AG NEW MEXICO, FARM CREDIT SERVICES, ACA

2016
Quarterly Report
Third Quarter

For the Quarter Ended September 30, 2016

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 9, 2016

Mark McCollum, Chairman, Board of Directors

November 9, 2016

Ginger Garrett, Chief Financial Officer

November 9, 2016

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, 2016. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2015 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, 2016, the Association continued to grow the loan portfolio while maintaining strong credit quality. Net interest income increased from $3,542,784 to $3,902,798 for the nine months ending September 30, 2015 and 2016, respectively. Net interest income after provision for loan losses increased from $3,373,401 to $3,862,932 during the same period. The increase is attributed to an increase in loan volume and a decrease in provision for loan losses from $169,383 to $75,866 for the nine months ending September 30, 2015 and 2016, respectively. Total noninterest expenses increased from $3,089,682 to $3,306,112 during the same period. The increase is attributed to salaries and employee benefit and insurance fund premiums. Net income increased from $1,186,971 to $1,589,371 during the same period.

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). Thus bringing the total number of properties held in acquired property to three, all of which are real estate properties.

Beef cattle and dairy farms continue to be the largest portfolio concentrations, which is expected due to the fact that the livestock and dairy industry are two of the largest agricultural industries statewide, based on gross receipts. Moisture conditions improved in 2015, however it appears the effects of El Nino have weakened and moisture prospects for 2016 have deteriorated. Beef prices remain low, compared to the recent record high prices. However lower feed and fuel costs have helped lessen the impact of the lower market. Dairy remains the Association's 2nd largest exposure. Milk prices experienced in 2014 improved liquidity positions however prices softened in 2015. The trend of soft prices has carried into 2016. Most dairy farmers approached this period of softened prices with stronger liquid positions than in past periods. Other feed prices have softened and many of the dairies have a larger than normal inventory of feed on hand as last year's rains helped to produce higher than expected yields. Most of the Ag New Mexico producers have been able to generate profits and build financial strength as well as benefit from risk management practices such as price protection for the near term, however the current crop and cattle prices have eroded margin positions. Many producers may see significant operating losses for 2016, which may offset some of the gains in 2014 and 2015.

Over a period of years, the Farm Credit Bank of Texas (THE BANK 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 THE BANK 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 THE BANK 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 THE BANK'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. THE BANK 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. THE BANK 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 reimbursement arrangement ended with the costs incurred in September 2016.

Loan Portfolio:

Total loans outstanding at September 30, 2016, including nonaccrual loans and sales contracts, were $216,036,045 compared to $191,192,154 at December 31, 2015, reflecting an increase of 13.0 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.4 percent at September 30, 2016, compared to 0.9 percent at December 31, 2015.

The Association recorded $0 in recoveries and $0 in charge-offs for the quarter ended September 30, 2016, and $0 in recoveries and $0 in charge-offs for the same period in 2015. The Association's allowance for loan losses was 0.2 percent and 0.6 percent of total loans outstanding as of September 30, 2016, and December 31, 2015, 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, 2016		December 31, 2015	
	Amount	**%**	Amount	%
Nonaccrual	**$ 846,428**	**33.1%**	$ 1,677,696	49.2%
Formally restructured	**998,996**	**39.1%**	1,014,808	29.8%
Other property owned, net	**711,480**	**27.8%**	717,330	21.0%
Total	**$ 2,556,904**	**100.0%**	$ 3,409,834	100.0%

Results of Operations:

The Association had net income of $725,964 and $1,589,371 for the three and nine months ended September 30, 2016, as compared to net income of $414,950 and $1,186,971 for the same period in 2015, reflecting an increase of 75.0 and 33.9 percent. Net interest income was $1,379,836 and 3,902,798 for the three and nine months ended September 30, 2016, compared to $1,220,448 and $3,542,784 for the same period in 2015.

