Navigating the Volatility

Quarterly Financial Report
March 31, 2016
Unaudited

Canada

EDC

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Caution regarding forward-looking statements
This document contains projections and other forward-looking statements regarding future events. Such statements require us to make assumptions and are subject to inherent risks and uncertainties. These may cause actual results to differ materially from expectations expressed in the forward-looking statements.

OVERVIEW

Export Development Canada (EDC) is Canada's export credit agency. Our mandate is to support and develop 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. Our customers are Canadian exporters, investors and their international buyers. We place a particular emphasis on small and medium enterprises by developing tools to help them succeed in international markets. Each year more than 7,300 Canadian companies and their global customers in up to 140 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 beginning of 2016 saw volatility in equity markets, bond yields, commodity prices and currencies around the world igniting a wave of pessimism over the global economic outlook and the fear of recession. It became evident that such pessimism was unwarranted given the positive underlying fundamentals which eventually resulted into a rebound. This rebound provided reassurance regarding the resilience of growth, particularly among developed economies that typically drive global growth forward. As a result, market indicators generally ended the quarter paring back most earlier losses, although not without leaving behind a heightened sense of uncertainty in the global economy.

The volatility experienced at the beginning of 2016 did not significantly impact the fundamentals powering the U.S. economy. Consumer confidence is still consistent with a robust pace of spending growth. In contrast, the U.S. manufacturing sector had been battered by the strong U.S. dollar and soft foreign demand but signs of recovery have emerged amid the recent weakening of the U.S. dollar and the fading of global volatility.

Canada's economy has been particularly impacted by the recent market swings but it appears the worst is behind us. The beginning of 2016 saw the Canadian dollar further weaken to the 68 cent mark; however, by the end of the first quarter the Canadian dollar rebounded, closely mirroring the rise in oil prices. In addition, the Canadian economy has staged a rebound during the first quarter of 2016 driven to a great extent by positive net trade dynamics. Despite the continued volatility of total export values, the long-expected competitive lift from the robust U.S. economy and strong U.S. dollar is finally translating into a clear uptrend in export volumes. Export strength has remained particularly evident among sectors that stand to benefit the most from a competitive currency and from strength in foreign demand, especially from the U.S. in sectors such as consumer goods, automotive products, industrial products, materials, machinery and equipment and forestry.

Business Facilitated

Financing business facilitated increased 13% compared to the same period in 2015 primarily due to foreign exchange translation and increases in the extractive and the infrastructure and environment sectors.

Business facilitated within our credit insurance program decreased by 12% in comparison to the first quarter of 2015 primarily due to the impact of a large policy that was not renewed in 2016.

	For the three months ended	
	Mar	Mar
(in millions of Canadian dollars)	**2016**	2015
Business Facilitated		
Direct lending	**4,095**	4,207
Project finance	**1,235**	616
Loan guarantees	**390**	175
Investments	**14**	86
Total financing and investments	**5,734**	5,084
Credit insurance	**12,759**	14,417
Financial institutions insurance	**1,676**	1,433
Contract insurance and bonding	**966**	1,204
Political risk insurance	**247**	548
Total insurance	**15,648**	17,602
Total business facilitated	**$21,382**	$22,686

SUMMARY OF FINANCIAL RESULTS

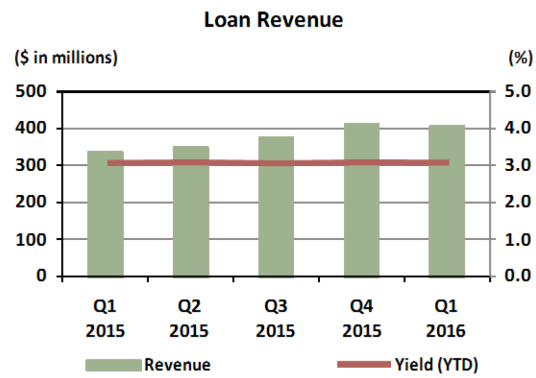
Financial Performance

	For the three months ended		
	Mar	Dec	Mar
(in millions of Canadian dollars)	**2016**	2015	2015
Net financing and investment income	**329**	361	319
Net insurance premiums and guarantee fees*	**58**	62	54
	387	423	373
Other (income) expenses	**(57)**	87	(74)
Administrative expenses	**86**	95	86
Provision for credit losses	**87**	360	22
Claims-related expenses	**24**	18	18
Net income (loss)	**$247**	$(137)	$321
Period average U.S.$ equivalent of CAD 1.00	**0.73**	0.75	0.81

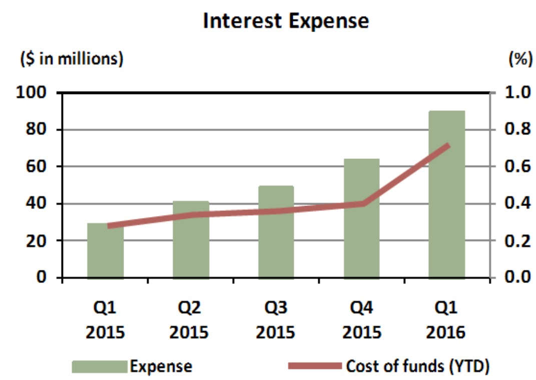
* *Includes loan guarantee fees.*

Fluctuations in net income between reporting periods were largely caused by changes in provisioning requirements and volatility in the fair values of our financial instruments due to market conditions, the impact of which is included in other (income) expenses. These changes are further discussed beginning on page 8.

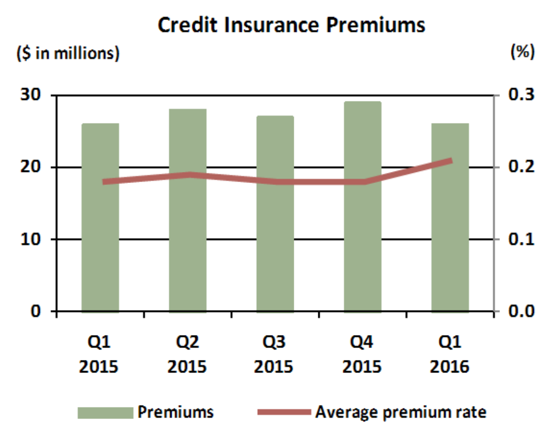
Loan revenue and yield remained consistent when compared to the prior quarter.



