

# **2022-23** ANNUAL REPORT



FCC builds strong relationships and shares knowledge and expertise with thousands of customers across the country. When they succeed, we succeed. We're here to support entrepreneurs and believe in the future of agriculture and food. We're a partner, a catalyst and a champion of our industry.

<b>2</b>	Message from the President and Chief Executive Officer
	A look back at 2022-23
	Looking to the future
<b>4</b>	Message from the Board Chairperson
<b>5</b>	Message from the Minister of Agriculture and Agri-Food
<b>6</b>	Corporate profile
<b>8</b>	Public policy role
<b>10</b>	Supporting FCC's mandate: 2022-23 highlights
<b>11</b>	What we stand for
<b>13</b>	2022-23 environmental, social and governance (ESG) highlights
<b>14</b>	Corporate governance
<b>18</b>	Board of Directors and Enterprise Management Team
<b>19</b>	Management's discussion and analysis
<b>65</b>	Financial statements
<b>119</b>	Glossary
<b>121</b>	FCC office locations

## A look back at 2022-23



FCC has been contributing to the Canadian agriculture and food industry since 1959. And our organization's focus on helping our customers reach their full potential and enabling this industry to succeed has never been more important.

On June 30, 2022, Michael Hoffort, our President and Chief Executive Officer (CEO), retired after leading the organization since 2014. I had the honour to step in as the interim CEO until the appointment of Justine Hendricks, effective January 30, 2023.

Looking back on 2022-23, we accomplished so much and lived into our mandate in many ways – and the details are captured in this annual report. A few highlights include: \$8.0 billion in lending for producers, \$3.0 billion in lending for agri-food operations and agribusinesses and \$64.4 million committed to five new venture capital funds. FCC knowledge and business management content generated over one million online views and upwards of 50 learning events reached an audience of over 16,000 participants. In terms of advisory services, over 800 client engagements were made in support of the industry.

FCC also advanced our efforts to support under-represented groups in agriculture and food. We lent \$5.05 billion to young farmers and \$401.7 million to women entrepreneurs in 2022-23. We hosted a symbolic Indigenous flag raising ceremony in June at our corporate office in Regina, with several local

Indigenous leaders in attendance. We recently completed Phase 2 of our Progressive Aboriginal Relations (PAR) certification process and are working toward Phase 3 in the "Committed" category. And we opened our first FCC field office on Indigenous territory (Millbrook First Nation in Nova Scotia) in January.

We continued to support the industry by offering support programs for customers in 2022-23, which included short-term credit options, deferrals of principal payments and other loan payment schedule amendments to reduce financial pressures on producers affected by challenges such as adverse weather, supply chain disruptions and increased input costs.

Noteworthy environmental, social and governance (ESG) initiatives in 2022-23 included the publication of our first set of climate-related disclosures, based on the Task Force on Climate-Related Financial Disclosures (TCFD) standards, in July. We announced three sustainability incentive programs for customers – one for beef producers in partnership with the Canadian Roundtable for Sustainable Beef, another for McCain-affiliated potato producers, and a third program for Cargill RegenConnect™ crop input users. We gave back \$1.5 million to 85 community projects through our AgriSpirit Fund, and through the generosity of 95 industry partners, we helped raise over 40 million meals for food banks and feeding programs nationwide through Drive Away Hunger. We also published a new mental health publication for the industry, Rooted in Resilience, in November.

I am so grateful for our more than 2,300 employees across Canada. Together we demonstrated great resilience and openness to new possibilities this past fiscal year. We accomplished a seamless transition out of the pandemic to our new flexible work environment. In the face of uncertainty, our employees remained committed to our customers, the industry and one another. And with the arrival of our new President and CEO, Justine Hendricks, we anticipate the continued success of FCC and this great industry.



**Ross Topp**  
**Executive Vice-President and Chief Financial Officer / Interim President and CEO**

## Looking to the future



It is such an honour for me to join this incredible organization in service of the Canadian agriculture and food industry. I have been in the President and CEO role since January 30 and it has been my priority to meet with employees, customers and stakeholders, learning and connecting the dots. It has also been a joy to travel across the country and get to know the people working day in and day out to produce food for our fellow Canadians and consumers around the world.

I want to take this opportunity to thank Ross Topp for his leadership as Interim President and CEO prior to my arrival. By all indications – and as you'll read in this report – FCC is an exceptionally well-run organization and it's a privilege for me to continue to lead it into the future.

We are committed to remaining a trusted and stable financial partner to the agriculture and food industry, while also delivering on our mandate commitments to help the sector grow, innovate, pursue new markets and close gaps in research, technology and infrastructure. We are focused on streamlining processes, improving controls, and enhancing technologies to serve customers through their channel of choice and enable employees to provide more value to customers. It's also in our mandate to support sustainability in the industry, reducing greenhouse gas emissions and adapting to climate change.

I mentioned the importance of connecting with customers and stakeholders upon my arrival at FCC. Over the past several months, I have met with producers and food processors from coast to coast. I have been so impressed by the customers and processors and logistics required, so that when we sit down to enjoy a meal at night, the food that is in front of us is safe. I believe Canada is a leader in this regard. Our farmers are great stewards of their land. And the industry overall – whether on the processing side or food perspective – also takes great pride in innovation, efficiency and stewardship of the land. Everyone is playing a longer game.

As we consider what's at stake – Canada's ability to feed the world – we come back to the subject of food itself. That's also what strikes me about our customers and the industry we serve. Home is the industry – when our customers are at home, their work is ever-present, whether it's the food on their plates, or thoughts of their employees, their animals, their operation. Our customers do not leave "work" at the office. We all rely on food to fuel and power our lives. Our customers and industry truly fuel humanity and power the differences we make each and every day.

Agriculture and food is not what you do. It's who you are.

FCC exists to help all players in the agriculture and food industry realize their full potential. Not just the potential for their operations or businesses, but their families – their children and their grandchildren. We're committed to that and we're playing a longer game too.

I'm still new here and I'm excited. The future of FCC and the Canadian agriculture and food industry is extremely bright, and from my perspective, we're only getting started.

**Justine Hendricks**  
President and Chief Executive Officer

## Message from the Board Chairperson



FCC's higher purpose of serving the industry that feeds the world, inspiring possibility and passion is the driving force behind what each FCC team member and the Board does each day – and 2022-23 was no exception.

This year, FCC continued to support Canadian producers and agri-food businesses as they provided a safe and reliable food source for Canadians and international markets during another pandemic year. We are inspired by the continued resilience of our industry in the face of weather and natural disasters, and global situations beyond our customers' control.

The price of inputs and transportation keep increasing, interest rates continue to climb, and inflation is affecting every community. Our customers also continue to face labour shortages and we know all of this stress affects the wellness of our industry. We need each other to succeed in the long run.

Thank you to our employees across Canada, who dedicate their careers to support our customers and the industry. You make a difference in the lives of individuals, families, businesses and the country. FCC has worked to fulfil its mandate in 2022-23, providing financial and advisory services to

agricultural producers and food processors, advancing how we support customers as they implement climate-focused solutions. We continue to enable under-represented groups to join and thrive in the industry – such as young people, women entrepreneurs and Indigenous businesses.

This was a year of leadership change at FCC. In June, we bade farewell to FCC's previous President and CEO, Michael Hoffort. The Board thanks Michael for his many contributions to FCC and the industry over the course of his 34-year career. He truly brought people together and embodied the adage of leaving a place better than the one you inherited.

Executive Vice-President and CFO, Ross Topp, led FCC as Interim President and CEO over a seven-month period. His dedication and professionalism at this critical time was deeply appreciated by the Board and FCC team.

FCC welcomed its new President and CEO, Justine Hendricks, into the role on January 30, 2023. Justine brings extensive financial institution and leadership experience to FCC. She is passionate about the industry and we look forward to her positive impact for years to come.

As we look ahead, we know there are challenges. Despite those, there is greater optimism and excitement about the future. After the past three years that have tested all of our resolves, we all are emerging stronger than ever.

This is a new and exciting chapter in FCC's history and the Canadian agriculture and food industry. I look forward to possibilities that await us.

Respectfully submitted on behalf of the FCC Board of Directors,



**Jane Halford**  
Board Chairperson



## Message from the Minister of Agriculture and Agri-Food



Over the past three years, Canadian farmers and food processors have faced a multitude of challenges including a pandemic, Russia's unjustifiable invasion of Ukraine, climate disasters, labour shortages, supply chain disruptions, animal disease, and high input costs.

Navigating hardship is nothing new to the agriculture and food sector. In fact, farmers and the entire food value chain have been doing it for decades. For over 60 years, Farm Credit Canada has partnered with ag producers to not only move through complex times but grow the industry.

This year was no different. As outlined in this document, FCC's flexible financing options helped 82 customers manage their cashflow pressures by deferring payments on loans totalling \$63.4 million. This support enabled farmers and ag businesses to do what they do best: provide Canada and the world with high-quality food and beverages, resulting in record highs for Canada's agriculture and food exports of \$92.6 billion in 2022 – a year-over-year increase of over 12%.

This was also another record year for sustainably grown agriculture and food products as the industry posted exports of more than \$91.6 billion in 2022. Prioritizing sustainability empowers our sector to compete and meet global consumers' growing demands for sustainably produced food, while strengthening food security. This will help meet our target of \$95 billion in agri-food and seafood exports by 2028.

I also want to applaud FCC for partnering with the sector to continually strengthen food security in Canada. I'm very proud of this industry for coming together to provide more than 40 million meals to food banks and feeding programs across the country through the Drive Away Hunger program. What a tremendous way to inspire generosity while positively impacting food security across the country.

FCC continues to make great strides in serving under-represented groups in agriculture across Canada. Working alongside FCC to support women, young people, and Indigenous Peoples so they have access to the capital and resources they need to grow our industry will continue to be a priority. Whether it is through products tailored to their needs or knowledge sharing opportunities, FCC continues to lead the way for inspiring careers and innovation among these groups whose involvement is crucial to the success of our sector.

The success of this year would not have been possible without the leadership of Ross Topp, FCC's Executive Vice-President and Chief Financial Officer, who stepped in as the acting President and CEO of FCC. Ross was exceptional in this role, and as you can see in this report, led FCC to a record year in many areas while navigating complex times in the industry.

I also want to recognize FCC's new President and CEO, Justine Hendricks. With Justine's experience and diverse leadership background, she not only serves as a tremendous asset to the industry, but an inspiring example for future female leaders. I am sure that FCC will make a positive impact on the agriculture and food industry under her leadership.

Finally, I want to thank and congratulate all FCC employees across Canada for the tremendous work you've done this past year. The growth of the industry would not be possible without your commitment to your customers, stakeholders and each other. Please know that each and every one of you are making a meaningful difference as we continue growing an inclusive, competitive and sustainable future for both our industry and Canadians across the country.

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

## 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 more 102,000 customers, primary production is FCC's core business and represents almost 83.7% 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. We offer AgExpert management and accounting software designed for Canadian agriculture and advisory services to help the next generation of young farmers succeed. FCC continues to provide program support to accelerator partners that are providing programs, mentorship and resources that accelerate innovation and ag technology opportunities. 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 2,300 employees has professional expertise in many areas, focused on agriculture and agri-food.

FCC is a federal Crown corporation reporting to Canadians and Parliament through the Minister of Agriculture and Agri-Food, operating from 103 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.

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 \$47.9 billion and 30 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](https://fcc.ca/CorporateHistory).

### Vision

Our vision guides our business practices and how we serve our customers and support the Canadian agriculture and agri-food industry.

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 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.

For more information about FCC, visit [fcc.ca/CorporateProfile](https://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 enables this vibrant industry to be a world leader in sustainable agriculture. Government priorities for the industry include advancing innovation and opportunities for under-represented groups in Canadian agriculture and agri-food; delivering products to facilitate intergenerational transfers and assist young and new farmers entering the industry; and working toward climate and sustainability goals, with agriculture and agri-food as a front-line partner.

FCC is a steady presence for agriculture and agri-food, supporting customers' financing needs in good and challenging times. For example, we've developed customer support programs in response to hardships created by adverse weather conditions such as the flooding in Manitoba last spring and the devastation that occurred when Hurricane Fiona's post-tropical storm winds hit the Atlantic provinces in September. We also launched a program in April to boost credit availability for producers purchasing inputs for the growing season.

FCC is evolving to support our customers' needs through sustainability products and expansion of our advisory services offerings. We're providing new insights through benchmarking and enhanced software and smart farm investments that will set our customers up well for the future. We are also evolving and adding specific venture capital placements in agtech, women-led funds, and in support for under-represented groups.

We are committed to continuing to enhance our digital offerings that enable customers to manage more transactions remotely. We're 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 and increase speed of service to our customers and to enhance mental health

services to support those involved in Canada's agri-food system.

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 and credit unions to provide financing for larger agriculture operations and agribusinesses. We continue to grow our [venture capital program](#) through increased investment in new external funds managed by independent third-party investment professionals, as well as provide program support to agriculture and agri-food-focused accelerator programs. This commitment to venture capital ensures alternative financing products and business expertise, mentorship and ecosystem support are available to help the Canadian agriculture and agri-food industry innovate, grow and thrive.

### We help customers dream, grow and thrive

Our ongoing strength and stability allow us to serve agriculture through all economic cycles. 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 believe sound financial management is key to successful agriculture and agri-food operations. To help advance producers' business management capabilities, FCC continues to offer a variety of virtual [learning events](#), multimedia tools, publications and other resources to our customers and the industry. Producers of all ages and in all sectors can access our resources free of charge. Our employees have the appropriate knowledge and tools to provide solid insights and expertise to our customers to help them achieve their goals.

Our events feature speakers who inspire, inform and introduce new ways of thinking about agriculture and food. In November, we hosted a series of Young Farmer Summits across Canada.

[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. In addition, FCC created a new [mental health publication](#) and other resources through our website to help customers, employees and the public care for 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, hard-working 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.

### **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 long-term agriculture success, innovation and inclusive growth**

Our strong financial position enables us to provide innovative, industry-focused products and services and to ensure producers and agribusiness and agri-food operators have choice in the marketplace.

FCC supports events and meetings hosted by industry, stakeholder and producer groups, and we share knowledge and solicit input on issues facing the industry today and in the future. 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 ability to serve agriculture and agri-food in the years to come.

### **We operate our business in a sustainable manner**

FCC is committed to supporting our customers with innovative knowledge, tools and finance offerings to encourage the adoption of sustainable practices. We are building an environmental, social and governance (ESG) practice to guide how we operate that is integral to our corporate values. Our enhanced ESG governance considers integrity and data security as fundamental practices in our organization. We assess and manage risks and opportunities created by any changing conditions in response to environmental and societal impacts.

We consider gender-based analysis plus (GBA+) for the sector and support women in agriculture, young people in agriculture, Indigenous agriculture operators, mental health and diversity. 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 ages.

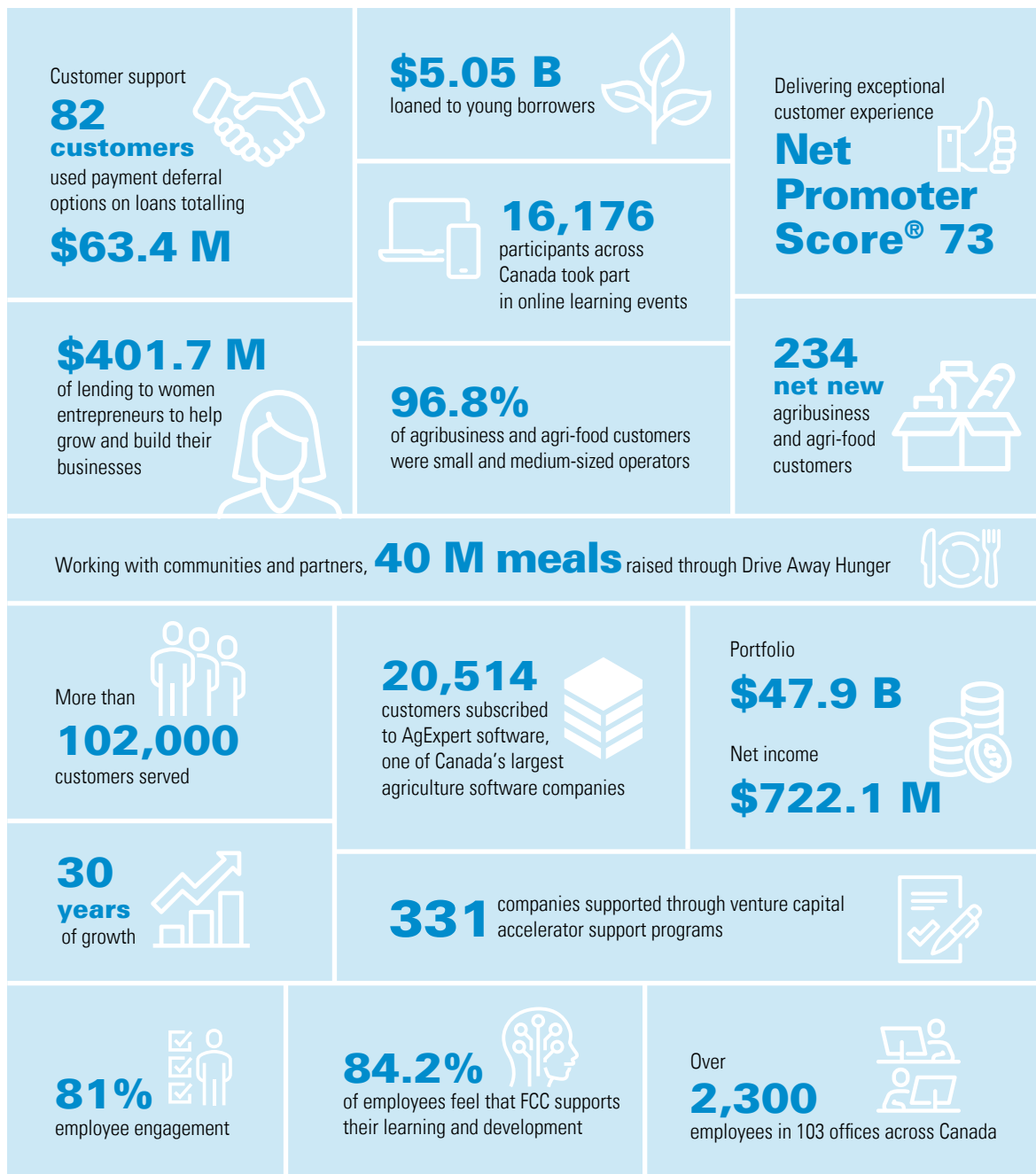
We will continue to explore new opportunities to fulfil our mandate while addressing the unique and diverse needs of the industry we serve.

### **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, advisory 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. For a summary of the results we delivered in the 2022-23 reporting year, along with expected outcomes, key performance indicators and targets, refer to the [Strategic Overview, Objectives and Planned Results section](#).

## Supporting FCC's mandate: 2022-23 highlights



## What we stand for

At FCC, our [environmental, social and governance](#) (ESG) commitments are integral to what we do and what we stand for. They guide how we operate, hold us accountable and help us support customers on their sustainability journeys.

### Our environmental, social and governance focus

We're proud of what we've accomplished to date and are continuing to find ways to advance even further. Over the past year, FCC focused our ongoing efforts on building an ESG practice. To accomplish that, we are advancing our approach to our organization to support our customers in their sustainability efforts.

Our ESG program builds on industry best practices, mandate priorities and the [Guelph Statement](#) – which recognizes Canada as a world leader in sustainable agriculture. We also recognize and incorporate international frameworks, standards, and regulations and support progress towards the United Nations Sustainable Development Goals.

Our ESG program focuses on:

- [environment](#);
- [social](#) and [governance](#); and
- What We Stand For commitments.

In 2022-23, we completed a materiality assessment to identify the potential financial impacts of environmental and social factors over the short, medium and long term. The assessment considered both direct and indirect impacts to FCC's operations as a federal Crown corporation and as a lender that is 100% invested in agriculture and agri-food.

Through our materiality approach and subsequent maturity assessment, we identified key factors that give us the greatest opportunity for impact and are of significant interest to our key stakeholders. As we lean into advancing sustainable practices this year and in the coming years, we're excited to focus on:

- **Under-represented groups:** We are committed to building the next generation of young entrepreneurs as well as creating a place in agriculture for women and Indigenous Peoples to thrive. We will continue to improve financial inclusion and build capacity for under-represented persons within the agriculture and agri-food industry.
- **Indigenous Peoples:** We believe that FCC has an important journey towards truth and reconciliation and will advance the social and economic inclusion of Indigenous Peoples in the agriculture and agri-food industry.
- **Climate change:** We are passionate about Canadian agriculture. We believe that a resilient and sustainable agriculture industry is what the industry and the world want and need. We are committed to addressing climate change through our actions and enabling the industry to do the same.
- **Food insecurity:** We recognize the importance of food security. We believe we can play a role in tackling the challenges that many Canadians face in accessing affordable and nutritious food through partnerships and community outreach.
- **Diversity, equity and inclusion:** We seek a diverse workforce. We engage people who have a passion for agriculture and agri-food from a wide variety of backgrounds. Our goal is to enhance how we attract and retain a workforce that reflects the fabric of Canada.

### Zeroing in on climate

FCC recognizes that agriculture producers have been stewards of the land for years, with many already adopting sustainable management best practices in their operations. We remain committed to ensuring producers, agribusinesses and agri-food processors can continue to focus on their businesses and produce food to feed the world in a sustainable way. FCC continues to seek feedback from internal and external stakeholders to understand sustainability challenges and to further explore the opportunities and impacts that climate may have on our customers.

We know that capacity building, financing and innovation are all necessary for the agriculture and agri-food industry to adapt. We also recognize that more Canadian agriculture geographic and sector climate data is required to fully understand the industry's greenhouse gas (GHG) emissions profile. We're looking to be a partner and remove barriers so our customers can make informed decisions. We'll continue to collaborate with our stakeholders, such as financial institutions, industry partners, government and academia. And we'll work closely with our customers to drive necessary change.

We've also identified an approach to addressing our own operational emissions. We're proud to commit to being net-zero aligned in FCC-owned emissions. While more research and innovation are needed to fully understand our pathway to net zero, we will continue to reduce operational emissions by assessing and updating GHG inventories, implementing emission reduction opportunities and reporting our progress.

### Sharing our progress

More information on FCC's ESG journey and future aspirations can be found in the 2022-23 ESG Report at [fcc.ca/ESGreports](https://fcc.ca/ESGreports). Our [Climate-Related Financial Disclosures](#) can also be found in the Management's Discussion and Analysis section of this report.



# 2022-23 environmental, social and governance (ESG) highlights

## Environmental impacts



**Advancing environmental agriculture sustainability:** We're developing an approach to support our customers and the agriculture industry to address climate impacts, beginning with the launch of the customer sustainability incentive pilot program.



**Reducing operational emissions:** We're on track to reduce FCC greenhouse gas emissions by 40% by 2025 through the reduction of 307 tonnes this year. We set an ambition to be net-zero aligned in our internal operations.



**Understanding climate-related risks:** We published our second climate-related disclosures, which can be found in our annual report, and highlight FCC's processes for identifying and assessing physical and transition risks.



**Minimizing e-waste:** We donated 1,011 laptops, 480 cell phones and other computer accessories to non-profit organizations across Canada.



**Reforestation globally:** We offset our paper consumption this year by reforesting 312 trees in global reforestation projects.

## Social impacts



**Enhancing financial inclusion in agriculture:** We disbursed \$5.54 billion in lending to Indigenous communities and Peoples, women, and young farmers and entrepreneurs.



**Working towards reconciliation:** We're on track to move into the certification phase of the Progressive Aboriginal Relations (PAR) program by 2024 and have developed an approach to promote procurement and supply chain opportunities with Indigenous businesses.



**Making diversity a priority:** 30.8% of our new hires self-declared as members of employment equity groups. We also published our first [Accessibility Plan](#) in alignment with the Government of Canada's Accessible Canada Act.



