

*Quarterly Report to Stockholders*

*Farm Credit of  
Western Oklahoma, ACA  
Woodward, Oklahoma*

*September 30, 2009*



The shareholders' investment in the Farm Credit of Western Oklahoma, ACA (Association) is materially affected by the financial condition and results of operations of U.S. AgBank, FCB, (AgBank). The 2008 U.S. AgBank Annual Report to Shareholders, the 2008 U.S. AgBank District Annual Report to Shareholders, the U.S. AgBank quarterly shareholders' reports and the U.S. AgBank District quarterly shareholders' reports are available free of charge on AgBank's web site, [www.usagbank.com](http://www.usagbank.com), or may be obtained at no charge by visiting or contacting the Association at 3302 Williams Avenue, Woodward, Oklahoma 73801 or 580-256-3465 or toll-free at 1-800-299-3465, or may be obtained at no charge by contacting U.S. AgBank at 245 N. Waco, P.O. Box 2940, Wichita, Kansas 67201-2940, or calling 800-322-9880.

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

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

The following commentary summarizes the principal aspects of the financial position and results of operations of Farm Credit of Western Oklahoma, ACA for the nine months ended September 30, 2009, with comparisons to prior periods. You should read these comments with the accompanying financial statements and footnotes, along with other disclosures contained in this report and the 2008 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

### LOAN PORTFOLIO

Loans outstanding at September 30, 2009 totaled \$336,109, an increase of \$13,313, or 4.12%, from loans of \$322,796 at December 31, 2008.

### RESULTS OF OPERATIONS

Net interest income for the nine months ended September 30, 2009 was \$6,803, an increase of \$317, or 4.89%, from the same period ended one year ago. Interest income increased as a result of increased loan volume, the roll-off of the 1.9% machinery and equipment loans, and increased spreads.

Net income for the nine months ended September 30, 2009 was \$2,453, a decrease of \$2,788, or 53.17%, from the same period ended one year ago. This is primarily due to a provision for loan losses of \$399 versus a loan loss reversal in 2008 of \$1,854, decrease in patronage payment from AgBank in the amount of \$830 and an increase in noninterest expense of \$86, partially offset by an increase in related services income of \$64 and an increase in net interest income of \$317, discussed above.


During the first quarter of 2009, we were notified by AgBank that they have changed their patronage program whereby patronage will be paid annually, after the end of the year, to its members. Previously, AgBank paid patronage quarterly. As a result, our patronage earnings compared to the previous period will be reduced during 2009.


### CAPITAL RESOURCES

Our shareholders' equity at September 30, 2009 was \$68,570, an increase from \$66,074 at December 31, 2008. This increase is due to net income and the increase in borrower stock.

### 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.

  
John Grunewald, President/CEO  
October 29, 2009

  
Jamie Shirkey, VP-CFO  
October 29, 2009

  
Steve Semmel, Chairman of the Board  
October 29, 2009

**FARM CREDIT OF WESTERN OKLAHOMA**  
**CONSOLIDATED STATEMENT OF CONDITION**  
(Dollars in Thousands)

	September 30 2009	December 31 2008
	UNAUDITED	AUDITED
<b>ASSETS</b>		
Loans	\$ 336,109	\$ 322,796
Less allowance for loan losses	2,455	2,069
Net loans	333,654	320,727
Cash	1,709	5,635
Accrued interest receivable	7,074	4,596
Investment in U.S. AgBank, FCB	9,539	7,805
Premises and equipment, net	1,898	1,963
Prepaid benefit expense	587	630
Deferred tax asset	56	54
Other assets	222	203
<b>Total assets</b>	<b>\$ 354,739</b>	<b>\$ 341,613</b>
<b>LIABILITIES</b>		
Note payable to U.S. AgBank, FCB	\$ 279,839	\$ 265,083
Advance conditional payments	2,600	2,797
Accrued interest payable	2,850	4,705
Patronage distributions payable	-	2,000
Accrued benefits liability	165	179
Other liabilities	715	775
<b>Total liabilities</b>	<b>286,169</b>	<b>275,539</b>
<b>Commitments and contingencies</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Protected borrower stock	8	10
Capital stock	1,310	1,265
Unallocated retained earnings	67,252	64,799
<b>Total shareholders' equity</b>	<b>68,570</b>	<b>66,074</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 354,739</b>	<b>\$ 341,613</b>