Interest expense increased during the first three months in 2016 as a result of higher cost of funds and funding requirements. The majority of our funding is floating rate and denominated in U.S. dollars, consistent with our assets. During the first quarter of 2016, short-term U.S. dollar rates increased, resulting in higher cost of funds. Refer to Note 14 for further details.



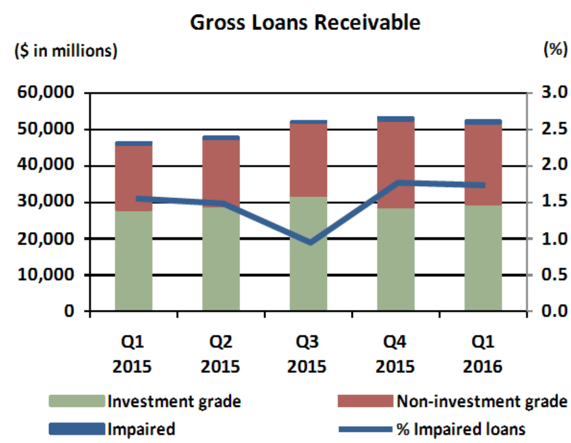
The credit insurance portfolio experienced an increase in the average premium rate in the first quarter of 2016 mainly due to a reduction in activity in higher volume accounts with lower premium rates. As previously mentioned, a credit insurance policy was not renewed for 2016 and in addition another large policyholder reduced their coverage.



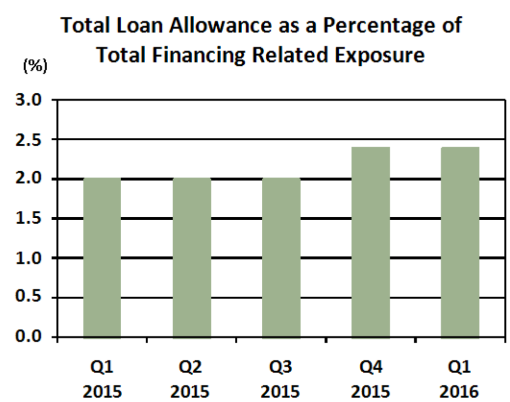
Financial Position

as at *(in millions of Canadian dollars)*	**Mar 2016**	Dec 2015	Mar 2015
Total assets	**59,821**	60,969	54,993
Total liabilities	**50,933**	51,804	46,466
Equity	**8,888**	9,165	8,527
Gross loans receivable	**52,424**	53,326	46,541
Total allowances	**2,334**	2,384	1,894
Period-end U.S.$ equivalent of CAD 1.00	**0.77**	0.72	0.79

Impaired loans as a percentage of gross loans receivable increased significantly in the fourth quarter of 2015 due to new impairments in our extractive portfolio.



Total loan allowance as a percentage of total financing related exposure increased in the fourth quarter of 2015 primarily due to downward credit migration and increased risk in the extractive sector which resulted in the addition of a market overlay component to our allowance at the end of 2015. Refer to page 63 of our 2015 Annual Report for further details.



Impact of Foreign Exchange Translation on Financial Results

Our foreign currency-denominated results are impacted by exchange rate fluctuations. The strengthening of the Canadian dollar at the end of the first quarter relative to the prior quarter had an unfavourable impact on our financial position, while the weaker average exchange rate for the quarter had a favourable impact on our first quarter financial results. The following table reflects the estimated impact on our financial results had the Canadian dollar remained stable relative to the U.S. dollar:

	Compared to	
(in millions of Canadian dollars)	Dec 2015	Mar 2015
Financial Results		
Decrease in comprehensive income	(8)	(26)
Decrease in business facilitated	(467)	(1,553)
Financial Position		
Increase (decrease) in loans receivable	2,826	(1,070)
Increase (decrease) in loans payable	3,185	(1,206)

Risk Management

Our business activities expose us to a wide variety of risks including strategic, financial and operational risks. 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. For a more comprehensive discussion on our risk management, please refer to pages 69-77 of our 2015 Annual Report. Refer to Note 12 of the accompanying financial statements for details on financial instrument risks.

FIRST QUARTER HIGHLIGHTS

	Three months ended	
(in millions of Canadian dollars)	**Mar 2016**	Dec 2015
Income before provisions and claims-related expenses	**358**	241
Provision for credit losses	**87**	360
Claims-related expenses	**24**	18
Net income (loss)	**$247**	$(137)

Net income was $247 million compared to a net loss of $137 million reported in the previous quarter. Reduced provisioning requirements for our loan portfolio and fluctuations in the fair value of our financial instruments were the primary contributors to the increase in our net income.

Provision for credit losses was $87 million, a decrease of $273 million when compared to the prior quarter. The $87 million provision recorded during the quarter is 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 in the first quarter of 2016 to reflect the age of the aircraft and other market conditions. In the fourth quarter of 2015, we recorded a provision for credit losses of $360 million primarily due to the addition of a $265 million market overlay to reflect the elevated risk in the extractive sector. In addition, we had downward credit migration that occurred mainly in the extractive portfolio.

Other income was $57 million for the first three months of 2016, an increase of $144 million when compared to the prior quarter. The variance is largely due to the volatility associated with our financial instruments carried at fair value through profit or loss. Refer to Note 18 for further details.

Net financing and investment income decreased by $32 million when compared to the previous quarter primarily due to the impact of loan prepayments on loan fee revenue. In the fourth quarter of 2015, there was a higher level of prepayments resulting in the immediate recognition of deferred revenue and other loan fees.

Other items of note in the first quarter:

During the first quarter of 2016, we sold all the aircraft previously held under our finance lease portfolio. A net loss of $23 million was recorded in other (income) expenses.

In the first quarter of 2016, we declared a dividend of $500 million which was paid to the Government of Canada in the second quarter (2015 – nil).

Prior Year Comparison

Net income for the first three months of 2016 was $74 million lower than the net income reported for the same period in 2015 primarily due to higher provisions for credit losses in our loans portfolio.

