

(AGM) Federal Agricultural Mortgage Corporation Class C

Govt Support Firms

Federal Agricultural Mortgage Corporation Class C: EJR affirms at A

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



Ratings Group Contact
ratings@egan-jones.com
(844) 495-5244

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Federal Agricultural Mortgage Corporation Class C (AGM) is in the govt support firms sector and its operating income was \$29.0M for the quarter ending December 2018 vs. \$33.3M for the prior year. Net income for the December 2018 quarter was \$22.9M vs. the prior year's \$20.0M income.

For the quarter ended Dec'18, the Company's net income widened by 14.2% YoY primarily due to a \$7.07M decrease in income tax expense primarily resulting from the lower federal corporate income tax rate and a \$0.7 million after-tax increase in net interest income resulting primarily from an increase in outstanding business volume. These were partially offset by a \$2.8 million after-tax increase in non-interest operating expenses related to higher compensation and employee benefits expenses and higher G&A expenses. Revenues during the quarter grew 21.2% YoY (-2.0% seq.) with core earnings increasing from \$17.9M last year to \$20.5M (+14.5%) primarily due to a \$5.4M decrease in income tax expense and a \$1.1 million after-tax increase in net effective spread. These increases to core earnings were partially offset by a \$1.2M after-tax increase in G&A expenses related to continued investments in technology and business infrastructure and a \$1.5M after-tax increase in compensation and employee benefits expenses. Funds from operations for the FQE Dec '18 were \$29.0M resulting in a funds from operations interest coverage of 0.3x. Regarding leverage, total debt rose from \$15.5B to \$16.2B for the FQE '18 while total shareholder's equity rose from \$708.1M to \$752.6M. As a result, leverage was 95.6%. Netting cash from debt, net debt was \$15.8B for the most recent FQE and the resulting net leverage ratio was 95.5%. Market Cap is at \$790.1M as of 03/21/19. Affirming.

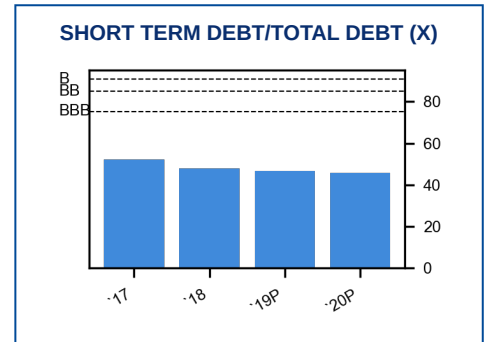
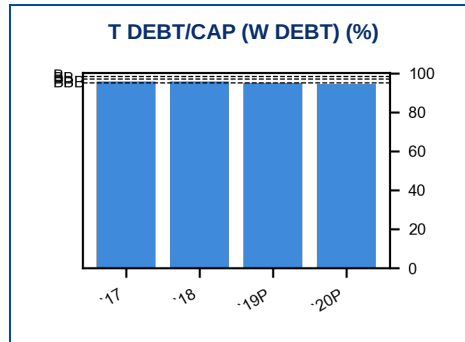
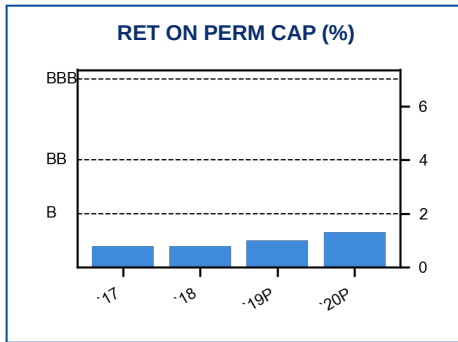
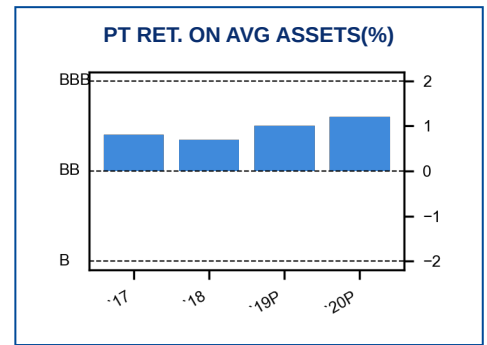
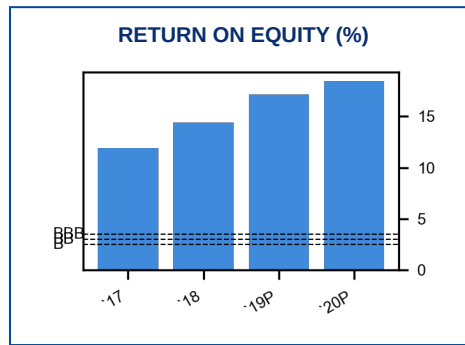
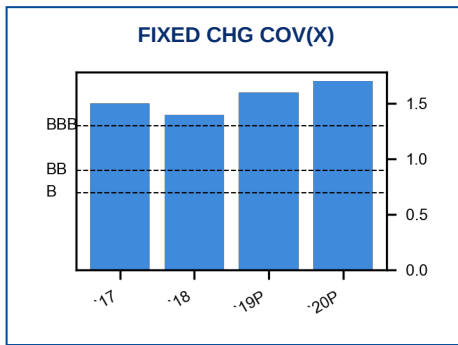
CREDIT POSITION	Annual Ratios				Ratios For 4 Rolling Quarters				
	Dec 17	Dec 18	PDec 19	PDec 20	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18
Fixed Chg Cov(x)	1.5	1.4	1.6	1.7	1.5	1.5	1.5	1.4	1.4
Return on Equity (%)	11.9	14.4	17.1	18.4	11.9	11.9	12.7	13.5	14.4
PT Ret. on Avg Assets(%)	0.8	0.7	1.0	1.2	0.7	0.7	0.7	0.8	0.7
Ret on Perm Cap (%)	0.8	0.8	1.0	1.3	0.8	0.8	0.8	0.8	0.8
T Debt/Cap (w Debt) (%)	95.6	95.6	95.1	94.4	95.6	95.6	95.5	95.3	95.6
Short Term Debt/Total Debt (x)	52.1	47.8	46.8	45.9	52.1	49.3	48.0	46.7	47.8
Implied Senior Rating	A-	A-	A-	A-	A-	A-	A-	A-	A-

