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FR Y-6
OMB Number 7100-0297
Approval expires November 30, 2019
Page 1 of 2

Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, William M. Dampeer
Name of the Holding Company Director and Official

CEO/Chairman
Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

William M Dampeer
Signature of Holding Company Director and Official

03/28/2019
Date of Signature

Date of Report (top-tier holding company's fiscal year-end):

December 31, 2018
Month / Day / Year

Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

Western Bancshares of New Mexico, Inc.
Legal Title of Holding Company

P O Drawer 500
(Mailing Address of the Holding Company) Street / P.O. Box

City	State	Zip Code
Artesia	NM	88210

320 West Texas Ave., Artesia, New Mexico 88210
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Name	Title
Ken Clayton	President

575/748-1345
Area Code / Phone Number / Extension

575/746-4583
Area Code / FAX Number

kclayton@wbartesia.com
E-mail Address

wbartesia.com
Address (URL) for the Holding Company's web page

For holding companies not registered with the SEC–
Indicate status of Annual Report to Shareholders:

- ☐ is included with the FR Y-6 report
- ☐ will be sent under separate cover
- ☒ is not prepared

For Federal Reserve Bank Use Only

RSSD ID 1065453
C.I.

Is confidential treatment requested for any portion of this report submission? .... 0=No 1=Yes **0**

In accordance with the General Instructions for this report (check only one),

1. a letter justifying this request is being provided along with the report .... ☐
2. a letter justifying this request has been provided separately ... ☐

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

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Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

Western Bank

P.O. Drawer 500
320 West Texas

FAX (575) 746-4583
Telephone (575) 748-1345
Artesia, New Mexico 88211-0500

March 28, 2019

FEDERAL EXPRESS

NIC Unit, Statistics Dept.
Federal Reserve Bank of Dallas
2200 North Pearl Street
Dallas, TX 75201-2216

To the Individual Responsible for Processing the FR Y-6:

The following are our responses to the report items as indicated for Western Bancshares of New Mexico, Inc., Artesia, New Mexico for our fiscal year ending December 31, 2018:

Report Item 1a: The BHC is not required to prepare form 10K with the SEC.

1b: The BHC submits to its shareholders a copy of year end audited financial statements. Our audited financials prepared by Moss-Adams, LLP, will be sent under separate cover.

Item 2: Organizational Chart

Western Bancshares of New Mexico, Inc.
LEI: None
Artesia, NM US
Incorporated in New Mexico
|
100
|
Western Bank, Artesia, New Mexico
Artesia, NM US
Incorporated in New Mexico
No entity has an LEI

Results: A list of branches for your holding company: WESTERN BANCSHARES OF NEW MEXICO,INC. (1065453) of ARTESIA, NM.
The data are as of 12/31/2018. Data reflects information that was received and processed through 01/06/2019.

Reconciliation and Verification Steps
1. In the **Data Action** column of each branch row, enter one or more of the actions specified below
2. If required, enter the date in the **Effective Date** column

Actions
OK: If the branch information is correct, enter 'OK' in the **Data Action** column.
Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the **Data Action** column and the date when this information first became valid in the **Effective Date** column.
Close: If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date in the **Effective Date** column.
Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the **Data Action** column.
Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the **Data Action** column and the opening or acquisition date in the **Effective Date** column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure
When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.
If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:
To satisfy the **FR Y-10 reporting requirements**, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of Change, Close, Delete, or Add.
The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - https://y10online.federalreserve.gov.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
ok		Full Service (Head Office)	709554	WESTERN BANK, ARTESIA, NEW MEXICO	320 WEST TEXAS	ARTESIA	NM	88210	EDDY	UNITED STATES	Not Required	Not Required	WESTERN BANK, ARTESIA, NEW MEXICO	709554	

Item 3(1):

a) William M. Dampeer
Artesia, New Mexico
b) USA
c) 52,319 (10.51%)

a) Lowell Irby
Artesia, New Mexico
b) USA
c) 80,907 (16.26%)

Item 3(2) N/A

Item 4: Directors & Officers

1) William M. Dampeer
Artesia, New Mexico
2) N/A
3) (a) President/Chief Executive Officer/Director
(b) CEO/Chairman
(c) N/A
4) (a) 52,319 (10.51%)
(b) N/A
(c) N/A

1) Kenneth W. Clayton
Artesia, New Mexico
2) N/A
3) (a) Director
(b) Bank President
(c) N/A
4) (a) 1,010 (0.20%)
(b) N/A

(c) N/A

1) William J. Gray
Artesia, New Mexico
2) Oil & Gas Consultant
3) (a) Director
(b) Bank Director
(c) N/A
4) (a) 12,194 (2.45%)
(b) N/A
(c) N/A

1) Lowell Irby
Artesia, New Mexico
2) Pharmacist
3) (a) Director
(b) Bank Director
(c) Lowell's Pharmacy/Owner
4) (a) 80,907 (16.26%)
(b) N/A
(c) Lowell's Pharmacy (100%)
L & E Services, Inc. (80%)

1) Ralph Nix, Jr.
Artesia, New Mexico
2) Retired/Oil & Gas
3) (a) Director
(b) Bank Director
(c) N/A
4) (a) 14,459 (2.91%)
(b) N/A
(c) N/A

If additional information is required contact the undersigned.

Sincerely,

William M Dampeer

William M. Dampeer
Chairman/CEO

1065453

REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY CONSOLIDATING SCHEDULES

**WESTERN BANCSHARES OF NEW MEXICO, INC.
AND SUBSIDIARY**

December 31, 2018 and 2017

Table of Contents

MOSSADAMS

Report of Independent Auditors

To the Board of Directors and Stockholders
Western Bancshares of New Mexico, Inc.

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Western Bancshares of New Mexico, Inc. and Subsidiary (collectively, the "Company"), which comprise the consolidated statements of financial condition as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial condition of Western Bancshares of New Mexico, Inc. and Subsidiary as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in the supplemental schedules is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information as of and for the years ended December 31, 2018 and 2017 has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information as of and for the years ended December 31, 2018 and 2017 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Moss Adams LLP

Albuquerque, New Mexico
March 15, 2019

Western Bancshares of New Mexico, Inc. and Subsidiary
Consolidated Statements of Financial Condition

ASSETS

	December 31, 2018	December 31, 2017
Cash and due from banks	$ 5,677,277	$ 4,662,561
Interest-bearing deposits in other banks	6,946,295	18,793,433
Federal funds sold	30,824,000	15,448,000
Total cash and cash equivalents	43,447,572	38,903,994
Securities available-for-sale, at fair value	60,004,189	49,019,801
Securities held-to-maturity, at amortized cost	9,910,521	10,300,664
Certificates of deposit	7,441,000	4,961,000
Investment in restricted stock - Federal Home Loan Bank stock, at cost	136,695	134,495
Loans, net of allowance for loan losses of $1,312,818 and $1,408,867 in 2018 and 2017, respectively	94,146,401	81,108,237
Premises and equipment, net	1,861,655	1,838,651
Goodwill	140,579	140,579
Other real estate owned	310,910	844,862
Accrued interest receivable and other assets	1,452,259	1,224,669
Total assets	$ 218,851,781	$ 188,476,952

LIABILITIES AND STOCKHOLDERS' EQUITY

	2018	2017
LIABILITIES		
Deposits:		
Noninterest-bearing demand	$ 103,661,564	$ 82,999,065
NOW and money market accounts	37,170,975	36,503,535
Savings deposits	32,368,356	23,904,744
Time deposits of $250,000 or more	13,895,571	13,287,250
Other time deposits	12,219,483	12,883,509
Total deposits	199,315,949	169,578,103
Accrued expenses and other liabilities	351,912	292,525
Total liabilities	199,667,861	169,870,628
COMMITMENTS AND CONTINGENCIES (Note 6)		
STOCKHOLDERS' EQUITY		
Common stock, $.50 par value; 600,000 shares authorized; 497,610 shares issued and outstanding as of December 31, 2018 and 2017, respectively	248,805	248,805
Additional paid-in capital	1,023,395	1,023,395
Retained earnings	18,629,843	17,810,837
Accumulated other comprehensive loss	(718,123)	(476,713)
Total stockholders' equity	19,183,920	18,606,324
Total liabilities and stockholders' equity	$ 218,851,781	$ 188,476,952

See accompanying notes.

