AMENDED JUL 20 2017

FR Y-6
OMB Number 7100-0297
Approval expires September 30, 2018
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, Sean Ormand
Name of the Holding Company Director and Official

President, CEO and Director
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.

Signature of Holding Company Director and Official

7-20-17
Date of Signature

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

- [x] 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 ______
C.I. ______

Date of Report (top-tier holding company's fiscal year-end):
December 31, 2016
Month / Day / Year

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

Reporter's Name, Street, and Mailing Address

FIRST NEW MEXICO FINANCIAL CORPORATION
Legal Title of Holding Company

PO BOX 511
(Mailing Address of the Holding Company) Street / P.O. Box

DEMING	NM	88030
City	State	Zip Code

900 S. GOLD AVENUE, DEMING, NM 88030
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Sean Ormand	President, CEO & Director
Name	Title

575-388-3121
Area Code / Phone Number / Extension

575-388-1224
Area Code / FAX Number

sormand@fnmbsc.com
E-mail Address

N/A
Address (URL) for the Holding Company's web page

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."

Public reporting burden for this information collection is estimated to vary from 1.3 to 101 hours per response, with an average of 5.50 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551, and to the Office of Management and Budget, Paperwork Reduction Project (7100-0297), Washington, DC 20503.

12/2016

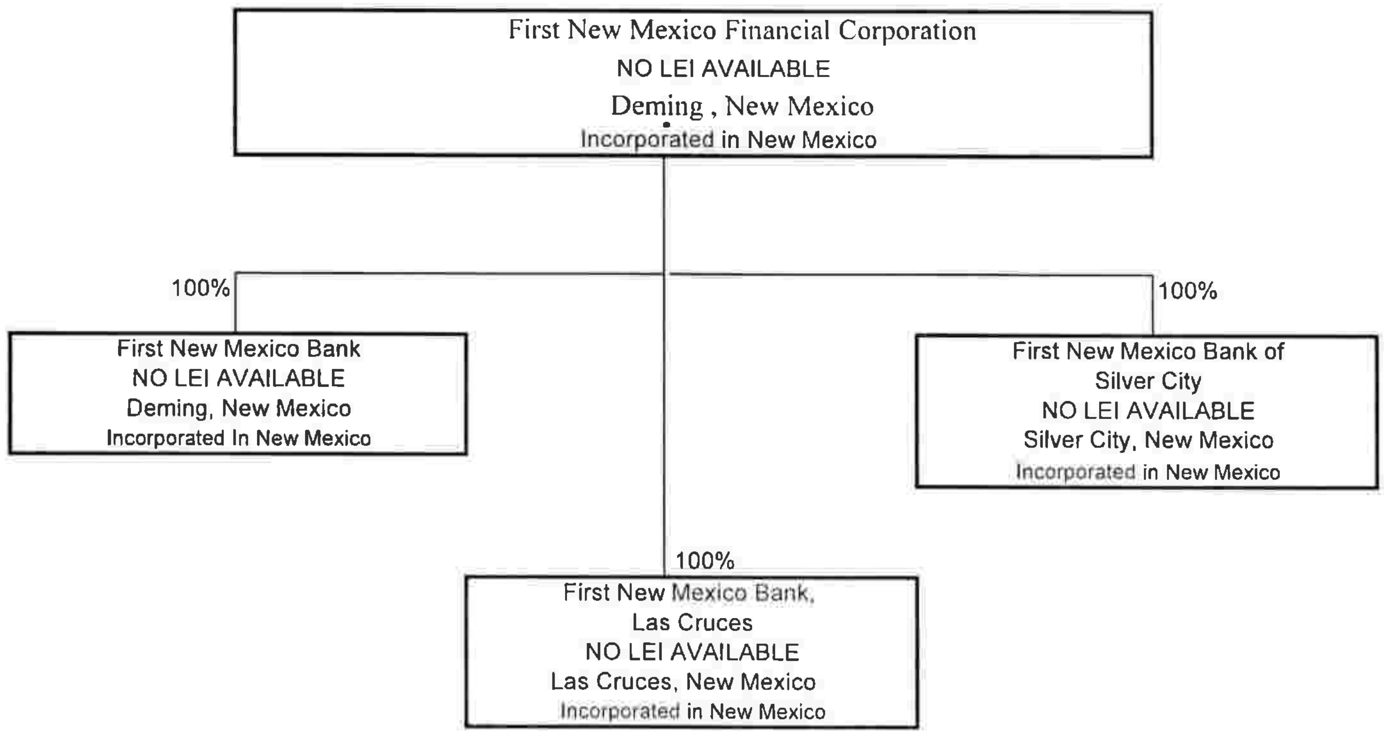
FORM FR Y-6

FIRST NEW MEXICO FINANCIAL CORPORATION
DEMING, NEW MEXICO
Fiscal Year Ending December 31, 2016

Report Item:

1: The bank holding company prepares an annual report for its securities holders and is not registered with the SEC. As specified by the appropriate Reserve Bank, 2 copies are enclosed.

2a: Organizational Chart



2b: Domestic branch listing provided to the Federal Reserve Bank

Results: A list of branches for your holding company: FIRST NEW MEXICO FINANCIAL CORPORATION (1107830) of DEMING, NM.
The data are as of 12/31/2016. Data reflects information that was received and processed through 01/10/2017

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)	712956	FIRST NEW MEXICO BANK	300 S. GOLD	DEMING	NM	88030-3731	LUNA	UNITED STATES	12406	0	FIRST NEW MEXICO BANK	712956	
OK		Limited Service	642651	COLUMBUS BRANCH	202 SOUTH MAIN	COLUMBUS	NM	88029	LUNA	UNITED STATES	245551	2	FIRST NEW MEXICO BANK	712956	
OK		Limited Service	3640984	DEMING BRANCH	1501 SOUTH COLUMBUS HIGHWAY	DEMING	NM	88030	LUNA	UNITED STATES	245550	1	FIRST NEW MEXICO BANK	712956	
OK		Limited Service	3640993	HATCH BRANCH	509 NORTH FRANKLIN STREET	HATCH	NM	87937	DONA ANA	UNITED STATES	466500	8	FIRST NEW MEXICO BANK	712956	
OK		Full Service	3542332	LOHMAN BRANCH	3000 EAST LOHMAN AVENUE	LAS CRUCES	NM	88011	DONA ANA	UNITED STATES	Not Required	Not Required	FIRST NEW MEXICO BANK	712956	
OK		Full Service (Head Office)	495558	FIRST NEW MEXICO BANK OF SILVER CITY	1928 HIGHWAY 180 EAST	SILVER CITY	NM	88061	GRANT	UNITED STATES	17241	0	FIRST NEW MEXICO BANK OF SILVER CITY	495558	
OK		Full Service	4187301	HUDSON BRANCH	110 NORTH HUDSON	SILVER CITY	NM	88061	GRANT	UNITED STATES	501276	3	FIRST NEW MEXICO BANK OF SILVER CITY	495558	
OK		Full Service (Head Office)	3623969	FIRST NEW MEXICO BANK, LAS CRUCES	3000 EAST LOHMAN AVENUE	LAS CRUCES	NM	88011-8246	DONA ANA	UNITED STATES	465819	0	FIRST NEW MEXICO BANK, LAS CRUCES	3623969	
OK		Full Service	4187299	ANTHONY BRANCH	455 LANDERS ROAD	ANTHONY	NM	88021	DONA ANA	UNITED STATES	516702	1	FIRST NEW MEXICO BANK, LAS CRUCES	3623969	

FORM FR Y-6
FIRST NEW MEXICO FINANCIAL CORPORATION
Fiscal Year Ending December 31, 2016

Report Item 3: Securities Holders
(1)(a)(b)(c) and (2)(a)(b)(c)

Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2016.

(1)(a) Name City, State, Country	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities		
Gertrude Kretek Deming, NM 88030, USA	USA	1835	3.43%	Common Stock
Geraldine Kretek Deming, NM 88030, USA	USA	1284	2.40%	Common Stock
Frank Kretek El Paso, TX 79912, USA	USA	527	0.99%	Common Stock
The Kretek Corporation Deming, NM 88030, USA	USA	250	0.47%	Common Stock
Charles Kretek Deming, NM 88030, USA	USA	20	0.04%	Common Stock
		3916	7.32%	
Leon J. Whitaker Revocable Trust Richard Patterson Trustee Deming, NM 88031, USA	USA	1400	2.62%	Common Stock
Triadic Enterprises Retirement Fund Richard Patterson, Trustee Deming, NM 88031, USA	USA	3346	6.25%	Common Stock
Richard or Nancy Patterson Deming, NM 88031, USA	USA	1175	2.20%	Common Stock
		5921	11.07%	

FORM FR Y-6
FIRST NEW MEXICO FINANCIAL CORPORATION
Fiscal Year Ending December 31, 2016

Report Item 3: Securities Holders
(1)(a)(b)(c) and (2)(a)(b)(c)

Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2016.

