CoBank Quarterly District Financial Information September 30, 2015

Quarterly District Financial Information

CoBank, ACB and Affiliated Associations

Introduction and District Overview

CoBank, ACB (CoBank, the Bank, we, our, or us) is one of the four banks of the Farm Credit System (System) and provides loans, leases and other financial services to vital industries across the rural communities of America. The System is a federally chartered network of borrower-owned lending institutions composed of cooperatives and related service organizations. The System was established in 1916 by the U.S. Congress, and is a Government Sponsored Enterprise. CoBank is federally chartered under the Farm Credit Act of 1971, as amended (the Farm Credit Act), and is subject to supervision, examination, and safety and soundness regulation by an independent federal agency, the Farm Credit Administration (FCA).

We are cooperatively owned by our U.S. customers. Our customers consist of agricultural cooperatives; other food and agribusiness companies; rural energy, communications and water cooperatives and companies; rural community facilities; farmer-owned financial institutions including Agricultural Credit Associations and Federal Land Credit Associations (Associations); and other businesses that serve rural America. The Associations originate and service long-term real estate mortgage loans as well as short- and intermediate-term loans for agricultural purposes. The Associations may also purchase eligible loan participations from System entities and other lending institutions. Additionally, the Associations serve as an intermediary in offering multi-peril crop insurance and credit life insurance, and providing additional financial services to borrowers.

We are chartered by the FCA to serve the Associations that provide credit and related financial services to or for the benefit of eligible borrowers/shareholders for qualified purposes in specific geographic areas in the United States. We collectively refer to these entities as our affiliated Associations. Associations are not authorized by the Farm Credit Act to participate in the issuance of Systemwide bonds, medium term notes and discount notes (collectively referred to as Systemwide Debt Securities). Therefore, we are the primary funding source for our affiliated Associations. As of September 30, 2015, we have 26 affiliated Associations serving customers in 23 states across the Northwest, West, Southwest, Rocky Mountains, Mid-Plains, and Northeast regions of the United States.

Our affiliated Associations are considered customers and thus operate independently and maintain an arms-length relationship with us, except to the extent that the Farm Credit Act requires us, as the funding bank, to monitor and approve certain activities of these Associations. Accordingly, the financial information of affiliated Associations is not included in the condensed consolidated quarterly financial statements presented in CoBank's September 30, 2015 Quarterly Report to Shareholders. However, because of the interdependent manner in which CoBank and our affiliated Associations operate, we believe that presenting combined Bank and Association quarterly financial information could be meaningful for purposes of additional analysis.

The Financial Highlights, Discussion and Analysis and the Condensed Combined Statements of Income and Balance Sheets included on the following pages present unaudited combined financial information and related analysis of CoBank and its affiliated Associations, which are collectively referred to as the "District." As part of the combining process, all significant transactions between CoBank and the Associations, including loans made by the Bank to the affiliated Associations and the interest income/interest expense related thereto, and investments of the affiliated Associations in the Bank and the earnings related thereto, have been eliminated.

Farm Credit Services Southwest, ACA Matter

In 2014, one of our affiliated Associations, Farm Credit Services Southwest, ACA (FCSSW), noted a sudden significant increase in delinquencies in a discrete portion of its retail lending portfolio. An in-depth investigation directed by a special investigative committee of the FCSSW board of directors identified material weaknesses in internal controls relating to credit origination, administration, servicing and cash management procedures. As a result, it was determined that certain loans were made to ineligible borrowers under the Farm Credit Act and/or were inadequately secured. In October 2014, the board of directors and management of FCSSW announced that FCSSW's financial statements as of and for the year ended December 31, 2013, and the prior years included therein, as well as the three months ended March 31, 2014 and the six months ended June 30, 2014 could no longer be relied upon. In July 2015, FCSSW published restated financial reports for the above-mentioned periods. Effective November 1, 2015, FCSSW became a wholly-owned subsidiary of Farm Credit West, ACA, another of our affiliated Associations.

