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FARM CREDIT SYSTEM REPORTS 2022 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 increased 3.5% to $1.8 billion and 3.7% to $3.6 billion for the three and six months ended June 30, 2022, as compared with net income of $1.7 billion and $3.4 billion for the same periods of the prior year.

"The System reported another quarter of solid financial performance," remarked Tracey McCabe, President and CEO of the Federal Farm Credit Banks Funding Corporation. "Continued loan growth, sound credit quality and solid capital levels position the System to support U.S. agriculture in the current volatile economic and geopolitical environment."

Results of Operations

Second Quarter and Six-Month 2022 Results Compared to Second Quarter and Six-Month 2021 Results

Net interest income increased $190 million or 7.8% to $2.6 billion for the second quarter of 2022 and $358 million or 7.4% to $5.2 billion for the six months ended June 30, 2022, 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 the liquidity investment portfolio. Average earning assets increased $47.3 billion or 12.0% and $42.4 billion or 10.8% to $441.8 billion and $435.0 billion for the three and six months ended June 30, 2022, as compared with the prior year periods.

The net interest margin was 2.37% and 2.38% for the three and six months ended June 30, 2022, as compared with 2.46% for both periods of the prior year. The decrease in the net interest margin for the three- and six-month periods primarily resulted from decreases in the net interest spread of 13 and nine basis points to 2.21% and 2.24%, as compared with 2.34% and 2.33% for the same periods of the prior year. The decline in the net interest spread for the three- and six-month periods of 2022 was principally due to increasing debt costs in the rising interest rate environment and higher levels of liquidity investments, which have lower spreads commensurate with lower risk. The net interest margin was positively impacted during both these periods by a four and one basis point increase in income earned on earning assets funded by noninterest-bearing sources (principally capital).

The System recognized provisions for loan losses of $6 million and $1 million for the three and six months ended June 30, 2022, as compared with loan loss reversals of $58 million and $30 million for the three and six months ended June 30, 2021. The provision for loan losses recorded by certain System institutions for the first six months of 2022 primarily reflected a higher level of overall agribusiness lending activity and specific reserves associated with a limited number of customers in the agribusiness and rural power sectors. Substantially offsetting these provisions for loan losses were loan loss reversals recorded by other System institutions primarily reflecting credit quality improvements and the reversal of specific reserves associated with a limited number of customers. The loan loss reversal for the first six months of 2021 primarily reflected credit quality improvements and the release of general reserves that were added in 2020 to address potential losses from the COVID-19 pandemic. Partially offsetting these loan loss reversals in 2021 were provisions for loan losses primarily reflecting a higher level of overall agribusiness lending activity and, to a lesser extent, the adverse impact of a severe weather event in Texas during the first quarter of 2021 affecting a limited number of rural power customers.

Noninterest income increased $2 million or 1.1% to $184 million for the three months ended June 30, 2022 and decreased $29 million or 7.4% to $363 million for the six months ended June 30, 2022, as compared with the same periods of the prior year. The decrease for the six-month period was primarily due to net losses on derivative, investment and other transactions of $23 million for the first six months of 2022, as compared to net gains of $29 million for the first six months of 2021 and a decrease in loan-related fee income of $27 million, offset in part by a decrease in losses on extinguishment of debt of $34 million and an increase in mineral income of $19 million.

Noninterest expense increased $68 million or 7.8% to $943 million and $173 million or 10.1% to $1.9 billion for the three and six months ended June 30, 2022, 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 and other operating expense. Salaries and employee benefits increased $35 million and $98 million for the three and six months ended June 30, 2022, as compared to the same periods of the prior year, due to annual merit and other pay increases to address inflation and tight labor markets as well as higher staffing levels at certain System institutions. Other operating expense increased $25 million and $59 million for the three and six months ended June 30, 2022, as compared to the same periods of the prior year, primarily due to increases in travel, training and member relations expenses as the COVID-19 pandemic restrictions and precautions were eased and/or lifted, and higher technology expenses.

The provisions for income taxes were $45 million and $93 million for the three and six months ended June 30, 2022, as compared with $46 million and $94 million for the three and six months ended June 30, 2021. The effective tax rate decreased to 2.5% for the first six months of 2022 from 2.7% for the first six months of 2021 due to increased earnings attributable to non-taxable business activities and higher levels of patronage.

