largest component with $28.0 million in revenue for the year ended December 31, 2019 an increase of $1.6 million, or 6.0%, compared to 2018. Our continued marketing efforts for financially related services have resulted in more customers utilizing our farm records, business consulting, appraisal, and tax services. These other noninterest income items were $30.2 million for the twelve months ended December 31, 2017.

NONINTEREST EXPENSE

Noninterest expense totaled $99.4 million for the twelve months ended December 31, 2019, an increase of $3.4 million, or 3.5%, from $96.0 million in 2018. Noninterest expense was $95.8 million for the twelve months ended December 31, 2017.

Salaries and employee benefits is the primary component of noninterest expense and totaled $61.4 million for the twelve months ended December 31, 2019, an increase of $1.5 million from $59.9 million for the twelve months ended December 31, 2018. The increase is a result of slightly higher staffing levels, merit and incentive compensation increases reflective of strong financial performance and market value adjustments associated with deferred compensation accounts. These increases were offset by lower retirement plan expenses. Salary and employee benefits were $60.2 million for the twelve months ended December 31, 2017.

Information technology services were $12.7 million for the twelve months ended December 31, 2019, an increase of $0.5 million from the twelve months ended December 31, 2018. The increase is primarily a result of higher expenses for new software, digital and cyber security initiatives. Information technology services were $11.0 million for the twelve months ended December 31, 2017. Insurance fund premiums were $4.8 million in 2019, an increase of $0.3 million from December 31, 2018. Insurance fund premium rates are set by the Farm Credit System Insurance Corporation and were 9 basis points of adjusted insured debt obligations during 2019 and 2018. Insurance fund premiums were $7.2 million in 2017 and the rate was 15 basis points. Noninterest expenses also include occupancy and equipment expense, other operating expenses and other property owned expenses. Other operating expenses were $16.2 million in 2019, an increase of $1.1 million compared to 2018. This increase was primarily driven by higher purchased services of $0.7 million.

PROVISION FOR INCOME TAXES

The Tax Cuts and Jobs Act of 2017 (TCJA) was enacted in late 2017 which among other things lowered the federal corporate tax rate from 35% to 21% beginning in 2018.

The provision for income taxes was $1.5 million for the twelve months ended December 31, 2019 compared to $1.3 million at December 31, 2018. The effective tax rate was 0.8% for the year ended December 31, 2019, as compared to 0.7% for 2018. The Association's effective tax rate is significantly less than the applicable federal and state statutory income tax rates due to tax deductible patronage distributions and our tax exempt business activities. For the twelve months ended December 31, 2017 the provision for income taxes was $1.3 million.

For additional information, see Note 9 "Income Taxes" to the consolidated financial statements.

PATRONAGE DISTRIBUTIONS

The Association has a patronage program that allows it to distribute its available net earnings to its stockholders. The patronage program consists of a qualified cash distribution and a non-qualified distribution. This program provides for the application of net earnings in the manner described in our Bylaws. When determining the amount and method of patronage to be distributed, the board considers the setting aside of funds to increase retained earnings to meet capital adequacy standards established by Farm Credit regulations, to meet our internal capital adequacy standards to support competitive pricing at targeted earnings levels, and for reasonable reserves. Patronage is distributed in accordance with cooperative principles, as determined by the Board of Directors and in accordance with Association by-laws. The distributions are sent to eligible customers shortly after the end of the year.

For the year ended December 31, 2019, the Association declared two separate qualified patronage dividends totaling $95.0 million combined. $70.0 million will be distributed in cash in 2020. A special cash patronage dividend of $25.0 million was paid in October 2019. For the years ended December 31, 2018 and 2017, the Association declared a $65.0 million and $60.0 million in qualified patronage dividends respectively which were distributed in cash in February of the following year. In 2018, a special cash patronage dividend of $15.0 million was paid in October of that year.

LIQUIDITY AND FUNDING SOURCES

The Association's primary source of funding is CoBank. Funds are obtained through borrowing on a revolving line of credit governed by a General Financing Agreement. At December 31, 2019, the Association's notes payable to CoBank totaled $6.0 billion, which is a $0.3 billion increase from $5.7 billion at December 31, 2018. The Association's note payable was $5.4 billion at December 31, 2017.

The line of credit available to the Association is formula-driven based on Association loan volume and credit quality. Because of the funding relationship with CoBank, the Association does not maintain large balances in cash or other liquid investments. Substantially all of the Association's assets are pledged as security to CoBank. The Association is in full compliance with its financing agreement with CoBank and has capacity under the agreement to borrow funds needed to meet anticipated loan demand.

The Association minimizes its interest rate risk by funding loans with debt from CoBank that has similar pricing characteristics as the assets being funded. As a result, the Association is not subject to substantial interest rate risk. The Association's loan portfolio consisted of the following breakdown by pricing type:

December 31	2019	2018	2017
Pricing Type:			
Variable rate loans	43.8%	47.8%	51.6%
Indexed loans (Prime, ARM, LIBOR)	20.6%	17.9%	16.1%
Fixed rate loans	35.6%	34.3%	32.3%

The interest rates charged to the Association on debt, by and large, have the same pricing characteristics as the loans funded. For example, fixed rate loans are funded with fixed rate debt with the same term. The Association's goal is to fund fixed and indexed rate loans with 100% matching debt to the extent possible.

The Association's equity is invested in variable rate loans. The yield on equity funded loans is the average variable portfolio rate. As rates rise or fall, earnings on equity funded loans go up and down. The Association also uses "receive fixed/pay variable" interest rate contracts (swaps) with CoBank to better manage its equity investment in variable rate loans. When rates are low, the Association earns more on its interest rate contracts, offsetting lower earnings on its equity position and serving to stabilize net interest income. (Conversely, when rates rise, the Association will earn less on its contracts and more on its equity position). The average length of the Association's contracts is 18 months. The effect of this hedging strategy diminishes if rates stay stable for two or more years.

The swaps also extend the duration of the Association's equity position resulting in increased earnings from the normal yield curve and some change in the value of equity due to changes in interest rates. The Association's interest rate hedging program is summarized in the following table *($ in millions)*:

December 31	2019	2018	2017
Swap notional amount	$ 1,135.0	$ 1,025.0	$ 970.0
Derivative asset (liabilities), net	$ 8.4	$ (5.4)	$ (7.0)
Cash (payments) receipts	$ (3.8)	$ (5.2)	$ 0.8

For additional information, see Note 14 to the consolidated financial statements "Fair Value Measurements".

MEMBERS' EQUITY

Members' equity totaled $1.5 billion at December 31, 2019. Members' equity at December 31, 2019 was comprised of unallocated retained earnings of $1.3 billion, additional paid-in capital of $229.2 million, customer capital stock and participation certificates of $15.5 million and accumulated other comprehensive loss of $46.1 million.

CAPITAL PLAN AND REGULATORY REQUIREMENTS

The board of directors establishes a formal capital adequacy plan that addresses capital goals in relation to risks. The capital adequacy plan assesses the capital level necessary for financial viability and to provide for growth. Our plan is updated annually and approved as part of the Association's annual Business Plan.

Effective January 1, 2017, Farm Credit East implemented new regulatory capital requirements (the New Capital Regulations), as required by the Farm Credit Administration (FCA). The New Capital Regulations set the following minimum risk-based requirements:

- A CET1 Capital Ratio of 4.5%;
- A Tier 1 Capital Ratio (CET 1 capital plus additional tier 1 capital) of 6%; and
- A Total Capital Ratio (tier 1 plus tier 2) of 8%.

The New Capital Regulations also set a minimum tier 1 leverage ratio (tier 1 capital divided by total assets) of 4%, of which at least 1.5% must consist of unallocated retained earnings (URE) and URE equivalents, which are nonqualified allocated equities with certain characteristics of URE.

The New Capital Regulations establish a capital cushion (capital conservation buffer) of 2.5% above the risk-based CET1, tier 1 and total capital requirements. In addition, the New Capital Regulations establish a leverage capital cushion (leverage buffer) of 1% above the tier 1 leverage ratio requirement. If capital ratios fall below the regulatory minimum plus buffer amounts, cash patronage distributions and discretionary senior officer bonuses are restricted or prohibited without prior FCA approval. The New Capital Regulations establish a three-year phase-in of the capital conservation buffer beginning January 1, 2017. There is no phase in of the leverage buffer.

As shown in the following table, at December 31, 2019, 2018 and 2017, our capital and leverage ratios exceeded regulatory minimums. If these capital standards are not met, the FCA can impose restrictions, including limiting our ability to pay patronage distributions and retire equities.

	2019	2018	2017	FCA Minimum with Buffer
Common Equity Tier 1 Capital Ratio (CET1)	17.42%	17.72%	17.34%	7.00%
Tier 1 Capital Ratio	17.42%	17.72%	17.34%	8.50%
Total Regulatory Capital Ratio (TRC)	18.63%	18.92%	18.59%	10.50%
Tier 1 Leverage Ratio	18.35%	18.53%	18.20%	5.00%
URE Leverage Ratio	20.13%	20.31%	19.97%	1.50%
Permanent Capital	17.61%	17.91%	17.53%	7.00%

For additional information, see Note 7 of the consolidated financial statements "Members' Equity".

CAPITAL ADEQUACY AND BUSINESS PLANNING

In conjunction with the annual business plan and financial planning process, the Board of Directors' reviews and approves a capital adequacy plan which includes target levels for capital and capital ratio minimum baselines. The capital adequacy plan assesses the capital level necessary for financial viability and to provide growth. Effective January 1, 2020, the board established capital ratio baselines under the New Capital Regulations as follows:

	2020 Target	Policy Minimum	FCA Minimum with Buffer
Common Equity Tier 1 Capital Ratio (CET1)	17.67%	12.00%	7.00%
Tier 1 Capital Ratio	17.67%	13.50%	8.50%
Total Regulatory Capital Ratio (TRC)	18.84%	15.50%	10.50%
Tier 1 Leverage Ratio	18.38%	6.00%	5.00%
URE Leverage Ratio	20.26%	2.50%	1.50%
Permanent Capital	17.86%	12.00%	7.00%

REGULATORY MATTERS

As of December 31, 2019, the Association had no enforcement actions in effect and FCA took no enforcement actions on the Association during the year.

CRITICAL ACCOUNTING ESTIMATES

Management's discussion and analysis of the financial condition and results of operations are based on the Association's consolidated financial statements, which we prepare in accordance with accounting principles generally accepted in the United States of America. In preparing these financial statements, we make estimates and assumptions. Our financial position and results of operations are affected by these estimates and assumptions, which are integral to understanding reported results.

Note 2 to the accompanying consolidated financial statements contains a summary of our significant accounting policies. Of these policies, we consider certain ones critical to the presentation of our financial condition, as they require us to make complex or subjective judgments that affect the value of certain assets and liabilities. Some of these estimates relate to matters that are inherently uncertain. Most accounting policies are not, however, considered critical. Our critical accounting policies relate to determining the level of our allowance for credit losses and the valuation of our derivative instruments with no ready markets.

BUSINESS OUTLOOK

Agricultural prices generally improved in 2019. While cash field crops saw modest improvement over 2018, milk prices increased by about 13% from the prior year, which made a significant difference for many dairy producers. Forest products industries have generally reported positive results, as have greenhouse and nursery producers. Margins remain tight across sectors, as costs, most notably labor, have increased as well, but many producers saw improved financial results in 2019 and are cautiously optimistic for 2020.

The general U.S. economic outlook is still positive, although we may see slower growth in the coming year. GDP growth for 2020 is forecast at about 2.0%. Despite recent progress, the United States still has ongoing trade issues with China and other nations, which remains a concern. The strong job market has boosted workers' earnings, and has led to increased consumer spending, which has supported the economy. Despite some headwinds, forecasts suggest that the U.S. will see moderate positive economic growth this year.

Global economic growth appears to be slowing somewhat. Global growth in 2020 is forecast to fall slightly to approximately 2.7% in 2020. There is risk of recession in some countries, particularly in Europe. Emerging markets have slowed due in part to sluggish growth in China.

Thus, the overall outlook for Northeast producers is mixed. Continued positive economic growth in the U.S. will be good for domestic demand for agricultural products, but ongoing trade issues remain a concern for many sectors, and weather continues to have an unpredictable and significant impact on producers' financial results.

FORWARD-LOOKING STATEMENTS

Certain information included in this report contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Words such as "believes," "could," "estimates," "anticipates," "may," "should," "will," or other variations of these terms or similar expressions are intended to identify forward-looking statements. These statements are based on assumptions and analyses made in light of experience, historical trends, current conditions and expected future developments.

However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural utility, international and farm-related business sectors;
- weather, disease, and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- changes in United States government support of the agricultural industry and/or the Farm Credit System; and,
- actions taken by the Federal Reserve System in implementing monetary policy.

REPORT OF MANAGEMENT

The consolidated financial statements of Farm Credit East, ACA (the Association) are prepared by management, who 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 accounting principles generally accepted in the United States of America as appropriate in the circumstances. The consolidated financial statements, in the opinion of management, fairly present the financial position of Farm Credit East. Other financial information included in this 2019 annual report is consistent with that in the consolidated financial statements.

To meet its responsibility for reliable financial information, management depends on the Association's accounting and internal control systems which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost must be related to the benefits derived. To monitor compliance, the Association's internal auditors and risk management staff perform audits of the accounting records, review accounting systems and internal controls, and recommend improvements as appropriate. The consolidated financial statements are audited by PricewaterhouseCoopers LLP, our independent auditors, who consider internal controls in accordance with auditing standards generally accepted in the United States of America. The Association is also examined by the Farm Credit Administration.

The chief executive officer, as delegated by the Board of Directors, has overall responsibility for the Association's system of internal controls and financial reporting, subject to the review of the Audit Committee of the Board of Directors. The Audit Committee consults regularly with management and meets periodically with the independent auditors and internal auditors to review the scope and results of their examinations. The Audit Committee reports regularly to the Board of Directors. Both the independent auditors and the internal auditors have direct access to the Audit Committee.

The undersigned certify the 2019 Annual Report to Stockholders 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 our knowledge and belief.

Matthew W. Beaton
Chair of the Board

Michael J. Reynolds
Chief Executive Officer

Andrew N. Grant
Chief Financial Officer

March 11, 2020

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

The Association's 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, the Association concluded that as of December 31, 2019, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2019.

Michael J. Reynolds
Chief Executive Officer

Andrew N. Grant
Chief Financial Officer

March 11, 2020

REPORT OF AUDIT COMMITTEE

The consolidated financial statements were prepared under the oversight of the Audit Committee (Committee). The Committee is composed of five members from the Farm Credit East, ACA (Association) Board of Directors. In 2019, the Committee met five times in person and held three conference calls. The Committee oversees the scope of the Association's internal audit program, the independence of the outside auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The Committee's responsibilities are described more fully in the Association's Internal Control Policy and the Audit Committee Scope of Responsibility. In addition, the Committee approved the appointment of PricewaterhouseCoopers LLP (PwC) as our independent auditors for 2019.

Management is responsible for the Association's internal controls and the preparation of the consolidated 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 Association's consolidated financial statements in accordance with generally accepted auditing standards in the United States of America and to issue a report thereon. The Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Committee reviewed and discussed the audited consolidated financial statements for the year ended December 31, 2019, with management. The Committee also receives from PwC the matters required to be discussed by Statements on Auditing Standards. Both PwC and the Association's internal auditors directly provide reports on significant matters to the Committee.

The Committee approves all non-audit services provided by PwC. In 2019 PwC was engaged for tax services and the Committee concluded these services were not incompatible with maintaining the auditors' independence.

Based on the foregoing review and discussions, and relying thereon, the Committee recommended that the Board of Directors include the audited consolidated financial statements in the Annual Report for the year ended December 31, 2019 and for filing with the FCA.

John P. Knopf
Audit Committee Chair

Other Committee Members:
Tim C. Chan
Douglas W. Shelmidine
Keith M. Stolzenburg
Peter H. Triandafillou

March 11, 2020

pwc

Report of Independent Auditors

To the Board of Directors of Farm Credit East, ACA

We have audited the accompanying consolidated financial statements of Farm Credit East, ACA and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019, 2018, and 2017, and the related consolidated statements 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 Company'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 Company'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 Farm Credit East, 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

March 11, 2020

PricewaterhouseCoopers LLP, *185 Asylum Street Suite 2400 Hartford, Connecticut 06103-3404*
T: 860 241 7000, www.pwc.com/us

CONSOLIDATED BALANCE SHEETS

December 31 (dollars in thousands)	2019	2018	2017
ASSETS			
Loans	$ 7,434,982	$ 6,964,353	$ 6,605,200
Less: Allowance for loan losses	84,234	78,370	75,751
Net loans	7,350,748	6,885,983	6,529,449
Cash	21,481	23,395	48,736
Accrued interest receivable	28,489	28,760	23,266
Investment in CoBank, ACB	250,266	235,769	224,509
Premises and equipment, net	26,771	27,245	25,479
Other property owned	1,657	2,609	1,447
Other assets	69,571	60,759	58,092
Total Assets	$ 7,748,983	$ 7,264,520	$ 6,910,978
LIABILITIES			
Notes payable to CoBank, ACB	$ 6,036,193	$ 5,657,199	$ 5,414,435
Patronage distributions payable	70,000	65,000	60,000
Accrued interest payable	11,936	13,305	9,185
Reserve for unfunded commitments	9,125	10,483	11,044
Other liabilities	77,421	64,592	66,780
Total Liabilities	$ 6,204,675	$ 5,810,579	$ 5,561,444
MEMBERS' EQUITY			
Capital stock and participation certificates	$ 15,499	$ 15,079	$ 14,808
Additional paid-in capital	229,198	229,198	229,198
Unallocated retained earnings	1,345,666	1,255,417	1,157,496
Accumulated other comprehensive loss	(46,055)	(45,753)	(51,968)
Total Members' Equity	$ 1,544,308	$ 1,453,941	$ 1,349,534
Total Liabilities and Members' Equity	$ 7,748,983	$ 7,264,520	$ 6,910,978

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year Ended December 31 (dollars in thousands)	2019	2018	2017
INTEREST INCOME			
Loans	$ 383,653	$ 344,766	$ 286,608
Other	641	446	568
Total interest income	384,294	345,212	287,176
INTEREST EXPENSE			
Notes payable to CoBank, ACB	158,629	136,677	89,764
Other	16	12	7
Total interest expense	158,645	136,689	89,771
Net interest income	225,649	208,523	197,405
Provision for loan losses	5,000	5,000	-
Net interest income after provision for loan losses	220,649	203,523	197,405
NONINTEREST INCOME			
Patronage income	31,246	35,223	29,602
Financially related services income	27,970	26,390	25,380
Compensation on participation loans, net	2,980	2,582	2,374
Loan fees	2,545	2,432	2,406
Other income	1,659	5,082	9
Total noninterest income	66,400	71,709	59,771
NONINTEREST EXPENSE			
Salaries and employee benefits	61,443	59,925	60,224
Information technology services	12,650	12,174	11,016
Insurance Fund premiums	4,824	4,542	7,197
Occupancy and equipment	4,249	4,328	3,706
Other operating expenses	16,186	15,048	13,684
Total noninterest expenses	99,352	96,017	95,827
Income before income taxes	187,697	179,215	161,349
Provision for income taxes	1,504	1,294	1,281
Net Income	$ 186,193	$ 177,921	$ 160,068
OTHER COMPREHENSIVE INCOME (LOSS)			
Net change in retirement plan liabilities	(14,984)	4,588	6,562
Net change in cash flow hedges	13,738	1,627	(4,168)
Other Comprehensive Income (Loss)	(1,246)	6,215	2,394
Comprehensive Income	$ 184,947	$ 184,136	$ 162,462

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

(dollars in thousands)	Capital Stock and Participation Certificates	Additional Paid-in Capital	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Members' Equity
Balance at December 31, 2016	**$ 14,338**	**$ 229,198**	**$ 1,057,428**	**$ (54,362)**	**$ 1,246,602**
Comprehensive Income (Loss)	-	-	160,068	2,394	162,462
Capital stock and participation certificates issued	1,392	-	-	-	1,392
Capital stock and participation certificates retired	(922)	-	-	-	(922)
Patronage Distribution	-	-	(60,000)	-	(60,000)
Balance at December 31, 2017	**$ 14,808**	**$ 229,198**	**$ 1,157,496**	**$ (51,968)**	**$ 1,349,534**
Comprehensive Income (Loss)	-	-	177,921	6,215	184,136
Capital stock and participation certificates issued	1,533	-	-	-	1,533
Capital stock and participation certificates retired	(1,262)	-	-	-	(1,262)
Patronage Distribution	-	-	(80,000)	-	(80,000)
Balance at December 31, 2018	**$ 15,079**	**$ 229,198**	**$ 1,255,417**	**$ (45,753)**	**$ 1,453,941**
Cumulative effect of adjustment from change in accounting principle	-	-	(944)	944	-
Balance at December 31, 2018, as adjusted	**$ 15,079**	**$ 229,198**	**$ 1,254,473**	**$ (44,809)**	**$ 1,453,941**
Comprehensive Income (Loss)	-	-	186,193	(1,246)	184,947
Capital stock and participation certificates issued	1,348	-	-	-	1,348
Capital stock and participation certificates retired	(928)	-	-	-	(928)
Patronage Distribution	-	-	(95,000)	-	(95,000)
Balance at December 31, 2019	**$ 15,499**	**$ 229,198**	**$ 1,345,666**	**$ (46,055)**	**$ 1,544,308**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31 (dollars in thousands)	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 186,193	$ 177,921	$ 160,068
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	3,081	3,040	2,559
Provision for loan losses	5,000	5,000	-
Increase in accrued interest receivable	(841)	(6,599)	(4,835)
(Decrease) increase in accrued interest payable	(1,369)	4,120	2,927
Increase in other liabilities	10,225	3,465	9,224
Increase in other assets	(7,841)	(2,919)	(2,880)
(Gain) loss from sales of other property owned	(100)	(61)	14
Gain from sales of premises and equipment	(198)	(252)	(243)
Total adjustments	7,957	5,794	6,766
Net cash provided by operating activities	194,150	183,715	166,834
CASH FLOWS FROM INVESTING ACTIVITIES:			
Increase in loans, net	(469,169)	(363,843)	(318,596)
Increase in patronage refunds due from CoBank	(974)	(1,085)	(951)
Increase in investment in CoBank	(13,523)	(10,175)	(7,309)
(Decrease) increase in investments	(971)	252	(3,410)
Expenditures for premises and equipment	(2,733)	(5,249)	(8,055)
Proceeds from sales of other property owned	1,568	2,313	80
Proceeds from sales of premises and equipment	325	695	323
Net cash used in investing activities	(485,477)	(377,092)	(337,918)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Advances on notes payable under financing agreement with CoBank, ACB	7,131,165	5,649,539	5,563,657
Repayment of notes payable to CoBank, ACB	(6,752,172)	(5,406,774)	(5,310,888)
Capital stock and participation certificates issued	1,348	1,533	1,392
Capital stock and participation certificates retired	(928)	(1,262)	(922)
Patronage distributions paid	(90,000)	(75,000)	(56,000)
Net cash provided by financing activities	289,413	168,036	197,239
Net (decrease) increase in cash and cash equivalents	(1,914)	(25,341)	26,155
Cash and cash equivalents at beginning of year	23,395	48,736	22,581
Cash and cash equivalents at end of year	$ 21,481	$ 23,395	$ 48,736
SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES:			
Income taxes paid, net of refunds	$ 1,106	$ 912	$ 1,292
Accrued interest transferred to loans	1,112	1,105	1,036
Loans transferred to other property owned	519	3,414	775
Cash patronage distribution declared	70,000	65,000	60,000

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands except as noted)

NOTE 1 – ORGANIZATION AND OPERATIONS

ORGANIZATION

Farm Credit East, ACA, an Agricultural Credit Association (ACA) and its subsidiaries, Farm Credit East FLCA, a Federal Land Credit Association (FLCA), and Farm Credit East PCA, a Production Credit Association (PCA), (collectively called "the Association"), is a member-owned cooperative which provides credit and financially related services to or for the benefit of eligible customers for qualified agricultural purposes in the counties of Belknap, Carroll, Hillsborough, Merrimack, Rockingham, and Strafford in the State of New Hampshire; all counties in the State of New York except Clinton and Essex, and in the States of Connecticut, Maine, Massachusetts, Rhode Island and New Jersey.

