Adapting to the New Reality

Quarterly Financial Report March 31, 2013
Unaudited

Canada

EDC
Realize a World of Opportunity

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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 Canada's trade, and the capacity of Canadian companies to participate in and respond to international business opportunities. We provide insurance and financial services, bonding products, small business solutions as well as online credit risk management tools to Canadian exporters, investors and their international buyers. Each year more than 7,400 Canadian companies and their global customers in up to 200 markets worldwide use our knowledge and partnerships. EDC is a Crown corporation, wholly owned by the Government of Canada and accountable to Parliament through the Minister of International Trade. We are financially self-sustaining and do not receive parliamentary appropriations; our revenue is generated primarily by collecting interest on our loans and premiums on our insurance products.

For the last four years the Government of Canada temporarily broadened EDC's mandate and scope of activity because of persisting issues in the accessibility of credit affecting a large number of Canadian businesses. In the first quarter of 2013, EDC's domestic powers were further extended to allow the Government time to introduce amendments to EDC's regulatory framework that will provide greater clarity and predictability on the circumstances under which EDC will be able to provide financing and insurance in the domestic market for Canadian exporters going forward. The extension is valid until March 2014 or until the adoption of the new regulations. Until then, EDC's temporary mandate enables us to provide domestic financing and insurance services in the trade space, in partnership with private sector financial institutions, credit insurance and surety companies, and with the Business Development Bank of Canada (BDC).

Economic Environment

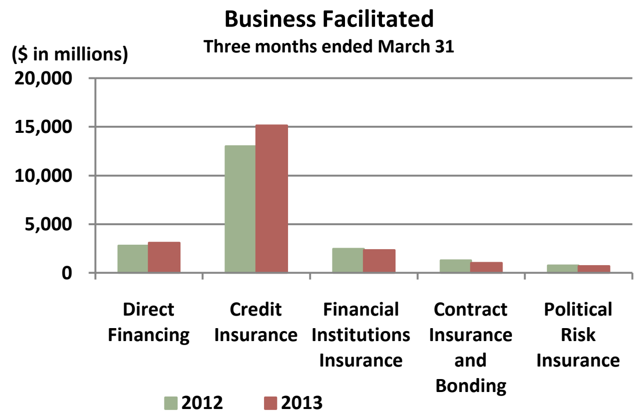
Continued uncertainty has many economists resigned to the notion that we will live through a prolonged period of weak and uninspired growth – the New Normal. Developed market finances continue to teeter on the edge of fiscal cliffs of varying heights and degrees. Much needed austerity in the U.S., Japan and the Euro Area threaten to hamper our return to growth. The state of European banks and its impact on global credit availability continues to constrain global economic activity. Ongoing political volatility and the related impact on commodity prices persist. Meanwhile, globalization, and the integration of global trade and capital markets have ensured that the emerging markets could not remain immune for long.

Despite the uncertainty, there are other market conditions that have changed from 2012 and may be a sign that the global economy is ready to shift gears. The U.S. housing market has finally returned to balance, helping to power a return of the ever-important American consumer. With ample cash on hand, and soaring levels of capacity utilization, businesses are poised to kick investment into high gear. Notwithstanding the still considerable drag of fiscal withdrawal, private sector growth should help drive the U.S. economy forward.

After a challenging 2012, Canadian exports of goods and services are expected to rise 8% in 2013, followed by an additional 5% next year. The Canadian dollar is forecast to average USD 0.97 cents in 2013, declining to USD 0.96 cents next year, which will provide some relief for exporters who struggled with the dollar at parity. Goods exports should finally recover to pre-crisis levels by the end of 2013, a feat accomplished by the services sector back in 2011. Solid export growth comes just in time for the Canadian economy, which is expected to see domestic demand pull back, after a few years of carrying the load.

Business Facilitated

These improving economic conditions are also showing up in our business facilitated numbers. We saw our financing business facilitated grow by 10% in the first quarter, mainly due to several large transactions with Canadian exporters in the extractive and resources sectors. The extractive sector had a stronger first quarter compared to the same period in 2012 due to a shift in timing, as normally, we anticipate business facilitated for this sector to occur in the second half of the year.



Business facilitated within our insurance portfolio increased by 10% over the same period last year, although a significant part of this increase is more related to the timing of insurance transactions for several large customers in our credit insurance program.

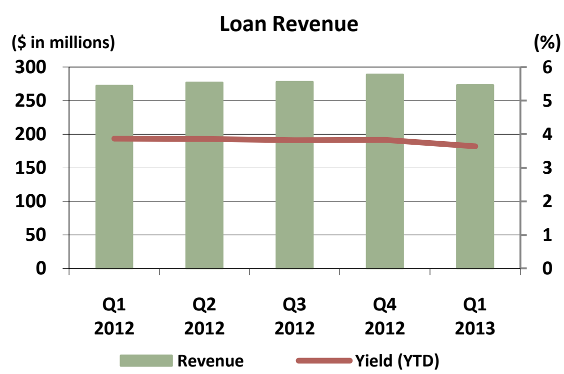
SUMMARY OF FINANCIAL RESULTS

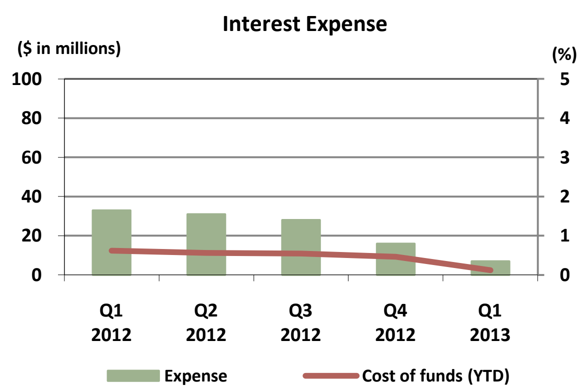
Financial Performance

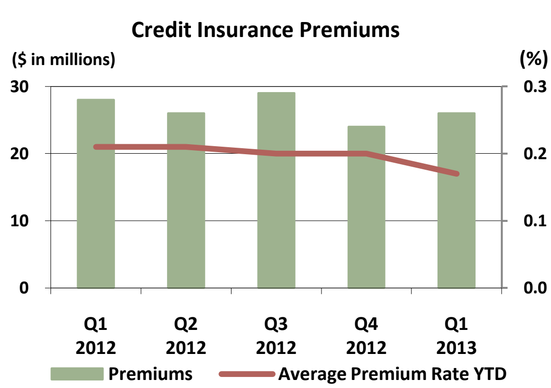
	For the three months ended		
(in millions of Canadian dollars)	**Mar 2013**	Dec 2012	Mar 2012
Net financing and investment income	**272**	278	249
Net insurance premiums and guarantee fees*	**56**	55	61
	328	333	310
Other income (expenses)	**(24)**	36	(31)
Administrative expenses	**75**	80	75
Provision for (reversal of) for credit losses	**26**	(60)	(172)
Claims-related expenses (recovery)	**12**	(132)	11
Net income	**$191**	$481	$365

** Includes loan guarantee fees*

Net income has returned to a more normal level in 2013. Changes in provisioning requirements and claims-related expenses can cause fluctuations in our net income, both of which are explained further on page 8. In addition, we have seen volatility in the fair values of our financial instruments between periods. These fluctuations are market driven, the impact of which is included in other income.

