EXPORT DEVELOPMENT CANADA
QUARTERLY FINANCIAL REPORT

BETTER THROUGH TRADE

MARCH 31, 2023 | UNAUDITED

Canada

EDC

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Caution regarding forward-looking statements

This document contains projections and other forward-looking statements regarding future events. Such statements require us to make assumptions and are subject to inherent risks and uncertainties. These may cause actual results to differ materially from expectations expressed in the forward-looking statements.

OVERVIEW

Export Development Canada (EDC) is Canada's export credit agency. Our mandate is to support and develop, directly or indirectly, Canada's export trade, and the capacity of Canada to engage in trade and respond to international business opportunities, as well as to provide development financing and other forms of development support in a manner consistent with Canada's international development priorities. We provide insurance and financial services, bonding products, small business solutions as well as online credit risk management tools. Our customers are Canadian exporters, investors and their international buyers. We place a particular emphasis on small and medium enterprises by developing tools to help them succeed in international markets. EDC is a Crown corporation, wholly owned by the Government of Canada and accountable to Parliament through the Minister of International Trade, Export Promotion, Small Business and Economic Development. Our revenue is generated primarily by collecting interest on our loans, fees on our guarantee products and premiums on our insurance products.

Economic Environment

Despite growth in key markets at the tail-end of 2022 being stronger than expected, the global economy has lost momentum as we move into 2023. Following the synchronized tightening of interest rates globally, GDP growth is constrained by reduced demand from households. Nominal trade growth is stable, but export volumes are down with purchasing managers signalling weaker demand for supplies. Although inflation in most regions has fallen from the peaks in 2022, core inflation measures remain high and are proving difficult to quell. Central banks are committed to achieving price stability, which is worsening affordability, creating tighter credit conditions, and sparked recent stresses on the banking sector. Commodity prices continue to moderate this quarter from elevated levels, with the benchmark price of West Texas Intermediate averaging US$76 per barrel in the first quarter as OPEC+ restricts supply. China's reopening could keep prices higher than previously expected.

The U.S. economy is slowing but has been supported by a strong labour market. Job growth continues but openings are declining. The Federal Reserve raised interest rates by 50bps, bringing the Federal Funds interest rate in the range of 4.75% to 5%. Inflation is declining with year-over-year headline growth reaching 5%. The collapse of three U.S. regional banks, notably the Silicon Valley Bank, shook the banking sector and further tightened credit conditions. In response, the Federal Reserve announced a short-term lending facility to support bank deposits. Global banks were under increased pressure to maintain capital ratios and ultimately Credit Suisse was sold to UBS.

China's economy grew more than 4% in the first quarter as they do away with COVID-zero policies and reopen their borders to tourism. Europe's economy is being dragged down by suppressed manufacturing, but confidence has improved as energy supply is preserved. The European Central Bank raised interest rates by 100bps, leaving its refinancing rate at 3.5%.

The Canadian economy remains resilient, although activity has slowed. Export volumes held early first quarter gains with stable demand from U.S. Consumer spending but are now pulling back. Housing market activity remains weakened with prices down. The Bank of Canada raised its policy interest rate by 25 bps and signalled a pause to its tightening cycle. Inflation growth has come down to 4.3%. The labour market has been quite strong, with job vacancies declining and supply rebalancing.

Macroeconomic Outlook

Our expected credit loss impairment model uses forward looking information determined from reasonable and supportable forecasts of future economic conditions as at the reporting date. Our forecasts are updated quarterly, and the impact of the update is reflected in the expected credit losses for the period.

The global economy is experiencing a slowdown, weighted by down historically high inflation, the rapid increase in global interest rates and the continuing war in Ukraine. Given the need to balance inflation, growth and emerging financial market stresses, we expect high interest rates to persist until early 2024.

Our downside economic scenario anticipates a recession in both developed and emerging markets to varying degrees starting in third quarter of 2023 and is assigned a probability of 35%, an increase of 5% compared to the previous quarter. Under this scenario, the U.S., while affected, fares better than most other major economies. Inflation remains elevated prompting tighter monetary policy than comparable recessions and keeping the U.S. dollar strong, making it more difficult for emerging market sovereigns and corporates to borrow. Our upside economic scenario, assigned a probability of 5%, a decrease of 5% from the previous quarter, forecasts rapid easing of inflationary pressures, improving investor sentiment and driving greater economic activity.

Risk Management

Our business activities expose us to a wide variety of risks including strategic, financial and operational risks. We manage risk with a three lines of defence risk governance structure, which emphasizes and balances strong central oversight and control of risk with clear accountability for and ownership of risk within the "front lines". The structure supports the cascade of EDC's risk appetite throughout the organization and provides forums for risks to be appropriately considered, discussed, debated and factored into business decisions at all levels and across all functions. This structure will allow us to continue to manage our business as risks evolve in the current economic environment. As credit conditions tighten with the rising interest rate environment EDC will continue to leverage our strong capital position to bring value to Canadian companies.

For a more comprehensive discussion on our risk management, please refer to pages 143-151 of our 2022 Annual Report. Refer to Note 7 of the accompanying financial statements for details on financial instrument risks.

Impact of Foreign Exchange Translation on Financial Results

Our foreign currency-denominated results are impacted by exchange rate fluctuations. The Canadian dollar relative to the U.S. dollar ended the quarter at $0.74, consistent with the rate at the end of 2022. Our assets and liabilities are primarily denominated in U.S. dollars and are translated to Canadian dollars at rates prevailing at the statement of financial position date. The components of net income as well as our business facilitated are translated at the average exchange rates. The Canadian dollar averaged $0.74 against the U.S. dollar in the first quarter which was also consistent with the average rate of the first quarter of 2021.

Business Facilitated

Business facilitated for financing and investments increased by $5.1 billion compared to the same period in 2022 mainly due to increases in direct lending and project finance. The increase in direct lending activity primarily occurred in the finance and insurance sectors where we signed larger transactions when compared to the first quarter in 2022. The increase in project finance primarily occurred in the resources sector where we signed larger transactions when compared to the same period in 2022.

Business facilitated for financial institutions insurance increased by 40% compared to the same period in 2022 primarily due to increased demand from current policyholders.

Business facilitated for international trade guarantee increased by 41% compared to the same period in 2022 primarily due to increases in the utilities, finance and insurance and mining sectors.

Business Facilitated

	For the three months ended	
(in millions of Canadian dollars)	**Mar 2023**	Mar 2022
Business Facilitated		
Direct lending	**6,221**	2,307
Project finance	**1,864**	879
Loan guarantees	**822**	654
Investments	**205**	153
Total financing and investments	**9,112**	3,993
Credit insurance	**22,728**	23,109
Financial institutions insurance	**2,077**	1,484
International trade guarantee	**2,186**	1,546
Political risk insurance	**47**	135
Total insurance	**27,038**	26,274
Total	**$36,150**	$30,267

SUMMARY OF FINANCIAL RESULTS

EDC adopted the requirements as per *IFRS 17 – Insurance Contracts* effective January 1, 2023, with retroactive application to January 1, 2022. This adoption resulted in an increase to the opening retained earnings on January 1, 2022 of $164 million. All comparative figures have been restated as required by the standard. Further disclosure on the transition to IFRS 17 is provided in Note 1 of the Condensed Consolidated Financial Statements.

