

*Fourth Quarter*

**FARMER  AC**

*Equity Investor  
Presentation*

*2016*

# 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 a number of 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. Some of these factors are identified and discussed in Farmer Mac's Annual Report on Form 10-K for the year ended December 31, 2016, filed with the U.S. Securities and Exchange Commission ("SEC") on March 9, 2017, which is also available on Farmer Mac's website ([www.farmermac.com](http://www.farmermac.com)). In light of 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, 2016, 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 contained 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.*

*Copyright © 2017 by Farmer Mac. No part of this document may be duplicated, reproduced, distributed, or displayed in public in any manner or by any means without the written permission of Farmer Mac.*



# Use of Non-GAAP Financial Measures

*This presentation is for general informational purposes only, is current only as of December 31, 2016, and should be read in conjunction with Farmer Mac's Annual Report on Form 10-K filed with the SEC on March 9, 2017. 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. These 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; and (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."*



# *Table of Contents*

- 05 Executive Summary**
- 13 Agricultural Industry Highlights**
- 22 Farmer Mac Overview**
- 33 Farmer Mac Financial Performance**
- 40 Appendix**





# *Executive Summary*

# Farmer Mac Overview

## Created in the 1980s to help provide a deeper credit market for rural America

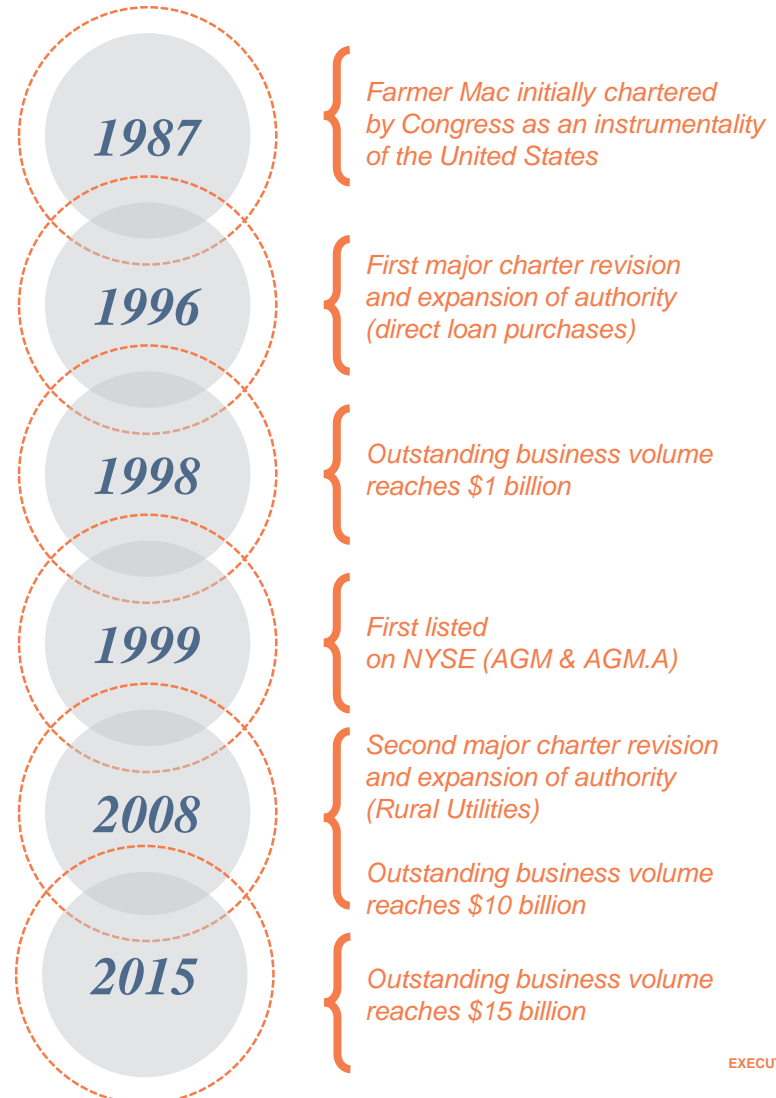
- Provide wholesale financing, secondary market and credit enhancements for agricultural and rural utilities lenders
- Increase access to credit and drive more efficient credit pricing for rural America
- Reduce rural credit market volatility by increasing liquidity and lending capacity for rural lenders

## Lines of business – focused on customers

- Farm & Ranch
- USDA Guarantees
- Rural Utilities
- Institutional Credit

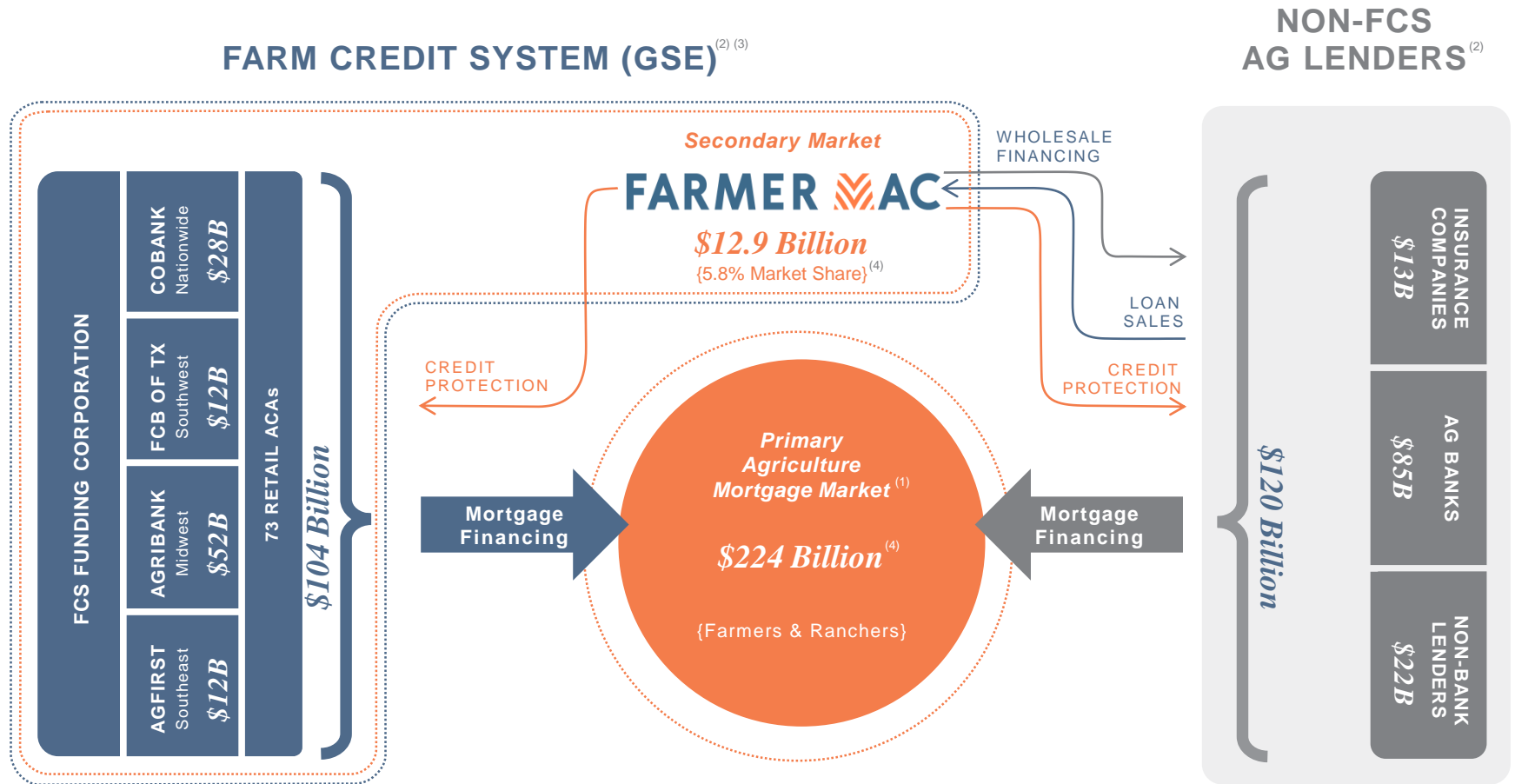
## Diverse product suite provided to customers

- Loan purchases
- Wholesale financing
- Credit protection



# Agricultural Real Estate Mortgage Market Structure <sup>(1)</sup>

AS OF DECEMBER 31, 2016



**FINANCIAL INVESTORS (Developing Market) | various institutional investors investing in agricultural assets (and seeking leverage)**

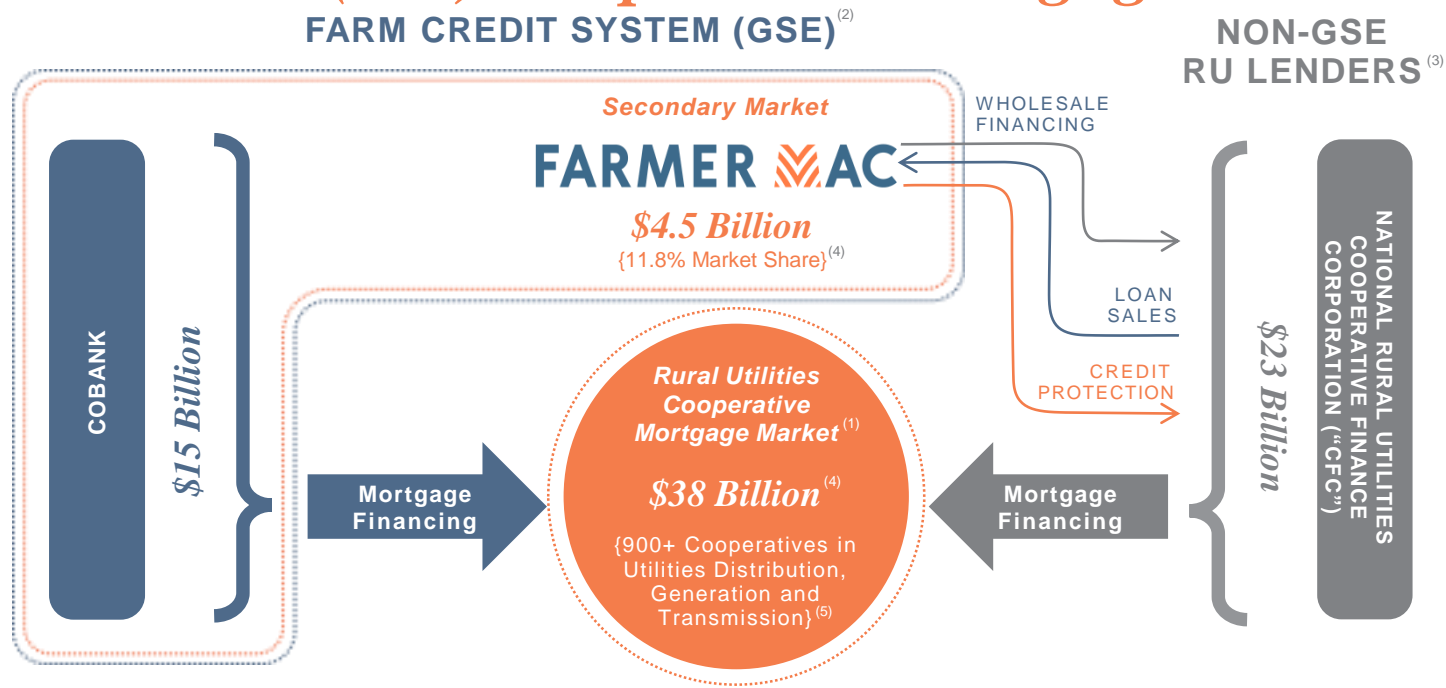
<sup>(1)</sup> Ag real estate mortgage market structure shown here includes only the forecast for outstanding unpaid principal balance of first lien ag mortgage assets as of December 31, 2016.

<sup>(2)</sup> Source: USDA, Economic Research Service, nominal dollars forecast for year-end 2016 on a prorated basis (as of February 2017).

<sup>(3)</sup> Source: Farm Credit Administration, Call Report Data on a prorated basis for year-end 2016 (as of December 2016).

<sup>(4)</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 secondary market business model.

# Rural Utilities (RU) Cooperative Mortgage Market<sup>(1)</sup>



## Market Opportunity

### Industry dynamics may lead to Farmer Mac growth opportunities

- Push toward higher Tier 1 capital and more duration-matched funding
- Opportunities to help CFC refinance debt away from other sources of rural utility credit
- Needs for longer term capital expenditures in response to regulatory policies

<sup>(1)</sup> RU cooperative mortgage market structure includes only the outstanding unpaid principal balance of first lien RU cooperative real estate mortgage assets.

<sup>(2)</sup> Source: CoBank 2015Q4 Financial Information, Energy Loan Portfolio nominal dollars as of December 31, 2015.

<sup>(3)</sup> Source: CFC 10-Q, nominal dollars as of November 30, 2016, Long-term Loans Table 6.

<sup>(4)</sup> Nominal dollars for 2016; Sum of FCS, non-GSE and Farmer Mac first lien RU cooperative real estate mortgage assets does not add up to the total due to the nature of Farmer Mac's secondary market business model.

