

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

FARMER  MAC

ANNUAL REPORT

*2016*

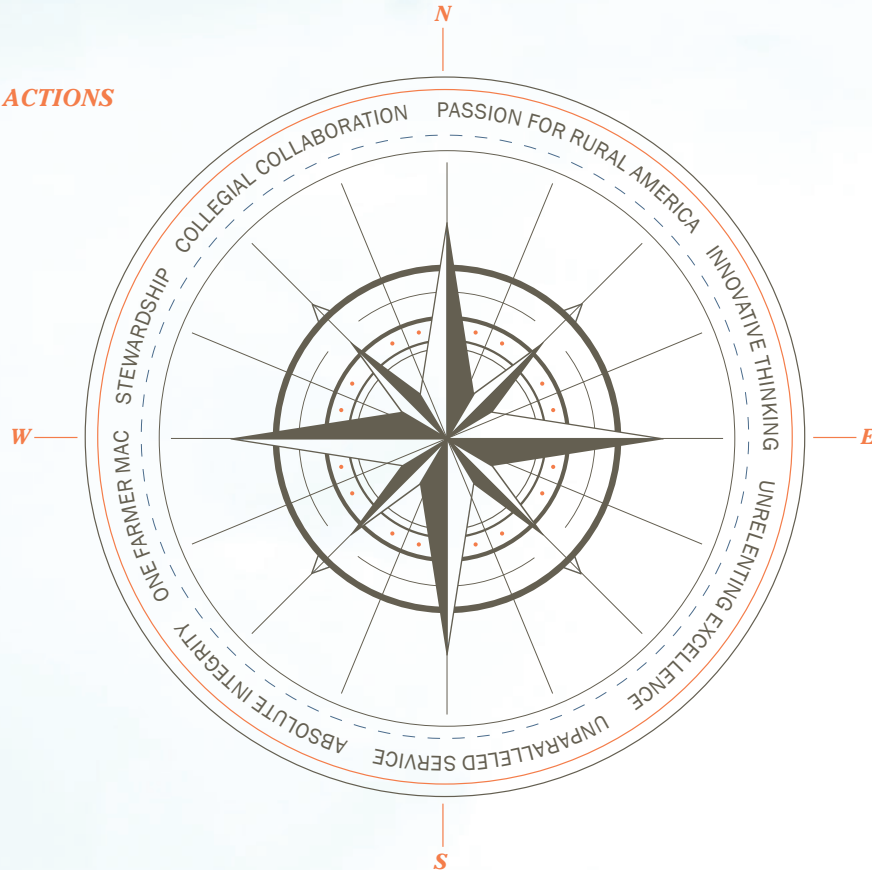


***WE'RE THERE.***  
***As sure as the wind blows.***

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.

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.

**THE COMPASS FOR OUR ACTIONS**  
OUR CORE VALUES



**WHO WE ARE** Farmer Mac is a vital part of the agricultural credit markets and was created to increase access to and reduce the cost of capital for the benefit of American agricultural and rural communities. As the nation's premier secondary market for agricultural credit, we provide financial solutions to a broad spectrum of the agricultural community, including agricultural lenders, agribusinesses, and other institutions that can benefit from access to flexible, low-cost financing and risk management tools.

Farmer Mac's customers benefit from our low cost of funds, low overhead costs, and high operational efficiency. In fact, we are often able to provide the lowest cost of borrowing to agricultural and rural borrowers. For more than a quarter-century, Farmer Mac has been delivering the capital and commitment rural America deserves.

# Letter from **THE** Chairman and **THE** President



**TO THE STOCKHOLDERS  
OF FARMER MAC:**

*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 agricultural economy's challenges extend into a fourth year.*

## **WE'RE THERE. AS SURE AS THE WIND BLOWS.**

Farm incomes have fallen over the last year, as certain sectors have seen lower commodity prices stemming from excess supply. Throughout inevitable agricultural economic cycles, Farmer Mac remains resolute in our commitment to provide financial tools to extend the type of flexible, low-cost financing that is necessary to allow rural America to adapt, grow, and flourish. As cash flows in farming operations softened in certain sectors, and as rural credit markets have tightened, the increased demand for our innovative financial solutions affirms the appeal of our broad offerings throughout market cycles. At Farmer Mac, we're honored to collaborate with our customers in helping to build a stronger rural America for the resilient people who make up those communities. We will stand by them in good times and bad. The theme of this year's annual report—"We're There. As Sure as The Wind Blows."—signifies this strong commitment.

## **STRENGTH IN DIVERSITY**

Farmer Mac's unique market position reflects our distinctive business model, and the breadth of our customers, products, and portfolio—a diversity that helps to mitigate the inherent volatility of the agricultural economy.

