FEDERAL FARM CREDIT BANKS
FUNDING CORPORATION

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FARM CREDIT SYSTEM REPORTS 2016 THIRD QUARTER AND NINE-MONTH NET INCOME

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

NEW YORK - The Farm Credit System today reported combined net income of $1.252 billion and $3.589 billion for the three and nine months ended September 30, 2016, as compared with combined net income of $1.208 billion and $3.481 billion for the same periods last year.

"The System recorded solid revenue growth due to continued demand for agricultural real estate and rural infrastructure loans," remarked Tracey McCabe, President and CEO of the Federal Farm Credit Banks Funding Corporation. "Although the agriculture sector has been challenged by low commodity prices, the System remains committed to its mission of providing reliable credit to support agriculture and rural communities."

Results of Operations

Third Quarter and Nine-Month 2016 Results Compared to Third Quarter and Nine-Month 2015 Results

Combined net income increased $44 million or 3.6% and $108 million or 3.1% for the three and nine months ended September 30, 2016, as compared with the same periods in 2015. These results reflected an increase in net interest income and a decrease in the provision for income taxes, partially offset by increases in the provision for loan losses and noninterest expense and a decrease in noninterest income.

Net interest income increased $103 million or 5.8% to $1.870 billion for the third quarter of 2016 and $307 million or 5.9% to $5.524 billion for the nine months ended September 30, 2016, as compared with the same periods of the prior year. The increases in net interest income for both periods of 2016 primarily resulted from higher levels of average earning assets, driven largely by increased loan volume. Average earning assets increased $26.926 billion and $26.460 billion to $302.428 billion and $297.840 billion for the three and nine months ended September 30, 2016, as compared with the prior year periods.

The net interest margin was 2.47% for both the three and nine months ended September 30, 2016, as compared with 2.57% and 2.56% for the same periods of the prior year. The decline in the net interest margin for the three- and nine-month periods of 2016 resulted from a decrease in the net interest spread of 11 and 12 basis points to 2.30% and 2.29%, as compared with 2.41% for both periods of the prior year. The decline in the net interest spread was largely driven by competitive pressures and an increase in certain debt costs.

The System recognized provisions for loan losses of $58 million and $218 million for the three and nine months ended September 30, 2016, as compared with provisions for loan losses of $37 million and $87 million for the three and nine months ended September 30, 2015. The increase in the provision for loan losses of $131 million for the first nine months of 2016 primarily reflected increased industry-specific reserves due to continued low grain commodity prices, increased loan volume and modest deterioration of credit quality in certain sectors of the loan portfolio.

Noninterest income decreased $14 million or 7.9% to $163 million and $15 million or 3.2% to $448 million for the three and nine months ended September 30, 2016, as compared with the same periods of the prior year. The decrease for the three-month period primarily resulted from increases in losses on extinguishment of debt of $13 million and net other-than-temporary impairment losses on investments of $11 million and a decrease in operating lease income of $7 million. Partially offsetting the decrease in noninterest income for the three-month period was a $29 million increase in net gains on sales of investments and other assets. The decrease for the nine-month period was primarily due to a decrease in mineral income of $24 million and an increase in losses on extinguishment of debt of $17 million offset, in part, by increases in net gains on sales of investments and other assets of $17 million and loan-related fee income of $17 million.

Noninterest expense increased $31 million or 4.7% to $685 million and $84 million or 4.3% to $2.029 billion for the three and nine months ended September 30, 2016, as compared with the same periods of the prior year. The increases for the three- and nine-month periods were primarily due to increases in salaries and employee benefits and occupancy and equipment expense. Salaries and employee benefits increased $28 million and $54 million for the three and nine months ended September 30, 2016, as compared to the same periods of the prior year, as a result of annual merit increases and higher staffing levels at certain System institutions. Occupancy and equipment expense increased $4 million and $19 million for the three and nine months ended September 30, 2016, as compared to the same periods of the prior year, primarily due to increases in facilities and maintenance expenses.

The provisions for income taxes were $38 million and $136 million for the three and nine months ended September 30, 2016, as compared with $45 million and $167 million for the three and nine months ended September 30, 2015. The effective tax rate decreased from 4.6% for the nine months ended September 30, 2015 to 3.7% for the nine months ended September 30, 2016 due to decreased earnings at certain taxable System institutions and from a greater amount of patronage.