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
Freddie Mac	AAA	1.2	206.3	0.6	0.5	99.8	5.3	BBB
Federal National Mortgage Association	AAA	1.2	N/A	0.6	0.6	N/A	1.0	BBB+
Starwood Property Trust, Inc.	BB	1.5	7.8	0.7	1.3	68.7	12.7	A
Ocwen Financial Corporation	B-	0.5	(13.0)	(0.8)	(1.6)	93.6	11.1	CCC+

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): 47.4, Last EJR Sen: A

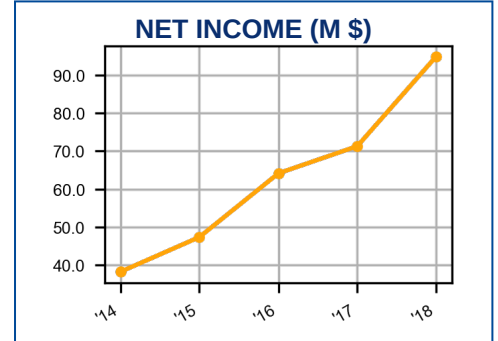
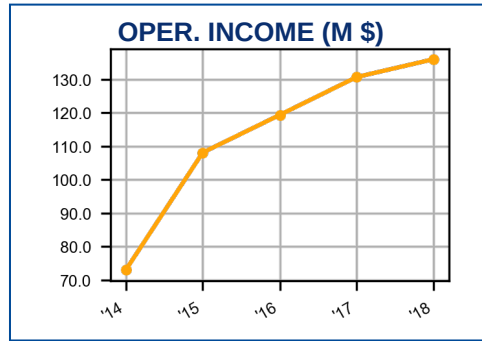
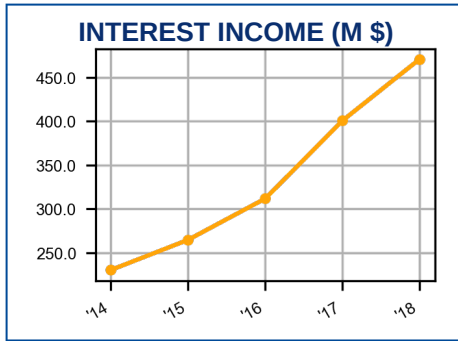
INDUSTRY RATIOS	AA	A	BBB	BB	B	CCC
Fixed Chg Cov(x)	2.3	1.8	1.3	0.9	0.7	0.5
Return on Equity (%)	4.5	4.0	3.5	3.0	2.5	2.0
PT Ret. on Avg Assets(%)	6.0	4.0	2.0	0.0	-2.0	-4.0
Ret on Perm Cap (%)	20.0	10.0	7.0	4.0	2.0	-2.0
T Debt/Cap (w Debt) (%)	85.0	90.0	95.0	97.0	98.2	100.0
Short Term Debt/Total Debt (x)	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 14	Dec 15	Dec 16	Dec 17	Dec 18	PDec 19	PDec 20
Interest Income	231	265	312	401	471	532	602
Interest Expense	171	139	172	243	319	319	326
Net Interest Income	60	126	140	158	151	213	276
Provisions for Loan Losses	(3)	0	1	2	0	0	0
Trading Account Profit	39	1	1	0	0	0	0
Commissions and Fees Earned	25	15	15	14	14	14	14
Other Operating Income	(32)	(5)	8	(6)	20	18	16
Non-Interest Expense	22	28	44	34	49	60	74
Operating Income	73	108	119	131	136	184	232
Net Non Operating Loss	0	0	0	0	0	0	0
Income Tax Expenses	3	34	42	46	28	38	48
Income Before XO Items	70	74	77	84	108	147	184
Extraordinary Item Net of Tax	0	0	0	0	0	0	0
Minority Interests	22	5	0	0	0	0	0
Consolidated Net Income	48	69	77	84	108	147	184
Total Cash Preferred Dividends	10	21	13	13	13	13	13
Net Income	38	47	64	71	95	133	171
Common Dividends	6	20	11	15	25	25	26
Net Revenues	262	275	336	409	504	564	632
Comprehensive Income per Share	2.8	2.4	5.0	5.2	6.5	0.0	0.0
Basic EPS Before Abnormal Items	3.4	4.2	6.0	6.6	8.8	13.7	17.2
