Farm Credit of Western Oklahoma, ACA

Quarterly Report to Stockholders

September 30, 2014

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 2013 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 nine months ended September 30, 2014, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2013 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

LOAN PORTFOLIO

Loans outstanding at September 30, 2014 totaled $485,639, an increase of $17,765, or 3.80%, from loans of $467,874 at December 31, 2013. The increase was primarily due to increase in loan demand along with increases in land values and cattle prices.

RESULTS OF OPERATIONS

Net income for the nine months ended September 30, 2014 was $4,659, a decrease of $139, or 2.90%, from the same period ended one year ago. The decrease is due to increased expenses in connection with the merger along with a change in methodology regarding the accruals of bonuses and incentives that will be paid in 2015, offset by increased net interest income and loan loss reversals.

Net interest income for the nine months ended September 30, 2014 was $9,586, an increase of $283, or 3.04%, compared with September 30, 2013. Net interest income increased as a result of an increase in average loan volume.

The loan loss reversal for the nine months ended September 30, 2014 was $32, compared with a provision for loan losses of $206 for the same period ended one year ago. The change is a result of improved risk profile of the portfolio.

Noninterest income increased $54 during the first nine months of 2014 compared with the first nine months in 2013 primarily due to appraisal fee income, increase in patronage and mineral income.

Mineral income of $491 was recognized during the first nine months of 2014. Of this amount, quarterly payments totaling $485 were received from CoBank.

During the first nine months of 2014, noninterest expense increased $714 to $6,865, primarily due to the accruing of three-fourths of the bonuses and incentives earned in 2014 to be paid in 2015. This is the first time the Association has accrued this expense. Expenses also increased due to expenses associated with the merger with Farm Credit of Central Oklahoma, ACA, and an increase in the Farm Credit Insurance Premium expense.

CAPITAL RESOURCES

Our shareholders' equity at September 30, 2014 was $93,843, an increase from $89,178 at December 31, 2013. This increase is due to net income and a slight increase in capital stock.

REGULATORY MATTERS

On June 12, 2014, the Farm Credit Administration 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 Farm Credit Administration 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 MATTERS

On January 23, 2014, the Association's Board of Directors signed a letter of intent to pursue a merger with Farm Credit of Central Oklahoma, ACA. The Letter of Intent states an anticipated merger date of January 1, 2014. Subsequent to signing the letter, both Associations agreed to move the date forward to October 1, 2014.

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
November 4, 2014

John Grunewald, President/CEO
November 4, 2014

Jamie Shirkey, Sr. V.P. - CFO
November 4, 2014

Consolidated Statement of Condition

(Dollars in Thousands)

	September 30 2014	December 31 2013
	UNAUDITED	AUDITED
ASSETS		
Loans	**$ 485,639**	$ 467,874
Less allowance for loan losses	**2,206**	2,247
Net loans	**483,433**	465,627
Cash	**1,270**	4,399
Accrued interest receivable	**9,165**	6,109
Investment in CoBank	**15,278**	15,278
Premises and equipment, net	**1,585**	1,639
Prepaid benefit expense	**123**	439
Other assets	**1,983**	2,292
Total assets	**$ 512,837**	$ 495,783
LIABILITIES		
Note payable to CoBank	**$ 404,609**	$ 394,198
Advance conditional payments	**10,632**	7,211
Accrued interest payable	**2,553**	2,807
Patronage distributions payable	**-**	1,500
Accrued benefits liability	**91**	100
Other liabilities	**1,109**	789
Total liabilities	**418,994**	406,605
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock	**1,346**	1,340
Unallocated retained earnings	**92,497**	87,838
Total shareholders' equity	**93,843**	89,178
Total liabilities and shareholders' equity	**$ 512,837**	$ 495,783

