

Quarterly Report to Stockholders

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

September 30, 2011



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 2010 U.S. AgBank Annual Report to Shareholders, the 2010 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, or may be obtained at no charge by visiting or 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 nine months ended September 30, 2011, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2010 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

LOAN PORTFOLIO

Loans outstanding at September 30, 2011 totaled \$377,792, a decrease of \$14,799, or 3.77%, from loans of \$392,591 at December 31, 2010. The decrease was primarily due to decreased loan demand.

RESULTS OF OPERATIONS

Net income for the nine months ended September 30, 2011 was \$4,585, an increase of \$928, or 25.38%, from the same period ended one year ago, primarily due to patronage from U.S. AgBank, FCB (AgBank).

Net interest income for the nine months ended September 30, 2011 was \$7,855, an increase of \$367, or 4.90%, from the same period ended one year ago, due to decrease in spread paid to U.S. AgBank.

The provision for loan losses for the nine months ended September 30, 2011 was \$29, a decrease of \$380, or 92.91%, from the same period ended one year ago. The provision for loan losses decreased as a result of fewer high risk assets, and a recovery of \$81 on a previously charged-off loan.

Noninterest income increased \$1,065 during the first nine months of 2011 compared with the same period in 2010 primarily due to patronage received from AgBank of \$1,945. Additionally, during the first quarter of 2010, we received our allocated portion of a distribution of \$338 from Farm Credit System Insurance Company (FCSIC), which offset the increase in noninterest income.

During the first nine months of 2011, noninterest expense increased \$884 or 20.06%, to \$5,290, primarily due to increase in salaries and benefits, along with an increase in member and public relations expense.


CAPITAL RESOURCES

Our shareholders' equity at September 30, 2011 was \$75,845, an increase from \$71,276 at December 31, 2010. This increase is due to net income, offset by stock reductions and patronage distributions.

OTHER MATTERS

In November of 2010, the AgBank Board of Directors voted to pursue a merger with CoBank, ACB another Farm Credit System Bank. On September 8, 2011, AgBank and CoBank announced that their voting stockholders have approved the proposed plan of merger between the two banks. The Farm Credit Administration (FCA) had already granted preliminary approval to the transaction. Final approval from the FCA is expected following a statutorily required 35 day reconsideration period. The proposed merger is targeted to be effective on January 1, 2012. We do not expect there to be any material negative impact to our operations as a result of the merger.

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 November 7, 2011	 Jamie Shirkey, VP-CFO November 7, 2011	 Jimmie Purvine, Chairman of the Board November 7, 2011
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Consolidated Statement of Condition

(Dollars in Thousands)

	September 30 2011	December 31 2010
	UNAUDITED	AUDITED
ASSETS		
Loans	\$ 377,792	\$ 392,591
Less allowance for loan losses	2,114	2,056
Net loans	375,678	390,535
Cash	2,467	3,556
Accrued interest receivable	7,585	5,140
Investment in U.S. AgBank, FCB	10,825	10,825
Premises and equipment, net	1,814	1,786
Prepaid benefit expense	411	605
Other assets	581	274
Total assets	\$ 399,361	\$ 412,721
LIABILITIES		
Note payable to U.S. AgBank, FCB	\$ 310,630	\$ 332,504
Advance conditional payments	9,511	3,804
Accrued interest payable	2,762	3,081
Patronage distributions payable	-	1,400
Accrued benefits liability	131	144
Other liabilities	482	512
Total liabilities	323,516	341,445
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Protected borrower stock	3	5
Capital stock	1,382	1,396
Unallocated retained earnings	74,460	69,875
Total shareholders' equity	75,845	71,276
Total liabilities and shareholders' equity	\$ 399,361	\$ 412,721

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

Consolidated Statement of Income

(Dollars in Thousands)

	For the three months ended September 30		For the nine months ended September 30	
UNAUDITED	2011	2010	2011	2010
INTEREST INCOME				
Loans	\$ 4,522	\$ 4,626	\$ 13,731	\$ 13,925
Total interest income	4,522	4,626	13,731	13,925
INTEREST EXPENSE				
Note payable to U.S. AgBank, FCB	1,928	2,136	5,823	6,407
Other	23	10	53	30
Total interest expense	1,951	2,146	5,876	6,437
Net interest income	2,571	2,480	7,855	7,488
(Loan loss reversal)/Provision for loan losses	(12)	(10)	29	409
Net interest income after (loan loss reversal)/provision for loan losses	2,583	2,490	7,826	7,079
Financially related services income	9	19	27	43
Loan fees	(18)	(32)	(3)	13
Patronage refund from Farm Credit Institutions	-	-	1,945	527
Farm Credit Insurance Fund distribution	-	-	-	338
Other noninterest income	6	10	80	63
Total noninterest income	(3)	(3)	2,049	984
NONINTEREST EXPENSE				
Salaries and employee benefits	821	705	2,958	2,402
Occupancy and equipment	85	80	227	240
Purchased services from AgVantis, Inc.	129	125	425	368
Farm Credit Insurance Fund premium	47	44	150	125
Supervisory and examination costs	35	30	104	91
Other noninterest expense	449	336	1,426	1,180
Total noninterest expense	1,566	1,320	5,290	4,406
Net income	\$ 1,014	\$ 1,167	\$ 4,585	\$ 3,657

