2009 Quarterly Report
SEPTEMBER 30, 2009

Dear CoBank Customer-Owner:

We're pleased to report that CoBank recorded solid financial performance both for the third quarter and for the first nine months of 2009. Though credit quality in the bank's loan and lease portfolio remains an ongoing area of focus and concern, the bank continues to generate robust earnings and maintains strong levels of capital and liquidity. Despite the depth and prolonged impact of the ongoing global recession on the bank and our customers, CoBank is delivering on its value proposition and remains committed to serving as a stable and dependable source of credit to vital industries throughout rural America.

CoBank's net income for the third quarter was $116.8 million, compared to $140.9 million for the same period last year. Total earnings for the nine months ended September 30, 2009 were $432.8 million, a 4 percent decrease compared to the same period in 2008. The decrease in third-quarter net income was attributable primarily to a $25.0 million provision for credit losses, which brought the total provision for credit losses in the first nine months of the year to $55.0 million. No such provisions were recorded in the same periods during 2008; however, the bank did record a $55.0 million provision for credit losses in the fourth quarter of 2008. We also recorded a $15.0 million impairment on investment securities during the third quarter of 2009, which is discussed in detail in the pages that follow. Growth in net interest income from improved net interest margins partially offset these factors.

Over the course of the last several quarters, credit quality has been declining as a result of stresses in a number of industries CoBank serves, particularly livestock, communications, ethanol and dairy. At quarter end, 96.0 percent of the bank's loan and lease portfolio was classified in the highest regulatory category used to grade creditworthiness, compared to 96.1 percent at June 30, 2009. Nonaccrual loans and leases increased to $442.5 million at September 30, 2009, compared to $336.8 million as of June 30, 2009, and $217.8 million at year-end. The bank's reserve for credit exposure now totals $486.3 million, or 2.1 percent of non-guaranteed loans and leases outstanding when loans to Farm Credit associations are excluded.

Total loans and leases for CoBank were $42.4 billion as of September 30, 2009, compared to $44.6 billion at year-end and $43.1 billion at September 30, 2008. Consistent with recent quarters, lower average lending to agribusiness customers was partially offset by increased loan volume in other areas of the business. Agribusiness lending has declined markedly in 2009 due to the substantial drop in prices for grains and farm inputs from 2008's exceptionally high levels. At the same time, the bank has seen growth in U.S. government-guaranteed loans that support American agricultural exports, in loans to energy customers, and in loans to and participations with affiliated associations and other partners across the Farm Credit System.

The bank's margins and net interest income have been enhanced by the steepened yield curve resulting from actions by the world's central banks to counter the global economic downturn. We have deliberately positioned our balance sheet to benefit from a yield-curve environment like the one we are in today, and that prudent approach has been an important contributor to our overall financial performance throughout 2009.

Capital and liquidity levels at the bank remain strong and well in excess of regulatory minimums. At quarter end, the bank held approximately $16.2 billion in cash and investments. The bank averaged 287 days of liquidity during the first nine months of the year, compared with the 90-day minimum established by the Farm Credit Administration, the bank's regulator. We have deliberately increased levels of liquidity over the past year as a result of the credit crisis and its impact on funding access and flexibility. However, overall debt issuance and market capacity have improved in recent months. If conditions continue to improve, we anticipate that we will manage our liquidity position closer to our target of 180 days.

It's important to note that actions CoBank has taken to preserve and enhance earnings capacity have helped to shield the bank over the past year from the negative impacts the recession has had on overall asset quality. Solid earnings serve not only as an important source of capital for the bank but as a valuable buffer against the higher levels of credit losses that can be expected in any economic downturn.

CoBank is fortunate to serve a diverse base of vital industries throughout rural America, and to derive real strength from that diversity. We look forward to continued service to our customers, and to maintaining the financial stability of the bank for the long term. We are proud of the financial results achieved so far this year and remain committed to standing by our customers in the face of the ongoing global economic crisis. We continue to believe that CoBank's value proposition – capacity, dependability, responsiveness, focus and ownership – is more compelling than ever for the customers we serve in vital industries across rural America.

As always, we are deeply grateful for the business of our customer-owners and the enormous trust they place in CoBank. We thank you for your ongoing support and look forward to reporting to you on our future progress.

Everett Dobrinski
Chairman of the Board

Robert B. Engel
President and Chief Executive Officer

November 9, 2009

Financial Highlights
CoBank, ACB

($ in Thousands)

	September 30, 2009 *(Unaudited)*	December 31, 2008
Total Loans and Leases	**$ 42,415,608**	$ 44,550,121
Less: Allowance for Credit Losses	**343,998**	329,198
Net Loans and Leases	**$ 42,071,610**	$ 44,220,923
Total Assets	**$ 60,186,105**	$ 61,162,057
Total Shareholders' Equity	**3,933,268**	3,594,849

For the Nine Months Ended September 30, *(Unaudited)*	2009	2008
Net Interest Income	**$ 716,045**	$ 671,923
Provision for Credit Losses	**55,000**	-
Net Fee Income	**59,668**	44,772
Net Income	**432,767**	448,826
Net Interest Margin	**1.67%**	1.55%
Return on Average Assets	**0.94**	1.02
Return on Average Common Shareholders' Equity	**16.68**	19.86
Return on Average Total Shareholders' Equity	**15.19**	17.80
Average Loans and Leases	**$ 45,016,333**	$ 46,130,147
Average Earning Assets	**57,352,618**	57,865,605
Average Assets	**61,701,304**	58,771,541

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

CoBank, ACB

Business Overview

CoBank, ACB (CoBank or the Bank) is an Agricultural Credit Bank and is one of the five banks of the Farm Credit System (System), a federally chartered network of borrower-owned lending institutions composed of cooperatives and related service organizations. We are cooperatively owned by our U.S. customers, who consist of agricultural cooperatives, rural energy, communications and water companies, farmer-owned financial institutions, including Agricultural Credit Associations (Associations), and other businesses that serve rural America. We provide a diversified range of financial solutions domestically and internationally to vital industries through four operating segments: Agribusiness Banking Group, Strategic Relationships Division, Communications and Energy Banking Group, and Global Financial Services Group.

The following discussion and analysis should be read in conjunction with the accompanying condensed consolidated quarterly financial statements and related notes and with our 2008 Annual Report to Shareholders.

Consolidated Results of Operations

CoBank continues to perform well despite challenging conditions in credit markets and the broader global economy. Net income was $432.8 million for the nine months ended September 30, 2009, a modest decrease from $448.8 million during the same period in 2008. Lower earnings primarily resulted from a $55.0 million provision for credit losses recorded in the 2009 period, resulting from a decline in credit quality, partially offset by higher net interest income. No provision for credit losses was recorded in the first nine months of 2008; however, the Bank did record a $55.0 million provision for credit losses in the fourth quarter of 2008. Net interest income increased $44.1 million in the 2009 period resulting from an improvement in our overall net interest margin.

Our net interest income increased to $716.0 million for the nine months ended September 30, 2009, compared to $671.9 million for the same period in 2008. The growth in net interest income primarily resulted from a corresponding increase in net interest margin, somewhat offset by a decrease in average loan and lease volume. Our net interest margin for the nine months ended September 30, 2009 increased to 1.67 percent from 1.55 percent during the same prior-year period. As a result of our asset/liability position, our net interest income benefited from a steepened yield curve resulting from actions taken by central banks to counter the impacts of the global credit crisis. Our net interest income and margin also improved due to increased lending spreads in response to evolving credit risk and market conditions. The benefit of the improvement in net interest margin was reduced somewhat by a shift in the mix and the aforementioned decline in the total amount of average loans and leases outstanding. These changes included a decrease in loans to agribusiness customers combined with an increase in U.S. government-guaranteed international loans and in loans to Associations. Guaranteed international loans and loans to Associations carry lower spreads, commensurate with their lower risk profile.

Average total assets increased to $61.7 billion for the first nine months of 2009 compared to $58.8 billion for the same period of 2008. This increase was largely due to higher levels of cash and investment securities held to enhance our liquidity position. Average loans and leases outstanding decreased to $45.0 billion for the first nine months of 2009 compared to $46.1 billion for the same period in 2008. This decrease is due to a significant reduction in loans to agribusiness customers, largely offset by higher levels of guaranteed international loans, growth in loans to Associations, and increased loans to energy customers. The significant decrease in average agribusiness loans is the direct result of the sharp decline in commodity prices, including grain and oilseed prices, and in the cost of agricultural inputs such as fuel and fertilizer. Such prices reached exceptionally high levels during the first eight months of 2008, but have decreased since that time due to a number of factors, including reduced demand resulting from the global recession. The global credit crisis helped drive growth in international lending, as the tightening of global credit markets led to customers increasing their utilization of the export loan guarantee General Sales Manager (GSM) program, where a significant portion of borrowings are guaranteed by the U.S. government. The availability of GSM program funding has also increased. Increased lending to Association customers primarily resulted from growth at our two largest affiliated Associations and increased participations in the direct loans of other System banks to certain of their affiliated Associations. Growth in our energy portfolio primarily resulted from increased financing requirements from our rural electric distribution and generation and transmission customers driven by lower levels of available credit in the broader debt capital markets as well as ongoing new customer marketing efforts, particularly in electric distribution.

In response to the expected decline in overall credit quality largely due to the global recession, we recorded a $55.0 million provision for credit losses in the first nine months of 2009, while no provision was recorded in the same period of 2008. Our credit quality has declined as the global recession and other factors have negatively impacted several customer sectors. Nonaccrual loans and leases increased to $442.5 million at September 30, 2009 from $217.8 million at December 31, 2008. This increase is primarily due to the challenges facing certain of our customers in the livestock, communications, ethanol and dairy industries, as well as the broader impact of the economic recession on our customers. Net charge-offs for the first nine months of 2009 were $52.2 million compared to net charge-offs of $6.7 million for the same period in 2008. The charge-offs in 2009 were primarily related to a limited number of our agribusiness and communications customers.

Noninterest income increased to $54.4 million for the nine months ended September 30, 2009, as compared to $45.6 million for the same period in 2008, and is composed primarily of net fee income, loan prepayment fee income and miscellaneous gains and losses, reduced by losses on early extinguishments of debt and impairment losses on investment securities. The increase in noninterest income resulted primarily from a $14.9 million increase in net fee income due to greater fees earned on our agribusiness and energy lending portfolios. In addition, losses on early extinguishments of debt exceeded prepayment income by $7.1 million in the 2008 period. These items were partially offset by a $9.0 million increase in impairment losses on investment securities, which is more fully discussed in "Liquidity and Investments" beginning on page 9. Other noninterest income also decreased by $4.2 million primarily due to lower customer derivative income and patronage income.