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

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

	For the three months ended September 30		For the nine months ended September 30	
UNAUDITED	**2014**	2013	**2014**	2013
INTEREST INCOME				
Loans	**$ 5,077**	$ 4,986	**$ 14,988**	$ 14,789
Total interest income	**5,077**	4,986	**14,988**	14,789
INTEREST EXPENSE				
Note payable to CoBank	**1,791**	1,791	**5,339**	5,431
Other	**22**	17	**63**	55
Total interest expense	**1,813**	1,808	**5,402**	5,486
Net interest income	**3,264**	3,178	**9,586**	9,303
Provision for loan losses/(loan loss reversal)	**49**	(47)	**(32)**	206
Net interest income after provision for loan losses/loan loss reversal	**3,215**	3,225	**9,618**	9,097
NONINTEREST INCOME				
Financially related services income	**7**	9	**12**	20
Loan fees	**3**	7	**9**	20
Patronage refund from Farm Credit Institutions	**440**	435	**1,301**	1,288
Mineral income	**158**	207	**491**	465
Other noninterest income	**26**	2	**93**	59
Total noninterest income	**634**	660	**1,906**	1,852
NONINTEREST EXPENSE				
Salaries and employee benefits	**1,364**	990	**3,888**	3,598
Occupancy and equipment	**160**	87	**328**	253
Purchased services from AgVantis, Inc.	**189**	176	**548**	527
Farm Credit Insurance Fund premium	**104**	89	**312**	258
Merger-implementation costs	**93**	-	**170**	-
Supervisory and examination costs	**40**	38	**120**	113
Other noninterest expense	**413**	401	**1,499**	1,402
Total noninterest expense	**2,363**	1,781	**6,865**	6,151
Net income/Comprehensive income	**$ 1,486**	$ 2,104	**$ 4,659**	$ 4,798

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	Unallocated Retained Earnings	Total Shareholders' Equity
Balance at December 31, 2012	$ 1,377	$ 82,741	$ 84,118
Comprehensive income		4,798	4,798
Stock issued	76		76
Stock retired	(104)		(104)
Balance at September 30, 2013	$ 1,349	$ 87,539	$ 88,888
Balance at December 31, 2013	$ 1,340	$ 87,838	$ 89,178
Comprehensive income		4,659	4,659
Stock issued	100		100
Stock retired	(94)		(94)
Balance at September 30, 2014	**$ 1,346**	**$ 92,497**	**$ 93,843**

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, 2013, are contained in the 2013 Annual Report to Shareholders. These unaudited third quarter 2014 financial statements should be read in conjunction with the 2013 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, 2013 as contained in the 2013 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, 2014. Descriptions of the significant accounting policies are included in the 2013 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 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 goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods 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 the Association’s 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 the Association’s financial condition or its results of operations.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows.

	September 30, 2014	December 31, 2013
Real estate mortgage	**$ 314,933**	$ 305,289
Production and intermediate-term	**164,550**	152,740
Agribusiness:		
Loans to cooperatives	**3,740**	4,622
Processing and marketing	**291**	2,813
Farm-related business	**623**	646
Rural residential real estate	**1,502**	1,764
Total loans	**$ 485,639**	$ 467,874

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 September 30, 2014:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 30,481	$ 9,296	$ 254	$ --	$ 30,735	$ 9,296
Production and intermediate-term	22,504	3,904	--	--	22,504	3,904
Agribusiness	291	--	--	--	291	--
Total	$ 53,276	$ 13,200	$ 254	$ --	$ 53,530	$ 13,200

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:

	September 30, 2014	December 31, 2013
Real estate mortgage		
Acceptable	**99.28%**	99.30%
OAEM	**0.41%**	0.48%
Substandard	**0.31%**	0.22%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**98.65%**	99.64%
OAEM	**0.95%**	1.80%
Substandard	**0.40%**	1.56%
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**99.30%**	98.89%
OAEM	**0.70%**	1.11%
Total	**100.00%**	100.00%
Rural residential real estate		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Total Loans		
Acceptable	**99.07%**	98.42%
OAEM	**0.59%**	0.92%
Substandard	**0.34%**	0.66%
Total	**100.00%**	100.00%

High risk assets consist of impaired loans and other property owned. The Association had no high risk assets, nonaccrual, accruing restructured loans or accruing loans 90 days past due or other property owned as of September 30, 2014 or December 31, 2013.

Additional impaired loan information is as follows:

	September 30, 2014			December 31, 2013		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Total Impaired Loans:						
Production and intermediate-term	**$ ---**	**$ 1,480**	**$ ---**	$ ---	$ 1,479	$ ---
Total	**$ ---**	**$ 1,480**	**$ ---**	$ ---	$ 1,479	$ ---

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 September 30, 2014		For the Three Months Ended September 30, 2013	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Total impaired loans:				
Real estate mortgage	**$ ---**	**$ ---**	$ 171	$ ---
Production and intermediate-term	**---**	**---**	1	---
Total	**$ ---**	**$ ---**	$ 172	$ ---

	For the Nine Months Ended September 30, 2014		For the Nine Months Ended September 30, 2013	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Total impaired loans:				
Real estate mortgage	**$ ---**	**$ ---**	$ 171	$ ---
Production and intermediate-term	**---**	**---**	20	---
Total	**$ ---**	**$ ---**	$ 191	$ ---