Provision for credit losses were $87 million for the first three months of 2016, an increase of $65 million from the prior year period mainly due to reductions in the collateral values within our secured aerospace portfolio which were more significant in 2016.

Corporate Plan Comparison

Financial Performance

	Three months ended		Year ended
	Mar 2016	Mar 2016	Dec 2016
(in millions of Canadian dollars)	**Actual Results**	Corporate Plan	Corporate Plan
Net financing and investment income	**329**	289	1,146
Net insurance premiums and guarantee fees*	**58**	58	238
Other (income) expenses	**(57)**	(19)	(76)
Administrative expenses	**86**	92	400
Provision for credit losses	**87**	48	73
Claims-related expenses	**24**	20	80
Net income	**247**	206	907
Other comprehensive income (loss)	**(24)**	19	75
Comprehensive income	**$223**	$225	$982

**Includes loan guarantee fees.*

Net income for the first three months of 2016 was $41 million higher than the Corporate Plan primarily due to increases in net financing and investment income and other income.

Net financing and investment income for the first three months of 2016 was $329 million, $40 million higher than the Corporate Plan primarily due to foreign exchange translation.

Provision for credit losses were $87 million for the first three months of 2016, an increase of $39 million when compared to the Corporate Plan mainly due to reductions in the collateral values within our secured aerospace portfolio which were more significant than projected in the Corporate Plan.

Other income was $57 million for the first three months of 2016, $38 million higher than the Corporate Plan. The variance is largely due to the volatility associated with our financial instruments carried at fair value. Due to the volatility and difficulty in estimating fair value gains or losses on financial instruments, a forecast for these items is not included in the Corporate Plan.

We recorded an **other comprehensive loss** of $24 million for the first three months of 2016 (March 2016 Corporate Plan – $19 million income) due to the re-measurement of pension assets and liabilities. The discount rate used to value our pension obligation decreased in the first three months of the year, while the Corporate Plan had projected it would increase. In addition, we anticipated a greater increase in the asset values in the Corporate Plan than what materialized in the first three months of the year.

Financial Position

As at *(in millions of Canadian dollars)*	**Mar 2016** **Actual Results**	Mar 2016 Corporate Plan	Dec 2016 Corporate Plan
Cash and marketable securities	**6,835**	5,976	5,856
Derivative instruments	**375**	449	449
Loans receivable	**52,270**	47,255	48,999
Allowance for losses on loans	**(1,695)**	(1,252)	(1,182)
Investments at fair value through profit or loss	**866**	790	809
Other assets	**1,170**	576	754
Total Assets	**$59,821**	$53,794	$55,685
Loans payable	**46,687**	41,661	43,001
Dividend payable	**500**	-	-
Derivative instruments	**2,354**	2,287	2,287
Allowance for losses on loan commitments	**107**	49	46
Premium and claims liabilities	**626**	626	487
Other liabilities	**659**	586	522
Equity	**8,888**	8,585	9,342
Total Liabilities and Equity	**$59,821**	$53,794	$55,685

Loans receivable totalled $52.3 billion at March 31, 2016, $5.0 billion higher than Corporate Plan, primarily as a result of a weaker Canadian dollar than projected in the Plan and higher than anticipated net disbursements in both 2015 and the first three months of 2016.

Other assets include $0.6 billion of trade date receivables which are mainly composed of funds receivable on short-term debt issued. Funds receivable on financial instruments that have traded but not yet settled are recognized in other assets.

Loans payable were $5.0 billion higher than the Corporate Plan as a result of foreign exchange translation and the funding required for the increase in loans receivable.

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 recoveries, estimated recoveries and changes in actuarial liabilities. This ratio only includes credit insurance activities.

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

Net claims incurred include claims paid net of recoveries and estimated recoveries of $16 million (2015 – $24 million) and a decrease in actuarial liabilities of $5 million (2015 – $6 million increase). The claims ratio was higher in 2015 due to net claims paid of $20 million relating to losses in the resources sector.

	Three months ended	
(in millions of Canadian dollars)	**Mar 2016**	Mar 2015
Direct premiums	**25**	25
Reinsurance assumed	**1**	-
Reinsurance ceded	**(2)**	(2)
Net written premium	**$24**	$23
Net claims incurred	**$11**	$30
Claims ratio %	**45.8%**	130.4%

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, 2016 and for the periods presented in the condensed consolidated quarterly financial statements.

Benoit Daignault,
President and CEO

Ken Kember,
Senior Vice-President & Chief Financial Officer

Ottawa, Canada
April 29, 2016

Export Development Canada
Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

(in millions of Canadian dollars)

	Notes	**Mar 2016**	Dec 2015	Mar 2015
Assets				
Cash		**41**	438	18
Marketable securities:				
At fair value through profit or loss		**6,794**	7,256	6,230
At amortized cost		**-**	-	91
Derivative instruments	6	**375**	350	548
Assets held-for-sale		**15**	15	360
Loans receivable	2,3	**52,270**	53,136	46,332
Allowance for losses on loans	4	**(1,695)**	(1,715)	(1,277)
Investments at fair value through profit or loss		**866**	848	794
Net investment in aircraft under finance leases		**-**	64	72
Recoverable insurance claims	5	**54**	54	34
Reinsurers' share of premium and claims liabilities	7	**106**	141	113
Other assets		**722**	110	1,413
Property, plant and equipment		**51**	53	54
Intangible assets		**76**	71	58
Building under finance lease		**146**	148	153
Total Assets		**$59,821**	$60,969	$54,993
Liabilities and Equity				
Accounts payable and other credits		**100**	115	735
Dividend payable	9	**500**	-	-
Loans payable:				
Designated at fair value through profit or loss		**39,830**	39,291	34,894
At amortized cost		**6,857**	7,618	7,090
Derivative instruments	6	**2,354**	3,434	2,460
Obligation under finance lease		**161**	162	165
Retirement benefit obligations		**240**	225	263
Allowance for losses on loan commitments	4	**107**	113	41
Premium and claims liabilities	7	**626**	688	658
Loan guarantees		**158**	158	160
		50,933	51,804	46,466
Financing commitments (Note 2) and contingent liabilities (Note 8)				
Equity				
Share capital	9	**1,333**	1,333	1,333
Retained earnings		**7,555**	7,832	7,194
		8,888	9,165	8,527
Total Liabilities and Equity		**$59,821**	$60,969	$54,993

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 April 29, 2016.