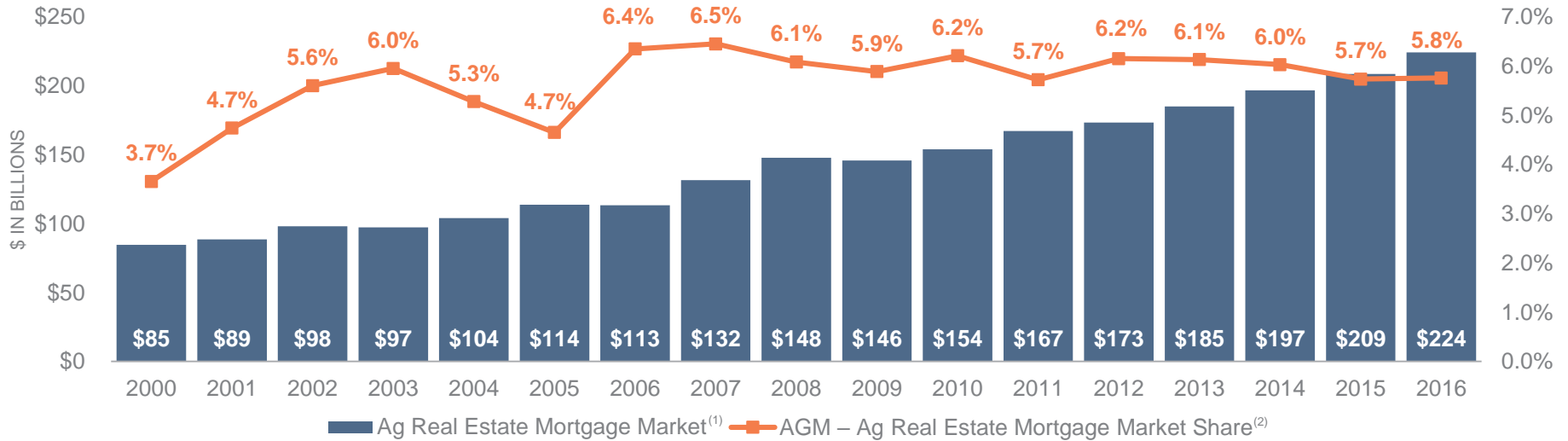
<sup>(5)</sup> Source: National Rural Electric Cooperative Association





# Ag Real Estate Mortgage Market and Farmer Mac

## Agricultural Real Estate Mortgage Market



## Farmer Mac Business Volume

\$ IN BILLIONS

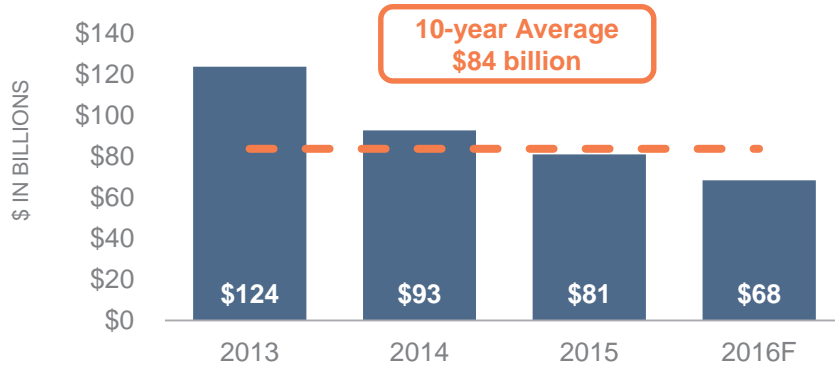
Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Agricultural Outstanding Business Volume <sup>(2)</sup>	\$3.1	\$4.2	\$5.5	\$5.8	\$5.5	\$5.3	\$7.2	\$8.5	\$9.0	\$8.6	\$9.6	\$9.6	\$10.7	\$11.4	\$11.9	\$12.0	\$12.9
Total Outstanding Volume	\$3.1	\$4.2	\$5.5	\$5.8	\$5.5	\$5.3	\$7.2	\$8.5	\$10.1	\$10.7	\$12.2	\$11.9	\$13.0	\$14.0	\$14.6	\$15.9	\$17.4

<sup>(1)</sup> Source: USDA, Economic Research Service, nominal dollars (as of February 2017).

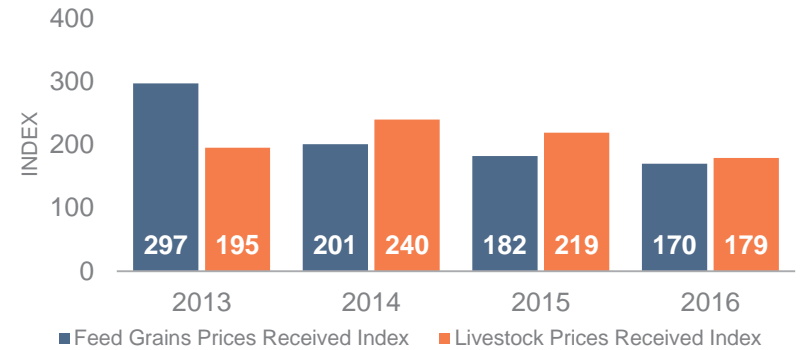
<sup>(2)</sup> Includes total outstanding balance of loan purchases, guarantees, and Long-Term Standby Purchase Commitments (LTSPCs) in the Farm & Ranch line of business, USDA Guarantees, and AgVantage securities secured by collateral eligible for the Farm & Ranch line of business; excludes all loan purchases, guarantees, and LTSPCs in the Rural Utilities line of business and AgVantage securities secured by collateral eligible for the Rural Utilities line of business.

# Agricultural Industry Dashboard

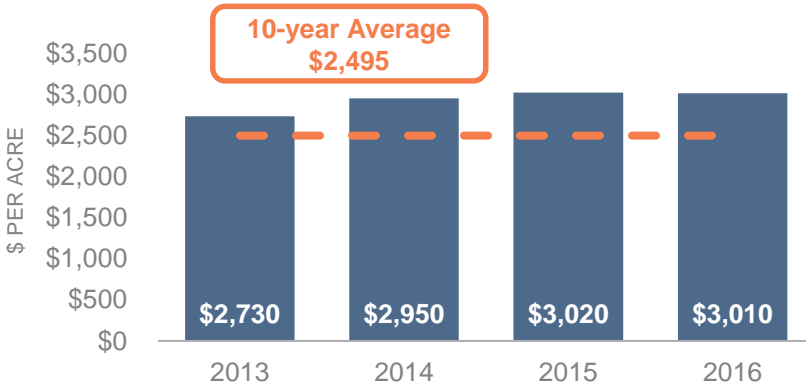
## Farm Income<sup>(1)</sup>



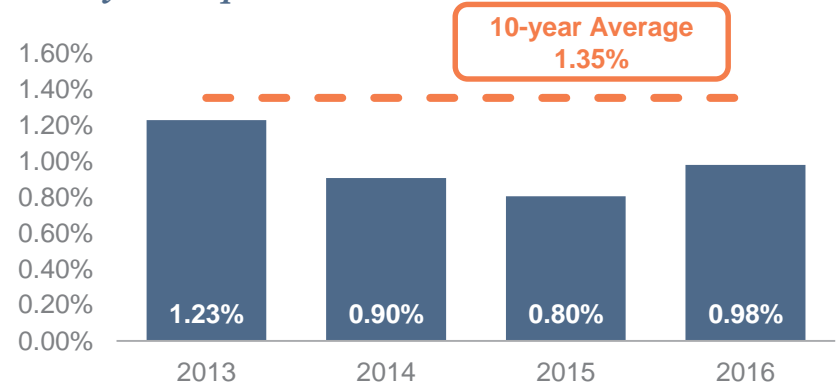
## Commodity Index<sup>(2)(3)</sup>



## Land Value<sup>(2)(4)</sup>



## 90-Day Delinquencies<sup>(5)</sup>



(1) Source: USDA, Economic Research Service, nominal dollars (as of February 2017).

(2) Source: USDA, National Agricultural Statistics Service, nominal dollars (as of March 2017).

(3) Commodity prices indexed according to 1999 base year as 100.

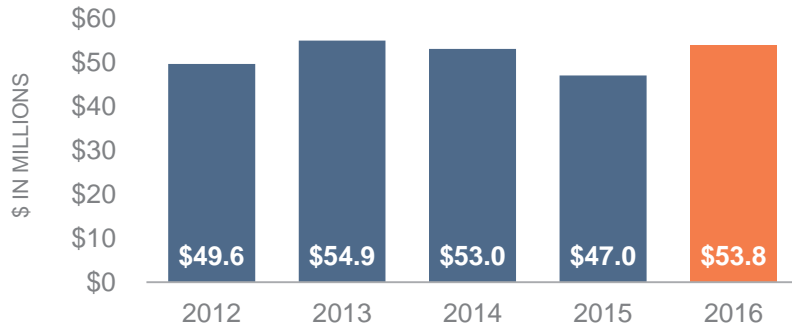
(4) Land values per acre include all farm and pasture land, irrigated and non-irrigated.

(5) Source: Kansas City Federal Reserve, Ag Finance Databook & 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 2017).

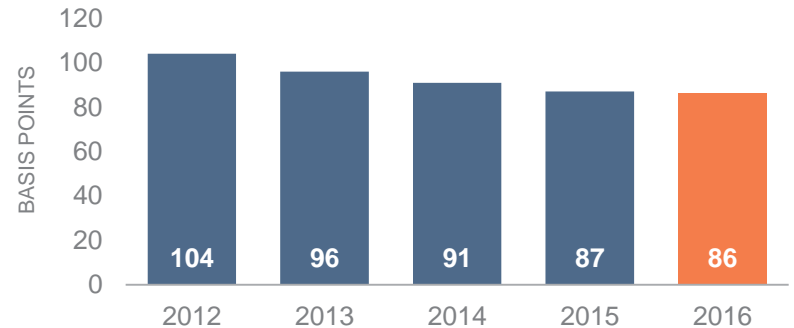


# Farmer Mac Dashboard

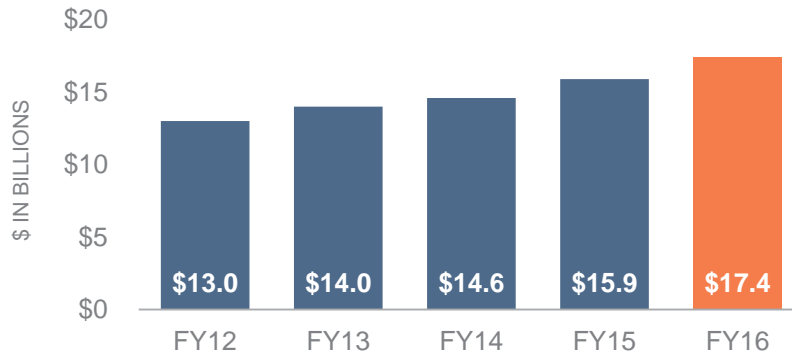
## Core Earnings<sup>(1)</sup>



## Net Effective Spread<sup>(1)</sup>

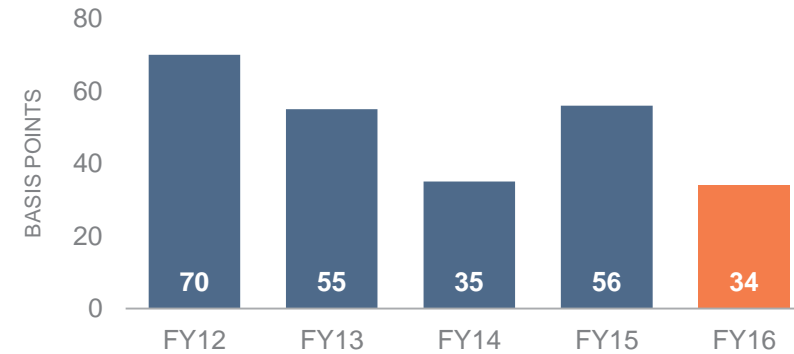


## Outstanding Business Volume



## 90-Day Delinquencies<sup>(2)</sup>

(Farm & Ranch Line of Business Only)



<sup>(1)</sup> Core earnings and net effective spread are non-GAAP measures. For a reconciliation of GAAP net income attributable to common stockholders to core earnings and a reconciliation of GAAP net interest income to net effective spread, please refer to pages 44 and 46 of the Appendix.

<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.



