



## Farmer Mac Reports Second Quarter 2022 Results

*- Outstanding Business Volume of \$24.5 Billion -*

**WASHINGTON, D.C., August 8, 2022** — The Federal Agricultural Mortgage Corporation (Farmer Mac; NYSE: AGM and AGM.A), the nation's secondary market provider that increases the availability and affordability of credit for the benefit of rural America, today announced its results for the fiscal quarter ended June 30, 2022.

### Second Quarter 2022 Highlights

- Added \$1.9 billion of gross business volume, resulting in net growth of \$236.0 million
- Net interest income grew \$14.3 million year-over-year to \$69.4 million
- Net effective spread<sup>1</sup> increased 8% from the prior-year period to \$60.9 million
- Net income attributable to common stockholders of \$39.1 million compared to \$25.4 million in second quarter 2021
- Core earnings<sup>1</sup> grew 3% year-over-year to \$30.7 million, or \$2.83 per diluted common share
- 90-day delinquencies were 0.08% across the entire \$24.5 billion portfolio as of June 30, 2022

"Farmer Mac delivered another quarter of strong results, generating record core earnings and demonstrating the consistency of our fundamental business model as we continue to successfully execute against our multi-year growth plan," said President & Chief Executive Officer, Brad Nordholm. "These results are again noteworthy given the current economic and market backdrop, where inflationary pressures have created heightened uncertainty across credit markets and high volatility across a broad range of prices, including key agricultural commodities. Our continued strong credit quality, solid capital position, and growing execution capability has enabled Farmer Mac to consistently deliver on our mission to bring even greater efficiencies, and lower costs, in providing financing to lenders for the benefit of their farm and ranch, agribusiness, and rural infrastructure customers. We remain confident in our ability to navigate the current environment and make the necessary investments in our infrastructure to pursue strategic growth opportunities."

\$ in thousands, except per share amounts	Quarter Ended				
	Jun. 30, 2022	Mar. 31, 2022	Jun. 30, 2021	Sequential % Change	YoY % Change
<b>Net Change in Business Volume</b>	\$235,981	\$628,947	\$334,630	N/A	N/A
<b>Net Interest Income (GAAP)</b>	\$69,402	\$61,875	\$55,129	12%	26%
<b>Net Effective Spread (Non-GAAP)</b>	\$60,946	\$57,839	\$56,551	5%	8%
<b>Diluted EPS (GAAP)</b>	\$3.60	\$3.77	\$2.35	(5)%	53%
<b>Core EPS (Non-GAAP)</b>	\$2.83	\$2.37	\$2.77	19%	2%

<sup>1</sup> Non-GAAP Measure

## Second Quarter 2022 Results

### Spreads

Net interest income for second quarter 2022 was \$69.4 million, a \$14.3 million increase compared to \$55.1 million in the prior-year period, primarily due to a \$7.8 million increase in the fair value of designated financial derivatives, a \$4.3 million increase from net new business volume, and a \$2.5 million decrease in funding costs. Net interest yield was 1.09% in second quarter 2022 compared to 0.94% in the prior-year period.

Net effective spread, a non-GAAP measure, for second quarter 2022 was \$60.9 million, a \$4.4 million increase from \$56.6 million in the prior-year period. The \$4.4 million year-over-year increase in net effective spread was primarily due to a \$4.8 million increase from net new business volume, a \$0.9 million increase in net coupon yields related to the acquisition of loan servicing rights, and a \$0.4 million increase in cash-basis interest income. These factors were partially offset by a \$1.4 million increase in non-GAAP funding costs. In percentage terms, net effective spread was 0.99% in second quarter 2022, compared to 1.01% in the prior-year period.

### Earnings

Farmer Mac's net income attributable to common stockholders for second quarter 2022 was \$39.1 million (\$3.60 per diluted common share), compared to \$25.4 million (\$2.35 per diluted common share) in the prior-year period. The \$13.7 million year-over-year increase in net income attributable to common stockholders was due to a \$11.3 million after-tax increase in net interest income, a \$5.1 million after-tax increase in the fair value of undesignated financial derivatives, and an increase in our release of credit losses of \$0.4 million after tax. These factors were partially offset by a \$2.5 million after-tax increase in operating expenses and a \$0.9 million increase in preferred stock dividends.

Farmer Mac enters into financial derivatives transactions to hedge interest rate risks inherent in its business and carries its financial derivatives at fair value in its consolidated financial statements. The fair value fluctuations of these financial derivatives are not expected to have a cumulative net impact on Farmer Mac's financial condition or results of operations reported with GAAP if the derivatives are held to maturity, as is expected. Therefore, Farmer Mac uses core earnings, a non-GAAP measure that excludes the effects of fair value fluctuations, as a useful alternative measure to understand the business.

Farmer Mac's core earnings for second quarter 2022 were \$30.7 million (\$2.83 per diluted common share), compared to \$30.0 million (\$2.77 per diluted common share) in second quarter 2021. The \$0.8 million year-over-year increase in core earnings was due to a \$3.5 million after-tax increase in net effective spread and an increase in our release of credit losses of \$0.4 million after tax. These factors were partially offset by a \$2.5 million after-tax increase in operating expenses and a \$0.9 million increase in preferred stock dividends.

### **Business Volume**

Farmer Mac's outstanding business volume was \$24.5 billion as of June 30, 2022, a net increase of \$0.2 billion from March 31, 2022 after taking into account all new business, maturities, sales, and paydowns on existing assets. The net increase was primarily attributable to net increases of \$193.0 million in the Rural Infrastructure Finance line of business and \$43.0 million in the Agricultural Finance line of business.