Herbert M. Clarke
Director

Benoit Daignault
Director

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

		For the three months ended		
	Notes	**Mar 2016**	Dec 2015	Mar 2015
Financing and investment revenue:				
Loan	13	**408**	412	337
Finance lease		**1**	1	1
Marketable securities		**18**	17	14
Investments		**2**	3	1
Total financing and investment revenue		**429**	433	353
Interest expense	14	**90**	64	29
Leasing and financing related expenses		**10**	8	5
Net Financing and Investment Income		**329**	361	319
Loan Guarantee Fees		**10**	11	9
Insurance premiums and guarantee fees		**55**	55	51
Reinsurance assumed		**2**	2	2
Reinsurance ceded		**(9)**	(6)	(8)
Net Insurance Premiums and Guarantee Fees	15	**48**	51	45
Other (Income) Expenses	18	**(57)**	87	(74)
Administrative Expenses	19	**86**	95	86
Income before Provision and Claims-Related Expenses		**358**	241	361
Provision for Credit Losses	16	**87**	360	22
Claims-Related Expenses	17	**24**	18	18
Net Income (Loss)		**247**	(137)	321
Other comprehensive loss:				
Pension plan re-measurement		**(24)**	(2)	(10)
Comprehensive Income (Loss)		**$223**	$(139)	$311

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

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

		For the three months ended		
	Notes	**Mar 2016**	Dec 2015	Mar 2015
Share Capital	9	**1,333**	1,333	1,333
Retained Earnings				
Balance beginning of period		**7,832**	7,971	6,883
Net income (loss)		**247**	(137)	321
Other comprehensive loss				
Pension plan re-measurement		**(24)**	(2)	(10)
Dividends	9	**(500)**	-	-
Balance end of period		**7,555**	7,832	7,194
Total Equity at End of Period		**$8,888**	$9,165	$8,527

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

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

	For the three months ended		
	Mar 2016	Dec 2015	Mar 2015
Cash Flows from (used in) Operating Activities			
Net income (loss)	**247**	(137)	321
Adjustments to determine net cash from (used in) operating activities			
Provision for (reversal of) credit losses	**87**	360	22
Actuarial change in the net allowance for claims on insurance	**4**	(37)	(8)
Depreciation and amortization	**8**	8	7
Realized (gains) and losses	**4**	(6)	(7)
Changes in operating assets and liabilities			
Change in accrued interest and fees receivable	**(56)**	5	(23)
Change in fair value of marketable securities	**(66)**	46	(24)
Change in fair value of loans payable	**190**	(185)	73
Change in derivative instruments receivable	**(248)**	198	(25)
Other	**(616)**	318	(657)
Loan disbursements	**(5,368)**	(5,358)	(4,432)
Loan repayments and principal recoveries from loan asset sales	**3,218**	5,944	2,953
Net cash from (used in) operating activities	**(2,596)**	1,156	(1,800)
Cash Flows from (used in) Investing Activities			
Disbursements for investments	**(51)**	(47)	(68)
Receipts from investments	**23**	42	17
Finance lease repayments	**4**	4	2
Purchases of marketable securities at fair value through profit or loss	**(18,442)**	(17,762)	(16,610)
Sales/maturities of marketable securities at fair value through profit or loss	**18,556**	18,132	17,251
Purchases of marketable securities at amortized cost	**-**	-	(10)
Sales/maturities of marketable securities at amortized cost	**-**	1	10
Net cash from investing activities	**90**	370	592
Cash Flows from (used in) Financing Activities			
Issue of long-term loans payable - designated at fair value through profit or loss	**3,992**	3,863	3,834
Repayment of long-term loans payable - designated at fair value through profit or loss	**(2,910)**	(3,011)	(2,969)
Issue of long-term loans payable at amortized cost	**-**	15	1,179
Repayment of long-term loans payable at amortized cost	**(344)**	(128)	-
Issue of short-term loans payable - designated at fair value through profit or loss	**10,044**	7,648	4,111
Repayment of short-term loans payable - designated at fair value through profit or loss	**(8,360)**	(9,608)	(4,999)
Disbursements from sale/maturity of derivative instruments	**(309)**	(41)	-
Receipts from sale/maturity of derivative instruments	**-**	2	-
Net cash from (used in) financing activities	**2,113**	(1,260)	1,156
Effect of exchange rate changes on cash	**(4)**	25	1
Net increase (decrease) in cash	**(397)**	291	(51)
Cash			
Beginning of period	**438**	147	69
End of period	**$41**	$438	$18
Operating Cash Flows from Interest			
Cash paid for interest on loans payable	**$61**	$62	$31
Cash received for interest on currency swaps related to capital	**$7**	$8	$16
Cash received for interest on loan assets and marketable securities	**$378**	$372	$310

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

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, 2015. They should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2015 and the accompanying notes as set out on pages 92-141 of our 2015 Annual Report.

Application of New and Revised International Financial Reporting Standards

(a) New standards, amendments and interpretations

The following amendment was issued by the IASB requiring mandatory adoption in the first quarter of 2016:

Disclosure Initiative – IAS 1 Amendments – In December 2014, the IASB issued a narrow-scope amendment to IAS 1 as part of its long-term initiative to simplify financial statement disclosures. The amendment provides guidance on the application of materiality in the financial statements and removes impediments to judgment when applying IAS 1. The amendment will have a minimal impact on our 2016 financial reporting.

(b) Standards, amendments and interpretations not yet in effect

The following standards and amendments issued by the IASB in the first quarter of 2016 have been assessed as having a possible effect on EDC in the future:

IFRS 16 – Leases – In January 2016, the IASB issued IFRS 16 requiring lessees to recognize assets and liabilities for the rights and obligations created by leases. The standard is expected to have a minimal impact on our financial statements and is effective for reporting periods beginning on or after January 1, 2019.

