Canada

GROWING CANADIAN TRADE, RESPONSIBLY

EXPORT DEVELOPMENT CANADA

Quarterly Financial Report
March 31, 2020

Unaudited

TABLE OF CONTENTS

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 Small Business, Export Promotion and International Trade. We are financially self-sustaining and do not receive parliamentary appropriations; our revenue is generated primarily by collecting interest on our loans, fees on our guarantee products and premiums on our insurance products.

A number of measures were announced by the Government of Canada starting in March 2020 that will increase EDC's capacity to help Canadian companies facing extreme financial challenges brought on by the global response to Novel Coronavirus 2019 (COVID-19). These measures include the activation of the Business Credit Availability Program (BCAP) which is expected to increase business volumes in the commercial financing and insurance programs through our existing suite of financial solutions, and the expansion of our domestic capabilities to enable us to help Canada's financial institutions provide financing and credit solutions to Canadian businesses, helping even more companies raise the credit necessary to survive this unprecedented crisis. The Minister of Finance has also been temporarily provided with the flexibility to set EDC's capital and contingent liability limits as well as the Canada Account limit.

Economic Environment

The first quarter of 2020 was an extraordinarily challenging time for the global economy as the impacts of COVID-19 spread throughout the world. Prior to the pandemic, there were several positive developments including the U.S.-China Phase One trade agreement, ratification of the Canada-United States-Mexico Agreement (CUSMA), progress on Brexit, as well as improving high-frequency economic indicators.

However, an alarming deterioration of conditions began with the viral outbreak in China that rapidly led to many countries enacting social distancing measures, significant lockdowns of non-essential business and imposing travel restrictions. These necessary life-saving measures severely limited economic activity and rapidly pushed the global economy into what is likely the sharpest and most synchronized downturn since the Great Depression.

In addition, in March an OPEC+ agreement broke down, as Russia and Saudi Arabia disagreed over oil production curtailments. The result was a large increase in oil supply, at a time of falling demand, which dramatically reduced global oil prices by roughly 60% in the quarter. As the health and economic effects spread, equity markets experienced significant corrections in valuations and heightened volatility, while consumer and business confidence were hit hard.

Central banks around the world acted with swift and sizable measures to counteract the negative effects of the global shutdown. Led by the U.S. Federal Reserve, many of the world's most systemically-important central banks have eased monetary policy rates to their effective lower bounds and enacted quantitative easing measures. Governments have authorized unprecedented fiscal stimulus packages to support the labour market and businesses. For example, the U.S. implemented a U.S. $2.2 trillion package amid unemployment claims reaching historic records of over 6 million per week.

Due to the challenging economic environment, EDC customers began to draw on their revolving credit facilities in order to preserve liquidity. In the last half of March, $2.7 billion was drawn on revolving facilities contributing to the overall growth in our gross loans receivable position. In order to meet the anticipated short-term demand for credit, our short-term borrowing limit was raised and our marketable securities position grew by $4.8 billion to increase EDC's liquidity. Additionally, EDC's allowance for losses on loans increased 118% to $2.2 billion, with the largest increases being $262 million in the oil and gas sector, $241 million in the aerospace sector and $202 million in the surface transportation sector. Considering the fact that current credit ratings do not reflect the impact of recent economic challenges due to COVID-19 we established a management overlay on our portfolio. In order to calculate the overlay we looked at all sectors in our portfolio that would be negatively impacted by the current situation and applied a downgrade based on very limited information available at the time the financial statements were prepared.

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 are elevated in the current economic environment and as we expand our risk appetite to help with the COVID-19 response. For a more comprehensive discussion on our risk management, please refer to pages 65-74 of our 2019 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 weakened in the first quarter of 2020, resulting in a rate of $0.71 at the end of the quarter compared to $0.77 at the end of the prior quarter. The impact of the weaker dollar was an increase to our assets and liabilities which are primarily denominated in U.S. dollars and are translated to Canadian dollars at rates prevailing at the statement of financial position date. In addition, the Canadian dollar average for the first quarter of 2020 weakened against the U.S. dollar. The Canadian dollar averaged $0.74 in the first quarter, compared to $0.75 for the first quarter of 2019. This had a favourable impact on our financial results, as the components of net income as well as our business facilitated are translated at the average exchange rates.

