

# (AGM) Federal Agricultural Mortgage Corporation Class C

## Govt Support Firms

Federal Agricultural Mortgage Corporation Class C: EJR affirms at A

## Non-NRSRO Rating

Current Senior Rating	A
Projected Senior Rating	A
Commercial Paper Rating	A1
Three Year Default Probability	1.5%
Three Year Recovery Rate	95.0%



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Federal Agricultural Mortgage Corporation Class C (AGM) is in the govt support firms sector and its operating income was \$116.5M for the quarter ending September 2022 vs. \$88.8M for the prior year. Net income for the September 2022 quarter was \$41.4M vs. the prior year's \$31.1M income.

Founded in 1987 and is headquartered in Washington, DC, AGM engages in the provision of a secondary market for agricultural real estate and rural housing mortgage loans, rural utilities loans, and loans guaranteed by the United States Department of Agriculture. For the quarter ended Sep'22, the Company's net income increased by 33.33% YoY primarily attributable to higher revenues. The Company's revenues rose by 19.8% YoY (+9.1% seq.) for FQE Sep'22 mainly driven by a \$44.48M (+48.2%) increase in interest income and is partially offset by higher interest expense (+30.3%). Operating income increased from \$88.8M last year to \$116.5M this year (+31.2%) as a result of the \$44.5M (+48.2%) rise in interest income. Funds from operations for the FQE Sep '22 were \$116.5M resulting in a funds from operations interest coverage of 1.8x. Regarding leverage, total debt rose from \$22.4B to \$23.5B for the FQE '22 while total shareholder's equity was almost flat at \$1.2B. As a result, leverage was 95.0%. Net debt was \$22.6B for the most recent FQE and the resulting net leverage ratio was 94.8%. Market Cap is \$1.3B (as of 12/15/2022). Affirming.