**Tackling food insecurity:** With the help of 90 industry partners, the equivalent of over 40 million meals for Canadians in need were collected through the annual Drive Away Hunger program. FCC contributed over 2.5 million meals towards this total.



**Supporting mental health:** We launched [Rooted in Resilience](#), the second instalment in our mental health series. This series is designed for Canadian producers and highlights tips, resources, and stories to generate awareness and support for the industry.

## Governance impacts



**Maintaining integrity standards:** We conduct due diligence on all lending customers and third parties.



**Acting ethically:** 93% of employees complete FCC's Code of Conduct knowledge check and 100% sign their annual attestation that they understand and comply with the Code. Any potential wrongdoing by FCC employees will be addressed under the Public Servants Disclosure Protection Act.



**Managing cybersecurity:** We achieved our cybersecurity maturity target based on the National Institute of Standards and Technology Cybersecurity Framework.



**Protecting information:** We launched enterprise-wide information risk learning and formed a Technology and Information Risk Governance Committee that approved a new Information Security policy and will oversee the risk management of information security.



**Ensuring strong governance:** We are proud that each member of our Board of Directors has completed ESG training focused on trends, risks, opportunities and organizational integration.

## 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, most recently articulated in a December 2022 mandate letter from Minister Bibeau to Chairperson Jane Halford.

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 fulfilment 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 2022 meeting was delivered in a virtual format.

### Code of conduct, ethics and values

Maintaining the highest ethical standards is a vital priority for FCC. On appointment and every year during their tenure, each director signs a declaration committing to act in accordance with the FCC Code of Conduct and our Board Integrity policy.

The Board has established a process to directly disclose any potential violations of the code by the President and CEO or their direct reports. FCC promotes awareness and understanding of the FCC Code of Conduct, ensures employees have a safe environment for disclosing wrongdoing in the corporation, and provides information and advice to employees regarding disclosures of wrongdoing and ensuing investigations. All employees are required annually to review and recommit to our 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 2023 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 controls over financial reporting 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 is following the closing of recommendations by management in the spirit of continuous improvement.

**Corporate Governance Committee Chair:**

Laura Donaldson

**Members:** Rita Achrekar, 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:** 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 their performance. It also works with the President and CEO to create their 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 and risk appetite framework 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 and 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 2022-23, there were seven Board meetings and 22 committee meetings. Total remuneration (annual retainer and per diems) paid to all directors was \$346,710. Total Board travel and related expenses were \$85,379 compared to \$3,371 in 2021-22.

## 2022-23 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	\$ 6,200	\$ 22,553	\$ 28,753	7 of 7	11 of 11	\$ 5,350
Bertha Campbell	6,200	27,160	33,360	7 of 7	12 of 12	13,128
Sylvie Chagnon	6,200	33,223	39,423	6 of 7	12 of 12	6,087
Sylvie Cloutier	7,200	26,433	33,633	7 of 7	10 of 12	5,734
Laura Donaldson	7,200	22,553	29,753	7 of 7	10 of 10	6,718
Jane Halford	12,400	38,558	50,958	7 of 7	19 of 22	19,034
Michele Hengen	7,200	24,493	31,693	7 of 7	12 of 12	2,718
James Laws	6,200	27,645	33,845	6 of 7	10 of 10	5,190
Michael Tees	6,200	19,158	25,358	6 of 7	9 of 10	12,946
Govert Verstralen	7,200	32,738	39,938	7 of 7	12 of 12	8,474
<b>Total</b>	<b>\$ 72,200</b>	<b>\$ 274,510</b>	<b>\$ 346,710</b>			<b>\$ 85,379*</b>

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

\*Cancelled airfare is not included in the total; flight credits spent for future trips will be expensed in the fiscal year to which they apply.

### 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.

The Governor in Council establishes the President and CEO's compensation. In 2022-23, the base salary range for that position was \$352,400 to \$413,500 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 [2022-23 planned results](#).

In 2022-23, the base salary for Executive Vice-Presidents ranged from \$216,104 to \$412,605. 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\*

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

## Enterprise Management Team\*

<b>Justine Hendricks**</b> President and Chief Executive Officer	<b>Travis Asmundson</b> Executive VP and Chief Information Officer	<b>Greg Honey</b> Executive VP and Chief Human Resources Officer	<b>Todd Klink</b> Executive VP and Chief Marketing Officer
<b>Corinna Mitchell-Beaudin</b> Executive VP and Chief Risk Officer	<b>Sophie Perreault</b> Executive VP and Chief Operating Officer	<b>Ross Topp***</b> Executive VP and Chief Financial Officer	

\*To see FCC's Board of Directors and EMT biographies, go to [fcc.ca/Leadership](https://fcc.ca/Leadership).

\*\*Justine Hendricks appointed as President and CEO effective January 30, 2023.

\*\*\*Ross Topp served as interim CEO from July 1, 2022 to January 29, 2023.



## Management's discussion and analysis

<b>Basis of preparation of financial information .....</b>	<b>20</b>
<b>Caution regarding forward-looking statements .....</b>	<b>20</b>
<b>2022-23 corporate strategy overview and planned results.....</b>	<b>21</b>
<b>2023-24 corporate strategy .....</b>	<b>28</b>
<b>Economic environment .....</b>	<b>29</b>
<b>Agriculture industry overview .....</b>	<b>30</b>
<b>Financial performance and key measures.....</b>	<b>32</b>
<b>Financial position .....</b>	<b>42</b>
<b>Performance against plan.....</b>	<b>44</b>
<b>Non-GAAP measures .....</b>	<b>46</b>
<b>Enterprise risk management.....</b>	<b>47</b>
<b>Climate-related disclosures .....</b>	<b>52</b>

## 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, 2023, and as compared to the year ended March 31, 2022. This MD&A was reviewed and approved for issue by FCC's Board of Directors on June 13, 2023.

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, 2023, and our corporate plan documents.<sup>1</sup> All financial information is expressed in millions of Canadian dollars, unless otherwise stated.

## Caution regarding forward-looking statements

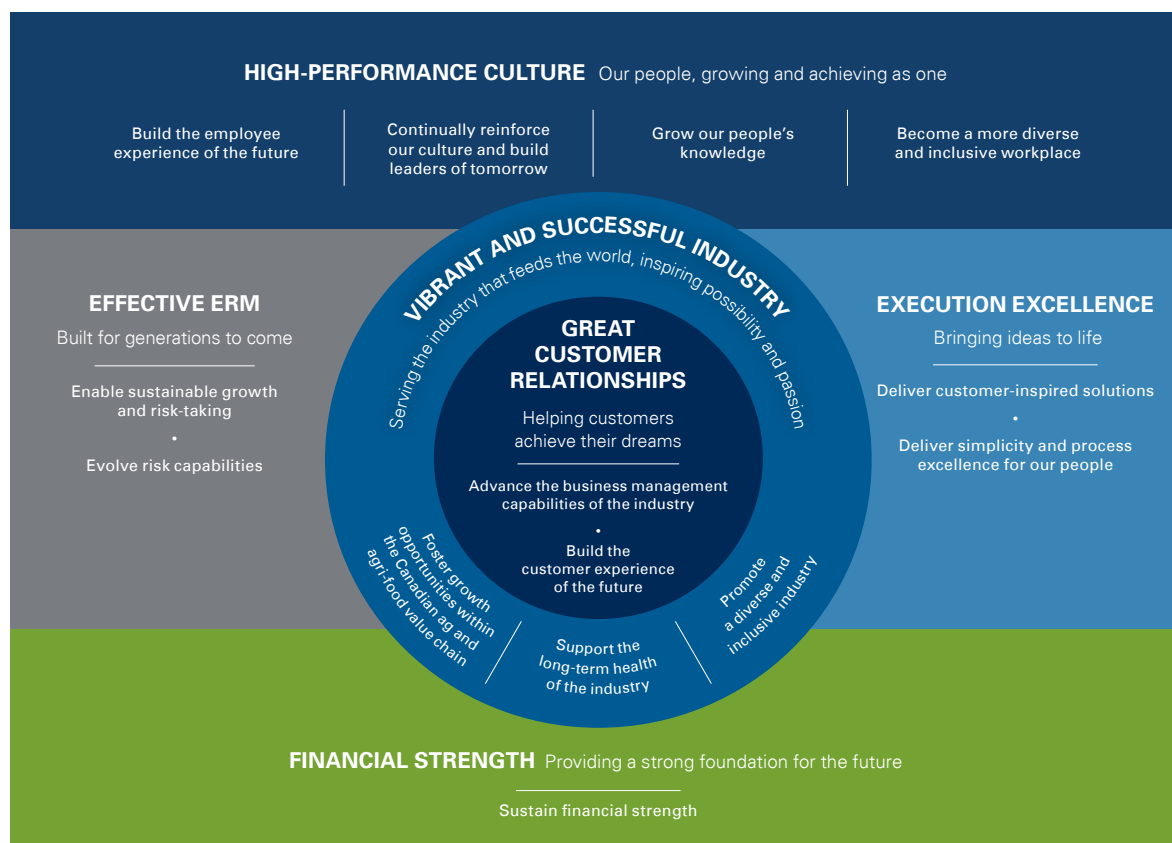
This MD&A includes forward-looking financial information based on certain assumptions that reflect management's planned course of action with the most probable set of economic conditions. By nature, assumptions are subject to inherent risks and uncertainties. There is significant risk that actual results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

<sup>1</sup> These documents are available at [www.fcc-fac.ca/en/about-fcc/governance/reports.html](http://www.fcc-fac.ca/en/about-fcc/governance/reports.html)

## 2022-23 corporate strategy overview and planned results

FCC's strategic direction and outcome statements are aligned with our mission and vision, and 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 Supplemental Priorities letter to FCC dated February 1, 2018.

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



## Great customer relationships – helping customers achieve their dreams

Great customer relationships are the primary reason customers choose FCC. 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.

Outcome statement	Performance indicator	2022-23 target	2022-23 results	2026-27 target
FCC delivers a customer experience that meets the needs of the industry	Net Promoter Score®	71	73	73
	<p>Year-end update: 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 continues to be a focus. FCC’s customer experience focuses on creating solutions for all the different businesses we serve.</p> <p>In 2022-23, we continued to enhance our ability to deliver solutions based on the needs of those we serve. We enhanced our customer relationship management process to provide a more personalized experience. In addition, we continued to improve our financial and digital offerings to customers and partners. This means a better online experience for our input financing applications.</p>			
Canadian producers and agribusiness and agri-food operators can access capital to advance their businesses	Loans receivable growth rate	5.2%	7.6%	4.8%
	<p>Year-end update: FCC continues to be a stable and steady presence in the agriculture and food industry where producers and agribusiness can access capital to advance their business. We continued to see strong disbursements over the past year, particularly in our agribusiness and agri-food business line.</p>			
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	900,000	1,095,178	1,200,000
	<p>Year-end update: 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 that allows them to easily digitize their farm records and provides access to their data anywhere, any time.</p> <p>In 2022-23, enhancements were made to allow further integration with various partners and new features were added for our other customers in accounting and bookkeeping. Work is also underway to help producers better understand their sustainability footprint.</p>			
	Average score from event participants on the likelihood they will use information from the FCC event in their farming operations	> 4.2	4.36	> 4.2
	<p>Year-end update: 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 14,000 listens of FCC podcasts highlighting producer stories related to business management. An agriculture business management fundamentals online course was relaunched and had over 9,100 participants registered. This strong uptake supports the need for these type of learning activities.</p>			

## 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.

Outcome statement	Performance indicator	2022-23 target	2022-23 results	2026-27 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	480	234	560
<p>Year-end update: Net new customer acquisition was slower this fiscal due to internal and external factors. Increasing interest rates, inflation and supply chain troubles are persisting issues which have caused businesses to pause and think twice about new projects. 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.</p> <p>In 2022-23, FCC continued with initiatives to support Canada's small- to medium-sized commercial enterprises in the agriculture and agri-food sectors. We continued to enhance and customize processes and business solutions to better serve small and medium agribusiness and agri-food customers. FCC also launched new advisory services to support our agriculture and agri-food customers with high growth potential.</p>				
FCC supports the 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 <sub>2</sub> e per year	Reduced GHG emissions by 307 tonnes/CO <sub>2</sub> e	Previous measure will be achieved, with new measure dependent on Canadian Net Zero Emissions Accountability Act <sup>2</sup>
<p>Year-end update: 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.</p> <p>At an operational level, FCC remains on track to reduce the corporation's greenhouse gas (GHG) emissions by 40% by 2025 based on 2012 levels, which is in line with the Federal Sustainable Development Strategy. Our GHG reduction approach 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. This year, we published our second climate-related disclosure, which can be found in the management discussion section of this annual report, and highlights FCC's processes for identifying and assessing physical and transition risks. In addition, we're developing an approach to support our customers and the agriculture industry to address the challenges of climate, beginning with the launch of the pilot customer sustainability incentive program. The pilot encourages customers to participate in sector-specific sustainability programs with incentive payments for those who qualify in meeting the criteria of those programs.</p>				

<sup>2</sup> Target will be met in 2025-26. FCC is committed to reducing its GHG emissions and will develop a new five-year target closer to the 2026-27 timeframe that will reflect the emissions reduction need at that time.

Outcome statement	Performance indicator	2022-23 target	2022-23 results	2026-27 target
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 90% <sup>3</sup>	91.4%  96.8%	Ag production: Greater than 90%  Agribusiness & agri-food: Greater than 90%
	<p>Year-end update: FCC's Corporate and Commercial team continues to evolve and refine approaches to grow our market with small and medium agribusiness and agri-food businesses.</p> <p>A new incentive was launched in 2022-23 for lending to start-ups that are considered innovative. A total of \$94.5 million was approved to innovative start-ups.</p> <p>We have also been working on our approach to handling financing requests for start-ups. We are evolving and are working to concentrate the expertise for serving this more complex segment within a smaller number of employees on our teams. This will enable FCC to become more comfortable and efficient at understanding and processing financing for these companies' needs.</p>			
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:	\$4.4 billion \$250 million	\$4.7 billion \$308 million	\$4.7 billion \$287 million
	Number of current lending customers under age 40	21,000	20,933	22,000
FCC invests in communities where its customers and employees live and work	<p>Year-end update: The target of 21,000 customers under age 40 was not achieved mainly due to limited resources. 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.</p> <p>In 2022-23, our Advisory team had 812 client engagements, an increase from the previous year. These client engagements help farmers when they are looking at transitioning their operations to the next generation.</p>			
	Amount invested by FCC in community initiatives and projects, including funds provided to local non-profits	\$4 million	\$4 million	\$5 million
<p>Year-end update: FCC's Drive Away Hunger program continues to evolve to increase involvement of the agriculture and food industry in an effort to have an even greater impact on food security in Canada. The goal in 2022 was to provide 30 million meals for food banks and feeding programs across the country, and we exceeded that goal by providing 40 million meals.</p>				

<sup>3</sup> This target has been adjusted to match the Statistics Canada definition of small and medium-sized businesses.



Outcome statement	Performance indicator	2022-23 target	2022-23 results	2026-27 target
Canadian producers and agribusiness and agri-food operators can access capital to advance their businesses	Number of current Indigenous customers	Establish baseline	665*	TBD, based on established baseline
	<p>Year-end update: 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.</p> <p>Additionally, FCC has completed phase 2 of the process to become certified under the Progressive Aboriginal Relations (PAR) program offered by Canadian Council for Aboriginal Business.</p>			
Canadian producers and agribusiness and agri-food operators can access capital to advance their businesses	Lending to Indigenous customers	Establish baseline	Target Not established*	TBD, based on established baseline
	<p>Year-end update: *The measure Lending to Indigenous customers was new in 2022-23. Starting in 2023-24 both the Number of current Indigenous customers and Lending to Indigenous customers will be replaced with an indicator and targets that compares the population of customers who self-declare as Indigenous to the population of total customers who complete declarations. Over the longer-term, the new measure's targets (as a percentage growth) will be designed to achieve a customer base that is representative of Canada's Indigenous population.</p>			

FCC's venture capital program 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 capital to five new venture capital funds. These new funds have focus on both early-stage and later-stage companies

looking to improve their ESG maturity; providing capital for Indigenous entrepreneurs; providing capital to female and under-represented entrepreneurs; and serving geographies across Canada. In addition, we are currently exploring new approaches that will guide FCC in the venture capital space going forward.

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.

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 3,350 Women Entrepreneur Loans totalling over \$2.2 billion, more than four times our original commitment of \$500 million over three years.

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.

Outcome statement	Performance indicator	2022-23 target	2022-23 results	2026-27 target
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 <sup>4</sup>	20%	30.8%	25%
	<p>Year-end update: Employees are one of FCC’s greatest assets and retaining our current employees is critically important, especially in a competitive labour market. We continue to focus on being an employer of choice for diverse talent, having a great culture, positive leadership and ample learning opportunities, which are at the very heart of the FCC employee experience. Our multi-year diversity, equity and inclusion approach has a renewed focus on equity and inclusion.</p> <p>This year, we have made progress on our Indigenous employment equity plan, particularly with our partnership with an Indigenous employment strategy and advisory group based in Saskatchewan. We brought in a number of Indigenous students for job shadowing as part of a media studies curriculum.</p>			

<sup>4</sup> Performance indicator includes the following employment equity groups: Indigenous 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.

## Execution excellence – bringing ideas to life

Execution excellence enables our great customer relationships through tools, systems and processes that lead to seamless customer interactions. 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, FCC continues to engage partners and customers in the development of new and enhanced digital processes that are simple, secure and effective. Our continued 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.

In 2022-23, work continued on implementing the Scaled Agile Framework methodology and lean portfolio management. Financial management practices, including consideration of value for investment and value realization, are embedded in the new lean portfolio management process. In the last quarter of this fiscal, these were tested on the two initial products. Investment guardrails are in place for oversight of these products.

A conceptual design for reporting requirements on products and strategies has been developed and the work will continue for implementation. Technology is being examined as an interim solution and operational change management is being deployed.

## 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. In 2022-23, FCC continued to evolve and mature risk practices to support business strategy to enable risk taking with confidence. 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 means we are making investments to implement renewed crisis and business continuity practices as well as making progress on the measurement and disclosure of

climate risk through appropriate disclosures considering the Taskforce on Climate Related Financial Disclosures (TCFD) requirements.

We're committed to safeguarding customer and employee personal information and have prioritized ongoing efforts to prevent the unauthorized disclosure of confidential and personal information. This year, FCC launched a new cybersecurity learning program to provide employees with additional knowledge to help avoid cybersecurity threats faced at the office, at home and on the go.

## 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. 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.

Outcome statement	Performance indicator	2022-23 target	2022-23 results	2026-27 target
FCC maintains a safe and sound capital position in order to fund the strategic plans, as well as to withstand economic downturn with periods of extended loss	Capital adequacy	Target capital ratio of 15% or higher	15.9%	Target capital ratio of 15% or higher
<p>Year-end update: FCC understands the importance of maintaining adequate capital to ensure the organization has sufficient resources to support the agriculture and food industry through times of economic downturn and unforeseeable challenges in accordance with our mandate. Excess capital is returned to our shareholder in the form of dividends.</p> <p>In 2022-23, we began repaying a capital contribution that had been received from the Government of Canada for pandemic support programs, reflecting the industry's strength and resilience over the past few years. Growth in capital through net income has also outpaced portfolio growth which will allow FCC to provide further returns to its shareholder in the form of dividends from retained earnings in 2023-24.</p>				

## 2023-24 corporate strategy

Our support for the agriculture and agri-food industry, including producers, agribusinesses and food processors, is unwavering. Through specialized financing and services, we continue to serve the industry that feeds the world.

For fiscal year 2023-24 and beyond, we are shifting to an outcome-based strategy model that takes an outside-in view and changes how we develop and deliver FCC's strategy. We are being deliberate in thinking past the activity we will do, to focusing on the impact we want to make. This shift is characterized by measuring progress towards achievement of an outcome or desired end state, rather than the achievement of a target based purely on quantitative factors. This approach will ensure we continue to be positioned for success and can evolve to meet the needs of the industry, based on mandate priorities and our ever-changing customers.

We have created six strategic outcomes that will enable us to meet mandate priorities, remain relevant in a vibrant and successful industry, deliver great customer relationships and sustain a high-performance culture. We will also continue to operate with execution excellence, effectively manage risk and maintain financial strength.

To complement our shift to strategic outcomes, we will be investing in our business lending systems and processes. These investments will help us increase velocity and agility as we implement the strategies that support our outcomes and strengthen our key assets. Making this investment is foundational to address current technical debt and avoid future technology obsolescence and inflexibility – which could limit innovation, velocity and the ability to scale, deliver or advance strategy.

FCC is advancing a range of initiatives within the strategic outcomes. Within each outcome, there is work to ensure we remain relevant, provide simple and effective solutions through various channels, and support the agriculture and agri-food industry to grow and thrive.

## Economic environment

Global economic trends impact the business environment in which the Canadian agriculture and food sectors operate. As the Canadian economy ascended from pandemic disruptions, new challenges emerged. The war in Ukraine, extreme weather, supply chain disruptions and labour availability led to increases in prices, wages and interest rates. Global gross domestic product (GDP) increased 3.6% in 2022, following a 7.1% increase in 2021.<sup>5</sup> Global growth is expected to slow further in 2023 to 1.9% as higher prices and borrowing costs contribute to declines in consumer spending.

Despite these economic challenges, the resiliency of Canadian businesses and consumers supported economic growth as Canada's GDP increased in line with the global rate of 3.6% in 2022. Strong consumer demand and exports led the increase. GDP growth started to slow at the end of 2022, and FCC Economics predicts Canadian GDP growth will decline in the middle quarters before picking up towards the end of the year.

Higher economic activity from pent-up consumer demand, combined with a reduced labour force – a result of increased retirements and reduced immigration during the pandemic – have contributed to a historically tight Canadian labour market. The unemployment rate declined to a record low 4.9% in June 2022 from 7.6% a year prior and finished the year at 5.0%.<sup>6</sup> 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 resulted in higher than expected inflation. Canadian inflation averaged 6.8% in 2022, well above the Bank of Canada's target rate of 2%. Inflation moderated from a high of 8.1% in June to 6.3% in December. Historically high household savings and increasing wages supported strong demand for goods and services throughout the Canadian economy in 2022.

To address inflation, the Bank of Canada implemented quantitative tightening in 2022, and increased its policy interest rate from 0.25% to 4.25% during the year.

Record prices and robust 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 in 2022 supported strong demand for food and agricultural commodities, resulting in increased export opportunities. The impact was particularly noticeable in various crop markets that recorded significantly higher prices in 2022 than the five-year average. Higher input prices for energy and raw materials led to higher food prices. Reopening of the restaurant industry shifted food consumption towards pre-pandemic levels, but tighter consumer wallets in the face of higher inflation have limited the upside potential for that industry.

The United States remains Canada's largest export market, accounting for over 35% of our agriculture exports and more than 75% of our food and beverage manufacturing exports.<sup>7</sup> The U.S. economy contracted in the first half of 2022 before quickly rebounding in the second half of the year,<sup>8</sup> dragging down the Canadian dollar. The decline in the dollar was a result of the Federal Reserve aggressively increasing its policy rate and global oil price declines due to growth concerns. The Canadian dollar averaged slightly below US\$0.77 in 2022 from just under 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.

<sup>5</sup> <https://www.bankofcanada.ca/2023/01/mpr-2023-01-25/>

<sup>6</sup> <https://www150.statcan.gc.ca/n1/daily-quotidien/230106/dq230106a-eng.htm>

<sup>7</sup> <http://www.ic.gc.ca/eic/site/tdo-dcd.nsf/eng/Home>

<sup>8</sup> <https://www.bea.gov/data/gdp/gross-domestic-product>

## Agriculture industry overview

FCC monitors important factors that influence the short- and long-term prospects, profitability, and financial health of the agriculture and agri-food industry.

The Canadian agriculture and agri-food industry experienced several disruptions in 2022 due to the war in Ukraine, extreme weather and labour availability. These disruptions affected input availability and increased prices, wages and interest rates, causing many businesses to become less optimistic about the future. Despite the market turmoil, however, the agriculture and agri-food industry performed much better than the Canadian economy as a whole, while agri-food manufacturing experienced more challenges. Agriculture, forestry, fishing and hunting GDP increased 10.5% in 2022, while agri-food manufacturing increased 2.8%, compared with a 3.6% increase for the overall economy.