Third Quarter 2016 Compared to Second Quarter 2016

Net income increased $72 million or 6.1% to $1.252 billion for the third quarter of 2016, as compared with net income of $1.180 billion for the second quarter of 2016. The increase in net income was due to increases in net interest income of $27 million and noninterest income of $18 million and decreases in the provision for loan losses of $33 million and the provision for income taxes of $7 million. The increase in net income was partially offset by an increase in noninterest expense of $13 million. Net interest income increased primarily as a result of an increase in average earning assets in the third quarter, as compared to the second quarter.

Loan Portfolio Activity

Gross loans increased $6.234 billion or 2.6% to $242.124 billion at September 30, 2016, as compared with $235.890 billion at December 31, 2015. The increase primarily resulted from increases in real estate mortgage and rural infrastructure loans. The increase in real estate mortgage loans resulted primarily from continued demand for cropland. The increase in rural infrastructure loans resulted from increased lending activity in the rural electric distribution and power supply sectors.

Credit Quality

The System's accruing loan volume was $240.551 billion at September 30, 2016, as compared with $234.566 billion at December 31, 2015. Nonaccrual loans increased $249 million to $1.573 billion at September 30, 2016, as compared with $1.324 billion at December 31, 2015. At September 30, 2016, 59.2% of nonaccrual loans were current as to principal and interest, as compared with 60.5% at December 31, 2015.

Nonperforming loans (which consist of nonaccrual loans, accruing restructured loans, and accruing loans 90 days or more past due) increased $346 million to $1.975 billion at September 30, 2016, as compared with $1.629 billion at December 31, 2015. These nonperforming loans represented 0.82% of the System's loans at September 30, 2016 and 0.69% at December 31, 2015.

Loan delinquencies (accruing loans 30 days or more past due), as a percentage of accruing loans were relatively unchanged at 0.21% at September 30, 2016, as compared with 0.20% at September 30, 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 97.4% at September 30, 2016 and 98.1% at December 31, 2015.

The allowance for loan losses was $1.457 billion at September 30, 2016, as compared with $1.280 billion at December 31, 2015. Net loan charge-offs of $20 million were recorded during the first nine months of 2016, as compared with net loan charge-offs of $33 million for the same period of the prior year. The allowance for loan losses decreased an additional $20 million due to transfers to the reserve for unfunded commitments during the first nine months of 2016. The allowance for loan losses as a percentage of total loans was 0.60% at September 30, 2016 and 0.54% at December 31, 2015. The allowance for loan losses was 74% of the System's total nonperforming loans and 93% of its nonaccrual loans at September 30, 2016, as compared with 79% and 97% at December 31, 2015. Total capital and the allowance for loan losses, which is a measure of risk-bearing capacity, totaled $53.848 billion at September 30, 2016 and $50.114 billion at December 31, 2015, and represented 22.2% of System loans at September 30, 2016, as compared with 21.2% at December 31, 2015.

Liquidity and Capital Resources

Cash and investments (principally all of which were held for liquidity purposes) was $63.178 billion at September 30, 2016 and $59.378 billion at December 31, 2015. The System's liquidity position represented 177 days coverage of maturing debt obligations at September 30, 2016, as compared with 181 days at December 31, 2015.

During the first nine months of 2016, three System institutions redeemed $955 million of subordinated debt at par.

Total capital increased $3.557 billion during the first nine months of 2016 to $52.391 billion. The System's surplus increased $2.511 billion to $42.969 billion during the first nine months of 2016 due to net income earned and retained. During the first nine months of 2016, one System institution issued preferred stock totaling $375 million. The proceeds from the issuance were used to increase regulatory capital and for general corporate purposes. Capital as a percentage of total assets increased to 16.7% at September 30, 2016, as compared with 16.1% at December 31, 2015.

