

*Fourth Quarter*

**FARMER  AC**

*Debt Investor  
Presentation*

*2018*

# Forward-Looking Statements

*In addition to historical information, this presentation includes forward-looking statements that reflect management's current expectations for Farmer Mac's future financial results, business prospects, and business developments. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance, or achievements. Management's expectations for Farmer Mac's future necessarily involve assumptions, 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. Some of these factors are identified and discussed in Farmer Mac's Annual Report on Form 10-K for the year ended December 31, 2018, filed with the U.S. Securities and Exchange Commission ("SEC") on February 21, 2019. This report is also available on Farmer Mac's website ([www.farmermac.com](http://www.farmermac.com)). Considering these potential risks and uncertainties, no undue reliance should be placed on any forward-looking statements expressed in this presentation. Any forward-looking statements made in this presentation are current only as of December 31, 2018, except as otherwise indicated. Farmer Mac undertakes no obligation to release publicly the results of revisions to any such forward-looking statements that may be made to reflect new information or any future events or circumstances, except as otherwise mandated by the SEC. The information in this presentation is not necessarily indicative of future results.*

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# Use of Non-GAAP Financial Measures

*This presentation is for general informational purposes only, is current only as of December 31, 2018, and should be read in conjunction with Farmer Mac's Annual Report on Form 10-K filed with the SEC on February 21, 2019. In the accompanying analysis of its financial information, Farmer Mac uses the following non-GAAP financial 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 financial 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.*

*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) beginning January 1, 2018, the fair value changes of financial derivatives and the corresponding assets and liabilities designated in a fair value hedge 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 relationships; and (2) effective in fourth quarter 2017, the net effects of terminations or net settlements on financial derivatives.*



# Farmer Mac Overview

## Our Mission

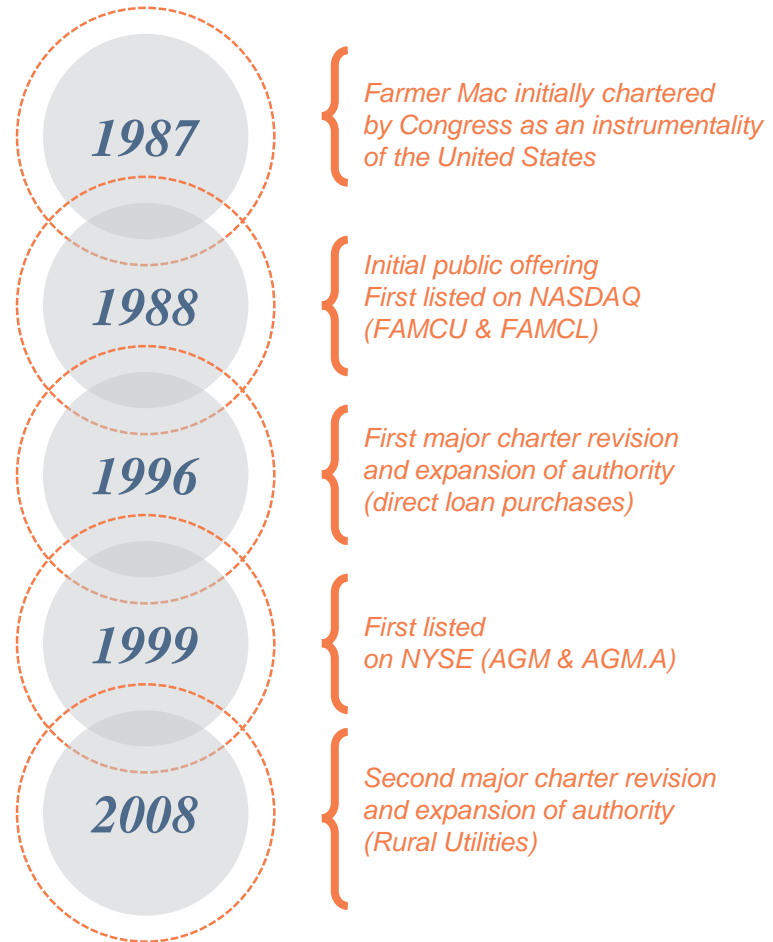
- Increase the availability and affordability of credit for the benefit of American agricultural and rural communities

## Our Stakeholders

- Farmers, ranchers and rural Americans
- Stockholders
- Financial Institutions
- Employees
- Congress
- Regulator

## Our Corporate Social Responsibility

- To help create sustainable, vibrant rural American communities
- We achieve this by conducting our business
  - With absolute integrity
  - By holding ourselves to high ethical standards
  - By promoting a diverse, respectful, and inclusive culture



