DREAM. GROW. THRIVE.

First Quarter Financial Report 2024-25

As at and for the three months ended June 30, 2024

FARM CREDIT CANADA

Table of Contents

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 August 20, 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 months ended June 30, 2024, and should be read in conjunction with the 2024 Annual Report (which includes the 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, extreme weather conditions, 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 103,000 customers. FCC has more than 2,500 employees operating from 104 field offices located primarily in rural Canada and the corporate office in Regina, Saskatchewan.

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

Economic and agriculture industry overview[1]

The Canadian agriculture and agri-food sectors are facing challenges in 2024. Higher borrowing costs have slowed global economic growth, putting downward pressure on most agricultural commodity prices. After reaching a new record and rising 4.4% in 2023, farm cash receipts are expected to decline 2.2% in 2024.

High demand and low availability strengthened farmland values growth by 9.4% in 2023. However, land value appreciation is projected to slow to 5.5% in 2024, due to higher interest rates and lower farm cash receipts.

Extreme weather events will continue to impact customers in different ways. Evolving weather patterns bring both challenges and opportunities to the industry FCC serves. The agriculture and agri-food industry has a track record of innovation and adoption of new approaches, which positions the industry well to address the challenges, mitigate impacts and seize new opportunities through investing in and embracing new technologies and practices.

Despite Russia's war against Ukraine and the ongoing conflict in Gaza and the Red Sea, markets are not currently incorporating war-related price premiums. Grain continues to be exported from the Black Sea despite Russia's exit from the UN Black Sea grain export agreement. However, global shipping companies are avoiding the Red Sea, sailing instead around Africa. The detour adds additional weeks in transit reducing global shipping capacity which increases ocean freight rates. Escalation of the Red Sea conflict could also impact oil and fertilizer prices, particularly nitrogen, which would lead to higher prices.

India has made several reversals regarding import restrictions on lentils and peas as food inflation remains rampant and domestic supplies are tight. As a result, India has removed all import duties on lentils until March 2025. India also suspended all import restrictions on yellow peas until October 31, 2024. That's positive for Canadian exporters, although uncertainties remain about trade policy in the aftermath of India's elections.

Labour unrest could potentially lead to infrastructure distribution disruption, and there are incidents of employees from agriculture processing plants going on strike. Depending on timing, location and other factors, these disruptions will impact sectors in the agriculture and agri-food industry differently.

Canada is set to experience a second consecutive year of weak economic expansion, with 2024 gross domestic product (GDP) growth of just 1.2% expected by the Bank of Canada. High interest rates, a softening labour market and loss of household purchasing power are contributing to a moderation in consumer spending, which accounts for approximately 60% of GDP. Additionally, business investment is being restrained by low sentiment and rising bankruptcies. The Bank of Canada is accordingly loosening monetary policy, albeit proceeding with caution due to continued inflation pressures. The overnight rate, which was lowered to 4.50% in July, will continue to fall, but not as quickly as during the 2020 pandemic rate cycle cuts. High interest rates, inflation and high input costs continue to result in compressed margins for all agriculture, agribusiness, and agri-food sectors.

There are two emerging risks that could significantly impact the agriculture sector that FCC is monitoring. First, Canadian rail giants Canadian Pacific Kansas City and Canadian National appear headed towards a labour lockdown and rail shutdown. The timing of the strike is not only worrying for the agriculture sector as harvest is beginning and access to timely marketing for producers is crucial, but the agri-food sector as well given the reliance on rail transportation. A strike could also impact Canada's reputation as a reliable trading partner. Secondly, after an unfavourable report by the United Nations about Canada's Temporary Foreign Workers Program, the program is potentially facing a reform. The agriculture and agri-food sectors have increasingly relied on this program to fill labour needs, and the possible reform could significantly affect profitability.

