

2022 ANNUAL REPORT

# EVOLVING FOR THE FUTURE



FARM CREDIT EAST

# EVOLVING FOR THE FUTURE



Farm Credit East accomplished a lot in 2022. We kicked off the year welcoming 80 employees and 1,300 customers following the successful merger with Yankee Farm Credit. We completed 20% more tax returns; grew our loan volume to \$10.6 billion; and reached \$32 million in financial services revenue.

Your cooperative remains financially strong. The board of directors is committed to returning to members funds not needed to operate or capitalize the cooperative. For the full year 2022, customer-owners received \$117 million in patronage dividends. This represents 1.25% of average eligible loan volume for our farm customers. View 2022 financial highlights on the corresponding page.

In 2022, Farm Credit East also continued to advance its forward-looking strategy. We launched a modernized website and enhanced customer portal called Farm Credit Connect. Through Farm Credit Connect, we aim to enhance how customers can do business with us digitally.

To further our strategy in the year ahead, we will evolve our credit and financial services delivery to provide more value to our customers and position your cooperative for the future. Learn more about our strategic direction and key 2023 priorities on page 6.

Our commitment to the next generation of agriculture and the rural communities we serve also remains strong. Through our FarmStart, GenerationNext and Young,

Beginning, Small, Veteran farmer programs, we aim to invest in the next generation of agriculture, forest products and commercial fishing while also providing the training and development to help these young entrepreneurs be successful.

Farm Credit Northeast AgEnhancement grants and the Lipinski Rural Initiatives Award, now in its third year, invest in programs and projects that are enhancing the region's agriculture and bolstering rural communities and infrastructure. Additionally, we provide scholarships to FFA students, students pursuing careers in ag-related fields, and agricultural educators to encourage and support individuals on their path to becoming the industry's future leaders.

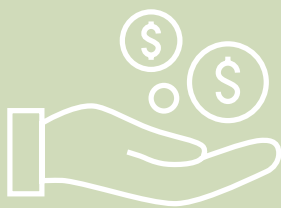
As indicated by many of these programs to support the next generation, Northeast agriculture has a bright future. Here at Farm Credit East, our continued relationship with customer-owners remains our top priority. We are evolving our business to better serve you, our customers. We aim to remain a trusted financial partner to the region's agriculture, commercial fishing and forest products businesses into the future.

Michael Reynolds, CEO

Laurie Griffen, Chair

# FARM CREDIT EAST FINANCIAL RESULTS REMAIN STRONG

## LOAN VOLUME



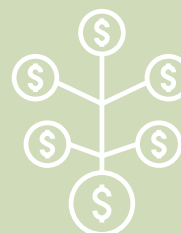
**\$10.6 Billion**

## NET INCOME



**\$272 Million**

## CAPITAL



**\$2.0 Billion**

### PATRONAGE **\$1.3 BILLION**

Following the patronage distribution on 2022 earnings, customer-owners of Farm Credit East (and predecessor cooperatives) have received more than \$1.3 billion in dividends from ownership of their cooperative. In 2023, the cooperative will pay its 27th consecutive annual patronage payment.

### FINANCIAL SERVICES **\$32 MILLION**

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

### COUNTRY LIVING **\$1.3 BILLION**

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 2022, Northeast producers purchased 10,351 crop insurance policies, protecting 1.5 million acres with \$1.8 billion of protection in force.

*\*As of 2022, Pennsylvania is no longer covered by Crop Growers, LLP.*

### STEWARDSHIP **\$1.7 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.

### FARMSTART **\$17 MILLION**

This unique program for startup entrepreneurs has invested \$17 million in 364 beginning farm and fishing businesses. FarmStart is one of Farm Credit East'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.



# 2022 BOARD

## Back Row

**Kurt W. Alstede** / Alstede Farms, Chester, N.J., **Philip "Jamie" Jones** / Jones Family Farm and Jones Family Farms Winery, LLC, Shelton, Conn., **Douglas W. Shelmidine** / Sheland Farms, LLC, Adams, N.Y., **Barry Buck** / Potato Industry, Mapleton, Maine, **Kyle Thygesen** / Farmstead at Falls Hill, LLC, Tunbridge, Vt., **Peter R. Call** / My-T Acres, Inc., Batavia, N.Y.



## Front Row

**Thomas J. Colgan** / Wagner Forest Management, Ltd., Lyme, N.H., **James A. Robbins II** / Robbins Lumber, Inc., Searsmont, Maine, **Laurie K. Griffen, Chair** / Saratoga Sod Farm, Inc., Stillwater, N.Y., **John P. Knopf, Vice Chair** / Fa-Ba Farms, LLC, Canandaigua, N.Y., **Lisa P. Sellew** / Prides Corner Farms, Lebanon, Conn., **Tim C. Chan** / Outside Director, Claremont, N.H.

# OF DIRECTORS



## Middle Row

**Peter H. Triandafillou** / Huber Resources Corp., Old Town, Maine,  
**Terry R. Zittel** / Amos Zittel & Sons, Inc., Eden, N.Y., **Jay McWatters** / Outside Director, Hamburg, N.Y., **David Folino** / Hillsboro Sugarworks, Starksboro, Vt., **LouAnne F. King** / Mapleview Dairy, LLC, Madrid, N.Y., **Michael N. Brooks** / Dusty Lane Farms, LLC, Elmer, N.J.

## Not Pictured

**David "Skip" Hardie** / Walnut Ridge Dairy, LLC, Lansing, N.Y.

# YOUR COOPERATIVE POSITIONED FOR THE FUTURE 2023 PRIORITIES



As we look to the future, Farm Credit East is committed to continuing to deliver reliable credit and best-in-class financial services to support our customers' goals.

Farm Credit East has been a partner to Northeast agriculture, commercial fishing and forest products for more than a century. As a customer-owned cooperative, the key to our success is our customers. As our customers evolve their businesses, we must do the same to ensure our organization is equipped to serve customer needs into the future.

Our evolution for the future of Farm Credit East is by no means a new strategy. It's a continuation of the last decade's strategic direction. However, to date, much of our advancement has been internal. As we move forward, customers will experience the benefits of these changes.

In 2023, we are modifying our organizational structure to further advance our strategy. Improvements to our credit delivery process aim to streamline operations for efficiency, compliance and security. We are also realigning our credit team to better match our talent and resources with customer needs. As the leading lender to Northeast agriculture, our goal is to get money to customers faster and provide the dedicated expertise different agricultural businesses require.

We have also added a Chief Financial Services Officer to our executive team. Financial services, such as tax, payroll, business consulting and crop insurance, are key to our strategic advantage. Having dedicated leadership in this area will allow us to build on our team's success and take our financial services offerings to new heights.

In 2023, we also aim to further engage customers. In recent years, many offices have held local social events versus formal customer meetings. Following positive feedback and increased engagement, we will look to host more of these types of events. We will also continue to seek opportunities to offer outside speakers who bring value and insights to customer businesses.

As we look to the future, Farm Credit East is committed to continuing to deliver reliable credit and best-in-class financial services to support our customers' goals. This evolution of our credit and financial services delivery, along with enhanced digital tools, aim to strengthen the relationships customers have with members of our team and position Farm Credit East to thrive in 2023 and beyond.



2022 FINANCIAL STATEMENTS

# EVOLVING FOR THE FUTURE



FARM CREDIT EAST

**FARM CREDIT EAST, ACA**  
**CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA**

(dollars in thousands)

	<b>December 31</b>				
	<b>2022</b>	<b>2021*</b>	<b>2020*</b>	<b>2019*</b>	<b>2018*</b>
<b>BALANCE SHEET DATA</b>					
Loans	\$10,572,766	\$9,074,791	\$8,209,864	\$7,434,982	\$6,964,353
Less: Allowance for loan losses	51,465	80,335	73,879	84,234	78,370
Net loans	10,521,301	8,994,456	8,135,985	7,350,748	6,885,983
Cash	36,778	20,345	27,836	21,481	23,395
Investment in CoBank, ACB	279,196	258,584	273,886	250,266	235,769
Other assets	175,700	149,230	131,609	126,488	119,373
<b>Total assets</b>	<b>11,012,975</b>	<b>\$9,422,615</b>	<b>\$8,569,316</b>	<b>\$7,748,983</b>	<b>\$7,264,520</b>
Obligations with maturities of one year or less	\$300,544	\$203,067	\$170,614	\$168,482	\$153,380
Obligations with maturities greater than one year	8,704,819	7,452,909	6,736,597	6,036,193	5,657,199
<b>Total liabilities</b>	<b>9,005,363</b>	<b>7,655,976</b>	<b>6,907,211</b>	<b>6,204,675</b>	<b>5,810,579</b>
Capital stock and participation certificates	18,374	16,688	16,041	15,499	15,079
Additional paid-in capital	354,163	229,198	229,198	229,198	229,198
Unallocated retained earnings	1,720,025	1,565,415	1,451,018	1,345,666	1,255,417
Accumulated other comprehensive loss	(84,950)	(44,662)	(34,152)	(46,055)	(45,753)
<b>Total members' equity</b>	<b>2,007,612</b>	<b>1,766,639</b>	<b>1,662,105</b>	<b>1,544,308</b>	<b>1,453,941</b>
<b>Total liabilities and members' equity</b>	<b>\$11,012,975</b>	<b>\$9,422,615</b>	<b>\$8,569,316</b>	<b>\$7,748,983</b>	<b>\$7,264,520</b>
<b>For the Year Ended December 31</b>					
	<b>2022</b>	<b>2021*</b>	<b>2020*</b>	<b>2019*</b>	<b>2018*</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>					
Net interest income	\$279,661	\$236,033	\$227,490	\$225,649	\$208,523
(Reversal of) provision for loan losses	(34,118)	-	5,000	5,000	5,000
Noninterest expenses, net	40,181	29,182	26,440	32,952	24,308
Provision for income taxes	1,988	1,454	1,698	1,504	1,294
<b>Net income</b>	<b>\$271,610</b>	<b>\$205,397</b>	<b>\$194,352</b>	<b>\$186,193</b>	<b>\$177,921</b>
<b>Comprehensive income</b>	<b>\$231,322</b>	<b>\$194,887</b>	<b>\$206,255</b>	<b>\$184,947</b>	<b>\$184,136</b>
<b>KEY FINANCIAL RATIOS</b>					
Return on average assets	2.59%	2.33%	2.39%	2.50%	2.54%
Return on average members' equity	13.88%	11.97%	11.94%	12.18%	12.57%
Net interest income as a percentage of average earning assets	2.77%	2.79%	2.92%	3.17%	3.11%
Members' equity as a percentage of total assets	18.23%	18.75%	19.40%	19.93%	20.01%
Debt to members' equity	4.5:1	4.3:1	4.2:1	4.0:1	4.0:1
Net (charge-offs) recoveries as a percentage of average loans	0.00%	0.00%	(0.03%)	(0.01%)	(0.04%)
Allowance for credit losses as a percentage of loans and accrued interest receivable	0.59%	1.06%	1.17%	1.25%	1.27%
Common Equity Tier 1 Capital (CET1)	16.55%	16.11%	17.09%	17.42%	17.72%
Tier 1 Capital	16.55%	16.11%	17.09%	17.42%	17.72%
Total Capital	17.05%	17.13%	18.17%	18.63%	18.92%
Tier 1 Leverage	17.91%	17.35%	18.05%	18.35%	18.53%
Unallocated Retained Earnings and URE					
Equivalents (UREE) Leverage	17.74%	19.23%	19.84%	20.13%	20.31%
Permanent Capital	16.26%	16.24%	17.24%	17.61%	17.91%
Net income distribution					
Cash patronage declared	\$117,000	\$91,000	\$89,000	\$70,000	\$65,000
Special cash patronage	\$ -	\$ -	\$ -	\$25,000	\$15,000

\*Information presented prior to 2022 does not include Yankee Farm Credit.



# FARM CREDIT EAST, ACA

## 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, 2022, 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](http://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 63 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 states of Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont. 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](http://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.

### MERGER WITH YANKEE FARM CREDIT, ACA

Effective January 1, 2022, Yankee Farm Credit, ACA (Yankee) merged into Farm Credit East. The merged association operates under the Farm Credit East name and is headquartered in Enfield, Connecticut. The merger successfully brought together two excellent organizations and established a business entity with greater capacity of capital, people, and leadership to serve northeast agriculture.

Beginning in 2022, the consolidated financial statements and related metrics include the effects of the merger with Yankee. Financial information prior to the date of merger has not been restated to reflect the impact of the merger. The merger is discussed further in Note 1 to the consolidated financial statements, "Organization, Business Combination and Operations."

### 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. 2022 was a good year for dairy and cash field producers. Many farms selling direct-to-consumer experienced a slowdown in demand from prior years as the pandemic related increases faded, and sales returned closer to historical levels.

Most COVID-19 related restrictions have been rescinded, but new challenges emerged in 2022, most notably persistent inflation, increasing the costs of inputs forcing producers to attempt to pass along price increases to maintain margins and a rising interest rate environment. Staffing challenges were significant across all industries, with low unemployment, fierce competition for workers and rising labor costs.

As you will see in this report, the Association experienced a year of strong financial performance in 2022. A key change impacting financial results relative to 2021 was the merger with Yankee effective January 1, 2022. Earnings increased to \$271.6 million with a return on average assets of 2.59% reflecting the favorable impact of the merger on net interest income due to increased loan volume. From its 2022 earnings, Farm Credit East declared patronage dividends totaling \$117.0 million all of which will be distributed in cash in 2023.

Overall loan quality measures for Farm Credit East remains strong. As of December 31, 2022, 1.9% of loans were adversely classified and high risk assets to total loans were 0.4%. The Association's allowance for credit losses totaled \$62.2 million as of December 31, 2022, or 0.6% of total loans.

The Association's financial position is also strong as of December 31, 2022, with \$2.0 billion in members equity and capital ratios well above regulatory minimums.

### THE FARM ECONOMY

The issues most impacting the farm economy today are labor, inflation and higher interest rates. As discussed above, inflation has cooled somewhat, but remains high by pre-pandemic standards, and labor markets continue to be tight, creating labor challenges and putting upward pressure on wages. The Federal Reserve aggressively increased interest rates in 2022 and is widely expected to continue to raise interest rates even further.

### AGRICULTURAL OUTLOOK

**Dairy:** Northeast dairy farms continue to show a range of operating results, but 2022 was a good year for most. Milk prices increased by about 30% from 2021. Although government support declined, and feed costs increased, most producers will show solid earnings for 2022. Milk prices are projected to decline by about 15% in 2023, and continued cost inflation may result in tighter margins. December 2022 milk production showed increases both in the Northeast as well as nationally, with U.S. milk production increasing by 0.9%, year-over-year.

**Cash Field Crops:** This category includes corn for grain, soybeans, hay, wheat, and some small grains. 2022 was a reasonably good growing year in most parts of the U.S., as well as the Northeast, and yields were good. Prices for grains and oilseeds were generally favorable in 2022 and are forecast to remain so in 2023. High fertilizer costs have impacted margins for producers, but most growers should still show solid returns.

**Timber and Forest Products:** The forest products industry encompasses a variety of business types, ranging from timberland ownership, to sawmills and loggers.