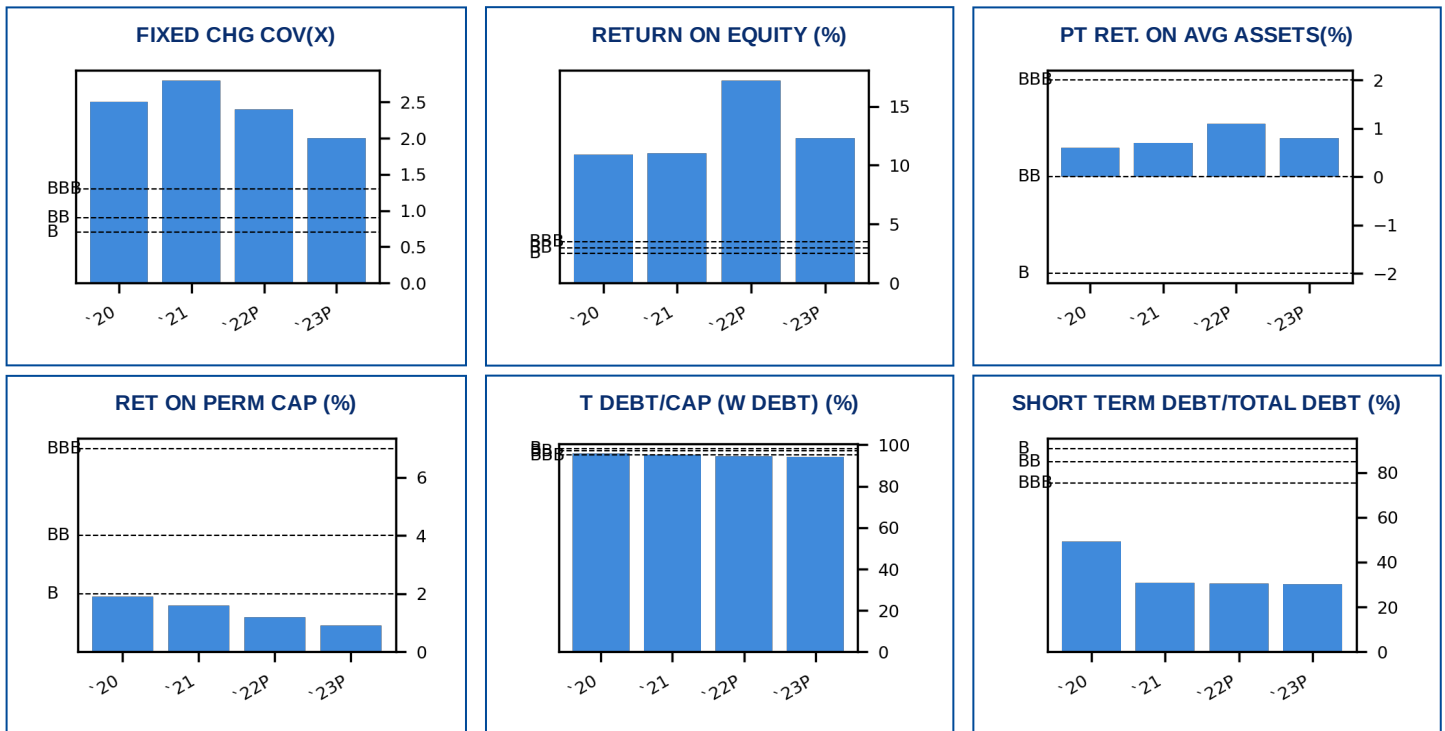
CREDIT POSITION	Annual Ratios				Ratios For 4 Rolling Quarters				
	Dec 20	Dec 21	PDec 22	PDec 23	Sep 21	Dec 21	Mar 22	Jun 22	Sep 22
Fixed Chg Cov(x)	2.5	2.8	2.4	2.0	2.8	2.8	3.0	3.1	3.0
Return on Equity (%)	10.9	11.0	17.2	12.3	10.9	11.0	12.3	13.3	13.9
PT Ret. on Avg Assets(%)	0.6	0.7	1.1	0.8	0.7	0.7	0.7	0.8	0.8
Ret on Perm Cap (%)	1.9	1.6	1.2	0.9	1.6	1.5	1.6	1.6	1.7
T Debt/Cap (w Debt) (%)	95.7	95.0	94.4	94.1	94.9	95.0	95.1	95.1	95.0
Short Term Debt/Total Debt (%)	49.2	30.8	30.5	30.3	36.1	30.8	28.5	30.1	31.5
<b>Implied Senior Rating</b>	<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>

PEER RATIOS	Other NRSRO Sen.	Fixed Charge Cov(x)	ROE(%)	Ret on Avg Assets	Ret on Perm Cap(%)	T Debt/ Cap(%)	ST Debt/ Total Debt(%)	Ratio-Implied Rating
Federal National Mortgage Association	AAA	2.4	46.8	0.7	2.4	98.9	0.1	A
Freddie Mac	AAA	2.3	43.2	0.5	2.1	99.1	1.6	A-
Starwood Property Trust, Inc.	BB	2.8	6.6	0.6	3.9	71.9	13.2	A-
Ocwen Financial Corporation	B-	3.4	3.8	(0.0)	3.2	95.8	12.4	BB+

Notes:

Annual and quarterly implied sen. ratings are smoothed using EJR's prior rating if any. Peers' implied ratings are also smoothed. Rating Change Anticipator (1 is best, 100 worst): 51.6, Last EJR Sen: A

