

Third Quarter Financial Report 2019-20

For the period ended December 31, 2019

Farm Credit Canada

Farm Credit Canada (FCC) is a financially self-sustaining federal Crown corporation, reporting to Canadians and Parliament through the Minister of Agriculture and Agri-Food. We provide financing and other services to more than 100,000 primary producers, value-added operators, suppliers and processors along the agriculture value chain. Operating from 97 offices located primarily in rural communities, our more than 1,900 employees are passionate about the business of agriculture.

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

Third Quarter Financial Report 2019-20

For the period ended December 31, 2019

This report was prepared in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and should be read in conjunction with disclosures and information contained in FCC's Annual Report and Corporate Plan Summary.¹

Financial results

This document contains the corporation's unaudited financial results for the third quarter, which ended December 31, 2019. On April 1, 2019, FCC adopted International Financial Reporting Standard (IFRS) 16 – Leases to replace IAS 17, IFRIC 4, SIC 15 and SIC 27 in accordance with the accounting policy changes made by the International Accounting Standards Board (IASB). Changes to FCC's accounting policies and the transition impact resulting from the adoption of IFRS 16 are described in Note 1 of the Notes to the Consolidated Financial Statements.

The corporation is on track to meet the financial performance measures for the current fiscal year as outlined in the Corporate Plan Summary for 2019-20 to 2023-24.

Net income overview

(\$ millions)	Three months ended		Nine months ended	
	December 31, 2019	December 31, 2018*	December 31, 2019	December 31, 2018*
Net interest income	\$ 302.7	\$ 295.9	\$ 896.9	\$ 865.4
Provision for credit losses	1.0	(48.9)	8.5	(72.5)
Non-interest income	(9.7)	(2.9)	(1.9)	29.7
Administration expenses	(113.8)	(109.4)	(331.0)	(314.3)
Fair value adjustment	(2.0)	(0.2)	(5.3)	(4.8)
Net income	\$ 178.2	\$ 134.5	\$ 567.2	\$ 503.5

*Restated

Net income for the nine-month period ended December 31, 2019, increased by \$63.7 million over the prior year. This was mainly due to a decrease in provision for credit losses of \$81.0 million and an increase in net interest income of \$31.5 million, offset by a decrease in non-interest income of \$31.6 million and an increase in administration expense of \$16.7 million.

Net interest income for the nine-month period ended December 31, 2019, increased by \$31.5 million over the prior year primarily due to loan portfolio growth. The net interest margin for the nine-month period ended December 31, 2019, decreased to 3.11% from 3.16% for the comparable period in 2018-19, mainly due to higher funding costs.

The provision for credit losses for the nine-month period ended December 31, 2019, is \$81.0 million lower than the prior year. In the prior year, the provision was impacted by deterioration in credit quality of one large customer, while the provision in the current year is favourable due to improvements in overall portfolio health and refined estimate parameters.

Non-interest income for the nine-month period ended December 31, 2019, decreased by \$31.6 million primarily due to unfavourable changes in fair value of investment in associates in the current year compared to fair value gains recorded in the prior year.

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

Administration expenses increased \$16.7 million year-over-year due to an increase in amortization and depreciation expense and an increase in salary expense, partially offset by a decrease in facilities, software and equipment expense.

Loans receivable

FCC experienced overall growth in loans receivable of \$2,060 million since March 31, 2019, bringing loans receivable to \$38,131 million at December 31, 2019. Loans receivable growth of 5.7% for the nine months ended December 31, 2019, was lower than the loans receivable growth of 7.3% for the first nine months of the prior fiscal year. The decrease of disbursement volume year-over-year, partially offset by the decrease of repayments and the increase in opening loans receivable, resulted in a lower growth rate.

Cash flow

Cash and cash equivalents increased by \$107.2 million since March 31, 2019, to \$877.7 million at December 31, 2019, compared to a decrease of \$67.0 million for the first nine months of the prior fiscal year. For the nine-month period ended December 31, 2019, cash of \$1,479 million and \$18.1 million was used in operating activities and investing activities respectively, while \$1,603 million was provided by financing activities.

Outlook against Corporate Plan Summary

FCC is projected to meet or exceed all year-end financial targets as outlined in the Corporate Plan Summary for 2019-20 to 2023-24.