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

**FARM CREDIT OF WESTERN OKLAHOMA**  
**CONSOLIDATED STATEMENT OF INCOME**  
(Dollars in Thousands)

	For the three months ended September 30		For the nine months ended September 30	
UNAUDITED	2009	2008	2009	2008
<b>INTEREST INCOME</b>				
Loans	\$ 4,391	\$ 4,967	\$ 12,998	\$ 13,517
<b>Total interest income</b>	<b>4,391</b>	<b>4,967</b>	<b>12,998</b>	<b>13,517</b>
<b>INTEREST EXPENSE</b>				
Note payable to U.S. AgBank, FCB	2,047	2,413	6,149	6,963
Other	14	25	46	68
<b>Total interest expense</b>	<b>2,061</b>	<b>2,438</b>	<b>6,195</b>	<b>7,031</b>
Net interest income	2,330	2,529	6,803	6,486
(Loan loss reversal)/Provision for loan losses	(214)	(207)	399	(1,854)
Net interest income after (loan loss reversal)/provision for loan losses	2,544	2,736	6,404	8,340
<b>NONINTEREST INCOME</b>				
Financially related services income	118	111	236	172
Loan fees	3	12	31	40
Patronage distribution from U.S. AgBank, FCB	6	307	146	976
Other noninterest income	9	18	79	70
<b>Total noninterest income</b>	<b>136</b>	<b>448</b>	<b>492</b>	<b>1,258</b>
<b>NONINTEREST EXPENSE</b>				
Salaries and employee benefits	708	849	2,366	2,136
Occupancy and equipment	91	103	253	303
Purchased services from AgVantis, Inc.	105	93	318	279
Farm Credit Insurance Fund premium	155	113	448	304
Supervisory and examination costs	25	23	74	69
Other noninterest expense	292	383	984	1,266
<b>Total noninterest expense</b>	<b>1,376</b>	<b>1,564</b>	<b>4,443</b>	<b>4,357</b>
Income before income taxes	1,304	1,620	2,453	5,241
Benefit from income taxes	-	-	-	(3)
<b>Net income</b>	<b>\$ 1,304</b>	<b>\$ 1,620</b>	<b>\$ 2,453</b>	<b>\$ 5,244</b>



**FARM CREDIT OF WESTERN OKLAHOMA**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Dollars in Thousands)

UNAUDITED	Protected Stock	Capital Stock	Unallocated Retained Earnings	Total Shareholders' Equity
<b>Balance at December 31, 2007</b>	\$ 29	\$ 1,286	\$ 61,368	\$ 62,683
Net income			5,244	5,244
Stock issued	-	110		110
Stock retired	(19)	(120)		(139)
<b>Balance at September 30, 2008</b>	\$ 10	\$ 1,276	\$ 66,612	\$ 67,898
<b>Balance at December 31, 2008</b>	\$ 10	\$ 1,265	\$ 64,799	\$ 66,074
Net income			2,453	2,453
Stock issued	-	154		154
Stock retired	(2)	(109)		(111)
<b>Balance at September 30, 2009</b>	\$ 8	\$ 1,310	\$ 67,252	\$ 68,570

The accompanying notes are an integral part of these 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, 2008, are contained in the 2008 Annual Report to Shareholders. These unaudited third quarter 2009 financial statements should be read in conjunction with the 2008 Annual Report to Shareholders.

In May 2009, the FASB issued guidance, "Subsequent Events," which sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. There are two types of subsequent events: the first type consists of events or transactions that provide additional evidence about conditions that existed at the balance sheet date (recognized subsequent events) and the second type consists of events that provide evidence about conditions that did not exist at the balance sheet date but arose after that date (nonrecognized subsequent events). Recognized subsequent events should be recognized in the financial statements since the conditions existed at the date of the balance sheet. Nonrecognized subsequent events are not recognized in the financial statements since the conditions arose after the balance sheet date but before the financial statements are issued or are available to be issued. This guidance, which includes a required disclosure of the date through which an entity has evaluated subsequent events, was effective for interim or annual periods ending after June 15, 2009.

The accompanying financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations, and conform with generally accepted accounting principles and prevailing practices within the banking industry. The results for the nine months ended September 30, 2009, are not necessarily indicative of the results to be expected for the year ended December 31, 2009.

### NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of the allowance for loan losses follows.

	September 30, 2009	September 30 2008
Balance at beginning of year	\$ 2,069	\$ 1,523
Provision for loan losses/(Loan loss reversal)	399	(1,854)
Charge-offs	14	13
Recoveries	1	1,630
Balance at end of period	\$ 2,455	\$ 1,286

Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. The following presents information relating to impaired loans including accrued interest.

	September 30, 2009	September 30, 2008
Impaired loans with related allowance	\$ 430	\$ -0-
Impaired loans with no related allowance	5,723	1,098
Total impaired loans	\$ 6,153	\$ 1,098

Allowance on impaired loans	\$ 121	\$ -0-
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The average recorded investment in impaired loans including accrued interest during the nine months ended September 30, 2009 was \$5,810 and \$3,449 for the same period in 2008. The Association recognized interest income on impaired loans of \$46 for the nine months ended September 30, 2009 and \$742 for the same period in 2008.

**NOTE 6 - SUBSEQUENT EVENTS**

The Association has evaluated subsequent events through October 29, 2009, which is the date the financial statements were available to be issued.