AG NEW MEXICO, FARM CREDIT SERVICES, ACA

2015
Quarterly Report
Third Quarter

For the Quarter Ended September 30, 2015

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

November 5, 2015

Mark McCollum, Chairman, Board of Directors

November 5, 2015

Ginger Garrett, Chief Financial Officer

November 5, 2015

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

The following commentary reviews the financial performance of the Ag New Mexico, Farm Credit Services, ACA (Agricultural Credit Association), referred to as the Association, for the quarter ended September 30, 2015. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2014, 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 nine months ending September 30, 2015, the Association continues to strengthen the financial position of the Association as well as manage the credit risk within the loan portfolio. Net interest income increased from $3,432,088 to $3,542,784 for the nine months ending September 30, 2014 and 2015, respectively. This increase is due to an increase in total interest earning assets combined with an increase in total yield on interest-earning assets. Net interest income after provision for loan losses decreased from $3,410,336 to $3,373,401 for the nine months ending September 30, 2014 and 2015, respectively. This decrease is due to an increase in the provision for loan losses during the same period. Total noninterest expenses increased from $2,757,486 to $3,089,682 for the nine months ending September 30, 2014 and 2015, respectively. This increase is due to additional staff increasing salaries and employee benefits as well as occupancy, equipment and purchased services. Net income decreased from $1,305,508 to $1,186,971 for the nine months ending September 30, 2014 and 2015.

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 done the second quarter of 2012 resulted in setting up a provision for loss on the 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. The Association acquired property in May 2015 as a result of a loan settlement agreement. An appraisal prepared on December 31, 2014 resulted in collateral value of $85,000 with Association book value of $71,250.

Beef cattle and dairy farms continue to be the largest portfolio concentrations for the Association. Beef numbers nationwide are at the lowest levels since the 1950's, and most producers after the prolonged drought conditions are in an expansion mode. In general, moisture conditions have improved for 2015 with predictions that "El Nino" could carry over into the winter months and beyond. Feeder cattle prices made a market correction in the 3rd quarter but still remain moderately high due to the cattle inventory numbers. Dairy remains the Association's 2nd largest exposure. Milk prices have softened and 2015 prices have trended downward. Due to the high milk prices experienced in 2014, most dairy farmers started the 2015 year in a much stronger liquid position than in past periods of softening milk prices. Most of the Association's producers have been able to generate profits recently and build financial strength, as well as being the beneficiaries of risk management such as price protection for the near term.

The Association began a rural home loan program in 2013 which has been well received and continues to grow and serve the rural home financing needs of New Mexico.

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 $112,414. 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 $150,000.00 per year plus the allocable cost of benefits under the Association's benefits programs up to a maximum of $50,000.00 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 $400,000.00.

Loan Portfolio:

Total loans outstanding at September 30, 2015, including nonaccrual loans and sales contracts, were $175,335,590 compared to $174,461,327 at December 31, 2014, reflecting an increase of 0.5 percent. Nonaccrual loans as a percentage of total loans outstanding were 1.3 percent at September 30, 2015, compared to 1.2 percent at December 31, 2014.

The Association recorded $0 in recoveries and $0 in charge-offs for the quarter ended September 30, 2015, and $0 in recoveries and $0 in charge-offs for the same period in 2014. The Association's allowance for loan losses was 0.6 percent and 0.5 percent of total loans outstanding as of September 30, 2015, and December 31, 2014, 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.

	September 30, 2015		December 31, 2014	
	Amount	**%**	Amount	%
Nonaccrual	**$ 2,225,012**	**55.9%**	$ 2,169,420	56.2%
90 days past due and still accruing interest	**-**	**0.0%**	-	0.0%
Formally restructured	**1,039,697**	**26.1%**	1,046,665	27.1%
Other property owned, net	**717,330**	**18.0%**	646,080	16.7%
Total	**$ 3,982,039**	**100.0%**	$ 3,862,165	100.0%

Results of Operations:

The Association had net income of $414,950 and $1,186,971 for the three and nine months ended September 30, 2015, as compared to net income of $521,455 and $1,305,508 for the same period in 2014, reflecting a decrease of 20.4 and 9.1 percent respectively. Net interest income was $1,220,448 and $3,542,784 for the three and nine months ended September 30, 2015, compared to $1,179,001 and $3,432,088 for the same period in 2014.