Disclosure Initiative – IAS 7 Amendments – In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows, which are aimed at improving disclosures around financing activities and liquidity. The amendments are to be applied for reporting periods beginning on or after January 1, 2017. The extent of the impact of the adoption of the amendments has not yet been determined.

Other upcoming standards – The IASB is currently working on projects related to insurance contracts, the conceptual framework and principles of disclosure. Revisions to these standards could potentially have a significant impact on our financial statements in future years.

Use of Estimates and Key Judgments

The preparation of financial statements requires the use of estimates and key judgments. Judgment is required in the selection of accounting policies, and their application requires the use of estimates and assumptions to arrive at the reported carrying values of our assets and liabilities. Areas where management has made use of significant estimates and exercised judgement include the allowance for losses on loans, loan commitments and loan guarantees, assets held-for-sale, premium and claims liabilities, recoverable insurance claims, retirement benefit obligations and financial instruments measured at fair value. Refer to page 93 of our 2015 Annual Report for details.

2. Loans Receivable

(in millions of Canadian dollars)	**Mar 2016**	Dec 2015	Mar 2015
Performing:			
Past due	**16**	21	79
Current year and beyond	**51,499**	52,362	45,740
Performing gross loans receivable	**51,515**	52,383	45,819
Individually impaired loans (Note 3)	**909**	943	722
Gross loans receivable	**52,424**	53,326	46,541
Accrued interest and fees receivable	**211**	200	183
Deferred loan revenue and other credits	**(365)**	(390)	(392)
Total loans receivable	**$52,270**	$53,136	$46,332

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

(in millions of Canadian dollars)		**Mar 2016**		Dec 2015		Mar 2015
	$	**% of total**	$	% of total	$	% of total
Investment grade	**29,435**	**56**	28,505	53	27,918	60
Non-investment grade	**22,080**	**42**	23,878	45	17,901	38
Individually impaired loans (Note 3)	**909**	**2**	943	2	722	2
Total gross loans receivable	**$52,424**	**100**	$53,326	100	$46,541	100

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

(in millions of Canadian dollars)	**Mar 2016**	Mar 2015
Balance at January 1	**53,326**	41,791
Disbursements	**5,368**	4,432
Principal repayments	**(3,102)**	(2,953)
Principal recoveries from loan asset sales	**(116)**	-
Loans written off	**(15)**	-
Foreign exchange translation	**(3,044)**	3,266
Capitalized interest	**7**	5
Balance at March 31	**$52,424**	$46,541

The following table shows our outstanding financing commitments related to loans receivable by type:

(in millions of Canadian dollars)	**Mar 2016**	Dec 2015	Mar 2015
Signed loan commitments	**18,809**	19,928	16,908
Letters of offer	**3,624**	3,007	5,190
Unallocated confirmed lines of credit	**127**	109	125
Total financing commitments	**$22,560**	$23,044	$22,223

3. Individually Impaired Loans

(in millions of Canadian dollars)	**Mar 2016**	Dec 2015	Mar 2015
Gross loans receivable			
Commercial	**803**	833	614
Sovereign	**106**	110	108
	909	943	722
Less: Deferred loan revenue and other credits	**37**	42	40
Individual allowance	**536**	553	388
Carrying amount of individually impaired loans	**$336**	$348	$294

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

(in millions of Canadian dollars)	**Mar 2016**	Mar 2015
Balance at January 1	**943**	660
Loans classified as impaired	**59**	10
Disbursements on loan guarantees called	**-**	3
Principal repayments	**(31)**	-
Loans written off	**(12)**	-
Foreign exchange translation	**(50)**	49
Balance at March 31	**$909**	$722

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

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

(in millions of Canadian dollars)	**Mar 2016**	Dec 2015	Mar 2015
Base allowance			
Investment grade exposure	**127**	125	129
Non-investment grade exposure	**981**	931	852
Total base allowance	**1,108**	1,056	981
Counterparty concentration overlay			
Investment grade exposure	**7**	9	14
Non-investment grade exposure	**12**	36	30
Total counterparty concentration overlay	**19**	45	44
Extractive market overlay	**222**	265	-
Total collective allowance*	**1,349**	1,366	1,025
Allowance for individually impaired loans, loan commitments and loan guarantees	**550**	565	401
Total allowance for losses on loans, loan commitments and loan guarantees	**$1,899**	$1,931	$1,426

* *Includes allowance on finance leases, which was nil at March 2016 (December 2015 – $1 million and March 2015 – $1 million) and allowance on other receivables of $7 million (December 2015 – $4 million and March 2015 – nil).*

At the end of March 2016, the collective and individual allowance for our loans, loan commitments and loan guarantees related to the extractive sector was $703 million (December 2015 – $729 million), which included a market overlay of $222 million (December 2015 – $265 million). During 2015, a fundamental shift occurred in the extractive sector as demand for commodities dropped and resulted in a rapid and sustained decline of their prices. In consideration of the elevated risk associated with obligors in the extractive sector and the concern that current credit ratings may not reflect the impact of recent market events, we established a market overlay as a component of our collective allowance. As updated financial information became available in the first quarter of 2016, credit ratings were updated. The impact was reflected in the base allowance and the extractive market overlay was reduced by $27 million. The remaining $16 million decrease of the market overlay is due to the impacts of foreign exchange translation and repayments.