Measure	Outlook
Net income	On track with Corporate Plan
Return on equity	On track with Corporate Plan
Efficiency ratio	On track with Corporate Plan
Total capital ratio	On track with Corporate Plan

Enterprise risk management

FCC has an enterprise risk management framework to identify, manage and respond to risks effectively, consistently and in a co-ordinated manner. The corporation is exposed to four main categories of risk: financial, operational, strategic and reputation. Financial risks include the sub-categories of credit, market and liquidity.

The FCC Board of Directors oversees the corporation's risk governance framework, which is supported by policies and committees that guide corporate decision-making. The Risk Committee of the Board reviews risk results through a quarterly risk report.

Enterprise Management Team members are accountable for setting the tone on the importance of managing risk in their functional areas, as well as developing and implementing sound risk management strategies and action plans to manage the corporation's risks in accordance with its risk appetite.

FCC's risk assessment process includes risk identification and assessment, measurement, control, monitoring and reporting. This is an ongoing process for the corporation's material risks. In addition, all risks are assessed annually during the strategic planning process. Based on these processes, international trade issues have been closely monitored for financial implications.

Statement of management responsibility

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

Based on our knowledge, these unaudited 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 consolidated quarterly financial statements.



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



Rick Hoffman, CPA, CMA, MBA, ICD.D
Executive Vice-President and Chief Financial Officer

*Regina, Canada
February 6, 2020*

Condensed Consolidated Financial Statements

Consolidated Balance Sheet

(Unaudited) (thousands of Canadian dollars)	Dec. 31, 2019	March 31, 2019
Assets		
Cash and cash equivalents	\$ 877,690	\$ 770,517
Short-term investments	440,471	435,601
Accounts receivable and prepaid expenses	42,456	39,879
Derivative financial assets	9,560	16,459
	1,370,177	1,262,456
Loans receivable – net (Notes 3 and 4)	37,951,562	35,873,075
Finance leases receivable – net	75,370	20,148
Investment in associates	51,562	69,909
Venture capital investments – net	83,195	70,602
Post-employment benefit assets	92,826	88,891
	38,254,515	36,122,625
Equipment and leasehold improvements	25,371	26,070
Computer software	35,594	32,714
Equipment under operating leases	90,146	121,496
Right-of-use assets	180,280	-
Other assets	14,544	13,419
	345,935	193,699
Total assets	\$ 39,970,627	\$ 37,578,780
Liabilities		
Accounts payable and accrued liabilities	\$ 74,010	\$ 68,531
Derivative financial liabilities	65	-
	74,075	68,531
Borrowings (Note 5)		
Short-term debt	10,040,423	9,794,234
Long-term debt	22,717,201	20,950,075
	32,757,624	30,744,309
Transition loan liabilities	196,037	160,763
Post-employment benefit liabilities	167,407	165,205
Lease liabilities	180,146	-
Other liabilities	9,609	10,421
	553,199	336,389
Total liabilities	33,384,898	31,149,229
Equity		
Contributed surplus	-	183,725
Retained earnings	6,558,271	6,202,132
Accumulated other comprehensive income	26,652	43,017
Equity attributable to shareholder of parent entity	6,584,923	6,428,874
Non-controlling interest	806	677
	6,585,729	6,429,551
Total liabilities and equity	\$ 39,970,627	\$ 37,578,780

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

Consolidated Statement of Income

(Unaudited) (thousands of Canadian dollars)	Three months ended		Nine months ended	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Interest income ⁽¹⁾	\$ 448,278	\$ 424,766	\$ 1,326,740	\$ 1,199,640
Interest expense ⁽¹⁾	145,572	128,841	429,874	334,285
Net interest income⁽¹⁾	302,706	295,925	896,866	865,355
Provision for credit losses	984	(48,890)	8,563	(72,508)
Net interest income after provision for credit losses	303,690	247,035	905,429	792,847
Net insurance income	5,136	5,177	15,159	15,653
Net (loss) income from investment in associates	(13,997)	(7,959)	(15,769)	14,519
Net foreign exchange (loss) gain ⁽¹⁾	(618)	331	(488)	536
Other expense	(281)	(429)	(842)	(995)
Net interest income and non-interest income	293,930	244,155	903,489	822,560
Administration expenses				
Salary and benefits	69,298	64,324	203,482	191,777
Other	44,491	45,085	127,492	122,522
Total administration expenses	113,789	109,409	330,974	314,299
Net income before fair value adjustment	180,141	134,746	572,515	508,261
Fair value adjustment	(1,893)	(208)	(5,260)	(4,746)
Net income	\$ 178,248	\$ 134,538	\$ 567,255	\$ 503,515
Net income attributable to:				
Shareholder of parent entity	\$ 178,235	\$ 134,523	\$ 567,214	\$ 503,465
Non-controlling interest	13	15	41	50

(1) Comparative figures in 2018 were reclassified. See Note 18 in the March 31, 2019, annual report.

