2014 Quarterly Report
SEPTEMBER 30, 2014

Dear CoBank Customer-Owner:

We're pleased to report that CoBank recorded another period of strong financial performance in the third quarter of 2014. Loan volume continued to increase across a number of the industries we finance; profitability grew; and credit quality in our loan portfolio remained very strong. Like all banks, we continue to face a number of market challenges, but we are on track to record another year of very solid results on behalf of our customer-owners in rural America.

Average loan volume for the quarter rose 7 percent to $75.0 billion, compared to $70.3 billion in the same quarter last year. For the first nine months of 2014, average loan volume rose 6 percent to $76.1 billion. The increases resulted from higher levels of borrowing in a number of customer segments, including food and agribusiness companies, affiliated Farm Credit associations and rural power providers.

Net interest income for the quarter rose 8 percent to $299.2 million, compared to $276.4 million in the same period last year. For the first nine months of 2014, net interest income increased 5 percent to $919.5 million. The increases were driven primarily by higher loan volume as well as improved earnings from our balance sheet positioning.

Net income for the quarter increased 8 percent to $224.7 million, from $208.1 million in the third quarter of 2013, largely due to stronger net interest income. For the first nine months of 2014, net income increased 10 percent, to $688.9 million. This improvement in profitability resulted primarily from increased net interest income as well as a $25.0 million loan loss reversal, compared to a $20.0 million provision for loan losses in the first nine months of last year. The reversal resulted from a lower level of reserves needed for specific loans as well as general improvement in the credit quality of the bank's loan portfolio.

Overall loan quality measures for CoBank continue to be very strong. At quarter-end, 0.61 percent of the bank's loans were classified as adverse assets, compared to 0.71 percent at December 31, 2013. Nonaccrual loans decreased to $111.7 million, compared to $147.8 million at December 31, 2013. The bank's allowance for credit losses totaled $588.2 million at quarter-end, or 1.66 percent of non-guaranteed loans when loans to Farm Credit associations are excluded.

CoBank's capital levels remain well in excess of regulatory minimums. As of September 30, 2014, shareholders' equity totaled $7.1 billion, and the bank's permanent capital ratio was 16.36 percent, compared with the 7.0 percent minimum established by the Farm Credit Administration (FCA), the bank's independent regulator. At quarter-end, the bank held approximately $25.0 billion in cash and investments and had 161 days of liquidity, which is in excess of FCA liquidity requirements.

In the broader market environment for financial service providers, conditions remain uncertain and volatile. Competition is intense and continues to exert margin pressure on most institutions. Meanwhile, the Federal Reserve's exit from quantitative easing may cause unknown impacts in the months ahead.

At CoBank, we remain focused on things we can control: serving the financial needs of our customers, fulfilling our mission and building the financial strength of the bank. We are grateful for the business of our customer-owners and ever mindful of the enormous trust they place in us. Thank you for your ongoing support and the opportunity to serve as your financial partner.

Everett Dobrinski
Chairman of the Board

Robert B. Engel
Chief Executive Officer

November 7, 2014

Financial Highlights
CoBank, ACB

($ in Thousands)

	September 30, 2014 (Unaudited)	December 31, 2013
Total Loans	$ 75,638,203	$ 73,603,375
Less: Allowance for Loan Losses	407,197	447,126
Net Loans	75,231,006	73,156,249
Total Assets	101,624,422	97,644,392
Total Shareholders' Equity	7,061,398	6,704,616

For the Nine Months Ended September 30, (Unaudited)	2014	2013
Net Interest Income	$ 919,530	$ 875,453
(Loan Loss Reversal)/Provision for Loan Losses	(25,000)	20,000
Net Fee Income	79,821	86,005
Net Income	688,897	628,903
Net Interest Margin	1.24 %	1.28 %
Return on Average Assets	0.91	0.90
Return on Average Common Shareholders' Equity	14.67	14.17
Return on Average Total Shareholders' Equity	13.43	12.96
Average Total Loans	$ 76,102,239	$ 71,757,332
Average Earning Assets	99,123,600	91,530,973
Average Total Assets	100,800,919	93,238,243

Management's Discussion and Analysis of Financial Condition and Results of Operations

CoBank, ACB

Business Overview

CoBank, ACB (CoBank or the Bank) is one of the four banks of the Farm Credit System (System) and provides loans, leases and other financial services to vital industries across rural America. The System is a federally chartered network of borrower-owned lending institutions and related service organizations. The System was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (Farm Credit Act).

Our customers consist of agricultural cooperatives; food and agribusiness companies; farmer-owned financial institutions, including Agricultural Credit Associations and Federal Land Credit Associations (together, Associations); rural energy, communications and water companies; and other businesses that serve rural America. We provide a broad range of loans and other financial services through three operating segments: Agribusiness, Strategic Relationships and Rural Infrastructure.

The following discussion and analysis should be read in conjunction with the accompanying condensed consolidated quarterly financial statements and related notes and with our 2013 Annual Report to Shareholders.

Consolidated Results of Operations

Net income increased 10 percent to $688.9 million for the nine months ended September 30, 2014, compared to $628.9 million during the same period in 2013. The increase in earnings primarily resulted from an increase in net interest income and a loan loss reversal in the 2014 period.

Net interest income increased 5 percent to $919.5 million for the nine months ended September 30, 2014, compared to $875.5 million for the same period in 2013. The increase in net interest income was primarily driven by higher average loan volume as well as increased earnings from our balance sheet positioning. These increases were partially offset by lower spreads in our lending and investment portfolios, lower returns on invested capital and a reduction in the amount of income from net accretion of merger-related asset and liability fair value adjustments. Net accretion for the nine months ended September 30, 2014 was $39.2 million compared to $65.2 million in the same period of 2013. These amounts resulted from the application of business combination accounting standards in connection with our 2012 merger with U.S. AgBank, FCB (AgBank).

Average loan volume was $76.1 billion during the first nine months of 2014 compared to $71.8 billion in the same period of 2013. The 6 percent increase in average loan volume primarily resulted from growth in lending to food and agribusiness companies in our Agribusiness operating segment, affiliated Associations in our Strategic Relationships operating segment and rural energy customers in our Rural Infrastructure operating segment.

Net interest margin declined to 1.24 percent for the nine months ended September 30, 2014 from 1.28 percent for the same period in 2013. The reduction in our net interest margin included the impact of lower merger-related accretion, spread compression in our lending and investment portfolios, and the impact of lower interest rates on returns on invested capital. These factors were somewhat offset by increased earnings from our balance sheet positioning.

We recorded a $25.0 million loan loss reversal in the first nine months of 2014. The reversal primarily resulted from a decline in the level of specific reserves needed for certain communications and energy loans as well as general improvement in credit quality in our Rural Infrastructure operating segment. In the first nine months of 2013 we recorded a $20.0 million provision for loan losses primarily related to modest deterioration in credit quality in our retail loan portfolio as well as specific reserves related to a small number of communications customers. Our overall credit quality remains strong. However, as discussed on page 9, the credit quality classification of a wholesale loan to one of our affiliated Associations was downgraded to the 'Special Mention' category in the third quarter of 2014. Adversely classified assets were 0.61 percent of total loans and related accrued interest at September 30, 2014 compared to 0.71 percent at December 31, 2013. Nonaccrual loans decreased to $111.7 million at September 30, 2014 from $147.8 million at December 31, 2013 primarily due to the payoff of a small number of communications and agribusiness loans, the sale of a rural energy loan and the return of an agribusiness loan to accrual status. Loan charge-offs, net of recoveries, totaled $1.5 million in the first nine months of 2014 compared to loan recoveries, net of charge-offs, of $9.9 million during the same period of 2013.

Noninterest income decreased to $89.9 million for the nine months ended September 30, 2014 from $97.0 million for the same period in 2013. Noninterest income is primarily composed of fee income, loan prepayment income and miscellaneous gains and losses, offset by losses on early extinguishments of debt. Our net fee income decreased to $79.8 million for the nine months ended September 30, 2014 compared to $86.0 million for the same period in 2013 primarily due to lower fees in our Agribusiness operating segment. We extinguish debt to offset the current and prospective impact of prepayments in our loan and investment portfolios and to maintain a desired mix of interest-earning assets and interest-bearing liabilities. Losses on early extinguishments of debt, net of prepayment income, increased to $29.6 million for the first nine months of 2014 compared to $12.5 million in the first nine months of 2013, as the 2014 period included a greater level of debt extinguishments incurred to better position our balance sheet and reduce future interest expense. Other noninterest income increased by $13.7 million in the nine months ended September 30, 2014, as compared to the same period in 2013, primarily due to an increased level of patronage income received from other System institutions and gains resulting from the sale of certain investment securities. During the first nine months of 2014, we sold three impaired non-agency investment securities with a combined book value of $23.1 million for gains totaling $4.9 million. These securities had been excluded from our liquidity reserve due to credit quality deterioration and were sold due to favorable market conditions. There were no sales of investment securities during the 2013 period.

Total operating expenses for the nine months ended September 30, 2014 increased to $215.5 million from $205.5 million for the same period in 2013. The increase was driven by an increase in Farm Credit Insurance Fund (Insurance Fund) premium expense of $10.2 million, due to higher Insurance Fund premium rates and growth in our average loan volume. Insurance Fund premium rates are set by the Farm Credit System Insurance Corporation (Insurance Corporation) and were 12 basis points of adjusted insured debt obligations in the 2014 period compared to 10 basis points throughout 2013. The increase in Insurance Fund premium rates resulted from growth in overall System assets in 2013 and the Insurance Corporation's projections for growth in 2014. Our employee compensation expense was $109.1 million for the first nine months of 2014, generally consistent with the $109.4 million in the same period of 2013. As of September 30, 2014, we had 814 employees.

Our income tax expense increased to $130.0 million for the nine months ended September 30, 2014, compared to $118.0 million for the same prior-year period primarily due to the increase in pre-tax earnings. Our effective tax rates were 15.9 percent and 15.8 percent for the nine months ended September 30, 2014 and 2013, respectively.

As a result of the higher level of earnings in the first nine months of 2014, our annualized return on average common shareholders' equity increased to 14.67 percent for the nine months ended September 30, 2014 from 14.17 percent for the same period in 2013, and our annualized return on average assets increased to 0.91 percent for the nine months ended September 30, 2014, compared to 0.90 percent for the same period in 2013.

For the three months ended September 30, 2014, net income increased 8 percent to $224.7 million from $208.1 million for the same prior-year period. The increase is primarily due to an increase in net interest income of $22.8 million driven by the factors noted above. Higher net interest income was somewhat offset by higher losses on early extinguishments of debt, net of prepayment fees, lower fee income and the increase in Insurance Fund premiums.

Subsequent Event

On October 1, 2014, we redeemed all of our outstanding Series D non-cumulative perpetual preferred stock totaling $136.8 million. This transaction is more fully discussed on page 12 and in Note 11 to the accompanying condensed consolidated financial statements.

Operating Segment Financial Review

We provide financial services to agricultural cooperatives; food and agribusiness companies; farmer-owned financial institutions; rural energy, communications and water companies; and other businesses that serve rural America. We conduct lending operations through three operating segments: Agribusiness, Strategic Relationships and Rural Infrastructure.

Loans outstanding and the allowance for loan losses by operating segment at September 30, 2014 and 2013 are reported in Notes 3 and 10 to the accompanying condensed consolidated financial statements. Net interest income on investment securities, which we hold primarily as a liquidity reserve, and gains and losses on investment securities are allocated to all operating segments, whereas the underlying investment assets are not allocated to the operating segments. Net income by operating segment is summarized in the following table and is more fully detailed in Note 10 to the accompanying condensed consolidated financial statements.

Net Income by Operating Segment ($ in Thousands)

For the Nine Months Ended September 30,	2014	2013
Operating Segment:		
Agribusiness	$ 313,349	$ 280,800
Strategic Relationships	179,967	188,214
Rural Infrastructure	200,415	165,128
Total Operating Segments	693,731	634,142
Corporate/Other	(4,834)	(5,239)
Total	$ 688,897	$ 628,903

Agribusiness

The Agribusiness operating segment includes loans and other financial services provided to cooperatives and other businesses in various agricultural sectors such as grain handling and marketing, farm supply, fruits, nuts, vegetables, forest products, dairy, livestock, biofuels and food processing. Agribusiness loans outstanding totaled $21.8 billion at September 30, 2014, compared to $21.2 billion at December 31, 2013. The increase in loans outstanding was driven by increased lending to food and agribusiness companies and was partially offset by lower seasonal loan volume, which typically reaches a low in late summer or early fall. The Agribusiness segment also includes our Agricultural Export Finance Division, which provides trade finance to support U.S. exporters for international trade of agricultural products. As of September 30, 2014, the Agricultural Export Finance Division had $4.4 billion in loans outstanding, 46 percent of which were guaranteed by the U.S. government. Additionally, our Agribusiness segment includes Farm Credit Leasing Services Corporation (FCL), a wholly-owned subsidiary, which provides lease products and related services to Association partners, agribusinesses, agricultural producers and rural infrastructure companies. As of September 30, 2014, FCL had $2.5 billion in leases outstanding.

Agribusiness average loan volume increased to $23.6 billion for the first nine months of 2014 from $21.2 billion for the same period of 2013. The increase in Agribusiness volume primarily reflects growth in lending to food and agribusiness companies. Growth in our leasing portfolio also contributed to overall loan growth.

Agribusiness net income increased 12 percent in the first nine months of 2014 to $313.3 million from $280.8 million for the same period in 2013. The increase in earnings was largely due to a higher level of net interest income. The increase in net interest income was partially offset by an increase in operating expenses.

Agribusiness net interest income increased by $40.0 million to $453.2 million for the nine months ended September 30, 2014 due to the impact of higher average loan volume and an increase in earnings generated from our balance sheet positioning. These factors were somewhat offset by the impact of lower interest rates on returns on invested capital, a slight decrease in lending and investment spreads, and a lower level of accretion of merger-related fair value adjustments.

Agribusiness recorded a $2.0 million provision for loan losses during the first nine months of 2014 compared to a $5.0 million provision for loan losses in the same prior-year period. Nonaccrual loans decreased to $41.6 million at September 30, 2014, as compared to $53.2 million at December 31, 2013 due to the payoff of a small number of loans and the return of a loan to accrual status. Loan recoveries, net of charge-offs, totaled $0.1 million for the nine months ended September 30, 2014, compared to $8.9 million for the nine months ended September 30, 2013.

Agribusiness noninterest income decreased to $66.0 million for the first nine months of 2014, as compared to $67.4 million in the same period of 2013 primarily as a result of a decrease in loan arrangement fee income and an increase in losses on early extinguishments of debt, net of prepayment fees. These factors were largely offset by an increase in patronage received from other System institutions and gains on the sale of investment securities.

Agribusiness operating expenses increased to $128.3 million for the first nine months of 2014 from $118.2 million in the same period of 2013 largely due to the increase in Insurance Fund premiums.

