FARM CREDIT OF NEW MEXICO, ACA

June 30, 2018

SHAREHOLDER QUARTERLY REPORT

The shareholders' investment in Farm Credit of New Mexico, ACA, is materially affected by the financial condition and results of operations of CoBank, ACB, (CoBank). The 2017 CoBank Annual Report to Shareholders, and the CoBank quarterly shareholders' reports are available on CoBank's web site, www.cobank.com,

Farm Credit of New Mexico, ACA Annual Report to Shareholders and the quarterly shareholders' reports are also available on Farm Credit of New Mexico, ACA's web site, www.farmcreditnm.com, or all the reports may be obtained at no charge by contacting:

Farm Credit of New Mexico, ACA

5651 Balloon Fiesta Parkway, NE

PO Box 94330; Albuquerque, NM 87199

(505) 884-1048 or 1-800-451-5997

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

Allen W. Wells
Chairman of the Board
August 6, 2018

Alfred E. Porter
President / Chief Executive Officer
August 6, 2018

Beverly H. Gabaldon
Chief Financial Officer
August 6, 2018

Consolidated Statement of Condition

(Dollars in Thousands)

	June 30 2018 UNAUDITED	December 31 2017 AUDITED
ASSETS		
Loans	**$ 1,639,920**	$ 1,649,572
Less allowance for loan losses	**9,552**	10,828
Net loans	**1,630,368**	1,638,744
Cash	**2,701**	6,295
Accrued interest receivable	**17,695**	16,637
Investment in CoBank, ACB	**52,571**	51,972
Premises and equipment, net	**12,732**	12,774
Other property owned	**609**	620
Prepaid benefit expense	**1,770**	1,597
Other assets	**8,085**	12,683
Total assets	**$ 1,726,531**	$ 1,741,322
LIABILITIES		
Note payable to CoBank, ACB	**$ 1,292,388**	$ 1,320,855
Advance conditional payments	**18,627**	10,080
Accrued interest payable	**1,942**	1,662
Patronage distributions payable	**-**	9,667
Accrued benefits liability	**1,100**	1,071
Reserve for unfunded commitments	**303**	210
Other liabilities	**8,985**	10,934
Total liabilities	**1,323,345**	1,354,479
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock	**1,207**	1,187
Unallocated retained earnings	**402,455**	386,186
Accumulated other comprehensive (loss)/income	**(476)**	(530)
Total shareholders' equity	**403,186**	386,843
Total liabilities and shareholders' equity	**$ 1,726,531**	$ 1,741,322

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

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

	For the three months ended June 30		For the six months ended June 30	
UNAUDITED	**2018**	2017	**2018**	2017
INTEREST INCOME				
Loans	**$ 18,768**	$ 15,877	**$ 36,063**	$ 31,322
Total interest income	**18,768**	15,877	**36,063**	31,322
INTEREST EXPENSE				
Note payable to CoBank	**7,349**	5,255	**13,598**	9,861
Other	**57**	31	**111**	45
Total interest expense	**7,406**	5,286	**13,709**	9,906
Net interest income	**11,362**	10,591	**22,354**	21,416
Credit loss reversal	**(161)**	(339)	**(580)**	(1,188)
Net interest income after credit loss reversal	**11,523**	10,930	**22,934**	22,604
NONINTEREST INCOME				
Financially related services income	**269**	256	**322**	315
Loan fees	**307**	175	**556**	387
Patronage refund from Farm Credit Institutions	**1,544**	1,512	**3,075**	3,133
Farm Credit Insurance Fund distribution	**-**	-	**1,064**	-
Mineral income	**212**	265	**427**	520
Other noninterest income	**39**	1,291	**37**	1,367
Total noninterest income	**2,371**	3,499	**5,481**	5,722
NONINTEREST EXPENSE				
Salaries and employee benefits	**3,838**	3,441	**7,653**	6,707
Occupancy and equipment	**262**	232	**513**	479
Purchased services from AgVantis, Inc.	**489**	444	**970**	883
Losses on other property owned, net	**-**	62	**-**	71
Farm Credit Insurance Fund premium	**264**	438	**539**	903
Supervisory and examination costs	**151**	144	**301**	288
Other noninterest expense	**970**	1,005	**2,095**	2,207
Total noninterest expense	**5,974**	5,766	**12,071**	11,538
Income before income taxes	**7,920**	8,663	**16,344**	16,788
Provision for income taxes	**59**	98	**75**	115
Net income	**7,861**	8,565	**16,269**	16,673
OTHER COMPREHENSIVE INCOME				
Amortization of retirement costs	**27**	28	**54**	56
Total comprehensive income	**$ 7,888**	$ 8,593	**$ 16,323**	$ 16,729

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

UNAUDITED	Protected Borrower Stock	Capital Stock	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2016	$ 3	$ 1,211	$ 367,667	$ (525)	$ 368,356
Comprehensive income			16,673	56	16,729
Stock issued	-	41			41
Stock retired	-	(63)			(63)
Balance at June 30, 2017	**$ 3**	**$ 1,189**	**$ 384,340**	**$ (469)**	**$ 385,063**
Balance at December 31, 2017	$ -	$ 1,187	$ 386,186	$ (530)	$ 386,843
Comprehensive income			16,269	54	16,323
Stock issued	-	77			77
Stock retired	-	(57)			(57)
Balance at June 30, 2018	**$ -**	**$ 1,207**	**$ 402,455**	**$ (476)**	**$ 403,186**

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

NOTES TO FINANCIAL STATEMENTS

(Dollars in Thousands, Except as Noted)
(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Farm Credit of New Mexico, ACA (the Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2017, are contained in the 2017 Annual Report to Shareholders. These unaudited second quarter 2018 financial statements should be read in conjunction with the 2017 Annual Report to Shareholders.

