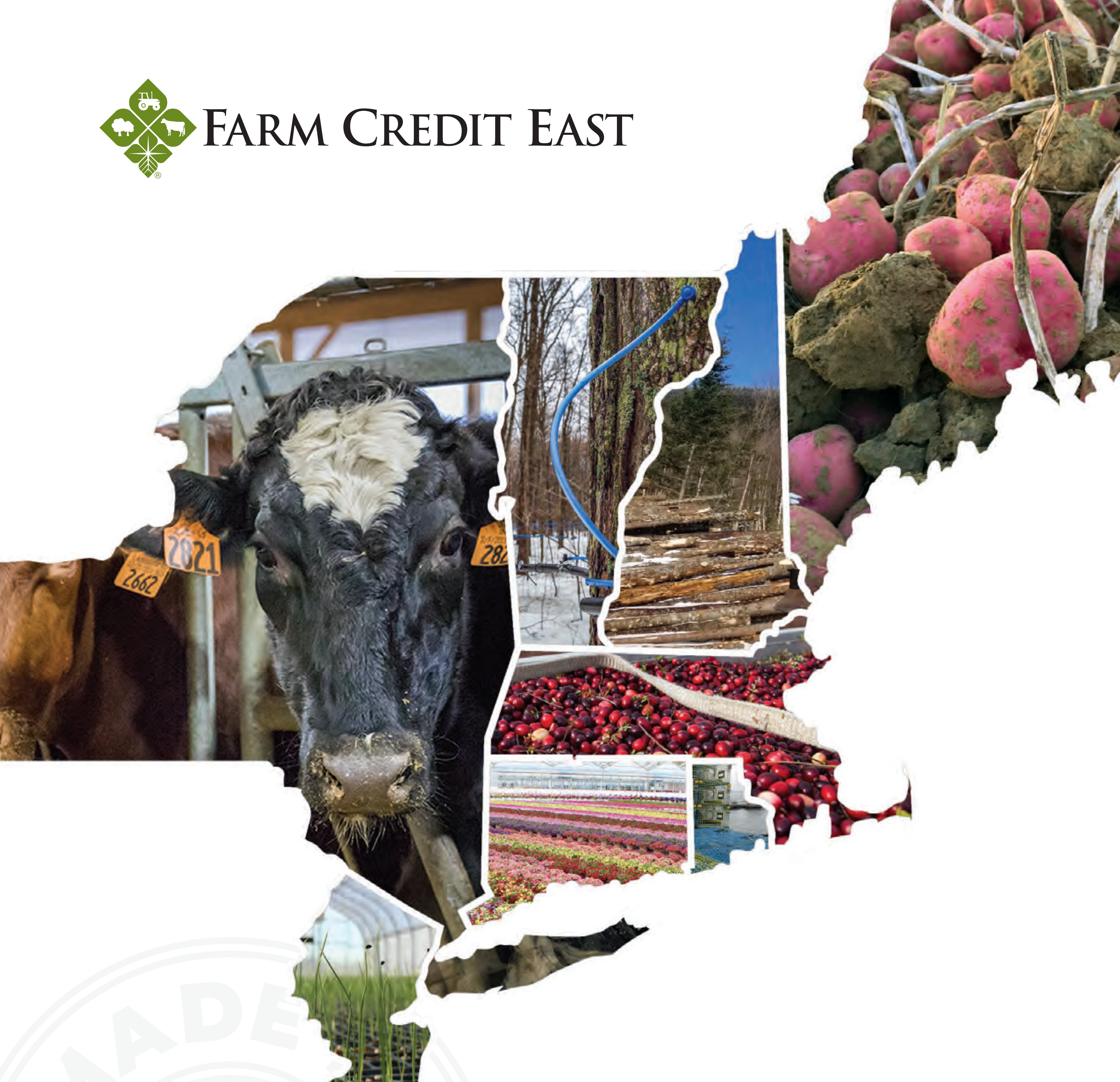
Farm Credit East



STRONGER TOGETHER

2021 ANNUAL REPORT

STRONGER TOGETHER

GROWING OUR ORGANIZATION TO BE A STRONGER PARTNER TO OUR CUSTOMERS AND COMMUNITIES

2021 was a busy year for Farm Credit East. From implementing new tools and technology to enhance our customer experience, to completing extensive analysis and due diligence on the merger with Yankee Farm Credit — all while continuing to navigate the unknowns of the coronavirus pandemic. However, just as our customers endure and adapt to changes in the agriculture, commercial fishing and forest products industries, the Farm Credit East team prevailed to continue as a strong financial partner.

Early in 2021, Farm Credit East was presented with the strategic opportunity to merge with Yankee Farm Credit. Yankee Farm Credit has been a partner with Farm Credit East for many years, including providing crop insurance through Crop Growers, LLP; investing in startup farm and forestry operations through FarmStart, LLP; and in supporting agricultural organizations and youth and leadership development efforts through the Farm Credit Northeast AgEnhancement grant program. Additionally, both associations are united in their customer-focused mission to help Northeast agriculture, commercial fishing and forest products businesses succeed. With these many similarities in mind, the boards of directors of both organizations determined this opportunity to combine two highly skilled teams made sense.

In the months that followed, the management teams of both organizations completed a thorough analysis of the merger that was provided to CoBank, our funding bank; the Farm Credit Administration, our regulator; and ultimately to members of both associations for their consideration. Following customer-owners' overwhelming approval of the proposed merger in November, the merged association began operations on January 1, 2022, **stronger together.**

In addition to the merger, Farm Credit East has continued to invest in its future. In 2021, we launched an improved online banking platform, allowing customers more access to manage their loans and the option to receive billing statements electronically. We are also implementing tools and processes to provide our team more time to spend discussing customer business needs and goals. We plan to roll out additional tools over the next several years to further enhance your experience doing business with us. Customer relationships remain the driver of our digital strategy and these various tools aim to enhance those relationships.

During this growth period, 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 2021, customer-owners received $91 million in patronage dividends. This is equivalent to 1.25% of average eligible loan volume. View 2021 financial highlights on the corresponding page.

Farm Credit East's commitment to stewardship is one way we support the industries we serve and the communities where we live and work. This is an area that has been important to both Farm Credit East and Yankee Farm Credit and is of increasing importance to investors and other stakeholders. It will be a continued priority of the merged association and Farm Credit East aims to grow its stewardship efforts in the year ahead. Read more about Farm Credit East's ESG priorities on page 5.

As we enter this next chapter of Farm Credit East, we look forward to our continued relationship with customer-owners who remain our top priority. With this merger comes an expanded team of talented staff and additional resources to enhance member service and allow Farm Credit East to continue delivering long-term value for our customer-owners. The merged association will also create the opportunity for increased loan diversity and a stronger capital base and earnings. As we surpass this exciting milestone for Farm Credit in the Northeast, know that the merged association has the capacity to remain your trusted financial partner into the future. **We are stronger together.**

Michael A. Reynolds

Michael Reynolds, CEO

Laurie K. Griffen

Laurie Griffen, Chair

FARM CREDIT EAST
FINANCIAL RESULTS REMAIN STRONG

LOAN VOLUME
$9.1 BILLION

NET INCOME
$205 MILLION

CAPITAL
$1.8 BILLION

PATRONAGE | $1.1 BILLION
Following the patronage distribution on 2021 earnings, customer-owners of Farm Credit East (and predecessor cooperatives) have received more than $1 billion in dividends from ownership of their cooperative. In 2022, the cooperative will pay its 26th consecutive annual patronage payment.

FINANCIAL SERVICES | $29 MILLION
Farm Credit East's financial services continue to provide value and expertise to customer businesses.

COUNTRY LIVING | $1.2 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 | $2.3 BILLION
In 2021, Northeast producers purchased 21,538 crop insurance policies, protecting 2.6 million acres with $2.3 billion of protection in force.

STEWARDSHIP | $1.25 MILLION
Farm Credit East is committed to supporting programs that enrich the agriculture, forest products and commercial fishing industries as well as rural communities, programs that support new entrants and the industry's next generation, and organizations promoting diversity and inclusion. In 2021, Farm Credit East Cares, an employee-initiated charitable giving fund, surpassed $1 million contributed to various Northeast charities and disaster relief efforts since the program's 2011 inception.

FARMSTART | $15.8 MILLION
This unique program for startup entrepreneurs has invested $15.8 million in 340 beginning farm and fishing businesses. FarmStart is one of the financial cooperative's many efforts to support young and beginning farmers. Other programs include incentives to assist young, beginning, small and veteran producers, as well as GenerationNext training seminars.

2021 BOARD OF

FRONT ROW

LouAnne F. King / Mapleview Dairy, LLC, Madrid, N.Y., **Lisa P. Sellew** / Prides Corner Farms, Lebanon, Conn., **Kurt W. Alstede** / Alstede Farms, LLC, Chester, N.J., **Laurie K. Griffen, Chair** / Saratoga Sod Farm, Inc., Stillwater, N.Y., **John P. Knopf, Vice Chair** / Fa-Ba Farms, LLC, Canandaigua, N.Y., **Tim C. Chan** / Outside Director, Claremont, N.H., **Philip "Jamie" Jones** / Jones Family Farm and Jones Family Farms Winery, LLC, Shelton, Conn.

DIRECTORS

BACK ROW

James A. Robbins II / Robbins Lumber, Inc., Searsmont, Maine, **Barry A. Buck** / Mapleton, Maine, **Douglas W. Shelmidine** / Sheland Farms, LLC, Adams, N.Y., **Peter R. Call** / My-T Acres, Inc., Batavia, N.Y., **Jay McWatters** / Outside Director, Hamburg, N.Y., **Peter H. Triandafillou** / Customer Appointed Director, Old Town, Maine, **Michael N. Brooks** / Dusty Lane Farms, LLC, Elmer, N.J.

NOT PICTURED

David "Skip" Hardie / Walnut Ridge Dairy, LLC, Lansing, N.Y., **Terry R. Zittel** / Amos Zittel & Sons, Inc., Eden, N.Y.

2022 PRIORITIES

As we head into 2022, developing a framework to support Farm Credit East's Environmental, Social and Governance (ESG) initiatives is a priority. Both Farm Credit East and Yankee Farm Credit had committed to a robust ESG strategy. So as the organizations merge, there is a high degree of alignment on this part of the board of directors' strategic vision for the merged association.

ENVIRONMENTAL

Farm Credit East is committed to supporting producers' conservation practices and efforts to combat climate change. In the year ahead, the association looks to better understand the environmental impact of our own operations and the industries we serve, determining both the risks, but more importantly how we can support customers as they adopt climate smart agricultural and forestry practices. We're committed to helping our members navigate the requirements and incentive opportunities that may become available.

SOCIAL

One of Farm Credit East's top priorities is to provide a positive experience for customers and employees alike. Ensuring this experience involves equipping both staff and customers with the tools they need to conduct business efficiently and effectively; supporting agricultural organizations and rural communities important to our customers, our staff and the industries we serve; and promoting a diverse and inclusive work environment.

Farm Credit East has developed a number of programs to provide industry and rural community support, including Farm Credit Northeast AgEnhancement, the Lipinski Rural Initiatives Award and Farm Credit East Cares. Farm Credit East also has avenues to encourage staff involvement in industry and community organizations. We aim to grow this support in 2022.

Farm Credit East will continue its digital journey in 2022 to further enhance the tools and processes available to our staff and our customers, while maintaining the security of data and customer information. Our goal is to provide staff more time to focus on customer relationships and serve our customers how they'd like to be served.

Finally, diversity and inclusion both within the organization and the industry as a whole is an area where Farm Credit East strives to do better by building on a number of internal and externally facing initiatives. While a number of outreach and education efforts were developed in 2021, Farm Credit East seeks to expand its relationships with organizations focused on increasing diversity, equity and inclusion in agriculture during the year ahead.

> **"When organizations like Farm Credit East give us a few thousand dollars, we're able to increase awareness, which opens doors for people to have better access to food, and it's really amazing."**
>
> – Anne Hayes, Executive Director
> *The Food Project*

GOVERNANCE

As a cooperative, our members are fundamental to our governance. Members are involved in surfacing the candidates who run for the board of directors and ultimately elect the directors who serve their interests on the board. The board continues to look for opportunities to expand its diversity.

In 2022, Farm Credit East is placing a high priority on expanding customer engagement. Customer Service Councils are an important avenue for members to be involved in their cooperative and share feedback. This year, the association will expand its Customer Service Councils to include young producer representatives on each local council to ensure the next generation's interests are represented. We're also looking to increase the diversity on local councils to ensure input across industries and generations to help Farm Credit East be a stronger partner for the future.

