



FARM CREDIT EAST

*Your partner through trying times.
Building for the future. Through it all,
our focus remains clear.*

COMMITTED
TO OUR
CUSTOMERS

2020
ANNUAL REPORT

COMMITTED TO OUR CUSTOMERS

*Your partner through trying times.
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Through it all, our focus remains clear.*

2020 was a year like no other. Farm Credit East has always emphasized our team's understanding of agriculture, commercial fishing and forest products, and our commitment to customers in good times and bad, and our team stepped up to demonstrate that commitment this past year.

The coronavirus pandemic presented unique opportunities for some customers which resulted in tremendous success, while other businesses faced market losses and other significant challenges. Regardless of the situation, Farm Credit East remained committed to serving customers during an unprecedented year.

In the spring of 2020, the majority of the Farm Credit East team quickly adjusted to working from home and continued to serve customers when they needed us most. The team modified more than 1,000 loans to give customers time to adapt their businesses for the COVID-19 environment.

Our financial services team found unique ways to continue to serve customers while distanced, including virtual inspections and consulting visits, while also working through an extended tax season. The team quickly got up to speed on the various COVID-19 relief programs and tax changes, and their implication for farm, forest products and fishing businesses, to help customers understand their options.

Additionally, the Farm Credit East team assisted 1,100 customers in securing \$100 million in Paycheck Protection Program loans, with a median loan size of \$36k. These funds had a significant impact in helping small businesses get through the year.

For the full year 2020, customer-owners received \$89 million in patronage dividends. This is equivalent to 1.25% of average eligible loan volume. Customer-owners received the first portion of their dividend in July 2020 when the board approved a \$30 million advance on 2020 patronage dividends, equal to about 0.50% of average eligible loan volume, to provide members with additional liquidity and cash flow during a challenging period. In February 2021, members received the remainder of their dividend, about 0.75%, or \$59 million.

Farm Credit East's long-term financial strength has allowed the association to hire a dedicated team and make the investments to adapt to the changing conditions during the pandemic while also investing for the future (see page 5).



That strength also provided the association the flexibility to support customers during this challenging year. In 2020, this unwavering customer commitment resulted in continued strong financial results, which positions the organization for future success. You can view 2020 financial highlights on the corresponding page.

2020 has underscored the importance of Northeast agriculture, commercial fishing and forest products and emphasized the resilience of our members, their families and their teams. As a customer-owned cooperative, we couldn't be prouder to be your trusted partner. Together we'll get through this current challenging period just as we've weathered those before it and those yet to come. The future of Northeast agriculture, commercial fishing and forest products is bright, and we look forward to building on that relationship for generations to come.

Laurie K. Griffen, Chair

Michael J. Reynolds, CEO



FARM CREDIT EAST FINANCIAL RESULTS REMAIN STRONG

LOAN VOLUME | \$8.2 BILLION

Despite industry challenges, we continue to lend to Northeast agriculture, commercial fishing and forest products businesses.

PATRONAGE | \$977 MILLION

Since the patronage program was first adopted, customer-owners of Farm Credit East (and predecessor cooperatives) have earned \$977 million in dividends from ownership of their cooperative. In 2021, the cooperative will pay its 25th consecutive annual patronage payment.

FINANCIAL SERVICES | \$27.7 MILLION

Farm Credit East's financial services continue to provide value and expertise to customer businesses.

COUNTRY LIVING | \$1 BILLION

15 years young, Farm Credit East's mortgage lending arm provides unique financing for rural homes, farms and land, and serves an important and growing customer segment for Farm Credit East.

CROP GROWERS | \$1.8 BILLION

In 2020, Northeast producers purchased 21,079 crop insurance policies, protecting 2.6 million acres with \$1.8 billion of protection in force.

STEWARDSHIP | \$1.3 MILLION

Farm Credit East is committed to supporting programs that enrich the agriculture, forest products and commercial fishing industries as well as rural communities, programs that support new entrants and the industry's next generation, and organizations promoting diversity and inclusion. In 2020, Farm Credit East Cares provided \$204,000 to support COVID-19 relief efforts in the spring as well as to various local food banks and other Northeast charitable organizations during the holiday season.

FARMSTART | \$15.3 MILLION

This unique program for startup entrepreneurs has invested \$15.3 million in 320 beginning farm and fishing businesses. FarmStart is one of the financial cooperative's many efforts to support young and beginning farmers. Other programs include incentives to assist young, beginning, small and veteran producers, as well as GenerationNext training seminars.

COMMITTED TO OUR CUSTOMERS

2020 BOARD OF DIRECTORS

WESTERN REGION

- A** **Terry Zittel**
Amos Zittel & Sons, Inc. / Eden, NY
- B** **Peter R. Call**
My-T Acres, Inc. / Batavia, NY
- C** **John P. Knopf**, Vice Chair
Fa-Ba Farms, LLC / Canandaigua, NY
- D** **David "Skip" Hardie**
Walnut Ridge Dairy, LLC / Lansing, NY

CENTRAL REGION

- E** **Douglas W. Shelmidine**
Sheland Farms, LLC / Adams, NY
- F** **LouAnne F. King**, Business Risk Committee Chair
Mapleview Dairy, LLC / Madrid, NY
- G** **Laurie K. Griffen**, Chair
Saratoga Sod Farm, Inc. / Stillwater, NY
- H** **Philip Jamie Jones**, Governance/Stewardship
Committee Chair
Jones Family Farms, LLC and
Jones Family Farms Winery, LLC / Shelton, CT

EASTERN REGION

- I** **Kurt W. Alstede**
Alstede Farms, LLC / Chester, NJ
- J** **Michael N. Brooks**
Dusty Lane Farms, LLC / Elmer, NJ
- K** **Lisa P. Sellew**
Prides Corner Farms / Lebanon, CT
- L** **James A. Robbins II**
Robbins Lumber, Inc. / Searsmont, ME
- M** **Barry A. Buck**
Mapleton, ME

AT LARGE*

- N** **Tim C. Chan**, Audit Committee Chair
Appointed Outside Director / Claremont, NH
- O** **Peter H. Triandafilou**
Appointed Customer Director
Huber Resources Corp. / Old Town, ME

* Jay McWatters, of Hamburg, NY, was appointed as an outside director effective January 1, 2021.





In Memoriam of Keith Stolzenburg

Farm Credit East was saddened by the passing of outside director Keith Stolzenburg of East Amherst, NY in September 2020. We are thankful for his many contributions to Farm Credit East.

2021 PRIORITIES

As we look to the future, Farm Credit East is committed to enhancing our customer experience to ensure we remain your trusted partner. In 2021, one of our key priorities will be working toward an improved digital infrastructure to ensure we have the tools and resources to continue to serve our customers how they'd like to be served.

WHAT DOES THIS MEAN FOR OUR CUSTOMERS?

In the future, you can look forward to:

- **Real-time data** to equip you with the information you need to make informed decisions.
- **Valuable insights** to aid in your business success.
- **Quicker decisions** to get you the capital you need, when you need it.
- **Robust security** to ensure your information remains protected.

We aim to deliver that enhanced experience by way of:

- **An enhanced, secure online customer portal** that will provide real-time access to your information and improved self-service options.
- **Seamless data entry.** Provide us with your data once and it will flow, with customer permission, to our other systems so you don't need to provide your information to both your loan officer and your tax preparer, for example.
- **Modernized online banking platform** enabling enhanced mobile capabilities and increased self-service options to manage your funds.
- **Data-driven insights.** Enabling our team to arrive at lending decisions quicker, getting you the capital you need to execute your business plans faster, and also equipping your Farm Credit East team with real-time insights so they can provide enhanced value to your business.

Over the past few years, Farm Credit East has implemented best-in-class systems and software platforms to enhance how you do business with us. We will continue to build on this foundation over the next several years, evolving the Farm Credit East experience to bring increased value to customer businesses. But as with any transformation, this will take time. We'll regularly evaluate processes to ensure the tools continue to deliver desired outcomes.

OUR CUSTOMER PROMISE

Rest assured, our digital infrastructure will not replace your existing Farm Credit East relationship. Instead, this enhanced technology aims to streamline processes to provide the Farm Credit East team with more time with customers to discuss your needs and priorities to bring value to your business. We look forward to growing our relationship for generations to come.





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2020 FINANCIAL STATEMENTS

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(dollars in thousands)	December 31				
	2020	2019	2018	2017	2016
BALANCE SHEET DATA					
Loans	\$8,209,864	\$7,434,982	\$6,964,353	\$6,605,200	\$6,288,175
Less: Allowance for loan losses	73,879	84,234	78,370	75,751	77,583
Net loans	8,135,985	7,350,748	6,885,983	6,529,449	6,210,592
Cash	27,836	21,481	23,395	48,736	22,581
Investment in CoBank, ACB	273,886	250,266	235,769	224,509	216,249
Other property owned	817	1,657	2,609	1,447	766
Other assets	130,792	124,831	116,764	106,837	91,332
Total assets	\$8,569,316	\$7,748,983	\$7,264,520	\$6,910,978	\$6,541,520
Obligations with maturities of one year or less	\$170,614	\$168,482	\$153,380	\$147,009	\$133,252
Obligations with maturities greater than one year	6,736,597	6,036,193	5,657,199	5,414,435	5,161,666
Total liabilities	6,907,211	6,204,675	5,810,579	5,561,444	5,294,918
Capital stock and participation certificates	16,041	15,499	15,079	14,808	14,338
Additional paid-in capital	229,198	229,198	229,198	229,198	229,198
Unallocated retained earnings	1,451,018	1,345,666	1,255,417	1,157,496	1,057,428
Accumulated other comprehensive loss	(34,152)	(46,055)	(45,753)	(51,968)	(54,362)
Total members' equity	1,662,105	1,544,308	1,453,941	1,349,534	1,246,602
Total liabilities and members' equity	\$8,569,316	\$7,748,983	\$7,264,520	\$6,910,978	\$6,541,520
For the Year Ended December 31					
	2020	2019	2018	2017	2016
STATEMENT OF COMPREHENSIVE INCOME DATA					
Net interest income	\$227,490	\$225,649	\$208,523	\$197,405	\$185,442
Provision for loan losses	5,000	5,000	5,000	-	-
Noninterest expenses, net	26,440	32,952	24,308	36,056	32,681
Provision for income taxes	1,698	1,504	1,294	1,281	1,403
Net income	\$194,352	\$186,193	\$177,921	\$160,068	\$151,358
Comprehensive income	\$206,255	\$184,947	\$184,136	\$162,462	\$142,402
KEY FINANCIAL RATIOS					
Return on average assets	2.39%	2.50%	2.54%	2.41%	2.38%
Return on average members' equity	11.94%	12.18%	12.57%	12.24%	12.40%
Net interest income as a percentage of average earning assets	2.92%	3.17%	3.11%	3.11%	3.05%
Members' equity as a percentage of total assets	19.40%	19.93%	20.01%	19.53%	19.06%
Debt to members' equity	4.2:1	4.0:1	4.0:1	4.12:1	4.25:1
Net (charge-offs) recoveries as a percentage of average loans	(0.03%)	(0.01%)	(0.04%)	0.00%	(0.01%)
Allowance for credit losses as a percentage of loans and accrued interest receivable	1.17%	1.25%	1.27%	1.31%	1.37%
Common Equity Tier 1 (CET1) Capital	17.09%	17.42%	17.72%	17.34%	n/a
Tier 1 Capital	17.09%	17.42%	17.72%	17.34%	n/a
Total Capital	18.17%	18.63%	18.92%	18.59%	n/a
Tier 1 Leverage	18.05%	18.35%	18.53%	18.20%	n/a
Unallocated Retained Earnings and URE					
Equivalents (UREE) Leverage	19.84%	20.13%	20.31%	19.97%	n/a
Permanent capital ratio	17.24%	17.61%	17.91%	17.53%	17.16%
Net income distribution					
Cash patronage declared	\$89,000	\$70,000	\$65,000	\$60,000	\$56,000
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, 2020 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. The territory we serve 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. In 2020, the COVID-19 pandemic had major impacts on both the general and agricultural economies. Most of the businesses in our portfolio were considered "essential" and not forced to close, although they were still affected by various restrictions and had to adjust operations. The most significant impacts were felt in the second quarter when foodservice markets were severely disrupted. Some industry sectors, such as dairy, had to dump product due to lack of market demand and processing bottlenecks. However, by the third quarter, the situation began to stabilize and many commodity prices showed recovery. Consumer-focused industries such as greenhouse, nursery, sod, farm retail, and direct to consumer vegetables and fruits generally benefited from an increased desire by consumers to buy local and connect with producers. In addition, the COVID-19 pandemic significantly limited recreational opportunities, leaving agricultural retail businesses one of the few such options.

As the COVID-19 pandemic unfolded in mid-March and various states enacted "stay at home" orders, Farm Credit East adapted quickly and transitioned the vast majority of our employees to working remotely. The priority was to ensure the health and safety of our employees while continuing to serve our customers.

On March 13, 2020, the President of the United States declared the COVID-19 outbreak as a national emergency. In response, on April 1, 2020 the FCA issued an informational memorandum for reporting troubled debt restructurings (TDRs) for customers affected by the COVID-19 outbreak. Pursuant to this guidance, borrowers experiencing short-term economic difficulties arising from the COVID-19 outbreak and who receive loan modifications including payment deferrals, fee waivers or other extensions of repayment terms are not required to be accounted for and reported as TDRs. This guidance covers the period beginning March 1, 2020 and ended on December 31, 2020. From the onset of COVID-19, Farm Credit East elected to modify a number of loans to provide short-term relief to borrowers in need of temporary assistance. As of December 31, 2020,

loan modifications involving principal and/or interest deferrals related to COVID-19 business disruptions were approximately 7.6% of our total loans. None of these COVID-19 payment deferrals were treated as TDRs.