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, 2017, as contained in the 2017 Annual Report to Shareholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. 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, 2018. Descriptions of the significant accounting policies are included in the 2017 Annual Report to Shareholders. 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 February 2018, the Financial Accounting Standards Board (FASB) issued guidance entitled “Income Statement — Reporting Comprehensive Income — Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.” This guidance allows for the reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the recently issued tax legislation, Tax Cuts and Jobs Act (TCJA) that lowered the federal corporate tax rate from 35 percent to 21 percent. The amount of the reclassification shall include the effect of the change in the tax rate on gross deferred tax amounts and related valuation allowances at the date of enactment of the TCJA related to items remaining in accumulated other comprehensive income. The guidance becomes effective for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Association has early adopted this standard during the first quarter of 2018, and there was no impact on the Association’s financial condition or results of operations.

In March 2017, the FASB issued guidance entitled “Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost.” The guidance requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance did not materially impact the Association’s financial condition or results of operations.

In August 2016, the FASB issued guidance entitled “Classification of Certain Cash Receipts and Cash Payments.” The guidance addresses specific cash flow issues with the objective of reducing the diversity in the classification of these cash flows. Included in the cash flow issues are debt prepayment or debt extinguishment costs and settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing. This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance did not impact the Association’s financial condition or its results of operations.

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 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 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.” The 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 became effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance did not impact the Association’s financial condition or its results of operations but did impact the Association’s fair value disclosures.

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. The guidance sets forth the requirement for new and enhanced disclosures. The Association adopted the new standard effective January 1, 2018, using the modified retrospective approach. As the majority of the Association’s revenues are not subject to the new guidance, the adoption of the guidance did not have a material impact on the financial position, results of operations, equity or cash flows.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows.

	June 30, 2018	December 31, 2017
Real estate mortgage	**$ 1,023,750**	$ 1,008,613
Production and intermediate-term	**353,515**	395,174
Agribusiness	**222,355**	204,024
Rural infrastructure	**32,608**	36,372
Rural residential real estate	**2,668**	2,934
Agricultural export finance	**4,300**	2,455
Lease receivables	**724**	-
Total loans	**$ 1,639,920**	$ 1,649,572

The Association purchases and sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at June 30, 2018:

	Other Farm Credit Institutions	
	Purchased	Sold
Real estate mortgage	$ 21,577	$ 234,046
Production and intermediate-term	37,008	148,157
Agribusiness	190,744	82,974
Rural infrastructure	40,855	8,247
Agricultural export finance	4,300	-
Total	$ 294,484	$ 473,424

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

	June 30, 2018	December 31, 2017
Real estate mortgage		
Acceptable	**93.86%**	94.80%
OAEM	**4.16%**	2.73%
Substandard	**1.96%**	2.47%
Doubtful	**0.03%**	-
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**84.94%**	82.57%
OAEM	**7.71%**	7.46%
Substandard	**7.18%**	9.97%
Doubtful	**0.17%**	-
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**96.18%**	99.79%
OAEM	**3.82%**	0.21%
Total	**100.00%**	100.00%
Rural infrastructure		
Acceptable	**96.02%**	100.00%
OAEM	**3.98%**	-
Total	**100.00%**	100.00%
Rural residential real estate		
Acceptable	**94.74%**	95.14%
OAEM	**3.51%**	3.31%
Substandard	**1.75%**	1.55%
Total	**100.00%**	100.00%
Agricultural export finance		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Lease receivables		
Acceptable	**100.00%**	-
Total	**100.00%**	-
Total Loans		
Acceptable	**92.32%**	92.62%
OAEM	**4.86%**	3.49%
Substandard	**2.77%**	3.89%
Doubtful	**0.05%**	-
Total	**100.00%**	100.00%

High risk assets consist of impaired loans and other property owned. These nonperforming assets (including related accrued interest) and related credit quality are as follows:

(dollars in thousands)	**June 30, 2018**	December 31, 2017
Nonaccrual loans		
Real estate mortgage	**$ 6,334**	$ 10,242
Production and intermediate-term	**8,583**	11,352
Rural residential real estate	**29**	27
Total nonaccrual loans	**$ 14,946**	$ 21,621
Total impaired loans	**$ 14,946**	$ 21,621
Other property owned	**609**	620
Total high risk assets	**$ 15,555**	$ 22,241