

Farm Credit of Western Oklahoma, ACA

Quarterly Report to Stockholders

March 31, 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 three months ended March 31, 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.

Overall crop conditions in the region are still stressed due to the drought. In addition, the winter wheat crop has been impacted by a late freeze. Approximately half of the growing crops have been impacted by these conditions. The fall planting season is underway and planting conditions are favorable. Overall, economic conditions in the region are still strong, due to energy and livestock sectors. Land values remain strong and continue to increase.

LOAN PORTFOLIO

Loans outstanding at March 31, 2014 totaled \$457,188, a decrease of \$10,686, or 2.28%, from loans of \$467,874 at December 31, 2013.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2014 was \$1,344, an increase of \$280, or 26.32%, from the same period ended one year ago. This is partially due to an increase in loan volume from the same period one year ago, a reversal in the allowance account and an increase in noninterest income, offset by an increase in noninterest expense.

Net interest income for the three months ended March 31, 2014 was \$3,161, an increase of \$111, or 3.64%, compared with March 31, 2013. Net interest income increased as a result of increased loan volume and a lower cost of funds from CoBank.

The loan loss reversal for the three months ended March 31, 2014 was \$72 compared with a provision for loan losses of \$76 for the same period ended one year ago. The change is a result of improved risk profile of the portfolio.

Noninterest income increased \$67 during the first three months of 2014 compared with the first three months in 2013, primarily due to increased patronage from CoBank and the timing of the receipt of the FCS Captive Insurance.

Mineral income of \$109 was recognized during the first three months of 2014. Of this amount, quarterly payments totaling \$107 were received from CoBank.

During the first three months of 2014, noninterest expense increased \$46 to \$2,478, primarily due to increase in Farm Credit Insurance Fund premium, travel and advertising expense offset by a decrease of salaries and benefits.

CAPITAL RESOURCES

Our shareholders' equity at March 31, 2014 was \$90,510, an increase from \$89,178 at December 31, 2013. This increase is due to net income offset by stock reductions.

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, 2015. Subsequent to signing the letter, both Associations are exploring the possibility of moving the date into 2014. The proposed merger will require both the regulator's and shareholders' approval. The Association does not expect there to be any material negative impact to its 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.



Jimmie Purvine, Chairman of the Board
May 5, 2014



John Grunewald, President/CEO
May 5, 2014



Jamie Shirkey, Sr. V.P. - CFO
May 5, 2014

Consolidated Statement of Condition

(Dollars in Thousands)

	March 31		December 31
	2014		2013
	UNAUDITED		AUDITED
ASSETS			
Loans	\$ 457,188	\$	467,874
Less allowance for loan losses	2,173		2,247
Net loans	455,015		465,627
Cash	3,353		4,399
Accrued interest receivable	7,379		6,109
Investment in CoBank	15,278		15,278
Premises and equipment, net	1,585		1,639
Prepaid benefit expense	272		439
Other assets	1,011		2,292
Total assets	\$ 483,893	\$	495,783
LIABILITIES			
Note payable to CoBank	\$ 378,425	\$	394,198
Advance conditional payments	10,583		7,211
Accrued interest payable	2,259		2,807
Patronage distributions payable	1,500		1,500
Accrued benefits liability	97		100
Other liabilities	519		789
Total liabilities	393,383		406,605
Commitments and Contingencies			
SHAREHOLDERS' EQUITY			
Capital stock	1,328		1,340
Unallocated retained earnings	89,182		87,838
Total shareholders' equity	90,510		89,178
Total liabilities and shareholders' equity	\$ 483,893	\$	495,783

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	
	2014	2013
INTEREST INCOME		
Loans	\$ 4,946	\$ 4,886
Total interest income	4,946	4,886
INTEREST EXPENSE		
Note payable to CoBank	1,767	1,818
Other	18	18
Total interest expense	1,785	1,836
Net interest income	3,161	3,050
(Loan loss reversal)/Provision for loan losses	(72)	76
Net interest income after loan loss reversal/provision for loan losses	3,233	2,974
NONINTEREST INCOME		
Financially related services income	4	7
Loan fees	2	-
Patronage refund from Farm Credit Institutions	435	401
Mineral income	109	111
Other noninterest income	39	3
Total noninterest income	589	522
NONINTEREST EXPENSE		
Salaries and employee benefits	1,488	1,591
Occupancy and equipment	85	79
Purchased services from AgVantis, Inc.	177	176
Farm Credit Insurance Fund premium	105	84
Merger-implementation costs	6	-
Supervisory and examination costs	40	38
Other noninterest expense	577	464
Total noninterest expense	2,478	2,432
Net income/Comprehensive income	\$ 1,344	\$ 1,064

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		1,064	1,064
Stock issued	29		29
Stock retired	(40)		(40)
Balance at March 31, 2013	\$ 1,366	\$ 83,805	\$ 85,171
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

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 Association 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 first 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 Stockholders.