The Association is a lending institution of the Farm Credit System (the 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 is subject to the provisions of the Farm Credit Act of 1971, as amended (the Farm Credit Act). At December 31, 2019, the System was comprised of three Farm Credit Banks (FCBs), one Agricultural Credit Bank (ACB) and 68 affiliated Associations. CoBank, ACB (CoBank or ACB) is Farm Credit East's funding bank.

CoBank, its related associations and AgVantis, Inc. (AgVantis) 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 CoBank District consists of CoBank, 21 Agricultural Credit Associations (ACA), which each have two wholly owned subsidiaries, (a FLCA and a PCA), and AgVantis.

ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. Generally the FLCA makes secured long-term agricultural real estate and rural home mortgage loans and the ACA or PCA make short and intermediate-term loans for agricultural production or operating purposes.

Farm Credit East, ACA, along with four other System Institutions, owns Farm Credit Financial Partners, Inc. (FPI) which provides technology and other operational services to its owners.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System Banks and Associations. The FCA examines the activities of System Associations 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). The Insurance Fund is required to be used (1) to insure the timely payment of principal and interest on system wide debt obligations (insured debt), (2) to ensure the retirement of protected borrower capital at par or stated value, and (3) for other specified purposes. The Insurance Fund is also available for the discretionary use by the Insurance Corporation to provide assistance to certain troubled System institutions and to cover the operating expenses of the Insurance Corporation. Each System Bank has been required to pay premiums, which may be passed onto the Association, into the Insurance Fund, based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the "secure base amount," which is defined in the Farm Credit Act as 2.0% of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or such other percentage of the aggregate obligations as the Insurance Corporation in its sole discretion 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, as necessary to maintain the Insurance Fund at the 2.0% level. As required by the Farm Credit Act, as amended, the Insurance Corporation may return excess funds above the secure base amount to System institutions.

OPERATIONS

The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow, and financial services which can be offered by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic or forest products, their cooperatives, rural residents and farm-related businesses.

The Association provides additional services to borrowers such as financial recordkeeping, payroll, tax return preparation, tax planning, farm accounting software, fee appraisals, farm business consulting and leasing. The Association also offers credit life insurance and multi-peril crop insurance to its borrowers, as an agent.

The Association's financial condition may be impacted by factors which affect CoBank. The CoBank Annual Report is available free of charge on CoBank's website, www.cobank.com, or may be obtained at no charge by contacting the Association. Upon request, stockholders of the Association will be provided with a copy of the CoBank Annual Report.

CoBank's Annual Report to Stockholders 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 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. All significant intercompany accounts and transactions have been eliminated. 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 disclosures of contingent liabilities at the date of the financial statements. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses and the valuation of deferred tax assets. Actual results may differ from those estimates. Significant estimates are discussed in these footnotes to consolidated financial statements, as applicable. Certain amounts in prior year's financial statements have been reclassified to conform to current financial statement presentation.

Below is a summary of the Association's significant accounting policies.

LOANS

Long-term real estate mortgage loans generally have maturities ranging from 5 to 40 years. Substantially, all short-term and intermediate-term loans for agricultural production or operating purposes have maturities of 10 years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs and deferred loan fees or costs. 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 life of the related loan as an adjustment to yield.

In the normal course of business, the Association purchases loan participations from other System entities and other financial institutions to generate additional earnings and diversify risk related to existing commodities financed and the geographic area served. The Association also manages its lending credit exposures by selling loans to System entities and other financial institutions. These transactions are accounted as sales and comply with requirements under ASC 860 "Transfer and Servicing."

Impaired loans are loans for which it is probable that principal and interest will not be collected according to the contractual terms of the loan and are generally considered substandard or doubtful which is in accordance with the loan rating model, as described below. 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 accrued as the result of past due status) is collected or otherwise discharged in full.

Loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days or more (unless adequately secured and in the process of collection) or when 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 either reversed (if accrued in the current year) and/or charged-off 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, the Association's general practice is to apply and record on its financial records any payments received on nonaccrual loans in the following sequence: (1) to existing principal which includes outstanding principal, accounts receivable and accrued interest receivable as of the date of transfer into nonaccrual status plus any additional advances made since the loan was placed in nonaccrual status; (2) to recover any charged-off amount; and (3) to interest income. Nonaccrual loans may, at times, be maintained on a cash basis. Generally, cash basis refers to the recognition of interest income from cash payments received on certain nonaccrual loans for which the collectability of the recorded investment in the loan is no longer in doubt and the loan does not have a remaining unrecovered prior charge-off associated with it. Nonaccrual loans may be returned to accrual status when principal and interest are current and reinstatement is supported by a period of sustained performance in accordance with the contractual terms of the note and/or loan agreement and the loan is not classified "doubtful" or "loss."

A restructured loan constitutes a troubled debt restructuring if for economic or legal reasons related to the debtor's financial difficulties the Association grants a concession to the debtor that it would not otherwise consider. A concession is generally granted in order to minimize the Association's economic loss and avoid foreclosure. Concessions vary by program and are borrower-specific and ay include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. A loan restricted in a trouble debt restructuring is an impaired loan.

The Association uses a two-dimensional loan rating model based on an internally generated combined System risk rating guidance that incorporates a 14-point risk-rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. 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 exposure on a specific loan assuming default has occurred.

Each of the probability of default categories carries a distinct percentage of default probability. The 14-point risk rating 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 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.

ALLOWANCE FOR LOAN LOSSES AND RESERVE FOR UNFUNDED COMMITMENTS

The allowance for loan losses reflects an adjustment to the value of our total loan portfolio for inherent credit losses related to outstanding balances. We also maintain a separate reserve for unfunded commitments which is reported as a liability on the Association's consolidated balance sheet. The reserve for unfunded commitments represents an additional reserve for binding commitments to extend credit. The Association had $2.2 billion of commitments to extend credit at December 31, 2019. The amount of allowance for loan losses and reserve for unfunded commitments can fluctuate based on the seasonal nature of borrowings in the agriculture industry. We refer to the combined amounts of the allowance for loan losses and the reserve for unfunded commitments as the "allowance for credit losses." At December 31, 2019, the allowance for credit losses totaled $93.3 million, of which $84.2 million related to the allowance for loan losses and $9.1 million related to the reserve for unfunded commitments.

The allowance for credit losses is maintained at a level management considers sufficient to absorb losses inherent in the loan portfolio and in unfunded commitments. The credit risk rating methodology is a key component of the Association's allowance for credit losses evaluation and is generally incorporated into its loan underwriting standards and internal lending limit. The allowance is increased through provision 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, loan portfolio characteristics and composition, collateral values, loan quality, current production conditions and economic conditions, and prior loan loss experience. The allowance for credit losses encompasses 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 will cause these various judgments, evaluations and appraisals to change over time. Accordingly, actual circumstances could vary significantly from the Association's expectations and predictions of those circumstances. Management considers the following macro-economic factors in determining and supporting the level of allowance for loan losses: 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.

The allowance for credit losses includes components for loans individually evaluated for impairment and loans collectively evaluated for impairment. Generally, for loans individually evaluated, the allowance for loan losses represents 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.

CASH

Cash, as included in the consolidated financial statements, represent cash on hand and on deposit at financial institutions. Due to the nature of cash, the Association estimated that the carrying amount approximated fair value. The nature of the Association's business requires that it maintain amounts due from banks which, at times, may exceed federally insured limits. The Association has not experienced any losses on such amounts and all amounts are maintained with well-capitalized institutions.

INVESTMENT IN COBANK, ACB

The Association's investment in CoBank is in the form of Class A stock. The minimum required investment is 4.0% of the prior year's average direct loan volume. The investment in CoBank is comprised of patronage based stock and purchased stock. The requirement for capitalizing patronage-based participation loans sold to CoBank is 8.0% of the prior ten-year average of such participations sold to CoBank.

OTHER PROPERTY OWNED

Other property owned, consisting of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at fair value less estimated selling costs upon acquisition. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. On at least an annual basis, revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations and carrying value adjustments are included in other operating expenses in the consolidated Statement of Comprehensive Income.

PREMISES AND EQUIPMENT

Land is carried at cost. 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. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are expensed and improvements above certain thresholds are capitalized.

EMPLOYEE BENEFIT PLANS

Substantially all employees of the Association may be eligible to participate in various retirement plans. Association employees (except the former Maine employees who are participants in the noncontributory defined contribution plan) hired prior to January 1, 2007 participate in a qualified defined benefit pension plan, which is noncontributory and covered substantially all employees. The net expense for this plan is recorded as employee benefit expense. The "Projected Unit Credit" actuarial method is used for financial reporting and funding purposes.

Effective January 1, 2007, the Association closed the existing defined benefit pension plan to new participants. All employees hired on or after January 1, 2007 are participants in a noncontributory defined contribution plan. Participants in this plan receive a fixed percentage of their eligible wages, based on years of service, to an investment account maintained for the employee. Costs for this plan are expensed as funded and recorded as employee benefit expense.

Association employees are also eligible to participate in an employee savings plan (Thrift Plan). The Association matches a certain percentage of employee contributions with costs being expensed as funded. These costs are recorded as employee benefit expense.

The Association provides certain health care and life insurance benefits to eligible retired employees. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the Association. The anticipated costs of these benefits are accrued during the period of the employee's active service and are classified as employee benefit expense. However, substantially all participants pay the full premiums associated with these benefits.

The Association recognizes in its consolidated balance sheet an asset for a retirement plan's overfunded status or a liability for a retirement plan's underfunded status. The Association also measures the Plan's assets and obligations that determine its funded status as of the end of the fiscal year and recognizes those changes in other comprehensive income, net of tax.

INCOME TAXES

As previously described, Farm Credit East, ACA operates two wholly owned subsidiaries. Farm Credit East, FLCA is exempt from federal and other income taxes as provided in the Farm Credit Act. Farm Credit East, ACA and its subsidiary Farm Credit East, PCA are subject to Federal and State income tax. All entities are eligible to operate as cooperatives that qualify for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. The Association distributes patronage on the basis of book income. Operating expenses are allocated to each subsidiary based on estimated relative service.

Deferred taxes are recorded on the tax effect of all temporary differences. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50% probability), based on management's estimate, that they will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of our expected patronage program, which reduces taxable earnings.

PATRONAGE DISTRIBUTIONS FROM COBANK, ACB

The Association records patronage refunds from CoBank, ACB on the accrual basis. Under the current CoBank capital plan, CoBank distributes patronage from the Association's direct lending business in cash. For patronage applicable to participations sold to CoBank, patronage is distributed in 75% cash and 25% CoBank Class A stock. Accrued patronage receivable is included in other assets in the consolidated financial statements.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITY

The Association is party to derivative financial instruments, primarily interest rate swaps, which are principally used to manage interest rate risk on assets, liabilities and anticipated transactions. Derivatives are recorded on the balance sheet as other assets and other liabilities at fair value.

Changes in the fair value of a derivative 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, which 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, which hedge 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. For derivatives not designated as a hedging instrument, the related change in fair value is recorded in current period earnings.

The Association formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair value or cash flow hedges to (1) a portion of our long-term variable loans on the balance sheet or (2) firm commitments or forecasted transactions. The Association also formally assesses (both 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. The Association uses regression analysis (or statistical analysis) to assess the effectiveness of its hedges. The Association discontinues hedge accounting prospectively when the Association determines that (1) a 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; (3) it is no longer probable that the forecasted transaction will occur; (4) a hedged firm commitment no longer meets the definition of a firm commitment; or (5) management determines that designating the derivative as a hedging instrument is no longer appropriate. The accounting guidance provides for various remedies in the event hedge accounting is discontinued. Due to the structure of the Association's current swap transactions, management has no reason to believe that hedge accounting qualifications will not be met and believes the transactions will continue to be recorded in the manner described in Note 15 of these consolidated financial statements.

FAIR VALUE MEASUREMENT

The Accounting guidance defines fair value, establishes a framework for measuring fair value and expands 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 asset and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. Government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets. Also included in Level 1 are assets held in trust funds, which relate to the Association's deferred compensation plan and our supplemental retirement plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace. Pension plan assets that are invested in equity securities, including mutual funds and fixed-income securities that are actively traded, are also included in Level 1.

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 the following: (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 generally includes certain U.S. Government and agency mortgage-backed debt securities, corporate debt securities, and derivative contracts. Pension plan assets that are derived from observable inputs, including corporate bonds and mortgage-backed securities are reported in Level 2.

Level 3 — Unobservable inputs 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 assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are 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 generally includes certain private equity investments, retained residual interests in securitizations, asset-backed securities, highly structured or long-term derivative contracts, certain loans and other property owned. Pension plan assets such as certain mortgage-backed securities 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 14 of these consolidated financial statements.

OFF-BALANCE SHEET CREDIT EXPOSURES

Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of 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.

MISSION RELATED INVESTMENTS

The Association may also hold additional investments in accordance with mission-related and other investment programs, approved by the FCA. These programs allow the Association to make investments that further the System's mission to serve rural America. The Association held mission related investments which are classified as loans totaling $7.4 million, $7.5 million and $7.4 million at December 31, 2019, 2018 and 2017, respectively. The Association also held equity investments in FarmStart, LLP and AgDirect, LLP totaling $6.8 million, $5.7 million and $4.9 million that is accounted for on the equity method of accounting and is classified in Other assets at December 31, 2019, 2018 and 2017, respectively.

RECENTLY ISSUED OR ADOPTED ACCOUNTING PRONOUNCEMENTS

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

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

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure 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. The Association early adopted the removal and modified disclosures during the fourth quarter of 2018. The adoption of this guidance did not impact the Association's financial condition, its results of operations or financial statement disclosures.

In August 2017, the (FASB) issued guidance entitled "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 after December 15, 2018. The Association adopted the new standard on January 1, 2019 and recorded a cumulative-effect adjustment to retained earnings of $0.9 million with the offsetting amount to accumulated other comprehensive income (loss) to reflect the previously recorded hedge ineffectiveness on the cash flow hedges.

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. In November 2019, the FASB approved deferral of the effective date for certain entities for this guidance by two years, which will result in the new credit loss standard becoming effective for interim and annual reporting periods beginning after December 15, 2022. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on its financial condition, its results of operations and financial statement disclosures.

In February 2016, the FASB issued guidance entitled "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. The guidance and related amendments in this update became effective beginning after December 15, 2018. The Association adopted this guidance with no material impact on the Association's financial condition, results of operations or its lease disclosure.

NOTE 3 – LOANS, LOAN QUALITY AND ALLOWANCE FOR CREDIT LOSSES

LOANS OUTSTANDING

Loans outstanding by loan type are shown below.

December 31	2019		2018		2017	
Real estate mortgage	$ 3,299,720	44.4%	$ 3,189,961	45.8%	$ 3,056,162	46.3%
Production and intermediate	2,683,757	36.1	2,533,160	36.4	2,432,909	36.8
Agribusiness	1,214,220	16.3	1,056,980	15.2	951,001	14.4
Rural infrastructure	154,304	2.1	105,330	1.5	85,653	1.3
Rural residential real estate	56,916	0.8	56,090	0.8	56,596	0.9
Other	26,065	0.3	22,832	0.3	22,879	0.3
Total Loans	$ 7,434,982	100.0%	$ 6,964,353	100.0%	$ 6,605,200	100.0%

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume and comply with FCA regulations. The following table presents information regarding participations purchased and sold as of December 31, 2019 which are also included in the table above:

	CoBank, ACB Participations		Other Farm Credit Institutions Participations		Non-Farm Credit Institutions Participations		Total Participations	
	Purchased	Sold	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 18,067	$ 37,381	$ 223,435	$ 15,172	$ -	$ -	$ 241,502	$ 52,553
Production and intermediate	58,283	168,926	374,741	111,031	19,398	-	452,422	279,957
Agribusiness	322,516	309,169	159,425	377,351	-	1,741	481,941	688,261
Rural infrastructure	154,722	-	-	-	-	-	154,722	-
Other	23,230	4,103	-	-	-	-	23,230	4,103
Total Loans	$ 576,818	$ 519,579	$ 757,601	$ 503,554	$ 19,398	$ 1,741	$ 1,353,817	$1,024,874

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 as well as receivables. Long-term real estate loans are secured by the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85% (97% 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 the Association in the collateral, may result in loan to value ratios in excess of the regulatory maximum.

To mitigate the risk of loan losses, the Association has obtained credit enhancements by entering into long-term standby commitments to purchase agreements with the Federal Agricultural Mortgage Corporation (Farmer Mac). The agreements, which are effectively credit guarantees that will remain in place until the loans are paid in full, give the Association the right to sell the loans identified in the agreements to Farmer Mac in the event of default (typically four months past due), subject to certain conditions. The balance of loans under long-term standby commitments was $8.8 million, $16.9 million and $20.2 million at December 31, 2019, 2018 and 2017 respectively. Fees paid to Farmer Mac for such commitments totaled $0.1 million at year end December 31, 2019 and 2018 respectively. Fees paid were $0.2 million at December 31, 2017. These amounts are classified as noninterest expense. In addition to Farmer Mac, the Association has credit enhancements with federal and state agencies totaling $290.4 million, $267.4 million and $254.3 million at December 31, 2019, 2018 and 2017 respectively.

CREDIT QUALITY

The Association classifies loans according to the FCA Uniform Classification System (UCS). The following are the definitions of the five UCS classifications.

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

The following table shows loans and related accrued interest classified under the FCA Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of December 31:

December 31, 2019	Acceptable	OAEM	Substandard/ Doubtful	Total
Real estate mortgage	40.3%	2.2%	1.9%	44.4%
Production and Intermediate term	32.9	1.8	1.4	36.1
Agribusiness	15.5	0.4	0.4	16.3
Rural infrastructure	1.8	0.2	0.1	2.1
Rural residential real estate	0.8	-	-	0.8
Other	0.3	-	-	0.3
Total	91.6%	4.6%	3.8%	100.0%

December 31, 2018	Acceptable	OAEM	Substandard/ Doubtful	Total
Real estate mortgage	41.8%	2.3%	1.8%	45.9%
Production and Intermediate term	33.2	1.9	1.3	36.4
Agribusiness	14.6	0.1	0.4	15.1
Rural infrastructure	1.5	-	-	1.5
Rural residential real estate	0.8	-	-	0.8
Other	0.3	-	-	0.3
Total	92.2%	4.3%	3.5%	100.0%

December 31, 2017	Acceptable	OAEM	Substandard/ Doubtful	Total
Real estate mortgage	43.1%	1.6%	1.6%	46.3%
Production and Intermediate term	34.3	1.1	1.5	36.9
Agribusiness	13.7	0.1	0.6	14.4
Rural infrastructure	1.3	-	-	1.3
Rural residential real estate	0.8	-	-	0.8
Other	0.3	-	-	0.3
Total	93.5%	2.8%	3.7%	100.0%

IMPAIRED LOANS

Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. Interest income recognized and payments received on impaired loans are applied in a similar manner as for nonaccrual loans, as described in Note 2.