# Farmer Mac's Investment Highlights

## Quality Assets

- Rigorous underwriting standards
- Low delinquencies
- Low cumulative historical credit losses

## Funding Advantage

- Finance assets through issuance of low-cost public debt
- Issue at narrow, GSE spreads to U.S. Treasuries

## Growth Prospects

- Robust worldwide demand for agricultural products
- Increase market share through business development efforts
- Significant wholesale financing opportunities

## Operational Efficiency

- Overhead / outstanding business volume ~ 25 bps
- Outstanding business volume ~\$200 million per employee

## Consistent Returns

- Core earnings growth
- Annual core earnings return on equity ~ 15% to 20%
- Dividend policy targeted at growing payouts of core earnings to ~ 30% over the next several years





# *Agricultural Industry Highlights*

# *State of Agriculture – USDA Forecasts*<sup>(1) (2) (3)</sup>

## ***Grain prices fell again in 2016 due to record plantings/yields; livestock also under pressure***

- Ending stocks increased for most major grains due to another year of bumper production
- Grain exports increased by 1.4% despite a stronger dollar, driven by lower commodity prices
- All livestock and animal products sectors experienced lower prices due to large supplies and stiff foreign competition

## ***Farm income fell nearly 16% in 2016***

- This represents a decline in net farm income for the third consecutive year
- Another 9% decline is expected in 2017, driven by an additional year of tight prices

## ***Average inflation-adjusted U.S. agricultural real estate values decreased 1.6% in 2016***

- Corn Belt farmland values fell as much as 8% during 2016 as falling grain prices continued to pressure profitability
- Rest of U.S. land values remain stable to modestly increasing, led by demand in Pacific and Southern states
- Continued softening of land values in grain-heavy states likely in 2017

## ***Land sales transactions continue to slow with lower income and declining land values***

- However, demographic trend (average age of U.S. farmer >60 years) provides support of primary transaction volume

## ***California drought largely tempered by wet winter storms***

- Reservoirs and snow pack well above normal levels; soil moisture returning to normal
- Farmer Mac portfolio in Western states remained strong throughout drought conditions



<sup>(1)</sup> Source: USDA, National Agricultural Statistics Service, Nominal (current dollars) (as of February 2017).

<sup>(2)</sup> Source: USDA, Economic Research Service, Nominal (current dollars) (as of February 2017).

<sup>(3)</sup> Source: Federal Reserve Bank of Chicago Seventh District, Ag Credit Conditions Survey AgLetter (as of February 2017).

# Global Outlook<sup>(1)</sup>

## Demand

- USDA's Future Agricultural Resources Model (FARM) projects a **75% increase in total production and consumption of major field crops between 2005 and 2050**
  - 43% increase in global population
  - Higher protein diets as incomes in developing countries increase
- Thus significant "demand pull" for agricultural products

## Supply

- Very high rate of capacity utilization
  - Finite amount of arable farmland
  - Estimated that less than 10% of U.S. cropland is idle<sup>(2)</sup>
- **Thus, productivity would need to nearly double by 2050 to feed the world**



<sup>(1)</sup> Source: USDA, Economic Research Service Global Drivers of Agricultural Demand and Supply, September 2014.

<sup>(2)</sup> Source: USDA, Census of Agriculture; 2012

# *Farmer Mac's Unique Market Position*

***Farmer Mac enjoys a unique position, sharing in upside opportunity in strong markets and benefiting from downside protection and increased relative demand in weak markets***

## ***Strong Market – Farmer Mac can participate in the upside***

- Situation: Credit is healthy, transaction volumes are high, and capital is plentiful
- Impacts on Farmer Mac:
  - Farmer Mac can benefit from higher industry volumes and healthy credit
  - However, when farm income is high and capital is plentiful, the relative value of access to GSE capital may be marginally lower
  - Earnings can benefit from lower credit costs, but spreads may be tighter

## ***Weak Market – Farmer Mac can benefit from loss protection and increased demand due to tighter credit conditions***

- Situation: Declining farm income, land values and credit quality; less access to capital
- Impacts on Farmer Mac:
  - Farmer Mac can benefit from loss protection given its unique diversified geographic/commodity portfolio and its conservative underwriting standards
  - Farmer Mac can also benefit from the greater relative value of GSE capital in tighter credit market conditions
  - However, in bear markets, no entity will be immune to declining credit quality, although spreads may be more favorable



# Farmer Mac's Downside Protection

## **Conservative underwriting with significant focus on repayment strength and low LTVs**

- Total Debt Coverage (TDC) ratio of at least 1.25x
- Generally maximum LTVs of 60% to 70%, but in practice average 40% to 45% on mortgages purchased
- Require minimum borrower net equity of 50% across all agricultural assets
- Significant scrutiny given to property access and access to water, among other items

## **Farmer Mac credits less likely to default as compared to the broader industry**

- Farmer Mac is generally recognized as having the tightest credit requirements for ag mortgage loans
- Primary focus on repayment capacity through stressed input assumptions during underwriting process
- Farmer Mac is not a “lender of last resort”
- Farm Credit Administration is a strong safety and soundness regulator

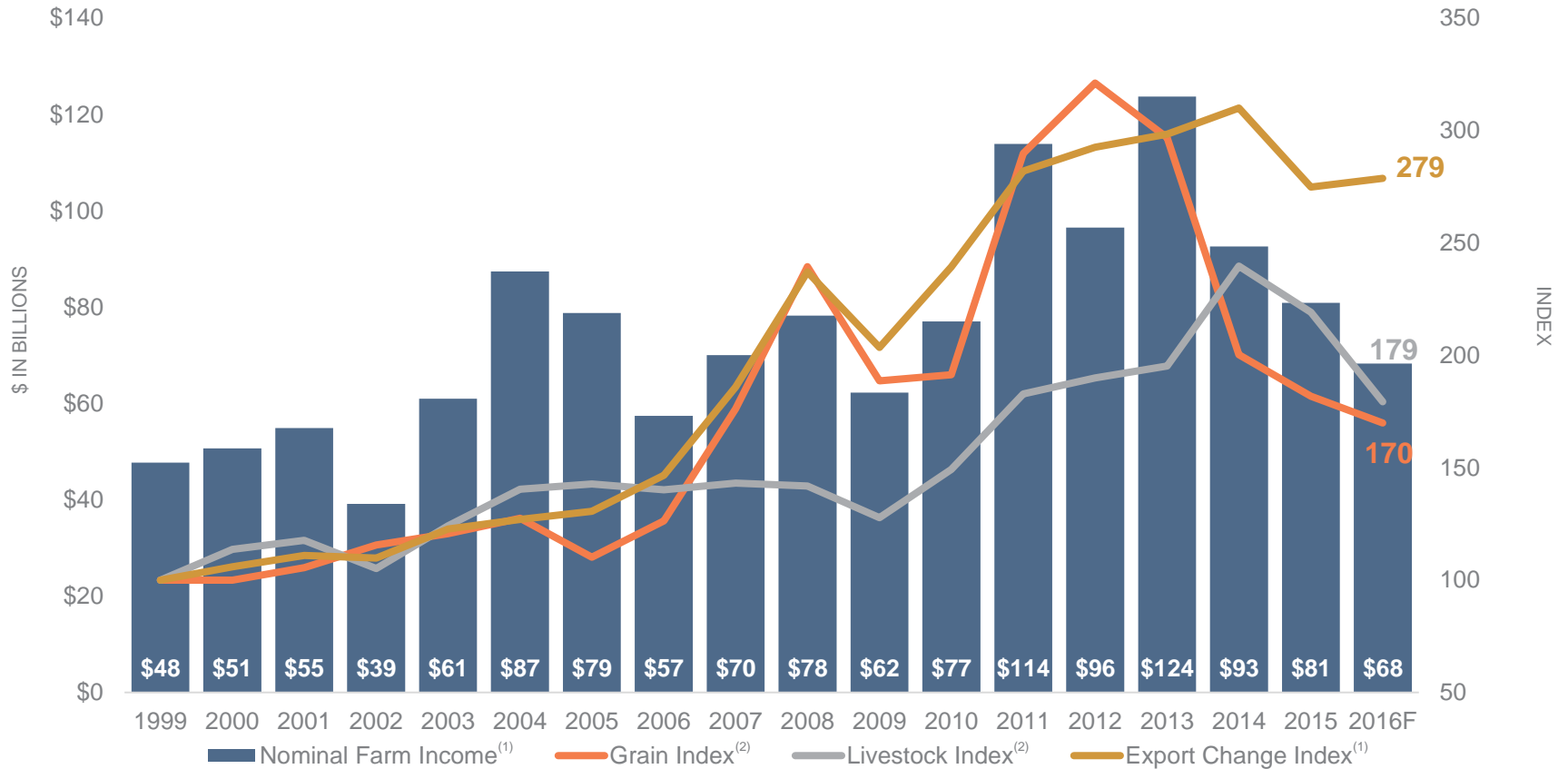
## **Farmer Mac credits less likely to incur losses even when a default occurs**

- “Expected losses” of farm asset values range from 0% to 30% for various commodity types in Farmer Mac’s base case scenario
- Farmer Mac’s “stress scenario losses” of farm asset values range from 17% to 50% for various commodity types
- Given Farmer Mac’s portfolio average LTV of 44% as of December 31, 2016, average farm asset value losses would need to be in excess of 56% to begin to generate the first dollar of loss to Farmer<sup>(1)</sup> Mac
  - The 1980s agricultural credit crisis saw land values decline approximately 23% from peak to trough



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

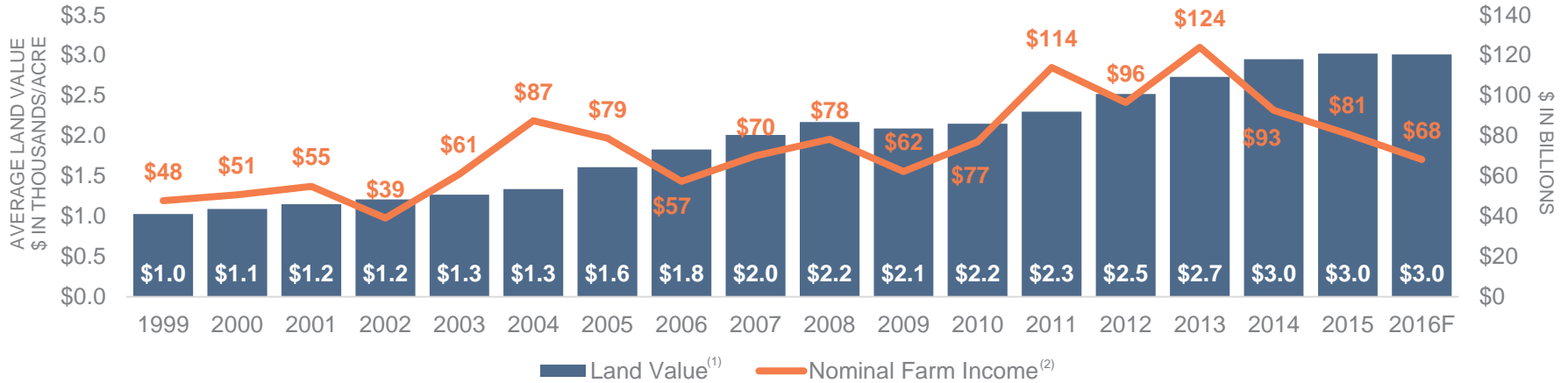
# Farm Income and Related Trends



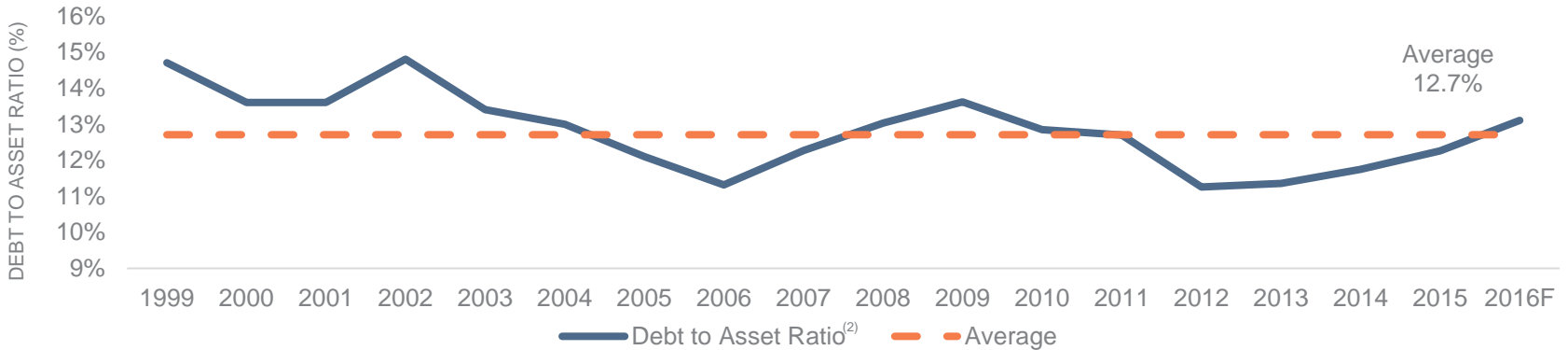
(1) Source: USDA, Economic Research Service, nominal dollars (as of February 2017).  
 (2) Source: USDA, National Agricultural Statistics Service; Indexed to 1999 as 100.

# Ag Land Value and Leverage Trends

## Ag Land Values



## Leverage



(1) Source: USDA, National Agricultural Statistics Service, nominals dollars, (as of February 2017); includes all farm and pasture land, irrigated and non-irrigated.

(2) Source: USDA, Economic Research Service, nominal dollars (as of February 2017).

