Annual Report 2021-22

FARM CREDIT CANADA

We take pride in helping our customers **dream**, **grow** and **thrive**. We're the only lender 100% invested in Canadian agriculture and food, and we're passionate about helping the industry succeed. And how we show up every day is as important as what we do. We aim to advance our social and sustainable practices, support our customers in their sustainability journeys and act as a catalyst for good. What we stand for reflects our corporate values.

Message from the President and CEO

As I reflect on the past fiscal year, I cannot help but feel an array of emotions:

- Concern for the people of Ukraine under siege from Russia and the emerging impacts on food supplies and commodity markets worldwide.
- Relief that we are beginning to move beyond the roller-coaster ride of the pandemic and corresponding disruptions to supply chains, work practices and normal social interactions.
- Pride in the resiliency of the agriculture and food industry and the amazing employees who choose to bring their best each day to move FCC and our customers forward.

Some of the challenges facing our industry over the past two years have been pandemic-related, such as labour shortages and supply chain delays. Other challenges in 2021-22 have been unrelated to the pandemic, including catastrophic floods, fires, drought and trade issues. I mentioned the resiliency of the Canadian agriculture and food industry. I am humbled by our industry's ability to respond in the face of these obstacles, and continue providing the abundance of high-quality food we enjoy each day.

Similarly, I cannot say enough about the over 2,200 employees we have at FCC. They are incredibly talented and committed to our customers and FCC. We have worked in and out of the office for the past two years and generated record results. 2021-22 was a successful year for FCC, as you can see on the FCC Mandate highlights and Sustainability highlights pages of this report. As a by-product of this continued productivity, we are trying to define the future way of working for FCC to strike the right balance for our organization and our employees.

I am proud of our many achievements in 2021-22, and in particular, our product enhancements to support the next generation of agriculture producers, agribusinesses, and food and beverage processors. Our Corporate & Commercial Lending team has grown our agribusiness and agri-food portfolio to $7 billion, adding almost 500 new customers in each of the last three years, most of whom are small to medium-sized businesses. The industry continues to invest in more capacity in value-added food manufacturing, which has become the largest manufacturing sector in Canada based on total number of employees.

I am also proud of our advancements to support under-represented agriculture entrepreneurs, be they women, youth or Indigenous. In 2021-22, we lent $573 million to women entrepreneurs. We have also made great progress in developing our Indigenous lending strategy, not just in hopes of providing financing to Indigenous-owned businesses, but also to provide tools and consulting to enable more Indigenous community participation in agriculture across Canada.

FCC remains committed to environmental, social and corporate governance (ESG) initiatives that support the federal government's ESG goals and the long-term sustainability of our customers and the industry. Across the organization, work is underway to further understand climate change opportunities and risks for the industry, with a focus on ensuring we engage our customers in this conversation. Last year, we evolved the Drive Away Hunger program to a true industry initiative, and this new approach did not disappoint. Working together, the industry provided 36 million meals in this year's campaign.

It is also with mixed emotions that I write this message, knowing it will be the last FCC Annual Report I sign off on as I look ahead to retirement beginning in July of this year. I started with FCC at the height of the farm debt crisis with FCC on the brink of insolvency, and now, 34 years later, FCC has the talent, competence and financial strength to not only be set for the future, but to capitalize on one of the most productive and highest-potential sectors contributing to our nation's GDP: the Canadian agriculture and food industry. It has been a privilege to serve this organization and this industry for my entire career.

I have said it many times before and I will say it again: The future is bright.

Michael Hoffort
President and Chief Executive Officer

Message from the Board Chairperson

Take it one day at a time.

This advice has been on constant replay for the past two years as the agriculture and agri-food industry endured severe volatility caused by the global pandemic and adverse weather and trade conditions across the nation. It is certainly times like these that reinforce our higher purpose at Farm Credit Canada (FCC) – *"We serve the industry that feeds the world, inspiring possibility and passion."*

That is why FCC exists.

More than 60 years ago, FCC was created to provide a steady source of financing options to the agriculture and agri-food industry through all economic cycles and disruptions. In addition to providing financial assistance for the pandemic and extreme weather events, FCC made significant progress on key public policy priorities by enhancing capital support and knowledge offerings to enable the strategic growth and expansions of Canadian agriculture and agri-food enterprises and under-represented groups such as Indigenous Peoples, women and youth in the industry. It has truly been an honour for FCC to serve our purpose and stand behind our customers and the industry as they continue to persevere with great passion and strength to feed Canadians and the world and sustain a healthy future.

At FCC, we pride ourselves in our ability to be adaptable to meet the dynamic and changing needs of our customers and the industry. Thank you to all our employees who worked tirelessly to make things as easy as possible for our customers. I am so proud of what we have accomplished and what we will aspire to do. We have all come so far together and as we continue to pace ourselves along this journey, it is critical to focus on staying well mentally and physically because there is still important work ahead of us.

FCC is not going anywhere.

As the only lender 100% focused in agriculture and food, FCC is committed to being a strong and stable financial partner that supports the long-term growth and prosperity of Canadian agriculture and food. FCC will continue to support a strong economic recovery by executing our legislative mandate to provide specialized and personalized business and financial services. Our focus also remains on sustainability by addressing climate change and food security, both for our nation and to feed the world. To help enhance food security, FCC will support our customers and industry partners to strengthen supply chains and food production in rural Canada. With additional FCC knowledge offerings and advisory services provided to agriculture and agri-food operations, this will help them to grow their management practices and make the industry more resilient and competitive in the future.

The FCC Board of Directors would like to recognize our outgoing President and CEO, Michael Hoffort, who has achieved great things at FCC for the past 34 years. With all his years of experience in agriculture finance, Michael has witnessed many changes and influenced the growth of the Canadian agriculture and agri-food industry. As you complete your career at FCC, thank you for your leadership. We are very proud of the legacy you have created at FCC. Enjoy your well-deserved retirement.

I would also like to acknowledge former director Sharilee Fossum (2019-21) for her contributions to the Board, FCC and the industry. Congratulations to Bertha Campbell, Laura Donaldson and Govert Verstralen, who were reappointed to three-year terms on the Board, effective February 1, 2022. On behalf of the Board, we remain committed to providing independent oversight of FCC's management and operations and look forward to progressing FCC into the future.

It is an exciting time of opportunity and growth for agriculture and agri-food and FCC is ready to take on the days ahead of us.

Respectfully submitted on behalf of the FCC Board of Directors,

Jane Halford, Board Chairperson

Message from the Minister of Agriculture and Agri-Food

It has been a very challenging couple of years for Canada's agriculture and food industry. A global pandemic, historic droughts and floods in Western Canada and the Russian invasion of Ukraine have all put tremendous pressures on our farmers, food processors and agribusinesses, including supply chain disruptions, rising costs and shortages of agricultural inputs and labour.

In the face of adversity, our farmers and the entire value chain have continued to stand strong – and Farm Credit Canada has been with them every step of the way. As outlined in this report, FCC provided flexible financing options that helped almost 5,000 customers manage their cashflow pressures by deferring their payments on loans totalling $5.7 billion. To help farmers during this stressful time, FCC also continues to offer mental health resources through the Rooted in Strength program.

In the wake of these challenges, Canada's agriculture and agri-food industry has never mattered more and the sector has emerged as an engine of economic recovery and growth for our great nation. Last year, consumers in Canada and around the world turned to our sustainably grown agriculture and food products more than ever, helping the industry post record exports of more than $82 billion, beating our target of $75 billion – four years early.

FCC continues to play a key role in strengthening food security here at home. The corporation went above and beyond to reach out to those in need, working with agriculture and agri-food partners to provide an equivalent of more than 36 million meals to food banks and feeding programs across Canada through this year's Drive Away Hunger campaign.

Moving forward together, the Government of Canada and FCC remain committed to a more sustainable, innovative and inclusive sector. Through targeted measures, we will continue to advance the industry's environmental, social and economic sustainability to reduce agriculture's environmental footprint, address labour and supply chain challenges, strengthen food security and meet the changing needs of Canadians.

Diversity in Canadian agriculture remains our greatest strength. We will continue to work with FCC to make sure under-represented groups across Canada have access to the capital and support they need to start and succeed in this dynamic and growing industry. As well as direct lending to First Nations, Indigenous economic development corporations and individual entrepreneurs, FCC has increased access to capital by investing $15 million with the National Aboriginal Capital Corporations Association's Indigenous Growth Fund supporting Aboriginal financial institutions across Canada. And to help foster strong and fruitful business relationships, FCC is completing the Progressive Aboriginal Relations certification program offered by the Canadian Council for Aboriginal Business.

Women and young producers and entrepreneurs also play a key role in building the vibrant future of this industry. Through value-added knowledge, products and events, FCC continues to help thousands of women and youth start and grow their careers in the industry and inspire future innovation.

A heartfelt thanks to FCC's Board of Directors and the entire team for all their hard work and unwavering commitment to support and advance the industry through these challenging times. And a special thanks to Michael Hoffort, President and CEO, for his 34 years of outstanding service to the sector. I am blessed to have worked with Michael, and I have no doubt that his legacy will help our industry reach even greater heights in the future.

Despite the challenges, I believe we are on the threshold of exciting new growth and opportunity for our industry. I will continue to work in close partnership with FCC to establish Canada as a world leader in sustainable agricultural production – environmentally, socially and economically – and to build an inclusive, innovative and resilient future for the entire sector.

The Honourable Marie-Claude Bibeau, P.C., M.P.
Minister of Agriculture and Agri-Food

Supporting FCC's mandate: 2021-22 highlights

We fulfil our mandate by supporting and strengthening Canadian agriculture and agri-food.

Proudly serving our industry

CLOSE TO **102,000** customers served

29 years of growth

28,848 credit facilities approved

17,639 customers subscribed to AgExpert Software, Canada's largest agriculture software company

PORTFOLIO **$44.5 B**

NET INCOME **$932 M**

Living into our mandate

CUSTOMER SUPPORT: **662** customers used payment deferral options on loans totalling **$652.2 million**

LOANED **$4.95 B** to young borrowers

DELIVERING exceptional customer experience **Net Promoter Score® of 74**

NEARLY **$573 million** of lending to women entrepreneurs to help grow and build their businesses

DELIVERED online format for learning events this year, reaching **19,006** participants across Canada

ADDED **487 net new** agribusiness and agri-food customers

Working with communities and partners, **36 M** meals raised through **FCC Drive Away Hunger**

99.3% of agribusiness and agri-food customers were small and medium-sized operations

With knowledgeable, engaged employees

86% employee engagement

BEST EMPLOYER for **19** consecutive years*

91% of employees feel that FCC supports their learning and development

OVER **2,200 employees** in 102 offices across Canada

* Recognized by Kincentric's Best Employers global certification program, previously a part of Aon.

Corporate profile

As Canada's largest lender to agriculture and agri-food, Farm Credit Canada (FCC) provides financing and other services to primary producers and agribusiness and agri-food operators who provide inputs or add value to the industry. Serving almost 102,000 customers, primary production is FCC's core business and represents almost 84.6% of our loan portfolio. We have a strong focus on serving the entire agriculture and agri-food value chain to support the industry in achieving its full potential and share business management knowledge and training with our customers and the industry, free of charge. We offer management and accounting software designed for agriculture. We invest in venture capital funds dedicated to the agriculture and agri-food industry, providing an alternate source of capital and expertise to the growing number of innovative firms that will help the industry achieve new potential. We are passionate about what we do and our team of more than 2,200 employees has professional expertise in many areas, focused on agriculture and agri-food.

FCC is a financially self-sustaining federal commercial Crown corporation reporting to Canadians and Parliament through the Minister of Agriculture and Agri-Food, operating from 102 offices located primarily in rural Canada and our corporate office in Regina, Saskatchewan.

Our roots date back to 1929, when the Canadian Farm Loan Board (CFLB) was established to provide long-term mortgage credit to farmers. In 1959, the Farm Credit Act established FCC as an agent Crown corporation, making us the successor to the CFLB.

In 1993, the Farm Credit Corporation Act expanded our mandate and broadened our lending and administrative powers. Under the new mandate, FCC began providing financial services to larger farming operations and farming corporations, as well as to individual farmers.

In 2001, the Farm Credit Canada Act allowed us to offer an even broader range of financial and business management services, including venture capital financing and knowledge offerings, to producers and agribusiness and agri-food operators. In March 2020, the Act was amended to raise the capital payments limit for FCC to $2.5 billion.

For more than 60 years, we have listened to our customers and continually adapted our products and services to fit their unique needs. Together, FCC and the agriculture community have experienced the dramatic transformations in production, technology and markets that are moving the industry forward. And through it all, one thing remains unchanged – agriculture matters to Canada and to FCC. With a healthy portfolio of $44.5 billion and 29 consecutive years of portfolio growth, FCC is a strong, stable partner dedicated to serving the Canadian agriculture industry through all economic cycles.

For more information about FCC's history, visit fcc.ca/CorporateHistory.

Vision

The full agriculture and agri-food value chain believes FCC is advancing the business of agriculture by providing financial products, services and knowledge tailored to producers and agribusiness operators.

Our customers are advocates of FCC and can't imagine doing business without us. We are socially and environmentally responsible and an employer of choice everywhere we operate. We make it easy for customers and employees to do business. We are financially strong and stable and invest significantly in the agriculture and agri-food industry.

Corporate values

We are committed to advancing the business of agriculture. We do this by setting our sights high – working to benefit our customers and to help employees achieve their potential.

Our corporate values represent these core beliefs:

Act with integrity

We are ethical and honest. We treat customers, colleagues and all stakeholders with respect.

Focus on the customer

We care about our customers, and we pride ourselves on providing them with an extraordinary experience based on personal relationships, flexibility and industry knowledge.

Achieve excellence

We share a commitment to high performance, accountability and efficiency in order to achieve excellence.

Working together

We believe in the power of teamwork. Whether delivering service tailored to customer needs or designing solutions to benefit the industry, we work together as one team.

Give back to the community

We take corporate social responsibility seriously. We believe in giving back to the communities where our customers and employees live and work, striving to reduce our impact on the environment and contributing to the success of the agriculture industry.

Cultural practices

In addition to our corporate values, FCC's cultural practices outline the behaviours that employees and Board members are expected to demonstrate with colleagues, customers, partners, suppliers and stakeholders.

Customer value proposition

What you can expect from us:

- FCC proudly serves Canadian agriculture as the leading provider of financing to the industry since 1959.
- We focus on the primary producer as well as suppliers and processors along the agriculture value chain.
- We provide our customers with flexible, competitively priced financing, management software, information and learning.
- These services help our customers make sound business decisions and experience greater success.
- We take time to get to know our customers, their individual needs, goals and vision for the future. We work with them through challenges and help them pursue opportunities.
- We're easy to do business with.

For more information about FCC, visit fcc.ca/CorporateProfile.

Public policy role

FCC's mandate is described in the Farm Credit Canada Act as follows:

The purpose of the corporation is to enhance rural Canada by providing specialized and personalized business and financial services and products to farming operations, including family farms, and to those businesses in rural Canada, including small and medium-sized businesses, that are businesses related to farming. The primary focus of the activities of the corporation shall be on farming operations, including family farms.

Our priorities reflect the federal government's mandate to support agriculture and agri-food in a way that allows this vibrant industry to be a leader in job creation and innovation. Government priorities for the industry include support for agri-food exports, under-represented groups in Canadian agriculture and agri-food, products to facilitate intergenerational transfers and assist young and new farmers entering the industry, and climate and sustainability goals.

FCC's pandemic support program, bolstered by the Government of Canada's capital commitment, has allowed FCC to maintain a steady presence in the industry and support our customers through the pandemic. The support program has included the option to defer interest and principal payments as well as provide access to additional credit line and term lending products. FCC is ready to support Canada's economic recovery in a post-pandemic environment.

The pandemic was not the only external challenge that Canada's agriculture industry has faced this past year. FCC launched customer support programs throughout 2021 to support operators managing through the drought, extreme heat and flooding in Western Canada, to customers in parts of Eastern Canada who could be facing financial hardship due to reduced maple syrup yields this year and to potato producers in Prince Edward Island who have been affected by trade challenges in the export of fresh and seed potatoes following the identification of potato wart in select fields.

FCC is evolving to support changing customer preferences. We continue to enhance our digital offerings, enabling customers to manage more transactions remotely. We are engaging with customers and partners to develop new and enhanced digital processes that are simple and secure. In addition, we are working to simplify internal processes, leading to an increased speed of service to our customers.

FCC is well positioned to support our customers and Canadian agriculture and agri-food through whatever lies ahead, including support for the health and mental well-being of our employees and customers. We continue to work collaboratively with the Government of Canada through Agriculture and Agri-Food Canada to evolve our strategies to support shareholder priorities and the needs of the agriculture and agri-food industry.

We provide access to capital

FCC provides access to capital by delivering a wide range of financial and business products and services tailored to the industry's unique needs. Access to capital allows primary producers and agribusiness and agri-food operators to adopt innovative practices and business models that enable them to expand, lower their production costs, develop new products, compete in global markets and take advantage of trade opportunities.

Canadian producers and agribusinesses benefit from a choice of financing options. We partner with Canadian financial institutions to provide financing for larger agriculture operations and agribusinesses. We also offer venture capital financing to the industry through investment in external funds managed by independent third-party investment professionals. This commitment to venture capital ensures financing and business expertise are available to help innovative firms grow into strong businesses in Canada.

FCC continued to be self-sustaining and profitable in 2021-22. Our ongoing strength and stability allow us to serve agriculture through all cycles, as evidenced by our steady support through the pandemic. We continue to reinvest FCC's profits into agriculture through increased lending to customers and by developing knowledge, products and services to meet our customers' needs.

We help customers dream, grow and thrive

We believe sound financial management is key to successful agriculture and agri-food operations. To help advance producers' business management capabilities, FCC offered a wide range of virtual learning events, multimedia tools, publications and other resources to our customers and the industry in 2021-22. Producers of all ages and in all sectors can access our resources, free of charge. AgExpert, our accounting and farm management software, includes cloud-based tools that enhance our customers' ability to manage their businesses, meet consumer demands and digitize their farm records. Our employees have the appropriate knowledge and tools to provide solid insight and expertise to our customers to help them achieve their goals. In addition, FCC provides mental health publications and resources through our website to help customers, employees and the public take care of their families and themselves.

The next generation is important to the ongoing growth and success of Canada's agriculture and agri-food industry. FCC proudly supports these enthusiastic, hardworking people by offering products and services such as the Starter Loan, Transition Loan, Young Farmer Loan and Young Entrepreneur Loan. Our aim is to help young people enter the industry, assist them with intergenerational transfers of operations, provide them with valuable knowledge and help grow their businesses. In December 2021, the Minister of Agriculture and Agri-Food announced expanded financing opportunities through FCC for young farmers and young food business owners to help unleash the ideas, passion and energy of Canadian youth in the industry. Both the Young Farmer and Young Entrepreneur Loans had their lifetime maximum increased to $1.5 million.

We support government policy through collaboration with other government agencies

FCC partners with Export Development Canada and Business Development Bank of Canada to support innovation and access to international markets for Canadian agribusiness and agri-food operators. Our employees and their counterparts at Agriculture and Agri-Food Canada connect on a range of topics important to the agriculture industry, including farmland values, commodity prices and interest rates.

We are dedicated to agriculture and take a long-term view

We support the agriculture and agri-food industry and are committed to its long-term success. Our strong financial position enables us to provide innovative, industry-focused products and services and ensure producers and agribusiness and agri-food operators have choice in the marketplace.

Our loan products reflect that agriculture is a cyclical industry and that it takes time for business operations to flourish. Unpredictable weather and market conditions can negatively affect producers and agribusiness and agri-food operators. We support our customers through all economic cycles. Our customer support programs allow customers to restructure the terms of their loans to help manage through difficult times.

Our employees attend events and meetings hosted by industry, stakeholder and producer groups, and we share knowledge and solicit input and feedback on issues facing agriculture. We also lead Canada's largest agriculture-focused research panel, called FCC Vision. FCC Vision enables its members to share their ideas and opinions about Canadian agriculture and how FCC can best serve this exciting, growing industry.

FCC carefully balances the resources needed to support a growing enterprise while controlling costs and increasing efficiencies. This allows us to deliver on our public policy objectives and sustain our strong financial performance and ability to serve agriculture and agri-food in the years to come.

We operate our business in a sustainable manner

FCC is committed to agriculture in all cycles, and our work helps our customers reach their full potential and enables us to support continued growth, progress and innovation in the industry. We strive to support sustainability in the industry we serve and have already made great strides toward operating sustainably and supporting the industry to do the same – we have a strong community investment program, we are steadfast with our support and promotion of the industry, we offer an unwavering focus on our customers, we provide an exceptional employee experience and we continue to focus on reducing our environmental footprint.

FCC exercises all reasonable care to safeguard the environment and protect the value of real property taken as lending security.

We take into account gender-based analysis plus (GBA+) considerations for the entire sector, including women in agriculture, young people in agriculture, Indigenous agriculture operators, mental health and diversity. FCC will continue to explore new opportunities to fulfil our mandate while addressing the unique needs of diverse groups in the industry we serve. We believe our activities are consistent with the Government of Canada's commitment to securing greater social and economic inclusion for women, Indigenous Peoples and people of diverse backgrounds and age.

Results and delivery

As a federal Crown corporation, FCC is committed to making a difference in the lives of Canadians by supporting a strong, vibrant and sustainable Canadian agriculture and agri-food industry, which in turn supports a strong, food-secure and sustainable Canada.

By achieving our mandate through the provision of specialized products, services, knowledge and support to Canadian producers and agribusiness and agri-food operators, FCC serves as a trusted partner. We enable the industry to continue to create good jobs and opportunities in rural communities across the country, and to drive the Canadian economy, including supporting the industry through the economic impacts of the pandemic and adverse weather events. For a summary of the results we delivered in 2021-22 for our customers, Canadian agriculture and agri-food and all Canadians, along with expected outcomes, key performance indicators and targets, refer to the Strategic Overview, Objectives and Planned Results section.

Corporate governance

FCC is governed by the Farm Credit Canada Act and the Financial Administration Act. Like other Crown corporations, FCC is subject to laws such as the Privacy Act, Access to Information Act, Canada Labour Code, Employment Equity Act and Official Languages Act.

FCC is accountable to Parliament through the Minister of Agriculture and Agri-Food. We report to Parliament and Canadians on our operations through our annual report, corporate plan summary and quarterly financial reports, and our Board of Directors provides oversight to ensure FCC is serving the industry and Canadians.

We build relationships with our customers, partners and stakeholders to better understand and support the needs of the agriculture and agri-food industry. We also look to a variety of stakeholders and partners for guidance and expertise in public sector governance practices.

FCC representatives meet with partners at Agriculture and Agri-Food Canada, Treasury Board of Canada Secretariat, Department of Finance and other federal Crown corporations to ensure our policies and procedures are current and sound.

Board of Directors

The FCC Board of Directors represents Canadians and the breadth of the agriculture and agri-food and finance industries. Its expertise contributes significantly to the corporation's strategic direction. The Board ensures FCC remains focused on our vision, mission and values, and fulfilling our public policy role as outlined in our mandate.

Board members are appointed by the Governor in Council upon the recommendation of the Minister of Agriculture and Agri-Food. Except for the President and CEO, Board members are independent of management. Board renewal is important for effective corporate governance, and FCC and the Board are fully compliant with the government's process regarding the appointment of directors to fill current and future vacancies.

The Board contributes to the fulfillment of FCC's continuing long-term purpose of enhancing rural Canada by providing independent oversight of management and the operations of the corporation. Directors exercise a stewardship role, participate in the strategic planning process and approve FCC's strategic direction and corporate plan. The Board exercises its responsibility to ensure risks associated with FCC's business have been identified and appropriate authorities and controls are in place to properly manage risk and ensure the achievement of the corporation's goals and objectives is not in jeopardy.

The Board is responsible for seven major areas:

- integrity – legal and ethical conduct
- strategic planning and risk management
- financial reporting and public disclosure
- leadership development and succession planning
- government relations and environmental, social and governance (ESG)
- communications
- corporate governance

FCC's senior management works closely with the Board to ensure it is fully aware of the corporation's affairs. The Chief Financial Officer, Chief Operating Officer and Chief Risk Officer attend every Board meeting. Other members of the Enterprise Management Team also attend meetings periodically to strengthen the relationship between the Board and management. Time is set aside at each meeting for the Board and its committees to meet without management present.

The Board follows a formal approach to the President and CEO's goal setting and performance review.

This approach is consistent with the Performance Management Program established by the Privy Council Office.

The Board regularly reviews FCC's compensation structure and annually receives disclosure of the compensation of the Enterprise Management Team.

The Board of Directors hosts an annual public meeting to report on FCC's activities and financial results. The August 2021 meeting was delivered in a virtual format.

Code of conduct, ethics and values

Acting with integrity and maintaining the highest ethical standards are vital priorities for FCC. On appointment and every year during his or her tenure, each director signs a declaration committing to act in accordance with FCC's Code of Conduct and the Board Integrity Policy.

The Board has established a process to directly disclose any potential violations of the code by the President and CEO or his direct reports. FCC's Integrity Officer promotes awareness and understanding of the Code of Conduct on behalf of the CEO and the Board, and ensures employees have a safe environment for disclosing wrongdoing in the corporation. The Integrity Officer also provides information and advice to employees regarding disclosures of wrongdoing and ensuing investigations. All employees are required annually to review and recommit to the Code of Conduct.

Board composition

The Board is composed of a maximum of 12 members, including the President and CEO and the Chairperson. They bring a combination of agriculture, business and financial experience to the task of governing a corporation that serves an increasingly complex industry.

The Board has four subcommittees: Audit, Corporate Governance, Human Resources and Risk. The members of each committee as of January 2022 are noted below.

Audit Committee
Chair: Govert Verstralen

Members: Bertha Campbell, Laura Donaldson, James Laws and Michael Tees

The Audit Committee oversees the integrity, accuracy and timeliness of FCC's financial performance and audit functions as well as systems of internal control and regulatory compliance. All members are financially knowledgeable and the committee chair is considered a financial expert.

In addition to meetings with management, the committee meets independent of management with representatives of the Office of the Auditor General (OAG) of Canada and FCC's internal auditors.

The Board is committed to financial transparency. The OAG audits FCC's financial statements every year and attends all Audit Committee meetings. The OAG also performs a special examination at least every 10 years. The purpose of the special examination is to ensure FCC's systems and practices provide reasonable assurance that assets are safeguarded, resources are managed economically and efficiently, and operations are carried out effectively. The OAG initiated a special examination of FCC in July 2020 and the 2021 Special Examination Report was submitted to the Minister of Agriculture and Agri-Food and the President of the Treasury Board on January 18, 2022. The Board was pleased with the results of the special examination and will be following the closing of recommendations by management in the spirit of continuous improvement.

Corporate Governance Committee
Chair: Laura Donaldson

Members: James Laws and Michael Tees

The Corporate Governance Committee reviews and makes recommendations to the Board with respect to sound governance practices. It oversees FCC's environmental, social and governance program. It also tracks the skills and experience of all directors to support input to the government on desired areas of competency for new director appointments.

The committee regularly reviews the number, structure and mandate of Board committees, and is responsible for evaluating the performance of Board members, committees and the Board as a whole. The committee also oversees the Code of Conduct and ethics-related policies for employees and Board members.

Human Resources Committee
Chair: Sylvie Cloutier

Members: Rita Achrekar, Bertha Campbell, Sylvie Chagnon and Michele Hengen

The Human Resources Committee reviews all major human resources programs. The committee is responsible for advising the Board of the skills and characteristics essential to the President and CEO position and how to assess his performance. It also works with the President and CEO to create his annual development plan.

The Human Resources Committee is responsible for reviewing the corporation's compensation structure, pension plans, succession plan, corporate learning programs for employees and executive perquisites program.

The Board and FCC are committed to offering employees a compensation, benefits and pension package that is fair, competitive and sustainable over the long term. FCC reviews the total compensation package annually and presents the results to the committee for approval.

FCC's Human Resources team compares the corporation to a consistent group of public and private organizations comparable in size, geography, industry or sector. The goal is to maintain a competitive market position in terms of compensation. Total cash compensation includes base pay and pay-at-risk.

Risk Committee
Chair: Michele Hengen

Members: Rita Achrekar, Sylvie Chagnon, Sylvie Cloutier and Govert Verstralen

The Risk Committee has a broad mandate to assist the Board in fulfilling its oversight responsibilities of risk management. It is responsible for overseeing the enterprise risk management framework, including the internal control framework and risk management policies, authorities and accountabilities that foster a risk culture of integrity and shared risk management throughout the corporation.

The Risk Committee monitors the corporation's significant risks, including credit, market, liquidity, strategic, reputational and operational risks.

Reviewing and discussing management's stress testing results, analysis of emerging trends, and risk assessment processes relative to new strategies, products or services are central to these oversight responsibilities.

The Risk Committee reviews the reports of examinations by regulatory agencies, oversees organizational adherence to risk management policies and monitors the effectiveness of systems and programs related to capital measurement, financial crime risk management and operational risk management. The committee also oversees FCC's risk management function and ensures risk management activities are independent from operational management.

Board performance

Upon appointment to the Board, each director receives a detailed orientation and meets with senior management to learn about FCC. Directors also visit customer operations when possible as well as attend conferences and seminars relevant to corporate governance and FCC's business. FCC considers director education to be an ongoing process.

The Board assesses its collective performance and the individual performances of its directors through a periodic self-evaluation process.

Compensation

Directors are paid an annual retainer and per diem amounts established by the Governor in Council, pursuant to the Financial Administration Act. Rates were last set on January 8, 2008:

- The Board Chairperson receives an annual retainer of $12,400.
- Committee chairs receive an annual retainer of $7,200.
- Other directors receive an annual retainer of $6,200.
- All directors, including the Chairperson, receive a per diem of $485 for meetings, training sessions, travel time and FCC-sponsored events.
- Directors are reimbursed for out-of-pocket expenses, including travel and accommodation, while performing their duties. Board members are subject to a travel expense policy, which is substantially the same as the expense policy applicable to FCC employees.

During 2021-22, there were seven Board meetings and 21 committee meetings. Total remuneration (annual retainer and per diems) paid to all directors was $334,710. Total Board travel and related expenses were $3,371 compared to $4,295 in 2020-21.

2021-22 Board remuneration, expenses and attendance

Director	Board retainer (A)	Per diems (B)	Total remuneration (A & B)	Board meeting attendance	Committee meeting attendance	Board travel and related expenses
Rita Achrekar	$ 5,350	$ 24,493	$ 29,843	6 of 6	8 of 8	$ –
Bertha Campbell	6,200	20,855	27,055	7 of 7	10 of 10	–
Sylvie Chagnon	5,350	24,493	29,843	6 of 6	8 of 8	662
Sylvie Cloutier	6,359	20,128	26,486	7 of 7	11 of 11	332
Laura Donaldson	7,200	22,553	29,753	7 of 7	11 of 11	492
Sharilee Fossum	5,099	16,781	21,880	5 of 5	8 of 8	–
Jane Halford	12,400	30,070	42,470	7 of 7	17 of 21	–
Michele Hengen	7,200	23,765	30,965	7 of 7	11 of 11	1,082
James Laws	6,200	24,008	30,208	7 of 7	10 of 10	803
Doris Priddle	1,033	970	2,003	1 of 1	0	–
Michael Tees	5,350	21,825	27,175	6 of 6	8 of 8	–
Govert Verstralen	7,200	29,828	37,028	7 of 7	13 of 13	–
Total	**$ 74,941**	**$ 259,769**	**$ 334,710**			**$ 3,371***

There were seven Board, six Audit, four Corporate Governance, four Human Resources and seven Risk meetings.

* No travel occurred in fiscal 2021-22. All travel costs are for cancelled airfare which will be credited towards travel in new fiscal year.