Business Facilitated

Financing business facilitated decreased by 39% from the same period in 2019 primarily due to a 49% decrease in direct lending as a result of decreases in the mining and oil and gas sectors.

Business facilitated within our international trade guarantee insurance product group increased by 51% primarily due to increases in the surface transportation and mining sectors.

Business facilitated within our financial institutions insurance product group decreased by 24% compared to the same period in 2019 due to a decrease in demand for the product by an existing policyholder.

	For the three months ended	
	Mar	Mar
(in millions of Canadian dollars)	**2020**	2019
Business Facilitated		
Direct lending	**2,354**	4,644
Project finance	**859**	909
Loan guarantees	**379**	331
Investments	**47**	59
Total financing and investments	**3,639**	5,943
Credit insurance	**14,633**	14,863
Financial institutions insurance	**1,840**	2,432
International trade guarantee	**2,158**	1,432
Political risk insurance	**219**	218
Total insurance	**18,850**	18,945
Total business facilitated	**$22,489**	$24,888

SUMMARY OF FINANCIAL RESULTS

Financial Performance

	For the three months ended		
(in millions of Canadian dollars)	**Mar 2020**	Mar 2019	Mar 2020 Corporate Plan
Net financing and investment income	**302**	314	311
Net insurance premiums and guarantee fees[(1)]	**65**	64	64
Realized gains (losses)[(2)]	**43**	(1)	(1)
Net revenue	**410**	377	374
Administrative expenses	**126**	131	130
Provision for credit losses	**1,154**	24	201
Claims-related expenses	**20**	57	50
Income (loss) before unrealized losses	**(890)**	165	(7)
Unrealized losses on financial instruments[(2)]	**24**	106	-
Net income (loss)	**(914)**	59	(7)
Other comprehensive income (loss)	**(120)**	56	8
Comprehensive income (loss)	**$(1,034)**	$115	$1

(1) Includes loan guarantee fees.

(2) Included in Other (Income) Expenses on the Condensed Consolidated Statement of Comprehensive Income.

Quarter Highlights

We had a **net loss** of $914 million in the first quarter of 2020 compared to **net income** of $59 million for the same period in 2019 primarily due to an increase in our loan provisioning requirements.

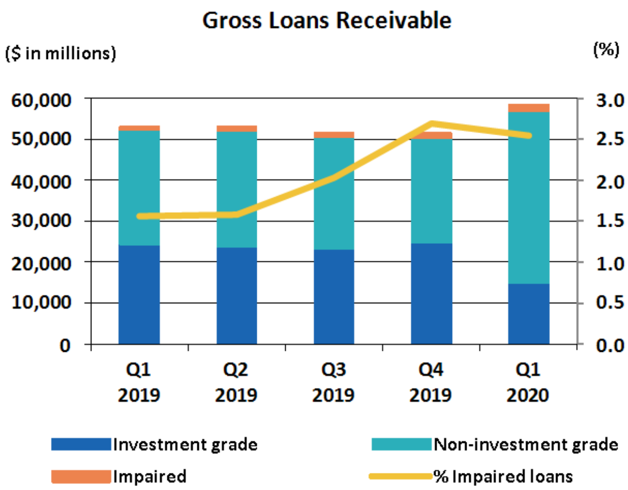
The **provision for credit losses** of $1.2 billion in the first quarter of 2020 is primarily due to downward credit migration within our portfolio as a result of the current period of economic uncertainty related to the COVID-19 crisis. The largest increases to the allowance were in the oil and gas sector ($262 million), the aerospace sector ($241 million) and the surface transportation sector ($202 million).