# Farmer Mac Compared to Farm Credit Banks

	<i>Farmer Mac</i>	<i>Farm Credit Banks</i>
<b><i>Mission:</i></b>	Provides secondary market for agricultural, rural housing, and rural utilities loans	Provides primary market for primarily agricultural and rural housing loans
<b><i>Funding:</i></b>	Raises funds through dealers in the capital markets	Farm Credit Funding Corp. raises funds through dealers in the capital markets
<b><i>Board:</i></b>	Five of fifteen board members elected annually by Farm Credit System institutions	All Farm Credit Banks have differently constituted Boards
<b><i>Charter:</i></b>	Congress established authority under the Agricultural Credit Act of 1987	Congress established authority for predecessor entities in 1916
<b><i>Regulator:</i></b>	Farm Credit Administration (FCA) through the Office of Secondary Market Oversight (OSMO)	Farm Credit Administration (FCA)
<b><i>Ownership Structure:</i></b>	Public shareholders	Networks of cooperatives



# Central to a Large Addressable Ag Mortgage Market <sup>(1) (2)</sup>

**FARMER MAC**

(FCS Secondary Market GSE)

**\$14.3 Billion**  
(9.0% Eligible Market Share)<sup>(3)</sup>

Loan Purchase  
Wholesale Funding  
Credit Protection

## Farm Credit System (FCS)

(Cooperative GSE)

- Four FCS Banks
- 73 Retail Agricultural Credit Associations

**\$71 Billion**

Mortgage Financing

Addressable Agriculture Mortgage Market

**\$159 Billion**<sup>(3)</sup>

{Farmers & Ranchers}

Mortgage Financing

## Non-FCS Ag Lenders

- Insurance Companies (\$8 Billion)
- Ag Banks (\$61 Billion)
- Non-Bank Lenders (\$13 Billion)

**\$81 Billion**

## New Entrants

Financial Funds (own <1% U.S. Farmland)  
(debt and equity strategies)

<sup>(1)</sup> Eligible ag real estate mortgage market structure shown here includes the forecast for outstanding unpaid principal balance of first lien ag mortgage assets as of December 31, 2017 reduced by forty percent to estimate the outstanding unpaid principal balance of loans that would not be eligible under Farmer Mac's lines of business.

<sup>(2)</sup> Source: FDIC Call Reports (ag banks), FCA Call Report Data, and Federal Reserve Board of Governors (insurance companies and Farm Service Agency portion of non-bank lenders) data as of December 2017. USDA, Economic Research Service forecast for remaining non-bank lenders for year-end 2017 on a prorated basis. All non-FCS and FCS data adjusted for estimates of eligibility under Farmer Mac's lines of business.

<sup>(3)</sup> Sum of FCS, non-FCS, and Farmer Mac first lien ag real estate mortgage assets does not add up to the total due to the nature of Farmer Mac's business model.



# Farmer Mac's Financial Strengths

## Capital Surplus

- Core capital **\$183 million**, or **34%** above the statutory minimum capital
- Tier 1 Capital Ratio of **13.4%**<sup>(1)</sup>

## Quality Assets

- 90-Day delinquencies of only **0.37%**
- Cumulative lifetime losses of only **0.13%**

## Liquidity

- **\$2.7 billion** liquidity portfolio at December 31, 2018
- Highly-rated assets provided **205 days of liquidity** as of December 31, 2018
- \$1.5 billion line of credit with U.S. Treasury

## Match Funded

- Match funding of assets effectively locks in net spreads
- Effective interest rate and pre-payment risk management
- Extensive stress testing to ensure ongoing effective match