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

UNAUDITED	Protected Borrower Stock	Capital Stock	Unallocated Retained Earnings	Total Shareholders' Equity
Balance at December 31, 2009	\$ 9	\$ 1,328	\$ 66,678	\$ 68,015
Net income			3,657	3,657
Stock issued	-	158		158
Stock retired	(3)	(101)		(104)
Balance at September 30, 2010	\$ 6	\$ 1,385	\$ 70,335	\$ 71,726
 Balance at December 31, 2010	 \$ 5	 \$ 1,396	 \$ 69,875	 \$ 71,276
Net income			4,585	4,585
Stock issued	-	125		125
Stock retired	(2)	(139)		(141)
Balance at September 30, 2011	\$ 3	\$ 1,382	\$ 74,460	\$ 75,845

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, 2010, are contained in the 2010 Annual Report to Shareholders. These unaudited third quarter 2011 financial statements should be read in conjunction with the 2010 Annual Report to Shareholders.

In December 2010, U.S. AgBank, FCB (AgBank), Farm Credit of Western Oklahoma, ACA, funding bank and CoBank executed a Letter of Intent to merge. The merged bank will continue to do business under the CoBank name and be headquartered in Colorado but will maintain AgBank's existing presence and operations in Wichita, Kansas, and Sacramento, California. In June 2011, the Farm Credit Administration (FCA) voted to grant preliminary approval of the proposed plan of merger between the two banks. The FCA serves as the independent regulator for both banks and the rest of the Farm Credit System. AgBank distributed disclosure and voting materials to its stockholder associations in July. On September 8, 2011, AgBank and CoBank announced that their voting stockholders have approved the proposed plan of merger between the two banks. Final approval from the FCA is expected following a statutorily required 35 day reconsideration period. The boards of the two banks have approved a merger effective date of January 1, 2012. The Association does not expect there to be any material negative impact to its operations as a result of the merger.

In September 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled, "Compensation – Retirement Benefits – Multiemployer Plans." The guidance is intended to provide more information about an employer's financial obligations to a multiemployer pension plan and postretirement benefits other than pensions, which should help financial statement users better understand the financial health of significant plans in which the employer participates. The additional disclosures include: a) a description of the nature of plan benefits, b) a qualitative description of the extent to which the employer could be responsible for the obligations of the plan, including benefits earned by employees during employment with another employer, and c) other quantitative information to help users understand the financial information about the plan. The amendments are effective for annual periods for fiscal years ending after December 15, 2012 for non-public entities. The amendments should be applied retrospectively for all prior periods presented.

In June 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled, "Comprehensive Income – Presentation of Comprehensive Income." This guidance is intended to increase the prominence of other comprehensive income in financial statements. The current option that permits the presentation of other comprehensive income in the statement of changes in equity has been eliminated. The main provisions of the guidance provides that an entity that reports items of other comprehensive income has the option to present comprehensive income in either one or two consecutive financial statements:

- A single statement must present the components of net income and total net income, the components of other comprehensive income and total other comprehensive income, and a total for comprehensive income.
- In a two-statement approach, an entity must present the components of net income and total net income in the first statement. That statement must be immediately followed by a financial statement that presents the components of other comprehensive income, a total for other comprehensive income, and a total for comprehensive income.

This guidance is to be applied retrospectively and is effective for fiscal years ending after December 15, 2012 and interim and annual periods thereafter. The adoption of this guidance will not impact financial condition or results of operations, but will result in changes to the presentation of comprehensive income.

In May 2011, the FASB issued guidance entitled, "Fair Value Measurement – Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs." The amendments change the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The amendments include the following:

1. Application of the highest and best use and valuation premise is only relevant when measuring the fair value of nonfinancial assets (does not apply to financial assets and liabilities.)
2. Aligning the fair value measurement of instruments classified within an entity's shareholders' equity with the guidance for liabilities. As a result, an entity should measure the fair value of its own equity instruments from the perspective of a market participant that holds the instruments as assets.
3. Clarifying that a reporting entity should disclose quantitative information about the unobservable inputs used in a fair value measurement that is categorized within Level 3 of the fair value hierarchy.
4. An exception to the requirement for measuring fair value when a reporting entity manages its financial instruments on the basis of its net exposure, rather than its gross exposure, to those risks.
5. Clarifying that the application of premiums and discounts in a fair value measurement is related to the unit of account for the asset or liability being measured at fair value. Premiums or discounts related to size as a characteristic of the entity's holding (that is, a blockage factor) instead of as a characteristic of the asset or liability (for example, a control premium), are not permitted. A fair value measurement that is not a Level 1 measurement may include premiums or discounts other than blockage factors when market participants would incorporate the premium or discount into the measurement at the level of the unit of account specified in other guidance.
6. Expansion of the disclosures about fair value measurements. The most significant change will require entities, for their recurring Level 3 fair value measurements, to disclose quantitative information about unobservable inputs used, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of the measurements. New disclosures are required about the use of a nonfinancial asset measured or disclosed at fair value if its use differs from its highest and best use. In addition, entities must report the level in the fair value hierarchy of assets and liabilities not recorded at fair value but where fair value is disclosed.