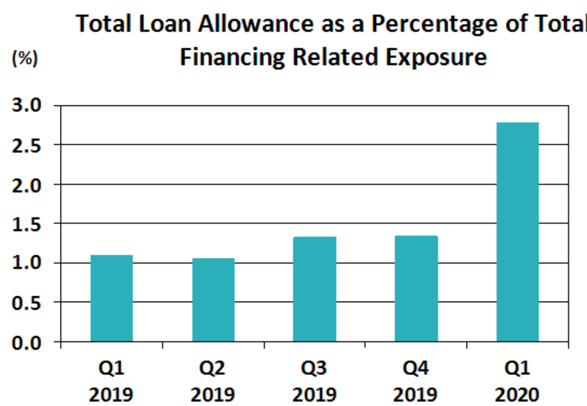
We had **realized gains** of $43 million in the first quarter of 2020 mainly due to gains within our marketable securities and investments portfolios.

We recorded an **other comprehensive loss** of $120 million as we remeasured our retirement benefit assets and liabilities. Remeasurement losses due to negative returns on plan assets were partially offset by an increase in the discount rates used to value our pension obligations.

Financial Position

As at *(in millions of Canadian dollars)*	**Mar 2020**	Dec 2019	Mar 2020 Corporate Plan
Total assets	**76,640**	64,572	63,704
Total liabilities	**67,918**	54,816	52,345
Equity	**8,722**	9,756	11,359
Gross loans receivable	**58,410**	51,601	51,664
Total allowances - loans portfolio	**2,230**	1,020	1,248
Total allowances - insurance portfolio	**290**	270	213





Total assets are $12.1 billion higher than December 2019 and $12.9 billion higher than the Corporate Plan primarily due to an increase in gross loans receivable as a result of net loan disbursements of $4.0 billion, a higher marketable securities balance held in anticipation of increased short-term cash requirements and foreign exchange translation. The $4 billion in net loan disbursements is partly attributable to increased draws on revolving credit facilities at the end of the quarter.

The increase in the loans portfolio allowance compared to December 2019 and the Corporate Plan is primarily due to the current period of economic uncertainty related to the COVID-19 crisis.

Impaired loans as a percentage of gross loans receivable have increased since the second quarter of 2019 largely due to the addition of two obligors in the aerospace industry ($335 million) and three obligors in Turkey ($234 million) in the second half of 2019.

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 *Standard on Quarterly Financial Reports for Crown Corporations* 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, 2020 and for the periods presented in the condensed consolidated quarterly financial statements.

Mairead Lavery

Mairead Lavery,
President and CEO

Ken Kember,
Senior Vice-President & Chief Financial Officer

Ottawa, Canada
April 30, 2020

Export Development Canada

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

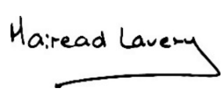
(in millions of Canadian dollars)

As at

	Notes	Mar 2020	Dec 2019
Assets			
Cash		**360**	176
Marketable securities		**15,588**	10,754
Derivative instruments		**1,676**	668
Loans receivable	2	**58,416**	51,565
Allowance for losses on loans	2	**(2,010)**	(930)
Investments		**1,736**	1,627
Reinsurers' share of premium and claims liabilities	3	**110**	120
Other assets		**489**	221
Retirement benefit assets		**-**	88
Property, plant and equipment		**43**	43
Intangible assets		**101**	108
Right-of-use assets		**131**	132
Total Assets		**$76,640**	$64,572
Liabilities and Equity			
Accounts payable and other credits		**765**	117
Loans payable		**63,249**	52,404
Derivative instruments		**2,702**	1,269
Lease liabilities		**158**	159
Retirement benefit obligations		**239**	210
Allowance for losses on loan commitments	2	**70**	10
Premium and claims liabilities	3	**520**	500
Loan guarantees	2	**215**	147
Total Liabilities		**67,918**	54,816
Financing commitments (Note 2) and contingent liabilities (Note 4)			
Equity			
Share capital	5	**1,333**	1,333
Retained earnings		**7,389**	8,423
Total Equity		**8,722**	9,756
Total Liabilities and Equity		**$76,640**	$64,572

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 April 30, 2020.



