EXPORT DEVELOPMENT CANADA
QUARTERLY FINANCIAL REPORT

RESILIENT TOGETHER

MARCH 31, 2022 | UNAUDITED

Canadä

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

The global economy was poised for a strong start to 2022; however, GDP growth this year has been revised downward to reflect monetary policy normalization, geopolitical tensions and persistent supply issues. Fortunately, most advanced economies have been able to emerge from the impact of the COVID-19 Omicron variant due to higher rates of vaccination and fewer restrictions. However, countries that had lower vaccination rates, especially amongst the vulnerable populations, are experiencing increased hospitalizations.

In February, Russia launched an unprovoked invasion into Ukraine resulting in many countries and companies announcing strict sanctions and boycotts against Russia to rebuke their actions. Commodity prices, specifically for wheat and aluminum, increased dramatically with the benchmark West Texas Intermediate price surpassing US$100 per barrel, forcing countries to release oil reserves in an effort to stabilize prices.

China set lower growth targets for the upcoming year and their implementation of a zero-COVID policy is expected to result in significant supply chain disruptions, adding more pressure to already stressed global shipping networks. Among advanced economies, the United States is leading the recovery with consumers still supporting economic activity. In advance of U.S. inflation surpassing 8% and hitting a 40-year record, the Federal Reserve raised their key policy interest rate by 25 basis points and signaled the need to tighten monetary policy much faster as the economy no longer requires accommodation. The Bank of England also raised their policy interest rate by 50 basis points.

Canada's economy remained resilient in the first quarter. Despite the temporary blockade of key ports of entry, Canadian trade grew in the first two months of the year. Housing activity in key metropolitan markets continued to reach record levels. The Canadian labour market is tight and has fully recovered. Inflation has experienced 6.7% year-over-year growth with wages expected to grow more quickly. The Bank of Canada responded in step with policy normalization and has also signaled intentions to tighten the balance sheet. The Bank raised their policy interest rate by 25 basis points in the first quarter —the first rate hike since 2018 with a further 50 basis point increase early in the second quarter. The Canadian dollar was stable, averaging 79 cents per USD in the first quarter.

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. For a more comprehensive discussion on our risk management, please refer to pages 95-103 of our 2021 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 strengthened in the first quarter of 2022, resulting in a rate of $0.80 at the end of the quarter compared to $0.79 at the end of the prior quarter. The impact of the stronger dollar was a decrease 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. Our business facilitated and the components of net income are translated into Canadian dollars at average exchange rates. The Canadian dollar averaged $0.79 against the U.S. dollar for the first quarter of 2022, consistent with the average rate of the first quarter of 2021.

Comparative Figures

During 2021, we implemented the North American Industry Classification System (NAICS). The objective of the system is to improve and give greater uniformity to the structure and presentation of supporting financial information through a widely used and accepted industry classification system. This new classification of industries resulted in the reclassification of comparative figures in certain areas in Management’s Discussion and Analysis.

Business Facilitated

Financing and investments business facilitated decreased by 4% from the same period in 2021. The decrease in direct lending activity primarily occurred in the transportation and storage, finance and insurance, and manufacturing sectors due to smaller transaction sizes, partially offset by an increase in the information sector. The increase in project finance activity primarily occurred in the transportation and storage sector where we signed nearly twice as many transactions when compared to the same period in 2021.

Business facilitated for credit insurance increased by 50% compared to the same period in 2021 primarily due to increases in the finance and insurance, manufacturing and utilities sectors, as a result of higher declarations, caused by a general increase in commodity prices, made during the period from existing policyholders.

