

*Fourth Quarter and Full Year 2018*

*Financial Results*

**FARMER  AC**

*Conference Call*

*Presentation*

# *Executive Team*



***Bradford T. Nordholm***  
*President and Chief Executive  
Officer*



***R. Dale Lynch***  
*Executive Vice President –  
Chief Financial Officer and  
Treasurer*



***Stephen P. Mullery***  
*Executive Vice President –  
General Counsel and  
Corporate Secretary*



***John C. Covington***  
*Executive Vice President –  
Chief Credit Officer*

# 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.*

## NO OFFER OR SOLICITATION OF SECURITIES

*This presentation does not constitute an offer to sell or a solicitation of an offer to buy any Farmer Mac security. Farmer Mac securities are offered only in jurisdictions where permissible by offering documents available through qualified securities dealers. Any investor who is considering purchasing a Farmer Mac security should consult the applicable offering documents for the security and their own financial and legal advisors for information about and analysis of the security, the risks associated with the security, and the suitability of the investment for the investor's particular circumstances.*

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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.*

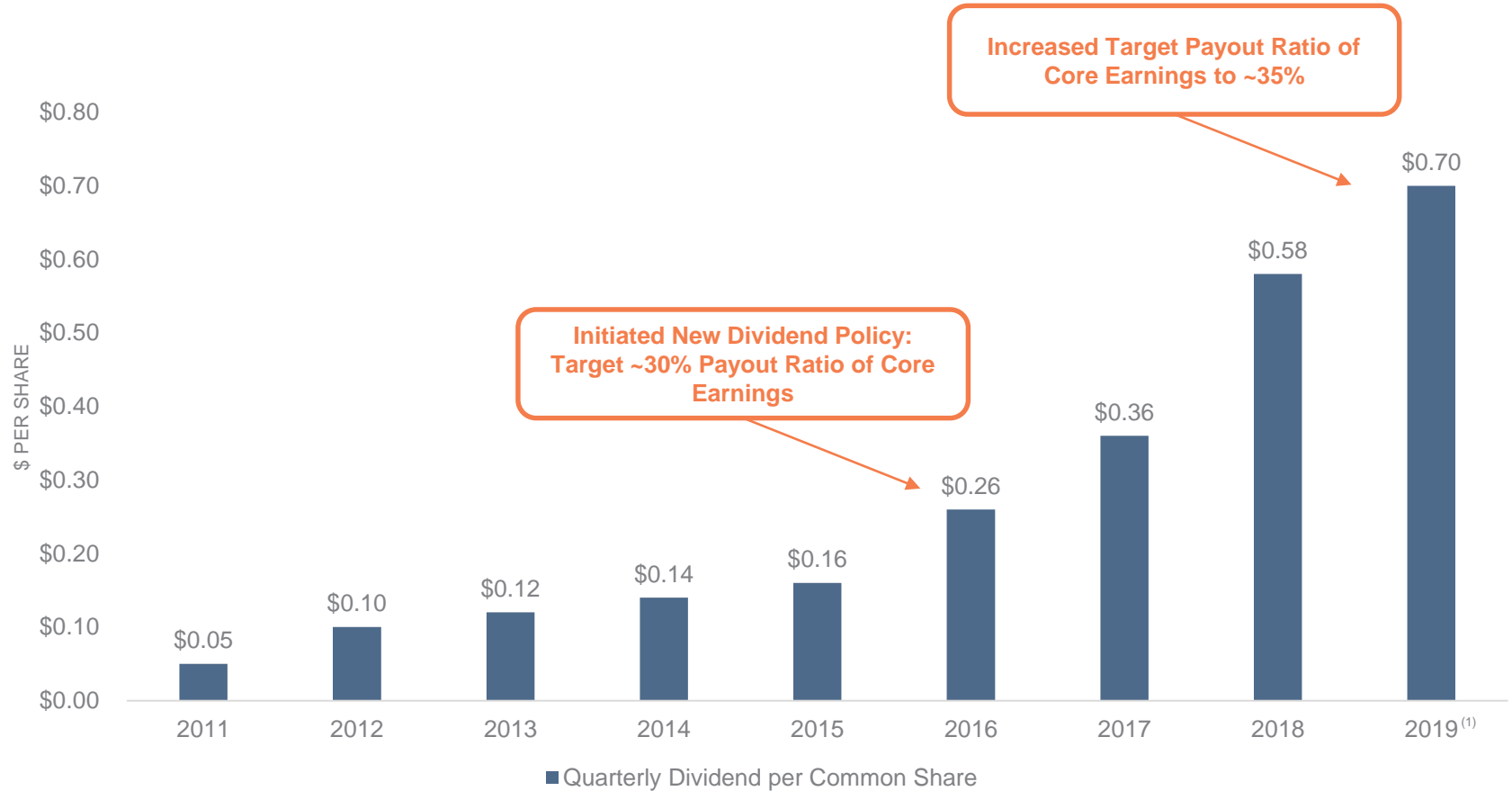
*Core earnings and core earnings per share principally differ from net income attributable to common stockholders and earnings per common share, respectively, by excluding the effects of fair value fluctuations. These fluctuations are not expected to have a cumulative net impact on Farmer Mac's financial 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.*