The \$16.4 million net increase in Farm & Ranch during second quarter 2022 resulted from \$1.4 billion of new purchases, commitments, and guarantees, mostly offset by \$1.4 billion of scheduled maturities and repayments. Farmer Mac purchased a total of \$432.6 million in loans, which was primarily driven by improved borrower economics as well as a competitive, albeit an increasing interest rate environment resulting in demand for intermediate and long-term financing solutions. The \$432.6 million in gross Farm & Ranch loan purchases was partially offset by \$153.8 million in scheduled maturities and repayments.

Farmer Mac also purchased a total of \$0.8 billion in Farm & Ranch AgVantage Securities during second quarter 2022, which primarily reflected the refinancing of maturing securities as well as financial counterparties seeking to add longer term AgVantage securities to manage their asset-liability maturity profile given recent increases in credit spreads and interest rates. The \$0.8 billion in gross purchases was more than offset by \$1.0 billion in scheduled maturities. Approximately \$0.3 billion of the total \$0.8 billion in gross purchases reflected purchases that refinanced maturing AgVantage securities and were issued at short-term tenors, which may create some volatility in AgVantage volumes throughout the year.

The \$26.6 million net increase in Corporate AgFinance during second quarter 2022 resulted from \$107.9 million of new loan purchases, which was offset by \$81.4 million of scheduled maturities, repayments, and sales. Farmer Mac purchased a total of \$85.4 million in loans, which was offset by \$44.3 million in scheduled maturities, repayments, and sales. This net increase in loans was primarily due to Farmer Mac's continued focus to support loans to larger and more complex agribusinesses focused on food and fiber processing, and other supply chain production.

The \$165.6 million net increase in Rural Utilities during second quarter 2022 resulted from \$326.9 million of new purchases, commitments, and guarantees, which was partially offset by \$161.3 million of scheduled maturities and repayments. Farmer Mac purchased a total of \$196.5 million in Rural Utilities loans; electric distribution and generation and transmission comprised \$161.5 million and telecommunication comprised \$35.0 million, which was fueled by a competitive but increasing interest rate environment resulting in demand for long-term financing solutions for planned maintenance and capital expenditures. The \$196.5 million in loan purchases was partially offset by \$24.4 million in scheduled maturities and repayments.

The \$27.4 million net increase in Renewable Energy during second quarter 2022 primarily reflects \$35.3 million in loan purchases, partially offset by \$7.9 million in repayments.

## **Credit**

As of June 30, 2022, the total allowance for losses was \$14.8 million, compared to \$16.3 million as of March 31, 2022. The \$1.5 million release from the total allowance for losses in second quarter 2022 was comprised of a \$1.2 million release from the Rural Infrastructure Finance portfolio and a \$0.3 million release from the allowance for the Agricultural Finance portfolio. The \$1.2 million release from the allowance for the Rural Infrastructure portfolio was primarily attributable to updated credit loss model forecast assumptions and improvements in risk ratings. The \$0.3 million release from the allowance for the Agricultural Finance mortgage loan portfolio was primarily due to a risk rating upgrade on an AgVantage counterparty.

As of June 30, 2022, Farmer Mac's 90-day delinquencies were \$20.6 million (0.20% of the Agricultural Finance Mortgage Loan portfolio), compared to \$63.1 million (0.70% of the Agricultural Finance Mortgage Loan portfolio) as of June 30, 2021. Across all of Farmer Mac's lines of business, 90-day delinquencies represented 0.08% of total outstanding business volume as of June 30, 2022, compared to 0.28% as of June 30, 2021.

## **Capital**

As of June 30, 2022, Farmer Mac's core capital level was \$1.3 billion, \$506.3 million above the minimum capital level required by the company's statutory charter. Farmer Mac's Tier 1 capital ratio was 14.7% as of June 30, 2022.

## **Earnings Conference Call Information**

The conference call to discuss Farmer Mac's second quarter 2022 financial results will be held beginning at 4:30 p.m. eastern time on Monday, August 8, 2022, and can be accessed by telephone or live webcast as follows:

Telephone (Domestic): (888) 346-2616

Telephone (International): (412) 902-4254

Webcast: <https://www.farmermac.com/investors/events-presentations/>

When dialing in to the call, please ask for the "Farmer Mac Earnings Conference Call." The call can be heard live and will also be available for replay on Farmer Mac's website for two weeks following the conclusion of the call.

More complete information about Farmer Mac's performance for second quarter 2022 is in Farmer Mac's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 filed today with the SEC.

## **Use of Non-GAAP Measures**

In the accompanying analysis of its financial information, Farmer Mac uses the following non-GAAP measures: "core earnings," "core earnings per share," and "net effective spread." Farmer Mac uses these non-GAAP measures to measure corporate economic performance and develop financial plans because, in management's view, they are useful alternative measures in understanding Farmer Mac's economic performance, transaction economics, and business trends. The non-GAAP financial measures that Farmer Mac uses may not be comparable to similarly labeled non-GAAP financial measures disclosed by other companies. Farmer Mac's disclosure of these non-GAAP measures is intended to be supplemental in nature and is not meant to be considered in isolation from, as a substitute for, or as more important than, the related financial information prepared in accordance with GAAP.

Core earnings and core earnings per share principally differ from net income attributable to common stockholders and earnings per common share, respectively, by excluding the effects of fair value fluctuations. These fluctuations are not expected to have a cumulative net impact on Farmer Mac's financial condition or results of operations reported in accordance with GAAP if the related financial instruments are held to maturity, as is expected.

Core earnings and core earnings per share also differ from net income attributable to common stockholders and earnings per common share, respectively, by excluding specified infrequent or unusual

transactions that Farmer Mac believes are not indicative of future operating results and that may not reflect the trends and economic financial performance of Farmer Mac's core business. For example, we have excluded from core earnings losses on retirement of preferred stock and the re-measurement of the deferred tax asset.