Business Facilitated

	For the three months ended	
	Mar	Mar
(in millions of Canadian dollars)	**2022**	2021
Business Facilitated		
Direct lending	**2,307**	3,009
Project finance	**879**	396
Loan guarantees	**654**	676
Investments	**153**	72
Total financing and investments	**3,993**	4,153
Credit insurance	**23,109**	15,420
Financial institutions insurance	**1,484**	1,539
International trade guarantee	**1,546**	1,590
Political risk insurance	**135**	59
Total insurance	**26,274**	18,608
Total	**$30,267**	$22,761

SUMMARY OF FINANCIAL RESULTS

Financial Performance

(in millions of Canadian dollars)	**Mar 2022**	Mar 2021	Mar 2022 Corporate Plan
	For the three months ended		
Net financing and investment income	**295**	307	290
Net insurance premiums and guarantee fees[(1)]	**83**	93	84
Realized gains[(2)]	**12**	21	6
Net revenue	**390**	421	380
Administrative expenses	**156**	142	163
Provision for (reversal of) credit losses	**19**	(225)	(42)
Net claims-related expenses (recovery)	**(13)**	107	44
Income before unrealized (gains) losses	**228**	397	215
Unrealized (gains) losses on financial instruments[(2)]	**42**	(191)	-
Net income	**186**	588	215
Other comprehensive income (loss)	**(44)**	46	8
Comprehensive income	**$142**	$634	$223

[(1)] Includes loan guarantee fees.

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

Quarter Highlights

We had **net income** of $186 million in the first quarter of 2022 compared to $588 million for the same period in 2021 mainly due to an increase in the provision for credit losses and unrealized losses on our financial instruments carried at fair value, partially offset by an increase in the net claims-related recoveries.

We recorded a **provision for credit losses** of $19 million compared to a reversal of credit losses of $225 million in the same period last year. The reversal in 2021 was mainly due to an improvement in the macroeconomic forecast, partially offset by new impairments. In 2022, our updated macroeconomic forecast resulted in a provision charge of $184 million, primarily in the transportation and storage sector, stemming from increased fuel prices. This was mostly offset by reversals of provision due to the impact of net repayments, maturities, loan asset sales and positive credit migration.

Net claims-related recovery of $13 million mainly due to the elimination of the risk adjustment related to the COVID-19 pandemic.

We had **net unrealized losses** on financial instruments of $42 million in the first quarter of 2022 primarily due to the volatility associated with our financial instruments carried at fair value through profit or loss. Due to the volatility and difficulty in estimating fair value gains or losses on financial instruments, a forecast for these items is not included in the Corporate Plan.

We recorded an **other comprehensive loss** of $44 million mainly due to negative returns on plan assets partially offset by an improvement in the discount rate used to value the pension obligations.

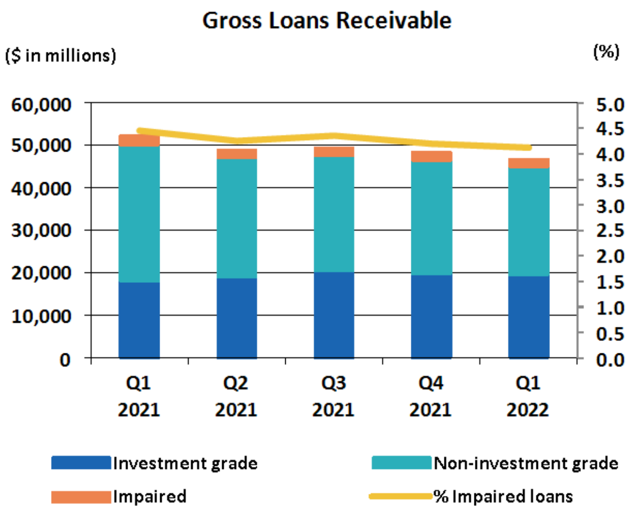
Provision for (Reversal of) Credit Losses by Sector

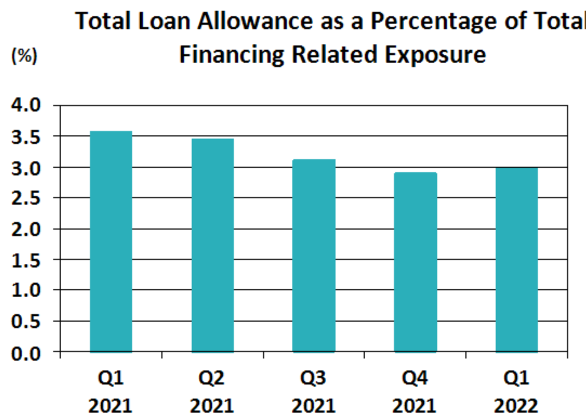
Activity within the provision for (reversal of) credit losses during the first quarter by sector was as follows:

