FEDERAL FARM CREDIT BANKS
FUNDING CORPORATION

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FARM CREDIT SYSTEM REPORTS 2021 SECOND QUARTER AND SIX-MONTH NET INCOME

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

NEW YORK - The Farm Credit System today reported combined net income of $1.7 billion and $3.4 billion for the three and six months ended June 30, 2021, as compared with net income of $1.4 billion and $2.9 billion for the same periods of the prior year.

"A recovering economy and strong demand for agricultural products continues to provide for a favorable agricultural outlook," remarked Tracey McCabe, President and CEO of the Federal Farm Credit Banks Funding Corporation. "Loan volume continued to grow and credit quality improved. Our balance sheet strength and strong capital levels provide a solid foundation to continue to serve agriculture and rural America should the present favorable environment change."

Results of Operations

Second Quarter and Six-Month 2021 Results Compared to Second Quarter and Six-Month 2020 Results

Net interest income increased $215 million or 9.7% to $2.4 billion for the second quarter of 2021 and $416 million or 9.4% to $4.8 billion for the six months ended June 30, 2021 as compared with the same periods of the prior year. The increases in net interest income primarily resulted from increases in net interest spread and higher levels of average earning assets, driven by increased loan volume. Average earning assets increased $27.1 billion or 7.4% and $31.8 billion or 8.8% to $394.5 billion and $392.6 billion for the three and six months ended June 30, 2021, as compared with the prior year periods.

The net interest margin was 2.46% for both the three and six months ended June 30, 2021, as compared with 2.41% and 2.44% for the same periods of the prior year. The increase in the net interest margin for the three- and six-month periods primarily resulted from increases in the net interest spread of 11 and 12 basis points to 2.34% and 2.33%, as compared with 2.23% and 2.21% for the same periods of the prior year. 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 six months of 2021 that generated interest expense savings in excess of the decrease in yield on earning assets. The net interest margin during both these periods was negatively impacted by a six and ten basis point decrease in income earned on earning assets funded by noninterest-bearing sources (principally capital) due to the lower interest rate environment.

The System recognized loan loss reversals of $58 million and $30 million for the three and six months ended June 30, 2021, as compared with provisions for loan losses of $101 million and $158 million for the three and six months ended June 30, 2020. 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 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 during the first quarter affecting a limited number of rural power customers. The provision for loan losses for the first six months of 2020 primarily reflected a higher level of overall lending activity and increases in the general reserves related to the COVID-19 pandemic. The provision for loan losses for the first six months of 2020 also included specific reserves associated with a limited number of customers in the rural infrastructure and agribusiness sectors.

Noninterest income decreased $7 million or 3.7% to $182 million for the three months ended June 30, 2021 and increased $24 million or 6.5% to $392 million for the six months ended June 30, 2021, as compared with the same periods of the prior year. The decrease for the three-month period was primarily due to a decrease in loan-related fee income of $32 million resulting from decreased loan conversion and transaction-related lending fees, as well as a decline in fees recognized in connection with the Small Business Administration's Paycheck Protection Program. This decrease was offset, in part, by a $17 million decrease in losses on extinguishment of debt and an increase in financially-related services income of $9 million. The increase for the six-month period was primarily due to a $26 million decrease in losses on extinguishment of debt and increases in other noninterest income of $12 million and financially-related services income of $9 million, offset in part by decreases in net gains on derivative transactions of $14 million and income earned on Insurance Fund assets of $13 million.

Noninterest expense increased $57 million or 7.0% to $875 million and $56 million or 3.4% to $1.7 billion for the three and six months ended June 30, 2021, 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 purchased services. Salaries and employee benefits increased $23 million and $36 million for the three and six months ended June 30, 2021, as compared to the same periods of the prior year, due to annual merit increases and higher staffing levels at certain System institutions. Purchased services increased $7 million and $14 million for the three and six months ended June 30, 2021, as compared to the same periods of the prior year, primarily due to increases in technology and other consulting services related to various business initiatives. Also impacting noninterest expense was a $26 million increase in other operating expense during the second quarter of 2021 due to increases in travel, training and member relations expenses as restrictions caused by the COVID-19 pandemic eased as well as higher technology expenses.

