FEDERAL FARM CREDIT BANKS
FUNDING CORPORATION

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Press Release

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FARM CREDIT SYSTEM REPORTS 2020 THIRD QUARTER AND NINE-MONTH NET INCOME

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

NEW YORK - The Farm Credit System today reported combined net income of $1.6 billion and $4.4 billion for the three and nine months ended September 30, 2020, as compared with $1.4 billion and $4.1 billion for the same periods of the prior year.

"The System delivered solid results for the third quarter notwithstanding the challenging and uncertain economic environment," remarked Tracey McCabe, President and CEO of the Federal Farm Credit Banks Funding Corporation. "Historically low interest rates, coupled with our diversified loan portfolio have contributed to this success."

Results of Operations

Third Quarter and Nine-Month 2020 Results Compared to Third Quarter and Nine-Month 2019 Results

Net interest income increased $192 million or 9.2% to $2.3 billion for the third quarter of 2020 and $532 million or 8.7% to $6.7 billion for the nine months ended September 30, 2020, 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. Average earning assets increased $29.8 billion or 8.7% to $371.2 billion and $24.6 billion or 7.2% to $364.3 billion for the three and nine months ended September 30, 2020, as compared with the prior year periods.

The net interest margin was 2.45% for both the three and nine months ended September 30, 2020, as compared with 2.44% and 2.41% for the same periods of the prior year. The increase in the net interest margin for the three- and nine-month periods primarily resulted from increases in the net interest spread of 23 and 20 basis points to 2.28% and 2.22%, as compared with 2.05% and 2.02% for the same periods of the prior year. The increase in net interest spread was primarily due to lower debt costs as the Banks were able to take advantage of the substantial downward move in lower interest rates across the yield curve and called debt totaling $100 billion during the first nine months of 2020, as compared with $38 billion for the same period of the prior year. The net interest margin during both these periods was negatively impacted by a 22 and 16 basis point decrease in income earned on earning assets funded by noninterest-bearing sources (principally capital).

The System recognized provisions for loan losses of $7 million and $165 million for the three and nine months ended September 30, 2020, as compared with provisions for loan losses of $29 million and $95 million for the three and nine months ended September 30, 2019. The provision for loan losses for the first nine months of 2020 primarily reflected a higher level of overall lending activity and increases in the general reserves due to the potential losses inherent in our loan portfolio from the COVID-19 pandemic's impact on the global economy, agriculture and borrowers. The provision for loan losses for the first nine months of 2020 also included deterioration in credit quality in the agribusiness sector. The provision for loan losses for the first nine months of 2019 primarily reflected deterioration in credit quality in the agribusiness and rural power sectors, as well as increases in the general reserves due to changes in risk ratings, collateral revaluations and industry-specific reserves for the dairy, grain and cattle industries.

Noninterest income increased $6 million or 3.4% to $180 million and $54 million or 10.9% to $548 million for the three and nine months ended September 30, 2020, 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 loan-related fee income of $18 million and $96 million resulting from loan conversion and other transaction fees, as well as fees recognized in connection with the Small Business Administration's Paycheck Protection Program. The increases for both periods were also impacted by $26 million and $48 million increases in net gains on derivative transactions. Partially offsetting these increases in noninterest income was a $20 million and $71 million increase in losses on extinguishment of debt for the three- and nine-month periods and decreases in income earned on Insurance Fund assets of $9 million and $19 million and mineral income of $9 million and $16 million.

Noninterest expense increased $31 million or 3.9% to $826 million and $115 million or 4.9% to $2.5 billion for the three and nine months ended September 30, 2020, 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 purchased services. Salaries and employee benefits increased $35 million and $92 million for the three and nine months ended September 30, 2020, as compared to the same periods of the prior year, as a result of annual merit increases and higher staffing levels at certain System institutions. Purchased services increased $11 million and $24 million for the three and nine months ended September 30, 2020, as compared to the same periods of the prior year, primarily due to increases in digital, efficiency and process refinement projects and other consulting services related to various other business initiatives. However, other operating expense decreased $15 million during the third quarter of 2020 as travel, training and member relations expenses were lower due to restrictions caused by the COVID-19 pandemic.

The provisions for income taxes were $51 million and $141 million for the three and nine months ended September 30, 2020, as compared with $48 million and $131 million for the three and nine months ended September 30, 2019. The effective tax rate was 3.1% for both the nine months ended September 30, 2020 and 2019.

Third Quarter 2020 Compared to Second Quarter 2020

Net income was $1.6 billion for the third quarter of 2020, as compared with $1.4 billion for the second quarter of 2020. Net income for the third quarter of 2020 was positively impacted by a decrease in the provision for loan losses of $94 million and an increase in net interest income of $63 million. With the global pandemic and the impact of efforts to contain the spread of the

COVID-19 virus negatively affecting the global economy during the second quarter of 2020, System institutions set aside provisions for loan losses for the potential losses inherent in their loan portfolios. In general, System institutions determined that additional provisions for loan losses were not necessary in the third quarter as conditions have not significantly changed from the second quarter. Net interest income for the third quarter of 2020 was positively impacted by a four basis point increase in the net interest margin to 2.45%.

