DREAM. GROW. THRIVE.

Third Quarter Financial Report 2024

As at and for the three and nine months ended December 31, 2023

FARM CREDIT CANADA

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Contact Corporate Communication at communications@fcc-fac.ca for more information

Management's Discussion and Analysis

Basis of preparation of financial information

The following management's discussion and analysis (MD&A) is a summary of the financial position and results of operations of Farm Credit Canada (FCC) and was prepared by management. Pursuant to the authority delegated by FCC's Board of Directors, the MD&A was reviewed and approved for issue by the Audit Committee of the Board on February 22, 2024. The MD&A was prepared in accordance with the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports.

The MD&A is based on FCC's unaudited condensed consolidated quarterly financial statements (quarterly financial statements) as at and for the three and nine months ended December 31, 2023, and should be read in conjunction with our 2023 Annual Report (which includes our annual audited consolidated financial statements and MD&A) and Corporate Plan Summary.[1]

Caution regarding forward-looking statements

The 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 a significant risk that actual results may vary and that the differences may be material. Some factors that could cause differences include changes in general economic and market conditions. Examples of such changes include, but are not limited to, inflationary pressure, interest rates and supply chain challenges.

Overview

FCC is a federal Crown corporation reporting to Canadians and Parliament through the Minister of Agriculture and Agri-Food. FCC provides financing and other services to more than 102,000 customers. We are a team of more than 2,300 employees operating from 103 field offices located primarily in rural Canada and our corporate office in Regina, Saskatchewan.

Economic and agriculture industry overview

The Canadian agriculture and food sectors are expected to face challenges in 2024. Higher borrowing costs have slowed global economic growth, putting downward pressure on most agricultural commodity prices. After rising 3.5% in 2023, which is lower than the previous estimate of 6.6%, farm cash receipts are expected to decline 4.8% in 2024.

High demand and low availability strengthened farmland values growth at an estimated 11.1% in 2023. However, land value appreciation is projected to slow to 6.0% in 2024, due to higher interest rates and lower farm cash receipts.

Canada's annual inflation rate was 3.4% in December 2023, above the Bank of Canada's 2% target. Persistent inflationary pressures indicate broader price pressures have not eased. The Bank of Canada kept its overnight interest rate at 5.0%, to address inflationary trends. Higher interest rates have slowed the growth of Canadian real GDP and continued weak growth is projected heading into 2024.

The Canadian dollar has been trending lower compared to the United States dollar. Increases in the United States dollar are driven by perceptions of economic stability amid turbulence in the current geopolitical and economic environment.

Primary production

Total Canadian crop production in 2023 is estimated at 89.5 million tonnes. This is down 7.5% from 2022 and 2.2% below the five-year average. The decline was largely driven by the 2023 drought in western Canada. Total farm cash receipts for field crops were up 1.8% in 2023. Reduced grain, oilseed, and pulse production along with lower commodity prices could weigh on year-end crop receipts for 2024, which are projected to decline 13.7%, the largest yearly drop since 2005.

The outlook for dairy margins in 2024 is estimated to have improved compared to 2023, and margins are better than they have been over the past several years as input costs start to stabilize. Producers in western Canada will receive an increase in quota driven by strong expected processor demand.

The beef sector was largely profitable in 2023, but drought-stricken areas did face impacts due to feed availability and cost. Despite this profitability, the size of the Canadian beef herd reached a three-decade low, while the number of replacement heifers is near an all-time historic low. It will take multiple years of good weather and high prices to see any rebuilding of the herd.

Despite a challenging growing season across Canada, potato farmers produced a record crop in 2023, a 3.7% increase from 2022 yields. Increased potato production was driven by higher yields and expansion in the west, particularly Alberta. Potato acres in the Atlantic region remained unchanged for 2023 following a 2.5% decline in 2022, as seed potato restrictions

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

in Prince Edward Island remain in effect. Overall, the potato sector is expected to have been profitable in 2023 as prices remained strong despite declining from recent highs and given increased yields.

Avian influenza will continue to pose a threat to poultry and specifically chicken production in 2024, as hatching eggs remain in short supply in both Canada and the United States. Chicken production came in below the expected trend in production in 2023 due to the short hatching egg supply and a similar situation could occur in 2024. Despite challenges, margins for poultry producers are expected to be positive throughout 2024.

Greenhouse vegetable cash receipts are estimated to be up 13.8% while fresh fruit receipts increased by 4.1% in 2023. Greenhouse profitability is expected to continue to be tight in 2024 as input and labour costs remain high.

