Farm Credit of Western Oklahoma, ACA

Quarterly Report to Stockholders

March 31, 2015

The shareholders' investment in the Farm Credit of Western Oklahoma, ACA (Association) is materially affected by the financial condition and results of operations of CoBank, ACB, (CoBank). The 2014 CoBank Annual Report to Shareholders, and the CoBank quarterly shareholders' reports are available free of charge by accessing CoBank's website, www.cobank.com, or may be obtained at no charge by contacting the Association at 3302 Williams Avenue, Woodward, Oklahoma 73801 or calling 580-256-3465 or toll-free 1-800-299-3465.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollars in Thousands, Except as Noted)
(Unaudited)

The following discussion summarizes the financial position and results of operations of Farm Credit of Western Oklahoma, ACA for the three months ended March 31, 2015, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2014 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

Effective October 1, 2014, Farm Credit of Central Oklahoma, ACA was merged into Farm Credit of Western Oklahoma, ACA. The merger successfully united two outstanding organizations that created a company of greater capital, capacity, and human resources to serve agriculture in Oklahoma. The merged association continues to conduct business as Farm Credit of Western Oklahoma, ACA with headquarters located in Woodward, Oklahoma. John Grunewald is President and Chief Executive Officer of the continuing Association. For purposes of this management discussion and analysis, unless otherwise noted, reference to "the Association" represents Farm Credit of Western Oklahoma, ACA, from a current, historic and future perspective. Beginning October 1, 2014, our financial position, results of operations, cash flows and related metrics include the effects of the merger with Central Oklahoma. Prior year results have not been restated to reflect the impact of the merger. Upon the closing of the merger, loans increased $125.0 million, assets increased by $131.7 million, liabilities increased by $97.4 million and shareholder's equity increased by $34.2 million. These amounts include adjustments to fair value, as required by accounting standards for business combinations.

LOAN PORTFOLIO

Loans outstanding at March 31, 2015 totaled $668,529, a decrease of $2,822, or 0.42%, from loans of $671,351 at December 31, 2014.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2015 was $2,508, an increase of $1,163, or 86.53%, from the same period ended one year ago, primarily due to increased loan volume partially due to the merger in October 2014 with Farm Credit of Central Oklahoma.

Net interest income for the three months ended March 31, 2015 was $4,566, an increase of $1,405, or 44.45%, compared with March 31, 2014. Net interest income increased primarily as a result of increased loan volume.

The provision for loan losses for the three months ended March 31, 2015 was $159, as compared with a loan loss reversal of $72 for the same period ended one year ago. The provision for loan losses increased as a result of increased loan volume and increased risk in the portfolio.

Noninterest income increased $344 during the first three months of 2015 compared with the first three months in 2014 primarily due to increased mineral income and patronage from CoBank.

Mineral income of $240 was recognized during the first three months of 2015. Of this amount, quarterly payments totaling $209 were received from CoBank.

During the first three months of 2015, noninterest expense increased $355 to $2,833, primarily due to increased expenses associated with acquisition of 2 branch offices, offset partially by the timing of accrual for 2014 bonuses.

CAPITAL RESOURCES

Our shareholders' equity at March 31, 2015 was $130,602, an increase from $128,098 at December 31, 2014. This increase is primarily due to net income offset by stock reductions.

REGULATORY MATTERS

On May 8, 2014, the Farm Credit Administration approved a proposed rule to modify the regulatory capital requirements for System 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 government-sponsored enterprises;

- To ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted, but also to ensure that the rules recognize the cooperative structure and the organization of the System;
- To make System regulatory capital requirements more transparent; and
- To meet certain requirements of the Dodd-Frank Act.

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

The public comment period ended on February 16, 2015. While uncertainty exists as to the final form of the proposed rule, based on our preliminary assessment, we do not believe the new rule will impose any significant constraints on our business strategies or growth prospects.

