



FEDERAL FARM CREDIT BANKS

FUNDING CORPORATION

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Press Release

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FARM CREDIT SYSTEM REPORTS 2024 THIRD QUARTER AND NINE-MONTH NET INCOME

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

NEW YORK - The Farm Credit System today reported that combined net income was relatively stable at \$1.98 billion for the third quarter of 2024, as compared with \$2.00 billion for the third quarter of 2023. For the nine months ended September 30, 2024, System combined net income increased 7.3% to \$5.91 billion, as compared with \$5.51 billion for the same period of the prior year.

“The System continued to achieve favorable results during the third quarter and first nine months of 2024,” remarked Tracey McCabe, President and CEO of the Federal Farm Credit Banks Funding Corporation. “Overall credit quality remains strong, despite an increase in nonaccrual loans. Results going forward may be impacted by a more challenging agricultural economic and volatile political environment. However, System institutions are positioned to support our member-borrowers in a less favorable environment.”

Results of Operations

Third Quarter and Nine-Month 2024 Results Compared to Third Quarter and Nine-Month 2023 Results

Net interest income increased \$162 million or 5.6% to \$3.0 billion for the third quarter of 2024 and \$458 million or 5.4% to \$8.9 billion for the nine months ended September 30, 2024, as compared with the same periods of the prior year. The increases in net interest income primarily resulted from higher levels of average earning assets, driven largely by increased loan volume and, to a lesser extent, growth in investments held for liquidity. Average earning assets increased \$31.7 billion or 6.7% to \$502.5 billion for the three months ended September 30, 2024 and \$26.9 billion or 5.8% to \$493.6 billion for the nine months ended September 30, 2024, as compared with the same periods of the prior year.

The net interest margin was 2.42% and 2.41% for the three and nine months ended September 30, 2024, as compared with 2.45% and 2.42% for the same periods of the prior year. The decrease in the net interest margin for the three- and nine-month periods primarily resulted from decreases in the net interest spread of eight and 11 basis points to 1.85% and 1.84%, as compared with 1.93% and 1.95% for the same periods of the prior year. Higher debt costs and competitive market pressures in the sustained higher interest rate environment compressed loan spreads, resulting in a decline in the net interest spread for the three- and nine-month periods of 2024. The net interest margin was positively impacted by a five and ten basis point

increase in income earned on earning assets funded by noninterest-bearing sources (principally capital) during both the three and nine months ended September 30, 2024.

The System recognized provisions for credit losses of \$191 million and \$350 million for the three and nine months ended September 30, 2024, as compared with provisions for credit losses of \$57 million and \$464 million for the three and nine months ended September 30, 2023. The provision for credit losses for the nine months of 2024 primarily reflected specific reserves associated with credit quality deterioration for a limited number of customers, modest deterioration in probability of default credit ratings and higher loan volume. The provision for credit losses for the first nine months of 2023 primarily reflected higher specific reserves resulting from credit quality deterioration for a limited number of customers, forecasts of deteriorating macroeconomic conditions and higher loan volume. The 2023 provision for credit losses also included the impact of Association mergers reflecting an accounting change for credit losses.

Noninterest income increased \$39 million or 13.3% to \$333 million and \$65 million or 8.3% to \$846 million for the three and nine months ended September 30, 2024, as compared with the same periods of the prior year. The increases for the three- and nine-month periods were primarily due to increases in income earned on Insurance Fund assets of \$21 million and \$70 million and loan-related fee income of \$9 million and \$41 million due to higher transaction-related lending fees. Also positively impacting the three- and nine-month periods were net gains on derivative and other transactions of \$31 million and \$14 million, as compared to net losses of \$15 million and \$11 million for the same periods of the prior year. Partially offsetting the increases was a decline in other noninterest income of \$17 million and \$55 million for the three- and nine-month periods primarily due to recognition of valuation losses on investments in rural business investment companies. Also offsetting noninterest income for the third quarter of 2024 were net losses on extinguishment of debt of \$15 million, as compared to net gains on extinguishment of debt of \$3 million for the same period of the prior year. For the nine months ended September 30, 2024, the increase in net losses on extinguishment of debt of \$20 million negatively affected noninterest income.