In the hog sector, farrow-to-finish margins were under pressure in 2023, particularly in the east due to slaughter capacity issues. Positive margins are projected for the sector in 2024, but downside risk is present due to global production trends. In the United States, processors see the industry facing an oversupply of pork with producers needing to cut the number of sows on farm.

The horticulture sector had a challenging year in 2023. Cold stretches during the winter and adverse weather throughout the growing season resulted in crop issues across Canada. Maple syrup production declined 40% in 2023 due to poor harvesting weather in Quebec, Ontario and New Brunswick. Adverse weather conditions have also led to production challenges in the cranberry, wine grapes and apple sectors.

Agribusiness and agri-food

In the agribusiness sector, inflationary pressures on new equipment prices along with higher borrowing costs are expected to slow farm equipment sales in 2024. Decreased production from the drought stricken 2023 crop in western Canada will reduce grain handling volumes in 2024.

Fertilizer prices have declined from their 2022 highs and are expected to remain steady or increase slightly by spring 2024. Current drought conditions in western Canada may impact spring fertilizer applications and sales.

Food manufacturing sale numbers for 2023 grew by 6.2% but were largely impacted by inflation. When sales are adjusted for inflation, growth was only 0.7%. Input costs continued to rise in 2023, pressuring profit margins for manufacturers. These trends are expected to continue into 2024.

There are indications the labour market is beginning to ease, which should help lower wage pressures in food manufacturing and help address a key cost experienced by food manufacturers over the last two years.

Enterprise risk management

We continue following our Enterprise Risk Management framework as outlined in the annual audited consolidated financial statements for the year ended March 31, 2023.

We remain financially stable and are well positioned to respond to the needs of the sector.

A higher interest rate environment can create financial pressure on agriculture producers and food businesses. Rising borrowing costs and debt repayment obligations will impact customers' working capital and their ability to service debt and delay timelines for capital investment. With variable rate products and upcoming renewals, we are monitoring the impacts of high interest rates on customers as well as impacts on our overall portfolio health.

We are monitoring several geopolitical events for their potential impact on FCC and our customers. Russia's war against Ukraine continues but global markets, including agricultural commodities no longer incorporate war-related price premiums. Grain continues to be exported from the Black Sea despite Russia exiting its participation in the UN Black Sea grain export agreement.

The conflict in Gaza continues to unfold and has potential to disrupt production or transportation of oil and other goods should the conflict spread to neighbouring countries. Shipping companies are avoiding the Red Sea as a shipping route, adding costs to international companies. Escalation of the conflict could impact oil prices and global fertilizer, particularly nitrogen, and could lead to higher global fertilizer prices, eroding producers' margins.

There are some positive trade developments for Canada despite political tensions with India. India has made several reversals regarding import restrictions on lentils and peas as food inflation remains rampant in India and short domestic supplies are tight. India currently has zero import duty on lentils until March 2025. India has also suspended all import restrictions on peas until March 31, 2024.

Financial performance

Our discussion of net income is a comparison of the results for the three and nine months ended December 31, 2023, to the results for the three and nine months ended December 31, 2022.

Net income

	Three months ended December 31			Nine months ended December 31		
($ millions)	**2023**	2022	Variance	**2023**	2022	Variance
Net interest income	**346**	341	5	**1,020**	1,027	(7)
Provision for credit losses	**(27)**	(47)	20	**(54)**	(87)	33
Non-interest income	**1**	11	(10)	**(1)**	19	(20)
Administration expenses	**(149)**	(137)	(12)	**(441)**	(392)	(49)
Net income	**171**	168	3	**524**	567	(43)

Three months ended December 31

Net income was consistent with the period ended December 2022. Our largest increase was a reduced provision for credit losses on impaired loans. More customers returned to performing status, leading to a lower allowance for credit losses and provision compared to December 2022. A small increase in net interest income was realized through higher volume, as customers required lending to offset rising operational costs. We had decreased non-interest income as we had an unrealized gain on venture capital investments in December 2022 and have not had similar gains in December 2023. Higher administration expenses were led by higher salaries and benefits from additional positions and outsourced workforce costs to support the growth of our business and implement strategic initiatives.