# Dividend Increase and New Payout Policy

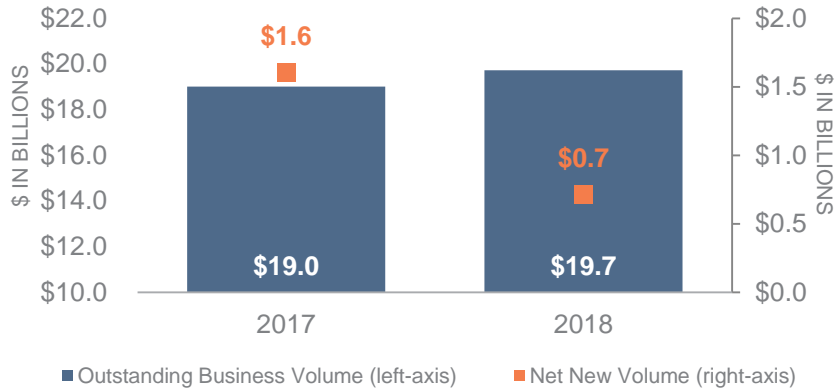


<sup>(1)</sup> The dividend declared on February 19, 2019 is scheduled to be paid on March 29, 2019.

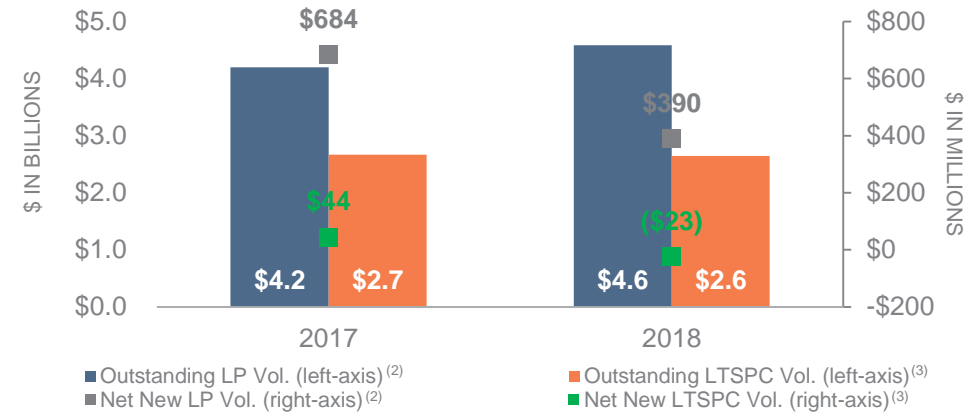


# 2018 Business Volume <sup>(1)</sup>

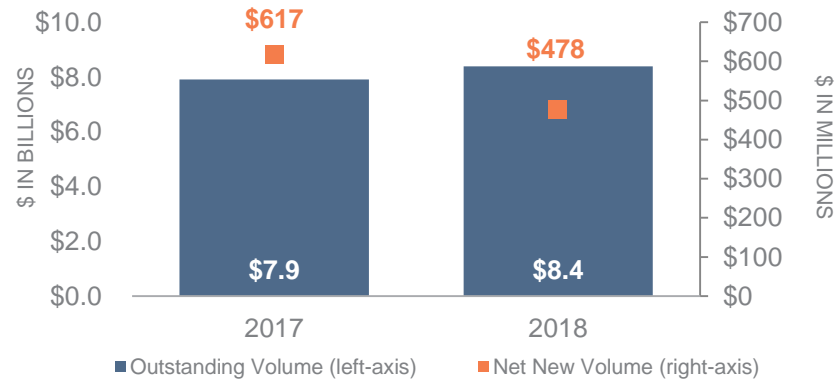
## Total Business Volume



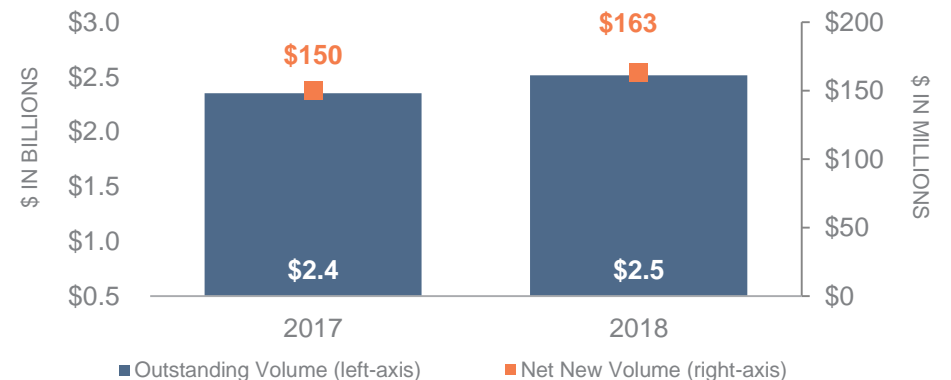
## Farm & Ranch Business Volume



## Institutional Credit Business Volume



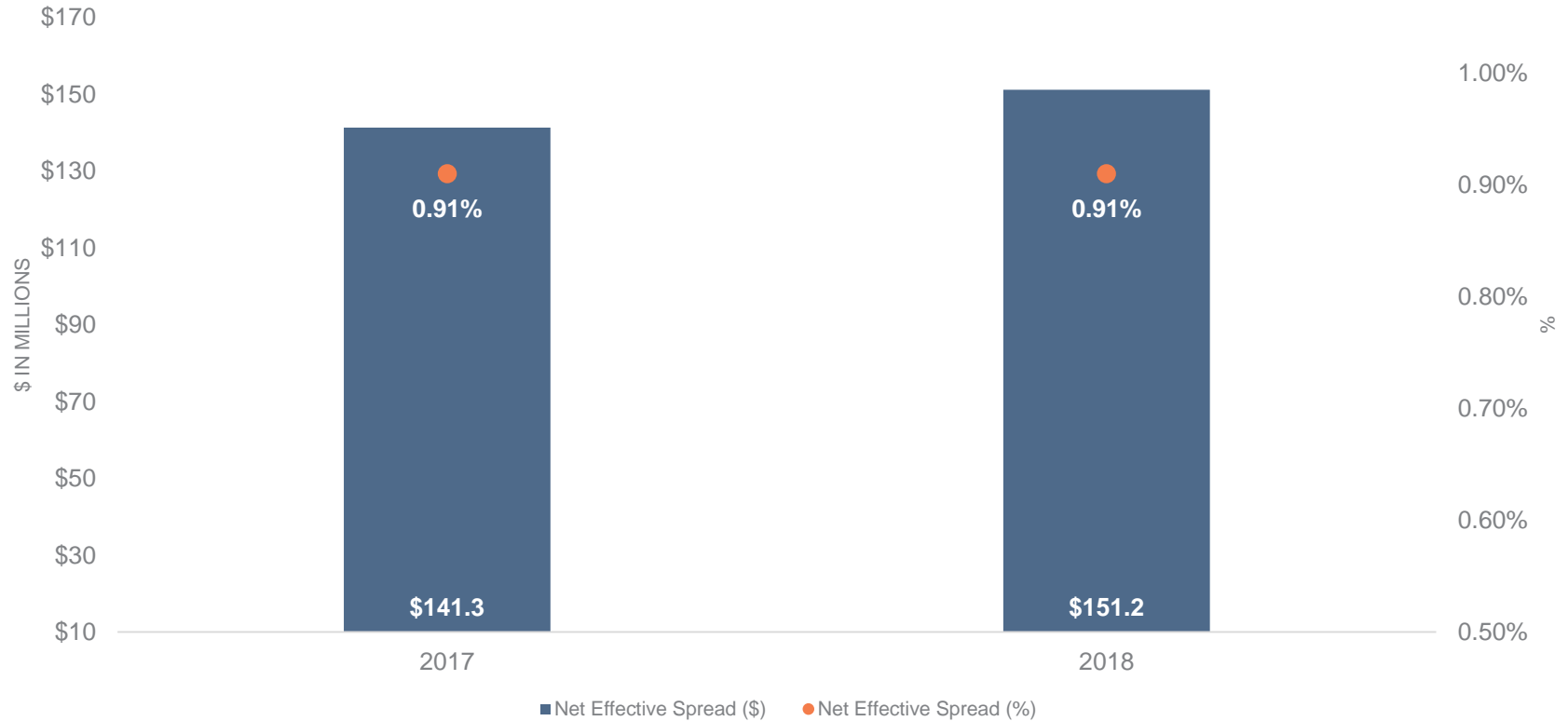
