

Risk Factors Comparison 2025-02-21 to 2024-02-23 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text Section**

Farmer Mac's business activities, financial performance, and results of operations are, by their nature, subject to risks and uncertainties, including those related to the agricultural industry, ~~rural~~-infrastructure industries, access to the capital markets, the **political and** regulatory environment, the level of prevailing interest rates, and overall market conditions. The following risk factors should be considered along with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this report, including the risks and uncertainties described in the "Forward-Looking Statements" section. Because new risk factors likely will emerge from time to time, management can neither predict all potential risk factors nor assess the effects of those factors on Farmer Mac's business, operating results, and financial condition or how much any factor, or combination of factors, may affect Farmer Mac's actual results and financial condition. If any of the following risks materialize, Farmer Mac's business, financial condition, or results of operations could be materially and adversely affected. Farmer Mac undertakes no obligation to update or revise this risk factor discussion, unless required by applicable law. Credit and Counterparty Risk Economic stress caused by disruptive global events, such as geopolitical instability, and natural or human-caused disasters, may materially and adversely affect Farmer Mac's business, operations, operating results, financial condition, liquidity, or capital levels and may heighten other risk factors in this report. In a tightly-linked global economy, recent or continuing disruptive global events have contributed and may continue to contribute to economic stress on America's agricultural producers and ~~rural~~-infrastructure by disrupting or transforming markets, systems, or resources that America's farmers, ranchers, and rural service providers rely on to remain profitable. This includes supply chain disruptions that prevent producers from accessing critical resources or that inhibit exports, inflationary effects that put downward pressure on demand for agricultural products or that may increase production expenses, and **rising higher** interest rates that may increase the risk that Farmer Mac's borrowers may default on their loans. ~~For example, the conflict between Russia and Ukraine, conflict in the Middle East, and severe weather conditions and natural disasters have all contributed to recent or current economic stress on producers and service providers in rural America.~~ Depending on the severity and frequency of these types of disruptive events, as well as the capability of governments and global markets to effectively mitigate the resulting negative effects, a prolonged period of economic stress, including a broader economic downturn or recession, could ensue from these events, which could increase stress on Farmer Mac's borrowers and their ability to remain profitable and make payments on their loans. Farmer Mac assumes the ultimate credit risk of borrower defaults on its agricultural mortgage and ~~rural~~-infrastructure loan assets, and Farmer Mac's earnings, which come from net interest income, guarantee fees, and commitment fees on those assets, depend significantly on their performance. Widespread and sustained repayment shortfalls on loans in Farmer Mac's portfolio could result in losses, particularly if the value of the available collateral does not cover Farmer Mac's exposure, and could materially and adversely affect Farmer Mac's business, operations, operating results, financial condition, liquidity, or capital levels. The occurrence of these disruptive events and resulting negative economic effects may also heighten other risk factors described in this report. ~~Climate change and the occurrence of weather~~ **Weather**-related events, or other natural or environmental disasters could have a material adverse effect on Farmer Mac's business, operating results, or financial condition. In addition to the general risks posed by adverse weather conditions, Farmer Mac's exposure to credit risk and the market value of loan collateral is potentially subject to risks associated with ~~the long-term effects of climate change, as~~ farmers and ranchers **face facing** increasing, as well as increasingly-severe, weather incidents. The U. S. experienced ~~28~~ **27** separate billion-dollar weather disasters in **2024, surpassed only by the 28 billion-dollar weather disasters in 2023, surpassing both of which significantly exceeded the previous high set in 2020** (which had 22 billion-dollar weather disasters) as the highest level in the **more than** 40 years tracked by the National Oceanic and Atmospheric Administration ("**NOAA**"). Many climatologists predict increases in average temperatures, more extreme temperatures, and increases in volatile weather over time. These physical changes may prompt changes in regulations or consumer preferences, which in turn could have negative consequences for the business models of borrowers, such as increasing costs, reducing the value of assets, and increasing operating expenses. **At For example, long and persistent heat and drought conditions affected agricultural production regions in the western and midwestern parts end of 2024, approximately 70 %** of the United States **is** in 2021 and 2022. There was a sizable improvement in conditions in 2023 for large portions of the West Coast, especially California, but drought conditions have intensified in other areas of the country. Approximately 14 % of the continental U. S. was classified as **experiencing some level of being in severe to exceptional drought or dryness** as of January 2, 2024, according to data from the National **Drought Mitigation Center for Environmental Information, USDA, and NOAA**. The effects of ~~climate change~~ **severe weather events** could make some agricultural properties less suitable for farming or for other alternative uses. Extended periods of drought and dryness can reduce agricultural productivity, cause lasting damage to permanent crops like fruit and tree nuts, and result in producers leaving some fields fallow due to lack of water. These and other effects of ~~climate change~~ **severe weather** could have an adverse impact on farming operations and the value of loan collateral, which could have a material adverse effect on Farmer Mac's business, operating results, or financial condition. **Political and Other other** external factors outside of Farmer Mac's or borrowers' control may impair borrowers' profitability and ability to repay their loans in Farmer Mac's portfolio, which could have a material adverse effect on Farmer Mac's financial condition, results of operations, liquidity, or capital levels. **Potential shifts in U. S. trade policies, tax policies, environmental regulations, and immigration laws with the change in U. S. political leadership could result in significant impacts on agricultural producers and the broader agricultural sector, as well as the infrastructure sector. These changes could lead to both favorable and unfavorable conditions, influencing trade**

