FEDERAL FARM CREDIT BANKS
FUNDING CORPORATION

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Press Release

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FARM CREDIT SYSTEM REPORTS FIRST QUARTER 2021 COMBINED RESULTS

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

NEW YORK - The Farm Credit System today reported that combined net income increased 18.2% to $1.7 billion for the first quarter of 2021, as compared with $1.4 billion for the same period of the prior year.

"The strong quarterly earnings are reflective of the current favorable agricultural economy and an improving economic outlook for the overall U.S. economy," remarked Tracey McCabe, President and CEO of the Federal Farm Credit Banks Funding Corporation. "Our credit quality and capital levels have remained strong, while we continue to respond to the credit needs of our borrowers."

Results of Operations

First Quarter 2021 Compared to First Quarter 2020

Net interest income was $2.4 billion for the first quarter of 2021, as compared with $2.2 billion for the first quarter of 2020. The increase in net interest income primarily resulted from an increase in the net interest spread and higher average earning assets, driven by increased loan volume. Average earning assets grew $36.5 billion or 10.3% to $390.7 billion for the first quarter of 2021, as compared with the first quarter of 2020.

The net interest margin decreased two basis points to 2.45% for the quarter ended March 31, 2021, as compared with 2.47% for the same period of the prior year. The decline in the net interest margin for the period resulted from an 18 basis point decrease in income earned on earning assets funded by noninterest-bearing sources (principally capital) due to the lower interest rate environment. The decrease in the net interest margin was substantially offset by an increase in the net interest spread of 16 basis points to 2.32%, as compared with the first quarter of 2020. The increase in the net interest spread was primarily due to lower debt costs as a result of the significant volume of debt called during 2020 and in the first quarter of 2021 that generated interest expense savings in excess of the decrease in yield on earning assets.

The System recognized a provision for loan losses of $28 million for the first quarter of 2021, as compared with $57 million during the first quarter of 2020. The provision for loan losses for the first quarter of 2021 primarily reflected a higher level of overall agribusiness lending activity and, to a lesser extent, the adverse impact of a severe weather event affecting a limited number of rural power customers. Partially offsetting these provisions for loan losses were loan loss reversals primarily reflecting credit quality improvements and the release of general reserves that were added in 2020 to address the potential losses from the COVID-19 pandemic. The provision for loan losses for the first quarter of 2020 primarily reflected a higher level of overall lending activity and increases in the general reserves related to the COVID-19 pandemic.

Noninterest income increased $31 million or 17.3% to $210 million for the first quarter of 2021, as compared with the first quarter of 2020, primarily due to increases in loan-related fee income of $29 million and other noninterest income of $17 million and a decrease in losses on extinguishment of debt of $9 million. The increase in loan-related fee income was primarily due to increased servicing and transaction-related lending fees, as well as fees recognized in connection with the Small Business Administration's Paycheck Protection Program. Partially offsetting these increases in noninterest income were decreases in net gains on derivative transactions of $13 million and income earned on Insurance Fund assets of $10 million between the three-month periods.

Noninterest expense was relatively unchanged at $833 million for the first quarter of 2021, as compared with $834 million for the first quarter of 2020. Positively impacting noninterest expense was a decrease in other operating expense of $28 million as travel, training and member relations expenses were lower during the first quarter of 2021 due to restrictions caused by the COVID-19 pandemic that were not in place during most of the first quarter of 2020. Negatively impacting noninterest expense for the first quarter of 2021 was an increase in salaries and employee benefits of $13 million primarily as a result of annual merit increases and higher staffing levels at certain System institutions, as well as increases in purchased services of $7 million and occupancy and equipment expense of $6 million.

The provision for income taxes was $48 million and $47 million for the first quarter of 2021 and 2020. The effective tax rate decreased to 2.8% for the first quarter of 2021 from 3.2% for the first quarter of 2020 due to higher levels of patronage and increased earnings attributable to non-taxable business activities.

