Turning the Corner on Trade

Quarterly Financial Report
March 31, 2014
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. We place a particular emphasis on small and medium enterprises by developing tools to help them succeed in international markets. Each year more than 7,200 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, fees on our guarantee products and premiums on our insurance products.

Economic Environment

The global economy got off to a sluggish start in the first quarter of 2014, but all signs are pointing to strength in the months ahead. The United States struggled with extreme weather in January and February which delayed construction and major investment projects across a large part of the U.S. In March, U.S. consumer confidence hit the highest level in five years and there is evidence of significant pent-up demand which bodes well for stronger spending ahead. Business sentiment is similarly positive, driven by record corporate profits and the large cash reserves held by U.S. corporations.

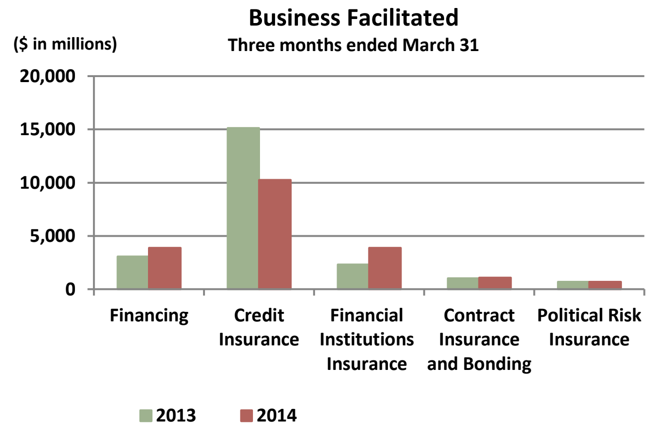
In Europe, the first quarter of 2014 brought more positive news as Ireland became the first country to exit the European Union/International Monetary Fund bailout program and Portugal began preparations to do the same in May. Greece now has a primary budget surplus (before interest payments) and is planning a bond issuance. Consumer spending is beginning to pick up however, business confidence remains fairly mixed and unemployment is high across the continent. The euro area has emerged from recession, but growth is likely to remain tepid in 2014.

For emerging markets, currency volatility and investor fears drove sentiment throughout the first quarter of 2014 as the easy availability of cheap U.S. dollar funding is beginning to ebb. Since 2008, the extraordinary monetary stimulus provided by the U.S. Federal Reserve, nearly U.S. $3 trillion in cash injections, has driven down bond yields and pushed investor funds into emerging market bonds and currencies where returns are more favourable. The U.S. Federal Reserve has now reduced the amount of quantitative easing three times. The so-called "fragile five", Brazil, India, Indonesia, Turkey and South Africa have seen their currencies depreciate, their Central banks forced to raise interest rates, and a tightening of credit which has a dampening effect on GDP growth. However, emerging markets continue to lead global economic growth this year.

For Canada, the U.S. recovery and stronger global growth will provide a major boost. Exports got off to a strong start in the first quarter of 2014. Increased volumes of energy and metals exports compensated for weaker prices. Industrial machinery shipments picked up impressively, particularly in agricultural and construction. Canada's agricultural exports, which struggled because there isn't enough rail capacity to ship the bumper crop, are set for major increases in the months ahead as the rail capacity issue is resolved. Overall, Canadian export growth is expected to reach approximately 6% in 2014, a significant improvement over the 3.5% growth last year. Moreover, Canada is well positioned for export strength in 2015 as the U.S. recovery accelerates and European conditions improve.

Business Facilitated

Business facilitated in our financing program increased by 26% when compared with the first three months of 2013. This is primarily due to an increase in demand within the extractive sector in addition to a favourable foreign exchange impact as a result of the weakening of the Canadian dollar in relation to the U.S. dollar.



Business facilitated within our credit insurance portfolio declined by 32%. A large part of this reduction is related to the timing of insurance transactions for several large customers. In addition, we experienced a slowdown in business activity for one large customer.

We have experienced a 67% increase in business facilitated within our financial institutions insurance portfolio over the first quarter of 2013. Some Canadian financial institutions have seen an increased need for capacity in some major markets, particularly China.

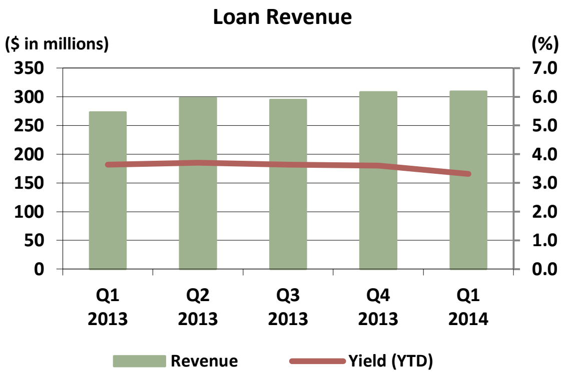
SUMMARY OF FINANCIAL RESULTS

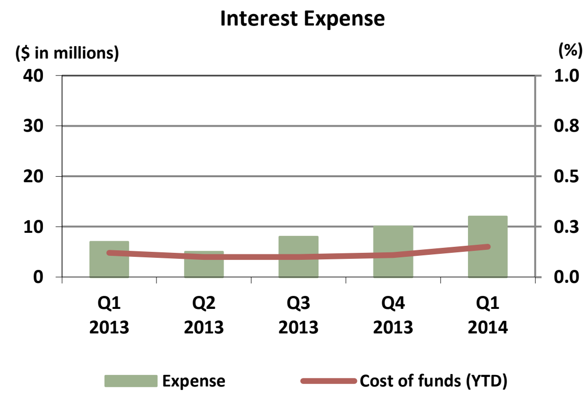
Financial Performance

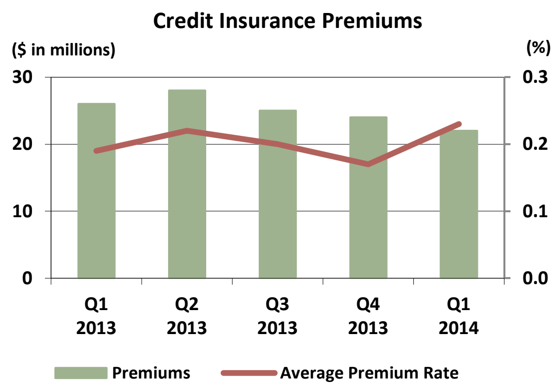
	For the three months ended		
(in millions of Canadian dollars)	**Mar 2014**	Dec 2013	Mar 2013
Net financing and investment income	**315**	312	272
Net insurance premiums and guarantee fees*	**53**	56	56
	368	368	328
Other (income) expenses	**(10)**	23	24
Administrative expenses	**74**	84	75
Provision for credit losses	**149**	37	26
Claims-related expenses	**121**	47	12
Net income	**$34**	$177	$191