Financial Performance

	For the three months ended		
(in millions of Canadian dollars)	**Mar 2023**	Mar 2022	Mar 2023 Corporate Plan[1]
Net financing and investment income	**325**	295	258
Loan guarantee fees	**20**	20	15
Net insurance service revenue[2]	**69**	60	65
Realized gains[3]	**18**	11	5
Net revenue	**432**	386	343
Administrative expenses	**134**	124	150
Net insurance service expenses[2]	**41**	12	18
Provision for (reversal of) credit losses	**(51)**	19	42
Income before unrealized (gains) losses	**308**	231	133
Unrealized losses on financial instruments[3]	**42**	42	-
Net income	**266**	189	133
Other comprehensive income (loss)	**65**	(44)	-
Comprehensive income	**$331**	$145	$133

[1] The Corporate Plan was prepared under IFRS 4 and has not been restated to conform to IFRS 17.

[2] Included in Net Insurance Service Result on the Condensed Consolidated Statement of Comprehensive Income.

[3] Included in Other (Income) Expenses on the Condensed Consolidated Statement of Comprehensive Income.

Quarter Highlights

We had **net income** of $266 million in the first quarter of 2023 compared to $189 million for the same period in 2022 mainly due to a reversal of the provision for credit losses and an increase in net revenue.

Net revenue increased by $46 million compared to the same period in 2022 primarily due to higher **net financing and investment income** as a result of growth in the loan portfolio, partially offset by an increase in interest expense on the funding required to repurchase share capital in the prior year.

Insurance service expenses increased by $29 million compared to the same period last year primarily due to changes in fulfilment cash flows related to our estimates of incurred claims.

We recorded a **reversal of credit losses** of $51 million in the quarter compared to a provision for credit losses of $19 million in the same period last year. The overall impact of credit migration within our performing portfolio, particularly within the transportation and storage industry, resulted in a reversal of credit losses in the first quarter of 2023. In addition, improvement in the macroeconomic outlook resulted in a further reversal of credit losses. The reversal was partially offset by an increase in the provision rate for an impaired obligor in the transportation and storage industry. The charge in 2022 was primarily due to our updated macroeconomic forecast, mostly offset by reversals of provision due to the impact of net repayments, maturities, loan asset sales and positive credit migration.

We recorded **other comprehensive income** of $65 million mainly due to positive returns on plan assets, partially offset by a decrease in the discount rate used to value the pension obligations.

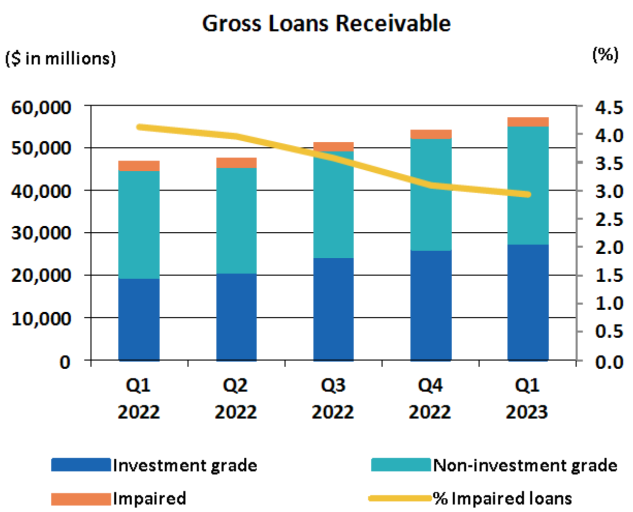
Provision for (Reversal of) Credit Losses by Sector

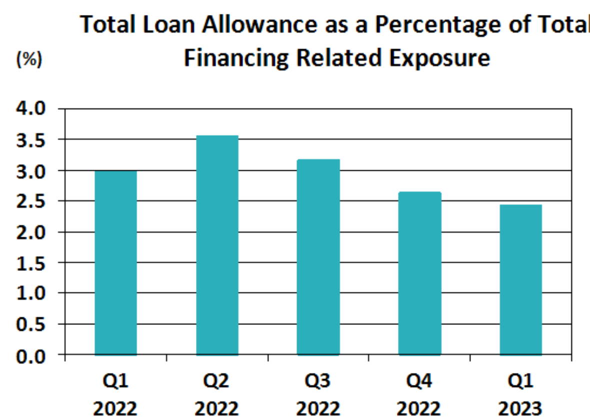
Activity within the provision for (reversal of) credit losses during the first quarter by sector was as follows:

	Three months ended March 31, 2023			Three months ended March 31, 2022		
(in millions of Canadian dollars)	**Performing**	**Impaired**	**Total**	Performing	Impaired	Total
Transportation and storage	**(98)**	**28**	**(70)**	167	-	167
Utilities	**45**	**(2)**	**43**	(19)	11	(8)
Commercial properties	**(23)**	**-**	**(23)**	(4)	1	(3)
Manufacturing	**10**	**12**	**22**	(53)	(3)	(56)
Wholesale and retail trade	**16**	**2**	**18**	10	1	11
Sovereign	**(16)**	**-**	**(16)**	(31)	-	(31)
Information	**(12)**	**-**	**(12)**	(3)	(55)	(58)
Other	**(19)**	**6**	**(13)**	(3)	-	(3)
Total	**$(97)**	**$46**	**$(51)**	$64	$(45)	$19

Financial Position

As at *(in millions of Canadian dollars)*	**Mar 2023**	Dec 2022	Mar 2023 Corporate Plan
Total assets	**70,960**	67,729	66,057
Total liabilities	**58,276**	55,376	54,718
Equity	**12,684**	12,353	11,339
Gross loans receivable	**57,037**	54,193	52,190
Total allowances - loans portfolio	**1,780**	1,840	1,997





Total assets are $3.2 billion higher than December 2022 primarily due to an increase of $2.8 billion in gross loans receivable as a result of net loan disbursements ($2.6 billion) and foreign exchange translation ($0.2 billion). Total liabilities is also higher than December 2022 as our borrowing requirements are largely driven by our loans receivable portfolio.

Impaired loans as a percentage of gross loans receivable has decreased since the fourth quarter of 2022 as the level of impaired loans has remained constant while the overall loans receivable portfolio grew in the first quarter.

Loan allowance as a percentage of total financing exposure decreased during the first quarter of 2023 mainly due to growth in the loan portfolio and a reversal of credit losses. The total allowance for losses on loans, loan commitments and loan guarantees was $1.8 billion at the end of the first quarter, a decrease of $60 million from the end of 2022. The key components impacting the change in allowance during the quarter were as follows:

- net repayments and maturities – reduction of $77 million;
- remeasurements due to credit migration – reduction of $48 million;
- updated macroeconomic assumptions – decrease of $42 million;
- loan write-offs – decrease of $16 million;
- new originations – increase of $116 million; and
- impact of foreign exchange – increase of $7 million.

