

*Fourth Quarter 2020*

**FARMER  AC**

*Debt Investor  
Presentation*

# 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, 2020, filed with the U.S. Securities and Exchange Commission ("SEC") on February 25, 2021. These reports are 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, 2020, 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, 2020, and should be read in conjunction with Farmer Mac's Annual Report on Form 10-K filed with the SEC on February 25, 2021. 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.*



# A Mission-Driven, For-Profit Company

## Our Mission

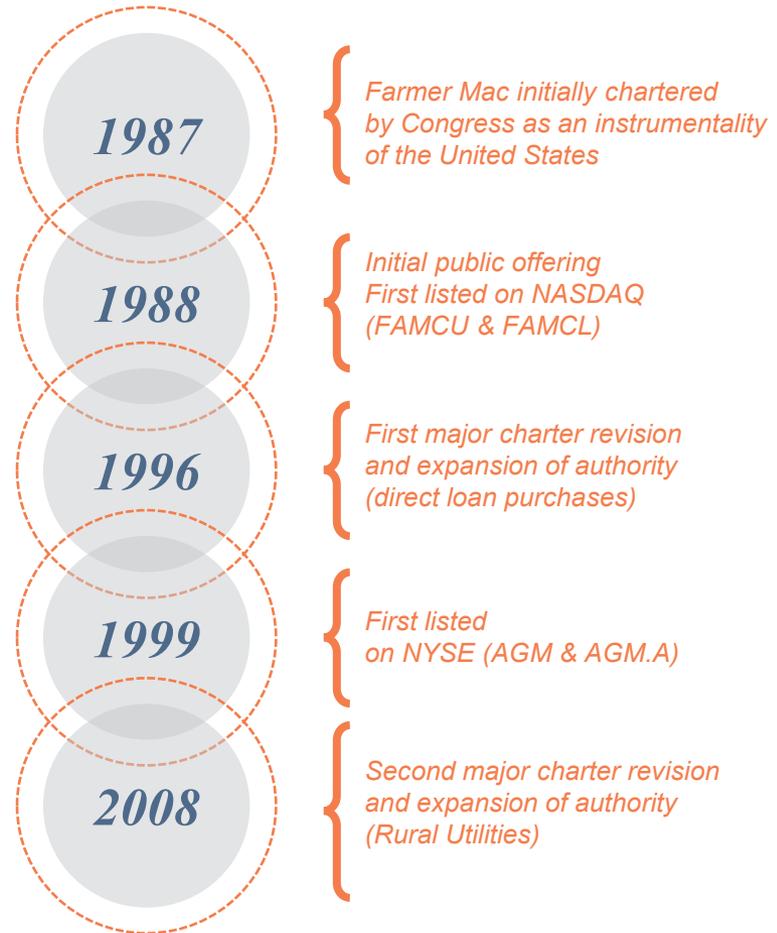
Farmer Mac is committed to help build a strong and vital rural America by increasing the availability and affordability of credit for the benefit of American agricultural and rural communities

## Our Stakeholders

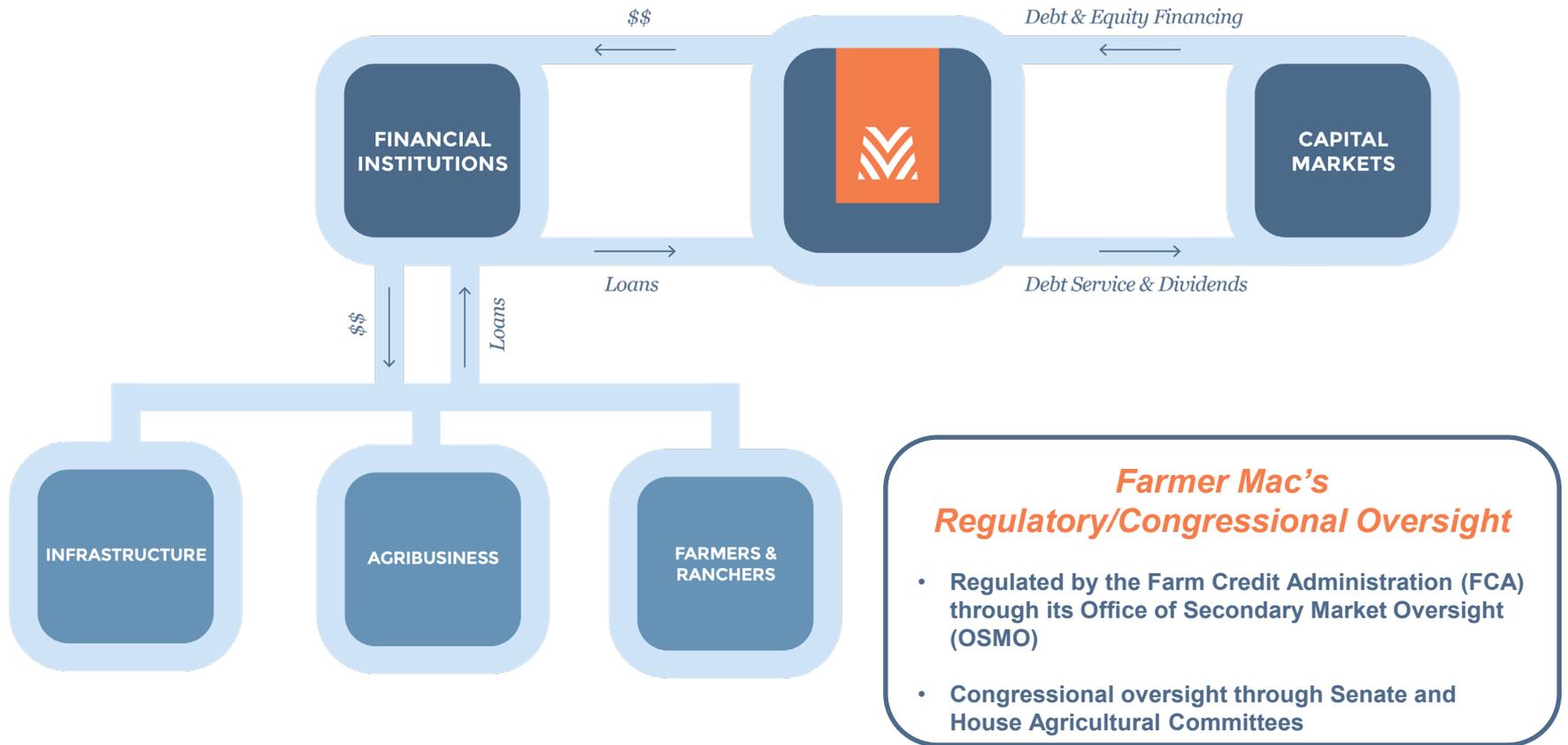
- Farmers, Ranchers and Rural Americans
- Stockholders
- Financial Institutions
- Employees
- Congress
- Regulator

