Quarterly Report
September 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Mid-America, ACA (the parent) and Farm Credit Mid-America, FLCA and Farm Credit Mid-America, PCA (the subsidiaries). This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2013 (2013 Annual Report).

AgriBank, FCB's (AgriBank) financial condition and results of operations materially impact members' investment in Farm Credit Mid-America, ACA. To request free copies of the AgriBank and combined AgriBank and Affiliated Associations' financial reports or additional copies of our report, contact:

Farm Credit Mid-America, ACA
P.O. Box 34390
Louisville, KY 40232
(800) 444-FARM
www.e-farmcredit.com

AgriBank, FCB
30 East 7th Street, Suite 1600
St. Paul, MN 55101
(651) 282-8800
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FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2013 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

Grain prices are down significantly from last year at this time, but earnings have been very good for livestock, dairy and poultry. Much of the 2013 grain crop was sold in the first few months of this year while prices were higher. Generally grain customers have built strong working capital positions so we do not anticipate significant credit or loan performance challenges resulting from lower prices during this year. However, lower grain prices are expected to continue into next year and may eventually lead to stress for our grain farmers.

LOAN PORTFOLIO

Loan Portfolio

Loans were $18.2 billion at September 30, 2014, a $509.9 million increase from December 31, 2013. This increase was primarily driven by business activity in mortgage lending.

Portfolio Credit Quality

The credit quality of our portfolio has improved from December 31, 2013. Adversely classified loans decreased to 2.2% of the portfolio at September 30, 2014, from 2.4% of the portfolio at December 31, 2013. Adversely classified loans are loans we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

Risk Assets

The following table summarizes risk information (accruing loans include accrued interest receivable) (dollars in thousands):

As of:	**September 30 2014**	December 31 2013
Loans:		
Non-accrual	**$ 195,828**	$ 211,521
Accruing restructured	**13,768**	12,434
Accruing loans 90 days or more past due	**--**	--
Total risk loans	**209,596**	223,955
Other property owned	**9,661**	10,495
Total risk assets	**$ 219,257**	$ 234,450
Risk loans as a percentage of total loans	**1.1%**	1.3%
Non-accrual loans as a percentage of total loans	**1.1%**	1.2%
Total delinquencies as a percentage of total loans	**0.8%**	0.7%

Our risk assets have decreased from December 31, 2013 and remain at acceptable levels. Total risk loans as a percentage of total loans remains well within our established risk management guidelines.

Non-accrual volume has declined 7.4% through the first nine months of this year. The reduction was primarily due to restructuring distressed loans which enabled the customers to meet repayment terms on their debts. Nonaccrual loans remained at an acceptable level at September 30, 2014 and 62.2% of our nonaccrual loans were current

Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions.

The following table presents comparative allowance coverage of various loan categories:

Allowance as a percentage of:	**September 30 2014**	December 31 2013
Loans	**0.3%**	0.3%
Non-accrual loans	**24.6%**	22.1%
Total risk loans	**23.0%**	20.9%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at September 30, 2014.

RESULTS OF OPERATIONS

The following table presents profitability information (dollars in thousands):

For the nine months ended September 30	**2014**	2013
Net income	**$ 227,756**	$ 219,894
Return on average assets	**1.5%**	1.5%
Return on average members' equity	**8.9%**	9.4%

Changes in our return on average assets and return on average members' equity are directly related to the changes in income discussed in this section, changes in assets discussed in the Loan Portfolio section, and changes in capital discussed in the Funding, Liquidity, and Capital section.

The following table summarizes the changes in components of net income (in thousands):

For the nine months ended September 30	2014	2013	Increase (decrease) in net income
Net interest income	**$ 309,692**	$ 291,659	**$ 18,033**
Provision for loan losses	**(11,556)**	(448)	**(11,108)**
Patronage income	**44,478**	40,638	**3,840**
Other income, net	**18,844**	16,961	**1,883**
Operating expenses	**(124,075)**	(118,293)	**(5,782)**
Provision for income taxes	**(9,627)**	(10,623)	**996**
Net income	**$ 227,756**	$ 219,894	**$ 7,862**

Net Interest Income

Net interest income was $309.7 million for the nine months ended September 30, 2014. The following table quantifies changes in net interest income for the nine months ended September 30, 2014 compared to the same period in 2013 (in thousands):

	2014 vs 2013
Changes in volume	**$ 18,447**
Changes in interest rates	**(921)**
Changes in non-accrual income and other	**507**
Net change	**$ 18,033**

Provision for Loan Losses

In September 2013, conditions warranted a lower environmental factor applied to residential loans. This reduction lowered the amount of required allowance for loan losses, resulting in a reversal of provision expense. In 2014, this factor has remained unchanged and the resulting provision expense is primarily related to net charge offs on loans where specific reserves had not already been established.