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Watertown, NY 13601-5730
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Chazy, NY 12921
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CLAVERACK, NY
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Hudson, NY 12534-3819
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Homer, NY 13077-1526
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Derby (Physical), VT 05829
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Williston, VT 05495
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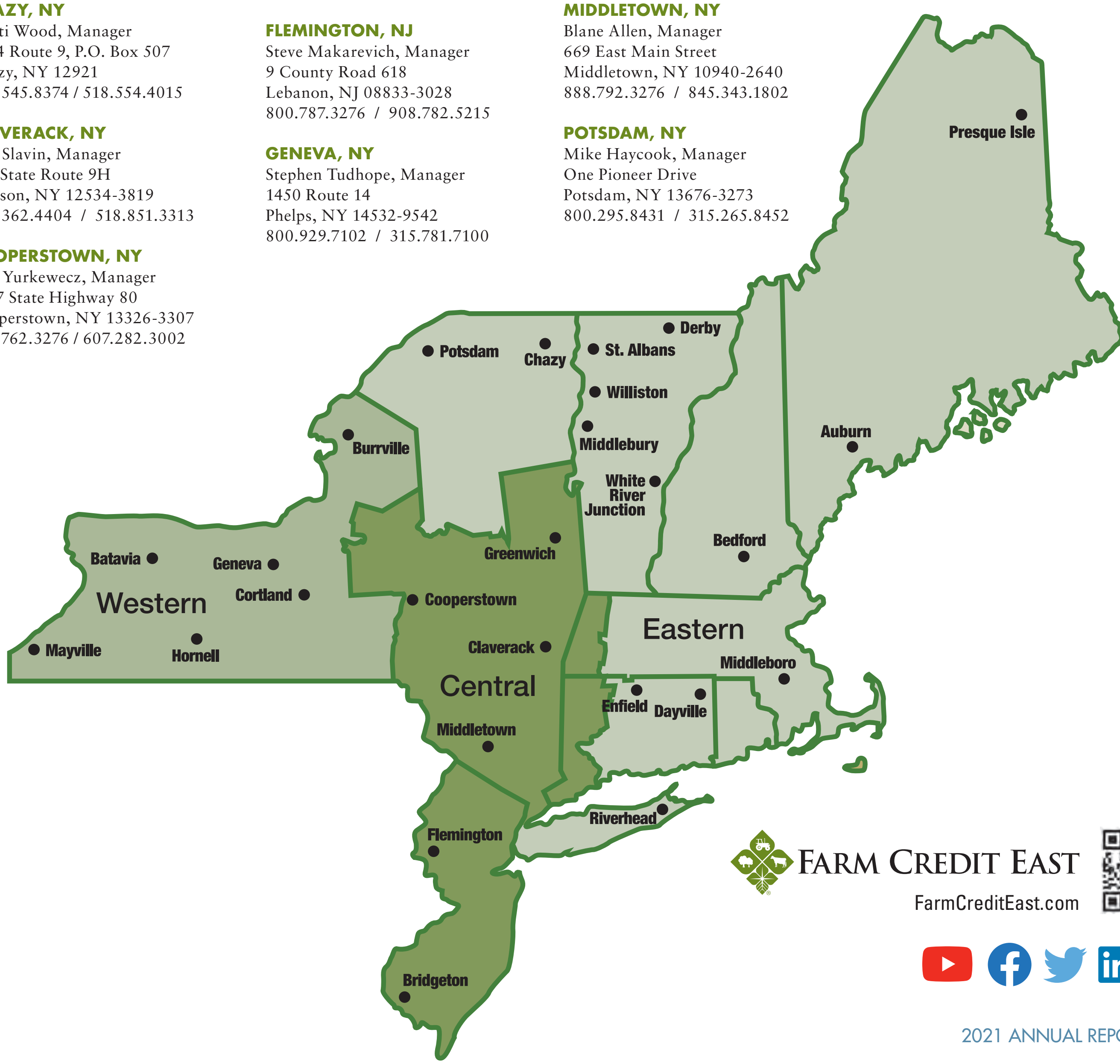
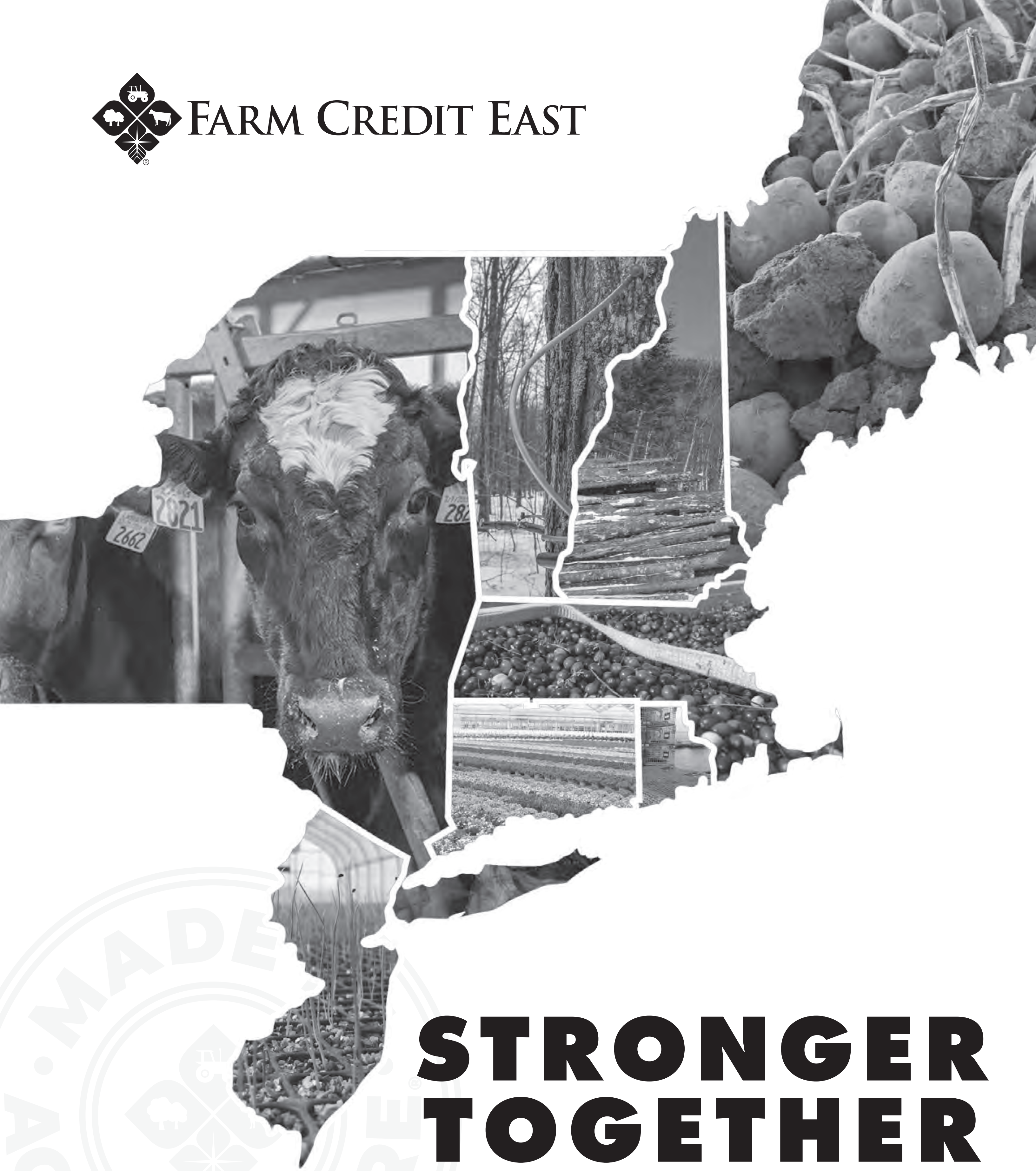


FARM CREDIT EAST
FarmCreditEast.com

FARM CREDIT EAST



STRONGER TOGETHER

2021 FINANCIAL STATEMENTS

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(dollars in thousands)	December 31				
	2021	2020	2019	2018	2017
BALANCE SHEET DATA					
Loans	$9,074,791	$8,209,864	$7,434,982	$6,964,353	$6,605,200
Less: Allowance for loan losses	80,335	73,879	84,234	78,370	75,751
Net loans	8,994,456	8,135,985	7,350,748	6,885,983	6,529,449
Cash	20,345	27,836	21,481	23,395	48,736
Investment in CoBank, ACB	258,584	273,886	250,266	235,769	224,509
Other property owned	857	817	1,657	2,609	1,447
Other assets	148,373	130,792	124,831	116,764	106,837
Total assets	$9,422,615	$8,569,316	$7,748,983	$7,264,520	$6,910,978
Obligations with maturities of one year or less	$203,067	$170,614	$168,482	$153,380	$147,009
Obligations with maturities greater than one year	7,452,909	6,736,597	6,036,193	5,657,199	5,414,435
Total liabilities	7,655,976	6,907,211	6,204,675	5,810,579	5,561,444
Capital stock and participation certificates	16,688	16,041	15,499	15,079	14,808
Additional paid-in capital	229,198	229,198	229,198	229,198	229,198
Unallocated retained earnings	1,565,415	1,451,018	1,345,666	1,255,417	1,157,496
Accumulated other comprehensive loss	(44,662)	(34,152)	(46,055)	(45,753)	(51,968)
Total members' equity	1,766,639	1,662,105	1,544,308	1,453,941	1,349,534
Total liabilities and members' equity	$9,422,615	$8,569,316	$7,748,983	$7,264,520	$6,910,978

	For the Year Ended December 31				
	2021	2020	2019	2018	2017
STATEMENT OF COMPREHENSIVE INCOME DATA					
Net interest income	$236,033	$227,490	$225,649	$208,523	$197,405
Provision for loan losses	-	5,000	5,000	5,000	-
Noninterest expenses, net	29,182	26,440	32,952	24,308	36,056
Provision for income taxes	1,454	1,698	1,504	1,294	1,281
Net income	$205,397	$194,352	$186,193	$177,921	$160,068
Comprehensive income	$194,887	$206,255	$184,947	$184,136	$162,462
KEY FINANCIAL RATIOS					
Return on average assets	2.33%	2.39%	2.50%	2.54%	2.41%
Return on average members' equity	11.97%	11.94%	12.18%	12.57%	12.24%
Net interest income as a percentage of average earning assets	2.79%	2.92%	3.17%	3.11%	3.11%
Members' equity as a percentage of total assets	18.75%	19.40%	19.93%	20.01%	19.53%
Debt to members' equity	4.3:1	4.2:1	4.0:1	4.0:1	4.12:1
Net (charge-offs) recoveries as a percentage of average loans	0.00%	(0.03%)	(0.01%)	(0.04%)	0.00%
Allowance for credit losses as a percentage of loans and accrued interest receivable	1.06%	1.17%	1.25%	1.27%	1.31%
Common Equity Tier 1 (CET1) Capital	16.11%	17.09%	17.42%	17.72%	17.34%
Tier 1 Capital	16.11%	17.09%	17.42%	17.72%	17.34%
Total Regulatory Capital (TRC)	17.13%	18.17%	18.63%	18.92%	18.59%
Tier 1 Leverage	17.35%	18.05%	18.35%	18.53%	18.20%
Unallocated Retained Earnings and URE Equivalents (UREE) Leverage	19.23%	19.84%	20.13%	20.31%	19.97%
Permanent capital ratio	16.24%	17.24%	17.61%	17.91%	17.53%
Net income distribution					
Cash patronage declared	$91,000	$89,000	$70,000	$65,000	$60,000
Special cash patronage	$ -	$ -	$25,000	$15,000	$ -

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion summarizes the financial position and results of operations of Farm Credit East, ACA (Farm Credit East or the Association) as of December 31, 2021 with comparisons to prior years. The commentary includes material known trends, commitments, events or uncertainties that have impacted or are reasonably likely to impact our financial condition and results of operations. The discussion and analysis should be read in conjunction with the accompanying consolidated financial statements, footnotes and other sections of this Annual Report. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee.

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

Dollar amounts are in thousands unless otherwise noted.

BUSINESS OVERVIEW

Farm Credit East is a lending institution of the Farm Credit System (the System). We are one of 67 associations in the System which was created by Congress in 1916 and has served agricultural producers for over 100 years. The System's mission is to provide sound and dependable credit to American farmers, ranchers and producers or harvesters of aquatic products, timber products and farm-related businesses through a member-owned cooperative system. This is done by making loans and providing financial services. The Farm Credit Administration (FCA) is the System's independent safety and soundness federal regulator and was established to supervise, examine and regulate System institutions.

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

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

MERGER WITH YANKEE FARM CREDIT

Yankee Farm Credit merged with and into Farm Credit East effective January 1, 2022. 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.

The 2021 results discussed within this Annual Report to Shareholders are not reflective of the merger executed on January 1, 2022. The merger is further discussed in Note 17 "Subsequent Events" to the accompanying consolidated financial statements.

YEAR IN REVIEW

Farm Credit East benefits from serving a diverse portfolio of loans from the farm, forest products and fishing industries, each of which has its own unique set of economic drivers. In 2021, the COVID-19 pandemic continued to have significant impacts on both the general and agricultural economies. While businesses did not have to deal with widespread forced shutdowns, as in 2020, COVID-19 impacted businesses by disrupting supply chains, including domestic and international logistics. This, along with other factors, such as worker shortages and increased absenteeism, contributed to product shortages and inflationary pressures. Agricultural businesses relying on imported goods as raw materials or goods for resale were significantly impacted, as were businesses reliant on export transportation networks. Throughout 2021, businesses faced challenges in procuring adequate supplies and maintaining staffing levels to run their operations, repair equipment, and maintain throughput.

Business was generally positive on the revenue side for most Northeast producers, with strong consumer markets, and many commodity prices rising, but there is significant upward pressure on production costs. Many producers were able to increase their prices, or received higher prices compared to last year, yet still faced pressure on profit margins in the face of rising expenses.

Compared with 2020's significant government relief programs, federal support for businesses tapered off in 2021, leaving firms largely reliant on their operating revenues to manage the lingering effects of the pandemic.

Farm Credit East experienced another year of strong financial performance in 2021. Loan volume increased 10.5% to $9.1 billion at December 31, 2021, with average loan volume for the year increasing 8.4% as well. Net income grew to $205.4 million in 2021, an $11.0 million increase compared to 2020. The 5.7% increase reflects higher net interest income and higher noninterest income offset by higher operating expenses. From its 2021 earnings, Farm Credit East declared patronage dividends totaling $91.0 million all of which will be distributed in cash in 2022.

Overall loan quality measures for Farm Credit East remain strong. As of December 31, 2021, 2.5% of loans were adversely classified, compared to 2.8% at December 31, 2020. Nonaccrual loans decreased to $18.7 million at December 31, 2021, from $37.4 million one year ago. The Association's allowance for credit losses totaled $96.4 million as of December 31, 2021, or 1.1% of total loans.

As of December 31, 2021, members' equity totaled $1.8 billion and our permanent capital and total regulatory capital ratios were 16.2% and 17.1%, respectively. The Association's capital levels remain well in excess of the regulatory minimums of 7.0% and 8.0%.

2021 marked a year of strong economic growth for the U.S. economy, which is still recovering in many ways from the COVID-19 induced recession of 2020. Following a contraction of negative 3.4% in 2020, real (inflation-adjusted) GDP grew at annualized rates of 6.3% for Q1 2021, 6.7% for Q2, 2.3% for Q3, and 6.9% for Q4, bringing growth for the year to 5.7%.

With COVID-19 pandemic continuing to impact most nations, there were no new major trade agreements made by the United States in 2021. Despite this, international trade rebounded over the past year, straining port capacity. Both U.S. imports and exports increased by more than 20% from 2020 levels. Agricultural exports rose substantially, with Mexico's purchases increasing by 41% in value, China increasing 35%, and Canada increasing 11%. 2022 forecasts are for exports to continue to increase, with China expected to increase purchases, while Canada and Mexico's purchases are expected to be relatively flat compared to 2021.

THE FARM ECONOMY

The two issues most impacting the farm economy today are labor and inflation, as discussed above. Inflation has risen as economic activity increases domestically and around the globe, and labor markets continue to be tight, creating staffing challenges and putting upward pressure on wages.

The costs of inputs, equipment, labor, and construction have soared this year, and availability is tight for many products and services, with shortages common. We are seeing supply chains gradually normalize and anticipate that shortage issues will decline in severity over the course of 2022, but for now, significant bottlenecks remain.

AGRICULTURAL OUTLOOK

Dairy: Northeast dairy farms continue to show a range of operating results, but most farms should show profits for 2021. Milk prices increased by about 5% from 2020, but government support declined, and feed costs increased for many, compressing margins. There is cautious optimism heading into 2022, as milk prices are projected to increase, but cost inflation may erase price gains. Milk production showed increases both in the Northeast as well as nationally, with U.S. milk production increasing by 1.4% over 2020. Dairy exports continued strong, reaching $7 billion for the year through November, 18% ahead of 2020 by value.

Cash Field Crops: This category includes corn for grain, soybeans, hay, wheat and some small grains. 2021 was a reasonably good growing year in most parts of the U.S., as well as the Northeast, and yields were generally quite good. Ethanol production has rebounded with increasing demand for gasoline. Exports of cash field commodities have increased, which is bullish for prices. USDA forecasts corn prices for the 2021/22 market year, at $5.45 (2020/21: $4.53), and soybeans at $12.60 (2020/21: $10.80).

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

New home construction and remodeling demand continued to be strong in 2021. Although lumber markets showed substantial volatility, East Coast Spruce/Fir lumber prices climbed to more than $1,200/MBF by year-end 2021 compared to $600/MBF in October 2021. Demand is anticipated to stay strong throughout 2022, as a result of strong housing markets and limited inventories of homes for sale.

Hardwood markets saw prices increase in the second half of 2021, with all major Northeastern species trending higher. Rising demand is a result of improved export markets, domestic repair and remodeling growth, and continued strong construction markets.

Pulp and paper markets continue to shift, with free sheet, super calendar and newsprint remaining under pressure and declining, while tissue, container board and packaging have been returning positive margins. Demand for loggers has improved, despite some weakness in low-grade markets, and the greatest challenge most logging companies has been maintaining adequate staffing levels.

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.

Most livestock product commodity prices improved in 2021 due to robust demand. Still, the price increases observed at retail grocery stores have not fully flowed through to producers, with processors receiving much of the gains. Many Northeast producers serve specialty markets which have seen strong demand during the pandemic, as well as higher prices than national indexes though processing capacity can be a constraint. Recreational equine operations have generally recovered from pandemic-related setbacks.

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

Apples: New York's 2021 apple production was generally equivalent to the last couple of years, although yield varied by region. Modernized fresh apple growers with in-demand varieties should see positive financial results. Those with older plantings may see weaker earnings. Consumer demand has been strong. Retail and pick-your-own orchards have had good customer traffic.

Wine: Most Northeast wineries reported continued strong sales and customer traffic. The 2021 wine grape crop yielded much higher than average, but strong wine sales in the region have supported prices. Other craft beverage businesses generally reported solid financial results for 2021, with some variability.