Nine months ended December 31

Net income decreased by $43 million, an 8% reduction compared to the period ended December 2022. The main source of reduction was higher administration expenses from additional positions required to support the growth of our business and outsourced workforce costs related to information technology and support for strategic initiatives. Our decreased non-interest income was from changes in performance of our venture capital investments, largely driven by unrealized gains in December 2022 not experienced in December 2023. The lower net interest income was due to a decrease in net interest margin, reflecting the net effect of interest rates on our interest-earning assets and interest-bearing liabilities. Decreases were partially offset by a reduced provision for credit losses. More customers returned to performing status, leading to a lower allowance for credit losses and provision compared to December 2022.

Net interest income, loans receivable and borrowings

Net interest income

($ millions)	**Three months ended December 31, 2023**	**Nine months ended December 31, 2023**
Year-over-year increase (decrease) in net interest income due to:		
Increase in volume	**13**	**39**
Decrease in net interest margin	**(8)**	**(46)**
Total increase (decrease) in net interest income	**5**	**(7)**

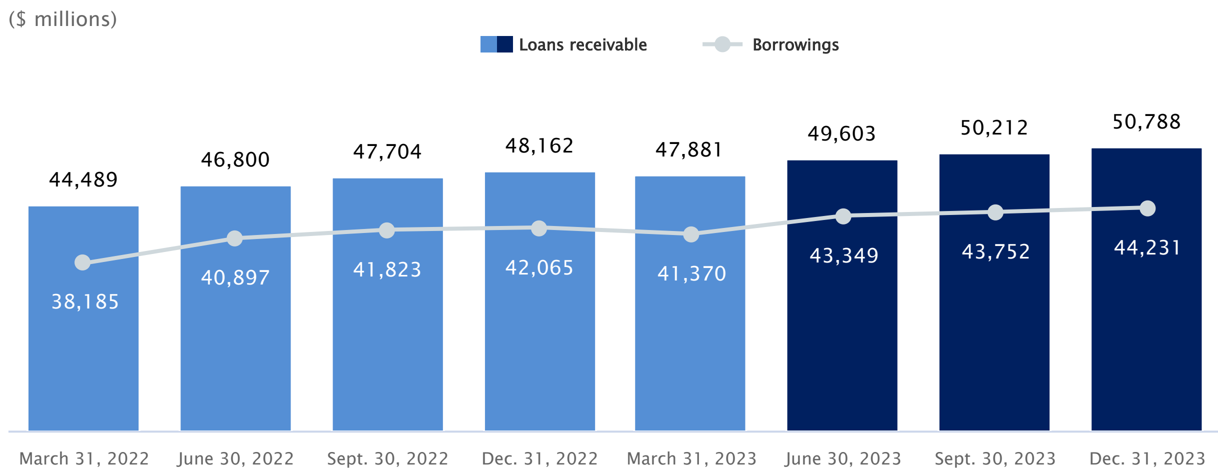
Three months ended December 31

Our interest-earning assets increased, as customers required lending to navigate rising operational costs, leading to a $13 million increase in lending volumes. Most of the volume increase was in our fixed rate lending products. This increase was partially offset by a $8 million decrease in net interest margin, reflecting the net effect of changing interest rates on our interest-earning assets and interest-bearing liabilities.

Nine months ended December 31

A decrease in net interest margin, reflecting the net effect of changing interest rates on our interest-earning assets and interest-bearing liabilities, led to a $46 million reduction. This was mostly offset by a $39 million increase in volume of interest earning assets due to growth in our fixed-rate lending products, as customers looked for rate certainty in the rising interest rate environment.