Enterprise Management Team

FCC has attracted a senior team of professionals with diverse talents and experience who are responsible for managing FCC effectively. Our Enterprise Management Team members are recognized leaders in their professions and they actively volunteer in their communities. Each member of the team believes that a culture characterized by open communication and trust results in engaged employees who forge great relationships with customers.

The Enterprise Management Team is responsible for business results and corporate decision-making, including the strategic vision, investment strategy, allocation of enterprise resources and resolution of major strategic issues. All executives, with the exception of the President and CEO whose remuneration is set by Order in Council as detailed below, are paid within salary ranges and compensation policies approved by the FCC Board of Directors. All FCC employee salary ranges and pay-at-risk, except for the President and CEO, are based on a comparative assessment of 29 companies from both the private and public sectors.

The Governor in Council establishes the President and CEO's compensation. In 2021-22, the base salary range for that position was $325,300 to $381,700 and in addition, there is a component of pay-at-risk that ranges from 6.5% to 26% of base salary.

The performance-based, total cash compensation framework for the Enterprise Management Team includes a base salary range and a significant pay-at-risk component. This framework aligns with the philosophy of pay for performance. Position in the salary range and pay-at-risk payments are dependent upon the performance of the corporation, the individual executive and the executive's division. For more information on the performance measures for the corporation, see the 2021-22 planned results.

In 2021-22, the base salary for Executive Vice-Presidents ranged from $209,809 to $400,587. In addition, there was a pay-at-risk component that ranged from 46% to 66% of base salary. The pay-at-risk amount paid is discretionary within a range of zero and one-and-a-half times the pay-at-risk percentages. Members of the Enterprise Management Team receive an amount equal to 12% of base pay as perquisites, which is applied first to their individual pension contributions and thereafter to other approved purposes. See Key Management Personnel Compensation (Note 22) in the Notes to the Consolidated Financial Statements for additional information.

Board of Directors*

Jane Halford Board Chairperson President, Halford Consulting Inc. Edmonton, Alberta	**Michael Hoffort** President and CEO, FCC Regina, Saskatchewan	**Rita Achrekar** Executive in Residence, Global Risk Institute Toronto, Ontario	**Bertha Campbell** Co-owner, dairy, beef and potato farm Kensington, Prince Edward Island
Sylvie Chagnon General Manager, Comité de gestion de la taxe scolaire de l'île de Montréal Montreal, Quebec	**Sylvie Cloutier** Chief Executive Officer, Quebec Food Processing Council (CTAQ) Bromont, Quebec	**Laura Donaldson** Lawyer, Retired Qualicum Beach, British Columbia	**Sharilee Fossum**** Chief Operating Officer, DIALOG Edmonton, Alberta
Michele Hengen Client Services Executive, People First HR Services Regina, Saskatchewan	**James Laws** Agricultural Consultant Vancouver, British Columbia	**Doris Priddle***** Former owner of Westbrook Farms and Priddle Farms Inc. Cheltenham, Ontario	**Michael Tees** Vice-President, Western Canada Marsh & McLennan Companies Vancouver, British Columbia
Govert Verstralen Managing Director, GTV Consulting Inc. Scarborough, Ontario			

Enterprise Management Team*

Michael Hoffort President and Chief Executive Officer	**Travis Asmundson** Executive VP and Chief Information Officer	**Greg Honey** Executive VP and Chief Human Resources Officer	**Todd Klink** Executive VP and Chief Marketing Officer
Corinna Mitchell-Beaudin Executive VP and Chief Risk Officer	**Sophie Perreault** Executive VP and Chief Operating Officer	**Ross Topp** Executive VP and Chief Financial Officer	

* To see FCC's Board of Directors and EMT biographies, go to fcc.ca/Leadership.
** Sherilee Fossum concluded three years of service to the Board in December 2021.
*** Dorris Priddle concluded eight years of service to the Board in July 2021.

What we stand for

At FCC, how we do things is as important as what we do. We are committed to continuing to improve FCC's environmental and societal impacts to fulfil our mandate of promoting an ethical and sustainable organization and agriculture and agri-food industry.

Advancing our environmental, social and governance (ESG) strategy

We believe that integrating ESG principles in our core business strategy is an investment in the future.

This year, FCC focused on building an ESG framework by reviewing the corporation's governance structure, targets and existing processes to identify opportunities for integration of ESG-related factors. As FCC grows our ESG maturity, we will enhance our oversight on ESG topics, including integrating ESG outcomes through corporate strategies and financial planning.

In 2021-22, FCC developed our first set of climate-related disclosures based on the Task Force on Climate-Related Financial Disclosures (TCFD) standards. The TCFD is designed to enable stakeholders to better understand the concentration of climate-sensitive assets in FCC's portfolio and, by extension, agriculture's exposure to climate-related risks. The disclosure provides information on FCC's climate risk and the development of a climate strategy to understand the different impacts that climate may be having on our operation and customers.

FCC remains focused on societal issues, such as promoting a diverse and inclusive industry and workplace and meeting the needs of under-represented groups in Canadian agriculture and agri-food including women, youth, persons with disabilities and Indigenous agricultural entrepreneurs and producers through partnerships and other value-added initiatives. With a focus on combatting food insecurity, FCC expanded our annual Drive Away Hungry campaign and extended it to the agriculture and agri-food industry with the goal of maximizing the number of meals donated to food banks across Canada.

Maintaining the highest ethical standards and effective governance are fundamental priorities at FCC. We understand that everyone plays a role in ensuring integrity, safeguarding customer and employee data, and keeping business risks top of mind. To ensure effective oversight, the organization is governed by a talented board of directors representing diverse skills and experiences across the agriculture and agri-food and financial industries and reflecting Canada's diversity. For more information on FCC's governance, see page 14.

FCC is committed to ensuring producers, agribusinesses and agri-food processors remain focused on their businesses – and produce food to feed the world. As we advance our ESG framework, we will continue to strive to be a catalyst for sustainability in the industry we serve and support our customers in their own sustainability journeys.

Our sustainability commitments

FCC continues to support the federal government in its efforts to reduce greenhouse emissions through the Greening Government strategy and we have aligned our emission reduction targets with those put forward in the strategy. FCC also remains committed to the United Nations' Sustainable Development Goals of Zero Hunger (UN SDG 2) and Responsible Consumption of Production (UN SDG 12), and new this year, Climate Action (UN SDG 13). As we refine our ESG strategy and focus areas, we will ensure the UN SDG indicators are explored.

This year, we will report on our sustainability commitments in our ESG Report. The report will consider Global Reporting Initiative (GRI) and Sustainability Reporting Standards and Sustainability Accounting Standards Board (SASB) guidelines.

You can read more about what we stand for and view our ESG Report at fcc.ca/ESGreport.

2021-22 environmental, social and governance (ESG) highlights

Environmental impacts

Reduce emissions by 40%: On track to reduce FCC greenhouse gas emissions by 2025 through monitoring office energy, air and vehicle travel, and paper consumption.

Understanding climate-related risks: In 2022, FCC published its first set of Climate-Related Disclosures based on the Task Force on Climate-Related Financial Disclosures (TCFD) standards.

Help in difficult times: When unforeseen events happened, like environmental incidents, FCC provided 1,115 customers with assistance through support programs.

Giving back: Through the FCC AgriSpirit Fund, 57% of funded projects were for sustainability initiatives in rural communities.

From printing to planting: Since joining the PrintReleaf program in 2019, FCC has offset paper consumption by reforesting 1,231 trees in global reforestation projects.

Societal impacts

Mental wellness: FCC advanced mental health support through republishing of existing content and resources and the integration of mental health speakers at FCC Knowledge events.

Support for under-represented groups in agriculture: FCC disbursed $5.4 billion in lending to women entrepreneurs and young farmers and entrepreneurs, and continued our commitment to Indigenous truth and reconciliation by completing the first phase toward achieving a gold certification in the Progressive Aboriginal Relations (PAR) program.

Building a diverse workforce: 23% of new hires were self-declared members of employment equity groups.

36 million meals and counting: The annual Drive Away Hunger campaign collected a record 36 million meals for Canadians in need, in partnership with 126 Canadian food industry partners.

Safeguarding information: Regular training is provided to all employees and consultants on social engineering tactics, information management and privacy expectations.

Governance

Committed to responsible business: Due diligence measures are conducted on all lending customers as well as third parties FCC transacts with.

FCC employees act with integrity: 100% of employees completed a knowledge check on FCC's Code of Conduct and signed their annual attestation that they understand and comply with the Code of Conduct.

Strong governance: We completed a third-party assessment of our ESG governance framework and are committed to implementing the recommendations in the future.

Management's discussion and analysis

Basis of preparation of financial information

The following management's discussion and analysis (MD&A) is a summary of the financial position and results of operations of FCC for the year ended March 31, 2022, and as compared to the year ended March 31, 2021. This MD&A was reviewed and approved for issue by FCC's Board of Directors on June 16, 2022.

This MD&A is based on FCC's financial results prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. This MD&A should be read in conjunction with our audited annual Consolidated Financial Statements and accompanying notes for the year ended March 31, 2022, and our corporate plan documents.[1] All financial information is expressed in millions of Canadian dollars, unless otherwise stated.

Caution regarding forward-looking statements

This MD&A includes forward-looking financial information based on certain assumptions that reflect management's planned course of action with the most probable set of economic conditions. By nature, assumptions are subject to inherent risks and uncertainties. There is significant risk that actual results may vary and that the differences may be material. Some factors that could cause differences include changes in general economic and market conditions. Examples of such changes include, but are not limited to, inflationary pressure, interest rates and supply chain challenges.

[1] These documents are available at www.fcc-fac.ca/en/about-fcc/governance/reports.html

Strategic overview, objectives and planned results

Our strategic direction is aligned with our mandate, including our mission and vision, along with the direction from the Government of Canada and the Minister of Agriculture and Agri-Food's mandate letter received August 31, 2016, and the Minister's letter outlining FCC Supplemental Priorities dated February 1, 2018.

Canada's agriculture and agri-food industry feeds the world and is an important contributor to the Canadian economy. Canadian producers and agribusiness and agri-food operators are focused on producing high-quality, safe products and managing the complexities of changing markets, consumer trends, human resource management and other factors. FCC's strength and stability over two decades ensures we can support the industry in both good and challenging times.

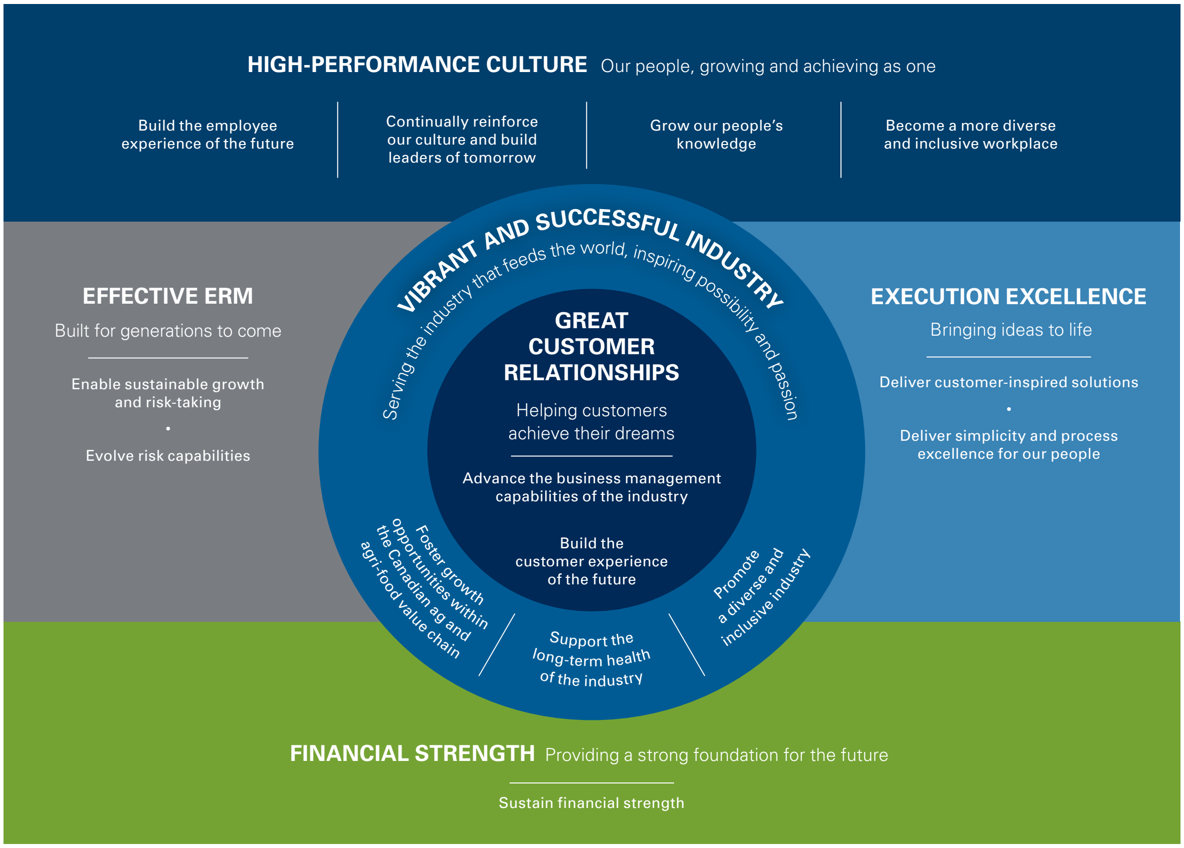
As the only lender 100% invested in Canadian agriculture and agri-food, FCC has continued to focus on supporting the agriculture and agri-food industry in the economic recovery from the impacts of the pandemic. We have also supported the industry to deal with the effects of adverse weather over the past year. There were several disruptions due to the pandemic, resulting in economic stress. Processing plant closures, limited labour availability and food service and hospitality industry shutdowns are just a few of the disruptions introduced by the pandemic.

FCC is well positioned to help the Canadian agriculture and agri-food industry achieve its full potential. Our strategic planning process includes a range of strategic objectives and initiatives categorized under six themes:

- Great customer relationships: helping customers achieve their dreams
- Vibrant and successful industry: serving the industry that feeds the world, inspiring possibility and passion
- High-performance culture: our people, growing and achieving as one
- Execution excellence: bringing ideas to life
- Effective enterprise risk management: built for generations to come
- Financial strength: providing a strong foundation for the future

FCC continued to advance and implement a range of initiatives within each of these themes over the past year to remain relevant, provide extraordinary customer experiences and support the agriculture and agri-food industry to ensure it achieves its full potential. Within each theme, we set one- to five-year performance measures that define how we assess progress each year against the objectives set out in our strategy.

2021-22 corporate strategy map



2021-22 corporate strategy

Great customer relationships – helping customers achieve their dreams

Great customer relationships are the primary reason customers choose FCC – it is what differentiates us in the marketplace and our focus must always be on strengthening those relationships to remain relevant. Therefore, it is at the centre of our corporate strategy map. Our tagline "Dream. Grow. Thrive." speaks to the passion we all have for serving our agribusiness and agri-food customers, and the important role we play in their businesses.

Build the customer experience of the future

FCC strives to deliver outstanding service to our customers. Understanding and acknowledging our customers' experiences and serving them in a way that meets their unique business needs remains a focus. FCC's customer experience strategy focuses on creating solutions for all the different businesses we serve.

In 2021-22, we enhanced our ability to deliver solutions based on the needs of those we serve and continued to build on and use our customer round table. We use their in-depth feedback on new or updated functionality and processes before we release them to all customers. A full end-to-end online experience for crop input financing was launched and customer feedback was excellent. This will make crop input financing a much more modern and quicker online experience.

Advance the business management capabilities of the industry

Producers operate sophisticated businesses and FCC continues to explore and invest in new and enhanced tools to help advance their business management capabilities. AgExpert software is a valuable tool for customers, which allows them to easily digitize their farm records and provide access to their data anywhere, any time. In 2021-22, enhancements were made to the new FCC AgExpert accounting hub to add features for our accounting and bookkeeping partners to better work with their AgExpert customers.

FCC's Knowledge events featured virtual business management webinars delivered throughout the year. Topics included creating a business plan, leasing versus buying, family transition and an agriculture economics outlook. Other knowledge content was delivered that supports business management practices, including through our weekly e-newsletter and over 13,000 listens of FCC podcasts highlighting producer stories related to business management. An agriculture business management fundamentals online course had over 4,300 participants registered. This strong uptake supports the need for these type of learning activities.

Vibrant and successful agriculture industry – serving the industry that feeds the world, inspiring possibility and passion

Vibrant and successful industry captures our commitment to the industry and demonstrates where we support our higher purpose of "serving the industry that feeds the world, inspiring possibility and passion." When FCC supports the agriculture and agri-food industry, it positively impacts our customers.

Foster growth opportunities in the Canadian agri-food value chain

FCC is committed to helping the Canadian economy reach its full potential by supporting the Government of Canada's goal to grow agri-food exports, create jobs and foster innovation. In 2021-22, FCC continued with initiatives to support Canada's small to medium-sized commercial enterprises in the agriculture and agri-food sectors. Enhancements to products and services were made so we can build better relationships with small and medium-sized customers and better address their financing needs. FCC is also piloting advisory services to support our agriculture and agri-food customers.

FCC's venture capital strategy addresses the need for alternative financing for businesses at all stages of their operations in Canada's agriculture and agri-food industry. FCC's venture fund investments focus on promoting innovation and sustainability in the industry, supporting start-up to later-stage businesses, and filling the gaps in financing for underserved parts of the industry.

This year, we expanded our investment in venture capital funds and enhanced offerings with accelerator partners. FCC committed new capital totalling $32.7 million to two new venture capital funds and provided an additional $50 million commitment to the fund established in 2020 to support proven, viable companies through unexpected business disruptions such as the pandemic. Through our accelerator partnerships, entrepreneurs have access to advice, mentorship and support that allows them to grow, scale globally and solve their business challenges. Our support has created greater partnerships and networks across Canada for agriculture and agri-food entrepreneurs.

Support the long-term health of the industry

Being a trusted knowledge partner and champion of sustainable practices will help ensure FCC and the broader industry are set up for long-term success. FCC continues to focus on furthering our goal to be a leader in sustainability by addressing gaps and opportunities to advance our own practices, support global and national sustainability goals, and support customers in their own sustainability journeys.

At a national level, FCC remains on track to reduce the corporation's greenhouse gas (GHG) emissions by 40% by 2025 based on the 2012 levels, which is in line with the Federal Sustainable Development Strategy. Our GHG strategy includes reducing paper use and employee travel where possible, using less on-site energy and purchasing renewable energy certificates (when needed) to increase renewable energy on Canada's power grid. More information on FCC's corporate GHG emissions and other sustainability-related initiatives can be found in the 2020-21 ESG report. This year, FCC will issue our first set of Task Force on Climate-Related Financial Disclosures for 2021-22.

We continue to partner with organizations, including Agriculture in the Classroom and 4-H Canada, and create new partnerships to increase awareness of careers in agriculture and agri-food. We feature next-generation producers by profiling them in our AgriSuccess magazine and weekly e-newsletter.

Now more than ever, FCC is committed to helping to lift the stigma around mental health, promoting awareness and dialogue, and enabling people throughout the industry to seek support if they need it. We play an essential role in helping farmers and agri-food workers manage unprecedented pressures brought on by the pandemic and severe weather events this past year. In response to the severe weather conditions affecting farmers in Western Canada, FCC ran print and radio advertising campaigns from British Columbia through Manitoba in partnership with Do More Agriculture to help producers identify their levels of stress and connect them to mental health crisis lines and resources across the country. The first FCC Knowledge event this past season was a virtual event with Do More Agriculture promoting mental health. Our FCC Knowledge Newsletter shared articles supporting mental health throughout the year. Our website provides customers and the industry with mental health resources, such as our *Rooted in Strength* publication, personal wellness experiences from the agriculture and agri-food industry and an assessment tool. The intent of this content is to increase awareness and focus on the importance of mental health issues among producers and agribusiness and agri-food operators.

Promote a diverse and inclusive industry

Many farmers and operators looking to retire do not have a transition plan in place. Our advisory services help customers have necessary farm transition conversations, providing a needed service to the industry. In 2021-22, our Advisory team had 754 client engagements, a 20% increase from the previous year. In December 2021, the Minister of Agriculture and Agri-Food announced expanded financing opportunities through FCC for young farmers and young food business owners to help unleash the ideas, passion and energy of Canadian youth in the industry. Both the Young Farmer and Young Entrepreneur Loans had their lifetime maximum increased to $1.5 million from $1 million.

Women continue to play a vital role in growing the Canadian agriculture and agri-food industry. Over the past several decades, the proportion of female farm operators has continued to increase. While this progress is positive, women remain under-represented in the industry and continue to face barriers. To address these issues, FCC remains committed to supporting the Government of Canada's Women Entrepreneurship Strategy offering skill development opportunities and capital. Loans through our Women Entrepreneur Program help provide the capital women need to grow their businesses. Since launching the program in 2019, FCC has approved 2,632 Women Entrepreneur Loans totalling over $1.9 billion, almost four times our original commitment of $500 million over three years.

FCC recognizes the opportunity Indigenous communities have in agriculture, the historical contribution Indigenous people have made in this sector and the current challenges they face revitalizing their agriculture businesses. FCC is building relationships with the Indigenous community and has established a team of lending professionals focused on supporting Indigenous businesses. Further, FCC has started the process to become certified under the Progressive Aboriginal Relations (PAR) program offered by Canadian Council for Aboriginal Business.

High-performance culture – our people, growing and achieving as one

Our high-performance culture speaks to our most important asset: our people. Everything we do at FCC relies on our motivated, engaged and high-performing workforce. "Our people, growing and achieving as one" speaks directly to the committed partnerships and 100% accountability that form the cornerstone of our culture and to our need to create and provide a continuous learning environment. We are one team serving one customer.

Build the employee experience of the future

Employees are one of FCC's greatest assets and retaining our current employees is critically important, especially in a competitive labour market. FCC's flexible work program was implemented this past year with core components developed and delivered. FCC uses talent management and piloted a new succession management approach to enable planning for key roles.

Continually reinforce our culture and build leaders of tomorrow

A great culture and positive leadership are at the very heart of the FCC employee experience. FCC's culture continues to define how our employees work together to create extraordinary business results. In 2021-22, we continued to deliver our culture reinforcement program and reviewed how we can apply our culture to support our success in a flexible work environment. Using virtual technology, FCC provides a comprehensive learning program to support the growth and development of new leaders.

Grow our people's knowledge

FCC knows that an organization's ability to thrive in an ever-changing world is enhanced through employees' ability to learn. Responding to our customers' business needs requires a consistent understanding of credit risk and lending concepts. This year, we evolved our learning strategy based on internal and external research.

Become a more diverse and inclusive workplace

FCC strives to have a workforce that represents the diversity of our customers, the Canadian workforce as a whole and the communities in which we operate. We are focused on being an employer of choice for diverse talent. Our revised three-year diversity, equity and inclusion strategy builds on our existing strategy with a renewed focus on equity and inclusion and will integrate elements of our Indigenous employment equity plan and approach to anti-racism. Throughout the year, we shared resources, held learning events and profiled opportunities to help employees advance their equity, active-inclusion and anti-racism awareness.

This year, we have made progress on our Indigenous employment equity plan. We identified and initiated outreach to Indigenous organizations in Manitoba, New Brunswick and Saskatchewan to explore partnership possibilities. We strengthened our partnership with the Saskatchewan Indian Institute of Technologies with a newly developed internship program.

Execution excellence – bringing ideas to life

Execution excellence enables our great customer relationships through tools, systems and processes that lead to seamless customer interactions. "Bringing ideas to life" speaks to the skill and commitment we bring – and the results we achieve.

Deliver customer-inspired solutions

FCC is always looking for ways to improve the experience we provide customers and our customer-facing employees. Technology and information can often be used to improve the experience. As we move to an increasingly digital environment post-pandemic, FCC continues to engage partners and customers in the development of new and enhanced digital processes that are simple and secure. In addition to receiving customer feedback through FCC Vision, we continued to host our customer round table in 2021-22, allowing us to gather customer feedback early and often as solutions are being built.

Deliver simplicity and process excellence for our people

In 2021-22, our focus was to enhance capacity and accelerate the modernization of our employee-facing lending systems to give employees the information and functionality they need to serve our customers with excellence.

Several enhancements to modernize how employees use technology to interact with customers were implemented. Using a new benchmarking tool, employees are now equipped to provide customers with comparative information on their business operations to better understand and improve performance.

Effective enterprise risk management – built for generations to come

Enterprise risk management helps protect customer relationships as well as FCC's overall financial strength and viability. "Built to last for generations to come" speaks to the commitment we have always had to our customers and the industry – that we are with them through all cycles.

Enable sustainable growth and risk-taking

In 2021-22, FCC continued to evolve and mature risk practices to support the business strategy and grow Indigenous agriculture. To support the evolving and complex needs of its business lines, foundational practices for customer diligence, credit policy, digitization and technology were enhanced to create opportunities to foster Indigenous lending and evolve product offerings. Understanding the unique nature of lending in Indigenous communities, the requirements to manage risk were evolved to enable greater access to capital.

Evolve risk capabilities

FCC has invested in advanced risk analytics and data management to sharpen our focus on relevant risks, support the customer experience and streamline internal processes. This investment is also enhancing our understanding of the scope of risks facing FCC and the industry so we are set up to be strong and resilient going forward.

Employees began to return to the office throughout the fiscal year, adjusting protocols to provincial mandates. The pandemic provided insight into the need for robust crisis, business continuity and incident management. Practices were enhanced for readiness in the event of future large-scale events through planning and scenario exercises to ready management to respond effectively.

Financial strength – providing a strong foundation for the future

Financial strength is our foundation. We need to maintain a strong financial position to serve the industry through all economic cycles and deliver our strategy. "Providing a strong foundation for the future" reminds us that FCC is a self-sustaining Crown corporation. Our profits afford us the ability to invest in FCC and the industry to ensure we can grow with and serve Canadian agriculture and agri-food for generations to come.

Sustain financial strength

In 2021-22, FCC continued to implement new technology, solutions and process enhancements to improve core financial support and integrated business planning capabilities. Identification of foundational work and progress towards integration across functional planning efforts empowers strategic and operational planning with robust analysis capabilities and supports a proactive perspective of business decisions.

2021-22 planned results

FCC's critical outcome statements are aligned to our mandate and Government of Canada priorities. We report on our progress through the following performance indicators.

Results as of March 31, 2022:

Short-term outcomes				
Outcome	Performance indicator	2021-22 target	2021-22 results	2025-26 target
FCC is committed to growing Canada's agri-food exports and increasing value-added capacity	Number of net new agribusiness and agri-food customers	360	487	540
FCC is committed to building a workforce that reflects the diversity of its customers and the Canadian workforce	Percentage of total hired are members of employment equity groups[2]	18%	23%	23%
FCC invests in communities where its customers and employees live and work	Amount invested by FCC in community initiatives and projects, including funds provided to local non-profits	$3.5 million	$3.7 million	$5.0 million
	Number of paid volunteer hours by FCC employees	0[3]	0[3]	Measure discontinued in 2022-23 fiscal year

[2] Performance indicator includes the following employment equity groups: Aboriginal persons, members of visible minorities and persons with disabilities. Based on information from the CHRC, FCC will be redesigning future measures for employment equity groups.

[3] All volunteer activities were put on hold in 2021-22 due to pandemic restrictions.

Medium-term outcomes				
Outcome	Performance indicator	2021-22 target	2021-22 results	2025-26 target
FCC delivers a customer experience that meets the needs of the industry	Net Promoter Score®	69	74	73
Canadian agricultural producers and agribusiness and agri-food operators have access to knowledge that helps them advance their management skills and grow their businesses	Total views or interactions with FCC's online business management learning offering[4]	700,000	1,159,849	1,080,000
	Average score from event participants on the likelihood they will use information from the FCC event in their farming operations	4 out of 5	4.29	≥ 4.2 out of 5
Young farmers and young agribusiness and agri-food operators have access to specialized lending products and services	Young borrower lending: Ag production: Agribusiness & agri-food:	 $3.9 billion $128 million	 $4.7 billion $295 million	 $4.6 billion $277 million
	Number of current lending customers under age 40	19,550	20,919	21,800

Long-term outcomes				
Outcome	Performance indicator	2021-22 target	2021-22 results	2025-26 target
Canadian producers and agribusiness and agri-food operators can access capital to advance their businesses	Loans receivable growth rate[5]	4.6%	7.6%	4.9%
FCC supports the Federal Sustainable Development Strategy and Greening Government Strategy by reducing its greenhouse gas emissions	Reduction in FCC's greenhouse gas footprint by 40% by 2025 based on 2012 levels	Reduction of 307 tonnes/CO_2e per year	Reduction of 307 tonnes/CO_2e per year	Reduction of 307 tonnes/CO_2e per year
FCC maintains a safe and sound capital position to withstand economic downturns and periods of extended loss and to support FCC's strategic decisions	Capital adequacy	Target capital ratio of 15% or higher	17.0%	Target capital ratio of 15% or higher
Small- and medium-sized operations have access to capital to grow their businesses	Percentage of FCC customer count in small- and medium-sized segments: - Ag production - Agribusiness & agri-food	Ag production: Greater than 90% Agribusiness & agri-food: Greater than 75%	92.5% 86.3%	Ag production: Greater than 90% Agribusiness & agri-food: Greater than 90%

[4] FCC previously measured a combination of views from various channels. This new target is based only on measuring page views from one online channel focused on FCC's business management learning offering.

[5] The "Loans receivable and leasing growth rate" performance indicator has been revised to reflect FCC's leasing portfolio sale. Going forward it will be reported as "Loans receivable growth rate."

2022-23 corporate strategy

While recognizing the current contributions, challenges and opportunities of Canadian agriculture, FCC envisions an even stronger future where the Canadian agriculture and agri-food industry achieves its fullest potential – further positioning itself as a global powerhouse ready to meet the challenges of an ever-growing world.

In addition to ensuring FCC's long-term success, our corporate strategy plays a vital role in advancing the agriculture and agri-food industry. Our 2022-23 corporate strategy maintains six strategic themes: vibrant and successful industry, great customer relationships, effective enterprise risk management, execution excellence, high-performance culture and a foundation of financial strength to make it all possible. Each strategic theme contains objectives and initiatives, along with corresponding measures so progress on planned results can be gauged.

FCC remains committed to supporting the Government of Canada's goal to grow Canada's agri-food exports with continued efforts to foster growth in the agribusiness and agri-food sectors. In addition, we will be working to strengthen the inclusion of under-represented groups in agriculture and agri-food, including women, youth, persons with disabilities and Indigenous agricultural entrepreneurs and producers. This range of initiatives will be brought to life through continuous improvement of both the customer and employee experience.

Economic environment

Global economic trends shape the business environment of Canadian agriculture and agri-food. The pandemic continued to create disruptions to the global economy in 2021. As economies were poised to reopen, new variants emerged, causing further uncertainty and delays. Despite these challenges, global gross domestic product (GDP) increased 6.8% in 2021, recovering from a 2.2% decline in 2020.[6] Vaccine deployments are raising optimism about continued momentum in the global economic recovery for 2022, although additional pandemic waves and new variants cannot be discounted to emerge in the future.

Despite multiple economic challenges, Canada's high vaccination rates in combination with strong public measures and the resiliency of Canadian businesses supported strong economic growth in the second half of 2021. In 2021, Canada's annual GDP increased 4.6%[7] due to strong demand for goods, increased demand for services and strong exports. GDP has continued to strengthen through the first quarter of 2022.

Higher economic activity generated a sharp recovery in Canada's labour market. The unemployment rate declined to 5.9% in December 2021 from 8.8% a year ago.[8] Improvement in the labour market, while positive overall, created hiring challenges for businesses and pushed labour costs higher. A tight labour market combined with supply chain disruptions in Canada and around the world has resulted in higher than expected inflation. Canadian inflation is estimated to be 3.4% in 2021, above the Bank of Canada's target rate of between 1% and 3%. High household savings and increasing wages continue to support strong demand for goods and services throughout the Canadian economy, which will keep overall price levels in Canada elevated in 2022.