## USDA Business Volume



(1) Outstanding business volume includes on- and off-balance sheet outstanding business volume as of December 31, 2018

(2) Quarterly Farm & Ranch loan purchase ("LP") volume.  
 (3) Quarterly Farm & Ranch long-term standby purchase commitment ("LTSPC") volume.

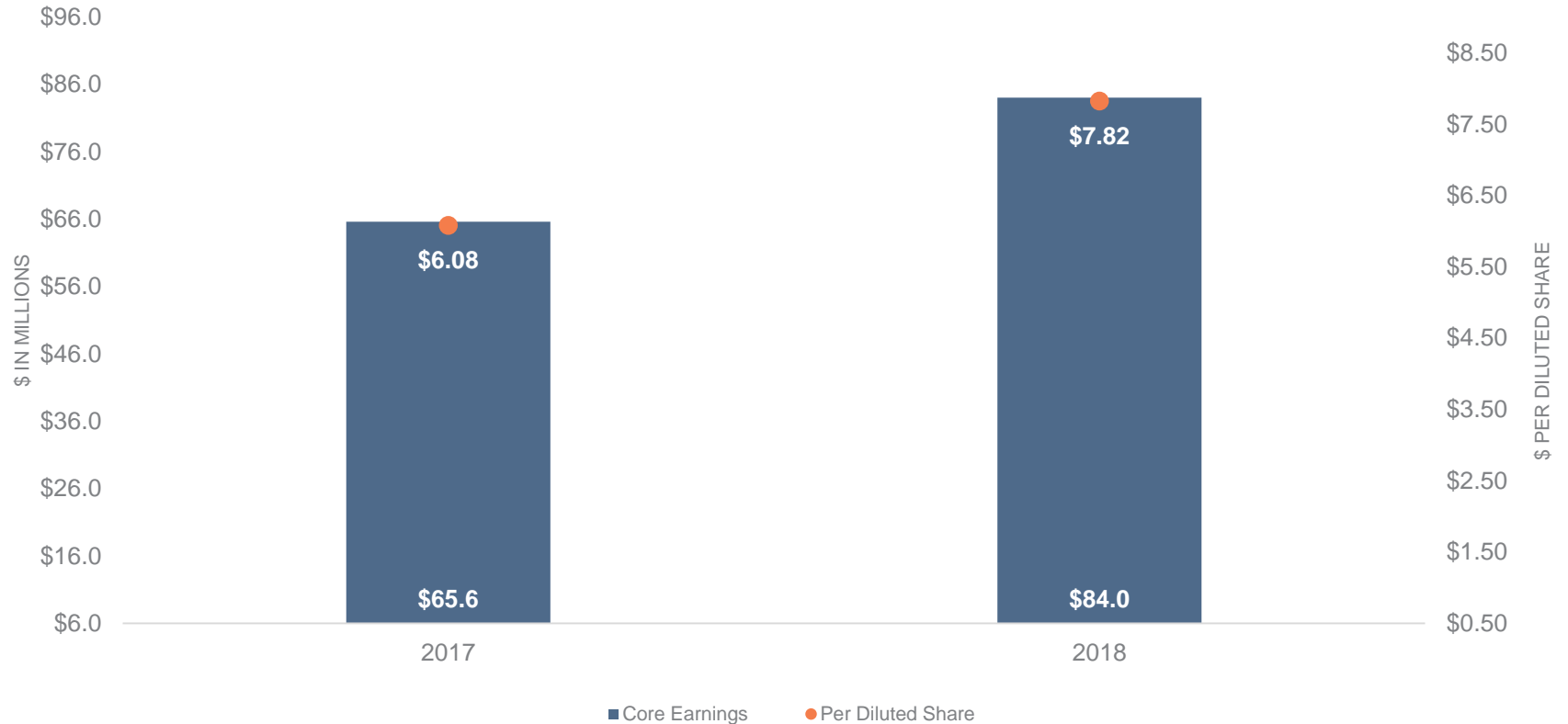
# 2018 Net Effective Spread (Non-GAAP Measure)<sup>(1)</sup>