With higher mortgage rates and an economy showing signs of a slowdown, demand for lumber is expected to continue to decline through the first quarter of 2023. Housing starts are projected to decline by 16.5% from 1.6 million units in 2022 to 1.3 million in 2023. Similarly, spending on residential improvements is anticipated to decline by 19.9% in 2023 compared to 2022. Despite the continued slowdown anticipated in the first half of 2023, end use softwood lumber fundamentals remain strong.

Lumber markets have shown substantial volatility. East Coast Spruce/Fir lumber prices, which climbed to more than \$1,200/MBF at year-end 2021, finished 2022 below \$500/MBF.

Hardwood lumber prices (e.g., Red Oak, Hard Maple, and Yellow Birch) have consistently declined during the second half of 2022, as domestic and international end use demand weakened. Many high-cost sawmills struggled with profitability.

Overall trends continued in end use paper markets, with free sheet, super calendar and newsprint remaining under pressure and declining, while container board and packaging have been returning positive margins.

North American tissue manufacturers were negatively impacted by higher than forecasted pulp and freight costs in 2022. In response, many tissue manufacturers were able to pass on price increases, but these did not take effect until the third quarter of 2022. Pulp prices started to stabilize in the fall of 2022 and this trend is expected to continue into 2023.

**Livestock:** In the Northeast, this is a very diverse sector ranging from beef to 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.

Strong demand continues to support high prices for animal proteins, but supply will limit volume and rising feed, hay and other input costs will limit producer profits. Robust demand continues for local and value-added meats and poultry, but some producers report limited availability of slaughter and processing capacity.

Avian influenza significantly impacted broiler and egg production. Egg prices more than doubled in 2022, and supply shortages were experienced in some retail markets as producers were forced to cull their flocks.

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

**Apples:** U.S. fresh apple holdings on December 1, 2022, totaled 6.8% less than the inventories reported last December and 14.5% less than the December five-year average. New York apple holdings were 11% below last year. The Eastern New York crop was smaller than expected. Fruit size was somewhat smaller than last year due to lack of water, even though most orchards irrigate. Pricing was similar to last year, and movement has been good.

**Wine:** Wineries in the Finger Lakes region of New York have reported that customer traffic has declined from last year, bringing it closer to pre-COVID averages, while maintaining some of the increased average transaction size.

**Cranberries:** Many new cranberry beds have been developed in Massachusetts over the last year. 2022 looks to be a good year for both quantity and quality, an improvement over last year's short crop in Massachusetts. Pricing has been stable from the previous year, although a slight increase has been seen in independent market pricing over last year.

**Greenhouse and Nursery:** Industry conditions have stabilized somewhat as the "COVID boom" fades. Results have thus been mixed for growers with some seeing continued strong sales and many others seeing declines from last year. Overall sales remain good but are off from their record pace of the previous years. Likewise, the strong surge in tropicals and houseplant sales has largely passed, and sales are closer to previous levels. Most growers have been able to maintain raised prices but rising costs have cut into profit margins. Supply, labor, trucking, and cost challenges are significant.

**Aquatic / Fishing:** Last year's abnormally high lobster prices brought resistance from some consumers and wholesale buyers. Prices this year have declined to closer to the five-year average which has helped with product movement. Despite continued favorable earnings in 2022, there is a high level of concern about the unknowns surrounding measures being taken to protect the endangered Northern Right Whale from gear entanglements. Recently passed federal legislation gave the industry a six-year reprieve from new gear requirements, but uncertainty remains about the longer-term policy outlook. Scallop pricing and demand have increased due to rebounding demand from the restaurant sector. Groundfish pricing was high as well for most of 2022, although landings were down slightly. Northeast aquaculture has generally emerged from the pandemic-related slowdown and continues to show solid growth.

**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 \$10.6 billion at December 31, 2022, an increase of \$1.5 billion, or 16.5% from the December 31, 2021, balance of \$9.1 billion. The merger with Yankee increased loan volume by \$538.1 million on January 1, 2022. The Association was also able to increase its hold position on sold loans in the Yankee portfolio. The combined period-to-period growth was driven by increased loan volume in all lending areas including our branch-based farm loan portfolio which grew \$209.3 million, or 3.9%, as strong demand for agricultural products benefited our producers. Our residential Country Living mortgage program grew \$117.0 million, or 9.7%, as strong demand continued in our Local Service Area (LSA) for this product, and our commercial loan group grew \$648.2 million, or 21.6%, 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	2022		2021		2020	
Real estate mortgage	\$ 4,319,815	40.7%	\$ 3,848,059	42.3%	\$ 3,575,827	43.4%
Production and intermediate	3,428,516	32.3	2,970,147	32.6	2,811,878	34.2
Agribusiness	2,223,776	20.9	1,759,672	19.3	1,450,965	17.6
Rural infrastructure	538,374	5.1	427,600	4.7	303,471	3.7
Rural residential real estate	67,412	0.6	60,317	0.7	59,848	0.7
Other	42,945	0.4	32,983	0.4	29,773	0.4
Total Loans	\$10,620,838	100.0%	\$ 9,098,778	100.0%	\$ 8,231,762	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	2022	2021	2020
Purchased participations	\$ 2,675,982	\$ 2,276,400	\$ 1,782,262
Sold participations	\$ 1,711,847	\$ 1,210,924	\$ 1,025,912

Loans are originated and serviced within the LSA in New York, New Jersey, and throughout 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.

<b>December 31</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
New York	41%	45%	46%
New Jersey	9	10	11
Maine	7	8	9
Massachusetts	6	6	6
Connecticut	4	4	4
Vermont	4	-	-
New Hampshire, Rhode Island, and other states	29	27	24
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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.

<b>December 31</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Dairy	18.8%	19.1%	19.9%
Processing and Marketing	11.7	11.4	10.5
Cash Field	9.9	10.5	10.0
Timber	9.8	10.4	10.3
Livestock	8.1	8.1	8.7
Fruit	7.5	8.0	8.6
Aquatic	5.4	4.3	4.6
Utilities	4.9	4.4	3.6
Farm Services	4.0	4.0	4.1
Vegetables	3.5	3.4	3.4
Potato	2.7	3.3	3.6
Nursery	2.4	2.5	2.6
Greenhouse	2.4	2.4	2.7
All Other	8.9	8.2	7.4
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## 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, 2022.

	<b>Less than 1 year</b>	<b>1 – 3 years</b>	<b>3 – 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Commitments to extend credit	\$ 1,766,308	\$ 1,737,368	\$ 227,363	\$ 52,220	\$ 3,783,259
Standby letters of credit	26,705	1,811	-	-	28,516
Commercial letters of credit	2,495	28,322	10,617	2,216	43,650
<b>Total commitments</b>	<b>\$ 1,795,508</b>	<b>\$ 1,767,501</b>	<b>\$ 237,980</b>	<b>\$ 54,436</b>	<b>\$ 3,855,425</b>

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	2022	2021	2020
Nonaccrual	\$ 39,833	\$ 18,656	\$ 37,440
Accruing loans 90 Days or more past due	-	137	780
Accruing restructured loans	2,652	608	581
Total Impaired Loans	\$ 42,485	\$ 19,401	\$ 38,801
Other Property Owned	827	857	817
Total High Risk Assets	\$ 43,312	\$ 20,258	\$ 39,618
Impaired Loans to Total Loans	0.40%	0.21%	0.47%
High Risk Assets to Total Loans	0.41%	0.22%	0.48%
Nonaccrual Loans to Total Loans	0.38%	0.21%	0.46%
Delinquencies as a % of performing loans	0.19%	0.11%	0.24%

The \$23.1 million increase in impaired loans was due primarily for loans transferred to nonaccrual status in the vegetable industry. Nonaccrual loans totaled \$39.8 million, an increase of \$21.2 million from the end of 2021. In general, the Association is adequately secured on much of the \$39.8 million in nonaccrual loan volume at December 31, 2022. However, the Association has established specific loan loss allowances of \$8.7 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, 2022, other property owned totaled \$0.8 million, a decrease of less than \$0.1 million from the end of 2021. During 2022, one property was acquired totaling \$0.3 million which was offset by a partial parcel sale of this property totaling \$0.2 million. One property was also written down by \$0.1 million. Other property owned was \$0.9 million at December 31, 2021. 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 and Allowance for Credit Losses."

## CREDIT QUALITY CONDITIONS AND MEASUREMENTS IN THE LOAN PORTFOLIO

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

December 31	2022	2021	2020
Acceptable	94.81%	94.01%	92.96%
Special mention	3.33	3.49	4.24
Substandard/doubtful	1.86	2.50	2.80
Total	100.00%	100.00%	100.00%

Overall loan quality measures remain strong at December 31, 2022. During 2022, loans classified Acceptable increased by 0.8% of total loans while loans classified as Special Mention decreased by 0.2% 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 2.5% a year ago to 1.9% at December 31, 2022. While overall loan quality measures remain strong at December 31, 2022, the potential for some deterioration during 2023 exists as there is still uncertainty related to inflation, rising interest rates, and the Ukraine/Russia conflict and their impacts 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, 2022, has guarantees totaling \$323.2 million. In addition, the Association has loan guarantees with state agencies totaling \$20.1 million. The Association also participates in the Farmer Mac Long-Term Standby Purchase Commitment (LTSPC), and as of December 31, 2022, commitments totaling \$4.7 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 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 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.

For further discussion regarding the allowance for credit losses, see Note 3 to the consolidated financial statements, “Loans and Allowance for Credit Losses.”

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

December 31	2022	2021	2020
Components:			
Allowance for loan losses	\$ 51,465	\$ 80,335	\$ 73,879
Reserve for unfunded commitments	10,751	16,064	22,516
Allowance for Credit Losses (ACL)	\$ 62,216	\$ 96,399	\$ 96,395
ACL as a percentage of:			
Total loans	0.59%	1.06%	1.17%
Nonaccrual loans	156.2%	516.7%	257.5%
Impaired loans	146.4%	496.9%	248.4%

Effective January 1, 2023, the Association adopted new accounting guidance to measure estimated credit losses.

For additional information, see Note 2 to the consolidated financial statements, “Summary of Significant Accounting Policies.”

## RESULTS OF OPERATIONS

Net income was \$271.6 million for the twelve months ending December 31, 2022, an increase of \$66.2 million, or 32.2%, from \$205.4 million for 2021. Net income was \$194.4 million for the twelve months ending December 31, 2020. Our strong earnings reflect the favorable impact of the merger on net interest income due to increased loan volume, partially offset by higher operating expenses. The Association recorded \$34.1 million reversal to the allowance for loan losses during 2022 as discussed in the ‘Loan Loss Reversals/Provision for Loan Losses’ section of this report. The following table reflects key performance results (\$ in millions).

For the Year Ended December 31	2022	2021	2020
Net income	\$ 271.6	\$ 205.4	\$ 194.4
Net interest income	\$ 279.7	\$ 236.0	\$ 227.5
Net interest margin	2.77%	2.79%	2.92%
Return on average assets	2.59%	2.33%	2.39%
Return on average members equity	13.88%	11.97%	11.94%

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

	2022 versus 2021	2021 versus 2020
<b>Increase (decrease) due to:</b>		
Net interest income	\$ 43.6	\$ 8.5
Provision for loan losses	34.1	5.0
Noninterest income	11.2	5.4
Noninterest expenses	(22.2)	(8.1)
Provision for income taxes	(0.5)	0.2
Total	\$ 66.2	\$ 11.0

## NET INTEREST INCOME

Net interest income increased \$43.6 million or 18.5% to \$279.7 million in 2022, compared to \$236.0 million in 2021. Net interest income was \$227.5 million for the twelve months ending December 31, 2020. The following table quantifies the changes in net interest income (\$ in millions).

Changes in net interest income due to:	2022 versus 2021	2021 versus 2020
Loan volume and average loan rate	\$156.2	\$ (17.2)
Nonaccrual volume and other income	(0.6)	(1.4)
Borrowing levels and average cost of debt	(88.5)	23.1
Fixed rate loan repricing	2.0	4.1
Hedging activity	(25.5)	(0.1)
Total	\$ 43.6	\$ 8.5

The Association's average loan rate was 4.43% in 2022, up from 3.45% in 2021 while the Association's average cost of debt funding increased by similar amounts to 1.98% in 2022 compared to 1.08% in 2021. Interest income and cost of debt are both higher due to increases in short-term rates which increases both the Association's and our customer's cost of borrowing. The average interest rate spread over cost of funding increased ten basis points year over year from 2.37% to 2.47%. Interest rates on variable rate loans and the Association's cost of debt both increased due to actions taken by the Federal Reserve to raise interest rates to address rising inflation.

Also impacting net interest income are lower interest rate spreads with new loan volume and improving credit quality within much of the portfolio. Also, as expected, the Association's hedging strategy earnings were lower partially offset by lower fixed rate loan repricing fees. Of the \$43.6 million increase from 2021, \$156.2 million was due to higher income from debt funded loan volume. Collection of nonaccrual and other interest income decreased by \$0.6 million over 2021. Fixed rate loan repricing fees paid increased by \$2.0 million. Offsets to higher interest income levels include higher cost of funded debt of \$88.5 million while the Association's hedging strategy increased net interest income by \$11.3 million, a \$25.5 million decrease from 2021.

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	2022	2021	2020
Net interest income	\$ 279,661	\$ 236,033	\$ 227,490
Average balances:			
Average interest earning loans	\$10,099,874	\$ 8,451,127	\$ 7,781,715
Average interest bearing liabilities	\$ 8,348,419	\$ 6,939,786	\$ 6,382,575
Average rates:			
Interest earning loans	4.43%	3.45%	3.98%
Interest bearing liabilities	1.98%	1.08%	1.54%
Interest rate spread	2.45%	2.37%	2.44%
Net interest margin (interest income as a percentage of average interest earning loans)	2.77%	2.79%	2.92%

#### LOAN LOSS REVERSALS/PROVISION FOR LOAN LOSSES

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 \$34.1 million reversal of loan losses for December 31, 2022. The decrease in allowance for loan losses is primarily the result of changes in methodology which the Association uses to determine the risk of loss within

the loan portfolio - largely driven by low historical loss experience, and the continued and sustained improvement in loan credit quality over the last year. No provision for or reversal of loan losses was made for the year ended December 31, 2021, and a \$5.0 million provision for loan losses was recorded for the year ended December 31, 2020.

#### NONINTEREST INCOME

Noninterest income increased \$11.2 million to \$97.4 million for the twelve months ended December 31, 2022, as compared to \$86.2 million in 2021. Noninterest income is primarily composed of patronage income, financially related services income, loan fees and compensation on participation loans. Noninterest income totaled \$80.9 million for the twelve months ending December 31, 2020.

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, 2022, CoBank patronage income totaled \$45.1 million, an increase of \$8.3 million from \$36.8 million in 2021. The 2022 CoBank patronage includes a special patronage distribution of \$7.5 million compared to a 2021 special patronage distribution of \$5.5 million. The patronage rates paid by CoBank on the Association's note payable were 45 basis points in 2022, 45 basis points in 2021 and 36 basis points in 2020. Patronage income from CoBank was \$27.8 million for the twelve months ending December 31, 2020, which included a special patronage distribution of \$4.8 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, 2022, this revenue totaled \$13.5 million compared to \$10.8 million in 2021 and \$9.7 million in 2020.

