

National Directors Conference

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Funding Corporation



FARM CREDIT

FUNDING CORPORATION MISSION

The Mission of the Federal Farm Credit Banks Funding Corporation is to provide cost-effective funding and related services to our shareholders, assure the integrity of public disclosure with respect to the issuance of Farm Credit debt securities, promote the marketability of these securities, and support the public policy purpose of the Farm Credit System.

WHO ARE OUR KEY CONSTITUENTS

- Investors
- Rating Agencies
- The U.S. Treasury and the Federal Reserve

DIFFERENTIATING THE FARM CREDIT SYSTEM

- **Mission** – Provide funding for American agriculture, Government-Sponsored Enterprise (GSE) benefits returned directly to agriculture
- **Structure** – Cooperative System owned by our borrowers. No publicly traded common stock.
- **Size** – Total Assets = \$248.5 billion, \$192.8 billion loan portfolio (6/30/13)
- **Regulator** – Farm Credit Administration, an independent agency in Executive Branch of United States Govt. with strong and broad enforcement authorities
- **Congressional Oversight** – House and Senate Agriculture Committees
- **Insurance Fund** – Assets of \$3.4 billion in Farm Credit Insurance Fund adds additional investor protection (6/30/13)
- **Sound Capital Position** – System capital totals \$40.6 billion, capital to assets ratio = 16.3% (6/30/13)
- **Integrity** – Consistently doing the right thing for the right reason

RECENT INVESTOR QUESTIONS

Agriculture & The Farm Credit System:

- Are we concerned with a bubble in ag land values? How are we managing it?
- How will cuts to the Farm Bill impact the System?
- How does crop insurance work?
- Impact of the 2012 drought?
- What were the events that caused problems in the 1980s?
- Is an agricultural GSE needed?

Credit:

- Are FC lending standards comparable to commercial banks?
- How are loan decisions made? What types of covenants are used?
- Are we getting pressure from D.C. to make more/lower quality loans?
- What areas/commodities are currently stressed?

Capital/Financial Performance:

- How do we manage System risk? Do we run System stress tests?
- Why don't we report Tier I and Tier II capital?
- How would capital from the Associations get to the Bank if needed?
- What is our relationship to Farmer Mac?

Market Access:

- What will happen to Farm Credit when FNMA/FHLMC are restructured?
- What determines our bond and note issuance?
- Do you have a liquidity line from either the Fed or the Treasury?

THE TOUGHER QUESTIONS

- Where do you believe growth will come from in the coming two to three years and are you prepared to pause if appropriate?
- The average age of a farmer is 60. What are you doing to insure you don't lose market share as these farms are transitioned into other hands?
- Crop insurance – what is the risk that it will change meaningfully as Congress goes through its budget reductions?
- The Obama effect – does your strategic planning take it into consideration? How?
- When you think about stress tests for the System, what's the big one? The one that could bring you to your knees?

RECENT RATING AGENCY QUESTIONS

- Do you anticipate any changes in governance, senior management, or management reporting structure?
- Competitive Environment – are you coming under pressure? How are you responding?
- Describe your stress-testing initiatives at the System and Bank levels.
- Commodity prices and land values – impact on credit quality within the System?
- Progress on liquidity line?
- Progress on Basel III?
- Farm Bill? Crop Insurance?