The provisions for income taxes were $46 million and $94 million for the three and six months ended June 30, 2021, as compared with $43 million and $90 million for the three and six months ended June 30, 2020. The effective tax rate decreased to 2.7% for the first six months of 2021 from 3.0% for the first six months of 2020 due to increased earnings attributable to non-taxable business activities and higher levels of patronage.

Second Quarter 2021 Compared to First Quarter 2021

Net income remained relatively unchanged at $1.7 billion for the second quarter of 2021, as compared with the first quarter of 2021. Positively impacting net income for the three months ended June 30, 2021 was a loan loss reversal of $58 million in the second quarter of 2021, as compared with a provision for loan losses of $28 million in the first quarter of 2021 and an increase in net interest income of $37 million. The loan loss reversal in the second quarter reflected overall credit quality improvements and the release of general reserves by certain System institutions. Negatively impacting net income for the second quarter of 2021 was an increase in noninterest expense of $42 million and a decrease in noninterest income of $28 million. The increase in noninterest expense was primarily the result of increases in other operating expense of $22 million during the second quarter of 2021 due to increases in travel, training, member relations and technology expenses and higher salaries and employee benefits of $14 million.

Loan Portfolio Activity

Gross loans increased $7.7 billion or 2.4% to $323.2 billion at June 30, 2021, as compared with $315.5 billion at December 31, 2020. The increase primarily resulted from an increase in real estate mortgage loans and loans to cooperatives, 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. Loans to cooperatives increased primarily from higher levels of financing at grain and farm supply cooperatives due to higher commodity prices. The decrease in production and intermediate-term loans was primarily driven by seasonal repayments and lower utilization of operating lines in 2021.

Credit Quality

The System's accruing loan volume was $321.8 billion at June 30, 2021, as compared with $314.0 billion at December 31, 2020. Nonaccrual loans decreased $78 million to $1.4 billion at June 30, 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 June 30, 2021, 59.9% 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) decreased $36 million during the first six months of 2021 to $1.9 billion at June 30, 2021. This decrease during the first six months of 2021 was driven by the decrease in nonaccrual loans, offset in part by an increase in accruing loans 90 days or more past due of $39 million. These accruing loans 90 days or more past due are considered well secured and in the process of collection. Nonperforming assets represented 0.58% of the System's loans and other property owned at June 30, 2021, as compared with 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 97.8% at June 30, 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 0.24% at June 30, 2021, as compared with 0.37% at June 30, 2020.

The allowance for loan losses was $1.8 billion at both June 30, 2021 and December 31, 2020. Net loan recoveries of $7 million were recorded during the first six months of 2021, as compared with net loan charge-offs of $32 million for the same period of the prior year. The allowance for loan losses as a percentage of total loans was 0.55% at June 30, 2021 and 0.57% at December

31, 2020. The allowance for loan losses was 96% of the System's total nonperforming assets and 125% of its nonaccrual loans at June 30, 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 $70.1 billion at June 30, 2021 and $67.3 billion at December 31, 2020, and represented 21.7% of System loans at June 30, 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 $73.9 billion at June 30, 2021 and $74.2 billion at December 31, 2020. The System's liquidity position provided 187 days coverage of maturing debt at June 30, 2021, as compared with 171 days coverage at December 31, 2020.

During the second quarter of 2021, two Associations issued subordinated debt[1] totaling $400 million. The proceeds were used to increase the institutions' regulatory capital and for general corporate purposes.

Total capital increased $2.8 billion during the first six months of 2021 to $68.4 billion. The System's retained earnings increased $2.4 billion to $54.2 billion during the first six months of 2021 due to net income earned and retained. During the first six months of 2021, three Associations issued preferred stock[1] totaling $600 million, while one Association redeemed approximately $226 million of Class H preferred stock. Accumulated other comprehensive loss increased $277 million to $898 million during the first six months of 2021 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 increased to 16.8% at June 30, 2021, as compared with 16.4% at 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.

[1] Subordinated debt and preferred stock are the sole obligations of the issuing entity. Such obligations are not Systemwide debt securities and therefore are not subject to the joint and several obligations of the Banks and are not insured by the Insurance Corporation.