Loans receivable and borrowings

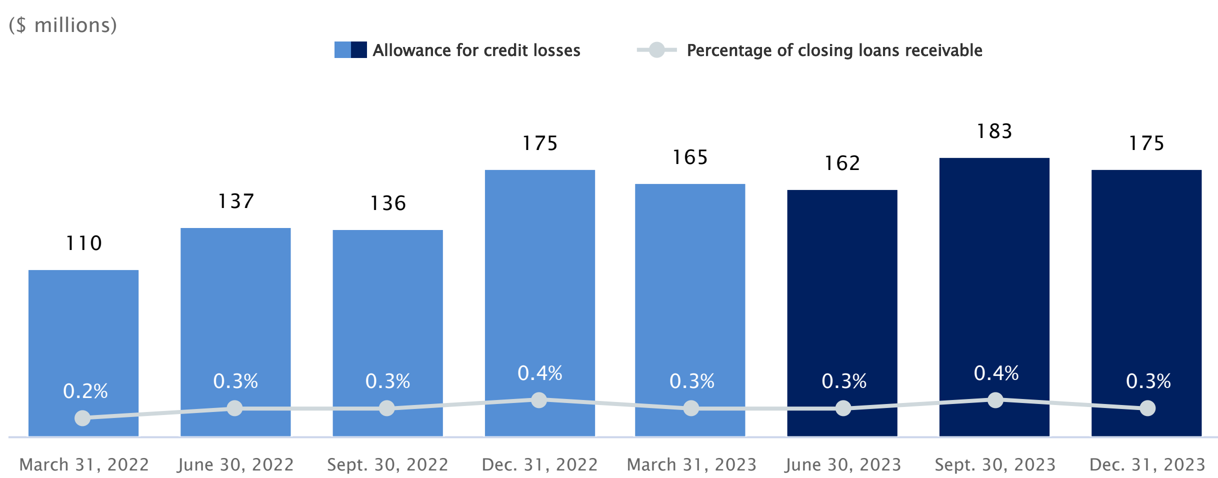


Loans receivable increased 6.1% since March 31, 2023. Growth has been driven by customers borrowing larger amounts to help navigate rising operational costs that have created a continued need for financing. Growth occurred across most industry sectors and geographic regions except for agribusiness which decreased by 2.54% compared to March 31, 2023. Higher interest rates have led customers to delay non-essential spending and projects which contributed to decreased lending in the agribusiness sector.

Borrowings increased 6.9% since March 31, 2023, to fund the growth in loans receivable. Long-term funding provided most of the increase.

Provision for credit losses and credit quality

Allowance for credit losses



Allowance for credit losses increased $10 million since March 31, 2023. Increases in the allowance due to new lending and remeasurement of impaired loans were largely offset by write-offs of impaired loans, mostly in the agri-food sector of our portfolio. A decreased allowance from annual updates to inputs within the calculation of our allowance for credit losses also contributed to the decrease.

Provision for credit losses

($ millions)	Three months ended December 31 2023	2022	Variance	Nine months ended December 31 2023	2022	Variance
Impaired loans (Stage 3)	**(11)**	(45)	34	**(35)**	(87)	52
Performing loans (Stages 1 & 2)	**(16)**	(2)	(14)	**(19)**	–	(19)
Total provision for credit losses	**(27)**	(47)	20	**(54)**	(87)	33

Three months ended December 31

The provision for impaired loans decreased as the movement of existing loans out of impairment helped offset the impact of newly impaired loans. Most new impairments were for customers accessing loan amendments due to financial difficulty and loan balances past due. In December 2022, we had more customers access loan amendments due to financial difficulty and a larger balance of loans past due, leading to a higher allowance for credit losses and provision on impaired loans.

The increased provision on performing loans was the result of new lending activity and the movement of previously impaired loans into performing status. In December 2022, the provision from new lending was offset by improved economic conditions and strong commodity prices, which led to a decreased allowance and provision for credit losses.

Nine months ended December 31

The provision for impaired loans decreased as the movement of existing loans out of impairment helped offset the impact of newly impaired loans. The net impact was a smaller change in the allowance for credit losses and a lower provision on impaired loans compared to December 2022.

The increased provision for performing loans was the result of new lending activity and movement of previously impaired loans into performing status, partially offset by updates to inputs in the calculation of our allowance for credit losses, which led to a lower allowance provision for credit losses. In December 2022, increased allowance for credit losses from new lending activity and annual updates to inputs used in the calculation of our allowance for credit losses was offset by improved economic conditions and strong commodity prices.

Financial position

($ millions)	December 31, 2023	March 31, 2023	Variance
Cash and cash equivalents	**1,446**	1,782	(336)
Loans receivable – net	**50,613**	47,716	2,897
Other	**1,322**	969	353
Total assets	**53,381**	50,467	2,914
Borrowings	**44,231**	41,369	2,862
Other	**509**	519	(10)
Total liabilities	**44,740**	41,888	2,852
Equity	**8,641**	8,579	62

Cash and cash equivalents

($ millions)	Three months ended December 31 2023	2022	Variance	Nine months ended December 31 2023	2022	Variance
Cash used in operating activities	**(429)**	(229)	(200)	**(2,345)**	(2,760)	415
Cash provided by (used in) investing activities	**15**	(71)	86	**(365)**	(49)	(316)
Cash provided by financing activities	**509**	242	267	**2,375**	3,062	(687)
Change in cash and cash equivalents	**95**	(58)	153	**(335)**	253	(588)

Three months ended December 31

Cash used in operating activities increased, due to a larger balance of loans receivable. Higher operational costs drove increased lending amounts to support operations. In December 2022, stronger economic conditions allowed customers to pay off loan balances as the interest rates started to increase.

