Ag New Mexico Farm Credit

2015 ANNUAL REPORT

FARM CREDIT 100 ESTABLISHED 1916

Part of the Farm Credit System

Table of Contents

Report of Management 2

Report of Audit Committee 3

Five-Year Summary of Selected Consolidated Financial Data 4

Management's Discussion and Analysis of Financial Condition and Results of Operations 6

Report of Independent Auditors 15

Consolidated Financial Statements 16

Notes to Consolidated Financial Statements 21

Disclosure Information and Index 52

REPORT OF MANAGEMENT

The consolidated financial statements of Ag New Mexico, Farm Credit Services, ACA (Association) are prepared by management, who is responsible for the statements' integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America appropriate in the circumstances. Other financial information included in the annual report is consistent with that in the consolidated financial statements.

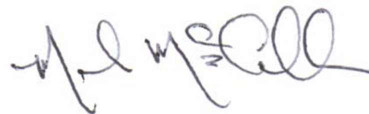
To meet its responsibility for reliable financial information, management depends on the Farm Credit Bank of Texas and the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost of controls must be related to the benefits derived. The consolidated financial statements are audited by PricewaterhouseCoopers LLP, independent accountants, who conduct a review of internal controls solely for the purpose of establishing a basis for reliance thereon in determining the nature, extent and timing of audit tests applied in the audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America. The Association is also examined by the Farm Credit Administration.

The board of directors has overall responsibility for the Association's systems of internal control and financial reporting. The board consults regularly with management and reviews the results of the audits and examinations referred to previously.

The undersigned certify that we have reviewed this annual report, that it has been prepared in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate and complete to the best of their knowledge or belief.

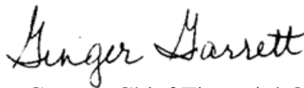
Frank Shelton, Chief Executive Officer

March 15, 2016



Mark McCollum, Chairman, Board of Directors

March 15, 2016



Ginger Garrett, Chief Financial Officer

March 15, 2016

REPORT OF AUDIT COMMITTEE

The audit committee (committee) is composed of Larry Hammit (chairman), Mark McCollum, Ronnie Harral, Randy Autrey and Dwayne "Butch" Vidlar of Ag New Mexico, Farm Credit Services, ACA. In 2015, fifteen committee meetings were held. The committee oversees the scope of Ag New Mexico, Farm Credit Services, ACA's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The committee's approved responsibilities are described more fully in the audit committee charter, which is available on request or on Ag New Mexico, Farm Credit Services, ACA's website. The committee approved the appointment of PricewaterhouseCoopers LLP as the independent accountant for 2015.

Management is responsible for Ag New Mexico, Farm Credit Services, ACA's internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements are prepared under the oversight of the committee. PricewaterhouseCoopers LLP is responsible for performing an independent audit of Ag New Mexico, Farm Credit Services, ACA's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and for issuing a report thereon. The committee's responsibilities include monitoring and overseeing the processes.

In this context, the committee reviewed and discussed Ag New Mexico, Farm Credit Services, ACA's audited consolidated financial statements for the year ended December 31, 2015 (audited consolidated financial statements) with management and PricewaterhouseCoopers LLP. The committee also reviews with PricewaterhouseCoopers LLP the matters required to be discussed by authoritative guidance "The Auditor's Communication With Those Charged With Governance," and both PricewaterhouseCoopers LLP's and Ag New Mexico, Farm Credit Services, ACA's internal auditors directly provide reports on significant matters to the committee.

The committee discussed with PricewaterhouseCoopers LLP its independence from Ag New Mexico, Farm Credit Services, ACA. The committee also reviewed the non-audit services provided by PricewaterhouseCoopers LLP and concluded that these services were not incompatible with maintaining the independent accountant's independence. The committee has discussed with management and PricewaterhouseCoopers LLP such other matters and received such assurances from them as the committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the committee recommended that the board of directors include the audited consolidated financial statements in Ag New Mexico, Farm Credit Services, ACA's Annual Report to Stockholders for the year ended December 31, 2015.

Audit Committee Members

Larry Hammit, Chairman
Mark McCollum
Ronnie Harral
Dwayne Vidlar
Randy Autrey

March 15, 2016

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2015	2014	2013	2012	2011
Balance Sheet Data					
Assets					
Cash	**$ 103**	$ 104	$ 156	$ 207	$ 109
Investments	**-**	-	9,333	11,156	19,820
Loans	**191,192**	174,461	165,033	167,427	149,939
Less: allowance for loan losses	**1,098**	891	916	870	2,366
Net loans	**190,094**	173,570	164,117	166,557	147,573
Investment in and receivable from the Farm Credit Bank of Texas	**4,314**	4,450	4,274	5,145	5,042
Other property owned, net	**717**	646	696	999	3,394
Other assets	**5,967**	5,816	5,902	10,063	7,377
Total assets	**$ 201,195**	$ 184,586	$ 184,478	$ 194,127	$ 183,315
Liabilities					
Obligations with maturities of one year or less	**$ 2,386**	$ 1,988	$ 1,808	$ 1,629	$ 1,840
Obligations with maturities greater than one year	**163,686**	149,469	150,603	163,541	152,624
Total liabilities	**166,072**	151,457	152,411	165,170	154,464
Members' Equity					
Capital stock and participation certificates	**355**	328	301	312	328
Unallocated retained earnings	**35,121**	33,179	31,907	29,014	28,743
Accumulated other comprehensive loss	**(353)**	(378)	(141)	(369)	(220)
Total members' equity	**35,123**	33,129	32,067	28,957	28,851
Total liabilities and members' equity	**$ 201,195**	$ 184,586	$ 184,478	$ 194,127	$ 183,315
Statement of Income Data					
Net interest income	**$ 4,731**	$ 4,584	$ 4,722	$ 5,084	$ 4,674
(Provision for loan losses) or loan loss reversal	**(191)**	(41)	432	294	170
Income from the Farm Credit Bank of Texas	**1,339**	1,294	1,183	1,471	949
Other noninterest income	**298**	139	663	690	279
Noninterest expense	**(4,064)**	(3,756)	(3,877)	(6,280)	(3,682)
Provision for income taxes	**(172)**	(239)	(230)	(989)	(47)
Net income	**$ 1,941**	$ 1,981	$ 2,893	$ 270	$ 2,343
Key Financial Ratios for the Year					
Return on average assets	**1.1%**	1.1%	1.5%	0.1%	1.3%
Return on average members' equity	**5.7%**	6.1%	9.5%	0.9%	8.4%
Net interest income as a percentage of average earning assets	**2.7%**	2.7%	2.7%	2.9%	2.7%
Net charge-offs (recoveries) as a percentage of average loans	**0.0%**	0.0%	-0.3%	0.7%	0.0%

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2015	2014	2013	2012	2011
Key Financial Ratios at Year End					
Members' equity as a percentage of total assets	**17.5%**	17.9%	17.4%	14.9%	15.7%
Debt as a percentage of members' equity	**472.8%**	457.2%	475.3%	570.4%	535.4%
Allowance for loan losses as a percentage of loans	**0.6%**	0.5%	0.6%	0.5%	1.6%
Permanent capital ratio	**15.7%**	15.7%	14.6%	12.2%	13.3%
Core surplus ratio	**15.5%**	15.5%	14.4%	12.0%	13.1%
Total surplus ratio	**15.5%**	15.5%	14.4%	12.0%	13.1%
Net Income Distribution					
Patronage dividends:					
Cash dividends declared	**380**	350	360	-	300

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

The following commentary explains management's assessment of the principal aspects of the consolidated financial condition and results of operations of Ag New Mexico, Farm Credit Services, ACA, including its wholly-owned subsidiaries, Ag New Mexico, Farm Credit Services, PCA and Ag New Mexico Farm Credit Services, FLCA (Association) for the years ended December 31, 2015, 2014 and 2013, and should be read in conjunction with the accompanying consolidated financial statements. The accompanying financial statements were prepared under the oversight of the Association's audit committee.

Forward-Looking Information:

This annual information statement contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," "will" or other variations of these terms are intended to identify the forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- Political, legal, regulatory and economic conditions and developments in the United States and abroad;
- Economic fluctuations in the agricultural, rural utility, international and farm-related business sectors;
- Weather-related, disease-related and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- Changes in United States government support of the agricultural industry; and
- Actions taken by the Federal Reserve System in implementing monetary policy.

Significant Events:

For the year ending 2015, the Association received a direct loan patronage of $618,310 from Farm Credit Bank of Texas (Bank), representing 42 basis points on the average daily balance of the Association's direct loan with the Bank. During 2015, the Association received $49,975 in patronage payments from the Bank, based on the Association's stock investment in the Bank. Also, the Association received a capital markets patronage of $223,005 from the Bank, representing 75 basis points on the Association's average balance of participations in the Bank's patronage pool program. Additionally the Association received a capitalized participation pool patronage of $297,891 and $150,146 for loans and AMBS investments respectively as discussed further under Significant Events.

Farmers and ranchers in New Mexico have seen material relief from the extended drought conditions experienced over the past several years. As per the USDA Drought Monitor, at December 31, 2015, the "drought" designation has been removed from the entire state of New Mexico, and only areas in the northwest and southern portion of the state remain listed as "abnormally dry," which is the least severe designation.

After several years of strong markets, livestock producers have seen significant market softening partly as a result of a more rapid expansion in the supply of beef. Even though range conditions have improved dramatically, breeding herd expansion has been tempered by high replacement costs followed by the present uncertainty in market strength. Dairymen and crop producers have also seen significantly softer markets in 2015, however both crop and dairy production has remained favorable. Lower feed costs have greatly benefitted beef and dairy producers, as well as lower fuel and energy costs, which have also benefitted crop producers and almost all areas of the agriculture sector. As a bottom line, favorable production for our customers combined with lower input costs (feed, fuel, fertilizer, etc.) have helped offset softened markets. As of December 31, 2015, our customer base appears to be financially sound and credit risk remains at its lowest level in approximately 10 years. Distressed borrowers and delinquency rates remain at low levels.

The Association and its regulator, Farm Credit Administration ("FCA"), entered into a Supervisory Agreement (the "Supervisory Agreement") effective March 20, 2012, that, among other things, placed additional reporting requirements on the Association and required the board to take certain other actions. The Supervisory Agreement superseded that certain Supervisory Agreement with the FCA dated January 20, 2010, and the FCA Supervisory Letters dated June 25, 2009, November 13, 2009 and December 13, 2011. The Supervisory Agreement required that the board take certain corrective and precautionary measures with respect to some of the Association's practices, including board governance and operation, director fiduciary duties, nominating committee

procedures, board policies, board business planning, the CEO position and human capital development, policies and procedures regarding loan participations, management reporting, disclosure obligations and establishment of a compliance committee. In addition, the Supervisory Agreement prohibited the Association from distributing patronage or dividends from past, present or future earnings without prior FCA consent. The conditions and events that led to the need for the Supervisory Agreement included portfolio credit quality deterioration, weaknesses in board governance, loan portfolio management, participations purchased and perceived weakness with respect to certain internal controls.

On November 16, 2015, the FCA terminated the Supervisory Agreement and placed the Association under Special Supervision, which is a reduced level of supervision from a Supervisory Agreement, but is heightened over normal supervision. As a condition to termination of the Supervisory Agreement, the board addressed certain weaknesses identified by the FCA as yet to be fully resolved in 2016. These include director fiduciary duties and governance, risk assessment and audit plan, borrower concentration and collateral risk, nominating committee procedures, business planning, the CEO position and human capital development, management reporting, credit administration and related staff training, borrower rights and consumer compliance, allowance for loan loss and earnings. In addition, the requirements of Special Supervision continue to prohibit the Association from distributing patronage or dividends from past, present or future earnings without prior FCA consent if any of the following conditions exist, or will result in the Association's Permanent Capital being less than 15 percent; cause the Association's Core Surplus, Permanent Capital, or Total Capital ratios to decline more than 1 percent; or result in a Return on Assets ratio of less than 1 percent using a rolling 12-month average. Although the Association has made progress on these items, the following corrective actions are also being taken to address certain weaknesses noted by FCA:

- Continue to maintain a compliance committee to monitor management's progress with the corrective actions identified in the Supervisory Letter as well as any other audits identifying necessary corrective actions;
- Develop a corrective action plan to correct any remaining weaknesses identified by FCA in the Supervisory Letter prior to June 30, 2016;
- Annual review by a third-party of the Association's actions in response to all audits, reviews and the Supervisory Letter; and
- Continue to engage an outside consultant to provide the board advice with respect to understanding and fulfilling its fiduciary responsibilities and to perform other advisory functions as specified in the Supervisory Letter.

The Association's board and senior management are committed to continuing the administration of the Association in a safe and sound manner, compliant with all regulations of the FCA, and remain dedicated to meeting their obligation in complying with the requirements of Special Supervision.

In 2012 the Association acquired property as a result of a loan settlement agreement. During the second quarter of 2012, a contracted appraisal of the property established an appraised value of $820,000. The net realizable value of the property was determined to be $675,600 after netting estimated selling expense against the appraised value. The carrying value of the property was $3,106,950 based upon previous appraisals. The appraisal resulted in setting up a provision for loss on other property owned and allowance for loss on other property owned of $2,431,350 in the second quarter of 2012. An additional provision for loss of $153,600 was recorded on the property in the third quarter of 2013 based on NRV of the appraised value. In 2015 an additional property was added to the Association's acquired property. The property added to acquired property in the second quarter of 2015 transferred by a deed in lieu of foreclosure. The Association book value is $71,250 on this additional property with collateral value of $85,000. There were three acquired properties at December 31, 2015, all of which were real estate.

In 2015, 2014 and 2013, the Association participated in $10.3 million, $13.0 million and $10.9 million respectively, of loans originated by the Association to the Farm Credit Bank of Texas Capitalized Participation Pool (CPP). The Association maintains a minimum of 20 percent interest in the loans participated. The capitalization requirement stipulates that 8 percent of the loan's par value be invested in Bank stock. This requirement results in a net investment of 6 percent since a 2 percent investment in Bank stock based upon each association's average direct note balance is already required. The Association received patronage payments relating to its participation in the CPP loans totaling $297,891, $379,258 and $321,559 at December 31, 2015, 2014 and 2013, respectively. The patronage received by the Association was equal to the interest rate of the loans less cost of funds, provision for loan loss and insurance premiums which approximate the net income earned on loans retained in the Association's loan portfolio.

Also, in 2014, the Farm Credit Bank of Texas (FCBT or the Bank) purchased Ag New Mexico's securitized Farmer Mac Agricultural Mortgage Backed Securities (AMBS) Investments of $9.1 million.

Net loans increased (decreased) for the years ended 2015, 2014 and 2013 by $16,524, $9,453 and ($2,440), respectively. The increase between 2015 and 2014 was approximately 66 percent PCA loans with 34 percent FLCA loans.

During 2015 four additional staff members were added due to an increase in loan activity. During 2015 loans increased by $16.5 million, or 9.6 percent when compared to 2014.

Over a period of years, the Farm Credit Bank of Texas (FCBT or Bank) performed the following services for the benefit of Ag New Mexico Farm Credit Services, ACA (Association), which constituted a transfer of capital under the Farm Credit Administration (FCA) regulation 615.5171 (a)(1).

First, during the period from December of 2012 through the first two months of 2014, the Bank assigned a Bank employee to act as an Accounting Function Advisor to the Association's accounting staff to assist them with accounting issues, at the request of the Association. The Accounting Function Advisor services provided to the Association constituted a preferential transfer of capital. The assignment resulted from the Association experiencing considerable turnover in senior management, lending and operations staff between January 2010 and November 2012. During the period from December of 2012 through the first two months of 2014, the cost to the Bank for the Accounting Function Advisor and other accounting services devoted to the Association was approximately $112,415. Of this amount, $5,965 related to the year 2012, $86,324 related to the year 2013 and $20,125 related to the year 2014. In the third quarter of 2011 and the second half of 2012, Bank accounting staff also performed services for Ag New Mexico Farm Credit Services, ACA relating to the accounting treatment of the Association's deferred tax asset representing approximately $44,740 of cost to the Bank, of which $20,879 was incurred in 2011 and $23,861 was incurred in 2012. The Association employed a chief financial officer in March 2014, and is no longer utilizing the Bank's accounting services to the same degree as it did in the period from December 2012 through February 2014. The Bank's present and future accounting services to the Association do not and are not anticipated to involve a preferential transfer of capital.

Second, the Bank entered into an agreement with Ag New Mexico, Farm Credit Services, ACA in 2005 whereby FCBT agreed to hire up to two commercial lending calling officers to market loans and related services to high quality prospects in the state of New Mexico, and the Association in turn agreed to participate to FCBT any interest in such loans that the Association made but elected not to retain. Under this agreement, the calling officer would be a Bank employee who would have no loan approval authority, but who would be authorized only to market and structure loans for presentation to the Association for approval. Ag New Mexico, Farm Credit Services, ACA would make the credit decision whether or not to make the loans as well as service them. The agreement was deemed to constitute a preferential transfer of capital. Since the Calling Officer program was first implemented in late 2005, the FCBT's total cost of providing the Calling Officer has totaled $2,029,156 over an eight-year period. For the years 2012, 2013 and 2014, the costs amounted to $224,865, $232,377 and $341,862, respectively. FCBT terminated that arrangement with Ag New Mexico as of September 30, 2014, and entered into a new arrangement. After September 30, 2014, the individual who performed the calling officer services as a Bank employee became an employee of Ag New Mexico, Farm Credit Services, ACA. FCBT has agreed with the Association that the Bank will reimburse the Association for the calling officer's salary and benefits up to a maximum of $150,000 per year plus the allocable cost of benefits under the Association's benefits programs up to a maximum of $50,000 per year for a period of up to two years after the individual becomes an Association employee. This could amount to a total additional cost of approximately $400,000.

For more than 82 years, the Association has continued to provide its members with quality financial services. The board of directors and management remain committed to maintaining the financial integrity of the Association while offering competitive loan products that meet the financial needs of agricultural producers.