<sup>(1)</sup> Net effective spread is a non-GAAP measure. For more information on this non-GAAP measure, please see page 4. For a reconciliation of net effective spread to GAAP net interest income, please refer to page 15 of the Appendix.



# 2018 Core Earnings and Core Earnings per Share (Non-GAAP Measures) <sup>(1)</sup>



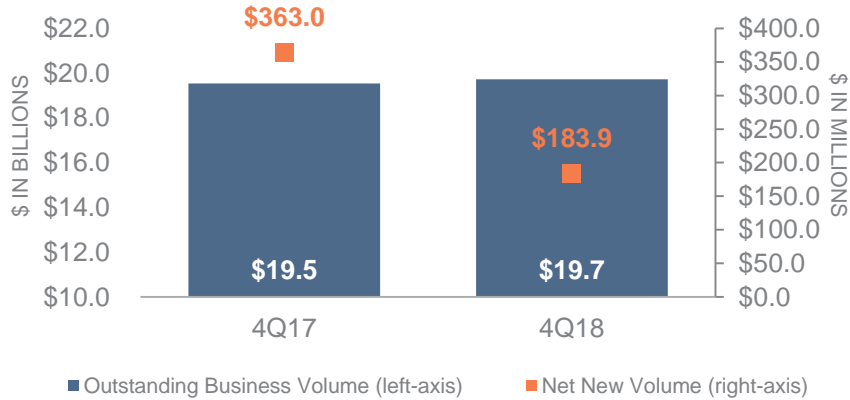
<sup>(1)</sup> Core earnings and core earnings per share are non-GAAP measures. For more information on the use of these non-GAAP measures, please see page 4. For a reconciliation of GAAP net income attributable to common stockholders and earnings per common share to core earnings and core earnings per share, respectively, please refer to pages 16 and 17 of the Appendix.