Primary production

Total Canadian crop production in 2023 was below average largely due to the drought in western Canada. Although total farm cash receipts for field crops were up 3.9% in 2023, reduced grain, oilseed, and pulse production along with lower commodity prices could weigh on crop receipts for 2024, which are projected to decrease 14.8%. Western Canada margins in 2024 are projected to remain tight as commodity prices fall. Early summer rains have improved moisture levels in the west, with some regions seeing potential above average yields which could offset lower prices, therefore boosting profitability. Margins in eastern Canada are also projected to decrease in 2024 and profitability will be determined by specific producer land costs.

Dairy margins in 2024 are trending better than the last four years with higher than usual market demand. Feed is more affordable in the east and spring moisture in the west has resulted in better crop production. Producer bottom lines are also seeing a boost from strong culled cow and calf prices. The previously announced support price increase for butter came into effect on May 1, 2024, boosting prices producers receive by 1.8%.

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 low. It will take multiple years of good weather and high prices to see any rebuilding of the herd. Margins for cow-calf are projected to remain robust in 2024, surpassing the five-year average, supported by strong feeder

[1] References within Economic and agriculture industry overview refer to calendar year.

cattle futures. Although drought conditions were a major concern, spring rains have increased optimism for pasture and hay conditions for the remainder of the grazing and forage season.

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.

Despite a challenging growing season across Canada, potato farmers produced a record crop in 2023. 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 in Prince Edward Island remain in effect. Potato supplies across North America remain plentiful which has resulted in softer contract prices and contracted volume for the 2024 growing season, resulting in an expected slight decline in margins.

Greenhouse vegetable and fresh fruit cash receipts are forecast to increase 8.4% and 3.6%, respectively in 2024, but profitability is expected to continue to be tight 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. Canadian hog margins in 2024 are anticipated to be below breakeven due to soft global demand and a global oversupply of hogs. However, an expected decrease in barley and corn prices should mitigate feed costs, enhancing profitability.

The fruit sector has had several challenging years including the early winter months of 2024. Cold stretches during the winter resulted in a large portion of British Columbia's fruit and wine sectors being impacted, resulting in the loss of much of the fruit crops.

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. Manufacturers have started to adjust production levels in response to reduced demand. Reduced production from the drought stricken 2023 crop in western Canada will impact grain handling volumes in 2024, but overall supplies will support grain handling profitability as current projections indicate 2024 production levels will be above average.

Fertilizer prices have declined from their 2022 highs but remained elevated for the planting of the 2024 crop. Fertilizer prices are projected to ease into the autumn fertilizer season posing risk for retailers with unsold inventory.

Canadian food and beverage manufacturers had a lean year in 2023 as input costs pressured margins, but the overall outlook for 2024 is more positive. Stabilizing, and in some cases falling input costs, are providing optimism for margin improvement.

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

As a financial institution, risk is inherent in FCC's activities and potential risks are taken into account when lending to customers, delivering services, identifying priorities, and developing business strategies and initiatives. FCC's four major categories of risk are strategic, financial, operational and reputation. Each category has distinct risks that are assessed for likelihood and impact using various tools.

FCC's Enterprise Risk Management framework provides the governance structure for management of these risks as well as the process to identify, assess and measure, control and mitigate, and monitor and report on risk. Enterprise risk management practices are continually improved, and activities are measured against a formal risk appetite and tolerance statement that defines and measures acceptable risk.

The Enterprise Risk Management framework as outlined in the annual audited consolidated financial statements for the year ended March 31, 2024 continues to be followed.

FCC remains financially stable and is well positioned to respond to the needs of the sector.

Financial performance

The discussion of net income is a comparison of the results for the three months ended June 30, 2024, to the results for the three months ended June 30, 2023.

Net income

	Three months ended June 30		
($ millions)	**2024**	2023	Variance
Net interest income	**349**	332	17
Provision for credit losses	**(25)**	–	(25)
Non-interest income (expense)	**10**	(2)	12
Administration expenses	**(158)**	(147)	(11)
Net income	**176**	183	(7)

Three months ended June 30

Net income decreased by $7 million, a 4% reduction compared to the same period in 2023. Higher lending volumes contributed to an increase in net interest income despite continued compression on margins. The largest impact was an increased provision for credit losses on impaired loans. More customers accessed loan amendments due to financial difficulty and more loan balances were past due than in June 2023. Non-interest income increased from net unrealized gains on venture capital investments in June 2024 compared to unrealized losses in June 2023. Higher administration expenses were led by higher salaries and benefits from additional positions to support business growth and the implementation of strategic initiatives.

