

AXA Financial / Equitable Life Agribusiness Loan Disposition Strategy

Summary of Alternatives & Recommendation

December 3, 2001

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**AXA Financial / Equitable Life
Agribusiness Loan
Disposition Strategy**

Section 1

Executive Summary

AXA Financial / Equitable Life Agribusiness Loan Disposition Strategy

Executive Summary

Introduction

- **We appreciate the opportunity to present a summary of the results of our evaluation of the different disposition alternatives for the AXA Financial/Equitable Life (“AXA”) agribusiness portfolio**
- **We also present our recommendation of the disposition strategy that best addresses the stated objectives**
- **We understand executing on the contemplated disposition strategy may be subject to the approval of AXA Financial’s Investment Committee of its Board of Directors, which will be sought in December**
- As we agreed in August, this assignment is being carried out in two stages
 - Stage I = Evaluation of alternative disposition strategies in the context of AXA’s stated objectives leading to a final recommendation
 - Stage II = Executing the agreed upon strategy with a targeted closing in Q1 of 2002
- Morgan Stanley’s proposed engagement agreement which accompanies this presentation, articulates our respective roles and responsibilities in executing on the agreed upon disposition strategy
- We understand AXA’s objectives to be as follows:
 - Reduce agribusiness exposure
 - Maximize gain
 - Protect agribusiness origination franchise
 - Protect Lend Lease as servicer
 - Obtain risk based capital relief
- In the sections that follow, we have summarized each of the possible alternatives, including the benefits and disadvantages of each alternative, and related economics
- A summary of the results and the extent to which each alternative meets your objectives is set out on the following page. Note that the indications are shown on a gross execution basis. It is anticipated that the transaction expenses would range from 57 to 86 basis points of the loan amount, depending on the alternative selected and to the extent the execution is deemed a “success”. The details of the transaction expenses are contained in the Financial Impact section.

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Executive Summary

Comparison of Alternatives

Measuring the Degree to which Stated Objectives are Achieved

Options	Counter Party	Amount Indicated (\$mm)	Original Indicative Bid to Par ^{(1) (5)} (\$mm)	Refreshed Indicative Bid to Par ^{(2) (5)} (\$mm)	Protect Agribusiness Lending Franchise	Protect Lend Lease as Servicer	Maximize Accounting Gain	Obtain Risk-Based Capital Relief	Reduce Agribusiness Credit Exposure
Whole Loan Purchase	FCB of Wichita	727	105.8	104.8	M	H	H	H	H
Certificated Swap – Sold ⁽³⁾ / Whole Loan Purchase	Farmer Mac	621	106.0	103.7-104.4 (mid pt=104.1)	H	H	H	H	H
Wrap Guarantee	Farmer Mac	621	103.6	102.4	H	H	M	H	H
Whole Loan Purchase	MetLife	802	102.0-104.5 (mid pt=103.3)	101.0-103.0 (mid pt=102.0)	L	L	L/M	H	H
Whole Loan Purchase	Prudential	400	100-100.5 (mid pt=100.3)	101.5-102.5 (mid pt=102.0)	L	L	L/M	M	M
Certificated ⁽⁴⁾ Swap-Retained	Farmer Mac	621	103.0	101.6	H	H	L	H	H
Whole Loan Purchase	MONY	166	102.0	101.0	L	L	L	L	L
Senior / Sub Structure	Farmer Mac	621	99.8-100.6 (mid pt=100.2)	99.8-100.5 (mid pt=100.2)	H	H	L	M/H	M/H
Private Label Securitization	Morgan Stanley	802	99.5	99.3	H	H	L	M/H	M/H
Credit Risk Transfer	Farmer Mac	621	N/A	N/A	H	H	L	L	H

KEY

- H - High achievement of objectives
- M - Medium achievement of objectives
- L - Low achievement of objectives

Notes

1. Original bids as of 10/31/01
2. Refreshed bids as of 11/27/01
3. Sold refers to sale to Farmer Mac
4. Valuation for securities retained by AXA based on market levels for sale to third parties other than Farmer Mac
5. Gross execution -- Estimated expenses between 57 and 86 basis points depending on type of execution

AXA Financial / Equitable Life Agribusiness Loan Disposition Strategy

Executive Summary

Recommendations

- **Morgan Stanley recommends that AXA execute on the disposition of its Open Block agribusiness portfolio and suggests changes in AXA's current lending practices in order to improve the monetization of agribusiness loans in the future**

Portfolio Disposition

AXA should execute a strategy for the disposition of approximately \$800 million of its “Open Block” agribusiness loan portfolio that entails a formal whole loan sale process to a specific group of institutions experienced in U.S. agribusiness

It is envisioned that Farmer Mac would be a targeted purchaser, who can offer a range of alternative structures, including an unconditional commitment to purchase “non-Farmer-Mac-eligible” loans with a range of institutional partners. Other factors behind targeting Farmer Mac are:

- High achievement of AXA's stated corporate objectives, particularly with regard to the impact on its agribusiness lending franchise
- Potentially establishes a platform for an ongoing exit strategy for newly originated agribusiness loans, as well as presenting an opportunity to improve liquidity to the “Closed Block” portfolio through certificated swaps
- As a government sponsored entity established to support U.S. Agribusiness, Farmer Mac has access to low cost of capital which can in turn be passed onto AXA for this and future transactions

Lending Practices

In addition to our recommended disposition strategy, we further suggest that AXA implement certain changes to its current agribusiness lending practices, including: (1) improved call provisions; (2) specific rate reset indices; and (3) renegotiating servicing fees to market levels

