



FEDERAL FARM CREDIT BANKS

# FUNDING CORPORATION

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## Press Release

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### FARM CREDIT SYSTEM REPORTS FIRST QUARTER 2025 COMBINED RESULTS

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

NEW YORK - The Farm Credit System today reported that combined net income decreased 2.0% to \$1.96 billion for the first quarter of 2025, as compared with \$2.00 billion for the same period of the prior year.

“The System continues its unwavering support of rural America as it navigates through a challenging environment,” remarked Tracey McCabe, President and CEO of the Federal Farm Credit Banks Funding Corporation. “Our solid financial results and healthy capital levels position us to serve our member-borrowers as events unfold.”

#### **Results of Operations**

##### **First Quarter 2025 Compared to First Quarter 2024**

Net interest income was \$3.1 billion for the first quarter of 2025, as compared with \$2.9 billion for the first quarter of 2024. 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 \$42.8 billion or 8.8% to \$529.0 billion for the first quarter of 2025, as compared with the first quarter of 2024.

The net interest margin decreased seven basis points to 2.35% for the quarter ended March 31, 2025, as compared with 2.42% for the same period of the prior year. The decline in the net interest margin resulted from a five-basis point decrease in income earned on earning assets funded by noninterest-bearing sources (principally capital) as interest rates declined during the first quarter of 2025, as compared with the first quarter of 2024. The net interest margin was also negatively impacted by a decrease in the net interest spread of two basis points to 1.84%, as compared with the first quarter of 2024. The decrease in the net interest spread was primarily driven by loan spread compression due to competitive market pressures 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 \$250 million for the first quarter of 2025, as compared with \$40 million during the first quarter of 2024. The provision for credit losses for the first quarter of 2025 primarily reflected specific reserves associated with a limited number of customers, a modest deterioration in credit quality and weakening macroeconomic forecasts impacting modeled credit losses and, to a lesser extent, higher loan volume. 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.

Noninterest income increased \$48 million or 19.7% to \$292 million for the first quarter of 2025, as compared with the first quarter of 2024. The increase was primarily due to increases in income earned on Insurance Fund assets of \$16 million and loan-related fee income of \$12 million due to increased arrangement and transaction-related lending fees. Also positively impacting noninterest income were net gains on derivative, investment and other transactions of \$6 million for the first quarter of 2025, as compared to net losses of \$8 million for the first quarter of 2024. The net gains on derivative, investment and other transactions were due to the decrease in interest rates during the period.

Noninterest expense increased \$61 million or 5.6% to \$1.2 billion for the first quarter of 2025, as compared with the first quarter of 2024, primarily due to increases in salaries and employee benefits and other operating expense. Salaries and employee benefits increased \$33 million primarily from annual merit increases and higher staffing levels at certain System institutions. Other operating expense increased \$15 million primarily due to increases in technology, member relations, travel, and other miscellaneous expenses.

The provision for income taxes was \$43 million for the first quarter of 2025 and \$66 million for the first quarter of 2024. The effective tax rate decreased to 2.2% for the first quarter of 2025 from 3.2% for the first quarter of 2024 due to decreased earnings attributable to taxable business activities.

#### First Quarter 2025 Compared to Fourth Quarter 2024

Net income increased \$65 million or 3.4% to \$1.96 billion for the first quarter of 2025, as compared with the fourth quarter of 2024. The increase in net income was primarily due to a decrease in noninterest expense of \$140 million and an increase in net interest income of \$11 million. The decrease in noninterest expense was primarily due to lower incentive compensation, purchased services, member relations and travel expenses. Partially offsetting the increase in net income for the first quarter of 2025 were increases in the provision for credit losses of \$31 million and the provision for income taxes of \$31 million, as well as a decrease in noninterest income of \$24 million.

#### Loan Portfolio Activity

Gross loans increased \$3.8 billion or 0.9% to \$432.7 billion at March 31, 2025, as compared with \$428.9 billion at December 31, 2024. The increase primarily resulted from an increase in loans to cooperatives, processing and marketing loans, and power 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 processing and marketing loans was primarily due to loans to both new and existing customers across various industries. Power loans increased primarily due to financing higher levels of infrastructure spending and investments in the electric cooperative and regulated utility sectors. The decrease in production and intermediate-term loans was primarily driven by seasonal repayments.