Patronage Income

The change in patronage income was primarily related to increased patronage received from AgriBank due to a higher average balance on our note payable as well as a higher patronage rate compared to the prior year, partially offset by lower patronage income received on loans in the AgriBank Asset Pool Program due to a reduction in the average balance of loans in the program.

Other Income

The increase in other income was primarily related to increases in financially related services income, a reduction in losses on other property owned, and increases in operating lease income, but was partially offset by losses recognized on asset sales during the third quarter of 2014 and a decline in fee income.

Operating Expenses

When compared to September 30, 2013, operating expenses increased primarily due to increased Farm Credit System Insurance Corporation premiums, data processing and advertising expenses, partially offset by reduced salaries and benefits.

Provision for Income Taxes

The change in provision for income taxes was primarily related to increased income in our taxable entity compared to the prior year.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable matured on April 30, 2014 and was renewed for $19.1 billion with a maturity date of April 30, 2015. The note payable will be renegotiated at that time. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our market interest rate risk.

Cost of funds associated with our note payable includes a marginal cost of debt component, a spread component, which includes cost of servicing, cost of liquidity, bank profit, and, if applicable, a risk premium component. However, we were not subject to a risk premium at September 30, 2014 or December 31, 2013.

Total members' equity increased $227.8 million from December 31, 2013 primarily due to net income for the period.

Farm Credit Administration (FCA) regulations require us to maintain a permanent capital ratio of at least 7.0%, a total surplus ratio of at least 7.0%, and a core surplus ratio of at least 3.5%. Refer to Note 8 in our 2013 Annual Report for a more complete description of these ratios. As of September 30, 2014, the ratios were as follows:

- The permanent capital ratio was 16.7%.
- The total surplus ratio was 16.3%.
- The core surplus ratio was 16.3%.

The capital adequacy ratios are directly impacted by the changes in capital as more fully explained in this section and the changes in assets as discussed in the Loan Portfolio section.

RELATIONSHIP WITH AGRIBANK

We are required to invest in AgriBank capital stock as a condition of borrowing. On March 5, 2014, the AgriBank Board of Directors approved an amendment to the AgriBank capital plan which reduced the base required stock investment for all affiliated associations, including Farm Credit Mid-America, ACA from 2.5% to 2.25% effective March 31, 2014.

RELATIONSHIP WITH OTHER FARM CREDIT INSTITUTIONS

In September 2012 we launched a partnership with Farm Credit Leasing (FCL), a System entity specializing in leasing products and providing industry expertise. Leases are originated and serviced by FCL, and we purchase an interest in the cash flows of the transaction in the form of a loan participation. There was approximately $122.8 million and $43.7 million of lease volume outstanding from customers to FCL under this new initiative, of which we held $74.6 million and $22.5 million as of September 30, 2014 and December 31, 2013, respectively. This arrangement provides our members with a broader selection of product offerings and enhanced lease expertise. At December 31, 2013, we held $79.3 million of lease volume originated prior to September 2012 in our retail sales offices. On January 2, 2014, we sold this lease volume to FCL. We simultaneously purchased approximately a 69% interest in the cash flows of the leases sold in the form of a loan participation. As part of the transaction, we recognized a gain of $667 thousand.

ADDITIONAL REGULATORY INFORMATION

Effective June 18, 2014, the FCA Board adopted a final rule to remove all requirements related to advisory votes at Farm Credit institutions. This rule eliminates the requirement for advisory votes on CEO and/or senior officer compensation.