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 loan purchases to credit protection to wholesale financing, our flexible and efficient solutions help ensure that our customers, and, ultimately, rural America's farmers, ranchers, and broader community can grow and thrive. And by delivering effectively upon our mission, Farmer Mac and its stockholders are able to share in these returns.

Farmer Mac's portfolio is diversified both geographically and by commodity, and we believe it is well-positioned to endure fluctuations in farmland values and commodity prices. Our reach extends across the United States, with a proportional mix of business across geographic regions that reflects 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 discipline, and quality 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 value to our stockholders.

## **STRENGTH IN CHARACTER**

Just as we stand by our customers, we also stand by our employees. Given the diversity of our customers, products, and portfolio, we at Farmer Mac understand that our success as a vital secondary market credit provider in agricultural and rural communities requires the tireless efforts of a world-class team. In 2016, we continued our efforts to recruit and foster the best talent in rural finance to ensure that we maintain and grow that position in our industry. Over the past several years, we have successfully filled key roles and created new positions to proactively address the ever-changing demands of those we serve. While it is important to seek fresh talent and new perspectives, we are proud that over one-quarter of our employees have dedicated more than ten years of their career to Farmer Mac, bringing to bear a deep knowledge of the industry and our business that is extremely valuable and difficult to replicate. Ultimately, it is this diverse experience that fosters a culture of innovative thinking, encourages collaboration, and bolsters a shared passion for our important mission, enabling us to quickly respond to rural America's complex and ever-changing financing needs with unrelenting excellence.

## STRENGTH IN OUR FINANCIAL PERFORMANCE

Farmer Mac's commitment to our mission, our "can-do" ethos, and an intense focus on providing value to our stockholders continues to produce the results we seek to achieve. We're happy to report that the financial results that Farmer Mac achieved in 2016 continued this strong trend. Since last year, our core earnings increased by more than 14% to \$53.8 million, and outstanding business volume grew by over \$1.5 billion to \$17.4 billion, representing an all-time high for the company. In fact, our assets have grown by an average annual rate of more than 12 percent over the last 17 years! And while we have begun to see the expected normalization of credit metrics—from historically favorable levels of the past several years—we are well positioned to grow and thrive and believe that our business model is well designed to deliver upon our mission in markets where the environment is a bit more challenging and credit is somewhat tighter.

In early 2017, we also increased our quarterly common stock dividend 38% to \$0.36 per share, which equates to \$1.44 per share per year. Considering this increase along with last year's change to our stated dividend policy and quarterly dividend increase of 63%, we believe we are on track to reach our targeted 30% core earnings payout in 2018. Farmer Mac's earnings potential and growing capital position provide capacity for future growth and support these higher dividends, demonstrating our commitment to enhancing stockholder value over the long-term.

## MOVING FORWARD

No matter what challenges the agricultural community faces, Farmer 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. We will continue to deliver on our mission by demonstrating the value of our products and solutions to our current and prospective customers.

***“No matter what challenges the agricultural community faces, Farmer 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.”***

Over the last year, we have made great strides in increasing our name recognition and brand awareness in the marketplace as a leading national expert in agriculture financing. We have also significantly expanded our investment in the technology and capacity to better grow our business and more fully deliver upon our mission. We plan to build on this momentum to increase rural America's access to our products and solutions. The future holds significant opportunity for our suite of financing and risk management solutions, and we strongly believe that this will continue to improve our market share and our success in bringing new, low-cost capital to the agricultural and rural communities that we so proudly serve.

The American agricultural economy has always been cyclical in nature, going through both prosperous and stressful periods for generations. But one thing is sure, as sure as the wind blows...we at Farmer Mac will continue to devote our energy to improving the lives and livelihoods of rural Americans and to delivering value to our stockholders and customers alike.



**TIMOTHY L. BUZBY**  
President and  
Chief Executive Officer

**LOWELL L. JUNKINS**  
Chairman of the Board

# U.S. ag economy in 2016<sup>①</sup>

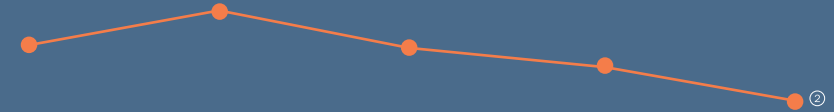


*WHILE THE FARM ECONOMY CONTINUED TO CONTRACT IN 2016, FARMER MAC WAS THERE, AS ALWAYS, WITH THE RIGHT SOLUTIONS TO HELP FARMERS, RANCHERS, AND RESIDENTS OF RURAL COMMUNITIES NATIONWIDE.*

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 vibrant part of the economy, and Farmer Mac will continue to be there as a trusted partner.