**AXA Financial / Equitable Life
Agribusiness Loan
Disposition Strategy**

Executive Summary

Whole Loan Sale Process

- **To minimize whole loan sale execution risks, we would recommend:**
 - **pre-bid due diligence and**
 - **pre-negotiation of purchase agreement**
- To insure a successful whole loan sale process, we would recommend the following steps:
 - Initial discussions with potential bidders with regards to the scope and expense of the due diligence process
 - Consider due diligence expense reimbursement to winning bidder
 - Create and pre-negotiate form of purchase agreement
 - Announce sale with formal announcement of sale advisor and distribution of sale package
 - Set due diligence schedule and bid date
 - Set closing within three weeks of bid date

**AXA Financial / Equitable Life
Agribusiness Loan
Disposition Strategy**

Executive Summary

Next Steps

- **If the recommended disposition strategy is acceptable, there are three more immediate steps that should be undertaken**

- 1. Obtain Internal Approvals** - Morgan Stanley will be available to participate in further discussions, as necessary
- 2. Formally Engage Advisor** -- Morgan Stanley's engagement letter accompanies this presentation
- 3. Establish Hedge** -- Morgan Stanley can provide assistance to AXA in order to preserve the anticipated transaction gain

**AXA Financial / Equitable Life
Agribusiness Loan
Disposition Strategy**

Section 2

Whole Loan Indications

**AXA Financial / Equitable Life
Agribusiness Loan
Disposition Strategy**

Whole Loan Indications

Whole Loan Indications

- **FCB Wichita and Farmer Mac submitted the most attractive whole loan proposals**
 - **Highest price**
 - **Lend Lease retained as servicer**
 - **Interested in building a relationship with AXA**
- **The other proposals were weaker**
 - **Contingent on ability to release Lend Lease as servicer**
 - **Compromises AXA’s franchise**
- **All would have a similar impact on RBC in that RBC would be released on loans sold**

Summary

Bidder	Targeted Loans	Initial Indicative Bid ⁽¹⁾	Refreshed Indicative Bid ⁽²⁾	Key Issues
Farm Credit Bank of Wichita	\$726.5 MM Representing a 99.9% interest	105.825 (S+180)	104.8	<ul style="list-style-type: none"> • Lend Lease remains as servicer • Non-compete clause
Farmer Mac	Farmer Mac eligible loans \$621MM	106 - 108	103.7-104.4	<ul style="list-style-type: none"> • Lack of clarity over conditions and caveats in the bid, particularly as they relate to prepayment assumptions
MetLife	Entire portfolio \$818.4 MM	102 - 104.5	101-103	<ul style="list-style-type: none"> • Servicing released basis • Non compete clause
Prudential	200+ larger loans \$400 MM	“Slightly Above Par”	101.5-102.5	<ul style="list-style-type: none"> • Servicing released basis • Non-compete clause
MONY	529 smaller loans \$166 MM	102	101	<ul style="list-style-type: none"> • Servicing released basis • Non-compete clause

Notes

1. Original bids as of 10/31/01
2. Refreshed bids as of 11/27/01

**AXA Financial / Equitable Life
Agribusiness Loan
Disposition Strategy**

- **Farm Credit Bank of Wichita is represented by Greg Reno, Vice President in charge of agribusiness lending**
- **Lend Lease strongly endorses FCB**
- **Relative to other bidders, Greg Reno has expressed a very high degree of interest in the AXA Agribusiness**

Whole Loan Indications

Whole Loan Purchase- Farm Credit Bank of Wichita

Indicative Bid Description

- Due to current bank regulations, the Farm Credit Bank of Wichita (“FCB”) is restricted from purchasing whole loans -- accordingly, their indicative bid is for a 99.9% participation interest in \$726.5mm of agribusiness loans (roughly 89% of the offered loan pool). Bid is subject to Farmer Mac eligibility requirements, which serves as a filtering mechanism, but is not an absolute.
- Due to bank regulatory requirements, FCB will need to acquire the servicing and then separately contract their servicing with Lend Lease (who currently services loans on behalf of FCB)
- In the event of a securitization, FCB would be interested in buying the AAA AMBS only

Pros

- Business Relationship -- Wants to establish ongoing business relationship with AXA to purchase agribusiness loans
- Premium Bid -- Initial bid was 105.825 (or S+180), refreshed to 104.8 based on the current yield curve
- Servicing Retained -- Lend Lease will remain as servicer for 30bps
- Q1 2002 Closing -- indicated timing is “very doable”

Cons

- Large Loans -- bid excludes loans >\$9mm
- Non Compete Clause -- will require non compete provisions (i.e., no solicitation prior to maturity or rate resets)

**AXA Financial / Equitable Life
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Disposition Strategy**

- **Farmer Mac is represented by Henry Edelman (CEO) and Nancy Corsiglia (Vice President of Finance)**
- **Lend Lease strongly endorses Farmer Mac**
- **Relative to other bidders, Henry Edelman has expressed a very high degree of interest in the AXA Agribusiness Loan Pool, which is further evidenced by the presentation of nine alternative strategies**

