Reaching For Our Export Potential

Quarterly Financial Report
September 30, 2015
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. 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 7,400 Canadian companies and their global customers in up to 200 markets worldwide use our knowledge and partnerships. EDC is a Crown corporation, wholly owned by the Government of Canada and accountable to Parliament through the Minister of International Trade. We are financially self-sustaining and do not receive parliamentary appropriations; our revenue is generated primarily by collecting interest on our loans, fees on our guarantee products and premiums on our insurance products.

Economic Environment

In the third quarter economic growth in the U.S. continued to gather momentum with tighter labour market conditions, ample pent-up demand and low energy prices fuelling a solid consumer-led expansion of growth. Canada's economy appears to have gained a foothold on the recovery path as the contraction registered during the first five months of the year, which was caused mainly by low oil prices, has been followed by positive growth.

The current North American economic upswing is taking place in the context of a deteriorating external backdrop, as emerging global financial market jitters add volatility to the growth outlook. Among many key emerging economies, economic growth prospects have deteriorated due to continued strength in the U.S. dollar, weak commodity prices, a slowing Chinese economy, the surprise devaluation of the Chinese yuan and sharp currency depreciations. These developments add complexity to the context in which the U.S. Federal Reserve is expected to raise its federal funds rate for the first time in almost a decade. In the Eurozone, economic growth remains supported by low oil prices, stimulative monetary policy and a Quantitative Easing-induced export boost from a depreciated euro. However, while the Greek debt crisis has for now been settled following the approval of a third bailout program, the emerging Syrian migration crisis and continued geopolitical tensions constitute economic and political headwinds.

Canada's recovery is taking place despite the emerging volatility. The U.S. economy has limited reliance on foreign demand as a source of growth. Additionally, the boost to U.S. import demand supports export growth among its closest trading partners. Accordingly, amid the depreciation of the Canadian dollar, Canada's economic recovery is partly due to the revival of export growth particularly reflected in the automotive industry. Conversely, exports of energy and metal products remained drags on headline exports partly due to the continued soft price environment.

Business Facilitated

Business facilitated in our direct lending program increased by 26% when compared to the same period in 2014. This is primarily due to increases in business facilitated within the transportation sector, in particular the rail and aerospace industries. In addition, we benefited from favourable foreign exchange impacts across the financing program as a result of the weakening of the Canadian dollar in relation to the U.S. dollar.

Business facilitated within our credit insurance program increased by 7% due to favourable foreign exchange impacts as a result of the weakened Canadian dollar.

	For the nine months ended	
(in millions of Canadian dollars)	**Sep 2015**	Sep 2014
Business Facilitated		
Direct lending	**14,187**	11,216
Project finance	**1,230**	1,918
Loan guarantees	**740**	633
Investments	**199**	153
Total financing and investments	**16,356**	13,920
Credit insurance	**43,944**	40,954
Financial institutions insurance	**4,804**	10,140
Contract insurance and bonding	**3,759**	3,121
Political risk insurance	**2,368**	2,238
Total insurance	**54,875**	56,453
Total business facilitated	**$71,231**	$70,373

An economic slowdown in China has resulted in a significant decline in demand for capacity from EDC as Canadian financial institutions are able to manage their counterparties within their own limits; consequently there has been a 53% reduction in business facilitated within our financial institutions insurance portfolio.

The 20% increase in contract insurance and bonding insurance is the result of several large policies renewing earlier this year than the prior year. Additionally, we experienced increased activity with a large exporter.