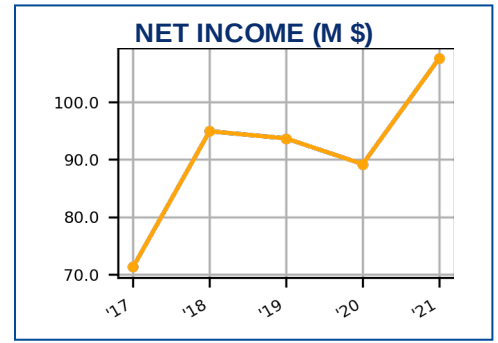
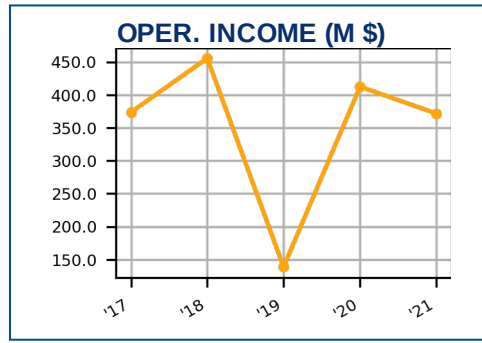
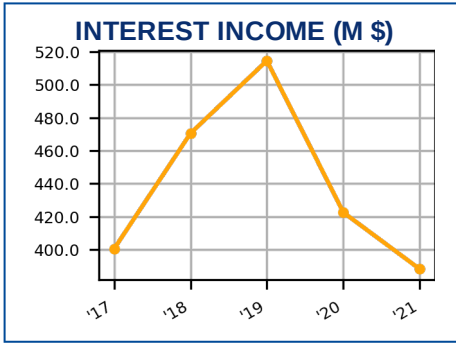
INDUSTRY RATIOS	AA	A	BBB	BB	B	CCC
Fixed Chg Cov(x)	2.3	1.8	1.3	0.9	0.7	0.5
Return on Equity (%)	4.5	4.0	3.5	3.0	2.5	2.0
PT Ret. on Avg Assets(%)	6.0	4.0	2.0	0.0	-2.0	-4.0
Ret on Perm Cap (%)	20.0	10.0	7.0	4.0	2.0	-2.0
T Debt/Cap (w Debt) (%)	85.0	90.0	95.0	97.0	98.2	100.0
Short Term Debt/Total Debt (%)	47.5	62.2	75.3	84.9	90.7	94.2



### ANNUAL INCOME STATEMENTS (MILLIONS \$)

Below are Federal Agricultural Mortgage Corporation Class C's annual income statements with the projected years based on our assumptions.

	Dec 17	Dec 18	Dec 19	Dec 20	Dec 21	PDec 22	PDec 23
Interest Income	401	471	515	423	388	357	328
Interest Expense	243	319	413	275	204	204	205
Net Interest Income	158	151	102	148	184	153	122
Provisions for Loan Losses	2	0	4	8	(2)	(2)	(2)
Trading Account Profit	0	0	0	0	0	0	(1)
Commissions and Fees Earned	14	14	14	13	13	13	13
Other Operating Income	(6)	20	76	59	46	36	28
Non-Interest Expense	(209)	(271)	50	(201)	(127)	(80)	(51)
Operating Income	374	455	139	412	372	284	215
Net Non Operating Loss	0	0	0	0	0	0	0
Income Tax Expenses	46	28	29	29	35	51	39
Income Before XO Items	84	108	110	109	132	232	176
Extraordinary Item Net of Tax	0	0	0	0	0	0	0
Minority Interests	0	0	0	0	0	0	0
Consolidated Net Income	84	108	110	109	132	232	176
Total Cash Preferred Dividends & Other Gain/Loss	13	13	16	19	25	25	25
<b>Net Income</b>	<b>71</b>	<b>95</b>	<b>94</b>	<b>89</b>	<b>108</b>	<b>208</b>	<b>151</b>
Common Dividends/Distribution	15	25	30	51	61	64	68
Net Revenues	409	504	605	495	447	405	368
Comprehensive Income per Share	5.2	6.5	5.9	3.6	4.3	0.0	0.0
Basic EPS Before Abnormal Items	6.6	8.8	8.7	8.3	9.9	21.4	16.2
Basic EPS Before XO Items	6.6	8.8	8.7	8.3	9.9	21.4	16.2
Basic EPS	6.7	8.9	8.8	8.3	10.0	21.4	16.2
EBITDA	375	0	555	420	369	282	214



## REVENUE & PROFITABILITY

The Company's interest income declined at an average rate of 0.62% over the last five years while Operating Margin fell to 2.53% for the fiscal year ending December 2021, below the 2.64% average over the prior four years. Return on Assets rose to 0.52%, above the 0.49% average for the prior years.