Loan Portfolio:

The Association makes and services loans to farmers, ranchers, rural homeowners and certain farm-related businesses. The Association's loan volume consists of long-term farm mortgage loans, production and intermediate-term loans, and farm-related business loans. These loan products are available to eligible borrowers with competitive variable, fixed, adjustable, LIBOR-based and prime-based interest rates. Loan maturities range from one to 40 years, with annual operating loans comprising the majority of the commercial loans and 20- to 30-year maturities comprising the majority of the mortgage loans. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with the seasonal cash-flow capabilities of the borrower.

The composition of the Association's loan portfolio, including principal less funds held of $191,192,154, $174,461,327 and $165,033,188 as of December 31, 2015, 2014 and 2013, respectively, is described more fully in detailed tables in Note 4 to the consolidated financial statements, "Loans and Allowance for Loan Losses," included in this annual report.

Purchase and Sales of Loans:

During 2015, 2014 and 2013, the Association was participating in loans with other lenders. As of December 31, 2015, 2014 and 2013, these participations totaled $67,130,407, $57,136,636 and $57,824,719, or 35.1 percent, 32.8 percent and 35.0 percent of loans, respectively. Included in these amounts are participations purchased from entities outside the district of $1,125,404, $1,318,464 and $0, or 0.59 percent, 0.75 percent and 0.0 percent of loans, respectively. The Association has also sold participations of $45,700,516, $49,456,334 and $44,226,220 as of December 31, 2015, 2014 and 2013, respectively.

In 2014, the Farm Credit Bank of Texas (the Bank) purchased Ag New Mexico's securitized Farmer Mac Agricultural Mortgage Backed Securities (AMBS) Investments. The purchase of $9.1 million included outstanding principal and accrued interest as of that date. There was no gain or loss recognized with the sale of AMBS.

Risk Exposure:

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned, net.

The following table illustrates the Association's components and trends of high-risk assets serviced for the prior three years as of December 31:

	2015		2014		2013	
	Amount	**%**	Amount	%	Amount	%
Nonaccrual	**$ 1,677,696**	**49.2%**	$ 2,169,420	56.2%	$ 4,230,564	85.9%
90 days past due and still accruing interest	**-**	**0.0%**	-	0.0%	-	0.0%
Formally restructured	**1,014,808**	**29.8%**	1,046,665	27.1%	-	0.0%
Other property owned, net	**717,330**	**21.0%**	646,080	16.7%	695,671	14.1%
Total	**$ 3,409,834**	**100.0%**	$ 3,862,165	100.0%	$ 4,926,235	100.0%

At December 31, 2015, 2014 and 2013, loans that were considered impaired were $2,270,357, $3,216,085 and $4,230,564, representing 1.4 percent, 1.8 percent and 2.6 percent of loan volume, respectively. Impaired loans consist of all high-risk assets except other property owned, net.

Included in the nonaccrual loans listed above is $673,234 related to a defaulted loan relationship which is carrying a total specific allowance of $656,875. The balance of $673,234 includes approximately $656,875 of receivables recognized which are related to reimbursable external legal expenses in accordance with the borrower loan agreement.

Other property owned consisted of three properties at December 31, 2015, all of which are real estate properties. The net carrying value of the property as of December 31, 2015, is equivalent to its fair value of $717,330.

At December 31, 2015, the Association had loan commitments to ten borrowers with the largest loan commitments totaling $28,787,902, representing 15.1 percent of total loan volume. The largest loan commitment to a single borrower was $3,091,315, or 1.6 percent, of total loan volume.

Except for the relationship between installment due date and seasonal cash-flow capabilities of the borrower, the Association is not affected by any seasonal characteristics. The factors affecting the operations of the Association are the same factors that would affect any agricultural real estate lender.

To help mitigate and diversify credit risk, the Association has employed practices including securitization of loans, obtaining credit guarantees and engaging in loan participations.

Allowance for Loan Losses:

The following table provides relevant information regarding the allowance for loan losses as of, or for the year ended, December 31:

	2015	2014	2013
Allowance for loan losses	**$ 1,098,182**	$ 891,318	$ 915,778
Allowance for loan losses to total loans	**0.6%**	0.5%	0.6%
Allowance for loan losses to nonaccrual loans	**65.5%**	41.1%	21.6%
Allowance for loan losses to impaired loans	**40.8%**	27.7%	21.6%
Net charge-offs to average loans	**0.0%**	0.0%	-0.3%

The allowance for loan losses is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions and economic conditions, and prior loan loss experience. Management considers the following factors in determining and supporting the level of allowance for loan losses: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences. The general allowance is derived from risk drivers applied to risk-rated loans with a supplemental allowance for loans based on stress testing.

Based upon ongoing risk assessment and the allowance for loan losses procedures outlined above, the allowance for loan losses of $1,098,182, $891,318 and $915,778 at December 31, 2015, 2014 and 2013, respectively, is considered adequate by management to compensate for inherent losses in the loan portfolio at such dates. The allowance report is prepared on a quarterly basis, however, individual adjustments are considered on an "as needed" basis if prior to quarter end. Each quarterly allowance report includes a detailed discussion of its adequacy and reasons thereof. Each report is prepared by management and final approval given by the Association's audit committee and board. As detailed in the report, various factors are considered and management approval is documented that the allowance is believed to be materially adequate.

Results of Operations:

The Association's net income for the year ended December 31, 2015, was $1,941,146 as compared to $1,981,221 for the year ended December 31, 2014, reflecting a decrease of $40,075, or 2.0 percent. The Association's net income for the year ended December 31, 2013, was $2,893,136. Net income decreased $911,914, or 31.5 percent, in 2014 versus 2013.

Net interest income for 2015, 2014 and 2013 was $4,731,344, $4,584,017 and $4,722,009, respectively, reflecting an increase of $147,327, or 3.2 percent, for 2015 versus 2014 and a decrease of $137,992, or 2.9 percent, for 2014 versus 2013. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following tables:

	2015		2014		2013	
	Average Balance	**Interest**	Average Balance	Interest	Average Balance	Interest
Loans	**$ 173,859,861**	**$ 7,062,536**	$166,866,604	$ 6,654,614	$165,171,832	$ 6,512,640
Investments	**-**	**-**	2,260,700	104,286	10,545,322	461,307
Total interest-earning assets	**173,859,861**	**7,062,536**	169,127,304	6,758,900	175,717,154	6,973,947
Interest-bearing liabilities	**147,365,401**	**2,331,192**	144,836,989	2,174,883	154,916,020	2,251,938
Impact of capital	**$ 26,494,460**		$ 24,290,315		$ 20,801,134	
Net interest income		**$ 4,731,344**		$ 4,584,017		$ 4,722,009

	2015	2014	2013
	Average Yield	Average Yield	Average Yield
Yield on loans	**4.06%**	3.99%	3.94%
Yield on investments	**0.00%**	4.61%	4.37%
Total yield on interest-earning assets	**4.06%**	4.00%	3.97%
Cost of interest-bearing liabilities	**1.58%**	1.50%	1.45%
Interest rate spread	**2.48%**	2.50%	2.52%

	2015 vs. 2014			2014 vs. 2013		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	Rate	Total	Volume	Rate	Total
Interest income - loans	$ 278,891	$ 129,031	$ 407,922	$ 66,823	$ 75,151	$ 141,974
Interest income - investments	(104,286)	0	(104,286)	(362,411)	5,390	(357,021)
Total interest income	174,605	129,031	303,636	(295,588)	80,541	(215,047)
Interest expense	37,967	118,342	156,309	(146,519)	69,464	(77,055)
Net interest income	$ 136,638	$ 10,689	$ 147,327	$ (149,069)	$ 11,077	$ (137,992)

Interest income for 2015 increased by $303,636, or 4.5 percent, compared to 2014, due to an increase in yield on loans as well as an increase in loan balances. Interest expense for 2015 increased by $156,309, or 7.2 percent, compared to 2014 due to an increase in rate between 2014 and 2015. The interest rate spread decreased by 2 basis points to 2.48 percent in 2015 from 2.50 percent in 2014, primarily because of an increase in the cost of funds.

Total noninterest income for 2015 increased by $203,615, or 14.2 percent, compared to 2014, due to increased activity related to patronage income and loan fees. Total noninterest income for 2014 decreased by $412,553, or 22.3 percent, compared to 2013, due primarily to a decrease in gains on other property owned.

Provisions for loan losses increased by $150,641, or 371.82 percent, compared to 2014, due primarily to an increase in specific reserves related to expenses incurred.

Operating expenses consist primarily of salaries, employee benefits and purchased services. Expenses for purchased services may include administrative services, marketing, information systems, accounting and loan processing, among others. Authoritative accounting guidance requiring the capitalization and amortization of loan origination fees and costs resulted in the capitalization of $153,182, $100,766 and $86,266 for 2015, 2014 and 2013, respectively, in origination costs, which will be amortized over the average life of the loans as an adjustment to yield in net interest income. The capitalized costs consisted of salaries and benefits related to the origination of loans. The $374,441 increase in operating expenses included an increase of $10,910 in premiums to the Insurance Fund, resulting from an increase in the premium rates from 12 basis points in 2014 to 13 basis points in 2015.

For the year ended December 31, 2015, the Association's return on average assets was 1.1 percent, as compared to 1.1 percent and 1.5 percent for the years ended December 31, 2014 and 2013, respectively. For the year ended December 31, 2015, the Association's return on average members' equity was 5.7 percent, as compared to 6.1 percent and 9.5 percent for the years ended December 31, 2014 and 2013, respectively.

Because the Association depends on the Bank for funding, any significant positive or negative factors affecting the operations of the Bank may have an effect on the operations of the Association.

Liquidity and Funding Sources:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process.

The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $163,466,735, $149,130,598 and $150,409,512 as of December 31, 2015, 2014 and 2013, respectively, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 1.42 percent, 1.37 percent and 1.31 percent at December 31, 2015, 2014 and 2013, respectively. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by a general financing agreement. The increase in note payable to the Bank and related accrued interest payable since December 31, 2014, is due to growth in the loan portfolio. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $27,639,199, $25,735,098 and $23,966,467 at December 31, 2015, 2014 and 2013, respectively. The maximum amount the Association may borrow from the Bank as of December 31, 2015, was $190,719,939 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2016, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The liquidity policy of the Association is to manage cash balances, to maximize debt reduction and to increase accrual loan volume. This policy will continue to be pursued during 2016. As borrower payments are received, they are applied to the Association's note payable to the Bank.

The Association will continue to fund its operations through direct borrowings from the Bank, capital surplus from prior years and borrower stock. It is management's opinion that funds available to the Association are sufficient to fund its operations for the coming year.

Over a period of years, the Farm Credit Bank of Texas (FCBT or the Bank) performed the following services for the benefit of Ag New Mexico, Farm Credit Services, ACA (Association) which constituted a transfer of capital under the Farm Credit Administration (FCA) regulation 615.5171 (a)(1).

First, during the period from December of 2012 through the first two months of 2014, the Bank assigned a Bank employee to act as an Accounting Function Advisor to the Association's accounting staff to assist them with accounting issues, at the request of the Association. The Accounting Function Advisor services provided to the Association constituted a preferential transfer of capital. The assignment resulted from the Association experiencing considerable turnover in senior management, lending and operations staff between January 2010 and November 2012. During the period from December of 2012 through the first two months of 2014, the cost to the Bank for the Accounting Function Advisor and other accounting services devoted to the Association was approximately $112,415. Of this amount, $5,965 related to the year 2012, $86,324 related to the year 2013 and $20,125 related to the year 2014. In the third quarter of 2011 and the second half of 2012, Bank accounting staff also performed services for Ag New Mexico Farm Credit Services, ACA relating to the accounting treatment of the Association's deferred tax asset representing approximately $44,740 of cost to the Bank, of which $20,879 was incurred in 2011 and $23,861 was incurred in 2012. The Association employed a chief financial officer in March 2014, and is no longer utilizing the Bank's accounting services to the same degree as it did in the period from December 2012 through February 2014. The Bank's present and future accounting services to the Association do not and are not anticipated to involve a preferential transfer of capital.

Second, the Bank entered into an agreement with Ag New Mexico, Farm Credit Services, ACA in 2005 whereby FCBT agreed to hire up to two commercial lending calling officers to market loans and related services to high quality prospects in the state of New Mexico, and the Association in turn agreed to participate to FCBT any interest in such loans that the Association made but elected not to retain. Under this agreement, the calling officer would be a Bank employee who would have no loan approval authority, but who would be authorized only to market and structure loans for presentation to the Association for approval. Ag New Mexico, Farm Credit Services, ACA would make the credit decision whether or not to make the loans as well as service them. The agreement was deemed to constitute a preferential transfer of capital. Since the calling officer program was first implemented in late 2005, the FCBT's total cost of providing the calling officer has totaled $2,020,156 over an eight-year period. For the years 2012, 2013 and 2014, the costs amounted to $224,865, $232,377 and $341,862, respectively. FCBT terminated that arrangement with Ag New Mexico as of September 30, 2014, and entered into a new arrangement. After September 30, 2014, the individual who performed the calling officer services as a Bank employee became an employee of Ag New Mexico, Farm Credit Services, ACA. FCBT has agreed with the Association that the Bank will reimburse the Association for the calling officer's salary and benefits up to a maximum of $150,000 per year plus the allocable cost of benefits under the Association's benefits programs up to a maximum of $50,000 per year for a period of up to two years after the individual becomes an Association employee. This could amount to a total additional cost of approximately $400,000.

Capital Resources:

The Association's capital position remains strong, with total members' equity of $35,122,374, $33,129,069 and $32,067,355 at December 31, 2015, 2014 and 2013, respectively. Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-adjusted assets as defined by the FCA. The permanent capital ratio measures available at-risk capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio is an indicator of the institution's financial capacity to absorb potential losses beyond that provided in the allowance for loss accounts. The Association's permanent capital ratio at December 31, 2015, 2014 and 2013 was 15.8 percent, 15.7 percent and 14.6 percent, respectively. The core surplus ratio measures available core surplus capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio is an indicator of the quality of capital that exists to maintain stable earnings and financial strength. The Association's core surplus ratio at December 31, 2015, 2014 and 2013 was 15.6 percent, 15.5 percent and 14.4 percent, respectively, which is in compliance with the FCA's minimum ratio requirement of 3.5 percent. The total surplus ratio measures available surplus capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio is an indicator of the reserves existing to protect borrowers' investments in the Association. The Association's total surplus ratio at December 31, 2015, 2014 and 2013 was 15.5 percent, 15.5 percent and 14.4 percent, respectively, which is in compliance with the FCA's minimum ratio requirement of 7.0 percent.

In 2014 and 2013, the Association declared patronage of $350,000 and $360,000, respectively. See Note 10 to the consolidated financial statement, "Members' Equity," included in this annual report, for further information.

Regulatory Matters:

Supervisory Agreement

The Association and its regulator, Farm Credit Administration ("FCA"), entered into a Supervisory Agreement (the "Supervisory Agreement") effective March 20, 2012, that, among other things, placed additional reporting requirements on the Association and required the board to take certain other actions. The Supervisory Agreement superseded that certain Supervisory Agreement with the FCA dated January 20, 2010, and the FCA Supervisory Letters dated June 25, 2009, November 13, 2009 and December 13, 2011. The Supervisory Agreement required that the board take certain corrective and precautionary measures with respect to some of the Association's practices, including board governance and operation, director fiduciary duties, nominating committee procedures, board policies, board business planning, the CEO position and human capital development, policies and procedures regarding loan participations, management reporting, disclosure obligations and establishment of a compliance committee. In addition, the Supervisory Agreement prohibited the Association from distributing patronage or dividends from past, present or future earnings without prior FCA consent. The conditions and events that led to the need for the Supervisory Agreement included portfolio credit quality deterioration, weaknesses in board governance, loan portfolio management, participations purchased and perceived weakness with respect to certain internal controls.

On November 16, 2015, the FCA terminated the Supervisory Agreement and placed the Association under Special Supervision, which is a reduced level of supervision from a Supervisory Agreement, but is heightened over normal supervision. As a condition to termination of the Supervisory Agreement, the board addressed certain weaknesses identified by the FCA as yet to be fully resolved in 2016. These include director fiduciary duties and governance, risk assessment and audit plan, borrower concentration and collateral risk, nominating committee procedures, business planning, the CEO position and human capital development, management reporting, credit administration and related staff training, borrower rights and consumer compliance, allowance for loan loss and earnings. In addition, the requirements of Special Supervision continue to prohibit the Association from distributing patronage or dividends from past, present or future earnings without prior FCA consent if any of the following conditions exist, or will result in the Association's Permanent Capital being less than 15 percent; cause the Association's Core Surplus, Permanent Capital, or Total Capital ratios to decline more than 1 percent; or result in a Return on Assets ratio of less than 1 percent using a rolling 12-month average. Although the Association has made progress on these items, the following corrective actions are also being taken to address certain weaknesses noted by FCA:

- Continue to maintain a compliance committee to monitor management's progress with the corrective actions identified in the Supervisory Letter as well as any other audits identifying necessary corrective actions;
- Develop a corrective action plan to correct any remaining weaknesses identified by FCA in the Supervisory Letter prior to June 30, 2016;
- Annual review by a third-party of the Association's actions in response to all audits, reviews and the Supervisory Letter; and
- Continue to engage an outside consultant to provide the board advice with respect to understanding and fulfilling its fiduciary responsibilities and to perform other advisory functions as specified in the Supervisory Letter.

The Association's board and senior management are committed to continuing the administration of the Association in a safe and sound manner, compliant with all regulations of the FCA, and remain dedicated to meeting their obligation in complying with the requirements of Special Supervision.

Other Regulatory Matters

On September 4, 2014, the Farm Credit Administration published 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 the 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 Act.

The initial public comment period ended on February 16, 2015 and was reopened from June 26 to July 10, 2015. A final rule is expected in the first quarter of 2016, which is expected to become effective for 2017.

Relationship with the Bank:

The Association's statutory obligation to borrow only from the Bank is discussed in Note 9 to the consolidated financial statements, "Note Payable to the Bank," included in this annual report.