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**

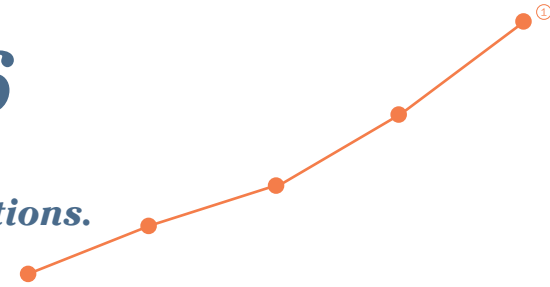
UP 5.3%

<sup>①</sup> SOURCE: USDA Economic Research Service Farm Income & Wealth Statistics (as of February 2017); comparing 2016 to 2015

<sup>②</sup> Plotted points represent Annual Net Farm Income from 2012-2016

# 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.



TOTAL OUTSTANDING FARM & RANCH LOAN PURCHASE VOLUME

**~\$3.5 BILLION<sup>②</sup>**

NEW FARM & RANCH LOAN PURCHASES: ~\$1.0 BILLION<sup>③</sup>



TOTAL OUTSTANDING INSTITUTIONAL CREDIT VOLUME

**~\$7.3 BILLION<sup>②</sup>**

NEW AGVANTAGE SECURITIES PURCHASES: ~\$2.1 BILLION<sup>③</sup>



TOTAL OUTSTANDING USDA GUARANTEED LOAN PURCHASE VOLUME

**~\$2.1 BILLION<sup>②</sup>**

NEW USDA GUARANTEED LOAN PURCHASES: ~\$481.3 MILLION<sup>③</sup>



TOTAL OUTSTANDING RURAL UTILITIES VOLUME

**~\$1.9 BILLION<sup>②</sup>**

NEW RURAL UTILITIES VOLUME: ~\$491.9 MILLION<sup>③</sup>

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.