	Nine months ended:			
	September 30, 2015		September 30, 2014	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 171,131,510**	**$ 5,241,362**	$ 166,279,210	$ 4,947,377
Investments	**-**	**-**	3,022,548	104,286
Total interest-earning assets	**171,131,510**	**5,241,362**	169,301,758	5,051,663
Interest-bearing liabilities	**145,717,412**	**1,698,578**	145,615,595	1,619,575
Impact of capital	**$ 25,414,098**		$ 23,686,163	
Net interest income		**$ 3,542,784**		$ 3,432,088

	2015 Average Yield	2014 Average Yield
Yield on loans	**4.09%**	3.98%
Yield on investments	**0.00%**	4.61%
Total yield on interest-earning assets	**4.09%**	3.99%
Cost of interest-bearing liabilities	**1.56%**	1.49%
Interest rate spread	**2.54%**	2.50%
Net interest income as a percentage of average earning assets	**2.77%**	2.71%

	Nine months ended: September 30, 2015 vs. September 30, 2014		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 144,372**	**$ 149,613**	**$ 293,985**
Interest income - investments	**(104,286)**	**0**	**(104,286)**
Total interest income	**40,086**	**149,613**	**189,699**
Interest expense	**1,132**	**77,871**	**79,003**
Net interest income	**$ 38,953**	**$ 71,743**	**$ 110,696**

Interest income for the three and nine months ended September 30, 2015, increased by $83,274 and $189,699, or 4.8 and 3.8 percent, respectively, from the same period of 2014, primarily due to increases in yields on earning assets and an increase in average loan volume. Interest expense for the three and nine months ended September 30, 2015, increased by $41,827 and $79,003, or 7.7 and 4.9 percent, respectively, from the same period of 2014 due to an increase in interest rates and an increase in average debt volume. Average loan volume for the third quarter of 2015 was $174,943,702, compared to $168,599,833 in the third quarter of 2014. The average net interest rate spread on the loan portfolio for the third quarter of 2015 was 2.54 percent, compared to 2.56 percent in the third quarter of 2014.

The Association's return on average assets for the nine months ended September 30, 2015, was 0.87 percent compared to 0.97 percent for the same period in 2014. The Association's return on average equity for the nine months ended September 30, 2015, was 4.70 percent, compared to 5.36 percent for the same period in 2014.

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 Systemwide obligations and with lendable equity. The following schedule summarizes the association's borrowings.

	September 30, 2015	December 31, 2014
Note payable to the bank	**$ 148,906,953**	$ 149,130,598
Accrued interest on note payable	**193,432**	193,891
Total	**$ 149,100,385**	$ 149,324,489

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2016. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $148,906,953 as of September 30, 2015, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 1.58 percent at September 30, 2015. 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 decrease in note payable to the Bank and related accrued interest payable since December 31, 2014, is due to the Association's increase in profitability. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $25,807,067 at September 30, 2015. The maximum amount the association may borrow from the bank as of September 30, 2015, was $174,733,422 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.

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Capital Resources:

The Association's capital position increased by $1,230,682 at September 30, 2015, compared to December 31, 2014. The Association's debt as a percentage of members' equity was 4.42:1 as of September 30, 2015, compared to 4.57:1 as of December 31, 2014.

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 Association's permanent capital ratio at September 30, 2015, was 16.4 percent, which is in compliance with the FCA's minimum permanent capital standard. The Association's core surplus ratio and total surplus ratio at September 30, 2015, were 16.2 and 16.2 percent, respectively, which is in compliance with the FCA's minimum surplus standard.

Significant Recent Accounting Pronouncements:

In August 2014, the Financial Accounting Standards Board (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. The Association is currently evaluating a potential disclosure for this recent accounting pronouncement.

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 the Association's financial condition or its results of operations.