Noninterest income also includes fees for financially related services, loan fees, compensation on participation loans and other noninterest income. These noninterest income sources totaled \$38.8 million for the twelve months ending December 31, 2022, an increase of \$0.1 million, or 0.3% from 2021. Financially related services fee income totaled \$32.1 million in revenue for the year ended December 31, 2022, an increase of \$2.8 million, or 9.4%, compared to 2021. Loan fees decreased \$3.1 million to \$2.6 million at December 31, 2022, a result of lower conversion fees associated with changes to customer fixed rate contracts and lower fee income received from new lending activity.

#### NONINTEREST EXPENSE

Noninterest expense totaled \$137.6 million for the twelve months ended December 31, 2022, an increase of \$22.2 million, or 19.2%, from \$115.4 million in 2021. Noninterest expense was \$107.3 million for the twelve months ended December 31, 2020.

Salaries and employee benefits is the primary component of noninterest expense and totaled \$75.8 million for the twelve months ended December 31, 2022, an increase of \$5.6 million from \$70.2 million for the twelve months ended December 31, 2021. The increase is primarily due to the addition of Yankee Farm Credit staff which were offset by slightly lower retirement plan expenses in 2022. Salary and employee benefits were \$68.2 million for the twelve months ended December 31, 2020.

Insurance fund premiums were \$15.5 million in 2022, an increase of \$5.4 million from December 31, 2021. Insurance fund premium rates are set by the Farm Credit System Insurance Corporation and were twenty basis points of adjusted insured debt obligations for 2022, as compared with sixteen basis points for 2021. Insurance fund premiums were \$5.6 million in 2020. Premium rates were eight basis points for the first six months of the year and increased to eleven basis points July 1, 2020.

Noninterest expenses also include occupancy and equipment expense and other operating expenses, which includes technology costs and other property owned expenses. These other operating expenses were \$46.3 million in 2022, an increase of \$11.2 million compared to 2021.

### PROVISION FOR INCOME TAXES

The provision for income taxes was \$2.0 million for the twelve months ended December 31, 2022, compared to \$1.5 million at December 31, 2021. The effective tax rate was 0.7% for both the years ended December 31, 2022, and 2021. 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, 2020, the provision for income taxes was \$1.7 million.

For additional information, see Note 10 to the consolidated financial statements, "Income Taxes".

### 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, 2022, the Association declared a qualified patronage dividend totaling \$117.0 million which will be distributed in cash in 2023. For the year ended December 31, 2021, the Association declared a qualified patronage dividend totaling \$91.0 million distributed in cash in February 2022. In 2020, the Association declared two separate qualified patronage dividends totaling \$89.0 million combined. \$59.0 million was distributed in cash in February 2021. An advance cash patronage dividend of \$30.0 million was paid in July 2020.

### 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, 2022, the Association's notes payable to CoBank totaled \$8.7 billion, which is a \$1.2 billion increase from \$7.5 billion at December 31, 2021. The merger with Yankee increased our debt to CoBank by \$436.9 million on January 1, 2022. The Association's note payable was \$6.7 billion at December 31, 2020.

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 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	2022	2021	2020
Pricing Type:			
Variable rate loans	40.5%	40.6%	43.3%
Indexed loans (Prime, SOFR, LIBOR)	26.2%	25.2%	23.1%
Fixed rate loans	33.3%	34.2%	33.6%

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*).

<b>December 31</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Swap notional amount	\$ 1,430.0	\$ 1,355.0	\$ 1,265.0
Derivative asset (liabilities), net	\$ (54.5)	\$ (5.8)	\$ 17.7
Cash (payments) receipts	\$ (11.3)	\$ 14.2	\$ 14.3

For additional information, see Note 15 to the consolidated financial statements, "Fair Value Measurements."

#### **MEMBERS' EQUITY**

Members' equity totaled \$2.0 billion at December 31, 2022. Members' equity at December 31, 2022, was comprised of unallocated retained earnings of \$1.7 billion, additional paid-in capital of \$354.2 million, customer capital stock and participation certificates of \$18.4 million and accumulated other comprehensive loss of \$85.0 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 capital, 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, 2022, 2021 and 2020, 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.

	2022	2021	2020	FCA Minimum with Buffer
Common Equity Tier 1 Capital Ratio (CET1)	16.55%	16.11%	17.09%	7.00%
Tier 1 Capital Ratio	16.55%	16.11%	17.09%	8.50%
Total Capital Ratio	17.05%	17.13%	18.17%	10.50%
Permanent Capital Ratio	16.26%	16.24%	17.24%	7.00%
Tier 1 Leverage Ratio	17.91%	17.35%	18.05%	5.00%
UREE Leverage Ratio	17.74%	19.23%	19.84%	1.50%

For additional information, see Note 8 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, 2023, the board established capital ratio baselines under the New Capital Regulations as follows.

	2023 Target	Policy Minimum	FCA Minimum with Buffer
Common Equity Tier 1 Capital Ratio (CET1)	16.81%	12.00%	7.00%
Tier 1 Capital Ratio	16.81%	13.50%	8.50%
Total Capital Ratio	17.54%	15.50%	10.50%
Permanent Capital Ratio	16.32%	12.00%	7.00%
Tier 1 Leverage Ratio	18.13%	6.00%	5.00%
UREE Leverage Ratio	18.86%	2.50%	1.50%

## REGULATORY MATTERS

As of December 31, 2022, 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

The U.S. economy proved to be remarkably resilient in many ways in 2022. The advance estimate of Q4 2022 GDP growth came in at 2.9%, exceeding prior expectations. This brings overall GDP growth for 2022 to 2.1%

Persistent high inflation has been challenging for businesses and consumers alike. To slow the economy and bring price stability, the Federal Reserve raised rates seven times over the course of 2022, bringing the upper limit of the Federal Funds rate from 0.25% at the beginning of the year (where it had been for 24 months) to 4.50% at the end of December. Nonetheless, GDP growth remained positive for the year, and unemployment remained remarkably low, coming in at 3.5% at December 31, 2022. This may influence the Federal Reserve to continue to raise interest rates if inflation does not subside in 2023.

The U.S. economy is forecast to slow and possibly tilt into recession, with projections suggesting that real GDP growth will come in between negative 0.7% to positive 0.5% in 2023.

## 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 considering 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.

# FARM CREDIT EAST, ACA

## 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 2022 annual report is consistent with that in the consolidated financial statements.

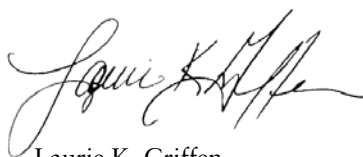
To meet its responsibility for reliable financial information, management depends on the Association's accounting and internal control systems which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded.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

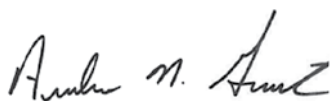
The undersigned certify the 2022 Annual Report to Stockholders has been reviewed and prepared in accordance with all applicable statutory or regulatory requirements and that the information contained herein is true, accurate and complete to the best of our knowledge and belief.



Michael J. Reynolds  
Chief Executive Officer



Laurie K. Griffen  
Chair of the Board



Andrew N. Grant  
Chief Financial Officer

March 14, 2023



# FARM CREDIT EAST, ACA

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

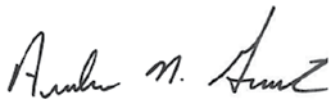
Farm Credit East's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's consolidated financial statements. For purposes of this report, "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, 2022. 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, 2022, 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, 2022.



Michael J. Reynolds  
Chief Executive Officer



Andrew N. Grant  
Chief Financial Officer

March 14, 2023

## FARM CREDIT EAST, ACA

# REPORT OF AUDIT COMMITTEE

The consolidated financial statements were prepared under the oversight of the Audit Committee (Committee). The Committee is composed of six members from the Farm Credit East, ACA (Association) Board of Directors. In 2022, the Committee met five 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. The Committee approved the appointment of PricewaterhouseCoopers LLP (PwC) as our independent auditors for 2022.

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, 2022, 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 2022, PwC was engaged for tax and audit related 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, 2022, and for filing with the FCA.



Tim C. Chan  
Audit Committee Chair

#### Other Committee Members:

Barry A. Buck  
Peter R. Call  
LouAnne F. King  
Jay McWatters  
Kyle Thygesen

March 14, 2023



## **Report of Independent Auditors**

To the Board of Directors of Farm Credit East, ACA

### ***Opinion***

We have audited the accompanying consolidated financial statements of Farm Credit East, ACA and its subsidiaries (the "Association"), which comprise the consolidated balance sheets as of December 31, 2022, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in members' equity and cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2022, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

### ***Responsibilities of Management for the Consolidated Financial Statements***

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

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

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

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

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

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

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

#### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the information included in the 2022 Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

*Princetonville Capital LLP*

March 14, 2023

**FARM CREDIT EAST, ACA**  
**CONSOLIDATED BALANCE SHEETS**

December 31 (dollars in thousands)	2022	2021	2020
<b>ASSETS</b>			
Loans	\$ 10,572,766	\$ 9,074,791	\$ 8,209,864
Less: Allowance for loan losses	51,465	80,335	73,879
Net loans	10,521,301	8,994,456	8,135,985
Cash	36,778	20,345	27,836
Accrued interest receivable	48,072	24,468	22,740
Investment in CoBank, ACB	279,196	258,584	273,886
Premises and equipment, net	26,909	26,032	25,982
Other assets	100,719	98,730	82,887
<b>Total Assets</b>	<b>\$ 11,012,975</b>	<b>\$ 9,422,615</b>	<b>\$ 8,569,316</b>
<b>LIABILITIES</b>			
Notes payable to CoBank, ACB	\$ 8,704,819	\$ 7,452,909	\$ 6,736,597
Patronage distributions payable	117,000	91,000	59,000
Accrued interest payable	27,401	6,410	6,716
Reserve for unfunded commitments	10,751	16,064	22,516
Other liabilities	145,392	89,593	82,382
<b>Total Liabilities</b>	<b>\$ 9,005,363</b>	<b>\$ 7,655,976</b>	<b>\$ 6,907,211</b>
<b>MEMBERS' EQUITY</b>			
Capital stock and participation certificates	\$18,374	\$16,688	\$16,041
Additional paid-in capital	354,163	229,198	229,198
Unallocated retained earnings	1,720,025	1,565,415	1,451,018
Accumulated other comprehensive loss	(84,950)	(44,662)	(34,152)
<b>Total Members' Equity</b>	<b>\$ 2,007,612</b>	<b>\$ 1,766,639</b>	<b>\$ 1,662,105</b>
<b>Total Liabilities and Members' Equity</b>	<b>\$ 11,012,975</b>	<b>\$ 9,422,615</b>	<b>\$ 8,569,316</b>

The accompanying notes are an integral part of these statements.

**FARM CREDIT EAST, ACA**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

Year Ended December 31 (dollars in thousands)	2022	2021	2020
<b>INTEREST INCOME</b>			
Loans	\$ 454,502	\$ 298,702	\$ 317,151
Other	339	452	502
Total interest income	454,841	299,154	317,653
<b>INTEREST EXPENSE</b>			
Notes payable to CoBank, ACB	175,151	63,095	90,143
Other	29	26	20
Total interest expense	175,180	63,121	90,163
Net interest income	279,661	236,033	227,490
(Reversal of) provision for loan losses	(34,118)	-	5,000
Net interest income after (reversal of) provision for loan losses	313,779	236,033	222,490
<b>NONINTEREST INCOME</b>			
Patronage	58,587	47,517	37,459
Financially related services	32,125	29,368	27,714
Compensation on participation loans, net	4,108	3,680	3,186
Loan fees and other noninterest income	2,566	5,647	12,493
Total noninterest income	97,386	86,212	80,852
<b>NONINTEREST EXPENSE</b>			
Salaries and employee benefits	75,800	70,243	68,179
Insurance Fund premiums	15,493	10,101	5,551
Occupancy and equipment	4,717	4,253	4,221
Other noninterest expenses	41,557	30,797	29,341
Total noninterest expenses	137,567	115,394	107,292
Income before income taxes	273,598	206,851	196,050
Provision for income taxes	1,988	1,454	1,698
<b>Net Income</b>	<b>\$ 271,610</b>	<b>\$ 205,397</b>	<b>\$ 194,352</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Net change in retirement plan liabilities	8,438	12,940	9,310
Net change in cash flow hedges	(48,726)	(23,450)	2,593
Other Comprehensive (Loss) Income	(40,288)	(10,510)	11,903
<b>Comprehensive Income</b>	<b>\$ 231,322</b>	<b>\$ 194,887</b>	<b>\$ 206,255</b>

The accompanying notes are an integral part of these statements.

**FARM CREDIT EAST, ACA**  
**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, 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
Comprehensive Income (Loss)	-	-	205,397	(10,510)	194,887
Capital stock and participation certificates issued	1,860	-	-	-	1,860
Capital stock and participation certificates retired	(1,213)	-	-	-	(1,213)
Patronage Distribution	-	-	(91,000)	-	(91,000)
Balance at December 31, 2021	\$ 16,688	\$ 229,198	\$ 1,565,415	\$ (44,662)	\$ 1,766,639
Comprehensive Income (Loss)	-	-	271,610	(40,288)	231,322
Capital stock and participation certificates issued	1,814	-	-	-	1,814
Capital stock and participation certificates retired	(1,275)	-	-	-	(1,275)
Equity re-characterized upon merger	1,147	124,965	-	-	126,112
Patronage Distribution	-	-	(117,000)	-	(117,000)
Balance at December 31, 2022	\$ 18,374	\$ 354,163	\$ 1,720,025	\$ (84,950)	\$ 2,007,612

The accompanying notes are an integral part of these statements.



**FARM CREDIT EAST, ACA**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Year Ended December 31 (dollars in thousands)	2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 271,610	\$ 205,397	\$ 194,352
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	3,026	3,080	3,088
(Reversal of) provision for loan losses	(34,118)	-	5,000
Increase in accrued interest receivable	(23,036)	(2,775)	(370)
Increase (decrease) in accrued interest payable	20,660	(306)	(5,220)
Increase (decrease) in other liabilities	3,565	(9,751)	30,255
(Increase) decrease in other assets	(225)	2,337	(11,027)
Gain from sales of premises and equipment	(213)	(805)	(48)
Total adjustments	(30,341)	(8,220)	21,678
Net cash provided by operating activities	241,269	197,177	216,030
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Increase in loans, net	(953,542)	(857,593)	(784,650)
Decrease (increase) in investment in CoBank	16,863	-	(22,528)
Increase in investments	(4,205)	(2,838)	(2,696)
Expenditures for premises and equipment	(1,077)	(3,191)	(2,365)
Proceeds from sales of other property owned	169	129	1,504
Proceeds from sales of premises and equipment	356	866	113
Net cash acquired in merger	38	-	-
Net cash used in investing activities	(941,398)	(862,627)	(810,622)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Increase in notes payable to CoBank, net	816,113	716,312	700,405
Capital stock and participation certificates issued	1,814	1,860	1,716
Capital stock and participation certificates retired	(1,275)	(1,213)	(1,174)
Patronage distributions paid	(100,090)	(59,000)	(100,000)
Net cash provided by financing activities	716,562	657,959	600,947
Net increase (decrease) in cash and cash equivalents	16,433	(7,491)	6,355
Cash and cash equivalents at beginning of year	20,345	27,836	21,481
Cash and cash equivalents at end of year	\$ 36,778	\$ 20,345	\$ 27,836
<b>SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES:</b>			
Income taxes paid, net of refunds	\$ 1,627	\$ 2,520	\$ 1,837
Accrued interest transferred to loans	1,386	1,047	6,119
Loans transferred to other property owned	259	169	532
Patronage distribution payable	117,000	91,000	59,000
Transfer of surplus to additional paid-in-capital related to Association merger	124,965	-	-

The accompanying notes are an integral part of these statements.