# Agricultural Risk Management Tools

**Farmers today use a broad array of risk management tools, many of which were not available or not accepted during the ag credit crisis of the 1980s**

- Many now view costs of hedging simply as a cost of doing business
- Have learned from their parents' experiences in the 1980s
- Risk management includes revenue and cost protection and more sophisticated asset liability management

## Revenue Hedging

- Crop insurance – approximately 92% of planted acres to principal crops carry some form of crop insurance<sup>(1)</sup>
- Crop insurance premiums still federally subsidized and losses shared by the federal government
- Futures/forward sales – many producers use hedging instruments to sell grain crops forward at planting stage

## Cost Hedging

- Feed costs hedged with futures/forwards
- Fertilizer and fuel costs can be similarly hedged
- Water availability can be provided via “water banks” and secondary sources of water, e.g. wells
- Water costs can also be hedged with forward purchase agreements

**Debt service is better managed with low absolute leverage levels and better rate options**



<sup>(1)</sup> Source: USDA, Risk Management Agency 2016 Summary of Business, Net Acres Insured and USDA NASS 2016 Acreage Report

# USDA – Key 2017 Forecasts <sup>(1) (2) (3) (4)</sup>

## ***Demand for U.S. agricultural products to increase***

- Demographic trends and a stabilizing economy contributing to growth
- Lower commodity prices stimulating quantity demanded
- Total U.S. export values to increase 2% to \$136 billion led by greater interest in livestock, poultry, and dairy exports

## ***U.S. farm income to decline approximately 9% to \$62 billion in 2017***

- Grain prices remain range-bound at lower levels and livestock prices down on higher global supplies
- Input costs are stable to modestly declining
  - Increasing labor, interest, and fuel costs largely offset by declines in feed, animal, seed, and fertilizer costs

## ***Average U.S. ag land values expected to stay relatively flat to slightly down***

- Midwest most impacted with estimates ranging from 5% to 10% declines as compared to 2016 levels
- Rest of U.S. remains stable to modestly increasing – demand steady in non-grain producing regions

## ***Total U.S. agricultural mortgage market to grow 7% to \$240 billion in 2017***

(1) Source: USDA, National Agricultural Statistics Service, nominal dollars (as of March 2017).

(2) Source: USDA, Economic Research Service, nominal dollars (as of February 2017).

(3) Source: USDA, World Agricultural Supply and Demand Estimates Report, nominal dollars (as of February 2017).

(4) Source: USDA, Economic Research Service Trade Outlook (as of February 2017).





# *Farmer Mac Overview*

# Lines of Business and Products

AS OF DECEMBER 31, 2016

Product Type	Customers	Lines of Business				
		\$ IN BILLIONS AND PERCENTAGE OF TOTAL VOLUME				
		F & R	USDA	RU	IC	Total
<b>LOAN PURCHASES</b>	<ul style="list-style-type: none"> <li>• Ag Banks</li> <li>• Insurance Companies</li> <li>• Rural Utilities Cooperatives</li> </ul>	\$3.5 20%	\$2.1 12%	\$1.0 6%	--	\$6.6 38%
<b>WHOLESALE FINANCING</b>	<ul style="list-style-type: none"> <li>• Ag Banks</li> <li>• Insurance Companies</li> <li>• AgVantage</li> <li>• Farm Equity AgVantage</li> <li>• Ag Investment Funds</li> <li>• Production and Agribusiness Companies</li> <li>• Rural Utilities Cooperatives</li> </ul>	--	--	--	\$7.3 42%	\$7.3 42%
<b>CREDIT PROTECTION</b>	<ul style="list-style-type: none"> <li>• FCS Institutions</li> <li>• Ag Banks</li> <li>• Insurance Companies</li> <li>• Ag Investment Funds</li> <li>• Rural Utilities Cooperatives</li> <li>• Long-term Standby Purchase Commitments (LTSPCs)/ AMBS Guarantees</li> </ul>	\$2.6 15%	--	\$0.9 5%	--	\$3.5 20%
	<b>Total</b>	<b>\$6.1</b>	<b>\$2.1</b>	<b>\$1.9</b>	<b>\$7.3</b>	<b>\$17.4</b>

= Allowances and provisions recorded on these assets



# Business Development

<i>Product Type</i>	<i>Marketing Channel</i>	<i>Target Customers</i>
<b>AG LOAN PURCHASES AND CREDIT PROTECTION</b>	<ul style="list-style-type: none"> <li>• Marketing department with 5 relationship managers</li> <li>• Geographically dispersed nationwide</li> <li>• Cover ag banks and non-bank originators</li> <li>• Seek to add new ag lenders as eligible loan sellers for Farmer Mac</li> <li>• Seek to add customers utilizing LTSPCs</li> </ul>	<ul style="list-style-type: none"> <li>• Over 3,200 commercial banks with agricultural loans on-balance sheet (approximately 600 are currently sellers)<sup>(1)</sup></li> <li>• Special focus on large-cap ag banks</li> <li>• Farm Credit System (FCS)</li> <li>• Insurance company ag lenders</li> </ul>
<b>WHOLESALE FINANCING FOR RURAL LENDERS</b>	<ul style="list-style-type: none"> <li>• Director of Institutional Business Development</li> <li>• C-suite outreach to target firms</li> <li>• Attend industry conferences</li> </ul>	<ul style="list-style-type: none"> <li>• Insurance company ag lenders</li> <li>• Larger banks with ag mortgage portfolios</li> <li>• Rural utilities cooperative lenders</li> </ul>
<b>WHOLESALE FINANCING FOR INVESTORS IN AG ASSETS</b>	<ul style="list-style-type: none"> <li>• Same as Wholesale Financing for Rural Lenders</li> <li>• Paid deal sourcing relationships with industry contacts</li> <li>• Leverage capital markets relationships to identify ag funds and ag companies seeking low-cost wholesale financing</li> </ul>	<ul style="list-style-type: none"> <li>• Public or private ag investment funds (all structures)</li> <li>• Agricultural companies – production ag and agribusiness (for profit and cooperative)</li> </ul>
<b>RURAL UTILITIES LOAN PURCHASES AND CREDIT PROTECTION</b>	<ul style="list-style-type: none"> <li>• C-suite relationships</li> <li>• Credit department contacts</li> <li>• Capital markets relationship contacts</li> </ul>	<ul style="list-style-type: none"> <li>• National Rural Utilities Cooperative Finance Corporation (non-GSE)</li> <li>• CoBank (FCS GSE)</li> </ul>



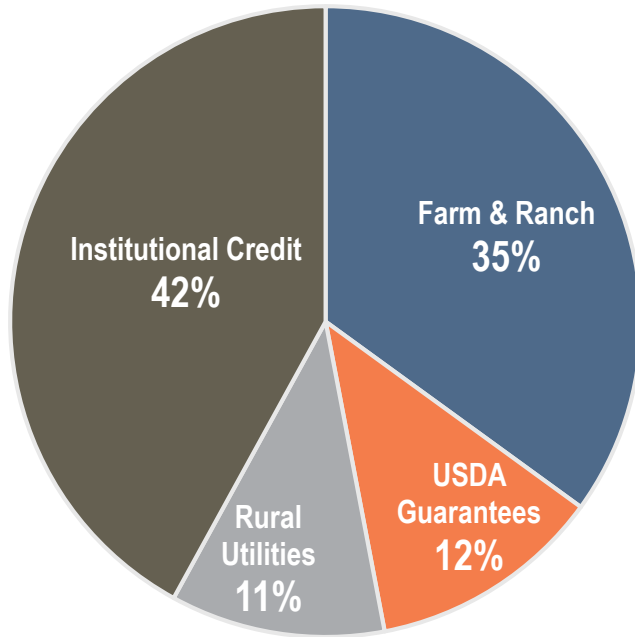
<sup>(1)</sup> Source: FDIC Statistics on Depository Institutions datasets (<https://www2.fdic.gov/sdi/index.asp>).



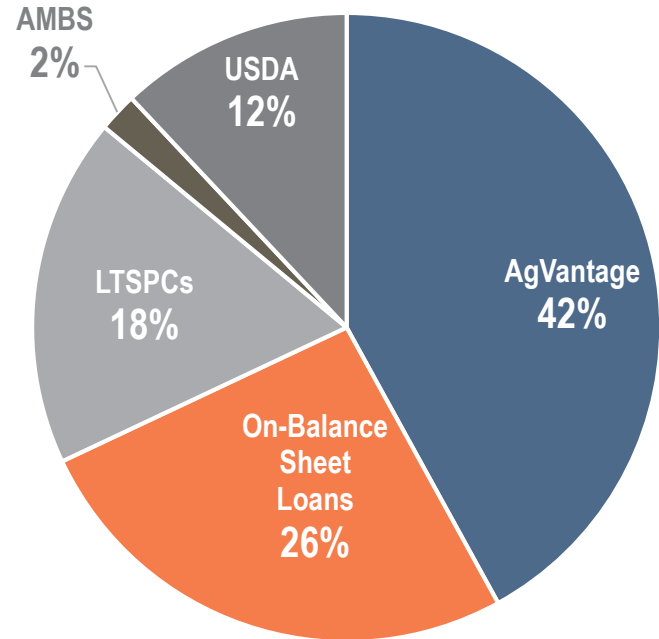
# Outstanding Volume - Portfolio Summary

AS OF DECEMBER 31, 2016

By Line of Business



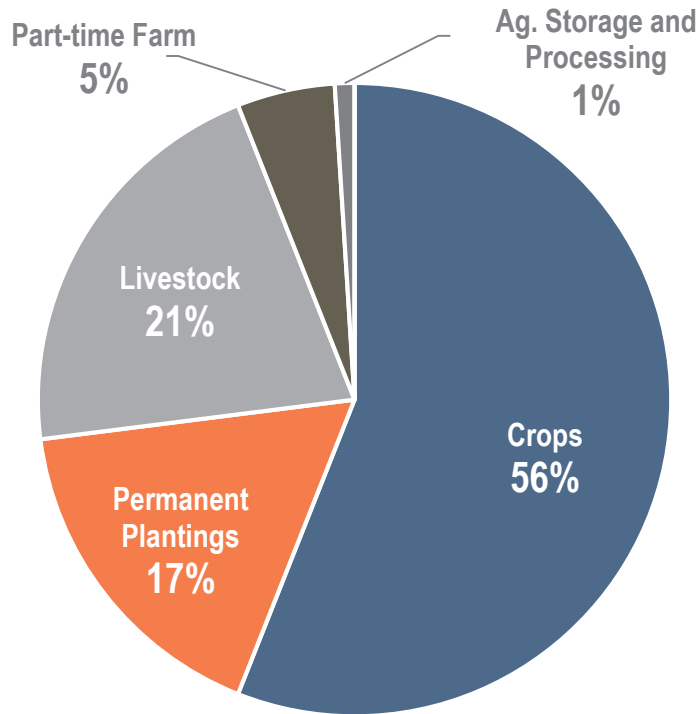
By Product Type



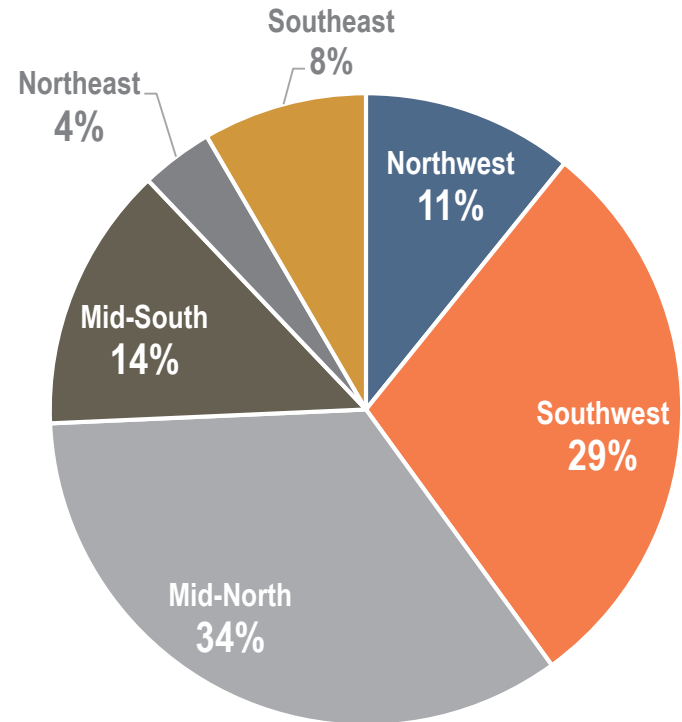
# Farm & Ranch Loans Portfolio Diversification<sup>(1)</sup>

AS OF DECEMBER 31, 2016

By Commodity Type



By Geographic Region



<sup>(1)</sup> Farm & Ranch portfolio includes on-balance sheet loans and LTSPCs.