Noninterest expenses increased to $160.6 million for the nine months ended September 30, 2009, as compared to $151.8 million for the same period in 2008, and included a $4.6 million increase in statutory insurance fund premiums assessed by the Farm Credit System Insurance Corporation. The basis upon which statutory insurance fund premiums are determined changed effective July 1, 2008 and later increased on January 1, 2009, as described in our 2008 Annual Report. An increase in employee compensation of $3.2 million also contributed to increased noninterest expenses in the first nine months of 2009. The increase in employee compensation was largely due to increased staffing in the first nine months of 2009 as compared to the same prior-year period. Increased staffing relates to several factors, including growth in certain loan portfolios and the management of increased risks surrounding the decline in credit quality and commodity price volatility.

Our income tax expense increased to $122.1 million for the nine months ended September 30, 2009, as compared to $116.9 million for the same prior-year period. Our effective tax rate was 22.0 percent and 20.7 percent for the nine months ended September 30, 2009 and 2008, respectively. The increase in the effective tax rate primarily results from a modest decrease in the level of expected patronage distributions for 2009 as compared to 2008, due to lower patronage-based agribusiness loan volume. Patronage payments are deductible for income tax purposes.

Our annualized return on average common shareholders' equity decreased to 16.68 percent for the nine months ended September 30, 2009 from 19.86 percent for the same period in 2008. This decrease primarily resulted from lower earnings in 2009 and the issuance of $200 million of preferred stock in July 2008. Our annualized return on average assets decreased to 0.94 percent for the nine months ended September 30, 2009, as compared to 1.02 percent for the same period in 2008, due primarily to the $55.0 million provision for credit losses and higher levels of cash being held to enhance our liquidity during 2009.

For the three months ended September 30, 2009, net income decreased to $116.8 million from $140.9 million for the same prior-year period. The decrease is primarily due to a $25.0 million provision for credit losses and $15.0 million in impairment losses on investment securities in the 2009 period. No provisions for credit losses or investment impairment losses were recorded in the third quarter of 2008. Losses on early extinguishments of debt exceeded prepayment income by $9.7 million in the 2008 period due in part to an expected customer prepayment which occurred subsequent to September 30, 2008.

Operating Segment Financial Review

As an Agricultural Credit Bank, we provide domestic and international financial solutions to farmer-owned cooperatives; farmer-owned financial institutions; energy, communications and water customers; and other related businesses that serve rural America. We conduct our lending and leasing operations through four operating segments: Agribusiness Banking Group (ABG), Strategic Relationships Division (SRD), Communications and Energy Banking Group (CEBG) and Global Financial Services Group (GFSG). In the fourth quarter of 2009, we will re-align our operating segments in conjunction with changes in our management structure as described on page 13.

Loans and leases outstanding, net of allowance for credit losses, by operating segment at September 30, 2009 and 2008, are reported in Note 11 to the accompanying condensed consolidated financial statements. Net income by operating segment is summarized in the accompanying table and is more fully described in Note 11 to the accompanying condensed consolidated financial statements.

Net interest income on investment securities, federal funds sold, securities purchased under resale agreements and other highly-liquid funds is allocated to all segments, whereas underlying investment assets are not allocated.

Net Income by Operating Segment ($ in Thousands)

For the Nine Months Ended September 30,	2009	2008
Operating Segment:		
Agribusiness	$ **137,584**	$ 241,298
Strategic Relationships Division	**75,945**	48,629
Communications and Energy	**141,508**	113,983
Global Financial Services	**79,462**	52,127
Total Operating Segments	**434,499**	456,037
Corporate/Other	**(1,732)**	(7,211)
Total	$ **432,767**	$ 448,826

Agribusiness Banking Group (ABG)

ABG provides financial solutions to cooperatives and other businesses engaged in agricultural activities such as grain handling, farm supply, food processing, dairy, livestock/poultry, fruits, nuts, vegetables, cotton, biofuels and agricultural finance. ABG includes Farm Credit Leasing Services Corporation (FCL), which provides lease-related financial services to Association partners, agribusinesses, agricultural producers and rural utilities.

Average ABG loan and lease volume decreased significantly during the first nine months of 2009 to $10.7 billion from the $16.5 billion for the same period of 2008. This substantial decrease resulted from a significant decline in commodity prices, including prices for grains and oilseeds, and in the cost of agricultural inputs such as fuel and fertilizer. During the first eight months of 2008, such prices reached exceptionally high levels leading to a significant increase in the borrowing requirements of ABG customers during that period. Prices for agricultural commodities and inputs have since declined as a result of a number of factors, including reduced demand due to the global recession. Generally, higher prices for agricultural commodities and inputs lead to increased financing requirements for our customers, who borrow to finance inventory purchases and receivables.

ABG net income decreased 43 percent in the first nine months of 2009 to $137.6 million from $241.3 million for the same period in 2008. This decrease resulted from a $98.2 million decline in net interest income and a $42.0 million provision for credit losses recorded in the first nine months of 2009, partially offset by higher noninterest income of $9.3 million. Net interest income decreased due to the significant decline in average agribusiness loan volume, as described previously. The favorable impact of the steeper yield curve on the Bank's funding position and increased lending spreads somewhat offset the impact of lower volume. Credit quality declined in ABG's loan and lease portfolio, leading to a $42.0 million provision for credit losses for the first nine months of 2009. No provision for credit losses was recorded in the first nine months of 2008. ABG recorded net charge-offs of $27.5 million for the nine months ended September 30, 2009 compared to $0.9 million for the same period of 2008. Nonaccrual loans and leases increased to $187.9 million at September 30, 2009 from $82.4 million at December 31, 2008, largely due to credit concerns surrounding a limited number of ethanol and dairy customers. ABG's noninterest income increased $9.3 million primarily due to greater fee income resulting from higher levels of unused commitments. ABG's total operating expenses were relatively flat year over year as the impact of significantly lower average loan volume on insurance fund premiums was offset by increased employee compensation and general and administrative expenses.

Strategic Relationships Division (SRD)

SRD manages the direct funding relationships with our affiliated Association customer-owners (Northwest Farm Credit Services, First Pioneer Farm Credit, Farm Credit of Western New York, Yankee Farm Credit and Farm Credit of Maine), as well as funding relationships with other System institutions. As of September 30, 2009, the SRD portfolio included $11.3 billion in loans to our five affiliated Associations and $4.0 billion of participations in loans made by other System banks to certain of their affiliated Associations, including $3.4 billion in participations of loans made by the Farm Credit Bank of Texas.

Average SRD loans grew to $15.0 billion for the first nine months of 2009 compared to $13.3 billion during the same period of 2008. The increase in average loan volume primarily reflects loan growth at our two largest affiliated Associations and increased participations in loans made by other System banks to certain of their affiliated Associations. Credit challenges in certain of our customer sectors, including livestock, dairy, ethanol and timber, are also negatively affecting borrowers of our Association customers. However, the credit quality of our SRD portfolio remains good due to the diversification of the Association loan portfolios, our strong collateral position and the earnings, capital and reserves of the Associations that provide us a buffer from losses in their respective loan portfolios. Lower margins in SRD are commensurate with this lower risk profile and lower capital requirements.

SRD net income increased 56 percent to $75.9 million for the first nine months of 2009 from $48.6 million for the same prior-year period. Improved SRD earnings are primarily the result of stronger net interest income, which increased due to the benefit of the steeper yield curve on the Bank's funding position and the $1.7 billion increase in average loan volume described above. SRD's operating expenses increased $4.4 million for the nine months ended September 30, 2009 as compared to the same period of 2008 primarily due to the aforementioned change in the insurance fund premium assessment formula.

Communications and Energy Banking Group (CEBG)

CEBG provides financial solutions to companies in the energy, communications and water industries. Customers include rural electric generation and transmission cooperatives, electric distribution cooperatives, independent power producers, rural local exchange carriers, wireless providers, cable television systems, and water and wastewater companies.

Average CEBG loans increased to $11.2 billion for the first nine months of 2009 from $9.6 billion for the same period in 2008. Growth in CEBG's average loan volume primarily resulted from increased lending activity in the rural electric distribution and generation and transmission sectors driven by lower levels of available credit in the broader debt capital markets as well as ongoing new customer marketing efforts, particularly in the electric distribution sector.

While overall CEBG credit quality remains strong as a result of our focus on lending to our core rural utility sectors, nonaccrual loans increased to $103.4 million at September 30, 2009 from $24.7 million at December 31, 2008. CEBG recorded net charge-offs of $24.4 million for the nine months ended September 30, 2009 compared to net recoveries of $2.9 million for the same period of 2008. Increased nonaccruals and charge-offs relate to a limited number of our communications customers.

CEBG net income increased 24 percent to $141.5 million for the first nine months of 2009 from $114.0 million for the same period in 2008. Improved earnings primarily resulted from stronger net interest income, which increased $76.4 million due to the aforementioned benefit of a steeper yield curve on the Bank's funding position, a $1.6 billion increase in average loan volume and increased lending spreads. As a result of the credit challenges related to certain communications customers, CEBG recorded a $28.0 million provision for credit losses for the first nine months of 2009. No provision for credit losses was recorded in the same period of 2008. Noninterest income improved $1.6 million primarily as a result of growth in fee income. Operating expenses increased $11.1 million, resulting from increased statutory insurance fund premiums related to higher average loan volume, higher premium rates and the change in the insurance fund premium assessment formula as discussed previously, as well as increased employee compensation and other expenses.

Global Financial Services Group (GFSG)

GFSG includes our Corporate Finance Division portfolio, consisting of loans to large food and agribusiness customers, and our International Division's lending portfolio. GFSG's International Division provides tailored short-term and medium-term trade financing services to support the export of U.S. agricultural products. The GSM program provides guarantees for a significant portion of the International Division's portfolio, resulting in a lower overall margin that is reflective of this lower risk portfolio. GFSG also provides capital markets and cash management products and services to all our operating segments.

Average GFSG loans grew to $8.2 billion in the first nine months of 2009 from $6.7 billion for the same period of 2008 as a result of growth in the International Division portfolio, partially offset by lower Corporate Finance Division volume. International Division average loans increased to $4.3 billion in 2009 from $2.4 billion in 2008. Loans granted under the GSM program have increased due to greater usage and availability of the program. Such guaranteed loans represented 91 percent of International Division loans outstanding as of September 30, 2009 compared to 81 percent as of December 31, 2008. Our Corporate Finance Division portfolio average balances decreased to $3.9 billion for the nine months ended September 30, 2009 from $4.3 billion for the 2008 period largely due to the decline in commodity prices.

Nonaccrual loans increased to $151.2 million at September 30, 2009 from $110.7 million at December 31, 2008. The increase primarily relates to a Corporate Finance Division livestock customer. GFSG recorded net charge-offs of $0.2 million for the nine months ended September 30, 2009 compared to $8.6 million for the same period of 2008.