## **Credit Quality**

The System's accruing loan volume was \$429.0 billion at March 31, 2025, as compared with \$425.7 billion at December 31, 2024. Nonaccrual loans increased \$539 million to \$3.7 billion at March 31, 2025, as compared with December 31, 2024. The increase in nonaccrual loans was primarily due to credit quality deterioration impacting a limited number of borrowers in the farm-related business services, nuts and hogs sectors. At March 31, 2025, 44.8% 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 \$4.1 billion at March 31, 2025 and represented 0.96% 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 97.2% at March 31, 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 0.55% at March 31, 2025, as compared with 0.48% at March 31, 2024.

The allowance for credit losses on loans was \$2.0 billion at March 31, 2025, as compared with \$1.8 billion at December 31, 2024. Net loan charge-offs of \$43 million were recorded during the first quarter of 2025, as compared with net loan charge-offs of \$88 million for the first quarter of 2024. The allowance for credit losses on loans as a percentage of total loans was 0.46% at March 31, 2025 and 0.42% at December 31, 2024. The allowance for credit losses on loans was 48% of the System's total nonperforming assets and 54% of nonaccrual loans at March 31, 2025, as compared with 52% and 57% at December 31, 2024. The System also had \$178 million and \$173 million of allowance for unfunded commitments at March 31, 2025 and December 31, 2024. Total capital and the allowance for credit losses on loans, which is a measure of risk-bearing capacity, totaled \$82.6 billion at March 31, 2025 and \$80.6 billion at December 31, 2024, and represented 19.1% of System loans at March 31, 2025, as compared with 18.8% at December 31, 2024.

## **Liquidity and Capital Resources**

Cash and investments (primarily held for liquidity purposes) were \$99.6 billion at March 31, 2025 and \$98.8 billion at December 31, 2024. The System's liquidity portfolio provided 177 days coverage of maturing debt at both March 31, 2025 and December 31, 2024.

Total capital was \$80.6 billion at March 31, 2025, as compared with \$78.8 billion at December 31, 2024. The System's retained earnings increased \$1.4 billion to \$62.8 billion during the first quarter of 2025 due to net income earned and retained. During the first quarter of 2025, one Bank redeemed \$300 million of preferred stock. Accumulated other comprehensive loss decreased \$517 million to \$3.3 billion during the first quarter 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 14.7% at March 31, 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](http://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](http://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**

	<b>March 31, <u>2025</u> (unaudited)</b>	<b>December 31, <u>2024</u> (audited)</b>
Cash and investments	\$ 99,603	\$ 98,773
Loans	432,691	428,913
Less: allowance for credit losses on loans	<u>(2,001)</u>	<u>(1,799)</u>
Net loans	<u>430,690</u>	<u>427,114</u>
Accrued interest receivable	4,775	5,264
Other assets	5,398	5,254
Restricted assets	<u>8,054</u>	<u>7,960</u>
Total assets	<u><u>\$548,520</u></u>	<u><u>\$544,365</u></u>
Systemwide Debt Securities:		
Due within one year	\$158,964	\$156,954
Due after one year	<u>293,248</u>	<u>290,907</u>
Total Systemwide Debt Securities	452,212	447,861
Subordinated debt	398	398
Other bonds	5,546	5,139
Other liabilities	<u>9,814</u>	<u>12,135</u>
Total liabilities	<u><u>467,970</u></u>	<u><u>465,533</u></u>
Preferred stock	3,381	3,680
Capital stock	2,187	2,201
Additional paid-in-capital	7,385	7,379
Restricted capital	8,054	7,960
Accumulated other comprehensive loss	(3,296)	(3,813)
Retained earnings	<u>62,839</u>	<u>61,425</u>
Total capital	<u><u>80,550</u></u>	<u><u>78,832</u></u>
Total liabilities and capital	<u><u>\$548,520</u></u>	<u><u>\$544,365</u></u>