(1)(a) Name, City, State, Country	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities		
Frederick Sherman Deming, NM 88030, USA	USA	3743	7.00%	Common Stock
Janie Jontz Sherman Sante Fe, NM 87501, USA	USA	623	1.17%	Common Stock
Jan Sherman Bayard, NM 88023, USA	USA	500	0.94%	Common Stock
Benjamin Sherman Silver City, NM 88062, USA	USA	168	0.31%	Common Stock
Jerah Sherman Deming, NM 88030, USA	USA	276	0.52%	Common Stock
Jakub Sherman Deming, NM 88030, USA	USA	272	0.51%	Common Stock
Jennifer Sherman San Mateo, CA 94401, USA	USA	30	0.06%	Common Stock
John Sherman Silver City, NM 88061, USA	USA	125	0.23%	Common Stock
Robert Sherman Albququerque, NM 87114, USA	USA	15	0.03%	Common Stock
Sherman Family Foundation Deming, NM 88030, USA	USA	142	0.27%	Common Stock
		5894	11.02%	

FORM FR Y-6
FIRST NEW MEXICO FINANCIAL CORPORATION
Fiscal Year Ending December 31, 2016

Securities holders not listed in (3)(1)(a) through 3 (1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-2016.

(2)(a) Name City, State, Country	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities

Not Applicable

FORM FR Y-6
FIRST NEW MEXICO FINANCIAL CORPORATION
Fiscal Year Ending December 31, 2016

AMENDED
JUL 20 2017

Report Item 4: Insiders
(1) (2) (3)(a)(b)(c) and (4)(a)(b)(c.)

(1) Names City, State, Country	(2) Principal Occupation if other than w/ Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiary Bank	(3)(c.) Title & Position with other Businesses	(4)(a) Percentage of Voting Shares in Bank Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries	(4)(c.) List names of other Companies if 25% or more of voting shares
Sam D. Baca Deming, New Mexico, USA	Consultant	Director	Director First New Mexico Bank of Deming	N/A	3.55%	N/A	N/A
G.G.Gore Deming, New Mexico, USA	Consultant	Director	Director First New Mexico Bank of Deming	N/A	0.95%	N/A	N/A
Sean Ormand Silver City, New Mexico, USA	N/A	President & CEO Director	Director, President & CEO of First New Mexico Bank of Silver City	N/A	1.07%	N/A	N/A
Richard L. Patterson Deming, New Mexico, USA	CPA	Director	Director First New Mexico Bank of Deming & Las Cruces	N/A	2.20%	N/A	N/A
Dr. John Lundy Deming, New Mexico, USA	Physician	Director	Director First New Mexico Bank of Deming	N/A	0.49%	N/A	N/A
Gary Shiflett Deming, New Mexico,USA	Consultant	Director	Director First New Mexico Bank of Deming	N/A	1.45%	N/A	N/A
Frank Quarrell Deming, New Mexico, USA	Consultant	Director	Director First New Mexico Bank of Silver City	N/A	0.12%	N/A	N/A
Teresa O. Molina Deming, New Mexico, USA	N/A	Secretary/Treasurer Director	Director & President of First New Mexico Bank of Deming	N/A	1.06%	N/A	N/A
Sharron Stuart Las Cruces, New Mexico, USA	N/A	Director	Director & President of First New Mexico Bank, Las Cruces	N/A	0.98%	N/A	N/A
Richard Griffin Silver City, New Mexico, USA	Consultant	Director	Director First New Mexico Bank of Silver City	N/A	3.22%	N/A	N/A

AMENDED
JUL 20 2017

FORM FR Y-6
FIRST NEW MEXICO FINANCIAL CORPORATION
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders
(1) (2) (3)(a)(b)(c) and (4)(a)(b)(c.)

(1) Names City, State, Country	(2) Principal Occupation if other than w/ Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiary Bank	(3)(c.) Title & Position with other Businesses	(4)(a) Percentage of Voting Shares in Bank Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries	(4)(c.) List names of other Companies if 25% or more of voting shares
Leon J. Whitaker Revocable Trust - R Patterson Trustee Deming, New Mexico, USA	Consultant	N/A	N/A	N/A	2.62%	N/A	N/A
Triadic Enterprises Retirement Fund - R Patterson Trustee Deming, New Mexico, USA	Consultant	N/A	N/A	N/A	6.25%	N/A	N/A
Frederick Sherman Deming, New Mexico, USA	Attorney	N/A	N/A	N/A	7.00%	N/A	N/A
Janie Jontz Sherman Sante Fe, New Mexico, USA	Consultant	N/A	N/A	N/A	1.17%	N/A	N/A
Jan Sherman Bayard, New Mexico, USA	Consultant	N/A	N/A	N/A	0.94%	N/A	N/A
Benjamin Sherman Deming, New Mexico, USA	Consultant	N/A	N/A	N/A	0.31%	N/A	N/A
Jerah Sherman Deming, New Mexico, USA	Consultant	N/A	N/A	N/A	0.52%	N/A	N/A
Jakub Sherman Deming, New Mexico, USA	Consultant	N/A	N/A	N/A	0.51%	N/A	N/A
Jennifer Sherman San Mateo, California, USA	Consultant	N/A	N/A	N/A	0.06%	N/A	N/A
John Sherman Silver City, New Mexico, USA	Consultant	N/A	N/A	N/A	0.23%	N/A	N/A
Robert Sherman Albuquerque, New Mexico, USA	Consultant	N/A	N/A	N/A	0.03%	N/A	N/A
Sherman Family Foundation Deming, New Mexico, USA	Consultant	N/A	N/A	N/A	0.27%	N/A	N/A

1st NEW MEXICO FINANCIAL CORPORATION

2016 Annual Report

Deming, New Mexico ◆ Silver City, New Mexico ◆ Las Cruces, New Mexico

1st NEW MEXICO FINANCIAL CORPORATION
P.O. BOX 511 • DEMING, NEW MEXICO 88031-0511 • 505-546-2691

To the Shareholders,

A great story is one which can be told again and again, and when told, give encouragement and enjoyment to those who hear. This will hopefully be the case for you as a Shareholder when reviewing our results for 2016 as outlined throughout this report.

The past year brought many challenges and blessings for the First New Mexico Bank family. Our banks enjoyed another year of profitability and growth with consolidated assets topping $450 million and earnings per share surpassing $100. Both of these achievements mark new milestones for our group.

Our leadership teams throughout Deming, Silver City and Las Cruces have developed and honed skills unique to the community banking markets we serve. Our leaders believe that by mentoring our core values throughout the banks, our future will be ensured in the community banking industry and the markets we serve.

The ability to achieve success, and remain successful, in the community banking industry has never been more challenging as evidenced by the alarming reduction of community bank numbers across the country. Our commitment to traditional banking, coupled with efficient use of technology, has allowed our banks to remain relevant and thrive during the past year.

We thank the Lord each and every day for our bank Shareholders, Directors, Officers and employees who make First New Mexico Financial Corporation the best place to work and invest in New Mexico.

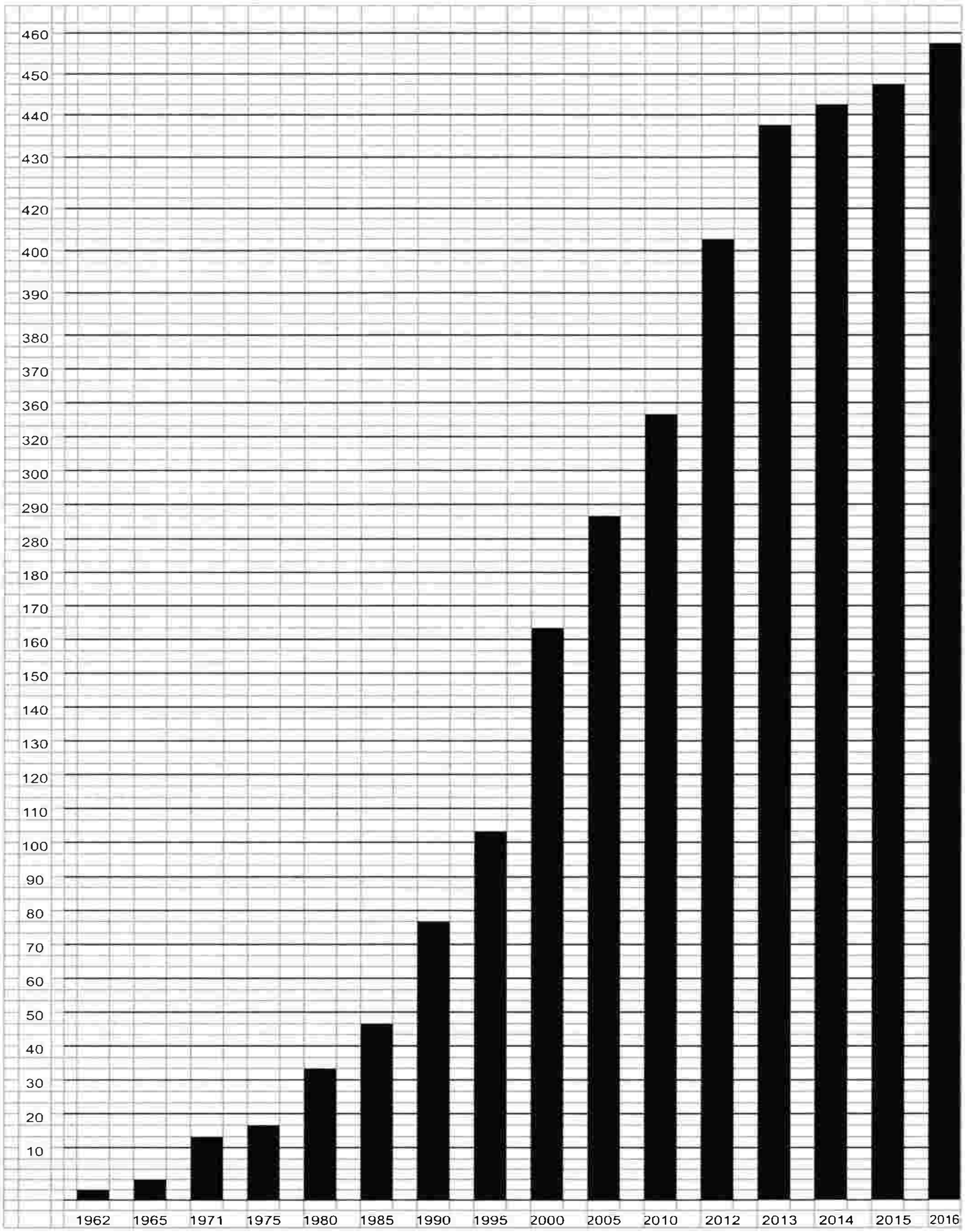
Keeping our focus upon the future, while being true to our successful roots, will direct our mission of creating value for our Shareholders throughout strategic focus on management, continued implementation of technology and efficient use of our resources to ensure our place as one of the best community banking organizations in the nation.