Farmer Mac uses net effective spread to measure the net spread Farmer Mac earns between its interest-earning assets and the related net funding costs of these assets. Net effective spread differs from net interest income and net interest yield because it excludes: (1) the amortization of premiums and discounts on assets consolidated at fair value that are amortized as adjustments to yield in interest income over the contractual or estimated remaining lives of the underlying assets; (2) interest income and interest expense related to consolidated trusts with beneficial interests owned by third parties, which are presented on Farmer Mac's consolidated balance sheets as "Loans held for investment in consolidated trusts, at amortized cost"; and (3) the fair value changes of financial derivatives and the corresponding assets or liabilities designated in a fair value hedge accounting relationship.

Net effective spread also principally differs from net interest income and net interest yield because it includes: (1) the accrual of income and expense related to the contractual amounts due on financial derivatives that are not designated in hedge accounting relationships ("undesignated financial derivatives"); and (2) the net effects of terminations or net settlements on financial derivatives. More information about Farmer Mac's use of non-GAAP measures is available in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations" in Farmer Mac's Annual Report on Form 10-K for the year ended December 31, 2021, filed February 28, 2022 with the SEC.

For a reconciliation of Farmer Mac's net income attributable to common stockholders to core earnings and of earnings per common share to core earnings per share, and net interest income and net interest yield to net effective spread, see "Reconciliations" below.

### **Forward-Looking Statements**

Management's expectations for Farmer Mac's future necessarily involve assumptions and estimates and the evaluation of risks and uncertainties. Various factors or events, both known and unknown, could cause Farmer Mac's actual results to differ materially from the expectations as expressed or implied by the forward-looking statements in this release, including uncertainties about:

- the availability to Farmer Mac of debt and equity financing and, if available, the reasonableness of rates and terms;
- legislative or regulatory developments that could affect Farmer Mac, its sources of business, or agricultural or rural infrastructure industries;
- fluctuations in the fair value of assets held by Farmer Mac and its subsidiaries;
- the level of lender interest in Farmer Mac's products and the secondary market provided by Farmer Mac;
- the general rate of growth in agricultural mortgage and rural utilities indebtedness;
- the effect of economic conditions and geopolitics on agricultural mortgage or rural utilities lending, borrower repayment capacity, or collateral values, including fluctuations in interest rates, changes in U.S. trade policies, fluctuations in export demand for U.S. agricultural products, supply chain disruptions, increases in input costs, labor availability, volatility in commodity prices, and the effects of the conflict between Russia and Ukraine;
- the degree to which Farmer Mac is exposed to interest rate risk resulting from fluctuations in Farmer Mac's borrowing costs relative to market indexes;

- developments in the financial markets, including possible investor, analyst, and rating agency reactions to events involving government-sponsored enterprises, including Farmer Mac;
- the effects of the Federal Reserve's efforts to achieve monetary policy normalization and slow inflation;
- other factors that could hinder agricultural mortgage lending or borrower repayment capacity, including the effects of severe weather and drought, climate change, or fluctuations in agricultural real estate values; and
- the duration, mitigation efforts, spread, severity, and social and economic disruption of the ongoing COVID-19 pandemic and its effects on the business operations of agricultural and rural borrowers, the capital markets, and Farmer Mac's business operations.

Other risk factors are discussed in "Risk Factors" in Part I, Item 1A in Farmer Mac's Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the SEC on February 28, 2022. Considering these potential risks and uncertainties, no undue reliance should be placed on any forward-looking statements expressed in this release. The forward-looking statements contained in this release represent management's expectations as of the date of this release. Farmer Mac undertakes no obligation to release publicly the results of revisions to any forward-looking statements included in this release to reflect new information or any future events or circumstances, except as otherwise required by applicable law. The information in this release is not necessarily indicative of future results.

### **About Farmer Mac**

Farmer Mac is a vital part of the agricultural credit markets and was created to increase access to and reduce the cost of credit for the benefit of American agricultural and rural communities. As the nation's secondary market for agricultural credit, we provide financial solutions to a broad spectrum of the agricultural community, including agricultural lenders, agribusinesses, and other institutions that can benefit from access to flexible, low-cost financing and risk management tools. Farmer Mac's customers benefit from our low cost of funds, low overhead costs, and high operational efficiency. More information about Farmer Mac (including the Annual Report on Form 10-K referenced above) is available on Farmer Mac's website at [www.farmermac.com](http://www.farmermac.com).

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**FEDERAL AGRICULTURAL MORTGAGE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
*(unaudited)*