## 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's Operating Model



# Farmer Mac Compared to Farm Credit Banks

	<i>Farmer Mac</i>	<i>Farm Credit Banks</i>
<b><i>Mission:</i></b>	Provides <b><i>secondary</i></b> market for agricultural, rural housing, and rural utilities loans	Provides <b><i>primary</i></b> market for primarily agricultural and rural housing loans
<b><i>Funding:</i></b>	Farmer Mac funds for our own business through dealers in the capital markets	Farm Credit Funding Corp. raises funds for its member banks through dealers in the capital markets
<b><i>Board:</i></b>	Five of the fifteen board members elected annually by Farm Credit System institutions; five are selected by presidential appointment	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>(3) (4)</sup>

**FARMER  AC**

(FCS Secondary Market GSE)

**\$16.5 Billion**  
(6.2% Market Share)

Loan Purchase  
Wholesale Funding  
Credit Protection

## Farm Credit System (FCS)

(Cooperative GSE)

- Four FCS Banks
- 68 Retail Agricultural Credit Associations

Mortgage Financing

Addressable Agriculture Mortgage Market

**\$267 Billion <sup>(4)</sup>**

{Farmers & Ranchers}

Mortgage Financing

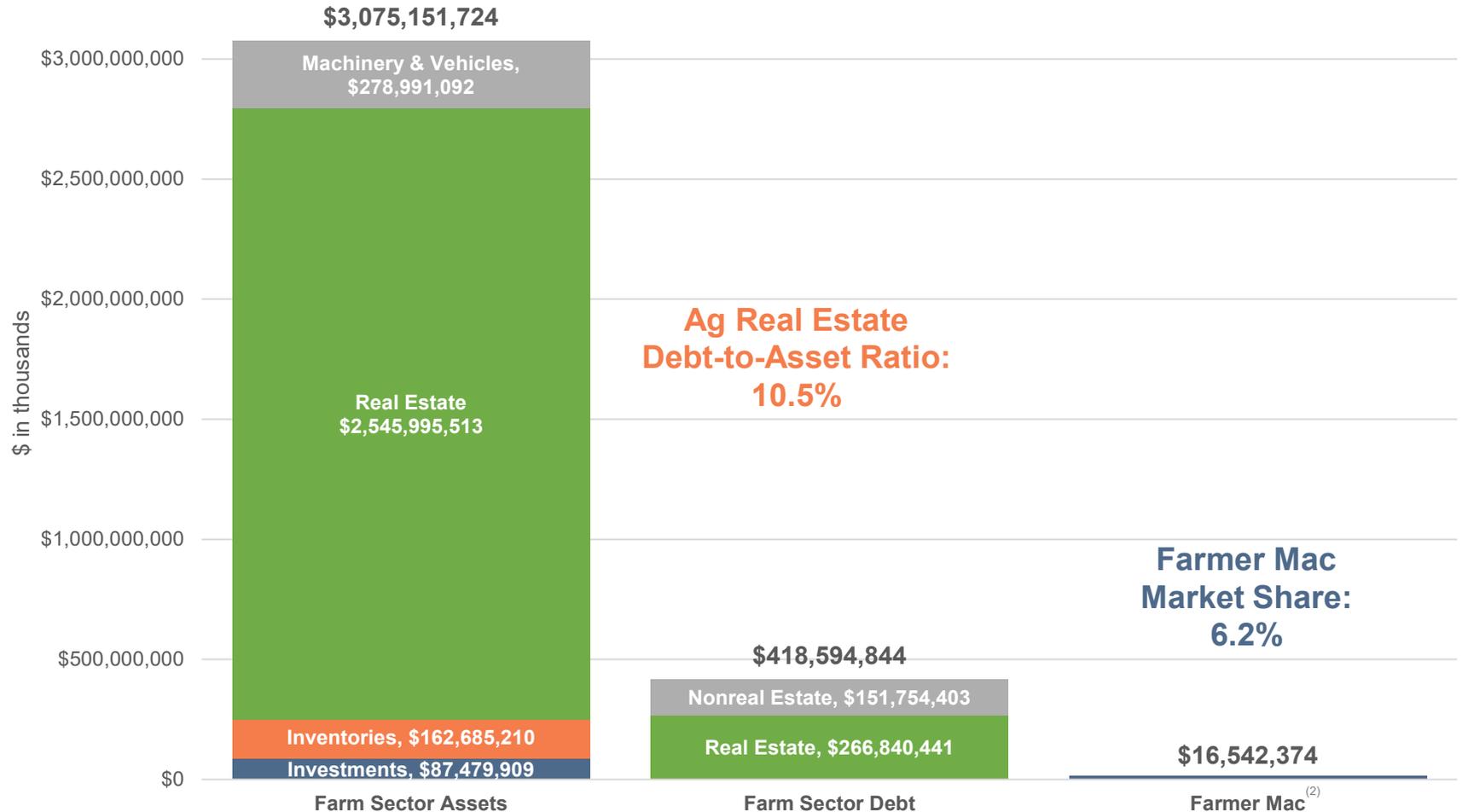
## Non-FCS Ag Lenders

- Insurance Companies
- Ag Banks
