



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”





Recent High Finance Headlines

“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
- E.C.B., Bank of England, Bank of Japan
- 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%)



Agency Debt Outstanding



Billions of Dollars	2016	2017	2018	2019	4/2020
F.H.L.B.	\$ 989	\$1,034	\$ 1,032	\$ 1,026	\$1,118
FCS	258	265	282	294	314
Freddie Mac	356	317	255	283	286
Fannie Mae	329	278	233	182	229*
Tenn. V.A.	25	25	23	22	22*
Farmer Mac	15	16	16	19	21*
Total	\$1,972	\$1,935	\$1,841	\$1,826	\$1,990

Source: Agency Websites

* 3/31/2020



Funding Activity by FCS



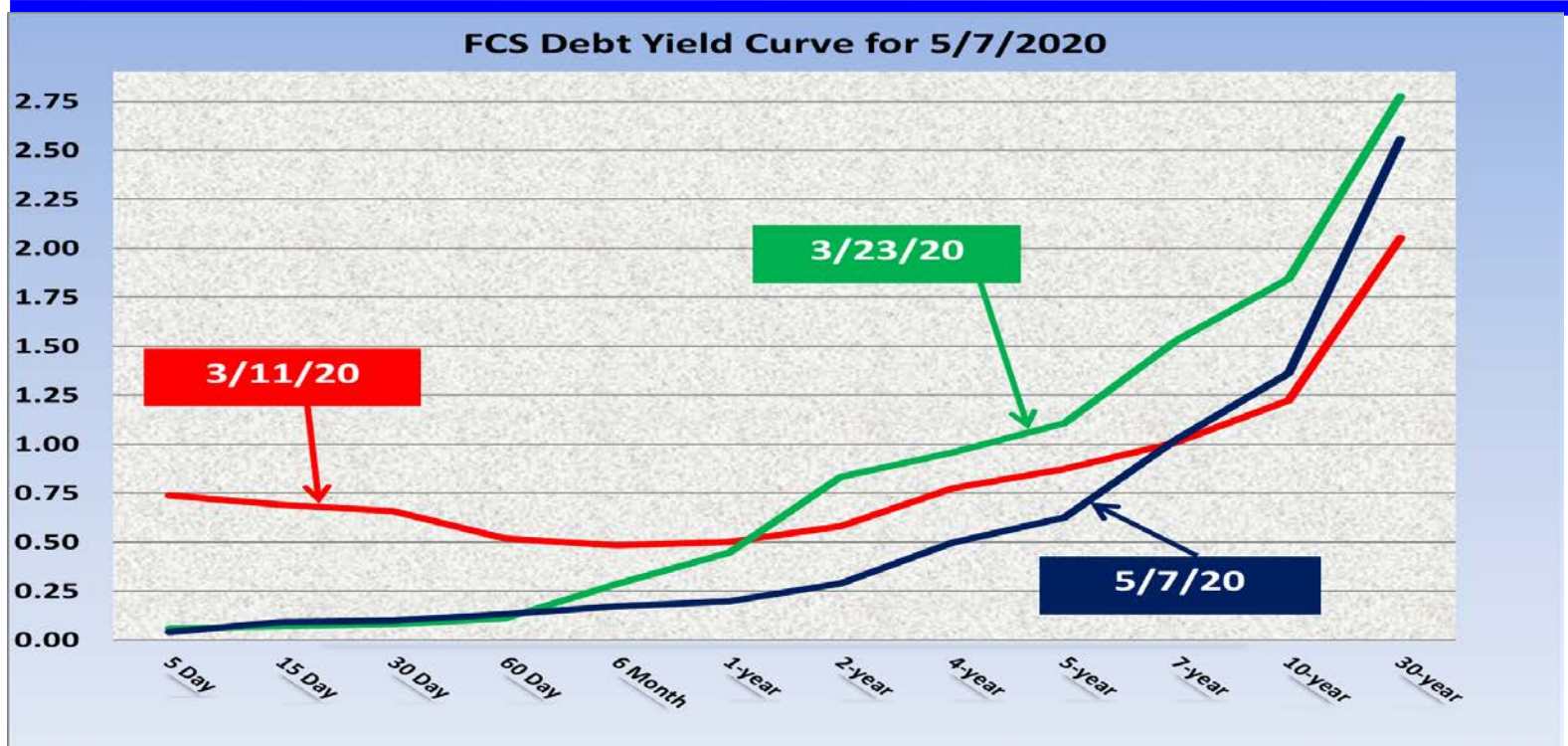
(\$ millions)	Discount Notes	Designated Bonds	Fixed Rate Bonds		Floating Rate Bonds			Retail Bonds	Other ¹	Total
			Callable	Non-Callable	LIBOR	SOFR	Prime, FF, 91-day,			
4/30/2020	35,083	1,100	72,982	83,167	70,893	23,457	27,937	58	149	313,298
12/31/2019	19,098	0	77,903	79,068	80,613	7,957	28,657	122	159	293,577
12/31/2018	22,774	0	78,971	71,099	82,216	0	26,401	201	119	281,780
12/31/2017	25,632	1,000	72,228	67,144	79,425	0	19,775	210	19	265,434
12/31/2016	29,603	4,500	59,964	68,003	81,324	0	14,520	252	22	257,918