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

Consolidated Statement of Comprehensive Income

(Unaudited) (thousands of Canadian dollars)	Three months ended		Nine months ended	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Net income	\$ 178,248	\$ 134,538	\$ 567,255	\$ 503,515
Other comprehensive income				
Transfer of net realized gains on derivatives designated as cash flow hedges to net income	(5,475)	(5,475)	(16,365)	(16,364)
Total comprehensive income	\$ 172,773	\$ 129,063	\$ 550,890	\$ 487,151
Total comprehensive income attributable to:				
Shareholder of parent entity	\$ 172,760	\$ 129,048	\$ 550,849	\$ 487,101
Non-controlling interest	13	15	41	50

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

Consolidated Statement of Changes in Equity

(Unaudited) (thousands of Canadian dollars)	Balance Sept. 30, 2019	Net income	Other comprehensive income	Contributions from non-controlling interest	Balance Dec. 31, 2019
Contributed surplus	\$ -	\$ -	\$ -	\$ -	\$ -
Retained earnings	6,380,036	178,235	-	-	6,558,271
Net gains (transfer of net gains) on derivatives previously designated as cash flow hedges	32,127	-	(5,475)	-	26,652
Total accumulated other comprehensive income (loss)	32,127	-	(5,475)	-	26,652
Total equity attributable to parent	6,412,163	178,235	(5,475)	-	6,584,923
Non-controlling interest	782	13	-	11	806
Total	\$ 6,412,945	\$ 178,248	\$ (5,475)	\$ 11	\$ 6,585,729

(Unaudited) (thousands of Canadian dollars)	Balance Sept. 30, 2018 Restated Note 2	Net income	Other comprehensive income	Contributions from non-controlling interest	Balance Dec. 31, 2018 Restated Note 2
Contributed surplus	\$ 183,725	\$ -	\$ -	\$ -	\$ 183,725
Retained earnings	5,890,338	134,523	-	-	6,024,861
Net gains (transfer of net gains) on derivatives previously designated as cash flow hedges	53,848	-	(5,475)	-	48,373
Total accumulated other comprehensive income (loss)	53,848	-	(5,475)	-	48,373
Total equity attributable to parent	6,127,911	134,523	(5,475)	-	6,256,959
Non-controlling interest	727	15	-	(80)	662
Total	\$ 6,128,638	\$ 134,538	\$ (5,475)	\$ (80)	\$ 6,257,621

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

Consolidated Statement of Changes in Equity

(Unaudited) (thousands of Canadian dollars)	Balance March 31, 2019	Net income	Other comprehensive income	Dividend paid	Contributions from non- controlling interest	Balance Dec. 31, 2019
Contributed surplus	\$ 183,725	\$ -	\$ -	\$ (183,725)	\$ -	\$ -
Retained earnings	6,202,132	567,214	-	(211,075)	-	6,558,271
Net gains (transfer of net gains) on derivatives previously designated as cash flow hedges	43,017	-	(16,365)	-	-	26,652
Total accumulated other comprehensive income (loss)	43,017	-	(16,365)	-	-	26,652
Total equity attributable to parent	6,428,874	567,214	(16,365)	(394,800)	-	6,584,923
Non-controlling interest	677	41	-	-	88	806
Total	\$ 6,429,551	\$ 567,255	\$ (16,365)	\$ (394,800)	\$ 88	\$ 6,585,729

(Unaudited) (thousands of Canadian dollars)	Balance March 31, 2018	Impact of adopting new accounting standard Restated Note 2	Balance April 1, 2018 Restated Note 2	Net income	Other comprehensive income	Dividend paid	Contributions from non- controlling interest	Balance Dec. 31, 2018 Restated Note 2
Contributed surplus	\$ 547,725	\$ -	\$ 547,725	\$ -	\$ -	\$ (364,000)	\$ -	\$ 183,725
Retained earnings	5,447,657	73,739	5,521,396	503,465	-	-	-	6,024,861
Net gains (transfer of net gains) on derivatives previously designated as cash flow hedges	64,737	-	64,737	-	(16,364)	-	-	48,373
Net unrealized (losses) gains on available-for-sale financial assets	(350)	350	-	-	-	-	-	-
Total accumulated other comprehensive income (loss)	64,387	350	64,737	-	(16,364)	-	-	48,373
Total equity attributable to parent	6,059,769	74,089	6,133,858	503,465	(16,364)	(364,000)	-	6,256,959
Non-controlling interest	767	(13)	754	50	-	-	(142)	662
Total	\$ 6,060,536	\$ 74,076	\$ 6,134,612	\$ 503,515	\$ (16,364)	\$ (364,000)	\$ (142)	\$ 6,257,621