① Plotted points represent Farmer Mac Outstanding Business Volume from 2012-2016

② As of December 31, 2016

③ New business volume in 2016

# THE DIVERSITY OF OUR BUSINESS

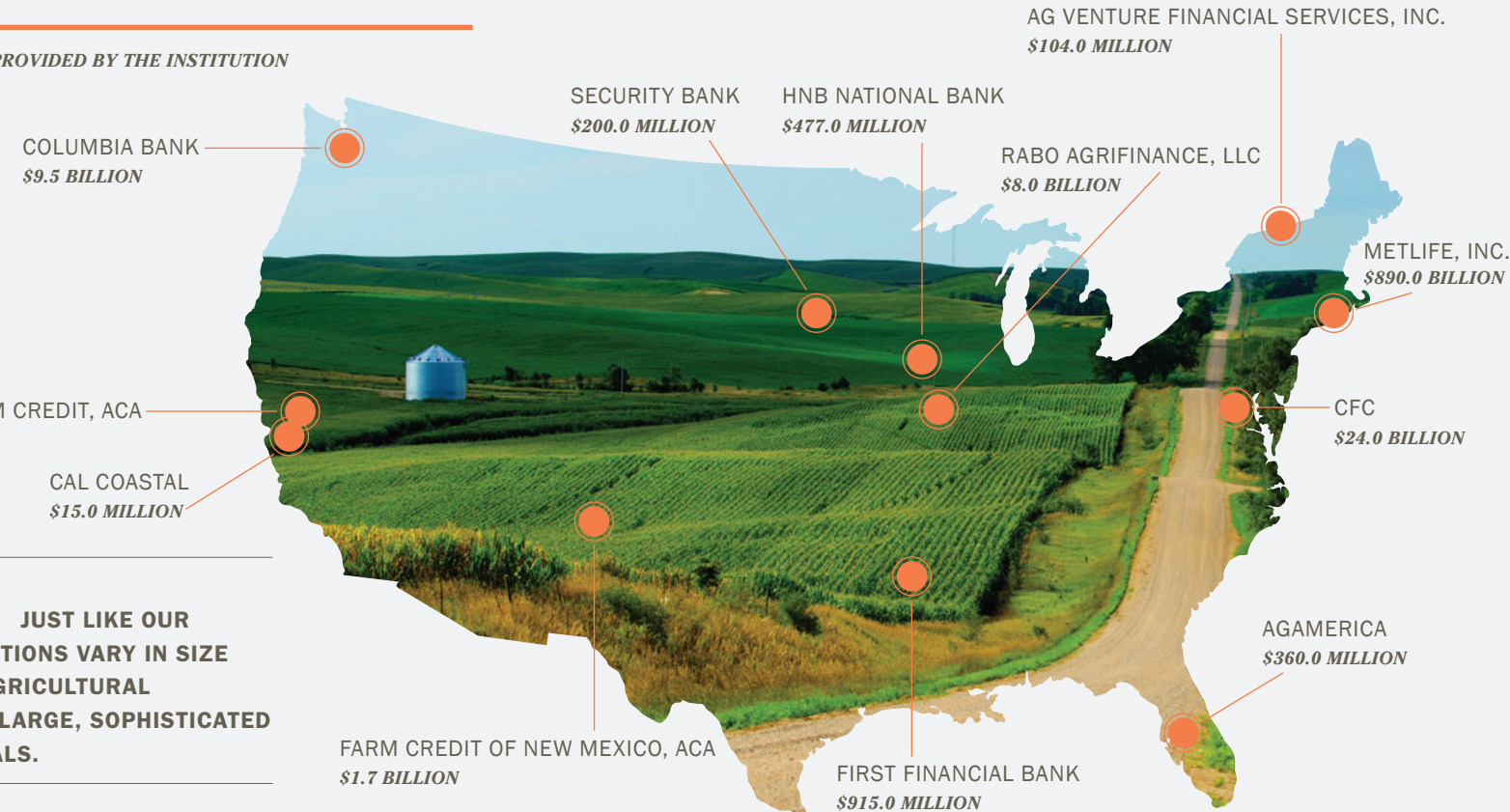
## OUR CUSTOMERS

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



## A SMALL SAMPLING OF OUR CUSTOMERS ACROSS THE COUNTRY

\$ REPRESENTS TOTAL ASSETS AS PROVIDED BY THE INSTITUTION

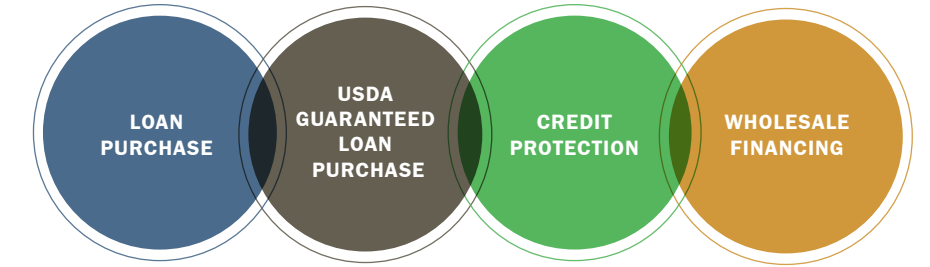


**\$20K TO \$1B** JUST LIKE OUR CUSTOMERS, OUR TRANSACTIONS VARY IN SIZE AND SCOPE FROM SMALL AGRICULTURAL MORTGAGE PURCHASES TO LARGE, SOPHISTICATED WHOLESALE FINANCING DEALS.

# IS OUR STRENGTH

## 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.



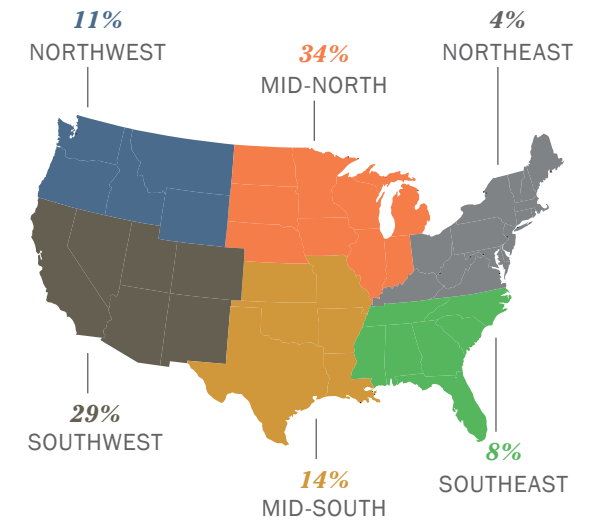
WE PROCESSED **3,878** LOAN SUBMISSIONS IN 2016.

**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®



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!**

① As of December 31, 2016  
② Historic average



**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 ag customers while attracting new ones.

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

#### GROW WITH FARM CUSTOMERS

Farmer Mac purchases ag real estate loans of up to **\$50 MILLION** per borrower, enabling lenders to accommodate their borrowers' growing financing needs.



When utilizing our Loan Purchase solutions, lenders may earn origination and servicing fees for the life of the loan.

#### ATTRACT NEW BORROWERS



Our competitive rates, terms, and loan products match today's farmers' needs. In 2016, **95%** of Farmer Mac lenders locked in fixed rates between 10 and 30 years.