Net interest income, loans receivable and borrowings

Net interest income

($ millions)	**Three months ended June 30, 2024**
Year-over-year increase in net interest income due to:	
Increase in volume	**25**
Decrease in net interest margin	**(8)**
Total increase in net interest income	**17**

Three months ended June 30

Interest-earning assets grew resulting in a $25 million increase in volume. The growth was driven by customers securing additional financing for their businesses, spurred by higher farm cash receipts, increased exports and an improving interest rate outlook. The increase in volume was evenly distributed in fixed rate lending and variable rate revolving products, with increased presence in agribusiness and agri-food in western Canada and the Prairies. This increase was partially offset by an $8 million decrease in net interest margin resulting from pricing pressure.

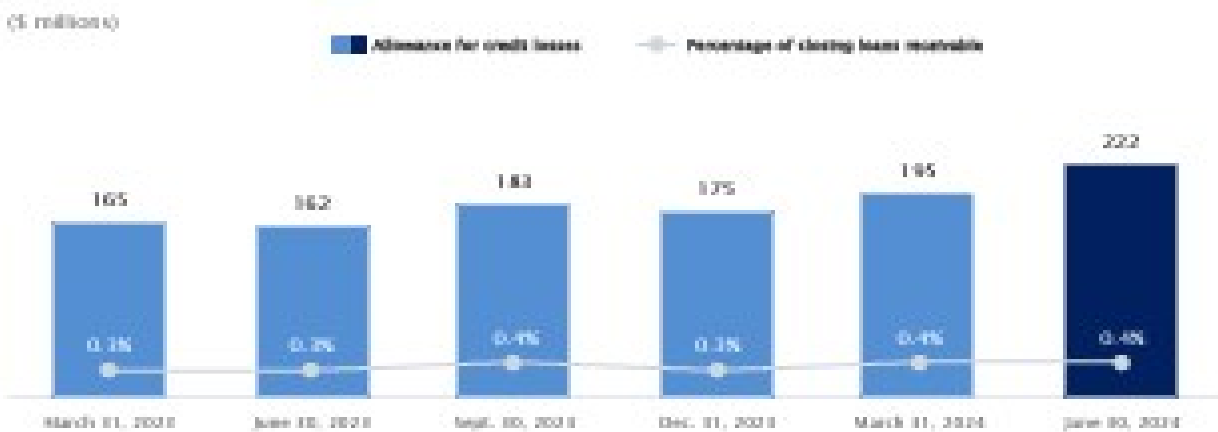
Loans receivable and borrowings

Loans receivable increased 3.4% since March 31, 2024. Alliance lending had the largest dollar increase and growth rate driven by crop input demand and continued elevated prices for the planting of the 2024 crop. Increases occurred across most industry sectors and geographic regions except for hogs which saw a decrease compared to March 31, 2024. The hog industry has faced profitability challenges including slaughter capacity issues and tight margins, leading to delayed investment.

Borrowings increased 5.4% since March 31, 2024. Long-term borrowings provided most of the increase.

Provision for credit losses and credit quality

Allowance for credit losses



Allowance for credit losses increased $27 million since March 31, 2024. The increase was from new lending and more impaired loans, mostly in the hogs and greenhouse sectors of our portfolio. These increases were partially offset by a decrease in allowance for credit losses on performing loans, driven by annual updates to inputs in our calculation of allowance for credit losses.

(Provision for) reversal of credit losses

($ millions)	Three months ended June 30 2024	2023	Variance
Impaired loans (Stage 3)	**(32)**	(4)	(28)
Performing loans (Stages 1 & 2)	**7**	4	3
Total provision for credit losses	**(25)**	–	(25)

Three months ended June 30

The increase in the provision for impaired loans was driven by customers accessing loan amendments due to financial difficulty and loan balances past due.