	Nine months ended:			
	September 30, 2016		September 30, 2015	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 201,665,999**	**$ 6,146,720**	$ 171,131,510	$ 5,241,362
Total interest-earning assets	**201,665,999**	**6,146,720**	171,131,510	5,241,362
Interest-bearing liabilities	**174,550,536**	**2,243,922**	145,717,412	1,698,578
Impact of capital	**$ 27,115,463**		$ 25,414,098	
Net interest income		**$ 3,902,798**		$ 3,542,784

	2016 Average Yield	2015 Average Yield
Yield on loans	**4.07%**	4.09%
Total yield on interest-earning assets	**4.07%**	4.09%
Cost of interest-bearing liabilities	**1.72%**	1.56%
Interest rate spread	**2.35%**	2.54%
Net interest income as a percentage of average earning assets	**2.59%**	2.77%

	Nine months ended: September 30, 2016 vs. September 30, 2015		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 936,059**	**$ (30,701)**	**$ 905,358**
Total interest income	**936,059**	**(30,701)**	**905,358**
Interest expense	**336,409**	**208,935**	**545,344**
Net interest income	**$ 599,650**	**$ (239,636)**	**$ 360,014**

Interest income for the three and nine months ended September 30, 2016, increased by $384,840 and $905,358, or 21.3 and 17.3 percent respectively, from the same period of 2015, primarily due to increased loan volume offset by a decline in yield. Interest expense for the three and nine months ended September 30, 2016, increased by $225,452 and $545,344, or 38.5 and 32.1 percent, from the same period of 2015 due to an increase in interest rates as well as an increase in average debt volume. Average loan volume for the third quarter of 2016 was $201,655,999, compared to $174,943,702 in the third quarter of 2015. The average net interest rate spread on the loan portfolio for the third quarter of 2016 was 2.35 percent, compared to 2.54 percent in the third quarter of 2015.

The Association's return on average assets for the nine months ended September 30, 2016, was 1.00 percent compared to 0.87 percent for the same period in 2015. The Association's return on average equity for the nine months ended September 30, 2016, was 5.97 percent, compared to 4.70 percent for the same period in 2015.

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, 2016		December 31, 2015
Note payable to the bank	**$**	**188,785,085**	$	163,466,735
Accrued interest on note payable		**266,680**		219,390
Total	**$**	**189,051,765**	$	163,686,125

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 $188,785,085 as of September 30, 2016, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 1.72 percent at September 30, 2016. 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, 2015, is due to the Association's continued loan growth. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $27,273,857 at September 30, 2016. The maximum amount the Association may borrow from the Bank as of September 30, 2016, was $216,470,276 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.

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Capital Resources:

The Association's capital position increased by $1,251,214 at September 30, 2016, compared to December 31, 2015. The Association's debt as a percentage of members' equity was 5.26:1 as of September 30, 2016, compared to 4.73:1 as of December 31, 2015.

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, 2016, was 15.0 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, 2016, were 14.8 and 14.8 percent, respectively, which is in compliance with the FCA's minimum surplus standard.

Significant Recent Accounting Pronouncements:

In August 2016, the Financial Accounting Standards Board (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 Bank'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 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 their financial condition or results of operations.

Regulatory Matters:

Supervisory Agreement

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

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

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

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

Other Regulatory Matters

On 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 is effective on January 1, 2017. The Association is currently evaluating the impact of the recently announced changes.

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 2015 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, 233 Fairway Terrace North, 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

	September 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Cash	$ 101,908	$ 103,286
Loans	216,036,045	191,192,154
Less: allowance for loan losses	476,149	1,098,182
Net loans	215,559,896	190,093,972
Accrued interest receivable	2,618,995	1,912,084
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	3,909,090	3,909,090
Other	810,087	404,575
Deferred taxes, net	386,534	460,714
Other property owned, net	711,480	717,330
Premises and equipment, net	3,055,896	3,069,177
Other assets	471,781	524,715
Total assets	$ 227,625,667	$ 201,194,943
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	$ 188,785,085	$ 163,466,735
Advance conditional payments	297,580	388,022
Accrued interest payable	266,680	219,390
Drafts outstanding	7,272	166,124
Other liabilities	1,895,665	1,832,298
Total liabilities	191,252,282	166,072,569
MEMBERS' EQUITY		
Capital stock and participation certificates	384,185	354,975
Unallocated retained earnings	36,325,640	35,120,525
Accumulated other comprehensive income (loss)	(336,440)	(353,126)
Total members' equity	36,373,385	35,122,374
Total liabilities and members' equity	$ 227,625,667	$ 201,194,943