A strong economic recovery and rising consumer prices led the Bank of Canada to end its quantitative easing program in 2021. Although the Bank of Canada has maintained interest rates at record low levels through 2021, high inflationary pressures have set the stage for rate increases in 2022.

Record low borrowing costs and strong demand for food and agriculture commodities have created investment opportunities across the agriculture and agri-food value chain.

Demand for agriculture commodities and food remains strong

Global economic growth supported strong demand for food and agricultural commodities and increased export opportunities. The impact was particularly noticeable in various crop markets that recorded prices significantly higher than their five-year average. The pandemic forced processing plants in various sectors to temporarily shut down production or reduce capacity in some cases. Higher input prices such as for energy and raw materials led to higher food prices. Reopening of food services is shifting back food consumption toward pre-pandemic patterns. Transition is still occurring, and much is left to learn about what food purchasing trends in a post-pandemic world will look like.

The United States remains Canada's largest export market, accounting for about 30% of our agriculture exports and more than 70% of our food and beverage manufacturing exports.[9] The U.S. economy quickly rebounded from pandemic disruptions, increasing demand for commodities and strengthening the Canadian dollar. The Canadian dollar averaged slightly below US$0.80 in 2021. Overall, Canadian agriculture benefits from a low dollar as it supports farm revenues by lifting prices paid to Canadian producers and making Canadian products competitive in the world market.

[6] https://www.bankofcanada.ca/2022/01/mpr-2022-01-26/
[7] https://www150.statcan.gc.ca/n1/daily-quotidien/220301/dq220301a-eng.htm
[8] https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410028701
[9] http://www.ic.gc.ca/eic/site/tdo-dcd.nsf/eng/Home

Agriculture industry overview

FCC monitors several important factors that influence the short- and long-term prospects, profitability and financial health of each sector.

The Canadian agriculture and agri-food industry experienced several disruptions in 2021 due to the pandemic and extreme weather, resulting in economic stress. Supply chain disruptions, processing plant closures, limited labour availability and food service and hospitality industry shutdowns are just a few of the disruptions introduced by the global pandemic. Despite the market turmoil, the agriculture and agri-food industry has performed well and slightly better than the Canadian economy. Food and beverage manufacturing GDP increased 4.9% as compared to a 4.6% increase for the overall economy.

Russia's invasion of Ukraine and the economic sanctions that several countries around the world, including Canada, imposed on Russia have caused significant global market uncertainty, notably for energy and agriculture commodities. For the Canadian agriculture and agri-food sector, Russia's invasion and the sanctions have increased the price of crop inputs and fuel, created insecurity in fertilizer availability and supported higher producer prices for grains and oilseeds.

Farm cash receipts increased 13.7% in 2021 as higher production in Eastern and Atlantic Canada as well as higher prices for agriculture commodities, including cattle, hogs, grains, oilseeds and pulses, offset production declines in Western Canada. Food and beverage manufacturing sales also expanded, increasing 14%.

Farm revenues increased on higher prices despite weather challenges

Severe weather challenges, including extreme heat, drought and flooding in Western Canada, resulted in a 40% decline in production of principal field crops. Nationally, total production of principal field crops declined 30% to an estimated 69.6 million tonnes. Extreme weather resulted in significant production losses for poultry, dairy and horticulture operations in British Columbia. In Eastern Canada, weather conditions improved throughout the 2021 season and were favourable for crop production. Processing plant disruptions and closure of food services reduced marketing opportunities for livestock and supply-managed sectors. Avian influenza is also threatening farm revenues for poultry producers across all regions of Canada. Conversely, strong demand for agriculture commodities and supply challenges supported prices. Overall agriculture commodity prices are estimated to have been 14% higher than 2020. Overall crop receipts increased 9.2% and livestock receipts increased 13.4% in 2021.

Farm input prices were, on average, 8.6% higher in 2021 compared to 2020. Average input prices for crop production increased 10.8% as prices for commercial seed, fertilizer, pesticide and fuel all climbed. The biggest increases were in fuel, up 44.3%, and fertilizer, up 30.2%, due to a combination of higher energy prices and global supply constraints for fertilizer. This contributed to tighter crop margins in 2021. Average input prices for animal production increased 12.2% due to significantly higher livestock costs and feed. Higher input costs are also contributing to tighter margins for the livestock sector.

For more information, refer to FCC's sector outlooks at fcc.ca/Economics.

Farmland values continue to trend higher

Strong farm revenues and low interest rates supported investment in Canadian farm operations. Farmland values increased an average of 8.3% in 2021. Strength in farmland values continues to support the balance sheet of producers. More information regarding farmland values, including regional analyses, is available in the FCC Farmland Values Report at fcc.ca/FarmlandValues.

Investment in farms pushes debt higher

Farm debt increased an estimated 6% in 2021 with an average annual rate of 6.5% over the past 10 years as producers continued to make strategic investments to improve the productivity and efficiency of their farm operations. Shifts in consumption patterns, processing plant closures and market uncertainty all contributed to liquidity pressures, increasing demand for capital in 2021. More information is available on the Statistics Canada website.

Supply chain issues causing additional challenges for exporting

Exports are key to Canada's success as a leading agricultural and agri-food producing nation. With a small population and vast amount of arable land, we must export the production we cannot consume. Canada is the fifth-largest exporter of agriculture products and the 11th-largest exporter of agri-food products in the world.

The landscape for world trade presented several different challenges for the agriculture and agri-food sectors in 2021. Container shortages and high shipping costs disrupted trade for all agriculture, agribusiness and agri-food processing operations. Floods in British Columbia caused major destruction to infrastructure, including rail lines and highways and amplified supply chain disruptions in Canada. Major efforts to reopen rail lines and highways have allowed trade to resume, although transportation costs remained elevated throughout the year.

Shift back in food purchasing patterns

Shutdown of food services across the country led to higher food expenditures at grocery stores in 2020. In 2021, the economy began reopening, people partially returned to the office and children were back in school. Food purchasing patterns transitioned back toward pre-pandemic spending. Food service expenditures increased with increased sales at quick service restaurants. At grocery stores, consumer purchases of fresh fruits, vegetables and deli purchases also recovered.

Canadian household preferences continue to evolve toward healthy, convenient, sustainable and responsibly produced foods, leading producers and processors to develop food products with specific nutritional values and other attributes. This creates new supply chains and profit opportunities for the entire sector. Producers in all sectors also continue to evolve their practices to meet consumer expectations around food safety and sustainability.

Current and potential impacts for FCC

Canadian agriculture and agri-food industries remain financially healthy at the end of 2021. Record low interest rates, a supportive Canadian dollar and robust food demand at home and abroad created opportunities for Canadian agriculture, agribusiness and agri-food processors. Production challenges and strong demand for grains, oilseeds and pulses in 2021 have resulted in higher prices, supporting the demand for farmland and farm equipment. Weather, trade concerns, labour availability and higher input prices created numerous challenges, notably for the livestock and horticulture sectors.

Food manufacturing remains a significant driver of the Canadian economy and the economic recovery. Small- to medium-sized food processors are delivering innovative food products to Canadians, and larger processing firms are capitalizing on the growing demand for safe, high-quality food in foreign markets.

Agriculture, agribusiness and agri-food processors are continually adapting to the changing market environment. The pandemic, a tight labour market and supply chain disruptions have caused significant challenges, added significant costs and generated market uncertainties. Despite these major challenges, Canada's agriculture and agri-food sectors have adapted and are well positioned to capitalize on the economic recovery.

Financial performance and key measures

For the year ended March 31 ($ millions, except as noted)	2022	2021*	2020*
Net interest income	1,341	1,298	1,197
Reversal of (provision for) credit losses	90	(18)	(88)
Non-interest income (loss)	–	17	(13)
Administration expenses	(508)	(473)	(456)
Fair value gain (loss)	9	(9)	(5)
Net income	932	815	635
Portfolio growth			
Number of loans[1]	156,964	153,578	144,504
Total loans receivable[1]	44,489	41,346	38,413
Allowance for credit losses – loans receivable	(110)	(218)	(255)
Loans receivable growth rate (%)	7.6	7.6	6.6
Borrowings			
Short-term debt	8,077	12,550	9,952
Long-term debt	30,107	22,705	23,608
Profitability			
Net interest margin (%)[2]	2.96	3.05	3.10
Credit quality			
Credit-impaired loans	394	306	295
Allowance for credit losses	110	218	255
Efficiency			
Efficiency ratio (%)[3]	37.6	35.9	37.5
Capital management			
Total capital ratio (%)	17.0	17.4	16.8
Debt to equity	4.5	4.5	4.7
Shareholder return			
Return on equity (%)[3]	11.2	10.7	9.3
Dividends	560	–	395

* Restated (see Note 4 of the Notes to the Consolidated Financial Statements for additional details).

(1) Comparative figures have been restated to reflect current period presentation.

(2) This is a non-GAAP measure. For additional details refer to the net interest income, portfolio growth, borrowings and profitability section.

(3) This is a non-GAAP measure. For additional details refer to the non-GAAP measures section.

Net income

Net income in 2022 increased by $117 million and 14% compared to 2021, primarily due to changes in our allowance for credit losses resulting in a reversal of the provision. Additionally, higher net interest income, reflecting the impact of growth in loans receivable somewhat offset by lower net interest margin, more than offset higher administration expenses.

Net income in 2021 increased by $180 million and 28% compared to 2020. Most of the increase in 2021 was driven by higher net interest, primarily due to continued loans receivable growth. We also had a large reduction to our provision for credit losses in 2021, as there was increased certainty around the impact of pandemic support programs. Our venture capital equity investments in 2021 provided non-interest income, as opposed to the loss recorded in 2020. The increases more than offset higher administration expenses.

Net interest income, portfolio growth, borrowings and profitability

Net interest income is comprised of interest revenue from interest-earning assets (loans receivable before allowance for credit losses, cash and short-term investments, and venture capital investments), offset by interest expense on interest-bearing borrowings used to support our lending operations.

Net interest income was $1,341 million in 2022, an increase of $43 million compared to $1,298 million in 2021, with higher lending volumes contributing $75 million of the increase. Somewhat offsetting the increase in volume was a decrease in net interest margin of $32 million, reflecting the net effect of lower interest rates on both interest-earning assets and interest-bearing liabilities.

Net interest income was $1,298 million in 2021, increasing $101 million from $1,197 million in 2020. Higher lending volumes contributed $79 million of the increase, with changes in net interest margin accounting for the remaining $22 million. Increased volume was driven by customers accessing pandemic support programs. Declining interest rates helped drive increases in interest rate margins. More customers secured fixed-rate lending products, taking advantage of the low interest rate environment. The timing of existing borrowings maturing, combined with falling interest rates meant new borrowings to support lending were at lower rates.

March 31 ($ millions)	2022			2021			2020		
	Average balance	**Interest**	**Rate (%)**	**Average balance**	**Interest[1]**	**Rate (%)[1]**	**Average balance**	**Interest[1]**	**Rate (%)[1]**
Total loans receivable	43,058	1,534	3.56	39,991	1,531	3.83	37,239	1,702	4.57
Investments	2,200	12	0.55	2,534	17	0.68	1,260	27	2.16
Venture capital investments	97	6	6.19	84	7	8.61	79	8	10.18
Total earning assets	45,355	1,552	3.42	42,609	1,555	3.65	38,578	1,737	4.50
Total interest-bearing liabilities	37,190	211	0.57	35,285	257	0.73	32,229	540	1.68
Total interest spread			2.85			2.92			2.82
Impact of equity	8,165		0.11	7,324		0.13	6,349		0.28
Total net interest income on earning assets	**45,355**	**1,341**	**2.96**	**42,609**	**1,298**	**3.05**	**38,578**	**1,197**	**3.10**
Year-over-year change in net interest income due to:									
Increases in volume		75			79			49	
Changes in margin		(32)			22			(4)	
Total change to net interest income		**43**			**101**			**45**	

[1] The calculation of net interest margin for 2021 and 2020 has been adjusted to include interest revenue amounts related to derivatives designated as cash flow hedges and derivatives for financial assets and liabilities previously included in interest expense. There were no changes required to the presentation of interest revenue and interest expense on the Consolidated Statement of Income.

Loans receivable and portfolio growth

Loans receivable at March 31, 2022, increased by $3,143 million or 7.6% compared to March 31, 2021. This increase is driven by a combination of market factors.

The agriculture and agri-food industry performed well amid disruptions in supply chains, market access challenges and unfavourable weather. As pandemic restrictions started to lift, consumer purchasing transitioned toward pre-pandemic spending patterns. This change increased demand for agricultural products.

Higher demand for agricultural products was accompanied by increased costs of production. Customers saw a rise in the price of farm inputs across all sectors. Increased costs of production drove higher demand for capital. A low interest rate environment through most of 2022 allowed customers to access the credit required to support their operations.

Loans receivable by sector distribution

	Total loans receivable		Annual growth by sector	
For the year ended March 31 ($ millions)	**2022**	**2021**	**2022**	**2021**
Loans receivable*				
Primary production				
Oilseed and grain	14,332	13,503	6.1%	13.6%
Dairy	6,929	6,678	3.8%	3.2%
Beef	3,714	3,549	4.6%	32.8%
Other	3,025	2,777	8.9%	28.3%
Poultry	3,005	2,849	5.5%	3.7%
Greenhouse	1,848	1,536	20.3%	20.4%
Alliances	1,707	1,460	16.9%	(6.2%)
Hogs	1,395	1,319	5.8%	8.6%
Fruit	1,320	1,219	8.3%	11.5%
Total primary production	37,275	34,890	6.8%	12.2%
Agribusiness	5,432	4,891	11.1%	21.5%
Agri-food	1,827	1,611	13.4%	44.9%
Loans receivable by sector distribution	**44,534**	**41,392**	**7.6%**	**7.6%**

* Excludes deferred loan fees

Loans receivable for primary production increased by $2,385 million, remaining consistent at 84% of our total loans receivable at March 31 for both 2022 and 2021. The largest dollar increase was in oilseed and grain at $829 million. However, our annual growth rate for oilseed and grain decreased 7.5% year-over-year as significant drought conditions in Western Canada drove a decline in production and disbursements related to pandemic support programs declined.

While loans receivable for beef had a small increase year-over-year, the annual growth rate for this sector decreased by 28.2%. High feed costs created challenges to profitability in the sector, slowing demand for new funding and customers accessing our pandemic support programs drove increased disbursements in 2021.

Loans receivable for greenhouse producers had continued growth at 20.3% in 2022. This was driven by increased capital investment to meet demand for Canadian grown vegetables. Growth in 2021 was due to more applications for capital funding, and producers using pandemic support programs.

Alliance loans receivable grew by $247 million with a growth rate of 16.9% in 2022, compared to negative growth in 2021. In the prior year, customers used funds from pandemic support programs to make payments on outstanding alliance credit lines, reducing our loans receivable at March 31, 2021. In 2022, alliance customers used new borrowings to cover the rising costs associated with crop inputs.

Agribusiness and agri-food loans receivable increased at March 31, 2022, by $541 million and $216 million, respectively, compared to the prior year. Both sectors had double-digit growth rates in 2022, but lower than those experienced in 2021. Customers accessing our pandemic support programs, especially for working capital purposes, drove increased disbursements in 2021. Lending shifted toward capital investment in 2022, a positive trend for the sectors.

Loans receivable by geographic distribution

For the year ended March 31 ($ millions)	Total loans receivable 2022	Total loans receivable 2021	Annual growth by region 2022	Annual growth by region 2021
Loans receivable*				
Ontario	13,010	11,912	9.2%	6.9%
Saskatchewan	8,312	7,752	7.2%	8.8%
Alberta	8,181	7,785	5.1%	9.8%
Quebec	6,158	5,680	8.4%	8.0%
British Columbia	4,008	3,710	8.0%	4.8%
Manitoba	3,520	3,256	8.1%	8.4%
Atlantic	1,345	1,297	3.7%	1.5%
Loans receivable by geographic distribution	**44,534**	**41,392**	**7.6%**	**7.6%**

* Excludes deferred loan fees

Loans receivable at March 31, 2022, increased across all geographic areas when compared to March 31, 2021. Lending in Ontario increased by $1,098 million, or 35% of annual loans receivable in the year. The increase in Ontario was driven by lending across several sectors, including oilseed and grain, greenhouse production, and agribusiness and agri-food.

Saskatchewan and Alberta had the largest decrease in year-over-year growth rate. This was primarily driven by significant drought conditions that impacted oilseed and grain production. Customers accessing pandemic support programs drove increased disbursements for these locations in 2021.

Borrowings

FCC must adhere to the Minister of Finance Guidelines for Market Borrowings by Crown Corporations and the Minister of Finance Financial Risk Management Guidelines. Our borrowings support lending operations by ensuring we maintain adequate liquidity. Having adequate liquidity ensures we can access cash required to meet daily operational requirements in the event there is an unanticipated need for cash or a business disruption preventing the corporation from borrowing debt through the Crown Borrowing Program. While the Crown Borrowing Program provides stable borrowings, in the event of a disruption we also maintain a bank operating line of credit and an investment portfolio of highly liquid securities sufficient to meet projected funding requirements for a minimum of 30 days. To ensure access to funds meets operational requirements, we forecast future cash requirements and create a borrowing plan.

We align our borrowing practice with the lending issued to our customers, providing consistency from a capital management perspective. The low interest rate environment this year led to an increase in customers entering long-term, fixed-rate arrangements. In response, we leveraged more long-term borrowings. This change in borrowing practice led to higher levels of long-term debt and declining levels of short-term debt in 2022 compared to 2021.

Short-term debt

Short-term debt consists of borrowings with a maturity of one year or less which includes fixed-rate and floating-rate borrowings. Floating-rate borrowings have floating interest rates that reset based on one-month Treasury bill rates. The outstanding short-term debt at March 31, 2022, was $8,077 million, compared to $12,550 million at March 31, 2021. Of the total short-term debt outstanding, $7,404 million was raised through the Crown Borrowing Program.

Long-term debt

Long-term debt consists of borrowings with a maturity of more than one year, which include fixed-rate and floating-rate borrowings. Floating-rate borrowings have floating interest rates that reset based on one-month or three-month Treasury bill rates. The outstanding long-term debt at March 31, 2022, was $30,107 million, compared to $22,705 million at March 31, 2021. In 2022, all long-term debt was raised through the Crown Borrowing Program.

Credit ratings

Our new and outstanding capital market debt issued constitutes a direct, unconditional obligation of the Government of Canada. Moody's Investors Service and Standard & Poor's did not change our debt ratings this year. Our debt ratings as of March 31, 2022, were:

	Long–term	Short–term
Moody's Investors Service	Aaa	P–1
Standard & Poor's	AAA	A–1+

Provision for credit losses and credit quality

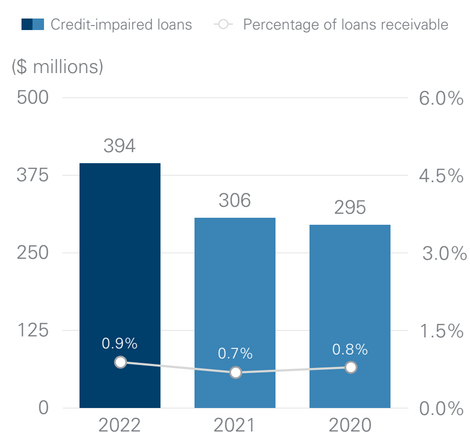
We continually monitor our portfolio and the industry to proactively identify and develop solutions to help customers through difficult times. We have developed customized programs and product options that provide flexibility and support customers in both times of challenge and opportunity.

We employ sound business practices for analyzing credit quality and monitoring loans that are past due and impaired. From this analysis, we can better assess the appropriate level of allowance for credit losses and determine whether risks are within the tolerances stated in our Board-approved risk management policies.

Credit-impaired loans

Through our customer support programs, we proactively support individual customers and sectors during financial difficulties. Programs are developed to address challenges faced by the Canadian agriculture sector as they arise. For example, this year we implemented an adverse weather support program to ensure customers could remain focused on business-critical processes through challenging times. Under the program, customers had the option to defer principal payments for up to 12 months or principal and interest payments for up to six months. Customers also had access to a credit line of up to $500,000, secured by a general security agreement. Additionally, we provided support programs to farmers impacted by flooding in British Columbia and potato producers in Prince Edward Island affected by potato wart restrictions.

Credit-impaired loans



This year we made payment schedule amendments to 2,566 loans. Most of the deferrals were part of the adverse weather support program. Payment schedule amendments decreased to 3.6% in 2022 from 14.8% in 2021. This was due to pandemic support programs driving high deferral numbers last year.

Our credit-impaired loan balance increased by $88 million at March 31, 2022, compared to March 31, 2021. In 2022, we expanded the conditions for when a loan is considered credit-impaired to include loans where a customer has made an amendment due to financial difficulty. The impact of this change led to a higher balance reported as credit-impaired in 2022 compared to 2021.

Credit-impaired loans by sector distribution

	Credit-impaired loans		Percentage of loans by sector	
For the year ended March 31 ($ millions)	2022	2021	2022	2021
Primary production				
Oilseed and grain	128	79	0.9%	0.6%
Dairy	16	16	0.2%	0.2%
Beef	67	62	1.8%	1.7%
Other	44	26	1.5%	0.9%
Poultry	6	7	0.2%	0.2%
Greenhouse	7	2	0.4%	0.1%
Alliances	18	27	1.1%	1.8%
Hogs	6	3	0.4%	0.2%
Fruit	7	14	0.5%	1.1%
Total primary production	299	236	0.8%	0.7%
Agribusiness	78	49	1.4%	1.0%
Agri-food	17	21	0.9%	1.3%
Credit-impaired loans by sector distribution	**394**	**306**	**0.9%**	**0.7%**

The sector with the largest change to credit-impaired loans was oilseed and grain, increasing by $49 million to $128 million at March 31, 2022, compared to $79 million at March 31, 2021. Most of this increase was driven by drought conditions in Western Canada, leading to a significant decline in production. This led more customers to access the adverse weather support program and obtain payment schedule deferrals.

The Other sector of our portfolio, which includes maple syrup and potato producers, had an $18 million increase in credit impaired loans year-over-year. A short, warm spring in Eastern Canada led to reduced syrup production, while the identification of potato wart impacted potato exports in 2022. As a result, customers accessed support programs and payment schedule deferrals in 2022.

The $29 million increase in credit-impaired loans for the agribusiness sector was driven by reduced grain production leading to less grain being handled, processed and transported. High costs for transportation of products also impacted the sector.

Credit-impaired loans by geographic distribution

	Credit-impaired loans		Percentage of loans by region	
For the year ended March 31 ($ millions)	2022	2021	2022	2021
Ontario	55	34	0.4%	0.3%
Saskatchewan	105	63	1.3%	0.8%
Alberta	105	89	1.3%	1.1%
Quebec	52	16	0.8%	0.3%
British Columbia	24	32	0.6%	0.9%
Manitoba	38	34	1.1%	1.0%
Atlantic	15	38	1.1%	2.9%
Credit-impaired loans by geographic distribution	**394**	**306**	**0.9%**	**0.7%**

The balances for credit-impaired loans in Saskatchewan and Alberta increased by $42 million and $16 million, respectively. These increases were primarily due to drought conditions reducing oilseed and grain production. The decline in oilseed and grain production, coupled with rising costs of transportation, also contributed to increased agri-business impairment in these regions.

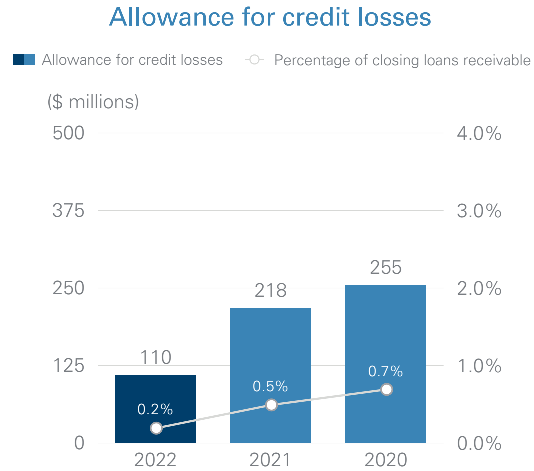
Quebec had a $35 million increase in credit-impaired loans through 2022. This was driven by beef and dairy operations, which were impacted by rising feed costs. Greenhouse production also contributed to increased impairment due to challenges connected to higher costs of production.

The Atlantic region had a $23 million reduction in credit-impaired loans across the fruit, dairy, agri-food and agribusiness sectors as customers made payments on outstanding loans.

Allowance for credit losses

The Canadian agriculture and agri-food industry experienced disruptions through 2022. Challenges, including continued impacts related to the pandemic, trade issues, labour shortages and economic shutdowns disrupted cash flow for many industries. Despite these challenges, there was also a shift in consumer purchasing patterns toward pre-pandemic spending, fuelling higher demand for agricultural commodities. The increased demand drove up farm revenues. Overall, the agriculture and agri-food industry remained financially healthy at the end of 2022.

Our allowance for credit losses decreased by $108 million to $110 million in 2022.



This year, a large component of reduction was enhancements to our allowance model which increased emphasis on customer risk and more recent loss experience. These changes led to a reduction of customer risk rating across most of our portfolio. This change provides better alignment with industry best practices and estimates based on actual risk in our portfolio. Model enhancements accounted for a $60 million reduction to our allowance in 2022.

The pandemic has been a significant factor in our allowance projections. Management used judgment to estimate the impact of higher default risk on specific sectors resulting from the continued global uncertainty. This led to an increased estimate for credit losses being recorded in 2020. As the situation started to stabilize, the potential impact of these challenges decreased. Projected losses due to the pandemic were further reduced in 2022 as payment deferrals expired and customers resumed normal payments.

Reversal of (provision for) credit losses

For the year ended March 31 ($ millions)	**2022**	**2021**	**2020**
Impaired loans (Stage 3)	3	(11)	(44)
Performing loans (Stages 1 & 2)	87	(7)	(44)
Total reversal of (provision for) credit losses	**90**	**(18)**	**(88)**

We recorded a reversal in our provision for credit losses in 2022. This was primarily due to a revised estimate for the allowance for credit losses that increased the emphasis on customer risk and more recent loss experience. The allowance for credit losses also decreased as customers who deferred payments under pandemic programs resumed regular payments.

The provision expense decreased in 2021, as payment deferrals and other pandemic supports that increased the provision in 2020 started expiring.

Writeoffs

Writeoffs decreased by $12 million from $38 million in 2021 to $26 million in 2022. Writeoffs as a percentage of loans receivable were 0.06%, lower than 0.09% in the prior year.

Non-interest income

For the year ended March 31 ($ millions)	2022	2021	2020
Insurance distribution income	17	20	18
Net (loss) income from investment in associates	(10)	2	(31)
Net foreign exchange (loss) gain	–	(3)	2
Other expense	(7)	(2)	(2)
Total non-interest income (loss)	**–**	**17**	**(13)**

Non-interest income is largely driven by the performance of our investments in associates and subject to volatility.

In 2022, we had a realized loss in one venture capital investment, only partially offset by the performance of our other holdings. We also experienced losses in 2020.

Other expenses increased this year primarily due to an impairment loss of $5 million incurred with the sale of our leased asset portfolio.

Administration expenses

For the year ended March 31 ($ millions)	2022	2021*	2020*
Salaries and benefits	305	285	273
Professional fees	71	64	54
Facilities, software and equipment	67	59	52
Amortization and depreciation	35	39	37
Marketing and promotion	13	13	12
Travel and training	7	4	15
Other	10	9	13
Total administration expenses	**508**	**473**	**456**

* Restated (see Note 4 of the Notes to the Consolidated Financial Statements for additional details).

Our administration expenses represent costs associated with business operations, projects and support processes. Salaries and benefits continued to provide most of our administration expenses in 2022. This is a consistent trend over the last three years. Our portfolio growth has required additional personnel to support operations and deliver strategic initiatives to serve customers and the industry.

We continued our investment in technology which will help us deliver services and meet the evolving needs of our customers. This investment has increased expenses for professional fees and facilities, software and equipment. This investment drove the increase observed in 2021 that has continued through 2022.

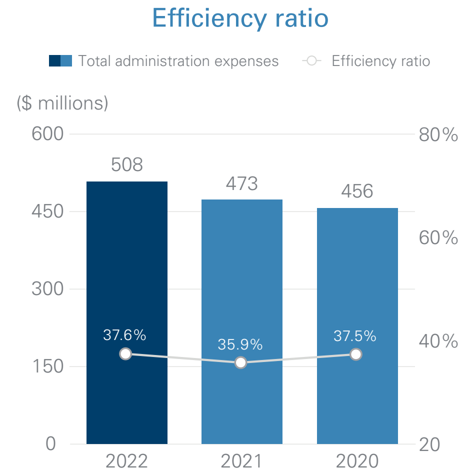
Expenses for travel and training dropped significantly in 2021 when compared to 2020, primarily due to pandemic restrictions. These expenses began to increase in 2022 as restrictions were lifted.

Fair value gain (loss)

The fair value gain in 2022 was due to unrealized gains on venture capital investments carried at fair value. Fair value losses in 2021 and 2020 were primarily due to derivatives used to mitigate borrowing risk.

Efficiency ratio

The efficiency ratio measures the percentage of income earned that is spent on business operations. In 2022, our efficiency ratio increased as administration expenses outpaced the increase in revenue growth.



Capital management

We manage capital in compliance with our Board-approved Capital Management Policy. The Capital Management Policy and supporting framework outline our approach to assessing capital requirements for risks identified through the enterprise risk management framework. Our capital management objective is to maintain a safe and sound capital position to withstand economic downturn and periods of extended loss and to support our strategic direction.

We compare total capital to minimum regulatory capital and target capital when assessing current and future capital adequacy. We use the Capital Adequacy Requirements guideline issued by the Office of the Superintendent of Financial Institutions to assess total capital, minimum regulatory capital and risk-weighted assets. Our internal capital adequacy assessment process uses regulatory and internal assessments of credit, market and operational risks, including considerations for business development, operating range, regulatory changes and uncertainties as well as the results of stress-testing. We use the internal capital adequacy assessment process to determine an appropriate target capital ratio, which is currently assessed at 15.0%, unchanged from 2021.

Capital adequacy

We remain capitalized above our target capital ratio as growth in capital outpaces growth in capital requirements from normal business operations. Our capital includes the $500 million capital contribution that was provided by the Government of Canada at the start of the pandemic. This leaves $2,000 million of the $2,500 million capital contribution limit available to us. At March 31, 2022, we were 2.0% above our target capital ratio.

Total capital ratio

The 0.4% decrease in the total capital ratio from March 31, 2021, to March 31, 2022, was the net result of capital generation and the dividend payment offset by an increase in RWA. The increased RWA results primarily from portfolio growth while internal capital generation is primarily driven by net income and the resulting increase to retained earnings. A dividend payment of $560 million was made in 2022.

Total capital ratio continuity

2021 capital ratio	**17.4%**
Capital generation	2.1%
RWA growth	(1.4%)
Dividends paid	(1.1%)
2022 capital ratio	**17.0%**

Our dividend statement within the Capital Management policy is aligned with the Capital and Dividend Policy Framework for Financial Crown Corporations issued in 2018 by the Department of Finance and the Treasury Board Secretariat which allows for distribution of surplus capital over the Corporate Plan planning horizon.

Debt to equity

We use debt to equity, the corporation's only legislated limit, as an additional measure to assess capital adequacy. At the end of 2022, our debt-to-equity ratio remained below the legislated limit of 12:1. From 2021 to 2022, our debt-to-equity ratio remained unchanged at 4.5:1.