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

Consolidated Statement of Cash Flows

(Unaudited) (thousands of Canadian dollars)	Three months ended		Nine months ended	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Operating activities				
Net income	\$ 178,248	\$ 134,538	\$ 567,255	\$ 503,515
Adjustments to determine net cash (used in) provided by operating activities:				
Net interest income ⁽¹⁾	(302,706)	(295,925)	(896,866)	(865,355)
Provision for credit losses	(984)	48,890	(8,563)	72,508
Fair value adjustment	1,468	208	4,835	4,746
Net loss (income) from investment in associates	13,997	7,959	15,769	(14,519)
Amortization and depreciation	9,063	4,978	27,220	13,986
Net unrealized foreign exchange losses (gains)	3,685	(15,483)	7,369	(21,761)
Net cash outflow from loans receivable	(401,399)	(492,826)	(2,089,469)	(2,457,117)
Net cash (outflow) inflow from finance leases receivable	(18,116)	(296)	(53,527)	2,430
Net change in other operating assets and liabilities	4,579	27,429	34,629	72,941
Interest received ⁽¹⁾	521,799	472,869	1,315,421	1,165,331
Interest paid ⁽¹⁾	(140,614)	(116,676)	(402,592)	(295,412)
Cash used in operating activities	\$ (130,980)	\$ (224,335)	\$ (1,478,519)	\$ (1,818,707)
Investing activities				
Net cash (outflow) inflow from short-term investments	\$ (40,415)	\$ 859	\$ (5,320)	\$ (35,842)
Acquisition of venture capital investments	(2,080)	-	(11,955)	(6,630)
Proceeds on disposal and repayment of venture capital investments	118	3,289	1,310	12,419
Net cash (outflow) inflow from investment in associates	(463)	(1,790)	2,578	8,059
Purchase of equipment and leasehold improvements	(3,301)	(2,199)	(5,567)	(8,199)
Purchase of computer software	(4,572)	(1,846)	(12,417)	(7,341)
Purchase of equipment under operating leases	-	(12,975)	(704)	(52,823)
Proceeds on disposal of equipment under operating leases	3,534	4,373	13,904	14,910
Cash (used in) provided by investing activities	\$ (47,179)	\$ (10,289)	\$ (18,171)	\$ (75,447)
Financing activities				
Long-term debt issued	\$ 1,525,000	\$ 1,970,000	\$ 6,930,000	\$ 7,624,000
Long-term debt repaid	(1,376,000)	(1,880,000)	(4,763,796)	(5,350,327)
Short-term debt issued	2,373,240	2,821,263	6,711,785	7,782,985
Short-term debt repaid	(2,323,835)	(2,667,896)	(6,868,185)	(7,865,622)
Principal repayment of lease liabilities	(4,842)	-	(11,555)	-
Dividend paid	-	-	(394,800)	(364,000)
Cash provided by financing activities	\$ 193,563	\$ 243,367	\$ 1,603,449	\$ 1,827,036
Change in cash and cash equivalents	\$ 15,404	\$ 8,743	\$ 106,759	\$ (67,118)
Cash and cash equivalents, beginning of period	862,262	752,716	770,517	828,569
Effects of exchange rate changes on the balances of cash held and due in foreign currencies	24	141	414	149
Cash and cash equivalents, end of period	\$ 877,690	\$ 761,600	\$ 877,690	\$ 761,600
Cash and cash equivalents consists of:				
Cash	\$ 831,729	\$ 732,089	\$ 831,729	\$ 732,089
Short-term investments	45,961	29,511	45,961	29,511

(1) Comparative figures in 2018 were reclassified. See Note 18 in the March 31, 2019, annual report.

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

Notes to the Condensed Consolidated Financial Statements (Unaudited)

1. Significant accounting policies

Basis of presentation

The condensed consolidated interim financial statements (interim financial statements) comply with the Standard on Quarterly Financial Reports for Crown Corporations issued by the Treasury Board of Canada.