GFSG net income increased 52 percent to $79.5 million for the first nine months of 2009, compared to $52.1 million for the same period in 2008. The increase is primarily due to a $35.1 million increase in net interest income resulting from the benefit of a steeper yield curve on the Bank's funding position as noted previously, increased lending spreads and the growth in average International Division loan volume. GFSG net income also increased as a result of a $15.0 million reversal of the allowance for credit losses for the nine months ended September 30, 2009, as compared to no provision for credit losses in the 2008 period. The reversal of the allowance for credit losses reflects decreased risk exposures in the GFSG portfolio notwithstanding the higher level of nonaccrual loans. GFSG's operating expenses increased $2.9 million as a result of the changes in insurance fund premiums discussed previously, as well as increased employee compensation and general and administrative costs.

Credit Quality, Liquidity, Capital Resources and Other

Credit Quality

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

Asset Quality Ratios

	September 30, 2009	December 31, 2008
Acceptable	**96.01%**	97.20%
Other Assets Especially Mentioned	**1.51**	1.24
Substandard	**2.33**	1.50
Doubtful	**0.15**	0.06
Loss	**-**	-
Total	**100.00%**	100.00%

As expected, our overall credit quality declined in the first nine months of 2009 as the global recession and other factors negatively impacted several customer sectors. As previously noted, nonaccrual loans and leases increased to $442.5 million at September 30, 2009 from $217.8 million at December 31, 2008. Credit quality remains a primary area of focus and concern as the recession continues to impact customers in a number of industries we serve, including livestock, ethanol, dairy, timber and communications.

We recorded a $55.0 million provision for credit losses for the nine months ended September 30, 2009, primarily as a result of challenges facing certain agribusiness and communications customers. Net charge-offs for the first nine months of 2009 totaled $52.2 million and were primarily associated with a limited number of our agribusiness and communications customers. While no provision was recorded in the first nine months of 2008, we did record a $55.0 million provision for credit losses in the fourth quarter of 2008. As a result of the $110.0 million in provisions for credit losses recorded over the past 12 months, net of the impact of charge-offs, our total reserve for credit exposure increased to $486.3 million at September 30, 2009. Our total reserve for credit exposure represents 1.15 percent of total loans and leases at September 30, 2009 compared to 1.09 percent at December 31, 2008 and 1.02 percent at September 30, 2008. At September 30, 2009, our reserve for credit exposure represents 2.08 percent of non-guaranteed loans and leases outstanding when loans to Associations are excluded.

Liquidity and Investments

Our liquidity management objectives are designed to meet maturing debt obligations, provide a reliable source of funding to borrowers, provide additional liquidity if market conditions deteriorate for a period of time, and fund our operations on a cost-effective basis. 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 agency market via the Federal Farm Credit Banks Funding Corporation. The global level of credit availability and investor demand for non-guaranteed debt securities issued by financial institutions has been reduced since the credit crisis began in 2008. Responses by the U.S. government, including actions to protect the housing government sponsored enterprises (GSEs), to capitalize and guarantee the liabilities of commercial banks, and purchase assets from commercial banks, have had the effect of increasing our funding costs. As a member of the Farm Credit System, a AAA-rated GSE, CoBank has continued to maintain adequate access to the debt-funding markets; however, funding costs for longer-term debt, while improving in recent months, remain volatile.

We have taken actions to enhance our liquidity during the credit crisis, including issuing longer-term debt and holding higher levels of liquid assets, including cash and U.S. Treasury securities. Our cash balance was $2.6 billion at September 30, 2009 and $3.1 billion at December 31, 2008, compared to $494.6 million at September 30, 2008. During the first nine months of 2009, we averaged 287 days liquidity, compared to the regulatory minimum of 90 days. At September 30, 2009, our liquidity was 300 days, compared to 257 days at December 31, 2008 and 289 days at September 30, 2008. Overall debt issuance and market capacity have improved in recent months. If conditions continue to improve, we anticipate that we will manage our liquidity position closer to our target of 180 days.

Investment securities, cash, federal funds sold, securities purchased under resale agreements and other highly-liquid funds are primarily held for the purpose of maintaining a liquidity reserve and managing short-term surplus funds. Investment securities increased to $13.6 billion at September 30, 2009 from $11.5 billion at December 31, 2008 as we increased our holdings of government-issued securities to enhance our liquidity and invest a portion of our cash reserves. The following table summarizes our investment securities and related unrealized gains/losses by asset class.

Investment Securities ($ in Millions)

	As of September 30, 2009			As of December 31, 2008		
	Amortized Cost	Fair Value	Unrealized Gains (Losses)	Amortized Cost	Fair Value	Unrealized Gains (Losses)
U.S. Treasury and Agency Debt	**$ 4,457**	**$ 4,482**	**$ 25**	$ 1,500	$ 1,541	$ 41
U.S. Agency Mortgage-Backed	**8,246**	**8,361**	**115**	8,908	8,868	(40)
Non-Agency Mortgage-Backed	**713**	**616**	**(97)**	961	812	(149)
Asset-Backed	**246**	**187**	**(59)**	338	316	(22)
	$ 13,662	**$ 13,646**	**$ (16)**	$ 11,707	$ 11,537	$ (170)

We do not intend to sell the securities in unrealized loss positions and it is not likely that we will be required to sell such securities, for regulatory, liquidity or other purposes, before a recovery of our cost basis occurs. Therefore, with the exception of three securities discussed below, we do not consider these investments to be other-than-temporarily impaired at September 30, 2009. We regularly perform impairment assessments of our investment securities based on evaluations of both current and future market and credit conditions. Subsequent changes in market or credit conditions could change these evaluations.

While we expect to recover the full value of investment securities, unrealized gains and losses are recorded in equity as a component of other comprehensive income (loss). We recorded unrealized gains of $157.1 million ($97.4 million net of tax) for the first nine months of 2009, compared to unrealized losses of $191.5 million ($118.8 million net of tax) for the same prior-year period. The unrealized gains in 2009 primarily relate to the impact of interest rate changes on the values of certain fixed-rate mortgage-backed securities more than offsetting unrealized losses on asset-backed securities (ABS) and certain non-agency mortgage-backed securities (Non-Agency). These unrealized losses relate to decreased liquidity and widened credit spreads. For the nine months ended September 30, 2009, we recorded impairment losses in earnings of $15.0 million ($9.3 million net of tax), of which $11.0 million related to two ABS and $4.0 million related to one Non-Agency security. The substantial majority of our ABS is composed of home equity ABS not issued or guaranteed by the U.S. government. These securities are supported by first- or second-lien mortgages with $227.6 million of them insured by bond insurance companies. As discussed in prior reports, the market value and future realization of the book value of such securities is largely dependent upon the ability of two bond insurance companies to fulfill their obligations, if required. These insurers have been under financial pressure over the past two years due to rising mortgage defaults and foreclosures. In the third quarter of 2009, we determined that we can no longer rely on one of these insurers to meet its contractual obligations related to our ABS, due to deterioration in its financial performance and capital levels. As a result, we recorded an $11.0 million impairment loss in earnings. Further significant deterioration in the financial condition of the other insurer would likely lead to a conclusion that we could no longer rely on this insurer to fulfill its contractual obligations to us, requiring us to record an impairment loss in earnings for our ABS that it insures. Continued deterioration of the U.S. economy and increasing levels of defaults and foreclosures on home mortgages may result in further downward adjustments to the fair value of our Non-Agency securities and ABS and the need to record impairment losses in earnings.

For the first nine months of 2008, we recorded a $6.0 million impairment loss ($3.7 million net of tax) related to one ABS. We sold this security in 2009 and recorded a gain on disposition of $0.9 million.

Farm Credit Administration (FCA) regulations require that mortgage- and asset-backed securities be AAA-rated by at least one major rating agency in order to be included as part of our liquidity reserve. The following table summarizes the securities which have been downgraded below AAA, including those that are rated AAA by one major rating agency but have been downgraded by another agency. Our non-AAA rated securities represent four percent of our total investment securities as of September 30, 2009. The ratings listed below are based on the highest rating received by at least one major rating agency.

Downgraded Investment Securities ($ in Millions)

As of September 30, 2009	Number of Positions	Face Value	Fair Value
Asset-Backed Securities			
AAA/Aaa	1	$ 7.9	$ 7.0
BBB/Baa	5	123.2	85.2
B	1	5.0	3.0
CCC/Caa	2	102.4	73.6
Non-Agency Securities			
AAA/Aaa	13	145.1	123.8
AA/Aa	1	2.4	1.9
BBB/Baa	1	20.9	19.1
BB/Ba	4	70.9	53.6
B	3	58.8	44.7
CCC/Caa	1	60.0	40.3
	32	$ 596.6	$ 452.2

We have received permission from our regulator to continue to hold securities no longer rated AAA by at least one major rating agency, with the exception of one security that is pending approval. We anticipate that we will receive approval to continue to hold this security.

Capital Resources

We are primarily capitalized by holders of our common and preferred stock, and by unallocated retained earnings. In March 2009, our voting shareholders approved changes to our bylaws to convert all previously existing classes of common equity, including participation certificates, into a single class of common equity – Class A common stock – and to afford voting rights to certain borrowers that are not organized as cooperatives. Class A shareholders that are directly eligible to borrow from CoBank, that borrow on a patronage basis and that are active borrowers have voting rights. The number of voting shareholders increased by approximately 27 percent as a result of these bylaw changes, which were effective April 1, 2009.

Capital Ratios

	Regulatory Minimums	September 30, 2009	December 31, 2008
Permanent Capital Ratio	7.0%	14.75%	14.75%
Total Surplus Ratio	7.0	14.49	14.61
Core Surplus Ratio*	3.5	7.83	7.98
Net Collateral Ratio	104.0**	107.97	107.75

At September 30, 2009, our permanent capital, total surplus, core surplus and net collateral ratios exceeded the regulatory minimums as noted in the following table. The components of these ratios are described in our 2008 Annual Report.

* Beginning January 1, 2008, core surplus includes a significant portion of common stock as a result of a favorable FCA determination granted in March 2008 on a temporary basis.

** 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 Series A preferred stock or subordinated debt outstanding.

Preferred Stock Exchange and Consent Solicitation

In August 2009, we exchanged $136.8 million of Series A cumulative perpetual preferred stock for Series D non-cumulative subordinated perpetual preferred stock. The exchange was completed to enhance the quality and durability of our capital. For regulatory capital purposes, our Series D preferred stock is included in permanent capital, total surplus and core surplus, whereas our Series A preferred stock is only included in permanent capital and total surplus. In connection with the exchange, holders of the Series A preferred stock voted to eliminate certain restrictions on our ability to make open market purchases, or exchanges, of the Series A preferred stock. The preferred stock exchange is more fully discussed in Note 8 to the accompanying condensed consolidated financial statements.

Interest Rate Risk Management

Interest rate risk is managed by adjusting the Bank's mix of interest-sensitive assets and liabilities through various interest rate risk management products, including interest rate swaps and other financial instruments (derivatives). Derivatives are recorded at fair value as assets or liabilities on the 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 $8.5 million and $4.5 million in the first nine months of 2009 and 2008, respectively. Changes in the fair value of derivatives recorded in other comprehensive income (loss) totaled a gain of $1.6 million ($1.0 million net of tax) and a loss of $2.1 million ($1.3 million net of tax) in the first nine months of 2009 and 2008, respectively.