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

September 30, 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	$ 188	$ --	$ 188	$ 320,910	$ 321,098	$ --
Production and intermediate-term	33	--	33	167,469	167,501	--
Agribusiness	--	--	--	4,695	4,695	--
Rural residential real estate	--	--	--	1,510	1,510	--
Total	$ 221	$ --	$ 221	$ 494,583	$ 494,804	$ --

December 31, 2013	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	$ 212	$ --	$ 212	$ 308,869	$ 309,081	$ --
Production and intermediate-term	--	--	--	155,016	155,016	--
Agribusiness	--	--	--	8,104	8,104	--
Rural residential real estate	--	--	--	1,782	1,782	--
Total	$ 212	$ --	$ 212	$ 473,771	$ 473,983	$ --

A summary of changes in the allowance for loan losses and period end recorded investment in loans is as follows:

	Balance at June 30, 2014	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2014
Real estate mortgage	$ 154	$ --	$ --	$ (10)	$ 144
Production and intermediate-term	1,947	13	4	47	1,985
Agribusiness	64	--	--	12	76
Rural residential real estate	1	--	--	--	1
Total	$ 2,166	$ 13	$ 4	$ 49	$ 2,206

	Balance at December 31, 2013	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2014
Real estate mortgage	$ 167	$ --	$ --	$ (23)	$ 144
Production and intermediate-term	2,026	21	12	(32)	1,985
Agribusiness	52	--	--	24	76
Rural residential real estate	2	--	--	(1)	1
Total	$ 2,247	$ 21	$ 12	$ (32)	$ 2,206

	Balance at June 30, 2013	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2013
Real estate mortgage	$ 186	$ --	$ --	$ 2	$ 188
Production and intermediate-term	2,125	23	32	(44)	2,090
Agribusiness	81	--	--	(5)	76
Rural residential real estate	2	--	--	--	2
Total	$ 2,394	$ 23	$ 32	$ (47)	$ 2,356

	Balance at December 31, 2012	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2013
Real estate mortgage	$ 182	$ --	$ --	$ 6	$ 188
Production and intermediate-term	1,908	66	55	193	2,090
Agribusiness	70	--	--	6	76
Rural residential real estate	2	--	--	--	2
Total	$ 2,162	$ 66	$ 55	$ 205	$ 2,356

	Allowance for Credit Losses Ending Balance at September 30, 2014		Recorded Investments in Loans Outstanding Ending Balance at September 30, 2014	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ --	$ 144	$ --	$ 321,098
Production and intermediate-term	--	1,985	--	167,501
Agribusiness	--	76	--	4,695
Rural residential real estate	--	1	--	1,510
Total	$ --	$ 2,206	$ --	$ 494,804

	Allowance for Credit Losses Ending Balance at December 31, 2013		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2013	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ --	$ 167	$ --	$ 309,081
Production and intermediate-term	--	2,026	--	155,016
Agribusiness	--	52	--	8,104
Rural residential real estate	--	2	--	1,782
Total	$ --	$ 2,247	$ --	$ 473,983

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 nine months ended September 30, 2014 nor in the previous 12 months.

NOTE 3 - 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 2013 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 Level 1	Level 2	Level 3	Total Fair Value
Assets held in nonqualified benefits trusts				
September 30, 2014	**$ 39**	**$**	**$**	**$ 39**
December 31, 2013	$ 17	$ --	$ --	$ 17

During the first nine months of 2014, the Association recorded no transfers in or out of Levels 1, 2, or 3.

The Association had no liabilities measured at fair value on a recurring basis at September 30, 2014 or December 31, 2013.

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 Level 1	Level 2	Level 3	Total Fair Value	Total Losses
September 30, 2014					
Loans	**$ —**	**$ —**	**$ —**	**$ —**	**$ 1**
December 31, 2013					
Loans	$ —	$ —	$ —	$ —	$ 18

With regard to impaired loans and other property owned, it is not practicable to provide specific information on inputs as each collateral property is unique. System institutions utilize appraisals to value these loans and other property owned and takes into account unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

The Association had no liabilities measured at fair value on a non-recurring basis at September 30, 2014 or December 31, 2013.

Valuation Techniques

As more fully discussed in Note 2 to the 2013 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 accounting 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.

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 4 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through November 4, 2014, which is the date the financial statements were issued, and no material subsequent events were identified, other than as previously disclosed the merger between Farm Credit of Central Oklahoma, ACA and Farm Credit of Western Oklahoma, ACA did in fact occur on October 1, 2014.