## Consistent Returns

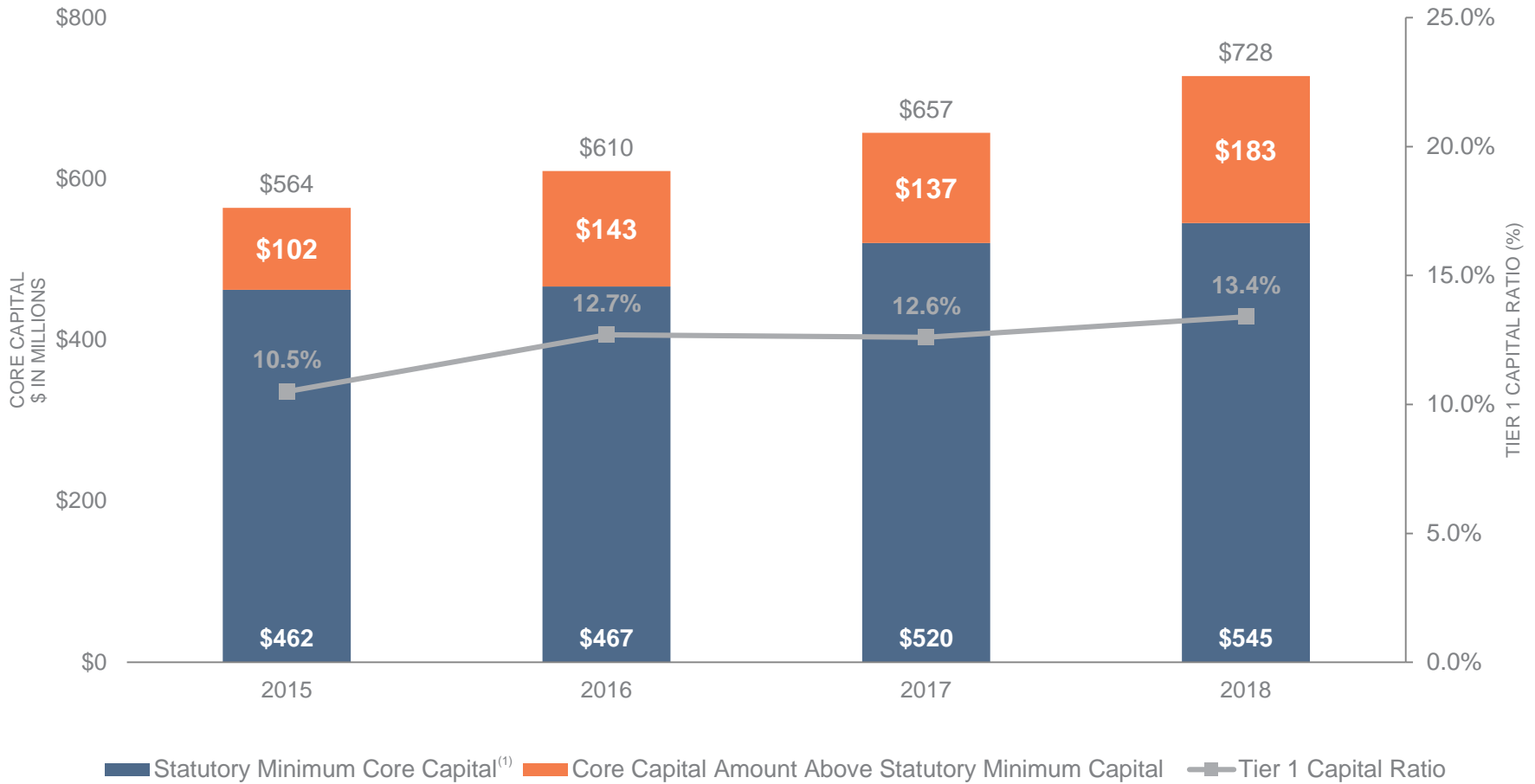
- Core earnings growth<sup>(2)</sup>

<sup>(1)</sup> Tier 1 capital consists of retained earnings, paid-in capital, common stock, and qualifying preferred stock.

<sup>(2)</sup> Core earnings is a non-GAAP measure. For a reconciliation of core earnings to GAAP net income attributable to common stockholders, please refer to page 16.