Western Bancshares of New Mexico, Inc. and Subsidiary
Consolidated Statements of Income

	Years Ended December 31, 2018	2017
INTEREST INCOME		
Loans, including fees	$ 5,472,411	$ 4,841,980
Deposits with banks and Federal Home Loan Bank dividends	266,286	148,517
Securities		
U.S. government and federal agencies	1,254,651	1,103,533
States and municipalities	281,533	277,204
Certificates of deposits	132,789	97,702
Other securities	47,864	23,799
Federal funds sold and other	391,446	168,121
Total interest income	7,846,980	6,660,856
INTEREST EXPENSE		
Time deposits of $250,000 or more	82,469	62,028
Other time deposits	115,718	105,143
NOW and money market accounts	55,710	64,497
Savings deposits	27,937	24,956
Total interest expense	281,834	256,624
NET INTEREST INCOME	7,565,146	6,404,232
PROVISION FOR LOAN LOSSES	105,000	120,000
NET INTEREST INCOME AFTER PROVISIONS FOR LOAN LOSSES	7,460,146	6,284,232
NON-INTEREST INCOME		
Customer service charges	719,664	774,939
Other	61,112	68,510
Total non-interest income	780,776	843,449
NON-INTEREST EXPENSE		
Salaries and employee benefits	1,732,662	1,877,234
Occupancy	432,137	447,174
Other real estate owned	363,074	8,312
Loss on sale of securities	339,438	106,141
Legal fees	173,227	136,032
Data processing	127,372	129,054
FDIC assessment	60,856	91,713
Other	709,880	617,278
Total non-interest expense	3,938,646	3,412,938
NET INCOME	$ 4,302,276	$ 3,714,743

See accompanying notes.

Western Bancshares of New Mexico, Inc. and Subsidiary
Consolidated Statements of Comprehensive Income

	Years Ended December 31,	
	2018	2017
NET INCOME	$ 4,302,276	$ 3,714,743
OTHER COMPREHENSIVE GAIN (LOSS)		
Change in net unrealized gain on securities available-for-sale	98,028	82,355
Reclassification adjustment for loss realized for sale of securities	(339,438)	(106,141)
Total other comprehensive loss	(241,410)	(23,786)
COMPREHENSIVE INCOME	$ 4,060,866	$ 3,690,957

See accompanying notes.

Western Bancshares of New Mexico, Inc. and Subsidiary
Consolidated Statements of Changes in Stockholders' Equity

	Common Stock					
	Shares Issued and Outstanding	Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
BALANCE, December 31, 2016	497,610	$ 248,805	$ 1,023,395	$ 17,081,754	$ (452,927)	$ 17,901,027
Other comprehensive loss	-	-	-	-	(23,786)	(23,786)
Net income	-	-	-	3,714,743	-	3,714,743
Cash dividends declared and paid - $6.00 per share	-	-	-	(2,985,660)	-	(2,985,660)
BALANCE, December 31, 2017	497,610	248,805	1,023,395	17,810,837	(476,713)	18,606,324
Other comprehensive loss	-	-	-	-	(241,410)	(241,410)
Net income	-	-	-	4,302,276	-	4,302,276
Cash dividends declared and paid - $7.00 per share	-	-	-	(3,483,270)	-	(3,483,270)
BALANCE, December 31, 2018	497,610	$ 248,805	$ 1,023,395	$ 18,629,843	$ (718,123)	$ 19,183,920

See accompanying notes.

Western Bancshares of New Mexico, Inc. and Subsidiary
Consolidated Statements of Cash Flows

	Years Ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 4,302,276	$ 3,714,743
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan losses	105,000	120,000
Depreciation and amortization	178,858	151,935
Loss on sale of securities	339,438	106,141
Net amortization of discounts and premiums	(490,441)	(500,392)
Writedown of other real estate owned	355,000	-
Changes in operating assets and liabilities		
Accrued interest receivable and other assets	(227,590)	(272,573)
Accrued expenses and other liabilities	59,383	(67,103)
Net cash provided by operating activities	4,621,924	3,252,751
CASH FLOWS FROM INVESTING ACTIVITIES		
Held-to-maturity security purchases	-	(2,758,165)
Held-to-maturity security maturities, prepayments and calls	460,284	1,390,840
Available-for-sale security purchases	(27,795,338)	(14,855,685)
Available-for-sale security maturities and sales	16,650,402	14,819,124
Certificates of deposit purchases	(4,216,000)	(481,000)
Certificates of deposit proceeds	1,736,000	-
Federal Home Loan Bank stock	(2,200)	(1,000)
Net increase in loans	(13,143,164)	(2,441,585)
Purchases of premises and equipment	(201,858)	(104,813)
Proceeds from sale of other real estate owned	178,952	39,397
Net cash used in investing activities	(26,332,922)	(4,392,887)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in deposits	29,737,846	(6,813,253)
Dividends paid to stockholders	(3,483,270)	(2,985,660)
Net cash provided by (used in) financing activities	26,254,576	(9,798,913)
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,543,578	(10,939,049)
CASH AND CASH EQUIVALENTS, beginning of year	38,903,994	49,843,043
CASH AND CASH EQUIVALENTS, end of year	$ 43,447,572	$ 38,903,994
SUPPLEMENTAL DISCLOSURES OF CASH		
Cash paid for interest on deposits	$ 283,438	$ 245,410
Net change in unrealized losses on available-for-sale securities	$ (241,410)	$ (23,786)

See accompanying notes.

Note 1 – Organization and Summary of Significant Accounting Policies

Organization

Western Bancshares of New Mexico, Inc. ("Bancshares" or the "Holding Company") is a registered bank holding company, which owns 100% of the stock of Western Bank, Artesia, New Mexico (the "Bank"), collectively referred to as the "Company." The Bank provides a variety of financial services to individuals and small businesses through its location in Artesia, New Mexico. Its primary deposit products are interest and noninterest-bearing demand deposit accounts, savings accounts and time deposits. Its primary lending products are commercial, real estate and installment loans.

Basis of Presentation

The consolidated financial statements include the accounts of the Holding Company and the Bank. All material intercompany balances and transactions have been eliminated in consolidation.

Comprehensive Income

Comprehensive income is the total of (1) net income plus (2) all other changes in assets arising from other sources, which are referred to as items of other comprehensive income. The Company has presented a separate Consolidated Statements of Comprehensive Income. An analysis of changes in components of accumulated other comprehensive income is presented in the Consolidated Statements of Changes in Stockholders' Equity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, the estimated useful lives of depreciable assets, valuation of other real estate owned, other than temporary impairment of securities, and the fair values of financial instruments.

In connection with the determination of the valuation of foreclosed assets held for sale, management obtains independent appraisals for significant properties. While management uses available information to recognize losses on loans and other real estate owned, further reductions in the carrying amounts of loans and other real estate owned may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans and other real estate owned. Such agencies may require the Company to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans and other real estate owned may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Cash and Cash Equivalents

The Company considers cash on hand and due from other banks, federal funds sold and interest-bearing deposits in other banks with original maturities of three months or less, as cash and equivalents.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Compensating Balances
Federal regulations require banks to set aside specified amounts of cash as reserves against transaction and time deposits, which fluctuate daily. These reserves may be held as vault cash, in a noninterest-bearing account with a district Federal Reserve Bank or Federal Home Loan Bank or as deposits with correspondents. At December 31, 2018 and 2017, the Bank had a reserve balance requirement of $1,821,000 and $1,583,000 with the Federal Reserve, respectively.

Fair Value Measurements
Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value measurements are not adjusted for transaction costs. The Company follows a value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The Company discloses the estimated fair value of its financial instruments following a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. For the Company, as for most financial institutions, the bulk of its assets and liabilities are considered financial instruments as defined. However, many of these instruments lack an available trading market, as characterized by a willing buyer and seller engaging in an exchange transaction. Also, it is the Company's general practice and intent to hold its financial instruments to maturity and not to engage in trading or sales activities with those instruments. Therefore, the Company had to use significant estimations and present value calculations to prepare this disclosure. The Company reports financial instruments (other than securities and other real estate owned, see below), including cash and cash equivalents, federal funds sold, accrued interest and other assets, and federal funds purchased and securities sold, and accrued expenses and other liabilities at historical cost basis, which approximates fair value because these financial instruments are relatively short-term in nature or because of their market based variable interest rates.

Fair values for the Bank's off-balance sheet instruments (lending commitments) are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. These financial instruments have contractual interest rates comparable to current market rates.

Changes in the assumptions or methodologies used to estimate fair values may materially affect the estimated amounts. Also, there may not be reasonable comparability between institutions due to the wide range of permitted assumptions and methodologies in the absence of active markets. This lack of uniformity gives rise to a high degree of subjectivity in estimating financial instrument fair values. Fair values have been estimated using data that management considered the best available, as generally provided in the Bank's Regulatory Reports, and the estimation methodologies deemed suitable for the pertinent category of financial instrument. The carrying amounts are the amounts at which the financial instruments are reported in the financial statements.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Securities
The Company classifies and accounts for securities in three categories as follows: "held-to-maturity," reported at amortized cost; "available-for-sale," reported at estimated fair value based on quoted market prices in active markets for identical assets, with unrealized holding gains and losses excluded from earnings and reported as a net amount in the comprehensive income and in a separate component of stockholders' equity until realized, and "trading," reported at estimated fair value with unrealized gains and losses included in net income. There were no securities classified as trading at December 31, 2018 and 2017.