Sincerely,

Sean Ormand
President/CEO

Total Assets in Millions of Dollars

1962-2016



1st NEW MEXICO FINANCIAL CORPORATION
P.O. BOX 511 • DEMING, NEW MEXICO 88031-0511 • 505-546-2691

FIRST NEW MEXICO FINANCIAL CORPORATION

DIRECTORS

Sam D. Baca
G.G. Gore
Dr. John Lundy
Teresa O. Molina
Sean Ormand
Richard L. Patterson
Frank Quarrell
Gary Shiflett
Sharron Stuart
Richard Griffin

OFFICERS

Sean Ormand, President & CEO
Teresa O. Molina, Secretary/Treasurer

FIRST NEW MEXICO BANK,
DEMING, NEW MEXICO

OFFICERS	DIRECTORS
Teresa O. Molina, President	Sam D. Baca
Rosa Perez, Sr. Vice President	G.G. Gore
Adina Delgado, Vice President	Dr. John Lundy
Kathleen L. Duran, Vice President	Teresa O. Molina
Gloria Herrera, Vice President	Richard L. Patterson
Kathleen Keene, Assistant Vice President	Gary Shiflett
Martha Ortiz, Assistant Vice President	
Frances Russell, Assistant Vice President	
Roxana Rincon, Assistant Vice President	
Erica Reyes, Assistant Vice President	
Teresa Sanchez, Assistant Cashier	
Denise Ruiz, Assistant Cashier	
Megan Hartman, Assistant Cashier	
Gladys Camacho, Assistant Cashier	

FIRST NEW MEXICO BANK,
SILVER CITY, NEW MEXICO

OFFICERS	DIRECTORS
Sean Ormand, President & CEO	Richard Griffin
Donna Monzingo, Executive Vice President & COO	Charles Hamilton
Leslie Rodriguez, Vice President	Dr. J. Hal Hopson
Cheryl Legarda, Vice President	Brett Kasten
Lisa Serna, Vice President	Scott Kennedy
Nancy Archuleta, Vice President	Sean Ormand
Adriana Lindsey, Assistant Vice President	Frank Quarrell
A.D. Richins Jr., Assistant Vice President	
Antonio Quesada IV, Assistant Vice President	
Patrick Cohn, Assistant Vice President	

FIRST NEW MEXICO BANK, LAS CRUCES, NEW MEXICO

OFFICERS	DIRECTORS
Sharron Stuart, President	Tim Nesbitt
Julie Koenig, Executive Vice President & CFO	Richard L. Patterson
Lisa Key, Senior Vice President	Anthony Smith
Donna Stryker, Senior Vice President	Earl C. Spruiell
Chuck Widger, Senior Vice President	Cristie Stuart
Monica McDonald, Vice President	Sharron Stuart
Manny Martinez, Assistant Vice President	
Richard Medina, Assistant Vice President	

FIRST NEW MEXICO FINANCIAL CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

WITH

INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2016 AND 2015

Contents

Bock & Associates, LLP
Certified Public Accountants

Anthony E. Bock, CPA
Adam M. Bock, CPA
Michael A. Bock, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
First New Mexico Financial Corporation:

We have audited the accompanying consolidated financial statements of First New Mexico Financial Corporation and its Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the 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 financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 position of First New Mexico Financial Corporation and its Subsidiaries as of December 31, 2016 and 2015, 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.

Bock & Associates, LLP

January 16, 2017

7320 REMCON CIRCLE / EL PASO, TEXAS 79912 / 915-544-8984 / FAX 915-760-4229

FIRST NEW MEXICO FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 2016	December 31, 2015
Cash and due from banks	$ 31,892,438	$ 10,751,522
Interest bearing deposits with banks	86,666,811	96,357,117
Total cash and cash equivalents	118,559,249	107,108,639
Investment securities	151,058,608	155,450,915
Loans, net	165,510,861	164,697,105
Bank premises and equipment, net	10,534,908	10,898,492
Interest receivable	2,813,241	2,827,309
Other assets	8,931,735	8,695,742
	$457,408,602	$449,678,202

LIABILITIES AND STOCKHOLDERS' EQUITY

	2016	2015
Deposits	$386,827,128	$383,510,998
Accrued interest payable	34,497	47,194
Other liabilities	8,460,992	7,678,187
	395,322,617	391,236,379
Commitments and contingencies	--	--
Stockholders' equity:		
Common stock, $10 par value Authorized 1,000,000 shares Issued: 53,473 shares in 2016 and 53,604 shares in 2015	534,730	536,040
Retained earnings	61,551,255	57,905,783
	62,085,985	58,441,823
Less treasury stock at cost, 0 shares in 2016 and 0 shares in 2015	--	--
	62,085,985	58,441,823
	$457,408,602	$449,678,202

The accompanying notes are integral parts of the financial statements.

FIRST NEW MEXICO FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Years ended December 31,	
	2016	2015
Interest income:		
Interest and fees on loans	$12,502,351	$12,114,285
Interest on investment securities	4,579,715	4,737,405
Interest on deposits in banks	522,365	283,099
	17,604,431	17,134,789
Interest expense:		
Interest on deposits	920,958	986,415
Interest on federal funds purchased	--	--
	920,958	986,415
Net interest income	16,683,473	16,148,374
Provision for loan losses	397,256	244,500
Net interest income after provision for loan losses	16,286,217	15,903,874
Other noninterest income:		
Service fees	1,216,206	1,272,751
Other	411,936	311,957
	1,628,142	1,584,708
Other expenses:		
Salaries and employee benefits	5,617,848	5,308,046
Occupancy expenses, net	932,467	864,191
Other operating expenses	4,369,931	4,757,524
	10,920,246	10,929,761
Net income before income taxes	6,994,113	6,558,821
Federal and state income taxes	1,642,857	1,352,812
Net income	$ 5,351,256	$ 5,206,009
Earnings per share, based on weighted-average number of shares outstanding	$100.05	$96.85

The accompanying notes are integral parts of the financial statements.

FIRST NEW MEXICO FINANCIAL CORPORATION CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 31, 2016 and 2015

	Common stock Shares	Common stock Amount	Retained earnings	Treasury stock	Stockholders' equity
Balances, December 31, 2014	53,966	539,660	54,694,812	--	55,234,472
Net income	--	--	5,206,009	--	5,206,009
Other comprehensive income:					
no items	--	--	--	--	--
Total Comprehensive Income	--	--	--	--	5,206,009
Purchase of treasury stock	--	--	--	(654,625)	(654,625)
Sale of treasury stock	--	--	--	103,275	103,275
Cancellation of treasury stock	(362)	(3,620)	(547,730)	551,350	--
Cash dividend declared,					
$27.00 per share	--	--	(1,447,308)	--	(1,447,308)
Balances, December 31, 2015	53,604	536,040	57,905,783	--	58,441,823
Net income	--	--	5,351,256	--	5,351,256
Other comprehensive income:					
no items	--	--	--	--	--
Total Comprehensive Income	--	--	--	--	5,351,256
Purchase of treasury stock	--	--	--	(668,000)	(668,000)
Sale of treasury stock	--	--	--	458,150	458,150
Cancellation of treasury stock	(131)	(1,310)	(208,540)	209,850	--
Cash dividend declared,					
$28.00 per share	--	--	(1,497,244)	--	(1,497,244)
Balances, December 31, 2016	53,473	$534,730	$61,551,255	$ --	$62,085,985

The accompanying notes are integral parts of the financial statements.

FIRST NEW MEXICO FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,	
	2016	2015
Cash flows from operating activities:		
Net income	$ 5,351,256	$ 5,206,009
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	397,256	244,500
Depreciation	608,310	715,484
Deferred income taxes	(94,768)	(114,347)
Investment security amortization (accretion), net	968,875	991,380
Cash value life insurance	(139,015)	(141,641)
(Gain)/loss on sale of assets	2,922	--
Changes in operating assets and liabilities:		
(Increase) decrease in accrued interest receivable	14,070	(17,574)
Increase (decrease) in accrued interest payable	(12,699)	(5,860)
(Increase) decrease in other assets	(232,135)	(547,696)
Increase (decrease) in other liabilities	732,597	(104,320)
Net cash provided by operating activities	7,596,669	6,225,935
Cash flows from investing activities:		
Purchases of held-to-maturity securities	(17,668,188)	(13,846,399)
Proceeds from maturities of held-to-maturity securities	21,091,620	12,059,169
Net (increase) decrease in loans	(1,211,012)	(5,485,246)
Proceeds from sale of assets	227,000	--
Purchase equipment and bank improvements	(244,729)	(518,471)
Net cash used in investing activities	2,194,691	(7,790,947)
Cash flows from financing activities:		
Net increase in demand and time deposits	3,316,408	3,949,660
Payments to acquire treasury stock	(668,000)	(654,625)
Sale of treasury stock	458,150	103,275
Dividends paid	(1,447,308)	(1,403,116)
Net cash provided by financing activities	1,659,250	1,995,194
Net increase (decrease) in cash and cash equivalents	11,450,610	403,182
Cash and cash equivalents at beginning of year	107,108,639	106,678,457
Cash and cash equivalents at end of year	$118,559,249	$107,108,639

The accompanying notes are integral parts of the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of management's review of subsequent events

The Corporation has evaluated subsequent events through January 16, 2017, the date which the financial statements were available to be issued.