Collateral Related to Derivatives

Our derivative contracts require the Bank or our counterparties to post cash or securities as collateral when the fair values of the derivatives move based on changes in interest rates. The collateral exchanged between parties is limited by contractual posting thresholds that vary by counterparty. As a result of these derivative contracts, we are exposed to liquidity risk when changes in interest rates require us to post collateral to our counterparties. As of September 30, 2009, our counterparties had posted $1.0 billion in cash and $75.8 million in securities as collateral with us. At September 30, 2009, a 200 basis point parallel increase in the USD LIBOR/swap curve would have required an outflow of $1.1 billion to our counterparties to collateralize the fair value position of our derivatives, which would reduce our net collateral ratio and our days liquidity; however, such measures would remain well within our management and regulatory limits.

Hedge Contract Terminations

During 2009, we terminated approximately $115.0 million in notional value of interest rate swaps for asset-liability management purposes. We received $7.2 million in proceeds as a result of the hedge contract terminations, which is reflected under operating activities in the accompanying condensed consolidated statement of cash flows for the nine months ended September 30, 2009. The proceeds will be amortized over the next four years as an offset to interest expense on the fixed-rate debt that was hedged by these contracts.

Principal Officer Departure, Appointments and Segment Restructure

On September 4, 2009, we announced that Brian Jackson, Executive Vice President and Chief Financial and Administrative Officer, will be leaving CoBank at the end of 2009. Mary McBride, formerly Executive Vice President and head of the Bank's Communications and Energy Banking Group, became Chief Operating Officer effective October 1, 2009 and, upon Mr. Jackson's departure, will assume full responsibility for finance, operations, information technology and corporate communications. Effective January 1, 2010, Ms. McBride will also assume responsibility for the human resources and administrative services functions.

In addition, Phil DiPofi assumed the newly created position of Chief Banking Officer effective October 1, 2009. Mr. DiPofi was formerly Executive Vice President and head of the Bank's Agribusiness Banking Group. In his new role, he will have responsibility for all of the Bank's operating segments.

The leadership disclosures on page 42 reflect the management structure in place as of September 30, 2009.

As a result of these and other organizational changes, beginning in the fourth quarter of 2009, CoBank's four operating segments will be re-aligned into three segments: Agribusiness, which will include the current ABG and GFSG segments; Strategic Relationships (no change); and Rural Infrastructure, the current CEBG segment.

Business Outlook

We are committed to continuing our strong financial and operating performance, fulfilling our mission to serve rural America's vital industries and being the preferred provider of financial solutions to our customers to enhance their business success.

Our continued success will be achieved by delivering on our value proposition, creating opportunities to partner with other System institutions, increasing market share in certain customer sectors, maintaining effective access to the agency debt capital markets, optimizing current lending authorities and pursuing various strategic alliances with other financial services organizations.

The events that have disrupted the global capital markets and the broader economy are expected to continue to impact our business in the following areas:

- The credit quality of our lending portfolio will likely continue to decline modestly as the overall global recession continues to impact our customers;
- Our non-agency mortgage-backed and asset-backed investment securities could experience losses due to increasing levels of defaults and foreclosures on home mortgages;
- Our asset-backed securities could also experience losses resulting from a further decline in the creditworthiness of bond insurers who insure certain of these investment securities; and
- Funding costs for longer-dated securities, while improving in recent months, remain volatile and our ability to issue such debt securities could be restricted.

In response to the conditions noted above, we have enhanced our capital and liquidity positions. We will continue to focus on our core customer segments and, where appropriate, adjust our pricing to reflect current credit risk and funding conditions. We will continue our enhanced credit analysis and monitoring activities, including the review of derivative counterparty credit risk. We will continue to closely monitor asset quality and emphasize effective enterprise-wide management of credit, interest rate, liquidity and operational risks. We will also continue to enhance our financial condition through prudent expense discipline and the retention of a portion of our earnings.

Despite the challenges described above, we believe CoBank continues to enjoy significant opportunities today across all the industries we serve. Under the guidance of our Board of Directors and through the focus of a proven executive management team, we look forward to continuing to deliver on our value proposition on behalf of our customers and to fulfilling our mission as a dependable and strategic source of credit and financial services to the nation's rural economy.

Forward-Looking Statements

Certain of the statements contained in this quarterly report that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. 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:

- Fluctuations in the agricultural, communications, energy and water, international, financing and leasing sectors;
- Weak U.S. and global economic conditions;
- Sovereign or regulatory actions;
- Macro-economic factors and political policies and developments in the U.S. and other countries in which we make loans;
- The level of interest rates;
- Changes in assumptions underlying the valuations of financial instruments;
- Changes in the bases for our estimates underlying the reserve for credit exposure;
- Economic conditions and credit performance of the loan and lease portfolios, portfolio growth and seasonal factors;
- Failure of our investment portfolio to perform as expected or deterioration in the credit quality of such investments, including the credit quality of insurers of such investments;
- The effect of banking and financial services reforms;
- Possible amendments to, and interpretations of, risk-based capital guidelines and reporting instructions;
- The resolution of legal proceedings and related matters;
- Weather-related, disease, and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- Environmental-related conditions or laws impacting our lending activities;
- Changes in the U.S. government's support of the agriculture industry;
- Actions taken by the U.S. Congress relative to Government Sponsored Enterprises;
- Actions taken by the U.S. government to manage the credit crisis and economic downturn;
- Actions taken by the Federal Reserve to manage the monetary policy of the U.S.;
- Nonperformance by counterparties to our derivative positions; and
- Our ability to successfully integrate and profitably operate 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,	
	2009	**2008**	**2009**	**2008**
Interest Income				
Loans and Leases	**$ 346,707**	$ 513,700	**$ 1,103,445**	$ 1,669,626
Investment Securities	**79,278**	115,383	**255,819**	338,248
Federal Funds Sold, Securities Purchased Under Resale Agreements and Other	**3**	4,506	**58**	11,582
Total Interest Income	**425,988**	633,589	**1,359,322**	2,019,456
Interest Expense	**202,880**	411,095	**643,277**	1,347,533
Net Interest Income	**223,108**	222,494	**716,045**	671,923
Provision for Credit Losses	**25,000**	-	**55,000**	-
Net Interest Income After Provision for Credit Losses	**198,108**	222,494	**661,045**	671,923
Noninterest Income / Expense				
Net Fee Income	**21,370**	16,634	**59,668**	44,772
Prepayment Income	**2,055**	3,754	**6,051**	17,106
Losses on Early Extinguishments of Debt	**(1,918)**	(13,455)	**(6,045)**	(24,227)
Other, Net	**2,510**	5,040	**9,764**	13,914
Total Other-Than-Temporary Impairment Losses	**(48,036)**	-	**(48,036)**	(6,000)
Portion of Loss Recognized in Other Comprehensive Loss	**33,036**	-	**33,036**	-
Net Other-Than-Temporary Impairment Losses Included in Earnings	**(15,000)**	-	**(15,000)**	(6,000)
Total Noninterest Income	**9,017**	11,973	**54,438**	45,565
Noninterest Expenses				
Employee Compensation	**25,950**	25,593	**75,688**	72,516
Insurance Fund Premium	**13,046**	12,852	**41,478**	36,886
Information Services	**4,476**	4,060	**11,308**	12,588
Occupancy and Equipment	**1,593**	1,936	**5,121**	5,287
Farm Credit System Related	**1,654**	1,440	**5,005**	4,311
Other	**7,929**	9,303	**22,005**	20,223
Total Noninterest Expenses	**54,648**	55,184	**160,605**	151,811
Income Before Income Taxes	**152,477**	179,283	**554,878**	565,677
Provision for Income Taxes	**35,704**	38,400	**122,111**	116,851
Net Income	**$ 116,773**	$ 140,883	**$ 432,767**	$ 448,826

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

Condensed Consolidated Balance Sheets

CoBank, ACB

($ in Thousands)

	September 30, 2009 *(Unaudited)*	December 31, 2008
Assets		
Total Loans and Leases	**$ 42,415,608**	$ 44,550,121
Less: Allowance for Credit Losses	**343,998**	329,198
Net Loans and Leases	**42,071,610**	44,220,923
Cash	**2,558,988**	3,127,204
Investment Securities	**13,646,443**	11,536,848
Federal Funds Sold, Securities Purchased Under Resale Agreements and Other	**5,000**	5,000
Interest Rate Swaps and Other Financial Instruments	**1,182,924**	1,674,753
Accrued Interest Receivable and Other Assets	**721,140**	597,329
Total Assets	**$ 60,186,105**	$ 61,162,057
Liabilities		
Bonds and Notes	**$ 53,715,207**	$ 55,365,422
Subordinated Debt	**1,000,000**	1,000,000
Interest Rate Swaps and Other Financial Instruments	**125,041**	140,948
Accrued Interest Payable and Other Liabilities	**1,270,321**	906,615
Reserve for Unfunded Commitments	**142,268**	154,223
Total Liabilities	**56,252,837**	57,567,208
Commitments and Contingencies (Note 9)		
Shareholders' Equity		
Preferred Stock (Note 8)	**700,000**	700,000
Common Stock (Note 8)	**1,457,940**	1,401,192
Unallocated Retained Earnings	**1,821,492**	1,638,596
Accumulated Other Comprehensive Loss	**(46,164)**	(144,939)
Total Shareholders' Equity	**3,933,268**	3,594,849
Total Liabilities and Shareholders' Equity	**$ 60,186,105**	$ 61,162,057

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,		2009		2008
Cash Flows Provided by Operating Activities				
Net Income	$	**432,767**	$	448,826
Adjustments to Reconcile Net Income to Net Cash				
Provided By Operating Activities:				
Provision for Credit Losses		**55,000**		-
Deferred Income Taxes		**78,225**		71,978
Depreciation and Amortization/Accretion, Net		**(6,552)**		12,341
Losses on Impairment of Investments Available for Sale		**15,000**		6,000
Increase in Accrued Interest Receivable and Other Assets		**(150,286)**		(100,282)
Decrease in Accrued Interest Payable and Other Liabilities		**(34,354)**		(7,139)
Net Gains on Interest Rate Swaps and Other Financial Instruments		**(8,426)**		(7,284)
Proceeds from Termination of Interest Rate Swaps		**7,222**		42,234
Other		**(1,265)**		(819)
Net Cash Provided by Operating Activities		**387,331**		465,855
Cash Flows Provided by (Used in) Investing Activities				
Net Decrease (Increase) in Loans and Leases		**2,077,164**		(2,629,912)
Net Increase in Investment Securities		**(1,604,057)**		(3,148,271)
Net Increase in Federal Funds Sold, Securities Purchased Under				
Resale Agreements and Other		**-**		492,400
Other		**-**		(15,500)
Net Cash Provided by (Used in) Investing Activities		**473,107**		(5,301,283)
Cash Flows (Used in) Provided by Financing Activities				
Net (Retirements) Issuance of Bonds and Notes		**(1,164,478)**		4,824,240
Net Issuance of Subordinated Debt		**-**		496,750
Net Retirements of Common Stock		**(7,430)**		(40,678)
Cash Patronage Distribution		**(209,565)**		(155,013)
Proceeds from Issuance of Preferred Stock, Net		**-**		197,560
Costs from Exchange of Preferred Stock		**(2,176)**		-
Preferred Stock Dividends		**(45,005)**		(33,215)
Net Cash (Used in) Provided by Financing Activities		**(1,428,654)**		5,289,644
Net (Decrease) Increase in Cash		**(568,216)**		454,216
Cash at Beginning of Period		**3,127,204**		40,415
Cash at End of Period	$	**2,558,988**	$	494,631
Supplemental Disclosures:				
Schedule of Noncash Investing and Financing Activities				
Net Change in Accrued Securities Purchases	$	**(364,984)**	$	-
Net Change in Unrealized Losses on Investment				
Securities, Before Taxes		**157,024**		(191,534)
Net Change in Unrealized Losses/Gains on Interest Rate				
Swaps and Other Financial Instruments, Before Taxes		**1,567**		(2,120)
Patronage in Common Stock		**64,178**		83,967