Any non-temporary declines in the fair value of individual held-to-maturity or available-for-sale securities below their cost would result in write-downs on the individual securities to their fair value and included in earnings as realized losses. During 2018 and 2017, the Bank was not required to write-down any securities for such market declines.

Premiums and discounts on debt securities are amortized to expense and accreted to income over the life of the related debt security using the interest method. Premiums paid and discounts resulting from purchases of collateralized mortgage obligations (CMOs) and pass-through mortgage-backed securities (collectively referred to as "mortgage securities") are amortized to expense and accreted to income over the estimated life of the mortgage securities using the interest method. Declines in fair value below cost of Available-for-Sale ("AFS") and Held-to-Maturity ("HTM") securities that management deems to be other-than-temporary (i.e., permanent) are recognized in the determination of earnings as realized losses and a new "cost basis" is established. No permanent impairments in securities were recognized in 2018 and 2017.

Realized gains and losses on security sales are recorded on the trade date in the consolidated statements of operations under noninterest income/expense and are determined under the specific identification method. The sale of a held to maturity security within three months of its maturity date or after the collection of at least 85 percent of the principal outstanding at the time the security was acquired is considered a maturity for purposes of classification and disclosure. There were sales of securities resulting in gross losses of $(339,438) and $(106,142) in 2018 or 2017, respectively.

The Bank anticipates prepayments on mortgage-backed securities when amortizing premiums and accreting discounts. Management estimates future cash flow streams (prepayment rates) after considering recent prepayment history and the current interest rate environment.

Other-Than-Temporary Impairments in Debt Securities
The amount of impairment loss recorded in earnings for a debt security is the difference between the security's cost and its fair value if the Bank intends to sell the debt security prior to recovery or it is more likely than not that the Bank will have to sell the debt security prior to recovery. If, however, the Bank does not intend to sell the debt security or it concludes that it is more likely than not that it will not have to sell the debt security prior to recovery, the Bank recognizes the credit loss component of other-than-temporary impairment of a debt security in earnings and the remaining portion of the impairment loss in other comprehensive income. The credit loss component of other-than-temporary impairment is determined based on the Bank's best estimate of cash flows expected to be collected. There were no other-than-temporary impairments of debt securities identified in 2018 or 2017.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Certificates of Deposit
Certificates of deposit are stated at cost. They have a weighted average maturity of 3.17 years and have weighted average interest rate of 2.70%. Actual maturities range from 9 to 59 months. Actual interest rates range from 1.65% to 3.55%.

Federal Home Loan Bank Stock
Federal Home Loan Bank (FHLB) stock is stated at cost plus stock dividends, based on the ultimate recoverability of its par value. The FHLB stock represents a form of equity interest in the FHLB and can be sold back only at par and only to the FHLB or to another financial institution.

Loans Receivable
The Bank grants loans to customers based on source of repayment, credit history, availability of collateral and other considerations. Loans that management has the ability and intent to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding principal balances adjusted for charge-offs or specific valuation accounts, the allowance for loan losses and any deferred fees, net of related costs on originated loans. Interest income is accrued on the unpaid principal balance. Unearned discounts on installment loans are recognized as income over the terms of the related loans using a method that approximates a level yield rate of return. If a loan is prepaid, the unamortized portion of the loan origination costs is charged to income.

The accrual of interest on impaired loans is discontinued when, in management's opinion, collection of principal or interest is considered doubtful. All interest accrued but not collected for loans placed on nonaccrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash basis or cost recovery method until qualifying for return to accrual status, if ever. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loans that have been modified and economic concessions have been granted to borrowers who have experienced financial difficulties are considered a troubled debt restructurings (TDR). These concessions typically would result from the Company's loss mitigation activities and may include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. There were no TDR's in 2018 and 2017.

Allowance for Loan Losses
The allowance for loan losses is maintained at a level, which in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans. Management considers historical loss experience, specific impaired loans, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions and other risks inherent in the portfolio. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. The evaluation of collectability is inherently subjective and requires estimates that are susceptible to significant revision as more information becomes available due to changing circumstances or the passage of time. Although management uses available information to recognize

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

losses on loans, because of uncertainties associated with local economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that a material change could occur in the allowance for loan losses in the near term. However, the amount of the change that is reasonably possible cannot be estimated. The allowance is increased by a provision for loan losses, which is charged to expense and reduced by charge-offs, net of recoveries. Changes in the allowance relating to impaired loans are charged or credited to the provision for loan losses.

A loan is considered impaired when, based on current information and events, it is probable that collection of scheduled payments of principal or interest when due according to the contractual terms of the loan agreement will not occur. Factors management considers to determine impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due.

Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis and takes all of the circumstances surrounding the loan and the borrower under consideration, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for significant credits by either the present value of expected future cash flows, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent and in the aggregate for groups of smaller balance, relatively homogenous loans.

Premises and Equipment
Land is carried at cost. Other premises and equipment are stated at cost less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets (ranging from 3 to 40 years). Gains or losses on disposals of premises and equipment are included in results of operations. Maintenance and repairs that do not extend the useful lives of premises and equipment are charged to expense as incurred.

Impairment of Long-Lived Assets
The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is determined based on future net cash flows from the use and ultimate disposition of the asset. Impairment loss is calculated as the difference between the carrying amount of the asset and its fair value. During the years ended December 31, 2018 and 2017, there were no impairment losses related to long-lived assets.

Goodwill
Goodwill represents the excess of purchase price of the Bank over the fair value of assets net of liabilities acquired. On an annual basis, the Company performs a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, the Company performs a two-step quantitative-based goodwill impairment test. An impairment loss is recognized when the carrying amount of goodwill exceeds the implied fair value of the reporting unit. For the years ended December 31, 2018 and 2017, no impairment of goodwill was recognized by the Company.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Other Real Estate Owned
Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed or obtained by management and the assets are carried at the lower of carrying amount or estimated net realizable value. Gains and losses realized on the sale, and any adjustments resulting from periodic re-evaluation of the property are included in noninterest income or expense, as appropriate. Net costs of maintaining and operating the properties are expensed as incurred.

Income Taxes
The Holding Company has elected to be taxed under Subchapter S sections of federal income tax law. Accordingly, the earnings and losses of the Company, as well as income tax credits and tax preference items, are recognized on the personal income tax returns of the stockholders of the Holding Company. Accordingly, federal and state income taxes are not reflected in the financial statements. As a result, the Holding Company does not expect to incur additional income tax obligations and the financial statements are not expected to include a provision for income taxes.

The Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2015.

Advertising Costs
The Company expenses advertising costs as incurred. Advertising costs were approximately $17,600 and $25,600, for the years ended December 31, 2018 and 2017, respectively.

Concentrations of Credit Risk
The Bank's deposit and lending activities are concentrated in Eddy County, New Mexico, and in commercial real estate loans. The economy of the community is heavily dependent on the oil and gas and agribusiness industries. The ability of the Bank's debtors to honor their contracts is dependent upon local and general economic conditions in this area and these industries. The Bank does not have any significant concentrations of credit risk to any one customer or investment security issuer other than the U.S. Government.

Subsequent Events
Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Bank recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Bank's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued. Subsequent events have been evaluated for financial reporting and disclosure as of March 15, 2019, the date which the consolidated financial statements were available to be issued.

Note 2 – Securities

Investment securities have been classified in the statement of financial condition according to management's intent. The amortized cost of securities and their approximate fair values at December 31, 2018 and 2017, were as follows:

	2018			
		Gross Unrealized		
	Amortized Cost	Gains	Losses	Fair Value
Available-for-sale				
U.S. government and federal agencies	$ 6,017,841	$ 48,176	$ (60,058)	$ 6,005,959
Mortgage-backed securities	28,693,822	43,894	(730,884)	28,006,832
Collateralized mortgage obligations	13,458,968	61,221	(72,452)	13,447,737
Small Business Administration	8,289,501	72,767	(115,094)	8,247,174
State and municipalities	4,262,180	44,337	(10,030)	4,296,487
	$ 60,722,312	$ 270,395	$ (988,518)	$ 60,004,189
Held-to-maturity				
State and municipalities	$ 9,402,741	$ 62,266	$ (149,518)	$ 9,315,489
Taxable municipals	507,780	62,375	-	570,155
	$ 9,910,521	$ 124,641	$ (149,518)	$ 9,885,644

	2017			
		Gross Unrealized		
	Amortized Cost	Gains	Losses	Fair Value
Available-for-sale				
U.S. government and federal agencies	$ 7,084,720	$ 84,866	$ (27,614)	$ 7,141,972
Mortgage-backed securities	31,277,145	25,103	(498,571)	30,803,677
Collateralized mortgage obligations	3,509,426	3,498	(55,274)	3,457,650
Small Business Administration	7,383,044	52,804	(60,217)	7,375,631
State and municipalities	242,179	-	(1,308)	240,871
	$ 49,496,514	$ 166,271	$ (642,984)	$ 49,019,801
Held-to-maturity				
State and municipalities	$ 9,792,072	$ 200,772	$ (75,553)	$ 9,917,291
Taxable municipals	508,592	69,453	-	578,045
	$ 10,300,664	$ 270,225	$ (75,553)	$ 10,495,336

At December 31, 2018 and 2017, the Bank had pledged securities with a carrying value of approximately $13,594,000 and $14,637,000, respectively, to secure public deposits and for other purposes required by law.