Nature of operations

First New Mexico Financial Corporation (the Corporation) is a bank holding company whose principal activity is the ownership and management of its wholly-owned subsidiaries First New Mexico Bank-Deming, First New Mexico Bank-Las Cruces and First New Mexico Bank-Silver City (the Banks). The Banks generate commercial (including agricultural), mortgage and consumer loans and receive deposits from customers located primarily in Deming, Silver City, Las Cruces, New Mexico and the surrounding areas. The Banks operate under a state bank charter and provide full banking services. As state banks, the Banks are subject to regulation by the New Mexico Banking Department and the Federal Deposit Insurance Corporation.

Principles of consolidation

The consolidated financial statements include the accounts of First New Mexico Financial Corporation, and its wholly-owned subsidiaries, First New Mexico Bank, Deming, Las Cruces and Silver City. In consolidation, all significant intercompany balances and transactions have been eliminated.

Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States (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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comprehensive income

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the shareholders' equity section of the statement of financial condition. Such items, along with net income, are components of comprehensive income.

Investment securities

Securities classified as held-to-maturity are those debt securities the Banks have both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs for changes in general economic conditions. These securities are carried at cost, adjusted for amortization of premium and accretion of discount, computed using the interest method, over their contractual lives.

Securities classified as available-for-sale are equity securities with readily determinable fair values and those debt securities that the Banks intend to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as available-for-sale would be based on various factors, including significant movement in interest rates, changes in the maturity mix of the Bank's assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. These securities are carried at estimated fair value based on information provided by a third party pricing service with unrealized gains or losses excluded from net income in accumulated other comprehensive income (loss), which is reportable as a separate component of shareholders' equity, net of the related deferred tax effect.

Dividend and interest income, including amortization of premium and accretion of discount arising at acquisition, from all categories of investment securities are included in interest income in the consolidated statements of income.

Gains and losses realized on sales of investment securities, determined using the adjusted cost basis of the specific securities sold, are included in noninterest income in the consolidated statements of income. Additionally, declines in the estimated fair value of individual investment securities below their cost that are other-than-temporary are reflected as realized losses in the statements of income. Factors affecting the determination of whether an other-than-temporary impairment has occurred include a downgrading of the security by a rating agency, a significant deterioration in the financial condition of the issuer, or that management would not have the intent and ability to hold a security for a period of time sufficient to allow for any anticipated recovery in fair value.

Restricted stock is stock from the Texas Independent Bankers Bank and Bankers Bank of the West, which are restricted as to their marketability. Because no ready market exists for these investments and they have no quoted market value, the Bank's investments in these stocks are carried at cost.

Loans held for sale

Loans originated and intended for sale in the secondary market are carried at the lower of original cost or market value in compliance with FASB ASC 948-310. Market value is determined on a loan-by-loan basis. Net unrealized losses are recognized through a valuation allowance by charges to income. All sales are made without recourse.

Loans and allowance for loan losses

Loans are carried at the amount of unpaid principal, adjusted for deferred loan fees and origination costs. Interest on loans is accrued based on the principal amounts outstanding. Nonrefundable loan fees and related direct costs are deferred and the net amount is amortized to income as a yield adjustment over the life of the loan using the interest method. When principal or interest is delinquent for ninety days or more, the Banks evaluates the loan for nonaccrual status.

After a loan is placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Subsequent collections of interest payments on nonaccrual loans are recognized as interest income unless ultimate collectability of the loan is in doubt. Cash collections on loans where ultimate collectability remains in doubt are applied as reductions of the loan principal balance and no interest income is recognized until the principal balance has been collected.

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance is based on two basic principles of accounting: (i) FASB ASC 450, Contingencies, which requires that losses be accrued when they are probable of occurring and estimable and (ii) FASB ASC 310, Receivables, which requires that losses or impaired loans be accrued based on the differences between the loan balance and either the value of collateral, if such loans are considered to be collateral dependent and in the process of collection, or the present value of future cash flows, or the loan's value as observable in the secondary market. A loan is considered impaired when, based on current information and events, the Banks have concerns about the ability to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement.

Loans and allowance for loan losses (Continued)

Factors considered by management in determining 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, taking into consideration all of the circumstances surrounding the loan and borrower, 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.

The Banks' allowance for loan losses has three basic components: the specific allowance, the formula allowance and the pooled allowance. Each of these components is determined based upon estimates that can and do change when the actual events occur. As a result of the uncertainties inherent in the estimation process, management's estimate of loan losses and the related allowance could change in the near term.

The specific allowance component is used to individually establish an allowance for loans identified for impairment testing. When impairment is identified, a specific reserve may be established based on the Banks calculation of the estimated loss embedded in the individual loan. Impairment testing includes consideration of the borrower's overall financial condition, resources and payment record, support available from financial guarantors and the fair market value of collateral. These factors are combined to estimate the probability and severity of inherent losses. Large groups of smaller balance, homogeneous loans are collectively evaluated for impairment.

The formula allowance component is used for estimating the loss on internally risk rated loans exclusive of those identified as impaired. The loans meeting the Banks internal criteria for classification, such as special mention, substandard, doubtful and loss, as well as specifically identified impaired loans, are segregated from performing loans within the portfolio. These internally classified loans are then grouped by loan type (real estate, agricultural, commercial or consumer). Each loan type is assigned an allowance factor based on management's estimate of the associated risk, complexity and size of the individual loans within the particular loan category. Classified loans are assigned a higher allowance factor than non-classified loans due to management's concerns regarding collectability or management's knowledge of particular elements surrounding the borrower. Allowance factors increase with the worsening of the internal risk rating.

The pooled formula component is used to estimate the losses inherent in the pools of non-classified loans. These loans are then also segregated by loan type and allowance factors are assigned by management based on delinquencies, loss history, trends in volume and terms of loans, effects of changes in lending policy, the experience and depth of management, national and local economic trends, concentrations of credit, results of the loan review system and the effect of external factors (i.e. competition and regulatory requirements). The allowance factors assigned differ by loan type.

Allowance factors and overall size of the allowance may change from period to period based on management's assessment of the above-described factors and the relative weights given to each factor. In addition, various regulatory agencies periodically review the allowance for loan losses. These agencies may require the Banks to make additions to the allowance for loan losses based on their judgments of collectability based on information available to them at the time of their examination.

Loans are placed into a nonaccruing status and classified as nonperforming when the principal or interest has been in default for a period of 90 days or more unless the obligation is well secured and in the process of collection. A debt is "well secured" if it is secured by (i) pledges of real or personal property, including securities, that have a realizable value sufficient to discharge the debt, (including accrued interest), in full, or (ii) the guarantee of a financially responsible party. A debt is "in the process of collection" if collection on the debt is proceeding in due course either through legal action, including judgment enforcement procedure, or, in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status.

Loans classified as substandard or worse are considered for impairment testing. A substandard loan shows signs of continuing negative financial trends and unprofitability and therefore, is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. The borrower on such loans typically exhibits one or more of the following characteristics: financial ratios and profitability margins are well below industry average; a negative cash flow position exists; debt service capacity is insufficient to the service debt and an improvement in the cash flow position is unlikely within the next twelve months; secondary and tertiary means of debt repayment are weak. Loans classified as substandard are characterized by the probability that the Banks will not collect amounts due according to the contractual terms or sustain some loss if the deficiencies are not corrected.

Loss potential, while existing with respect to the aggregate amount of substandard (or worse) loans, does not have to exist in any individual assets classified as substandard. Such credits are also evaluated for nonaccrual status.

Impaired loans include loans that have been classified as substandard or worse. However, certain loans have been paying as agreed and have remained current, with some financial issues related to cash flow that have caused some concern as to the ability of the borrower to perform in accordance with the current loan terms but not to such an extent as to require the loan be put into a nonaccruing status. Cash receipts on impaired loans are recorded as interest income as received, unless the loan is in a nonaccrual status.

The Banks charge-off policy states after all collection efforts have been exhausted and the loan is deemed to be a loss, it will be charged to the Banks established allowance for loan losses. Loans are generally evaluated for loss potential at the 90th day past due threshold, and any loss is recognized no later than the 120th day past due threshold; each loss is evaluated on its specific facts regarding the appropriate timing to recognize the loss.

Premises and equipment

Land is carried at cost. Bank premises and equipment are stated at cost less accumulated depreciation and amortization. The provision for depreciation is computed using the straight-line method based upon the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations. For Federal income tax purposes, depreciation is computed using the accelerated cost recovery system and the modified accelerated cost recovery system.

Foreclosed properties

Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at the fair value less estimated selling cost at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management and property held for sale is carried at the lower of the new cost basis or fair value less cost to sell. Impairment losses on property to be held and used are measured as the amount by which the carrying amount of a property exceeds its fair value. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. The portion of interest costs relating to development of real estate is capitalized. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell.