# Strong and Growing Equity Capital Base



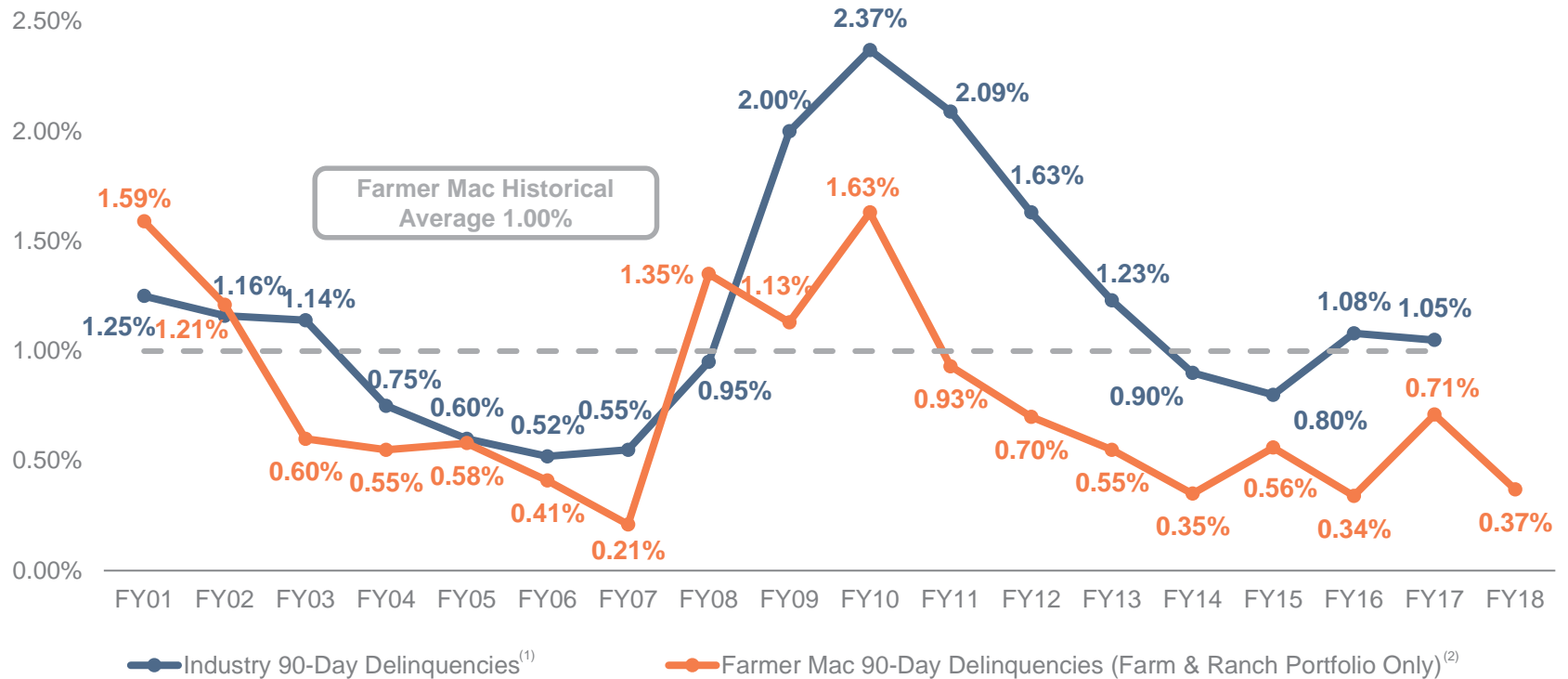
<sup>(1)</sup> Statutory Minimum Core Capital defined as total stockholders' equity less accumulated other comprehensive income.





# Credit Consistently Outperforms

## 90-Day Delinquencies



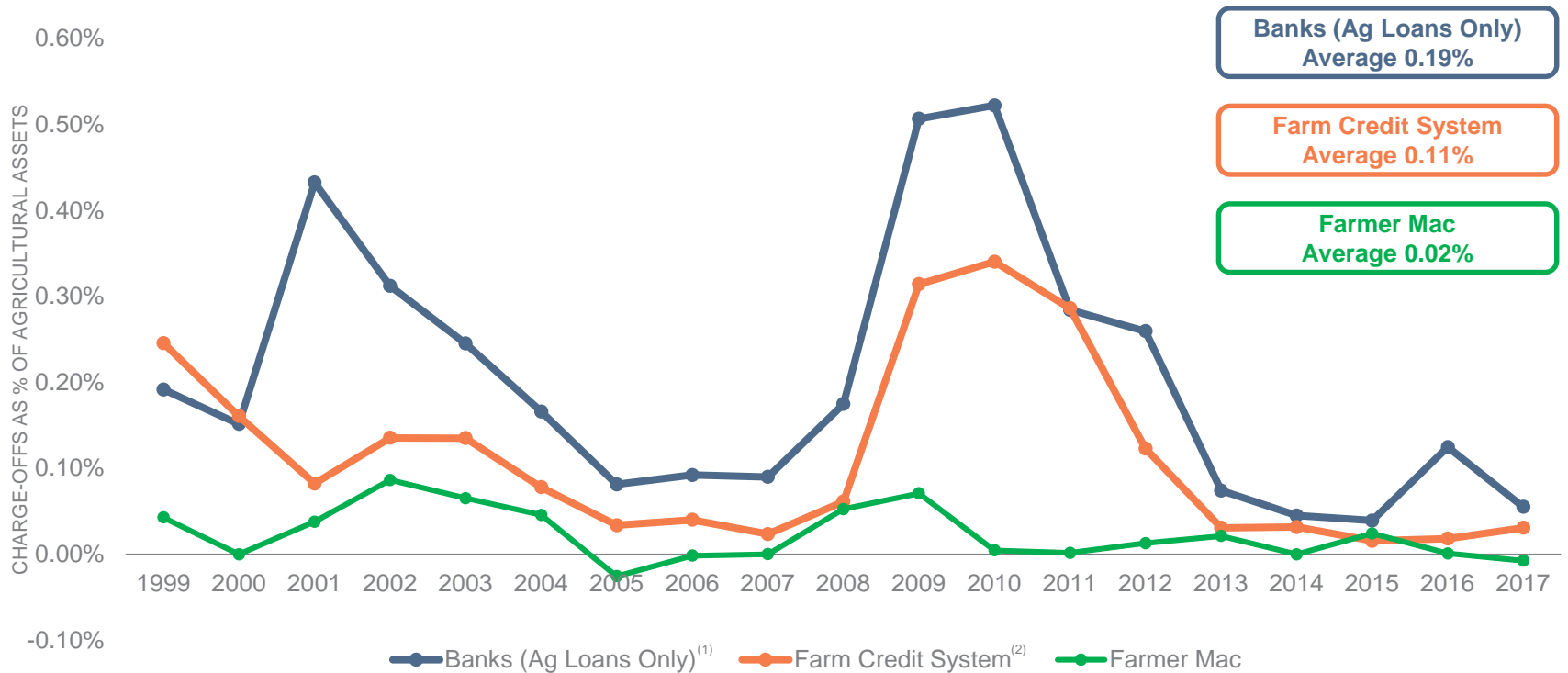
<sup>(1)</sup> Source: FDIC Call Report Data & Farm Credit Funding Corp Annual Information Statements – Non-accrual real estate loans and accruing loans that are 90 days or more past due made by commercial and Farm Credit System banks (as of March 2018).