Strategic Relationships

The Strategic Relationships operating segment includes loans from the direct funding relationships we have with our affiliated Association customer-owners and our funding relationships with other System institutions. Our affiliates include Associations serving 23 states in the Northwest, West, Southwest, Rocky Mountains, Mid-Plains, and Northeast regions of the United States. As of September 30, 2014, the Strategic Relationships portfolio totaled $38.3 billion, compared to $37.9 billion at December 31, 2013. At September 30, 2014, loans outstanding included $34.4 billion in wholesale loans to our affiliated Associations and $3.9 billion of participations in wholesale loans made by other System banks to certain of their affiliated Associations, $3.7 billion of which are participations in wholesale loans made by the Farm Credit Bank of Texas.

Strategic Relationships average loan volume increased 3 percent to $37.5 billion for the nine-month period ended September 30, 2014, compared to $36.3 billion for the same prior-year period. The increase was primarily the result of growth in lending to certain affiliated Associations driven by their increased lending to agricultural producers.

Strategic Relationships net income decreased to $180.0 million for the first nine months of 2014, as compared to $188.2 million for the same prior-year period. The decrease primarily resulted from lower net interest income.

Net interest income decreased to $205.5 million for the first nine months of 2014 from $212.7 million for the same prior-year period due to lower levels of merger-related accretion and lower returns on invested capital. These factors were somewhat offset by increased earnings from our balance sheet positioning. Lower spreads in the Strategic Relationships operating segment are commensurate with the lower risk profile and lower regulatory capital requirements.

Loan quality in our Strategic Relationships portfolio continues to be very strong. As a wholesale lender to Associations, we benefit from the diversification of the Association loan portfolios and a strong collateral position. In addition, the earnings, capital and loan loss reserves of the Associations provide a buffer from losses in their respective loan portfolios. Notwithstanding the recent downgrade of one affiliated Association wholesale loan as discussed on page 9, no provision for loan losses or allowance for credit losses has been recorded related to any of our affiliated Association wholesale loans.

Strategic Relationships noninterest income decreased to a $0.5 million loss for the first nine months of 2014 from $0.9 million in income for the same prior-year period. Operating expenses were $25.0 million for the nine months ended September 30, 2014, generally consistent with the $25.4 million recorded in the 2013 period. The impact of increased Insurance Fund premiums on investment securities was offset by a decrease in various other expense items.

Rural Infrastructure

The Rural Infrastructure operating segment includes loans and other financial services provided to companies in the power and energy, communications and water and waste water industries. Customers include rural electric generation and transmission cooperatives, electric distribution cooperatives, renewable energy providers, independent power producers, investor-owned utilities, rural local exchange carriers, wireless providers, data transport networks, cable television systems, data centers, and rural water and waste water companies. Rural Infrastructure loans outstanding totaled $15.6 billion at September 30, 2014, compared to $14.5 billion at December 31, 2013. The increase in loans outstanding was primarily driven by growth in lending to rural energy customers.

Rural Infrastructure average loan volume increased 6 percent to $15.0 billion for the first nine months of 2014, compared to $14.2 billion for the same prior-year period. Growth in Rural Infrastructure average loan volume resulted primarily from increased lending activity in the electric distribution and power supply industries.

Rural Infrastructure net income increased 21 percent to $200.4 million for the first nine months of 2014 from $165.1 million for the same period in 2013. The increase in earnings primarily resulted from a loan loss reversal in 2014, as compared to a provision for loan losses in the prior-year period, and, to a lesser extent, an increase in net interest income.

Rural Infrastructure net interest income increased by $11.6 million as a result of the increase in average loan volume, somewhat offset by the impact of lower interest rates on returns on invested capital and a slight decrease in lending and investment spreads.

Rural Infrastructure recorded a $27.0 million loan loss reversal for the first nine months of 2014, as compared to a $15.0 million provision for loan losses for the same period in 2013. The 2014 reversal primarily resulted from a lower level of specific reserves due to improved performance and favorable resolution of a small number of communications and energy loans, as well as overall improvement in credit quality within the segment. The 2013 provision for loan losses was primarily due to credit concerns surrounding a small number of our communications customers. Nonaccrual loans in the Rural Infrastructure segment decreased to $70.1 million at September 30, 2014 from $94.6 million at December 31, 2013 primarily due to the payoff of a small number of communications loans and the sale of a rural energy loan. Rural Infrastructure recorded loan charge-offs, net of recoveries, of $1.6 million for the nine months ended September 30, 2014, compared to net recoveries of $1.0 million for the same period of 2013.

Rural Infrastructure noninterest income decreased to $24.5 million for the first nine months of 2014 from $29.1 million for the same period in 2013 primarily as a result of increased losses on early extinguishments of debt, net of prepayment fees, partially offset by gains on the sale of investment securities.

Rural Infrastructure operating expenses increased slightly to $62.7 million for the first nine months of 2014 compared to $61.7 million for the same prior-year period primarily due to the increase in Insurance Fund premiums.

Credit Quality, Liquidity, Capital Resources and Other

Loan Quality

The following table presents loans and related accrued interest receivable, classified by management pursuant to our regulator's Uniform Loan Classification System, as a percent of total loans and related accrued interest.

Loan Quality Ratios

	September 30, 2014			December 31, 2013		
	Wholesale Loans [1]	Retail Loans [2]	Total Bank	Wholesale Loans [1]	Retail Loans [2]	Total Bank
Acceptable	97.82 %	96.88 %	97.36 %	100.00 %	96.77 %	98.43 %
Special Mention	2.18	1.88	2.03	-	1.76	0.86
Substandard	-	1.19	0.59	-	1.36	0.66
Doubtful	-	0.05	0.02	-	0.11	0.05
Loss	-	-	-	-	-	-
Total	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

(1) Represents loans in our Strategic Relationships operating segment

(2) Represents loans in our Agribusiness and Rural Infrastructure operating segments

The level of 'Special Mention' loans increased from 0.86 percent of total loans and related accrued interest at December 31, 2013 to 2.03 percent at September 30, 2014 largely due to the downgrade of a wholesale loan to one of our affiliated Associations. As more fully discussed in Note 12, in the third quarter of 2014, one of our affiliated Associations noted a sudden significant increase in the level of delinquent loans affecting an identifiable portion of its retail lending portfolio. We have downgraded our direct loan to that affiliated Association, which totaled $830.4 million as of September 30, 2014. Our loans to affiliated Associations are collateralized by substantially all of the Association assets, and the earnings, capital and loan loss reserves of the Associations provide a buffer against losses in their retail loan portfolios. While the downgrade reflects credit deterioration in certain underlying retail loans held by that affiliated Association, as a result of the collateralization and other mitigating factors described above, CoBank has not made any provision for loan loss or recorded any allowance for credit loss related to our wholesale loan to that affiliated Association.

Notwithstanding the increase in the level of 'Special Mention' loans, our overall loan quality measures continue to be very strong. The total amount of adversely classified loans ('Substandard', 'Doubtful' and 'Loss' loans) and related accrued interest as a percent of total loans and related accrued interest was 0.61 percent at September 30, 2014 compared to 0.71 percent December 31, 2013. Total nonaccrual loans decreased to $111.7 million at September 30, 2014 from $147.8 million at year-end 2013 primarily due to the payoff of a small number of communications loans and the sale of a rural energy loan.

We recorded a $25.0 million loan loss reversal in the first nine months of 2014. The reversal primarily resulted from a decline in the level of specific reserves needed for certain communications and energy loans as well as general improvement in credit quality in our Rural Infrastructure operating segment. In the first nine months of 2013 we recorded a $20.0 million provision for loan losses primarily related to modest deterioration in credit quality in our overall loan portfolio as well as specific reserves related to a small number of communications customers. Total loan charge-offs, net of recoveries, were $1.5 million for the first nine months of 2014 compared to loan recoveries, net of charge-offs, of $9.9 million in the 2013 period. Our total allowance for credit losses (ACL), which includes the allowance for loan losses and the reserve for unfunded commitments, was $588.2 million at September 30, 2014 compared to $614.7 million at December 31, 2013. Our ACL as a percent of total loans was 0.78 percent at September 30, 2014 compared to 0.84 percent at December 31, 2013. ACL as a percent of non-guaranteed loans outstanding and excluding loans to Associations was 1.66 percent at September 30, 2014 compared to 1.85 percent at December 31, 2013.

While the overall credit quality of our loan portfolio remains very strong and has been favorable in recent years, concentrations within our loan portfolio can cause the level of our loan quality, nonaccrual loans, charge-offs and provisions for loan losses or loan loss reversals to vary significantly from period to period. Additionally, agriculture is often impacted, both positively and negatively, by weather patterns, including drought conditions currently affecting portions of the United States, domestic and global market cycles and demand for agriculture-related products. In particular, drought conditions in California are widespread and pose challenges for producers to adequately source water supplies, which may reduce agricultural production across the state. The producers' strong liquidity positions are expected to mitigate the risk of financial impairment to their operations in 2014. Long-term drought conditions could potentially compress margins in certain agricultural processing sectors due to commodity shortages.

Liquidity and Investments

Our liquidity management objectives are to provide a reliable source of funding to borrowers, meet maturing debt obligations, provide additional liquidity if market conditions deteriorate and fund operations on a cost-effective basis. While we believe that sufficient resources are available to meet liquidity management objectives through our debt maturity structure, holdings of liquid assets and access to the capital markets via the Federal Farm Credit Banks Funding Corporation, the volatility of our loan volume may cause our liquidity needs to vary significantly from day to day.

We monitor our liquidity position by assuming no ability to issue debt and calculating the number of days into the future we could meet maturing debt obligations by using available cash and liquidating eligible investments. System banks are required by regulation to maintain a minimum of 90 days of liquidity (cash and readily marketable investments generally discounted by 5 to 10 percent of market value) on a continuous basis and to establish an incremental liquidity reserve. As part of the merger with AgBank, we committed to maintain a minimum of 130 days liquidity. Additionally, if days liquidity were to fall below 150 for any five consecutive day period through December 31, 2014, the Bank must notify the FCA and submit to them a written plan to restore and maintain the 150 days level. At September 30, 2014, our liquidity was 161 days, compared to 181 days at December 31, 2013.

We hold cash and investment securities primarily to maintain a liquidity reserve and to manage short-term surplus funds. Our investment securities totaled $24.0 billion at September 30, 2014 compared to $21.7 billion at December 31, 2013. The following table summarizes our investment securities and related unrealized gains/(losses) by asset class.

Investment Securities ($ in Millions)						
	September 30, 2014			December 31, 2013		
	Amortized Cost	Fair Value	Unrealized Gains (Losses)	Amortized Cost	Fair Value	Unrealized Gains (Losses)
U.S. Treasury Debt	$ 7,519	$ 7,531	$ 12	$ 5,501	$ 5,504	$ 3
U.S. Agency Debt	5,025	5,050	25	4,458	4,459	1
Mortgage-Backed:						
U.S. Agency	10,419	10,415	(4)	10,655	10,618	(37)
Farmer Mac	161	158	(3)	182	179	(3)
FHA/VA Non-Wrapped Reperformer	413	402	(11)	443	440	(3)
Non-Agency	156	176	20	201	221	20
Asset-Backed	83	108	25	127	152	25
Corporate Bonds	145	146	1	116	115	(1)
Total	$ 23,921	$ 23,986	$ 65	$ 21,683	$ 21,688	$ 5

Credit risk in our investment portfolio primarily exists in investment securities that are not either explicitly or implicitly guaranteed by the U.S. government, which include our FHA/VA non-wrapped reperformer mortgage-backed securities (i.e. investment securities where residential mortgage loans serving as collateral were cured after a default), non-agency mortgage-backed securities (MBS), asset-backed securities (ABS) and corporate bonds. These securities collectively total $832.5 million (fair value) or 3 percent of our total investment securities as of September 30, 2014. Credit risk in our investment portfolio also arises from the inability of guarantors and third-party providers of other credit enhancements to meet their contractual obligations to us.

Pursuant to FCA regulations, non-agency MBS and ABS, which include our FHA/VA non-wrapped reperformer MBS, that are no longer rated triple-A by at least one major rating agency, corporate bonds that are no longer rated triple- or double-A by at least one major rating agency or any investment whose market value is less than 80 percent of book value must be excluded from our liquidity reserve. As a result, as of September 30, 2014, $667.4 million of non-agency MBS and ABS securities were not included in our liquidity reserve. Another $331.7 million of investment securities, primarily representing Farmer Mac MBS and unsettled investment security purchases, were not included in our liquidity reserve as of September 30, 2014, pursuant to regulation.

We recorded no impairment losses on investment securities during the first nine months of 2014 as compared to $2.5 million in impairment losses related to a limited number of non-agency MBS during the first nine months of 2013. Increasing levels of defaults and foreclosures on residential mortgages, a decline in home prices or weak economic conditions may result in downward adjustments to the fair value of certain investment securities and the need to record future impairment losses against earnings.

As all of our investment securities are classified as “available for sale”, we recognize changes in the fair value of our investment securities in accumulated other comprehensive income (loss), a component of shareholders’ equity, unless losses are credit-related and considered other-than-temporary, in which case that portion of the loss is recorded in earnings. We recorded unrealized gains of $59.9 million for the first nine months of 2014, compared to unrealized losses of $185.0 million for the same prior-year period. The unrealized gains and losses recorded in both periods primarily reflect the impact of market interest rate changes on the fair value of fixed rate securities.

During the first quarter of 2014, we sold one ABS and two non-agency MBS with a combined book value of $23.1 million for total proceeds of $28.0 million. The resulting $4.9 million gain is recorded in Other Noninterest Income in the accompanying condensed consolidated statement of income for the nine months ended September 30, 2014. These securities had been previously impaired and were excluded from our liquidity reserve, and were sold due to favorable market conditions.

An additional source of liquidity is cash provided by our operating activities (primarily generated from net interest income in excess of operating expenses), which totaled $643.8 million and $626.7 million for the first nine months of 2014 and 2013, respectively. Further, the Insurance Fund would be called upon to repay maturing Federal Farm Credit Banks Consolidated Systemwide bonds, medium term notes and discount notes (collectively referred to as Systemwide Debt Securities), if no other sources existed to repay such debt.

The Insurance Corporation has an agreement with the Federal Financing Bank, a federal instrumentality subject to the supervision and direction of the U.S. Treasury, pursuant to which the Federal Financing Bank would advance funds to the Insurance Corporation. Under its existing statutory authority, the Insurance Corporation may use these funds to provide assistance to the System banks in exigent market circumstances which threaten the banks' ability to pay maturing debt obligations. The agreement provides for advances of up to $10.0 billion and terminates on September 30, 2015 unless otherwise extended. The decision whether to seek funds from the Federal Financing Bank is in the discretion of the Insurance Corporation, and each funding obligation of the Federal Financing Bank is subject to various terms and conditions and, as a result, there can be no assurance that funding would be available if needed by the System.

Capital Resources

We believe that a strong capital position is critical to our long-term financial success and future growth. Our shareholders' equity is mainly composed of common and preferred stock and retained earnings, and totaled $7.1 billion at September 30, 2014, as compared to $6.7 billion at December 31, 2013.

On October 1, 2014, we redeemed all of our outstanding Series D non-cumulative perpetual preferred stock totaling $136.8 million. We used cash on hand to effectuate this redemption. Funds to retire the Series D preferred stock were advanced on September 30, 2014. The dividend rate for our Series D preferred stock was 11.0 percent through the date of redemption.

