FEDERAL FARM CREDIT BANKS
FUNDING CORPORATION

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FARM CREDIT SYSTEM REPORTS 2015 THIRD QUARTER AND NINE-MONTH NET INCOME

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

NEW YORK - The Farm Credit System today reported combined net income of $1.208 billion and $3.481 billion for the three and nine months ended September 30, 2015, as compared with combined net income of $1.228 billion and $3.569 billion for the same periods last year.

"In the current environment, characterized by compressed margins and relatively low grain and other commodity prices, the System's net income decreased modestly through the third quarter," remarked Tracey McCabe, President and CEO of the Federal Farm Credit Banks Funding Corporation. "Notwithstanding, the credit quality of our loan portfolio remains strong and the System continues to build capital."

Results of Operations

Third Quarter and Nine-Month 2015 Results Compared to Third Quarter and Nine-Month 2014 Results

Combined net income decreased $20 million or 1.6% and $88 million or 2.5% for the three and nine months ended September 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 $56 million and a decrease in noninterest income of $27 million, partially offset by an increase in net interest income of $59 million and a decrease in the provision for loan losses of $5 million. The decrease for the nine-month period was due to increases in noninterest expense of $150 million and the provision for loan losses of $80 million and a decrease in noninterest income of $26 million, partially offset by an increase in net interest income of $161 million and to a decrease in the provision for income taxes of $7 million.

Net interest income increased to $1.767 billion and $5.217 billion for the three and nine months ended September 30, 2015, as compared with $1.708 billion and $5.056 billion for the same periods of the prior year. The increases in net interest income for both periods of 2015 primarily resulted from a higher level of average earning assets, driven largely by increased loan volume. Average earning assets increased $17.842 billion and $16.424 billion to $275.502 billion and $271.380 billion for the three and nine months ended September 30, 2015, as compared with the prior year periods.

The net interest margin was 2.57% and 2.56% for the three and nine months ended September 30, 2015, as compared with 2.65% and 2.64% for the same periods of the prior year. The decline in the net interest margin for the three- and nine-month periods of 2015 resulted from a decrease in the net interest spread of ten and nine basis points to 2.41% for both periods, as compared with 2.51% and 2.50% for the same periods of the prior year. The decline in the net interest spread was largely driven by competitive pressures, changing product mix into lower spread lines of business and an increase in debt costs.

The System recognized provisions for loan losses of $37 million and $87 million for the three and nine months ended September 30, 2015, as compared with provisions for loan losses of $42 million and $7 million for the three and nine months ended September 30, 2014. The provision for loan losses for the nine months ended September 30, 2015 consisted of $104 million of provisions for loan losses recorded by certain System institutions, partially offset by $17 million of loan loss reversals recorded by other System institutions. The 2015 provisions for loan losses are primarily due to industry-specific reserves as a result of continued low grain commodity prices and a slight deterioration in credit quality of certain loans to agribusiness companies.

Noninterest income decreased $27 million or 13.2% to $177 million and $26 million or 5.3% to $463 million for the three and nine months ended September 30, 2015, as compared with the same periods of the prior year. The decreases for the three- and nine-month periods of 2015 were primarily due to decreases in mineral income of $17 million and $35 million and loan-related fee income of $9 million and $6 million. Partially offsetting these decreases in noninterest income were decreases in losses on extinguishment of debt of $7 million and $18 million. Additionally, the decrease in noninterest income for the three-month period ended September 30, 2015 was due to a decrease in net gains on the sales of investments and other assets of $13 million. The decrease in noninterest income for the nine-month period of 2015 was also impacted by an increase in losses on other-than-temporary impairment of investments of $11 million.

Noninterest expense increased $56 million or 9.4% to $654 million and $150 million or 8.4% to $1.945 billion for the three and nine months ended September 30, 2015, as compared with the same periods of the prior year. The increases for the three- and nine-month periods were due, in part, to an increase in employee benefits and a decrease in net gains on other property owned. Employee benefits increased $21 million and $66 million for the three and nine months ended September 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. Net gains on other property owned decreased $20 million and $29 million for the three and nine months ended September 30, 2015, as compared to the same periods of the prior year. Additionally, the increase for the nine-month period ended September 30, 2015 was due to an increase in other operating expense of $18 million due to increases in various administrative expenses.