On June 12, 2014, the FCA Board approved a proposed rule to revise the requirements governing the eligibility of investments for System Banks and Associations. The stated objectives of the proposed rule are as follows:

- To strengthen the safety and soundness of System Banks and Associations,
- To ensure that System Banks hold sufficient liquidity to continue operations and pay maturing obligations in the event of market disruption,
- To enhance the ability of the System Banks to supply credit to agricultural and aquatic producers,
- To comply with the requirements of section 939A of the Dodd-Frank Act,
- To modernize the investment eligibility criteria for System Banks, and
- To revise the investment regulation for System Associations to improve their investment management practices so they are more resilient to risk.

The public comment period ended on October 23, 2014.

On May 8, 2014, the FCA Board approved a proposed rule to modify the regulatory capital requirements for System Banks and Associations. The stated objectives of the proposed rule are as follows:

- To modernize capital requirements while ensuring that institutions continue to hold sufficient regulatory capital to fulfill their mission as a government-sponsored enterprise,
- To ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted, but also to ensure that the rules recognize the cooperative structure and the organization of the System,
- To make System regulatory capital requirements more transparent, and
- To meet the requirements of section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The public comment period ends on January 2, 2015.

OTHER RELEVANT INFORMATION

AgriBank and certain affiliated Associations are the forming limited partners for a $154.5 million Rural Business Investment Company (RBIC) established on October 3, 2014. The RBIC will facilitate private equity investments in agriculture-related businesses that will create growth and job opportunities in rural America. The total commitment in the District is $90.0 million over five years, of which our commitment is $20.0 million. On November 6, 2014, the first capital drawdown occurred, which required an initial investment of $3.4 million by entities in the District, of which our investment was $757 thousand.

CERTIFICATION

The undersigned certify they have reviewed Farm Credit Mid-America, ACA's September 30, 2014 Quarterly Report. It has been prepared under the oversight of the audit committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

D. Kevin Cox
Chair of the Board
Farm Credit Mid-America, ACA

William L. Johnson
Chief Executive Officer
Farm Credit Mid-America, ACA

Paul Bruce
Chief Financial Officer
Farm Credit Mid-America, ACA

November 7, 2014

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

As of:		September 30 2014		December 31 2013
ASSETS				
Loans	**$**	**18,179,689**	$	17,669,775
Allowance for loan losses		**48,126**		46,810
Net loans		**18,131,563**		17,622,965
Investment in AgriBank, FCB		**404,244**		448,181
Investment securities		**1,076,559**		1,227,018
Accrued interest receivable		**172,386**		132,836
Premises and equipment, net		**81,973**		69,760
Other earning assets		**--**		74,048
Other property owned		**9,661**		10,495
Assets held for lease, net		**352,619**		398,005
Other assets		**42,182**		49,067
Total assets	**$**	**20,271,187**	$	20,032,375
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**16,501,892**	$	16,479,097
Accrued interest payable		**80,095**		78,645
Deferred tax liabilities, net		**96,283**		115,774
Other liabilities		**51,656**		45,422
Total liabilities		**16,729,926**		16,718,938
Contingencies and commitments		**--**		--
MEMBERS' EQUITY				
Capital stock and participation certificates		**85,761**		85,693
Unallocated surplus		**3,455,500**		3,227,744
Total members' equity		**3,541,261**		3,313,437
Total liabilities and members' equity	**$**	**20,271,187**	$	20,032,375

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

CONSOLIDATED STATEMENTS OF INCOME

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
For the period ended September 30	**2014**	2013	**2014**	2013
Interest income	**$ 184,425**	$ 176,909	**$ 545,186**	$ 522,521
Interest expense	**80,144**	77,801	**235,494**	230,862
Net interest income	**104,281**	99,108	**309,692**	291,659
Provision for (reversal of) loan losses	**2,907**	(5,270)	**11,556**	448
Net interest income after provision for (reversal of) loan losses	**101,374**	104,378	**298,136**	291,211
Other income				
Patronage income	**14,733**	13,340	**44,478**	40,638
Financially related services income	**4,036**	3,617	**4,727**	4,183
Fee income	**1,985**	1,660	**4,897**	5,034
Operating lease income	**3,313**	2,726	**8,452**	7,946
Other property owned (loss) income, net	**(108)**	208	**(629)**	(1,159)
Miscellaneous income, net	**385**	119	**1,397**	957
Total other income	**24,344**	21,670	**63,322**	57,599
Operating expenses				
Salaries and employee benefits	**23,825**	24,978	**69,074**	71,130
Other operating expenses	**20,073**	16,231	**55,001**	47,163
Total operating expenses	**43,898**	41,209	**124,075**	118,293
Income before income taxes	**81,820**	84,839	**237,383**	230,517
Provision for income taxes	**3,042**	4,659	**9,627**	10,623
Net income	**$ 78,778**	$ 80,180	**$ 227,756**	$ 219,894