These interim financial statements do not include all of 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, 2019.

Unless otherwise stated, all dollar amounts presented in the Notes to the Condensed Consolidated Financial Statements are in thousands of Canadian dollars, which is the functional currency of Farm Credit Canada (FCC).

Accounting policies

The accounting policies adopted in the preparation of these interim financial statements are consistent with those followed in the annual, audited financial statements for the year ended March 31, 2019, except as described below.

Application of new and revised International Financial Reporting Standards

The International Accounting Standards Board (IASB) has issued a number of new standards, interpretations, amendments and improvements. The standard that is relevant to FCC is detailed below.

On April 1, 2019, FCC adopted IFRS 16 – Leases, which replaced IAS 17 – Leases, IFRIC 4 – Determining whether an arrangement contains a lease, SIC-15 – Operating leases – incentives, and SIC 27 – Evaluating the substance of transactions involving the legal form of a lease. On transition to IFRS 16 on April 1, 2019, FCC elected to follow the modified retrospective approach under which a lessee does not restate comparative information, therefore comparative information continues to be reported under IAS 17, IFRIC 4 and SIC 27. Practical expedients were used where FCC is not required to reassess whether a contract is, or contains, a lease at the date of initial application and where the lessee may exclude initial direct costs from the measurement of a right-of-use (ROU) asset at the date of initial application.

As a result of adopting IFRS 16, FCC recognized ROU assets and lease liabilities of \$180.7 million. The ROU asset represents the lessee's right to use the leased asset with the lease liability representing the lessee's obligation to make lease payments applicable for all leases with a term of more than 12 months, unless the underlying asset is of low value. These are presented as separate line items on the balance sheet. Depreciation and interest expense are presented within administration expenses and interest expense respectively. There was no cumulative effect to equity from initially applying the standard.

At the date of initial application, the weighted average borrowing rate was 1.714%.

FCC is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. FCC accounted for its leases in accordance with IFRS 16 from the date of initial application.

FCC's revised accounting policies resulting from the adoption of IFRS 16 as of April 1, 2019, are described on the following pages.

1. Significant accounting policies (continued)

Leases

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 to account for lease and non-lease components as a single lease component.

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

Lease liabilities

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 cannot be readily determined.

Lease payments included in the measurement of the lease liability comprise:

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

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

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

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

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

Lease liabilities are presented as a separate line item on the balance sheet.

ROU assets

The ROU assets are initially measured at cost and are comprised of the initial measurement of the lease liability adjusted for any lease payments made on or before the commencement date, less any incentives received from the lessor. They are subsequently measured at cost less accumulated depreciation, impairment losses and for any remeasurements of the lease liability as noted above.

The ROU assets are depreciated over the ROU asset's lease term. Depreciation starts at the commencement date of the lease and is amortized on a straight-line basis.

ROU assets are presented as a separate line item on the balance sheet.

1. Significant accounting policies (continued)

Under IAS 17

In the comparative period, payments for operating leases arrangements were expensed on a straight-line basis over the lease term. Associated costs were expensed as incurred.

Accounting standards issued but not yet effective

FCC has reviewed the new standards and amendments that have been issued but are not yet effective and determined that the following may have an impact on FCC in the future. Management is in the process of assessing the impact of this standard on FCC's financial statements and accounting policies. A number of other new standards, amendments and improvements that have been issued by the IASB but are not yet effective are not listed below as FCC determined that they will not have a significant impact on the consolidated financial statements.

Standard	Details	Date of initial application
IFRS 17 - Insurance contracts	<p>In May 2017, the IASB issued IFRS 17, which provides a single principle-based standard to account for all types of insurance contracts. IFRS 17 provides updated information about the obligations, risks and performance of insurance contracts and increases transparency in financial information reported by insurance companies, which will give investors and analysts more confidence in understanding the insurance industry. It also introduces consistent accounting for all insurance contracts based on a current measurement model.</p> <p>FCC is assessing the impact of this standard and the extent of the impact of the adoption is unknown at this time.</p>	April 1, 2021

2. Prior period adjustment

There was an error in the comparative figures reported in the prior year's quarterly financial reports relating to the IFRS 9 transition amount recorded on April 1, 2018. Additional IFRS 9 transition adjustments were required to adjust the opening allowance for credit losses and retained earnings on April 1, 2018, primarily due to a re-estimation of the expected credit losses of FCC's customers. FCC has retroactively corrected these errors and restated the comparative figures in these interim financial statements for the period ending December 31, 2019. The impact of this error on the April 1, 2018, previously reported amount in the Consolidated Statement of Changes in Equity is a decrease to opening retained earnings of \$25.1 million, with an offsetting increase of the same amount to the opening allowance for credit losses (Note 4). Full details of the impact of the transition to IFRS 9 on the opening April 1, 2018, balance sheet can be found in Note 3 of the annual, audited financial statements for the year ended March 31, 2019.