Russia's invasion of Ukraine and the economic sanctions imposed on Russia caused significant global market uncertainty, most notably for energy and agriculture commodities. For the Canadian agriculture and agri-food industry, the result was increased prices of crop inputs and fuel. This also created challenges for sourcing fertilizer. However, the uncertainty also supported higher prices for grains and oilseeds.

Farm cash receipts increased 13.6% in 2022 as higher production in Eastern Canada as well as higher prices for agriculture commodities offset limited grain supply in Western Canada because of the 2021 drought. Food and beverage manufacturing revenues also expanded, increasing 11%, largely as a result of higher prices because volume growth was limited.

### Farm and manufacturing revenues increased on higher prices

In 2022, total Canadian crop production increased 34% to 96.0 million tonnes, recovering from the 2021 drought conditions that impacted the prairies. Good yields across Canada and historically strong commodity prices supported crop receipts. As a result, most operations were able to absorb the high input costs in 2022. Avian influenza was prevalent in

2022 and is expected to continue into 2023. While the beef herd continued to contract in Canada, 2022 did see a return to normal hay crops and strong pricing opportunities for cattle. Overall crop receipts increased 14.2% and livestock receipts increased 12.5% in 2022. Cash receipts from government direct payments were also up 14.0% as western producers received crop insurance from the 2021 crop.

Farm input prices rose significantly in 2022 compared to 2021. Fertilizer prices rose 87% on average due to a combination of higher energy prices and global fertilizer production constraints. Fuel prices also rose significantly in 2022, with farm diesel rising 44% and farm gasoline 27%. Commercial seed and pesticides increased on average 13.8% and 15%, respectively, in 2022 due to a combination of reduced availability of seed from the 2021 drought, higher energy prices and global supply constraints on chemical manufacturing. Farm input inflation resulted in 2022 being the most expensive crop ever planted. Average input prices for animal production increased 30% due to significantly higher livestock and feed costs, which resulted in tighter margins for the livestock sector.

These upstream cost increases had a direct impact on food and beverage manufacturers, who were forced to increase prices. Food manufacturing selling prices increased 10.2% in 2022 compared to revenue increasing 12.6%. Beverage manufacturing prices increased 9.1% compared to revenues increasing 0.6%, as alcoholic beverage volumes declined year-over-year.

### Farmland values continue to trend higher

Robust farm revenues and low interest rates in the first half of 2022 supported increased land values. Average farmland values increased 12.8% on average. Strong farmland values continue to support producers' balance sheets. More information regarding farmland values, including regional analyses, is available in the FCC Farmland Values Report at [fcc.ca/FarmlandValues](https://fcc.ca/FarmlandValues).



### Higher interest rates pushing debt higher and limiting manufacturing investment

Farm debt increased an estimated 8.0% in 2022 with an average annual growth rate of 6.9% over the past 10 years as producers continued to make strategic investments to improve the productivity and efficiency of their farm operations. High costs for both crop inputs and feed increased the demand for short-term debt while higher land values pushed up capital requirements in 2022.

Food and beverage manufacturing capital expenditures as a percent of revenue declined to 2.5% in 2022, the lowest level since 2017. Investment in technology has become more important than ever given the tight labour market. Yet, the effective business borrowing rate doubling year-over-year has made these investments more difficult for producers that are not in a strong financial position.

### Trade during geopolitical uncertainty

Exports are key to Canada's success as a leading agricultural and food producing nation. With a small population and vast amount of land, we rely heavily on exports. As of 2021, Canada was the fifth-largest exporter of agriculture products and the 11th-largest exporter of food products in the world.

The landscape for world trade presented challenges for the agriculture and agri-food industry in 2022. The war in Ukraine and resulting tariffs significantly limited trade with Russia and Ukraine, while COVID-zero policies in China and the rebuilding of their hog supplies slowed export growth opportunities.

### Food and beverage manufacturing margins under pressure

Higher input prices, elevated wages and shifting consumer purchasing patterns towards lower-priced foods in the face of tighter wallets directly impacted food and beverage manufacturing gross margins.

Upstream demand from retailers was also impacted, with 2022 seeing a net closure of food and beverage service establishments. FCC Economics gross margin index in 2022 fell 10% year-over-year. This is the sharpest decline on record. Declines were widespread, except for grain and oilseed milling and meat product manufacturing. Beverage, sugar/chocolate and seafood manufacturing saw the steepest declines.

### Current and potential impacts for FCC

The Canadian agriculture and agri-food industry remained financially healthy at the end of 2022 despite margin compression in certain industries. A supportive Canadian dollar and robust global food demand created opportunities for Canadian agriculture, agribusiness and agri-food processors. Global production challenges and strong demand for crops in 2022 resulted in higher prices, supporting the demand for land 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. 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. Canada's agriculture and agri-food industry has shown resiliency and is well positioned to weather current and future economic hardships and leverage opportunities.

For more information, refer to FCC's sector outlooks at [fcc.ca/Economics](https://fcc.ca/Economics).

## Financial performance and key measures

For the year ended March 31 (\$ millions, except as noted)	2023	2022	2021*
Net interest income	1,354	1,341	1,298
(Provision for) reversal of credit losses	(108)	90	(18)
Non-interest income <sup>(1)(2)</sup>	24	9	8
Administration expenses	(548)	(508)	(473)
Net income	722	932	815
<b>Portfolio growth</b>			
Number of loans	160,354	156,964	153,578
Total loans receivable	47,881	44,489	41,346
Allowance for credit losses – loans receivable	(165)	(110)	(218)
Loans receivable growth rate (%) <sup>(3)</sup>	7.6	7.6	7.6
<b>Borrowings</b>			
Short-term debt	7,697	8,077	12,550
Long-term debt	33,672	30,107	22,705
<b>Profitability</b>			
Net interest margin (%) <sup>(4)</sup>	2.76	2.96	3.05
<b>Credit quality</b>			
Credit-impaired loans	814	394	306
Allowance for credit losses	165	110	218
<b>Efficiency</b>			
Efficiency ratio (%) <sup>(1)(4)</sup>	40.1	37.9	35.7
<b>Capital management</b>			
Total capital ratio (%) <sup>(5)</sup>	15.9	17.0	17.4
Debt to equity <sup>(4)</sup>	4.9	4.5	4.5
<b>Shareholder return</b>			
Return on equity (%) <sup>(4)</sup>	8.4	11.2	10.7
Dividends <sup>(6)</sup>	471	560	–

\* Restated

<sup>(1)</sup> Comparative figures have been restated to reflect current period presentation.

<sup>(2)</sup> Balance is obtained by subtracting interest income after provision for credit losses from net interest income and non-interest income.

<sup>(3)</sup> Loans receivable growth is calculated as the change in loans receivable – total compared to the prior period.

<sup>(4)</sup> This is a non-GAAP measure. For additional details refer to the non-GAAP measures section.

<sup>(5)</sup> Measure is calculated using Capital Adequacy Requirements as defined by the Office of the Superintendent of Financial Institutions.

<sup>(6)</sup> Dividends paid from retained earnings.

## Net income

Net income decreased by \$210 million in 2023, a 23% reduction compared to 2022. The main driver was a change in the direction of our provision for credit losses. In 2023, we recorded a provision for customers accessing loan amendments due to financial difficulty and a higher balance of loans past due. In 2022, a reversal of the provision was due to model enhancements that increased emphasis on customer risk and recent loss experience and customers who deferred payments under the pandemic program also resumed regular payments. In 2023, administration expenses increased due to higher professional fees incurred to support technology enablement and increased salaries and benefits required to support operations and deliver strategic initiatives.

Net income in 2022 increased by \$117 million and 14% compared to 2021, primarily due to a decreased allowance for credit losses resulting in a reversal of the provision for credit losses. 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 interest income, portfolio growth, borrowings and profitability

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

Net interest income was \$1,354 million in 2023, an increase of \$13 million compared to \$1,341 million in 2022. Higher lending volumes, due to a growing portfolio and lower prepayment rates, led to an \$83 million increase. This was partially offset by a decreased net interest margin of \$70 million, reflecting the net effect of interest rates on our interest-earning assets and interest-bearing liabilities. The use of equity financing helped offset compression of our net interest margin, as a rising interest rate environment increased the cost of borrowing required to fund our interest-bearing assets.

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. Increased volume was partially offset by a \$32 million decrease in net interest margin, reflecting the net effect of interest rates on both interest-earning assets and interest-bearing liabilities.

March 31 (\$ millions)	2023			2022			2021		
	Average balance	Interest <sup>(1)</sup>	Rate (%) <sup>(1)</sup>	Average balance	Interest <sup>(1)</sup>	Rate (%) <sup>(1)</sup>	Average balance	Interest <sup>(1)</sup>	Rate (%) <sup>(1)</sup>
Total loans receivable	46,621	2,139	4.59	43,058	1,534	3.56	39,991	1,531	3.83
Investments	2,292	69	3.01	2,200	12	0.55	2,534	17	0.68
Other loans receivable	114	8	7.02	97	6	6.19	84	7	8.61
Total interest-earning assets	49,027	2,216	4.52	45,355	1,552	3.42	42,609	1,555	3.65
Total interest-bearing liabilities	40,713	862	2.12	37,190	211	0.57	35,285	257	0.73
Total interest spread			2.40			2.85			2.92
Impact of equity	8,314		0.36	8,165		0.11	7,324		0.13
<b>Total net interest income on interest-earning assets</b>	<b>49,027</b>	<b>1,354</b>	<b>2.76</b>	<b>45,355</b>	<b>1,341</b>	<b>2.96</b>	<b>42,609</b>	<b>1,298</b>	<b>3.05</b>
<b>Year-over-year change in net interest income due to:</b>									
Increases in volume		83			75			79	
Changes in margin		(70)			(32)			22	
<b>Total change to net interest income</b>		<b>13</b>			<b>43</b>			<b>101</b>	

<sup>(1)</sup> This is a non-GAAP measure. For additional details refer to the non-GAAP measures section.

## Loans receivable and portfolio growth

Loans receivable at March 31, 2023, increased by \$3,392 million or 7.6% compared to March 31, 2022. The increase was due to a combination of market factors.

The agriculture and agri-food industry performed well despite challenges in supply chains, market volatility triggered by geopolitical events, high prices of farm inputs and higher interest rates. These factors increased the cost of production and drove demand for capital in 2023. Continued demand for agricultural products and strong commodity prices helped drive record farm cash receipts, allowing most sectors to absorb the increased costs.

### Loans receivable by sector distribution

For the year ended March 31 (\$ millions)	Total loans receivable		Annual growth by sector	
	2023	2022	2023	2022
<b>Loans receivable<sup>(1)</sup></b>				
Primary production				
Oilseed and grain	15,317	14,332	6.9%	6.1%
Dairy	7,238	6,929	4.5%	3.8%
Beef	3,900	3,714	5.0%	4.6%
Poultry	3,244	3,005	8.0%	5.5%
Other	3,225	3,025	6.6%	8.9%
Greenhouse	1,987	1,848	7.5%	20.3%
Alliances	1,765	1,707	3.4%	16.9%
Hogs	1,568	1,395	12.4%	5.8%
Fruit	1,427	1,320	8.1%	8.3%
Total primary production	39,671	37,275	6.4%	6.8%
Agribusiness	6,117	5,432	12.6%	11.1%
Agri-food	2,132	1,827	16.7%	13.4%
<b>Loans receivable by sector distribution</b>	<b>47,920</b>	<b>44,534</b>	<b>7.6%</b>	<b>7.6%</b>

<sup>(1)</sup> Excludes deferred loan fees

Loans receivable for primary production increased by \$2,396 million and decreased slightly to 83% of our total loans receivable at March 31, 2023, from 84% in the prior year.

The oilseed and grain sector grew by \$985 million, the largest annual dollar increase. In 2023, additional lending was driven by higher operational costs, particularly for crop inputs, combined with production increases. In 2022, widespread drought conditions in Western Canada impacted the sector, leading to decreased production.

Annual growth in the hog sector increased 6.6% year-over-year, the largest change in growth rate in our portfolio. Tight margins and high feed costs drove demand for additional capital early in the year. While margins have improved in Western Canada, processing constraints remain a challenge for producers in Eastern Canada.

Loans receivable for greenhouse producers had a small increase year-over-year, but the annual growth rate decreased by 12.8%. Higher costs and supply shortages slowed investment in capital projects and reduced the rate of growth in the sector through 2023. In 2022, growth was driven by increased capital investment, as producers looked to meet the demand for Canadian-grown vegetables.

Agribusiness and agri-food loans receivable increased at March 31, 2023, by \$685 million and \$305 million respectively compared to the prior year. Increased lending in agribusiness was driven by additional processing activity due to higher volumes of primary production. Increased lending in the agri-food sector was largely due to the impacts of price inflation on inputs. In 2022, increased capital investment drove lending in these sectors.

## Loans receivable by geographic distribution

For the year ended March 31 (\$ millions)	Total loans receivable		Annual growth by region	
	2023	2022	2023	2022
<b>Loans receivable<sup>(1)</sup></b>				
Ontario	14,326	13,010	10.1%	9.2%
Saskatchewan	8,720	8,312	4.9%	7.2%
Alberta	8,538	8,181	4.4%	5.1%
Quebec	6,854	6,158	11.3%	8.4%
British Columbia	4,244	4,008	5.9%	8.0%
Manitoba	3,763	3,520	6.9%	8.1%
Atlantic	1,475	1,345	9.7%	3.7%
<b>Loans receivable by geographic distribution</b>	<b>47,920</b>	<b>44,534</b>	<b>7.6%</b>	<b>7.6%</b>

<sup>(1)</sup> Excludes deferred loan fees

Loans receivable at March 31, 2023, increased across all geographic areas when compared to March 31, 2022.

Lending in Ontario increased by \$1,316 million, contributing 39% of the annual growth in total loans receivable. Additional lending occurred in primary production sectors, as well as agribusiness and agri-food.

Loans receivable in Quebec increased \$696 million, representing 21% of the annual growth in total loans receivable. Higher levels of primary production provided additional activity for customers in the agribusiness and agri-food sectors. Lending for primary production also increased compared to the prior year.

## 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 and fund our lending operations and also ensure 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. Faced with rising interest rates, customers displayed a preference for long-term, fixed-rate products to secure rate certainty. This led to higher levels of long-term debt and declining levels of short-term debt in 2023 compared to 2022.

### 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, 2023, was \$7,697 million, compared to \$8,077 million at March 31, 2022. Of the total short-term debt outstanding, \$6,750 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, 2023, was \$33,672 million, compared to \$30,107 million at March 31, 2022. In 2023, 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, 2023, 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.

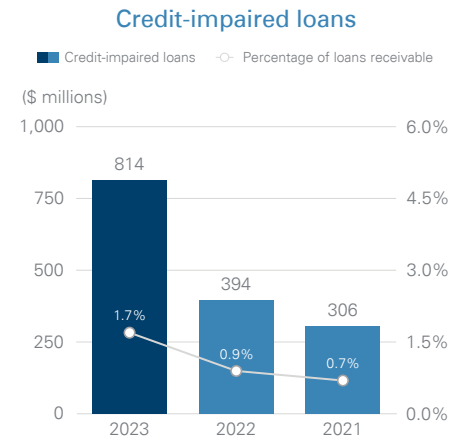
Credit-impaired loans

We support individual customers and sectors during financial difficulties through programs developed to address challenges faced by the Canadian agriculture and agri-food industry as they arise. For example, this year we supported customers in the Atlantic provinces impacted by hurricane Fiona and poultry operations affected by avian influenza. Customers had access to additional short-term credit options, deferral of principal payments and other loan modifications to reduce financial pressures.

In 2023, most deferrals were made to assist customers experiencing financial difficulty. The adverse weather support program drove high deferral numbers in 2022.

Our credit-impaired loan balance increased by \$420 million at March 31, 2023, compared to March 31, 2022. In 2023, we updated indicators used to classify a loan as impaired. This adjustment increased our impaired loan balance by \$248 million. We also had more customers access loan amendments specifically due to financial difficulty and an increased balance of loans past due, leading to more credit-impaired loans than the prior year.

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**

For the year ended March 31 (\$ millions)	Credit-impaired loans		Percentage of loans by sector	
	2023	2022	2023	2022
Primary production				
Oilseed and grain	209	128	1.4%	0.9%
Dairy	37	16	0.5%	0.2%
Beef	120	67	3.1%	1.8%
Poultry	10	6	0.3%	0.2%
Other	89	44	2.8%	1.5%
Greenhouse	19	7	1.0%	0.4%
Alliances	17	18	1.0%	1.1%
Hogs	57	6	3.6%	0.4%
Fruit	40	7	2.8%	0.5%
Total primary production	598	299	1.5%	0.8%
Agribusiness	62	78	1.0%	1.4%
Agri-food	154	17	7.2%	0.9%
<b>Credit-impaired loans by sector distribution</b>	<b>814</b>	<b>394</b>	<b>1.7%</b>	<b>0.9%</b>

The sector with the largest change to credit-impaired loans was oilseed and grain, increasing by \$81 million. Rising operational costs led to more customers accessing loan amendments and an increased balance of loans past due.

Impairment in the beef and hog sectors of our portfolio increased by \$53 million and \$51 million respectively. High feed costs were a challenge for livestock producers throughout most of 2023 with improvement toward the end of the year. Slaughter constraints in Quebec also impacted hog margins for producers in Eastern Canada.

Overall impairment in the fruit sector increased by \$33 million in 2023. Most of the impairment occurred in British Columbia, with adverse weather conditions last year impacting fruit crops. Replanted crops require time to grow before production returns to normal.

The \$137 million increase in credit-impaired loans for the agri-food sector was driven by inflationary factors driving higher costs for labour and materials. The sector also faced tighter margins as consumers started to cut back on discretionary spending, limiting opportunities to pass higher costs to consumers.

**Credit-impaired loans by geographic distribution**

For the year ended March 31 (\$ millions)	Credit-impaired loans		Percentage of loans by region	
	2023	2022	2023	2022
Ontario	92	55	0.6%	0.4%
Saskatchewan	144	105	1.7%	1.3%
Alberta	182	105	2.1%	1.3%
Quebec	158	52	2.3%	0.8%
British Columbia	102	24	2.4%	0.6%
Manitoba	61	38	1.6%	1.1%
Atlantic	75	15	5.1%	1.1%
<b>Credit-impaired loans by geographic distribution</b>	<b>814</b>	<b>394</b>	<b>1.7%</b>	<b>0.9%</b>

The balance for credit impaired loans in Alberta increased by \$77 million this year. Most of the increase occurred in primary production. Increases in the oilseed and gain sector reflect the impact of increased production costs and the ongoing recovery from drought conditions experienced in 2022. Higher impairment in the beef sector was due to tight margins and high feed costs early in 2023.

Quebec had a \$106 million increase in credit-impaired loans through 2023. The largest driver of the increase was the impairment of two large customers in the hog sector, impacted by constraints on slaughter capacity. The impairment of a few large customers in the agribusiness and agri-food sectors also contributed to the increase.

The Atlantic region had a \$60 million increase in credit-impaired loans. A component of the increase in primary production sectors was driven by customers impacted by hurricane Fiona. Increased impairment in the agri-food sector was limited to a few large customers, reflecting challenges associated with higher production costs.

### Allowance for credit losses

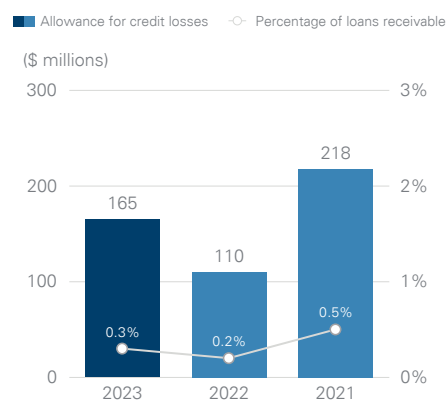
The Canadian agriculture and agri-food industry faced ongoing challenges through 2023. Supply chain issues, market volatility triggered by geopolitical events, rising costs for farm inputs and rising interest rates led to higher operational costs. Inflationary pressures created tighter margins, which made higher debt servicing costs an issue for some customers, leading to more amendments due to financial difficulty and an increased balance of loans past due, resulting in a higher allowance for credit losses. Despite these challenges, farm cash receipts increased to record highs, which allowed most customers to absorb increased costs.

Our allowance for credit losses increased by \$55 million to \$165 million in 2023.

In 2023, the increase in our allowance for credit losses was due to a higher volume of impaired loans. A few large customers drove the higher allowance in the agribusiness and agri-food sectors, while increased allowance in the agriculture production sectors was distributed across the portfolio.

In 2022, the reduction in our allowance for credit losses was driven by enhancements in 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. Model enhancements accounted for a \$60 million reduction in allowance in 2022. The expiration of pandemic payment deferrals and customers resuming normal payment also contributed to the reduction.

### Allowance for credit losses



### (Provision for) reversal of credit losses

For the year ended March 31 (\$ millions)	2023	2022	2021
Impaired loans (Stage 3)	(109)	3	(11)
Performing loans (Stages 1 & 2)	1	87	(7)
<b>Total (provision for) reversal of credit losses</b>	<b>(108)</b>	<b>90</b>	<b>(18)</b>

In 2023, our provision for credit losses increased due to more customers accessing loan amendments due to financial difficulty and a higher balance of loans past due, leading to a higher allowance for credit losses and provision for credit losses on impaired loans compared to the prior year.

A reversal of provision for credit losses was recorded in 2022, reflecting the implementation of model enhancements that increased emphasis on customer risk and recent loss experience. The allowance for credit losses also decreased as customers who deferred payments under pandemic programs resumed regular payments.



## Write-offs

Write-offs increased by \$29 million from \$26 million in 2022 to \$55 million in 2023. In 2023, most of the increase occurred in the agri-food and agribusiness sectors.

## Non-interest income

For the year ended March 31 (\$ millions)	2023	2022	2021
Insurance distribution income	16	17	20
Net (loss) income from investment in associates	(8)	(10)	2
Net gain (loss) from financial instruments designated as fair value through profit or loss <sup>(1)</sup>	16	9	(9)
Net foreign exchange gain (loss)	3	–	(3)
Other expenses	(3)	(7)	(2)
<b>Total non-interest income</b>	<b>24</b>	<b>9</b>	<b>8</b>

<sup>(1)</sup> Comparative figures have been restated to reflect current period presentation.

Annual changes in non-interest income are largely driven by the performance of our investment in associates and venture capital investments designated as fair value through profit or loss. These balances are subject to volatility based on the performance of the underlying investments.

In 2023, the loss from investment in associates was due to net decreases across most of our holdings. Losses in 2022 were due to the decreased return on one venture capital investment.

In 2023, our net gain from financial instruments designated as fair value was due to an unrealized gain on a venture capital investment, partially offset by the cost of derivatives purchased to mitigate interest rate risk. In 2022, we had unrealized gains across our venture capital portfolio carried at fair value. In 2021, our fair value loss was primarily due to derivatives used to mitigate borrowing risk.

In 2022, other expenses included an impairment loss of \$5 million related to the sale of our lease portfolio held for sale.

## Administration expenses

For the year ended March 31 (\$ millions)	2023	2022	2021*
Salaries and benefits	314	305	285
Professional fees	88	71	64
Facilities, software and equipment	66	67	59
Amortization and depreciation	32	35	39
Marketing and promotion	17	13	13
Travel and training	15	7	4
Other	16	10	9
<b>Total administration expenses</b>	<b>548</b>	<b>508</b>	<b>473</b>

\* Restated

Our administration expenses represent costs associated with business operations, projects and support processes. Salaries and benefits comprised the highest proportion of our administration expenses. Increases in both 2023 and 2022 compared to their respective prior year were due to new positions required to support our portfolio growth and deliver strategic initiatives to serve customers and the industry.

