



FEDERAL FARM CREDIT BANKS

FUNDING CORPORATION

101 Hudson Street, Suite 3505
Jersey City, New Jersey 07302
201.200.8000
farmcreditfunding.com

Press Release

Friday, February 21, 2025

FARM CREDIT SYSTEM REPORTS NET INCOME OF \$7.8 BILLION FOR 2024

For 2:00 p.m. (EST) Release

NEW YORK - The Farm Credit System today reported combined net income of \$7.80 billion for the year ended December 31, 2024, as compared with \$7.45 billion for the prior year. The System also reported combined net income of \$1.89 billion for the fourth quarter of 2024, as compared with \$1.94 billion for the fourth quarter of 2023.

“Credit quality remained strong, despite challenging economic conditions in certain agricultural sectors,” remarked Tracey McCabe, President and CEO of the Federal Farm Credit Banks Funding Corporation. “While we anticipate 2025 to unfold as a more difficult agricultural environment, the System’s diversified asset portfolio, conservative balance sheet, and strong underwriting standards position us well to continue to serve our mission and meet challenges that may arise.”

2024 Results of Operations

Combined net income increased \$353 million or 4.7% for the year ended December 31, 2024, as compared with the prior year. The increase primarily resulted from an increase in net interest income and decreases in the provision for credit losses and the provision for income taxes, partially offset by an increase in noninterest expense and a decrease in noninterest income.

Net interest income increased \$602 million or 5.3% to \$12.0 billion for 2024, as compared with \$11.4 billion for the prior year. The increase in net interest income resulted from a higher level of average earning assets, primarily driven by increased loan volume. Average earning assets grew \$28.4 billion or 6.0% to \$499.2 billion for 2024, as compared with the prior year.

The net interest margin decreased two basis points to 2.41% for 2024, as compared to 2.43% for 2023. This was due to a decrease in net interest spread of seven basis points to 1.86% for 2024, as compared with 1.93% for 2023, partially offset by a five basis point increase in income earned on earning assets funded by noninterest-bearing sources (principally capital). The decrease in net interest spread was primarily due to higher debt costs and competitive market pressures in a sustained higher interest rate environment compressing loan spreads.

The System recognized provisions for credit losses of \$569 million and \$614 million for the years ended December 31, 2024 and 2023. The provision for credit losses in 2024 primarily reflected credit quality deterioration in the production and intermediate-term and agribusiness sectors and increases in the pooled component of the allowance for credit losses due to higher loan volume. The 2023 provision for credit losses primarily reflected higher specific reserves resulting from credit quality deterioration for a limited number of customers and forecasts of deteriorating macroeconomic conditions. The 2023 provision for credit losses also included the

impact from Association mergers reflecting an accounting change for credit losses and increases in the pooled component of the allowance due to increased loan volume.

Noninterest income decreased \$47 million or 3.9% to \$1.2 billion for 2024, as compared with the same period of the prior year. The decrease in noninterest income was due in part to net losses on investments in rural business investment companies of \$57 million in 2024, as compared to net gains of \$8 million in 2023, as well as a \$21 million net loss on derivative, investment and other transactions in 2024, as compared with a \$26 million net gain for 2023. Partially offsetting the decreases were increases in income earned on Insurance Fund assets of \$89 million and loan-related fee income of \$46 million due to higher transaction-related lending fees.

Noninterest expense increased \$267 million or 6.1% to \$4.7 billion for 2024, as compared with \$4.4 billion for 2023, primarily due to increases in salaries and employee benefits and purchased services. Salaries and employee benefits increased \$223 million primarily due to annual merit increases, higher staffing levels and increased incentive compensation at certain System institutions. Purchased services increased \$24 million primarily due to increases in consulting services related to information technology and various other business initiatives.

The System recorded a provision for income taxes of \$160 million for 2024, as compared with \$180 million for 2023. The effective tax rate decreased to 2.0% for 2024 from 2.4% for 2023 primarily due to decreased earnings attributable to taxable business activities.

Fourth Quarter 2024 Results of Operations

Combined net income decreased \$47 million or 2.4% to \$1.9 billion for the fourth quarter of 2024, as compared with the fourth quarter of 2023. The decrease in net income resulted from a decrease in noninterest income of \$112 million and increases in the provision for credit losses of \$69 million and noninterest expense of \$36 million, partially offset by an increase in net interest income of \$144 million and a decrease in the provision for income taxes of \$26 million.

Net interest income increased \$144 million or 4.9% to \$3.1 billion for the fourth quarter of 2024, as compared with the same period of the prior year, primarily from a higher level of average earning assets. Average earning assets grew \$35.6 billion or 7.4% to \$515.8 billion for the fourth quarter of 2024, as compared with the same period of the prior year.