The Bank's ability to access capital of the Association is discussed in Note 2 to the consolidated financial statements, "Summary of Significant Accounting Policies," included in this annual report, within the section "Capital Stock Investment in the Bank."

The Bank's role in mitigating the Association's exposure to interest rate risk is described in the section "Liquidity and Funding Sources" of Management's Discussion and Analysis and in Note 9 to the consolidated financial statements, "Note Payable to the Bank," included in this annual report.

The Bank provides computer systems to support the critical operations of all district associations. In addition, each association has operating systems and facility-based systems that are not supported by the Bank. As disclosed in Note 13 to the consolidated financial statements, "Related Party Transactions," included in this annual report, the Bank provides many services that the Association can utilize, such as administrative, marketing, information systems and accounting services. Additionally, the Bank bills district expenses to the associations, such as the Farm Credit System Insurance Corporation insurance premiums.

Summary:

Over the past 82 years, regardless of the state of the agricultural economy, your Association's board of directors and management, as well as the board of directors and management of the Bank, have been committed to offering their borrowers a ready source of financing at a competitive price. Your continued support will be critical to the success of this Association.

Independent Auditor's Report

To the Board of Directors of Ag New Mexico Farm Credit Services, ACA:

We have audited the accompanying consolidated financial statements of Ag New Mexico Farm Credit Services, ACA and its subsidiaries (the Association), which comprise the consolidated balance sheets as of December 31, 2015, 2014 and 2013, and the related consolidated statements of comprehensive income, of changes in members' equity and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Association's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ag New Mexico Farm Credit Services, ACA and its subsidiaries as of December 31, 2015, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 15, 2016

PricewaterhouseCoopers LLP, 300 West 6th Street, Suite 1800, Austin, Texas 78701
T: (512) 477-1300, F: (512) 477-8681, www.pwc.com/us

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED BALANCE SHEET

	December 31,		
	2015	2014	2013
Assets			
Cash	**$ 103,286**	$ 104,320	$ 156,191
Investments	**-**	-	9,333,112
Loans	**191,192,154**	174,461,327	165,033,188
Less: allowance for loan losses	**1,098,182**	891,318	915,778
Net loans	**190,093,972**	173,570,009	164,117,410
Accrued interest receivable	**1,912,084**	1,739,390	1,706,349
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	**3,909,090**	4,084,740	3,995,410
Other	**404,575**	365,210	278,486
Deferred taxes, net	**460,714**	637,113	878,369
Other property owned, net	**717,330**	646,080	695,671
Premises and equipment	**3,069,177**	3,095,151	3,127,472
Other assets	**524,715**	343,876	189,950
Total assets	**$ 201,194,943**	$ 184,585,889	$ 184,478,420
Liabilities			
Note payable to the Farm Credit Bank of Texas	**$ 163,466,735**	$ 149,130,598	$ 150,409,512
Advance conditional payments	**388,022**	-	269,678
Accrued interest payable	**219,390**	193,891	193,219
Drafts outstanding	**166,124**	57,782	132,610
Patronage distributions payable	**-**	350,049	-
Other liabilities	**1,832,298**	1,724,500	1,406,046
Total liabilities	**166,072,569**	151,456,820	152,411,065
Members' Equity			
Capital stock and participation certificates	**354,975**	328,290	301,170
Unallocated retained earnings	**35,120,525**	33,179,163	31,906,873
Accumulated other comprehensive loss	**(353,126)**	(378,384)	(140,688)
Total members' equity	**35,122,374**	33,129,069	32,067,355
Total liabilities and members' equity	**$ 201,194,943**	$ 184,585,889	$ 184,478,420

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

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2015	2014	2013
Interest Income			
Loans	**$ 7,062,536**	$ 6,654,614	$ 6,512,640
Investments	**-**	104,286	461,307
Total interest income	**7,062,536**	6,758,900	6,973,947
Interest Expense			
Note payable to the Farm Credit Bank of Texas	**2,331,192**	2,174,883	2,251,938
Net interest income	**4,731,344**	4,584,017	4,722,009
Provision for Loan Losses (Loan Loss Reversal)	**191,155**	40,514	(432,164)
Net interest income after provision for losses	**4,540,189**	4,543,503	5,154,173
Noninterest Income			
Income from the Farm Credit Bank of Texas:			
Patronage income	**1,339,374**	1,294,268	1,183,389
Loan fees	**198,451**	37,302	21,980
Financially related services income	**1,834**	11,369	27,602
(Loss) gain on other property owned, net	**(8,863)**	(4,448)	364,982
Gain on sale of premises and equipment, net	**5,139**	32,004	50,800
Other noninterest income	**101,147**	62,972	197,267
Total noninterest income	**1,637,082**	1,433,467	1,846,020
Noninterest Expenses			
Salaries and employee benefits	**2,437,643**	2,136,963	2,097,024
Directors' expense	**186,818**	191,040	213,996
Purchased services	**249,241**	142,917	185,166
Travel	**189,722**	196,617	186,624
Occupancy and equipment	**332,886**	303,139	277,329
Communications	**27,609**	29,068	26,687
Advertising	**31,604**	36,984	45,183
Public and member relations	**80,785**	94,042	76,540
Supervisory and exam expense	**139,377**	176,660	166,687
Insurance Fund premiums	**217,843**	228,753	237,881
Provision for losses on other property owned	**-**	49,591	153,600
Other noninterest expense	**170,750**	170,913	210,299
Total noninterest expenses	**4,064,278**	3,756,687	3,877,016
Income before income taxes	**2,112,993**	2,220,283	3,123,177
Provision for income taxes	**171,847**	239,062	230,041
NET INCOME	**1,941,146**	1,981,221	2,893,136
Other comprehensive income:			
Change in postretirement benefit plans	**25,258**	(237,696)	228,498
COMPREHENSIVE INCOME	**$ 1,966,404**	$ 1,743,525	$ 3,121,634

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

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2012	$ 311,950	$ 29,013,737	$ (369,186)	$ 28,956,501
Net income	-	2,893,136	-	2,893,136
Other comprehensive income	-	-	228,498	228,498
Comprehensive income	-	2,893,136	228,498	3,121,634
Capital stock/participation certificates issued	14,830	-	-	14,830
Capital stock/participation certificates and allocated retained earnings retired	(25,610)	-	-	(25,610)
Balance at December 31, 2013	301,170	31,906,873	(140,688)	32,067,355
Net income	-	1,981,221	-	1,981,221
Other comprehensive income	-	-	(237,696)	(237,696)
Comprehensive income	-	1,981,221	(237,696)	1,743,525
Capital stock/participation certificates issued	57,960	-	-	57,960
Capital stock/participation certificates and allocated retained earnings retired	(30,840)	-	-	(30,840)
Patronage declared	-	(350,000)	-	(350,000)
Patronage dividends:				
Cash	-	(358,932)	-	(358,932)
Balance at December 31, 2014	328,290	33,179,163	(378,384)	33,129,069
Net income	-	1,941,146	-	1,941,146
Other comprehensive income	-	-	25,258	25,258
Comprehensive income	-	1,941,146	25,258	1,966,404
Capital stock/participation certificates issued	63,975	-	-	63,975
Capital stock/participation certificates	(37,290)	-	-	(37,290)
Patronage declared	-	-	-	-
Capital stock/participation certificates and allocated retained earnings	-	215	-	215
Balance at December 31, 2015	**$ 354,975**	**$ 35,120,525**	**$ (353,126)**	**$ 35,122,374**

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

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net income	**$ 1,941,146**	$ 1,981,222	$ 2,893,136
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses or (loan loss reversal)	**191,155**	40,514	(432,164)
Loss (gain) on sale of other property owned, net	**-**	49,282	(211,382)
Depreciation	**127,346**	167,283	230,959
Gain on sale of premises and equipment, net	**(5,139)**	(32,004)	(50,800)
(Increase) decrease in accrued interest receivable	**(172,694)**	(33,041)	10,789
(Increase) decrease in other receivables from the Farm Credit Bank of Texas	**(39,365)**	(86,724)	235,284
Decrease in deferred tax assets	**176,399**	241,269	209,841
(Increase) decrease in other assets	**(180,622)**	(153,926)	3,873,735
Increase (decrease) in accrued interest payable	**25,499**	672	(11,498)
Increase in other liabilities	**133,259**	24,453	249,428
Net cash provided by operating activities	**2,196,984**	2,199,000	6,997,328
Cash flows from investing activities:			
(Increase) decrease in loans, net	**(16,772,998)**	(9,458,999)	2,374,675
Cash recoveries of loans previously charged off	**-**	-	477,567
Proceeds from redemption (purchase) of invesment in the Farm Credit Bank of Texas	**175,650**	(89,330)	635,630
Investment securities held-to-maturity			
Proceeds from sales	**-**	9,333,112	1,822,538
Purchases of premises and equipment	**(118,901)**	(112,785)	(87,710)
Proceeds from sales of premises and equipment	**9,298**	32,005	50,800
Proceeds from sales of other property owned	**-**	309	469,105
Net cash (used in) provided by investing activities	**(16,706,951)**	(295,688)	5,742,605

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

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2015	2014	2013
Cash flows from financing activities:			
Net draws on (repayment of) note payable to the Farm Credit Bank of Texas	**$ 14,336,137.00**	(1,278,914)	(12,926,373)
Increase (decrease) in drafts outstanding	**108,341**	(74,828)	93,071
Increase (decrease) in advance conditional payments	**388,022**	(269,678)	53,297
Issuance of capital stock and participation certificates	**63,975**	57,960	14,830
Retirement of capital stock and participation certificates	**(37,290)**	(30,840)	(25,610)
Cash dividends paid	**-**	-	-
Patronage distributions paid	**(350,252)**	(358,883)	-
Net cash provided by (used in) financing activities	**14,508,933**	(1,955,183)	(12,790,785)
Net decrease in cash	**(1,034)**	(51,871)	(50,852)
Cash at the beginning of the year	**104,320**	156,191	207,043
Cash at the end of the year	**$ 103,286**	$ 104,320	$ 156,191
Supplemental schedule of noncash investing and financing activities:			
Loans transferred to other property owned	**71,250**	-	-
Loans charged off	**-**	8,682	-
Patronage distributions declared	**-**	350,000	360,000
Transfer of allowance for loan losses from (into) reserve for unfunded commitments	**-**	56,292	-
Supplemental cash information:			
Cash paid during the year for:			
Interest	**$ 2,305,693**	$ 2,174,211	$ 2,263,436
Income taxes	**2,200**	-	-

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND OPERATIONS:

A. Organization: Ag New Mexico, Farm Credit Services, ACA, including its wholly-owned subsidiaries, Ag New Mexico, Farm Credit Services, PCA and Ag New Mexico, Farm Credit Services, FLCA (collectively called "the Association"), is a member-owned cooperative which provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders for qualified agricultural purposes in all counties in the state of New Mexico with the exception of San Juan County and that portion of Rio Arriba County lying west of the Continental Divide. The PCA and FLCA subsidiaries are authorized to operate in Cochran County, Texas. In addition, the Association and Farm Credit Services of New Mexico, ACA have entered into an agreement that allows the Association to make mortgage loans in New Mexico, on a statewide basis, without obtaining territorial approval.

The Association is a lending institution of the Farm Credit System (system), a nationwide system of cooperatively owned banks and associations that was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act). At December 31, 2015, the system consisted of three Farm Credit Banks (FCBs) and their affiliated associations, one Agricultural Credit Bank (ACB) and its affiliated associations, the Federal Farm Credit Banks Funding Corporation (Funding Corporation) and various service and other organizations.

The Farm Credit Bank of Texas (Bank) and its related associations are collectively referred to as the "district." The Bank provides funding to all associations within the district and is responsible for supervising certain activities of the district associations. At December 31, 2015, the district consisted of the Bank, one FLCA and 13 ACA parent companies, which have two wholly-owned subsidiaries, an FLCA and a PCA, operating in or servicing the states of Alabama, Louisiana, Mississippi, New Mexico and Texas. ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the system banks and associations. The FCA examines the activities of system associations to ensure their compliance with the Farm Credit Act, FCA regulations, and safe and sound banking practices.

The Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on system wide debt obligations, (2) to ensure the retirement of protected borrower capital at par or stated value and (3) for other specified purposes. The Insurance Fund is also available for the discretionary uses by the FCSIC of providing assistance to certain troubled system institutions and to cover the operating expenses of the FCSIC. Each system bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the "secure base amount," which is defined in the Farm Credit Act as 2.0 percent of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or other such percentage of the aggregate obligations as the Insurance Corporation in its sole discretion determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the FCSIC is required to reduce premiums as necessary to maintain the Insurance Fund at the 2 percent level. As required by the Farm Credit Act, as amended, the FCSIC may return excess funds above the secure base amount to system institutions.

FCA regulations require borrower information to be held in strict confidence by Farm Credit institutions, their directors, officers and employees. Directors and employees of the Farm Credit institutions are prohibited, except under specified circumstances, from disclosing nonpublic personal information about members.

B. Operations: The Act sets forth the types of authorized lending activity, persons eligible to borrow and financial services that can be offered by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents and farm-related businesses. The Association makes and services short- and intermediate-term loans for agricultural production or operating purposes, and secured long-term real estate mortgage loans, with funding from the Bank.

The Association also serves as an intermediary in offering credit life.

The Association's financial condition may be affected by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect stockholders' investments in the Association. Upon request, stockholders of the Association will be provided with the Farm Credit Bank of Texas and district associations' Annual Report to Stockholders, which includes the combined financial statements of the Bank and all of the district associations. The district's annual report discusses the material aspects of the financial condition, changes in financial condition, and results of operations for the Bank and the district. In addition, the district's annual report identifies favorable and unfavorable trends, significant events, uncertainties and the impact of activities of the Insurance Fund.

The lending and financial services offered by the Bank are described in Note 1, "Organization and Operations," of the district's annual report to stockholders.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting and reporting policies of the Association conform to accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates are discussed in these footnotes, as applicable. Actual results could differ from those estimates. The consolidated financial statements include the accounts of Ag New Mexico, Farm Credit Services, PCA and Ag New Mexico, Farm Credit Services, FLCA. All significant intercompany transactions have been eliminated in consolidation.

A. Recently Issued or Adopted Accounting Pronouncements:

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance entitled "Leases." The guidance requires the recognition by lessees of lease assets and lease liabilities on the balance sheet for the rights and obligations created by those leases. Leases with lease terms of more than 12 months are impacted by this guidance. This guidance becomes effective for interim and annual periods beginning after December 15, 2018, with early application permitted. The Association will evaluate the impact of adoption on the Association's financial condition and its results of operations.

In January 2016, the Financial Accounting Standards Board (FASB) issued guidance entitled "Recognition and Measurement of Financial Assets and Liabilities." This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance is not expected to impact the Association's financial condition or its results of operations.

In August 2014, the FASB issued guidance entitled "Presentation of Financial Statements — Going Concern." The guidance governs management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. This guidance requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year after the date the financial statements are issued or within one year after the financial statements are available to be issued, when applicable. Substantial doubt exists if it is probable that the entity will be unable to meet its obligations for the assessed period. This guidance becomes effective for interim and annual periods ending after December 15, 2016, and early application is permitted. Management will be required to make its initial assessment as of December 31, 2016.

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 our contracts would be excluded from the scope of this new guidance. In August 2015, the FASB issued an update that defers this guidance by one year, which results in the new revenue standard becoming effective for interim and annual reporting periods beginning after December 15, 2017. The Association is in the process of reviewing contracts to determine the effect, if any, on their financial condition or results of operations.

B. Cash: Cash, as included in the statement of cash flows, represents cash on hand and on deposit at local banks.

C. Investments: The Association's investments included mortgage-backed securities issued by Federal Agricultural Mortgage Corporation (Farmer Mac) which the Association has the intent and ability to hold to maturity and which are consequently classified as held to maturity. Held-to-maturity investments are carried at cost, adjusted for the amortization of premiums and accretion of discounts. Changes in the fair value of these investments are not recorded unless the investment is deemed to be other-than-temporarily impaired. Impairment is considered to be other than temporary if the present value of cash flows expected to be collected from the debt security is less than the amortized cost basis of the security (any such shortfall is referred to as a "credit loss"). If an entity intends to sell an impaired debt security or is more likely than not to be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the impairment is other than temporary and should be recognized currently in earnings in an amount equal to the entire difference between fair value and amortized cost. If a credit loss exists, but an entity does not intend to sell the impaired debt security and is not more likely than not to be required to sell before recovery, the impairment is other than temporary and should be separated into (i) the estimated amount relating to credit loss and (ii) the amount relating to all other factors. Only the estimated credit loss amount is recognized currently in earnings, with the remainder of the loss amount recognized in other comprehensive income.

   Gains and losses on the sales of investments available for sale are determined using the specific identification method. Premiums and discounts are amortized or accreted into interest income over the term of the respective issues. The Association does not hold investments for trading purposes.

D. Loans and Allowance for Loan Losses: Long-term real estate mortgage loans generally have original maturities ranging from five to 40 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 10 years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs and deferred loan fees or costs. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. Authoritative accounting guidance requires loan origination fees and direct loan origination costs, if material, to be capitalized and the net fee or cost to be amortized over the life of the related loan as an adjustment to yield.

   Impaired loans are loans for which it is probable that not all principal and interest will be collected according to the contractual terms of the loan and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. Impaired loans include nonaccrual loans, restructured loans, and loans past due 90 days or more and still accruing interest. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is formally restructured or until the entire amount past due, including principal, accrued interest and penalty interest incurred as a result of past-due status, is collected or otherwise discharged in full.

   Impaired loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days (unless adequately secured and in the process of collection) or circumstances indicate that collection of principal and/or interest is in doubt. Additionally, all loans over 180 days past due are placed in nonaccrual status. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is either reversed (if accrued in the current year) or charged against the allowance for loan losses (if accrued in prior years). Loans are charged off at the time they are determined to be uncollectible.

   A restructured loan constitutes a troubled debt restructuring (TDR) if for economic or legal reasons related to the debtor's financial difficulties the Association grants a concession to the debtor that it would not otherwise consider. A concession is generally granted in order to minimize the Association's economic loss and avoid foreclosure. Concessions vary by program and are borrower-specific and may include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. A loan restructured in a troubled debt restructuring is an impaired loan.