	Dec 17	Dec 18	Dec 19	Dec 20	Dec 21	PDec 22	PDec 23
Interest Income (Millions USD)	401	471	515	423	388	357	328
Growth Rate (%)	28.4	17.5	9.4	-17.9	-8.1	-8.1	-8.1
Net Interest Income/Total Interest Income (%)	39.4	32.1	19.8	35.0	47.4	42.8	37.3
Loan Loss Coverage (%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pretax Return on Avg Assets (%)	0.8	0.7	0.7	0.6	0.7	1.1	0.8
Oper Return / Earning Assets (%)	3.1	3.6	1.0	2.8	2.5	1.9	1.4
Non-Interest Inc / Revs (%)	2.0	6.7	14.9	14.6	13.1	12.0	10.8
Efficiency Ratio (%)	-126.1	-146.5	25.9	-91.3	-52.2	-39.8	-31.2
Return on Assets (%)	0.5	0.6	0.5	0.4	0.5	0.9	0.7

## LEVERAGE & ASSET LIQUIDITY

The Quick Asset Ratio has become weaker recently, slipping to 4.3:1 for the FYE December 2021.

	Dec 17	Dec 18	Dec 19	Dec 20	Dec 21	PDec 22	PDec 23
Quick Asset Ratio (%)	2.6	3.2	3.7	5.0	4.3	3.9	3.5
Quick Assets / ST Dep & Debt (%)	5.7	7.8	7.9	11.3	15.6	14.0	12.6
LT Debt/Capital (%)	91.3	91.9	91.9	91.8	92.9	92.2	91.8
T Debt/Cap (w Debt) (%)	95.6	95.6	96.0	95.7	95.0	94.4	94.1

## ASSUMPTIONS FOR FINANCIALS

### VALUATION DRIVER: Interest Income Growth

Federal Agricultural Mortgage Corporation Class C (AGM) has seen a decline in interest income at 8.1% per annum in the last fiscal year. We expect the Company's revenues will decline approximately 8.1% per annum over the next couple of years and 0.0% per annum for the next couple of years thereafter.

### VALUATION DRIVER: Net Interest Margin

The Company's net interest margin has been more than its peers and we assumed no growth in net interest margin over the next two years.

