FEDERAL FARM CREDIT BANKS
FUNDING CORPORATION

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Press Release

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FARM CREDIT SYSTEM REPORTS FIRST QUARTER 2022 COMBINED RESULTS

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

NEW YORK - The Farm Credit System today reported that combined net income increased 3.8% to $1.8 billion for the first quarter of 2022, as compared with $1.7 billion for the same period of the prior year.

"The System reported solid first quarter results, reflecting strong loan growth and a continuous focus on our mission," remarked Tracey McCabe, President and CEO of the Federal Farm Credit Banks Funding Corporation. "While in the short term, the economy remains healthy, supply chain disruptions, labor shortages, rising interest rates and inflation remain a concern. In addition, the war in Ukraine presents an unprecedented challenge both in terms of its human toll as well as potential economic implications. Despite these challenges, the System by virtue of its strong balance sheet and seasoned staff is well positioned to support rural America and agriculture during what we anticipate may be a volatile year ahead."

Results of Operations

First Quarter 2022 Compared to First Quarter 2021

Net interest income was $2.6 billion for the first quarter of 2022, as compared with $2.4 billion for the first quarter of 2021. The increase in net interest income primarily resulted from a higher level of average earning assets, driven by increased loan volume. Average earning assets grew $37.5 billion or 9.6% to $428.2 billion for the first quarter of 2022, as compared with the first quarter of 2021.

The net interest margin decreased six basis points to 2.39% for the quarter ended March 31, 2022, as compared with 2.45% for the same period of the prior year. The decline in the net interest margin resulted from a decrease in the net interest spread of five basis points to 2.27%, as compared with the first quarter of 2021, which resulted primarily from lower lending spreads. The net interest margin was also negatively impacted by a one basis point decrease in income earned on earning assets funded by noninterest-bearing sources (principally capital).

The System recognized a loan loss reversal of $5 million for the first quarter of 2022, as compared with a provision for loan losses of $28 million during the first quarter of 2021. The loan loss reversal for the first quarter of 2022 primarily reflected credit quality improvements and the reversal of specific reserves associated with a limited number of customers. Partially offsetting the loan loss reversal were provisions for loan losses primarily reflecting a higher level of overall agribusiness lending activity. 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 in Texas affecting a limited number of rural power customers. Partially offsetting these provisions for loan losses in 2021 were loan loss reversals primarily reflecting credit quality improvements and the release of general reserves that were added in 2020 to address potential losses from the COVID-19 pandemic.

Noninterest income decreased $31 million or 14.8% to $179 million for the first quarter of 2022, as compared with the first quarter of 2021. The decrease was primarily due to net losses on derivative transactions of $17 million for the first quarter of 2022, as compared to net gains of $9 million for the first quarter of 2021 and decreases in loan-related fee income of $20 million and other noninterest income of $17 million. The net losses on derivative transactions were due to the increase in interest rates during the period. Partially offsetting the decreases in noninterest income between the three-month periods was a decrease in losses on extinguishment of debt of $16 million and increases in financially-related services income of $10 million and mineral income of $9 million.

Noninterest expense increased $105 million or 12.6% to $938 million for the first quarter of 2022, as compared with the first quarter of 2021, primarily due to increases in salaries and employee benefits and other operating expense. Salaries and employee benefits increased $63 million primarily as a result of annual merit increases and higher staffing levels at certain System institutions. Other operating expense increased $34 million due to increases in travel, training and member relations expenses with the easing of the COVID-19 pandemic restrictions, and higher technology expenses.

The provision for income taxes was $48 million for each of the first quarters of 2022 and 2021. The effective tax rate decreased to 2.7% for the first quarter of 2022 from 2.8% for the first quarter of 2021 due to increased earnings attributable to non-taxable business activities.

First Quarter 2022 Compared to Fourth Quarter 2021

Net income increased $163 million or 10.2% to $1.8 billion for the first quarter of 2022, as compared with the fourth quarter of 2021. The increase in net income was primarily due to a decrease in noninterest expense of $149 million driven by lower incentive compensation, purchased services and other operating expense as well as an increase in net interest income of $56 million, which resulted from higher average earning assets. Partially offsetting the increase in net income for the first quarter of 2022 was an increase in the provision for income taxes of $27 million.

Loan Portfolio Activity

Gross loans increased $16.3 billion or 4.7% to $360.2 billion at March 31, 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 as long-term rates have slowly started and may continue 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 $359.1 billion at March 31, 2022, as compared with $342.8 billion at December 31, 2021. Nonaccrual loans decreased $35 million to $1.1 billion at March 31, 2022, as compared to December 31, 2021. 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, 2022, 64.8% 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 $73 million during the first quarter of 2022 to $1.7 billion at March 31, 2022. This increase was driven by accruing loans 90 days or more past due that grew $93 million in the first quarter, offset in part by the decrease in nonaccrual loans. 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. Nonperforming assets represented 0.46% of the System's loans and other property owned at both March 31, 2022 and 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 98.3% at March 31, 2022 and 98.1% at December 31, 2021. Loan delinquencies (accruing loans 30 days or more past due) as a percentage of accruing loans decreased to 0.29% at March 31, 2022, as compared with 0.31% at March 31, 2021.