Cash was provided by investing activities due to the net effect of cash received from maturities of short-term investments offset somewhat by cash used to purchase investments. In December 2022, cash was used in investing activities as the cash used in the purchases of short-term investments was greater than cash received from maturities. Cash provided by or used in investing activities will change as we manage liquidity requirements.

Cash provided by financing activities increased, due to additional borrowings secured to help manage liquidity requirements of our loan portfolio.

Nine months ended December 31

Cash used in operating activities decreased primarily due to lower disbursements, largely due to slower customer demand in a higher interest rate environment. In December 2022, cash was received through the sale of our lease portfolio.

Cash used in investing activities increased, as we purchased more short-term investments as less cash was needed to fund disbursements.

Cash provided by financing activities decreased due to reduced borrowings required given lower disbursements. For the period ended December 2022, a higher dividend payment was made to the Government of Canada.

Loans receivable and borrowings

Our loans receivable balance increased and borrowings have increased to fund the growth in loans receivable. For additional details, refer to the loans receivable and borrowings section above.

Other assets

The $353 million increase in other assets was primarily due to an increase in short-term investments.

Equity

A contributed capital payment of $500 million was received from the Government of Canada on March 30, 2020, as part of the COVID-19 pandemic response targeting the Canadian agriculture and food sectors. This contributed capital was returned to the Government of Canada in two equal payments of $250 million on June 27, 2022, and June 27, 2023.

On June 27, 2023, a dividend payment of $210 million was made to the Government of Canada.

Performance against plan

Key financial measures	2024 Plan[2]	2024 Actual[3]
Net income	$714M	$524M
Return on equity[1]	7.9%	8.1%
Efficiency ratio[1]	45.1%	42.8%
Total capital ratio[1]	15.3%	17.3%

[1] These measures may not have a standardized meaning under generally accepted accounting principles (GAAP) and may not be comparable to similar measures disclosed in industry. For further details, refer to the non-GAAP measures section of the annual audited financial statements for the year ended March 31, 2023.

[2] Plan values are based on projected performance for the 12 month period ended March 31, 2024.

[3] Actual values are based on performance for the nine months ended December 31, 2023.

We anticipate ending the year behind on our key financial measures as outlined in the Corporate Plan Summary for 2024 to 2028, except for the total capital ratio. Performance is primarily impacted by the prolonged higher interest rate and inflationary environment as compared to what was predicted in our Plan. The higher interest rates and inflation impacted labour and Input costs and led customers to delay non-essential spending and projects to manage their risks, cash flows and returns. Lower than Plan farm cash receipts driven by lower commodity prices and production levels also contributed. These operating environment factors are leading to lower than Plan portfolio growth and lower net interest margin and income. The lower income is also likely to contribute to a higher than Plan efficiency ratio despite lower administration expenses.

Our total capital ratio is expected to end the year higher due to the implementation of the BASEL III reforms which included increased recognition of security levels when assessing risk-weighting. This will result in a decrease in our risk-weighted assets. Our portfolio is generally well secured, which will increase our total capital ratio relative to Plan. We continue to monitor and evaluate the performance of other metrics, including credit quality.

Statement of management responsibility

Management is responsible for the preparation and fair presentation of these condensed consolidated quarterly financial statements in accordance with the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports, and for such internal controls as management determines are necessary to enable the preparation of condensed consolidated quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the condensed consolidated quarterly financial statements.

Based on our knowledge, these unaudited condensed consolidated quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the condensed consolidated quarterly financial statements.