	As of	
	June 30, 2022	December 31, 2021
	<i>(in thousands)</i>	
<b>Assets:</b>		
Cash and cash equivalents	\$ 909,430	\$ 908,785
<b>Investment securities:</b>		
Available-for-sale, at fair value (amortized cost of \$4,354,855 and \$3,834,714, respectively)	4,246,012	3,836,391
Held-to-maturity, at amortized cost	45,032	44,970
Other investments	1,537	1,229
<b>Total Investment Securities</b>	<b>4,292,581</b>	<b>3,882,590</b>
<b>Farmer Mac Guaranteed Securities:</b>		
Available-for-sale, at fair value (amortized cost of \$6,679,196 and \$6,135,807, respectively)	6,450,212	6,328,559
Held-to-maturity, at amortized cost	1,689,469	2,033,239
<b>Total Farmer Mac Guaranteed Securities</b>	<b>8,139,681</b>	<b>8,361,798</b>
<b>USDA Securities:</b>		
Trading, at fair value	2,275	4,401
Held-to-maturity, at amortized cost	2,430,830	2,436,331
<b>Total USDA Securities</b>	<b>2,433,105</b>	<b>2,440,732</b>
<b>Loans:</b>		
Loans held for investment, at amortized cost	8,911,475	8,314,096
Loans held for investment in consolidated trusts, at amortized cost	834,941	948,623
Allowance for losses	(12,403)	(14,041)
<b>Total loans, net of allowance</b>	<b>9,734,013</b>	<b>9,248,678</b>
Financial derivatives, at fair value	30,011	19,139
Interest receivable (includes \$7,664 and \$10,418, respectively, related to consolidated trusts)	177,956	177,355
Guarantee and commitment fees receivable	44,388	45,538
Deferred tax asset, net	25,971	15,558
Prepaid expenses and other assets	129,267	45,318
<b>Total Assets</b>	<b>\$ 25,916,403</b>	<b>\$ 25,145,491</b>
<b>Liabilities and Equity:</b>		
<b>Liabilities:</b>		
Notes payable	\$ 23,474,095	\$ 22,716,156
Debt securities of consolidated trusts held by third parties	866,107	981,379
Financial derivatives, at fair value	127,983	34,248
Accrued interest payable (includes \$6,753 and \$9,619, respectively, related to consolidated trusts)	93,823	83,992
Guarantee and commitment obligation	42,990	43,926
Accounts payable and accrued expenses	97,380	79,427
Reserve for losses	1,677	1,950
<b>Total Liabilities</b>	<b>24,704,055</b>	<b>23,941,078</b>
<b>Commitments and Contingencies</b>		
<b>Equity:</b>		
<b>Preferred stock:</b>		
Series C, par value \$25 per share, 3,000,000 shares authorized, issued and outstanding	73,382	73,382
Series D, par value \$25 per share, 4,000,000 shares authorized, issued and outstanding	96,659	96,659
Series E, par value \$25 per share, 3,180,000 shares authorized, issued and outstanding	77,003	77,003
Series F, par value \$25 per share, 4,800,000 shares authorized, issued and outstanding	116,160	116,160
Series G, par value \$25 per share, 5,000,000 shares authorized, issued and outstanding	121,327	121,327
<b>Common stock:</b>		
Class A Voting, \$1 par value, no maximum authorization, 1,030,780 shares outstanding	1,031	1,031
Class B Voting, \$1 par value, no maximum authorization, 500,301 shares outstanding	500	500
Class C Non-Voting, \$1 par value, no maximum authorization, 9,265,842 shares and 9,235,205 shares outstanding, respectively	9,266	9,235
Additional paid-in capital	127,569	125,993
Accumulated other comprehensive (loss)/income, net of tax	(49,484)	3,853
Retained earnings	638,935	579,270
<b>Total Equity</b>	<b>1,212,348</b>	<b>1,204,413</b>
<b>Total Liabilities and Equity</b>	<b>\$ 25,916,403</b>	<b>\$ 25,145,491</b>

**FEDERAL AGRICULTURAL MORTGAGE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
*(unaudited)*

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	<i>(in thousands, except per share amounts)</i>			
<b>Interest income:</b>				
Investments and cash equivalents	\$ 11,200	\$ 4,457	\$ 16,916	\$ 9,986
Farmer Mac Guaranteed Securities and USDA Securities	57,104	42,414	96,361	84,818
Loans	76,632	60,214	143,879	119,708
<b>Total interest income</b>	<b>144,936</b>	<b>107,085</b>	<b>257,156</b>	<b>214,512</b>
Total interest expense	75,534	51,956	125,879	106,132
<b>Net interest income</b>	<b>69,402</b>	<b>55,129</b>	<b>131,277</b>	<b>108,380</b>
Release of/(provision for) losses	1,372	761	1,316	(152)
<b>Net interest income after release of/(provision for) losses</b>	<b>70,774</b>	<b>55,890</b>	<b>132,593</b>	<b>108,228</b>
<b>Non-interest income/(expense):</b>				
Guarantee and commitment fees	3,213	2,997	6,908	6,027
Gains/(losses) on financial derivatives	3,418	(3,066)	19,492	1,227
Gains/(losses) on trading securities	29	(62)	(34)	(75)
Release of reserve for losses	163	222	273	1,166
Other income	479	435	1,154	1,018
<b>Non-interest income</b>	<b>7,302</b>	<b>526</b>	<b>27,793</b>	<b>9,363</b>
<b>Operating expenses:</b>				
Compensation and employee benefits	11,715	9,779	25,013	21,574
General and administrative	7,520	6,349	14,798	12,685
Regulatory fees	813	750	1,625	1,500
<b>Operating expenses</b>	<b>20,048</b>	<b>16,878</b>	<b>41,436</b>	<b>35,759</b>
Income before income taxes	58,028	39,538	118,950	81,832
Income tax expense	12,132	8,252	25,217	17,319
<b>Net income</b>	<b>45,896</b>	<b>31,286</b>	<b>93,733</b>	<b>64,513</b>
Preferred stock dividends	(6,792)	(5,842)	(13,583)	(11,111)
<b>Net income attributable to common stockholders</b>	<b>\$ 39,104</b>	<b>\$ 25,444</b>	<b>\$ 80,150</b>	<b>\$ 53,402</b>
<b>Earnings per common share:</b>				
Basic earnings per common share	\$ 3.62	\$ 2.36	\$ 7.43	\$ 4.96
Diluted earnings per common share	\$ 3.60	\$ 2.35	\$ 7.37	\$ 4.93



## Reconciliations

Reconciliations of Farmer Mac's net income attributable to common stockholders to core earnings and core earnings per share are presented in the following tables along with information about the composition of core earnings for the periods indicated:

### Reconciliation of Net Income Attributable to Common Stockholders to Core Earnings

	For the Three Months Ended		
	June 30, 2022	March 31, 2022	June 30, 2021
	<i>(in thousands, except per share amounts)</i>		
Net income attributable to common stockholders	\$ 39,104	\$ 41,046	\$ 25,444
Less reconciling items:			
Gains/(losses) on undesignated financial derivatives due to fair value changes	2,473	1,698	(3,721)
Gains/(losses) on hedging activities due to fair value changes	5,916	2,024	(2,097)
Unrealized (losses)/gains on trading assets	(285)	94	(61)
Net effects of amortization of premiums/discounts and deferred gains on assets consolidated at fair value	(62)	20	20
Net effects of terminations or net settlements on financial derivatives	2,536	15,512	109
Income tax effect related to reconciling items	(2,222)	(4,063)	1,208
Sub-total	8,356	15,285	(4,542)
Core earnings	<u>\$ 30,748</u>	<u>\$ 25,761</u>	<u>\$ 29,986</u>
Composition of Core Earnings:			
Revenues:			
Net effective spread <sup>(1)</sup>	\$ 60,946	\$ 57,839	\$ 56,551
Guarantee and commitment fees <sup>(2)</sup>	4,709	4,557	4,334
Other <sup>(3)</sup>	307	514	301
Total revenues	<u>65,962</u>	<u>62,910</u>	<u>61,186</u>
Credit related expense (GAAP):			
Release of losses	(1,535)	(54)	(983)
Total credit related expense	<u>(1,535)</u>	<u>(54)</u>	<u>(983)</u>
Operating expenses (GAAP):			
Compensation and employee benefits	11,715	13,298	9,779
General and administrative	7,520	7,278	6,349
Regulatory fees	813	812	750
Total operating expenses	<u>20,048</u>	<u>21,388</u>	<u>16,878</u>
Net earnings	47,449	41,576	45,291
Income tax expense <sup>(4)</sup>	9,909	9,024	9,463
Preferred stock dividends (GAAP)	6,792	6,791	5,842
Core earnings	<u>\$ 30,748</u>	<u>\$ 25,761</u>	<u>\$ 29,986</u>
Core earnings per share:			
Basic	\$ 2.85	\$ 2.39	\$ 2.79
Diluted	\$ 2.83	\$ 2.37	\$ 2.77

<sup>(1)</sup> Net effective spread is a non-GAAP measure. See "Use of Non-GAAP Measures" above for an explanation of net effective spread. See below for a reconciliation of net interest income to net effective spread.

<sup>(2)</sup> Includes interest income and interest expense related to consolidated trusts owned by third parties reclassified from net interest income to guarantee and commitment fees to reflect management's view that the net interest income Farmer Mac earns is effectively a guarantee fee on the consolidated Farmer Mac Guaranteed Securities.

<sup>(3)</sup> Reflects reconciling adjustments for the reclassification to exclude expenses related to interest rate swaps not designated as hedges and terminations or net settlements on financial derivatives, and reconciling adjustments to exclude fair value adjustments on financial derivatives and trading assets and the recognition of deferred gains over the estimated lives of certain Farmer Mac Guaranteed Securities and USDA Securities.

<sup>(4)</sup> Includes the tax impact of non-GAAP reconciling items between net income attributable to common stockholders and core earnings.

Reconciliation of Net Income Attributable to Common Stockholders to Core Earnings

	For the Six Months Ended	
	June 30, 2022	June 30, 2021
	<i>(in thousands, except per share amounts)</i>	
Net income attributable to common stockholders	\$ 80,150	\$ 53,402
Less reconciling items:		
Gains/(losses) on undesignated financial derivatives due to fair value changes	4,171	(2,026)
Gains/(losses) on hedging activities due to fair value changes	7,940	(2,368)
Unrealized losses on trading assets	(191)	(75)
Net effects of amortization of premiums/discounts and deferred gains on assets consolidated at fair value	(42)	36
Net effects of terminations or net settlements on financial derivatives	18,048	1,274
Income tax effect related to reconciling items	(6,285)	664
Sub-total	23,641	(2,495)
Core earnings	<u>\$ 56,509</u>	<u>\$ 55,897</u>
Composition of Core Earnings:		
Revenues:		
Net effective spread <sup>(1)</sup>	\$ 118,785	\$ 110,410
Guarantee and commitment fees <sup>(2)</sup>	9,266	8,574
Other <sup>(3)</sup>	821	752
Total revenues	128,872	119,736
Credit related expense (GAAP):		
Release of losses	(1,589)	(1,014)
Total credit related expense	(1,589)	(1,014)
Operating expenses (GAAP):		
Compensation and employee benefits	25,013	21,574
General and administrative	14,798	12,685
Regulatory fees	1,625	1,500
Total operating expenses	41,436	35,759
Net earnings	89,025	84,991
Income tax expense <sup>(4)</sup>	18,933	17,983
Preferred stock dividends (GAAP)	13,583	11,111
Core earnings	<u>\$ 56,509</u>	<u>\$ 55,897</u>
Core earnings per share:		
Basic	\$ 5.24	\$ 5.20
Diluted	\$ 5.20	\$ 5.16

<sup>(1)</sup> Net effective spread is a non-GAAP measure. See "Use of Non-GAAP Measures" above for an explanation of net effective spread. See below for a reconciliation of net interest income to net effective spread.

<sup>(2)</sup> Includes interest income and interest expense related to consolidated trusts owned by third parties reclassified from net interest income to guarantee and commitment fees to reflect management's view that the net interest income Farmer Mac earns is effectively a guarantee fee on the consolidated Farmer Mac Guaranteed Securities.

<sup>(3)</sup> Reflects reconciling adjustments for the reclassification to exclude expenses related to interest rate swaps not designated as hedges and terminations or net settlements on financial derivatives, and reconciling adjustments to exclude fair value adjustments on financial derivatives and trading assets and the recognition of deferred gains over the estimated lives of certain Farmer Mac Guaranteed Securities and USDA Securities.

<sup>(4)</sup> Includes the tax impact of non-GAAP reconciling items between net income attributable to common stockholders and core earnings.