   Payments received on nonaccrual loans are generally applied to the recorded investment in the loan asset. If collection of the recorded investment in the loan is fully expected and the loan does not have a remaining unrecovered prior charge-off associated with it, the interest portion of payments is recognized as current interest income. Nonaccrual loans may be returned to accrual status when principal and interest are current, the borrower has demonstrated payment performance, there are no unrecovered prior charge-offs and collection of future payments is no longer in doubt. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer is first recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

   The Bank and related associations use a two-dimensional loan rating model based on an internally generated combined system risk-rating guidance that incorporates a 14-point risk-rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default is the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. A default is considered to have

occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's estimate as to the anticipated economic loss on a specific loan, assuming default has occurred or is expected to occur within the next 12 months.

Each of the probability of default categories carries a distinct percentage of default probability. The 14-point risk-rating scale provides for granularity of the probability of default, especially in the acceptable ratings. There are nine acceptable categories that range from a borrower of the highest quality to a borrower of minimally acceptable quality. The probability of default between 1 and 9 is very narrow and would reflect almost no default to a minimal default percentage. The probability of default grows more rapidly as a loan moves from a "9" to other assets especially mentioned (OAEM) and grows significantly as a loan moves to a substandard (viable) level. A substandard (nonviable) rating indicates that the probability of default is almost certain.

The credit risk-rating methodology is a key component of the Association's allowance for loan losses evaluation, and is generally incorporated into its loan underwriting standards and internal lending limit. The allowance for loan losses is maintained at a level considered adequate by management to provide for probable losses inherent in the loan portfolio. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions and economic conditions, and prior loan loss experience. Management considers the following factors in determining and supporting the level of allowance for loan losses: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences. The allowance for loan losses encompasses various judgments, evaluations and appraisals with respect to the loans and their underlying security that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity will cause these various judgments, evaluations and appraisals to change over time. Accordingly, actual circumstances could vary significantly from the institutions' expectations and predictions of those circumstances.

The allowance for loan losses includes components for loans individually evaluated for impairment and loans collectively evaluated for impairment. Generally, for loans individually evaluated the allowance for loan losses represents the difference between the recorded investment in the loan and the present value of the cash flows expected to be collected discounted at the loan's effective interest rate, or at the fair value of the collateral, less estimated costs to sell, if the loan is collateral-dependent. For those loans collectively evaluated for impairment, the allowance for loan losses is determined using the risk-rating model.

E. Capital Stock Investment in the Farm Credit Bank of Texas: The Association's investment in the Bank is in the form of Class A voting capital stock and allocated retained earnings. This investment is adjusted periodically based on the Association's proportional utilization of the Bank compared to other district associations. The Bank requires a minimum stock investment of 2 percent of the Association's average borrowing from the Bank. This investment is carried at cost plus allocated equities in the accompanying consolidated balance sheet.

   If needed to meet regulatory capital adequacy requirements, the board of directors of the Bank may increase the percentage of stock held by an association from 2 percent of the average outstanding balance of borrowings from the Bank to a maximum of 5 percent of the average outstanding balance of borrowings from the Bank.

F. Other Property Owned, Net: Other property owned, net, consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure, and is recorded at fair value less estimated selling costs upon acquisition. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. On at least an annual basis, revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations and carrying value adjustments are included in net gains (losses) on other property owned in the statements of comprehensive income.

G. Premises and Equipment: Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is provided on the straight-line method using estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense, and improvements are capitalized.

H. Advance Conditional Payments: The Association is authorized under the Act to accept advance payments from borrowers. To the extent that the borrower's access to such funds is restricted, the advance conditional payments are netted against the borrower's related loan balance. Amounts in excess of the related loan balance and amounts to which the borrower has

unrestricted access are presented as liabilities in the accompanying consolidated balance sheet. Advance conditional payments are not insured. Interest is generally paid by the Association on such accounts at rates established by the board of directors.

I. Employee Benefit Plans: Employees of the Association participate in either the district defined benefit retirement plan (DB plan) or the defined contribution plan (DC plan). All eligible employees may participate in the Farm Credit Benefits Alliance 401(k) Plan. The DB plan is closed to new participants. Participants generally include employees hired prior to January 1, 1996. The DB plan is noncontributory and provides benefits based on salary and years of service. The "projected unit credit" actuarial method is used for financial reporting and funding purposes for the DB plan.

   Participants in the DC plan generally include employees who elected to transfer from the DB plan prior to January 1, 1996, and employees hired on or after January 1, 1996. Participants in the DC plan direct the placement of their employers' contributions, 5.0 percent of eligible pay for the year ended December 31, 2015, made on their behalf into various investment alternatives.

   The structure of the district's DB plan is characterized as multi-employer, since neither the assets, liabilities nor costs of the plan are segregated or separately accounted for by the associations. No portion of any surplus assets is available to the associations, nor are the associations required to pay for plan liabilities upon withdrawal from the plans. As a result, the associations recognize as pension cost the required contribution to the plans for the year. Contributions due and unpaid are recognized as a liability. The Association recognized pension costs for the DC plan of $82,782, $61,845 and $46,442 for the years ended December 31, 2015, 2014 and 2013, respectively. For the DB plan, the Association recognized pension costs of $109,784, $108,677 and $392,823 for the years ended December 31, 2015, 2014 and 2013, respectively.

   The Association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the associations to match 100 percent of employee contributions up to 3.0 percent of eligible earnings and to match 50 percent of employee contributions for the next 2.0 percent of employee contributions, up to a maximum employer contribution of 4.0 percent of eligible earnings. Association 401(k) plan costs are expensed as incurred. The Association's contributions to the 401(k) plan were $72,437, $58,663 and $45,468 for the years ended December 31, 2015, 2014 and 2013, respectively.

   In addition to pension benefits, the Association provides certain health care and life insurance benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities. Medical and dental benefits are available to employees with a percentage of the premium paid by the Association based upon continuous service for employees hired prior to January 1, 2006. Employees hired on or after January 1, 2006, are eligible for medical and dental benefits, but are responsible for paying one hundred percent of their associated medical and dental premiums at retirement.

J. Income Taxes: The ACA holding company conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are operated through the wholly-owned FLCA subsidiary, which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through the wholly-owned PCA subsidiary. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation. The ACA, along with the PCA subsidiary, is subject to income tax. The Association is eligible to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. The Association distributes patronage on the basis of book income. Deferred taxes are recorded on the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, that they will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the Association's expected patronage program, which reduces taxable earnings.

K. Patronage Refunds From the Farm Credit Bank of Texas: The Association records patronage refunds from the Bank on an accrual basis.

L. Fair Value Measurement: The FASB guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

   Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities include debt and equity securities and derivative contracts

that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets. Also included in Level 1 are assets held in trust funds, which relate to deferred compensation and our supplemental retirement plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace. Pension plan assets that are invested in equity securities, including mutual funds and fixed-income securities that are actively traded, are also included in Level 1.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates; and (d) inputs derived principally from or corroborated by observable market data by correlation or other means. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate debt securities and derivative contracts. Pension plan assets that are derived from observable inputs, including corporate bonds and mortgage-backed securities, are reported in Level 2.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities are considered Level 3. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, asset-backed securities, highly structured or long-term derivative contracts, certain loans and other property owned. Pension plan assets such as certain mortgage-backed securities that are supported by little or no market data in determining the fair value are included in Level 3.

The fair value disclosures are presented in Note 14, "Fair Value Measurements."

M. Off-balance-sheet credit exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

NOTE 3 — INVESTMENTS:

Effective April 1, 2014, the Farm Credit Bank of Texas (the Bank) purchased Ag New Mexico's securitized Farmer Mac Agricultural Mortgage Backed Securities (AMBS) Investments. The purchase of $9,051,849 included outstanding principal and accrued interest as of that date. There was no gain or loss recognized by the Association on this transaction. The Association will continue to service the underlying loans that were included in this security. Also, for 2014 there was no effect to Ag New Mexico's income based on this transaction as the Bank was able to pay the Association a patronage equivalent to the net interest income that it would have earned on the AMBS investment. The amount of patronage received in 2014 was $133,703, with patronage received in 2015 of $150,146. However, for future years, the Bank's payment of patronage is at the discretion of the Bank's board of directors.

The following is a summary of Farmer Mac agricultural mortgage-backed securities:

	December 31, 2015				
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
Agricultural mortgage-backed securities	**$ -**	**$ -**	**$ -**	**$ -**	**- %**

	December 31, 2014				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Agricultural mortgage-backed securities	$ -	$ -	$ -	$ -	- %

	December 31, 2013				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Agricultural mortgage-backed securities	$ 9,333,112	$ -	$ 54,447	$ 9,278,665	4.40 %

Proceeds from sales and realized gross gains and gross losses on sales of Farmer Mac investment securities held to maturity are as follows:

	Year Ended December 31,		
	2015	2014	2013
Proceeds from sales	**$ -**	$ 9,333,112	$ 1,822,538
Realized gross gains	**-**	-	-
Realized gross losses	**-**	-	-

NOTE 4 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans as of December 31 follows:

	2015		2014		2013	
Loan Type	**Amount**	**%**	Amount	%	Amount	%
Real estate mortgage	**$ 67,686,188**	**35.4%**	$ 69,658,785	40.0%	$ 66,997,984	40.6%
Production and intermediate term	**53,564,534**	**28.0%**	50,050,975	28.7%	48,644,117	29.5%
Agribusiness:						
Loans to cooperatives	**1,533,572**	**0.8%**	1,288,764	0.7%	1,393,238	0.9%
Processing and marketing	**36,624,378**	**19.2%**	25,350,014	14.5%	23,342,002	14.1%
Farm-related business	**8,265,507**	**4.3%**	7,373,164	4.2%	3,459,331	2.1%
Communication	**2,587,331**	**1.4%**	3,014,297	1.7%	3,305,012	2.0%
Energy	**12,113,947**	**6.3%**	12,828,919	7.4%	14,576,781	8.8%
Water and waste water	**2,214,937**	**1.2%**	2,321,528	1.3%	2,319,128	1.4%
Rural residential real estate	**6,601,760**	**3.5%**	2,574,881	1.5%	995,595	0.6%
Total	**$ 191,192,154**	**100.0%**	$ 174,461,327	100.0%	$ 165,033,188	100.0%

The Association may purchase or sell 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 participations purchased and sold as of December 31, 2015:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 10,193,756	$ 15,463,830	$ -	$ -	$ 10,193,756	$ 15,463,830
Production and intermediate term	6,100,675	20,068,259	-	-	6,100,675	20,068,259
Agribusiness	33,820,787	10,168,427	-	-	33,820,787	10,168,427
Communication	2,587,415	-	-	-	2,587,415	-
Energy	12,114,342	-	-	-	12,114,342	-
Water and waste water	2,215,009	-	-	-	2,215,009	-
Total	$ 67,031,984	$ 45,700,516	$ -	$ -	$ 67,031,984	$ 45,700,516

Geographic Distribution:

County	**2015**	2014	2013
Dona Ana	**16.4%**	16.8%	15.5%
Torrance	**10.1%**	9.8%	9.5%
Roosevelt	**8.2%**	8.1%	7.5%
Socorro	**5.5%**	7.2%	4.6%
Curry	**4.9%**	5.0%	4.7%
Sierra	**4.3%**	4.9%	4.7%
De Baca	**4.2%**	3.3%	3.3%
Luna	**3.2%**	5.3%	4.2%
Eddy	**2.7%**	3.4%	3.4%
Colfax	**2.6%**	3.4%	3.7%
Lea	**1.4%**	4.2%	5.2%
Other	**18.9%**	11.5%	12.6%
Other States	**17.6%**	17.1%	21.1%
Totals	**100.0%**	**100.0%**	**100.0%**

The Association's concentration of credit risk in various agricultural commodities is shown in the following table. While the amounts represent the Association's maximum potential credit risk as it relates to recorded loan principal, a substantial portion of the Association's lending activities is collateralized, and the Association's exposure to credit loss associated with lending activities is reduced accordingly. An estimate of the Association's credit risk exposure is considered in the determination of the allowance for loan losses.

	2015		2014		2013	
Operation/Commodity	**Amount**	**%**	Amount	%	Amount	%
Livestock, except dairy and poultry	**$ 48,291,092**	**25.0%**	$ 36,328,928	20.8%	$ 36,309,440	22.0%
Food and kindred products	**17,058,414**	**8.9%**	13,186,977	7.6%	8,823,894	5.3%
Dairy farms	**16,928,603**	**8.9%**	22,029,158	12.6%	19,832,138	12.0%
Electric services	**13,048,941**	**6.8%**	11,617,445	6.7%	12,575,914	7.6%
Vegetables and melons	**12,548,227**	**6.6%**	13,750,646	7.9%	8,622,825	5.2%
Field crops except cash grains	**12,184,856**	**6.4%**	10,466,580	6.0%	7,129,976	4.3%
Wholesale trade - nondurable goods	**8,615,566**	**4.5%**	9,865,204	5.7%	10,462,729	6.3%
Cash grains	**8,560,157**	**4.5%**	8,476,797	4.9%	9,361,086	5.7%
General farms, primarily crops	**8,032,212**	**4.2%**	7,572,558	4.3%	7,149,165	4.3%
Agricultural services	**7,788,202**	**4.1%**	9,117,178	5.2%	10,881,952	6.6%
Paper and allied products	**7,410,968**	**3.9%**	3,046,507	1.7%	5,063,286	3.1%
Rural home loans	**6,543,778**	**3.4%**	2,502,798	1.4%	909,627	0.6%
Timber	**5,554,093**	**2.9%**	5,985,516	3.4%	6,216,479	3.8%
Chemical and allied products	**4,377,747**	**2.3%**	821,083	0.5%	1,103,170	0.7%
Fruit and tree nuts	**3,753,779**	**2.0%**	4,644,083	2.7%	3,193,628	1.9%
General farms, primarily livestock	**3,364,963**	**1.8%**	2,064,355	1.2%	1,581,735	1.0%
Communication	**2,587,415**	**1.4%**	3,014,297	1.7%	3,305,012	2.0%
Farm and garden machinery equipment	**1,272,227**	**0.7%**	1,084,331	0.6%	983,124	0.6%
Poultry and eggs	**1,188,368**	**0.6%**	-	0.0%	-	0.0%
Public warehousing and storage	**891,403**	**0.5%**	1,260,552	0.7%	109,132	0.1%
Food stores	**66,502**	**0.0%**	58,172	0.0%	-	0.0%
Hunting, trapping and game propagation	**-**	**0.0%**	1,013,917	0.6%	2,587,754	1.6%
Real estate	**1,124,641**	**0.6%**	1,975,131	1.1%	3,560,468	2.2%
Other	**-**	**0.0%**	4,579,114	2.7%	5,270,654	3.1%
Total	**$ 191,192,154**	**100.0%**	$ 174,461,327	100.0%	$ 165,033,188	100.0%

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies but typically includes farmland and income-producing property, such as crops and livestock, as well as receivables. Long-term real estate loans are secured by the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (or 97 percent if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in the loan-to-value ratios in excess of the regulatory maximum.

To mitigate the risk of loan losses, the Association has obtained loan guarantees in the form of standby commitments to purchase qualifying loans from Farmer Mac through an arrangement with the Bank. The agreements, which will remain in place until the loans are paid in full, give the Association the right to sell the loans identified in the agreements to Farmer Mac in the event of defaults (typically four months past due), subject to certain conditions. At December 31, 2015, 2014 and 2013, loans totaling $13,061,740, $13,866,182 and $13,952,923, respectively, were guaranteed by these commitments. Fees paid for these guarantees totaled $66,647, $84,844 and $120,919 in 2015, 2014 and 2013, respectively, and are included in "other noninterest expense."

