AG NEW MEXICO, FARM CREDIT SERVICES, ACA

2017
Quarterly Report
Second Quarter

For the Quarter Ended June 30, 2017

REPORT OF MANAGEMENT

The undersigned certify that we have reviewed this 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 our knowledge and belief.

Frank Shelton, Chief Executive Officer
August 9, 2017

Ronnie Harral, Chairman, Board of Directors
August 9, 2017

Ginger Garrett, Chief Financial Officer

August 9, 2017

AG NEW MEXICO, FARM CREDIT SERVICES, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of Ag New Mexico, Farm Credit Services, ACA (Agricultural Credit Association), referred to as the Association, for the quarter ended June 30, 2017. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2016 Annual Report to Stockholders.

The Association is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated thereunder.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The consolidated financial statements were prepared under the oversight of the Association's audit committee.

Significant Events:

For the six months ending June 30, 2017, the Association continued to focus on portfolio growth as well as maintaining strong credit quality. Net interest income increased from $2,522,962 to $2,652,282 for the six months ending June 30, 2016 and 2017, respectively. Net interest income after provision for loan losses increased from $2,459,051 to $2,586,864 during the same period. The increase is attributed to an increase in loan volume offset by an increase in provision for loan losses from $63,911 to $65,418 for the six months ending June 30, 2016 and 2017, respectively. Total noninterest expenses increased from $2,235,326 to $2,840,282 during the same period. Salaries and employee benefits as well as purchased services contributed to the increase in noninterest expenses. Net income increased from $789,256 to $1,680,158 during the same period which is primarily due to funds received as a result of legal proceedings in May of 2017.

In May 2017 the Association settled an ongoing legal proceeding. The result of this confidential settlement was the recognition of approximately $800,000 in income, net of associated expenses. This income is included in the Other Noninterest Income financial statement line item in the Consolidated Statements of Comprehensive Income.

The Association acquired property in 2012 as a result of a loan settlement agreement. An appraisal was contracted during the second quarter of 2012 which established an appraised value of $820,000 for the acquired property. The net realizable value of the property was determined to be $675,600 after netting estimated selling expenses against the appraised value. The carrying value of the property was $3,106,950 based upon previous appraisals. The appraisal performed in the second quarter of 2012 resulted in the recording of 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 in the third quarter of 2013 based on net realizable value of the updated appraisal. Appraisals are updated approximately on an annual basis, with the most recent appraisal dated June 26, 2016 which indicated no change to the existing 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's original book value was $71,250 on this additional property, which consisted of two individual tracts with collateral value of $85,000. The appraisals were updated in August 2016 and the Association's book value lowered to $65,400 as a result. This brought the total number of properties held in acquired property to three, all of which are real estate properties.

Dairy (milk sales) and beef cattle continue to be the Association's largest portfolio concentrations, which is expected due to the fact that the livestock and dairy industry are the largest agricultural industries statewide based on gross receipts. Per the 2014 New Mexico Agricultural Statistics, which is the latest official information available, milk sales and cattle sales account for 49.1 percent and 24.7 percent of New Mexico cash agricultural receipts. The beef cattle industry remains the Association's largest concentration. 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. Even though livestock prices have dropped considerably over the past 18 months, cattle and beef producers have experienced a great start to 2017, with both production and prices pushing higher. Domestic consumers have provided an unexpected boost to demand, keeping a firm floor under beef prices going into the second quarter. This has fueled a run-up in cattle prices, which creates the risk of losses for cattle feedlots in the second half of the year if demand should wane. In contrast to cattle, hogs have seen what appeared to be a positive year suddenly fall apart at the start of the second quarter. A speculative run-up of pork belly values during January and February was followed by a collapse in March and April. This seems to have precipitated an overall weakening of U.S. pork demand, with middle-meat grilling cuts failing to see seasonal price gains with the onset of spring. In addition, the U.S. hog industry has spent the past six months boosting hog supplies, with the ambition of satisfying expanding domestic and foreign markets. It now appears that much of this additional supply will find its way into the U.S. market, which is struggling with weak demand for pork products as peak grilling season begins. The current contrast between beef and pork warrants monitoring, as these two primary forms of red meat in the U.S. market typically follow similar demand trends. Should the weakness of pork bleed into beef markets, or vice versa, the outlook for the U.S. cattle and hog sectors could be very different by the second half of this year. Poultry markets have remained on solid footing through the start of