Regulatory Matters:

Supervisory Agreement

The Association and its regulator, Farm Credit Administration (FCA), entered into a Supervisory Agreement effective March 20, 2012, placing additional reporting requirements on the Association and requiring the board to take certain other actions. The Supervisory Agreement supersedes the 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 requires the board take certain corrective and precautionary measures with respect to some of the Association's practices. These practices include 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 prohibits 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 Supervisory Agreement include portfolio credit quality deterioration, weaknesses in board governance, loan portfolio management, participations purchased and weakness with respect to certain internal controls. In response to the Supervisory Agreement, the board adopted a multistep detailed Plan of Action designed to address the requirements mandated in the Supervisory Agreement. In addition to taking actions to address the additional reporting requirements, the board has:

- Engaged an outside consultant to advise the board in regards to fulfilling its fiduciary duties and improving board operations and governance;
- Revised its committee structure by adding governance and risk management committees;
- Revised its nominating committee by adding a third meeting at least 180 days prior to the election;
- Prepared a board and individual board member training plan designed to strengthen the board's expertise and improve the governance of the Association;
- Hired a new Chief Executive Officer in October 2012 to replace the previous CEO, who retired;
- Hired a new Chief Credit Officer in June 2013

- Hired a Chief Financial Officer in March 2014;
- Established a Compliance Committee to monitor management's progress in implementing the corrective actions of items identified in the Supervisory Agreement as well as any corrective action plans arising from other audits performed for the Association;
- Engaged an independent CPA firm to assist in developing and implementing an overall comprehensive audit plan and internal operational audits;
- Established an employee online training program in the 4th quarter of 2014 with a required curriculum of courses dealing with compliance, regulatory and legal issues consistent with each employee's department.
- Engaged an outside consultant to review and assist with review of the Association's existing policies and procedures and updates.

Various communications from the FCA related to their ongoing oversight and evaluation of the Association indicate that board and management have generally made a good-faith effort to develop corrective action plans to meet the requirements of the Supervisory Agreement. Although the Association has made progress, FCA communications noted weaknesses that still require additional actions. In addition to the ongoing corrective actions noted above, other actions being taken are as follows.

- Continued adherence to the board member training plan designed to strengthen the board's expertise and improve the governance of the Association and compliance with the FCA's regulations;
- Continuing to review and evaluate the business plan of the Association. This review will be ongoing to provide information on variances from the business plan. This information will be utilized to align the Association to the business plan performance goals.
- Development of an internal corrective action plan to address various remaining weaknesses and monitor the status of this plan monthly.
- Continued review by the board of participations purchased, and the incorporation into the Association's audit plan of an annual independent review of participations purchased;
- Continuing to review the FCA's regulations with respect to disclosure obligations to ensure compliance.
- Continue the development of the internal audit process through utilization of an independent internal auditor.
- Ag New Mexico has scheduled operational audits for 2015 which include governance, business plan, financial plan, capital adequacy plan, budgeting process, IT Web Equity, compensation committee, allowance for loan and lease losses and the supervisory agreement.
- Increase documentation of board and committee involvement to provide added detail related to general oversight of the Association.
- Review and update of the Association's SOX documentation for internal control over financial reporting to enhance internal controls.

The board will continue engaging a 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 Agreement. The 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 Supervisory Agreement.

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. However, the FCA agreed to reopen the comment period from June 26 to July 10, 2015.

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 2014 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, P.O. Box 1328, 233 Fairway Terrace North, Clovis, New Mexico 88102-1328 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

	September 30, 2015 (unaudited)	December 31, 2014
ASSETS		
Cash	**$ 103,712**	$ 104,320
Investments	**-**	-
Loans	**175,335,590**	174,461,327
Less: allowance for loan losses	**1,069,435**	891,318
Net loans	**174,266,155**	173,570,009
Accrued interest receivable	**2,140,599**	1,739,390
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	**4,084,740**	4,084,740
Other	**1,066,167**	365,210
Deferred taxes, net	**441,610**	637,113
Other property owned, net	**717,330**	646,080
Premises and equipment, net	**3,101,334**	3,095,151
Other assets	**283,795**	343,876
Total assets	**$ 186,205,442**	$ 184,585,889
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	**$ 148,906,953**	$ 149,130,598
Advance conditional payments	**889,632**	-
Accrued interest payable	**193,411**	193,891
Drafts outstanding	**87,500**	57,782
Dividends payable	**(203)**	350,049
Patronage distributions payable	**-**	-
Deferred taxes, net	**-**	-
Other liabilities	**1,771,497**	1,724,500
Total liabilities	**151,848,790**	151,456,820
MEMBERS' EQUITY		
Capital stock and participation certificates	**342,625**	328,290
Additional paid-in capital	**-**	-
Allocated retained earnings	**-**	-
Unallocated retained earnings	**34,366,348**	33,179,163
Accumulated other comprehensive income (loss)	**(352,321)**	(378,384)
Total members' equity	**34,356,652**	33,129,069
Total liabilities and members' equity	**$ 186,205,442**	$ 184,585,889