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,	**2009**	**2008**
Balance at Beginning of Period	**$ 3,594,849**	$ 3,233,424
Adjustments for the Adoption of a New Accounting Pronouncement (Note 2)	**-**	(609)
Balance at Beginning of Period, as Adjusted	**3,594,849**	3,232,815
Comprehensive Income:		
Net Income	**432,767**	448,826
Other Comprehensive Income, Net of Taxes:		
Net Change in Unrealized Losses on Investment Securities Not Other-Than-Temporarily Impaired	**130,391**	(118,751)
Other-Than-Temporarily Impaired Investment Securities	**(33,036)**	-
Net Change in Unrealized Losses/Gains on Interest Rate Swaps and Other Financial Instruments	**972**	(1,314)
Net Pension Adjustment	**448**	(2)
Comprehensive Income	**531,542**	328,759
Preferred Stock Issued	**-**	200,000
Preferred Stock Issuance/Exchange Costs	**(2,176)**	(2,440)
Preferred Stock Dividends	**(45,005)**	(33,215)
Common Stock Issued	**96**	80
Common Stock Retired	**(7,526)**	(40,758)
Cash Patronage	**(138,512)**	(158,671)
Balance at End of Period	**$ 3,933,268**	$ 3,526,570

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

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 subsidiary, 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. 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. Our results of operations for the nine months ended September 30, 2009 are not necessarily indicative of results to be expected for the entire fiscal year.

The accompanying condensed consolidated financial statements exclude financial information of Northwest Farm Credit Services, ACA (Northwest) as well as the System Associations in the Northeastern region of the United States (Northeast Associations), which are collectively referred to as our affiliated Associations. CoBank and our affiliated Associations are collectively referred to as the "District." The supplemental information on pages 37 and 38 includes certain combined financial information of our affiliated Associations and the District.

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, which can also be accessed through links on our CoBank website under "Farm Credit Partners."

These unaudited quarterly condensed consolidated financial statements should be read in conjunction with the 2008 Annual Report, which includes a description of our organization and lending authority. Also included in the 2008 Annual Report is a summary of significant accounting policies as well as the financial condition and consolidated results of operations as of and for the year ended December 31, 2008. These unaudited quarterly condensed consolidated financial statements have been prepared in accordance with these same accounting policies. Certain reclassifications have been made to amounts reported in the prior period to conform to the current period presentation.

Note 2 – Recently Issued or Adopted Accounting Pronouncements

On July 1, 2009, the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) became the single source of authoritative U.S. generally accepted accounting principles for all nongovernmental entities. We adopted the Codification in the third quarter of 2009. The adoption did not have an effect on our consolidated financial position, results of operations or cash flows.

As previously disclosed in our 2008 Annual Report, effective January 1, 2008, we adopted the change in measurement date required by the FASB for defined benefit pension and other postretirement benefits. As a result, pension and postretirement benefit expense measured for the three-month period October 1, 2007 to December 31, 2007 (determined using the September 30, 2007 measurement date) of $1.0 million ($0.6 million net of tax) was recorded in retained earnings at January 1, 2008, which decreased other assets by $0.1 million and increased other liabilities by $0.5 million.

Note 3 – Allowance for Credit Losses and Reserve for Unfunded Commitments

The following is a summary of changes in the allowance for credit losses and the reserve for unfunded commitments (together, the "Reserve for Credit Exposure") for the periods presented.

Reserve for Credit Exposure

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Allowance for Credit Losses, Beginning of Period	**$ 356,265**	$ 438,490	**$ 329,198**	$ 447,226
Provision for Credit Losses	**25,000**	-	**55,000**	-
Charge-offs	**(21,809)**	(92)	**(55,847)**	(13,073)
Recoveries	**1,841**	2,131	**3,692**	6,376
Transfer from (to) Reserve for Unfunded Commitments	**(17,299)**	-	**11,955**	-
Allowance for Credit Losses, End of Period	**343,998**	440,529	**343,998**	440,529
Reserve for Unfunded Commitments, Beginning of Period	**124,969**	-	**154,223**	-
Transfer from (to) Allowance for Credit Losses	**17,299**	-	**(11,955)**	-
Reserve for Unfunded Commitments, End of Period	**142,268**	-	**142,268**	-
Total Reserve for Credit Exposure	**$ 486,266**	$ 440,529	**$ 486,266**	$ 440,529

Impaired loans and leases are those loans and leases for which it is probable that all principal and interest will not be collected according to the contractual terms. Impaired loan and lease information is shown in the following table, including loans and leases past due 90 days or more and still accruing interest, which are adequately secured and in the process of collection.

Impaired Loan and Lease Information

	September 30, 2009	December 31, 2008
Nonaccrual Loans and Leases	**$ 442,514**	$ 217,797
Accruing Loans and Leases 90 Days or More Past Due	**1,995**	3,844
Restructured Loans	**7**	160
Total Impaired Loans and Leases	**$ 444,516**	$ 221,801
Impaired Loans and Leases with Related Specific Allowance	**$ 240,475**	$ 92,735
Impaired Loans and Leases without Related Specific Allowance	**204,041**	129,066
Total Impaired Loans and Leases	**$ 444,516**	$ 221,801
Specific Allowance on Impaired Loans and Leases	**$ 64,213**	$ 25,337
Other Property Owned	**498**	3

Nonaccrual loans and leases at September 30, 2009 do not include $117.9 million in loans to foreign banks due to the existence of U.S. government guarantees on a significant portion of such loans. For the nine months ended September 30, 2009, we charged off the unguaranteed portion of these loans totaling $2.1 million, while the remaining $115.8 million of the loans were performing according to the contractual U.S. government guarantees and remained in accruing status.

For the Nine Months Ended September 30,	2009	2008
Average Impaired Loans and Leases	**$ 277,051**	$ 60,540
Interest Income Recognized on Impaired Loans and Leases	**458**	4,552

Reserve for Credit Exposure as a Percentage of:	September 30, 2009	December 31, 2008
Total Loans and Leases	**1.15%**	1.09%
Impaired Loans and Leases	**109%**	218%
Nonaccrual Loans and Leases	**110%**	222%

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, 2009	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and Agency Debt	**$ 4,457**	**$ 25**	**$ -**	**$ 4,482**
U.S. Agency Mortgage-Backed	**8,246**	**178**	**(63)**	**8,361**
Non-Agency Mortgage-Backed	**713**	**-**	**(97)**	**616**
Asset-Backed	**246**	**-**	**(59)**	**187**
Total	**$ 13,662**	**$ 203**	**$ (219)**	**$ 13,646**

December 31, 2008	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Agency Debt	$ 1,500	$ 41	$ -	$ 1,541
U.S. Agency Mortgage-Backed	8,908	92	(132)	8,868
Non-Agency Mortgage-Backed	961	-	(149)	812
Asset-Backed	338	3	(25)	316
Total	$ 11,707	$ 136	$ (306)	$ 11,537

A summary of the contractual maturity, amortized cost, fair value and weighted average yield of investment securities by type at September 30, 2009 is as follows:

U.S. Treasury and Agency Debt Securities ($ in Millions)

Contractual Maturity		Amortized Cost		Fair Value	Weighted Average Yield
In One Year or Less	$	2,200	$	2,200	0.13%
One to Five Years		1,757		1,762	0.60
Five to Ten Years		500		520	4.11
After Ten Years		-		-	-
Total	$	4,457	$	4,482	0.77

Mortgage-Backed Securities ($ in Millions)

Contractual Maturity		Amortized Cost		Fair Value	Weighted Average Yield
In One Year or Less	$	-	$	-	-%
One to Five Years		193		194	2.12
Five to Ten Years		867		880	2.96
After Ten Years		7,899		7,903	2.79
Total	$	8,959	$	8,977	2.79

Asset-Backed Securities ($ in Millions)

Contractual Maturity		Amortized Cost		Fair Value	Weighted Average Yield
In One Year or Less	$	-	$	-	-%
One to Five Years		8		8	4.22
Five to Ten Years		-		-	-
After Ten Years		238		179	4.39
Total	$	246	$	187	4.38

While the substantial majority of our mortgage-backed and asset-backed securities have contractual maturities in excess of ten years, expected maturities for these securities will differ from contractual maturities because borrowers have the right to call or prepay obligations with or without penalties. The expected weighted average life for our mortgage-backed securities and asset-backed securities was 2.9 years and 3.7 years, respectively, at September 30, 2009.

The following table shows 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, 2009. The unrealized losses, including those existing for longer than 12 months, are primarily due to widened credit spreads and decreased liquidity in the broader financial markets.

($ in Millions)	Less Than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and Agency Debt	$ -	$ -	$ -	$ -
U.S. Agency Mortgage-Backed	616	(6)	2,755	(57)
Non-Agency Mortgage-Backed	-	-	609	(97)
Asset-Backed	25	(10)	154	(49)
Total	$ 641	$ (16)	$ 3,518	$ (203)

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 January 1, 2009	$ 6.0
Initial Credit Impairments Recorded in Earnings	15.0
Subsequent Credit Impairments Recorded in Earnings	-
Sales of Investments with Credit Impairments	(6.0)
Balance at September 30, 2009	$ 15.0

In the third quarter of 2009, we recorded a $15.0 million other-than-temporary impairment loss in earnings related to two asset-backed securities and one non-agency mortgage-backed security. In July 2009, we sold one of our asset-backed securities that was previously determined to be other-than-temporarily impaired for proceeds of $3.4 million and recorded a gain on disposition of $0.9 million. A $6.0 million impairment loss had been recorded in the nine months ended September 30, 2008 related to this security.

As of September 30, 2009, with the exception of the $15.0 million in credit losses recorded in the third quarter of 2009, we expect to collect all principal and interest payments on our investment securities given the continued performance of these securities and the creditworthiness of certain bond insurers. We do not intend to sell these investments, and it is not likely that we will be required to sell them, for regulatory, liquidity or other purposes, before a recovery of our cost basis occurs.