Justine Hendricks, MBA President and Chief Executive Officer	Corinna Mitchell-Beaudin, CPA, CA, CFA Executive Vice-President and Chief Financial Officer

Regina, Canada
February 22, 2024

Consolidated Balance Sheet

(Unaudited) (millions of Canadian dollars)	As at December 31, 2023	As at March 31, 2023[1]
Assets		
Cash and cash equivalents	**1,446**	1,782
Short-term investments	**551**	222
Accounts receivable and prepaid expenses	**33**	39
Loans receivable		
Loans receivable – total (Note 3)	**50,788**	47,881
Allowance for credit losses (Note 4)	**(175)**	(165)
Loans receivable – net	**50,613**	47,716
Other loans receivable – net	**27**	26
Investments at fair value	**149**	131
Investment in associates	**65**	62
Post-employment benefit assets	**301**	292
Property and equipment	**182**	182
Intangible assets	**9**	10
Other assets	**5**	5
Total assets	**53,381**	50,467
Liabilities		
Accounts payable and accrued liabilities	**81**	92
Borrowings		
Short-term debt (Note 5)	**8,492**	7,697
Long-term debt (Note 5)	**35,739**	33,672
Total borrowings	**44,231**	41,369
Transition loan liabilities	**172**	180
Post-employment benefit liabilities	**89**	84
Lease liabilities	**163**	160
Other liabilities	**4**	5
Total liabilities	**44,740**	41,890
Equity		
Contributed capital	**–**	250
Retained earnings	**8,641**	8,327
Total equity	**8,641**	8,577
Total liabilities and equity	**53,381**	50,467

[1] Presentation of comparative figures has been updated to conform to the current presentation in millions of Canadian dollars. See Note 2.

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

Consolidated Statement of Income

(Unaudited) (millions of Canadian dollars)	For the three months ended **December 31, 2023**	 December 31, 2022[1]	For the nine months ended **December 31, 2023**	 December 31, 2022[1]
Interest income	**723**	610	**2,079**	1,594
Interest expense	**(377)**	(269)	**(1,059)**	(567)
Net interest income	**346**	341	**1,020**	1,027
Insurance distribution income	**6**	3	**15**	12
Net loss from investment in associates	**(5)**	(4)	**(10)**	(7)
Net gain (loss) from financial instruments designated as fair value through profit or loss	**–**	13	**(3)**	14
Other expenses	**–**	(1)	**(3)**	–
Non-interest income	**1**	11	**(1)**	19
Total revenue	**347**	352	**1,019**	1,046
Provision for credit losses	**(27)**	(47)	**(54)**	(87)
Administration expenses	**(149)**	(137)	**(441)**	(392)
Net income	**171**	168	**524**	567

[1] Presentation of comparative figures has been updated to conform to the current presentation in millions of Canadian dollars. See Note 2.

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

Consolidated Statement of Changes in Equity

For the three months ended December 31

(Unaudited) (millions of Canadian dollars)	**Balance Sept. 30, 2023**	**Net income**	**Dividend paid**	**Balance December 31, 2023**
Retained earnings	**8,470**	**171**	**–**	**8,641**
Total	**8,470**	**171**	**–**	**8,641**

(Unaudited) (millions of Canadian dollars)	Balance Sept. 30, 2022[1]	Net income	Dividend paid	Balance December 31, 2022[1]
Contributed capital	250	–	–	250
Retained earnings	8,004	168	–	8,172
Total	8,254	168	–	8,422

For the nine months ended December 31

(Unaudited) (millions of Canadian dollars)	**Balance March 31, 2023[1]**	**Net income**	**Dividend paid**	**Balance December 31, 2023**
Contributed capital	**250**	**–**	**(250)**	**–**
Retained earnings	**8,327**	**524**	**(210)**	**8,641**
Total	**8,577**	**524**	**(460)**	**8,641**

(Unaudited) (millions of Canadian dollars)	Balance March 31, 2022[1]	Net income	Dividend paid	Balance December 31, 2022[1]
Contributed capital	500	–	(250)	250
Retained earnings	8,076	567	(471)	8,172
Total	8,576	567	(721)	8,422

[1] Presentation of comparative figures has been updated to conform to the current presentation in millions of Canadian dollars. See Note 2.