#### FAST TURNAROUND



We understand that timing is everything in farming, proven by our average Loan Purchase approval time of less than **2 DAYS**.

# Solution **CREDIT PROTECTION**

## 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.

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

*“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.”*

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



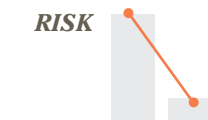
### WHAT IS A PURCHASE COMMITMENT?

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 it, making this an effective portfolio risk management tool that assists lenders with obligor limits, capital relief, and commodity concentration.

## 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.

## SERVICING THE NEEDS OF ALL CUSTOMERS, REGARDLESS OF SIZE



Lenders use Purchase Commitments to reduce reliance on loan participations and mitigate credit exposure.

# Solution **WHOLESALE FINANCING**

**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**.

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**LENDERS GAIN ACCESS TO FARMER MAC'S LOW BORROWING RATES, WHICH CAN SAVE THEM**

**25 TO 75** BASIS POINTS OR MORE.



Wholesale Financing has two core products from which to choose. Both can be customized to fit the exact needs of the borrower.

**AGVANTAGE**<sup>®</sup>

tailored for mortgage lenders

**FARM EQUITY AGVANTAGE**<sup>®</sup>

designed for investors or owners of agricultural real estate assets

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

*“Working with Farmer Mac provides a distinct advantage for CFC and our members. Their collaborative approach ensures we always find the best solution to meet our specific financing needs. Farmer Mac has proven to be an invaluable resource to the rural electric cooperative network and the 42 million Americans in 47 states that we serve.”*

SHELDON PETERSEN, CHIEF EXECUTIVE OFFICER,  
NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (CFC)

**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.

## CFC TAPS INTO FARMER MAC’S SOLUTIONS



MORE THAN **900** NOT-FOR-PROFIT ELECTRIC COOPERATIVES



DELIVER SAFE, AFFORDABLE, AND RELIABLE ELECTRICITY TO **18 MILLION** HOMES, FARMS, BUSINESSES, AND SCHOOLS IN **47 STATES**