* *Includes loan guarantee fees.*

Increases in provisioning requirements and claims-related expenses in the first quarter of 2014 have resulted in a reduction in our net income. These increases are discussed beginning on page 6. In addition, we have seen volatility in the fair values of our financial instruments between periods. These fluctuations are driven by market conditions, the impact of which is included in other (income) expenses.

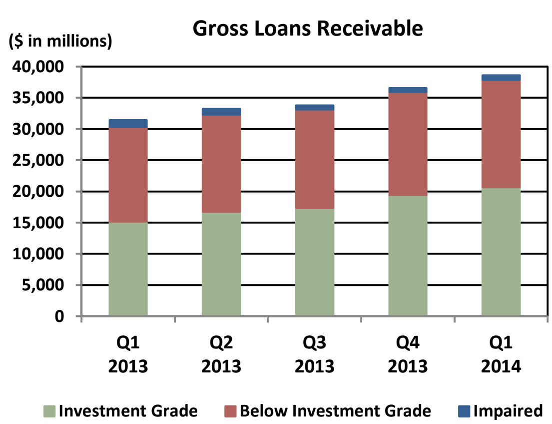


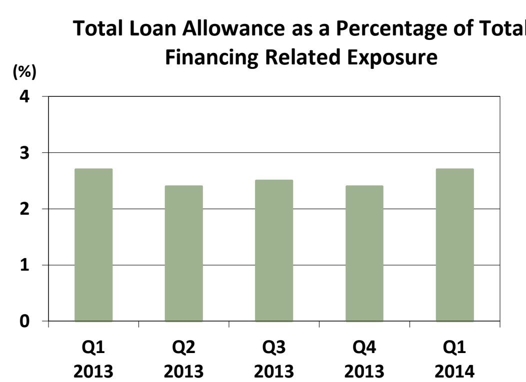




Financial Position

as at *(in millions of Canadian dollars)*	**Mar 2014**	Dec 2013	Mar 2013
Total assets	**46,138**	41,516	37,289
Total liabilities	**38,862**	33,145	28,223
Equity	**7,276**	8,371	9,066
Gross loans receivable	**38,615**	36,549	31,438
Total allowances	**2,148**	1,838	1,809





Impact of Foreign Exchange Translation on Financial Results

At the end of the first quarter of 2014, the Canadian dollar had weakened relative to the U.S. dollar resulting in a rate of U.S. $0.90 on March 31, 2014 compared to U.S. $0.94 at December 31, 2013 and U.S. $0.98 at March 31, 2013. The weaker Canadian dollar resulted in an increase in our assets and liabilities which are primarily denominated in U.S. dollars and translated to Canadian dollars at rates prevailing at the statement of financial position date. Business facilitated and components of comprehensive income are translated into Canadian dollars at average exchange rates. The average rate for the first quarter of 2014 was U.S. $0.91 compared to U.S. $0.95 for the fourth quarter 2013 and U.S. $0.99 for the first quarter of 2013.

Risk Management

Our business activities expose us to a wide variety of risks including strategic, financial and operational 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. 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 13 of the accompanying financial statements for details on financial instrument risks.

FIRST QUARTER HIGHLIGHTS

	Three months ended	
(in millions of Canadian dollars)	**Mar 2014**	Dec 2013
Income before provisions and claims-related expenses	**304**	261
Provision for credit losses	**149**	37
Claims-related expenses	**121**	47
Net income	**$34**	$177

Net income was $34 million, a decline of $143 million when compared to the prior quarter. An increase in provision requirements and claims-related expenses were the primary contributors to the decline.

Provisions for credit losses increased by $112 million mainly due to the impact of the decline in the value of collateral associated with our secured aerospace portfolio used in the allowance calculation. The collateral values were adjusted to reflect the age of the aircraft and other market conditions. In addition, we experienced downward credit migration of $78 million compared to $30 million in the prior quarter. Refer to Note 17 for further details.

Claims-related expenses for the first quarter were $121 million, an increase of $74 million when compared to the prior quarter. There was a $106 million actuarial increase in the net allowance for claims in the first quarter of 2014 primarily due to heightened risk in our political risk insurance portfolio.

Other items of note in the first quarter:

We transferred 26 aircraft on operating lease, valued at $123 million, out of the equipment available for lease portfolio to the **held-for-sale** portfolio. The sale of these aircraft is anticipated to occur in the second quarter of 2014.

In the first quarter, we declared a **dividend** of $1,129 million based on our capital position at the end of 2013.

FINANCIAL RESULTS – YEAR TO DATE

Prior Year Comparison

We finished the first three months of 2014 with **net income** of $34 million, $157 million lower than the net income reported for the same period in 2013. The decline is primarily due to higher provisions for credit losses in our loans portfolio and an increase in claims-related expenses. In addition, we experienced variances in other items which are explained below.

We had a **provision for credit losses** of $149 million for the first three months of 2014, compared to $26 million for the same period in 2013. In 2014, we experienced significant downward credit migration primarily related to two obligors; one in the construction sector and the other a sovereign exposure.

Claims-related expenses were $121 million for the first three months of 2014, compared to $12 million for the same period in 2013. As previously discussed, heightened risk in our political risk insurance portfolio led to an increase in the net allowance for claims.

Loan revenue was $309 million for the first three months of 2014, $36 million higher than the same period in 2013. This increase is mainly from higher interest revenue due to a larger loan portfolio.