OTHER MATTERS

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

Ronald White, Chairman of the Board	John Grunewald, President/CEO	Jamie Shirkey, Sr. V.P. - CFO
May 7, 2015	May 7, 2015	May 7, 2015

Consolidated Statement of Condition

(Dollars in Thousands)

		March 31 2015		December 31 2014
		UNAUDITED		AUDITED
ASSETS				
Loans	**$**	**668,529**	$	671,351
Less allowance for loan losses		**2,141**		2,249
Net loans		**666,388**		669,102
Cash		**3,299**		5,332
Accrued interest receivable		**10,402**		7,720
Investment in CoBank		**19,653**		19,653
Premises and equipment, net		**1,839**		1,797
Prepaid benefit expense		**268**		580
Other assets		**1,666**		3,235
Total assets	**$**	**703,515**	$	707,419
LIABILITIES				
Note payable to CoBank	**$**	**557,990**	$	566,065
Advance conditional payments		**9,947**		6,253
Accrued interest payable		**1,278**		2,341
Patronage distributions payable		**2,200**		2,200
Accrued benefits liability		**219**		220
Reserve for unfunded commitments		**263**		-
Other liabilities		**1,016**		2,242
Total liabilities		**572,913**		579,321
Commitments and Contingencies				
SHAREHOLDERS' EQUITY				
Capital stock		**1,962**		1,966
Additional paid-in capital		**33,619**		33,619
Unallocated retained earnings		**95,042**		92,535
Accumulated other comprehensive (loss)/income		**(21)**		(22)
Total shareholders' equity		**130,602**		128,098
Total liabilities and shareholders' equity	**$**	**703,515**	$	707,419

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

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

UNAUDITED	For the three months ended March 31 2015	2014
INTEREST INCOME		
Loans	**$ 7,167**	$ 4,946
Total interest income	**7,167**	4,946
INTEREST EXPENSE		
Note payable to CoBank	**2,581**	1,767
Other	**20**	18
Total interest expense	**2,601**	1,785
Net interest income	**4,566**	3,161
Provision for credit losses/(credit loss reversals)	**159**	(72)
Net interest income after provision for credit losses/credit loss reversals	**4,407**	3,233
NONINTEREST INCOME		
Financially related services income	**6**	4
Loan fees	**5**	2
Patronage refund from Farm Credit Institutions	**634**	435
Mineral income	**240**	109
Other noninterest income	**48**	39
Total noninterest income	**933**	589
NONINTEREST EXPENSE		
Salaries and employee benefits	**1,531**	1,488
Occupancy and equipment	**115**	85
Purchased services from AgVantis, Inc.	**300**	177
Farm Credit Insurance Fund premium	**171**	105
Merger-implementation costs	**2**	6
Supervisory and examination costs	**55**	40
Other noninterest expense	**659**	577
Total noninterest expense	**2,833**	2,478
Net income	**2,507**	1,344
OTHER COMPREHENSIVE INCOME		
Other comprehensive income	**1**	-
Comprehensive income	**$ 2,508**	$ 1,344

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

UNAUDITED	Capital Stock	Additional Paid-In Capital	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2013	$ 1,340	$ -	$ 87,838	$ -	$ 89,178
Comprehensive income			1,344	-	1,344
Stock issued	23				23
Stock retired	(35)				(35)
Balance at March 31, 2014	$ 1,328	$ -	$ 89,182	$ -	$ 90,510
Balance at December 31, 2014	$ 1,966	$ 33,619	$ 92,535	$ (22)	$ 128,098
Comprehensive income			2,507	1	2,508
Stock issued	44				44
Stock retired	(48)				(48)
Balance at March 31, 2015	**$ 1,962**	**$ 33,619**	**$ 95,042**	**$ (21)**	**$ 130,602**

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

NOTES TO FINANCIAL STATEMENTS
(Dollars in Thousands, Except as Noted)
(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Farm Credit of Western Oklahoma, ACA (the Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2014, are contained in the 2014 Annual Report to Shareholders. These unaudited first quarter 2015 financial statements should be read in conjunction with the 2014 Annual Report to Shareholders.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2014 as contained in the 2014 Annual Report to Shareholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2015. Descriptions of the significant accounting policies are included in the 2014 Annual Report to Shareholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

In August 2014, the Financial Accounting Standards Board (FASB) issued guidance entitled “Presentation of Financial Statements – Going Concern.” The guidance governs management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. This guidance requires management to perform interim and annual assessments of an entity’s ability to continue as a going concern within one year after the date the financial statements are issued or within one year after the financial statements are available to be issued, when applicable. Substantial doubt exists if it is probable that the entity will be unable to meet its obligations for the assessed period. This guidance becomes effective for interim and annual periods ending after December 15, 2016, and early application is permitted. Management will be required to make its initial assessment as of December 31, 2016.

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

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows.