Whole Loan Indications

Whole Loan Purchase- Farmer Mac

Indicative Bid Description

- The Farmer Mac whole loan indicative bid is one of nine alternative proposals to address the disposition of the AXA Agribusiness portfolio, and is very interested in establishing a relationship with AXA
- The Farmer Mac whole loan indicative bid pertains only to Farmer Mac eligible loans, and loans that meet their due diligence standards, which were indicated to be \$621 million -- Farmer Mac has represented that they have business partners who will buy the balance of the portfolio “at some premium” to par
- Bid range shown below reflects a servicing retained and released basis, as well as 0 to 10 CPR -- it is subject to verification of loan quality, servicing fee, and prepayment speeds

Pros

- Business Relationship -- Wants to establish ongoing business relationship with AXA
- Premium Bid -- Initial bid was indicated at 106-108, refreshed to 103.7-104.4 based on the current yield curve
- Servicing Retained -- if desired, Lend Lease will remain as servicer at up to 50 bps per annum
- Q1 2002 Closing -- can be accomplished if decision is made in December

Cons

- Eligibility -- bid excludes non-Farmer Mac eligible loans -- although they are willing to commit on non-Farmer Mac eligible loans with institutional partners
- Price Adjustment -- Bid may be negatively impacted by CPR assumed relative to actual loan performance data

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- **MetLife is represented by Darryl Smith (Vice President of Agricultural Investments)**
- **Other staff involved in the process of evaluating the subject loan pool include Dan O’Neill, Ken Kohler, Steve Craig and Dan Segar**
- **Relative to other bidders, MetLife has asked a large number of questions pertaining to the open block portfolio**

Whole Loan Indications

Whole Loan Purchase - MetLife

Description

- MetLife has an agribusiness portfolio of approximately \$5 billion, and originates \$750mm to \$1.0 billion per year -- of all insurance companies in this business, they are the largest
- MetLife believes the base servicing rate of 40 bp paid to Lend Lease is above market for servicing only -- philosophically they view continuing to pay this fee to be in effect “paying AXA to compete against us in originations”
- MetLife contends that servicing should be “in the single digits” [bp]
- Final bid is subject to approval by the MetLife Board of Directors

Pros

- Purchased Amount -- MetLife has indicated that it will purchase the complete offered open block pool
- Premium Indicative Bid -- the initial bid was indicated at 102-104.5 to par on a servicing released basis, refreshed to 101-103 based on the current yield curve

Cons

- Servicing Released -- MetLife will commit to retain Lend Lease as servicer for one year only (AXA to bear cost of servicing) -- it appears they would likely terminate thereafter, as they chose not to submit a bid on a servicing retained basis
- Non Compete Clause -- will require some form of non compete provisions with a specific time period in the purchase agreement
- Borrower Limits -- Certain loans may not be bid due to internal lending limits to certain borrowers

Whole Loan Indications

Whole Loan Purchase - Prudential

- Prudential is represented by **John Meneely (Senior Vice President of Agricultural Investments)** and **Paul Marsh (Vice President)**

Description

- Prudential’s agribusiness portfolio is approximately \$2 billion, and they originate \$150mm to \$450 million per year
- Preponderance of their portfolio is fixed rate, although recently they have originated more floating rate loans
- Underwriting standards and parameters employed by Prudential coincide with those of Farmer Mac, however they are not subject to the Farmer Mac constraints
- Prudential indicated an interest in loans with an unpaid principal balance of \$500,000 or more; they have an interest in purchasing approximately \$400 million

Pros

- Indicative Bid -- Prudential had indicated an initial bid of marginally over par, but have revised their bid to 101.5-102.5
- Accelerated Closing -- Prudential has indicated that they can close the proposed purchase transaction within 60 days

Cons

- Servicing Released -- Prudential will purchase the agribusiness loan pool on a servicing released basis only
- Non Compete Clause -- will require some form of non compete provisions with a specific time period in the purchase agreement
- Borrower Limits -- Certain loans may not be bid due to internal lending limits to certain borrowers

AXA Financial / Equitable Life Agribusiness Loan Disposition Strategy

- **MONEY is represented by Monte Lyons (Head of MONEY's Agribusiness operations)**

Whole Loan Indications

Whole Loan Purchase - MONEY

Indicative Bid Description

- MONEY services an agribusiness portfolio of approximately \$600 million, of which slightly more than half was originated by MONEY
- MONEY is interested in growing their agribusiness servicing portfolio, and they typically originate \$50mm to \$60 million per year
- MONEY indicated an interest in loans with an unpaid principal balance of less than \$750,000; they have indicated an interest in purchasing \$166 million of the offered open block pool (529 loans). These are principally fixed rate loans that have some form of yield maintenance
- MONEY's bid would require the approval of the MONEY Board of Directors' Investment Committee for which a special meeting can be convened on short notice

Pros

- Premium Indicative Bid -- the initial MONEY bid was indicated at 102.0, refreshed to 101.0 based on the current yield curve
- Accelerated Closing -- MONEY has indicated that they can close the proposed purchase transaction within 60 - 90 days

Cons

- Servicing Released -- MONEY will purchase the agribusiness loan pool on a servicing released basis only
- Non Compete Clause -- will require some form of non compete provisions with a specific time period in the purchase agreement

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Whole Loan Indications

Other Firms Approached

Major Market Participants

- **There were four other firms who were approached to determine their interest in purchasing the AXA open block of agribusiness loans**
- **Each of the firms currently manage significant agribusiness lending and servicing operations**
- **Another firm (TIAA) is contemplating entering the business of agribusiness lending, and has expressed an interest in purchasing the AXA open block pool in order to acquire a “seed pool” to grow the business**
- CitiGroup / Travelers -- chose to pass on submitting an indicative bid for the first round, but indicated a strong interest in purchasing the largest loans in the pool
- AEGON -- was not able to get comfortable with the AXA form of confidentiality agreement
- John Hancock -- will not be bidding on the pool
- United California Bank -- will not be bidding on the pool