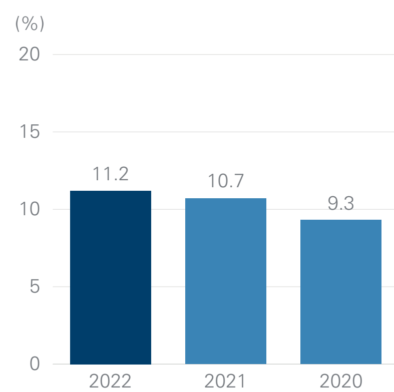
Shareholder return

Return on equity

In response to challenges presented by the pandemic, we received a $500 million capital injection from the Government of Canada in 2020. Dividend payments were also paused. Due to the strength displayed by the Canadian agriculture and agri-food industry over the last couple of years, and a return of customers to normal payment schedules, a dividend payment of $560 million was made to the Government of Canada in 2022.

The increase in 2021 over 2020 was a result of higher net income due to increased volume of lending. This was offset by higher equity levels, as no dividend payments were made. Our return on equity was also lower than normal in 2020, as we received a $500 million capital contribution from the Government of Canada to provide pandemic support programs.

Return on equity



The provision increased along with our allowance for credit losses in 2020 to account for the potential impacts of the pandemic. This reduced net income and return on equity. In 2022, we recorded a reversal of credit losses, which increased net income and return on equity.

Dividends

In 2022, we made a dividend payment of $560 million to the Government of Canada. We did not make a dividend payment in 2021, as we retained capital to ensure our ability to support the agriculture and agri-food industry through the impacts of the pandemic.

Financial position

As at March 31 ($ millions)	2022	2021
Cash and cash equivalents	1,439	1,251
Total loans receivable	44,489	41,346
Allowance for credit losses – loans receivable	(110)	(218)
Venture capital investments	156	146
Assets held for sale	186	–
Other	1,124	1,335
Total assets	47,284	43,860
Borrowings	38,184	35,255
Other	523	565
Total liabilities	38,707	35,820
Equity	8,577	8,040

Cash and cash equivalents

For the year ended March 31 ($ millions)	2022	2021
Cash used in operating activities	(2,314)	(2,161)
Cash provided by (used in) investing activities	141	(18)
Cash provided by financing activities	2,361	1,707
Change in cash and cash equivalents	**188**	**(472)**

Cash increased $188 million at March 31, 2022, compared to March 31, 2021, as an increase in cash used in operating activities was more than offset by cash provided by investing and financing activities.

Cash used in operating activities increased $153 million primarily due to higher disbursements and increased administration expenses.

Cash provided by investing activities increased by $159 million. Our borrowing approach adapts to align with lending patterns. In 2022, our customers preferred long-term fixed arrangements to capitalize on the low interest rate environment. As a result, we leveraged more long-term debt and reduced the number of short-term investments.

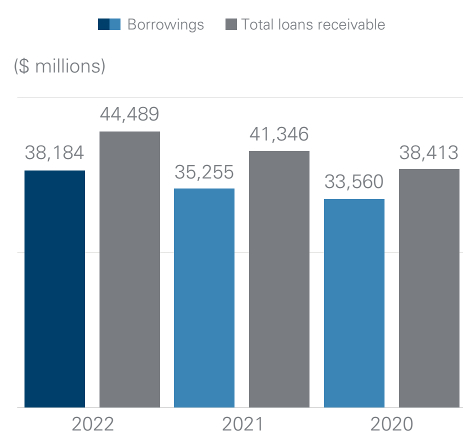
Cash provided through financing activities increased by $654 million. An increase in long-term debt to support our growing loan portfolio was somewhat offset by a $560 million dividend paid to the Government of Canada.

Loans receivable and borrowings

Our borrowings have increased to fund growth in loans receivable. We had more long-term debt and less short-term debt in 2022 compared to 2021. This shift aligns with changes in customer borrowing practices.

For additional details, refer to the Loans receivable and portfolio growth section and Borrowings section above.

Total loans receivable and borrowings



Venture capital investments

Venture capital investments include our investment in limited partnership venture funds. Financial results for venture funds for which we own a controlling interest are consolidated with the financial results of FCC. Other loans receivable, net of allowance for credit losses and investments at fair value relate to our consolidated fund investments. Non-consolidated funds with a low percentage of ownership also fall under this category while unconsolidated fund investments that hold significant influence are reported as investment in associates.

For the year ended March 31 ($ millions)	2022	2021
Other loans receivable – net	51	59
Investments at fair value	56	29
Investment in associates	49	58
Total venture capital investments	**156**	**146**

Other loans receivable – net has decreased by $8 million due to loan maturities and credit losses, offset by the addition of several new loan investments.

The $27 million increase to investments at fair value was due to a combination of investments in new funds, additional investments made in existing funds and unrealized gains.

Investment in associates decreased by $9 million due to disposals of a fund, the closure of a fund and fair value adjustments to other funds.

Assets held for sale

During 2022, we committed to a plan to sell our leasing portfolio within the next 12-month period. At March 31, 2022, the portfolio was reported as an asset held for sale at fair value less costs to sell, with an impairment loss of $5 million recognized in non-interest income.

Subsequent to March 31, 2022, on May 17, 2022, the sale of our lease portfolio was finalized.

Other assets

The $211 million decrease in other assets was primarily due to the reclassification of our leasing portfolio to assets held for sale.

Other liabilities

The decrease in other liabilities was primarily due to a lower post-employment benefit liability in 2022 resulting from changes to the actuarial discount rate and the attribution period for post-employment benefits.

Performance against plan

Financial performance

For the year ended March 31 ($ millions)	2023 Plan	2022 Actual	2022 Plan
Net interest income	1,382	1,341	1,304
Non-interest income	17	–	17
(Provision for) reversal of credit losses	(56)	90	(43)
Administration expenses	(577)	(508)	(509)
Fair value gain	–	9	–
Net income	**766**	**932**	**769**

Net income this period was $163 million higher than the 2022 plan primarily due to a reversal in provision for credit losses. Model enhancements to our allowance for credit losses increased emphasis on customer risk and more recent loss experience. These changes had an impact that was not captured when the plan values were developed. The economic recovery in the agriculture and agri-food industry was stronger than anticipated, driving stronger demand for capital than initially projected.

In 2023, net income is projected to decrease $166 million, primarily due to higher provision for credit losses and administration expenses, partially offset by increased net interest income from portfolio growth. Administration expenses are projected to increase due to the continued growth in staffing levels required to maintain portfolio growth. We also anticipated higher costs associated with continued investment in technology and additional travel due to easing pandemic travel restrictions.

Financial position

As at March 31 ($ millions)	2023 Plan	2022 Actual	2022 Plan
Cash, cash equivalents and short-term investments	2,000	2,024	1,500
Loans receivable	45,666	44,489	41,938
Allowance for credit losses – loans receivable	(174)	(110)	(298)
Leases	140	–	244
Assets held for sale	–	186	–
Venture capital investments	244	156	196
Other assets	493	539	463
Total assets	**48,369**	**47,284**	**44,043**
Borrowings	39,381	38,184	35,274
Other liabilities	598	523	703
Equity	8,390	8,577	8,066
Total liabilities and equity	**48,369**	**47,284**	**44,043**

Loans receivable growth for 2022 was $3 billion or 4% higher than the 2022 plan due to higher disbursements arising from strength of economic recovery and represents lending through financing in the primary production, agribusiness and agri-food financing and alliances business lines.

Allowance for credit losses was $188 million lower than the 2022 plan. The decrease was due to the resiliency of the agriculture sector and improved economic outlook which reduced the expected loss associated with challenges brought on by the pandemic. In addition, model enhancements that increased emphasis on customer risk and recent loss experience resulted in a further reduction.

The outstanding sale of leasing assets classified as assets held for sale in 2022 was unknown for the 2022 plan.

In 2023, loans receivable is projected to grow due to continued growth expected in farm debt outstanding. This growth will be primarily funded by additional borrowings. The impact of our model enhancements was not known when our allowance for credit loss projection was developed. The sale of our assets held for sale is expected to occur in 2023. A small decline in equity is projected due to a $250 million partial repayment of contributed capital.

Key financial measures

For the year ended March 31	2023 Plan	2022 Actual	2022 Plan
Loans receivable growth rate (%)	5.3	7.6	3.7
Net interest margin (%)	2.94	2.96	3.02
Efficiency ratio (%)	41.2	37.6	38.5
Total capital ratio (%)	16.3	17.0	17.2
Debt to equity	4.8	4.5	4.5
Return on equity (%)	9.2	11.2	9.7

Net interest margin was lower than the 2022 plan primarily due to compression on lending margins driven by strong competition and the lower interest rate environment, resulting in lower returns on earning assets relative to the savings on interest-bearing liabilities. Net interest margin is projected to decrease 0.02% in 2023 primarily due to increased funding costs on short-term debt.

Efficiency ratio was lower than the 2022 plan as growth in net interest income exceeded plan due to higher than planned portfolio growth. Administration expense growth exceeds income growth in 2023, increasing the efficiency ratio to 41.2%.

The total capital ratio is slightly lower than the 2022 plan due to portfolio growth increasing risk-weighted assets requiring additional capital to be held. The total capital ratio is projected to decrease to 16.3% primarily due to increased risk-weighted assets and repayment of $250 million of contributed capital. The total capital ratio is projected to remain higher than our targeted total capital ratio of 15.0% as growth in capital from net income outpaces growth in risk-weighted assets.

Return on equity was 1.5% higher than the 2022 plan primarily due to higher net income from the reversal of provision for credit losses. Return on equity is projected to decrease in 2023 with higher provision for credit losses and administration expenses decreasing net income.

Non-GAAP measures

We believe that certain non-GAAP measures described below are more reflective of our ongoing performance and provide readers with a better understanding of management's perspective. These measures enhance the comparability of our financial performance over time. Non-GAAP measures do not have a standardized meaning under GAAP and may not be comparable to similar measures disclosed in the industry.

Efficiency ratio

Our efficiency ratio is calculated by dividing administration expenses by adjusted net interest income and non-interest income as outlined in the table below. These items are adjusted as they introduce volatility that is not reflective of our current and ongoing performance.

For the year ended March 31 ($ millions)	**2022**	**2021**	**2020**
Net interest income and non-interest income	1,431	1,297	1,094
(Reversal of) provision for credit losses	(90)	18	88
Net loss (income) from investment in associates	10	(2)	31
Net foreign exchange loss (gain)	–	3	(2)
Adjusted net interest income and non-interest income	**1,351**	**1,316**	**1,211**

Return on equity

Our return on equity is calculated by dividing net income by the average equity less accumulated other comprehensive income for the period. Average equity is calculated using the adjusted opening and closing equity balances for the period.

For the year ended March 31 ($ millions)	**2022**	**2021**	**2020**
Total equity	8,576	8,039	7,281
Accumulated other comprehensive income	–	1	21
Adjusted equity	**8,576**	**8,040**	**7,302**

Enterprise risk management

FCC has governance, systems and processes in place to maintain enterprise risk management practices that reflect our mandate and are appropriately consistent with expectations in the financial services sector.

As a financial institution, risk is inherent in all our activities and we take potential risks into account when lending to customers, delivering services, identifying our priorities and developing our business strategies and initiatives. We continually improve our enterprise risk management practices and we measure our activities against a formal risk appetite and tolerance statement that defines and measures acceptable risk.

Our risk management objectives and supporting priorities are focused on building a bright future for Canadian agriculture and agri-food.

Risk governance

Under the oversight of the Board of Directors, FCC's risk management frameworks and policies provide an overview of our enterprise-wide practices for managing risk, including identifying, assessing, mitigating, monitoring and reporting on significant risks facing FCC.

Enterprise risk management framework and policy: This framework provides the governance structure for managing risk, the process to identify, assess and measure, control/mitigate, monitor and report on risk, and formalizes the risk appetite and supporting risk-intelligent culture. The Board approves this framework.

Risk appetite framework and policy: This framework sets the tone for risks FCC is willing to take and accept, as well as the risks we wish to avoid. It includes all limits and thresholds. The Board approves this framework.

Risk category frameworks: These frameworks elaborate on the processes used to identify, assess, control/mitigate, monitor and report on the risk category. These frameworks are subordinate to the enterprise risk management framework and are approved by management.

Enterprise risk category policies: By risk category, these policies articulate the minimum requirements by which employees and business units must operate. These policies are approved by the Board.

Authorities and limits: Applicable authorities and limits are established within each policy and approved by the Board.

Measurement and reporting: Quarterly reports against the risk appetite framework are provided to the Enterprise Management Team, Enterprise Risk Management Committee and Board Risk Committee for discussion. The report contains a comprehensive view of FCC's risk profile relative to the risk appetite as well as an analysis of emerging risks and key risk indicators. The reporting process is supported through Governance, Risk and Control software.

FCC Board of Directors

The Board of Directors oversees FCC's enterprise risk management framework to ensure risk management is integrated with strategic, financial and operating plans. The Board-approved risk appetite framework establishes the risk limits for all categories of risk. For more information on Board committees, refer to the Corporate Governance section.

FCC management committees

A number of FCC committees guide corporate decision-making. These committees develop and monitor risk management processes and practices.

The **Enterprise Management Team** sets FCC's strategy and determines which business opportunities to pursue. The committee is accountable to implement the enterprise risk management framework across FCC.

The **Asset Liability Committee** directs FCC's business and financial performance relative to the approved strategy and risk appetite statement. The committee oversees asset and liability management decisions, loan pricing methodologies and risk-adjusted returns relative to allocated capital.

The **Enterprise Risk Management Committee** oversees the management of enterprise risks and promotes a robust risk management culture and continuous evolution of risk management practices. The committee works with the Chief Risk Officer to advise the Board on the risk appetite statement and tolerances, risk management frameworks and policies, compliance and risk reports, action plans to address policy breaches, the fit of new products and services within the risk appetite, stress/scenario testing and the assessment of strategic risk. Several additional subcommittees with assigned responsibilities for governing various technical risk categories have been developed to support management and oversight of enterprise risk.

The **Venture Capital Committee** approves commitments of capital to third-party fund managers for venture capital investments. The committee oversees fund manager expertise and performance and monitors the diversification and performance of the venture capital portfolio.

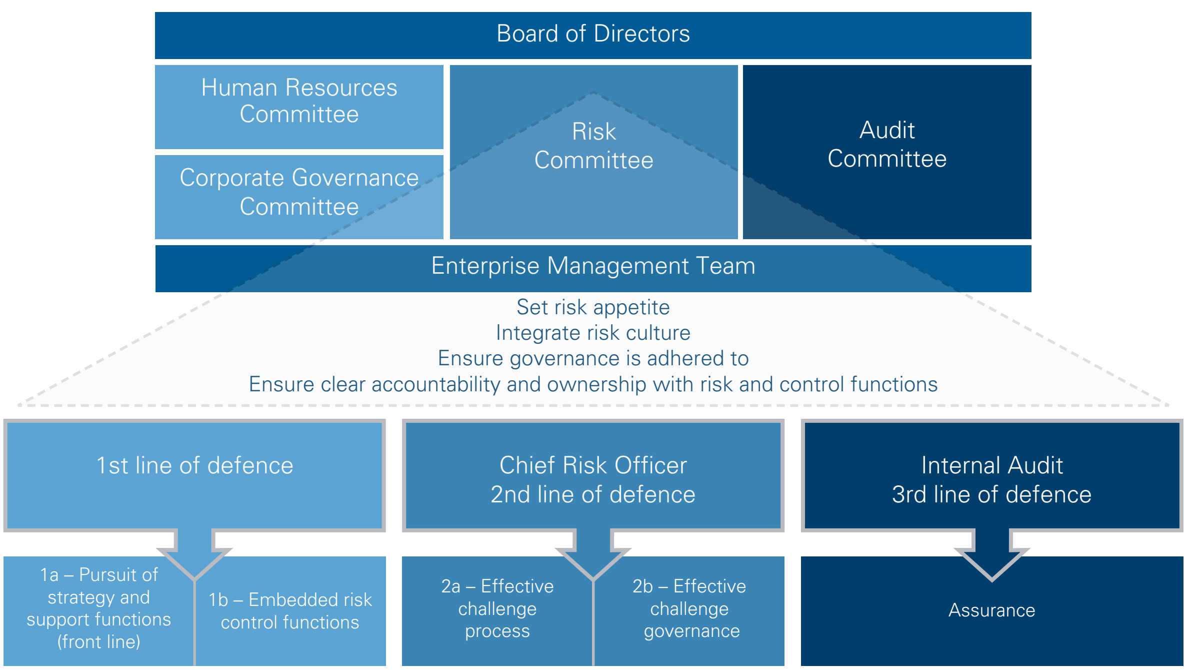
FCC executive and business functions

FCC uses a three lines of defence model to govern risk related to key business processes. Policies outline risk-taking and risk management functions. Policies further establish risk management authorities to various operational units congruent with the authorities of the President and CEO, Chief Risk Officer and Vice-President, Internal Audit. The authorities maintain three distinct and independent lines of defence.

The **first line of defence** develops and executes FCC's business strategy. This includes the ability to make loans, fund the portfolio, develop products and pursue markets and other risk-taking decisions. These decisions are made within the context of the risk appetite statement. Included in the first line are embedded control functions that monitor activities of the first line.

The **second line of defence** effectively challenges risk-taking decisions made by the first line relative to the risk appetite statement. This includes setting risk policy and standards, monitoring compliance to policy, and reporting risks to management and the Board. The Chief Risk Officer maintains independence through a direct reporting relationship to the Board's Risk Committee and leads a Risk Management division that is independent of FCC operations.

The **third line of defence** provides independent and objective assurance to the Board and senior management on the adequacy and effectiveness of FCC's governance, risk management and internal controls. This includes assurance on the adequacy and effectiveness of the first and second lines. It also fulfils an advisory role on co-ordinating assurances and recommending effective ways of improving existing processes.



FCC's risk appetite

FCC's risk capacity is informed by the Farm Credit Canada Act, Financial Administration Act and various directives provided by our shareholder, the Government of Canada.

The Board has established a risk appetite statement for FCC. Annually, the risk appetite is reaffirmed and approved by the Board through the risk appetite framework. The statement consists of three core principles that outline the level of risk FCC is willing to take, accept and avoid. A series of supporting statements provides additional information and context. The core principles for managing risk are as follows:

- We take risks we understand and that are good for customers, FCC and the Canadian agriculture and agri-food industry.
- We accept the risk of a long-term view to remain a steady presence for Canadian agriculture and agri-food industry participants.
- We avoid risks that jeopardize FCC, our customers or the sustainability of the industry we serve.

In addition to the principles, the risk appetite contains a series of tolerances and limits categorized as strategic, financial and operating. These tolerances and limits are reviewed annually to ensure adequate coverage of the strategy, changes in the operating environment and changes in guidelines for financial Crown corporations.

Management regularly reports on FCC's risk profile relative to risk tolerances and limits, ensuring appropriate action is taken to address any issues outside of stated tolerances and prevent the profile from exceeding risk appetite.

FCC's risk-intelligent culture

Industry trust and marketplace reputation are essential to sustained business success and effective mandate execution. To proactively manage FCC's culture and risk mindsets, the fundamental drivers of employee behaviour have been defined and grouped into four key areas: risk competence and skill, organizational structure, intrinsic and extrinsic motivation, and relationships and interactions. Through surveys and measurement, these areas are assessed, reviewed and discussed with senior management and the Board.

FCC's risk categories

FCC categorizes risk as strategic, financial, operating or reputation. The financial classification is further delineated into three categories – credit, market and liquidity.

Strategic risk

Strategic risk refers to the external environment and FCC's ability to develop and implement effective business strategies.

The Enterprise Management Team develops the corporate strategy annually and documents FCC's key strategic priorities in the five-year corporate plan. The Board provides oversight. The external environment, including the global economy, the Canadian financial marketplace and the agriculture and agri-food industry, is monitored to determine if strategic changes are required to address emerging risks. The Board discusses the top enterprise risks during its involvement in the strategic planning cycle.

Strategic and emerging risk register: This register ranks the top risks facing FCC in the categories of strategic, financial and operating risk. The Board approves the register and related prioritization of risks. Enterprise Management Team members are accountable for developing risk mitigation plans and reporting progress to the Board on a quarterly basis.

The prioritization is an input to the stress-testing program. Management develops severe but plausible scenarios to test our ability to stay within our risk appetite during a stress event. Risk treatment plans and playbooks are monitored and reported to the Board on a quarterly basis.

Financial risks – credit, market and liquidity

Financial risks include FCC's risk categories of credit, market and liquidity. FCC has developed risk tolerance statements applicable to all financial risk categories. Annually, limits are set to correspond to the risk tolerance statements, maintained in policy and reported quarterly to the Board.

Financial risks – credit risk

Credit risk is the potential for financial loss due to the failure of a borrower or other counterparty to repay a loan or meet financial obligations to FCC. Credit risk on loan/lease receivables is the most significant risk that FCC faces, but credit risk also exists in investments and venture fund holdings.

The Board is responsible for approving the corporation's credit risk tolerance and relies on committees, divisions and business units to effectively manage credit risk.

Credit risk assessment starts with individual transactions. FCC lending and credit risk employees assess and manage credit risk by ensuring individual loans are consistent with defined policies. Certified appraisers and validated models help ensure the accuracy of security value estimates.

FCC uses policies, processes, systems and strategies to manage the credit risk of the lending portfolio. Portfolio concentrations and correlations due to FCC's legislated focus on the agriculture and agri-food industry can intensify credit risk. FCC manages this risk through portfolio diversification strategies, limits and robust capital management. Venture capital and subordinated debt are provided through independent venture capital partners who manage a series of investment funds in which FCC and others invest. FCC is exposed to credit risk through subordinated debt fund investments.

FCC focuses risk-taking decisions primarily on our customers' ability to repay the loan. Secondary forms of repayment such as collateral security are considered in the lending decision. The loan portfolio is monitored regularly using a combination of measures to estimate repayment and collateral quality.

The Risk Management division assesses credit risk at the aggregate level, providing risk policies, assessment tools and models that quantify portfolio credit risk and allowance for credit losses. FCC also closely monitors the agriculture and agri-food operating environments to ensure the corporation's lending policies, activities and prices are appropriate and relevant.

Financial risks – market risk

Market risk is the potential for loss due to adverse changes in underlying market factors such as interest rates and foreign exchange rates. Market risk exists in all the corporation's financial instruments. Market risk policies and limits ensure interest rate and foreign exchange risks are identified, measured, managed and reported on a timely basis.

Interest rate risk is the risk that a change in the interest rate negatively affects FCC's net interest income and fair value measurements. Exposure to interest rate risk is monitored through scenario analysis for the sensitivity of net interest income and fair values to a change in interest rates and balance sheet assumptions. Foreign exchange risk is the risk that currency fluctuation negatively affects FCC. The currency exposure is minimized primarily by matching foreign currency loans against foreign currency funding.

Financial risks – liquidity risk

Liquidity risk is the risk that FCC has insufficient funds to meet payment obligations as they come due. Liquidity risk is minimized using a liquid investment portfolio, funding through the Crown Borrowing Program and access to an operating line of credit.

Operational risk

Operational risk relates to the potential of direct or indirect loss resulting from inadequate or failed internal processes, resources, systems or external events, and the failure to comply with, or adapt to, legislative or regulatory requirements or litigation.

At FCC, business units are responsible for ensuring appropriate controls, including policies and processes, are in place to mitigate risks and operate effectively.

FCC processes are organized in a hierarchical process classification framework. This classification provides an end-to-end view to define work processes consistently and comprehensively, and to identify risks inherent in the process.

Risk and control self-assessments identify and assess key risks to ensure appropriate controls are in place or gaps are closed. Initial assessments are facilitated by the Risk Management team to provide consistency of risk evaluation and categorization across the corporation. Managers are expected to self-assess and attest to the effectiveness of controls on a quarterly basis. Risk Management provides effective challenge to self-assessments based on reported issues and information from Internal Audit. Where necessary, Risk Management issues recommendations to optimize controls.

Operational risk management policies are established to communicate requirements specific to control risk within business operations and processes. FCC continues to implement and enhance comprehensive risk management policies and practices to mitigate key operational risk areas.

In addition, the Internal Audit function executes the Audit Committee's approved audit plan. The plan reviews processes and controls to provide assurance to the Board that risk is managed as intended. Audit deficiencies are to be addressed by management in a timely manner and reporting is provided to the Board on management's progress.

Reputation risk

Reputation risk is the risk that key stakeholders and others may develop negative perceptions about FCC that could adversely affect the corporation's reputation and ability to attract and retain customers, business partners and employees.

As a federal Crown corporation, FCC is accountable to our Minister but also takes into consideration the interests of many stakeholders, including employees, customers, industry associations and Canadians as a whole. Exposure to reputation risk is a function of FCC's ability to manage and respond to other risks. To avoid real or perceived reputation damage, FCC has a robust governance structure, including policies and processes, to guide employee conduct in interactions with co-workers, customers, industry partners, suppliers, media and the public.

Crisis management is a key component to managing and mitigating both enterprise and reputation risk. FCC uses a crisis management program to respond to crisis events. Guiding principles inform consistent prioritization of crisis response activities and are applied as part of decision-making. The crisis response program is regularly reviewed, tested and enhanced based on assessment and experience.

Any risk event that exceeds FCC's risk appetite is assessed for reputation implications in accordance with the Reputation policy.

Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of Farm Credit Canada (FCC) and all information in this annual report are the responsibility of FCC's management and have been reviewed and approved by the FCC Board of Directors. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and, consequently, include amounts that are based on the best estimates and judgment of management. Financial information presented elsewhere in the annual report is consistent with that contained in the consolidated financial statements.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that FCC properly authorizes and records transactions, safeguards assets, recognizes liabilities, maintains proper records, and complies with applicable laws and conflict of interest rules. The system of internal control is augmented by internal audit, which conducts periodic reviews of different aspects of FCC's operations.

The FCC Board of Directors is responsible for ensuring management fulfils its responsibilities for financial reporting and internal control. It exercises this responsibility through the Audit Committee, which is composed of directors who are not employees of FCC. The Audit Committee meets with management, internal auditors and external auditors on a regular basis. Internal and external auditors have full and free access to the Audit Committee.

FCC's independent external auditor, the Auditor General of Canada, is responsible for auditing FCC's transactions and consolidated financial statements and for issuing her report thereon.

Michael Hoffort, P.Ag., ICD.D
President and
Chief Executive Officer

Ross Topp, CPA, CA
Executive Vice-President and
Chief Financial Officer

Regina, Canada
June 16, 2022

Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Agriculture and Agri-Food

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Farm Credit Canada and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 March 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the consolidated financial statements, we have audited transactions of Farm Credit Canada coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act* and regulations, the *Farm Credit Canada Act,* the by-laws of Farm Credit Canada, and the directives issued pursuant to section 89 of the *Financial Administration Act.*

In our opinion, the transactions of Farm Credit Canada that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied, after giving retrospective effect to the accounting changes as explained in Note 4 a) to the consolidated financial statements, on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for Farm Credit Canada's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable Farm Credit Canada to comply with the specified authorities.

Auditor’s Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the consolidated financial statements are in compliance with the specified authorities referred to above.

Riowen Abgrall

Riowen Yves Abgrall, CPA, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
16 June 2022

Consolidated Balance Sheet

(thousands of Canadian dollars)	**March 31, 2022**	March 31, 2021 Restated (Note 4)	April 1, 2020 Restated (Note 4)
Assets			
Cash and cash equivalents	**$ 1,439,109**	$ 1,251,093	$ 1,724,503
Short-term investments (Note 5)	**584,397**	732,702	756,369
Accounts receivable and prepaid expenses	**38,490**	38,176	39,378
Assets held for sale (Note 6)	**185,761**	–	–
Derivative financial assets (Note 7)	**–**	4,781	12,469
	2,247,757	2,026,752	2,532,719
Loans receivable – net (Notes 8 and 11)	**44,379,503**	41,128,445	38,158,149
Finance leases receivable – net (Notes 9 and 11)	**–**	141,053	99,744
Other loans receivable – net (Notes 10 and 11)	**50,443**	59,313	80,286
Investments at fair value	**56,063**	28,398	2,718
Investment in associates	**49,424**	57,839	39,499
Post-employment benefit assets (Note 12)	**293,543**	143,886	178,398
	44,828,976	41,558,934	38,558,794
Property and equipment (Note 13)	**188,798**	248,323	287,194
Intangible assets (Note 14)	**12,668**	19,990	31,536
Other assets	**5,824**	6,165	13,972
	207,290	274,478	332,702
Total assets	**$ 47,284,023**	$ 43,860,164	$ 41,424,215
Liabilities			
Accounts payable and accrued liabilities	**$ 84,274**	$ 76,122	$ 78,392
Derivative financial liabilities (Note 7)	**32**	322	535
	84,306	76,444	78,927
Borrowings (Note 15)			
Short-term debt	**8,077,614**	12,550,153	9,952,320
Long-term debt	**30,106,670**	22,704,662	23,607,441
	38,184,284	35,254,815	33,559,761
Transition loan liabilities	**173,652**	191,563	195,223
Post-employment benefit liabilities (Note 12)	**91,471**	115,833	119,763
Lease liabilities (Note 16)	**166,748**	174,492	180,353
Other liabilities	**6,335**	7,352	7,981
	438,206	489,240	503,320
Total liabilities	**38,706,796**	35,820,499	34,142,008
Equity			
Contributed capital (Note 22 and 23)	**500,000**	500,000	500,000
Retained earnings	**8,076,280**	7,537,566	6,760,163
Accumulated other comprehensive income	**–**	1,489	21,237
Equity attributable to shareholder of parent entity	**8,576,280**	8,039,055	7,281,400
Non-controlling interest	**947**	610	807
	8,577,227	8,039,665	7,282,207
Total liabilities and equity	**$ 47,284,023**	$ 43,860,164	$ 41,424,215

Commitments, guarantees and contingent liabilities (Note 21).

The accompanying notes are an integral part of the consolidated financial statements.