Annual updates based on recent loss experience and forward-looking views contributed to a decrease in allowance and reversal of credit losses in performing loans, which was partially offset by new lending activity. In 2023, the net impact of these factors led to a smaller decrease in allowance and reversal of credit losses on performing loans.

Financial position

($ millions)	June 30, 2024	March 31, 2024	Variance
Cash and cash equivalents	**1,604**	1,559	45
Loans receivable – net	**52,506**	50,800	1,706
Other	**1,232**	1,162	70
Total assets	**55,342**	53,521	1,821
Borrowings	**46,627**	44,246	2,381
Other	**493**	539	(46)
Total liabilities	**47,120**	44,785	2,335
Equity	**8,222**	8,736	(514)

The 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. The $70 million increase in other assets was primarily due to an increase in short-term investments. The decrease in equity was primarily related to a $830 million dividend payment made to the Government of Canada on June 25, 2024.

Performance against plan

Key financial measures	2024–25 Plan[1]	2024–25 Actual[2]
Net income	$735M	$178M
Loans receivable growth rate (%)	5.1%	6.2%
Return on equity[3]	8.4%	8.2%
Efficiency ratio[3]	47.5%	44.6%
Total capital ratio[3]	16.6%	15.9%
Administration expenses	$709M	$159M

[1] Plan values are based on the 2025-29 Corporate Plan projected for the year ended March 31, 2025.

[2] Actual values are based on performance for the three months ended June 30, 2024.

[3] 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, 2024.

Key financial measures are currently expected to end the year at or slightly below those outlined in the Corporate Plan Summary, except for loans receivable growth and total capital ratio. Although the higher than Plan loans receivable growth is contributing to additional net interest income, the increase is offset by continued compression in margins. The prolonged higher interest rate environment as compared to Plan continues to influence customer behaviour in terms of product selection, investment decisions and payments to manage cashflows. In addition, the increased pricing pressure seen so far this year is expected to continue. This is having an impact on net interest income, which is causing lower net income, return on equity, and a higher efficiency ratio, despite lower than plan administration expenses.

Loans receivable growth is expected to end the year higher than Plan due to slower prepayments in primary production and in agribusiness and agri-food as customers manage their cashflow requirements. Customer cashflow is being pressured through increasing input costs, decreasing cash receipts, and a slower than plan decrease in interest rates.

The total capital ratio is projected to be on track with Plan as capital is regenerated throughout the year following the June dividend payment.

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, Finance

Regina, Canada
August 20, 2024

Consolidated Balance Sheet

(Unaudited) (millions of Canadian dollars)	As at June 30, 2024	As at March 31, 2024
Assets		
Cash and cash equivalents	**1,604**	1,559
Short-term investments	**517**	446
Accounts receivable and prepaid expenses	**34**	34
Loans receivable		
Loans receivable – total (Note 2)	**52,728**	50,995
Allowance for credit losses (Note 3)	**(222)**	(195)
Loans receivable – net	**52,506**	50,800
Other loans receivable – net	**8**	21
Investments	**239**	235
Right-of-use assets	**151**	154
Property and equipment	**33**	34
Intangible assets	**8**	9
Post-employment benefit assets	**248**	345
Other assets	**4**	4
Total assets	**55,342**	53,531
Liabilities		
Accounts payable and accrued liabilities	**69**	105
Borrowings		
Short-term debt (Note 4)	**9,351**	8,314
Long-term debt (Note 4)	**37,276**	35,932
Total borrowings	**46,627**	44,246
Transition loan liabilities	**177**	177
Lease liabilities	**155**	158
Post-employment benefit liabilities	**94**	91
Other liabilities	**7**	9
Total liabilities	**47,120**	44,795
Equity		
Retained earnings	**8,222**	8,736
Total equity	**8,222**	8,736
Total liabilities and equity	**55,342**	53,531