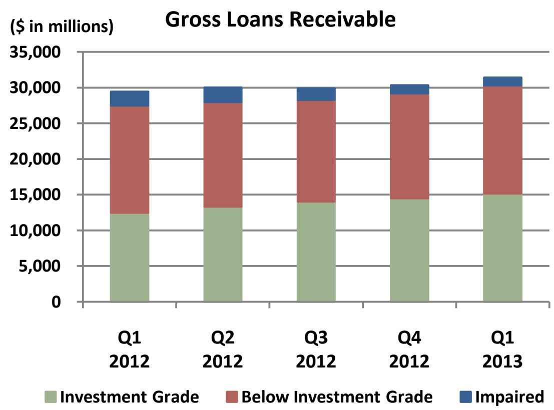


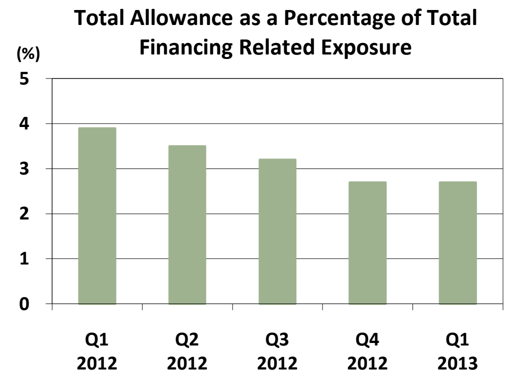




Financial Position

as at *(in millions of Canadian dollars)*	**Mar 2013**	Dec 2012	Mar 2012
Total Assets	**37,289**	36,233	33,954
Total Liabilities	**28,223**	27,358	26,092
Equity	**9,066**	8,875	7,862
Gross Loans Receivable	**31,438**	30,336	29,440
Total Allowances	**1,796**	1,743	2,379





Risk Management

Our business activities expose us to a wide variety of risks including credit, market, operational, organizational, and business risks. Our ability to manage these risks, a key competency within the organization, is supported by a strong risk culture and an effective risk management approach guided by our Enterprise Risk Management (ERM) Framework. We manage our risks by seeking to ensure that business activities and transactions provide an appropriate balance of return for the risks assumed and remain within our risk appetite. Refer to Note 12 of the accompanying financial statements for details on financial instruments risks.

Our impaired loan portfolio has remained stable over the quarter. We continued negotiations with our two largest impaired obligors, Pinnacle Airlines, Inc and AMR Corporation, both of which appear poised to exit bankruptcy protection in 2013.

FIRST QUARTER HIGHLIGHTS

Net income was $191 million for the first three months of 2013, a return to a more normal profitability level when compared to $481 million for the fourth quarter of 2012. Claims-related expenses and provision for credit losses contributed to the decline. Income before provisions and claims-related expenses was $60 million lower in the first quarter of 2013 due to fluctuations in the fair value of our financial instruments.

	Three months ended	
(in millions of Canadian dollars)	**Mar 2013**	Dec 2012
Income before provisions and claims-related expenses	**229**	289
Provision for (reversal of) credit losses	**26**	(60)
Claims-related expenses (recovery)	**12**	(132)
Net income	**$191**	$481

Claims-related expenses for the first quarter increased by $144 million from the $132 million recovery reported in the fourth quarter of 2012. In the fourth quarter of 2012 we experienced a recovery of claims-related expenses due to the ongoing review of our recoverable insurance claims.

Provisions for credit losses increased by $86 million in the first quarter of 2013 when compared to the last quarter in 2012 mainly due to the impact of a decline in the value of collateral associated with our secured aerospace portfolio used in the allowance calculation. The collateral values are adjusted to reflect the age of the aircraft and other market conditions.

FINANCIAL RESULTS – YEAR TO DATE

Prior Year Comparison

Our **net income** of $191 million for the first quarter of 2013 was $174 million lower than reported for the same period in 2012. The decrease is primarily due to additional provision requirements for our loans portfolio in the first quarter of 2013.

We had a **provision for credit losses** of $26 million for the first three months of 2013, compared to a provision reversal of $172 million for the same period in 2012. In both years, new loans coming on our books were of higher credit quality than the loans being repaid leading to a release of provisions. However, updates to independent variables used in the provisioning methodology had different impacts in each year. In 2013 the updates made to the collateral values as previously discussed resulted in a requirement for provisions whereas in 2012 updated probability of default rates resulted in a reversal of provisions. Refer to Note 16 for further details.

Other items of note:

- **Operating lease revenue** was $9 million, $6 million higher than the same period in 2012. At the end of the first quarter in 2013, EDC had 37 aircraft subject to operating leases, compared to 19 aircraft in 2012. This increase is due to aircraft that were returned to EDC as a result of loan foreclosures during 2012 and were subsequently leased out. Refer to Note 5 for further details.

- **Interest expense** was $7 million for the first three months of 2013, compared to $33 million for the same period in 2012 primarily due to decreases in short-term rates and the maturity of a higher cost fixed rate bond in the last quarter of 2012.

Corporate Plan Comparison

Financial Performance

(in millions of Canadian dollars)	Three months ended **Mar 2013** **Actual Results**	 Mar 2013 Corporate Plan	Year ended Dec 2013 Corporate Plan
Net financing and investment income	**272**	247	1,032
Net insurance premiums and guarantee fees*	**56**	56	247
Other income (expenses)	**(24)**	(2)	(7)
Administrative expenses	**75**	81	330
Provision for (reversal of) credit losses	**26**	(31)	47
Claims-related expenses	**12**	15	60
Net income	**191**	236	835
Other comprehensive income	**-**	-	-
Comprehensive income	**$191**	$236	$835

**Includes loan guarantee fees*

Net income for the first quarter of 2013 was $45 million lower than anticipated in the Corporate Plan primarily due to changes in provisioning requirements for our loans portfolio.

The **provision for credit losses** was $26 million for the first three months of 2013 which represents a $57 million increase when compared to a provision reversal of $31 million projected in the Corporate Plan for the same three month period. This increase in provisioning for the first quarter was primarily due to the decline in collateral values for our secured aerospace portfolio as previously discussed which was not forecast at the time of preparing the 2013 Corporate Plan. Also, the Corporate Plan projected that net disbursements in the first quarter would result in additional provisioning requirements. Instead, during the first quarter, the impact of the provision release from loan repayments exceeded the additional provisions required as a result of disbursements and new commitments and this led to a provision release which tempered the impact of the lower collateral values.