## Reconciliation of GAAP Basic Earnings Per Share to Core Earnings Basic Earnings Per Share

	For the Three Months Ended			For the Six Months Ended	
	June 30, 2022	March 31, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	<i>(in thousands, except per share amounts)</i>				
GAAP - Basic EPS	\$ 3.62	\$ 3.81	\$ 2.36	\$ 7.43	\$ 4.96
Less reconciling items:					
Gains/(losses) on undesignated financial derivatives due to fair value changes	0.23	0.16	(0.35)	0.39	(0.19)
Gains/(losses) on hedging activities due to fair value changes	0.55	0.19	(0.19)	0.74	(0.22)
Unrealized (losses)/gains on trading securities	(0.03)	0.01	(0.01)	(0.02)	(0.01)
Net effects of amortization of premiums/discounts and deferred gains on assets consolidated at fair value	(0.01)	—	—	—	—
Net effects of terminations or net settlements on financial derivatives	0.24	1.44	0.01	1.67	0.12
Income tax effect related to reconciling items	(0.21)	(0.38)	0.11	(0.59)	0.06
Sub-total	0.77	1.42	(0.43)	2.19	(0.24)
Core Earnings - Basic EPS	\$ 2.85	\$ 2.39	\$ 2.79	\$ 5.24	\$ 5.20
Shares used in per share calculation (GAAP and Core Earnings)	10,796	10,767	10,763	10,782	10,751

## Reconciliation of GAAP Diluted Earnings Per Share to Core Earnings Diluted Earnings Per Share

	For the Three Months Ended			For the Six Months Ended	
	June 30, 2022	March 31, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	<i>(in thousands, except per share amounts)</i>				
GAAP - Diluted EPS	\$ 3.60	\$ 3.77	\$ 2.35	\$ 7.37	\$ 4.93
Less reconciling items:					
Gains/(losses) on undesignated financial derivatives due to fair value changes	0.23	0.16	(0.34)	0.38	(0.18)
Gains/(losses) on hedging activities due to fair value changes	0.55	0.19	(0.19)	0.73	(0.22)
Unrealized (losses)/gains on trading securities	(0.03)	0.01	(0.01)	(0.02)	(0.01)
Net effects of amortization of premiums/discounts and deferred gains on assets consolidated at fair value	(0.01)	—	—	—	—
Net effects of terminations or net settlements on financial derivatives	0.23	1.42	0.01	1.66	0.12
Income tax effect related to reconciling items	(0.20)	(0.38)	0.11	(0.58)	0.06
Sub-total	0.77	1.40	(0.42)	2.17	(0.23)
Core Earnings - Diluted EPS	\$ 2.83	\$ 2.37	\$ 2.77	\$ 5.20	\$ 5.16
Shares used in per share calculation (GAAP and Core Earnings)	10,864	10,887	10,838	10,876	10,829

The following table presents a reconciliation of net interest income and net yield to net effective spread for the periods indicated:

Reconciliation of GAAP Net Interest Income/Yield to Net Effective Spread										
	For the Three Months Ended						For the Six Months Ended			
	June 30, 2022		March 31, 2022		June 30, 2021		June 30, 2022		June 30, 2021	
	Dollars	Yield	Dollars	Yield	Dollars	Yield	Dollars	Yield	Dollars	Yield
	<i>(dollars in thousands)</i>									
Net interest income/yield	\$ 69,402	1.09 %	\$ 61,875	1.00 %	\$ 55,129	0.94 %	\$131,277	1.04 %	\$108,380	0.93 %
Net effects of consolidated trusts	(1,183)	0.02 %	(1,018)	0.02 %	(1,337)	0.02 %	(2,201)	0.02 %	(2,547)	0.02 %
Expense related to undesignated financial derivatives	(2,026)	(0.03)%	(994)	(0.02)%	970	0.02 %	(3,020)	(0.02)%	3,038	0.03 %
Amortization of premiums/ discounts on assets consolidated at fair value	65	— %	(16)	— %	(13)	— %	49	— %	(20)	— %
Amortization of losses due to terminations or net settlements on financial derivatives	725	0.01 %	356	0.01 %	77	— %	1,083	0.01 %	180	— %
Fair value changes on fair value hedge relationships	(6,037)	(0.10)%	(2,364)	(0.04)%	1,725	0.03 %	(8,403)	(0.07)%	1,379	0.01 %
Net effective spread	<u>\$ 60,946</u>	<u>0.99 %</u>	<u>\$ 57,839</u>	<u>0.97 %</u>	<u>\$ 56,551</u>	<u>1.01 %</u>	<u>\$118,785</u>	<u>0.98 %</u>	<u>\$110,410</u>	<u>0.99 %</u>

The following table presents core earnings for Farmer Mac's reportable operating segments and a reconciliation to consolidated net income for the three months ended June 30, 2022:

Core Earnings by Business Segment  
For the Three Months Ended June 30, 2022

	Agricultural Finance		Rural Infrastructure		Treasury			Reconciling Adjustments	Consolidated Net Income
	Farm & Ranch	Corporate AgFinance	Rural Utilities	Renewable Energy	Funding	Investments	Corporate		
	<i>(in thousands)</i>								
Net interest income	\$ 33,670	\$ 6,929	\$ 3,772	\$ 468	\$ 25,845	\$ (1,282)	\$ —	\$ —	\$ 69,402
Less: reconciling adjustments <sup>(1)(2)(5)</sup>	(1,080)	—	(39)	—	(7,337)	—	—	8,456	—
Net effective spread	32,590	6,929	3,733	468	18,508	(1,282)	—	8,456	—
Guarantee and commitment fees	4,338	43	308	20	—	—	—	(1,496)	3,213
Other income/(expense) <sup>(3)</sup>	161	143	—	—	—	—	3	3,619	3,926
Total revenues	37,089	7,115	4,041	488	18,508	(1,282)	3	10,579	76,541
Release of/(provision for) losses	857	(650)	1,172	(8)	—	1	—	—	1,372
Release of reserve for losses	111	—	52	—	—	—	—	—	163
Operating expenses	—	—	—	—	—	—	(20,048)	—	(20,048)
Total non-interest expense	111	—	52	—	—	—	(20,048)	—	(19,885)
Core earnings before income taxes	38,057	6,465	5,265	480	18,508	(1,281)	(20,045)	10,579 <sup>(4)</sup>	58,028
Income tax (expense)/benefit	(7,991)	(1,357)	(1,105)	(101)	(3,887)	269	4,263	(2,223)	(12,132)
Core earnings before preferred stock dividends	30,066	5,108	4,160	379	14,621	(1,012)	(15,782)	8,356 <sup>(4)</sup>	45,896
Preferred stock dividends	—	—	—	—	—	—	(6,792)	—	(6,792)
Segment core earnings/(losses)	\$ 30,066	\$ 5,108	\$ 4,160	\$ 379	\$ 14,621	\$ (1,012)	\$ (22,574)	\$ 8,356 <sup>(4)</sup>	\$ 39,104
Total Assets	\$13,686,589	\$1,521,102	\$5,632,551	\$ 126,513	\$ —	\$ 4,802,159	\$ 147,489	\$ —	\$ 25,916,403
Total on- and off-balance sheet program assets at principal balance	\$16,591,999	\$1,567,311	\$6,172,063	\$ 148,018	\$ —	\$ —	\$ —	\$ —	\$ 24,479,391

- (1) Includes the amortization of premiums and discounts on assets consolidated at fair value, originally included in interest income, to reflect core earnings amounts.
- (2) Includes the reclassification of interest income and interest expense from consolidated trusts owned by third parties to guarantee and commitment fees, to reflect management's view that the net interest income Farmer Mac earns is effectively a guarantee fee.
- (3) Includes the reclassification of interest expense related to interest rate swaps not designated as hedges, which are included in "Gains/(losses) on financial derivatives" on the consolidated financial statements, to determine the effective funding cost for each operating segment.
- (4) Net adjustments to reconcile to the corresponding income measures: core earnings before income taxes reconciled to income before income taxes; core earnings before preferred stock dividends reconciled to net income; and segment core earnings reconciled to net income attributable to common stockholders.

## Supplemental Information

The following table sets forth information about outstanding volume in each of Farmer Mac's lines of business as of the dates indicated:

Outstanding Business Volume			
	On or Off Balance Sheet	As of June 30, 2022	As of December 31, 2021
<i>(in thousands)</i>			
<b>Agricultural Finance:</b>			
Farm & Ranch:			
Loans	On-balance sheet	\$ 5,214,307	\$ 4,775,070
Loans held in consolidated trusts:			
Beneficial interests owned by third-party investors	On-balance sheet	834,941	948,623
IO-FMGS <sup>(1)</sup>	On-balance sheet	11,561	12,297
USDA Securities	On-balance sheet	2,429,407	2,445,806
AgVantage Securities	On-balance sheet	4,995,000	4,725,000
LTSPCs and unfunded commitments	Off-balance sheet	2,562,467	2,587,154
Farmer Mac Guaranteed Securities	Off-balance sheet	523,580	578,358
Loans serviced for others	Off-balance sheet	20,736	22,331
<b>Total Farm &amp; Ranch</b>		<b>\$ 16,591,999</b>	<b>\$ 16,094,639</b>
<b>Corporate AgFinance:</b>			
Loans	On-balance sheet	\$ 1,149,614	\$ 1,123,300
AgVantage Securities	On-balance sheet	352,968	367,464
Unfunded Loan Commitments	Off-balance sheet	64,729	47,070
<b>Total Corporate AgFinance</b>		<b>\$ 1,567,311</b>	<b>\$ 1,537,834</b>
<b>Total Agricultural Finance</b>		<b>\$ 18,159,310</b>	<b>\$ 17,632,473</b>
<b>Rural Infrastructure Finance:</b>			
Rural Utilities:			
Loans	On-balance sheet	\$ 2,631,694	\$ 2,302,373
AgVantage Securities	On-balance sheet	2,986,404	3,033,262
LTSPCs and Unfunded Loan Commitments	Off-balance sheet	551,210	556,837
Farmer Mac Guaranteed Securities	Off-balance sheet	2,755	2,755
<b>Total Rural Utilities</b>		<b>\$ 6,172,063</b>	<b>\$ 5,895,227</b>
Renewable Energy:			
Loans	On-balance sheet	\$ 126,299	\$ 86,763
Unfunded Loan Commitments	Off-balance sheet	21,719	—
<b>Total Renewable Energy</b>		<b>\$ 148,018</b>	<b>\$ 86,763</b>
<b>Total Rural Infrastructure Finance</b>		<b>\$ 6,320,081</b>	<b>\$ 5,981,990</b>
<b>Total</b>		<b>\$ 24,479,391</b>	<b>\$ 23,614,463</b>

<sup>(1)</sup> An interest-only Farmer Mac Guaranteed Security retained as part of a structured securitization.

The following table presents the quarterly net effective spread (a non-GAAP measure) by segment:

Net Effective Spread <sup>(1)</sup>														
Agricultural Finance				Rural Infrastructure Finance				Treasury				Net Effective Spread		
Farm & Ranch		Corporate AgFinance		Rural Utilities		Renewable Energy		Funding		Investments		Net Effective Spread		
Dollars	Yield	Dollars	Yield	Dollars	Yield	Dollars	Yield	Dollars	Yield	Dollars	Yield	Dollars	Yield	
<i>(dollars in thousands)</i>														
For the quarter ended:														
June 30, 2022 <sup>(1)</sup>	\$32,590	1.05 %	\$ 6,929	1.87 %	\$ 3,733	0.27 %	\$ 468	1.78 %	\$18,508	0.30 %	\$(1,282)	(0.10)%	\$60,946	0.99 %
March 31, 2022	30,354	1.02 %	7,209	1.96 %	3,159	0.23 %	375	1.69 %	16,738	0.28 %	4	— %	57,839	0.97 %
December 31, 2021	28,998	0.99 %	6,321	1.84 %	2,521	0.19 %	356	1.53 %	15,979	0.28 %	158	0.01 %	54,333	0.94 %
September 30, 2021	28,914	1.06 %	7,163	1.80 %	2,067	0.16 %	236	1.09 %	17,386	0.31 %	159	0.01 %	55,925	0.99 %
June 30, 2021	29,163	1.06 %	6,676	1.65 %	1,759	0.14 %	378	1.80 %	18,449	0.33 %	126	0.01 %	56,551	1.01 %
March 31, 2021	26,461	0.98 %	6,921	1.67 %	1,720	0.14 %	249	1.28 %	18,394	0.33 %	114	0.01 %	53,859	0.97 %
December 31, 2020	25,596	0.95 %	6,237	1.53 %	1,838	0.15 %	123	1.20 %	20,585	0.37 %	143	0.01 %	54,522	0.98 %
September 30, 2020	23,735	0.89 %	5,786	1.45 %	2,022	0.16 %	75	1.19 %	20,034	0.37 %	150	0.01 %	51,802	0.96 %
June 30, 2020	21,597	0.83 %	4,997	1.36 %	1,701	0.14 %	47	0.93 %	19,449	0.37 %	(1,322)	(0.13)%	46,469	0.89 %

<sup>(1)</sup> Farmer Mac excludes the Corporate segment in the presentation above because the segment does not have any interest-earning assets.

<sup>(2)</sup> See above for a reconciliation of GAAP net interest income by line of business to net effective spread by line of business for the three months ended June 30, 2022.

The following table presents quarterly core earnings reconciled to net income attributable to common stockholders:

Core Earnings by Quarter Ended									
	June 2022	March 2022	December 2021	September 2021	June 2021	March 2021	December 2020	September 2020	June 2020
<i>(in thousands)</i>									
<b>Revenues:</b>									
Net effective spread	\$ 60,946	\$ 57,839	\$ 54,333	\$ 55,925	\$ 56,551	\$ 53,859	\$ 54,522	\$ 51,802	\$ 46,469
Guarantee and commitment fees	4,709	4,557	4,637	4,322	4,334	4,240	4,652	4,659	4,943
Gain on sale of mortgage loans	—	—	6,539	—	—	—	—	—	—
Other	307	514	241	687	301	451	512	453	1,048
Total revenues	<u>65,962</u>	<u>62,910</u>	<u>65,750</u>	<u>60,934</u>	<u>61,186</u>	<u>58,550</u>	<u>59,686</u>	<u>56,914</u>	<u>52,460</u>
<b>Credit related expense/(income):</b>									
(Release of)/provision for losses	(1,535)	(54)	(1,428)	255	(983)	(31)	2,973	1,200	51
REO operating expenses	—	—	—	—	—	—	—	—	—
Losses/(gains) on sale of REO	—	—	—	—	—	—	22	—	—
Total credit related expense/(income)	<u>(1,535)</u>	<u>(54)</u>	<u>(1,428)</u>	<u>255</u>	<u>(983)</u>	<u>(31)</u>	<u>2,995</u>	<u>1,200</u>	<u>51</u>
<b>Operating expenses:</b>									
Compensation and employee benefits	11,715	13,298	11,246	10,027	9,779	11,795	9,497	8,791	8,087
General and administrative	7,520	7,278	8,492	6,330	6,349	6,336	6,274	5,044	5,295
Regulatory fees	813	812	812	750	750	750	750	725	725
Total operating expenses	<u>20,048</u>	<u>21,388</u>	<u>20,550</u>	<u>17,107</u>	<u>16,878</u>	<u>18,881</u>	<u>16,521</u>	<u>14,560</u>	<u>14,107</u>
Net earnings	47,449	41,576	46,628	43,572	45,291	39,700	40,170	41,154	38,302
Income tax expense	9,909	9,024	9,809	9,152	9,463	8,520	8,470	8,297	8,016
Preferred stock dividends	6,792	6,791	6,792	6,774	5,842	5,269	5,269	5,166	3,939
Core earnings	<u>\$ 30,748</u>	<u>\$ 25,761</u>	<u>\$ 30,027</u>	<u>\$ 27,646</u>	<u>\$ 29,986</u>	<u>\$ 25,911</u>	<u>\$ 26,431</u>	<u>\$ 27,691</u>	<u>\$ 26,347</u>
<b>Reconciling items:</b>									
Gains/(losses) on undesignated financial derivatives due to fair value changes	\$ 2,473	\$ 1,698	\$ (1,213)	\$ (1,864)	\$ (3,721)	\$ 1,695	\$ (1,758)	\$ (4,149)	\$ 8,700
Gains/(losses) on hedging activities due to fair value changes	5,916	2,024	1,476	(2,093)	(2,097)	(271)	3,827	(5,245)	(2,676)
Unrealized gains/(losses) on trading assets	(285)	94	(76)	36	(61)	(14)	223	(258)	(20)
Net effects of amortization of premiums/discounts and deferred gains on assets consolidated at fair value	(62)	20	71	23	20	16	(77)	97	35
Net effects of terminations or net settlements on financial derivatives	2,536	15,512	(429)	(351)	109	1,165	1,583	233	720
Issuance costs on the retirement of preferred stock	—	—	—	—	—	—	—	(1,667)	—
Income tax effect related to reconciling items	(2,222)	(4,063)	36	892	1,208	(544)	(798)	1,957	(1,419)
Net income attributable to common stockholders	<u>\$ 39,104</u>	<u>\$ 41,046</u>	<u>\$ 29,892</u>	<u>\$ 24,289</u>	<u>\$ 25,444</u>	<u>\$ 27,958</u>	<u>\$ 29,431</u>	<u>\$ 18,659</u>	<u>\$ 31,687</u>