CoBank Quarterly District Financial Information
September 30, 2016

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 agriculture and rural communities. The Associations originate and service long-term real estate mortgage loans as well as short- and intermediate-term loans for agricultural purposes. The Bank and 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, 2016, we have 24 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, 2016 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.

Financial Highlights

($ in Thousands)

	September 30, 2016	December 31, 2015
Total Loans	**$ 100,047,744**	$ 98,382,641
Less: Allowance for Loan Losses	**811,274**	745,522
Net Loans	**99,236,470**	97,637,119
Total Assets	**131,267,750**	127,644,371
Total Shareholders' Equity	**17,665,709**	16,127,219

For the Nine Months Ended September 30,	2016	2015
Net Interest Income	**$ 2,051,221**	$ 1,904,938
Provision for Loan Losses	**88,522**	20,313
Net Fee Income	**102,602**	97,039
Net Income	**1,287,449**	1,262,818
Net Interest Margin	**2.14 %**	2.23 %
Return on Average Assets	**1.32**	1.44
Return on Average Total Shareholders' Equity	**10.05**	10.57
Average Loans	**$ 100,579,221**	$ 90,759,637
Average Earning Assets	**127,922,941**	113,706,822
Average Assets	**130,451,254**	116,885,635

Discussion and Analysis of District Results of Operations and Financial Condition

District average loan volume increased 11 percent to $100.6 billion in the first nine months of 2016, compared to $90.8 billion for the same period of 2015. The increase in average loan volume primarily reflected growth in real estate mortgage, agribusiness and energy loans.

District net income increased $24.6 million for nine-month period ended September 30, 2016, compared to the same period of 2015. The increase in earnings primarily resulted from greater net interest income and noninterest income as well as a lower provision for income taxes, partially offset by an increase in operating expenses and a higher provision for loan losses in the 2016 period.

Net interest income increased $146.3 million to $2,051.2 million for the first nine months of 2016 from $1,904.9 million for the same period in 2015. The increase in net interest income was driven by growth in average loan volume and increased earnings on balance sheet positioning at CoBank, somewhat offset by lower overall spreads in lending portfolios resulting from continued strong competition for the business of customers and a higher cost of System short-term debt. Lower spreads led to a decrease in the District's overall net interest margin to 2.14 percent for the nine months ended September 30, 2016 as compared to 2.23 percent for the same period in 2015.

The District recorded a provision for loan losses of $88.5 million in the nine-month period ended September 30, 2016, compared to $20.3 million for the same period of 2015. CoBank recorded a provision for loan losses of $48.0 million in the first nine months of 2016 compared to $10.0 million during the 2015 period. The 2016 provision at CoBank reflects a higher level of lending activity and deterioration in credit quality in the agribusiness portfolio. The Associations recorded a net combined provision for loan losses of $40.5 million for the first nine months of 2016, compared to a net combined provision of $10.3 million in the same period of 2015. The net combined 2016 provision for loan losses at the Associations was primarily due to provisions recorded at several Associations resulting from higher loan volume as well as deterioration in credit quality driven by drought, commodity price volatility and other concerns impacting specific industries.

Noninterest income increased $9.6 million to $233.1 million for the first nine months of 2016 from $223.5 million for the same period in 2015. Noninterest income is primarily composed of fee income, loan prepayment income, patronage income and miscellaneous gains and losses, offset by losses on early extinguishments of debt. The higher level of noninterest income was driven by an increase in other noninterest income of $13.2 million during the 2016 period primarily resulting from an increase in patronage income received from other System institutions on loan participations sold by CoBank. In addition, no impairment losses on investment securities were recorded in the 2016 period while $11.1 million in such losses were recognized in the same period of 2015. Fee income also increased $5.6 million during the nine-month period ended September 30, 2016 due to an increase in fees at Associations. These items were somewhat offset by an $18.0 million decrease in gains recognized on sales of investment securities. In the 2015 period, CoBank sold investment securities with a combined book value of $148.3 million for gains totaling $22.6 million. During the nine-month period ended September 30, 2016, sales of investment securities at CoBank with a combined book value of $579.5 million resulted in gains totaling $4.6 million. Prepayment income, net of losses on early extinguishments of debt, decreased to $1.1 million during the nine months ended September 30, 2016, compared to $3.5 million in the 2015 period.