dynamics, the strength of the U. S. dollar, labor costs and availability, and regulatory frameworks. Infrastructure borrowers (particularly those involved in renewable energy projects) may experience delays in completing current projects or future investments in renewable energy and battery storage projects as well as deployment of fiber and broadband infrastructure in rural areas. The agricultural and infrastructure sectors may experience varying degrees of disruption and adaptation in response to these evolving policies, and these changes could increase the uncertainty and volatility of profitability in the agriculture and infrastructure sectors in the near- term. Other external factors beyond Farmer Mac' s or borrowers' control could impair borrowers' profitability, such as volatility in demand for agricultural products or electricity in rural areas; variability in borrowers' input costs ; ~~protracted regional, domestic, or global economic stress (whether due to disruptive global events or otherwise); legislative or regulatory actions affecting rural borrowers; U. S. trade policy affecting the demand for agricultural exports or the price of imports required for borrowers' operations;~~ increased competition among producers due to oversupply or available alternatives; and adverse changes in interest rates and land values. Any of these factors could put downward pressure on the value and profitability of a farming, agribusiness , or rural utilities operation, which could then inhibit the related borrower' s repayment capacity on one or more loans that Farmer Mac may have from that borrower in its portfolio. A significant number of defaults, or a single default from a large borrower exposure, stemming from one or more of these factors could have a material adverse effect on Farmer Mac' s financial condition, results of operations, liquidity, or capital levels. A decline in the value of collateral securing loans in Farmer Mac' s portfolio or a decline in the value of Farmer Mac' s borrowers could increase the probability of loss in the event of default, which could have a material adverse effect on Farmer Mac' s financial condition, results of operations, liquidity, or capital levels. Farmer Mac' s credit risk may increase due to **a** decline in the collateral values securing the loans in Farmer Mac' s portfolio. Specialized or highly improved collateral, such as storage and processing facilities, permanent plantings, ~~or rural utilities~~ , **broadband**, and renewable energy facilities, increase the risk of undercollateralization in a default scenario because producers requiring specialized or highly improved collateral are generally less able to adapt their operations or switch functional production when faced with adverse conditions. Highly improved properties also face higher risk of loss in a default scenario, as the pool of potential purchasers in a sale or foreclosure action may be smaller for a highly improved property than for a property that is adaptable to multiple uses. If a borrower defaults and Farmer Mac forecloses on a loan secured by property that is specialized or highly improved, Farmer Mac has experienced, and may in the future experience, losses if the value of the property has dropped significantly since origination or if there is a limited pool of potential purchasers willing to purchase the property at the price necessary for Farmer Mac to recoup its investment. Farmer Mac' s credit risk may also increase due to a decline in the enterprise value of borrowers whose loans have been underwritten based on the estimated value of the borrower as a going concern. External market factors outside of the borrower' s control may cause stress in the related industry, such as decrease in market demand, disruptions in supply chain, geopolitical or regulatory action, or increased market competition. A borrower' s management decisions, such as poorly executed acquisitions or growth strategies or inability to adapt to changing market conditions, may also adversely affect that borrower' s ability to repay its loan. In these scenarios, the borrower may experience downward pressure on cash flows and liquidity, which not only may contribute to an increased risk of default, but also could decrease the borrower' s enterprise value. Farmer Mac **has incurred, and** may **in the future** incur , losses if the value of the collateral securing a loan or the enterprise value of a borrower is less than the outstanding principal balance of Farmer Mac' s loan at the time of foreclosure or sale, liquidation, or other disposition of the business. If losses caused by declines in collateral value or borrower enterprise value occur across a large number of loans, or across loans with large principal balances in the aggregate, this could have a material adverse effect on Farmer Mac' s financial condition, results of operations, liquidity, or capital levels. Concentrations in Farmer Mac' s loan or ~~investments~~ **investment** portfolios, or to one or more borrowers or counterparties, may increase Farmer Mac' s exposure to credit risk, which could materially and adversely affect its business, operating results, and financial condition. Farmer Mac' s exposure to credit risk may increase due to concentrations in its loan portfolio, which can include concentrated exposure to particular commodities, geographic regions, or collateral types, as well as concentrations in processing and manufacturing segments of agricultural supply chains or in rural utilities or renewable energy industries. Widespread weakening in the financial condition of borrowers within a particular geographic region that produce particular commodities or rely on particular collateral, that engage in processes or production that depend on a fluid supply chain, or that produce or provide a specialized infrastructure service or product could negatively affect Farmer Mac' s financial condition if sufficient diversity in these areas does not successfully mitigate concentration risk. Farmer Mac' s exposure to credit risk may also increase due to concentrated exposure to a particular borrower or counterparty. Farmer Mac' s portfolio consists of loans varying in size and by borrower, including large exposures (\$ 25 million or more) to individual borrowers. The default of any one of these borrowers could negatively affect Farmer Mac' s financial condition. Farmer Mac also has concentrated exposures to individual business counterparties on AgVantage securities, which are general obligations of institutional counterparties secured by eligible loans held by the issuing institution. Although AgVantage securities are collateralized by eligible loans in a principal amount equal to or greater than the principal amount of the securities outstanding, Farmer Mac could suffer losses if the market value of the loan collateral declines and the counterparty defaults. Taking possession of the loan collateral upon a default by the AgVantage counterparty could also result in higher current expected credit losses for Farmer Mac' s loans held on balance sheet, as well as increased capital requirements. As of December 31, ~~2023~~ **2024** , \$ ~~9.7~~ **0.6** billion of the \$ ~~10.8~~ **0.5** billion of AgVantage securities outstanding had been issued by ~~only~~ three counterparties. A default by any of these counterparties could have a significant adverse effect on Farmer Mac' s business, operating results, and financial condition. Farmer Mac' s exposure to credit risk may also increase due to concentrated exposure to one or more investment types or counterparties in the investment portfolio Farmer Mac maintains for liquidity. This investment portfolio consists primarily of cash and cash equivalents, U. S. Treasury securities, investment securities guaranteed by U. S. Government agencies and GSEs, and asset- backed securities backed primarily by U. S. Government- guaranteed loans. Farmer Mac regularly reviews