Operating lease revenue was $18 million, $9 million higher than the same period in 2013. In the first quarter of 2014, EDC had 53 aircraft subject to operating leases, compared to 37 aircraft in 2013. Of the 53 aircraft subject to operating leases, 26 aircraft were transferred to the held-for-sale portfolio during the first quarter of 2014. Refer to Note 5 for further details.

Other income was $10 million compared to other expense of $24 million for the same period in 2013. The variance is largely due to the volatility associated with our financial instruments carried at fair value. Refer to Note 19 for further details.

Corporate Plan Comparison

Financial Performance

(in millions of Canadian dollars)	Three months ended **Mar 2014** **Actual Results**	Three months ended Mar 2014 Corporate Plan	Year ended Dec 2014 Corporate Plan
Net financing and investment income	**315**	270	1,115
Net insurance premiums and guarantee fees*	**53**	57	228
Other (income) expenses	**(10)**	(2)	(9)
Administrative expenses	**74**	82	334
Provision for credit losses	**149**	49	177
Claims-related expenses	**121**	15	60
Net income	**34**	183	781
Other comprehensive income	**-**	9	38
Comprehensive income	**$34**	$192	$819

**Includes loan guarantee fees.*

Net income for the first three months of 2014 was $149 million lower than the Corporate Plan primarily due to increased provision for credit losses and claims-related expenses. The decline was tempered by an increase in net financing and investment income.

The **provision for credit losses** was $149 million for the first three months of 2014 which represents a $100 million increase when compared to the provision of $49 million projected in the Corporate Plan for the same three month period. This increase in provisioning 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 2014 Corporate Plan. Another contributor to this variance from Plan was the downgrade of a sovereign obligor not projected in the Plan.

Claims-related expenses for the first three months of 2014 were $106 million higher than the Corporate Plan amount of $15 million. As previously mentioned, due to heightened risk in our political risk insurance portfolio there was an actuarial increase in the net allowance for claims on insurance that was not contemplated at the time of preparing the Corporate Plan.

Net financing and investment income for the first three months of 2014 was $315 million, $45 million higher than anticipated in the Corporate Plan. The main contributor to the increase was higher loan interest revenue due to a larger loan book.

Financial Position

as at *(in millions of Canadian dollars)*	**Mar 2014 Actual Results**	Mar 2014 Corporate Plan	Dec 2014 Corporate Plan
Cash and marketable securities	**5,481**	4,690	4,690
Derivative instruments	**713**	714	714
Loans receivable	**38,444**	33,629	35,654
Allowance for losses on loans	**(1,440)**	(1,177)	(1,198)
Other financing and leasing assets	**1,164**	1,279	1,324
Other assets	**1,776**	485	487
Total Assets	**$46,138**	$39,620	$41,671
Loans payable	**36,392**	30,155	31,589
Derivative instruments	**709**	575	575
Allowance for losses on loan commitments	**40**	47	59
Premium and claims liabilities	**706**	614	616
Other liabilities	**1,015**	687	666
Equity	**7,276**	7,542	8,166
Total Liabilities and Equity	**$46,138**	$39,620	$41,671

Loans receivable were $4.8 billion above Plan due to net loan disbursements for both 2013 and 2014 that were $1.9 billion higher than projected in the Plan as a result of increased financing activity. The weakening of the Canadian dollar since the preparation of the Plan has also contributed to the increased loans receivable balance.

Other assets include $1.3 billion of trade date receivables which are mainly composed of funds receivable on debt issued. Funds receivable on financial instruments that have traded but not yet settled are recognized in other assets.

Loans payable were $6.2 billion higher than the Corporate Plan mainly due to the same factors impacting the loans receivable discussed above. Our borrowing requirements are largely driven by the activity within our loan portfolio.

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 include claims paid net of estimated recoveries and changes in actuarial liabilities. This ratio only includes export credit insurance activities.

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

The higher claims ratio in 2014 is due to an increase in net claims incurred as a result of changes in portfolio composition.

	Three months ended	
(in thousands of Canadian dollars)	**Mar 2014**	Mar 2013
Direct premiums	**22,929**	26,570
Reinsurance assumed	**784**	1,678
Reinsurance ceded	**(1,820)**	(2,418)
Net written premium	**$21,893**	$25,830
Direct net claims incurred	**8,798**	3,896
Net claims incurred – reinsurance assumed	**1,029**	279
Net claims incurred – reinsurance ceded	**-**	1
Net claims incurred	**$9,827**	$4,176
Claims ratio %	**44.9%**	16.2%

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, 2014 and for the periods presented in the condensed consolidated quarterly financial statements.

Benoit Daignault,
President and CEO

Ken Kember,
Senior Vice-President and Chief Financial Officer

Ottawa, Canada
May 1, 2014

Export Development Canada
Condensed Consolidated Financial Statements

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

	as at		
	Mar 2014	Dec 2013	Mar 2013
Assets			
Cash	**119**	127	159
Marketable securities:			
At fair value through profit or loss	**5,280**	3,859	4,136
At amortized cost	**82**	80	76
Derivative instruments (Note 7)	**713**	688	1,160
Aircraft held-for-sale (Note 5)	**123**	-	9
Loans receivable (Notes 2 and 3)	**38,444**	36,357	31,240
Allowance for losses on loans (Note 4)	**(1,440)**	(1,246)	(1,230)
Investments at fair value through profit or loss	**567**	537	456
Equipment available for lease (Note 5)	**363**	493	517
Net investment in aircraft under finance leases	**74**	76	79
Recoverable insurance claims (Note 6)	**97**	96	198
Reinsurers' share of premium and claims liabilities (Note 8)	**80**	93	87
Other assets	**1,372**	91	134
Property, plant and equipment	**59**	59	63
Intangible assets	**45**	44	38
Building under finance lease	**160**	162	167
Total Assets	**$46,138**	$41,516	$37,289
Liabilities and Equity			
Accounts payable and other credits	**181**	144	177
Dividend payable (Note 10)	**379**	-	-
Loans payable:			
Designated at fair value through profit or loss	**32,708**	29,108	25,563
At amortized cost	**3,684**	2,151	1,050
Derivative instruments (Note 7)	**709**	626	197
Obligation under finance lease	**169**	170	173
Retirement benefit obligations	**118**	128	265
Allowance for losses on loan commitments (Note 4)	**40**	47	56
Premium and claims liabilities (Note 8)	**706**	606	587
Loan guarantees	**168**	165	155
	38,862	33,145	28,223
Financing commitments (Note 2) and contingent liabilities (Note 9)			
Equity			
Share capital (Note 10)	**1,333**	1,333	1,333
Retained earnings	**5,943**	7,038	7,733
	7,276	8,371	9,066
Total Liabilities and Equity	**$46,138**	$41,516	$37,289