Robert S. McLeese
Director

Mairead Lavery
Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)

	Notes	For the three months ended **Mar 2020**	 Mar 2019
Financing and Investment Revenue:			
Loan		**518**	589
Marketable securities		**57**	69
Investments		**1**	1
Total financing and investment revenue		**576**	659
Interest expense		**268**	338
Financing related expenses		**6**	7
Net Financing and Investment Income		**302**	314
Loan Guarantee Fees		**13**	13
Insurance premiums and guarantee fees		**61**	61
Reinsurance ceded		**(9)**	(10)
Net Insurance Premiums and Guarantee Fees	8	**52**	51
Other (Income) Expenses	10	**(19)**	107
Administrative Expenses	11	**126**	131
Income before Provision and Claims-Related Expenses		**260**	140
Provision for Credit Losses	2	**1,154**	24
Claims-Related Expenses	9	**20**	57
Net Income (Loss)		**(914)**	59
Other comprehensive income (loss):			
Retirement benefit plans remeasurement		**(120)**	56
Comprehensive Income (Loss)		**$(1,034)**	$115

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in millions of Canadian dollars)

		For the three months ended	
	Notes	**Mar 2020**	Mar 2019
Share Capital	5	**1,333**	1,333
Retained Earnings			
Balance beginning of period		**8,423**	9,012
IFRS 16 transition adjustment		**-**	(1)
Revised balance beginning of period		**8,423**	9,011
Net income (loss)		**(914)**	59
Other comprehensive income (loss)			
Retirement benefit plans remeasurement		**(120)**	56
Dividend paid	5	**-**	(1,010)
Balance end of period		**7,389**	8,116
Total Equity End of Period		**$8,722**	$9,449

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 2020	Mar 2019
Cash Flows from (used in) Operating Activities		
Net income (loss)	**(914)**	59
Adjustments to determine net cash flows from (used in) operating activities		
Provision for credit losses	**1,154**	24
Change in the net allowance for claims on insurance	**(1)**	(276)
Depreciation and amortization	**11**	10
Realized (gains)	**(50)**	(1)
Changes in operating assets and liabilities		
Change in accrued interest and fees on loans receivable	**(56)**	(50)
Change in accrued interest and fair value of marketable securities	**(242)**	(66)
Change in accrued interest and fair value of loans payable	**456**	266
Change in fair value of investments	**38**	(13)
Change in derivative instruments	**(186)**	(203)
Other	**254**	(122)
Loan disbursements	**(8,289)**	(4,635)
Loan repayments and principal recoveries from loan asset sales	**4,274**	4,993
Net cash used in operating activities	**(3,551)**	(14)
Cash Flows from (used in) Investing Activities		
Disbursements for investments	**(103)**	(76)
Receipts from investments	**53**	35
Purchases of marketable securities	**(1,885)**	(2,083)
Sales/maturities of marketable securities	**2,603**	2,564
Purchases of property, plant and equipment	**(2)**	-
Purchases of intangible assets	**(1)**	(7)
Net cash from investing activities	**665**	433
Cash Flows from (used in) Financing Activities		
Issue of long-term loans payable	**6,210**	6,967
Repayment of long-term loans payable	**(5,802)**	(3,433)
Issue of short-term loans payable	**15,045**	3,590
Repayment of short-term loans payable	**(8,459)**	(6,618)
Disbursements from sale/maturity of derivative instruments	**(18)**	(80)
Receipts from sale/maturity of derivative instruments	**51**	-
Dividend paid	**-**	(1,010)
Net cash from (used in) financing activities	**7,027**	(584)
Effect of exchange rate changes on cash and cash equivalents	**223**	(57)
Net increase (decrease) in cash and cash equivalents	**4,364**	(222)
Cash and cash equivalents		
Beginning of period	**1,285**	2,944
End of period	**$5,649**	$2,722
Cash and cash equivalents are comprised of:		
Cash	**360**	213
Cash equivalents included within marketable securities	**5,289**	2,509
	$5,649	$2,722
Operating Cash Flows from Interest		
Cash paid for interest	**$303**	$360
Cash received for interest	**$485**	$555

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 *Standard on Quarterly Financial Reports for Crown Corporations* issued by the Treasury Board of Canada.

Except as indicated below, these condensed interim consolidated financial statements follow the same accounting policies and methods of computation as our audited consolidated financial statements for the year ended December 31, 2019. They should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019 and the accompanying notes as set out on pages 91-141 of our 2019 Annual Report.