At September 30, 2014, our permanent capital, total surplus, core surplus and net collateral ratios exceeded regulatory minimums, as depicted in the following table. The components of these ratios are described in our 2013 Annual Report.

Capital Ratios

	Regulatory Minimums		September 30, 2014		December 31, 2013	
Permanent Capital Ratio	7.00	%	16.36	%	16.72	%
Total Surplus Ratio	7.00		15.44		15.74	
Core Surplus Ratio	3.50		10.86		10.82	
Net Collateral Ratio [1][2]	104.00		107.36		107.57	

[1] The regulatory minimum net collateral ratio is 103.0 percent, but the FCA requires the higher 104.0 percent during the period in which we have subordinated debt outstanding.

[2] As a condition of the merger with AgBank, from January 1, 2012 through December 31, 2014, if the net collateral ratio falls below 105.0 percent, the Bank must notify the FCA and submit to them a written plan to restore and maintain a level of at least 105.0 percent.

Pursuant to FCA guidance, a portion of our common stock is included in core surplus, subject to certain conditions. This inclusion will continue on a temporary basis until December 31, 2014 or the point at which the FCA changes its capital regulations in a manner that would be inconsistent with this treatment. The FCA requires that we also calculate our core surplus ratio excluding common stock and has established a 3.0 percent minimum for such ratio. As of September 30, 2014, our core surplus ratio excluding common stock was 9.19 percent. As a condition of the merger with AgBank, from January 1, 2012 through December 31, 2014, if our core surplus ratio excluding common stock falls below 5.59 percent, the Bank must notify the FCA and submit to them a written plan to restore and maintain the ratio to at least that level.

We may from time to time seek to retire our outstanding debt or equity securities through calls, cash purchases and/or exchanges, in open market purchases, privately negotiated transactions or otherwise. We may also issue new debt or equity securities. Such repurchases, exchanges or new issuances, if any, will depend on prevailing market conditions, the Bank's capital position and liquidity requirements, contractual restrictions and other factors.

As described in our 2013 Annual Report, in 2013, the FCA announced its intent to revise sections of its capital regulations to conform more closely to the reform measures developed by the Basel Committee on Banking supervision (the "Basel Committee") in "Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems" ("Basel III"). On May 8, 2014, the FCA Board approved a proposed rule to modify the regulatory capital requirements for System Banks, including CoBank, and Associations. The proposed rule was published in the Federal Register on September 4, 2014 and is subject to a 120-day comment period. The objectives of the proposed rule are:

- To modernize capital requirements while ensuring that institutions continue to hold sufficient regulatory capital to fulfill their mission as government-sponsored enterprises;
- To ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted, but also to ensure that the rules recognize the cooperative structure and the organization of the System;
- To make System regulatory capital requirements more transparent; and
- To meet certain requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act").

As currently drafted, the proposed rule would, among other things, eliminate the core surplus and total surplus requirements and introduce common equity tier 1, tier 1 and total capital (tier 1 + tier 2) risk-based capital ratio requirements. The proposal would add a minimum tier 1 leverage ratio for all System institutions, which would replace the existing net collateral ratio for System Banks. In addition, the proposal would establish a capital conservation buffer, modify and expand risk weightings and, for System Banks only, require additional public disclosures. The revisions to the risk weightings of exposures would include alternatives to the use of credit ratings, as required by the Dodd-Frank Act. The proposed effective date is January 1, 2016.

The public comment period on the proposed rule ends on January 2, 2015. CoBank is currently reviewing the proposed rule and assessing its impact. CoBank expects to submit comments in response to the proposed rule. While uncertainty exists as to the final form of the proposed rule, based on our preliminary assessment, we do not believe the new rule will impose any significant constraints on our business strategies or growth prospects.

Interest Rate Risk Management

Interest rate risk is primarily managed by adjusting the Bank's mix of interest-sensitive assets and liabilities through various strategies and through the execution of interest rate risk management products, including interest rate swaps and other financial instruments (derivatives). We do not use derivatives for speculative or trading purposes. Derivatives are recorded at fair value as assets or liabilities on our consolidated balance sheets. Changes in the fair value of these derivatives are accounted for as gains or losses through current period earnings or as a component of accumulated other comprehensive income (loss), depending on the use of the derivatives and whether they qualify for hedge accounting treatment. Net changes in the fair value of derivatives and hedged items recorded in the consolidated statements of income totaled gains of $11.9 million and $1.6 million in the first nine months of 2014 and 2013, respectively. Changes in the fair value of derivatives recorded in other comprehensive income (loss) totaled a loss of $28.5 million and a gain of $20.0 million in the first nine months of 2014 and 2013, respectively.

Other Developments

As announced on July 24, 2014, CoBank has joined with the U.S. Department of Agriculture (USDA) in the formation of a new public-private partnership focused on infrastructure investment in rural America. The new “U.S. Rural Infrastructure Opportunity Fund” will serve as a source of private sector capital to partner with the USDA on a wide variety of infrastructure projects in rural communities. CoBank will act as anchor investor and has committed $10.0 billion of balance sheet capacity to co-lend with the fund. Target investments will include rural community facilities, water and waste water systems, rural energy projects and rural broadband. CoBank will have the opportunity to review and approve each loan transaction individually.

Business Outlook

Notwithstanding our strong financial performance in the first nine months of 2014, we face market conditions that could make the lending and earnings environment less favorable for CoBank in the future. Growth in the U.S. economy remains slow and the global markets are volatile, particularly given heightened geopolitical risks. Long-term interest rates remain low by historical standards and continue to negatively impact the returns on invested capital and investment securities. Federal Reserve actions relative to tapering its quantitative easing policy and the potential for unwinding its accommodative monetary policy create further economic uncertainty. Greater liquidity in debt funding markets and a renewed focus by banks on commercial lending has intensified competition across most of the industries we serve. Agricultural commodity prices have declined sharply and remain subject to volatility driven by weather conditions, transportation constraints and other factors. Customers in many of the industries we serve are impacted by unpredictable commodity prices and agricultural yields, fluctuations in the value of the U.S. dollar, weather and ongoing political and regulatory uncertainty. Many of our energy customers are impacted by slow growth in demand in most parts of the country, emerging regulation of carbon emissions and increasing renewable energy sources. Rapidly changing technology and customer demand create uncertainty in the communications industry. These challenges could reduce the credit quality and/or influence the level of loan demand in certain sectors of our loan portfolio.

We continue to focus on delivering the credit and financial services our customers need to thrive and grow, enhancing our enterprise risk management capabilities and maintaining our financial strength. We believe that our strong capital, liquidity and earnings will continue to provide the capacity to serve customers in volatile market conditions and to effectively lower the net cost of borrowing for our customers through consistent and reliable patronage payments. We will continue our disciplined approach to managing risk and will closely monitor asset quality. We will also continue to enhance our financial performance through prudent expense discipline. Nevertheless, we will seek opportunities to invest in people, processes, systems and activities that enhance our value proposition and allow us to better fulfill our mission in rural America.

Under the guidance of our Board of Directors and through the focus of a proven executive management team, our continued success will be achieved by creating mutually beneficial partnerships with other System institutions, increasing market share, maintaining effective access to the agency debt capital markets, optimizing current lending authorities and pursuing various strategic alliances with financial services and other organizations.

Forward-Looking Statements

Certain of the statements contained in this annual report that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Our actual results may differ materially from those included in the forward-looking statements that relate to our plans, projections, expectations and intentions. Forward-looking statements are typically identified by words such as "believe," "expect," "anticipate," "intend," "estimate," "plan," "project," "may," "will," "should," "would," "could" or similar expressions. Although we believe that the information expressed or implied in such forward-looking statements is reasonable, we can give no assurance that such projections and expectations will be realized or the extent to which a particular plan, projection or expectation may be realized. These forward-looking statements are based on current knowledge and are subject to various risks and uncertainties, including, but not limited to:

- Changes that negatively impact the agricultural, energy, communications, water and leasing industries;
- The level of interest rates and relationships between various interest rate indices and actions taken by the Federal Reserve to manage the monetary policy of the United States;
- Adverse food safety and weather events, disease, and other unfavorable conditions that periodically occur and impact agricultural productivity and income;
- Changes in levels of global crop production, exports, usage and inventories;
- Credit performance of the loan portfolio;
- Performance of underlying collateral, including farmland values;
- Loan portfolio growth and seasonal factors;
- Weak U.S. economic conditions;
- Weaknesses in other developed and emerging economies;
- Government policies and political developments in the United States and other countries in which we make loans;
- Geopolitical uncertainties throughout the world that may impact the industries we lend to, or, economic, fiscal or monetary conditions;
- Changes in the U.S. government's support of the Farm Credit System, the agricultural industry, agricultural exports and rural economies;
- Legislative or regulatory actions that affect current and ongoing operations of the banking, financial services, agricultural, energy, communications, water and leasing industries;
- Legislative or regulatory actions that affect our relationships with our employees;
- Regulatory actions, including amendments to, and interpretations of, risk-based capital guidelines;
- Actions taken by the U.S. Congress relative to Government Sponsored Enterprises (GSEs), including the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal Agricultural Mortgage Corporation (Farmer Mac);
- Actions taken by the U.S. government to manage U.S. fiscal policy, including tax reform;
- A decrease in the credit outlook or ratings of U.S. government debt and agency debt, including Systemwide debt securities;
- Cybersecurity risks that could adversely affect our business, financial performance and reputation;
- Changes in assumptions underlying the valuations of financial instruments;
- Changes in the bases for our estimates underlying the allowance for credit losses;
- Failure of our investment portfolio to perform as expected or deterioration in the credit quality of such investments;
- The resolution of legal proceedings and related matters;
- Environmental-related conditions or laws impacting our lending activities;
- Nonperformance by counterparties under our derivative contracts; and
- Our ability to successfully execute and integrate any future business combinations or strategic alliances.

We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Condensed Consolidated Statements of Income

CoBank, ACB

($ in Thousands) (Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Interest Income				
Loans	$ 420,458	$ 404,355	$ 1,288,144	$ 1,239,893
Investment Securities	87,916	75,494	262,107	228,107
Total Interest Income	508,374	479,849	1,550,251	1,468,000
Interest Expense	209,161	203,473	630,721	592,547
Net Interest Income	299,213	276,376	919,530	875,453
(Loan Loss Reversal)/Provision for Loan Losses	-	-	(25,000)	20,000
Net Interest Income After Loan Loss Reversal/Provision for Loan Losses	299,213	276,376	944,530	855,453
Noninterest Income/Expense				
Net Fee Income	28,170	32,948	79,821	86,005
Prepayment Income	3,353	17,594	11,114	49,484
Losses on Early Extinguishments of Debt	(11,417)	(18,710)	(40,687)	(61,976)
Total Other-Than-Temporary Impairment Losses	-	(120)	-	(1,852)
Portion Recognized in Other Comprehensive Loss	-	(380)	-	(648)
Net Other-Than-Temporary Impairment Losses Included in Earnings	-	(500)	-	(2,500)
Other, Net	12,784	9,232	39,683	25,958
Total Noninterest Income	32,890	40,564	89,931	96,971
Operating Expenses				
Employee Compensation	36,079	38,321	109,111	109,388
Insurance Fund Premium	12,151	8,704	37,927	27,700
Information Services	4,776	6,237	15,758	17,992
General and Administrative	4,313	5,706	12,836	15,761
Occupancy and Equipment	2,140	2,067	6,494	6,172
Farm Credit System Related	3,472	2,855	10,868	9,652
Purchased Services	3,751	1,889	8,623	5,800
Other	4,516	3,654	13,919	13,037
Total Operating Expenses	71,198	69,433	215,536	205,502
Income Before Income Taxes	260,905	247,507	818,925	746,922
Provision for Income Taxes	36,209	39,441	130,028	118,019
Net Income	$ 224,696	$ 208,066	$ 688,897	$ 628,903

The accompanying notes are an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Income
CoBank, ACB

($ in Thousands) (Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Net Income	$ 224,696	$ 208,066	$ 688,897	$ 628,903
Other Comprehensive Income (Loss), Net of Tax:				
Net Change in Unrealized Gains/Losses on Investment Securities Not Other-Than-Temporarily Impaired	(40,631)	(15,396)	3,904	(147,351)
Net Change in Unrealized Gains/Losses on Other-Than-Temporarily Impaired Investment Securities	(1,752)	432	48,494	(45)
Net Change in Unrealized Losses/Gains on Interest Rate Swaps and Other Financial Instruments	(7,696)	(1,729)	(24,328)	18,877
Net Pension Adjustment	369	837	200	2,510
Other Comprehensive Income (Loss)	(49,710)	(15,856)	28,270	(126,009)
Comprehensive Income	$ 174,986	$ 192,210	$ 717,167	$ 502,894

The accompanying notes are an integral part of the condensed consolidated financial statements.

Condensed Consolidated Balance Sheets

CoBank, ACB

($ in Thousands)	September 30, 2014 (Unaudited)	December 31, 2013
Assets		
Total Loans	$ 75,638,203	$ 73,603,375
Less: Allowance for Loan Losses	407,197	447,126
Net Loans	75,231,006	73,156,249
Cash	978,523	1,335,024
Investment Securities	23,986,102	21,688,489
Interest Rate Swaps and Other Financial Instruments	486,374	674,022
Accrued Interest Receivable and Other Assets	942,417	790,608
Total Assets	$ 101,624,422	$ 97,644,392
Liabilities		
Bonds and Notes	$ 92,070,035	$ 88,457,752
Subordinated Debt	904,685	904,685
Interest Rate Swaps and Other Financial Instruments	100,373	121,307
Reserve for Unfunded Commitments	181,037	167,592
Accrued Interest Payable and Other Liabilities	1,306,894	1,288,440
Total Liabilities	$ 94,563,024	$ 90,939,776
Commitments and Contingent Liabilities (Note 9)		
Shareholders' Equity		
Preferred Stock	961,750	961,750
Common Stock	2,711,492	2,677,485
Unallocated Retained Earnings	3,398,431	3,103,926
Accumulated Other Comprehensive Income	(10,275)	(38,545)
Total Shareholders' Equity	$ 7,061,398	$ 6,704,616
Total Liabilities and Shareholders' Equity	$ 101,624,422	$ 97,644,392

The accompanying notes are an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows
CoBank, ACB

($ in Thousands) (Unaudited)