- Non-Bank Lenders



# U.S. Agricultural Balance Sheet <sup>(1)</sup>

\$ IN THOUSANDS



# Farmer Mac's Financial Strengths

## Capital Surplus

- Core capital **\$1.0 billion**, **48%** above the statutory minimum capital
- Tier 1 Capital Ratio of **14.1%** <sup>(1)</sup>

## Quality Assets

- 90-Day delinquencies of only **0.21%** across all lines of business
- Cumulative Farm & Ranch lifetime losses of only **0.13%**

## Liquidity

- **\$4.9 billion** liquidity portfolio on December 31, 2020
- High quality assets provided **207 days of liquidity** as of December 31, 2020
- \$1.5 billion line of credit with U.S. Treasury to satisfy guarantee obligations

## Low Interest Rate Risk

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

## Growth Prospects

- Ag productivity **must double** to meet expected global demand
- 6.2% share of an **~\$267 billion** and growing U.S. ag market

## Strong Returns, Responsible Growth

- Core earnings **ROE ~16%** in 2020 and consistent net effective spread <sup>(2)</sup>
- **Record core earnings results** the last 4 Years (17.1% CAGR) <sup>(3)</sup>

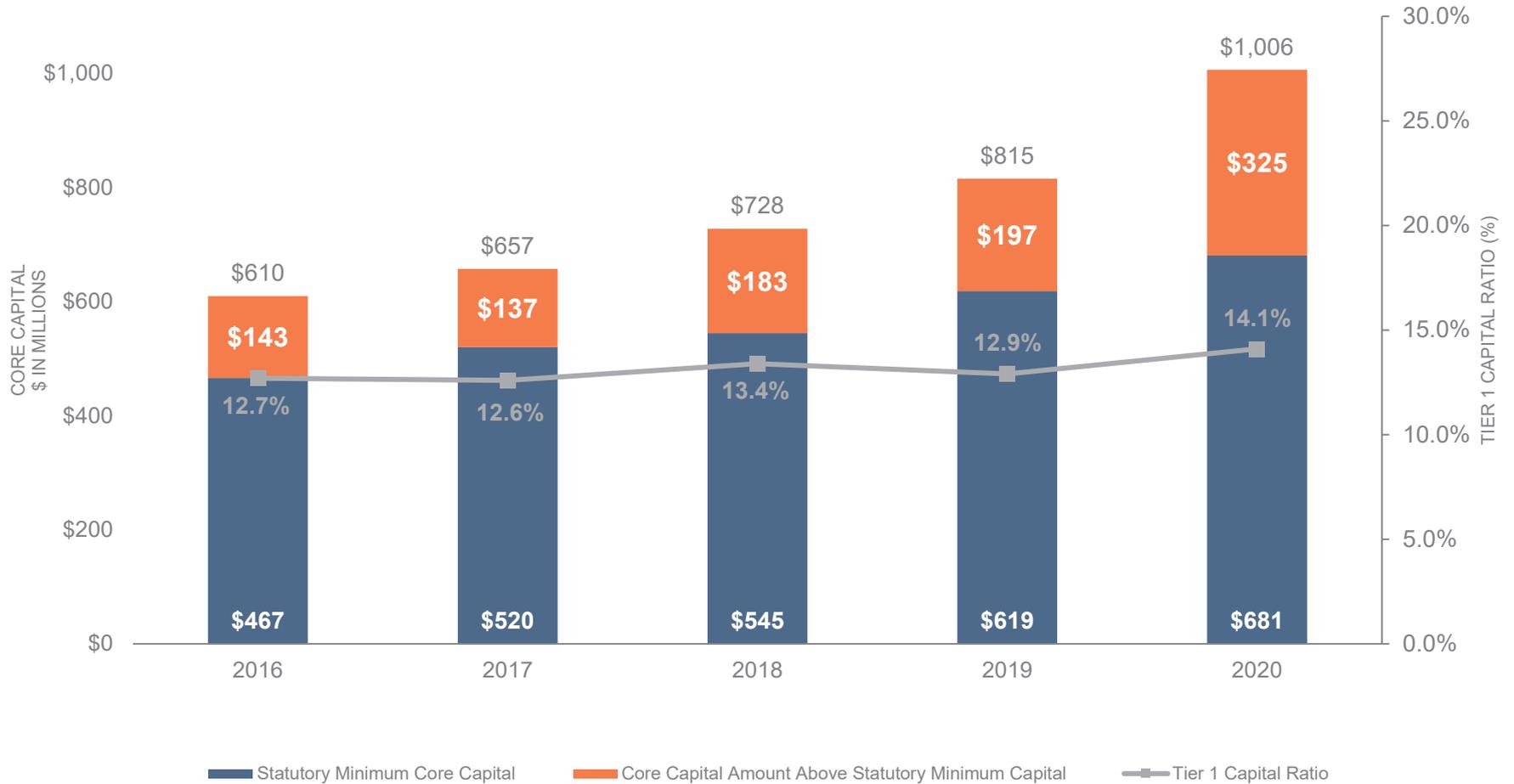
<sup>(1)</sup> Tier 1 capital consists of retained earnings, paid-in capital, common stock, and qualifying preferred stock.