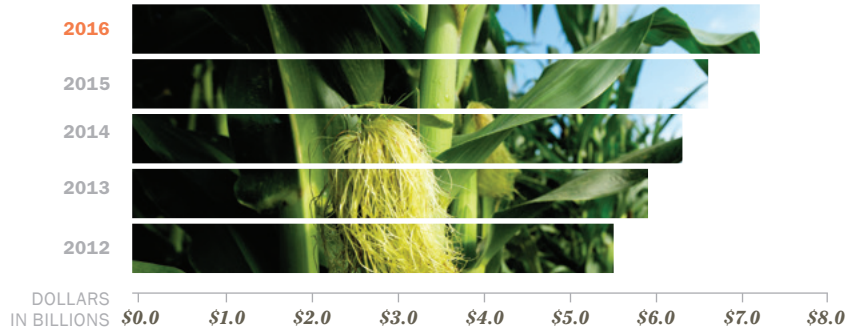
**BENEFITTING THE 42 MILLION AMERICANS THEIR MEMBERS SERVE.**

**OUTSTANDING BUSINESS VOLUME BY LINES OF BUSINESS**

As of December 31, 2016

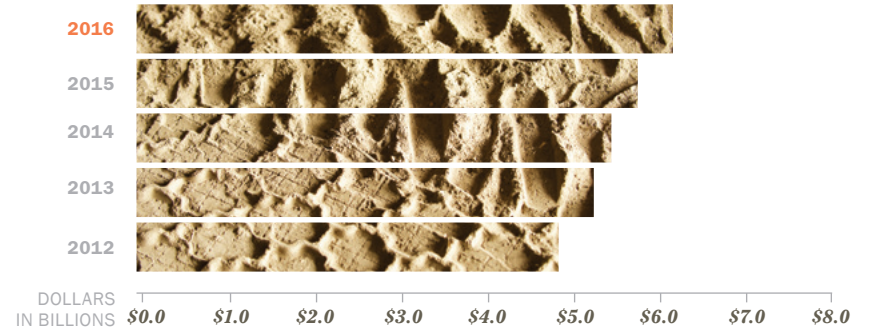
**INSTITUTIONAL CREDIT**

**\$7.3  
BILLION**



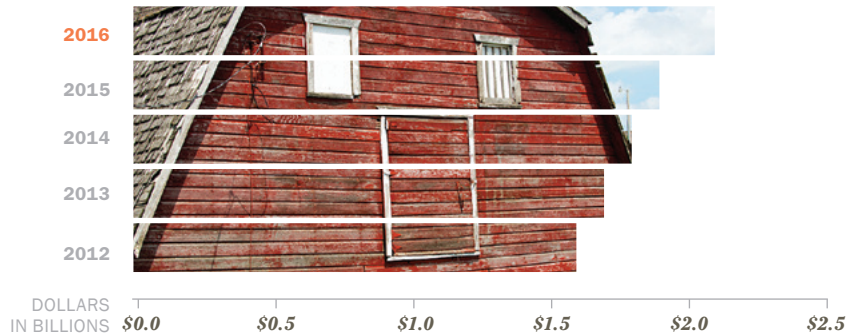
**FARM & RANCH**

**\$6.1  
BILLION**



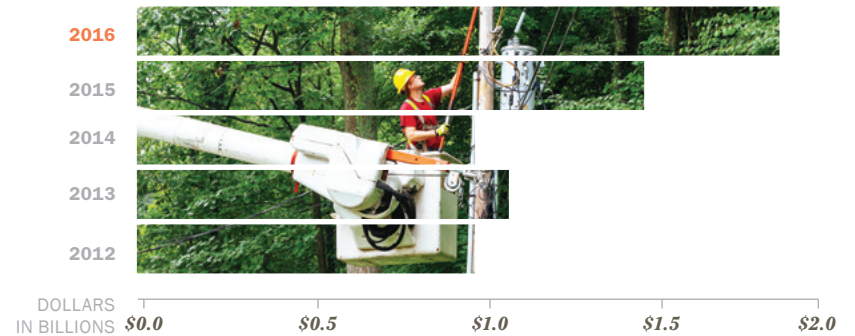
**USDA GUARANTEES**

**\$2.1  
BILLION**



**RURAL UTILITIES**

**\$1.9  
BILLION**

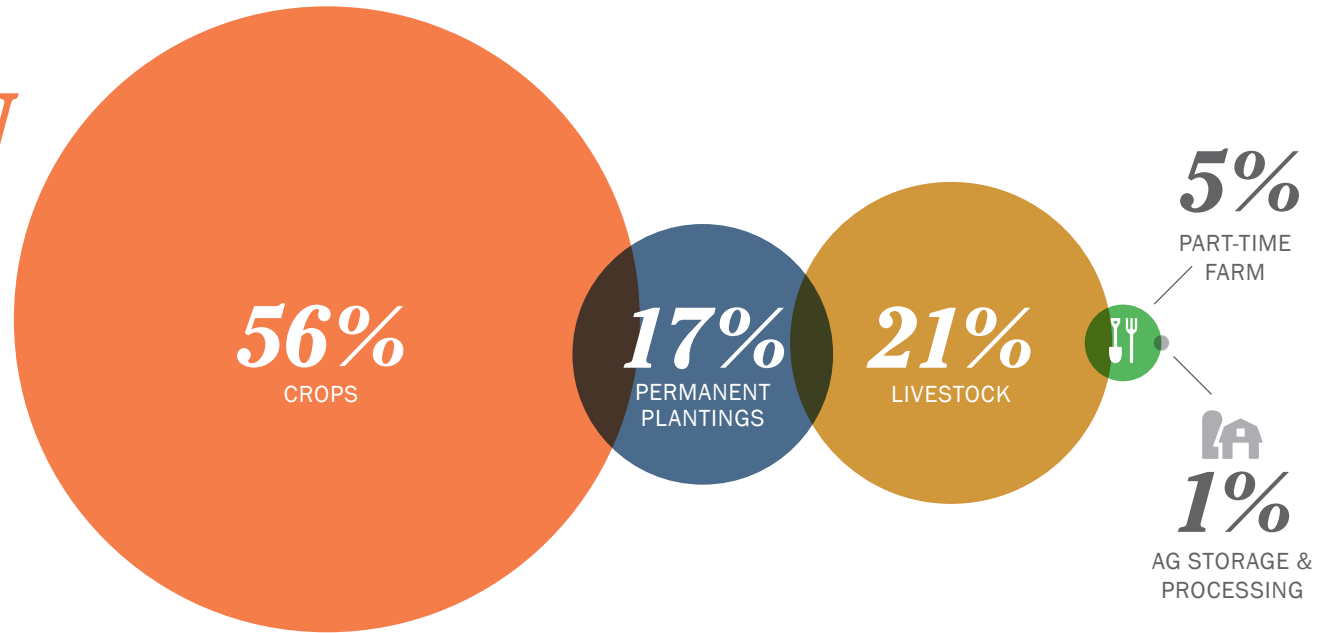


**\$17.4 BILLION**

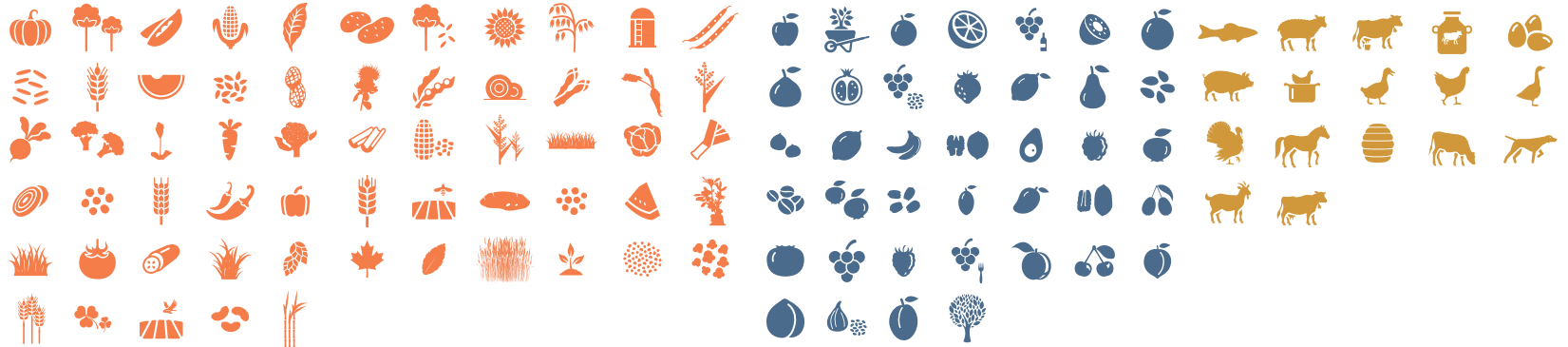
**OUTSTANDING FARM & RANCH BUSINESS VOLUME BY COMMODITY TYPE**

As of December 31, 2016

**\$6.1  
BILLION**



OUR PORTFOLIO  
OF COMMODITIES



60 CROPS

39 PERMANENT PLANTINGS

17 LIVESTOCK

### OUTSTANDING BUSINESS VOLUME

As of December 31 of each year depicted



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

**PROVEN CREDIT PERFORMANCE**

As of December 31, 2016

**\$22 BILLION**

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

**0.16%**

IN CUMULATIVE LOSSES

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***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.***



## EXECUTIVE OFFICERS

### TIMOTHY L. BUZBY

President and Chief Executive Officer

### R. DALE LYNCH

Executive Vice President –  
Chief Financial Officer and Treasurer

### STEPHEN P. MULLERY

Senior Vice President –  
General Counsel and Secretary

### JOHN C. COVINGTON

Senior Vice President –  
Agricultural Finance

## BOARD OF DIRECTORS

As of April 1, 2017