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	December 31, 2015	December 31, 2014	December 31, 2013
Nonaccrual loans:			
Real estate mortgage	**$ 1,677,696**	$ 2,083,600	$ 3,665,521
Production and intermediate term	**-**	-	565,043
Rural residential real estate	**-**	85,820	-
Total nonaccrual loans	**1,677,696**	2,169,420	4,230,564
Accruing restructured loans:			
Real estate mortgage	**592,668**	603,071	-
Production and intermediate term	**422,140**	443,594	-
Total accruing restructured loans	**1,014,808**	1,046,665	-
Total accruing loans 90 days or more past due	**-**	-	-
Total nonperforming loans	**2,692,504**	3,216,085	4,230,564
Other property owned	**717,330**	646,080	695,671
Total nonperforming assets	**$ 3,409,834**	$ 3,862,165	$ 4,926,235

One credit quality indicator utilized by the Bank and the Association is the Farm Credit Administration's Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are expected to be fully collectible and represent the highest quality;
- Other Assets Especially Mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness;
- Substandard – assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan;
- Doubtful – assets exhibit similar weaknesses to substandard assets, however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable; and
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest classified under the Farm Credit Administration's Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of December 31:

	2015		2014		2013	
Real estate mortgage						
Acceptable	**95**	%	95	%	92	%
OAEM	**1**		1		-	
Substandard/doubtful	**4**		4		8	
	100		100		100	
Production and intermediate term						
Acceptable	**95**		93		90	
OAEM	**1**		2		4	
Substandard/doubtful	**4**		5		6	
	100		100		100	
Loans to cooperatives						
Acceptable	**100**		100		100	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100		100		100	
Processing and marketing						
Acceptable	**97**		100		100	
OAEM	**3**		-		-	
Substandard/doubtful	**-**		-		-	
	100		100		100	
Farm-related business						
Acceptable	**100**		92		100	
OAEM	**-**		8		-	
Substandard/doubtful	**-**		-		-	
	100		100		100	
Communication						
Acceptable	**100**		100		100	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100		100		100	
Energy						
Acceptable	**100**		100		100	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100		100		100	
Water and waste water						
Acceptable	**100**		100		100	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		-		-	
	100		100		100	
Rural residential real estate						
Acceptable	**100**		97		100	
OAEM	**-**		-		-	
Substandard/doubtful	**-**		3		-	
	100		100		100	
Total Loans						
Acceptable	**96**		95		94	
OAEM	**1**		1		2	
Substandard/doubtful	**3**		4		4	
	100	%	100	%	100	%

The following tables provide an age analysis of past due loans (including accrued interest) as of December 31, 2015, 2014 and 2013:

December 31, 2015:	**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 >90 Days and Accruing**
Real estate mortgage	**$ 26,019**	**$ 673,234**	**$ 699,253**	**$ 67,996,557**	**$ 68,695,809**	**$ -**
Production and intermediate term	**-**	**-**	**-**	**54,165,591**	**54,165,591**	**-**
Loans to cooperatives	**-**	**-**	**-**	**1,538,121**	**1,538,121**	**-**
Processing and marketing	**-**	**-**	**-**	**36,740,789**	**36,740,789**	**-**
Farm-related business	**-**	**-**	**-**	**8,359,396**	**8,359,396**	**-**
Communication	**-**	**-**	**-**	**2,587,642**	**2,587,642**	**-**
Energy	**-**	**-**	**-**	**12,153,511**	**12,153,511**	**-**
Water and waste water	**-**	**-**	**-**	**2,245,295**	**2,245,295**	**-**
Rural residential real estate	**-**	**-**	**-**	**6,618,084**	**6,618,084**	**-**
Total	**$ 26,019**	**$ 673,234**	**$ 699,253**	**$ 192,404,986**	**$ 193,104,238**	**$ -**

December 31, 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 >90 Days and Accruing
Real estate mortgage	$ 34,568	$ 924,685	$ 959,253	$ 69,512,588	$ 70,471,841	$ -
Production and intermediate term	-	-	-	50,650,933	50,650,933	-
Loans to cooperatives	-	-	-	1,294,067	1,294,067	-
Processing and marketing	-	-	-	25,446,383	25,446,383	-
Farm-related business	-	-	-	7,469,687	7,469,687	-
Communication	-	-	-	3,014,549	3,014,549	-
Energy	-	-	-	12,924,336	12,924,336	-
Water and waste water	-	-	-	2,349,340	2,349,340	-
Rural residential real estate	-	85,820	85,820	2,493,761	2,579,581	-
Total	$ 34,568	$ 1,010,505	$ 1,045,073	$ 175,155,644	$ 176,200,717	$ -

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 >90 Days and Accruing
Real estate mortgage	$ 199,229	$ 1,683,282	$ 1,882,511	$ 65,875,485	$ 67,757,996	$ -
Production and intermediate term	-	-	-	49,255,960	49,255,960	-
Loans to cooperatives	-	-	-	1,398,972	1,398,972	-
Processing and marketing	-	-	-	23,375,901	23,375,901	-
Farm-related business	-	-	-	3,491,732	3,491,732	-
Communication	-	-	-	3,305,324	3,305,324	-
Energy	-	-	-	14,626,417	14,626,417	-
Water and waste water	-	-	-	2,320,165	2,320,165	-
Rural residential real estate	-	-	-	999,537	999,537	-
Total	$ 199,229	$ 1,683,282	$ 1,882,511	$ 164,649,493	$ 166,532,004	$ -

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 restructuring of a debt constitutes a troubled debt restructuring 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. Troubled debt restructurings are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

At December 31, 2015, the total recorded investment of troubled debt restructured loans was $1,014,808 classified as accrual, with no specific allowance for loan losses. As of December 31, 2015, there were no commitments to lend funds to borrowers whose loan terms had been modified in a troubled debt restricting.

The following tables present additional information regarding troubled debt restructurings, which includes both accrual and nonaccrual loans with troubled debt restructuring designation that occurred during the year ended December 31, 2014. There was no additional troubled debt restructuring for the years ended 2015 and 2013. The pre-modification outstanding recorded investment represents the recorded investment of the loans as of the quarter end prior to the restructuring. The post-modification outstanding recorded investment represents the recorded investment of the loans as of the quarter end when the restructuring occurred.

December 31, 2014:	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Troubled debt restructurings:		
Real estate mortgage	$ 618,712	$ 601,929
Production and intermediate term	571,705	442,416
Total	$ 1,190,417	$ 1,044,345

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest). There were no additional troubled debt restructurings for 2015.

The predominant form of concession granted for troubled debt restructuring includes extension of the term on several related dairy loans. At times these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case the Association assesses all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring

The following table provides information on outstanding loans restructured in troubled debt restructurings at period end. These loans are included as impaired loans in the impaired loan table:

	Loans Modified as TDRs		
	December 31, 2015	December 31, 2014	December 31, 2013
Troubled debt restructurings:			
Real estate mortgage	**$ 592,668**	$ 603,071	$ -
Production and intermediate term	**422,140**	443,594	-
Total	**$ 1,014,808**	$ 1,046,665	$ -

Additional impaired loan information is as follows:

	Recorded Investment at 12/31/2015	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 673,234	$ 949,830	$ 656,875	$ 1,106,222	$ -
Total	$ 673,234	$ 949,830	$ 656,875	$ 1,106,222	$ -
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 2,019,265	$ 2,921,916	$ -	$ 2,058,998	$ -
Total	$ 2,019,265	$ 2,921,916	$ -	$ 2,058,998	$ -
Total impaired loans:					
Real estate mortgage	$ 2,692,500	$ 3,871,746	$ 656,875	$ 3,165,220	$ -
Total	$ 2,692,500	$ 3,871,746	$ 656,875	$ 3,165,220	$ -

[a] Unpaid principal balance represents the recorded principal balance of the loan.

	Recorded Investment at 12/31/2014	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 924,685	$ 1,201,281	$ 376,990	$ 848,430	$ -
Rural residential real estate	85,820	94,502	13,500	235	4,629
Total	$ 1,010,505	$ 1,295,783	$ 390,490	$ 848,665	$ 4,629
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 1,761,986	$ 1,829,878	$ -	$ 1,813,553	$ 1,717
Production and intermediate term	443,594	1,297,680	-	554,699	1,178
Total	$ 2,205,580	$ 3,127,558	$ -	$ 2,368,252	$ 2,895
Total impaired loans:					
Real estate mortgage	$ 2,686,671	$ 3,031,159	$ 376,990	$ 2,661,983	$ 1,717
Production and intermediate term	443,594	1,297,680	-	554,699	1,178
Rural residential real estate	85,820	94,502	13,500	235	4,629
Total	$ 3,216,085	$ 4,423,341	$ 390,490	$ 3,216,917	$ 7,524

[a] Unpaid principal balance represents the recorded principal balance of the loan.

	Recorded Investment at 12/31/2013	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 830,866	$ 1,107,462	$ 376,990	$ 777,073	$ -
Production and intermediate term	565,043	565,043	-	182,863	18,072
Total	$ 1,395,909	$ 1,672,505	$ 376,990	$ 959,936	$ 18,072
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 2,834,655	$ 2,903,344	$ -	$ 2,365,572	$ 22,234
Production and intermediate term	-	855,264	-	263,988	-
Total	$ 2,834,655	$ 3,758,608	$ -	$ 2,629,560	$ 22,234
Total impaired loans:					
Real estate mortgage	$ 3,665,521	$ 4,010,806	$ 376,990	$ 3,142,645	$ 22,234
Production and intermediate term	565,043	1,420,307	-	446,851	18,072
Total	$ 4,230,564	$ 5,431,113	$ 376,990	$ 3,589,496	$ 40,306

[a] Unpaid principal balance represents the recorded principal balance of the loan.

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at December 31, 2015, 2014 and 2013.

Interest income on nonaccrual and accruing restructured loans that would have been recognized under the original terms of the loans at December 31:

	2015	2014	2013
Interest income which would have been recognized under the original terms	**$ 168,557**	$ 254,505	$ 276,892
Less: interest income recognized	**-**	(7,524)	(22,234)
Foregone interest income	**$ 168,557**	$ 246,981	$ 254,658

A summary of the changes in the allowance for credit losses and the ending balance of loans outstanding are as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	Total
Allowance for Credit Losses:								
Balance at December 31, 2014	$ 513,674	$ 242,173	$ 97,659	$ 4,390	$ 24,318	$ 6,979	$ 2,125	$ 891,318
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	249,232	(70,593)	1,260	2,929	478	-	7,849	191,155
Adjustment due to merger	-	-	-	-	-	-	-	-
Other	-	15,709	-	-	-	-	-	15,709
Balance at December 31, 2015	$ 762,906	$ 187,289	$ 98,919	$ 7,319	$ 24,796	$ 6,979	$ 9,974	$ 1,098,182
Ending Balance: individually evaluated for impairment	$ 656,875	$ -	$ -	$ -	$ -	$ -	$ -	$ 656,875
Ending Balance:	$ 656,875							
collectively evaluated for impairment	$ 106,031	$ 187,289	$ 98,919	$ 7,319	$ 24,796	$ 6,979	$ 9,974	$ 441,307
Ending Balance: loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Recorded Investment in Loans Outstanding Including Accrued Interest:								
Ending Balance at December 31, 2015	$ 68,695,809	$ 54,165,591	$ 46,638,306	$ 2,587,642	$ 12,153,511	$2,245,295	$ 6,618,084	$ 193,104,238
Ending balance for loans individually evaluated for impairment	$ 1,677,696	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,677,696
Ending balance for loans collectively evaluated for impairment	$ 67,018,113	$ 54,165,591	$ 46,638,306	$ 2,587,642	$ 12,153,511	$2,245,295	$ 6,618,084	$ 191,426,542
Ending balance for loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	Total
Allowance for Credit Losses:								
Balance at December 31, 2013	$ 554,834	$ 254,449	$ 67,375	$ 5,652	$ 25,977	$ 6,979	$ 512	$ 915,778
Charge-offs	(8,682)	-	-	-	-	-	-	(8,682)
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	(32,478)	44,016	30,284	(1,262)	(1,659)	-	1,613	40,514
Reserve Unfunded Commitment	-	(56,292)	-	-	-	-	-	(56,292)
Balance at December 31, 2014	$ 513,674	$ 242,173	$ 97,659	$ 4,390	$ 24,318	$ 6,979	$ 2,125	$ 891,318
Ending Balance: individually evaluated for impairment	$ 390,490	$ -	$ -	$ -	$ -	$ -	$ -	$ 390,490
Ending Balance: collectively evaluated for impairment	$ 123,184	$ 242,173	$ 97,659	$ 4,390	$ 24,318	$ 6,979	$ 2,125	$ 500,828
Ending Balance: loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Recorded Investment in Loans Outstanding Including Accrued Interest:								
Ending Balance at December 31, 2014	$70,471,841	$50,650,933	$34,210,137	$ 3,014,549	$12,924,336	$ 2,349,340	$ 2,579,581	$176,200,717
Ending balance for loans individually evaluated for impairment	$ 2,687,528	$ 442,416	$ -	$ -	$ -	$ -	$ 85,820	$ 3,215,764
Ending balance for loans collectively evaluated for impairment	$67,784,313	$50,208,517	$34,210,137	$ 3,014,549	$12,924,336	$ 2,349,340	$ 2,493,761	$172,984,953
Ending balance for loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	Total
Allowance for Credit Losses:								
Balance at December 31, 2012	$ 535,831	$ 216,997	$ 76,781	$ 8,168	$ 23,102	$ 8,845	$ 651	$ 870,375
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	477,567	-	-	-	-	-	-	477,567
Provision for loan losses	(458,564)	37,452	(9,406)	(2,516)	2,875	(1,866)	(139)	(432,164)
Reserve Unfunded Commitment	-	-	-	-	-	-	-	-
Balance at December 31, 2013	$ 554,834	$ 254,449	$ 67,375	$ 5,652	$ 25,977	$ 6,979	$ 512	$ 915,778
Ending Balance: individually evaluated for impairment	$ 376,990	$ -	$ -	$ -	$ -	$ -	$ -	$ 376,990
Ending Balance: collectively evaluated for impairment	$ 177,844	$ 254,449	$ 67,375	$ 5,652	$ 25,977	$ 6,979	$ 512	$ 538,788
Ending Balance: loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Recorded Investment in Loans Outstanding Including Accrued Interest:								
Ending Balance at December 31, 2013	$67,757,996	$49,255,960	$28,266,605	$ 3,305,324	$14,626,417	$ 2,320,165	$ 999,537	$166,532,004
Ending balance for loans individually evaluated for impairment	$ 3,665,521	$ 565,043	$ -	$ -	$ -	$ -	$ -	$ 4,230,564
Ending balance for loans collectively evaluated for impairment	$64,092,475	$48,690,917	$28,266,605	$ 3,305,324	$14,626,417	$ 2,320,165	$ 999,537	$162,301,440
Ending balance for loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

NOTE 5 — INVESTMENT IN THE FARM CREDIT BANK OF TEXAS:

The investment in the Farm Credit Bank of Texas is a requirement of borrowing from the Bank and is carried at cost plus allocated equities, not fair value, in the accompanying balance sheet. Estimating the fair value of the Association's investment in the Farm Credit Bank of Texas is not practicable because the stock is not traded. The Association owns 1.5 percent of the issued stock of the Bank as of December 31, 2015, in the amount of $3.9 million. As of that date, the Bank's assets totaled $20 billion and members' equity totaled $1.6 billion. The Bank's earnings were $192 million for 2015.

NOTE 6 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

	2015	2014	2013
Land and improvements	**$ 599,601**	$ 599,601	$ 613,734
Building and improvements	**2,896,444**	2,826,439	2,797,225
Furniture and equipment	**125,404**	125,404	125,404
Computer equipment and software	**93,434**	85,193	80,161
Automobiles	**336,451**	323,163	283,560
	4,051,334	3,959,800	3,900,084
Accumulated depreciation	**(982,157)**	(864,649)	(772,612)
Total	**$ 3,069,177**	$ 3,095,151	$ 3,127,472

The Association leases office space in Las Cruces, New Mexico. Lease expense was $28,800, $25,500 and $18,900 for 2015, 2014 and 2013, respectively. There are no minimum annual lease payments for the next five years.

NOTE 7 — OTHER PROPERTY OWNED, NET:

Net gain (loss) on other property owned, net consists of the following for the years ended December 31:

	2015	2014	2013
Gain (loss) on sale, net	**$ -**	$ 309	$ 376,567
Carrying value adjustments	**-**	-	-
Operating income (expense), net	**(8,863)**	(4,757)	(11,585)
Net gain (loss) on other property owned	**$ (8,863)**	$ (4,448)	$ 364,982

NOTE 8 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

	2015	2014	2013
Accounts receivable	**$ 223,263**	$ 179,724	$ 172,310
Other	**301,452**	164,152	17,640
Total	**$ 524,715**	$ 343,876	$ 189,950

Other liabilities comprised the following at December 31:

	2015	2014	2013
Postretirement benefits liability	**$ 1,289,683**	$ 1,254,603	$ 990,889
Insurance premiums payable	**164,517**	156,134	146,460
Accrued annual leave	**134,103**	102,750	75,850
Accounts payable	**243,995**	211,000	192,847
Total	**$ 1,832,298**	$ 1,724,487	$ 1,406,046

NOTE 9 — NOTE PAYABLE TO THE BANK:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process. The Association's indebtedness to the Bank represents borrowings by the Association to fund the majority of its loan portfolio. The indebtedness is collateralized by a pledge of substantially all of the Association's assets, and is governed by a general financing agreement. The interest rate on the direct loan is based upon the Bank's cost of funding the loans the Association has outstanding to its borrowers. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2016, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The total amount and the weighted average interest rate of the Association's direct loan from the Bank at December 31, 2015, 2014 and 2013, was $163,466,735 at 1.42 percent, $149,130,598 at 1.37 percent and $150,409,512 at 1.31 percent, respectively.

Under the Act, the Association is obligated to borrow only from the Bank unless the Bank approves borrowing from other funding sources. The Bank and FCA regulations have established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2015, 2014 and 2013, the Association's note payable was within the specified limitations. The maximum amount the Association may borrow from the Bank as of December 31, 2015, was $190,719,939, as defined by the general financing agreement.

In addition to borrowing limits, the financing agreement establishes certain covenants including limits on leases, investments, other debt, and dividend and patronage distributions; minimum standards for return on assets and for liquidity; and provisions for conducting business, maintaining records, reporting financial information, and establishing policies and procedures. Remedies specified in the general financing agreement associated with the covenants include additional reporting requirements, development of action plans, increases in interest rates on indebtedness, reduction of lending limits or repayment of indebtedness. As of and for the years ended December 31, 2015, 2014 and 2013, the Association was not subject to remedies associated with the covenants in the general financing agreement.

NOTE 10 — MEMBERS' EQUITY:

A description of the Association's capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities is provided below.

Protection of certain borrower equity is provided under the Act that requires the Association, when retiring protected borrower equity, to retire such equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock, participation certificates and allocated equities that were outstanding as of January 6, 1988, or were issued or allocated prior to October 6, 1988. If an association is unable to retire protected borrower equity at par value or stated value, amounts required to retire this equity would be obtained from the Insurance Fund.

In accordance with the Act and the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. The investment in Class B capital stock or participation certificates equal to 2 percent of the loan amount, up to a maximum amount of $1,000. The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, usually by adding the aggregate par value of the capital stock or participation certificates to the principal amount of the related loan obligation. The capital stock or participation certificates are subject to a first lien by the Association. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding capital stock or participation certificates.

If needed to meet regulatory capital adequacy requirements, the board of directors of the Association may increase the percentage of stock requirement for each borrower up to a maximum of 10 percent of the loan amount.

Each owner of Class B capital stock is entitled to a single vote, while Class A capital stock and participation certificates provide no voting rights to their owners.

Within two years of repayment of a loan, the Association capital bylaws require the conversion of any borrower's outstanding Class B stock to Class A stock. Class A stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Redemption of common stock is made solely at the discretion of the Association's board of directors.