In 2023, higher professional fees were required to support continued technology enablement that will help us deliver services and meet the needs of our customers. In 2022, professional fees were driven by projects that supported the implementation of updated technology infrastructure.

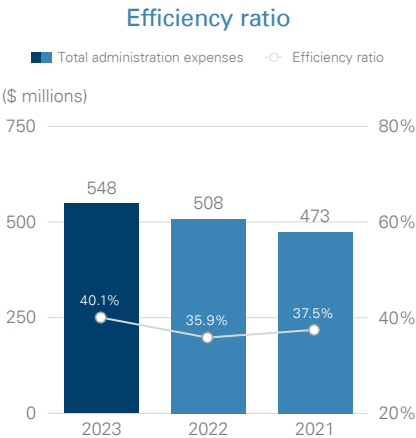
The increased marketing expense in 2023 was driven by additional opportunities for sponsorship and investment in agriculture events. These opportunities were limited in prior years due to pandemic restrictions. We also had the opportunity to work with Indigenous communities to help advance food security and food sovereignty. Our major initiative was supporting Indigenous agriculture and food through reconciliation, business and capacity development by establishing a national, Indigenous-led, non-profit organization known as the National Circle for Indigenous Agriculture and Food.

In 2023, expenses for travel and training increased due to the continued lifting of pandemic restrictions and returned to pre-pandemic levels.

Efficiency ratio

Our efficiency ratio measures the percentage of income earned that is spent to support business operations. In 2023, our efficiency ratio increased as administration expenses outpaced the increase in revenue growth.

Our calculation is a non-GAAP measure and removes expenses that could obscure trends in the business performance and reduce comparability with prior periods. For further details, refer to the non-GAAP section below.



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 and policy. Our capital management objective is to maintain a safe and sound capital position to deliver our strategy and withstand economic downturn, climate change uncertainty and periods of extended loss.

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 capital requirements and risk-weighted assets (RWA). Our internal capital adequacy assessment process uses regulatory and internal assessments of credit, market and operational risks, along with considerations for business development, operating range, regulatory changes and uncertainties. We use the internal capital adequacy assessment process to determine an appropriate target capital ratio, which was assessed at 15.0% for 2023, unchanged from 2022.

Capital adequacy

In 2023, we were 0.9% above our target capital ratio, due to \$250 million of capital contributions being retained and growth in capital outpaced growth in capital requirements from normal business operations. We had \$2,250 million of the \$2,500 million capital contribution limit from the Government of Canada available. In 2023, we repaid \$250 million of a \$500 million capital contribution provided at the start of the pandemic. We expect to repay the remaining capital contribution in 2024.

## Total capital ratio

The 1.1% decrease in the total capital ratio from March 31, 2022, to March 31, 2023, was the net result of capital generation offset by the dividend payment and 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. In 2023, two dividends totalling \$721 were paid to the Government of Canada. A dividend payment of \$471 million was made from retained earnings and \$250 million in capital contribution was returned in 2023.

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.

Total capital ratio continuity	
<b>2022 capital ratio</b>	<b>17.0%</b>
Capital generation	1.5%
RWA growth	(1.2%)
Dividends paid	(1.4%)
<b>2023 capital ratio</b>	<b>15.9%</b>

## Debt to equity

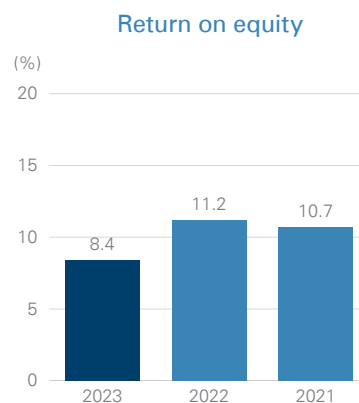
We use debt to equity, the corporation's only legislated limit, as an additional measure to assess capital adequacy. At the end of 2023, our debt-to-equity ratio remained below the legislated limit of 12:1. From 2022 to 2023, our debt-to-equity ratio increased slightly from 4.5:1 to 4.9:1.

## Shareholder return

### Return on equity

In 2023, decreased return on equity was due to a higher provision for credit losses driving a reduction in net income. This decrease occurred despite the drop in equity from two dividend payments to return \$250 million in contributed capital and \$471 million from retained earnings.

In 2022, the increased return on equity was driven by higher net income due to a reversal of credit losses from customers returning to normal payment schedules following pandemic deferrals. Increased lending volume also contributed to higher net income. A \$560 million dividend paid to the Government of Canada impacted average equity and contributed to the improved return on equity.



### Dividends

In 2023, we paid a dividend of \$471 million to the Government of Canada from retained earnings, lower than the \$560 million dividend we paid in 2022.

## Financial position

As at March 31 (\$ millions)	2023	2022
Cash and cash equivalents	1,782	1,439
Total loans receivable	47,881	44,489
Allowance for credit losses – loans receivable	(165)	(110)
Venture capital investments	219	156
Assets held for sale	–	186
Other	750	1,124
<b>Total assets</b>	<b>50,467</b>	<b>47,284</b>
Borrowings	41,369	38,184
Other	519	523
<b>Total liabilities</b>	<b>41,888</b>	<b>38,707</b>
<b>Equity</b>	<b>8,579</b>	<b>8,577</b>

## Cash and cash equivalents

For the year ended March 31 (\$ millions)	2023	2022
Cash used in operating activities	(2,290)	(2,314)
Cash provided by investing activities	289	141
Cash provided by financing activities	2,342	2,361
<b>Change in cash and cash equivalents</b>	<b>341</b>	<b>188</b>

Cash used in operating activities decreased \$24 million, primarily due to proceeds received through the sale of our lease portfolio and higher interest payments received on lending. This decrease was partially offset by higher disbursements required to support our growing loan portfolio.

Cash provided by investing activities increased by \$149 million. Additional cash was provided from the maturity of more short-term investments that were not renewed compared to the prior period. This increase was offset by the acquisition of fair value investments and funding of our investments in associates.

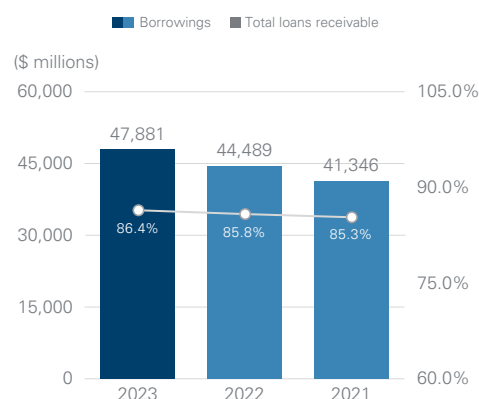
Cash provided by financing decreased due to a dividend payment from retained earnings and partial repayment of a capital contribution to the Government of Canada. The decrease was offset by additional borrowings held to fund our growing loan portfolio and future committed disbursements.

## 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 2023 compared to 2022. 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 and investments at fair value relate to our consolidated fund investments. Investments at fair value with a low percentage of ownership also fall under investments at fair value, while unconsolidated fund investments for which we hold significant influence are reported as investment in associates.

For the year ended March 31 (\$ millions)	2023	2022
Other loans receivable – net	26	51
Investments at fair value	131	56
Investment in associates	62	49
<b>Total venture capital investments</b>	<b>219</b>	<b>156</b>

In 2023, other loans receivable – net decreased by \$25 million due to loan maturities and increased allowance for credit losses. A \$10 million dollar write-off on an investment held by one venture capital fund also contributed to the decrease.

The \$75 million increase in investments at fair value was due to a combination of investments in new funds, additional investments made in existing funds and net unrealized fair value gains.

Investment in associates increased by \$13 million due to additional investments made in existing funds and investments in a new fund.

## Assets held for sale

Assets held for sale had a \$nil balance at March 31, 2023, as the sale of our lease portfolio occurred on July 5, 2023.

## Other assets

The \$374 million decrease in other assets was primarily due to fewer short-term investments held compared to last year.

## Other liabilities

In 2023, the decrease in other liabilities was the net impact of small decreases in our post-employment benefit liabilities and lease obligations, partially offset by increased transition loan liabilities.

## Performance against plan

### Financial performance

	2024	2023	2023
For the year ended March 31 (\$ millions)	Plan	Actual	Plan
Net interest income	1,413	1,354	1,382
Provision for credit losses	(67)	(108)	(56)
Non-interest income	10	24	17
Administration expenses	(642)	(548)	(577)
<b>Net income</b>	<b>714</b>	<b>722</b>	<b>766</b>

Net income was \$44 million lower than the 2023 plan primarily due to a higher provision for credit losses and lower net interest income offset by lower administration expenses. Provision for credit losses increased primarily due to more loans in stage 3 from payments past due and use of amendments due to financial difficulty. Despite stronger demand for capital in a strengthening agriculture and economic industry, the rising interest rate environment placed pressure on net interest income.

In 2024, net income is projected to decrease \$8 million driven by higher administration expenses, offset by increased net interest income and lower provision for credit losses. Administration expenses are projected to increase by \$94 million mainly driven by increased investment in foundational business systems and processes, effective risk management capabilities, and enabling continued portfolio growth. Net interest income increases will be primarily due to growth in loans receivable offset by a decrease in the net interest margin. The required provision results from a slower increase in allowance for credit losses due to improvements in portfolio health.

### Financial position

	2024	2023	2023
As at March 31 (\$ millions)	Plan	Actual	Plan
Cash, cash equivalents and short-term investments	2,040	2,004	2,000
Loans receivable	51,709	47,881	45,666
Allowance for credit losses – loans receivable	(186)	(165)	(174)
Leases	–	–	140
Venture capital investments	244	219	244
Other assets	810	528	493
<b>Total assets</b>	<b>54,617</b>	<b>50,467</b>	<b>48,369</b>
Borrowings	44,906	41,369	39,381
Other liabilities	747	519	598
Equity	8,964	8,579	8,390
<b>Total liabilities and equity</b>	<b>54,617</b>	<b>50,467</b>	<b>48,369</b>

Loans receivable growth for 2023 was \$2,215 million higher than the 2023 plan due to lower prepayments resulting from the higher interest rate environment, and higher disbursements in all business lines due to the improved economic environment in the agriculture industry.

Allowance for credit losses was similar to plan at \$165 million. Increases for portfolio growth and increased loans in stage 3 from payments past due and use of amendments due to financial difficulty were offset by decreases from the improvements in the economic environment impacting operational risk.

In 2024, growth in loans receivable is expected to continue, although at a slower pace than 2023. This increase projects a strong economic environment with continued growth in all business lines, funded by additional borrowings. Allowance for credit losses grows to reflect the growth in the portfolio. Increased equity is primarily due to net income contributing to growth, offset by dividends and the planned repayment of \$250 million of contributed capital.

## Key financial measures

	2024	2023	2023
For the year ended March 31	Plan	Actual	Plan
Loans receivable growth rate (%)	6.9	7.6	5.3
Net interest margin (%)	2.70	2.76	2.94
Efficiency ratio (%)	45.1	40.1	41.2
Total capital ratio (%)	15.3	15.9	16.3
Debt to equity	5.1	4.9	4.8
Return on equity (%)	7.9	8.4	9.2

Net interest margin was lower than the 2023 plan primarily due to compression on lending margins driven by the rising interest rate environment. Equity financing helped offset some of the compression. Net interest margin is projected to decrease 0.06% in 2024 as interest rates are expected to remain at elevated levels.

Efficiency ratio was 1.1% lower than the 2023 plan due to lower administration expenses. In 2024, administration expenses are expected to increase due to increased investment to support strategic outcomes. This along with the compressed net interest margin is expected to raise the efficiency ratio to 45.1%.

The total capital ratio was 0.4% lower than the 2023 plan due to portfolio growth increasing risk-weighted assets requiring additional capital to be held. The total capital ratio is projected to decrease to 15.3% in 2024 primarily due to increased risk-weighted assets and repayment of the remaining \$250 million of contributed capital. The total capital ratio is projected to remain higher than our target capital ratio of 15.0% as growth in capital from net income outpaces growth in risk-weighted assets.

Return on equity was 0.8% lower than the 2023 plan primarily due to lower net income due to higher provision and lower net interest income. Return on equity is projected to decrease in 2024 due to higher administration expenses partially offset by higher net interest income.

## Non-GAAP measures

We believe that certain non-GAAP measures provide additional insight into 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 presents administration expenses as a percentage of adjusted net interest income and non-interest income as outlined in the table below. This ratio helps communicate operating efficiency. While a lower ratio is an indication of more efficient business operations, too low of an efficiency ratio can signal under investment in business and can have implications on strategy and sustainable performance.

For the year ended March 31 (\$ millions)	2023	2022	2021
Net interest income and non-interest income	1,270	1,431	1,297
Provision for (reversal of) credit losses	108	(90)	18
Net loss (income) from investment in associates	8	10	(2)
Net (gain) loss from financial instruments designated as fair value through profit or loss	(16)	(9)	9
Net foreign exchange (gain) loss	(3)	–	3
<b>Adjusted net interest income and non-interest income</b>	<b>1,367</b>	<b>1,342</b>	<b>1,325</b>

### Return on equity

Return on equity provides an indication of return on invested capital. Management uses this measure as a tool to support decisions made around resource allocation. Our return on equity presents net income as a percentage of 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)	2023	2022	2021
Total equity	8,577	8,576	8,039
Accumulated other comprehensive income	–	–	1
<b>Adjusted equity</b>	<b>8,577</b>	<b>8,576</b>	<b>8,040</b>

### Debt to equity

Our debt to equity ratio communicates the extent operations are funded by debt financing. This measure presents total liabilities as a percentage of the adjusted equity attributable to the shareholder of the parent entity for the period. The adjusted balance used in the calculation is reported in the return on equity section above.

### Net interest margin

Our net interest margin is an indicator of profitability of interest-earning assets less the cost of funding. This ratio represents net interest income as a percentage of the weighted average balance of interest-earning assets. Average balances are calculated as the average of daily closing balances, monthly for venture capital, and are non-GAAP financial measures. Balances used are disclosed in the Net interest income, portfolio growth, borrowings and profitability section above.



## 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 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.

### 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. 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. We have developed additional subcommittees with assigned responsibilities for governing various technical risk categories 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.

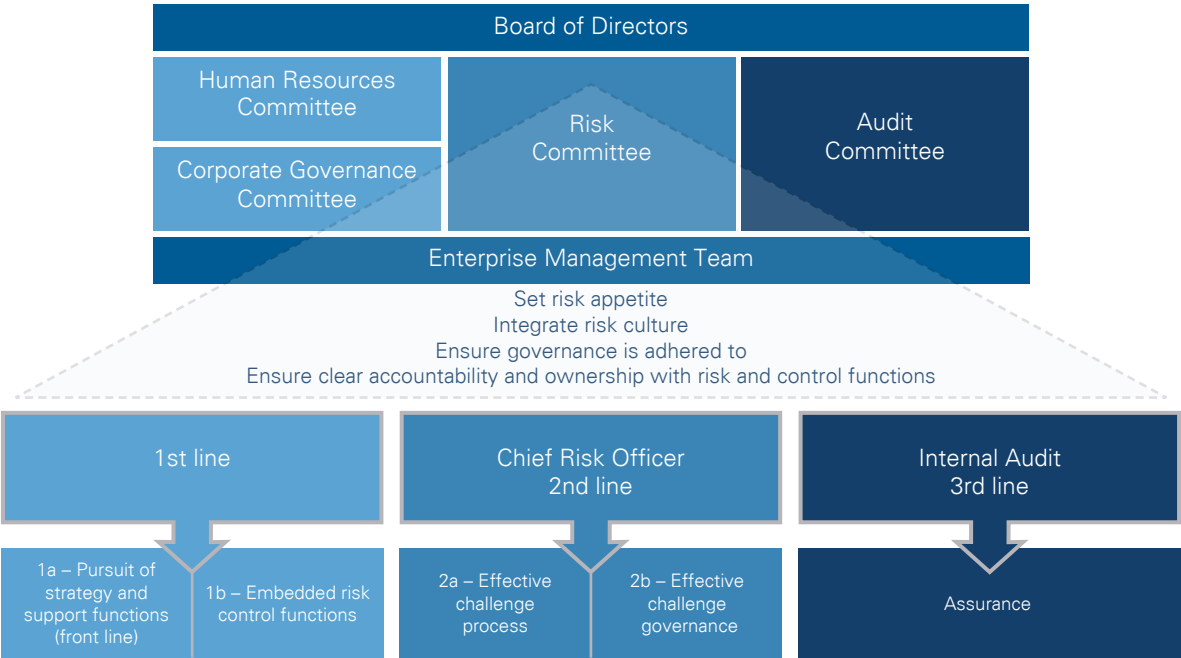
**FCC executive and business functions**

FCC uses a three lines 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.

The **first line** 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. We make these decisions 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** 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** 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. These responsibilities are fulfilled by Internal Audit through executing the Board Audit Committee’s approved audit plan.



### 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 Board reaffirms and approves risk appetite 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 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. We review these tolerances and limits 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, we have defined and grouped the fundamental drivers of employee behaviour 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

The risk categories reflect FCC's role as both a financial institution and a Crown corporation. FCC expresses its risk appetite and tolerances by categorizing risk as strategic, financial, operating or reputational.

### 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 and documents FCC's key strategic priorities in the five-year corporate plan. This involves assessing the financial environment and the agriculture and agri-food industry to determine emerging risks. The Board provides oversight on the top enterprise risks during its involvement in the strategic planning cycle.

**Strategic and emerging risk register:** The top risks facing the organization are assessed and prioritized annually in accordance with the enterprise risk management framework and policy. 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 risk register and mitigation plans have focused on key risk topics around climate, third-party relationships, technology and digitization, talent management, and our relevance in the marketplace.

The prioritized risks are an input to the stress-testing program. Management develops exceptional but plausible scenarios to test our ability to stay within our risk appetite during a stress event.

### Financial risks – credit, market and liquidity

As a financial institution and lender 100% invested in Canadian agriculture and food, financial risk is a significant risk to FCC. Financial risks are delineated into three categories of risk – credit, market and liquidity.

#### Financial risks – credit risk

Credit risk is the risk of potential loss if a borrower or other counterparty fails to meet its financial commitments to FCC. We are exposed to credit risk in our loans, venture fund holdings and investments.

We rely on committees, divisions and business units to effectively manage credit risk.

Credit risk assessment starts with individual transactions.

We use policies, processes, systems and strategies to manage the credit risk of the lending portfolio. Our lending and credit risk employees assess and manage credit risk by ensuring individual loans are consistent with defined policies. We focus our risk-taking decisions primarily on our customers' ability to repay the loan while considering secondary forms of repayment such as collateral security in the lending decision. Portfolio concentrations and correlations due to FCC's legislated focus on the

agriculture and agri-food industry can intensify credit risk. We manage this risk through portfolio diversification strategies, limits and robust capital management. Independent venture capital partners provide venture capital and subordinated debt and manage a series of investment funds in which FCC and others invest.

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. We monitor exposure to interest rate risk 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. We minimize currency exposure 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. We minimize liquidity risk by using a liquid investment portfolio, funding through the Crown Borrowing Program and access to an operating line of credit.

## Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, systems or external events. Operational risk events disrupt the normal flow of business and can affect our ability to deliver our strategy and objectives through lost opportunity and efficiency, business disruption, customer impact or financial loss.

FCC has a strong focus on organizational resilience and developing future-fit risk practices that align with FCC's mandate, risk appetite and customer experience priorities. FCC has established operational risk management policies to support the application of consistent, effective and timely operational risk management practices across FCC. It drives the inclusion of risk management in all areas of day-to-day work. We continue to implement and enhance comprehensive risk management policies and practices to mitigate key operational risk areas.

FCC's processes are organized in a hierarchical process classification framework that provides an end-to-end view of our work processes.

We perform risk and control self-assessments on our processes to identify and assess key risks to ensure appropriate controls are in place and risk gaps are closed. Business units are responsible for ensuring appropriate controls, including policies and processes, are in place to mitigate risks and operate effectively. Managers are expected to attest to the effectiveness of their business units controls on a quarterly basis. The Risk Management team provides effective challenge to attestation based on reported issues and information from Internal Audit.

## Reputation risk

Reputation risk is the risk that key stakeholders and others will develop negative perceptions about FCC that would adversely affect the corporation's reputation and ability to attract and retain customers, business partners and employees. 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, we have policies, processes and governance to guide employee conduct in interactions with co-workers, customers, industry partners, suppliers, media and the public. We assess any risk event that exceeds FCC's risk appetite for reputation implications.

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. We regularly review, test and enhance our crisis response based on assessment and experience.

## Climate-related disclosures





### Climate change at FCC

FCC recognizes that climate significantly impacts agriculture and food systems. The risk of climate change, including physical risks such as severe or chronic weather events, or transition risks such as market and consumer expectations, could cause challenges or disruptions for the agriculture and agri-food industry. However, opportunities exist to evolve food operations and production to meet the growing food needs of the world. As a Crown corporation and financial institution 100% dedicated to serving the Canadian agriculture and agri-food industry, FCC is committed to understanding these climate risks and opportunities to support the resilience of industry and build a sustainable future.

### About these disclosures

FCC supports the recommendations of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD). We are committed to producing annual disclosures that consider these recommendations and are in line with the Government of Canada's expectations regarding climate-related financial disclosures. The content within these disclosures highlights our approach to climate change with key information and progress tracked under governance, strategy, risks and opportunities, and targets and metrics. These disclosures outline future steps and considerations to ensure we effectively manage risks that climate poses to our operations and customers and identify opportunities to support customers on their sustainability journey. We are committed to enhancing this reporting over time.

FCC also provides relevant information on environmental, social and governance impacts in our 2022-23 Environmental, Social and Governance (ESG) Report. Our ESG commitments connect to the United Nations Sustainable Development Goals of Zero Hunger and Responsible Consumption and Production. To find out more, visit [fcc.ca/ESG](https://fcc.ca/ESG).

	2022-23	2023-24 and beyond
 <b>Governance</b>	<ul style="list-style-type: none"> <li>• Board of Directors, Risk Committee and Corporate Governance Committee participation</li> <li>• Management committees: ESG Steering Committee, Enterprise Risk Committee</li> <li>• Management: Chief Executive Officer, Chief Risk Officer, Chief Financial Officer, VP, Strategy and Sustainability, VP, Law and Corporate Secretary</li> </ul>	<ul style="list-style-type: none"> <li>• ESG and climate will be a standing agenda item brought to the Board of Directors for input and oversight going forward</li> <li>• ESG strategic aspiration will be integrated into the organizational strategy with oversight by the Enterprise Management Team. The ESG Steering Committee will be repurposed as an implementation working committee</li> <li>• Management of ESG will extend to the Enterprise Management Team</li> </ul>
 <b>Strategy</b>	<ul style="list-style-type: none"> <li>• Set ambition to become net-zero aligned<sup>9</sup> within FCC-owned GHG emissions (Scope 1, 2, 3 – category 5, 6)</li> <li>• Continued to develop FCC's approach to addressing climate impacts</li> <li>• Qualitatively assessed short-, medium- and long-term climate risks</li> </ul>	<ul style="list-style-type: none"> <li>• Finalize ESG approach, including FCC's path to becoming net-zero for all scoped emissions</li> <li>• Develop sustainable finance programs for targeting emissions reduction for participants</li> <li>• Enhance partnerships with key industry stakeholders, government, research, academic and financial institutions to enable the agriculture and agri-food industry to address climate risk and opportunities</li> <li>• Support sustainable innovation for the industry through venture capital financing</li> <li>• Mature climate scenario analysis to provide decision-useful information to inform risk appetite and strategy</li> </ul>
 <b>Risk management</b>	<ul style="list-style-type: none"> <li>• Identified climate risk and subsequent risk treatment plan through Enterprise Risk Management process</li> <li>• Performed second climate stress scenario based on a transition to net-zero by 2050</li> <li>• Refreshed risk appetite statement to reflect climate risk</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to evaluate and adapt climate risk appetite</li> <li>• Deepen knowledge of climate risks in FCC's operating environment and further integrate into risk framework</li> <li>• Support the industry's resilience by ensuring that relevant climate-related risks are assessed and used to inform portfolio management decisions</li> <li>• Align risk management practices with OSFI's B-15 Climate Risk Management guidelines</li> </ul>
 <b>Metrics and targets</b>	<ul style="list-style-type: none"> <li>• FCC's operational footprint: Scope 1, 2, 3 (category 5, 6) <a href="#">See page 60</a></li> <li>• Joined the Partnership for Carbon Accounting Financials (PCAF) – methodology applied to financed emissions (Scope 3, category 15 GHG emissions)</li> </ul>	<ul style="list-style-type: none"> <li>• Mature methodology for financed emissions within the PCAF Standard</li> <li>• Work in partnership with financial institutions to develop consistent, Canadian-centric emission factors for agriculture</li> <li>• Pursue setting a science-based target and conduct a Paris Agreement Capital Transition Assessment</li> </ul>

<sup>9</sup> net-zero aligned: organizations reduce emissions in line with a 1.5°C scenario, with an option to procure offsets for remaining emissions.

