FARM CREDIT CANADA
ANNUAL REPORT 2005-06

THE YEAR IN 10 MINUTES

Time is short. So is this report.

The Road to Success

THE YEAR IN 10 MINUTES

Time is short. So is this report.

Who isn't short on time?

That's why we thought you would enjoy this short version of our annual report.

Who we are

Farm Credit Canada (FCC) helps primary producers and others involved in agriculture to grow, diversify and prosper.

Operating out of 100 offices located primarily in rural Canada, our 1,200 dedicated employees are passionate about the business of agriculture.

We proactively serve the changing needs of the industry, offering customers a variety of customized loans and business services.

FCC is a financially self-sustaining federal Crown corporation. We lend to all sectors of agriculture – primary producers, value added and businesses that provide inputs to the industry. We raise funds through domestic and international capital markets. We reinvest profits in agriculture, developing loans and services to benefit agriculture.

Our portfolio of $12.3 billion and 13 consecutive years of growth are a reflection of our customers' continued confidence in FCC.

Why we exist

Vision

Visionary leaders and trusted partners in finance and management services tailored to agriculture – leveraging our people's specialized knowledge and passion to create an extraordinary customer experience.

Mission

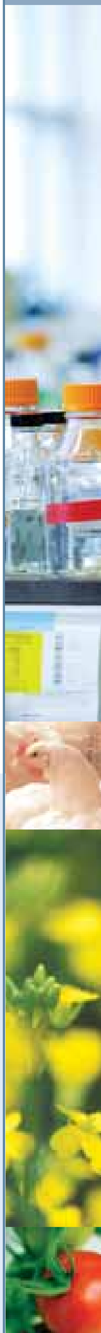
To enhance rural Canada by providing specialized and personalized business and financial services and products to farming operations, including family farms, and to those businesses in rural Canada, including small and medium-sized businesses, that are businesses related to farming. The primary focus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

Public Policy

We fulfil our public policy role of enhancing rural Canada by offering loans and services to the agricultural community. Our commitment extends to customers throughout rural Canada with services provided in both official languages. Founded on providing lending services to primary producers, FCC's depth of support now extends to financing the inputs to and outputs from primary production.

FCC is built on solid business principles, which includes assuming an appropriate level of risk.

Our commitment to agriculture is unwavering. We are dedicated to supporting the industry by working with our customers to see them through challenges and to help them take advantage of opportunities.



The FCC Value Proposition

What you can expect from us

FCC proudly serves Canadian agriculture as the leading provider of financing to the industry since 1959.

We focus on the primary producer as well as suppliers and processors along the agricultural value chain. We provide our customers with flexible, competitively priced financing, equity, insurance, management software, information and learning.

These services help our customers make sound business decisions and experience greater success.

We take time to get to know our customers, their individual needs, goals and vision for the future. We work with them through challenges and help them pursue opportunities.

We're easy to do business with.

Agriculture. We know it.
We love it. We're in it for the long run.

What we do

We care about our customers and take time to listen, learn and understand their goals. We tailor a combination of solutions, providing financing, equity, insurance, management software, information and learning through our seven business lines. At the end of the day, we want customers to say, "Wow, that was easy. FCC really cares about my success."

AgProduction
We lend money to primary producers. These include those who produce raw commodities like crops, beef, hogs, poultry, sheep, dairy, fruits, vegetables and alternative livestock or crops.

AgValue
We lend money to those who buy from and sell to primary producers. These are the equipment manufacturers and dealers, input providers, truckers and processors along the agriculture value chain.

AgExpert
We offer Canada's leading management software for agricultural producers – AgExpert Analyst and AgExpert Field Manager. These allow producers to easily produce financial statements, manage their business and track and report important field and crop records.

Alliances
We provide lending services where our customers do business, through a team of equipment dealers, input, livestock and manufacturer partners.

AgriSuccess
We advance farm management practices through information and learning. These include workshops such as managing farm finances, human resources, succession planning and others. We also offer two free publications – our online e-newsletter AgriSuccess Express and AgriSuccess Journal.

Agri-Assurances
We offer loan life and accident insurance tailored to agriculture.

FCC Ventures
We provide equity financing to agriculture-related businesses. These include commercial-scale primary producers, food processors, equipment manufacturers and ag-biotechnology companies.

Additional FCC offerings:

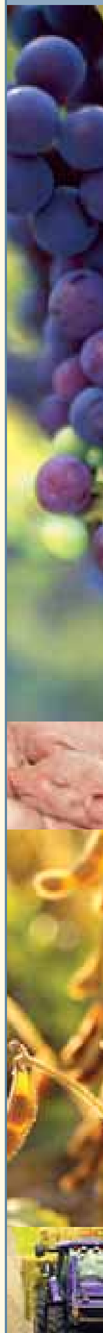
FCC Bonds
We offer a safe investment option for Canadians. FCC Bonds are eligible for use in Registered Retirement Saving Plans (RRSPs), Registered Retirement Income Funds (RRIFs) and Registered Education Savings Plans (RESPs) in addition to a regular investment portfolio. They are available at major brokerage firms and are completely secured by the Government of Canada.

Online Services
We make it easy for customers to do business with us. Customers can check their entire portfolio online, review farmland values reports, use our online Farm Finance Kit, watch commodity futures prices, the weather and news, 24 hours a day, seven days a week.

CanadianFarmersMarket.com
Promoting Canadian agriculture and helping customers market their products are important to us. That's why we promote customer products and services by bringing buyers and sellers together on CanadianFarmersMarket.com. Consumers can purchase Canadian products online, direct from the producer, while learning what Canadian agriculture has to offer.

Corporate Social Responsibility
We care about the communities where our customers and employees live and work. This year, we created a Corporate Social Responsibility (CSR) framework comprised of six categories:

1. corporate governance and management systems;
2. human resources management;
3. community investment and involvement;
4. environment, health and safety;
5. human rights; and
6. customers.



How we behave

Corporate Values

FCC's corporate values represent our core beliefs:

Focus on the customer

We succeed when our customers succeed. To help them, we listen and work to understand their needs.

Act with integrity

We treat people – colleagues and customers – with respect, balancing business decisions with individual needs.

Working together

We believe in the power of teamwork. We work together with customers to design services tailored to their needs. We partner with other organizations to benefit our customers.

Give back to the community

We believe in giving back to our communities – the communities where our customers and employees live and work.

Achieving excellence

We are committed to one thing – the success of the Canadian agriculture industry. We set our sights high, strive to learn more and work to build a business that benefits our customers and helps our employees achieve their potential.

Cultural practices make perfect

Well, almost

Being perfect isn't the goal. It's about developing and encouraging employees to be the best they can be, whether they work in a field office or hold an executive title. Our cultural practices supplement our corporate values by explicitly outlining the behaviour expected of FCC staff at all times with colleagues, customers, partners, suppliers and stakeholders.

We hold ourselves and each other accountable for:

- our impact on business results and our impact on people;
- delivering on commitments, agreements and promises;
- building and sustaining committed partnerships; and
- creating a safe environment where people can speak up without fear.

We measure our success by how others perceive and respond to our leadership, not by our personal point of view.

We talk straight in a responsible manner. We are committed to the success of others – we do not engage in "conspiracies against" people.

We "listen for" contributions and commitment. We do not listen against people or ideas.

We are highly coachable. We actively seek and listen to coaching.

We clean up and recover quickly.

We acknowledge others often and celebrate both small and large successes.

Corporate Social Responsibility Highlights

For the year ending March 31, 2006

According to the Conference Board of Canada, corporate social responsibility (CSR) is about "transparently pursuing long-term corporate objectives in a manner that balances corporate decision-making, behaviour and performance with the evolving values, norms and expectations of society."

The following summary was adapted from the Globe and Mail's Report on Business second annual CSR Ranking to measure FCC's progress in six key decision-making, behaviour and performance priority areas.

Corporate Governance and Management	**2004-05**	**2005-06**
Statement of social responsibility	not yet	not yet
Statement of corporate values	yes	yes
Code of business conduct	not yet	yes
Board Chair and company CEO are separate functions	yes	yes
Human Resources Management		
Conducts employee engagement surveys:	yes	yes
• Included in Globe and Mail's Best Employers list for last three years		
• Increased engagement score from 81 (2005) to 84 (2006)		
Provides employees with education and development	yes	yes
Conducts annual market compensation reviews	yes	yes
Policy on diversity and employment equity	yes	yes
Public reports on diversity issues	yes	yes
Offers employees diversity training	yes	yes
Benefits include additional maternity and paternity benefits	yes	yes
Percentage of women on the Board	42	42
Percentage of women on senior management team	14	14
Community Investment		
Policy statement on community donations is available to the public	yes	yes
Calculates donations based on one per cent of profits	yes	yes – 1.19%
Programs are in place to support employee giving and volunteering	yes	yes
Environment, Health and Safety		
Corporate environmental management systems in place, including policies, programs and performance analysis	not yet	not yet
Reports on resource use (energy, materials, water)	not yet	not yet
External reporting on lending environmental risk management	in progress	in progress
Lending environmental risk management policy and processes, including environmental risk assessment (and bio-security)	yes	yes
Offers loans that reduce the environmental impact	yes	yes
Environmental reporting, including policy, programs and initiatives, performance and compliance data	in progress	in progress
Human Rights		
Human Rights policy and code of conduct	yes	yes
Policy/code of conduct governing the supply chain of procured items	not yet	not yet
Customers		
Conduct customer satisfaction surveys	yes	yes
Helps customers market their products:	yes	yes
• 310 customers with 361 listings on CanadianFarmersMarket.com		
Loans to meet the needs of new entrants into agriculture	yes	yes – 9
Offers industry-related training:	yes	yes
• AgriSuccess delivered 90 events		

Operational and Financial Highlights

For the year ending March 31, 2006

In 2005-06 FCC experienced another year of exceptional growth with our portfolio growing by $1.2 billion or 10.4 per cent. The number of disbursements continued to increase with net disbursements reaching $3.3 billion. Our equity continues to grow with increases in net interest income offset by an increase in administration expense. The corporation continues to build its strong financial foundation, ensuring sufficient resources for continued growth and viability while supporting customers during all economic cycles.

Operational	**2006**	**2005**
Loans Receivable Portfolio		
Number of loans	88,559	85,650
Loans receivable ($ millions)	12,310.2	11,150.0
Net portfolio growth (per cent)	10.4	11.1
Loans receivable in good standing (per cent)	97.5	96.9
New Lending		
Number of loans disbursed	28,634	27,948
Net disbursements ($ millions)	3,317.3	3,067.2
Average size of loans disbursed ($)	115,852	109,747

Financial	**2006**	**2005**
Balance Sheet ($ millions)		
Total assets	12,576.3	11,405.0
Total liabilities	11,312.5	10,320.5
Equity	1,263.8	1,084.5
Income Statement ($ millions)		
Net interest income	388.4	351.9
Provision for credit losses	62.4	95.2
Other income	6.6	5.0
Administration expenses	163.0	143.7
Net income	169.6	118.0

Farm Credit Canada

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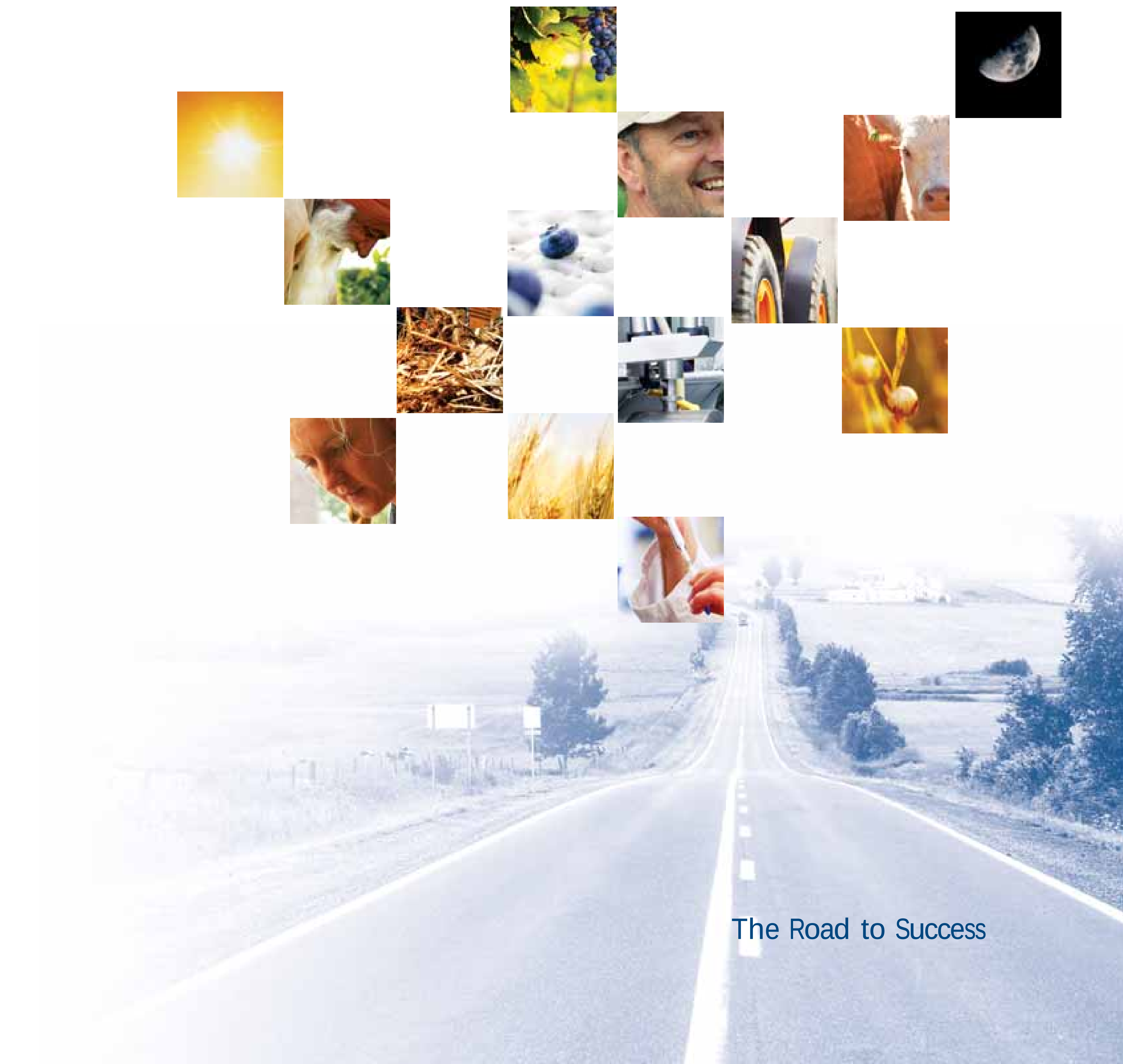
Cette publication est aussi offerte en français.

Canada

Farm Credit Canada

ANNUAL REPORT 2005 06



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Operational	**2006**	**2005**	**2004**	**2003**	**2002**
Loans Receivable Portfolio					
Number of loans	**88,559**	85,650	82,551	78,442	75,888
Loans receivable ($ millions)	**12,310.2**	11,150.0	10,039.0	8,803.7	7,708.5
Net portfolio growth (per cent)	**10.4**	11.1	14.0	14.2	11.7
Loans receivable in good standing (per cent)	**97.5**	96.9	96.0	96.4	96.5
New Lending					
Number of loans disbursed	**28,634**	27,948	26,529	25,133	16,753
Net disbursements ($ millions)	**3,317.3**	3,067.2	2,861.7	2,561.4	2,102.0
Average size of loans disbursed ($)	**115,852**	109,747	107,871	101,914	125,470

Financial	**2006**	**2005**	**2004**	**2003**	**2002**
Balance Sheet ($ millions)					
Total assets	**12,576.3**	11,405.0	10,203.9	8,982.3	7,876.6
Total liabilities	**11,312.5**	10,320.5	9,258.7	8,142.7	7,133.4
Equity	**1,263.8**	1,084.5	945.2	839.6	743.2
Income Statement ($ millions)					
Net interest income	**388.4**	351.9	314.4	273.2	204.9
Provision for credit losses	**62.4**	95.2	84.0	67.2	45.5
Other income	**6.6**	5.0	4.1	6.6	7.4
Administration expenses	**163.0**	143.7	128.9	116.3	98.6
Income before income taxes	**169.6**	118.0	105.6	96.3	68.2

MESSAGE FROM THE PRESIDENT AND CEO

At FCC, we're passionate about agriculture and we're deeply committed to helping our customers succeed.

We pride ourselves on listening to the industry, learning and truly understanding the needs of producers and others, whether they're involved in inputs or value-added. Based on this feedback, we develop services, products and education to share knowledge, and create solutions tailored to each customer's unique needs. Finally, we work to enhance the vitality of our rural communities.

Sophistication

Sophistication is a fact of agriculture today. Those who do well are embracing technology, improving their knowledge base and making complex business decisions. Knowledge is power and we do everything possible to help in this area. Our experienced Account Managers share their considerable expertise with customers to help them make the best choices for their operations. We also offer AgExpert management software tailored to producers and help advance management skills through AgriSuccess training and publications.

Bio-security and product traceability are key issues that require highly sophisticated processes to mitigate risk. Understandably, consumers are demanding safe food. Since Canada has a very good reputation in this area, some producers are leveraging this as a competitive advantage. FCC is establishing new bio-security protocols and standards to ensure that our employees demonstrate the importance of disease prevention at all times with customers. In addition we are committed to raising bio-security awareness among customers and the industry-at-large.

Internally, we are improving our own sophistication by developing new integrated systems and processes to simplify how we do business. This will result in faster and more efficient service for customers. Better cohesiveness and consistently extraordinary service help us focus on something you hear a lot around FCC: "one team – one customer."

Contraction

By conservative estimates, there will be 25,000 fewer producers in Canada in the next five years. Economics are at the heart of this. Costs of production – such as fuel, fertilizer and equipment – are going up, while global trade issues and competition place downward pressure on the value of the raw commodities.

Adding value has therefore never been more important. There's plenty of room for innovative minds and entrepreneurs on both the input side and value-added and processing side of agriculture.

With fewer producers, the issue of inter-generational transfer and equipping young farmers to succeed is of crucial importance. Last year, our Board of Directors and senior management met with a group of young Canadian producers. We heard first hand the challenges they face – securing financing, family succession management, trade barriers and access to skilled employees. We're supporting young producers through flexible lending such as the Transition Loan, First Step Loan and Payday Loan, our Business Planning Awards for post-secondary students and our long-standing partnership with the Canadian Young Farmers Forum. We believe we can do more and we're pursuing new ideas to encourage and help young farmers succeed in 2006 and beyond.

Profit

A third important success factor today is profit.

For many in agriculture, profit margins are small. The marketplace is competitive and input costs are rising. Customers must continually hone their skills at improving efficiencies and planning, discovering new niche markets and making the best use of existing capital.

As a major player in the farm debt market, FCC strives to be financially viable to ensure that we can continue to serve agriculture in the years ahead, and to support customers who face unforeseen challenges through no fault of their own. Our loan portfolio grew to $12.3 billion in 2005-06. This achievement reflects the relationships we've created with our customers who find value in a relationship with FCC. We use our financial success to fund the development of innovative products, services, and knowledge to benefit the industry. In addition, we donate a minimum of one per cent of profit to the communities where our customers and employees live and work.

FCC believes strongly in corporate citizenship. We are building a corporate social responsibility framework to expand our current accessibility, accountability and transparency practices. Our commitment to reporting on our social, ethical and environmental impacts is steadfast and driven by people who live our corporate values.

Helping customers succeed in a complex environment

I'm often told that we're different as a company. People say that we "get agriculture," and "wow, I didn't know FCC did all that!" is another frequent comment. That's the best feedback we can get. We strive to help our customers succeed in an increasingly complex market.

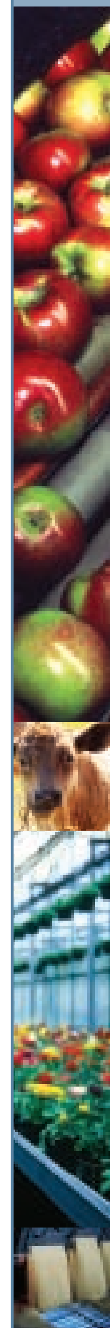
Our ability to help customers is clearly based on the type of employees we have at FCC. All 1,200 FCC employees possess a leadership mindset, characterized by courage, vision, a positive attitude, and the passion to make a difference. Our employees make on-the-spot decisions to enhance each customer's experience and demonstrate that we are easy to do business with.

I'm pleased to report that for the third consecutive year, we were named one of Canada's 50 Best Employers by the Globe and Mail's Report on Business. We rose to 12th on the list, up from 35th last year, as measured by our annual Hewitt Associates employee opinion survey where employees can respond, in confidence, to any successes or concerns they may have with FCC.

Through their work and enthusiasm, we are transforming FCC from very good to great. Our drive towards an internal cultural transformation – improving communication and committed partnerships between employees, customers and suppliers – is strong.

There are many twists and turns along the road to success. But there are also breathtaking moments, when the road opens up and you clearly see where you're headed. We're committed to keeping our customers firmly in the driver's seat.

John J. Ryan



SENIOR MANAGEMENT TEAM

President and CEO John Ryan's quest to build a world-class organization dedicated to agriculture has attracted a senior team of professionals with diverse talents and experience. Senior Management Team (SMT) members are sought after as best practice leaders in their professions and actively volunteer in their communities.

At FCC, everyone is a leader, whether you manage people or not. That's why any employee at any level can directly contact SMT on any issue. Each member of SMT believes a culture characterized by open communication and trust results in engaged employees who forge great relationships with customers.

It is no surprise, therefore, that FCC enjoys very high employee satisfaction, customer loyalty and business results. This year, FCC placed 12th on the annual Hewitt Associates/Globe and Mail survey of Canada's 50 Best Employees, an accomplishment that makes SMT very proud.

All executives, with the exception of the President and Chief Executive Officer, are paid within salary ranges and compensation policies set by corporate policy and approved by the Board of Directors. The Governor-in-Council sets the President and CEO's salary and benefits. All executives receive a variable remuneration component linked to the performance of the corporation, the business unit and the individual. In 2005-06, the salary range for the President and CEO was set at $254,200 to $299,000. The salary range for Executive Vice-Presidents was $179,860 to $275,080. The salary range for Senior Vice-Presidents was $126,480 to $193,440. The salary range for Vice-Presidents was set at $112,115 to $164,875. Total cash compensation paid to SMT was $4,420,218.

1st Row (L to R)
Clem Samson – *VP Operations, Prairie*
André Tétreault – *VP Credit Risk*
Corinna Mitchell-Beaudin – *VP Portfolio Management*
Alain Gagnon – *VP Operations, Quebec*
Dan Bergen – *VP Operations, Western Ontario*
Don Stevens – *VP and Treasurer*
Greg Honey* – *Senior VP Human Resources*

2nd Row (L to R)
Greg Stewart* – *Executive VP Operations*
Jim Taylor – *VP Venture Capital*
Moyez Somani* – *Executive VP and Chief Financial Officer*
John J. Ryan* – *President and Chief Executive Officer*
Larry Martina – *VP Operations, West*
Sophie MacDonald – *VP Enterprise Integration and Innovation*
Lyndon Carlson – *VP Marketing and Product Development*

3rd Row (L to R)
Kellie Garrett* – *Senior VP Strategy, Knowledge and Reputation*
Paul Daro – *VP and Chief Technologist*
Paul MacDonald* – *Senior VP and Chief Information Officer*
Rémi Lemoine – *VP Operations, Atlantic and Eastern Ontario*
Rick Hoffman – *VP and Controller*
Michael Hoffort – *VP Partners and Channels*
Ross Topp – *VP Audit and Integrated Risk*

* Executive Committee member

MESSAGE FROM THE CHAIR

We're proud of FCC's commitment to enabling Canadian producers to succeed through innovative programs such as specialty training and other means that go beyond loans and financing. FCC demonstrates its role as a good corporate citizen with various activities to leverage and enhance charity efforts across Canada.

The role of the Board of Directors is to oversee FCC management and business operations. We ensure the organization fulfils its mandate in the best interests of the company and, as a Crown corporation, in the best interests of all Canadians.

FCC is led by a strong and experienced Board. It includes representatives with a broad and vast background in agriculture, business and financial ventures. They bring diversity in expertise and perspective to the day-to-day activities and decision-making that shapes our entire year.

The Board's commitment to the highest standards of ethical conduct ensures FCC's strategic direction and execution remain on course and management is held accountable for performance against specific targets.

Media headlines continue to underscore the importance of transparency, accountability and accessibility of government. To further enhance our knowledge in this area, several Board members attended external conferences on corporate governance.

We have been intrigued by the remarkable progression of FCC's employee engagement scores and repeated stories from employees regarding how pleased they are with the internal climate of trust and respect. As a result, the Board participated in an intensive session on building a high-performance culture as we are deeply committed to this goal.

The Board is renewed on an ongoing basis, as colleagues complete their terms of service and new members are appointed. We were pleased to have R. Claude Menard join us on March 11, 2005, followed by Réal Tétrault on June 23, 2005. I would like to express our gratitude to outgoing Board members Maurice Kraut, a director since 1999, and Germain Simard, a director since 1995.

We were thrilled in November 2005 when John Ryan was reappointed as the President and CEO of FCC. John's vision and efforts to transform FCC into a world-class company has created dramatic results for our customers, employees and for business. We look forward to his continued leadership and the positive impact he is sure to bring to the table in the coming years.

Congratulations to FCC's Senior Management Team (SMT) for earning the Saskatchewan Institute of Public Administration of Canada (IPAC) Lieutenant-Governor's Medal. SMT's recognition for distinguished leadership and achievement in public administration marks only the third occasion this prestigious award has been presented to a work team.

Finally, we extend our thanks to all 1,200 FCC employees who continue to bring their skill, passion and commitment to work every day. The journey to world class can only happen with you.

Respectfully submitted on behalf of the Board of Directors

Rosemary Davis

Rosemary Davis

MESSAGE FROM THE MINISTER OF AGRICULTURE AND AGRI-FOOD AND MINISTER FOR THE CANADIAN WHEAT BOARD

It gives me great pleasure to extend my greetings to everyone at Farm Credit Canada and to the many people who benefit from your products and services.

The days are long gone when working in agriculture was straightforward. The advent of new technologies, innovative practices, scientific advancements and highly competitive markets has radically changed how we farm in Canada today. What has remained the same is the important role agriculture continues to play in the Canadian economy and in our society.

Farm Credit Canada does a tremendous job of helping to keep producers producing, so that they can be profitable and their communities can flourish. Canadians have every reason to be proud of our agriculture and agri-food sector, and thanks must go to Farm Credit Canada for using your knowledge, expertise and competence to assist the sector to remain strong. That's how you get to be among the top fifty employers in Canada three years running.

As Minister of Agriculture and Agri-Food and Minister for the Canadian Wheat Board, I share your goal of a strong and successful industry. I congratulate you for the excellent work you do, and wish you all the best as you continue to help Canadian producers "grow, diversify and prosper."

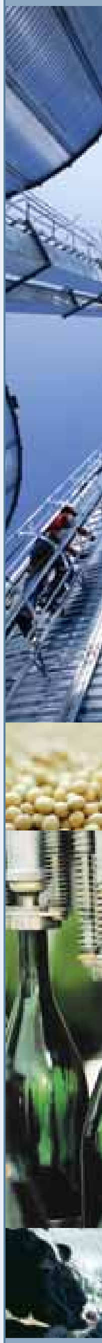
The Honourable Chuck Strahl
Minister of Agriculture and Agri-Food
And Minister For The Canadian
Wheat Board

Chuck Strahl


VOLVO

Operating Environment

FCC proactively monitors and analyzes the external operating environment to identify and assess strategic issues that need to be addressed. An operating environment panel comprised of subject matter experts throughout the organization provides quarterly operating scans to monitor changes and their potential impacts on FCC.



Financial services industry

FCC operates within the financial services industry. The agricultural market is served by the chartered banks, credit unions, provincial lending agencies, equipment manufacturer financing programs and independent financing institutions. New lenders are also entering the marketplace. For the past 13 years, we have successfully expanded our lending portfolio. Today, FCC's overall market share is 20.4 per cent.

Farm income

According to Statistics Canada, farm cash receipts edged up in 2005. Crop revenues dropped significantly, in some cases to near record lows. At the same time, the livestock industry recorded big gains after recovering from the BSE situation. Farmers received $32 billion in gross revenue from markets, up 1.1 per cent from 2004. Program payments contributed $4.9 billion to these final receipt numbers.

Statistics Canada indicates that as of December 31, 2004, farm debt outstanding rose 4.9 per cent to $48.9 billion. Both mortgaged and non-mortgaged debt rose, by 8.7 per cent and 1.6 per cent, respectively. Since 1993, non-mortgaged debt has been larger than mortgaged debt. In 2004, non-mortgaged debt rose to $25.4 billion, while mortgaged debt rose to $23.6 billion.

Most non-mortgaged debt was owed to chartered banks (57.6 per cent) and credit unions (23.7 per cent). Major holders of mortgaged farm debt were FCC (36.5 per cent), chartered banks (27.8 per cent), private individuals (15.2 per cent), credit unions (8.9 per cent) and provincial government agencies (5.7 per cent).

Economics

The Bank of Canada began to raise its overnight rate in September 2005 in response to inflationary pressures. The rate is expected to increase modestly in the first half of 2006.