	March 31, 2015	December 31, 2014
Real estate mortgage	**$ 432,847**	$ 426,293
Production and intermediate-term	**220,965**	230,334
Agribusiness:		
Loans to cooperatives	**3,414**	2,998
Processing and marketing	**4,911**	4,945
Farm-related business	**927**	1,271
Communication	**1,787**	1,830
Energy	**856**	858
Rural residential real estate	**2,822**	2,822
Total loans	**$ 668,529**	$ 671,351

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold during the quarter ended March 31, 2015:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 30,214	$ 13,381	$ 2,461	$ --	$ 32,675	$ 13,381
Production and intermediate-term	25,611	3,923	--	--	25,611	3,923
Agribusiness	7,035	--	--	--	7,035	--
Communication	1,865	--	--	--	1,865	--
Energy	892	--	--	--	892	--
Total	$ 65,617	$ 17,304	$ 2,461	$ --	$ 68,078	$ 17,304

The following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of:

	March 31, 2015	December 31, 2014
Real estate mortgage		
Acceptable	**98.94%**	99.29%
OAEM	**0.53%**	0.48%
Substandard	**0.53%**	0.23%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**96.53%**	99.13%
OAEM	**2.98%**	0.85%
Substandard	**0.49%**	0.02%
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**99.69%**	99.67%
OAEM	**0.31%**	0.33%
Total	**100.00%**	100.00%
Communication		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Energy		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Rural residential real estate		
Acceptable	**93.54%**	93.47%
OAEM	**6.46%**	6.53%
Total	**100.00%**	100.00%
Total Loans		
Acceptable	**98.14%**	99.22%
OAEM	**1.35%**	0.63%
Substandard	**0.51%**	0.15%
Total	**100.00%**	100.00%

High risk assets consist of impaired loans and other property owned. These nonperforming assets (including related accrued interest) and related credit quality are as follows:

(dollars in thousands)	**March 31, 2015**	December 31, 2014
Nonaccrual loans		
Real estate mortgage	**$ --**	$ 84
Total nonaccrual loans	**--**	84
Accruing restructured loans		
Real estate mortgage	**133**	51
Total accruing restructured loans	**133**	51
Total Impaired loans	**$ 133**	$ 135

Additional impaired loan information is as follows:

	March 31, 2015			December 31, 2014		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Total impaired loans:						
Real estate mortgage	**$ 133**	**$ 137**	**$ --**	$ 135	$ 150	$ --
Production and intermediate-term	**--**	**1,480**	**--**	--	1,480	--
Total	**$ 133**	**$ 1,617**	**$ --**	$ 135	$ 1,630	$ --

Note: The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment.

	For the Three Months Ended March 31, 2015		For the Three Months Ended March 31, 2014	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Total impaired loans:				
Real estate mortgage	**$ 145**	**$ 1**	$ --	$ --
Production and intermediate-term	**--**	**--**	1	--
Total	**$ 145**	**$ 1**	$ 1	$ --

The following tables provide an age analysis of past due loans (including accrued interest).

March 31, 2015	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	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 375	$ --	$ 375	$ 439,628	$ 440,003	$ --
Production and intermediate-term	163	--	163	224,005	224,168	--
Agribusiness	--	--	--	9,281	9,281	--
Communication	--	--	--	1,787	1,787	--
Energy	--	--	--	859	859	--
Rural residential real estate	--	--	--	2,833	2,833	--
Total	$ 538	$ --	$ 538	$ 678,393	$ 678,931	$ --

December 31, 2014	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	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 114	$ --	$ 114	$ 431,395	$ 431,509	$ --
Production and intermediate-term	--	--	--	232,783	232,783	--
Agribusiness	--	--	--	9,256	9,256	--
Communication	--	--	--	1,830	1,830	--
Energy	--	--	--	861	861	--
Rural residential real estate	--	--	--	2,832	2,832	--
Total	$ 114	$ --	$ 114	$ 678,957	$ 679,071	$ --

In 2015, the Association revised its' methodology for determining the allowance for credit losses. The new methodology takes into consideration potential losses related to unfunded commitments, and as a result, we have established a separate reserve for unfunded commitments, which is included in Liabilities on the Association's balance sheet. The related provision for the reserve for unfunded commitments is included as part of the provision for credit losses on the income statement, along with the provision for loan losses.