Second Quarter 2022 Compared to First Quarter 2022

Net income remained relatively unchanged at $1.8 billion for the second quarter of 2022, as compared with the first quarter of 2022. Positively impacting net income for the three months ended June 30, 2022 were increases in net interest income of $59 million and noninterest income of $5 million and a decrease in provision for income taxes of $3 million. The increase in net interest income primarily resulted from a higher level of average earning assets. Negatively impacting net income for the second quarter of 2022 was a provision for loan losses of $6 million in the second quarter of 2022, as compared with a loan loss reversal of $5 million in the first quarter of 2022 and an increase in noninterest expense of $5 million.

Loan Portfolio Activity

Gross loans increased $13.4 billion or 3.9% to $357.3 billion at June 30, 2022, as compared with $343.9 billion at December 31, 2021. The increase primarily resulted from an increase in real estate mortgage loans, loans to cooperatives and processing and marketing loans, offset in part by a decrease in production and intermediate-term loans. The primary driver of the increase in real estate mortgage loans was financing for new and existing customers due to continued demand for fixed-rate financing before long-term rates began to rise. Loans to cooperatives increased primarily due to higher commodity prices that drove higher seasonal financing requirements at many grain and farm supply cooperatives as well as increased lending to other customers that use commodities as inputs to their businesses. Processing and marketing loans increased primarily due to increased draws on lines of credit by existing customers as a result of higher commodity prices. The decrease in production and intermediate-term loans was primarily driven by seasonal repayments.

Credit Quality

The System's accruing loan volume was $356.1 billion at June 30, 2022, as compared with $342.8 billion at December 31, 2021. Nonaccrual loans increased $38 million to $1.2 billion at June 30, 2022, as compared to December 31, 2021. The increase in nonaccrual loans was primarily due to credit quality deterioration impacting a limited number of borrowers. At June 30, 2022, 63.8% of nonaccrual loans were current as to principal and interest, as compared with 63.7% at December 31, 2021.

Nonperforming assets (which consist of nonaccrual loans, accruing restructured loans, accruing loans 90 days or more past due and other property owned) increased $191 million during the first six months of 2022 to $1.8 billion at June 30, 2022. This increase was driven by increases in nonaccrual loans and accruing loans 90 days or more past due. Accruing loans 90 days or more past due increased $154 million and are considered well secured and in the process of collection. Nonperforming assets represented 0.50% of the System's loans and other property owned at June 30, 2022, as compared with 0.46% at December 31, 2021.

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 98.4% at June 30, 2022 and 98.1% at December 31, 2021. Loan delinquencies (accruing loans 30 days or more past due) as a percentage of accruing loans increased slightly to 0.26% at June 30, 2022, as compared with 0.24% at June 30, 2021.

The allowance for loan losses was $1.6 billion at both June 30, 2022 and December 31, 2021. Net loan charge-offs of $15 million were recorded during the first six months of 2022, as compared with net loan recoveries of $7 million for the same period of the prior year. The allowance for loan losses as a percentage of total loans was 0.45% at June 30, 2022 and 0.47% at December 31, 2021. The allowance for loan losses was 91% of the System's total nonperforming assets and 133% of its nonaccrual loans at June 30, 2022, as compared with 103% and 139% at December 31, 2021. Total capital and the allowance for loan losses, which is a measure of risk-bearing capacity, totaled $70.5 billion at June 30, 2022 and $71.1 billion at

December 31, 2021, and represented 19.7% of System loans at June 30, 2022, as compared with 20.7% at December 31, 2021.

Liquidity and Capital Resources

Cash and investments (principally all of which were held for liquidity purposes) were $87.1 billion at June 30, 2022 and $80.8 billion at December 31, 2021. The System's liquidity position provided 181 days coverage of maturing debt at June 30, 2022, as compared with 180 days coverage at December 31, 2021.

Total capital decreased $549 million during the first six months of 2022 to $68.9 billion. The System's retained earnings increased $1.9 billion to $56.8 billion during the first six months of 2022 due to net income earned and retained. During the first six months of 2022, two Banks redeemed a total of $292 million of preferred stock, while one Association redeemed approximately $247 million of Class H preferred stock. Accumulated other comprehensive loss increased $2.8 billion during the first six months of 2022 primarily as a result of an increase in interest rates, which decreased the fair value of existing fixed-rate investment securities. Capital as a percentage of total assets decreased to 15.1% at June 30, 2022, as compared with 15.9% at December 31, 2021.