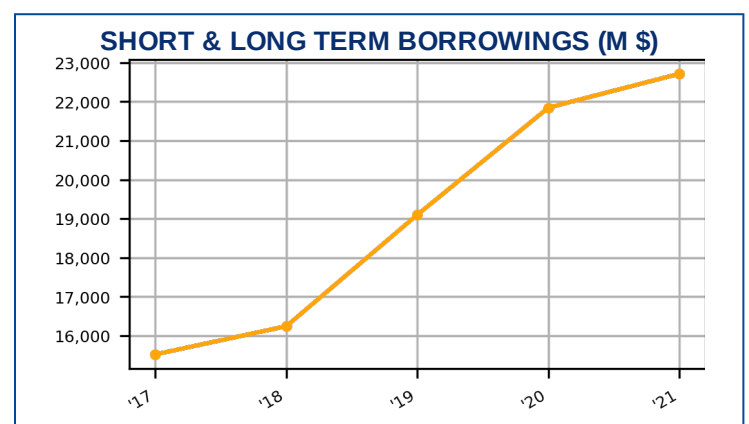
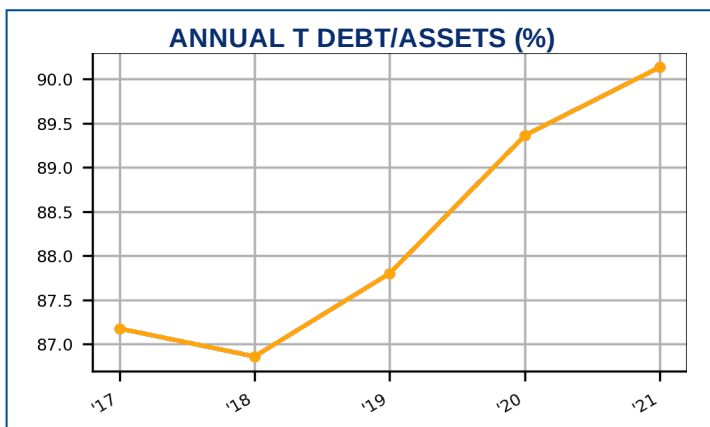
	Peer Median	Company Average	ASSUMPTIONS	
			Years 1 & 2	Years 3, 4, 5
Interest Income Growth (%)	(1.3)	(8.1)	(8.1)	0.0
Interest Expense (Rate %)	1.7	0.9	0.9	0.9
Net Interest Margin (% of earning assets)	0.4	1.3	1.3	0.0
Provisions for Loan Losses (% of earning assets)	(0.0)	(0.0)	(0.0)	0.0
Trading Account Profit Growth (%)	(100.0)	(330.0)	(330.0)	0.0
Commissions and Fees Earned Growth (%)	(9.0)	1.0	1.0	0.0
Other Operating Income Growth (%)	1.0	(22.6)	(22.6)	0.0
Non Interest Expense Growth (%)	(12.4)	(36.8)	(36.8)	0.0
Net Non Operating Loss Growth (%)	0.0	0.0	0.0	0.0
Income Tax Rate (%)	1.1	9.5	18.0	18.9
Special Items (Millions \$)	0.0	0.0	0.0	0.0
Cash & Near Cash Growth (%)	(52.9)	(12.1)	(12.1)	(12.1)
Accounts & Notes Receivable Growth (%)	(4.2)	(0.3)	(0.3)	(0.3)
Markable Secs. & ST Investments Growth (%)	0.0	0.0	0.0	0.0
Loans & Mortgages Growth (%)	0.0	0.0	0.0	0.0
Real Estate Investments Growth (%)	0.0	0.0	0.0	0.0
Other Long Term Investments Growth (%)	(14.2)	1.3	1.3	0.0
Long Term Investments Before Reserves Growth (%)	(2.6)	1.3	1.3	0.0
Loan Loss Reserves (% of earning assets)	0.1	0.0	0.0	0.0
Loan Net of Reserves Growth (%)	0.0		0.0	0.0
Net Fixed Assets Growth (%)	(0.2)	0.0	0.0	0.0
Other Assets Growth (%)	0.0	0.0	0.0	0.0
Demand Deposits Growth (%)	0.0	0.0	0.0	0.0
Short-Term Borrowings Growth (%)	1.8	(35.0)	(35.0)	0.0
Customer Deposits Growth (%)	0.0	0.0	0.0	0.0
Other Short-Term Liabilities Growth (%)	0.0	0.0	2.0	2.0
Long-Term Borrowings Growth (%)	13.2	41.7	41.7	0.0
Deferred Tax Liability Growth (%)	0.0	(39.9)	3.0	3.0
Other Long-Term Liabilities Growth (%)	0.0	(19.1)	(19.1)	(19.1)
Shares Sold (% of shares out.)	0.0	0.6	0.4	0.4
Additional ST Debt (Millions \$)	0.0	0.0	0.0	0.0

## ANNUAL BALANCE SHEETS (MILLIONS \$)

Below are Federal Agricultural Mortgage Corporation Class C's balance sheets with the projected years based on our assumptions. As of December 2023, the Company's total cash is assumed to decrease from \$909M as of December 2021 to \$702M while its total debt is assumed to rise from \$22.7B to \$23.1B.