The net interest margin for the fourth quarter of 2024 decreased to 2.40%, as compared with 2.46% for the same period of the prior year. This resulted from a decrease in the net interest spread of five basis points to 1.87% and a one basis point decrease in income earned on earning assets funded by noninterest-bearing sources (principally capital). The decrease in the net interest spread was primarily due to increased debt costs and higher levels of investments held for liquidity, which have lower spreads generally commensurate with lower risk.

The System reported provisions for credit losses of \$219 million and \$150 million for the fourth quarters of 2024 and 2023. The provision for credit losses recorded in the fourth quarter of 2024 primarily reflected credit quality deterioration in the production and intermediate-term and agribusiness segments and higher loan volume.

Noninterest income decreased \$112 million or 26.2% to \$316 million for the fourth quarter of 2024, as compared with \$428 million for the fourth quarter of 2023. The decrease was primarily due to a \$47 million net loss on derivative, investment and other transactions in the fourth quarter of 2024, as compared with a \$33 million net gain for the fourth quarter 2023. Partially offsetting the decrease was an increase in income earned on Insurance Fund assets of \$19 million.

Noninterest expense increased \$36 million or 2.9% to \$1.3 billion for the fourth quarter of 2024, as compared with the fourth quarter of 2023, primarily due to an increase in salaries and employee benefits of \$62 million, partially offset by a decrease in other operating expense of \$33 million.

The System recorded provisions for income taxes of \$12 million and \$38 million for the fourth quarters of 2024 and 2023. The effective tax rate decreased to 0.6% for the fourth quarter of 2024 from 1.9% for the fourth quarter of 2023 primarily due to decreased earnings attributable to taxable business activities during the fourth quarter of 2024.

Fourth Quarter 2024 Compared to Third Quarter 2024

Net income was \$1.9 billion for the fourth quarter of 2024, as compared with \$2.0 billion for the third quarter of 2024. Net income for the fourth quarter of 2024 was negatively impacted by increases in noninterest expense of \$121 million and the provision for credit losses of \$28 million as well as a decrease in noninterest income of \$17 million. The increase in noninterest expense primarily resulted from increases in salaries due to increased performance-based compensation, purchased services and other operating expenses. Positively impacting net income for the fourth quarter of 2024 were increases in net interest income of \$52 million as well as a decrease in the provision for income taxes of \$21 million. The increase in net interest income primarily resulted from lower debt costs and a higher level of average earning assets.

Loan Portfolio Activity

Gross loans increased \$30.7 billion or 7.7% since year-end 2023 to \$428.9 billion at December 31, 2024. The increase primarily resulted from an increase in real estate mortgage, production and intermediate-term, processing and marketing and power loans as well as loans to cooperatives. The increase in real estate mortgage loans was primarily driven by targeted marketing efforts by certain Associations early in 2024 and to refinancings by borrowers in the latter part of the year coinciding with the Federal Reserve's interest rate cuts. Production and intermediate-term loans increased primarily due to an increase in seasonal utilization of operating lines of credit. The increase in processing and marketing loans was primarily due to increased loan volume with new and existing customers in the meat processing, fats and oils and other commodity sectors. Power loans increased primarily due to increases in the rural electric regulated utility, distribution and generation transmission sectors. The increase in loans to cooperatives was primarily due to an increase in seasonal lending at grain and farm supply cooperatives.

Credit Quality

The System's accruing loan volume was \$425.7 billion at December 31, 2024, as compared with \$396.6 billion at December 31, 2023. Nonaccrual loans increased \$1.6 billion to \$3.2 billion at December 31, 2024, as compared with the same period of the prior year. The increase in nonaccrual loans was primarily due to credit quality deterioration impacting a limited number of borrowers in the poultry, horticulture, nuts, hogs and various food processing sectors. At December 31, 2024, 51.9% of nonaccrual loans were current as to principal and interest, as compared with 53.2% at December 31, 2023.

Nonperforming assets (which consist of nonaccrual loans, accruing loans 90 days or more past due and other property owned) were \$3.5 billion at December 31, 2024, which represented 0.81% of loans and other property owned, as compared with nonperforming assets of \$1.8 billion at December 31, 2023, which represented 0.45% of loans and other property owned. Loans classified under the Farm Credit Administration's Uniform Loan Classification System as "acceptable" or "other assets especially mentioned" as a percentage of loans and accrued

interest receivable were 97.6% at December 31, 2024, as compared with 98.1% at December 31, 2023. Loan delinquencies (accruing loans 30 days or more past due) as a percentage of accruing loans increased slightly to 0.36% at December 31, 2024, as compared with 0.34% at December 31, 2023.