Net financing and investment income has improved by $25 million when compared to the Corporate Plan due to lower interest expense as a result of rates resetting to lower levels in the final quarter of 2012 on our floating rate debt than anticipated.

Financial Position

as at *(in millions of Canadian dollars)*	**Mar 2013 Actual Results**	Mar 2013 Corporate Plan	Dec 2013 Corporate Plan
Cash and marketable securities	**4,371**	4,339	4,339
Derivative instruments	**1,160**	1,497	1,497
Loans receivable	**31,240**	30,754	31,733
Allowance for losses on loans	**(1,230)**	(1,379)	(1,364)
Other financing and leasing assets	**1,219**	1,248	1,249
Other assets	**529**	491	481
Total Assets	**$37,289**	$36,950	$37,935
Loans payable	**26,613**	27,100	27,710
Derivative instruments	**197**	181	181
Allowance for losses on loan commitments	**56**	65	63
Policy and claims liabilities	**587**	552	565
Other liabilities	**770**	1,009	774
Equity	**9,066**	8,043	8,642
Total Liabilities and Equity	**$37,289**	$36,950	$37,935

Equity was $1 billion higher than Plan as the dividend payment that was forecast in the Plan did not take place in the first quarter.

NON-IFRS PERFORMANCE MEASURES

Claims Ratio – Credit Insurance Program

The claims ratio expresses net claims incurred as a percentage of net written premium. Net claims incurred includes claims paid net of estimated recoveries and changes in actuarial liabilities. This ratio only includes export credit insurance activities.

Reinsurance assumed and ceded reflect various partnerships we have with private insurers and reinsurers in offering and managing insurance capacity.

	Three months ended	
(in thousands of Canadian dollars)	**Mar 2013**	Mar 2012
Direct premiums	**26,570**	28,500
Reinsurance assumed	**1,678**	1,083
Reinsurance ceded	**(2,418)**	(2,477)
Net written premium	**$25,830**	$27,106
Direct net claims incurred	**3,896**	4,197
Net claims incurred – reinsurance assumed	**279**	86
Net claims incurred – reinsurance ceded	**1**	7
Net claims incurred	**$4,176**	$4,290
Claims ratio %	**16.2%**	15.8%

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, 2013 and for the periods presented in the condensed consolidated quarterly financial statements.

Stephen Poloz,
President and Chief Executive Officer

Ken Kember,
Senior Vice-President and Chief Financial Officer

Ottawa, Canada
May 1, 2013

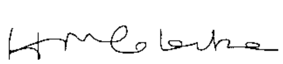
Export Development Canada
Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in millions of Canadian dollars)

	as at		
	Mar 2013	Dec 2012	Mar 2012
Assets			
Cash	**159**	80	125
Marketable securities:			
At fair value through profit or loss	**4,136**	4,082	3,368
At amortized cost	**76**	74	75
Derivative instruments	**1,160**	1,352	1,591
Loans receivable (Notes 2 and 3)	**31,240**	30,131	29,050
Allowance for losses on loans (Note 4)	**(1,230)**	(1,182)	(1,484)
Investments at fair value through profit or loss	**456**	429	382
Equipment available for lease (Note 5)	**517**	525	52
Net investment in aircraft under finance leases	**79**	80	88
Recoverable insurance claims (Note 6)	**198**	200	41
Reinsurers' share of policy and claims liabilities (Note 7)	**87**	90	126
Other assets	**143**	99	255
Property, plant and equipment	**63**	66	71
Intangible assets	**38**	38	40
Building under finance lease	**167**	169	174
Total Assets	**$37,289**	$36,233	$33,954
Liabilities and Equity			
Accounts payable and other credits	**177**	113	138
Loans payable:			
Designated at fair value through profit or loss	**25,563**	24,862	22,093
At amortized cost	**1,050**	1,018	2,047
Derivative instruments	**197**	120	142
Obligation under finance lease	**173**	173	176
Retirement benefit obligations	**265**	270	332
Allowance for losses on loan commitments (Note 4)	**56**	58	42
Policy and claims liabilities (Note 7)	**587**	583	859
Loan guarantees	**155**	161	263
	28,223	27,358	26,092
Financing commitments (Note 2) and contingent liabilities (Note 8)			
Equity			
Share capital (Note 9)	**1,333**	1,333	1,333
Retained earnings	**7,733**	7,542	6,529
	9,066	8,875	7,862
Total Liabilities and Equity	**$37,289**	$36,233	$33,954

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 1, 2013



Herbert M. Clarke
Director

Stephen Poloz
Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in millions of Canadian dollars)

	For the three months ended		
	Mar 2013	Dec 2012	Mar 2012
Financing and investment revenue:			
Loan (Note 13)	**273**	289	272
Finance lease	**1**	1	2
Operating lease	**9**	7	3
Marketable securities	**8**	8	9
Investments	**1**	1	2
Total financing and investment revenue	**292**	306	288
Interest expense (Note 14)	**7**	16	33
Leasing and financing related expenses	**13**	12	6
Net Financing and Investment Income	**272**	278	249
Loan Guarantee Fees	**8**	12	8
Insurance premiums and guarantee fees	**52**	45	55
Reinsurance assumed	**2**	3	3
Reinsurance ceded	**(6)**	(5)	(5)
Net Insurance Premiums and Guarantee Fees (Note 15)	**48**	43	53
Other Income (Expenses) (Note 18)	**(24)**	36	(31)
Administrative Expenses (Note 19)	**75**	80	75
Income before Provision and Claims-Related Expenses	**229**	289	204
Provision for (Reversal of) Credit Losses (Note 16)	**26**	(60)	(172)
Claims-Related Expenses (Recovery) (Note 17)	**12**	(132)	11
Net Income	**191**	481	365
Other comprehensive income:			
Actuarial gain on pension plans	**-**	51	-
Comprehensive Income	**$191**	$532	$365

All items presented in other comprehensive income will not be reclassified to the Condensed Consolidated Statement of Comprehensive Income in subsequent periods.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in millions of Canadian dollars)

	For the three months ended		
	Mar 2013	Dec 2012	Mar 2012
Share Capital (Note 9)	**1,333**	1,333	1,333
Retained Earnings			
Balance beginning of period	**7,542**	7,010	6,664
Comprehensive income	**191**	532	365
Dividend paid	**-**	-	(500)
Balance end of period	**7,733**	7,542	6,529
Total Equity at End of Period	**$9,066**	$8,875	$7,862

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in millions of Canadian dollars)