ASSETS	Dec 17	Dec 18	Dec 19	Dec 20	Dec 21	PDec 22	PDec 23
Cash & Near Cash	302	425	604	1,034	909	799	702
Accounts & Notes Receivable	195	220	238	224	223	222	222
Marketable Secs. & ST Investments	0	0	0	0	0	0	0
Mortgage Loans	0	0	0	0	0	0	0
Real Estate Investments	0	0	0	0	0	0	0
Other Long-Term Investments	11,997	12,518	13,847	14,520	14,704	14,891	15,080
Long-Term Investments before Reserves	11,997	12,518	13,847	14,520	14,704	14,891	15,080
Loan Loss Reserves	0	0	0	0	0	0	0
Loans Net of Reserves	11,997	12,518	13,847	14,520	14,704	14,891	15,080
<b>Net Fixed Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other Assets	0	0	0	0	0	9,366	9,366
Additional Assets	5,312	5,538	7,064	8,672	9,366	0	0
<b>Total Assets</b>	<b>17,806</b>	<b>18,701</b>	<b>21,752</b>	<b>24,449</b>	<b>25,202</b>	<b>25,278</b>	<b>25,370</b>
Earning Assets	12,192	12,518	13,847	14,520	14,704	14,891	15,080

LIABILITIES	Dec 17	Dec 18	Dec 19	Dec 20	Dec 21	PDec 22	PDec 23
Demand Deposits	0	0	0	0	0	0	0
Short-Term Borrowings	8,090	7,757	10,019	10,746	6,987	6,987	6,987
Customer Deposits	0	0	0	0	0	0	0
Other Short Term Liabilities	0	0	0	0	0	0	0
Long-Term Borrowings	7,433	8,487	9,080	11,103	15,729	15,892	16,084
Deferred Tax Liability	14	7	43	94	56	58	60
Other Long-Term Liabilities	1,562	1,698	1,811	1,514	1,225	991	802
Other Liabilities	0	0	0	0	0	0	0
<b>Total Liabilities</b>	<b>17,098</b>	<b>17,948</b>	<b>20,953</b>	<b>23,457</b>	<b>23,998</b>	<b>23,927</b>	<b>23,933</b>
Total Preferred Equity	205	205	228	363	485	485	485
Minority Interest	0	0	0	0	0	0	0
Share Capital & APIC	130	129	130	134	137	139	142
Retained Earnings & Other Equity	374	418	441	496	583	727	810
Total Shareholders & Equity	708	753	799	992	1,204	1,350	1,437
<b>Total Liabilities &amp; Equity</b>	<b>17,806</b>	<b>18,701</b>	<b>21,752</b>	<b>24,449</b>	<b>25,202</b>	<b>25,278</b>	<b>25,370</b>
Shares Outstanding	11	11	11	11	11	11	11



## U.S. SECURITIES AND EXCHANGE COMMISSION RULE 17g-7(a) DISCLOSURE

Below are the disclosures as required by Paragraph (a) of Rule 17g-7.

**1. The symbol in the rating scale used to denote the credit rating categories and notches within categories and the identity of the obligor, security, or money market instrument as required by Paragraph (a)(1)(ii)(A) of Rule 17g-7:**

For the issue Federal Agricultural Mortgage Corporation Class C with the ticker of AGM we have assigned the senior unsecured rating of A. There are three notches in our rating categories (e.g., A- A, and A+) except for AAA and those deep into speculative grade, i.e., CC, C, and D do not have notches.

**2. The version of the procedure or methodology used to determine the credit rating as required by Paragraph (a)(1)(ii)(B) of Rule 17g-7:**

We used version #15a of the Methodologies for Determining Credit Ratings (Main Methodology), a copy of which is available at [egan-jones.com](http://egan-jones.com).