Note 2 – Securities (continued)

Contractual maturities of debt securities as of December 31, 2018, are as follows:

	Available-for-Sale		Held-to-Maturity		
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Certificates of Deposit
Within one year	$ 4,404,132	$ 4,376,177	$ 580,576	$ 576,151	$ 744,000
One to five years	12,085,887	12,081,460	2,802,848	2,819,798	6,697,000
Five to ten years	12,903,621	12,898,743	5,892,619	5,832,185	-
Thereafter	2,634,850	2,640,977	634,478	657,510	-
Mortgage backed securities	28,693,822	28,006,832	-	-	-
	$ 60,722,312	$ 60,004,189	$ 9,910,521	$ 9,885,644	$ 7,441,000

Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

Management evaluates securities for other-than temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Following is a summary of investment securities that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 or more months at December 31, 2018 and 2017:

	Less Than 12 Months		12 Months or Greater	
Category	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2018				
U.S. government and federal agencies	$ 977,450	$ (10,702)	$ 3,955,804	$ (49,356)
Mortgage-backed securities	3,822,042	(31,545)	18,958,211	(699,339)
Collateralized mortgage obligations	1,051,554	(1,214)	2,090,423	(71,238)
Small Business Administration	-	-	4,501,541	(115,094)
State and municipalities	1,946,702	(30,592)	2,886,617	(128,956)
	$ 7,797,748	$ (74,053)	$ 32,392,596	$ (1,063,983)
December 31, 2017				
U.S. government and federal agencies	$ 3,972,386	$ (27,614)	$ -	$ -
Mortgage-backed securities	11,282,145	(132,642)	17,418,019	(365,929)
Collateralized mortgage obligations	1,517,074	(17,188)	1,608,435	(38,086)
Small Business Administration	3,130,997	(20,965)	1,110,951	(39,252)
State and municipalities	9,636	(5,486)	1,900,544	(71,375)
	$ 19,912,238	$ (203,895)	$ 22,037,949	$ (514,642)

Note 2 – Securities (continued)

At December 31, 2018, 50 securities had unrealized losses with aggregate depreciation of approximately 3.3% from the Bank's cost basis. These unrealized losses are principally due to interest rates. No credit issues have been identified that cause management to believe the declines in market value are other than temporary. In analyzing the issuer's financial condition, management considers industry analysts' reports, financial performance and projected target prices of investment analysts within a one-year time frame. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available for sale, no declines are deemed to be other than temporary.

Note 3 – Loans

Major classifications of the Bank's loan portfolio as of December 31, are summarized as follows:

	2018	2017
Commercial	$ 71,643,394	$ 61,699,309
Residential Real Estate	21,236,378	18,035,064
Consumer	2,580,181	2,782,871
	95,459,953	82,517,244
Less allowance for loan losses	(1,312,818)	(1,408,867)
Less unearned fees	(734)	(140)
Loans, net	$ 94,146,401	$ 81,108,237

Overdrawn demand deposits reclassified as loan balances totaled $178,684 and $189,236 at December 31, 2018 and 2017, respectively.

Note 3 – Loans (continued)

In the normal course of monitoring asset quality and evaluating the adequacy of the allowance for loan losses, management specifically provides for estimated losses on identified impaired loans. The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of:

	Commercial	Residential Real Estate	Consumer	Total
December 31, 2018:				
Allowance for loan losses				
Beginning balance	$ 1,070,323	$ 251,127	$ 87,417	$ 1,408,867
Charge-offs	(148,946)	-	(71,880)	(220,826)
Recoveries	15,747	-	4,030	19,777
Provision	79,800	-	25,200	105,000
Ending balance	$ 1,016,924	$ 251,127	$ 44,767	$ 1,312,818
Ending balance: individually evaluated for impairments	$ 305,995	$ 5,482	$ 15,436	$ 326,913
Ending balance: collectively evaluated for impairments	$ 710,929	$ 245,645	$ 29,331	$ 985,905
Loans				
Ending balance	$ 71,643,394	$ 21,236,378	$ 2,580,181	$ 95,459,953
Ending balance: individually evaluated for impairments	$ 2,039,968	$ 36,547	$ 102,906	$ 2,179,421
Ending balance: collectively evaluated for impairments	$ 69,603,426	$ 21,199,831	$ 2,477,275	$ 93,280,532

	Commercial	Residential Real Estate	Consumer	Total
December 31, 2017:				
Allowance for loan losses				
Beginning balance	$ 1,115,996	$ 251,127	$ 58,308	$ 1,425,431
Charge-offs	(136,873)	-	(3,517)	(140,390)
Recoveries	-	-	3,826	3,826
Provision	91,200	-	28,800	120,000
Ending balance	$ 1,070,323	$ 251,127	$ 87,417	$ 1,408,867
Ending balance: individually evaluated for impairments	$ 588,441	$ 6,474	$ 4,962	$ 599,877
Ending balance: collectively evaluated for impairments	$ 481,882	$ 244,653	$ 82,455	$ 808,990
Loans				
Ending balance	$ 61,699,309	$ 18,035,064	$ 2,782,871	$ 82,517,244
Ending balance: individually evaluated for impairments	$ 3,922,943	$ 43,157	$ 33,080	$ 3,999,180
Ending balance: collectively evaluated for impairments	$ 57,776,366	$ 17,991,907	$ 2,749,791	$ 78,518,064

Note 3 – Loans (continued)

Credit Quality Indicator
During 2018 and 2017, the Bank categorized loans into the following risk categories based on relevant information about the ability of borrowers to service their debt:

Pass
A pass asset is well protected by the current worth and paying capacity of the obligator (or guarantors, if any) or by the fair value, less cost to acquire and sell, of any underlying collateral in a timely manner. Pass assets also include certain assets considered watch, which are still protected by the worth and paying capacity of the borrower, but deserve closer attention and a higher level of credit monitoring.

Special Mention
A special mention asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

Substandard
A substandard asset is an asset that is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful
An asset that has all the weaknesses inherent in the substandard classification, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable. The possibility of loss is extremely likely, but it is not identified at this point due to pending factors.

Loss
An asset, or portion thereof, classified as loss is considered uncollectible and of such little value that its continuance on the Bank's books as an asset is not warranted. This classification does not necessarily mean that an asset has no recovery or salvage value; but rather, that it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future. Therefore, there is no balance to report at December 31, 2018 and 2017.

When the Bank classifies problem assets as either substandard or doubtful, it may establish a specific allowance to address the risk specifically or the Bank may allow the loss to be addressed in the general allowance. General allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been specifically allocated to particular problem assets. When an insured institution classifies problem assets as a loss, it is required to charge off such assets in the period in which they are deemed uncollectible. Assets that do not currently expose the Bank to sufficient risk to warrant classification as substandard or doubtful but possess identified weaknesses are designated as either watch or special mention assets.

Note 3 – Loans (continued)

The following table represents the internally assigned grade as of December 31, 2018 and 2017, by types of loans:

2018	Pass	Watch	Special Mention	Substandard	Doubtful	Total
Commercial	$ 69,603,426	$ -	$ -	$ 2,039,968	$ -	$ 71,643,394
Residential Real Estate	21,199,831	-	-	36,547	-	21,236,378
Consumer	2,477,275	-	-	102,906	-	2,580,181
Total	$ 93,280,532	$ -	$ -	$ 2,179,421	$ -	$ 95,459,953

2017	Pass	Watch	Special Mention	Substandard	Doubtful	Total
Commercial	$ 57,776,366	$ -	$ -	$ 3,922,943	$ -	$ 61,699,309
Residential Real Estate	17,991,907	-	-	43,157	-	18,035,064
Consumer	2,749,791	-	-	33,080	-	2,782,871
Total	$ 78,518,064	$ -	$ -	$ 3,999,180	$ -	$ 82,517,244

The Bank categorizes loans as performing or nonperforming based on payment activity. Loans that are more than 90 days past due and nonaccrual loans are considered nonperforming. A loan is considered impaired when based on current information and events the Bank determines it is probable that they may not collect all amounts due according to the original loan contract, including scheduled interest payments. The accrual of interest on impaired loans is discontinued when collection of principal or interest is considered doubtful. Included are loans that are 90 days or more past due as to interest and principal and still accruing, because they are (a) well-secured and in the process of collection or (b) real estate loans or loans exempt under regulatory rules form being classified as nonaccrual. Following is a summary of the delinquency status of the Bank's loans for the years ended December 31, 2018 and 2017:

2018	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Current	Total	Recorded investment > 90 Days Past Due, Still Accruing
Commercial	$ 540,667	$ -	$ 2,077,518	$ 69,025,209	$ 71,643,394	$ -
Residential Real Estate	17,734	-	36,547	21,182,097	21,236,378	-
Consumer	29,211	24,125	-	2,526,845	2,580,181	-
Total	$ 587,612	$ 24,125	$ 2,114,065	$ 92,734,151	$ 95,459,953	$ -
2017						
Commercial	$ 593,052	$ 639,159	$ 3,296,389	$ 57,170,709	$ 61,699,309	$ 1,986,155
Residential Real Estate	-	-	-	18,035,064	18,035,064	-
Consumer	37,098	-	2,627	2,743,146	2,782,871	3,105
Total	$ 630,150	$ 639,159	$ 3,299,016	$ 77,948,919	$ 82,517,244	$ 1,989,260

Note 3 – Loans (continued)

The following summarizes information regarding identified impaired loans at December 31:

	2018	2017
Impaired loans with no allocated allowance for loan losses	$ -	$ -
Impaired loans with allocated allowance for loan losses	2,179,421	3,999,180
Total	$ 2,179,421	$ 3,999,180

Loans on nonaccrual status totaled $2,114,065 and $3,635,082 at December 31, 2018 and 2017, respectively. Had these loans been on the accrual basis during the year, additional interest income of approximately $215,000 and $256,000 in 2018 and 2017, respectively, would have been recognized. No additional funds are committed to be advanced in connection with these loans.

The average impaired loan balance was approximately $2,198,000 and $3,480,300 at December 31, 2018 and 2017, respectively.

Note 4 – Premises and Equipment

Premises and equipment is as follows at December 31:

	2018	2017
Bank premises	$ 2,578,754	$ 2,578,754
Furniture, equipment and vehicles	1,548,702	1,457,257
Software	769,068	704,160
	4,896,524	4,740,171
Less accumulated depreciation and amortization	(3,249,094)	(3,115,745)
Land	214,225	214,225
Total	$ 1,861,655	$ 1,838,651

Depreciation expense for the years ending December 31, 2018 and 2017 totaled $178,858 and $151,935, respectively.

Note 5 – Deposits

Following is a summary of scheduled maturities of time deposits as of December 31, 2018:

2019	$ 17,719,729
2020	4,390,174
2021	1,672,538
2022	1,361,032
2023	971,581
	$ 26,115,054

The aggregate amount of certificates with a minimum denomination of $250,000 was approximately $13,896,000 and $13,287,000, at December 31, 2018 and 2017, respectively.

Note 6 – Commitments and Contingencies

The Bank leases a parking lot and basement from a company owned by the shareholders of the Holding Company under a non-cancelable lease agreement. The lease agreement, as amended, expired in May 2015, but was renewed under the first of two automatic five-year options. The agreement requires monthly payments of approximately $1,050. The Bank has also entered into various third-party equipment leases with varying terms less than a year. During the years ended December 31, 2018 and 2017, rent expense for operating leases totaled approximately $18,500 in each year, respectively.

The future minimum lease payments for operating leases having initial or remaining non-cancelable lease terms in excess of one year are as follows at December 31, 2018:

2019	$	12,600
2020		12,600
2021		12,600
2022		12,600
2023		12,600
Thereafter		17,850
Total minimum lease payments	$	80,850

Legal Contingencies

The Bank is a party to various miscellaneous legal actions normally associated with financial institutions, the aggregate of which, in Management's opinion, would not be material to the Bank's financial condition.

Note 7 – Employee Benefits

The Bank sponsors the Western Bancshares of New Mexico, Inc. 401(k) Plan (the "401(k) Plan"). Employees are eligible to participate after one year of service and attaining the age of 21. Under the terms of the 401(k) Plan, employees are entitled to contribute up to 15% of their total compensation, within limitations established by the Internal Revenue Code. The Bank may make a discretionary matching contribution to the 401(k) Plan equal to a uniform percentage of each participant's salary deferred contributions determined by the Bank each year. Employer contributions are subject to vesting over a six-year period. The Bank's matching contributions to the 401(k) Plan totaled approximately $62,000 and $73,000 for the years ended December 31, 2018 and 2017, respectively. The Bank may also make discretionary profit-sharing contributions in addition to the matching provisions above. The Bank made profit-sharing contributions to the 401(k) Plan of approximately $29,000 and $36,000 for December 31, 2018 and 2017, respectively.

The Bank also sponsors the Western Bancshares of New Mexico, Inc. Money Purchase Pension Plan (the "Pension Plan"). Employees are eligible to participate after one year of service and attaining the age of 21. The Bank is required to make a contribution to the Pension Plan equal to 6% of eligible participants' compensation. Employer contributions become 100% vested after the employee completes five years of service. The Bank made contributions to the Pension Plan of approximately $64,000 and $77,000 for the years ended December 31, 2018 and 2017, respectively.

Note 8 – Minimum Regulatory Capital Requirements

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum regulatory capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's financial statements. Under regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance sheet items as calculated under US GAAP, regulatory accounting practices and regulatory capital standards. The Company's and Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier I capital (as defined) to risk-weighted assets (as defined), common equity Tier I capital (as defined) to total risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2018 and 2017, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

Note 8 – Minimum Regulatory Capital Requirements (continued)

As of December 31, 2018, the most recent notification from the FDIC categorized the Bank as "well-capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well-capitalized", the Bank must maintain minimum total risk-based, Tier I risk-based, common equity Tier 1 risk-based capital, and Tier I leverage ratios as set forth in the following table. There are no conditions or events since that notification that management believes have changed the Bank's category. The Company's and the Bank's actual capital amounts and ratios are also presented in the following tables:

	Actual		Minimum Capital Requirements		Minimum To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(dollars in thousands)		(dollars in thousands)		(dollars in thousands)	
As of December 31, 2018:						
Total capital						
(to risk weighted assets)						
Company	$ 19,785	15.92%	$ 9,945	8.00%	NA	NA
Bank	$ 21,256	17.12%	$ 9,933	8.00%	$ 12,417	10.00%
Common Equity Tier 1 Capital						
(to risk weighted assets)						
Company	$ 18,528	14.90%	$ 5,594	4.50%	NA	NA
Bank	$ 19,999	16.11%	$ 5,588	4.50%	$ 8,071	6.50%
Tier I capital						
(to risk weighted assets)						
Company	$ 18,528	14.90%	$ 7,458	6.00%	NA	NA
Bank	$ 19,999	16.11%	$ 7,450	6.00%	$ 9,933	8.00%
Tier I capital						
(to average assets)						
Company	$ 18,528	8.75%	$ 8,472	4.00%	NA	NA
Bank	$ 19,999	9.45%	$ 8,466	4.00%	$ 10,583	5.00%

	Actual		Minimum Capital Requirements		Minimum To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(dollars in thousands)		(dollars in thousands)		(dollars in thousands)	
As of December 31, 2017:						
Total capital						
(to risk weighted assets)						
Company	$ 18,967	17.35%	$ 8,747	8.00%	NA	NA
Bank	$ 20,561	18.83%	$ 8,736	8.00%	$ 10,920	10.00%
Common Equity Tier 1 Capital						
(to risk weighted assets)						
Company	$ 17,558	16.06%	$ 4,920	4.50%	NA	NA
Bank	$ 19,152	17.54%	$ 4,914	4.50%	$ 7,098	6.50%
Tier I capital						
(to risk weighted assets)						
Company	$ 17,558	16.06%	$ 6,561	6.00%	NA	NA
Bank	$ 19,152	17.54%	$ 6,552	6.00%	$ 8,736	8.00%
Tier I capital						
(to average total assets)						
Company	$ 17,558	9.31%	$ 7,546	4.00%	NA	NA
Bank	$ 19,152	10.15%	$ 7,541	4.00%	$ 9,426	5.00%

Note 8 – Minimum Regulatory Capital Requirements (continued)

The payment of dividends from the Bank to the Holding Company is subject to regulations set forth by the FDIC, which generally limit the amount of dividends to retained profits of the Bank for the current and preceding two years provided the payment of a dividend does not place the Bank below regulatory capital requirements.

The regulatory final rule, *Regulatory Capital Rules: Regulatory Capital, Enhanced Supplementary Leverage Ratio Standards for Certain Bank Holding Companies and Their Subsidiary Insured Depository Institutions,* issued by the Federal Reserve, the OCC, and the FDIC in April 2014, will become effective on January 1, 2018. Banking organizations subject to the requirements must calculate and publicly disclose the ratio beginning January 1, 2015. The Bank and Holding Company are also required to establish a "conservation buffer," consisting of a common equity Tier 1 capital amount equal to 2.5% of risk-weighted assets to be phased in by 2019. An institution that does not meet the conservation buffer will be subject to restrictions on certain activities including payment of dividends, stock repurchases, and discretionary bonuses to executive officers.