Bank owned life insurance

The Banks purchased single-premium life insurance on certain employees. Appreciation in value of the insurance policies is classified in noninterest income.

Income taxes

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the consolidated financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. In addition, deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.The Banks recognize interest and penalties related to income tax matters in income tax expense.

The Corporation and its subsidiaries file consolidated federal and state income tax returns. The subsidiaries are charged by First New Mexico Financial Corporation for their share of the consolidated income taxes on a basis that they would have paid if the subsidiaries had filed on a separate entity basis.

The Corporation does not have uncertain tax positions that are deemed material, and did not recognize any adjustments for unrecognized tax benefits. The Corporation remains subject to examination for income tax returns for the years ending after December 31, 2012.

Statements of cash flows

First New Mexico Financial Corporation considers all cash and amounts due from depository institutions, interest-bearing deposits and federal funds sold to be cash equivalents for purposes of the statements of cash flows. Interest paid was $908,261 and $992,277 for the years ended December 31, 2016 and 2015, respectively. Income taxes paid were $1,265,096 and $1,227,000 for the years ended December 31, 2016 and 2015, respectively.

Impairment of Long-lived assets

Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management reviews all material assets annually for possible impairment. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the asset exceeds the estimated fair value of the assets.

Transfers of financial assets

The Banks accounts for transfers and servicing of financial assets in accordance with FASB ASC 860. Transfers of financial assets are accounted for as sales only when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Banks. (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets. and (3) the Banks do not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Restrictions on dividends

Dividends may be paid so long as the bank maintains at least a 7% capital to asset ratio and do not exceed current years net earnings.

Advertising

The Banks follow the policy of charging the costs of advertising to expense as incurred. Advertising expense was $165,764 and $185,718 for the years ended December 31, 2016 and 2015, respectively.

Reclassifications

Certain reclassifications have been made to the 2015 financial statement presentation to correspond to the current year's format. Total equity and net income are unchanged due to these reclassifications.

Recent accounting pronouncements

FASB issued Accounting Standard Update (ASU) No. 2016-2, Leases (Topic 842). ASU 2016-2, among other things, requires lessees to recognize most leases on-balance sheet, increasing reported assets and liabilities. Lessor accounting remains substantially similar to current U.S. GAAP. ASU 2016-2 will be effective for the Company on January 1, 2019, utilizing the modified retrospective transition approach. The Company is currently evaluating the impact of adopting ASU 2016-2 on the Company's consolidated financial statements.

FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): ASU 2016-13 is the final guidance on the new current expected credit loss ("CECL") model. ASU 2016-13, a month other things, requires the incurred loss impairment methodology in current GAAP be replaced with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to estimate future credit loss estimates. As CECL encompasses all financial assets carried at amortized cost, the requirement that reserves be established based on an organization's reasonable and supportable estimate of expected credit losses extends to be held to maturity ("HTM") debt securities. ASU 2016-13 amends the accounting for credit losses on available-for-sale securities ("AFS"), whereby credit losses will be presented as an allowance as opposed to write-down. In addition, CECL will modify the accounting for purchased loans with credit deterioration since organization, so that reserves are established at the date of acquisition for purchased loans. Lastly, ASU 2016-13 requires enhanced disclosures on the significant estimates and judgments used to estimate credit losses, as well as on the credit quality and underwriting standards of an organization's portfolio. These disclosures require organizations to present the currently required credit quality disclosures disaggregated by the year of origination or vintage. ASU 2016-13 allows for a modified retrospective approach with a cumulative effect adjustment to the balance sheet upon adoption (charge to retained earnings instead of income statement). ASU 2016-13 will be effective for the Company on January 1, 2020, and early adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2016-13 on the Company's consolidated financial statements.

NOTE 2 - INVESTMENT SECURITIES

The amortized cost of investment securities as shown in the consolidated statements of financial condition and their approximate market values were as follows:

Held-to-Maturity	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
December 31, 2016:				
U.S. Government and agency securities	$ 42,222,789	$ 772,168	$ (450,309)	$ 42,544,648
State and municipal securities	108,835,819	1,811,451	(1,120,667)	109,526,603
	$151,058,608	$2,583,619	$(1,570,976)	$152,071,251
December 31, 2015:				
U.S. Government and agency securities	$ 42,849,725	$1,340,459	$ (28,554)	$ 44,161,630
State and municipal securities	112,601,190	4,204,706	(53,062)	116,752,834
	$155,450,915	$5,545,165	$ (81,616)	$160,914,464

Held-to-maturity securities carried at approximately $29,686,126 at December 31, 2016 and, $34,179,212 at December 31, 2015, were pledged to secure deposits as required or permitted by law. The market value of the pledged securities was $30,389,681 and $30,396,378 respectively.

The amortized cost and estimated fair value of securities held-to-maturity at December 31, 2016, by contractual maturity, are as follows:

	Amortized Cost	Fair Value
Amounts maturing in:		
One year or less	$ 18,459,445	$ 18,638,052
After one year through five years	26,466,837	27,637,541
After five years through ten years	49,807,871	50,363,882
After ten years	56,324,455	55,431,776
	$151,058,608	$152,071,251

NOTE 2 - INVESTMENT SECURITIES (Continued)

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

Information pertaining to securities with gross unrealized losses at December 31, 2016 and 2015, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2016:						
U.S. Government and agency securities	$10,053,266	$ 368,533	$ 6,793,223	$ 81,776	$16,846,489	$ 450,309
State and municipal securities	30,172,721	800,841	10,192,484	319,826	40,365,205	1,120,667
December 31, 2015:						
U.S. Government and agency securities	$ 1,488,944	$ 6,427	$ 4,908,307	$ 22,127	$6,397,251	$ 28,554
State and municipal securities	1,221,212	11,634	9,713,695	41,428	10,934,907	53,062

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 Banks to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. The unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government, its agencies, or other governments, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. 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 – RESTRICTED STOCK

The investment in restricted stock is as follows:

	December 31,	
	2016	2015
Texas Independent Bankers Bank	$ 100,000	$ 100,000
Bankers Bank of the West	149,805	149,805
	$ 249,805	$ 249,805

NOTE 4 – LOANS

The composition of recorded investment in loans by segment is as follows:

	December 31,	
	2016	2015
Secured by real estate	$139,595,763	$136,410,276
Agricultural production	5,410,557	6,389,997
Commercial	12,642,857	11,562,151
Consumer	11,582,166	13,801,153
Total loans	169,231,343	168,163,577
Unearned discounts	(247,087)	(165,823)
Total loans net of unearned discounts	168,984,256	167,997,754
Allowance for loan losses	(3,473,395)	(3,300,649)
Loans, net	$165,510,861	$164,697,105

Consumer loans, whether unsecured or secured by real estate, automobiles, or other personal property, are primarily susceptible to three primary risks; non-payment due to income loss, over-extension of credit and, when the borrower is unable to pay, shortfall in collateral value. Typically non-payment is due to loss of job and will follow general economic trends in the marketplace driven primarily by rises in the unemployment rate. Loss of collateral value can be due to market demand shifts, damage to collateral itself or a combination of the two.

Problem consumer loans are generally identified by payment history of the borrower (delinquency). The Bank manages its consumer loan portfolios by monitoring delinquency and contacting borrowers to encourage repayment, suggest modifications if appropriate, and, when continued scheduled payments become unrealistic, initiate repossession or foreclosure through appropriate channels. Collateral values may be determined by appraisals obtained through Bank approved, licensed appraisers, qualified independent third parties, public value information (blue book values for autos), sales invoices, or other appropriate means. Appropriate valuations are obtained at initiation of the credit and periodically (every 3-12 months depending on collateral type) once repayment is questionable and the loan has been classified.

Agricultural loans are primarily susceptible to credit risk. A borrower's production and ability to service debt can be affected seriously by weather conditions and other natural factors not directly under their control. Aside from weather conditions, the most significant variables affecting agricultural credit risk are market prices and governmental policies. Other important factors include concentrations and limited-purpose collateral.

Commercial real estate loans generally fall into two categories, owner-occupied and non-owner occupied. Loans secured by owner occupied real estate are primarily susceptible to changes in the business conditions of the related business. This may be driven by, among other things, industry changes, geographic business changes, changes in the individual fortunes of the business owner, and general economic conditions and changes in business cycles. These same risks apply to commercial loans whether secured by equipment or other personal property or unsecured. Losses on loans secured by owner occupied real estate, equipment, or other personal property generally are dictated by the value of underlying collateral at the time of default and liquidation of the collateral. When default is driven by issues related specifically to the business owner, collateral values tend to provide better repayment support and may result in little or no loss. Alternatively, when default is driven by more general economic conditions, underlying collateral generally has devalued more and results in larger losses due to default. Loans secured by non-owner occupied real estate are primarily susceptible to risks associated with swings

NOTE 4 – LOANS (Continued)

in occupancy or vacancy and related shifts in lease rates, rental rates or room rates. Most often these shifts are a result of changes in general economic or market conditions or overbuilding and resultant over-supply. Losses are dependent on value of underlying collateral at the time of default. Values are generally driven by these same factors and influenced by interest rates and required rates of return as well as changes in occupancy costs.

Construction loans, whether owner occupied or non-owner occupied commercial real estate loans or residential development loans, are not only susceptible to the related risks described above but the added risks of construction itself including cost over-runs, mismanagement of the project, or lack of demand or market changes experienced at time of completion. Again, losses are primarily related to underlying collateral value and changes therein as described above.