Noninterest expense increased \$102 million or 9.6% to \$1.2 billion and \$231 million or 7.3% to \$3.4 billion for the three and nine months ended September 30, 2024, as compared with the same periods of the prior year. The increases for the three- and nine-month periods were primarily due to increases in salaries and employee benefits and other operating expense. Salaries and employee benefits increased \$67 million and \$161 million for the three and nine months ended September 30, 2024, as compared with the same periods of the prior year, primarily due to annual merit increases, higher staffing levels and higher accrued incentive compensation at certain System institutions. For the three- and nine-month periods ended September 30, 2024, other operating expense increased \$17 million and \$32 million primarily due to increases in technology, supervisory and exam, and other miscellaneous expenses.

The provisions for income taxes were \$33 million and \$148 million for the three and nine months ended September 30, 2024, as compared with \$51 million and \$142 million for the three and nine months ended September 30, 2023. The effective tax rate decreased slightly to 2.4% for the first nine months of 2024 from 2.5% for the first nine months of 2023.

Third Quarter 2024 Compared to Second Quarter 2024

Net income was \$2.0 billion for the third quarter of 2024, as compared with \$1.9 billion for the second quarter of 2024. Positively impacting net income for the third quarter of 2024 were increases of \$95 million in net interest income and \$64 million in noninterest income and a decrease in the provision for income taxes of \$16 million. The increase in net interest income primarily resulted from a higher level of average earning assets. Negatively impacting net income for the third quarter of 2024 was an increase in the provision for credit losses of \$72 million primarily due to specific reserves and credit quality deterioration associated with a limited number of customers, as well as higher noninterest expense of \$47 million.

Loan Portfolio Activity

Gross loans increased \$16.2 billion or 4.1% to \$414.4 billion at September 30, 2024, as compared with \$398.2 billion at December 31, 2023. The increase primarily resulted from an increase in real estate mortgage, processing and marketing, power, production and intermediate-term, and farm-related business loans. The increase in real estate mortgage loans was primarily driven by targeted marketing efforts by certain Associations. Processing and marketing loans increased primarily due to increased loan volume with new and existing customers in the meat processing, fats and oils and other commodity sectors. The increase in power loans was primarily due to increases in the rural electric regulated utility, distribution and generation transmission sectors. Production and intermediate-term loans increased primarily due to seasonal utilization of operating lines of credit. The increase in farm-related business loans increased primarily due to increased lending to farm machinery and equipment dealers, chemical companies and other farm-related businesses.

Credit Quality

The System's accruing loan volume was \$411.5 billion at September 30, 2024, as compared with \$396.6 billion at December 31, 2023. Nonaccrual loans increased \$1.3 billion during the first nine months of 2024 to \$2.9 billion and represented 0.70% of total loans, as compared with 0.40% at December 31, 2023. The increase in nonaccrual loans was primarily due to credit quality deterioration impacting a limited number of borrowers in the poultry, tree fruits, nuts, hogs and various food processing related sectors. At September 30, 2024, 52.8% 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 \$3.3 billion at September 30, 2024 and represented 0.79% of loans and other property owned, as compared with nonperforming assets of \$1.8 billion at December 31, 2023 and 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 97.5% at September 30, 2024 and 98.1% at December 31, 2023. Loan delinquencies (accruing loans 30 days or more past due) as a percentage of accruing loans increased to 0.40% at September 30, 2024, as compared with 0.36% at September 30, 2023.