**AXA Financial / Equitable Life
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Disposition Strategy**

Section 3

Securitization and Farmer Mac Options

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Securitization and Farmer Mac Options

Economic Comparison

Assumptions

- All bonds pay principal and interest semi-annually
- No underwriting fees or expenses have been subtracted
- Assumed 5% CPR for fixed rate loans; 0% CPR until reset date and 100% CPR at reset date for variable rate loans
- 100% refinance rate for the adjustable rate loans at the next reset date
- Economic value of each structure based on our assessment of the IO using the following assumptions
 - 25% yield at 10% CPR for fixed rate
 - 30% yield at 0% CPR until reset date and 100% CPR at reset date for variable rate

Summary Economics

Option	Portfolio Size (\$MM)	Proceeds			Economic Value			RBC Impact
		Fixed	Variable	Total	Fixed	Variable	Total	
Farmer Mac- Wrap 100%	621	99.03	99.04	99.04	102.30	102.53	102.40	Release RBC in respect of loans sold
Farmer Mac Certificated Swap	621	98.78	99.04	98.90	101.18	102.21	101.63	Release RBC in respect of loans sold
Farmer Mac Wrap 97%	621	96.58	97.05	96.79	100.34	100.68	100.49	Release RBC in respect of loans sold
Farmer Mac Wrap 94%	621	95.32	96.49	95.83	99.18	100.49	99.75	Release RBC in respect of loans sold
Private Label Securitization	802	95.25	96.68	95.89	98.74	100.04	99.32	Release RBC in respect of loans sold

- The above economics are based upon current capital market spreads; however, Farmer Mac has indicated a price of 103+ and 104+ for the variable and fixed rate eligible portfolio for a weighted average of approximately 104

Securitization and Farmer Mac Options

Certificated Swap - Farmer Mac

- Exchange of ag loans for Farmer Mac securities reduces risk based capital from 3.94% to 0.30% if Farmer Mac securities are retained by AXA
- AXA may choose to sell securities upfront or over time subject to market conditions

Description

- AXA exchanges agriculture loan portfolio for Farmer Mac guaranteed certificates
- Fixed rate portfolio certificates are pooled to minimize excess servicing by underlying gross coupon ranges
- Variable rate portfolio pooled by reset period and underlying gross coupon.
- All credit exposure on eligible portfolio transferred to Farmer Mac for ongoing fee
- Regulatory capital charges reduced from 3.94% to 0.30% if Farmer Mac securities are retained by AXA

Pros

- Minimizes retained excess servicing
- Increases portfolio liquidity
- No rating required
- Potentially recognize accounting gain without sale of securities

Cons

- Limited investor universe
- Significant investor education required
- Prepayment history crucial to valuation
- Farmer Mac most likely investor

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Securitization and Farmer Mac Options

Economic Analysis of Certificated Swap - Par Cap

Fixed Rate

- Limited the pass-through rate to no higher than par
- Unlikely third party investors will value securities with significant premiums unless provided with supporting historical data
- Valuation assumes servicing fee of 42.5 bps and guarantee fee of 47.7 bps. Excess servicing discounted at 25% at 10% CPR rates
- Total economics may be significantly greater if Farmer Mac purchases premium securities
- Farmer Mac has indicated a price of 103+ and 104+ for the variable and fixed rate eligible portfolio for a weighted average of approximately 104

"Par Cap" Economics								
Class	Implied Rating	Balance \$	Coupon %	Price %	Spread bps	Yield %	Average Life years	
<u>Fixed Rate</u>								
A-1	AAA	7,635,800	5.50	96.0148	100	6.2402	6.33	
A-2	AAA	39,330,091	6.00	97.4599	100	6.3705	7.21	
A-3	AAA	118,631,861	6.19	99.0201	100	6.3401	6.96	
A-4	AAA	83,875,298	5.98	99.0155	100	6.2153	6.17	
A-5	AAA	75,684,971	5.96	99.0353	100	6.1900	6.00	
A-6	AAA	16,474,356	5.36	99.0245	100	5.6359	3.89	
A-7	AAA	7,500,288	3.10	99.0440	100	3.7380	1.38	
X	AAA	349,132,665	W	2.3984	2067	25.0000	5.10	
Cash Proceeds	344,878,587	98.7815%						
PV of Retained Servicing	2.3984%							
Economic Value	353,252,073	101.1799%						

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Securitization and Farmer Mac Options

Economic Analysis of Certificated Swap - Par Cap

Variable Rate

- Limited the pass-through rate to no higher than par
- Unlikely third party investors will value securities with significant premiums unless provided with supporting historical data
- Valuation assumes servicing fee of 42.5 bps and guarantee fee of 47.7 bps. Excess servicing discounted at 35% at 0% CPR until reset date and 100% CPR at reset date
- Total economics may be significantly greater if Farmer Mac purchases premium securities
- Farmer Mac has indicated a price of 103+ and 104+ for the variable and fixed rate eligible portfolio for a weighted average of approximately 104