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

Consolidated Statement of Income

	For the three months ended	
(Unaudited)	**June 30,**	June 30,
(millions of Canadian dollars)	**2024**	2023
Interest income	**746**	652
Interest expense	**(397)**	(320)
Net interest income	**349**	332
Insurance distribution income	**5**	5
Net gain (loss) from financial instruments carried at fair value[1]	**5**	(5)
Other expenses	**–**	(2)
Non-interest income (expense)	**10**	(2)
Total revenue	**359**	330
Provision for credit losses	**(25)**	–
Administration expenses	**(158)**	(147)
Net income	**176**	183

[1] Comparative figures have been reclassified. See Note 4 in the March 31, 2024 annual report.

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 June 30

(Unaudited) (millions of Canadian dollars)	Balance March 31, 2024	Net income	Dividend paid	Balance June 30, 2024
Contributed capital	–	–	–	–
Retained earnings	8,736	176	(690)	8,222
Total equity	8,736	176	(690)	8,222

(Unaudited) (millions of Canadian dollars)	Balance March 31, 2023	Net income	Dividend paid	Balance June 30, 2023
Contributed capital	250	–	(250)	–
Retained earnings	8,327	183	(210)	8,300
Total equity	8,577	183	(460)	8,300

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 June 30, 2024	 June 30, 2023
Operating activities		
Net income	**176**	183
Adjustments to determine net cash (used in) provided by operating activities:		
Interest income	**(746)**	(652)
Interest expense	**397**	330
Provision for credit losses	**25**	–
Net unrealized (gain) loss from financial instruments carried at fair value[1]	**(5)**	9
Depreciation of right-of-use assets[1]	**4**	3
Depreciation of property and equipment[1]	**2**	4
Amortization of intangible assets[1]	**1**	1
Miscellaneous (income) expenses	**(15)**	19
Net cash outflow from loans receivable	**(1,756)**	(1,765)
Net change in other operating assets and liabilities	**(46)**	3
Interest received	**780**	680
Interest paid	**(407)**	(322)
Cash used in operating activities	**(1,590)**	(1,528)
Investing activities		
Purchase of short-term investments	**(258)**	(592)
Proceeds from maturity of short-term investments	**187**	332
Repayments from other loans receivable	**13**	–
Acquisition of investments[1]	**(8)**	(10)
Proceeds from sale and repayment of investments[1]	**1**	3
Purchase of property and equipment	**(1)**	(2)
Cash used in investing activities	**(67)**	(269)
Financing activities		
Long-term debt issued	**3,752**	3,736
Long-term debt repaid	**(1,485)**	(1,603)
Short-term debt issued	**3,237**	3,422
Short-term debt repaid	**(3,091)**	(3,561)
Principal repayment of lease liabilities	**(4)**	(4)
Dividend paid	**(690)**	(460)
Cash provided by financing activities	**1,699**	1,530
Change in cash and cash equivalents	**42**	(267)
Cash and cash equivalents, beginning of period	**1,559**	1,782
Effects of exchange rate changes on the balances of cash held and due in foreign currencies	**3**	(1)
Cash and cash equivalents, end of period	**1,604**	1,514
Cash and cash equivalents consists of:		
Cash	**1,297**	972
Short-term investments	**307**	542

[1] Comparative figures have been reclassified. See Note 4 in the March 31, 2024 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, 2024.

Unless otherwise stated, the financial statements are presented in millions of Canadian dollars, which is the functional currency of Farm Credit Canada (FCC).

These quarterly financial statements are as at and for the three months ended June 30, 2024, and were approved and authorized for issue by the Audit Committee of the Board of Directors on August 20, 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, 2024.

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, 2024.