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

(in millions of Canadian dollars)	**Mar 2016**	Dec 2015	Mar 2015
Allowance for losses on loans	**1,695**	1,715	1,277
Allowance for losses on loan commitments	**107**	113	41
Allowance for losses on loan guarantees*	**97**	103	108
Total	**$1,899**	$1,931	$1,426

* *Included in the liability for loan guarantees.*

For the three months ended March 2016, changes to the allowance for losses on loans, loan commitments and loan guarantees were as follows:

(in millions of Canadian dollars)	**Collective**	**Individual**	**Mar 2016 Total**	Collective	Individual	Mar 2015 Total
Balance at beginning of year	**1,366**	**565**	**1,931**	945	363	1,308
Provision for credit losses on loans, loan commitments and loan guarantees	**64**	**23**	**87**	9	13	22
Write-offs	**-**	**(10)**	**(10)**	-	-	-
Recovery of amounts written-off in prior years	**-**	**-**	**-**	-	1	1
Foreign exchange translation	**(81)**	**(28)**	**(109)**	71	24	95
Total	**$1,349**	**$550**	**$1,899**	$1,025	$401	$1,426

5. Recoverable Insurance Claims

(in millions of Canadian dollars)	**Mar 2016**	Mar 2015
Balance at January 1	**54**	33
Claims paid	**25**	32
Claims recovered	**(4)**	(7)
Change in recoverable portion of cumulative claims paid	**(19)**	(26)
Foreign exchange translation	**(2)**	2
Balance at March 31	**$54**	$34

6. 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 111 of the 2015 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. At March 31, 2016, we held derivatives with no counterparties that have a rating below this requirement (March 2015 – four counterparties with a combined negative fair value of $55 million).

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

(in millions of Canadian dollars)			**Mar 2016**			Dec 2015			Mar 2015
	Positive	**Negative**	**Total**	Positive	Negative	Total	Positive	Negative	Total
Cross currency interest rate swaps	**176**	**2,185**	**(2,009)**	121	3,314	(3,193)	217	2,405	(2,188)
Interest rate swaps	**165**	**13**	**152**	127	59	68	192	8	184
Foreign exchange swaps	**34**	**156**	**(122)**	102	61	41	139	38	101
Credit default swaps – protection purchased	**-**	**-**	**-**	-	-	-	-	9	(9)
Total derivative instruments	**375**	**2,354**	**(1,979)**	350	3,434	(3,084)	548	2,460	(1,912)
Impact of netting agreements	**(219)**	**(219)**	**-**	(110)	(110)	-	(285)	(285)	-
Total	**$156**	**$2,135**	**$(1,979)**	$240	$3,324	$(3,084)	$263	$2,175	$(1,912)
Applicable collateral			**(21)**			(68)			(70)
Net amount			**$(2,000)**			$(3,152)			$(1,982)

7. Premium and Claims Liabilities

The table below presents our premium 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 2016**				Dec 2015				Mar 2015
	CI*	**CIB**	**PRI**	**Total**	CI*	CIB	PRI	Total	CI*	CIB	PRI	Total
Insurance	**203**	**76**	**347**	**626**	212	66	410	688	135	84	439	658
Reinsurance	**(9)**	**(2)**	**(95)**	**(106)**	(13)	(1)	(127)	(141)	(2)	(1)	(110)	(113)
Net liability	**$194**	**$74**	**$252**	**$520**	$199	$65	$283	$547	$133	$83	$329	$545

* *Includes financial institutions insurance.*

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

(in millions of Canadian dollars)	**Mar 2016**	Dec 2015	Mar 2015
Deferred insurance premiums	**106**	121	91
Allowance for claims on insurance	**520**	567	567
Total premium and claims liabilities	**626**	688	658
Reinsurers' share of allowance for claims on insurance	**(85)**	(114)	(99)
Prepaid reinsurance	**(21)**	(27)	(14)
Reinsurers' share of premium and claims liabilities	**(106)**	(141)	(113)
Net premium and claims liabilities	**$520**	$547	$545

8. Contingent Liabilities

As explained on page 92 of the 2015 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 2016**	Dec 2015	Mar 2015
Insurance in force:			
Credit insurance	**9,260**	9,390	8,542
Financial institutions insurance	**3,863**	4,872	3,440
Contract insurance and bonding	**7,746**	8,906	8,722
Political risk insurance	**1,324**	1,396	1,631
Reinsurance ceded*	**(250)**	(250)	(250)
Insurance in force	**21,943**	24,314	22,085
Loan guarantees	**2,272**	2,187	2,184
Total	**$24,215**	$26,501	$24,269

* *Represents treaty reinsurance agreements covering most bonding obligors and the short-term export credit insurance portfolio, including most foreign bank exposures.*

9. Equity

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 (2015 – 13.3 million). In the first quarter of 2016, we declared a dividend of $500 million which was paid to the Government of Canada in the second quarter (2015 – nil).

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 2016**	Dec 2015	Mar 2015
Allowance for losses on loans	**1,695**	1,715	1,277
Allowance for losses on loan commitments	**107**	113	41
Allowance for losses on loan guarantees	**97**	103	108
Allowance for claims on insurance	**520**	567	567
Reinsurers' share of allowance for claims on insurance	**(85)**	(114)	(99)
Share capital	**1,333**	1,333	1,333
Retained earnings	**7,555**	7,832	7,194
Supply of capital	**$11,222**	$11,549	$10,421

11. 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 27 on page 126 of the 2015 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 2016**		Dec 2015
	Carrying value	**Fair value**	Carrying value	Fair value
Assets				
Performing fixed rate loans*	**10,803**	**10,760**	11,102	11,299
Performing floating rate loans*	**39,443**	**39,427**	39,972	40,436
Total performing loans receivable*	**50,246**	**50,187**	51,074	51,735
Impaired loans*	**336**	**336**	348	348
Loans receivable and accrued interest and fees	**50,582**	**50,523**	51,422	52,083
Marketable securities at fair value through profit or loss	**6,794**	**6,794**	7,256	7,256
Derivative instruments	**375**	**375**	350	350
Investments at fair value through profit or loss	**866**	**866**	848	848
Recoverable insurance claims	**54**	**54**	54	54
Other assets	**722**	**719**	110	109
Liabilities				
Accounts payable and other credits	**100**	**105**	115	121
Dividend payable	**500**	**500**	-	-
Loans payable:				
Designated at fair value through profit or loss	**39,830**	**39,830**	39,291	39,291
At amortized cost	**6,857**	**6,919**	7,618	7,613
Derivative instruments	**2,354**	**2,354**	3,434	3,434
Loan guarantees	**158**	**114**	158	120

* *Balances are net of loan allowance.*

Unobservable Inputs – Investments at Fair Value Through Profit or Loss

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 are outlined in the following table:

(in millions of Canadian dollars)

Valuation technique	Unobservable input	Range (average)	Fair value at Mar 2016[1]
Multiples	Multiple (Sales or EBITDA[2])	0.5 – 7.0 (4.0)	32
	Liquidity discount	20% – 34% (24%)	9
	Discount rate	25% – 40% (32%)	8
Discounted cash flows	Discount rate	0% – 1% (1%)	2

[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.