Basic EPS Before XO Items	3.4	4.2	6.0	6.6	8.8	13.7	17.2
Basic EPS	3.5	4.3	6.1	6.7	8.9	13.7	17.2
EBITDA	241	247	292	375	456	618	776



REVENUE & PROFITABILITY

The Company's interest income rose at an average rate of 20.82% over the last five years while Operating Margin rose to 1.09% for the fiscal year ending December 2018, above the 1.01% average over the prior four years. Return on Assets rose to 0.58%, above the 0.46% average for the prior years.

	Dec 14	Dec 15	Dec 16	Dec 17	Dec 18	PDec 19	PDec 20
Interest Income (Millions USD)	231	265	312	401	471	532	602
Growth Rate (%)	(2.0)	14.9	17.8	28.4	17.5	13.1	13.1
Net Interest Income/Total Interest Income (%)	26.0	47.5	45.0	39.4	32.1	40.0	45.8
Loan Loss Coverage (%)							
Pretax Return on Avg Assets (%)	0.5	0.7	0.8	0.8	0.7	1.0	1.2
Oper Return / Earning Assets (%)	0.8	1.1	1.1	1.1	1.1	1.4	1.7
Non-Interest Inc / Revs (%)	12.1	3.9	7.2	2.0	6.7	5.6	4.7
Efficiency Ratio (%)	23.9	20.6	26.9	20.2	26.3	24.5	24.1
Return on Assets (%)	0.3	0.4	0.5	0.5	0.6	0.8	0.9

LEVERAGE & ASSET LIQUIDITY

The Quick Asset Ratio has become stronger recently, rising to 3.2:1 for the FYE December 2018.

	Dec 14	Dec 15	Dec 16	Dec 17	Dec 18	PDec 19	PDec 20
Quick Asset Ratio (%)	10.4	8.6	2.5	2.6	3.2	3.4	3.5
Quick Assets / ST Dep & Debt (%)	20.1	14.6	4.7	5.7	7.8	8.4	9.1
LT Debt/Capital (%)	87.5	90.0	89.0	91.3	91.9	91.1	90.1
T Debt/Cap (w Debt) (%)	94.3	96.2	95.5	95.6	95.6	95.1	94.4

ASSUMPTIONS FOR FINANCIALS

VALUATION DRIVER: Interest Income Growth

Federal Agricultural Mortgage Corporation Class C (AGM) has grown its interest income at 17.5% per annum in the last fiscal year. We expect the Company's revenues will grow approximately 13.1% per annum over the next couple of years and 11.8% 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.