2017. Production remains on course for modest expansion, while demand growth from both domestic and foreign markets is holding steady and keeping prices slightly above year-earlier levels. Beef cow inventories and the number of calves born per cow, excluding calves from bred heifers, fell in 2016. It was expected that stronger cow-calf returns and increased beef cow retention over 2015 would signal a boost in cow breeding. It now appears as if the industry did not respond as strongly as previously anticipated. In total, the USDA reported the 2016 calf crop at 35.1 million head. This number is still up 3 percent from the previous year, but down nearly 1 million head from the February forecast. Lower January 1 totals of beef cows and the smaller-than-anticipated 2016 calf crop have cut into the supply of cattle for 2017. The USDA's cattle inventory report put the January 1 inventory of cattle and calves at 93.6 million head, down 1 percent from the February forecast. The 2017 calf crop has also been revised down 4 percent from February, to 35.5 million head. Despite the reduction in the 2017 cattle supply outlook, beef production remains robust. For 2017, U.S. beef production is expected to reach 26.2 billion pounds, up nearly 4 percent. Long-term forecasts indicate that beef production will continue growing, reaching 28.1 billion pounds by 2021, up 7 percent from 2017. By then, it is likely that U.S. cattle inventories will have fully recovered and will begin the contraction portion of this current cycle. In 2021, IHS Market expects January 1 cattle and calves inventories to reach 95.6 million head, up 2 percent from 2017. Both domestic and foreign consumers of U.S. beef have remained very active through the start of 2017 and appear set to maintain this trend. Domestic disappearance of beef is expected to grow nearly 2 percent this year, totaling 80.4 pounds per capita. This would be the highest level of per-capita consumption since 2012. U.S. beef exports will likely climb an impressive 12 percent in 2017, reaching a record-setting 2.86 billion pounds. Long term, U.S. beef exports should see sustained growth as foreign markets become increasingly reliant on imports. By 2021, U.S. beef exports are expected to reach 3 billion pounds, up 5 percent from 2017. Domestic demand is expected to expand as well, although it will likely plateau at 83 pounds per capita, near the 2010 level. By 2021, it is forecasted that U.S. beef domestic disappearance will reach 83.11 pounds per capita, up 3 percent from 2017. IHS also anticipates 3 percent growth in the U.S. population by 2021, pushing total domestic beef disappearance to 28.1 billion pounds, up 7 percent from 2017. Choice boxed beef cutout price is expected to average $207.82 per hundredweight in 2017, up 1 percent. The fed Nebraska direct steers price should average $126.23 per hundredweight, up 4 percent from 2016. Finally, the Oklahoma City feeder steer price will likely average $154.54 per hundredweight this year, up 1 percent. Dairymen and crop producers have also seen significantly softer markets in 2016, however both crop and dairy production has remained favorable. Prices are expected to rebound some in 2017. Lower feed costs have greatly benefitted both 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. Dairy Farms remain the Association's second largest exposure, which is mirrored in statewide statistics. Milk proceeds account for 49.1 percent of the New Mexico gross agricultural receipts, as per the 2014 New Mexico Agricultural Statistics. The dairy market has declined since the 2014 highs, however most producers have learned from the past and utilized the strong prices in 2014 to build equity. Although 2016 prices were down, most producers started into the current downturn in a very strong liquid position, and the decline in corn, grain, and energy prices has helped offset some of the price drop. Milk is currently trading in the $16 range, and futures indicate a somewhat stable price outlook into mid-2017, however the pricing is cyclical and the current low prices are expected into 2018. U.S. dairy producers continue to buck global trends, as the inventory of dairy cows in the U.S. pushes higher. U.S. milk producers have continued to expand, with 2017 dairy cow inventories now on pace to average 9.38 million head, up 34,000 head from the February forecast. For the most part, these inventory gains have been pared by lower-than-anticipated milk cow productivity. As a result, the outlook for total U.S. milk production for 2017 looks mostly unchanged from the February forecast, at 216.8 billion pounds, up 2 percent. U.S. milk production is expected to grow steadily over the next five years, driven primarily by higher milk production per cow (the average is expected to increase to 23,970 pounds per head, a 4 percent increase). By 2021, U.S. milk production is forecasted to reach 225.2 billion pounds, up 4 percent from 2017. This year started with strong potential for year-over-year export gains. Although 2017 still holds potential for improvement over 2016, some of the optimism felt in the first quarter has waned. After surging 165 percent annually during the fourth quarter of 2016, butter exports have slowed considerably. Currently, U.S. butter exports are expected to reach 39 million pounds in 2017, an annual increase of 14 percent. However, 39 million pounds is nearly half of the level expected in the February forecast. While exports have been trimmed, and domestic production remains mostly unchanged from the previous forecast, an increased amount of dairy is likely to flow into domestic markets. Long term, stable growth in dairy demand is expected, with dairy exports leading the way. By 2021, U.S. butter exports are projected to reach 69 million pounds, up 77 percent from 2017. U.S. exports of American-type cheese should reach 177 million pounds, up 26 percent from 2017. Exports of non-American cheese are expected to total 648 million pounds in 2021, up 12 percent from 2017. Despite the downward revision in the export outlook for dairy products, prices are still likely to trend higher year over year. That said, some dairy products have had their price outlooks revised down from the previous forecast. The CME spot block cheese price looks to average $163.55 per hundredweight, down 3 percent from the February forecast. The NDM wholesale price is expected to average $95.70 per hundredweight, down 12 percent from the February forecast.

During the years 2012 through 2014, the Farm Credit Bank of Texas (FCBT or the Bank) performed various 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). The time frame and detail of services and costs are fully disclosed in the 2016 annual report as it pertains to the years of 2012, 2013 and 2014.

FCBT entered into an arrangement with the Association after September 30, 2014, whereby the Bank would reimburse a calling officer's salary 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. This agreement concluded in October 2016 with a cost of $377,960 to the Bank over that timeframe.

Ag New Mexico, Farm Credit Services, ACA operates under a general financing agreement (GFA) with Farm Credit Bank of Texas which stipulates a minimum Return on Average Assets be maintained to remain in compliance with the GFA covenants. As of December 31, 2016 Ag New Mexico, Farm Credit Services, ACA fell below the minimum Return on Average Assets covenant and was granted a limited waiver of the covenant through March 31, 2018. During the second quarter of 2017 Ag New Mexico came into compliance with the ROA GFA covenant referenced above.

Loan Portfolio:

Total loans outstanding at June 30, 2017, including nonaccrual loans and sales contracts, were $212,062,255 compared to $205,880,761 at December 31, 2016, reflecting an increase of 3.0 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.8 percent at June 30, 2017, compared to 1.4 percent at December 31, 2016.

The Association recorded $0 in recoveries and $0 in charge-offs for the quarter ended June 30, 2017, and $0 in recoveries and $699,852 in charge-offs for the same period in 2016. The Association's allowance for loan losses was 0.3 percent and 0.3 percent of total loans outstanding as of June 30, 2017, and December 31, 2016, respectively.

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. The following table illustrates the Association's components and trends of high-risk assets.

	June 30, 2017		December 31, 2016	
	Amount	**%**	Amount	%
Nonaccrual	**$ 1,701,843**	**52.0%**	$ 2,881,447	62.9%
90 days past due and still accruing interest	**-**	**0.0%**	-	0.0%
Formally restructured	**985,393**	**30.1%**	988,580	21.6%
Other property owned, net	**587,400**	**17.9%**	711,480	15.5%
Total	**$ 3,274,636**	**100.0%**	$ 4,581,507	100.0%

Results of Operations:

The Association had net income of $1,341,989 and $1,659,786 for the three and six months ended June 30, 2017, as compared to net income of $462,077 and $863,406 for the same period in 2016, reflecting an increase of 190.4 and 92.2 percent. Net interest income was $1,355,813 and 2,652,282 for the three and six months ended June 30, 2017, compared to $1,298,630 and $2,522,962 for the same period in 2016.