<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 18.

<sup>(3)</sup> CAGR – Compound Annual Growth Rate



# Strong and Growing Equity Capital Base



Statutory Minimum Core Capital defined as total stockholders' equity less accumulated other comprehensive income.

# *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%

## *Credits are less likely to default*

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

## *Losses less likely even in default*

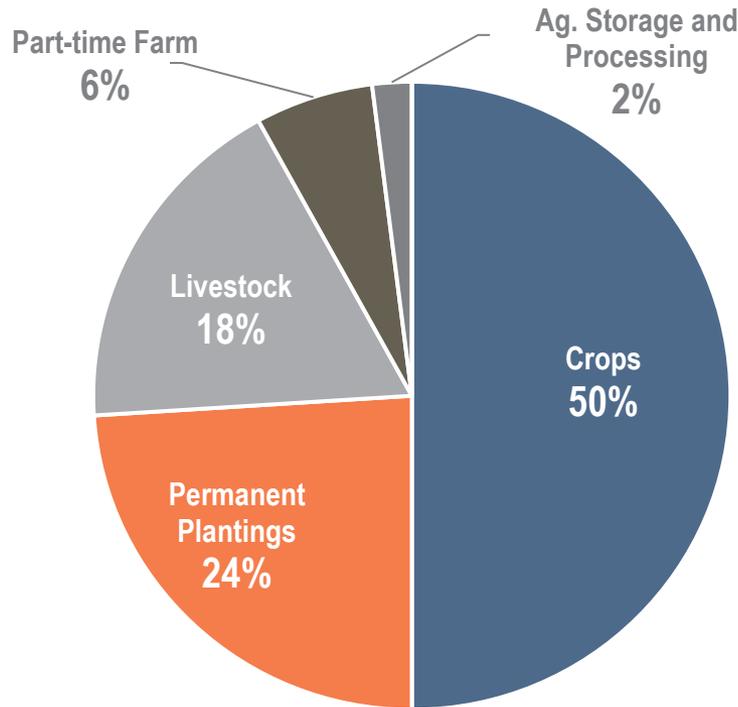
- **Average LTV of 45% as of December 31, 2020**
- Land values need to decline >55% to generate losses
- “Stress scenario” losses of 17% to 48%
- 1980s crisis saw land value declines of ~23%<sup>(6)</sup>



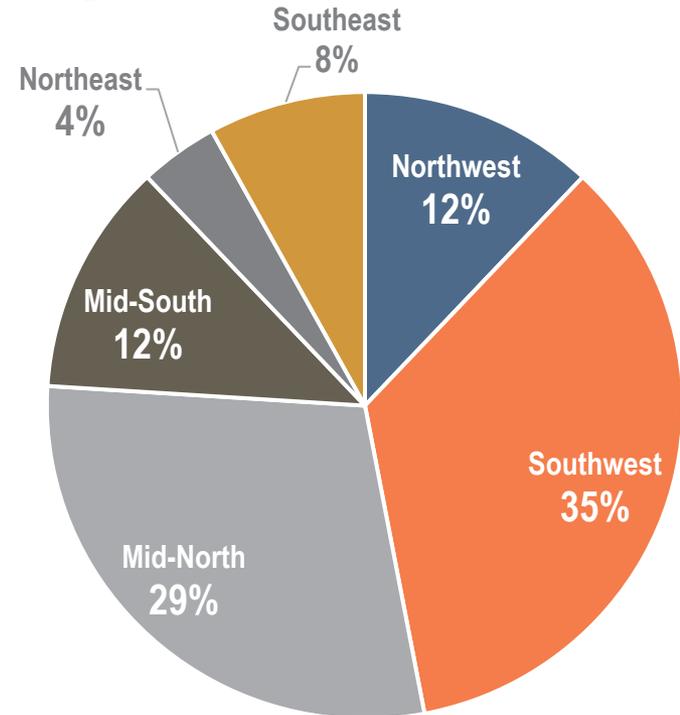
# Farm & Ranch Loan Portfolio Diversification