As a result of the matters described above, the District's unaudited, condensed combined financial statements for the year ended December 31, 2014 include out-of-period adjustments to the provision for loan losses of $47.0 million, charge-offs of $42.0 million and the transfer of $62.0 million in loans to nonaccrual status, $20.0 million of which remained in nonaccrual loans at year-end 2014. The District's unaudited, condensed combined financial statements for the nine months ended September 30, 2015 include out-of-period adjustments to the provision for loan losses of $2.4 million and the transfer of $4.7 million in loans to nonaccrual status. Such errors are not material to the current and historical District unaudited, condensed combined financial statements.

Financial Highlights

($ in Thousands)

	September 30, 2015	December 31, 2014
Total Loans	**$ 93,775,345**	$ 89,132,415
Less: Allowance for Loan Losses	**722,104**	749,257
Net Loans	**93,053,241**	88,383,158
Total Assets	**120,598,445**	116,966,016
Total Shareholders' Equity	**16,275,709**	15,139,164

For the Nine Months Ended September 30,	2015	2014
Net Interest Income	**$ 1,904,938**	$ 1,829,870
Provision for Loan Losses	**20,313**	9,269
Net Fee Income	**97,039**	98,197
Net Income	**1,262,818**	1,205,769
Net Interest Margin	**2.23 %**	2.26 %
Return on Average Assets	**1.44**	1.46
Return on Average Total Shareholders' Equity	**10.57**	11.07
Average Loans	**$ 90,759,637**	$ 84,518,798
Average Earning Assets	**113,706,822**	107,773,061
Average Assets	**116,885,635**	109,916,353

Discussion and Analysis of District Results of Operations and Financial Condition

District average loan volume increased 7 percent to $90.8 billion in the first nine months of 2015 compared to $84.5 billion for the same period of 2014. The increase in average loan volume primarily reflected growth in agribusiness, energy, real estate mortgage, communications and short and intermediate-term loans.

District net income increased by $57.0 million for the nine months ended September 30, 2015 as compared to the same period of 2014. The increase in earnings resulted primarily from higher levels of net interest income and prepayment income, net of losses on early extinguishments of debt, as well as gains on the sale of investment securities. These factors were partially offset by an increase in operating expenses and impairment losses on investment securities in the 2015 period.

Net interest income increased to $1,904.9 million for the first nine months of 2015 from $1,829.9 million for the same period in 2014. The increase in net interest income was driven by growth in average loan volume, partially offset by lower spreads in lending and investment portfolios as well as a reduction in the Bank's net accretion of its merger-related fair value adjustments. These factors led to a decrease in the District's overall net interest margin to 2.23 percent for the nine months ended September 30, 2015 as compared to 2.26 percent for the same period in 2014.

The District recorded a provision for loan losses of $20.3 million in the nine months ended September 30, 2015, compared to $9.3 million for the same period of 2014. CoBank recorded a provision for loan losses of $10.0 million in the first nine months of 2015 resulting from the increase in lending activity as well as a slight deterioration in credit quality impacting a small number of agribusiness customers. In the first nine months of 2014, CoBank recorded a $25.0 million loan loss reversal due primarily from a decline in the level of specific reserves needed for certain communications and energy loans as well as general improvement in credit quality during that period. The Associations recorded a net combined provision for loan losses of $10.3 million for the first nine months of 2015, compared to a net combined provision of $34.3 million in the same period of 2014. The net combined 2015 provision for loan losses at the Associations was driven by a provision of $10.7 million recorded at one Association primarily due to deteriorating credit quality and increased loan volume as well as loan charge-offs in the nursery industry. The net combined 2014 provision for loan losses at the Associations was driven by a $42.5 million provision at FCSSW as a result of the events discussed beginning on page 1, somewhat offset by loan loss reversals recorded by two Associations due to improvements in credit quality.