Note 5 – 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 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 rate 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, lower funding costs and manage 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 approved counterparties.

The notional amounts and related activity of derivatives at September 30, 2009 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, 2008	$ 26,452	$ 1,911	$ 354	$ 28,717
Additions /Accretion	8,305	3	2,741	11,049
Maturities /Amortization	(4,138)	(299)	(2,868)	(7,305)
Terminations	(172)	-	-	(172)
September 30, 2009	$ 30,447	$ 1,615	$ 227	$ 32,289

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 income statement 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 periods in which earnings are impacted 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 approved 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 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, 2009, we expect that $1.1 million of expense will be reclassified from other comprehensive loss into the income statement 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 four years.

Derivatives Not Designated As Hedges

Derivative agreements with our customers and the related offsetting derivative agreements with approved 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 activities 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, the counterparty owes us, thus creating a performance risk. When the fair value of the derivative contract is negative, we owe the counterparty, and therefore assume no performance risk.

To minimize the risk of credit losses on derivative transactions, we deal exclusively with counterparties that have an investment grade or better credit rating from a major credit rating agency, and we closely monitor the credit standing and levels of exposure to individual counterparties. In addition, all derivative transactions are governed by master swap agreements, which include netting agreements. Our master agreements mitigate credit risk by 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. The credit risk is further mitigated by setting limits on the amount of net exposure to each respective counterparty, requiring collateral to support certain credit exposures, and establishing collateral posting thresholds. The master swap agreements also include bilateral collateral arrangements, while derivative agreements with our customers are secured through our loan agreements. We record derivative exposures and related cash collateral balances at gross amounts in our consolidated balance sheets. As of September 30, 2009, our counterparties had posted $1.0 billion in cash and $75.8 million in securities as collateral with us. The maximum amount of losses we could be exposed to in the event of nonperformance by the non-customer counterparties to our derivative positions, net of collateral held by us, was $76.4 million at September 30, 2009.

A summary of the fair value of our derivative financial instruments included in our consolidated balance sheet at September 30, 2009 is shown below.

Fair Value of Derivative Financial Instruments

		Fair Value of Derivative Assets (1)		Fair Value of Derivative Liabilities (2)
Derivatives Designated as Hedging Instruments				
Interest Rate Contracts	$	1,086,939	$	38,783
Foreign Exchange Contracts		793		949
Total Derivatives Designated as Hedging Instruments	$	1,087,732	$	39,732
Derivatives Not Designated as Hedging Instruments				
Interest Rate Contracts	$	93,655	$	84,015
Foreign Exchange Contracts		1,537		1,294
Total Derivatives Not Designated as Hedging Instruments	$	95,192	$	85,309
Total Derivatives	$	1,182,924	$	125,041

(1) These assets make up the "Interest Rate Swaps and Other Financial Instruments" assets in the accompanying condensed consolidated balance sheet as of September 30, 2009

(2) These liabilities make up the "Interest Rate Swaps and Other Financial Instruments" liabilities in the accompanying condensed consolidated balance sheet as of September 30, 2009

A summary of the effect of derivative financial instruments on our consolidated statement of income for the nine months ended September 30, 2009 is shown below.

Derivative Financial Instruments in Fair Value Hedging Relationships

	Net Amount of Gain or (Loss) Recognized in Income on Derivative and Hedged Item [1]
Interest Rate Contracts	$ 7,918
Total	$ 7,918

[1] Located in Interest Expense in the accompanying condensed consolidated statement of income for the nine months ended September 30, 2009

Derivative Financial Instruments in Cash Flow Hedging Relationships

	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)	Amount of Gain or (Loss) Reclassified from OCI to Income on Derivative (Effective Portion)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Assessment)
Interest Rate Contracts	$ 2,527	$ (480) [1]	$ -
Foreign Exchange Contracts	4,107	5,546 [2]	(715) [2]
Total	$ 6,634	$ 5,066	$ (715)

[1] Located in Interest Expense in the accompanying condensed consolidated statement of income for the nine months ended September 30, 2009

[2] Located in Interest Income – Loans and Leases in the accompanying condensed consolidated statement of income for the nine months ended September 30, 2009

Derivative Financial Instruments not Designated as Hedging Relationships

	Net Amount of Gain or (Loss) Recognized in Income On Derivative [1]
Interest Rate Contracts	$ 653
Foreign Exchange Contracts	(41)
Total	$ 612

[1] Located in Other Noninterest Income / Expense in the accompanying condensed consolidated statement of income for the nine months ended September 30, 2009

Note 6 – Fair Value Measurements

The fair values of financial instruments represent 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, 2009 consist of U.S. Treasury investments and assets held in a trust fund related to deferred compensation, our supplemental executive retirement plan and our executive retirement plan. 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 include our derivative contracts, collateral balances related to derivative contracts, investment securities issued or guaranteed by the U.S. government or its agencies excluding U.S. Treasury investments, non-agency mortgage backed securities, federal funds sold, securities purchased under resale agreements and other highly-liquid assets.

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 values are determined through internal market valuation models. These models incorporate benchmark interest rate curves, volatilities 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 the majority of our investment securities 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 mortgage- or asset-backed 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 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 fair value of federal funds sold, securities purchased under resale agreements and other highly-liquid assets is generally their face value, plus accrued interest, as these instruments are readily convertible to cash and short-term in nature.

Level 3

Level 3 inputs are unobservable and supported by limited or no market activity. Our Level 3 assets at September 30, 2009 include our asset-backed investment securities which are not issued or guaranteed by the U.S. government or its agencies. Based on the lack of active trading volume and an orderly market for asset-backed securities, we classified this portfolio as Level 3 assets. Market values for such asset-backed securities are calculated internally using third party models, with certain adjustments made in consideration of outside pricing service models. Inputs into these 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 observable market inputs. Also included in Level 3 assets are certain loans and leases originally measured at cost, which were written down to fair value as a result of impairment, and other property owned. 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. Our Level 3 liabilities at September 30, 2009 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.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the assets and liabilities that are measured at fair value on a recurring basis at September 30, 2009 for each of the fair value hierarchy levels.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

As of September 30, 2009 ($ in Millions)	Level 1	Level 2	Level 3	Total
Assets				
Investment Securities:				
U.S. Treasury Debt	$ 2,200	$ -	$ -	$ 2,200
U.S. Agency Debt	-	2,282	-	2,282
U.S. Agency Mortgage-Backed	-	8,361	-	8,361
Non-Agency Mortgage-Backed	-	616	-	616
Asset-Backed	-	-	187	187
Federal Funds Sold, Securities Purchased Under Resale Agreements and Other	-	5	-	5
Interest Rate Swaps and Other Financial Instruments	-	1,183	-	1,183
Assets Held in Trust (included in Other Assets)	30	-	-	30
Total Assets	$ 2,230	$ 12,447	$ 187	$ 14,864
Liabilities				
Interest Rate Swaps and Other Financial Instruments	$ -	$ 125	$ -	$ 125
Collateral Liabilities (included in Bonds and Notes)	-	1,049	-	1,049
Standby Letters of Credit (included in Other Liabilities)	-	-	9	9
Total Liabilities	$ -	$ 1,174	$ 9	$ 1,183

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)	Asset-Backed Investment Securities	Standby Letters of Credit
Balance at December 31, 2008	$ 316	$ 7
Total Gains or Losses (Realized/Unrealized):		
Included in Other Noninterest Expense	(11)	-
Included in Other Comprehensive Loss	(37)	-
Purchases, Sales, Issuances and Settlements, Net	(71)	2
Transfers Out of Level 3 into Level 2	(10)	-
Balance at September 30, 2009	$ 187	$ 9

Certain loans and leases originally measured at cost, which were written down to fair value as a result of impairment, are not included in the tables above. These primarily include impaired loans and leases for which we provide a specific allowance at September 30, 2009 based on the value of the underlying collateral. Additionally, other property owned is also excluded from the tables above and is valued based upon the fair value of collateral acquired. At September 30, 2009, we had $116.2 million in impaired loans and leases and $0.5 million of other property owned, which were measured at fair value on a non-recurring basis.

Estimated Fair Value of Financial Instruments

The following table presents the estimated fair values of financial instruments that are recorded in the consolidated balance sheets at cost, as well as certain off-balance sheet financial instruments, as of September 30, 2009 and December 31, 2008.

Estimated Fair Value of Financial Instruments

	September 30, 2009		December 31, 2008	
($ in Millions)	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial Assets:				
Net Loans and Leases	**$ 42,072**	**$ 42,799**	$ 44,221	$ 44,551
Financial Liabilities:				
Bonds and Notes	**$ 53,715**	**$ 54,587**	$ 55,365	$ 55,874
Subordinated Debt	**1,000**	**829**	1,000	787
Off-Balance Sheet Financial Instruments:				
Commitments to Extend Credit	**$ -**	**$ (68)**	$ -	$ (54)

Net Loans and Leases

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

Bonds and Notes

Bonds and notes are not all regularly traded in the secondary market and those that are traded may not have readily available quoted market prices. To the extent that quoted market prices are not readily available, the fair value of these instruments is estimated by discounting expected future cash flows based on the quoted market price of similar maturity U.S. Treasury notes, assuming a constant estimated yield spread relationship between Systemwide bonds and notes and comparable U.S. Treasury notes.

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 is estimated by applying a risk-adjusted spread percentage to these obligations.

Note 7– 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 have an employee savings plan pursuant to which we match a certain percentage of employees' elective contributions. Under this plan, employees hired on or after January 1, 2007 receive a fixed percentage of their eligible wages in their retirement account and a higher level of matching contributions than employees hired prior to that date. We also have a noncontributory, unfunded non-qualified supplemental executive retirement plan (SERP) that covers a limited number of our executives and senior managers, as well as an unfunded non-qualified executive retirement plan (ERP) designed to provide enhanced retirement benefits to certain of our most senior executives. In addition, we have other postretirement benefit plans that cover substantially all of our employees. These other postretirement benefit plans are unfunded contributory plans with participant contributions adjusted annually. Substantially all participants pay the full premiums associated with these plans.

We contributed $12.5 million to our funded qualified defined benefit pension plans during the nine months ended September 30, 2009 and anticipate that we will contribute approximately $10.3 million more to such plans during the remainder of 2009. We expect to contribute a total of $0.3 million, net of collected retiree premiums, to our other postretirement benefit plans during 2009. Also during 2009, we contributed $3.9 million into our trust funds related to our SERP and ERP. Given the continued volatility of financial markets, our actual contributions could change from the estimates provided above.