At December 31, the Association had the following shares of Class A capital stock, Class B stock and participation certificates outstanding at a par value of $5 per share:

	2015	2014	2013
Class A stock	**2,270**	2,270	3,871
Class B stock	**59,178**	55,489	52,104
Participation certificates	**9,547**	7,899	4,259
Total	**70,995**	65,658	60,234

All borrower stock is at-risk. As such, losses that result in impairment of capital stock or participation certificates shall be borne on a pro rata basis by all holders of Class A capital stock, Class B capital stock and participation certificates. In the event of liquidation of the Association, capital stock and participation certificates would be utilized as necessary to satisfy any remaining obligations in excess of the amounts realized on the sale or liquidation of assets. Any excess of the amounts realized on the sale or liquidation of assets over the Association's obligations to external parties and to the Bank would be distributed to the Association's stockholders.

Dividends and patronage distributions may be paid on the capital stock and participation certificates of the Association, as the board of directors may determine by resolution, subject to capitalization requirements as defined by the FCA. Amounts not distributed are retained as unallocated retained earnings. In 2014 and 2013, the Association declared patronage of $350,000 and $360,000, respectively.

The FCA's capital adequacy regulations require the Association to achieve permanent capital and total surplus of at least 7.0 percent and core surplus of at least 3.5 percent of risk-adjusted assets and off-balance-sheet commitments. Failure to meet the ratio requirements can initiate certain mandatory and possibly additional discretionary actions by the FCA that, if undertaken, could have a direct material effect on the Association's financial statements. The Association is prohibited from reducing permanent capital by retiring stock or making certain other distributions to stockholders unless prescribed capital standards are met. As of December 31, 2015, the Association is not prohibited from retiring stock or distributing earnings. The Association's permanent capital ratio, core surplus ratio and total surplus ratio at December 31, 2015, were 15.7 percent, 15.5 percent and 15.5 percent, respectively.

The Association has established a Capital Adequacy Plan for 2016 with the objective of managing the capital position of the Association in a manner which:

- Permits the Association to operate profitably over the long term;
- Provides protection against risks inherent in the operation according to risk benefit;
- Adheres to all regulatory requirements;
- Continues to recognize the cost to stockholders which is related to investment in capital of the Association; and
- Underwrites both operating and mortgage loans according to size and related term, purpose, and inherent risk as well as competitor market prices.

An adequate level of capital is necessary for the Association to offer competitively priced loan products to both operating and mortgage borrowers, generate earnings, withstand economic adversity and sustain growth. It is the intent of the board and management to manage capital to adequately support Association business activities. At the same time, the board and management recognize that accumulation of excess capital is a direct cost to stockholders. There, the establishment of capital requirements must reach a balance between the amount of capital necessary to cover business risks and the level that creates long-term value to the stockholders. The Association has set targets for permanent capital, core surplus and total surplus of 15.08 percent, 14.94 percent and 14.94 percent, respectively for 2016. The Association has also set targets for adverse assets/risk funds and criticized assets/risk funds of 20.8 percent and 26.0 percent, respectively, for 2016.

An FCA regulation empowers the FCA to direct a transfer of funds or equities by one or more system institutions to another system institution under specified circumstances. The Association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

An additional component of equity is accumulated other comprehensive income, which is reported net of taxes as follows:

	2015	**2014**	**2013**
Nonpension postretirement benefits	**$ (353,126)**	**$ (378,384)**	**$ (140,688)**

The Association's accumulated other comprehensive income (loss) relates entirely to its non-pension other postretirement benefits. The following table summarizes the changes in accumulated other comprehensive income (loss) and the location on the income statement for the year ended December 31:

	2015	2014	2013
Accumulated other comprehensive income (loss) at January 1	**$ (378,384)**	$ (140,688)	$ (369,186)
Actuarial gains (losses)	**(2,420)**	(227,556)	191,703
Amortization of prior service (credit) costs included in salaries and employee benefits	**(15,558)**	(25,251)	(25,251)
Amortization of actuarial (gain) loss included in salaries and employee benefits	**50,031**	19,883	62,046
Income tax expense related to items of other comprehensive income	**(6,795)**	(4,772)	-
Other comprehensive income (loss), net of tax	**25,258**	(237,696)	228,498
Accumulated other comprehensive income at December 31	**$ (353,126)**	$ (378,384)	$ (140,688)

NOTE 11 — INCOME TAXES:

The provision for (benefit from) income taxes follows for the years ended December 31:

	2015	2014	2013
Current:			
Federal	**$ 2,355**	$ 4,645	$ 20,000
State	**100**	100	200
Total current	**2,455**	4,745	20,200
Deferred:			
Federal	**149,894**	207,345	177,920
State	**19,498**	26,972	31,921
Total deferred	**169,392**	234,317	209,841
Total provision for income taxes	**$ 171,847**	$ 239,062	$ 230,041

The provision for income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows for the years ended December 31:

	2015	2014	2013
Federal tax at statutory rate	**$ 744,352**	$ 777,099	$ 1,093,112
State tax, net	**19,598**	27,072	32,121
Effect of nontaxable FLCA subsidiary	**(502,824)**	(583,909)	(785,332)
Investment in Bank patronage income	**-**	-	-
Patronage distributions	**(75,284)**	-	-
Other adjustments to deferred taxes	**-**	-	(126,039)
Other	**(13,995)**	18,800	16,179
Provision for income taxes	**$ 171,847**	$ 239,062	$ 230,041

Deferred tax assets and liabilities in accordance with accounting guidance, "Accounting for Income Taxes," are comprised of the following at December 31:

	2015	2014	2013
Deferred Tax Assets			
Allowance for loan losses	**$ 81,380**	$ 69,128	$ 82,552
Loss carryforwards	**-**	195,389	509,970
Postretirement benefits, other	**366,498**	349,599	300,672
Other	**98,678**	85,271	50,167
Gross deferred tax assets	**546,556**	699,387	943,361
Deferred tax asset valuation allowance	**-**	-	-
Deferred Tax Liabilities			
Other	**(85,842)**	(62,274)	(64,992)
Gross deferred tax liabilities	**(85,842)**	(62,274)	(64,992)
Net deferred tax asset (liability)	**$ 460,714**	$ 637,113	$ 878,369

The ACA is required to maintain an investment in the Bank of 2 percent of the average direct note. This investment can be held by both the PCA and FLCA. A deferred tax liability is established for the PCA for any excess investment in the Bank over that allocated to the 2 percent investment requirement. Upon formation of the ACA, there were no additional amounts of excess investment previously held by the PCA over and above the calculation of the 2 percent requirement of the ACA. As a result there was no effect on the related deferred tax.

NOTE 12 — EMPLOYEE BENEFIT PLANS:

Employee Retirement Plans: Employees of the Association participate in either the defined benefit retirement plan (DB plan) or the defined contributions plan (DC plan) and are eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. These plans are described more fully in section I of Note 2, "Summary of Significant Accounting Policies." The structure of the district's DB plan is characterized as multi-employer, since neither the assets, liabilities nor cost of any plan is segregated or separately accounted for by participating employers (Bank and associations). No portion of any surplus assets is available to any participating employer. As a result, participating employers of the plan only recognize as cost the required contributions for the period and a liability for any unpaid contributions required for the period of their financial statements. Plan obligations, assets and the components of annual benefit expenses are recorded and reported upon district combination only. The Association records current contributions to the DB plan as an expense in the current year.

The CEO and certain executive or highly-compensated employees in the Association are eligible to participate in a separate nonqualified supplemental 401(k) plan, named the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan (supplemental 401(k) plan). This plan allows district employers to elect to participate in any or all of the following benefits:

- Restored Employer Contributions – to allow "make-up" contributions for eligible employees whose benefits to the qualified 401(k) plan were limited by the Internal Revenue Code during the year;
- Elective Deferrals – to allow eligible employees to make pre-tax deferrals of compensation above and beyond any deferrals into the qualified 401(k) plan;
- Discretionary Contributions – to allow participating employers to make a discretionary contribution to an eligible employee's account in the plan, and to designate a vesting schedule.

No employee participated in the plan for the years ended December 31, 2015, 2014 and 2013.

The DB plan is noncontributory and benefits are based on salary and years of service. The legal name of the plan is Farm Credit Bank of Texas Pension Plan; its employer identification number is 74-1110170. The DB plan is not subject to any contractual expiration dates. The DB plan's funding policy is to fund current year benefits expected to be earned by covered employees plus an amount to improve the accumulated benefit obligation funded status by a percentage approved by the plan sponsor. The plan sponsor is the board of the Farm Credit Bank of Texas. The "projected unit credit" actuarial method is used for both financial reporting and funding purposes. District employers have the option of providing enhanced retirement benefits, under certain conditions, within the DB plan, to facilitate reorganization and/or restructuring. Actuarial information regarding the DB pension

plan accumulated benefit obligation and plan asset is calculated for the district as a whole and is presented in the district's Annual Report to Stockholders. The actuarial present value of vested and non-vested accumulated benefit obligation exceeded the net assets of the DB plan as of December 31, 2015.

The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers;
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and
- If the Association chooses to stop participating in some of its multi-employer plans, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The following table includes additional information regarding the funded status of the plan, the Association's contributions, and the percentage of Association contribution to total plan contributions for the years ended December 31, 2015, 2014 and 2013:

	2015	2014	2013
Funded status of plan	**66.8** %	67.5 %	77.3
Association's contribution	**$ 109,784**	$ 108,677	$ 392,823
Percentage of Association's contribution to total contributions	**1.0** %	0.9 %	2.4

The funded status presented above is based on the percentage of plan assets to projected benefit obligations. DB plan funding is based on the percentage of plan assets to the accumulated benefit obligation, which was 72.5 percent, 74.5 percent and 86.1 percent at December 31, 2015, 2014 and 2013, respectively.

Other Postretirement Benefits: In addition to pension benefits, the Association provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities. Medical and dental benefits are available to employees with a percentage of the premium paid by the Association based upon continuous service for employees hired prior to January 1, 2006. Employees hired on or after January 1, 2006, are eligible for medical and dental benefits, but are responsible for paying 100 percent of their associated medical and dental premiums at retirement.

The following table reflects the benefit obligation, cost and actuarial assumptions for the Association's other postretirement benefits:

Retiree Welfare Benefit Plans

Disclosure Information Related to Retirement Benefits	2015	2014	2013
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	**$ 1,254,603**	$ 990,889	$ 1,140,621
Service cost	**20,058**	20,590	22,736
Interest cost	**56,184**	50,677	49,463
Plan participants' contributions	**7,267**	13,919	18,602
Actuarial loss (gain)	**2,420**	227,556	(191,703)
Benefits paid	**(52,538)**	(49,028)	(48,830)
Accumulated postretirement benefit obligation, end of year	**$ 1,287,994**	$ 1,254,603	$ 990,889
Change in Plan Assets			
Plan assets at fair value, beginning of year	**$ -**	$ -	$ -
Company contributions	**45,271**	35,109	30,228
Plan participants' contributions	**7,267**	13,919	18,602
Benefits paid	**(52,538)**	(49,028)	(48,830)
Plan assets at fair value, end of year	**$ -**	$ -	$ -
Funded status of the plan	**$ (1,287,994)**	$ (1,254,603)	$ (990,889)
Amounts Recognized in Statement of Financial Position			
Other liabilities	**$ (1,287,994)**	$ (1,254,603)	$ (990,889)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial loss (gain)	**$ 382,370**	$ 429,981	$ 222,308
Prior service cost (credit)	**(40,811)**	(56,369)	(81,620)
Total	**$ 341,559**	$ 373,612	$ 140,688
Weighted-Average Assumptions Used to Determine Obligations at Year End			
Measurement date	**12/31/2015**	12/31/2014	12/31/2013
Discount rate	**4.70%**	4.55%	5.20%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	**7.00%/6.50%**	7.25%/6.75%	7.50%/6.50%
Health care cost trend rate assumed for next year - Rx	**6.50%**	6.75%	6.50%
Ultimate health care cost trend rate	**4.50%**	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	**2025**	2024	2024

Total Cost	**2015**	2014	2013
Service cost	**$ 20,058**	$ 20,590	$ 22,736
Interest cost	**56,184**	50,677	49,463
Amortization of:			
Unrecognized prior service cost	**(15,558)**	(25,251)	(25,251)
Unrecognized net loss (gain)	**50,031**	19,883	62,046
Net postretirement benefit cost	**$ 110,715**	$ 65,899	$ 108,994
Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Income			
Net actuarial loss (gain)	**$ 2,420**	$ 227,556	$ (191,703)
Amortization of net actuarial loss (gain)	**(50,031)**	(19,883)	(62,046)
Amortization of prior service cost	**15,558**	25,251	25,251
Total recognized in other comprehensive income	**$ (32,053)**	$ 232,924	$ (228,498)
AOCI Amounts Expected to be Amortized Into Expense in 2016			
Unrecognized prior service cost	**(14,840)**		
Unrecognized net loss (gain)	**37,083**		
Total	**$ 22,243**		
Weighted-Average Assumptions Used to Determine Benefit Cost			
Measurement date	**12/31/2014**	12/31/2013	12/31/2012
Discount rate	**4.55%**	5.20%	4.40%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	**7.25%/6.75%**	7.50%/6.50%	7.25%/6.50%
Health care cost trend rate assumed for next year - Rx	**6.75%**	6.50%	7.75%
Ultimate health care cost trend rate	**5.00%**	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	**2024**	2024	2018

Expected Future Cash Flows

Expected Benefit Payments (net of employee contributions)	
Fiscal 2016	**$ 47,867**
Fiscal 2017	**59,038**
Fiscal 2018	**65,414**
Fiscal 2019	**75,910**
Fiscal 2020–2024	**79,744**
Fiscal 2021–2025	**345,572**
Expected Contributions	
Fiscal 2016	**$ 47,867**

NOTE 13 — RELATED PARTY TRANSACTIONS:

Directors of the Association, except for any director-elected directors, are required to be borrowers/stockholders of the Association. Also, in the ordinary course of business, the Association may enter into loan origination or servicing transactions with its officers, relatives of officers and directors or with organizations with which such persons are associated. Such loans are subject to special approval requirements contained in FCA regulations and are made on the same terms, including interest rates, amortization schedule and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

Total loans to such persons for the Association amounted to $16,930,492, $12,170,509 and $13,087,937 at December 31, 2015, 2014 and 2013, respectively. During 2015, $24,940,553 of new loans were made, and repayments totaled $18,321,505. In the opinion of management, no such loans outstanding at December 31, 2015, 2014 and 2013 involved more than a normal risk of collectability.

Expenses included in purchased services may include purchased services such as administrative services, marketing, information systems and accounting services and allocations of expenses incurred by the Bank and passed through to the Associations, such as FCSIC expenses. The Bank charges the individual associations directly for these services based on each association's proportionate usage. These expenses totaled $219,374, $210,027 and $191,857 in 2015, 2014 and 2013, respectively.

The Association received patronage payments from the Bank totaling $1,339,374, $1,294,268 and $1,183,389 during 2015, 2014 and 2013, respectively.

Over a period of years, the Farm Credit Bank of Texas (FCBT or the Bank) performed the following services for the benefit of Ag New Mexico Farm Credit Services, ACA (Association) that constituted a transfer of capital under the Farm Credit Administration (FCA) regulation 615.5171 (a)(1). First, during the period from December of 2012 through the first two months of 2014, the Bank assigned a Bank employee to act as an Accounting Function Advisor to the Association's accounting staff to assist them with accounting issues, at the request of the Association. The Accounting Function Advisor services provided to the Association constituted a preferential transfer of capital. The assignment resulted from the Association experiencing considerable turnover in senior management, lending and operations staff between January 2010 and November 2012. During the period from December of 2012 through the first two months of 2014, the cost to the Bank for the Accounting Function Advisor and other accounting services devoted to the Association was approximately $112,415. Of this amount, $5,965 related to the year 2012, $86,324 related to the year 2013 and $20,125 related to the year 2014. In the third quarter of 2011 and the second half of 2012, Bank accounting staff also performed services for Ag New Mexico, Farm Credit Services, ACA relating to the accounting treatment of the Association's deferred tax asset representing approximately $44,740 of cost to the Bank, of which $20,879 was incurred in 2011 and $23,861 was incurred in 2012. The Association employed a chief financial officer in March 2014, and is no longer utilizing the Bank's accounting services to the same degree as it did in the period from December 2012 through February 2014. The Bank's present and future accounting services to the Association do not and are not anticipated to involve a preferential transfer of capital.

Second, the Bank entered into an agreement with Ag New Mexico, Farm Credit Services, ACA in 2005 whereby FCBT agreed to hire up to two commercial lending calling officers to market loans and related services to high quality prospects in the state of New Mexico, and the Association in turn agreed to participate to FCBT any interest in such loans that the Association made but elected not to retain. Under this agreement, the calling officer would be a Bank employee who would have no loan approval authority, but who would be authorized only to market and structure loans for presentation to the Association for approval. Ag New Mexico, Farm Credit Services, ACA would make the credit decision whether or not to make the loans as well as service them. The agreement was deemed to constitute a preferential transfer of capital. Since the calling officer program was first implemented in late 2005, the FCBT's total cost of providing the calling officer has totaled $2,020,156 over an eight year period. For the years 2012, 2013 and 2014, the costs amounted to $224,865, $232,377 and $341,862, respectively. FCBT terminated that arrangement with Ag New Mexico as of September 30, 2014 and entered into a new arrangement. After September 30, 2014, the individual who performed the calling officer services as a Bank employee became an employee of Ag New Mexico, Farm Credit Services, ACA. FCBT has agreed with the Association that the Bank will reimburse the Association for the calling officer's salary and benefits up to a maximum of $150,000 per year plus the allocable cost of benefits under the Association's benefits programs up to a maximum of $50,000 per year for a period of up to two years after the individual becomes an Association employee. This could amount to a total additional cost of approximately $400,000.

NOTE 14 — 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 an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. See Note 2, "Summary of Significant Accounting Policies," for additional information.