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,	
	2016	2015	**2016**	2015
INTEREST INCOME				
Loans	**$ 2,191,368**	$ 1,806,528	**$ 6,146,720**	$ 5,241,362
Total interest income	**2,191,368**	1,806,528	**6,146,720**	5,241,362
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	**811,532**	586,080	**2,243,922**	1,698,578
Total interest expense	**811,532**	586,080	**2,243,922**	1,698,578
Net interest income	**1,379,836**	1,220,448	**3,902,798**	3,542,784
PROVISION FOR LOAN LOSSES	**11,955**	63,500	75,866	169,383
Net interest income after provision for loan losses	**1,367,881**	1,156,948	**3,826,932**	3,373,401
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	**282,330**	281,237	**833,459**	868,609
Loan fees	**91,110**	59,945	**213,919**	152,971
Financially related services income	**723**	939	**1,542**	1,384
Gain (loss) on other property owned, net	**(4,841)**	(2,021)	**(22,245)**	(6,769)
Gain (loss) on sale of premises and equipment, net	**-**	(4,158)	**42,717**	5,692
Other noninterest income	**17,028**	23,689	**74,927**	81,200
Total noninterest income	**386,350**	359,631	**1,144,319**	1,103,087
NONINTEREST EXPENSES				
Salaries and employee benefits	**610,155**	603,647	**2,021,440**	1,845,449
Directors' expense	**35,503**	48,268	**128,396**	139,891
Purchased services	**70,656**	78,896	**202,878**	220,387
Travel	**49,631**	46,914	**154,812**	137,331
Occupancy and equipment	**81,337**	82,148	**220,416**	233,736
Communications	**6,667**	6,291	**16,226**	19,787
Advertising	**9,157**	8,334	**24,283**	22,241
Public and member relations	**25,100**	31,392	**50,308**	58,136
Supervisory and exam expense	**41,542**	36,467	**120,427**	118,877
Insurance Fund premiums	**70,826**	41,302	**184,444**	121,601
Other noninterest expense	**70,213**	48,895	**182,482**	172,246
Total noninterest expenses	**1,070,787**	1,032,554	**3,306,112**	3,089,682
Income before income taxes	**683,444**	484,025	**1,665,139**	1,386,806
Provision for (benefit from) income taxes	**(42,520)**	69,075	**75,768**	199,835
NET INCOME	**725,964**	414,950	**1,589,371**	1,186,971
Other comprehensive income:				
Change in postretirement benefit plans	**5,562**	8,825	**16,686**	72,911
Other comprehensive income, net of tax	**5,562**	8,825	**16,686**	72,911
COMPREHENSIVE INCOME	**$ 731,526**	$ 423,775	**$ 1,606,057**	$ 1,259,882

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, 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
Balance at December 31, 2015	$ 354,975	$ 35,120,310	$ (353,126)	$ 35,122,159
Comprehensive income	-	1,589,371	16,686	1,606,057
Capital stock/participation certificates and allocated retained earnings issued	64,170	-	-	64,170
Capital stock/participation certificates and allocated retained earnings retired	(34,960)	-	-	(34,960)
Patronage refunds:				
Cash	-	(384,041)	-	(384,041)
Balance at September 30, 2016	**$ 384,185**	**$ 36,325,640**	**$ (336,440)**	**$ 36,373,385**