AS OF DECEMBER 31, 2020

*By Commodity Type*



*By Geographic Region*



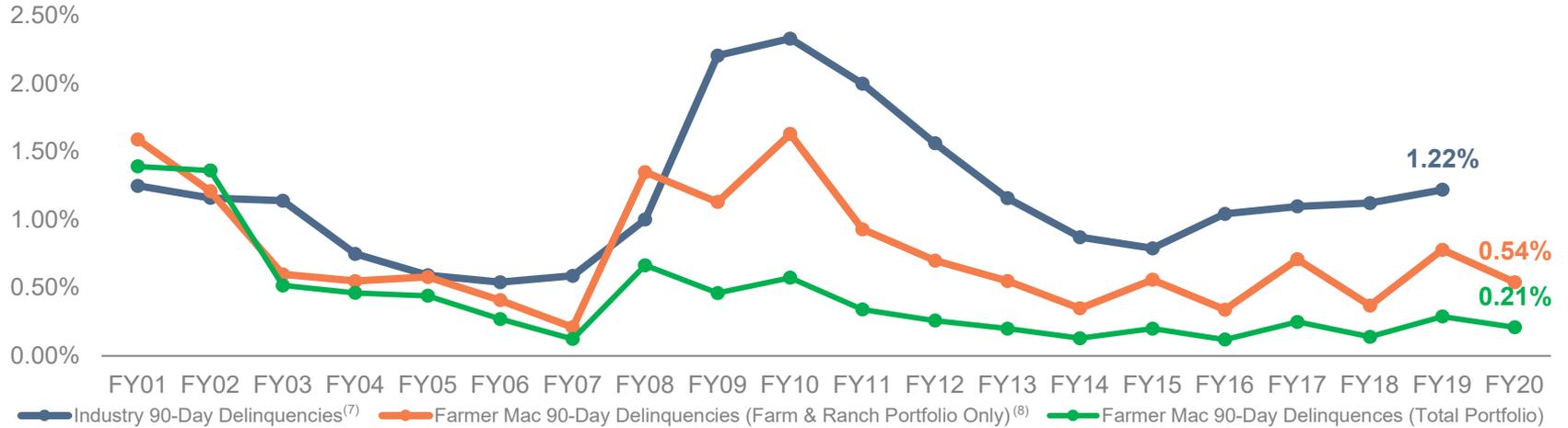
## Agricultural Update<sup>(5)</sup>

- USDA projections for 2020 net farm income are at the highest levels since 2013 at \$121.1 billion
- Early USDA estimates for 2021 show stable income outlook of \$111.4 billion in net farm income
- 2021 estimate reflects decrease in government support payments and increase in grain cash receipts

