

*Quarterly Report to Stockholders*

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

*September 30, 2013*



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 2012 CoBank Annual Report to Shareholders, and the CoBank quarterly shareholders' reports are available free of charge by accessing CoBank's website, [www.cobank.com](http://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, 2013, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2012 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

**LOAN PORTFOLIO**

Loans outstanding at September 30, 2013 totaled \$459,822, an increase of \$6,525, or 1.44%, from loans of \$453,297 at December 31, 2012.

**RESULTS OF OPERATIONS**

Net income for the nine months ended September 30, 2013 was \$4,798, an increase of \$150, or 3.23%, from the same period ended one year ago. The increase is from an increase in net interest income, patronage from CoBank, and mineral income offset by an increase in expenses, provision for loan losses and in 2012 a distribution of \$377 was received from Farm Credit Insurance Fund. There was no distribution made in 2013.

Net interest income for the nine months ended September 30, 2013 was \$9,303, an increase of \$1,000, or 12.04%, compared with September 30, 2012. Net interest income increased as a result of an increase of \$47,067 in average year-to-date loan volume for 2013 versus the same period in 2012 and a lower cost of funds from CoBank.

The provision for loan losses for the nine months ended September 30, 2013 was \$206, an increase of \$47, or 29.56%, from the provision for loan losses for the same period ended one year ago. The provision for loan losses increased primarily as a result of increased loan volume.

Noninterest income decreased \$176 during the first nine months of 2013 compared with the first nine months in 2012. In the second quarter of 2012 we received our allocated portion of a rebate distributed by Farm Credit System Insurance Company (FCSIC) of \$377. There has not been any FCSIC rebate in 2013. This has been partially offset by an increase of mineral income of \$55 and CoBank patronage of \$142.

During the first nine months of 2013, noninterest expense increased \$627 to \$6,151, primarily due to an increase in salaries and benefits, due to annual merit increases and bonuses and an increase in Farm Credit Insurance Fund premiums. This was offset by a decrease of other noninterest expenses.

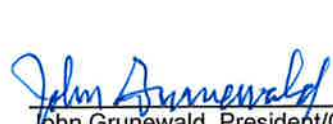
**CAPITAL RESOURCES**


Our shareholders' equity at September 30, 2013 was \$88,888, an increase from \$84,118 at December 31, 2012. This increase is due to net income, slightly offset by net stock reductions.

**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.

  
\_\_\_\_\_  
Jimmie Purvine, Chairman of the Board  
November 5, 2013

  
\_\_\_\_\_  
John Grunewald, President/CEO  
November 5, 2013

  
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Jamie Shirkey, Sr. V.P. - CFO  
November 5, 2013

## Consolidated Statement of Condition

(Dollars in Thousands)

	September 30 2013 UNAUDITED	December 31 2012 AUDITED
<b>ASSETS</b>		
Loans	\$ 459,822	\$ 453,297
Less allowance for loan losses	2,356	2,162
Net loans	457,466	451,135
Cash	3,960	6,247
Accrued interest receivable	9,031	5,707
Investment in CoBank	13,999	13,999
Premises and equipment, net	1,709	1,692
Prepaid benefit expense	162	510
Other assets	1,692	1,943
<b>Total assets</b>	<b>\$ 488,019</b>	<b>\$ 481,233</b>
<b>LIABILITIES</b>		
Note payable to CoBank	\$ 388,615	\$ 387,008
Advance conditional payments	7,072	5,248
Accrued interest payable	2,676	2,937
Patronage distributions payable	-	1,250
Accrued benefits liability	103	110
Other liabilities	665	562
<b>Total liabilities</b>	<b>399,131</b>	<b>397,115</b>
<b>Commitments and Contingencies</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock	1,349	1,377
Unallocated retained earnings	87,539	82,741
<b>Total shareholders' equity</b>	<b>88,888</b>	<b>84,118</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 488,019</b>	<b>\$ 481,233</b>