concentration limits to ensure that its investments are appropriately diversified and comply with policies approved by Farmer Mac's board of directors and with applicable FCA regulations, but Farmer Mac is still exposed to credit risk from issuers of the investment securities it holds, particularly to issuers to whom Farmer Mac may have a higher concentration of exposure relative to the rest of Farmer Mac's investment portfolio. For example, as of December 31, ~~2023~~ **2024**, Farmer Mac held at fair value \$ ~~4.3~~ **7** billion of investment securities guaranteed by GSEs. A default by multiple issuers of investment securities held by Farmer Mac or by a single issuer of investment securities in which Farmer Mac is more heavily concentrated could have an adverse effect on Farmer Mac's business, operating results, and financial condition. Farmer Mac Guaranteed Securities and LTSPCs expose Farmer Mac to significant contingent liabilities, and Farmer Mac's ability to fulfill its obligations under its guarantees and LTSPCs may be limited. Farmer Mac's guarantee and purchase commitment obligations to third parties, including LTSPCs and securities guaranteed by Farmer Mac, are obligations of Farmer Mac only and are not backed by the full faith and credit of the United States, FCA, or any other agency or instrumentality of the United States other than Farmer Mac. As of December 31, ~~2023~~ **2024**, Farmer Mac had \$ ~~4.1~~ **5** billion of contingent liabilities related to LTSPCs and securities issued to third parties and guaranteed by Farmer Mac, which represents Farmer Mac's exposure if all loans underlying these LTSPCs and guarantees defaulted and Farmer Mac recovered no value from the related collateral. If this were to occur, the funds available for payment on these guarantees and LTSPCs could be substantially less than the aggregate amount of the corresponding liabilities. As of December 31, ~~2023~~ **2024**, Farmer Mac held cash, cash equivalents, and other investment securities with a fair value of \$ ~~5.7~~ **9.0** billion that could be used as a source of funds for payment on its obligations, including its guarantee and LTSPC obligations. Although Farmer Mac believes that it remains well-collateralized on the assets underlying its guarantee and LTSPC obligations to third parties and that the estimated probable losses for these obligations remain low relative to the amount available for payment of claims on these obligations, Farmer Mac's total contingent liabilities for these obligations could exceed the amount it may have available for payment of Farmer Mac's obligations, including claims on Farmer Mac's contingent obligations. See "Management's Discussion and Analysis — Risk Management — Credit Risk — Loans and Guarantees" for more information on Farmer Mac's management of credit risk. Farmer Mac is exposed to counterparty risk on both its cleared and non-cleared swaps transactions that could materially and adversely affect its business, operating results, and financial condition. Farmer Mac uses interest rate swap contracts and hedging arrangements to manage its interest rate risk. Farmer Mac clears a significant portion of its interest rate swaps through a swap clearinghouse and uses the services of a futures commission merchant to post and receive mark-to-market margin amounts. Farmer Mac also transacts non-cleared (bilateral) derivative contracts directly with swap counterparties and posts and receives collateral to secure the market value of those contracts. A failure of any of these counterparties could cause intra-day disruption for Farmer Mac's swap operations if the failure were to prompt a termination of all or part of Farmer Mac's swap positions or if Farmer Mac were unable to quickly access margin or collateral amounts. These conditions could be exacerbated in volatile market conditions, in which the market could move against Farmer Mac's position before Farmer Mac had time to reposition its swaps. These events could have a negative effect on Farmer Mac's operations and liquidity and could expose Farmer Mac to more interest rate risk, which could materially and adversely affect its business, operating results, and financial condition. As of December 31, ~~2023~~ **2024**, the aggregate notional balance of Farmer Mac's cleared swaps was \$ ~~20.19~~ **5.1** billion, and the aggregate notional balance of Farmer Mac's non-cleared swaps was \$ ~~5.2~~ **7** billion. Strategic ~~and~~ Business Risk Farmer Mac's business, operating results, financial condition, and capital levels may be materially and adversely affected by external factors that may affect the demand for Farmer Mac's secondary market, the price or marketability of Farmer Mac's products, or Farmer Mac's ability to offer its products and services. Farmer Mac's business, operating results, financial condition, and capital levels may be materially and adversely affected by external factors that may affect the price or marketability of Farmer Mac's products and services or Farmer Mac's ability to offer its products and services, including, but not limited to: • disruptions in the debt or equity capital markets; • competitive pressures in Farmer Mac's loan purchase and guarantee activities or in the issuance of its debt securities; • changes in interest rates that may increase Farmer Mac's funding costs; • market or customer perception of Farmer Mac's reputation; • legislative or regulatory developments adversely affecting Farmer Mac's ability to offer new products, the ability or motivation of lenders to participate in Farmer Mac's lines of business, or the cost of related corporate activities; • reduced demand for agricultural real estate loans or ~~rural~~ infrastructure loans due to regional, domestic, or global economic conditions; and • expanded funding alternatives available to agricultural and ~~rural~~ infrastructure borrowers. An inability to access the equity and debt capital markets could have a material adverse effect on Farmer Mac's business, operating results, financial condition, liquidity, and capital levels. Farmer Mac's ability to operate its business, meet its obligations, generate asset volume growth, and fulfill its statutory mission depends on Farmer Mac's continued access to the U. S. financial markets at favorable rates and terms to remain adequately capitalized through the issuance of equity and with adequate access to liquidity through the issuance of debt securities. The issuance of debt securities is Farmer Mac's primary source for repaying or refinancing existing debt and to fund contingent liabilities, as needed. Farmer Mac's ability to access the debt and equity markets to raise capital, fund its assets, repay debt, and earn net interest income depends on market perception of Farmer Mac. If Farmer Mac were unable to access the U. S. financial markets to issue equity or debt securities at favorable rates and terms, Farmer Mac's business, operating results, liquidity, or financial condition could be adversely affected. The loss of business from key business counterparties or customers, including AgVantage counterparties, could weaken Farmer Mac's business and decrease its revenues and profits. Farmer Mac's business and ability to generate revenues and profits largely depends on its ability to purchase eligible loans or place eligible loans under guarantees or LTSPCs and to purchase or guarantee AgVantage securities. Farmer Mac conducts a significant portion of its business with a few business counterparties. This concentration of business could potentially result in increased variability in Farmer Mac's business as existing assets pay down or mature and the status and needs of Farmer Mac's customers evolve. In ~~2023~~ **2024**, ten institutions generated approximately ~~81~~ **65** % of loan purchase volume in the Agricultural Finance line of business. ~~Between~~ As of December 31, 2023 ~~and December 31, 2024~~, the

outstanding balance of Farmer Mac's AgVantage securities decreased by approximately 90% to \$ 1.5 billion. As of December 31, 2024, approximately 89.1% of the \$ 10.8, 0.5 billion outstanding principal amount of AgVantage securities (of which \$ 2.1, 4.6 billion and \$ 1.2 billion will be maturing in 2024 and 2025 and 2026, respectively) were issued by three institutions. As of December 31, 2023-2024, transactions with two institutions represented nearly all of the business volume under Farmer Mac's Rural Infrastructure Finance line of business. Farmer Mac's ability to maintain the current relationships with its business counterparties or customers and the business generated by those business counterparties or customers is significant to Farmer Mac's business. As a result, the loss of business from any one of Farmer Mac's key business counterparties could decrease Farmer Mac's revenues and profitability. Farmer Mac may be unable to replace the loss of business of a key business counterparty or customer with alternate sources of business due to limitations on the types of assets eligible for Farmer Mac's secondary market, which could adversely affect Farmer Mac's business and decrease its revenues and profits.