The following table presents information relating to impaired loans:

December 31	2019	2018	2017
Nonaccrual loans:			
Current as to principal and interest	$ 11,717	$ 15,596	$ 5,144
Past due	28,184	30,175	30,456
Total nonaccrual loans	$ 39,901	$ 45,771	$ 35,600
Impaired accruing loans:			
Restructured accruing loans	$ 347	$ 617	$ 643
Accruing loans 90 days or more past due	2,734	757	1,821
Total impaired accruing loans	$ 3,081	$ 1,374	$ 2,464
Total impaired loans	$ 42,982	$ 47,145	$ 38,064

High risk assets consist of impaired loans and other property owned. The following table presents these in a more detailed manner than the previous table. These nonperforming assets (including related accrued interest) are as follows:

December 31	2019	2018	2017
Nonaccrual loans:			
Real estate mortgage	$ 19,129	$ 16,385	$ 19,231
Production and intermediate term	17,784	18,205	14,534
Agribusiness	2,663	10,757	1,248
Rural residential real estate	325	424	587
Total nonaccrual loans	$ 39,901	$ 45,771	$ 35,600
Accruing restructured loans:			
Real estate mortgage	$ 291	$ 559	$ 581
Production and intermediate term	58	62	63
Total accruing restructured loans	$ 349	$ 621	$ 644
Accruing loans 90 days or more past due:			
Real estate mortgage	$ 1,465	$ 784	$ 1,595
Production and intermediate term	1,374	-	280
Total accruing loans 90 days or more past due	$ 2,839	$ 784	$ 1,875
Total impaired loans	$ 43,089	$ 47,176	$ 38,119
Other property owned	$ 1,657	$ 2,609	$ 1,447
Total high risk assets	$ 44,746	$ 49,785	$ 39,566

The following tables present additional impaired loan information and related amounts in the allowance for loan losses. The recorded investment in the receivable is the unpaid principal balance 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 unpaid principal balance represents the borrower's contractual principal balance on the loan.

	As of December 31, 2019			For the Year Ended December 31, 2019	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ 3,724	$ 4,184	$ 1,136	$ 2,220	$ (92)
Production and intermediate term	7,522	8,284	3,002	8,212	(68)
Agribusiness	101	123	26	124	-
Total	$ 11,347	$ 12,591	$ 4,164	$ 10,556	$ (160)
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 17,124	$ 24,894	$ -	$ 16,524	$ 799
Production and intermediate term	11,624	15,032	-	12,241	288
Agribusiness	2,562	2,884	-	8,861	16
Rural residential real estate	325	380	-	339	3
Total	$ 31,635	$ 43,190	$ -	$ 37,965	$ 1,106
Total Impaired loans:					
Real estate mortgage	$ 20,848	$ 29,078	$ 1,136	$ 18,744	$ 707
Production and intermediate term	19,146	23,316	3,002	20,453	220
Agribusiness	2,663	3,007	26	8,985	16
Rural residential real estate	325	380	-	339	3
Total	$ 42,982	$ 55,781	$ 4,164	$ 48,521	$ 946

	As of December 31, 2018			For the Year Ended December 31, 2018	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ 4,015	$ 4,374	$ 637	$ 2,554	$ (98)
Production and intermediate term	7,866	8,625	2,391	6,202	(206)
Agribusiness	474	724	180	579	(5)
Total	$ 12,355	$ 13,723	$ 3,208	$ 9,335	$ (309)
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 13,683	$ 20,422	$ -	$ 16,967	$ 1,014
Production and intermediate term	10,442	13,005	-	8,355	595
Agribusiness	10,241	11,191	-	5,863	39
Rural residential real estate	424	718	-	521	26
Total	$ 34,790	$ 45,336	$ -	$ 31,706	$ 1,674
Total Impaired loans:					
Real estate mortgage	$ 17,698	$ 24,796	$ 637	$ 19,521	$ 916
Production and intermediate term	18,308	21,630	2,391	14,557	389
Agribusiness	10,715	11,915	180	6,442	34
Rural residential real estate	424	718	-	521	26
Total	$ 47,145	$ 59,059	$ 3,208	$ 41,041	$ 1,365

	As of December 31, 2017			For the Year Ended December 31, 2017	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ 6,021	$ 6,340	$ 1,095	$ 4,671	$ 57
Production and intermediate term	5,282	6,308	1,080	5,103	29
Agribusiness	588	871	257	232	(1)
Rural residential real estate	338	375	58	190	(5)
Total	$ 12,229	$ 13,894	$ 2,490	$ 10,196	$ 80
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 15,341	$ 20,043	$ -	$ 26,583	$ 1,219
Production and intermediate term	9,586	16,654	-	10,091	433
Agribusiness	660	1,020	-	655	50
Rural residential real estate	248	483	-	272	11
Total	$ 25,835	$ 38,200	$ -	$ 37,601	$ 1,713
Total Impaired loans:					
Real estate mortgage	$ 21,362	$ 26,383	$ 1,095	$ 31,254	$ 1,276
Production and intermediate term	14,868	22,962	1,080	15,194	462
Agribusiness	1,248	1,891	257	887	49
Rural residential real estate	586	858	58	462	6
Total	$ 38,064	$ 52,094	$ 2,490	$ 47,797	$ 1,793

Interest income is recognized and payments are applied on nonaccrual impaired loans as described in Note 2. Interest income on nonaccrual loans that would have been recognized under the original terms of the loans are as follows:

Year ended December 31	2019	2018	2017
Interest income which would have been recognized under the original loan terms	$ 4,983	$ 4,141	$ 4,397
Less: interest income recognized	719	1,232	1,621
Forgone interest income	$ 4,264	$ 2,909	$ 2,776

COMMITMENTS ON IMPAIRED LOANS

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired for the years presented.

LOAN DELINQUENCIES

The following table provides an age analysis of past due loans as of December 31, 2019, 2018 and 2017:

December 31, 2019	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Accruing Loans 90 days or More Past Due
Real estate mortgage	$ 20,342	$ 11,963	$ 32,305	$ 3,267,415	$ 3,299,720	$ 1,392
Production and intermediate term	11,022	11,599	22,621	2,661,136	2,683,757	1,342
Agribusiness	1,642	154	1,796	1,212,424	1,214,220	-
Rural infrastructure	-	-	-	154,304	154,304	-
Rural residential real estate	189	144	333	56,583	56,916	-
Other	-	-	-	26,065	26,065	-
Total Loans	$ 33,195	$ 23,860	$ 57,055	$ 7,377,927	$ 7,434,982	$ 2,734

December 31, 2018	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Accruing Loans 90 days or More Past Due
Real estate mortgage	$ 19,727	$ 9,686	$ 29,413	$ 3,160,548	$ 3,189,961	$ 757
Production and intermediate term	12,812	13,257	26,069	2,507,091	2,533,160	-
Agribusiness	1,296	531	1,827	1,055,153	1,056,980	-
Rural infrastructure	-	-	-	105,330	105,330	-
Rural residential real estate	165	47	212	55,877	56,090	-
Other	-	-	-	22,832	22,832	-
Total Loans	$ 34,000	$ 23,521	$ 57,521	$ 6,906,832	$ 6,964,353	$ 757

December 31, 2017	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Accruing Loans 90 days or More Past Due
Real estate mortgage	$ 8,796	$ 16,234	$ 25,030	$ 3,031,132	$ 3,056,162	$ 1,550
Production and intermediate term	3,636	13,477	17,113	2,415,796	2,432,909	271
Agribusiness	62	1,243	1,305	949,696	951,001	-
Rural infrastructure	-	-	-	85,653	85,653	-
Rural residential real estate	160	265	425	56,171	56,596	-
Other	-	-	-	22,879	22,879	-
Total Loans	$ 12,654	$ 31,219	$ 43,873	$ 6,561,327	$ 6,605,200	$ 1,821

TROUBLED DEBT RESTRUCTURING

A restructuring of a debt constitutes a troubled debt restructuring 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. Concessions granted may include interest rate reductions, maturity extensions or in limited circumstances, principal may be forgiven.

The following tables present additional information regarding troubled debt restructurings (whether accrual or nonaccrual in each year) that occurred during the period.

	Year Ended December 31, 2019		Year Ended December 31, 2018		Year Ended December 31, 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*
Real estate mortgage	$ -	$ -	$ 7	$ 7	$ 441	$ 441
Total	$ -	$ -	$ 7	$ 7	$ 441	$ 441

* 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 unpaid principal balance 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.

Subsequent to their restructuring, no troubled debt restructurings subsequently defaulted. There were no additional commitments to lend to borrowers whose loans have been modified in TDRs at December 31, 2019 and December 31, 2018. There were $0.1 million commitments to lend to borrowers whose loans have been modified as TDRs at December 31, 2017.

The following table provides information on outstanding loans restructured in troubled debt restructurings at period end. These loans are included as impaired loans in the impaired loan tables.

	Loans Modified as TDRs			TDRs in Nonaccrual Status*		
	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2019	December 31, 2018	December 31, 2017
Real estate mortgage	$ 350	$ 638	$ 678	$ 61	$ 79	$ 97
Production and intermediate term	72	238	269	15	176	207
Total	$ 422	$ 876	$ 947	$ 76	$ 255	$ 304

* Represents the portion of loans modified as TDRs that are in nonaccrual status

ALLOWANCE FOR CREDIT LOSSES

The following tables present the changes in the components of our allowance for credit losses and the details of the ending balances. The allowance for credit losses includes the allowance for loan losses and the reserve for unfunded commitments.

December 31, 2019	Real Estate Mortgage	Production and Intermediate	Agribusiness	Rural infrastructure	Rural Residential Real Estate	Other	Total
Allowance for Loan Losses							
Beginning balance	$ 23,489	$ 32,217	$ 20,888	$ 1,469	$ 151	$ 156	$ 78,370
Charge-offs	(503)	(299)	(26)	-	-	-	(828)
Recoveries	212	117	5	-	-	-	334
Provision for loan losses	1,928	3,025	12	59	(10)	(14)	5,000
Transfers (to) from reserve for unfunded commitments	407	455	459	28	4	5	1,358
Ending balance	$ 25,533	$ 35,515	$ 21,338	$ 1,556	$ 145	$ 147	$ 84,234
Reserve for Unfunded Commitments							
Beginning balance	$ 3,187	$ 4,160	$ 2,888	$ 205	$ 21	$ 22	$ 10,483
Transfers (to) from allowance for loan losses	(407)	(455)	(459)	(28)	(4)	(5)	(1,358)
Ending balance	$ 2,780	$ 3,705	$ 2,429	$ 177	$ 17	$ 17	$ 9,125
Allowance for Credit Losses	$ 28,313	$ 39,220	$ 23,767	$ 1,733	$ 162	$ 164	$ 93,359

Allowance for Credit Losses							
Ending balance, allowance for credit losses related to loans:							
Individually evaluated for impairment	$ 1,136	$ 3,002	$ 26	$ -	$ -	$ -	$ 4,164
Collectively evaluated for impairment	27,177	36,218	23,741	1,733	162	164	89,195
Total	$ 28,313	$ 39,220	$ 23,767	$ 1,733	$ 162	$ 164	$ 93,359
Loans							
Ending balance for loans:							
Individually evaluated for impairment	$ 20,848	$ 19,146	$ 2,663	$ -	$ 325	$ -	$ 42,982
Collectively evaluated for impairment	3,278,872	2,664,611	1,211,557	154,304	56,591	26,065	7,392,000
Total	$ 3,299,720	$ 2,683,757	$ 1,214,220	$ 154,304	$ 56,916	$ 26,065	$7,434,982

December 31, 2018	Real Estate Mortgage	Production and Intermediate	Agribusiness	Rural infrastructure	Rural Residential Real Estate	Other	Total
Allowance for Loan Losses							
Beginning balance	$ 23,735	$ 30,345	$ 19,575	$ 1,530	$ 409	$ 157	$ 75,751
Charge-offs	(2,896)	(854)	(128)	-	(35)	-	(3,913)
Recoveries	543	422	6	-	-	-	971
Provision for loan losses	1,881	2,052	1,411	(87)	(255)	(2)	5,000
Transfers (to) from reserve for unfunded commitments	226	252	24	26	32	1	561
Ending balance	$ 23,489	$ 32,217	$ 20,888	$ 1,469	$ 151	$ 156	$ 78,370
Reserve for Unfunded Commitments							
Beginning balance	$ 3,413	$ 4,412	$ 2,912	$ 231	$ 53	$ 23	$ 11,044
Transfers (to) from allowance for loan losses	(226)	(252)	(24)	(26)	(32)	(1)	(561)
Ending balance	$ 3,187	$ 4,160	$ 2,888	$ 205	$ 21	$ 22	$ 10,483
Allowance for Credit Losses	$ 26,676	$ 36,377	$ 23,776	$ 1,674	$ 172	$ 178	$ 88,853
Allowance for Credit Losses							
Ending balance, allowance for credit losses related to loans:							
Individually evaluated for impairment	$ 637	$ 2,391	$ 180	$ -	$ -	$ -	$ 3,208
Collectively evaluated for impairment	26,039	33,986	23,596	1,674	172	178	85,645
Total	$ 26,676	$ 36,377	$ 23,776	$ 1,674	$ 172	$ 178	$ 88,853
Loans							
Ending balance for loans:							
Individually evaluated for impairment	$ 17,698	$ 18,308	$ 10,715	$ -	$ 424	$ -	$ 47,145
Collectively evaluated for impairment	3,172,263	2,514,852	1,046,265	105,330	55,666	22,832	6,917,208
Total	$ 3,189,961	$ 2,533,160	$ 1,056,980	$ 105,330	$ 56,090	$ 22,832	$6,964,353

December 31, 2017	Real Estate Mortgage	Production and Intermediate	Agribusiness	Rural infrastructure	Rural Residential Real Estate	Other	Total
Allowance for Loan Losses							
Beginning balance	$ 32,719	$ 22,639	$ 19,321	$ 2,642	$ 262	$ -	$ 77,583
Charge-offs	(225)	(567)	(251)	-	-	-	(1,043)
Recoveries	373	943	7	-	-	-	1,323
Provision for loan losses	(9,450)	9,126	1,165	(1,195)	174	180	-
Transfers (to) from reserve for unfunded commitments	318	(1,796)	(667)	83	(27)	(23)	(2,112)
Ending balance	$ 23,735	$ 30,345	$ 19,575	$ 1,530	$ 409	$ 157	$ 75,751
Reserve for Unfunded Commitments							
Beginning balance	$ 3,731	$ 2,616	$ 2,245	$ 314	$ 26	$ -	$ 8,932
Transfers (to) from allowance for loan losses	(318)	1,796	667	(83)	27	23	2,112
Ending balance	$ 3,413	$ 4,412	$ 2,912	$ 231	$ 53	$ 23	$ 11,044
Allowance for Credit Losses	$ 27,148	$ 34,757	$ 22,487	$ 1,761	$ 462	$ 180	$ 86,795
Allowance for Credit Losses							
Ending balance, allowance for credit losses related to loans:							
Individually evaluated for impairment	$ 1,095	$ 1,080	$ 257	$ -	$ 58	-	$ 2,490
Collectively evaluated for impairment	26,053	33,677	22,230	1,761	404	180	84,305
Total	$ 27,148	$ 34,757	$ 22,487	$ 1,761	$ 462	180	$ 86,795
Loans							
Ending balance for loans:							
Individually evaluated for impairment	$ 21,362	$ 14,868	$ 1,248	$ -	$ 586	-	$ 38,064
Collectively evaluated for impairment	3,034,800	2,418,041	949,753	85,653	56,010	22,879	6,567,136
Total	$ 3,056,162	$ 2,432,909	$ 951,001	$ 85,653	$ 56,596	22,879	$6,605,200

NOTE 4 – INVESTMENT IN COBANK, ACB

At December 31, 2019, the Associations' investment in CoBank is in the form of Class A stock with a par value of $100 per share. The Association is required to own stock in CoBank to capitalize its direct loan balance and participation loans sold to CoBank. The current requirement for capitalizing its direct loan from CoBank is 4.0% of the Associations' prior year average direct loan balance. The current requirement for capitalizing patronage-based participation loans sold to CoBank is 8.0% of the Association's prior ten-year average balance of such participations sold to CoBank. Under the current CoBank capital plan applicable to such participations sold, patronage from CoBank related to these participations sold is paid 75% cash and 25% Class A stock. The capital plan is evaluated annually by CoBank's board and management and is subject to change.

CoBank may require the holders of its equities to subscribe for such additional capital as may be needed to meet its capital requirements or its joint and several liability under the Act and regulations.

The Association owns 6.94% of the issued stock of the ACB as of December 31, 2019. As of that date, the ACB's assets totaled $145.0 billion and members' equity totaled $10.6 billion. The ACB earned net income of $1.1 billion during 2019.

NOTE 5 – PREMISES AND EQUIPMENT

Premises and equipment consists of the following:

December 31	2019	2018	2017
Land	$ 1,569	$ 1,569	$ 1,212
Buildings and improvements	34,308	33,232	26,596
Furniture and equipment	8,075	7,525	6,948
Autos	5,012	4,990	5,202
Construction in progress	104	845	6,004
Premises and equipment at cost	$ 49,068	$ 48,161	$ 45,962
Less: accumulated depreciation	22,297	20,916	20,483
Total premises and equipment, net	$ 26,771	$ 27,245	$ 25,479

NOTE 6 – NOTES PAYABLE TO COBANK, ACB

The Association's indebtedness to CoBank represents borrowings by the Association to fund its loan portfolio. This indebtedness is collateralized by a pledge of substantially all of the Association's assets and is governed by a General Financing Agreement (GFA). The GFA and promissory note are subject to periodic renewals in the normal course of business. The Association was in compliance with the terms and conditions of the GFA as of December 31, 2019. Substantially all borrower loans are match-funded with CoBank. Payments and disbursements are made on the note payable to CoBank on the same basis the Association collects payments from and disburses on borrower loans. The interest rate may periodically be adjusted by CoBank based on the terms and conditions of the borrowing. The weighted average interest rate was 2.66% for the year ended December 31, 2019. The weighted average interest rate was 2.40% for the year ended December 31, 2018 and 1.76% for the year ended December 31, 2017.

CoBank, consistent with FCA regulations, has established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2019, the Association's notes payable are within the specified limitations.

NOTE 7 – MEMBERS' EQUITY

A description of the Association's capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are provided below. Members' equity is described and governed by the Association's capitalization policies. Farm Credit East's capitalization policies are specified in the by-laws and in the Capitalization Plan approved by the board of directors. Copies of the Association's by-laws and Capitalization Plan are available to members at any time.

CAPITAL STOCK AND PARTICIPATION CERTIFICATES

In accordance with the Farm Credit Act and the Association's capitalization by-laws and Capitalization Plan each Association borrower, as a condition of borrowing, is required at the time the loan is made to invest in Class B Stock for agricultural loans or Class B Participation Certificates for country home and farm related business loans. Association by-laws require that borrowers acquire capital stock or participation certificates, as a condition of borrowing, at least the lesser of $1,000 or 2% of the amount of the loan, and not more than 10% of the amount of the loan.

Pursuant to the Association Capitalization Plan, the Association Board has determined that Class B stock and Class B participation certificates shall be issued as follows:

For all loans (except where indicated below) Class B stock and Class B participation certificates shall be issued equal to one thousand dollars per customer as a condition of borrowing from this Association. For purposes of borrower stock, a customer is defined as the primary borrower on a loan. The intent of this policy is for each primary customer to have one thousand dollars of stock, regardless of the number of loans or balance on those loans to that customer. Stock shall be purchased at the beginning of a customer's relationship and will not be retired until all loans to that customer are paid in full and there are no funds available for advances.

Exceptions to this policy are:

- At the time of the Farm Credit East mergers (in 2010 and 2014), certain customers with less than one thousand dollars of stock were "grandfathered" at the stock level at conversion. Grandfathered customer stock will be frozen at converted levels until all loans are repaid, at which time the stock will be retired, or increased to one thousand dollars at the time of a future advance or credit action
- Certain small borrowers (customers with total commitment less than ten thousand dollars initially) will be issued at 10 percent of the initial commitment, consistent with By-Law limitations
- Certain interests in loans sold to other financial institutions
- Loans to be sold into the secondary market

The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, but usually does not make a cash investment. The aggregate par value is added to the principal amount of the related loan obligation. The Association retains a first lien on the stock or participation certificates owned by borrowers. Retirement of such equities will generally 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. All stock and participation certificates are retired at the discretion of the Association's board of directors after considering the capitalization plan, as well as regulatory and other requirements.

REGULATORY CAPITALIZATION REQUIREMENTS AND RESTRICTIONS

The Farm Credit Administration sets minimum regulatory capital requirements for Banks and Associations. Effective January 1, 2017, new regulatory capital requirements for Banks and Associations were adopted. These new requirements replaced the core surplus and total surplus requirements with Common Equity Tier 1, Tier 1 Capital and Total Capital risk-based capital ratio requirements. The new requirements also replaced the existing net collateral ratio for System Banks with a Tier 1 Leverage ratio and an Unallocated Retained Earnings (URE) and URE Equivalents Leverage ratio that are applicable to both the Banks and Associations. The Permanent Capital Ratio continues to remain in effect; however, the risk-adjusted assets are calculated differently than in the past.