SUMMARY OF FINANCIAL RESULTS

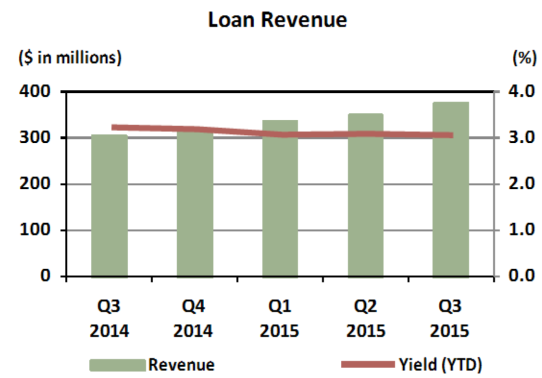
Financial Performance

	For the three months ended			For the nine months ended	
(in millions of Canadian dollars)	**Sep 2015**	Jun 2015	Sep 2014	**Sep 2015**	Sep 2014
Net financing and investment income	**338**	319	302	**976**	919
Net insurance premiums and guarantee fees*	**60**	59	57	**173**	172
	398	378	359	**1,149**	1,091
Other (income) expenses	**(164)**	(49)	6	**(287)**	(24)
Administrative expenses	**84**	86	80	**256**	235
Provision for (reversal of) credit losses	**61**	(6)	(32)	**77**	(2)
Claims-related expenses	**7**	16	10	**41**	79
Net income	**$410**	$331	$295	**$1,062**	$803
Period average U.S.$ equivalent of CAD 1.00	**0.76**	0.81	0.92	**0.79**	0.91

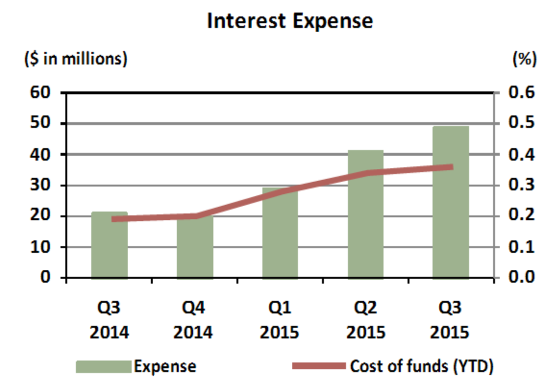
* *Includes loan guarantee fees.*

Net revenue from operations remained stable between reporting periods. During the third quarter of 2015, volatility in the fair values of our financial instruments, which are driven by market conditions, has resulted in an increase in our net income. The impact of this volatility is included in other (income) expenses. In addition, we experienced an increase in loan provisioning requirements between reporting periods. These changes are further discussed beginning on page 7.

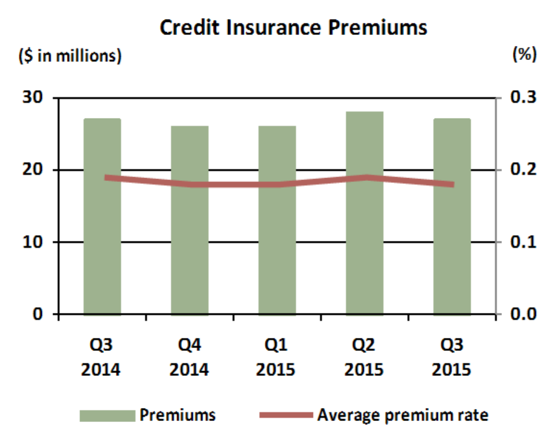
Loan revenue increased in the first nine months of 2015 due to growth in the loan book and foreign exchange translation. The increase was tempered by lower yields, consistent with the current interest rate environment.



In the first nine months of 2015, interest expense increased due to higher funding requirements for U.S. dollar fixed rate debt. The need to fund some loan disbursements in emerging markets in local currencies where interest rates are much higher, as well as foreign exchange translation also contributed to the increase. Cost of funds increased due to these funding requirements in addition to lower revenue from the currency swaps related to our capital. Refer to Note 14 for further details.



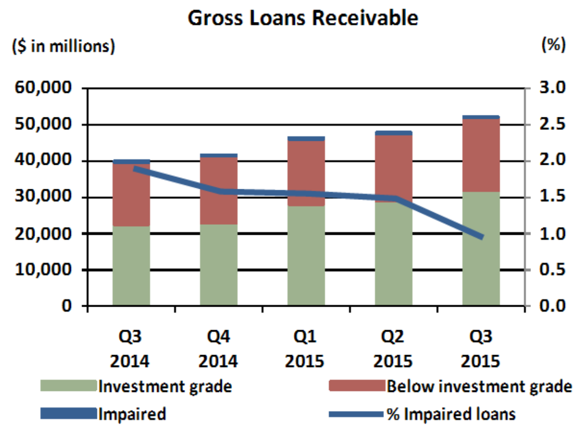
There have been minor fluctuations over the past year in the average credit insurance premium rate primarily due to the timing of insurance transactions with lower premium rate customers.