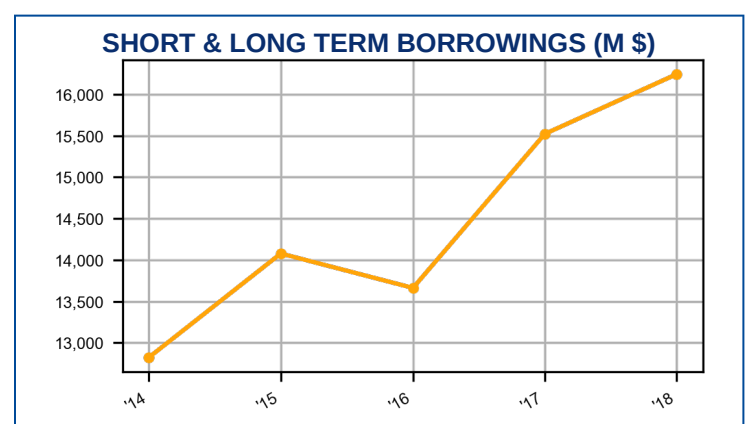
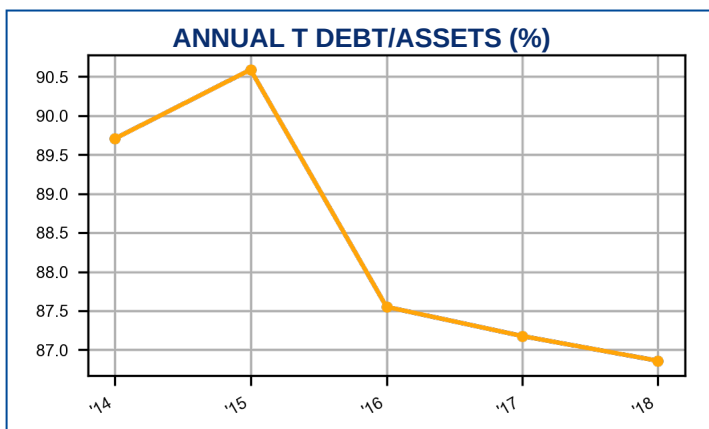
	ASSUMPTIONS			
	Peer Median	Company Average	Years 1 & 2	Years 3, 4, 5
Interest Income Growth (%)	0.0	17.5	13.1	11.8
Interest Expense (Rate %)	3.7	2.0	2.0	2.0
Net Interest Margin (% of earning assets)	0.0	1.2	1.2	0.0
Provisions for Loan Losses (% of earning assets)	(0.0)	0.0	0.0	0.0
Trading Account Profit Growth (%)	31.2	(437.5)	0.0	0.0
Commissions and Fees Earned Growth (%)	0.0	(1.0)	(1.0)	0.0
Other Operating Income Growth (%)	(8.6)	(443.1)	(10.0)	(10.0)
Non Interest Expense Growth (%)	0.0	44.8	23.1	0.0
Net Non Operating Loss Growth (%)	0.0	0.0	0.0	0.0
Income Tax Rate (%)	9.1	20.5	20.5	21.6
Special Items (Millions \$)	0.0	0.0	0.0	0.0
Cash & Near Cash Growth (%)	(3.1)	40.8	6.0	6.0
Accounts & Notes Receivable Growth (%)	(17.7)	12.9	12.9	12.9
Marktable Secs. & ST Investments Growth (%)	0.0	0.0	0.0	0.0
Loans & Mortgages Growth (%)	(2.8)	0.0	0.0	0.0
Real Estate Investments Growth (%)	0.0	0.0	0.0	0.0
Other Long Term Investments Growth (%)	(17.4)	4.3	4.3	0.0
Long Term Investments Before Reserves Growth (%)	(2.6)	4.3	4.3	4.3
Loan Loss Reserves (% of earning assets)	0.3	0.0	0.0	0.0
Loan Net of Reserves Growth (%)	0.0		0.0	0.0
Net Fixed Assets Growth (%)	(22.4)	0.0	0.0	0.0
Other Assets Growth (%)	(3.3)	0.0	0.0	0.0
Demand Deposits Growth (%)	0.0	0.0	0.0	0.0
Short-Term Borrowings Growth (%)	26.6	(4.1)	(4.1)	0.0
Customer Deposits Growth (%)	0.0	0.0	12.9	12.9
Other Short-Term Liabilities Growth (%)	0.0	0.0	0.0	0.0
Long-Term Borrowings Growth (%)	(1.4)	14.2	14.2	0.0
Deferred Tax Liability Growth (%)	0.0	(51.0)	3.0	3.0
Other Long-Term Liabilities Growth (%)	0.0	8.7	8.7	8.7
Shares Sold (% of shares out.)	0.0	(0.5)	(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 2020, the Company's total cash is assumed to increase from \$425.0M as of December 2018 to \$478.0M while its total debt is assumed to rise from \$16.2B to \$16.9B.

