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FARM CREDIT SYSTEM REPORTS 2015 SECOND QUARTER AND SIX-MONTH NET INCOME

For 1:00 p.m. (EDT) Release

NEW YORK - The Farm Credit System today reported combined net income of $1.141 billion and $2.273 billion for the three and six months ended June 30, 2015, as compared with combined net income of $1.196 billion and $2.341 billion for the same periods last year.

“System earnings for the first half of 2015 moderated, which is reflective of the transition in the agricultural sector to lower commodity prices,” remarked Tracey E. McCabe, President and CEO of the Federal Farm Credit Banks Funding Corporation. “The System continues to grow its capital levels and is well positioned to meet credit stress that may arise from increasingly more volatile agricultural economic conditions.”

Results of Operations

Second Quarter and Six-Month 2015 Results Compared to Second Quarter and Six-Month 2014 Results

Combined net income decreased $55 million or 4.6% and $68 million or 2.9% for the three and six months ended June 30, 2015, as compared with the same periods in 2014. The decrease for the three-month period resulted primarily from an increase in noninterest expense of $54 million and a provision for loan losses of $23 million, as compared with a loan loss reversal of $23 million in the prior year period, partially offset by a $35 million increase in net interest income. The decrease for the six-month period was primarily due to an increase in noninterest expense of $94 million and a provision for loan losses of $50 million, as compared with a loan loss reversal of $35 million in the prior year period, partially offset by a $102 million increase in net interest income and a decrease in provision for income taxes of $8 million.

Net interest income increased to $1.723 billion and $3.450 billion for the three and six months ended June 30, 2015, as compared with $1.688 billion and $3.348 billion for the same periods of the prior year. The increases in net interest income for both periods of 2015 primarily resulted from higher levels of average earning assets, driven largely by increased loan volume. Average earning assets increased $14.960 billion and $15.659 billion to $269.975 billion and $269.253 billion for the three and six months ended June 30, 2015, as compared with the prior year periods.

The net interest margin was 2.55% and 2.56% for the three and six months ended June 30, 2015, as compared with 2.65% and 2.64% for the three and six months ended June 30, 2014.

The decline in the net interest margin for the three- and six-month periods primarily resulted from decreases in the net interest spread of ten and nine basis points to 2.40% and 2.41%, as compared with 2.50% for both periods of the prior year. The decline in the net interest spread has been substantially driven by competitive pressures, changing product mix and an increase in debt costs.

The System recognized provisions for loan losses of $23 million and $50 million for the three and six months ended June 30, 2015, as compared with loan loss reversals of $23 million and $35 million for the three and six months ended June 30, 2014. The provision for loan losses for the first six months of 2015 consisted of $63 million of provisions for loan losses recorded by certain System institutions, partially offset by $13 million of loan loss reversals recorded by other System institutions. The provision for loan losses for the six months ended June 30, 2015 primarily reflected industry-specific reserves due to continued low grain commodity prices and slight deterioration of credit quality in certain loans to agribusiness companies. The loan loss reversal for the first six months of 2014 reflected the overall strong credit quality of the loan portfolio.

Noninterest income increased $5 million to $145 million and $1 million to $286 million for the three and six months ended June 30, 2015, as compared with the same periods of the prior year. Noninterest expense increased $54 million to $644 million and $94 million to $1.291 billion for the three and six months ended June 30, 2015, 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 employee benefits, purchased services and other operating expense, as well as a decrease in net gains on other property owned. Employee benefits increased $24 million and $45 million for the three and six months ended June 30, 2015, as compared to the same periods of the prior year, primarily due to an increase in pension expense and, to a lesser extent, rising health insurance costs and increased staffing levels. Purchased services and other operating expense increased $13 million and $26 million for the three and six months ended June 30, 2015, as compared to the same periods of the prior year, partially due to increases in consulting and other services related to various business initiatives. Also contributing to the increase in noninterest expense for the three- and six-month periods were decreases in net gains on other property owned of $13 million and $9 million.

The provisions for income taxes were $60 million and $122 million for the three and six months ended June 30, 2015, as compared with $65 million and $130 million for the three and six months ended June 30, 2014. The effective tax rate decreased from 5.3% for the six months ended June 30, 2014 to 5.1% for the six months ended June 30, 2015 due to decreased earnings at certain taxable System institutions.