For the Nine Months Ended September 30,	2014	2013
Cash Flows Provided by Operating Activities		
Net Income	$ 688,897	$ 628,903
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
(Loan Loss Reversal)/Provision for Loan Losses	(25,000)	20,000
Deferred Income Taxes	(1,271)	12,733
Depreciation and Amortization/Accretion, Net	68,827	32,429
Losses on Impairment of Available-for-Sale Investments	-	2,500
Net Gains on Sales of Investment Securities	(4,206)	-
Increase in Accrued Interest Receivable and Other Assets	(6,057)	(55,354)
Decrease in Accrued Interest Payable and Other Liabilities	(43,755)	(11,757)
Net Gains on Interest Rate Swaps and Other Financial Instruments	(4,760)	(613)
Purchase of Interest Rate Caps	(26,728)	-
Other	(2,169)	(2,123)
Net Cash Provided by Operating Activities	643,778	626,718
Cash Flows Used in Investing Activities		
Net (Increase) Decrease in Loans	(2,091,920)	1,541,112
Net Increase in Investment Securities	(2,158,720)	(4,654,568)
Net Cash Used in Investing Activities	(4,250,640)	(3,113,456)
Cash Flows Provided by Financing Activities		
Net Issuances of Bonds and Notes	3,808,228	1,967,158
Preferred Stock Issued, Net	-	195,555
Preferred Stock Redemption	-	(200,000)
Funding for Preferred Stock Retirement	(136,750)	-
Net Retirements of Common Stock	(33,363)	(31,534)
Cash Patronage Distribution Paid	(346,130)	(338,953)
Preferred Stock Dividends Paid	(41,637)	(51,339)
Other	13	393
Net Cash Provided by Financing Activities	3,250,361	1,541,280
Net Decrease in Cash	(356,501)	(945,458)
Cash at Beginning of Period	1,335,024	1,253,509
Cash at End of Period	$ 978,523	$ 308,051
Supplemental Disclosures:		
Schedule of Noncash Investing and Financing Activities		
Net Change in Accrued Securities Purchases	$ (121,029)	$ -
Net Change in Unrealized Gains/Losses on Investment Securities, Before Taxes	59,928	(185,036)
Net Change in Unrealized Losses/Gains on Interest Rate Swaps, Other Financial Instruments and Hedged Items, Before Taxes	(28,475)	19,955
Patronage in Common Stock	67,369	56,543

The accompanying notes are an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in Shareholders' Equity
CoBank, ACB

($ in Thousands) (Unaudited)

For the Nine Months Ended September 30,	2014	2013
Balance at Beginning of Period	$ 6,704,616	$ 6,441,144
Comprehensive Income	717,167	502,894
Preferred Stock:		
Dividends	(41,633)	(49,087)
Issuance	-	200,000
Issuance Costs	-	(4,445)
Redemption	-	(200,000)
Common Stock:		
Issuances	76	80
Redemptions	(33,439)	(31,614)
Cash Patronage Accrued	(285,402)	(250,077)
Other	13	393
Balance at End of Period	$ 7,061,398	$ 6,609,288

The accompanying notes are an integral part of the condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

CoBank, ACB

(Unaudited) ($ in Thousands, Except Share and Per Share Amounts and as Noted)

Note 1 – Organization, Lending Authority and Significant Accounting Policies

The accompanying condensed consolidated financial statements include the accounts of CoBank, ACB and its wholly-owned subsidiaries, CoBank, FCB and Farm Credit Leasing Services Corporation (FCL), collectively hereinafter referred to as CoBank or the Bank. All material inter-company accounts and transactions have been eliminated. In our opinion, all adjustments considered necessary for a fair presentation of the interim financial condition, results of operations and cash flows have been made. These adjustments are of a normal recurring nature, unless otherwise disclosed. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted.

CoBank is a member of the Farm Credit System (System). We provide loans and other financial services to agribusiness cooperatives; rural energy, communications and water companies; farmer-owned financial institutions including Agricultural Credit Associations and Federal Land Credit Associations (together, Associations) and other businesses that serve rural America.

These unaudited quarterly condensed consolidated financial statements should be read in conjunction with the 2013 Annual Report, which includes a description of our organization and lending authority. Also included in the 2013 Annual Report is a summary of significant accounting policies. These quarterly condensed consolidated financial statements have been prepared in accordance with these same accounting policies.

CoBank is the funding bank for certain Farm Credit System Associations, which are collectively referred to as our "affiliated Associations." The accompanying condensed consolidated financial statements exclude financial information of our affiliated Associations. CoBank and our affiliated Associations are collectively referred to as the "District." Additional information about our affiliated Associations and District financial information is contained in Note 12 to these condensed consolidated financial statements.

Copies of CoBank's financial reports are available on request by calling or visiting one of our banking center locations and through our website at www.cobank.com. Copies of financial reports of our affiliated Associations and the System are available on their respective websites.

Note 2 – Recently Issued or Adopted Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued guidance requiring an entity to measure obligations resulting from joint and several liability arrangements as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. For public entities, the new guidance is effective for fiscal years beginning after December 15, 2013 (and interim reporting periods within those years). For nonpublic entities, the guidance is effective for the first annual period ending on or after December 15, 2014, and interim and annual periods thereafter.

As described in the 2013 Annual Report and in Note 9 to these condensed consolidated financial statements, all Systemwide debt securities are the joint and several liabilities of the System banks. CoBank adopted the new standard in 2014. The adoption of this new guidance did not have an effect on our consolidated financial position, results of operations or cash flows.

In May 2014, the FASB issued guidance entitled “Revenue from Contracts with Customers.” The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. As such, a majority of our contracts would be excluded from the scope of this new guidance. The guidance becomes effective for the first interim reporting period within the annual reporting periods after December 15, 2016. We are in the process of reviewing the guidance to determine the effect, if any, on our consolidated financial position, results of operations or cash flows.

Note 3 – Loans, Loan Quality and Allowance for Credit Losses

Loans Outstanding

Loans outstanding by operating segment are shown below.

($ in Millions)

	September 30, 2014	December 31, 2013
Agribusiness	$ 21,788	$ 21,182
Strategic Relationships	38,256	37,897
Rural Infrastructure	15,594	14,524
Total	$ 75,638	$ 73,603

Allowance for Credit Losses

The following tables present the changes in the components of our allowance for credit losses and details of ending balances. The allowance for credit losses includes the allowance for loan losses and the reserve for unfunded commitments. The elements of our allowance for credit losses are presented by operating segment.

	Agribusiness	Strategic Relationships[1]	Rural Infrastructure	Total
September 30, 2014				
Allowance for Loan Losses				
Beginning Balance at January 1, 2014	$ 284,967	$ -	$ 162,159	$ 447,126
Charge-offs	(1,481)	-	(2,118)	(3,599)
Recoveries	1,552	-	563	2,115
Provision for Loan Losses/(Loan Loss Reversal)	2,000	-	(27,000)	(25,000)
Transfers (to) from Reserve for Unfunded Commitments[2]	(16,187)	-	2,742	(13,445)
Ending Balance at September 30, 2014	270,851	-	136,346	407,197
Reserve for Unfunded Commitments				
Beginning Balance at January 1, 2014	111,897	-	55,695	167,592
Transfers from (to) Allowance for Loan Losses[2]	16,187	-	(2,742)	13,445
Ending Balance at September 30, 2014	128,084	-	52,953	181,037
Allowance for Credit Losses	$ 398,935	$ -	$ 189,299	$ 588,234
Allowance for Credit Losses				
Ending Balance, Allowance for Credit Losses Related to Loans:				
Individually Evaluated for Impairment	$ 11,700	$ -	$ 7,300	$ 19,000
Collectively Evaluated for Impairment	387,235	-	181,999	569,234
Total	$ 398,935	$ -	$ 189,299	$ 588,234
Loans				
Ending Balance for Loans and Related Accrued Interest:				
Individually Evaluated for Impairment	$ 41,572	$ 38,369,816	$ 70,092	$ 38,481,480
Collectively Evaluated for Impairment	21,805,804	-	15,588,219	37,394,023
Total	$ 21,847,376	$ 38,369,816	$ 15,658,311	$ 75,875,503

	Agribusiness	Strategic Relationships[1]	Rural Infrastructure	Total
September 30, 2013				
Allowance for Loan Losses				
Beginning Balance at January 1, 2013	$ 277,595	$ -	$ 159,781	$ 437,376
Charge-offs	(1,553)	-	(26)	(1,579)
Recoveries	10,491	-	1,015	11,506
Provision for Loan Losses	5,000	-	15,000	20,000
Transfers from (to) Reserve for Unfunded Commitments[2]	(16,896)	-	(170)	(17,066)
Ending Balance at September 30, 2013	274,637	-	175,600	450,237
Reserve for Unfunded Commitments				
Beginning Balance at January 1, 2013	106,692	-	51,011	157,703
Transfers (to) from Allowance for Loan Losses[2]	16,896	-	170	17,066
Ending Balance at September 30, 2013	123,588	-	51,181	174,769
Allowance for Credit Losses	$ 398,225	$ -	$ 226,781	$ 625,006
Allowance for Credit Losses				
Ending Balance, Allowance for Credit Losses Related to Loans:				
Individually Evaluated for Impairment	$ 9,570	$ -	$ 28,700	$ 38,270
Collectively Evaluated for Impairment	388,655	-	198,081	586,736
Total	$ 398,225	$ -	$ 226,781	$ 625,006
Loans				
Ending Balance for Loans and Related Accrued Interest:				
Individually Evaluated for Impairment	$ 53,579	$ 37,428,075	$ 98,098	$ 37,579,752
Collectively Evaluated for Impairment	18,894,589	-	14,135,201	33,029,790
Total	$ 18,948,168	$ 37,428,075	$ 14,233,299	$ 70,609,542

[1] As a result of a strong collateral position with respect to loans to Associations, along with the earnings, capital and loss reserves of Associations that serve as an additional layer of protection against losses, no allowance for credit losses is recorded in our Strategic Relationships operating segment.

[2] These transfers generally occur as a result of advances on or repayments of seasonal lines of credit or other loans.

The information in the tables under the Credit Quality, Aging Analysis and Impaired Loans captions is presented by operating segment, with guaranteed and non-guaranteed loans in our Agribusiness segment separately identified.

Credit Quality

The following table presents our loans and related accrued interest, classified by management pursuant to our regulator's Uniform Loan Classification System.

September 30, 2014	Agribusiness Non-Guaranteed	Agribusiness Guaranteed	Strategic Relationships	Rural Infrastructure	Total
Acceptable	$ 19,029,781	$ 1,997,618	$ 37,539,443	$ 15,307,291	$ 73,874,133
Special Mention	485,645	-	830,373 (1)	220,079	1,536,097
Substandard	334,332	-	-	113,908	448,240
Doubtful	-	-	-	17,033	17,033
Loss	-	-	-	-	-
Total	$ 19,849,758	$ 1,997,618	$ 38,369,816	$ 15,658,311	$ 75,875,503
December 31, 2013					
Acceptable	$ 17,789,946	$ 2,604,643	$ 38,015,890	$ 14,267,187	$ 72,677,666
Special Mention	508,526	-	-	121,695	630,221
Substandard	318,719	-	-	169,286	488,005
Doubtful	10,312	-	-	29,092	39,404
Loss	-	-	-	-	-
Total	$ 18,627,503	$ 2,604,643	$ 38,015,890	$ 14,587,260	$ 73,835,296

(1) See Note 12

Aging Analysis

The following tables present an aging of past due loans and related accrued interest.

September 30, 2014	Agribusiness Non-Guaranteed	Agribusiness Guaranteed	Strategic Relationships	Rural Infrastructure	Total
30-89 Days Past Due	$ 5,809	$ -	$ -	$ -	$ 5,809
90 Days Past Due	1,760	-	-	19,670	21,430
Total Past Due	$ 7,569	$ -	$ -	$ 19,670	$ 27,239
Current	19,842,189	1,997,618	38,369,816	15,638,641	75,848,264
Total	$ 19,849,758	$ 1,997,618	$ 38,369,816	$ 15,658,311	$ 75,875,503
Accruing Loans 90 Days or More Past Due	$ 157	$ -	$ -	$ 10,331	$ 10,488
December 31, 2013					
30-89 Days Past Due	$ 12,276	$ -	$ -	$ -	$ 12,276
90 Days Past Due	22,757	-	-	53,425	76,182
Total Past Due	$ 35,033	$ -	$ -	$ 53,425	$ 88,458
Current	18,592,470	2,604,643	38,015,890	14,533,835	73,746,838
Total	$ 18,627,503	$ 2,604,643	$ 38,015,890	$ 14,587,260	$ 73,835,296
Accruing Loans 90 Days or More Past Due	$ 972	$ -	$ -	$ -	$ 972

Impaired Loans

Impaired loan information is shown in the following tables. Loans past due 90 days or more and still accruing interest are adequately secured and in the process of collection.

September 30, 2014	Agribusiness Non-Guaranteed	Agribusiness Guaranteed[1]	Strategic Relationships[1]	Rural Infrastructure	Total
Nonaccrual Loans[2]	$ 41,572	$ -	$ -	$ 70,092	$ 111,664
Accruing Loans 90 Days or More Past Due	157	-	-	10,331	10,488
Restructured Loans	-	-	-	-	-
Total Impaired Loans	$ 41,729	$ -	$ -	$ 80,423	$ 122,152
December 31, 2013					
Nonaccrual Loans[2]	$ 53,249	$ -	$ -	$ 94,600	$ 147,849
Accruing Loans 90 Days or More Past Due	972	-	-	-	972
Restructured Loans	-	-	-	-	-
Total Impaired Loans	$ 54,221	$ -	$ -	$ 94,600	$ 148,821

[1] There were no impaired loans in our Agribusiness Guaranteed or Strategic Relationships portfolios for any of the periods presented.

[2] Included in nonaccrual loans at September 30, 2014 and December 31, 2013 are $60.8 million and $66.3 million, respectively, of loans that qualify as troubled debt restructurings.

The following tables present information on impaired loans and related amounts in the allowance for loan losses.

September 30, 2014	Agribusiness Non-Guaranteed	Agribusiness Guaranteed[1]	Strategic Relationships[1]	Rural Infrastructure	Total
Impaired Loans With No Related Allowance for Loan Losses					
Carrying Amount	$ 15,945	$ -	$ -	$ 58,110	$ 74,055
Unpaid Principal	21,817	-	-	64,851	86,668
Average Balance	16,643	-	-	59,192	75,835
Interest Income Recognized	2,977	-	-	2,796	5,773
Impaired Loans With Related Allowance for Loan Losses					
Carrying Amount	25,784	-	-	22,313	48,097
Unpaid Principal	33,740	-	-	25,775	59,515
Allowance for Loan Losses	11,700	-	-	7,300	19,000
Average Balance	24,830	-	-	23,851	48,681
Interest Income Recognized	587	-	-	-	587
Total Impaired Loans					
Carrying Amount	41,729	-	-	80,423	122,152
Unpaid Principal	55,557	-	-	90,626	146,183
Allowance for Loan Losses	11,700	-	-	7,300	19,000
Average Balance	41,473	-	-	83,043	124,516
Interest Income Recognized	3,564	-	-	2,796	6,360

December 31, 2013	Agribusiness Non-Guaranteed	Agribusiness Guaranteed[(1)]	Strategic Relationships[(1)]	Rural Infrastructure	Total
Impaired Loans With No Related Allowance for Loan Losses					
Carrying Amount	$ 33,173	$ -	$ -	$ 9,427	$ 42,600
Unpaid Principal	44,670	-	-	10,889	55,559
Average Balance	50,530	-	-	10,832	61,362
Interest Income Recognized	2,236	-	-	2,477	4,713
Impaired Loans With Related Allowance for Loan Losses					
Carrying Amount	21,048	-	-	85,173	106,221
Unpaid Principal	24,891	-	-	90,858	115,749
Allowance for Loan Losses	8,550	-	-	28,700	37,250
Average Balance	20,143	-	-	77,457	97,600
Interest Income Recognized	-	-	-	-	-
Total Impaired Loans					
Carrying Amount	54,221	-	-	94,600	148,821
Unpaid Principal	69,561	-	-	101,747	171,308
Allowance for Loan Losses	8,550	-	-	28,700	37,250
Average Balance	70,673	-	-	88,289	158,962
Interest Income Recognized	2,236	-	-	2,477	4,713

(1) There were no impaired loans in our Agribusiness Guaranteed or Strategic Relationships portfolios for any of the periods presented.