The rules modified the manner in which certain capital elements are determined. The rules changed the methods of calculating the risk-weighting of certain assets, which in turn affected the calculation of the risk-weighted capital ratios. Higher risk weights were assigned to various categories of assets, including commercial real estate loans, credit facilities that finance the acquisition, development or construction of real property, certain exposures or credit that are 90 days past due or are nonaccrual, securitization exposures, and in certain cases mortgage servicing rights and deferred tax assets.

The Bank and Holding Company were required to comply with the new capital rules on January 1, 2015, with a measurement date of March 31, 2015. The conservation buffer will be phased-in beginning in 2015, and will take full effect on January 1, 2019. Certain calculations under the rules will also have phase-in periods.

Note 9 – Financial Instruments

Financial Instruments with Off-Balance-Sheet Risk

At December 31, 2018 and 2017, the Bank had credit-related financial instruments with off-balance sheet risk. These financial instruments are commitments entered into by the Bank in the normal course of business to meet the financing needs of its customers. These instruments include commitments to extend credit, which involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the accompanying consolidated statements of financial condition. The Bank's exposure to credit loss is represented by the contractual amount of these commitments. Management applies the same policies in making decisions to extend credit under on- and off-balance sheet instruments. The approximate contract or notional amounts of such instruments are as follows at December 31:

	2018	2017
Commitments to extend lines of credit	$ 27,303,000	$ 24,453,000
Standby letters of credit	$ 1,652,218	$ 1,621,218

Note 9 – Financial Instruments (continued)

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary, is based on management's credit evaluation of the customer.

Commercial and standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Substantially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers and collateral is generally held supporting those commitments, as management deems necessary. The Bank has not incurred any losses on its commitments in 2018 or 2017.

Financial Instruments Measurements
The Company uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this guidance are described below.

> **Level 1** – Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
>
> **Level 2** – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities which use observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
>
> **Level 3** – Significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

From time to time, and on a nonrecurring basis, fair value adjustments to collateral-dependent loans and other real estate owned are recorded to reflect write-downs of principal balances based on the current appraised or estimated value of the collateral. When management determines that the fair value of the collateral or other real estate owned requires additional adjustments, either as a result of a noncurrent appraisal value or when there is no observable market price, the Company classifies the impaired loan or other real estate owned as Level 3.

Note 9 – Financial Instruments (continued)

Fair Value on a Recurring Basis

The table below presents the balances of assets and liabilities measured and presented in the statement of financial condition at fair value on a recurring basis at December 31:

2018	Fair Value Measurements Using			
	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Available-for-sale				
U.S. government and federal agencies	$ -	$ 6,005,959	$ -	$ 6,005,959
Mortgage-backed securities	-	28,006,832	-	28,006,832
Collateralized mortgage obligations	-	13,447,737	-	13,447,737
Small Business Association	-	8,247,174	-	8,247,174
State and municipalities	-	4,296,487	-	4,296,487
	$ -	$ 60,004,189	$ -	$ 60,004,189

2017	Fair Value Measurements Using			
	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Available-for-sale				
U.S. government and federal agencies	$ -	$ 7,141,972	$ -	$ 7,141,972
Mortgage-backed securities	-	30,803,677	-	30,803,677
Collateralized mortgage obligations	-	3,457,650	-	3,457,650
Small Business Association	-	7,375,631	-	7,375,631
State and municipalities	-	240,871	-	240,871
	$ -	$ 49,019,801	$ -	$ 49,019,801

There were no transfers between fair value level categories during 2018 and 2017.

Note 9 – Financial Instruments (continued)

Fair Value on a Nonrecurring Basis
Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The following table presents the assets and liabilities carried on the statements of financial condition by caption and by level within the valuation hierarchy (as described above) for which a nonrecurring change in fair value has been recorded.

	Fair Value Measurements at Reporting Date Using			
Fair Value on a Nonrecurring Basis	Amount	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2018				
Impaired loans	$ 2,179,421	$ -	$ -	$ 2,179,421
Other real estate owned	$ 310,910	$ -	$ -	$ 310,910
December 31, 2017				
Impaired loans	$ 3,999,180	$ -	$ -	$ 3,999,180
Other real estate owned	$ 844,862	$ -	$ -	$ 844,862

There were no transfers between fair value level categories during 2018 or 2017.

The following describes the process used to value Level 3 assets measured on a nonrecurring basis:

Impaired Loans
Fair value measurements for impaired loans are based upon one of three methods to measure impairment: the fair value of the collateral less disposition costs, the present value of expected future cash flows method, or the observable market price of a loan method. A loan may be considered impaired, but the value is considered sufficient to support a fair value equal to or greater than the carrying value of the loan, and no specific reserve is deemed necessary to record such impairment. The change in fair value of impaired assets that were valued based upon level three inputs, for which there was a specifically identified reserve, resulted in an decrease and increase of specifically allocated reserve of approximately $(273,000) and $30,000 for the years ended December 31, 2018 and 2017, respectively. The loss or gain in specifically allocated reserve is not recorded directly as an adjustment to current earnings or comprehensive income, but rather as an adjustment component in determining the overall adequacy of the loan loss reserve. Such adjustments to the estimated fair value of impaired loans may result in increases or decreases to the provision for loan losses recorded in current earnings.

Note 9 – Financial Instruments (continued)

Other Real Estate Owned
Foreclosed assets held for sale are initially recorded at fair value less estimated cost to sell at the date of foreclosure. Subsequent to foreclosure, valuations are periodically performed by management through use of an outside appraiser or other real estate broker information and the assets are adjusted and carried at the lower of carrying amount or fair value less estimated cost to sell. Foreclosed assets held for sale are classified within Level 3 of the fair value hierarchy.

Fair Value of Financial Instruments
The carrying amount and estimated fair values of the Company's financial instruments are as follows at December 31:

	2018		2017	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets				
Cash and cash equivalents	$ 43,447,572	$ 43,447,572	$ 38,903,994	$ 38,903,994
Available-for-sale investment securities	60,004,189	60,004,189	49,019,801	49,019,801
Held-to-maturity investment securities	9,910,521	9,885,644	10,300,664	10,495,000
Certificates of deposit	7,441,000	7,634,000	4,961,000	5,585,000
Investment in restricted stock - Federal Home Loan Bank stock, at cost	136,695	136,695	134,495	134,495
Accrued interest receivable	1,306,730	1,306,730	1,081,003	1,081,003
Loans, net	94,146,401	94,005,000	81,108,237	81,978,000
Financial liabilities				
Deposits	199,315,949	197,337,000	169,578,103	170,980,000
Accrued interest payable	12,846	12,846	11,183	11,183

The following methods and assumptions were used to estimate the fair value of financial instruments:

Cash and Cash Equivalents
The carrying amount of these items is a reasonable estimate of the fair value.

Available-For-Sale and Held-to-Maturity Investment Securities
Fair values for securities are based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based, upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Note 9 – Financial Instruments (continued)

Certificates of Deposit
The fair value is estimated by discounting the estimated cash flows using interest rates for comparable instruments and terms.

Investment in Restricted Stock
The carrying amount of Federal Home Loan Bank stock is a reasonable estimate of fair value.

Loans, Net
The fair value of loans receivable is based upon estimated cash flows adjusted for credit risks which are discounted using an interest rate appropriate for the maturity of the applicable loans or the unfunded commitments.

Deposits
The fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, savings accounts, and NOW and money market accounts is equal to the amount payable on demand at the reporting date (that is their carrying value). The fair value of fixed maturity accounts (certificates of deposits and IRA certificates of deposit accounts) is estimated by discounting the estimated cash flows using interest rates for comparable instruments and terms.

Accrued Interest
Accrued interest receivable represents interest on loans and securities. Accrued interest payable represents interest on deposits. The carrying amount of accrued interest receivable and payable approximates fair value.

Off Balance Sheet Commitments
The fair value of the off-balance sheet financial instruments is not significant to these financial statements. The Bank has not been required to perform on any financial guarantees during the past two years. The Bank has not incurred any losses on its commitments in either 2018 or 2017.

Note 10 – Related-Party Transactions

At December 31, 2018 and 2017, deposits from related parties totaled approximately $4,462,000 and $3,430,000, respectively.

Following is an analysis of loans to directors, officers and their affiliates for the years ended December 31:

	2018	2017
Balance at beginning of year	$ 5,821,203	$ 5,155,761
New loans	2,543,838	1,366,255
Net payments	(1,710,987)	(700,813)
Total	$ 6,654,054	$ 5,821,203

Note 10 – Related-Party Transactions (continued)

It is the policy of the Company that loans to related parties are made on similar terms, including interest rates, repayment terms, and collateral, as those prevailing at the same time for comparable transactions with others.