Second Quarter 2015 Compared to First Quarter 2015

Net income was $1.141 billion for the second quarter of 2015, as compared to $1.132 billion for the first quarter of 2015. The increase in net income was primarily due to a decrease in the provision for loan losses of $4 million and an increase in noninterest income of $4 million offset, in part, by a decrease in net interest income of $4 million.

Loan Portfolio Activity

Gross loans increased $3.481 billion or 1.6% to $220.535 billion at June 30, 2015, as compared with $217.054 billion at December 31, 2014. The increase primarily resulted from increases in real estate mortgage and energy loans, offset in part by a decrease in production and intermediate-term loans. Real estate mortgage loans increased primarily due to continued demand for cropland. The increase in energy loans resulted from increased lending activity in the rural electric distribution and power supply sectors. The decrease in production and intermediate-term loans was primarily due to seasonal repayments on operating lines of credit as borrowers sold crops and paid down lines of credit.

Credit Quality

The System's accruing loan volume was $219.111 billion at June 30, 2015, as compared with $215.679 billion at December 31, 2014. Nonaccrual loans increased $49 million to $1.424 billion at June 30, 2015, as compared with $1.375 billion at December 31, 2014. At June 30, 2015, 59.1% of nonaccrual loans were current as to principal and interest, as compared with 62.4% at December 31, 2014.

Nonperforming loans (which consist of nonaccrual loans, accruing restructured loans, and accruing loans 90 days or more past due) increased $29 million to $1.766 billion at June 30, 2015, as compared with $1.737 billion at December 31, 2014. These nonperforming loans represented 0.80% of the System's loans at both June 30, 2015 and December 31, 2014.

The System's other credit quality indicators remained favorable during the second quarter of 2015. 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 98.1% at June 30, 2015 and 98.2% at December 31, 2014. Loan delinquencies (accruing loans 30 days or more past due) as a percentage of accruing loans declined to 0.21% at June 30, 2015, as compared with 0.25% at June 30, 2014.

The allowance for loan losses was $1.233 billion at June 30, 2015, as compared with $1.237 billion at December 31, 2014. Net loan charge-offs of $16 million were recorded during each of the first six months of 2015 and 2014. The allowance for loan losses decreased an additional $36 million due to transfers to the reserve for unfunded commitments during the first six months of 2015. The allowance for loan losses as a percentage of total loans was 0.56% at June 30, 2015 and 0.57% at December 31, 2014. The allowance for loan losses was 70% of the System's total nonperforming loans and 87% of its nonaccrual loans at June 30, 2015, as compared with 71% and 90% at December 31, 2014. Total capital and the allowance for loan losses, which is a measure of risk-bearing capacity, totaled $49.018 billion at June 30, 2015 and $46.943 billion at December 31, 2014, and represented 22.2% of System loans at June 30, 2015, as compared with 21.6% at December 31, 2014.

Liquidity and Capital Resources

Cash and investments (principally all of which were held for liquidity purposes) was $54.400 billion at June 30, 2015 and $57.839 billion at December 31, 2014. The System's liquidity position represented 188 days coverage of maturing debt obligations at June 30, 2015, as compared with 173 days at December 31, 2014.

Total capital increased $2.079 billion during the first six months of 2015 to $47.785 billion. The System's surplus increased $1.701 billion to $39.476 billion during the first six months of 2015 due to net income earned and retained. Capital as a percentage of total assets increased to 16.9% at June 30, 2015, as compared with 16.2% at December 31, 2014.

About the Farm Credit System

The Farm Credit System is a federally chartered network of borrower-owned lending institutions and related service organizations. The System specializes in providing financing and related services to borrowers in the agricultural and rural sectors through the four Banks and 76 affiliated Associations. Unlike commercial banks, the Banks are not legally authorized to accept deposits and they principally obtain their funds through the issuance of Systemwide Debt Securities.

