



FEDERAL FARM CREDIT BANKS

FUNDING CORPORATION

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Press Release

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FARM CREDIT SYSTEM REPORTS FIRST QUARTER 2024 COMBINED RESULTS

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

NEW YORK - The Farm Credit System today reported that combined net income increased 15.9% to \$2.0 billion for the first quarter of 2024, as compared with \$1.7 billion for the same period of the prior year.

“The System reported solid first quarter results,” remarked Tracey McCabe, President and CEO of the Federal Farm Credit Banks Funding Corporation. “Capital levels remained solid amid varying agricultural conditions, an environment of sustained higher interest rates and a strong U.S. dollar. The System remains well positioned to continue to serve its mission in an environment that may remain challenging as 2024 unfolds.”

Results of Operations

First Quarter 2024 Compared to First Quarter 2023

Net interest income was \$2.9 billion for the first quarter of 2024, as compared with \$2.8 billion for the first quarter of 2023. The increase in net interest income primarily resulted from a higher level of average earning assets, driven by increased loan volume and, to a lesser extent, growth in investments held for liquidity. Average earning assets grew \$25.3 billion or 5.5% to \$486.1 billion for the first quarter of 2024, as compared with the first quarter of 2023.

The net interest margin increased one basis point to 2.42% for the quarter ended March 31, 2024, as compared with 2.41% for the same period of the prior year. The increase in the net interest margin resulted from a 13 basis point increase in income earned on earning assets funded by noninterest-bearing sources (principally capital). Partially offsetting the increase in the net interest margin was a decrease in the net interest spread of 12 basis points to 1.86%, as compared with the first quarter of 2023. This was primarily due to increased debt costs, competitive market pressures impacting loan spreads in a higher interest rate environment and greater levels of investments in the liquidity portfolio, which have lower spreads generally commensurate with lower risk.

The System recognized a provision for credit losses of \$40 million for the first quarter of 2024, as compared with \$236 million during the first quarter of 2023. The provision for credit losses for the first quarter of 2024 primarily reflected specific reserves associated with a limited number of customers and a modest deterioration in credit quality in certain sectors of the loan portfolio, partially offset by credit loss reversals related to improvements in macroeconomic forecasts, resulting in lower modeled credit losses. The provision for credit losses for the first quarter of

2023 primarily reflected specific reserves associated with a limited number of customers and the impact of Association mergers due to the accounting change for credit losses.

Noninterest income decreased \$12 million or 4.7% to \$244 million for the first quarter of 2024, as compared with the first quarter of 2023. The decrease was primarily due to net losses on derivative and other transactions of \$11 million for the first quarter of 2024, as compared to net gains of \$16 million for the first quarter of 2023, and a decrease in other noninterest income of \$13 million, partially offset by an increase in income earned on Insurance Fund assets of \$25 million. The net losses on derivative and other transactions were due to the increase in interest rates during the period.

Noninterest expense increased \$61 million or 5.9% to \$1.1 billion for the first quarter of 2024, as compared with the first quarter of 2023, primarily due to increases in salaries and employee benefits. Salaries and employee benefits increased \$45 million primarily as a result of annual merit increases and higher staffing levels at certain System institutions.

The provision for income taxes was \$66 million for the first quarter of 2024 and \$50 million for the first quarter of 2023. The effective tax rate increased to 3.2% for the first quarter of 2024 from 2.8% for the first quarter of 2023 due to increased earnings attributable to taxable business activities.

First Quarter 2024 Compared to Fourth Quarter 2023

Net income increased \$57 million or 2.9% to \$2.0 billion for the first quarter of 2024, as compared with the fourth quarter of 2023. The increase in net income was primarily due to decreases in noninterest expense of \$165 million and the provision for credit losses of \$110 million. The decrease in noninterest expense was primarily due to lower incentive compensation, purchased services, pension non-service costs and advertising and member relations expenses. The decrease in the provision for credit losses was primarily due to specific reserves in the fourth quarter of 2023 associated with a limited number of customers. Partially offsetting the increase in net income for the first quarter of 2024 were decreases in noninterest income of \$184 million primarily due to the seasonality of crop insurance revenue and in other noninterest income, as well as an increase in the provision for income taxes of \$28 million.