## Governance

A strong operational governance structure is foundational to the progress FCC makes on environmental, social and governance (ESG) initiatives. FCC has well-established roles, policies and processes that enable effective climate governance and accountabilities at Board, committee, management and operational levels.

## Climate governance

### The Board of Directors

FCC's Board of Directors oversees the corporation's ESG direction and program, and risk management policies, including our climate change direction. Our Board meets six times annually and in 2022-23, it discussed climate and ESG during three strategic sessions. Going forward, ESG and climate topics will be brought to the Board of Directors regularly and all Board committees will continue to grow their skills and knowledge in ESG.

### Board committees

The **Corporate Governance Committee** oversees FCC's ESG performance and disclosures such as our climate-related disclosures and the ESG report. This committee meets four times per year and in 2022, climate and ESG topics were on the agenda at every meeting.

Climate-related topics have been a standing agenda item for the **Risk Management Committee**, which meets five times per year. The Risk Management Committee oversees FCC's risk register, in which climate change was identified as a strategic risk in 2021-22 and 2022-23. The Risk Management Committee ensures adherence to our enterprise risk management framework and oversees our response to climate risk through frameworks such as the operational risk management framework.

### Enterprise Management Team

Overall accountability for FCC's ESG approach lies with the President and CEO.

The Enterprise Management Team is engaged for input and approves the overarching ESG program, of which climate change is a component. It also receives quarterly updates on progress toward meeting FCC's greenhouse gas (GHG) emission reduction target, which is included as a goal linked to compensation.

### Strategy and sustainability

Authority for the management of ESG program, performance and disclosures is delegated to the Vice-President, Strategy and Sustainability.

### ESG Steering Committee

The FCC ESG Steering Committee (comprised of Enterprise Management Team members and senior leaders) provides oversight on ESG and climate change. This committee also receives updates on trends and challenges related to climate change. In 2022, the committee met six times on these climate-related topics. This committee will be repurposed as the Enterprise Management Team takes on a larger accountability over ESG.

### Risk management

Accountability for climate risk identification and management lies with the Chief Risk Officer (CRO). This includes the development of risk treatment plans to mitigate risks associated with climate change.

### Enterprise Risk Management Committee

The Enterprise Risk Management Committee oversees the adherence to FCC's Risk Appetite through sound policies, frameworks and risk management processes as well as an integrated risk culture.

For more details on Enterprise risk management, [see page 47](#).





## Strategy

### Climate-related physical and transition risks and opportunities

Both the agriculture and agri-food industry, along with FCC as a financial institution, are subject to a series of transition risks related to climate. In 2022, FCC conducted a materiality assessment that identified GHG emissions, physical and transition risk as core ESG topics to be deemed a priority.

Industry	Physical risks	Transition risks
 <b>Financial institutions</b>	Damage to facilities and infrastructure due to acute physical risks	Climate change transition impacts consider the longer-term market and regulatory shifts related to the transition to a low-carbon economy and include the following risks: <ul style="list-style-type: none"> <li>• Policy and legal risks: Policies that respond to climate change (example, carbon pricing, mandatory climate-related disclosure) and litigation risks to companies</li> <li>• Reputational risks: Risks stemming from changing consumer, employee and community perceptions of a company's contribution to climate change</li> <li>• Market risks: Shifts in supply and demand for certain commodities, products and services</li> <li>• Technology risks: Risks stemming from the need to adopt new and innovative technologies to support the transition to a low-carbon economy</li> </ul>
 <b>Agriculture and agri-food industry</b>	Acute physical risks: <ul style="list-style-type: none"> <li>• Damage to facilities, infrastructure and critical elements of the supply chain leading to reduced revenue from decreased production capacity and increased capital costs</li> <li>• Inadequate rainfall and/or irregular temperatures leading to reduced or failed crop yields</li> <li>• Increased insurance premiums and potential for reduced availability of insurance on assets in high-risk locations</li> <li>• Chronic physical risks can compromise the long-term viability of assets located in regions with changing weather patterns, where the availability of key inputs such as water may also be impacted</li> </ul>	The risks identified above are applicable to both financial institutions and the agriculture and agri-food industry.

Industry	Physical opportunities	Transition opportunities
 <b>Financial institutions</b>	<ul style="list-style-type: none"> <li>• Energy sources: Diversifying of energy sources to include lower-emitting generation</li> <li>• Resource efficiencies: Cost savings from improved facility efficiencies</li> </ul>	<p>The transition to a low-carbon economy can create opportunities for company value including revenue, capital expenditures, compliance and operational costs, and access to capital:</p> <ul style="list-style-type: none"> <li>• Market expansion: Providing new sources of funding in the low-carbon transition</li> <li>• Products and services enhancements: New and innovative lower-carbon products and services that are responding to shifting consumer preferences</li> <li>• Resilience: Developing adaptive capacity to respond to climate risks</li> <li>• Reputation opportunities: Creating a positive response to climate action can increase a company's ability to attract and retain talent</li> </ul>
 <b>Agriculture and agri-food industry</b>	<ul style="list-style-type: none"> <li>• Chronic and acute changing weather patterns: Some sectors, including agriculture, are presented with opportunities by a longer-term climatic shift, leading to longer growing seasons</li> </ul>	<ul style="list-style-type: none"> <li>• Capital: Accessing new sources of funding in the low-carbon transition</li> <li>• Products and services enhancements: Accessing new and innovative lower-carbon products and services</li> <li>• Energy sources: Diversifying of energy sources to include lower-emitting generation</li> <li>• Resource efficiencies: Achieving cost savings from improved production</li> </ul>

### Strategic climate-related focus areas

Partnership with key industry stakeholders, government, research and academic institutions and reputable organizations is key to understanding and interpreting climate impacts on Canadian agriculture and agri-food to support our customers' sustainability efforts. For a complete list of FCC's partnerships, visit [fcc.ca/ESGreports](https://fcc.ca/ESGreports).

#### 1. Finalize ESG approach, including FCC's path to becoming net-zero for all scoped emissions.

FCC's ESG approach, of which climate is a component, is nearing completion for 2023-24. It is focused on understanding our climate risks and enabling customers to transition to a low-carbon economy. We are working with a third party to explore how to set science-based targets and complete a Paris Agreement Capital Transition Assessment.

#### 2. Develop sustainable finance programs for targeting emissions reduction for participants.

FCC is partnering with industry to offer incentive-based programming to encourage adoption of sustainable practices. We will continue to look for opportunities to partner with industry-led sustainability initiatives that have established systems for verification and measurement of environmental practices.

**3. Enhance partnerships with key industry stakeholders, government, research, academic and financial institutions to enable the industry to address climate risk and opportunities.**

FCC is pursuing partnerships with key stakeholders to further sustainable agriculture initiatives. One notable partnership between FCC and Agriculture and Agri-Food Canada (AAFC) involves an experiment to combine HOLOS, a greenhouse gas emissions measurement tool, with FCC's AgExpert Field, software that enables customers to track and manage data related to crop inputs such as seed, fertilizer, crop protection products, water, and more. The multi-phased experiment is designed to help Canadian primary producers better understand their sustainability footprint.

**4. Support sustainable innovation for the industry through venture capital financing.**

The FCC venture capital program supports innovative companies and diverse entrepreneurs across all life-cycle stages, provinces and sectors in agriculture and agri-food to help the industry reach its full potential. In 2023-24, we will explore how our venture capital program can be leveraged to solve known gaps, such as challenges and opportunities related to sustainability.

To learn more about current sustainability financing, knowledge, tools and innovation offered by FCC, please refer to the 2022-23 ESG Report at [fcc.ca/ESGreports](https://fcc.ca/ESGreports).

**Reducing FCC's operational emissions**

FCC has made a public commitment to reduce its Scope 1, 2, and 3 (category 5,6, excluding category 15) GHG emissions by 40% by 2025, based on 2012 levels. [Refer to page 47 for Scope descriptions.](#)

From 2021-22 to 2022-23, we reported an increase in operational emissions of 11.6% to 5,822 T CO<sub>2</sub>e, from 5,218 T CO<sub>2</sub>e. For full details on our operational footprint results, [see page 60 in Metrics and targets.](#)

This year, we set a path to become net-zero aligned<sup>10</sup> with our own GHG emissions. This commitment will involve investing in the continued decarbonization of our operations in line with the Federal Government's Greening Government expectations.

<sup>10</sup> Net-zero aligned: organizations reduce emissions in line with a 1.5°C scenario, with an option to procure offsets for remaining emissions.

## Risk management

FCC uses an enterprise risk management framework and policy to ensure significant risks, including climate risks, are adequately governed, identified, assessed, monitored and reported. Effective risk management enables us to achieve our strategic objectives and ensure sustainable business success. To find out more about the FCC risk management framework, which includes information on the risk register, categories, events and assessments, [see page 47 in the annual report](#).

## Climate risk

In 2022-23, we began evaluating and assessing climate risk to understand the long-term impacts on climate risk on FCC's portfolio. We have developed a roadmap to evolve our climate risk management practices to be more resilient to climate risks and be aligned with industry expectations, including those established through Taskforce on Climate-Related Financial Disclosures (TCFD), International Sustainability Standards Board (ISSB), and The Office of the Superintendent of Financial Institutions (OSFI) B-15 Guidelines. The following table outlines the key objectives and activities performed to evolve FCC's climate risk management.

Climate risk roadmap		
Goal	Objective by 2026	Key activities for 2022-23
We are resilient to climate risks faced by the Canadian agriculture and food industry	Inform strategy and risk appetite	Assessed the impact to agriculture in Canada implied by the net-zero 2050 scenario used in the Bank of Canada and OSFI climate scenario analysis pilot that was released in 2022. Key findings were shared with the Enterprise Risk Management Committee and the ESG Steering Committee.  FCC's risk appetite updated to include climate risk: "We reduce our impact on the environment. We support our customers to do the same by taking risks through product, program and capital availability."
	Integrate into ERM Framework	As a result of climate being identified as a risk on FCC's risk register, FCC developed a climate risk treatment plan for financial and strategic risk.
	Provisions to credit loss and capital, considers climate-related risks	Our climate stress test analyses informed our capital requirements in our Internal Capital Adequacy Assessment Process (ICAAP). Through this process, FCC holds capital for climate-related risks. Additional work is required to quantify financial impacts.
We make sound credit and portfolio decisions that help the industry be resilient to climate risks and enable the net-zero journey	Incorporate into customer discussions	Future focus area
	Collect relevant data	Assessed accessibility and reliability of existing data for this purpose. Identified data gaps.
	Inform lending process and portfolio decisions	Future focus area

### Climate scenario analysis

FCC established transition risk scenario analysis capabilities by replicating the Bank of Canada and OSFI's climate risk stress testing pilot<sup>11</sup> with a particular focus on the net-zero 2050 scenario. This scenario testing gave us a better understanding of what Bank of Canada, OSFI and other Canadian financial institutions are considering when it comes to transitioning to net-zero, including projected impacts to the agriculture and agri-food industry. It reinforced how important it is for FCC to support the industry through transition to a zero-carbon economy.

In support of OSFI's consultative process, we provided feedback on OSFI's B-15 Climate Risk Management Guidelines related to the agriculture and agri-food industry. With the innovative and thriving industry looking to adapt to climate impacts and adopt practices to ensure a vibrant industry for years to come, we provided context to the regulatory scenario to ensure agriculture innovation is well represented with up-to-date data and modelling to avoid unintended consequences to the industry.

There have been initial attempts to quantify financial impacts to FCC that inform capital requirements within the ICAAP. However, more work in this area is needed. We will continue to mature our climate scenario analysis program to provide decision-useful information to inform risk appetite and strategy.

### Evaluating customers' environmental risk

Our customers play an important role in addressing environmental risks such as air quality, land usage and water protection challenges. As part of the loan approval process, we work with customers to review and address environmental risk through questionnaires and site inspections, and – when required – through a third-party assessment report prepared by an engineer or environmental consultants. Our expectations are outlined in the Environmental Declaration and Assessment signed by all customers. The assessment balances business decisions with individual needs to achieve our vision of sustainable growth and prosperity for Canada's agriculture and agri-food industry. It also outlines expectations related to topics such as environment and animal welfare, and articulates who FCC will and will not do business with.

FCC exercises all reasonable care to safeguard the environment and protect the value of real property taken as lending security. As a federal Crown corporation, FCC is also a federal authority with accountabilities under the Impact Assessment Act and its related regulations and instruments (together, the IAA). We comply with the requirements of the IAA when financing a project that qualifies as a designated project under the IAA. The IAA states that federal authorities must not carry out or permit projects as defined under the IAA to be carried out on federally owned lands or outside Canada unless the federal authority determines the project is not likely to cause significant adverse environmental effects or the Governor in Council decides the effects are justified under the circumstances.

<sup>11</sup> Assessing climate change risks to our financial system – [Bank of Canada](#)

## Metrics and targets

### GHG emission goals for Canadian agriculture and agri-food

FCC is committed to supporting the Government of Canada’s goal to attain net-zero emissions by 2050, a target in line with the Paris Agreement’s ambition for limiting global warming to well below 2°C. To honour this commitment, we have been measuring our operational carbon footprint for several years and started tracking portfolio financed emissions<sup>12</sup> in 2021.

### Operational GHG emissions

For over a decade, FCC has quantified and disclosed Scope 1, 2 and 3 (category 5 and 6) emissions and has set more aggressive emissions reduction targets over the past five years. We use the GHG Protocol as the basis for conducting our carbon footprint assessment. The assessment is consistent with International Organization for Standardization (ISO) 14064-1 but is not considered a complete organizational inventory as waste and water are currently not calculated.

For FCC’s operational footprint, the GHG sources identified were as follows:

Scope 1	<ul style="list-style-type: none"><li>Natural gas combustion for heating</li><li>Releases of halocarbons by HVAC equipment</li><li>Diesel, gasoline, fuel oil and propane combustion in generators</li></ul>
Scope 2	<ul style="list-style-type: none"><li>Purchased electricity</li></ul>
Scope 3*	<ul style="list-style-type: none"><li>Employee travel by vehicle (personal and rental)</li><li>Air travel</li><li>Paper usage</li></ul>

\*FCC’s financed emissions (Scope 3, category 15) are listed and discussed on pages 61 through 64.

<sup>12</sup> GHG emissions of FCC customers (Scope 3, Category 15) and the portfolio consists of loans receivable in primary production, agribusiness and agri-food.

The following table features FCC's emission reduction results:

<b>FCC's GHG metrics</b>	<b>Unit<sup>13</sup></b>	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>
Direct GHG emissions from sources that are owned and/or controlled by FCC (Scope 1)	T CO <sub>2</sub> e	1,443	1,381	1,487	1,285	1,560	1,407
Emissions created from the consumption of purchased electricity that occurs off-site, but is still attributable to FCC's activities (Scope 2)	T CO <sub>2</sub> e	2,789	3,220	3,639	4,209	3,825	3,727
Emissions from waste generated by operations (Scope 3, category 5)	T CO <sub>2</sub> e	143	66	50	204	229	356
Emissions from business travel (Scope 3, category 6)	T CO <sub>2</sub> e	1,447	551	228	1,834	1,970	1,892
<b>Total operational emissions*</b>	<b>T CO<sub>2</sub>e</b>	<b>5,822</b>	<b>5,218</b>	<b>5,404</b>	<b>7,532</b>	<b>7,584</b>	<b>7,382</b>
GHG reductions from Renewable Energy Certificates (RECs)	T CO <sub>2</sub> e	177	0	0	966	711	202
<b>Net operational GHG emissions</b>	<b>T CO<sub>2</sub>e</b>	<b>5,645</b>	<b>5,218</b>	<b>5,404</b>	<b>6,566</b>	<b>6,873</b>	<b>7,180</b>
Operational carbon intensity	T CO <sub>2</sub> e/ \$M revenue	2.62	3.33	3.43	4.27	4.67	5.51
<b>Financed emissions (Scope 3, category 15)</b>	<b>Mt CO<sub>2</sub>e</b>	<b>10.8</b>	<b>4.1</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

\*Emission factors were used to calculate the GHG emissions for each activity. Local emission factors were used where available; otherwise default regional, national or international factors were used. Where facility data was not directly supplied, internal intensity factors were generated from supplied data and extrapolated to remaining facilities.

<sup>13</sup> TCO<sub>2</sub>e = tonnes per carbon dioxide equivalent, Mt CO<sub>2</sub>e= mega tonnes per carbon dioxide equivalent.

### Future considerations for reducing FCC's operational footprint

As part of our ESG approach, we are looking to align internal emission reduction initiatives to a science-based targets pathway.<sup>14</sup> Heading towards this pathway, we will set a new baseline in 2022-23 and work towards an ambition to be net-zero aligned across our own operations.

### Calculating FCC's financed emissions

The Canadian agriculture and agri-food industry was the fifth largest source of GHG emissions in 2020, accounting for 10% of total emissions in Canada.<sup>15</sup> In 2021-22 TCFD report, FCC's portion of our portfolio dedicated to agriculture production is classified as climate-sensitive assets according to TCFD standards. This year, we have expanded the sectors that make up carbon-related assets to include the latest recommendations from the TCFD.

By measuring financed emissions, we can better understand where concentrations of emissions lie within our portfolio. This information is a starting point to monitor the industry's progress on transitioning to a low-carbon economy.

In 2021, as an initial approach to estimating GHG emissions associated with lending activities (financed emissions) and to provide an early benchmark, we conducted a simplified top-down assessment of sector and geographic information. The results from this approach indicated that our financed emissions related to the agriculture and food lending portfolio is attributable to 4.1 Mt CO<sub>2</sub>e of the 72.7 Mt CO<sub>2</sub>e<sup>16</sup> (approximately 5.6%) for all Canadian agriculture.

In 2022-23, FCC officially committed to Partnership for Carbon Accounting Financials (PCAF) to quantify and disclose financed emissions for certain agriculture sectors using an approach in accordance with the PCAF's Global GHG Accounting and

Reporting Standard for the Financial Industry (the PCAF Standard). Officially endorsed by TCFD in 2021, PCAF is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess and disclose the GHG emissions associated with their loans and investments.

### The PCAF methodology

To calculate our financed emissions using the PCAF methodology, we used revenue from approximately 57,000 primary borrowers (attributed to 97% of our portfolio) and sourced emission factors from the PCAF emission factor database<sup>17</sup> categorized by North American Industry Classification System (NAICS) codes.

FCC's approach with PCAF methodology meets a PCAF Standard<sup>18</sup> score of 4.

<sup>14</sup> The Science Based Targets initiative (SBTi) drives ambitious climate action in the private sector by enabling organizations to set science-based emissions reduction targets.

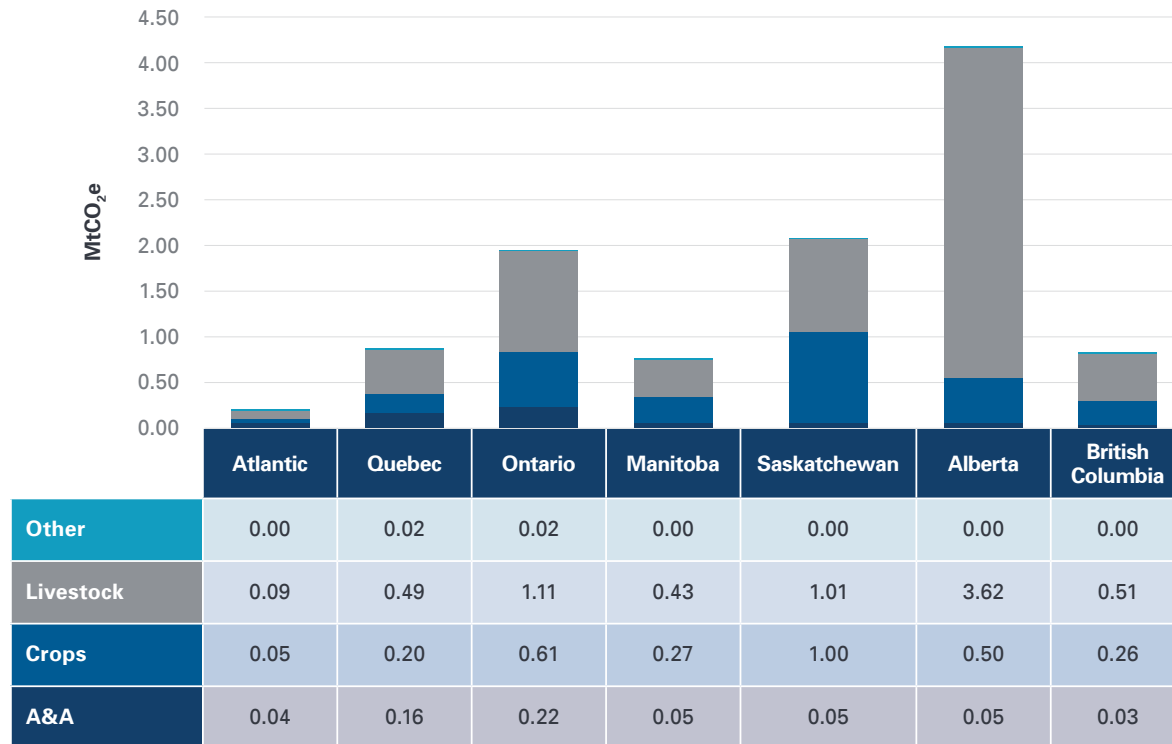
<sup>15</sup> <https://www.canada.ca/content/dam/eccc/documents/pdf/cesindicators/ghg-emissions/2022/ghg-emissions-en.pdf>

<sup>16</sup> Since the reporting period of the 2020-21 FCC TCFD, Canadian agriculture emissions have been updated to 69Mt CO<sub>2</sub>e in the 2020 Government of Canada National Inventory Report – 1990-2020; part 3.

<sup>17</sup> Economic Activity-based Emission Factors derived from EXIOBASE 3.7 – a global, detailed Multi-Regional Environmentally Extended Input-Output Table (MR-IOT) that estimates emissions by industry.

<sup>18</sup> <https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf>



**FCC's financed emissions by sector and province***For the year ended March 31***2022-23**

\*Total MtCO<sub>2</sub>e = Scope 1 and 2 combined, does not include Scope 3.

\*\*Other category includes other primary production such as greenhouse and fruit as well as other small sub-sectors

Financed Emissions = Annual revenue amount x (emission factor by NAICs codes/USD conversion x 1 million) x attribution factor

Attribution Factor = (Total owing/ total assets)

Total Assets = total equity + total liability\*\*\*

\*\*\*As per note 92 in the Business Loan asset class of the PCAF Standard, where the sum of total equity and liabilities are not available, the customer's total assets can be used.

\*\*\*\*Motor vehicle asset class was not included at this time as motor vehicle lending is captured within FCC's broader portfolio.

FCC's portfolio accounts for 10.8 MtCO<sub>2</sub>e, with primary production making up 10.1 MtCO<sub>2</sub>e of these emissions. While agribusiness and agri-food represent approximately 17% of the total portfolio lending, it only accounts for about 6% of the financed emissions, with the remaining 94%

tied to primary production. Livestock (including beef, dairy and hogs) and oilseed and grain are some of the most GHG-intensive production activities within our portfolio; however, data limitations are considerable for key variables including production data and farm level emissions.