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 www.farmcreditfunding.com. Additional information regarding the Farm Credit System is available on the System's website at www.farmcredit.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. 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

	June 30, 2015 (unaudited)	December 31, 2014 (audited)
Cash and investments	$ 54,400	$ 57,839
Loans	220,535	217,054
Less: allowance for loan losses	(1,233)	(1,237)
Net loans	219,302	215,817
Accrued interest receivable	1,897	1,824
Other assets	3,705	3,614
Restricted assets	3,889	3,750
Total assets	$283,193	$282,844
Systemwide Debt Securities:		
Due within one year	$ 80,171	$ 86,932
Due after one year	145,102	138,505
Total Systemwide Debt Securities	225,273	225,437
Subordinated debt	1,555	1,555
Other bonds	2,690	3,627
Other liabilities	5,890	6,519
Total liabilities	235,408	237,138
Preferred stock	2,729	2,698
Capital stock	1,692	1,676
Additional paid-in-capital	1,180	1,104
Restricted capital	3,889	3,750
Accumulated other comprehensive loss	(1,181)	(1,297)
Surplus	39,476	37,775
Total capital	47,785	45,706
Total liabilities and capital	$283,193	$282,844

STATEMENT OF INCOME DATA

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	(unaudited)			
	2015	**2014**	**2015**	**2014**
Interest income	$2,296	$2,206	$4,579	$4,387
Interest expense	(573)	(518)	(1,129)	(1,039)
Net interest income	1,723	1,688	3,450	3,348
(Provision for loan losses) loan loss reversal	(23)	23	(50)	35
Noninterest income	145	140	286	285
Noninterest expense	(644)	(590)	(1,291)	(1,197)
Income before income taxes	1,201	1,261	2,395	2,471
Provision for income taxes	(60)	(65)	(122)	(130)
Net income	$1,141	$1,196	$2,273	$2,341

FARM CREDIT SYSTEM
COMBINED FINANCIAL STATEMENT DATA
(in millions)

Statement of Condition Data - Five Quarter Trend

	June 30, 2015 (unaudited)	March 31, 2015 (unaudited)	December 31, 2014 (audited)	September 30, 2014 (unaudited)	June 30, 2014 (unaudited)
Cash and investments	$ 54,400	$ 54,946	$ 57,839	$ 54,877	$ 53,361
Loans	220,535	216,163	217,054	208,051	205,054
Less: allowance for loan losses	(1,233)	(1,251)	(1,237)	(1,184)	(1,183)
Net loans	219,302	214,912	215,817	206,867	203,871
Accrued interest receivable	1,897	1,686	1,824	2,223	1,788
Other assets	3,705	3,609	3,614	3,673	3,572
Restricted assets	3,889	3,816	3,750	3,684	3,621
Total assets	$283,193	$278,969	$282,844	$271,324	$266,213
Systemwide Debt Securities:					
Due within one year	$ 80,171	$ 81,849	$ 86,932	$ 78,879	$ 78,075
Due after one year	145,102	140,323	138,505	135,473	134,296
Total Systemwide Debt Securities	225,273	222,172	225,437	214,352	212,371
Subordinated debt	1,555	1,555	1,555	1,555	1,555
Other bonds	2,690	2,496	3,627	4,171	2,278
Other liabilities	5,890	5,902	6,519	5,430	5,273
Total liabilities	235,408	232,125	237,138	225,508	221,477
Preferred stock	2,729	2,732	2,698	2,559	2,471
Capital stock	1,692	1,670	1,676	1,667	1,647
Additional paid-in-capital	1,180	1,180	1,104	1,073	1,073
Restricted capital	3,889	3,816	3,750	3,684	3,621
Accumulated other comprehensive loss	(1,181)	(1,158)	(1,297)	(720)	(676)
Surplus	39,476	38,604	37,775	37,553	36,600
Total capital	47,785	46,844	45,706	45,816	44,736
Total liabilities and capital	$283,193	$278,969	$282,844	$271,324	$266,213

Statement of Income Data – Five Quarter Trend (unaudited)

For the three months ended:	**June 30, 2015**	**March 31, 2015**	**December 31, 2014**	**September 30, 2014**	**June 30, 2014**
Interest income	$2,296	$2,283	$2,283	$2,232	$2,206
Interest expense	(573)	(556)	(535)	(524)	(518)
Net interest income	1,723	1,727	1,748	1,708	1,688
(Provision for loan losses) loan loss reversal	(23)	(27)	(33)	(42)	23
Noninterest income	145	141	211	204	140
Noninterest expense	(644)	(647)	(724)	(598)	(590)
Income before income taxes	1,201	1,194	1,202	1,272	1,261
Provision for income taxes	(60)	(62)	(47)	(44)	(65)
Net income	$1,141	$1,132	$1,155	$1,228	$1,196