The allowance for credit losses on loans was \$1.8 billion at September 30, 2024, as compared with \$1.6 billion at December 31, 2023. Net loan charge-offs of \$218 million were recorded

during the first nine months of 2024 and when annualized represented 0.07% of average loans, as compared with net loan charge-offs of \$130 million and 0.05% for the same period of the prior year. The allowance for credit losses on loans as a percentage of total loans was 0.43% at September 30, 2024 and 0.41% at December 31, 2023. The allowance for credit losses on loans was 54% of the System's total nonperforming assets and 61% of its nonaccrual loans at September 30, 2024, as compared with 90% and 101% at December 31, 2023. The System also had \$185 million and \$206 million of allowance for credit losses on unfunded commitments at September 30, 2024 and December 31, 2023. Total capital and the allowance for credit losses on loans, which is a measure of risk-bearing capacity, totaled \$80.8 billion at September 30, 2024 and \$74.9 billion at December 31, 2023, and represented 19.5% of System loans at September 30, 2024, as compared with 18.8% at December 31, 2023.

Liquidity and Capital Resources

Cash and investments (primarily held for liquidity purposes) were \$96.2 billion at September 30, 2024 and \$93.5 billion at December 31, 2023. The System's liquidity portfolio provided 178 days coverage of maturing debt at September 30, 2024, as compared with 183 days coverage at December 31, 2023.

Total capital was \$79.1 billion at September 30, 2024, as compared with \$73.3 billion at December 31, 2023. The System's retained earnings increased \$4.2 billion to \$61.9 billion during the first nine months of 2024 due to net income earned and retained. During the first nine months of 2024, two Banks issued preferred stock totaling \$600 million, while two Banks redeemed a total of \$550 million of preferred stock. Accumulated other comprehensive loss decreased \$1.1 billion to \$3.4 billion during the first nine months of 2024 primarily as a result of a decrease in interest rates, which increased the fair value of existing fixed-rate investment securities. Investment securities are primarily comprised of U.S Treasury and U.S. agency debt securities. Capital as a percentage of total assets increased to 15.0% at September 30, 2023, 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 56 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

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:

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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

	September 30, <u>2024</u> (unaudited)	December 31, <u>2023</u> (audited)
Cash and investments	\$ 96,176	\$ 93,487
Loans	414,402	398,176
Less: allowance for credit losses on loans	<u>(1,772)</u>	<u>(1,617)</u>
Net loans	412,630	396,559
Accrued interest receivable	5,721	4,726
Other assets	5,473	5,606
Restricted assets	<u>7,795</u>	<u>7,458</u>
Total assets	<u>\$527,795</u>	<u>\$507,836</u>
Systemwide Debt Securities:		
Due within one year	\$154,156	\$148,366
Due after one year	<u>277,780</u>	<u>267,167</u>
Total Systemwide Debt Securities	431,936	415,533
Subordinated debt	398	398
Other bonds	6,204	6,288
Other liabilities	<u>10,187</u>	<u>12,288</u>
Total liabilities	<u>448,725</u>	<u>434,507</u>
Preferred stock	3,378	3,327
Capital stock	2,175	2,141
Additional paid-in-capital	7,286	7,286
Restricted capital	7,795	7,458
Accumulated other comprehensive loss	(3,425)	(4,517)
Retained earnings	<u>61,861</u>	<u>57,634</u>
Total capital	<u>79,070</u>	<u>73,329</u>
Total liabilities and capital	<u>\$527,795</u>	<u>\$507,836</u>

STATEMENT OF INCOME DATA

	For the Quarter Ended <u>September 30,</u> (unaudited)		For the Nine Months Ended <u>September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Interest income	\$7,596	\$6,771	\$22,114	\$19,147
Interest expense	<u>(4,552)</u>	<u>(3,889)</u>	<u>(13,175)</u>	<u>(10,666)</u>
Net interest income	3,044	2,882	8,939	8,481
Provision for credit losses	(191)	(57)	(350)	(464)
Noninterest income	333	294	846	781
Noninterest expense	<u>(1,169)</u>	<u>(1,067)</u>	<u>(3,380)</u>	<u>(3,149)</u>
Income before income taxes	2,017	2,052	6,055	5,649
Provision for income taxes	<u>(33)</u>	<u>(51)</u>	<u>(148)</u>	<u>(142)</u>
Net income	<u>\$1,984</u>	<u>\$2,001</u>	<u>\$ 5,907</u>	<u>\$ 5,507</u>