	Three months ended March 31, 2022			Three months ended March 31, 2021		
(in millions of Canadian dollars)	**Performing**	**Impaired**	**Total**	Performing	Impaired	Total
Transportation and storage	**167**	**-**	**167**	(15)	24	9
Wholesale and retail trade	**10**	**1**	**11**	(21)	(13)	(34)
Professional services	**1**	**-**	**1**	(7)	(9)	(16)
Finance and insurance	**1**	**-**	**1**	(15)	(8)	(23)
Commercial properties	**(4)**	**1**	**(3)**	(31)	74	43
Sovereign	**(31)**	**-**	**(31)**	(3)	-	(3)
Manufacturing	**(53)**	**(3)**	**(56)**	(112)	(24)	(136)
Information	**(3)**	**(55)**	**(58)**	(36)	6	(30)
Other	**(24)**	**11**	**(13)**	(37)	2	(35)
Total	**$64**	**$(45)**	**$19**	$(277)	$52	$(225)

Financial Position

As at *(in millions of Canadian dollars)*	**Mar 2022**	Dec 2021	Mar 2022 Corporate Plan
Total assets	**61,697**	60,615	61,618
Total liabilities	**46,915**	45,975	49,613
Equity	**14,782**	14,640	12,005
Gross loans receivable	**46,855**	48,437	49,440
Total allowances - loans portfolio	**1,890**	1,910	1,944
Total allowances - insurance portfolio	**410**	440	607





Total assets are $1.1 billion higher than December 2021 primarily due to an increase in marketable securities of $2.9 billion as a result of the anticipated repurchase of shares[1], partially offset by a decrease of $1.6 billion in gross loans receivable as a result of net loan repayments of $0.9 billion and foreign exchange translation.

Loan allowance as a percentage of total financing exposure has decreased since the first quarter of 2021. The key components impacting the change in allowance as a percentage of total financing exposure are as follows:

- loan modification resulting in derecognition – reduction of $344 million;
- remeasurements due to credit migration – reduction of $126 million;
- a return to our previous aerospace loss given default model – reduction of $107 million; partially offset by
- updated macroeconomic assumptions – increase of $221 million.

[1] *For further details, please refer to Note 5 in the Condensed Consolidated Financial Statements.*

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, 2022 and for the periods presented in the Condensed Consolidated Quarterly Financial Statements.

Mairead Lavery,
President & CEO

Ken Kember,
Senior Vice-President & CFO

Ottawa, Canada
May 11, 2022

Export Development Canada

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of Canadian dollars)

As at

	Notes	**Mar 2022**	Dec 2021
Assets			
Cash		**168**	207
Marketable securities		**12,005**	9,082
Derivative instruments		**971**	1,139
Loans receivable	2	**46,818**	48,345
Allowance for losses on loans	2	**(1,730)**	(1,760)
Investments		**2,610**	2,707
Reinsurers' share of premium and claims liabilities	3	**100**	110
Other assets		**230**	205
Retirement benefit assets		**298**	346
Property, plant and equipment		**43**	44
Intangible assets		**59**	63
Right-of-use assets		**125**	127
Total Assets		**$61,697**	$60,615
Liabilities and Equity			
Accounts payable and other credits		**102**	185
Loans payable		**44,319**	43,525
Derivative instruments		**1,277**	1,003
Lease liabilities		**156**	158
Retirement benefit obligations		**220**	226
Allowance for losses on loan commitments	2	**20**	20
Premium and claims liabilities	3	**630**	670
Loan guarantees	2	**191**	188
Total Liabilities		**46,915**	45,975
Financing commitments (Note 2) and contingent liabilities (Note 4)			
Equity			
Share capital	5	**12,300**	12,300
Retained earnings		**2,482**	2,340
Total Equity		**14,782**	14,640
Total Liabilities and Equity		**$61,697**	$60,615

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, 2022.