First Quarter 2021 Compared to Fourth Quarter 2020

Net income increased $137 million or 8.8% to $1.7 billion for the first quarter of 2021, as compared with the fourth quarter of 2020. The increase in earnings was primarily due to a decrease in noninterest expense of $212 million driven by lower incentive compensation, purchased services and other operating expenses as well as an increase in net interest income of $28 million, which resulted from higher average earning assets. Partially offsetting the increase in net income for the first quarter of 2021 was a provision for loan losses of $28 million, as compared with a loan loss reversal of $58 million in the fourth quarter of 2020. Also negatively impacting net income for the first quarter of 2021 was an increase in the provision for income taxes of $17 million.

Loan Portfolio Activity

Gross loans increased $6.3 billion or 2.0% to $321.8 billion at March 31, 2021, as compared with $315.5 billion at December 31, 2020. The increase primarily resulted from an increase in real estate mortgage and agribusiness 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 targeted marketing efforts by certain Associations and the low interest rate environment. Agribusiness loans increased primarily due to seasonal financing at grain and farm supply cooperatives and higher commodity prices as well as growth in processing and marketing loans. The decrease in production and intermediate-term loans was primarily driven by seasonal repayments.

Credit Quality

The System's accruing loan volume was $320.3 billion at March 31, 2021, as compared with $314.0 billion at December 31, 2020. Nonaccrual loans decreased $44 million to $1.5 billion at March 31, 2021, as compared to December 31, 2020. The decrease in nonaccrual loans was primarily due to loan repayments and reinstatements to accrual status exceeding loans transferred into nonaccrual status. At March 31, 2021, 59.6% of nonaccrual loans were current as to principal and interest, as compared with 58.9% at December 31, 2020.

Nonperforming assets (which consist of nonaccrual loans, accruing restructured loans, accruing loans 90 days or more past due and other property owned) increased $8 million during the first quarter of 2021 to $1.9 billion at March 31, 2021. This slight increase was driven by accruing loans 90 days or more past due that grew $52 million in the first quarter, offset in part by the decrease in nonaccrual loans. These accruing loans 90 days or more past due are traditionally at their highest level at the end of the first quarter due to the seasonal payment pattern of the System's real estate mortgage and production and intermediate-term loans. These nonperforming assets represented 0.59% of the System's loans and other property owned at March 31, 2021 and 0.60% at December 31, 2020.

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 97.7% at March 31, 2021 and 97.5% at December 31, 2020. Loan delinquencies (accruing loans 30 days or more past due) as a percentage of accruing loans decreased to 0.31% at March 31, 2021, as compared with 0.46% at March 31, 2020.

The allowance for loan losses was $1.8 billion at both March 31, 2021 and December 31, 2020. Net loan charge-offs of $5 million were recorded during the first quarter of 2021, as compared with $6 million for the first quarter of 2020. The allowance for loan losses as a percentage of total loans was 0.56% at March 31, 2021 and 0.57% at December 31, 2020. The allowance for loan losses was 95% of the System's total nonperforming assets and 124% of nonaccrual loans at March 31, 2021, as compared with 95% and 119% at December 31, 2020. Total capital and the allowance for loan losses, which is a measure of risk-bearing capacity, totaled $68.3 billion at March 31, 2021 and $67.3 billion at December 31, 2020, and represented 21.2% of System loans at March 31, 2021, as compared with 21.3% at December 31, 2020.

Liquidity and Capital Resources

Cash and investments (principally all of which were held for liquidity purposes) were $72.1 billion at March 31, 2021 and $74.2 billion at December 31, 2020. The System's liquidity position provided for 176 days coverage of maturing debt at March 31, 2021, as compared with 171 days coverage at December 31, 2020.

Total capital was $66.5 billion at March 31, 2021, as compared with $65.5 billion at December 31, 2020. The System's retained earnings increased $1.1 billion to $52.9 billion during the first quarter of 2021 due to net income earned and retained. During the first quarter of 2021, one System institution issued $200 million of preferred stock while another System institution redeemed approximately $226 million of Class H preferred stock. Accumulated other comprehensive loss increased $339 million during the first quarter of 2021 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 was 16.4% at both March 31, 2021 and December 31, 2020.