~~Farmer Mac's efforts to balance fulfilling its mission with providing a return to its stockholders may result in business transactions that involve lower returns or higher risk, which could adversely affect its business, operating results, or financial condition. Congress created Farmer Mac to provide for a secondary market for agricultural mortgage loans, rural infrastructure loans, and the guaranteed portions of USDA-guaranteed loans. In pursuing this mission, Farmer Mac's secondary market activities are designed to:~~

- increase the accessibility of financing to rural borrowers at stable interest rates;
- provide greater liquidity and lending capacity in extending credit to rural borrowers;
- and • provide an arrangement for new lending by facilitating capital market investments in funding for rural borrowers, including funds at fixed rates of interest.

Farmer Mac's charter provides that its standards for Farm & Ranch loans shall not discriminate against small originators or small agricultural mortgage loans of at least \$ 50,000. The charter also requires Farmer Mac's board of directors to promote and encourage the inclusion of qualified loans for small farms and family farmers in the agricultural mortgage secondary market. Although Farmer Mac strives to undertake its mission-related activities in a manner consistent with providing an accretive return to Farmer Mac's stockholders, these activities could contribute to a lower return to stockholders than if Farmer Mac's sole purpose were to maximize stockholder value. If Farmer Mac were to undertake activities involving greater risk or lower returns to satisfy its mission, Farmer Mac's business, operating results, or financial condition could be adversely affected. A few stockholders who own large amounts of Farmer Mac voting common stock may seek to influence Farmer Mac's business, strategy, or board composition, and the interests of these stockholders may differ from the interests of Farmer Mac or other holders of Farmer Mac's common stock. The ownership of Farmer Mac's two classes of voting common stock is concentrated in a few institutions. Four financial institutions hold approximately 51% of Farmer Mac's Class A voting common stock, with 31% held by one institution. Five FCS institutions hold approximately 97% of Farmer Mac's Class B voting common stock (two of which are related to each other through a parent-subsidary relationship). The holders of Farmer Mac's Class A voting common stock and the holders of Farmer Mac's Class B voting common stock each have the right to elect one-third of the membership of Farmer Mac's board of directors. Many of these holders are rural lenders that may compete directly with each other. As long as Farmer Mac's Class A and Class B voting common stock is highly concentrated in a few institutions, these institutions may seek to influence Farmer Mac's business, strategy, or board composition in a way that may not be in the best interests of either Farmer Mac or other stockholders.

Operational Risk The inadequacy or failure of Farmer Mac's operational systems, cybersecurity program, internal controls or processes, or infrastructure, or those of third parties, could have a material adverse effect on Farmer Mac's business, operating results, or financial condition. Farmer Mac is exposed to operational risk due to the complex nature of its business operations and the processes and systems used to undertake its business activities and comply with regulatory requirements. Operational risk includes the risk of loss to Farmer Mac resulting from:

- inadequate or failed internal processes, systems, cybersecurity program, or infrastructure;
- Farmer Mac's inability to successfully implement enhancements to any of these or migrate to new systems or infrastructure;
- any cybersecurity incident or compromise of Farmer Mac's information systems or security measures (including of its third parties), or the unauthorized access and / or acquisition of data;
- failed execution of system implementations and upgrades;
- human error, malfeasance, or other misconduct;
- undetected or unknown errors, defects, or vulnerabilities in third party software or cybersecurity incidents related to third party software;
- inadequate or failed internal controls or processes to detect or prevent fraud or other violations of law or regulations; or
- external events, including a disruption involving physical site access, catastrophic events, natural disasters, terrorist activities, or disease pandemics.

Farmer Mac relies on business processes that largely depend on people, technology, and the use of complex systems and models to manage its business, process a high volume of daily transactions, and generate the records on which Farmer Mac's financial statements are based. Inadequacies or failures in Farmer Mac's internal processes, personnel, systems, cybersecurity program, or infrastructure could lead to a significant disruption to business operations; unauthorized access to, or acquisition, destruction, alteration, release, theft, or loss of, confidential, proprietary, or personal data; fraud on Farmer Mac's business and customers; extortion; financial and economic loss or costs; errors in its financial statements; impairment of its liquidity; harm to its employees, customers, or vendors; liability or service interruptions to its customers; loss of customers or vendors; violation of data protection laws and other litigation and legal risk; increased regulatory or legislative scrutiny; or reputational damage. The potential for operational risk exposure also exists as a result of Farmer Mac's interactions with, and reliance on, third parties. Farmer Mac's business relies on its ability to process, evaluate, and interpret significant amounts of information, much of which third parties provide or process. Yet Farmer Mac's ability to implement safeguards preventing disruption or unauthorized access to third-party systems or infrastructure is more limited than for its own systems or infrastructure. If the financial, accounting, data processing, backup, information technology, or other operating systems and infrastructure of third parties with whom Farmer Mac interacts or upon whom it relies fail to operate properly, are subject to unauthorized access **or improper use**, or are disrupted, then Farmer Mac may be impacted in the same manner as it would be due to inadequacies or failures in Farmer Mac's own internal processes, personnel, systems, cybersecurity program, or infrastructure. Farmer Mac's internal loan servicing function and reliance on third-party servicers ~~could expose~~ **exposes** Farmer Mac to operational risks that could adversely affect