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

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 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, 2015, as contained in the 2015 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, 2015, as contained in the 2015 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, 2016. Descriptions of the significant accounting policies are included in the 2015 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 2016, the Financial Accounting Standards Board (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 Bank'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 August 2014, the FASB issued guidance entitled "Presentation of Financial Statements- Going Concern." The guidance governs management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. This guidance requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year after the date the financial statements are issued or within one year after the financial statements are available to be issued, when applicable. Substantial doubt exists if it is probable that the entity will be unable to meet its obligations for the assessed period. This guidance becomes effective for interim and annual periods ending after December 15, 2016, and early application is permitted. Management will be required to make its initial assessment as of December 31, 2016. 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 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 September 30, 2016, are not necessarily indicative of the results to be expected for the year ended December 31, 2016. 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 (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 2015 was $150,146. 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, 2016 Amount**	December 31, 2015 Amount
Production agriculture:		
Real estate mortgage	**$ 77,236,326**	$ 67,686,188
Production and intermediate term	**49,410,902**	53,564,534
Agribusiness:		
Loans to cooperatives	**5,158,256**	1,533,572
Processing and marketing	**48,458,610**	36,624,378
Farm-related business	**9,667,287**	8,265,507
Communication	**3,326,460**	2,587,331
Energy	**11,541,085**	12,113,947
Water and waste water	**2,154,448**	2,214,937
Rural residential real estate	**11,701,521**	6,601,760
Total	**$ 218,654,895**	$ 191,192,154

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, 2016:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 8,256,774	$ 13,290,753	$ -	$ -	$ 8,256,774	$ 13,290,753
Production and intermediate term	4,875,461	14,638,581	-	-	4,875,461	14,638,581
Agribusiness	40,232,088	10,241,225	-	-	40,232,088	10,241,225
Communication	3,326,151	-	-	-	3,326,151	-
Energy	11,478,806	-	-	-	11,478,806	-
Water and waste water	2,143,994	-	-	-	2,143,994	-
Rural residential real estate	-	-	-	-	-	-
Agricultural export finance	-	-	-	-	-	-
Lease receivables	-	-	-	-	-	-
Mission-related investments	-	-	-	-	-	-
Total	$ 70,313,274	$ 38,170,559	$ -	$ -	$ 70,313,274	$ 38,170,559

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 not paid by the Association on such balances. Balances of ACPs were $1,088,893 and $1,177,659 at September 30, 2016, and December 31, 2015, respectively.

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

	September 30, 2016	December 31, 2015
Nonaccrual loans:		
Real estate mortgage	**$ 846,428**	$ 1,677,696
Total nonaccrual loans	**846,428**	1,677,696
Accruing restructured loans:		
Real estate mortgage	**559,762**	592,668
Production and intermediate term	**439,234**	422,140
Total accruing restructured loans	**998,996**	1,014,808
Accruing loans 90 days or more past due:	**-**	-
Total accruing loans 90 days or more past due	**-**	-
Total nonperforming loans	**1,845,424**	2,692,504
Other property owned	**711,480**	717,330
Total nonperforming assets	**$ 2,556,904**	$ 3,409,834

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:

	September 30, 2016		December 31, 2015	
Real estate mortgage				
Acceptable	**95.3**	%	94.9	%
OAEM	**0.3**		1.0	
Substandard/doubtful	**4.4**		4.1	
	100.0		100.0	
Production and intermediate term				
Acceptable	**93.3**		94.8	
OAEM	**-**		0.8	
Substandard/doubtful	**6.7**		4.4	
	100.0		100.0	
Agribusiness				
Acceptable	**100.0**		97.5	
OAEM	**-**		2.5	
Substandard/doubtful	**-**		-	
	100.0		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**		100.0	
OAEM	**-**		-	
Substandard/doubtful	**-**		-	
	100.0		100.0	
Total loans				
Acceptable	**96.8**		95.7	
OAEM	**0.1**		0.7	
Substandard/doubtful	**3.1**		3.6	
	100.0	%	100.0	%

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

September 30, 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	**$ 7,632**	**$ -**	**$ 7,632**	**$ 77,667,929**	**$ 77,675,561**	**$ -**
Production and intermediate term	**12,436**	**-**	**12,436**	**48,959,232**	**48,971,668**	**-**
Loans to cooperatives	**-**	**-**	**-**	**5,158,256**	**5,158,256**	**-**
Processing and marketing	**-**	**-**	**-**	**48,458,610**	**48,458,610**	**-**
Farm-related business	**192,563**	**-**	**192,563**	**9,474,723**	**9,667,286**	**-**
Communication	**-**	**-**	**-**	**3,326,460**	**3,326,460**	**-**
Energy	**-**	**-**	**-**	**11,541,085**	**11,541,085**	**-**
Water and waste water	**-**	**-**	**-**	**2,154,448**	**2,154,448**	**-**
Rural residential real estate	**196,141**	**-**	**196,141**	**11,505,380**	**11,701,521**	**-**
Total	**$ 408,772**	**$ -**	**$ 408,772**	**$ 218,246,123**	**$ 218,654,895**	**$ -**