On March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Among other provisions, the CARES Act appropriated funds for a Paycheck Protection Program (PPP), a guaranteed loan program administered by the Small Business Administration (SBA). The CARES Act provides for loan forgiveness under certain conditions. Farm Credit East is an approved SBA lender and participated in the PPP loan program and successfully processed \$71.9 million in PPP loans to approximately 450 Farm Credit East customers.

Farm Credit East experienced another year of strong financial performance in 2020. Loan volume increased 10.3% to \$8.2 billion as of December 31, 2020, with average loan volume for the year increasing 9.0% as well. Net income grew to \$194.4 million in 2020, an \$8.2 million increase compared to 2019. The 4.4% increase reflects higher net interest income and higher noninterest income offset by higher operating expenses. From its 2020 earnings, Farm Credit East declared patronage dividends totaling \$89.0 million, of which \$59.0 million will be distributed in cash in 2021. In light of COVID-19's impact on Northeast agricultural businesses, an advance cash dividend payment on 2020 patronage dividends was made in July 2020 of \$30.0 million to provide members with additional liquidity and cash flow during the summer.

Overall loan quality measures for Farm Credit East remain strong. As of December 31, 2020, 2.8% of loans were adversely classified, compared to 3.8% at December 31, 2019. Nonaccrual loans decreased to \$37.4 million at December 31, 2020, from \$39.9 million one year ago. The Association's allowance for credit losses totaled \$96.4 million as of December 31, 2020, or 1.2% of total loans.

As of December 31, 2020, members' equity totaled \$1.7 billion and our permanent capital and total regulatory capital ratios were 17.2% and 18.2%, respectively. The Association's capital levels remain well in excess of the regulatory minimums of 7.0% and 8.0%.

First quarter U.S. GDP growth came in at negative 5.0%, but the real impact of the pandemic was felt in the second quarter which showed a negative 31.4% contraction. By the third quarter there was a gradual reopening of many businesses, and GDP rebounded by 33.4%. Advance estimates indicate that Q4 GDP growth will come in around 2.8%, leaving the net for the year at negative 3.5%. Forecasts for 2021 suggest that U.S. GDP growth could average 4.1% as the economy continues to recover from the pandemic recession.

With the COVID-19 pandemic impacting most nations, trade discussions were generally put on hold in 2020. Still, there were some developments as the U.S.-Mexico-Canada Agreement (USMCA) took effect on July 1, 2020 after Canada ratified the agreement in March. The agreement generally continues the major provisions of its predecessor, the North American Free Trade Agreement (NAFTA). Most notably for agriculture, it promised greater access for U.S. producers to the Canadian dairy market.

The U.S.-China "Phase One" trade agreement helped boost Chinese imports of U.S. agricultural goods. While China's purchases remain well short of the agreement's ambitious goals, Chinese imports of soybeans have increased 18%, and corn imports are 97% higher compared with 2019. The outlook is for China to continue its aggressive buying of U.S. agricultural commodities in 2021.

On December 30, 2020, the U.S. government increased tariffs on a number of European Union products including aircraft parts, wines and spirits. The EU is expected to retaliate against U.S. imports, and could target some agricultural products. The escalation relates to a long-running dispute over subsidies to aircraft manufacturers.

Despite various trade disagreements and disruptions related to COVID-19, U.S. agricultural exports increased slightly (+2%) in 2020 compared to 2019, although they remain below the peak year of 2014.

THE FARM ECONOMY

Net farm income in the Northeast region is estimated to have increased in 2020. This was due in large part to government relief programs related to the pandemic, as well as good performance by other industry segments such as the nursery/greenhouse, agricultural retail and forest products sectors. Nationally, 2020 net farm income is estimated by USDA at \$120 billion, an increase of 43% over 2019.

AGRICULTURAL OUTLOOK

Dairy: Northeast dairy farms continue to show a range of operating results, but most farms should show profits for 2020. A major part of dairy farms' income, however, was due to government programs. There is some concern heading into 2021, as milk prices are projected to be flat and a possible decline in government payments. Despite COVID-related disruptions, milk production showed increases both in the Northeast as well as nationally. Dairy exports rebounded in 2020, setting a new record of \$6 billion for the year through November.

Cash Field Crops: This category includes corn for grain, soybeans, hay, wheat and some small grains. 2020 was a reasonably good growing year in most parts of the U.S., as well as the Northeast, and yields were generally higher than 2019. Ethanol production has fallen sharply, due to reduced demand for gasoline amidst the COVID-19 pandemic, but

exports of cash field commodities have increased, which is bullish for prices. This, coupled with production shortfalls in other exporting countries, has contributed to a price rally. USDA forecasts corn prices for the 2020/21 market year, at \$4.20 (2019/20: \$3.56), and soybeans at \$11.15 (2019/20: \$8.57).

Timber and Forest Products: The forest products industry encompasses a variety of business types, ranging from timberland ownership, to sawmills and loggers. Softwood lumber producers experienced strong economic performance in 2020, while other segments of the industry saw mixed results.

New home construction and remodeling demand was stronger than expected for most of 2020. Despite a 30-day decline in prices that bottomed at \$600/MBF in October, East Coast random length Spruce/Fir 2x4 prices climbed back to \$1,000/MBF by mid-December. Demand is anticipated to stay strong throughout 2021, as a result of housing stocks that have been underbuilt since the 2008 financial crisis and low long-term interest rates.

Hardwood markets continue to struggle, impacted by declines in both domestic and international demand, as well as the emergence of new, substitute engineered wood products. We continue to view this segment of the lumber market as the most challenged from a profit standpoint.

There is little change in overall pulp and paper markets, with free sheet, super calendar and newsprint remaining under pressure and declining, while tissue, container board and packaging have been returning positive margins. For loggers, it was a difficult year for many contractors as a result of the reduced capacity of some low-grade markets.

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 2020 were relatively weak. However, many Northeast producers serve specialty markets which have seen strong demand during the pandemic, as well as higher prices than national indexes. Recreational equine markets have been negatively impacted by COVID-19.

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 2020 apple production is estimated slightly below the state's five-year average, although yield varied by region. The Pacific Northwest had a smaller crop, putting some upward pressure on prices. Consumer demand has been strong through the COVID-19 pandemic. Retail and pick-your-own orchards saw a surge in customer traffic.

Wine: COVID-19 hurt this sector early in the pandemic as tasting rooms were forced to close. By summer, however, most wineries were open for business, and many saw strong customer traffic and sales.

Small Fruits: New Jersey blueberry growers reported an average-sized crop with good prices. In Maine, prices for wild blueberries have increased, although the volume harvested has declined.

Cranberries: National production for 2020 came in at 8,970,000 barrels, 2% higher than the 5-year average. Retail juice sales have increased substantially as a result of the pandemic.

Greenhouse and Nursery: Greenhouse and Nursery growers throughout the Northeast reported that 2020 was an exceptional year. With opportunities for travel and recreation limited by the pandemic, consumers focused on their homes and gardens, resulting in strong demand for flowers, shrubs, and trees.

Aquatic / Fishing: The Maine lobster industry was significantly impacted by the loss of both restaurant and export markets. Prices were low for much of 2020 although they showed recovery late in the year. Restrictions related to the endangered North Atlantic Right Whale are a concern for the industry. Scallop prices and catch levels have held up well. For groundfish, prices were lower than normal due to the lack of restaurant sales. Northeast aquaculture, which is mainly shellfish, has also suffered due to COVID-19 market impacts.

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.

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 \$8.2 billion at December 31, 2020, an increase of \$768.5 million, or 10.3% from the December 31, 2019 balance of \$7.4 billion. The combined period to period growth was driven by our branch-based farm loan portfolio which grew \$204.3 million, or 4.1%, as strong demand for agricultural products benefited our producers. Our residential Country Living mortgage program grew \$163.8 million, or 18.5%, as strong demand continued in our Local Service Area (LSA) for this product and our commercial loan group grew \$400.4 million, or 25.7% 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	2020		2019		2018	
Real estate mortgage	\$ 3,575,827	43.4%	\$ 3,313,001	44.4%	\$ 3,203,837	45.8%
Production and intermediate	2,811,878	34.2	2,694,110	36.1	2,544,044	36.4
Agribusiness	1,450,965	17.6	1,218,477	16.3	1,060,466	15.2
Rural infrastructure	303,471	3.7	154,459	2.1	105,614	1.5
Rural residential real estate	59,848	0.7	57,095	0.8	56,276	0.8
Other	29,773	0.4	26,106	0.3	22,870	0.3
Total Loans	\$ 8,231,762	100.0%	\$ 7,463,248	100.0%	\$ 6,993,107	100.0%

While we make loans and provide financial 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	2020	2019	2018
Purchased participations	\$ 1,782,262	\$ 1,353,817	\$ 1,149,175
Sold participations	\$ 1,025,912	\$ 1,024,874	\$ 911,759

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	2020	2019	2018
New York	46%	48%	49%
New Jersey	11	11	11
Maine	9	8	8
Massachusetts	6	6	6
Connecticut	4	5	5
Rhode Island, New Hampshire and other states	24	22	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	2020	2019	2018
Dairy	19.9%	21.4%	23.0%
Processing and Marketing	10.5	9.9	9.1
Timber	10.3	10.2	10.0
Cash Field	10.0	9.9	10.1
Livestock	8.7	9.2	9.6
Fruit	8.6	8.8	9.0
Aquatic	4.6	4.2	4.3
Farm Services	4.1	3.7	3.8
Utilities	3.6	2.0	1.7
Potato	3.6	3.1	2.6
Vegetables	3.4	3.9	3.6
Greenhouse	2.7	3.1	3.3
Nursery	2.6	3.1	3.2
All Other	7.4	7.5	6.7
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, 2020.

	Less than 1 year	1 – 3 years	3 – 5 years	Over 5 years	Total
Commitments to extend credit	\$ 1,533,031	\$ 993,746	\$ 196,162	\$ 12,714	\$ 2,735,653
Standby letters of credit	25,949	964	-	-	26,913
Commercial letters of credit	3,049	28,729	2,043	9,182	43,003
Total commitments	\$ 1,562,029	\$ 1,023,439	\$ 198,205	\$ 21,896	\$ 2,805,569

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	2020	2019	2018
Nonaccrual	\$ 37,440	\$ 39,901	\$ 45,771
Accruing loans 90 Days or more past due	780	2,734	757
Accruing restructured loans	581	347	617
Total Impaired Loans	\$ 38,801	\$ 42,982	\$ 47,145
Other Property Owned	817	1,657	2,609
Total High Risk Assets	\$ 39,618	\$ 44,639	\$ 49,754
Impaired Loans to Total Loans	0.47%	0.58%	0.68%
High Risk Assets to Total Loans	0.48%	0.60%	0.71%
Nonaccrual Loans to Total Loans	0.46%	0.54%	0.66%
Delinquencies as a % of performing loans	0.24%	0.39%	0.40%

The \$4.1 million decrease in impaired loans was largely due to a lower level of nonaccrual loans and lower volume of accruing 90 day loans in our portfolio. Nonaccrual loans totaled \$37.4 million, a decrease of \$2.5 million from the end of 2019. In general, the Association is adequately secured on much of the \$37.4 million in nonaccrual loan volume at December 31, 2020. However, the Association has established specific loan loss allowances of \$3.6 million on its nonaccrual loans.

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, 2020 other property owned totaled \$0.8 million, a decrease of \$0.9 million from the end of 2019. During 2020, two properties were acquired totaling \$0.5 million which were offset by five properties being disposed of

totaling \$1.3 million. Other property owned was \$2.6 million at December 31, 2018. 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 on-going 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	2020	2019	2018
Acceptable	92.96%	91.56%	92.20%
Special mention	4.24	4.66	4.27
Substandard/doubtful	2.80	3.78	3.53
Total	100.00%	100.00%	100.00%

Overall loan quality measures remain strong at December 31, 2020. During 2020 loans classified Acceptable increased by 1.4% of total loans while loans classified as Special Mention decreased by 0.4% of total loans from a year ago. The level of adversely classified loans (“Substandard,” “Doubtful” and “Loss”) as a percent of total loans and related accrued interest decreased from 3.8% a year ago to 2.8% at December 31, 2020. While overall loan quality measures remain strong at December 31, 2020, we do expect some deterioration during 2021 as there is uncertainty around the magnitude and duration of business disruptions related to COVID-19 and its impact on the economy.

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, 2020 has guarantees totaling \$290.2 million. In addition, the Association has loan guarantees with State agencies totaling \$15.0 million. The Association also participates in the Farmer Mac Long-Term Standby Purchase Commitment (LTSPC), and as of December 31, 2020, commitments totaling \$7.3 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 approve 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	2020	2019	2018
Components:			
Allowance for loan losses	\$ 73,879	\$ 84,234	\$ 78,370
Reserve for unfunded commitments	22,516	9,125	10,483
Allowance for Credit Losses (ACL)	\$ 96,395	\$ 93,359	\$ 88,853
ACL as a percentage of:			
Total loans	1.17%	1.26%	1.28%
Nonaccrual loans	257.5%	234.0%	194.13%
Impaired loans	248.4%	217.2%	188.47%

The Association has recognized a \$5.0 million provision for loan losses for each of the last three years. The allowance for credit losses increased as net charge offs of \$2.0 million were recorded and offset by the \$5.0 million provision for loan losses during 2020.

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 \$194.4 million for the twelve months ending December 31, 2020 an increase of \$8.2 million, or 4.4%, from \$186.2 million for 2019. Net income was \$177.9 million for the twelve months ending December 31, 2018. Our strong earnings primarily reflect higher net interest income and significantly higher noninterest income offset by higher operating expenses. The following table reflects key performance results (\$ in millions).