its business, operating results, or financial condition. Effective and reliable loan servicing is essential for Farmer Mac to successfully operate its business. Starting in 2021, Farmer Mac has expanded its internal loan servicing function through two strategic acquisitions that included the loan servicing rights for a sizeable portion of Farmer Mac's Agricultural Finance mortgage loan and USDA Securities portfolios, as well as servicing rights for eligible agricultural mortgage loans that are held by an unrelated third party. Farmer Mac has also acquired experienced servicing personnel and an operational servicing platform during that time. This expansion of servicing responsibilities and personnel has required Farmer Mac to implement processes and controls for a business function that Farmer Mac has previously not operated and still has limited experience executing and managing. Farmer Mac also continues to rely on experienced third-party servicers to service the portion of Farmer Mac's Agricultural Finance mortgage loan portfolio not serviced directly by Farmer Mac. Although Farmer Mac has established servicing standards and requirements to which these third-party servicers are required by contract to adhere and on which they must report to Farmer Mac, Farmer Mac does not manage the processes and controls of these third-party servicers. The ineffective implementation, operation, or oversight of one or more of the servicing processes or controls employed by Farmer Mac or any of its third-party servicers could expose Farmer Mac to operational risk that could adversely affect Farmer Mac's business, operating results, or financial condition. A deficiency, failure, interruption, or breach in Farmer Mac's or its service providers' technology and information systems, infrastructure, or cybersecurity program, including the occurrence of a cybersecurity incident, could result in a loss of business, damage to Farmer Mac's reputation, the disclosure or misuse of confidential or proprietary information, or increased costs or liability to Farmer Mac, which could adversely affect Farmer Mac's business, operating results, or financial condition. **To conduct and manage its business operations,** Farmer Mac relies heavily on technology and information systems, including from third parties, for the secure collection, processing, transmission, and storage of confidential, proprietary, and personal information in its information systems (and those of third parties) ~~to conduct and manage its business operations~~. These technology and information systems encompass an integrated set of hardware, software, infrastructure, and personnel organized to facilitate the planning, control, coordination, operations, and decision-making processes within Farmer Mac. **As Risks to Farmer Mac's information systems and data as a result of cybersecurity attacks has increased as** the importance and complexity of Farmer Mac's technology and information systems has increased, and as new technologies are developed that are used by its customers, Farmer Mac, ~~or and~~ its service providers to support its business and operations, ~~the risks posed to Farmer Mac's information systems and data from cybersecurity attacks that threaten the confidentiality, integrity, or availability of Farmer Mac's information technology assets and resources and its data have increased~~. Like many other financial institutions, Farmer Mac and its third-party service providers, **vendors, and suppliers** face regular attacks by threat actors attempting to gain unauthorized access to, or disrupt, its information systems and access or acquire its data, including from organized criminal groups, hackers, nation states, activists, insiders, and ~~other others~~ **unauthorized third parties**. These threats come from a variety of different sources, including cyber-attacks, computer viruses, malware, exploits of system and network vulnerabilities, human error, phishing, ransomware, and distributed denial of service attacks. The threats Farmer Mac ~~and its third-party service providers faces~~ **face** and the methods used to gain unauthorized access to or disrupt ~~its their~~ information systems and data, ~~or those of its service providers,~~ are evolving. Farmer Mac is not always able to prevent or recognize attacks, ~~its and Farmer Mac's~~ existing cybersecurity defenses may not be sufficient to detect attacks in a timely manner. ~~Also or to fully investigate an attack~~, ~~Farmer Mac and it~~ may be unable to implement effective preventive measures or proactively address these threats until after a cybersecurity incident has been discovered. **Moreover Farmer Mac also may have limited or no control over its service providers' handling of cybersecurity incidents, any including their recognition and prevention practices.** Any employees or agents of Farmer Mac's (or its third-party customers or vendors) who have authorized access to confidential, proprietary, or personal information could also intentionally, inadvertently, or erroneously disseminate the information to unauthorized third parties. Farmer Mac's current information security program with cybersecurity procedures, policies, practices, and controls, may not be sufficient to prevent unauthorized access to its information technology assets or data, which could lead to a significant disruption to business operations; unauthorized access to or acquisition, destruction, alteration, release, theft, or loss of confidential, proprietary, or personal data; fraud (on Farmer Mac and / or its customers); extortion; financial and economic loss or costs; errors in its financial statements; impairment of its liquidity; harm to employees, customers, or vendors; liability or service interruptions to its customers; loss of customers or vendors; violation of data protection laws and other litigation and legal risk; increased regulatory or legislative scrutiny; or reputational damage. **Even when an attempted cybersecurity attack or other security breach is successfully avoided or thwarted, Farmer Mac may need to expend substantial resources in doing so, may be required to take actions that could adversely affect customer satisfaction or behavior, or may be exposed to reputational damage.** Farmer Mac also could be subject to litigation and government enforcement actions as a result of any ~~such~~ failure **in its procedures, policies, practices, and controls**. Any such claim or proceeding could cause us to incur significant unplanned expenses in excess of Farmer Mac's insurance coverage, which could adversely affect Farmer Mac's financial condition and results of operations. The amount and scope of insurance Farmer Mac maintains may not cover all expenses related to ~~such those~~ claims. Also, ~~Farmer Mac's service providers may also experience interruptions to their technology, facilities, and information systems that could adversely impact Farmer Mac and over which Farmer Mac may have limited or no control.~~ Finally, the risk of unauthorized access to confidential, proprietary, or personal information through information system breaches or inadvertent dissemination may be heightened in a remote-working environment, which is currently more prevalent at Farmer Mac. Failure by Farmer Mac's third-party loan servicers, third-party applications, information systems providers **(including artificial intelligence systems)**, and other service providers to protect confidential information from unauthorized access and dissemination ~~could result in liability for Farmer Mac or damage Farmer Mac's reputation, which~~ could have a negative effect on Farmer Mac's business, operating results, or financial condition. Farmer Mac relies on third parties, including loan servicers, information systems providers, software-as-a-service (SaaS) providers, cloud computing service providers, law firms, and other service providers,