The following sets forth the regulatory capital ratio requirements and ratios at December 31:

Ratio	Primary Components of Numerator	Denominator	Ratios as of 2019	Ratios as of 2018	Ratios as of 2017	Minimum with Buffer*	Minimum Requirement
Common Equity Tier 1 (CET1) Capital	Unallocated retained earnings (URE), common cooperative equities (qualifying capital stock and allocated equity)[1]	Risk-adjusted assets	17.42%	17.72%	17.34%	7.0%	4.5%
Tier 1 Capital	CET1 Capital, non-cumulative perpetual preferred stock	Risk-adjusted assets	17.42%	17.72%	17.34%	8.5%	6.0%
Total Regulatory Capital (TRC)	Tier 1 Capital, allowance for loan losses[2], common cooperative equities[3], and term preferred stock and subordinated debt[4]	Risk-adjusted assets	18.63%	18.92%	18.59%	10.5%	8.0%
Tier 1 Leverage**	Tier 1 Capital	Total assets	18.35%	18.53%	18.20%	5.0%	4.0%
Unallocated Retained Earnings and URE Equivalents (UREE) Leverage	URE and URE Equivalents	Total assets	20.13%	20.31%	19.97%	—	1.5%
Permanent Capital	Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt, subject to certain limits	Risk-adjusted assets	17.61%	17.91%	17.53%	—	7.0%

* The new 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 for the URE and UREE Leverage ratio.
1 Equities outstanding 7 or more years
2 Capped at 1.25% of risk-adjusted assets
3 Outstanding 5 or more years, but less than 7 years
4 Outstanding 5 or more years

If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

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

DESCRIPTION OF EQUITIES

Each owner or joint owners of Class B stock are entitled to a single vote, while Class B participation certificates provide no voting rights to their owners. Voting stock may not be transferred to another person unless such person is eligible to hold voting stock. At December 31, 2019, the Association had 2,839,434 shares of Class B stock outstanding at a par value of $5 per share, 259,726 shares of Class B participation certificates outstanding at a par value of $5 per share, and 688 shares of Class C stock outstanding at a par value of $5 per share. Ownership of stock, participation certificates, or allocated surplus is sometimes subject to certain risks that could result in a partial or complete loss. These risks include excessive levels of loan losses experienced by the Association, losses resulting from contractual and statutory obligations, impairment of ACB stock owned by the Association, losses resulting from adverse judicial decisions or other losses that may arise in the course of business. In the event of such impairment, borrowers would remain liable for the full amount of their loans.

Any losses which result in impairment of capital stock and participation certificates would be allocated to such purchased capital on a pro rata basis impairing Class B stock and participation certificates. In the case of liquidation or dissolution of the Association, capital stock, participation certificates and allocated surplus would be utilized as necessary to satisfy any remaining obligations in excess of the amounts realized on the sale or liquidation of assets.

PATRONAGE DISTRIBUTIONS

At the end of each year, the Association's board of directors evaluates whether to retain the Association's net income to strengthen its capital position or to distribute a portion of the net income to customers by declaring a qualified/cash patronage distribution. Patronage dividends are based on one year's operating results. The portion of patronage-sourced net income not distributed is also allocated to patrons in the form of nonqualified written notices of allocation. These nonqualified written notices of allocation are included in unallocated retained earnings. The board of directors considers these unallocated earnings to be permanently invested in the Association.

The following table summarizes the qualified/cash patronage distributions for the years ending December 31. In August of 2019 and 2018 the board of directors approved a special cash dividend which was distributed in October of those years. The cash patronage dividends are distributed in February of the subsequent year.

Earnings Year	Cash Distribution	Special Cash Distribution
2019	$70,000	$25,000
2018	$65,000	$15,000
2017	$60,000	-

ACCUMULATED OTHER COMPREHENSIVE INCOME/LOSS

Farm Credit East, ACA reports accumulated other comprehensive income (loss) as a component of members' equity, which is reported net of taxes as follows:

December 31	2019	2018	2017
Unrealized losses on cash flow hedges	$ 8,376	$ (6,306)	$ (7,933)
Pension and other benefit plans	(54,431)	(39,447)	(44,035)
Total	$ (46,055)	$ (45,753)	$ (51,968)

The following tables present the activity in the accumulated other comprehensive income (loss), net of tax by component:

	Unrealized losses on cash flow hedges, net	Pension and other benefit plans
Balance at December 31, 2018	$ (6,306)	$ (39,447)
Other	944	-
Net current period other comprehensive income	13,738	(14,984)
Balance at December 31, 2019	$ 8,376	$ (54,431)

	Unrealized losses on cash flow hedges, net	Pension and other benefit plans
Balance at December 31, 2017	$ (7,933)	$ (44,035)
Net current period other comprehensive (loss)	1,627	4,588
Balance at December 31, 2018	$ (6,306)	$ (39,447)

	Unrealized losses on cash flow hedges, net	Pension and other benefit plans
Balance at December 31, 2016	$ (3,765)	$ (50,597)
Net current period other comprehensive (loss) income	(4,168)	6,562
Balance at December 31, 2017	$ (7,933)	$ (44,035)

NOTE 8 – PATRONAGE DISTRIBUTION FROM FARM CREDIT INSTITUTIONS

Patronage income recognized from Farm Credit Institutions to the Association is presented below:

Year Ended December 31	2019	2018	2017
CoBank	$ 28,198	$ 32,647	$ 27,901
Other	3,048	2,576	1,701
Total	$ 31,246	$ 35,223	$ 29,602

Patronage distributions from CoBank relating to the Association's average direct note borrowings are distributed in cash. For CoBank patronage relating to average participated loan volume, a portion is distributed in cash and the remainder in the form of stock. The $28.2 million accrued will be paid by CoBank in March 2020. The amount declared in December 2018 and December 2017 were paid in March of the subsequent year.

NOTE 9 – INCOME TAXES

The provision for income taxes consists of the following:

Year Ended December 31	2019	2018	2017
Current:			
Federal	$ 1,124	$ 963	$ 1,071
State	380	331	210
Total current provision for income taxes	1,504	1,294	1,281
Deferred:			
Federal	1,569	(5,088)	3,191
State	533	(1,738)	(1,022)
Total deferred provision (benefit) from income taxes	2,102	(6,826)	2,169
(Decrease) increase in deferred tax asset valuation allowance	(2,102)	6,826	(2,169)
Provision for income taxes	$ 1,504	$ 1,294	$ 1,281

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

Year Ended December 31	2019	2018	2017
Federal tax at statutory rate	$ 39,416	$ 37,635	$ 56,472
State tax, net	300	261	137
Effect of nontaxable activities	(27,071)	(26,555)	(42,272)
Patronage distribution	(12,781)	(15,506)	(18,388)
Change in tax rates	-	-	8,195
Change in valuation allowance	(2,102)	6,826	(2,169)
Return to provision	3,099	-	-
Other	643	(1,367)	(694)
Provision for income taxes	$ 1,504	$ 1,294	$ 1,281

The Tax Cuts and Jobs Act of 2017 (TCJA) was enacted in late 2017 which among other things lowered the federal corporate tax rate from 35% to 21% beginning in 2018. In accordance with GAAP, the change to the lower corporate tax rate led to a revaluation of our deferred tax liabilities and deferred tax assets in 2017, the period of enactment. Management's position is that none of the deferred tax benefits will be realized in future periods and accordingly a valuation allowance is provided against net deferred tax assets. Accordingly, no net tax benefit was recognized.

Deferred tax assets and liabilities are comprised of the following:

December 31	2019	2018	2017
Deferred income tax assets:			
Allowance for loan losses	$ 13,105	$ 12,320	$ 10,835
Nonaccrual loan interest	1,046	913	634
Annual leave	597	576	597
Health reserve	432	445	462
Long term incentive	850	746	691
Deferred compensation	1,259	1,226	1,168
Retirement plans	11,359	6,690	7,236
Postretirement benefits other than pensions	144	216	222
Other	369	217	227
Gross deferred tax assets	29,161	23,349	22,072
Less: valuation allowance	(23,525)	(21,796)	(16,517)
Deferred tax assets, net	5,636	1,553	5,555
Deferred income tax liabilities:			
Bank patronage after December 31, 1992	(447)	(447)	(447)
CoBank patronage	(4,083)	-	(3,951)
Depreciation	(694)	(764)	(862)
Deferred gain	(412)	(342)	(295)
Gross deferred tax liability	(5,636)	(1,553)	(5,555)
Net deferred tax asset	$ -	$ -	$ -

The calculation of deferred tax assets and liabilities involves various management estimates and assumptions as to future taxable earnings, including the amount of non-patronage income and patronage income retained. Based on the Association's strategic financial plan, primarily expected future patronage programs and the tax benefits of the FLCA subsidiary, management believes that as of the end of 2019, none of the Association's net deferred tax assets will be realizable in future periods. Accordingly, a valuation allowance is provided against the net deferred tax assets since it has been determined that it is more likely than not (over 50% probability), based on management's estimate, that they will not be realized.

The Association has no unrecognized tax benefits for which liabilities have been established for the years ended December 31, 2019, 2018 and 2017. The Association recognizes interest and penalties related to unrecognized tax benefits as an adjustment to income tax expense. The amount of interest recognized was $0 and the amount of penalties recognized was $0 for 2019. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is $0. The Association did not have any positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next 12 months. The tax years that remain open for federal and state income tax jurisdictions are 2016 and forward.

NOTE 10 – EMPLOYEE BENEFIT PLANS

The Association has employer-funded, qualified defined benefit pension plans, which are noncontributory and cover employees hired prior to January 1, 2007 (except the former Maine employees who are participants in the noncontributory defined contribution plan). Depending on the date of hire, benefits are determined by a formula based on years of service and final average pay. Effective January 1, 2007, the Association closed the remaining qualified defined benefit pension plan to new participants.

The Association also has a noncontributory, unfunded nonqualified supplemental executive retirement plan (SERP) covering the CEO as of December 31, 2019. The Association holds assets in a trust fund related to the SERP; however, such funds remain Association assets and are not included as plan assets in the accompanying disclosures. The defined benefit pension plans and SERP are collectively referred to as Retirement Plans.

The Association has a 401(k) savings plan pursuant to which the Association matches 100% of employees' elective contributions up to a maximum employee contribution of 6% of compensation. In addition, under this plan, employees hired on or after January 1, 2007 receive additional non-elective employer defined contributions. The Association contributions to the 401(k) savings plan and the employer defined contribution plan, which are recorded as employee compensation expense, was $3.0 million, $2.9 million and $2.8 million at December 31, 2019, 2018 and 2017 respectively. For eligible senior managers, including senior officers, there also is a nonqualified deferred compensation plan, which includes benefits not provided under the employee savings plan due to certain Internal Revenue Code limitations.

Eligible retirees also have other postretirement benefits (OPEB), which primarily include access to health care benefits. Most participants pay the full premiums associated with these other postretirement health care benefits. Premiums are adjusted annually.

The following table provides a summary of the changes in the Retirement Plans' projected benefit obligations and fair values of assets over the three-year period ended December 31, 2019, as well as a statement of funded status as of December 31 of each year.

The projected benefit obligation and the accumulated benefit obligation for the Retirement Plans as of year-end are as follows:

Year ended December 31	2019	2018	2017
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	$ 149,130	$ 157,596	$ 144,452
Service cost	3,071	3,341	3,391
Interest cost	6,478	5,756	6,066
Plan amendments	3,091	-	-
Actuarial (gain) loss	25,933	(10,532)	8,372
Transfers	182	-	-
Benefits paid	(7,637)	(7,031)	(4,685)
Projected benefit obligation at end of year	$ 180,248	$ 149,130	$ 157,596
Change in plan assets:			
Fair value of plan assets at beginning of year	$ 123,836	$ 130,251	$ 114,646
Actual return on plan assets	18,635	(1,742)	17,990
Employer contributions	2,189	2,358	2,300
Transfers	182	-	-
Benefits paid	(7,637)	(7,031)	(4,685)
Fair value of plan assets at end of year	$ 137,205	$ 123,836	$ 130,251
Funded status of the plan:			
Net asset (liability) recognized in the balance sheet	$ (43,043)	$ (25,294)	$ (27,345)
Amounts recognized in accumulated other comprehensive income:			
Unrecognized prior service cost	$ 6,165	$ 4,091	$ 5,137
Unrecognized net actuarial loss	46,213	33,368	38,090
Total Loss	$ 52,378	$ 37,459	$ 43,227

The projected benefit obligation and the accumulated benefit obligation for the Retirement Plans as of year-end are as follows:

December 31	2019	2018	2017
Projected Benefit Obligation:			
Funded Qualified Plans	$ 170,998	$ 143,499	$ 151,989
SERP	9,250	5,631	5,607
Total	$ 180,248	$ 149,130	$ 157,596
Accumulated Benefit Obligation:			
Funded Qualified Plans	$ 148,272	$ 124,934	$ 130,618
SERP	6,159	4,833	4,695
Total	$ 154,431	$ 129,767	$ 135,313

The $137.2 million in fair value of plan assets shown in a previous table relates only to the qualified retirement plans. As depicted in the preceding table, such plans had a projected benefit obligation and an accumulated benefit obligation of $171.0 million and $148.3 million, respectively, as of December 31, 2019.

The Association holds assets in trust accounts related to its SERP plan. Such assets had a fair value of $5.6 million as of December 31, 2019, which is included in "Other Assets" in the accompanying consolidated balance sheet. Unlike the assets related to the qualified plans, those funds remain Association assets and would be subject to general creditors in a bankruptcy or liquidation. Accordingly, they are not included as part of the assets shown in the previous table. As depicted in the preceding table, the SERP plan has a projected benefit obligation and an accumulated benefit obligation of $9.3 million and $6.2 million, respectively, as of December 31, 2019.

The following table represents the components of net periodic benefit cost and other amounts recognized in other comprehensive income as of December 31 as follows:

Year Ended December 31	2019	2018	2017
Net periodic benefit cost			
Service cost	$ 3,071	$ 3,341	$ 3,391
Interest cost	6,478	5,755	6,066
Expected return on plan assets	(7,438)	(7,337)	(6,962)
Amortization of unrecognized:			
Prior service cost	1,016	1,047	1,052
Actuarial loss	1,892	3,270	2,851
Net periodic benefit cost	$ 5,019	$ 6,076	$ 6,398
Other Changes in Plan Assets and Benefit Obligation Recognized in Other Comprehensive Income			
Net actuarial (gain) loss	$ 14,736	$ (1,451)	$ 8,978
Prior service cost	3,091	-	437
Amortization of:			
Prior service credit	(1,016)	(1,047)	(1,006)
Net actuarial gain	(1,892)	(3,270)	(2,313)
Total recognized in other comprehensive income	$ 14,919	$ (5,768)	$ 6,096

The Association anticipates that its total pension expense for all retirement plans will be approximately $8.1 million in 2020 compared to $5.0 million in 2019. The Association's estimated amortization to be included in accumulated other comprehensive income is to be approximately $5.4 million in 2020 compared to $2.9 million in 2019.

ASSUMPTIONS

The Association measures plan obligations and annual expense using assumptions designed to reflect future economic conditions. As the bulk of pension benefits will not be paid for many years, the computations of pension expenses and benefits are based on assumptions about discount rates, estimates of annual increases in compensation levels, and expected rates of return on plan assets.

The weighted-average rate assumptions used in the measurement of the Association's benefit obligations are as follows:

December 31	2019	2018	2017
Discount rate	3.30%	4.45%	3.75%
Rate of compensation increase (qualified plans only)	3.60%	3.60%	3.60%

The weighted-average rate assumptions used in the measurement of our net periodic benefit cost are as follows:

December 31	2019	2018	2017
Discount rate	4.45%	3.75%	4.30%
Expected rate of return on plan assets (qualified plans only)	6.00%	6.00%	6.00%
Rate of compensation increase (qualified plans only)	3.60%	3.60%	4.75%

The discount rates are calculated using a spot yield curve method developed by an independent actuary. 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 rate of return on plan assets is established based on current target asset allocations and the anticipated future returns on those asset classes. The expected rate of return on plan assets assumption is also consistent with the pension plans' long-term interest rate assumption used for funding purposes.

PLAN ASSETS

The asset allocation target ranges for the qualified defined benefit pension plans follow the investment policy adopted by the retirement trust committee. This policy provides for a certain level of committee flexibility in selecting target allocation percentages. The actual asset allocations at December 31, 2019, 2018 and 2017 are shown in the following table, along with the adopted range for target allocation percentages by asset class. The actual allocation percentages reflect the market values at year-end and may vary during the course of the year. Plan assets are generally rebalanced to a level within the target range each year at the direction of the trustees.

	Target Allocation Range	Percentage of Plan Assets at December 31, 2019	2018	2017
Asset Category				
Domestic Equity	32.5 – 42.5%	39%	38%	41%
Domestic Fixed Income	37.5 – 47.5	43	40	35
International Equity				
Emerging Markets Equity and Fixed Income	5 – 25	13	17	19
Hedge Funds	0 – 10	5	5	5
Total	100%	100%	100%	100%

The assets of the qualified defined benefit pension plans consist primarily of investments in various domestic equity, international equity and bond funds. These funds do not contain any significant investments in a single entity, industry, country or commodity, thereby mitigating concentration risk.

The following table presents the major categories of plan assets that are measured at fair value at December 31, 2019 for each of the fair value hierarchy levels as defined in Note 2:

December 31, 2019	Level 1	Level 2	Level 3	NAV[1]	Total
Asset category					
Cash	$ 294	$ -	$ -	$ -	$ 294
Domestic Equity:					
Large-cap growth funds[2]	24,452	-	-	22,509	46,961
Small-cap growth funds[2]	-	-	-	7,397	7,397
International Equity:					
International funds[3]	12,326	-	-	4,085	16,411
Domestic Fixed Income:					
Total return funds[4]	30,583	-	-	-	30,583
Bond funds[5]	-	26,355	-	-	26,355
Emerging Markets:					
Equity and fixed income funds[6]	2,645	-	-	3	2,648
Hedge Funds[7]	-	-	-	6,556	6,556
Total	$ 70,300	$ 26,355	$ -	$ 40,550	$ 137,205

1 Certain investments that are measured at fair value using the net asset value (NAV) 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.
2 Funds invest primarily in diversified portfolios of common stocks of U.S. companies.
3 Funds invest primarily in a diversified portfolio of equities of non-U.S. companies.
4 Funds invest primarily in a diversified portfolio of investment grade debt securities and cash instruments.
5 Funds invest primarily in U.S. Treasury debt securities and corporate bonds of U.S. companies.
6 Funds invest in equities and corporate debt securities of companies located in emerging international markets.
7 Funds invest in diversified portfolios of stocks, bonds and various other financial instruments.

Level 1 plan assets are funds with quoted daily net asset values that are directly observable by market participants. The fair value of these funds is the net asset value at close of business on the reporting date. Level 2 plan assets are funds with quoted net asset values that are not directly observable by market participants. A significant portion of the underlying investments in these funds have individually observable market prices, which are utilized by the plan's trustee to determine a net asset value at close of business on the reporting date. Level 3 plan assets are funds with unobservable net asset values and supported by limited or no market activity. There were no purchases or sales of Level 3 plan assets in the current year. No transfers into or out of the three levels of assets occurred in the current year.

Investment strategy and objectives are described in the pension plans' formal investment policy document. The basic strategy and objectives are to manage portfolio assets with a long-term horizon appropriate for the participant demographics and cash flow requirements; to optimize long-term funding requirements by generating rates of return sufficient to fund liabilities and exceed the long-term rate of inflation; and to provide competitive investment returns as measured against appropriate benchmarks.

EXPECTED CONTRIBUTIONS

In 2020 the Association expects to contribute $2.2 million to its defined benefit retirement plans and $0.7 million to its trust fund related to the SERP.

ESTIMATED FUTURE BENEFIT PAYMENTS

The Association expects to make the following benefit payments for its retirement plans, which reflect expected future service, as appropriate.

	Estimated Benefit Payouts
2020 Payouts	$ 13,715
2021 Payouts	7,913
2022 Payouts	7,890
2023 Payouts	8,438
2024 Payouts	8,885
2025 Payouts to 2029 Payouts	50,237

OTHER POSTRETIREMENT BENEFITS

Postretirement benefits other than pensions (primarily health care benefits) are also provided to retirees of the Association. The following table sets forth the funding status and weighted average assumptions used to determine post-retirement health care benefit obligations.

December 31	2019	2018	2017
(Accrued) Postretirement benefit cost	$ (193)	$ (100)	$ (34)
Accumulated postretirement benefit obligation	$ (549)	$ (820)	$ (842)
Accumulated other comprehensive loss	$ 355	$ 721	$ 808
Net periodic expense	$ 111	$ 115	$ 124
Discount rate	3.30%	4.45%	3.75%
Ultimate healthcare trend rate	4.50%	4.50%	4.50%

Substantially all postretirement healthcare plans have no plan assets and are funded on a current basis by employer contributions and retiree premium payments.

The Association anticipates its postretirement benefits expense will be approximately $0.1 million in 2020 unchanged from 2019.

NOTE 11 – RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Association enters into loan transactions with directors and senior officers of the Association, their immediate families and other organizations with which such persons may be associated. Such loans are subject to special approval requirements contained in the FCA regulations and are made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

Loan information to related parties is shown below.