# FARM CREDIT EAST, ACA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(dollars in thousands except as noted)*

### **NOTE 1 – ORGANIZATION, BUSINESS COMBINATION 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 states of Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island and Vermont.

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, 2022, the System was comprised of three Farm Credit Banks (FCBs), one Agricultural Credit Bank (ACB) and 63 affiliated associations. CoBank, ACB (CoBank or ACB) is Farm Credit East’s funding bank.

CoBank, ACB (funding bank of the “Bank”) 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, 18 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.

#### **BUSINESS COMBINATION**

Effective January 1, 2022, Yankee Farm Credit, ACA (Yankee) was merged into Farm Credit East, ACA (Farm Credit East). Farm Credit East acquired 100% of the assets and liabilities of Yankee. The merged Association is headquartered in Enfield, CT. The effects of the merger are included in the Association’s results of operations, balance sheet, average balances and related metrics beginning in 2022.

The acquisition method of accounting requires the financial statement presentation of combined balances as of the date of the merger, but not for previous periods. The Consolidated Balance Sheet reflects the merged balances as of December 31, 2022, and the balances for Farm Credit East prior to January 1, 2022, do not include Yankee. The Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Members’ Equity and the Consolidated Statement of Cash Flows reflect the results of the merged Association after January 1, 2022, and the Farm Credit East activity prior to January 1, 2022, do not include Yankee. Information presented in the Notes to the Consolidated Financial Statements for 2022 reflects balances of the merged Association.

As cooperative organizations, Farm Credit associations operate for the mutual benefit of our customer owners and other customers and not for the benefit of any other equity

investors; capital stock provides no significant interest in corporate earnings or growth. Specifically, due to restrictions in applicable regulations and their bylaws, the Associations can issue stock only at its par value of \$5 per share, the stock is not tradable, and the stock can be retired only for the lesser of par value or book value. The shares of Yankee stock were converted into the shares of Farm Credit East. For this reason, the conversion of stock pursuant to the merger occurred at a one-for-one exchange ratio.

Management believes that because the stock in each Association is fixed in value, the stock issued pursuant to the merger provides no basis for estimating the fair value of the consideration transferred pursuant to the merger. In the absence of a purchase price determination, Farm Credit East identified and estimated the acquisition date fair value of the equity interests of the acquired Association instead of the acquisition date fair value of the equity interests transferred as consideration. The fair value of the assets acquired, including specific intangible assets and liabilities assumed from Yankee, were measured based on various estimates using assumptions that management believes are reasonable utilizing information currently available. The use of different estimates and judgments could yield materially different results. The excess value received, by the acquiring Association from the acquired Association, over the par value of capital stock and participation certificates issued in the merger is considered to be additional paid-in capital.

The merger was accounted for under the acquisition method of accounting in accordance with the FASB Accounting Standards Codification (ASC) 805 Business Combinations (ASC 805). Pursuant to these rules, Farm Credit East acquired the assets and assumed the liabilities of Yankee at their acquisition-date fair value. The fair value of the net identifiable assets acquired (\$126.1 million) was substantially equal to the fair value of the equity interests exchanged in the merger. As a result, no goodwill was recorded.

The following condensed statement of net assets acquired reflects the fair value assigned to Yankee's net assets as of the acquisition date.

<b>Condensed Statement of Net Assets Acquired</b>	
<b>January 1, 2022</b>	
<b>ASSETS</b>	
Net Loans	\$ 538,058
Cash	38
Accrued interest receivable	1,954
Other assets	37,913
<b>TOTAL ASSETS</b>	<b>\$ 577,963</b>
<b>LIABILITIES</b>	
Notes payable	\$ 435,797
Other liabilities	16,054
<b>TOTAL LIABILITIES</b>	<b>\$ 451,851</b>
<b>FAIR VALUE OF NET ASSETS ACQUIRED</b>	<b>\$ 126,112</b>

The fair value of net assets acquired included a \$3.8 million decrease to loans and a \$1.1 million decrease to notes payable to reflect changes in interest rates and other market conditions since the time these instruments were issued. These differences will be accreted into net interest income over the average remaining life of the respective loans and debt instruments on a straight-line basis. As of January 1, 2022, the gross contractual amount of loans not expected to be collected was \$0.5 million.

## 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.

In addition, the Farm Credit Council acts as a full-service federated trade association, which represents the System before Congress, the Executive Branch, and others, and provides support services to System institutions on a fee basis.

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](http://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. 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. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding.

Loans acquired in a business combination are initially recognized at fair value based on current interest rates and taking into account the borrowers' credit quality; and therefore, acquired loans have no related allowance for loan losses at acquisition date. Those loans with evidence of credit quality deterioration at purchase are required to be recorded in accordance with the authoritative accounting guidance on "Accounting for Certain Loans or Debt Securities Acquired in a Transfer." This guidance addresses accounting for differences between contractual cash flow and cash flows expected to be collected from the initial investment in loans if those differences are attributable, at least in part, to credit quality. The initial fair values for these types of loans are determined by assessing each loan individually in determining fair value. Subsequent decreases in collateral value will result in a charge to the provision for loan losses and a corresponding increase to allowance for loan losses. Subsequent increases in collateral value will result in recovery of any previously recorded allowance for loan losses to the extent applicable.

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 restructured 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."

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 economic loss on a specific loan assuming default has occurred or is expected to occur within the twelve months.

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 \$3.9 billion of commitments to extend credit at December 31, 2022. 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, 2022, the allowance for credit losses totaled \$62.2 million, of which \$51.5 million related to the allowance for loan losses and \$10.7 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 credit 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, represents 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 3.0% of the prior one-year 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 7.0% 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**

Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. 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.

#### **OTHER ASSETS AND OTHER LIABILITIES**

Other assets are comprised primarily of patronage receivable from CoBank, accounts receivable, investments in Farm Credit institutions other than CoBank and derivative assets. Significant components of other liabilities primarily include pension and other post-retirement benefits, accrued salaries and employee benefits, accounts payable and derivative liabilities.

#### **EMPLOYEE BENEFIT PLANS**

Substantially all employees of the Association may be eligible to participate in various retirement plans. Association employees (except the former Maine and Yankee 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) specific assets or liabilities 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 may use 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. For cash flow hedges, when the Association discontinues hedge accounting, any remaining accumulated other comprehensive income (loss) would be amortized into earnings over the remaining life of the original hedged item. For fair value hedges, when the Association discontinues hedge accounting, changes in the fair value of the derivative will be recorded in current period earnings. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the Association will carry the derivative at its fair value on the balance sheet, recognizing changes in fair value in current period earnings.

#### **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 15 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 2022, the Financial Accounting Standards Board (FASB) issued an update entitled "Financial Instruments - Credit Losses: Troubled Debt Restructurings and Vintage Disclosures." The guidance eliminates the accounting guidance for troubled debt restructurings (TDRs) by creditors while enhancing disclosure requirements for certain loan refinancings and restructurings when a borrower is experiencing financial difficulty. The creditor will have to apply the guidance to determine whether a modification results in a new loan or a continuation of an existing loan. In addition to the TDR guidance, the update requires public business entities to disclose current period gross write offs by year of origination for financing receivables and net investments in leases within the scope of the credit losses

standard. These amendments were effective for the entity upon adoption of the measurement of credit losses on financial instruments standard on January 1, 2023.

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

The Association adopted the FASB guidance entitled "Measurement of Credit Losses on Financial Instruments" on January 1, 2023. This guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures. The guidance requires management to consider in its estimate of allowance for credit losses (ACL) relevant historical events, current conditions and reasonable and supportable forecasts that affect the collectability of the assets. Prior to the adoption, the allowance for loan losses represented management's estimate of the probable credit losses inherent in its loan portfolio and certain unfunded commitments. In addition, the guidance amends existing impairment guidance for held-to-maturity and available-for-sale investments to incorporate an allowance, which will allow for the reversal of credit impairments in the event that the credit of an issuer improves. The adoption of this guidance resulted in a net increase to the Association's allowance for credit losses of \$14.6 million and a corresponding decrease in retained earnings.

### NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES

#### LOANS OUTSTANDING

Loans outstanding by loan type are shown below.

December 31	2022		2021		2020	
Real estate mortgage	\$ 4,299,432	40.7%	\$ 3,835,263	42.3%	\$ 3,564,234	43.4%
Production and intermediate	3,412,294	32.3	2,963,459	32.7	2,804,349	34.2
Agribusiness	2,213,440	20.9	1,755,636	19.3	1,448,514	17.6
Rural infrastructure	537,580	5.1	427,324	4.7	303,368	3.7
Rural residential real estate	67,199	0.6	60,152	0.7	59,679	0.7
Other	42,821	0.4	32,957	0.3	29,720	0.4
Total Loans	\$ 10,572,766	100.0%	\$ 9,074,791	100.0%	\$ 8,209,864	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, 2022, 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	\$ 2,440	\$ 255,164	\$ 319,301	\$ 36,629	\$ -	\$ -	\$ 321,741	\$ 291,793
Production and intermediate	97,360	344,365	579,817	94,156	21,311	-	698,488	438,521
Agribusiness	598,390	437,504	468,443	533,434	5,000	7,088	1,071,833	978,026
Rural infrastructure	537,553	-	-	-	-	-	537,553	-
Other	46,367	3,506	-	-	-	-	46,367	3,506
Total Loans	\$ 1,282,110	\$ 1,040,539	\$ 1,367,561	\$ 664,219	\$ 26,311	\$ 7,088	\$ 2,675,982	\$ 1,7,11,846

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 \$4.7 million, \$5.5 million and \$7.3 million at December 31, 2022, 2021 and 2020 respectively. Fees paid to Farmer Mac for such commitments totaled \$28 thousand at year end December 31, 2022. Fees paid were \$32 thousand and \$44 thousand at December 31, 2021, and December 31, 2020. These amounts are classified as noninterest expense. In addition to Farmer Mac, the Association has credit enhancements with federal and state agencies totaling \$343.2 million, \$310.6 million and \$305.2 million at December 31, 2022, 2021 and 2020 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, 2022	Acceptable	OAEM	Substandard/ Doubtful	Total
Real estate mortgage	38.2%	1.7%	0.8%	40.7%
Production and Intermediate term	30.6	1.0	0.7	32.3
Agribusiness	20.0	0.6	0.3	20.9
Rural infrastructure	5.0	0.1	-	5.1
Rural residential real estate	0.6	-	-	0.6
Other	0.4	-	-	0.4
Total	94.8%	3.4%	1.8%	100.0%

December 31, 2021	Acceptable	OAEM	Substandard/ Doubtful	Total
Real estate mortgage	39.6%	1.8%	1.0%	42.4%
Production and Intermediate term	30.6	1.0	1.0	32.6
Agribusiness	18.2	0.6	0.5	19.3
Rural infrastructure	4.7	-	-	4.7
Rural residential real estate	0.6	-	-	0.6
Other	0.3	0.1	-	0.4
Total	94.0%	3.5%	2.5%	100.0%

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%

## 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	2022	2021	2020
Nonaccrual loans:			
Current as to principal and interest	\$ 28,167	\$ 8,038	\$ 17,609
Past due	11,666	10,618	19,831
Total nonaccrual loans	\$ 39,833	\$ 18,656	\$ 37,440
Impaired accruing loans:			
Restructured accruing loans	\$ 2,652	\$ 608	\$ 581
Accruing loans 90 days or more past due	-	137	780
Total impaired accruing loans	\$ 2,652	\$ 745	\$ 1,361
Total impaired loans	\$ 42,485	\$ 19,401	\$ 38,801

High risk assets consist of impaired loans and other property owned. These nonperforming assets (including related accrued interest) are as follows.

December 31	2022	2021	2020
Nonaccrual loans:			
Real estate mortgage	\$ 8,892	\$ 8,988	\$ 20,609
Production and intermediate term	29,112	8,148	14,590
Agribusiness	1,532	1,118	1,863
Rural residential real estate	297	402	378
Total nonaccrual loans	\$ 39,833	\$ 18,656	\$ 37,440
Accruing restructured loans:			
Real estate mortgage	\$ 2,615	\$ 553	\$ 523
Production and intermediate term	48	53	58
Total accruing restructured loans	\$ 2,663	\$ 606	\$ 581
Accruing loans 90 days or more past due:			
Real estate mortgage	\$ -	\$ 140	\$ 817
Production and intermediate term	-	-	-
Total accruing loans 90 days or more past due	\$ -	\$ 140	\$ 817
Total impaired loans	\$ 42,496	\$ 19,402	\$ 38,838
Other property owned	\$ 827	\$ 857	\$ 817
Total high risk assets	\$ 43,323	\$ 20,259	\$ 39,655

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, 2022				For the Year Ended December 31, 2022	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
<b>Impaired loans with a related allowance for loan losses:</b>					
Real estate mortgage	\$ 3,807	\$ 4,263	\$ 650	\$ 2,474	\$ (82)
Production and intermediate term	12,195	15,702	8,050	9,021	14
Agribusiness	85	126	27	64	-
Rural residential real estate	-	-	-	-	-
Total	\$ 16,087	\$ 20,091	\$ 8,727	\$ 11,559	\$ (68)
<b>Impaired loans with no related allowance for loan losses:</b>					
Real estate mortgage	\$ 7,689	\$ 10,549	\$ -	\$ 8,109	\$ 1,266
Production and intermediate term	17,362	19,512	-	11,751	964
Agribusiness	1,049	1,495	-	1,060	509
Rural residential real estate	297	327	-	337	50
Total	\$ 26,397	\$ 31,883	\$ -	\$ 21,257	\$ 2,789
<b>Total Impaired loans:</b>					
Real estate mortgage	\$ 11,496	\$ 14,812	\$ 650	\$ 10,583	\$ 1,184
Production and intermediate term	29,557	35,214	8,050	20,772	978
Agribusiness	1,134	1,621	27	1,124	509
Rural residential real estate	297	327	-	337	50
Total	\$ 42,484	\$ 51,974	\$ 8,727	\$ 32,816	\$ 2,721

As of December 31, 2021				For the Year Ended December 31, 2021	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
<b>Impaired loans with a related allowance for loan losses:</b>					
Real estate mortgage	\$ 3,405	\$ 4,026	\$ 788	\$ 3,744	\$ (35)
Production and intermediate term	1,624	2,273	315	1,863	23
Agribusiness	534	551	18	557	(18)
Rural residential real estate	-	-	-	-	-
Total	\$ 5,563	\$ 6,850	\$ 1,121	\$ 6,164	\$ (30)
<b>Impaired loans with no related allowance for loan losses:</b>					
Real estate mortgage	\$ 6,274	\$ 9,065	\$ -	\$ 15,198	\$ 1,754
Production and intermediate term	6,578	10,216	-	15,771	1,391
Agribusiness	584	4,539	-	1,273	26
Rural residential real estate	402	455	-	484	24
Total	\$ 13,838	\$ 24,275	\$ -	\$ 32,726	\$ 3,195
<b>Total Impaired loans:</b>					
Real estate mortgage	\$ 9,679	\$ 13,091	\$ 788	\$ 18,942	\$ 1,719
Production and intermediate term	8,202	12,489	315	17,634	1,414
Agribusiness	1,118	5,090	18	1,830	8
Rural residential real estate	402	455	-	484	24
Total	\$ 19,401	\$ 31,125	\$ 1,121	\$ 38,890	\$ 3,165

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
<b>Impaired loans with a related allowance for loan losses:</b>					
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)
<b>Impaired loans with no related allowance for loan losses:</b>					
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
<b>Total Impaired loans:</b>					
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

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	2022	2021	2020
Interest income which would have been recognized under the original loan terms	\$ 4,784	\$ 2,773	\$ 3,712
Less: interest income recognized	2,552	3,121	4,458
Forgone interest income	\$ 2,232	\$ (348)	\$ (746)

#### 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 tables provide an age analysis of past due loans as of December 31, 2022, 2021 and 2020.