International trade environment

The international trade environment is an evolving issue in Canadian agriculture. A number of concurrent issues have placed pressure on agricultural products:

- International Trade Commission (ITC) – On December 6, 2005, the U.S. Department of Commerce reduced the duties on Canadian softwood lumber. The countervailing rate dropped from 16.37 per cent to 8.7 per cent. The antidumping rate dropped from 3.78 per cent to 2.11 per cent.
- North American Free Trade Agreement (NAFTA) – On December 12, 2005, the NAFTA dispute panel dismissed a challenge by the North Dakota Wheat Commission. At issue was NAFTA's previous ruling that the tariffs placed on Canadian hard red spring wheat entering the United States were unjustified.
- Doha Round of World Trade Organization (WTO) Negotiations – Lack of alignment between the European Union, United States and other nations slowed negotiations for most of 2005. However, many bilateral discussions have taken place since the December 2005 Hong Kong meetings, when a protocol calling for the elimination of export subsidization by 2013 was agreed upon. Negotiations continue to focus on a tariff reduction formula, tariff cuts, options for setting caps and thresholds, the treatment and selection of sensitive products, and special treatment for developing countries.

FCC is monitoring these international negotiations closely.

Avian influenza

Globally, avian influenza is a serious concern, with outbreaks occurring in numerous countries. Avian influenza is contagious to other birds and can wipe out entire flocks, with the potential to cost the industry millions of dollars.

In November 2005, the presence of low pathogenic North American subtypes of avian influenza was detected in a small number of wild birds in Quebec, Manitoba and British Columbia. Avian influenza virus is commonly found in wild birds around the world. There is no information in these findings suggesting a new threat to human health. However, the ongoing presence of the virus reinforces the importance of maintaining strict bio-security controls in all domestic bird operations.

FCC closely follows avian influenza developments and monitors potential impacts on the industry and our customers.

Beef

After a two-year Canada-U.S. border closure due to a case of Bovine Spongiform Encephalopathy (BSE), Canadian cattle under the age of 30 months are once again being exported to the United States for slaughter and cattle prices are recovering. The Canada-U.S. border re-opening has resulted in a renewed sense of optimism as cattle trade moves closer to business as usual and producers work through challenges.

The U.S. Department of Agriculture is currently working toward regulations allowing cattle and beef products from cattle over the age of 30 months to be shipped across the border.

While a fourth case of BSE in Canada was confirmed in late January 2006, the Japanese and U.S. borders remain open to Canadian exports. FCC monitors new cases of BSE as they occur. As well, FCC is administering the Ruminant Slaughter Equity Program for Agriculture and Agri-Food Canada (AAFC).

Hogs

Cash receipts for hog producers declined 7.9 per cent, mainly due to lower slaughter prices. Pork prices recovered significantly in 2004 and decreased in 2005 as part of the hog price cycle.

On March 5, 2004, the National Pork Producers Council (NPPC) petitioned the U.S. Department of Commerce for antidumping and countervailing duty investigations on imports of Canadian live hogs. The ITC heard the preliminary application in May 2005. Canada won a split decision on this issue: winning the countervailing duty challenge, but losing with regard to the antidumping investigation. In the release of its final determination, the ITC judged that Canada did dump live swine into the U.S. market. However, a second ruling stated such dumping did not materially injure producers within the United States. Based on this rationale, the tariffs placed on Canadian hogs were rescinded.

Grain crops

Based on the 2005-2006 Farm Income Forecast from AAFC, the outlook is weak. Revenues from wheat, excluding durum, fell 22.4 per cent in 2005, while barley receipts fell 25.7 per cent. Near record grain and oilseed production in Canada and the United States in 2005 added to the already large grain stocks of the 2004 harvest. In fact, abundant world grain supplies combined with a strong Canadian dollar contributed to lower crop prices and receipts in 2005. In some cases, these prices fell to near record lows.

Oil prices

There is the additional prospect of decreasing margins due to higher energy prices, which will directly impact fuel costs. Because nitrogen fertilizer is derived from natural gas, rising fertilizer costs may affect producer cropping decisions for 2006. Fallout from Hurricane Katrina and Hurricane Rita is impacting the input sector (fuel and fertilizer), transportation sector and heating costs. Fundamentally, rising energy prices have a widespread and systematic negative impact on Canadian agriculture.

Agricultural technology

Top-notch equipment and technology is fundamental to ensuring the quality, efficiency and safety of agriculture and the food produced and processed. As more information and technological choices become available, the challenge for producers is to manage all facets of the business – from financing to production and marketing.

Technology is no longer an option. Producers are adopting new technologies to meet the challenges of an increasingly commercialized and globalized agriculture industry. As well, the increasing cost of larger, more powerful machinery and equipment represents a large percentage of farm operating and capital costs. Together, machinery and technology are the number two capital investments for producers, second only to land purchase.

Balanced Scorecard 2005-06

Objectives, measures and targets

Every year, FCC measures progress towards achieving corporate objectives using a balanced scorecard, which translates vision into corporate objectives, measures, targets and initiatives. The balanced scorecard consists of four perspectives: financial/shareholder, customer, internal capability and people.

We plan to achieve our vision through the execution of strategic objectives that can be summarized in four corporate strategies or strategic themes: strengthen market presence, enhance the customer experience, optimize execution and performance and sustain commitment to agriculture. As employees make strategy happen, strong emphasis is also being placed on cultural transformation and the way we do business at FCC.

Strengthen market presence

We will strengthen our presence in the agricultural financing marketplace, promoting the value FCC delivers with all customers, partners and stakeholders and across all channels. This means continuing to build visibility to raise awareness of FCC's full offerings: relationships, expertise and products and services tailored to agriculture.

2005-10 Strategic objectives	Measures	2005-06 Plan targets	2005-06 Results
Financial Income growth	Portfolio growth	5.66% [1]	10.41%
	Non-interest revenue	$11.9 million	$4.6 million
	Net interest income (NII) margin	3.11%	3.21%
Customer Understands business, financial and relationship needs Attract customer and business relationships	New customer acquisitions – all channels	Q1 Farm Finance targets Q3 AgExpert targets and begin reporting against AgriSuccess targets [2]	Measure was researched and developed for AgProduction customers and 2006-07 target was set at "greater than zero." New customer acquisition score is 1.1, which means that we gain 110 customers for every 100 customers who exit. [3]
	Venture capital • Interest and fee income	• $2.6 million	• Interest and fee income was $4.1 million.
	• Co-investment ratio	• 1.3:1	• In 2005-06, $15.0 million in co-investment funds were attracted for a co-investment ratio of 1.2:1. As of March 31, 2006 the ratio of co-investment dollars per FCC Ventures' dollars invested was 1.9:1.
	• Capital invested	• $18.0 million	• Capital invested was $12.1 million, although there has been $16.4 million committed capital this fiscal year.
	Market share at 20.70%	Set targets by business line	Targets were set for 2006-07 planning period and beyond. AgProduction market share is 20.4% as of December 31, 2004 (Farm Debt Statistics). AgExpert market share is 22% (as of fall 2005).
Internal capability Relationship selling, management of all FCC solution Portfolio/risk management Consistent brand – marketing of FCC's full capabilities Strategic integrated planning	Time spent with customers and prospects for value-added activities	Develop work plan and set targets for following fiscal years	Baseline survey to confirm % of time spent with customers conducted in January 2005. New tracking system will monitor pipeline activity and proactive calls and will report amount of time spent with customers. System implementation is scheduled for 1st quarter, after which benchmark will help set targets.

[1] Target was revised to reflect the portfolio growth of loans receivable and its equivalent is 5.44% in Principal Not Due (PND).

[2] Quarterly targets were slightly adjusted at the beginning of fiscal 2005-06.

[3] New customers acquisitions are measured by calculating the number of recaptured customers plus the number of new customers, divided by the number of customers lost.

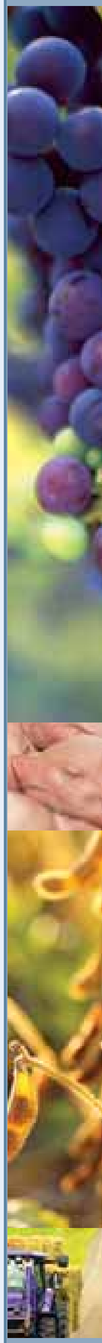
Enhance customer experience

FCC will enhance the customer experience and customer perceptions of FCC. When customers choose FCC, we want them to feel they are choosing Canada's leader in the industry. Our focus is on enabling FCC's ability to build and expand strong relationships with customers as a contributor to their success.

2005-10 **Strategic objectives**	**Measures**	2005-06 **Plan targets**	2005-06 **Results**
Financial Return on equity and investment	Return on equity	11.49%	14.44%
Customer Anticipates and offers tailored, preferred solutions across channels Build and expand relationships across channels	Customer experience index	Q3 Establish baseline Q4 Set targets	Customer experience measure was designed and implemented. Results focus on perfect "five out of five" scores for customer delight. Analysis delivered the baseline customer experience index score of 53.47%. The index is calculated using data gathered from customer post-loan, customer exit and annual report card surveys. The score is derived from questions pertaining to customer satisfaction, customer loyalty, advocacy, ease of doing business with FCC, care, overall value and problem resolution.
	Total value penetration [4]	Q1 Set targets	Q1 baseline was 1.74. Target set to increase national score. Total value penetration score increased to 1.766 out of a possible 5. [5]
	Channel usage • # of unique website visitors per year • # of website pages visited per year • # of online registered borrowers • # of Customer Service Centre (CSC) customer contacts • $ disbursed of CSC direct full service lending	 • Establish baseline and set target • 1.4 million • 10,000 • 80,000 • $155 million	 • Target was set at 15,800 Result: 17,883 • 2.1 million • 10,137 • 85,986 • $164.8 million
Internal capability Seamless, cross-channel integration to deliver sales, service Solutions innovation, tailoring and management Customer value management Differentiated online presence Customer and user experience standards management	Customer value management	Establish approach	A model was established to measure the net returns on loans through various customer delivery channels. Benchmark data will be gathered and monitored in 2006-07 so that targets can be set in future years.
	Customer channel awareness, preferences and permissions	Establish approach	Measurement approach was researched and channel awareness statistics were tracked. Data will be analyzed in the next quarter to establish baselines and targets.

[4] Measure title changed from "Total value proposition" to "Total value penetration" at the beginning of fiscal 2005-06.

[5] Total value penetration measures the number of FCC services a customer uses: top score possible is 5.

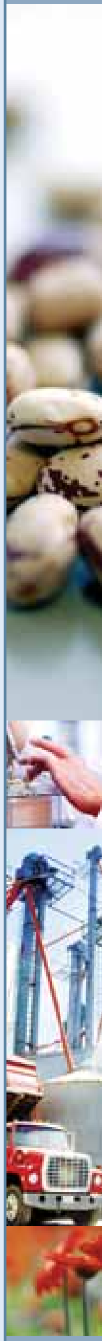


Optimize execution and performance

FCC's organizational capabilities will strengthen the ability to deliver an extraordinary customer experience. The integration of FCC's processes, technology and resources will be optimized to deliver efficient, cost-effective and quality solutions to the benefit of customers and the agriculture industry.

2005-10 Strategic objectives	Measures	2005-06 Plan targets	2005-06 Results
Financial Balance sheet optimization **Customer** Continuously delivers consistent, efficient, quality service Retain customers and grow loyalty efficiently	Efficiency ratio	Between 40% and 45%	41.3%
	Debt to equity	Under 10:1	9.0:1
	% of PND with arrears	6.0%	2.5%
	Strategic credit risk management (SCRM)	Managed range between 55 and 70	58.3
Internal capability Process innovation and continuous improvement Integrated value chain process redesign Agile, integrated IT solutions delivery Simplified, flexible business/IT architecture and standards IT platform reliability and performance Effective project execution, management and control Strategy execution, enterprise risk management Enterprise services delivery, management	Process improvements and quick wins benefits realized	Enterprise value chain (EVC) baseline and business case; create business cases to measure "quick wins" process redesign and loan renewals; track benefits of business case	Enterprise Value Chain (EVC) business case completed and approved. Near-term improvements were identified and tracked. 58 near-term improvements were implemented and 6 medium-term improvements are in progress. Business cases created for each redesign project. Business owners will conduct benefits monitoring, reporting and continuous improvement activities following project implementation.
	IT architecture capability	67% of key architectural framework elements incorporated	67% of key architectural framework elements implemented.
	User acceptance (performance, reliability, usability)	Establish baseline and preliminary targets mid-year	User acceptance survey was established and administered. Baseline of 50% was established and targets were drafted.
	Project management maturity [6]	Establish approach and set baseline	Established measurement approach and conducted informal project management maturity survey and assessment. Formal baseline assessment to be conducted in 2006-07.

[6] Measure title changed from "Project execution capability" to "Project management maturity" at the beginning of fiscal 2005-06.



Sustain commitment to agriculture

FCC is committed to helping the agriculture industry succeed and enhancing rural communities across Canada. Strengthening and leveraging FCC's knowledge base and building awareness of agriculture will demonstrate support for the industry and customers.

2005-10 Strategic objectives	Measures	2005-06 Plan targets	2005-06 Results
Financial Investment in agriculture **Customer** Trusted partners and industry catalyst Build industry, stakeholder awareness, credibility and support **Internal capability** Leverage knowledge management Industry investments and stakeholder relations	Corporate social responsibility (CSR) scorecard	Q3 Establish baseline[7] Q4 Set targets for 2006-07	Researched CSR best practices. Draft CSR strategy and measures presented to the Board of Directors in March 2006.
	Media favourability index	Score of 63	Score of 64

People: the foundation of FCC's strategy

FCC's commitment to agriculture is founded on the commitment of dedicated employees. This is one of the reasons we invest in our employees. Building and sustaining strong customer relationships requires a workforce that is knowledgeable, motivated and innovative.

FCC believes in fostering leadership at all levels within a culture of respect and accountability. Areas of focus include leadership governance, creating a culture that is customer-focused, knowledge and employee-oriented, aligning performance management and creating strategic competencies and capabilities.

2005-10 Strategic objectives	Measures	2005-06 Plan targets	2005-06 Results
Strategic enterprise leadership Customer and knowledge culture Employee-oriented culture Aligned performance management Strategic competencies and capabilities	Engagement score	Minimum threshold 80%	FCC's annual employee engagement survey was completed in June 2005. Employee engagement score increased from 81% to 84%. FCC named 12th on Hewitt/ Report on Business Top 50 Employers Survey in 2006.
	Engagement driver management	Q1 Establish targets once drivers are confirmed	This measure was eliminated as it has been incorporated into business as usual activity.
	Employee experience	Q1 Set targets Q2 Begin monitoring and reporting on targets	Draft employee value proposition and action plan completed. Targets will be established in 2006-07.
	Strategic competency development	Q3 Set targets Q4 Begin monitoring and reporting against targets	This measure was eliminated as it was deemed premature due to performance management system redesign.

[7] Quarterly targets were adjusted slightly at the beginning of fiscal 2005-06.

THE FCC EXPERIENCE

WE'VE BEEN LENDING MONEY TO PRODUCERS SINCE 1959. TODAY, WE DO MUCH MORE THAN JUST LEND MONEY. WE OFFER A DIVERSE RANGE OF PRODUCTS AND SERVICES AS OUTLINED IN OUR VALUE PROPOSITION.

"We take the time to sit down with customers and get a feel for what they need and where they want to go. We don't present a bunch of products and say 'pick one'. We design a tailored combination of solutions for their individual needs. We want to give each person value and show we care about their operations. What affects their bottom line affects their families. Our job is to help our customers succeed on all levels."

Lyndon Carlson
FCC Vice-President, Marketing and Product Development

Financing

We take the time to understand our customers and the demands of their individual situations.

Our offering of 24 different loan types provides the flexibility to mix and match them to help meet the unique needs of our customers. In fact, more than 50 per cent of new lending this year is from customized loans.

We provide financing tailored to agriculture's unique needs.

The majority of our $12.3 billion portfolio is comprised of primary producers – the farmers, ranchers and growers who produce raw commodities such as crops, livestock, fruits and vegetables, to name a few.

FCC also serves those who provide inputs to the industry, including equipment and fertilizer. In addition, we increasingly help value-added operations and processors who turn raw commodities into some of the highest quality food in the world.

FCC partners with 525 equipment dealers and 70 alliance partners to serve agriculture across Canada. Our alliance partners provide products that producers want such as equipment, buildings, livestock and crop inputs, and we provide the financing to bring the two together.

FCC Loans

We can tailor any combination of our 24 loans to meet our customers' growing needs.

Customized Loans

Advancer
Use this pre-approved, secured loan with the flexibility to re-advance funds at your discretion.

American Currency
If you derive a lot of your revenue in U.S. dollars, you can borrow and make payments in U.S. dollars.

Capacity Builder
Purchase quota or breeding livestock with pre-approved financing for up to one year and the option to capitalize interest.

Cash Flow Optimizer
Invest funds that would normally go towards principal into other areas of your operation.

Construction
Get interim financing for up to 18 months on construction projects, including processing plants, cold storage and grain storage facilities. Use the money to build, and pay when your project is done.

Enviro
Defer principal payments while constructing, improving or expanding your operation when you improve environmental facilities.

Farmbuilder
Defer your principal payments while you build, with interim financing for up to 18 months on construction projects.

First Step
Use your post-secondary education to buy your first farm-related asset.

Flexi-Farm
Defer payments for up to one year to take advantage of opportunities or ease cash flow during adverse conditions.

Herd Start
Take time after starting or expanding your livestock operation. Use your cash flow to grow your business.

Opportunity
Fund your agribusiness expansion with principal payment holidays for up to 12 months.

Payday
Use your off-farm income to start or expand your farm business.

Performer
Achieve pre-set financial goals and ratios and enjoy lower interest rates.

Plant Now – Pay Later
Defer payments in your horticulture operation until your new plantings start to generate cash flow.

Spring Break
Match your payment schedule to the forestry harvesting season.

Stop and Grow
Defer principal payments at your woodlot as saplings grow into profits.

Transition
Help the next generation purchase your property at retirement. Get the equity from your farm without risk.

1-2-3 Grow
Manage your cash flow with interest-only payments until you get a return on your investment.

Real Property

Perfect for those looking to purchase land or financing the construction of a new building.

Variable
Rate floats as interest rates rise or fall, plus option to prepay up to 10 per cent, anytime.

Closed
A low fixed rate for the term of the loan.

Fixed
Fixed rate with option to prepay up to 10 per cent anytime.

Personal Property

Buying equipment or livestock? Choose from these options:

Variable
Rate floats as interest rates rise or fall, plus lock in your rate, or prepay any amount, anytime.

Closed
A low fixed rate for the term of the loan.

Open
Low fixed rate with option to prepay any amount, anytime.

"One of the things I like most about FCC is their people. They are helpful and understand the cyclical nature of the agriculture industry and how it affects our business. We have special needs that are unique to agriculture. For us, FCC's knowledge and history of working with agriculture makes a real difference."

Earl Kidston, CEO Planters Equipment Ltd., Kentville, Nova Scotia

Earl Kidston owns several agriculture-related operations in the Atlantic region and is a long-time FCC customer.

"When our dealers match productive Lexion combines with competitive FCC financing, the result is customer success and satisfaction."

Kathrina Claas and Russ Green of Claas

Claas is a world leader in agriculture equipment and an FCC alliance partner.

"It was easy and convenient to get insurance with FCC. They already knew us."

Wim and Annemieke Wantenaar, Fergus, Ontario

Wim and Annemieke bought key person insurance for their son. He's an important part of their dairy operation.

Insurance

A vital component to any business is insurance. It's also important to our customers.

To fill this demand, we offer Agri-Assurances – five platforms of loan life and accident insurance tailored to our customers' needs and loans.

This year, we provided $592 million in insurance, providing protection and peace of mind for our customers, their families and their operations.

"Working with FCC was simple and quick. They understand the business of agriculture."

Robby Gill (far left) and his family own and operate Cloverdale Fuels, a wood recycler based in Surrey, British Columbia. They are also listed on CanadianFarmersMarket.com.

"Our IPO was a critical element to our success, and FCC was vital in making that happen."

Andrew Baum, President and CEO, SemBioSys Genetics Inc., Calgary, Alberta

SemBioSys Genetics Inc. is a pharmaceutical company that uses plant genetic engineering and proprietary oil-body technology to develop products that treat cardiovascular and metabolic diseases.

Equity

In 2002, we introduced FCC Ventures, a new division to address the growing need for non-traditional capital financing in Canada's agriculture industry.

FCC Ventures provides equity financing to commercial-scale primary producers, food processors, equipment manufacturers and ag-biotechnology companies along with other agriculture-related businesses.

This year alone, FCC Ventures provided $12 million in venture funding, totalling $43 million since its inception four years ago, and expanded the number of office locations.

An added benefit of our equity funding strategy is the fact it attracts other venture capital providers to agriculture and agri-food. This has resulted in leveraging an additional $81 million from other partners to serve agriculture.

"AgExpert is strictly geared towards farming. Once you input your information, your numbers, your ratios, GST reports, everything is right there at a click of a button. And I love their help line – it's so convenient."

Jackie and Roger Feasby, Uxbridge, Ontario

Roger bought his first piece of land next to his father's farm with an FCC loan nearly 30 years ago. Today, Roger, Jackie and their four kids manage 130 milking Holsteins.

Management software

Technology moves at the speed of light, and we're committed to help our customers keep up.

"By believing in your product, you can truly be a committed partner in a customer's success. When I hear customers talking positively about AgExpert and how it saves them time and effort, I believe in AgExpert. Accountants speak highly of it too. By taking the time to know my customer's needs and expectations, I meet their needs and exceed them. It's a win-win situation."

Ron Mason, FCC Account Manager, Lindsay, Ontario

In 2002, FCC acquired Settler Ag Software and introduced AgExpert, Canada's leading management software for agricultural producers. Agriculture software is gaining momentum as more and more producers discover the importance of secure, accurate record and data protection.

We offer two software products: AgExpert Analyst and AgExpert Field Manager.

With AgExpert Analyst accounting software, customers track income and expenses, inventory and capital assets, complete GST and CAIS reporting and prepare financial statements on their personal computer.

AgExpert Field Manager crop and field management software allows customers to track seeding and planting schedules, disease, weather, weeds, rotations and other inputs, including herbicide, pesticide and fertilizer. Customers can compare this information from year to year, all on their home computer or Palm™ handheld.

"I see our operation like I never have before."

Rachel Lauzière, Knowlton, Quebec

Thanks to Advanced Farm Manager, Rachel is a better leader for her employees and a better manager of her family's business.

Information and learning

As technology changes, so does the complex nature of managing today's larger operations. Additional skills are required. In 2001, FCC introduced another way to help our customers meet this challenge: we call it AgriSuccess.

AgriSuccess delivers programs such as educational workshops and seminars on everything from managing farm finances, commodity price risk and human resources to succession planning, estate planning and vision and goal setting. There is also a multi-day comprehensive learning program called Advanced Farm Manager for producers to improve their management practices.

We offer two free publications for customers to subscribe to: a weekly online newsletter called AgriSuccess Express and a bi-monthly farm management magazine called AgriSuccess Journal – both subscriptions are available from our website.

We provide cash incentives to help the future generations of agriculture in the form of FCC Business Planning Awards. Here, agriculture students compete to develop effective business plans with producers or businesses while they have access to help from professional educators.

We want to make it easy for our customers to do business with us. That's why we also provide comprehensive information, online, for our customers. They can safely review their loan portfolio, read farmland values reports, use the Farm Finance Kit, check the weather, watch for daily agriculture-related news and more.

CORPORATE SOCIAL RESPONSIBILITY

FCC has always cared about social responsibility. It is rooted in our mission, vision, corporate values and cultural practices.

According to Hewitt Associates, one of the key drivers of employee engagement is corporate citizenship. Employees want to work for companies that commit to social and community concerns. In the 2005 employee engagement survey, 95 per cent of FCC employees believe that FCC is a good corporate citizen.

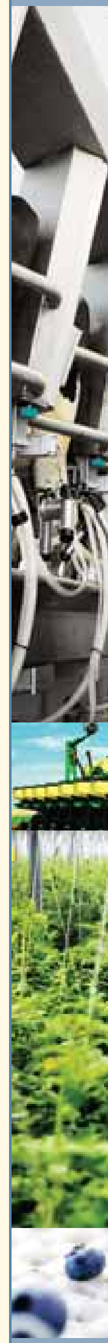
In fiscal year 2004-05, a new section on corporate social responsibility highlights was incorporated in the annual report. In 2005-06, FCC began adding more structure and definition to corporate social responsibility by researching practices at other organizations, the current situation at FCC and recommendations for future strategy. The results of this work were presented to the Governance Committee of FCC's Board of Directors in March 2006 and this topic will be discussed regularly at that forum going forward.

In 2006-07, FCC plans to adopt a corporate social responsibility (CSR) framework[1] comprised of six categories:

1. corporate governance and management systems;
2. human resources management;
3. community investment and involvement;
4. environment, health and safety;
5. human rights; and
6. customers.

Accessibility, accountability and transparency in these areas are key components to this framework.

[1] Based on the Conference Board of Canada.



Corporate Social Responsibility Highlights

For the year ending March 31, 2006

According to the Conference Board of Canada, corporate social responsibility (CSR) is about "transparently pursuing long-term corporate objectives in a manner that balances corporate decision-making, behaviour and performance with the evolving values, norms and expectations of society."

The following summary was adapted from the Globe and Mail's Report on Business second annual CSR Ranking to measure FCC's progress in six key decision-making, behaviour and performance priority areas.

Corporate Governance and Management	2004-05	2005-06
Statement of social responsibility	not yet	not yet
Statement of corporate values	yes	yes
Code of business conduct	not yet	yes
Board Chair and company CEO are separate functions	yes	yes

Human Resources Management

Conducts employee engagement surveys:	yes	yes
• Included in Globe and Mail's Best Employers list for last three years		
• Increased engagement score from 81 per cent (2005) to 84 per cent (2006)		
Provides employees with education and development	yes	yes
Conducts annual market compensation reviews	yes	yes
Policy on diversity and employment equity	yes	yes
Public reports on diversity issues	yes	yes
Offers employees diversity training	yes	yes
Benefits include additional maternity and paternity benefits	yes	yes
Percentage of women on the Board	42	42
Percentage of women on senior management team	14	14

Community Investment

Policy statement on community donations is available to the public	yes	yes
Calculates donations based on one per cent of profits	yes	yes – 1.19%
Programs are in place to support employee giving and volunteering	yes	yes

Environment, Health and Safety

Corporate environmental management systems in place, including policies, programs and performance analysis	not yet	not yet
Reports on resource use (energy, materials, water)	not yet	not yet
External reporting on lending environmental risk management	in progress	in progress
Lending environmental risk management policy and processes, including environmental risk assessment (and bio-security)	yes	yes
Offers loans that reduce the environmental impact	yes	yes
Environmental reporting, including policy, programs and initiatives, performance and compliance data	in progress	in progress

Human Rights

Human Rights policy and code of conduct	yes	yes
Policy/code of conduct governing the supply chain of procured items	not yet	not yet

Customers

Conduct customer satisfaction surveys	yes	yes
Helps customers market their products:	yes	yes
• 310 customers with 361 listings on CanadianFarmersMarket.com		
Loans to meet the needs of new entrants into agriculture	yes	yes – 9
Offers industry-related training:	yes	yes
• AgriSuccess delivered 90 events		

"We created the position of FCC Integrity Officer in 2005 to proactively ensure we maintain good corporate governance. My role is to receive and investigate disclosures concerning the code of conduct and ethics, and to guide employees with regards to the code. We want to ensure FCC continues to be a safe environment where people can speak up without fear of retribution."

Valerie Macdonald, FCC Integrity Officer and Director of Organizational Development.

Corporate governance and management systems

Acting with integrity is a core value at FCC. Our corporate values guide our conduct with colleagues, customers and stakeholders. We've established a code of conduct and ethics that includes whistleblower protection to ensure our employees feel safe and trusted and we expect them to act likewise when dealing with colleagues, customers, partners, suppliers and the general public. In 2005-06, we introduced an updated code of conduct and ethics and required all staff to sign it to ensure that explicit attention was paid to this important area. The code helps guide all employees in the demonstration of appropriate behaviours.

Our Board, with the exception of the CEO, are independent of management and the functions of the Board Chair and CEO are separate. In order to underscore our commitment to integrity, we've established a new position, the FCC Integrity Officer. This person works closely with the CEO and Board of Directors to uphold the highest standards of governance and accountability regarding the code of conduct and ethics.

Human resources management

We're building a strong culture at FCC where employees feel safe to present new ideas and are inspired to give their best to colleagues and to customers. We live by a set of 10 cultural practices that are unique to FCC. The results of this culture are seen everywhere. We are accountable for the things we say and do and how we do them, and for building respectful, trusting relationships.

FCC conducts an annual confidential employee opinion survey using the Hewitt Associates survey. This measures employee engagement by gathering opinions on many topics ranging from trust in senior management to satisfaction with pay and benefits. In 2003-04, FCC's employee engagement score was 69 per cent. In 2004-05, the results jumped to 81 per cent. For 2005-06, employee engagement rose to 84 per cent. This placed FCC 12th on the 50 Best Employers in Canada list, published by the Globe and Mail's Report on Business in partnership with Hewitt.

We encourage and support learning and development for employees. Annually, we spend more than 3.5 per cent of annual payroll toward individual employee development. FCC offers a customized field development program for lending operations staff, as well as leadership development training for managers, supervisors and Leadership Development Program participants.

An important part of the employee experience at FCC is celebrating our achievements, both large and small. Our Encore program empowers every staff member to recognize employee performance and reward colleagues.

We strive to maintain a balance between home and work. This is why FCC offers a number of flexible and attractive benefits and alternative work arrangements, including flex-time and paternity benefits.

"FCC supports community groups through donations and flexible scheduling for employees to volunteer their time. I appreciate this support and have seen the tremendous impact that responsible corporations have when they help community groups shape lives."

Robert Davies of the Moncton Loan Administration Centre has served as a director, president and parent with Turning Points Youth Parenting Centre. The centre provides resources and support to young parents to complete high school and post-secondary education, develop their parenting and life skills, and become effective role models for their children.

"Many rural communities and families use the services offered by a food bank. This is a way for me and rural Canadians to give back to our neighbours, friends and customers."

Paul Lepage, FCC Account Manager based in Saskatoon, Saskatchewan.

Community investment and involvement

Giving back to the communities where our employees and customers live and work is another core value at FCC.