December 31	2019	2018	2017
New loans/advances	$ 87,826	$ 73,063	$ 90,948
Repayments	78,499	62,845	75,325
Other	1,344	(27,139)	(106,457)
Ending balance	$ 90,501	$ 79,830	$ 96,751

Other changes to the related party loan balance represent changes in the composition of Association directors and/or senior officers during 2019. In the opinion of management, none of these loans outstanding at December 31, 2019 involved more than a normal risk of collectability and none of these loans are in nonaccrual status.

As of December 31, 2019, the Association's investment in Financial Partners, Inc. (FPI) was $3.2 million which is included in other assets. Accounting for this investment is on the equity method. FPI provides accounting, information technology, and other services to the Association on a fee basis. Fees paid to FPI for the years ended December 31, 2019, 2018 and 2017 were $10.4 million, $9.8 million and $9.1 million respectively.

As of December 31, 2019, the Association's investment in Rural Investments, LLC was $27 thousand which is included in other assets. Interest income recorded related to Rural Investments was $57 thousand for the year ended December 31, 2019, $50 thousand for the year ended December 31, 2018 and $0.2 million for the year ended December 31, 2017.

As of December 31, 2019, the Association's investment in FarmStart, LLP was $2.1 million which is included in other assets. Accounting for this investment is on the equity method. FarmStart income of $41 thousand was recorded for December 31, 2019. A loss of $29 thousand was recorded for December 31, 2018. Income recorded relating to FarmStart was $60 thousand for the year ended December 31, 2017.

As of December 31, 2019, the Association's investment in AgDirect, LLP is $4.7 million which was included in other assets. Accounting for this investment is on a cost basis. Income recorded related to AgDirect, LLP was $0.5 million, $0.3 million and $0.1 million for the year ended December 31, 2019, 2018 and 2017, respectively.

As of December 31, 2019, the Association's investment in Blue Highway Growth Capital Fund, LP (Blue Highway) is $0.3 million which was included in other assets. Blue Highway is a Rural Business Investment Company (RBIC) that supports agricultural producers, agribusinesses and rural communities. Accounting for this investment is on the equity method. There was no income recorded for the year ended December 31, 2019.

Farm Credit East is a majority owner in Crop Growers, LLP which provides multi-peril crop insurance as an agent. Net income recorded related to Crop Growers for the years ended December 31, 2019, 2018 and 2017 were $2.4 million, $2.0 million and $1.7 million, respectively.

As of December 31, 2019, Farm Credit East had equity ownership interests in the following Unincorporated Business Entities (UBE) which were all formed for the purpose of acquiring and holding other property owned. During 2019, there was no activity in these UBEs.

Name	Ownership %
RHBarnes RD, LLC	100%
Farm Credit East Rochester/Plymouth REO, LLC	100%
Eastern Greenhouses, LLC	100%

NOTE 12 – REGULATORY ENFORCEMENT MATTERS

There are no regulatory enforcement actions in effect for the Association.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The Association has various commitments outstanding and contingent liabilities. With regard to contingent liabilities, there are no actions pending against the Association in which claims for monetary damages are asserted.

The Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers and to manage their exposure to interest rate risk. These financial instruments include commitments to extend credit, commercial letters of credit and standby 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 borrower 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. Standby letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. 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, $2.2 billion of commitments to extend credit, $39.1 million of commercial letters of credit and $26.8 million of standby letters of credit were outstanding.

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 or drawn upon. The credit risk associated with issuing commitments and letters of credit 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. Reserves related to unfunded commitments to extend credit are included in the calculation of the allowance for loan losses.

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. See Note 2 for a more complete description of the three input levels.

SENSITIVITY TO CHANGES IN SIGNIFICANT UNOBSERVABLE INPUTS

Quoted market prices may not be available for the instruments presented below. Accordingly, fair values are based on internal models that consider judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

QUANTITATIVE INFORMATION ABOUT RECURRING AND NONRECURRING FAIR VALUE MEASUREMENTS

Assets and liabilities measured at fair value on a recurring basis at December 31 for each of the fair value hierarchy values are summarized below:

	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
2019				
Derivative assets	$ -	$ 9,208	$ -	$ 9,208
Assets held in trust	$ 13,721	$ -	$ -	$ 13,721
2018				
Derivative assets	$ -	$ 1,809	$ -	$ 1,809
Assets held in trust	$ 12,082	$ -	$ -	$ 12,082
2017				
Assets held in trust	$ 11,294	$ -	$ -	$ 11,294
Liabilities:				
2019				
Derivative liabilities	$ -	$ 832	$ -	$ 832
2018				
Derivative liabilities	$ -	$ 7,171	$ -	$ 7,171
2017				
Derivative liabilities	$ -	$ 6,967	$ -	$ 6,967

Assets measured at fair value on a non-recurring basis at December 31 for each of the fair value hierarchy values are summarized below:

	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
2019				
Impaired loans	$ -	$ -	$ 38,817	$ 38,817
Other Property Owned	$ -	$ -	$ 1,821	$ 1,821
Rural Investments, LLC	$ -	$ -	$ 27	$ 27
2018				
Impaired loans	$ -	$ -	$ 43,936	$ 43,936
Other Property Owned	$ -	$ -	$ 2,844	$ 2,844
Rural Investments, LLC	$ -	$ -	$ 250	$ 250
2017				
Impaired loans	$ -	$ -	$ 35,575	$ 35,575
Other Property Owned	$ -	$ -	$ 1,582	$ 1,582
Rural Investments, LLC	$ -	$ -	$ 465	$ 465

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the balance sheet for each of the fair value hierarchy values are summarized below:

December 31	2019			2018			2017		
	Carrying Amount	Fair Value	Fair Value Hierarchy	Carrying Amount	Fair Value	Fair Value Hierarchy	Carrying Amount	Fair Value	Fair Value Hierarchy
Financial assets:									
Loans, net	$7,350,748	$7,421,749	Level 3	$6,885,983	$6,917,614	Level 3	$6,529,449	$6,544,083	Level 3
Cash	$ 21,481	$ 21,481	Level 1	$ 23,395	$ 23,395	Level 1	$ 48,736	$ 48,736	Level 1
Financial liabilities:									
Notes payable to ACB	$6,036,193	$ 6,078,845	Level 3	$5,657,199	$ 5,589,455	Level 3	$5,414,435	$ 5,405,361	Level 3

VALUATION TECHNIQUES

As more fully discussed in Note 2 – Summary of Significant Accounting Policies, 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 presents a brief summary of the valuation techniques used for the Association's assets and liabilities subject to fair value measurement.

CASH

The carrying value of cash is a reasonable estimate of fair value.

ASSETS HELD IN TRUST

Assets held in trust funds related to deferred compensation and supplemental retirement plans and are classified within Level 1. These assets include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

LOANS

Fair value is estimated by discounting the expected future cash flows using CoBank's and/or the Association's current interest rates at which similar loans would be made to borrowers with similar credit risk. The discount rates are based on the District's current loan origination rates as well as management estimates of credit risk. Management has no basis to determine whether the estimated fair values presented would be indicative of the assumptions and adjustments that a purchaser of the Association's loans would seek in an actual sale, which could be less.

OTHER PROPERTY OWNED

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

IMPAIRED LOANS

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

NOTES PAYABLE TO COBANK, ACB

The notes payable are segregated into pricing pools according to the types and terms of the loans (or other assets) which they fund. Fair value of the note payable is estimated by discounting the anticipated cash flows of each pricing pool using the current rate that would be charged for additional borrowings. For purposes of this estimate it is assumed the cash flow on the notes is equal to the principal payments on the Association's loan receivables plus accrued interest on the notes payable. This assumption implies that earnings on the Association's interest margin are used to fund operating expenses and capital expenditures.

RURAL INVESTMENTS, LLC

For these investments, the fair value is based upon the underlying loans contained in the investment. The fair value measurement process uses independent appraisals and other market-based information, but in many cases, it also requires significant input based on management's knowledge of, and judgment about, current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the collateral is less than the principal balance of the investment, a loss is realized.

DERIVATIVES

Exchange-traded derivatives valued using quoted prices are classified within Level 1 of the valuation hierarchy. However, few classes of derivative contracts are listed on an exchange;

thus, the Association's derivative positions are valued using internally developed models that use as their basis readily observable market parameters and are classified within Level 2 of the valuation hierarchy. Such derivatives include basic interest rate swaps. Derivatives that are valued based upon models with significant unobservable market parameters and that are normally traded less actively, or have trade activity that is one way, are classified within Level 3 of the valuation hierarchy. The Association does not have any derivatives classified within Level 3.

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

NOTE 15 – DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

RISK MANAGEMENT OBJECTIVES

The Association maintains an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. The Association's goal is to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain balance sheet assets or liabilities so that the net interest margin is not adversely affected by movements in interest rates. As a result of interest rate fluctuations the Association's interest income and interest expense of hedged variable-rate assets will increase or decrease. The effect of this variability in earnings is expected to be substantially offset by the Association's gains and losses on the derivative instruments that are linked to these hedged assets. The Association considers its strategic use of derivatives to be a prudent method of managing interest rate sensitivity, as it prevents earnings from being exposed to undue risk posed by changes in interest rates.

By using derivative instruments, the Association exposes itself to credit and market risk. Generally, when the fair value of a derivative contract is positive, this indicates that the counterparty owes the Association, thus creating a repayment risk for the Association. When the fair value of the derivative contract is negative, the Association owes the counterparty and, therefore, assumes no repayment risk. The Association's derivative activities are monitored by its asset/liability committee (ALCO) as part of its oversight of asset/liability and treasury functions.

USES OF DERIVATIVES

The Association enters into interest rate swaps to stabilize net interest income on variable priced loan assets, to the extent they are funded with equity. Under interest rate swap arrangements, the Association agrees with other parties (CoBank) to exchange, at specified intervals, payment streams calculated on a specified notional principal amount, with at least one stream based on a specified floating rate index. The Association's interest-earning assets, to the degree they are funded with debt, are matched with similarly priced and termed liabilities. Volatility in net interest income comes from equity funded variable priced assets. To the degree that variable priced assets are funded with equity, interest rate swaps in which the Association pays the floating rate and receives the fixed rate (receive fixed swaps) are used to reduce the impact of market fluctuations on the Association's net interest income.

The notional amounts of derivatives are shown in the following table:

December 31	2019	2018	2017
Interest Rate Contracts	$ 1,135,000	$ 1,025,000	$ 970,000

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Association records derivatives as assets and liabilities at their fair value in the consolidated balance sheets and records changes in the fair value of a derivative in accumulated other comprehensive income (loss). The Association only enters into cash flow hedge transactions.

CASH FLOW HEDGES

The Association uses "receive fixed/pay variable" interest rate swaps to hedge the risk of overall changes in the cash flows of an asset. The asset is defined as a pool of long term variable rate loans equal to the notional amount of the swaps, and not exceeding the Association's equity position. These swaps, which qualify for hedge accounting, have up to a three year term, with a pay rate indexed to the three month London Inter-Bank Offered Rate (LIBOR).

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 table:

	Derivative Assets[1]	Derivative Liabilities[2]
2019		
Interest Rate Contracts	$ 9,208	$ 832
2018		
Interest Rate Contracts	$ 1,809	$ 7,171
2017		
Interest Rate Contracts	$ -	$ 6,967

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 comprehensive income is shown in the following tables:

	Net Amount of Gain or (Loss) Recognized in Income on Derivatives [1]		
December 31	**2019**	**2018**	**2017**
Interest Rate Contracts	$ 3,765	$ 5,227	$ (1,665)

[1] Located in interest expense in the consolidated statements of income for each of the respective periods presented.

	Amount of Gain (Loss) Recognized in Accumulated Other Comprehensive Income (loss) on Derivatives		
December 31	**2019**	**2018**	**2017**
Interest Rate Contracts	$ 13,738	$ 1,627	$ (4,168)

COUNTERPARTY CREDIT RISK

The Association is exposed to credit loss in the event of nonperformance by other parties to the interest rate swap agreement. If a counterparty fails to fulfill its performance obligations under a derivative contract, the Association's credit risk will equal the fair value gain in a derivative. The Association minimizes the credit (or repayment) risk by only entering into transactions with CoBank, its funding bank and are collateralized through loan agreements. Notwithstanding collateral and netting provisions, our derivative assets and liabilities are not offset in the accompanying consolidated balance sheets.

NOTE 16 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events through March 11, 2020 which is the date the financial statements were issued or available to be issued. There have been no material subsequent events that would require recognition in our 2019 consolidated financial statements.

BOARD OF DIRECTOR DISCLOSURES

BOARD STRUCTURE

The Board consists of thirteen elected directors, one appointed customer director and two appointed outside directors. In the 2020 election cycle there are three open director seats to be elected for four-year terms.

Farm Credit East has three Nominating Regions. Farm Credit East's bylaws specify four-year terms with a limit of four consecutive terms and that there will be one seat from each Region open for election each year. As part of the Merger with Maine, an additional director seat was added to the Eastern Region which will be up for election every four years. Association Bylaws also specify that director candidates be nominated by Region and be elected by the entire membership. The Board may appoint up to four directors, two of which must be outside directors, i.e. not having a borrowing relationship with Farm Credit East.

The Board is independent of management. The CEO reports to the Board and no management or employees may serve as directors within one year of employment. The Board generally has seven regularly scheduled meetings each year and has established a number of committees to provide concentrated focus and expertise in particular areas and to enhance the overall efficiency of scheduled Board meetings. Each committee created by the Board prepares a charter outlining the committee's purpose, its duties, responsibilities and authorities. All Committees report on their meetings at the regular meeting of the full Board. Minutes of each Committee meeting are documented and approved at the following meeting. The full text of each committee charter is available on our website under "Board Committees" at **Farmcrediteast.com.**

Association bylaws also established an Executive Committee. The Board has established the following standing committees: a Compensation Committee, Audit Committee, Governance Committee, and an AgInitiative Committee. The primary responsibilities of each Board Committee are described as follows:

EXECUTIVE COMMITTEE

The Executive Committee members consist of the board chair, vice chair and three other directors designated by the Board, each representing a nominating region other than those represented by the chair or vice chair. The committee is primarily responsible for providing input and direction to management on the development and implementation of the Association's strategic plan, policies and other significant matters requiring attention between board meetings. The committee also acts as the liaison with the Association's regulator, the FCA.

COMPENSATION COMMITTEE

The Compensation Committee consists of the Executive Committee. The function of this committee is to review the Association's overall compensation and benefits packages, including the performance and compensation for the Chief Executive Officer, and the funding of these programs.

AUDIT COMMITTEE

The Audit Committee members are appointed by the Board chair in consultation with the board officers. All members of the Audit Committee are independent of management of Farm Credit East and any other System entity. All committee members are expected to have practical knowledge of finance and accounting, be able to read and have a working understanding of financial statements, or develop that understanding within a reasonable period of time after being appointed to the Committee. Tim C. Chan was appointed to the Board of Directors in April 2015. His current term expires in 2023. The Board has determined that Mr. Chan has the qualifications and experience necessary to serve as the Audit Committee "financial expert," as defined by FCA regulations, and has been designated as such.

The Audit Committee has unrestricted access to representatives of the internal audit and risk management departments, financial management and our independent auditors. The primary purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities related to accounting policies, internal controls, financial reporting practices and regulatory requirements.

The Audit Committee pre-approves all audit and audit-related services and permitted nonaudit services (including the fees and terms thereof) to be performed for the Association by its independent auditors, as negotiated by management. Aggregate fees incurred by the Association for services rendered by its independent auditors, PricewaterhouseCoopers, LLP for the years ended December 31, 2019 and 2018 follow:

For the year ended December 31	2019	2018
Audit	$ 197,000	$ 146,510
Audit-related	10,000	25,000
Tax	51,761	45,470
Total	$ 258,761	$ 216,980

GOVERNANCE COMMITTEE

The Governance Committee members are appointed by the board chair in consultation with the board officers. The committee is primarily responsible for the training and education of Board members, the outside director election process, director compensation, ethics, and conflict of interest matters.

AGINITIATIVES COMMITTEE

The AgInitiative Committee members are appointed by the board chair in consultation with the board officers. The committee is primarily responsible for directing the Association's lending and financial services program for Young, Beginning, Small and Veteran farmers and ranchers to support the development of agriculture with financial incentives and educational opportunities; represent Farm Credit East on the governing council of FarmStart, LLP and oversee the Association's scholarship program.

OTHER COMMITTEES

NOMINATING COMMITTEE

The Nominating Committee is comprised of one member and an alternative member from each branch office, who are elected each year by the membership at the annual stockholder meeting. This committee, which consists of customers who are not seated on the Board of Directors, proactively identifies qualified candidates for Board membership and reviews director nominations, helping to ensure that the Association continues to attract a highly qualified and diverse Board. The Nominating Committee makes a best effort to recommend at least two candidates for each open Board position. Stockholders and interested candidates may gather signatures for petitions to run for the Board following the conclusion of the Nominating Committee's work.

FARM CREDIT EAST DIRECTORS

Information regarding directors who served as of December 31, 2019, including business experience in the last five years and any other business interest where a director serves on the board of directors or as a senior officer follows:

MATTHEW W. BEATON, Wareham, Mass., became ***Chair of the Farm Credit East Board*** in 2016 and has served as director since 2006, with his current term expiring in 2020. He is also chair of the Board's Executive Committee and a member of the Compensation Committee. Matt is president and owner of Sure-Cran Services, Inc., a custom management company managing more than 550 acres of cranberry bogs in southeastern Massachusetts. Matt is president and owner of Beaton's, Inc., which owns and manages 170 acres of cranberry bogs. Matt is on the Board of Directors of the CCCGA, and previously served as its vice chair. Most recently, he was elected to the Ocean Spray Cranberries Board of Directors. Matt previously served two terms as a member of the CoBank Nominating Committee.

LAURIE K. GRIFFEN, Schuylerville, NY, has served as director since 2011, with her current term expiring in 2023. She currently serves as ***Vice Chair*** and is a member of the Executive Committee and chair of the Compensation Committee. She previously served as Governance Committee Chair. Laurie is co-owner/operator of Saratoga Sod Farm, Inc., a 600-acre turf grass farm in Stillwater, New York, with her husband Steve. In addition to producing and selling its high-quality turf products, Saratoga Sod also provides installation services, sales of seed and fertilizer and the Big Yellow Bag garden soil product to assist its customers across the Northeast. Saratoga Sod also grows roughly 500 acres of soybeans and corn as part of the crop rotation. Laurie serves on the Town of Saratoga Planning Board, Schuyler Park Committee (Co-chair) and the NY Farm Bureau Labor Committee. Laurie also serves as a member of the CoBank Nominating Committee.

KURT W. ALSTEDE, Chester, NJ, was elected director in 2019 to a term expiring in 2023. He is member of the Board's AgInitiatives Committee. Kurt is founder, owner and general manager of Alstede Farms, LLC, a 600-acre vertically integrated fruit and vegetable farm. The farm includes tree and small fruit, vegetables, ornamentals, a year-round store, processing, Pick-Your-Own, and agritourism. Kurt is also director of his County Tourism Bureau, vice chair of the New Jersey Highlands Council Regional Planning Authority, and active in the New Jersey Farm Bureau and the Morris County Board of Agriculture. Additionally, Kurt is a director for the Chester Volunteer Fire Company #1, secretary of the Chester Fireman's Relief Association and a Trustee of the Ralston Cider Mill Museum.

MICHAEL N. BROOKS, Elmer, NJ, has served as director since 2014, with his current term expiring in 2022. He is chair of the AgInitiatives Committee and previously served on the Governance Committee. Mike owns DustyLane Farms, LLC, in partnership with his parents William and Diane Brooks. Dusty Lane Farms is a diverse 1,400-acre irrigated operation producing white potatoes, peppers, spinach, broccoli, sweet corn, corn and soybeans. The farm also includes 27,000 square feet of heated greenhouse space for vegetable transplants. Mike is a former member of the United States Potato Board. He also serves on the executive committee of the Salem County Board of Agriculture and is the president of the New Jersey White Potato Association. He is past chair of the Woodstown-Pilesgrove Agricultural Education Advisory Committee and is a life-long supporter of the FFA Organization.

PETER R. CALL, Batavia, NY, has served as director since 2015 and his current term expires in 2023. He is chair of the Board's Governance Committee and member of the Executive and Compensation committees. Peter is President of My-T-Acres, Inc., an 8,500-acre vegetable and grain operation. More than 5,000 of those acres are dedicated to the production of snap beans, potatoes, red beets, carrots, peas, sweet corn, spinach and cabbage. My-T-Acres was named the New York State Agricultural Society's business of the year in 2012. Peter is in business with his brothers, Nate and Phil Call. Peter has an ownership interest in Call Farms, Inc.; My-T Lands, LLC; Call Lands Partnership; Batavia Farm Equipment, which is a center pivot irrigation dealership; and Bear Hammock, a Florida orange grove. Peter is on the Seneca Foods Board of Directors and the Farm Fresh First Board. He is a member of the Cornell University Board of Trustees and he serves on the United Memorial Medical Center Board of Directors.

TIM C. CHAN, Claremont, NH, has served as an outside director since 2015 and his current term expires in 2023. He is a member of the Board's Audit Committee and serves as the designated financial expert on the Farm Credit East Board. Tim was the Senior Vice President and Chief Financial Officer of Ocean Spray Cranberries, Inc., North America's leading producer of canned and bottled juices and juice drinks. Prior to Ocean Spray, he served as Vice President of Finance for Campbell Soup Company and Vice President and Corporate Controller of The Pillsbury Company and Chief Financial Officer of ALPO Pet Foods. Tim started his career at Oscar Mayer Foods and General Foods.