For the Year Ended December 31	2020	2019	2018
Net income	\$ 194.4	\$ 186.2	\$ 177.9
Net interest income	\$ 227.5	\$ 225.6	\$ 208.5
Net interest margin	2.92%	3.17%	3.11%
Return on average assets	2.39%	2.50%	2.54%
Return on average members equity	11.94%	12.18%	12.57%

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

Increase (decrease) due to:	2020 versus 2019	2019 versus 2018
Net interest income	\$ 1.8	\$ 17.1
Noninterest income	14.5	(5.3)
Noninterest expenses	(7.9)	(3.3)
Provision for income taxes	(0.2)	(0.2)
Total	\$ 8.2	\$ 8.3

NET INTEREST INCOME

Net interest income increased \$1.8 million or 0.8% to \$227.5 million in 2020, compared to \$225.6 million in 2019. Net interest income was \$208.5 million for the twelve months ending December 31, 2018. The following table quantifies the changes in net interest income (\$ in millions).

Changes in net interest income due to:	2020 versus 2019	2019 versus 2018
Loan volume and average loan rate	\$ (70.5)	\$ 39.4
Nonaccrual volume and other income	3.7	(0.5)
Borrowing levels and average cost of debt	56.5	(23.3)
Fixed rate loan repricing	(6.0)	-
Hedging activity	18.1	1.5
Total	\$ 1.8	\$ 17.1

The Association's average loan rate was 3.98% in 2020, down from 5.33% in 2019 while the Association's average cost of debt funding decreased by similar amounts to 1.54% in 2020 compared to 2.66% in 2019. Interest income and cost of debt are both lower due to decreases in publicized short-term rates which decreases both the Association's and our customer's cost of borrowing. The average interest rate spread over cost of funding decreased twenty three basis points year over year from 2.67% to 2.44%. The decrease in spread was due to the Association strategically lowering margins slightly within its loan portfolio. Of the \$1.8 million increase from 2019, \$70.5 million was due to decreased debt funded loan volume. Collection of nonaccrual and other interest income increased by \$3.7 million over 2019. Fixed rate loan repricing fees increased by \$6.0 million. The increased return on equity offset by slightly lower margin over cost of funding was \$56.5 million while the Association's hedging strategy increased net interest income by \$14.3 million, an \$18.1 million increase from 2019.

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	2020	2019	2018
Net interest income	\$ 227,490	\$ 225,649	\$ 208,523
Average balances:			
Average interest earning loans	\$ 7,781,715	\$ 7,128,678	\$ 6,704,670
Average interest bearing liabilities	\$ 6,382,575	\$ 5,822,909	\$ 5,484,438
Average rates:			
Interest earning loan	3.98%	5.33%	5.08%
Interest bearing liabilities	1.54%	2.66%	2.40%
Interest rate spread	2.44%	2.67%	2.68%
Net interest margin (interest income as a percentage of average interest earning loans)	2.92%	3.17%	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 \$5.0 million provision for loan losses for each of the years ended December 31, 2020, 2019 and 2018. This provision for loan losses is primarily due to growth in the loan portfolio.

NONINTEREST INCOME

Noninterest income increased \$14.5 million to \$80.9 million for the twelve months ended December 31, 2020 as compared to \$66.4 million in 2019. Noninterest income is primarily composed of patronage income, financially related services income, loan fees and compensation on participation loans. Noninterest income totaled \$71.7 million for the twelve months ending December 31, 2018.

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, 2020, CoBank patronage income totaled \$27.8 million, an increase of \$4.5 million from \$23.3 million in 2019. The 2020 CoBank patronage includes a special patronage distribution of \$4.8 million compared to a 2019 special patronage distribution of \$0.6 million. The patronage rates paid by CoBank on the Association's note payable were 36 basis points in 2020, 40 basis points in 2019 and 45 basis points in 2018. Patronage income from CoBank was \$28.8 million for the twelve months ending December 31, 2018 which included a special patronage distribution of \$4.1 million.

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, 2020, this revenue totaled \$9.7 million compared to \$7.9 million in 2019 and \$6.4 million in 2018.

Noninterest income also includes fees for financially related services, loan fees, compensation on participation loans and other noninterest income. These noninterest income sources totaled \$43.4 million for the twelve months ending December 31, 2020 an increase of \$8.2 million, or 23.4% from 2019. Included in noninterest income is \$1.6 million in refunds received for a portion of excess Insurance Fund premiums paid in prior years were essentially unchanged from 2019. 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. The Association received a \$5.1 million refund in 2018. Financially related services fee income is the largest component of noninterest income with \$27.7 million in revenue for the year ended December 31, 2020 a decrease of \$0.3 million, or (0.9%), compared to 2019. This decrease in financially related service fee income was partially a result of the pandemic impacting some customers capacity to utilize these services as in past years. Loan fees increased \$8.3 million to \$10.9 million at December 31, 2020. The increase is primarily a result of conversion fees associated with changes to customer fixed rate contracts and fee income received from new lending activity.

NONINTEREST EXPENSE

Noninterest expense totaled \$107.3 million for the twelve months ended December 31, 2020, an increase of \$7.9 million, or 8.0%, from \$99.4 million in 2019. Noninterest expense was \$96.0 million for the twelve months ended December 31, 2018.

Salaries and employee benefits is the primary component of noninterest expense and totaled \$68.2 million for the twelve months ended December 31, 2020, an increase of \$6.8 million from \$61.4 million for the twelve months ended December 31, 2019. The increase is primarily a result of higher retirement plan expenses, slightly higher staffing levels and normal merit and incentive compensation increases. Salary and employee benefits were \$59.9 million for the twelve months ended December 31, 2018.

Information technology services were \$16.4 million for the twelve months ended December 31, 2020, an increase of \$3.7 million from the twelve months ended December 31, 2019. The increase is primarily a result of higher expenses for new software, digital and cyber security initiatives. Information technology services were \$12.2 million for the twelve months ended December 31, 2018. Insurance fund premiums were \$5.5 million in 2020, an increase of \$0.7 million from December 31, 2019. Insurance fund premium rates are set by the Farm Credit System Insurance Corporation and were 8 basis points of adjusted insured debt obligations for the first six months of 2020 and increased to 11 basis points July 1, 2020 compared to 9 basis points in 2019. Insurance fund premiums were \$4.5 million in 2018 and the rate was 9 basis points. Noninterest expenses also include occupancy and equipment expense, other operating expenses and other property owned expenses. Other operating expenses were \$17.2 million in 2020 a decrease of \$3.2 million compared to 2019. This decrease is primarily related to lower travel and meeting expenses.

PROVISION FOR INCOME TAXES

The provision for income taxes was \$1.7 million for the twelve months ended December 31, 2020 compared to \$1.5 million at December 31, 2019. The effective tax rate was

0.9% for the year ended December 31, 2020, as compared to 0.8% for 2019. 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, 2018 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, 2020, the Association declared two separate qualified patronage dividends totaling \$89.0 million combined. \$59.0 million will be distributed in cash in 2021. An advanced cash patronage dividend of \$30.0 million was paid in July 2020. For the years ended December 31, 2019 and 2018, the Association declared \$70.0 million and \$65.0 million in qualified patronage dividends respectively which were distributed in cash in February of the following year. In 2019, a special cash patronage dividend of \$25.0 million was paid in October of that year and in 2018 a special cash patronage dividend of \$15.0 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, 2020, the Association's notes payable to CoBank totaled \$6.7 billion, which is a \$0.7 billion increase from \$6.0 billion at December 31, 2019. The Association's note payable was \$5.7 billion at December 31, 2018.

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	2020	2019	2018
Pricing Type:			
Variable rate loans	43.3%	43.8%	47.8%
Indexed loans (Prime, ARM, LIBOR)	23.1%	20.6%	17.9%
Fixed rate loans	33.6%	35.6%	34.3%

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	2020	2019	2018
Swap notional amount	\$ 1,265.0	\$ 1,135.0	\$ 1,025.0
Derivative asset (liabilities), net	\$ 17.7	\$ 8.4	\$ (5.4)
Cash (payments) receipts	\$ 14.3	\$ (3.8)	\$ (5.2)

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

MEMBERS' EQUITY

Members' equity totaled \$1.7 billion at December 31, 2020. Members' equity at December 31, 2020 was comprised of unallocated retained earnings of \$1.5 billion, additional paid-in capital of \$229.2 million, customer capital stock and participation certificates of \$16.0 million and accumulated other comprehensive loss of \$34.2 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.

The FCA Regulations requires the Association to maintain minimums for common equity tier 1 (CET 1), tier 1 capital, total regulatory capital (TRC) and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for non-risk adjusted ratios of tier 1 leverage and unallocated retained earnings (URE).

As shown in the following table, at December 31, 2020, 2019 and 2018, 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.

	2020	2019	2018	FCA Minimum with Buffer
Common Equity Tier 1 Capital Ratio (CET1)	17.09%	17.42%	17.72%	7.00%
Tier 1 Capital Ratio	17.09%	17.42%	17.72%	8.50%
Total Regulatory Capital Ratio (TRC)	18.17%	18.63%	18.92%	10.50%
Permanent Capital Ratio	17.24%	17.61%	17.91%	7.00%
Tier 1 Leverage Ratio	18.05%	18.35%	18.53%	5.00%
URE Leverage Ratio	19.84%	20.13%	20.31%	1.50%

For additional information, see Note 7 to 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, 2021, the board established capital ratio baselines under the New Capital Regulations as follows.

	2021 Target	Policy Minimum	FCA Minimum with Buffer
Common Equity Tier 1 Capital Ratio (CET1)	16.70%	12.00%	7.00%
Tier 1 Capital Ratio	16.70%	13.50%	8.50%
Total Regulatory Capital Ratio (TRC)	17.79%	15.50%	10.50%
Permanent Capital Ratio	16.84%	12.00%	7.00%
Tier 1 Leverage Ratio	17.59%	6.00%	5.00%
URE Leverage Ratio	19.55%	2.50%	1.50%

REGULATORY MATTERS

As of December 31, 2020, 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

Northeast net farm income is estimated higher in 2020 over 2019, but government programs were a significant part of the increase. Green industry and agricultural retail businesses had an outstanding year due to a surge in customer demand for local products and recreational opportunities. We enter 2021 with a great deal of uncertainty related to COVID-19, the general economy, and what will happen with government support programs.

The general U.S. economic outlook is still positive, as the recovery continues, although it has tapered off somewhat. GDP growth for 2021 is forecast at about 4.1%, following a contraction of negative 3.5% in 2020. Deployment of vaccines and a return to pre-pandemic normalcy will be important to restore the remaining portions of our economy that are still impacted by the virus. Global economic growth is likely to mirror conditions in the United States. Global growth in 2021 is forecast at about 4.4%, following a contraction of negative 4.2% in 2020.

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 2020 annual report is consistent with that in the consolidated financial statements.

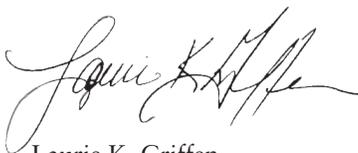
To meet its responsibility for reliable financial information, management depends on the Association's accounting and internal control systems which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. 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.

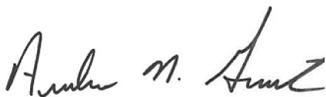
The undersigned certify the 2020 Annual Report to Stockholders has been reviewed and prepared in accordance with all applicable statutory or regulatory requirements and that the information contained herein is true, accurate and complete to the best of our knowledge and belief.



Michael J. Reynolds
Chief Executive Officer



Laurie K. Griffen
Chair of the Board



Andrew N. Grant
Chief Financial Officer

March 8, 2021

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

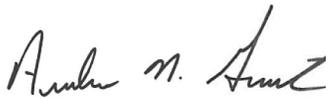
Farm Credit East’s principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association’s consolidated financial statements. For purposes of this report, “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, 2020. 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’s management concluded that as of December 31, 2020, 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, 2020.



Michael J. Reynolds
Chief Executive Officer



Andrew N. Grant
Chief Financial Officer

March 8, 2021

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 2020, the Committee met six times. 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 2020.

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 Association's audited consolidated financial statements for the year ended December 31, 2020, with management. The Committee also reviews with 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 2020, 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 Association's Annual Report to Stockholders for the year ended December 31, 2020 and for filing with the FCA.



Tim C. Chan
Audit Committee Chair

Other Committee Members:

Peter R. Call
David E. Hardie
Jay McWatters
Terry R. Zittel

March 8, 2021



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, 2020, 2019, and 2018, 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, 2020, 2019, and 2018, 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.