<sup>(2)</sup> Delinquencies include loans held and loans underlying off-balance sheet Farm & Ranch Guaranteed Securities and LTSPCs that are 90 days or more past due, in foreclosure, or in bankruptcy with at least one missed payment, excluding loans performing under either their original loan terms or a court-approved bankruptcy plan.



# Industry-Leading Low Loss Rates

## Agricultural Lender Charge-off Rate

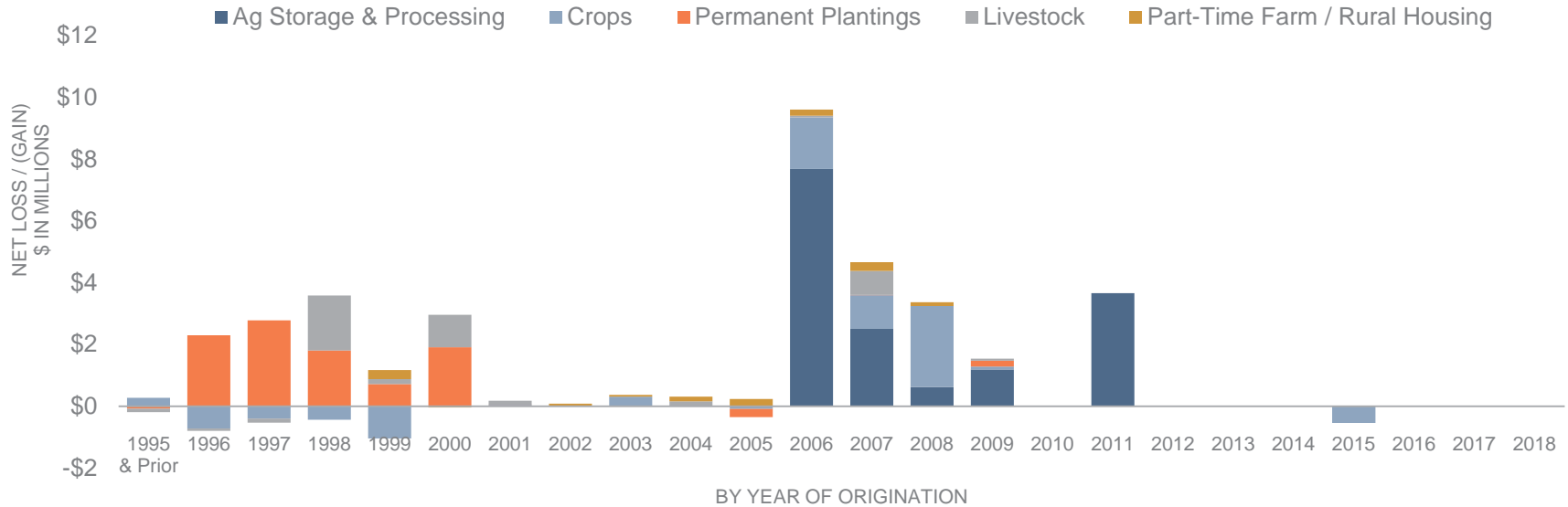


(1) Source: Board of Governors of the Federal Reserve System charge-off rates - <https://www.federalreserve.gov/releases/chargeoff/>

(2) Source: Farm Credit Banks Funding Corporation financial statements



# Historical Credit Losses



**Farm & Ranch line of business has historical cumulative losses of 0.13%, or less than 1bp per year**

- Cumulative losses of \$33 million on \$25 billion of cumulative historical business volume

**Farmer Mac’s Rural Utilities, USDA Guarantees, and Institutional Credit lines of business have not had any credit losses to date**



# Proven, Rigorous Underwriting

## Industry-leading credit requirements

- Total debt coverage ratio of at least 1.25x
- **LTVs average 40% to 45% on mortgages purchased**
- Minimum borrower net equity of 50%
- Scrutinize property access, access to water, etc.