DAVID "SKIP" HARDIE, Lansing, NY, has served as director since 2016 and his current term expires in 2020. He serves on the Board's Governance Committee and previously served on the AgInitiatives Committee. Skip is a partner of Walnut Ridge Dairy, LLC, along with Steve Palladino, John Fleming and Keith Chapin. The farm milks 1,600 cows and operates 2,200 acres. Skip serves on the American Dairy Association/Dairy Council's Board of Directors and is part of the executive committee. He also serves on the Dairy Management Inc. Board of Directors and is currently its secretary. In addition, he serves as director of the US Dairy Export Council and is the Nominating Committee chair.

PHILIP J. JONES, Shelton, Conn., "Jamie" was elected director in 2018 to a term expiring in 2022. He is a member of the Governance Committee. Jamie is owner and manager of Jones Family Farms Winery, LLC, which he founded in 2004. He is in business with his parents Terry and Jean Jones as well as his wife Christiana. Jamie oversees the agricultural production of berries, vegetables, pumpkins and Christmas trees of Jones Family Farms, LLC. He serves as a director of the Fairfield County Farm Bureau, the Connecticut Vineyard and Winery Association, and the Governors Council for Agricultural Development as well as on the Shelton Zoning Board of Appeals.

LOUANNE F. KING, of Madrid, NY, was elected director in 2017, with her current term expiring in 2021. She serves on the Board's Governance Committee. LouAnne is an owner of Mapleview Dairy LLC, along with her brother, David Fisher, John Kingston, and her two nephews, Jordan and Jacob Fisher. The family-owned 3,300 cow dairy has 2,800 replacement heifers and approximately 4,800 cropped acres. LouAnne serves as office manager and CFO, while providing human resource functions, management support and mentoring the next generation of managers. LouAnne is a member of the NYS Dairy Promotion Advisory Board, the Northeast Agricultural Foundation Board, the St. Lawrence County Cornell Cooperative Extension Farm Profit Team and is a member of the St. Lawrence Country Dairy Princess Committee.

JOHN P. KNOPF, Canandaigua, NY, has served as director since 2013, with his current term expiring in 2021. He is chair of the Board's Audit Committee and also serves on the Compensation and Executive committees. John is principal owner of Fa-Ba Farms, LLC, a dairy business consisting of 500 milking cows, 440 replacements and 850 acres of land devoted to forage production. He is a member of the Town of Canandaigua Board of Assessment Review and has prior service with the Soil and Water Conservation District Northern Watershed and Ontario County Farm Bureau.

JAMES A. ROBBINS II, Searsmont, Maine, was elected director in 2019 to a term expiring in 2023. He serves on the Board's AgInitiatives Committee. James is president of Robbins Lumber, Inc., a fully integrated log yard, sawmill, dry kilns and planer mill that produces Eastern White Pine. Robbins Lumber owns and manages 27,000 acres of timberland. Additionally, he is the manager of Georges River Energy, LLC, a biomass power plant that burns wood waste in order to produce electrical power. James is also a member of the Northeast Lumber Manufacturers Association (NELMA). Previously, he was chair of Maine's SFI Implementation Committee and a past president of the Maine Wood Products Association.

LISA P. SELLEW, Lebanon, Conn., has served as director since 2013, with her current term expiring in 2021. She is member of the Board's Governance Committee and previously served as the AgInitiatives Committee Chair. The Sellew family owns Prides Corner Farms. Prides Corner is a wholesale nursery that grows more than 2,200 varieties of nursery stock, perennials, roses, trees, herbs and vegetables, and supplies plants to independent garden centers, landscapers and landscape distributors throughout the Northeast and Mid-Atlantic. In addition, Prides Corner also grows and supplies a prevegetated green roof system called LiveRoof®, which is designed to grow plants on rooftop environments. Lisa served on the Agriculture Policy Committee for Connecticut Governor Ned Lamont's transition team.

DOUGLAS W. SHELMIDINE, Adams, NY, has served as director since 2012, with his current term expiring in 2020. He is a member of the Board's Audit Committee and previously served as the AgInitiatives Committee Chair. Doug owns Sheland Farms, LLC, which is a multi-generational family farm business operated in partnership with his brother Todd and sons Devon and Erik. The family farms 1,800 acres and milks 980 cows. Doug serves on the New York Agriculture Commissioner's Milk Marketing Advisory Committee, the Jefferson County Agricultural Council and also chairs the Jefferson County Agriculture and Farmland Protection Board. Doug is the Town of Ellisburg Supervisor and Chairs the Belleville United Methodist Church Council Board.

KEITH M. STOLZENBURG, East Amherst, NY, was appointed as an outside director in 2019 to a term expiring in 2023. He serves on the Board's Audit Committee. Keith was a Financial Services Assurance Partner, the Managing Partner of the Buffalo, N.Y., office and a Market Team Leader for PricewaterhouseCoopers LLP. During his 36 years of public accounting experience, he served a mix of public and private clients in a variety of business sectors, with a concentration in the financial services industry. Keith also serves on the Board of Independent Health and is a Certified Public Accountant.

PETER H. TRIANDAFILLOU, Old Town, Maine, was appointed to the Farm Credit East Board as its forestry expert in 2016 with his current term expiring in 2022. He serves on the Board's Audit Committee. Peter is Vice President of Woodlands for Huber Resources Corp., a timber management firm managing 800,000 acres in six states. Peter also serves on the Farm Credit Council board, is past president and current board member of The Maine Forest Products Council, past chair and current member of the Society of American Foresters (Maine division), past president and current board member of North Maine Woods and past chair of the Advisory Committee of the Cooperative Forestry Research Unit. In addition, he is also a member of the Empire State Forest Products Council.

TERRY R. ZITTEL, Eden, NY, was elected in 2018 to a term expiring in 2022. She serves on the Board's AgInitiatives Committee. Terry is corporate secretary and business manager of Amos Zittel & Sons, Inc., a wholesale vegetable, flower and retail market business growing 400 acres of fresh market vegetables, including sweet corn, peppers, lettuce, cabbage, broccoli, brussel sprouts and squash, and a certified organic crop of mini cukes and hot peppers. They also have three acres of greenhouse growing two million rooted liners and wholesale finished spring pots. Terry is on the Board of Directors of Eden Community Foundation and Harvest Malawi, an irrigation/education project in Africa.

DIRECTOR COMPENSATION

For 2019, directors were compensated at a per diem rate of $800 for each day or any part thereof served, $800 for each day traveled before and after the meeting, $800 for board meeting preparation time, $800, approved in advance, for special assignments and a per diem rate of $800 for each day or any part thereof served on a Board committee not held in conjunction with a Board meeting. Directors also received an annual retainer of $13,500 ($20,250 and $15,525 respectively for Board Chair and Vice Chair) plus reimbursement of related travel expenses. Directors may elect to waive all or half of their per diem. In addition, Directors who are asked to serve on other boards are compensated for the difference in per diems. Directors may elect to defer payment of all or part of their director compensation through a nonqualified deferred compensation plan. Total compensation paid to the directors as a group during 2019 was $701,175. Additional information for each director who served during 2019 is provided below.

The following table presents the number of days served at Board meetings and other official Farm Credit East activities, and compensation paid to each director for the year ended December 31, 2019.

		Number of Days Served[1]			
Name of Director	2019 Board Committee	Board Meetings	Other Official Duties	Committee Compensation[2]	Total Compensation
Kurt W. Alstede[3]	AgInitiative	9	17	$ -	$ 39,100
Matthew W. Beaton	Compensation, Executive	12	30	1,600	57,450
Michael N. Brooks	AgInitiative	12	11	-	37,500
Peter R. Call	Compensation, Executive, Governance	12	15	1,600	39,900
Tim C. Chan	Audit	12	20	1,200	43,500
Daniel J. Corey[4]	AgInitiative	2	1	-	3,200
Laurie K. Griffen	Compensation, Executive	12	27	1,000	50,325
David E. Hardie	Governance	11	25	-	47,100
Henry L. Huntington	Audit	3	5	400	7,600
Philip J. Jones	Governance	12	25	-	45,900
LouAnne F. King	Governance	12	16	-	40,700
John P. Knopf	Audit, Compensation, Executive	12	21	2,800	43,100
James A. Robbins II[3]	AgInitiative	9	7	-	30,300
Lisa P. Sellew	Governance	12	11	-	38,300
Douglas W. Shelmidine	Audit	12	19	1,200	41,900
Diane D. Souza[4]	AgInitiative	3	2	-	5,600
Keith M. Stolzenburg	Audit	12	18	800	42,300
Peter H. Triandafillou	Audit	12	14	1,200	37,900
Terry R. Zittel	AgInitiative	12	25	-	49,500
				Total Compensation	$ 701,175

[1] The number of days served and per diem totals include travel time to and from meetings
[2] All directors serve on board committees. The committee compensation paid was for participation in meetings not held in conjunction with board meeting dates.
[3] Term began during year
[4] Term ended during year

Current Farm Credit East policy regarding reimbursements for travel, subsistence, and other related expenses provides for reimbursement of actual reasonable out of pocket expenses incurred while traveling on official Association business. Directors who use their own automobiles for Association business purposes will be reimbursed at a rate that has been established in accordance with IRS guidelines. The aggregate amount of reimbursement for travel, subsistence and other related expenses for all directors as a group was $405,985, $260,539, and $321,501 for 2019, 2018 and 2017, respectively. A copy of the Association travel policy is available to stockholders upon request.

TRANSACTIONS WITH DIRECTORS

At December 31, 2019, the Association had loans outstanding with directors individually and to the business organizations of directors. All of the loans were in the ordinary course of business and remain on the same terms, including interest rates, amortization schedules, and collateral as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk collectability. Information regarding related party transactions is incorporated herein by reference from Note 11 of the consolidated financial statements included in this annual report to stockholders.

SENIOR OFFICER DISCLOSURES

Listed below are the CEO and senior officers of Farm Credit East, ACA. Information is provided on their experience, as well as on any business for which they serve on the board of directors or act as a senior officer and the primary business that the organization is engaged in.

WILLIAM J. LIPINSKI served as Chief Executive Officer for 25 years and announced his retirement from the position effective December 31, 2019 as part of a multi-year succession planning process with the board. This is a position he held since Farm Credit East was formed on January 1, 2010. He was previously President and CEO of First Pioneer Farm Credit and has worked closely with the Board of Directors to set strategic direction and direct human resources, credit and services delivery, finance and customer service. He is a graduate of Cornell University with a degree in agricultural economics. He began his Farm Credit career in 1979 and was promoted through a number of positions before becoming CEO. He previously served as a director and Chair of the Board of Farm Credit Financial Partners, a service company owned by Farm Credit East and other ACAs. He served as a member of the Farm Credit System Presidents Planning Committee, a national leadership group, was a former member of the Board of Directors of Pro-Fac Cooperative, Inc. and also served as director of the Farm Credit Leasing Corporation for a number of years.

MICHAEL J. REYNOLDS was appointed President and Chief Executive Officer effective January 1, 2020. Previously, he served as Chief Business Officer where he provided executive leadership for all branch credit and financial services operations. He also served as Chair of Credit Committee and as Executive Vice President and Regional Manager. He is a Farm Credit veteran having joined in 1990 after graduating from Hartwick College with a Bachelor's in Management and Accounting and has been promoted through a variety of positions. He is a member of Farm Credit East's Credit and Human Resources committees. He previously served on the Executive Committee of the NJ Agricultural Society and chaired the NJ Agricultural Leadership Development Program. He serves on the Board of the Farm Credit East Cares Fund.

PAUL S. BAJGIER serves as Executive Vice President Accounting and Branch Operations and Treasurer. He is responsible for the Association's general ledger and loan accounting systems, operational procedures, tax filings and external reporting. He also works closely with the Board Audit Committee to manage Farm Credit East's relationship with PricewaterhouseCoopers, the Association's independent auditor. Paul is a Certified Public Accountant and worked for Price Waterhouse for five years before joining Farm Credit in 1992. He is a graduate of Western New England College with a degree in accounting and a member of the Farm Credit System Accounting Standards Work Group.

WILLIAM S. BATHEL serves as Executive Vice President and Chief Risk Officer responsible for measuring and monitoring risk in Farm Credit East's loan portfolio. He provides reports to the Board and management to help assure the ACA's financial and operational safety. He administers the ACA's internal review, audit and fraud programs, and oversees the business intelligence and legal teams. He leads the Association's internal technology operations and coordinates technology efforts with Financial Partners Inc. (FPI), sitting on its strategic investment committee. He coordinates matters with our federal examiner, the Farm Credit Administration. He joined the Farm Credit System in 1987 and advanced through several positions. He is a graduate of the University of Nebraska with a degree in accounting. He serves on the Farm Credit East Credit, Asset Liability and Human Resources committees and also works closely with the Board's Audit Committee.

BRIANA S. BEEBE serves as Executive Vice President of Human Resources. She leads all of Farm Credit East's human resource programs including benefits, recruiting, employee engagement, training, compensation and many other special projects. She joined Farm Credit in 2002 and served as loan officer in the Middleboro branch for seven years before transitioning to her current role in Human Resources. She is Chair of Farm Credit East's Human Resources Committee and serves on the CoBank Welfare Benefits Committee. She is a graduate of Cornell University with a degree in animal science/ag business. She is also a graduate of LEAD New York and Farm Credit's Leadership Development Program.

JANICE P. BITTER serves as Executive Vice President and Regional Manager. She provides senior management oversight and coaching to the Burrville, Claverack, Cooperstown, Greenwich and Potsdam offices in credit, financial services, consulting and customer service. Jan started her career with Farm Credit in 1982. She served as the branch manager of the Lafayette, NY branch office and subsequently the Cortland, NY branch office before moving to her current management role. Nationally, Jan has served as president of the Farm Financial Standards Council which focuses on helping farmers by promoting uniform financial reporting in agriculture. She served as treasurer of the New York Agricultural Land Trust and works on the Northeast Dairy Challenge and other ag and community groups. She holds a BS in ag economics from Cornell University and an MBA from Syracuse University.

JOHN P. CALTABIANO serves as Executive Vice President and Innovation Leader. He provides innovation leadership, insight and direction and leads a number of strategic digital-customer experience initiatives. John joined Farm Credit in 1983 and progressed through a variety of positions, with Southern New England Farm Credit, the Farm Credit Banks in Springfield, MA and CoBank in

Denver, Colorado. He is a member of Farm Credit East's Information Technology Oversight Committee. John is a graduate of LEAD New York, the Empire State Food and Agricultural Leadership Institute, having served as President of its Board. He served on the CoBank, ACB Retirement Trust Committee and is a past Director of the Northeast Agricultural Education Foundation. John holds a BS in Agricultural Economics and Plant Science from Cornell University and an MBA from the Fuqua School of Business at Duke University.

THOMAS W. COSGROVE serves as Executive Vice President of Knowledge Exchange, Public Relations and Marketing. Prior to assuming his current position in 2018, he served as Senior Vice President for Public Affairs and Knowledge Exchange and previous to that role, he was a Vice President in Farm Credit East's Commercial Lending Unit. Prior to joining Farm Credit East, he served in a variety of roles for CoBank in its capital markets, communications and agribusiness divisions. He has also served as a staff member of the United States Senate Committee on Agriculture, Nutrition and Forestry. He is currently the Chair of the Empire State Council of Agricultural Organizations and serves on the board of the Northeast Agricultural Education Foundation. He is a graduate of LEAD New York and holds a BS in Communications from Cornell and an MBA from the University of North Carolina, Chapel Hill.

ALENA C. GFELLER serves as Executive Vice President, General Counsel and Corporate Secretary. She is responsible for Farm Credit East's legal department and serves as the Standards of Conduct officer. As head of the legal department, she is charged with providing support on complex and innovative loan issues, ensuring regulatory compliance, supervision of outside counsel, and assisting with all facets of the Association's legal and governance needs. She serves on the Farm Credit East Human Resources committee and works closely with the Board's Governance Committee. She joined Farm Credit East in September 2016, having previously been a partner and member of the Executive Committee at Murtha Cullina, LLP. She is a graduate of Arizona State University and received her law degree from Widener University School of Law.

ANDREW N. GRANT serves as Executive Vice President and Chief Financial Officer. He leads the financial, treasury, accounting and asset-liability management operations of the Association. Prior to assuming his current position, he was Chief Financial Officer of Farm Credit of Maine and has held several positions since joining Farm Credit in 1995. He serves on the CoBank, ACB Retirement Trust Committee which oversees the defined benefit and defined contribution retirement plans for the Association and several other Farm Credit employers. He also serves as Chair of Farm Credit East's Asset Liability Committee and is a member of the Association's Human Resources Committee. He is a graduate of Husson University and holds both a BS in management accounting and a MS in business.

BRIAN K. MONCKTON serves as Executive Vice President and Regional Manager. He provides senior management oversight and coaching to the Batavia, Cortland, Geneva, Hornell and Mayville offices in credit, financial services, consulting and customer service. He joined Farm Credit in 1981 and progressed through several positions with Farm Credit of Bridgeton, Farm Credit of Olean and Farm Credit of Western New York. He is a member of Farm Credit East's Credit Committee. He is a graduate of Cornell with a BS in agricultural economics and a graduate of LEAD New York and member of the New York Animal Agriculture Coalition Board.

FREDERICK H. MORTON serves as Executive Vice President and Regional Manager. He provides senior management oversight and coaching to the Dayville, Bedford, Middleboro, Auburn and Presque Isle offices in credit, financial services, consulting and customer service. He joined Farm Credit of Maine in 1979 and progressed through several positions with Farm Credit of Southern Maine and Farm Credit of Maine. He is a member of Farm Credit East's Credit and Risk committees. He is a graduate of the University of Maine with a BS in agricultural and resource economics. He serves on the Board of Agriculture at the University of Maine, and also actively participates in a number of industry organizations that support Maine's natural resource-based businesses.

ROGER E. MURRAY serves as Executive Vice President and provides senior management oversight and coaching to Commercial Lending, Country Living and Crop Growers, LLP business units. He has been part of the senior management team since 1995. He also serves as Chair of Credit Committee. He provides program leadership for our trade credit partnership with AgDirect, our leasing services through Farm Credit Leasing, and risk management services, including crop and credit life insurance. He serves on Farm Credit East's Credit, Asset Liability, Technology Oversight and Human Resources committees and works closely with the Board's Audit Committee on the allowance for credit loss reserves. As a member of the Farm Credit System Reputation Risk Workgroup and Credit Standards Workgroup Committees, he represents ACA interests on national credit risk issues. He holds a degree from Cornell University in agricultural economics and is a current member of the Cornell Agri-Business Advisory Council. He joined Farm Credit in 1981 and has held several positions with predecessor organizations as well as the Springfield Bank for Cooperatives and CoBank in Springfield, Mass.

DAVID H. PUGH serves as Executive Vice President and Regional Manager. He provides senior management oversight and coaching for the Bridgeton, Flemington, Enfield, Middletown and Riverhead offices. In his position, he is responsible for loans and financial services to farmers, commercial fishermen, forest products producers, agribusinesses and rural home owners in Connecticut, Massachusetts, New Jersey and New York. Dave started with Farm Credit in 1986 as a loan officer in the Cortland, NY, office where he was promoted to branch manager in 1992. As part of the District-wide Planning Project, Dave was responsible for combining three offices to form the Cobleskill, NY, branch in 1994 where he served as branch manager for 10 years. In 2005, Dave developed the Country Living program and served as its Director for 14 years. Most recently, Dave acted as Strategy Coordinator for the development of Farm Credit East's new loan origination system, AgWorx. He is a graduate of Farm Credit's Management Development and Leadership Development Programs and LEAD New York, Class VIII, where he also served on its board. Dave holds an AAS in Animal Science from SUNY Morrisville and a BS in Agricultural Economics from Cornell University. He currently serves on the board of Four Points FCU and is a past member of the SUNY Cobleskill advisory committee.

SENIOR OFFICERS COMPENSATION DISCUSSION AND ANALYSIS

OVERVIEW

This section describes the compensation programs for Farm Credit East's Chief Executive Officer (CEO) and other senior officers, as defined by FCA regulations (collectively, senior officers), as well as those programs for any highly compensated employees as defined by FCA regulations. This section also presents the compensation earned by the CEO, as well as aggregate compensation earned by our other senior officers and any highly compensated employees, for the years ended December 31, 2019, 2018 and 2017.

The Board of Directors, through its Compensation Committee, has reviewed and discussed the Senior Officers Compensation Discussion and Analysis with management. Based on this review and discussion the Compensation Committee recommended that the Board of Directors include the Senior Officers Compensation Discussion and Analysis in the Annual Report for the year ended December 31, 2019.

COMPENSATION PHILOSOPHY AND OBJECTIVES

Farm Credit East's (the Association) compensation strategy is to attract and retain highly talented employees to fulfill our mission as the premier credit and financial services provider in the Northeast. The compensation philosophy seeks to achieve the appropriate balance among market-based salaries, benefits and variable incentive compensation designed to incent and reward both the current and long term achievement of our business objectives and business financial plans. We believe this philosophy fosters a performance-oriented, results-based culture wherein compensation varies on the basis of results achieved.

COMPONENTS OF COMPENSATION PROGRAM

Given the cooperative ownership structure of Farm Credit East, no equity or stock based plans are used to compensate any employee, including senior officers. Senior officers' compensation consists of four components – salary, short-term incentive plan, long-term incentive plan and retirement benefits – as described below. All employees participate in salary, the short term incentive plan and retirement benefits, while senior officers and specified other key employees are also eligible to participate in the long-term incentive plan. In addition the CEO is eligible for supplemental retirement benefits (SERP).