Loan Portfolio Activity

Gross loans increased $14.6 billion or 5.1% to $301.6 billion at September 30, 2020, as compared with $287.0 billion at December 31, 2019. The increase primarily resulted from an increase in real estate mortgage, rural infrastructure and processing and marketing loans offset, in part, by a decrease in loans to cooperatives. The primary driver of the increase in real estate mortgage loans was financing for new and existing customers due to targeted marketing efforts by certain Associations and the low interest rate environment. Rural infrastructure loans increased due to advances to existing borrowers in the power and communication sectors. The increase in processing and marketing loans was primarily due to borrowers drawing on their revolving lines of credit to add liquidity to their balance sheets in response to the uncertain economic environment. The decrease in loans to cooperatives resulted from lower seasonal agribusiness loan volume, which typically reaches a low in summer and early fall.

Credit Quality

The System's accruing loan volume was $299.7 billion at September 30, 2020, as compared with $285.1 billion at December 31, 2019. Nonaccrual loans decreased $94 million during the first nine months of 2020 to $1.8 billion. This decrease in nonaccrual loans was primarily due to loan repayments in excess of loans being transferred into nonaccrual status, reinstatements to accrual status and charge-offs. At September 30, 2020, 57.8% of nonaccrual loans were current as to principal and interest, as compared with 60.1% at December 31, 2019.

Nonperforming assets (which consist of nonaccrual loans, accruing restructured loans, accruing loans 90 days or more past due and other property owned) decreased $26 million during the first nine months of 2020 to $2.3 billion at September 30, 2020. The decrease was primarily due to the decrease in nonaccrual loans partially offset by an increase of $80 million to $151 million in accruing loans 90 days or more past due at September 30, 2020. These loans are considered well secured and in the process of collection. These nonperforming assets represented 0.77% of the System's loans and other property owned at September 30, 2020 and 0.82% at December 31, 2019.

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 96.9% at September 30, 2020 and 96.5% at December 31, 2019. Loan delinquencies (accruing loans 30 days or more past due) as a percentage of accruing loans decreased to 0.28% at September 30, 2020, as compared with 0.30% at September 30, 2019.

The allowance for loan losses was $1.8 billion at both September 30, 2020 and December 31, 2019. Net loan charge-offs of $81 million were recorded during the first nine months of 2020, as compared with net loan charge-offs of $31 million for the same period of the prior year. The allowance for loan losses as a percentage of total loans was 0.61% at September 30, 2020 and

0.63% at December 31, 2019. The allowance for loan losses was 79% of the System's total nonperforming assets and 101% of its nonaccrual loans at September 30, 2020, as compared with 77% and 95% at December 31, 2019. Total capital and the allowance for loan losses, which is a measure of risk-bearing capacity, totaled $67.8 billion at September 30, 2020 and $63.5 billion at December 31, 2019, and represented 22.5% of System loans at September 30, 2020, as compared with 22.1% at December 31, 2019.

Liquidity and Capital Resources

Cash and investments (principally all of which were held for liquidity purposes) was $71.7 billion at September 30, 2020 and $68.3 billion at December 31, 2019. The System's liquidity position provided for 172 days coverage of maturing debt at September 30, 2020, as compared with 177 days coverage at December 31, 2019.

Total capital increased $4.3 billion during the first nine months of 2020 to $66.0 billion. The System's retained earnings increased $3.2 billion to $52.2 billion during the first nine months of 2020 due to net income earned and retained as well as a $63 million transfer of restricted capital to retained earnings. The transfer was a result of excess insurance funds returned to the System by the Farm Credit System Insurance Corporation (a U.S. government-controlled independent entity). During the third quarter of 2020, one System institution issued preferred stock totaling $350 million, while the same institution redeemed $300 million of higher-rate preferred stock. Accumulated other comprehensive loss decreased $903 million to $437 million during the first nine months of 2020 primarily as a result of a decrease in interest rates, which increased the fair value of existing fixed-rate investment securities. Capital as a percentage of total assets increased to 17.1% at September 30, 2020, as compared with 16.9% at December 31, 2019.

Impact of COVID-19

The full effects of the COVID-19 pandemic continue to evolve and are unpredictable. The prospects for a sustained economic recovery in the near-term are uncertain with the recent rise in the number of COVID-19 cases in the United States, which could in turn have an adverse impact on the results of operations or financial condition of the System. We continue to monitor, evaluate and take appropriate actions regarding the impact of the COVID-19 pandemic on our employees, member-borrowers, operations and financial results.