STATEMENT OF MANAGEMENT RESPONSIBILITY

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

These condensed consolidated quarterly financial statements have not been audited or reviewed by an external auditor.

Based on our knowledge, these unaudited Condensed Consolidated Quarterly Financial Statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at March 31, 2023 and for the periods presented in the Condensed Consolidated Quarterly Financial Statements.

Mairead Lavery, President & CEO	Scott Moore, Senior Vice-President & CFO

Ottawa, Canada
May 11, 2023

Export Development Canada

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of Canadian dollars)

As at

	Notes	**Mar 2023**	Dec 2022	Jan 1 2022
Assets				
Cash		**248**	275	207
Marketable securities		**9,742**	9,539	9,082
Derivative instruments		**1,413**	1,654	1,139
Assets held for sale		**46**	80	1
Loans receivable	2	**57,203**	54,182	48,345
Allowance for losses on loans	2	**(1,560)**	(1,630)	(1,760)
Investments		**2,943**	2,771	2,707
Reinsurance contract assets	3	**67**	60	64
Property, plant and equipment		**40**	40	44
Intangible assets		**42**	46	63
Right-of-use assets		**116**	118	127
Retirement benefit assets		**528**	453	346
Other assets		**132**	141	150
Total Assets		**$70,960**	$67,729	$60,515
Liabilities and Equity				
Accounts payable and other credits		**116**	150	179
Loan guarantees	2	**232**	234	188
Loans payable		**54,173**	50,568	43,525
Derivative instruments		**3,106**	3,712	1,003
Lease liabilities		**150**	152	158
Allowance for losses on loan commitments	2	**20**	10	20
Insurance contract liabilities	3	**314**	388	412
Retirement benefit obligations		**165**	162	226
Total Liabilities		**58,276**	55,376	45,711
Financing commitments (Note 2) and contingent liabilities (Note 4)				
Equity				
Share capital	5	**8,490**	8,490	12,300
Retained earnings		**4,194**	3,863	2,504
Total Equity		**12,684**	12,353	14,804
Total Liabilities and Equity		**$70,960**	$67,729	$60,515

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

These financial statements were approved for issuance by the Board of Directors on May 11, 2023.

Manjit Sharma
Director

Mairead Lavery
Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)

		For the three months	
	Notes	**Mar 2023**	Mar 2022
Financing and Investment Revenue:			
Loan		**831**	360
Marketable securities		**102**	20
Investments		**5**	3
Total financing and investment revenue		**938**	383
Interest expense		**593**	80
Financing related expenses		**20**	8
Net Financing and Investment Income		**325**	295
Loan Guarantee Fees		**20**	20
Insurance revenue	8	**80**	70
Insurance service expenses	8	**(50)**	(8)
Reinsurance service expenses		**(2)**	(14)
Net Insurance Service Result		**28**	48
Other (Income) Expenses	9	**24**	31
Administrative Expenses	10	**134**	124
Income before Provision		**215**	208
Provision for (Reversal of) Credit Losses	2	**(51)**	19
Net Income		**266**	189
Other comprehensive income (loss):			
Retirement benefit plans remeasurement		**65**	(44)
Comprehensive Income		**$331**	$145

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in millions of Canadian dollars)

	Notes	For the three months ended Mar 2023	Mar 2022
Share Capital	5	**8,490**	12,300
Retained Earnings			
Balance beginning of period		**3,863**	2,340
IFRS 17 transition adjustment		**-**	164
Revised balance beginning of period		**3,863**	2,504
Net income		**266**	189
Other comprehensive income (loss)			
Retirement benefit plans remeasurement		**65**	(44)
Balance end of period		**4,194**	2,649
Total Equity End of Period		**$12,684**	$14,949

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of Canadian dollars)

	For the three months ended	
	Mar 2023	Mar 2022
Cash Flows from (used in) Operating Activities		
Net income	**266**	189
Adjustments to determine net cash flows from (used in) operating activities		
Provision for (reversal of) credit losses	**(51)**	19
Depreciation and amortization	**8**	9
Realized (gains)	**-**	(19)
Changes in operating assets and liabilities		
Change in accrued interest and fees on loans receivable	**(191)**	(46)
Change in accrued interest and fair value of marketable securities	**(92)**	211
Change in accrued interest and fair value of loans payable	**303**	(479)
Change in fair value of investments	**(74)**	42
Change in derivative instruments	**(395)**	421
Other	**(73)**	(148)
Loan disbursements	**(5,563)**	(3,268)
Loan repayments and principal recoveries from loan asset sales	**2,937**	4,145
Net cash from (used in) operating activities	**(2,925)**	1,076
Cash Flows from (used in) Investing Activities		
Disbursements for investments	**(135)**	(97)
Receipts from investments	**40**	155
Purchases of marketable securities	**(2,377)**	(2,262)
Sales/maturities of marketable securities	**2,318**	2,201
Purchases of property, plant and equipment	**(1)**	-
Net cash used in investing activities	**(155)**	(3)
Cash Flows from (used in) Financing Activities		
Issue of long-term loans payable	**12,236**	3,814
Repayment of long-term loans payable	**(6,331)**	(1,996)
Issue of short-term loans payable	**9,106**	11,020
Repayment of short-term loans payable	**(11,871)**	(10,778)
Disbursements from sale/maturity of derivative instruments	**(50)**	(5)
Receipts from sale/maturity of derivative instruments	**25**	51
Net cash from financing activities	**3,115**	2,106
Effect of exchange rate changes on cash and cash equivalents	**1**	(55)
Net increase in cash and cash equivalents	**36**	3,124
Cash and cash equivalents		
Beginning of period	**3,055**	1,693
End of period	**$3,091**	$4,817
Cash and cash equivalents are comprised of:		
Cash	**248**	168
Cash equivalents included within marketable securities	**2,843**	4,649
	$3,091	$4,817
Operating Cash Flows from Interest		
Cash paid for interest	**$582**	$110
Cash received for interest	**$710**	$300

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

Notes to the Condensed Consolidated Financial Statements

1. Significant Accounting Policies

Basis of Presentation

Our condensed consolidated financial statements comply with the *Directive on Accounting Standards: G5200 Crown Corporations Quarterly Financial Report* issued by the Treasury Board of Canada.

Except as indicated below, these Condensed Consolidated Financial Statements follow the same accounting policies and methods of computation as our audited Consolidated Financial Statements for the year ended December 31, 2022. They should be read in conjunction with the audited Consolidated Financial Statements for the year ended December 31, 2022 and the accompanying notes as set out on pages 169-223 of our 2022 Integrated Annual Report.

Pursuant to the Export Development Act, the Minister of Small Business, Export Promotion and International Trade, with the concurrence of the Minister of Finance, may authorize us to undertake certain financial and contingent liability transactions on behalf of the Government of Canada. These transactions and the legislative authorities that underlie them have come to be known collectively as "Canada Account". Accounts for these transactions are maintained separately from our accounts and are consolidated annually as at March 31 with the financial statements of the Government of Canada, which are reported upon separately by the Government and audited by the Auditor General of Canada.