ASSETS	Dec 14	Dec 15	Dec 16	Dec 17	Dec 18	PDec 19	PDec 20
Cash & Near Cash	1,363	1,210	265	302	425	451	478
Accounts & Notes Receivable	146	153	162	195	220	249	281
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	9,169	10,123	10,572	11,997	12,518	13,061	13,628
Long-Term Investments before Reserves	9,169	10,123	10,572	11,997	12,518	13,061	13,628
Loan Loss Reserves	0	0	0	0	0	0	0
Loans Net of Reserves	9,169	10,125	10,572	11,997	12,518	13,061	13,628
Net Fixed Assets	0	0	0	0	0	0	0
Other Assets	0	0	0	0	0	5,538	5,538
Additional Assets	3,618	4,053	4,608	5,312	5,538	0	0
Total Assets	14,297	15,541	15,606	17,806	18,701	19,298	19,924
Earning Assets	9,169	10,278	10,733	12,192	12,518	13,061	13,628

LIABILITIES	Dec 14	Dec 15	Dec 16	Dec 17	Dec 18	PDec 19	PDec 20
Demand Deposits	0	0	0	0	0	0	0
Short-Term Borrowings	7,354	9,111	8,440	8,090	7,757	7,757	7,757
Customer Deposits	0	0	0	0	0	0	0
Other Short Term Liabilities	0	0	0	0	0	0	0
Long-Term Borrowings	5,471	4,967	5,223	7,433	8,487	8,828	9,149
Deferred Tax Liability	9	1	0	14	7	7	7
Other Long-Term Liabilities	681	908	1,299	1,562	1,698	1,847	2,008
Other Liabilities	0	0	0	0	0	0	0
Total Liabilities	13,515	14,987	14,962	17,098	17,948	18,439	18,921
Total Preferred Equity	205	205	205	205	205	205	205
Minority Interest	236	0	0	0	0	0	0
Share Capital & APIC	124	129	129	130	129	128	127
Retained Earnings & Other Equity	217	220	309	374	418	526	671
Total Shareholders & Equity	782	554	644	708	753	859	1,003
Total Liabilities & Equity	14,297	15,541	15,606	17,806	18,701	19,298	19,924
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+) other than those deep into speculative grade; for CC, C, and D there are no 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 are using the methodology version #11 available via egan-jones.com under the tab at the bottom of the page "Methodologies".

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 coporation 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/public/annual_certifications.aspx)

Historical performance of credit ratings is disclosed on the Firm's web site. (<https://www.egan-jones.com/17g-7>)

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 %	13.1	17.1	9.1	A-	A-	A-
Interest Expense (% of outstanding debt)	2.0	-1.0	5.0	A-	BBB-	BB
Provisions for Loan Losses (% of earning assets)	0.0	-3.0	3.0	A-	A+	BB
Commissions & Fees Earned Growth %	-1.0	1.0	-3.0	A-	A-	A-
Loan Loss Reserves (% of Earn. Assets)	0.0	-2.0	2.0	A-	A-	A-

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-. We consider a one notch difference to be immaterial.

Comments on Industry Ratios

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

CUSIPs and EJR rating

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

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



03/20/19

Carla Mae Caronongan
Credit Rating Analyst

Reviewed By

Date Reviewed



03/21/19

Kevin Zhang
Credit Rating Analyst

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