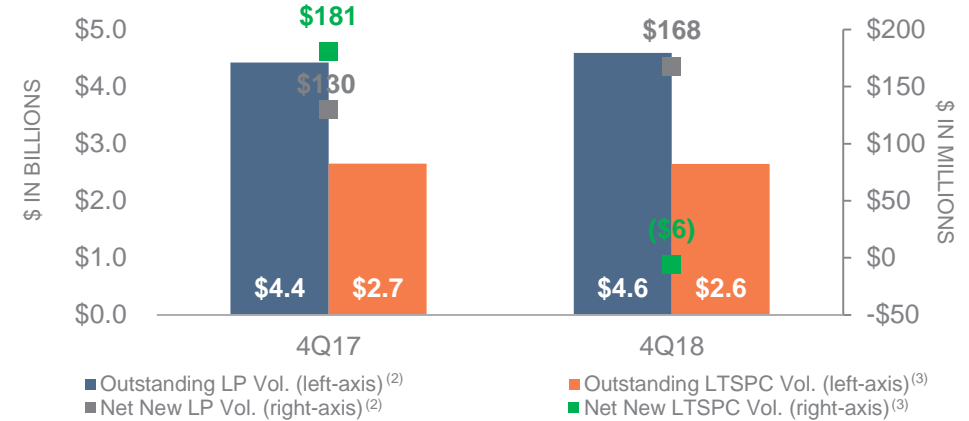


# 4Q18 Business Volume <sup>(1)</sup>

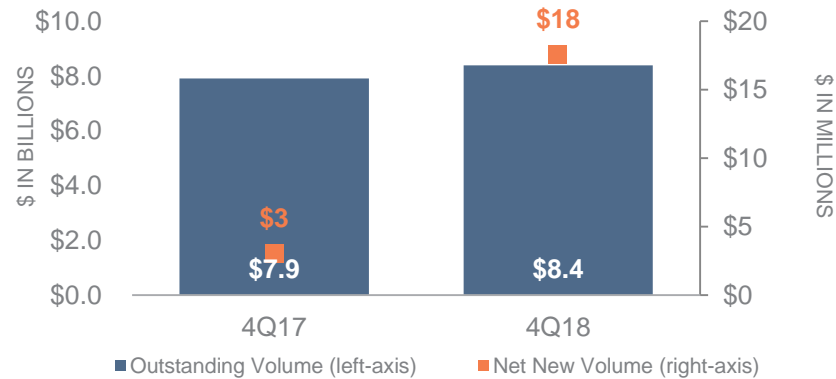
## Total Business Volume



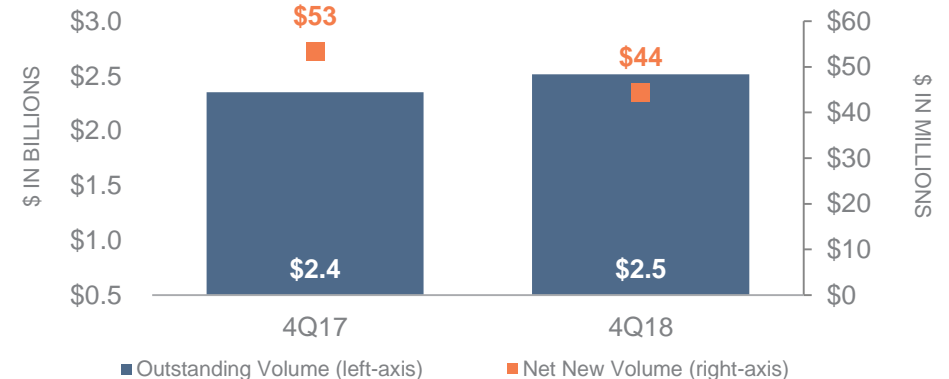
## Farm & Ranch Business Volume



## Institutional Credit Business Volume



## USDA Business Volume



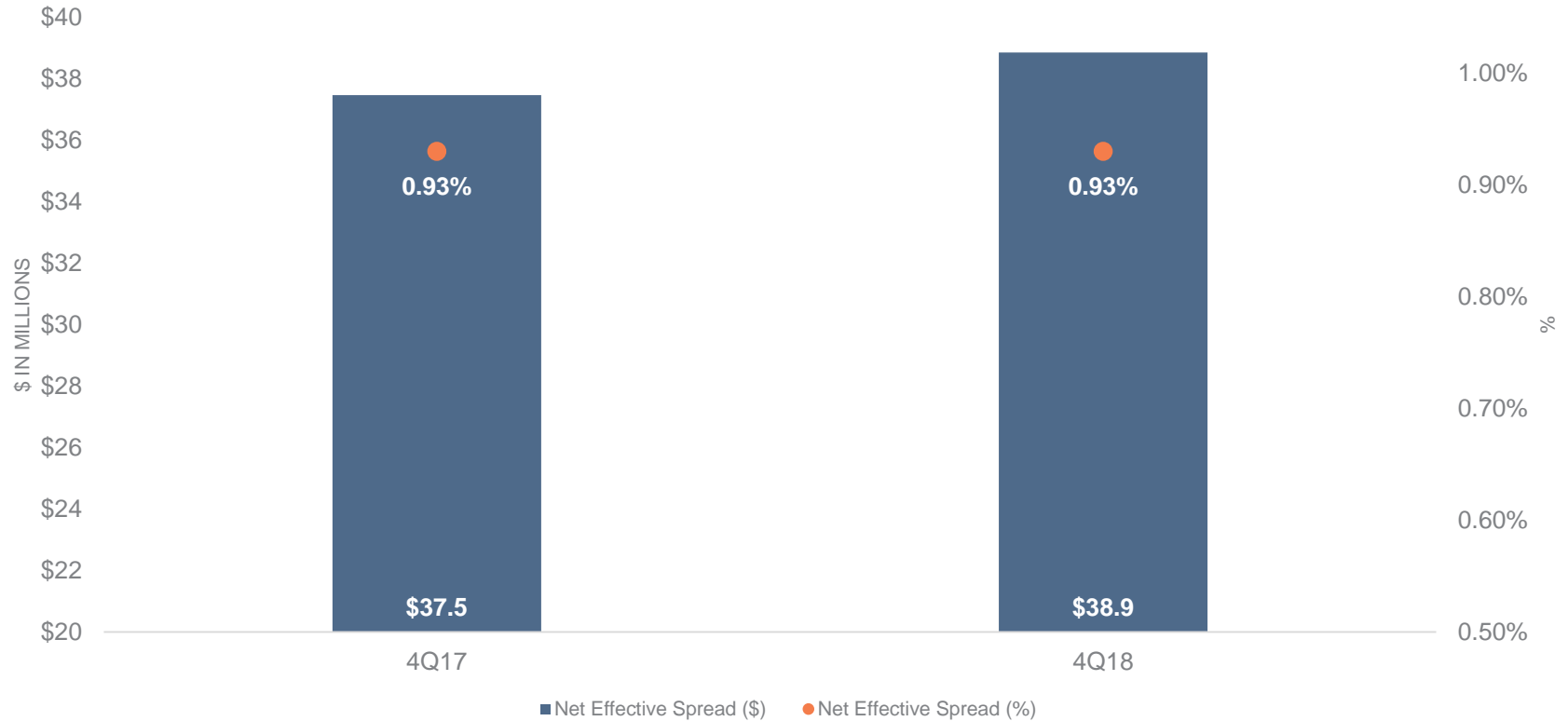
(1) Outstanding business volume includes on- and off-balance sheet outstanding business volume as of December 31, 2018.

(2) Quarterly Farm & Ranch loan purchase ("LP") volume.

(3) Quarterly Farm & Ranch long-term standby purchase commitment ("LTSPC") volume.