**3. The main assumptions and principles used in constructing the procedures and methodologies used to determine the credit rating as required by Paragraph (a)(1)(ii)(C) of Rule 17g-7:**

The credit rating assigned reflects our judgement regarding the future credit quality of the issuer. Regarding the specific assumptions used, please refer to page 3 of this Rating Analysis Report.

**4. The potential limitations of the credit rating as required by Paragraph (a)(1)(ii)(D) of Rule 17g-7:**

Our rating pertains solely to our view of current and prospective credit quality. Our rating does not address pricing, liquidity, or other risks associated with holding investments in the issuer. EJR ratings

- Are not intended to address the value, price, price stability, liquidity, suitability, or merit of an investment;
- Do not address investment merit, whether a particular rated security is suitable for a particular investor or suitable for an investor's risk tolerance;
- Do not address whether the expected return of a particular investment is adequate for the inherent risk;
- Do not address whether the market value of the security will remain stable over time; and
- Are not exact measures of the probability of default but are instead expressions of the relative credit risk of issuers and debt instruments.

**5. Information on the uncertainty of the credit rating as required by Paragraph (a)(1)(ii)(E) of Rule 17g-7:**

Our rating is dependent on numerous factors including the reliability, accuracy, and quality of the data relied used in determining the credit rating. The data/ information (collectively "Information") is sourced from publicly-available 10Q and 10K statements, quarterly reports, 8K filings, earnings reports, and other similar sources. In some cases, the Information is limited because of issues such as short operating histories, lack of reported data, delay in reporting data, restatements, inaccurate accounting, and other issues. Such shortcomings are not always readily apparent.

**6. Whether and to what extent third-party due diligence services have been used in taking the rating action as required by Paragraph (a)(1)(ii)(F) of Rule 17g-7:**

EJR does not utilize third-party due diligence.

**7. How servicer or remittance reports were used, and with what frequency, to conduct surveillance of the credit rating as required by Paragraph (a)(1)(ii)(G) of Rule 17g-7:**

Servicer or remittance reports normally pertain to structured finance issuers; this report does not pertain to a structured finance issuer (EJR is not an NRSRO for structured finance or sovereigns/municipal issuers). Regarding surveillance, the minimum time period for corporation issuers is normally one year.

**8. A description of the data that were relied upon for the purpose of determining the credit rating as required by Paragraph (a)(1)(ii)(H) of Rule 17g-7:**

EJR uses 10Q and 10K statements, quarterly reports, 8K filings, earnings reports, and other similar sources for ratings on publicly-traded issuers.

**9. A statement containing an overall assessment of the quality of information available and considered in the credit rating as required by Paragraph (a)(1)(ii)(I) of Rule 17g-7:**

The information is generally high quality and readily available.

**10. Information relating to conflicts of interest as required by Paragraph (a)(1)(ii)(J) of Rule 17g-7:**

EJR is not paid to determine this credit rating.

**11. An explanation or measure of the potential volatility of the credit rating as required by Paragraph (a)(1)(ii)(K) of Rule 17g-7:**

**Non-performing Loans and Credit Losses** - A material increase in non-performing loans and/or credit losses could prompt us to lower or the rating up to several notches.

**Net Interest Margins** - A material decline in the issuer's realized net interest margins could prompt us to reduce our rating up to several notches; the level of the rating cut would depend on the magnitude of the decline and a review of other possibly offsetting factors.

**Regulatory/ Licensing Issues** - A material deterioration in the issuer's regulatory posture is likely to impact credit quality and resulting rating with a decline of up to several notches.

**Funding Costs and Availability** - A material change in cost and availability of funds (i.e., liquidity) for the issuer, its customers and suppliers is likely to impact credit quality and resulting rating change of up to several notches.