Basis of Consolidation

Our Consolidated Financial Statements include the assets, liabilities, results of operations and cash flows of our wholly owned subsidiaries and those structured entities consolidated under *IFRS 10 – Consolidated Financial Statements*. Intercompany transactions and balances have been eliminated.

Application of New International Financial Reporting Standards

New standards, amendments and interpretations adopted during the quarter

The following standard and amendments issued by the IASB were adopted for the annual period beginning January 1, 2023:

IFRS 17 – Insurance Contracts – In May 2017, the IASB issued IFRS 17 which establishes recognition, measurement, presentation, and disclosure requirements for insurance contracts. This replaces the previous guidance which was provided in *IFRS 4 – Insurance Contracts*. The standard requires entities to measure insurance contract liabilities using their current fulfillment cash flows and revenue to be recognized using one or more of three methods. We have adopted two of these methods – the general measurement model (GMM) and the premium allocation approach (PAA) – to measure insurance contracts. IFRS 17 is effective for annual periods beginning on or after January 1, 2023, with retroactive application to periods beginning on or after January 1, 2022.

Our updated accounting policy is as follows:

Insurance Contracts

Insurance contracts are those contracts where we have accepted significant insurance risk by agreeing to compensate the policyholders if they are adversely affected by a specified uncertain future event. Insurance contract liabilities represent our estimate of future cash flows under the terms and conditions of our insurance policies and include liabilities for remaining coverage and liabilities for incurred claims. The actuarial calculation of the fulfilment cash flows uses key management assumptions for frequency of claims, severity of loss, future claim development, administrative expenses and relevant discount rates.

Insurance contracts are assessed on their issuance date to determine profitability and are then grouped into cohorts based on portfolio, recognition date and the profitability of the contract. Composition of the cohorts is not reassessed at subsequent measurement. We apply the GMM to our political risk insurance portfolio, as well as certain long-term contracts within our international trade guarantee portfolio. The PAA is applicable to all other insurance contracts.

Insurance Contract Liabilities – GMM

For insurance contracts to which we apply the GMM, the liabilities for remaining coverage and the liabilities for incurred claims are measured based on estimates of the present value of future cash flows under the contracts. These estimates include an explicit risk adjustment to reflect the non-financial risk EDC is exposed to due to uncertainty around the amount and timing of future cash flows.

For profitable groups of contracts, the liabilities for remaining coverage include the contractual service margin, which represents unearned profit, as well as the present value of the future cash flows. For onerous groups of contracts, a loss component is established on initial recognition and the loss recorded immediately as an insurance service expense. On subsequent measurement, insurance contract groups are assessed to determine changes in profitability. Changes in future cash flows related to onerous contracts are allocated between the loss component and the liabilities for remaining coverage excluding loss component in a systematic and rational manner.

Insurance Contract Liabilities – PAA

The PAA is a simplified version of the GMM which is applicable to contracts in our credit insurance portfolio given their coverage periods are one year or less. The PAA is also applied to our financial institutions portfolio and the majority of contracts in our international trade guarantee portfolio as it has been determined that using this simplified method would produce a measurement that would not materially differ from the results under the GMM.

For profitable insurance contract groups under this approach, our liabilities for remaining coverage reflect premiums received less revenue earned. For our financial institutions insurance and international trade guarantee groups, the liabilities for remaining coverage also include acquisition cash flows paid less amounts recognized. For onerous insurance contract groups, a loss component is established on initial recognitions which reflects our best estimates of the present value of future cash flows and includes a risk adjustment for non-financial risk. Insurance contract groups are assessed at subsequent measurement to determine changes in profitability.

Our liabilities for incurred claims are comprised of incurred claims as well as incurred but not reported claims (IBNR) and are adjusted to reflect the time value of money as well as a risk adjustment for non-financial risk.

Insurance Revenue

For profitable groups of contracts to which we apply the GMM, revenue is recorded as services are provided over the coverage period of the insurance contracts. The underlying exposure of the insurance contracts is used to reflect the insurance contract services provided in each period.

Expected premium receipts on our PAA group of insurance policies are recognized into income over the coverage period of each insurance contract group on a straight-line basis.

Insurance Service Expenses

Insurance service expenses include administrative expenses which are attributable to our insurance contracts, losses and recoveries of losses on onerous contracts, incurred claims and changes to the liabilities for incurred claims.

Administrative expenses which are attributable to our insurance contracts include acquisition costs, which are expenses incurred on the selling and underwriting of new insurance contracts, as well as policy administration and maintenance expenses. Acquisition expenses are allocated to the insurance contract groups in a systematic and rational method. Due to the short-term nature of the contracts within our credit insurance portfolio, we have elected to recognize acquisition expenses for these insurance contract groups when incurred. For the remaining insurance portfolios, we recognize acquisition expenses over the terms of the policies in a manner consistent with our recognition of the insurance revenue. Policy administration and maintenance expenses are allocated at the portfolio level and are expensed as incurred.

Reinsurance Contracts

In the ordinary course of business, we cede reinsurance with other insurance companies in order to mitigate our risk. The ceding arrangements provide greater diversification of the business and minimize the net loss potential arising from large risks. Ceded reinsurance contracts do not relieve us of our obligations to the insured but they do provide for the recovery of claims arising from the liabilities ceded. EDC has both facultative reinsurance policies, which provide coverage on specific policies and buyers, as well as treaty reinsurance policies which provide coverage on a group of policies and obligors.

Reinsurance contracts are accounted for in a manner consistent with the underlying direct insurance contracts. Reinsurance contracts on our political risk insurance policies are accounted for under the GMM, while all other reinsurance policies are accounted for under the PAA.

Reinsurance premiums are recognized as an expense over the coverage period of the underlying policies for our facultative reinsurance policies and over the coverage period of the reinsurance policy for our treaty reinsurance policies.

Transition

IFRS 17 has been initially applied for the current quarter beginning January 1, 2023. As required by the standard, we have adopted IFRS 17 retrospectively and have applied the full retrospective approach to all insurance contracts in force at the transition date of January 1, 2022. All reasonable and supportable information was available for contracts at the transition date and no material estimates or judgements were made in determining the transition adjustment.

EDC has recognized and measured each group of insurance contracts as if IFRS 17 had always applied and derecognized any existing balances that would not have existed under IFRS 17. As a result, an adjustment of $164 million to opening retained earnings as at January 1, 2022 was made to reflect the impact of the transition to IFRS 17. We have restated all comparative figures for the 2022 reporting periods to reflect the implementation of the standard.

IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2 – In February 2021, the IASB issued *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2*) with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments were adopted on January 1, 2023 with no material impact to the Consolidated Financial Statements.

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – In February 2021, the IASB issued *Definition of Accounting Estimates*, amendments to IAS 8. The amendments help entities to distinguish between accounting policies and accounting estimates. The amendments were adopted on January 1, 2023 with no material impact to the Consolidated Financial Statements.

New standards, amendments and interpretations issued but not yet in effect

The standards, amendments and interpretations issued but not yet in effect are disclosed in Note 3 of our audited Consolidated Financial Statements for the year ended December 31, 2022.