# Core Earnings Value Drivers<sup>(1)</sup>

Core earnings are primarily a direct function of three key factors:

## Value Drivers

## Things to Consider

### BUSINESS VOLUME

- Macro supply/demand for ag credit
- Farmer Mac business development success
- Impact of potential credit quality shocks
- Impact of potential rate shocks

### NET EFFECTIVE SPREAD<sup>(1)</sup>

- Macro supply/demand for ag credit
- Absolute level of interest rates
- Business mix
- Delinquencies

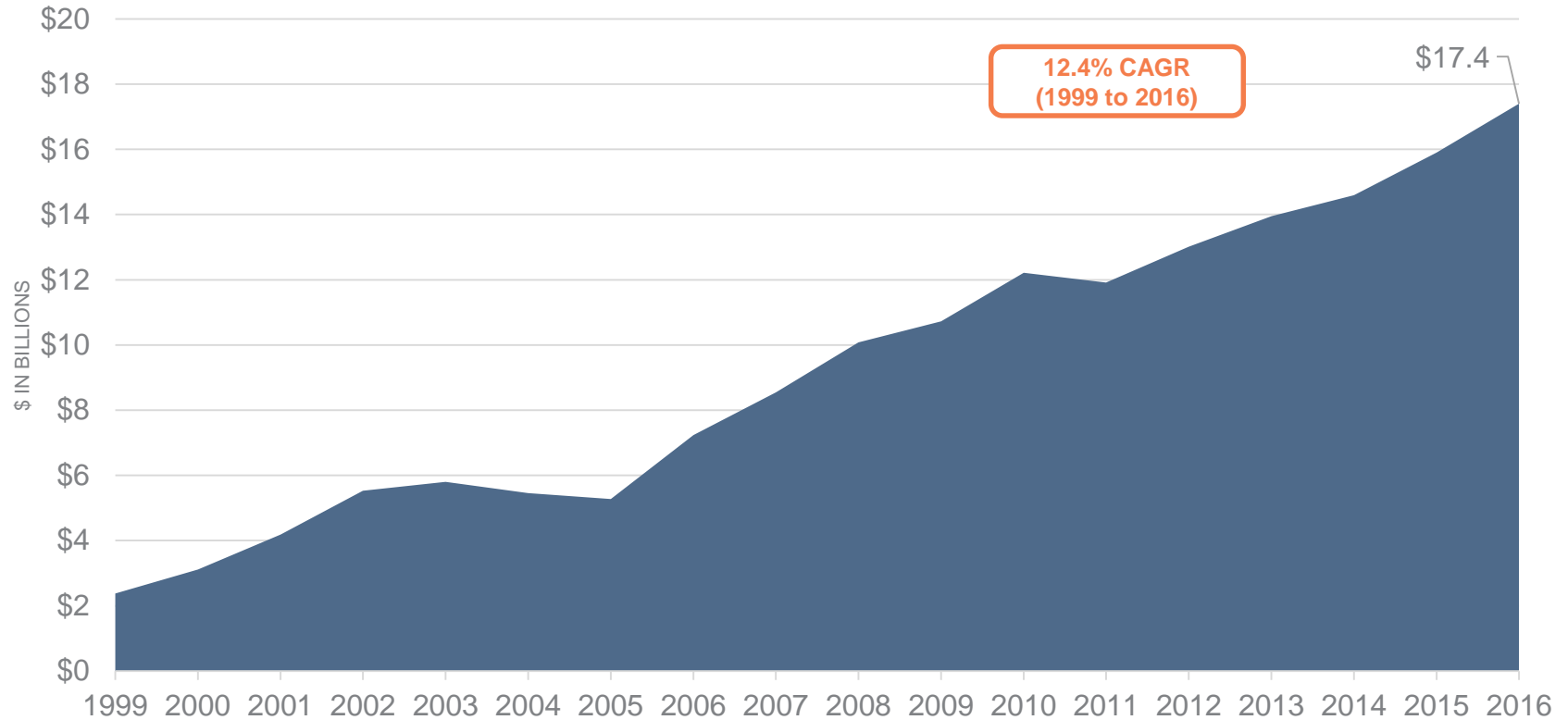
### CREDIT QUALITY

- Idiosyncratic borrower impacts: death in family, divorce, & disease
- Commodity price volatility
- Acts of nature: droughts, disease, etc.

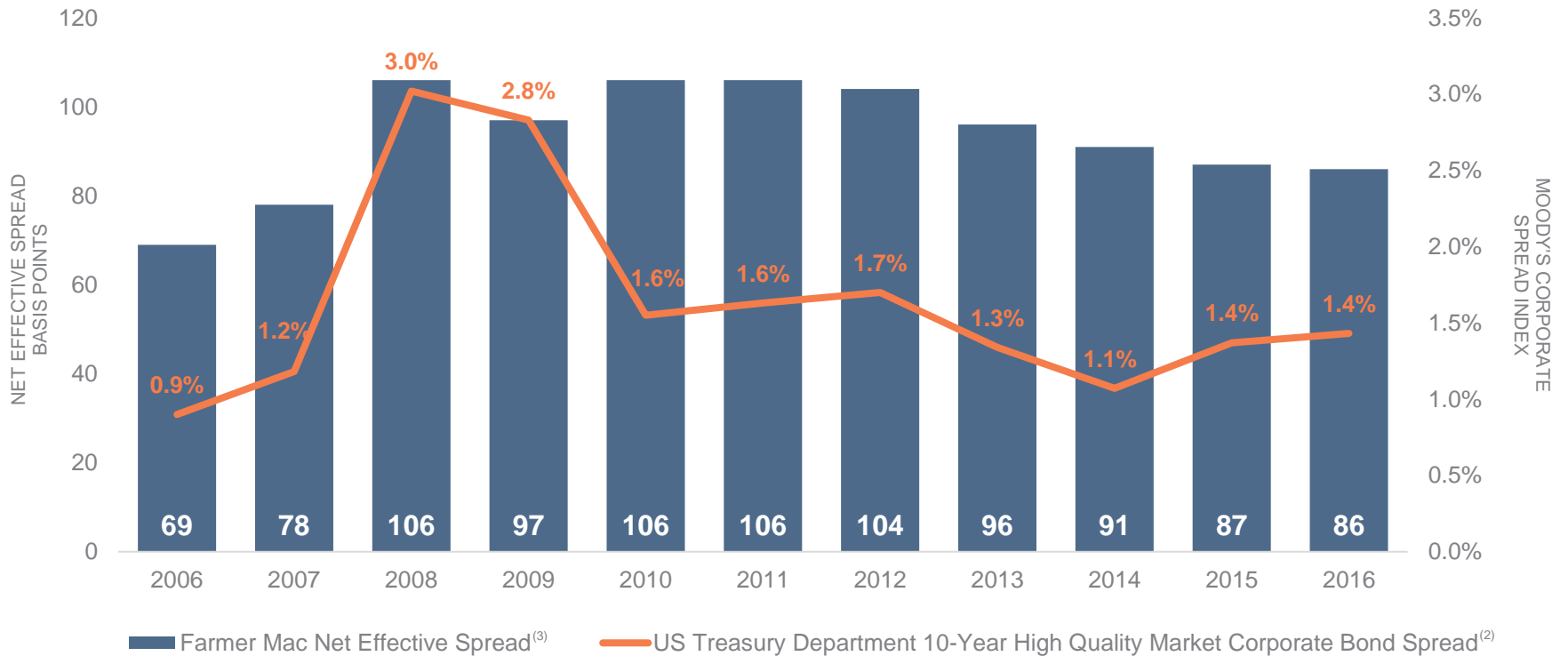


<sup>(1)</sup> Core earnings and net effective spread are non-GAAP measures. For a reconciliation of GAAP net income attributable to common stockholders to core earnings and a reconciliation of GAAP net interest income to net effective spread, please refer to pages 43-46 of the Appendix.

# Farmer Mac Outstanding Business Volume



# Farmer Mac Net Effective Spread <sup>(1)</sup>



<sup>(1)</sup> Net effective spread is a non-GAAP measure. For a reconciliation of GAAP net interest income to net effective spread, please refer to page 46 of the Appendix.

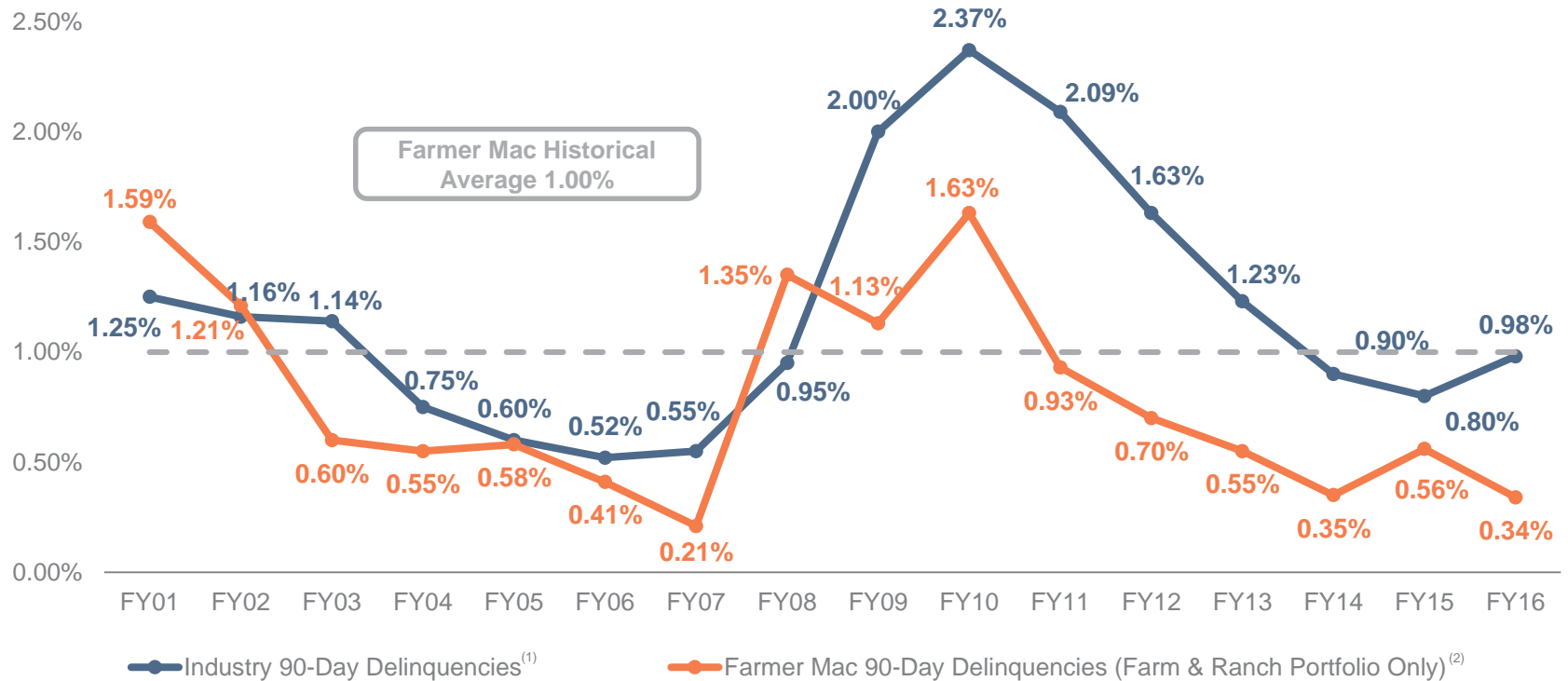
<sup>(2)</sup> Beginning Jan. 1, 2015, Farmer Mac classified all of the income from Farmer Mac Guaranteed Securities that it holds in its portfolio as interest income. Periods prior to 2011 have not been restated.

<sup>(3)</sup> Source: St. Louis Fed, Economic Database: Average 10-Year High Quality Market (HQM) Corporate Bond Par Yield – Average 10-Year Treasury CMT.



# Farmer Mac Credit vs. Industry

## 90-Day Delinquencies

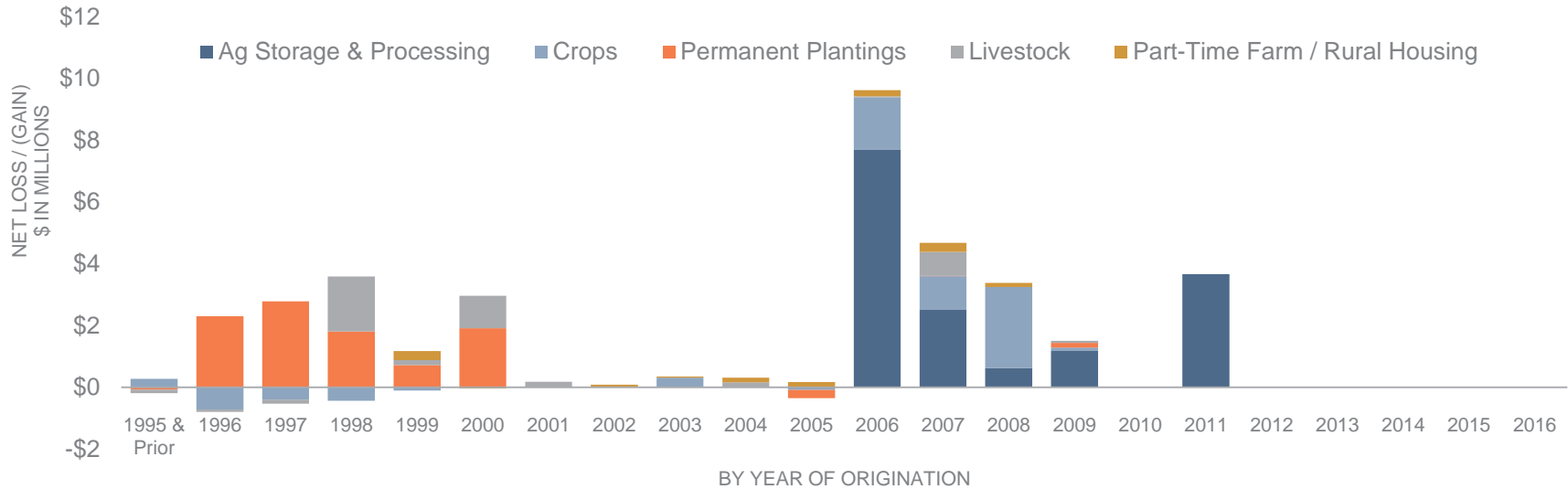


<sup>(1)</sup> Source: Kansas City Federal Reserve, Ag Finance Databook & Farm Credit Funding Corp Annual Information Statements – Non-accrual real estate loans and accruing loans that are 90 days or more past due made by commercial banks and Farm Credit System institutions; Farm Credit Data as of 2016Q4; Kansas City Fed data as of 2016Q3

<sup>(2)</sup> Delinquencies include loans held and loans underlying off-balance sheet Farm & Ranch Guaranteed Securities (excluding AgVantage 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.