	For the three months ended		
	Mar 2013	Dec 2012	Mar 2012
Cash Flows from (used in) Operating Activities			
Comprehensive income	**191**	532	365
Adjustments to determine net cash from (used in) operating activities			
Provision for (reversal of) credit losses	**26**	(60)	(172)
Actuarial change in the net allowance for claims on insurance	**4**	(289)	3
Depreciation and amortization	**16**	17	11
Changes in operating assets and liabilities			
Change in accrued interest and fees receivable	**(8)**	25	(17)
Change in fair value of marketable securities	**22**	19	25
Change in fair value of loans payable	**(51)**	(107)	(8)
Change in derivative instruments receivable	**91**	132	(31)
Change in derivative instruments payable	**(209)**	(110)	131
Other	**13**	(214)	(118)
Loan disbursements	**(2,791)**	(3,128)	(2,831)
Loan repayments	**2,230**	2,578	2,081
Net cash used in operating activities	**(466)**	(605)	(561)
Cash Flows from (used in) Investing Activities			
Disbursements for investments	**(34)**	(44)	(27)
Receipts from investments	**9**	22	20
Finance lease repayments	**3**	3	2
Purchases of marketable securities at fair value through profit or loss	**(9,260)**	(9,455)	(8,853)
Sales/maturities of marketable securities at fair value through profit or loss	**9,265**	9,603	9,121
Net cash from (used in) investing activities	**(17)**	129	263
Cash Flows from (used in) Financing Activities			
Issue of long-term loans payable - designated at fair value through profit or loss	**2,386**	2,290	2,455
Repayment of long-term loans payable - designated at fair value through profit or loss	**(2,147)**	(1,121)	(2,000)
Repayment of long-term payable at amortized cost	**-**	(999)	-
Issue of short-term loans payable - designated at fair value through profit or loss	**5,052**	5,866	7,096
Repayment of short-term loans payable - designated at fair value through profit or loss	**(4,873)**	(5,797)	(6,671)
Change in derivative instruments receivable	**104**	183	(19)
Change in derivative instruments payable	**40**	(6)	(27)
Dividend paid	**-**	-	(500)
Net cash from financing activities	**562**	416	334
Effect of exchange rate changes on cash	**-**	1	(1)
Net increase (decrease) in cash	**79**	(59)	35
Cash			
Beginning of period	**80**	139	90
End of period	**$159**	$80	$125
Operating Cash Flows from Interest			
Cash paid for interest on loans payable	**$22**	$61	$34
Cash received for interest on currency swaps related to capital	**$18**	$18	$16
Cash received for interest on loan assets and marketable securities	**$248**	$310	$259

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.

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, 2012 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2012 and the accompanying notes as set out on pages 82-131 of our 2012 Annual Report.

Use of Judgements and Estimates

The preparation of financial statements requires the use of judgment and estimates. 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 significant estimates are used include the allowance for losses on loans, loan commitments and guarantees, equipment available for lease, policy and claims liabilities, recoverable insurance claims, retirement benefit obligations and financial instruments measured at fair value. Refer to page 86 of our 2012 Annual Report for details.

New and Amended Accounting Standards

A number of new standards, interpretations, amendments and improvements have been issued by the International Accounting Standards Board (IASB). The standards that are relevant to EDC are listed below. Except as indicated, the standards are effective for annual periods beginning on or after January 1, 2013.

New standards include:

- *IFRS 10 - Consolidated Financial Statements* - replaces the guidance on control and consolidation in *IAS 27 - Consolidated and Separate Financial Statements*, and *SIC-12 - Consolidation – Special Purpose Entities*. *IFRS 10* requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with *IAS 27*. EDC assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of its subsidiary and investees.

- *IFRS 11 - Joint Arrangements* - supersedes *IAS 31 - Interests in Joint Ventures*, and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in *IAS 28 - Investments in Associates and Joint Ventures (amended in 2011)*. The other amendments to *IAS 28* did not affect EDC. EDC has classified its joint arrangements and concluded that the adoption of *IFRS 11* did not result in any changes in the accounting for its joint arrangements.

- *IFRS 12 - Disclosure of Interests in Other Entities*, outlines the disclosure requirements for all forms of interests in other entities both on and off the balance sheet. EDC has assessed the disclosure requirements and has determined that the adoption of IFRS 12 did not require additional disclosure in its interim financial statements.

- *IFRS 13 - Fair Value Measurement* - provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. EDC adopted *IFRS 13* on January 1, 2013 on a prospective basis. The adoption of *IFRS 13* did not require any adjustments to the valuation techniques used by EDC to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

Amended standards include:

- *IAS 1 - Presentation of Financial Statements* - requires EDC to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. We have modified our Condensed Consolidated Statement of Comprehensive Income accordingly.

- *IAS 19 - Employee Benefits* - This amendment, which was issued by the IASB in June 2011 was implemented effective January 1, 2013 and applied retrospectively. The amendment removes the option to use the corridor method to defer gains and losses, requires that the impact of re-measuring pension assets and liabilities be recorded in other comprehensive income and provides enhanced disclosure requirements for defined benefit plans. The transition adjustment upon adoption of the amended standard reduced opening retained earnings by $259 million. Other comprehensive income increased by $51 million due to the retrospective application of the re-measurement of actuarial gains on the obligation related to 2012. In addition, 2012 pension expense was restated to $56 million as a result of retrospective application of the standard, a $6 million decrease when compared to the 2012 Annual Report.

- *IAS 27 - Separate Financial Statements* – this standard has been renamed and amended to maintain the accounting guidance on issuing separate financial statements. This amendment did not have any impact on EDC.

- *IAS 28 - Investments in Associates and Joint Ventures* – amended as a consequence of the new standard on joint arrangements. This amendment did not have any impact on EDC.

2. Loans Receivable

(in millions of Canadian dollars)	**Mar 2013**	Dec 2012	Mar 2012
Performing:			
Past due	**8**	11	12
Current year and beyond	**30,271**	29,165	27,457
Performing gross loans receivable	**30,279**	29,176	27,469
Individually impaired loans (Note 3)	**1,159**	1,160	1,971
Gross loans receivable	**31,438**	30,336	29,440
Accrued interest and fees receivable	**166**	157	167
Deferred loan revenue and other credits	**(364)**	(362)	(557)
Total loans receivable	**$31,240**	$30,131	$29,050

The breakdown of our gross loans receivable by credit grade is as follows:

(in millions of Canadian dollars)		**Mar 2013**		Dec 2012		Mar 2012
	$	**% of total**	$	% of total	$	% of total
Investment grade	**15,144**	**48**	14,480	48	12,455	42
Below investment grade	**15,135**	**48**	14,696	48	15,014	51
Individually impaired loans (Note 3)	**1,159**	**4**	1,160	4	1,971	7
Total gross loans receivable	**$31,438**	**100**	$30,336	100	$29,440	100

The following table shows our outstanding financing commitments by type:

(in millions of Canadian dollars)	**Mar 2013**	Dec 2012	Mar 2012
Signed loan commitments	**13,468**	13,382	9,616
Letters of offer	**3,654**	3,909	2,126
Confirmed lines of credit	**111**	111	134
Total financing commitments	**$17,233**	$17,402	$11,876