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, 2021 (unaudited)	December 31, 2020 (audited)
Cash and investments	$ 73,936	$ 74,210
Loans	323,181	315,490
Less: allowance for loan losses	(1,781)	(1,796)
Net loans	321,400	313,694
Accrued interest receivable	2,435	2,585
Other assets	4,352	4,749
Restricted assets	5,708	5,455
Total assets	$407,831	$400,693
Systemwide Debt Securities:		
Due within one year	$117,729	$125,237
Due after one year	211,106	197,418
Total Systemwide Debt Securities	328,835	322,655
Subordinated debt	400	
Other bonds	2,745	2,559
Other liabilities	7,498	9,944
Total liabilities	339,478	335,158
Preferred stock	3,563	3,204
Capital stock	2,017	1,977
Additional paid-in-capital	3,781	3,738
Restricted capital	5,708	5,455
Accumulated other comprehensive loss	(898)	(621)
Retained earnings	54,182	51,782
Total capital	68,353	65,535
Total liabilities and capital	$407,831	$400,693

STATEMENT OF INCOME DATA

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	(unaudited)			
	2021	2020	2021	2020
Interest income	$3,116	$3,227	$6,205	$6,865
Interest expense	(687)	(1,013)	(1,384)	(2,460)
Net interest income	2,429	2,214	4,821	4,405
Loan loss reversal (provision for loan losses)	58	(101)	30	(158)
Noninterest income	182	189	392	368
Noninterest expense	(875)	(818)	(1,708)	(1,652)
Income before income taxes	1,794	1,484	3,535	2,963
Provision for income taxes	(46)	(43)	(94)	(90)
Net income	$1,748	$1,441	$3,441	$2,873

FARM CREDIT SYSTEM
COMBINED FINANCIAL STATEMENT DATA
(in millions)

Statement of Condition Data - Five Quarter Trend

	June 30, 2021 (unaudited)	March 31, 2021 (unaudited)	December 31, 2020 (audited)	September 30, 2020 (unaudited)	June 30, 2020 (unaudited)
Cash and investments	$ 73,936	$ 72,126	$ 74,210	$ 71,652	$ 76,363
Loans	323,181	321,808	315,490	301,561	297,172
Less: allowance for loan losses	(1,781)	(1,817)	(1,796)	(1,828)	(1,885)
Net loans	321,400	319,991	313,694	299,733	295,287
Accrued interest receivable	2,435	2,269	2,585	3,080	2,611
Other assets	4,352	4,389	4,749	5,097	5,134
Restricted assets	5,708	5,581	5,455	5,368	5,281
Total assets	$407,831	$404,356	$400,693	$384,930	$384,676
Systemwide Debt Securities	$328,835	$327,721	$322,655	$309,066	$310,213
Subordinated debt	400				
Other bonds	2,745	2,473	2,559	2,507	2,132
Other liabilities	7,498	7,662	9,944	7,343	7,562
Total liabilities	339,478	337,856	335,158	318,916	319,907
Preferred stock	3,563	3,180	3,204	3,222	3,163
Capital stock	2,017	1,989	1,977	1,951	1,920
Additional paid-in-capital	3,781	3,790	3,738	3,738	3,738
Restricted capital	5,708	5,581	5,455	5,368	5,281
Accumulated other comprehensive loss	(898)	(960)	(621)	(437)	(415)
Retained earnings	54,182	52,920	51,782	52,172	51,082
Total capital	68,353	66,500	65,535	66,014	64,769
Total liabilities and capital	$407,831	$404,356	$400,693	$384,930	$384,676

Statement of Income Data – Five Quarter Trend (unaudited)

For the three months ended:	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**
Interest income	$3,116	$3,089	$3,121	$3,121	$3,227
Interest expense	(687)	(697)	(757)	(844)	(1,013)
Net interest income	2,429	2,392	2,364	2,277	2,214
Loan loss reversal (provision for loan losses)	58	(28)	58	(7)	(101)
Noninterest income	182	210	210	180	189
Noninterest expense	(875)	(833)	(1,045)	(826)	(818)
Income before income taxes	1,794	1,741	1,587	1,624	1,484
Provision for income taxes	(46)	(48)	(31)	(51)	(43)
Net income	$1,748	$1,693	$1,556	$1,573	$1,441