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 September 30,		Nine Months Ended September 30,	
	2015	2014	**2015**	2014
INTEREST INCOME				
Loans	**$ 1,806,528**	$ 1,723,254	**$ 5,241,362**	$ 4,947,377
Investments	**-**	-	**-**	104,286
Other	**-**	-	**-**	-
Total interest income	**1,806,528**	1,723,254	**5,241,362**	5,051,663
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	**586,080**	544,253	**1,698,578**	1,619,575
Advance conditional payments	**-**	-	**-**	-
Total interest expense	**586,080**	544,253	**1,698,578**	1,619,575
Net interest income	**1,220,448**	1,179,001	**3,542,784**	3,432,088
PROVISION FOR LOAN LOSSES	**63,500**	2,695	169,383	21,752
Net interest income after provision for loan losses	**1,156,948**	1,176,306	**3,373,401**	3,410,336
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	**281,237**	277,160	**868,609**	747,288
Loan fees	**59,945**	22,372	**152,971**	20,124
Refunds from Farm Credit System Insurance Corporation	**-**	-	-	-
Financially related services income	**939**	1,306	**1,384**	10,875
Gain (loss) on other property owned, net	**(2,021)**	(4,278)	**(6,769)**	(6,850)
Gain (loss) on sale of premises and equipment, net	**(4,158)**	32,004	**5,692**	32,004
Other noninterest income	**23,689**	7,542	**81,200**	54,430
Impairment losses on investments				
Total other-than-temporary impairment losses	-	-	-	-
Less: portion of loss recognized in other comprehensive income	-	-	-	-
Net impairment loss recognized in earnings	-	-	-	-
Total noninterest income	**359,631**	336,106	**1,103,087**	857,871
NONINTEREST EXPENSES				
Salaries and employee benefits	**603,647**	534,533	**1,845,449**	1,551,506
Directors' expense	**48,268**	41,078	**139,891**	146,692
Purchased services	**78,896**	34,356	**220,387**	95,631
Travel	**46,914**	46,101	**137,331**	138,574
Occupancy and equipment	**82,148**	75,917	**233,736**	209,117
Communications	**6,291**	6,720	**19,787**	21,677
Advertising	**8,334**	13,732	**22,241**	25,993
Public and member relations	**31,392**	37,015	**58,136**	66,378
Supervisory and exam expense	**36,467**	38,067	**118,877**	117,222
Insurance Fund premiums	**41,302**	37,853	**121,601**	116,988
Merger-implementation and restructuring costs	**-**	-	-	-
Other noninterest expense	**48,895**	62,702	**172,246**	267,708
Total noninterest expenses	**1,032,554**	928,074	**3,089,682**	2,757,486
Income before income taxes	**484,025**	584,338	**1,386,806**	1,510,721
Provision for (benefit from) income taxes	**69,075**	62,883	**199,835**	205,213
NET INCOME	**414,950**	521,455	**1,186,971**	1,305,508
Other comprehensive income:				
Change in postretirement benefit plans	**8,825**	(1,341)	**72,911**	(55,647)
Income tax expense related to items of other comprehensive income	**-**	-	-	-
Other comprehensive income, net of tax	**8,825**	(1,341)	**72,911**	(55,647)
COMPREHENSIVE INCOME	**$ 423,775**	$ 520,114	**$ 1,259,882**	$ 1,249,861