SALARY

Salaries are market based, as determined in consultation with an independent executive compensation consultant. The determination of market salaries consists of a comparison of salary levels to positions of similar scope at select peer group financial institutions, coupled with an evaluation of individual performance, competencies and responsibilities.

Salaries represent a foundational component of the Association's total compensation program as the amounts of other components of compensation are determined in relation to base salary.

SHORT-TERM INCENTIVES

Short-term incentive payments are based on a combination of annual Association and individual performance. The plan focuses on achieving near-term, annual results. Under the terms of the plan, the key performance result areas are loan growth, financially related services income growth and operating efficiency/optimization. Substantially all employees in the Association are eligible to participate in this plan at various levels. Criteria used to determine amounts payable were established by the Board of Directors and include the achievement of certain Association financial targets and strategic business objectives. Payments are typically made in February following the end of the year to which the award is applicable.

LONG-TERM INCENTIVES

The Association has a long-term incentive plan for the CEO and a long term retention plan for senior officers and other specified key employees that provides the opportunity for financial rewards tied to Farm Credit East's sustained success. Eligibility for participation is limited to those individuals who clearly have the ability to drive the success of strategies critical to long term value creation for stockholders. The plan payouts are based on Association performance in the achievement of key financial metrics over a three-year performance period. Under the terms of the plan, the key financial metrics are return on assets, operating efficiency and focus on various human resource initiatives. The cash awards are to be paid subsequent to completion of the performance period cycle, subject to approval by the Board of Directors. Participants in the long-term incentive plan and the long term retention plan can elect to defer plan payments if the election is made before the start of the year. Participants forfeit those amounts if they resign prior to being paid.

RETIREMENT BENEFITS

The Association has employer-funded qualified defined benefit pension plans which are noncontributory and cover employees hired prior to January 1, 2007 (except the former Maine employees who all are participants in the noncontributory defined contribution plan). Benefits are determined by a formula based on years of service and eligible compensation. The Association also has a noncontributory, unfunded, nonqualified supplemental executive retirement plan (SERP) covering only the CEO. All employees are also eligible to participate in a 401(k) retirement savings plan, which includes a matching contribution by the Association. Employees hired on or after January 1, 2007 receive additional, non-elective employer contributions to the 401(k) retirement savings plan. All retirement-eligible employees hired before January 1, 2013, including senior officers, are also currently eligible for other postretirement benefits, which primarily include access to health care benefits. Substantially all participants pay the full premiums associated with these other health care benefits.

The Association also has a nonqualified deferred compensation plan that allows the CEO, senior officers and other specified key employees to defer all or a portion of their long-term incentive or retention incentive compensation. In addition, certain senior officers are able to participate in a nonqualified supplemental savings plan enabling them to receive the full benefit, irrespective of IRS limitations, of the Association's noncontributory defined contribution plan. The compensation that is deferred is invested in any number of investment alternatives selected by the participants. These alternatives are either identical or substantially similar to those available to all participants in the Association's 401(k) plan. The participant is subject to all risks and returns of amounts invested. The election to defer is irrevocable and the deferred amounts cannot be paid except in accordance with specified elections as permitted by law. At that time, the participant will receive payment of the amounts credited to his or her account under the plan in a manner that has been specified by the participant. If a participant dies before the entire amount has been distributed, the undistributed portion will be paid to the participant's beneficiary.

CEO COMPENSATION

The CEO's compensation is benchmarked to a select peer group of financial institutions. The Board hires an independent executive compensation consultant to help benchmark total compensation. This evaluation helps ensure that such compensation is competitive with positions of similar scope at similar financial institutions. The Board's Executive Compensation Committee reviews the performance of the CEO annually and reviews it with the Board. The Board of Directors annually approves the CEO compensation level.

In addition to the base salary, the CEO can earn both a short-term incentive and a long-term incentive each year based on pre-established performance goals. The short-term incentive potential for 2019 ranged from 0 percent to 65 percent of base salary. The 2019 long-term award was 50 percent of base salary. The short-term and long-term incentives shown in the Summary Compensation Table below reflect the amounts earned and paid during the year. The CEO's compensation in excess of the Internal Revenue Code is made up for via participation in a nonqualified deferred compensation plan. Contributions are made at the same percentages as available under the 401K plan. The nonqualified deferred compensation plan payment is shown in the Summary Compensation Table below.

After serving as CEO for 25 years, William J. Lipinski stepped down from the CEO position effective December 31, 2019 as part of a multi-year planned leadership succession strategy with the Board. Mr. Lipinski will remain employed with the Association assisting with leadership transition and special projects until his retirement effective March 31, 2020.

The Board of Directors named Michael J Reynolds as CEO effective January 1, 2020. Mr. Reynolds is employed pursuant to an employment contract effective January 1, 2020 which runs through December 31, 2025. The employment agreement provides specified compensation and related benefits in the event employment is terminated, except for termination with cause. The significant provisions of the agreement are that the CEO would be entitled to severance benefits of two years base salary plus any incentives earned in the year of termination. The employment agreement may be extended by mutual agreement of the parties.

SENIOR OFFICER COMPENSATION

The CEO is responsible for setting the compensation levels of the senior officers, who, in turn are responsible for the compensation of all other employees. Annually the Board's Executive Compensation Committee reviews senior officer compensation policies, plans and overall compensation programs.

The Association's short-term incentive compensation plan features annual payments based on calendar year performance periods. The annual short-term incentive targets are set for all employees at the beginning of the year. For the 2019 performance period, the short-term incentive plan levels for senior officers ranged from 10 percent to 30 percent of base salary. Individual performance is also considered in the determination of the amount payable. The short-term incentives shown in the Summary Compensation Table below are paid in February following the end of the year to which the award is applicable. In addition, senior officers can be awarded bonuses for performance related to special projects.

The Association's long-term retention plan provides senior officers and other specified key employees the opportunity for financial rewards tied to Farm Credit East's sustained success over a three-year performance period. The three-year performance metrics are established at the beginning of each three-year period by the Board of Directors in connection with the annual business and financial plan. For the 2019 plan performance period, the retention plan incentive reward was up to 24 percent of base salary. The retention incentives shown in the chart below are not funded nor held in trust but contractually obligates the Association to make future payments in specified amounts. The cash awards are to be paid subsequent to completion of the three-year performance period cycle. Participants in the long-term retention plan can elect to defer incentive plan payments if the election is made before the start of the plan year.

SUMMARY COMPENSATION TABLE

Compensation earned by the CEO and aggregate compensation of the senior officers for the years ended December 31, 2019, 2018 and 2017, respectively is disclosed in the accompanying table. The senior officers and highly compensated employees included below are those officers defined by FCA regulations section 619.9310 and Section 620.6. Current Board policy regarding reimbursements for travel, subsistence, and other related expenses provides that all employees, including senior officers, shall be reimbursed for actual reasonable travel and related expenses incurred while traveling on official Association business. Employees who use their own automobiles for Association business purposes will be reimbursed at a rate that has been established in accordance with IRS guidelines. The Association provides automobiles to exempt employees with credit or Association-wide management responsibilities. Association employees are allowed to use assigned cars for personal use. All miles other than those driven for business purposes, as defined by the IRS, are considered personal miles and are accounted for as a taxable benefit to the employee. A copy of the Association travel policy is available to stockholders upon request.

Summary Compensation Table	2019	2018	2017
William J. Lipinski, CEO			
Salary	$ 788,000	$ 765,000	$ 735,000
Short-term Incentive	474,300	434,000	434,000
Long-term Incentive	382,500	367,500	350,000
Retention Incentive	500,000	-	-
Change in Pension Value[3]	449,066	421,578	498,682
Deferred/Perquisites[4]	92,091	90,444	87,998
Total	$ 2,685,957	$ 2,078,522	$ 2,105,680
Senior Officers (excluding CEO)[1]			
Salary	$ 2,728,422	$ 2,522,067	$ 3,157,883
Short-term Incentive	644,197	474,500	400,850
Retention Incentive[2]	609,341	517,144	520,386
Change in Pension Value[3]	1,939,723	608,199	1,327,772
Deferred/Perquisites[4]	389,431	315,844	397,918
Total	$ 6,311,114	$ 4,437,754	$ 5,804,809

[1] The number of senior officers in 2019 reflected in this chart was fourteen including one who retired in 2019; the number of senior officers in 2018 was twelve and in 2017 was fourteen.
[2] The retention incentive reflects the amount awarded to these senior officers. The amounts are held as a general obligation of the Association and are subject to forfeiture.
[3] Change in pension value represents the change in the vested portion of the present value of the accumulated benefit obligation from the prior fiscal year to the current fiscal year. The change in pension value is generally due to annual changes in compensation, years of service, age and actuarial assumptions such as the discount rate.
[4] Represents company contributions to a 401(k) retirement savings plan and nonqualified deferred compensation plan, as well as payment of relocation expenses and associated tax impact; the taxable benefit of a company automobile for personal use, as determined by IRS regulations, wellness benefits and company paid life insurance benefits.

Disclosure of information on the total compensation during the last fiscal year to any senior officer or any other employee included in the aggregate is available and will be disclosed to stockholders upon request in writing.

PENSION BENEFITS

The table below shows the present value of accumulated benefits payable as of December 31, 2019 to the CEO and aggregate for the senior officers by plan, including the number of years of credited service. The change in composition of the aggregate senior officers can have a significant impact on the calculation of the accumulated pension benefits.

Pension Benefits Table - 2019	Number of Years of Credited Service[2]	Present Value of Accumulated Benefits	Payments During Last Fiscal Year
William J. Lipinski, CEO			
CoBank, ACB Retirement Plan	39.42	$ 2,790,948	$ -
Supplemental Executive Retirement Plan	39.42	6,190,201	-
Total		$ 8,981,149	$ -
Senior Officers (excluding CEO)[1]			
CoBank, ACB Retirement Plan	32.77	$ 14,167,856	$ -
Total		$ 14,167,856	$ -

[1] The number of senior officers at December 31, 2019 and reflected in this chart was ten
[2] Represents an average for the aggregate senior officer group reflected in this chart

The CEO and senior officers hired prior to January 1, 2007 participate in the CoBank, ACB Retirement Plans (except the former Maine employees who are participants in the noncontributory defined contribution plan only). One plan provides a monthly retirement benefit at Normal Retirement Age equal to 1.65 percent of the 4-year highest average pay multiplied by benefit service up to 35 years plus 1.00 percent of 4-year highest average pay multiplied by benefit service in excess of 35 years. Average annual pay includes pay that is subject to withholding of Federal taxes plus any amounts contributed under Section 401 (k). Another plan provides a monthly retirement at Normal Retirement Age equal to 1.5 percent of 60-month highest average pay, plus 0.25 percent of 60-month highest average pay in excess of Social Security Compensation multiplied by benefit service. Average annual pay includes base salary and non-deferred, short-term incentive annual bonus. The CEO also participates in the CoBank, ACB Farm Credit East Supplemental Executive Retirement Plan to provide benefits to a participant whose benefits in the Retirement Plan are subject to limitations under the Internal Revenue Code.

Each plan provides for early retirement as early as age 55 and 5 years of service but with reductions in the Normal Retirement Benefit. One plan reductions are equal to 3 percent per year between age 60 and the senior officer's Normal Retirement Age and 5 percent per year between age 55 and age 60. Another plan's reductions are equal to 3 percent per year between the age at retirement and the senior officer's Normal Retirement Age. Each plan pays benefits in the form of a 5-year certain and life annuity. Optional forms of annuity payment are available on an actuarially equivalent basis. The calculations assume that a lump sum is elected by each participant for each plan.

The present value of the accumulated benefits is based on assumptions and valuation dates that are the same as those used for the valuation of pension liabilities in the 2019 annual report. The present value of the accumulated benefits is calculated assuming retirement had occurred at the measurement date used for financial reporting purposes. The discount rate used is 3.30 percent as of December 31, 2019. The lump sum basis used for the valuation is 6.00 percent with the 2019 417(e) mortality table. The potential impact of 415 limits is reflected.

TRANSACTIONS WITH SENIOR OFFICERS

At December 31, 2019, there were no loans outstanding to a senior officer and there were loans outstanding to an immediate family member of three senior officers. All of the loans approved were in the ordinary course of business and remain on the same terms, including interest rates, amortization schedules, and collateral as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectibility. Information regarding related party transactions is incorporated herein by reference from Note 11 of the consolidated financial statements included in this annual report to stockholders.

CODE OF ETHICS

The Association sets high standards for honesty, ethics, integrity, impartiality and conduct. Each year, every employee certifies compliance with the Association's Employee Standard of Conduct Policy which establishes the ethical standards of the Association. Additionally, all employees certify compliance with the Code of Ethics. The Code of Ethics supplements the Employee Standard of Conduct Policy and establishes additional responsibilities related to the preparation and distribution of the Association's financial statements and related disclosures. For details about the Association's Code of Ethics, visit **Farmcrediteast.com** and click on About Us. A copy of the Association's Code of Ethics is available to stockholders upon request.

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS

In accordance with Farm Credit Administration regulations, Farm Credit East, ACA (the Association) has prepared this Annual Report to Stockholders for the year ended December 31, 2019 in accordance with all applicable statutory or regulatory requirements.

DESCRIPTION OF BUSINESS

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

The description of significant developments, if any, required to be disclosed in this section is incorporated herein by reference to "Management's Discussion and Analysis of Financial Position and Results of Operations" included in this annual report to stockholders.

DESCRIPTION OF PROPERTY

Farm Credit East, ACA is headquartered in Enfield, CT. A listing of Association offices is on the inside back cover of this annual report. All office locations listed are owned by Farm Credit East.

LEGAL PROCEEDINGS AND ENFORCEMENT ACTIONS

Information regarding legal proceedings is incorporated herein by reference to Note 12 of the consolidated financial statements included in this annual report to stockholders. The Association was not subject to any enforcement actions at December 31, 2019.

DESCRIPTION OF CAPITAL STRUCTURE

Information required to be disclosed in this section is incorporated herein by reference to Note 7 of the consolidated financial statements included in this annual report to stockholders.

DESCRIPTION OF LIABILITIES

Information required to be disclosed in this section is incorporated herein by reference to Notes 6, 9, 10, 13, 14 and 15 of the consolidated financial statements included in this annual report to stockholders.

SELECTED FINANCIAL DATA

"Five Year Summary of Selected Financial Data" included in this annual report to stockholders, is incorporated herein by reference.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL STATEMENTS

The "Report of Management," "Report of Audit Committee," "Management's Report on Internal Control over Financial Reporting," "Report of Independent Auditors," "Consolidated Financial Statements" and "Notes to Consolidated Financial Statements" included in this annual report to stockholders, is incorporated herein by reference.

DIRECTORS AND SENIOR OFFICERS

"Director Disclosures" and "Senior Officer Disclosures" included in this annual report to stockholders, is incorporated herein by reference.

RELATIONSHIP WITH INDEPENDENT AUDITORS

There were no changes in independent auditors since the prior annual report to stock holders and there has been no material disagreement with our independent auditors on any matter of accounting principles or financial statement disclosure during this period.

CREDIT AND SERVICES TO YOUNG, BEGINNING, SMALL AND VETERAN FARMERS AND RANCHERS

"Young, Beginning, Small and Veteran (YBSV) Farmers and Ranchers Program" included in this annual report to stockholders, is incorporated herein by reference.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

There were no matters that came to the attention of the Board of Directors or management regarding involvement of current directors or senior officers in specified legal proceedings that require to be disclosed.

UNINCORPORATED BUSINESS ENTITIES

Information required to be disclosed in this section is incorporated herein by reference to Note 11 of the consolidated financial statements included in this annual report to stockholders.

COBANK, ACB ANNUAL REPORT AND QUARTERLY REPORTS

As an Association Stockholder, your equity investment in the Association is materially affected by the financial condition and results of operations of the CoBank, ACB (CoBank).

Regulations require that CoBank's Annual and Quarterly Reports be made available to you upon request at no charge. Accordingly, you may pick-up a copy of CoBank's Annual and Quarterly Reports at one of our offices, or you may call the office to have a copy sent to you. A listing of the Association offices and telephone numbers are listed on the inside back cover of this annual report.

CUSTOMER PRIVACY

Customer financial privacy and the security of your other non-public information are important to us. Farm Credit East holds your financial and other non-public information in strictest confidence. Federal regulations allow disclosure of such information by us only in certain situations. Examples of these situations include law enforcement or legal proceedings or when such information is requested by a Farm Credit System institution with which you do business. In addition, as required by Federal laws targeting terrorism funding and money laundering activities, we collect information and take actions necessary to verify your identity.

YOUNG, BEGINNING, SMALL AND VETERAN (YBSV) FARMERS AND RANCHERS PROGRAM

OVERVIEW

Farm Credit East, ACA (the Association) takes great pride that its founding Board of Directors (Board) made young, beginning and small farmers a special focus of the Association since its founding in 1994. TheBoard maintains a standing committee of directors to oversee young, beginning, small, and Gulf War-era II veteran farmer programs and initiatives, as well as to plan further to serve these groups.

MISSION

The Association's Board recognizes that the long-range strength and soundness of Farm Credit East and of the agricultural community depends on individuals entering the industry. It further recognizes that demandsfor capital and farm and financial management skills can make it difficult to become established in the business. Therefore, we believe that it is in the Association's best interest to assist young, beginning, small and veteran farmers by providing loans and credit related services, and help to provide and encourage their participation in activities that improve farm and financial management skills.

PROGRAM DEFINITIONS

The definitions of young, beginning, small and veteran farmers and ranchers is as follow:

- Young - A farmer, rancher, producer or harvester of aquatic products who is 35 years or younger as of the loan transaction date.
- Beginning - A farmer, rancher, producer or harvester of aquatic products who has 10 years or less farming experience as of the loan transaction date.
- Small Farmer - A farmer, rancher, producer or harvester of aquatic products who normally generates less than $250,000 in annual gross sales of agricultural or aquatic products.
- Veteran - Gulf War-era II veterans having served in US Forces anywhere in the world at any time since September 2001.

OBJECTIVES

Young, beginning, small and veteran farmers are a vital part of agriculture and Farm Credit East is proud to provide innovative products and services that contribute to their success. In 1995, the Board created a committee to develop and oversee a program to assist young, beginning and small farmers, regarding this as one of the core values of the Farm Credit East association. The Board was proud to expand their outreach to Gulf War-era II veterans in 2013 and FFA in 2015.

SERVICES PROVIDED

There are several credit and other related services offered through the Board approved YBSV Program that allows Farm Credit East to effectively serve the needs within the young, beginning, small and veteran customer segments:

- Special incentives that may be offered at a discount for a period of up to five years include:
  - o Farm accounting and management software fees
  - o Tax preparation fees
  - o Consulting fees
  - o Appraisal fees
  - o FSA guaranteed loan fees
  - o Interest rate assistance

Farm Credit East's special incentives were $371,317, $381,919, and $491,119 for the years ended December 31, 2019, 2018, and 2017 respectively.

- Since 2006, resources have been offered to organizations, schools and universities for special training and educational programs utilizing the Farm Credit East developed *Harvesting a Profit* guide.
- Farm Credit East provides support, funding, and staff involvement in programs such as Dairy Fellows, Farm Credit Fellows, North American Intercollegiate Dairy Challenge, and other programs at educational institutions.
- Representation by YBS farmers on Farm Credit East's Customer Service Councils. These councils provide customer feedback and function as a liaison to association management.
- A portion of the young, beginning and small loan portfolio is supported by government guarantees, including guarantees by the Farm Services Agency (FSA) and USDA's Business and Industry guaranteed loan program. Provided below are statistics related to government guarantees usage among the YBS portfolio.

	Government Guaranteed Young, Beginning and Small Farmer Loans		New Government Guaranteed YBS Loans (Originated in 2018)	
	Number	**Volume ***	**Number**	**Volume ***
Young	303	$ 69,182	44	$ 18,183
Beginning	293	$ 67,127	36	$ 16,549
Small	343	$ 39,807	36	$ 6,479

** in thousands*

- Farm Credit East works closely with the New York State Link Deposit Program which reduces the effective interest rate paid on loans for qualifying projects.
- Farm Credit East's Scholarship program awards scholarships to 32 students pursuing courses of study related to agriculture, forest products or fishing.
- Farm Credit East provides a series of annual seminars that focus on developing skill sets of YBS farmers including hosting a Young Producers forum in conjunction with the 2019 annual meeting and the GenerationNext seminar series.
- Receiving regulatory authority in late 2005, Farm Credit East secured a partner (CoBank, ACB) and chartered FarmStart, LLP (FarmStart). At December 31, 2019, Farm Credit East has an equity investment in FarmStart of $2.1 million. FarmStart assists beginning farmers and new cooperatives by providing investments in working capital of up to $75,000. At December 31, 2019, FarmStart has 118 investments with an outstanding balance of $3.6 million. Since inception, FarmStart has made over 300 investments totaling over $14 million.