Fair Value Hierarchy

The following table presents the fair value hierarchy of our financial instruments based on whether the inputs to those techniques are observable or unobservable.

- *Level 1* - fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- *Level 2* - fair values are determined using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- *Level 3* - fair values are determined using inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

(in millions of Canadian dollars)				**Mar 2016**				Dec 2015
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Assets								
Performing fixed rate loans	**-**	**10,254**	**506**	**10,760**	-	10,834	465	11,299
Performing floating rate loans	**-**	**38,863**	**564**	**39,427**	-	39,902	534	40,436
Total performing loans receivable	**-**	**49,117**	**1,070**	**50,187**	-	50,736	999	51,735
Impaired loans	**-**	**336**	**-**	**336**	-	348	-	348
Loans receivable and accrued interest and fees	**-**	**49,453**	**1,070**	**50,523**	-	51,084	999	52,083
Marketable securities at fair value through profit or loss	**3,650**	**3,144**	**-**	**6,794**	3,931	3,325	-	7,256
Derivative instruments	**-**	**342**	**33**	**375**	-	267	83	350
Investments at fair value through profit or loss	**1**	**-**	**865**	**866**	1	-	847	848
Recoverable insurance claims	**-**	**-**	**54**	**54**	-	-	54	54
Other assets	**676**	**43**	**-**	**719**	58	51	-	109
Liabilities								
Accounts payable and other credits	**54**	**51**	**-**	**105**	65	56	-	121
Dividend payable	**500**	**-**	**-**	**500**	-	-	-	-
Loans payable:								
Designated at fair value through profit or loss	**-**	**39,692**	**138**	**39,830**	-	38,956	335	39,291
At amortized cost	**-**	**6,919**	**-**	**6,919**	-	7,613	-	7,613
Derivative instruments	**-**	**2,354**	**-**	**2,354**	-	3,434	-	3,434
Loan guarantees	**-**	**114**	**-**	**114**	-	120	-	120

The following table summarizes the reconciliation of Level 3 fair values between the beginning of the year and the end of the first quarter of 2016 for the financial instruments carried at fair value:

(in millions of Canadian dollars)					**Mar 2016**
	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	**54**	**847**	**(335)**	**83**	**649**
Increase in recoverable insurance claims	**2**	**-**	**-**	**-**	**2**
Change in accrued interest	**-**	**-**	**41**	**(41)**	**-**
Unrealized gains (losses) included in other (income) expenses	**-**	**23**	**6**	**(7)**	**22**
Purchases of assets/issuances of liabilities	**-**	**54**	**-**	**-**	**54**
Matured assets/liabilities	**-**	**-**	**133**	**-**	**133**
Return of capital	**-**	**(24)**	**-**	**-**	**(24)**
Foreign exchange translation	**(2)**	**(35)**	**17**	**(2)**	**(22)**
Balance at end of period	**$54**	**$865**	**$(138)**	**$33**	**$814**
Total gains (losses) for the first three months of 2016 included in comprehensive income for instruments held at the end of the quarter	**$2**	**$25**	**$1**	**$(1)**	**$27**

Changes in valuation methods may result in transfers into or out of Levels 1, 2 and 3. In the first three months of 2016, there were no transfers between levels.

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. For the quarter ended March 31, 2016, a sensitivity analysis was performed using possible alternative assumptions to recalculate the fair value of our Level 3 financial instruments.

In order to perform our sensitivity analysis on our Level 3 loans payable and derivative assets, we adjusted the yield curve and volatility assumptions used to value them. The results of our analysis on our Level 3 loans payable ranged from an unfavourable change of $1.3 million to a favourable change of $3.0 million. On our Level 3 derivative assets the impact ranged from an unfavourable change of $0.5 million to a favourable change of $0.1 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: multiple of sales, liquidity discount, multiple of EBITDA and discount rate. 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 $49 million to a favourable change of $52 million.

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. For a full description of our objectives, policies and processes for managing financial instrument risk refer to management’s discussion and analysis on pages 72 to 76 and notes related to our derivative instruments and debt instruments of the 2015 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 2016 Exposure**		Dec 2015 Exposure		Mar 2015 Exposure	
Country	**$**	**%**	$	%	$	%
United States	**17,416**	**28**	17,773	28	15,837	28
Canada	**8,239**	**13**	8,922	14	7,885	14
United Kingdom	**3,818**	**6**	3,981	6	2,591	5
Brazil	**3,391**	**6**	3,646	6	3,474	6
Australia	**3,299**	**5**	3,697	6	2,661	5
Mexico	**2,486**	**4**	2,550	4	2,482	4
Chile	**2,070**	**3**	2,193	3	2,193	4
India	**2,006**	**3**	1,859	3	1,675	3
Saudi Arabia	**1,829**	**3**	1,659	2	1,579	3
Germany	**1,628**	**3**	1,295	2	1,341	2
Other	**16,590**	**26**	16,830	26	14,688	26
Total	**$62,772**	**100**	$64,405	100	$56,406	100

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

(in millions of Canadian dollars)	**Mar 2016 Exposure**		Dec 2015 Exposure		Mar 2015 Exposure	
Industry	**$**	**%**	$	%	$	%
Commercial:						
Extractive	**16,480**	**26**	16,770	26	15,868	28
Aerospace	**12,933**	**21**	13,695	21	12,778	23
Financial institutions	**6,832**	**11**	8,452	13	5,410	9
Surface transportation	**5,943**	**9**	5,828	9	5,519	10
Information and communication technologies	**5,635**	**9**	5,039	8	4,291	8
Infrastructure and environment	**4,575**	**7**	4,212	7	3,370	6
Other	**3,086**	**5**	3,312	5	2,789	5
Total commercial	**55,484**	**88**	57,308	89	50,025	89
Sovereign	**7,288**	**12**	7,097	11	6,381	11
Total	**$62,772**	**100**	$64,405	100	$56,406	100