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

Statement of Condition Data – Five Quarter Trend

	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023
	(unaudited)	(unaudited)	(unaudited)	(audited)	(unaudited)
Cash and investments	\$ 96,176	\$ 91,003	\$ 88,021	\$ 93,487	\$ 91,632
Loans	414,402	406,659	400,524	398,176	385,145
Less: allowance for credit losses on loans	<u>(1,772)</u>	<u>(1,636)</u>	<u>(1,575)</u>	<u>(1,617)</u>	<u>(1,668)</u>
Net loans	<u>412,630</u>	<u>405,023</u>	<u>398,949</u>	<u>396,559</u>	<u>383,477</u>
Accrued interest receivable	5,721	4,832	4,416	4,726	4,913
Other assets	5,473	5,566	5,535	5,606	5,479
Restricted assets	<u>7,795</u>	<u>7,637</u>	<u>7,607</u>	<u>7,458</u>	<u>7,249</u>
Total assets	<u>\$527,795</u>	<u>\$514,061</u>	<u>\$504,528</u>	<u>\$507,836</u>	<u>\$492,750</u>
Systemwide Debt Securities	\$431,936	\$420,669	\$413,862	\$415,533	\$401,854
Subordinated debt	398	398	398	398	398
Other bonds	6,204	5,998	5,677	6,288	7,546
Other liabilities	<u>10,187</u>	<u>10,150</u>	<u>9,976</u>	<u>12,288</u>	<u>10,682</u>
Total liabilities	<u>448,725</u>	<u>437,215</u>	<u>429,913</u>	<u>434,507</u>	<u>420,480</u>
Preferred stock	3,378	3,682	3,081	3,327	3,426
Capital stock	2,175	2,151	2,128	2,141	2,115
Additional paid-in-capital	7,286	7,286	7,286	7,286	6,995
Restricted capital	7,795	7,637	7,607	7,458	7,249
Accumulated other comprehensive loss	(3,425)	(4,395)	(4,548)	(4,517)	(5,715)
Retained earnings	<u>61,861</u>	<u>60,485</u>	<u>59,061</u>	<u>57,634</u>	<u>58,200</u>
Total capital	<u>79,070</u>	<u>76,846</u>	<u>74,615</u>	<u>73,329</u>	<u>72,270</u>
Total liabilities and capital	<u>\$527,795</u>	<u>\$514,061</u>	<u>\$504,528</u>	<u>\$507,836</u>	<u>\$492,750</u>

Statement of Income Data – Five Quarter Trend (unaudited)

For the three months ended:	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023
Interest income	\$7,596	\$7,334	\$7,184	\$7,093	\$6,771
Interest expense	<u>(4,552)</u>	<u>(4,385)</u>	<u>(4,238)</u>	<u>(4,141)</u>	<u>(3,889)</u>
Net interest income	3,044	2,949	2,946	2,952	2,882
Provision for credit losses	(191)	(119)	(40)	(150)	(57)
Noninterest income	333	269	244	428	294
Noninterest expense	<u>(1,169)</u>	<u>(1,122)</u>	<u>(1,089)</u>	<u>(1,254)</u>	<u>(1,067)</u>
Income before income taxes	2,017	1,977	2,061	1,976	2,052
Provision for income taxes	<u>(33)</u>	<u>(49)</u>	<u>(66)</u>	<u>(38)</u>	<u>(51)</u>
Net income	<u>\$1,984</u>	<u>\$1,928</u>	<u>\$1,995</u>	<u>\$1,938</u>	<u>\$2,001</u>