FEDERAL FARM CREDIT BANKS
FUNDING CORPORATION

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FARM CREDIT SYSTEM REPORTS 2025 SECOND QUARTER AND SIX-MONTH NET INCOME

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

NEW YORK - The Farm Credit System today reported that combined net income was stable at $1.94 billion for the second quarter and $3.90 billion for the six months ended June 30, 2025, as compared with net income of $1.93 billion and $3.92 billion for the same periods of the prior year.

“The System delivered solid earnings for the quarter and first six months of 2025,” remarked Tracey McCabe, President and CEO of the Federal Farm Credit Banks Funding Corporation. “The System’s strong balance sheet and robust capital levels position it to serve our member-borrowers should challenges around trade and geopolitical conditions intensify in the months to come.”

Results of Operations

Second Quarter and Six-Month 2025 Results Compared to Second Quarter and Six-Month 2024 Results

Net interest income increased $196 million or 6.6% to $3.1 billion for the second quarter of 2025 and $357 million or 6.1% to $6.3 billion for the six months ended June 30, 2025, 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 by increased loan volume and, to a lesser extent, growth in investments held for liquidity. Average earning assets increased $42.7 billion or 8.7% to $534.8 billion for the three months ended June 30, 2025 and $42.8 billion or 8.7% to $531.9 billion for the six months ended June 30, 2025, as compared with the same periods of the prior year.

The net interest margin was 2.35% for both the three and six months ended June 30, 2025, as compared with 2.40% and 2.41% for the same periods of the prior year. The decline in the net interest margin during these periods primarily resulted from a five and four basis point decrease in income earned on earning assets funded by noninterest-bearing sources (principally capital). Net interest spread was unchanged at 1.83% for the three months ended June 30, 2025, as compared with June 30, 2024 and decreased two basis points to 1.83% for the six months ended June 30, 2025, as compared with 1.85% for the same period of the prior year. The decrease in net interest spread was primarily driven by loan spread compression due to competitive market pressures.

The System recognized provisions for credit losses of $300 million and $550 million for the three and six months ended June 30, 2025, as compared with $119 million and $159 million for the three and six months ended June 30, 2024. The provisions for credit losses for the three and six months ended June 30, 2025 primarily reflected specific reserves, deterioration in credit quality, weakening macroeconomic forecasts impacting modeled credit losses and, to a lesser extent, higher loan volume. The provisions for credit losses for the three and six months ended June 30, 2024 primarily reflected specific reserves associated with a limited number of customers, a modest deterioration in credit quality and higher loan volume. Partially offsetting the 2024 provisions for credit losses were credit loss reversals at certain System institutions primarily related to improvements in macroeconomic forecasts resulting in lower modeled credit losses in certain sectors of the portfolio.

Noninterest income increased $39 million or 14.5% to $308 million and $87 million or 17.0% to $600 million for the three and six months ended June 30, 2025, as compared with the same periods of the prior year. The increases for the three- and six-month periods were primarily due to an increase in income earned on Insurance Fund assets of $13 million and $29 million and a decrease in net losses on investments in rural business investment companies of $24 million and $22 million. Higher noninterest income for the six-month period also included net gains on derivative, investment and other transactions of $10 million, as compared to net losses of $9 million for the same period of the prior year. Partially offsetting the increases was a decline in loan-related fee income of $18 million and $6 million for the three- and six-month periods primarily due to lower transaction-related lending fees.

Noninterest expense increased $37 million or 3.3% to $1.2 billion and $98 million or 4.4% to $2.3 billion for the three and six months ended June 30, 2025, as compared with the same periods of the prior year. The increases for the three- and six-month periods were primarily due to increases in salaries and employee benefits, occupancy and equipment expense and other operating expense. Salaries and employee benefits increased $26 million and $59 million for the three and six months ended June 30, 2025, as compared to the same periods of the prior year, primarily from annual merit increases and higher staffing levels at certain System institutions. For the three- and six-month periods ended June 30, 2025, occupancy and equipment expense increased $9 million and $14 million primarily due to higher software, equipment and third-party servicing costs. Other operating expense increased $7 million and $22 million for the three and six months ended June 30, 2025, as compared to the same periods of the prior year, primarily due to increases in technology, member relations, travel, and other miscellaneous expenses.