## Credits are less likely to default

- Focus on repayment capacity through stressed inputs
- **Not a “lender of last resort”**
- Farm Credit Administration is a strong safety and soundness regulator

## Losses less likely even in default

- **Average LTV of 45% as of December 31, 2018**
- Land values need to decline >55% to generate losses
- “Stress scenario” losses of 17% to 48%
- 1980s crisis saw land value declines of ~23%<sup>(1)</sup>



<sup>(1)</sup> Source: USDA, National Agricultural Statistics Service (as of August 2015).

# Lines of Business and Products

AS OF DECEMBER 31, 2018

Product Type	Customers	Lines of Business				
		\$ IN BILLIONS AND PERCENTAGE OF TOTAL VOLUME				
		F & R	USDA	RU	IC	Total
<b>LOAN PURCHASES</b>	• Ag Banks	\$4.6	\$2.5	\$0.9	--	\$8.0
	• FCS Institutions					
	• Insurance Companies	23%	13%	5%		41%
	• Rural Utilities Cooperatives					
<b>WHOLESALE FINANCING</b>	• Ag Banks	--	--	--	\$8.4	\$8.4
	• Ag Investment Funds					
• AgVantage	• Insurance Companies				43%	43%
• Farm Equity AgVantage	• Rural Utilities Cooperatives					
<b>CREDIT PROTECTION</b>	• FCS Institutions	\$2.6	--	\$0.7	--	\$3.3
	• Ag Banks					
• Long-term Standby Purchase Commitments (LTSPCs)/ AMBS Guarantees	• Insurance Companies	13%		3%		16%
	• Ag Investment Funds					
	• Rural Utilities Cooperatives					
	<b>Total</b>	<b>\$7.2</b>	<b>\$2.5</b>	<b>\$1.6</b>	<b>\$8.4</b>	<b>\$19.7</b>

 = Allowances and provisions recorded on these assets

Note: Table may not sum to total due to rounding



# Liquidity – Investment Portfolio

AS OF SEPTEMBER 30, 2018

**Farmer Mac maintains an investment portfolio to provide back-up source of liquidity in excess of regulatory requirements**

- Minimum of 90 days of liquidity required by regulation

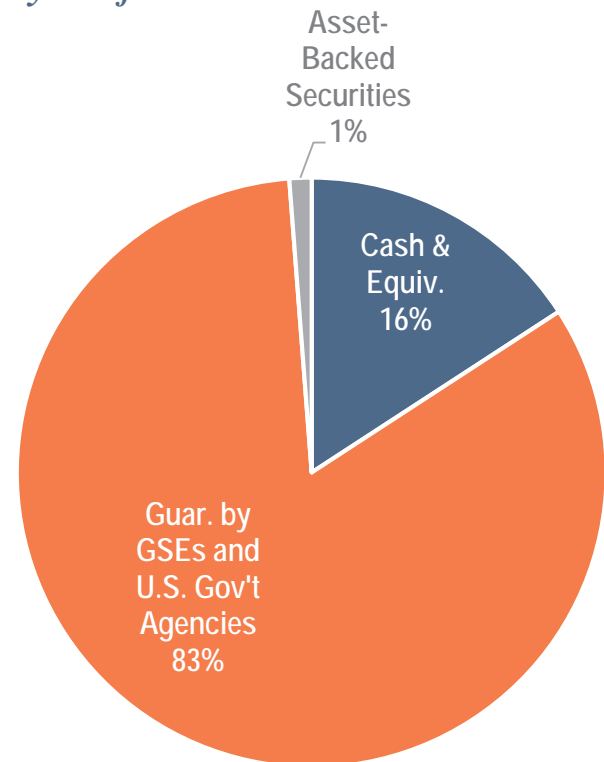
**\$2.7 billion investment portfolio at December 31, 2018**

- Cash and highly-rated investment securities
- Conservative portfolio goals
  - Minimize exposure to market volatility
  - Preservation of capital
  - Ready access to cash
- Provided 205 days of liquidity as of December 31, 2018

**Farmer Mac also has \$1.5 billion line of credit with U.S. Treasury**

- Supports Farmer Mac’s guarantee obligations
- Farmer Mac has never used this line of credit

Liquidity Portfolio



# *Interest Rate Risk*

## ***Match fund asset purchases with liabilities that have similar interest rate characteristics***

- Duration and convexity matching
- Coupon type
- Reset frequency

## ***Manage pre-payment risk on mortgages***

- Issue a portfolio of callable and bullet debt across spectrum of maturities to obtain the appropriate match
- Can adjust effective asset and debt coupon and duration characteristics through the use of interest rate swaps or other derivatives