Note 11 – Long-term Performance Incentive Plan

The Company sponsors the Western Bancshares of New Mexico, Inc. Long-Term Performance Incentive Plan (the "Incentive Plan"). The Incentive Plan is a nonqualified deferred compensation plan and is based on the Company granting "Performance Units," as determined by a committee comprised of individuals appointed by the Board of Directors. The Company granted 2,500 Performance Units in 2005 with an initial value of $25.89 per unit as of the date of grant, and an additional 2,500 Performance Units in 2007 with an initial value of $25.89 per unit as of the date of grant, to the President of the Bank. Additional Performance Units may be awarded, as the committee deems appropriate. No additional Performance Units were awarded in 2018 or 2017.

The future value of the Performance Units is tied to the Company's common stock. The value of the President's account is determined as of the Company's year-end on an annual basis and is equal to the net appreciation or net depreciation in value of the Performance Units plus an amount equal to the accumulated dividends per share paid on the Company's common stock since the grant date.

Performance Units fully vested and became non-forfeitable on the tenth anniversary of the effective date of the Incentive Plan, or January 1, 2016. The President is entitled to receive payment of the balance of his vested Incentive Plan account upon the earlier of (1) reaching the age of 60, (2) upon total disability, (3) upon termination of the Incentive Plan, (4) written approval of the Board of Directors, or (5) upon a change in control of the Company. The Company recognized $6,000 and $44,000 of deferred compensation expense related to the Incentive Plan for the years ended December 31, 2018 and 2017. The President requested and received a partial distribution of $60,000 and $200,000 in 2018 and 2015, respectively. The accrued deferred compensation liability totals $246,295 and $265,056 at December 31, 2018 and 2017, respectively.

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Consolidating Information

Western Bancshares of New Mexico, Inc. and Subsidiary
Consolidating Statement of Financial Condition
December 31, 2018

ASSETS

	Western Bank, Artesia	Western Bancshares of New Mexico, Inc.	Eliminations Increase (Decrease)	Total
Cash and due from banks	$ 5,677,277	$ 9,545	$ (9,545)	$ 5,677,277
Interest-bearing deposits in other banks	6,946,295	-	-	6,946,295
Federal funds sold	30,824,000	-	-	30,824,000
Total cash and cash equivalents	43,447,572	9,545	(9,545)	43,447,572
Securities available-for-sale, at fair value	60,004,189	-	-	60,004,189
Securities held-to-maturity, at amortized cost	9,910,521	-	-	9,910,521
Certificates of deposit	7,441,000	-	-	7,441,000
Investment in restricted stock - Federal Home Loan Bank stock, at cost	136,695	-	-	136,695
Loans, net	94,146,401	-	-	94,146,401
Premises and equipment, net	1,861,655	-	-	1,861,655
Goodwill	-	140,579	-	140,579
Other real estate owned	310,910	-	-	310,910
Accrued interest receivable and other assets	1,452,259	-	-	1,452,259
Investment in Western Bank, Artesia	-	19,281,247	(19,281,247)	-
Total assets	$ 218,711,202	$ 19,431,371	$ (19,290,792)	$ 218,851,781

LIABILITIES AND STOCKHOLDERS' EQUITY

	Western Bank, Artesia	Western Bancshares of New Mexico, Inc.	Eliminations Increase (Decrease)	Total
LIABILITIES				
Deposits:				
Noninterest-bearing demand	$ 103,664,945	$ -	$ (3,381)	$ 103,661,564
NOW and money market accounts	37,177,139	-	(6,164)	37,170,975
Savings deposits	32,368,356	-	-	32,368,356
Time deposits of $250,000 or more	13,895,571	-	-	13,895,571
Other time deposits	12,219,483	-	-	12,219,483
Total deposits	199,325,494	-	(9,545)	199,315,949
Accrued expenses and other liabilities	104,461	247,451	-	351,912
Total liabilities	199,429,955	247,451	(9,545)	199,667,861
STOCKHOLDERS' EQUITY				
Common stock	400,000	248,805	(400,000)	248,805
Additional paid-in capital	5,350,000	1,023,395	(5,350,000)	1,023,395
Retained earnings	14,249,370	18,629,843	(14,249,370)	18,629,843
Accumulated other comprehensive loss	(718,123)	(718,123)	718,123	(718,123)
Total stockholders' equity	19,281,247	19,183,920	(19,281,247)	19,183,920
Total liabilities and stockholders' equity	$ 218,711,202	$ 19,431,371	$ (19,290,792)	$ 218,851,781

Western Bancshares of New Mexico, Inc. and Subsidiary
Consolidating Statement of Financial Condition
December 31, 2017

ASSETS

	Western Bank, Artesia	Western Bancshares of New Mexico, Inc.	Eliminations Increase (Decrease)	Total
Cash and due from banks	$ 4,662,561	$ 60,024	$ (60,024)	$ 4,662,561
Interest-bearing deposits in other banks	18,793,433	-	-	18,793,433
Federal funds sold	15,448,000	-	-	15,448,000
Total cash and cash equivalents	38,903,994	60,024	(60,024)	38,903,994
Securities available-for-sale, at fair value	49,019,801	-	-	49,019,801
Securities held-to-maturity, at amortized cost	10,300,664	-	-	10,300,664
Certificates of deposit	4,961,000	-	-	4,961,000
Investment in restricted stock - Federal Home Loan Bank		-		
stock, at cost	134,495	-	-	134,495
Loans, net	81,108,237	-	-	81,108,237
Premises and equipment, net	1,838,651	-	-	1,838,651
Goodwill	-	140,579	-	140,579
Other real estate owned	844,862	-	-	844,862
Accrued interest receivable and other assets	1,224,669	-	-	1,224,669
Investment in Western Bank, Artesia	-	18,675,648	(18,675,648)	-
Total assets	$ 188,336,373	$ 18,876,251	$ (18,735,672)	$ 188,476,952

LIABILITIES AND STOCKHOLDERS' EQUITY

	Western Bank, Artesia	Western Bancshares of New Mexico, Inc.	Eliminations Increase (Decrease)	Total
LIABILITIES				
Deposits:				
Noninterest-bearing demand	$ 83,059,089	$ -	$ (60,024)	$ 82,999,065
NOW and money market accounts	36,503,535	-	-	36,503,535
Savings deposits	23,904,744	-	-	23,904,744
Time deposits of $250,000 or more	13,287,250	-	-	13,287,250
Other time deposits	12,883,509	-	-	12,883,509
Total deposits	169,638,127	-	(60,024)	169,578,103
Accrued expenses and other liabilities	22,598	269,927	-	292,525
Total liabilities	169,660,725	269,927	(60,024)	169,870,628
STOCKHOLDERS' EQUITY				
Common stock	400,000	248,805	(400,000)	248,805
Additional paid-in capital	5,350,000	1,023,395	(5,350,000)	1,023,395
Retained earnings	13,402,361	17,810,837	(13,402,361)	17,810,837
Accumulated other comprehensive loss	(476,713)	(476,713)	476,713	(476,713)
Total stockholders' equity	18,675,648	18,606,324	(18,675,648)	18,606,324
Total liabilities and stockholders' equity	$ 188,336,373	$ 18,876,251	$ (18,735,672)	$ 188,476,952

Western Bancshares of New Mexico, Inc. and Subsidiary
Consolidating Statement of Income
Year Ended December 31, 2018

	Western Bank, Artesia	Western Bancshares of New Mexico, Inc.	Eliminations Increase (Decrease)	Total
INTEREST INCOME				
Loans, including fees	$ 5,472,411	$ -	$ -	$ 5,472,411
Deposits with banks and Federal Home Loan Bank dividends	266,286	59	(59)	266,286
Securities				
U.S. government and federal agencies	1,254,651	-	-	1,254,651
States and municipalities	281,533	-	-	281,533
Certificates of deposit	132,789	-	-	132,789
Other securities	47,864	-	-	47,864
Federal funds sold and other	391,446	-	-	391,446
Total interest income	7,846,980	59	(59)	7,846,980
INTEREST EXPENSE				
Time deposits of $250,000 or more	82,469	-	-	82,469
Other time deposits	115,718	-	-	115,718
NOW and money market accounts	55,769	-	(59)	55,710
Savings deposits	27,937	-	-	27,937
Total interest expense	281,893	-	(59)	281,834
NET INTEREST INCOME	7,565,087	59	-	7,565,146
PROVISION FOR LOAN LOSSES	105,000	-	-	105,000
NET INTEREST INCOME AFTER PROVISIONS FOR LOAN LOSSES	7,460,087	59	-	7,460,146
NON-INTEREST INCOME				
Customer service charges	719,664	-	-	719,664
Other	61,112	-	-	61,112
Total non-interest income	780,776	-	-	780,776
NON-INTEREST EXPENSE				
Salaries and employee benefits	1,732,662	-	-	1,732,662
Occupancy	432,137	-	-	432,137
Other real estate owned	363,074	-	-	363,074
Loss on sale of securities	339,438	-	-	339,438
Legal fees	173,227	-	-	173,227
Data processing	127,372	-	-	127,372
FDIC assessment	60,856	-	-	60,856
Other	640,092	69,788	-	709,880
Total non-interest expense	3,868,858	69,788	-	3,938,646
INCOME (LOSS) BEFORE EQUITY IN NET EARNINGS OF SUBSIDIARY	4,372,005	(69,729)	-	4,302,276
EQUITY IN NET EARNINGS OF SUBSIDIARY	-	4,372,005	(4,372,005)	-
NET INCOME	$ 4,372,005	$ 4,302,276	$ (4,372,005)	$ 4,302,276