Robert S. McLeese
Director

Mairead Lavery
Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)

	Notes	For the three months **Mar 2022**	 Mar 2021
Financing and Investment Revenue:			
Loan		**360**	384
Marketable securities		**20**	22
Investments		**3**	-
Total financing and investment revenue		**383**	406
Interest expense		**80**	94
Financing related expenses		**8**	5
Net Financing and Investment Income		**295**	307
Loan Guarantee Fees		**20**	32
Insurance premiums and guarantee fees		**70**	70
Reinsurance ceded		**(7)**	(9)
Net Insurance Premiums and Guarantee Fees	8	**63**	61
Other (Income) Expenses	10	**30**	(212)
Administrative Expenses	11	**156**	142
Income before Provision and Claims-Related Expenses		**192**	470
Provision for (Reversal of) Credit Losses	2	**19**	(225)
Claims-related expenses (recovery)		**(23)**	71
Reinsurers' share of claims-related expenses		**10**	36
Net Claims-Related Expenses (Recovery)	9	**(13)**	107
Net Income		**186**	588
Other comprehensive income (loss):			
Retirement benefit plans remeasurement		**(44)**	46
Comprehensive Income		**$142**	$634

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 2022**	Mar 2021
Share Capital	5	**12,300**	12,300
Retained Earnings			
Balance beginning of period		**2,340**	6,990
Net income		**186**	588
Other comprehensive income (loss)			
Retirement benefit plans remeasurement		**(44)**	46
Dividends	5	**-**	(7,280)
Balance end of period		**2,482**	344
Total Equity End of Period		**$14,782**	$12,644

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 2022	Mar 2021*
Cash Flows from (used in) Operating Activities		
Net income	**186**	588
Adjustments to determine net cash flows from (used in) operating activities		
Provision for (reversal of) credit losses	**19**	(225)
Change in the net allowance for claims on insurance	**(18)**	99
Depreciation and amortization	**8**	8
Realized (gains)	**(19)**	(25)
Changes in operating assets and liabilities		
Change in accrued interest and fees on loans receivable	**(46)**	(44)
Change in accrued interest and fair value of marketable securities	**211**	103
Change in accrued interest and fair value of loans payable	**(479)**	(180)
Change in fair value of investments	**42**	(9)
Change in derivative instruments	**421**	(288)
Other	**(126)**	(133)
Loan disbursements	**(3,268)**	(4,211)
Loan repayments and principal recoveries from loan asset sales	**4,145**	5,555
Net cash from operating activities	**1,076**	1,238
Cash Flows from (used in) Investing Activities		
Disbursements for investments	**(97)**	(95)
Receipts from investments	**155**	78
Purchases of marketable securities	**(2,262)**	(1,906)
Sales/maturities of marketable securities	**2,201**	2,300
Purchases of intangible assets	**-**	(1)
Net cash from (used in) investing activities	**(3)**	376
Cash Flows from (used in) Financing Activities		
Issue of long-term loans payable	**3,814**	667
Repayment of long-term loans payable	**(1,996)**	(1,089)
Issue of short-term loans payable	**11,020**	7,543
Repayment of short-term loans payable	**(10,778)**	(4,734)
Disbursements from sale/maturity of derivative instruments	**(5)**	(1)
Receipts from sale/maturity of derivative instruments	**51**	5
Dividend paid	**-**	(3,000)
Net cash from (used in) financing activities	**2,106**	(609)
Effect of exchange rate changes on cash and cash equivalents	**(55)**	(33)
Net increase in cash and cash equivalents	**3,124**	972
Cash and cash equivalents		
Beginning of period	**1,693**	2,876
End of period	**$4,817**	$3,848
Cash and cash equivalents are comprised of:		
Cash	**168**	255
Cash equivalents included within marketable securities	**4,649**	3,593
	$4,817	$3,848
Operating Cash Flows from Interest		
Cash paid for interest	**$110**	$134
Cash received for interest	**$300**	$356

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

**Prior period has been reclassified to reflect current period presentation.*

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 Consolidated Financial Statements follow the same accounting policies and methods of computation as our audited Consolidated Financial Statements for the year ended December 31, 2021. They should be read in conjunction with the audited Consolidated Financial Statements for the year ended December 31, 2021 and the accompanying notes as set out on pages 121-173 of our 2021 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

There were no new standards, amendments or interpretations adopted in the first quarter of the year.