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, 2014

Herbert M. Clarke
Director

Benoit Daignault
Director

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

	For the three months ended		
	Mar 2014	Dec 2013	Mar 2013
Financing and investment revenue:			
Loan (Note 14)	**309**	308	273
Finance lease	**1**	2	1
Operating lease	**18**	17	9
Marketable securities	**9**	8	8
Investments	**1**	1	1
Total financing and investment revenue	**338**	336	292
Interest expense (Note 15)	**12**	10	7
Leasing and financing related expenses	**11**	14	13
Net Financing and Investment Income	**315**	312	272
Loan Guarantee Fees	**8**	9	8
Insurance premiums and guarantee fees	**49**	49	52
Reinsurance assumed	**2**	2	2
Reinsurance ceded	**(6)**	(4)	(6)
Net Insurance Premiums and Guarantee Fees (Note 16)	**45**	47	48
Other (Income) Expenses (Note 19)	**(10)**	23	24
Administrative Expenses (Note 20)	**74**	84	75
Income before Provision and Claims-Related Expenses	**304**	261	229
Provision for Credit Losses (Note 17)	**149**	37	26
Claims-Related Expenses (Note 18)	**121**	47	12
Net Income	**34**	177	191
Other comprehensive income:			
Pension plan re-measurement	**-**	43	-
Comprehensive Income	**$34**	$220	$191

All items presented in other comprehensive income will not be reclassified to net income in subsequent periods.

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

	For the three months ended		
	Mar 2014	Dec 2013	Mar 2013
Share Capital (Note 10)	**1,333**	1,333	1,333
Retained Earnings			
Balance beginning of period	**7,038**	6,818	7,542
Net income	**34**	177	191
Other comprehensive income			
Pension plan re-measurement	**-**	43	-
Dividends (Note 10)	**(1,129)**	-	-
Balance end of period	**5,943**	7,038	7,733
Total Equity at End of Period	**$7,276**	$8,371	$9,066

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

	For the three months ended		
	Mar 2014	Dec 2013	Mar 2013
Cash Flows from (used in) Operating Activities			
Net income	**34**	177	191
Adjustments to determine net cash from (used in) operating activities			
Provision for credit losses	**149**	37	26
Actuarial change in the net allowance for claims on insurance	**106**	(38)	4
Depreciation and amortization	**15**	16	16
Changes in operating assets and liabilities			
Change in accrued interest and fees receivable	**(17)**	23	(8)
Change in fair value of marketable securities	**-**	20	22
Change in fair value of loans payable	**(13)**	(82)	(51)
Change in derivative instruments receivable	**23**	106	91
Change in derivative instruments payable	**75**	(213)	(209)
Other	**(1,265)**	1,214	13
Loan disbursements	**(3,857)**	(4,404)	(2,791)
Loan repayments	**3,220**	2,694	2,230
Net cash used in operating activities	**(1,530)**	(450)	(466)
Cash Flows from (used in) Investing Activities			
Disbursements for investments	**(36)**	(35)	(32)
Receipts from investments	**21**	13	7
Finance lease repayments	**4**	2	3
Purchases of marketable securities at fair value through profit or loss	**(15,825)**	(10,869)	(9,260)
Sales/maturities of marketable securities at fair value through profit or loss	**14,542**	10,544	9,265
Purchases of marketable securities at amortized cost	**-**	(20)	-
Sales/maturities of marketable securities at amortized cost	**-**	19	-
Net cash used in investing activities	**(1,294)**	(346)	(17)
Cash Flows from (used in) Financing Activities			
Issue of long-term loans payable - designated at fair value through profit or loss	**4,232**	877	2,386
Repayment of long-term loans payable - designated at fair value through profit or loss	**(2,814)**	(255)	(2,147)
Issue of long-term loans payable at amortized cost	**1,435**	1,030	-
Issue of short-term loans payable - designated at fair value through profit or loss	**4,866**	5,466	5,052
Repayment of short-term loans payable - designated at fair value through profit or loss	**(4,016)**	(6,411)	(4,873)
Change in derivative instruments receivable	**(47)**	36	104
Change in derivative instruments payable	**(95)**	105	40
Dividend paid	**(750)**	-	-
Net cash from financing activities	**2,811**	848	562
Effect of exchange rate changes on cash	**5**	5	-
Net increase (decrease) in cash	**(8)**	57	79
Cash			
Beginning of period	**127**	70	80
End of period	**$119**	$127	$159
Operating Cash Flows from Interest			
Cash paid for interest on loans payable	**$20**	$28	$22
Cash received for interest on currency swaps related to capital	**$17**	$17	$18
Cash received for interest on loan assets and marketable securities	**$274**	$296	$253

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, 2013. They should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2013 and the accompanying notes as set out on pages 86-139 of our 2013 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, premium and claims liabilities, recoverable insurance claims, retirement benefit obligations and financial instruments measured at fair value. Refer to page 91 of our 2013 Annual Report for details.

New and Amended Accounting Standards

A number of new amendments and improvements effective as of January 1 and July 1, 2014 have been issued by the International Accounting Standards Board (IASB). These amendments and improvements are not expected to have an impact on EDC. The IASB is currently working on projects related to financial instruments, insurance contracts and revenue recognition. Revisions to these standards could potentially have a significant impact on EDC's financial statements in future years.