	Six months ended:			
	June 30, 2017		June 30, 2016	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 207,276,993**	**$ 4,360,824**	$ 195,630,871	$ 3,955,343
Total interest-earning assets	**207,276,925**	**4,360,824**	195,630,871	3,955,343
Interest-bearing liabilities	**179,761,907**	**1,708,542**	168,399,453	1,432,381
Impact of capital	**$ 27,515,018**		$ 27,231,418	
Net interest income		**$ 2,652,282**		$ 2,522,962

	2017 Average Yield	2016 Average Yield
Yield on loans	**4.24%**	4.07%
Cost of interest-bearing liabilities	**1.92%**	1.71%
Interest rate spread	**2.33%**	2.36%
Net interest income as a percentage of average earning assets	**2.58%**	2.59%

	Six months ended: June 30, 2017 vs. June 30, 2016 Increase (decrease) due to		
	Volume	Rate	Total
Interest income - loans	$ 234,814	$ 170,667	$ 405,481
Total interest income	234,814	170,667	405,481
Interest expense	96,379	179,782	276,161
Net interest income	$ 138,435	$ (9,115)	$ 129,320

Interest income for the three and six months ended June 30, 2017, increased by $226,768 and $405,481, or 11.1 and 10.3 percent respectively, from the same period of 2016, primarily due to increases in yields on earning assets and an increase in average loan volume. Interest expense for the three and six months ended June 30, 2017, increased by $169,585 and $276,161, or 22.9 and 19.3 percent, from the same period of 2016 due to an increase in interest rates offset by an increase in average debt volume. Average loan volume for the second quarter of 2017 was $210,431,953, compared to $202,121,532 in the second quarter of 2016. The average net interest rate spread on the loan portfolio for the second quarter of 2017 was 2.33 percent, compared to 2.36 percent in the second quarter of 2016.

The Association's return on average assets for the six months ended June 30, 2017, was 1.53 percent compared to 0.84 percent for the same period in 2016. The Association's return on average equity for the six months ended June 30, 2017, was 9.02 percent, compared to 4.91 percent for the same period in 2016.

Liquidity and Funding Sources:

The Association secures the majority of its lendable funds from the Farm Credit Bank of Texas (the Bank), which obtains its funds through the issuance of System-wide obligations and with lendable equity. The following schedule summarizes the Association's borrowings.

	June 30, 2017	December 31, 2016
Note payable to the bank	$ 181,882,677	$ 179,137,450
Accrued interest on note payable	308,797	259,252
Total	$ 182,191,474	$ 179,396,702

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2018. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $181,882,677 as of June 30, 2017, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 1.92 percent at June 30, 2017. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by the general financing agreement. The increase in note payable to the Bank and related accrued interest payable since December 31, 2016, is primarily due to the Association's increase in loan volume. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $28,446,148 at June 30, 2017. The maximum amount the Association may borrow from the Bank as of June 30, 2017, was $211,660,463 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, 2018, 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.

During the years 2012 through 2014, the Farm Credit Bank of Texas (FCBT or the Bank) performed various 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). The time frame and detail of services and costs are fully disclosed in the 2016 annual report as it pertains to the years of 2012, 2013 and 2014.

FCBT entered into an arrangement with the Association after September 30, 2014, whereby the Bank would reimburse a calling officer's salary 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. This agreement concluded in October 2016 with a cost of $377,960 to the Bank over that timeframe.

Capital Resources:

The Association's capital position increased by $1,696,953 at June 30, 2017, compared to December 31, 2016. The Association's debt as a percentage of members' equity was 4.88:1 as of June 30, 2017, compared to 5.02:1 as of December 31, 2016. Farm Credit Administration regulations require us to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations.

Significant Recent Accounting Pronouncements:

In March 2017, the Financial Accounting Standards Board (FASB) issued guidance entitled "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost." The guidance requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. 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 but could change the classification of certain items in the results of operations.

In August 2016, the FASB issued guidance entitled "Classification of Certain Cash Receipts and Cash Payments." The guidance addresses specific cash flow issues with the objective of reducing the diversity in the classification of these cash flows. Included in the cash flow issues are debt prepayment or debt extinguishment costs and settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing. 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 but could change the classification of certain items in the statement of cash flows.

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance becomes effective for interim and annual periods beginning after December 15, 2020, with early application permitted. The Association is currently evaluating the impact of adoption on its financial condition and results of operations.

In February 2016, the 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 is currently evaluating the impact of adoption on its financial condition and results of operations.

In January 2016, the 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 became effective for interim and annual periods ending after December 15, 2016. The Association adopted this guidance in the fourth quarter of 2016 and management made 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.

Regulatory Matters:

On March 10, 2016, the Farm Credit Administration approved a final 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 final rule became effective on January 1, 2017. The Association is in compliance with the required minimum capital standards as of June 30, 2017.

Relationship with the Farm Credit Bank of Texas:

The Association's financial condition may be impacted by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect the stockholder's investment in the Association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2016 Annual Report of Ag New Mexico, Farm Credit Services, ACA more fully describe the Association's relationship with the Bank.

The Texas Farm Credit District's (district) annual and quarterly stockholder reports, as well as those of the Bank, 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, or by calling (512) 483-9204. Copies of the district's quarterly and annual stockholder reports also can be requested by e-mail at *fcb@farmcreditbank.com*. The annual and quarterly stockholder reports for the Bank and the district 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 can be obtained by writing to Ag New Mexico, Farm Credit Services, ACA, 4501 N. Prince St., Clovis, New Mexico 88101 or calling (575) 762-3828. The annual and quarterly stockholder reports for the Association are also available on its website at www.agnewmexico.com. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing ginger.garrett@farmcreditbank.com.