to perform various functions that support Farmer Mac's business and operations. Farmer Mac depends on these third parties to collect, process, transmit, and store a variety of confidential, proprietary, or personal information, including sensitive financial information and customer information. Just as Farmer Mac is subject to numerous cyber-attacks from a variety of actors, so too are these third parties. Farmer Mac requires third parties who collect, process, or store confidential, proprietary, or personal data to adhere to security policies, processes, and controls. However, the control systems, cybersecurity program, infrastructure, and personnel associated with third parties with which Farmer Mac does business or obtains services are beyond its control. Farmer Mac is aware of cybersecurity incidents involving its third party service providers in the past, and although Although Farmer Mac has not experienced a material loss of data or disruption of its operations due to a breach of third party systems, unauthorized access to a third party service provider's information technology assets or data may significantly impact Farmer Mac's operations in the same manner as incidents on its own systems. Farmer Mac relies upon a variety of third parties to run and operate its business, including servicers who perform certain duties for loans Farmer Mac has purchased. Farmer Mac also relies upon a variety of third-party applications, services, and tools that are not developed by Farmer Mac, including artificial intelligence systems and cloud-based platforms and related data centers, to host data and support and operate certain aspects of its services and business operations. These The effective adoption third parties — particularly servicers — maintain, transmit integration, and leveraging of existing receive confidential, proprietary, and personal information emerging technologies, including customer information artificial intelligence and machine learning systems into our operations, presents operational and market risks, including system failures, inaccuracies with artificial intelligence outputs, and the investment of time and resources to develop and implement successful artificial intelligence solutions in a rapidly changing competitive market. The unauthorized access to, acquisition, misuse, mishandling, unavailability, or destruction of Farmer Mac's data or confidential information stored by these third parties or on their applications and systems, including artificial intelligence systems, or unauthorized access to or disruption of these third party applications, services, or tools could result in: unauthorized access to Farmer Mac's own systems; significant disruption to its business operations; fraud (on Farmer Mac and / or its customers); extortion; financial and economic losses or costs; errors in financial statements; impairment of its liquidity; harm to its employees, customers, or vendors; liability or service interruptions to its customers; loss of customers or vendors; violation of data protection laws and other litigation and legal risk; increased regulatory or legislative scrutiny; reputational damage; or litigation and government enforcement actions. If Farmer Mac's management of risk associated with its loan assets and investment securities based on model assumptions and output is not effective, its business, operating results, financial condition, or capital levels could be materially adversely affected. Farmer Mac continually develops and adapts profitability and risk management models to adequately address a wide range of possible market developments. Some of Farmer Mac's qualitative tools and metrics for managing risk are based on its use of observed historical market behavior. Farmer Mac applies statistical and other tools to these observations to quantify its risks. These tools and metrics may fail to predict future or unanticipated risks or may not be effective in mitigating its risk exposure in all economic market environments or against all types of risk, which could expose Farmer Mac to material unanticipated losses. The inability of Farmer Mac to effectively identify and manage the risks inherent in its business could have a material adverse effect on its business, operating results, financial condition, or capital levels. Farmer Mac's efforts to expand product offerings and services to its customers exposes Farmer Mac to operational risk that could materially and adversely affect its business, operating results, or financial condition. As the needs of Farmer Mac's customer base and rural America evolve, Farmer Mac seeks to respond by offering new products and services to meet these needs. As Farmer Mac expands its product offerings and services, it is exposed to operational risk in implementing these new products and services. New products and services may require new operational processes, which often require new internal controls to manage new risks that these new processes present. If these controls are insufficient or ineffective to manage the risks inherent in these new processes, or if there is human error in executing these new controls either due to their novelty or otherwise, Farmer Mac could face financial loss, reputational damage, or regulatory enforcement, which could materially and adversely affect Farmer Mac's business, operating results, or financial condition. Market Risk Farmer Mac is exposed to interest rate risk that could materially and adversely affect its operating results or financial condition. Farmer Mac is subject to interest rate risk due to the timing differences in the cash flows of the assets it holds and the liabilities issued to fund those assets. Farmer Mac's primary strategy for managing interest rate risk is to fund asset purchases with debt together with financial derivatives that have similar duration and convexity characteristics to help mitigate impacts from interest rate changes across the yield curve. However, the ability of borrowers to prepay their loans before the scheduled maturities increases the likelihood of asset and liability cash flow mismatches. In a changing interest rate environment, these cash flow mismatches affect Farmer Mac's earnings if assets repay sooner than expected and the resulting cash flows must be reinvested in lower-yielding investments, particularly if Farmer Mac's related funding costs cannot be correspondingly repaid. Conversely, if assets repay more slowly than anticipated and the associated debt issued to fund the assets must be reissued at a higher interest rate, Farmer Mac's earnings could be adversely affected. In addition, rapid changes in interest rates could have a negative effect on Farmer Mac's net interest income across quarters. Although Farmer Mac For example, since 2022, the Federal Reserve has rapidly increased the target range for the federal funds rate by 5.25% in an effort to combat rising inflation. Although Farmer Mac benefited from higher nominal interest rates in its investment portfolio, if those nominal interest rates decline, Farmer Mac may earn less interest income on its investments in future periods. A Furthermore, a future period of rapid increase or decline in interest rates may create or exacerbate periods of market volatility that could adversely affect Farmer Mac's ability to manage interest rate risk, which could have a material adverse effect on Farmer Mac's operating results or financial condition. See "Management's Discussion and Analysis — Risk Management — Interest Rate Risk" for more information on Farmer Mac's management of interest rate risk. Farmer Mac is also subject to repricing risk, which is the risk that Farmer Mac's funding cost relative to a benchmark index (for example, the Secured Overnight Financing Rate known as "SOFR") will increase from the time the initial funding was issued and the time the liabilities are re-funded. This repricing risk arises from a funding strategy