The provisions for income taxes were $45 million and $167 million for the three and nine months ended September 30, 2015, as compared with $44 million and $174 million for the three and nine months ended September 30, 2014. The effective tax rate was 4.6% for the nine months ended September 30, 2015 and 2014.

<u>Third Quarter 2015 Compared to Second Quarter 2015</u>

Net income was $1.208 billion for the third quarter of 2015, as compared with net income of $1.141 billion for the second quarter of 2015. The increase in net income was due to increases in net interest income of $44 million and noninterest income of $32 million and a decrease in the provision for income taxes of $15 million. Partially offsetting these increases in net income were increases in the provision for loan losses of $14 million and noninterest expense of $10 million. The increase in noninterest income was primarily due to a greater amount of fees for financially related services in the third quarter of 2015, as compared to the second quarter of 2015.

Loan Portfolio Activity

Gross loans increased $9.790 billion or 4.5% to $226.844 billion at September 30, 2015, as compared with $217.054 billion at December 31, 2014, primarily due to increases in real estate mortgage, energy and agribusiness 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 increase in agribusiness loans was due to an increase in advances on existing processing and marketing loans within certain industries.

Credit Quality

The System's accruing loan volume was $225.445 billion at September 30, 2015, as compared with $215.679 billion at December 31, 2014. Nonaccrual loans increased $24 million to $1.399 billion at September 30, 2015, as compared with $1.375 billion at December 31, 2014. At September 30, 2015, 60.0% 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) decreased $13 million to $1.724 billion at September 30, 2015, as compared with $1.737 billion at December 31, 2014. These nonperforming loans represented 0.76% of the System's loans at September 30, 2015 and 0.80% at December 31, 2014.

The System's other credit quality indicators remained favorable during the first nine months 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 98.2% at both September 30, 2015 and December 31, 2014. Loan delinquencies (accruing loans 30 days or more past due) as a percentage of accruing loans remained at a low level of 0.20% at September 30, 2015, as compared with 0.22% at September 30, 2014.

The allowance for loan losses was $1.246 billion at September 30, 2015, as compared with $1.237 billion at December 31, 2014. Net loan charge-offs of $33 million were recorded during the first nine months of 2015, as compared with net loan charge-offs of $17 million for the same period of the prior year. The allowance for loan losses as a percentage of total loans was 0.55% at September 30, 2015 and 0.57% at December 31, 2014. The allowance for loan losses was 72% of the System's total nonperforming loans and 89% of its nonaccrual loans at September 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 $50.124 billion at September 30, 2015 and $46.943 billion at December 31, 2014, and represented 22.1% of System loans at September 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 $55.880 billion at September 30, 2015 and $57.839 billion at December 31, 2014. The System's liquidity position represented 183 days coverage of maturing debt obligations at September 30, 2015, as compared with 173 days at December 31, 2014.

Total capital increased $3.172 billion during the first nine months of 2015 to $48.878 billion. The System's surplus increased $2.567 billion to $40.342 billion during the first nine months of 2015 due to net income earned and retained. Capital as a percentage of total assets increased to 16.8% at September 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 75 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

	September 30, 2015 (unaudited)	December 31, 2014 (audited)
Cash and investments	$ 55,880	$ 57,839
Loans	226,844	217,054
Less: allowance for loan losses	(1,246)	(1,237)
Net loans	225,598	215,817
Accrued interest receivable	2,366	1,824
Other assets	3,653	3,614
Restricted assets	3,964	3,750
Total assets	$291,461	$282,844
Systemwide Debt Securities:		
Due within one year	$ 84,524	$ 86,932
Due after one year	146,810	138,505
Total Systemwide Debt Securities	231,334	225,437
Subordinated debt	1,555	1,555
Other bonds	3,410	3,627
Other liabilities	6,284	6,519
Total liabilities	242,583	237,138
Preferred stock	2,783	2,698
Capital stock	1,714	1,676
Additional paid-in-capital	1,183	1,104
Restricted capital	3,964	3,750
Accumulated other comprehensive loss	(1,108)	(1,297)
Surplus	40,342	37,775
Total capital	48,878	45,706
Total liabilities and capital	$291,461	$282,844