13. Loan Revenue

(in millions of Canadian dollars)	Three months ended **Mar 2016**	 Dec 2015	 Mar 2015
Loan interest			
Floating rate	**256**	235	190
Fixed rate	**106**	107	104
Loan fee revenue	**40**	66	41
Impaired revenue	**4**	2	-
Other	**2**	2	2
Total loan revenue	**$408**	$412	$337

14. Interest Expense

(in millions of Canadian dollars)	Three months ended **Mar 2016**	 Dec 2015	 Mar 2015
Loans payable designated at fair value through profit or loss and related derivatives			
Short-term payables	**27**	21	9
Long-term payables – floating	**49**	33	21
Long-term payables – fixed*	**(3)**	(4)	(4)
Loans payable carried at amortized cost			
Long-term payables – fixed	**21**	22	18
Total interest expense on loans payable and related derivatives	**94**	72	44
Interest income on currency swaps related to capital	**(4)**	(8)	(15)
Total interest expense	**$90**	$64	$29

* *Includes interest on instruments with cash flows that offset the cash flows of some long-term payables carried at amortized cost.*

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, each carrying a floating interest rate.

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:

(in millions of Canadian dollars)	Three months ended														
					Mar 2016					Dec 2015					Mar 2015
	CI	**FII**	**CIB**	**PRI**	**Total**	CI	FII	CIB	PRI	Total	CI	FII	CIB	PRI	Total
Direct premiums	**26**	**5**	**16**	**8**	**55**	29	5	14	7	55	26	4	14	7	51
Reinsurance assumed	**-**	**-**	**1**	**1**	**2**	-	-	1	1	2	-	-	1	1	2
Reinsurance ceded	**(1)**	**-**	**(2)**	**(6)**	**(9)**	(2)	-	(1)	(3)	(6)	(2)	-	(2)	(4)	(8)
Net insurance premiums and guarantee fees	**$25**	**$5**	**$15**	**$3**	**$48**	$27	$5	$14	$5	$51	$24	$4	$13	$4	$45

16. Provision for Credit Losses

(in millions of Canadian dollars)	Three months ended		
	Mar 2016	Dec 2015	Mar 2015
Changes in portfolio composition*	**98**	(65)	10
Decreased (increased) concentration threshold	**(9)**	-	1
Credit migration	**(2)**	425	11
Provision for credit losses	**$87**	$360	$22

* *Represents provision requirements (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 loans throughout the year.*

(in millions of Canadian dollars)	Three months ended		
	Mar 2016	Dec 2015	Mar 2015
Provision for credit losses on loans	**89**	293	25
Provision for (reversal of) losses on loan commitments	**1**	59	(5)
Provision for (reversal of) losses on loan guarantees	**(3)**	8	2
Provision for credit losses	**$87**	$360	$22

17. Claims-Related Expenses

(in millions of Canadian dollars)	**Mar 2016**	Dec 2015	Mar 2015
	Three months ended		
Claims paid	**25**	70	32
Claims paid – reinsured policies	**-**	2	-
Claims recovered	**(4)**	(3)	(7)
Actuarial increase (decrease) in the net allowance for claims on insurance	**4**	(37)	(8)
(Increase) decrease in recoverable insurance claims	**(2)**	(14)	1
Claims handling expenses	**1**	-	-
Total claims-related expenses	**$24**	$18	$18

18. Other (Income) Expenses

(in millions of Canadian dollars)	**Mar 2016**	Dec 2015	Mar 2015
	Three months ended		
Net unrealized (gain) loss on loans payable designated at fair value through profit or loss	**198**	(157)	45
Net unrealized (gain) loss on derivatives related to loans payable	**(183)**	184	(64)
Net realized and unrealized (gain) loss on marketable securities at fair value through profit or loss	**(71)**	46	(27)
Net realized and unrealized (gain) loss on investments at fair value through profit or loss	**(25)**	14	(16)
Loss on sale of aircraft	**23**	-	-
Foreign exchange translation (gain) loss	**(1)**	2	(9)
Other	**2**	(2)	(3)
Total other (income) expenses	**$(57)**	$87	$(74)

We have designated the majority of our loans payable at fair value through profit or loss in order to follow 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, 2016, the net unrealized loss on our loans payable and derivatives totalled $15 million compared to $26 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 valued based on the credit risk of the resulting exposure. During the three months ended March 31, 2016, the credit adjusted rates relevant to the valuation of derivatives had smaller decreases than the rates applicable to loans payable, leading to smaller gains on our derivatives than losses on our loans payable.

Our marketable securities portfolio is highly sensitive to long-term U.S. Treasury rates. For the three months ended March, 31, 2016, the net realized and unrealized gain on marketable securities was $71 million, which is a reflection of the decrease in long-term U.S. Treasury rates. During the previous quarter, long-term U.S. Treasury rates increased, resulting in net realized and unrealized loss of $46 million.

During the first quarter of 2016, we sold all the aircraft previously held under our finance lease portfolio. A net loss of $23 million was recorded in other (income) expenses.

19. Administrative Expenses

	Three months ended		
(in millions of Canadian dollars)	**Mar 2016**	Dec 2015	Mar 2015
Salaries and benefits	**46**	50	45
Pension, other retirement and post-employment benefits	**12**	14	13
Occupancy	**7**	4	7
Amortization and depreciation	**6**	6	6
Marketing and communications	**4**	5	4
Other	**11**	16	11
Total administrative expenses	**$86**	$95	$86

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 2016**	Dec 2015	Mar 2015
Pension benefit expense	**8**	9	9
Other post-employment benefit and severance expense	**4**	5	4
Total	**$12**	$14	$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 our Pension Plan in the normal course of business, under terms and conditions similar to those that apply to unrelated parties.

Mandate

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. Our knowledge and partnerships are used by more than 7,300 Canadian companies and their global customers in more than 140 markets worldwide each year. A Crown corporation accountable to Parliament through the Minister of International Trade, we are financially self-sustaining and a recognized leader in financial reporting and economic analysis.