The consolidated financial statements were approved by the FCC Board of Directors on June 16, 2022, and were signed on its behalf by:

Michael Hoffort, P.Ag., ICD.D
President and Chief Executive Officer

Govert Verstralen
Chair, Audit Committee

Consolidated Statement of Income

For the year ended March 31 (thousands of Canadian dollars)		2022		2021 Restated (Note 4)
Interest income	**$**	**1,567,027**	$	1,576,005
Interest expense		**226,515**		277,576
Net interest income (Note 17)		**1,340,512**		1,298,429
Reversal of (provision for) credit losses		**89,947**		(18,643)
Net interest income after provision for credit losses		**1,430,459**		1,279,786
Insurance distribution income		**16,809**		20,339
Net (loss) income from investment in associates		**(9,515)**		1,910
Net foreign exchange loss (Note 24)		**(170)**		(3,149)
Other expenses		**(6,526)**		(2,019)
Net interest income and non-interest income		**1,431,057**		1,296,867
Administration expenses (Note 18)		**507,927**		472,917
Net income before fair value gain (loss)		**923,130**		823,950
Fair value gain (loss)		**8,757**		(8,782)
Net income	**$**	**931,887**	$	815,168
Net income attributable to:				
Shareholder of parent entity	**$**	**931,844**	$	815,352
Non-controlling interest		**43**		(184)

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended March 31 (thousands of Canadian dollars)		2022		2021 Restated (Note 4a)
Net income	**$**	**931,887**	$	815,168
Other comprehensive income				
Items that are or may be reclassified to net income				
Transfer of net realized gains on derivatives previously designated as cash flow hedges to net income (Note 7)		**(1,489)**		(19,748)
		(1,489)		(19,748)
Item that will never be reclassified to net income				
Remeasurement of post-employment benefit assets and liabilities (Note 12)		**166,970**		(37,949)
Total other comprehensive income (loss)		**165,481**		(57,697)
Total comprehensive income	**$**	**1,097,368**	$	757,471
Total comprehensive income attributable to:				
Shareholder of parent entity	**$**	**1,097,325**	$	757,655
Non-controlling interest		**43**		(184)

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended March 31 (thousands of Canadian dollars)	Balance 2021 restated (Note 4a)	Net income	Other comprehensive income	Dividend paid	Contributions from non–controlling interest	Balance 2022
Contributed capital	**$ 500,000**	**$ –**	**$ –**	**$ –**	**$ –**	**$ 500,000**
Retained earnings	**7,537,566**	**931,844**	**166,970**	**(560,100)**	**–**	**8,076,280**
Net gains (transfer of net gains) on derivatives previously designated as cash flow hedges	**1,489**	**–**	**(1,489)**	**–**	**–**	**–**
Total accumulated other comprehensive income	**1,489**	**–**	**(1,489)**	**–**	**–**	**–**
Total equity attributable to parent	**8,039,055**	**931,844**	**165,481**	**(560,100)**	**–**	**8,576,280**
Non-controlling interest	**610**	**43**	**–**	**–**	**294**	**947**
Total	**$ 8,039,665**	**$ 931,887**	**$ 165,481**	**$ (560,100)**	**$ 294**	**$ 8,577,227**

For the year ended March 31 (thousands of Canadian dollars)	Balance April 1, 2020 restated (Note 4a)	Net income restated (Note 4a)	Other comprehensive income restated (Note 4a)	Dividend paid	Distributions to non–controlling interest	Balance 2021 restated (Note 4a)
Contributed capital	$ 500,000	$ –	$ –	$ –	$ –	$ 500,000
Retained earnings	6,760,163	815,352	(37,949)	–	–	7,537,566
Net gains (transfer of net gains) on derivatives previously designated as cash flow hedges	21,237	–	(19,748)	–	–	1,489
Total accumulated other comprehensive income	21,237	–	(19,748)	–	–	1,489
Total equity attributable to parent	7,281,400	815,352	(57,697)	–	–	8,039,055
Non-controlling interest	807	(184)	–	–	(13)	610
Total	$ 7,282,207	$ 815,168	$ (57,697)	$ –	$ (13)	$ 8,039,665

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended March 31 (thousands of Canadian dollars)	2022	2021 Restated (Note 4)
Operating activities		
Net income	**$ 931,887**	$ 815,168
Adjustments to determine net cash (used in) provided by operating activities:		
Net interest income	**(1,340,512)**	(1,298,429)
(Reversal of) provision for credit losses	**(89,947)**	18,643
Fair value (gain) loss	**(8,757)**	8,782
Net loss (income) from investment in associates	**9,515**	(1,910)
Amortization and depreciation	**35,250**	38,952
Net unrealized foreign exchange (gains) losses	**(6,947)**	63,667
Impairment loss on assets held for sale	**4,500**	–
Net cash outflow from loans receivable	**(3,144,999)**	(3,049,367)
Net cash inflow (outflow) from finance leases receivable	**3,889**	(36,384)
Net change in other operating assets and liabilities	**(17,667)**	(3,924)
Interest received	**1,525,840**	1,571,032
Interest paid	**(216,305)**	(287,598)
Cash used in operating activities	**(2,314,253)**	(2,161,368)
Investing activities		
Purchase of short-term investments	**(763,016)**	(1,151,868)
Proceeds from maturity of short-term investments	**910,761**	1,174,117
Disbursements of other loans receivable	**(4,000)**	(9,400)
Repayments from other loans receivable	**10,774**	8,485
Acquisition of investments at fair value	**(18,507)**	(25,680)
Disbursements paid to investment in associates	**(10,122)**	(24,620)
Repayments from investment in associates	**9,022**	8,189
Purchase of property and equipment	**(6,892)**	(8,115)
Proceeds on disposal of property and equipment	**15,656**	14,390
Purchase of intangible assets	**(3,024)**	(3,132)
Cash provided by (used in) investing activities	**140,652**	(17,634)
Financing activities		
Long-term debt issued	**14,490,000**	9,282,000
Long-term debt repaid	**(11,785,856)**	(7,081,365)
Short-term debt issued	**12,629,821**	11,891,716
Short-term debt repaid	**(12,397,247)**	(12,370,841)
Principal repayment of lease liabilities	**(15,250)**	(14,563)
Dividend paid	**(560,100)**	–
Cash provided by financing activities	**2,361,368**	1,706,947
Change in cash and cash equivalents	**187,767**	(472,055)
Cash and cash equivalents, beginning of year	**1,251,093**	1,724,503
Effects of exchange rate changes on the balances of cash held and due in foreign currencies	**249**	(1,355)
Cash and cash equivalents, end of year	**$ 1,439,109**	$ 1,251,093
Cash and cash equivalents consists of:		
Cash	**$ 1,295,169**	$ 1,196,194
Cash equivalents	**143,940**	54,899

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. The corporation

Authority and objectives

Farm Credit Canada (FCC) was established in 1959 by the Farm Credit Act as the successor to the Canadian Farm Loan Board. FCC is an agent Crown corporation named in Part I of Schedule III to the Financial Administration Act. FCC is located in Canada and its registered office is at 1800 Hamilton Street, Regina, Saskatchewan, Canada. FCC is wholly owned by the Government of Canada and is not subject to the requirements of the Income Tax Act.

The purpose of FCC is to enhance rural Canada by providing specialized and personalized business and financial services and products to farming operations, including family farms, and to those businesses in rural Canada, including small and medium-sized businesses, that are businesses related to farming. The primary focus of the activities of FCC shall be on farming operations, including family farms.

On April 2, 1993, the Farm Credit Corporation Act was proclaimed into law replacing the Farm Credit Act and the Farm Syndicates Credit Act, which were repealed. The revised Act expanded FCC's mandate, providing broader lending and administrative powers.

On June 14, 2001, the Farm Credit Canada Act received royal assent, updating the Farm Credit Corporation Act. This Act allows FCC to offer producers and agribusiness operators a broader range of services.

The Farm Credit Canada Act was amended effective March 25, 2020, to allow the Minister of Finance to determine the capital payment limit. As at March 25, 2020, the Minister increased the capital payment limit to $2,500 million.

In September 2008, FCC, together with a number of other Crown corporations, was issued a directive (P.C. 2008-1598) pursuant to Section 89 of the Financial Administration Act, requiring due consideration by FCC to the personal integrity of those it lends to or provides benefits to. During fiscal 2022, FCC continued to comply with the requirements of the directive.

In July 2015, FCC was issued a directive (P.C. 2015-1104) pursuant to Section 89 of the Financial Administration Act to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations. The directive also required FCC to report on the implementation of this directive in FCC's next corporate plan. FCC fulfilled this requirement. FCC's policies, guidelines and practices have been aligned with Treasury Board policies, directives and related instruments since March 31, 2016.

In March 2017, FCC was issued a directive (P.C. 2017-242) pursuant to Section 89 of the Financial Administration Act, which repealed directive P.C. 2014-1377 of December 2014 and directs FCC to ensure its pension plans reflect the following:

(1) for its defined contribution pension plan, member contribution rates are equal to those of the employer by December 31, 2017
(2) the normal age of retirement is 65 years for employees hired on or after March 10, 2017, and the age at which retirement benefits are available, other than those received at the normal age of retirement, corresponds with the age at which they are available under the Public Service Pension Plan

This directive also required FCC to outline its implementation strategy with respect to the aforementioned requirements in its next corporate plan and subsequent corporate plans until the commitments are fully implemented. FCC fully implemented the commitments as at March 31, 2018.

2. Significant accounting policies

Basis of presentation

Consolidated financial statements (financial statements) have been prepared in accordance with International Financial Reporting Standards (IFRS).

The significant accounting policies used in the preparation of the financial statements are summarized below and in the following pages. The significant accounting policies have been applied consistently to all periods presented in the financial statements.

The financial statements are presented in Canadian dollars, which is FCC's functional currency. Unless otherwise stated, all dollar amounts presented within the Notes to the Consolidated Financial Statements are in thousands of Canadian dollars.

Basis of consolidation

The financial statements include the accounts of FCC, Forage Subordinated Debt Fund II (previously Avrio Subordinated Debt II), Forage Subordinated Debt Fund III (previously Avrio Subordinated Debt III) and Forage Capital – Ag & Food Business Solutions Fund Limited Partnership (collectively the consolidated funds). The consolidated funds are venture capital limited partnerships operating in Calgary, Alta., and for which FCC is a limited partner holding majority partnership interests. FCC consolidates these funds as it has control over them. FCC controls these funds as it is exposed, or has rights, to variable returns from its involvement with these funds and FCC has the ability to affect those returns through its power over the funds. An adjustment has been made for significant intervening transactions and changes in fair value of investments occurring between the December 31 year-end of the consolidated funds and FCC's year-end. All significant intercompany balances and transactions have been eliminated. The non-controlling interest, which represents the equity in the consolidated funds that is not attributable to FCC, has been presented in the Consolidated Balance Sheet, the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Changes in Equity.

Cash and cash equivalents

Cash and cash equivalents are composed of bank account balances and short-term, highly liquid investments that have a maturity date of 90 days or less from the date of acquisition, are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Cash equivalents are managed on a hold to collect basis and classified as amortized cost financial assets. Interest earned on cash and cash equivalents is recorded on an accrual basis and recognized in interest income using the effective interest method.

Short-term investments

Short-term investments have maturity dates between 91 and 365 days from the date of acquisition, are acquired primarily for liquidity purposes, are managed on a hold to collect basis and are classified as amortized cost financial assets. Interest earned on short-term investments is recorded on an accrual basis and recognized in interest income using the effective interest method.

Assets held for sale

Non-current assets classified as held for sale are presented separately in the Consolidated Balance Sheet at the lower of their carrying amount and fair value less costs to sell. Once non-current assets are classified as held for sale, they are no longer depreciated or amortized. Any write-downs in fair value less costs to sell are recognized in other expenses on the Consolidated Statement of Income.

2. Significant accounting policies (continued)

Derivatives

Derivative financial instruments create rights and obligations that are intended to mitigate one or more of the financial risks inherent in an underlying primary financial instrument. FCC uses derivative financial instruments to manage exposures to interest rate fluctuations, within limits approved by the FCC Board of Directors (the Board). These limits are based on guidelines established by the Department of Finance. FCC does not use derivative financial instruments for speculative purposes.

Derivatives are classified as fair value through profit and loss (FVTPL) and measured at fair value using a valuation technique as described under the Estimation Uncertainty heading, with gains and losses reported in fair value gain (loss). Derivatives classified as FVTPL are reported as assets where they have a positive fair value and as liabilities where they have a negative fair value. Interest earned and incurred on derivatives classified as FVTPL is included in interest income.

Cash flow hedges

Cash flow hedge accounting was discontinued prospectively on January 1, 2015, for all the interest rate swaps previously designated as hedging items as FCC revoked the designated hedging relationships. As at March 31, 2022, the cumulative gains previously recognized in other comprehensive income (OCI) have fully transferred to net interest income. All fair value gains and losses on the interest rate swaps subsequent to discontinuation are recognized immediately in fair value gain (loss).

Loans receivable

Loans receivable are classified as amortized cost financial assets. Loans receivable are stated net of an allowance for credit losses and deferred loan fees and are measured at amortized cost. Loan interest income is recorded on an accrual basis and recognized in net income using the effective interest method.

Loan origination fees, including commitment fees and renegotiation fees, are considered an integral part of the return earned on a loan and are recognized in interest income over the expected term of the loan using the effective interest method. In addition, certain incremental direct costs for originating the loans are deferred and netted against the related fees.

When a loan becomes credit-impaired, loan interest income is calculated based on the carrying amount of the instrument, net of the allowance for credit losses. The loan reverts to performing status when, in management's opinion, the ultimate collection of principal and interest is reasonably assured. When the credit-impaired loan is restored to performing status, the remaining allowance for credit losses is recalculated under Stage 2, as described under the Allowance for Credit Losses heading, and adjusted through the provision for credit losses.

Loans and their related allowance for credit losses are written off, either partially or in full, when there is no realistic prospect of future recovery.

Finance leases receivable

When FCC is the lessor in a lease arrangement that transfers substantially all the risks and rewards incidental to ownership to the lessee, then the arrangement is classified as a finance lease. Finance leases receivable are recorded at amortized cost. Finance leases receivable are stated net of an allowance for credit losses and are recorded at the aggregate future minimum lease payments plus estimated residual values less unearned finance income. Finance lease income is recognized in a manner that produces a constant rate of return on the lease.

2. Significant accounting policies (continued)

Venture capital arrangements

Venture capital arrangements include other loans receivable and investments at fair value held by the consolidated funds. FCC has classified other loans receivable as amortized cost financial assets as they are managed on a hold to collect basis in accordance with their business model. These venture capital arrangements are stated net of an allowance for credit losses. Investments that do not meet the solely payments of principal and interest (SPPI) test are classified as FVTPL. These venture capital arrangements are accounted for at fair value, using a valuation technique as described under the Estimation Uncertainty heading, with gains and losses reported in fair value gain (loss) on the Consolidated Statement of Income.

Loan interest on other loans receivable and fee income are recorded on an accrual basis and recognized in interest income.

Other loans receivable differ from FCC's standard loans as they have lower priority in the event of bankruptcy and therefore take on greater risk, they are not as well secured if at all, and they are undertaken with separate adjudication policies and processes.

Venture capital arrangements that do not meet the criteria for consolidation or investments in associates are classified as FVTPL and are included in investments at fair value. Interest earned on these investments are recorded on an accrual basis and recognized in interest income.

Once invested, FCC is not able to withdraw investment contributions.

Investment in associates

FCC holds investments in venture capital limited partnerships (the equity funds) that are associates of FCC. An associate is an entity over which FCC has significant influence. FCC has the power to participate in the financial and operating policy decisions of the investee but does not have control over those policies. These equity funds are accounted for using the equity method of accounting. Under the equity method of accounting, investments are initially recorded at cost and the carrying amount is increased or decreased to recognize FCC's share of investee net income or loss. The investment is recorded as investment in associates in FCC's Consolidated Balance Sheet and its share of the net income or loss is recorded in net income from investment in associates in its Consolidated Statement of Income. An adjustment has been made for significant intervening transactions and changes in fair value of investments occurring between the December 31 year-end of the equity funds and FCC's year-end.

Once invested, FCC is not able to withdraw investment contributions.

Allowance for credit losses

FCC recognizes an allowance for credit losses on financial assets classified as amortized cost that represents management's best estimate of the expected losses at the reporting date. The carrying value of the financial asset is reduced through the allowance for credit losses and the amount of the loss is recognized in the provision for credit losses. Loan commitments are an off-balance sheet item and are subject to impairment. As such, an allowance for credit losses is calculated and included with the allowance for credit losses on loans receivable. The allowance is increased or decreased by changes in the provision for credit losses, the government subsidy for the Hog Industry Loan Loss Reserve Program (HILLRP), as described under the Government Assistance heading, writeoffs and recoveries.

If, in a subsequent period, the amount of impairment loss increases or decreases, the previously recognized impairment loss is adjusted through the allowance for credit losses and provision for credit losses.

In determining the allowance for credit losses, management segregates financial assets into three stages and the allowance methodology is based on the stage, as described below.

2. Significant accounting policies (continued)

Expected loss impairment model
The expected loss impairment model applies a three-stage approach to measure the allowance for credit losses:

Performing financial assets:

Stage 1: Represents financial assets not individually identified as credit-impaired. On initial recognition, and if there has not been a significant increase in credit risk, 12-month expected credit losses are recognized in the provision for credit losses and an allowance for credit losses is established.

Stage 2: Represents financial assets not individually identified as credit-impaired. If credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized. In subsequent reporting periods, if the credit risk of the financial asset improves such that there is no longer a significant increase in credit risk since initial recognition, then the allowance reverts back to Stage 1 with the allowance being measured based on 12-month expected credit losses.

Credit-impaired financial assets:

Stage 3: Represents financial assets individually identified as credit-impaired. When a financial asset is considered credit-impaired, there is no longer reasonable assurance of timely collection of the full amount of principal and interest, and full lifetime expected credit losses are recognized.

Measurement of expected credit losses
The measurement of expected credit losses along with the stage determination considers reasonable and supportable information about past events, current conditions and forward-looking information. The estimation and application of forward-looking information, using both internal and external sources of information, requires significant judgment.

The calculation of expected credit losses is based on the expected value of three probability-weighted scenarios to measure the expected cash shortfalls, discounted at the effective interest rate. A cash shortfall is the difference between the estimated contractual cash flows that are due and the cash flow that FCC expects to receive. For loan commitments, credit loss estimates consider the portion of the commitment that is expected to be drawn over the relevant time period. The key inputs in the measurement of expected credit losses are as follows:

- the probability of default (PD) is an estimate of the likelihood of default over a given time horizon
- the loss given default is an estimate of the amount that may not be recovered in the event of default
- the exposure at default is an estimate of the amount outstanding at a future default date

Twelve-month expected credit losses are measured using the probability that default will occur within 12 months of the reporting date. Lifetime expected credit losses are measured using the probability that default will occur between the reporting date and the maturity of the loan.

Significant increase in credit risk
At each reporting date, FCC assesses whether a significant increase in credit risk (SICR) has taken place since initial recognition of the financial asset to determine the migration of financial assets from Stage 1 to Stage 2. In assessing whether credit risk has increased significantly, FCC considers the following factors:

- whether financial assets are classified as investment grade at the reporting date in accordance with FCC's internal risk rating system, which considers investment grade as a low risk of default and all contractual cash flows being met
- whether there is an increase in the PD beyond a certain threshold to indicate the risk of a default occurring on the financial asset as at the reporting date is significantly higher than upon initial recognition
- qualitative information available as at the reporting date
- days past due

2. Significant accounting policies (continued)

Credit-impaired financial assets
A Stage 3 credit-impaired financial asset is any financial asset at amortized cost where one or more events have occurred after initial recognition such that FCC no longer has reasonable assurance of timely collection of the full amount of principal and interest. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred. A default occurs when the repayment of principal or payment of interest is contractually 90 days past due, or an amendment has been granted due to the financial difficulty of the borrower that results in a diminished financial obligation, unless the outstanding amount is immaterial, or the financial asset is sufficiently secured. An asset that is in Stage 3 will move back to Stage 2 when, as at the reporting date, it is no longer considered to be credit-impaired. The asset will transfer back to Stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly from initial recognition, which could occur during the same reporting period as the transfer from Stage 3 to Stage 2. When a financial asset is classified as Stage 3 credit-impaired, the carrying value is reduced to its estimated realizable value through an adjustment to the provision for credit losses. Changes in the estimated realizable amount that arise subsequent to the initial impairment are also adjusted through the provision for credit losses.

The impairment loss is calculated as the difference between the financial asset's carrying value and the present value of estimated future cash flows discounted at the financial asset's effective interest rate. For loans receivable, the effective interest rate is either the loan's original effective interest rate for fixed-rate loans or the effective interest rate at the time of the impairment for variable-rate loans. The estimation of future cash flows considers the fair value of any underlying security as well as the estimated time and costs to realize the security. The estimation of future cash flows for finance leases is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 – Leases.

Forward-looking information
The measurement of expected credit losses for each stage of the allowance for credit losses and the assessment of SICR considers information about reasonable and supportable forecasts of future events and economic conditions.

FCC incorporates forward-looking information into its measurement of expected credit losses by using a base case forecast as well as two probability-weighted, forward-looking scenarios representing more optimistic and pessimistic outcomes. To achieve this, FCC has developed national- and provincial-level models for farm cash receipts, farmland values and farm debt outstanding. In its models, FCC relies on a broad range of forward-looking information as economic inputs, using both internal and external sources of information such as Canadian Gross Domestic Product, exchange rates and interest rates. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgment.

Modifications of financial assets

If the contractual terms of a financial asset are modified, an assessment is made to determine if the financial asset should be derecognized. Where the modification does not result in derecognition, the date of origination continues to be used to determine SICR for stage assignment of credit losses and a modification gain or loss is recognized. A modification loss is recognized against interest income and net loans receivable when the net present value of the modified future cash flows, discounted at the original effective interest rate, is less than the original cash flows. Interest income continues to be recognized based on the original effective interest rate.

2. Significant accounting policies (continued)

Post-employment benefits

FCC has a registered defined benefit pension plan, three supplemental defined benefit pension plans, a registered defined contribution pension plan, a supplemental defined contribution plan and other defined benefit plans that provide retirement and post-employment benefits to most of its employees.

FCC's registered pension plan has two components: a defined contribution pension component and closed defined benefit pension component (closed to any employees hired after January 1, 2009). The defined benefit pension plan and the defined contribution pension plan are two different provisions of the same registered plan and are registered under the Pension Benefits Standards Act, 1985, registration no. 57164. They are registered pension trusts as defined in the Income Tax Act and are not subject to income taxes. The defined benefit pension plan is based on employees' number of years of service and the average salary of their five highest-paid consecutive years of service and is protected against inflation. The defined contribution pension plan is an accumulated savings plan and all new employees since January 1, 2009, are automatically enrolled in the defined contribution pension component. FCC also provides a supplemental defined benefit and supplemental defined contribution pension plan for employees whose benefits under the registered plans are limited by the Income Tax Act maximum limits.

Retirement benefit plans are contributory health care plans with employee contributions adjusted annually and a non-contributory life insurance plan. Post-employment plans provide short-term disability income benefits, severance entitlements after employment and health care benefits to employees on long-term disability.

The defined benefit obligation for pension and other defined benefit plans is actuarially determined using the projected unit credit actuarial valuation method, which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors. Plan assets are measured at fair value.

FCC measures its net defined benefit asset or liability for accounting purposes as at March 31 of each year.

The net defined benefit asset or liability represents the present value of the defined benefit obligation reduced by the fair value of plan assets. The net defined benefit asset is limited to the value determined by the asset ceiling. The value of the asset is restricted to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to the plan.

Defined benefit costs are split into three categories:

- service costs, past service costs, gains and losses on curtailments and settlements, plan administration costs and the tax effect on refundable tax assets
- net interest expense or income on the net defined benefit asset or liability
- remeasurements of the net defined benefit asset or liability

Contributions to the defined contribution pension plan are recognized as an expense when employees have rendered service entitling them to the contributions. Unpaid contributions are recognized as a liability.

Past service costs arising from plan amendments are recognized immediately in salaries and benefits in the period of the plan amendment.

Net interest, current service costs, gains and losses on curtailments and settlements and plan administration costs are recognized immediately in salaries and benefits in net income. Net interest is calculated by applying the discount rate used to discount the defined benefit obligations included in the net defined benefit asset or liability.

2. Significant accounting policies (continued)

Remeasurements include actuarial gains and losses, experience adjustments on plan liabilities, the change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability, if applicable) and the return on plan assets (excluding interest on the net defined benefit liability). Actuarial gains or losses arise from changes in actuarial assumptions used to determine the defined benefit obligations. Remeasurements are recognized immediately in OCI in the period in which they occur and flow into retained earnings in the Consolidated Balance Sheet.

Property and equipment

Equipment and leasehold improvements

Equipment and leasehold improvements are recorded at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the equipment or leasehold improvement. Subsequent expenditures, including replaced parts, are included in the equipment or leasehold improvement's carrying value or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to FCC and the cost of the item can be measured reliably. The carrying value of the replaced part is derecognized. All repair and maintenance costs are expensed during the period in which they are incurred.

Depreciation begins when the equipment or leasehold improvement is available for use by FCC. Depreciation is calculated using the straight-line method to allocate the cost less estimated residual value of the asset over the following terms:

	Terms
Office equipment and furniture	5 years
Computer equipment	3 or 5 years
Leasehold improvements	Shorter of lease term or asset's useful economic life

The residual values and useful lives are reviewed annually and adjusted, if appropriate. Equipment and leasehold improvements are reviewed annually for indicators of impairment and, if indicators exist, FCC estimates the recoverable amount of the asset. The estimated recoverable amount is the higher of the fair value less the costs to sell and the value in use. If the carrying value is greater than the estimated recoverable amount, an impairment loss would be recognized to reduce the carrying value to the estimated recoverable amount.

Equipment under operating leases

When FCC is the lessor in a lease arrangement that does not transfer substantially all of the risks and rewards incidental to ownership to the lessee, then the arrangement is classified as an operating lease. Equipment under operating leases is recorded at cost less accumulated depreciation. Equipment is depreciated on a straight-line basis over its useful life to FCC, which is equivalent to the term of the lease. Depreciation is included in interest expense.

Lease income from operating leases is recognized on a straight-line basis over the term of the lease and included in interest income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying value of the leased asset and recognized on a straight-line basis over the lease term.

Equipment under operating leases is reviewed annually for indications of impairment or changes in estimated future economic benefits. If such indications exist, the carrying value is analyzed to assess whether it is fully recoverable. An impairment loss would be recorded to reduce the carrying value to the recoverable amount if the carrying value is greater than the estimated recoverable amount.

Right-of-use assets

FCC assesses whether a contract is or contains a lease at the inception of a contract. At the inception or reassessment of a contract that contains a lease component, FCC allocates consideration to lease components based on their relative stand-alone prices. If observable stand-alone prices are not available, FCC has elected not to separate non-lease components and account for lease and non-lease components as a single lease component for leases of buildings for which it is a lessee.

2. Significant accounting policies (continued)

At the lease commencement date, FCC recognizes a right-of-use (ROU) asset except for short-term leases of 12 months or less and leases of low value that are expensed on a straight-line basis over the lease term.

The ROU assets are initially measured at cost and are comprised of the initial measurement of the lease liability adjusted for any lease payments made on or before the commencement date, less any incentives received from the lessor. They are subsequently measured at cost less accumulated depreciation, impairment losses and adjusted for any remeasurements of the lease liability as noted below. The lease term consists of the non-cancellable lease term, renewal options that are reasonably expected to be exercised and termination options that are not reasonably expected to be exercised.

The ROU assets are depreciated to the earlier of the lease term or the ROU asset's useful life. Depreciation starts at the commencement date of the lease and is recognized on a straight-line basis.

Intangible assets

Intangible assets are made up of computer software, which are recorded at cost less accumulated amortization. Expenditures on internally developed intangible assets are recognized as assets when FCC is able to demonstrate its intention and ability to complete the development, to use the asset in a manner that will generate future economic benefits and to reliably measure the costs to complete the development. The capitalized costs of internally developed intangible assets include all costs directly attributable to developing the asset. For internally developed intangible assets, expenditures on research (or on the research phase of a project) are recognized as an expense when incurred.

Amortization begins when the intangible asset is available for use by FCC. Amortization is recorded over the estimated useful life of three or five years using the straight-line method.

Intangible assets are reviewed annually for indications of impairment or changes in estimated future economic benefits. If such indications exist, the carrying value is analyzed to assess whether it is fully recoverable. An impairment loss would be recorded to reduce the carrying value to the recoverable amount if the carrying value is greater than the estimated recoverable amount.

Insurance

FCC sells group creditor life and accident insurance to its customers through a program administered by a major insurance provider and FCC's risk of the insurance program is limited. The insurance premiums are actuarially determined and are accrued when receivable and recorded in accounts receivable. Insurance distribution income includes these premiums received or receivable and is net of insurance claims incurred throughout the year as well as net of statutory reserves maintained by the insurance provider. Expenses related to administering the insurance program are also recorded in insurance distribution income.

FCC maintains a restricted insurance reserve asset, which is included in other assets, with the insurance provider to fund future claim payments. Interest is paid on the insurance reserve asset by the insurance provider annually and is recorded in insurance distribution income.

Borrowings

Government of Canada borrowings are undertaken with the approval of the Minister of Finance. Government of Canada borrowings are direct obligations of FCC and therefore constitute borrowings undertaken on behalf of Her Majesty in Right of Canada and carry the full faith and credit of the Government of Canada.

Capital market debt includes short-term U.S. dollar fixed-rate promissory notes and short-term retail and institutional fixed-rate notes.

Borrowings are accounted for using trade date accounting and are measured at amortized cost using the effective interest method.

Interest incurred on all borrowings is recorded on an accrual basis and recognized in interest expense using the effective interest method.

2. Significant accounting policies (continued)

Transition loan liabilities

In accordance with FCC's transition loan product, FCC enters into distinct contracts with each borrower of the loan and the vendor. The first contract gives rise to a loan receivable, which is recorded consistent with FCC's Loans Receivable policy. FCC also records a transition loan liability that represents amounts owing to third parties, as FCC is required to pay amounts in accordance with a disbursement schedule that may be different than the loan receivable payment schedule. As payments are made with respect to the transition loan disbursement schedule, the applicable amount of the transition loan liability is reduced. The transition loan liabilities are measured at amortized cost using the effective interest method.

Lease liabilities

At the lease commencement date, FCC recognizes a lease liability except for short-term leases of 12 months or less and leases of low value that are expensed on a straight-line basis over the lease term.

Lease liabilities are initially measured at the present value of lease payments not paid at the commencement date, discounted using the rate implicit in the lease or FCC's weighted-average incremental borrowing rate if the rate implicit in the lease cannot be readily determined.

Lease payments included in the measurement of the lease liability:

- fixed lease payments, less any lease incentives
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date

Lease liabilities are subsequently measured at amortized cost by increasing the carrying amount to reflect interest on the lease liability using the effective interest rate method and by reducing the carrying amount to reflect lease payments made.

FCC remeasures the lease liability, with a corresponding adjustment to the related ROU asset, when there is a change in future lease payments arising from:

- a change in a lease term, in which case the revised lease payments are discounted using a revised discount rate
- a change to an index or rate used to determine lease payments, in which case the revised lease payments are discounted using the initial discount rate
- a change to the scope or consideration of a lease where the lease is not accounted for as a separate lease, in which case revised lease payments are discounted using a revised discount rate

If the remeasurement of the lease liability results in the carrying amount of the ROU asset being reduced to zero, a lessee will recognize any remaining amount of the remeasurement in profit or loss.

Government assistance

FCC is one of the financial institutions participating in the HILLRP. Under the HILLRP, the Government of Canada established a loan loss reserve fund to share the net credit losses on eligible loans provided to hog operations with certain financial institutions. FCC is responsible for all credit losses beyond those covered by the loan loss reserve fund and must meet certain eligibility requirements to access the reserve fund. The amount of funds available from the loan loss reserve fund to FCC for any non-performing eligible loans are 90%, 80% and 70% of net credit losses in years one to three, four to six and seven to 15, respectively. Amounts held by FCC to which it is not entitled are paid back to the Government of Canada at the end of the program. FCC's deadline for disbursing the loans eligible under this program has passed and no further loan loss reserve fund instalments are due from the Government of Canada.

Management estimates the amount of the loan loss reserve fund to which FCC is entitled under the HILLRP. This estimate is recognized in FCC's provision for credit losses. The remaining amount of the loan loss reserve fund, to which FCC is not entitled, is recorded as borrowings. Interest on this borrowing is recorded in interest expense.

2. Significant accounting policies (continued)

Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issuance or disposal of a financial asset or liability. Transaction costs relating to financial instruments measured at amortized cost are deferred and amortized over the instrument's expected useful life using the effective interest method. Transaction costs related to all other financial instruments are expensed as incurred.

Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are converted into Canadian dollars at rates prevailing at the reporting date. Income and expenses are translated at the monthly average exchange rates prevailing throughout the year. Exchange gains and losses on loans and receivables and borrowings are recorded on a net basis on the Consolidated Statement of Income.

Segmented information

FCC is organized and managed as a single business segment, which is agriculture lending. All of FCC's revenues are within Canada.

Significant management judgments in applying accounting policies

The following are critical management judgments used in applying FCC's accounting policies.

Venture capital arrangements
In determining how to account for venture capital arrangements, management considers several factors on whether FCC has control or significant influence over the fund, or if it is an investment at fair value. Factors include share ownership, voting rights, and the number of board seats held by FCC.