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

## Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

UNAUDITED	For the three months ended September 30		For the nine months ended September 30	
	2013	2012	2013	2012
<b>INTEREST INCOME</b>				
Loans	\$ 4,986	\$ 4,737	\$ 14,789	\$ 14,014
<b>Total interest income</b>	<b>4,986</b>	<b>4,737</b>	<b>14,789</b>	<b>14,014</b>
<b>INTEREST EXPENSE</b>				
Note payable to CoBank	1,791	1,864	5,431	5,653
Other	17	19	55	58
<b>Total interest expense</b>	<b>1,808</b>	<b>1,883</b>	<b>5,486</b>	<b>5,711</b>
Net interest income	3,178	2,854	9,303	8,303
(Loan loss reversal)/provision for loan losses	(47)	(32)	206	159
Net interest income after loan loss reversal/provision for loan losses	3,225	2,886	9,097	8,144
<b>NONINTEREST INCOME</b>				
Financially related services income	9	9	20	25
Loan fees	7	13	20	14
Patronage refund from Farm Credit Institutions	435	410	1,288	1,146
Farm Credit Insurance Fund distribution	-	-	-	377
Mineral income	207	89	465	410
Other noninterest income	2	4	59	56
<b>Total noninterest income</b>	<b>660</b>	<b>525</b>	<b>1,852</b>	<b>2,028</b>
<b>NONINTEREST EXPENSE</b>				
Salaries and employee benefits	990	820	3,598	3,013
Occupancy and equipment	87	95	253	240
Purchased services from AgVantis, Inc.	176	175	527	520
Farm Credit Insurance Fund premium	89	41	258	117
Supervisory and examination costs	38	38	113	115
Other noninterest expense	401	372	1,402	1,519
<b>Total noninterest expense</b>	<b>1,781</b>	<b>1,541</b>	<b>6,151</b>	<b>5,524</b>
<b>Net income/Comprehensive income</b>	<b>\$ 2,104</b>	<b>\$ 1,870</b>	<b>\$ 4,798</b>	<b>\$ 4,648</b>

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
<b>Balance at December 31, 2011</b>	\$ 3	\$ 1,383	\$ 77,722	\$ 79,108
Comprehensive income			4,648	4,648
Stock issued	-	126		126
Stock retired	(3)	(126)		(129)
<b>Balance at September 30, 2012</b>	\$ -	\$ 1,383	\$ 82,370	\$ 83,753
<b>Balance at December 31, 2012</b>	\$ -	\$ 1,377	\$ 82,741	\$ 84,118
Comprehensive income			4,798	4,798
Stock issued	-	76		76
Stock retired	-	(104)		(104)
<b>Balance at September 30, 2013</b>	\$ -	\$ 1,349	\$ 87,539	\$ 88,888

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, 2012, are contained in the 2012 Annual Report to Shareholders. These unaudited third quarter 2013 financial statements should be read in conjunction with the 2012 Annual Report to Shareholders.

In December 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled, "Balance Sheet – Disclosures about Offsetting Assets and Liabilities." The guidance requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. This includes the effect or potential effect of rights of setoff associated with an entity's recognized assets and recognized liabilities. The requirements apply to recognized financial instruments and derivative instruments that are offset in accordance with the rights of offset set forth in accounting guidance and for those recognized financial instruments and derivative instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset or not. This guidance is to be applied retrospectively for all comparative periods and is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The adoption of this guidance did not impact the financial condition or results of operations, but resulted in additional disclosures.

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.

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, 2013 are not necessarily indicative of the results to be expected for the year ended December 31, 2013.

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

A summary of loans follows.