The amendments are to be applied prospectively. The amendments are effective during interim and annual periods beginning after December 15, 2011. Early application is not permitted.

In January 2011, the FASB issued guidance entitled, "Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings." This guidance temporarily delayed the effective date of the disclosures about troubled debt restructurings required by the guidance previously issued on "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses." The effective date of the new disclosures about troubled debt restructurings (TDR) coincides with the guidance for determining what constitutes a TDR as described below.

In April 2011, the FASB issued its guidance entitled, "A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring," which provides for clarification on whether a restructuring constitutes a TDR. In evaluating whether a restructuring is a TDR, a creditor must separately conclude that both of the following exists: (1) the restructuring constitutes a concession, and (2) the debtor is experiencing financial difficulties. For nonpublic entities, the guidance is effective for annual periods ending on or after December 15, 2012, including interim periods within those annual periods. The Association is currently evaluating the impact of adoption of this Standard on the financial condition or results of operations. The adoption will result in additional disclosures.

In July 2010, the FASB issued guidance on "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Loan Losses." This guidance is intended to provide additional

information to assist financial statement users in assessing an entity's credit risk exposures and evaluating the adequacy of the allowance for credit losses. Existing disclosures are amended to include additional disclosures of financing receivables on a disaggregated basis (by portfolio segment and class of financing receivable) including among others, a rollforward schedule of the allowance for credit losses from the beginning of the reporting period to the end of the period on a portfolio segment basis, with the ending balance further disaggregated on the basis of the method of impairment (individually or collectively evaluated). The guidance also calls for new disclosures including but not limited to credit quality indicators at the end of the reporting period by class of financing receivables, the aging of past due financing receivables by class, nature and extent of financing receivables modified as troubled debt restructurings by class and the effect on the allowance for credit losses. For nonpublic entities, all disclosures are effective for interim and annual reporting periods ending on or after December 15, 2011. The adoption of this Standard will not have an impact on the Association's financial condition or results of operations, but will result in additional disclosures.

Effective January 1, 2010, the Association adopted FASB guidance on "Fair Value Measurements and Disclosures," which is to improve disclosures about fair value measurements by increasing transparency in financial reporting. The changes will provide for a greater level of disaggregated information and more robust disclosures of valuation techniques and inputs to fair value measurements. The new disclosures and clarification of existing disclosures were effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the rollforward of activity in Level 3 fair value measurements. Those disclosures were effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this standard did not impact the Association's financial condition and results of operations but did result in additional disclosures.

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, 2011, are not necessarily indicative of the results to be expected for the year ended December 31, 2011.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of the allowance for loan losses follows.

	September 30, 2011	September 30, 2010
Balance at beginning of year	\$ 2,056	\$ 1,994
Provision for loan losses	29	409
Charge-offs	52	340
Recoveries	81	--
Balance at end of period	\$ 2,114	\$ 2,063

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.

Impaired loans including accrued interest totaled \$275 as of September 30, 2011 and \$2,889 as of September 30, 2010. No impaired loans carried a specific allowance for loan losses at each period end.

The following table summarizes impaired loan information.

	For the nine months ended September 30, 2011	September 30, 2010
Average impaired loans	\$ 420	\$ 3,462
Interest income recognized on impaired loans	\$ 20	\$ 5

NOTE 3 - FAIR VALUE MEASUREMENTS

FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. See Note 2 to the 2010 Annual Report to Shareholders for a more complete description.

The Association had no assets or liabilities measured at fair value on a recurring basis at September 30, 2011 or December 31, 2010.

Assets measured at fair value on a non-recurring basis for each of the fair value hierarchy values are summarized below:

	Fair Value Measurement Using			Total Fair	Total
	Level 1	Level 2	Level 3	Value	Losses
Assets:					
September 30, 2011					
Loans	\$ —	\$ —	\$ 35	\$ 35	\$ 34
December 31, 2010					
Loans	\$ —	\$ —	\$ 2,418	\$ 2,418	\$ 323

Valuation Techniques

As more fully discussed in Note 2 to the 2010 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.

Loans

For certain loans evaluated for impairment under FASB guidance, the fair value is based upon the underlying collateral since the loans were collateral dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

NOTE 4 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through November 7, 2011, which is the date the financial statements were issued, and no material subsequent events were identified.