Assets and liabilities measured at fair value on a nonrecurring basis for each of the fair value hierarchy values are summarized below:

December 31, 2015	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	**$ -**	**$ -**	**$1,020,820**	**$ 1,020,820**
Other property owned	**-**	**-**	**797,033**	**797,033**

December 31, 2014	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 2,838,775	$ 2,838,775
Other property owned	-	-	717,867	717,867

December 31, 2013	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 3,853,574	$ 3,853,574
Other property owned	-	-	772,968	772,968

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the balance sheet for each of the fair value hierarchy values are summarized as follows:

	December 31, 2015 Fair Value Measurement Using				
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:					
Cash	**$ 103,286**	**$ 103,286**	**$ -**	**$ -**	**$ 103,286**
Net loans	**189,073,152**	**-**	**-**	**187,444,158**	**187,444,158**
Total Assets	**$ 189,176,438**	**$ 103,286**	**$ -**	**$ 187,444,158**	**$ 187,547,444**
Liabilities:					
Note payable to bank	**$ 163,466,735**	**$ -**	**$ -**	**$ 161,715,665**	**$ 161,715,665**
Total Liabilities	**$ 163,466,735**	**$ -**	**$ -**	**$ 161,715,665**	**$ 161,715,665**

			December 31, 2014 Fair Value Measurement Using		
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 104,320	$ 104,320	$ -	$ -	$ 104,320
Net loans	170,731,234	-	-	172,378,829	172,378,829
Total Assets	$ 170,835,554	$ 104,320	$ -	$ 172,378,829	$ 172,483,149
Liabilities:					
Note payable to Bank	$ 149,130,598	$ -	$ -	$ 149,130,598	$ 149,130,598
Total Liabilities	$ 149,130,598	$ -	$ -	$ 149,130,598	$ 149,130,598

			December 31, 2013 Fair Value Measurement Using		
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 156,191	$ 156,191	$ -	$ -	$ 156,191
Ivestments held-to-maturity	9,333,112	-	-	9,278,665	9,278,665
Net loans	164,117,410	-	-	164,634,960	164,634,960
Total Assets	$ 173,606,713	$ 156,191	$ -	$ 173,913,625	$ 174,069,816
Liabilities:					
Note payable to Bank	$ 150,409,512	$ -	$ -	$ 148,457,578	$ 148,457,578
Total Liabilities	$ 150,409,512	$ -	$ -	$ 148,457,578	$ 148,457,578

Sensitivity to Changes in Significant Unobservable Inputs

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement of the mortgage-backed securities are prepayment rates, probability of default and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement.

Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

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.

Information about Other Financial Instrument Fair Value Measurements:

	Valuation Technique(s)	Input
Cash	Carrying value	Par/principal and appropriate interest yield
Mission-related and other investments held to maturity	Discounted cash flow	Prepayment rates Probability of default Loss severity
Loans	Discounted cash flow	Prepayment forecasts Probability of default Loss severity
Note payable to Bank	Discounted cash flow	Benchmark yield curve Derived yield spread Own credit risk

Valuation Techniques

As more fully discussed in Note 2, "Summary of Significant Accounting Policies," 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. Fair values of financial instruments represent the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability in active markets among willing participants at the reporting date. Due to the uncertainty of expected cash flows resulting from financial instruments, the use of different assumptions and valuation methodologies could significantly affect the estimated fair value amounts. Accordingly, certain of the estimated fair values may not be indicative of the amounts for which the financial instruments could be exchanged in a current or future market transaction. The following represent a brief summary of the valuation techniques used by the Association for assets and liabilities:

Investments

Where quoted prices are available in an active market, available-for-sale securities would be classified as Level 1. If quoted prices are not available in an active market, the fair value of securities is estimated using pricing models that utilize observable inputs, quoted prices for similar securities received from pricing services or discounted cash flows. Generally, these securities would be classified as Level 2. This would include certain mortgage-backed and asset-backed securities. Where there is limited activity or less transparency around inputs to the valuation, the securities are classified as Level 3. Securities classified within Level 3 include asset-based securities and certain mortgage-backed securities, including private label-FHA/VA securities and those issued by Farmer Mac.

Loans

For certain loans evaluated for impairment under impairment guidance, the fair value is based upon the underlying collateral since the loans are 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.

Other Property Owned

Other property owned is generally classified as Level 3. The process for measuring the fair value of other property owned involves the use of appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. As a result, these fair value measurements fall within Level 3 of the hierarchy.

Note Payable to Bank

The note payable to the Bank is not regularly traded; thus, quoted market prices are not available. Fair value of this instrument is discounted based on the Association's and Bank's loan rates as well as on management estimates. For the purposes of this estimate, it is assumed that the cash flow on the note is equal to the principal payments on the Association's loan receivables plus accrued

interest on the note payable. This assumption implies that earnings on the Association's interest margin are used to fund operating expenses and capital expenditures. Management has no basis to determine whether the fair values would be indicative of the value negotiated in an actual sale.

NOTE 15 — COMMITMENTS AND CONTINGENCIES:

In addition to those commitments and contingencies discussed in Note 2, “Summary of Significant Accounting Policies,” the Association is involved in various legal proceedings in the ordinary course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the Association.

The Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers in the form of commitments to extend credit and commercial letters of credit. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2015, $73,007,202 commitments and $729,616 of commercial letters of credit were outstanding.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the balance sheet until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers, and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management’s credit evaluation of the borrower.

The Association also participates in standby letters of credit to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financing obligations. Standby letters of credit are recorded, at fair value, on the balance sheet by the Association. At December 31, 2015, there were no standby letters of credit included in other liabilities. Outstanding standby letters of credit have expiration dates ranging from January 1, 2016, to June 20, 2019. The maximum potential amount of future payments the Association is required to make under the guarantees is $73,177,264.

NOTE 16 — REGULATORY ENFORCEMENT MATTERS:

The Association and its regulator, Farm Credit Administration (“FCA”), entered into a Supervisory Agreement (the “Supervisory Agreement”) effective March 20, 2012, that, among other things, placed additional reporting requirements on the Association and required the board to take certain other actions. The Supervisory Agreement superseded that certain Supervisory Agreement with the FCA dated January 20, 2010, and the FCA Supervisory Letters dated June 25, 2009, November 13, 2009, and December 13, 2011. The Supervisory Agreement required that the board take certain corrective and precautionary measures with respect to some of the Association’s practices, including board governance and operation, director fiduciary duties, nominating committee procedures, board policies, board business planning, the CEO position and human capital development, policies and procedures regarding loan participations, management reporting, disclosure obligations and establishment of a compliance committee. In addition, the Supervisory Agreement prohibited the Association from distributing patronage or dividends from past, present or future earnings without prior FCA consent. The conditions and events that led to the need for the Supervisory Agreement included portfolio credit quality deterioration, weaknesses in board governance, loan portfolio management, participations purchased and perceived weakness with respect to certain internal controls.

On November 16, 2015, the FCA terminated the Supervisory Agreement and placed the Association under Special Supervision, which is a reduced level of supervision from a Supervisory Agreement, but is heightened over normal supervision. As a condition to termination of the Supervisory Agreement, the board addressed certain weaknesses identified by the FCA as yet to be fully resolved in 2016. These include director fiduciary duties and governance, risk assessment and audit plan, borrower concentration and collateral risk, nominating committee procedures, business planning, the CEO position and human capital development, management reporting, credit administration and related staff training, borrower rights and consumer compliance, allowance for loan loss and earnings. In addition, the requirements of Special Supervision continue to prohibit the Association from distributing patronage or dividends from past, present or future earnings without prior FCA consent if any of the following conditions exist, or will result in the Association’s Permanent Capital being less than 15 percent; cause the Association’s Core Surplus, Permanent Capital, or Total Capital ratios to decline more than 1 percent; or result in a Return on Assets ratio of less than 1 percent using a

rolling 12-month average. Although the Association has made progress on these items, the following corrective actions are also being taken to address certain weaknesses noted by FCA:

- Continue to maintain a compliance committee to monitor management's progress with the corrective actions identified in the Supervisory Letter as well as any other audits identifying necessary corrective actions;
- Develop a corrective action plan to correct any remaining weaknesses identified by FCA in the Supervisory Letter prior to June 30, 2016;
- Annual review by a third-party of the Association's actions in response to all audits, reviews and the Supervisory Letter; and
- Continue to engage an outside consultant to provide the board advice with respect to understanding and fulfilling its fiduciary responsibilities and to perform other advisory functions as specified in the Supervisory Letter.

The Association's board and senior management are committed to continuing the administration of the Association in a safe and sound manner, compliant with all regulations of the FCA, and remain dedicated to meeting their obligation in complying with the requirements of Special Supervision.

NOTE 17 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

Quarterly results of operations for the years ended December 31 (in thousands) follow:

	2015				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$ 1,137**	**$ 1,185**	**$ 1,220**	**$ 1,189**	**$ 4,731**
(Provision for) loan losses	**(55)**	**(51)**	**(63)**	**(22)**	**(191)**
Noninterest income (expense), net	**(719)**	**(725)**	**(742)**	**(413)**	**(2,599)**
Net income	**$ 363**	**$ 409**	**$ 415**	**$ 754**	**$ 1,941**

	2014				
	First	Second	Third	Fourth	Total
Net interest income	$ 1,155	$ 1,098	$ 1,179	$ 1,152	$ 4,584
(Provision for) loan losses	(18)	(1)	(3)	(19)	(41)
Noninterest income (expense), net	(719)	(754)	(666)	(423)	(2,562)
Net income	$ 418	$ 343	$ 510	$ 710	$ 1,981

	2013				
	First	Second	Third	Fourth	Total
Net interest income	$ 1,126	$ 1,201	$ 1,210	$ 1,185	$ 4,722
(Provision for) reversal of loan losses	491	(51)	(22)	14	432
Noninterest income (expense), net	(630)	(732)	(596)	(303)	(2,261)
Net income	$ 987	$ 418	$ 592	$ 896	$ 2,893

NOTE 18 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through March 15, 2016, which is the date the financial statements were issued or available to be issued.

In January 2016 the Association was able to approve a dividend on 2015 earnings of approximately $380,000 to be paid in the second quarter of 2016. The Association is not aware of any other subsequent events as of March 15, 2016.

DISCLOSURE INFORMATION AND INDEX

Disclosures Required by Farm Credit Administration Regulations

DESCRIPTION OF BUSINESS

The description of the territory served, the persons eligible to borrow, the types of lending activities engaged in and the financial services offered, and related Farm Credit organizations required to be disclosed in this section is incorporated herein by reference from Note 1 to the consolidated financial statements, “Organization and Operations,” included in this annual report.

The descriptions of significant developments that had or could have a material impact on earnings, interest rates to borrowers, patronage, or dividends and acquisitions or dispositions of material assets, changes in the reporting entity, changes in patronage policies or practices and financial assistance provided by or to the Association through loss sharing or capital preservation agreements or from any other source, if any, required to be disclosed in this section are incorporated herein by reference from “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” included in this annual report.

DESCRIPTION OF PROPERTY

The Ag New Mexico, Farm Credit Services, ACA (Association) serves its statewide territory through its main administrative and lending office at Clovis, New Mexico. Additionally, there are two service center lending offices located throughout the territory. The Association leases the office building in Las Cruces, New Mexico. The Association owns the office buildings in Clovis and Belen, New Mexico, free of debt.

LEGAL PROCEEDINGS

In the ordinary course of business, the Association is involved in various legal proceedings. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the consolidated financial statements of the Association.

DESCRIPTION OF CAPITAL STRUCTURE

The information required to be disclosed in this section is incorporated herein by reference from Note 10 to the consolidated financial statements, “Members’ Equity,” included in this annual report.

DESCRIPTION OF LIABILITIES

The description of liabilities required to be disclosed in this section is incorporated herein by reference from Note 9, “Note Payable to the Bank,” Note 12, “Employee Benefit Plans” and in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” included in this annual report.

The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Notes 2 and 15 to the consolidated financial statements, “Summary of Significant Accounting Policies” and “Commitments and Contingencies,” respectively, included in this annual report.

RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS

The Association’s financial condition may be impacted by factors that affect the Farm Credit Bank of Texas (Bank), as discussed in Note 1 to the consolidated financial statements, “Organization and Operations,” included in this annual report. The financial condition and results of operations of the Bank may materially affect the stockholders’ investment in the Association.

The annual and quarterly stockholder reports of the Farm Credit Bank of Texas (Bank) and of the Texas Farm Credit District (district) are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, The Ag Agency, P.O. Box 202590, Austin, Texas 78720-2590 or calling (512) 483-9204. Copies of the Bank and district annual and quarterly stockholder reports can also be requested by e-mailing *fcb@farmcreditbank.com*. The annual and quarterly stockholder reports are also available on its website at *www.farmcreditbank.com*.

The Association’s quarterly stockholder reports are also available free of charge, upon request. These reports will be available approximately 40 days after quarter end and can be obtained by writing to Ag New Mexico, Farm Credit Services, ACA, 233 Fairway

Terrace North, Clovis, New Mexico 88101 or calling (575) 762-3828. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *Ginger.Garrett@farmcreditbank.com*. The Association's annual stockholder report is available on its website at *www.agnewmexico.com* 75 days after the fiscal year end. Copies of the Association's annual stockholder report can also be requested 90 days after the fiscal year end.

SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2015, required to be disclosed, is incorporated herein by reference to the "Five-Year Summary of Selected Consolidated Financial Data" included in this annual report to stockholders.

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

"Management's Discussion and Analysis," which precedes the consolidated financial statements in this annual report, is incorporated herein by reference.

DIRECTORS AND SENIOR OFFICERS

The Association's member-elected and director-elected board of directors and senior officers are as follows:

NAME	POSITION	DATE ELECTED/ EMPLOYED	TERM EXPIRES
Mark McCollum	Chairman-Board of Directors	1998	2018
Ronnie Harral	Vice Chairman-Board of Directors	2005	2018
Randy Autrey	Director	2011	2017
Linda Miller Brown	Director	2013	2016
Marty Franzoy	Director	2015	2017
Larry Hammit	Appointed Director	2012	2018
Dwayne "Butch" Vidlar	Director	2010	2016
Frank Shelton	Chief Executive Officer	2012	-
Dave Wright	Chief Credit Officer	2013	-
Ginger Garrett	Chief Financial Officer	2014	-
John Logsdon	SVP-Compliance/Capital Markets	1996	-

A brief statement of the business and employment background of each director and senior officer is provided for informational purposes.

Mark McCollum, chairman, was first appointed and then elected, to the then PCA of Eastern NM, in 1998. Mr. McCollum is a rancher who with the help of his beautiful wife Kim and brother Ted McCollum III lease and own cow-calf, yearling, back grounding and feedlot operations, McCollum Cattle Co., Windy Ridge Cattle Co. Inc. and Windy Ridge Cattle Co. LLC. He is the president of Windy Ridge Cattle Co. Inc. and Windy Ridge Cattle Co. LLC and also a partial owner of FCC McCollum LLC, which holds the stock of one of his other entities. Mr. McCollum serves on the board of directors of the DeBaca Soil and Water Conservation District, DeBaca Farm Bureau board, the Krause and Managan Lumber Company Ltd, a cattle, timber and landfill operation, near Sulphur, Louisiana, and Frontera Feed Yard, which feeds cattle. Mr. McCollum is also an appointed member of the New Mexico Beef Council. He is the Association's representative on the 10th District Farm Credit Council, and serves as the Political Action Committee representative to Washington D.C. He also sits on the Association's governance, audit, risk, compensation and compliance committees. Mr. McCollum has been a proud Ag New Mexico FCS, ACA stockholder since 1979.

Ronnie Harral, vice chairman, was elected to the board in 2005, and his current term will expire in 2018. Mr. Harral is chairman of the Association's compliance committee and also serves on the Association's audit and governance committees. He and his wife, Sharon, live in Corona, New Mexico and are involved in the livestock business with their son-in-law and daughter, Jeff and Alena Brandenberger, and their son and daughter-in-law, Jerrod and Brittani Harral. He is a partner in 99 Cattle and Harral Partnership, both of which are cattle operations. Mr. Harral holds a bachelor's degree in ag business and has been in the cattle business since high school. Mr. Harral has been an Ag New Mexico FCS, ACA stockholder since 1973.

Randy Autrey was elected to the board in 2011, and his current term expires in 2017. Mr. Autrey has had a lifelong involvement in agriculture. He is a rancher and has a small farm in Torrance County, where he operates a cow-calf and stocker cattle operation, Autrey Cattle Co. and Starvation Flats. Mr. Autrey has served in the past on the Torrance County Fair board, Torrance County USDA Farm Service Agency advisory committee, Estancia basin water planning committee and Production Credit Association Board of Directors in Albuquerque, New Mexico. He is chairman of the Association's risk management committee and serves on the Association's audit, compliance and governance committees. Randy and his wife, Lori, have two sons. Mr. Autrey has been an Ag New Mexico FCS, ACA stockholder since 1983.

Linda Miller Brown was elected to the board in 2013, and her current term will expire in 2016. Mrs. Brown is a lifelong farmer and rancher, and a lifelong member of the Floyd, NM, community. With the help of their three kids, she and her husband, Wesley, farm and ranch in Roosevelt and Guadalupe counties. Mrs. Brown serves as director and secretary of Traveling Water Inc., a ranching and cattle operation, and Brown Farms Inc., a farming operation, and is a partner in W L Brown JV, a farming operation, all entities owned and operated by her and her husband. Mrs. Brown has a bachelor's degree in computer science and a master's degree in mathematics. She has been a stockholder in the Association since 1984. Mrs. Brown currently serves on the Association's risk management, compliance and compensation committees.

Marty Franzoy was elected to the board in 2015, and his current term expires in 2017. Mr. Franzoy resides in Hatch, NM. Mr. Franzoy is a farmer and Managing Partner in Skyline Produce LLC. He also owns Majestic Farms & Salem Valley Farms, is a partial owner of Moss Equity LLC, Fran Cuchi LLC, Majestic Properties LLC, is a partner in Cielo Nogal Estates LLC, and B & J, all of which produce or process crops. Crops grown are onions, chile, alfalfa, wheat, cotton and pecans. Mr. Franzoy operates 730 acres. Mr. Franzoy has a bachelor of science degree in agronomy from NMSU in 1979. Mr. Franzoy currently serves on the Association's compliance committee.