Cranberries: Production for 2021 came in well below the 5-year average, with all major growing regions reporting a short crop. This smaller crop could end up being favorable for the cranberry industry which has often suffered from oversupply. It remains to be seen whether pricing will make up for the smaller crop volume.

Greenhouse and Nursery: Greenhouse and Nursery growers throughout the Northeast reported that 2021 was another good year for the green industry. Most growers were able to raise prices and increase top-line revenue, but rising input costs significantly limited any gains in profit margins. For many green industry businesses, maintaining adequate staffing to meet demand has been the top challenge.

Aquatic / Fishing: 2021 was a very strong year for Maine lobster with significant renewed interest in boat upgrades/building. Prices were at record highs and demand remained strong, while the catch was a bit above average. Despite the solid earnings in 2021, there is a high level of concern about the unknowns surrounding measures being taken to protect the endangered Northern Right Whale from gear entanglements. Scallop pricing and demand have increased due to rebounding demand from the restaurant sector. Groundfish pricing was high as well for most of 2021, 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. As a result of COVID-related challenges, many processors have struggled to meet demand from the grocery retail sector in particular, resulting in some product shortages in stores.

LOAN PORTFOLIO

Loans outstanding were $9.1 billion at December 31, 2021, an increase of $864.9 million, or 10.5% from the December 31, 2020 balance of $8.2 billion. The combined period to period growth was driven by our branch-based farm loan portfolio which grew $140.4 million, or 2.9%, as strong demand for agricultural products benefited our producers. Our residential Country Living mortgage program grew $154.4 million, or 14.7%, as strong demand continued in our Local Service Area (LSA) for this product and our commercial loan group grew $572.2 million, or 23.6% 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	2021		2020		2019	
Real estate mortgage	$ 3,848,059	42.3%	$ 3,575,827	43.4%	$ 3,313,001	44.4%
Production and intermediate	2,970,147	32.6	2,811,878	34.2	2,694,110	36.1
Agribusiness	1,759,672	19.3	1,450,965	17.6	1,218,477	16.3
Rural infrastructure	427,600	4.7	303,471	3.7	154,459	2.1
Rural residential real estate	60,317	0.7	59,848	0.7	57,095	0.8
Other	32,983	0.4	29,773	0.4	26,106	0.3
Total Loans	$ 9,098,778	100.0%	$ 8,231,762	100.0%	$ 7,463,248	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	2021	2020	2019
Purchased participations	$ 2,276,400	$ 1,782,262	$ 1,353,817
Sold participations	$ 1,210,924	$ 1,025,912	$ 1,024,874

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

December 31	2021	2020	2019
New York	45%	46%	48%
New Jersey	10	11	11
Maine	8	9	8
Massachusetts	6	6	6
Connecticut	4	4	5
Rhode Island, New Hampshire and other states	27	24	22
Total	100%	100%	100%

The following table shows the primary agricultural commodities produced by our borrowers based on the Standard Industrial Classification System (SIC) published by the federal government. This system is used to assign commodity or industry categories based on the primary business of the customer. A primary business category is assigned when the commodity or industry accounts for 50% or more of the total value of sales for a business; however, a large percentage of agricultural operations typically includes more than one commodity.

December 31	2021	2020	2019
Dairy	19.1%	19.9%	21.4%
Processing and Marketing	11.4	10.5	9.9
Cash Field	10.5	10.0	9.9
Timber	10.4	10.3	10.2
Livestock	8.1	8.7	9.2
Fruit	8.0	8.6	8.8
Utilities	4.4	3.6	2.0
Aquatic	4.3	4.6	4.2
Farm Services	4.0	4.1	3.7
Vegetables	3.4	3.4	3.9
Potato	3.3	3.6	3.1
Nursery	2.5	2.6	3.1
Greenhouse	2.4	2.7	3.1
All Other	8.2	7.4	7.5
Total	100%	100%	100%

CREDIT COMMITMENTS

Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan agreement contract. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. We may also participate in standby letters of credit to satisfy the financing needs of our borrowers. These standby letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. The following table summarizes the maturity distribution of unfunded credit commitments on loans at December 31, 2021.

	Less than 1 year	1 – 3 years	3 – 5 years	Over 5 years	Total
Commitments to extend credit	$ 1,458,899	$ 1,282,021	$ 401,935	$ 56,699	$ 3,199,554
Standby letters of credit	25,323	1,977	-	18	27,318
Commercial letters of credit	2,306	22,771	15,280	2,196	42,553
Total commitments	$ 1,486,528	$ 1,306,769	$ 417,215	$ 58,913	$ 3,269,425

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	2021	2020	2019
Nonaccrual	$ 18,656	$ 37,440	$ 39,901
Accruing loans 90 Days or more past due	137	780	2,734
Accruing restructured loans	608	581	347
Total Impaired Loans	$ 19,401	$ 38,801	$ 42,982
Other Property Owned	857	817	1,657
Total High Risk Assets	$ 20,258	$ 39,618	$ 44,639
Impaired Loans to Total Loans	0.21%	0.47%	0.58%
High Risk Assets to Total Loans	0.22%	0.48%	0.60%
Nonaccrual Loans to Total Loans	0.21%	0.46%	0.54%
Delinquencies as a % of performing loans	0.11%	0.24%	0.39%

The $19.4 million decrease in impaired loans was largely due to a lower level of nonaccrual loans and lower volume of accruing 90 day loans in our portfolio. Nonaccrual loans totaled $18.7 million, a decrease of $18.8 million from the end of 2020. In general, the Association is adequately secured on much of the $18.7 million in nonaccrual loan volume at December 31, 2021. However, the Association has established specific loan loss allowances of $1.1 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, 2021 other property owned totaled $0.9 million, an increase of $0.1 million from the end of 2020. During 2021, one property was acquired totaling $0.2 million which was offset by one property being disposed of totaling $0.1 million. Other property owned was $1.7 million at December 31, 2019. The Association is actively marketing all other property owned assets and intends to dispose of all properties in an orderly and timely fashion.

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

CREDIT QUALITY CONDITIONS AND MEASUREMENTS IN THE LOAN PORTFOLIO

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

December 31	2021	2020	2019
Acceptable	94.01%	92.96%	91.56%
Special mention	3.49	4.24	4.66
Substandard/doubtful	2.50	2.80	3.78
Total	100.00%	100.00%	100.00%

Overall loan quality measures remain strong at December 31, 2021. During 2021 loans classified Acceptable increased by 1.1% of total loans while loans classified as Special Mention decreased by 0.8% 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 2.8% a year ago to 2.5% at December 31, 2021. While overall loan quality measures remain strong at December 31, 2021, we do expect some deterioration during 2022 as there is uncertainty around the magnitude and duration of business disruptions related to COVID-19 and its impact on the economy.

CREDIT RISK MANAGEMENT

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

To further manage portfolio risk, the Association is a Preferred Lender under the USDA's Farm Service Agency guarantee program and as of December 31, 2021 has guarantees totaling $295.0 million. In addition, the Association has loan guarantees with State agencies totaling $15.6 million. The Association also participates in the Farmer Mac Long-Term Standby Purchase Commitment (LTSPC), and as of December 31, 2021, commitments totaling $5.5 million were in this program.

ALLOWANCE FOR CREDIT LOSSES

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

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

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

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

December 31	2021	2020	2019
Components:			
Allowance for loan losses	$ 80,335	$ 73,879	$ 84,234
Reserve for unfunded commitments	16,064	22,516	9,125
Allowance for Credit Losses (ACL)	$ 96,399	$ 96,395	$ 93,359
ACL as a percentage of:			
Total loans	1.06%	1.17%	1.26%
Nonaccrual loans	516.7%	257.5%	234.0%
Impaired loans	496.9%	248.4%	217.2%

The Association did not recognize a provision or reversal for loan loss in 2021. A $5.0 million provision for loan losses was recognized for December 31, 2020 and December 31, 2019. The allowance for credit losses increased as net recoveries of $4 thousand were recorded during 2021.

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

RESULTS OF OPERATIONS

Net income was $205.4 million for the twelve months ending December 31, 2021 an increase of $11.0 million, or 5.7%, from $194.4 million for 2020. Net income was $186.2 million for the twelve months ending December 31, 2019. Our strong earnings primarily reflect higher net interest income and significantly higher noninterest income offset by higher operating expenses. The following table reflects key performance results *($ in millions)*.

For the Year Ended December 31	2021	2020	2019
Net income	$ 205.4	$ 194.4	$ 186.2
Net interest income	$ 236.0	$ 227.5	$ 225.6
Net interest margin	2.79%	2.92%	3.17%
Return on average assets	2.33%	2.39%	2.50%
Return on average members equity	11.97%	11.94%	12.18%

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

Increase (decrease) due to:	2021 versus 2020	2020 versus 2019
Net interest income	$ 8.5	$ 1.8
Provision for loan losses	5.0	-
Noninterest income	5.4	14.5
Noninterest expenses	(8.1)	(7.9)
Provision for income taxes	0.2	(0.2)
Total	$ 11.0	$ 8.2

NET INTEREST INCOME

Net interest income increased $8.5 million or 3.8% to $236.0 million in 2021, compared to $227.5 million in 2020. Net interest income was $225.6 million for the twelve months ending December 31, 2019. The following table quantifies the changes in net interest income *($ in millions)*.

Changes in net interest income due to:	2021 versus 2020	2020 versus 2019
Loan volume and average loan rate	$ (17.2)	$ (70.5)
Nonaccrual volume and other income	(1.4)	3.7
Borrowing levels and average cost of debt	23.1	56.5
Fixed rate loan repricing	4.1	(6.0)
Hedging activity	(0.1)	18.1
Total	$ 8.5	$ 1.8

The Association's average loan rate was 3.45% in 2021, down from 3.98% in 2020 while the Association's average cost of debt funding decreased by similar amounts to 1.08% in 2021 compared to 1.54% in 2020. Interest income and cost of debt are both lower due to decreases in publicized short-term rates which decreases both the Association's and our customer's cost of borrowing. The average interest rate spread over cost of funding decreased seven basis points year over year from 2.44% to 2.37%. The decrease in spread is largely attributed to the strong risk profile with new loan volume and improving credit quality within much of our loan portfolio, both of which warrant lower pricing with this volume. Of the $8.5 million increase from 2020, $17.2 million was due to lower income from debt funded loan volume. Collection of nonaccrual and other interest income decreased by $1.4 million over 2020. Fixed rate loan repricing fees paid decreased by $4.1 million. Offsets to lower interest income levels was correlating lower cost of funded debt of $23.1 million while the Association's hedging strategy increased net interest income by $14.2 million, a $0.1 million decrease from 2020.

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	2021	2020	2019
Net interest income	$ 236,033	$ 227,490	$ 225,649
Average balances:			
Average interest earning loans	$ 8,451,127	$ 7,781,715	$ 7,128,678
Average interest bearing liabilities	$ 6,939,786	$ 6,382,575	$ 5,822,909
Average rates:			
Interest earning loans	3.45%	3.98%	5.33%
Interest bearing liabilities	1.08%	1.54%	2.66%
Interest rate spread	2.37%	2.44%	2.67%
Net interest margin (interest income as a percentage of average interest earning loans)	2.79%	2.92%	3.17%

PROVISION FOR LOAN LOSSES/ (LOAN LOSS REVERSALS)

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

Farm Credit East did not record a provision or reversal for loan losses for December 31, 2021. This is the net result of risk of loss associated with loan growth, offset by improvements in loan credit quality and reduction of high-risk assets. A $5.0 million provision for loan loss was recorded for the years ended December 31, 2020 and 2019.

NONINTEREST INCOME

Noninterest income increased $5.4 million to $86.2 million for the twelve months ended December 31, 2021 as compared to $80.9 million in 2020. Noninterest income is primarily composed of patronage income, financially related services income, loan fees and compensation on participation loans. Noninterest income totaled $66.4 million for the twelve months ending December 31, 2019.

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, 2021, CoBank patronage income totaled $36.8 million, an increase of $9.0 million from $27.8 million in 2020. The 2021 CoBank patronage includes a special patronage distribution of $5.5 million compared to a 2020 special patronage distribution of $4.8 million. The patronage rates paid by CoBank on the Association's note payable were 45 basis points in 2021, 36 basis points in 2020 and 40 basis points in 2019. Patronage income from CoBank was $23.3 million for the twelve months ending December 31, 2019 which included a special patronage distribution of $0.6 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, 2021, this revenue totaled $10.8 million compared to $9.7 million in 2020 and $7.9 million in 2019.

Noninterest income also includes fees for financially related services, loan fees, compensation on participation loans and other noninterest income. These noninterest income sources totaled $38.7 million for the twelve months ending December 31, 2021 a decrease of $4.7 million, or (10.8%) from 2020. Included in noninterest income is $1.6 million in refunds received for a portion of excess Insurance Fund premiums paid in prior years for the twelve months ending December 31, 2020 and 2019. These refunds are a nonrecurring item and represents the Association's portion of the excess in the System-wide Insurance Fund above the required minimum secure base amount. Financially related services fee income totaled $29.4 million in revenue for the year ended December 31, 2021 an increase of $1.7 million, or 6.0%, compared to 2020. This increase was due to continued growth in this area of our business along with the pandemic easing which allowed customers capacity to utilize these services again after it decreased $0.3 million in 2020. Loan fees decreased $5.3 million to $5.5 million at December 31, 2021, 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 $115.4 million for the twelve months ended December 31, 2021, an increase of $8.1 million, or 7.6%, from $107.3 million in 2020. Noninterest expense was $99.4 million for the twelve months ended December 31, 2019.

Salaries and employee benefits is the primary component of noninterest expense and totaled $70.2 million for the twelve months ended December 31, 2021, an increase of $2.0 million from $68.2 million for the twelve months ended December 31, 2020. The increase is primarily a result of normal merit and incentive compensation increases and higher benefit expenses which were offset by lower retirement plan expenses. Salary and employee benefits were $61.4 million for the twelve months ended December 31, 2019.

Information technology services were $17.3 million for the twelve months ended December 31, 2021, an increase of $0.9 million from the twelve months ended December 31, 2020. The increase is primarily a result of higher expenses related to our digital strategy including new software, online banking and cyber security initiatives. Information technology services were $12.7 million for the twelve months ended December 31, 2019. Insurance fund premiums were $10.1 million in 2021, an increase of $4.6 million from December 31, 2020. Insurance fund premium rates are set by the Farm Credit System Insurance Corporation and were 16 basis points of adjusted insured debt obligations for 2021. Premium rates were 8 basis points for the first six months of 2020 and increased to 11 basis points July 1, 2020. Insurance fund premiums were $4.8 million in 2019 and the rate was 9 basis points. Noninterest expenses also include occupancy and equipment expense, other operating expenses and other property owned expenses. Other operating expenses were $17.8 million in 2021, an increase of $0.6 million compared to 2020. Included in other operating expenses are merger expenses of $2.4 million relating primarily to system conversion, infrastructure and professional service costs. These one-time expenses were offset by lower excise taxes and higher gains from sale of fixed assets.

PROVISION FOR INCOME TAXES

The provision for income taxes was $1.5 million for the twelve months ended December 31, 2021 compared to $1.7 million at December 31, 2020. The effective tax rate was 0.7% for the year ended December 31, 2021, as compared to 0.9% for 2020. 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, 2019 the provision for income taxes was $1.5 million.

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

PATRONAGE DISTRIBUTIONS

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

For the year ended December 31, 2021, the Association declared a qualified patronage dividend totaling $91.0 million which will be distributed in cash in 2022. For the year ended December 31, 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 divided of $30.0 million was paid in July 2020. In 2019, the Association declared two separate qualified patronage dividends totaling $95.0 million combined.

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, 2021, the Association's notes payable to CoBank totaled $7.5 billion, which is a $0.8 billion increase from $6.7 billion at December 31, 2020. The Association's note payable was $6.0 billion at December 31, 2019.