Commitments on Impaired Loans

There were $36.7 million in commitments available to be drawn by borrowers whose loans were classified as impaired at September 30, 2014.

Troubled Debt Restructurings

Troubled debt restructurings (TDRs) are loans in which we have granted a concession because the borrower is experiencing financial difficulty. Concessions may include payment deferrals, term extensions and/or interest rate reductions. As of September 30, 2014, all TDRs are classified as nonaccrual loans. TDRs classified as nonaccrual loans, along with other impaired loans, may be returned to accruing status upon meeting specific criteria, as more fully described in our 2013 Annual Report. During the nine months ended September 30, 2014 and 2013, respectively, there were no modifications that qualified as TDRs. Included in nonaccrual loans at September 30, 2014 and December 31, 2013 are $60.8 million and $66.3 million, respectively, of existing loans that qualify as troubled debt restructurings.

Note 4 – Investment Securities

A summary of the amortized cost and fair value of investment securities available-for-sale is as follows:

($ in Millions)

September 30, 2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury Debt	$ 7,519	$ 15	$ (3)	$ 7,531
U.S. Agency Debt	5,025	57	(32)	5,050
Mortgage-Backed:				
U.S. Agency	10,419	83	(87)	10,415
Farmer Mac	161	-	(3)	158
FHA/VA Non-Wrapped Reperformer	413	3	(14)	402
Non-Agency	156	21	(1)	176
Asset-Backed	83	26	(1)	108
Corporate Bonds	145	1	-	146
Total	$ 23,921	$ 206	$ (141)	$ 23,986

($ in Millions)

December 31, 2013	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury Debt	$ 5,501	$ 3	$ -	$ 5,504
U.S. Agency Debt	4,458	55	(54)	4,459
Mortgage-Backed:				
U.S. Agency	10,655	94	(131)	10,618
Farmer Mac	182	-	(3)	179
FHA/VA Non-Wrapped Reperformer	443	6	(9)	440
Non-Agency	201	21	(1)	221
Asset-Backed	127	27	(2)	152
Corporate Bonds	116	-	(1)	115
Total	$ 21,683	$ 206	$ (201)	$ 21,688

A summary of the contractual maturity, amortized cost, fair value and weighted average yield of investment securities by type at September 30, 2014 is as follows:

($ in Millions)

	Contractual Maturity				
September 30, 2014	In One Year or Less	One to Five Years	Five to Ten Years	After Ten Years	Total
U.S. Treasury Debt Securities					
Amortized Cost	$ 4,044	$ 1,679	$ 1,796	$ -	$ 7,519
Fair Value	4,047	1,681	1,803	-	7,531
Weighted Average Yield	0.21 %	0.86 %	2.14 %	- %	0.82 %
U.S. Agency Debt Securities					
Amortized Cost	$ -	$ 3,553	$ 1,234	$ 238	$ 5,025
Fair Value	-	3,595	1,219	236	5,050
Weighted Average Yield	- %	1.58 %	1.52 %	1.16 %	1.55 %
U.S. Agency Mortgage-Backed Securities					
Amortized Cost	$ -	$ 168	$ 988	$ 9,263	$ 10,419
Fair Value	-	168	990	9,257	10,415
Weighted Average Yield	- %	1.68 %	0.59 %	1.68 %	1.58 %
Farmer Mac Mortgage-Backed Securities					
Amortized Cost	$ -	$ -	$ -	$ 161	$ 161
Fair Value	-	-	-	158	158
Weighted Average Yield	- %	- %	- %	3.01 %	3.01 %
FHA/VA Non-Wrapped Reperformer Mortgage-Backed Securities					
Amortized Cost	$ -	$ -	$ -	$ 413	$ 413
Fair Value	-	-	-	402	402
Weighted Average Yield	- %	- %	- %	5.14 %	5.14 %
Non-Agency Mortgage-Backed Securities					
Amortized Cost	$ -	$ 5	$ -	$ 151	$ 156
Fair Value	-	5	-	171	176
Weighted Average Yield	- %	0.62 %	- %	5.61 %	5.44 %
Asset-Backed Securities					
Amortized Cost	$ -	$ 13	$ -	$ 70	$ 83
Fair Value	-	13	-	95	108
Weighted Average Yield	- %	0.46 %	- %	11.15 %	9.49 %
Corporate Bonds					
Amortized Cost	$ -	$ 145	$ -	$ -	$ 145
Fair Value	-	146	-	-	146
Weighted Average Yield	- %	1.46 %	- %	- %	1.46 %
Total					
Amortized Cost	$ 4,044	$ 5,563	$ 4,018	$ 10,296	$ 23,921
Fair Value	4,047	5,608	4,012	10,319	23,986

While the substantial majority of our mortgage-backed securities (MBS) and asset-backed securities (ABS) have contractual maturities in excess of 10 years, expected maturities for these securities are shorter than contractual maturities because borrowers have the right to call or prepay obligations with or without penalties.

The following tables show the fair value and gross unrealized losses for investments in a loss position aggregated by investment category, and the length of time the securities have been in a continuous unrealized loss position at September 30, 2014 and December 31, 2013. The continuous loss position is based on the date the impairment first occurred.

	Less Than 12 Months		Greater Than 12 Months	
($ in Millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2014				
U.S. Treasury Debt	$ 944	$ (3)	$ -	$ -
U.S. Agency Debt	1,054	(4)	1,650	(28)
Mortgage-Backed:				
U.S. Agency	1,550	(4)	2,600	(83)
Farmer Mac	-	-	158	(3)
FHA/VA Non-Wrapped Reperformer	51	(2)	178	(12)
Non-Agency	5	-	20	(1)
Asset-Backed	13	-	9	(1)
Corporate Bonds	15	-	20	-
Total	$ 3,632	$ (13)	$ 4,635	$ (128)
December 31, 2013				
U.S. Treasury Debt	$ 516	$ -	$ -	$ -
U.S. Agency Debt	3,236	(54)	-	-
Mortgage-Backed:				
U.S. Agency	3,492	(93)	679	(38)
Farmer Mac	55	(1)	124	(2)
FHA/VA Non-Wrapped Reperformer	106	(2)	144	(7)
Non-Agency	32	(1)	18	-
Asset-Backed	50	(1)	5	(1)
Corporate Bonds	70	(1)	-	-
Total	$ 7,557	$ (153)	$ 970	$ (48)

We do not intend to sell the securities in unrealized loss positions, nor is it likely that we will be required to sell such securities, for regulatory, liquidity or other purposes, before an anticipated recovery of our cost basis occurs.

Credit Losses on Impaired Investment Securities

The following table details the activity related to the credit loss component of investment securities that have been written down for other-than-temporary impairment.

Credit Losses on Impaired Investments	($ in Millions)
Balance at December 31, 2013	$ 65
Additional Credit Impairments Related to Securities Previously Impaired	-
Initial Credit Impairments Related to Securities Not Previously Impaired	-
Sales of Investments with Credit Impairments	(7)
Maturity of Investments with Credit Impairments	-
Subsequent Amortization (Accretion) for Increases in Cash Flows Expected to be Collected	(1)
Balance at September 30, 2014	$ 57

For these impaired investment securities, we estimate the component of unrealized losses attributable to credit losses primarily using a third-party cash flow model. The model requires key assumptions related to underlying collateral, including the degree and timing of prepayments and defaults, and loss severity. Assumptions used are influenced by such factors as interest rates and the performance, type and age of collateral. For prepayment assumptions, we use the lower of the three- or six-month historical voluntary prepayment rate. Prepayment rates used ranged from 0 to 20 percent (CPR) for impaired investment securities at September 30, 2014. We apply historical performance information to estimate future defaults using a default timing curve. Default rates ranged from 7 percent to 49 percent for impaired investment securities at September 30, 2014. Loss severity assumptions are based on 12-month historical severities. Loss severity ranged from 7 percent to 100 percent for impaired investment securities at September 30, 2014.

Acquired Investment Securities

In connection with our January 1, 2012 merger with U.S. AgBank, we acquired investment securities with a contractual outstanding principal and interest balance of $5.2 billion. We recorded these investments on our consolidated balance sheet at an estimated fair value of $4.8 billion. Certain of these investment securities were determined to have deteriorated credit quality and it was evident that we would not be able to collect all of the contractually required payments. The carrying amount of these investment securities was $528.2 million at September 30, 2014 and included FHA/VA non-wrapped reperformer MBS (i.e., investment securities where residential mortgage loans serving as collateral were cured after a default), non-agency MBS, and ABS. These investments, which we refer to as acquired credit-impaired investment securities, are subject to the provisions of Accounting Standards Codification (ASC) 310-30, Accounting for Certain Loans or Debt Securities Acquired in a Transfer, pursuant to which the difference between contractually required payments and the cash flows expected to be collected at acquisition is considered a non-accretable amount. This difference is neither accreted into income nor recorded on our consolidated balance sheets.

Quarterly, we evaluate estimated cash flows expected to be collected from acquired credit-impaired investment securities. Increases in expected cash flows will generally result in an increase in interest income over the remaining life of the investment. Decreases in expected cash flows due to credit deterioration will generally result in other-than-temporary impairment charges recognized against earnings. During the first nine months of 2014, we recorded no impairment losses related to our acquired credit-impaired investment securities.

The excess of cash flows expected to be collected over fair value is referred to as “accretable amounts” and is recognized in interest income over the remaining life of the investment using the effective yield method, with the majority being recognized in diminishing amounts in the first five years following the merger.

Changes in Accretable Amounts of Acquired Credit-Impaired Investment Securities	($ in Millions)	
	2014	2013
Balance at January 1	$ (165)	$ (210)
Interest Recognized in Earnings	24	33
Reclassifications from Nonaccretable Amount for Investments with Improvements in Expected Cash Flows	-	-
Total Other-Than-Temporary Impairment Losses Included in Earnings	-	2
Balance at September 30	$ (141)	$ (175)

Note 5 – Changes in Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the nine months ended September 30, 2014 and 2013 are presented in the following tables.

Changes in Accumulated Other Comprehensive Income (Loss) by Component [1]

	Unrealized Gains/(Losses) On Investment Securities		Unrealized Gains/(Losses) on Interest Rate Swaps and Other Financial Instruments	Net Pension Adjustment	Total
	Non-OTTI	OTTI			
Balance at January 1, 2014	$ 27,884	$ (31,646)	$ (2,246)	$ (32,537)	$ (38,545)
Other comprehensive income (loss) before reclassifications	3,304	52,699	(22,482)	(907)	32,614
Amounts reclassified from accumulated other comprehensive income (loss)	600	(4,205)	(1,846)	1,107	(4,344)
Net current-period other comprehensive income (loss)	3,904	48,494	(24,328)	200	28,270
Balance at September 30, 2014	$ 31,788	$ 16,848	$ (26,574)	$ (32,337)	$ (10,275)

[1] Amounts are presented net of tax. Amounts reclassified shown in parentheses indicate a decrease in accumulated other comprehensive income or an increase in accumulated other comprehensive loss.

Changes in Accumulated Other Comprehensive Income (Loss) by Component [1]

	Unrealized Gains/(Losses) On Investment Securities		Unrealized Gains/(Losses) on Interest Rate Swaps and Other Financial Instruments	Net Pension Adjustment	Total
	Non-OTTI	OTTI			
Balance at January 1, 2013	$ 188,624	$ 19,215	$ (11,261)	$ (52,148)	$ 144,430
Other comprehensive income (loss) before reclassifications	(147,351)	(45)	17,648	-	(129,748)
Amounts reclassified from accumulated other comprehensive income (loss)	-	-	1,229	2,510	3,739
Net current-period other comprehensive income (loss)	(147,351)	(45)	18,877	2,510	(126,009)
Balance at September 30, 2013	$ 41,273	$ 19,170	$ 7,616	$ (49,638)	$ 18,421

[1] Amounts are presented net of tax. Amounts reclassified shown in parentheses indicate a decrease in accumulated other comprehensive income or an increase in accumulated other comprehensive loss.

The following tables present the effect of reclassifications from accumulated other comprehensive income (loss) to net income for the nine-month periods ended September 30, 2014 and 2013.

Reclassifications from Accumulated Other Comprehensive Income (Loss)			
For the Nine Months Ended September 30, 2014		Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	Location of Gain/Loss Recognized in Income Statement
Unrealized gains (losses) on available-for-sale investment securities:			
Sales gains and losses	$	(707)	Noninterest Income - Other, Net
Holding gains and losses		-	Noninterest Income - Other, Net
Tax effect		107	Provision for Income Taxes
Unrealized gains (losses) on OTTI investment securities:			
Sales gains and losses		4,906	Noninterest Income - Other, Net
Holding gains and losses		-	Noninterest Income - Net OTTI Losses Included in Earnings
Tax effect		(701)	Provision for Income Taxes
Unrealized gains (losses) on interest rate swaps and other financial instruments:			
Interest rate contracts		(836)	Interest Expense
Foreign exchange contracts		4,037	Interest Income
Tax effect		(1,355)	Provision for Income Taxes
Pension and other benefit plans:			
Net actuarial gain/loss		(1,348)	Operating Expenses - Employee Compensation
Prior service cost/credit		(437)	Operating Expenses - Employee Compensation
Tax effect		678	Provision for Income Taxes
Total reclassifications	$	4,344	

Reclassifications from Accumulated Other Comprehensive Income (Loss)			
For the Nine Months Ended September 30, 2013		Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	Location of Gain/Loss Recognized in Income Statement
Unrealized gains (losses) on interest rate swaps and other financial instruments:			
Interest rate contracts	$	(1,033)	Interest Expense
Foreign exchange contracts		(679)	Interest Income
Tax effect		483	Provision for Income Taxes
Pension and other benefit plans:			
Net actuarial gain/loss		(3,952)	Operating Expenses - Employee Compensation
Prior service cost/credit		(97)	Operating Expenses - Employee Compensation
Tax effect		1,539	Provision for Income Taxes
Total reclassifications	$	(3,739)	

Note 6 – Derivative Financial Instruments and Hedging Activities

Risk Management Objectives and Strategies

We maintain an overall interest rate risk management strategy that incorporates the use of derivative financial instruments to manage liquidity and to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. Our goal is to manage interest rate sensitivity by modifying the repricing frequency or effective maturity of certain balance sheet assets and liabilities. We also maintain a foreign exchange risk management strategy to reduce the impact of currency fluctuations on our relatively nominal amount of foreign currency-denominated loans. As a result of interest rate and foreign exchange rate fluctuations, fixed-rate assets and liabilities will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation is expected to be substantially offset by gains and losses on the derivative instruments that are linked to these assets and liabilities. Interest rate and foreign exchange fluctuations also cause interest income and interest expense of variable-rate assets and liabilities to increase or decrease. The effect of this variability in earnings is expected to be substantially offset by gains and losses on the derivative instruments that are linked to these assets and liabilities.