whereby Farmer Mac issues floating rate debt across a variety of maturities to fund floating or synthetically floating rate assets that on average may have longer maturities. A significant increase in the difference between Farmer Mac's funding cost relative to the benchmark index, including SOFR, may compress spread income on the assets Farmer Mac holds and seeks to re-fund with the higher cost funding. Widespread compression within a short timeframe could adversely affect Farmer Mac's operating results or financial condition. Changes in interest rates relative to Farmer Mac's management of interest rate risk through derivatives may cause volatility in financial results and capital levels and may adversely affect Farmer Mac's net income, liquidity position, or operating results. Farmer Mac enters into financial derivatives transactions to hedge interest rate risks inherent in its business and carries its financial derivatives at fair value in its consolidated financial statements. Although Farmer Mac's financial derivatives provide economic hedges of interest rate risk, changes in the fair values of financial derivatives can cause volatility in net income and in capital, particularly if those financial derivatives are not designated in hedge accounting relationships or if there is any ineffectiveness in a hedge accounting relationship. As interest rates increase or decrease, the fair values of Farmer Mac's derivatives change based on the position Farmer Mac holds relative to the specific characteristics of the derivative. Farmer Mac's core capital available to meet its statutory minimum capital requirement can be affected by changes in the fair values of financial derivatives, as noted above. Adverse changes in the fair values of Farmer Mac's financial derivatives that are not designated in hedge accounting relationships and any hedge ineffectiveness that results in a loss would reduce the amount of core capital available to meet this requirement. In ~~2024 and 2023 and 2022~~, Farmer Mac recorded ~~a gain-gains~~ of ~~\$ 3.3 million and \$ 5.1 million and a gain of \$ 13.5 million~~, respectively, from changes in the fair values of its financial derivatives as a result of movements in interest rates during those years. Farmer Mac recorded ~~gains of \$ 11.5 million and losses of \$ 5.4 million and gains of \$ 5.8 million~~ in ~~2024 and 2023 and 2022~~, respectively, related to ineffectiveness in hedge accounting relationships. Changes in interest rates have required, and in the future may require, Farmer Mac to post cash or investment securities to collateralize its derivative exposures due to corresponding changes in the fair market values of these derivatives. If changes in interest rates were to result in a significant decrease in the fair value of Farmer Mac's derivatives, Farmer Mac would be required to post cash, cash equivalents, or investment securities, possibly within a short period of time, to satisfy its obligations under its derivatives contracts. As of December 31, ~~2023~~ ~~2024~~, Farmer Mac posted \$ ~~84.46~~ ~~6.9~~ million of cash and \$ ~~207.213~~ ~~2.4~~ million of investment securities as collateral for its derivatives in net liability positions. If Farmer Mac is required to fully collateralize a significant portion of its derivatives in an adverse interest rate environment, it could have a material adverse effect on Farmer Mac's liquidity position or operating results. Financial Risk Incorrect estimates and assumptions by management in preparing financial statements could adversely affect Farmer Mac's business, operating results, reported assets and liabilities, financial condition, reputation, or capital levels. Farmer Mac's accounting policies and methods are fundamental to how it records and reports its financial condition and results of operations. Some of these policies and methods require management to make estimates and assumptions in preparing Farmer Mac's consolidated financial statements. Incorrect estimates and assumptions by management in connection with preparing Farmer Mac's consolidated financial statements could adversely affect the reported amounts of assets and liabilities and the reported amounts of income and expenses. For example, as of December 31, ~~2023~~ ~~2024~~, Farmer Mac's assets and liabilities recorded at fair value included financial instruments valued at \$ ~~5.65~~ billion whose fair values management estimated in the absence of readily observable fair values (in other words, level 3). These financial instruments measured with significant unobservable inputs represented ~~18.17~~ ~~8.7~~ % of total assets and ~~52.47~~ ~~4.8~~ % of financial instruments measured at fair value as of December 31, ~~2023~~ ~~2024~~. See "Management's Discussion and Analysis — Critical Accounting Estimates" for more information about fair value measurement. If management makes incorrect assumptions or estimates that result in understating or overstating reported financial results, it could materially and adversely affect Farmer Mac's business, operating results, reported assets and liabilities, financial condition, reputation, or capital levels. Changes in the value or composition of Farmer Mac's investment securities could adversely affect Farmer Mac's business, operating results, financial condition, liquidity or capital levels. Deterioration in financial or credit market conditions could reduce the fair value of Farmer Mac's investment securities, particularly those securities that are less liquid and more subject to market variability. Some securities owned by Farmer Mac, including auction-rate certificates, do not have well-established secondary trading markets, making it more difficult to estimate current fair values for those securities. This requires Farmer Mac to rely on market observations and internal models to estimate the fair values of its investment securities and to determine whether credit losses exist. However, available market data may not reflect the actual sale conditions Farmer Mac may face when selling its investment securities, particularly in adverse financial market conditions. Internal models require Farmer Mac to exercise judgment about estimates and assumptions used in the models. If Farmer Mac uses unreliable market data or incorrect estimates or assumptions in its internal models to estimate the fair value of its investment securities, those estimates could adversely affect results of operations during the reporting period. And if Farmer Mac decides to sell securities in its investment portfolio, the price ultimately realized will depend on the demand and liquidity in the market at the time of sale, which could be significantly less than Farmer Mac's estimates for fair value. Failure to accurately estimate the fair value of Farmer Mac's investment securities could adversely affect Farmer Mac's business, operating results, financial condition, liquidity or capital levels. The trading price for Farmer Mac's Class C non-voting common stock may be volatile due to market influences, trading volume, the effects of equity awards for Farmer Mac's officers, directors, and employees, or sales of significant amounts of the stock by large holders. The trading price of Farmer Mac's Class C non-voting common stock ("Class C stock") has at times experienced substantial price volatility and may remain volatile. For example, the trading price of the Class C stock ranged from \$ ~~113.169~~ ~~53.46~~ per share to \$ ~~194.216~~ ~~92.45~~ per share during ~~2023~~ ~~2024~~. The trading price may fluctuate in response to various factors, including short sales, hedging, the presence or absence of a share repurchase program, stock market influences in general that are unrelated to Farmer Mac's operating performance, or sales of significant amounts of the stock by large holders. Farmer Mac typically grants equity awards each year that are based on the Class C stock, including grants that vest over time or upon the achievement of specified performance goals. Sales of stock