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

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

December 31	2021	2020	2019
Pricing Type:			
Variable rate loans	40.6%	43.3%	43.8%
Indexed loans (Prime, ARM, LIBOR)	25.2%	23.1%	20.6%
Fixed rate loans	34.2%	33.6%	35.6%

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)*.

December 31	2021	2020	2019
Swap notional amount	$ 1,355.0	$ 1,265.0	$ 1,135.0
Derivative asset (liabilities), net	$ (5.8)	$ 17.7	$ 8.4
Cash (payments) receipts	$ 14.2	$ 14.3	$ (3.8)

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

MEMBERS' EQUITY

Members' equity totaled $1.8 billion at December 31, 2021. Members' equity at December 31, 2021 was comprised of unallocated retained earnings of $1.6 billion, additional paid-in capital of $229.2 million, customer capital stock and participation certificates of $16.7 million and accumulated other comprehensive loss of $44.7 million.

CAPITAL PLAN AND REGULATORY REQUIREMENTS

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

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

As shown in the following table, at December 31, 2021, 2020 and 2019, 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.

	2021	2020	2019	FCA Minimum with Buffer
Common Equity Tier 1 Capital Ratio (CET1)	16.11%	17.09%	17.42%	7.00%
Tier 1 Capital Ratio	16.11%	17.09%	17.42%	8.50%
Total Regulatory Capital Ratio (TRC)	17.13%	18.17%	18.63%	10.50%
Permanent Capital Ratio	16.24%	17.24%	17.61%	7.00%
Tier 1 Leverage Ratio	17.35%	18.05%	18.35%	5.00%
UREE Leverage Ratio	19.23%	19.84%	20.13%	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, 2022, the board established capital ratio baselines under the New Capital Regulations as follows.

	2022 Target	Policy Minimum	FCA Minimum with Buffer
Common Equity Tier 1 Capital Ratio (CET1)	16.00%	12.00%	7.00%
Tier 1 Capital Ratio	16.00%	13.50%	8.50%
Total Regulatory Capital Ratio (TRC)	16.86%	15.50%	10.50%
Permanent Capital Ratio	16.26%	12.00%	7.00%
Tier 1 Leverage Ratio	16.35%	6.00%	5.00%
UREE Leverage Ratio	17.76%	2.50%	1.50%

REGULATORY MATTERS

As of December 31, 2021, 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

Nationally, 2021 net farm income increased by more than 23% from the prior year according to the USDA Economic Research Service, with declines in government support more than offset by increases in commodity prices for farm outputs. Green industry and agricultural retail businesses continue to see robust consumer demand. As we enter 2022, the greatest concerns are related to supply chain problems causing input shortages and cost inflation, as well as an increasingly tight labor market making it difficult to maintain adequate staffing levels.

Despite periodic setbacks, such as the Omicron COVID-19 variant, there is a general sense that the impact of the pandemic is fading, and the economy has largely recovered by most measures. The general U.S. economic outlook remains positive, with growth expected to taper as we reach full recovery from the COVID-19 induced recession. Forecasts are for real GDP growth to slow to a more normal pace in 2022 with projected increases in the range of 2.9% and 3.5%. Global economic growth is likely to mirror conditions in the United States. Global growth in 2022 is forecast at a slower rate than in 2021, but a still above average 3.9%, with solid economic growth forecast for both emerging and developed economies.

FORWARD-LOOKING STATEMENTS

Certain information included in this report contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Words such as "believes," "could," "estimates," "anticipates," "may," "should," "will," or other variations of these terms or similar expressions are intended to identify forward-looking statements. These statements are based on assumptions and analyses made in light of experience, historical trends, current conditions and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

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

REPORT OF MANAGEMENT

The consolidated financial statements of Farm Credit East, ACA (the Association) are prepared by management, who is responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as appropriate in the circumstances. The consolidated financial statements, in the opinion of management, fairly present the financial position of Farm Credit East. Other financial information included in this 2021 annual report is consistent with that in the consolidated financial statements.

To meet its responsibility for reliable financial information, management depends on the Association's accounting and internal control systems which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost must be related to the benefits derived. To monitor compliance, the Association's internal auditors and risk management staff perform audits of the accounting records, review accounting systems and internal controls, and recommend improvements as appropriate. The consolidated financial statements are audited by PricewaterhouseCoopers LLP (PwC), 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 2021 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 10, 2022

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, 2021. 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, 2021, 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, 2021.

Michael J. Reynolds

Michael J. Reynolds
Chief Executive Officer

Andrew N. Grant

Andrew N. Grant
Chief Financial Officer

March 10, 2022

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 2021, the Committee met six times. The Committee oversees the scope of the Association's internal audit program, the independence of the outside auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The Committee's responsibilities are described more fully in the Association's Internal Control Policy and the Audit Committee Scope of Responsibility. In addition, the Committee approved the appointment of PricewaterhouseCoopers LLP (PwC) as our independent auditors for 2021.

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, 2021, 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 2021, PwC was engaged for tax and merger 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, 2021 and for filing with the FCA.

Tim C. Chan
Audit Committee Chair

Other Committee Members:
Peter R. Call
Thomas J. Colgan
David E. Hardie
Jay McWatters
Terry R. Zittel

March 10, 2022

pwc

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, 2021, 2020 and 2019, 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, 2021, 2020 and 2019, 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 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 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 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 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 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 2021 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.

PricewaterhouseCoopers LLP

March 10, 2022

CONSOLIDATED BALANCE SHEETS

December 31 (dollars in thousands)	2021	2020	2019
ASSETS			
Loans	$ 9,074,791	$ 8,209,864	$ 7,434,982
Less: Allowance for loan losses	80,335	73,879	84,234
Net loans	8,994,456	8,135,985	7,350,748
Cash	20,345	27,836	21,481
Accrued interest receivable	24,468	22,740	28,489
Investment in CoBank, ACB	258,584	273,886	250,266
Premises and equipment, net	26,032	25,982	26,771
Other property owned	857	817	1,657
Other assets	97,873	82,070	69,571
Total Assets	$ 9,422,615	$ 8,569,316	$ 7,748,983
LIABILITIES			
Notes payable to CoBank, ACB	$ 7,452,909	$ 6,736,597	$ 6,036,193
Patronage distributions payable	91,000	59,000	70,000
Accrued interest payable	6,410	6,716	11,936
Reserve for unfunded commitments	16,064	22,516	9,125
Other liabilities	89,593	82,382	77,421
Total Liabilities	$ 7,655,976	$ 6,907,211	$ 6,204,675
MEMBERS' EQUITY			
Capital stock and participation certificates	$ 16,688	$ 16,041	$ 15,499
Additional paid-in capital	229,198	229,198	229,198
Unallocated retained earnings	1,565,415	1,451,018	1,345,666
Accumulated other comprehensive loss	(44,662)	(34,152)	(46,055)
Total Members' Equity	$ 1,766,639	$ 1,662,105	$ 1,544,308
Total Liabilities and Members' Equity	$ 9,422,615	$ 8,569,316	$ 7,748,983

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year Ended December 31 (dollars in thousands)	2021	2020	2019
INTEREST INCOME			
Loans	$ 298,702	$ 317,151	$ 383,653
Other	452	502	641
Total interest income	299,154	317,653	384,294
INTEREST EXPENSE			
Notes payable to CoBank, ACB	63,095	90,143	158,629
Other	26	20	16
Total interest expense	63,121	90,163	158,645
Net interest income	236,033	227,490	225,649
Provision for loan losses	-	5,000	5,000
Net interest income after provision for loan losses	236,033	222,490	220,649
NONINTEREST INCOME			
Patronage income	47,517	37,459	31,246
Financially related services income	29,368	27,714	27,970
Compensation on participation loans, net	3,680	3,186	2,980
Loan fees	5,538	10,882	2,545
Other income	109	1,611	1,659
Total noninterest income	86,212	80,852	66,400
NONINTEREST EXPENSE			
Salaries and employee benefits	70,243	68,179	61,443
Information technology services	17,313	16,406	12,650
Insurance Fund premiums	10,101	5,551	4,824
Occupancy and equipment	4,253	4,221	4,249
Other operating expenses	13,484	12,935	16,186
Total noninterest expenses	115,394	107,292	99,352
Income before income taxes	206,851	196,050	187,697
Provision for income taxes	1,454	1,698	1,504
Net Income	$ 205,397	$ 194,352	$ 186,193
OTHER COMPREHENSIVE INCOME (LOSS)			
Net change in retirement plan liabilities	12,940	9,310	(14,984)
Net change in cash flow hedges	(23,450)	2,593	13,738
Other Comprehensive (Loss) Income	(10,510)	11,903	(1,246)
Comprehensive Income	$ 194,887	$ 206,255	$ 184,947

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

(dollars in thousands)	Capital Stock and Participation Certificates	Additional Paid-in Capital	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Members' Equity
Balance at December 31, 2018, as adjusted	**$ 15,079**	**$ 229,198**	**$ 1,254,473**	**$ (44,809)**	**$ 1,453,941**
Comprehensive Income (Loss)	-	-	186,193	(1,246)	184,947
Capital stock and participation certificates issued	1,348	-	-	-	1,348
Capital stock and participation certificates retired	(928)	-	-	-	(928)
Patronage Distribution	-	-	(95,000)	-	(95,000)
Balance at December 31, 2019	**$ 15,499**	**$ 229,198**	**$ 1,345,666**	**$ (46,055)**	**$ 1,544,308**
Comprehensive Income (Loss)	-	-	194,352	11,903	206,255
Capital stock and participation certificates issued	1,716	-	-	-	1,716
Capital stock and participation certificates retired	(1,174)	-	-	-	(1,174)
Patronage Distribution	-	-	(89,000)	-	(89,000)
Balance at December 31, 2020	**$ 16,041**	**$ 229,198**	**$ 1,451,018**	**$ (34,152)**	**$ 1,662,105**
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**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31 (dollars in thousands)	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 205,397	$ 194,352	$ 186,193
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	3,080	3,088	3,081
Provision for loan losses	-	5,000	5,000
Increase in accrued interest receivable	(2,775)	(370)	(841)
Decrease in accrued interest payable	(306)	(5,220)	(1,369)
(Decrease) increase in other liabilities	(9,751)	30,255	10,225
Increase (decrease) in other assets	2,337	(10,895)	(8,815)
Gain from sales of other property owned	-	(132)	(100)
Gain from sales of premises and equipment	(805)	(48)	(198)
Total adjustments	(8,220)	21,678	6,983
Net cash provided by operating activities	197,177	216,030	193,176
CASH FLOWS FROM INVESTING ACTIVITIES:			
Increase in loans, net	(857,593)	(784,650)	(469,169)
Increase in investment in CoBank	-	(22,528)	(13,523)
Decrease in investments	(2,838)	(2,696)	(971)
Expenditures for premises and equipment	(3,191)	(2,365)	(2,733)
Proceeds from sales of other property owned	129	1,504	1,568
Proceeds from sales of premises and equipment	866	113	325
Net cash used in investing activities	(862,627)	(810,622)	(484,503)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in notes payable to CoBank, net	716,312	700,405	378,993
Capital stock and participation certificates issued	1,860	1,716	1,348
Capital stock and participation certificates retired	(1,213)	(1,174)	(928)
Patronage distributions paid	(59,000)	(100,000)	(90,000)
Net cash provided by financing activities	657,959	600,947	289,413
Net (decrease) increase in cash and cash equivalents	(7,491)	6,355	(1,914)
Cash and cash equivalents at beginning of year	27,836	21,481	23,395
Cash and cash equivalents at end of year	$ 20,345	$ 27,836	$ 21,481
SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES:			
Income taxes paid, net of refunds	$ 2,520	$ 1,837	$ 1,106
Accrued interest transferred to loans	1,047	6,119	1,112
Loans transferred to other property owned	169	532	519
Patronage distribution payable	91,000	59,000	70,000

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands except as noted)

NOTE 1 – ORGANIZATION AND OPERATIONS

ORGANIZATION

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

The Association is a lending institution of the Farm Credit System (the System), a nationwide system of cooperatively owned banks and associations, which was established by acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (the Farm Credit Act). At December 31, 2021, the System was comprised of three Farm Credit Banks (FCBs), one Agricultural Credit Bank (ACB) and 67 affiliated associations. CoBank, ACB (CoBank or ACB) is Farm Credit East's funding bank.

CoBank, its related associations and AgVantis, Inc. (AgVantis) are collectively referred to as the "District." CoBank provides the funding to associations within the District and is responsible for supervising certain activities of the District Associations. The CoBank District consists of CoBank, 20 Agricultural Credit Associations (ACA), which each have two wholly owned subsidiaries, (a FLCA and a PCA), and AgVantis.

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

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

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System Banks and Associations. The FCA examines the activities of System Associations to ensure their compliance with the Farm Credit Act, FCA regulations and safe and sound banking practices.

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

OPERATIONS

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

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

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, 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.

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 $3.3 billion of commitments to extend credit at December 31, 2021. 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, 2021, the allowance for credit losses totaled $96.4 million, of which $80.3 million related to the allowance for loan losses and $16.1 million related to the reserve for unfunded commitments.

The allowance for credit losses is maintained at a level management considers sufficient to absorb losses inherent in the loan portfolio and in unfunded commitments. The credit risk rating methodology is a key component of the Association's allowance for credit losses evaluation and is generally incorporated into its loan underwriting standards and internal lending limit. The allowance is increased through provision for loan losses and loan recoveries and is decreased through loan loss reversals and loan charge-offs. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio characteristics and composition, collateral values, loan quality, current production conditions and economic conditions, and prior loan loss experience. The allowance for credit losses encompasses various judgments, evaluations and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty, 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, represent cash on hand and on deposit at financial institutions. Due to the nature of cash, the Association estimated that the carrying amount approximated fair value. The nature of the Association's business requires that it maintain amounts due from banks which, at times, may exceed federally insured limits. The Association has not experienced any losses on such amounts and all amounts are maintained with well-capitalized institutions.

INVESTMENT IN COBANK, ACB

The Association's investment in CoBank is in the form of Class A stock. The minimum required investment is 4.0% of the prior five-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 8.0% of the prior ten-year average of such participations sold to CoBank.

OTHER PROPERTY OWNED

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

PREMISES AND EQUIPMENT

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.

EMPLOYEE BENEFIT PLANS

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

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

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

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

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

INCOME TAXES

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

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

PATRONAGE DISTRIBUTIONS FROM COBANK, ACB

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

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITY

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

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

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

OTHER COMPREHENSIVE INCOME (LOSS)

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

FAIR VALUE MEASUREMENT

The Accounting guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 asset and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. Government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets. Also included in Level 1 are assets held in trust funds, which relate to the Association's deferred compensation plan and our supplemental retirement plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace. Pension plan assets that are invested in equity securities, including mutual funds and fixed-income securities that are actively traded, are also included in Level 1.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (3) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates; and (4) inputs derived principally from or corroborated by observable market data by correlation or other means. This category generally includes certain U.S. Government and agency mortgage-backed debt securities, corporate debt securities and derivative contracts. Pension plan assets that are derived from observable inputs, including corporate bonds and mortgage-backed securities are reported in Level 2.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, asset-backed securities, highly structured or long-term derivative contracts, certain loans and other property owned. Pension plan assets such as certain mortgage-backed securities that are supported by little or no market data in determining the fair value are included in Level 3.

The fair value disclosures are presented in Note 14 of these consolidated financial statements.