Uses of Derivatives

To achieve risk management objectives and satisfy the financing needs of our borrowers, we execute various derivative transactions with other financial institutions. Derivatives (primarily interest rate swaps) are used to manage liquidity and the interest rate risk arising from maturity and repricing mismatches between assets and liabilities. Under interest rate swap arrangements, we agree with a third-party to exchange, at specified intervals, payment streams calculated on a specified notional amount, with at least one payment stream based on a specified floating-rate index. We use a variety of interest rate swaps including the exchange of floating-rate for fixed-rate swaps and fixed-rate for floating-rate swaps with payment obligations tied to specific indices. In addition, we execute foreign exchange spot and forward contracts to manage currency risk on loans denominated in foreign currencies. We also enter into derivatives for our customers as a service to enable them to transfer, modify or reduce their interest rate risk and foreign exchange risk by transferring such risk to us. We substantially offset this risk transference by concurrently entering into offsetting agreements with counterparties.

The notional amounts of derivatives at September 30, 2014 and related activity for the first nine months of 2014 are shown in the following table.

Activity in the Notional Amounts of Derivative Financial Instruments

($ in Millions)	Swaps	Caps	Spots and Forwards	Total
December 31, 2013	$ 21,982	$ 2,684	$ 279	$ 24,945
Additions /Accretion	2,623	443	2,663	5,729
Maturities /Amortization	(4,381)	(164)	(2,732)	(7,277)
Terminations	(104)	-	-	(104)
September 30, 2014	$ 20,120	$ 2,963	$ 210	$ 23,293

The notional amounts of derivatives at September 30, 2013 and related activity for the first nine months of 2013 are shown in the following table.

Activity in the Notional Amounts of Derivative Financial Instruments

($ in Millions)	Swaps	Caps	Spots and Forwards	Total
December 31, 2012	$ 23,020	$ 3,049	$ 292	$ 26,361
Additions /Accretion	2,697	69	2,447	5,213
Maturities /Amortization	(3,481)	(560)	(2,507)	(6,548)
Terminations	(160)	-	-	(160)
September 30, 2013	$ 22,076	$ 2,558	$ 232	$ 24,866

Accounting for Derivative Instruments and Hedging Activities

We record derivatives as assets or liabilities at their fair value on the consolidated balance sheets. We record changes in the fair value of a derivative in current period earnings or accumulated other comprehensive income (loss), depending on the use of the derivative and whether it qualifies for hedge accounting. For fair-value hedge transactions that hedge changes in the fair value of assets or liabilities, changes in the fair value of the derivative will generally be offset in the statement of comprehensive income by changes in the hedged item's fair value attributable to the risk being hedged. For cash-flow hedge transactions, in which we hedge the variability of future cash flows related to a variable-rate asset or liability, changes in the fair value of the derivative are reported in accumulated other comprehensive income (loss). The gains and losses on the derivatives that we report in accumulated other comprehensive income (loss) will be reclassified as earnings in the period in which earnings are affected by the variability of the cash flows of the hedged item. We record the ineffective portion of all hedges in current period earnings.

For our customer transactions, which are not designated as hedging instruments, we record the related changes in fair value in current period earnings. We substantially offset this risk transference by concurrently entering into offsetting agreements with counterparties, with the changes in fair value of these transactions also recorded in current period earnings.

Fair Value Hedges

The majority of the fair value hedging activity relates to entering into interest rate swaps primarily to convert our non-prepayable fixed-rate debt to floating-rate debt to achieve our liquidity management strategy. The amount converted depends on contractual interest rates and maturities. For the remaining fair value hedges, we enter into receive-fixed, pay-floating swaps to align our equity positioning strategy with our risk management strategy. For fair value hedges, the amount of hedge ineffectiveness is recognized as net interest income in current period earnings.

Cash Flow Hedges

We purchase interest rate caps primarily to hedge cap risk embedded within a portion of our floating-rate investment securities. The interest rate caps hedge floating-rate debt cash flows that fund the cash flows from floating-rate investment securities. If the strike rates in the purchased interest rate caps are exceeded, we receive cash flows on the derivative to hedge our floating-rate funding exposure above such strike levels. We also enter into foreign exchange spot and forward contracts to manage currency risk on loans denominated in foreign currencies. Typically, foreign currency contracts are purchased to fund the principal cash flows of the loan and simultaneously sold to lock in the principal and interest cash flows upon repricing or maturity date of the loan. For cash flow hedges, the amount of hedge ineffectiveness, the amount excluded from effectiveness assessment, and the amounts reclassified from accumulated other comprehensive income (loss) into current period earnings are all reflected in net interest income. At September 30, 2014, we expect that $2.1 million of expense will be reclassified from other comprehensive income into earnings in the next 12 months, based on the anticipated cash flows of existing financial instruments. The maximum term over which we are hedging our exposure to the variability of future cash flows for all forecasted transactions is approximately 20 years.

Derivatives Not Designated as Hedges

Derivative agreements with our customers and the related offsetting derivative agreements with counterparties are not designated as hedging instruments and do not receive hedge accounting treatment. Accordingly, any changes in the fair value of these customer related derivatives are recognized immediately as noninterest income/expense in current period earnings.

Counterparty Credit Risk

The use of derivatives for risk management introduces credit risk related to counterparties and market risk related to movements in interest rates. Generally, when the fair value of a derivative contract is positive, we are exposed to counterparty credit risk.

To minimize the risk of credit losses, all derivative transactions with swap dealers are governed by master swap agreements, which include bilateral collateral arrangements, requiring the Bank or our counterparties to post collateral on a daily basis with thresholds set at zero for all active counterparties. The master swap agreements also include netting agreements requiring the net settlement of covered contracts with the same counterparty in the event of default by the other party. The "net" mark-to-market exposure represents the netting of the positive and negative exposures with that counterparty. Notwithstanding these protections, we are exposed to intra-day credit risk with these counterparties. Derivative transactions with our customers are typically secured through our loan agreements.

We record derivative exposures and related cash collateral balances at gross amounts in our consolidated balance sheets. Pursuant to our master swap agreements, as of September 30, 2014, our counterparties had posted $293.5 million in cash and $80.7 million in securities as collateral with us. We estimate that the amount of losses related to derivatives we could be exposed to in the event of nonperformance by dealer counterparties to our derivative positions, net of collateral held by us, was $2.6 million at September 30, 2014.

Hedge Terminations

During the nine months ended September 30, 2014, we terminated interest rate swaps with customers and offsetting dealer counterparties totaling notional value of $104.7 million. Proceeds from the customer terminations were offset by proceeds from the offsetting dealer terminations.

A summary of the impact of derivative financial instruments on our consolidated balance sheets as of September 30, 2014 and December 31, 2013 is shown below.

Fair Value of Derivative Financial Instruments

As of September 30, 2014	Fair Value of Derivative Assets[1]	Fair Value of Derivative Liabilities[2]
Derivatives Designated as Hedging Instruments		
Interest Rate Contracts	$ 352,726	$ 9,965
Foreign Exchange Contracts	4,128	21
Total Derivatives Designated as Hedging Instruments	$ 356,854	$ 9,986
Derivatives Not Designated as Hedging Instruments		
Interest Rate Contracts	$ 127,691	$ 88,571
Foreign Exchange Contracts	1,829	1,816
Total Derivatives Not Designated as Hedging Instruments	$ 129,520	$ 90,387
Total Derivatives	$ 486,374	$ 100,373

[1] These assets make up the "Interest Rate Swaps and Other Financial Instruments" assets in the condensed consolidated balance sheet at September 30, 2014.

[2] These liabilities make up the "Interest Rate Swaps and Other Financial Instruments" liabilities in the condensed consolidated balance sheet at September 30, 2014.

Fair Value of Derivative Financial Instruments		
As of December 31, 2013	Fair Value of Derivative Assets[1]	Fair Value of Derivative Liabilities[2]
Derivatives Designated as Hedging Instruments		
Interest Rate Contracts	$ 527,375	$ 12,118
Foreign Exchange Contracts	595	1,828
Total Derivatives Designated as Hedging Instruments	$ 527,970	$ 13,946
Derivatives Not Designated as Hedging Instruments		
Interest Rate Contracts	$ 144,774	$ 106,247
Foreign Exchange Contracts	1,278	1,114
Total Derivatives Not Designated as Hedging Instruments	$ 146,052	$ 107,361
Total Derivatives	$ 674,022	$ 121,307

(1) These assets make up the "Interest Rate Swaps and Other Financial Instruments" assets in the condensed consolidated balance sheet at December 31, 2013.
(2) These liabilities make up the "Interest Rate Swaps and Other Financial Instruments" liabilities in the condensed consolidated balance sheet at December 31, 2013.

A summary of the impact of derivative financial instruments on our condensed consolidated statements of income and comprehensive income for the nine months ended September 30, 2014 and 2013 is shown below.

Derivative Financial Instruments in Fair Value Hedging Relationships		
	Net Amount of Gain or (Loss) Recognized in Income on Derivatives and Hedged Items [1]	
Nine Months Ended September 30,	2014	2013
Interest Rate Contracts	$ 5,156	$ 3,454
Total	$ 5,156	$ 3,454

(1) Located in Interest Expense in the condensed consolidated statements of income for the nine months ended September 30, 2014 and 2013

Derivative Financial Instruments in Cash Flow Hedging Relationships			
Nine Months Ended September 30, 2014	Amount of Gain or (Loss) Recognized in Accumulated Other Comprehensive Income (Loss) on Derivatives[1]	Amount of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) to Income on Derivatives[1]	Amount of Gain or (Loss) Recognized in Income on Derivatives[2]
Interest Rate Contracts	$ (30,614)	$ (836) [3]	$ -
Foreign Exchange Contracts	5,339	4,037 [4] [5]	(498) [4]
Total	$ (25,275)	$ 3,201	$ (498)

(1) Effective portion
(2) Ineffective portion and amount excluded from effectiveness assessment
(3) Located in Interest Expense in the condensed consolidated statement of income for the nine months ended September 30, 2014
(4) Located in Interest Income – Loans in the condensed consolidated statement of income for the nine months ended September 30, 2014
(5) Fully offset by a $4,037 loss on foreign currency denominated loans (hedged items) which is also located in Interest Income - Loans in the condensed consolidated statement of income for the nine months ended September 30, 2014

Derivative Financial Instruments in Cash Flow Hedging Relationships			
Nine Months Ended September 30, 2013	Amount of Gain or (Loss) Recognized in Accumulated Other Comprehensive Income (Loss) on Derivatives(1)	Amount of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) to Income on Derivatives(1)	Amount of Gain or (Loss) Recognized in Income on Derivatives(2)
Interest Rate Contracts	$ 18,920	$ (1,033) (3)	$ -
Foreign Exchange Contracts	(678)	(679) (4) (5)	(212) (4)
Total	$ 18,242	$ (1,712)	$ (212)

(1) Effective portion

(2) Ineffective portion and amount excluded from effectiveness assessment

(3) Located in Interest Expense in the condensed consolidated statement of income for the nine months ended September 30, 2013

(4) Located in Interest Income – Loans in the condensed consolidated statement of income for the nine months ended September 30, 2013

(5) Fully offset by a $679 gain on foreign currency denominated loans (hedged items) which is also located in Interest Income - Loans in the condensed consolidated statement of income for the nine months ended September 30, 2013

Derivative Financial Instruments Not Designated as Hedging Relationships		
	Net Amount of Gain or (Loss) Recognized in Income On Derivatives(1)	
Nine Months Ended September 30,	2014	2013
Interest Rate Contracts	$ 6,790	$ (1,856)
Foreign Exchange Contracts	(45)	48
Total	$ 6,745	$ (1,808)

(1) Located in Other Noninterest Income/Expense in the condensed consolidated statements of income for the nine months ended September 30, 2014 and 2013

Asset/Liability Offsetting

As noted previously, derivative transactions with swap dealers include bilateral collateral and netting agreements that require the net settlement of covered contracts. Derivative transactions with customers are collateralized through loan agreements. Notwithstanding collateral and netting provisions, our derivative assets and liabilities are not offset in the accompanying condensed consolidated balance sheets. The amount of collateral received or pledged is calculated on a net basis, by counterparty.

The following table summarizes derivative assets and liabilities, related accrued interest and amounts of collateral exchanged pursuant to our agreements.

Offsetting of Financial and Derivative Instruments

	Gross Amounts of Assets/Liabilities Presented in the Condensed Consolidated Balance Sheets	Amounts Not Offset In the Condensed Consolidated Balance Sheets		
		Cash Collateral Received/ Pledged[1]	Investment Securities Received/Pledged as Collateral[1]	Net Amount
As of September 30, 2014				
Assets:				
Interest Rate Swaps and Other Financial Instruments:				
Dealer	$ 388,645	$ 293,480	$ 80,660	$ 14,505
Customer	97,729	-	-	97,729
Accrued Interest Receivable on Derivative Contracts	57,243	-	-	57,243
Liabilities:				
Interest Rate Swaps and Other Financial Instruments:				
Dealer	81,317	14,610	-	66,707
Customer	19,056	-	-	19,056
Accrued Interest Payable on Derivative Contracts	4,808	-	-	4,808
As of December 31, 2013				
Assets:				
Interest Rate Swaps and Other Financial Instruments:				
Dealer	$ 585,687	$ 424,570	$ 132,510	$ 28,607
Customer	88,335	-	-	88,335
Accrued Interest Receivable on Derivative Contracts	83,452	-	-	83,452
Liabilities:				
Interest Rate Swaps and Other Financial Instruments:				
Dealer	83,921	10,130	-	73,791
Customer	37,386	-	-	37,386
Accrued Interest Payable on Derivative Contracts	3,952	-	-	3,952

[1] Cash collateral received is recognized in the condensed consolidated balance sheets whereas investment securities received are not recognized in the condensed consolidated balance sheets as of September 30, 2014 and December 31, 2013, respectively.

Note 7 – Fair Value Measurements

The fair value of financial instruments represents the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability (an exit price) in active markets among willing participants at the reporting date. The FASB has established a three-level fair value hierarchy aimed at maximizing the use of observable inputs – that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability.

A description of the methods, assumptions and inputs to the valuation process used to determine or estimate the fair value of each class of financial instruments within the three-level hierarchy follows.

Level 1

Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Our Level 1 assets at September 30, 2014 consist of assets held in a trust fund related to deferred compensation and nonqualified retirement plans. The trust fund includes investments in securities that are actively traded and have quoted net asset value prices that are directly observable in the marketplace.

Level 2

Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability. Our Level 2 assets and liabilities at September 30, 2014 include our derivative contracts, collateral balances related to derivative contracts, U.S. Treasury and agency debt investment securities, non-agency MBS, the substantial majority of agency MBS, corporate bonds and a limited number of ABS.