Problem commercial loans are generally identified by periodic review of financial information which may include financial statements, tax returns, rent rolls and payment history of the borrower (delinquency). Based on this information the Bank may decide to take any of several courses of action including demand for repayment, additional collateral or guarantors, and, when repayment becomes unlikely through borrower's income and cash flow, repossession or foreclosure of the underlying collateral.

Collateral values may be determined by appraisals obtained through Bank approved, licensed appraisers, qualified independent third parties, public value information (blue book values for autos), sales invoices, or other appropriate means. Appropriate valuations are obtained at initiation of the credit and periodically (every 3-12 months depending on collateral type) once repayment is questionable and the loan has been classified.

The following table summarizes the activity in the allowance for loan losses, and ending balances of loans for the periods indicated:

	December 31, 2016				
	Real Estate	Agricultural	Commercial	Consumer	Total
Beginning Balance	$ 2,590,907	$ 96,000	$ 255,965	$ 357,777	$ 3,300,649
Charge offs	(195,810)	--	--	(166,120)	(361,930)
Recoveries	18,000	--	3,000	116,420	137,420
Provision	322,256	--	--	75,000	397,256
Ending Balance	$ 2,735,353	$ 96,000	$ 258,965	$ 383,077	$ 3,473,395
Ending Balance: Individually evaluated for impairment	$ 100,896	$ --	$ --	$ --	$ 100,896
Collectively evaluated for impairment	$ 2,634,457	$ 96,000	$ 258,965	$ 383,077	$ 3,372,499
Ending Balance: Total loans Individually evaluated for impairment	$ 954,345	$ 364	$ --	$ --	$ 954,709
Collectively evaluated for impairment	$138,641,418	$5,410,193	$12,642,857	$11,582,166	$168,276,634

NOTE 4 – LOANS (Continued)

	December 31, 2015				
	Real Estate	Agricultural	Commercial	Consumer	Total
Beginning Balance	$ 2,557,044	$ 96,000	$ 270,000	$ 342,364	$ 3,265,408
Charge offs	(59,195)	--	(173,963)	(86,027)	(319,185)
Recoveries	28,032	--	24,200	57,694	109,926
Provision	65,026	--	135,728	43,746	244,500
Ending Balance	$ 2,590,907	$ 96,000	$ 255,965	$ 357,777	$ 3,300,649
Ending Balance: Individually evaluated for impairment	$ 62,071	$ --	$ 21,550	$ --	$ 83,621
Collectively evaluated for impairment	$ 2,528,836	$ 96,000	$ 234,415	$ 357,777	$ 3,217,028
Ending Balance: Total loans Individually evaluated for impairment	$ 1,473,357	$ 153,181	$ 20,175	$ --	$ 1,646,713
Collectively evaluated for impairment	$134,936,919	$6,236,816	$11,541,976	$13,801,153	$166,516,864

As part of the on-going monitoring of the credit quality of the Banks' loan portfolio, management tracks certain credit quality indicators including, but not limited to, trends relating to (i) the level of criticized and classified loans, (ii) net charge-offs, (iii) non-performing loans, and (iv) delinquency within the portfolio.

The Banks utilized a risk grading system to assign a risk grade to each of its loans. Loans are graded on a scale ranging from Pass to Loss. A description of the general characteristics of the risk grades is as follows:

Pass - This grade represents loans ranging from acceptable to very little or no credit risk. These loans typically meet most if not all policy standards in regard to: loan amount as a percentage of collateral value, debt service coverage, profitability, leverage, and working capital.

Special Mention - This grade represents "Other Assets Especially Mentioned" in accordance with regulatory guidelines and includes loans that display some potential weaknesses, which, if left unaddressed, may result in deterioration of the repayment prospects for the asset or may inadequately protect the Banks position in the future. These loans warrant more than normal supervision and attention.

Substandard - This grade represents "Substandard" loans in accordance with regulatory guidelines. Loans with this rating typically exhibit weaknesses that are well defined to the point that repayment is jeopardized. Loss potential is however, not necessarily evident. The underlying collateral supporting the credit appears to have sufficient value to protect the Banks from loss of principal and accrued interest, or the loan has been written down to the point where that is true. There is a definite need for a well defined workout/rehabilitation program.

Doubtful -This grade represents "Doubtful" loans in accordance with regulatory guidelines. An asset classified as Doubtful

NOTE 4 – LOANS (Continued)

has all the weaknesses inherent in a loan classified Substandard with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral and financing plans.

Loss -This grade represents "Loss" loans in accordance with regulatory guidelines. A loan classified as Loss is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off the loan, even though some recovery may be affected in the future. The portion of the loan that is graded loss should be charged off no later than the end of the quarter in which the loss is identified.

NOTE 4 – LOANS (Continued)

The following tables present ending loan balances by loan category and risk grade for the periods indicated:

	December 31, 2016				
	Real Estate	Agricultural	Commercial	Consumer	Total
Pass	$129,181,701	$4,112,055	$11,908,367	$11,452,711	$156,654,834
Special mention	3,564,275	429,152	195,853	59,507	4,248,787
Substandard	6,849,787	869,350	538,637	69,948	8,327,722
Total loans	$139,595,763	$5,410,557	$12,642,857	$11,582,166	$169,231,343

	December 31, 2015				
	Real Estate	Agricultural	Commercial	Consumer	Total
Pass	$128,152,792	$6,036,816	$7,647,485	$13,722,238	$155,559,331
Special mention	4,009,464	--	1,655,122	21,239	5,685,825
Substandard	4,248,020	353,181	2,259,544	57,676	6,918,421
Total loans	$136,410,276	$6,389,997	$11,562,151	$13,801,153	$168,163,577

Once a loan becomes delinquent and repayment becomes questionable, a Bank collection officer will address collateral shortfalls with the borrower and attempt to obtain additional collateral. If this is not forthcoming and payment in full is unlikely, the Bank will estimate its probable loss, using a recent valuation as appropriate to the underlying collateral less estimated costs of sale, and charge the loan down to the estimated net realizable amount. Depending on the length of time until ultimate collection, the Bank may revalue the underlying collateral and take additional charge-offs as warranted. Revaluations may occur as often as every 3-12 months depending on the underlying collateral and volatility of values. Final charge-offs or recoveries are taken when collateral is liquidated and actual loss is known. Unpaid balances on loans after or during collection and liquidation may also be pursued through lawsuit and attachment of wages or judgment liens on borrower's other assets.

The following table shows the ending balance of current, past due and nonaccrual loans by category for the periods indicated:

	December 31, 2016				
	Real Estate	Agricultural	Commercial	Consumer	Total
Past due:					
30-59 days	$ 1,594,540	$ --	$ --	$ 338,841	$ 1,933,381
60-89 days	73,697	--	--	68,868	142,565
>90 days still accruing	37,535	--	--	--	37,535
Nonaccrual	857,916	364	--	1,892	860,172
Total past due	2,563,688	364	--	409,601	2,973,653
Current	137,032,075	5,410,193	12,642,857	11,172,565	166,257,690
Total loans	$139,595,763	$5,410,557	$12,642,857	$11,582,166	$169,231,343

NOTE 4 – LOANS (Continued)

	December 31, 2015				
	Real Estate	Agricultural	Commercial	Consumer	Total
Past due:					
30-59 days	$ 998,710	$ --	$ 31,533	$ 260,325	$ 1,290,568
60-89 days	308,777	--	--	79,976	388,753
>90 days still accruing	103,753	--	--	--	103,753
Nonaccrual	1,121,118	153,181	--	--	1,274,299
Total past due	2,532,358	153,181	31,533	340,301	3,057,373
Current	133,877,918	6,236,816	11,530,618	13,460,852	165,106,204
Total loans	$136,410,276	$6,389,997	$11,562,151	$13,801,153	$168,163,577

Impaired loans are those where management has concluded that it is probable that the borrower will be unable to pay all amounts due under the contractual terms. The following tables show the recorded investment (financial statement balance), unpaid principal balance, average recorded investment, and interest income recognized for impaired loans, segregated by those with no related allowance recorded and those with an allowance record for the periods indicated:

	December 31, 2016				
	Real Estate	Agricultural	Commercial	Consumer	Total
No related allowance:					
Recorded investment	$ 509,267	$ 4,888	$ --	$ 1,991	$ 516,146
Unpaid principal	491,862	364	--	1,892	494,118
Average recorded investment	500,565	2,626	--	1,942	505,132
Interest income recognized	6,995	--	--	300	7,295
Allowance recorded:					
Recorded investment	$ 830,618	$ --	$ --	$ --	$ 830,618
Unpaid principal	822,804	--	--	--	822,804
Related allowance	100,896	--	--	--	100,896
Average recorded investment	826,711	--	--	--	826,711
Interest income recognized	6,995	--	--	--	8,818

	December 31, 2015				
	Real Estate	Agricultural	Commercial	Consumer	Total
No related allowance:					
Recorded investment	$1,316,825	$ 162,815	$ --	$ --	$1,479,640
Unpaid principal	1,121,118	153,181	--	--	1,274,299
Average recorded investment	1,218,972	157,998	--	--	1,376,970
Interest income recognized	8,513	6,413	--	--	14,926

NOTE 4 – LOANS (Continued)

Allowance recorded:					
Recorded investment	$ 352,829	$ --	$ 21,550	$ --	$ 374,379
Unpaid principal	352,239	--	20,175	--	372,414
Related allowance	61,071	--	21,550	--	82,621
Average recorded investment	352,534	--	20,863	--	373,397
Interest income recognized	21,651	--	1,375	--	23,026

Information on performing and nonaccrual impaired loans as the date noted is as follows:

	December 31, 2016				
	Real Estate	Agricultural	Commercial	Consumer	Total
Impaired performing:	$ 456,750	$ --	$ --	$ --	$ 456,750
Impaired nonperforming:					
Nonaccrual	857,916	364	--	1,892	860,172
Accruing troubled debt restructurings	--	--	--	--	--
Nonaccrual troubled debt restructurings	$ --	$ --	$ --	$ --	$ --

	December 31, 2015				
	Real Estate	Agricultural	Commercial	Consumer	Total
Impaired performing:	$ 352,239	$ --	$ 20,175	$ --	$ 372,414
Impaired nonperforming:					
Nonaccrual	1,121,118	153,181	--	--	1,274,299
Accruing troubled debt restructurings	--	--	--	--	--
Nonaccrual troubled debt restructurings	$ --	$ --	$ --	$ --	$ --

NOTE 5 - BANK PREMISES AND EQUIPMENT

Following is a summary of Bank premises and equipment at December 31:

	2016	2015
Land	$ 3,444,306	$ 3,444,306
Buildings and improvements	11,139,781	11,144,432
Furniture and equipment	5,186,957	4,937,580
	19,771,044	19,526,318
Less accumulated depreciation	(9,236,136)	(8,627,826)
	$10,534,908	$10,898,492

NOTE 6 – OTHER ASSETS

Following is a summary of Other Assets at December 31:

	2016	2015
Foreclosed properties	$ 906,008	$ 890,295
Deferred tax assets	1,840,281	1,745,513
Bank owned life insurance	5,157,493	5,018,478
Prepaid expenses	272,846	288,796
Repossessions and other assets	755,107	752,410
	$ 8,931,735	$ 8,695,492

NOTE 7 - DEPOSITS

Deposits at December 31 consisted of the following:

	2016	2015
Non-interest bearing	$ 86,205,025	$ 81,050,871
Interest bearing demand	97,024,799	85,473,688
Savings deposits	158,994,838	160,600,862
Certificates of deposit	44,602,466	56,385,577
	$386,827,128	$383,510,998

Certificates maturing in years ending December 31, 2016 were approximately as follows:

Matures in:	
2017	$31,675,157
2018	7,555,702
2019	3,776,105
2020	807,986
2021 and thereafter	787,516
	$44,602,466

NOTE 8 - INCOME TAXES

The consolidated provision for income taxes at December 31, consisted of the following:

	2016	2015
Income tax expense:		
Federal	$1,395,223	$1,131,010
State	331,971	336,151
	1,727,194	1,467,161
Deferred federal and state	(84,337)	(141,349)
	$1,642,857	$1,352,812

The provision for federal and state income taxes differs from that computed by applying federal and state statutory rates to income before income tax expense at December 31, as indicated in the following analysis:

	2016	2015
Tax based on statutory rate	$2,713,716	$2,585,681
Effect of taxexempt income	(1,198,570)	(1,242,745)
Nondeductible expenses and other	127,711	9,876
	$1,642,857	$1,352,812

A cumulative net deferred tax asset is included in other assets. The components of the assets at December 31, are as follows:

	2016	2015
Differences for supplemental retirement plans	$1,135,336	$ 586,715
Differences in accounting for loan losses	662,656	1,129,751
Other	42,289	29,047
	$1,840,281	$1,745,513

The Banks believe that a valuation allowance is not needed to reduce the deferred tax assets as it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets.

NOTE 9 - RETIREMENT PLANS

The Banks sponsor a 401(K) Plan in which substantially all employees may participate. Participants may contribute a portion of their compensation subject to certain limits based on federal tax laws. The Banks contribute to employees based on a percentage of their annual salary. The Banks expense for the plan was $263,220 for 2016 and $237,237 for 2015.

The Banks have supplemental retirement plans for key executives. These plans are non-qualified defined benefit plans and are unsecured and unfunded. The Banks have purchased insurance on the lives of the participants and intend to hold these policies until death as a cost recovery of the Banks retirement obligations. The cash values of the insurance policies purchased to fund the deferred compensation obligations and the retirement obligations were $5,157,493 and $5,018,478 at December 31, 2016 and 2015, respectively.

NOTE 10 – SHAREHOLDERS' EQUITY

Dividends:

The amount of dividends the Banks pay up to the Holding Company is set at 65% of net profits.

Capital:

The Banks are subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet the minimum regulatory capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators, which if undertaken, could have a direct material affect on the Banks and the consolidated financial statements. Under the regulatory capital adequacy guidelines and the regulatory frame work for prompt corrective action, the Banks must meet specific capital guidelines involving quantitative measures of the Banks' assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Banks' capital amounts and classification under the prompt corrective action guidelines 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 Banks to maintain minimum amounts and ratios of: total risk-based capital and Tier 1 capital to risk-weighted assets (as defined in the regulations), and Tier 1 capital to adjusted total assets (as defined). Management believes, as of December 31, 2016, that the Banks meet all the capital adequacy requirements to which they are subject.

The following table presents actual and required capital ratios as of December 31, 2016 and 2015 for the Company and subsidiaries under Basel III Capital Rules. The minimum capital amounts presented include the minimum required capital as of December 31, 2016 based on the phased in provisions of the Basel III Capital Rules. Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under the Based III Capital Rules.

NOTE 10 – SHAREHOLDERS' EQUITY (Continued)

The Banks' actual and required amounts and ratios are as follows (dollar amounts in thousands):

	Actual		Minimum Capital Required - Basel III Phase in Schedule		Required to Be Considered Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2016:						
Total Capital						
(to risk-weighted Assets)						
Consolidated	$64,683	30.76%	$16,825	8.0%	N/A	N/A
First New Mexico Banks	$56,992	27.36%	$16,665	8.0%	$20,835	10.0%
Tier I Capital						
(to risk-weighted Assets)						
Consolidated	$62,086	29.52%	$12,650	6.0%	N/A	N/A
First New Mexico Banks	$54,395	26.11%	$12,495	6.0%	$16,675	8.0%
Common Equity Tier I Capital						
(to risk-weighted Assets)						
Consolidated	$62,086	29.52%	$ 9,500	4.5%	N/A	N/A
First New Mexico Banks	$54,395	26.11%	$ 9,375	4.5%	$13,525	6.5%
Tier I Capital						
(to average Assets)						
Consolidated	$62,086	13.60%	$18,500	4.0%	N/A	N/A
First New Mexico Banks	$54,395	11.97%	$18,175	4.0%	$22,775	5.0%
As of December 31, 2015:						
Total Capital						
(to risk-weighted Assets)						
Consolidated	$61,129	25.09%	$16,650	8.0%	N/A	N/A
First New Mexico Banks	$54,702	22.67%	$16,235	8.0%	$19,200	10.0%
Tier I Capital						
(to risk-weighted Assets)						
Consolidated	$58,442	23.98%	$12,150	4.0%	N/A	N/A
First New Mexico Banks	$52,015	21.56%	$11,950	4.0%	$16,290	8.0%
Common Equity Tier I Capital						
(to risk-weighted Assets)						
Consolidated	$58,442	23.98%	$ 9,350	4.5%	N/A	N/A
First New Mexico Banks	$52,015	21.56%	$ 9,175	4.5%	$13,400	6.5%
Tier I Capital						
(to average Assets)						
Consolidated	$58,442	12.90%	$18,125	4.0%	N/A	N/A
First New Mexico Banks	$52,015	11.80%	$17,651	4.0%	$22,049	5.0%

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Corporation and its subsidiaries are subject to claims and lawsuits arising in the normal course of business. Management, after consultation with legal counsel, is of the opinion that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position.

The Banks are selling mortgage loans to the secondary market, which they are contingently liable for repurchase for a period of up to twelve months from the date of sale. The contingency covers certain documentary and performance requirements. As of December 31, 2016 and 2015, loans subject to this contingent liability totaled $13,331,035 and $8,522,316 respectively.

In the normal course of business, the Banks have outstanding commitments and contingent liabilities, such as commitments to extend credit and letters of credit, which are not included in the accompanying consolidated financial statements. The Banks exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and letters of credit is represented by the contractual or notional amount of those instruments. The Banks use the same credit policies in making such commitments as it does for instruments that are included in the consolidated statement of financial condition.

Financial instruments whose contract amounts represent credit risk at December 31, were as follows:

	2016	2015
Commitments to extend credit	$24,785,282	$14,933,725
Letters of credit	323,000	147,669

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. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, property and equipment, and income-producing commercial properties.

Letters of credit are conditional commitments issued by the Banks to guarantee the performance of a customer to a third party. Letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Banks policy for obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit.

The Banks have not been required to perform on any financial guarantees during the past two years. The Banks have not incurred any losses on its commitments in either 2016 or 2015.

The Corporation has a $5,000,000 line of credit, of which $5,000,000 was unused at December 31, 2016. Advances on the credit line are payable at maturity, December 1, 2017, and carry an interest rate of 1% over the national prime rate. The credit line is secured by a stock pledge of the subsidiaries.

NOTE 12 - SIGNIFICANT CONCENTRATION OF CREDIT RISK

The Banks recognize their primary market area to be within Luna, Dona Ana and Grant Counties of New Mexico. The economic climate of this market area is dependent, to a large degree, upon the success of its agricultural and real estate industry base.

At December 31, 2016 and 2015, the Banks maintained a diversified loan portfolio. The Banks, as a matter of policy, generally do not extend credit to any single borrower or group of related borrowers in excess of 20% of the subsidiaries capital. State charted banks in New Mexico are limited to loaning up to 35% of capital to one borrower.