District operating expenses increased $79.9 million to $784.6 million in the first nine months of 2016 from $704.7 million for the same period of 2015. Higher operating expenses included an increase in Farm Credit Insurance Fund (Insurance Fund) premium expense of $37.0 million, due to an increase in premium rates as well as growth in average loan volume. Insurance Fund premium rates are set by the Farm Credit System Insurance Corporation (Insurance Corporation) and were 16 basis points of adjusted insured debt obligations during the first half of 2016 and 18 basis points during the three months ended September 30, 2016 compared to 13 basis points throughout 2015. The premium rate will remain 18 basis points of adjusted insured debt obligations for the balance of 2016. The increases in Insurance Fund premium rates resulted from higher than anticipated growth in overall System assets and related debt obligations in 2015 as well as the Insurance Corporation’s projections for continued growth. Employee compensation expense increased $25.4 million to $421.4 million for the nine months ended September 30, 2016. The increase in employee compensation was primarily driven by increased incentive compensation accruals, annual salary adjustments and a higher overall number of employees in the first nine months of 2016 compared to the same period in 2015. Occupancy and equipment expenses increased $11.6 million due to increased expenditures at CoBank associated with a new corporate headquarters in Greenwood Village, Colorado, as well as higher costs relating to improvements and maintenance at certain Associations. Purchased services increased by $8.4 million and other operating expenses decreased by $2.3 million primarily due to a change in expense classification at one Association.

Income tax expense decreased $17.0 million for the nine-month period ended September 30, 2016 compared to the same period of 2015. 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. The decrease was driven by higher levels of accrued patronage, which resulted from growth in average patronage-eligible loan volume, and an increase in earnings attributed to non-taxable business activities.

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, 2016	December 31, 2015
Real Estate Mortgage	**$ 30,578,536**	$ 28,720,815
Non-affiliated Associations	**4,531,331**	4,291,104
Production and Intermediate-term	**13,417,343**	13,866,604
Agribusiness:		
Loans to Cooperatives	**10,811,373**	11,790,613
Processing and Marketing Operations	**8,520,933**	8,225,584
Farm Related Businesses	**1,665,316**	1,701,660
Communications	**3,828,302**	4,042,813
Energy	**16,145,095**	15,207,910
Water/Waste Water	**1,458,749**	1,447,650
Agricultural Export Finance	**4,633,155**	4,642,753
Rural Residential Real Estate	**906,923**	899,763
Lease Receivables	**3,434,506**	3,375,203
Other	**116,182**	170,169
Total	**$ 100,047,744**	$ 98,382,641

District loan volume at September 30, 2016 was $100.0 billion compared to $98.4 billion at December 31, 2015. The increase was primarily due to an increase in real estate mortgage loans driven by new loan growth at several Associations. Higher loan volume also included an increase in energy loans at CoBank as well as a greater level of wholesale lending to associations outside of the District. These factors were partially offset by lower seasonal loan volume in CoBank’s agribusiness portfolio, which typically reaches a low in late summer or early fall, and a decrease in production and intermediate-term loan volume primarily due to typical seasonal repayment activity attributed to crop sales during the first nine months of the year and tax mitigation planning.

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, 2016	December 31, 2015
Acceptable	**95.36 %**	96.39 %
Special Mention	**2.72**	2.00
Substandard	**1.91**	1.60
Doubtful	**0.01**	0.01
Loss	**-**	-
Total	**100.00 %**	100.00 %

Loan quality within the District remains favorable, with over 95 percent of all loans and related accrued interest in the highest category of credit quality. The increase in Special Mention and Substandard loans during the first nine months of 2016 is primarily due to deterioration in credit quality in agricultural lending at various Associations and in the agribusiness loan portfolio at CoBank. 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 $610.3 million as of September 30, 2016, compared to $520.6 million at December 31, 2015. Nonaccrual loans increased by a net $42.5 million during the first nine months of 2016 which was driven by a $49.1 million net increase at Associations primarily related to nursery, wine and grape, and dairy operations. These increases were partially offset by a net decrease in nonaccrual loans of $6.6 million at CoBank primarily resulting from activity related to three communications loans, of which one returned to accruing status and the others were paid off, somewhat offset by credit quality deterioration impacting a small number of customers in CoBank's agribusiness portfolio. Accruing restructured loans increased by $38.1 million to $94.4 million in the nine-month period ended September 30, 2016 also due to a communications loan at CoBank returning to accruing status, somewhat offset by the payoff of a dairy loan and two cattle loans at Associations. Total accruing loans 90 days or more past due increased by $15.9 million during the first nine months of 2016 primarily due to increases across several Associations. Nonperforming assets represented 0.61 percent of total District loan volume and other property owned at September 30, 2016, compared to 0.53 percent at December 31, 2015. Nonaccrual loan volume, the largest component of nonperforming assets, represented 0.49 percent of total loans at September 30, 2016 compared to 0.45 percent of total loans at December 31, 2015.