The provisions for income taxes were $53 million and $96 million for the three and six months ended June 30, 2025, as compared with $49 million and $115 million for the same periods of the prior year. The effective tax rate decreased to 2.4% for the first six months of 2025 from 2.8% for the first six months of 2024 due to decreased earnings attributable to taxable business activities.

Second Quarter 2025 Compared to First Quarter 2025

Net income decreased $15 million or 0.8% to $1.94 billion for the second quarter of 2025, as compared with $1.96 billion for the first quarter of 2025. Negatively impacting net income for the three months ended June 30, 2025 were increases in the provision for credit losses of $50 million, provision for income taxes of $10 million and noninterest expense of $9 million. The increase in the provision for credit losses during the second quarter was primarily due to credit quality deterioration and specific reserves. Positively impacting net income for the second quarter of 2025 were increases in net interest income of $38 million and noninterest income of $16 million.

Loan Portfolio Activity

Gross loans increased $7.6 billion or 1.8% to $436.5 billion at June 30, 2025, as compared with $428.9 billion at December 31, 2024. The increase primarily resulted from an increase in real estate mortgage, power, farm-related business, and processing and marketing loans, offset in part by a decrease in production and intermediate-term loans. The increase in real estate mortgage loans was primarily driven by additional financing needs for new and existing customers. Power loans increased primarily due to strong financing activity in the electric distribution, electric cooperative and regulated utility sectors. The increase in farm-related business loans was primarily due to increased lending to protein and grain related businesses. Processing and marketing loans increased primarily due to loans to both new and existing customers across various industries. The decrease in production and intermediate-term loans was primarily driven by seasonal repayments.

Credit Quality

The System's accruing loan volume was $432.6 billion at June 30, 2025, as compared with $425.7 billion at December 31, 2024. Nonaccrual loans increased $745 million to $3.9 billion at June 30, 2025, as compared with December 31, 2024. The increase in nonaccrual loans was primarily due to credit quality deterioration impacting certain borrowers in the wine and distilled beverages, food processing, tree nuts and farm-related business services sectors. At June 30, 2025, 50.0% of nonaccrual loans were current as to principal and interest, as compared with 51.9% at December 31, 2024.

Nonperforming assets (which consist of nonaccrual loans, accruing loans 90 days or more past due and other property owned) were $4.5 billion at June 30, 2025, which represented 1.02% of loans and other property owned, as compared with nonperforming assets of $3.5 billion at December 31, 2024, which represented 0.81% 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 97.0% at June 30, 2025 and 97.6% at December 31, 2024. Loan delinquencies (accruing loans 30 days or more past due) as a percentage of accruing loans increased to 0.47% at June 30, 2025, as compared with 0.44% at June 30, 2024.

The allowance for credit losses on loans was $2.1 billion at June 30, 2025, as compared with $1.8 billion at December 31, 2024. Net loan charge-offs of $228 million were recorded during the first six months of 2025, as compared with $150 million for the same period of the prior year. The allowance for credit losses on loans as a percentage of total loans was 0.48% at June 30, 2025 and 0.42% at December 31, 2024. The allowance for credit losses on loans was 47% of the System's total nonperforming assets and 54% of its nonaccrual loans at June 30, 2025, as compared with 52% and 57% at December 31, 2024. The System also had $196 million and $173 million of allowance for credit losses on unfunded commitments at June 30, 2025 and December 31, 2024. Total capital and the allowance for credit losses on loans, which is a measure of risk-bearing capacity, totaled $84.5 billion at June 30, 2025 and $80.6 billion at December 31, 2024, and represented 19.3% of System loans at June 30, 2025, as compared with 18.8% at December 31, 2024.

Liquidity and Capital Resources

Cash and investments (primarily held for liquidity purposes) were $103.7 billion at June 30, 2025 and $98.8 billion at December 31, 2024. The System's liquidity portfolio provided 178 days coverage of maturing debt at June 30, 2025, as compared with 177 days coverage at December 31, 2024.

Total capital was $82.4 billion at June 30, 2025, as compared with $78.8 billion at December 31, 2024. The System's retained earnings increased $2.7 billion to $64.2 billion during the first six months of 2025 due to net income earned and retained. During the first six months of 2025, one Bank redeemed $300 million of preferred stock. Accumulated other comprehensive loss decreased $778 million to $3.0 billion during the first six months of 2025 primarily due to 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 14.8% at June 30, 2025, as compared with 14.5% at December 31, 2024.