The allowance for credit losses on loans was \$1.8 billion at December 31, 2024, as compared with \$1.6 billion at December 31, 2023. Net loan charge-offs of \$420 million were recorded during 2024, as compared with \$319 million for 2023. The allowance for credit losses on loans as a percentage of total loans was 0.42% at December 31, 2024 and 0.41% at December 31, 2023. The allowance for credit losses on loans was 52% of the System's total nonperforming assets and 57% of its nonaccrual loans at December 31, 2024, as compared with 90% and 101% at December 31, 2023. Capital and the allowance for credit losses on loans, which is a measure of risk-bearing capacity, totaled \$80.6 billion at December 31, 2024 and \$74.9 billion at December 31, 2023, and represented 18.8% of System loans at both December 31, 2024 and 2023.

Agricultural Outlook

The February 2025 United States Department of Agriculture (USDA) forecasts 2024 net farm income (income after expenses from production) at \$139.1 billion, an \$8.2 billion decrease from 2023. The USDA's outlook for the farm economy forecasts 2025 net farm income at \$180.1 billion, a \$41.0 billion increase from 2024. The projected increase in net farm income from 2024 to 2025 is primarily due to expected increases in direct government payments of \$33.1 billion and cash receipts for animals and animal products of \$3.8 billion as well as a decrease in cash expenses of \$3.2 billion, partially offset by a decrease in cash receipts for crops of \$5.6 billion.

Liquidity and Capital Resources

Cash and investments (primarily held for liquidity purposes) increased \$5.3 billion to \$98.8 billion at December 31, 2024, as compared with \$93.5 billion at December 31, 2023. The System's liquidity position was 177 days and 183 days at December 31, 2024 and 2023.

System capital increased \$5.5 billion since year-end 2023 to \$78.8 billion at December 31, 2024. Retained earnings increased \$3.8 billion to \$61.4 billion at December 31, 2024, as compared with \$57.6 billion at December 31, 2023, due to net income earned and retained partially offset by patronage distributions of \$3.1 billion. During 2024, two Banks issued preferred stock totaling \$900 million while two Banks redeemed a total of \$550 million of preferred stock. Accumulated other comprehensive loss decreased \$704 million to \$3.8 billion at December 31, 2024 primarily as a result of the impact of market interest rate changes, which increased the fair value of derivatives and existing fixed-rate investment securities. Capital as a percentage of total assets was 14.5% at December 31, 2024, as compared with 14.4% at December 31, 2023.

About the Farm Credit System

Farm Credit supports rural communities and agriculture with reliable, consistent credit and financial services, today and tomorrow, through the four Banks and 55 affiliated Associations. Farm Credit has been fulfilling this mission for over a century by providing farmers with the capital they need to make their businesses successful and by financing vital infrastructure and communication services that rural communities need to create jobs and drive economic growth. For more information about the Farm Credit System, please visit farmcredit.com.

Additional Information

The 2024 financial results discussed herein are preliminary and unaudited. Copies of this press release, as well as other financial information regarding the System, including its annual and quarterly information statements, are available on the Federal Farm Credit Banks Funding Corporation's website at farmcreditfunding.com.

For further information and copies of annual and quarterly information statements, contact:

Karen R. Brenner, Managing Director
Federal Farm Credit Banks Funding Corporation
101 Hudson Street, Suite 3505
Jersey City, NJ 07302
(201) 200-8081
E-mail – kbrenner@farmcreditfunding.com

Forward-Looking Statements

Any forward-looking statements in this press release are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties, including the completion of the System's year-end closing and review procedures, and third-party audit. More information about these risks and uncertainties is contained in the System's annual and quarterly information statements. The System undertakes no duty to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**FARM CREDIT SYSTEM
COMBINED FINANCIAL STATEMENT DATA
(in millions)**

STATEMENT OF CONDITION DATA

	December 31, <u>2024</u>	December 31, <u>2023</u>
Cash and investments	\$ 98,773	\$ 93,487
Loans	428,913	398,176
Less: allowance for credit losses on loans	<u>(1,799)</u>	<u>(1,617)</u>
Net loans	<u>427,114</u>	<u>396,559</u>
Accrued interest receivable	5,264	4,726
Other assets	5,254	5,606
Restricted assets	<u>7,960</u>	<u>7,458</u>
Total assets	<u>\$544,365</u>	<u>\$507,836</u>
Systemwide Debt Securities:		
Due within one year	\$156,954	\$148,366
Due after one year	<u>290,907</u>	<u>267,167</u>
Total Systemwide Debt Securities	447,861	415,533
Subordinated debt	398	398
Other bonds	5,139	6,288
Other liabilities	<u>12,135</u>	<u>12,288</u>
Total liabilities	<u>465,533</u>	<u>434,507</u>
Preferred stock	3,680	3,327
Capital stock	2,201	2,141
Additional paid-in-capital	7,379	7,286
Restricted capital	7,960	7,458
Accumulated other comprehensive loss	(3,813)	(4,517)
Retained earnings	<u>61,425</u>	<u>57,634</u>
Total capital	<u>78,832</u>	<u>73,329</u>
Total liabilities and capital	<u>\$544,365</u>	<u>\$507,836</u>