**Business Levels/ GDP** - A material change in overall business activity or GDP could prompt us to raise or lower the rating. Most changes in GDP do not result in a rating change of more than one notch because these changes occur in small increments over time.

**Leverage Increase** - A material increase in leverage for the issuer and major customers could prompt us to adjust our the ratings up to several notches.

**Cyber/System Disruptions** - Material and prolonged disruptions in the issuer's and/or customers' and/or suppliers' systems is likely to cause us to reduce our rating up to several notches or in extreme cases, withdraw our rating.

**Corporate Events** - A material corporate event (such as a major acquisition, sale, or share buyback) is likely to cause us to change our rating up to several notches depending on various factors such as the counter party, the method of financing, the timing, and a variety of other related factors.

**Asset Values** - A material decline in asset values could prompt us to reduce our ratings up to several notches although normally such changes take place over several years and provide time for adjustment. An exception would be a catastrophic event such as a war or economic collapse in which case we might be compelled to take more rapid action.

**12. Information on the content of the credit rating as required by Paragraph (a)(1)(ii)(L) of Rule 17g-7:**

EJR credit rating is an opinion about the relative creditworthiness of an entity or an instrument. Exhibit 1 of Form NRSRO provides information on credit rating definitions and observed default rates in credit ratings performance measurement statistics. (<https://www.egan-jones.com/regulatory/form-nrsro/credit-ratings-performance-measurement-statistics/>)

Historical performance of credit ratings is disclosed on the Firm's website. (<https://egan-jones.com/client/rar.aspx?&Tickers=AGM>)

**13. Information on the sensitivity of the credit rating to assumptions as required by Paragraph (a)(1)(ii)(M) of Rule 17g-7:**

Below is a summary of the import of the assumptions which independently would have the greatest impact on our "ratio-implied rating":

	Assumptions			Resulting Ratio-Implied Rating		
	Base	Optimistic	Pessimistic	Base	Optimistic	Pessimistic
Interest Income Growth %	-8.1	0.0	0.0	A	A	A-
Interest Expense (% of outstanding debt)	0.9	0.0	3.9	A	A	BB
Provisions for Loan Losses (% of earning assets)	-0.0	0.0	3.0	A	A	BB
Commissions & Fees Earned Growth %	1.0	3.0	0.0	A	A	A-
Loan Loss Reserves (% of Earn. Assets)	0.0	0.0	2.0	A	A	CCC-

**14. If the credit rating is assigned to an asset-backed security, a description of: (i) the representations, warranties, and enforcement mechanisms available to investors; and (ii) how they differ from the representations, warranties, and enforcement mechanisms in issuances of similar securities, as required by Paragraph (a)(1)(ii)(N) of Rule 17g-7:**

This credit rating is not assigned to an asset-backed security.

**Comments on the Difference between the Model and Assigned Rating**

We have assigned a rating of A whereas the ratio-implied rating for the most recent historic period is A.

**Comments on Industry Ratios**

We have not made any adjustments in the industry ratios at this time.

**CUSIPs and EJR ratings**

637432MJ1 rated A; 637432MF9 rated NR; 637432MH5 rated A; 637432MG7 rated NR; 637432ME2 rated NR; 637432MD4 rated NR; 637432MB8 rated NR; 637432MC6 rated NR; 637432MK8 rated NR



## Attestation Form

In compliance with the US Securities and Exchange Commission (SEC) Rule 17g-7(a), the Egan-Jones analyst who published the report is responsible for the rating action and to the best knowledge of the person:

1. No Part of the credit rating was influenced by any other business activities,
2. The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated, and
3. The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

### Prepared By

### Date Prepared

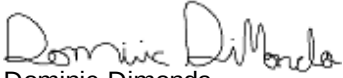


12/14/22

Carla Mae Caronongan  
Credit Rating Analyst

### Reviewed By

### Date Reviewed



12/15/22

Dominic Dimonda  
Credit Rating Analyst

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