<b>December 31, 2022</b>	<b>30-89 Days Past Due</b>	<b>90 Days or More Past Due</b>	<b>Total Past Due</b>	<b>Current</b>	<b>Total Loans</b>	<b>Accruing Loans 90 days or More Past Due</b>
Real estate mortgage	\$ 10,964	\$ 5,214	\$ 16,178	\$ 4,283,254	\$ 4,299,432	\$ -
Production and intermediate term	8,015	3,261	11,276	3,401,018	3,412,294	-
Agribusiness	2,037	1,328	3,365	2,210,075	2,213,440	-
Rural infrastructure	-	-	-	537,580	537,580	-
Rural residential real estate	116	270	386	66,813	67,199	-
Other	-	-	-	42,821	42,821	-
<b>Total Loans</b>	<b>\$ 21,132</b>	<b>\$ 10,073</b>	<b>\$ 31,205</b>	<b>\$ 10,541,561</b>	<b>\$ 10,572,766</b>	<b>\$ -</b>

<b>December 31, 2021</b>	<b>30-89 Days Past Due</b>	<b>90 Days or More Past Due</b>	<b>Total Past Due</b>	<b>Current</b>	<b>Total Loans</b>	<b>Accruing Loans 90 days or More Past Due</b>
Real estate mortgage	\$ 5,552	\$ 4,221	\$ 9,773	\$ 3,825,490	\$ 3,835,263	\$ 136
Production and intermediate term	3,657	4,095	7,752	2,955,707	2,963,459	1
Agribusiness	1,565	972	2,537	1,753,099	1,755,636	-
Rural infrastructure	-	-	-	427,324	427,324	-
Rural residential real estate	-	310	310	59,842	60,152	-
Other	-	-	-	32,957	32,957	-
<b>Total Loans</b>	<b>\$ 10,774</b>	<b>\$ 9,598</b>	<b>\$ 20,372</b>	<b>\$ 9,054,419</b>	<b>\$ 9,074,791</b>	<b>\$ 137</b>

<b>December 31, 2020</b>	<b>30-89 Days Past Due</b>	<b>90 Days or More Past Due</b>	<b>Total Past Due</b>	<b>Current</b>	<b>Total Loans</b>	<b>Accruing Loans 90 days or More Past Due</b>
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	-
<b>Total Loans</b>	<b>\$ 19,289</b>	<b>\$ 19,760</b>	<b>\$ 39,049</b>	<b>\$ 8,170,815</b>	<b>\$ 8,209,864</b>	<b>\$ 780</b>

## 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, 2022		Year Ended December 31, 2021		Year Ended December 31, 2020	
	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	\$ 1,582	\$ 1,582	\$ 305	\$ 305	\$ 869	\$ 869
Production and intermediate	85	85	-	-	-	-
Agribusiness	-	-	4	4	-	-
Total	\$ 1,667	\$ 1,667	\$ 309	\$ 309	\$ 869	\$ 869

\* 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 \$2 thousand additional commitments to lend to borrowers whose loans have been modified in TDRs at December 31, 2022, and \$10 thousand as of December 31, 2021. There were \$11 thousand additional commitments to lend to borrowers whose loans have been modified as TDRs at December 31, 2020.

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, 2022	December 31, 2021	December 31, 2020	December 31, 2022	December 31, 2021	December 31, 2020
Real estate mortgage	\$ 2,990	\$ 1,404	\$ 1,183	\$ 386	\$ 849	\$ 659
Production and intermediate term	58	53	69	10	-	12
Total	\$ 3,048	\$ 1,457	\$ 1,252	\$ 396	\$ 849	\$ 671

\* 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, 2022	Real Estate Mortgage	Production and Intermediate	Agribusiness	Rural infrastructure	Rural Residential Real Estate	Other	Total
<b>Allowance for Loan Losses</b>							
Beginning balance	\$ 15,904	\$ 35,581	\$ 26,200	\$ 2,210	\$ 270	\$ 170	\$ 80,335
Charge-offs	(25)	(120)	(145)	-	-	-	(290)
Recoveries	23	200	-	-	2	-	225
(Reversal of) provision for loan losses	(6,956)	(13,141)	(13,649)	(151)	(100)	(121)	(34,118)
Transfers (to) from reserve for unfunded commitments	782	2,806	1,754	(55)	9	17	5,313
Ending balance	\$ 9,728	\$ 25,326	\$ 14,160	\$ 2,004	\$ 181	\$ 66	\$ 51,465
<b>Reserve for Unfunded Commitments</b>							
Beginning balance	\$ 3,066	\$ 7,152	\$ 5,309	\$ 449	\$ 54	\$ 34	\$ 16,064
Transfers (to) from allowance for loan losses	(782)	(2,806)	(1,754)	55	(9)	(17)	(5,313)
Ending balance	\$ 2,284	\$ 4,346	\$ 3,555	\$ 504	\$ 45	\$ 17	\$ 10,751
<b>Allowance for Credit Losses</b>	<b>\$ 12,012</b>	<b>\$ 29,672</b>	<b>\$ 17,715</b>	<b>\$ 2,508</b>	<b>\$ 226</b>	<b>\$ 83</b>	<b>\$ 62,216</b>
<b>Allowance for Credit Losses</b>							
Ending balance, allowance for credit losses related to loans:							
Individually evaluated for impairment	\$ 650	\$ 8,050	\$ 27	\$ -	\$ -	\$ -	\$ 8,727
Collectively evaluated for impairment	11,362	21,622	17,688	2,508	226	83	53,489
Total	\$ 12,012	\$ 29,672	\$ 17,715	\$ 2,508	\$ 226	\$ 83	\$ 62,216
<b>Loans</b>							
Ending balance for loans:							
Individually evaluated for impairment	\$ 11,496	\$ 29,557	\$ 1,134	\$ -	\$ 297	\$ -	\$ 42,484
Collectively evaluated for impairment	4,287,936	3,382,737	2,212,306	537,580	66,902	42,821	10,530,282
Total	\$ 4,299,432	\$ 3,412,294	\$ 2,213,440	\$ 537,580	\$ 67,199	\$ 42,821	\$ 10,572,766

December 31, 2021	Real Estate Mortgage	Production and Intermediate	Agribusiness	Rural infrastructure	Rural Residential Real Estate	Other	Total
<b>Allowance for Loan Losses</b>							
Beginning balance	\$ 16,713	\$ 23,312	\$ 30,905	\$ 2,647	\$ 135	\$ 167	\$ 73,879
Charge-offs	(32)	(325)	-	-	-	-	(357)
Recoveries	138	219	3	-	1	-	361
Provision for loan losses	(2,801)	12,556	(9,048)	(836)	145	(16)	-
Transfers (to) from reserve for unfunded commitments	1,886	(181)	4,340	399	(11)	19	6,452
Ending balance	\$ 15,904	\$ 35,581	\$ 26,200	\$ 2,210	\$ 270	\$ 170	\$ 80,335
<b>Reserve for Unfunded Commitments</b>							
Beginning balance	\$ 4,952	\$ 6,971	\$ 9,649	\$ 848	\$ 43	\$ 53	\$ 22,516
Transfers (to) from allowance for loan losses	(1,886)	181	(4,340)	(399)	11	(19)	(6,452)
Ending balance	\$ 3,066	\$ 7,152	\$ 5,309	\$ 449	\$ 54	\$ 34	\$ 16,064
<b>Allowance for Credit Losses</b>	\$ 18,970	\$ 42,733	\$ 31,509	\$ 2,659	\$ 324	\$ 204	\$ 96,399

#### Allowance for Credit Losses

Ending balance, allowance for credit losses related to loans:

Individually evaluated for impairment	\$ 788	\$ 315	\$ 18	\$ -	\$ -	\$ -	\$ 1,121
Collectively evaluated for impairment	18,182	42,418	31,491	2,659	324	204	95,278
Total	\$ 18,970	\$ 42,733	\$ 31,509	\$ 2,659	\$ 324	\$ 204	\$ 96,399

#### Loans

Ending balance for loans:

Individually evaluated for impairment	\$ 9,679	\$ 8,202	\$ 1,118	\$ -	\$ 402	\$ -	\$ 19,401
Collectively evaluated for impairment	3,825,584	2,955,257	1,754,518	427,324	59,750	32,957	9,055,390
Total	\$ 3,835,263	\$ 2,963,459	\$ 1,755,636	\$ 427,324	\$ 60,152	\$ 32,957	\$ 9,074,791

December 31, 2020	Real Estate Mortgage	Production and Intermediate	Agribusiness	Rural infrastructure	Rural Residential Real Estate	Other	Total
<b>Allowance for Loan Losses</b>							
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
<b>Reserve for Unfunded Commitments</b>							
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
<b>Allowance for Credit Losses</b>	\$ 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

#### NOTE 4 - INVESTMENT IN COBANK, ACB

At December 31, 2022, 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 3.0% of the Associations' prior one-year average direct loan balance. The current requirement for capitalizing patronage-based participation loans sold to CoBank is 7.0% 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 7.18% of the issued stock of the ACB as of December 31, 2022. As of that date, the ACB's assets totaled \$188.8 billion, and members' equity totaled \$10.2 billion. The ACB earned net income of \$1.4 billion during 2022.

#### NOTE 5 - PREMISES AND EQUIPMENT

Premises and equipment consists of the following:

December 31	2022	2021	2020
Land	\$ 2,127	\$ 1,569	\$ 1,569
Buildings and improvements	39,280	36,347	35,238
Furniture and equipment	6,117	7,647	8,559
Autos	5,320	4,865	4,919
Construction in progress	494	308	831
Premises and equipment at cost	\$ 53,338	\$ 50,736	\$ 51,116
Less: accumulated depreciation	26,429	24,704	25,134
Total premises and equipment, net	\$ 26,909	\$ 26,032	\$ 25,982

#### NOTE 6 - OTHER ASSETS AND OTHER LIABILITIES

A summary of other assets and other liabilities follows:  
other assets and other liabilities follows:

December 31	2022	2021	2020
Other Assets:			
Patronage receivable from CoBank	\$ 55,519	\$ 42,497	\$ 33,460
Investments	23,455	18,977	16,043
Accounts receivable	9,280	18,596	2,167
Derivative assets	-	3,203	17,737
Other	12,465	15,457	13,480
Total	\$ 100,719	\$ 98,730	\$ 82,887

December 31	2022	2021	2020
Other Liabilities:			
Pension and other postretirement liabilities	\$ 28,556	\$ 36,961	\$ 45,853
Accrued salaries and employee benefits	17,990	17,549	12,176
Accounts payable	21,940	14,497	15,050
Derivative liabilities	54,490	8,967	51
Other	22,416	11,619	9,252
Total	\$ 145,392	\$ 89,593	\$ 82,382

#### NOTE 7 - 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 May 31, 2023. 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, 2022. 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 1.98% for the year ended December 31, 2022. The weighted average interest rate was 1.08% for the year ended December 31, 2021, and 1.54% for the year ended December 31, 2020.

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, 2022, the Association's notes payable are within the specified limitations.

#### NOTE 8 - 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, 2014 and 2022), 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 Association's. The Permanent Capital Ratio continues to remain in effect; however, the risk-weighted assets are calculated differently than in the past.

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

<b>Ratio</b>	<b>Primary Components of Numerator</b>	<b>Denominator</b>	<b>Ratios as of 2022</b>	<b>Ratios as of 2021</b>	<b>Ratios as of 2020</b>	<b>Minimum with Buffer</b>	<b>Minimum Requirement</b>
Common Equity Tier 1 (CET1) Capital	Unallocated retained earnings (URE), common cooperative equities (qualifying capital stock and allocated equity) <sup>1</sup>	Risk-weighted assets	16.55%	16.11%	17.09%	7.0%	4.5%
Tier 1 Capital	CET1 Capital, non-cumulative perpetual preferred stock	Risk-weighted assets	16.55%	16.11%	17.09%	8.5%	6.0%
Total Capital	Tier 1 Capital, allowance for loan losses <sup>2</sup> , common cooperative equities <sup>3</sup> , and term preferred stock and subordinated debt <sup>4</sup>	Risk-weighted assets	17.05%	17.13%	18.17%	10.5%	8.0%
Tier 1 Leverage	Tier 1 Capital	Total assets	17.91%	17.35%	18.05%	5.0%	4.0%
Unallocated Retained Earnings and URE Equivalents (UREE) Leverage	URE and URE Equivalents	Total assets	17.74%	19.23%	19.84%	—	1.5%
Permanent Capital	Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt, subject to certain limits	Risk-weighted assets	16.26%	16.24%	17.24%	—	7.0%

<sup>1</sup> Equities outstanding 7 or more years

<sup>2</sup> Capped at 1.25% of risk-adjusted assets

<sup>3</sup> Outstanding 5 or more years, but less than 7 years

<sup>4</sup> 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, 2022, the Association had 3,384,767 shares of Class B stock outstanding at a par value of \$5 per share, 289,323 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 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
2022	\$117,000
2021	\$ 91,000
2020	\$ 89,000

## 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	2022	2021	2020
Cash flow hedges, net	\$ (54,490)	\$ (5,764)	\$ 17,686
Pension and other benefit plans	(30,460)	(38,898)	(51,838)
Total	\$ (84,950)	\$ (44,662)	\$ (34,152)

	Cash flow hedges, net	Pension and other benefit plans
Balance at December 31, 2021	\$ (5,764)	\$ (38,898)
Net current period other comprehensive (loss)	(48,726)	8,438
Balance at December 31, 2022	\$ (54,490)	\$ (30,460)

	Cash flow hedges, net	Pension and other benefit plans
Balance at December 31, 2020	\$ 17,686	\$ (51,838)
Net current period other comprehensive (loss)	(23,450)	12,940
Balance at December 31, 2021	\$ (5,764)	\$ (38,898)

	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)

## NOTE 9 - PATRONAGE DISTRIBUTIONS FROM FARM CREDIT INSTITUTIONS

Patronage income recognized from Farm Credit Institutions as follows.

Year Ended December 31	2022	2021	2020
CoBank	\$ 55,244	\$ 42,498	\$ 33,460
Other	3,343	5,019	3,999
Total	\$ 58,587	\$ 47,517	\$ 37,459

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 \$55.5 million accrued is expected to be paid by CoBank in March 2023. The amount declared in December 2021 and December 2020 were paid in March of the subsequent year.

