



# FARMER MAC

*Financing Rural America*  
CDIAC Presentation<sup>®</sup>

December 7, 2011

# Forward-Looking Statements

## **Forward-Looking Statements**

In addition to historical information, this presentation includes forward-looking statements that reflect management's current expectations for Farmer Mac's future financial results, business prospects and business developments. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance, or achievements. Management's expectations for the Corporation's future necessarily involve a number of assumptions and estimates, and the evaluation of risks and uncertainties, which are subject to change without notice. Various factors could cause Farmer Mac's actual results or events to differ materially from the expectations as expressed or implied by the forward-looking statements. Some of these factors are identified and discussed in Farmer Mac's Annual Report on Form 10-K for the year ended December 31, 2010, filed with the SEC on March 16, 2011 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed with the SEC on November 9, 2011. Those documents are available on Farmer Mac's website ([www.farmermac.com](http://www.farmermac.com)). Any forward-looking statements made in this presentation are only current as of September 30, 2011. Farmer Mac undertakes no obligation to release publicly the results of revisions to any such forward-looking statements to reflect any future events or circumstances, except as otherwise mandated by the SEC.

***This presentation is for general informational purposes only, is current only as of September 30, 2011, and should be read only in conjunction with Farmer Mac's above-referenced Annual Report on Form 10-K, as amended by Amendment No. 1 on Form 10-K/A filed on June 1, 2011, and Quarterly Report on Form 10-Q.***

## **No Offer or Solicitation of Securities**

This presentation does not constitute an offer to sell or a solicitation of an offer to buy any Farmer Mac security. Farmer Mac securities are offered only in jurisdictions where permissible by offering documents available through qualified securities dealers. Any investor who is considering purchasing a Farmer Mac security should consult the applicable offering documents for the security and their own financial and legal advisors for information about and analysis of the security, the risks associated with the security and the stability of the investment for the investor's particular circumstances.

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- As a Government Sponsored Enterprise (GSE), Farmer Mac plays a key role in delivering credit to Rural America
- Farmer Mac provides a secondary market for agricultural and rural utility loans through the mobilization of external capital
- Secondary market allows agricultural and rural utility lenders to access more efficient financing options for their borrowers
- Created by Congress in response to the agricultural credit crisis in mid-1980s

- Chartered by U.S. Congress in 1987 as an Instrumentality of the U.S.
- Major charter revisions and expansion of authority in 1996 and 2008
- Sole GSE Secondary Market for agricultural mortgages and rural utility loans
- Increase availability of long-term credit to U.S. farmers, ranchers and rural utilities



- Debt securities issued through the U.S. Federal Reserve book entry system
- Debt securities 20% risk weighted for Federally regulated entities, as an instrumentality of the U.S.
- Debt securities are legal investments for federally supervised thrifts, banks and credit unions
- Debt securities are “public securities” eligible to be purchased by national banks without limitation
- Debt securities are eligible collateral for Federal Reserve Bank advances and discounts
- Debt securities are eligible for purchase by Federal Reserve Banks in their open market operations
- Debt securities exempt from SEC registration requirements under the 1933 Act





- Regulatory capital surplus was \$124.7 million above minimum capital requirement (September 30, 2011)
- Low delinquencies and credit losses
- Narrow duration gap to minimize interest rate risk
- \$1.5 billion U.S. Treasury backstop supporting Farmer Mac guarantees

- All loans secured by 1<sup>st</sup> mortgage real estate or U.S. government guarantee
- Delinquency rate of 0.38% on all Farmer Mac programs
- Widely diversified loan portfolio
  - Geographically dispersed
  - Commodity diversified



- Farmer Mac I (\$4.377 billion)
  - 1<sup>st</sup> mortgage on agricultural real estate
  - Low average original Loan to Value ratios (54% as of 9/30/11)
  - Cumulative credit losses of 0.17% (\$26.1 million as of 9/30/11)
- Farmer Mac II (\$1.463 billion)
  - U.S. Department of Agriculture (USDA) guaranteed loans
  - No credit losses or delinquencies
- Rural Utility (\$861 million)
  - 1<sup>st</sup> mortgage on all assets, future revenues and after acquired property of rural utility cooperatives
  - No credit losses or delinquencies
- AgVantage (\$5.140 billion)
  - Debt obligations of agricultural and rural utility lenders secured by eligible loans
  - No credit losses or delinquencies



- Farmer Mac is regulated by the Farm Credit Administration, an independent agency in the executive branch of the U.S. government
- U.S. Congress has oversight over Farmer Mac through Congressional committees
  - Primarily the Congressional Agricultural committees
- SEC regulation under Federal securities laws since 1987
- Subject to NYSE rules and regulations since 1999

- Debt issued to fund portfolio assets
  - Program assets - Farmer Mac I, Farmer Mac II and Rural Utilities
  - Non-program investment assets in liquidity portfolio
- Minimize interest rate risk through duration matching (gap generally maintained at +/- one month)
- Flexible issuance through daily postings on Bloomberg, reverse inquiries and periodic strategic issuances
- Conservatively use derivatives to improve funding execution and hedge basis risk

- Discount Notes issued daily
  - \$4.8 billion outstanding as of September 30, 2011
  - Regular rollover maturities include overnight, 30, 60, 90 and 365 days
  - Reverse inquiry for special maturities
- Medium Term Notes (MTNs) issued periodically
  - \$5.1 billion outstanding as of September 30, 2011
  - Fixed rate and callable maturities from one to 20 years
  - Floating rates based on variety of indices
  - Benchmark Notes issued strategically (\$250 million or greater)

- Regulator (FCA) prescribes a methodology that requires at least 60 days of liquidity
- Liquidity as of September 30, 2011: 174 days

- Farmer Mac is well positioned to serve the needs of America's farmers, ranchers, rural utilities, and the lenders who serve them
- Farmer Mac is operating in large, under-served markets
- Farmer Mac provides investors an opportunity to diversify their GSE portfolios