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 and Revised International Financial Reporting Standards

(a) New standards, amendments and interpretations adopted during the year

The following standards issued by the IASB were adopted during the year:

IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors - In October 2018, the IASB issued amendments to IAS 1 and IAS 8 regarding the definition of materiality. The amendments clarify the definition of material, explain how the definition should be applied and improve the explanations accompanying the definition. The amendments also ensure that the definition is consistent across all IFRS standards. The amendments were adopted on January 1, 2020 with no changes to the consolidated financial statements.

The Conceptual Framework for Financial Reporting - In March 2018, the IASB issued the revised Conceptual Framework, which sets out the fundamental concepts for financial reporting to ensure consistency in standard setting decisions and that similar transactions are treated in a similar way, in order to provide useful information to users of financial statements. The Conceptual Framework, which did not result in any change to the consolidated financial statements, was adopted on January 1, 2020.

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

IFRS 17 – Insurance Contracts – In May 2017, the IASB issued IFRS 17 which establishes recognition, measurement, presentation, and disclosure requirements of insurance contracts. The standard requires entities to measure the contract liabilities using their current fulfillment cash flows and revenue to be recognized using one of three methods. In March 2020, the IASB voted to defer the effective date of IFRS 17 to January 1, 2023. This standard is highly relevant to EDC and will impact EDC's financial statements and related disclosures, however the impact cannot be reasonably estimated at this time.

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. Areas where management has made use of significant estimates and exercised judgment include the allowance for credit losses, assets held for sale, premium and claims liabilities, retirement benefit plans and financial instruments measured at fair value. Refer to page 94 of our 2019 Annual Report for details.

2. Loans and Allowance for Credit Losses

Loans Receivable

(in millions of Canadian dollars)	**Mar 2020**	Dec 2019
Gross loans receivable	**58,410**	51,601
Accrued interest and fees receivable	**291**	242
Deferred loan revenue and other	**(285)**	(278)
Total loans receivable	**$58,416**	$51,565

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

(in millions of Canadian dollars)	**2020**	2019
Balance at January 1	**51,601**	54,609
Disbursements	**8,289**	4,635
Principal repayments	**(4,274)**	(4,993)
Loans written off	**(4)**	(56)
Capitalized interest	**4**	4
Foreign exchange translation	**2,794**	(1,085)
Balance at March 31	**$58,410**	$53,114

Exposure and Allowance by Credit Grade

(in millions of Canadian dollars)	Non-credit-impaired Stage 1	Non-credit-impaired Stage 2	Credit-impaired Stage 3	Mar 2020 $	Mar 2020 % of total	Dec 2019 $	Dec 2019 % of total
Gross loans receivable							
Investment grade*	**7,972**	**6,938**	**-**	**14,910**	**25%**	24,740	48%
Non-investment grade	**10,863**	**31,086**	**-**	**41,949**	**72%**	25,415	49%
Individually impaired	**-**	**-**	**1,487**	**1,487**	**3%**	1,390	3%
Originated credit-impaired	**-**	**-**	**64**	**64**	**-**	56	-
Gross loans receivable	**18,835**	**38,024**	**1,551**	**58,410**	**100%**	51,601	100%
Allowance for losses	**131**	**1,365**	**514**	**2,010**		930	
Net carrying value - loans receivable	**$18,704**	**$36,659**	**$1,037**	**$56,400**		$50,671	
Loan commitments							
Investment grade*	**1,779**	**2,084**	**-**	**3,863**	**26%**	10,758	60%
Non-investment grade	**3,759**	**7,196**	**-**	**10,955**	**74%**	7,134	40%
Individually impaired	**-**	**-**	**69**	**69**	**-**	73	-
Total loan commitments	**$5,538**	**$9,280**	**$69**	**$14,887**	**100%**	$17,965	100%
Allowance for losses	**7**	**63**	**-**	**70**		10	
Loan guarantees							
Investment grade*	**108**	**455**	**-**	**563**	**16%**	584	16%
Non-investment grade	**1,425**	**1,539**	**-**	**2,964**	**82%**	2,893	82%
Individually impaired	**-**	**-**	**77**	**77**	**2%**	75	2%
Total loan guarantees	**$1,533**	**$1,994**	**$77**	**$3,604**	**100%**	$3,552	100%
Allowance for losses	**20**	**76**	**54**	**150**		80	