As a member of the Canadian Centre for Philanthropy's Imagine program, we give at least one per cent of our annual profits to not-for-profit community and industry organizations.[2] To support the business of agriculture, we focus on food and rural safety.

Our key partners include St. John Ambulance, 4-H, the Canadian Association of Food Banks and Agriculture in the Classroom. We believe that safer workplaces and a greater awareness of food-related issues contribute to the long-term success of Canadian agriculture.

The FCC AgriSpirit Fund enhances rural communities by providing a total of $400,000 in donations to support local capital projects. Last year, 37 projects across Canada, ranging from recreation centres and museums to childcare facilities and emergency services equipment, received financial contributions. This project is continuing in 2006 with 42 new projects.

FCC employees dedicate thousands of volunteer hours to charities across Canada. When employees donate 20 to 40 hours, they are eligible to win $250 to $500 in donations for their charity. In 2005-06, our contributions totalled 2,280 hours benefiting 62 charitable organizations, valued at $33,000 across the country.

When it comes to giving back to our communities, the Employee Matching Program gives even more. FCC donates another 50 cents to registered charities for every dollar employees raise. It's a great way to leverage dollars and encourage our employees to get involved.

Every year, we recognize World Food Day October 16 and work towards heightening awareness and motivating the public to address the struggle against hunger and malnutrition. Last year, Rene Belanger, FCC District Manager, drove a tractor across New Brunswick and Paul Lepage, FCC Account Manager, drove across central Saskatchewan in the second annual FCC Drive Away Hunger tour. There were 20 other FCC activities in support of World Food Day, from our corporate office challenge in Regina, to the efforts of each individual FCC office across Canada.

Environment, health and safety

Tools to help customers manage environmental risk include environmental questionnaires with every loan, site inspections, and environmental assessment reports from qualified consultants. Lending products such as our Enviro-Loan enable customers to improve their operations to meet environmental-friendly practices.

Starting June 2006, FCC will be subject to the *Canadian Environmental Assessment Act*. We've worked with the Canadian Environmental Assessment Agency to develop regulations defining our responsibilities. We amended our environmental assessment policy to incorporate well-balanced environmentally aware business practices into our daily operations.

These practices include small steps such as recycling and making energy efficient and environmentally conscious purchases of light bulbs, paper and office-related supplies.

[2] One per cent is based on a three-year rolling average.

"As my father would say, 'There is no reason for anyone in this world to be hungry.' The Drive Away Hunger tour allows us to make an immediate impact on people in our community."

Rene Belanger, FCC District Manager based in Moncton, New Brunswick.

"An investment by FCC in this project will make a major difference in the quality of life for agricultural producers in the area."

Gary Johnson, Eston town administrator, a recipient of a $20,000 donation towards a new fire truck from the 2004-05 FCC AgriSpirit Fund.

Human rights

At FCC, we respect the rights of the individual and have implemented a human rights policy and code of conduct. Whether it's working with customers, employees or suppliers and others in the agriculture world, we want to do the right thing.

Customers

Focusing on the customer is another key value. We take the time to know our customers and understand their needs. This allows us to tailor a solution right for them – from products to services. It might be a loan. It could be industry-related knowledge such as AgriSuccess training and publications, or AgExpert software. It could be networking with other partners or helping them market their own products.

Last year, to promote and educate the Canadian public on agriculture, food and our customers, we launched CanadianFarmersMarket.com and promoted it to urban Canadians through a national advertising campaign. It's a website where FCC customers can, at no cost, promote their goods directly to gourmet-loving consumers and anyone who appreciates premium products and ingredients. Consumers find recipes, read stories and learn about the food they eat, and buy direct from our customers.

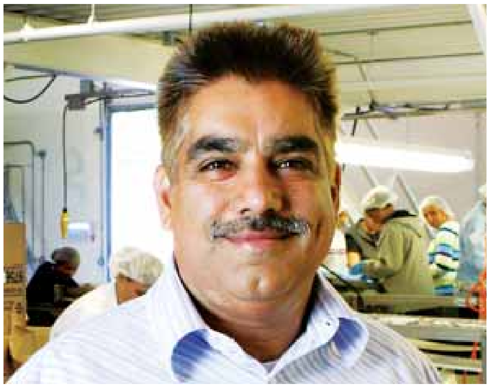
When customers face adversity like flooding, BSE, avian flu, or drought, we are compassionate and look at each situation on a case-by-case basis. We want our customers to succeed and sometimes the answers don't come easy. We'll work around the situation by deferring payments or creating flexible repayment schedules. For Canadian agriculture to succeed, we need our customers to succeed.

We want to make every interaction with our customer an experience where they say, "Wow, that was easy, FCC really cares about my business." That's not just our job, it's our passion.

This past year, FCC helped 15 families through difficult times with the FCC Ag Crisis Fund. When our customers experience natural disasters such as fires, floods or tornados, we're here to help. Whether it's providing meals to volunteers, helping rebuild a farm building, or gift certificates towards purchasing lost household items, FCC cares.

"After a fire devastated our customer's poultry operation, we were able to get them $1,000 from our Ag Crisis fund. They were very emotional when we helped them with this gift. It was a fantastic experience and helped me build trust in a new relationship and show how FCC as a company cares about customers."

Michael Menzi, FCC Account Manager in Listowel, Ontario.



"With CanadianFarmersMarket.com, we're reaching new markets, businesses and possibilities."

Gord Cheema – CanadianFarmersMarket.com customer

B.C.'s Fraser Valley Packers Inc. produce and package fresh and frozen raspberries and blueberries for domestic and international markets as far away as Japan.

Management's Discussion and Analysis

Overview of the MD&A

FCC Management's Discussion & Analysis (MD&A) provides management's perspective on the corporation's performance in fiscal 2005-06 through key performance indicators, an outlook for 2006-07 and risk management activities. The MD&A is presented in six sections:

VISION: VISIONARY LEADERS AND TRUSTED PARTNERS IN FINANCE AND MANAGEMENT SERVICES TAILORED TO AGRICULTURE – LEVERAGING OUR PEOPLE'S SPECIALIZED KNOWLEDGE AND PASSION TO CREATE AN EXTRAORDINARY CUSTOMER EXPERIENCE.

Vision and strategy

In order to fulfill its vision, FCC must achieve financial success. It is important to generate a sufficient rate of return from operations to remain financially self-sustaining, as well as fund growth and strategic initiatives. FCC must also have the capability to withstand the market fluctuations intrinsic to the agriculture industry while continuing to support our customers through all economic cycles. The corporation is also expanding its product offerings, which now extend beyond financial products to business services. These services offer specialized knowledge to our customers. The corporation has a solid financial foundation, ensuring ongoing viability through sound financial and risk management practices.

Corporate measures

The following discussion outlines the key measures used to analyze financial success and performance against strategic objectives:

Portfolio growth: In order to generate a sufficient rate of return we must grow our number one revenue-generating asset, our portfolio. There are a number of factors contributing to our portfolio growth including net disbursements, loan maturities, loan renewals and prepayments. To assess our performance and opportunities we primarily focus on net disbursements, which is the largest contributor to portfolio growth.

Principal Not Due (PND) is the principal balance owing on loans. PND is used to assess the growth between business lines, geographic areas and enterprises as it represents the principal balance, excluding items such as arrears and interest accruals that are included within loans receivable. We also review the performance of our portfolio growth through the change in our market share of total farm debt outstanding.

Credit quality: In conjunction with portfolio growth, we assess the credit quality of the portfolio to determine the amount of allowance for credit losses that is required based on the risks within the portfolio and the industry. Loans in arrears and impaired loans are important indicators of risk within the portfolio. The level of allowance required determines the provision for credit losses, which is the expense charged to the income statement.

Efficiency and cost management: The net interest income remaining after deducting the provision for credit losses must cover administration expenses. We measure cost control performance using the efficiency ratio, which is the percentage of each dollar of net interest income required to cover administration expenses.

Financial results: Key measures used to assess our financial strength and success towards achieving our corporate vision include net interest income, net income, return on equity and debt-to-equity.

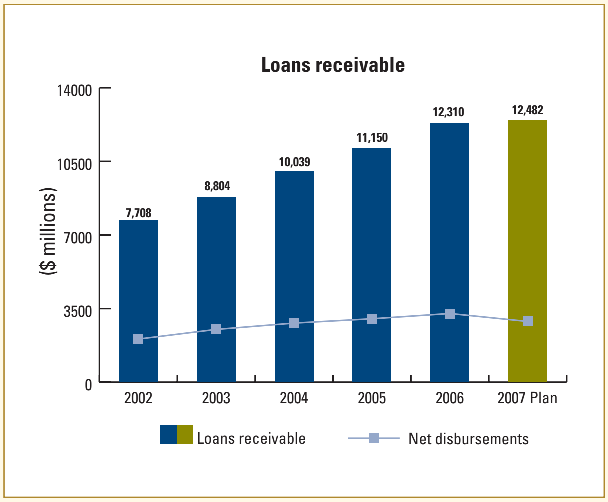
Caution regarding forward-looking statements

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 their nature, assumptions are subject to inherent risks and uncertainties. There is significant risk that actual results may vary, and that the differences may be material. Some factors that could cause such differences include changes in general economic and market conditions, including, but not limited to, interest rates. To manage within this volatility, management routinely reforecasts financial results, as early as the first quarter.

Portfolio growth

Lending activity

FCC's portfolio experienced growth for the 13th consecutive year. The 2005-06 growth rate was 10.4 per cent. Loans receivable grew from $11,150 million in 2004-05 to $12,310 million in 2005-06 and generated $703 million in interest income. The largest contributing factor to the growth in loans receivable was net disbursements of $3,317 million, $250 million higher than the previous year. The prepayment rate was 6.5 per cent of opening loans receivable, 0.1 per cent lower than last year. The portfolio growth was offset somewhat by a lower loan renewal rate. The loan renewal rate was 97.3 per cent in 2005-06, 0.3 per cent lower than 2004-05.



Performance against 2005-06 plan and outlook for 2006-07

The plan for the loans receivable balance in 2005-06 was $11,617 million. Actual results reached $12,310 million, representing an additional $693 million in portfolio growth. This was primarily due to higher net disbursements, a higher renewal rate and a lower prepayment rate than the plan.

The plan for the loans receivable balance in 2006-07 is $12,482 million. The assumptions around the 2006-07 plan were based on a lower loans receivable balance at year end 2005-06. Portfolio growth is also anticipated to slow down due to lower planned net disbursements, a lower renewal rate and an increase in the prepayment rate. A number of issues are negatively affecting the agriculture market and are expected to slow the demand for credit.

	2007 Plan	2006	2006 Plan	2005
Loans receivable ($ millions)	12,482	12,310	11,617	11,150
Net disbursements ($ millions)	2,939	3,317	2,745	3,067
Renewal rate (per cent)	96.0	97.3	96.0	97.6
Prepayment rate (per cent)	7.5	6.5	7.5	6.6

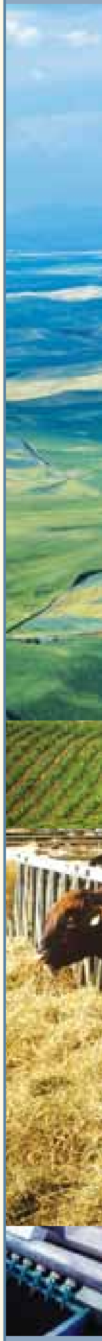
Lines of business

Prior to 2005-06, lending was classified under three business lines: Farm Finance, Agribusiness and Alliances. Under these categories, lending to larger primary producers was classified as Agribusiness. This did not provide clarity regarding loans supporting primary production versus those supporting value-added service providers. In 2005-06, these business lines were redefined and renamed: AgProduction, AgValue and Alliances. AgProduction includes all primary producers regardless of their size. AgValue includes customers who are suppliers and/or processors that are selling to, buying from, and otherwise serving primary producers. There was no impact to the Alliance business line.

AgProduction refers to primary producer customers who have loans with FCC. They run agricultural operations that produce raw commodities such as crops, beef, hogs, poultry, sheep and dairy as well as fruits, vegetables, and alternative livestock. These include but are not limited to vineyards, greenhouses, forestry (cultivation, growing and harvesting of trees), aquaculture (growing of fish, both ocean and land-based) and lifestyle customers.

AgValue refers to agribusiness customers who obtain loans from FCC. It includes customers who are suppliers and/or processors that are selling to, buying from, and otherwise serving primary producers. These include equipment manufacturers, dealers, input providers, wholesalers, marketing firms, sawmills and processors.

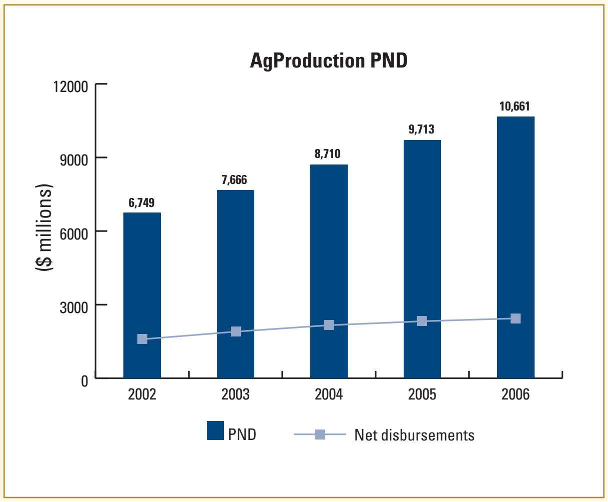
Alliances are relationships established by contract between FCC and other agricultural or financial organizations designed to pool talents and offer expanded customer services.



PND and net disbursements by line of business

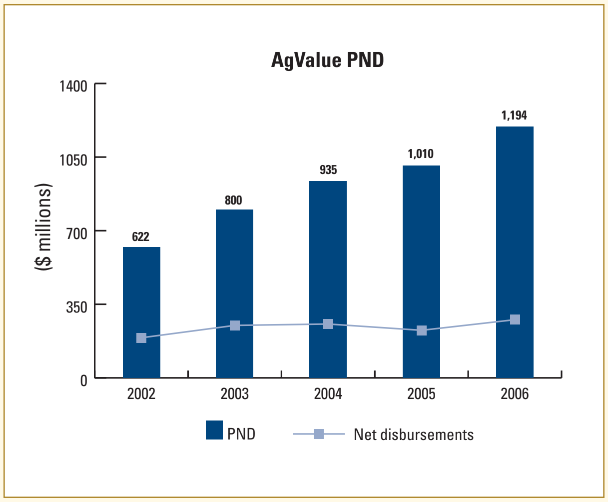
AgProduction

AgProduction PND grew by 9.8 per cent from $9,713 million in 2004-05 to $10,661 million in 2005-06. Net disbursements increased slightly from $2,369 million to $2,485 million in 2005-06. AgProduction net disbursements as a percentage of total net disbursements decreased from 77.2 per cent to 74.9 per cent due to the relative growth in the AgValue and Alliance business lines. The Western, Prairie and Ontario areas experienced increases in AgProduction lending while the Quebec and Atlantic areas experienced decreases. The poultry, beef, dairy and other enterprises contributed to the largest increase in net disbursements for the AgProduction business line.



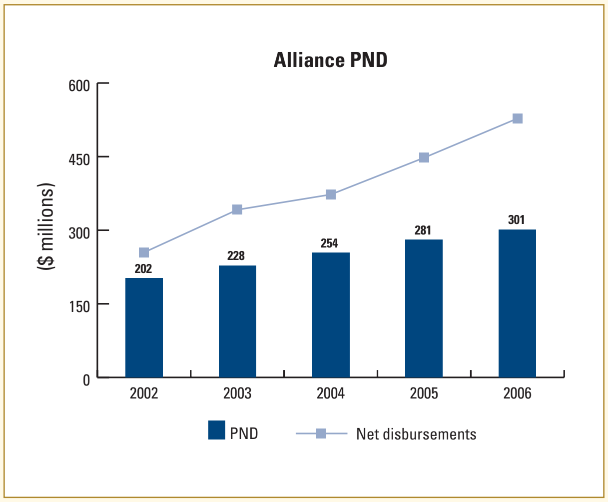
AgValue

AgValue PND grew by 18.2 per cent from $1,010 million in 2004-05 to $1,194 million in 2005-06. Net disbursements were up from $248 million in 2004-05 to $302 million in 2005-06. The Western, Prairie, Ontario and Atlantic areas all had increases in net disbursements. Only Quebec experienced a decrease. The crops and poultry enterprises accounted for the largest increase in net disbursements for the AgValue business line.



Alliances

Alliance PND grew by 7.1 per cent from $281 million in 2004-05 to $301 million in 2005-06. Alliance net disbursements increased by 17.8 per cent from $450 million in 2004-05 to $530 million in 2005-06. Alliance lending largely supports input type loans that tend to be repaid in less than one year. This results in net disbursements exceeding the portfolio balance. The beef and hog enterprises provided the largest increase in Alliance lending. We continue to expand our Alliance partnerships and product offerings to capitalize on the opportunities within the market.

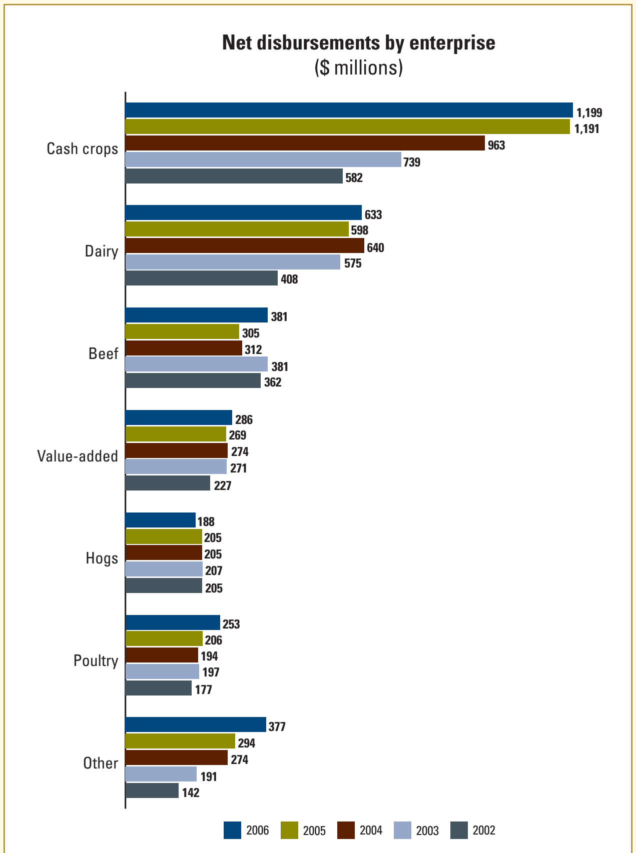


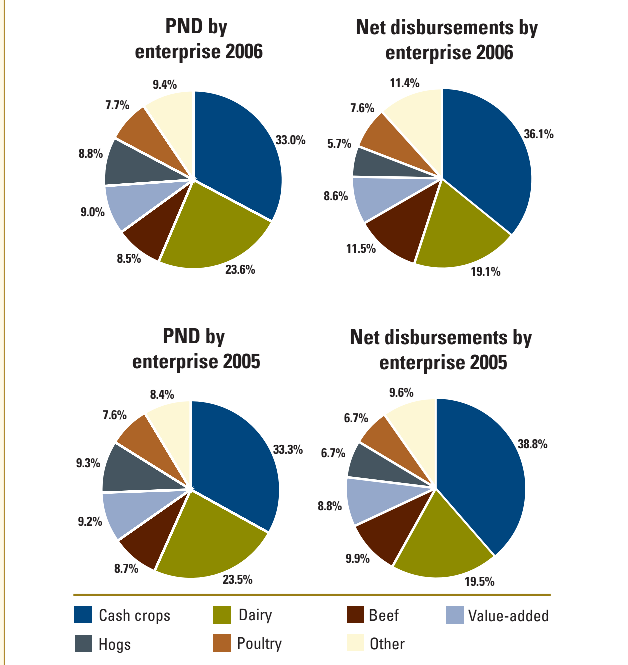
PND and net disbursements by enterprise

FCC lends to all areas of agriculture across Canada and groups them into seven major enterprises. By diversifying our portfolio between these different enterprises, we minimize the impact of enterprise – specific issues and risks.

As a percentage of total net disbursements, the cash crops enterprise decreased by 2.6 per cent, while the beef and other enterprises increased by 1.6 per cent and 1.7 per cent respectively. The largest increases in net disbursements from the prior year were in the beef, poultry and other enterprises with 24.9 per cent, 22.8 per cent and 28.2 per cent respectively. The large increase in lending to the beef enterprise was due to the renewed optimism for these sectors with the reopening of the Canada-U.S. border. The significant growth in the other enterprise was made up, in part, of an increase in net disbursements to individuals whose primary source of income is off-farm.

The total PND of the two major agriculture enterprises within the portfolio, cash crops and dairy, has remained relatively flat year over year at 56.6 per cent in 2005-06 from 56.8 per cent in 2004-05. The total PND in the other category increased from 8.4 per cent in 2004-05 to 9.4 per cent in 2005-06. The largest decrease was in the hog enterprise from 9.3 per cent in 2004-05 to 8.8 per cent in 2005-06.





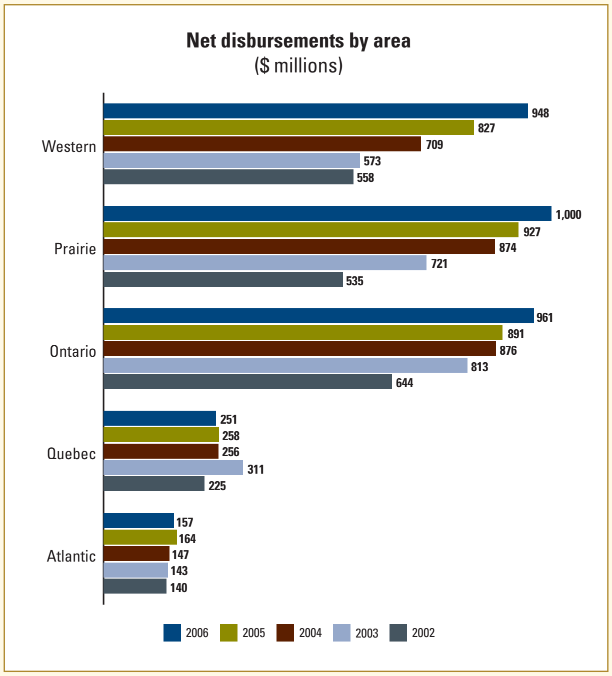
PND and net disbursements by geographic area

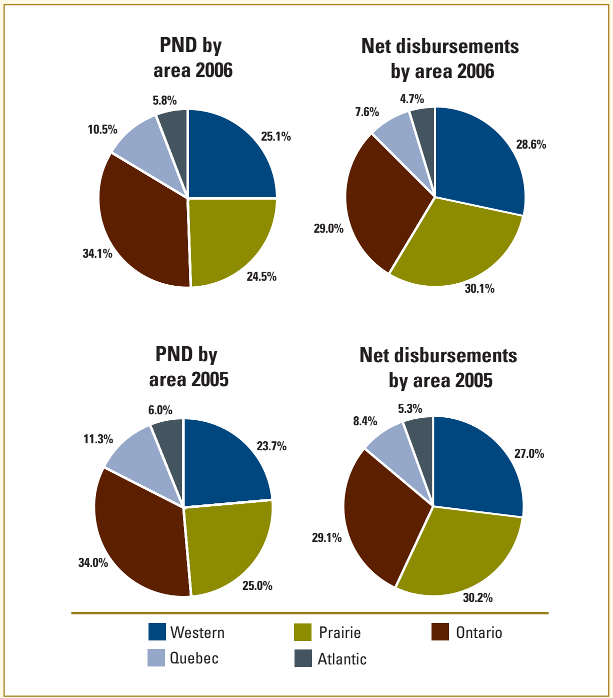
FCC promotes portfolio diversification by geographic area by maintaining a strong and consistent presence throughout rural Canada. We have offices in over 100 rural communities from coast to coast.

All areas across Canada experienced PND growth in 2005-06. The largest PND growth was in the Western, Ontario and Prairie areas, with growth of 17.1, 10.8 and 7.7 per cent respectively. The Quebec sales area experienced the lowest growth at 3.0 per cent due to very low growth in agriculture debt within the province as well as competitive pressures. As a proportion of total PND, the Western area increased from 23.7 per cent in 2004-05 to 25.1 per cent in 2005-06. The Ontario and Atlantic areas remained at similar levels as the prior year, while the Prairie and Quebec sales areas decreased slightly from 25.0 per cent to 24.5 per cent and 11.3 to 10.5 per cent respectively.

Net disbursements increased over the previous year in Western, Prairie and Ontario sales areas and decreased slightly in Quebec and Atlantic Canada. The increase in net disbursements for the Western, Prairie and Ontario areas were $121 million, $73 million and $70 million respectively. The largest increase in the Western and Prairie areas was in the beef enterprise. The largest increase in the Ontario area was in the poultry enterprise.

Net disbursements for the Western area increased as a proportion of total net disbursements from 27.0 per cent in 2004-05 to 28.6 per cent in 2005-06. The Prairie and Ontario areas remained flat relative to the prior year, and the Quebec and Atlantic areas experienced decreases. The Quebec area experienced the largest decrease from 8.4 per cent in 2004-05 to 7.6 per cent in 2005-06.





Market share

FCC's commitment to the Canadian agriculture marketplace is demonstrated not only by growth in its own portfolio but through its improving share of the farm debt market. Statistics Canada indicates that farm debt outstanding increased to $48.9 billion at the end of 2004. This represents an increase of $2.3 billion over the previous year and $9.9 billion over the past five years. FCC's market share as of December 31, 2004 was 20.4 per cent, and was only surpassed by all of the chartered banks combined at 43.3 per cent. FCC is followed by the credit unions at 16.6 per cent, Treasury Branch at 2.9 per cent, private individuals at 7.9 per cent and other at 8.9 per cent. In the past five years, FCC's market share has improved by 3.1 per cent.

Total farm debt outstanding as at December 31 (per cent)

	2004	2003	2002	2001	2000
Chartered banks	43.3	44.4	44.2	45.2	46.4
Farm Credit Canada	20.4	19.1	19.5	18.3	17.3
Credit unions	16.6	16.4	15.7	15.5	14.9
Treasury Branch	2.9	3.2	3.1	3.2	3.1
Private individuals	7.9	7.5	8.7	7.6	7.5
Other	8.9	9.4	8.8	10.2	10.8
Total farm debt outstanding ($ millions)	48,943.9	46,663.7	44,497.1	41,060.0	39,077.8

* All figures back to 2002 have been updated according to Statistics Canada data as of June 2005. Figures are updated on a semi-annual basis for all categories.

Credit quality

The allowance for credit losses adjusts the value of loans receivable to reflect their estimated realizable value. Management uses a number of indicators to assess the appropriate level of allowance for credit losses required, including loans in arrears and impaired loans. In assessing their estimated realizable value, we must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. Changes in circumstances may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses. The allowance for credit losses is broken down into two components:

Specific allowance – provides for probable losses on specific loans that have become impaired. Loans are classified as impaired when, based on management's judgment, there is no longer reasonable assurance of the timely collection of principal and interest.

General allowance – provides for management's best estimate of probable losses that exist in the portfolio and have not yet been specifically identified as impaired. It considers specific events to identify loans that have shown some deterioration in credit quality. The general allowance also represents management's best estimate of the probable unidentified losses in the portfolio. This assessment of probable unidentified losses is supported by a review of recent events and changes in economic conditions, as well as general economic trends, to allow for credit losses within the portfolio that have not yet manifested themselves as observable deterioration in specific loans.

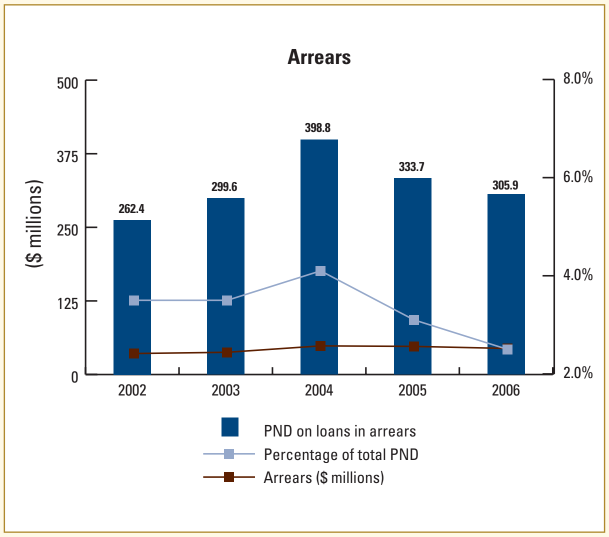
Once the appropriate level of allowance is determined, the necessary amount of provision for credit loss is charged to the income statement to bring the allowance to the desired balance.