2. Loans Receivable

(in millions of Canadian dollars)	**Mar 2014**	Dec 2013	Mar 2013
Performing:			
Past due	**24**	9	8
Current year and beyond	**37,885**	35,941	30,271
Performing gross loans receivable	**37,909**	35,950	30,279
Individually impaired loans (Note 3)	**706**	599	1,159
Gross loans receivable	**38,615**	36,549	31,438
Accrued interest and fees receivable	**175**	154	166
Deferred loan revenue and other credits	**(346)**	(346)	(364)
Total loans receivable	**$38,444**	$36,357	$31,240

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

(in millions of Canadian dollars)		**Mar 2014**		Dec 2013		Mar 2013
	$	**% of total**	$	% of total	$	% of total
Investment grade	**20,659**	**53**	19,413	53	15,144	48
Below investment grade	**17,250**	**45**	16,537	45	15,135	48
Individually impaired loans (Note 3)	**706**	**2**	599	2	1,159	4
Total gross loans receivable	**$38,615**	**100**	$36,549	100	$31,438	100

The following table shows our outstanding financing commitments by type:

(in millions of Canadian dollars)	**Mar 2014**	Dec 2013	Mar 2013
Signed loan commitments	**14,533**	14,885	13,468
Letters of offer	**4,701**	4,499	3,654
Confirmed lines of credit	**134**	157	111
Total financing commitments	**$19,368**	$19,541	$17,233

3. Individually Impaired Loans

(in millions of Canadian dollars)	**Mar 2014**	Dec 2013	Mar 2013
Gross loans receivable			
Sovereign	**82**	81	79
Commercial	**624**	518	1,080
	706	599	1,159
Less: Deferred loan revenue and other credits	**18**	15	24
Individual allowance	**405**	345	302
Carrying amount of individually impaired loans	**$283**	$239	$833

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

(in millions of Canadian dollars)	**Mar 2014**	Mar 2013
Balance at January 1	**599**	1,160
Loans classified as impaired	**97**	-
Disbursements on loan guarantees called	**2**	3
Loans reinstated to performing	**-**	1
Principal repayments	**(8)**	(19)
Loans written off	**(6)**	(6)
Foreign exchange translation	**22**	20
Balance at March 31	**$706**	$1,159

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 2014**	Dec 2013	Mar 2013
Base allowance			
Investment grade exposure	**98**	90	72
Non-investment grade exposure	**992**	864	906
Total base allowance	**1,090**	954	978
Counterparty concentration			
Investment grade exposure	**8**	4	3
Non-investment grade exposure	**66**	71	89
Total counterparty concentration	**74**	75	92
Total collective allowance*	**1,164**	1,029	1,070
Allowance for individually impaired loans, loan commitments and loan guarantees	**435**	379	320
Total allowance for losses on loans, loan commitments and loan guarantees	**$1,599**	$1,408	$1,390

* *Includes allowance on finance leases of $10 million (December 2013 - $10 million and March 2013 - $17 million).*

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

(in millions of Canadian dollars)	**Mar 2014**	Dec 2013	Mar 2013
Allowance for losses on loans	**1,440**	1,246	1,230
Allowance for losses on loan commitments	**40**	47	56
Allowance for losses on loan guarantees*	**119**	115	104
Total	**$1,599**	$1,408	$1,390

* *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 2014 Total**	Collective	Individual	Mar 2013 Total
Balance at beginning of year	**1,029**	**379**	**1,408**	1,036	314	1,350
Provision for credit losses on loans, loan commitments and guarantees	**105**	**44**	**149**	21	5	26
Write-offs	**-**	**(6)**	**(6)**	-	(7)	(7)
Recovery of amounts written-off in prior years	**-**	**-**	**-**	-	1	1
Foreign exchange translation	**30**	**18**	**48**	13	7	20
Total	**$1,164**	**$435**	**$1,599**	$1,070	$320	$1,390

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 2014**	Dec 2013	Mar 2013
Cost			
Aircraft	**293**	438	438
Engines	**100**	181	181
Major overhaul cost	**1**	16	16
Total cost	**394**	635	635
Accumulated depreciation and impairment			
Aircraft	**(25)**	(83)	(64)
Engines	**(5)**	(46)	(42)
Major overhaul cost	**(1)**	(14)	(12)
Total accumulated depreciation and impairment	**(31)**	(143)	(118)
Carrying amount	**363**	492	517
Lease setup costs	**-**	1	-
Total equipment available for lease	**$363**	$493	$517

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 2014**				Mar 2013
	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
CRJ900 Regional Jets	-	-	-	-	8	93	2	95 months
Dash 8 – Q400*	**28**	**363**	**27**	**76 to 88 months**	28	382	17	88 to 95 months
Total portfolio	**28**	**$363**	**27**		54	$517	37	

* *In addition to the 28 aircraft, there are two Dash 8-Q400 spare engines available for lease.*

During the first quarter of 2014, we reclassified 18 CRJ200 aircraft valued at $34 million, and 8 CRJ900 aircraft valued at $89 million out of this portfolio to the held-for-sale portfolio. These aircraft remain on lease until their sale, which is anticipated to occur in the second quarter of 2014.

6. Recoverable Insurance Claims

(in millions of Canadian dollars)	**Mar 2014**	Mar 2013
Balance at January 1	**96**	200
Claims paid	**14**	7
Claims paid – reinsured policies	**3**	1
Claims recovered	**(2)**	(3)
Change in recoverable portion of cumulative claims paid	**(15)**	(8)
Foreign exchange translation	**1**	1
Balance at March 31	**$97**	$198

7. Derivative Instruments

We use a variety of derivative instruments to manage costs, returns and levels of financial risk associated with our funding, investment and risk management activities. Refer to page 110 of the 2013 Annual Report for a description of derivative instruments that we currently use and for information on how we manage credit, interest and foreign exchange risks arising from the use of derivatives.

All derivative counterparties must have a minimum credit rating of A- and any exception must be approved by the Board of Directors. We have outstanding derivative transactions which had a fair value of $7 million at the end of March 2014 (March 2013 – $18 million) with five counterparties (March 2013 – two) below the minimum credit rating requirement. These exceptions have been approved by the Board of Directors. We do not anticipate any significant non-performance by the counterparties.