¹ Includes Linked Deposits

Source: FFCBFC Website



FCS Debt Yields Pushed Lower

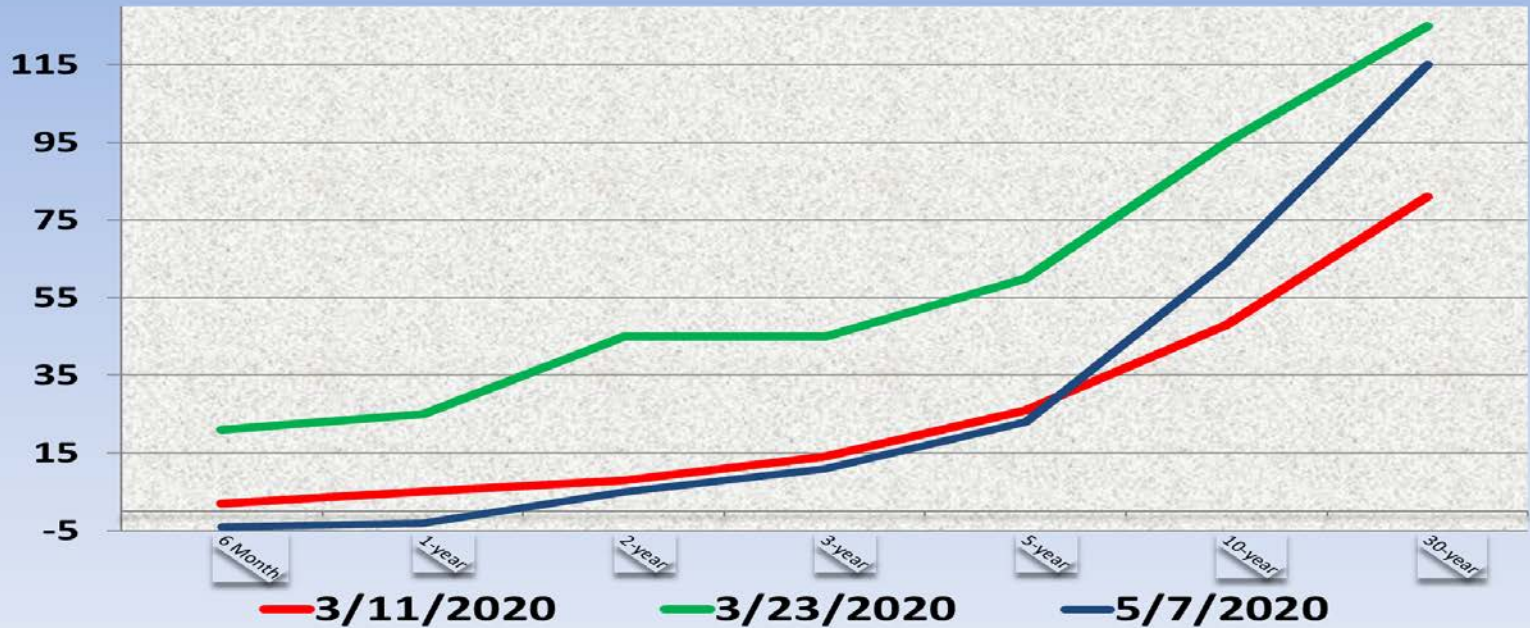




Risk Premiums Stabilize



FCS Basis Points Spread over Treasuries





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





SOFR

- 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