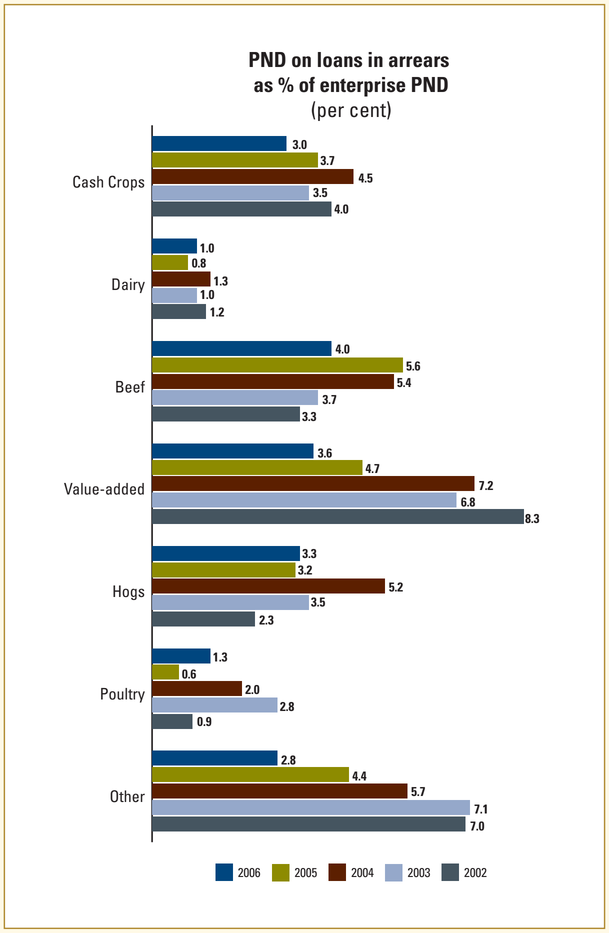
Loans in arrears

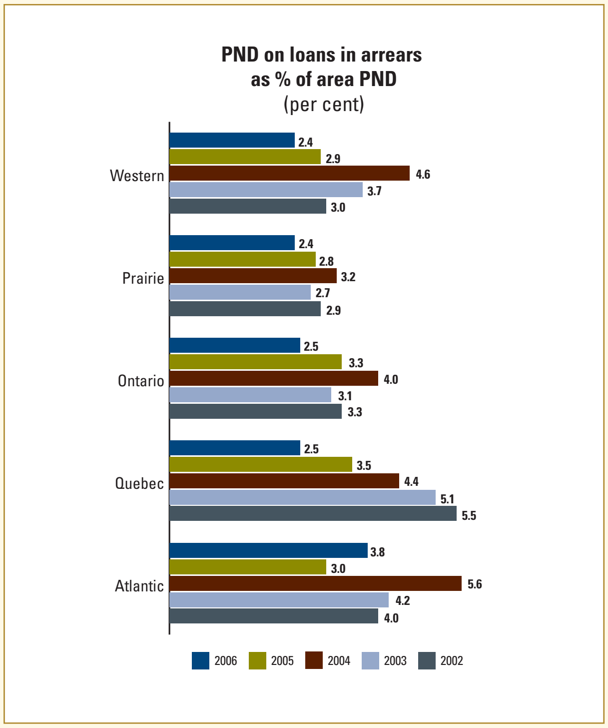
In 2005-06 arrears decreased to $36.4 million from $39.2 million in 2004-05, with PND on loans in arrears decreasing to $305.9 million from $333.7 million. PND on loans in arrears, as a percentage of total PND, decreased 0.6 per cent to 2.5 per cent.

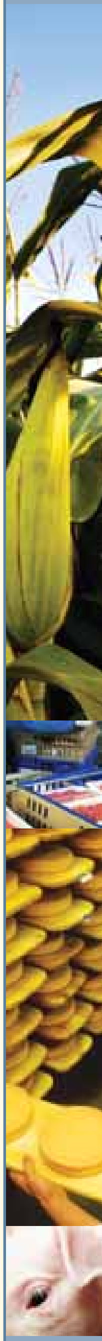
Arrears levels across Canada decreased in all enterprises except for a slight increase in dairy, poultry and hogs. The decrease in arrears reflects improved industry conditions such as the reopening of the Canada/U.S. border to Canadian cattle. Also, the customer support strategies that have been established over the past few years have had positive impacts on overall arrears levels. The number of loans in arrears has decreased substantially, however, this was partially offset by the average principal balance of loans in arrears having increased slightly.

Although arrears and impaired loan levels have decreased from the previous year, there are a number of factors within the agriculture market that have yet to fully impact our portfolio. These include, but are not limited to, flat or negative revenue growth in the agriculture industry and significant increases in production costs. We continue to monitor the portfolio and proactively assist our customers through difficult times.



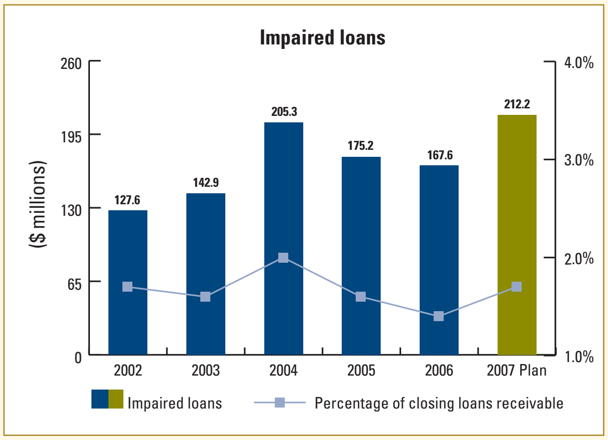






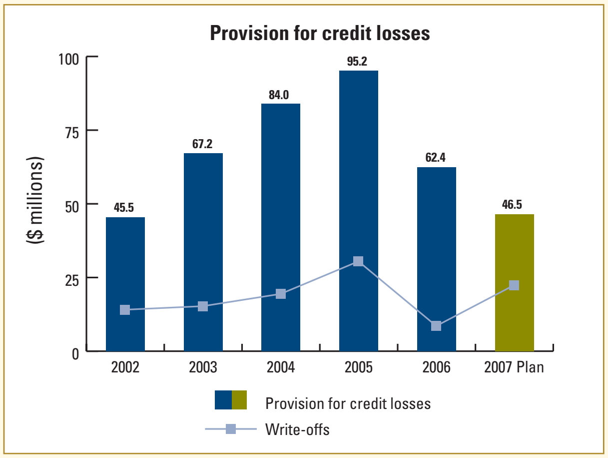
Impaired loans

Impaired loan balances at the end of 2005-06 totaled $167.6 million, representing a decrease of $7.6 million from $175.2 million in 2004-05. Impaired loans as a percentage of closing loans receivable decreased to 1.4 per cent from 1.6 per cent in 2004-05. FCC continually monitors its portfolio and the industry to identify the potential for developing proactive solutions to help customers through difficult times.



Provision for credit losses

The provision for credit losses decreased by $32.8 million from $95.2 million in 2004-05 to $62.4 million in 2005-06, primarily due to a low level of write-offs.



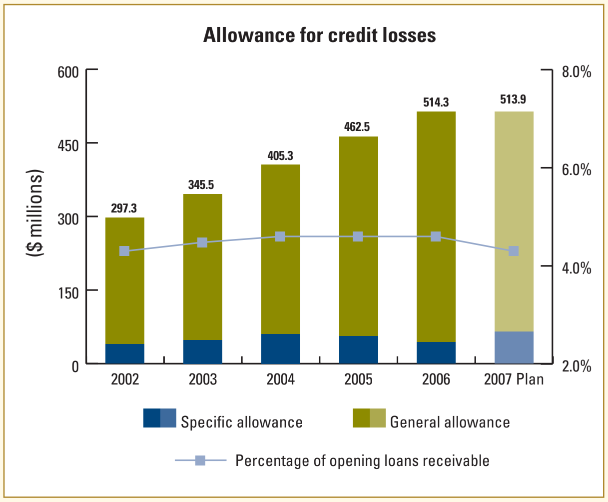
Allowance for credit losses

Due to growth in the portfolio, the allowance for credit losses increased by 11.2 per cent to $514.3 million in 2005-06, from $462.5 million in 2004-05. The allowance as a percentage of opening loans receivable remained constant with the previous year at 4.6 per cent.

Performance against 2005-06 plan and outlook for 2006-07

The arrears balance in 2005-06 was $44.7 million below plan and the impaired loans balance was $82.2 million below plan. Provision for credit losses was $15.8 million below plan reflecting the higher than plan portfolio growth offset by the lower than planned write-offs. However, the allowance for credit losses was $3.2 million ahead of plan due to the larger growth in the loan portfolio in 2005-06 relative to the plan.

The outlook for 2006-07 is a similar level of allowance for credit losses with a shift between the general allowance and the specific allowance due to an anticipated increase in impaired loans.

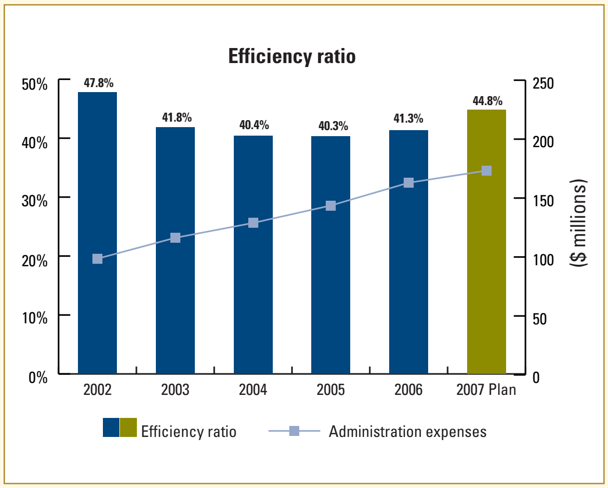


	2007 Plan	2006	2006 Plan	2005
Arrears ($ millions)	87.2	36.4	81.1	39.2
Impaired loans ($ millions)	212.2	167.6	249.8	175.2
Provision for credit losses ($ millions)	46.5	62.4	78.2	95.2
Allowance for credit losses ($ millions)	513.9	514.3	511.1	462.5

Efficiency and cost management

Efficiency ratio

The efficiency ratio measures the percentage of each dollar earned in net interest income that is spent in the operation of the business. A low efficiency ratio indicates an efficient use of resources. In 2005-06 our efficiency ratio increased to 41.3 per cent from 40.3 per cent in 2004-05. Net interest income grew by 10.4 per cent and administration expenses grew by 13.4 per cent resulting in an increase in the efficiency ratio. Personnel expenses, specifically salaries, experienced the highest increase from 2004-05 to 2005-06 mainly due to the addition of 91 full-time equivalent employees to support our continuing portfolio growth and the achievement of our strategic initiatives.



Performance against 2005-06 plan and outlook for 2006-07

Administration expenses were $4.0 million higher than plan in 2005-06, however the efficiency ratio was 1.7 per cent lower. The majority of the increase compared to plan was due to increased salary expenses. The improved efficiency ratio was reflective of the higher actual portfolio growth in 2005-06 versus plan and a more efficient use of resources to support that growth. However, we expect the efficiency ratio to increase for the 2006-07 plan. Increases in administration expenses are necessary for investment in the strategic initiatives and infrastructure to support continued growth and success.

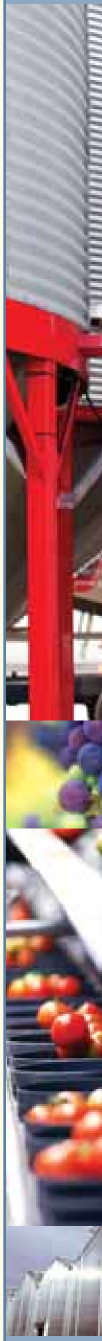
	2007 Plan	2006	2006 Plan	2005
Administration expenses ($ millions)	173.3	163.0	159.0	143.7
Efficiency ratio (per cent)	44.8	41.3	43.0	40.3

Financial results

Net interest income

Net interest income is the difference between the interest earned on assets and interest expense on borrowings. In 2005-06 net interest income increased to $388.4 million, a 10.4 per cent increase over the previous year. The two major factors contributing to the increase are portfolio volume and net interest margin, which is net interest income expressed as a percentage of average assets. In 2005-06 the portfolio grew by $1.2 billion or 10.4 per cent over the previous year, which contributed $30.8 million more in net interest income. The net interest margin of 3.21 per cent is slightly lower than 2004-05 of 3.22 per cent. The increase in margin due to an increase in total capitalization contributed $5.7 million in additional net interest income over 2004-05.

Net interest margin 2006	Average daily balance ($ millions)	Rate (per cent)
Earning assets:		
Fixed loan principal balance	$ 4,076.1	6.70%
Variable loan principal balance	7,518.5	5.50%
Investments	627.5	2.93%
Venture capital investments	31.4	11.10%
Total earning assets	$ 12,253.5	5.78%
Total interest-bearing liabilities	10,741.9	3.13%
Total interest rate spread		2.65%
Impact of total capitalization	$ 1,511.6	0.56%
Net interest margin		3.21%



The net interest margin is intended to cover credit risks expressed through the provision for credit losses and administration expenses, as well as yield a sufficient return to enable the corporation to reinvest into future growth and viability.

The following table outlines the historical year-over-year increases to net interest income and the amount of change that is due to changes in portfolio volume and changes in the net interest margin.

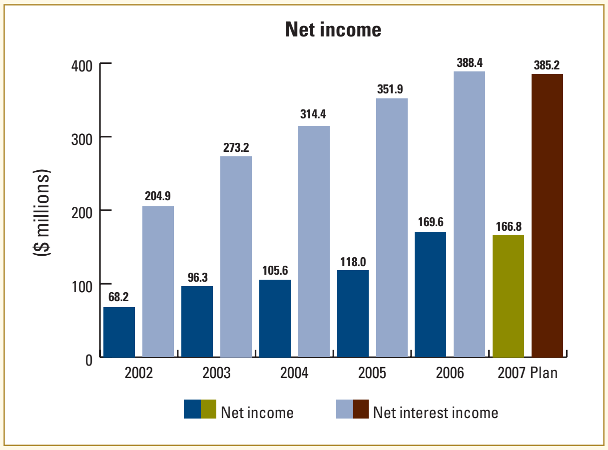
Net interest income and margin

($ millions)	2007 Plan	2006	2005	2004	2003	2002
Interest income	758.6	725.1	627.8	622.1	562.0	548.6
Interest expense	373.4	336.7	275.9	307.7	288.8	343.7
Net interest income	385.2	388.4	351.9	314.4	273.2	204.9
Average total assets	12,677.5	12,100.7	10,940.8	9,739.1	8,563.3	7,562.8
Net interest margin (per cent)	3.04	3.21	3.22	3.23	3.19	2.71
Year-over-year change in net interest income due to:						
Increase in volume	13.1	30.8	31.2	27.6	26.3	14.5
Changes in margin	(16.3)	5.7	6.3	13.6	42.0	24.9
Total change to net interest income	(3.2)	36.5	37.5	41.2	68.3	39.4

Net income

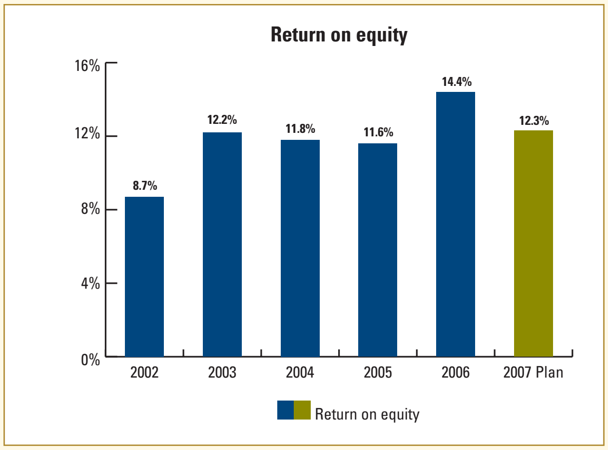
Net income is composed of net interest income plus other income less the provision for credit losses and administration expenses.

Net income in 2005-06 increased to $169.6 million, a 43.7 per cent increase from the previous year. Portfolio growth and a lower provision for credit losses, somewhat offset by an increased efficiency ratio, contributed to the growth in net income. FCC is a self-sustaining entity and therefore we reinvest our earnings back into agriculture through financing portfolio growth, new product development and business services that support the agriculture industry.



Return on equity

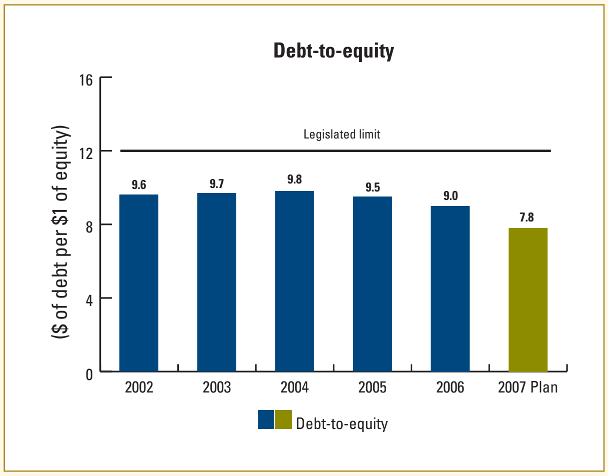
Return on equity is used to evaluate our performance, financial viability and our ability to fund future growth and strategic initiatives. Return on equity increased in 2005-06 to 14.4 per cent from 11.6 per cent in 2004-05. Decreased provision for credit losses and strong portfolio growth, partially offset by an increase in the efficiency ratio, contributed to the increase in return on equity.



Debt-to-equity

Debt-to-equity is the amount of debt the corporation has outstanding in relation to each dollar of equity. It is also a measure of risk as the more a corporation borrows against a single dollar of equity, the greater its risk. FCC's legislated debt-to-equity limit is 12 to 1.

Debt-to-equity decreased from 9.5 to 1 in 2004-05 to 9.0 to 1 in 2005-06. The decrease is due to the growth in net income and retained earnings and a $15 million injection of equity from the Government of Canada, which is being used to expand FCC Ventures investments. When the growth in equity exceeds the portfolio growth the debt-to-equity ratio is reduced due to the reduced requirement for borrowing funds.



Performance against 2005-06 plan and outlook for 2006-07

In 2005-06 net interest income was $27.6 million above plan due to the portfolio growth exceeding plan and higher than planned margin levels. Net income exceeded plan by $36.9 million due to the increase in net interest income and a lower than planned provision for credit losses. The resulting return on equity ratio was 2.9 per cent above plan. Debt-to-equity was 0.3 higher than plan due to the higher than planned portfolio growth levels.

Net interest income is expected to decrease in 2006-07 by $3.2 million from 2005-06 due to a reduction in lending margins. Net income is expected to decrease to $166.8 million in 2006-07 due to increases in administration expenses partially offset by reduced level of provision for credit losses. Return on equity is expected to decrease due to a decreased level of portfolio growth and a planned increase in administration expenses leading to an increase in our efficiency ratio. This is due to investment in the strategic initiatives and infrastructure necessary to support our continued growth and success. As we are expecting a slowdown in growth for 2006-07, the debt-to-equity ratio is expected to drop as our equity will grow at a higher rate than the portfolio, reducing the borrowing requirements per dollar of equity.

	2007 Plan	2006	2006 Plan	2005
Net interest income ($ millions)	385.2	388.4	360.8	351.9
New lending margin (per cent)	2.53	2.60	2.53	2.63
Net interest margin (per cent)	3.04	3.21	3.11	3.22
Net income ($ millions)	166.8	169.6	132.7	118.0
Return on equity (per cent)	12.3	14.4	11.5	11.6
Debt-to-equity ($ of debt per $1 equity)	7.8	9.0	8.7	9.5

Funding activity

FCC raises funds through multiple domestic and international capital market borrowing programs. Short, medium and long-term sources of funds include:

- Domestic Commercial Paper Program;
- Domestic Medium and Long-Term Note (MTN) Program (FCC bonds);
- Euro Commercial Paper Program; and
- Euro Medium-Term Note (EMTN) Program.

Short-term funding

Short-term funding consists of borrowings with a term to maturity of less than one year. This includes the Domestic and Euro Commercial Paper programs as well as MTN and EMTN debt with less than one year to maturity. The outstanding short-term borrowings at March 31, 2006 were $4.4 billion, compared to $2.7 billion at March 31, 2005. The increase in short-term borrowings supports a corresponding increase in variable-rate mortgages in our asset portfolio.

Medium and long-term funding

Medium to long-term funding consists of all borrowings with a term to maturity of more than one year. This includes all MTN and EMTN debt with more than one year to maturity. During 2005-06, FCC borrowed a total of $2.5 billion in medium and long-term funds, down from $2.8 billion in 2004-05. The decrease is due to diminished retail note issuance as a result of the rising interest rate environment and flat yield curve experienced in the later part of the year. FCC had no EMTN issuance in 2005-06, compared to $257.1 million in 2004-05. FCC withdrew from the EMTN market in the fall of 2004 due to uncertainty regarding new European Union regulations, which came into effect July 2005. On February 10, 2006, FCC renewed its EMTN program and anticipates volumes under this program to increase to historical volumes for fiscal 2006-07.

Debt issued by FCC constitutes a direct, unconditional obligation of the Government of Canada. During 2005-06, the corporation's debt ratings were unchanged by Moody's Investors Service and Standard & Poor's. FCC's foreign and domestic debt ratings are detailed below as at March 31, 2006.

	Domestic debt		**Foreign debt**	
	Long-term	Short-term	Long-term	Short-term
Moody's	Aaa	P1	Aaa	P-1
Standard & Poor's	AAA	A-1+	AAA	A-1+

FCC continuously pursues opportunities to diversify funding sources and access cost-effective funds from the capital market. Such initiatives are established pursuant to and in accordance with the Minister of Finance's Guidelines for Market Borrowings by Crown Corporations.

Capitalization

FCC's gross assets are $13,090.6 million, which are supported by equity and allowances of $1,778.1 million. At this level of capitalization, 13.58 per cent (2004-05 – 13.04 per cent) of assets do not require external debt financing.

($ millions)	**2007 Plan**	**2006**	**2005**	**2004**	**2003**	**2002**
Equity:						
Capital	562.7	547.7	532.7	507.7	507.7	507.7
Retained earnings	883.7	716.1	551.8	437.5	331.9	235.6
Subtotal	1,446.4	1,263.8	1,084.5	945.2	839.6	743.3
Allowance for credit losses	513.9	514.3	462.5	405.3	345.5	297.3
Total capitalization	1,960.3	1,778.1	1,547.0	1,350.5	1,185.1	1,040.6
Gross assets not requiring debt financing (per cent)	14.77	13.58	13.04	12.73	12.71	12.73

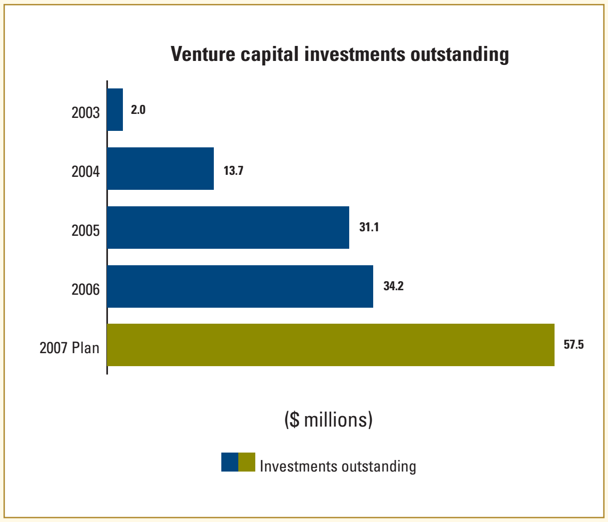
Business services

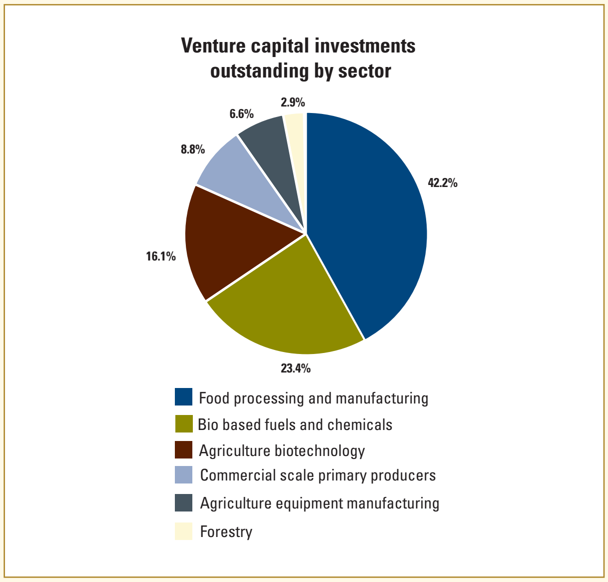
FCC Ventures

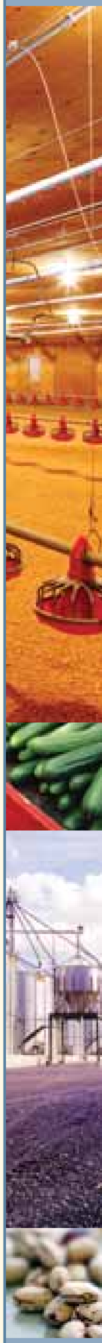
FCC Ventures, Farm Credit Canada's venture capital division, completed its fourth year of operations in fiscal 2006. Over the past four years FCC Ventures, together with its funding partners, has provided over $100 million in funding to the agriculture industry across Canada. During the year FCC Ventures opened two new offices, one in Oakville, Ontario, and the other in Calgary, Alberta. This strengthens FCC Ventures' presence in key regional markets across the country and allows us to work more closely with our customers in executing their business plans.

During the year, the FCC Ventures' portfolio reached $34.2 million with FCC Ventures investing $12.1 million. Our co-investment partners contributed an additional $15.0 million to the Canadian agriculture industry. In addition, FCC Ventures successfully exited four investments during the year, returning $9.0 million of invested capital and creating capital gains of $2.0 million in addition to interest and dividend income.

The largest portion of FCC Ventures' portfolio is in the food processing and manufacturing sector. FCC Ventures continues to support growth in the agriculture market through its investments and by raising awareness of potential investment opportunities within the venture capital and financial markets.







Performance against 2005-06 plan and outlook for 2006-07

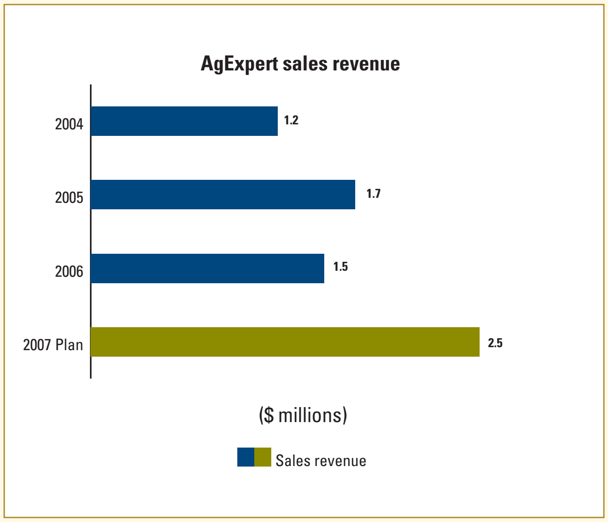
The 2005-06 plan for new venture capital investments was $18.0 million. Actual investments were $12.1 million, $5.8 million below plan. The outstanding portfolio of direct capital invested at the end of 2005-06 was $34.2 million or $11.0 million below plan. The lower than anticipated portfolio balance was primarily due to the four exits that occurred during the year and lower than planned investments for 2005-06.

At March 31, 2006, the ratio of co-investment dollars per FCC Ventures' dollars invested was 1.9 to 1. This is well above the plan of 1.3 but sightly lower than 2004-05 of 2.1. The outlook for 2006-07 is direct capital investments outstanding of $57.5 million.

	2007 Plan	2006	2006 Plan	2005
Direct capital investments outstanding ($ millions)	57.5	34.2	45.2	31.1

AgExpert

AgExpert is Canada's leading publisher of farm management software offering the AgExpert Analyst accounting software and AgExpert Field Manager programs and related support to primary producers. In the past year, FCC continued to enhance AgExpert management software for application across Canadian agriculture and strengthen the connection to the FCC brand. New versions of the accounting software (AgExpert Analyst 2005) and field management software (AgExpert Field Manager Version 5.0) as well as support services generated $1.5 million in gross revenues in 2005-06. This is an 11.8 per cent decrease in software and support sales from the previous year.



Key performance drivers of AgExpert include the product's ongoing relevance to agriculture-specific market requirements, including compliance programs such as the Canadian Agriculture Income Stabilization (CAIS) program and emerging food safety production initiatives. Expanded product usage by key industry influencers and stakeholders will enable market share growth and revenue increases.

Performance against 2005-06 plan and outlook for 2006-07

Software sales were below plan for the past year, however sales are forecasted to increase to $2.5 million in 2006-07. These increases are expected to occur as AgExpert products continue to gain recognition in the marketplace and build on the strength of the FCC brand and distribution network.

	2007 Plan	2006	2006 Plan	2005
Sales revenue ($ millions)	2.5	1.5	2.8	1.7

AgriSuccess

The mandate of AgriSuccess is to advance management practices in Canadian agriculture through the delivery of high quality information and learning. Today's AgProduction and AgValue operators are sophisticated and need more advanced skills to manage their operations.

In 2005-06 the AgriSuccess program offered eight different management workshops in the area of human resource management (recruiting and retaining employees), financial management (management accounting systems and ratio analysis), succession planning, estate planning, vision/goal setting and commodity price risk management. These workshops are instructed by experts, who deliver a high-quality, interactive learning experience.

To build upon this learning experience, AgriSuccess also delivers an intensive multi-day program, Advanced Farm Manager. This course presents all aspects of strategic business planning and is delivered by nationally recognized experts from George Morris Centre and Laval University.

AgriSuccess delivers valuable information through the AgriSuccess Express and AgriSuccess Journal. The Express brings agricultural news electronically to inboxes every week. The Journal was enhanced this year to a 16-page, high-quality bi-monthly magazine, which provides leading edge agricultural management information. Both publications are edited and written by professional agriculture journalists. The Express and Journal are free publications and subscriptions to both are available from our website.

