WE’RE THERE. AS SURE AS THE WIND BLOWS.

FARMER MAC

ANNUAL REPORT
2016
Farmer Mac has helped fund loans to over 76,000 rural borrowers in all 50 STATES, which has resulted in more than $43 BILLION of investments in rural America.

WE’RE THERE. As sure as the wind blows.

Farmer Mac is committed to serving the financial needs of our customers—in times of agricultural growth and just as faithfully during market downturns. As the ag market faces challenges, Farmer Mac remains steadfast in our mission of improving the financial strength of America’s rural communities.
In 2016, Farmer Mac continued to play a vital role in financing rural America by increasing the availability of credit to, and reducing the cost of capital for, the benefit of American agricultural and rural communities.

Our commitment to that mission has never been stronger or more important as the agriculture economy’s challenges extend into a fourth year.

Farmers' Mac’s portfolio is diversified both geographically and by commodity, and we believe it is well positioned to effectively manage the risks associated with commodity prices. Our reach extends across the United States, and is increasingly important in regions that reflect the immense diversification of the American agricultural economy. Accordingly, our portfolio is also diversified across a vast variety of commodities, from alfalfa to barley, almonds to apples, beans to dairy cattle, and over a hundred more. The breadth, strict underwriting, and profitability of our business is a core strength of Farmer Mac. We have cultivated a balanced portfolio designed to overcome regional market and commodity fluctuations to ensure that we can fulfill our mission in all market conditions and deliver strong financial results to our stockholders.

STRENGTH IN DIVERSITY
Farmer Mac's unique market position reflects our dedication to providing solutions to our customers, products, and portfolio—a diversity that helps to mitigate the inherent volatility of the agricultural markets.

Our broad customer base ranges from small community banks and Farm Credit System institutions to large banks and insurance companies and a large rural utilities cooperative. We offer a wide array of products and solutions to support the evolving, varied needs of these different groups. We understand that our customers—whether big or small—need access to low-cost credit and effective risk management tools. From new purchases to credit protection to wholesale financing, our flexible and efficient solutions help ensure that our customers, and, ultimately, rural communities, can grow and thrive. And by delivering effectively upon our mission, Farmer Mac and its stockholders are able to share in these returns.

Farmers’ Mac has shown itself to be a durable and vibrant part of the agricultural economy, and we are committed to being a trusted partner to rural America.
While the farm economy continued to contract in 2016, Farmer Mac was there, as always, with the right solutions to help farmers, ranchers, and residents of rural communities nationwide.

Ag producers are accustomed to market swings that test the resolve of the most resilient farm and ranch owners, but we’re here to help make those market fluctuations less of a challenge.

The 2016 farm economy has resulted in falling farm income, lower land values, fewer farm operations, and increased debt, placing strains on rural communities.

Ag lenders across the country use Farmer Mac’s flexible and diverse solutions to help mitigate the risks of tighter credit conditions resulting from a market downturn. Farmer Mac was created to extend capital and increase lending capacity in rural America, regardless of market conditions, and we deliver on that commitment every day.

The American agricultural community is a rich and diverse part of our country’s heritage. It has always shown itself to be a durable and resilient part of the economy, and Farmer Mac will continue to be there as a trusted partner.

Farmer Mac’s position in 2016

We continue to provide solutions to help lenders mitigate risk and increase access to capital in the face of challenging economic conditions.

U.S. ag economy in 2016

- **Net Farm Income**: $68.3 billion (down 15.6%)
- **Number of Farm Operations**: 2.1 million (down 0.4%)
- **Total Farm Assets**: $2.9 trillion (down 1.4%)
- **Total Farm Debt**: $375.7 billion (up 5.3%)
- **Total Outstanding Farm & Ranch Loan Purchase Volume**: ~$3.5 billion
- **Total Outstanding USDA Guaranteed Loan Purchase Volume**: ~$2.1 billion
- **Total Outstanding Rural Utilities Volume**: ~$1.9 billion
- **Total Outstanding Institutional Credit Volume**: ~$7.3 billion

Farmer Mac enjoys a unique position as our diverse solutions provide opportunities during both strong and weak markets, enabling lenders to help their borrowers grow, as well as manage risk, and provide low-cost capital to the rural credit market.
THE DIVERSITY OF OUR BUSINESS

OUR CUSTOMERS
From small, rural community banks to large ag financing institutions, Farmer Mac’s customers mirror the rural American landscape.