2. Loans receivable – net

	Term to maturity			
	Within 1 year	**1 – 5 years**	**Over 5 years**	**As at June 30, 2024**
Floating	**4,669**	**10,223**	**280**	**15,172**
Fixed	**5,903**	**23,588**	**8,102**	**37,593**
Loans receivable – gross	**10,572**	**33,811**	**8,382**	**52,765**
Deferred loan fees				**(37)**
Loans receivable – total				**52,728**
Allowance for credit losses (Note 3)				**(222)**
Loans receivable – net				**52,506**

	Term to maturity			
	Within 1 year	1 – 5 years	Over 5 years	As at March 31, 2024
Floating	4,099	9,913	284	14,296
Fixed	5,066	22,960	8,709	36,735
Loans receivable – gross	9,165	32,873	8,993	51,031
Deferred loan fees				(35)
Loans receivable – total				50,996
Allowance for credit losses (Note 3)				(196)
Loans receivable – net				50,800

Concentrations of credit risk

Sector distribution

	As at June 30, 2024		As at March 31, 2024	
	Gross	**Impaired**	Gross	Impaired
Oilseed and grain	**16,829**	**158**	16,371	151
Dairy	**7,411**	**84**	7,369	90
Agribusiness	**6,394**	**166**	6,311	153
Beef	**4,442**	**110**	4,319	103
Poultry	**3,453**	**42**	3,341	45
Other	**3,447**	**58**	3,296	69
Agri-food	**2,757**	**174**	2,620	169
Alliances	**2,463**	**40**	1,784	14
Greenhouse	**2,389**	**192**	2,373	89
Hogs	**1,644**	**151**	1,659	27
Fruit	**1,536**	**56**	1,439	89
Total	**52,765**	**1,231**	51,031	997

Geographic distribution

	As at June 30, 2024		As at March 31, 2024	
	Gross	**Impaired**	Gross	Impaired
Ontario	**16,667**	**237**	15,601	149
Saskatchewan	**9,634**	**141**	9,179	127
Alberta	**9,466**	**211**	9,176	196
Quebec	**7,429**	**233**	7,382	217
British Columbia	**4,520**	**285**	4,433	194
Manitoba	**3,083**	**72**	3,781	55
Atlantic	**1,626**	**52**	1,596	59
Total	**52,765**	**1,231**	51,031	997

3. Allowance for credit losses – loans receivable

As at June 30, 2024	Stage 1	Stage 2	Stage 3	Total
Allowance for credit losses, beginning of year	**34**	**72**	**89**	**195**
Transfer to stage 1	**4**	**(3)**	**(1)**	**–**
Transfer to stage 2	**(2)**	**14**	**(12)**	**–**
Transfer to stage 3	**–**	**(10)**	**10**	**–**
Changes due to new loans originated	**12**	**2**	**1**	**15**
Loans receivable derecognized during the period	**(2)**	**(3)**	**(3)**	**(8)**
Net remeasurement of loss allowance	**(10)**	**(8)**	**42**	**24**
Write-offs	**–**	**(1)**	**(3)**	**(4)**
Recoveries of amounts previously written off	**–**	**–**	**–**	**–**
Total allowance	**36**	**63**	**123**	**222**

As at March 31, 2024	Stage 1	Stage 2	Stage 3	Total
Allowance for credit losses, beginning of year	45	29	91	165
Transfer to stage 1	15	(10)	(5)	–
Transfer to stage 2	(25)	101	(76)	–
Transfer to stage 3	(2)	(13)	15	–
Changes due to new loans originated	30	5	15	50
Loans receivable derecognized during the period	(16)	(2)	(13)	(31)
Net remeasurement of loss allowance	(13)	(35)	115	67
Write-offs	–	(3)	(55)	(58)
Recoveries of amounts previously written off	–	–	2	2
Total allowance	34	72	89	195

4. Borrowings

Short-term debt

	As at June 30, 2024	As at March 31, 2024
Government of Canada debt		
Floating-rate borrowings	**529**	413
Fixed-rate borrowings	**7,852**	6,974
	8,381	7,387
Capital markets debt		
USD fixed-rate promissory notes	**970**	927
Total	**9,351**	8,314

Long-term debt

	As at June 30, 2024	As at March 31, 2024
Government of Canada debt		
Floating-rate borrowings	**14,317**	14,055
Fixed-rate borrowings	**22,959**	21,877
Total	**37,276**	35,932