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 74 affiliated Associations. Farm Credit has been fulfilling this mission for a century by providing farmers with the capital they need to make their business successful and by financing vital infrastructure and communication services that rural communities need to create jobs and drive economic growth. For more information about Farm Credit, 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. 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, 2016 (unaudited)	December 31, 2015 (audited)
Cash and investments	$ 63,178	$ 59,378
Loans	242,124	235,890
Less: allowance for loan losses	(1,457)	(1,280)
Net loans	240,667	234,610
Accrued interest receivable	2,508	1,973
Other assets	3,665	3,503
Restricted assets	4,343	4,039
Total assets	$314,361	$303,503
Systemwide Debt Securities:		
Due within one year	$104,277	$ 91,622
Due after one year	147,715	151,713
Total Systemwide Debt Securities	251,992	243,335
Subordinated debt	598	1,550
Other bonds	3,269	2,879
Other liabilities	6,111	6,905
Total liabilities	261,970	254,669
Preferred stock	3,147	2,742
Capital stock	1,773	1,726
Additional paid-in-capital	1,385	1,316
Restricted capital	4,343	4,039
Accumulated other comprehensive loss	(1,226)	(1,447)
Surplus	42,969	40,458
Total capital	52,391	48,834
Total liabilities and capital	$314,361	$303,503

STATEMENT OF INCOME DATA

	For the Quarter Ended September 30,		For the Nine Months Ended September 30,	
	(unaudited)			
	2016	2015	2016	2015
Interest income	$2,623	$2,369	$7,738	$6,948
Interest expense	(753)	(602)	(2,214)	(1,731)
Net interest income	1,870	1,767	5,524	5,217
Provision for loan losses	(58)	(37)	(218)	(87)
Noninterest income	163	177	448	463
Noninterest expense	(685)	(654)	(2,029)	(1,945)
Income before income taxes	1,290	1,253	3,725	3,648
Provision for income taxes	(38)	(45)	(136)	(167)
Net income	$1,252	$1,208	$3,589	$3,481

FARM CREDIT SYSTEM
COMBINED FINANCIAL STATEMENT DATA
(in millions)

Statement of Condition Data - Five Quarter Trend

	September 30, 2016 (unaudited)	June 30, 2016 (unaudited)	March 31, 2016 (unaudited)	December 31, 2015 (audited)	September 30, 2015 (unaudited)
Cash and investments	$ 63,178	$ 62,778	$ 58,303	$ 59,378	$ 55,880
Loans	242,124	243,886	238,439	235,890	226,844
Less: allowance for loan losses	(1,457)	(1,433)	(1,350)	(1,280)	(1,246)
Net loans	240,667	242,453	237,089	234,610	225,598
Accrued interest receivable	2,508	2,056	1,835	1,973	2,366
Other assets	3,665	3,771	3,623	3,503	3,533
Restricted assets	4,343	4,234	4,136	4,039	3,964
Total assets	$314,361	$315,292	$304,986	$303,503	$291,341
Systemwide Debt Securities	$251,992	$254,634	$245,049	$243,335	$231,219
Subordinated debt	598	1,097	1,550	1,550	1,550
Other bonds	3,269	1,820	2,090	2,879	3,410
Other liabilities	6,111	6,340	6,254	6,905	6,284
Total liabilities	261,970	263,891	254,943	254,669	242,463
Preferred stock	3,147	3,051	2,768	2,742	2,783
Capital stock	1,773	1,749	1,724	1,726	1,714
Additional paid-in-capital	1,385	1,385	1,373	1,316	1,183
Restricted capital	4,343	4,234	4,136	4,039	3,964
Accumulated other comprehensive loss	(1,226)	(1,125)	(1,215)	(1,447)	(1,108)
Surplus	42,969	42,107	41,257	40,458	40,342
Total capital	52,391	51,401	50,043	48,834	48,878
Total liabilities and capital	$314,361	$315,292	$304,986	$303,503	$291,341

Statement of Income Data – Five Quarter Trend (unaudited)

For the three months ended:	**September 30, 2016**	**June 30, 2016**	**March 30, 2016**	**December 31, 2015**	**September 30, 2015**
Interest income	$2,623	$2,589	$2,526	$2,430	$2,369
Interest expense	(753)	(746)	(715)	(632)	(602)
Net interest income	1,870	1,843	1,811	1,798	1,767
Provision for loan losses	(58)	(91)	(69)	(19)	(37)
Noninterest income	163	145	140	206	177
Noninterest expense	(685)	(672)	(672)	(748)	(654)
Income before income taxes	1,290	1,225	1,210	1,237	1,253
Provision for income taxes	(38)	(45)	(53)	(30)	(45)
Net income	$1,252	$1,180	$1,157	$1,207	$1,208