Leases
In determining the lease term under IFRS 16, management uses judgment to determine whether a lessee is reasonably certain to exercise optional extension periods by considering facts and circumstances, including past practice.

Estimation uncertainty

The preparation of the financial statements in accordance with IFRS requires that management makes judgments, estimates and assumptions concerning the future that affect the reported amounts in the financial statements and accompanying notes. Judgments, estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these judgments, estimates and assumptions. Information about the significant judgments, estimates and assumptions that are critical to the recognition and measurement of assets, liabilities, income and expense is discussed below.

Allowance for credit losses
Financial assets classified as amortized cost and all loan commitments are reviewed by management to assess impairment. Judgments are made when determining whether a loss event is expected to occur, and estimates and assumptions are made in measuring the resulting impairment loss, including movements between stages.

Management uses best estimates based on historical loss experience, current conditions and forward-looking information, as described under the Allowance for Credit Losses heading, for financial assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

2. Significant accounting policies (continued)

Significant judgment was used by management to assess the impact of the pandemic on the values of the key economic inputs used in the macroeconomic scenario analysis and the probability weights of these scenarios, as well as the assumptions used to determine how specific sectors are impacted. In addition, significant management judgment was used to assess the impact of the customer support programs offered to FCC's borrowers, including those provided by industry, as well as determining whether these arrangements constitute forbearance, result in a substantial modification of the contract, affect the staging of the allowance and have an impact on the overall allowance. For more details about the key assumptions used, refer to Note 24.

Post-employment benefit assets and liabilities
The estimate of the net defined benefit asset or liability or pension and non-pension post-retirement benefits is actuarially determined and incorporates management's best estimate of future salary levels, other cost escalation, employees' retirement ages and other actuarial assumptions. The discount rate is one of the more significant assumptions used. It is the interest rate that determines the present value of estimated future cash outflows expected to be required to settle the pension obligations. Management determines the appropriate discount rate at the end of each year. In doing this, management considers the interest rates of high-quality corporate bonds, augmented with government bonds and A-rated bonds with associated credit spread adjustments, that have terms to maturity approximating the terms of the related pension obligation. Any changes in these assumptions will affect the carrying value of the net defined benefit asset or liability.

Fair value of financial instruments
The fair value of financial instruments is determined based on published quoted market prices or valuation techniques when quoted market prices are not available. Fair values are point-in-time estimates that may change significantly in subsequent reporting periods due to changes in market conditions. Fair value techniques use models and assumptions about future events, based on either observable or non-observable market inputs. As such, fair values are estimates involving uncertainties and may be significantly different when compared to another financial institution's value for a similar contract. The method used to value FCC's financial instruments measured at fair value is noted below.

- The estimated fair value of derivative financial assets and liabilities is determined using market standard valuation techniques. Where call or extension options exist, the value of these options is determined using current market measures for interest rates and currency exchange rates and by taking volatility levels and estimations for other market-based pricing factors into consideration. Market-observed credit spreads, where available, are a key factor in establishing valuation adjustments against FCC's counterparty credit exposures. Where the counterparty does not have an observable credit spread, a proxy that reflects the counterparty's credit profile is used.
- The estimated fair value of venture capital arrangements classified as FVTPL, which consists of shares of privately held companies, is valued based on guidelines issued by the venture capital industry, using market-based valuation methodologies.

2. Significant accounting policies (continued)

Accounting standards issued but not yet effective

FCC has reviewed the new standards and amendments that have been issued by the International Accounting Standards Board (IASB) but are not yet effective and determined that the following may have an impact on FCC in the future.

Standard	Details	Date of initial application
IAS 8 - Accounting policies, changes in accounting estimates and errors	In February 2021, the IASB issued Definition of Accounting Estimates, which amended IAS 8 - Accounting policies, changes in accounting estimates and errors. The amendments introduced the definition of accounting estimates and included other amendments to distinguish between changes in accounting estimates and changes in accounting policies. Management is in the process of assessing the impact of this standard on FCC's financial statements and accounting policies	April 1, 2023

3. Changes in accounting standards

In August 2020, the International Accounting Standards Board (IASB) issued Interest Rate Benchmark Reform – Phase 2, which amended IFRS 9 – Financial Instruments, IFRS 7 – Financial Instruments: Disclosures, IFRS 4 – Insurance Contracts and IFRS 16 – Leases. These amendments were in response to the market transition away from interbank offered rates to alternative benchmark rates. Changes are effective for FCC in annual periods beginning on April 1, 2021.

FCC has loans receivable that use the United States Dollar (USD) London Interbank Offered Rate (LIBOR) as a reference rate. These balances are a small component of FCC's total portfolio. FCC also has one interest rate swap, included in derivative financial assets, which is tied to USD LIBOR. FCC does not have hedge accounting relationships and is not impacted by sections of the amendment related to insurance contracts or leases. There is limited risk exposure from adjustments associated with this amendment.

In March 2021, the Financial Conduct Authority and Intercontinental Exchange Benchmark Administration announced that USD LIBOR would cease to be provided on June 30, 2023. This period allows existing USD LIBOR contracts to mature. In October 2021, a project was initiated to use the Secured Overnight Financing Rate (SOFR) as the benchmark rate. As of February 2022, all new USD lending use SOFR as the reference rate. Existing USD LIBOR lending will be converted to SOFR by June 30, 2023. The impact of the amendments will be assessed at conversion and is currently not known.

The following table, reflected in Canadian dollars, shows FCC's exposure to financial instruments referencing USD LIBOR and subject to the amendment. It includes balances at the end of 2021-22, and amounts for FCC's current portfolio of loans maturing after the USD LIBOR publication ceases on June 30, 2023.

($ thousands)	Maturing after June 30, 2023	Carrying amount March 31, 2022
USD loans	$ 419,337	$ 556,127
USD Interest rate swap	–	12,496

4. Restatement and reclassification of comparative figures

a) Changes in accounting policy

Attributing benefits

In May 2021, the IFRS Interpretations Committee issued an interpretation for attributing benefits to periods of service under IAS 19 – Employee Benefits. Based on this guidance, FCC changed from using the period of service from the date of hire to retirement to 10 years prior to eligibility for retirement to better represent the nature of the plan. Applying this change retrospectively resulted in a change to comparative balances as shown below.

Adjustments to the Consolidated Balance Sheet

	As at March 31, 2021			As at April 1, 2020		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
Liabilities						
Post-employment benefit liabilities	$ 142,266	$ (26,433)	$ 115,833	$ 148,694	$ (28,931)	$ 119,763
	515,673	(26,433)	489,240	532,251	(28,931)	503,320
Total liabilities	35,846,932	(26,433)	35,820,499	34,170,939	(28,931)	34,142,008
Equity						
Retained earnings	7,511,133	26,433	7,537,566	6,731,232	28,931	6,760,163
Equity attributable to shareholder of parent entity	8,012,622	26,433	8,039,055	7,252,469	28,931	7,281,400
	$ 8,013,232	$ 26,433	$ 8,039,665	$ 7,253,276	$ 28,931	$ 7,282,207

Adjustments to the Consolidated Statement of Income

For the year ended March 31, 2021	As previously reported	Adjustments	As restated
Administration expenses	$ 475,553	$ (2,636)	$ 472,917
Net income before fair value gain (loss)	821,314	2,636	823,950
Net income	$ 812,532	$ 2,636	$ 815,168
Net income attributable to:			
Shareholder of parent entity	$ 812,716	$ 2,636	$ 815,352

Adjustments to the Consolidated Statement of Comprehensive Income

For the year ended March 31, 2021	As previously reported	Adjustments	As restated
Net income	$ 812,532	$ 2,636	$ 815,168
Remeasurement of post-employment benefit assets and liabilities	(32,815)	(5,134)	(37,949)
Total other comprehensive income (loss)	(52,563)	(5,134)	(57,697)
Total comprehensive income	$ 759,969	$ (2,498)	$ 757,471
Total comprehensive income attributable to:			
Shareholder of parent entity	$ 760,153	$ (2,498)	$ 757,655

4. Restatement and reclassification of comparative figures (continued)

Adjustments to the Consolidated Statement of Changes in Equity

For the year ended March 31, 2021	As previously reported	Adjustments	As restated
Balance April 1, 2020			
Retained earnings	$ 6,731,232	$ 28,931	$ 6,760,163
Total equity attributable to parent	7,252,469	28,931	7,281,400
Total	$ 7,253,276	$ 28,931	$ 7,282,207
Net income			
Retained earnings	$ 812,716	$ 2,636	$ 815,352
Total equity attributable to parent	812,716	2,636	815,352
Total	$ 812,532	$ 2,636	$ 815,168
Other comprehensive income			
Retained earnings	$ (32,815)	$ (5,134)	$ (37,949)
Total equity attributable to parent	(52,563)	(5,134)	(57,697)
Total	$ (52,563)	$ (5,134)	$ (57,697)
Balance March 31, 2021			
Retained earnings	$ 7,511,133	$ 26,433	$ 7,537,566
Total equity attributable to parent	8,012,622	26,433	8,039,055
Total	$ 8,013,232	$ 26,433	$ 8,039,665

Adjustments to the Consolidated Statement of Cash Flows

For the year ended March 31, 2021	As previously reported	Adjustments	As restated
Operating activities			
Net income	$ 812,532	$ 2,636	$ 815,168
Net change in other operating assets and liabilities	(1,288)	(2,636)	(3,924)

Refer to the following note disclosures for further impacts of the restatement:
Note 12 – tables within the followings sections: Financial position of benefit plans – other benefits, Movements in the present value of the defined benefit obligation, Defined benefit costs recognized in net income and Defined benefit costs recognized in OCI
Note 18 – salaries and benefits
Note 23 – retained earnings, CET1/total capital and total capital ratio line items within the capital ratio table
Note 24 – other and shareholder's equity line items within the interest rate risk table

Cash flow presentation

FCC previously netted its cash inflows and outflows from short-term investments as well as cash inflows and outflows from other loans receivable in its Consolidated Statement of Cash Flows. This presentation was inconsistent with the disclosure provided for other components of our investing activities. We have elected to update our presentation and report all cash inflows and outflows for investing activities on a gross basis. These changes provide additional depth and a more detailed understanding around the nature of cash flows from investing activities. Therefore, the following comparative figures have been reclassified to align with current year presentation. The impacts for the year ended March 31, 2021, are shown below.

4. Restatement and reclassification of comparative figures (continued)

Adjustments to the Consolidated Statement of Cash Flows

For the year ended March 31, 2021	As previously reported	Adjustments	As restated
Investing activities			
Net cash inflow (outflow) from short-term investments	$ 22,249	$ (22,249)	$ –
Purchase of short-term investments	–	(1,151,868)	(1,151,868)
Proceeds from maturity of short-term investments	–	1,174,117	1,174,117
Net cash outflow from other loans receivable	(915)	915	–
Disbursements of other loans receivable	–	(9,400)	(9,400)
Repayments from other loans receivable	–	8,485	8,485

b) Reclassification of comparative figures

FCC previously classified equipment and leasehold improvements, equipment under operating leases and right-of-use assets separately in its financial statements. Due to these assets being similar in nature, FCC has combined these line items in its financial statements.

FCC previously provided categories of salaries and benefits and other expenses under the Administration expenses heading on the Consolidated Statement of Income. These categories have been removed from the Consolidated Statement of Income with FCC's Administration expenses financial statement note providing these details. Salaries and benefits are of similar nature so have been grouped together.

Therefore, the following comparative figures have been reclassified to align with current year presentation. The impacts as at and for the year ended March 31, 2021, are shown below.

Adjustments to the Consolidated Balance Sheet

	As at March 31, 2021			As at April 1, 2020		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
Assets						
Equipment and leasehold improvements	$ 26,501	$ (26,501)	$ –	$ 26,847	$ (26,847)	$ –
Equipment under operating leases	48,848	(48,848)	–	80,227	(80,227)	–
Right-of-use assets	172,974	(172,974)	–	180,120	(180,120)	–
Property and equipment	–	248,323	248,323	–	287,194	287,194

Adjustments to the Consolidated Statement of Income

For the year ended March 31, 2021	As previously reported	Adjustments(1)	Adjustments(2)	As restated
Administration expenses (Note 18)				
Salaries and benefits	$ 287,115	$ (287,115)	$ –	$ –
Other	188,438	(188,438)	–	–
Administration expenses	–	475,553	(2,636)	472,917

(1) Adjustments relate to reclassifications in Note 4b above.

(2) Adjustments relate to restatement of administration expenses in Note 4a above.

Refer to the following note disclosure for further impacts of the reclassification:
Note 18 – salaries and benefits

5. Short-term investments

As at March 31, 2022, short-term investments were $584 million (2021 – $733 million) with a yield of 0.48% (2021 – 0.31%). They consisted of promissory notes and treasury bills. As at March 31, 2022, the allowance for credit losses on short-term investments was $nil (2021 – $nil).

6. Assets held for sale

As at March 31, 2022, FCC's lessor perspective leasing portfolio, consisting of finance lease receivables, equipment under operating leases and lease loans receivable, was classified as held for sale within the Consolidated Balance Sheet. During 2021-22, FCC committed to a plan to sell the leasing portfolio to a financial services company within the next 12-month period. The leasing portfolio is no longer depreciated. On March 31, 2022, the assets held for sale were valued at net book value and included an impairment loss of $5 million. This impairment loss has been included in other expenses on the Consolidated Statement of Income (see Note 25).

7. Derivative financial instruments

The derivative contracts entered into by FCC are over-the-counter instruments. Interest rate swaps are transactions in which two parties exchange interest flows on a specified notional amount on predetermined dates for a specified period using agreed-upon fixed or floating rates of interest. Notional amounts upon which interest payments and receipts are based are not exchanged. FCC is exposed to variability in future interest cash flows on non-trading assets that bear interest at variable rates.

As at March 31, 2022, the estimated amount of existing net gains reported in accumulated other comprehensive income (AOCI) that is expected to be transferred to net income within the next 12 months is $nil (2021 – $2 million).

Notional principal amounts and term to maturity

As at March 31		**2022**			2021		
		Within 1 year	**1–5 years**	**Total**	Within 1 year	1–5 years	Total
Interest rate swaps							
Receive	**Pay**						
Fixed	Floating	**$ –**	**$ –**	**$ –**	$ 220,124	$ –	$ 220,124
Floating	Fixed	**12,496**	**–**	**12,496**	–	12,575	12,575
		$ 12,496	**$ –**	**$ 12,496**	$ 220,124	$ 12,575	$ 232,699

Counterparty credit risk

Derivatives that have a positive fair value are subject to counterparty risk because the positive fair value indicates that over time, FCC can expect to receive cash flows from the counterparties based on the terms of the contract and current market conditions.

The fair values of the derivative financial instruments were as follows:

As at March 31	**2022**			2021		
	Positive fair value	**Negative fair value**	**Net fair value**	Positive fair value	Negative fair value	Net fair value
Interest rate swaps	**$ –**	**$ 32**	**$ (32)**	$ 4,781	$ 322	$ 4,459

7. Derivative financial instruments (continued)

FCC does not anticipate any significant non-performance by counterparties because all counterparties are rated Aa2, A+ and AA or higher, as rated by Moody's Investors Service (Moody's), Standard & Poor's Ratings Services (S&P), and the Dominion Bond Rating Service (DBRS), respectively. The largest cumulative notional amount contracted with any institution as at March 31, 2022, was $12 million (2021 – $125 million). FCC mitigates the credit exposure on multiple derivative transactions by entering into master netting agreements with counterparties as outlined in Note 24. These agreements create the legal right to offset exposure in the event of default. The master netting agreements in place have no impact on the fair values at March 31, 2021, and March 31, 2022.

8. Loans receivable – net

The following tables summarize the contractual maturity of the gross loans receivable.

As at March 31			2022	
	Within 1 year	**1 – 5 years**	**Over 5 years**	**Total**
Floating	**$ 3,995,145**	**$ 10,638,362**	**$ 378,904**	**$ 15,012,411**
Fixed	**4,276,842**	**16,060,560**	**9,184,576**	**29,521,978**
Loans receivable – gross	**$ 8,271,987**	**$ 26,698,922**	**$ 9,563,480**	**44,534,389**
Deferred loan fees				**(45,252)**
Loans receivable – total[(1)]				**44,489,137**
Allowance for credit losses (Note 11)				**(109,634)**
Loans receivable – net				**$ 44,379,503**

[(1)] Loans receivable – total at March 31, 2022, includes accrued interest and fees of $285 million and transition loan assets of $174 million.

As at March 31			2021	
	Within 1 year	1 – 5 years	Over 5 years	Total
Floating	$ 3,685,122	$ 11,720,836	$ 326,454	$ 15,732,412
Fixed	5,254,849	14,258,886	6,145,890	25,659,625
Loans receivable – gross	$ 8,939,971	$ 25,979,722	$ 6,472,344	41,392,037
Deferred loan fees				(45,555)
Loans receivable – total[(1)]				41,346,482
Allowance for credit losses (Note 11)				(218,037)
Loans receivable – net				$ 41,128,445

[(1)] Loans receivable – total at March 31, 2021, includes accrued interest and fees of $270 million and transition loan assets of $192 million.

As at March 31, 2022, $693 million (2021 – $591 million) of loans receivable were denominated in USD.

8. Loans receivable – net (continued)

Concentrations of credit risk

The concentrations of gross loans and impaired loans by sector and geographic area were as follows:

Sector distribution

	Gross		Impaired	
As at March 31	**2022**	2021	**2022**	2021
Oilseed and grain	**$ 14,332,100**	$ 13,502,917	**$ 128,637**	$ 79,628
Dairy	**6,929,019**	6,678,425	**15,677**	15,697
Agribusiness	**5,432,022**	4,891,151	**77,836**	49,017
Beef	**3,713,939**	3,549,528	**67,254**	62,061
Other	**3,025,176**	2,776,938	**44,057**	25,858
Poultry	**3,004,698**	2,848,649	**6,087**	7,076
Greenhouse	**1,848,533**	1,535,782	**6,980**	2,072
Agri-food	**1,827,205**	1,610,562	**16,849**	20,798
Alliances	**1,706,558**	1,459,956	**17,965**	26,679
Hogs	**1,394,722**	1,319,560	**6,357**	3,174
Fruit	**1,320,417**	1,218,569	**6,672**	13,947
Total	**$ 44,534,389**	$ 41,392,037	**$ 394,371**	$ 306,007

Geographic distribution

	Gross		Impaired	
As at March 31	**2022**	2021	**2022**	2021
Ontario	**$ 13,010,205**	$ 11,912,436	**$ 55,418**	$ 34,593
Saskatchewan	**8,312,457**	7,751,631	**105,463**	62,851
Alberta	**8,181,161**	7,784,951	**104,600**	89,451
Quebec	**6,157,848**	5,679,918	**51,493**	16,142
British Columbia	**4,007,965**	3,709,917	**24,161**	31,674
Manitoba	**3,519,480**	3,256,442	**38,460**	33,666
Atlantic	**1,345,273**	1,296,742	**14,776**	37,630
Total	**$ 44,534,389**	$ 41,392,037	**$ 394,371**	$ 306,007

9. Finance leases receivable – net

As at March 31	**2022**	2021
Total minimum finance lease payments receivable		
Less than 1 year	**$ –**	$ 28,702
From 1 – 2 years	**–**	28,102
From 2 – 3 years	**–**	26,580
From 3 – 4 years	**–**	42,483
From 4 – 5 years	**–**	27,263
Over 5 years	**–**	2,527
Finance leases receivable – gross	**–**	155,657
Unearned finance income	**–**	(14,457)
Allowance for credit losses (Note 11)	**–**	(147)
Finance leases receivable – net	**$ –**	$ 141,053

All lease arrangements after April 1, 2019, were recorded as finance leases.

The discounted unguaranteed residual value for finance leases was $nil (2021 – $24 million). FCC retained as collateral a security interest in the equipment associated with finance leases. The maximum term for finance leases receivable was six years.

As of March 31, 2022, the finance lease balances were transferred to assets held for sale as detailed in Note 6.

10. Other loans receivable – net

The following table summarizes the contractual maturity of the other loans receivable.

As at March 31	2022			2021		
	Within 1 year	**1 – 5 years**	**Total**	Within 1 year	1 – 5 years	Total
Other loans receivable – gross[(1)] [(2)]	**$ 16,682**	**$ 37,533**	**$ 54,215**	$ 13,781	$ 47,275	$ 61,056
Allowance for credit losses (Note 11)			**(3,772)**			(1,743)
Other loans receivable – net			**$ 50,443**			$ 59,313

[(1)] All loans are fixed-rate loans.
[(2)] Other loans receivable – gross at March 31, 2022, includes accrued interest of $1 million (2021 – $1 million).

Concentrations of credit risk

The concentrations of gross other loans receivable by sector and geographic area were as follows:

Sector distribution

As at March 31	2022	2021
Agribusiness	**$ 38,095**	$ 34,134
Agri-food	**16,120**	26,922
Total	**$ 54,215**	$ 61,056

Geographic distribution

As at March 31	2022	2021
Quebec	**$ 28,412**	$ 31,051
Alberta	**10,124**	18,737
British Columbia	**9,140**	5,106
Saskatchewan	**2,910**	2,924
Ontario	**2,605**	2,217
Manitoba	**1,024**	1,021
Total	**$ 54,215**	$ 61,056

Other loans receivable exposes FCC to credit risk. These venture capital arrangements are typically secured by a general security agreement and assignment of life insurance proceeds. As at March 31, 2022, there were no venture capital arrangements past due (2021 – $nil).

11. Allowance for credit losses

As at March 31		2022						
		Stage 1		Stage 2		Stage 3		Total
Loans receivable[(1)]								
Allowance for credit losses, beginning of year	$	44,553	$	122,111	$	51,373	$	218,037
Transfer to Stage 1		30,682		(27,430)		(3,252)		–
Transfer to Stage 2		(7,419)		58,779		(51,360)		–
Transfer to Stage 3		(1,178)		(9,518)		10,696		–
Changes due to new loans originated		50,480		4,920		6,266		61,666
Loans that have been derecognized during the period		(15,356)		(10,773)		(10,896)		(37,025)
Net remeasurement of loss allowance[(2)]		(37,586)		(80,015)		69,739		(47,862)
Writeoffs[(3)]		–		(791)		(24,875)		(25,666)
Recoveries of amounts previously written off		–		159		707		866
Losses covered under HILLRP		(3)		(27)		(360)		(390)
Changes to allowance model parameters[(4)]		(19,146)		(26,016)		(14,830)		(59,992)
Total allowance, end of year	$	45,027	$	31,399	$	33,208	$	109,634
Finance leases receivable								
Allowance for credit losses, beginning of year	$	147	$	–	$	–	$	147
Changes due to new finance leases originated		21		–		–		21
Finance leases that have been derecognized during the period		(157)		–		–		(157)
Net remeasurement of loss allowance[(2)]		(11)		–		–		(11)
Total allowance, end of year	$	–	$	–	$	–	$	–
Other loans receivable								
Allowance for credit losses, beginning of year	$	702	$	–	$	1,041	$	1,743
Transfer to Stage 2		(169)		169		–		–
Changes due to new other loans originated		28		250		–		278
Net remeasurement of loss allowance[(2)]		(81)		2,832		–		2,751
Writeoffs[(3)]		–		–		(1,000)		(1,000)
Total allowance, end of year	$	480	$	3,251	$	41	$	3,772

(1) Included within the loans receivable total is $13 million of allowance for credit losses on loan commitments that have not been partially drawn at March 31, 2022.

(2) Includes partial repayments.

(3) FCC is not actively continuing to pursue collection on any loans that have been written off.

(4) An estimate was recorded for updates to FCC's loss given default model which incorporated changes to customer segmentation based on risk characteristics and more recent loss experience. FCC's probability of default model incorporated a revised definition of default to align with industry best practice. These changes resulted in a net decrease of $60 million to the allowance for credit losses and are being made prospectively.

11. Allowance for credit losses (continued)

As at March 31	2021			
	Stage 1	Stage 2	Stage 3	Total
Loans receivable[1]				
Allowance for credit losses, beginning of year	$ 25,618	$ 158,240	$ 71,293	$ 255,151
Transfer to Stage 1	17,651	(17,302)	(349)	–
Transfer to Stage 2	(7,575)	20,424	(12,849)	–
Transfer to Stage 3	(8)	(6,656)	6,664	–
Changes due to new loans originated	33,293	12,990	3,065	49,348
Loans that have been derecognized during the period	(10,909)	(10,447)	(11,541)	(32,897)
Net remeasurement of loss allowance[2]	(26,320)	(36,539)	31,417	(31,442)
Writeoffs[3]	–	(661)	(37,254)	(37,915)
Recoveries of amounts previously written off	–	74	625	699
Losses covered under HILLRP	3	(12)	102	93
Changes to allowance model parameters[4]	12,800	2,000	200	15,000
Total allowance, end of year	$ 44,553	$ 122,111	$ 51,373	$ 218,037
Finance leases receivable				
Allowance for credit losses, beginning of year	$ 54	$ –	$ –	$ 54
Changes due to new finance leases originated	195	–	–	195
Finance leases that have been derecognized during the period	(44)	–	–	(44)
Net remeasurement of loss allowance[2]	(58)	–	–	(58)
Total allowance, end of year	$ 147	$ –	$ –	$ 147
Other loans receivable				
Allowance for credit losses, beginning of year	$ 591	$ –	$ 3,903	$ 4,494
Transfer to Stage 3	(1,489)	–	1,489	–
Changes due to new other loans originated	–	–	23	23
Net remeasurement of loss allowance[2]	1,600	–	22,085	23,685
Writeoffs[3]	–	–	(26,459)	(26,459)
Total allowance, end of year	$ 702	$ –	$ 1,041	$ 1,743

[1] Included within the loans receivable total is $9 million of allowance for credit losses on loan commitments that have not been partially drawn at March 31, 2021.

[2] Includes partial repayments.

[3] FCC is not actively continuing to pursue collection on any loans that have been written off.

[4] During 2020-21, the revised definition of default that was estimated last year was implemented into FCC's PD models along with changes to segment customers based on risk characteristics (increase of $11 million). EAD models were updated for revolving loans to better reflect historical experience (increase of $4 million). These changes resulted in a net increase of $15 million to the allowance and are being made prospectively.

12. Post-employment benefits

Financial position of benefit plans

FCC measures its defined benefit obligations and the fair value of plan assets for accounting purposes as at March 31 of each year.

The amounts recognized in the Consolidated Balance Sheet were as follows:

	Registered pension plan	
As at March 31	**2022**	2021
Present value of funded defined benefit obligations	**$ (793,725)**	$ (905,150)
Fair value of plan assets	**1,087,268**	1,049,036
Net defined benefit asset	**$ 293,543**	$ 143,886

	Supplemental pension plans	
As at March 31	**2022**	2021
Present value of funded defined benefit obligations	**$ (77,965)**	$ (87,507)
Fair value of plan assets	**73,791**	65,586
Net defined benefit liability (funded)	**(4,174)**	(21,921)
Present value of unfunded defined benefit obligations	**(12,612)**	(14,549)
Net defined benefit liability	**$ (16,786)**	$ (36,470)

	Other benefits	
As at March 31	**2022**	2021 Restated (Note 4a)
Present value of unfunded defined benefit obligations	**$ (74,685)**	$ (79,363)
Net defined benefit liability	**$ (74,685)**	$ (79,363)

The total net defined benefit asset is $294 million (2021 – $144 million). This amount is recorded on the Consolidated Balance Sheet as post-employment benefit assets. The total net defined benefit liability is $91 million (2021 restated – $116 million). This amount is recorded on the Consolidated Balance Sheet as post-employment benefit liabilities.

12. Post-employment benefits (continued)

Movements in the present value of the defined benefit obligation

As at March 31	Registered pension plan 2022	Registered pension plan 2021	Supplemental pension plans 2022	Supplemental pension plans 2021	Other benefits 2022	Other benefits 2021 Restated (Note 4a)
Defined benefit obligation, beginning of year	**$ 905,150**	$ 762,840	**$ 102,056**	$ 89,950	**$ 79,363**	$ 78,162
Current service cost	**22,325**	18,237	**1,529**	1,524	**6,415**	5,105
Interest cost on the defined benefit obligation	**30,366**	30,999	**3,388**	3,627	**2,809**	3,307
Contributions by employees	**8,427**	8,566	**634**	700	**–**	–
Benefits paid	**(23,005)**	(20,755)	**(2,472)**	(2,307)	**(1,105)**	(1,270)
Experience adjustments on plan liabilities	**6,455**	(4,372)	**1,721**	(3,145)	**(233)**	3,639
Actuarial (gain) loss from changes in financial assumptions	**(123,491)**	109,635	**(12,501)**	11,707	**(12,564)**	(9,194)
Actuarial gain from changes in demographic assumptions	**(32,502)**	–	**(3,778)**	–	**–**	(386)
Defined benefit obligation, end of year	**$ 793,725**	$ 905,150	**$ 90,577**	$ 102,056	**$ 74,685**	$ 79,363

The duration of the registered pension plan's defined benefit obligation is 17 years (2021 – 18 years). The duration of the supplemental pension plans' defined benefit obligation is 16 years (2021 – 19 years). The duration of the other benefit plan's defined benefit obligation is 21 years (2021 – 23 years).

Movements in the fair value of plan assets

As at March 31	Registered pension plan 2022	Registered pension plan 2021	Supplemental pension plans 2022	Supplemental pension plans 2021	Other benefits 2022	Other benefits 2021
Fair value of plan assets, beginning of year	**$ 1,049,036**	$ 941,238	**$ 65,586**	$ 48,349	**$ –**	$ –
Interest income on plan assets	**34,784**	37,843	**2,317**	2,045	**–**	–
Return on plan assets (less) greater than the discount rate	**(6,589)**	60,287	**(3,334)**	9,648	**–**	–
Contributions by FCC	**25,496**	22,825	**11,090**	7,180	**1,105**	1,270
Contributions by employees	**8,427**	8,566	**634**	700	**–**	–
Benefits paid	**(23,005)**	(20,755)	**(2,472)**	(2,307)	**(1,105)**	(1,270)
Plan administration costs	**(881)**	(968)	**(30)**	(29)	**–**	–
Fair value of plan assets, end of year	**$ 1,087,268**	$ 1,049,036	**$ 73,791**	$ 65,586	**$ –**	$ –

12. Post-employment benefits (continued)

Defined benefit costs recognized in net income

For the year ended March 31	Registered pension plan 2022	Registered pension plan 2021	Supplemental pension plans 2022	Supplemental pension plans 2021	Other benefits 2022	Other benefits 2021 Restated (Note 4a)	Total 2022	Total 2021 Restated (Note 4a)
Current service cost	**$ 22,325**	$ 18,237	**$ 1,529**	$ 1,524	**$ 6,415**	$ 5,105	**$ 30,269**	$ 24,866
Net interest	**(4,418)**	(6,844)	**1,071**	1,582	**2,809**	3,307	**(538)**	(1,955)
Plan administration costs	**881**	968	**30**	29	**–**	–	**911**	997
	$ 18,788	$ 12,361	**$ 2,630**	$ 3,135	**$ 9,224**	$ 8,412	**$ 30,642**	$ 23,908

Defined benefit costs recognized in OCI

For the year ended March 31	Registered pension plan 2022	Registered pension plan 2021	Supplemental pension plans 2022	Supplemental pension plans 2021	Other benefits 2022	Other benefits 2021 Restated (Note 4a)	Total 2022	Total 2021 Restated (Note 4a)
Experience adjustments on plan liabilities	**$ (6,455)**	$ 4,372	**$ (1,721)**	$ 3,145	**$ 233**	$ (3,639)	**$ (7,943)**	$ 3,878
Return on plan assets (less) greater than the discount rate	**(6,589)**	60,287	**(3,334)**	9,648	**–**	–	**(9,923)**	69,935
Actuarial gain (loss) from changes in financial assumptions	**123,491**	(109,635)	**12,501**	(11,707)	**12,564**	9,194	**148,556**	(112,148)
Actuarial gain from changes in demographic assumptions	**32,502**	–	**3,778**	–	**–**	386	**36,280**	386
Remeasurement gain (loss)	**$ 142,949**	$ (44,976)	**$ 11,224**	$ 1,086	**$ 12,797**	$ 5,941	**$ 166,970**	$ (37,949)

The cumulative net remeasurement gains recognized in OCI as at March 31, 2022, were $185 million (2021 restated – $18 million).