## NOTE 10 – INCOME TAXES

The provision for income taxes consists of the following:

Year Ended December 31	2022	2021	2020
Current:			
Federal	\$ 1,542	\$ 1,117	\$ 1,302
State	446	337	396
Total current provision for income taxes	1,988	1,454	1,698
Deferred:			
Federal	5,116	(4,644)	2,450
State	1,710	(1,652)	848
Total deferred (benefit) provision from income taxes	6,826	(6,296)	3,298
Increase (decrease) in deferred tax asset valuation allowance	(6,826)	6,296	(3,298)
Provision for income taxes	\$ 1,988	\$ 1,454	\$ 1,698

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	2022	2021	2020
Federal tax at statutory rate	\$ 57,456	\$ 43,439	\$ 41,170
State tax, net	352	266	313
Effect of nontaxable activities	(40,088)	(33,575)	(24,654)
Patronage distribution	(10,846)	(13,833)	(12,549)
Change in valuation allowance	(6,826)	6,296	(3,298)
Other	1,940	(1,139)	716
Provision for income taxes	\$ 1,988	\$ 1,454	\$ 1,698

Deferred tax assets and liabilities are comprised of the following:

December 31	2022	2021	2020
Deferred income tax assets:			
Allowance for loan losses	\$ 9,766	\$ 15,091	\$ 9,830
Nonaccrual loan interest	1,840	1,846	1,524
Annual leave	696	719	812
Health reserve	535	542	452
Long term incentive	1,226	1,076	921
Deferred compensation	365	652	971
Retirement plans	6,693	8,482	10,626
Postretirement benefits other than pensions	132	128	142
Other	1,014	1,180	463
Gross deferred tax assets	22,267	29,716	25,741
Less: valuation allowance	(13,634)	(22,617)	(19,568)
Deferred tax assets, net	8,633	7,099	6,173
Deferred income tax liabilities:			
Bank patronage after December 31, 1992	(505)	(448)	(447)
CoBank patronage	(7,146)	(5,670)	(4,750)
Depreciation	(291)	(404)	(544)
Deferred gain	(691)	(577)	(432)
Gross deferred tax liability	(8,633)	(7,099)	(6,173)
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 2022, 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, 2022, 2021 and 2020. 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 2022. 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 2019 and forward.

## NOTE 11 – 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 and Yankee 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, 2022. 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 contributes to the 401(k) savings plan and the employer



defined contribution plan, which are recorded as employee compensation expense, was \$4.2 million, \$3.3 million and \$3.2 million at December 31, 2022, 2021 and 2020 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, 2022, as well as a statement of funded status as of December 31 of each year.

<b>Year ended December 31</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Change in projected benefit obligation:</b>			
Projected benefit obligation at beginning of year	\$ 196,989	\$ 194,732	\$ 180,248
Service cost	3,496	3,711	3,530
Interest cost	5,728	4,960	5,647
Actuarial (gain) loss	(52,356)	69	17,232
Acquisitions	1,410	-	-
Benefits paid	(10,412)	(6,483)	(11,925)
Projected benefit obligation at end of year	\$ 144,855	\$ 196,989	\$ 194,732
<b>Change in plan assets:</b>			
Fair value of plan assets at beginning of year	\$ 164,950	\$ 154,426	\$ 137,205
Actual return on plan assets	(39,465)	14,858	20,799
Employer contributions	2,049	2,149	8,347
Acquisitions	2,701	-	-
Benefits paid	(10,413)	(6,483)	(11,925)
Fair value of plan assets at end of year	\$ 119,822	\$ 164,950	\$ 154,426
<b>Funded status of the plan:</b>			
Net asset (liability) recognized in the balance sheet	\$ (25,033)	\$ (32,039)	\$ (40,305)
<b>Amounts recognized in accumulated other comprehensive income:</b>			
Unrecognized prior service cost	\$ 3,200	\$ 3,955	\$ 4,788
Unrecognized net actuarial loss	25,858	33,561	45,160
Total Loss	\$ 29,058	\$ 37,516	\$ 49,948

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

December 31	2022	2021	2020
<b>Projected Benefit Obligation:</b>			
Funded Qualified Plans	\$ 141,400	\$ 193,227	\$ 191,183
SERP	3,455	3,762	3,549
Total	\$ 144,855	\$ 196,989	\$ 194,732
<b>Accumulated Benefit Obligation:</b>			
Funded Qualified Plans	\$ 130,075	\$ 170,764	\$ 166,771
SERP	957	664	183
Total	\$ 131,032	\$ 171,428	\$ 166,954

The \$119.8 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 \$141.4 million and \$130.1 million, respectively, as of December 31, 2022.

The Association holds assets in trust accounts related to its SERP plan. Such assets had a fair value of \$0.6 million as of December 31, 2022, 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 \$1.0 million, respectively, as of December 31, 2022.

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	2022	2021	2020
<b>Net periodic benefit cost</b>			
Service cost	\$ 3,495	\$ 3,711	\$ 3,530
Interest cost	5,728	4,960	5,647
Expected return on plan assets	(8,970)	(8,160)	(7,598)
Amortization of unrecognized:			
Prior service cost	755	833	1,163
Actuarial loss	3,782	4,971	4,274
Net periodic benefit cost	\$ 4,790	\$ 6,315	\$ 7,016
Settlement expense	-	-	808
Curtailed expense	-	-	215
Total ASC 715 expense	\$ 4,790	\$ 6,315	\$ 8,039
<b>Other Changes in Plan Assets and Benefit Obligation Recognized in Other Comprehensive Income</b>			
Net actuarial (gain) loss	\$ (3,920)	\$ (6,629)	\$ 4,030
Amortization of:			
Prior service credit	(755)	(833)	(1,377)
Net actuarial gain	(3,782)	(4,971)	(5,082)
Total recognized in other comprehensive income	\$ (8,457)	\$ (12,433)	\$ (2,429)

The Association anticipates that its total pension expense for all retirement plans will be approximately \$1.8 million in 2023 compared to \$4.8 million in 2022.

## 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	2022	2021	2020
Discount rate	5.20%	2.95%	2.60%
Rate of compensation increase (qualified plans only)	3.40%	3.40%	3.40%

The weighted-average rate assumptions used in the

December 31	2022	2021	2020
Discount rate	2.95%	2.60%	3.30%
Expected rate of return on plan assets (qualified plans only)	6.00%	6.00%	6.00%
Rate of compensation increase (qualified plans only)	3.40%	3.40%	3.60%

measurement of our net periodic benefit cost are as follows. 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, 2022, 2021 and 2020 are shown in the following table, along with the adopted range for target allocation percentages by asset class as of December 31, 2022. 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 <sup>(1)</sup>	Percentage of Plan Assets at December 31		
		2022	2021	2020
<b>Asset Category</b>				
Domestic Equity	27 – 31%	28%	30%	30%
Domestic Fixed Income	46 – 50	48	47	42
International Equity				
Emerging Markets Equity and Fixed Income	20 – 24	23	22	23
Global Equity	0 – 3	1	1	-
Hedge Funds	-	-	-	5
Total	100%	100%	100%	100%

<sup>(1)</sup> Future asset allocation changes for the Farm Credit East, ACA Retirement Plan are expected to occur in accordance with the liability-driven investment strategy adopted by the Retirement Trust Committee as the Plan's funded status improves.

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, 2022, for each of the fair value hierarchy levels as defined in Note 2.

December 31, 2022	Level 1	Level 2	Level 3	NAV <sup>(1)</sup>	Total
<b>Asset category</b>					
Cash	\$ 159	\$ -	\$ -	\$ -	\$ 159
Domestic Equity:					
Large-cap growth funds <sup>2</sup>	15,790	-	-	15,532	31,322
Small-cap growth funds <sup>2</sup>	-	-	-	4,596	4,596
International Equity:					
International funds <sup>3</sup>	15,549	-	-	5,125	20,674
Domestic Fixed Income:					
Bond funds <sup>4</sup>	-	-	-	54,187	54,187
Emerging Markets:					
Equity and fixed income funds <sup>5</sup>	8,884	-	-	-	8,884
Total	\$ 40,382	\$ -	\$ -	\$ 79,440	\$ 119,822

<sup>1</sup> 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.

<sup>2</sup> Funds invest primarily in diversified portfolios of common stocks of U.S. companies.

<sup>3</sup> Funds invest primarily in a diversified portfolio of equities of non-U.S. companies.

<sup>4</sup> Funds invest primarily in U.S. Treasury debt securities and corporate bonds of U.S. companies.

<sup>5</sup> Funds invest in equities and corporate debt securities of companies located in emerging international markets.

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 2023, the Association expects to contribute \$1.9 million to its defined benefit retirement plans and \$0.5 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
2023 Payouts	\$ 8,782
2024 Payouts	9,175
2025 Payouts	9,452
2026 Payouts	9,771
2027 Payouts	11,055
2028 Payouts to 2032 Payouts	53,525

#### 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	2022	2021	2020
Net asset (liability) recognized on balance sheet	\$ (229)	\$ (230)	\$ (214)
Accumulated postretirement benefit obligation	\$ (497)	\$ (484)	\$ (539)
Accumulated other comprehensive loss	\$ 268	\$ 254	\$ 325
Net periodic expense	\$ 44	\$ 49	\$ 55
Discount rate	2.95%	2.60%	3.30%
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 \$55 thousand in 2023 which is an \$11 thousand increase from 2022.

#### NOTE 12 - RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Association enters into loan transactions with Association and CoBank 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	2022	2021	2020
New loans/advances	\$ 81,678	\$ 69,535	\$ 63,973
Repayments	71,017	64,326	64,491
Other	12,146	1,566	(1,564)
Ending balance	\$ 118,001	\$ 95,194	\$ 88,419

Other changes to the related party loan balance represent changes in the composition of Association and CoBank directors and/or senior officers during 2022. In the opinion of management, none of these loans outstanding at December 31, 2022, involved more than a normal risk of collectability and none of these loans are in nonaccrual status.

As of December 31, 2022, the Association's investment in Financial Partners, Inc. (FPI) was \$3.7 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, 2022, 2021 and 2020 were \$10.9 million, \$10.2 million, and \$10.1 million, respectively.

As of December 31, 2022, the Association's investment in FarmStart, LLP was \$1.8 million which is included in other assets. Accounting for this investment is on the equity method. FarmStart recorded a loss of \$34 thousand, a loss of \$21 thousand, income of \$30 thousand for the years ended December 31, 2022, 2021 and 2020, respectively.

As of December 31, 2022, the Association's investment in AgDirect, LLP is \$11.4 million which was included in other assets. Accounting for this investment is on a cost basis. Income recorded related to AgDirect, LLP was \$1.1 million, \$0.7 million, and \$0.6 million for the years ended December 31, 2022, 2021 and 2020, respectively.

As of December 31, 2022, the Association’s investment in Blue Highway Growth Capital Fund, LP (Blue Highway) is \$2.8 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 \$0.6 million and \$0.1 million for the years ended December 31, 2022 and 2021, respectively.

Farm Credit East is a majority owner of 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, 2022, 2021 and 2020 were \$2.6 million, \$2.9 million, and \$2.6 million, respectively.

As of December 31, 2022, 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 2022, 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 13 – REGULATORY ENFORCEMENT MATTERS**

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

**NOTE 14 – 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, 2022, \$3.8

billion of commitments to extend credit, \$43.6 million of commercial letters of credit and \$28.5 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 15 – FAIR VALUE MEASUREMENTS**

Accounting guidance defines fair value as, “the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.” The fair value measurement is not an indication of liquidity. See Note 2 for a more complete description of the three input levels.

**SENSITIVITY TO CHANGES IN SIGNIFICANT UNOBSERVABLE INPUTS**

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

## QUANTITATIVE INFORMATION ABOUT RECURRING AND NONRECURRING FAIR VALUE MEASUREMENTS

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

Fair Value Measurement Using				
	Level 1	Level 2	Level 3	Total Fair Value
<b>Assets:</b>				
<b>2022</b>				
Derivative assets	\$ -	\$ -	\$ -	\$ -
Assets held in trust	\$ 7,323	\$ -	\$ -	\$ 7,323
<b>2021</b>				
Derivative assets	\$ -	\$ 3,203	\$ -	\$ 3,203
Assets held in trust	\$ 8,533	\$ -	\$ -	\$ 8,533
<b>2020</b>				
Derivative assets	\$ -	\$ 17,737	\$ -	\$ 17,737
Assets held in trust	\$ 8,390	\$ -	\$ -	\$ 8,390
<b>Liabilities:</b>				
<b>2022</b>				
Derivative liabilities	\$ -	\$ 54,490	\$ -	\$ 54,490
<b>2021</b>				
Derivative liabilities	\$ -	\$ 8,967	\$ -	\$ 8,967
<b>2020</b>				
Derivative liabilities	\$ -	\$ 51	\$ -	\$ 51

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
<b>Assets:</b>				
<b>2022</b>				
Impaired loans	\$ -	\$ -	\$ 33,758	\$ 33,758
Other Property Owned	\$ -	\$ -	\$ 967	\$ 967
<b>2021</b>				
Impaired loans	\$ -	\$ -	\$ 18,280	\$ 18,280
Other Property Owned	\$ -	\$ -	\$ 958	\$ 958
<b>2020</b>				
Impaired loans	\$ -	\$ -	\$ 35,219	\$ 35,219
Other Property Owned	\$ -	\$ -	\$ 913	\$ 913
Rural Investments, LLC	\$ -	\$ -	\$ 12	\$ 12

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	2022			2021			2020		
	Carrying Amount	Fair Value	Fair Value Hierarchy	Carrying Amount	Fair Value	Fair Value Hierarchy	Carrying Amount	Fair Value	Fair Value Hierarchy
<b>Financial assets:</b>									
Loans, net	\$10,521,301	\$10,180,486	Level 3	\$8,994,456	\$9,060,223	Level 3	\$8,135,985	\$8,387,555	Level 3
Cash	\$ 36,778	\$ 36,778	Level 1	\$ 20,345	\$ 20,345	Level 1	\$ 27,836	\$ 27,836	Level 1
<b>Financial liabilities:</b>									
Notes payable to ACB	\$ 8,704,819	\$ 8,268,326	Level 3	\$7,452,909	\$7,454,230	Level 3	\$6,736,597	\$6,852,870	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 is 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.

### 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 16 – 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	2022	2021	2020
Interest Rate Contracts	\$ 1,430,000	\$ 1,355,000	\$ 1,265,000

## 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 pay rates indexed to either the three-month London Inter-Bank Offered Rate (LIBOR) or the Secured Overnight Financing Rate (SOFR).

## 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 <sup>(1)</sup>	Derivative Liabilities <sup>(2)</sup>
<b>2022</b>		
Interest Rate Contracts	\$ -	\$ 54,490
<b>2021</b>		
Interest Rate Contracts	\$ 3,203	\$ 8,967
<b>2020</b>		
Interest Rate Contracts	\$ 17,737	\$ 51

<sup>(1)</sup> Derivative assets are included in other assets in the consolidated balance sheets

<sup>(2)</sup> 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 <sup>(1)</sup>		
December 31	2022	2021	2020
Interest Rate Contracts	\$ (11,264)	\$ 14,230	\$ 14,334

<sup>(1)</sup> 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	2022	2021	2020
Interest Rate Contracts	\$ (48,726)	\$ (23,450)	\$ 2,593

## 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 17 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through March 14, 2023, 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 the 2022 consolidated financial statements.