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2012	$ 84,541	$ 2,919,345	$ 3,003,886
Net income	--	219,894	219,894
Capital stock and participation certificates issued	5,142	--	5,142
Capital stock and participation certificates retired	(4,155)	--	(4,155)
Balance at September 30, 2013	$ 85,528	$ 3,139,239	$ 3,224,767
Balance at December 31, 2013	$ 85,693	$ 3,227,744	$ 3,313,437
Net income	**--**	**227,756**	**227,756**
Capital stock and participation certificates issued	**4,025**	**--**	**4,025**
Capital stock and participation certificates retired	**(3,957)**	**--**	**(3,957)**
Balance at September 30, 2014	**$ 85,761**	**$ 3,455,500**	**$ 3,541,261**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim consolidated financial condition and consolidated results of operations. While our accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and the prevailing practices within the financial services industry, this interim Quarterly Report is prepared based upon statutory and regulatory requirements and, accordingly, does not include all disclosures required by U.S. GAAP. The results of the nine months ended September 30, 2014 are not necessarily indicative of the results to be expected for the year ending December 31, 2014. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report for the year ended December 31, 2013 (2013 Annual Report).

The consolidated financial statements present the consolidated financial results of Farm Credit Mid-America, ACA (the parent) and Farm Credit Mid-America, FLCA and Farm Credit Mid-America, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued, but are not yet effective, and have determined that no such standards are expected to have a material impact to our consolidated financial statements.

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans consisted of the following (dollars in thousands):

As of:	**September 30, 2014**		December 31, 2013	
	Amount	%	Amount	%
Real estate mortgage	**$ 12,439,243**	**68.4%**	$ 12,077,663	68.3%
Production and intermediate term	**3,064,387**	**16.9%**	2,964,868	16.8%
Agribusiness	**1,211,891**	**6.7%**	1,113,251	6.3%
Rural residential real estate	**1,027,968**	**5.7%**	1,023,348	5.8%
Finance leases and other	**436,200**	**2.3%**	490,645	2.8%
Total	**$ 18,179,689**	**100.0%**	$ 17,669,775	100.0%

The other category is comprised of water and waste disposal, finance leases, communication, international, and energy related loans as well as loans originated under our mission related investment authority.

Delinquency

The following table provides an aging analysis of past due loans and related accrued interest receivable by loan type (in thousands):

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans
As of September 30, 2014					
Real estate mortgage	**$ 69,147**	**$ 29,265**	**$ 98,412**	**$ 12,455,994**	**$ 12,554,406**
Production and intermediate term	**11,086**	**10,085**	**21,171**	**3,084,924**	**3,106,095**
Agribusiness	**64**	**--**	**64**	**1,217,073**	**1,217,137**
Rural residential real estate	**14,353**	**6,954**	**21,307**	**1,009,373**	**1,030,680**
Finance leases and other	**65**	**--**	**65**	**436,746**	**436,811**
Total	**$ 94,715**	**$ 46,304**	**$ 141,019**	**$ 18,204,110**	**$ 18,345,129**
As of December 31, 2013					
Real estate mortgage	$ 45,229	$ 35,585	$ 80,814	$ 12,081,768	$ 12,162,582
Production and intermediate term	9,918	11,334	21,252	2,976,922	2,998,174
Agribusiness	144	37	181	1,117,820	1,118,001
Rural residential real estate	15,675	7,085	22,760	1,003,061	1,025,821
Other	--	223	223	490,825	491,048
Total	$ 70,966	$ 54,264	$ 125,230	$ 17,670,396	$ 17,795,626

There were no loans 90 days or more past due and still accruing interest at September 30, 2014 or December 31, 2013.