Plan assets

The percentages of plan assets by asset type based on market values at the most recent actuarial valuation were as follows:

As at March 31	Registered pension plan 2022	Registered pension plan 2021	Supplemental pension plans 2022	Supplemental pension plans 2021
Debt securities	**46.1%**	37.4%	**–**	–
Equity securities	**32.6%**	44.0%	**99.5%**	99.0%
Real estate	**15.8%**	13.7%	**–**	–
Infrastructure	**5.4%**	4.8%	**–**	–
Cash	**0.1%**	0.1%	**0.5%**	1.0%
	100.0%	100.0%	**100.0%**	100.0%

12. Post-employment benefits (continued)

Significant assumptions

The significant assumptions used were as follows (weighted-average):

	Registered pension plan		Supplemental pension plans		Other benefits	
As at March 31	**2022**	2021	**2022**	2021	**2022**	2021
Defined benefit obligation						
Discount rate	**4.10%**	3.30%	**4.10%**	3.30%	**4.10%**	3.30%
Rate of compensation increase	**3.25%**	3.25%	**3.25%**	3.25%	**4.00%**	4.00%
Consumer price index	**2.00%**	2.00%	**2.00%**	2.00%	**–**	–
Defined benefit costs						
Discount rate	**3.30%**	4.00%	**3.30%**	4.00%	**4.10%**	3.30%
Consumer price index	**2.00%**	2.00%	**2.00%**	2.00%	**–**	–

At March 31, 2022 and 2021, the mortality assumption for the defined benefit obligation is based on the 2014 Public Sector Mortality publication and Canadian Pensioners Mortality Improvement Scale B, with pension size adjustment factors for males of 1.03 (2021 – 0.87) and for females of 1.15 (2021 – 0.99). As at March 31, 2022, the average life expectancy of an individual retiring at age 65 is 23 years for males (2021 – 24 years) and 24 years for females (2021 – 25 years).

Assumed health care cost trend rates are as follows:

As at March 31	**2022**	2021
Extended health care and dental care cost escalation		
Initial rate	**4.40%**	4.40%
Ultimate rate	**4.00%**	4.00%
Year ultimate rate reached	**2040**	2040

Sensitivity analysis

The impact of changing the key weighted-average economic assumptions used in measuring the defined benefit obligation is as follows:

As at March 31		**2022**	
Increase (decrease) defined benefit obligation	**Registered pension plan**	**Supplemental pension plans**	**Other benefits**
1% increase in discount rate	**$ (122,728)**	**$ (13,205)**	**$ (13,472)**
1% decrease in discount rate	**158,636**	**15,561**	**17,901**
0.25% increase in rate of compensation increase	**4,503**	**1,191**	**46**
0.25% decrease in rate of compensation increase	**(5,415)**	**(1,954)**	**(45)**
1% increase in consumer price index	**116,748**	**12,254**	**–**
1% decrease in consumer price index	**(96,400)**	**(11,090)**	**–**
One-year increase in expected lifetime of plan participants	**18,072**	**1,637**	**2,175**
1% increase in assumed overall health care cost trend rates	**–**	**–**	**15,608**
1% decrease in assumed overall health care cost trend rates	**–**	**–**	**(12,059)**

12. Post-employment benefits (continued)

Defined contribution pension plans

The cost of the defined contribution pension plans is recorded based on the contributions in the current year and is included in salaries and benefits. For the year ended March 31, 2022, the expense was $13 million (2021 – $11 million).

Total cash payments

Total cash payments for post-employment benefits, consisting of cash contributed by FCC to its funded pension plans, cash payments directly to beneficiaries for its unfunded other benefit plans and cash contributed to its defined contribution pension plan, were $51 million (2021 – $43 million). During the year, solvency payments of $10 million (2021 – $9 million) were made to the defined benefit pension plan.

Total cash payments for post-employment benefits for 2023 are anticipated to be approximately $46 million.

13. Property and equipment

	Leasehold improvements	Office equipment and furniture	Computer equipment	Equipment under operating leases	Right-of-use assets[1]	Total[2]
Cost						
Balance as at March 31, 2020	$ 68,643	$ 28,638	$ 15,652	$ 129,991	$ 195,462	$ 438,386
Additions	2,981	2,165	2,969	–	11,719	19,834
Disposals	(331)	(558)	(1,511)	(35,043)	(3,016)	(40,459)
Balance as at March 31, 2021	71,293	30,245	17,110	94,948	204,165	417,761
Additions	1,796	1,380	3,717	–	8,340	15,233
Disposals	(2,326)	(993)	(1,442)	(39,458)	(834)	(45,053)
Transfer to assets held for sale (Note 6)	–	–	–	(55,490)	–	(55,490)
Balance as at March 31, 2022	**$ 70,763**	**$ 30,632**	**$ 19,385**	**$ –**	**$ 211,671**	**$ 332,451**
Accumulated depreciation						
Balance as at March 31, 2020	$ 48,128	$ 25,773	$ 12,185	$ 49,764	$ 15,342	$ 151,192
Depreciation	4,514	1,397	2,535	16,989	15,849	41,284
Disposals	(320)	(558)	(1,507)	(20,653)	–	(23,038)
Balance as at March 31, 2021	52,322	26,612	13,213	46,100	31,191	169,438
Depreciation	4,850	1,459	2,510	10,138	16,084	35,041
Disposals	(2,196)	(989)	(1,403)	(23,802)	–	(28,390)
Transfer to assets held for sale (Note 6)	–	–	–	(32,436)	–	(32,436)
Balance as at March 31, 2022	**$ 54,976**	**$ 27,082**	**$ 14,320**	**$ –**	**$ 47,275**	**$ 143,653**
Carrying value						
March 31, 2021	$ 18,971	$ 3,633	$ 3,897	$ 48,848	$ 172,974	$ 248,323
March 31, 2022	**15,787**	**3,550**	**5,065**	**–**	**164,396**	**188,798**

[1] FCC's Right-of-use assets portfolio consists of leased office space.

[2] The presentation of this note has changed from the previous year as a result of the reclassification described in Note 4b.

14. Intangible assets

		Internally developed		Purchased		Total
Cost						
Balance as at March 31, 2020	$	106,146	$	8,201	$	114,347
Additions		3,131		–		3,131
Disposals		(30,751)		(572)		(31,323)
Balance as at March 31, 2021		78,526		7,629		86,155
Additions		3,012		12		3,024
Disposals		(4,049)		(63)		(4,112)
Balance as at March 31, 2022	**$**	**77,489**	**$**	**7,578**	**$**	**85,067**
Accumulated amortization						
Balance as at March 31, 2020	$	75,186	$	7,625	$	82,811
Amortization		14,387		268		14,655
Disposals		(30,729)		(572)		(31,301)
Balance as at March 31, 2021		58,844		7,321		66,165
Amortization		10,187		159		10,346
Disposals		(4,049)		(63)		(4,112)
Balance as at March 31, 2022	**$**	**64,982**	**$**	**7,417**	**$**	**72,399**
Carrying value						
March 31, 2021	$	19,682	$	308	$	19,990
March 31, 2022		**12,507**		**161**		**12,668**

Intangible assets are made up of computer software. Research and development costs related to internally developed computer software in the amount of $22 million (2021 – $19 million) have been included within facilities, software and equipment expenses.

15. Borrowings

Short-term debt

As at March 31	2022	2021
Government of Canada debt		
Floating-rate borrowings	**$ 915,105**	$ 4,695,209
Fixed-rate borrowings	**6,489,070**	7,003,080
	7,404,175	11,698,289
Capital markets debt		
USD fixed-rate promissory notes[1]	**673,439**	563,342
Retail and institutional fixed-rate notes	**–**	288,522
	673,439	851,864
	$ 8,077,614	$ 12,550,153

[1] $539 million USD (2021 – $448 million USD)

Short-term debt by maturity date

As at March 31	2022				
	Government of Canada		**Capital markets**		
	Carrying value	**Yield**	**Carrying value**	**Yield**	**Total**
From 0 – 3 months	**$ 1,962,493**	**0.52%**	**$ 673,439**	**0.27%**	**$ 2,635,932**
From 4 – 6 months	**1,922,592**	**0.71%**	**–**	**–**	**1,922,592**
From 7 – 9 months	**1,834,487**	**0.88%**	**–**	**–**	**1,834,487**
From 10 – 12 months	**1,684,603**	**1.25%**	**–**	**–**	**1,684,603**
	$ 7,404,175		**$ 673,439**		**$ 8,077,614**

As at March 31	2021				
	Government of Canada		Capital markets		
	Carrying value	Yield	Carrying value	Yield	Total
From 0 – 3 months	$ 2,291,362	0.97%	$ 851,864	2.31%	$ 3,143,226
From 4 – 6 months	2,546,933	0.60%	–	–	2,546,933
From 7 – 9 months	3,839,006	0.42%	–	–	3,839,006
From 10 – 12 months	3,020,988	0.43%	–	–	3,020,988
	$ 11,698,289		$ 851,864		$ 12,550,153

15. Borrowings (continued)

Short-term debt continuity

As at March 31	2022	2021
Short-term debt, beginning of year	**$ 12,550,153**	$ 9,952,320
Financing cash flows		
Debt issued	**12,629,821**	11,891,716
Debt repaid	**(12,397,247)**	(12,370,841)
Non-cash changes		
Change in short-term portion of long-term debt	**(4,699,921)**	3,087,886
Change in interest accrual	**1,869**	(10,912)
Change due to unrealized foreign exchange gain	**(7,061)**	(16)
Short-term debt, end of year	**$ 8,077,614**	$ 12,550,153

FCC has a demand operating line of credit that provides overdraft protection in the amount of $75 million (2021 – $30 million). Indebtedness under this agreement is unsecured and this credit facility does not expire. Any draws made throughout the year on this credit facility are repaid the next day. As at March 31, 2022, there were no draws on this credit facility (2021 – $nil).

Long-term debt

As at March 31	2022	2021
Government of Canada debt		
Floating-rate borrowings	**$ 15,282,177**	$ 11,610,371
Fixed-rate borrowings	**14,824,493**	11,094,291
	$ 30,106,670	$ 22,704,662

15. Borrowings (continued)

Long-term debt by maturity date

As at March 31	2022	
	Government of Canada	
	Carrying value	Yield
From 1 – 2 years	**$ 4,890,615**	**0.92%**
From 2 – 3 years	**4,193,587**	**1.05%**
From 3 – 4 years	**4,001,935**	**0.64%**
From 4 – 5 years	**3,113,035**	**1.15%**
Over 5 years	**13,907,498**	**0.61%**
	$ 30,106,670	

As at March 31	2021	
	Government of Canada	
	Carrying value	Yield
From 1 – 2 years	$ 5,741,911	0.62%
From 2 – 3 years	3,397,911	0.64%
From 3 – 4 years	3,642,180	0.91%
From 4 – 5 years	2,670,147	0.23%
Over 5 years	7,252,513	0.51%
	$ 22,704,662	

Long-term debt continuity

As at March 31	2022	2021
Long-term debt, beginning of year	**$ 22,704,662**	$ 23,607,441
Financing cash flows		
Debt issued	**14,490,000**	9,282,000
Debt repaid	**(11,785,856)**	(7,081,365)
Non-cash changes		
Change in short-term portion of long-term debt	**4,699,921**	(3,087,886)
Change in interest accrual	**(2,016)**	(14,891)
Other	**(41)**	(637)
Long-term debt, end of year	**$ 30,106,670**	$ 22,704,662

16. Lease liabilities

FCC's leasing portfolio consists of office space. Lease terms are negotiated on an individual basis and contain a range of terms and conditions. Lease terms[1] range from 3 to 20 years, including optional renewal periods.

As at March 31		2022		2021
Maturity analysis – contractual undiscounted cash flows				
Less than 1 year	**$**	**17,879**	$	17,724
From 1 – 5 years		**63,646**		65,093
Over 5 years		**102,078**		110,254
Total undiscounted lease liabilities	**$**	**183,603**	$	193,071
Lease liabilities on the balance sheet	**$**	**166,748**	$	174,492
Less: current portion of lease liabilities		**15,353**		15,077
Non-current portion of lease liabilities		**151,395**		159,415

Amounts recognized in net income

For the year ended March 31		2022		2021
Interest on lease liabilities	**$**	**2,676**	$	2,910
Variable lease payments not included in the measurement of lease liabilities		**4,853**		3,815

Amounts recognized in the statement of cash flows

For the year ended March 31		2022		2021
Interest on lease liabilities	**$**	**2,676**	$	2,910
Principal repayment of lease liabilities		**15,250**		14,563
Total cash outflow for leases	**$**	**17,926**	$	17,473

[1] Lease terms calculated from the later of the lease commencement date or IFRS 16 – Leases adoption date.

Future cash flows for leases not commenced to which the lessee is committed are $6 million (2021 – $3 million).

17. Net interest income

For the year ended March 31	2022	2021
Interest income		
Financial assets measured at amortized cost	$ 1,546,533	$ 1,521,719
Operating leases	12,478	19,349
Finance leases	5,630	5,700
Transfer of net realized gains on derivatives designated as cash flow hedges from AOCI to net income	1,489	19,748
Total interest income for financial instruments not at FVTPL	1,566,130	1,566,516
Investments at fair value	471	–
Derivative financial assets and liabilities at FVTPL – net	426	9,489
Total interest income	1,567,027	1,576,005
Interest expense		
Financial liabilities measured at amortized cost	213,273	258,341
Depreciation on equipment under operating leases	10,566	16,325
Interest on lease liabilities	2,676	2,910
Total interest expense	226,515	277,576
Net interest income	$ 1,340,512	$ 1,298,429

The total net fee income that was recognized immediately in net interest income arising from financial assets and liabilities not measured at FVTPL was $8 million (2021 – $18 million).

18. Administration expenses

For the year ended March 31	2022	2021 Restated (Note 4)
Salaries and benefits	$ 304,890	$ 284,479
Professional fees	71,135	64,230
Facilities, software and equipment	67,474	59,265
Amortization and depreciation	35,250	38,952
Marketing and promotion	12,670	12,792
Travel and training	6,769	4,306
Other	9,739	8,893
	$ 507,927	$ 472,917

19. Fair value of financial instruments

Financial instruments carried at fair value

FCC follows a three-level fair value hierarchy to categorize the inputs used to measure fair value. Level 1 is based on quoted prices in active markets, Level 2 incorporates models using inputs other than quoted prices and Level 3 incorporates models using inputs that are not based on observable market data. Details of the valuation methodologies applied and assumptions used in determining fair value are provided in Note 2.

Valuation hierarchy

The following table categorizes the level of inputs used in the valuation of financial instruments carried at fair value:

As at March 31		2022			2021	
	Level 2	**Level 3**	**Total**	Level 2	Level 3	Total
Assets						
Derivative financial assets	**$ –**	**$ –**	**$ –**	$ 4,781	$ –	$ 4,781
Investments at fair value	**–**	**56,063**	**56,063**	–	28,398	28,398
	$ –	**$ 56,063**	**$ 56,063**	$ 4,781	$ 28,398	$ 33,179
Liabilities						
Derivative financial liabilities	**$ 32**	**$ –**	**$ 32**	$ 322	$ –	$ 322
	$ 32	**$ –**	**$ 32**	$ 322	$ –	$ 322

Changes in valuation methods may result in transfers into or out of levels 1, 2 and 3. For the year ended March 31, 2022, there were no transfers between levels (2021 – $nil).

Level 3 financial instruments

The following table summarizes the changes in the Level 3 valuation hierarchy for investments at fair value that occurred during the year:

As at March 31	**2022**	2021
Balance, beginning of year	**$ 28,398**	$ 2,718
Acquisitions	**18,507**	25,680
Net fair value gains	**9,158**	–
Balance, end of year	**$ 56,063**	$ 28,398

19. Fair value of financial instruments (continued)

Financial instruments not carried at fair value

The estimated fair value of FCC's financial instruments that do not approximate carrying values in the financial statements, using the methods and assumptions described below, are as follows:

As at March 31	**2022**		2021	
	Carrying value	**Estimated fair value**	Carrying value	Estimated fair value
Assets				
Short-term investments	**$ 583,343**	**$ 582,460**	$ 732,702	$ 731,103
Loans receivable	**44,379,503**	**43,677,354**	41,128,445	41,493,721
Finance leases receivable	**–**	**–**	141,053	141,338
Liabilities				
Long-term debt	**30,106,670**	**29,437,770**	22,704,662	22,764,006

Financial instruments not carried at fair value as noted in the above table use Level 2 and Level 3 inputs in determining estimated fair value.

The estimated fair value of short-term investments is calculated by discounting contractual cash flows at interest rates prevailing at the reporting date for equivalent securities.

The estimated fair value for the performing fixed-rate loans receivable is calculated by discounting the expected future cash flows at year-end market interest rates for equivalent terms to maturity. The estimated fair value for the performing variable-rate loans receivable approximates the carrying value due to having fluctuating interest rates that directly correspond to changes in the prime interest rate, on which the fair value is based. The collective allowance for credit losses related to loans receivable is subtracted from the estimated fair value of the performing loans receivable. The estimated fair value of the impaired loans receivable is equal to its net realizable value, which is calculated by subtracting the individual allowance for credit losses from the book value of the impaired loans receivable.

The estimated fair value for the finance leases receivable is calculated by discounting the expected future cash flows at year-end market interest rates for equivalent terms to maturity. The collective allowance for credit losses related to finance leases is subtracted from the estimated fair value of the finance leases receivable.

The estimated fair value for long-term debt is calculated by discounting contractual cash flows at interest rates prevailing at year-end for equivalent terms to maturity.

For all other financial instruments carried at amortized cost using the effective interest method, the carrying value approximates fair value due to the relatively short period to maturity of these instruments or because they are already at discounted values. This applies to FCC's cash equivalents, accounts receivable, other loans receivable, assets held for sale, other assets (excluding the insurance reserve asset), accounts payable and accrued liabilities, short-term debt, transition loan liabilities and other liabilities.

20. Operating lease arrangements

Operating leases as a lessor

Operating leases consisted of agricultural equipment leased to customers under non-cancellable operating lease agreements. The initial lease terms of operating leases ranged from three to six years.

The future minimum lease payments were receivable as follows:

As at March 31	**2022**	2021
Amounts due		
Less than 1 year	**$ –**	$ 11,601
From 1 – 2 years	**–**	7,053
From 2 – 3 years	**–**	1,017
From 3 – 4 years	**–**	7
	$ –	$ 19,678

As of March 31, 2022, operating lease balances were transferred to assets held for sale as detailed in Note 6.

21. Commitments, guarantees and contingent liabilities

Loan and lease commitments

As at March 31, 2022, loans approved but undisbursed amounted to $10,447 million (2021 – $9,904 million). These loans do not form part of the loans receivable balance until disbursed. As many of these loan approvals will expire or terminate without being drawn upon, the contract amounts do not necessarily represent future cash requirements. As at March 31, 2022, finance leases approved but undisbursed amounted to $nil (2021 – $11 million). These commitments do not generate liquidity risk to FCC because it has sufficient funds available from the Government of Canada through the Crown Borrowing Program to meet its future cash requirements.

Investment in associates

As at March 31, 2022, FCC had committed to invest an additional $82 million (2021 – $45 million) in investments in associates.

Capital commitments

As at March 31, 2022, capital expenditures contracted for property and equipment but not yet incurred were $2 million (2021 – $2 million).

Operating commitments

Future minimum payments by fiscal year on software and other operating expenditure commitments are due as follows:

As at March 31	**2022**	2021
Amounts due		
Less than 1 year	**$ 22,501**	$ 16,409
From 1 – 5 years	**37,619**	41,301
Over 5 years	**53,872**	62,006
	$ 113,992	$ 119,716

21. Commitments, guarantees and contingent liabilities (continued)

Guarantees

In the normal course of its business, FCC issues guarantees in the form of letters of credit that represent an obligation to make payments to third parties on behalf of its customers if customers are unable to make the required payments or meet other contractual obligations. The maximum amount potentially payable as at March 31, 2022, is $6 million (2021 – $7 million). In the event of a call on these letters of credit, FCC has recourse in the form of security against its customers for amounts to be paid to the third party. Existing guarantees will expire within three years, usually without being drawn upon. No amount has been recorded for these letters of credit as at March 31, 2022 (2021 – $nil).

Contingent liabilities and provisions

Various legal proceedings arising from the normal course of business are pending against FCC. Management does not believe that liabilities arising from pending litigations will have a material adverse effect on the financial position or the results of operations of FCC, therefore, no amount has been included in the financial statements as at March 31, 2022 (2021 – $nil) for these contingent liabilities.

In the normal course of operations, FCC enters into agreements that provide general indemnification. These indemnifications typically occur in service contracts and strategic alliance agreements and, in certain circumstances, may require that FCC compensates the counterparty to the agreement for various costs resulting from breaches of representations or obligations. FCC also indemnifies directors, officers and employees, to the extent permitted by law and FCC's governing legislation, against certain claims that may be made against them as a result of their being directors, officers or employees. The terms of these indemnifications vary, therefore, FCC is unable to determine a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. Historically, FCC has not made any payments under such indemnifications and contingencies. No amount has been included in the financial statements as at March 31, 2022 (2021 – $nil) for these indemnifications and contingencies.

22. Related party transactions

FCC is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations.

FCC is related to Forage Subordinated Debt Fund II, Forage Subordinated Debt Fund III and Forage Capital – Ag & Food Business Solutions Fund Limited Partnership. They are limited partnerships for which FCC holds 99% (2021 – 99%), 99% (2021 – 99%) and 99% (2021 – 100%) of the partnership units, respectively. These funds are all consolidated funds as described in Note 2. All transactions between FCC and the consolidated funds have been eliminated on consolidation and, as such, are not disclosed as related party transactions.

FCC is related to the equity funds, which are venture capital limited partnerships where FCC exerts significant influence over operating, investing and financing decisions.

Other related parties of FCC are key management personnel, close family members of key management personnel and entities that are controlled, significantly influenced by, or for which significant voting power is held by key management personnel or their close family members, and post-employment benefit plans for the benefit of FCC's employees.

Transactions with these entities were entered into in the normal course of business and are measured according to the relevant IFRS standard applicable to the transaction.

22. Related party transactions (continued)

Transactions with the Government of Canada

The Government of Canada guarantees the borrowings of FCC.

FCC enters into short and long-term borrowings with the Government of Canada through the Crown Borrowing Program. For the year ended March 31, 2022, $207 million (2021 – $240 million) was recorded in interest expense relating to these borrowings.

FCC has $nil (2021 – $46 million) short-term investments with the Government of Canada. In the prior year, these investments were included in cash and cash equivalents because they had a maturity date of less than 90 days.

FCC receives government assistance from the HILLRP to share the credit losses on certain loans with the Government of Canada. The amount estimated to be returned to the Government of Canada is $13 million (2021 – $16 million) and is included in borrowings.

At the discretion of the Board, FCC may pay a dividend to the Government of Canada on an annual basis, as detailed in Note 23.

Key management personnel compensation

Key management personnel include directors and members of the Enterprise Management Team. Close family members of key management personnel are considered related parties and have been included in the amounts disclosed below.

The compensation paid by FCC during the year to key management personnel for services rendered is as follows:

For the year ended March 31		**2022**		2021
Salaries and other short-term employee benefits	**$**	**3,681**	$	3,995
Post-employment benefits		**723**		968
Board retainers and per diems		**335**		208
Total	**$**	**4,739**	$	5,171

23. Capital management

FCC manages capital in compliance with its Board-approved Capital Management policy. The Capital Management policy and supporting framework outline FCC’s approach to assessing capital requirements for risks identified through its enterprise risk management framework and policy. The objective of the Capital Management policy and supporting framework is to maintain a sound capital position to withstand economic downturns and periods of extended loss, and to support FCC’s strategic direction. This will allow FCC to continue to serve the industry through all economic cycles.

Although not formally regulated, FCC manages its capital using a total capital ratio, dividing total capital by risk-weighted assets, as defined by the Capital Adequacy Requirements (CAR) guideline issued by the Office of the Superintendent of Financial Institutions (OSFI). This total capital ratio is then compared to the minimum capital requirements established by CAR and FCC’s target capital ratio established through its Internal Capital Adequacy Assessment Process.

FCC’s total capital consists of retained earnings, contributed capital, and AOCI, and is net of required regulatory adjustments as outlined in the CAR guideline. Applicable adjustments include the exclusion of intangible assets and post-employment benefit assets. All of FCC’s capital is considered Common Equity Tier 1 (CET1) capital, therefore, total capital and CET1 capital are equivalent.

As at March 31, 2022 and 2021, FCC’s total capital ratio was greater than both the minimum regulatory capital ratio and the target capital ratio, and therefore adequately capitalized in accordance with OSFI’s CAR guideline and FCC’s Internal Capital Adequacy Assessment Process.

As at March 31	**2022**	2021 Restated (Note 4a)
Capital		
Retained earnings	**$ 8,076,280**	$ 7,537,566
Contributed capital	**500,000**	500,000
AOCI	**–**	1,489
Required regulatory adjustments:		
Accumulated net gains on derivatives designated as cash flow hedges	**–**	(1,489)
Intangible assets	**(12,668)**	(19,990)
Post-employment benefit assets	**(293,543)**	(143,886)
CET1/Total capital	**$ 8,270,069**	$ 7,873,690
Risk-weighted assets		
Credit risk-weighted assets	**$ 46,304,780**	$ 43,004,293
Operational risk-weighted assets	**2,358,970**	2,243,257
Total risk-weighted assets	**$ 48,663,750**	$ 45,247,550
Total capital ratio	**17.0 %**	17.4 %
Target capital ratio	**15.0 %**	15.0 %
Minimum regulatory capital ratio	**10.5 %**	10.5 %

23. Capital management (continued)

Debt-to-equity

FCC's only statutory limit, as prescribed by the Farm Credit Canada Act, requires that FCC's total direct and contingent liabilities not exceed 12 times equity. As at March 31, 2022, FCC's total direct and contingent liabilities were 4.51 times the shareholder's equity, excluding AOCI (restated 2021 – 4.46 times the shareholder's equity, excluding AOCI).

Contributed capital

FCC's contributed capital consists of capital contributions made by the Government of Canada. No additional capital contributions were received during the fiscal year from the Government of Canada, maintaining the contributed capital balance at $500 million on March 31, 2022 (2021 – $500 million).

Dividend

For the year ended March 31, 2022, a dividend of $560 million was declared to FCC's shareholder, the Government of Canada, which was paid out of retained earnings (2021 – $nil).

24. Risk management

Financial risk management

FCC has identified the major categories of financial risk to which it is exposed as credit risk, market risk and liquidity risk.

a) Credit risk
Credit risk is the potential for financial loss due to the failure of a borrower or other counterparty to repay a loan or meet financial obligations to FCC. Credit risk on loans and leases receivable is the most significant risk that FCC faces, although credit risk also exists on investments and derivative financial instruments.

Management of credit risk
The Board is responsible for approving FCC's Credit Risk Management policy and relies on several committees, divisions and business units to effectively manage credit risk.

Measurement of credit risk
The Risk Management division assesses credit risk at the aggregate level, providing detailed credit policies, assessment tools and models that quantify credit risk, allowance for credit losses and capital requirements. It also monitors the agriculture and agri-food operating environments to ensure FCC's lending policies, activities and prices are appropriate and relevant.

Policies, processes, systems and strategies are used to manage the credit risk of FCC's portfolio.

Significant research, modelling, validation and interpretation are used to develop the risk metrics for each tool as follows:

Risk scoring and pricing system
The risk scoring and pricing system (RSPS) is used to rank risk for loans in FCC's portfolio. Risk ranking is based on customer, loan and sector characteristics that model a risk score. Each score translates into a probability of default. The higher the score, the lower the probability of default. RSPS is also used to price loans. RSPS scores are based on inputs that are categorized under four main themes:

- customer credit rating and historical payment performance
- customer financial ratios
- customer business experience
- customer primary sector

RSPS weights each characteristic differently to arrive at the final RSPS score. These weightings are based on FCC's historical experience and are set with the objective to maximize the system's ability to predict probability of default.

24. Risk management (continued)

Credit risk category	PD range
Investment grade	0.00% – 0.54%
Non-investment grade	0.55% – 26.12%
Watch list	26.13% – 99.99%
Default	100%

Allowance for credit losses model

The allowance for credit losses model estimates expected losses in the portfolio due to credit risk. In determining the allowance for credit losses, management segregates credit losses into three stages as described in Note 2.

For all stages of the allowance for credit losses model, the model considers the collateral position as well as customer, loan and collateral characteristics to estimate the appropriate amount of allowance.

Key macroeconomic variables

The measurement of expected credit losses for each stage of the allowance for credit losses and the assessment of SICR considers information about reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

The allowance for credit losses on performing loans is sensitive to changes in both economic forecasts and the probability weight assigned to each forecast scenario. The allowance for credit losses has three probability-weighted scenarios: baseline, optimistic and pessimistic. The weighting applied to each scenario can be adjusted using management discretion to reflect changes in the macroeconomic environment that are not captured by the models. Many of the factors have a high degree of interdependency and there is no single factor to which the allowance for credit losses on loans is sensitive.

The following table shows the primary macroeconomic variables used in the impairment model to estimate the allowance for credit losses on performing loans during the forecast period. The base case scenario is based on forecasts of the expected rate or yield for each of the macroeconomic variables identified below. Scenarios are set by adjusting expectations of agricultural output based on historically optimistic and pessimistic growth in Canadian farmland values.

	2022	
As at March 31	**Next 12 months**	**2 to 5 years**
Macroeconomic variables		
Real gross domestic product	**7.3%**	**4.2%**
USD/CAD exchange rates	**$ 0.80**	**$ 0.83**
Interest rates		
- Bank	**0.90%**	**2.50%**
- 5-year	**4.30%**	**5.30%**

As at March 31, 2022, the impact of weighting the multiple scenarios increased FCC's allowance for credit losses on performing loans, relative to the base case scenario, by $13 million. If all of FCC's performing loans were in Stage 1, the impairment model would generate an allowance for credit losses on performing loans of approximately $79 million. If all of FCC's performing loans were in Stage 2, the impairment model would generate an allowance for credit losses on performing loans of approximately $163 million. The allowance for credit losses for all loans in Stage 1 and Stage 2 ranges from approximately $51 million to $108 million under the most optimistic and pessimistic scenarios. These values are components of FCC's weighted-allowance calculation used for the financial statements.

24. Risk management (continued)

Collateral

FCC mitigates its credit risk through collateral. FCC monitors the portfolio by reviewing the loan-to-security ratio, both on an overall portfolio basis and by sector. Upon initial recognition of a loan, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market prices or indexes of similar assets. The form of collateral obtained is generally real estate, quota or equipment, depending on the purpose of the loan. As at March 31, 2022, the collateral held against total gross impaired loans represents 91.5% (2021 – 83.1%) of total gross impaired loans.

Macro measures that demonstrate the health of the portfolio are as follows:

As at March 31	2022	2021
Weighted-average loan-to-security ratio for secured loans	**50.7%**	50.6%
Loans secured by a general security agreement and unsecured loans as a percentage of loans receivable	**5.5%**	5.5%

Loan commitments

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. FCC is potentially exposed to loss in an amount equal to the total unused commitments. See Note 21 for further details regarding FCC's loan commitments. To mitigate risk, unused commitments are included as input into FCC's capital requirement calculations.