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED BALANCE SHEET

	June 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Cash	$ -	$ 100,880
Loans	212,062,255	205,880,761
Less: allowance for loan losses	718,919	581,566
Net loans	211,343,336	205,299,195
Accrued interest receivable	2,344,530	2,274,130
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	4,940,470	4,940,470
Other	1,039,259	680,045
Deferred taxes, net	559,153	559,153
Other property owned, net	587,400	711,480
Premises and equipment, net	3,133,555	3,184,450
Other assets	288,435	782,217
Total assets	$ 224,236,138	$ 218,532,020
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	$ 181,882,677	$ 179,137,450
Advance conditional payments	1,926,266	56,832
Accrued interest payable	308,818	259,252
Drafts outstanding	46,592	-
Dividends payable	4	450,000
Other liabilities	1,912,306	2,165,964
Total liabilities	186,076,663	182,069,498
MEMBERS' EQUITY		
Capital stock and participation certificates	412,800	396,005
Unallocated retained earnings	38,061,284	36,401,498
Accumulated other comprehensive income (loss)	(314,609)	(334,981)
Total members' equity	38,159,475	36,462,522
Total liabilities and members' equity	$ 224,236,138	$ 218,532,020

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

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2017	2016	**2017**	2016
INTEREST INCOME				
Loans	**$ 2,266,696**	$ 2,039,928	**$ 4,360,824**	$ 3,955,343
Total interest income	**2,266,696**	2,039,928	**4,360,824**	3,955,343
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	**910,883**	741,298	**1,708,542**	1,432,381
Total interest expense	**910,883**	741,298	**1,708,542**	1,432,381
Net interest income	**1,355,813**	1,298,630	**2,652,282**	2,522,962
PROVISION FOR LOAN LOSSES	**11,322**	40,639	**65,418**	63,911
Net interest income after provision for loan losses	**1,344,491**	1,257,991	**2,586,864**	2,459,051
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	**333,873**	279,980	**674,895**	551,129
Loan fees	**75,815**	82,151	**143,184**	122,809
Financially related services income	**361**	290	**999**	819
Gain (loss) on other property owned, net	**(4,785)**	(15,663)	**16,117**	(17,404)
Gain (loss) on sale of premises and equipment, net	**-**	(37)	**(2,650)**	42,717
Other noninterest income	**1,059,299**	16,678	**1,080,659**	57,899
Total noninterest income	**1,464,563**	363,399	**1,913,204**	757,969
NONINTEREST EXPENSES				
Salaries and employee benefits	**750,359**	652,078	**1,537,082**	1,411,285
Directors' expense	**49,282**	47,446	**92,356**	92,893
Purchased services	**303,822**	77,123	**501,481**	132,222
Travel	**71,112**	51,645	**125,919**	105,181
Occupancy and equipment	**80,362**	72,995	**163,526**	139,079
Communications	**10,220**	6,125	**19,273**	9,559
Advertising	**8,708**	9,645	**15,462**	15,127
Public and member relations	**16,930**	7,464	**20,847**	25,208
Supervisory and exam expense	**45,211**	40,842	**90,977**	78,885
Insurance Fund premiums	**57,824**	58,538	**115,443**	113,618
Other noninterest expense	**73,235**	65,556	**157,916**	112,269
Total noninterest expenses	**1,467,065**	1,089,457	**2,840,282**	2,235,326
Income before income taxes	**1,341,989**	531,933	**1,659,786**	981,694
Provision for (benefit from) income taxes	**-**	69,856	**-**	118,288
NET INCOME	**1,341,989**	462,077	**1,659,786**	863,406
Other comprehensive income:				
Change in postretirement benefit plans	**3,789**	5,562	**20,372**	11,124
Other comprehensive income, net of tax	**3,789**	5,562	**20,372**	11,124
COMPREHENSIVE INCOME	**$ 1,345,778**	$ 467,639	**$ 1,680,158**	$ 874,530

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

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(unaudited)

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2015	$ 354,975	$ 35,120,310	$ (353,126)	$ 35,122,159
Net income	-	863,420	-	863,420
Other comprehensive income	-	-	11,124	11,124
Comprehensive income	-	863,420	11,124	874,544
Capital stock/participation certificates and allocated retained earnings issued	41,445	-	-	41,445
Capital stock/participation certificates and allocated retained earnings retired	(27,345)	-	-	(27,345)
Patronage refunds:				
Cash	-	(379,797)	-	(379,797)
Balance at June 30, 2016	$ 369,075	$ 35,603,933	$ (342,002)	$ 35,631,006
Balance at December 31, 2016	$ 396,005	$ 36,401,498	$ (334,981)	$ 36,462,522
Net income	-	1,659,786	-	1,659,786
Other comprehensive income	-	-	20,372	20,372
Comprehensive income	-	1,659,786	20,372	1,680,158
Capital stock/participation certificates and allocated retained earnings issued	52,915	-	-	52,915
Capital stock/participation certificates and allocated retained earnings retired	(36,120)	-	-	(36,120)
Patronage refunds:				
Cash	-	-	-	-
Balance at June 30, 2017	**$ 412,800**	**$ 38,061,284**	**$ (314,609)**	**$ 38,159,475**

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

AG NEW MEXICO, FARM CREDIT SERVICES, ACA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Ag New Mexico, Farm Credit Services, ACA (Agricultural Credit Association), referred to as the Association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The Association serves 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. 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 (the System), which was established by Acts of Congress to meet the needs of American agriculture.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2016, as contained in the 2016 Annual Report to Stockholders.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles (GAAP), except for the inclusion of a statement of cash flows. GAAP require a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by FCA, associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the Association has elected not to include a statement of cash flows in these consolidated financial statements. These interim financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2016, as contained in the 2016 Annual Report to Stockholders. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2017. Descriptions of the significant accounting policies are included in the 2016 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the Banking industry.