### Data limitations

When using PCAF emission factors with NAICs, there is a 40-50% margin of error (under a PCAF score of 4) with emissions factors dating back to 2018-2019. Despite this margin of error, PCAF offers the advantage of calculating the economic activity-based emission factors per sector that can be used as a first step to estimate FCC's exposure to emission-intensive areas.

FCC has identified internal data gaps in assets and revenues for customers, and as a result, we used estimations to represent the full portfolio. There are also limitations in using year-end data for customers' outstanding balances as high seasonal variability of FCC's portfolio and fluctuations in inflation and conversion rates are not considered. As such, we will explore estimating financed emissions based on average monthly balances to future results.

Emission factors under PCAF only allow FCC to calculate emissions to project as tonnes per carbon dioxide equivalent (CO<sub>2</sub>e) and not methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O), which are the main GHG emissions in the agriculture and agri-food industry. We do not have the data for avoided emissions and carbon removals.

### Future enhancements

FCC will continue to mature its metrics and targets. We will strive to improve data availability and quality to consistently meet the standard's requirements while aiming to increase precision with other methods of calculation in the PCAF Standard. We intend to refine our calculations for financed emissions as the PCAF guidance and data landscape evolves, which may result in changes to our disclosures.

As new global sustainability frameworks become standard, such as the ISSB disclosures, FCC will adapt its reporting to meet the new requirements.

For more information about FCC's ESG commitments and climate change initiatives, visit [fcc.ca/ESG](https://fcc.ca/ESG). We welcome your questions and feedback on FCC's approach at [esg@fcc.ca](mailto:esg@fcc.ca).

## 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.



**Justine Hendricks, MBA**

President and  
Chief Executive Officer

Regina, Canada  
June 13, 2023



**Ross Topp, CPA, CA**

Executive Vice-President and  
Chief Financial Officer



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 2023, 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 2023, 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 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.

A handwritten signature in blue ink that reads "Riowen Abgrall". The signature is written in a cursive, flowing style.

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

Ottawa, Canada  
13 June 2023

## Consolidated Balance Sheet

As at March 31 (thousands of Canadian dollars)	Note	2023	2022
<b>Assets</b>			
Cash and cash equivalents	5	1,782,248	1,439,109
Short-term investments	6	221,589	584,397
Accounts receivable and prepaid expenses		38,660	38,490
Derivative financial assets	7	220	–
Assets held for sale	8	–	185,761
		<b>2,042,717</b>	<b>2,247,757</b>
Loans receivable – net	9, 11	47,715,829	44,379,503
Other loans receivable – net	10, 11	25,513	50,443
Investments at fair value	12	131,230	56,063
Investment in associates		62,072	49,424
Post-employment benefit assets	13	292,242	293,543
		<b>48,226,886</b>	<b>44,828,976</b>
Property and equipment	14	182,008	188,798
Intangible assets	15	9,611	12,668
Other assets		5,434	5,824
		<b>197,053</b>	<b>207,290</b>
<b>Total assets</b>		<b>50,466,656</b>	<b>47,284,023</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities		91,939	84,274
Derivative financial liabilities	7	–	32
		<b>91,939</b>	<b>84,306</b>
Borrowings	16		
Short-term debt		7,697,512	8,077,614
Long-term debt		33,671,581	30,106,670
		<b>41,369,093</b>	<b>38,184,284</b>
Transition loan liabilities		179,873	173,652
Post-employment benefit liabilities	13	84,143	91,471
Lease liabilities	17	160,270	166,748
Other liabilities		2,704	6,335
		<b>426,990</b>	<b>438,206</b>
<b>Total liabilities</b>		<b>41,888,022</b>	<b>38,706,796</b>
<b>Equity</b>			
Contributed capital	22, 23	250,000	500,000
Retained earnings		8,327,235	8,076,280
<b>Equity attributable to shareholder of parent entity</b>		<b>8,577,235</b>	<b>8,576,280</b>
Non-controlling interest		1,399	947
		<b>8,578,634</b>	<b>8,577,227</b>
<b>Total liabilities and equity</b>		<b>50,466,656</b>	<b>47,284,023</b>

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 13, 2023, and were signed on its behalf by:



**Justine Hendricks, MBA**  
President and Chief Executive Officer



**Govert Verstralen**  
Chair, Audit Committee



## Consolidated Statement of Income

For the year ended March 31 (thousands of Canadian dollars)	Note	2023	2022
Interest income		2,222,700	1,567,027
Interest expense		(868,687)	(226,515)
<b>Net interest income</b>	<b>18</b>	<b>1,354,013</b>	<b>1,340,512</b>
(Provision for) reversal of credit losses		(108,040)	89,947
<b>Net interest income after provision for credit losses</b>		<b>1,245,973</b>	<b>1,430,459</b>
Insurance distribution income	<b>19</b>	<b>15,736</b>	16,809
Net loss from investment in associates		(7,614)	(9,515)
Net gain from financial instruments designated as fair value through profit or loss		16,263	8,757
Net foreign exchange gain (loss)	<b>24</b>	<b>2,923</b>	(170)
Other expenses		(3,120)	(6,526)
<b>Net interest income and non-interest income<sup>(1)</sup></b>		<b>1,270,161</b>	<b>1,439,814</b>
Administration expenses	<b>20</b>	<b>(548,064)</b>	(507,927)
<b>Net income</b>		<b>722,097</b>	<b>931,887</b>
<b>Net income attributable to:</b>			
Shareholder of parent entity		721,977	931,844
Non-controlling interest		120	43

<sup>(1)</sup> Comparative figures have been reclassified. See Note 4.

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)	Note	2023	2022
<b>Net income</b>		<b>722,097</b>	<b>931,887</b>
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified to net income</b>			
Transfer of net realized gains on derivatives previously designated as cash flow hedges to net income	<b>18</b>	-	(1,489)
		-	(1,489)
<b>Item that will never be reclassified to net income</b>			
Remeasurement of post-employment benefit assets and liabilities	<b>13</b>	(522)	166,970
<b>Total other comprehensive (loss) income</b>		<b>(522)</b>	<b>165,481</b>
<b>Total comprehensive income</b>		<b>721,575</b>	<b>1,097,368</b>
<b>Total comprehensive income attributable to:</b>			
Shareholder of parent entity		721,455	1,097,325
Non-controlling interest		120	43

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 2022	Net income	Other comprehensive income	Dividend paid	Contributions from non- controlling interest	Balance 2023
<b>Contributed capital</b>	<b>500,000</b>	<b>–</b>	<b>–</b>	<b>(250,000)</b>	<b>–</b>	<b>250,000</b>
<b>Retained earnings</b>	<b>8,076,280</b>	<b>721,977</b>	<b>(522)</b>	<b>(470,500)</b>	<b>–</b>	<b>8,327,235</b>
<b>Total equity attributable to parent</b>	<b>8,576,280</b>	<b>721,977</b>	<b>(522)</b>	<b>(720,500)</b>	<b>–</b>	<b>8,577,235</b>
Non-controlling interest	<b>947</b>	<b>120</b>	<b>–</b>	<b>–</b>	<b>332</b>	<b>1,399</b>
<b>Total</b>	<b>8,577,227</b>	<b>722,097</b>	<b>(522)</b>	<b>(720,500)</b>	<b>332</b>	<b>8,578,634</b>

For the year ended

March 31

(thousands of  
Canadian dollars)

	Balance 2021	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
<b>Total</b>	<b>8,039,665</b>	<b>931,887</b>	<b>165,481</b>	<b>(560,100)</b>	<b>294</b>	<b>8,577,227</b>

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)

	2023	2022
<b>Operating activities</b>		
Net income	722,097	931,887
<b>Adjustments to determine net cash (used in) provided by operating activities:</b>		
Interest income <sup>(1)</sup>	(2,222,700)	(1,567,027)
Interest expense <sup>(1)</sup>	868,687	226,515
Provision for (reversal of) credit losses	108,040	(89,947)
Net unrealized gain from financial instruments designated as fair value through profit or loss	(15,057)	(8,757)
Net loss from investment in associates	7,614	9,515
Amortization and depreciation	31,934	35,250
Net unrealized foreign exchange gains	(66,162)	(6,947)
Impairment loss on assets held for sale	2,484	4,500
Proceeds from sale of lease portfolio	171,625	–
Net cash outflow from loans receivable	(3,241,712)	(3,144,999)
Net cash inflow from finance leases receivable	–	3,889
Net change in other operating assets and liabilities	2,233	(17,667)
Interest received	2,086,953	1,525,840
Interest paid	(746,306)	(216,305)
<b>Cash used in operating activities</b>	<b>(2,290,270)</b>	<b>(2,314,253)</b>
<b>Investing activities</b>		
Purchase of short-term investments	(699,306)	(763,016)
Proceeds from maturity of short-term investments	1,063,633	910,761
Disbursements of other loans receivable	(225)	(4,000)
Repayments from other loans receivable	15,000	10,774
Acquisition of investments at fair value	(58,115)	(18,507)
Proceeds from sale and repayment of investments at fair value	2,400	–
Disbursements paid to investment in associates	(21,836)	(10,122)
Repayments from investment in associates	1,573	9,022
Purchase of property and equipment	(10,456)	(6,892)
Proceeds on disposal of property and equipment	–	15,656
Purchase of intangible assets	(3,116)	(3,024)
<b>Cash provided by investing activities</b>	<b>289,552</b>	<b>140,652</b>
<b>Financing activities</b>		
Long-term debt issued	10,197,000	14,490,000
Long-term debt repaid	(7,128,529)	(11,785,856)
Short-term debt issued	12,997,331	12,629,821
Short-term debt repaid	(12,988,412)	(12,397,247)
Principal repayment of lease liabilities	(15,219)	(15,250)
Dividend paid	(720,500)	(560,100)
<b>Cash provided by financing activities</b>	<b>2,341,671</b>	<b>2,361,368</b>
<b>Change in cash and cash equivalents</b>	<b>340,953</b>	<b>187,767</b>
Cash and cash equivalents, beginning of year	1,439,109	1,251,093
Effects of exchange rate changes on the balances of cash held and due in foreign currencies	2,186	249
<b>Cash and cash equivalents, end of year</b>	<b>1,782,248</b>	<b>1,439,109</b>
<b>Cash and cash equivalents consists of:</b>		
Cash	1,240,417	1,295,169
Cash equivalents	541,831	143,940

<sup>(1)</sup> Comparative figures have been reclassified. See Note 4.

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 operates across 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. On March 25, 2020, the Minister increased the capital payment limit to \$2,500 million.

In September 2008, FCC, together with several 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 2023, 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. This directive intended to ensure equitable and balanced cost-sharing between employee and employer for pension contributions and set the normal retirement age to 65. FCC was in full compliance with the directive as of March 31, 2018, and continues to comply with the directive.

## 2. Basis of preparation

### Basis of presentation

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

Unless otherwise stated, the financial statements are presented in thousands of Canadian dollars, which is FCC's functional currency.

### Basis of consolidation

The consolidated financial statements include the accounts of FCC and the consolidated funds referred to below. The consolidated funds are venture capital limited partnerships 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 can affect those returns through its power over the funds. An adjustment has been made for 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 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.

The following funds have been consolidated in FCC's consolidated financial statements as at March 31, 2023 and 2022.

Fund	Principal activity	Country of incorporation and residence	Proportion of ownership and voting power held	Basis of control
Forage Subordinated Debt Fund II	Investments in subordinate financing	Canada	99%	Voting power and contractual agreements
Forage Subordinated Debt Fund III	Investments in subordinate financing	Canada	99%	Voting power and contractual agreements
Forage Capital – Ag & Food Business Solutions Fund	Investments in venture capital	Canada	99%	Voting power and contractual agreements

### Venture capital arrangements

#### Accounting judgments

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 neither. Factors considered include share ownership, voting rights and the number of advisory committee seats held by FCC.

#### Investments 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 governance decisions of the limited partnership but does not have control over those decisions. These equity funds are accounted for using the equity method of accounting. An adjustment has been made for 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.

## 2. Basis of preparation (continued)

### Other venture capital arrangements

Venture capital arrangements that do not meet the criteria for consolidation or investments in associates are classified as fair value through profit or loss (FVTPL) and recorded as investments at fair value.

### Translation of foreign currencies

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.

### 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 throughout.

### Additional accounting policies

To ease the reading of these consolidated financial statements, additional significant accounting policies, estimates and judgments (with the exception of those identified in Note 2) are disclosed throughout the notes, with the related financial disclosures. See table below for reference purposes.

Note	Topic	Accounting policy	Accounting estimates and judgments	Page
5	Cash and cash equivalents	X		79
6	Short-term investments	X		79
7	Derivative financial instruments	X		79
8	Assets held for sale	X		80
9	Loans receivable – net	X		81
10	Other loans receivable – net	X		84
11	Allowance for credit losses	X	X	85
12	Fair value of financial instruments	X	X	89
13	Post-employment benefits	X	X	91
14	Property and equipment	X	X	96
15	Intangible assets	X	X	99
16	Borrowings	X		100
17	Lease liabilities	X		102
19	Insurance	X		103
22	Related party transactions	X		105

### 3. Changes in accounting standards

#### 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 1 – Presentation of financial statements	In February 2021, the IASB issued Disclosure Initiative – Accounting Policies which amended IAS 1 – Presentation of Financial Statements. The amendment requires entities to disclose material accounting policies rather than significant accounting policies.  FCC has completed an assessment of the standard amendments and has early adopted this amendment on April 1, 2022. FCC has disclosed material accounting policy information rather than significant accounting policies.	April 1, 2023
IAS 1 – Presentation of financial statements	In January 2020, the IASB issued Classification of Liabilities as Current or Non-current which amended IAS 1 – Presentation of Financial Statements. The amendments provide a more general approach to the classification of liabilities based on contractual arrangements in place at the reporting date.  FCC has completed an assessment of the standard amendments and determined that FCC will have a classification impact between short-term and long-term debt when new long-term debt arrangements incorporate rights to allow deferral of payment greater than 12 months. FCC early adopted this amendment on April 1, 2022, with no transition impacts.	April 1, 2024
IAS 1 – Presentation of financial statements	In October 2022, the IASB issued Non-current Liabilities with Covenants which amended IAS 1 – Presentation of Financial Statements. The amendments clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. The amendments aim to improve information about covenants provided through additional disclosures.  Management is in the process of assessing the impact of this standard on FCC's financial statements and accounting policies.	April 1, 2024
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.  FCC has completed the assessment of the standard and has determined that it has no transition impact.	April 1, 2023

#### Current changes in accounting standards

##### Interest rate benchmark reform

In March 2021, the Financial Conduct Authority and Intercontinental Exchange Benchmark Administration announced that United States Dollar (USD) London Interbank Offered Rate (LIBOR) would cease to be provided on June 30, 2023. This period allowed existing USD LIBOR contracts to mature. FCC held loans receivable that used USD LIBOR as a reference rate.

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 used SOFR as the reference rate. During the 2022-23 fiscal year, FCC completed the project to convert customer loans to SOFR. The impact of this change was immaterial. As of March 31, 2023, all LIBOR loans have been converted.

## 4. Reclassification of comparative figures

### a) Change in presentation of fair value gains and losses

FCC previously classified its fair value gains and losses as a separate line item before net income in its Consolidated Statement of Income. In reviewing FCC's financial statements, we decided to classify fair value gains and losses within non-interest income as this location represents non-interest related transactions. We also renamed the line item to "Net gain (loss) from financial instruments designated as fair value through profit or loss" to better reflect the nature of transactions the line represents.

Therefore, the following comparative figures have been reclassified to align with current year presentation. The impacts for the year ended March 31, 2022, are shown below.

#### Adjustments to the Consolidated Statement of Income

For the year ended March 31, 2022	As previously reported	Adjustments	As reclassified
Net gain from financial instruments designated as fair value through profit or loss	–	8,757	8,757
<b>Net interest income and non-interest income</b>	<b>1,431,057</b>	<b>8,757</b>	<b>1,439,814</b>
<b>Net income before fair value gain (loss)</b>	<b>923,130</b>	<b>(923,130)</b>	<b>–</b>
Fair value gain (loss)	8,757	(8,757)	–

#### Adjustments to the Consolidated Statement of Cash Flows

For the year ended March 31, 2022	As previously reported	Adjustments	As reclassified
Fair value (gain) loss	(8,757)	8,757	–
Net gain from financial instruments designated as fair value through profit or loss	–	(8,757)	(8,757)

### b) Change in presentation of net interest income

FCC previously netted its interest income and expense in the Consolidated Statement of Cash Flows. We have elected to update our presentation and report interest income and expense for operating activities on a gross basis. These changes provide a more detailed understanding around the nature of cash flows from operating activities and align with industry comparatives.

Therefore, the following comparative figures have been reclassified to align with current year presentation. The impacts for the year ended March 31, 2022, are shown below.

#### Adjustments to the Consolidated Statement of Cash Flows

For the year ended March 31, 2022	As previously reported	Adjustments	As reclassified
<b>Operating activities</b>			
Net interest income	(1,340,512)	1,340,512	–
Interest income	–	(1,567,027)	(1,567,027)
Interest expense	–	226,515	226,515



## 5. Cash and cash equivalents

### Accounting policy

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 and cash equivalents are managed on a hold to collect basis, are classified as financial assets and measured at amortized cost. Interest earned on cash and cash equivalents are recognized using the effective interest method.

## 6. Short-term investments

### Accounting policy

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. Transaction costs are incremental costs that are directly attributable to the acquisition, issuance or disposal of a financial asset. 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.

### Supporting information

As at March 31, 2023, short-term investments were \$222 million (2022 – \$584 million) with a yield of 3.72% (2022 – 0.48%). They consisted of promissory notes and treasury bills. As at March 31, 2023, the allowance for credit losses on short-term investments was \$nil (2022 – \$nil).

## 7. Derivative financial instruments

### Accounting policy

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 FVTPL and measured at fair value using a valuation technique as described in Note 12, with gains and losses reported in net gain (loss) from financial instruments designated as FVTPL. 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. We have included interest earned and incurred on derivatives classified as FVTPL in interest income.

### Supporting information

The derivative contracts entered 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.

FCC purchased interest rate options. These are contracts in which FCC (the purchaser of the option) acquires from another party (the writer of an option), in exchange for a premium, the right, but not the obligation, to either buy or sell on a future date or within a specified time, a financial instrument at a contracted price. The underlying financial instrument has a market price which varies in response to changes in interest rates.

### 7. Derivative financial instruments (continued)

The following table shows the term to maturity, notional amounts and fair values of our derivatives.

As at March 31		2023		2022		
		Maturity	Notional amounts	Fair value	Notional amounts	Fair value
Interest rate swaps						
Receive	Pay					
Floating	Fixed	Within one year	–	–	12,496	(32)
Interest rate options						
Receive	Pay					
Floating	Fixed	Within one year	87,000	220	–	–
			87,000	220	12,496	(32)

### 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.

FCC does not anticipate any significant non-performance by counterparties because all counterparties are rated Aa3, 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, 2023, was \$44 million (2022 – \$12 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, 2022, and March 31, 2023.

## 8. Assets held for sale

### Accounting policy

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.

### Supporting information

The leasing portfolio, classified as assets held for sale on the Consolidated Balance Sheet as at March 31, 2022, was sold on July 5, 2022, to a financial services company for cash of \$172 million, the net book value of the portfolio at the date of the sale.

## 9. Loans receivable – net

### Accounting policy

#### 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.

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, until such time as the loan reverts to performing status or is written off.

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

#### Loan modifications and customer relief programs

If the contractual terms of a financial asset are modified, FCC makes an assessment to determine if the financial asset should be derecognized. Where the modification does not result in derecognition, we continue to use the date of origination to determine significant increase in credit risk (SICR) for stage assignment of credit losses and a modification gain or loss is recognized. We recognize a modification gain or loss in 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 greater than or less than the original cash flows. Interest income continues to be recognized based on the original effective interest rate.

#### Transition loan receivables and liabilities

In accordance with FCC's transition loan product, FCC enters distinct contracts with both the 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 which upon initial recognition is equal to the loan receivable. The liability represents the amount owing to the vendor, 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.

## 9. Loans receivable – net (continued)

**Supporting information**

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

As at March 31	2023			
	Within 1 year	1 – 5 years	Over 5 years	Total
Floating	3,667,118	9,606,345	244,871	13,518,334
Fixed	3,205,151	21,059,597	10,136,958	34,401,706
Loans receivable – gross	6,872,269	30,665,942	10,381,829	47,920,040
Deferred loan fees				(38,742)
Loans receivable – total <sup>(1)</sup>				47,881,298
Allowance for credit losses (Note 11)				(165,469)
<b>Loans receivable – net</b>				<b>47,715,829</b>

<sup>(1)</sup> Loans receivable – total at March 31, 2023, includes accrued interest and fees of \$402 million and transition loans receivable of \$180 million.

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 <sup>(1)</sup>				44,489,137
Allowance for credit losses (Note 11)				(109,634)
<b>Loans receivable – net</b>				<b>44,379,503</b>

<sup>(1)</sup> Loans receivable – total at March 31, 2022, includes accrued interest and fees of \$285 million and transition loans receivable of \$174 million.

As at March 31, 2023, \$907 million (2022 – \$693 million) of loans receivable were denominated in USD.

## 9. 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**

As at March 31	Gross		Impaired	
	2023	2022	2023	2022
Oilseed and grain	15,316,509	14,332,100	208,617	128,637
Dairy	7,238,310	6,929,019	36,750	15,677
Agribusiness	6,117,354	5,432,022	61,909	77,836
Beef	3,900,270	3,713,939	119,589	67,254
Poultry	3,243,888	3,004,698	10,355	6,087
Other	3,225,434	3,025,176	89,307	44,057
Agri-food	2,131,496	1,827,205	154,369	16,849
Greenhouse	1,987,110	1,848,533	18,846	6,980
Alliances	1,765,351	1,706,558	16,814	17,965
Hogs	1,567,816	1,394,722	57,094	6,357
Fruit	1,426,502	1,320,417	40,288	6,672
<b>Total</b>	<b>47,920,040</b>	<b>44,534,389</b>	<b>813,938</b>	<b>394,371</b>

**Geographic distribution**

As at March 31	Gross		Impaired	
	2023	2022	2023	2022
Ontario	14,325,828	13,010,205	92,086	55,418
Saskatchewan	8,719,833	8,312,457	143,612	105,463
Alberta	8,538,054	8,181,161	181,516	104,600
Quebec	6,854,067	6,157,848	158,125	51,493
British Columbia	4,244,057	4,007,965	102,200	24,161
Manitoba	3,762,858	3,519,480	61,480	38,460
Atlantic	1,475,343	1,345,273	74,919	14,776
<b>Total</b>	<b>47,920,040</b>	<b>44,534,389</b>	<b>813,938</b>	<b>394,371</b>

**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. Gross amounts of loans that were past due but not credit-impaired were as follows:

As at March 31	2023	2022
<b>Past due but not credit-impaired</b>		
Up to 30 days	104,268	141,039
31 – 60 days	56,397	46,604
61 – 89 days	31,105	18,950
90 days or more	–	88,665
	<b>191,770</b>	<b>295,258</b>

**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.

The net carrying value of loans with lifetime allowance for credit losses modified during the year ended March 31, 2023, was \$3,098 million (2022 – \$nil). As at March 31, 2023, 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 \$841 million (2022 – \$nil).

## 10. Other loans receivable – net

### Accounting policy

FCC includes the investments held by consolidated venture capital funds that are managed on a hold to collect basis within other loans receivable. FCC has classified other loans receivable as amortized cost financial assets given this business model. These venture capital arrangements are stated net of an allowance for credit losses. We record loan interest and fee income on other loans receivable on an accrual basis that is 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.

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

### Supporting information

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

As at March 31	2023			2022		
	Within 1 year	1 – 5 years	Total	Within 1 year	1 – 5 years	Total
Other loans receivable – gross <sup>(1) (2)</sup>	18,715	10,908	29,623	16,682	37,533	54,215
Allowance for credit losses (Note 11)			(4,110)			(3,772)
<b>Other loans receivable – net</b>			<b>25,513</b>			<b>50,443</b>

<sup>(1)</sup> All loans are fixed-rate loans.