acquired upon vesting or the exercise of equity awards by Farmer Mac's officers, directors, or employees, whether under an established trading plan or otherwise, could adversely affect the trading price of the Class C stock. All of these factors may be exacerbated during periods of low trading volume for Farmer Mac's Class C stock, which averaged 57-52, 662-650 shares daily during 2023-2024 and may have a prolonged negative effect on its trading price or increase price volatility. Regulatory and Compliance Risk Farmer Mac and many of its business counterparties are subject to comprehensive government regulation, and ~~unanticipated~~ changes to those laws and regulations could adversely affect Farmer Mac's business, operating results, reputation, or financial condition. Farmer Mac was established under a statutory charter that the U. S. Congress may amend at any time and is regulated by various government agencies, including the FCA and the SEC. Future legislative or regulatory actions affecting Farmer Mac's statutory charter or its business activities, including increased regulatory supervision, and any required changes to Farmer Mac's business or operations resulting from such actions, could result in a financial loss for Farmer Mac or otherwise reduce its profitability, impose more compliance and other costs on Farmer Mac, limit the products offered by Farmer Mac or its ability to pursue business opportunities in which it might otherwise consider engaging, curtail business activities in which it is currently engaged, affect the value of assets that Farmer Mac holds, or otherwise adversely affect Farmer Mac's business, results of operations, reputation, or financial condition. The financial services industry, in which most of Farmer Mac's business counterparties and customers operate, is subject to significant legislation and regulations. To the extent that current or future legislation, regulations, or supervisory activities affect the activities of banks, insurance companies, other rural lenders, derivatives counterparties, clearinghouses, securities dealers, or other regulated entities that constitute a large portion of Farmer Mac's business counterparties or customers, Farmer Mac could experience loss of business or business opportunities, increased compliance costs, disadvantageous business terms in its dealings with counterparties, and unfavorable changes to its business practices or activities. As a result, Farmer Mac's business, operating results, reputation, or financial condition could be adversely affected. **The legal and regulatory environment related to data privacy and cybersecurity is constantly changing. Privacy and cybersecurity are currently areas of considerable legislative and regulatory attention, with new or modified laws, regulations, rules, and standards being frequently adopted and potentially subject to divergent interpretation or application in different jurisdictions in a manner that may create inconsistent or conflicting requirements for businesses. The uncertainty and compliance risks created by these legislative and regulatory developments are compounded by the rapid pace of technology development, such as artificial intelligence and advances in data science, that affect the use or security of data, including personal information. Privacy and cybersecurity laws and regulations often impose strict requirements on the collection, storage, handling, use, disclosure, transfer, security, and other processing of personal information. These laws and regulations may increase Farmer Mac's compliance costs and require changes to its business and operations. An actual or perceived failure by Farmer Mac, lenders, servicers, vendors, service providers, counterparties, or other third parties to comply with privacy, data protection, and information security laws, regulations, standards, policies, and contractual obligations could result in legal liabilities, fines, regulatory action, and reputational harm that have a material adverse impact on Farmer Mac's business, financial results, and financial condition.** Farmer Mac's capital requirements may change, and failure to meet those requirements could result in supervisory measures or the inability of Farmer Mac to declare dividends, or otherwise materially and adversely affect Farmer Mac's business, operating results, or financial condition. Farmer Mac is required by statute and regulation to maintain certain capital levels. Any inability by Farmer Mac to meet these capital requirements could result in supervisory measures by FCA, adversely affect Farmer Mac's ability to declare dividends on its common and preferred stock, or otherwise materially and adversely affect Farmer Mac's business, operating results, or financial condition. As required by an FCA regulation on capital planning, Farmer Mac has adopted a policy to maintain a sufficient level of Tier 1 capital and to restrict paying Tier 1-eligible dividends if Tier 1 capital falls below specified thresholds. For more information about Farmer Mac's capital requirements, including the Tier 1 capital requirement, see "Business — Government Regulation of Farmer Mac — Regulation — Capital Standards." Factors that could adversely affect the adequacy of Farmer Mac's capital levels in the future, and which may be beyond Farmer Mac's control, include: • credit losses; • adverse changes in interest rates or credit spreads; • the need to increase the level of the allowance for losses on loans; • legislative or regulatory actions that increase Farmer Mac's capital requirements; and • changes in GAAP. ~~Political~~ **Other Risk Risks** Farmer Mac is a GSE that may be materially and adversely affected by legislative or political developments. Farmer Mac is a GSE with a statutory charter that may be amended by Congress at any time, and is also regulated by government agencies, including the FCA and the SEC. Although Farmer Mac is not aware of any pending legislative or regulatory proposals that would materially impact its business or operations, Farmer Mac's ability to effectively conduct its business is subject to risks and uncertainties related to political developments that could affect Farmer Mac or GSEs generally. These political risks and uncertainties ~~may be generally~~ **are heightened under a new newly - elected Congress or and Presidential administration. For example, five members of Farmer Mac's board of directors serve at the pleasure of the President of the United States. Also, the organization and operation of Farmer Mac's federal safety and soundness regulator, the Farm Credit Administration, could be affected by efforts to consolidate or otherwise reorganize federal financial regulatory agencies.** Farmer Mac cannot predict whether or when legislative or regulatory initiatives may commence that, if successful, could negatively affect the status of Farmer Mac as a GSE or how Farmer Mac operates, and which could have a material and adverse effect on Farmer Mac's business, operating results, financial condition, or capital levels. See "Business — Government Regulation of Farmer Mac" for more information about the rules and regulations governing Farmer Mac's activities. ~~Human Capital Risk~~ Farmer Mac's ability to attract and retain motivated and qualified employees is critical to the success of its business, and significant or sustained disruption in the continuity of Farmer Mac's employees or executive leaders may materially adversely affect Farmer Mac's business performance, operations, financial condition, or reputation. Farmer Mac relies on its employees' breadth and depth of knowledge of Farmer Mac and related industries to run its business operations successfully. If Farmer Mac cannot continue to retain and

attract motivated and qualified employees or does not have adequate human capital to achieve its business objectives, Farmer Mac' s business performance, operations, financial condition, or reputation could be materially adversely affected. A significant disruption in the continuity of Farmer Mac' s employees or any significant executive leadership change could also result in a loss of productivity and affect Farmer Mac' s ability to successfully execute business strategies by creating uncertainty or instability or requiring Farmer Mac to divert or expend more resources to replace personnel. Loss of key leadership personnel could also damage the public or market perception of Farmer Mac or result in the departure of other executives or key employees. Any of these factors could materially adversely affect Farmer Mac' s business performance, operations, financial condition, or reputation. Any of the risks described in this section could materially and adversely affect Farmer Mac' s business, operating results, financial condition, reputation, capital levels, and future earnings. For more information about Farmer Mac' s risk management, see" Management' s Discussion and Analysis of Financial Condition and Results of Operations — Risk Management" in Item 7 of this ~~Annual Report~~ **report** ~~on Form 10-K~~.