December 31, 2015	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 26,019	$ 673,234	$ 699,253	$ 67,996,557	$ 68,695,809	$ -
Production and intermediate term	-	-	-	54,165,591	54,165,591	-
Loans to cooperatives	-	-	-	1,538,121	1,538,121	-
Processing and marketing	-	-	-	36,740,789	36,740,789	-
Farm-related business	-	-	-	8,359,396	8,359,396	-
Communication	-	-	-	2,587,642	2,587,642	-
Energy	-	-	-	12,153,511	12,153,511	-
Water and waste water	-	-	-	2,245,295	2,245,295	-
Rural residential real estate	-	-	-	6,618,084	6,618,084	-
Total	$ 26,019	$ 673,234	$ 699,253	$ 192,404,986	$ 193,104,238	$ -

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, 2016, the total recorded investment of troubled debt restructured loans was $998,996, classified as accrual, with no specific allowance for loan losses. As of September 30, 2016, there were no commitments to lend funds to borrowers whose loan terms had been modified in a trouble debt restructure.

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, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Real estate mortgage	$ 559,762	$ 592,668	$ -	$ -
Production and intermediate term	439,234	422,140	-	-
Total	$ 998,996	$ 1,014,808	$ -	$ -

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

Additional impaired loan information is as follows:

	September 30, 2016			December 31, 2015		
	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	**$ -**	**$ -**	**$ -**	$ 673,234	$ 949,830	$ 656,875
Total	**$ -**	**$ -**	**$ -**	$ 673,234	$ 949,830	$ 656,875
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$1,406,177**	**$ 1,470,637**	**$ -**	$ 2,019,265	$ 2,921,916	$ -
Production and intermediate term	**439,234**	**422,161**	**-**	-	-	-
Total	**$1,845,411**	**$ 1,892,798**	**$ -**	$ 2,019,265	$ 2,921,916	$ -
Total impaired loans:						
Real estate mortgage	**$1,406,177**	**$ 1,470,637**	**$ -**	$ 2,692,499	$ 3,871,746	$ 656,875
Production and intermediate term	**439,234**	**422,161**	**-**	-	-	-
Total	**$1,845,411**	**$ 1,892,798**	**$ -**	$ 2,692,499	$ 3,871,746	$ 656,875

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

	For the Three Months Ended				For the Nine Months Ended			
	September 30, 2016		September 30, 2015		**September 30, 2016**		September 30, 2015	
	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	$ -	**$ -**	**$ -**	$1,090,724	$ -
Total	**$ -**	**$ -**	$1,209,246	$ -	**$ -**	**$ -**	$1,090,724	$ -
Impaired loans with no related allowance for credit losses:								
Real estate mortgage	**$1,413,586**	**$ 6,234**	$1,605,111	$ 17,030	**$1,802,237**	**$ 19,066**	$1,623,567	$ 55,839
Production and intermediate term	**429,070**	**4,412**	445,363	4,320	**416,245**	**12,711**	443,586	42,494
Total	**$1,842,656**	**$ 10,646**	$2,050,474	$ 21,350	**$2,218,482**	**$ 31,777**	$2,067,153	$ 98,333
Total impaired loans:								
Real estate mortgage	**$1,413,586**	**$ 6,234**	$2,814,357	$ 17,030	**$1,802,237**	**$ 19,066**	$2,714,292	$ 55,839
Production and intermediate term	**429,070**	**4,412**	445,363	4,320	**416,245**	**12,711**	443,586	42,494
Total	**$1,842,656**	**$ 10,646**	$3,259,720	$ 21,350	**$2,218,482**	**$ 31,777**	$3,157,878	$ 98,333