# Farmer Mac – Historical Credit Losses



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

**Farm & Ranch line of business has historical cumulative losses of 0.16%, or less than 1bp per year**

- Cumulative losses of \$35 million on \$22 billion of cumulative historical business volume



# Funding

## Finance asset purchases with proceeds of debt issuances

- 20+ dealers
- Match-funding provides for stable net effective spread and immaterial interest rate risk

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

- 20% capital risk weighting
- Eligible collateral for Fed advances
- Legal investments for federally supervised financial institutions (banks, etc.)

## Debt Securities Trade at Narrow Spreads to Comparable Maturity Treasuries

MATURITY (YEARS)	1	3	5	10
SPREAD TO TREASURY (AS OF DECEMBER 31, 2016)	10 bps	13 bps	17 bps	58 bps







# *Farmer Mac Financial Performance*

# 2016 Financial Performance <sup>(1)</sup>

## **Net effective spread of \$125.1 million (86 bps) compared to \$119.4 million (87 bps) last year**

- Decrease in percentage terms primarily due to higher average balance in lower-earning investment securities and tighter spread on an AgVantage security refinanced in the first quarter
- Year-over-year increase in dollars attributable to growth in outstanding business volume

## **Core earnings of \$53.8 million (\$5.01 per diluted share), compared to \$47.0 million (\$4.15 per diluted share) in 2015**

- Year-over-year increase driven by higher total revenues, which included:
  - \$3.7 million after-tax increase in NES
  - \$1.3 million after-tax increase in guarantee and fee income

## **Total business volume of \$17.4 billion, an increase of \$1.5 billion from December 31, 2015**

- Purchased \$2.1 billion of AgVantage securities (+\$563 million net)
- Purchased \$966.0 million of Farm & Ranch loans (+\$556 million net)
- Added \$441.4 million of Rural Utilities loans under LTSPCs (+\$356 million net)
- Added \$399.1 million of Farm & Ranch loans under LTSPCs (-\$142 million net)
- Purchased \$375.2 million of USDA Securities (+\$78 million net)
- Issued \$106.1 million of Farmer Mac Guaranteed USDA Securities (+\$98 million net)
- Purchased \$50.5 million of Rural Utilities loans (-\$9 million net)

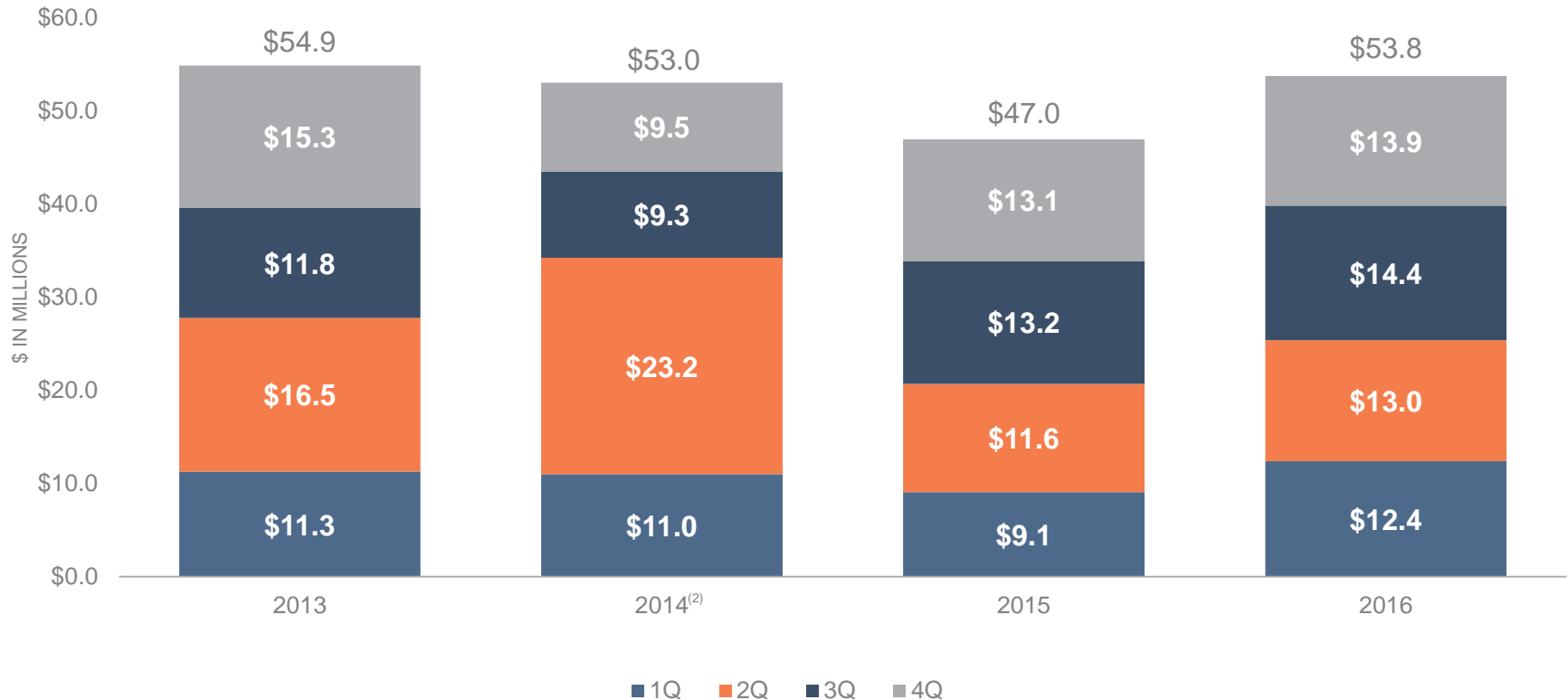
## **Credit Normalization**

- Substandard assets increased to \$165.2 million (2.7% of Farm & Ranch portfolio), compared to \$104.5 million (1.8% of Farm & Ranch portfolio) in 2015 (and compared to long-term average of ~4.0%)
- 90-day delinquencies of \$21.0 million (0.34% of Farm & Ranch loans), decrease from \$32.1 million (0.56% of Farm & Ranch loans) in 2015 (and compared to long-term average of ~1.0%)



<sup>(1)</sup> Core earnings, core earnings per share, and net effective spread are non-GAAP measures. For a reconciliation of GAAP net income attributable to common stockholders to core earnings and earnings per common share to core earnings per share, and a reconciliation of GAAP net interest income to net effective spread, please refer to pages 43-46 of the Appendix.

# Core Earnings (Non-GAAP Measure)<sup>(1)</sup>

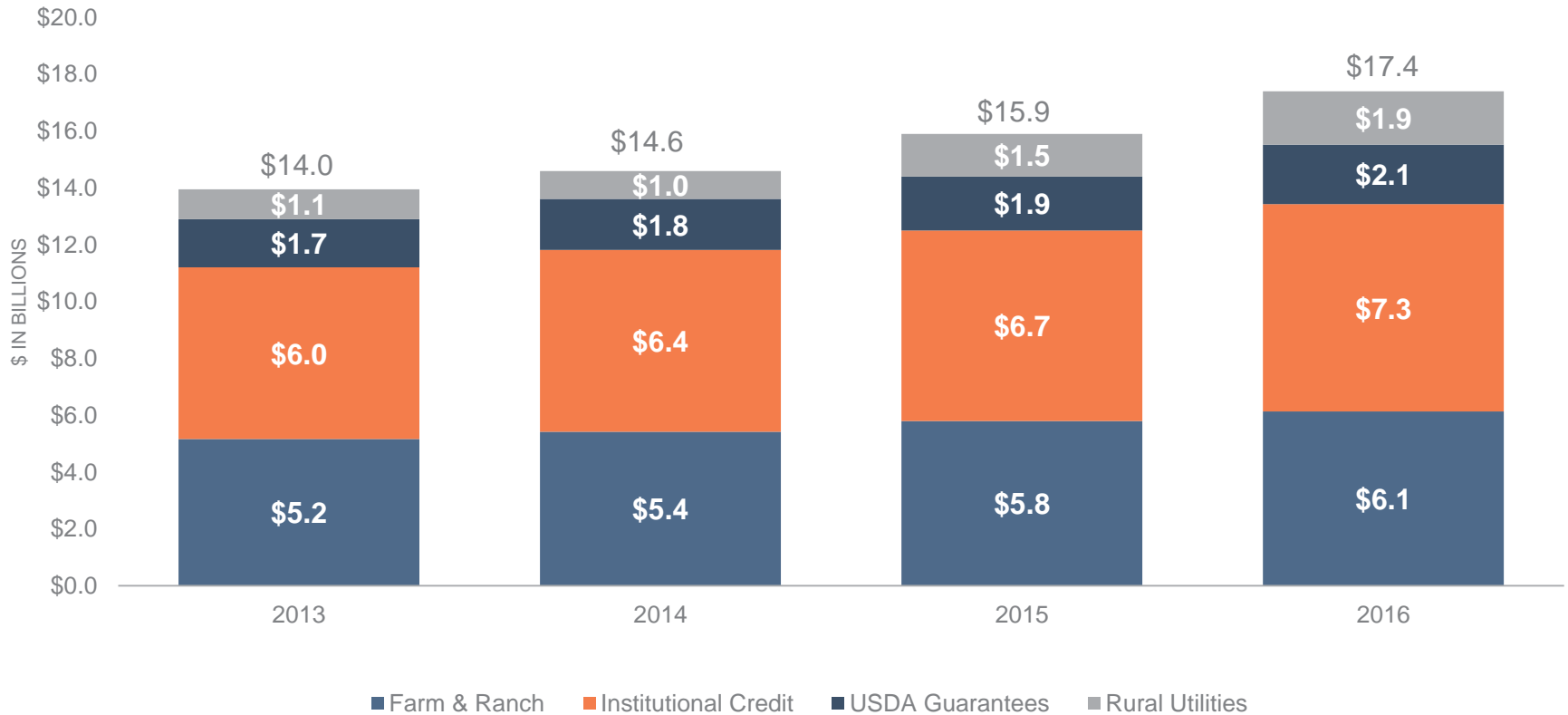


<sup>(1)</sup> For a reconciliation of GAAP net income attributable to common stockholders to core earnings, a non-GAAP financial measure, please refer to pages 43-44 of the Appendix.

<sup>(2)</sup> Core earnings for 2014 include the effects of the cash management and liquidity initiative implemented in second quarter 2014, and the capital structure initiative under which Farmer Mac issued \$150 million of preferred stock in advance of the planned March 30, 2015 redemption of all outstanding Farmer Mac II Preferred Stock and related Farm Asset-Linked Capital Securities (FALConS). Each of these initiatives have been described in Farmer Mac's prior SEC filings, including its Annual Reports on Form 10-K for the years ended December 31, 2014 and December 31, 2015, filed with the SEC on March 16, 2015 and March 10, 2016, respectively.