### LOWELL L. JUNKINS, CHAIRMAN<sup>1</sup>

Political Affairs Consultant  
Lowell Junkins & Associates  
Donnellson, Iowa

### MYLES J. WATTS, VICE CHAIRMAN<sup>1</sup>

Professor Emeritus, Agricultural Economics  
Montana State University  
Bozeman, Montana

### DENNIS L. BRACK<sup>2</sup>

Director  
Bath State Bank and Bath State Bancorp  
Bath, Indiana

### CHESTER J. CULVER<sup>1</sup>

Founder  
Chet Culver Group  
Des Moines, Iowa

### RICHARD H. DAVIDSON<sup>3</sup>

Director  
AgriBank, FCB  
St. Paul, Minnesota

### JAMES R. ENGBRETTSEN<sup>2</sup>

Retired Professor, Finance  
Marriott School of Management  
Brigham Young University  
Provo, Utah

### DENNIS A. EVERSON<sup>2</sup>

Director  
First Dakota National Bank  
Yankton, South Dakota

### SARA L. FAIVRE<sup>1</sup>

Founder and President  
Sara Faivre Executive Mentoring  
Cameron, Texas

### DOUGLAS A. FELTON<sup>3</sup>

President and Owner  
D&T Enterprises of Minnesota, Inc.  
Northfield, Minnesota

### DOUGLAS L. FLORY<sup>3</sup>

Former Farm Credit Administration  
Board Member  
Former Farm Credit System Insurance  
Corporation Board Chairman  
McLean, Virginia

### THOMAS W. HILL<sup>3</sup>

Former Chief Financial and  
Operations Officer  
Farm Credit Bank of Texas  
Austin, Texas

### MITCHELL A. JOHNSON<sup>2</sup>

Financial Consultant  
Washington, District of Columbia

### CLARK B. MAXWELL<sup>2</sup>

Chief Operating Officer  
Chatham Financial Corp.  
Kennett Square, Pennsylvania

### BRUCE J. SHERRICK<sup>1</sup>

Professor, Agricultural and Applied Finance  
University of Illinois  
Champaign, Illinois