To diversify and reduce credit risk within our loan portfolio, we enter into credit default swap transactions that provide us with protection against credit risk. As at March 31, 2014, we held credit default swap protection against two single-name entities (March 31, 2013 – five).

The following table provides the fair values for each category of derivative financial instrument:

(in millions of Canadian dollars)			**Mar. 31, 2014**			Dec. 31, 2013			Mar. 31, 2013
	Positive	**Negative**	**Total**	Positive	Negative	Total	Positive	Negative	Total
Cross currency interest rate swaps	**517**	**632**	**(115)**	508	526	(18)	846	126	720
Interest rate swaps	**191**	**35**	**156**	165	44	121	278	10	268
Foreign exchange swaps	**3**	**22**	**(19)**	14	33	(19)	33	35	(2)
Credit default swaps – protection purchased	**1**	**20**	**(19)**	1	22	(21)	1	26	(25)
Foreign exchange forwards	**1**	**-**	**1**	-	1	(1)	2	-	2
Total derivative instruments	**713**	**709**	**4**	688	626	62	1,160	197	963
Impact of netting agreements	**(295)**	**(295)**	**-**	(357)	(357)	-	(182)	(182)	-
Total	**$418**	**$414**	**$4**	$331	$269	$62	$978	$15	$963
Collateral received			**(167)**			(177)			(689)
Net amount			**$(163)**			$(115)			$274

8. Premium and Claims Liabilities

The table below presents our premium and claims liabilities for our credit insurance (CI), financial institutions insurance (FII), contract insurance and bonding (CIB) and political risk insurance (PRI) programs:

(in millions of Canadian dollars)					**Mar 2014**					Dec 2013					Mar 2013
	CI	**FII**	**CIB**	**PRI**	**Total**	CI	FII	CIB	PRI	Total	CI	FII	CIB	PRI	Total
Insurance	**140**	**5**	**66**	**495**	**706**	137	3	72	394	606	111	-	104	372	587
Reinsurance	**(5)**	**(3)**	**(1)**	**(71)**	**(80)**	(5)	(2)	(1)	(85)	(93)	(8)	-	(1)	(78)	(87)
Net liability	**$135**	**$2**	**$65**	**$424**	**$626**	$132	$1	$71	$309	$513	$103	$-	$103	$294	$500

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

(in millions of Canadian dollars)	**Mar 2014**	Dec 2013	Mar 2013
Deferred insurance premiums	**89**	96	94
Allowance for claims on insurance	**617**	510	493
Total premium and claims liabilities	**706**	606	587
Reinsurers' share of allowance for claims on insurance	**(68)**	(80)	(74)
Prepaid reinsurance	**(12)**	(13)	(13)
Reinsurers' share of premium and claims liabilities	**(80)**	(93)	(87)
Net liability for premium and claims liabilities	**$626**	$513	$500

9. Contingent Liabilities

As explained on page 90 of the 2013 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 2014**	Dec 2013	Mar 2013
Credit insurance	**7,954**	8,407	8,270
Financial institutions insurance	**5,317**	4,545	4,337
Contract insurance and bonding	**8,347**	8,322	8,155
Political risk insurance	**1,708**	1,683	1,624
Reinsurance ceded*	**(150)**	(150)	(150)
Contingent liabilities – insurance program	**23,176**	22,807	22,236
Loan guarantees	**2,108**	2,091	2,132
Total	**$25,284**	$24,898	$24,368

* *Treaty reinsurance covering the credit insurance and financial institutions insurance portfolios as well as some bonding obligors.*

10. 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 (2013 – 13.3 million). In February 2014, we declared a dividend of $1,129 million payable to the Government of Canada. At the end of the first quarter of 2014, we had paid $750 million with the remaining $379 million to be paid in the second quarter.

11. 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 2014**	Dec 2013	Mar 2013
Allowance for losses on loans	**1,440**	1,246	1,230
Allowance for losses on loan commitments	**40**	47	56
Allowance for losses on loan guarantees	**119**	115	104
Allowance for claims on insurance	**617**	510	493
Reinsurers' share of allowance for claims on insurance	**(68)**	(80)	(74)
Share capital	**1,333**	1,333	1,333
Retained earnings	**5,943**	7,038	7,733
Supply of capital	**$9,424**	$10,209	$10,875

12. 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 28 on page 124 of the 2013 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 millions of Canadian dollars)		**Mar 2014**		Dec 2013
	Carrying value	**Fair value**	Carrying value	Fair value
Assets				
Performing fixed rate loans*	**8,553**	**9,197**	8,334	8,675
Performing floating rate loans*	**28,178**	**29,425**	26,548	27,460
Total performing loans receivable*	**36,731**	**38,622**	34,882	36,135
Impaired loans	**283**	**283**	239	239
Loans receivable and accrued interest and fees	**37,014**	**38,905**	35,121	36,374
Marketable securities:				
At fair value through profit or loss	**5,280**	**5,280**	3,859	3,859
At amortized cost	**82**	**82**	80	79
Derivative instruments	**713**	**713**	688	688
Investments at fair value through profit or loss	**567**	**567**	537	537
Recoverable insurance claims	**97**	**97**	96	96
Other assets	**1,372**	**1,374**	91	93
Liabilities				
Accounts payable and other credits	**181**	**187**	144	150
Dividend payable	**379**	**379**	-	-
Loans payable:				
Designated at fair value through profit or loss	**32,708**	**32,708**	29,108	29,108
At amortized cost	**3,684**	**3,686**	2,151	2,160
Derivative instruments	**709**	**709**	626	626
Loan guarantees	**168**	**134**	165	132

* *Performing loans receivable includes accrued interest and fees receivable net of loan allowance, deferred loan revenue and other credits.*

Unobservable Inputs

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. EDC's unobservable estimates for investments are outlined in the table below:

(in millions of Canadian dollars)