STATEMENT OF INCOME DATA

	For the Quarter Ended September 30,		For the Nine Months Ended September 30,	
	(unaudited)			
	2015	**2014**	**2015**	**2014**
Interest income	$2,369	$2,232	$6,948	$6,619
Interest expense	(602)	(524)	(1,731)	(1,563)
Net interest income	1,767	1,708	5,217	5,056
Provision for loan losses	(37)	(42)	(87)	(7)
Noninterest income	177	204	463	489
Noninterest expense	(654)	(598)	(1,945)	(1,795)
Income before income taxes	1,253	1,272	3,648	3,743
Provision for income taxes	(45)	(44)	(167)	(174)
Net income	$1,208	$1,228	$3,481	$3,569

FARM CREDIT SYSTEM
COMBINED FINANCIAL STATEMENT DATA
(in millions)

Statement of Condition Data - Five Quarter Trend

	September 30, 2015 (unaudited)	June 30, 2015 (unaudited)	March 31, 2015 (unaudited)	December 31, 2014 (audited)	September 30, 2014 (unaudited)
Cash and investments	$ 55,880	$ 54,400	$ 54,946	$ 57,839	$ 54,877
Loans	226,844	220,535	216,163	217,054	208,051
Less: allowance for loan losses	(1,246)	(1,233)	(1,251)	(1,237)	(1,184)
Net loans	225,598	219,302	214,912	215,817	206,867
Accrued interest receivable	2,366	1,897	1,686	1,824	2,223
Other assets	3,653	3,705	3,609	3,614	3,673
Restricted assets	3,964	3,889	3,816	3,750	3,684
Total assets	$291,461	$283,193	$278,969	$282,844	$271,324
Systemwide Debt Securities:					
Due within one year	$ 84,524	$ 80,171	$ 81,849	$ 86,932	$ 78,879
Due after one year	146,810	145,102	140,323	138,505	135,473
Total Systemwide Debt Securities	231,334	225,273	222,172	225,437	214,352
Subordinated debt	1,555	1,555	1,555	1,555	1,555
Other bonds	3,410	2,690	2,496	3,627	4,171
Other liabilities	6,284	5,890	5,902	6,519	5,430
Total liabilities	242,583	235,408	232,125	237,138	225,508
Preferred stock	2,783	2,729	2,732	2,698	2,559
Capital stock	1,714	1,692	1,670	1,676	1,667
Additional paid-in-capital	1,183	1,180	1,180	1,104	1,073
Restricted capital	3,964	3,889	3,816	3,750	3,684
Accumulated other comprehensive loss	(1,108)	(1,181)	(1,158)	(1,297)	(720)
Surplus	40,342	39,476	38,604	37,775	37,553
Total capital	48,878	47,785	46,844	45,706	45,816
Total liabilities and capital	$291,461	$283,193	$278,969	$282,844	$271,324

Statement of Income Data – Five Quarter Trend (unaudited)

For the three months ended:	September 30, 2015	June 30, 2015	March 30, 2015	December 31, 2014	September 30, 2014
Interest income	$2,369	$2,296	$2,283	$2,283	$2,232
Interest expense	(602)	(573)	(556)	(535)	(524)
Net interest income	1,767	1,723	1,727	1,748	1,708
Provision for loan losses	(37)	(23)	(27)	(33)	(42)
Noninterest income	177	145	141	211	204
Noninterest expense	(654)	(644)	(647)	(724)	(598)
Income before income taxes	1,253	1,201	1,194	1,202	1,272
Provision for income taxes	(45)	(60)	(62)	(47)	(44)
Net income	$1,208	$1,141	$1,132	$1,155	$1,228