### DOUGLAS E. WILHELM<sup>3</sup>

Former Chief Risk Officer  
CoBank, ACB  
Denver, Colorado

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<sup>1</sup> Presidential Appointee

<sup>2</sup> Director elected by holders of Class A Common Stock

<sup>3</sup> Director elected by holders of Class B Common Stock

## CORPORATE INFORMATION

### CORPORATE HEADQUARTERS

1999 K Street, N.W.  
Fourth Floor  
Washington, DC 20006  
Phone: 202.872.7700 or  
800.879.3276  
Website: [www.farmermac.com](http://www.farmermac.com)

### STOCK EXCHANGE

Farmer Mac's Class A voting common stock and Class C non-voting common stock trade on the New York Stock Exchange under the symbols AGM.A and AGM, respectively.



### ANNUAL MEETING OF STOCKHOLDERS

Thursday, May 4, 2017  
8:00 a.m.  
The Town Hall  
1999 K Street, N.W.  
First Floor  
Washington, DC 20006

Formal notice of the meeting, the proxy statement, and the proxy card are being mailed to each stockholder of record entitled to vote at the meeting simultaneously with the mailing of this Annual Report.

### TRANSFER AGENT AND REGISTRAR

Continental Stock Transfer &  
Trust Company  
17 Battery Place  
Eighth Floor  
New York, NY 10004  
Phone: 212.509.4000  
800.509.5586  
Website: [www.continentalstock.com](http://www.continentalstock.com)

### CERTIFICATION

Farmer Mac has included as Exhibit 31 to its Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed with the SEC the certifications of the Chief Executive Officer and Chief Financial Officer certifying the quality of Farmer Mac's financial disclosures.

### FORM 10-K

Stockholders may obtain, without charge, a copy of Farmer Mac's 2016 Annual Report on Form 10-K, as filed with the SEC on March 9, 2017, from Farmer Mac's website or by contacting Farmer Mac's Secretary at Farmer Mac's Corporate Headquarters.

### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDED DECEMBER 31, 2016

PricewaterhouseCoopers LLP  
1800 Tysons Boulevard  
McLean, VA 22102

## NON-GAAP PERFORMANCE MEASURES

### RECONCILIATION OF NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS TO CORE EARNINGS

(\$ in thousands)	2016	2015	2014	2013
Net income attributable to common stockholders	<b>\$64,152</b>	\$47,371	\$38,251	\$71,833
Less reconciling items:				
Unrealized gains/(losses) on financial derivatives and hedging activities	<b>13,628</b>	10,924	(9,968)	45,181
Unrealized gains/(losses) on trading securities	<b>1,460</b>	1,220	1,596	(820)
Amortization of premiums/discounts and deferred gains on assets consolidated at fair value	<b>(849)</b>	(1,319)	(14,549)	(19,180)
Net effects of settlements on agency forward contracts	<b>1,699</b>	(607)	159	882
Loss on retirement of Farmer Mac II LLC Preferred Stock	-	(8,147)	-	-
Income tax effect related to reconciling items	<b>(5,577)</b>	(1,675)	7,966	(9,122)
Core Earnings	<b>\$53,791</b>	\$46,975	\$53,047	\$54,892

### RECONCILIATION OF NET INTEREST INCOME AND NET YIELD TO NET EFFECTIVE SPREAD

(\$ in thousands)	2016		2015		2014		2013	
	Dollars	Yield	Dollars	Yield	Dollars	Yield	Dollars	Yield
Net interest income/yield	<b>140,274</b>	<b>0.90%</b>	125,807	0.88%	70,347	0.51%	109,453	0.89%
Net effects of consolidated trusts	<b>(4,302)</b>	<b>0.03%</b>	(3,078)	0.01%	(2,086)	-	(964)	-
Expense related to undesignated financial derivatives	<b>(11,480)</b>	<b>-0.08%</b>	(5,649)	-0.04%	(9,425)	-0.07%	(12,325)	-0.10%
Amortization of premiums/discounts on assets consolidated at fair value	<b>610</b>	<b>0.01%</b>	2,300	0.02%	15,482	0.12%	20,418	0.17%
Interest expense related to securities purchased under agreements to resell and securities sold, not yet purchased	-	-	-	-	39,375	0.35%	-	-
Net Effective Spread	<b>125,102</b>	<b>0.86%</b>	119,380	0.87%	113,693	0.91%	116,582	0.96%

Farmer Mac reports its financial results in accordance with accounting principles generally accepted in the United States ("GAAP"). In addition to GAAP measures, 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."



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