3. Individually Impaired Loans

(in millions of Canadian dollars)	**Mar 2013**	Dec 2012	Mar 2012
Gross loans receivable			
Sovereign	**79**	78	245
Commercial	**1,080**	1,082	1,726
	1,159	1,160	1,971
Less: Deferred loan revenue and other credits	**24**	24	208
Individual allowance	**302**	298	512
Carrying amount of individually impaired loans	**$833**	$838	$1,251

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

(in millions of Canadian dollars)	**Mar 2013**	Mar 2012
Balance at January 1	**1,160**	1,805
Disbursements on loan guarantees called	**3**	3
Loans classified as impaired	**1**	212
Principal repayments	**(19)**	(22)
Loans written off	**(6)**	-
Foreign exchange translation	**20**	(27)
Balance at March 31	**$1,159**	$1,971

4. Allowance for Losses on Loans, Loan Commitments and Guarantees

The composition of the allowance for losses on loans, loan commitments and guarantees is as follows:

(in millions of Canadian dollars)	**Mar 2013**	Dec 2012	Mar 2012
Base allowance			
Investment grade exposure	**72**	70	63
Non-investment grade exposure	**906**	869	997
Total base allowance	**978**	939	1,060
Counterparty concentration			
Investment grade exposure	**3**	4	1
Non-investment grade exposure	**89**	93	63
Total counterparty concentration	**92**	97	64
Total collective allowance	**1,070**	1,036	1,124
Allowance for individually impaired loans, loan commitments and loan guarantees	**320**	314	608
Total allowance for losses on loans, loan commitments and loan guarantees	**$1,390**	$1,350	$1,732

The allowance for losses on loans, loan commitments and guarantees is as follows:

(in millions of Canadian dollars)	**Mar 2013**	Dec 2012	Mar 2012
Allowance for losses on loans	**1,230**	1,182	1,484
Allowance for losses on loan commitments	**56**	58	42
Allowance for losses on loan guarantees*	**104**	110	206
Total	**$1,390**	$1,350	$1,732

** Included in the liability for loan guarantees*

During the period, changes to the allowance for losses on loans, loan commitments and guarantees were as follows:

(in millions of Canadian dollars)	**Collective**	**Individual**	**Mar 2013 Total**	Collective	Individual	Mar 2012 Total
Balance at beginning of year	**1,036**	**314**	**1,350**	1,418	509	1,927
Provision for (reversal of) credit losses on loans, loan commitments and guarantees	**21**	**5**	**26**	(276)	104	(172)
Write-offs	**-**	**(7)**	**(7)**	-	-	-
Recovery of amounts written-off in prior years	**-**	**1**	**1**	-	-	-
Foreign exchange translation	**13**	**7**	**20**	(18)	(5)	(23)
Total	**$1,070**	**$320**	**$1,390**	$1,124	$608	$1,732

5. Equipment Available for Lease

Equipment available for lease consists of aircraft that were returned to EDC because of default under the related obligor loan agreements.

The following table represents the breakdown of our equipment available for lease:

(in millions of Canadian dollars)	**Mar 2013**	Dec 2012	Mar 2012
Cost			
Aircraft	**438**	438	78
Engines	**181**	181	61
Major overhaul cost	**16**	16	12
Total cost	**635**	635	151
Accumulated depreciation			
Aircraft	**(64)**	(58)	(52)
Engines	**(42)**	(40)	(38)
Major overhaul cost	**(12)**	(12)	(10)
Total accumulated depreciation	**(118)**	(110)	(100)
Carrying amount	**517**	525	51
Lease setup costs	-	-	1
Total equipment available for lease	**$517**	$525	$52

The following table illustrates the carrying amount by aircraft type and summarizes the current leasing arrangements within the equipment available for lease portfolio:

(in millions of Canadian dollars)				**Mar 2013**				Mar 2012
	Number of aircraft in portfolio	**Carrying amount**	**Number of aircraft on operating lease**	**Current lease term range**	Number of aircraft in portfolio	Carrying amount	Number of aircraft on operating lease	Current lease term range
Aircraft type								
CRJ200 Regional Jets	**18**	**42**	**18**	**5 to 38 months**	19	51	19	1 to 50 months
CRJ900 Regional Jets[1]	**8**	**93**	**2**	**95 months**	-	-	-	-
Dash 8 – Q400[2]	**28**	**382**	**17**	**88 to 95 months**	-	-	-	-
Total portfolio	**54**	**$517**	**37**		19	$51	19	

(1) The remaining 6 CRJ900s are signed to go out on lease with the same lessee in Q2 2013.

(2) In addition to the 28 aircraft, there are two Dash8-Q400 spare engines available for lease.

6. Recoverable Insurance Claims

(in millions of Canadian dollars)	**Mar 2013**	Mar 2012
Balance at January 1	**200**	44
Claims paid	**7**	11
Claims paid – reinsured policies	**1**	-
Claims recovered	**(3)**	(6)
Change in recoverable portion of cumulative claims paid	**(8)**	(7)
Foreign exchange translation	**1**	(1)
Balance at March 31	**$198**	$41

7. Policy and Claims Liabilities

The table below presents our policy and claims liabilities for our credit insurance (CI), contract insurance and bonding (CIB) and political risk insurance (PRI) programs.

(in millions of Canadian dollars)				**Mar 2013**				Dec 2012				Mar 2012
	CI	**CIB**	**PRI**	**Total**	CI	CIB	PRI	Total	CI	CIB	PRI	Total
Insurance	**111**	**104**	**372**	**587**	114	96	373	583	141	105	613	859
Reinsurance	**(8)**	**(1)**	**(78)**	**(87)**	(8)	(2)	(80)	(90)	(9)	(2)	(115)	(126)
Net liability	**$103**	**$103**	**$294**	**$500**	$106	$94	$293	$493	$132	$103	$498	$733

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

(in millions of Canadian dollars)	**Mar 2013**	Dec 2012	Mar 2012
Deferred insurance premiums	**94**	100	86
Allowance for claims on insurance	**493**	483	773
Total policy and claims liabilities	**$587**	$583	$859

8. Contingent Liabilities

As explained on page 86 of the 2012 Annual Report, we are subject to a limit imposed by the Export Development Act on our contingent liability arrangements. The limit is currently $45.0 billion. Our position against this limit is provided below:

(in millions of Canadian dollars)	**Mar 2013**	Dec 2012	Mar 2012
Credit insurance	**8,092**	7,750	7,892
Financial institutions insurance	**4,337**	4,118	6,834
Contract insurance and bonding	**8,203**	8,161	8,638
Political risk insurance	**1,615**	1,503	1,736
Contingent liabilities – insurance program	**22,247**	21,532	25,100
Loan guarantees	**2,132**	2,104	2,601
Total	**$24,379**	$23,636	$27,701

9. Share Capital

EDC’s authorized share capital is $3.0 billion consisting of 30 million shares with a par value of $100 each. The number of shares issued and fully paid is 13.3 million (2012 – 13.3 million). In March 2012, a dividend of $500 million was paid to the Government of Canada.