DEMOGRAPHICS

The local service area of Farm Credit East, ACA includes the states of New Jersey, Rhode Island, Connecticut, Maine, Massachusetts, and parts of the states of New York and New Hampshire. Demographicdata for Young, Beginning, and Small farmers was taken from the USDA's 2017 Census of Agriculture. Thecensus is conducted every five years. It showed the following:

Percentage Levels in Farm Credit East Lending Territory Expressed as a % of Total Farms

Young	Beginning	Small
15.5%	29.8%	88.3%

Farm Credit East has annually undertaken a study of the young, beginning, small farmer segment. This study makes a determination of Association penetration of young, beginning and small farmers utilizing information reported in the 2017 Census of Agriculture to better ascertain Farm Credit East's penetration ofthese farmer segments. The following table shows Farm Credit East's percentage in each market segment compared to the overall portfolio:

Penetration Levels in Farm Credit East Portfolio Territory December 31, 2019

Young	Beginning	Small
22%	31%	45%

Farm Credit East penetration is determined based on the number of loans to a specified group as a percentage of total loans.

YOUNG, BEGINNING AND SMALL FARMER VOLUME IN FARM CREDIT EAST'S LOAN PORTFOLIO

The following table outlines the percentage of young and beginning farmer and rancher loans in the loan portfolio (by number and volume) as of December 31, 2019 compared to total number of loans in the portfolio:

Category	Number of Loans	% of Total Loans	Volume Outstanding *	% of Total Volume
Total Loans and Commitments	19,855	100%	$ 9,220,857	100%
Young Farmers and Ranchers	4,401	22%	$ 1,203,502	13%
Beginning Farmers and Ranchers	6,247	31%	$ 1,572,848	17%

** in thousands*

The following table provides a breakdown of small farmer and rancher loans by size as of year-end 2019:

Number / Volume Outstanding	$0 - $50,000	$50,000 - $100,000	$100,000 - $250,000	>$250,000
Total # of Loans and Commitments	4,852	3,970	5,276	5,757
Total # of Loans to Small Farmers / Ranchers	2,743	2,278	2,566	1,328
# of Small Loans as a % of Total # of Loans	57%	57%	49%	23%
Total Loans and Commitments Outstanding*	$ 133,754	$ 309,965	$ 882,106	$ 7,895,033
Total Volume and Commitments to Small Farmers / Ranchers *	$ 79,659	$ 176,042	$ 416,200	$ 649,436
Loan Volume to Small Farmers / Ranchers as a % of Total Loan Volume	60%	57%	47%	8%

** in thousands*

GOALS AND RESULTS

As part of Farm Credit East's planning process, annual quantitative and qualitative goals are established.

The table below outlines the Association quantifiable goals under YBS loan commitments for 2019 and compares actual results to those goals:

	Young	Beginning	Small
12/31/2019 GOAL	**4,100**	**5,750**	**8,200**
12/31/2019 ACTUAL	4,171	5,866	8,484
2019 as a % of GOAL	102%	102%	103%

The numbers listed above do not include any investments made under FarmStart, LLP.

Farm Credit East has established the following quantifiable and quantitative goals under YBS loan commitments for 2020 and forward:

	Young	Beginning	Small
12/31/2020	4,225	5,925	8,550
12/31/2021	4,300	6,000	8,650
12/31/2022	4,400	6,100	8,750
12/31/2023	4,500	6,200	8,850
12/31/2024	4,600	6,300	9,100

Farm Credit East YBSV 2020 qualitative goals address credit, collaboration, financial services and educational assistance, to include:

- Continue incentive programs including interest rate reductions, payment of FSA guaranteefees and fee reductions on financial services in order to facilitate the entry of new farmers while deepening their financial management skills and to make Farm Credit their service provider of choice.
- Provide scholarships for students pursuing a career in agriculture and FFA SAE projects and continuing the *Farm Credit East Agricultural Leadership and Excellence Program* supporting leadership and development opportunities for customers.
- Provide scholarships and program support for secondary agricultural education teachers through Farm Credit East's partnership with the Curriculum for Agricultural Science Education (CASE) and continue to partner with CASE on adoption of the agricultural business foundations course which Farm Credit East funded.
- Support funding, staff involvement and direct training resources for programs hosted by universities and other organizations.
- Allow for "licensing arrangements" with organizations such as Cornell's Small Farmer Program and also its Beginning Farmer Program for use of Farm Credit East'sHarvesting a Profit program focused on developing beginning farmers' skills.
- Actively support federal and state programs and related efforts when their objectives and execution are aligned with the Farm Credit mission, such as programs that subsidize interest costs to YBSV borrowers or offer grant funding.
- Local grassroots involvement by branch staff in organizations such as FFA, 4-H, young farmers associations, state Agri-Women chapters, etc. Seek additional representation by YBSV farmers on Association Customer Service Councils.
- Work closely with veterans' groups within the LSA such as the New York chapter of the Farmer Veteran Coalition and the United Veterans of Maine.
- Advertisements geared to YBSV famers in publications such as: *Small Farm Quarterly, Dairy Business East, Country Folks,* etc.
- Farm Credit East will continue to administer the Farm Credit Northeast AgEnhancement Program, which considers applications for funding for projects that support both agricultural groups and educating the non-farm public on Northeast agriculture. Funding is also available for young, beginning and small farm programming such as regional conferences and beginning farmer education that can enhance the viability of Northeast agriculture or provide new opportunities for start-up agricultural businesses.

CUSTOMER SERVICE COUNCIL MEMBERS

The Farm Credit East Board of Directors has established a system of Customer Service Councils (CSC) for each of the 20 branch offices. These are composed of a cross section of stockholders and other members of the agricultural community who meet three times annually with their local Branch Office Manager to provide feedback and input on a variety of topics. This is in keeping with Farm Credit East's strategic vision of retaining a strong grass roots network and having strong, highly empowered branch offices.

The track record of the CSCs has been very positive as Farm Credit East Branch Managers have received invaluable feedback on a wide variety of topics. The Board and Management sincerely appreciate the contribution of the CSC members listed below and look forward to building on this Farm Credit East Tradition in 2020.

AUBURN, ME

Libby P. Bleakney, Highland Farms, Inc., Cornish, ME
Benjamin D. Carlisle, Prentiss & Carlisle Company, Inc., Bangor, ME
Peter Carrier, Carrier Chipping, Inc., Skowhegan, ME
James V. Crane, Crane Bros. Inc., Exeter, ME
Travis Fogler, Stonyvale Farms, Exeter, ME
Joel Gilbert, Berry Fruit Farm, LLC, Livermore, ME
Robert E. Linkletter, Linkletter & Sons, Inc., Athens, ME
Jacob E. Pierson, Pierson Nurseries, Inc., Biddeford, ME
Kimberly M. Wright, Misty Meadows Farm, LLC, Clinton, ME

BATAVIA, NY

James Anderson, Anderson Farm, Avon, NY
Robert R. Brown III, Orchard Dale Fruit Company LLC, Waterport, NY
Tom Jeffres, R.L. Jeffres & Sons, Inc., Wyoming, NY
Brett D. Kreher, Kreher's Poultry Farms, P/S, Clarence, NY
Matthew Lamb, Lamb Farms, Inc., Oakfield, NY
Bradley A. Macauley, Merrimac Farms, Inc., Geneseo, NY
Andrew Milleville, AM Farms LLC, Lockport, NY
Jeffrey Barry Oakes, Lynoaken Fruit Farm Inc., Lyndonville, NY
Jason E. Schwab, Schwab Dairy Farm, Delevan, NY
Jason E. Swede, Swede Farms, LLC, Piffard, NY
Sue Weber, Mike Weber's Greenhouses, Inc., West Seneca, NY
Douglas Walker, Walker Farms, Wayland, NY

BEDFORD, NH

Nick Brunet, Green Crow Corporation, Auburn, NH
Leigh Byers-Hardy, Brookdale Fruit Farm, Inc., Hollis, NH
Kathleen Donald, Stout Oak Farm, Brentwood, NH
Steven A. Gaklis, Nursery Direct, Boston, MA
Joseph E. Golter, Golter Lobster Fisheries, LLC, Greenland, NH
Jonathan S. Huntington, Pleasant View Gardens, Inc., Loudon, NH
Robert A. Johnson, II, Johnson Bros. Farm, Pittsfield, NH
Jamie Robertson, Bohanan Farm, Contoocook, NH
H. Michael Smolak, Smolak Farms, LLC, North Andover, MA
Stewart R. Yeaton, Yeaton Dairy Farm, LLC, Epsom, NH

BRIDGETON, NJ

James Brown, New Moon Nursery, LLC, Bridgeton, NJ
John Coombs, Jr., Coombs Sod Farm, LLC, Elmer, NJ
Byron Dubois, Spring Brook Farms, LLC, Pittsgrove, NJ
Ed Overdevest, Overdevest Nurseries, Inc., Bridgeton, NJ
Tom Sheppard, Sheppard Farms, Inc., Cedarville, NJ
Frank Tedesco, Safeway Freezer Storage Company, LLC, Vineland, NJ

BURRVILLE, NY

Eric B. Behling, Behling Orchards, LLC, Mexico, NY
Jonathan Beller, Beller Farms, LLC, Carthage, NY
David Fralick, The Cape Winery, Cape Vincent, NY
Lynn Murray, Murcrest Farms, LLC, Copenhagen, NY
Ronald Robbins, Robbins Family Grain Co., LLC, Sackets Harbor, NY
David Rudd, Heritage Hill Farm, Lacona, NY

CLAVERACK, NY

David W. Becker, Becker's Farm, Rensselaer, NY
Ulderic Boisvert, H.U.R.B. Landscaping, Inc., Albany, NY
Ben Freund, Freund's Farm, Inc., East Canaan, CT
Robert C. Graves, Faddegon's Nursery, Inc., Schenectady, NY
Christine Jones, APEX Farms, Catskill, NY
Michael Lischin, Dutchess View Farm, Pine Plains, NY
Jacob Samascott, Samascott Orchards, Kinderhook, NY
Eric Sheffer, Sheffer's Grassland Dairy, LLC, Hoosick Falls, NY
Philip J. Trowbridge, Trowbridge Farms, Ghent, NY
Lloyd Vaill, Jr., Lo-Nan Farm, LLC, Pine Plains, NY
Dale-Illa Riggs, The Berry Patch, Stephentown, NY

COOPERSTOWN, NY

John Balbian, Harmony Farm NY, LLC, Amsterdam, NY
Christopher Fredericks, Insight Dairy, Little Falls, NY
Ryan Kelly, Glenvue Farms, LLC, Fultonville, NY
Johannes Barendse, River Road Farm & Greenhouses, Utica, NY
David Curtin, Curtin Dairy, LP, Cassville, NY
Lukas George, George's Farm Products, Inc., Clinton, NY
Christopher W. Hoefele, Fonda, NY
Corey Mosher, Mosher Farms, Bouckville, NY

CORTLAND, NY

Dennis Birdsall, Homer, NY
Kimberly Brayman, Fesko Dairy, LLC, Skaneateles, NY
John Gates, Seneca Valley Dairy, Burdett, NY
Lee Hudson, Hudson Egg Farms, Camillus, NY
Kenneth Miller, Richford, NY
Joel Riehlman, Venture Farms, Tully, NY
George Schaefer, Schaefer's Gardens, Chenago Forks, NY
Judi Whittaker, Whittaker Farms, Whitney Point, NY

DAYVILLE, CT

John Bennett, John Bennett Stables, Putnam, CT
Allyn Brown, III, Maple Lane Farms, LLC, Preston, CT
Jan Eckhart, Sweet Berry Farm, Middletown, RI
John Eidson, Sodco, Inc, Wakefield, RI
Bowman Geer, Geer Tree Farm, Griswold, CT
George Goulart, Jr., Franlart Farms, Little Compton, RI
Dan Huff, Big Boys Toys, Pomfret, CT
Samuel Hull, Hull Forest Products, Pomfret, CT
Anthony R. Moschini, Royal Crest Farm, Spencer, MA
John Nunes, Jr., Newport Vineyards, Middletown, RI
Ellen Puccetti, Wright's Dairy Farm, North Smithfield, RI
Jim Smith, Cushman Farms, Franklin, CT

ENFIELD, CT

Steve Basile, Basile's Clear Brook Farm, Incorporated, Granby, CT
John Casertano, N. Casertano Greenhouses and Farms, Inc., Cheshire, CT
Edward Kasheta, Kasheta Farms, South Windsor, CT
Roland "Skip" LeClerc, LeClerc & Sons Logging, Belchertown, MA
Kurt Lindeland, Connecticut Mulch Distributors, Inc., West Suffield, CT
Charles Newman, Planters' Choice Nursery LLC, Newtown, CT
Don Patterson, Patterson Farms, Sunderland, MA
Karen Randall, Randall's Farm, Inc., Ludlow, MA
Ryan Van Wilgen, Van Wilgen's Garden Center, North Branford, CT

FLEMINGTON, NJ

Lisa Applegate, Battleview Orchards, Freehold, NJ
Stephen Barlow III, Barlow Flower Farm, Sea Girt, NJ
Scott Daum, Four Seasons Nursery and Landscape Co., LLC, Englishtown, NJ
Steve Gambino, Villa Milagro Vineyards, Phillipsburg, NJ
Pete Hionis, Hionis Greenhouses, Inc., Green Brook, NJ
Steve Jany, Rustin Farms, West Windsor, NJ
Rick Klevze, Growmark, Ringoes, NJ
Michael Puglisi, Puglisi Egg Farms, Howell, NJ
Stanley Skeba, Skeba Farms, Inc., Monroe, NJ

GENEVA, NY

Barb Bauman, Webster, NY
Alison DeMarree, DeMarree Fruit Farms, LLC,, Williamson, NY
Matthew Doyle, Doyle Vineyard Management, LLC, Hammondsport, NY
Todd DuMond, DuMond Ag, Auburn, NY
John Mueller, Willow Bend Farms, LLC, Clifton Springs, NY
Bob Norris, Tree Crisp Orchards, LLC, Savannah, NY
Kelly O'Hara, Auburn, NY
Erica Paolicelli, Three Brothers Winery, Geneva, NY
Adam Peters, Peters LakeAire Orchards, LLC, Williamson, NY
Matthew Young, Will-O-Crest, Clifton Springs, NY

GREENWICH, NY

Amy Walker Bailey, Walker Farms, LLC, Fort Ann, NY
Nathan Darrow, Saratoga Apple, Inc., Schuylerville, NY
Charlie Hanehan, Hanehan Family Dairy, LLC, Saratoga Springs, NY
David Horn, DMV, Birch Hallow Farm Inc., Greenwich, NY
George Schaefer, Birch Hollow Farm Inc., Greenwich, NY
Rebecca King, Kings-Ransom Farm LLC, Schuylerville, NY
Ian C. Murray, Brookside Farms, Inc., Ballston Spa, NY
Shane Nolan, Kenyon Hill Farm, Cambridge, NY
Sean P Quinn, Kernel Acres Sunset View Farm, LLC, Easton, NY
Willard (Bill) Peck, Welcome Stock Farm, Bacon Hill, NY

HORNELL, NY

Jonathan Burns, Burns Family Farm, LLC, Hornell, NY
Clinton M. Crooker, Crooker Crest Dairy, Addison, NY
Frederick R. Frank, Konstantin D. Frank & SonsVinifera Wine Cellars, Inc., Hammondsport, NY
Darlene Krisher-Meehan, Country Crossroads Feed and Seed, Andover, NY
Andrew W. Merry, Lismore Dairy, LLC, Arkport, NY
Daniel Schumacher, Schum-Acres & Associates, Inc., Naples, NY
David Votypka, Votypka Farms/Springwater Ag Products, Wayland, NY
John R. Wallace, Avoca, NY

MAYVILLE, NY

Nathan Blesy, Blesy Farms, LLC, Springville, NY
Robin Degenfelder, Cattaraugus, NY
Bradley Eggert, Westfield, NY
Stephen J. Falcone, Falcone Farms, Inc., Silver Creek, NY
Jack S. Jones, Jr., J-High Acres, Frewsburg, NY
Loretta Jones, J-High Acres, Frewsburg, NY
Kevin T. Powell, Powell Vineyards, LLC, Portland, NY
Abram Rak, Double A Vineyards, Inc., Fredonia, NY
Samuel Sheehy, Winery of Ellicottville, North Collins, NY

MIDDLEBORO, MA

Dawn M. Allen, Freetown Farm, LLC, Freetown, MA
John Bartlett, Bartlett's Ocean View Farm, Inc., Nantucket, MA
Marjorie Beaton-Kane, Bayside Agricultural, Inc., Wareham, MA
Rick Burnet, Reunion Farm, Plympton, MA
John Hornstra, Hornstra Farm Dairy, Inc., Norwell, MA
Fred Jenkins, J. A. Jenkins & Son Cranberry, LLC, Marstons Mills, MA
Kevin McLaughlin, Fairhaven Shipyard Companies, Inc., Fairhaven, MA
Matthew Piscitelli, Olson Greenhouses, Inc., Raynham, MA
John F. Risso, Valinor Farm, LLC, Plymouth, MA
William B. Stearns IV, Plymouth, MA

MIDDLETOWN, NY
Wisner Buckbee, Jr., Wisner Farms, Inc., Warwick, NY
Richard H. Byma, By-Acre Holsteins, LLC, Sussex, NJ
Steven Clarke, Sunshine Orchards, Milton, NY
J. Gregory DeBuck, DeBuck Sod Farm of New York, Westtown, NY
Roderick O. Dressel, Dressel Farms, New Paltz, NY
Jason Grizzanti, Warwick Valley Winery, Warwick, NY
Charles Lain, Jr., Pine Island Turf Nursery, Inc., Pine Island, NY
John J. Lupinski, Goshen, NY

POTSDAM, NY
Mark Atkins, Five Mile Farms, Lisbon, NY
Dan Chambers, Chambers Farms, LLC, Heuvelton, NY
Blake Gendebien, Twin Mill Farms, LLC, Ogdensburg, NY
Allen Kelly, Kelly Farms, Rensselaer Falls, NY
Jeff Liberty, Tri-Town Packing Corporation, Winthrop, NY
Keith Pierce, Royal J Acres, LLC, Ogdensburg, NY
Patrick Smith, LT Smith and Sons, Canton, NY

PRESQUE ISLE, ME
Bryan Bell, Bell Brothers,. Inc., Mars Hill, ME
Barry Buck, Buck Farms, Mapleton, ME
Sara Corey, Seed Pro Inc., Monticello, ME
Jake Dyer, Benedicta Grain, LLC, Monticello, ME
Matt Griffeth, Griffeth Farms, Limestone, ME
Beth Guimond, J.G. Logging, Inc., Fort Kent, ME
Jay Lajoie, Lajoie Growers, LLC, Van Buren, ME
Nick McCrum, County Farms, LLC, Mars Hill, ME
Steve Ouellette, Frank Martin Sons, Inc., Fort Kent Mills, ME
Greg Schools, Littleton, ME
Emily Smith, Smith's Farm, Inc., Presque Isle, ME
Brian S. Souers, Treeline, Inc., Lincoln, ME

RIVERHEAD, NY
Karl Auwaerter, Bayport Flower Houses, Inc., Bayport, NY
Lou Caracciolo, Jr., Shade Trees Nursery, Inc., Jamesport, NY
Eddy Creces, Koppert Cress USA, LLC, Cutchogue, NY
Carl Gabrielsen, Gabrielsen Farms, LLC, Jamesport, NY
Adam Halsey, Halsey Farm, Water Mill, NY
Edward Harbes IV, Harbes Family of Farms, LLC, Mattituck, NY
Eve Kaplan-Walbrecht, Garden of Eve, Riverhead, NY
Norman Keil, N & O Horticultural Products, Inc., St. James, NY
Bob Nolan, Deer Run Farm, Patchogue, NY

SENIOR OFFICERS

Michael J. Reynolds	Chief Executive Officer
Paul S. Bajgier	Executive Vice President Accounting and Branch Operations and Treasurer
William S. Bathel	Executive Vice President and Chief Risk Officer
Briana S. Beebe	Executive Vice President and Human Resources Director
Janice P. Bitter	Executive Vice President and Regional Manager
John P. Caltabiano	Executive Vice President and Innovation Leader
Thomas W. Cosgrove	Executive Vice President of Knowledge Exchange, Public Relations and Marketing
Alena C. Gfeller	Executive Vice President, Managing Counsel and Corporate Secretary
Andrew N. Grant	Executive Vice President and Chief Financial Officer
Brian K. Monckton	Executive Vice President and Regional Manager
Frederick H. Morton	Executive Vice President and Regional Manager
Roger E. Murray	Executive Vice President and Business Unit Manager
David H. Pugh	Executive Vice President and Regional Manager

BOARD OF DIRECTORS

Matthew W. Beaton	Elected	Cranberry	Wareham, MA
Laurie K. Griffen	Elected	Sod	Stillwater, NY
Kurt W. Alstede	Elected	Fruit & Vegetable	Chester, NJ
Michael N. Brooks	Elected	Vegetable	Elmer, NJ
Peter R. Call	Elected	Vegetable	Batavia, NY
Tim C. Chan	Appointed	At Large	Claremont, NH
David E. Hardie	Elected	Dairy	Lansing, NY
Philip J. Jones	Elected	Ag Retail	Shelton, CT
LouAnne F. King	Elected	Dairy	Madrid, NY
John P. Knopf	Elected	Dairy	Canandaiqua, NY
James A. Robbins II	Elected	Forestry	Searsmont, ME
Lisa P. Sellew	Elected	Nursery	Lebanon, CT
Douglas W. Shelmidine	Elected	Dairy	Adams, NY
Keith M. Stolzenburg	Appointed	At Large	East Amherst, NY
Peter H. Triandafillou	Appointed	Customer	Orono, ME
Terry R. Zittel	Elected	Vegetable	Eden, NY