A summary of changes in the allowance for loan losses is as follows:

	Balance at December 31, 2014	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2015
Real estate mortgage	$ 167	$ --	$ --	$ (6)	$ 161
Production and intermediate-term	1,994	7	3	(34)	1,956
Agribusiness	84	--	--	(70)	14
Communication	1	--	--	--	1
Energy	2	--	--	6	8
Rural residential real estate	1	--	--	--	1
Total	$ 2,249	$ 7	$ 3	$ (104)	$ 2,141

	Balance at December 31, 2013	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2014
Real estate mortgage	$ 167	$ --	$ --	$ (17)	$ 150
Production and intermediate-term	2,026	8	6	(85)	1,939
Agribusiness	52	--	--	31	83
Rural residential real estate	2	--	--	(1)	1
Total	$ 2,247	$ 8	$ 6	$ (72)	$ 2,173

A summary of changes in the reserve for unfunded commitments follows:

	2015
Balance at December 31, 2014	$ --
Provision of unfunded commitments	263
Total	$ 263

	Allowance for Credit Losses Ending Balance at March 31, 2015		Recorded Investments in Loans Outstanding Ending Balance at March 31, 2015	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ --	$ 161	$ 133	$ 439,870
Production and intermediate-term	--	1,956	--	224,168
Agribusiness	--	14	--	9,281
Communication	--	1	--	1,787
Energy	--	8	--	859
Rural residential real estate	--	1	--	2,833
Total	$ --	$ 2,141	$ 133	$ 678,798

	Allowance for Credit Losses Ending Balance at December 31, 2014		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2014	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ --	$ 167	$ 151	$ 431,358
Production and intermediate-term	--	1,994	--	232,783
Agribusiness	--	84	--	9,256
Communication	--	1	--	1,830
Energy	--	2	--	861
Rural residential real estate	--	1	--	2,832
Total	$ --	$ 2,249	$ 151	$ 678,920

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. The Association recorded no TDRs during the three months ended March 31, 2015.

The Association had no TDRs within the previous 12 months for which there were subsequent payment defaults during the period.

There were no additional commitments to lend to borrowers whose loans have been modified in troubled debt restructuring at March 31, 2015.

The following table provides information on outstanding loans restructured in troubled debt restructurings at period end. These loans are included as impaired loans in the impaired loan table.

	Loans modified as TDRs		TDRs in Nonaccrual Status*	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Real estate mortgage	$ 133	$ 135	$ --	$ 84
Total	$ 133	$ 135	$ --	$ 84

* Represents the portion of loans modified as TDRs (first column) that are in nonaccrual status.

NOTE 3 - CAPITAL

The following tables present the activity in the accumulated other comprehensive loss, net of tax by component:

	Quarter Ended March 31	
	2015	2014
Pension and other benefit plans:		
Beginning balance	**$ (22)**	$ --
Other comprehensive income before reclassifications	**1**	--
Ending balance	**$ (21)**	$ --

The following table represents reclassifications out of accumulated other comprehensive income/(loss).

	Amount Reclassified from Accumulated Other Comprehensive Income/(Loss)		Location of Gain/Loss Recognized in Statement of Income
	March 31		
	2015	2014	
Pension and other benefit plans:			
Net actuarial loss	**1**	--	Salaries and employee benefits
Total reclassifications	**$ 1**	$ --	

NOTE 4 - FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2 to the 2014 Annual Report to Shareholders for a more complete description.

Assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurement Using			**Total Fair Value**
	Level 1	**Level 2**	**Level 3**	
Assets held in nonqualified benefits trusts				
March 31, 2015	**$ 107**	**$ —**	**$ —**	**$ 107**
December 31, 2014	$ 88	$ —	$ —	$ 88

During the first three months of 2015, the Association recorded no transfers in or out of Levels 1, 2, or 3.

The Association had liabilities measured at fair value on a recurring basis at March 31, 2015 or December 31, 2014. The Association had no assets or liabilities measured at fair value on a non-recurring basis at March 31, 2015 or December 31, 2014.

Valuation Techniques

As more fully discussed in Note 2 to the 2014 Annual Report to Shareholders, accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following presents a brief summary of the valuation techniques used by the Association for assets and liabilities, subject to fair value measurement.

Assets Held in Non-Qualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

NOTE 7 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 7, 2015 which is the date the financial statements were issued, and no material subsequent events were identified.