10. Capital Management

EDC has a capital management process in place to ensure that we are appropriately capitalized and that our capital position is identified, measured, managed and regularly reported to the Board of Directors. We are not subject to externally imposed capital requirements.

Our primary objective with respect to capital management is to ensure that EDC has adequate capital to support the evolving needs of Canadian exporters and investors while remaining financially self-sustaining.

The following table represents the breakdown of EDC's supply of capital:

(in millions of Canadian dollars)	**Mar 2013**	Dec 2012	Mar 2012
Allowance for losses on loans	**1,230**	1,182	1,484
Allowance for losses on loan commitments	**56**	58	42
Allowance for losses on loan guarantees	**104**	110	206
Allowance for claims on insurance	**493**	483	773
Reinsurers' share of policy and claims liabilities	**(87)**	(90)	(126)
Share capital	**1,333**	1,333	1,333
Retained earnings	**7,733**	7,542	6,528
Supply of capital	**$10,862**	$10,618	$10,240

11. Fair Value of Financial Instruments

Fair value represents our estimation of the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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 millions of Canadian dollars)		**Mar 2013**
	Carrying value	**Fair value**
Assets		
Performing fixed rate loans	**7,702**	**8,251**
Performing floating rate loans	**21,492**	**22,122**
Total performing loans receivable	**29,194**	**30,373**
Impaired loans	**833**	**833**
Loans receivable and accrued interest and fees	**30,027**	**31,206**
Marketable securities:		
At fair value through profit or loss	**4,136**	**4,136**
At amortized cost	**76**	**76**
Derivative instruments	**1,160**	**1,160**
Investments at fair value through profit or loss	**456**	**456**
Recoverable insurance claims	**198**	**198**
Other assets	**143**	**144**
Liabilities		
Accounts payable and other credits	**177**	**185**
Loans payable:		
Designated at fair value through profit or loss	**25,563**	**25,563**
At amortized cost	**1,050**	**1,087**
Derivative instruments	**197**	**197**
Loan guarantees	**155**	**200**

We have controls and policies in place to ensure that our valuations are appropriate and realistic. In general, the methodologies, models and assumptions used to measure the fair value of our financial assets and liabilities are determined by our Market Risk Management team, which is not involved in the initiation of the transactions. The Market Risk Management team reports to the VP Risk Management, who reports to the SVP and Chief Risk Officer. The models, valuation methodologies and market-based parameters and inputs that are used are subject to regular review and validation, including a comparison with values from outside agencies. In limited circumstances where the valuation of a financial instrument is not independent from the initiation of the transaction, the resulting valuation is subject to review by a valuation committee. The valuation committee meets periodically. Instruments are reviewed and placed on the fair value hierarchy by the valuation committee before being fully implemented.

The assumptions and valuation techniques that we use to estimate fair values are as follows:

Loans Receivable

In order to estimate the fair value of our performing loans receivable (including accrued interest receivable), we separate them into risk pools and calculate the net present value of principal and interest cash flows. The discount rates are obtained from observable yield curves for each risk pool and are specific to the credit risk and term to maturity associated with each principal and interest cash flow.

The fair value of impaired loans is considered to be equal to their carrying value. Once a loan has been assessed as impaired, the carrying value is reduced to reflect the present value of any estimated future cash flows discounted at the loan's original effective interest rate.

Marketable Securities

We estimate the fair value of marketable securities using observable market prices. If such prices are not available, we determine the fair value by discounting future cash flows using an appropriate yield curve.

Investments

Our approach to fair value measurement has been derived from valuations guidelines issued by the International Private Equity and Venture Capital ("IPEVC"). Depending on the type of investment, we estimate fair value using one of the following: (i) market-based methodologies, such as the quoted share price or the price of recent investments; (ii) multiples of discounted earnings or cash flow approaches; or (iii) liquidation or asset-based methods. The valuations are established by investment managers, reviewed by management and approved by an independent valuation committee quarterly that is comprised of representatives from our Risk Management and Finance groups. The valuation methods are constantly validated and calibrated through discussions with co-investors and market participants, taking into account all known market events.

In the process of assessing the fair value for certain investments instruments, estimates determined in a manner consistent with industry practice, are employed in the models which cannot be directly observed in the market. EDC's unobservable estimates are outlined in the table below:

(in millions of Canadian dollars)

Valuation technique	Unobservable input	Range (weighted average)	Fair value at Mar 2013
EBITDA Multiple*	Multiple of EBITDA	7.70 – 11.20 (9.50)	6.4
Sales multiple	Multiple of sales	0.20 – 9.00(2.04)	0.2
Discounted cash flows	Discount Rate	2.50% - 9.60% (5.90%)	4.5

** Earnings before interest, taxes, depreciation and amortization*

Recoverable Insurance Claims

For the purpose of estimating their fair value, recoverable insurance claims are separated into groups of estimated time to recovery. Generally the time to recovery of insurance claims will be relatively short; for these, the fair value is considered to be equal to the carrying value. For insurance claims where the recovery is expected to occur over a longer period, we calculate the net present value of the expected cash flows using a discount rate appropriate to the claim.

Other Assets and Accounts Payable and Other Credits

The fair value of short-term other assets and accounts payable and other credits are assumed to equal their carrying value due to their short-term nature. For long-term other assets and accounts payable, we estimate fair value by discounting future cash flows using an appropriate yield curve.

Loans Payable

The fair value of our less complex loans payable is determined using the discounted cash flow method. Forward rates are used to value floating rate cash flows occurring in the future. Cash flows are discounted using the respective currency's yield curve. Inputs to the models are market observable and may include interest rate yield curves and foreign exchange rates.

For our more complex loans payable which may include optionality, we estimate fair value using valuation models when independent market prices are not available. Inputs to these models include option volatilities and correlations in addition to interest rate yield curves and foreign exchange rates. All models are reviewed on a three year rotational basis and are calibrated automatically each time a model is employed in valuing a deal. Changes in fair value are analyzed every month.

EDC employed an external consultant to validate the models used to construct and value its financial instruments. The consultant deemed the models used to be consistent with those models used by issuers who economically hedge the issuance.

EDC hedges its structured notes using interest rate and cross currency swaps that convert EDC's obligations into floating rate notes. The receive leg of the swap mirrors the payment structure of EDC's structured notes; thus, any slight inaccuracy in the derivation of expected future payments on EDC's structured notes or their valuation is negated by the opposite valuation and derivation of the expected future payments from the receive leg of the swap.

Derivative Instruments

Foreign exchange forwards and foreign exchange swaps are valued by discounting the notional amounts using the respective currency's yield curve and converting the amounts using the spot Canadian dollar exchange rate.

Interest rate and cross currency interest rate swaps are valued using a discounted cash flow method. Forward rates are used to determine floating rate cash flows occurring in the future. Cash flows are discounted using the respective currency's yield curve. Inputs to the models are market observable and may include interest rate yield curves and foreign exchange rates.