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	Additional Paid-in-Capital	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2013	$ 301,170	$ -	$ -	$ 31,906,873	$ (140,688)	$ 32,067,355
Comprehensive income	-	-	-	1,305,509	(55,647)	1,249,862
Capital stock/participation certificates and allocated retained earnings issued	52,740	-	-	-	-	52,740
Capital stock/participation certificates and allocated retained earnings retired	(35,020)	-	-	-	-	(35,020)
Patronage refunds:						
Cash	-	-	-	(360,000)	-	(360,000)
Balance at September 30, 2014	$ 318,890	$ -	$ -	$ 32,852,382	$ (196,335)	$ 32,974,937
Balance at December 31, 2014	$ 328,290	$ -	$ -	$ 33,179,163	$ (378,384)	$ 33,129,069
Comprehensive income	-	-	-	1,186,970	26,063	1,259,881
Capital stock/participation certificates and allocated retained earnings issued	42,420	-	-	-	-	42,420
Capital stock/participation certificates and allocated retained earnings retired	(28,085)	-	-	-	-	(28,085)
Patronage refunds:						
Cash	-	-	-	-	-	-
Balance at September 30, 2015	**$ 342,625**	**$ -**	**$ -**	**$ 34,366,133**	**$ (352,321)**	**$ 34,403,285**

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:

The 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 of New Mexico, with the exception of San Juan County and that portion of Rio Arriba County lying west of the Continental Divide; and in the state of Texas, Cochran County. 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, 2014, as contained in the 2014 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 requires 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, 2014, as contained in the 2014 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, 2015. Descriptions of the significant accounting policies are included in the 2014 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 August 2014, the Financial Accounting Standards Board (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. The Association is currently evaluating a potential disclosure for this recent accounting pronouncement.

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 the Association's financial condition or its 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 September 30, 2015, are not necessarily indicative of the results to be expected for the year ended December 31, 2015. Certain amounts in the prior period's financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 — INVESTMENTS:

Effective March, 2010, approximately $26.4 million of agricultural mortgage loans previously covered under a Long-Term Standby Commitment to Purchase agreement with the Federal Agricultural Mortgage Corporation (Farmer Mac) were securitized. No gain or loss was recognized in the financial statements upon completion of the securitization. Terms of the agreement call for a guarantee fee of 20-50 basis points to be paid to Farmer Mac, and for the Association to receive a 30-basis-point fee for servicing the underlying loans.

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 that it would have earned on the AMBS investment. The amount of patronage received in 2014 related to the AMBS transaction was $133,703. 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	**September 30, 2015 Amount**	December 31, 2014 Amount
Production agriculture:		
Real estate mortgage	**$ 65,513,893**	$ 69,658,785
Production and intermediate term	**49,239,473**	50,050,975
Agribusiness:		
Loans to cooperatives	**1,183,729**	1,288,764
Processing and marketing	**33,563,910**	25,350,014
Farm-related business	**6,084,779**	7,373,164
Communication	**2,694,101**	3,014,297
Energy	**10,302,221**	12,828,919
Water and waste water	**2,257,853**	2,321,528
Rural residential real estate	**4,501,856**	2,574,881
Agricultural export finance	**-**	-
Lease receivables	**-**	-
Mission-related investments	**-**	-
Total	**$ 175,341,815**	$ 174,461,327

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 September 30, 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	$ 10,365,252	$ 16,031,968	$ -	$ -	$ 10,365,252	$ 16,031,968
Production and intermediate term	5,217,624	15,971,113	-	-	5,217,624	15,971,113
Agribusiness	31,129,635	8,220,987	-	-	31,129,635	8,220,987
Communication	2,694,101	-	-	-	2,694,101	-
Energy	10,302,221	-	-	-	10,302,221	-
Water and waste water	2,257,853	-	-	-	2,257,853	-
Rural residential real estate	-	-	-	-	-	-
Agricultural export finance	-	-	-	-	-	-
Lease receivables	-	-	-	-	-	-
Mission-related investments	-	-	-	-	-	-
Total	$ 61,966,688	$ 40,224,069	$ -	$ -	$ 61,966,688	$ 40,224,069

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 generally paid by the association on such balances. Balances of ACPs were $1,304,173 and $584,593 at September 30, 2015, and December 31, 2014, respectively.