OFF-BALANCE SHEET CREDIT EXPOSURES

Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

INVESTMENT IN RURAL BUSINESS INVESTMENT COMPANIES

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

RECENTLY ISSUED OR ADOPTED ACCOUNTING PRONOUNCEMENTS

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which provides relief from certain requirements under GAAP, was signed into law. Section 4013 of the CARES Act gives certain entities temporary relief from the accounting and disclosure requirements for troubled debt restructurings (TDRs) and if certain criteria are met these loan modifications may not need to be classified as TDRs. In response to the CARES Act, the FCA issued an informational memorandum allowing for temporary relief from accounting and disclosure requirements for TDRs. The Association adopted this relief for qualifying loan modifications. This TDR guidance applied to modifications made beginning March 1, 2020 and ended on December 31, 2020.

In March 2020, the Financial Accounting Standards Board (FASB) issued guidance entitled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contracts related to the replacement of the reference rate. With respect to hedge accounting, the guidance allows amendment of formal designation and documentation of hedging relationships in certain circumstances as a result of reference rate reform and provides additional expedients for different types of hedges, if certain criteria are met. The optional amendments are effective as of March 12, 2020, through December 31, 2022. The Association applied the optional accounting expedients available under the guidance to debt and derivative contract modifications related to the LIBOR transition in the fourth quarter of 2020. The Impact of adoption was not material to the Association's financial condition or results of operations. In addition, the Association adopted the optional expedient as it relates to loans during the first quarter of 2021 and the impact of adoption was not material to the Association's financial condition or results of operations. In January 2021, the FASB issued ASU 2021-01, "Reference Rate Reform (Topic 848): Scope." The update allows certain derivative instruments to be modified to change the rate used for margining, discounting, or contract price alignment. An entity may elect to apply the optional amendments on a full retrospective basis from March 12, 2020 to December 31, 2022. These amendments do not apply to contract modifications made or new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022. The Association adopted the guidance in the first quarter of 2021 and the impact was not material to the Association's consolidated financial condition or its results of operations.

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

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

LOANS OUTSTANDING

Loans outstanding by loan type are shown below.

December 31	2021		2020		2019	
Real estate mortgage	$ 3,835,263	42.3%	$ 3,564,234	43.4%	$ 3,299,720	44.4%
Production and intermediate	2,963,459	32.7	2,804,349	34.2	2,683,757	36.1
Agribusiness	1,755,636	19.3	1,448,514	17.6	1,214,220	16.3
Rural infrastructure	427,324	4.7	303,368	3.7	154,304	2.1
Rural residential real estate	60,152	0.7	59,679	0.7	56,916	0.8
Other	32,957	0.3	29,720	0.4	26,065	0.3
Total Loans	$ 9,074,791	100.0%	$ 8,209,864	100.0%	$ 7,434,982	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, 2021 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	$ 19,245	$ 44,890	$ 333,534	$ 22,054	$ -	$ -	$ 352,779	$ 66,944
Production and intermediate	96,053	184,783	467,394	115,826	24,159	-	587,606	300,609
Agribusiness	515,343	329,058	355,619	505,200	-	5,604	870,962	839,862
Rural infrastructure	428,536	-	-	-	-	-	428,536	-
Other	36,517	3,509	-	-	-	-	36,517	3,509
Total Loans	1,095,694	$ 562,240	$ 1,156,547	$ 643,080	$ 24,159	$ 5,604	$ 2,276,400	$ 1,210,924

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 $5.5 million, $7.3 million and $8.8 million at December 31, 2021, 2020 and 2019 respectively. Fees paid to Farmer Mac for such commitments totaled $32 thousand at year end December 31, 2021. Fees paid were $44 thousand and $76 thousand at December 31, 2020 and December 31, 2019. These amounts are classified as noninterest expense. In addition to Farmer Mac, the Association has credit enhancements with federal and state agencies totaling $310.6 million, $305.2 million and $290.4 million at December 31, 2021, 2020 and 2019 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, 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%

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

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	2021	2020	2019
Nonaccrual loans:			
Current as to principal and interest	$ 8,038	$ 17,609	$ 11,717
Past due	10,618	19,831	28,184
Total nonaccrual loans	$ 18,656	$ 37,440	$ 39,901
Impaired accruing loans:			
Restructured accruing loans	$ 608	$ 581	$ 347
Accruing loans 90 days or more past due	137	780	2,734
Total impaired accruing loans	$ 745	$ 1,361	$ 3,081
Total impaired loans	$ 19,401	$ 38,801	$ 42,982

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

December 31	2021	2020	2019
Nonaccrual loans:			
Real estate mortgage	$ 8,988	$ 20,609	$ 19,129
Production and intermediate term	8,148	14,590	17,784
Agribusiness	1,118	1,863	2,663
Rural residential real estate	402	378	325
Total nonaccrual loans	$ 18,656	$ 37,440	$ 39,901
Accruing restructured loans:			
Real estate mortgage	$ 553	$ 523	$ 291
Production and intermediate term	53	58	58
Total accruing restructured loans	$ 606	$ 581	$ 349
Accruing loans 90 days or more past due:			
Real estate mortgage	$ 140	$ 817	$ 1,465
Production and intermediate term	-	-	1,374
Total accruing loans 90 days or more past due	$ 140	$ 817	$ 2,839
Total impaired loans	$ 19,402	$ 38,838	$ 43,089
Other property owned	$ 857	$ 817	$ 1,657
Total high risk assets	$ 20,259	$ 39,655	$ 44,746

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, 2021			For the Year Ended December 31, 2021	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ 3,405	$ 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)
Impaired loans with no related allowance for loan losses:					
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
Total Impaired loans:					
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
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$ 6,894	$ 7,543	$ 1,254	$ 7,353	$ (79)
Production and intermediate term	5,588	6,274	1,548	7,128	(42)
Agribusiness	1,778	4,910	780	3,831	(59)
Rural residential real estate	-	-	-	-	(6)
Total	$ 14,260	$ 18,727	$ 3,582	$ 18,312	$ (186)
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$ 15,018	$ 19,642	$ -	$ 22,484	$ 1,191
Production and intermediate term	9,059	13,112	-	12,982	2,064
Agribusiness	86	533	-	1,897	1,258
Rural residential real estate	378	459	-	404	284
Total	$ 24,541	$ 33,746	$ -	$ 37,767	$ 4,797
Total Impaired loans:					
Real estate mortgage	$ 21,912	$ 27,185	$ 1,254	$ 29,837	$ 1,112
Production and intermediate term	14,647	19,386	1,548	20,110	2,022
Agribusiness	1,864	5,443	780	5,728	1,199
Rural residential real estate	378	459	-	404	278
Total	$ 38,801	$ 52,473	$ 3,582	$ 56,079	$ 4,611

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

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	2021	2020	2019
Interest income which would have been recognized under the original loan terms	$ 2,773	$ 3,712	$ 4,983
Less: interest income recognized	3,121	4,458	719
Forgone interest income	$ (348)	$ (746)	$ 4,264

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, 2021, 2020 and 2019.

December 31, 2021	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Accruing Loans 90 days or More Past Due
Real estate mortgage	$ 5,552	$ 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	-
Total Loans	$ 10,774	$ 9,598	$ 20,372	$ 9,054,419	$ 9,074,791	$ 137

December 31, 2020	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Accruing Loans 90 days or More Past Due
Real estate mortgage	$ 5,412	$ 10,012	$ 15,424	$ 3,548,810	$ 3,564,234	$ 780
Production and intermediate term	11,519	7,710	19,229	2,785,120	2,804,349	-
Agribusiness	2,358	1,841	4,199	1,444,315	1,448,514	-
Rural infrastructure	-	-	-	303,368	303,368	-
Rural residential real estate	-	197	197	59,482	59,679	-
Other	-	-	-	29,720	29,720	-
Total Loans	$ 19,289	$ 19,760	$ 39,049	$ 8,170,815	$ 8,209,864	$ 780

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

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, 2021		Year Ended December 31, 2020		Year Ended December 31, 2019	
	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	$ 305	$ 305	$ 869	$ 869	$ -	$ -
Agribusiness	4	4	-	-	-	-
Total	$ 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 $10 thousand additional commitments to lend to borrowers whose loans have been modified in TDRs at December 31, 2021 and $11 thousand as of December 31, 2020. There were no commitments to lend to borrowers whose loans have been modified as TDRs at December 31, 2019.

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, 2021	December 31, 2020	December 31, 2019	December 31, 2021	December 31, 2020	December 31, 2019
Real estate mortgage	$ 1,404	$ 1,183	$ 350	$ 849	$ 659	$ 61
Production and intermediate term	53	69	72	-	12	15
Total	$ 1,457	$ 1,252	$ 422	$ 849	$ 671	$ 76

* 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, 2021	Real Estate Mortgage	Production and Intermediate	Agribusiness	Rural infrastructure	Rural Residential Real Estate	Other	Total
Allowance for Loan Losses							
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
Reserve for Unfunded Commitments							
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
Allowance for Credit Losses	$ 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
Allowance for Loan Losses							
Beginning balance	$ 25,533	$ 35,515	$ 21,338	$ 1,556	$ 145	$ 147	$ 84,234
Charge-offs	(499)	(389)	(3,090)	-	-	-	(3,978)
Recoveries	1,748	266	-	-	-	-	2,014
Provision for loan losses	(7,897)	(8,814)	19,877	1,762	16	56	5,000
Transfers (to) from reserve for unfunded commitments	(2,172)	(3,266)	(7,220)	(671)	(26)	(36)	(13,391)
Ending balance	$ 16,713	$ 23,312	$ 30,905	$ 2,647	$ 135	$ 167	$ 73,879
Reserve for Unfunded Commitments							
Beginning balance	$ 2,780	$ 3,705	$ 2,429	$ 177	$ 17	$ 17	$ 9,125
Transfers (to) from allowance for loan losses	2,172	3,266	7,220	671	26	36	13,391
Ending balance	$ 4,952	$ 6,971	$ 9,649	$ 848	$ 43	$ 53	$ 22,516
Allowance for Credit Losses	$ 21,665	$ 30,283	$ 40,554	$ 3,495	$ 178	$ 220	$ 96,395
Allowance for Credit Losses							
Ending balance, allowance for credit losses related to loans:							
Individually evaluated for impairment	$ 1,254	$ 1,548	$ 780	$ -	$ -	$ -	$ 3,582
Collectively evaluated for impairment	20,411	28,735	39,774	3,495	178	220	92,813
Total	$ 21,665	$ 30,283	$ 40,554	$ 3,495	$ 178	$ 220	$ 96,395
Loans							
Ending balance for loans:							
Individually evaluated for impairment	$ 21,913	$ 14,647	$ 1,863	$ -	$ 378	$ -	$ 38,801
Collectively evaluated for impairment	3,542,321	2,789,702	1,446,651	303,368	59,301	29,720	8,171,063
Total	$ 3,564,234	$ 2,804,349	$ 1,448,514	$ 303,368	$ 59,679	$ 29,720	$ 8,209,864

December 31, 2019	Real Estate Mortgage	Production and Intermediate	Agribusiness	Rural infrastructure	Rural Residential Real Estate	Other	Total
Allowance for Loan Losses							
Beginning balance	$ 23,489	$ 32,217	$ 20,888	$ 1,469	$ 151	$ 156	$ 78,370
Charge-offs	(503)	(299)	(26)	-	-	-	(828)
Recoveries	212	117	5	-	-	-	334
Provision for loan losses	1,928	3,025	12	59	(10)	(14)	5,000
Transfers (to) from reserve for unfunded commitments	407	455	459	28	4	5	1,358
Ending balance	$ 25,533	$ 35,515	$ 21,338	$ 1,556	$ 145	$ 147	$ 84,234
Reserve for Unfunded Commitments							
Beginning balance	$ 3,187	$ 4,160	$ 2,888	$ 205	$ 21	$ 22	$ 10,483
Transfers (to) from allowance for loan losses	(407)	(455)	(459)	(28)	(4)	(5)	(1,358)
Ending balance	$ 2,780	$ 3,705	$ 2,429	$ 177	$ 17	$ 17	$ 9,125
Allowance for Credit Losses	$ 28,313	$ 39,220	$ 23,767	$ 1,733	$ 162	$ 164	$ 93,359
Allowance for Credit Losses							
Ending balance, allowance for credit losses related to loans:							
Individually evaluated for impairment	$ 1,136	$ 3,002	$ 26	$ -	$ -	$ -	$ 4,164
Collectively evaluated for impairment	27,177	36,218	23,741	1,733	162	164	89,195
Total	$ 28,313	$ 39,220	$ 23,767	$ 1,733	$ 162	$ 164	$ 93,359
Loans							
Ending balance for loans:							
Individually evaluated for impairment	$ 20,848	$ 19,146	$ 2,663	$ -	$ 325	$ -	$ 42,982
Collectively evaluated for impairment	3,278,872	2,664,611	1,211,557	154,304	56,591	26,065	7,392,000
Total	$3,299,720	$ 2,683,757	$ 1,214,220	$ 154,304	$ 56,916	$ 26,065	$7,434,982

NOTE 4 – INVESTMENT IN COBANK, ACB

At December 31, 2021, the Associations' investment in CoBank is in the form of Class A stock with a par value of $100 per share. The Association is required to own stock in CoBank to capitalize its direct loan balance and participation loans sold to CoBank. The current requirement for capitalizing its direct loan from CoBank is 4.0% of the Associations' prior five-year average direct loan balance. The current requirement for capitalizing patronage-based participation loans sold to CoBank is 8.0% of the Association's prior ten-year average balance of such participations sold to CoBank. Under the current CoBank capital plan applicable to such participations sold, patronage from CoBank related to these participations sold is paid 75% cash and 25% Class A stock. The capital plan is evaluated annually by CoBank's board and management and is subject to change.

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

The Association owns 6.89% of the issued stock of the ACB as of December 31, 2021. As of that date, the ACB's assets totaled $170.3 billion and members' equity totaled $12.2 billion. The ACB earned net income of $1.3 billion during 2021.

NOTE 5 – PREMISES AND EQUIPMENT

Premises and equipment consists of the following:

December 31	2021	2020	2019
Land	$ 1,569	$ 1,569	$ 1,569
Buildings and improvements	36,347	35,238	34,308
Furniture and equipment	7,647	8,559	8,075
Autos	4,865	4,919	5,012
Construction in progress	308	831	104
Premises and equipment at cost	$ 50,736	$ 51,116	$ 49,068
Less: accumulated depreciation	24,704	25,134	22,297
Total premises and equipment, net	$ 26,032	$ 25,982	$ 26,771

NOTE 6 – OTHER ASSETS AND OTHER LIABILITIES

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

December 31	2021	2020	2019
Other Assets:			
Patronage receivable from CoBank	$ 42,497	$ 33,460	$ 28,196
Investments	18,977	16,043	13,042
Accounts receivable	18,596	2,167	1,593
Derivative assets	3,203	17,737	9,208
Other	14,600	12,663	17,532
Total	$ 97,873	$ 82,070	$ 69,571

December 31	2021	2020	2019
Other Liabilities:			
Pension and other postretirement liabilities	$ 36,961	$ 45,853	$ 48,548
Accrued salaries and employee benefits	17,549	12,176	12,000
Accounts payable	14,497	15,050	6,711
Derivative liabilities	8,967	51	832
Other	11,619	9,252	9,330
Total	$ 89,593	$ 82,382	$ 77,421

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 December 31, 2022. Management expects renewal of the GFA at that time. The Association was in compliance with the terms and conditions of the GFA as of December 31, 2021. 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 1.08% for the year ended December 31, 2021. The weighted average interest rate was 1.54% for the year ended December 31, 2020 and 2.66% for the year ended December 31, 2019.