In March 2017, the Financial Accounting Standards Board (FASB) issued guidance entitled "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost." The guidance requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. 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 but could change the classification of certain items in the results of operations.

In August 2016, the FASB issued guidance entitled "Classification of Certain Cash Receipts and Cash Payments." The guidance addresses specific cash flow issues with the objective of reducing the diversity in the classification of these cash flows. Included in the cash flow issues are debt prepayment or debt extinguishment costs and settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing. 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 but could change the classification of certain items in the statement of cash flows.

In June 2016, FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers, this guidance becomes effective for interim and annual periods beginning after December 15, 2020, with early application permitted. The Association is currently evaluating the impact of adoption on its financial condition and results of operations.

In February 2016, the 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 is currently evaluating the impact of adoption on its financial condition and results of operations.

In January 2016, the FASB issued guidance entitled "Recognition and Measurement of Financial Assets and Liabilities." This guidance affects, among other things, the presentation and disclosure requirements for financial instruments. For public entities, the guidance eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value of financial instruments carried at amortized cost. 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 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.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The preparation of these consolidated financial statements requires the use of management's estimates. The results for the quarter ended June 30, 2017, are not necessarily indicative of the results to be expected for the year ended December 31, 2017. Certain amounts in the prior period's financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 — INVESTMENTS:

Effective April 1, 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. 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 transactions. 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 that it would have earned on the AMBS investment. The amount of patronage received in 2016 was $121,049. However, for future years, the Bank's payment of patronage is at the discretion of the Bank's board of directors.

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	**June 30, 2017 Amount**	December 31, 2016 Amount
Production agriculture:		
Real estate mortgage	**$ 81,583,535**	$ 74,626,339
Production and intermediate term	**53,947,350**	54,453,882
Agribusiness:		
Loans to cooperatives	**4,550,449**	4,160,927
Processing and marketing	**45,712,654**	41,294,032
Farm-related business	**6,682,377**	9,687,703
Communication	**2,694,913**	3,405,630
Energy	**7,845,380**	10,155,695
Water and waste water	**1,993,971**	1,993,552
Rural residential real estate	**7,051,626**	6,103,001
Total	**$ 212,062,255**	$ 205,880,761

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at June 30, 2017:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 7,811,761	$ 23,328,956	$ -	$ -	$ 7,811,761	$ 23,328,956
Production and intermediate term	5,708,586	11,950,337	-	-	5,708,586	11,950,337
Agribusiness	32,310,904	11,812,907	-	-	32,310,904	11,812,907
Communication	2,694,913	-	-	-	2,694,913	-
Energy	7,845,380	-	-	-	7,845,380	-
Water and waste water	1,993,971	-	-	-	1,993,971	-
Total	$ 58,365,515	$ 47,092,200	$ -	$ -	$ 58,365,515	$ 47,092,200

The Association is authorized under the Farm Credit Act to accept "advance conditional payments" (ACPs) from borrowers. To the extent the borrower's access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower's related loan balance. Unrestricted advance conditional payments are included in other liabilities. ACPs are not insured, and interest is currently not paid by the Association on such balances. Balances of ACPs were $2,372,361 and $468,326 at June 30, 2017, and December 31, 2016, respectively.

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

	June 30, 2017	December 31, 2016
Nonaccrual loans:		
Real estate mortgage	**$ 924,129**	$ 1,770,787
Production and intermediate term	**777,714**	1,110,660
Total nonaccrual loans	**1,701,843**	2,881,447
Accruing restructured loans:		
Real estate mortgage	**526,075**	548,470
Production and intermediate term	**459,319**	440,110
Total accruing restructured loans	**985,394**	988,580
Accruing loans 90 days or more past due:		
Total accruing loans 90 days or more past due	**-**	-
Total nonperforming loans	**2,687,237**	3,870,027
Other property owned	**587,400**	711,480
Total nonperforming assets	**$ 3,274,637**	$ 4,581,507

One credit quality indicator utilized by the Association is the Farm Credit Administration 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 as a percentage of total loans and related accrued interest receivable by loan type as of:

	June 30, 2017	December 31, 2016
Real estate mortgage		
Acceptable	**94** %	93 %
OAEM	**4**	3
Substandard/doubtful	**2**	4
	100	100
Production and intermediate term		
Acceptable	**92**	94
OAEM	**5**	3
Substandard/doubtful	**3**	3
	100	100
Agribusiness		
Acceptable	**99**	99
OAEM	**1**	1
Substandard/doubtful	**-**	-
	100	100
Energy and water/waste water		
Acceptable	**100**	100
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100	100
Communication		
Acceptable	**100**	100
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100	100
Rural residential real estate		
Acceptable	**100**	100
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100	100
Total loans		
Acceptable	**96**	95
OAEM	**3**	2
Substandard/doubtful	**1**	3
	100 %	100 %

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

June 30, 2017	**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	**$ 96,737**	**$ 924,129**	**$ 1,020,866**	**$ 81,807,739**	**$ 82,828,605**	**$ -**
Production and intermediate term	**257,932**	**777,714**	**1,035,646**	**53,600,773**	**54,636,419**	**-**
Loans to cooperatives	**-**	**-**	**-**	**4,558,834**	**4,558,834**	**-**
Processing and marketing	**-**	**-**	**-**	**45,959,283**	**45,959,283**	**-**
Farm-related business	**100,621**	**-**	**100,621**	**6,654,219**	**6,754,840**	**-**
Communication	**-**	**-**	**-**	**2,695,225**	**2,695,225**	**-**
Energy	**-**	**-**	**-**	**7,878,249**	**7,878,249**	**-**
Water and waste water	**-**	**-**	**-**	**2,024,193**	**2,024,193**	**-**
Rural residential real estate	**-**	**-**	**-**	**7,071,137**	**7,071,137**	**-**
Total	**$ 455,290**	**$ 1,701,843**	**$ 2,157,133**	**$ 212,249,652**	**$ 214,406,785**	**$ -**

December 31, 2016	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	$ 17,449	$ -	$ 17,449	$ 75,763,916	$ 75,781,365	$ -
Production and intermediate term	-	-	-	55,121,048	55,121,048	-
Loans to cooperatives	-	-	-	4,165,919	4,165,919	-
Processing and marketing	-	-	-	41,466,286	41,466,286	-
Farm-related business	-	-	-	9,823,377	9,823,377	-
Communication	-	-	-	3,406,311	3,406,311	-
Energy	-	-	-	10,247,954	10,247,954	-
Water and waste water	-	-	-	2,023,774	2,023,774	-
Rural residential real estate	-	-	-	6,118,857	6,118,857	-
Total	$ 17,449	$ -	$ 17,449	$ 208,137,442	$ 208,154,891	$ -

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.