**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 2020 Total**	Stage 1	Stage 2	Stage 3	Mar 2019 Total
Allowance for losses on loans receivable								
Balance at beginning of period	**156**	**294**	**480**	**930**	110	353	357	820
Provision for (reversal of) credit losses								
Transfer to stage 1	**2**	**(2)**	**-**	**-**	7	(7)	-	-
Transfer to stage 2	**(110)**	**110**	**-**	**-**	(3)	3	-	-
Transfer to stage 3	**-**	**-**	**-**	**-**	-	(8)	8	-
Remeasurements	**63**	**863**	**14**	**940**	(15)	(21)	55	19
New originations	**16**	**61**	**7**	**84**	6	-	-	6
Net repayments and maturities	**(3)**	**16**	**(9)**	**4**	(6)	(6)	-	(12)
Total provision for (reversal of) credit losses	**(32)**	**1,048**	**12**	**1,028**	(11)	(39)	63	13
Write-offs	**-**	**-**	**(3)**	**(3)**	-	4	(50)	(46)
Foreign exchange translation	**7**	**23**	**25**	**55**	(2)	(7)	(8)	(17)
Balance at end of period	**131**	**1,365**	**514**	**2,010**	97	311	362	770
Allowance for losses on loan commitments								
Balance at beginning of period	**9**	**-**	**1**	**10**	8	12	-	20
Provision for (reversal of) credit losses								
Transfer to stage 1	**-**	**-**	**-**	**-**	1	(1)	-	-
Transfer to stage 2	**(8)**	**8**	**-**	**-**	-	-	-	-
Remeasurements	**1**	**54**	**1**	**56**	(1)	(5)	16	10
New originations	**5**	**-**	**-**	**5**	1	-	-	1
Net repayments and maturities	**-**	**-**	**(2)**	**(2)**	-	(1)	-	(1)
Total provision for (reversal of) credit losses	**(2)**	**62**	**(1)**	**59**	1	(7)	16	10
Foreign exchange translation	**-**	**1**	**-**	**1**	-	-	-	-
Balance at end of period	**7**	**63**	**-**	**70**	9	5	16	30
Allowance for losses on loan guarantees								
Balance at beginning of period	**19**	**7**	**54**	**80**	11	24	45	80
Provision for (reversal of) credit losses								
Transfer to stage 1	**3**	**(3)**	**-**	**-**	3	(3)	-	-
Transfer to stage 2	**(15)**	**15**	**-**	**-**	(1)	1	-	-
Remeasurements	**1**	**66**	**10**	**77**	(8)	(1)	12	3
New originations	**9**	**4**	**-**	**13**	5	-	-	5
Net repayments and maturities	**3**	**(14)**	**(12)**	**(23)**	-	(1)	(6)	(7)
Total provision for (reversal of) credit losses	**1**	**68**	**(2)**	**67**	(1)	(4)	6	1
Foreign exchange translation	**-**	**1**	**2**	**3**	-	(1)	-	(1)
Balance at end of period	**20**	**76**	**54**	**150**	10	19	51	80
Total allowance for losses on loans receivable, loan commitments and loan guarantees	**$158**	**$1,504**	**$568**	**$2,230**	$116	$335	$429	$880

Financing Commitments

The following table shows our outstanding financing commitments by type:

(in millions of Canadian dollars)	**Mar 2020**	Dec 2019
Signed loan commitments	**14,887**	17,965
Letters of offer	**3,381**	3,320
Unallocated confirmed lines of credit	**164**	158
Total financing commitments	**$18,432**	$21,443

3. Premium and Claims Liabilities

The premium and claims liabilities for our credit insurance, financial institutions insurance, international trade guarantee and political risk insurance product groups were as follows:

(in millions of Canadian dollars)			**Mar 2020**			Dec 2019
	Insurance	**Reinsurance**	**Net liabilities**	Insurance	Reinsurance	Net liabilities
Credit insurance	**230**	**(10)**	**220**	230	(10)	220
Financial institutions insurance	**10**	**-**	**10**	10	-	10
International trade guarantee	**70**	**-**	**70**	60	-	60
Political risk insurance	**210**	**(100)**	**110**	200	(110)	90
Total	**$520**	**$(110)**	**$410**	$500	$(120)	$380

The premium and claims liabilities are comprised of the following components:

(in millions of Canadian dollars)	**Mar 2020**	Dec 2019
Deferred insurance premiums	**150**	140
Allowance for claims on insurance	**370**	360
Total premium and claims liabilities	**520**	500
Reinsurers' share of allowance for claims on insurance	**(80)**	(90)
Prepaid reinsurance	**(30)**	(30)
Reinsurers' share of premium and claims liabilities	**(110)**	(120)
Net premium and claims liabilities	**$410**	$380

4. Contingent Liabilities

As explained on page 92 of the 2019 Annual Report, we are subject to a limit imposed by the Export Development Act on our contingent liability arrangements. The limit was increased on March 25, 2020 to $90 billion from $45.0 billion. Our position against this limit is $29.6 billion as at March 31, 2020 (December 2019 - $27.2 billion).

5. Equity

EDC's authorized share capital was increased on March 25, 2020 to $6.0 billion consisting of 60 million shares from $3.0 billion consisting of 30 million shares. Shares have a par value of $100 each. As at March 31, 2020, the number of shares issued and fully paid was 13.3 million (2019 – 13.3 million). On April 3, 2020, EDC received a $1.7 billion injection of new capital in exchange for 16.7 million shares with a par value of $100 each.

No dividend was paid to the Government of Canada in the first quarter of 2020 (2019 – $1,010 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 20 on page 125 of the 2019 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 2020 from what was disclosed in the 2019 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 2020**					Dec 2019
	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	**-**	**12,257**	**1,473**	**13,730**	**14,893**	-	14,117	72	14,189	14,038
Performing floating rate loans	**-**	**35,393**	**2,187**	**37,580**	**40,614**	-	35,512	738	36,250	35,760
Total performing loans receivable	**-**	**47,650**	**3,660**	**51,310**	**55,507**	-	49,629	810	50,439	49,798
Impaired loans	**-**	**903**	**-**	**903**	**903**	-	838	-	838	838
Loans receivable and accrued interest and fees	**-**	**48,553**	**3,660**	**52,213**	**56,410**	-	50,467	810	51,277	50,636
Marketable securities	**6,408**	**9,180**	**-**	**15,588**	**15,588**	6,562	4,192	-	10,754	10,754
Derivative instruments	**-**	**1,676**	**-**	**1,676**	**1,676**	-	668	-	668	668
Investments	**3**	**-**	**1,733**	**1,736**	**1,736**	5	-	1,622	1,627	1,627
Other assets	**439**	**22**	**25**	**486**	**489**	170	23	25	218	221
Liabilities										
Accounts payable and other credits	**745**	**22**	**-**	**767**	**765**	98	22	-	120	117
Loans payable	**-**	**63,383**	**-**	**63,383**	**63,249**	-	52,422	-	52,422	52,404
Derivative instruments	**-**	**2,702**	**-**	**2,702**	**2,702**	-	1,269	-	1,269	1,269
Loan guarantees	**-**	**194**	**-**	**194**	**215**	-	113	-	113	147

Changes in valuation methods may result in transfers into or out of Levels 1, 2 and 3. In the first three months of 2020, there were no transfers between levels.