March 8, 2021

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)	2020	2019	2018
ASSETS			
Loans	\$ 8,209,864	\$ 7,434,982	\$ 6,964,353
Less: Allowance for loan losses	73,879	84,234	78,370
Net loans	8,135,985	7,350,748	6,885,983
Cash	27,836	21,481	23,395
Accrued interest receivable	22,740	28,489	28,760
Investment in CoBank, ACB	273,886	250,266	235,769
Premises and equipment, net	25,982	26,771	27,245
Other property owned	817	1,657	2,609
Other assets	82,070	69,571	60,759
Total Assets	\$ 8,569,316	\$ 7,748,983	\$ 7,264,520
LIABILITIES			
Notes payable to CoBank, ACB	\$ 6,736,597	\$ 6,036,193	\$ 5,657,199
Patronage distributions payable	59,000	70,000	65,000
Accrued interest payable	6,716	11,936	13,305
Reserve for unfunded commitments	22,516	9,125	10,483
Other liabilities	82,382	77,421	64,592
Total Liabilities	\$ 6,907,211	\$ 6,204,675	\$ 5,810,579
MEMBERS' EQUITY			
Capital stock and participation certificates	\$ 16,041	\$ 15,499	\$ 15,079
Additional paid-in capital	229,198	229,198	229,198
Unallocated retained earnings	1,451,018	1,345,666	1,255,417
Accumulated other comprehensive loss	(34,152)	(46,055)	(45,753)
Total Members' Equity	\$ 1,662,105	\$ 1,544,308	\$ 1,453,941
Total Liabilities and Members' Equity	\$ 8,569,316	\$ 7,748,983	\$ 7,264,520

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year Ended December 31 (dollars in thousands)	2020	2019	2018
INTEREST INCOME			
Loans	\$ 317,151	\$ 383,653	\$ 344,766
Other	502	641	446
Total interest income	317,653	384,294	345,212
INTEREST EXPENSE			
Notes payable to CoBank, ACB	90,143	158,629	136,677
Other	20	16	12
Total interest expense	90,163	158,645	136,689
Net interest income	227,490	225,649	208,523
Provision for loan losses	5,000	5,000	5,000
Net interest income after provision for loan losses	222,490	220,649	203,523
NONINTEREST INCOME			
Patronage income	37,459	31,246	35,223
Financially related services income	27,714	27,970	26,390
Compensation on participation loans, net	3,186	2,980	2,582
Loan fees	10,882	2,545	2,432
Other income	1,611	1,659	5,082
Total noninterest income	80,852	66,400	71,709
NONINTEREST EXPENSE			
Salaries and employee benefits	68,179	61,443	59,925
Information technology services	16,406	12,650	12,174
Insurance Fund premiums	5,551	4,824	4,542
Occupancy and equipment	4,221	4,249	4,328
Other operating expenses	12,935	16,186	15,048
Total noninterest expenses	107,292	99,352	96,017
Income before income taxes	196,050	187,697	179,215
Provision for income taxes	1,698	1,504	1,294
Net Income	\$ 194,352	\$ 186,193	\$ 177,921
OTHER COMPREHENSIVE INCOME (LOSS)			
Net change in retirement plan liabilities	9,310	(14,984)	4,588
Net change in cash flow hedges	2,593	13,738	1,627
Other Comprehensive Income (Loss)	11,903	(1,246)	6,215
Comprehensive Income	\$ 206,255	\$ 184,947	\$ 184,136

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, 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
Comprehensive Income (Loss)	-	-	194,352	11,903	206,255
Capital stock and participation certificates issued	1,716	-	-	-	1,716
Capital stock and participation certificates retired	(1,174)	-	-	-	(1,174)
Patronage Distribution	-	-	(89,000)	-	(89,000)
Balance at December 31, 2020	\$ 16,041	\$ 229,198	\$ 1,451,018	\$ (34,152)	\$ 1,662,105

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31 (dollars in thousands)	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 194,352	\$ 186,193	\$ 177,921
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	3,088	3,081	3,040
Provision for loan losses	5,000	5,000	5,000
Increase in accrued interest receivable	(370)	(841)	(6,599)
(Decrease) increase in accrued interest payable	(5,220)	(1,369)	4,120
Increase in other liabilities	30,255	10,225	3,465
Increase in other assets	(9,803)	(7,841)	(2,919)
(Gain) loss from sales of other property owned	(132)	(100)	(61)
Gain from sales of premises and equipment	(48)	(198)	(252)
Total adjustments	22,770	7,957	5,794
Net cash provided by operating activities	217,122	194,150	183,715
CASH FLOWS FROM INVESTING ACTIVITIES:			
Increase in loans, net	(784,650)	(469,169)	(363,843)
Increase in patronage refunds due from CoBank	(1,092)	(974)	(1,085)
Increase in investment in CoBank	(22,528)	(13,523)	(10,175)
(Decrease) increase in investments	(2,696)	(971)	252
Expenditures for premises and equipment	(2,365)	(2,733)	(5,249)
Proceeds from sales of other property owned	1,504	1,568	2,313
Proceeds from sales of premises and equipment	113	325	695
Net cash used in investing activities	(811,714)	(485,477)	(377,092)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Advances on notes payable under financing agreement with CoBank, ACB	7,620,477	7,131,165	5,649,539
Repayment of notes payable to CoBank, ACB	(6,920,072)	(6,752,172)	(5,406,774)
Capital stock and participation certificates issued	1,716	1,348	1,533
Capital stock and participation certificates retired	(1,174)	(928)	(1,262)
Patronage distributions paid	(100,000)	(90,000)	(75,000)
Net cash provided by financing activities	600,947	289,413	168,036
Net (decrease) increase in cash and cash equivalents	6,355	(1,914)	(25,341)
Cash and cash equivalents at beginning of year	21,481	23,395	48,736
Cash and cash equivalents at end of year	\$ 27,836	\$ 21,481	\$ 23,395
SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES:			
Income taxes paid, net of refunds	\$ 1,837	\$ 1,106	\$ 912
Accrued interest transferred to loans	6,119	1,112	1,105
Loans transferred to other property owned	532	519	3,414
Cash patronage distribution declared	59,000	70,000	65,000

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 financial 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, 2020, 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.

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 may 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 troubled debt restructuring is an impaired loan.

Loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days or more (unless adequately secured and in the process of collection) or 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."

On September 10, 2020, the FCA issued a final rule on criteria to reinstate nonaccrual loans that clarifies the factors that System institutions should consider when categorizing high-risk loans and placing them in nonaccrual status. The rule also revised the criteria by which loans are reinstated to accrual status, and it revised the application of the criteria to certain loans in nonaccrual status to distinguish between the types of risk that cause loans to be placed in nonaccrual status. The application of this rule did not impact the classification of any of our recorded nonaccrual balances at December 31, 2020.

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 \$2.7 billion of commitments to extend credit at December 31, 2020. 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." As of December 31, 2020, the allowance for credit losses totaled \$96.4 million, of which \$73.9 million related to

the allowance for loan losses and \$22.5 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, imprecision and variability. 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 Statements 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 distributions from CoBank 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.

OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) refers to revenue, expenses, gains and losses that under GAAP are recorded as an element of members' equity and comprehensive income but are excluded from net income. Accumulated other comprehensive income (loss) refers to the balance of these transactions. Farm Credit East records other comprehensive income adjustments associated with the Pension Plan (see Note 10) and adjustments related to derivative contracts used to manage interest rate risk on loans (see Note 15).

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.

INVESTMENT IN RURAL BUSINESS INVESTMENT COMPANIES

The Association and other System institutions are among the limited partners invested in a Rural Business Investment Company (RBIC). The carrying amount of the RBIC is accounted for under the equity method of accounting and is included in other assets in the consolidated Balance Sheets. The investment is assessed for impairment. If impairment exists, losses are included in other noninterest expense in the consolidated Statements of Income.

RECENTLY ISSUED OR ADOPTED ACCOUNTING PRONOUNCEMENTS

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which provides relief from certain requirements under GAAP, was signed into law. Section 4013 of the CARES Act gives certain entities temporary relief from the accounting and disclosure requirements for troubled debt restructurings (TDRs) and if certain criteria are met these loan modifications may not

need to be classified as TDRs. In response to the CARES Act, the FCA issued an informational memorandum allowing for temporary relief from accounting and disclosure requirements for TDRs. The Association adopted this relief for qualifying loan modifications. This TDR guidance applied to modifications made beginning March 1, 2020 and ended on December 31, 2020.

In March 2020, the Financial Accounting Standards Board (FASB) issued guidance entitled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contracts related to the replacement of the reference rate. With respect to hedge accounting, the guidance allows amendment of formal designation and documentation of hedging relationships in certain circumstances as a result of reference rate reform and provides additional expedients for different types of hedges, if certain criteria are met. The optional amendments are effective as of March 12, 2020, through December 31, 2022. The Association is evaluating the impact of adoption on the institution's financial condition and its results of operations.

In December 2019, the FASB issued guidance entitled "Simplifying the Accounting for Income Taxes." This guidance eliminates certain intra period tax allocations, foreign deferred tax recognition and interim period tax calculations. In addition, the guidance simplifies disclosure regarding capital and franchise taxes, the allocation of goodwill in business combinations, subsidiary financial statements and other disclosures. The new guidance is intended to eliminate and/or simplify certain aspects of income tax accounting that are complex or that require significant judgment in application or presentation. The guidance becomes effective for fiscal years beginning after December 15, 2021. Early adoption of the guidance is permitted and the Association adopted this guidance on January 1, 2020. The adoption of this guidance did not materially impact the institution's financial condition or results of operations; nor did the guidance impact the presentation of taxes for prior periods in the 2020 year-end financial statements.

In August 2018, the 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 became 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. The guidance is to be applied on a retrospective or prospective basis to all implementation costs incurred after the date of adoption. The Association adopted this new standard on January 1, 2020. The adoption did not have a material impact on the Association's consolidated financial position, results of operations or cash flows.

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 became effective for fiscal years ending after December 15, 2020. The guidance was applied on a retrospective basis for all periods. The Association adopted this new standard on December 31, 2020. The adoption of this guidance did not impact the Association's financial condition or its results of operations but did 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 became effective for interim and annual periods beginning after December 15, 2019. Early adoption was permitted and an entity was 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 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. 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 with early adoption permitted. 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.

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

LOANS OUTSTANDING

Loans outstanding by loan type are shown below.

December 31	2020		2019		2018	
Real estate mortgage	\$ 3,564,234	43.4%	\$ 3,299,720	44.4%	\$ 3,189,961	45.8%
Production and intermediate	2,804,349	34.2	2,683,757	36.1	2,533,160	36.4
Agribusiness	1,448,514	17.6	1,214,220	16.3	1,056,980	15.2
Rural infrastructure	303,368	3.7	154,304	2.1	105,330	1.5
Rural residential real estate	59,679	0.7	56,916	0.8	56,090	0.8
Other	29,720	0.4	26,065	0.3	22,832	0.3
Total Loans	\$ 8,209,864	100.0%	\$ 7,434,982	100.0%	\$ 6,964,353	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, 2020 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	\$ 22,575	\$ 46,237	\$ 257,994	\$ 15,618	\$ -	\$ -	\$ 280,569	\$ 61,855
Production and intermediate	74,793	170,518	416,489	109,577	34,110	-	525,392	280,095
Agribusiness	411,803	297,877	232,249	378,869	-	4,327	644,052	681,073
Rural infrastructure	304,216	-	-	-	-	-	304,216	-
Other	28,033	2,889	-	-	-	-	28,033	2,889
Total Loans	\$ 841,420	\$ 517,521	\$ 906,732	\$ 504,064	\$ 34,110	\$ 4,327	\$ 1,782,262	\$ 1,025,912

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 \$7.3 million, \$8.8 million and \$16.9 million at December 31, 2020, 2019 and 2018 respectively. Fees paid to Farmer Mac for such commitments totaled \$44 thousand at year end December 31, 2020. Fees paid were \$0.1 million at December 31, 2019 and December 31, 2018. These amounts are classified as noninterest expense. In addition to Farmer Mac, the Association has credit enhancements with federal and state agencies totaling \$305.2 million, \$290.4 million and \$267.4 million at December 31, 2020, 2019 and 2018 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, 2020	Acceptable	OAEM	Substandard/ Doubtful	Total
Real estate mortgage	39.9%	2.0%	1.6%	43.5%
Production and Intermediate term	31.7	1.6	0.9	34.2
Agribusiness	16.7	0.6	0.3	17.6
Rural infrastructure	3.7	-	-	3.7
Rural residential real estate	0.7	-	-	0.7
Other	0.3	-	-	0.3
Total	93.0%	4.2%	2.8%	100.0%

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%

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	2020	2019	2018
Nonaccrual loans:			
Current as to principal and interest	\$ 17,609	\$ 11,717	\$ 15,596
Past due	19,831	28,184	30,175
Total nonaccrual loans	\$ 37,440	\$ 39,901	\$ 45,771
Impaired accruing loans:			
Restructured accruing loans	\$ 581	\$ 347	\$ 617
Accruing loans 90 days or more past due	780	2,734	757
Total impaired accruing loans	\$ 1,361	\$ 3,081	\$ 1,374
Total impaired loans	\$ 38,801	\$ 42,982	\$ 47,145

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	2020	2019	2018
Nonaccrual loans:			
Real estate mortgage	\$ 20,609	\$ 19,129	\$ 16,385
Production and intermediate term	14,590	17,784	18,205
Agribusiness	1,863	2,663	10,757
Rural residential real estate	378	325	424
Total nonaccrual loans	\$ 37,440	\$ 39,901	\$ 45,771
Accruing restructured loans:			
Real estate mortgage	\$ 523	\$ 291	\$ 559
Production and intermediate term	58	58	62
Total accruing restructured loans	\$ 581	\$ 349	\$ 621
Accruing loans 90 days or more past due:			
Real estate mortgage	\$ 817	\$ 1,465	\$ 784
Production and intermediate term	-	1,374	-
Total accruing loans 90 days or more past due	\$ 817	\$ 2,839	\$ 784
Total impaired loans	\$ 38,838	\$ 43,089	\$ 47,176
Other property owned	\$ 817	\$ 1,657	\$ 2,609
Total high risk assets	\$ 39,655	\$ 44,746	\$ 49,785

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, 2020			For the Year Ended December 31, 2020	
	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	\$ 6,894	\$ 7,543	\$ 1,254	\$ 7,353	\$ (79)
Production and intermediate term	5,588	6,274	1,548	7,128	(42)
Agribusiness	1,778	4,910	780	3,831	(59)
Rural residential real estate	-	-	-	-	(6)
Total	\$ 14,260	\$ 18,727	\$ 3,582	\$ 18,312	\$ (186)
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	\$ 15,018	\$ 19,642	\$ -	\$ 22,484	\$ 1,191
Production and intermediate term	9,059	13,112	-	12,982	2,064
Agribusiness	86	533	-	1,897	1,258
Rural residential real estate	378	459	-	404	284
Total	\$ 24,541	\$ 33,746	\$ -	\$ 37,767	\$ 4,797
Total Impaired loans:					
Real estate mortgage	\$ 21,912	\$ 27,185	\$ 1,254	\$ 29,837	\$ 1,112
Production and intermediate term	14,647	19,386	1,548	20,110	2,022
Agribusiness	1,864	5,443	780	5,728	1,199
Rural residential real estate	378	459	-	404	278
Total	\$ 38,801	\$ 52,473	\$ 3,582	\$ 56,079	\$ 4,611

	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

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	2020	2019	2018
Interest income which would have been recognized under the original loan terms	\$ 3,712	\$ 4,983	\$ 4,141
Less: interest income recognized	4,458	719	1,232
Forgone interest income	\$ (746)	\$ 4,264	\$ 2,909

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, 2020, 2019 and 2018:

December 31, 2020	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	\$ 5,412	\$ 10,012	\$ 15,424	\$ 3,548,810	\$ 3,564,234	\$ 780
Production and intermediate term	11,519	7,710	19,229	2,785,120	2,804,349	-
Agribusiness	2,358	1,841	4,199	1,444,315	1,448,514	-
Rural infrastructure	-	-	-	303,368	303,368	-
Rural residential real estate	-	197	197	59,482	59,679	-
Other	-	-	-	29,720	29,720	-
Total Loans	\$ 19,289	\$ 19,760	\$ 39,049	\$ 8,170,815	\$ 8,209,864	\$ 780

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

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 table presents additional information regarding troubled debt restructurings (whether accrual or nonaccrual in each year) that occurred during the period.