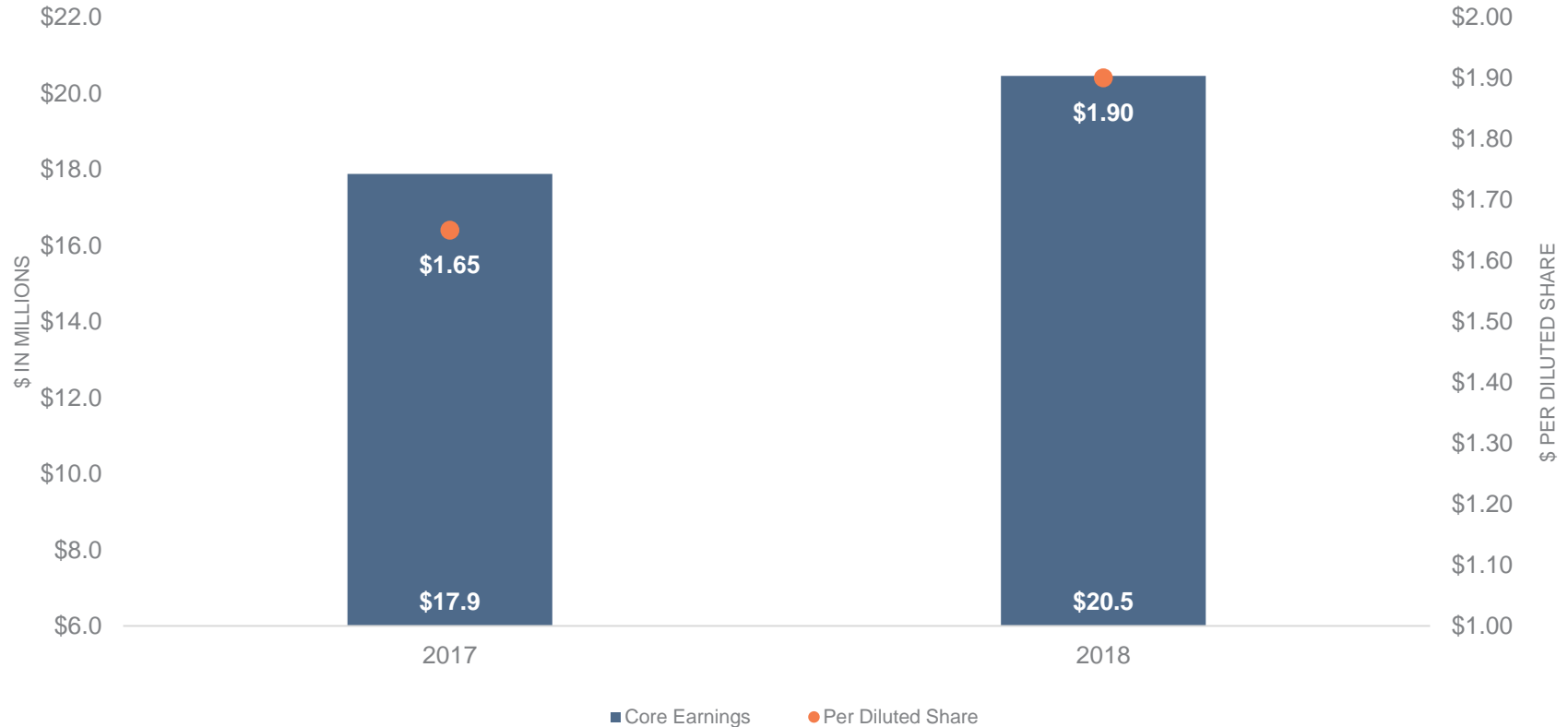
# 4Q18 Net Effective Spread (Non-GAAP Measure)<sup>(1)</sup>



<sup>(1)</sup> Net effective spread is a non-GAAP measure. For more information on this non-GAAP measure, please see page 4. For a reconciliation of net effective spread to GAAP net interest income, please refer to page 18 of the Appendix.



# 4Q18 Core Earnings and Core Earnings per Share (Non-GAAP Measures)<sup>(1)</sup>

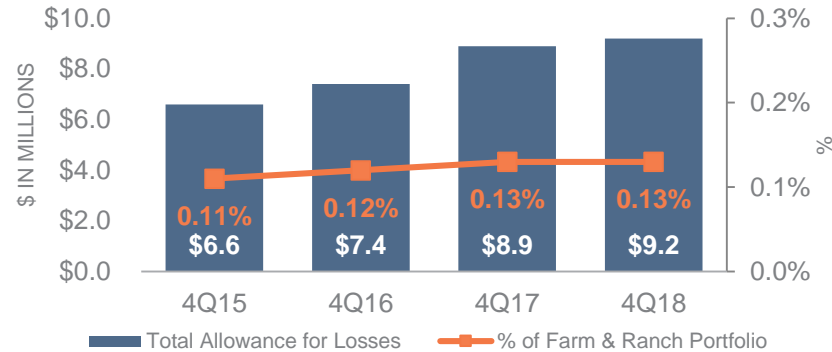


<sup>(1)</sup> Core earnings and core earnings per share are non-GAAP measures. For more information on the use of these non-GAAP measures, please see page 4. For a reconciliation of GAAP net income attributable to common stockholders and earnings per common share to core earnings and core earnings per share, respectively, please refer to pages 19 and 20 of the Appendix.