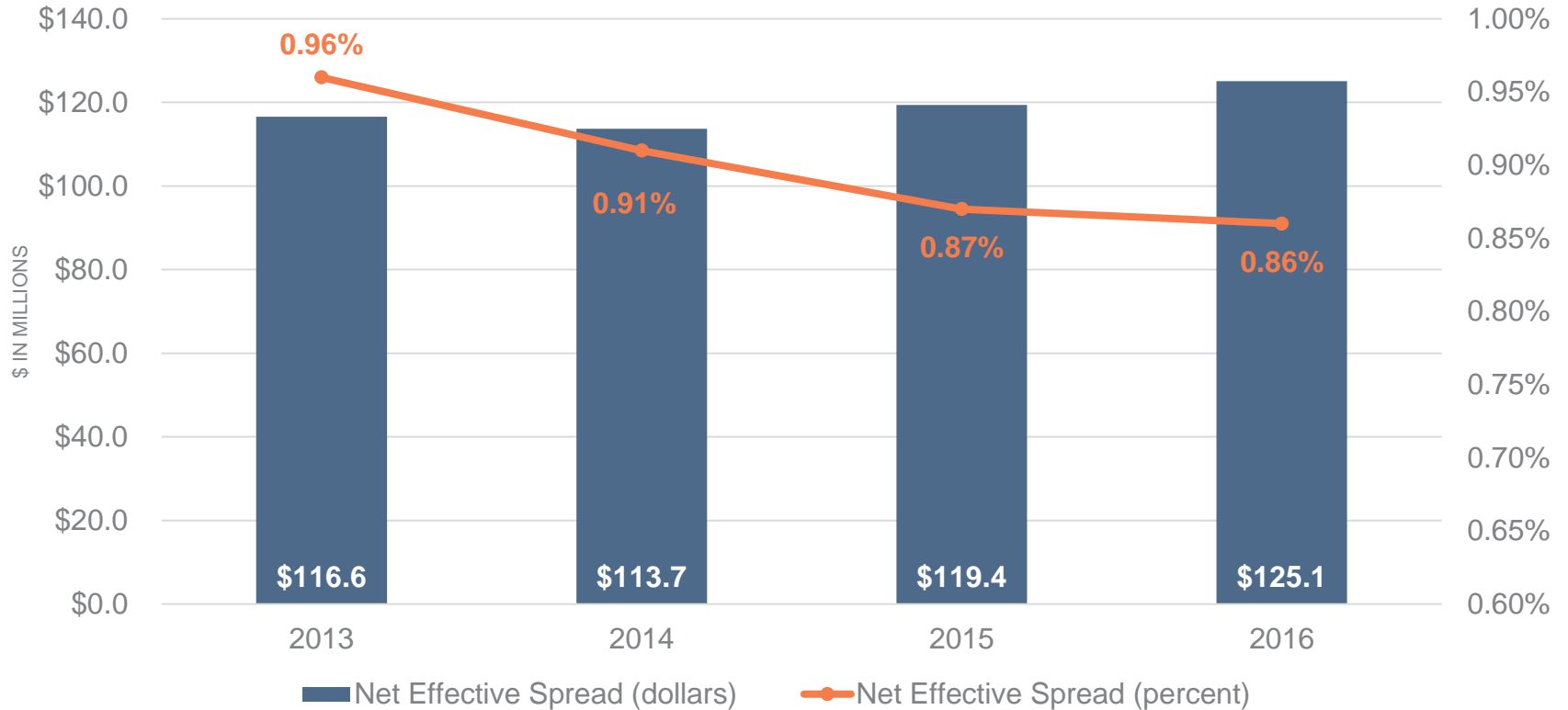
# Business Volume<sup>(1)</sup>



<sup>(1)</sup> Includes on- and off-balance sheet outstanding business volume.



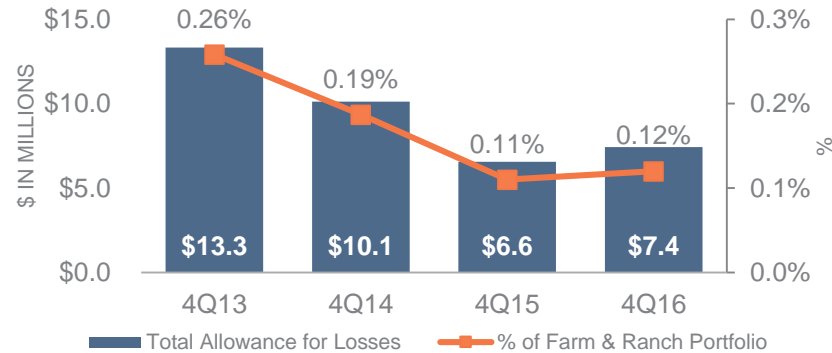
# Net Effective Spread (Non-GAAP Measure)<sup>(1)</sup>



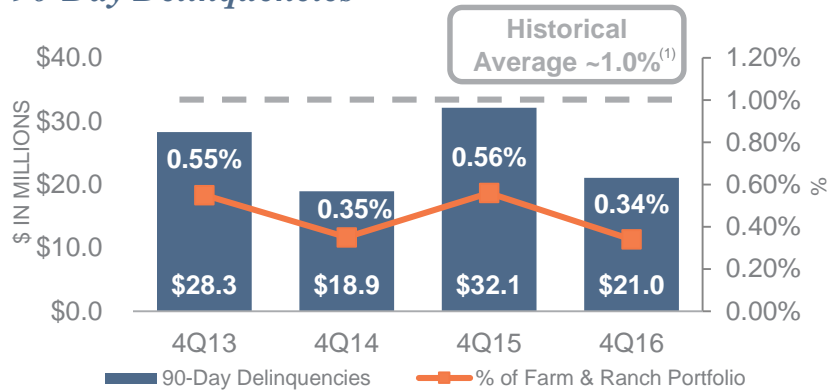
<sup>(1)</sup> For a reconciliation of GAAP net interest income to net effective spread, a non-GAAP financial measure, please refer to page 46 of the Appendix.

# Credit Metrics

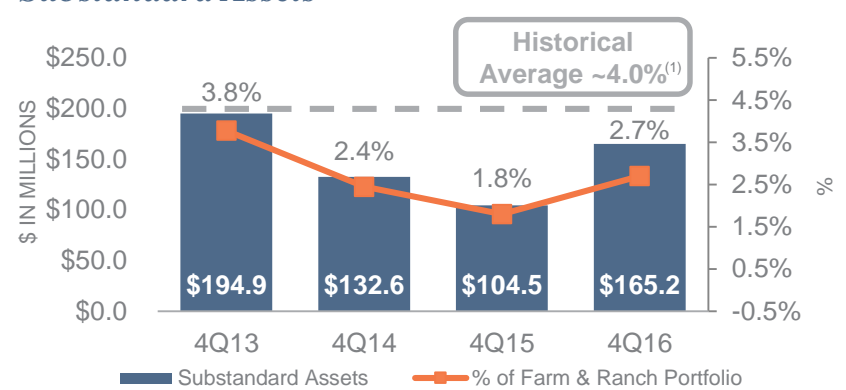
## Total Allowance for Losses



## 90-Day Delinquencies



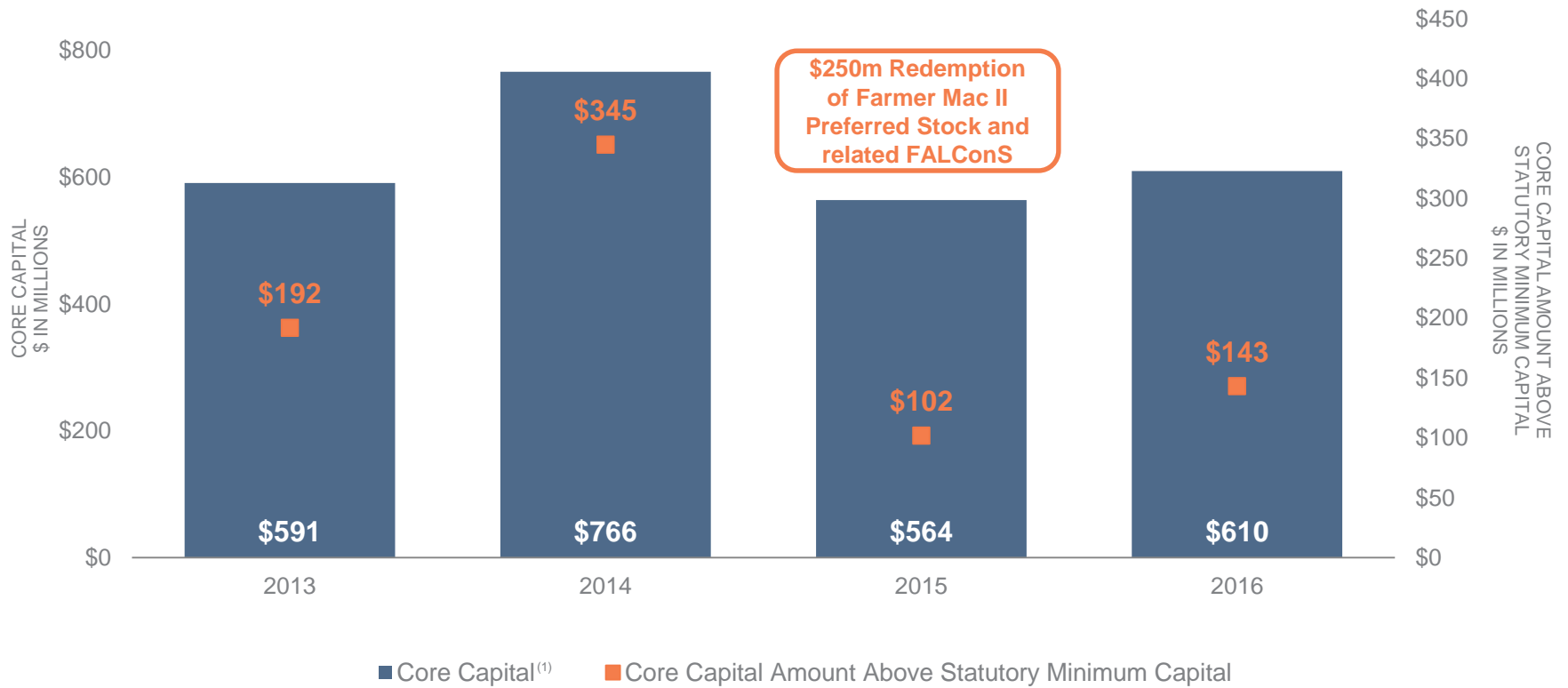
## Substandard Assets



<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*



# Key Company Metrics

(\$ in thousands, except per share amounts)	2016	2015	2014	2013	2012
Core Earnings <sup>(1) (2)</sup>	<b>\$53,791</b>	\$46,975	\$53,047	\$54,892	\$49,642
Core Earnings per Diluted Share <sup>(2)</sup>	<b>\$5.01</b>	\$4.15	\$4.67	\$4.90	\$4.51
Net Effective Spread (\$) <sup>(2)</sup>	<b>\$125,102</b>	\$119,380	\$113,693	\$116,582	\$117,190
Net Effective Spread (%) <sup>(2)</sup>	<b>0.86%</b>	0.87%	0.91%	0.96%	1.04%
Guarantee & Commitment Fees	<b>\$19,170</b>	\$17,155	\$16,780	\$16,591	\$15,989
Excess Regulatory Capital	<b>\$143,200</b>	\$102,400	\$345,000	\$192,200	\$145,000
Common Stock Dividends per Share	<b>\$1.04</b>	\$0.64	\$0.56	\$0.48	\$0.40
Outstanding Business Volume	<b>\$17,399,475</b>	\$15,898,820	\$14,597,758	\$13,950,312	\$13,015,188
90-Day Delinquencies – Farm & Ranch	<b>0.34%</b>	0.56%	0.35%	0.55%	0.70%
Charge-Offs	<b>\$130</b>	\$3,772	\$86	\$4,004	\$2,501
Book Value per Share <sup>(3)</sup>	<b>\$38.42</b>	\$33.66	\$29.76	\$26.68	\$20.52
Core Earnings Return on Equity	<b>14%</b>	14%	17%	22%	25%

<sup>(1)</sup> Core earnings for 2014 include the effects of the cash management and liquidity initiative implemented in second quarter 2014 and the capital structure initiative under which Farmer Mac issued \$150 million of preferred stock in advance of the planned March 30, 2015 redemption of all outstanding Farmer Mac II Preferred Stock and related FALConS. Each of these initiatives have been described in Farmer Mac's prior SEC filings, including its Annual Reports on Form 10-K for the years ended December 31, 2014 and December 31, 2015, filed with the SEC on March 16, 2015 and March 10, 2016, respectively.

<sup>(2)</sup> Core earnings, core earnings per share, and net effective spread are non-GAAP measures. For a reconciliation of GAAP net income attributable to common stockholders to core earnings and earnings per common share to core earnings per share, and a reconciliation of GAAP net interest income to net effective spread, please refer to pages 43-46 of the Appendix.

<sup>(3)</sup> Book Value per Share excludes accumulated other comprehensive income.