**STATEMENT OF INCOME DATA**

	<b>For the Quarter Ended <u>March 31,</u> (unaudited)</b>	
	<b><u>2025</u></b>	<b><u>2024</u></b>
Interest income	\$7,454	\$7,184
Interest expense	<u>(4,347)</u>	<u>(4,238)</u>
Net interest income	3,107	2,946
Provision for credit losses	(250)	(40)
Noninterest income	292	244
Noninterest expense	<u>(1,150)</u>	<u>(1,089)</u>
Income before income taxes	1,999	2,061
Provision for income taxes	<u>(43)</u>	<u>(66)</u>
Net income	<u><u>\$1,956</u></u>	<u><u>\$1,995</u></u>

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

**Statement of Condition Data – Five Quarter Trend**

	<b>March 31, 2025</b>	<b>December 31, 2024</b>	<b>September 30, 2024</b>	<b>June 30, 2024</b>	<b>March 31, 2024</b>
	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)
Cash and investments	\$ 99,603	\$ 98,773	\$ 96,176	\$ 91,003	\$ 88,021
Loans	432,691	428,913	414,402	406,659	400,524
Less: allowance for credit losses on loans	<u>(2,001)</u>	<u>(1,799)</u>	<u>(1,772)</u>	<u>(1,636)</u>	<u>(1,575)</u>
Net loans	<u>430,690</u>	<u>427,114</u>	<u>412,630</u>	<u>405,023</u>	<u>398,949</u>
Accrued interest receivable	4,775	5,264	5,721	4,832	4,416
Other assets	5,398	5,254	5,473	5,566	5,535
Restricted assets	<u>8,054</u>	<u>7,960</u>	<u>7,795</u>	<u>7,637</u>	<u>7,607</u>
Total assets	<u>\$548,520</u>	<u>\$544,365</u>	<u>\$527,795</u>	<u>\$514,061</u>	<u>\$504,528</u>
Systemwide Debt Securities	\$452,212	\$447,861	\$431,936	\$420,669	\$413,862
Subordinated debt	398	398	398	398	398
Other bonds	5,546	5,139	6,204	5,998	5,677
Other liabilities	<u>9,814</u>	<u>12,135</u>	<u>10,187</u>	<u>10,150</u>	<u>9,976</u>
Total liabilities	<u>467,970</u>	<u>465,533</u>	<u>448,725</u>	<u>437,215</u>	<u>429,913</u>
Preferred stock	3,381	3,680	3,378	3,682	3,081
Capital stock	2,187	2,201	2,175	2,151	2,128
Additional paid-in-capital	7,385	7,379	7,286	7,286	7,286
Restricted capital	8,054	7,960	7,795	7,637	7,607
Accumulated other comprehensive loss	(3,296)	(3,813)	(3,425)	(4,395)	(4,548)
Retained earnings	<u>62,839</u>	<u>61,425</u>	<u>61,861</u>	<u>60,485</u>	<u>59,061</u>
Total capital	<u>80,550</u>	<u>78,832</u>	<u>79,070</u>	<u>76,846</u>	<u>74,615</u>
Total liabilities and capital	<u>\$548,520</u>	<u>\$544,365</u>	<u>\$527,795</u>	<u>\$514,061</u>	<u>\$504,528</u>

**Statement of Income Data – Five Quarter Trend** (unaudited)

<b>For the three months ended:</b>	<b>March 31, 2025</b>	<b>December 31, 2024</b>	<b>September 30, 2024</b>	<b>June 30, 2024</b>	<b>March 31, 2024</b>
Interest income	\$7,454	\$7,515	\$7,596	\$7,334	\$7,184
Interest expense	<u>(4,347)</u>	<u>(4,419)</u>	<u>(4,552)</u>	<u>(4,385)</u>	<u>(4,238)</u>
Net interest income	3,107	3,096	3,044	2,949	2,946
Provision for credit losses	(250)	(219)	(191)	(119)	(40)
Noninterest income	292	316	333	269	244
Noninterest expense	<u>(1,150)</u>	<u>(1,290)</u>	<u>(1,169)</u>	<u>(1,122)</u>	<u>(1,089)</u>
Income before income taxes	1,999	1,903	2,017	1,977	2,061
Provision for income taxes	<u>(43)</u>	<u>(12)</u>	<u>(33)</u>	<u>(49)</u>	<u>(66)</u>
Net income	<u>\$1,956</u>	<u>\$1,891</u>	<u>\$1,984</u>	<u>\$1,928</u>	<u>\$1,995</u>