<sup>(2)</sup> Other loans receivable – gross at March 31, 2023, includes accrued interest of \$1 million (2022 – \$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	2023	2022
Agribusiness	18,230	38,095
Agri-food	11,393	16,120
<b>Total</b>	<b>29,623</b>	<b>54,215</b>

#### Geographic distribution

As at March 31	2023	2022
Quebec	23,782	28,412
Saskatchewan	3,205	2,910
Ontario	2,636	2,605
Alberta	–	10,124
British Columbia	–	9,140
Manitoba	–	1,024
<b>Total</b>	<b>29,623</b>	<b>54,215</b>

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, 2023, there were two other loans receivable that were past due less than 90 days and not credit-impaired totalling \$11 million (2022 – \$nil).

## 11. Allowance for credit losses

### Accounting policy

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. We calculate an allowance for credit losses which is included with the allowance for credit losses on loans receivable. The allowance is increased or decreased by changes in the provision for credit losses, write-offs and recoveries.

If, in a subsequent period, the amount of impairment loss increases or decreases, we adjust the previously recognized impairment loss 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 base the allowance methodology on the stage, as described below.

### 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, we recognize 12-month expected credit losses 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, we recognize full lifetime expected credit losses. 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 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 we recognize full lifetime expected credit losses.

### 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

### 11. Allowance for credit losses (continued)

FCC measures the twelve-month expected credit losses using the probability that default will occur within 12-months of the reporting date. We measure lifetime expected credit losses 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

#### 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. 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.

#### 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.



## 11. Allowance for credit losses (continued)

**Accounting estimates and judgments**

Financial assets classified as amortized cost and all loan commitments are reviewed by management to assess impairment. FCC makes judgments when determining whether a loss event is expected to occur and makes estimates and assumptions 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 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.

During the comparative period, management used judgment to assess the impact of the customer support programs offered to FCC's borrowers, including those provided by industry. This judgment also determined 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. Near the end of the comparative period, management assessed that industries impacted by the pandemic no longer constituted an increased risk of default to FCC.

During the year, FCC updated its loss given default model to remove an indicator previously used to distinguish the sufficiency of security between its performing status and credit impaired loans. This prospective change resulted in an increase in FCC's impaired loan balance of \$248 million and a decrease of the same amount in performing loans receivable. The change did not have an impact on FCC's allowance for credit losses balance as these loans were sufficiently secured.

**Supporting information**

As at March 31	2023			
	Stage 1	Stage 2	Stage 3	Total
<b>Loans receivable<sup>(1)</sup></b>				
Allowance for credit losses, beginning of year	45,027	31,399	33,208	109,634
Transfer to Stage 1	20,595	(16,388)	(4,207)	-
Transfer to Stage 2	(6,170)	50,857	(44,687)	-
Transfer to Stage 3	(4,816)	(11,966)	16,782	-
Changes due to new loans originated	36,025	3,730	6,565	46,320
Loans that have been derecognized during the period	(16,748)	(3,759)	(12,223)	(32,730)
Net remeasurement of loss allowance <sup>(2)</sup>	(28,286)	(24,115)	148,190	95,789
Write-offs <sup>(3)</sup>	-	(1,369)	(53,568)	(54,937)
Recoveries of amounts previously written off	-	437	956	1,393
Changes to allowance model parameters	-	-	-	-
<b>Total allowance, end of year</b>	<b>45,627</b>	<b>28,826</b>	<b>91,016</b>	<b>165,469</b>
<b>Other loans receivable</b>				
Allowance for credit losses, beginning of year	480	3,251	41	3,772
Transfer to Stage 1	41	-	(41)	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Changes due to new other loans originated	-	-	-	-
Net remeasurement of loss allowance <sup>(2)</sup>	(192)	530	9,922	10,260
Write-offs <sup>(3)</sup>	-	-	(9,922)	(9,922)
<b>Total allowance, end of year</b>	<b>329</b>	<b>3,781</b>	<b>-</b>	<b>4,110</b>

<sup>(1)</sup> Included within the loans receivable total is \$4 million of allowance for credit losses on loan commitments that have not been partially drawn at March 31, 2023.

<sup>(2)</sup> Includes partial repayments.

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

## 11. Allowance for credit losses (continued)

As at March 31	2022			
	Stage 1	Stage 2	Stage 3	Total
<b>Loans receivable<sup>(1)</sup></b>				
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 <sup>(2)(3)</sup>	(37,589)	(80,042)	69,379	(48,252)
Write-offs <sup>(4)</sup>	–	(791)	(24,875)	(25,666)
Recoveries of amounts previously written off	–	159	707	866
Changes to allowance model parameters <sup>(5)</sup>	(19,146)	(26,016)	(14,830)	(59,992)
<b>Total allowance, end of year</b>	<b>45,027</b>	<b>31,399</b>	<b>33,208</b>	<b>109,634</b>
<b>Finance leases receivable</b>				
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 <sup>(2)</sup>	(11)	–	–	(11)
<b>Total allowance, end of year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Other loans receivable</b>				
Allowance for credit losses, beginning of year	702	–	1,041	1,743
Transfer to Stage 1	–	–	–	–
Transfer to Stage 2	(169)	169	–	–
Transfer to Stage 3	–	–	–	–
Changes due to new other loans originated	28	250	–	278
Net remeasurement of loss allowance <sup>(2)</sup>	(81)	2,832	–	2,751
Write-offs <sup>(4)</sup>	–	–	(1,000)	(1,000)
<b>Total allowance, end of year</b>	<b>480</b>	<b>3,251</b>	<b>41</b>	<b>3,772</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> Includes partial repayments.

<sup>(3)</sup> Comparative figures have been reclassified for consistency with the current year presentation; losses covered under HILLRP are now included within Net remeasurement of loss allowance.

<sup>(4)</sup> FCC is not actively continuing to pursue collection on any loans that have been written off.

<sup>(5)</sup> 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.

## 12. Fair value of financial instruments

### Accounting policy

The investments held by venture capital funds that are included within investments at fair value are those that are not accounted for as investments in associates and also do not meet the solely payments of principal and interest (SPPI) test. These investments are classified as FVTPL, with gains and losses reported in net gain (loss) from financial instruments designated as FVTPL on the Consolidated Statement of Income.

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 and are significant in the fair value of the asset or liability. The classification of a financial instrument in the hierarchy for disclosure purposes is based on the lowest level of input that is significant to the measurement of fair value. Details of the valuation methodologies applied and assumptions used in determining fair value are provided below.

### Accounting estimates and judgments

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 methods used to value FCC's financial instruments measured at fair value are noted below.

- 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.
- 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.

### Supporting information

#### 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	2023			2022		
	Level 2	Level 3	Total	Level 2	Level 3	Total
<b>Assets</b>						
Derivative financial assets	220	–	220	–	–	–
Investments at fair value	–	131,230	131,230	–	56,063	56,063
	220	131,230	131,450	–	56,063	56,063
<b>Liabilities</b>						
Derivative financial liabilities (Note 7)	–	–	–	32	–	32
	–	–	–	32	–	32

Changes in valuation methods may result in transfers into or out of levels 2 and 3. For the year ended March 31, 2023, there were no transfers between levels (2022 – \$nil).

## 12. Fair value of financial instruments (continued)

**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	2023	2022
Balance, beginning of year	56,063	28,398
Net acquisitions	55,715	18,507
Net fair value gains	19,452	9,158
<b>Balance, end of year</b>	<b>131,230</b>	<b>56,063</b>

**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	2023		2022	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
<b>Assets</b>				
Short-term investments	219,016	219,433	583,343	582,460
Loans receivable	47,715,829	46,523,139	44,379,503	43,677,354
<b>Liabilities</b>				
Short-term debt	7,697,512	7,637,148	8,077,615	8,075,566
Long-term debt	33,671,581	32,814,733	30,106,670	29,437,770

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.

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

We calculate the estimated fair value for the performing fixed-rate loans receivable 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. We subtract the collective allowance for credit losses related to loans receivable 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.

FCC calculates the estimated fair value for short-term and long-term debt 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, transition loan liabilities and other liabilities.

## 13. Post-employment benefits

### Accounting policy

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. This method 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

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

We recognize past service costs arising from plan amendments immediately in salaries and benefits in the period of the plan amendment.

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

### 13. Post-employment benefits (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.

### Accounting estimates and judgments

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 AA-rated corporate bonds, augmented with government bonds, 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.

### Significant assumptions

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

As at March 31	Registered pension plan		Supplemental pension plans		Other benefits	
	2023	2022	2023	2022	2023	2022
<b>Defined benefit obligation</b>						
Discount rate	<b>5.10%</b>	4.10%	<b>5.10%</b>	4.10%	<b>5.10%</b>	4.10%
Rate of compensation increase	<b>3.25%</b>	3.25%	<b>3.25%</b>	3.25%	<b>4.00%</b>	4.00%
Consumer price index	<b>2.00%</b>	2.00%	<b>2.00%</b>	2.00%	–	–
<b>Defined benefit costs</b>						
Discount rate	<b>4.10%</b>	3.30%	<b>4.10%</b>	3.30%	<b>4.10%</b>	4.10%
Consumer price index	<b>2.00%</b>	2.00%	<b>2.00%</b>	2.00%	–	–

At March 31, 2023 and 2022, the mortality assumption for the defined benefit obligation is based on the 2014 Public Sector Mortality publication and MI-2017 improvement scale, with adjustment factors for males of 1.03 (2022 – 1.03) and for females of 1.15 (2022 – 1.15). As at March 31, 2023, the average life expectancy of an individual retiring at age 65 is 23 years for males (2022 – 23 years) and 24 years for females (2022 – 24 years).

Assumed health care cost trend rates are as follows:

As at March 31	2023	2022
<b>Extended health care and dental care cost escalation</b>		
Initial rate	<b>4.40%</b>	4.40%
Ultimate rate	<b>4.00%</b>	4.00%
Year ultimate rate reached	<b>2040</b>	2040

## 13. Post-employment benefits (continued)

## Supporting information

## 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	2023	2022
Present value of funded defined benefit obligations	(730,544)	(793,725)
Fair value of plan assets	1,022,786	1,087,268
<b>Net defined benefit asset</b>	<b>292,242</b>	<b>293,543</b>

	Supplemental pension plans	
As at March 31	2023	2022
Present value of funded defined benefit obligations	(73,331)	(77,965)
Fair value of plan assets	69,120	73,791
Net defined benefit liability (funded)	(4,211)	(4,174)
Present value of unfunded defined benefit obligations	(11,748)	(12,612)
<b>Net defined benefit liability</b>	<b>(15,959)</b>	<b>(16,786)</b>

	Other benefits	
As at March 31	2023	2022
Present value of unfunded defined benefit obligations	(68,184)	(74,685)
<b>Net defined benefit liability</b>	<b>(68,184)</b>	<b>(74,685)</b>

The total net defined benefit asset is \$292 million (2022 – \$294 million). This amount is recorded on the Consolidated Balance Sheet as post-employment benefit assets. The total net defined benefit liability is \$84 million (2022 – \$91 million). This amount is recorded on the Consolidated Balance Sheet as post-employment benefit liabilities.

## Movements in the present value of the defined benefit obligation

	Registered pension plan		Supplemental pension plans		Other benefits	
As at March 31	2023	2022	2023	2022	2023	2022
Defined benefit obligation, beginning of year	793,725	905,150	90,577	102,056	74,685	79,363
Current service cost	15,815	22,325	1,065	1,529	5,355	6,415
Interest cost on the defined benefit obligation	32,875	30,366	3,710	3,388	3,253	2,809
Contributions by employees	8,296	8,427	622	634	–	–
Benefits paid	(23,706)	(23,005)	(2,975)	(2,472)	(1,114)	(1,105)
Experience adjustments on plan liabilities	24,172	6,455	4,478	1,721	(279)	(233)
Actuarial gain from changes in financial assumptions	(131,278)	(123,491)	(13,551)	(12,501)	(13,716)	(12,564)
Actuarial loss (gain) from changes in demographic assumptions	10,645	(32,502)	1,153	(3,778)	–	–
<b>Defined benefit obligation, end of year</b>	<b>730,544</b>	<b>793,725</b>	<b>85,079</b>	<b>90,577</b>	<b>68,184</b>	<b>74,685</b>

The duration of the registered pension plan's defined benefit obligation is 15 years (2022 – 17 years). The duration of the supplemental pension plans' defined benefit obligation is 14 years (2022 – 16 years). The duration of the other benefit plan's defined benefit obligation is 18 years (2022 – 21 years).

## 13. Post-employment benefits (continued)

## Movements in the fair value of plan assets

	Registered pension plan		Supplemental pension plans		Other benefits	
As at March 31	2023	2022	2023	2022	2023	2022
Fair value of plan assets, beginning of year	1,087,268	1,049,036	73,791	65,586	-	-
Interest income on plan assets	44,644	34,784	3,003	2,317	-	-
Return on plan assets less than the discount rate	(112,322)	(6,589)	(6,576)	(3,334)	-	-
Contributions by FCC	19,462	25,496	1,283	11,090	1,114	1,105
Contributions by employees	8,296	8,427	622	634	-	-
Benefits paid	(23,706)	(23,005)	(2,975)	(2,472)	(1,114)	(1,105)
Plan administration costs	(856)	(881)	(28)	(30)	-	-
<b>Fair value of plan assets, end of year</b>	<b>1,022,786</b>	<b>1,087,268</b>	<b>69,120</b>	<b>73,791</b>	<b>-</b>	<b>-</b>

## Defined benefit costs recognized in net income

	Registered pension plan		Supplemental pension plans		Other benefits		Total	
For the year ended March 31	2023	2022	2023	2022	2023	2022	2023	2022
Current service cost	15,815	22,325	1,065	1,529	5,355	6,415	22,235	30,269
Net interest	(11,769)	(4,418)	707	1,071	3,253	2,809	(7,809)	(538)
Plan administration costs	856	881	28	30	-	-	884	911
	<b>4,902</b>	<b>18,788</b>	<b>1,800</b>	<b>2,630</b>	<b>8,608</b>	<b>9,224</b>	<b>15,310</b>	<b>30,642</b>

## Defined benefit costs recognized in OCI

	Registered pension plan		Supplemental pension plans		Other benefits		Total	
For the year ended March 31	2023	2022	2023	2022	2023	2022	2023	2022
Experience adjustments on plan liabilities	(24,172)	(6,455)	(4,478)	(1,721)	279	233	(28,371)	(7,943)
Return on plan assets less than the discount rate	(112,322)	(6,589)	(6,576)	(3,334)	-	-	(118,898)	(9,923)
Actuarial gain from changes in financial assumptions	131,278	123,491	13,551	12,501	13,716	12,564	158,545	148,556
Actuarial (loss) gain from changes in demographic assumptions	(10,645)	32,502	(1,153)	3,778	-	-	(11,798)	36,280
<b>Remeasurement (loss) gain</b>	<b>(15,861)</b>	<b>142,949</b>	<b>1,344</b>	<b>11,224</b>	<b>13,995</b>	<b>12,797</b>	<b>(522)</b>	<b>166,970</b>

The cumulative net remeasurement gains recognized in OCI as at March 31, 2023, were \$184 million (2022 – \$185 million).



## 13. Post-employment benefits (continued)

**Plan assets**

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

As at March 31	2023					
	Registered pension plan			Supplemental pension plans		
	Quoted on active market	Unquoted	Total	Quoted on active market	Unquoted	Total
Debt securities	-	525,751	525,751	-	-	-
Equity securities	-	295,975	295,975	-	49,703	49,703
Real estate	-	107,935	107,935	-	-	-
Infrastructure	-	90,741	90,741	-	-	-
Cash*	2,384	-	2,384	19,417	-	19,417
	2,384	1,020,402	1,022,786	19,417	49,703	69,120

\*Includes cash held in a refundable tax account as prescribed by Canada Revenue Agency.

As at March 31	2022					
	Registered pension plan			Supplemental pension plans		
	Quoted on active market	Unquoted	Total	Quoted on active market	Unquoted	Total
Debt securities	-	502,323	502,323	-	-	-
Equity securities	-	353,928	353,928	-	53,005	53,005
Real estate	-	171,983	171,983	-	-	-
Infrastructure	-	58,485	58,485	-	-	-
Cash*	549	-	549	20,786	-	20,786
	549	1,086,719	1,087,268	20,786	53,005	73,791

\*Includes cash held in a refundable tax account as prescribed by Canada Revenue Agency.

### 13. Post-employment benefits (continued)

#### 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	2023		
	Registered pension plan	Supplemental pension plans	Other benefits
<b>Increase (decrease) defined benefit obligation</b>			
1% increase in discount rate	(102,890)	(11,384)	(10,839)
1% decrease in discount rate	131,396	13,152	14,021
0.25% increase in rate of compensation increase	3,484	906	47
0.25% decrease in rate of compensation increase	(4,054)	(1,557)	(44)
1% increase in consumer price index	99,946	10,873	–
1% decrease in consumer price index	(82,747)	(9,932)	–
One-year increase in expected lifetime of plan participants	14,850	1,351	1,487
1% increase in assumed overall health care cost trend rates	–	–	12,424
1% decrease in assumed overall health care cost trend rates	–	–	(9,806)

#### 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, 2023, the expense was \$14 million (2022 – \$13 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 \$37 million (2022 – \$51 million). During the year, FCC made solvency payments of \$6 million (2022 – \$10 million) to the defined benefit pension plan.

Total cash payments for post-employment benefits for 2024 are anticipated to be approximately \$28 million.

## 14. Property and equipment

### Accounting policy

#### 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. We expense all repair and maintenance costs during the period in which they are incurred.

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

## 14. Property and equipment (continued)

	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

FCC reviews the residual values and useful lives annually and adjusts if appropriate. We review equipment and leasehold improvements annually for indicators of impairment and, if indicators exist, we estimate 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. We record equipment under operating leases 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.

**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 we are a lessee.

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.

We initially measure ROU assets at cost and they 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. We subsequently measure them at cost less accumulated depreciation and impairment losses, and they are adjusted for any remeasurements of the lease liability as described in Note 17. 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.

We depreciate the ROU assets 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.

**Accounting estimates and judgments****Right-of-use assets**

In determining the lease term for lessee perspective ROU assets and lease liabilities under IFRS 16, management uses judgment to determine whether FCC is reasonably certain to exercise optional extension periods. Judgment is also used to determine whether termination options are not reasonably expected to be exercised by considering facts and circumstances, including past practice.

## 14. Property and equipment (continued)

## Supporting information

	Leasehold improvements	Office equipment and furniture	Computer equipment	Equipment under operating leases	Right-of-use assets <sup>(1)</sup>	Total
<b>Cost</b>						
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 8)	–	–	–	(55,490)	–	(55,490)
Balance as at March 31, 2022	70,763	30,632	19,385	–	211,671	332,451
Additions	4,703	1,881	3,872	–	10,256	20,712
Disposals	(3,152)	(3,560)	(2,046)	–	(1,513)	(10,271)
<b>Balance as at March 31, 2023</b>	<b>72,314</b>	<b>28,953</b>	<b>21,211</b>	<b>–</b>	<b>220,414</b>	<b>342,892</b>
<b>Accumulated depreciation</b>						
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 8)	–	–	–	(32,436)	–	(32,436)
Balance as at March 31, 2022	54,976	27,082	14,320	–	47,275	143,653
Depreciation	4,905	1,576	3,140	–	16,140	25,761
Disposals	(2,991)	(3,543)	(1,996)	–	–	(8,530)
<b>Balance as at March 31, 2023</b>	<b>56,890</b>	<b>25,115</b>	<b>15,464</b>	<b>–</b>	<b>63,415</b>	<b>160,884</b>
<b>Carrying value</b>						
March 31, 2022	15,787	3,550	5,065	–	164,396	188,798
<b>March 31, 2023</b>	<b>15,424</b>	<b>3,838</b>	<b>5,747</b>	<b>–</b>	<b>156,999</b>	<b>182,008</b>

<sup>(1)</sup> FCC's Right-of-use assets portfolio consists of leased office space.

## 15. Intangible assets

### Accounting policy

Intangible assets are comprised of computer software and are recorded at cost less accumulated amortization. Expenditures on internally developed intangible assets are recognized as assets when FCC can 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. We record amortization over the estimated useful life of three or five years using the straight-line method.

### Accounting estimates and judgments

We review intangible assets annually for indications of impairment or changes in estimated future economic benefits. If such indications exist, we analyze the carrying value 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.

### Supporting information

	Internally developed	Purchased	Total
<b>Cost</b>			
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
Additions	3,007	109	3,116
Disposals	(990)	(13)	(1,003)
<b>Balance as at March 31, 2023</b>	<b>79,506</b>	<b>7,674</b>	<b>87,180</b>
<b>Accumulated amortization</b>			
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
Amortization	6,095	78	6,173
Disposals	(990)	(13)	(1,003)
<b>Balance as at March 31, 2023</b>	<b>70,087</b>	<b>7,482</b>	<b>77,569</b>
<b>Carrying value</b>			
March 31, 2022	12,507	161	12,668
<b>March 31, 2023</b>	<b>9,419</b>	<b>192</b>	<b>9,611</b>

Research and development costs related to internally developed computer software in the amount of \$6 million (2022 – \$22 million) have been included in administration expenses on the Consolidated Statement of Income.

## 16. Borrowings

### Accounting policy

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. Transaction costs are incremental costs that are directly attributable to the acquisition, issuance or disposal of a financial liability. Transaction costs are deferred and amortized over the instrument's expected useful life using the effective interest method.

### Supporting information

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 His Majesty in Right of Canada and carry the full faith and credit of the Government of Canada.

### Short-term debt

As at March 31	2023	2022
<b>Government of Canada debt</b>		
Floating-rate borrowings	325,389	915,105
Fixed-rate borrowings	6,425,079	6,489,070
	<b>6,750,468</b>	<b>7,404,175</b>
<b>Capital markets debt</b>		
USD fixed-rate promissory notes	947,044	673,439
	<b>947,044</b>	<b>673,439</b>
	<b>7,697,512</b>	<b>8,077,614</b>

### Short-term debt by maturity date

As at March 31	2023				
	Government of Canada		Capital markets		
	Carrying value	Yield	Carrying value	Yield	Total
From 0 – 3 months	1,920,252	1.83%	947,044	4.64%	2,867,296
From 4 – 6 months	1,317,878	2.87%	–	–	1,317,878
From 7 – 9 months	2,052,440	2.86%	–	–	2,052,440
From 10 – 12 months	1,459,898	2.33%	–	–	1,459,898
	<b>6,750,468</b>		<b>947,044</b>		<b>7,697,512</b>
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
	<b>7,404,175</b>		<b>673,439</b>		<b>8,077,614</b>

## 16. Borrowings (continued)

## Short-term debt continuity

As at March 31	2023	2022
Short-term debt, beginning of year	8,077,614	12,550,153
Financing cash flows		
Debt issued	12,997,331	12,629,821
Debt repaid	(12,988,412)	(12,397,247)
Non-cash changes		
Change in short-term portion of long-term debt	(421,017)	(4,699,921)
Change in interest accrual	46,342	1,869
Change due to unrealized foreign exchange gain	(14,346)	(7,061)
<b>Short-term debt, end of year</b>	<b>7,697,512</b>	<b>8,077,614</b>

FCC has a demand operating line of credit that provides overdraft protection in the amount of \$75 million (2022 – \$75 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, 2023, there were no draws on this credit facility (2022 – \$nil).