Larry Hammit was appointed to the board in 2012, and his current term expires in 2018. Mr. Hammit was born and raised on a farm near Hale Center, Texas. He was employed by the Farm Credit System for 34 years and has served as a director for the last three years. Mr. Hammit spent 23 years at Plainview Production Credit Association, the first 10 years as loan officer, six years as credit supervisor and the last seven years as credit supervisor, CFO and executive vice president. His most recent past employment was with Great Plains Ag Credit as CFO, where he was employed for 11 years. Mr. Hammit received his BBA in 1973 from Baylor University with a concentration in management and marketing. He is chairman of the Association's audit committee and also serves on the Association's risk, compliance and governance committees. Mr. Hammit currently resides near Canyon, Texas, and owns and operates a small ranch near Memphis, Texas.

Dwayne (Butch) Vidlar was first elected to the board in 2010. His current term will expire in 2016. He lives and farms near Floyd, NM, and has been a stockholder of this Association since 1977. Mr. Vidlar is the president and secretary of Vidlar Inc., a farming operation. His main crops for the last five years were corn, alfalfa, sorghum, wheat, haygrazer and some land in the CRP program. He also runs wheat cattle in the winter months. He graduated from NMSU in 1973 and earned a bachelor of science degree in agronomy. He serves on the audit, compliance, governance and risk committees. He is also chairman of the compensation committee.

Frank Shelton, chief executive officer/president, joined Ag New Mexico in October 2012 with 28 years of banking experience, including more than 13 years of Farm Credit experience in Arizona. From 2007 until 2012, he was employed by Central Arizona Bank in Scottsdale, Arizona, where he held the position of CEO/president. Mr. Shelton holds a bachelor's degree in agriculture mechanics from the University of Arizona, and earned an MBA from the University of Phoenix.

David Wright, chief credit officer, was employed by the Association in June 2013. He brings 33 years of lending and management experience to the Association. Mr. Wright graduated from the University of Arizona with a bachelor's degree in business finance. He also is an honors graduate of the Pacific Coast Banking School at the University of Washington. From 2010 until 2013, Mr. Wright was the chief credit officer at Buffalo Federal Savings Bank in Buffalo, Wyoming. Prior to that, he was branch manager at First Credit Union in Flagstaff, Arizona, from May 2008 to March 2010.

Ginger Garrett, chief financial officer, is a Certified Public Accountant who joined the Association in March 2014. She holds a bachelor of business administration with a major in finance from the University of Houston, a bachelor of accountancy from New Mexico State University and an MBA from Eastern New Mexico University. With over 27 years of experience, Ms. Garrett has served in several roles ranging from a farm and ranch financial analyst, internal auditor, university and high school finance and accounting instructor, and chief financial officer. Ms. Garrett has had her own public accounting firm business and worked with many different types of businesses. Prior to joining the Association, Ms. Garrett spent the previous eight years as the executive vice president/chief financial officer for High Plains Federal Credit Union.

John Logsdon, senior vice president of compliance/capital markets, was employed by the Association in 1996 and has been in his current position since December 2011. Prior to 2011, he held the position of chief credit officer at the Association for over 15 years. Mr. Logsdon has been employed with the Farm Credit System in various capacities at the Production Credit Association and Federal Land Bank Association levels since 1978. He holds a bachelor of science degree with a major in agriculture economics from Oklahoma State University.

COMPENSATION OF DIRECTORS

Directors were compensated for their service to the Association in the form of an honorarium. For board meetings, per diems of $700, $600, and $500 were paid to the chairman, vice chairman and remaining directors, respectively. A per diem of $800 was paid to the board member designated as the financial expert. In addition all directors are encouraged to attend all committee meetings and receive $425 for their daily attendance, and they were reimbursed for certain expenses incurred while representing the Association in an official capacity. Mileage for attending official meetings during 2015 was paid at the IRS-approved rate of 57.5 cents per mile. A copy of the travel policy is available to stockholders of the Association upon request.

	Number of Days Served Associated with		
Director	**Board Meetings**	**Other Official Activities**	**Total Compensation in 2015**
Mark McCollum	11	25	$ 22,200
Ronnie Harral	11	18	15,800
Randy Autrey	10	22	13,825
Linda Brown	12	15	13,200
* Mary Alice Garay	4	8	6,050
Larry Hammit	12	16	22,000
Dwayne Vidlar	12	21	17,825
Marty Franzoy	7	10	11,250
			$ 122,150

**Term expired 2015*

The aggregate compensation paid to directors in 2015, 2014 and 2013 was $122,150, $136,795 and $118,450, respectively. Additional detail regarding director compensation paid for committee service (which is included in the table above) is as follows:

	Committee				
Director	Audit	Compliance	Compensation	Governance	Risk Management
Mark McCollum	$1,200	$1,075	$950	$1,075	$1,225
Ronnie Harral	1,225	1,225	600	1,125	1,225
Randy Autrey	975	1,375	800	1,375	975
Linda Brown	1,300	1,300	800	1,300	1,300
Mary Alice Garay	100	650	250	500	500
Larry Hammit	2,080	2,080	1,280	2,080	2,080
Dwayne Vidlar	1,425	1,175	800	1,175	1,425
Marty Franzoy	750	750	500	750	750
	$9,055	$9,630	$5,980	$9,380	$9,480

The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $143,256, $97,846 and $95,546 in 2015, 2014 and 2013, respectively.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

Overview

The objective of the Association's salary administration program is to attract, develop, retain and motivate staff that is knowledgeable and efficient in the ability to support the Association in the execution of its strategic objectives and delivery of Association results that maximize the value received by its membership. The board and its compensation committee have utilized a philosophy of compensating the Association's employees, including senior officers, based upon market competitive data that provides the basis for equitable compensation to all employees. The Association administers a compensation program that focuses on the individual performance and contributions of its employees and senior officers in working to achieve the Association's financial and operational objectives, all for the ultimate benefit of its membership and fulfillment of its government sponsored enterprise mission. The board fully recognizes the relationship between the financial performance of the Association and its ability to reward senior officers and other employees, thus no incentive or bonus plans are funded until the board is satisfied with year-end financial results. The board follows the input from the compensation committee on any bonus plan structure that includes senior officers, but final decisions for the amount, if any, and the timing of the payment of a bonus resides with the board. The bonus plan is discretionary and based upon the Association's performance for the full year that includes accomplishment of strategic goals, financial expectations, credit administration and regulatory compliance. All employees, including senior officers, are eligible for consideration of a bonus award. The board establishes a total dollar pool amount to be used exclusively to fund bonus award payments to Association employees, including senior officers. This pool of dollars is administratively assigned to the CEO for distribution to employees based upon the CEO's assessment of their individual contributions to the Association during the plan's year. Any award is discretionary in amount and recipient. The board determines the amount, if any, of bonus award that will be paid to the chief executive officer. The amount of any bonus paid to the CEO is not included in the employee's bonus pool. The Association's board of directors, through its compensation committee, establishes annual salary and bonus programs utilizing the services of the human resources compensation team at the Farm Credit Bank of Texas to compile "compensation market data" annually that is used by the compensation committee, the board and management in establishing salary grades and ranges. The compensation market data reveals salary and bonus levels for similar sized institutions operating in our general geographic area. The Association uses a structured performance evaluation worksheet to assess the annual performance of each employee and senior officer. The performance evaluations are comprehensive in scope as to the performance of the person in fulfilling their duties as outlined in their job descriptions and are a key basis for determining salary adjustments and potential bonus payments.

The Association utilized an employee bonus plan that was approved in 2015, and subsequently paid in February 2016. This discretionary bonus plan was used by management of the Association to recognize outstanding efforts by its senior officers and employees on behalf of the Association. In February 2016 a separate bonus award amount was paid to the CEO, who was evaluated by the board for his performance and the Association's accomplishments in 2015.

Chief Executive Officer (CEO) Compensation Policy

The board reserves the right to establish the compensation of the Association's CEO/president. The CEO/president had constructive receipt during the course of the year of salary, bonus and perquisite. The perquisite is the personal use of an Association vehicle which is discussed in the following paragraphs.

Summary Compensation Table

The following table summarizes the compensation paid to the CEO and all senior officers of the Association during 2015, 2014 and 2013. This may include other non-senior officers if their total compensation is within the top five highest paid employees. Amounts reflected in the table are presented in the year the compensation was earned.

Name of Individual or number in group (a)	Year	Salary (b)	Bonus (c)	Change in Pension Value (d)	Deferred/ Perquisite (e)	Total
Frank Shelton/CEO	**2015**	**$ 210,007**	**$ -**	**$ -**	**$ 1,886**	**$ 211,893**
	2014	200,007	10,000	-	1,364	211,371
	2013	200,007	10,000	-	643	210,650
Aggregate Number of Senior Officers (& other highly compensated employees, if applicable)						
5	**2015**	**$ 618,356**	**$ -**	**$ 10,616**	**$ 6,299**	**$ 635,271**
4	2014	439,811	5,450	202,590	5,404	653,255
5	2013	436,520	7,500	12,102	8,219	464,341

(a) Aggregate number of senior officers/highly compensated individuals, excluding CEO.
(b) Gross salary, including retention plan compensation for certain senior officers.
(c) Bonuses paid within the first 30 days of the subsequent calendar year.
(d) Change in pension value represents the change in the actuarial present value of the accumulated benefit under the defined benefit pension plan, the Farm Credit Bank of Texas Pension Plan, from the prior fiscal year to the current fiscal year.
(e) Deferred/Perquisites include contributions to 401(k) and defined contribution plans, automobile benefits and premiums paid for life insurance.

Disclosure of the information on the total compensation paid during the last fiscal year to any senior officer, or to any other employee included in the aggregate, is available and will be disclosed to shareholders of the institution and shareholders of related associations (if applicable) upon request.

Pension Benefits Table

The following table presents the total annual benefit provided from the defined benefit pension plan applicable to the employee participating in the defined pension plan for the year ended December 31, 2015:

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit	Payments During 2015
Aggregate Number of Senior Officers (& other highly compensated employees, if applicable)	Farm Credit Bank of Texas Pension Plan			
1		40	$ 1,096,863	$ -

Pension Benefits Table Narrative Disclosure

Certain senior officers and other highly compensated employees of the Association participate in the Farm Credit Bank of Texas Pension Plan (the "Pension Plan"), which is a qualified defined benefit retirement plan. Compensation, as defined in the Pension Plan, includes wages, incentive compensation and deferrals to the 401(k) and flexible spending account plans, but excludes annual leave or sick leave that may be paid in cash at the time of termination, retirement or transfer of employment, severance payments, retention bonuses, taxable fringe benefits and any other payments. Pension Plan benefits are based on the average of monthly eligible compensation over the 60 consecutive months that produce the highest average after 1996 ("FAC60"). The Pension Plan's benefit formula for a Normal Retirement Pension is the sum of (a) 1.65 percent of FAC60 times "Years of Benefit Service" and (b)

0.50 percent of (i) FAC60 in excess of Social Security covered compensation items and (ii) "Years of Benefit Service" (not to exceed 35). The present value of the senior officers' accumulated Pension Plan is calculated assuming retirement had occurred at the measurement date used for financial reporting purposes with the retirement at age 59.33. The Pension Plan's benefit formula for the Normal Retirement Pension assumes that the senior officer is married on the date the annuity begins, that the spouse is exactly two years younger than the senior officer, and that the benefit is payable in the form of a 50 percent joint and survivor annuity. If any of those assumptions are incorrect, the benefit is recalculated to be the actuarial equivalent benefit.

Employees' assigned Association automobiles reimburse the Association for personal miles at a board-established rate. Employees who use their personal automobiles for business purposes were reimbursed during 2015 at the IRS-approved rate of 57.5 cents per mile.

A bonus plan for 2015 was available to all employees if the Association met certain goals and criteria as related to positive end-of-year performance and full compliance with the general financing agreement. As of December 31, 2015 a bonus plan was approved by the board however funding was not approved in 2015. Bonus was paid in February 2016.

Neither the CEO nor any other senior officer received noncash compensation exceeding $5,000 in 2015, 2014 or 2013.

Senior officers, including the CEO, are reimbursed for reasonable travel, subsistence and other related expenses while conducting Association business. A copy of the Association's travel policy is available to shareholders upon request.

TRANSACTIONS WITH DIRECTORS AND SENIOR OFFICERS

The Association's policies on loans to and transactions with its officers and directors, required to be disclosed in this section, are incorporated herein by reference from Note 13 to the consolidated financial statements, "Related Party Transactions," included in this annual report.

DIRECTORS' AND SENIOR OFFICERS' INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

During the past five years, none of the Association's officers or directors have been involved in legal proceedings, such as bankruptcy, conviction in criminal proceedings, or under order, or decree, that are material to an evaluation of the ability or integrity of any person who served as a director or senior officer on January 1, 2015, or any time during the fiscal year just ended.

RELATIONSHIP WITH INDEPENDENT AUDITOR

The Association selected PricewaterhouseCoopers LLP to audit its financial statements and provide an opinion thereon for its 2015 annual report. There were no material disagreements with our independent qualified public accountants on any matter of accounting principles or financial statement disclosure during the period. The total fees paid to PricewaterhouseCoopers LLP during 2015 were $73,250, of which $37,050 and $27,500 were related to the 2015 and 2014 annual audits, respectively; and $8,700 was attributable to preparation of 2014 income tax returns. Engagement letters for 2015 audit and tax-related services reflect estimated fees of $44,500 to $54,500 for 2015 audit and $9,100 for federal and state income tax return preparation. There were no nonaudit services provided by PricewaterhouseCoopers LLP to the Association during 2015.

RELATIONSHIP WITH UNINCORPORATED BUSINESS ENTITIES

The Association did not have business relationships with any unincorporated business entities for the year ended December 31, 2015.

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 15, 2016, and the report of management in this annual report to stockholders, are incorporated herein by reference.

MEMBER/SHAREHOLDER PRIVACY

Members' nonpublic personal financial information is protected by Farm Credit Administration regulation. Our directors and employees are restricted from disclosing information not normally contained in published reports or press releases about the Association or its members.

CREDIT AND SERVICES TO YOUNG, BEGINNING AND SMALL FARMERS AND RANCHERS, AND PRODUCERS OR HARVESTERS OF AQUATIC PRODUCTS

Consistent with FCA regulations, Ag New Mexico tracks data on loans and members who meet the definition of Young, Beginning, and Small Farmers. Furthermore, the Association's business plan sets out goals for loan volume and activities ascribed to said members. The definition of those groups is as follows:

- **Young Borrowers—**those who are not over the age of 35.
- **Small Borrowers**—those with gross agricultural sales of less than $250,000.
- **Beginning Borrowers—**those who have been farming for not more than 10 years.

Borrowers may qualify for a designation in more than one category dependent on the aforementioned definitions.

In order to quantify the number of these customers that the Association is servicing, data from the 2012 USDA Agricultural Census (most recent information available) was obtained and the percentage of total operators in the state of New Mexico who meet those definitions was calculated.

The USDA Ag Census, though, has three areas in which the data does not exactly match our criteria:

1. The census categorizes operators who have been farming for 5 to 9 years and 10 years or more (in addition to many other categories). This is not consistent with the Association's methodology since the definition of a beginning farmer is one who has been in business for 10 years or less.
2. The census captures data for operators who are age 25 to 34 and 35 to 44 (again, in addition to many other segments of age). Our methodology is to monitor operators who are age 35 and less.
3. The Association percentages are based on loans while the census data is based on number of farms.

Although these slight variations exist, the USDA census data has been the most reliable and sound data to compare to. It is the custom of many, if not all, Farm Credit institutions to utilize this data.

The following chart demonstrates the number of farms in New Mexico who fall in the Young, Beginning, and Small demographic groups, along with a comparison to Ag New Mexico's market share:

	2012 USDA Census		Ag NM 12/31/15		
	# of Farms	% of Total Farms	# of Loans	% of Total Loan #'s	Ag New Mexico % Served**
Young Farmers	1,200	4.86%	67	10.99%	5.58%
Beginning Farmers	4,462	18.05%	90	14.76%	2.00%
Small Farmers	2,893	11.71%	175	28.69%	6.05%

According to the 2012 Ag Census (this is the latest Ag Census that USDA has conducted), there were 23,751 farms with total agricultural sales less than $250,000. Of those, only 2,893 had total agricultural sales in excess of $25,000. The farms with less than $25,000 in gross sales were excluded from this comparison for the following reasons:

- Even with gross profit margins approaching 100 percent, farms with less than $25,000 in sales do not represent an operation that can be viable above a hobby or supplementary role.
- It is not typical for operators in this category of sales to access traditional credit sources.

**This calculation is the percentage of operators within the respective categories that Ag New Mexico is financing. The territory in which Ag New Mexico operates is shared by another FCS institution. In order to fully quantify the penetration that the Farm Credit System has in providing service to YBS borrowers in our trade area, the data from both of the respective institutions would have to be considered together.

As previously stated, Ag New Mexico sets goals in its annual business plan relative to YBS volume and growth. Illustrated in the following chart is the Association's loan volume for 2015 as well as its goals for 2016 and 2017.

	12/31/2015 Actual Volume in 000s	2015 Goal Volume In 000s	2016 Goal Volume in 000s	2017 Goal Volume in 000s
Young	$ 17,854.00	$ 20,149.00	$ 21,156.45	$ 22,214.27
Beginning	$ 28,615.00	$ 29,217.00	$ 30,677.85	$ 32,211.74
Small	$ 27,464.00	$ 29,147.00	$ 30,604.35	$ 32,134.57
Total	$ 73,933.00	$ 78,513.00	$ 82,438.65	$ 86,560.58

YBS statistics are dynamic and ever-changing, as there is a constant rate of attrition of qualified borrowers becoming ineligible through age, growth or experience. If an association's emphasis upon YBS is not maintained, the overall YBS portfolio will tend to stagnate and even decline through the impact of attrition alone. The Association's year-end report for YBS loans shows that the Association was able to increase the number of loans made, but the volume remained low due to the fact that commodity prices that the borrowers received were such that they were able to fund many of their expenses from cash on hand. While the pool of YBS candidates in New Mexico and the United States continues to decline due to high capital investment requirements and economies of scale challenges, we believe that our outreach efforts and commitment to serving this segment of New Mexico agriculture will support continued growth in future years.