For more complex swaps associated with our loans payable, which may include optionality, including cross currency interest rate swaps, interest rate swaps and non-deliverable forwards, the fair value is determined using models which are developed from recognized valuation techniques, validated and managed in the same manner as our more complex loans payable as described above. Credit default swaps are valued with the additional input of market based par credit default swap spreads or by using quoted prices from dealers where appropriate.

The valuations determined using the methodologies described above are adjusted for the credit risk of the counterparty where appropriate.

Loan Guarantees

The fair value of short-term loan guarantees are assumed to equal their carrying value due to their short-term nature.

We estimate the fair value of long-term loan guarantees as the difference between the possible payout discounted using the appropriate credit risk curve and EDC credit risk curve; net of the deferred guarantee fees.

Fair Value Hierarchy

The following table presents the fair value hierarchy for those items carried on our statement of financial position at fair value. The fair value hierarchy prioritizes the valuation techniques used to determine the fair value of a financial instrument 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);
- *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 2013**
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Performing fixed rate loans	-	**8,251**	-	**8,251**
Performing floating rate loans	-	**22,122**	-	**22,122**
Total performing loans receivable	-	**30,373**	-	**30,373**
Impaired loans	-	**833**	-	**833**
Loans receivable and accrued interest and fees	-	**31,206**	-	**31,206**
Marketable securities:				
At fair value through profit or loss	**2,149**	**1,987**	-	**4,136**
At amortized cost	**76**	-	-	**76**
Derivative instruments	-	**1,109**	**51**	**1,160**
Investments at fair value through profit or loss	-	-	**456**	**456**
Recoverable insurance claims	-	-	**198**	**198**
Other assets	**92**	**52**	-	**144**
Liabilities				
Accounts payable and other credits	**128**	**57**	-	**185**
Loans payable:				
Designated at fair value through profit or loss	-	**25,323**	**240**	**25,563**
Designated at amortized cost	-	**1,087**	-	**1,087**
Derivative instruments	-	**197**	-	**197**
Loan guarantees	-	**200**	-	**200**

The following table summarizes the reconciliation of Level 3 fair values between 2012 and the end of the first quarter of 2013 for investments at fair value through profit or loss, loans payable designated at fair value through profit or loss and derivative instruments.

(in millions of Canadian dollars)				**Mar 2013**
	Investments at fair value through profit or loss	**Loans payable designated at fair value through profit or loss**	**Derivative instruments**	**Total**
Balance at beginning of year	**429**	**(320)**	**64**	**173**
Unrealized gains (losses) included in Other expenses	**(4)**	**10**	**(7)**	**(1)**
Purchases of assets/issuances of liabilities	**34**	**-**	**-**	**34**
Matured assets/liabilities	**-**	**78**	**(8)**	**70**
Return of capital	**(9)**	**-**	**-**	**(9)**
Foreign exchange translation	**6**	**(8)**	**2**	**-**
Balance at end of year	**$456**	**$(240)**	**$51**	**$267**
Total gains (losses) for first quarter of 2013 included in comprehensive income for instruments held at end of the quarter	**$(4)**	**$3**	**$(3)**	**$(4)**

Changes in valuation methods may result in transfers into or out of levels 1, 2 and 3. In the first quarter of 2013 there were no transfers between levels.

In the first quarter of 2013, a sensitivity analysis was performed using possible alternative assumptions to recalculate the fair value of our Level 3 financial instruments. The fair value of Level 3 financial instruments is in whole or in part based on unobservable inputs. In preparing financial statements, appropriate levels for these unobservable inputs parameters are chosen so that they are consistent with prevailing market evidence or management judgment.

In order to perform our sensitivity analysis, we adjusted the yield curve and volatility assumptions used to value our Level 3 loans payable and derivative assets. The results of our analysis on our Level 3 loans payable ranged from an unfavourable change of $15 million to a favourable change of $20 million. On our Level 3 derivative assets the impact ranged from an unfavourable change of $19 million to a favourable change of $14 million.

The effects of applying other possible alternative assumptions to our Level 3 Investments would range from a decrease of $3 million to an increase of $14 million of their fair value.

12. Financial Instrument Risks

The principal risks that we are exposed to as a result of holding financial instruments are credit, market and liquidity risk.

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 lending program and our treasury activities.

The following table provides a breakdown, by the country in which the risk resides, of the maximum gross exposure to credit risk of financial instruments. The exposure includes gross loans receivable, loan guarantees, investments at fair value through profit or loss, marketable securities and derivative assets.

(in millions of Canadian dollars)		**Mar 2013 Exposure**		Dec 2012 Exposure		Mar 2012 Exposure
Country	$	%	$	%	$	%
United States	**11,988**	**30**	12,051	31	13,494	36
Canada	**6,958**	**18**	6,568	17	6,633	18
Brazil	**2,486**	**6**	2,317	6	1,553	4
Mexico	**2,034**	**5**	2,020	5	1,905	5
Australia	**1,649**	**4**	1,370	4	766	2
India	**1,535**	**4**	1,557	4	1,379	4
United Kingdom	**1,075**	**3**	1,179	3	1,048	3
Chile	**1,068**	**3**	1,136	3	935	2
Qatar	**760**	**2**	745	2	751	2
Spain	**716**	**2**	524	1	673	2
Other	**9,288**	**23**	8,990	24	8,445	22
Total	**$39,557**	**100**	$38,457	100	$37,582	100

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

(in millions of Canadian dollars)		**Mar 2013 Exposure**		Dec 2012 Exposure		Mar 2012 Exposure
Industry	$	%	$	%	$	%
Commercial:						
Aerospace	**9,912**	**25**	9,573	25	9,997	27
Extractive	**9,304**	**24**	8,764	23	7,065	19
Surface transportation	**4,117**	**10**	4,066	11	4,822	13
Financial institutions	**3,371**	**9**	3,336	9	3,451	9
Information and communication technology	**2,953**	**7**	2,797	7	2,715	7
Infrastructure and environment	**2,894**	**7**	3,069	8	3,175	8
Other	**2,206**	**6**	2,057	5	1,860	5
Total commercial	**34,757**	**88**	33,662	88	33,085	88
Sovereign	**4,800**	**12**	4,795	12	4,497	12
Total	**$39,557**	**100**	$38,457	100	$37,582	100

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange risk, interest rate risk and other price risk. We are exposed to potential negative impacts on the value of financial instruments resulting from adverse movements in interest and foreign exchange rates. We have policies and procedures in place to ensure that interest rate and foreign exchange risks are identified, measured, managed and regularly reported to management and the Board of Directors.

Liquidity Risk

Liquidity risk is the risk that we would be unable to honour daily cash commitments or the risk that we would have to obtain funds rapidly, possibly at an excessively high premium during severe market conditions. We maintain liquidity through a variety of methods such as holding cash and marketable securities and having access to commercial paper markets.