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

	September 30, 2015	December 31, 2014
Nonaccrual loans:		
Real estate mortgage	**$ 2,225,012**	$ 2,083,600
Rural residential real estate	**-**	85,820
Total nonaccrual loans	**2,225,012**	2,169,420
Accruing restructured loans:		
Real estate mortgage	**603,396**	603,071
Production and intermediate term	**436,301**	443,594
Total accruing restructured loans	**1,039,697**	1,046,665
Total nonperforming loans	**3,264,709**	3,216,085
Other property owned	**717,330**	646,080
Total nonperforming assets	**$ 3,982,039**	$ 3,862,165

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 classified under the Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of:

	September 30, 2015	December 31, 2014
Real estate mortgage		
Acceptable	**94.0** %	94.6 %
OAEM	**0.9**	1.1
Substandard/doubtful	**5.1**	4.3
	100.0	100.0
Production and intermediate term		
Acceptable	**94.1**	92.8
OAEM	**1.1**	1.7
Substandard/doubtful	**4.8**	5.5
	100.0	100.0
Agribusiness		
Acceptable	**96.9**	-
OAEM	**3.1**	-
Substandard/doubtful	**-**	-
	100.0	-
Energy and water/waste water		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Communication		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Rural residential real estate		
Acceptable	**100.0**	96.7
OAEM	**-**	-
Substandard/doubtful	**-**	3.3
	100.0	100.0
Total loans		
Acceptable	**95.3**	94.6
OAEM	**1.4**	1.2
Substandard/doubtful	**3.3**	4.2
	100.0 %	100.0 %

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

September 30, 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	**$ -**	**$ 1,220,551**	**$ 1,220,551**	**$ 65,361,210**	**$ 66,581,761**	**$ -**
Production and intermediate term	**-**	**-**	**-**	**50,020,585**	**50,020,585**	**-**
Loans to cooperatives	**-**	**-**	**-**	**1,188,445**	**1,188,445**	**-**
Processing and marketing	**-**	**-**	**-**	**33,668,822**	**33,668,822**	**-**
Farm-related business	**-**	**-**	**-**	**6,179,825**	**6,179,825**	**-**
Communication	**-**	**-**	**-**	**2,694,320**	**2,694,320**	**-**
Energy	**-**	**-**	**-**	**10,367,909**	**10,367,909**	**-**
Water and waste water	**-**	**-**	**-**	**2,268,847**	**2,268,847**	**-**
Rural residential real estate	**-**	**-**	**-**	**4,511,974**	**4,511,974**	**-**
Total	**$ -**	**$ 1,220,551**	**$ 1,220,551**	**$ 176,261,937**	**$ 177,482,488**	**$ -**

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	$ -

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.

As of September 30, 2015, the total recorded investment of troubled debt restructured loans was $1,039,697 classified as accrual, with no specific allowance for loan losses. As of September 30, 2015, there were no commitments to lend funds to borrowers whose loan terms have been modified in 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 at:

	Loans Modified as TDRs		TDRs in Nonaccrual Status*	
	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
Real estate mortgage	$ 603,396	$ 603,071	$ -	$ -
Production and intermediate term	436,301	443,594	-	-
Total	$ 1,039,697	$ 1,046,665	$ -	$ -

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

Additional impaired loan information is as follows:

	September 30, 2015			December 31, 2014		
	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	**$ 1,220,551**	**$ 1,497,147**	**$ 634,793**	$ 924,685	$ 1,201,281	$ 376,990
Rural residential real estate	**-**	**-**	**-**	85,820	94,502	13,500
Total	**$ 1,220,551**	**$ 1,497,147**	**$ 634,793**	$ 1,010,505	$ 1,295,783	$ 390,490
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$ 1,607,856**	**$ 1,672,316**	**$ -**	$ 1,761,986	$ 1,829,878	$ -
Production and intermediate term	**436,302**	**1,274,492**	**-**	443,594	1,297,680	-
Total	**$ 2,044,158**	**$ 2,946,808**	**$ -**	$ 2,205,580	$ 3,127,558	$ -
Total impaired loans:						
Real estate mortgage	**$ 2,828,407**	**$ 3,169,463**	**$ 634,793**	$ 2,686,671	$ 3,031,159	$ 376,990
Production and intermediate term	**436,302**	**1,274,492**	**-**	443,594	1,297,680	-
Rural residential real estate	**-**	**-**	**-**	85,820	94,502	13,500
Total	**$ 3,264,709**	**$ 4,443,955**	**$ 634,793**	$ 3,216,085	$ 4,423,341	$ 390,490