Maximum exposure to credit risk before collateral held or other credit enhancements

As at March 31	2022	2021
On balance sheet		
Cash and cash equivalents	**$ 1,439,109**	$ 1,251,093
Short-term investments	**584,397**	732,702
Accounts receivable	**25,369**	27,455
Derivative financial assets	**–**	4,781
Loans receivable	**44,534,389**	41,392,037
Finance leases receivable	**–**	155,657
Other loans receivable	**54,215**	61,056
Assets held for sale	**185,761**	–
Investments at fair value	**56,063**	28,398
Investment in associates	**49,424**	57,839
Other assets	**5,824**	6,165
	46,934,551	43,717,183
Off balance sheet		
Financial guarantees	**6,141**	6,769
Loan and lease commitments	**10,447,254**	9,914,953
Operating lease receivable	**–**	19,678
Investment in associates' commitments	**82,310**	44,930
	10,535,705	9,986,330
Total maximum exposure to credit risk	**$ 57,470,256**	$ 53,703,513

The preceding table represents a worst-case scenario of credit risk exposure to FCC at the end of the year, without considering any collateral held or other credit enhancements attached. For balance sheet assets, the exposure is based on carrying values as reported on the Consolidated Balance Sheet. For off balance sheet items, the exposure is based on the maximum amount that FCC would have to pay if the item were called upon.

24. Risk management (continued)

Exposure to credit risk by credit risk rating grades

As at March 31	Stage 1	Stage 2	Stage 3	2022 Total
On balance sheet:				
Loans receivable				
Investment grade	$ 15,778,529	$ 514,908	$ –	$ 16,293,437
Non-investment grade	15,523,988	10,175,738	11,099	25,710,825
Watch list	17,082	163,501	–	180,583
Default	–	192,284	365,078	557,362
Unassigned credit risk rating[1]	1,484,975	243,395	18,560	1,746,930
Loans receivable – total	32,804,574	11,289,826	394,737	44,489,137
Allowance for credit losses	(45,027)	(31,399)	(33,208)	(109,634)
Loans receivable – net	$ 32,759,547	$ 11,258,427	$ 361,529	$ 44,379,503
Other loans receivable				
Medium risk	$ 34,336	$ –	$ –	$ 34,336
High risk	–	19,838	41	19,879
Other loans receivable – gross	34,336	19,838	41	54,215
Allowance for credit losses	(480)	(3,251)	(41)	(3,772)
Other loans receivable – net	$ 33,856	$ 16,587	$ –	$ 50,443
Off balance sheet:				
Loan commitments				
Investment grade	$ 3,252,271	$ 58,386	$ –	$ 3,310,657
Non-investment grade	2,608,645	972,053	–	3,580,698
Watch list	348	2,340	–	2,688
Default	–	2,147	8,017	10,164
Unassigned credit risk rating[1]	3,459,756	83,265	24	3,543,045
Loan commitments – gross[2]	$ 9,321,020	$ 1,118,191	$ 8,041	$ 10,447,252

[1] For these loans and loan commitments, expected credit losses are measured on a collective basis so individual loans and loan commitments are not assigned credit risk ratings.

[2] Allowance for loan commitments is included in the allowance for credit losses on loans receivable.

The preceding table provides the gross carrying amount of loans receivable and loan commitments by credit risk rating grade and allowance stage based on FCC's internal credit risk ratings.

24. Risk management (continued)

Exposure to credit risk by credit risk rating grades

As at March 31	Stage 1	Stage 2	Stage 3	2021 Total
On balance sheet:				
Loans receivable				
Investment grade	$ 12,956,101	$ 1,439,762	$ –	$ 14,395,863
Non-investment grade	11,830,640	12,897,937	13,570	24,742,147
Watch list	18,968	196,705	145	215,818
Default	–	124,652	264,492	389,144
Unassigned credit risk rating[1]	1,363,802	211,928	27,780	1,603,510
Loans receivable – total	26,169,511	14,870,984	305,987	41,346,482
Allowance for credit losses	(44,553)	(122,111)	(51,373)	(218,037)
Loans receivable – net	$ 26,124,958	$ 14,748,873	$ 254,614	$ 41,128,445
Other loans receivable				
Low risk	$ 24,481	$ –	$ –	$ 24,481
Medium risk	35,534	–	–	35,534
High risk	–	–	1,041	1,041
Other loans receivable – gross	60,015	–	1,041	61,056
Allowance for credit losses	(702)	–	(1,041)	(1,743)
Other loans receivable – net	$ 59,313	$ –	$ –	$ 59,313
Off balance sheet:				
Loan commitments				
Investment grade	$ 2,848,017	$ 160,177	$ –	$ 3,008,194
Non-investment grade	2,204,583	1,241,403	–	3,445,986
Watch list	1,305	5,768	–	7,073
Default	–	6,886	1,975	8,861
Unassigned credit risk rating[1]	3,335,727	95,050	2,792	3,433,569
Loan commitments – gross[2]	$ 8,389,632	$ 1,509,284	$ 4,767	$ 9,903,683

[1] For these loans and loan commitments, expected credit losses are measured on a collective basis so individual loans and loan commitments are not assigned credit risk ratings.

[2] Allowance for loan commitments is included in the allowance for credit losses on loans receivable.

The preceding table provides the gross carrying amount of loans receivable and loan commitments by credit risk rating grade and allowance stage based on FCC's internal credit risk ratings.

24. Risk management (continued)

Loans receivable

Loans receivable past due but not credit-impaired

A loan is considered past due when a customer has not made a payment by the contractual due date. Loans less than 90 consecutive days past due are not considered credit-impaired unless other information is available to the contrary. As well, loans past due are not considered credit-impaired if they are sufficiently secured and collection efforts are reasonably expected to result in full repayment. The longer the loan is past due and interest continues to accrue, the greater the risk the recoverable amount from the security value is less than the carrying value of the loan. Gross amounts of loans that were past due but not credit-impaired were as follows:

As at March 31	**2022**	2021
Past due but not credit-impaired		
Up to 30 days	**$ 141,039**	$ 132,433
31 – 60 days	**46,604**	48,224
61 – 89 days	**18,950**	12,879
90 days or more	**88,665**	101,935
	$ 295,258	$ 295,471

Loan modifications and customer relief programs

As part of FCC's usual lending business, the contractual terms of loans are modified from time to time for various reasons, including financial difficulty of the borrower and borrower preference. In addition, FCC established relief programs to help customers experiencing financial difficulty caused by the pandemic and adverse weather, primarily through payment deferrals.

The net carrying value of loans with lifetime allowance for credit losses modified during the year ended March 31, 2022, was $nil (2021 – $4,214 million), including modifications for pandemic-related payment deferrals of $nil (2021 – $2,808 million). Modification losses of $nil were recorded against interest income (2021 – $7 million). As at March 31, 2022, the gross carrying value of loans modified during the year with lifetime allowance for credit losses that had changed to 12-month credit losses was $nil (2021 – $407 million).

Counterparty credit risk – derivatives and short-term investments

Credit risk arises from the potential for a counterparty to default on a contractual obligation to FCC. To mitigate this risk, FCC complies with the guidelines issued by the Minister of Finance by entering into derivatives with counterparties of high credit quality only, as determined by the published ratings of external credit rating agencies.

In the normal course of business, FCC receives collateral on certain transactions to reduce its exposure to counterparty credit risk. FCC is normally permitted to sell, dispose, invest or re-pledge the collateral it receives under terms that are common and customary to standard derivative activities.

The counterparty derivative obligation may arise when market-related currency and interest factors change, resulting in unrealized gains to FCC. These unrealized gains result in positive fair values for these derivative financial instruments. FCC is not exposed to credit risk for the full notional amount of the derivative contracts, but only to the potential replacement cost if the counterparty defaults. Furthermore, standard credit mitigation via master netting agreements provided in the International Swap and Derivatives Association (ISDA) documentation provide for the simultaneous closeout and netting of positions with a counterparty in the event of default. The master netting arrangements do not meet the criteria for offsetting in the Consolidated Balance Sheet. This is because they create a right of set-off of recognized amounts that is enforceable only following an event of default of the counterparty. In addition, FCC and its counterparties do not intend to settle on a net basis or to realize the assets and settle liabilities simultaneously. Credit Support Annex (CSA) documentation is also in place with most of FCC's counterparties. These agreements are addendums to existing ISDA documentation and further specify the conditions for providing FCC with collateral in the event the counterparty credit exposure exceeds an agreed threshold. For derivative transactions where a CSA is in place, the counterparty must have a minimum long-term credit rating of A- from two or more external credit rating agencies (S&P, Moody's or DBRS). See Note 7 for the quantification of counterparty credit risk.

24. Risk management (continued)

Short-term investments are permitted with government counterparties. These investments are limited to a term to maturity equal to or less than one year and must have a minimum long-term credit rating of A low/A3/A- from two or more external credit rating agencies. FCC also has cash equivalents that are permitted with schedule 1 and 2 banks. These investments are limited to a term to maturity equal to or less than 90 days and must have a minimum short-term credit rating of A1-/R1-low/P-1 from two or more external credit rating agencies. The actual credit ratings will determine the maximum face amount of investments per counterparty. As at March 31, 2022, the largest total investment in any one counterparty was $178 million (2021 – $308 million).

FCC reviews credit ratings and the financial performance of counterparties regularly and has controls in place to manage counterparty risk.

Credit quality

The following table presents the credit quality of FCC's cash equivalents and short-term investments as rated by S&P:

As at March 31	**2022**		2021	
	Cash equivalents	**Short–term investments**	Cash equivalents	Short–term investments
Government and government guaranteed				
AAA	**$ –**	**$ –**	$ 46,000	$ 308,841
AA+	**–**	**59,960**	–	–
AA	**–**	**69,813**	–	55,975
AA-	**–**	**166,662**	–	212,081
A+	**–**	**129,230**	8,899	155,805
A	**103,941**	**158,732**	–	–
	103,941	**584,397**	54,899	732,702
Schedule 1 banks				
A-1	**39,999**	**–**	–	–
	39,999	**–**	–	–
	$ 143,940	**$ 584,397**	$ 54,899	$ 732,702

Other loans receivable

FCC is exposed to credit risk through its Forage Subordinated Debt Fund arrangements. FCC manages credit risk through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and by conducting activities in accordance with each fund's Limited Partnership Agreement. The investment managers monitor and report on the financial condition of investee companies regularly.

b) Market risk

Market risk is the potential for loss due to adverse changes in underlying market factors, such as interest rates and foreign exchange rates.

The Board is responsible for approving FCC's Market and Liquidity Risk Management policy and relies on several committees, divisions and business units to effectively manage market risk. The market risk policies and limits ensure exposures to interest rate and foreign exchange risks are identified, measured, managed and reported on a timely basis. FCC's policies and processes are based on industry best practices and the Minister of Finance's Financial Risk Management Guidelines for Crown Corporations.

24. Risk management (continued)

Interest rate risk
Interest rate risk is the risk that a change in interest rates adversely affects FCC's net interest income and fair value measurements. Interest rate risk arises from interest rate mismatches between assets and liabilities and embedded options. Interest rate mismatches occur because of different maturity and repricing dates, residual assets funded by equity and different interest rate benchmarks for some assets and liabilities. Embedded options exist on fixed-rate loans that have principal deferral options, prepayment features and interest rate guarantees on loan commitments.

Exposure to interest rate risk is monitored primarily through an asset and liability model. Various scenarios are produced at least monthly to analyze the sensitivity of net interest income and fair values to a change in interest rates and balance sheet assumptions. The asset and liability model is back-tested and validated to ensure the logic and assumptions used in the model are reasonable when compared to actual results.

Interest rate risk management uses defined limits based on the projected impact of a 2% immediate and sustained change in the level and term structure of interest rates. The defined limit for the variability of net interest income is that, for the next 12-month period, net interest income should not decline by more than 5%. The second defined limit is that the economic value of equity (EVE) should not decline by more than 10% of the total equity (excluding AOCI) for a 2% change in interest rates. Based on FCC's financial position and assuming an immediate and sustained 2% change in interest rates occurs across all maturities and curves, net interest income and the EVE would be affected over the next 12 months as follows:

	2022 Impact of		2021 Impact of	
	2% increase	**2% decrease**	2% increase	2% decrease
Projected net interest income variability	**$ 27,500**	**$ (30,500)**	$ 35,400	$ (44,200)
Limit	**(71,900)**	**(71,900)**	(70,100)	(70,100)
EVE variability	**(363,600)**	**343,400**	(307,200)	241,000
Limit	**(807,628)**	**(807,628)**	(801,174)	(801,174)

24. Risk management (continued)

The following table summarizes FCC's interest rate risk based on the gap between the carrying value of assets and liabilities and equity, grouped by the earlier of contractual repricing or maturity dates and interest rate sensitivity. In the normal course of business, loan customers frequently prepay their loans in part or in full before the contractual maturity date.

As at March 31	Immediately rate-sensitive	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest sensitive	Total 2022	2021 Restated (Note 4a)
Assets								
Cash and cash equivalents	**$ 1,295,286**	**$ 143,823**	**$ –**	**$ –**	**$ –**	**$ –**	**$ 1,439,109**	$ 1,251,093
Yield	**0.95%**	**0.50%**	**–**	**–**	**–**	**–**	**–**	–
Short-term investments	**–**	**330,161**	**253,182**	**–**	**–**	**1,054**	**584,397**	732,702
Yield[1]	**–**	**0.27%**	**0.76%**	**–**	**–**	**–**	**–**	–
Derivative financial assets[2][3]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	4,781
Yield[1]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	–
Loans receivable	**14,462,955**	**2,165,290**	**5,363,779**	**17,218,876**	**4,914,954**	**253,649**	**44,379,503**	41,128,445
Yield[1]	**3.65%**	**4.17%**	**3.14%**	**3.53%**	**3.75%**	**–**	**–**	–
Finance leases receivable	**–**	**–**	**–**	**–**	**–**	**–**	**–**	141,053
Yield[1]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	–
Other loans receivable	**–**	**–**	**17,070**	**28,855**	**3,935**	**583**	**50,443**	59,313
Yield[1]	**–**	**–**	**9.30%**	**8.80%**	**9.25%**	**–**	**–**	–
Other	**–**	**–**	**–**	**–**	**–**	**830,571**	**830,571**	542,777
Total assets	**$ 15,758,241**	**$ 2,639,274**	**$ 5,634,031**	**$ 17,247,731**	**$ 4,918,889**	**$ 1,085,857**	**$ 47,284,023**	$ 43,860,164
Liabilities and equity								
Borrowings	**$ –**	**$ 18,810,008**	**$ 4,543,747**	**$ 10,865,000**	**$ 3,912,000**	**$ 53,529**	**$ 38,184,284**	$ 35,254,815
Yield[1]	**–**	**0.39%**	**1.04%**	**1.20%**	**1.21%**	**–**	**–**	–
Derivative financial liabilities[2][3]	**–**	**(12,496)**	**12,496**	**–**	**–**	**32**	**32**	322
Yield[1]	**–**	**0.44%**	**1.75%**	**–**	**–**	**–**	**–**	–
Other[4]	**–**	**–**	**–**	**–**	**–**	**523,427**	**523,427**	565,972
Shareholder's equity	**–**	**–**	**–**	**–**	**–**	**8,576,280**	**8,576,280**	8,039,055
Total liabilities and equity	**$ –**	**$ 18,797,512**	**$ 4,556,243**	**$ 10,865,000**	**$ 3,912,000**	**$ 9,153,268**	**$ 47,284,023**	$ 43,860,164
Total gap 2022	**$ 15,758,241**	**$ (16,158,238)**	**$ 1,077,788**	**$ 6,382,731**	**$ 1,006,889**	**$ (8,067,411)**	**$ –**	$ –
Total cumulative gap 2022	**$ 15,758,241**	**$ (399,997)**	**$ 677,791**	**$ 7,060,522**	**$ 8,067,411**	**$ –**	**$ –**	$ –
Total gap 2021	$ 16,445,538	$ (16,918,042)	$ 1,805,587	$ 6,653,284	$ (23,686)	$ (7,962,681)	$ –	$ –
Total cumulative gap 2021	$ 16,445,538	$ (472,504)	$ 1,333,083	$ 7,986,367	$ 7,962,681	$ –	$ –	$ –

(1) Represents the weighted-average effective yield based on the earlier of contractual repricing or maturity date.

(2) The notionals for derivatives with a positive fair value have been netted against derivatives with a negative fair value and are included with derivative financial assets.

(3) Represents notional principal amounts on derivatives, except for the non-interest sensitive amount.

(4) The prior year restatement relates to a $26 million reduction in post-employment benefit liabilities as discussed in Note 4a.

24. Risk management (continued)

Residual value risk
FCC, as a lessor, is exposed to residual value risk due to the risk of selling its leased equipment at the end of the lease term at an amount below the residual value. FCC manages its risk of the rights it retains in underlying assets by reviewing the residual values of its leased equipment on an annual basis to ensure they are within fair market value ranges and by entering agreements with third parties to either ensure its residual values are fully recovered or to sell the equipment on FCC's behalf at an amount approved by FCC.

Foreign exchange risk
FCC is exposed to foreign exchange risk due to differences in the amount and timing of foreign currency denominated asset and liability cash flows. The currency exposure is minimized by matching foreign currency loans against foreign currency funding. This risk cannot be perfectly hedged because the assets are amortizing loans and the liabilities are discount bonds, which creates timing mismatches for the principal and interest cash flows. However, FCC has determined that the residual risk is insignificant.

FCC mitigates foreign exchange risk through economic hedges. All foreign currency borrowings are fully hedged at the time of issuance unless the foreign currency denominated debt is used specifically to finance a like currency asset.

Foreign exchange gains in the year were $nil (2021 – $73 million). Foreign exchange losses in the year were $1 million (2021 – $76 million).

Derivatives
FCC uses derivatives to economically hedge interest rate and foreign exchange risk. Derivatives assist in altering the risk profile of the Consolidated Balance Sheet by reducing mismatches of assets and liabilities while ensuring interest rate risk and foreign exchange risk are managed within acceptable ranges.

Derivative transactions lead to net income volatility because the derivatives are recorded at fair value and this volatility may not be representative of the overall risk.

Post-employment benefits
FCC is exposed to significant financial risks through the registered pension plans' investments. These financial risks are managed by having an Investment policy that is approved annually by management and at a minimum every three years by the Board. The Investment policy provides guidelines to the registered pension plans' investment managers for the asset mix of the portfolio regarding quality and quantity of debt, equity and alternative investments. The asset mix helps reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. Investment risk is managed by diversification guidelines within the Investment policy.

The pension plans' assets are composed of Canadian Bonds that match a portion of the plans' assets to the plans' liabilities. The current target composition of the plans' portfolios includes an allocation of 19% of assets invested in Canadian Long Bonds, 6% in leveraged Canadian Long Bonds, 10% in Canadian Long-term Private Debt, and 20% in Real Return Bonds, which effectively increases the duration of the assets to better match the plans' liabilities. The Canadian Long Bonds have a duration of 15.3 years and the leveraged Canadian Long Bonds have a duration of 44.3 years. The Canadian Long-term Private Debt has a duration of 15.4 years and the Real Return Bonds have a duration of 31.6 years. Overall, the registered pension plans' assets are estimated to be 11.3 years while the liabilities are estimated to be 16.5 years. The supplemental pension plans' liabilities are estimated to be 16.1 years and the assets have no duration.

The pension plans' Funding policy is approved by the Board at a minimum every three years. The policy states two primary objectives, which are to fund the pension plans' benefits, measured on a going concern basis, and to provide adequate funding for future service benefits in accordance with the applicable law and plan text. With respect to the defined benefit provision, FCC will fund any going concern and solvency deficits over the statutory minimum and maintains discretion to make additional contributions at any time.

24. Risk management (continued)

The Pension Plan Governance policy is approved by the Board at a minimum every three years and outlines the governance structure and responsibilities with respect to the registered and supplemental pension plans for the Board, committees and management. The Pension Plan Governance Manual is approved annually by management and includes review and monitoring criteria for investment managers and third-party providers as well as guidelines for eligible fees and expenses. All fees and expenses paid from the plan are reviewed to ensure they are eligible based on the guidelines.

c) Liquidity risk
Liquidity risk is the risk that FCC has insufficient funds to meet payment obligations as they come due.

The Board is responsible for approving FCC's Market and Liquidity Risk Management policy and relies on several committees, divisions and business units to effectively manage liquidity risk. The liquidity risk policies and limits ensure FCC's objective to maintain sufficient funds to meet customer and business operational requirements is met. FCC's policies and processes are based on industry best practices and the Minister of Finance's Financial Risk Management Guidelines for Crown Corporations.

FCC measures, forecasts and manages cash flow as an integral part of its liquidity management. FCC's objective is to maintain sufficient funds to meet customer and business operational requirements should a market or operational event occur, disrupting FCC's access to funds. The total investment portfolio is targeted to be a minimum of 30 calendar days of upcoming cash requirements.

FCC maintains liquidity through:

- a liquid investment portfolio – cash and cash equivalents, and short-term investments of $2,024 million were on hand as at March 31, 2022 (2021 – $1,984 million)
- access to short-term funding – FCC's access to funding through the Crown Borrowing Program and capital markets provides FCC with sufficient liquidity to meet daily cash requirements
- access to a $75 million bank operating line of credit

The following table shows the undiscounted cash flows of FCC's financial liabilities based on their earliest possible contractual maturity. The gross nominal cash flows represent the contractual undiscounted cash flows relating to the principal and interest on the financial liability. FCC's expected cash flows on certain instruments vary significantly from this analysis. For example, certain borrowings that may be prepaid by FCC have not been included in their earliest possible maturities due to being impracticable to estimate.

24. Risk management (continued)

Residual contractual maturities of financial liabilities

As at March 31	2022						
	Carrying value	**Gross nominal outflow**	**Less than 1 month**	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**Over 5 years**
Non-derivative financial liabilities							
Accounts payable and accrued liabilities	**$ 84,274**	**$ 84,274**	**$ 38,209**	**$ 1,919**	**$ 44,146**	**$ –**	**$ –**
Borrowings	**38,184,284**	**38,184,281**	**1,318,299**	**1,347,928**	**5,448,008**	**16,173,046**	**13,897,000**
Transition loan liabilities	**173,652**	**175,689**	**11,735**	**23,703**	**43,453**	**96,798**	**–**
	38,442,210	**38,444,244**	**1,368,243**	**1,373,550**	**5,535,607**	**16,269,844**	**13,897,000**
Derivative financial liabilities	**32**	**32**	**3**	**–**	**29**	**–**	**–**
	$ 38,442,242	**$ 38,444,276**	**$ 1,368,246**	**$ 1,373,550**	**$ 5,535,636**	**$ 16,269,844**	**$ 13,897,000**

As at March 31	2021						
	Carrying value	Gross nominal outflow	Less than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years
Non-derivative financial liabilities[(1)]							
Accounts payable and accrued liabilities	$ 76,122	$ 76,122	$ 29,773	$ 1,261	$ 44,405	$ 683	$ –
Borrowings	35,254,815	35,254,702	1,510,422	1,657,892	9,409,789	15,444,599	7,232,000
Transition loan liabilities	191,563	194,159	16,137	18,900	42,509	116,545	68
	35,522,500	35,524,983	1,556,332	1,678,053	9,496,703	15,561,827	7,232,068
Derivative financial liabilities	322	322	4	–	–	318	–
	$ 35,522,822	$ 35,525,305	$ 1,556,336	$ 1,678,053	$ 9,496,703	$ 15,562,145	$ 7,232,068

(1) Other liabilities was removed to align with current year presentation.

25. Subsequent events

The Board approved the Consolidated Financial Statements on June 16, 2022. There was one subsequent event requiring disclosure within the Consolidated Financial Statements since March 31, 2022. As at May 17, 2022, the sale of the leasing portfolio was finalized between FCC and a financial services company. The leasing portfolio, currently classified as assets held for sale on the Consolidated Balance Sheet, will transfer to the financial services company as of July 5, 2022, for a price of net book value at closing and includes an impairment loss of $5 million (see Note 6).

Glossary

Agribusiness and agri-food
Suppliers or processors who sell to, buy from and otherwise serve primary producers. These include equipment manufacturers and dealers, input providers, wholesalers and processors.

Alliances
Relationships established by contract between FCC and other agriculture or financial organizations designed to pool talents and offer expanded customer services.

Allowance for credit losses
Management's best estimate of credit losses incurred on financial assets measured at amortized cost and loan commitments. Allowances are accounted for as deductions to financial assets on the balance sheet.

Capital adequacy
Capital adequacy measures supply of capital against demand for capital.

Counterparty
The other party involved in a financial transaction, typically another financial institution.

Counterparty credit risk
The risk that the counterparty will not be able to meet its financial obligations under the terms of the contract or transaction into which it has entered.

Credit facility
The credit limit over a group of loans and/or leases which share the same borrower(s), guarantor(s) and security.

Credit impaired loans
Loans where, in management's opinion, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. Any loan that is contractually 90 days past due or an amendment has been granted due to financial difficulty of the borrower that diminishes financial obligation is classified as credit-impaired unless the loan is sufficiently secured.

Credit rating
A classification of credit risk based on the investigation of an individual or company's financial resources, prior payment pattern and history of responsibility for debts incurred.

Crown Borrowing Program
Program allowing FCC to borrow funding directly from the federal government.

Customer support program
Plans developed to proactively assist customers who may experience loan repayment difficulties during downturns in a particular segment of the agriculture industry. Individual plans can include deferred payments or flexible repayment schedules for defined periods of time.

Debt-to-equity ratio
The level of debt expressed as dollars of debt per one dollar of total equity, excluding non-controlling interest.

Derivative financial instrument
A financial instrument where value is based on and derived from an underlying price, interest rate, exchange rate or price index. Use of derivatives allows for the transfer, modification or reduction of current or expected risks from changes in interest rates and foreign exchange rates. Types of derivative contracts may include interest rate swaps, interest rate options, currency swaps and forward contracts.

Economic value of equity (EVE)
The net present value of interest-bearing assets less liabilities. It is used to measure the sensitivity of FCC's net economic value to changes in interest rates.

Effective interest method
A method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period.

Efficiency ratio
A measure of how well resources are used to generate income calculated as administration expense as a percentage of revenue. Revenue is composed of net interest income, net insurance income and other income. This non-GAAP measure excludes net income (loss) from investment in associates and foreign exchange gain (loss).

Environmental, social and governance (ESG)
Encompasses a range of quantifiable, criteria-led metrics that matter to a company's stakeholders and are used to evaluate environmental and societal impact and performance as well as ensuring proper governance.

Fair value
The estimated price to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions.

Foreign exchange risk
The risk of financial loss due to adverse movements in foreign currencies.

Hedge
A risk management technique used to protect against adverse price, interest rate or foreign exchange movements through the elimination or reduction of exposures by establishing offsetting or risk-mitigating positions.

Interest rate swaps
Contractual agreements for specified parties to exchange interest payments for a specified period of time based on notional principal amounts.

Internal capital adequacy assessment process (ICAAP)

An end-to-end process designed to ensure FCC maintains a safe and sound capital position to support FCC's strategic direction and withstand economic downturn and periods of extended loss.

Minimum regulatory capital ratio

The minimum level of capital, as a percentage of risk-weighted assets, which is prescribed by regulations issued by the Office of the Superintendent of Financial Institutions (OSFI).

Net interest income (NII)

The difference between the interest earned on assets, such as loans and securities, and interest expense on borrowings.

Net interest income margin

NII expressed as a percentage of average earning assets.

Notional amount

The amount considered as principal when calculating interest and other payments for derivative contracts. This amount traditionally does not change hands under the terms of the derivative contract.

Other comprehensive income (OCI)

Represents gains and losses due to changes in fair value that are recorded outside net income in a section of the shareholder's equity called accumulated other comprehensive income (AOCI).

Past due

A loan is past due when a counterparty has failed to make a payment when contractually due and the amount owing is greater than $500.

Pay-at-risk

Pay-at-risk is the portion of an employee's compensation that is variable, or "at risk" of not being paid out. It is a lump-sum payment based on a percentage of base salary. It is re-earned each year, based on overall performance and the successful achievement of objectives. The amount of this lump sum varies, depending on the degree of success achieved.

Prepayments

Prepayments are unscheduled principal payments prior to interest term maturity.

Primary production

Agriculture operations that produce raw commodities such as grains and oilseeds, cattle, hogs, poultry, sheep and dairy, as well as fruits and vegetables. Primary production also includes vineyards, greenhouses, forestry (cultivation, growing and harvesting of trees), aquaculture (growing of ocean and inland fish) and part-time farming.

Provision for credit losses

Charges to the income statement by an amount necessary to bring the allowance for credit losses to a level determined appropriate by management.

Quota

Quota is an intangible or incorporeal asset that's a license, or right, to sell a certain amount of a specific commodity. It includes supply-managed industries like dairy, egg and poultry (broiler, broiler-breeder, turkey, turkey breeder, layer, layer pullet and breeder pullet).

Return on equity (ROE)

A measure of FCC's efficiency at using its existing equity base to generate income, calculated as net income attributable to the shareholder of the parent entity expressed as a percentage of total average equity, excluding accumulated other comprehensive income and non-controlling interest.

Risk scoring and pricing system (RSPS)

A tool used to evaluate the type and potential impact of risks present in each loan to ensure FCC is adequately compensated for the risk in its portfolio. The pricing component of RSPS calculates the risk price (risk adjustment), which is the portion of the loan margin required to cover the risk of loss.

Risk-weighted assets (RWA)

Assets weighted according to relative risk as prescribed by the regulatory capital requirements issued by OSFI.

Subordinated debt

A loan that ranks below other loans with respect to claims on assets or earnings in the case of default. Subordinated debt is often unsecured.

Total capital ratio

The total capital ratio is calculated by dividing total capital by RWA. FCC's total capital consists of contributed capital and retained earnings net of required regulatory adjustments prescribed by OSFI. The applicable regulatory adjustments consist of the exclusion of intangible assets, accumulated gains or losses on derivatives designated as cash flow hedges and post-employment benefit assets.

Writeoffs

Loans and their related allowance for credit losses are written off when there is no realistic prospect of recovery.

FCC office locations

British Columbia

Abbotsford, Dawson Creek, Duncan, Kelowna, Surrey

Alberta

Barrhead, Brooks, Calgary, Camrose, Drumheller (S), Edmonton, Falher, Grande Prairie, High River (S), La Crete, Leduc, Lethbridge, Medicine Hat, Olds, Red Deer, Strathmore (S), Vegreville, Vermilion, Westlock

Saskatchewan

Assiniboia, Carlyle, Humboldt, Kindersley, Lloydminster, Meadow Lake (S), Moose Jaw, Moosomin (S), North Battleford, Outlook (S), Prince Albert, Regina, Rosetown, Saskatoon, Swift Current, Tisdale, Unity (S), Wadena (S), Weyburn, Yorkton

Manitoba

Arborg, Brandon, Dauphin, Killarney (S), Morden, Neepawa, Portage la Prairie, Shoal Lake (S), Steinbach, Stonewall (S), Swan River, Virden, Winnipeg

Ontario

Casselman, Chatham, Clinton, Essex, Frankford, Guelph, Kanata, Kingston, Lindsay, Listowel, London, Mississauga, New Liskeard (S), Owen Sound, St. Catharines, Sarnia, Simcoe, Stratford, Thornton, Walkerton, Woodstock

Quebec

Alma (S), Ange-Gardien, Beauharnois, Blainville, Drummondville, Gatineau (S), Joliette, Lévis, Montreal, Quebec City, Rivière-du-Loup, Sherbrooke, St-Hyacinthe, Ste-Marie, Trois-Rivières, Victoriaville

New Brunswick

Moncton, Woodstock

Nova Scotia

Kentville, Truro

Prince Edward Island

Charlottetown

Newfoundland and Labrador

Mount Pearl

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