	<b>September 30, 2013</b>	December 31, 2012
Real estate mortgage	\$ 303,491	\$ 300,101
Production and intermediate-term	144,373	137,879
Agribusiness:		
Loans to cooperatives	5,814	8,345
Processing and marketing	3,689	4,356
Farm-related business	747	1,022
Rural residential real estate	1,708	1,594
<b>Total loans</b>	<b>\$ 459,822</b>	<b>\$ 453,297</b>

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, 2013:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	\$ 30,536	\$ 11,389	\$ 263	\$ ---	\$ 30,799	\$ 11,389
Production and intermediate-term	26,470	4,514	---	---	26,470	4,514
Agribusiness	3,689	----	---	97	3,689	97
<b>Total</b>	<b>\$ 60,695</b>	<b>\$ 15,903</b>	<b>\$ 263</b>	<b>\$ 97</b>	<b>\$ 60,958</b>	<b>\$ 16,000</b>

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, 2013	December 31, 2012
Real estate mortgage		
Acceptable	<b>99.30%</b>	98.50%
OAEM	<b>0.52%</b>	1.44%
Substandard	<b>0.18%</b>	0.06%
<b>Total</b>	<b>100.00%</b>	100.00%
Production and intermediate-term		
Acceptable	<b>97.62%</b>	97.94%
OAEM	<b>0.85%</b>	1.84%
Substandard	<b>1.53%</b>	0.22%
<b>Total</b>	<b>100.00%</b>	100.00%
Agribusiness		
Acceptable	<b>87.14%</b>	84.19%
OAEM	<b>0.88%</b>	8.29%
Substandard	<b>11.98%</b>	7.52%
<b>Total</b>	<b>100.00%</b>	100.00%
Rural residential real estate		
Acceptable	<b>100.00%</b>	100.00%
<b>Total</b>	<b>100.00%</b>	100.00%
Total Loans		
Acceptable	<b>98.51%</b>	97.90%
OAEM	<b>0.63%</b>	1.77%
Substandard	<b>0.86%</b>	0.33%
<b>Total</b>	<b>100.00%</b>	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:

<i>(dollars in thousands)</i>	September 30, 2013	December 31, 2012
Nonaccrual loans		
Real estate mortgage	\$ 171	\$ 171
Production and intermediate-term	--	37
<b>Total high risk assets</b>	<b>\$ 171</b>	<b>\$ 208</b>

The Association had no accruing restructured loans, accruing loans 90 days past due or other property owned for the periods presented.

Additional impaired loan information is as follows:

	September 30, 2013			December 31, 2012		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Total impaired loans:						
Real estate mortgage	\$ 171	\$ 181	\$ ---	\$ 171	\$ 181	\$ ---
Production and intermediate-term	---	1,478	---	37	1,498	---
Total	\$ 171	\$ 1,659	\$ ---	\$ 208	\$ 1,679	\$ ---

	For the Three Months Ended September 30, 2013		For the Three Months Ended September 30, 2012	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Total impaired loans:				
Real estate mortgage	\$ 171	\$ ---	\$ 1,025	\$ 42
Production and intermediate-term	1	---	107	5
Agribusiness:				
Loans to cooperatives	---	---	89	---
Rural residential real estate	---	---	---	---
Total	\$ 172	\$ ---	\$ 1,221	\$ 47

	For the Nine Months Ended September 30, 2013		For the Nine Months Ended September 30, 2012	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Total impaired loans:				
Real estate mortgage	\$ 171	\$ ---	\$ 1,162	\$ 55
Production and intermediate-term	20	---	205	12
Agribusiness:				
Loans to cooperatives	---	---	100	---
Rural residential real estate	---	---	---	2
Total	\$ 191	\$ ---	\$ 1,467	\$ 69

The Association had no impaired loans with a related allowance.