# FARM CREDIT EAST, ACA

## BOARD OF DIRECTOR DISCLOSURES

### BOARD STRUCTURE

Effective January 1, 2022, Yankee Farm Credit merged into Farm Credit East. As part of the Merger Agreement, three elected directors from Yankee Farm Credit joined the Farm Credit East Board effective January 1, 2022. As of December 31, 2022, the Board consists of nineteen directors: fifteen elected directors, two appointed customer directors and two appointed outside directors. In the 2023 election cycle there are two open director seats to be elected for four-year terms.

The following additional changes were made to the Board structure following the merger with Yankee to complete its downsizing over a period of years to achieve the final board structure and have yet to take place:

- The director seats held by James Robbins and Barry Buck will merge into one Eastern Region seat for a three-year term during the 2024 election cycle.
- The director seat currently held by Lisa Sellew, which expires in 2025, will be altered to a three-year term during the 2025 election cycle.
- The seats held by David “Skip” Hardie (expires in 2024), and David Folino (expires in 2026) will be eliminated at their respective term expirations.

With these gradual changes, the Board shall reach its final structure in 2026: twelve stockholder-elected directors and at least two appointed directors.

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 after the final Board structure is reached in 2026. 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](https://www.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 three other directors designated by the Board, each representing a nominating region other than those represented by the chair or vice chair. As part of Merger Agreement, Thomas Colgan joined the Executive Committee effective January 1, 2022. 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 auditor’s 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, 2022 and 2021 follow:

For the year ended December 31	2022	2021
Audit	\$ 340,000	\$ 300,000
Audit-related	354,750	65,000
Tax	85,076	105,200
Total	\$ 779,826	\$ 470,200

#### **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, 2022, 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 2024. 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 Schuylerville 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 2025. 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 Business Risk Committee. Kurt is founder, and owns with his wife Mary and their children, Alstede Farms, LLC, a first generation 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 also general manager of Lebensfreude, LLC, a farmland and real estate ownership company, and general manager of HSAJR, LLC, a family finance holding entity. Kurt is a member of the NJ State Board of Agriculture, a director of the Morris County Economic Development Alliance, 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 vice president of the Pleasant Hill Cemetery Association, is a trustee of

the Ralston Cider Mill Museum, and is a past trustee of the First Congregational Church of Chester. He previously served as a member of the NJ State Committee of the USDA Farm Service Agency. Additionally, Kurt is secretary of the Chester Fireman's Relief Association, is a captain in the Chester Volunteer Fire Co. #1, and has been an active volunteer firefighter for 40 years.

**MICHAEL N. BROOKS**, Elmer, NJ, has served as director since 2014, with his current term expiring in 2025. He currently serves on the Business Risk 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 also owner of Brooks Farm Properties, a real estate holding company, and Dusty Lane Plants LLC, a plant production business. 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 Audit Committee. Barry has over 25 years of experience in the seed potato industry. He is the former president of the Central Aroostook Young Farmers and is currently a member of the board of selectman for the town of Mapleton, serving as the chairman. Barry has been involved with the town of Mapleton select board for over 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, 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.

**THOMAS J. COLGAN**, Lyme, NH, was appointed as a Farm Credit East director in 2022. His current term expires in 2024. He was formerly a director of Yankee Farm Credit, appointed in 2012. He serves on the Board's Business Risk Committee as well as the Compensation and Executive committees. Tom serves as CEO of Wagner Forest Management, Ltd., a timber management company headquartered in Lyme, New Hampshire. He also serves as a senior officer of Wagner Forest Management, Ltd. (a forest management company that serves as the manager for Bayroot, LLC, Wagner Energy, LLC, Typhoon LLC and Yankee Forest, LLC), and Wagner Wind Energy III, LLC, an electrical generation company. Tom is President of Wagner Carbon LLC, a manager of Mirage Flats Holding, LLC, a real estate holding company and serves on the board of directors of North Country Procurement, a biomass procurement organization based in Rumney, New Hampshire, the National Alliance of Forest Owners and is a member of the town of Lyme Conservation Commission.

**DAVID FOLINO**, Starksboro, Vt., has served as a Farm Credit East Director since 2022. His current term expires in 2026. He was formerly a Director of Yankee Farm Credit, serving since 2018. He serves on the Board's Governance and Stewardship Committee. Dave and his wife Sue own Hillsboro Sugarworks. While spending twenty years in the publishing business, working primarily in marketing and management, Dave dreamed of being a full-time farmer. In 2002, Sue and Dave pursued their goal and began to grow their large hobby into a good, tight business. They currently tap 16,000 trees on a mountainside in Starksboro, and direct market their maple syrup throughout central Vermont and worldwide through their website. In addition, Dave volunteers on agricultural and maple related committees on a county, state and international level.

**DAVID "SKIP" HARDIE**, Lansing, NY, has served as director since 2016. His current term expires in 2024. He serves on the Board's Governance/Stewardship Committee. Skip is a retiring 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., has served as director since 2018. His current term expires in 2026. He serves on the Board's Executive/Compensation and Business Risk committees. 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 2025. She serves on the Board's Audit 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 3,100-cow dairy, a 2,800-replacement heifer facility, and approximately 5,500 acres for forage and grain. LouAnne serves as office and financial manager, while providing human resource functions and management support. LouAnne is a past member of the NEDPA board, the NYS Dairy Promotion Advisory Board, Pro-Dairy Advisory Board and the St. Lawrence County Dairy Promotion Committee. She currently chairs the St. Lawrence County Workforce Development Board and serves on the Madrid Cemetery Board and the Scotch Presbyterian Church Session.

**JOSEPH "JAY" W. MCWATTERS**, of Hamburg, NY, was appointed as an outside director in 2021 to a term expiring in 2025. He serves on the Board's Audit Committee. Jay is the Executive Accountant In-Residence for the Wehle School of Business at Canisius College in Buffalo, NY, where he teaches auditing and accounting. Previously, he was an assurance partner at Dopkins & Company, LLP and KPMG LLP where he served multiple cooperative clients. He has served various cooperative organizations including the National Council of Farmer Cooperatives, National Society for Accountants and Cooperatives, and the Northeast Cooperative Council. He has also served on the board of directors of Catholic Health System, United Way of Buffalo and Erie County, Shea's Performing Arts Center, and Canisius College Council on Accountancy. Jay is a certified public accountant.

**JAMES A. ROBBINS II**, Searsmont, Maine, was elected director in 2019 to a term expiring in 2023. He currently serves as chair of the Governance/Stewardship Committee. James is president of Robbins Lumber, Inc. With his brother and sister, they operate a fully integrated log yard, sawmill, dry kilns and planer mill that produces Eastern White Pine and was established in 1881. Robbins Lumber owns and manages 27,000 acres of timberland and a distribution yard in Halifax N.S. Additionally, he is the manager of Georges River Energy, LLC, a biomass power plant that burns wood waste in order to produce 8.5 MW of electrical power and steam to dry lumber. James is also a 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 2025. She is chair of the Business Risk Committee. The Sellew family owns Prides Corner Farms, where Lisa is vice president. 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 grows and supplies a pre-vegetated green roof system called LiveRoof®, which is designed to grow plants on rooftop environments. Lisa is also member of American Beauties, LLC, which is owner of a brand of native plants, and manager of the following real estate holding entities: Three Sons Ledyard LLC, Three Sons Cromwell LLC, Three Sons Realty LLC, Three Sons Properties LLC, Two Sons Realty LLC and Two Sons Suffield LLC. Lisa served on the Agriculture Policy Committee for Connecticut Governor Ned Lamont's transition team.

**DOUGLAS W. SHELMDINE**, Adams, NY, has served as director since 2012, with his current term expiring in 2024. He is a member of the Governance/Stewardship 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.

**KYLE THYGESEN**, Tunbridge, Vt., has served as a Farm Credit East director since 2022. His current term expires in 2026. He was formerly a director of Yankee Farm Credit, serving since 2017. He is member of the Audit Committee. Kyle, along with his wife Jennifer and son Keenan, own and operate the Farmstead at Falls Hill, LLC. Currently, he is also the Director for Dairy Operations for Vital Farms. In his role, he manages the entire dairy portfolio and ownership of its long-term growth. Kyle also actively volunteers with 4-H and FFA. He and his wife Jennifer were awarded the 2017 Ed Gould Memorial award by Vermont 4-H for their work with their 4-H club and support of the state dairy program.

**PETER H. TRIANDAFILLOU**, Old Town, Maine, was appointed as the customer appointed forestry expert in 2016 with his current term expiring in 2026. He serves on the Governance/Stewardship 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 at the University of Maine. In addition, he is 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 first elected in 2018. Her current term expires in 2026. She serves on the Board's Business Risk Committee. Terry is corporate secretary and business manager of Amos Zittel & Sons, Inc., a wholesale vegetable and flower business. Zittel's grows 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

For the 2022-2023 director cycle, all board members receive an annual base retainer of \$48,000 paid in equal quarterly installments. The chairs of the Business Risk and the Governance/Stewardship committees are paid \$50,000, the Board Vice Chair is paid \$55,000, the Audit Chair is paid \$60,000 and the Board Chair is paid \$65,000, 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 2022 was \$972,251. 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, 2022.

**Number of Days Served<sup>1</sup>**

<b>Name of Director</b>	<b>2022 Board Committee</b>	<b>Board Meetings</b>	<b>Other Official Duties</b>	<b>Total Compensation<sup>2</sup></b>
Kurt W. Alstede	Business Risk	14	24	\$ 47,500
Michael N. Brooks	Business Risk	14	18	47,500
Barry A. Buck	Audit	14	26	47,500
Peter R. Call	Audit, Compensation, Executive	14	22	47,500
Tim C. Chan	Audit	14	30	58,750
Thomas J. Colgan <sup>3</sup>	Business Risk, Compensation, Executive	14	23	55,167
David Folino <sup>3</sup>	Governance/Stewardship	14	16	55,167
Laurie K. Griffen	Compensation, Executive	14	48	67,250
David E. Hardie	Governance/Stewardship	12	18	47,500
Philip J. Jones	Business Risk, Compensation, Executive	14	24	49,500
LouAnne F. King	Audit	14	19	49,500
John P. Knopf	Compensation, Executive	14	41	56,250
Jay McWatters	Audit	14	16	47,500
James A. Robbins II	Governance/Stewardship	14	20	49,000
Lisa P. Sellew	Business Risk	14	20	49,000
Douglas W. Shelmidine	Governance/Stewardship	14	22	47,500
Kyle Thygesen <sup>3</sup>	Audit	14	19	55,167
Peter H. Triandafillou	Governance/Stewardship	14	44	47,500
Terry R. Zittel	Business Risk	14	16	47,500
Total Compensation				\$ 972,251

<sup>1</sup> The number of days served include travel time to and from meetings

<sup>2</sup> All directors serve on board committees. The committee compensation paid was based on an annual base retainer paid in equal quarterly installments

<sup>3</sup> Term began January 1, 2022, following the Yankee Farm Credit merger. Directors received an additional retainer of \$7,667 for the completion of the 2021-2022 director election cycle.

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 \$324,052 for 2022, \$189,789 and \$139,884 for 2021, 2020, respectively. A copy of the Association travel policy is available to stockholders upon request.

#### **TRANSACTIONS WITH DIRECTORS**

At December 31, 2022, the Association had loans outstanding with directors individually and to the business organizations of directors. All 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 12 of the consolidated financial statements included in this annual report to stockholders.

## FARM CREDIT EAST, ACA 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** has served as President and Chief Executive Officer since 1/1/2020. He is a Farm Credit veteran having joined in 1990 after graduating from Hartwick College with a Bachelor's in Management and Accounting. Prior to becoming CEO, he served as Chief Business Officer where he provided executive leadership for all branch credit and financial services operations. He is also a member of Farm Credit East's Credit and Human Resources committees. He serves as chair of the Board of Farm Credit Financial Partners (FPI), a service company owned by Farm Credit East and other ACAs. He is also active in other workgroups within the Farm Credit System, including serving as Vice Chair of the Farm Credit System's Presidents Planning Committee, a national leadership group, and will serve as Chair in 2023.

**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 responsible for measuring and monitoring enterprise risk and analytics within Farm Credit East and provides the Board and management reports demonstrating operational performance against the Association's risk appetite. Bill oversees the Association's loan underwriting and administration programs, as well as data governance and management. He also works closely with the Association's technology partner, Financial Partners Inc. (FPI), on matters related to data security and business continuity. He also 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. Effective January 1, 2023, Bill will transition into the role of Executive Vice President and Chief Alliance and Risk Officer.

**BRIANA S. BEEBE** serves as Executive Vice President Chief Human Resources Officer. 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 2003 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 serves as director of the Board of Farm Credit Financial Partners (FPI), a service company owned by Farm Credit East and other ACAs. 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. Effective January 1, 2023, Briana will transition into the role of Executive Vice President and Chief Operating Officer.

**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. He is a graduate of LEAD New York and holds a BS in Communications from Cornell and an MBA from the University of North Carolina, Chapel Hill.

**ALENA C. GFELLER** serves as Executive Vice President, General Counsel and Corporate Secretary. She is responsible for Farm Credit East's legal department and serves as the Standards of Conduct officer. As head of the legal department, she is charged with providing support on complex and innovative loan issues, ensuring regulatory compliance, supervision of outside counsel, and assisting with all facets of the Association's legal and governance needs. She serves on the Farm Credit East Human Resources committee and works closely with the Board's Governance/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.

**DANIEL A. NICHOLSON** serves as Vice President and Chief Audit Executive. He leads Farm Credit East Quality Assurance team which is inclusive of the Internal Audit and Internal Review teams. These teams are responsible for reviewing business processes and providing the Audit Committee and management with findings and recommendations to improve business operations. Prior to his current position, he was a Senior Airman in the United States Air Force Massachusetts Air National Guard and worked for PwC, most recently as an audit manager before transitioning to Farm Credit East in 2019 as the Director of Internal Audit. He is a graduate of the University of Massachusetts and holds a BS in Business Administration in Accounting. He is a licensed Certified Public Accountant in the state of Connecticut and is also a licensed Certified Fraud Examiner.

**ROGER E. MURRAY** serves as Executive Vice President and Chief Marketplace Officer, providing strategic oversight to the credit and appraisal functions in the capital markets, agribusiness, retail and Country Living segments. He serves as Chair of Credit Committee and provides program leadership for Farm Credit East's trade credit partnership with AgDirect, digital loan originations with Farmlend, and leasing services through Farm Credit Leasing. He serves on Farm Credit East's Executive Leadership Team, Credit, Asset Liability, Business Risk, and Human Resources committees and works closely with the Board's Business Risk Committee. He holds a degree from Cornell University in agricultural economics. 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. As CXO, Dave and his team are responsible for both customer and employee experiences including the impacts of digital, process and delivery implementation and use. 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. 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.

# 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, 2022, 2021, and 2020.

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, 2022.

## 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 based on 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 plans, 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 and bonus 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, RETENTION INCENTIVES AND BONUS PLANS

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.

As part of the Association's overall bonus and incentive plans, certain key employees may be selected by the CEO to receive additional bonuses tied to the execution of Farm Credit East's strategic business initiatives. Awards under this plan will generally consist of an executive management measure. The cash awards are typically made in February following the end of the year to which the award is applicable.