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

($ in Thousands)

Nonperforming Assets

	September 30, 2016	December 31, 2015
Nonaccrual Loans:		
Real Estate Mortgage	**$ 256,957**	$ 196,925
Production and Intermediate-term	**93,764**	81,534
Agribusiness	**87,092**	70,985
Communications	**-**	71,983
Energy	**2,346**	-
Rural Residential Real Estate	**3,299**	4,903
Lease Receivables	**42,811**	17,433
Total Nonaccrual Loans	**486,269**	443,763
Accruing Restructured Loans:		
Real Estate Mortgage	**29,186**	34,403
Production and Intermediate-term	**17,180**	19,415
Communication	**45,619**	-
Rural Residential Real Estate	**2,371**	2,425
Total Accruing Restructured Loans	**94,356**	56,243
Accruing Loans 90 Days or More Past Due:		
Real Estate Mortgage	**13,501**	2,333
Production and Intermediate-term	**6,368**	1,979
Rural Residential Real Estate	**-**	197
Lease Receivables	**1,107**	547
Total Accruing Loans 90 Days or More Past Due	**20,976**	5,056
Total Nonperforming Loans	**601,601**	505,062
Other Property Owned	**8,649**	15,579
Total Nonperforming Assets	**$ 610,250**	$ 520,641
Nonaccrual Loans as a Percentage of Total Loans	**0.49 %**	0.45 %
Nonperforming Assets as a Percentage of Total Loans and Other Property Owned	**0.61**	0.53
Nonperforming Assets as a Percentage of Capital	**3.45**	3.23

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, 2016					
	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	$ 67,105	$ 104,214	$ 171,319	$ 30,836,067	$ 31,007,386	$ 13,501
Production and Intermediate-term	50,477	53,418	103,895	13,427,849	13,531,744	6,368
Agribusiness	12,255	15,691	27,946	21,038,204	21,066,150	-
Communications	-	-	-	3,837,829	3,837,829	-
Energy	-	-	-	16,210,405	16,210,405	-
Water/Waste Water	-	-	-	1,467,025	1,467,025	-
Agricultural Export Finance	-	-	-	4,644,307	4,644,307	-
Rural Residential Real Estate	6,165	1,259	7,424	902,751	910,175	-
Lease Receivables	16,484	7,286	23,770	3,411,268	3,435,038	1,107
Non-affiliated Associations	-	-	-	4,535,678	4,535,678	-
Other	-	-	-	116,440	116,440	-
Total	$ 152,486	$ 181,868	$ 334,354	$ 100,427,823	$ 100,762,177	$ 20,976

($ in Thousands)

Aging of Past Due Loans

	December 31, 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	$ 54,185	$ 61,321	$ 115,506	$ 28,871,190	$ 28,986,696	$ 2,333
Production and Intermediate-term	31,072	24,444	55,516	13,896,350	13,951,866	1,979
Agribusiness	10,880	8,196	19,076	21,769,468	21,788,544	-
Communications	-	24,913	24,913	4,026,744	4,051,657	-
Energy	-	-	-	15,264,122	15,264,122	-
Water/Waste Water	-	-	-	1,455,953	1,455,953	-
Agricultural Export Finance	-	-	-	4,655,393	4,655,393	-
Rural Residential Real Estate	6,845	2,020	8,865	894,015	902,880	197
Lease Receivables	13,209	2,418	15,627	3,360,021	3,375,648	547
Non-affiliated Associations	-	-	-	4,294,025	4,294,025	-
Other	-	-	-	170,512	170,512	-
Total	$ 116,191	$ 123,312	$ 239,503	$ 98,657,793	$ 98,897,296	$ 5,056

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 $170.1 million at September 30, 2016.

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, 2016 totaled $811.3 million compared to $745.5 million at December 31, 2015. Changes in the allowance included an overall net provision for loan losses of $88.5 million, which is described on page 3, loan charge-offs of $16.4 million, a $12.0 million net transfer to the reserve for unfunded commitments and loan recoveries of $6.5 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, 2015	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversal)	Transfers from (to) Reserve for Unfunded Commitments	Association Merger Impact	Balance at September 30, 2016
Real Estate Mortgage	$ 105,155	$ (1,267)	$ 525	$ 21,735	$ (790)	$ (562)	$ 124,796
Production and Intermediate-term	129,219	(9,926)	2,343	26,033	(1,251)	(344)	146,074
Agribusiness	271,873	(2,984)	1,478	40,943	(9,287)	(2)	302,021
Communications	53,345	(324)	1,135	(8,823)	(1,229)	-	44,104
Energy	121,405	-	715	1,950	554	-	124,624
Water/Waste Water	10,646	-	-	(122)	48	-	10,572
Agricultural Export Finance	11,293	-	54	965	(33)	-	12,279
Rural Residential Real Estate	5,666	(264)	1	(876)	-	-	4,527
Lease Receivables and Other	36,920	(1,636)	276	6,717	-	-	42,277
Total	$ 745,522	$ (16,401)	$ 6,527	$ 88,522	$ (11,988)	$ (908)	$ 811,274