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

Consolidated Statement of Cash Flows

(Unaudited) (millions of Canadian dollars)	For the three months ended December 31, 2023	December 31, 2022[1]	For the nine months ended December 31, 2023	December 31, 2022[1]
Operating activities				
Net income	**171**	168	**524**	567
Adjustments to determine net cash (used in) provided by operating activities:				
Interest income[2]	**(723)**	(610)	**(2,079)**	(1,594)
Interest expense[2]	**377**	269	**1,059**	567
Provision for credit losses	**27**	47	**54**	87
Net unrealized (gain) loss from financial instruments designated as fair value through profit or loss[2]	**–**	(13)	**6**	(14)
Net loss from investment in associates	**5**	4	**10**	7
Amortization and depreciation	**8**	8	**23**	24
Miscellaneous expenses (income)	**13**	(6)	**10**	(56)
Impairment loss on assets held for sale	**–**	–	**–**	2
Proceeds from sale of lease portfolio	**–**	–	**–**	172
Net cash outflow from loans receivable	**(733)**	(534)	**(2,935)**	(3,563)
Net cash (outflow) inflow from finance leases receivable	**–**	(1)	**–**	7
Net change in other operating assets and liabilities	**6**	19	**(19)**	(2)
Interest received	**820**	671	**2,037**	1,513
Interest paid	**(400)**	(251)	**(1,035)**	(477)
Cash used in operating activities	**(429)**	(229)	**(2,345)**	(2,760)
Investing activities				
Purchase of short-term investments	**(239)**	(172)	**(1,089)**	(573)
Proceeds from maturity of short-term investments	**268**	111	**767**	566
Disbursements of other loans receivable	**–**	–	**–**	(1)
Repayments from other loans receivable	**1**	4	**1**	15
Acquisition of investments at fair value	**(7)**	(2)	**(27)**	(32)
Proceeds from sale and repayments of investments at fair value	**–**	–	**4**	–
Disbursements paid to investment in associates	**(4)**	(10)	**(13)**	(17)
Repayments from investment in associates	**–**	2	**–**	2
Purchase of property and equipment	**(2)**	(2)	**(5)**	(8)
Proceeds on disposal of property and equipment	**–**	–	**–**	5
Purchase of intangible assets	**(2)**	(2)	**(3)**	(6)
Cash provided by (used in) investing activities	**15**	(71)	**(365)**	(49)
Financing activities				
Long-term debt issued	**2,275**	2,214	**7,812**	8,782
Long-term debt repaid	**(1,508)**	(1,859)	**(4,252)**	(4,737)
Short-term debt issued	**3,505**	3,110	**10,390**	9,351
Short-term debt repaid	**(3,760)**	(3,219)	**(11,104)**	(9,602)
Principal repayment of lease liabilities	**(3)**	(4)	**(11)**	(11)
Dividend paid	**–**	–	**(460)**	(721)
Cash provided by financing activities	**509**	242	**2,375**	3,062
Change in cash and cash equivalents	**95**	(58)	**(335)**	253
Cash and cash equivalents, beginning of period	**1,354**	1,754	**1,782**	1,439
Effects of exchange rate changes on the balances of cash held and due in foreign currencies	**(3)**	(1)	**(1)**	3
Cash and cash equivalents, end of period	**1,446**	1,695	**1,446**	1,695
Cash and cash equivalents consists of:				
Cash	**1,355**	1,233	**1,355**	1,233
Short-term investments	**91**	462	**91**	462

[1] Presentation of comparative figures has been updated to conform to the current presentation in millions of Canadian dollars. See Note 2.

[2] Comparative figures have been reclassified. See Note 4 in the March 31, 2023, annual report.

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

Notes to the Condensed Consolidated Quarterly Financial Statements (Unaudited)

1. Significant accounting policies

Basis of presentation

These unaudited condensed consolidated quarterly financial statements (quarterly financial statements) comply with the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports.

These quarterly financial statements do not include all the information required for complete annual financial statements and should be read in conjunction with the annual audited financial statements for the year ended March 31, 2023.

Unless otherwise stated, the financial statements are presented in millions of Canadian dollars, which is the functional currency of Farm Credit Canada (FCC). Certain comparative figures have been omitted to align with the current year's presentation in millions of Canadian dollars (March 31, 2023 – thousands of Canadian dollars).

These quarterly financial statements are as at and for the three and nine months ended December 31, 2023, and were approved and authorized for issue by the Audit Committee of the Board of Directors on February 22, 2024.

Accounting policies

The accounting policies adopted in the preparation of these quarterly financial statements are consistent with those followed in the annual audited financial statements for the year ended March 31, 2023.

Material management judgments and estimates

The preparation of the quarterly financial statements requires that management makes judgments, estimates and assumptions concerning the future that affect the reported amounts in the quarterly 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.

For information about the judgments, estimates and assumptions that have the most material effect on the amounts reported in the quarterly financial statements, refer to the respective notes of the annual audited financial statements for the year ended March 31, 2023.

2. Presentation of comparative figures

We previously presented FCC's financial statements in thousands of dollars. We have elected to change our presentation to millions of dollars.