## 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 Farm Credit of Maine & Yankee Farm Credit 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 2022 ranged from 0% to 75% 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 retention 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 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. The 2022 long-term opportunity is up to 50% 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, 2022, 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.

## 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 2022 performance period, the short-term incentive plan levels for senior officers ranged from 10% to 30% 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 and execution of strategic initiatives.

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 2022 plan performance period, the retention plan incentive reward was up to 24% 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, 2022, 2021, and 2020, 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	2022	2021	2020
Michael J. Reynolds, CEO			
Salary	\$ 600,000	\$ 550,000	\$ 500,000
Short-term Incentive	460,000	391,875	220,000
Long-term Incentive	275,000	195,400	83,333
Change in Pension Value <sup>3</sup>	1,001,779	916,100	656,508
Deferred/Perquisites <sup>4</sup>	69,431	54,521	111,801
Total	\$ 2,406,210	\$ 2,107,896	\$ 1,571,642
Senior Officers (excluding CEO) <sup>1</sup>			
Salary	\$ 1,858,698	\$ 1,768,666	\$ 3,228,389
Short-term Incentive	699,000	610,800	1,216,867
Retention Incentive <sup>2</sup>	379,360	380,360	987,118
Change in Pension Value <sup>3</sup>	506,767	535,499	3,250,354
Deferred/Perquisites <sup>4</sup>	287,940	243,701	580,204
Total	\$ 3,731,765	\$ 3,539,026	\$ 9,262,932

<sup>1</sup> The number of senior officers in 2022-2021 reflected in this chart was eight, the number of senior officers/highly compensated employees in 2020 reflected in this chart was fifteen, including two who retired in 2020.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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, annual leave, 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, 2022, to the CEO and aggregate for the senior officers by plan, including the number of years of credited service. The change in composition of the aggregate senior officers can have a significant impact on the calculation of the accumulated pension benefits.

Pension Benefits Table - 2022	Number of Years of Credited Service <sup>2</sup>	Present Value of Accumulated Benefits	Payments During Last Fiscal Year
Michael J Reynolds, CEO			
CoBank, ACB Retirement Plan	33.33	\$ 2,329,376	\$ -
Supplemental Executive Retirement Plan	33.33	1,687,483	-
Total		\$ 4,016,859	\$ -
Senior Officers (excluding CEO) <sup>1</sup>			
CoBank, ACB Retirement Plan & SERP	32.44	\$ 6,845,306	\$ -
Total		\$ 6,845,306	\$ -

<sup>1</sup> The number of senior officers/highly compensated employees at December 31, 2022, and reflected in this chart was four

<sup>2</sup> 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 and Yankee 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% of the 4-year highest average pay multiplied by benefit service up to 35 years plus 1.00% 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% of 60-month highest average pay, plus 0.25% 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% per year between age 60 and the senior officer's Normal Retirement Age (NRA) and 5% per year between age 55 and age 60. Another plan's reductions are equal to 3% 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 2022 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 5.20% as of December 31, 2022. The lump sum basis used for the valuation is 6.00% with the 2023 417(e) mortality table. The potential impact of 415 limits is reflected.

#### **TRANSACTIONS WITH SENIOR OFFICERS**

At December 31, 2022, there were no loans outstanding to a senior officer and there were loans outstanding to an immediate family member of two 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 12 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/CodeofEthics](https://FarmCreditEast.com/CodeofEthics). A copy of the Association's Code of Ethics is available to stockholders upon request.

# FARM CREDIT EAST, ACA

## 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, 2022, 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 13 of the consolidated financial statements included in this annual report to stockholders. The Association was not subject to any enforcement actions at December 31, 2022.

### DESCRIPTION OF CAPITAL STRUCTURE

Information required to be disclosed in this section is incorporated herein by reference to Note 8 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 7, 10, 11, 14, 15 and 16 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 12 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.

# FARM CREDIT EAST, ACA 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 \$396,957, \$297,888, and \$354,209 for the years ended December 31, 2022, 2021 and 2020, 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 2022)	
	Number	Volume *	Number	Volume *
Young	336	\$ 84,412	37	\$ 17,118
Beginning	353	\$ 89,757	38	\$ 19,073
Small	354	\$ 49,529	24	\$ 4,513

\* 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.
- In 2022, Farm Credit East's scholarship program awarded scholarships to 38 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 74 participants in both in-person and virtual formats in the winter of 2022-23. The program had 49 participants in 2021-22.
- Receiving regulatory authority in late 2005, Farm Credit East secured a partner (CoBank, ACB) and chartered FarmStart, LLP (FarmStart). At December 31, 2022, Farm Credit East has an equity investment in FarmStart of \$1.8 million. FarmStart assists beginning farmers and new cooperatives by providing investments of working capital up to \$75,000. At December 31, 2022, FarmStart has 98 investments with an outstanding balance of \$2.3 million. Since inception, FarmStart has made 364 investments totaling over \$17 million.

## DEMOGRAPHICS

The local service area of Farm Credit East, ACA includes the states of Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island and Vermont. 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, 2022		
Young	Beginning	Small
24%	37%	49%

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, 2022 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	23,781	100%	\$ 13,841	100%
Young Farmers and Ranchers	5,651	24%	\$ 1,567	11%
Beginning Farmers and Ranchers	8,704	37%	\$ 2,175	16%

\* in thousands

The following table provides a breakdown of small farmer and rancher loans by size as of year-end 2022:

Number / Volume Outstanding	\$0 - \$50,000	\$50,000 - \$100,000	\$100,000 - \$250,000	>\$250,000
Total # of Loans and Commitments	5,507	4,692	6,146	7,436
Total # of Loans to Small Farmers / Ranchers	3,414	2,850	3,360	2,015
# of Small Loans as a % of Total # of Loans	62%	61%	55%	27%
Total Loans and Commitments Outstanding*	\$ 152,087	\$ 369,240	\$1,031,165	\$12,288,333
Total Volume and Commitments to Small Farmers / Ranchers *	\$ 98,279	\$ 222,294	\$ 547,615	\$ 1,002,558
Loan Volume to Small Farmers / Ranchers as a % of Total Loan Volume	65%	60%	53%	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 2022 and compares actual results to those goals:

	Young	Beginning	Small
12/31/2022 GOAL	5,200	7,700	10,800
12/31/2022 ACTUAL	5,282	8,088	10,947
2022 as a % of GOAL	102%	105%	101%

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 2023 and forward.

	Young	Beginning	Small
12/31/2023	5,400	8,300	11,200
12/31/2024	5,600	8,500	11,400
12/31/2025	5,800	8,700	11,600
12/31/2026	6,000	8,900	11,800
12/31/2027	6,200	9,100	12,000

Farm Credit East YBSV 2023 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 Supervised Agricultural Experience (SAE) projects and continue 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.

- In addition to advertisements in publications intended to reach YBSV farmers, there is also an increased focus on targeted digital advertisements to reach this customer segment and platforms such as the association's *Today's Harvest* blog which includes topics such as financial management and grant programs that might be of interest to YBSV producers.
- 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.

# FARM CREDIT EAST, ACA

## CUSTOMER SERVICE COUNCIL MEMBERS

The Farm Credit East Board of Directors has established a system of Customer Service Councils (CSC) representing its 24 locations. The CSCs are comprised of a cross section of stockholders and other members of the agricultural community who meet three times annually with Association and local leaders 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 maintaining a strong local presence throughout its territory.

The track record of the CSCs has been very positive as the Farm Credit East team has received invaluable feedback on a wide variety of topics, with many CSC members eventually serving on the board of directors. The board and management sincerely appreciate the contribution of the CSC members listed below and look forward to their continued feedback and input in 2023.

### AUBURN, MAINE

Duncan Barker, Leeds, ME  
Libby Bleakney, Cornish, ME  
Ross Burgess, New Gloucester, ME  
Benjamin Carlisle, Bangor, ME  
Peter Carrier, Skowhegan, ME  
James Crane, Exeter, ME  
Travis Fogler, Exeter, ME  
Joel Gilbert, Livermore, ME  
Aaron Libby, North Waterboro, ME  
Robert Linkletter, Athens, ME  
Matthew Manson, Minot, ME  
Jacob Pierson, Biddeford, ME

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Brett Kreher, Clarence, NY  
Matthew Lamb, Oakfield, NY  
Brad Macauley, Geneseo, NY  
Andrew Milleville, Lockport, NY  
Jeffrey Oakes, Lyndonville, NY  
Jason Schwab, Delevan, NY  
Jason Swede, Piffard, NY  
Douglas Walker, Wayland, NY

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Kathleen Donald, Brentwood, NH  
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Joseph Golter, Greenland, NH  
Jonathan Huntington, Bow, NH  
Robert Johnson, Pittsfield, NH  
James Robertson, Contoocook, NH  
Daniel Skehan, Newton, MA  
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R. Stewart Yeaton, Epsom, NH

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Byron DuBois, Pittsgrove, NJ  
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Anthony Russo IV, Tabernacle, NJ  
Thomas Sheppard, Cedarville, NJ  
Frank Tedesco, Rosenhayn, NJ

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Jonathan Beller, Carthage, NY  
Deborah Biondolillo, Calcium, NY  
David Fralick, Cape Vincent, NY  
Shari Lighthall, Croghan, NY  
Lynn Murray, Copenhagen, NY  
Ronald Robbins, Sackets Harbor, NY  
David Rudd, Lacona, NY

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Robert Graves, Schenectady, NY  
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Jared McCool, Bethlehem, CT  
George Motel, Goshen, CT  
Dale Riggs, Stephentown, NY  
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Eric Sheffer, Hoosick Falls, NY  
Philip Trowbridge, Ghent, NY  
Lloyd Vaill, Pine Plains, NY  
Emily Watson, Poughkeepsie, NY  
Cassandra Chittenden, Schodack Landing, NY

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Lukas George, Whitesboro, NY  
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Ryan Kelly, Fultonville, NY  
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 John Mueller, Clifton Springs, NY

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 Adam Peters, Williamson, NY  
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 Daniel Schumacher, Wayland, NY  
 Shane Slayton, Hornell, NY  
 David Votypka, Wayland, NY  
 John Wallace, Cohocton, NY  
 Kyle Weaver, Bath, NY

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 Loretta Jones, Frewsburg, NY  
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 Kevin Powell, Portland, NY  
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 Fred Jenkins, Barnstable, MA  
 Stanley Kravitz, Bridgewater, MA  
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Jacob Dyer, Monticello, ME  
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Beth Guimond, Fort Kent, ME  
Jay LaJoie, Van Buren, ME  
Nick Mccrum, Washburn, ME  
Steve Ouellette, Fort Kent Mills, ME  
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Cristina Kawasaki-Sheehan, East Moriches, NY  
Norman Keil, Saint James, NY  
William Lee, Cutchogue, NY  
Robert Nolan, Patchogue, NY

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 William S. Bathel ..... Executive Vice President and Chief Alliance and Risk Officer (as of 1/1/2023)  
 Briana S. Beebe.....Executive Vice President, Chief Operating Officer (as of 1/1/2023)  
 Janice P. Bitter ..... Executive Vice President, Chief Financial Services Officer (as of 1/1/2023)  
 Thomas W. Cosgrove ..... Executive Vice President of Knowledge Exchange, Public Relations and Marketing  
 Alena C. Gfeller .....Executive Vice President, General Counsel and Corporate Secretary  
 Andrew N. Grant ..... Executive Vice President and Chief Financial Officer  
 Daniel A. Nicholson.....Vice President and Chief Audit Executive  
 Roger E. Murray ..... Executive Vice President and Chief Marketplace Officer  
 David H. Pugh .....Executive Vice President and Chief Experience Officer

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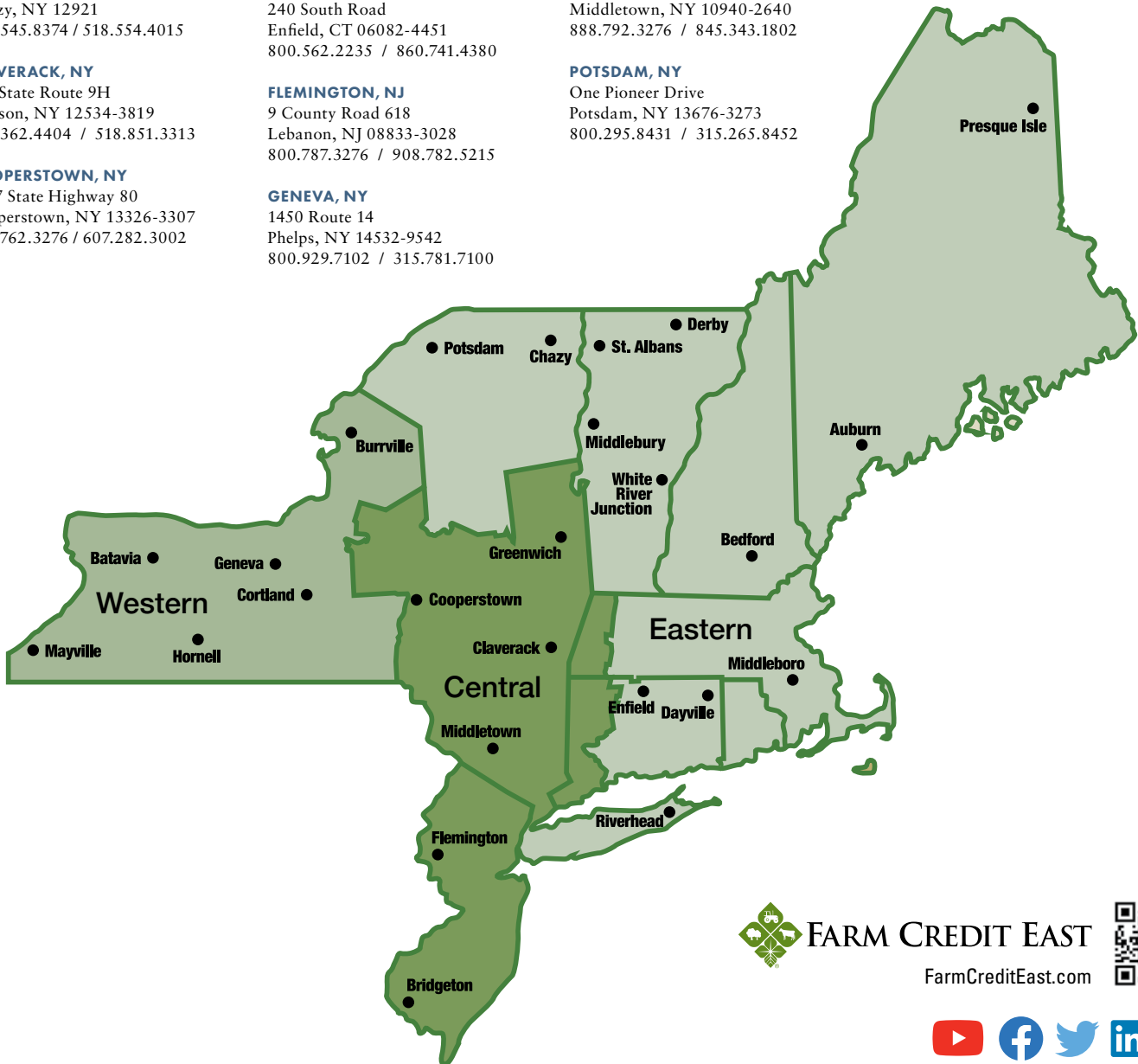
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