($ in Thousands)

Changes in Allowance for Loan Losses

	Balance at December 31, 2014	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversal)	Transfers (to) from Reserve for Unfunded Commitments	Balance at September 30, 2015
Real Estate Mortgage	$ 111,585	$ (5,697)	$ 730	$ 4,222	$ (7,646)	$ 103,194
Production and Intermediate-term	142,835	(12,186)	8,625	(4,982)	(4,542)	129,750
Agribusiness	284,727	(3,643)	2,362	13,492	(17,323)	279,615
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 and Other	32,576	(971)	272	4,610	-	36,487
Total	$ 749,257	$ (28,437)	$ 13,217	$ 20,313	$ (32,443)	$ 721,907

District Capital Resources and Other

Combined District shareholders' equity at September 30, 2016 totaled $17.7 billion, a net increase of $1,538.5 million as compared to December 31, 2015. The increase primarily resulted from District net income of $1,287.4 million, the issuance of preferred stock at CoBank, as discussed below, a decrease in accumulated other comprehensive loss of $206.1 million and net increases in preferred stock of $75.1 million at Associations. These items were somewhat offset by accrued patronage of $388.0 million and preferred stock dividends of $62.4 million.

On April 8, 2016, CoBank issued $375.0 million of Series I non-cumulative perpetual preferred stock. Dividends on Series I preferred stock, if declared by the Board of Directors in its sole discretion, are non-cumulative and are payable semi-annually at a fixed annual rate equal to 6.25 percent from the date of issuance up to, but excluding, October 1, 2026. Thereafter, dividends will accrue at an annual rate equal to the 3-month USD LIBOR plus 4.66 percent and will be payable quarterly.

The components of the District's accumulated other comprehensive loss are detailed in the following table.

($ in Thousands)

Accumulated Other Comprehensive Loss

	September 30, 2016	December 31, 2015
Unrealized Gains on Investment Securities	**$ 252,789**	$ 48,754
Net Pension Adjustment	**(327,153)**	(342,188)
Unrealized Losses on Interest Rate Swaps and Other Financial Instruments	**(53,141)**	(40,157)
Accumulated Other Comprehensive Loss	**$ (127,505)**	$ (333,591)

The decrease in the District's total accumulated other comprehensive loss during the first nine months of 2016 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, 2016			December 31, 2015		
	Permanent Capital Ratio	Total Surplus Ratio	Core Surplus Ratio	Permanent Capital Ratio	Total Surplus Ratio	Core Surplus Ratio
CoBank	**15.57%**	**14.61%**	**11.07%**	14.95%	14.07%	10.29%
Associations	**14.38 - 36.16%**	**13.24 - 35.70%**	**13.24 - 30.77%**	13.53 - 35.97%	12.99 - 35.51%	12.99 - 30.44%
Regulatory Minimum	**7.00%**	**7.00%**	**3.50%**	7.00%	7.00%	3.50%

As depicted in the table above, at September 30, 2016, 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 Matters

Effective January 1, 2016, two of our affiliated Associations, Farm Credit Services of East Central Oklahoma, ACA, and Chisholm Trail Farm Credit, ACA, merged to form Oklahoma AgCredit, ACA.

In February 2016, the boards of directors of two affiliated Associations, Farm Credit of Southwest Kansas, ACA, and American AgCredit, ACA, signed a letter of intent to merge with an anticipated completion date of January 1, 2017. Under the letter of intent, the merged entity will do business as American AgCredit, ACA. In addition, the Associations are operating under a joint management agreement under which the President and Chief Executive Officer (CEO) of American AgCredit, ACA, is serving as the CEO of both Associations. Shareholder approval was obtained in October 2016. Final FCA approval will be required for this merger to take effect.