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

	For the Three Months Ended				For the Nine Months Ended			
	September 30, 2015		September 30, 2014		**September 30, 2015**		September 30, 2014	
	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	**$ 1,209,246**	**$ -**	$ 838,457	$ -	**$ 1,090,724**	**$ -**	$ 838,457	$ -
Production and intermediate term	**-**	**-**	-	-	**-**	**-**	-	-
Total	**$ 1,209,246**	**$ -**	$ 838,457	$ -	**$ 1,090,724**	**$ -**	$ 838,457	$ -
Impaired loans with no related allowance for credit losses:								
Real estate mortgage	**$ 1,605,111**	**$ 17,030**	$ 1,916,272	$ 382	**$ 1,623,567**	**$ 55,839**	$ 1,916,272	$ 3,869
Production and intermediate term	**445,363**	**4,320**	576,722	-	**443,586**	**42,494**	576,722	-
Total	**$ 2,050,474**	**$ 21,350**	$ 2,492,994	$ 382	**$ 2,067,153**	**$ 98,333**	$ 2,492,994	$ 3,869
Total impaired loans:								
Real estate mortgage	**$ 2,814,356**	**$ 17,030**	$ 2,725,710	$ 382	**$ 2,714,292**	**$ 55,839**	$ 2,754,729	$ 3,869
Production and intermediate term	**445,363**	**4,320**	576,722	-	**443,586**	**42,494**	576,722	-
Total	**$ 3,259,720**	**$ 21,350**	$ 3,302,432	$ 382	**$ 3,157,878**	**$ 98,333**	$ 3,331,451	$ 3,869

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

Allowance for Credit Losses:	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Total
Balance at June 30, 2015	$ 641,325	$ 213,447	$ 115,523	$ 6,602	$ 27,771	$ 4,923	$ 1,009,591
Charge-offs	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-
Provision for loan losses	63,499	(12,389)	-	-	-	-	51,110
Other	-	8,734	-	-	-	-	8,734
Balance at September 30, 2015	$ 704,824	$ 209,792	$ 115,523	$ 6,602	$ 27,771	$ 4,923	$ 1,069,435
Balance at December 31, 2014	$ 513,674	$ 242,173	$ 97,659	$ 4,390	$ 31,297	$ 2,125	$ 891,318
Charge-offs	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-
Provision for loan losses	191,150	(41,115)	17,864	2,212	(3,526)	2,798	169,383
Other	-	8,734	-	-	-	-	8,734
Balance at September 30, 2015	$ 704,824	$ 209,792	$ 115,523	$ 6,602	$ 27,771	$ 4,923	$ 1,069,435
Ending Balance:							
Individually evaluated for impairment	$ 634,973	$ -	$ -	$ -	$ -	$ -	$ 634,973
Collectively evaluated for impairment	69,851	209,792	115,523	6,602	27,771	4,923	434,462
Balance at September 30, 2015	$ 704,824	$ 209,792	$ 115,523	$ 6,602	$ 27,771	$ 4,923	$ 1,069,435
Balance at June 30, 2014	$ 528,835	$ 282,466	$ 79,951	$ 6,077	$ 36,974	$ 531	$ 934,834
Charge-offs	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-
Provision for loan losses	(2,892)	10,963	(2,338)	(139)	(2,894)	(4)	2,696
Balance at September 30, 2014	$ 525,943	$ 293,429	$ 77,613	$ 5,938	$ 34,080	$ 527	$ 937,530
Balance at December 31, 2013	$ 554,834	$ 254,449	$ 67,375	$ 5,652	$ 32,956	$ 512	$ 915,778
Charge-offs	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-
Provision for loan losses	(28,891)	38,980	10,238	286	1,124	15	21,752
Balance at September 30, 2014	$ 525,943	$ 293,429	$ 77,613	$ 5,938	$ 34,080	$ 527	$ 937,530
Ending Balance:							
Individually evaluated for impairment	$ 376,990	$ -	$ -	$ -	$ -	$ -	$ 376,990
Collectively evaluated for impairment	148,953	293,429	77,613	5,938	34,080	527	560,540
Balance at September 30, 2014	$ 525,943	$ 293,429	$ 77,613	$ 5,938	$ 34,080	$ 527	$ 937,530