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 Stockholders. 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 February 2013, the FASB issued guidance, "Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income." The guidance requires entities to present either parenthetically on the face of the financial statements or in the notes to the financial statements, significant amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. The guidance is effective for public entities for annual periods beginning after December 15, 2012 and for non-public entities for annual periods beginning after December 15, 2013. The adoption of this guidance will not impact the financial condition or results of operations, but will result in additional disclosures.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows.

	March 31, 2014	December 31, 2013
Real estate mortgage	\$ 306,182	\$ 305,289
Production and intermediate-term Agribusiness:	147,586	152,740
Loans to cooperatives	1,352	4,622
Processing and marketing	568	2,813
Farm-related business	549	646
Rural residential real estate	951	1,764
Total loans	\$ 457,188	\$ 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 March 31, 2014:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	\$ 33,276	\$ 10,809	\$ 259	\$ --	\$ 33,535	\$ 10,809
Production and intermediate-term Agribusiness	22,209	4,513	--	--	22,209	4,513
	568	--	--	--	568	--
Total	\$ 56,053	\$ 15,322	\$ 259	\$ --	\$ 56,312	\$ 15,322

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, 2014	December 31, 2013
Real estate mortgage		
Acceptable	99.27%	99.30%
OAEM	0.41%	0.48%
Substandard	0.32%	0.22%
Total	100.00%	100.00%
Production and intermediate-term		
Acceptable	97.59%	96.64%
OAEM	1.25%	1.80%
Substandard	1.16%	1.56%
Total	100.00%	100.00%
Agribusiness		
Acceptable	98.52%	98.89%
OAEM	1.48%	1.11%
Total	100.00%	100.00%
Rural residential real estate		
Acceptable	100.00%	100.00%
Total	100.00%	100.00%
Total Loans		
Acceptable	98.72%	98.42%
OAEM	0.69%	0.92%
Substandard	0.59%	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 March 31, 2014 or December 31, 2013.

Additional impaired loan information is as follows:

	March 31, 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 March 31, 2014		For the Three Months Ended March 31, 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	--	36	--
Total	\$ 1	\$ --	\$ 207	\$ --

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

	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
March 31, 2014						
Real estate mortgage	\$ --	\$ --	\$ --	\$ 311,128	\$ 311,128	\$ --
Production and intermediate-term	--	--	--	149,996	149,996	--
Agribusiness	--	--	--	2,488	2,488	--
Rural residential real estate	--	--	--	955	955	--
Total	\$ --	\$ --	\$ --	\$ 464,567	\$ 464,567	\$ --

December 31, 2013						
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 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

	Balance at December 31, 2012	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2013
Real estate mortgage	\$ 182	\$ --	\$ --	\$ (3)	\$ 179
Production and intermediate-term	1,908	19	18	85	1,992
Agribusiness	70	--	--	(5)	65
Rural residential real estate	2	--	--	(1)	1
Total	\$ 2,162	\$ 19	\$ 18	\$ 76	\$ 2,237

	Allowance for Credit Losses Ending Balance at March 31, 2014		Recorded Investments in Loans Outstanding Ending Balance at March 31, 2014	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	\$ --	\$ 150	\$ --	\$ 311,128
Production and intermediate-term	--	1,939	--	149,996
Agribusiness	--	83	--	2,488
Rural residential real estate	--	1	--	955
Total	\$ --	\$ 2,173	\$ --	\$ 464,567

	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 three months ended March 31, 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			Total Fair Value
	Level 1	Level 2	Level 3	
Assets held in nonqualified benefits trusts				
March 31, 2014	\$ 27	\$ --	\$ --	\$ 27
December 31, 2013	\$ 17	\$ --	\$ --	\$ 17

During the first three 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 March 31, 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			Total Fair Value	Total Losses
	Level 1	Level 2	Level 3		
March 31, 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 take 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 March 31, 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 May 5, 2014, which is the date the financial statements were issued, and no material subsequent events were identified.