Performance against 2005-06 objectives and outlook for 2006-07

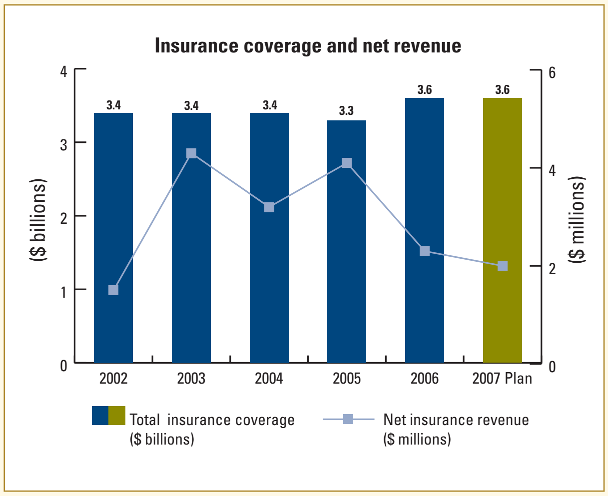
There were 77 workshops delivered across Canada and 12 seminars were held in both official languages. The average attendance at workshop events increased 47 per cent over 2004-05, and 47 more events were held over last fiscal year, due to increase in demand. In total, 3,169 participants attended an AgriSuccess event this past year, 1,169 participants above objective. The intent is for workshop and seminar attendance to be 3,000 in 2006-07. We will be investigating opportunities to advance management practices through other ways beyond workshops and seminars.

The AgriSuccess Journal is distributed to over 14,983 subscribers, 483 subscribers above objective. AgriSuccess Express reaches 17,899 e-mail inboxes each week. Circulation continues to grow and we expect to reach 22,000 in 2006-07.

	2007 Objectives	2006	2006 Objectives	2005
AgriSuccess participants	3,000	3,169	2,000	1,626
AgriSuccess Express distribution	22,000	17,899	16,500	–
AgriSuccess Journal distribution	25,000	14,983	14,500	13,087

AgriAssurances

FCC has been offering group creditor life insurance since 1960, providing protection for our customers, their families and businesses. Enhancements to FCC insurance plans have included provision for additional benefits to customers, such as accidental dismemberment and early payout in the case of diagnosis of terminal illness. Revolving credit insurance was introduced in 2005-06 in order to allow for coverage on Advancer loans, which were not previously insurable. Other life insurance plans offered include: key person, payment protection and level coverage insurance. FCC group creditor insurance plans are underwritten by Sun Life Assurance Company of Canada.

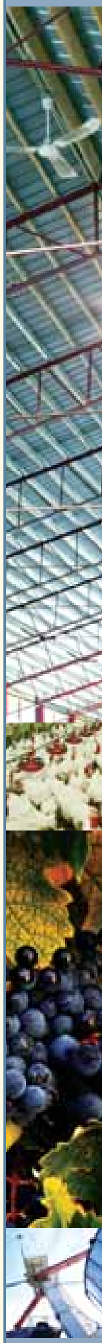


At the end of 2005-06, the program had $3.6 billion of outstanding loans with insurance coverage compared to $3.3 billion at the end of 2004-05. New insurance coverage sold in 2005-06 was $592 million compared to $442 million in 2004-05. Net revenues from AgriAssurances varies from year to year depending on claims paid. Net insurance revenues for 2005-06 was $2.3 million compared to $4.1 million in 2004-05.

Performance against 2005-06 plan and outlook for 2006-07

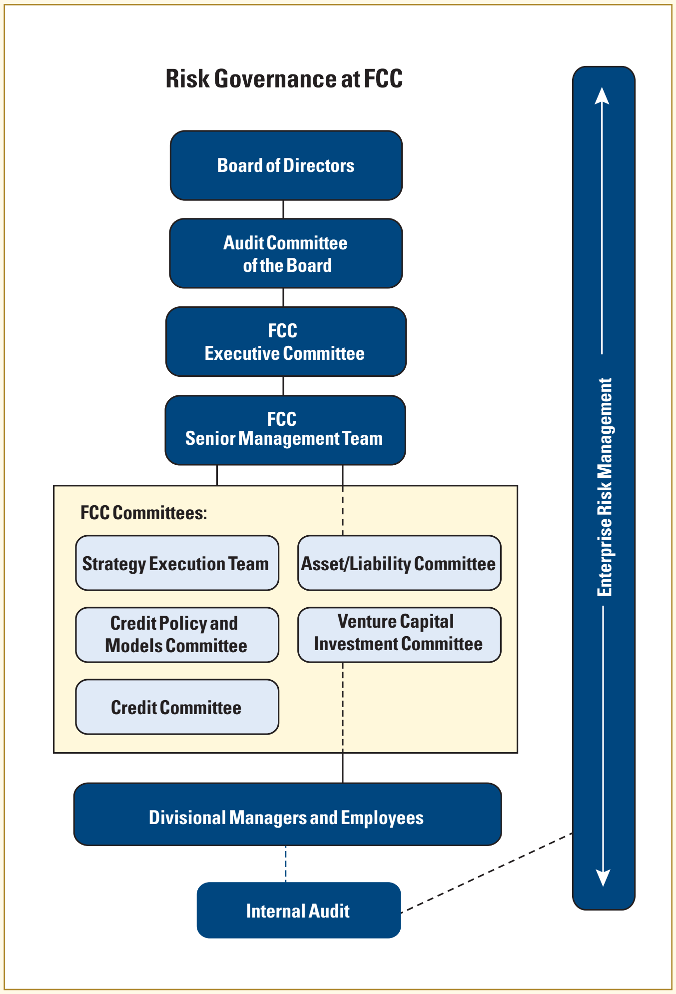
Net revenues from AgriAssurances are quite volatile from year to year depending on claims. Net revenues were $2.3 million in 2005-06, $0.4 million higher than plan. Over the last three years we have experienced below average claim levels. With claims projected at an average historic level, the net insurance revenue for 2006-07 is projected at $2.0 million.

	2007 Plan	2006	2006 Plan	2005
Net insurance revenue ($ millions)	2.0	2.3	1.9	4.1



Enterprise risk management

All of FCC's business activities involve risk. Risk management is key to protecting FCC's customers, business interests and long-term viability. Enterprise Risk Management (ERM) helps us balance our risk-taking activities and risk management practices within the context of executing corporate strategy and achieving our business goals and objectives. ERM creates a common understanding of risk, provides a framework to comprehensively identify risks and risk interdependence, and ensures that our risk-taking activities and risk management practices are appropriate to meet our customers' needs and aligned with our shareholder's expectations.



Risk governance

The Board of Directors is responsible to review management's enterprise risk management policies, control systems and practices that have been put in place to manage key risks identified by management.

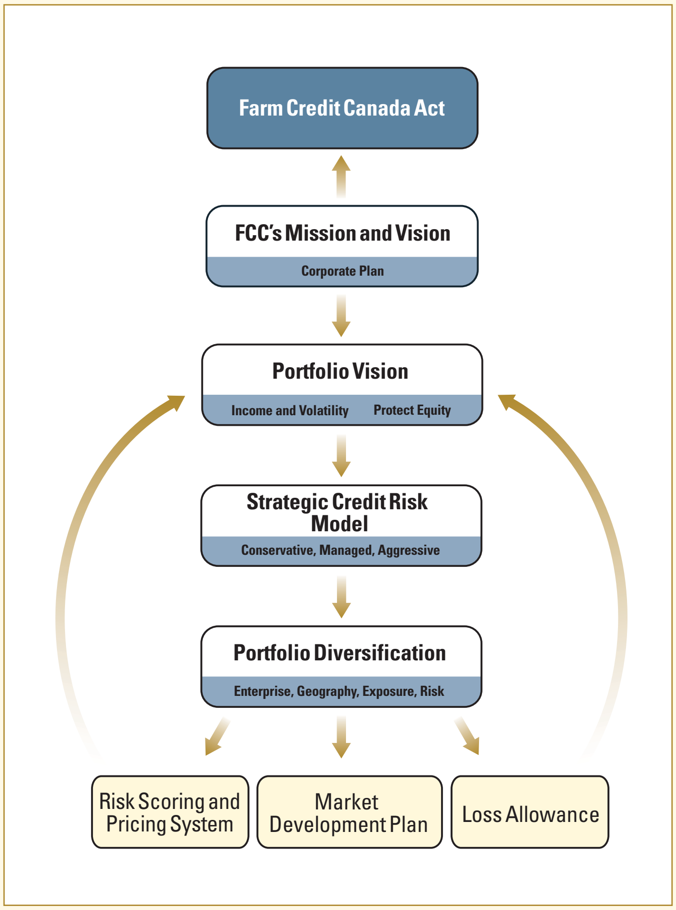
The Audit Committee of the FCC Board of Directors is responsible for ensuring that management has identified key risks and has put in place reasonable policies, control systems and practices to manage these risks. The Audit Committee receives semi-annual reports from management outlining the levels and trends in major risk areas and corresponding risk management measures implemented, to provide assurance that FCC is effectively managing risk.

The Executive Committee (EC) sets the tone for ERM at FCC and is accountable for championing a culture that supports effective risk management, strategic decision-making, including risk/reward decisions, compensation alignment and prioritization. Additionally, EC reports to the Board on risks with potentially high impact to the corporation as they arise.

The Senior Management Team (SMT) participates in enterprise-wide discussion of risks and ranks them according to the extent of their impact and likelihood. SMT is accountable to develop risk management action plans and to report against these risks.

Strategy Execution Team (SET) is responsible for the ongoing monitoring and execution of the corporate workplan, to enable the achievement of FCC's strategic objectives. SET prioritizes and sequences corporate projects to ensure alignment with the FCC strategy and optimum use of our financial and human resources.

The **Asset/Liability Committee** is responsible for the establishment and maintenance of market risk policies and procedures, and ensuring sufficient integration with corporate strategic and financial planning.



The **Credit Policy and Models Committee** oversees the development of credit policies and the enhancement of credit risk models and scorecards to support and maintain FCC's desired credit culture. The committee works to ensure that these portfolio risk tools reflect FCC's credit risk tolerance, industry best practices and compliance with federal, provincial and regional laws and regulations.

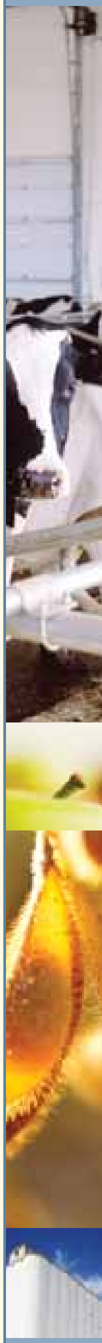
The **Credit Committee** reviews and makes lending decisions on loan applications from customers with total exposure in excess of $10 million for established operations and in excess of $5 million for start-up operations.

The **Venture Capital Investment Committee** adjudicates all venture capital investment recommendations and reviews the performance of the existing investment portfolio.

Internal Audit provides independent assurance to FCC management and the Audit Committee on the effectiveness of FCC's risk management, internal control and governance processes.

The **Enterprise Risk Management** department offers a comprehensive view of risk across the organization and works with the Strategy and Corporate Project Management Office to ensure that ERM is incorporated in the strategic planning process. The ERM function facilitates the assessment and ranking of significant risks identified by FCC management and supports business units in developing actions to address ongoing business risks, while enhancing FCC's ability to capitalize on developing opportunities. ERM reports semi-annually to the Audit Committee with respect to the highest-ranked risks.

FCC's ERM Framework sets out the major categories of risk to which we are exposed: credit risk, market risk, liquidity risk and operational risk.



Credit risk management

Credit risk is the potential for financial loss due to the failure of a borrower or other counterparty to repay a loan or meet its financial obligations to FCC. Credit risk is the most significant area of risk for FCC.

In order to fulfil our mission to enhance rural Canada by providing business and financial solutions to farm families and agribusiness, and to meet our governing objective of remaining financially self-sustaining in order to grow our support for agriculture and customers, a balance must be maintained between net income (profitability) and risk (volatility of net income). This relationship is explained in our portfolio vision statement:

> FCC'S VISION FOR THE LOAN PORTFOLIO IS HAVING IT PERFORM AT A LEVEL SUFFICIENT TO CREATE THE DESIRED LEVEL OF NET INCOME WITHIN AN ACCEPTABLE RANGE OF VOLATILITY. THE DESIRED NET INCOME WILL SUPPORT GROWTH OF THE PORTFOLIO TO ACHIEVE FCC'S MISSION IN A GROWING AGRICULTURE ECONOMY.

The Portfolio Management division assesses credit risk at the aggregate level, providing risk assessment tools and models to quantify credit risk and default loss allowances. They also monitor the agriculture and agri-food operating environments to ensure FCC lending policies, activities and pricing are appropriate and relevant.

The following tools or systems are used to manage credit risk of the portfolio. Annually, numeric targets associated with many of these tools are set to assist in achieving the portfolio vision statement. Significant research, modelling, validation and interpretation support the targets for each tool:

Strategic Credit Risk Model (SCRM) measures the risk in the portfolio first by totalling individual loans or transaction risk, then overlaying risks for concentrations of loans by lines of business, enterprises, geographical areas and customer exposure. There are three possible score ranges, each corresponding to a credit risk strategy:

- Conservative (maximizes portfolio quality)
- Managed (balances portfolio quality and growth)
- Aggressive (maximizes growth)

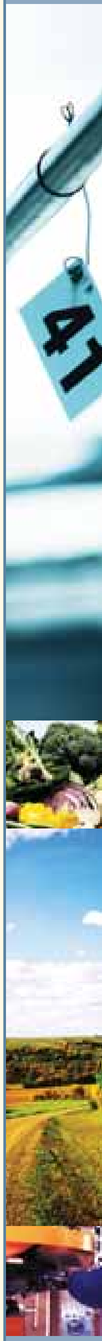
FCC targets the managed range, and in 2005-06 the SCRM indicated a managed level of overall strategic credit risk.

These results show consistent credit risk exposure over the past five years, indicating that credit risk has been managed successfully.

Portfolio Diversification Plan is a process that determines the five-year optimal portfolio composition through a balance of profitability and risk. It considers projected growth in Canadian agriculture debt, risk-adjusted and cost-adjusted returns by sector and FCC growth trends. The Portfolio Diversification Plan identifies target ranges and adjustment options for each of the following:

- diversification across sectors, geographical areas and business lines;
- market share by sector and geographical area;
- large customer exposure limits and approval authorities for large exposure customers; and
- maximum target market share for minor, niche market sectors.

FCC is currently within the target ranges, and is planning for growth in each sector.



Risk Scoring and Pricing System is a behavioural scorecard used as FCC's risk rating system. It is also used to suggest interest rates for individual loans and ensures the cost of funds, risk, operating cost and planned profit are recovered.

The **Market Development Plan** operationalizes the Portfolio Diversification Plan, presenting the rationale, objective and strategy for each of FCC's business lines. The strategy component presents the relative priority of market development efforts in retention, expansion or acquisition for each business line in the upcoming year.

Loan Loss Allowance models the losses due to credit risk within the loan portfolio. The Specific Allowance Loan Loss model identifies non-performing loans. The General Allowance Loan Loss model identifies loans that are still performing but have characteristics that indicate deterioration in credit-worthiness. In addition, the model considers recent events and changes in economic conditions that may have created deterioration in credit quality for many loans, but have not yet exhibited deterioration in credit quality. For both of these groups of loans, the models consider security position to estimate the appropriate amount of loss allowance. Recording such losses protects FCC's equity and reduces the stated loans receivable on FCC's balance sheet.

The Credit Policy department is responsible for the management of FCC credit policies, and makes recommendations to the Credit Policy and Models Committee to ensure an appropriate balance between risk mitigation and effective procedures. Credit Policy reviews, enhances and clarifies credit policies, communicates policy changes to staff and provides policy training and ongoing interpretation of policy in relation to general and specific lending situations.

Operations staff is responsible for managing credit risk on the loans in their portfolio. Lending authority is granted on the basis of credit training and demonstrated competence, and credit decisions are made at an authority level appropriate to the size and risk of each loan. Operations monitors customer and loan performance throughout the life of the loan through ongoing account management as well as the account review process.

The Credit Risk division manages credit risk for larger loans as well as loans with a higher risk rating. Credit Risk staff are responsible for delegation of authorities, credit training and coaching, and credit authorization including Credit Committee recommendations. Valuation staff research land sales, maintain benchmark data on land values, and appraise the value of FCC security with particular emphasis on specialized enterprises and agribusinesses. Special Credit staff manage and resolve higher risk accounts experiencing challenges.

Market risk management

Market risk is the potential for loss to FCC as a result of adverse changes in underlying market factors, including interest rates and credit risk associated with derivative counterparties.

FCC has market risk policies and limits to ensure exposures to interest rate, foreign exchange and derivative counterparty credit risks are identified, measured, managed and reported on a timely basis. Market risk policies are regularly reviewed by the Asset/Liability Committee (ALCO) and are approved by the Board of Directors. Throughout the fiscal year, FCC was within all market risk policy limits. The Treasury division is responsible for implementing market risk management directives and reports regularly to ALCO and to the Board of Directors on its activities and asset/liability positions.

The Treasury division is responsible for managing funding operations, as well as mitigating associated risks such as liquidity risk, interest rate volatility, foreign exchange risk, basis risk, prepayment risk, commitment risk and credit risk related to derivative instruments. In managing its operations, the Treasury division uses sound policies, processes and core systems consistent with industry best practices and Department of Finance guidelines. Interest rate risk is effectively managed through hedging and pricing strategies. FCC's policy is to eliminate foreign exchange risk. To accomplish this, all foreign currency borrowings are fully hedged at the time of issuance, unless the foreign currency denominated debt is used specifically to finance a like currency asset.

Interest rate risk

Interest rate risk is the potential for adverse impacts on FCC's earnings and economic value due to changes in interest rates. FCC is exposed to interest rate risk primarily from interest rate mismatches and embedded options. Interest rate mismatches between assets, liabilities and off-balance sheet instruments occur because of different maturity, renewal and/or re-pricing dates. Embedded options exist on loans that have principal deferral options, prepayment features and interest rate guarantees on mortgage commitments.

Exposure to interest rate risk is monitored primarily using an asset/liability model. Various scenarios are produced on a monthly basis to analyze the sensitivity of income and market values to changes in interest rates and balance sheet assumptions. The asset/liability model is back-tested to ensure that the logic and the assumptions used in the model are reasonable when compared to actual results.

The asset/liability model simulates changes in net interest income and the market value of portfolio equity for parallel and non-parallel changes in the Government of Canada yield curve. Given FCC's financial position at March 31, 2006, an immediate and sustained two per cent change in the yield curve (across all maturities) would affect net interest income and the market value of portfolio equity as follows:

	2% increase	2% decrease
	($ millions)	
Net interest income variability	+8.2	-9.4
Market value of portfolio equity variability	-72.3	+68.4

Derivatives

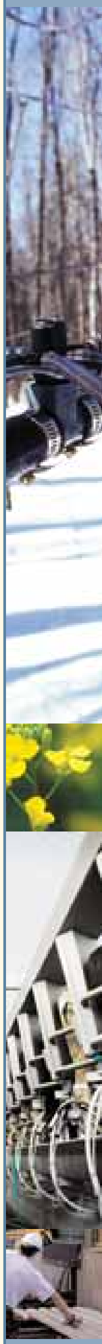
FCC uses derivatives to hedge interest rate and foreign currency risk. No derivatives are entered into for speculative purposes. Derivative instruments may be used to hedge exposures to foreign exchange risk, basis risk, the options embedded in FCC's loan products, and the mismatches in the maturities and interest rate characteristics of FCC's assets and liabilities. In addition, in the normal course of financing the operations of FCC, derivative instruments may be used in combination with a debt instrument to synthetically create floating or fixed rate debt. Such transactions alter the cash flows and risk profile of the assets and liabilities to ensure interest rate risk and foreign exchange risk are managed within Board-approved limits and Department of Finance borrowing limits.

Credit risk arises from the potential for a counterparty of a derivative contract to default on its contractual obligation to FCC. FCC is not exposed to credit risk for the full notional amount of the derivative contracts, but only to the potential replacement cost if the counterparty defaults. To mitigate this risk, FCC transacts derivatives only with counterparties of high credit quality, as determined by the published ratings of external credit rating agencies. Furthermore, standard credit mitigation, via netting arrangements provided in the master ISDA (International Swap and Derivatives Association) documentation, provide for the simultaneous close-out and netting of positions with a counterparty in the event of a default. Credit Support Annex documentation is also in place with most of FCC's counterparties. These agreements are addendums to existing ISDA documentation and provide FCC with collateral in the event that the counterparty credit exposure exceeds an agreed threshold.

Liquidity risk management

Liquidity risk is the potential for financial loss if FCC cannot meet a demand for cash or fund its obligations at a reasonable cost as they come due.

FCC measures, forecasts and manages cash flow as an integral part of liquidity management. The corporation's objective is to maintain sufficient funds to meet customer and business operational requirements.



FCC maintains liquidity through:

- a liquid investment portfolio – Cash and marketable securities equal to $668.7 million were on hand at March 31, 2006 (March 31, 2005 – $586.8 million). ALCO and the Board of Directors have established an investment policy that sets minimum credit ratings for short and long-term marketable securities and limits the size and composition of the total investment portfolio;
- access to commercial paper markets – FCC's domestic and Euro commercial paper programs provide the corporation with sufficient liquidity to meet daily cash requirements; and
- access to a $10 million bank operating line of credit and a $50 million revolving credit facility.

Operational risk management

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events that are not related to credit, market or liquidity risks.

Managers are responsible for daily management of operational risk, while Executive Committee and the Senior Management Team are responsible for managing enterprise-wide operational risk. All FCC staff are responsible to comply with corporate policies and procedures.

The Strategy Execution Team (SET) monitors the execution of the corporate work plan and prioritizes and sequences corporate projects to ensure alignment with the FCC strategy and optimum use of FCC's financial and human resources.

The FCC General Counsel and Chief Privacy Officer is responsible for managing risks associated with changes in legislation, litigation involving FCC, and privacy of customer and employee information.

Administration is responsible for managing risks associated with physical facilities, employee safety and security, insurance policies, emergency preparedness and many aspects of business continuity planning.

The Information Technology division is responsible for managing risks related to computer systems, data integrity, disaster recovery and data services.

The Enterprise Risk Management department assists functional and senior managers in identifying operational risks, facilitates an annual evaluation of the likelihood and potential impact of these risks, co-ordinates the business continuity management program and prepares semi-annual progress reports for FCC's senior management and the Audit Committee.

Future accounting changes

Financial Instruments

The Canadian Institute of Chartered Accountants has issued three new accounting standards which will become effective for the corporation beginning April 1, 2007:

Section 1530 – Comprehensive Income
Section 3855 – Financial Instruments, recognition and measurement
Section 3865 – Hedges

These new guidelines are being implemented for the purpose of establishing a standard framework for the recognition and measurement of financial assets, financial liabilities, and derivative financial instruments. We are currently evaluating the impact of adopting these standards and preparing for implementation. Further details on these guidelines can be found in note 2 to the corporation's March 31, 2006 financial statements.

Farm Credit Canada

Management's Responsibility for Financial Statements

The accompanying financial statements of Farm Credit Canada and all information in this annual report are the responsibility of the corporation's management and have been reviewed and approved by the Board of Directors. The financial statements include some amounts, such as the allowance for credit losses, the provision for employee future benefits, and the fair value for financial instruments, that are necessarily based on management's best estimates and judgment.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

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

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

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

John J. Ryan
President and
Chief Executive Officer

Moyez Somani, FCMA
Executive Vice-President and
Chief Financial Officer

Regina, Canada
May 12, 2006

Auditor General of Canada
Vérificatrice générale du Canada

Auditor's Report

To the Minister of Agriculture and Agri-Food

I have audited the balance sheet of Farm Credit Canada as at March 31, 2006 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

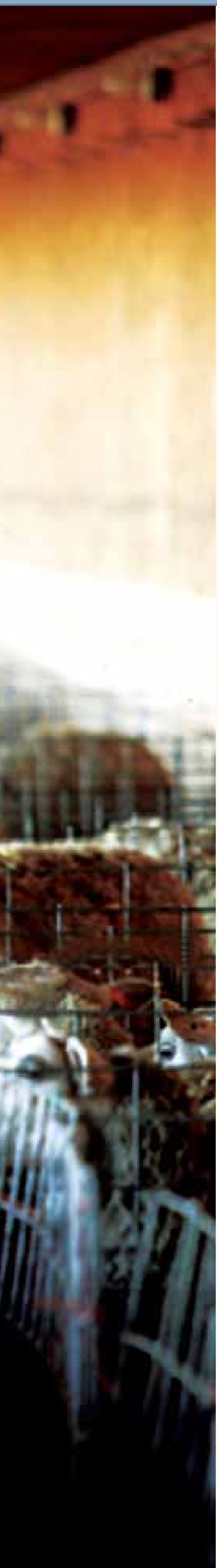
In my opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Farm Credit Canada Act* and the bylaws of the corporation.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
May 12, 2006



Balance Sheet

As at March 31 ($ thousands)

	2006	2005
Assets		
Cash and cash equivalents	$ 297,870	$ 318,062
Temporary investments (Note 3)	370,830	268,743
Accounts receivable	25,905	43,231
Derivative-related assets (Note 12)	13,339	23,866
	707,944	653,902
Loans receivable – net (Notes 4 and 5)	11,795,919	10,687,450
Venture capital investments (Note 6)	34,202	31,128
	11,830,121	10,718,578
Real estate acquired in settlement of loans	1,159	521
Equipment and leasehold improvements (Note 7)	28,986	28,343
Other assets	8,139	3,649
	38,284	32,513
Total Assets	$ 12,576,349	$ 11,404,993
Liabilities		
Accounts payable and accrued liabilities	$ 33,796	$ 29,756
Accrued interest on borrowings	88,267	77,167
	122,063	106,923
Borrowings (Note 8)		
Short-term debt	4,406,728	2,729,907
Long-term debt	6,637,962	7,373,823
	11,044,690	10,103,730
Other liabilities (Note 9)	29,443	21,458
Derivative-related long-term liabilities (Note 12)	116,290	88,333
	145,733	109,791
	11,312,486	10,320,444
Shareholder's Equity		
Capital (Note 1)	547,725	532,725
Retained earnings	716,138	551,824
	1,263,863	1,084,549
Total Liabilities and Shareholder's Equity	$ 12,576,349	$ 11,404,993

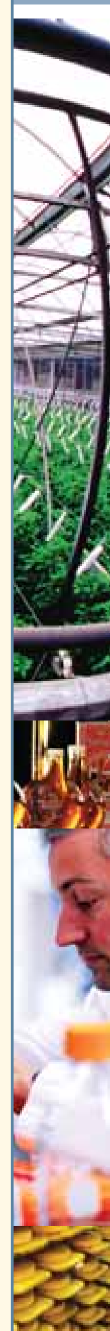
Guarantees, commitments and contingent liabilities (Note 14).
The accompanying notes are an integral part of the financial statements.

Approved:

Rosemary Davis

Rosemary Davis,
Chair, Board of Directors

Marie-Andrée Mallette,
Chair, Audit Committee



Statement of Operations and Retained Earnings

For the year ended March 31 ($ thousands)

	2006	2005
Interest Income		
Loans receivable	$ 703,218	$ 613,131
Investments	21,889	14,713
	725,107	627,844
Interest expense		
Short-term debt	112,604	54,131
Long-term debt	224,078	221,816
Total interest expense	336,682	275,947
Net Interest Income	388,425	351,897
Provision for credit losses (Note 5)	62,399	95,150
Net Interest Income after Provision for Credit Losses	326,026	256,747
Other income	6,599	4,962
Income before administration expenses	332,625	261,709
Administration expenses (Note 10)	163,001	143,705
Net Income	169,624	118,004
Retained earnings, beginning of year	551,824	437,499
Dividends paid (Note 1)	(5,310)	(3,679)
Retained Earnings, end of year	$ 716,138	$ 551,824

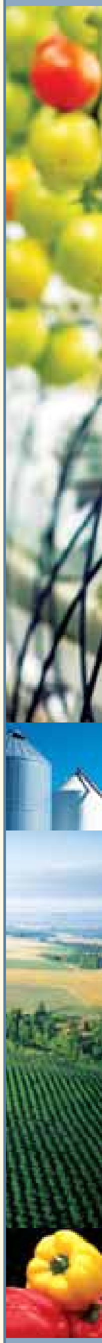
The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows

For the year ended March 31 (thousands of dollars)

	2006	2005
Operating Activities		
Net income	$ 169,624	$ 118,004
Items not involving cash and cash equivalents:		
Provision for credit losses	62,399	95,150
Gain on sale of venture capital investments	(2,018)	–
Amortization of bond premiums/discounts	14,579	18,933
Change in accrued interest receivable	(12,534)	(522)
Change in accrued interest payable	11,100	8,071
Change in derivative-related assets	10,527	(5,976)
Change in derivative-related liabilities	27,957	84,398
Amortization of equipment and leasehold improvements	10,522	9,337
Change in foreign exchange on long term debt	(30,379)	(82,475)
Other	(2,410)	9,166
Cash provided by operating activities	259,367	254,086
Investing Activities		
Loans receivable disbursed	(3,800,565)	(3,508,900)
Loans receivable repaid	2,644,401	2,361,752
Change in temporary investments	(102,087)	60,080
Venture capital investments purchased	(12,150)	(17,300)
Proceeds on disposal of venture capital investments	11,195	–
Purchase of equipment and leasehold improvements	(11,165)	(7,797)
Other	(638)	3,190
Cash used in investing activities	(1,271,009)	(1,108,975)
Financing Activities		
Long-term debt from capital markets	2,544,983	2,765,523
Long-term debt repaid to capital markets	(3,265,044)	(2,392,616)
Dividend paid	(5,310)	(3,679)
Capital contribution	40,000	–
Change in short-term debt	1,676,821	654,314
Cash provided by financing activities	991,450	1,023,542
Change in cash and cash equivalents	(20,192)	168,653
Cash and cash equivalents, beginning of year	318,062	149,409
Cash and cash equivalents, end of year	$ 297,870	$ 318,062
Supplemental Information		
Cash interest paid during the year	$ 325,583	$ 267,876

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



NOTES TO FINANCIAL STATEMENTS

1. The corporation

Authority and objectives

Farm Credit Canada (the corporation) was established in 1959 by the *Farm Credit Act* as the successor to the Canadian Farm Loan Board and is an agent Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The corporation is wholly owned by the Government of Canada and is not subject to the requirements of the *Income Tax Act*.