Western Bancshares of New Mexico, Inc. and Subsidiary
Consolidating Statement of Income
Year Ended December 31, 2017

	Western Bank, Artesia	Western Bancshares of New Mexico, Inc.	Eliminations Increase (Decrease)	Total
INTEREST INCOME				
Loans, including fees	$ 4,841,980	$ -	$ -	$ 4,841,980
Deposits with banks and Federal Home Loan Bank dividends	148,517	89	(89)	148,517
Securities				
U.S. government and federal agencies	1,103,533	-	-	1,103,533
States and municipalities	277,204	-	-	277,204
Certificates of deposits	97,702	-	-	97,702
Other securities	23,799	-	-	23,799
Federal funds sold and other	168,121	-	-	168,121
Total interest income	6,660,856	89	(89)	6,660,856
INTEREST EXPENSE				
Time deposits of $250,000 or more	62,028	-	-	62,028
Other time deposits	105,143	-	-	105,143
NOW and money market accounts	64,586	-	(89)	64,497
Savings deposits	24,956	-	-	24,956
Total interest expense	256,713	-	(89)	256,624
NET INTEREST INCOME	6,404,143	89	-	6,404,232
PROVISION FOR LOAN LOSSES	120,000	-	-	120,000
NET INTEREST INCOME AFTER PROVISIONS FOR LOAN LOSSES	6,284,143	89	-	6,284,232
NON-INTEREST INCOME				
Customer service charges	774,939	-	-	774,939
Other	68,510	-	-	68,510
Total non-interest income	843,449	-	-	843,449
NON-INTEREST EXPENSE				
Salaries and employee benefits	1,877,234	-	-	1,877,234
Occupancy	447,174	-	-	447,174
Legal fees	136,032	-	-	136,032
Data processing	129,054	-	-	129,054
Loss on the sale of securities	106,142	-	-	106,141
FDIC assessment	91,713	-	-	91,713
Other real estate owned	8,312	-	-	8,312
Other	546,700	70,577	-	617,277
Total non-interest expense	3,342,361	70,577	-	3,412,937
INCOME (LOSS) BEFORE EQUITY IN NET EARNINGS OF SUBSIDIARY	3,785,231	(70,488)	-	3,714,743
EQUITY IN NET EARNINGS OF SUBSIDIARY	-	3,785,231	(3,785,231)	-
NET INCOME	$ 3,785,231	$ 3,714,743	$ (3,785,231)	$ 3,714,743

Western Bancshares of New Mexico, Inc. and Subsidiary
Consolidating Statement of Cash Flows
Year Ended December 31, 2018

	Western Bank, Artesia	Western Bancshares of New Mexico, Inc.	Eliminations Increase (Decrease)	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$ 4,372,005	$ 4,302,276	$ (4,372,005)	$ 4,302,276
Adjustments to reconcile net income to net cash provided by operating activities				
Provision for loan losses	105,000	-	-	105,000
Depreciation and amortization	178,858	-	-	178,858
Loss on sale of securities	339,438	-	-	339,438
Net amortization of discounts and premiums	(490,441)	-	-	(490,441)
Writedown on other real estate owned	355,000	-	-	355,000
Equity in earnings of subsidiary	-	(4,372,005)	4,372,005	-
Changes in operating assets and liabilities				
Accrued interest receivable and other assets	(227,590)	-	-	(227,590)
Accrued expenses and other liabilities	81,863	(22,480)	-	59,383
Net cash provided by (used in) operating activities	4,714,133	(92,209)	-	4,621,924
CASH FLOWS FROM INVESTING ACTIVITIES				
Held-to-maturity security maturities, prepayments and calls	460,284	-	-	460,284
Available-for-sale security purchases	(27,795,338)	-	-	(27,795,338)
Available-for-sale security maturities	16,650,402	-	-	16,650,402
Certificates of deposit purchases	(4,216,000)	-	-	(4,216,000)
Certificates of deposit proceeds	1,736,000	-	-	1,736,000
Federal Home Loan Bank stock dividend	(2,200)	-	-	(2,200)
Net increase in loans	(13,143,164)	-	-	(13,143,164)
Purchases of premises and equipment	(201,858)	-	-	(201,858)
Proceeds from sale of other real estate owned	178,952	-	-	178,952
Cash distributions received	-	3,525,000	(3,525,000)	-
Net cash (used in) provided by investing activities	(26,332,922)	3,525,000	(3,525,000)	(26,332,922)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase in deposits	29,687,367	-	50,479	29,737,846
Dividends paid to stockholders	(3,525,000)	(3,483,270)	3,525,000	(3,483,270)
Net cash provided by (used in) financing activities	26,162,367	(3,483,270)	3,575,479	26,254,576
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,543,578	(50,479)	50,479	4,543,578
CASH AND CASH EQUIVALENTS, beginning of year	38,903,994	60,024	(60,024)	38,903,994
CASH AND CASH EQUIVALENTS, end of year	$ 43,447,572	$ 9,545	$ (9,545)	$ 43,447,572
SUPPLEMENTAL DISCLOSURES OF CASH				
Cash paid for interest on deposits	$ 283,438	$ -	$ -	$ 283,438
Net change in unrealized losses on available-for-sale securities	$ (241,410)	$ -	$ -	$ (241,410)

Western Bancshares of New Mexico, Inc. and Subsidiary
Consolidating Statement of Cash Flows
Year Ended December 31, 2017

	Western Bank, Artesia	Western Bancshares of New Mexico, Inc.	Eliminations Increase (Decrease)	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$ 3,785,231	$ 3,714,743	$ (3,785,231)	$ 3,714,743
Adjustments to reconcile net income to net cash provided by operating activities				
Provision for loan losses	120,000	-	-	120,000
Depreciation and amortization	151,935	-	-	151,935
Loss on sale of securities	106,141			106,141
Net amortization of discounts and premiums	(500,392)	-	-	(500,392)
Equity in earnings of subsidiary	-	(3,785,231)	3,785,231	-
Changes in operating assets and liabilities				
Accrued interest receivable and other assets	(272,573)	-	-	(272,573)
Accrued expenses and other liabilities	(71,632)	4,525	-	(67,103)
Net cash provided by (used in) operating activities	3,318,710	(65,963)	-	3,252,751
CASH FLOWS FROM INVESTING ACTIVITIES				
Held-to-maturity security purchases	(2,758,165)	-	-	(2,758,165)
Held-to-maturity security maturities, prepayments and calls	1,390,840	-	-	1,390,840
Available-for-sale security purchases	(14,855,685)	-	-	(14,855,685)
Available-for-sale security maturities	14,819,124	-	-	14,819,124
Certificates of deposit purchases	(481,000)	-	-	(481,000)
Federal Home Loan Bank stock dividend	(1,000)	-	-	(1,000)
Net increase in loans	(2,441,585)	-	-	(2,441,585)
Purchases of premises and equipment	(104,813)	-	-	(104,813)
Proceeds from sale of other real estate owned	39,397	-	-	39,397
Cash distributions received	-	3,000,000	(3,000,000)	-
Net cash (used in) provided by investing activities	(4,392,887)	3,000,000	(3,000,000)	(4,392,887)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net (decrease) increase in deposits	(6,864,872)	-	51,623	(6,813,253)
Proceeds from the sale of stock	-	-	-	-
Dividends paid to stockholders	(3,000,000)	(2,985,660)	3,000,000	(2,985,660)
Net cash (used in) provided by financing activities	(9,864,872)	(2,985,660)	3,051,623	(9,798,913)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(10,939,049)	(51,623)	51,623	(10,939,049)
CASH AND CASH EQUIVALENTS, beginning of year	49,843,043	111,647	(111,647)	49,843,043
CASH AND CASH EQUIVALENTS, end of year	$ 38,903,994	$ 60,024	$ (60,024)	$ 38,903,994
SUPPLEMENTAL DISCLOSURES OF CASH				
Cash paid for interest on deposits	$ 245,410	$ -	$ -	$ 245,410
Net change in unrealized losses on available-for-sale securities	$ (23,786)	$ -	$ -	$ (23,786)