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

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

	June 30, 2025 (unaudited)	December 31, 2024 (audited)
Cash and investments	$103,697	$ 98,773
Loans	436,498	428,913
Less: allowance for credit losses on loans	(2,099)	(1,799)
Net loans	434,399	427,114
Accrued interest receivable	5,121	5,264
Other assets	5,512	5,254
Restricted assets	8,229	7,960
Total assets	$556,958	$544,365
Systemwide Debt Securities:		
Due within one year	$162,533	$156,954
Due after one year	296,415	290,907
Total Systemwide Debt Securities	458,948	447,861
Subordinated debt	398	398
Other bonds	5,521	5,139
Other liabilities	9,738	12,135
Total liabilities	474,605	465,533
Preferred stock	3,382	3,680
Capital stock	2,219	2,201
Additional paid-in-capital	7,385	7,379
Restricted capital	8,229	7,960
Accumulated other comprehensive loss	(3,035)	(3,813)
Retained earnings	64,173	61,425
Total capital	82,353	78,832
Total liabilities and capital	$556,958	$544,365

STATEMENT OF INCOME DATA

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	(unaudited)			
	2025	2024	2025	2024
Interest income	$7,611	$7,334	$15,065	$14,518
Interest expense	(4,466)	(4,385)	(8,813)	(8,623)
Net interest income	3,145	2,949	6,252	5,895
Provision for credit losses	(300)	(119)	(550)	(159)
Noninterest income	308	269	600	513
Noninterest expense	(1,159)	(1,122)	(2,309)	(2,211)
Income before income taxes	1,994	1,977	3,993	4,038
Provision for income taxes	(53)	(49)	(96)	(115)
Net income	$1,941	$1,928	$ 3,897	$ 3,923

FARM CREDIT SYSTEM
COMBINED FINANCIAL STATEMENT DATA
(in millions)

Statement of Condition Data – Five Quarter Trend

	June 30, 2025 (unaudited)	March 31, 2025 (unaudited)	December 31, 2024 (audited)	September 30, 2024 (unaudited)	June 30, 2024 (unaudited)
Cash and investments	$103,697	$ 99,603	$ 98,773	$ 96,176	$ 91,003
Loans	436,498	432,691	428,913	414,402	406,659
Less: allowance for credit losses on loans	(2,099)	(2,001)	(1,799)	(1,772)	(1,636)
Net loans	434,399	430,690	427,114	412,630	405,023
Accrued interest receivable	5,121	4,775	5,264	5,721	4,832
Other assets	5,512	5,398	5,254	5,473	5,566
Restricted assets	8,229	8,054	7,960	7,795	7,637
Total assets	$556,958	$548,520	$544,365	$527,795	$514,061
Systemwide Debt Securities	$458,948	$452,212	$447,861	$431,936	$420,669
Subordinated debt	398	398	398	398	398
Other bonds	5,521	5,546	5,139	6,204	5,998
Other liabilities	9,738	9,814	12,135	10,187	10,150
Total liabilities	474,605	467,970	465,533	448,725	437,215
Preferred stock	3,382	3,381	3,680	3,378	3,682
Capital stock	2,219	2,187	2,201	2,175	2,151
Additional paid-in-capital	7,385	7,385	7,379	7,286	7,286
Restricted capital	8,229	8,054	7,960	7,795	7,637
Accumulated other comprehensive loss	(3,035)	(3,296)	(3,813)	(3,425)	(4,395)
Retained earnings	64,173	62,839	61,425	61,861	60,485
Total capital	82,353	80,550	78,832	79,070	76,846
Total liabilities and capital	$556,958	$548,520	$544,365	$527,795	$514,061

Statement of Income Data – Five Quarter Trend (unaudited)

For the three months ended:	June 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024	June 30, 2024
Interest income	$7,611	$7,454	$7,515	$7,596	$7,334
Interest expense	(4,466)	(4,347)	(4,419)	(4,552)	(4,385)
Net interest income	3,145	3,107	3,096	3,044	2,949
Provision for credit losses	(300)	(250)	(219)	(191)	(119)
Noninterest income	308	292	316	333	269
Noninterest expense	(1,159)	(1,150)	(1,290)	(1,169)	(1,122)
Income before income taxes	1,994	1,999	1,903	2,017	1,977
Provision for income taxes	(53)	(43)	(12)	(33)	(49)
Net income	$1,941	$1,956	$1,891	$1,984	$1,928