COMMERCIAL & COMMUNITY BANKS
NON-BANK LENDERS
INSURANCE COMPANIES
RURAL UTILITIES
AG FUNDS
FARM CREDIT SYSTEM INSTITUTIONS

OUR SOLUTIONS
Farmer Mac’s solutions reflect the sweeping scope of our customers’ needs and our core promise to be stalwart in the face of changing economic conditions.

WE PROCESSED 3,878 LOAN SUBMISSIONS IN 2016.
96% OF OUR CURRENT FARM & RANCH AND USDA GUARANTEED LOANS ARE TO FAMILY FARMS.
WE’VE UNDERWRITTEN 139 COMMODITIES FROM CATTLE TO CASABA MELONS.
1 IN 4 OF OUR LENDING PARTNERS HAVE USED MULTIPLE SOLUTIONS.

OUR DIVERSE FARM & RANCH PORTFOLIO

$20K TO $1B JUST LIKE OUR CUSTOMERS, OUR TRANSACTIONS VARY IN SIZE AND SCOPE FROM SMALL AGRICULTURAL MORTGAGE PURCHASES TO LARGE, SOPHISTICATED WHOLESALE FINANCING DEALS.

$1 BILLION
SECURITY BANK
OCTAGON AGRICULTURE, LLC
NORTHWEST

$9.5 BILLION
COLUMBIA BANK
SOUTHWEST

$2.7 BILLION
YOSEMITE FARM CREDIT, ACA
MID-NORTH

$1.8 BILLION
CAL COASTAL
MID-SOUTH

$104.0 MILLION
AG VENTURE FINANCIAL SERVICES, INC.
NORTHEAST

$477.0 MILLION
HNB NATIONAL BANK
NORTHEAST

$915.0 MILLION
RABO AGRIFINANCE, LLC
SOUTHEAST

$24.0 BILLION
METLIFE, INC.
SOUTHEAST

11% NORTHWEST
34% MID-NORTH
4% NORTHEAST

29% SOUTHWEST
16% MID-SOUTH
14% SOUTHEAST

FARMERS, RANCHERS, AND LENDERS IN 2,510 COUNTIES ACROSS THE COUNTRY HAVE BENEFITED FROM OUR FARM & RANCH AND USDA LOAN PURCHASE SOLUTIONS. THAT’S 80% OF U.S. COUNTIES!
MANY LENDERS IN RURAL AMERICA face a daunting challenge when competing against the wide array of financial products offered by other financial institutions. Farmer Mac helps even that playing field with solutions like FARM & RANCH LOAN PURCHASE and USDA GUARANTEED LOAN PURCHASE, equipping lenders with the ability to offer competitive rates and favorable terms from a broad suite of products.

Our solutions also help minimize credit risk and increase liquidity, affording our lenders the freedom to reallocate capital to the benefit of the farmers, ranchers, and residents of rural communities that we’re committed to supporting.

Our community bank has experienced significant growth over the past few years and Farmer Mac’s Loan Purchase solution has been an integral component of that success. Since becoming an approved seller in 2014 and offering Farmer Mac’s attractive loan products, we’ve acquired new clients we would not have otherwise secured.”

- **David Buman, Chief Lending Officer & SVP, TS Ag Finance, TS Banking Group**

**WHAT IS A LOAN PURCHASE?**

Farmer Mac purchases loans, as well as USDA-guaranteed portions of loans, from our approved lenders that are secured by first lien mortgages on eligible agricultural real estate assets. This solution provides attractive long-term financing at favorable rates, enabling lenders to not only maintain the borrower relationship, but also grow with their existing customers while attracting new ones.