# Farmer Mac's Core Earnings History

	Core Earnings by Quarter Ended								
(\$ in thousands)	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14
<b>Revenues:</b>									
Net effective spread <sup>(1)</sup>	\$ 31,928	\$ 32,199	\$ 31,026	\$ 29,949	\$ 29,949	\$ 30,387	\$ 29,787	\$ 29,257	\$ 28,442
Guarantee and commitment fees	5,158	4,533	4,810	4,669	4,730	4,328	4,085	4,012	4,097
Other	1,189	(32)	(125)	(517)	(284)	(93)	(24)	(405)	(1,285)
Total revenues	38,275	36,700	35,711	34,101	34,395	34,622	33,848	32,864	31,254
<b>Credit related expense/(income):</b>									
Provision for/(release of) losses	512	(31)	458	63	(49)	(303)	1,256	(696)	(479)
REO operating expenses	-	-	-	39	44	48	-	(1)	48
(Gains)/losses on sale of REO	-	(15)	-	-	-	-	-	1	28
Total credit related expense/(income)	512	(46)	458	102	(5)	(255)	1,256	(696)	(403)
<b>Operating expenses:</b>									
Compensation and employee benefits	5,949	5,438	5,611	5,774	5,385	5,236	5,733	5,693	4,971
General and administrative	4,352	3,474	3,757	3,526	3,238	3,676	3,374	2,823	2,992
Regulatory fees	625	613	612	613	613	600	600	600	600
Total operating expenses	10,926	9,525	9,980	9,913	9,236	9,512	9,707	9,116	8,563
Net earnings	26,837	27,221	25,273	24,086	25,164	25,365	22,885	24,444	23,094
Income tax expense	9,581	9,497	8,956	8,444	8,855	8,924	8,091	6,692	4,858
Non-controlling interest	28	(18)	(16)	(28)	(60)	(36)	(119)	5,354	5,414
Preferred stock dividends	3,296	3,295	3,296	3,295	3,296	3,295	3,296	3,295	3,296
Core earnings <sup>(1)</sup>	\$ 13,932	\$ 14,447	\$ 13,037	\$ 12,375	\$ 13,073	\$ 13,182	\$ 11,617	\$ 9,103	\$ 9,526



# Reconciliation of Net Income to Core Earnings

(\$ in thousands)	Core Earnings by Quarter Ended									
	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	
Net income attributable to common stockholders	\$ 25,465	\$ 16,364	\$ 12,006	\$ 10,317	\$ 15,032	\$ 8,359	\$ 22,162	\$ 1,818	\$ 5,647	
Reconciling items:										
Unrealized gains/(losses) on financial derivatives and hedging activities	17,233	1,460	(2,076)	(2,989)	2,743	(6,906)	15,982	(895)	(5,719)	
Unrealized (losses)/gains on trading assets	(474)	1,182	394	358	696	(8)	170	362	1,044	
Amortization of premiums/discounts and deferred gains on assets consolidated at fair value	(40)	(157)	(371)	(281)	(263)	(117)	(125)	(814)	(1,247)	
Net effects of settlements on agency forward contracts	1,024	464	466	(255)	(162)	(390)	197	(252)	(46)	
Loss on retirement of Farmer Mac II LLC <sup>(1)</sup> Preferred Stock	-	-	-	-	-	-	-	(8,147)	-	
Income tax effect related to reconciling items	(6,210)	(1,032)	556	1,109	(1,055)	2,598	(5,679)	2,461	2,089	
Core earnings	\$ 13,932	\$ 14,447	\$ 13,037	\$ 12,375	\$ 13,073	\$ 13,182	\$ 11,617	\$ 9,103	\$ 9,526	



<sup>(1)</sup>The loss from retirement of the Farmer Mac II LLC Preferred Stock in first quarter 2015 has been excluded from core earnings because it is not a frequently occurring transaction and not indicative of future operating results. This is also consistent with Farmer Mac's previous treatment of these types of origination costs associated with securities underwriting that are capitalized and deferred during the life of the security.

# Reconciliation of Net Income to Core Earnings

<i>(in thousands)</i>	Core Earnings by Period Ended				
	2016	2015	2014	2013	2012
Net income attributable to common stockholders	\$ 64,152	\$ 47,371	\$ 38,251	\$ 71,833	\$ 43,894
Less reconciling items:					
Unrealized gains/(losses) on financial derivatives and hedging activities	13,628	10,924	(9,968)	45,181	6,654
Unrealized gains/(losses) on trading assets	1,460	1,220	1,596	(820)	308
Amortization of premiums/discounts and deferred gains on assets consolidated at fair value	(849)	(1,319)	(14,549)	(19,180)	(11,178)
Net effects of settlements on agency forward contracts	1,699	(607)	159	882	1,317
Lower of cost or fair value adjustments on loans held for sale	-	-	-	-	(5,943)
Loss on retirement of Farmer Mac II LLC Preferred Stock <sup>(1)</sup>	-	(8,147)	-	-	-
Income tax effect related to reconciling items	(5,577)	(1,675)	7,966	(9,122)	3,094
Core earnings	\$ 53,791	\$ 46,975	\$ 53,047	\$ 54,892	\$ 49,642



<sup>(1)</sup> The loss from retirement of the Farmer Mac II LLC Preferred Stock in first quarter 2015 has been excluded from core earnings because it is not a frequently occurring transaction and not indicative of future operating results. This is also consistent with Farmer Mac's previous treatment of these types of origination costs associated with securities underwriting that are capitalized and deferred during the life of the security.

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

	For the Three Months Ended			For the Year Ended	
	Dec-16	Sep-16	Dec-15	Dec-16	Dec-15
GAAP - Diluted EPS	\$ 2.38	\$ 1.54	\$ 1.35	\$ 5.97	\$ 4.19
Less reconciling items:					
Unrealized gains on financial derivatives and hedging activities	1.60	0.14	0.24	1.26	0.97
Unrealized (losses)/gains on trading assets	(0.04)	0.11	0.06	0.14	0.11
Amortization of premiums/discounts and deferred gains on assets consolidated at fair value	-	(0.01)	(0.02)	(0.08)	(0.12)
Net effects of settlements on agency forward contracts	0.10	0.04	(0.01)	0.16	(0.05)
Loss on retirement of Farmer Mac II LLC Preferred Stock <sup>(1)</sup>	-	-	-	-	(0.72)
Income tax effect related to reconciling items	(0.58)	(0.10)	(0.09)	(0.52)	(0.15)
Sub-total	1.08	0.18	0.18	0.96	0.04
Core Earnings - Diluted EPS	\$ 1.30	\$ 1.36	\$ 1.17	\$ 5.01	\$ 4.15



<sup>(1)</sup>The loss from retirement of the Farmer Mac II LLC Preferred Stock in first quarter 2015 has been excluded from core earnings because it is not a frequently occurring transaction and not indicative of future operating results. This is also consistent with Farmer Mac's previous treatment of these types of origination costs associated with securities underwriting that are capitalized and deferred during the life of the security.

# Reconciliation of Net Interest Income to Net Effective Spread

<i>(in thousands)</i>	Net Effective Spread by Period Ended										
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net interest yield	<b>0.90%</b>	0.88%	0.51%	0.89%	1.14%	1.30%	1.30%	1.68%	1.62%	0.85%	0.85%
Net effect of consolidated trusts	<b>0.03%</b>	0.01%	0.00%	0.00%	0.02%	0.06%	0.15%	0.00%	0.00%	0.00%	0.00%
Net effect of securities purchased under agreement to resell and securities sold, not yet purchased	<b>0.00%</b>	0.00%	0.35%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expense related to undesignated financial derivatives	<b>-0.08%</b>	-0.04%	-0.07%	-0.10%	-0.23%	-0.41%	-0.54%	-0.70%	-0.49%	0.00%	-0.07%
Amortization of premiums/discounts on assets consolidated at fair value	<b>0.01%</b>	0.02%	0.12%	0.17%	0.12%	0.12%	0.19%	0.00%	0.00%	0.00%	0.00%
Yield maintenance payments <sup>(1)</sup>	<b>0.00%</b>	0.00%	0.00%	0.00%	-0.01%	-0.01%	-0.04%	-0.01%	-0.07%	-0.07%	-0.09%
Net Effective Spread	<b>0.86%</b>	0.87%	0.91%	0.96%	1.04%	1.06%	1.06%	0.97%	1.06%	0.78%	0.69%

<sup>(1)</sup> Beginning in 2013, Farmer Mac no longer excluded yield maintenance payments.



# Farmer Mac's Net Effective Spread History<sup>(1)</sup>

(\$ in thousands)	Net Effective Spread by Business Segment											
	Farm & Ranch		USDA Guarantees		Rural Utilities		Institutional Credit		Corporate		Net Effective Spread <sup>(1)</sup>	
	Dollars	Yield	Dollars	Yield	Dollars	Yield	Dollars	Yield	Dollars	Yield	Dollars	Yield
For the quarter ended:												
<b>December 31, 2016</b>	<b>\$ 10,349</b>	<b>1.78%</b>	<b>\$ 5,334</b>	<b>1.08%</b>	<b>\$ 2,623</b>	<b>1.05%</b>	<b>\$ 11,627</b>	<b>0.78%</b>	<b>\$ 1,995</b>	<b>0.26%</b>	<b>\$ 31,928</b>	<b>0.89%</b>
September 30, 2016	10,703	1.90%	5,189	1.07%	2,643	1.05%	11,427	0.75%	2,237	0.24%	32,199	0.86%
June 30, 2016	9,875	1.78%	4,588	0.96%	2,562	1.03%	11,407	0.77%	2,594	0.29%	31,026	0.84%
March 31, 2016	9,461	1.71%	4,308	0.91%	2,538	1.02%	11,090	0.80%	2,552	0.26%	29,949	0.82%
December 31, 2015	9,381	1.72%	4,518	0.96%	2,845	1.14%	10,899	0.80%	2,306	0.26%	29,949	0.85%
September 30, 2015	9,628	1.80%	4,630	0.99%	2,907	1.18%	11,271	0.81%	1,951	0.25%	30,387	0.88%
June 30, 2015	9,681	1.82%	4,466	0.98%	2,838	1.18%	10,860	0.78%	1,942	0.25%	29,787	0.88%
March 31, 2015 <sup>(2)</sup>	10,114	1.97%	4,225	0.95%	2,804	1.15%	10,425	0.77%	1,689	0.20%	29,257	0.86%
December 31, 2014	8,682	1.71%	5,250	1.19%	2,908	1.18%	9,870	0.78%	1,732	0.26%	28,442	0.91%

<sup>(1)</sup> Net effective spread is a non-GAAP measure. For a reconciliation of GAAP net interest income to net effective spread, please refer to page 46 of the Appendix.

<sup>(2)</sup> Beginning in first quarter 2015, Farmer Mac revised its methodology for interest expense allocation among the Farm & Ranch, USDA Guarantees, and Rural Utilities lines of business. As a result of this revision, a greater percentage of interest expense has been allocated to the longer term assets included within the USDA Guarantees and Rural Utilities lines of business. Net effective spread for periods prior to the quarter ended March 31, 2015 does not reflect this revision.



# Liquidity – Investment Portfolio

AS OF DECEMBER 31, 2016

**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

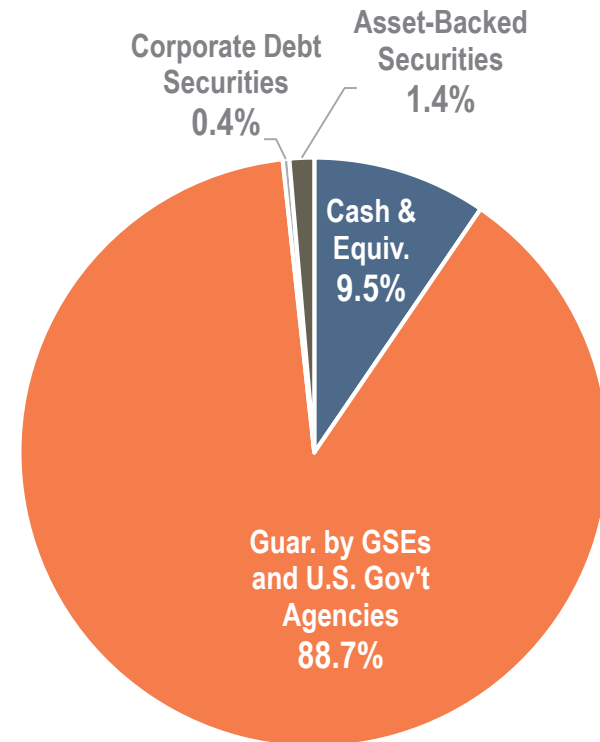
**\$2.8 billion investment portfolio at December 31**

- Cash and highly-rated investment securities
- Conservative portfolio goals
  - Minimize exposure to market volatility
  - Preservation of capital
  - Ready access to cash
- Provided 165 days of liquidity as of December 31, 2016

**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 Interest Income (NII) Sensitivity
- Measure these sensitivities' impact on various capital metrics



# Three Classes of Common Stock

## Number of Shares

---

### CLASS A VOTING COMMON STOCK

- NYSE: AGM.A
- Ownership restricted to non-Farm Credit System financial institutions

1.0 million

---

### CLASS B VOTING COMMON STOCK

- Not publicly traded
- Ownership restricted to Farm Credit System institutions

0.5 million

---

### CLASS C NON-VOTING COMMON STOCK

- NYSE: AGM
- No ownership restrictions

9.0 million

---



# Three Classes of Preferred Stock

## Number of Shares

### SERIES A NON-CUMULATIVE PREFERRED STOCK

- NYSE: AGM.PR.A
- Dividend Yield: 5.875%\*\*
- Option to redeem at any time on or after January 17, 2018
- Redemption Value: \$25 per share

2.4 million

### SERIES B NON-CUMULATIVE PREFERRED STOCK

- NYSE: AGM.PR.B
- Dividend Yield: 6.875%\*\*
- Option to redeem at any time on or after April 17, 2019
- Redemption Value: \$25 per share

3.0 million

### SERIES C FIXED-TO-FLOATING NON-CUMULATIVE PREFERRED STOCK

- NYSE: AGM.PR.C
- Dividend Yield: 6.000%\*\*
- Option to redeem at any time on or after July 18, 2024
- Redemption Value: \$25 per share

3.0 million

\*\*Par value annual dividend yield