“Par Cap” Economics								
Class	Implied Rating	Balance \$	Coupon %	Price %	Spread bps	Yield %	Average Life years	
<u>Variable Rate</u>								
A-1	AAA	17,279,898	2.00	99.0453	75	3.0100	0.88	
A-2	AAA	17,228,865	1.81	99.0493	75	2.9330	0.79	
A-3	AAA	15,556,587	1.65	99.0473	75	2.8920	0.73	
A-4	AAA	5,596,669	3.20	99.0391	75	3.7350	1.63	
A-5	AAA	37,614,201	2.62	99.0465	75	3.3390	1.22	
A-6	AAA	19,165,357	2.73	99.0411	75	3.4010	1.31	
A-7	AAA	17,396,144	3.33	99.0497	75	3.8250	1.72	
A-8	AAA	11,126,998	3.50	99.0481	75	3.9560	1.86	
A-9	AAA	26,999,259	4.00	99.0421	75	4.3987	2.13	
A-10	AAA	48,408,859	4.33	99.0285	75	4.6712	2.53	
A-11	AAA	34,008,139	2.96	99.0424	75	3.5620	1.45	
A-12	AAA	21,360,312	4.29	99.0356	75	4.6349	2.47	
X	AAA	271,741,289	W	3.1641	2718	30.0000	1.67	
Cash Proceeds	269,136,279	99.0414%						
PV of Retained Servicing		3.1641%						
Economic Value	277,734,576	102.2055%						
<u>Total- Fixed and Variable</u>								
Cash Proceeds	614,014,866	98.8953%						
PV of Retained Servicing		2.7335%						
Economic Value	630,986,649	101.6288%						

Securitization and Farmer Mac Options

Private Label Securitization

Description

- Securitization provides access to the Capital Markets, a potentially deeper pool of capital than the whole loan market
- The fixed rate loans and the variable rate reset loans will be separated into two distinct pools and two series of Securities, each backed by one of the pools will be created
- The Securities will be tranching from AAA to non-rated according to the ratings assigned by the rating agencies. Based on feedback received to date, the Securities would be rated by Moody's and Fitch
- The Securities would be sold to the market in a private 144A offering. Non-investment grade bonds must be sold at a discount to provide yield investors require. The Securities for sale will also include an IO strip
- RBC in respect of the mortgage loans would be released and this would be offset by the RBC required in respect of reinvested proceeds

Pros

- AXA Franchise – investors, particularly investment grade investors, are not buying to obtain future loan business
- Servicing Retained – Lend Lease will continue to service the loans
- Proceeds - Cash is received for redeployment
- Balance Sheet – reduces agribusiness exposure and capital required, demonstrates portfolio liquidity

Cons

- Weak call protection and lack of historical prepayment data will limit saleability of IO and opportunity to sell other bonds above par
- Market will demand a spread concession for a new product
- Execution is subject to changing market conditions outside of AXA's control

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Securitization and Farmer Mac Options

Economic Analysis of Private Label Securitization

Fixed Rate

- Valuation assumes servicing fee of 42.5 bps
- Subordination levels based on preliminary rating agency feedback

Economics							
Class	Rating (Moody's/Fitch)	Balance \$	Coupon %	Price %	Spread bps	Yield %	Average Life years
<u>Fixed Rate</u>							
A-1	Aaa/AAA	260,749,922	5.02	99.0489	90	5.3219	3.40
A-2	AaaAAA	113,379,105	WAC-0.67	98.0317	125	6.7898	8.80
B	Aa2/AA	14,009,237	WAC-0.16	98.0385	155	7.2861	11.42
C	A2/A	12,910,473	WAC	96.3445	200	7.7860	12.18
D	Baa2/BBB	13,185,164	WAC	91.9514	250	8.3306	13.08
E	Ba2/BB	9,888,873	6.00	61.5387	650	11.5355	14.19
F	B2/B	4,395,055	6.00	37.7943	1294	18.0000	15.37
G	NR	10,987,637	6.00	17.2290	2990	35.0000	17.17
X	AAA	439,505,465	W	3.4857	2067	25.0000	5.11
Cash Proceeds	418,627,937	95.2498%					
PV of Retained IO		3.4856%					
Economic Value	433,947,624	98.7354%					

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Securitization and Farmer Mac Options

Economic Analysis of Private Label Securitization

Variable Rate

- Valuation assumes servicing fee of 42.5 bps
- Subordination levels based on preliminary rating agency feedback

Economics							
Class	Rating (Moody's/Fitch)	Balance \$	Coupon %	Price %	Spread bps	Yield %	Average Life years
<u>Variable Rate</u>							
A	Aaa/AAA	308,834,539	2.70	99.0471	80	3.4040	1.24
B	Aa2/AA	11,564,289	5.49	99.0291	145	5.7515	3.13
C	A2/A	10,657,286	6.06	99.0379	190	6.2972	3.34
D	Baa2/BBB	10,884,037	WAC-0.25	99.0387	240	7.0906	4.02
E	Ba2/BB	8,163,027	6.00	83.0734	650	10.6585	4.63
F	B2/B	3,628,012	6.00	63.1128	1384	18.0000	4.63
G	NR	9,070,031	6.00	32.9634	3067	35.0000	5.13
X	AAA	362,801,221	W	3.3599	2719	30.0000	1.65
Cash Proceeds	350,738,522	96.6751%					
PV of Retained IO		3.3599%					
Economic Value	362,928,203	100.0350%					
<u>Total- Fixed and Variable</u>							
Cash Proceeds	769,366,459	95.8943%					
PV of Retained IO		3.4288%					
Economic Value	796,875,827	99.3231%					