## ***Perform regular stress testing and disclose a variety of sensitivity measures***

- Duration Gap
- Market Value of Equity (MVE) Sensitivity
- Net Effective Spread (NES) Sensitivity
- Measure these sensitivities' impact on various capital metrics



# Reconciliation of Core Earnings to Net Income

<i>(in thousands)</i>	Core Earnings by Period Ended			
	2018	2017	2016	2015
Net income attributable to common stockholders	\$ 94,898	\$ 71,300	\$ 64,152	\$ 47,371
Less reconciling items:				
Gains on undesignated financial derivatives due to fair value changes	7,959	10,218	8,585	1,859
Gains/(losses) on hedging activities due to fair value changes	4,449	(719)	5,043	9,065
Unrealized gains/(losses) on trading assets	81	(24)	1,460	1,220
Amortization of premiums/discounts and deferred gains on assets consolidated at fair value	(461)	(1,327)	(849)	(1,319)
Net effects of terminations or net settlements on financial derivatives and hedging activities <sup>(1)</sup>	1,708	2,674	2,178	(699)
Loss on retirement of Farmer Mac II LLC Preferred Stock <sup>(2)</sup>	-	-	-	(8,147)
Re-measurement of net deferred tax asset due to enactment of new tax legislation	-	(1,365)	-	-
Income tax effect related to reconciling items	(2,885)	(3,788)	(5,746)	(1,643)
Sub-total	10,851	5,669	10,671	336
Core earnings	\$ 84,047	\$ 65,631	\$ 53,481	\$ 47,035

<sup>(1)</sup> Periods prior to 2017 have been recast to reflect the revised methodology for calculating net effective spread that became effective in fourth quarter 2017, as further described on page 3.

<sup>(2)</sup> Relates to the write-off of deferred issuance costs as a result of the retirement of Farmer Mac II LLC Preferred Stock.







# *Funding Programs*

# *Farmer Mac Debt Program Overview*

## ***Finance asset purchases with proceeds of debt issuances***

- 31 approved dealers
- Match-funding effectively locks in net spread
- Discount notes issued daily
  - » Regular rollover maturities include overnight, 30, 90, and 365 days
  - » Reverse inquiry for special maturities
- Medium-term notes issued periodically
  - » Fixed rate and callable maturities up to 20 years
  - » Floating rate notes based on a variety of indices
  - » Reverse inquiry for special structures and maturities
- Retail notes (Farmer Mac Notes program)
  - » Bullet and callable structures
  - » Bullets have survivor's option

## ***Farmer Mac's debt securities may carry privileges for certain holders***

- Federal Regulated Entities: 20% capital risk weighting
- Federal Reserve Banks: Collateral for advances and discounts
- SEC: Exempt from registration requirements under the 1933 Act
- National Association of Insurance Commissioners: # 1 Designation
- National Credit Union Administration: Investment for federal credit unions
- Investment Company Act of 1940: Classified as a "Government Security"



# Farmer Mac Discount Note Program

	<i>Window</i>	<i>Reverse Inquiry</i>
<b><i>Description:</i></b>	Structures, sizes, and discount rates are sent to dealer group and posted on Bloomberg System (ADN5 <Go>); sizes are updated until offerings are closed.	Dealer/investor requests structure and sizes; Farmer Mac strives to fulfill each request.
<b><i>Typical Structures:</i></b>	Overnight – 1 year	5 months – 1 year
<b><i>Typical Sizes:</i></b>	\$5 – 225 million	\$15 – 100 million
<b><i>Settlement:</i></b>	Same day – 5 business days	Same day – 5 business days
<b><i>Issuance Frequency:</i></b>	Daily	As requested



## Farmer Mac Medium-Term Note Program

	<i>Auction</i>	<i>Reverse Inquiry</i>	<i>Syndicated</i>
<b><i>Description:</i></b>	Auction time, structures, and sizes sent to dealer group; lowest UST spread wins bonds.	Dealer/investor requests structure and sizes; Farmer Mac strives to fulfill each request.	Order book is generated, deal is priced, and allocated to investors.
<b><i>Typical Structures:</i></b>	<ul style="list-style-type: none"> <li>• 3, 5, 7, 10, and 15 year Fixed Rate Bullets</li> <li>• 3, 5, and 10 year Fixed Rate Callables, with a 1 year lockout and Semi-Annual Bermudan call</li> </ul>	<ul style="list-style-type: none"> <li>• Floating (Fed Funds, LIBOR, T-bill, Prime) and Fixed Rate Bullets with maturities up to 15 years</li> <li>• Callables (Fixed and Step Up/Down Rate) with flexible lockout and call features, with maturities of up to 10 years</li> </ul>	3-10 year Fixed Rate Bullets
<b><i>Typical Sizes:</i></b>	\$5 – 50 million	\$15 – 200 million	\$250 million and greater
<b><i>Settlement:</i></b>	5 – 10 business days	5 – 20 business days	3 business days
<b><i>Issuance Frequency:</i></b>	Monthly	As requested	Rarely

