Debt Market Conditions Update
and System Funding Status

May 14, 2020
Recent High Finance Headlines

“U.S. Coronavirus Cases Surpass 1.2 Million”
Recent High Finance Headlines

“Law Firms Gear Up for Expected Jump in Bankruptcies Triggered by Coronavirus”
Recent High Finance Headlines

“As the meat-supply crunch hits grocery stores, expect higher prices for burgers and steaks, purchase limits and smaller selection”
Recent High Finance Headlines

“Treasury is expected to boost size of debt auctions to meet funding needs”
Recent High Finance Headlines

“Coronavirus Projected to Send Eurozone Into Steep Recession”
“ECB Offers to Pay Banks to Keep Credit Flowing, but Lenders Say ‘No’ ”
Recent High Finance Headlines

“The Glut Drowning the Oil Market”
Funding Update Topics

- Global Market
- Agency Debt Market
- Yields & Spreads on FCS Debt
- Funding Corporation Activity
- FCS Liquidity
- LIBOR/SOFR
- Coronavirus
Global Market

- Federal Reserve
- U.S. Treasury
- China
Credit Rating Agencies - Outlook for the United States

- Standard & Poors – AA+
  Outlook – Stable

- Moody’s – Aaa
  Outlook – Stable

- Fitch – AAA
  Outlook – Stable
System High Level Financials

- **Assets** – $387.3 billion (+ 6.0%)
- **Loans** – $292.6 billion (+ 2.0%)
- **A.L.L.** – $1.8 billion (+ 2.3%)
- **Cash & Invts.** – $84.0 billion (+ 23.0%)
- **Capital** – $63.4 billion (+ 2.6%)
- **Net Income** – $1.4 billion (+ 11.2%)
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>F.H.L.B.</td>
<td>$989</td>
<td>$1,034</td>
<td>$1,032</td>
<td>$1,026</td>
<td>$1,118</td>
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<td>FCS</td>
<td>258</td>
<td>265</td>
<td>282</td>
<td>294</td>
<td>314</td>
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<tr>
<td>Freddie Mac</td>
<td>356</td>
<td>317</td>
<td>255</td>
<td>283</td>
<td>286</td>
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<tr>
<td>Fannie Mae</td>
<td>329</td>
<td>278</td>
<td>233</td>
<td>182</td>
<td>229*</td>
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<td>Tenn. V.A.</td>
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<td>23</td>
<td>22</td>
<td>22*</td>
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<td>Farmer Mac</td>
<td>15</td>
<td>16</td>
<td>16</td>
<td>19</td>
<td>21*</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$1,972</strong></td>
<td><strong>$1,935</strong></td>
<td><strong>$1,841</strong></td>
<td><strong>$1,826</strong></td>
<td><strong>$1,990</strong></td>
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</table>

Source: Agency Websites

* 3/31/2020

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# Funding Activity by FCS

<table>
<thead>
<tr>
<th>($ millions)</th>
<th>Discount Notes</th>
<th>Designated Bonds</th>
<th>Fixed Rate Bonds</th>
<th>Floating Rate Bonds</th>
<th>Retail Bonds</th>
<th>Other¹</th>
<th>Total</th>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Callable</td>
<td>Non-Callable</td>
<td>LIBOR</td>
<td>SOFR</td>
<td>Prime, FF, 91-day,</td>
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<tr>
<td>4/30/2020</td>
<td>35,083</td>
<td>1,100</td>
<td>72,982</td>
<td>83,167</td>
<td>70,893</td>
<td>23,457</td>
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<td>12/31/2019</td>
<td>19,098</td>
<td>0</td>
<td>77,903</td>
<td>79,068</td>
<td>80,613</td>
<td>7,957</td>
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<td>12/31/2018</td>
<td>22,774</td>
<td>0</td>
<td>78,971</td>
<td>71,099</td>
<td>82,216</td>
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<td>12/31/2017</td>
<td>25,632</td>
<td>1,000</td>
<td>72,228</td>
<td>67,144</td>
<td>79,425</td>
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<td>12/31/2016</td>
<td>29,603</td>
<td>4,500</td>
<td>59,964</td>
<td>68,003</td>
<td>81,324</td>
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¹ Includes Linked Deposits

Source: FFCBFC Website
FCS Debt Yields Pushed Lower
Risk Premiums Stabilize
Heavy Call Activity

- Calls in ‘20 – $53 billion and counting
- Calls in ‘19 – $ 54 billion
- Calls in ‘18 – $ 29 million
- Calls in ‘17 – $ 5 billion
- Calls in ‘16 – $ 58 billion

- Net Interest Spreads
  - 2.16% for ‘20, 2.04% for ‘19, 2.12% for ‘18, 2.25% for ‘17, 2.31% for ‘16.

- Net Interest Margins
  - 2.47% for ‘20, 2.42% for ‘19, 2.46% for ‘18, 2.48% for ‘17, 2.49% for ‘16.
Debt Maturity

- Weighted average maturity of FCS Debt
  - Mar./2020 – 2.73 years
  - Dec./2019 – 2.82 years
  - Dec./2018 – 2.86 years
  - Dec./2017 – 2.88 years
  - Dec./2016 – 2.72 years
Debt Maturity

Percentage of FCS debt maturing within 1 year.

- Mar./2020 – 41.9 percent
- Dec./2019 – 38.8 percent
- Dec./2018 – 38.8 percent
- Dec./2017 – 39.1 percent
- Dec./2016 – 40.3 percent
Days of Liquidity

- As of 3/31/20  System = 197(188) days:
  - AgFirst = 208(190) days, AgriBank = 163(145) days, FCB of TX = 240(225) days, CoBank = 215(209) days

- As of 12/31/19  System = 177 (166) days:
  - AgFirst = 222(197) days, AgriBank = 166(135) days, FCB of TX = 211(196) days, CoBank = 176(168) days
Secured Overnight Financing Rate use growing.

Global U.S. LIBOR referenced instruments still dominate.

System’s J & S LIBOR directly based debt totals $70.9 billion.

Funding Corp. has $23.5 billion in SOFR indexed bonds.
Coronavirus

- Ongoing Global Issue
- Major Economic Shock
- Still Evolving
- Expanded Debt Issuance
- Credit Leg
Summary

- Solid Demand for FCS Debt
- FCS Debt Yields Falling
- Risk Premiums Stabilize
- Interest Rate Spreads Widen
- Bottom Line Benefitted More
- Substantial Liquidity
- SOFR’s Increased Acceptance
- Coronavirus Wildcard