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 at:

	Loans Modified as TDRs		TDRs in Nonaccrual Status*	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Real estate mortgage	$ 526,075	$ 548,469	$ -	$ -
Production and intermediate term	459,319	440,110	-	-
Total	$ 985,394	$ 988,579	$ -	$ -

*represents the portion of loans modified as TDRs that are in nonaccrual status

Additional impaired loan information is as follows:

	June 30, 2017			December 31, 2016		
	Recorded Investment	**Unpaid Principal Balance[a]**	**Related Allowance**	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance
Impaired loans with a related allowance for credit losses:						
Real estate mortgage	**$ -**	**$ -**	**$ -**	$ -	$ -	$ -
Production and intermediate term	**780,996**	**833,763**	**272,551**	1,110,660	1,163,427	216,070
Total	**$ 780,996**	**$ 833,763**	**$ 272,551**	$ 1,110,660	$1,163,427	$ 216,070
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$ 440,422**	**$ 1,311,113**	**$ -**	$ 2,319,242	$3,360,150	$ -
Production and intermediate term	**1,461,380**	**2,437,828**	**-**	440,110	1,311,112	-
Total	**$1,901,802**	**$ 3,748,941**	**$ -**	$ 2,759,352	$4,671,262	$ -
Total impaired loans:						
Real estate mortgage	**$ 440,422**	**$ 1,311,113**	**$ -**	$ 2,319,242	$3,360,150	$ -
Production and intermediate term	**2,242,377**	**3,271,592**	**272,551**	1,550,770	2,474,539	216,070
Total	**$2,682,798**	**$ 4,582,704**	**$ 272,551**	$ 3,870,012	$5,834,689	$ 216,070

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

	For the Three Months Ended				For the Six Months Ended			
	June 30, 2017		June 30, 2016		June 30, 2017		June 30, 2016	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized	**Average Impaired Loans**	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:								
Real estate mortgage	**$ -**	**$ -**	$ -	$ -	**$ -**	**$ -**	$ -	$ -
Production and intermediate term	**934,080**	**-**	-	-	**934,080**	**-**	-	-
Total	**$ 934,080**	**$ -**	$ -	$ -	**$ 934,080**	**$ -**	$ -	$ -
Impaired loans with no related allowance for credit losses:								
Real estate mortgage	**$1,468,376**	**$ 6,123**	$1,851,310	$ 6,354	**$1,468,376**	**$ 6,123**	$1,998,698	$ 12,831
Production and intermediate term	**437,401**	**4,697**	402,545	4,073	**437,400**	**4,697**	409,761	8,299
Total	**$1,905,776**	**$ 10,820**	$2,253,855	$ 10,427	**$1,905,776**	**$ 10,820**	$2,408,459	$ 21,130
Total impaired loans:								
Real estate mortgage	**$1,468,376**	**$ 6,123**	$1,851,310	$ 6,354	**$1,468,376**	**$ 6,123**	$1,998,698	$ 12,831
Production and intermediate term	**1,371,481**	**4,697**	402,545	4,073	**1,371,480**	**4,697**	409,761	8,299
Total	**$2,839,857**	**$ 10,820**	$2,253,855	$ 10,427	**$2,839,856**	**$ 10,820**	$2,408,459	$ 21,130

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

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Total
Allowance for Credit Losses:							
Balance at March 31, 2017	$ 176,772	$ 273,551	$ 170,181	$ 12,591	$ 54,666	$ 17,161	$ 704,922
Charge-offs	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-
Provision for loan losses	4,285	-	6,492	481	2,086	653	13,997
Other	-	-	-	-	-	-	-
Balance at June 30, 2017	$ 181,057	$ 273,551	$ 176,673	$ 13,072	$ 56,752	$ 17,814	$ 718,919
Balance at December 31, 2016	$ 107,983	$ 228,799	$ 163,621	$ 12,106	$ 52,559	$ 16,498	$ 581,566
Charge-offs	-	-	-	-	-	-	-
Recoveries	64,460	-	-	-	-	-	64,460
Provision for loan losses	8,614	37,277	13,052	966	4,193	1,316	65,418
Other	-	7,475	-	-	-	-	7,475
Balance at June 30, 2017	$ 181,057	$ 273,551	$ 176,673	$ 13,072	$ 56,752	$ 17,814	$ 718,919
Ending Balance:							
Individually evaluated for impairment	$ -	$ 272,551	$ -	$ -	$ -	$ -	$ 272,551
Collectively evaluated for impairment	181,057	1,000	176,673	13,072	56,752	17,814	446,368
Balance at June 30, 2017	$ 181,057	$ 273,551	$ 176,673	$ 13,072	$ 56,752	$ 17,814	$ 718,919
Balance at March 31, 2016	$ 778,712	$ 193,431	$ 100,969	$ 7,471	$ 32,433	$ 10,181	$ 1,123,197
Charge-offs	(699,852)	-	-	-	-	-	(699,852)
Recoveries	-	-	-	-	-	-	-
Provision for loan losses	28,503	6,607	3,695	273	1,187	372	40,637
Other	-	2,980	-	-	-	-	2,980
Balance at June 30, 2016	$ 107,363	$ 203,018	$ 104,664	$ 7,744	$ 33,620	$ 10,553	$ 466,962
Balance at December 31, 2015	$ 762,906	$ 187,289	$ 98,919	$ 7,319	$ 31,775	$ 9,974	$ 1,098,182
Charge-offs	(699,852)	-	-	-	-	-	(699,852)
Recoveries	-	-	-	-	-	-	-
Provision for loan losses	44,309	11,006	5,745	425	1,845	579	63,909
Other	-	4,723	-	-	-	-	4,723
Balance at June 30, 2016	$ 107,363	$ 203,018	$ 104,664	$ 7,744	$ 33,620	$ 10,553	$ 466,962
Ending Balance:							
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	107,363	203,018	104,664	7,744	33,620	10,553	466,962
Balance at June 30, 2016	$ 107,363	$ 203,018	$ 104,664	$ 7,744	$ 33,620	$ 10,553	$ 466,962