Valuation technique	Unobservable input	Range (weighted average)	Fair value at Mar 2014[(1)]
Liquidity discount	Discount rate	10% - 30% (18%)	25
Discounted cash flows	Discount rate	18% (18%)	4
EBITDA Multiple[(2)]	Multiple of EBITDA	4.5 – 8.0 (4.8)	3

[(1)] *The valuation of an investment may use multiple unobservable inputs and therefore its fair value can be included multiple times in the fair value amounts.*

[(2)] *Earnings before interest, taxes, depreciation and amortization.*

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 expected future cash flows. 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 for the claim. EDC's unobservable estimate for recoverable insurance claims is outlined in the table below:

(in millions of Canadian dollars)

Valuation technique	Unobservable input	Range	Fair value at Mar 2014
Discounted cash flows	Probability of recovery	0% - 100%	$97

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);
- *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 2014**				Dec 2013
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Assets								
Performing fixed rate loans	**-**	**8,609**	**588**	**9,197**	-	8,675	-	8,675
Performing floating rate loans	**-**	**28,899**	**526**	**29,425**	-	27,460	-	27,460
Total performing loans receivable	**-**	**37,508**	**1,114**	**38,622**	-	36,135	-	36,135
Impaired loans	**-**	**283**	**-**	**283**	-	239	-	239
Loans receivable and accrued interest and fees	**-**	**37,791**	**1,114**	**38,905**	-	36,374	-	36,374
Marketable securities:								
At fair value through profit or loss	**2,627**	**2,653**	**-**	**5,280**	2,114	1,745	-	3,859
At amortized cost	**82**	**-**	**-**	**82**	79	-	-	79
Derivative instruments	**-**	**652**	**61**	**713**	-	645	43	688
Investments at fair value through profit or loss	**13**	**-**	**554**	**567**	11	-	526	537
Recoverable insurance claims	**-**	**-**	**97**	**97**	-	-	96	96
Other assets	**1,322**	**52**	**-**	**1,374**	42	51	-	93
Liabilities								
Accounts payable and other credits	**133**	**54**	**-**	**187**	96	54	-	150
Dividend payable	**379**	**-**	**-**	**379**	-	-	-	-
Loans payable:								
Designated at fair value through profit or loss	**-**	**32,444**	**264**	**32,708**	-	28,867	241	29,108
Designated at amortized cost	**-**	**3,686**	**-**	**3,686**	-	2,160	-	2,160
Derivative instruments	**-**	**709**	**-**	**709**	-	626	-	626
Loan guarantees	**-**	**134**	**-**	**134**	-	132	-	132

The following table summarizes the reconciliation of Level 3 fair values between 2013 and the end of the first quarter of 2014 for the financial instruments carried at fair value:

(in millions of Canadian dollars)					**Mar 2014**
	Recoverable insurance claims	**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	**96**	**526**	**(241)**	**43**	**424**
Decrease in recoverable insurance claims	**-**	**-**	**-**	**-**	**-**
Accrued interest	**-**	**-**	**(3)**	**3**	**-**
Unrealized gains (losses) included in other expenses	**-**	**-**	**(10)**	**12**	**(3)**
Purchases of assets/issuances of liabilities	**-**	**36**	**-**	**-**	**36**
Matured assets/liabilities	**-**	**-**	**-**	**-**	**-**
Return of capital	**-**	**(14)**	**-**	**-**	**(14)**
Transfers out of Level 3	**-**	**(7)**	**-**	**-**	**-**
Foreign exchange translation	**1**	**13**	**(10)**	**3**	**(7)**
Balance at end of period	**$97**	**$554**	**$(264)**	**$61**	**$436**
Total gains (losses) for first three months of 2014 included in comprehensive income for instruments held at the end of the quarter	**$-**	**$-**	**$(13)**	**$15**	**$2**

Changes in valuation methods may result in transfers into or out of levels 1, 2 and 3. In the first three months of 2014 quoted prices became available for one investment; as a result $7 million of investments were transferred from Level 3 to Level 1.

For the quarter ended March 31, 2014, 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 input 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 $14 million to a favourable change of $25 million. On our Level 3 derivative assets the impact ranged from an unfavourable change of $21 million to a favourable change of $10 million.

In order to perform our sensitivity analysis for our Level 3 investments, we adjusted the unobservable inputs. The unobservable inputs used to value our Level 3 investments include one or more of the following: rate of returns, liquidity discount, multiple of EBITDA. When multiple unobservable inputs are shocked, no netting is considered, resulting in the highest favourable or unfavourable change. The results of our analysis on our Level 3 investments ranged from an unfavourable change of $12 million to a favourable change of $13 million.

The unobservable input used in the fair value measurement of the recoverable insurance claims is the probability of recovery. In order to perform our sensitivity analysis, we adjusted the probability of recovery used to value our Level 3 recoverable insurance claims. The results of our analysis ranged from an unfavourable change of $35 million to a favourable change of $46 million.

13. 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 71 to 74 and notes related to our derivative instruments and debt instruments of the 2013 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 at fair value through profit or loss, 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 2014 Exposure**		Dec 2013 Exposure		Mar 2013 Exposure
Country	**$**	**%**	$	%	$	%
United States	**12,538**	**26**	11,714	27	11,988	30
Canada	**7,568**	**16**	6,367	14	6,958	18
Mexico	**2,926**	**6**	2,358	5	2,034	5
Brazil	**2,389**	**5**	2,388	5	2,486	6
United Kingdom	**2,140**	**5**	2,734	6	1,075	3
Australia	**2,126**	**4**	2,221	5	1,649	4
Chile	**1,720**	**4**	1,247	3	1,068	3
India	**1,572**	**3**	1,558	4	1,535	4
Germany	**958**	**2**	722	2	599	2
Russia	**883**	**2**	807	2	529	1
Other	**12,664**	**27**	11,815	27	9,636	24
Total	**$47,484**	**100**	$43,931	100	$39,557	100