Securitization and Farmer Mac Options

Farmer Mac Wrapped Securitization Structures

Description

- Farmer Mac will provide a guarantee for up to 100% of the Securities backed by the Farmer Mac eligible loans. The portion of the Securities not wrapped will be subordinated to the wrapped Securities. The wrapped Securities will have an implied AAA rating consistent with Farmer Mac's GSE status.
- The level of subordination required by Farmer Mac will depend on Farmer Mac's assessment of the credit quality of the pool. Farmer Mac have given a preliminary indication of 0% to 6% subordination. The Farmer Mac guarantee fee reduces from 47bps in a fully guaranteed structure to 32bps in this structure.
- The subordinated securities will be able to be rated by the rating agencies and offered for sale. An IO class will be created as in a private label securitization
- RBC in respect of the mortgage loans would be released and this would be offset by the RBC required in respect of reinvested proceeds

Pros

- Capital Structure is superior to that of private label securitization
- This structure has the same advantages as a private label non-wrapped securitization

Cons

- Farmer Mac is not known in the market as a wrapper; market education and a spread concession will be required. Accordingly Farmer Mac is the best purchaser for the Senior Securities
- This structure has the same limitations as a private label non-wrapped securitization

**AXA Financial / Equitable Life
Agribusiness Loan
Disposition Strategy**

Securitization and Farmer Mac Options

Economic Analysis of Farmer Mac Wrap

100% Wrap

- Valuation assumes 42.5 bps servicing fee and 47.7 bps guarantee fee

Economics							
Class	Implied Rating⁽¹⁾	Balance \$	Coupon %	Price %	Spread bps	Yield %	Average Life years
<u>Fixed Rate</u>							
A-1	AAA	215,682,433	4.79	99.0285	65	5.0719	3.40
A-2	AAA	133,450,232	WAC-0.54	99.0393	80	6.5077	11.02
X	AAA	349,132,655	W	3.2688	2067	25.0000	5.10
Cash Proceeds	345,755,276	99.0326%					
PV of Retained IO		3.2688%					
Economic Value	357,167,842	102.3015%					
<u>Variable Rate</u>							
A	AAA	271,741,289	3.15	99.0428	65	3.6730	1.67
X	AAA	271,741,289	W	3.4826	2718	30.0000	1.67
Cash Proceeds	269,140,060	99.0428%					
PV of Retained IO		3.4826%					
Economic Value	278,603,843	102.5254%					
<u>Total</u>							
Cash Proceeds	614,895,336	99.0371%					
PV of Retained IO		3.3624%					
Economic Value	635,771,685	102.3995%					

**AXA Financial / Equitable Life
Agribusiness Loan
Disposition Strategy**

Securitization and Farmer Mac Options

Economic Analysis Farmer Mac Wrap

97% Wrap / 3% Subordination

- Valuation assume a 42.5 bps servicing fee and 32 bps guarantee fee

Economics							
Class	Implied Rating⁽¹⁾	Balance \$	Coupon %	Price %	Spread bps	Yield %	Average Life years
<u>Fixed Rate</u>							
A-1	AAA	215,682,433	4.79	99.0367	65	5.0719	3.40
A-2	AAA	122,976,252	WAC-0.76	99.0407	80	6.4712	10.51
B	NR	10,473,980	6.00	17.2046	2990	35.0000	17.05
X	AAA	349,132,665	W	3.7543	2067	25.0000	5.10
Cash Proceeds	337,203,265	96.5831%					
PV of Retained IO		3.7543%					
Economic Value	350,310,713	100.3374%					
<u>Variable Rate</u>							
A	AAA	263,589,051	3.00	99.0432	65	3.5600	1.56
B	NR	8,152,239	6.00	32.6659	3066	35.0000	5.18
X	AAA	271,741,289	W	3.6242	2718	30.0000	1.67
Cash Proceeds	263,730,034	97.0519%					
PV of Retained IO		3.6242%					
Economic Value	273,578,374	100.6760%					
<u>Total</u>							
Cash Proceeds	600,933,299	96.7883%					
PV of Retained IO		3.6973%					
Economic Value	623,889,087	100.4856%					

Notes

1. Assumed AAA rating for senior piece because it it wrapped by Farmer Mac. Assumed subordinate piece rated B by rating agencies.

**AXA Financial / Equitable Life
Agribusiness Loan
Disposition Strategy**

Securitization and Farmer Mac Options

Economic Analysis of Farmer Mac Wrap

94% Wrap / 6% Subordination

- Valuation assumes 42.5 bps servicing fee and 32 bps guarantee fee

Economics							
Class	Implied Rating ⁽¹⁾	Balance \$	Coupon %	Price %	Spread bps	Yield %	Average Life years
<u>Fixed Rate</u>							
A-1	AAA	215,682,433	4.79	99.0367	65	5.0719	3.40
A-2	AAA	112,502,272	WAC-0.81	99.0383	80	6.4436	10.12
B	BB	7,855,485	6.00	61.1886	650	11.5409	14.45
C	B	3,491,327	6.00	37.6528	1294	18.0000	15.50
D	NR	9,601,148	6.00	17.1964	2990	35.0000	17.17
X	AAA	349,132,665	W	3.8592	2067	25.0000	5.10
Cash Proceeds	332,797,398	95.3212%					
PV of Retained IO		3.8592%					
Economic Value	346,271,132	99.1804%					
<u>Variable Rate</u>							
A	AAA	255,436,812	2.87	99.0438	65	3.4680	1.46
B	BB	6,114,179	6.00	83.0670	650	10.6585	4.63
C	B	2,717,413	6.00	63.1066	1384	18.0000	4.63
D	NR	7,472,885	6.00	32.4123	3066	35.0000	5.24
X	AAA	271,741,289	W	4.0003	1718	20.0000	1.67
Cash Proceeds	262,210,241	96.4926%					
PV of Retained IO		4.0003%					
Economic Value	273,080,824	100.4929%					
<u>Total</u>							
Cash Proceeds	595,007,639	95.8339%					
PV of Retained IO		3.9210%					
Economic Value	619,351,956	99.7549%					

Notes

1. Assumed AAA rating for senior piece because it is wrapped by Farmer Mac. Assumed subordinate piece rated BB and B by rating agencies.