STATEMENT OF INCOME DATA

	For the Quarter Ended <u>December 31,</u>		For the Year Ended <u>December 31,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Interest income	\$7,515	\$7,093	\$29,629	\$26,240
Interest expense	<u>(4,419)</u>	<u>(4,141)</u>	<u>(17,594)</u>	<u>(14,807)</u>
Net interest income	3,096	2,952	12,035	11,433
Provision for credit losses	(219)	(150)	(569)	(614)
Noninterest income	316	428	1,162	1,209
Noninterest expense	<u>(1,290)</u>	<u>(1,254)</u>	<u>(4,670)</u>	<u>(4,403)</u>
Income before income taxes	1,903	1,976	7,958	7,625
Provision for income taxes	<u>(12)</u>	<u>(38)</u>	<u>(160)</u>	<u>(180)</u>
Net income	<u>\$1,891</u>	<u>\$1,938</u>	<u>\$ 7,798</u>	<u>\$ 7,445</u>

**FARM CREDIT SYSTEM
COMBINED FINANCIAL STATEMENT DATA
(in millions)**

Statement of Condition Data – Five Quarter Trend

	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023
Cash and investments	\$ 98,773	\$ 96,176	\$ 91,003	\$ 88,021	\$ 93,487
Loans	428,913	414,402	406,659	400,524	398,176
Less: allowance for credit losses on loans	<u>(1,799)</u>	<u>(1,772)</u>	<u>(1,636)</u>	<u>(1,575)</u>	<u>(1,617)</u>
Net loans	<u>427,114</u>	<u>412,630</u>	<u>405,023</u>	<u>398,949</u>	<u>396,559</u>
Accrued interest receivable	5,264	5,721	4,832	4,416	4,726
Other assets	5,254	5,473	5,566	5,535	5,606
Restricted assets	<u>7,960</u>	<u>7,795</u>	<u>7,637</u>	<u>7,607</u>	<u>7,458</u>
Total assets	<u>\$544,365</u>	<u>\$527,795</u>	<u>\$514,061</u>	<u>\$504,528</u>	<u>\$507,836</u>
Systemwide Debt Securities	\$447,861	\$431,936	\$420,669	\$413,862	\$415,533
Subordinated debt	398	398	398	398	398
Other bonds	5,139	6,204	5,998	5,677	6,288
Other liabilities	<u>12,135</u>	<u>10,187</u>	<u>10,150</u>	<u>9,976</u>	<u>12,288</u>
Total liabilities	<u>465,533</u>	<u>448,725</u>	<u>437,215</u>	<u>429,913</u>	<u>434,507</u>
Preferred stock	3,680	3,378	3,682	3,081	3,327
Capital stock	2,201	2,175	2,151	2,128	2,141
Additional paid-in-capital	7,379	7,286	7,286	7,286	7,286
Restricted capital	7,960	7,795	7,637	7,607	7,458
Accumulated other comprehensive loss	<u>(3,813)</u>	<u>(3,425)</u>	<u>(4,395)</u>	<u>(4,548)</u>	<u>(4,517)</u>
Retained earnings	<u>61,425</u>	<u>61,861</u>	<u>60,485</u>	<u>59,061</u>	<u>57,634</u>
Total capital	<u>78,832</u>	<u>79,070</u>	<u>76,846</u>	<u>74,615</u>	<u>73,329</u>
Total liabilities and capital	<u>\$544,365</u>	<u>\$527,795</u>	<u>\$514,061</u>	<u>\$504,528</u>	<u>\$507,836</u>

Statement of Income Data – Five Quarter Trend

For the three months ended:	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023
Interest income	\$7,515	\$7,596	\$7,334	\$7,184	\$7,093
Interest expense	<u>(4,419)</u>	<u>(4,552)</u>	<u>(4,385)</u>	<u>(4,238)</u>	<u>(4,141)</u>
Net interest income	3,096	3,044	2,949	2,946	2,952
Provision for credit losses	(219)	(191)	(119)	(40)	(150)
Noninterest income	316	333	269	244	428
Noninterest expense	<u>(1,290)</u>	<u>(1,169)</u>	<u>(1,122)</u>	<u>(1,089)</u>	<u>(1,254)</u>
Income before income taxes	1,903	2,017	1,977	2,061	1,976
Provision for income taxes	<u>(12)</u>	<u>(33)</u>	<u>(49)</u>	<u>(66)</u>	<u>(38)</u>
Net income	<u>\$1,891</u>	<u>\$1,984</u>	<u>\$1,928</u>	<u>\$1,995</u>	<u>\$1,938</u>