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

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.

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, 2021.

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 assets held for sale, retirement benefit plans and financial instruments measured at fair value. Refer to page 125 of our 2021 Annual Report for details.

2. Loans and Allowance for Credit Losses

Loans Receivable

(in millions of Canadian dollars)	**Mar 2022**	Dec 2021
Gross loans receivable	**46,855**	48,437
Accrued interest and fees receivable	**192**	156
Deferred loan revenue and other	**(229)**	(248)
Total loans receivable	**$46,818**	$48,345

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

(in millions of Canadian dollars)	**2022**	2021
Balance January 1	**48,437**	54,772
Principal repayments	**(3,604)**	(5,366)
Principal recoveries from loan asset sales	**(541)**	(189)
Disbursements	**3,268**	4,211
Loans written off	**(23)**	(35)
Capitalized interest	**9**	14
Foreign exchange translation	**(691)**	(986)
Balance March 31	**$46,855**	$52,421

Exposure and Allowance by Credit Grade

				Mar 2022		Dec 2021	
	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*	**16,314**	**3,188**	**-**	**19,502**	**42%**	19,765	41%
Non-investment grade	**14,652**	**10,768**	**-**	**25,420**	**54%**	26,637	55%
Individually impaired	**-**	**-**	**1,712**	**1,712**	**4%**	1,805	4%
Originated credit-impaired	**-**	**-**	**221**	**221**	**-**	230	-
Gross loans receivable	**30,966**	**13,956**	**1,933**	**46,855**	**100%**	48,437	100%
Allowance for losses	**112**	**796**	**822**	**1,730**		1,760	
Net carrying value - loans receivable	**$30,854**	**$13,160**	**$1,111**	**$45,125**		$46,677	
Loan commitments							
Investment grade*	**3,814**	**63**	**-**	**3,877**	**40%**	4,205	40%
Non-investment grade	**3,728**	**2,208**	**-**	**5,936**	**60%**	6,306	60%
Individually impaired	**-**	**-**	**10**	**10**	**-**	15	-
Total loan commitments	**$7,542**	**$2,271**	**$10**	**$9,823**	**100%**	$10,526	100%
Allowance for losses	**2**	**15**	**3**	**20**		20	
Net carrying value - loan commitments	**$7,540**	**$2,256**	**$7**	**$9,803**		$10,506	
Investment grade*	**271**	**45**	**-**	**316**	**7%**	307	7%
Non-investment grade	**3,070**	**842**	**-**	**3,912**	**90%**	3,976	90%
Individually impaired	**-**	**-**	**115**	**115**	**3%**	116	3%
Total loan guarantees	**$3,341**	**$887**	**$115**	**$4,343**	**100%**	$4,399	100%
Allowance for losses	**34**	**24**	**82**	**140**		130	
Net carrying value - loan guarantees	**$3,307**	**$863**	**$33**	**$4,203**		$4,269	