The fair value of our derivative financial instruments is the estimated amount to be received to sell a derivative asset or paid to transfer or extinguish a derivative liability in active markets among willing participants at the reporting date. Estimated fair value is determined through internal market valuation models. These models use an income approach and incorporate benchmark interest rate curves (primarily the USD LIBOR/swap curve), volatilities, counterparty credit quality and other inputs that are observable directly or indirectly in the marketplace. We compare internally calculated derivative valuations to broker/dealer quotes to substantiate the results. The fair value of collateral assets and liabilities related to derivative contracts is their face value, plus accrued interest, as these instruments are cash balances; therefore, fair value approximates face value.

The fair value of our investment securities classified as Level 2 is determined by a third-party pricing service that uses valuation models to estimate current market prices. Inputs and assumptions related to these models are typically observable in the marketplace. Such models incorporate prepayment assumptions and underlying collateral information to generate cash flows that are discounted using appropriate benchmark interest rate curves and volatilities. These third-party valuation models also incorporate information regarding non-binding broker/dealer quotes, available trade information, historical cash flows, credit ratings and other market information. Such valuations represent an estimated exit price, or price to be received by a seller in active markets to sell the investment securities to a willing participant. The estimated fair value of investment securities also appears in Note 4.

The following table presents information about valuation techniques and inputs to Level 2 fair value measurements.

Information About Valuation Techniques and Inputs to Level 2 Fair Value Measurements		
	Valuation Technique	Inputs
Investment Securities	Third-Party Pricing Service	Prepayment Rate Default Rate Loss Severity Benchmark Yield Curve Quoted Prices
Interest Rate Swaps and Other Financial Instruments	Discounted Cash Flow	Benchmark Yield Curve Counterparty Credit Risk Volatility
Collateral Assets and Collateral Liabilities	Carrying Value	Par/Principal Plus Accrued Interest

Level 3

Level 3 inputs are unobservable and supported by limited or no market activity. Our Level 3 assets at September 30, 2014 include our Farmer Mac MBS, FHA/VA non-wrapped reperformer MBS, the majority of ABS and a small portion of agency MBS. Based on the lack of active trading volume and an orderly market for these securities, we classified these securities as Level 3. Market value for all Farmer Mac MBS is calculated internally using third-party models. Market value for FHA/VA non-wrapped reperformer MBS is determined by taking the lower of the value calculated internally using third-party models and the value determined by a third-party pricing service. Market value for Level 3 ABS and Level 3 agency MBS is determined by a third-party pricing service that uses valuation models to estimate current market prices. Inputs into all of these valuation models include underlying collateral data and projected losses as well as information for prepayment speeds and discounting spreads. Due to the lack of marketplace information, the inputs into these valuation models primarily represent management assumptions, with some corroboration to market inputs where information is available.

Level 3 assets at September 30, 2014 also include $15.4 million of loans originally measured at cost, which were written down to fair value as a result of impairment. The valuation of these assets requires a determination of the fair value of the underlying collateral, which may include the use of independent appraisals or other market-based information to develop a management estimate of fair value. As a result, these fair value measurements fall under Level 3 in the fair value hierarchy; however, they are excluded from the 'Assets and Liabilities Measured at Fair Value on a Recurring Basis' tables on pages 42 and 43 because they are not measured on a recurring basis.

Our Level 3 liabilities at September 30, 2014 include standby letters of credit whose market value is internally calculated based on information that is not observable either directly or indirectly in the marketplace.

No transfers into or out of the three levels of assets occurred during the nine months ended September 30, 2014 and 2013.

The following table presents quantitative information about Level 3 fair value measurements as of September 30, 2014.

Quantitative Information About Valuation Techniques and Unobservable Inputs to Level 3 Fair Value Measurements				
($ in Millions)	Fair Value	Valuation Technique	Unobservable Inputs	Range
Assets				
Investment Securities:				
U.S. Agency Mortgage-Backed	$ 58	Third-Party Pricing Service	Prepayment Rate	*
Farmer Mac Mortgage-Backed	158	Discounted Cash Flow	Prepayment Rate	8-12 percent
			Mark-to-Market Spread	1 percent
FHA/VA Non-Wrapped Reperformer Mortgage-Backed	402	Lower of Discounted Cash Flow	Prepayment Rate	6-10 percent *
		or Third-Party Pricing Service	Default Rate	1-21 percent *
			Loss Severity	11-13 percent *
Asset-Backed	95	Third-Party Pricing Service	Prepayment Rate	*
			Default Rate	*
			Loss Severity	*
Impaired Loans	15	Appraisal	Income/Expense Data	**
			Comparable Sales	**
			Replacement Cost	**
Liabilities				
Standby Letters of Credit	$ 9	Discounted Cash Flow	Mark-to-Market Spread	0.2-2 percent

* Excludes ranges which are determined by a third-party pricing service

** Range of inputs are unique to each collateral property

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables present the assets and liabilities that are measured at fair value on a recurring basis at September 30, 2014 and December 31, 2013 for each of the fair value hierarchy levels.

Assets and Liabilities Measured at Fair Value on a Recurring Basis September 30, 2014				
($ in Millions)	Level 1	Level 2	Level 3	Total
Assets				
Investment Securities:				
U.S. Treasury Debt	$ -	$ 7,531	$ -	$ 7,531
U.S. Agency Debt	-	5,050	-	5,050
Mortgage-Backed:				
U.S. Agency	-	10,357	58	10,415
Farmer Mac	-	-	158	158
FHA/VA Non-Wrapped Reperformer	-	-	402	402
Non-Agency	-	176	-	176
Asset-Backed	-	13	95	108
Corporate Bonds	-	146	-	146
Interest Rate Swaps and Other Financial Instruments	-	486	-	486
Assets Held in Trust (included in Other Assets)	60	-	-	60
Collateral Assets (included in Other Assets)	-	15	-	15
Total Assets	$ 60	$ 23,774	$ 713	$ 24,547
Liabilities				
Interest Rate Swaps and Other Financial Instruments	$ -	$ 100	$ -	$ 100
Collateral Liabilities (included in Bonds and Notes)	-	293	-	293
Standby Letters of Credit (included in Other Liabilities)	-	-	9	9
Total Liabilities	$ -	$ 393	$ 9	$ 402

Assets and Liabilities Measured at Fair Value on a Recurring Basis				
December 31, 2013				
($ in Millions)	Level 1	Level 2	Level 3	Total
Assets				
Investment Securities:				
U.S. Treasury Debt	$ -	$ 5,504	$ -	$ 5,504
U.S. Agency Debt	-	4,459	-	4,459
Mortgage-Backed:				
U.S. Agency	-	10,563	55	10,618
Farmer Mac	-	-	179	179
FHA/VA Non-Wrapped Reperformer	-	-	440	440
Non-Agency	-	221	-	221
Asset-Backed	-	46	106	152
Corporate Bonds	-	115	-	115
Interest Rate Swaps and Other Financial Instruments	-	674	-	674
Assets Held in Trust (included in Other Assets)	58	-	-	58
Collateral Assets (included in Other Assets)	-	10	-	10
Total Assets	$ 58	$ 21,592	$ 780	$ 22,430
Liabilities				
Interest Rate Swaps and Other Financial Instruments	$ -	$ 121	$ -	$ 121
Collateral Liabilities (included in Bonds and Notes)	-	425	-	425
Standby Letters of Credit (included in Other Liabilities)	-	-	10	10
Total Liabilities	$ -	$ 546	$ 10	$ 556

The following table presents the changes in Level 3 assets and liabilities measured at fair value on a recurring basis.

Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis					
($ in Millions)	Agency Mortgage-Backed Securities	Farmer Mac Mortgage-Backed Securities	FHA/VA Non-Wrapped Reperformer Mortgage-Backed Securities	Asset-Backed Securities	Standby Letters of Credit
Balance at December 31, 2013	$ 55	$ 179	$ 440	$ 106	$ 10
Total Gains or Losses (Realized/Unrealized):					
Included in Other Noninterest Expense	-	-	-	2	-
Included in Other Comprehensive Income	10	-	(7)	1	-
Sales	-	-	-	(7)	-
Issuances	-	-	-	-	3
Settlements	(8)	(20)	(46)	(9)	(4)
Accretion	1	(1)	15	2	-
Balance at September 30, 2014	$ 58	$ 158	$ 402	$ 95	$ 9
Balance at December 31, 2012	$ 78	$ 215	$ 506	$ 121	$ 10
Total Gains or Losses (Realized/Unrealized):					
Included in Other Noninterest Expense	-	-	-	-	-
Included in Other Comprehensive Income	(2)	(2)	8	1	-
Issuances	-	-	-	-	5
Settlements	(12)	(31)	(66)	(17)	(5)
Accretion	2	(1)	15	4	-
Balance at September 30, 2013	$ 66	$ 181	$ 463	$ 109	$ 10

Estimated Fair Value of Certain Other Financial Instruments

The following table presents the estimated fair value of financial instruments that are recorded in the condensed consolidated balance sheets at cost, as well as certain off-balance sheet financial instruments, as of September 30, 2014 and December 31, 2013.

($ in Millions)

	September 30, 2014			December 31, 2013		
	Carrying Amount	Estimated Fair Value	Fair Value Hierarchy	Carrying Amount	Estimated Fair Value	Fair Value Hierarchy
Financial Assets:						
Net Loans	$ 75,231	$ 76,565	Level 3	$ 73,156	$ 73,941	Level 3
Financial Liabilities:						
Bonds and Notes	$ 92,070 (1)	$ 92,685 (1)	Level 3	$ 88,458 (2)	$ 88,297 (2)	Level 3
Subordinated Debt	905	934	Level 3	905	909	Level 3
Off-Balance Sheet Financial Instruments:						
Commitments to Extend Credit	$ -	$ (114)	Level 3	$ -	$ (105)	Level 3

(1) Includes $293 million in collateral liabilities carried at fair value as of September 30, 2014.

(2) Includes $425 million in collateral liabilities carried at fair value as of December 31, 2013.

Net Loans

Our loan portfolio includes fixed- and floating-rate loans. Since no active trading market exists for most of our loans, fair value is estimated by discounting the expected future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit risk.

Bonds and Notes

Bonds and notes are not all traded in the secondary market and those that are traded may not have readily available quoted market prices. Therefore, the fair value of the instruments is estimated by calculating the discounted value of the expected future cash flows. The discount rates used are based on the sum of quoted market yields for the U.S. Treasury yield curve and an estimated yield-spread relationship between Farm Credit debt securities and U.S. Treasury securities. We estimate an appropriate yield-spread taking into consideration bank and security dealer yield indications, observed new government sponsored enterprise debt security pricing, and pricing levels in the related USD interest rate swap market.

Subordinated Debt

The fair value of subordinated debt is estimated based upon quotes obtained from a broker/dealer.

Commitments to Extend Credit

The fair value of commitments to extend credit is estimated by applying a risk-adjusted spread percentage to these obligations.

The following table presents information about valuation techniques and inputs to other fair value measurements.

Information About Valuation Techniques and Inputs to Other Fair Value Measurements		
	Valuation Technique	Input
Net Loans	Discounted Cash Flow	Prepayment Rate
		Mark-to-Market Spread
		Benchmark Yield Curve
		Probability of Default
		Loss Given Default
Bonds and Notes	Discounted Cash Flow	Benchmark Yield Curve
		Farm Credit Spread
Subordinated Debt	Non-binding Broker/Dealer Quote	Price for Similar Security
Commitments to Extend Credit	Discounted Cash Flow	Mark-to-Market Spread

Note 8 – Employee Benefit Plans

We have employer-funded, qualified defined benefit pension plans, which are noncontributory and cover employees hired prior to January 1, 2007. We also have noncontributory, unfunded nonqualified supplemental executive retirement plans covering certain senior officers and specified other senior managers, as well as a noncontributory, unfunded nonqualified executive retirement plan designed to provide enhanced retirement benefits to two senior officers employed pursuant to employment agreements. We have a 401(k) retirement savings plan pursuant to which we match a certain percentage of employees' elective contributions. In addition, under this plan, employees hired on or after January 1, 2007 receive additional, non-elective employer defined contributions. For eligible senior managers, including our senior officers, we also have a nonqualified deferred compensation plan, which includes benefits not provided under the employee savings plan due to certain Internal Revenue Code limitations.

All retirement-eligible employees are also currently eligible for other postretirement benefits, which primarily include access to health care benefits. Substantially all participants pay the full premiums associated with these other postretirement health care benefits. Participant contributions are adjusted annually.

We contributed $2.9 million to our funded qualified defined benefit pension plans during the nine months ended September 30, 2014, and anticipate that we will contribute approximately $1.2 million more to such plans during the remainder of 2014. We expect to contribute a total of $0.5 million, net of collected retiree premiums, to our other postretirement benefit plans in 2014. Our actual contributions could differ from the estimates noted above.

Note 9 – Commitments and Contingent Liabilities

Due to the often volatile seasonal borrowing requirements of our Agribusiness customers, which are impacted by changing commodity prices, farmer delivery patterns, weather and other factors, we provide a significant amount of revolving loan commitments. At September 30, 2014, commitments to extend credit and commercial letters of credit were $27.6 billion and $333.2 million, respectively.

Under the Farm Credit Act of 1971, as amended, we are primarily liable for the portion of outstanding Systemwide debt securities issued by CoBank. Additionally, we are contingently liable for the outstanding Systemwide debt securities issued by the other System banks. Total Systemwide debt securities of the System were $214.4 billion at September 30, 2014.

There are several mechanisms in place affecting exposure to statutory joint and several liabilities. System banks are statutorily required to maintain eligible assets at a level at least equal in value to the total amount of debt for which such System bank is primarily liable. In addition, in the event of a default by a System bank, the Insurance Fund would be required to make timely payment of principal and interest on Systemwide debt securities, to the extent that net assets are available in the Insurance Fund, before the joint and several liability of the System banks would be triggered. At September 30, 2014, the aggregated assets of the Insurance Fund totaled $3.7 billion. Finally, System banks must maintain certain financial criteria in order to participate in Systemwide debt issuances. If these criteria are not met, a troubled System bank's access to and participation in Systemwide debt issuances could be limited or denied.

On at least a quarterly basis, we assess our liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. For those matters where it is probable that we will incur a loss and the amount of the loss can be reasonably estimated, we record a liability in our consolidated financial statements. For other matters, where a loss is not probable or the amount of the loss is not estimable, we will not accrue legal reserves. While the outcome of legal proceedings is inherently uncertain, based on information currently available, advice of legal counsel and available insurance coverage, we believe that our established legal reserves are adequate as of September 30, 2014 and the liabilities arising from our legal proceedings will not have a material adverse effect on the consolidated financial position, consolidated results of operations or consolidated cash flows of the Bank. However, in the event of unexpected future developments, it is possible that the ultimate resolution of these matters, if unfavorable, may be material to the Bank's consolidated financial position, consolidated results of operations or consolidated cash flows.

Note 10 – Segment Financial Information

We conduct our lending operations through three operating segments: Agribusiness, Strategic Relationships and Rural Infrastructure.

The accompanying tables present condensed disaggregated information for the segments. Allocations of resources and corporate items, as well as measurement of financial performance, are made at these operating segment levels. We also allocate to our segments net interest income on investment securities as well as gains and losses on investment securities. Information to reconcile the total reportable segments to the total CoBank financial statements is shown as "other." Inter-segment transactions are insignificant.