Noninterest income increased $47.6 million to $223.5 million for the nine months ended September 30, 2015 from $175.9 million for the same period in 2014. Noninterest income is primarily composed of fee income, loan prepayment income and miscellaneous gains and losses, offset by losses on early extinguishments of debt. The increase in noninterest income was driven by a $31.9 million increase in prepayment income, net of losses on early extinguishments of debt, related to customer refinancing activity in 2015 at CoBank. In the 2014 period, a higher level of losses on debt extinguishments were undertaken by CoBank for balance sheet positioning purposes. During 2015, CoBank sold investment securities with a combined book value of $148.3 million for gains totaling $22.6 million. In the 2014 period, sales of investment securities at CoBank resulted in gains totaling $4.2 million. These items were partially offset by impairments of $11.1 million recognized at CoBank on two credit impaired investment securities due to lower projected cash flows resulting from loan modification activity in the underlying collateral. No impairment losses on investment securities were recorded during the nine months ended September 30, 2014.

District operating expenses increased 8 percent to $704.7 million in the first nine months of 2015 from $653.3 million for the same period of 2014. Employee compensation expense increased $14.3 million to $396.0 million for the nine months ended September 30, 2015 from $381.7 million for the same period of 2014. The increase in employee compensation resulted from higher expenses at Associations primarily due to an increase in pension expense related to lower discount rates, the adoption of new mortality assumptions for 2015, and a decrease in the rate of return assumption. Higher benefit expenses also contributed to higher employee compensation due to increases in health insurance and taxes related to an increased number of employees at Associations. Farm Credit Insurance Fund (Insurance Fund) premium expense increased by $10.5 million, due to higher premium rates and growth in average loan volume. Insurance Fund premium rates were 13 basis points of adjusted insured debt obligations during the first nine months of 2015 compared to 12 basis points throughout 2014. General and administrative expenses increased $8.5 million to $55.5 million for the first nine months of 2015 primarily due to increased spending related to various strategic initiatives throughout the District as well as greater levels of corporate sponsorships and charitable contributions at CoBank. Other operating expenses increased $9.7 million to $45.5 million for the nine months ended September 30, 2015 from $35.8 million for the same prior-year period as this expense category now includes management fees paid by an affiliated Association to a non-affiliated Association with which it formed a strategic alliance effective in 2015. In the 2014 periods, the operating expenses for this Association were reported in various operating expense categories on the combined statement of income. This change did not result in a material change in the overall level of operating expenses.

Income tax expense increased $3.2 million for the nine months ended September 30, 2015 compared to the same period of 2014. The income tax expense at the District predominantly relates to CoBank, as a substantial majority of the business activities at Associations are exempt from federal income tax.

Loan Portfolio

The following table presents the District's outstanding loans classified in accordance with the FCA's loan types.

($ in Thousands)

District Loans by Loan Type

	September 30, 2015	December 31, 2014
Real Estate Mortgage	$ 26,514,931	$ 25,333,109
Non-affiliated Associations	4,088,422	3,847,208
Production and Intermediate-term	14,516,830	14,696,286
Agribusiness:		
Loans to Cooperatives	11,539,791	12,527,572
Processing and Marketing Operations	6,491,898	5,642,694
Farm Related Businesses	1,847,418	1,692,682
Communications	3,814,836	3,388,172
Energy	14,545,299	12,397,400
Water/Waste Water	1,420,785	1,274,346
Agricultural Export Finance	4,904,678	4,378,277
Rural Residential Real Estate	833,830	845,797
Lease Receivables	3,114,618	2,965,287
Other	142,009	143,585
Total	$ 93,775,345	$ 89,132,415

District loan volume at September 30, 2015 was $93.8 billion compared to $89.1 billion at December 31, 2014. The increase was primarily due to growth in energy loans which were driven by increased lending to electric distribution and power supply customers. Higher loan volume also included increases in real estate mortgage loans at the Associations primarily due to new loans, lower land values and low interest rates as well as increases in processing and marketing operations loans primarily resulting from advances on existing Association loans with customers in the poultry, grape, meat packing, dairy and nuts industries. These factors were partially offset by a decrease in agribusiness cooperative loan volume due to loan seasonality and the impact of lower grain commodity prices.

Loan Quality

The following table presents loans and related accrued interest receivable, classified by management at the various District entities pursuant to the FCA's Uniform Loan Classification System, as a percent of total loans and related accrued interest.