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, 2021, 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 and 2014), certain customers with less than one thousand dollars of stock were "grandfathered" at the stock level at conversion. Grandfathered customer stock will be frozen at converted levels until all loans are repaid, at which time the stock will be retired, or increased to one thousand dollars at the time of a future advance or credit action
- Certain small borrowers (customers with total commitment less than ten thousand dollars initially) will be issued at 10% of the initial commitment, consistent with by-law limitations
- Certain interests in loans sold to other financial institutions
- Loans to be sold into the secondary market

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

REGULATORY CAPITALIZATION REQUIREMENTS AND RESTRICTIONS

The Farm Credit Administration sets minimum regulatory capital requirements for Banks and Associations. Effective January 1, 2017, regulatory capital requirements for Banks and Associations were adopted. These requirements replaced the core surplus and total surplus requirements with Common Equity Tier 1, Tier 1 Capital and Total Capital risk-based capital ratio requirements. The requirements also replaced the existing net collateral ratio for System Banks with a Tier 1 Leverage ratio and an Unallocated Retained Earnings (URE) and URE Equivalents Leverage ratio that are applicable to both the Banks and 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:

Ratio	Primary Components of Numerator	Denominator	Ratios as of 2021	Ratios as of 2020	Ratios as of 2019	Minimum with Buffer*	Minimum Requirement
Common Equity Tier 1 (CET1) Capital	Unallocated retained earnings (URE), common cooperative equities (qualifying capital stock and allocated equity)[1]	Risk-weighted assets	16.11%	17.09%	17.42%	7.0%	4.5%
Tier 1 Capital	CET1 Capital, non-cumulative perpetual preferred stock	Risk-weighted assets	16.11%	17.09%	17.42%	8.5%	6.0%
Total Regulatory Capital (TRC)	Tier 1 Capital, allowance for loan losses[2], common cooperative equities[3], and term preferred stock and subordinated debt[4]	Risk-weighted assets	17.13%	18.17%	18.63%	10.5%	8.0%
Tier 1 Leverage**	Tier 1 Capital	Total assets	17.35%	18.05%	18.35%	5.0%	4.0%
Unallocated Retained Earnings and URE Equivalents (UREE) Leverage	URE and URE Equivalents	Total assets	19.23%	19.84%	20.13%	—	1.5%
Permanent Capital	Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt, subject to certain limits	Risk-weighted assets	16.24%	17.24%	17.61%	—	7.0%

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

** Must include the regulatory minimum requirement for the URE and UREE Leverage ratio.

1 Equities outstanding 7 or more years

2 Capped at 1.25% of risk-adjusted assets

3 Outstanding 5 or more years, but less than 7 years

4 Outstanding 5 or more years

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

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

DESCRIPTION OF EQUITIES

Each owner or joint owners of Class B stock are entitled to a single vote, while Class B participation certificates provide no voting rights to their owners. Voting stock may not be transferred to another person unless such person is eligible to hold voting stock. At December 31, 2021, the Association had 3,069,825 shares of Class B stock outstanding at a par value of $5 per share, 267,146 shares of Class B participation certificates outstanding at a par value of $5 per share, and 688 shares of Class C stock outstanding at a par value of $5 per share. Ownership of stock, participation certificates or allocated surplus is sometimes subject to certain risks that could result in a partial or complete loss. These risks include excessive levels of loan losses experienced by the Association, losses resulting from contractual and statutory obligations, impairment of ACB stock owned by the Association, losses resulting from adverse judicial decisions or other losses that may arise in the course of business. In the event of such impairment, borrowers would remain liable for the full amount of their loans.

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

PATRONAGE DISTRIBUTIONS

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

The following table summarizes the qualified/cash patronage distributions for the years ending December 31. In August of 2019 the board of directors approved a special cash dividend which was distributed in October of that year. In July 2020, an advance patronage payment of $30 million was distributed in cash to provide members with additional liquidity and cash flow. The remaining cash patronage dividends are distributed in February of the subsequent year.

Earnings Year	Cash Distribution	Special Cash Distribution
2021	$91,000	-
2020	$89,000	-
2019	$70,000	$25,000

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	2021	2020	2019
Cash flow hedges	$ (5,764)	$ 17,686	$ 8,376
Pension and other benefit plans	(38,898)	(51,838)	(54,431)
Total	$ (44,662)	$ (34,152)	$ (46,055)

	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)

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

NOTE 9 – PATRONAGE DISTRIBUTIONS FROM FARM CREDIT INSTITUTIONS

Patronage income recognized from Farm Credit Institutions as follows.

Year Ended December 31	2021	2020	2019
CoBank	$ 42,498	$ 33,460	$ 28,198
Other	5,019	3,999	3,048
Total	$ 47,517	$ 37,459	$ 31,246

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 $42.5 million accrued will be paid by CoBank in March 2022. The amount declared in December 2020 and December 2019 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	2021	2020	2019
Current:			
Federal	$ 1,117	$ 1,302	$ 1,124
State	337	396	380
Total current provision for income taxes	1,454	1,698	1,504
Deferred:			
Federal	(4,644)	2,450	1,569
State	(1,652)	848	533
Total deferred (benefit) provision from income taxes	(6,296)	3,298	2,102
Increase (decrease) in deferred tax asset valuation allowance	6,296	(3,298)	(2,102)
Provision for income taxes	$ 1,454	$ 1,698	$ 1,504

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	2021	2020	2019
Federal tax at statutory rate	$ 43,439	$ 41,170	$ 39,416
State tax, net	266	313	300
Effect of nontaxable activities	(33,575)	(24,654)	(27,071)
Patronage distribution	(13,833)	(12,549)	(12,781)
Change in valuation allowance	6,296	(3,298)	(2,102)
Return to provision	-	-	3,099
Other	(1,139)	716	643
Provision for income taxes	$ 1,454	$ 1,698	$ 1,504

Deferred tax assets and liabilities are comprised of the following:

December 31	2021	2020	2019
Deferred income tax assets:			
Allowance for loan losses	$ 15,091	$ 9,830	$ 13,105
Nonaccrual loan interest	1,846	1,524	1,046
Annual leave	719	812	597
Health reserve	542	452	432
Long term incentive	1,076	921	850
Deferred compensation	652	971	1,259
Retirement plans	8,482	10,626	11,359
Postretirement benefits other than pensions	128	142	144
Other	1,180	463	369
Gross deferred tax assets	29,716	25,741	29,161
Less: valuation allowance	(22,617)	(19,568)	(23,525)
Deferred tax assets, net	7,099	6,173	5,636
Deferred income tax liabilities:			
Bank patronage after December 31, 1992	(448)	(447)	(447)
CoBank patronage	(5,670)	(4,750)	(4,083)
Depreciation	(404)	(544)	(694)
Deferred gain	(577)	(432)	(412)
Gross deferred tax liability	(7,099)	(6,173)	(5,636)
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 2021, 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, 2021, 2020 and 2019. 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 2021. 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 2018 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 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, 2021. The Association holds assets in a trust fund related to the SERP; however, such funds remain Association assets and are not included as plan assets in the accompanying disclosures. The defined benefit pension plans and SERP are collectively referred to as Retirement Plans.

The Association has a 401(k) savings plan pursuant to which the Association matches 100% of employees' elective contributions up to a maximum employee contribution of 6% of compensation. In addition, under this plan, employees hired on or after January 1, 2007 receive additional non-elective employer defined contributions. The Association contributions to the 401(k) savings plan and the employer defined contribution plan, which are recorded as employee compensation expense, was $3.3 million, $3.2 million and $3.0 million at December 31, 2021, 2020 and 2019 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, 2021, as well as a statement of funded status as of December 31 of each year.

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

Year ended December 31	**2021**	**2020**	**2019**
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	$ 194,732	$ 180,248	$ 149,130
Service cost	3,711	3,530	3,071
Interest cost	4,960	5,647	6,478
Plan amendments	-	-	3,091
Actuarial (gain) loss	69	17,232	25,933
Transfers	-	-	182
Benefits paid	(6,483)	(11,925)	(7,637)
Projected benefit obligation at end of year	$ 196,989	$ 194,732	$ 180,248
Change in plan assets:			
Fair value of plan assets at beginning of year	$ 154,426	$ 137,205	$ 123,836
Actual return on plan assets	14,858	20,799	18,635
Employer contributions	2,149	8,347	2,189
Transfers	-	-	182
Benefits paid	(6,483)	(11,925)	(7,637)
Fair value of plan assets at end of year	$ 164,950	$ 154,426	$ 137,205
Funded status of the plan:			
Net asset (liability) recognized in the balance sheet	$ (32,039)	$ (40,305)	$ (43,043)
Amounts recognized in accumulated other comprehensive income:			
Unrecognized prior service cost	$ 3,955	$ 4,788	$ 6,165
Unrecognized net actuarial loss	33,561	45,160	46,213
Total Loss	$ 37,516	$ 49,948	$ 52,378

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

December 31	2021	2020	2019
Projected Benefit Obligation:			
Funded Qualified Plans	$ 193,227	$ 191,183	$ 170,998
SERP	3,762	3,549	9,250
Total	$ 196,989	$ 194,732	$ 180,248
Accumulated Benefit Obligation:			
Funded Qualified Plans	$ 170,764	$ 166,771	$ 148,272
SERP	664	183	6,159
Total	$ 171,428	$ 166,954	$ 154,431

The $165.0 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 $193.2 million and $170.8 million, respectively, as of December 31, 2021.

The Association holds assets in trust accounts related to its SERP plan. Such assets had a fair value of $0.2 million as of December 31, 2021, 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 $3.8 million and $0.7 million, respectively, as of December 31, 2021.

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	2021	2020	2019
Net periodic benefit cost			
Service cost	$ 3,711	$ 3,530	$ 3,071
Interest cost	4,960	5,647	6,478
Expected return on plan assets	(8,160)	(7,598)	(7,438)
Amortization of unrecognized:			
Prior service cost	833	1,163	1,016
Actuarial loss	4,971	4,274	1,892
Net periodic benefit cost	$ 6,315	$ 7,016	$ 5,019
Settlement expense	-	808	-
Curtailment expense	-	215	-
Total ASC 715 expense	$ 6,315	$ 8,039	$ 5,019

Year Ended December 31	2021	2020	2019
Other Changes in Plan Assets and Benefit Obligation Recognized in Other Comprehensive Income			
Net actuarial (gain) loss	$ (6,629)	$ 4,030	$ 14,736
Prior service cost	-	-	3,091
Amortization of:			
Prior service credit	(833)	(1,377)	(1,016)
Net actuarial gain	(4,971)	(5,082)	(1,892)
Total recognized in other comprehensive income	$ (12,433)	$ (2,429)	$ 14,919

The Association anticipates that its total pension expense for all retirement plans will be approximately $4.8 million in 2022 compared to $6.3 million in 2021.

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	2021	2020	2019
Discount rate	2.95%	2.60%	3.30%
Rate of compensation increase (qualified plans only)	3.40%	3.40%	3.60%

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

December 31	2021	2020	2019
Discount rate	2.60%	3.30%	4.45%
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%	3.60%	3.60%

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

The expected rate of return on plan assets is established based on current target asset allocations and the anticipated future returns on those asset classes. The expected rate of return on plan assets assumption is also consistent with the pension plans' long-term interest rate assumption used for funding purposes.

PLAN ASSETS

The asset allocation target ranges for the qualified defined benefit pension plans follow the investment policy adopted by the Retirement Trust Committee. This policy provides for a certain level of committee flexibility in selecting target allocation percentages. The actual asset allocations at December 31, 2021, 2020 and 2019 are shown in the following table, along with the adopted range for target allocation percentages by asset class as of December 31, 2021. The actual allocation percentages reflect the market values at year-end and may vary during the course of the year. Plan assets are generally rebalanced to a level within the target range each year at the direction of the Committee.

	Target Allocation Range (1)	Percentage of Plan Assets at December 31 2021	2020	2019
Asset Category				
Domestic Equity	29.3 – 33.3%	32%	30%	39%
Domestic Fixed Income	43.0 – 47.0	44	42	43
International Equity				
Emerging Markets Equity and Fixed Income	21.7 – 25.7	24	23	13
Hedge Funds	-	-	5	5
Total	100%	100%	100%	100%

(1) 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 Rust Committee as the Plan's funded status improves.

The assets of the qualified defined benefit pension plans consist primarily of investments in varios 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, 2021 for each of the fair value hierarchy levels as defined in Note 2.

December 31, 2021	Level 1	Level 2	Level 3	NAV(1)	Total
Asset category					
Cash	$ 40	$ -	$ -	$ -	$ 40
Domestic Equity:					
Large-cap growth funds[2]	23,326	-	-	23,054	46,380
Small-cap growth funds[2]	-	-	-	6,911	6,911
International Equity:					
International funds[3]	21,242	-	-	6,924	28,166
Domestic Fixed Income:					
Bond funds[4]	-	71,755	-	-	71,755
Emerging Markets:					
Equity and fixed income funds[5]	11,601	-	-	3	11,604
Hedge Funds[6]	-	-	-	94	94
Total	$ 56,209	$ 71,755	$ -	$ 36,986	$ 164,950

1 Certain investments that are measured at fair value using the net asset value (NAV) per share as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the net assets in the pension plans.
2 Funds invest primarily in diversified portfolios of common stocks of U.S. companies.
3 Funds invest primarily in a diversified portfolio of equities of non-U.S. companies.
4 Funds invest primarily in U.S. Treasury debt securities and corporate bonds of U.S. companies
5 Funds invest in equities and corporate debt securities of companies located in emerging international markets.
6 Funds invest in diversified portfolios of stocks, bonds and various other financial instruments.

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

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

EXPECTED CONTRIBUTIONS

In 2022, the Association expects to contribute $2.0 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
2022 Payouts	$ 8,307
2023 Payouts	8,775
2024 Payouts	9,042
2025 Payouts	9,433
2026 Payouts	9,729
2027 Payouts to 2031 Payouts	53,302

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	2021	2020	2019
Net asset (liability) recognized on balance sheet	$ (230)	$ (214)	$ (193)
Accumulated postretirement benefit obligation	$ (484)	$ (539)	$ (549)
Accumulated other comprehensive loss	$ 254	$ 325	$ 355
Net periodic expense	$ 49	$ 55	$ 111
Discount rate	2.60%	3.30%	4.45%
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 $44 thousand in 2022 which is a $5 thousand decrease from 2021.

NOTE 12 – RELATED PARTY TRANSACTIONS

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

Loan information to related parties is shown below. Other changes to the related party loan balance represent changes in the composition of Association directors and/or senior officers during 2021. In the opinion of management, none of these loans outstanding at December 31, 2021 involved more than a normal risk of collectability and none of these loans are in nonaccrual status.

December 31	2021	2020	2019
New loans/advances	$ 69,535	$ 63,973	$ 87,826
Repayments	64,326	64,491	78,499
Other	1,566	(1,564)	1,344
Ending balance	$ 95,194	$ 88,419	$ 90,501

As of December 31, 2021, 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, 2021, 2020 and 2019 were $10.2 million, $10.1 million and $10.4 million respectively.

As of December 31, 2021, 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 $21 thousand, income of $30 thousand and $41 thousand for the years ended December 31, 2021, 2020 and 2019, respectively.

As of December 31, 2021, the Association's investment in AgDirect, LLP is $8.6 million which was included in other assets. Accounting for this investment is on a cost basis. Income recorded related to AgDirect, LLP was $0.7 million, $0.6 million and $0.5 million for the years ended December 31, 2021, 2020 and 2019, respectively.

As of December 31, 2021, the Association's investment in Blue Highway Growth Capital Fund, LP (Blue Highway) is $1.8 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 $0.1 million for the year ended December 31, 2021.

Farm Credit East is a majority owner in Crop Growers, LLP which provides multi-peril crop insurance as an agent. Net income recorded related to Crop Growers for the years ended December 31, 2021, 2020 and 2019 were $2.9 million, $2.6 million and $2.4 million, respectively.