Our objectives, policies and processes for managing financial instruments risk as well as the method we use to measure exposure to risk are disclosed within our 2012 annual report in the notes related to our derivative instruments and debt instruments, as well as in the text and tables displayed in green font in management's discussion and analysis on pages 66 to 70.

13. Loan Revenue

	Three months ended		
(in millions of Canadian dollars)	**Mar 2013**	Dec 2012	Mar 2012
Loan interest			
Floating rate	**134**	140	135
Fixed rate	**95**	95	98
Loan fee revenue	**35**	42	26
Impaired revenue	**7**	9	10
Other	**2**	3	3
Total loan revenue	**$273**	$289	$272

14. Interest Expense

	Three months ended		
(in millions of Canadian dollars)	**Mar 2013**	Dec 2012	Mar 2012
Loans payable designated at fair value through profit or loss and related derivatives			
Short-term payables	**5**	5	8
Long-term payables – floating	**19**	22	27
Long-term payables – fixed	**(8)**	(8)	(8)
Loans payable carried at amortized cost			
Long-term payables – fixed	**8**	11	20
Total interest expense on loans payable and related derivatives	**24**	30	47
Interest income on currency swaps related to capital	**(18)**	(18)	(15)
Other	**1**	4	1
Total interest expense	**$7**	$16	$33

Our interest expense includes not only the cost of the loans payable issued by EDC and the related derivatives, but also the impact of the currency swaps used to reduce the foreign currency risk of our capital. These currency swaps are set up with the objective to offset U.S. dollar assets and liabilities. As a result, they include a Canadian dollar receivable component and a U.S. dollar payable component which each carry a floating interest rate. The positive spread between the Canadian dollar interest rates applicable to the receivable component of these swaps and the U.S. dollar rates on their payable component remained steady during the first quarter of 2013, which led to stable interest revenue on these swaps between periods.

15. Net Insurance Premiums and Guarantee Fees

The following tables present our net insurance premiums and guarantee fee revenue for our credit insurance (CI), financial institutions insurance (FII), contract insurance and bonding (CIB) and political risk insurance (PRI) programs.

	Three months ended														
(in millions of Canadian dollars)					**Mar 2013**					Dec 2012					Mar 2012
	CI	**FII**	**CIB**	**PRI**	**Total**	CI	FII	CIB	PRI	Total	CI	FII	CIB	PRI	Total
Direct premiums	**27**	**6**	**11**	**8**	**52**	25	(2)*	11	11	45	29	7	12	7	55
Reinsurance assumed	**1**	**-**	**1**	**-**	**2**	-	-	3	-	3	1	-	2	-	3
Reinsurance ceded	**(2)**	**-**	**(1)**	**(3)**	**(6)**	(1)	-	-	(4)	(5)	(2)	-	(1)	(2)	(5)
Net insurance premiums and guarantee fees	**$26**	**$6**	**$11**	**$5**	**$48**	$24	$(2)	$14	$7	$43	$28	$7	$13	$5	$53

** Due to an adjustment to deferred insurance premiums.*

16. Provision for (Reversal of) Credit Losses

The following tables provide the breakdown of the provision for (reversal of) credit losses recorded within net income.

	Three months ended		
(in millions of Canadian dollars)	**Mar 2013**	Dec 2012	Mar 2012
Updates to independent variables:			
Changes in collateral values	**90**	27	2
Increased concentration threshold	**(8)**	-	(4)
Updated probability of default rates	**-**	-	(156)
Changes in portfolio composition*	**(53)**	(28)	(38)
Credit migration	**1**	(55)	24
Other	**(4)**	(4)	-
Provision for (reversal of) credit losses	**$26**	$(60)	$(172)

** Represents provision requirements (release) as a result of disbursements, new financing trade facilitated and repayments.*

	Three months ended		
(in millions of Canadian dollars)	**Mar 2013**	Dec 2012	Mar 2012
Provision for (reversal of) losses on loans	**35**	(50)	(174)
Provision for (reversal of) losses on loan commitments	**(2)**	11	2
Provision for (reversal of) losses on loan guarantees	**(7)**	(21)	-
Provision for (reversal of) credit losses	**$26**	$(60)	$(172)

17. Claims-Related Expenses (Recovery)

	Three months ended		
(in millions of Canadian dollars)	**Mar 2013**	Dec 2012	Mar 2012
Claims paid	**7**	308	11
Claims paid – reinsured policies	**1**	3	-
Claims recovered	**(3)**	(6)	(6)
Actuarial increase (decrease) in the net allowance for claims	**4**	(289)	3
(Increase)/decrease in recoverable insurance claims	**2**	(161)	2
Claims handling and settlement expenses	**1**	13	1
Total claims-related expenses (recovery)	**$12**	$(132)	$11

18. Other Income (Expenses)

	Three months ended		
(in millions of Canadian dollars)	**Mar 2013**	Dec 2012	Mar 2012
Net unrealized gain on loans payable designated at fair value through profit or loss	**54**	78	20
Net unrealized loss on derivatives related to loans payable	**(70)**	(39)	(25)
Net realized and unrealized loss on marketable securities at fair value through profit or loss	**(2)**	(7)	(14)
Net unrealized loss on loan related credit default swaps	**(3)**	(11)	(15)
Net realized and unrealized gain (loss) on investments at fair value through profit or loss	**(4)**	8	1
Foreign exchange translation gain (loss)	**1**	(1)	3
Other	**-**	8	(1)
Total other income (expenses)	**$(24)**	$36	$(31)

We have designated the majority of our loans payable at fair value through profit or loss in order to obtain the same accounting treatment as their related derivatives. In general, these derivatives are entered into to manage interest and foreign exchange rate risks on the related bonds. For the three months ended March 2013, the net unrealized loss on our long-term loans payable and associated derivatives totalled $16 million compared to a gain of $39 million for the previous quarter. In accordance with IFRS, our debt is valued on the basis of our credit rating (AAA) while the related derivatives are being valued on curves that reflect the credit risk of the resulting exposure. During the three months ended March 2013, most rates relevant to the valuation of our debt moved less than those relevant to the valuation of the related derivatives in the quarter, leading to losses on our derivatives exceeding the gains on our bonds.

19. Administrative Expenses

	Three months ended		
(in millions of Canadian dollars)	**Mar 2013**	Dec 2012	Mar 2012
Salaries and benefits	**41**	33	40
Pension, other retirement and post-employment benefits	**12**	15	13
Accommodation	**7**	6	7
Amortization and depreciation	**6**	8	7
Other	**9**	18	8
Total administrative expenses	**$75**	$80	$75

Retirement benefit obligations included in pension, other retirement and post-employment benefits above are as follows:

	Three months ended		
(in millions of Canadian dollars)	**Mar 2013**	Dec 2012	Mar 2012
Pension benefit expense	**8**	11	9
Other post-employment benefit and severance expense	**4**	4	4
	$12	$15	$13

20. 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 the Pension Plan in the normal course of business, under terms and conditions similar to those that apply to unrelated parties.

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