APM SPEECH

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Hello. My name is Ken Kember – EDC's Senior Vice-President of Finance and Technology, and Chief Financial Officer – and I'm happy to share our financial results with you today.

EDC finished 2018 with a net income of $830 million and total assets of $69 billion.

Net income was lower than forecast in our Corporate Plan, mainly due to higher claims-related expenses, partly offset by a lower provision for credit losses. These amounts can vary significantly from year to year depending on new claims and loan impairments, as well as new developments in previously provisioned loan losses claims.

As Canada's export credit agency, we take risks in support of Canadian exporters in challenging markets around the world, and this will sometimes lead to loan losses and insurance claims. However, our overall loan losses have been modest in relation to the size of our portfolio, averaging about $128 million a year on an average portfolio of $40 billion over the last 10 years. And similarly, net insurance claims paid have averaged $118 million per year against an average exposure of $23 billion. During that same period, we earned an average net income of $948 million per year, and we grew our shareholder's equity from $6.6 billion in 2009 to $10.3 billion in 2018.

In reviewing our 2018 numbers, one of the good stories that emerges – and one which we don't often tell – is around our equity program. EDC provides equity to Canadian companies to help grow their exporting capacity. We also invest in Canadian private equity funds focused on companies with export potential, as well as selected international funds, with the goal of generating connections for Canadian companies.

In 2018, we saw significant realized gains on our investment portfolio – which grew to $1.3 billion – as companies we've invested in have started to become highly successful. While the equity program might not be big in size compared to other EDC programs, it is big in impact. We believe there is enormous potential for small and medium-sized Canadian companies to grow into large global players, and our equity program is proving to be an effective means to help fuel that growth.

Our cash and marketable securities portfolio also grew substantially, from $8 billion in 2017 to $13 billion in 2018. This reflects a change in our liquidity policy – we now carry enough liquidity for one month of cash needs, whereas previously we carried enough for two weeks. We have the ability to raise funds through our commercial paper program as well as by issuing long term bonds. However, carrying additional liquidity helps ensure that even under challenging market conditions where issuing debt may not be possible, EDC will have the needed liquidity to continue operations and support our customers.

EDC continues to enjoy a strong capital position, with equity of $10.3 billion and a low ratio of debt to equity of 5.7. This allowed us to pay a dividend in March 2019 of just over $1 billion to our shareholder, the government of Canada. In the last ten years, EDC has paid dividends totaling $6.7 billion.

As our Board Chair pointed out in her remarks, these are challenging times for international commerce. But with 60% of Canada's GDP dependent on trade, growing our exporting capacity is more important than ever. With our strong balance sheet and solid financial performance, we are well-positioned to continue helping Canadian companies go, grow and succeed internationally.

Thank you.