	Year Ended December 31, 2020		Year Ended December 31, 2019		Year Ended December 31, 2018	
	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	\$ 869	\$ 869	\$ -	\$ -	\$ 7	\$ 7
Total	\$ 869	\$ 869	\$ -	\$ -	\$ 7	\$ 7

* 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 \$11 thousand additional commitments to lend to borrowers whose loans have been modified in TDRs at December 31, 2020. There were no commitments to lend to borrowers whose loans have been modified as TDRs at December 31, 2019 and December 31, 2018.

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, 2020	December 31, 2019	December 31, 2018	December 31, 2020	December 31, 2019	December 31, 2018
Real estate mortgage	\$ 1,183	\$ 350	\$ 638	\$ 659	\$ 61	\$ 79
Production and intermediate term	69	72	238	12	15	176
Total	\$ 1,252	\$ 422	\$ 876	\$ 671	\$ 76	\$ 255

* 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, 2020	Real Estate Mortgage	Production and Intermediate	Agribusiness	Rural infrastructure	Rural Residential Real Estate	Other	Total
Allowance for Loan Losses							
Beginning balance	\$ 25,533	\$ 35,515	\$ 21,338	\$ 1,556	\$ 145	\$ 147	\$ 84,234
Charge-offs	(499)	(389)	(3,090)	-	-	-	(3,978)
Recoveries	1,748	266	-	-	-	-	2,014
Provision for loan losses	(7,897)	(8,814)	19,877	1,762	16	56	5,000
Transfers (to) from reserve for unfunded commitments	(2,172)	(3,266)	(7,220)	(671)	(26)	(36)	(13,391)
Ending balance	\$ 16,713	\$ 23,312	\$ 30,905	\$ 2,647	\$ 135	\$ 167	\$ 73,879
Reserve for Unfunded Commitments							
Beginning balance	\$ 2,780	\$ 3,705	\$ 2,429	\$ 177	\$ 17	\$ 17	\$ 9,125
Transfers (to) from allowance for loan losses	2,172	3,266	7,220	671	26	36	13,391
Ending balance	\$ 4,952	\$ 6,971	\$ 9,649	\$ 848	\$ 43	\$ 53	\$ 22,516
Allowance for Credit Losses	\$ 21,665	\$ 30,283	\$ 40,554	\$ 3,495	\$ 178	\$ 220	\$ 96,395
Allowance for Credit Losses							
Ending balance, allowance for credit losses related to loans:							
Individually evaluated for impairment	\$ 1,254	\$ 1,548	\$ 780	\$ -	\$ -	\$ -	\$ 3,582
Collectively evaluated for impairment	20,411	28,735	39,774	3,495	178	220	92,813
Total	\$ 21,665	\$ 30,283	\$ 40,554	\$ 3,495	\$ 178	\$ 220	\$ 96,395
Loans							
Ending balance for loans:							
Individually evaluated for impairment	\$ 21,913	\$ 14,647	\$ 1,863	\$ -	\$ 378	\$ -	\$ 38,801
Collectively evaluated for impairment	3,542,321	2,789,702	1,446,651	303,368	59,301	29,720	8,171,063
Total	\$ 3,564,234	\$ 2,804,349	\$ 1,448,514	\$ 303,368	\$ 59,679	\$ 29,720	\$ 8,209,864

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	32	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

NOTE 4 – INVESTMENT IN COBANK, ACB

At December 31, 2020, 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 7.02% of the issued stock of the ACB as of December 31, 2020. As of that date, the ACB's assets totaled \$158.6 billion and members' equity totaled \$11.9 billion. The ACB earned net income of \$1.3 billion during 2020.

NOTE 5 – PREMISES AND EQUIPMENT

Premises and equipment consists of the following:

December 31	2020	2019	2018
Land	\$ 1,569	\$ 1,569	\$ 1,569
Buildings and improvements	35,238	34,308	33,232
Furniture and equipment	8,559	8,075	7,525
Autos	4,919	5,012	4,990
Construction in progress	831	104	845
Premises and equipment at cost	\$ 51,116	\$ 49,068	\$ 48,161
Less: accumulated depreciation	25,134	22,297	20,916
Total premises and equipment, net	\$ 25,982	\$ 26,771	\$ 27,245

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 GFA matures on December 31, 2022. Management expects renewal of the GFA at that

time. The Association was in compliance with the terms and conditions of the GFA as of December 31, 2020. 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 1.54% for the year ended December 31, 2020. The weighted average interest rate was 2.66% for the year ended December 31, 2019 and 2.40% for the year ended December 31, 2018.

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, 2020, 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% 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, regulatory capital requirements for Banks and Associations were adopted. These 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 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 2020	Ratios as of 2019	Ratios as of 2018	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	17.09%	17.42%	17.72%	7.0%	4.5%
Tier 1 Capital	CET1 Capital, non-cumulative perpetual preferred stock	Risk-adjusted assets	17.09%	17.42%	17.72%	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	18.17%	18.63%	18.92%	10.5%	8.0%
Tier 1 Leverage**	Tier 1 Capital	Total assets	18.05%	18.35%	18.53%	5.0%	4.0%
Unallocated Retained Earnings and URE Equivalents (UREE) Leverage	URE and URE Equivalents	Total assets	19.84%	20.13%	20.31%	—	1.5%
Permanent Capital	Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt, subject to certain limits	Risk-adjusted assets	17.24%	17.61%	17.91%	—	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, 2020, the Association had 2,943,097 shares of Class B stock outstanding at a par value of \$5 per share, 264,425 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. In July 2020, an advance patronage payment of \$30 million was distributed in cash to provide members with additional liquidity and cash flow. The remaining cash patronage dividends are distributed in February of the subsequent year.

Earnings Year	Cash Distribution	Special Cash Distribution
2020	\$89,000	-
2019	\$70,000	\$25,000
2018	\$65,000	\$15,000

ACCUMULATED OTHER COMPREHENSIVE INCOME/LOSS

Farm Credit East, ACA reports accumulated other comprehensive income (loss) in its consolidated Statements of Changes in Members' Equity. As described in Note 2, other comprehensive income (loss) results from the recognition of the Pension Plan's net unamortized gains and losses and prior service costs or credits and the unrealized holding gain or loss on cash flow derivatives. There were no other items affecting comprehensive income or loss.

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

December 31	2020	2019	2018
Cash flow hedges	\$ 17,686	\$ 8,376	\$ (6,306)
Pension and other benefit plans	(51,838)	(54,431)	(39,447)
Total	\$ (34,152)	\$ (46,055)	\$ (45,753)

	Cash flow hedges, net	Pension and other benefit plans
Balance at December 31, 2019	\$ 8,376	\$ (54,431)
Net current period other comprehensive (loss) income	9,310	2,593
Balance at December 31, 2020	\$ 17,686	\$ (51,838)

	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)

	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)

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	2020	2019	2018
CoBank	\$ 33,460	\$ 28,198	\$ 32,647
Other	3,999	3,048	2,576
Total	\$ 37,459	\$ 31,246	\$ 35,223

Patronage distributions from CoBank relating to the Association's average direct note borrowings are distributed in cash. For CoBank patronage relating to participated loan volume, a portion is distributed in cash and the remainder in the form of stock. The \$33.5 million accrued will be paid by CoBank in March 2021. The amount declared in December 2019 and December 2018 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	2020	2019	2018
Current:			
Federal	\$ 1,302	\$ 1,124	\$ 963
State	396	380	331
Total current provision for income taxes	1,698	1,504	1,294
Deferred:			
Federal	2,450	1,569	(5,088)
State	848	533	(1,738)
Total deferred provision (benefit) from income taxes	3,298	2,102	(6,826)
(Decrease) increase in deferred tax asset valuation allowance	(3,298)	(2,102)	6,826
Provision for income taxes	\$ 1,698	\$ 1,504	\$ 1,294

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	2020	2019	2018
Federal tax at statutory rate	\$ 41,170	\$ 39,416	\$ 37,635
State tax, net	313	300	261
Effect of nontaxable activities	(24,654)	(27,071)	(26,555)
Patronage distribution	(12,549)	(12,781)	(15,506)
Change in valuation allowance	(3,298)	(2,102)	6,826
Return to provision	-	3,099	-
Other	716	643	(1,367)
Provision for income taxes	\$ 1,698	\$ 1,504	\$ 1,294

Deferred tax assets and liabilities are comprised of the following:

December 31	2020	2019	2018
Deferred income tax assets:			
Allowance for loan losses	\$ 9,830	\$ 13,105	\$ 12,320
Nonaccrual loan interest	1,524	1,046	913
Annual leave	812	597	576
Health reserve	452	432	445
Long term incentive	921	850	746
Deferred compensation	971	1,259	1,226
Retirement plans	10,626	11,359	6,690
Postretirement benefits other than pensions	142	144	216
Other	463	369	217
Gross deferred tax assets	25,741	29,161	23,349
Less: valuation allowance	(19,568)	(23,525)	(21,796)
Deferred tax assets, net	6,173	5,636	1,553
Deferred income tax liabilities:			
Bank patronage after December 31, 1992	(447)	(447)	(447)
CoBank patronage	(4,750)	(4,083)	-
Depreciation	(544)	(694)	(764)
Deferred gain	(432)	(412)	(342)
Gross deferred tax liability	(6,173)	(5,636)	(1,553)
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 2020, 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, 2020, 2019 and 2018. 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 2020. 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 2017 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, 2020. 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 \$3.2 million, \$3.0 million and \$2.9 million at December 31, 2020, 2019 and 2018 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, 2020, 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	2020	2019	2018
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	\$ 180,248	\$ 149,130	\$ 157,596
Service cost	3,530	3,071	3,341
Interest cost	5,647	6,478	5,756
Plan amendments	-	3,091	-
Actuarial (gain) loss	17,232	25,933	(10,532)
Transfers	-	182	-
Benefits paid	(11,925)	(7,637)	(7,031)
Projected benefit obligation at end of year	\$ 194,732	\$ 180,248	\$ 149,130
Change in plan assets:			
Fair value of plan assets at beginning of year	\$ 137,205	\$ 123,836	\$ 130,251
Actual return on plan assets	20,799	18,635	(1,742)
Employer contributions	8,347	2,189	2,358
Transfers	-	182	-
Benefits paid	(11,925)	(7,637)	(7,031)
Fair value of plan assets at end of year	\$ 154,426	\$ 137,205	\$ 123,836
Funded status of the plan:			
Net asset (liability) recognized in the balance sheet	\$ (40,305)	\$ (43,043)	\$ (25,294)
Amounts recognized in accumulated other comprehensive income:			
Unrecognized prior service cost	\$ 4,788	\$ 6,165	\$ 4,091
Unrecognized net actuarial loss	45,160	46,213	33,368
Total Loss	\$ 49,948	\$ 52,378	\$ 37,459

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

December 31	2020	2019	2018
Projected Benefit Obligation:			
Funded Qualified Plans	\$ 191,183	\$ 170,998	\$ 143,499
SERP	3,549	9,250	5,631
Total	\$ 194,732	\$ 180,248	\$ 149,130
Accumulated Benefit Obligation:			
Funded Qualified Plans	\$ 166,771	\$ 148,272	\$ 124,934
SERP	183	6,159	4,833
Total	\$ 166,954	\$ 154,431	\$ 129,767

The \$154.4 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 \$191.2 million and \$166.8 million, respectively, as of December 31, 2020.

The Association holds assets in trust accounts related to its SERP plan. Such assets had a fair value of \$10 thousand as of December 31, 2020, 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 \$3.5 million and \$0.2 million, respectively, as of December 31, 2020.

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	2020	2019	2018
Net periodic benefit cost			
Service cost	\$ 3,530	\$ 3,071	\$ 3,341
Interest cost	5,647	6,478	5,755
Expected return on plan assets	(7,598)	(7,438)	(7,337)
Amortization of unrecognized:			
Prior service cost	1,163	1,016	1,047
Actuarial loss	4,274	1,892	3,270
Net periodic benefit cost	\$ 7,016	\$ 5,019	\$ 6,076
Settlement expense	808	-	-
Curtailed expense	215	-	-
Total ASC 715 expense	\$ 8,039	\$ 5,019	\$ 6,076

Year Ended December 31	2020	2019	2018
Other Changes in Plan Assets and Benefit Obligation Recognized in Other Comprehensive Income			
Net actuarial (gain) loss	\$ 4,030	\$ 14,736	\$ (1,451)
Prior service cost	-	3,091	-
Amortization of:			
Prior service credit	(1,377)	(1,016)	(1,047)
Net actuarial gain	(5,082)	(1,892)	(3,270)
Total recognized in other comprehensive income	\$ (2,429)	\$ 14,919	\$ (5,768)

The Association anticipates that its total pension expense for all retirement plans will be approximately \$6.3 million in 2021 compared to \$8.0 million in 2020.