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
<b>September 30, 2013</b>						
Real estate mortgage	\$ 200	\$ ---	\$ 200	\$ 309,597	\$ 309,797	\$ ---
Production and intermediate-term	1,474	---	1,474	145,495	146,969	---
Agribusiness	---	---	---	10,364	10,364	---
Rural residential real estate	---	---	---	1,723	1,723	---
Total	\$ 1,674	\$ ---	\$ 1,674	\$ 467,179	\$ 468,853	\$ ---

December 31, 2012

Real estate mortgage	\$ 40	\$ --	\$ 40	\$ 303,664	\$ 303,704	\$ ---
Production and intermediate-term	162	37	199	139,730	139,929	---
Agribusiness	8	--	8	13,759	13,767	---
Rural residential real estate	--	--	--	1,604	1,604	---
<b>Total</b>	<b>\$ 210</b>	<b>\$ 37</b>	<b>\$ 247</b>	<b>\$ 458,757</b>	<b>\$ 459,004</b>	<b>\$ ---</b>

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.

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

	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
<b>Total</b>	<b>\$ 2,394</b>	<b>\$ 23</b>	<b>\$ 32</b>	<b>\$ (47)</b>	<b>\$ 2,356</b>

	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
<b>Total</b>	<b>\$ 2,162</b>	<b>\$ 66</b>	<b>\$ 55</b>	<b>\$ 205</b>	<b>\$ 2,356</b>

	Balance at June 30, 2012	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2012
Real estate mortgage	\$ 169	\$ ---	\$ 42	\$ (56)	\$ 155
Production and intermediate-term	1,961	63	3	21	1,922
Agribusiness	135	---	---	7	142
Rural residential real estate	6	---	---	(4)	2
<b>Total</b>	<b>\$ 2,271</b>	<b>\$ 63</b>	<b>\$ 45</b>	<b>\$ (32)</b>	<b>\$ 2,221</b>

	Balance at December 31, 2011	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2012
Real estate mortgage	\$ 54	\$ 41	\$ 42	\$ 100	\$ 155
Production and intermediate-term	2,018	112	24	(8)	1,922
Agribusiness	73	---	---	69	142
Rural residential real estate	4	---	---	(2)	2
<b>Total</b>	<b>\$ 2,149</b>	<b>\$ 153</b>	<b>\$ 66</b>	<b>\$ 159</b>	<b>\$ 2,221</b>

	Allowance for Credit Losses Ending Balance at September 30, 2013		Recorded Investments in Loans Outstanding Ending Balance at September 30, 2013	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	\$ ---	\$ 188	\$ 171	\$ 309,626
Production and intermediate-term	---	2,090	---	146,969
Agribusiness	---	76	---	10,364
Rural residential real estate	---	2	---	1,723
<b>Total</b>	<b>\$ ---</b>	<b>\$ 2,356</b>	<b>\$ 171</b>	<b>\$ 468,682</b>

	Allowance for Credit Losses Ending Balance at December 31, 2012		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2012	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	\$ ---	\$ 182	\$ 171	\$ 303,533
Production and intermediate-term	---	1,908	37	139,892
Agribusiness	---	70	---	13,767
Rural residential real estate	---	2	---	1,604
<b>Total</b>	<b>\$ ---</b>	<b>\$ 2,162</b>	<b>\$ 208</b>	<b>\$ 458,796</b>

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, 2013. The Association had no TDRs within the previous 12 months for which there were payment defaults during the period.

### 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 2012 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				
<b>September 30, 2013</b>	<b>\$ 14</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ 14</b>
December 31, 2012	\$ 3	\$ ---	\$ ---	\$ 3

During the first nine months of 2013, 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, 2013 or December 31, 2012.

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		
<b>September 30, 2013</b>					
<b>Loans</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ 171</b>	<b>\$ 171</b>	<b>\$ 17</b>
December 31, 2012					
Loans	\$ ---	\$ ---	\$ 212	\$ 212	\$ 99

The Association had no liabilities measured at fair value on a non-recurring basis at September 30, 2013 or December 31, 2012.

### **Valuation Techniques**

As more fully discussed in Note 2 to the 2012 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 5, 2013, which is the date the financial statements were issued, and no material subsequent events were identified.