Note 8 – Shareholders' Equity

In August 2009, $136.8 million of our Series A cumulative perpetual preferred stock was exchanged for Series D non-cumulative subordinated perpetual preferred stock, representing 2.736 million shares at $50 per share outstanding. Upon completion of this transaction, $163.2 million of Series A preferred stock, representing 3.264 million shares at $50 per share, remained outstanding. In connection with the exchange, holders of the Series A preferred stock voted to eliminate certain restrictions on our ability to make open market purchases, or exchanges, of the Series A preferred stock. The exchange of the Series A preferred stock for new Series D preferred stock resulted in a higher core surplus ratio, thereby enhancing our capital position.

In March 2009, our voting shareholders approved changes to our bylaws to convert all existing classes of common equity into a single class of common equity – Class A common stock – and to afford voting rights to certain borrowers that are not organized as cooperatives. Class A shareholders that are directly eligible to borrow from CoBank, that borrow on a patronage basis and that are active borrowers have voting rights. The number of voting shareholders increased by approximately 27 percent as a result of these bylaw changes, which were effective April 1, 2009.

Note 9 – Commitments and Contingencies

At September 30, 2009, various lawsuits were pending or threatened against the Bank, in which claims for monetary damages have been or may be asserted. In the opinion of management, based on information currently available and taking into account the advice of legal counsel, the ultimate liability, if any, of pending or threatened legal actions will not have a material adverse impact on our consolidated results of operations or financial position.

Under the Farm Credit Act of 1971, as amended, CoBank is primarily liable for its portion of Systemwide debt securities. Additionally, we are contingently liable for the Systemwide debt securities of the other System banks. Total Systemwide debt securities of the System were $177.2 billion at September 30, 2009.

There are several mechanisms in place affecting exposure to statutory joint and several liabilities. These mechanisms include:

- The statutory requirement for System banks to maintain eligible assets at a level at least equal in value to the total amount of debt for which each System bank is primarily liable;
- The Farm Credit Insurance Fund, a statutorily created insurance fund to assist in the timely payment of principal and interest on Systemwide debt securities in the event of a default by a System bank to the extent that net assets are available in the insurance fund. At September 30, 2009, the assets of the insurance fund aggregated $3.2 billion; and
- Maintenance of certain financial criteria by agreements which, if not met, could limit or ultimately deny a troubled System bank's access to and participation in System debt issuances.

In order to encourage a minimum level of financial performance and to provide for mutual protection between the System banks with respect to the System debt obligations, the System banks have voluntarily entered into two integrated agreements—the Amended and Restated Contractual Interbank Performance Agreement, or CIPA, and the Amended and Restated Market Access Agreement, or MAA. Under provisions of the CIPA, a score (CIPA score) is calculated to measure the financial condition and performance of each district (System bank and its affiliated Associations) using various ratios that take into account the district's capital, asset quality, earnings, interest-rate risk and liquidity. The CIPA score is then compared against the agreed-upon standard of financial condition and performance that each district must achieve and maintain. The measurement standard established under the CIPA is intended to provide an early-warning mechanism to assist in monitoring the financial condition of each district.

The CIPA establishes economic incentives whereby monetary penalties are applied if the performance standard is not met. The performance standard under the CIPA is based on the average CIPA score over a four-quarter period. During the first nine months of 2009, no System bank was subject to any monetary penalties under the CIPA.

The MAA establishes performance criteria and procedures for the System banks that provide operational oversight and control over a bank's access to System funding. The performance criteria set forth in the MAA include defined CIPA scores as well as other financial criteria.

If a System bank fails to meet the performance criteria, it will be placed into one of three categories. Each category gives the other System banks progressively more control over a bank that has declining financial performance under the MAA performance criteria. A "Category I" bank is subject to additional monitoring and reporting requirements; a "Category II" bank's ability to participate in issuances of Systemwide debt securities may be limited to refinancing maturing debt obligations; and a "Category III" bank may not be permitted to participate in issuances of Systemwide debt securities.

Effective November 9, 2009, based on third quarter financial condition and results of operations, the Farm Credit Bank of Texas (FCBT) was placed into "Category I" as a result of its district falling below a defined CIPA score, which dropped principally as a result of increases in adversely classified assets, including nonperforming assets. Although the nonperforming assets of the FCBT district have increased over the last several quarters, as has been the case with most other financial institutions, the FCBT district and the FCBT both continued to achieve positive earnings and maintain relatively strong capital levels.

Under the MAA, once a System bank is placed in "Category I," a committee of representatives from the System banks and the Federal Farm Credit Banks Funding Corporation (Committee) is formed within seven days after receiving notice of non-compliance by a bank. Within 30 days of receiving a notice, the bank in "Category I" is required to provide to the Committee certain information, including (a) a detailed explanation of the causes of the bank being in "Category I," (b) an action plan to improve the bank's financial situation so that it is no longer in "Category I," (c) a timetable for achieving that result, and (d) certain financial information, such as a business plan and external auditor reports. In addition, periodic updates are provided to the Committee regarding certain bank financial information and credit quality indicators as well as certain regulatory information. No economic penalties are associated with being placed into "Category I."

A bank exits "Category I" by returning to compliance with each of the agreed-upon standards under the MAA. The FCBT is developing a plan to reduce its district's nonperforming assets and allow it to exit "Category I" and return to being in compliance with MAA.

Note 10 – Subsequent Events

We have evaluated subsequent events through November 9, 2009, which is the date the financial statements were issued.

Note 11 – Segment Financial Information

We conduct our lending and leasing operations through four operating segments: Agribusiness Banking Group (ABG), Strategic Relationships Division (SRD), Communications and Energy Banking Group (CEBG) and Global Financial Services Group (GFSG).

The accompanying tables present condensed disaggregated information for the segments. Allocation of resources and corporate items, as well as measurement of financial performance, is made at these operating segment levels. We also allocate net interest income on investment securities, federal funds sold, securities purchased under resale agreements and other highly-liquid funds to our segments. 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. Our international loans are U.S. dollar-denominated and the majority of these loans are guaranteed by a U.S. government-sponsored loan guarantee program.

For the nine months ended September 30, 2009 and 2008, interest earned from an affiliated Association, Northwest, represented ten percent and nine percent, respectively, of our gross interest income and less than ten percent of our net interest income for both periods. No other customer made up ten percent or more of our gross or net interest income for the periods presented.

Condensed Segment Financial Information

COBANK, ACB

For the Three Months Ended September 30, 2009

Results of Operations ($ in Thousands):	ABG	SRD	CEBG	GFSG	Subtotal	Other	Total CoBank
Net Interest Income	**$ 83,738**	**$ 22,478**	**$ 81,491**	**$ 36,223**	**$ 223,930**	**$ (822)**	**$ 223,108**
Provision (Reversal) for Credit Losses	**10,000**	**-**	**25,000**	**(10,000)**	**25,000**	**-**	**25,000**
Noninterest Income	**4,424**	**316**	**2,213**	**3,823**	**10,776**	**(1,759)**	**9,017**
Noninterest Expense	**23,738**	**4,824**	**18,325**	**10,331**	**57,218**	**(2,570)**	**54,648**
Provision for Income Taxes	**19,336**	**-**	**4,190**	**12,505**	**36,031**	**(327)**	**35,704**
Net Income	**$ 35,088**	**$ 17,970**	**$ 36,189**	**$ 27,210**	**$ 116,457**	**$ 316**	**$ 116,773**

For the Three Months Ended September 30, 2008

Results of Operations ($ in Thousands):	ABG	SRD	CEBG	GFSG	Subtotal	Other	Total CoBank
Net Interest Income	$ 115,247	$ 20,984	$ 59,228	$ 27,393	$ 222,852	$ (358)	$ 222,494
Provision for Credit Losses	-	-	-	-	-	-	-
Noninterest Income*	2,517	317	4,865	4,905	12,604	(631)	11,973
Noninterest Expense	24,785	3,737	13,585	9,769	51,876	3,308	55,184
Provision for Income Taxes	23,596	-	9,647	6,052	39,295	(895)	38,400
Net Income	$ 69,383	$ 17,564	$ 40,861	$ 16,477	$ 144,285	$ (3,402)	$ 140,883

* We have reclassified 2008 noninterest income amounts to conform to our current year presentation.

Condensed Segment Financial Information
CoBank, ACB

For the Nine Months Ended September 30, 2009

	ABG	SRD	CEBG	GFSG	Subtotal	Other	Total CoBank
Results of Operations ($ in Thousands):							
Net Interest Income	**$ 279,972**	**$ 88,652**	**$ 237,424**	**$ 112,088**	**$ 718,136**	**$ (2,091)**	**$ 716,045**
Provision (Reversal) for Credit Losses	**42,000**	**-**	**28,000**	**(15,000)**	**55,000**	**-**	**55,000**
Noninterest Income	**20,511**	**706**	**18,195**	**16,387**	**55,799**	**(1,361)**	**54,438**
Noninterest Expense	**70,046**	**13,413**	**48,893**	**29,408**	**161,760**	**(1,155)**	**160,605**
Provision for Income Taxes	**50,853**	**-**	**37,218**	**34,605**	**122,676**	**(565)**	**122,111**
Net Income	**$ 137,584**	**$ 75,945**	**$ 141,508**	**$ 79,462**	**$ 434,499**	**$ (1,732)**	**$ 432,767**
Selected Financial Information ($ in Millions):							
Loans and Leases, Net of Allowance for Credit Losses at September 30, 2009	**$ 8,243**	**$ 15,400**	**$ 11,299**	**$ 7,130**	**$ 42,072**	**$ -**	**$ 42,072**
Assets at September 30, 2009	**$ 8,352**	**$ 15,449**	**$ 11,361**	**$ 7,169**	**$ 42,331**	**$ 17,855***	**$ 60,186**

*Other assets are composed of:	
Investment Securities	**$ 13,646**
Federal Funds Sold, Securities Purchased Under Resale Agreements and Other	**5**
Other Assets	**4,204**

For the Nine Months Ended September 30, 2008

	ABG	SRD	CEBG	GFSG	Subtotal	Other	Total CoBank
Results of Operations ($ in Thousands):							
Net Interest Income	$ 378,140	$ 56,804	$ 160,994	$ 76,964	$ 672,902	$ (979)	$ 671,923
Provision for Credit Losses	-	-	-	-	-	-	-
Noninterest Income**	11,245	827	16,561	17,509	46,142	(577)	45,565
Noninterest Expense	70,964	9,002	37,838	26,526	144,330	7,481	151,811
Provision for Income Taxes	77,123	-	25,734	15,820	118,677	(1,826)	116,851
Net Income	$ 241,298	$ 48,629	$ 113,983	$ 52,127	$ 456,037	$ (7,211)	$ 448,826
Selected Financial Information ($ in Millions):							
Loans and Leases, Net of Allowance for Credit Losses at September 30, 2008	$ 10,410	$ 14,811	$ 10,462	$ 6,986	$ 42,669	$ -	$ 42,669
Assets at September 30, 2008	$ 10,564	$ 14,887	$ 10,533	$ 7,031	$ 43,015	$ 14,884*	$ 57,899

* Other assets are composed of:	
Investment Securities	$ 13,386
Federal Funds Sold, Securities Purchased Under Resale Agreements and Other	155
Other Assets	1,343

** We have reclassified 2008 noninterest income amounts to conform to our current year presentation.

Supplemental District Financial Information

CoBank, ACB and Affiliated Associations

Our affiliated Associations 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 affiliated Associations. Accordingly, the financial information of affiliated Associations is not included in our consolidated financial statements. However, because of the interdependent manner in which CoBank and its affiliated Associations operate, we believe that presenting combined Bank and Association financial information is meaningful for purposes of additional analysis.