There were no new standards, amendments or interpretations issued in the first quarter of the year that would have a possible effect on the Consolidated Financial Statements in the future.

Use of Estimates and Key Judgments

The preparation of financial statements requires the use of estimates and key judgments. Judgment is required in the selection of accounting policies, and their application requires the use of estimates and assumptions to arrive at the reported carrying values of our assets and liabilities. Other areas where management has made use of significant estimates and exercised judgment include allowance for credit losses, assets held for sale, retirement benefit plans and financial instruments measured at fair value. Refer to page 173 of our 2022 Integrated Annual Report for details.

2. Loans and Allowance for Credit Losses

Loans Receivable

(in millions of Canadian dollars)	**Mar 2023**	Dec 2022
Gross loans receivable	**57,037**	54,193
Accrued interest and fees receivable	**491**	312
Deferred loan revenue and other	**(325)**	(323)
Total loans receivable	**$57,203**	$54,182

The following reflects the movement in gross loans receivable during the period:

(in millions of Canadian dollars)	**2023**	2022
Balance January 1	**54,193**	48,437
Disbursements	**5,563**	3,268
Principal repayments	**(2,702)**	(3,604)
Principal recoveries from loan asset sales	**(235)**	(541)
Loans written off	**(16)**	(23)
Capitalized interest	**12**	9
Foreign exchange translation	**222**	(691)
Balance March 31	**$57,037**	$46,855

Exposure and Allowance by Credit Grade

				Mar 2023		Dec 2022	
	Non-credit-impaired		Credit-impaired				
(in millions of Canadian dollars)	Stage 1	Stage 2	Stage 3	$	% of total	$	% of total
Gross loans receivable							
Investment grade*	**25,269**	**2,225**	**-**	**27,494**	**48%**	26,164	48%
Non-investment grade	**18,686**	**9,184**	**-**	**27,870**	**49%**	26,352	49%
Individually impaired	**-**	**-**	**1,254**	**1,254**	**2%**	1,253	2%
Originated credit-impaired	**-**	**-**	**419**	**419**	**1%**	424	1%
Gross loans receivable	**43,955**	**11,409**	**1,673**	**57,037**	**100%**	54,193	100%
Allowance for losses	**189**	**651**	**720**	**1,560**		1,630	
Net carrying value - loans receivable	**$43,766**	**$10,758**	**$953**	**$55,477**		$52,563	
Loan commitments							
Investment grade*	**6,161**	**157**	**-**	**6,318**	**53%**	5,582	49%
Non-investment grade	**4,723**	**780**	**-**	**5,503**	**47%**	5,763	51%
Individually impaired	**-**	**-**	**3**	**3**	**-**	-	-
Total loan commitments	**10,884**	**937**	**3**	**11,824**	**100%**	11,345	100%
Allowance for losses	**14**	**5**	**1**	**20**		10	
Net carrying value - loan commitments	**$10,870**	**$932**	**$2**	**$11,804**		$11,335	
Loan guarantees							
Investment grade*	**165**	**19**	**-**	**184**	**4%**	312	7%
Non-investment grade	**3,345**	**783**	**-**	**4,128**	**93%**	3,992	90%
Individually impaired	**-**	**-**	**130**	**130**	**3%**	114	3%
Total loan guarantees	**3,510**	**802**	**130**	**4,442**	**100%**	4,418	100%
Allowance for losses	**67**	**42**	**91**	**200**		200	
Net carrying value - loan guarantees	**$3,443**	**$760**	**$39**	**$4,242**		$4,218	

**Investment grade exposure represents obligors with credit ratings of BBB- and above, as determined based on our internal credit risk rating methodology. Exposures are presented before the effects of any risk-mitigation strategies.*

Allowance for Losses

Changes to the allowance for losses on loans receivable, loan commitments and loan guarantees as at and for the three months ended March 31 were as follows:

(in millions of Canadian dollars)	**Stage 1**	**Stage 2**	**Stage 3**	**Mar 2023 Total**	Stage 1	Stage 2	Stage 3	Mar 2022 Total
Allowance for losses on loans receivable								
Balance beginning of period	**246**	**683**	**701**	**1,630**	54	821	885	1,760
Provision for (reversal of) credit losses								
Transfer to stage 1	**17**	**(17)**	**-**	**-**	60	(60)	-	-
Transfer to stage 2	**(30)**	**30**	**-**	**-**	(4)	5	(1)	-
Remeasurements	**(61)**	**(49)**	**33**	**(77)**	(3)	108	9	114
New originations	**30**	**35**	**15**	**80**	8	7	3	18
Net repayments and maturities	**(14)**	**(35)**	**(15)**	**(64)**	(2)	(68)	(54)	(124)
Total provision for (reversal of) credit losses	**(58)**	**(36)**	**33**	**(61)**	59	(8)	(43)	8
Write-offs	**-**	**-**	**(16)**	**(16)**	-	(1)	(10)	(11)
Foreign exchange translation	**1**	**4**	**2**	**7**	(1)	(16)	(10)	(27)
Balance end of period	**189**	**651**	**720**	**1,560**	112	796	822	1,730
Allowance for losses on loan commitments								
Balance beginning of period	**10**	**-**	**-**	**10**	2	12	6	20
Provision for (reversal of) credit losses								
Transfer to stage 1	**1**	**(1)**	**-**	**-**	2	(2)	-	-
Transfer to stage 2	**-**	**-**	**-**	**-**	(1)	1	-	-
Remeasurements	**(3)**	**6**	**-**	**3**	(1)	4	-	3
New originations	**7**	**-**	**1**	**8**	1	-	-	1
Net repayments and maturities	**(1)**	**-**	**-**	**(1)**	(1)	-	(3)	(4)
Total provision for (reversal of) credit losses	**4**	**5**	**1**	**10**	-	3	(3)	-
Balance end of period	**14**	**5**	**1**	**20**	2	15	3	20
Allowance for losses on loan guarantees								
Balance beginning of period	**82**	**39**	**79**	**200**	30	19	81	130
Provision for (reversal of) credit losses								
Transfer to stage 1	**10**	**(10)**	**-**	**-**	3	(3)	-	-
Transfer to stage 2	**(18)**	**18**	**-**	**-**	(1)	3	(2)	-
Transfer to stage 3	**-**	**(3)**	**3**	**-**	-	-	-	-
Remeasurements	**(34)**	**5**	**13**	**(16)**	(9)	6	10	7
New originations	**28**	**-**	**-**	**28**	12	-	-	12
Net repayments and maturities	**(1)**	**(7)**	**(4)**	**(12)**	-	(1)	(7)	(8)
Total provision for (reversal of) credit losses	**(15)**	**3**	**12**	**-**	5	5	1	11
Foreign exchange translation	**-**	**-**	**-**	**-**	(1)	-	-	(1)
Balance end of period	**67**	**42**	**91**	**200**	34	24	82	140
Total allowance for losses on loans receivable, loan commitments and loan guarantees	**$270**	**$698**	**$812**	**$1,780**	$148	$835	$907	$1,890