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	2020	2019	2018
Discount rate	2.60%	3.30%	4.45%
Rate of compensation increase (qualified plans only)	3.40%	3.60%	3.60%

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

December 31	2020	2019	2018
Discount rate	3.30%	4.45%	3.75%
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%	3.60%

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, 2020, 2019 and 2018 are shown in the following table, along with the adopted range for target allocation percentages by asset class as of December 31, 2020. 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 Committee.

	Target Allocation Range⁽¹⁾	Percentage of Plan Assets at December 31,		
		2020	2019	2018
Asset Category				
Domestic Equity	33.0 – 37.0%	30%	39%	38%
Domestic Fixed Income	36.5 – 40.5	42	43	40
International Equity				
Emerging Markets Equity and Fixed Income	24.5 – 28.5	23	13	17
Hedge Funds	-	5	5	5
Total	100%	100%	100%	100%

⁽¹⁾ During late 2020, the Retirement Trust Committee approved new targeted asset allocations for the Plans which will be fully implemented during 2021. The new targets are the result of the Committee's adoption of a liability-driven investment strategy designed to manage funded status volatility of the Plans.

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, 2020 for each of the fair value hierarchy levels as defined in Note 2:

December 31, 2020	Level 1	Level 2	Level 3	NAV⁽¹⁾	Total
Asset category					
Cash	\$ 173	\$ -	\$ -	\$ -	\$ 173
Domestic Equity:					
Large-cap growth funds ²	20,908	-	-	20,904	41,812
Small-cap growth funds ²	-	-	-	7,318	7,318
International Equity:					
International funds ³	17,629	-	-	9,079	26,708
Domestic Fixed Income:					
Total return funds ⁴	31,947	-	-	-	31,947
Bond funds ⁵	-	28,951	-	-	28,951
Emerging Markets:					
Equity and fixed income funds ⁶	10,530	-	-	3	10,533
Hedge Funds ⁷	-	-	-	6,984	6,984
Total	\$ 81,187	\$ 28,951	\$ -	\$ 44,288	\$ 154,426

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 and no transfers into or out of the Level 3 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 2021, the Association expects to contribute \$2.1 million to its defined benefit retirement plans and \$0.2 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
2021 Payouts	\$ 7,925
2022 Payouts	7,842
2023 Payouts	8,479
2024 Payouts	8,783
2025 Payouts	9,153
2026 Payouts to 2030 Payouts	51,031

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	2020	2019	2018
Net asset (liability) recognized on balance sheet	\$ (214)	\$ (193)	\$ (100)
Accumulated postretirement benefit obligation	\$ (539)	\$ (549)	\$ (820)
Accumulated other comprehensive loss	\$ 325	\$ 355	\$ 721
Net periodic expense	\$ 55	\$ 111	\$ 115
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 \$48 thousand in 2021 unchanged from 2020.

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	2020	2019	2018
New loans/advances	\$ 63,973	\$ 87,826	\$ 73,063
Repayments	64,491	78,499	62,845
Other	(1,564)	1,344	(27,139)
Ending balance	\$ 88,419	\$ 90,501	\$ 79,830

Other changes to the related party loan balance represent changes in the composition of Association directors and/or senior officers during 2020. In the opinion of management, none of these loans outstanding at December 31, 2020 involved more than a normal risk of collectability and none of these loans are in nonaccrual status.

As of December 31, 2020, the Association's investment in Financial Partners, Inc. (FPI) was \$3.3 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, 2020, 2019 and 2018 were \$10.1 million, \$10.4 million and \$9.8 million respectively.

As of December 31, 2020, the Association's investment in Rural Investments, LLC was \$12 thousand which is included in other assets. Interest income recorded related to Rural Investments was \$34 thousand for the year ended December 31, 2020, \$58 thousand for the year ended December 31, 2019 and \$50 thousand for the year ended December 31, 2018.

As of December 31, 2020, the Association's investment in FarmStart, LLP was \$2.2 million which is included in other assets. Accounting for this investment is on the equity method. FarmStart recorded income of \$30 thousand, \$41 thousand and a loss of \$29 thousand for the years ended December 31, 2020, 2019 and 2018, respectively.

As of December 31, 2020, the Association's investment in AgDirect, LLP is \$6.3 million which was included in other assets. Accounting for this investment is on a cost basis. Income recorded related to AgDirect, LLP was \$0.6 million, \$0.5 million and \$0.3 million for the years ended December 31, 2020, 2019 and 2018, respectively.

As of December 31, 2020, the Association's investment in Blue Highway Growth Capital Fund, LP (Blue Highway) is \$1.3 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. The Association recorded a loss of \$0.2 million for the year ended December 31, 2020.

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, 2020, 2019 and 2018 were \$2.6 million, \$2.4 million and \$2.0 million, respectively.

As of December 31, 2020, 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 2020, 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, 2020, \$2.7 billion of commitments to extend credit, \$43.0 million of commercial letters of credit and \$26.9 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			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
2020				
Derivative assets	\$ -	\$ 17,737	\$ -	\$ 17,737
Assets held in trust	\$ 8,390	\$ -	\$ -	\$ 8,390
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
Liabilities:				
2020				
Derivative liabilities	\$ -	\$ 51	\$ -	\$ 51
2019				
Derivative liabilities	\$ -	\$ 832	\$ -	\$ 832
2018				
Derivative liabilities	\$ -	\$ 7,171	\$ -	\$ 7,171

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:				
2020				
Impaired loans	\$ -	\$ -	\$ 35,219	\$ 35,219
Other Property Owned	\$ -	\$ -	\$ 913	\$ 913
Rural Investments, LLC	\$ -	\$ -	\$ 12	\$ 12
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

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	2020			2019			2018		
	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	\$8,135,985	\$ 8,387,555	Level 3	\$7,350,748	\$7,421,749	Level 3	\$6,885,983	\$6,917,614	Level 3
Cash	\$ 27,836	\$ 27,836	Level 1	\$ 21,481	\$ 21,481	Level 1	\$ 23,395	\$ 23,395	Level 1
Financial liabilities:									
Notes payable to ACB	\$6,736,597	\$ 6,852,870	Level 3	\$6,036,193	\$ 6,078,845	Level 3	\$5,657,199	\$ 5,589,455	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	2020	2019	2018
Interest Rate Contracts	\$ 1,265,000	\$ 1,135,000	\$ 1,025,000

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⁾
2020		
Interest Rate Contracts	\$ 17,737	\$ 51
2019		
Interest Rate Contracts	\$ 9,208	\$ 832
2018		
Interest Rate Contracts	\$ 1,809	\$ 7,171

⁽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	2020	2019	2018
Interest Rate Contracts	\$ 14,334	\$ (3,765)	\$ (5,227)

⁽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	2020	2019	2018
Interest Rate Contracts	\$ 9,310	\$ 13,738	\$ 1,627

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 8, 2021 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 2020 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 2021 election cycle there are three open director seats to be elected for four-year terms.

Farm Credit East has three Nominating Regions as shown on the map on the inside back cover of this Annual Report. 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 is 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: Compensation Committee, Audit Committee, Business Risk Committee and a Governance/Stewardship 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 two other directors designated by the Board, each representing a nominating region other than those represented by the chair or vice chair. The Board Chair has the authority to appoint one other member. 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 Committee is responsible for reviewing compensation policies and plans for senior officers and employees including the performance and compensation for the Chief Executive Officer.

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 Farm Credit East management and any other System entity. Each committee member shall be knowledgeable in at least one of the following areas: public and corporate finance, accounting procedures, and/or financial reporting and disclosure. 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 primary purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities for internal controls over financial reporting (ICFR), the integrity of the Association's financial statements, the Association's compliance with legal and regulatory requirements, the external auditors qualifications and independence, and the performance of the Association's internal audit function, quality assurance function and external auditors. The Audit Committee has unrestricted access to representatives of the internal audit and risk management departments, financial management, and our independent auditors.

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, 2020 and 2019 follow:

For the year ended December 31	2020	2019
Audit	\$ 240,000	\$ 197,000
Audit-related	45,000	10,000
Tax	50,700	51,761
Total	\$ 335,700	\$ 258,761

BUSINESS RISK COMMITTEE

The Business Risk Committee members are appointed by the board chair in consultation with the board officers. The committee is primarily responsible for assisting the Board in fulfilling its oversight responsibilities related to business and enterprise-wide risk. The committee oversees that management effectively addresses risks including but not limited to the following areas: strategic, credit, operational, regulatory, reputation and financial.

GOVERNANCE/STEWARDSHIP COMMITTEE

The Governance/Stewardship 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, regulatory compliance, board governance, the outside director election process, director compensation, ethics, and conflict of interest matters. In addition, the committee provides oversight and direction of the Association's stewardship initiatives and Knowledge Exchange program, inclusive of marketing and communications activity. The committee represents Farm Credit East on the governing council of FarmStart, LLP.

OTHER COMMITTEES

NOMINATING COMMITTEE

The Nominating Committee is comprised of at least 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 an 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, 2020, 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:

LAURIE KEENE GRIFFEN, Schuylerville, NY, has served as director since 2011, with her current term expiring in 2023. She currently serves as *Board Chair* and is a member of the Executive and Compensation committees. She previously served as Governance Committee Chair. Laurie is co-owner/operator of Saratoga Sod Farm, Inc., a 600-acre turfgrass farm in Stillwater, New York, with her husband Steve. In addition to producing and selling high quality turfgrass products, Saratoga Sod also provides sod installation services, sales of seed and fertilizer products 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 their crop rotation program. In addition, Laurie is presently vice chair of the Town of Saratoga Planning Board, co-chair of the Schuyler Park Committee, trustee of the Quaker Springs United Methodist Church and serves on the New York Farm Bureau Labor Committee.

JOHN P. KNOPF, Canandaigua, NY, has served as director since 2013, with his current term expiring in 2021. He currently serves as *Vice Chair*, is a member of the Executive Committee and chair of the Compensation Committee. John has past experience as chair of the board's Audit Committee. John and his partner Robert DiCarlo are owners of Fa-Ba Farms, LLC, a dairy business milking 580 cows and caring for 400 replacement animals. Production land includes 800 acres devoted to forage production. John also owns a controlling interest in Knopf Real Estate Partners. 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.

KURT W. ALSTEDE, Chester, NJ, was elected director in 2019 to a term expiring in 2023. He is a member of the Board's Governance/Stewardship Committee. Kurt is founder, and owns with his wife and children, Alstede Farms, LLC, an 800-acre vertically integrated fruit and vegetable farm. He serves as the farm's general manager. The farm includes tree fruit, small fruit, vegetables, ornamentals, a year-round store, food processing, Pick-Your-Own and traditional agritourism. Kurt is a director of the Morris County Tourism Bureau, vice chair of the New Jersey Highlands Council Regional Planning Authority, and is active in the New Jersey Farm Bureau and the Morris County Board of Agriculture. He is president of the Pleasant Hill Cemetery Association, is a trustee of the Ralston Cider Mill Museum, and is a trustee of the First Congregational Church of Chester. He previously served as a member of

the State Committee of the USDA Farm Service Agency. Additionally, Kurt is secretary of the Chester Fireman's Relief Association and has been an active volunteer firefighter for 39 years.

MICHAEL N. BROOKS, Elmer, NJ, has served as director since 2014, with his current term expiring in 2022. He is a past chair of the AgInitiatives Committee and currently serves on the Governance/Stewardship Committee. Mike owns Dusty Lane Farms, LLC, in partnership with his parents William and Diane Brooks. Dusty Lane Farms is a diverse 2,000-acre irrigated operation producing white potatoes, peppers, spinach, cabbage, sweet corn, corn, wheat 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.

BARRY A. BUCK, Mapleton, ME, was elected director in 2020 to a four-year term expiring in 2024. He is a member of the Governance/Stewardship Committee as well as the Farm Credit Northeast AgEnhancement Review Committee. Barry has over 25 years of experience on the family's seed potato farm and was integral in developing new markets for the farm. In 2015, the Buck's diversified their farm with the addition of a malt house/grain facility to add value to crops they were producing. Barry is past president of the Central Aroostook Young Farmers and is currently a member of the board of selectman for the town of Mapleton, a position he has held for nearly 20 years.

PETER R. CALL, Batavia, NY, has served as director since 2015 and his current term expires in 2023. He is a member of the Audit 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. 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. Peter is on the Seneca Foods Board of Directors and the Farm Fresh First Board. He is a member of Cornell University Board of Trustees.

TIM C. CHAN, Claremont, NH, has served as an outside director since 2015 and his current term expires in 2023. He serves as chair of the Board's Audit Committee as well as the board's designated Financial Expert. 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. His current term expires in 2024. He serves on the Board's Audit Committee and has previously been on the Governance and AgInitiatives committees. Skip is a partner in Walnut Ridge Dairy, LLC, along with Steve Palladino, John Fleming and Keith Chapin. The farm milks 1,700 cows and crops 2,200 acres. Skip is a director of the American Dairy Association North East. He is a member of the board of directors of Dairy Management, Inc and is the board secretary. In addition, Skip is a director of the US Dairy Export Council.