**NEW FARM & RANCH AND USDA GUARANTEED LOANS PURCHASED INCREASED NEARLY 30% IN 2016 COMPARED TO THE PRIOR YEAR.**

**OUR COMPETITIVE RATES, TERMS, AND LOAN PRODUCTS MATCH TODAY’S FARMERS’ NEEDS. IN 2016, FARMER MAC PURCHASED AG REAL ESTATE LOANS OF UP TO $50 MILLION GROW WITH FARM CUSTOMERS.**

- We understand that timing is everything in farming, proven by our average Loan Purchase approval time of less than 2 DAYS.
- **30%** of Farmer Mac lenders locked in fixed rates between 10 and 30 years.
- **95%** of Farmer Mac’s ag real estate loans are up to $50 million.
- **650** of Farmer Mac’s approved lenders purchase ag real estate loans of up to $50 million.

**NEW FARM & RANCH AND USDA GUARANTEED LOANS PURCHASED INCREASED NEARLY 30% IN 2016 COMPARED TO THE PRIOR YEAR.**
MANAGING CREDIT RISK EFFECTIVELY is inexorably tied to a lender’s financial strength and opportunity for growth. Farmer Mac provides credit protection through products like our PURCHASE COMMITMENT to ensure lenders have the flexibility to mitigate credit risk and manage portfolio concentration while retaining loans on their balance sheets and maintaining direct customer relationships. This innovative financial tool provides our lenders peace of mind knowing they can expand along with their customer base.

ROGER STURDEVANT, EXECUTIVE VICE PRESIDENT - AGRIBUSINESS BANKING DIVISION
BANK OF THE WEST

Innovative financial solutions and quick credit decisions attracted Bank of the West to Farmer Mac. We now have the ability to leverage financial tools like Credit Protection that enable us to manage the credit risk associated with our large-scale farm operators who have significant lending needs.”

“What is a PURCHASE COMMITMENT?
The Purchase Commitment product allows lenders to obtain credit protection for eligible loans through Farmer Mac. If the loan goes into default, Farmer Mac commits to purchase, make good any effective portfolio risk management tools lenders use, such as obligor limits, capital relief, and commodity concentration.

Solution CREDIT PROTECTION

32,389 LOANS HAVE RECEIVED CREDIT PROTECTION SINCE THE PROGRAM STARTED IN 1999.

REDUCED REGULATORY RISK WEIGHTING
With Farmer Mac’s Purchase Commitment product, the capital risk weighting on a loan may drop from 100% to as little as 20%.

A PROVEN RISK MANAGEMENT TOOL FOR TODAY’S LENDERS TO HELP MANAGE LOAN LIMITS AND COMMODITY CONCENTRATIONS
In 2016, Farmer Mac completed over $840 MILLION in Rural Utilities and Farm & Ranch Purchase Commitment transactions.

SERVING THE NEEDS OF ALL CUSTOMERS, REGARDLESS OF SIZE
Lenders use Purchase Commitments to reduce reliance on loan participations and mitigate credit exposure.
BY LEVERAGING THE FULL POWER OF THEIR AG REAL ESTATE ASSETS, agricultural lenders, agribusinesses, and investment firms can access funding for a broad range of applications through Farmer Mac’s Wholesale Financing solutions. This distinct and valuable tool provides fast, efficient, and low-cost funding.

To meet the specific financing needs of our customers—from the expansion of farm operations to acquisitions to debt refinancing—Farmer Mac provides customizable solutions through innovative products such as AGVANTAGE.

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (CFC) was created to provide additional financing options to America’s electric cooperative network, effectively serving the diverse capital demands of the nation’s rural electric systems. These financing needs vary by regions, seasons, and market conditions, and thus the ability to access capital in flexible ways is critical.

Since 2005, CFC has relied on Farmer Mac’s suite of adaptive solutions, including LOAN PURCHASE, CREDIT PROTECTION, and WHOLESALE FINANCING as an additional source of funding for its members, ensuring they receive the most favorable interest rates and best financing terms available. As a private cooperative lender representing not-for-profit electric cooperatives, these savings are passed directly to the 18 million American farms, homes, businesses, and schools their members serve, helping to boost the economies of U.S. rural communities.