Financing Commitments

The following table shows our outstanding financing commitments by type:

(in millions of Canadian dollars)	**Mar 2023**	Dec 2022
Signed loan commitments	**11,824**	11,345
Letters of offer	**3,907**	2,148
Unallocated confirmed lines of credit	**97**	98
Total financing commitments	**$15,828**	$13,591

3. Insurance Contract Liabilities

The following tables provide a breakdown of our insurance contract liabilities and reinsurance contract assets by portfolio:

Insurance Contract Liabilities

(in millions of Canadian dollars)	**Mar 2023**				Dec 2022			
	Liabilities for remaining coverage				Liabilities for remaining coverage			
	Excluding loss component	**Loss component**	**Liabilities for incurred claims**	**Insurance contract liabilities**	Excluding loss component	Loss component	Liabilities for incurred claims	Insurance contract liabilities
Credit insurance*	**(22)**	**25**	**124**	**127**	(20)	18	120	118
International trade guarantees	**84**	**25**	**-**	**109**	84	27	89	200
Political risk insurance	**27**	**39**	**12**	**78**	28	42	-	70
Total	**$89**	**$89**	**$136**	**$314**	$92	$87	$209	$388

** Includes insurance contract liabilities related to financial institutions insurance of $2 million (2022 - $3 million).*

Reinsurance Contract Assets

(in millions of Canadian dollars)	**Mar 2023**				Dec 2022			
	Assets for remaining coverage				Assets for remaining coverage			
	Excluding loss-recovery component	**Loss-recovery component**	**Assets for incurred claims**	**Reinsurance contract assets**	Excluding loss-recovery component	Loss-recovery component	Assets for incurred claims	Reinsurance contract assets
International trade guarantees	**6**	**-**	**-**	**6**	6	-	-	6
Political risk insurance	**31**	**10**	**8**	**49**	32	11	-	43
Treaty reinsurance	**(1)**	**-**	**13**	**12**	(2)	-	13	11
Total	**$36**	**$10**	**$21**	**$67**	$36	$11	$13	$60

Changes to the insurance contract liabilities and reinsurance contract assets as at and for the three months ended March 31 were as follows:

Insurance Contracts

(in millions of Canadian dollars)						**Mar 2023**
	Liabilities for remaining coverage		**Liabilities for incurred claims**			
				Contracts under PAA		
	Excluding loss component	**Loss component**	**Contracts not under PAA**	**Estimates of present value of future cash flows**	**Risk adjustment**	**Total**
Balance beginning of period	**92**	**87**	**-**	**193**	**16**	**388**
Insurance revenue	**(80)**	**-**	**-**	**-**	**-**	**(80)**
Insurance service expenses:						
Incurred claims and other expenses	**-**	**-**	**11**	**47**	**2**	**60**
Amortization of acquisition cash flows*	**4**	**-**	**-**	**-**	**-**	**4**
Changes to the liabilities for incurred claims	**-**	**-**	**3**	**(23)**	**(2)**	**(22)**
Insurance service result	**(76)**	**-**	**14**	**24**	**-**	**(38)**
Net finance expenses	**-**	**2**	**-**	**-**	**-**	**2**
Foreign exchange translation	**-**	**-**	**-**	**(4)**	**1**	**(3)**
Total changes in net income	**(76)**	**2**	**14**	**20**	**1**	**(39)**
Premiums received	**77**	**-**	**-**	**-**	**-**	**77**
Claims and other expenses paid	**-**	**-**	**(2)**	**(106)**	**-**	**(108)**
Acquisition cash flows	**(4)**	**-**	**-**	**-**	**-**	**(4)**
Total cash flows	**73**	**-**	**(2)**	**(106)**	**-**	**(35)**
Balance end of period	**$89**	**$89**	**$12**	**$107**	**$17**	**$314**

** Insurance acquisition cash flows related to credit insurance were $8M for the three months ended March 31, 2023 (2022 - $9M).*

(in millions of Canadian dollars)						Mar 2022
	Liabilities for remaining coverage		Liabilities for incurred claims			
				Contracts under PAA		
	Excluding loss component	Loss component	Contracts not under PAA	Estimates of present value of future cash flows	Risk adjustment	Total
Balance beginning of period	72	80	(5)	246	19	412
Insurance revenue	(70)	-	-	-	-	(70)
Insurance service expenses:						
Incurred claims and other expenses	-	-	-	57	2	59
Amortization of acquisition cash flows	4	-	-	-	-	4
Changes to the liabilities for incurred claims	-	-	(18)	(42)	(4)	(64)
Insurance service result	(66)	-	(18)	15	(2)	(71)
Net finance expenses	-	(2)	-	-	-	(2)
Foreign exchange translation	-	(2)	-	(3)	-	(5)
Total changes in net income	(66)	(4)	(18)	12	(2)	(78)
Premiums received	68	-	-	-	-	68
Claims and other expenses paid	-	-	20	(38)	-	(18)
Acquisition cash flows	(4)	-	-	-	-	(4)
Total cash flows	64	-	20	(38)	-	46
Balance end of period	$70	$76	$(3)	$220	$17	$380

Reinsurance Contracts

(in millions of Canadian dollars)	Assets for remaining coverage		Assets for incurred claims — Estimates of present value of future cash flows		**Mar 2023**
	Excluding loss-recovery component	**Loss-recovery component**	**Contracts under GMM**	**Contracts under PAA**	**Total**
Balance beginning of period	**36**	**11**	**-**	**13**	**60**
Allocation of reinsurance premiums paid	**(9)**	**-**	**-**	**-**	**(9)**
Recoveries of incurred claims	**-**	**-**	**7**	**-**	**7**
Recoveries of losses on onerous underlying contracts	**-**	**(1)**	**-**	**-**	**(1)**
Adjustments to assets for incurred claims	**-**	**-**	**1**	**-**	**1**
Reinsurance service expenses	**(9)**	**(1)**	**8**	**-**	**(2)**
Reinsurance premiums paid	**9**	**-**	**-**	**-**	**9**
Total cash flows	**9**	**-**	**-**	**-**	**9**
Balance end of period	**$36**	**$10**	**$8**	**$13**	**$67**

(in millions of Canadian dollars)	Assets for remaining coverage		Assets for incurred claims — Estimates of present value of future cash flows		Mar 2022
	Excluding loss-recovery component	Loss-recovery component	Contracts under GMM	Contracts under PAA	Total
Balance beginning of period	30	17	(2)	17	62
Allocation of reinsurance premiums paid	(8)	-	-	-	(8)
Recoveries of losses on onerous underlying contracts	-	(2)	-	-	(2)
Adjustments to assets for incurred claims	-	-	(4)	-	(4)
Reinsurance service expenses	(8)	(2)	(4)	-	(14)
Reinsurance premiums paid	10	-	-	-	10
Claims recovered	-	-	5	-	5
Total cash flows	10	-	5	-	15
Balance end of period	$32	$15	$(1)	$17	$63

Changes to each measurement component of insurance contract liabilities not measured under the premium allocation approach as at and for the three months ended March 31 were as follows:

Insurance Contracts

(in millions of Canadian dollars)	**Mar 2023**				Mar 2022			
	Estimates of present value of future cash flows	**Risk adjustment**	**Contractual service margin**	**Total**	Estimates of present value of future cash flows	Risk adjustment	Contractual service margin	Total
Balance beginning of period	**45**	**9**	**23**	**77**	45	12	24	81
Changes that relate to current services:								
Contractual service margin recognized	**-**	**-**	**(1)**	**(1)**	-	-	(1)	(1)
Release of expired risk adjustment	**-**	**(1)**	**-**	**(1)**	-	(1)	-	(1)
Experience adjustments	**6**	**-**	**-**	**6**	(5)	-	-	(5)
Changes that relate to future services:								
Changes in estimates on onerous contracts	**(1)**	**-**	**-**	**(1)**	(2)	-	-	(2)
Changes in estimates that adjust the contractual service margin	**1**	**-**	**(1)**	**-**	-	-	-	-
Changes that relate to past services:								
Changes to the liabilities for incurred claims	**2**	**1**	**-**	**3**	(18)	-	-	(18)
Insurance service result	**8**	**-**	**(2)**	**6**	(25)	(1)	(1)	(27)
Net finance expenses	**1**	**-**	**-**	**1**	-	-	-	-
Foreign exchange translation	**-**	**-**	**-**	**-**	(1)	(1)	-	(2)
Total changes in net income	**9**	**-**	**(2)**	**7**	(26)	(2)	(1)	(29)
Premiums received	**-**	**-**	**-**	**-**	5	-	-	5
Claims and other insurance service expenses paid	**(2)**	**-**	**-**	**(2)**	20	-	-	20
Total cash flows	**(2)**	**-**	**-**	**(2)**	25	-	-	25
Balance end of period	**$52**	**$9**	**$21**	**$82**	$44	$10	$23	$77

Reinsurance Contracts

(in millions of Canadian dollars)	**Mar 2023**				Mar 2022			
	Estimates of present value of future cash flows	**Risk adjustment**	**Contractual service margin**	**Total**	Estimates of present value of future cash flows	Risk adjustment	Contractual service margin	Total
Balance beginning of period	**28**	**2**	**13**	**43**	28	2	14	44
Changes that relate to current services:								
Contractual service margin recognized	**-**	**-**	**(1)**	**(1)**	-	-	(1)	(1)
Experience adjustments	**6**	**-**	**-**	**6**	(2)	-	-	(2)
Changes that relate to future services:								
Changes in estimates on onerous contracts	**(1)**	**-**	**-**	**(1)**	(1)	-	-	(1)
Changes that relate to past services:								
Changes to the liabilities for incurred claims	**-**	**1**	**-**	**1**	(4)	-	-	(4)
Insurance service result	**5**	**1**	**(1)**	**5**	(7)	-	(1)	(8)
Net finance expenses	**1**	**-**	**-**	**1**	-	-	-	-
Foreign exchange translation	**-**	**-**	**-**	**-**	(1)	-	-	(1)
Change in net income	**6**	**1**	**(1)**	**6**	(8)	-	(1)	(9)
Reinsurance premiums paid	**-**	**-**	**-**	**-**	4	-	-	4
Claims recovered	**-**	**-**	**-**	**-**	5	-	-	5
Total cash flows	**-**	**-**	**-**	**-**	9	-	-	9
Balance end of period	**$34**	**$3**	**$12**	**$49**	$29	$2	$13	$44

4. Contingent Liabilities

As explained on page 199 of the 2022 Integrated Annual Report, we are subject to a limit imposed by the Export Development Act on our contingent liability arrangements. The limit is currently $90 billion and our position against this limit is $38 billion as at March 31, 2023 (December 2022 - $37 billion).

5. Share Capital

EDC's authorized share capital is $15.0 billion consisting of 150 million shares with a par value of $100 each. As agreed to with our shareholder, for 2022 onwards dividends and/or special dividends will be paid by way of a share buyback until such time that our share capital returns to pre-pandemic levels. In 2023, we have agreed with our shareholder to repurchase 12.0 million shares at a price of $100 per share for a total of $1.2 billion (2022 – 38.1 million shares for a total of $3.81 billion) based on the capital position of our core programs, the Business Credit Availability Program (BCAP) programs and a targeted Internal Capital Adequacy Assessment Process (ICAAP) ratio. No shares were repurchased during the first quarter of 2023 (2022 – nil). The number of shares issued and fully paid at the end of the quarter is 84.9 million (2022 – 123.0 million).

6. Fair Value of Financial Instruments

Fair value represents our estimation of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For a full description of our controls, policies and valuation techniques surrounding fair value of financial instruments refer to Note 21 on page 206 of the 2022 Integrated Annual Report.

As with any estimate, uncertainty is inherent due to the unpredictability of future events. In the case of estimating the fair value of our financial instruments, this uncertainty is magnified due to the large number of assumptions used and the wide range of acceptable valuation techniques. Estimates of fair values are based on market conditions at a certain point in time, and may not be reflective of future market conditions. Therefore, the estimates of the fair value of financial instruments outlined as follows do not necessarily reflect the actual values that may occur should the instruments be exchanged in the market.

In the process of assessing the fair value for certain investment instruments, estimates determined in a manner consistent with industry practice are employed in the models which cannot be directly observed in the market. The methodologies and values derived from these models were relatively unchanged at the end of the first quarter of 2023 from what was disclosed in the 2022 Integrated Annual Report.

Fair Value Hierarchy

The following table presents the fair value hierarchy of our financial instruments based on whether the inputs to those techniques are observable or unobservable.

- *Level 1* - fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- *Level 2* - fair values are determined using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- *Level 3* - fair values are determined using inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

(in millions of Canadian dollars)					**Mar 2023**					Dec 2022
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**	**Carrying Value**	Level 1	Level 2	Level 3	Total Fair Value	Carrying Value
Assets										
Performing fixed rate loans	**-**	**10,380**	**1,375**	**11,755**	**12,940**	-	10,068	1,476	11,544	12,785
Performing floating rate loans	**-**	**41,329**	**440**	**41,769**	**41,774**	-	38,618	368	38,986	38,820
Total performing loans receivable	**-**	**51,709**	**1,815**	**53,524**	**54,714**	-	48,686	1,844	50,530	51,605
Impaired loans	**-**	**929**	**-**	**929**	**929**	-	947	-	947	947
Loans receivable and accrued interest and fees	**-**	**52,638**	**1,815**	**54,453**	**55,643**	-	49,633	1,844	51,477	52,552
Marketable securities	**4,609**	**5,133**	**-**	**9,742**	**9,742**	4,464	5,075	-	9,539	9,539
Derivative instruments	**-**	**1,413**	**-**	**1,413**	**1,413**	-	1,654	-	1,654	1,654
Investments	**117**	**-**	**2,826**	**2,943**	**2,943**	86	-	2,685	2,771	2,771
Other assets	**132**	**-**	**-**	**132**	**132**	141	-	-	141	141
Liabilities										
Accounts payable and other credits	**116**	**-**	**-**	**116**	**116**	150	-	-	150	150
Loans payable	**-**	**54,172**	**-**	**54,172**	**54,173**	-	50,567	-	50,567	50,568
Derivative instruments	**-**	**3,106**	**-**	**3,106**	**3,106**	-	3,712	-	3,712	3,712
Loan guarantees	**-**	**205**	**-**	**205**	**232**	-	212	-	212	234

**Prior period amounts have been restated to reflect the implementation of IFRS 17.*

Changes in valuation methods may result in transfers into or out of Levels 1, 2 and 3. In the first three months of 2023, there were no transfers between levels as a result of changes in valuation methods.