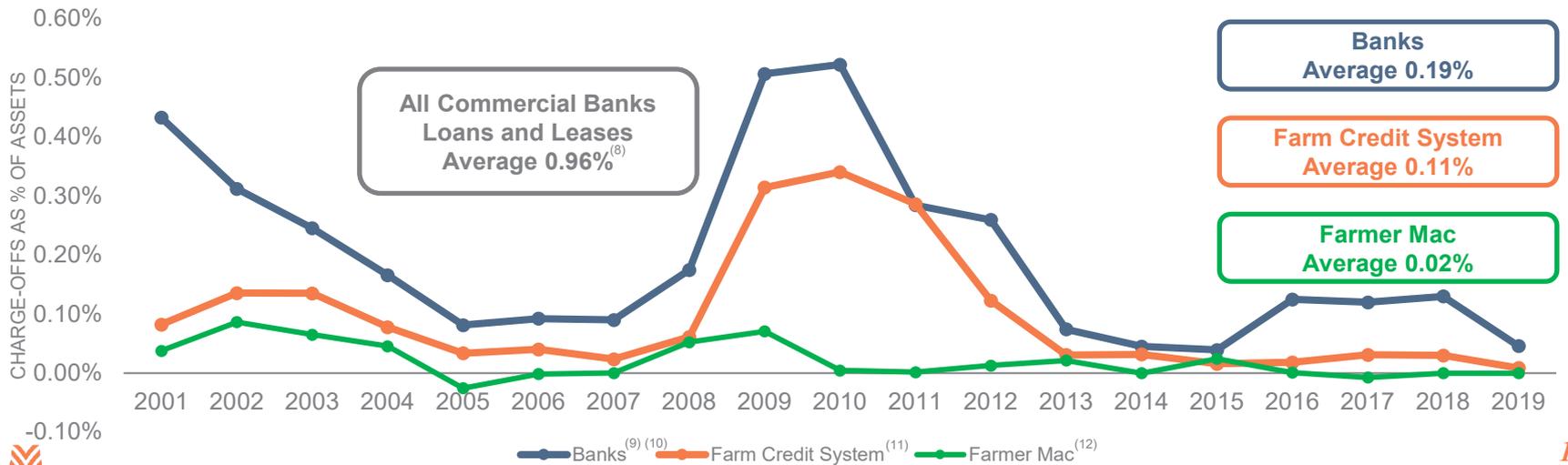


# Credit Consistently Outperforms

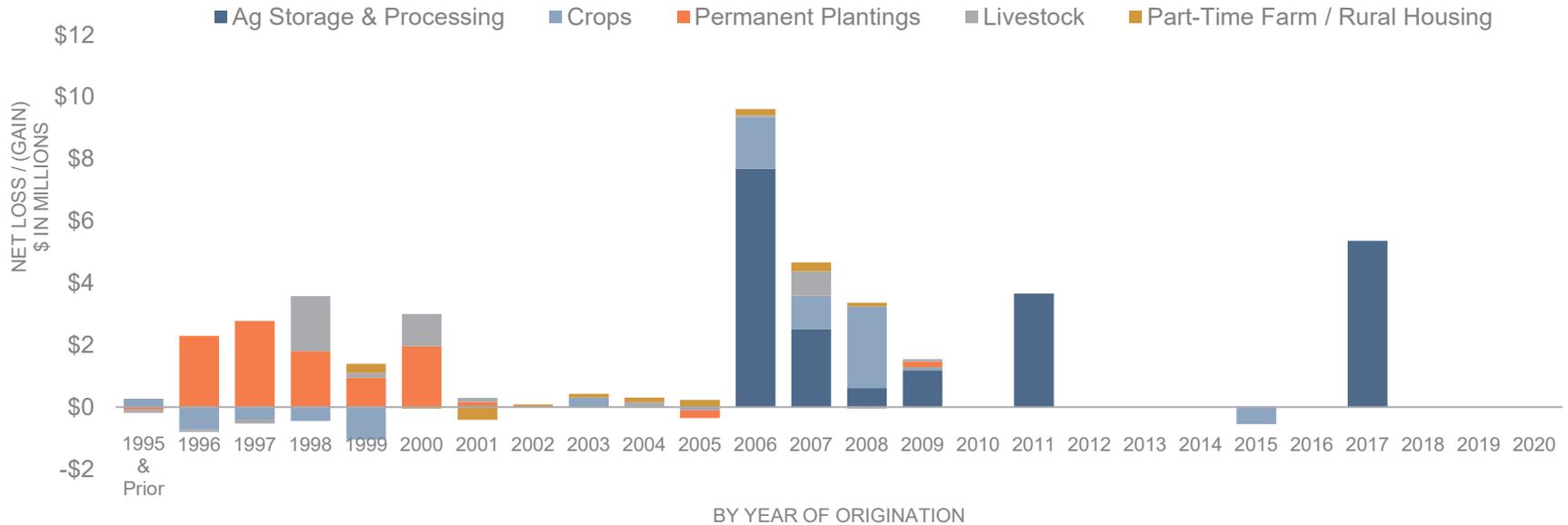
## 90-Day Delinquencies



## Agricultural Lender Charge-off Rates



# Historical Credit Losses



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

- Cumulative F&R losses of \$39 million on \$29 billion of cumulative F&R historical business volume

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



# Lines of Business and Products

AS OF DECEMBER 31, 2020

Product Type	Target Customers	Lines of Business				
		\$ IN BILLIONS AND PERCENTAGE OF TOTAL VOLUME				
		F & R	USDA	RU	IC	Total
<b>LOAN PURCHASES</b>	• Ag Banks					
	• FCS Institutions	\$6.2	\$2.8	\$2.3	--	\$11.3
	• Insurance Companies • Rural Utilities Cooperatives	28%	13%	10%		51%
<b>WHOLESALE FINANCING</b>	• Ag Banks	--	--	--	\$7.7	\$7.7
	• AgVantage				35%	35%
	• Farm Equity AgVantage					
<b>CREDIT PROTECTION</b>	• FCS Institutions	\$2.4	--	\$0.5	--	\$2.9
	• Long-term Standby Purchase Commitments (LTSPCs)	11%		3%		14%
	• Ag Banks • Insurance Companies • Ag Investment Funds • Rural Utilities Cooperatives					
<b>Total</b>		<b>\$8.6</b>	<b>\$2.8</b>	<b>\$2.8</b>	<b>\$7.7</b>	<b>\$21.9</b>

Note: Table may not sum to total due to rounding



# Liquidity – Investment Portfolio

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

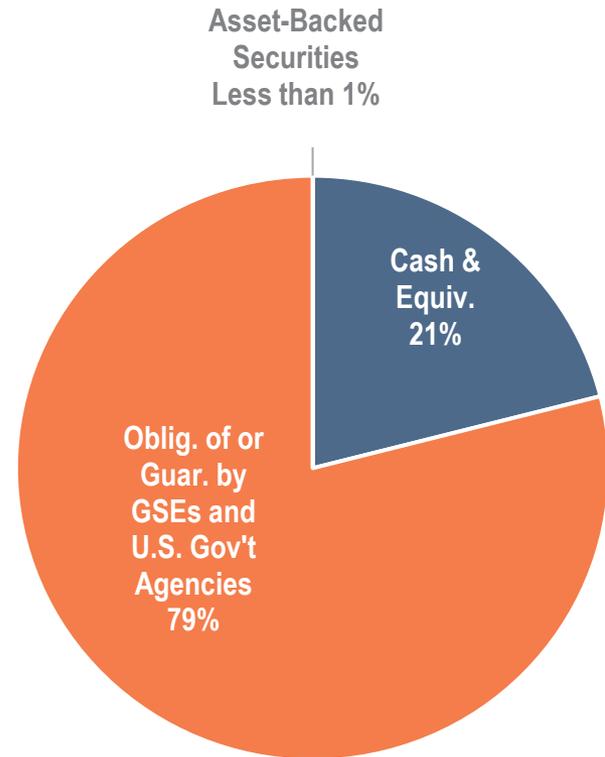
- Minimum of 90 days of liquidity required by regulation