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Total
Recorded Investments in Loans Outstanding:							
Ending Balance at June 30, 2017	$82,864,310	$ 54,636,418	$ 57,272,957	$ 2,695,225	$ 9,902,443	$7,071,137	$214,442,490
Individually evaluated for impairment	$ 1,450,190	$ 1,236,802	$ -	$ -	$ -	$ -	$ 2,686,992
Collectively evaluated for impairment	$81,414,120	$ 53,399,616	$ 57,272,957	$ 2,695,225	$ 9,902,443	$7,071,137	$211,755,498
Ending Balance at June 30, 2016	$69,145,567	$ 50,003,483	$ 59,987,277	$ 3,364,059	$ 15,541,126	$9,845,569	$207,887,081
Individually evaluated for impairment	$ 1,417,268	$ 393,755	$ -	$ -	$ -	$ -	$ 1,811,023
Collectively evaluated for impairment	$67,728,299	$ 49,609,728	$ 59,987,277	$ 3,364,059	$ 15,541,126	$9,845,569	$206,076,058

NOTE 4 — CAPITAL:

The Association's board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the institution's capital adequacy goals as well as the minimum permanent capital standards. The Plan monitors projected dividends, equity retirements and other actions that may decrease the Association's permanent capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an institution's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the board.

Regulatory Capitalization Requirements

Effective January 1, 2017, the regulatory capital requirements for System Banks and Associations were modified. The new regulations replaced existing core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added a tier 1 leverage ratio and an unallocated retained earnings equivalents (UREE) leverage ratio. The permanent capital ratio continues to remain in effect.

The Association's ratios were as follows:

Risk-adjusted:	**Regulatory Minimums**	**Conservation Buffer**	**Total**	**As of June 30, 2017**
Common equity tier 1 ratio	4.50%	2.50%	7.00%	15.94%
Tier 1 capital ratio	6.00%	2.50%	8.50%	15.94%
Total capital ratio	8.00%	2.50%	10.50%	16.30%
Permanent capital ratio	7.00%	0.00%	7.00%	16.00%
Non-risk-adjusted:				
Tier 1 leverage ratio	4.00%	1.00%	5.00%	15.23%
UREE leverage ratio	1.50%	0.00%	1.50%	15.93%

*The 2.5% capital conservation buffer for the risk-adjusted ratios will be phased in over a three year period ending on December 31, 2019.

Risk-adjusted assets have been defined by FCA Regulations as the Statement of Condition assets and off-balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets. The primary changes which generally have the impact of increasing risk-adjusted assets (decreasing risk-based regulatory capital ratios) were as follows:

- Inclusion of off-balance-sheet commitments less than 14 months
- Increased risk-weighting of most loans 90 days past due or in nonaccrual status

Risk-adjusted assets is calculated differently for the permanent capital ratio (referred herein as PCR risk-adjusted assets) compared to the other risk-based capital ratios. The primary difference is the deduction of the allowance for loan losses from risk-adjusted assets for the permanent capital ratio.

The ratios are based on a three-month average daily balance in accordance with FCA regulations and are calculated as follows:

- Common equity tier 1 ratio is statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.

- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.

- Total capital is tier 1 capital plus other required borrower stock held for a minimum of 5 years, allocated equities held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance and reserve for credit losses under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.

- Permanent capital ratio (PCR) is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred subject to certain limitations, less certain allocated and purchased investments in other System institutions, divided by PCR risk-adjusted assets.

- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.

- UREE leverage ratio is unallocated retained earnings, paid-in capital, allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

If the capital ratios fall below the minimum regulatory requirements, including the capital conservation and leverage buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary bonus payments to senior officers are restricted or prohibited without prior FCA approval.

The components of the Association's risk-adjusted capital, based on 90 day average balances, were as follows at June 30, 2017:

(dollars in thousands)	Common Equity Tier 1 ratio	Tier 1 Capital Ratio	Regulatory Capital Ratio	Permanent Capital Ratio
Numerator:				
Unallocated retained earnings	**37,170,895**	**37,170,895**	**37,170,895**	**37,170,895**
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	**411,829**	**411,829**	**411,829**	**411,829**
Allowance for loan losses and reserve for credit losses subject to certain limitations			**738,338**	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	**(4,333,059)**	**(4,333,059)**	**(4,333,059)**	**(4,333,059)**
	33,249,665	33,249,665	33,988,003	33,249,665
Denominator:				
Risk-adjusted assets excluding allowance	**212,894,329**	**212,894,329**	**212,894,329**	**212,894,329**
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	**(4,333,059)**	**(4,333,059)**	**(4,333,059)**	**(4,333,059)**
Allowance for loan losses				**(705,388)**
	208,561,270	208,561,270	208,561,270	207,855,882

The components of the Association's non-risk-adjusted capital, based on 90 day average balances, were as follows at June 30, 2017:

(dollars in thousands)	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	**37,170,895**	**37,170,895**
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	**411,829**	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	**(4,333,059)**	**(2,379,200)**
	33,249,665	**34,791,695**
Denominator:		
Total Assets	**222,677,664**	**222,677,664**
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	**(4,333,059)**	**(4,333,059)**
	218,344,605	218,344,605