3. Loans receivable – net

(\$ thousands)	Term to maturity			Dec. 31 2019	March 31, 2019
	Within 1 year	1 - 5 years	Over 5 years		
Floating	\$ 3,842,368	\$ 12,660,627	\$ 330,983	\$ 16,833,978	\$ 17,480,507
Fixed	4,075,094	13,149,157	4,097,474	21,321,725	18,614,015
Loans receivable – gross	7,917,462	25,809,784	4,428,457	38,155,703	36,094,522
Deferred loan fees				(25,088)	(23,437)
Loans receivable – total				38,130,615	36,071,085
Allowance for credit losses				(179,053)	(198,010)
Loans receivable – net				\$ 37,951,562	\$ 35,873,075

4. Allowance for credit losses – loans receivable

As at Dec. 31, 2019 (\$ thousands)	Stage 1	Stage 2	Stage 3	Total
Allowance for credit losses, beginning of year	\$ 31,780	\$ 115,402	\$ 50,828	\$ 198,010
Transfer to stage 1	3,459	(18,978)	(106)	(15,625)
Transfer to stage 2	(3,325)	21,723	(3,482)	14,916
Transfer to stage 3	(923)	(5,308)	31,724	25,493
Changes due to new loans originated	17,134	7,476	13,073	37,683
Loans receivable that have been derecognized during the period	(6,838)	(8,528)	(17,733)	(33,099)
Net remeasurement of loss allowance	(8,221)	(21,570)	(4,177)	(33,968)
Writeoffs	-	(637)	(14,754)	(15,391)
Recoveries of amounts previously written off	-	131	1,110	1,241
Losses covered under Hog Industry Loan Loss Reserve Program	1	(19)	(189)	(207)
Total allowance	\$ 33,067	\$ 89,692	\$ 56,294	\$ 179,053

As at March 31, 2019 (\$ thousands)	Stage 1	Stage 2	Stage 3	Total
Allowance for credit losses, beginning of year (Restated - Note 2)	\$ 29,040	\$ 70,799	\$ 38,889	\$ 138,728
Transfer to stage 1	2,716	(15,349)	(84)	(12,717)
Transfer to stage 2	(4,813)	34,342	(3,539)	25,990
Transfer to stage 3	(84)	(2,584)	61,563	58,895
Changes due to new loans originated	17,000	43,444	1,034	61,478
Loans receivable that have been derecognized during the period	(4,664)	(6,044)	(4,378)	(15,086)
Net remeasurement of loss allowance	(7,397)	(9,092)	5,620	(10,869)
Writeoffs	(1)	(633)	(50,498)	(51,132)
Recoveries of amounts previously written off	-	486	2,744	3,230
Losses covered under Hog Industry Loan Loss Reserve Program	(17)	33	(523)	(507)
Total allowance	\$ 31,780	\$ 115,402	\$ 50,828	\$ 198,010

5. Borrowings

Short-term debt

(\$ thousands)	Dec. 31, 2019	March 31, 2019
Government of Canada debt		
Floating-rate borrowings	\$ 4,222,204	\$ 4,288,036
Fixed-rate borrowings	5,293,609	4,996,874
	9,515,813	9,284,910
Capital markets debt		
USD fixed-rate promissory notes ⁽¹⁾	506,091	509,324
Retail and institutional fixed-rate notes	18,519	-
	524,610	509,324
Total	\$ 10,040,423	\$ 9,794,234

(1) \$389.2 million USD (March 31, 2019 - \$380.6 million USD)

Long-term debt

(\$ thousands)	Dec. 31, 2019	March 31, 2019
Government of Canada debt		
Floating-rate borrowings	\$ 12,841,735	\$ 13,860,914
Fixed-rate borrowings	9,589,541	6,780,921
	22,431,276	20,641,835
Capital markets debt		
Retail and institutional fixed-rate notes	285,925	308,240
Total	\$ 22,717,201	\$ 20,950,075