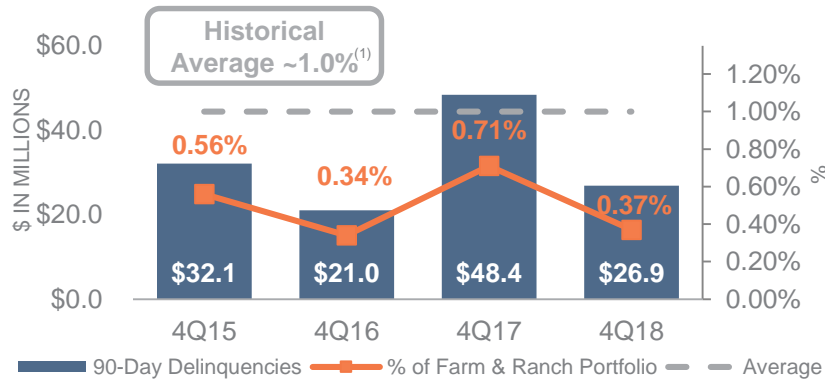


# Credit Metrics

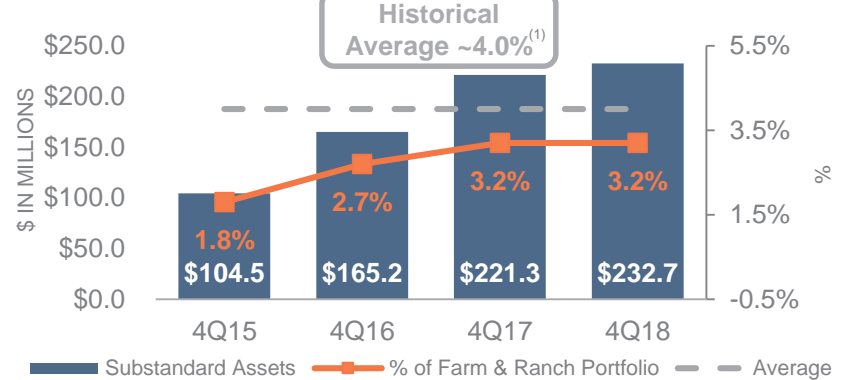
## Total Allowance for Losses



## 90-Day Delinquencies



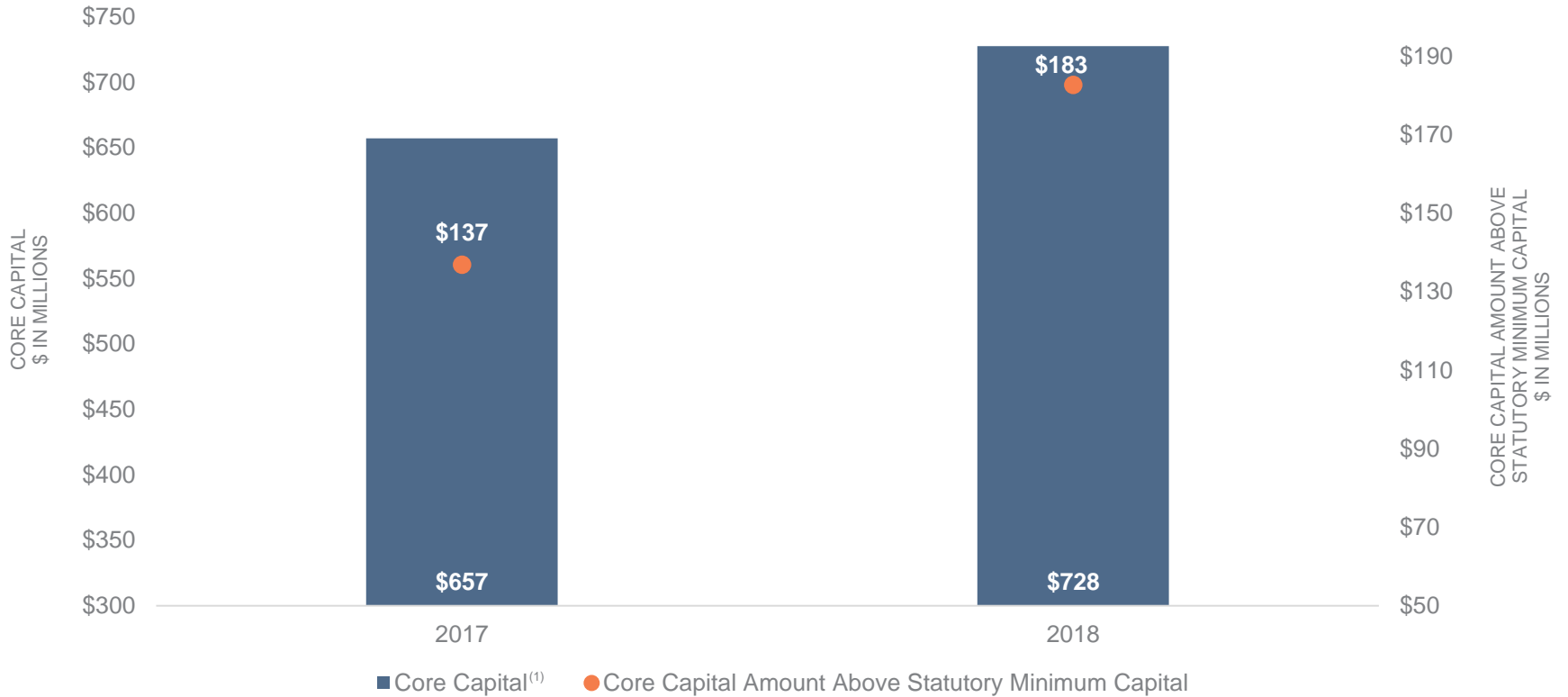
## Substandard Assets



<sup>(1)</sup> Farmer Mac's historical averages are based on approximately 15 years of historical data for the Farm & Ranch line of business.