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 June 30, 2016	$ 107,364	$ 203,018	$ 104,664	$ 7,744	$ 33,620	$ 10,554	$ 466,964
Charge-offs	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-
Provision for loan losses	(26,867)	21,978	11,259	833	3,617	1,135	11,955
Other	-	(2,770)	-	-	-	-	(2,770)
Balance at September 30, 2016	$ 80,497	$ 222,226	$ 115,923	$ 8,577	$ 37,237	$ 11,689	$ 476,149
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	17,443	32,984	17,004	1,258	5,462	1,715	75,866
Other	-	1,953	-	-	-	-	1,953
Balance at September 30, 2016	$ 80,497	$ 222,226	$ 115,923	$ 8,577	$ 37,237	$ 11,689	$ 476,149
Ending Balance:							
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	80,497	222,226	115,923	8,577	37,237	11,689	476,149
Balance at September 30, 2016	$ 80,497	$ 222,226	$ 115,923	$ 8,577	$ 37,237	$ 11,689	$ 476,149
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

	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 September 30, 2016	$77,487,312	$ 49,204,390	$ 63,284,153	$ 3,326,460	$ 13,695,534	$11,701,520	$218,699,369
Individually evaluated for impairment	$ 1,406,177	$ 439,234	$ -	$ -	$ -	$ -	$ 1,845,411
Collectively evaluated for impairment	$76,081,135	$ 48,765,156	$ 63,284,153	$ 3,326,460	$ 13,695,534	$11,701,520	$216,853,958
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

	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 September 30, 2016	$77,487,312	$ 49,204,390	$ 63,284,153	$ 3,326,460	$ 13,695,534	$11,701,520	$218,699,369
Individually evaluated for impairment	$ 1,406,177	$ 439,234	$ -	$ -	$ -	$ -	$ 1,845,411
Collectively evaluated for impairment	$76,081,135	$ 48,765,156	$ 63,284,153	$ 3,326,460	$ 13,695,534	$11,701,520	$216,853,958
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

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, is as follows:

Accum Other Comp Income (Loss)			
September 30, 2016	**Before Tax**	**Deferred Tax**	**Net of Tax**
Nonpension postretirement benefits	**$ 336,440**	**$ -**	**$ 336,440**
Total	**336,440**	**-**	**336,440**
September 30, 2015	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	$ 352,112	$ (209)	$ 352,321
Total	352,112	(209)	352,321

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 nine months ended September 30:

	2016	2015
Accumulated other comprehensive income (loss) at January 1	**$(353,126)**	$(378,384)
Amortization of prior service (credit) costs included in salaries and employee benefits	**(11,127)**	(11,669)
Amortization of actuarial (gain) loss included in salaries and employee benefits	**27,813**	37,523
Income tax expense related to items of other comprehensive income	**-**	209
Other comprehensive income (loss), net of tax	**16,686**	26,063
Accumulated other comprehensive income at September 30	**$ (336,440)**	$ (352,321)

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 2 to the 2015 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, 2016	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans*	**$ -**	**$ -**	**$ 846,428**	**$ 846,428**
Other property owned	**-**	**-**	**711,480**	**711,480**

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

*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 2 to the 2015 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 2015 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 Associations' current interest rates at which similar loans would be made to borrowers with similar credit risk. The discount rates are based on the Associations' 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 nine months ended September 30:

Nine months ended September 30 :	Other Benefits			
	2016		2015	
Service cost	**$**	**14,932**	$	15,044
Interest cost		**44,687**		42,138
Expected return on plan assets		**-**		-
Amortization of prior service (credits) costs		**(11,130)**		(11,669)
Amortization of net actuarial (gain) loss		**27,813**		37,523
Net periodic benefit cost	**$**	**76,302**	$	83,036

The Association's liability for the unfunded accumulated obligation for these benefits at September 30, 2016, was $1,322,761 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, 2015, that it expected to contribute $47,867 to the district's defined benefit pension plan in 2016. As of September 30, 2016, the full annual contribution has been made. The Association presently does not anticipate additional contributions to fund the defined benefit pension plan in 2016.

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 9, 2016, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of November 9, 2016.