District Loan Quality

	September 30, 2015	December 31, 2014
Acceptable	**96.41 %**	96.41 %
Special Mention	**2.01**	1.91
Substandard	**1.56**	1.63
Doubtful	**0.02**	0.05
Loss	**-**	-
Total	**100.00 %**	100.00 %

Loan quality within the District is very favorable, with over 96 percent of all loans and related accrued interest in the highest category of credit quality. Credit risk in the District's loan portfolio is spread broadly among customers, industries and geographic territory. The District serves a diversified spectrum of borrowers up and down the agricultural value chain. Association retail loans in the District loan portfolio are concentrated in the Northwest, West, Southwest, Rocky Mountains, Mid-Plains, and Northeast regions of the United States. CoBank's commercial loan portfolio extends across the United States, with moderate levels of concentration in the Midwest region of the country and in the farm supply, grain marketing, electric distribution, and generation and transmission sectors.

Nonperforming assets (which consist of nonaccrual loans, accruing restructured loans, accruing loans 90 days or more past due and other property owned) totaled $557.7 million as of September 30, 2015 compared to $558.8 million at December 31, 2014. Nonaccrual loans increased by a net $19.6 million during the first nine months of September 30, 2015 which was driven by a $27.2 million net increase at CoBank due to the credit quality deterioration impacting a small number of agribusiness customers and a communications customer, somewhat offset by the sale of a nonaccrual energy loan. Accruing restructured loans decreased by $11.5 million to $64.6 million in the nine months ended September 30, 2015 primarily due to the payoff of loans in the cattle, grain and dairy industries at three Associations. Nonperforming assets represented 0.59 percent of total District loan volume and other property owned at September 30, 2015 compared to 0.63 percent at December 31, 2014. Nonaccrual loan volume, the largest component of nonperforming assets, represented 0.49 percent of total loans at September 30, 2015, relatively unchanged from 0.50 percent of total loans at December 31, 2014.

Agriculture is often impacted, both positively and negatively, by weather patterns, including the drought conditions currently affecting portions of the United States, particularly California. Prolonged drought conditions could result in reduced income and credit stress for producers and processors.

The following table displays the District's nonperforming assets for the periods presented.

($ in Thousands)

Nonperforming Assets

	September 30, 2015	December 31, 2014
Nonaccrual Loans:		
Real Estate Mortgage	$ 195,505	$ 186,160
Production and Intermediate-term	92,151	107,837
Agribusiness	79,937	49,703
Communications	70,446	56,685
Energy	5,287	28,092
Rural Residential Real Estate	5,670	7,130
Lease Receivables	12,494	6,332
Total Nonaccrual Loans	461,490	441,939
Accruing Restructured Loans:		
Real Estate Mortgage	39,208	45,985
Production and Intermediate-term	23,206	28,019
Rural Residential Real Estate	2,217	2,008
Mission Related	-	71
Total Accruing Restructured Loans	64,631	76,083
Accruing Loans 90 Days or More Past Due:		
Real Estate Mortgage	7,408	4,537
Production and Intermediate-term	6,001	5,209
Agribusiness	77	-
Rural Residential Real Estate	-	98
Lease Receivables	702	239
Total Accruing Loans 90 Days or More Past Due	14,188	10,083
Total Nonperforming Loans	540,309	528,105
Other Property Owned	17,433	30,741
Total Nonperforming Assets	$ 557,742	$ 558,846
Nonaccrual Loans as a Percentage of Total Loans	0.49 %	0.50 %
Nonperforming Assets as a Percentage of Total Loans and Other Property Owned	0.59	0.63
Nonperforming Assets as a Percentage of Capital	3.43	3.69

The following tables present an aging of past due loans and related accrued interest in the District for the periods presented.