3. Loans receivable – net

	Term to maturity			
	Within 1 year	**1 – 5 years**	**Over 5 years**	**As at December 31, 2023**
Floating	**4,391**	**10,121**	**294**	**14,806**
Fixed	**4,299**	**22,736**	**8,982**	**36,017**
Loans receivable – gross	**8,690**	**32,857**	**9,276**	**50,823**
Deferred loan fees				**(35)**
Loans receivable – total				**50,788**
Allowance for credit losses (Note 4)				**(175)**
Loans receivable – net				**50,613**

	Term to maturity			
	Within 1 year	1 – 5 years	Over 5 years	As at March 31, 2023
Floating	3,667	9,606	245	13,518
Fixed	3,205	21,060	10,137	34,402
Loans receivable – gross	6,872	30,666	10,382	47,920
Deferred loan fees				(39)
Loans receivable – total				47,881
Allowance for credit losses (Note 4)				(165)
Loans receivable – net				47,716

Concentrations of credit risk

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

Sector distribution

	As at December 31, 2023		As at March 31, 2023	
	Gross	**Impaired**	Gross	Impaired
Oilseed and grain	**16,060**	**182**	15,317	209
Dairy	**7,401**	**26**	7,238	37
Agribusiness	**5,962**	**109**	6,117	62
Beef	**4,237**	**79**	3,900	120
Other	**3,371**	**79**	3,225	89
Poultry	**3,355**	**22**	3,244	10
Alliances	**2,587**	**16**	1,765	17
Agri-food	**2,528**	**119**	2,132	154
Greenhouse	**2,190**	**79**	1,987	19
Hogs	**1,653**	**12**	1,568	57
Fruit	**1,479**	**60**	1,427	40
Total	**50,823**	**783**	47,920	814

Geographic distribution

	As at December 31, 2023		As at March 31, 2023	
	Gross	**Impaired**	Gross	Impaired
Ontario	**15,323**	**126**	14,326	92
Saskatchewan	**9,419**	**128**	8,720	144
Alberta	**9,196**	**128**	8,538	182
Quebec	**7,127**	**168**	6,854	158
British Columbia	**4,327**	**125**	4,244	102
Manitoba	**3,828**	**66**	3,763	61
Atlantic	**1,603**	**42**	1,475	75
Total	**50,823**	**783**	47,920	814

4. Allowance for credit losses – loans receivable

As at December 31, 2023	Stage 1	Stage 2	Stage 3	Total
Allowance for credit losses, beginning of year	**45**	**29**	**91**	**165**
Transfer to stage 1	**10**	**(6)**	**(4)**	**–**
Transfer to stage 2	**(4)**	**61**	**(57)**	**–**
Transfer to stage 3	**(1)**	**(9)**	**10**	**–**
Changes due to new loans originated	**23**	**4**	**13**	**40**
Loans receivable derecognized during the period	**(9)**	**(2)**	**(10)**	**(21)**
Net remeasurement of loss allowance	**(11)**	**(38)**	**91**	**42**
Write-offs	**–**	**(2)**	**(50)**	**(52)**
Recoveries of amounts previously written off	**–**	**–**	**1**	**1**
Total allowance	**53**	**37**	**85**	**175**

As at March 31, 2023	Stage 1	Stage 2	Stage 3	Total
Allowance for credit losses, beginning of year	45	31	34	110
Transfer to stage 1	20	(16)	(4)	–
Transfer to stage 2	(6)	51	(45)	–
Transfer to stage 3	(5)	(12)	17	–
Changes due to new loans originated	36	4	6	46
Loans receivable derecognized during the period	(17)	(4)	(12)	(33)
Net remeasurement of loss allowance	(28)	(24)	148	96
Write-offs	–	(1)	(54)	(55)
Recoveries of amounts previously written off	–	–	1	1
Total allowance	45	29	91	165

5. Borrowings

Short-term debt

	As at December 31, 2023	As at March 31, 2023
Government of Canada debt		
Floating-rate borrowings	**307**	325
Fixed-rate borrowings	**7,289**	6,425
	7,596	6,750
Capital markets debt		
USD fixed-rate promissory notes[1]	**896**	947
Total	**8,492**	7,697

[1] $675 million USD (March 31, 2023 – $699 million USD)

Long-term debt

	As at December 31, 2023	As at March 31, 2023
Government of Canada debt		
Floating-rate borrowings	**14,578**	13,659
Fixed-rate borrowings	**21,161**	20,013
Total	**35,739**	33,672