As of December 31, 2021, 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 2021, 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, 2021, $3.2 billion of commitments to extend credit, $42.6 million of commercial letters of credit and $27.3 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
Assets:				
2021				
Derivative assets	$ -	$ 3,203	$ -	$ 3,203
Assets held in trust	$ 8,533	$ -	$ -	$ 8,533
2020				
Derivative assets	$ -	$ 17,737	$ -	$ 17,737
Assets held in trust	$ 8,390	$ -	$ -	$ 8,390
2019				
Derivative assets	$ -	$ 9,208	$ -	$ 9,208
Assets held in trust	$ 13,721	$ -	$ -	$ 13,721
Liabilities:				
2021				
Derivative liabilities	$ -	$ 8,967	$ -	$ 8,967
2020				
Derivative liabilities	$ -	$ 51	$ -	$ 51
2019				
Derivative liabilities	$ -	$ 832	$ -	$ 832

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

	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
2021				
Impaired loans	$ -	$ -	$ 18,280	$ 18,280
Other Property Owned	$ -	$ -	$ 958	$ 958
2020				
Impaired loans	$ -	$ -	$ 35,219	$ 35,219
Other Property Owned	$ -	$ -	$ 913	$ 913
Rural Investments, LLC	$ -	$ -	$ 12	$ 12
2019				
Impaired loans	$ -	$ -	$ 38,817	$ 38,817
Other Property Owned	$ -	$ -	$ 1,821	$ 1,821
Rural Investments, LLC	$ -	$ -	$ 27	$ 27

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	2021			2020			2019		
	Carrying Amount	Fair Value	Fair Value Hierarchy	Carrying Amount	Fair Value	Fair Value Hierarchy	Carrying Amount	Fair Value	Fair Value Hierarchy
Financial assets:									
Loans, net	$8,994,456	$9,060,223	Level 3	$8,135,985	$8,387,555	Level 3	$7,350,748	$7,421,749	Level 3
Cash	$ 20,345	$ 20,345	Level 1	$ 27,836	$ 27,836	Level 1	$ 21,481	$ 21,481	Level 1
Financial liabilities:									
Notes payable to ACB	$7,452,909	$7,454,230	Level 3	$6,736,597	$6,852,870	Level 3	$6,036,193	$6,078,845	Level 3

VALUATION TECHNIQUES

As more fully discussed in Note 2 – Summary of Significant Accounting Policies, accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following presents a brief summary of the valuation techniques used for the Association's assets and liabilities subject to fair value measurement.

CASH

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

ASSETS HELD IN TRUST

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

LOANS

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

OTHER PROPERTY OWNED

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

IMPAIRED LOANS

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

NOTES PAYABLE TO COBANK, ACB

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

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	2021	2020	2019
Interest Rate Contracts	$ 1,355,000	$ 1,265,000	$ 1,135,000

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

CASH FLOW HEDGES

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

SUMMARY OF DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

A summary of the impact of derivative financial instruments in the consolidated balance sheets is shown in the following table.

	Derivative Assets[1]	Derivative Liabilities[2]
2021		
Interest Rate Contracts	$ 3,203	$ 8,967
2020		
Interest Rate Contracts	$ 17,737	$ 51
2019		
Interest Rate Contracts	$ 9,208	$ 832

[1] Derivative assets are included in other assets in the consolidated balance sheets

[2] Derivative liabilities are included in other liabilities in the consolidated balance sheets

A summary of the impact of derivative financial instruments in the consolidated statements of comprehensive income is shown in the following tables.

	Net Amount of Gain or (Loss) Recognized in Income on Derivatives [1]		
December 31	**2021**	**2020**	**2019**
Interest Rate Contracts	$ 14,230	$ 14,334	$ (3,765)

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

	Amount of Gain (Loss) Recognized in Accumulated Other Comprehensive Income (loss) on Derivatives		
December 31	**2021**	**2020**	**2019**
Interest Rate Contracts	$ (23,450)	$ 2,593	$ 13,738

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

On January 1, 2022, the Association merged operations with Yankee Farm Credit. The merged association will serve agriculture in the Northeast and conduct business as Farm Credit East, ACA headquartered in Enfield, CT.

The merger was accounted for under the acquisition method of accounting in accordance with the FASB accounting Standards Codification 805 Business Combinations (ASC 805). As the accounting acquirer, Farm Credit East recognized the identifiable assets acquired and liabilities assumed in the merger as of January 1, 2022 at their respective fair values. There was no goodwill recorded in connection with the transaction. The fair values are based on various assumptions that management believes are reasonable utilizing information currently available.

The Association has evaluated subsequent events through March 10, 2022, which is the date the financial statements were issued, and no other material subsequent events were identified.

BOARD OF DIRECTOR DISCLOSURES

BOARD STRUCTURE

Yankee Farm Credit merged with and into Farm Credit East effective January 1, 2022. As part of the Merger Agreement, three elected directors from Yankee Farm Credit joined the Farm Credit East Board effective January 1, 2022:

- Thomas J. Colgan, was appointed to a 2-year term, expiring in 2024.
- David Folino, with a seat expiring in 2026.
- Kyle Thygesen, with a term expiring in 2026.

The following additional changes were instated to the Board structure to complete its downsizing over a period of years to achieve the final board structure:

- The director seat currently held by Michael Brooks, which expires in 2022, will be a 3-year term during the 2022 election cycle.
- The director seats currently held by Laurie Griffen and James Robbins were extended by one year to expire in 2024. In 2024, the director seats held by James Robbins and Barry Buck will merge into one Eastern Region seat.
- The director seat currently held by Lisa Sellew, which expires in 2025, will be altered to a 3-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: 12 stockholder-elected directors and at least 2 appointed directors. At the close of the current election cycle, the Farm Credit East Board will consist of 19 directors: 15 elected directors, one appointed customer directors and three appointed outside directors. Farm Credit East has three Nominating Regions as shown on the map on the inside back cover of this Annual Report.

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

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

EXECUTIVE COMMITTEE

The Executive Committee members consist of the board chair, vice chair and three other directors designated by the Board, each representing a nominating region other than those represented by the chair or vice chair. Per the 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 auditors qualifications and independence, and the performance of the Association's internal audit function, quality assurance function and external auditors. The Audit Committee has unrestricted access to representatives of the internal audit and risk management departments, financial management, and our independent auditors.

The Audit Committee pre-approves all audit and audit-related services and permitted nonaudit services (including the fees and terms thereof) to be performed for the Association by its independent auditors, as negotiated by management. Aggregate fees incurred by the Association for services rendered by its independent auditors, PricewaterhouseCoopers, LLP for the years ended December 31, 2021 and 2020 follow:

For the year ended December 31	2021	2020
Audit	$ 300,000	$ 240,000
Audit-related	65,000	45,000
Tax	105,200	50,700
Total	$ 470,200	$ 335,700

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, 2021, 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 (as part of the merger agreement, Ms. Griffen's term was extended one year). She currently serves as *Board Chair* and is a member of the Executive and Compensation committees. She previously served as Governance Committee Chair. Laurie is co-owner/operator of Saratoga Sod Farm, Inc., a 600-acre turfgrass farm in Stillwater, New York, with her husband Steve. In addition to producing and selling high quality turfgrass products, Saratoga Sod also provides sod installation services, sales of seed and fertilizer products, and the Big Yellow Bag garden soil product to assist its customers across the Northeast. Saratoga Sod also grows roughly 500 acres of soybeans and corn as part of their crop rotation program. In addition, Laurie is presently vice chair of the Town of Saratoga Planning Board, co-chair of the Schuyler Park Committee, trustee of the Quaker Springs United Methodist Church and serves on the New York Farm Bureau Labor Committee.

JOHN P. KNOPF, Canandaigua, NY, has served as director since 2013, with his current term expiring in 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 Governance/Stewardship 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 a member of the NJ State Board of Agriculture, a director of the Morris County Tourism Bureau, vice chair of the New Jersey Highlands Council Regional Planning Authority, and is active in the New Jersey Farm Bureau and the Morris County Board of Agriculture. He is 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 2022. He is a past chair of the AgInitiatives Committee and currently serves on the Governance/Stewardship Committee. Mike owns Dusty Lane Farms, LLC, in partnership with his parents William and Diane Brooks. Dusty Lane Farms is a diverse 2,000-acre irrigated operation producing white potatoes, peppers, spinach, cabbage, sweet corn, corn, wheat and soybeans. The farm also includes 27,000 square feet of heated greenhouse space for vegetable transplants. Mike is a former member of the United States Potato Board. He also serves on the executive committee of the Salem County Board of Agriculture and is the president of the New Jersey White Potato Association. He is past chair of the Woodstown-Pilesgrove Agricultural Education Advisory Committee and is a life-long supporter of the FFA Organization.

BARRY A. BUCK, Mapleton, ME, was elected director in 2020 to a four-year term expiring in 2024. He is a member of the Governance/Stewardship Committee as well as the Farm Credit Northeast AgEnhancement Review Committee. Barry has over 25 years of experience 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.

DAVID "SKIP" HARDIE, Lansing, NY, has served as director since 2016 and will serve until 2024 when his seat expires. He serves on the Board's Audit Committee and has previously been on the Governance and AgInitiatives committees. 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., was elected director in 2018 to a term expiring in 2022. He is chair of the Governance/Stewardship Committee. Jamie is owner and founder of Jones Family Farms Winery, LLC, which he established in 2004. He is the sixth generation to work the land of the Jones Family Farms. He manages the business with his wife, Christiana and his parents Terry and Jean Jones. Jamie oversees a diverse agricultural and farm hospitality operation focused on harvest your own berries, vineyards, pumpkins and Christmas trees. He serves as a director of the Fairfield County Farm Bureau, the Connecticut Vineyard and Winery Association and the Governor's Council for Agricultural Development as well as on the Shelton Zoning Board of Appeals.

LOUANNE F. KING, Madrid, NY, was elected director in 2017, with her current term expiring in 2025. She serves as chair of the Board's Business Risk Committee. LouAnne is an owner of Mapleview Dairy LLC with her brother, David Fisher and extended family. The family operates multiple businesses which encompass a 3,100-cow dairy, a 2,800-replacement heifer facility, and approximately 5,000 acres for forage and grain. LouAnne serves as office and financial manager, while providing human resource functions, management support, and mentoring the next generation of managers. LouAnne is a past member of the NEDPA board, the NYS Dairy Promotion Advisory Board, Pro-Dairy Advisory Board and the St. Lawrence County Dairy Promotion Committee. She currently serves on the Northeast Agricultural Education Foundation Board, the St. Lawrence County Workforce Development 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 Account 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 2024 (as part of the merger agreement, Mr. Robbins' term was extended one year). He currently serves on the Business Risk 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 a member of the Business Risk Committee and also serves on the Executive and Compensation committees. The Sellew family owns Prides Corner Farms. Prides Corner is a wholesale nursery that grows more than 2,200 varieties of nursery stock, perennials, roses, trees, herbs and vegetables, and supplies these plants to independent garden centers, nurseries, landscapers and landscape distributors throughout the Northeast and Mid-Atlantic. In addition, Prides Corner grows and supplies a pre-vegetated green roof system called LiveRoof®, which is designed to grow plants on rooftop environments. Lisa served on the Agriculture Policy Committee for Connecticut Governor Ned Lamont's transition team.

DOUGLAS W. SHELMIDINE, Adams, NY, has served as director since 2012, with his current term expiring in 2024. He is a member of the Business Risk Committee and previously served on the Audit Committee and as chair of the AgInitiatives Committee. Doug owns Sheland Farms, LLC, which is a multi-generational family farm business run in partnership with his brother Todd and sons Devon and Erik. The family farms 3,000 acres and milks 920 cows. They also operate Sheland Farms Services, doing field work for other farms. Doug served five two-year terms on the USDA-NRCS Agricultural Air Quality Task Force, has been a member of Pro-Dairy/New York Farm Viability Dairy Advisory Committee, New York Farm Bureau Board of Directors and Jefferson County Farm Bureau President. Doug is the Town of Ellisburg Supervisor, serves on the New York Agriculture Commissioner's Dairy Marketing Advisory Committee, the Jefferson County Agricultural Council, and also chairs the Jefferson County Agriculture and Farmland Protection Board.

PETER H. TRIANDAFILLOU, Old Town, Maine, was appointed as the customer appointed forestry expert in 2016 with his current term expiring in 2022; however, as part of the merger agreement, his term was extended to 2026, effective January 1, 2022. He serves on the Board's Business Risk Committee. Peter retired as vice president of woodlands for Huber Resources Corp., a timber management firm managing 980,000 acres in six states. Peter is also past president and current board member of the Maine Forest Products Council, past chair and current member of the Society of American Foresters (Maine division), past president and past board member of the North Maine Woods Corporation and past chair of the Advisory Committee of the Cooperative Forestry Research Unit. In addition, he is also a member of the Empire State Forest Products Council and serves on the board of the Farm Credit Council.

TERRY R. ZITTEL, Eden, NY, was elected in 2018 to a term expiring in 2022. She serves on the Board's Audit Committee. Terry is corporate secretary and business manager of Amos Zittel & Sons, Inc., a wholesale vegetable 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.

The following Yankee Farm Credit directors became Farm Credit East directors effective January 1, 2022 due to the merger of associations.

THOMAS J. COLGAN, Lyme, NH, was appointed to a 2-year term expiring in 2024. Thomas was appointed as a Yankee director in 2012. Since 1997, Thomas has served as CEO of Wagner Forest Management, Ltd., a timber management company. He previously worked for Scott Paper Company in Maine. Thomas holds multiple degrees from Duke University, including a M.S. in Forestry. He serves as a senior officer of Wagner Forest Management, Ltd. (which serves as the manager for Bayroot, LLC, Wagner Energy, LLC, Merriweather LLC, Typhoon LLC and Yankee Forest, LLC), Wagner Wind Energy III, LLC, an electrical generation company, and Mirage Flats Holding, LLC, a real estate holding company. Thomas also serves on the Boards of Directors of North Country Procurement, a biomass procurement organization based in Rumney, N.H., and the National Alliance of Forest Owners, a trade association. He is also a member of the Town of Lyme Conservation Commission.

DAVID FOLINO, Starksboro, Vt., continues as an elected director with a seat expiring in 2026. Dave has served as a Yankee director since 2018. Dave and his wife Sue own and operate Hillsboro Sugarworks. Dave grew up in Essex Junction, graduated from UVM and later earned his MBA from Rensselaer Polytechnic Institute. In 1979, after graduating from UVM, he started a small sugaring operation. Like many sugar makers, his hobby kept growing and eventually turned into a small business. In the meantime, he spent the next 20 years in the publishing industry, working as a marketing director, general manager, and co-owner. In 2003, Dave had an opportunity to buy an adjoining property to expand their maple sideline into a fulltime business. They currently tap about 15,500 trees. They market throughout central Vermont, and worldwide through their website. Dave is a Director for the Vermont Maple Sugarmaker's Association and serves on a committee with the Northeast Organic Farmers Association. He also teaches classes to other sugarmakers on maple economics and management.

KYLE THYGESEN, Tunbridge, Vt., continues as an elected director with a term expiring in 2026. Kyle has served as a Yankee director since 2017. Kyle has been involved in many aspects of Vermont's agricultural industry since moving back to Vermont with his wife Jennifer in 2000. In 2003, Kyle became a member of Yankee Farm Credit with the purchase of their farm in Tunbridge. Today, he, his wife, Jennifer, and son, Keenan own and operate the Farmstead at Falls Hill, LLC. Currently, Kyle is the Director for Dairy Operations for Vital Farms managing their butter business. Kyle holds a BS degree in Dairy Science from Virginia Tech. He enjoys working to serve the agricultural industry and develop its present and future generations. He is active in volunteer work for 4-H and FFA. He and his wife Jennifer were awarded the 2017 Ed Gould Memorial award by Vermont 4H for their work with their 4H club and support of the state dairy program.