($ in Thousands)

Aging of Past Due Loans

	September 30, 2015					
	30-90 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans and Accrued Interest	Recorded Investment >90 Days and Accruing
Real Estate Mortgage	$ 52,967	$ 70,458	$ 123,425	$ 26,762,481	$ 26,885,906	$ 7,408
Production and Intermediate-term	41,143	36,138	77,281	14,565,792	14,643,073	6,001
Agribusiness	8,961	11,006	19,967	19,921,306	19,941,273	77
Communications	-	927	927	3,823,428	3,824,355	-
Energy	-	-	-	14,601,688	14,601,688	-
Water/Waste Water	-	-	-	1,428,661	1,428,661	-
Agricultural Export Finance	-	-	-	4,915,637	4,915,637	-
Rural Residential Real Estate	5,984	2,559	8,543	828,420	836,963	-
Lease Receivables	14,459	3,736	18,195	3,096,890	3,115,085	702
Non-affiliated Associations	-	-	-	4,090,974	4,090,974	-
Other	-	-	-	142,444	142,444	-
Total	$ 123,514	$ 124,824	$ 248,338	$ 94,177,721	$ 94,426,059	$ 14,188

($ in Thousands)

Aging of Past Due Loans

	December 31, 2014					
	30-90 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans and Accrued Interest	Recorded Investment >90 Days and Accruing
Real Estate Mortgage	$ 59,074	$ 55,028	$ 114,102	$ 25,452,525	$ 25,566,627	$ 4,537
Production and Intermediate-term	32,228	34,273	66,501	14,719,320	14,785,821	5,209
Agribusiness	1,751	8,110	9,861	19,913,959	19,923,820	-
Communications	-	1,138	1,138	3,393,996	3,395,134	-
Energy	-	21,039	21,039	12,426,120	12,447,159	-
Water/Waste Water	-	-	-	1,281,922	1,281,922	-
Agricultural Export Finance	-	-	-	4,389,165	4,389,165	-
Rural Residential Real Estate	7,639	2,736	10,375	838,410	848,785	98
Lease Receivables	8,417	1,421	9,838	2,955,853	2,965,691	239
Non-affiliated Associations	-	-	-	3,849,440	3,849,440	-
Other	71	-	71	143,816	143,887	-
Total	$ 109,180	$ 123,745	$ 232,925	$ 89,364,526	$ 89,597,451	$ 10,083

District entities maintain an allowance for loan losses at a level consistent with the probable losses identified by management of each institution, considering such factors as current agricultural and economic conditions, loan loss experience, portfolio quality, and loan portfolio composition and concentrations. CoBank and certain Associations also maintain a reserve for unfunded commitments, which totaled $186.5 million at September 30, 2015.

Although aggregated in the District's condensed combined financial statements, the allowance for loan losses for each District entity is particular to that institution and is not available to absorb losses realized by other District entities. The allowance for loan losses at September 30, 2015 totaled $722.1 million compared to $749.2 million at December 31, 2014. Changes in the allowance included an overall net provision for loan losses of $20.3 million, which is described on page 3, a $32.4 million net transfer to the reserve for unfunded commitments, recoveries of $13.4 million primarily driven by collections at the Associations, and charge-offs of $28.4 million.

The following presents detailed changes in the allowance for loan losses in the District for the periods presented.

($ in Thousands)

Changes in Allowance for Loan Losses

	Balance at December 31, 2014	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversal)	Transfers from (to) Reserve for Unfunded Commitments	Balance at September 30, 2015
Real Estate Mortgage	$ 90,351	$ (5,697)	$ 925	$ 4,222	$ (7,646)	$ 82,155
Production and Intermediate-term	170,064	(12,186)	8,625	(4,982)	(4,542)	156,979
Agribusiness	278,732	(3,643)	2,362	13,492	(17,322)	273,621
Communications	54,432	-	606	1,982	(784)	56,236
Energy	98,149	(5,596)	431	2,091	(1,968)	93,107
Water/Waste Water	9,813	-	-	(1,509)	(182)	8,122
Agricultural Export Finance	8,924	-	163	719	2	9,808
Rural Residential Real Estate	6,216	(344)	28	(312)	-	5,588
Lease Receivables	32,456	(971)	272	4,642	-	36,399
Other	120	-	-	(32)	-	88
Total	$ 749,257	$ (28,437)	$ 13,412	$ 20,313	$ (32,442)	$ 722,104

($ in Thousands)