Securitization and Farmer Mac Options

Par Purchase with IO - Farmer Mac

- **A loan-by-loan level par purchase by Farmer Mac may produce a lower effective yield than a single class pass-through**

Description

- Farmer Mac would purchase the loans and, in addition to the cash proceeds, deliver to Equitable an interest-only strip representing excess interest over the coupon required by Farmer Mac on each loan for a par price
- The value of this alternative will depend on the value which Equitable is able to attribute to this excess interest strip

Pros

- Guaranteed par execution plus the value of the excess servicing
- Cash is received for re-deployment
- Sale of loans; demonstrates portfolio liquidity and reduce exposure to agribusiness

Cons

- Interest only strip difficult to value; accounting gain depends on its prepayment experience and valuation
- Sale of interest-only strip will not provide optimal execution

Securitization and Farmer Mac Options

Credit Risk Transfer with Farmer Mac

Description

- AXA retains agriculture loan portfolio and purchases Farmer Mac standby purchase commitment on eligible portfolio
- Farmer Mac agrees to purchase any mortgages upon default by borrower
- All credit exposure on eligible portfolio transferred to Freddie Mac for ongoing fee of 47.7 b.p.
- Potentially no risk-based capital benefit since NAIC formula does not contemplate insured farm loans

Pros

- Reduced upfront costs
- No reinvestment concerns

Cons

- No gain on sale recognized
- Same guarantee fee as certificated swap without benefit of additional liquidity

**AXA Financial / Equitable Life
Agribusiness Loan
Disposition Strategy**

Section 4

Financial Impact

**AXA Financial / Equitable Life
Agribusiness Loan
Disposition Strategy**

Financial Impact

Impact on Earnings & Risk-Based Capital

- A comparative analysis of three leading bidders was prepared to evaluate the financial impact that an agribusiness portfolio disposition would have
- Assumptions:
 - Proceeds are reinvested at T + 200 (6.72%) less investment management fee of 15bp
 - Current portfolio yield is 7.90% less weighted average management fee of 73bp
 - Existing RBC charge is 3.94%
 - Reinvestment RBC charge is 1%

Pre Tax Earnings Impact (\$ millions)			
	MetLife	FCB Wichita	Farmer Mac
Assumptions:			
Amount Sold	802.00	727.00	621.00
Indicative Pricing	102.00%	104.8%	104.10%
Fees & Expenses	0.57%	0.57%	0.57%
Cash Proceeds	813.47	757.75	642.92
Pre Tax Earnings Impact			
FGAAP Capital Gain	11.47	30.75	21.92
Reinvestment Yield	6.57%	6.57%	6.57%
Reinvestment Earnings	53.44	49.78	42.24
Current Portfolio Yield	7.17%	7.17%	7.17%
Current Investment Income	57.50	52.13	44.53
Marginal Impact on Investment Income	-4.06	-2.34	-2.29
Net Earnings Impact Year 1	7.41	28.41	19.64
Risk Based Capital Impact (@200%)			
Existing Charge	63.19	57.28	48.93
Reinvestment Charge	<u>16.27</u>	<u>15.16</u>	<u>12.85</u>
RBC Benefit	46.92	42.13	36.08

**AXA Financial / Equitable Life
Agribusiness Loan
Disposition Strategy**

Financial Impact

Transaction Expenses

Estimated Expenses

	Private Label Securitization	Farmer Mac- Sell Securities	Farmer Mac- Retain or Sell to Farmer Mac	Whole Loan
Due Diligence	500,000	250,000	250,000	250,000
Legal	400,000	300,000	200,000	200,000
Two Rating Agencies	400,000	NA	NA	NA
Roadshow	50,000	50,000	NA	NA
REMIC Residual	150,000	NA	NA	NA
Accountant	150,000	150,000	NA	NA
Printer	50,000	50,000	NA	NA
Trustee	20,000	20,000	NA	NA
Miscellaneous	100,000	100,000	100,000	100,000
Subtotal	1,820,000	920,000	550,000	550,000
% of Deal ⁽¹⁾	0.23%	0.15%	0.09%	0.07%
Placement Fee	0.50-0.625%	0.50-0.625%	0.50-0.625%	0.50-0.625%
Total	0.73-0.855%	0.65-0.775%	0.59-0.715%	0.57-0.695%

Notes

1. Based on full loan amount of \$802MM for the Private Label Securitization and Whole Loan Transaction. Based on Farmer Mac eligible loan amount of \$621mm for Certificated Swap and Farmer Mac Transactions.