Risk Loans

The following table presents risk loan information (accruing loans include accrued interest receivable) (in thousands):

As of:	September 30 2014	December 31 2013
Volume with specific reserves	$ 18,626	$ 22,172
Volume without specific reserves	190,970	201,783
Total risk loans	$ 209,596	$ 223,955
Total specific reserves	$ 3,870	$ 4,931
For the nine months ended September 30	2014	2013
Income on accrual risk loans	$ 720	$ 600
Income on non-accrual loans	8,099	7,591
Total income on risk loans	$ 8,819	$ 8,191
Average risk loans	$ 224,211	$ 246,197

Troubled Debt Restructurings

In situations where, for economic or legal reasons related to the borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a troubled debt restructuring, also known as a restructured loan. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as troubled debt restructurings are considered risk loans. All risk loans are analyzed within our allowance for loan losses. We record a specific allowance to reduce the carrying amount of the restructured loan to the lower of book value or net realizable value of collateral.

The following table presents information regarding troubled debt restructurings that occurred during the nine months ended September 30 (in thousands):

	2014		2013	
	Pre-modification	Post-modification	Pre-modification	Post-modification
Real estate mortgage	$ 2,342	$ 2,927	$ 6,777	$ 7,423
Production and intermediate term	549	344	24,116	23,647
Agribusiness	--	--	277	278
Rural residential real estate	369	313	1,025	832
Total	$ 3,260	$ 3,584	$ 32,195	$ 32,180

Pre-modification represents the outstanding recorded investment of the loan just prior to restructuring and post-modification represents the outstanding recorded investment of the loan immediately following the restructuring. The recorded investment of the loan is the face amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off.

The following table presents troubled debt restructurings that defaulted during the nine months ended September 30 in which the modification date was within twelve months of the respective reporting period (in thousands):

	2014	2013
Real estate mortgage	$ 988	$ 814
Production and intermediate term	156	95
Rural residential real estate	179	428
Total	$ 1,323	$ 1,337

The following table presents information regarding troubled debt restructurings outstanding (in thousands):

As of:	September 30 2014	December 31 2013
Troubled debt restructurings in accrual status	$ 13,768	$ 12,434
Troubled debt restructurings in non-accrual status	22,715	24,569
Troubled debt restructurings	$ 36,483	$ 37,003

There were no additional commitments to lend to borrowers whose loans have been modified in a troubled debt restructuring at September 30, 2014.

Allowance for Loan Losses

A summary of changes in the allowance for loan losses follows (in thousands):

Nine months ended September 30		**2014**		2013
Balance at beginning of year	**$**	**46,810**	$	60,650
Provision for loan losses		**11,556**		448
Loan recoveries		**3,339**		3,125
Loan charge-offs		**(13,579)**		(16,647)
Balance at end of period	**$**	**48,126**	$	47,576

The balance of allowance for loan losses increased slightly from December 31, 2013 primarily due to an increase in our loan portfolio, as well as refinement of collateral values used to determine loss which required more allowance on certain short term loans.

NOTE 3: INVESTMENT IN AGRIBANK, FCB

Effective March 31, 2014, we were required by AgriBank to maintain an investment equal to 2.25% of the average quarterly balance of our note payable to AgriBank plus an additional 1.0% on growth that exceeded a targeted rate. Previously, the required investment was equal to 2.5%. There was no change in the required investment for growth exceeding the targeted rate.

The balance of our investment in AgriBank, all required stock, was $404.2 million at September 30, 2014 and $448.2 million at December 31, 2013.

NOTE 4: INVESTMENT SECURITIES AND OTHER EARNING ASSETS

We held investment securities of $1.1 billion million at September 30, 2014 and $1.2 billion at December 31, 2013. Our investment securities consisted of:

- securities containing loans guaranteed by the Small Business Administration,
- investment securities made up of Farm Service Agency securities, and
- securities issued by the United States Department of Agriculture.

Our investments are either mortgage-backed securities (MBS), which are generally longer-term investments, or asset-backed securities (ABS), which are generally shorter-term investments.

The investment securities have been classified as held-to-maturity. The investment portfolio is evaluated for other-than-temporary impairment. To date, we have not recognized any impairment on our investment portfolio.