Loan Portfolio Activity

Gross loans increased \$2.3 billion or 0.6% to \$400.5 billion at March 31, 2024, as compared with \$398.2 billion at December 31, 2023. The increase primarily resulted from an increase in loans to cooperatives, power loans and processing and marketing loans, offset in part by a decrease in production and intermediate-term loans. Loans to cooperatives increased primarily due to higher seasonal lending at grain and farm supply cooperatives. The increase in power loans was primarily due to increases in the rural electric regulated utility, rural electric distribution and electric power sectors. Processing and marketing loans increased primarily due to increased loan volume with new and existing customers in the meat processing and fats and oils sectors. The decrease in production and intermediate-term loans was primarily driven by seasonal repayments.

Credit Quality

The System's accruing loan volume was \$398.7 billion at March 31, 2024, as compared with \$396.6 billion at December 31, 2023. Nonaccrual loans increased \$188 million to \$1.8 billion at March 31, 2024, as compared with December 31, 2023. The increase in nonaccrual loans was

primarily due to credit quality deterioration impacting a limited number of borrowers in the tree fruits, nuts and hogs sectors. At March 31, 2024, 46.7% 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 \$2.2 billion at March 31, 2024 and represented 0.56% of loans and other property owned, as compared with nonperforming assets of \$1.8 billion at December 31, 2023 and 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 were 97.9% at March 31, 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 0.48% at March 31, 2024, as compared with 0.33% at March 31, 2023.

The allowance for credit losses on loans was \$1.6 billion at both March 31, 2024 and December 31, 2023. Net loan charge-offs of \$88 million were recorded during the first quarter of 2024, as compared with net loan charge-offs of \$39 million for the first quarter of 2023. The allowance for credit losses on loans as a percentage of total loans was 0.39% at March 31, 2024 and 0.41% at December 31, 2023. The allowance for credit losses on loans was 70% of the System's total nonperforming assets and 88% of nonaccrual loans at March 31, 2024, as compared with 90% and 101% at December 31, 2023. The System also had \$200 million and \$206 million of allowance for unfunded commitments at March 31, 2024 and December 31, 2023. Total capital and the allowance for credit losses on loans, which is a measure of risk-bearing capacity, totaled \$76.2 billion at March 31, 2024 and \$74.9 billion at December 31, 2023, and represented 19.0% of System loans at March 31, 2024, as compared with 18.8% at December 31, 2023.

Liquidity and Capital Resources

Cash and investments (primarily held for liquidity purposes) were \$88.0 billion at March 31, 2024 and \$93.5 billion at December 31, 2023. The System's liquidity portfolio provided 176 days coverage of maturing debt at March 31, 2024, as compared with 183 days coverage at December 31, 2023.

Total capital was \$74.6 billion at March 31, 2024, as compared with \$73.3 billion at December 31, 2023. The System's retained earnings increased \$1.4 billion to \$59.1 billion during the first quarter of 2024 due to net income earned and retained. During the first quarter of 2024, one Bank redeemed \$250 million of preferred stock. Capital as a percentage of total assets increased to 14.8% at March 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 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

	March 31, <u>2024</u> (unaudited)	December 31, <u>2023</u> (audited)
Cash and investments	\$ 88,021	\$ 93,487
Loans	400,524	398,176
Less: allowance for credit losses on loans	<u>(1,575)</u>	<u>(1,617)</u>
Net loans	<u>398,949</u>	<u>396,559</u>
Accrued interest receivable	4,416	4,726
Other assets	5,535	5,606
Restricted assets	<u>7,607</u>	<u>7,458</u>
Total assets	<u><u>\$504,528</u></u>	<u><u>\$507,836</u></u>
Systemwide Debt Securities:		
Due within one year	\$152,237	\$148,366
Due after one year	<u>261,625</u>	<u>267,167</u>
Total Systemwide Debt Securities	413,862	415,533
Subordinated debt	398	398
Other bonds	5,677	6,288
Other liabilities	<u>9,976</u>	<u>12,288</u>
Total liabilities	<u><u>429,913</u></u>	<u><u>434,507</u></u>
Preferred stock	3,081	3,327
Capital stock	2,128	2,141
Additional paid-in-capital	7,286	7,286
Restricted capital	7,607	7,458
Accumulated other comprehensive loss	(4,548)	(4,517)
Retained earnings	<u>59,061</u>	<u>57,634</u>
Total capital	<u><u>74,615</u></u>	<u><u>73,329</u></u>
Total liabilities and capital	<u><u>\$504,528</u></u>	<u><u>\$507,836</u></u>