Changes in Allowance for Loan Losses

	Balance at December 31, 2013	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversal)	Transfers from (to) Reserve for Unfunded Commitments	Association Merger Impact	Balance at September 30, 2014
Real Estate Mortgage	$ 103,685	$ (1,420)	$ 991	$ 13,722	$ (23,653)	$ (1,716)	$ 91,609
Production and Intermediate-term	182,301	(5,734)	6,473	17,664	(2,953)	(3,496)	194,255
Agribusiness	233,062	(385)	2,003	(541)	(12,521)	(885)	220,733
Communications	64,930	(1,587)	460	(20,144)	2,181	-	45,840
Energy	97,354	(531)	103	(8,034)	507	-	89,399
Water/Waste Water	9,425	-	-	(329)	54	-	9,150
Agricultural Export Finance	7,439	-	54	9	(145)	-	7,357
Rural Residential Real Estate	6,671	(409)	16	812	-	(11)	7,079
Lease Receivables	34,748	(1,126)	394	5,922	-	(1)	39,937
Other	130	-	-	188	-	-	318
Total	$ 739,745	$ (11,192)	$ 10,494	$ 9,269	$ (36,530)	$ (6,109)	$ 705,677

District Capital Resources

Combined District shareholders' equity at September 30, 2015 totaled $16.3 billion, a net increase of $1.14 billion as compared to December 31, 2014. The increase primarily resulted from District net income of $1.26 billion, an increase in Association preferred stock of $95.1 million and a decrease in accumulated other comprehensive loss of $128.1 million, somewhat offset by accrued patronage of $323.9 million and preferred stock dividends of $50.1 million. The components of the District's accumulated other comprehensive loss are detailed in the following table.

($ in Thousands)

Accumulated Other Comprehensive Loss

	September 30, 2015	December 31, 2014
Unrealized Gains on Investment Securities	$ **207,916**	$ 94,454
Net Pension Adjustment	**(309,506)**	(327,259)
Unrealized Losses on Interest Rate Swaps and Other Financial Instruments	**(36,588)**	(33,460)
Accumulated Other Comprehensive Loss	$ **(138,178)**	$ (266,265)

The decrease in the District's total accumulated other comprehensive loss during the first nine months of 2015 is primarily due to an increase in unrealized gains on investment securities at CoBank driven by interest rate changes.

The following table presents regulatory capital ratios for CoBank and the range of ratios at the affiliated Associations.

District Capital Ratios

	September 30, 2015			December 31, 2014		
	Permanent Capital Ratio	Total Surplus Ratio	Core Surplus Ratio	Permanent Capital Ratio	Total Surplus Ratio	Core Surplus Ratio
CoBank	**15.57%**	**14.64%**	**10.68%**	15.70%	14.81%	10.47%
Associations	**13.66 - 36.14%**	**13.19 - 35.69%**	**12.95 - 30.56%**	13.40 - 35.69%	12.97 - 35.25%	12.88 - 30.09%
Regulatory Minimum	**7.00%**	**7.00%**	**3.50%**	7.00%	7.00%	3.50%

As depicted in the table above, at September 30, 2015, CoBank and all affiliated Associations exceeded the FCA's regulatory minimum capital ratios. Although aggregated in the District's condensed financial statements, capital for each District entity is particular to that institution. In addition, the provisions of joint and several liability for Systemwide Debt Securities are applicable only to System banks and do not include Associations. CoBank has no access to Association capital beyond their required investment in the Bank. There are no capital sharing agreements between CoBank and its affiliated Associations.

Association Mergers and Other

Effective January 1, 2015, Frontier Farm Credit (Frontier), one of our affiliated Associations, and Farm Credit Services of America (FCSAmerica), an Association affiliated with AgriBank, FCB, formed a strategic alliance. As part of the alliance, Frontier and FCSAmerica have integrated their day-to-day business operations, systems and leadership teams while continuing to exist as separate Associations. Each Association will continue to have its own board, with representatives participating in a coordinating committee to facilitate board governance between the two organizations. CoBank will continue as the funding bank for Frontier.

In December 2014, the boards of directors of two affiliated Associations, Farm Credit Services of East Central Oklahoma, ACA, and Chisholm Trail Farm Credit, ACA, signed a letter of intent to merge with an anticipated completion date of January 1, 2016. The boards and stockholders of both Associations have approved the merger, and the FCA has granted preliminary approval.