PHILIP J. "JAMIE" JONES, Shelton, Conn., was elected director in 2018 to a term expiring in 2022. He is Chair of the Governance/Stewardship Committee. Jamie is owner and founder of Jones Family Farms Winery, LLC, which he established in 2004. He is the sixth generation to work the land of the Jones Family Farms. He manages the business with his wife, Christiana and his parents Terry and Jean Jones. Jamie oversees a diverse agricultural and farm hospitality operation focused on harvest your own berries, vineyards, pumpkins and Christmas trees. He serves as a director of the Fairfield County Farm Bureau, the Connecticut Vineyard and Winery Association and the Governor's Council for Agricultural Development as well as on the Shelton Zoning Board of Appeals.

LOUANNE F. KING, Madrid, NY, was elected director in 2017, with her current term expiring in 2021. She serves as Chair of the Board's Business Risk Committee. LouAnne is an owner of Mapleview Dairy LLC with her brother, David Fisher and extended family. The family operates multiple businesses which encompass a 3,400-cow dairy, a 3,400 head replacement heifer facility, and approximately 5,000 acres for forage and grain. LouAnne serves as office and financial manager, while providing human resource functions, management support and mentoring the next generation of managers. LouAnne is a past member of the NEDPA board; the NYS Dairy Promotion Advisory Board; Pro-Dairy Advisory Board; the St. Lawrence County Cornell Cooperative Extension Farm Profit Team; and the St. Lawrence County Dairy Princess Committee, and currently serves on the Northeast Agricultural Education Foundation Board.

JAMES A. ROBBINS II, Searsmont, Maine, was elected director in 2019 to a term expiring in 2023. He currently serves on the Governance/Stewardship 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 and steam to dry lumber. James is also member of the Northeast Lumber Manufacturers Association (NELMA). Previously, he was chair of Maine's SFI Implementation Committee and 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 a member of the Business Risk Committee and also serves on the Executive and Compensation committees. 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 these plants to independent garden centers, nurseries, landscapers and landscape distributors throughout the Northeast and Mid-Atlantic. In addition, Prides Corner also grows and supplies a pre-vegetated 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 2024. He is a member of the Business Risk Committee and previously served on the Audit committee and as chair of the AgInitiatives Committee. Doug owns Sheland Farms, LLC, which is a multi-generational family farm business run in partnership with his brother Todd and sons Devon and Erik. The family farms 3,000 acres and milks 920 cows. They also operate Sheland Farms Services, doing field work for other farms. Doug served five two-year terms on the USDA-NRCS Agricultural Air Quality Task Force, has been a member of Pro-Dairy/New York Farm Viability Dairy Advisory Committee, New York Farm Bureau Board of Directors and Jefferson County Farm Bureau President. Doug is the Town of Ellisburg Supervisor, serves on the New York Agriculture Commissioner's Dairy Marketing Advisory Committee, the Jefferson County Agricultural Council and also chairs the Jefferson County Agriculture and Farmland Protection Board.

KEITH M. STOLZENBURG, East Amherst, NY, was appointed as an outside director in 2019, and passed away on September 4, 2020. Keith was a financial services assurance partner, the managing partner of the Buffalo, N.Y., office, and 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 was also a certified public accountant.

PETER H. TRIANDAFILLOU, Old Town, Maine, was appointed as the customer appointed forestry expert in 2016 with his current term expiring in 2022. He serves on the Board's Business Risk Committee. Peter retired as

vice president of woodlands for Huber Resources Corp., a timber management firm managing 980,000 acres in six states. Peter is also 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 past board member of the North Maine Woods Corporation 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 and serves on the board of the Farm Credit Council.

TERRY R. ZITTEL, Eden, NY, was elected in 2018 to a term expiring in 2022. She serves on the Board's Audit Committee. Terry is corporate secretary and business manager of Amos Zittel & Sons, Inc., a wholesale vegetable, flower and retail market business. Zittel's grow 400 acres of hand harvested fresh market vegetables, including sweet corn, peppers, lettuce, cabbage, broccoli, brussel sprouts, grape tomatoes and squash. In addition, they grow rooted liners and finished spring flowers in a 3-acre greenhouse range. Terry is on the board of directors of Eden Community Foundation and Harvest Malawi, an irrigation/education project in Africa.

DIRECTOR COMPENSATION

During the first four months of 2020, 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 may elect to waive all or half of their per diem.

Effective May 1, 2020, director compensation was changed to an annual retainer to be paid in equal quarterly installments. All board members receive an annual base retainer of \$46,000. The chairs of the Business Risk and the Governance/Stewardship committees are paid \$48,000, the Board Vice Chair is paid \$50,000, the Audit Chair is paid \$55,000 and the Board Chair is paid \$60,000, reflecting the unique responsibilities and significant additional time demands of these positions.

Directors are expected to prepare for and attend seven regularly scheduled Board meetings and prior approval from the Board Chair is required for a Director to be excused from attending these meetings. The annual retainer will be reduced by \$5,000 for each unexcused absence. The retainer includes time spent for preparation and attendance at committee meetings, attending local customer service council meetings, attendance at the Association's annual meeting, attendance at the CoBank annual meeting, participation in up to two Premier Governance Series training sessions, attendance at the Farm Credit Council annual meeting (rotating schedule) and travel time to and from said meetings. Directors who are asked to serve on other boards to represent the Association or asked to participate in a special assignment may be paid an additional per diem of \$500 a day but only with prior approval of the Board Chair. Total compensation paid to the directors as a group during 2020 was \$740,000. Directors may elect to defer payment of all or part of their director compensation through a nonqualified deferred compensation plan.

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, 2020. Due to the COVID-19 pandemic, all 2020 meetings were held virtually except January.

Name of Director	2020 Board Committee	Number of Days Served ¹		Committee Compensation ²	Total Compensation
		Board Meetings	Other Official Duties		
Kurt W. Alstede	Governance/Stewardship	14	17	\$ 400	\$ 46,500
Matthew W. Beaton ⁴	Compensation, Executive	3	7	-	9,200
Michael N. Brooks	Governance/Stewardship	14	11	400	46,500
Barry A. Buck ³	Governance/Stewardship	11	9	-	37,700
Peter R. Call	Audit, Compensation, Executive	14	8	400	41,700
Tim C. Chan	Audit	14	14	1,600	53,000
Laurie K. Griffen	Compensation, Executive	14	25	400	60,200
David E. Hardie	Audit	14	8	-	42,900
Philip J. Jones	Governance/Stewardship	14	16	400	48,400
LouAnne F. King	Business Risk	14	13	800	48,000
John P. Knopf	Compensation, Executive	14	16	1,600	49,500
James A. Robbins II	Governance/Stewardship	14	8	400	42,100
Lisa P. Sellew	Compensation, Executive	14	10	400	46,500
Douglas W. Shelmidine	Business Risk	14	13	1,600	44,900
Keith M. Stolzenburg ⁴	Audit	9	8	1,600	36,700
Peter H. Triandafillou	Business Risk	14	7	1,600	43,700
Terry R. Zittel	Audit	14	6	400	42,500
				Total Compensation	\$ 740,000

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 from January through April.

³ Term began during year

⁴ Term ended during year

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 \$139,884, \$405,985 and \$260,539 for 2020, 2019 and 2018, respectively. A copy of the Association travel policy is available to stockholders upon request.

TRANSACTIONS WITH DIRECTORS

At December 31, 2020, 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.

MICHAEL J. REYNOLDS was appointed President and Chief Executive Officer effective 1/1/2020. 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 as director of the Board of Farm Credit Financial Partners (FPI), a service company owned by Farm Credit East and other ACAs. He is also member of the Farm Credit System's Presidents Planning Committee, a national leadership group, and will serve as its vice chair in 2021.

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. He is a CPA 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 Operating Officer. He works closely with the Chief Executive Officer and members of the executive and senior leadership teams in leading and/or executing on Association strategic and business initiatives. Bill is also responsible for measuring and monitoring enterprise risk within Farm Credit East and provides the Board and management reports demonstrating operational performance against the Association's risk appetite. He also oversees the Association's internal technology operations and coordinates technology efforts with Financial Partners Inc. (FPI), sitting on its strategic advisory committee. He coordinates matters with the federal examiner, the Farm Credit Administration. Bill joined Farm Credit in 1987, initially as a regulator and has advanced through several positions throughout his career. He is a graduate of the University of Nebraska with a degree

in accounting. He serves on the Executive Leadership Team, Chairs the Management Risk Committee and serves on the Credit Committee. He also works closely with the Board's Business Risk 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 Retirement Trust & Welfare Benefits committees. 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 the Immediate Past 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.

DARYN J. DEVEAU serves as Senior Vice President of Risk and Technology. In this capacity, he is responsible for leading the Association's security, technology, risk reporting, data governance, data analytics and appraisal administration programs, and coordinates all technology and security related matters with the Association's technology provider, Financial Partners Inc. He has been with Farm Credit since 2004 and has held various positions during that time in financial services and risk management, including the roles of Chief Appraiser and Director of Information Security. He is a graduate of University of Maine, Orono with a BS in Forestry and a graduate of University of Maine, Fort Kent with a BS in Environmental Sciences and AS in Forest Technology.

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/Stewardship 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 is a member of the Association's Executive Leadership

Team, serves as Chair of the Asset Liability Committee and works closely with the Board Audit Committee. He also 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 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.

ROGER E. MURRAY serves as Executive Vice President and Chief Marketplace Officer, providing senior management oversight to the credit function 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 Farm Credit East's trade credit partnership with AgDirect, leasing services through Farm Credit Leasing, and risk management services, including crop insurance. He serves on Farm Credit East's Credit, Asset Liability, Business Risk and Human Resources committees and works closely with the Board's Business Risk Committee and supports the Audit Committee on the allowance for credit loss reserves. 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 Chief Experience Officer. He provides executive leadership and oversight of Farm Credit East's transformation office, including its digital strategy. Dave started with Farm Credit in 1986 as a loan officer in the Cortland, NY, office. He served as branch manager in both the Cortland and Cobleskill New York offices before transitioning to develop the Country Living program in 2005 where he served as Director for 14 years. Most recently, he served as EVP/Regional Manager overseeing five branches in Farm Credit East's southern region. Dave also 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.

KEITH T. STECHSCHULTE serves as Executive Vice President and Regional Manager. He provides senior management oversight and coaching to the Auburn, Bedford, Dayville, Enfield, Middleboro, Presque Isle and Riverhead offices in credit, financial services, consulting and customer service. Keith started with Farm Credit in 1993 as a loan officer in the Cortland, NY office. He next served as a credit analyst in the rural utility division of CoBank, ACB at their Louisville, KY banking center. Keith relocated to the Enfield, CT office as a Senior Loan Officer in 1997, later promoted to assistant branch manager and then branch manager of the Enfield office beginning in 2007. In 2018, he became branch manager of the Riverhead office in addition to managing the Enfield office before moving into his current role in March of 2020. Keith holds a BS and MS in Agricultural Economics from The Ohio State University. He current serves on the board of Connecticut Farmland Trust, a member of the Working Lands Alliance Steering Committee and on the University of Connecticut College of Agriculture Health and Natural Resources Dean's 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, 2020, 2019 and 2018.

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, 2020.

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 AND RETENTION 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 three-year 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 2020 ranged from 0 percent to 50 percent of base salary. 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. The long-term incentive plan provides 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. The long-term 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. The 2020 long-term opportunity is up to 50 percent of base salary. Long term incentive plan payments can be deferred if the election is made before the start of the plan 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.

As of December 31, 2020, the CEO is employed pursuant to an employment contract 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.

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 remained employed with the Association assisting with leadership transition and special projects until his retirement effective September 30, 2020. Mr. Lipinski is included in the summary compensation table under senior officers/highly compensated employees for 2020.

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 2020 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 2020 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, 2020, 2019 and 2018, 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	Michael J Reynolds CEO 2020	William J. Lipinski CEO 2019	William J. Lipinski CEO 2018
Salary	\$ 500,000	\$ 788,000	\$ 765,000
Short-term Incentive	220,000	474,300	434,000
Long-term Incentive	83,333	382,500	367,500
Retention Incentive	-	500,000	-
Change in Pension Value ³	656,508	449,066	421,578
Deferred/Perquisites ⁴	111,801	92,091	90,444
Total	\$ 1,571,642	\$ 2,685,957	\$ 2,078,522
Senior Officers (excluding CEO) ¹			
Salary	\$ 3,228,389	\$ 2,728,422	\$ 2,522,067
Short-term Incentive	1,216,867	644,197	474,500
Retention Incentive ²	987,118	609,341	517,144
Change in Pension Value ³	3,250,354	1,939,723	608,199
Deferred/Perquisites ⁴	580,204	389,431	315,844
Total	\$ 9,262,932	\$ 6,311,114	\$ 4,437,754

- ¹ The number of senior officers/highly compensated employees in 2020 reflected in this chart was fifteen, including two who retired in 2020; the number of senior officers in 2019 was fourteen and in 2018 was twelve. 2018 & 2019 CEO Summary Compensation Table reflect William J Lipinski.
- ² The retention incentive reflects the amount awarded to these senior officers/highly compensated employees. 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, 2020 to the CEO and aggregate for the senior officers/highly compensated employee 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 - 2020	Number of Years of Credited Service ²	Present Value of Accumulated Benefits	Payments During Last Fiscal Year
Michael J Reynolds, CEO			
CoBank, ACB Retirement Plan	31.33	\$ 1,878,936	\$ -
Supplemental Executive Retirement Plan	31.33	220,044	-
Total		\$ 2,098,980	\$ -
Senior Officers (excluding CEO) ¹			
CoBank, ACB Retirement Plan	33.40	\$ 17,071,035	\$ 6,242,279
Total		\$ 17,071,035	\$ 6,242,279

- ¹ The number of senior officers at December 31, 2020 and reflected in this chart was ten
- ² Represents an average for the aggregate senior officer/highly compensated employee 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 and senior officers hired after January 1, 2007 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 2020 annual report. The present value of the accumulated benefits is calculated assuming retirement age to be the earlier of age at 95 points or normal retirement age for Schedule 2 participants and NRA for Schedule 3 participants. The discount rate used is 2.60 percent as of December 31, 2020. The lump sum basis used for the valuation is 6.00 percent with the 2021 417(e) mortality table. The potential impact of 415 limits is reflected.