STATEMENT OF INCOME DATA

	For the Quarter Ended <u>March 31,</u> (unaudited)	
	<u>2024</u>	<u>2023</u>
Interest income	\$7,184	\$5,947
Interest expense	<u>(4,238)</u>	<u>(3,167)</u>
Net interest income	2,946	2,780
Provision for credit losses	(40)	(236)
Noninterest income	244	256
Noninterest expense	<u>(1,089)</u>	<u>(1,028)</u>
Income before income taxes	2,061	1,772
Provision for income taxes	<u>(66)</u>	<u>(50)</u>
Net income	<u><u>\$1,995</u></u>	<u><u>\$1,722</u></u>

FARM CREDIT SYSTEM
COMBINED FINANCIAL STATEMENT DATA
(in millions)

Statement of Condition Data – Five Quarter Trend

	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)
Cash and investments	\$ 88,021	\$ 93,487	\$ 91,632	\$ 92,286	\$ 93,874
Loans	400,524	398,176	385,145	378,003	376,968
Less: allowance for credit losses on loans	<u>(1,575)</u>	<u>(1,617)</u>	<u>(1,668)</u>	<u>(1,691)</u>	<u>(1,571)</u>
Net loans	<u>398,949</u>	<u>396,559</u>	<u>383,477</u>	<u>376,312</u>	<u>375,397</u>
Accrued interest receivable	4,416	4,726	4,913	3,904	3,395
Other assets	5,535	5,606	5,479	5,082	5,005
Restricted assets	<u>7,607</u>	<u>7,458</u>	<u>7,249</u>	<u>7,050</u>	<u>6,858</u>
Total assets	<u>\$504,528</u>	<u>\$507,836</u>	<u>\$492,750</u>	<u>\$484,634</u>	<u>\$484,529</u>
Systemwide Debt Securities	\$413,862	\$415,533	\$401,854	\$396,319	\$397,717
Subordinated debt	398	398	398	398	398
Other bonds	5,677	6,288	7,546	6,573	6,004
Other liabilities	<u>9,976</u>	<u>12,288</u>	<u>10,682</u>	<u>10,181</u>	<u>10,092</u>
Total liabilities	<u>429,913</u>	<u>434,507</u>	<u>420,480</u>	<u>413,471</u>	<u>414,211</u>
Preferred stock	3,081	3,327	3,426	3,424	3,418
Capital stock	2,128	2,141	2,115	2,093	2,069
Additional paid-in-capital	7,286	7,286	6,995	6,994	6,679
Restricted capital	7,607	7,458	7,249	7,050	6,858
Accumulated other comprehensive loss	(4,548)	(4,517)	(5,715)	(5,278)	(4,871)
Retained earnings	<u>59,061</u>	<u>57,634</u>	<u>58,200</u>	<u>56,880</u>	<u>56,165</u>
Total capital	<u>74,615</u>	<u>73,329</u>	<u>72,270</u>	<u>71,163</u>	<u>70,318</u>
Total liabilities and capital	<u>\$504,528</u>	<u>\$507,836</u>	<u>\$492,750</u>	<u>\$484,634</u>	<u>\$484,529</u>

Statement of Income Data – Five Quarter Trend (unaudited)

For the three months ended:	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Interest income	\$7,184	\$7,093	\$6,771	\$6,429	\$5,947
Interest expense	<u>(4,238)</u>	<u>(4,141)</u>	<u>(3,889)</u>	<u>(3,610)</u>	<u>(3,167)</u>
Net interest income	2,946	2,952	2,882	2,819	2,780
Provision for credit losses	(40)	(150)	(57)	(171)	(236)
Noninterest income	244	428	294	231	256
Noninterest expense	<u>(1,089)</u>	<u>(1,254)</u>	<u>(1,067)</u>	<u>(1,054)</u>	<u>(1,028)</u>
Income before income taxes	2,061	1,976	2,052	1,825	1,772
Provision for income taxes	<u>(66)</u>	<u>(38)</u>	<u>(51)</u>	<u>(41)</u>	<u>(50)</u>
Net income	<u>\$1,995</u>	<u>\$1,938</u>	<u>\$2,001</u>	<u>\$1,784</u>	<u>\$1,722</u>