On April 2, 1993, the *Farm Credit Corporation Act* was proclaimed into law and replaced the *Farm Credit Act* and the *Farm Syndicates Credit Act*, both of which were repealed. The Act continues the corporation with its corporate office in Regina, Saskatchewan, under an expanded mandate that includes broader lending and administrative powers.

On June 14, 2001, the *Farm Credit Corporation Act* received Royal Assent, which updated the *Farm Credit Corporation Act*. This new act continues the corporation as Farm Credit Canada and allows the corporation to offer producers and agribusiness operators a broader range of services.

The corporation's role is to enhance rural Canada by providing business and financial solutions for farm families and agribusiness. Additionally, the corporation may deliver specific programs for the Government of Canada on a cost-recovery basis.

Capital

Capital of the corporation consists of capital contributions made by the Government of Canada net of the March 31, 1998 reallocation of $660.6 million to eliminate the corporation's accumulated deficit.

As of March 31, 2006, capital payments received or receivable from the Government of Canada amounted to $1,208.3 million (2005 – $1,193.3 million). The statutory limit for that same period was $1,250.0 million (2005 – $1,250.0 million).

In 2005, the Government of Canada agreed to provide the corporation with additional capital contributions of $75 million over the next five years. To date, the corporation has received $40 million in additional capital contributions which have been recorded on the balance sheet as at March 31, 2006 (2005 – $25 million). The remaining $35 million in capital contributions are expected to be received by the corporation over the next three years.

Dividend

On December 7, 2005, the corporation's Board of Directors declared a dividend in the amount of $5.3 million, to the corporation's shareholder, the Government of Canada, which was paid March 10, 2006 (2005 – $3.7 million).

Limits on borrowing

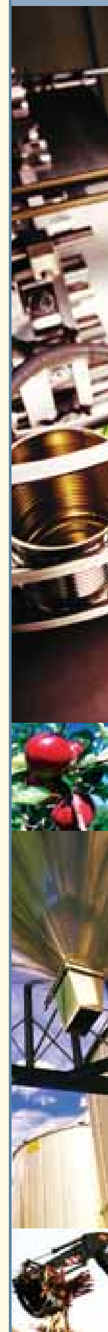
The *Farm Credit Corporation Act* restricts the total direct and contingent liabilities of the corporation to 12 times its equity. This limit can be increased to 15 times its equity with the prior approval of the Governor-in-Council.

At March 31, 2006, the corporation's total liabilities were 9.0 times the equity of $1,263.8 (2005 – 9.6 times the equity of $1,084.5 million).

2. Significant accounting policies

The corporation's financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from these estimates. The more significant areas requiring the use of management estimates are the determination of the allowance for credit losses, the provision for employee future benefits and the fair value for financial instruments.



The significant accounting policies used in the preparation of these financial statements are summarized below in the following pages.

Cash and cash equivalents

Cash and cash equivalents are comprised of bank account balances net of outstanding cheques and short-term highly liquid investments that are readily convertible to cash with a maturity date of 90 days or less from the date of acquisition.

Temporary investments

Temporary investments are defined as investments with maturity dates between 91 and 365 days from the date of acquisition. They are acquired primarily for liquidity purposes and are intended to be held to maturity. Temporary investments are carried at cost; however, where there has been a significant and other than temporary decline in market value, temporary investments are written down to market value. Interest income, amortization of premiums and discounts, gains and losses on disposal, and write-downs to market value are included in investment income.

Loans receivable

Loans receivable are stated net of the allowance for credit losses and deferred loan fees.

Loans are classified as impaired when, in management's opinion, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. In addition, any loan where a payment is 90 days past due is classified as impaired unless the loan is fully secured. When a loan is classified as impaired, the carrying amount is reduced to its estimated realizable amount through an adjustment to the allowance for credit losses. Changes in the estimated realizable amount arising subsequent to initial impairment are also adjusted through the allowance for credit losses.

Interest income is recorded on an accrual basis until such time as a loan is classified as impaired. All payments received on an impaired loan are credited against the recorded investment in the loan. The loan reverts to accrual status when all provisions for credit losses are reversed and, in management's opinion, the ultimate collection of principal and interest is reasonably assured.

Loan fees

Fees relating to loan origination, including commitment, restructuring and renegotiation fees, are considered an integral part of the return earned on the loans and are deferred as unearned income and amortized to interest income over the average loan term. In addition, certain incremental direct costs for originating the loans are reclassified from administration expenses and netted against the related fees. Loan prepayment fees are recognized in interest income when received.

Allowance for credit losses

The allowance for credit losses represents management's best estimate of the probable credit losses in the loan portfolio. The allowance is determined based on management's identification and evaluation of problem accounts, estimated probable credit losses that exist on the remaining portfolio and on other factors including the composition and quality of the portfolio and changes in economic conditions. As a single industry lender, the corporation is particularly subject to adverse economic trends and other risks and uncertainties affecting agricultural regions and sectors. Accordingly, management also considers the impact of specific factors, such as land value trends, federal and provincial government support programs, commodity prices and climatic conditions.

In determining the allowance for credit losses, management segregates probable credit losses into two components: specific and general.

Based on a loan-by-loan review, the specific allowance is established to value impaired loans at the lower of the recorded investment or the estimated realizable amount of the underlying security. Estimated realizable amounts are determined as the fair value of the underlying security of the loans, taking into account the estimated time and costs required to realize the security.

The general allowance represents an estimate of probable credit losses in those loans in the portfolio that have shown deterioration in credit quality, but do not meet the criteria that would require a specific allowance to be established. A model is used to determine the probable credit losses for such loans. The model considers specific factors that indicate deterioration in credit quality to identify probable credit losses on a loan-by-loan basis. The amount of the allowance is calculated based on the application of expected loan default rates to the estimated loss amounts for the loans identified. These factors are based on the corporation's historic loan loss experience and are adjusted to reflect current conditions.

The general allowance also represents management's best estimate of the probable unidentified credit losses in the portfolio. This assessment of probable unidentified credit losses is supported by a review of recent events and changes in economic conditions, as well as general economic trends, to allow for probable credit losses within the portfolio that have not yet manifested themselves as observable deterioration in specific loans. This allowance also covers model and estimation risks and does not represent future credit losses or serve as a substitute for other allowances.

Where a portion of a loan is written off and the remaining balance is restructured, the new loan is carried on an accrual basis when, in management's opinion, there is no longer any reasonable doubt regarding the collectability of principal and interest, and payments are not 90 days past due.

The allowance is increased by provisions for credit losses and reduced by loan write-offs net of recoveries.

The allowance for credit losses is an accounting estimate based on historic loan loss experience and an assessment of current conditions. Events may occur that render the underlying assumptions invalid and thus cause actual credit losses to vary significantly from management's estimate.

Real estate acquired in settlement of loans

Property acquired from customers to satisfy loan commitments is classified as held for sale and recorded at fair value, less cost to sell. Fair value less cost to sell is the amount that could be realized in an arm's length disposition, considering the estimated time required to realize the security, the estimated costs of realization and any amounts legally required to be paid to the borrower.

Net operating costs incurred on real property held for sale are included as a component of other income. Recoveries arising from the disposal of real property held for sale are recognized when title to the property passes to the purchaser. The carrying value of real property held for sale is also adjusted to reflect significant decreases in the estimated fair value subsequent to acquisition. These recoveries and adjustments are included as a component of other income.

Venture capital investments

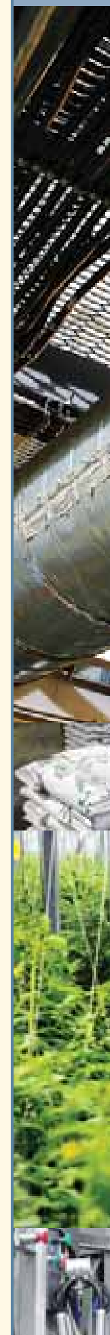
Venture capital investments where the corporation does not have significant influence are recorded at cost. Interest on debt and dividends on preferred shares are accrued when receivable. Dividends on common shares are included in income when declared. Investments over which the corporation has significant influence are recorded using the equity method. Under this method, the pro rata share of post-acquisition earnings is included in income for the period. Dividends received or receivable reduce the carrying value of the investment.

Gains or losses on disposal are recognized in income when realized. Where there has been a significant and other than temporary decline in value, the investment is written down to recognize the loss.

Equipment and leasehold improvements

Equipment and leasehold improvements are recorded at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the equipment and leasehold improvements using the following methods and terms:

	Methods	Terms
Office equipment and furniture	Declining balance	20% per annum
Computer equipment and software	Straight-line	3 and 5 years
Leasehold improvements	Straight-line	Lease term



Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are converted into Canadian dollars at rates prevailing on the balance sheet date. Income and expenses are translated at the monthly average exchange rates prevailing throughout the year. Exchange gains and losses are included in net income for the year as a component of interest income or interest expense.

Long-term debt

The difference between the ultimate amounts payable at the initial exchange rates if the long-term debt is denominated in a foreign currency, and the cash proceeds of debt issues, are amortized on a straight-line basis and applied to interest expense over the lives of the obligations.

Derivative financial instruments

Market risk is the risk of loss due to an exposure to changes in foreign exchange rates or interest rates. Derivative financial instruments, which are used to manage this risk, create rights and obligations that have the effect of transferring between the parties to the instrument one or more of the financial risks inherent in an underlying primary financial instrument. The corporation manages its exposure to market risk using limits approved by the Board of Directors. These limits are based on guidelines established by the Department of Finance. The corporation does not use derivative financial instruments for speculative purposes.

The corporation formally assesses and documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions, to ensure the relationships qualify for hedge accounting. This process includes linking all derivatives to specific assets, liabilities or cash flows. The corporation also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Derivatives that qualify for hedge accounting are accounted for under the accrual method rather than at fair value. Under the accrual method, gains and losses on interest rate or equity-linked swap contracts are recognized when amounts become receivable or payable under the contract. Gains and losses on foreign currency exchange contracts are recognized to the extent required to offset the gain or loss arising on the translation of the foreign currency denominated monetary asset or liability. All gains and losses on derivatives are recognized in the same period and in the same income statement category to which the underlying hedged item relates. Amounts receivable or payable under interest rate swap or equity-linked swap contracts and unrealized gains and losses on foreign currency exchange contracts are included as a component of the derivative-related assets and liabilities, respectively.

Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an effective hedge or if the derivative is terminated or sold. If hedge accounting is terminated, the difference between the fair value and the accrued value of the derivative upon termination is deferred as a component of the derivative-related assets or liabilities and recognized into income or expense on the same basis as gains, losses, revenues and expenses of the previously hedged item are recognized in income or expense.

Premiums received or paid for derivative financial instruments are deferred and amortized over the life of the underlying instrument as an adjustment to interest expense. Unamortized balances of premiums received or paid are included as a component of the derivative-related assets and liabilities, respectively.

Employee future benefits

The corporation sponsors three defined benefit pension plans and a defined contribution pension plan. All plans require employees to make contributions and are available to employees immediately upon receiving permanent employee status. The defined benefit pension plans provide pension based on years of service, contributions and average earnings prior to retirement.

On termination of employment, employees are entitled to non-pension post-retirement benefits provided for under their terms of employment. The corporation also provides health care benefits to employees on long-term disability.

The accrued benefit obligation for pension and non-pension post-retirement benefits is actuarially determined using the projected benefit method prorated on service that incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors.

For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

Actuarial gains or losses arise from the difference between actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligations. The excess of the net accumulated actuarial gain or loss over 10 per cent of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. According to actuarial estimates, the average remaining service period for active employees covered by the defined benefit pension plans is 10 years (2005 – 15 years). The average remaining service period to expected retirement age is 16 years (2005 – 13 years) for active employees expected to receive benefits under the post-retirement non-pension benefit plan and 11 years (2005 – 7 years) for active employees covered by the post-employment benefit plan.

Past service costs, arising from plan amendments, are amortized over the average remaining service period of active employees when the amendment is recognized.

Consolidation of variable interest entities

Effective April 1, 2005, the corporation prospectively adopted a new accounting guideline issued by the Canadian Institute of Chartered Accountants (CICA) called Accounting Guideline 15 – Consolidation of Variable Interest Entities (VIEs), which requires consolidation of VIEs that are subject to control on a basis other than ownership of voting interests. The guideline also requires disclosure for VIEs that are not consolidated but in which the entity has a significant variable interest.

An entity is a VIE when, by design, one or both of the following conditions exist: (a) the equity invested is considered insufficient to finance the entities' activities without additional subordinated financial support from others; or (b) where, as a group, the holders of the equity investment at risk lack the characteristics of a controlling financial interest. The VIE guideline also exempts certain entities from its scope. The new rules require the corporation to consolidate any VIE where the corporation is the primary beneficiary. The primary beneficiary is the enterprise that absorbs or receives the majority of the VIE's expected losses, expected residual returns, or both.

The corporation has assessed the impact of the new standard, and in particular, whether any of its venture capital investments may be considered a VIE, and if so, whether the corporation may be required to consolidate or disclose the VIE in its financial statements. The corporation has determined that it does not have any significant relationships with VIEs which would require it to consolidate or disclose the VIE in its financial statements as at March 31, 2006.

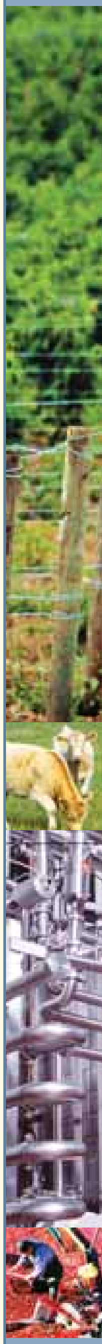
Future changes in accounting policies

Financial instruments

In January 2005, the CICA issued three new accounting standards: Financial Instruments – Recognition and Measurement, Hedges, and Comprehensive Income. The new standards are to be applied prospectively and are effective for the corporation's fiscal year beginning on April 1, 2007.

The new standards will require the corporation to classify each of its financial assets as held-to-maturity, loans and receivables, held-for-trading, or available-for-sale. Held-to-maturity will be restricted to financial assets with a fixed term to maturity that the corporation intends and is able to hold to maturity. Financial assets held-to-maturity and loans and receivables will be accounted for at amortized cost. Financial assets classified as held-for-trading will be accounted for at fair value with realized and unrealized gains and losses reported in income. Financial assets classified as available-for-sale will be accounted for at fair value with unrealized gains and losses being reported in a new category in shareholder's equity called Other Comprehensive Income (OCI).

Financial liabilities will be classified as other or held-for-trading. Financial liabilities held-for-trading will be accounted for at fair value with realized and unrealized gains and losses reported in income. Financial liabilities classified as other will be accounted for at amortized cost.



Derivative financial instruments will be classified as held-for-trading unless designated as hedging instruments. All derivatives, including embedded derivatives, will be measured at fair value. For derivatives that hedge the changes in fair value of an asset or liability, changes in the derivative's fair value will be reported in net income and offset by changes in the fair value of the hedged asset or liability attributable to the risk being hedged. For derivatives that hedge variability in cash flows, the effective portion of changes in the derivatives' fair value will be initially recognized in OCI. These will subsequently be reclassified to net income in the periods net income is affected by the variability in the cash flows of the hedged item.

The corporation is currently assessing the impact of the new standards and preparing for implementation.

3. Temporary investments

($ thousands except %)	2006	2005
Issued or guaranteed by Canada	$ 64,745	$ 23,926
Yield	3.52%	2.46%
Other institutions	306,085	244,817
Yield	3.57%	2.60%
	$ 370,830	$ 268,743

Other institutions consist of short-term instruments issued by institutions with credit ratings of R-1M or higher by Dominion Bond Rating Service (2005 – R-1M or higher). As at March 31, 2006, the largest total investment in any one institution was $65.0 million (2005 – $60.0 million).

4. Loans receivable – net

The following table summarizes the contractual maturity and effective interest rates of the performing loans receivable at March 31, 2006. The yields are computed on a weighted average basis by amount and term. Floating rate loans are linked to the bank prime rate and re-price with changes in the rate.

	2006				2005
($ thousands except %)	Under 1 year	1 to 5 years	Over 5 years	Total	Total
Floating	$ 464,866	$ 6,415,350	$ 603,726	$ 7,483,942	$ 6,953,857
Yield	6.36%	6.35%	6.38%	6.36%	5.11%
Fixed	733,189	3,160,256	772,270	4,665,715	4,030,039
Yield	7.06%	6.41%	6.98%	6.61%	6.95%
Performing loans	$ 1,198,055	$ 9,575,606	$ 1,375,996	12,149,657	10,983,896
Impaired loans				167,559	175,220
Deferred loan fees				(6,997)	(9,166)
Loans receivable – gross				12,310,219	11,149,950
Less: allowance for credit losses				(514,300)	(462,500)
Loans receivable – net				$ 11,795,919	$ 10,687,450

Management estimates that annually, over the next three years, approximately 7.4% (2005 – approximately 7.5%) of the current principal balance will be prepaid before the contractual due date.

As at March 31, 2006, $54.4 million (2005 – $76.5 million) of loans receivable were denominated in a foreign currency (USD). These loans are fully hedged at time of issuance.

Concentration of credit risk

Concentrations of credit risk may arise from exposures to groups of debtors having similar characteristics such that their ability to meet their obligations may be affected similarly by changes in economic or other conditions. To manage this risk, the corporation maintains a portfolio vision defining an acceptable portfolio composition considering risk by business line, enterprise and geographic area. The portfolio vision is approved by the Board of Directors and at March 31, 2006 all concentrations are consistent with the approved vision. The concentrations of performing loans and impaired loans by business line, enterprise and geographic area are displayed in the following tables:

Performing Loans

Enterprise distribution

($ thousands)	AgProduction	AgValue	Alliances	2006	2005
Cash Crops	$ 3,853,377	$ 55,754	$ 97,839	$ 4,006,970	$ 3,663,209
Dairy	2,840,263	14,927	17,053	2,872,243	2,579,947
Beef	878,303	3,899	145,542	1,027,744	955,506
Value-added	88,289	1,005,775	3,198	1,097,262	1,011,292
Hogs	1,022,654	15,888	24,499	1,063,041	1,018,630
Poultry	900,237	28,984	6,444	935,665	838,103
Other	1,118,493	20,375	7,864	1,146,732	917,209
Performing loans	$ 10,701,616	$ 1,145,602	$ 302,439	$ 12,149,657	$ 10,983,896

Geographic distribution

($ thousands)	AgProduction	AgValue	Alliances	2006	2005
Western	$ 2,645,542	$ 245,338	$ 92,385	$ 2,983,265	$ 2,527,636
Prairie	2,718,600	180,106	113,247	3,011,953	2,785,536
Ontario	3,764,836	273,653	83,405	4,121,894	3,724,293
Quebec	1,011,962	296,246	11,787	1,319,995	1,281,576
Atlantic	560,676	150,259	1,615	712,550	664,855
Performing loans	$ 10,701,616	$ 1,145,602	$ 302,439	$ 12,149,657	$ 10,983,896

Impaired Loans

Enterprise distribution

($ thousands)	AgProduction	AgValue	Alliances	2006	2005
Cash Crops	$ 61,127	$ 680	$ 168	$ 61,975	$ 58,233
Dairy	3,426	–	–	3,426	3,049
Beef	19,169	–	1,320	20,489	29,944
Value-added	6,499	38,080	–	44,579	41,458
Hogs	14,086	–	21	14,107	17,893
Poultry	2,602	–	–	2,602	1,597
Other	17,031	3,336	14	20,381	23,046
Impaired loans	123,940	42,096	1,523	167,559	175,220
Less specific allowance (Note 5)	31,930	10,736	1,028	43,694	55,795
Net impaired loans	$ 92,010	$ 31,360	$ 495	$ 123,865	$ 119,425

Geographic distribution

($ thousands)	AgProduction	AgValue	Alliances	2006	2005
Western	$ 21,756	$ 6,072	$ 72	$ 27,900	$ 39,852
Prairie	37,411	11,148	102	48,661	49,281
Ontario	28,992	10,267	881	40,140	41,564
Quebec	21,915	7,094	59	29,068	27,257
Atlantic	13,866	7,515	409	21,790	17,266
Impaired loans	123,940	42,096	1,523	167,559	175,220
Less specific allowance (Note 5)	31,930	10,736	1,028	43,694	55,795
Net impaired loans	$ 92,010	$ 31,360	$ 495	$ 123,865	$ 119,425

5. Allowance for credit losses

($ thousands)	2006	2005
Balance, beginning of year	$ 462,500	$ 405,339
Write-offs, net of recoveries (a)	(10,599)	(37,989)
Provision for credit losses	62,399	95,150
Balance, end of year	$ 514,300	$ 462,500
Specific allowance	$ 43,694	$ 55,795
General allowance	470,606	406,705
Balance, end of year	$ 514,300	$ 462,500

(a) The total amount of restructured loans that were written off (recovered) during the year was $(373) thousand (2005 – $2,032 thousand).

6. Venture capital investments

The corporation's portfolio of venture capital investments is focused on providing financing to small and medium sized companies in the agriculture industry. As at March 31, 2006, the corporation does not have significant influence in the companies. All investments are accounted for at cost. The concentrations of venture capital investments are listed below.

($ thousands)	2006	2005
Food processing and manufacturing	$ 14,450	$ 5,800
Bio-based fuels and chemicals	8,000	7,000
Agriculture biotechnology	5,500	9,500
Commercial scale primary producers	3,000	4,500
Agriculture equipment manufacturing	2,252	2,328
Forestry	1,000	–
Other agriculture	–	2,000
	$ 34,202	$ 31,128

Investments are intended to be held for three to seven years through a variety of instruments. Carrying value by type of investment is as follows:

($ thousands)	2006	2005
Common shares	$ 11,250	$ 8,000
Preferred shares	–	3,500
Debt	22,952	19,628
	$ 34,202	$ 31,128

The total amount of fees, interest and dividends recognized in income for venture capital investments during the year was $4.1 million (2005 – $2.6 million). Venture capital investments with a carrying value of $9.2 million (2005 – nil) were sold for proceeds of $11.2 million (2005 – nil) creating a total gain of $2 million (2005 – nil). There were no write-downs in the carrying value of the corporation's common share, preferred share, or debt investments (2005 – nil).

The corporation has loans receivable and guarantees of loans receivable from venture capital investees in the amount of $40.7 million (2005 – $24.6 million) that are in addition to the above investments.

7. Equipment and leasehold improvements

($ thousands)	2006 Cost	2006 Accumulated amortization	2006 Net book value	2005 Net book value
Office equipment and furniture	$ 14,030	$ 8,647	$ 5,383	$ 5,556
Computer equipment and software	44,773	28,685	16,088	15,286
Leasehold improvements	17,006	9,491	7,515	7,501
	$ 75,809	$ 46,823	$ 28,986	$ 28,343

Amortization of equipment and leasehold improvements of $10.5 million (2005 – $9.3 million) is included in administration expenses.

8. Borrowings

The corporation's borrowings are undertaken with the approval of the Minister of Finance. The borrowings are direct obligations of the corporation and thus constitute borrowings undertaken on behalf of Her Majesty in Right of Canada and carry the full faith and credit of the Government of Canada.

Short-term debt

Short-term debt consists of promissory notes payable within one year totalling $4,406.7 million (2005 – $2,729.9 million). The effective interest rate on these notes ranges from 2.76% to 4.45% (2005 – 1.96% to 2.84%) with an average yield to maturity of 3.72% (2005 – 2.49%) and an average coupon rate of 3.63% (2005 – 2.49%). Amounts denominated in foreign currencies have been translated into Canadian dollars at rates prevailing at the balance sheet date.

On December 10, 2005, the corporation renewed a revolving credit facility providing access to funds in the amount of $50 million. This facility has a one-year term and indebtedness under this agreement is unsecured. As at March 31, 2006, there were no draws on this facility.

The corporation also has a demand operating line of credit which provides overdraft protection in the amount of $10 million. Indebtedness under this agreement is unsecured and this credit facility does not expire. Any draws made throughout the year on this facility are reversed the next day. As at March 31, 2006, there was no outstanding balance (2005 – $3.8 million).

Long-term debt

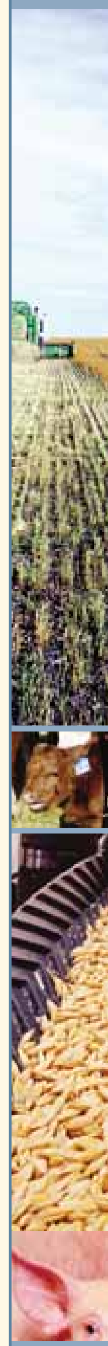
($ thousands)	2006	2005
Debt from capital markets, secured by notes payable in:		
Canadian dollars	$ 6,054,756	$ 6,475,797
United States dollars ($224.0 million)	261,766	289,286
Japanese yen (¥32.4 billion)	321,440	593,040
Debt from capital markets, secured by notes payable in Canadian dollars with interest payments linked to:		
The Euro Top 100 Index	–	15,700
	$ 6,637,962	$ 7,373,823

Debt with index-linked interest payments does not provide periodic interest payments but, upon maturity, provides the purchaser with a single payment based on the change in the underlying equity or bond index. The corporation has entered into swap agreements that offset all index-linked interest payments in exchange for periodic payments calculated at an agreed-upon interest rate.

Debt payments denominated in foreign currency have been fully swapped into Canadian dollars.

Long-term debt maturities based on final maturity date are as follows:

($ thousands)	2006	2005
Amounts due:		
Within 1 year	$ 1,277,180	$ 1,693,235
From 1 – 2 years	1,102,981	1,124,471
From 2 – 3 years	569,442	883,542
From 3 – 4 years	219,977	535,819
From 4 – 5 years	565,833	262,702
Over 5 years	2,902,549	2,874,054
	$ 6,637,962	$ 7,373,823



Structured Notes

FCC has entered into a number of structured notes as part of its funding program. Structured notes are hybrid securities that combine fixed income products with derivative financial instruments.

Structured notes outstanding, included in long-term debt, are as follows:

($ thousands)	2006	2005
Extendible notes	$ 1,345,465	$ 1,624,770
Targeted redemption notes	520,950	160,750
Floating rate notes	503,536	647,744
Callable notes	159,830	304,375
Range notes	111,500	97,500
Amortizing notes	89,665	113,418
Index linked notes	69,246	115,426
Dual currency notes	43,638	106,415
Fixed-rate notes	22,000	150,000
Other	16,000	16,000
	$ 2,881,830	$ 3,336,398

The redemption of these debt instruments is controllable by the corporation. At the inception of these debt instruments, derivative swap agreements are entered into concurrently to hedge the embedded interest rate and currency exposure. In practice, the corporation will only redeem the structured note if the counterparty exercises its right to terminate the related derivative swap agreement. These contracts ensure that the corporation will receive proceeds from the swap to meet the requirements of servicing and settling the debt obligation. The corporation has in substance created floating rate debt by issuing notes at fixed rates and entering into swap contracts whereby the corporation receives fixed rate interest and pays interest at a floating rate, and vice versa. In swapping out of the underlying note issue, the potential market risk has been converted to credit risk. Credit risk is managed by contracting with counterparties evaluated as creditworthy, based on treasury limits and policy guidelines as approved by the Board of Directors. Credit exposure on derivative financial instruments is further discussed in Note 12.

9. Other liabilities

($ thousands)	2006	2005
Accrued benefit liability – other benefits (Note 11)	$ 24,137	$ 20,405
Deferred revenues	610	654
Other	4,696	399
	$ 29,443	$ 21,458

10. Administration expenses

($ thousands)	2006	2005
Personnel	$ 105,585	$ 88,463
Facilities and equipment	22,718	19,719
Professional	22,255	18,896
Travel and training	11,756	10,647
Other	687	5,980
	$ 163,001	$ 143,705

11. Employee future benefits

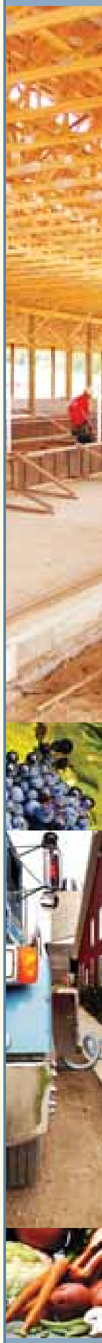
Description of benefit plans

The corporation has three defined benefit pension plans, a defined contribution pension plan, and a defined benefit plan, that provide other retirement and post-employment benefits to most of its employees. Its defined benefit pension plans are based on years of service, final average salary and are inflation protected.

Other retirement benefit plans are contributory health-care plans with employee contributions adjusted annually and a non-contributory life insurance plan. Post-employment plans also provide short-term disability income benefits, as well as severance entitlements after employment.

Total cash payments

Total cash payments for employee future benefits, consisting of cash contributed by the corporation to its funded pension plans, cash payments directly to beneficiaries for its unfunded other benefit plans, and cash contributed to its defined contribution plan, were $15.4 million (2005 – $9.2 million).



Financial position of benefit plans

The corporation measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuations of the pension plans for funding purposes were prepared as at December 31, 2005. The next valuations for funding purposes will be as at December 31, 2006.