The following table is a year to date reconciliation of Level 3 fair values for the current year and prior year comparative period for the investments carried at fair value:

(in millions of Canadian dollars)	**Mar 2023**	Mar 2022
Balance beginning of year	**2,685**	2,373
Unrealized gains (losses) included in other (income) expenses	**36**	(3)
Purchases of assets	**167**	109
Return of capital	**(62)**	(106)
Transfer out of Level 3	**-**	(1)
Foreign exchange translation	**-**	(15)
Balance end of period	**$2,826**	$2,357
Total gains (losses) for the first three months of the year included in comprehensive income for instruments held at the end of the quarter	**$49**	$(39)

7. Financial Instrument Risks

The principal risks that we are exposed to as a result of holding financial instruments are credit, market and liquidity risk. For a full description of our objectives, policies and processes for managing financial instrument risk refer to management's discussion and analysis on pages 146 to 150 and notes related to our derivative instruments and debt instruments on pages 194 to 196 of the 2022 Integrated Annual Report.

Credit Risk

Credit risk is the risk of loss incurred if a counterparty fails to meet its financial commitments. We are exposed to credit risk on financial instruments under both our loans program and our treasury activities.

Concentration of Credit Risk

The following table provides a breakdown, by the country in which the risk resides, of the maximum exposure to credit risk of financial instruments. The exposure includes gross loans receivable, loan guarantees, investments, marketable securities, derivative assets and cash. The concentration of credit risk exposure provided below also includes the impact of unfunded loan participations and loan default insurance, which we use to mitigate credit risk within the loan portfolio.

(in millions of Canadian dollars)		**Mar 2023 Exposure**		Dec 2022 Exposure
Country	$	%	$	%
United States	**16,876**	**22**	15,102	21
Canada	**14,337**	**19**	15,298	21
United Kingdom	**7,569**	**10**	7,390	10
Chile	**6,842**	**9**	5,964	8
Australia	**4,275**	**6**	4,766	7
Germany	**3,382**	**4**	2,680	4
India	**2,488**	**3**	2,228	3
Mexico	**2,071**	**3**	1,919	3
Spain	**1,807**	**2**	1,789	2
China	**1,534**	**2**	1,550	2
Other	**14,644**	**20**	14,164	19
Total	**$75,825**	**100**	$72,850	100

The concentration of credit risk by sector for our financial instruments is as follows:

(in millions of Canadian dollars)	**Mar 2023 Exposure**		Dec 2022 Exposure	
Sector	**$**	**%**	$	%
Commercial:				
Transportation and storage	**14,894**	**20**	14,716	20
Finance and insurance	**10,425**	**13**	10,566	15
Utilities	**9,776**	**13**	9,387	13
Manufacturing	**8,953**	**12**	8,797	12
Resources	**7,004**	**9**	6,345	9
Information	**5,326**	**7**	5,226	7
Wholesale and retail trade	**2,950**	**4**	2,680	4
Commercial Properties	**2,396**	**3**	2,423	3
Professional services	**2,195**	**3**	2,232	3
Construction	**922**	**1**	882	1
Other	**1,979**	**3**	1,763	2
Total commercial	**66,820**	**88**	65,017	89
Sovereign	**9,005**	**12**	7,833	11
Total	**$75,825**	**100**	$72,850	100

8. Insurance Service Result

(in millions of Canadian dollars)	Three months ended **Mar 2023**				Mar 2022			
	Credit Insurance *	**International Trade Guarantees**	**Political Risk Insurance**	**Total**	Credit Insurance *	International Trade Guarantees	Political Risk Insurance	Total
Insurance Revenue	**40**	**38**	**2**	**80**	38	30	2	70
Insurance Expenses:								
Incurred claims and other expenses	**(36)**	**(13)**	**(11)**	**(60)**	(41)	(18)	-	(59)
Reversal of (losses on) onerous contracts	**(6)**	**2**	**4**	**-**	(4)	(1)	5	-
Acquisition expenses	**(8)**	**(4)**	**-**	**(12)**	(9)	(4)	-	(13)
Changes to the liabilities for incurred claims	**4**	**21**	**(3)**	**22**	40	6	18	64
Insurance Service Result	**$(6)**	**$44**	**$(8)**	**$30**	$24	$13	$25	$62

* *Includes total insurance service results related to financial institutions insurance of $2 million (2022 - $1 million).*

9. Other (Income) Expenses

(in millions of Canadian dollars)	Three months ended **Mar 2023**	 Mar 2022 *
Net realized (gains) losses		
Marketable securities	**11**	(2)
Investments	**(7)**	(30)
Derivatives	**(5)**	-
Sale of loan assets	**1**	13
Foreign exchange translation	**(22)**	10
Other	**4**	(2)
Total net realized (gains) losses	**(18)**	(11)
Net unrealized (gains) losses		
Loans payable	**305**	(448)
Derivatives	**(95)**	236
Marketable securities	**(94)**	212
Investments	**(74)**	42
Total net unrealized (gains) losses	**42**	42
Total	**$24**	$31

**Prior period amounts have been restated to reflect the implementation of IFRS 17.*

10. Administrative Expenses

(in millions of Canadian dollars)	Three months ended **Mar 2023**	 Mar 2022
Salaries and benefits	**94**	81
Pension benefit expense	**2**	9
Other post-employment benefit and severance expense	**3**	4
Professional services	**21**	25
Systems costs	**14**	10
Occupancy	**7**	7
Amortization and depreciation	**6**	6
Information services	**6**	5
Marketing and communications	**3**	4
Travel, hospitality and conferences	**1**	-
Other	**4**	5
Total administrative expenses	**161**	156
Amounts attributed to insurance contracts	**(27)**	(32)
Total	**$134**	$124

11. Related Party Transactions

The Government of Canada is the sole shareholder of Export Development Canada. We enter into transactions with other government departments, agencies and Crown corporations and our Pension Plan in the normal course of business, under terms and conditions similar to those that apply to unrelated parties.

In 2021, EDC's subsidiary FinDev Canada received a $75.9 million Concessional Facility (CF) from Global Affairs Canada (GAC). The CF is an arrangement between GAC and FinDev Canada for the purpose of fulfilling the Government of Canada's Gender Smart COVID-19 Recovery Facility. FinDev Canada will hold, manage, administer, use and invest the funds received from GAC under the facility, and financial results related to the CF will be reported to GAC and consolidated with the financial statements of the Government of Canada.

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