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 67 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

	March 31, 2021 (unaudited)	December 31, 2020 (audited)
Cash and investments	$ 72,126	$ 74,210
Loans	321,808	315,490
Less: allowance for loan losses	(1,817)	(1,796)
Net loans	319,991	313,694
Accrued interest receivable	2,269	2,585
Other assets	4,389	4,749
Restricted assets	5,581	5,455
Total assets	$404,356	$400,693
Systemwide Debt Securities:		
Due within one year	$125,342	$125,237
Due after one year	202,379	197,418
Total Systemwide Debt Securities	327,721	322,655
Other bonds	2,473	2,559
Other liabilities	7,662	9,944
Total liabilities	337,856	335,158
Preferred stock	3,180	3,204
Capital stock	1,989	1,977
Additional paid-in-capital	3,790	3,738
Restricted capital	5,581	5,455
Accumulated other comprehensive loss	(960)	(621)
Retained earnings	52,920	51,782
Total capital	66,500	65,535
Total liabilities and capital	$404,356	$400,693

STATEMENT OF INCOME DATA

	For the Quarter Ended March 31, (unaudited)	
	2021	2020
Interest income	$3,089	$3,638
Interest expense	(697)	(1,447)
Net interest income	2,392	2,191
Provision for loan losses	(28)	(57)
Noninterest income	210	179
Noninterest expense	(833)	(834)
Income before income taxes	1,741	1,479
Provision for income taxes	(48)	(47)
Net income	$1,693	$1,432

FARM CREDIT SYSTEM
COMBINED FINANCIAL STATEMENT DATA
(in millions)

Statement of Condition Data - Five Quarter Trend

	March 31, 2021 (unaudited)	December 31, 2020 (audited)	September 30, 2020 (unaudited)	June 30, 2020 (unaudited)	March 31, 2020 (unaudited)
Cash and investments	$ 72,126	$ 74,210	$ 71,652	$ 76,363	$ 83,961
Loans	321,808	315,490	301,561	297,172	292,606
Less: allowance for loan losses	(1,817)	(1,796)	(1,828)	(1,885)	(1,847)
Net loans	319,991	313,694	299,733	295,287	290,759
Accrued interest receivable	2,269	2,585	3,080	2,611	2,545
Other assets	4,389	4,749	5,097	5,134	4,842
Restricted assets	5,581	5,455	5,368	5,281	5,212
Total assets	$404,356	$400,693	$384,930	$384,676	$387,319
Systemwide Debt Securities	$327,721	$322,655	$309,066	$310,213	$314,862
Other bonds	2,473	2,559	2,507	2,132	1,839
Other liabilities	7,662	9,944	7,343	7,562	7,268
Total liabilities	337,856	335,158	318,916	319,907	323,969
Preferred stock	3,180	3,204	3,222	3,163	3,170
Capital stock	1,989	1,977	1,951	1,920	1,889
Additional paid-in-capital	3,790	3,738	3,738	3,738	3,738
Restricted capital	5,581	5,455	5,368	5,281	5,212
Accumulated other comprehensive loss	(960)	(621)	(437)	(415)	(764)
Retained earnings	52,920	51,782	52,172	51,082	50,105
Total capital	66,500	65,535	66,014	64,769	63,350
Total liabilities and capital	$404,356	$400,693	$384,930	$384,676	$387,319

Statement of Income Data – Five Quarter Trend (unaudited)

For the three months ended:	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Interest income	$3,089	$3,121	$3,121	$3,227	$3,638
Interest expense	(697)	(757)	(844)	(1,013)	(1,447)
Net interest income	2,392	2,364	2,277	2,214	2,191
(Provision for loan losses) loan loss reversal	(28)	58	(7)	(101)	(57)
Noninterest income	210	210	180	189	179
Noninterest expense	(833)	(1,045)	(826)	(818)	(834)
Income before income taxes	1,741	1,587	1,624	1,484	1,479
Provision for income taxes	(48)	(31)	(51)	(43)	(47)
Net income	$1,693	$1,556	$1,573	$1,441	$1,432