**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 2022 Total**	Stage 1	Stage 2	Stage 3	Mar 2021 Total
Allowance for losses on loans receivable								
Balance beginning of period	**54**	**821**	**885**	**1,760**	132	1,244	1,254	2,630
Provision for (reversal of) credit losses								
Transfer to stage 1	**60**	**(60)**	**-**	**-**	52	(52)	-	-
Transfer to stage 2	**(4)**	**5**	**(1)**	**-**	(22)	22	-	-
Transfer to stage 3	**-**	**-**	**-**	**-**	-	(20)	20	-
Remeasurements	**(3)**	**108**	**9**	**114**	(78)	(113)	70	(121)
New originations	**8**	**7**	**3**	**18**	7	52	18	77
Net repayments and maturities	**(2)**	**(68)**	**(54)**	**(124)**	(7)	(72)	(23)	(102)
Total provision for (reversal of) credit losses	**59**	**(8)**	**(43)**	**8**	(48)	(183)	85	(146)
Write-offs	**-**	**(1)**	**(10)**	**(11)**	-	-	(23)	(23)
Foreign exchange translation	**(1)**	**(16)**	**(10)**	**(27)**	(3)	(29)	(19)	(51)
Balance end of period	**112**	**796**	**822**	**1,730**	81	1,032	1,297	2,410
Allowance for losses on loan commitments								
Balance beginning of period	**2**	**12**	**6**	**20**	-	32	18	50
Provision for (reversal of) credit losses								
Transfer to stage 1	**2**	**(2)**	**-**	**-**	1	(1)	-	-
Transfer to stage 2	**(1)**	**1**	**-**	**-**	-	-	-	-
Remeasurements	**(1)**	**4**	**-**	**3**	(1)	(10)	(2)	(13)
New originations	**1**	**-**	**-**	**1**	2	-	-	2
Net repayments and maturities	**(1)**	**-**	**(3)**	**(4)**	-	-	1	1
Total provision for (reversal of) credit losses	**-**	**3**	**(3)**	**-**	2	(11)	(1)	(10)
Balance end of period	**2**	**15**	**3**	**20**	2	21	17	40
Allowance for losses on loan guarantees								
Balance beginning of period	**30**	**19**	**81**	**130**	59	82	79	220
Provision for (reversal of) credit losses								
Transfer to stage 1	**3**	**(3)**	**-**	**-**	40	(40)	-	-
Transfer to stage 2	**(1)**	**3**	**(2)**	**-**	(29)	29	-	-
Remeasurements	**(9)**	**6**	**10**	**7**	(63)	(22)	3	(82)
New originations	**12**	**-**	**-**	**12**	27	-	2	29
Net repayments and maturities	**-**	**(1)**	**(7)**	**(8)**	2	(1)	(17)	(16)
Total provision for (reversal of) credit losses	**5**	**5**	**1**	**11**	(23)	(34)	(12)	(69)
Foreign exchange translation	**(1)**	**-**	**-**	**(1)**	-	(1)	-	(1)
Balance end of period	**34**	**24**	**82**	**140**	36	47	67	150
Total allowance for losses on loans receivable, loan commitments and loan guarantees	**$148**	**$835**	**$907**	**$1,890**	$119	$1,100	$1,381	$2,600

Financing Commitments

The following table shows our outstanding financing commitments by type:

(in millions of Canadian dollars)	**Mar 2022**	Dec 2021
Signed loan commitments	**9,823**	10,526
Letters of offer	**2,404**	2,066
Unallocated confirmed lines of credit	**127**	133
Total financing commitments	**$12,354**	$12,725

3. Premium and Claims Liabilities

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

(in millions of Canadian dollars)			**Mar 2022**			Dec 2021
	Insurance	**Reinsurance**	**Net liabilities**	Insurance	Reinsurance	Net liabilities
Credit insurance	**290**	**(40)**	**250**	300	(30)	270
International trade guarantee	**190**	**-**	**190**	210	(10)	200
Political risk insurance	**150**	**(60)**	**90**	160	(70)	90
Total*	**$630**	**$(100)**	**$530**	$670	$(110)	$560

** There were no significant premium and claims liabilities related to financial institutions insurance in March 2022 and December 2021.*

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

(in millions of Canadian dollars)	**Mar 2022**	Dec 2021
Deferred insurance premiums	**140**	140
Allowance for claims on insurance	**490**	530
Total premium and claims liabilities	**630**	670
Reinsurers' share of allowance for claims on insurance	**(80)**	(90)
Prepaid reinsurance	**(20)**	(20)
Reinsurers' share of premium and claims liabilities	**(100)**	(110)
Net premium and claims liabilities	**$530**	$560

In the first quarter of 2022, the remaining estimates applied to determine the impact of the COVID-19 pandemic within our credit insurance solution were removed as the portfolio composition and risk ratings used in calculating the frequency of future claims were revised based on updated information. As a result, we no longer estimate a specific liability related to the impact of the COVID-19 pandemic within our premiums and claims liability.