The allowance for loan losses was $1.7 billion at March 31, 2022, as compared with $1.6 billion at December 31, 2021. Net loan recoveries of $5 million were recorded during the first quarter of 2022, as compared with net loan charge-offs $5 million for the first quarter of 2021. The allowance for loan losses as a percentage of total loans was 0.46% at March 31, 2022 and 0.47% at December 31, 2021. The allowance for loan losses was 100% of the System's total nonperforming assets and 145% of nonaccrual loans at March 31, 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 March 31, 2022 and $71.1 billion at December 31, 2021, and represented 19.6% of System loans at March 31, 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 $81.7 billion at March 31, 2022 and $80.8 billion at December 31, 2021. The System's liquidity position provided for 175 days coverage of maturing debt at March 31, 2022, as compared with 180 days coverage at December 31, 2021.

Total capital was $68.8 billion at March 31, 2022, as compared with $69.5 billion at December 31, 2021. The System's retained earnings increased $719 million to $55.6 billion during the first quarter of 2022 due to net income earned and retained. During the first quarter of 2022, one System institution redeemed $214 million of preferred stock. Accumulated other comprehensive loss increased $1.8 billion during the first quarter of 2022 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 15.2% at March 31, 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 65 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, 2022 (unaudited)	December 31, 2021 (audited)
Cash and investments	$ 81,749	$ 80,816
Loans	360,218	343,929
Less: allowance for loan losses	(1,655)	(1,632)
Net loans	358,563	342,297
Accrued interest receivable	2,361	2,560
Other assets	4,200	4,324
Restricted assets	6,096	5,960
Total assets	$452,969	$435,957
Systemwide Debt Securities:		
Due within one year	$136,543	$130,701
Due after one year	235,109	222,122
Total Systemwide Debt Securities	371,652	352,823
Subordinated debt	398	398
Other bonds	3,325	3,623
Other liabilities	8,776	9,636
Total liabilities	384,151	366,480
Preferred stock	3,772	3,993
Capital stock	2,073	2,069
Additional paid-in-capital	4,266	3,782
Restricted capital	6,096	5,960
Accumulated other comprehensive loss	(2,991)	(1,210)
Retained earnings	55,602	54,883
Total capital	68,818	69,477
Total liabilities and capital	$452,969	$435,957

STATEMENT OF INCOME DATA

	For the Quarter Ended March 31, (unaudited)	
	2022	2021
Interest income	$3,313	$3,089
Interest expense	(753)	(697)
Net interest income	2,560	2,392
Loan loss reversal (provision for loan losses)	5	(28)
Noninterest income	179	210
Noninterest expense	(938)	(833)
Income before income taxes	1,806	1,741
Provision for income taxes	(48)	(48)
Net income	$1,758	$1,693

FARM CREDIT SYSTEM
COMBINED FINANCIAL STATEMENT DATA
(in millions)

Statement of Condition Data – Five Quarter Trend

	March 31, 2022 (unaudited)	December 31, 2021 (audited)	September 30, 2021 (unaudited)	June 30, 2021 (unaudited)	March 31, 2021 (unaudited)
Cash and investments	$ 81,749	$ 80,816	$ 73,351	$ 73,936	$ 72,126
Loans	360,218	343,929	325,784	323,181	321,808
Less: allowance for loan losses	(1,655)	(1,632)	(1,653)	(1,781)	(1,817)
Net loans	358,563	342,297	324,131	321,400	319,991
Accrued interest receivable	2,361	2,560	2,971	2,435	2,269
Other assets	4,200	4,324	4,303	4,352	4,389
Restricted assets	6,096	5,960	5,833	5,708	5,581
Total assets	$452,969	$435,957	$410,589	$407,831	$404,356
Systemwide Debt Securities	$371,652	$352,823	$329,008	$328,835	$327,721
Subordinated debt	398	398	398	400	
Other bonds	3,325	3,623	3,634	2,745	2,473
Other liabilities	8,776	9,636	8,051	7,498	7,662
Total liabilities	384,151	366,480	341,091	339,478	337,856
Preferred stock	3,772	3,993	3,531	3,563	3,180
Capital stock	2,073	2,069	2,049	2,017	1,989
Additional paid-in-capital	4,266	3,782	3,785	3,781	3,790
Restricted capital	6,096	5,960	5,833	5,708	5,581
Accumulated other comprehensive loss	(2,991)	(1,210)	(1,051)	(898)	(960)
Retained earnings	55,602	54,883	55,351	54,182	52,920
Total capital	68,818	69,477	69,498	68,353	66,500
Total liabilities and capital	$452,969	$435,957	$410,589	$407,831	$404,356

Statement of Income Data – Five Quarter Trend (unaudited)

For the three months ended:	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Interest income	$3,313	$3,195	$3,141	$3,116	$3,089
Interest expense	(753)	(691)	(702)	(687)	(697)
Net interest income	2,560	2,504	2,439	2,429	2,392
Loan loss reversal (provision for loan losses)	5	10	112	58	(28)
Noninterest income	179	189	179	182	210
Noninterest expense	(938)	(1,087)	(924)	(875)	(833)
Income before income taxes	1,806	1,616	1,806	1,794	1,741
Provision for income taxes	(48)	(21)	(46)	(46)	(48)
Net income	$1,758	$1,595	$1,760	$1,748	$1,693