($ thousands)	2006 Pension Benefits	2005 Pension Benefits	2006 Other Benefits	2005 Other Benefits
Change in benefit obligation:				
Accrued benefit obligation				
Balance at beginning of year	$ 175,210	$ 143,461	$ 28,080	$ 23,199
Current service cost	7,172	5,697	2,089	1,757
Interest cost	10,715	9,499	1,664	1,562
Employee contributions	2,579	2,387	–	–
Benefits paid	(3,938)	(2,736)	(442)	(645)
Plan amendment	1,217	–	37	–
Actuarial loss (gain)	60,731(a)	16,902	(7,697)	2,207
Benefit obligation at end of year	$ 253,686	$ 175,210	$ 23,731	$ 28,080
Change in fair value of assets:				
Fair value of plan assets				
Balance at beginning of year	$ 183,651	$ 156,587	$ –	$ –
Actual return on plan assets	26,586	20,376	–	–
Employer contributions	11,377	7,037	–	–
Employee contributions	2,579	2,387	–	–
Benefits paid	(3,938)	(2,736)	–	–
Fair value of assets at end of year	$ 220,255	$ 183,651	$ –	$ –
Reconciliation of funded status:				
Fair value of plan assets	$ 220,255	$ 183,651	$ –	$ –
Accrued benefit obligation	253,686	175,210	23,731	28,080
Funded status of plans – (deficit) surplus	(33,431)	8,441	(23,731)	(28,080)
Unamortized past service cost	1,217	–	37	–
Unamortized net actuarial loss (gain)	38,424	(6,337)	(443)	7,675
Employer contributions after December 31	1,822	1,481	–	–
Net prepaid (accrued) benefit expense at end of year	$ 8,032	$ 3,585	$ (24,137)	$ (20,405)
Recorded in:				
Other assets	$ 8,032	$ 3,585	$ –	$ –
Other liabilities	–	–	(24,137)	(20,405)
Net prepaid (accrued) benefit expense at end of year	$ 8,032	$ 3,585	$ (24,137)	$ (20,405)

(a) The actuarial loss includes a loss of $43,275 for the change in discount rate, a loss of $4,913 for the change in mortality table, and a loss of $12,394 due to experience and changes to retirement, termination, and merit and promotion scales.

Defined Benefit Costs

($ thousands)	2006 Pension Benefits	2005 Pension Benefits	2006 Other Benefits	2005 Other Benefits
Elements of defined benefit costs:				
Current service cost	$ 7,172	$ 5,697	$ 2,089	$ 1,757
Interest cost	10,715	9,499	1,664	1,562
Actual return on plan assets	(26,586)	(20,376)	–	–
Actuarial loss (gain)	60,731	16,902	(7,697)	2,207
Past service costs	1,217	–	37	–
Net cost (income) before adjustments	53,249	11,722	(3,907)	5,526
Adjustments to recognize long-term nature of employee future benefit costs:				
Difference between expected return and actual return on plan assets for the year	15,669(a)	10,225(a)	–	–
Difference between actuarial (gain) loss recognized for year and actual actuarial (gain) loss on accrued benefit obligation for year	(60,430)(b)	(16,991)(b)	8,118(c)	(1,873)(c)
Difference between recognized and actual past service cost for year	(1,217)	–	(37)	–
Defined benefit costs recognized	$ 7,271	$ 4,956	$ 4,174	$ 3,653

(a) Expected return on plan assets of $(10,917) (2005 – $(10,151)) less the actual return on plan assets of $(26,586) (2005 – $(20,376)) = $15,669 (2005 – $10,225).

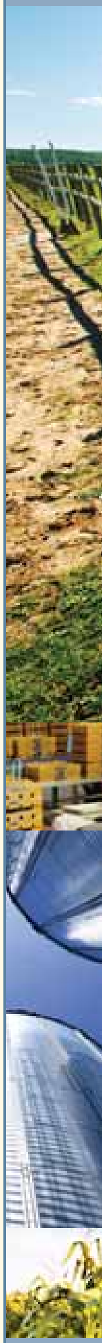
(b) Actuarial loss (gain) recognized for year of $301 (2005 – $(89)) less actual actuarial loss on accrued benefit obligation for year of $60,731 (2005 – $16,902) = $(60,430) (2005 – $(16,991)).

(c) Actuarial loss recognized for year of $421 (2005 – $334) less actual actuarial (gain) loss on accrued benefit obligation for year of $(7,697) (2005 – $2,207) = $8,118 (2005 – $(1,873)).

Plans with accrued benefit obligations in excess of plan assets

Included in the above accrued benefit obligation and fair value of plan assets at year end are the following amounts in respect of plans that are not fully funded:

($ thousands)	2006 Pension Benefits	2005 Pension Benefits	2006 Other Benefits	2005 Other Benefits
Accrued benefit obligation	$ 239,551	$ 2,352	$ 23,731	$ 28,080
Fair value of plan assets	205,655	–	–	–
Funded status – plan deficit	$ (33,896)	$ (2,352)	$ (23,731)	$ (28,080)



Significant assumptions

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

	2006 Pension Benefits	2005 Pension Benefits	2006 Other Benefits(a)	2005 Other Benefits(a)
Accrued benefit obligation as of December 31:				
Discount rate	5.00%	6.00%	5.00%	6.00/5.25%
Rate of compensation increase	5.50%	3.50%(b)	5.50%	4.00/4.00%(b)
Benefit costs for years ended December 31:				
Discount rate	6.00%	6.50%	6.00/5.25%	6.50/5.25%
Expected long-term rate of return on plan assets	7.50/4.00%(c)	6.00%	–	–
Rate of compensation increase	3.50%(b)	3.50%(b)	4.00/4.00%(b)	4.00/4.00%(b)

(a) Percentages reflect post-retirement benefits/post-employment benefits, respectively.

(b) Plus annual merit promotion increases.

(c) Registered pension plan/supplemental plans, respectively.

Assumed health-care cost trend rates at December 31:

	2006	2005
Hospital:		
Initial rate	10.00%	8.00%
Ultimate rate	5.00%	Nil
Year ultimate rate reached	2016	2012
Prescription drugs:		
Initial rate	10.00%	10.30%
Ultimate rate	5.00%	5.00%
Year ultimate rate reached	2016	2012
Other health care costs:		
Initial rate	10.00%	4.00/3.00%(a)
Ultimate rate	5.00%	4.00/3.00%(a)
Year ultimate rate reached	2016	n/a

(a) Percentages reflect post-retirement benefits/post-employment benefits respectively.

Sensitivity analysis

Assumed health-care cost trend rates have a significant effect on the amounts reported for the health-care plans. A one percentage-point change in assumed health care cost trend rates would have the following effects for 2006:

($ thousands)	Increase	Decrease
Total of service and interest cost	$ 761	$ (569)
Accrued benefit obligation	3,476	(2,775)

Plan assets

The percentage of plan assets based on market values at December 31 are:

	2006	2005
Equity securities	63.4%	65.0%
Debt securities	32.5%	34.7%
Other	4.1%	0.3%
	100.0%	100.0%

Defined contribution plan

The cost of the defined contribution plan is recorded based on the contributions in the current year and is included in administration expense. For the year ended March 31, 2006, the expense was $2.6 million (2005 – $1.9 million).

12. Derivative financial instruments

Description of derivatives

The corporation uses derivative financial instruments to manage exposures to interest rate and foreign exchange fluctuations. The following are detailed descriptions of some of the more prominent derivative instruments used by the corporation to mitigate risk:

Interest rate swaps are transactions in which two parties exchange interest flows on a specified notional amount on predetermined dates for a specified period of time using agreed-upon fixed and/or floating rates of interest. Notional amounts upon which interest payments/receipts are based are not exchanged.

Equity index-linked swaps are transactions used to eliminate exposure to movements in a bond or equity index on a debt issue undertaken by the corporation. Two counterparties agree to exchange payments, one of which represents the percentage change in an agreed-upon bond or equity index and the other a short-term interest rate index. The principal amount may or may not be exchanged at both inception and maturity.

Cross-currency interest rate swaps are transactions in which two parties exchange notional amounts at inception and maturity, as well as interest flows, on the exchanged amounts on predetermined dates for a specified period of time using agreed-upon fixed or floating rates of interest.

Interest rate options are transactions that grant the buyer the right, but not the obligation, to buy or sell a specific amount of currency, commodity or financial instrument at an agreed upon price.

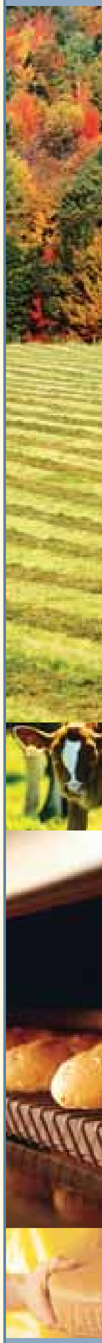
Currency forward contracts are transactions to either buy or sell currencies at specified dates and prices in the future.

Notional amounts

Notional principal amounts outstanding at March 31, 2006, for the various derivative financial instruments are:

Interest rate contracts:

		Remaining term to maturity				
		Within	1 to 5	Over		
($ thousands)		1 year	years	5 years	2006	2005
Swap contracts:						
Receive	*Pay*					
Floating	Fixed	$ 110,000	$ 340,000	$ –	$ 450,000	$ 300,000
Fixed	Floating	8,835,587	320,665	616,609	9,772,861	10,809,125
Equity index-linked	Floating	–	–	–	–	15,700
Cross-currency	Floating	695,578	–	–	695,578	948,182
		9,641,165	660,665	616,609	10,918,439	12,073,007
Interest rate option contracts:						
Receive	*Pay*					
CDN Floating	CDN fixed	140,000	–	–	140,000	–
Currency forward contracts:						
Receive	*Pay*					
USD fixed	CDN fixed	–	–	–	–	27,132
Total		$ 9,781,165	$ 660,665	$ 616,609	$ 11,058,439	$ 12,100,139



Counterparty credit risk and fair values

The counterparty credit risk associated with derivatives is the risk of loss due to the failure of a counterparty to discharge its obligations in a derivative financial instrument agreement. The counterparty obligation may arise when currency and interest differentials occur resulting in unrealized gains to the corporation. These unrealized gains result in positive fair values for these derivative instruments.

The corporation manages its exposure to credit risk and complies with the guidelines issued by the Minister of Finance by dealing exclusively with financial institutions whose credit rating is of high quality. Credit risk, or counterparty risk, is managed via the corporation's Board approved Counterparty Risk Guidelines, which specifies the maximum exposure that the corporation will accept for each level of credit rating. Additionally, International Swaps and Derivatives Association Inc. (ISDA) agreements have downgrade provisions to reduce counterparty credit risk. The corporation will only transact in derivatives with counterparties with whom an ISDA agreement is in place. As an addition to the ISDA agreements, Credit Support Annexes are in place with primary derivative counterparties. These annexes provide additional details regarding the administration and posting of collateral.

Counterparty credit risk is represented by replacement cost, which is the cost of replacing all derivative contracts that have a positive fair value. Net fair value represents the total of positive and negative fair values of all derivative financial instruments. The net fair values and replacement costs of the derivative instruments are as follows:

	2006			2005		
($ thousands)	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Interest rate swap contracts	$ 11,041	$ 147,704	$ (136,663)	$ 42,422	$ 23,963	$ 18,459
Cross-currency interest rate swap contracts	306	150,072	(149,766)	2,648	89,512	(86,864)
Equity indexed contracts	–	–	–	–	895	(895)
Currency swap contracts	–	–	–	–	3,982	(3,982)
Purchased option contracts	361	–	361	–	–	–
Fair value	11,708	297,776	(286,068)	45,070	118,352	(73,282)
Less impact of master netting agreements	11,708	11,708	–	36,547	36,547	–
Net fair value	$ –	$ 286,068	$ (286,068)	$ 8,523	$ 81,805	$ (73,282)

The derivative contracts entered into by FCC are over-the-counter instruments. Fair values are determined using present value techniques and quoted market values. Quoted market values are obtained from the counterparty for some derivative instruments. The fair values are point-in-time estimates that may change significantly in subsequent reporting periods due to changes in market conditions. Fair value techniques use models and assumptions about future events, some of which are about unobservable market parameters. As such, fair values are estimates involving uncertainties, and may be significantly different when compared to another financial institution's value for a similar contract.

The corporation does not anticipate any significant non-performance by counterparties. The largest cumulative notional amount contracted with any institution as at March 31, 2006 was $3,884.0 million (2005 – $3,226.3 million) and the largest net fair value of contracts with any institution as at March 31, 2006, was $(0.3) million (2005 – $3.8 million). The notional amounts of the financial instruments reported by the corporation are not indicative of either the market or credit risk associated with the contracts. The risk of loss is related solely to the possibility that a counterparty to a transaction does not perform as agreed. The corporation mitigates the credit exposure on multiple derivative transactions by entering into master netting agreements with counterparties. These agreements create the legal right of offset of exposure in the event of default.

Derivative-related amounts – assets and liabilities

Amounts receivable from counterparties under swap contracts included in derivative-related assets at March 31, 2006 were $13.3 million (2005 – $23.9 million). Amounts payable to counterparties under swap contracts included in derivative-related liabilities at March 31, 2006 were $3.9 million (2005 – $3.5 million).

Unrealized gains and losses on foreign currency swaps included in derivative-related liabilities at March 31, 2006 were $112.4 million (2005 – $84.8 million).

13. Fair values

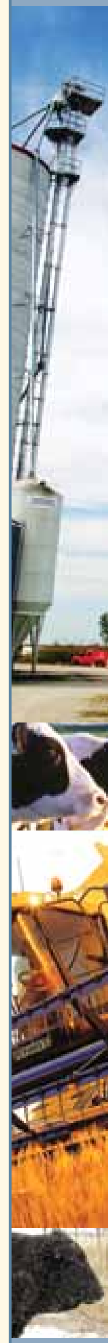
The following table summarizes the estimated fair value of the corporation's financial instruments at the balance sheet date. The fair values are determined using the valuation methods and assumptions described below. The calculation of estimated fair values is based on market conditions at a specific point in time and may not be reflective of future fair values. The fair values of derivative financial instruments are not included in the table below and are presented in Note 12.

	2006		2005	
($ thousands)	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Assets				
Cash and cash equivalents	$ 297,870	$ 297,870	$ 318,062	$ 318,062
Temporary investments	370,830	370,830	268,743	268,743
Accounts receivable	25,905	25,905	43,231	43,231
Derivative-related assests	13.339	13,339	23,866	23,866
Loans receivable – net	11,795,919	11,855,237	10,687,450	10,796,693
Venture capital investments	34,202	36,527	31,128	32,028
Liabilities				
Accounts payable and accrued liabilities	$ 33,796	$ 33,796	$ 29,756	$ 29,756
Accrued interest on borrowings	88,267	88,267	77,167	77,167
Derivative-related liabilities	116,290	116,290	88,333	88,333
Short-term debt	4,406,728	4,406,728	2,729,907	2,729,907
Long-term debt	6,637,962	6,631,337	7,373,823	7,402,432

Short-term financial instruments are valued at their balance sheet carrying values, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments. This valuation methodology applies to cash and cash equivalents, temporary investments, accounts receivable, derivative-related assets, accounts payable and accrued liabilities, accrued interest on borrowings, derivative-related liabilities and short-term debt.

Quoted market values are not available for a significant number of the corporation's financial instruments. As a result, the fair values disclosed for some instruments are estimated using present value measurement techniques and may not be indicative of the current replacement cost of the instruments. The following methods of calculation and assumptions are used:

- Venture capital investments in shares that are traded on an exchange are valued based on the closing share price as of the date of these financial statements. The investment in debt is valued at book value, which approximates fair value.
- The estimated fair value for the performing fixed-rate loans receivable is calculated by discounting the expected future cash flows (after adjustment for amounts that may be collected in advance of the contractual due dates) at year-end market interest rates for equivalent terms to maturity. The estimated fair value for the performing variable rate loans receivable is assumed to equal carrying value. The general component of the allowance for credit losses is subtracted from the estimated fair value of the performing loans receivable. The estimated fair value of the impaired loans receivable is equal to their net realizable value, which is calculated by subtracting the specific component of the allowance for credit losses from the book value of the impaired loans receivable.



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

14. Guarantees, commitments and contingent liabilities

Guarantees

In the normal course of its business, the corporation issues guarantees and letters of credit that represent an obligation to make payments to third parties on behalf of its customers if customers are unable to make the required payments or meet other contractual obligations. The maximum amount potentially payable at March 31, 2006 is $2.9 million (2005 – $16.6 million). In the event of a call on these guarantees and letters of credit, the corporation has recourse against its customers for amounts to be paid to the third party. Existing items will expire within two years, usually without being drawn upon. No amount has been included in the balance sheet as at March 31, 2006 or March 31, 2005 for these guarantees and letters of credit.

Long-term commitments

Future minimum payments by fiscal year on technology services, operating leases for premises and automobiles with initial non-cancellable lease terms in excess of one year are due as follows:

($ thousands)

Within 1 year	$	6,718
From 1 – 2 years		5,388
From 2 – 3 years		4,613
From 3 – 4 years		3,508
From 4 – 5 years		2,967
Over 5 years		4,127
	$	27,321

Loan commitments

As at March 31, 2006, loans to farmers and agribusiness approved but undisbursed amounted to $791.4 million (2005 – $663.7 million). These loans were approved at an average interest rate of 6.52% (2005 – 5.38%) and do not form part of the loans receivable balance until disbursed. In addition, the corporation approved but did not disburse $12.8 million (2005 – $6.0 million) in venture capital investments. It is expected that the majority of these commitments will be disbursed by May 31, 2006.

Contingent liabilities

The corporation, in the normal course of operations, enters into agreements that provide general indemnification. These indemnifications typically occur in service contracts and strategic alliance agreements. The indemnification, in certain circumstances, may require the corporation to compensate the counterparty to the agreement for various costs resulting from breaches of representations or obligations. The corporation also indemnifies directors, officers and employees, to the extent permitted by law and the corporation's governing legislation, against certain claims that may be made against them as a result of their being directors, officers or employees. The terms of these indemnifications vary; thus the corporation is unable to determine a reasonable estimate of the maximum potential amount the corporation could be required to pay to counterparties. Historically, the corporation has not made any payments under such indemnification. No amount has been included in the balance sheet as at March 31, 2006 or March 31, 2005 for these indemnifications.

The corporation's contingent liabilities include creditor life and accident insurance policies, which are sold to customers under the Agri-Assurances program. The corporation is exposed to risk to the extent that claims may exceed premiums collected. The program is administered by a major insurance provider and is based on premiums that are actuarially sound. Risk exposure is further mitigated by a claims fluctuation reserve. Historically premiums have significantly exceeded claims.

15. Interest rate risk

The corporation is exposed to interest rate risk as a consequence of the mismatch or gap between the remaining term to maturity or repricing and interest rate sensitivity of its assets and liabilities. The corporation uses derivative financial instruments to manage its interest rate risk. The following table summarizes the corporation's interest rate risk based on the gap between the carrying value of assets, liabilities and equity, grouped by the earlier of contractual repricing or maturity dates and interest rate sensitivity. The corporation's borrowings are also shown net of the derivative financial instruments entered into to manage the corporation's interest rate risk and foreign currency risk related to the structured borrowing. In the normal course of business, loan customers frequently prepay their loans in part or in full prior to the contractual maturity date.

($ thousands except %)	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest sensitive	Total
Assets							
Cash and cash equivalents	$ –	$ 275,115	$ –	$ –	$ –	$ 22,755	$ 297,870
Effective yield (1)		3.78%					
Temporary investments	–	308,169	59,244	–	–	3,417	370,830
Effective yield (1)		3.60%	3.35%				
Loans receivable	7,406,094	401,599	858,945	2,992,973	356,991	(220,683)	11,795,919
Effective yield (1)	6.31%	7.11%	6.70%	6.42%	6.84%		
Venture capital	–	–	–	21,952	1,000	11,250	34,202
Effective yield (1)				11.08%	12.00%		
Other assets	–	–	–	–	–	77,528	77,528
Total assets	$ 7,406,094	$ 984,883	$ 918,189	$ 3,014,925	$ 357,991	$ (105,733)	$ 12,576,349
Liabilities							
Borrowings							
Non-structured borrowings	$ –	$ 4,432,382	$ 1,210,210	$ 1,739,291	$ 870,200	$ (89,223)	$ 8,162,860
Effective yield (1)		3.62%	3.79%	4.01%	4.29%		
Structured borrowings	–	2,831,830	50,000	–	–	–	2,881,830
Effective yield (1)		3.59%	3.35%	–	–	–	–
Total borrowings	–	7,264,212	1,260,210	1,739,291	870,200	(89,223)	11,044,690
Pay-side instruments on swap contracts (2)	6,830,000	866,609	–	340,000	–	–	8,036,609
Effective yield (1)	3.77%	3.81%	–	4.14%	–	–	–
Receive-side instruments on swap contracts (2)	–	(7,000,000)	(265,000)	(160,000)	(611,609)	–	(8,036,609)
Effective yield (1)		3.67%	3.99%	3.45%	4.27%		
Accrued interest	–	–	–	–	–	88,267	88,267
Other liabilities	–	–	–	–	–	179,529	179,529
Shareholder's equity	–	–	–	–	–	1,263,863	1,263,863
Total liabilities and equity	$ 6,830,000	$ 1,130,821	$ 995,210	$ 1,919,291	$ 258,591	$ 1,442,436	$ 12,576,349
Total gap 2006	$ 576,094	$ (145,938)	$ (77,021)	$1,095,634	$ 99,400	$ (1,548,169)	$ –
Total cumulative gap 2006	$ 576,094	$ 430,156	$ 353,135	$1,448,769	$ 1,548,169	$ –	$ –
Total gap 2005	$ 65,897	$ (59,517)	$ 69,974	$1,288,602	$ (62,000)	$ (1,302,956)	$ –
Total cumulative gap 2005	$ 65,897	$ 6,380	$ 76,354	$1,364,956	$ 1,302,956	$ –	$ –

(1) Represents the weighted-average effective yield based on the earlier of contractual repricing or maturity date.
(2) Represents notional principal amounts on overnight index swaps (OIS) and asset/liability management swaps. Excludes structured note swaps.

16. Related party transactions

The corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. Transactions with these entities were entered into in the normal course of business. Significant transactions with related parties are disclosed separately in the financial statements and notes thereto.

17. Segmented information

The Corporation is organized and managed as a single business segment being agriculture lending. The operation is viewed as a single segment for purposes of resource allocation and assessing performance. All of the corporation's revenues are within Canada. No one customer comprises more than 10 percent of the corporation's receivables or interest revenues.

18. Comparative figures

Certain 2005 comparative figures have been reclassified to conform to the current year's presentation.

BALANCED SCORECARD 2006-11

The Balanced Scorecard summarizes FCC's corporate strategic objectives, measures, targets and initiatives. In the five-year planning period, from 2006 through 2011, emphasis will be placed on cultural transformation, new technology systems and business processes, and enhancing the customer and employee experience.

Strengthen market presence

2006-11 Strategic objectives	Measures	2006-07 Plan targets	2006-07 Initiatives
Financial Income growth	Portfolio growth	4.64%[1]	
	Non-interest revenue	$24.2 million	
	Net interest income (NII) margin	3.04%	
Customer Understands business, financial, and relationship needs Attract customer and business relationships	New customer acquisitions – all channels	Measure performance against targets	Deliver a customer experience that results in loyal customers who recommend FCC Leverage new venture capital locations in order to better serve the agriculture industry and attract additional co-investment
	Venture capital • Interest and fee income • Co-investment ratio • Capital invested	 • $2.8 million • 1.3:1 • $20 million	
	Market share	22.4%	
Internal capability Enhance market awareness and positioning Relationship selling, management of all FCC solutions Portfolio/risk management Consistent brand-marketing of FCC's full capabilities Strategic integrated planning	Time spent with customers and prospects for value-added activities	Using the new Sales Contact tool, benchmark customer, prospect and centres of influence (COI) contact volumes at Area and District levels[2]	Redesign key processes to enable more time with customers Leverage integrated marketing communication strategy to raise visibility and create awareness of FCC's spectrum of offerings and commitment to agriculture

[1] Target was adjusted to reflect portfolio growth of loans receivable and its equivalent is 4.43% in Principle Not Due (PND).

[2] Target was adjusted due to the implementation of the New Sales Contact tool. This tool will track both proactive and reactive sales calls with customers, prospects and COIs. Benchmarks will be established in 2006-07, so that specific targets can be established for future years.

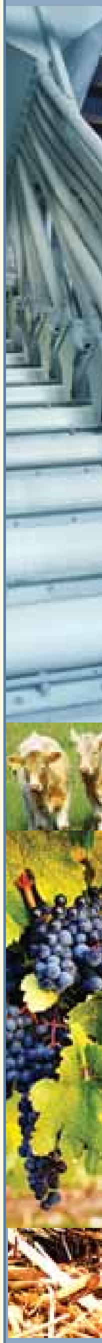
Enhance customer experience

2006-11 Strategic objectives	Measures	2006-07 Plan targets	2006-07 Initiatives
Financial Return on equity and investment	Return on equity	12.28%	
Customer Anticipates and offers tailored, preferred solutions across channels Build and expand relationships across channels	Customer experience index	Q1 Begin monitoring and reporting	Monitor customer experience scoreboards, develop index, communicate results and implement action plans to enhance the customer experience Create tools to support employees' ability to tailor full spectrum of FCC's offerings to customer needs Create/enhance products and services uniquely tailored to satisfying customer needs and exceeding their expectations
	Total value penetration (TVP)	Increase national TVP score; Q1 Set targets based on 2005-06 baseline	
Internal capability Seamless, cross-channel integration to deliver sales, service Solutions innovation, tailoring and management Customer value management Differentiated online presence Customer and user experience standards management Monitor and respond to marketplace activity	Channel usage • # of unique website visitors per month • # of website pages visited per year • # of online registered borrowers • # of Customer Service Center (CSC) customer contacts • $ disbursed of CSC Direct Full Service Lending	 • 17,000 • 1.8 million • 12,000 • 80,000 • $175 million	Execute on-line and CSC (call center) strategies to provide customers with enhanced service via their channel of choice Benchmark customer value Monitor marketplace activity Implement foundational customer experience standards throughout FCC to ensure delivery of enhanced and consistent customer experience Redesign post-sale customer management processes to enhance the employee and customer experience
	Customer value management	Benchmark	
	Customer channel awareness, preferences and permissions	Benchmark	

Optimize execution and performance

2006-11 **Strategic objectives**	**Measures**	2006-07 **Plan targets**	2006-07 **Initiatives**
Financial Balance sheet optimization	Efficiency ratio	45%[3]	Amend FCC's environmental policies and processes to address changes to the *Canadian Environmental Assessment Act* Continue implementation of Enterprise Records Management initiative Develop enterprise-wide content management governance committee, approach, and implementation plan for content deployed through employee portal Internal Control Framework – implement framework to maintain and enhance controls through process and system design Implement identity and access management solution to increase efficiency and safeguard customer data BK Program – process redesign, technical infrastructure and application development to support the enhancement of the customer and employee experience Enhance business platforms Cascade strategic objectives from the corporate to the divisional level Enhanced enterprise risk management, risk mitigation planning and status reporting Complete capacity planning installation for project portfolio management projects
	Debt to equity	Under 10:1	
	% of PND with arrears	6%	
	Strategic credit risk management	Managed range between 51 and 70	
	Process improvements	Corporate business case parameters and approach to be reviewed and finalized	
Customer Continuously delivers consistent, efficient, quality service Retain customers and grow loyalty efficiently	Near term improvements	60% of approved near term improvements implemented	
Internal capability Process innovation and continuous improvement Integrated value chain process redesign Agile, integrated IT architecture and solutions delivery IT platform reliability and performance Effective project execution, management and control Strategy execution, enterprise risk management Enterprise services delivery, management	IT architecture capability	86%	
	User acceptance (performance, reliability and usability)	Measure performance against targets	
	Project management maturity	Set baseline	

[3] Target adjusted to top of range.

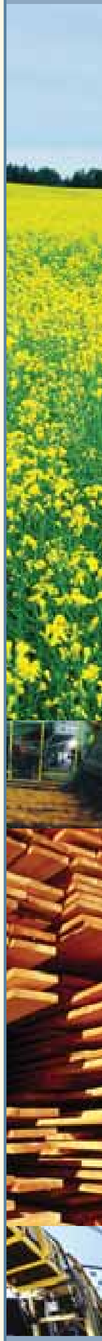


Sustain commitment to agriculture

2006-11 **Strategic objectives**	**Measures**	2006-07 **Plan targets**	2006-07 **Initiatives**
Financial Investment in agriculture	% of profits invested in communities	1.4%	Educate Canadians regarding agriculture including journalists, school-age children and urban residents Invest in promoting FCC customer products on CanadianFarmersMarket.com
Customer Trusted partner and industry catalyst Build industry, stakeholder awareness, credibility and support	Corporate social responsibility (CSR) scorecard	Measure performance against targets	Grow producer knowledge of management practices via: • AgriSuccess seminars on topics including succession planning, human resource management, farm financial management and price risk management • Advanced Farm Manager: comprehensive business management training for today's farm owners/managers • Subscriptions to AgriSuccess Journal, highlighting agriculture news and management issues Deliver innovative programs for young farmers Continue community investment with an emphasis on farm safety and food issues (World Food Day, First Aid on the Farm, etc.) Continue enhanced support for rural communities with AgriSpirit capital giving program Develop bio-security protocols and enhanced awareness of bio-security management practices
	Corporate reputation index	Conduct new corporate reputation survey	
	Media favourability index	Score of 64	
Internal capability Leverage knowledge management Industry investments and stakeholder relations			Leverage Community of Practice (CoP) knowledge to the benefit of customers by adding CoP knowledge to FCC web site and inviting customers to select FCC events Conduct program to inform elected officials of FCC's role and offerings

People

2006-11 Strategic objectives	Measures	2006-07 Plan targets	2006-07 Initiatives
Strategic enterprise leadership Customer and knowledge culture Define and enhance the employee experience Make it easy for employees to do business Aligned performance management Strategic competencies and capabilities	Engagement score	Minimum threshold 80%	Continue implementation of Cultural Transformation Strategy, through roll out of Holding to Account program to all employees Identify and develop future leaders through the Leadership Development Program Identify key drivers and create action plan to continuously improve employee engagement
	Employee experience	Benchmark	Define the FCC employee experience and attendant development requirements Create a brand ambassador program for employees
	Make it easy for employees to do business	Develop measure and set baseline	Implement the transition plan for the redesign of the performance and competency program (PACE) Develop and implement Employee Orientation Program Deliver Field Development Program and revise as necessary



FCC Board of Directors 2005-06

1. **Russel Marcoux**
2. **Deborah Whale**
3. **Jack Christie**
4. **Rosemary Davis**
5. **John J. Ryan**
6. **Joan Meyer**
7. **Warren Ellis**
8. **Don Haliburton**
9. **Marie-Andrée Mallette**
10. **Réal Tétrault**
11. **Donna Graham**
12. **R. Claude Ménard** (Missing)

CORPORATE GOVERNANCE

FCC's corporate governance policies are consistent with current best practices for publicly-traded companies and government policy. During the past fiscal year, FCC has participated in the Review of Governance Framework for Crown Corporation sessions conducted by Treasury Board Secretariat and the Privy Council Office. These sessions focus on the recommendations contained in last year's report to Parliament entitled Meeting the Expectations of Canadians – Review of the Governance Framework for Canada's Crown Corporations.