We do not hold significant assets in any foreign country. Substantially all of our agricultural export finance loans are U.S. dollar-denominated and 46 percent of these loans are guaranteed by the U.S. government.

For the nine-month periods ended September 30, 2014 and 2013, no customer made up 10 percent or more of our gross or net interest income.

Segment Financial Information

For the Three Months Ended September 30, 2014

	Agribusiness	Strategic Relationships	Rural Infrastructure	Subtotal	Other	Total CoBank
Results of Operations ($ in Thousands):						
Net Interest Income	$ 140,597	$ 68,141	$ 92,559	$ 301,297	$ (2,084)	$ 299,213
Provision for Loan Losses/(Loan Loss Reversal)	12,000	-	(12,000)	-	-	-
Noninterest Income	24,100	(2,957)	11,007	32,150	740	32,890
Operating Expenses	41,988	8,488	21,024	71,500	(302)	71,198
Provision for Income Taxes	15,510	-	20,902	36,412	(203)	36,209
Net Income	$ 95,199	$ 56,696	$ 73,640	$ 225,535	$ (839)	$ 224,696

For the Three Months Ended September 30, 2013

	Agribusiness	Strategic Relationships	Rural Infrastructure	Subtotal	Other	Total CoBank
Results of Operations ($ in Thousands):						
Net Interest Income	$ 120,414	$ 72,929	$ 85,068	$ 278,411	$ (2,035)	$ 276,376
Provision for Loan Losses	-	-	-	-	-	-
Noninterest Income	27,482	288	13,033	40,803	(239)	40,564
Operating Expenses	38,953	8,726	20,931	68,610	823	69,433
Provision for Income Taxes	22,845	-	16,924	39,769	(328)	39,441
Net Income	$ 86,098	$ 64,491	$ 60,246	$ 210,835	$ (2,769)	$ 208,066

Segment Financial Information

For the Nine Months Ended September 30, 2014

	Agribusiness	Strategic Relationships	Rural Infrastructure	Subtotal	Other	Total CoBank
Results of Operations ($ in Thousands):						
Net Interest Income	$ 453,201	$ 205,500	$ 267,112	$ 925,813	$ (6,283)	$ 919,530
Provision for Loan Losses/(Loan Loss Reversal)	2,000	-	(27,000)	(25,000)	-	(25,000)
Noninterest Income	66,049	(537)	24,546	90,058	(127)	89,931
Operating Expenses	128,301	24,996	62,715	216,012	(476)	215,536
Provision for Income Taxes	75,600	-	55,528	131,128	(1,100)	130,028
Net Income	$ 313,349	$ 179,967	$ 200,415	$ 693,731	$ (4,834)	$ 688,897
Selected Financial Information at September 30, 2014 ($ in Millions):						
Loans	$ 21,788	$ 38,256	$ 15,594	$ 75,638	$ -	$ 75,638
Less: Allowance for Loan Losses	(271)	-	(136)	(407)	-	(407)
Net Loans	$ 21,517	$ 38,256	$ 15,458	$ 75,231	$ -	$ 75,231
Total Assets	$ 21,848	$ 38,391	$ 15,521	$ 75,760	$ 25,864 *	$ 101,624
*Other assets are comprised of:						
Investment Securities						$ 23,986
Other Assets						1,878

For the Nine Months Ended September 30, 2013

	Agribusiness	Strategic Relationships	Rural Infrastructure	Subtotal	Other	Total CoBank
Results of Operations ($ in Thousands):						
Net Interest Income	$ 413,165	$ 212,724	$ 255,530	$ 881,419	$ (5,966)	$ 875,453
Provision for Loan Losses	5,000	-	15,000	20,000	-	20,000
Noninterest Income	67,403	861	29,058	97,322	(351)	96,971
Operating Expenses	118,181	25,371	61,689	205,241	261	205,502
Provision for Income Taxes	76,587	-	42,771	119,358	(1,339)	118,019
Net Income	$ 280,800	$ 188,214	$ 165,128	$ 634,142	$ (5,239)	$ 628,903
Selected Financial Information at September 30, 2013 ($ in Millions):						
Loans	$ 18,893	$ 37,315	$ 14,170	$ 70,378	$ -	$ 70,378
Less: Allowance for Loan Losses	(275)	-	(175)	(450)	-	(450)
Net Loans	$ 18,618	$ 37,315	$ 13,995	$ 69,928	$ -	$ 69,928
Total Assets	$ 18,978	$ 37,451	$ 14,056	$ 70,485	$ 23,642 *	$ 94,127
*Other assets are comprised of:						
Investment Securities						$ 22,419
Other Assets						1,223

Note 11 – Subsequent Event

We have evaluated subsequent events through November 7, 2014, which is the date the financial statements were issued.

On October 1, 2014, we redeemed all of our outstanding Series D non-cumulative perpetual preferred stock totaling $136.8 million. We used cash on hand to effectuate this redemption. Funds to retire the Series D preferred stock were advanced on September 30, 2014. The dividend rate for our Series D preferred stock was 11.0 percent through the date of redemption.

Note 12 – Affiliated Associations and District Financial Information

CoBank is chartered by the FCA to serve the Associations that provide credit and financially related services to or for the benefit of eligible borrowers/shareholders for qualified purposes in specific geographic areas in the United States. The Associations are not authorized by the Farm Credit Act to participate in the issuance of Systemwide debt securities. Therefore, we are the primary funding source for our affiliated Associations. As of October 1, 2014, we have 26 affiliated Associations serving 23 states across the Northwest, West, Southwest, Rocky Mountains, Mid-Plains, and Northeast regions of the United States.

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.

The Farm Credit Act as well as FCA regulations require us to exercise limited supervision over the operating activities of our affiliated Associations. These Associations and CoBank operate under a debtor-creditor relationship evidenced by a General Financing Agreement (GFA) entered into separately with each Association. The GFA sets forth the business relationship between us and each Association and also references certain requirements contained in the Farm Credit Act and FCA regulations. The Associations' respective boards of directors are expected to establish and monitor the necessary policies and procedures to comply with all FCA regulations. In all other respects, the lending relationship with the Associations is substantially similar to that with our other borrowers.

Our affiliated Associations are considered customers and thus operate independently and maintain an arms-length relationship with us, except to the limited 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 our condensed consolidated financial statements.

Effective January 1, 2014, two Association mergers occurred in the CoBank District. The Federal Land Bank Association of Kingsburg, FLCA and Northern California Farm Credit, ACA, merged to form Golden State Farm Credit, ACA. Additionally, Farm Credit of Maine, ACA merged into Farm Credit East, ACA. Effective October 1, 2014, Farm Credit of Central Oklahoma, ACA, merged into Farm Credit of Western Oklahoma, ACA.

In May 2014 the boards of directors of Frontier Farm Credit (Frontier), one of CoBank's affiliated Associations, and Farm Credit Services of America (FCSAmerica), an Association affiliated with AgriBank, FCB, signed a letter of intent to form a strategic alliance. As part of the new alliance, Frontier and FCSAmerica will continue to exist as separate Associations while integrating their day-to-day business operations, technology systems and leadership teams. Each Association will continue to have its own board, with representatives participating in a coordinating committee to facilitate board governance between the two organizations. The target date for implementation of the alliance is January 1, 2015.

During the third quarter of 2014, one of our affiliated Associations noted a sudden significant increase in the level of delinquent loans affecting an identifiable portion of its retail lending portfolio. An in-depth investigation is currently being conducted regarding the cause of the unexpected increase including the potential for fraud, internal and/or external to that Association. The issue did result in an overstatement of that Association's net income, assets and stockholders' equity over several years and is the result of a material weakness in certain of that Association's internal controls. On October 10, 2014, the board of directors and management of that Association announced they had determined that the Association'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. The affiliated Association intends to publish restated financial reports for the above-mentioned periods as quickly as possible. The Association's management cannot at this time fully quantify the restatement amounts; however, its initial estimate of losses is $42 million and it has disclosed that losses are not expected to exceed 25 percent of its total members' equity. The Association has disclosed that its current estimates indicate that it will continue to be in compliance with all existing regulatory capital requirements in current and prior years.

We have downgraded our direct loan to that affiliated Association, which totaled $830.4 million as of September 30, 2014, to the 'Special Mention' credit quality classification. Our loans to affiliated Associations are collateralized by substantially all of the Association assets, and the earnings, capital and loan loss reserves of the Associations provide a buffer against losses in their retail portfolio. While the downgrade reflects credit deterioration in certain underlying retail loans held by that Association, as a result of the collateralization and other mitigating factors, CoBank has not made any provision for loan loss or recorded any allowance for credit loss related to our wholesale loan to that affiliated Association.

In previous quarterly and annual reports, CoBank has presented unaudited supplemental combined financial information for the District. As a result of the notice of non-reliance on the Association's financial information and the investigation described above, supplemental combined District financial information is not presented in this quarterly report. When the Association's investigation and restatement are completed, adjustments will be reflected in CoBank's supplemental combined District financial information. Based on the Association's current estimates, the related adjustments are not expected to be material to the District's current and historical supplemental combined financial information.

Controls and Procedures

CoBank, ACB

We maintain a system of disclosure controls and procedures. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information disclosed by us in our quarterly and annual reports is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions to be made regarding disclosure. The chief executive officer and the chief financial officer have evaluated our disclosure controls and procedures as of the end of the period covered by this quarterly report and have concluded that our disclosure controls and procedures are effective as of that date.

We also maintain a system of internal controls. The term "internal controls," as defined by the American Institute of Certified Public Accountants' Codification of Statement on Auditing Standards, AU-C Section 315, means a process - effected by the board of directors, management and other personnel - designed to provide reasonable assurance regarding the achievement of objectives in reliability of financial reporting, the effectiveness and efficiency of operations and compliance with applicable laws and regulations. We continually assess the adequacy of our internal control over financial reporting and enhance our controls in response to internal control assessments and internal and external audit and regulatory recommendations. There have been no significant changes in our internal controls or in other factors that could significantly affect such controls subsequent to the date we carried out our evaluations. In accordance with our internal control procedures, these financial statements were prepared under the oversight of the Audit Committee of our Board of Directors.

Certification Required by Farm Credit Administration Regulations

The undersigned have reviewed this quarterly report which has been prepared in accordance with all applicable statutory or regulatory requirements and certify that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Signed this 7th day of November, 2014.

/s/ EVERETT DOBRINSKI

Everett Dobrinski
Chairman of the Board

/s/ ROBERT B. ENGEL

Robert B. Engel
Chief Executive Officer

/s/ DAVID P. BURLAGE

David P. Burlage
Chief Financial Officer

CERTIFICATION

I, Robert B. Engel, Chief Executive Officer of CoBank, ACB (CoBank or the Bank), a federally chartered instrumentality under the Farm Credit Act of 1971, as amended, certify that:

(1) I have reviewed this quarterly report of CoBank;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of CoBank as of, and for, the periods presented in this report;

(4) CoBank's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for CoBank and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
c. evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d. disclosed in this report any change in the Bank's internal control over financial reporting that occurred during the Bank's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting; and

(5) CoBank's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's auditors and the audit committee of the Bank's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize, and report financial information; and
b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.

/s/ ROBERT B. ENGEL

Robert B. Engel
Chief Executive Officer

Dated: November 7, 2014

CERTIFICATION

I, David P. Burlage, Chief Financial Officer of CoBank, ACB (CoBank or the Bank), a federally chartered instrumentality under the Farm Credit Act of 1971, as amended, certify that:

(1) I have reviewed this quarterly report of CoBank;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of CoBank as of, and for, the periods presented in this report;

(4) CoBank's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for CoBank and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
c. evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d. disclosed in this report any change in the Bank's internal control over financial reporting that occurred during the Bank's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting; and

(5) CoBank's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's auditors and the audit committee of the Bank's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize, and report financial information; and
b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.

/s/ DAVID P. BURLAGE

David P. Burlage
Chief Financial Officer

Dated: November 7, 2014

Senior Management

CoBank, ACB

Robert B. Engel, Chief Executive Officer

Mary E. McBride, President
Thomas E. Halverson, Chief Banking Officer
Agribusiness
Amy H. Gales, Regional Agribusiness Banking Group*
Leili Ghazi, Agribusiness Division – West
Michael W. Hechtner, Agribusiness Division – Central
Lynn M. Scherler, Agribusiness Division – South
G. David Sparks, Agribusiness Division – East
Jonathan B. Logan, Corporate Agribusiness Banking Group
Karen S. Lowe, Agricultural Export Finance Division

Rural Infrastructure
Paul A. Narduzzo, Electric Distribution and Rural Water Banking Division
Todd E. Telesz, Power, Energy and Utilities Banking Division
Robert F. West, Communications Banking Division

Regulatory and Legislative Affairs
L. Todd VanHoose, Senior Vice President

Banking Services
Antony M. Bahr, Banking Services Group**
Michael A. Romanowski, Farm Credit Leasing Services Corporation***
Leonard G. Sahling, Knowledge Exchange Division

Daniel L. Key, Chief Credit Officer
S. Richard Dill, Special Assets Division

Arthur C. Hodges, Jr., Corporate Communications Division

Ann E. Trakimas, Chief Operating Officer
Finance
David P. Burlage, Chief Financial Officer
Timothy D. Steidle, Treasury Division
Michael R. Vestal, Controller Division

Information Technology
James R. Bernsten, Chief Information Officer

Legal
M. Mashenka Lundberg, General Counsel
Christian J. Clayton, Legal and Loan Processing

Human Resources
Robert L. O'Toole, Senior Vice President

Operations
Stephen B. Secor, Senior Vice President

Lori L. O'Flaherty, Chief Risk Officer
Timothy A. Green, Asset Review Division
Katia V. Hoffer, Enterprise Risk Management Division
Andrew D. Jacob, Compliance
Steven W. Wittbecker, Internal Audit Division

John Svisco, Chief Business Process and Accountability Officer
Joseph M. Rogers, Non-Credit Services Division
Todd E. Wilson, Enterprise Solutions and Services Division

* The Strategic Relationships operating segment is included in the Regional Agribusiness Banking Group.
** The Banking Services Group includes the Bank's Capital Market Division.
*** Farm Credit Leasing Services Corporation is included in our Agribusiness operating segment.

Office Locations

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Washington, DC 20001
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FCL: (770) 618-3226

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Stockton, CA 95206
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Stockton, CA 95213
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(800) 876-3227
FCL: (860) 814-4049

Fargo Banking Center
4143 26th Avenue South, Suite 101
Fargo, ND 58104
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West Palm Beach, FL 33411
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1478 Stone Point Drive, Suite 450
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Spokane, WA 99220-2720
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229 South 3rd Street
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10 Hoe Chiang Road
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(65) 6534-5261

* *Farm Credit Leasing office only*
** *Farm Credit Leasing office within this CoBank location*

CoBank's 2014 Quarterly and Annual Reports to Shareholders are available free of charge on request by calling or visiting one of our banking center locations and through our website at www.cobank.com on approximately May 9, 2014, August 1, 2014, November 7, 2014, and March 2, 2015 (Annual Report).