DIRECTOR COMPENSATION

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

Directors are expected to prepare for and attend seven regularly scheduled Board meetings and prior approval from the Board Chair is required for a Director to be excused from attending these meetings. The annual retainer will be reduced by $5,000 for each unexcused absence. The retainer includes time spent for preparation and attendance at committee meetings, attending local customer service council meetings, attendance at the Association's annual meeting, attendance at the CoBank annual meeting, participation in up to two Premier Governance Series training sessions, attendance at the Farm Credit Council annual meeting (rotating schedule) and travel time to and from said meetings. Directors who are asked to serve on other boards to represent the Association or asked to participate in a special assignment may be paid an additional per diem of $500 a day but only with prior approval of the Board Chair. Total compensation paid to the directors as a group during 2021 was $812,917. 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, 2021. The first three meetings were held virtually due to the COVID-19 pandemic; all other meetings were held in person.

		Number of Days Served[1]		
Name of Director	**2021 Board Committee**	**Board Meetings**	**Other Official Duties**	**Total Compensation**[2]
Kurt W. Alstede	Governance/Stewardship	14	32	$ 48,000
Michael N. Brooks	Governance/Stewardship	14	24	47,000
Barry A. Buck	Governance/Stewardship	14	23	47,000
Peter R. Call	Audit, Compensation, Executive	14	32	47,000
Tim C. Chan	Audit	14	29	57,500
Laurie K. Griffen	Compensation, Executive	14	58	72,000
David E. Hardie	Audit	14	26	47,000
Philip J. Jones	Governance/Stewardship	14	28	50,500
LouAnne F. King	Business Risk	14	23	49,000
John P. Knopf	Compensation, Executive	14	53	57,750
Jay McWatters[3]	Audit	14	20	54,667
James A. Robbins II	Governance/Stewardship	14	28	47,000
Lisa P. Sellew	Business Risk, Compensation, Executive	14	29	47,000
Douglas W. Shelmidine	Business Risk	14	27	47,000
Peter H. Triandafillou	Business Risk	14	28	47,500
Terry R. Zittel	Audit	14	24	47,000
			Total Compensation	$ 812,917

[1] The number of days served include travel time to and from meetings

[2] All directors serve on board committees. The committee compensation paid was based on an annual base retainer paid in equal quarterly installments

[3] Term began during year

Farm Credit East policy regarding reimbursements for travel, subsistence and other related expenses provides for reimbursement of actual reasonable out of pocket expenses incurred while traveling on official Association business. Directors who use their own automobiles for Association business purposes will be reimbursed at a rate that has been established in accordance with IRS guidelines. The aggregate amount of reimbursement for travel, subsistence and other related expenses for all directors as a group was $189,789 for 2021, $139,884 and $405,985 for 2020, 2019, respectively. A copy of the Association travel policy is available to stockholders upon request.

TRANSACTIONS WITH DIRECTORS

At December 31, 2021, 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.

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 director of the Board of Farm Credit Financial Partners (FPI), a service company owned by Farm Credit East and other ACAs and will serve as Board Chair in 2022. He is also Vice Chair of the Farm Credit System's Presidents Planning Committee, a national leadership group, and is active in other workgroups within the Farm Credit System.

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.

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.

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

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.

RYAN S. HROBUCHAK serves as Vice President and Chief Audit Executive. He leads Farm Credit East Quality Assurance team which is inclusive of the Internal Review and Internal Audit Teams. These teams are responsible for reviewing business processes and providing management and the Audit Committee with findings and recommendations to improve business operations. Ryan joined Farm Credit in 2008 and served as a loan officer in the Middletown, NY, branch office for eight years before transitioning into Internal Credit Review and ultimately a leadership position. He is a graduate of Morrisville State College with a degree in Agricultural Business and Finance. He maintains a Certified Fraud Examiner designation and is a graduate of LEAD New York and Farm Credit's Leadership Development Program.

ROGER E. MURRAY serves as Executive Vice President and Chief Marketplace Officer, providing senior management oversight to the credit function and coaching to Commercial Lending, Country Living and Crop Growers, LLP business units. He serves as Chair of Credit Committee and provides program leadership for Farm Credit East's trade credit partnership with AgDirect, leasing services through Farm Credit Leasing, and risk management services, including crop insurance. He serves on Farm Credit East's Executive Leadership Team, Credit, Asset Liability, Business Risk, and Human Resources committees and works closely with the Board's Business Risk Committee and supports the Audit Committee on the allowance for credit loss reserves. He holds a degree from Cornell University in agricultural economics and is a current member of the Cornell Agri-Business Advisory Council. He joined Farm Credit in 1981 and has held several positions with predecessor organizations as well as the Springfield Bank for Cooperatives and CoBank in Springfield, Mass.

DAVID H. PUGH serves as Executive Vice President and Chief Experience Officer. He provides executive leadership and oversight of Farm Credit East's transformation office, including its digital strategy. Dave started with Farm Credit in 1986 as a loan officer in the Cortland, NY, office. He served as branch manager in both the Cortland and Cobleskill New Yok offices before transitioning to develop the Country Living program in 2005, where he served as Director for 14 years. Most recently, he served as EVP/Regional Manager overseeing five branches in Farm Credit East's southern region. Dave also acted as Strategy Coordinator for the development of Farm Credit East's loan origination system, AgWorx. He is a graduate of Farm Credit's Management Development and Leadership Development programs and LEAD New York, Class VIII, where he also served on its board. Dave holds an AAS in Animal Science from SUNY Morrisville and a BS in Agricultural Economics from Cornell University.

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, 2021, 2020, and 2019.

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, 2021.

COMPENSATION PHILOSOPHY AND OBJECTIVES

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

COMPONENTS OF COMPENSATION PROGRAM

Given the cooperative ownership structure of Farm Credit East, no equity or stock based plans are used to compensate any employee, including senior officers. Senior officers' compensation consists of four components – salary, short-term incentive 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 FCE'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 Maine employees who all are participants in the noncontributory defined contribution plan). Benefits are determined by a formula based on years of service and eligible compensation. The Association also has a noncontributory, unfunded, nonqualified supplemental executive retirement plan (SERP) covering only the CEO. All employees are also eligible to participate in a 401(k) retirement savings plan, which includes a matching contribution by the Association. Employees hired on or after January 1, 2007 receive additional, non-elective employer contributions to the 401(k) retirement savings plan. All retirement-eligible employees hired before January 1, 2013, including senior officers, are also currently eligible for other postretirement benefits, which primarily include access to health care benefits. Substantially all participants pay the full premiums associated with these other health care benefits.

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

CEO COMPENSATION

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

In addition to the base salary, the CEO can earn both a short-term incentive and a long-term incentive each year based on pre-established performance goals. The short-term incentive potential for 2021 ranged from 0 percent to 75 percent of base salary. The short-term incentives shown in the Summary Compensation Table below are paid in February following the end of the year to which the award is applicable. The long-term 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 2021 long-term opportunity is up to 50 percent of base salary. Long term incentive plan payments can be deferred if the election is made before the start of the plan year. The CEO's compensation in excess of the Internal Revenue Code is made up for via participation in a nonqualified deferred compensation plan. Contributions are made at the same percentages as available under the 401K plan. The nonqualified deferred compensation plan payment is shown in the Summary Compensation Table below.

As of December 31, 2021, 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 2021 performance period, the short-term incentive plan levels for senior officers ranged from 10 percent to 30 percent of base salary. Individual performance is also considered in the determination of the amount payable. The short-term incentives shown in the Summary Compensation Table below are paid in February following the end of the year to which the award is applicable. In addition, senior officers can be awarded bonuses for performance related to special projects 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 2021 plan performance period, the retention plan incentive reward was up to 24 percent of base salary. The retention incentives shown in the chart below are not funded nor held in trust but contractually obligates the Association to make future payments in specified amounts. The cash awards are to be paid subsequent to completion of the three-year performance period cycle. Participants in the long-term retention plan can elect to defer incentive plan payments if the election is made before the start of the plan year.

SUMMARY COMPENSATION TABLE

Compensation earned by the CEO and aggregate compensation of the senior officers for the years ended December 31, 2021, 2020, and 2019, respectively is disclosed in the accompanying table. The senior officers and highly compensated employees included below are those officers defined by FCA regulations section 619.9310 and Section 620.6. Current Board policy regarding reimbursements for travel, subsistence and other related expenses provides that all employees, including senior officers, shall be reimbursed for actual reasonable travel and related expenses incurred while traveling on official Association business. Employees who use their own automobiles for Association business purposes will be reimbursed at a rate that has been established in accordance with IRS guidelines. The Association provides automobiles to exempt employees with credit or Association-wide management responsibilities. Association employees are allowed to use assigned cars for personal use. All miles, other than those driven for business purposes, as defined by the IRS, are considered personal miles and are accounted for as a taxable benefit to the employee. A copy of the Association travel policy is available to stockholders upon request.

Summary Compensation Table	Michael J Reynolds CEO 2021	Michael J Reynolds CEO 2020	William J. Lipinski CEO 2019
Salary	$ 550,000	$ 500,000	$ 788,000
Short-term Incentive	391,875	220,000	474,300
Long-term Incentive	195,400	83,333	382,500
Retention Incentive	-	-	500,000
Change in Pension Value[3]	916,100	656,508	449,066
Deferred/Perquisites[4]	54,521	111,801	92,091
Total	$ 2,107,896	$ 1,571,642	$ 2,685,957
Senior Officers (excluding CEO)[1]			
Salary	$ 1,768,666	$ 3,228,389	$ 2,728,422
Short-term Incentive	610,800	1,216,867	644,197
Retention Incentive[2]	380,360	987,118	609,341
Change in Pension Value[3]	535,499	3,250,354	1,939,723
Deferred/Perquisites[4]	243,701	580,204	389,431
Total	$ 3,539,026	$ 9,262,932	$ 6,311,114

1 The number of senior officers in 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; the number of senior officers in 2019 was fourteen.

2 The retention incentive reflects the amount awarded to these senior officers/highly compensated employees. The amounts are held as a general obligation of the Association and are subject to forfeiture.

3 Change in pension value represents the change in the vested portion of the present value of the accumulated benefit obligation from the prior fiscal year to the current fiscal year. The change in pension value is generally due to annual changes in compensation, years of service, age and actuarial assumptions such as the discount rate.

4 Represents company contributions to a 401(k) retirement savings plan and nonqualified deferred compensation plan, as well as payment of relocation expenses and associated tax impact; the taxable benefit of a company automobile for personal use, as determined by IRS regulations, wellness benefits and company paid life insurance benefits.

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

PENSION BENEFITS

The table below shows the present value of accumulated benefits payable as of December 31, 2021 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 - 2021	Number of Years of Credited Service[2]	Present Value of Accumulated Benefits	Payments During Last Fiscal Year
Michael J Reynolds, CEO			
CoBank, ACB Retirement Plan	32.33	$ 2,263,164	$ -
Supplemental Executive Retirement Plan	32.33	751,916	-
Total		$ 3,015,080	$ -
Senior Officers (excluding CEO)[1]			
CoBank, ACB Retirement Plan	31.44	$ 6,338,539	$ -
Total		$ 6,338,539	$ -

1 The number of senior officers at December 31, 2021 and reflected in this chart was four

2 Represents an average for the aggregate senior officer/highly compensated employee group reflected in this chart

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

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

The present value of the accumulated benefits is based on assumptions and valuation dates that are the same as those used for the valuation of pension liabilities in the 2021 annual report. The present value of the accumulated benefits is calculated assuming retirement age to be the earlier of age at 95 points or normal retirement age for Schedule 2 participants and NRA for Schedule 3 participants. The discount rate used is 2.95 percent as of December 31, 2021. The lump sum basis used for the valuation is 6.00 percent with the 2022 417(e) mortality table. The potential impact of 415 limits is reflected.

TRANSACTIONS WITH SENIOR OFFICERS

At December 31, 2021, there were no loans outstanding to a senior officer and there were loans outstanding to an immediate family member of four senior officers. All of the loans approved were in the ordinary course of business and remain on the same terms, including interest rates, amortization schedules and collateral as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectibility. Information regarding related party transactions is incorporated herein by reference from Note 11 of the consolidated financial statements included in this annual report to stockholders.

CODE OF ETHICS

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

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS

In accordance with Farm Credit Administration regulations, Farm Credit East, ACA (the Association) has prepared this Annual Report to Stockholders for the year ended December 31, 2021 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. The Williston, VT office is leased and all other 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, 2021.

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.

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 $297,888, $354,209 and $371,317 for the years ended December 31, 2021, 2020 and 2019 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 2021)	
	Number	**Volume ***	**Number**	**Volume ***
Young	303	$ 69,693	95	$ 16,123
Beginning	306	$ 70,306	79	$ 14,434
Small	316	$ 42,619	28	$ 7,835

** 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 2021, Farm Credit East's scholarship program awarded scholarships to 33 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 49 participants in both in-person and virtual formats in the winter of 2021-22. The program had over sixty participants in a virtual formal in 2020-21.
- Receiving regulatory authority in late 2005, Farm Credit East secured a partner (CoBank, ACB) and chartered FarmStart, LLP (FarmStart). At December 31, 2021, Farm Credit East has an equity investment in FarmStart of $1.8 million. FarmStart assists beginning farmers and new cooperatives by providing investments in working capital of up to $75,000. At December 31, 2021, FarmStart has 103 investments with an outstanding balance of $2.4 million. Since inception, FarmStart has made over 342 investments totaling over $16 million.

DEMOGRAPHICS

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

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

Young	Beginning	Small
13.1%	26.2%	91.9%

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

Penetration Levels in Farm Credit East Portfolio Territory December 31, 2021

Young	Beginning	Small
23%	35%	49%

Farm Credit East penetration is determined based on the number of loans to a specified group as a perl 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, 2021 compared to total number of loans in the portfolio:

Category	Number of Loans	% of Total Loans	Volume Outstanding *	% of Total Volume
Total Loans and Commitments	21,552	100%	$ 11,803	100%
Young Farmers and Ranchers	4,980	23%	$ 1,330	11%
Beginning Farmers and Ranchers	7,448	35%	$ 1,852	16%

** in thousands*

The following table provides a breakdown of small farmer and rancher loans by size as of year-end 2021:

Number / Volume Outstanding	$0 - $50,000	$50,000 - $100,000	$100,000 - $250,000	>$250,000
Total # of Loans and Commitments	5,018	4,292	5,670	6,572
Total # of Loans to Small Farmers / Ranchers	3,051	2,591	3,075	1,821
# of Small Loans as a % of Total # of Loans	61%	60%	54%	28%
Total Loans and Commitments Outstanding*	$ 139,849	$ 338,702	$ 953,024	$10,371,674
Total Volume and Commitments to Small Farmers / Ranchers *	$ 90,010	$ 202,394	$ 502,215	$ 896,029
Loan Volume to Small Farmers / Ranchers as a % of Total Loan Volume	64%	60%	53%	9%

** 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 2021 and compares actual results to those goals:

	Young	Beginning	Small
12/31/2021 GOAL	**4,300**	**6,250**	**9,400**
12/31/2021 ACTUAL	4,657	6,904	9,914
2021 as a % of GOAL	108%	110%	105%

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 2022 and forward. Note that 2022-26 goals reflect the addition of young, beginning and small farmer loans from Yankee Farm Credit:

	Young	Beginning	Small
12/31/2022	5,200	7,700	10,800
12/31/2023	5,400	7,900	11,000
12/31/2024	5,600	8,100	11,250
12/31/2025	5,800	8,300	11,500
12/31/2026	6,000	8,500	11,750

Farm Credit East YBSV 2022 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.

CUSTOMER SERVICE COUNCIL MEMBERS

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

The track record of the CSCs has been very positive as Farm Credit East branch managers have received invaluable feedback on a wide variety of topics. The board and management sincerely appreciate the contribution of the CSC members listed below and look forward to building on this Farm Credit East tradition in 2022.

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Lisa Turner, Freeport, ME
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Benjamin Carlisle, Bangor, ME
Joel Gilbert, Livermore, ME

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Brad Macauley, Geneseo, NY
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Christopher Hoefele, Fonda, NY

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Roger E. Murray	Executive Vice President and Chief Marketplace Officer
David H. Pugh	Executive Vice President and Chief Experience Office

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