

RatingsDirect®

Research Update:

Export Development Canada 'AAA' Rating Affirmed; Outlook Remains Stable

Primary Credit Analyst:

Siddharth R Maniyar, Toronto (1) 416-507-2567; siddharth.maniyar@spglobal.com

Secondary Contact:

Stephen Ogilvie, Toronto (1) 416-507-2524; stephen.ogilvie@spglobal.com

Table Of Contents

Overview

Rating Action

Outlook

Rationale

Related Criteria

Ratings List

Research Update:

Export Development Canada 'AAA' Rating Affirmed; Outlook Remains Stable

Overview

- We are affirming our ratings, including our 'AAA' long-term issuer credit rating, on Export Development Canada (EDC).
- The ratings reflect our assessment of EDC's critical role in supporting Canadian exporters and the importance of the trade sector in the national economy and its integral link with the Government of Canada.
- The stable outlook reflects that on Canada.

Rating Action

On Jan. 19, 2018, S&P Global Ratings affirmed its ratings, including its 'AAA' long-term issuer credit rating, on Export Development Canada (EDC). The outlook is stable.

Outlook

The stable outlook on EDC mirrors that on Canada (AAA/Stable/A-1+), and reflects S&P Global Ratings' expectation that, over the next two years, the corporation will continue to play a critical role in the government's economic policy, and the link between the government and EDC will remain integral.

Changes in policy that could result in a material weakening of the government's support for the corporation's role could lead us reassess our view of EDC's role and link. This, in turn, could lead us to detach the ratings on the corporation from those on the government and assign a stand-alone credit profile to EDC. A downgrade to Canada would also lead to a downgrade to the corporation under our government-related entities (GRE) criteria.

Rationale

The ratings on EDC reflect S&P Global Ratings' assessment of the following factors:

- The corporation's critical role in supporting Canadian exporters and the importance of the trade sector in the national economy and its integral link with the Government of Canada;
- The likelihood of EDC receiving timely and sufficient extraordinary government support being almost-certain; and
- The corporation's status as an agent Crown corporation (an agent of Her

Majesty in right of Canada).

We view EDC as a GRE of the federal government, because we believe that the likelihood of EDC receiving extraordinary government support in a period of financial distress is almost certain. Following our GRE criteria, we base this almost-certain determination on our assessment of EDC's critical role in supporting Canadian exporters and the importance of the trade sector to the national economy. We also base this on our assessment of the integral link between the government and corporation, as seen in the government's appointment of the board of directors and establishment of EDC's strategic direction and direct call on the government's Consolidated Revenue Funds (CRF).

We have not assigned a stand-alone credit profile to EDC because of our assessment of the almost-certain likelihood of extraordinary government support. We believe the corporation's operations are strategically important to the government and that the government's support is not subject to transition risk. Accordingly, we have equalized our ratings on EDC's debt with those of its parent entity, Canada.

EDC is a federal Crown corporation, wholly owned by the Government of Canada, and was established in 1944. Its mandate is to support and develop, directly and indirectly, Canada's export trade and the country's capacity to engage in trade as well as respond to international business opportunities. The corporation provides insurance and financial services, bonding products, and small business solutions to Canadian exporters and investors and their international buyers. It also supports Canadian direct investment abroad and investment into the country. EDC often works in partnership with other financial institutions and through collaboration with the Government of Canada. The corporation is financially self-sufficient, and issues and services its own debt from its own resources. However, because it is a Crown agent, it can service its borrowings through the Government of Canada's CRF, which services the government's direct debt.

Liquidity

EDC holds cash and marketable securities of C\$7.4 billion as of Dec. 31, 2016, compared with loans payable of C\$49.1 billion. It had C\$9.2 billion of short-term debt maturing in 2017. The corporation's treasury department manages its liquidity. It does so based on internal policies and procedures, and monitors its liquidity daily. EDC maintains sufficient liquidity based on forecast cash requirements. In addition, we expect the corporation would borrow from the government quickly if it needed funds above its internal resources.

Related Criteria

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017

- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings List

Ratings Affirmed

Export Development Canada

Issuer credit rating	AAA/Stable/A-1+
Senior unsecured	AAA
Commercial paper	
Global scale	A-1+
Canada scale	A-1(High)

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2018 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.