The following condensed Combining Balance Sheets and Combining Statements of Income, together with ratios and other financial information, present condensed combined financial information of CoBank and its affiliated Associations, which are collectively referred to as the District. As part of the combining process, all significant transactions between CoBank and its affiliated Associations, including loans made by the Bank to the affiliated Associations and the interest income/interest expense related thereto, and investments of the affiliated Associations in the Bank and the earnings related thereto, have been eliminated.

Combining Balance Sheets (Condensed)

($ in Millions) (Unaudited)

As of September 30, 2009	CoBank	Combined Affiliated Associations	Eliminations	Combined CoBank District
Investments, Federal Funds Sold, Securities Purchased Under Resale Agreements and Other	**$ 13,651**	**$ -**	**$ -**	**$ 13,651**
Loans and Leases	**42,416**	**12,957**	**(11,315)**	**44,058**
Less: Allowance for Credit Losses	**(344)**	**(148)**	**-**	**(492)**
Net Loans and Leases	**42,072**	**12,809**	**(11,315)**	**43,566**
Other Assets	**4,463**	**720**	**(538)**	**4,645**
Total Assets	**$ 60,186**	**$ 13,529**	**$ (11,853)**	**$ 61,862**
Bonds and Notes	**$ 54,715**	**$ 11,404**	**$ (11,362)**	**$ 54,757**
Reserve for Unfunded Commitments	**142**	**7**	**-**	**149**
Other Liabilities	**1,396**	**105**	**(62)**	**1,439**
Total Liabilities	**56,253**	**11,516**	**(11,424)**	**56,345**
Total Shareholders' Equity	**3,933**	**2,013**	**(429)**	**5,517**
Total Liabilities and Shareholders' Equity	**$ 60,186**	**$ 13,529**	**$ (11,853)**	**$ 61,862**

As of December 31, 2008				
Investments, Federal Funds Sold, Securities Purchased Under Resale Agreements and Other	$ 11,542	$ -	$ -	$ 11,542
Loans and Leases	44,550	12,401	(10,879)	46,072
Less: Allowance for Credit Losses	(329)	(89)	-	(418)
Net Loans and Leases	44,221	12,312	(10,879)	45,654
Other Assets	5,399	754	(565)	5,588
Total Assets	$ 61,162	$ 13,066	$ (11,444)	$ 62,784
Bonds and Notes	$ 56,365	$ 11,015	$ (10,944)	$ 56,436
Reserve for Unfunded Commitments	154	7	-	161
Other Liabilities	1,048	132	(72)	1,108
Total Liabilities	57,567	11,154	(11,016)	57,705
Total Shareholders' Equity	3,595	1,912	(428)	5,079
Total Liabilities and Shareholders' Equity	$ 61,162	$ 13,066	$ (11,444)	$ 62,784

Supplemental District Financial Information
CoBank, ACB and Affiliated Associations

Combining Statements of Income (Condensed)
($ in Millions) (Unaudited)

For the Nine Months Ended September 30,	CoBank	Combined Affiliated Associations	Eliminations	Combined CoBank District
2009				
Net Interest Income	**$ 716**	**$ 275**	**$ -**	**$ 991**
Provision for Credit Losses	**55**	**85**	**-**	**140**
Noninterest Income	**55**	**80**	**(46)**	**89**
Noninterest Expense	**161**	**134**	**-**	**295**
Provision for Income Taxes	**122**	**(4)**	**-**	**118**
Net Income	**$ 433**	**$ 140**	**$ (46)**	**$ 527**
2008				
Net Interest Income	$ 672	$ 229	$ -	$ 901
Provision for Credit Losses	-	11	-	11
Noninterest Income	45	71	(40)	76
Noninterest Expense	151	118	-	269
Provision for Income Taxes	117	4	-	121
Net Income	$ 449	$ 167	$ (40)	$ 576

Key Financial Ratios – Combined CoBank District
(Unaudited)

For the Nine Months Ended September 30,	2009	2008
Return on Average Assets	**1.11**%	1.27%
Return on Average Capital	**13.13**	15.78
Net Interest Margin	**2.24**	2.02
Operating Expense as a Percent of Net Interest Income and Noninterest Income	**27.21**	27.55
Net Charge-offs as a Percent of Average Loans and Leases	**0.22**	0.03

	September 30, 2009	December 31, 2008
Capital as a Percent of Total Assets	**8.92**%	8.09%
Risk Funds as a Percent of Loans and Leases	**13.98**	12.28
Reserve for Credit Exposure as a Percent of Loans and Leases	**1.46**	1.26
Debt to Capital (:1)	**10.21**	11.36

Asset Quality Ratios – Combined CoBank District
(Unaudited)

	September 30, 2009	December 31, 2008
Acceptable	**93.19**%	95.87%
Other Assets Especially Mentioned	**2.52**	1.80
Substandard	**4.04**	2.26
Doubtful	**0.25**	0.07
Loss	**-**	-
Total	**100.00**%	100.00%

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 President and Chief Executive Officer and the Chief Financial and Administrative Officer have evaluated our disclosure controls and procedures as of the end of and for 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 Section 319, 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 9th day of November, 2009.

/s/ EVERETT DOBRINSKI

Everett Dobrinski
Chairman of the Board

/s/ ROBERT B. ENGEL

Robert B. Engel
President and Chief Executive Officer

/s/ BRIAN P. JACKSON

Brian P. Jackson
Executive Vice President and Chief Financial and Administrative Officer

CERTIFICATION

I, Robert B. Engel, President and 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
President and Chief Executive Officer

Dated: November 9, 2009

CERTIFICATION

I, Brian P. Jackson, Executive Vice President and Chief Financial and Administrative 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/ BRIAN P. JACKSON

Brian P. Jackson
Executive Vice President and Chief Financial and Administrative Officer

Dated: November 9, 2009

Leadership
CoBank, ACB

Executive Office
Robert B. Engel, President and Chief Executive Officer
John Svisco, Human Resources Division

Corporate Services Group
Brian P. Jackson, Executive Vice President and Chief Financial and Administrative Officer
James R. Bernsten, Chief Information Officer
David P. Burlage, Finance Division
George P. Delaune, Administrative Services Division
Arthur C. Hodges, Jr., Corporate Communications Division
Todd E. Wilson, Operations Division

Legal, Government and Board Relations Group
Mark W. Yonkman, Executive Vice President and General Counsel
Allan S. Kantrowitz, Senior Vice President
Susan D. McPhillips, Deputy General Counsel
Andrew J. Romanow, Deputy General Counsel
L. Todd VanHoose, Legislative and Regulatory Affairs

Agribusiness Banking Group*
Philip S. DiPofi, Executive Vice President
Robert E. Egerton, Agribusiness Division – East
Amy H. Gales, Agribusiness Division – Central
Dean W. Moreau, Agribusiness Division – West
Russell D. Nelson, Farm Credit Leasing Services Corporation

Communications and Energy Banking Group
Mary E. McBride, Executive Vice President
Jennifer G. Goss, Electric Distribution Division
Aivars (Jake) Udris, Power Supply, Energy Services and Water Division
Robert F. West, Communications Division

Global Financial Services Group
John C. Holsey, Executive Vice President
Antony M. Bahr, Capital Markets Division
Manuel Fernandez-Quevedo, International Division
Candace A. Roper, Knowledge Exchange Division
Richard A. Scholz, Non-Credit Services Division
Scott S. Trauth, Corporate Finance Division

Credit and Risk Management Group
Douglas E. Wilhelm, Executive Vice President and Chief Credit and Risk Officer
Rodney A. Brown, Asset Review, Collateral and Compliance Division
Gary M. Fitzgerald, Internal Audit Division
Lori L. O'Flaherty, Credit Approval and Administration Division

* The Strategic Relationships Division is included within the Agribusiness Banking Group.

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P. O. Box 5110
Denver, CO 80217
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(800) 542-8072

Farm Credit Leasing Services Corporation
600 Highway 169 South, Suite 300
Minneapolis, MN 55426
(952) 417-7800
(800) 444-2929

Washington, DC Office
50 F Street, N.W., Suite 900
Washington, DC 20001
(202) 879-0846

U.S. Regional Offices

Ames Banking Center
2515 University Boulevard, Suite 104
Ames, IA 50010
(515) 292-8828

Atlanta Banking Center **
900 Circle 75 Parkway, Suite 1400
Atlanta, GA 30339-5946
(770) 618-3200
(800) 255-7429
FCL: (770) 618-3226

California Farm Credit Leasing Office *
2345 East Earhart Avenue
Stockton, CA 95206
P.O. Box 31990
Stockton, CA 95213
(209) 944-7478

Enfield Banking Center **
240B South Road
Enfield, CT 06082-4451
860-814-4043
(800) 876-3227
FCL: (860) 814-4049

Fargo Banking Center
Goldmark Office Park
1711 Gold Drive South, Suite 230
Fargo, ND 58103
(701) 277-5007
(866) 280-2892

Florida Farm Credit Leasing Office *
11903 Southern Boulevard, Suite 203
Royal Palm Beach, FL 33411
(561) 965-9001

Louisville Banking Center **
1601 UPS Drive, Suite 102
Louisville, KY 40223
(502) 423-5650
(800) 262-6599
FCL: (800) 942-3309

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5715 West 50th
Lubbock, TX 79414
P.O. Box 6770
Lubbock, TX 79493
(806) 785-3978

Maryland Farm Credit Leasing Office *
6546 MidAtlantic Lane
Salisbury, MD 21804
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Minneapolis Banking Center **
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146 Victory Lane
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(402) 492-2000
(800) 346-5717

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Mechanicsburg, PA 17050
(717) 620-2601

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Roseville, CA 95661
(916) 380-3524
(800) 457-0942
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Spokane Banking Center
1700 South Assembly Street,
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Spokane, WA 99224-2121
P.O. Box 2720
Spokane, WA 99220-2720
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(800) 378-5577

St. Louis Banking Center **
1650 Des Peres Road, Suite 120
St. Louis, MO 63131
(314) 835-4200
(800) 806-4144
FCL: (800) 853-5480

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(806) 352-6310

403 N. Sunset Strip, Highway 181
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(830) 583-0000

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245 North Waco, Suite 230
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Wichita, KS 67201-2940
(316) 290-2000
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FCL: (800) 322-6558

International Office

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Singapore 089315
(65) 6534-5261

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

CoBank's 2009 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 8, 2009, August 4, 2009, November 9, 2009, and March 1, 2010 (Annual Report).