On June 13, 2016, a lawsuit was commenced by the filing of a complaint in the United States District Court Southern District of New York against CoBank by a number of investors (the "Plaintiffs") who had held CoBank's 7.875 percent Subordinated Notes due in 2018 (the "Notes"). The Notes were redeemed at par plus accrued interest by CoBank on April 15, 2016 due to the occurrence of a "Regulatory Event" (as defined under the terms of the Notes). The Plaintiffs have asserted a breach of contract claim and a breach of implied covenant of good faith and fair dealing claim alleging that CoBank impermissibly redeemed the Notes. The Plaintiffs have requested damages in an amount to be determined at trial, reasonable attorneys' fees and any other such relief as the court may deem just and proper. CoBank filed its answer on September 20, 2016 and discovery is ongoing. CoBank intends to vigorously defend against these allegations. The likelihood of any outcome of this proceeding cannot be determined at this time.

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,	
	2016	**2015**	**2016**	**2015**
Interest Income				
Loans	**$ 888,335**	$ 791,756	**$ 2,637,777**	$ 2,320,772
Investment Securities, Federal Funds Sold and Other Overnight Funds	**109,645**	92,475	**329,609**	269,078
Total Interest Income	**997,980**	884,231	**2,967,386**	2,589,850
Interest Expense	**315,671**	238,150	**916,165**	684,912
Net Interest Income	**682,309**	646,081	**2,051,221**	1,904,938
Provision for Loan Losses	**33,947**	4,138	**88,522**	20,313
Net Interest Income After Provision for Loan Losses	**648,362**	641,943	**1,962,699**	1,884,625
Noninterest Income/ Expense				
Net Fee Income	**32,944**	31,801	**102,602**	97,039
Prepayment Income	**6,099**	3,930	**18,035**	24,055
Losses on Early Extinguishments of Debt	**(8,141)**	(3,640)	**(16,888)**	(20,549)
Gains on the Sale of Investment Securities	**3,341**	794	**4,615**	22,603
Total Other-Than-Temporary Impairment Losses in Investment Securities	**-**	-	**-**	(11,100)
Other, Net	**40,718**	37,313	**124,717**	111,488
Total Noninterest Income	**74,961**	70,198	**233,081**	223,536
Operating Expenses				
Employee Compensation	**148,967**	133,508	**421,435**	396,000
Insurance Fund Premium	**39,140**	25,896	**113,549**	76,569
Information Services	**15,353**	15,116	**44,479**	44,044
General and Administrative	**17,520**	20,521	**53,831**	55,456
Occupancy and Equipment	**15,675**	13,791	**47,752**	36,137
Farm Credit System Related	**6,896**	6,498	**20,936**	19,922
Purchased Services	**14,597**	11,355	**39,417**	31,034
Other	**12,597**	11,157	**43,219**	45,517
Total Operating Expenses	**270,745**	237,842	**784,618**	704,679
Income Before Income Taxes	**452,578**	474,299	**1,411,162**	1,403,482
Provision for Income Taxes	**38,975**	42,699	**123,713**	140,664
Net Income	**$ 413,603**	$ 431,600	**$ 1,287,449**	$ 1,262,818

Quarterly District Financial Information
CoBank, ACB and Affiliated Associations

Condensed Combined Balance Sheets
(unaudited)

($ in Thousands)

	September 30, 2016	December 31, 2015
Assets		
Total Loans	$ 100,047,744	$ 98,382,641
Less: Allowance for Loan Losses	811,274	745,522
Net Loans	99,236,470	97,637,119
Cash and Cash Equivalents	819,234	3,311,777
Federal Funds Sold and Other Overnight Funds	650,000	-
Investment Securities	28,236,488	24,670,926
Interest Rate Swaps and Other Financial Instruments	361,596	294,856
Accrued Interest Receivable and Other Assets	1,963,962	1,729,693
Total Assets	$ 131,267,750	$ 127,644,371
Liabilities		
Bonds and Notes	$ 110,888,223	$ 108,052,092
Subordinated Debt	498,765	902,685
Interest Rate Swaps and Other Financial Instruments	222,048	112,509
Reserve for Unfunded Commitments	170,102	158,186
Accrued Interest Payable and Other Liabilities	1,822,903	2,291,680
Total Liabilities	113,602,041	111,517,152
Shareholders' Equity		
Preferred Stock Issued by Bank	1,500,000	1,125,000
Preferred Stock Issued by Associations	627,276	552,145
Common Stock	1,431,792	1,382,758
Paid In Capital	1,083,708	1,028,135
Unallocated Retained Earnings	13,150,438	12,372,772
Accumulated Other Comprehensive Loss	(127,505)	(333,591)
Total Shareholders' Equity	17,665,709	16,127,219
Total Liabilities and Shareholders' Equity	$ 131,267,750	$ 127,644,371