## Long-term debt

As at March 31	2023	2022
<b>Government of Canada debt</b>		
Floating-rate borrowings	13,658,715	15,282,177
Fixed-rate borrowings	20,012,866	14,824,493
	<b>33,671,581</b>	<b>30,106,670</b>

## Long-term debt by maturity date

As at March 31	2023		2022	
	Government of Canada		Government of Canada	
	Carrying value	Yield	Carrying value	Yield
From 1 – 2 years	6,112,689	2.57%	4,890,615	0.92%
From 2 – 3 years	5,159,870	2.47%	4,193,587	1.05%
From 3 – 4 years	4,356,565	2.46%	4,001,935	0.64%
From 4 – 5 years	3,709,655	3.09%	3,113,035	1.15%
Over 5 years	14,332,802	3.58%	13,907,498	0.61%
	<b>33,671,581</b>		<b>30,106,670</b>	

## Long-term debt continuity

As at March 31	2023	2022
Long-term debt, beginning of year	30,106,670	22,704,662
Financing cash flows		
Debt issued	10,197,000	14,490,000
Debt repaid	(7,128,529)	(11,785,856)
Non-cash changes		
Change in short-term portion of long-term debt	421,017	4,699,921
Change in interest accrual	75,423	(2,016)
Other	–	(41)
<b>Long-term debt, end of year</b>	<b>33,671,581</b>	<b>30,106,670</b>

## 17. Lease liabilities

### Accounting policy

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 and recognized in administration expenses on the Consolidated Statement of Income.

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

FCC subsequently measures lease liabilities 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. We include interest expense on lease liabilities in interest expense on the Consolidated Statement of Income.

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, FCC will recognize any remaining amount of the remeasurement in administration expenses on the Consolidated Statement of Income.

### Supporting information

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<sup>(1)</sup> range from 2 to 25 years, including optional renewal periods.

As at March 31	2023	2022
<b>Maturity analysis – contractual undiscounted cash flows</b>		
Less than 1 year	17,653	17,879
From 1 – 5 years	62,454	63,646
Over 5 years	97,123	102,078
<b>Total undiscounted lease liabilities</b>	<b>177,230</b>	<b>183,603</b>
<b>Lease liabilities on the balance sheet</b>	<b>160,270</b>	<b>166,748</b>
Less: current portion of lease liabilities	15,053	15,353
Non-current portion of lease liabilities	145,217	151,395

<sup>(1)</sup> Lease terms calculated from the later of the lease commencement date or IFRS 16 – Leases adoption date.



## 17. Lease liabilities (continued)

**Amounts recognized in net income**

For the year ended March 31	2023	2022
Interest on lease liabilities	2,741	2,676
Variable lease payments not included in the measurement of lease liabilities	3,599	4,853

**Amounts recognized in the statement of cash flows**

For the year ended March 31	2023	2022
Interest on lease liabilities	2,741	2,676
Principal repayment of lease liabilities	15,219	15,250
<b>Total cash outflow for leases</b>	<b>17,960</b>	<b>17,926</b>

Future cash flows for leases not commenced to which FCC is committed are \$8 million (2022 – \$6 million).

## 18. Net interest income

For the year ended March 31	2023	2022
<b>Interest income</b>		
Financial assets measured at amortized cost	2,214,205	1,546,533
Operating leases	2,809	12,478
Finance leases	1,802	5,630
Transfer of net realized gains on derivatives designated as cash flow hedges from AOCI to net income	–	1,489
<b>Total interest income for financial instruments not at FVTPL</b>	<b>2,218,816</b>	<b>1,566,130</b>
Investments at fair value	3,879	471
Derivative financial assets and liabilities at FVTPL – net	5	426
<b>Total interest income</b>	<b>2,222,700</b>	<b>1,567,027</b>
<b>Interest expense</b>		
Financial liabilities measured at amortized cost	865,326	213,273
Depreciation on equipment under operating leases	620	10,566
Interest on lease liabilities	2,741	2,676
<b>Total interest expense</b>	<b>868,687</b>	<b>226,515</b>
<b>Net interest income</b>	<b>1,354,013</b>	<b>1,340,512</b>

The total net fee expense that was recognized immediately in net interest income arising from financial assets and liabilities not measured at FVTPL was \$4 million (2022 – \$8 million net fee income).

## 19. Insurance

**Accounting policy**

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. 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.

## 20. Administration expenses

For the year ended March 31	2023	2022
Salaries and benefits	314,499	304,890
Professional fees	87,620	71,135
Facilities, software and equipment	66,211	67,474
Amortization and depreciation	31,934	35,250
Marketing and promotion	16,615	12,670
Travel and training	15,413	6,769
Other	15,772	9,739
	<b>548,064</b>	<b>507,927</b>

## 21. Commitments, guarantees and contingent liabilities

### Loan commitments

As at March 31, 2023, loans approved but undisbursed amounted to \$11,185 million (2022 – \$10,447 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.

### Investments at fair value

As at March 31, 2023, FCC had committed to invest an additional \$49 million (2022 – \$55 million) in investments at fair value.

### Investment in associates

As at March 31, 2023, FCC had committed to invest an additional \$65 million (2022 restated<sup>19</sup> – \$27 million) in investments in associates.

### Capital commitments

As at March 31, 2023, capital expenditures contracted for property and equipment but not yet incurred were \$1 million (2022 – \$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	2023	2022
<b>Amounts due</b>		
Less than 1 year	22,624	22,501
From 1 – 5 years	38,787	37,619
Over 5 years	47,661	53,872
	<b>109,072</b>	<b>113,992</b>

<sup>19</sup> Last year, venture capital commitments of \$82 million were classified under Investment in associates. We have reclassified this comparative figure between Investment in associates and Investments at fair value to align with current year presentation which provides more transparency about the nature of our venture capital commitments.

## 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, 2023, is \$10 million (2022 – \$6 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, 2023 (2022 – \$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, 2023 (2022 – \$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, 2023 (2022 – \$nil) for these indemnifications and contingencies.

## 22. Related party transactions

### Accounting policy

#### Government assistance

FCC is one of the financial institutions participating in the Hog Industry Loan Loss Reserve Program (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 70% of net credit losses. Amounts held by FCC to which FCC 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.

The portion of the loan loss reserve fund to which FCC is entitled under the HILLRP 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 these borrowings is recorded in interest expense.

### Supporting information

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

FCC is related to the 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.

*22. Related party transactions (continued)*

In the normal course of business, FCC provides certain services to the equity funds. These transactions meet the definition of related party transactions and are made on terms equivalent to those that prevail in arm's-length transactions. Refer to Note 2 for more information on associates.

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.

**Transactions with the Government of Canada**

The Government of Canada guarantees the borrowings of FCC.

FCC enters short- and long-term borrowings with the Government of Canada through the Crown Borrowing Program. For the year ended March 31, 2023, \$662 million (2022 – \$207 million) was recorded in interest expense relating to these borrowings.

FCC has \$165 million (2022 – \$nil) short-term investments with the Government of Canada. These investments are included in cash and cash equivalents because they have 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 \$8 million (2022 – \$13 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:

<i>For the year ended March 31</i>	<b>2023</b>	<i>2022</i>
Salaries and other short-term employee benefits	<b>3,797</b>	3,681
Post-employment benefits	<b>480</b>	723
Board retainers and per diems	<b>347</b>	335
<b>Total</b>	<b>4,624</b>	4,739

## 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 safe and sound capital position to deliver our strategy and withstand economic downturn, climate change uncertainty and periods of extended loss. 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 and contributed capital 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, 2023 and 2022, 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	2023	2022
<b>Capital</b>		
Retained earnings	8,327,235	8,076,280
Contributed capital	250,000	500,000
Required regulatory adjustments:		
Intangible assets	(9,611)	(12,668)
Post-employment benefit assets	(292,242)	(293,543)
<b>CET1/Total capital</b>	<b>8,275,382</b>	<b>8,270,069</b>
<b>Risk-weighted assets</b>		
Credit risk-weighted assets	49,598,184	46,304,780
Operational risk-weighted assets	2,488,445	2,358,970
<b>Total risk-weighted assets</b>	<b>52,086,629</b>	<b>48,663,750</b>
<b>Total capital ratio</b>	<b>15.9 %</b>	<b>17.0 %</b>
<b>Target capital ratio</b>	<b>15.0 %</b>	<b>15.0 %</b>
<b>Minimum regulatory capital ratio</b>	<b>10.5 %</b>	<b>10.5 %</b>

### 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, 2023, FCC's total direct and contingent liabilities were 4.9 times the shareholder's equity (2022 – 4.5 times the shareholder's equity).

### Contributed capital

FCC's contributed capital consists of capital contributions made by the Government of Canada. We received no additional capital contributions during the fiscal year from the Government of Canada, and as noted below, \$250 million of the dividend was paid out of contributed capital, decreasing the balance to \$250 million as at March 31, 2023 (2022 – \$500 million).

*23. Capital management (continued)***Dividend**

For the year ended March 31, 2023, two dividends totalling \$721 million were declared to FCC's shareholder, the Government of Canada, of which \$250 million was distributed out of contributed capital and \$471 million out of retained earnings (2022 – \$560 million was distributed out of retained earnings).

**Regulatory updates**

OSFI has implemented BASEL III reforms as part of their CAR 2023 guidelines, which FCC will adopt in 2024. This change will impact FCC's Internal Capital Adequacy Assessment Process (ICAAP), lowering risk-weighted assets.

**24. 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 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 and activities are appropriate and relevant.

We use policies, processes, systems and strategies to manage the credit risk of FCC's portfolio.

We use significant research, modelling, validation and interpretation to develop the risk metrics for each tool as follows:

***Risk scoring and pricing system***

We use the risk scoring and pricing system (RSPS) 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 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. Financial 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 11.

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 significant increase in credit risk (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 operating 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 allowance for credit losses 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.

As at March 31	2023	
	Next 12 months	2 to 5 years
<b>Macroeconomic variables</b>		
Real gross domestic product	0.6%	3.9%
USD/CAD exchange rates	\$ 0.76	\$ 0.79
Interest rates		
- Bank	4.50%	2.80%
- 5-year	6.10%	5.80%

As at March 31, 2023, the impact of weighting the multiple scenarios increased FCC's allowance for credit losses on performing loans, relative to the base case scenario, by \$3 million. If all of FCC's performing loans were in Stage 1, the allowance for credit losses model would generate an allowance for credit losses on performing loans of approximately \$65 million. If all of FCC's performing loans were in Stage 2, the allowance for credit losses model would generate an allowance for credit losses on performing loans of approximately \$104 million. The allowance for credit losses for all loans in Stage 1 and Stage 2 ranges from approximately \$59 million to \$86 million under the most optimistic and pessimistic scenarios. These values are components of FCC's weighted-allowance calculation used for the financial statements.

## 24. Financial risk management (continued)

**Collateral**

FCC uses collateral as a method to mitigate its credit risk. 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, 2023, the collateral held against total gross impaired loans represents 88.7% (2022 – 91.5%) of total gross impaired loans.

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

As at March 31	2023	2022
Weighted-average loan-to-security ratio for secured loans	49.5%	50.7%
Loans secured by a general security agreement and unsecured loans as a percentage of loans receivable	4.9%	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. 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	2023	2022
<b>On balance sheet</b>		
Cash and cash equivalents	1,782,248	1,439,109
Short-term investments	221,589	584,397
Accounts receivable	23,186	25,369
Derivative financial assets	220	–
Loans receivable	47,920,040	44,534,389
Other loans receivable	29,623	54,215
Assets held for sale	–	185,761
Investments at fair value	131,230	56,063
Investment in associates	62,072	49,424
Other assets	5,434	5,824
	<b>50,175,642</b>	<b>46,934,551</b>
<b>Off balance sheet</b>		
Financial guarantees	10,062	6,141
Loan commitments	11,184,777	10,447,254
Investments at fair value commitments	49,141	55,400
Investment in associates' commitments <sup>(1)</sup>	64,629	26,910
	<b>11,308,609</b>	<b>10,535,705</b>
<b>Total maximum exposure to credit risk</b>	<b>61,484,251</b>	<b>57,470,256</b>

<sup>(1)</sup> Last year, venture capital arrangement commitments of \$82 million were classified within the Investment in associates' commitments line item. To provide more transparency about the nature of our venture capital arrangement commitments and to align with current year presentation, we have reclassified this comparative figure between the categories of Investment in associates' commitments and Investments at fair value commitments.

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. Financial risk management (continued)

## Exposure to credit risk by credit risk rating grades

As at March 31	Stage 1	Stage 2	Stage 3	2023 Total
<b>On balance sheet:</b>				
<b>Loans receivable</b>				
Investment grade	17,522,053	496,929	–	18,018,982
Non-investment grade	18,101,206	8,993,896	–	27,095,102
Watch list	36,186	150,498	–	186,684
Default	–	–	796,712	796,712
Unassigned credit risk rating <sup>(1)</sup>	1,624,130	142,280	17,408	1,783,818
Loans receivable – total	37,283,575	9,783,603	814,120	47,881,298
Allowance for credit losses	(45,627)	(28,826)	(91,016)	(165,469)
<b>Loans receivable – net</b>	<b>37,237,948</b>	<b>9,754,777</b>	<b>723,104</b>	<b>47,715,829</b>
<b>Other loans receivable</b>				
Low risk	14,480	–	–	14,480
Medium risk	–	11,840	–	11,840
High risk	–	3,303	–	3,303
Other loans receivable – gross	14,480	15,143	–	29,623
Allowance for credit losses	(329)	(3,781)	–	(4,110)
<b>Other loans receivable – net</b>	<b>14,151</b>	<b>11,362</b>	<b>–</b>	<b>25,513</b>
<b>Off balance sheet:</b>				
<b>Loan commitments</b>				
Investment grade	3,454,152	40,666	–	3,494,818
Non-investment grade	2,467,787	1,038,840	–	3,506,627
Watch list	3,618	2,368	–	5,986
Default	–	–	33,764	33,764
Unassigned credit risk rating <sup>(1)</sup>	4,100,550	43,011	21	4,143,582
<b>Loan commitments – gross<sup>(2)</sup></b>	<b>10,026,107</b>	<b>1,124,885</b>	<b>33,785</b>	<b>11,184,777</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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. Financial risk management (continued)

**Exposure to credit risk by credit risk rating grades**

As at March 31	Stage 1	Stage 2	Stage 3	2022 Total
<b>On balance sheet:</b>				
<b>Loans receivable</b>				
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 <sup>(1)</sup>	1,484,975	243,395	18,560	1,746,930
<b>Loans receivable – total</b>	<b>32,804,574</b>	<b>11,289,826</b>	<b>394,737</b>	<b>44,489,137</b>
<b>Allowance for credit losses</b>	<b>(45,027)</b>	<b>(31,399)</b>	<b>(33,208)</b>	<b>(109,634)</b>
<b>Loans receivable – net</b>	<b>32,759,547</b>	<b>11,258,427</b>	<b>361,529</b>	<b>44,379,503</b>
<b>Other loans receivable</b>				
Low risk	–	–	–	–
Medium risk	34,336	–	–	34,336
High risk	–	19,838	41	19,879
<b>Other loans receivable – gross</b>	<b>34,336</b>	<b>19,838</b>	<b>41</b>	<b>54,215</b>
<b>Allowance for credit losses</b>	<b>(480)</b>	<b>(3,251)</b>	<b>(41)</b>	<b>(3,772)</b>
<b>Other loans receivable – net</b>	<b>33,856</b>	<b>16,587</b>	<b>–</b>	<b>50,443</b>
<b>Off balance sheet:</b>				
<b>Loan commitments</b>				
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 <sup>(1)</sup>	3,459,756	83,265	24	3,543,045
<b>Loan commitments – gross<sup>(2)</sup></b>	<b>9,321,020</b>	<b>1,118,191</b>	<b>8,041</b>	<b>10,447,252</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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. Financial risk management (continued)

**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 positive economic value 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 more details on the quantification of counterparty credit risk.

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, 2023, the largest total investment in any one counterparty was \$240 million (2022 – \$178 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	2023		2022	
	Cash equivalents	Short-term investments	Cash equivalents	Short-term investments
<b>Government and government guaranteed</b>				
AAA	165,030	–	–	–
AA+	–	87,115	–	59,960
AA	–	–	–	69,813
AA-	29,432	18,965	–	166,662
A+	214,536	115,509	–	129,230
A	24,927	–	103,941	158,732
	433,925	221,589	103,941	584,397
<b>Schedule 1 banks</b>				
A-1+	58,007	–	–	–
A-1	49,899	–	39,999	–
	107,906	–	39,999	–
	541,831	221,589	143,940	584,397

## 24. Financial risk management (continued)

**Other loans receivable**

FCC is exposed to credit risk through its debt-related venture capital arrangements. Credit risk is managed by having a Venture Capital policy that is approved annually by management and at a minimum every two years by the Board. FCC also 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, and the Treasury division 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.

**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 the economic value of equity to a change in interest rates and balance sheet assumptions. We backtest and validate the asset and liability model 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 should not decline by more than 10% of the total equity 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, projected values for net interest income and the economic value of equity that would be affected over the next 12 months are as follows:

	2023 Impact of		2022 Impact of	
	2% increase	2% decrease	2% increase	2% decrease
Net interest income variability	17,602	(16,729)	27,500	(30,500)
Limit	(72,735)	(72,735)	(71,900)	(71,900)
Economic value of equity variability	(375,854)	326,072	(363,600)	343,400
Limit	(857,724)	(857,724)	(807,628)	(807,628)

## 24. Financial 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 2023	2022
<b>Assets</b>								
Cash and cash equivalents	1,240,417	540,533	–	–	–	1,298	1,782,248	1,439,109
Yield <sup>(1)</sup>	5.05%	4.45%	–	–	–	–	–	–
Short-term investments	–	117,902	101,113	–	–	2,574	221,589	584,397
Yield <sup>(1)</sup>	–	2.96%	4.61%	–	–	–	–	–
Derivative financial assets <sup>(2)(3)</sup>	–	–	–	–	–	220	220	–
Yield <sup>(1)</sup>	–	–	–	–	–	–	–	–
Loans receivable	12,787,092	2,338,394	5,032,713	21,805,557	5,378,533	373,540	47,715,829	44,379,503
Yield <sup>(1)</sup>	7.58%	5.36%	4.05%	4.14%	4.14%	–	–	–
Other loans receivable	–	11,552	5,826	6,683	1,452	–	25,513	50,443
Yield <sup>(1)</sup>	–	9.94%	9.97%	8.93%	8.44%	–	–	–
Other	–	–	–	–	–	721,257	721,257	830,571
<b>Total assets</b>	<b>14,027,509</b>	<b>3,008,381</b>	<b>5,139,652</b>	<b>21,812,240</b>	<b>5,379,985</b>	<b>1,098,889</b>	<b>50,466,656</b>	<b>47,284,023</b>
<b>Liabilities and equity</b>								
Borrowings	–	16,728,196	4,555,107	15,454,500	4,456,000	175,290	41,369,093	38,184,284
Yield <sup>(1)</sup>	–	4.12%	2.61%	2.18%	1.76%	–	–	–
Derivative financial liabilities <sup>(2)(3)</sup>	–	–	–	–	–	–	–	32
Yield <sup>(1)</sup>	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	520,328	520,328	523,427
Shareholder's equity	–	–	–	–	–	8,577,235	8,577,235	8,576,280
<b>Total liabilities and equity</b>	<b>–</b>	<b>16,728,196</b>	<b>4,555,107</b>	<b>15,454,500</b>	<b>4,456,000</b>	<b>9,272,853</b>	<b>50,466,656</b>	<b>47,284,023</b>
<b>Total gap 2023</b>	<b>14,027,509</b>	<b>(13,719,815)</b>	<b>584,545</b>	<b>6,357,740</b>	<b>923,985</b>	<b>(8,173,964)</b>	<b>–</b>	<b>–</b>
<b>Total cumulative gap 2023</b>	<b>14,027,509</b>	<b>307,694</b>	<b>892,239</b>	<b>7,249,979</b>	<b>8,173,964</b>	<b>–</b>	<b>–</b>	<b>–</b>
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	–	–	–

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

<sup>(2)</sup> The notional amounts for derivatives with a positive fair value have been netted against derivatives with a negative fair value and are included with derivative financial assets.

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

## 24. Financial risk management (continued)

### 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 borrowing. 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 \$75 million (2022 – \$nil). Foreign exchange losses in the year were \$72 million (2022 – \$1 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, leading to a difference in the timing of recognition.

### Post-employment benefits

FCC is exposed to 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 allocated between equities and fixed income investment funds with a significant portion in fixed income comprised of Canadian Bonds, which provides liability hedging between the plans' assets and the plans' liabilities. The current target composition of the plans' portfolio includes an allocation of 30% of assets invested in Canadian and Global Equities, 15% in Real Assets and Global Infrastructure, 19% invested in Canadian Long Bonds, 6% in leveraged Canadian Long Bonds, 10% in Canadian Long-term Private Debt, and 20% in Real Return Bonds with Overlay, which effectively increases the duration of the assets to better match the plans' liabilities. The Canadian Long Bonds have a duration of 14.6 years and the leveraged Canadian Long Bonds have a duration of 43.7 years. The Canadian Long-term Private Debt has a duration of 14.6 years and the Real Return Bonds have a duration of 28.8 years. Overall, the registered pension plans' assets are estimated to be 13.7 years while the liabilities are estimated to be 15.4 years. The supplemental pension plans' liabilities are estimated to be 14.3 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 the provisions of the Pension Plan for Employees of FCC. 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.

The Pension Plan Governance policy is approved by the Board annually 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.

## 24. Financial risk management (continued)

### 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 and the Treasury division 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 \$2,004 million were on hand as at March 31, 2023 (2022 – \$2,024 million)
- access to borrowing and 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. Financial risk management (continued)

**Residual contractual maturities of financial liabilities**

As at March 31		2023					
	Carrying value	Gross nominal outflow	Less than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years
<b>Non-derivative financial liabilities</b>							
Accounts payable and accrued liabilities	91,939	91,939	29,540	4,216	58,183	–	–
Borrowings	41,369,093	41,369,093	1,592,596	1,369,372	4,861,789	19,248,336	14,297,000
Transition loan liabilities	179,873	186,088	12,553	19,754	46,476	107,305	–
	41,640,905	41,647,120	1,634,689	1,393,342	4,966,448	19,355,641	14,297,000
<b>Derivative financial liabilities</b>							
	–	–	–	–	–	–	–
	41,640,905	41,647,120	1,634,689	1,393,342	4,966,448	19,355,641	14,297,000
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
<b>Non-derivative financial liabilities</b>							
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
<b>Derivative financial liabilities</b>							
	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



# 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.

## 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 accumulated other comprehensive income and 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

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**

Net interest income expressed as a percentage of average interest earning assets.

**Notional amount**

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

**Other comprehensive income (OCI)**

Represents remeasurements of post-employment benefit assets and liabilities that will not be reclassified to net income and 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.

**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**

FCC's total capital consists of contributed capital and retained earnings net of required regulatory adjustments prescribed by OSFI. The total capital ratio is calculated by dividing total capital by RWA.

**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, Vancouver (S)

## 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), Weyburn, Yorkton

## Manitoba

Arborg, Brandon, Dauphin, Killarney (S), Morden, Neepawa, Portage la Prairie, Shoal Lake (S), Steinbach, Stonewall (S), Swan River, Virden, Winnipeg

## Ontario

Ajax (S), 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, Millbrook

## Prince Edward Island

Charlottetown

## Newfoundland and Labrador

Mount Pearl

(S) Satellite office – limited hours

## Corporate office

1800 Hamilton Street  
P.O. Box 4320  
Regina SK S4P 4L3  
Telephone: 306-780-8100  
Fax: 306-780-5167  
TTY: 306-780-6974  
Toll-free TTY: 1-866-205-0013

## Customer Service Centre

Hours: M-F: 7 a.m. – 7 p.m. Eastern  
Telephone: 1-888-332-3301  
Fax: 1-800-284-6436  
Email: [csc@fcc.ca](mailto:csc@fcc.ca)

## FCC AgExpert Customer Care

1800 Hamilton Street  
P.O. Box 4320  
Regina SK S4P 4L3  
Toll-free: 1-800-667-7893  
Fax: 306-721-1981  
Email: [support@fccagexpert.ca](mailto:support@fccagexpert.ca)

## Government Relations

Tower 7 Floor 10 Room 322  
1341 Baseline Road  
Ottawa ON K1A 0C5  
Telephone: 343-598-7377

[fcc.ca](http://fcc.ca)







*DREAM. GROW. THRIVE.*