4. Contingent Liabilities

As explained on page 149 of the 2021 Annual Report, we are subject to a limit imposed by the Export Development Act on our contingent liability arrangements. The limit is currently $90.0 billion and our position against this limit is $32.9 billion as at March 31, 2022 (December 2021 - $33.0 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. The number of shares issued and fully paid is 123.0 million (2021 – 123.0 million).
As agreed with our shareholder, during 2022 we plan to repurchase 38.1 million shares for a total of $3.81 billion based on the capital position of our core programs, Business Credit Availability Program (BCAP) and a targeted Internal Capital Adequacy Assessment (ICAAP) ratio. No shares were repurchased during the first quarter of 2022. In the first quarter of 2021, we declared a dividend of $580 million according to our current dividend policy, as well as a special dividend of $6.7 billion based on the capital surplus position of the BCAP and a targeted ICAAP ratio, of which $3.0 billion was paid to the Government of Canada during the first quarter and the remaining balance was paid in the second quarter of 2021.

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 156 of the 2021 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 2022 from what was disclosed in the 2021 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 2022**					Dec 2021
	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	**-**	**9,428**	**1,983**	**11,411**	**11,676**	-	9,784	2,196	11,980	11,513
Performing floating rate loans	**-**	**31,936**	**670**	**32,606**	**32,316**	-	33,635	901	34,536	33,936
Total performing loans receivable	**-**	**41,364**	**2,653**	**44,017**	**43,992**	-	43,419	3,097	46,516	45,449
Impaired loans	**-**	**1,096**	**-**	**1,096**	**1,096**	-	1,136	-	1,136	1,136
Loans receivable and accrued interest and fees	**-**	**42,460**	**2,653**	**45,113**	**45,088**	-	44,555	3,097	47,652	46,585
Marketable securities	**4,708**	**7,297**	**-**	**12,005**	**12,005**	4,912	4,170	-	9,082	9,082
Derivative instruments	**-**	**971**	**-**	**971**	**971**	-	1,139	-	1,139	1,139
Investments	**253**	**-**	**2,357**	**2,610**	**2,610**	334	-	2,373	2,707	2,707
Other assets	**200**	**4**	**24**	**228**	**230**	169	8	27	204	205
Liabilities										
Accounts payable and other credits	**98**	**4**	**-**	**102**	**102**	178	6	-	184	185
Loans payable	**-**	**44,325**	**-**	**44,325**	**44,319**	-	43,549	-	43,549	43,525
Derivative instruments	**-**	**1,277**	**-**	**1,277**	**1,277**	-	1,003	-	1,003	1,003
Loan guarantees	**-**	**155**	**-**	**155**	**191**	-	132	-	132	188

Changes in valuation methods may result in transfers into or out of Levels 1, 2 and 3. In the first three months of 2022, there were no transfers between levels as a result of changes in valuation methods.

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 2022 for the financial instruments carried at fair value:

(in millions of Canadian dollars)			**Mar 2022**
	Other Assets*	**Investments**	**Total**
Balance beginning of year	**27**	**2,373**	**2,400**
Decrease in other assets	**(2)**	**-**	**(2)**
Unrealized gains (losses) included in other (income) expenses	**-**	**(3)**	**(3)**
Purchases of assets/issuances of liabilities	**-**	**109**	**109**
Return of capital	**-**	**(106)**	**(106)**
Transfer out of Level 3	**-**	**(1)**	**(1)**
Foreign exchange translation	**(1)**	**(15)**	**(16)**
Balance end of period	**$24**	**$2,357**	**$2,381**
Total gains (losses) for the first three months of 2022 included in comprehensive income for instruments held at the end of the quarter	**$(2)**	**$(39)**	**$(41)**