FCC is governed by the Farm Credit Canada Act and reports to Parliament through the Minister of Agriculture and Agri-Food.

FCC's corporate governance structure is much like publicly traded companies. FCC's Board of Directors is appointed by FCC's shareholder, the Government of Canada. The Board Chair and the President and CEO each are appointed by the Governor-in-Council. The Minister of Agriculture and Agri-Food appoints FCC's directors. There are 12 people on the board of directors; all but the CEO are independent of the business.

Our Board of Directors recognizes that effective corporate governance is an ongoing process and they conduct regular reviews of governance practices, ensuring a high level of accountability. The Directors believe that corporate governance practices vary depending on the needs and characteristics of the corporation.

FCC's Board of Directors is satisfied that its corporate governance structure is effective and appropriate and addresses past recommendations made by the Auditor General of Canada respecting corporate governance for Crown corporations.

Each year, FCC prepares a five-year corporate plan setting out strategies, capital and operating budget needs. At the end of each year, we submit an annual report providing the details of our performance, governance policies and practices.

The Auditor General of Canada reviews our statements every year and conducts a special examination every five years. This is a value-for-money audit and is designed to focus on the financial and management controls, information systems and management practices maintained by FCC. Our most recent special examination was completed November 27, 2002. No significant deficiencies were reported. The corporation will soon begin discussions with the Office of the Auditor General regarding the scope of the next special examination scheduled for 2007.

Board Mandate

The Board oversees FCC's management and performance in the best interests of the corporation, agriculture, agri-business, Canadians and the Government of Canada.

The roles and responsibilities of the Chair, Board members, the CEO and all Board committees are set out in written profiles and charters. The Board has put in place a written charter and a related set of Board governance guidelines. These documents articulate the Board's responsibilities in six major areas:

- Integrity – legal and ethical conduct – setting the tone at the top
- Strategic planning
- Financial reporting and public disclosure
- Risk management and internal controls
- Leadership development and succession planning
- Corporate governance – including director orientation, continuing education and evaluation

Independence

With the exception of the CEO, all Board members are independent of management. The FCC Board Chair and committee chairs are independent. The independent members of the board meet in private, without management present, at every regular meeting.

Board evaluation

Through a structured process of self-evaluation, the Board continually assesses its collective performance and the individual performance of its members, looking for ways to improve. This year, the Board engaged in a week-long session facilitated by an outside consultant. The session focused on helping the Board work together as a high performance team, becoming more efficient and effective. It also helped the Board to better understand the impact FCC's cultural transformation initiative has had, and is having, on the corporation.

Public policy role

As a federal Crown corporation, FCC serves a public policy role. Our mission is to enhance rural Canada by providing business and financial solutions to farm families and agribusiness. We fulfil this mission by offering loans and business services to meet the needs of the industry, operating on a financially self-sustaining basis and supporting agriculture through good times and bad.

The Board ensures that public policy is considered in all decisions concerning strategic initiatives, including the portfolio vision, long-term employee incentives and the development of new loans and business services designed to help FCC's customers and to continue to help the industry succeed.

Integrity, code of business conduct and ethics

All Board members are subject to the Board's policy governing loans where a director has a material interest. In addition, the corporation's bylaws prescribe rules for dealing with situations where a director has a conflict of interest. FCC's directors follow the rules provided in the Financial Administration Act (Canada) and the principles set out in the Conflict of Interest and Post-Employment Code for Public Office Holders.

The Board is also subject to the corporation's code of conduct and ethics.

This Code provides whistleblower protection and is consistent with the recently passed Bill C-11, Public Servants Disclosure Protection Act. The corporation has appointed an Integrity Officer who is responsible for providing general advice and ongoing education concerning the Code. The Integrity Officer is also responsible for the investigation of disclosures of possible wrongdoing and protecting from reprisal individuals who make such disclosures.

Strategic planning

The Board leads the corporation in the achievement of long-term goals by overseeing the strategic planning process and providing input, guidance, validation and a critical evaluation of strategic plans and initiatives. After the plan has been approved, the Board provides ongoing support to implement and measure the success of those plans and initiatives.

Each year, typically in August, the Board and senior management participate in a joint planning session. At that session the Board receives a report from management on enterprise risk management. All FCC strategies include measurable targets to gauge performance. Following the planning session, management begins drafting the corporation's corporate plan, which is presented for approval in principle in the fall and for final approval in December or January.

The Board discusses particular strategic initiatives throughout the year and is responsible for approving the FCC corporate plan and annual report, and setting and monitoring the annual goals and objectives of the CEO.

Enterprise risk management

The corporation has a well-established enterprise risk management process. It is designed to identify potential events that may affect FCC, to manage risk to be within FCC's risk appetite and to provide reasonable assurance regarding the achievement of FCC's goals and objectives.

Senior management holds primary responsibility for identifying risks and designing and implementing solutions to mitigate them. The Board requires that management assure risks are managed and that appropriate authorities and controls are in place.

Each year, FCC staff follows a prescribed process to identify risks. The risks identified are prioritized by senior management and presented to the Audit Committee, together with risk mitigation plans. Within six months, a progress report is made to the Audit Committee.

Succession planning

This year, the Board was pleased to oversee the reappointment of John Ryan as FCC's President and CEO. His new term is for two years, expiring in November 2007.

The Board, through its Human Resources Committee, annually reviews the corporation's succession plans for key positions and leadership development initiatives. Succession planning ensures there is continuity throughout the organization over the long term. The review identifies employees ready to take over a particular position and others who might be developed for leadership positions over time.

The committee encourages management to identify as many people as possible for advancement to ensure a breadth and depth of experience and expertise. This allows for a progression to the executive level, supplemented by outside experience when necessary.

Integrity of internal controls and management information systems

The Board is committed to financial transparency, and works closely with the Office of the Auditor General to ensure the integrity of FCC internal controls and management information systems.

Each year, the Board reviews lending targets for the next fiscal year, as well as FCC's market development plan and portfolio vision.

FCC Treasury operations are key to the corporation's overall success. The Board reviews the operations of treasury at each meeting and regularly reviews and updates, as necessary, policies and limits. The Board regularly engages an outside consultant, expert in these areas, to assist its review.

Credit risk is the single largest risk that the corporation faces. The Board oversees the corporation's analysis and reporting of overall credit risk and the performance and health of the FCC loan portfolio.

Finally, the Board oversees the annual audit plan. This includes the audit of the corporation's financial statements by the Auditor General of Canada and the annual audit workplan carried out by the corporation's internal audit division.

Orientation and professional development

Upon appointment to the Board, each member receives a detailed orientation and meets with senior management to learn about the business. Board members also have direct access to the senior management team for ongoing education.

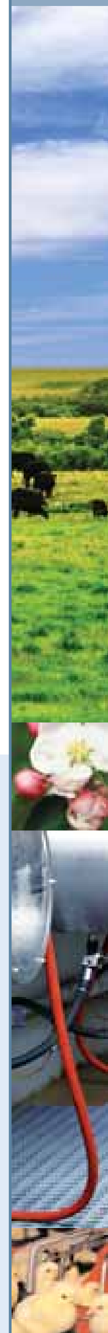
To gain understanding of FCC's business and the current issues facing the corporation, the Board regularly engages in continuing education. This year, the Board participated in a training session related to FCC's pension plans. In addition, each year, as part of the strategic planning session, the Board visits a number of customer operations, creating better understanding of the depth and scope of Canadian agriculture and the issues facing primary producers and agribusiness operators. The Board also takes every opportunity when meeting in Regina for Board meetings to tour areas of corporate office, such as the corporation's Brand production area. It also attends employee area conferences and participates in internally prepared events like an IT fair and presentation from Strategy, Knowledge and Reputation, to gain a better understanding of the day-to-day challenges faced by the corporation and its employees.

Composition of the Board

The Board is composed of 12 members, including the Chair and the President and Chief Executive Officer.

The Governor-in-Council appoints the Chair and the President /Chief Executive Officer. The Minister of Agriculture and Agri-Food Canada appoints all other Directors with Governor-in-Council approval. Directors serve two or three-year terms and may be re-appointed.

Board members are generally successful primary producers and agribusiness operators from rural and small urban centres. The Board strives for diversity; gender, geographic, ethnic, cultural, age and language, in order to reflect the broad spectrum of agriculture in Canada.



Board Remuneration

Directors are paid an annual retainer and per diems. Amounts are set by the Governor-in-Council pursuant to the Financial Administration Act. The rates were last approved on April 5, 2001.

- The Chair of the Board receives an annual retainer of $10,800 and a per diem of $420 for meetings attended.
- Committee Chairs receive an annual retainer of $6,400 and a per diem of $375 for meetings attended. All other Board members receive an annual retainer of $5,400 and a per diem of $375 for meetings attended.
- Directors are reimbursed for all reasonable out-of-pocket expenses including travel, accommodation and meals while performing their duties.

During 2005-06, there were nine Board meetings and 21 committee meetings. Total remuneration (annual retainer and per diems) paid to all directors was $219,958, compared to $180,419 in 2004-05.

Total Board travel and related expenses was $206,841 compared to $148,454 in 2004-05. The increase in per diems and travel and related expenses is the result of a significant training initiative undertaken by the Board this year with respect to improving their effectiveness as a Board and regarding Corporate Governance generally. Each year, the amounts reported include per diems and travel expenses for Board members who attended FCC's annual area employee conferences, as well as external seminars or continuing education workshops.

New Appointments:

On June 23, 2005, Réal Tétrault of Emerson, Manitoba, was appointed to the FCC Board of Directors to replace Maurice Kraut, whose term expired.

2005-2006 Board remuneration, expenses and attendance

Director	Board retainer (A)	Per diems (B)	Total remunerations (A&B)[1]	Board meeting attendance[2]	Committee meeting attendance[3]	Board travel and related expenses
Jack Christie	5,400	13,500	18,900	8/9	11/11	16,827
Rosemary Davis	10,800	15,120	25,920	9/9	21/21	17,633
Warren Ellis	6,400	19,125	25,525	9/9	10/10	43,320
Donna Graham	5,400	13,125	18,525	5/9	9/13	14,629
Don Haliburton	5,400	6,750	12,150	8/9	11/14	6,201
Maurice Kraut	1,350	4,875	6,225	1/1	1/1	1,667
Marie-Andrée Mallette	6,400	17,625	24,025	9/9	11/11	32,935
Russel Marcoux	5,400	12,000	17,400	7/9	11/13	16,297
Claude Ménard	5,400	12,375	17,775	6/9	3/3	24,357
Joan Meyer	6,400	14,250	20,650	9/9	9/9	11,110
Réal Tétrault	4,050	12,000	16,050	8/8	6/6	10,086
Deborah Whale	6,400	10,313	16,713	8/9	11/12	11,780
Total	**$ 68,800**	**$ 151,058**	**$ 219,958**			**$ 206,841**

[1] Column A (Board retainer) and column B (Per diems).

[2] There were nine Board meeting (six in person and three by teleconference).

[3] There were seven Audit, six Human Resources, five Corporate Governance and four Nominating Committee meetings.

Audit Committee

Chair: Marie-Andrée Mallette
Vice-Chair: Jack Christie

Members: Rosemary Davis (Board Chair), Don Haliburton, Deborah Whale and Réal Tétrault.

Members of the Audit Committee are independent of management. All committee members are financially literate and several members are considered to be financial experts, as those terms are now commonly used with respect to the composition of audit committees.

The Audit Committee oversees the FCC financial performance, ensures the integrity, effectiveness and accuracy of the corporation's financial reporting, control systems, integrated risk management processes and audit functions. Recommendations from the Audit Committee are brought to the Board as required.

This committee meets regularly with representatives of the Office of the Auditor General and FCC internal auditors, without management present.

Human Resources Committee

Chair: Warren Ellis
Vice-Chair: Donna Graham

Members: Rosemary Davis (Board Chair), John J. Ryan (CEO), Russel Marcoux, Don Haliburton, and Réal Tétrault

This committee reviews all major human resources policy matters. The Human Resources Committee is responsible for identifying the skills and characteristics essential to the position of Chief Executive Officer and for establishing a process to assess performance, and agreeing to an annual development plan.

The Human Resources Committee is responsible for reviewing the corporation's succession plan, including plans for training and development of all employees, and for the review of the Executive Perquisites Program with respect to senior management.

Corporate Governance Committee

Chair: Joan Meyer
Vice-Chair: Russel Marcoux

Members: Rosemary Davis (Board Chair), John J. Ryan (CEO), Marie-Andrée Mallette, Jack Christie, Donna Graham, and Claude Ménard

The Corporate Governance Committee reviews and makes recommendations to the Board with respect to sound governance practices including the updating of Board practices and procedures related to conducting meetings, their frequency and length, the kind of materials and information provided to board members, and the reporting of meetings. This year, the Corporate Governance Committee has also assumed responsibility for the corporation's strategy concerning Corporate Social Responsibility reporting.

The Corporate Governance Committee regularly reviews the number, structure, composition and mandates of the Board's committees and is responsible for conducting Board evaluations concerning the performance of directors, committees and the Board as a whole. The Corporate Governance Committee also oversees the Board's policies with respect to ethics, conflict of interest and code of conduct for directors.

Nominating Committee

Chair: Deborah Whale

Members: Rosemary Davis (Board Chair), Warren Ellis, John J. Ryan (CEO), Russel Marcoux, Don Haliburton, and Réal Tétrault

This committee reviews the qualifications of possible candidates and makes recommendations to the Board and Minister regarding the appointment of the President and CEO and new members to the FCC Board of Directors.

Pension Committee

Board Representatives: Joan Meyer and Claude Ménard

The Board of Directors provides representation on the corporation's pension committee to oversee the administration of pension plans, including the investment guidelines, the appointment of the pension fund managers and any material changes to the benefits granted to retiring employees. The Board's representatives on the Pension Committee make regular reports to the Human Resources Committee regarding suggested changes to the corporation's pension plans. Recommendations for change are then made by the Human Resources Committee to the Board for approval.

In addition to two Board members, the committee includes senior management representatives and elected employees.

BOARD OF DIRECTORS

Rosemary Davis, Chair since June 20, 2000, Director since December 19, 1995

With more than 30 years of experience in the agriculture industry, Rosemary Davis is the owner of Tri-County Agromart Ltd. in Trenton, Ontario, and manages a large cash crop farm in Port Hope, Ontario. Ms. Davis is active on many local and provincial agriculture committees and associations. She is a director of Trenval Business Development Corporation, serving as the head of its Agriculture Committee. She is a member of the Fertilizer Institute of Ontario's Fertilizer Use Committee, the Ontario Federation of Agriculture and the Soil and Crop Federation in Northumberland, Prince Edward and Hastings counties. Her dedication to agriculture has been recognized by her peers with an honorary lifetime membership in the Ontario Institute of Agrologists. She resides in Cobourg, Ontario.

Jack Christie, FCA, Director since November 27, 2003

Jack Christie is a Fellow of the Canadian Institute of Chartered Accountants and the General Manager and CEO at Northumberland Dairy Co-operative Ltd. in New Brunswick, where he has been for the past 18 years. Mr. Christie is also a director and past-president of the Atlantic Dairy Council, and the president of the New Brunswick Milk Dealers' Association. He has served as president of the New Brunswick Institute of Chartered Accountants and as a member of the Board of Governors of the Canadian Institute of Chartered Accountants. Mr. Christie is the past-president and a member of the Rotary Club of Newcastle and is the treasurer for Enterprise Miramichi.

Warren Ellis, Chair, Human Resources Committee, Director since April 4, 1995

Warren Ellis Produce in O'Leary, Prince Edward Island, is a mixed farming operation of potatoes, barley and wheat. Mr. Ellis is president and CEO of O'Leary Potato Packers Ltd., an operation that buys, packs and markets potatoes. In 1994, he was the Atlantic region honouree in Canada's Outstanding Young Farmers Program. Mr. Ellis and his family are ranked among the top three Canadian families for fundraising in support of the Terry Fox Foundation. As well, Mr. Ellis has served his community as a board member of the Western School Board and the P.E.I. Lending Authority and as chair of the O'Leary Community Sports Centre and the Potato Blossom Festival. Mr. Ellis is a long-time sponsor and organizer of hockey, ball and other sports.

Donna Graham, Director since September 26, 2000

Donna Graham is a managing partner of Graham Farms Vulcan Ltd., a 4,200-acre grain and oilseed operation near Vulcan, Alberta. Ms. Graham has acted as an adviser on agricultural issues to various federal and provincial government departments and served on the boards of Alberta Women in Support of Agriculture and the Canadian Farm Women's Education Council. She has received the Alberta Government Recognition Award for her contribution to the development of recreation and culture in the province and a national 4-H award for her dedication to the 4-H movement. Ms. Graham served as a director for the Western Barley Growers Association and the Western Canadian Wheat Growers Association and was Chair of Protocol for the Southern Alberta Summer Games.

Don Haliburton, CA, Director since November 4, 2003

Don Haliburton is a Chartered Accountant with more than 20 years of experience in public practice and in senior management roles with businesses in a number of industries. He is the General Manager of Exchange-a-Blade Ltd., a distributor and remanufacturer of power tool accessories. From 1994 to 2000, he was the Vice-president, Finance, of International Aqua Foods Ltd., a TSE-listed aquaculture company with operations in Canada, the United States and Chile. Mr. Haliburton has been involved with a number of Boards of Directors including Ethics in Action – a non-profit organization promoting Corporate Social Responsibility and Potluck Cafe – a non-profit social enterprise providing food and employment in the Vancouver Downtown Eastside.

Marie-Andrée Mallette, Chair, Audit Committee, Director since June 16, 1995

Marie-Andrée Mallette participates in large-scale commercial crops and coloured beans operation in Quebec, with a focus on exporting. A lawyer in the agriculture domain for 18 years, Ms. Mallette has served as the regional director of the Quebec Business Women's Association and she founded the Beauharnois-Valleyfield chapter of the AFAQ (Association des femmes d'affaires du Québec). She shares her experience in exporting with new producers and has provided advisory services to exporting companies and agricultural operations seeking equity financing. She is active with the Chamber of Commerce and the Women for Access to Political and Economic Power.

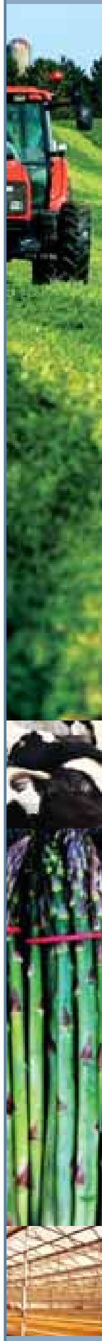
Ms. Mallette contributes to her community by organizing educational programs at the primary level and by participating in fundraising projects for the Canadian Postal Museum and the Canadian Museum of Civilization in Gatineau, Quebec. Her involvement in the community and with the industry stakeholders contributed to the visibility of FCC in the province.

Russel Marcoux, Director since December 10, 2002

Russel Marcoux is the CEO of the Yanke Group of Companies, a firm that specializes in transportation, employing more than 700 staff and operating a fleet of more than 500 trucks. Mr. Marcoux also owns a Saskatchewan grain farm. He is currently the Chair of the Board of Directors for the Canadian Chamber of Commerce, and is involved with St. Paul's Hospital in Saskatoon, Saskatchewan and the Children's Health Foundation.

Joan Meyer, Chair, Corporate Governance Committee, Director from January 11, 1995 to September 1996, re-appointed September 26, 2000

Joan Meyer is a co-owner and operator of a mixed farming enterprise near Swift Current, Saskatchewan. She owns and operates Swift Administration and Management Services, a home-based business handling financial accounts and administration for small businesses and non-profit organizations. She serves as a director on a variety of boards at the national, provincial and local level, including Canadian Lutheran World Relief, Sask Culture, Swift Current Housing Authority and the Dr. Noble Irwin Healthcare Foundation. Her work in the volunteer sector has been widely acknowledged and includes the honorary degree of Doctor of Christian Letters from The Lutheran Theological Seminary in Saskatoon, Saskatchewan.



John J. Ryan, Director since September 1, 1997

Responsible for the strategic leadership of Farm Credit Canada (FCC), John Ryan joined FCC as President and Chief Executive Officer in 1997. John has been instrumental in creating a high-performance culture at FCC. The corporation's customer loyalty and market share have increased significantly during his tenure. John is a graduate of Harvard Business School's Advanced Management Program and holds a Bachelor of Business Administration from St. Francis Xavier University. Prior to joining FCC, John was Chief Operating Officer at the Business Development Bank of Canada (BDC).

Deeply committed to community involvement, John currently serves on the Board of Directors for Regina's Adult Learning Centre and the Hospitals of Regina Foundation. He is a member of the Board of Trustees for the Canadian Athletic Foundation and was a member of the Board of Directors for the 2005 Canada Summer Games. John has served as past Chairman for several Regina United Way campaigns and led the CEO Challenge for Habitat for Humanity in 1998 and 2001. In 2002, Mr. Ryan was awarded a Commemorative Medal for the Queen's Golden Jubilee, in recognition of his significant contributions to the people of Canada. In 2004, Mr. Ryan received the Excel Award from the International Association of Business Communicators (IABC). This international award recognizes a CEO who champions effective communication throughout his or her organization.

Réal Tétrault, Director since June 23, 2005

Réal Tétrault owns and manages Emerson Milling Inc., a successful oat milling company he started in 1987. Mr. Tétrault is quite active in grain research and development and has participated in numerous studies and breeding programs. He has initiated several projects in partnership with the University of Manitoba and the University of Minnesota in agri-food and animal feed. He is a founding member of the Prairie Oat Breeders Consortium at the University of Manitoba. He is also a member of the Manitoba Food Processors Association, the Manitoba Chamber of Commerce and sits on the board of the Emerson Economic Development Group. He served on the council of the Rural Municipality of Franklin for nine years. As well, Mr. Tétrault has been a participating member in foreign trade missions with the Government of Canada and the Government of Manitoba.

Deborah Whale, Chair, Nominating Committee, Director since November 4, 2003

Deborah Whale is vice-president and co-owner/operator of Clovermead Farms Inc., a commercial dairy and veal production business. She is the chair of the Poultry Industry Council of Canada and was co-chair of the Minister's Advisory Committee, Canadian Food Inspection Agency, chair of the Agriculture Research Institute of Ontario, chair of the Veterinary Infectious Disease Organization and is the vice-chair of the Ontario Farm Products Marketing Commission. She is also a director with Ontario Agricultural Hall of Fame and the Alberta Poultry Research Council.

R. Claude Ménard, FCP, Director since March 11, 2005

Mr. Ménard is a Chartered Accountant with 40 years experience, beginning with a private firm in Montreal, and then with several key senior management roles in the mining, steel and agriculture industries. He was CEO of Agropur, the largest dairy cooperative in Canada between 1989 and 2003. He has served as Chair of the Board of Directors with NATREL Inc., Aliments Ultima Inc., the George Morris Centre and the National Dairy Council and sat on the board of the Agri-Food Competitiveness Council. Since 1999, Mr. Ménard has been a Board member with the Groupe Deschênes Inc. Mr.Ménard is a member of the Financial Executive Institute.

GLOSSARY OF TERMS

AgValue
AgValue refers to agribusiness customers who get loans from FCC. It includes customers who are suppliers and/or processors that are selling to, buying from, and otherwise serving primary producers. These include equipment manufacturers, dealers, input providers, wholesalers, marketing firms, sawmills and processors.

AgProduction
AgProduction refers to customers who get loans from FCC and include agricultural operations that produce raw commodities such as crops, beef, hogs, poultry, sheep and dairy as well as fruits, vegetables and alternative livestock. These include but are not limited to vineyards, greenhouses, forestry (cultivation, growing and harvesting of trees), aquaculture (growing of fish both ocean and land based) and lifestyle customers.

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

Allowance for credit losses
Management's best estimate of credit losses in the loans receivable portfolio. Allowances are accounted for as deductions from loans receivable on the balance sheet.

Arrears
Arrears are defined as all amounts greater than $500 that are past due.

Asset/liability management committee (ALCO)
A senior management committee responsible for the management of FCC's entire balance sheet to achieve desired risk-return objectives.

Basis point
One hundredth of one percent, used when describing applicable interest rates or the yield of an investment.

Corporate governance
Structures, systems and processes for exercising stewardship and overseeing the direction and management of the corporation in carrying out its mandate.

Corporate social responsibility (CSR)
CSR is about accessibility, accountability and transparently pursuing long-term corporate objectives in a manner that balances corporate decision making, behaviour and performance with the evolving values, norms and expectations of society.

Counterparty
The opposite side of a financial transaction, typically another financial institution.

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

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

Debt-to-equity ratio
The level of debt expressed as dollars of debt per one dollar of equity.

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

Efficiency ratio
A measure of how well resources are used to generate income calculated as administration expenses as a percentage of revenue (composed of net interest income, net lease income and other income).

Enterprise
Specific type of agricultural operation, for example, dairy, cash crops, beef, etc.

Enterprise risk management
The balance of the Corporation's risk-taking activities and risk management practices within the context of executing corporate strategy and achieving our business goals and objectives.

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

Gap analysis
A tool to measure the maturing balances of assets and liabilities for interest rate risk-management purposes at specifically defined periods.

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

Impaired loans
Loans where, in management's opinion, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. Any loan where a payment is 90 days past due is classified as impaired unless the loan is fully secured.

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

Interest expense
Expense to the corporation incurred on debt.

Interest income
Income earned on loans receivable, cash and investments.

Interest rate option
A right, but not an obligation, to pay or receive a specific interest rate on a notional amount of principal for a set interval.

Interest rate risk (IRR)
Exposure to a decline in net interest income and capital position as a result of changes in interest rates. Varieties of interest rate risk include: prepayment risk, commitment risk and reinvestment risk.

Leverage
The relationship between total liabilities and the equity of a business.

Liquidity risk
The risk that required funds will not be readily available to meet corporate obligations in a timely manner.

Loan renewal rate
Percentage ratio of principal dollars renewed to principal dollars matured.

Market value of portfolio equity (MVPE)
The net present value of assets less liabilities. It is used to measure the sensitivity of the corporation's net economic worth to changes in interest rates.

Net disbursements
Represents disbursement of funds against approved loans excluding refinancing of existing FCC loans.

Net interest income (NII)
The difference between the interest earned on assets, such as loans and securities, and interest expense on borrowings.

Net interest income margin
Net interest income expressed as a percentage of average total assets.

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

Prepayments
Prepayments are defined as unscheduled principal payments prior to interest term maturity.

Provision for credit losses
The provision for credit losses is charged to the income statement by an amount necessary to bring the allowance for credit losses to a level determined appropriate by management.

Return on assets (ROA)
Net income expressed as a percentage of average assets.

Return on equity (ROE)
Net income expressed as a percentage of average equity.

Risk scoring and pricing system (RSPS)
A tool used to evaluate the type and potential impact of risks present in each loan to ensure FCC is adequately compensated for the risk in its portfolio.

Strategic credit risk model (SCRM)
A tool to measure overall credit risk present in the portfolio, which reflects the impact of corporate priorities, credit culture, risk strategy and risk controls.

Value-added
Agricultural businesses on the input or output side of primary production that produce, transport, store, distribute, process or add value to agricultural commodities.

Variable interests
Contractual, ownership or other pecuniary interests in an entity that change with changes in the fair value of the entity's net assets.

Variable interest entity
An entity that by design does not have sufficient equity at risk to permit it to finance its activities without additional subordinated financial support, or in which equity investors do not have the characteristics of a controlling financial interest.

FCC Office Locations

British Columbia
Abbotsford, Dawson Creek, Duncan, Kelowna, Surrey

Alberta
Barrhead, Brooks (S), Calgary, Camrose, Drumheller, Edmonton, Falher, Grande Prairie, Leduc, Lethbridge, Medicine Hat, Olds, Red Deer, Stettler (S), Stony Plain, Vegreville, Vermilion, Westlock

Saskatchewan
Assiniboia, Carlyle, Humboldt, Kindersley, Moose Jaw, North Battleford, Prince Albert, Regina, Rosetown, Saskatoon, Swift Current, Tisdale, Weyburn, Wynyard (S), Yorkton

Manitoba
Arborg, Brandon, Carman, Dauphin, Killarney (S), Melita (S), Morden, Neepawa, Portage, Shoal Lake (S), Steinbach,Stonewall (S), Swan River (S), Virden

Ontario
Barrie, Campbellford, Chatham, Clinton, Embrun, Essex, Guelph, Kanata, Kingston, Lindsay, Listowel, London, North Bay, Owen Sound, Simcoe, Stratford, Vineland, Walkerton, Woodstock, Wyoming

Quebec
Alma, Drummondville, Gatineau, Granby, Joliette, Rivière-du-Loup, Sherbrooke, Ste-Foy, St-Georges-de-Beauce (S), St-Hyacinthe, St-Jean, St-Jérôme, Trois-Rivières, Valleyfield, Victoriaville

New Brunswick
Grand Falls, Moncton, Sussex, Woodstock

Newfoundland and Labrador
St. John's

Nova Scotia
Kentville, Truro

Prince Edward Island
Charlottetown, Summerside

(S) Satellite office – restricted hours

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– Photography by Greg Huszar

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