The following table summarizes the reconciliation of Level 3 fair values between the beginning of the year and the end of the first quarter of 2020 for the financial instruments carried at fair value:

(in millions of Canadian dollars)			**Mar 2020**
	Other Assets	**Investments**	**Total**
Balance beginning of year	**25**	**1,622**	**1,647**
Decrease in other assets	**(2)**	**-**	**(2)**
Unrealized gains (losses) included in other (income) expenses	**-**	**(37)**	**(37)**
Purchases of assets/issuances of liabilities	**-**	**103**	**103**
Return of capital	**-**	**(30)**	**(30)**
Foreign exchange translation	**2**	**75**	**77**
Balance end of period	**$25**	**$1,733**	**$1,758**
Total gains (losses) for the first three months of 2020 included in comprehensive income for instruments held at the end of the quarter	**$(2)**	**$(13)**	**$(15)**

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 68 to 73 and notes related to our derivative instruments and debt instruments on pages 114 to 116 of the 2019 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 2020 Exposure**		Dec 2019 Exposure
Country	**$**	**%**	$	%
United States	**21,859**	**27**	18,310	27
Canada	**12,820**	**16**	9,265	14
United Kingdom	**6,383**	**8**	5,315	8
India	**4,154**	**5**	3,921	6
Chile	**3,894**	**5**	3,440	4
Other	**32,264**	**39**	28,127	41
Total	**$81,374**	**100**	$68,378	100

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

(in millions of Canadian dollars)		**Mar 2020 Exposure**		Dec 2019 Exposure
Industry	**$**	**%**	$	%
Commercial:				
Aerospace	**10,747**	**13**	9,824	14
Financial institutions	**10,844**	**13**	6,839	10
Oil and gas	**8,946**	**11**	7,752	11
Surface transportation	**8,337**	**10**	6,766	10
Infrastructure and environment	**7,877**	**10**	7,175	10
Mining	**7,019**	**9**	6,181	9
Information and communication technologies	**6,760**	**8**	5,939	9
Other	**7,826**	**10**	7,198	11
Total commercial	**68,356**	**84**	57,674	84
Sovereign	**13,018**	**16**	10,704	16
Total	**$81,374**	**100**	$68,378	100

8. Net Insurance Premiums and Guarantee Fees

The following table presents our net insurance premiums and guarantee fee revenue for our credit insurance, financial institutions insurance, international trade guarantee and political risk insurance product groups:

(in millions of Canadian dollars)			**Mar 2020**			Mar 2019
	Gross premiums	**Reinsurance**	**Net premiums**	Gross premiums	Reinsurance	Net premiums
Credit insurance	**29**	**(3)**	**26**	28	(3)	25
Financial institutions insurance	**2**	**-**	**2**	3	-	3
International trade guarantee	**25**	**(3)**	**22**	24	(3)	21
Political risk insurance	**5**	**(3)**	**2**	6	(4)	2
Total	**$61**	**$(9)**	**$52**	$61	$(10)	$51

9. Claims-Related Expenses

	Three months ended	
(in millions of Canadian dollars)	**Mar 2020**	Mar 2019
Claims paid	**20**	336
Claims recovered	**(2)**	(7)
Decrease in the net allowance for claims on insurance	**(1)**	(276)
Decrease in recoverable insurance claims	**2**	3
Claims handling expenses	**1**	1
Total claims-related expenses	**$20**	$57

10. Other (Income) Expenses

	Three months ended	
(in millions of Canadian dollars)	**Mar 2020**	Mar 2019
Net unrealized (gain) loss on loans payable	**454**	251
Net realized and unrealized (gain) loss on marketable securities	**(274)**	(60)
Net unrealized (gain) loss on derivatives	**(213)**	(72)
Net realized and unrealized (gain) loss on investments	**16**	(17)
Foreign exchange translation (gain) loss	**8**	2
Other	**(10)**	3
Total other (income) expenses	**$(19)**	$107

11. Administrative Expenses

	Three months ended	
(in millions of Canadian dollars)	**Mar 2020**	Mar 2019
Salaries and benefits	**68**	66
Pension benefit expense	**11**	8
Other post-employment benefit and severance expense	**4**	3
Systems costs	**10**	10
Amortization and depreciation	**9**	8
Professional services	**6**	9
Occupancy	**6**	7
Marketing and communications	**5**	8
Travel, hospitality and conferences	**2**	2
Other	**5**	10
Total administrative expenses	**$126**	$131

12. 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.

EDC'S MANDATE

Support and develop, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade, as well as respond to international business opportunities.

EDC

Canada