# Capital



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





# *Appendix*

# Reconciliation of Net Interest Income to Net Effective Spread

<i>\$ in thousands</i>	For the Year Ended December 31,			
	2018		2017	
	Dollars	Yield	Dollars	Yield
Net interest income/yield	\$ 174,436	0.96%	\$ 157,647	0.94%
Net effects of consolidated trusts	(6,757)	0.04%	(6,236)	0.04%
Expense related to undesignated financial derivatives	(11,685)	-0.07%	(10,261)	-0.07%
Amortization of premiums/discounts on assets consolidated at fair value	417	0.01%	1,191	0.01%
Amortization of losses due to terminations or net settlements on financial derivatives and hedging activities	(275)	0.00%	(1,038)	-0.01%
Fair Value Changes on fair value hedge relationships	(4,941)	-0.03%	0	0.00%
Net Effective Spread	\$ 151,195	0.91%	\$ 141,303	0.91%



## Reconciliation of Net Income to Core Earnings

<i>(in thousands)</i>	Core Earnings by Period Ended	
	2018	2017
Net income attributable to common stockholders	\$ 94,898	\$ 71,300
Less reconciling items:		
Gains on undesignated financial derivatives due to fair value changes	7,959	10,218
Gains/(losses) on hedging activities due to fair value changes	4,449	(719)
Unrealized gains/(losses) on trading assets	81	(24)
Amortization of premiums/discounts and deferred gains on assets consolidated at fair value	(461)	(1,327)
Net effects of terminations or net settlements on financial derivatives and hedging activities	1,708	2,674
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)
Sub-total	10,851	5,669
Core earnings	\$ 84,047	\$ 65,631





## Reconciliation of Earnings per Common Share to Core Earnings per Share

	For the Year Ended	
	Dec-18	Dec-17
GAAP - Diluted EPS	\$ 8.83	\$ 6.60
Less reconciling items:		
Gains on undesignated financial derivatives due to fair value changes	0.74	0.95
Gains/(losses) on hedging activities due to fair value changes	0.41	(0.08)
Unrealized gains on trading securities	0.01	-
Amortization of premiums/discounts and deferred gains on assets consolidated at fair value	(0.04)	(0.12)
Net effects of terminations or net settlements on financial derivatives and hedging activities	0.16	0.25
Re-measurement of net deferred tax asset due to enactment of new tax legislation	-	(0.13)
Income tax effect related to reconciling items	(0.27)	(0.35)
Sub-total	1.01	0.52
Core Earnings - Diluted EPS	\$ 7.82	\$ 6.08



# Reconciliation of Net Interest Income to Net Effective Spread

<i>\$ in thousands</i>	For the Three Months Ended			
	December 31, 2018		December 31, 2017	
	Dollars	Yield	Dollars	Yield
Net interest income/yield	\$ 42,216	0.93%	\$ 41,283	0.94%
Net effects of consolidated trusts	(1,804)	0.04%	\$ (1,673)	0.04%
Expense related to undesignated financial derivatives	(2,161)	-0.06%	(1,943)	-0.05%
Amortization of premiums/discounts on assets consolidated at fair value	(138)	0.00%	(28)	0.00%
Amortization of losses due to terminations or net settlements on financial derivatives and hedging activities	(69)	0.00%	(172)	0.00%
Fair Value Changes on fair value hedge relationships	811	0.02%	0	0.00%
Net Effective Spread	\$ 38,855	0.93%	\$ 37,467	0.93%



# Reconciliation of Net Income to Core Earnings

<i>\$ in thousands</i>	For the Three Months Ended	
	Dec-18	Dec-17
Net income attributable to common stockholders	\$ 19,560	\$ 16,710
Less reconciling items:		
Losses on undesignated financial derivatives due to fair value changes	(96)	(261)
Losses on hedging activities due to fair value changes	(853)	(3)
Unrealized gains/(losses) on trading securities	57	60
Amortization of premiums/discounts and deferred gains on assets consolidated at fair value	67	(129)
Net effects of terminations or net settlements on financial derivatives and hedging activities	(312)	632
Re-measurement of net deferred tax asset due to enactment of new tax legislation	-	(1,365)
Income tax effect related to reconciling items	238	(105)
Sub-total	(899)	(1,171)
Core earnings	\$ 20,459	\$ 17,881



## Reconciliation of Earnings per Common Share to Core Earnings per Share

	For the Three Months Ended	
	Dec-18	Dec-17
GAAP - Diluted EPS	\$ 1.82	\$ 1.55
Less reconciling items:		
Losses on undesignated financial derivatives due to fair value changes	(0.01)	(0.03)
(Losses)/gains on hedging activities due to fair value changes	(0.08)	0.01
Unrealized gains on trading securities	0.01	0.01
Amortization of premiums/discounts and deferred gains on assets consolidated at fair value	0.01	(0.01)
Net effects of terminations or net settlements on financial derivatives and hedging activities	(0.03)	0.06
Re-measurement of net deferred tax asset due to enactment of new tax legislation	-	(0.13)
Income tax effect related to reconciling items	0.02	(0.01)
Sub-total	(0.08)	(0.10)
Core Earnings - Diluted EPS	\$ 1.90	\$ 1.65