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

Accum Other Comp Income (Loss)			
June 30, 2017	**Before Tax**	**Deferred Tax**	**Net of Tax**
Nonpension postretirement benefits	**$ 318,712**	**$ (4,103)**	**$ 314,609**
Total	**$ 318,712**	**$ (4,103)**	**$ 314,609**

June 30, 2016	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	$ 342,002	$ -	$ 342,002
Total	$ 342,002	$ -	$ 342,002

The Association's accumulated other comprehensive income (loss) relates entirely to its non-pension other postretirement benefits. Amortization of prior service (credits) cost and of actuarial (gain) loss are reflected in "Salaries and employee benefits" in the Consolidated Statement of Comprehensive Income. The following table summarizes the changes in accumulated other comprehensive income (loss) for the six months ended June 30:

	2017	2016
Accumulated other comprehensive income (loss) at January 1	**$(334,981)**	$(353,126)
Amortization of prior service (credit) costs included in salaries and employee benefits	**(7,420)**	(7,418)
Amortization of actuarial (gain) loss included in salaries and employee benefits	**23,689**	18,542
Income tax expense related to items of other comprehensive income	**4,103**	-
Other comprehensive income (loss), net of tax	**20,372**	11,124
Accumulated other comprehensive income at June 30	**$ (314,609)**	$ (342,002)

NOTE 5 — INCOME TAXES:

AG NEW MEXICO, FARM CREDIT SERVICES, ACA conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are conducted through a wholly-owned FLCA subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are conducted through a wholly-owned PCA subsidiary. The PCA subsidiary and the ACA holding company are subject to income tax. AG NEW MEXICO, FARM CREDIT SERVICES, ACA operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, AG NEW MEXICO, FARM CREDIT SERVICES, ACA can exclude from taxable income amounts distributed as qualified patronage dividends in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage dividends. Deferred taxes are recorded at 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, (more than 50 percent probability), based on management's estimate, to not be realized.

NOTE 6 — FAIR VALUE MEASUREMENTS:

FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 14 to the 2016 Annual Report to Stockholders for a more complete description.

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

June 30, 2017	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans*	**$ -**	**$ -**	**$ 734,832**	**$ 734,832**
Other property owned	**-**	**-**	**652,667**	**652,667**

December 31, 2016	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans*	$ -	$ -	$2,665,377	$ 2,665,377
Other property owned	-	-	790,533	790,533

*Represents the fair value of certain loans that were evaluated for impairment under authoritative guidance "Accounting by Creditors for Impairment of a Loan." The fair value was based upon the underlying collateral since these were collateral-dependent loans for which real estate is the collateral.

Valuation Techniques

As more fully discussed in Note 14 to the 2016 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the Association's assets and liabilities. For a more complete description, see Notes to the 2016 Annual Report to Stockholders.

Investment Securities

Where quoted prices are available in an active market, available-for-sale securities are classified as Level 1. If quoted prices are not available in an active market, the fair value of securities is estimated using quoted prices for similar securities received from pricing services, pricing models that utilize observable inputs or discounted cash flows. Generally, these securities are classified as Level 2. This would include U.S. Treasury and certain mortgage-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-backed securities and certain mortgage-backed securities, including private label-FHA/VA securities and those issued by Farmer Mac.

Assets Held in Nonqualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Standby Letters of Credit

The fair value of letters of credit approximate the fees currently charged for similar agreements or the estimated cost to terminate or otherwise settle similar obligations.

Loans Evaluated for Impairment

For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based upon the underlying real estate collateral since the loans were collateral-dependent. 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, a majority of these loans have fair value measurements that fall within Level 3 of the fair value 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. The fair value of these loans would fall under Level 2 of the hierarchy if the process uses independent appraisals and other market-based information.

Other Property Owned

Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of the other property owned involves the use of independent appraisals and 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.

Cash

For cash, the carrying amount is a reasonable estimate of fair value.

Loans

Fair value is estimated by discounting the expected future cash flows using the Association's current interest rates at which similar loans would be made to borrowers with similar credit risk. The discount rates are based on the Association's current loan origination rates as well as management's estimates of credit risk. Management has no basis to determine whether the fair values presented would be indicative of the value negotiated in an actual sale and could be less.

For purposes of estimating fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogeneous characteristics. Expected future cash flows, primarily based on contractual terms, and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

The fair value of loans in nonaccrual status that are current as to principal and interest is estimated as described above, with appropriately higher interest rates which reflect the uncertainty of continued cash flows. For collateral-dependent impaired loans, it is assumed that collection will result only from the disposition of the underlying collateral.

Commitments to Extend Credit

The fair value of commitments is estimated using the fees currently charged for similar agreements, taking into account the remaining terms of the agreements and the creditworthiness of the counterparties. For fixed-rate loan commitments, estimated fair value also considers the difference between current levels of interest rates and the committed rates.

NOTE 7 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of non-pension other postretirement employee benefits for the six months ended June 30:

Six months ended June 30 :	Other Benefits	
	2017	2016
Service cost	**$ 8,048**	$ 9,956
Interest cost	**29,914**	29,792
Amortization of prior service (credits) costs	**(7,420)**	(7,420)
Amortization of net actuarial (gain) loss	**14,992**	18,542
Net periodic benefit cost	**$ 45,534**	$ 50,870

The Association's liability for the unfunded accumulated obligation for these benefits at June 30, 2017, was $1,340,394 and is included in "Other Liabilities" in the balance sheet.

The structure of the district's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (bank and associations). The Association recognizes its amortized annual contributions to the plan as an expense. The Association previously disclosed in its financial statements for the year ended December 31, 2016, that it expected to contribute $51,442 to the district's defined benefit pension plan in 2017. As of June 30, 2017, the full contribution has been made. The Association presently does not anticipate additional contributions to fund the defined benefit pension plan.

NOTE 8 — COMMITMENTS AND CONTINGENT LIABILITIES:

The Association is involved in various legal proceedings in the normal 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.

NOTE 9 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through August 9, 2017, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of August 9, 2017.