TRANSACTIONS WITH SENIOR OFFICERS

At December 31, 2020, 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, 2020 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, 2020.

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 stockholders 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. The Board maintains a standing committee of directors to oversee young, beginning, small, and Gulf War-era II veteran farmer programs and initiatives, as well as planning how to further 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 demands for 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 \$354,209, \$371,317 and \$381,919 for the years ended December 31, 2020, 2019 and 2018 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 2020)	
	Number	Volume *	Number	Volume *
Young	307	\$ 67,141	60	\$ 13,541
Beginning	310	\$ 70,450	63	\$ 18,720
Small	319	\$ 39,543	25	\$ 5,197

* 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 the GenerationNext seminar series which had over 60 participants in the virtual format in the winter of 2020-21.
- Receiving regulatory authority in late 2005, Farm Credit East secured a partner (CoBank, ACB) and chartered FarmStart, LLP (FarmStart). At December 31, 2020, Farm Credit East has an equity investment in FarmStart of \$2.2 million. FarmStart assists beginning farmers and new cooperatives by providing investments in working capital of up to \$75,000. At December 31, 2020, FarmStart has 100 investments with an outstanding balance of \$2.9 million. Since inception, FarmStart has made over 320 investments totaling over \$15 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. Demographic data for Young, Beginning and Small farmers was taken from the USDA's 2017 Census of Agriculture. The census 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
13.1%	26.2%	91.9%

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 of these market 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, 2020

Young	Beginning	Small
22%	32%	46%

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, 2020 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	21,063	100%	\$ 10,536	100%
Young Farmers and Ranchers	4,542	22%	\$ 1,235	12%
Beginning Farmers and Ranchers	6,646	32%	\$ 1,704	16%

* in thousands

The following table provides a breakdown of small farmer and rancher loans by size as of year-end 2020:

Number / Volume Outstanding	\$0 - \$50,000	\$50,000 - \$100,000	\$100,000 - \$250,000	>\$250,000
Total # of Loans and Commitments	5,124	4,134	5,575	6,230
Total # of Loans to Small Farmers / Ranchers	2,965	2,446	2,819	1,564
# of Small Loans as a % of Total # of Loans	58%	59%	51%	25%
Total Loans and Commitments Outstanding*	\$ 143,206	\$ 323,026	\$ 933,783	\$ 9,136,274
Total Volume and Commitments to Small Farmers / Ranchers *	\$ 86,784	\$ 189,067	\$ 459,799	\$ 768,185
Loan Volume to Small Farmers / Ranchers as a % of Total Loan Volume	61%	59%	49%	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 2020 and compares actual results to those goals:

	Young	Beginning	Small
12/31/2020 GOAL	4,225	5,925	8,550
12/31/2020 ACTUAL	4,260	6,184	9,261
2020 as a % of GOAL	101%	104%	108%

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 2021 and forward:

	Young	Beginning	Small
12/31/2021	4,300	6,250	9,400
12/31/2022	4,400	6,350	9,500
12/31/2023	4,500	6,500	9,650
12/31/2024	4,600	6,650	9,800
12/31/2025	4,700	6,800	10,000

Farm Credit East YBSV 2021 qualitative goals address credit, collaboration, financial services and educational assistance, to include:

- Continue incentive programs including interest rate reductions, payment of FSA guarantee fees 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’s *Harvesting 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 provide financial incentives 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 farmers in publications such as *Small Farms Quarterly*, *Country Folks* and the Northeast Organic Farming Association’s *The Natural Farmer*. There is also an increased focus on targeted digital advertisements to reach this customer segment.
- 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 startup agricultural businesses.
- Through AgEnhancement and other types of financial support and outreach efforts, use YBSV programs as part of Farm Credit East’s efforts to promote diversity and inclusion in agriculture.

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 grassroots 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 2021.

AUBURN, ME

Duncan M. Barker, Leeds, ME
Libby P. Bleakney, Cornish, ME
Benjamin D. Carlisle, Bangor, ME
Peter Carrier, Skowhegan, ME
James V. Crane, Exeter, ME
Travis Fogler, Exeter, ME
Joel Gilbert, Livermore, ME
Robert E. Linkletter, Athens, ME
Jacob E. Pierson, Biddeford, ME
Lisa L. Turner, Freeport, ME

BATAVIA, NY

James Anderson, Avon, NY
Robert R. Brown III, Waterport, NY
Tom Jeffres, Wyoming, NY
Brett D. Kreher, Clarence, NY
Matthew Lamb, Oakfield, NY
Bradley A. Macauley, Geneseo, NY
Andrew Milleville, Lockport, NY
Jeffrey Barry Oakes, Lyndonville, NY
Jason E. Schwab, Delevan, NY
Jason E. Swede, Piffard, NY
Douglas Walker, Wayland, NY
Sue Weber, West Seneca, NY

BEDFORD, NH

Nick Brunet, Auburn, NH
Leigh Byers-Hardy, Hollis, NH
Kathleen Donald, Brentwood, NH
Steven A. Georgaklis, Boston, MA
Joseph E. Golter, Greenland, NH
Jonathan Huntington, Bow, NH
Robert A. Johnson, II, Pittsfield, NH
Jamie Robertson, Contoocook, NH
H. Michael Smolak, Andover, MA
Stewart R. Yeaton, Epsom, NH

BRIDGETON, NJ

James Brown, Bridgeton, NJ
John Coombs, Jr., Elmer, NJ
Byron Dubois, Pittsgrove, NJ
Edward Overdevest, Bridgeton, NJ
Anthony Russo, Tabernacle, NJ
Tom Sheppard, Cedarville, NJ
Frank Tedesco, Vineland, NJ

BURRVILLE, NY

Eric B. Behling, Mexico, NY
Jonathan Beller, Carthage, NY
Debbie Biondolillo, Calcium, NY
David Fralick, Cape Vincent, NY
Lynn Murray, Copenhagen, NY
Ronald Robbins, Sackets Harbor, NY
David Rudd, Lacona, NY
Shari Lighthall, Croghan, NY

CLAVERACK, NY

David W. Becker, Rensselaer, NY
Ulderic Boisvert, Albany, NY
Ben Freund, East Canaan, CT
Robert C. Graves, Schenectady, NY
Christine Jones, Catskill, NY
Michael Lischin, Pine Plains, NY
Dale-Illa Riggs, Stephentown, NY
George Motel, Goshen, CT
Jacob Samascott, Kinderhook, NY
Eric Sheffer, Hoosick Falls, NY
Philip J. Trowbridge, Ghent, NY
Lloyd Vaill, Jr., Pine Plains, NY
Emily Watson, Poughkeepsie, NY

COOPERSTOWN, NY

John Balbian, Amsterdam, NY
Johannes Barendse, Utica, NY
David Curtin, Cassville, NY
Christopher Fredericks, Little Falls, NY
Lukas George, Clinton, NY
Chris Hoefe, Fonda, NY
Ryan Kelly, Fultonville, NY
Corey Mosher, Bouckville, NY

CORTLAND, NY

Kimberly Brayman, Skaneateles, NY
Emma Currie, Tully, NY
John Gates, Burdett, NY
Lee Hudson, Camillus, NY
Kenneth Miller, Richford, NY
Joel Riehlman, Tully, NY
George Schaefer, Chenango Forks, NY
Amy Sperat, Cuyler, NY
Barry Sperat, Cuyler, NY
Judith Whittaker, Whitney Point, NY

DAYVILLE, CT

John Bennett, Putnam, CT
Allyn Brown, III, Preston, CT
Jan Eckhart, Middletown, RI
John Eidson, Wakefield, RI
Bowman Geer, Griswold, CT
George Goulart, Little Compton, RI
Daniel Huff, Pomfret Center, CT
Samuel Hull, Union, CT
Anthony R. Moschini, Spencer, MA
John Nunes, Jr., Middletown, RI
Ellen Puccetti, North Smithfield, RI
James Smith, Lebanon, CT

ENFIELD, CT

Steve Basile, Granby, CT
John Casertano, Cheshire, CT
Edward Kasheta, South Windsor, CT
Roland "Skip" LeClerc, Belchertown, MA
Kurt Lindeland, Suffield, CT
Charles Newman, Newtown, CT
Don Patterson, Sunderland, MA
Karen Randall, Ludlow, MA
Ryan Van Wilgen, North Branford, CT

FLEMINGTON, NJ

Lisa Applegate, Freehold, NJ
Stephen Barlow III, Sea Girt, NJ
Scott Daum, Englishtown, NJ
Steve Gambino, Phillipsburg, NJ
Pete Hionis, Whitehouse Station, NJ
Steven Jany, West Windsor, NJ
Richard Klevze, Ringoes, NJ
Michael Puglisi, Howell, NJ
Stanley Skeba, Monroe, NJ

GENEVA, NY

Barb Bauman, Webster, NY
Alison DeMarree, Williamson, NY
Matthew Doyle, Hammondsport, NY
Todd DuMond, Auburn, NY
John Mueller, Clifton Springs, NY
Bob Norris, Savannah, NY
Kelly O'Hara, Auburn, NY
Erica Paolicelli, Geneva, NY
Adam Peters, Williamson, NY
Matthew Young, Clifton Springs, NY

GREENWICH, NY

Amy Walker Bailey, Fort Ann, NY
Nathan Darrow, Schuylerville, NY
Charlie Hanehan, Saratoga Springs, NY
David Horn, Greenwich, NY
Rebecca King, Schuylerville, NY
Ian C. Murray, Ballston Spa, NY
Shane Nolan, Cambridge, NY

Willard (Bill) Peck, Bacon Hill, NY
Sean P. Quinn, Easton, NY

HORNELL, NY

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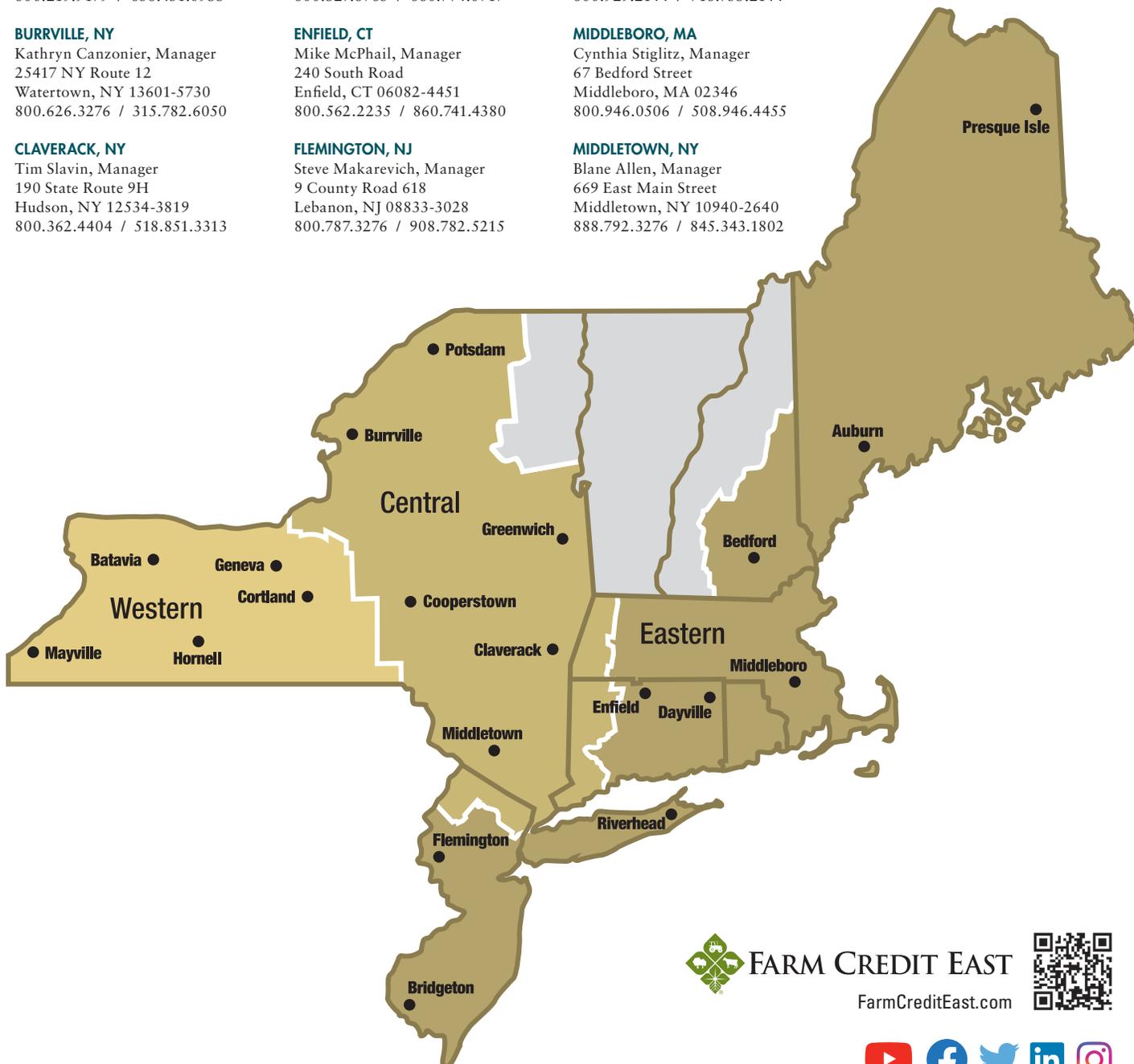
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