**\$4.9 billion investment portfolio on December 31, 2020**

- Cash and high-quality investment securities
- Conservative portfolio goals
  - Minimize exposure to market volatility
  - Preservation of capital
  - Ready access to cash
- Monthly average of 196 days of liquidity during 2020
- Provided 207 days of liquidity as of December 31, 2020

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

- Supports Farmer Mac’s guarantee obligations
- Farmer Mac has not utilized this line of credit



# *Interest Rate Risk*

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

- Duration and convexity alignment
- 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 duration and convexity alignment
- 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 Net Income to Core Earnings

<i>(in thousands)</i>	2020	Core Earnings by Period Ended			
		2019	2018	2017	2016
Net income attributable to common stockholders	\$ 89,176	\$ 93,650	\$ 94,898	\$ 71,300	\$ 64,152
Less reconciling items:					
(Losses)/gains on undesignated financial derivatives due to fair value changes	(3,691)	10,077	7,959	10,218	8,585
(Losses)/gains on hedging activities due to fair value changes	(10,019)	(9,010)	4,449	(719)	5,043
Unrealized gains/(losses) on trading assets	51	326	81	(24)	1,460
Amortization of premiums/discounts and deferred gains on assets consolidated at fair value	58	(122)	(461)	(1,327)	(849)
Net effects of terminations or net settlements on financial derivatives and hedging activities	1,236	1,089	1,708	2,674	2,178
Issuance costs on retirement of preferred stock	(1,667)	(1,956)	-	-	-
Re-measurement of net deferred tax asset due to enactment of new tax legislation	-	-	-	(1,365)	-
Income tax effect related to reconciling items	2,596	(496)	(2,885)	(3,788)	(5,746)
Sub-total	(11,436)	(92)	10,851	5,669	10,671
Core earnings	\$ 100,612	\$ 93,742	\$ 84,047	\$ 65,631	\$ 53,481

- 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.
- Issuance costs on retirement of preferred stock relates to the write-off of deferred issuance costs as a result of the retirement of Series A Preferred Stock and Series B Preferred Stock.



# *Farmer Mac Funding Program Overview*

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

- 30 approved dealers
- 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 30 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***

- Many 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 (NAIC): 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>	<i>Auction</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 request structure and sizes; Farmer Mac strives to fulfill each request.	Auction time, structures, and sizes sent to dealer group; lowest discount rate wins bonds.
<b><i>Typical Structures:</i></b>	1 week – 1 year	1 week – 1 year	1 week – 1 year
<b><i>Typical Sizes:</i></b>	\$5 – 250 million	\$5 – 250 million	\$5 – 250 million
<b><i>Settlement:</i></b>	Same day – 5 business days	Same day – 5 business days	Same day – 5 business days
<b><i>Issuance Frequency:</i></b>	Daily	As requested	Monthly