NOTE 13 – TRANSACTIONS WITH RELATED PARTIES

In the normal course of banking business, loans are made to executive officers and directors of the Banks, as well as their affiliates. Such loans are made in the ordinary course of business with substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. They do not involve more than normal risk of collectability or present other unfavorable features.

Following is a summary of related party loan activity at December 31:

	2016	2015
Beginning Balance	$3,371,109	$4,320,970
New Loans	398,926	1,030,215
Repayments	(757,733)	(1,980,076)
Ending Balance	$3,012,302	$3,371,109

The deposits from executive officers and directors totaled $9,944,924 at December 31, 2016.

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC 825, Financial Instruments, permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The election to use the fair value option is available when an entity first recognizes a financial asset or financial liability or upon entering into a commitment. Subsequent changes must be recorded in earnings.

FASB ASC 820, Fair Value Measurements and Disclosures, clarifies that 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 willing market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. This guidance establishes 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 - 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 with the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The types of instruments valued based on quoted market prices in active markets include most U.S. government and agency securities, liquid mortgage products, active listed equities and most money market securities. Such instruments are generally classified with Level 1 or Level 2 of the fair value hierarchy. As required by this guidance, the Banks do not adjust the quoted price for such instruments.

The types of instruments valued based on quoted prices in markets that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency include most investment-grade and high-yield corporate bonds, less liquid mortgage products, less liquid equities, state municipal and provincial obligations, and certain physical commodities. Such instruments are generally classified within Level 2 of the fair value hierarchy.

Level 3 is for positions that are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

Impaired loans are evaluated and valued at the time the loan is identified as impaired, at the lower of cost or market value. Market Value is measured based on the value of the collateral securing these loans and is classified at a Level 3 in the fair value hierarchy. Collateral may be real estate and/or business assets including equipment, inventory and/or accounts receivable. The value of real estate collateral is determined based on appraisal by qualified licensed appraisers hired by the Banks. The value of business equipment, inventory and accounts receivable collateral is based on the net book value on the business' financial statements and, if necessary, discounted based on management's review and analysis. Appraised and reported values may be discounted based on management's historical knowledge, changes in market conditions from the time of valuation, and/or management's expertise and knowledge of the client and client's business. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors identified previously. Foreclosed real estate assets have been valued using a market approach. The values were determined using market prices of similar real estate assets. Goodwill was valued using the income approach.

There were no fair values of assets and liabilities measured on a recurring basis.

Fair values of assets and liabilities measured on a non-recurring basis are as follows:

		Fair Value Measurements		
	Fair value	Level 1	Level 2	Level 3
December 31, 2016				
Foreclosed properties	$ 906,008	--	--	$ 906,008
Goodwill	23,106	--	--	23,106
Impaired loans	1,216,026	--	--	1,216,026
	Fair value	Level 1	Level 2	Level 3
December 31, 2015				
Foreclosed properties	$ 890,295	--	--	$ 890,295
Goodwill	23,106	--	--	23,106
Impaired loans	1,564,092	--	--	1,564,092

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The Estimated fair values of the Banks financial instruments are as follows:

	Carrying Value	Fair Value	Fair Value Measurements Level 1	Level 2	Level 3
December 31, 2016					
Financial assets					
Cash and equivalents	$ 118,559,249	$ 118,559,249	$ 118,159,249		
Investment securities	151,058,608	152,071,251		152,071,251	
Restricted stock	249,805	249,805			249,805
Loans	165,510,861	159,393,948			159,393,948
Accrued interest receivable	2,813,241	2,813,241	2,813,241		
Financial liabilities					
Deposits	386,827,128	382,183,896			382,183,896
Accrued interest payable	34,497	34,497	34,497		
Commitments to extend credit	$ 251,083	236,872			$ 236,872
December 31, 2015					
Financial assets					
Cash and equivalents	$ 107,108,639	$107,108,639	$107,108,639		
Investment securities	155,450,915	160,914,464		160,914,464	
Restricted stock	249,805	249,805			249,805
Loans	164,697,105	158,074,134			158,074,134
Accrued interest receivable	2,827,309	2,827,309	2,827,309		
Financial liabilities					
Deposits	383,510,998	382,753,898			382,753,898
Accrued interest payable	47,194	47,194	47,194		
Commitments to extend credit	$ 150,814	$ 142,278			$ 142,278

The carrying amounts in the preceding table are included in the balance sheets under the applicable captions. The contract or notional amounts of the Banks financial instruments with off-balance-sheet risk are disclosed in the notes to the financial statements.

The following methods and assumptions were used by the Banks in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the statements of financial condition for cash and cash equivalents approximate those assets' fair values.

Investment securities: Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans: For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying amounts. The fair value of fixed-rate loans are estimated using discounted cash flow analysis, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Loan fair value estimates include judgments regarding future expected loss experience and risk characteristics. Fair values for impaired loans are estimated using discounted cash flow analysis or underlying collateral values, where applicable.

Accrued interest: The carrying amount of accrued interest approximate the fair values.

Deposits: The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of variable-rate, fixed term money market accounts and certificates of deposit approximate their fair values. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Off-balance sheet credit-related financial instruments: Fair values for off-balance-sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counter parties' credit standing.

SUPPLEMENTARY INFORMATION

FIRST NEW MEXICO FINANCIAL CORPORATION
CONSOLIDATING BALANCE SHEET

December 31, 2016

ASSETS

	First New Mexico Financial Corporation	First New Mexico Bank Deming	Las Cruces	Silver City	Consolidated
Cash and due from banks	$ 5,705,609	$ 5,228,384	$ 23,916,092	$ 2,747,962	$ 31,892,438
Interest bearing deposits with banks	--	64,319,811	4,998,000	17,349,000	86,666,811
Total cash and cash equivalents	5,705,609	69,548,195	28,914,092	20,096,962	118,559,249
Investment securities:					
Held-to-Maturity	--	78,429,063	29,681,417	42,948,128	151,058,608
Subsidiaries	54,394,937	--	--	--	--
Loans, net	1,170,358	70,347,278	54,667,985	39,325,240	165,510,861
Bank premises and equipment, net	1,136,433	3,466,219	4,242,999	1,689,257	10,534,908
Interest receivable	--	1,577,137	595,355	640,749	2,813,241
Other assets	1,340,892	4,841,603	1,451,167	1,898,121	8,931,735
Total assets	$63,748,229	$228,209,495	$119,553,015	$106,598,457	$457,408,602
LIABILITIES AND STOCKHOLDERS' EQUITY					
Deposits	$ --	$199,153,638	$101,193,649	$ 92,185,450	$386,827,128
Accrued interest payable	--	10,166	14,850	9,481	34,497
Other liabilities	1,662,244	2,297,169	2,840,518	2,261,109	8,460,992
	1,662,244	201,460,973	104,049,017	94,456,040	395,322,617
Commitments and contingencies	--	--	--	--	--
Stockholders' equity:					
Common stock, $10 par value Authorized 1,000,000 shares Issued – 53,604 shares	534,730	1,200,000	4,000,000	500,000	534,730
Capital surplus	--	2,800,000	3,000,000	1,800,000	--
Retained earnings	61,551,255	22,748,522	8,503,998	9,842,417	61,551,255
	62,085,985	26,748,522	15,503,998	12,142,417	62,085,985
Less treasury stock at cost 0 shares	--	--	--	--	--
	62,085,985	26,748,522	15,503,998	12,142,417	62,085,985
Total liabilities and stockholders' equity	$63,748,229	$228,209,495	$119,553,015	$106,598,457	$457,408,602

FIRST NEW MEXICO FINANCIAL CORPORATION
CONSOLIDATING STATEMENT OF INCOME

Year ended December 31, 2016

	First New Mexico Financial Corporation	First New Mexico Bank			
		Deming	Las Cruces	Silver City	Consolidated
Interest income:					
Interest and fees on loans	$ 51,148	$4,789,824	$4,670,653	$2,990,726	$12,502,351
Interest on investments securities	--	2,378,171	940,888	1,260,656	4,579,715
Interest on deposits in banks	7,366	278,111	159,990	26,898	522,365
	58,514	7,446,106	5,771,531	4,328,280	17,604,431
Interest expense:					
Interest on deposits	--	376,461	352,158	192,339	920,958
Interest on federal funds purchased	--	--	--	--	--
	--	376,461	352,158	192,339	920,958
Net interest income	58,514	7,069,645	5,419,373	4,135,941	16,683,473
Provision for loan losses	--	279,756	77,500	40,000	397,256
Net interest income (loss) after provision for loan losses	58,514	6,789,889	5,341,873	4,095,941	16,286,217
Other income:					
Service fees/income from subsidiaries	--	648,764	336,195	231,247	1,216,206
Other	--	204,106	59,321	148,509	411,936
	--	852,870	395,516	379,756	1,628,142
Other expenses:					
Salaries and employee benefits	--	2,202,008	1,976,293	1,439,547	5,617,848
Occupancy expenses, net	--	346,251	346,088	240,128	932,467
Other operating expenses	241,064	1,763,428	1,143,236	1,222,203	4,369,931
	241,064	4,311,687	3,465,617	2,901,878	10,920,246
Income (loss) before income taxes	(182,550)	3,331,072	2,271,772	1,573,819	6,994,113
Federal and state income taxes	(10,500)	614,910	756,618	281,829	1,642,857
Net income (loss)	$ (172,050)	$2,716,162	$1,515,154	$1,291,990	$ 5,351,256

1st NEW MEXICO
FINANCIAL CORPORATION
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