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 64 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, including the length and extent of the economic impact of the COVID-19 pandemic, are 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, 2022 (unaudited)	December 31, 2021 (audited)
Cash and investments	$ 87,139	$ 80,816
Loans	357,306	343,929
Less: allowance for loan losses	(1,614)	(1,632)
Net loans	355,692	342,297
Accrued interest receivable	2,716	2,560
Other assets	4,420	4,324
Restricted assets	6,304	5,960
Total assets	$456,271	$435,957
Systemwide Debt Securities:		
Due within one year	$135,162	$130,701
Due after one year	239,650	222,122
Total Systemwide Debt Securities	374,812	352,823
Subordinated debt	398	398
Other bonds	3,938	3,623
Other liabilities	8,195	9,636
Total liabilities	387,343	366,480
Preferred stock	3,446	3,993
Capital stock	2,098	2,069
Additional paid-in-capital	4,266	3,782
Restricted capital	6,304	5,960
Accumulated other comprehensive loss	(3,995)	(1,210)
Retained earnings	56,809	54,883
Total capital	68,928	69,477
Total liabilities and capital	$456,271	$435,957

STATEMENT OF INCOME DATA

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	(unaudited)			
	2022	2021	2022	2021
Interest income	$3,700	$3,116	$7,013	$6,205
Interest expense	(1,081)	(687)	(1,834)	(1,384)
Net interest income	2,619	2,429	5,179	4,821
(Provision for loan losses) loan loss reversal	(6)	58	(1)	30
Noninterest income	184	182	363	392
Noninterest expense	(943)	(875)	(1,881)	(1,708)
Income before income taxes	1,854	1,794	3,660	3,535
Provision for income taxes	(45)	(46)	(93)	(94)
Net income	$1,809	$1,748	$3,567	$3,441

FARM CREDIT SYSTEM
COMBINED FINANCIAL STATEMENT DATA
(in millions)

Statement of Condition Data – Five Quarter Trend

	June 30, 2022 (unaudited)	March 31, 2022 (unaudited)	December 31, 2021 (audited)	September 30, 2021 (unaudited)	June 30, 2021 (unaudited)
Cash and investments	$ 87,139	$ 81,749	$ 80,816	$ 73,351	$ 73,936
Loans	357,306	360,218	343,929	325,784	323,181
Less: allowance for loan losses	(1,614)	(1,655)	(1,632)	(1,653)	(1,781)
Net loans	355,692	358,563	342,297	324,131	321,400
Accrued interest receivable	2,716	2,361	2,560	2,971	2,435
Other assets	4,420	4,200	4,324	4,303	4,352
Restricted assets	6,304	6,096	5,960	5,833	5,708
Total assets	$456,271	$452,969	$435,957	$410,589	$407,831
Systemwide Debt Securities	$374,812	$371,652	$352,823	$329,008	$328,835
Subordinated debt	398	398	398	398	400
Other bonds	3,938	3,325	3,623	3,634	2,745
Other liabilities	8,195	8,776	9,636	8,051	7,498
Total liabilities	387,343	384,151	366,480	341,091	339,478
Preferred stock	3,446	3,772	3,993	3,531	3,563
Capital stock	2,098	2,073	2,069	2,049	2,017
Additional paid-in-capital	4,266	4,266	3,782	3,785	3,781
Restricted capital	6,304	6,096	5,960	5,833	5,708
Accumulated other comprehensive loss	(3,995)	(2,991)	(1,210)	(1,051)	(898)
Retained earnings	56,809	55,602	54,883	55,351	54,182
Total capital	68,928	68,818	69,477	69,498	68,353
Total liabilities and capital	$456,271	$452,969	$435,957	$410,589	$407,831

Statement of Income Data – Five Quarter Trend (unaudited)

For the three months ended:	**June 30, 2022**	**March 31, 2022**	**December 31, 2021**	**September 30, 2021**	**June 30, 2021**
Interest income	$3,700	$3,313	$3,195	$3,141	$3,116
Interest expense	(1,081)	(753)	(691)	(702)	(687)
Net interest income	2,619	2,560	2,504	2,439	2,429
(Provision for loan losses) loan loss reversal	(6)	5	10	112	58
Noninterest income	184	179	189	179	182
Noninterest expense	(943)	(938)	(1,087)	(924)	(875)
Income before income taxes	1,854	1,806	1,616	1,806	1,794
Provision for income taxes	(45)	(48)	(21)	(46)	(46)
Net income	$1,809	$1,758	$1,595	$1,760	$1,748