## Farmer Mac Medium-Term Note Program

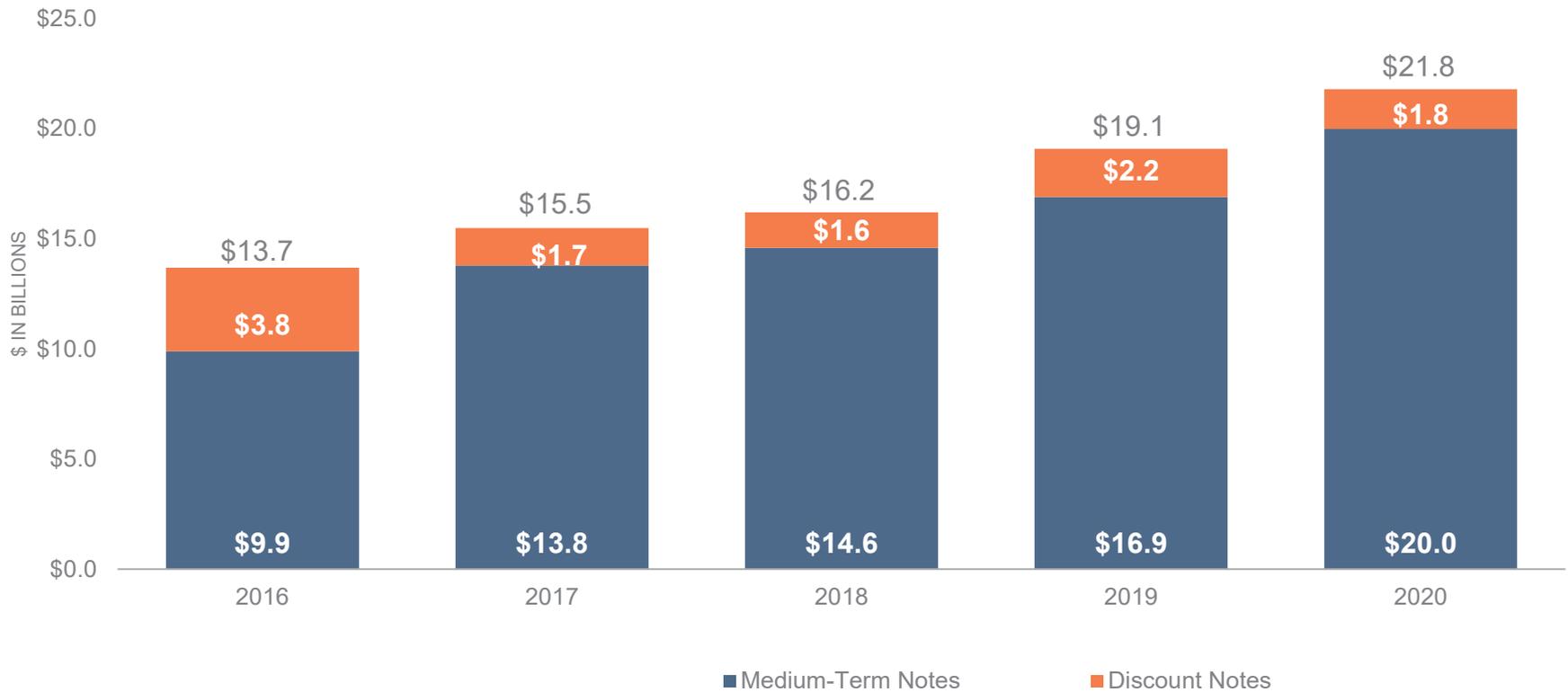
	<i>Postings</i>	<i>Reverse Inquiry</i>	<i>Auction</i>
<b><i>Description:</i></b>	Structures, sizes, and coupons are sent to dealer group; sizes are updated until offerings are closed.	Dealer/investor request structure and sizes; Farmer Mac strives to fulfill each request.	Auction time, structures, and sizes sent to dealer group; lowest UST spread wins bonds.
<b><i>Typical Structures:</i></b>	<ul style="list-style-type: none"> <li>Floating (SOFR, Fed Funds, LIBOR, T-bill, Prime) and Fixed Rate Bullets with maturities up to 30 years</li> <li>Callables (Fixed and Step Up/Down Rate) with flexible lockout and call features, with maturities of up to 30 years</li> </ul>	<ul style="list-style-type: none"> <li>Floating (SOFR, Fed Funds, LIBOR, T-bill, Prime) and Fixed Rate Bullets with maturities up to 30 years</li> <li>Callables (Fixed and Step Up/Down Rate) with flexible lockout and call features, with maturities of up to 30 years</li> </ul>	<ul style="list-style-type: none"> <li>Fixed Rate Bullets with maturities up to 30 years</li> <li>Callables (Fixed and Step Up/Down Rate) with flexible lockout and call features, with maturities of up to 30 years</li> </ul>
<b><i>Typical Sizes:</i></b>	\$5 – 250 million	\$5 – 250 million	\$5 – 250 million
<b><i>Settlement:</i></b>	5 – 20 business days	5 – 20 business days	5 – 20 business days
<b><i>Issuance Frequency:</i></b>	Daily	As requested	Weekly



## Farmer Mac Notes Program (Retail)

	<i>Bullet</i>	<i>Callable</i>
<b>Description:</b>	Coupon set on Monday, offering period closes following Monday.	Coupon set on Monday, offering period closes following Monday.
<b>Typical Structures:</b>	Fixed Rate with maturities up to 30 years	Fixed and Step Up Rate with flexible lockout and call features, with maturities up to 30 years
<b>Typical Sizes:</b>	Best Efforts	Best Efforts
<b>Settlement:</b>	3 business days	3 business days
<b>Survivor's Option:</b>	Yes	No
<b>Denominations</b>	\$1,000 x \$1,000	\$1,000 x \$1,000
<b>Settlement</b>	DTC Book Entry	DTC Book Entry
<b>Fiscal Agent</b>	U.S. Bank National Association	U.S. Bank National Association

# Farmer Mac Debt Outstanding



# Resources

**Footnote 1:** USDA Economic Research Service year end 2019 balance sheet (<https://data.ers.usda.gov/reports.aspx?ID=17835>).

**Footnote 2:** Farmer's Mac's total excludes loan purchases, LTSPCs, and AgVantage business with rural utilities customers. Market share represents Farmer Mac's percentage of only Farm Sector Real Estate Debt outstanding.

**Footnote 3:** Eligible ag real estate mortgage market structure shown includes the forecast for outstanding unpaid principal balance of first lien ag mortgage assets as of December 31, 2019.

**Footnote 4:** USDA, Economic Research Service forecast for remaining non-bank lenders for year-end 2019 on a prorated basis.

**Footnote 5:** USDA, Economic Research Service U.S. and State-Level Farm Income and Wealth Statistic (<https://www.ers.usda.gov/data-products/farm-income-and-wealth-statistics/data-files-us-and-state-level-farm-income-and-wealth-statistics/>)

**Footnote 6:** USDA, National Agricultural Statistics Service (as of August 2015). Historic values are not necessarily predictive of future results or outcomes.

**Footnote 7:** 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 June 2020).

**Footnote 8:** 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.

**Footnote 9:** Board of Governors of the Federal Reserve System charge-off rates (<https://www.federalreserve.gov/releases/chargeoff/>).

**Footnote 10:** Banks' charge-off rate is a percentage of agricultural loan assets.

**Footnote 11:** Farm Credit Banks Funding Corporation Annual Information Statements; Farm Credit System's charge-off rate is the percentage of total loans and guarantees.

**Footnote 12:** Farmer Mac's charge-off rate is the percentage of total loans and guarantees.

**Footnote 13:** USDA, Economic Research Service Global Drivers of Agricultural Demand and Supply, September 2014.

**Footnote 14:** Food and Agriculture Organization of the United Nations, "World Agriculture Towards 2030/2050," June 2012.



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