The following table presents further information on investment securities (dollars in thousands):

	Weighted Average Yield		Amortized Cost		Unrealized Gains		Unrealized Losses		Fair Value
As of September 30, 2014									
MBS	**2.6%**	**$**	**966,352**	**$**	**5,969**	**$**	**15,692**	**$**	**956,629**
ABS	**2.7%**		**110,207**		**3,728**		**369**		**113,566**
Total	**2.6%**	**$**	**1,076,559**	**$**	**9,697**	**$**	**16,061**	**$**	**1,070,195**
As of December 31, 2013									
MBS	2.7%	$	1,086,943	$	7,498	$	19,671	$	1,074,770
ABS	2.4%		140,075		4,439		411		144,103
Total	2.6%	$	1,227,018	$	11,937	$	20,082	$	1,218,873

Investments have declined since December 31, 2013 due to greater repayments of existing securities than new purchases.

Investment income is recorded in “Interest income” in the Consolidated Statements of Income and totaled $21.9 million and $25.4 million for the nine months ended September 30, 2014 and 2013, respectively.

The following table presents contractual maturities of our investment securities (in thousands):

As of September 30, 2014		Amortized Cost
Less than one year	$	**1,023**
One to five years		**75,062**
Five to ten years		**171,550**
More than ten years		**828,924**
Total	$	**1,076,559**

Expected maturities differ from contractual maturities because borrowers may have the right to prepay obligations.

A summary of investments in an unrealized loss position presented by the length of time the investments have been in continuous unrealized loss position follows (in thousands):

	Less than 12 months				Greater than 12 months			
As of September 30, 2014		Fair Value		Unrealized Losses		Fair Value		Unrealized Losses
MBS	$	**78,889**	$	**3,651**	$	**619,826**	$	**12,041**
ABS		**6,228**		**125**		**12,476**		**244**
Total	$	**85,117**	$	**3,776**	$	**632,302**	$	**12,285**

Unrealized losses associated with investment securities are not considered to be other-than-temporary due to the 100% guarantee of the principal by the U.S. government. However, the premiums paid to purchase the investment are not guaranteed and are amortized over the weighted average maturity of each loan as a reduction of interest income. Repayment of principal is assessed at least quarterly, and any remaining unamortized premium is taken as a reduction to interest income if principal repayment is unlikely, or when a demand for payment is made for the guarantee. At September 30, 2014, the majority of the $16.1 million unrealized loss represents unamortized premium.

Other earning assets result from successor-in-interest contracts from our involvement with the federal government's tobacco buy-out program. We discontinued the purchase of additional contracts during 2011. The final payments were received in January 2014, and as of March 31, 2014, we no longer held any of these assets. The volume was $74.0 million at December 31, 2013.

NOTE 5: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have contingent liabilities and outstanding commitments, primarily commitments to extend credit, which may not be reflected in the accompanying consolidated financial statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in lawsuits or legal actions in the normal course of business. At the date of these consolidated financial statements, we were not aware of any such actions that would have a material impact on our financial condition. However, such actions could arise in the future.

NOTE 6: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. Refer to Notes 2 and 13 in our 2013 Annual Report for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at September 30, 2014 or December 31, 2013.

Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. Information on assets measured at fair value on a non-recurring basis follows (in thousands):

	As of September 30, 2014				**Nine months ended September 30, 2014**
	Fair Value Measurement Using			Total Fair	Total
	Level 1	Level 2	Level 3	Value	Losses
Loans	**$ --**	**$ 15,494**	**$ --**	**$ 15,494**	**$ (12,518)**
Other property owned	**--**	**--**	**10,047**	**10,047**	**(393)**

	As of December 31, 2013				Nine months ended September 30, 2013
	Fair Value Measurement Using			Total Fair	Total
	Level 1	Level 2	Level 3	Value	Losses
Loans	$ --	$ 18,104	$ --	$ 18,104	$ (14,405)
Other property owned	--	--	10,915	10,915	(795)

Valuation Techniques

Loans: Represents the carrying amount and related write-downs of loans which were evaluated for individual impairment based on the appraised value of the underlying collateral. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

Other property owned: Represents the fair value and related losses of foreclosed assets that were measured at fair value based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 7: SUBSEQUENT EVENTS

We have evaluated subsequent events through November 7, 2014, which is the date the consolidated financial statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.