**AXA Financial / Equitable Life
Agribusiness Loan
Disposition Strategy**

Section 5

Considerations in a Disposition

Operational Considerations

Suggestions Based On Observations Of Lend Lease Agribusiness Operations

- **As part of its evaluation of disposition alternatives, Morgan Stanley has determined that certain changes in related business operations may result in additional value-added to AXA**
- **The context of the comments made herein are to suggest improvements to the current business practices of Lend Lease Agribusiness, in its capacity as delegated underwriter and servicer for AXA Financial's agribusiness loans**

Call Provisions -- As noted in the economic analysis of a private label securitization, and based on the conditions that Farmer Mac and various potential whole loan buyers have expressed in their indicative bids, AXA would be well-served to revise the standard call provisions of originated agribusiness loans. Lock out periods followed by either defeasance or yield maintenance discounted at Treasuries flat would substantially improve the economics and liquidity associated with the future monetization of its agribusiness loans.

Rate Reset Indices -- for the variable rate agribusiness loans, it was noted that a high degree of ambiguity was inherent in the rate resets. AXA should consider specifying indices that are acceptable in a capital markets transaction, and which are readily understood and accepted by the borrowing market. Candidates to consider are Libor and short term treasuries. While some structural modifications can be made in a securitization, loans with subjective rate resets are generally precluded from capital markets transactions.

Servicing Fees --The 40 basis point annual base servicing fee paid (on loan balance) to Lend Lease Agribusiness is an above market rate. Market rates are generally at 20 to 30 bp. Future monetization of these loans on a servicing retained basis will accordingly be negatively impacted.

Strategic Considerations

Factors That Should Be Considered in a Disposition

- **The disposition strategy finally selected should take into account strategic considerations that are not readily quantifiable, but nevertheless may have significant economic implications to AXA**

Strategic Direction -- With this disposition strategy, does AXA plan to remain in the business of agribusiness lending in the long term, or will this be a preamble to ultimately exit the business?

Market Reaction -- How will the farm borrower market interpret and react to the sale and to what extent will this reaction impact agribusiness loan originations?

Impact to Lend Lease -- How will the impact of a whole loan sale affect Lend Lease Agribusiness in the context of their role as servicer to the AXA “Closed Block” portfolio?

Closed Block Portfolio -- Are there circumstances where AXA will consider the sale of agribusiness loans in its “closed block portfolio” in a subsequent transaction?

Business Flow -- Can the selected disposition strategy establish a platform for an ongoing exit strategy for newly originated agribusiness loans?

Market Branding -- To what extent would establishing the AXA name in the capital markets with Agribusiness paper be of value, and is this the type of collateral to do this with?

Other Considerations

Factors That Should Be Considered in a Disposition

- In addition to strategic business implications, there are other factors to consider in a portfolio disposition

Hedging -- Given the current volatile interest rate environment, what hedging strategies should be implemented to preserve the gain on disposition?

Ease of Execution --How important is ease and certainty of execution in the context of potentially selling to one counterparty?

Cherry-Pick Risk -- To what extent will the selected strategy expand or mitigate the risk that only the best loans will be accepted or sufficiently priced so as to avert adverse selection

Reinvestment Strategy -- In the relatively low interest rate environment, AXA will likely realize a reduced yield on reinvestment into comparable risks

Corporate Guarantee of CPR -- Farmer Mac has offered to purchase or swap the offered portfolio at a zero CPR pricing speed at a significant premium, in consideration of receiving a corporate guarantee from AXA. In such an instance, AXA would remit make-whole payments to compensate Farmer Mac for early prepayments. An internal reserve could then be established to an expected CPR. If actual prepayments come in better than expected, the reserve would eventually be released. This would capture CPR uncertainty that will otherwise be priced into the bid. However, in the event prepayment speeds exceed that which is assumed in the reserved amount, there would be an earnings impact.

Non-Compete Clauses -- In a whole loan sale, AXA will likely be required to enter into contractual provisions that will limit AXA's ability to conduct future agribusiness lending with those clients

Factors Driving the Bid Premiums

- In evaluating the indicative bids received to date, it is important to understand the factors that may drive the premiums that others may be willing to pay for the AXA open block agribusiness loans

Relative Interest Rate Levels -- Although the fixed income markets have traded off dramatically over the past month (approximately 60 basis points in the 5 year treasury note) the coupons of the subject loan portfolio are still at relatively high levels

Cost of Capital -- As a government sponsored entity, Farmer Mac benefits from a lower relative cost of capital. In addition, Farm Credit Banks also enjoy access to inexpensive capital, as well as well capitalized insurance companies such as MetLife, Prudential and MONY Life.

Market Knowledge -- Knowledge of prepayment and credit risk in agribusiness lending is a significant factor in valuing the subject loan pool. This knowledge is currently held by a relatively small group of market participants who are able to purchase agribusiness loan pools in size. In addition, this requires an understanding of regional markets, crop types, loan documentation and industry practices. As most fixed income investors do not possess this knowledge, a significant premium is less likely from such a group.

Future Franchise Value -- Certain whole loan buyers accord significant franchise value to the acquisition of new agribusiness borrowers who tend to refinance with the same lender, and accordingly are willing to pay a premium for this, irrespective of interest rate levels.

Servicing Value -- Many of the whole loan bidders will only purchase loans in the subject pool on a servicing released basis, as they value the associated servicing.

**AXA Financial / Equitable Life
Agribusiness Loan
Disposition Strategy**

Appendix A

Whole Loan Indicative Bid Letters

**AXA Financial / Equitable Life
Agribusiness Loan
Disposition Strategy**

Appendix B

CARVE Analyses

**AXA Financial / Equitable Life
Agribusiness Loan
Disposition Strategy**

Appendix C

Yield Tables