**Consists of recoverable insurance claims.*

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 98 to 102 and notes related to our derivative instruments and debt instruments on pages 144 to 146 of the 2021 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 2022 Exposure**		Dec 2021 Exposure	
Country	**$**	**%**	$	%
United States	**14,986**	**22**	14,008	21
Canada	**14,349**	**21**	13,792	21
United Kingdom	**6,316**	**9**	6,519	10
Chile	**4,158**	**6**	4,186	6
Australia	**3,614**	**5**	3,716	6
Germany	**3,318**	**5**	2,075	3
India	**2,014**	**3**	2,277	4
Mexico	**1,867**	**3**	1,859	3
Spain	**1,577**	**2**	1,631	2
China	**1,359**	**2**	1,428	2
Colombia	**707**	**1**	692	1
Other	**12,687**	**21**	13,788	21
Total	**$66,952**	**100**	$65,971	100

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

(in millions of Canadian dollars)	**Mar 2022 Exposure**		Dec 2021 Exposure	
Sector	$	%	$	%
Commercial:				
Transportation and storage	**13,874**	**21**	14,821	23
Finance and insurance	**9,664**	**14**	8,760	13
Manufacturing	**7,804**	**12**	8,204	12
Utilities	**6,276**	**10**	6,402	10
Resources	**5,804**	**9**	6,123	9
Information	**4,238**	**6**	3,707	6
Commercial properties	**2,673**	**4**	2,755	4
Wholesale and retail trade	**2,235**	**3**	2,377	4
Professional services	**1,982**	**3**	1,965	3
Construction	**807**	**1**	811	1
Other	**1,434**	**2**	1,362	2
Total commercial	**56,793**	**85**	57,287	87
Sovereign	**10,159**	**15**	8,684	13
Total	**$66,952**	**100**	$65,971	100

8. Net Insurance Premiums and Guarantee Fees

(in millions of Canadian dollars)	Three months ended					
			Mar 2022			Mar 2021
	Gross premiums	**Reinsurance**	**Net premiums**	Gross premiums	Reinsurance	Net premiums
Credit insurance	**37**	**(4)**	**33**	32	(4)	28
Financial institutions insurance	**2**	**-**	**2**	2	-	2
International trade guarantee	**29**	**(2)**	**27**	32	(3)	29
Political risk insurance	**2**	**(1)**	**1**	4	(2)	2
Total	**$70**	**$(7)**	**$63**	$70	$(9)	$61

9. Net Claims-Related Expenses (Recovery)

(in millions of Canadian dollars)	Three months ended	
	Mar 2022	Mar 2021
Claims paid	**21**	15
Claims recovered	**(18)**	(7)
Actuarial increase/(decrease) in the allowance for claims on insurance	**(28)**	134
Actuarial increase/(decrease) in the reinsurers' share in the allowance for claims	**10**	(35)
Decrease in recoverable insurance claims	**2**	-
Total net claims-related expenses (recovery)	**$(13)**	$107

10. Other (Income) Expenses

(in millions of Canadian dollars)	Three months ended **Mar 2022**	 Mar 2021
Net realized (gains) losses		
Investments	**(30)**	(31)
Marketable securities	**(2)**	(6)
Sale of loan assets	**13**	12
Foreign exchange translation	**7**	4
Total net realized (gains) losses	**(12)**	(21)
Net unrealized (gains) losses		
Marketable securities	**212**	97
Investments	**42**	(9)
Loans payable	**(448)**	(161)
Derivatives	**236**	(118)
Total net unrealized (gains) losses	**42**	(191)
Total	**$30**	$(212)

11. Administrative Expenses

(in millions of Canadian dollars)	Three months ended **Mar 2022**	 Mar 2021
Salaries and benefits	**81**	77
Pension benefit expense	**9**	11
Other post-employment benefit and severance expense	**4**	4
Professional services	**25**	11
Systems costs	**10**	13
Occupancy	**7**	7
Amortization and depreciation	**6**	7
Information services	**5**	5
Marketing and communications	**4**	4
Other	**5**	3
Total administrative expenses	**$156**	$142

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.

In 2021, EDC's subsidiary FinDev Canada received a Concessional Facility (CF) of $75.9 million 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.

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.

Canada

EDC