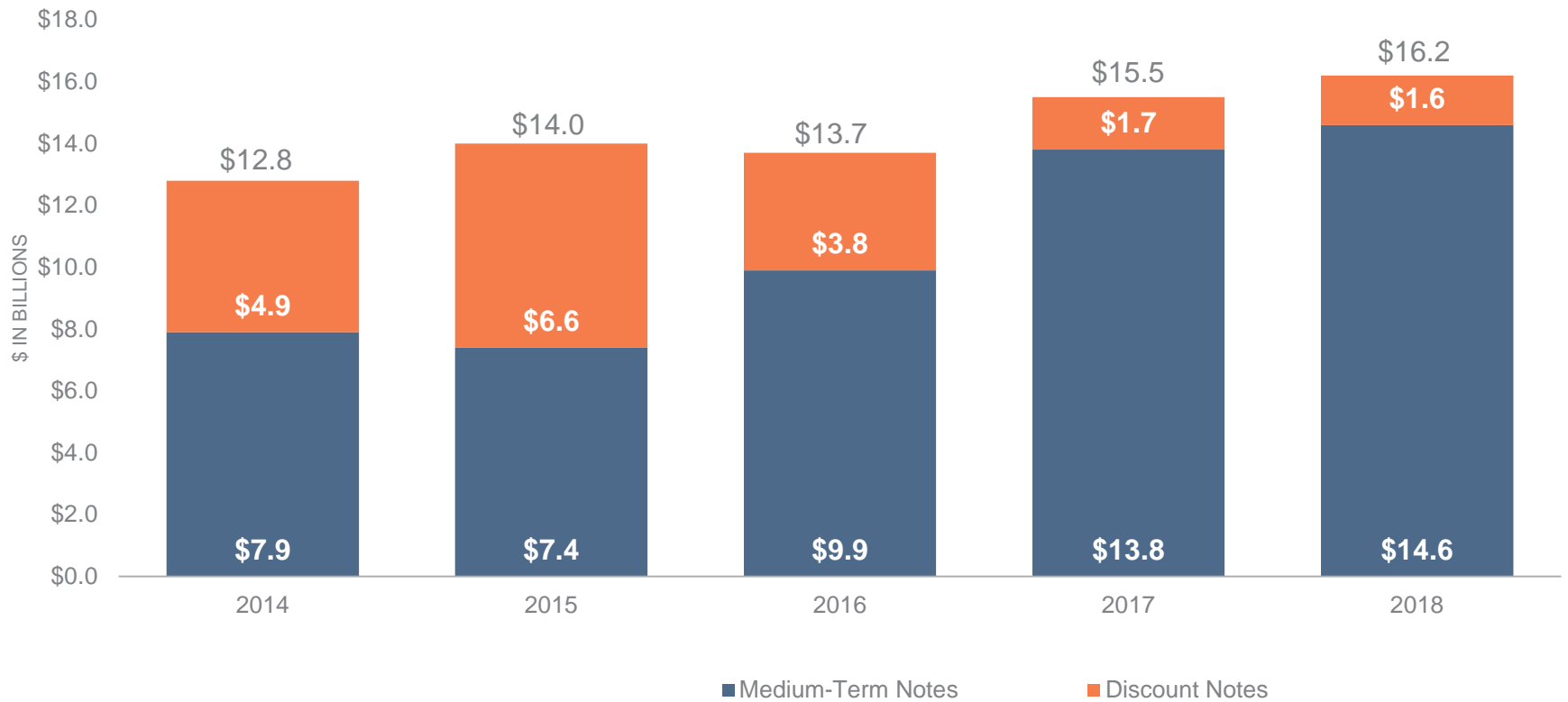


# Farmer Mac Notes Program

	<i>Bullet</i>	<i>Callable</i>
<b><i>Description:</i></b>	Coupon set on Monday, offering period closes following Monday.	Coupon set on Monday, offering period closes following Monday.
<b><i>Typical Structures:</i></b>	7, 10, and 15 year Fixed Rate	Fixed and Step Up Rate with flexible lockout and call features, with maturities up to 15 years
<b><i>Typical Sizes:</i></b>	Best Efforts	Best Efforts
<b><i>Settlement:</i></b>	3 business days	3 business days
<b><i>Survivor's Option:</i></b>	Yes	No
<b><i>Denominations</i></b>	\$1,000 x \$1,000	\$1,000 x \$1,000
<b><i>Settlement</i></b>	DTC Book Entry	DTC Book Entry
<b><i>Fiscal Agent</i></b>	U.S. Bank National Association	U.S. Bank National Association



# Farmer Mac Debt Outstanding



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