Our partnership with CFC exemplifies the value of our diverse financial solutions and its positive effect on rural America.
$17.4 BILLION

FARMER MAC’S OUTSTANDING BUSINESS VOLUME GROWTH REPRESENTS A 12.4% COMPOUND ANNUAL GROWTH RATE OVER THE LAST 17 YEARS.

$22 BILLION

OF CUMULATIVE FARM & RANCH LOANS, GUARANTEES, AND PURCHASE COMMITMENTS

IN CUMULATIVE LOSSES

0.16%

OUR HISTORICAL CREDIT LOSSES, WHICH EQUATE TO LESS THAN ONE BASIS POINT PER YEAR, CONTINUE TO DEMONSTRATE OUR LONG-STANDING FOCUS ON HIGH CREDIT QUALITY.
RECONCILIATION OF NET INTEREST INCOME AND NET YIELD TO NET EFFECTIVE SPREAD

($ in thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>Interest income/yield</th>
<th>Core earnings</th>
<th>Core earnings per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$84,378.00</td>
<td>$125,807.00</td>
<td>0.88%</td>
</tr>
<tr>
<td>2014</td>
<td>$84,378.00</td>
<td>$125,807.00</td>
<td>0.88%</td>
</tr>
<tr>
<td>2015</td>
<td>$84,378.00</td>
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<td>0.88%</td>
</tr>
</tbody>
</table>

Note: Non-GAAP financial measures, including core earnings and core earnings per share, are not prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). In addition to GAAP measures, Farmer Mac uses these non-GAAP financial measures, which Farmer Mac views as important supplemental information to finance managers, to help investors understand Farmer Mac’s core business. Farmer Mac uses non-GAAP financial measures to provide insight into core business performance and economic financial performance of Farmer Mac’s core business. Farmer Mac uses net interest income and net yield to net effective spread, which are non-GAAP financial measures, as a basis to compare core business performance to that of other companies. Farmer Mac does not believe that non-GAAP financial measures are comparable to similarly titled measures used by other companies. For a reconciliation of net interest income and net yield to net effective spread to the most directly comparable GAAP measure, see Farmer Mac’s Annual Report on Form 10-K. Farmer Mac’s Annual Report on Form 10-K is available, free of charge, on the Internet at www.continentalstock.com or by contacting Farmer Mac’s Secretary at Farmer Mac’s Corporate Headquarters.

INTEREST INCOME AND YIELD TO NET EFFECTIVE SPREAD

Farmer Mac uses net interest income and net yield to net effective spread as a basis to compare core business performance to that of other companies. Farmer Mac’s view net interest income and yield to net effective spread as key measures of core business performance. Farmer Mac’s view net interest income and yield to net effective spread as key measures of core business performance. As a result, Farmer Mac uses non-GAAP financial measures that may not be comparable to similarly titled measures used by other companies. Farmer Mac’s disclosure of non-GAAP financial measures is intended to provide investors with information that is useful in understanding and economic financial performance of Farmer Mac’s core business. Farmer Mac believes that net interest income and yield to net effective spread provide useful information to investors because they are not easily affected by fluctuations in the earnings or financial performance of Farmer Mac’s core business. Farmer Mac views net interest income and yield to net effective spread as useful performance measures because they exclude: (1) the amortization of premiums and discounts on assets, which is a non-cash item and therefore excludes the effects of fair value fluctuations; and (2) interest income and interest expense related to consolidated trusts with the underlying assets, which are non-cash items and therefore exclude the effects of fair value fluctuations. For a reconciliation of net interest income and net yield to net effective spread to the most directly comparable GAAP measure, see Farmer Mac’s Annual Report on Form 10-K. Farmer Mac’s Annual Report on Form 10-K is available, free of charge, on the Internet at www.continentalstock.com or by contacting Farmer Mac’s Secretary at Farmer Mac’s Corporate Headquarters.

FINANCIAL SERVICES

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Financing Rural America®