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 68 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 is based on current expectations and are subject to uncertainty and future changes in circumstances that include, but are not limited to, COVID-19 related risks and uncertainties posed to our business, results of operations and financial condition including our various regulatory ratios such as capital and liquidity. The ultimate impact will depend on future developments including the scope, duration, extent and severity of the COVID-19 pandemic and the continued response by governments, businesses and individuals. Actual results may differ materially from expectations due to a number of risks and uncertainties. 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 because of new information, future events or otherwise.

FARM CREDIT SYSTEM
COMBINED FINANCIAL STATEMENT DATA
(in millions)

STATEMENT OF CONDITION DATA

	September 30, 2020 (unaudited)	December 31, 2019 (audited)
Cash and investments	$ 71,652	$ 68,266
Loans	301,561	286,964
Less: allowance for loan losses	(1,828)	(1,806)
Net loans	299,733	285,158
Accrued interest receivable	3,080	2,864
Other assets	5,097	3,869
Restricted assets	5,368	5,202
Total assets	$384,930	$365,359
Systemwide Debt Securities:		
Due within one year	$123,254	$114,127
Due after one year	185,812	179,411
Total Systemwide Debt Securities	309,066	293,538
Other bonds	2,507	1,961
Other liabilities	7,343	8,130
Total liabilities	318,916	303,629
Preferred stock	3,222	3,121
Capital stock	1,951	2,009
Additional paid-in-capital	3,738	3,738
Restricted capital	5,368	5,202
Accumulated other comprehensive loss	(437)	(1,340)
Retained earnings	52,172	49,000
Total capital	66,014	61,730
Total liabilities and capital	$384,930	$365,359

STATEMENT OF INCOME DATA

	For the Quarter Ended September 30,		For the Nine Months Ended September 30,	
	(unaudited)			
	2020	2019	2020	2019
Interest income	$3,121	$3,788	$9,986	$11,353
Interest expense	(844)	(1,703)	(3,304)	(5,203)
Net interest income	2,277	2,085	6,682	6,150
Provision for loan losses	(7)	(29)	(165)	(95)
Noninterest income	180	174	548	494
Noninterest expense	(826)	(795)	(2,478)	(2,363)
Income before income taxes	1,624	1,435	4,587	4,186
Provision for income taxes	(51)	(48)	(141)	(131)
Net income	$1,573	$1,387	$4,446	$ 4,055

FARM CREDIT SYSTEM
COMBINED FINANCIAL STATEMENT DATA
(in millions)

Statement of Condition Data - Five Quarter Trend

	September 30, 2020 (unaudited)	June 30, 2020 (unaudited)	March 31, 2020 (unaudited)	December 31, 2019 (audited)	September 30, 2019 (unaudited)
Cash and investments	$ 71,652	$ 76,363	$ 83,961	$ 68,266	$ 67,070
Loans	301,561	297,172	292,606	286,964	276,112
Less: allowance for loan losses	(1,828)	(1,885)	(1,847)	(1,806)	(1,750)
Net loans	299,733	295,287	290,759	285,158	274,362
Accrued interest receivable	3,080	2,611	2,545	2,864	3,339
Other assets	5,097	5,134	4,842	3,869	4,083
Restricted assets	5,368	5,281	5,212	5,202	5,122
Total assets	$384,930	$384,676	$387,319	$365,359	$353,976
Systemwide Debt Securities	$309,066	$310,213	$314,862	$293,538	$282,861
Other bonds	2,507	2,132	1,839	1,961	2,085
Other liabilities	7,343	7,562	7,268	8,130	6,672
Total liabilities	318,916	319,907	323,969	303,629	291,618
Preferred stock	3,222	3,163	3,170	3,121	3,168
Capital stock	1,951	1,920	1,889	2,009	1,985
Additional paid-in-capital	3,738	3,738	3,738	3,738	3,738
Restricted capital	5,368	5,281	5,212	5,202	5,122
Accumulated other comprehensive loss	(437)	(415)	(764)	(1,340)	(1,005)
Retained earnings	52,172	51,082	50,105	49,000	49,350
Total capital	66,014	64,769	63,350	61,730	62,358
Total liabilities and capital	$384,930	$384,676	$387,319	$365,359	$353,976

Statement of Income Data – Five Quarter Trend (unaudited)

For the three months ended:	September 30, 2020	June 30, 2020	March 30, 2020	December 31, 2019	September 30, 2019
Interest income	$3,121	$3,227	$3,638	$3,666	$3,788
Interest expense	(844)	(1,013)	(1,447)	(1,550)	(1,703)
Net interest income	2,277	2,214	2,191	2,116	2,085
Provision for loan losses	(7)	(101)	(57)	(74)	(29)
Noninterest income	180	189	179	217	174
Noninterest expense	(826)	(818)	(834)	(896)	(795)
Income before income taxes	1,624	1,484	1,479	1,363	1,435
(Provision for) benefit from income taxes	(51)	(43)	(47)	28	(48)
Net income	$1,573	$1,441	$1,432	$1,391	$1,387