As previously described, effective November 1, 2015, FCSSW became a wholly-owned subsidiary of Farm Credit West, ACA, another of our affiliated Associations.

Quarterly District Financial Information
CoBank, ACB and Affiliated Associations

Condensed Combined Statements of Income
(unaudited)

($ in Thousands)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	**2014**	**2015**	**2014**
Interest Income				
Loans	**$ 791,756**	$ 731,098	**$ 2,320,772**	$ 2,195,411
Investment Securities	**92,475**	90,327	**269,078**	269,615
Total Interest Income	**884,231**	821,425	**2,589,850**	2,465,026
Interest Expense	**238,150**	210,938	**684,912**	635,156
Net Interest Income	**646,081**	610,487	**1,904,938**	1,829,870
Provision for Loan Losses	**4,138**	46,047	**20,313**	9,269
Net Interest Income After Provision for Loan Losses	**641,943**	564,440	**1,884,625**	1,820,601
Noninterest Income/ Expense				
Net Fee Income	**31,801**	34,295	**97,039**	98,197
Prepayment Income	**3,930**	3,210	**24,055**	12,288
Losses on Early Extinguishments of Debt	**(3,640)**	(11,416)	**(20,549)**	(40,686)
Gains on the Sale of Investment Securities	**794**	7	**22,603**	4,206
Total Other-Than-Temporary Impairment Losses in Investment Securities	**-**	-	**(11,100)**	-
Other, Net	**37,313**	29,818	**111,488**	101,866
Total Noninterest Income	**70,198**	55,914	**223,536**	175,871
Operating Expenses				
Employee Compensation	**133,508**	128,896	**396,000**	381,662
Insurance Fund Premium	**25,896**	21,584	**76,569**	66,104
Information Services	**15,116**	12,412	**44,044**	38,736
General and Administrative	**20,521**	16,051	**55,456**	46,942
Occupancy and Equipment	**13,791**	10,912	**36,137**	32,366
Farm Credit System Related	**6,498**	6,484	**19,922**	19,933
Purchased Services	**11,355**	12,455	**31,034**	31,706
Other	**11,157**	12,150	**45,517**	35,831
Total Operating Expenses	**237,842**	220,944	**704,679**	653,280
Income Before Income Taxes	**474,299**	399,410	**1,403,482**	1,343,192
Provision for Income Taxes	**42,699**	38,269	**140,664**	137,423
Net Income	**$ 431,600**	$ 361,141	**$ 1,262,818**	$ 1,205,769

Quarterly District Financial Information
CoBank, ACB and Affiliated Associations

Condensed Combined Balance Sheets
(unaudited)

($ in Thousands)

	September 30, 2015	December 31, 2014
Assets		
Total Loans	$ 93,775,345	$ 89,132,415
Less: Allowance for Loan Losses	722,104	749,257
Net Loans	93,053,241	88,383,158
Cash and Cash Equivalents	1,432,514	2,071,427
Investment Securities	23,904,090	24,529,619
Interest Rate Swaps and Other Financial Instruments	445,208	454,530
Accrued Interest Receivable and Other Assets	1,763,392	1,527,282
Total Assets	$ 120,598,445	$ 116,966,016
Liabilities		
Bonds and Notes	$ 101,245,360	$ 98,785,016
Subordinated Debt	904,685	904,685
Interest Rate Swaps and Other Financial Instruments	153,924	111,228
Reserve for Unfunded Commitments	186,500	154,058
Accrued Interest Payable and Other Liabilities	1,832,267	1,871,865
Total Liabilities	104,322,736	101,826,852
Shareholders' Equity		
Preferred Stock Issued by Bank	1,125,000	1,125,000
Preferred Stock Issued by Associations	593,169	498,020
Common Stock	1,359,375	1,325,998
Paid In Capital	894,823	894,823
Unallocated Retained Earnings	12,441,520	11,561,588
Accumulated Other Comprehensive Loss	(138,178)	(266,265)
Total Shareholders' Equity	16,275,709	15,139,164
Total Liabilities and Shareholders' Equity	$ 120,598,445	$ 116,966,016