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

(in millions of Canadian dollars)		**Mar 2014 Exposure**		Dec 2013 Exposure		Mar 2013 Exposure
Industry	**$**	**%**	$	%	$	%
Commercial:						
Extractive	**13,070**	**28**	11,456	26	9,238	24
Aerospace	**11,016**	**23**	10,948	25	9,912	25
Surface transportation	**4,733**	**10**	4,406	10	4,117	10
Financial institutions	**4,280**	**9**	3,413	8	3,385	9
Infrastructure and environment	**3,632**	**8**	3,303	7	2,894	7
Information and communication technology	**3,244**	**6**	3,994	9	2,953	7
Other	**2,389**	**5**	2,044	5	2,258	6
Total commercial	**42,364**	**89**	39,564	90	34,757	88
Sovereign	**5,120**	**11**	4,367	10	4,800	12
Total	**$47,484**	**100**	$43,931	100	$39,557	100

14. Loan Revenue

	Three months ended		
(in millions of Canadian dollars)	**Mar 2014**	Dec 2013	Mar 2013
Loan interest			
Floating rate	**163**	158	134
Fixed rate	**101**	100	95
Loan fee revenue	**42**	42	35
Impaired revenue	**2**	3	7
Other	**1**	5	2
Total loan revenue	**$309**	$308	$273

15. Interest Expense

(in millions of Canadian dollars)	Three months ended **Mar 2014**	 Dec 2013	 Mar 2013
Loans payable designated at fair value through profit or loss and related derivatives			
Short-term payables	**7**	5	5
Long-term payables – floating	**20**	19	19
Long-term payables – fixed	**(10)**	(9)	(8)
Loans payable carried at amortized cost			
Long-term payables – fixed	**11**	10	8
Total interest expense on loans payable and related derivatives	**28**	25	24
Interest income on currency swaps related to capital	**(17)**	(17)	(18)
Other	**1**	2	1
Total interest expense	**$12**	$10	$7

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 with each carrying a floating interest rate.

16. 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:

(in millions of Canadian dollars)	Three months ended **Mar 2014**					Dec 2013					Mar 2013				
	CI	**FII**	**CIB**	**PRI**	**Total**	CI	FII	CIB	PRI	Total	CI	FII	CIB	PRI	Total
Direct premiums	**23**	**6**	**12**	**8**	**49**	24	5	12	8	49	27	6	11	8	52
Reinsurance assumed	**1**	**-**	**1**	**-**	**2**	1	-	1	-	2	1	-	1	-	2
Reinsurance ceded	**(2)**	**-**	**(1)**	**(3)**	**(6)**	(1)	-	-	(3)	(4)	(2)	-	(1)	(3)	(6)
Net insurance premiums and guarantee fees	**$22**	**$6**	**$12**	**$5**	**$45**	$24	$5	$13	$5	$47	$26	$6	$11	$5	$48

17. Provision for Credit Losses

	Three months ended		
(in millions of Canadian dollars)	**Mar 2014**	Dec 2013	Mar 2013
Credit migration	**78**	30	1
Changes in portfolio composition*	**65**	7	37
Updates to independent variables:			
Decreased (increased) concentration threshold	**6**	-	(8)
Other	**-**	-	(4)
Provision for credit losses	**$149**	$37	$26

* *Represents provision reversals as a result of disbursements, new financing trade facilitated and repayments. Also includes the impact of changes in collateral values for our secured loans as these impacts should be considered in conjunction with the impact of the repayments on these loan s throughout the year.*

	Three months ended		
(in millions of Canadian dollars)	**Mar 2014**	Dec 2013	Mar 2013
Provision for credit losses on loans	**156**	27	35
Provision for (reversal of) losses on loan commitments	**(9)**	3	(2)
Provision for (reversal of) losses on loan guarantees	**2**	7	(7)
Provision for credit losses	**$149**	$37	$26

18. Claims-Related Expenses

	Three months ended		
(in millions of Canadian dollars)	**Mar 2014**	Dec 2013	Mar 2013
Claims paid	**14**	8	7
Claims paid – reinsured policies	**3**	1	1
Claims recovered	**(2)**	(2)	(3)
Actuarial increase (decrease) in the net allowance for claims	**106**	(38)	4
Decrease in recoverable insurance claims	**-**	78	2
Claims handling and settlement expenses	**-**	-	1
Total claims-related expenses	**$121**	$47	$12

19. Other (Income) Expenses

(in millions of Canadian dollars)	Three months ended **Mar 2014**	 Dec 2013	 Mar 2013
Net unrealized gain on loans payable designated at fair value through profit or loss	**(38)**	(73)	(54)
Net unrealized loss on derivatives related to loans payable	**26**	66	70
Net realized and unrealized (gain) loss on marketable securities at fair value through profit or loss	**(4)**	15	2
Net unrealized loss on loan related credit default swaps	**1**	5	3
Net realized and unrealized (gain) loss on investments at fair value through profit or loss	**(1)**	4	4
Foreign exchange translation (gain) loss	**10**	6	(1)
Other	**(4)**	-	-
Total other (income) expenses	**$(10)**	$23	$24

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 loans payable. For the three months ended March 31, 2014, the net unrealized gain on our loans payable and associated derivatives totalled $12 million compared to a gain of $7 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 based on the credit risk of the resulting exposure. During the three months ended March 31, 2014 most rates relevant to the valuation of our loans payable moved more than those relevant to the valuation of the related derivatives in the quarter, leading to gains on our loans payable exceeding the losses on our derivatives.

Our marketable securities portfolio is significantly impacted by long-term U.S. Treasury rates. For the three months ended March 31, 2014, the net realized and unrealized gain on marketable securities was $4 million compared to a loss of $15 million for the previous quarter; a reflection of more stable long-term U.S. Treasury rates during the quarter compared to the previous quarter.

20. Administrative Expenses

(in millions of Canadian dollars)	Three months ended **Mar 2014**	 Dec 2013	 Mar 2013
Salaries and benefits	**41**	41	41
Pension, other retirement and post-employment benefits	**9**	13	12
Accommodation	**7**	6	7
Amortization and depreciation	**6**	6	6
Other	**11**	18	9
Total administrative expenses	**$74**	$84	$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 2014**	Dec 2013	Mar 2013
Pension benefit expense	**6**	9	8
Other post-employment benefit and severance expense	**3**	4	4
	$9	$13	$12

21. 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.