Recorded Investments in Loans Outstanding:	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Total
Ending Balance at September 30, 2015	$ 66,635,354	$ 50,004,105	$41,037,092	$ 2,694,320	$ 12,636,756	$ 4,511,974	$ 177,519,601
Individually evaluated for impairment	$ 2,225,012	$ -	$ -	$ -	$ -	$ -	$ 2,225,012
Collectively evaluated for impairment	$ 64,410,342	$ 50,004,105	$41,037,092	$ 2,694,320	$ 12,636,756	$ 4,511,974	$ 175,294,589
Ending Balance at September 30, 2014	$ 68,224,208	$ 47,647,214	$34,928,681	$ 3,110,289	$ 15,627,251	$ 1,256,346	$ 170,793,989
Individually evaluated for impairment	$ 2,627,608	$ 571,705	$ -	$ -	$ -	$ -	$ 3,199,313
Collectively evaluated for impairment	$ 65,596,600	$ 47,075,509	$34,928,681	$ 3,110,289	$ 15,627,251	$ 1,256,346	$ 167,594,676

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.

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

September 30, 2015	**Before Tax**	**Deferred Tax**	**Net of Tax**
Nonpension postretirement benefits	**$ 352,112**	**$ (209)**	**$ 352,321**
Total	**352,112**	**(209)**	**352,321**

September 30, 2014	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	**$ 247,960**	**$ 51,624**	**$ 196,336**
Total	**247,960**	**51,624**	**196,336**

The Association's accumulated other comprehensive income (loss) relates entirely to its nonpension 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 nine months ended September 30, 2015:

	2015	2014
Accumulated other comprehensive income (loss) at January 1	**$ (378,384)**	$ (140,686)
Amortization of prior service (credit) costs included in salaries and employee benefits	**(11,669)**	(18,937)
Amortization of actuarial (gain) loss included in salaries and employee benefits	**37,523**	14,911
Income tax expense related to items of other comprehensive income	**209**	(51,624)
Other comprehensive income (loss), net of tax	**26,063**	(55,650)
Accumulated other comprehensive income at September 30	**$ (352,321)**	$ (196,336)

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, that they will 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 2014 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:

September 30, 2015	**Fair Value Measurement Using**			**Total Fair**	**Total Gains**
	Level 1	**Level 2**	**Level 3**	**Value**	**(Losses)**
Assets:					
Loans*	**$ -**	**$ -**	**$ 2,629,915**	**$ 2,629,915**	**$ -**
Other property owned	**-**	**-**	**717,330**	**717,330**	**-**

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

*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 2014 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 2014 Annual Report to Stockholders.

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.

NOTE 7 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the nine months ended September 30:

	Other Benefits	
	2015	2014
Service cost	**$ 15,044**	$ 15,441
Interest cost	**42,138**	38,010
Expected return on plan assets	**-**	-
Amortization of prior service (credits) costs	**(11,669)**	(18,939)
Amortization of net actuarial (gain) loss	**37,523**	14,913
Net periodic benefit cost	**$ 83,036**	$ 49,425

The Association's liability for the unfunded accumulated obligation for these benefits at September 30, 2015, was $1,274,057 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, 2014, that it expected to contribute $47,895 to the district's defined benefit pension plan in 2015. As of March 31, 2015, the full contribution had been made. The Association does not anticipate any further contributions to the fund the defined benefit pension plan in 2015.

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 November 5, 2015, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of November 5, 2015.