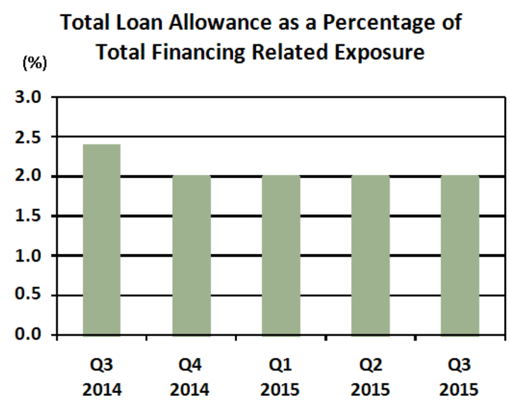
Financial Position

As at *(in millions of Canadian dollars)*	**Sep 2015**	Jun 2015	Dec 2014	Sep 2014
Total assets	**60,570**	55,044	49,004	46,090
Total liabilities	**51,266**	46,157	40,788	38,124
Equity	**9,304**	8,887	8,216	7,966
Gross loans receivable	**52,279**	47,979	41,791	40,181
Total allowances	**2,018**	1,865	1,757	1,855
Period-end U.S.$ equivalent of CAD 1.00	**0.75**	0.80	0.86	0.89

Gross loans receivable have increased in 2015 mainly due to net loan disbursements as well as the weakening of the Canadian dollar. In the third quarter of 2015, the percentage of impaired loans decreased primarily due to an obligor in the aerospace sector returning to performing status.



Total loan allowance as a percentage of total financing related exposure has declined since the third quarter of 2014 primarily due to upward credit migration in the fourth quarter of 2014.



Impact of Foreign Exchange Translation on Financial Results

Our foreign currency-denominated results are impacted by exchange rate fluctuations. The depreciation of the Canadian dollar relative to the prior year had a favourable impact on our third quarter financial results and financial position. The following table reflects the estimated impact of foreign exchange translation had the Canadian dollar remained stable relative to the U.S. dollar:

(in millions of Canadian dollars)	Compared to the three months ended Jun 2015	Compared to the three months ended Sep 2014	Compared to the nine months ended Sep 2014
Financial Results			
Decrease in comprehensive income	(24)	(65)	(135)
Decrease in business facilitated	(1,165)	(3,212)	(7,192)

(in millions of Canadian dollars)	Compared to Jun 2015	Compared to Dec 2014	Compared to Sep 2014
Financial Position			
Decrease in loans receivable	(2,872)	(5,783)	(7,181)
Decrease in loans payable	(3,279)	(6,602)	(8,198)

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 65-73 of our 2014 Annual Report. Refer to Note 12 of the accompanying financial statements for details on financial instrument risks.

THIRD QUARTER HIGHLIGHTS

Net income was $410 million compared to $331 million reported in the previous quarter. Fluctuations in the fair value of our financial instruments was the primary contributor to the increase in net income. The increase was tempered by higher loan provision requirements during the third quarter of 2015.

(in millions of Canadian dollars)	Three months ended **Sep 2015**	Three months ended Jun 2015
Income before provisions and claims-related expenses	**478**	341
Provision for (reversal of) credit losses	**61**	(6)
Claims-related expenses	**7**	16
Net income	**$410**	$331

Other income for the third quarter was $164 million, an increase of $115 million when compared to the prior quarter. The variance is due to the volatility associated with our financial instruments carried at fair value through profit or loss. Refer to Note 18 for further details.

Provision for credit losses increased by $67 million mainly due to changes in portfolio composition. In the second quarter, the impact of the provision release from loan repayments exceeded the additional provisions required as a result of disbursements and new commitments whereas in the third quarter the net change due to disbursements and repayments was less significant.

Other items of note in the third quarter:

During the third quarter of 2015 a shareholder distribution of $99 million, representing the disposition of substantially all of the assets of Exinvest Inc., was paid from Exinvest Inc. to EDC, consisting of a dividend of $53 million and a $46 million reduction in capital. Exinvest Inc. is a wholly owned subsidiary of EDC. The authorized objectives of Exinvest Inc. are to establish and/or invest in corporations, partnerships, joint ventures or any other form of unincorporated bodies (financing vehicles), all of which will provide financial assistance for, or to the benefit of, sales or leases of goods, or the provision of services, or any combination thereof. We are not anticipating any new financing vehicles or potential business transactions in the near term however we are maintaining the subsidiary so that it will be available for future initiatives if required.

FINANCIAL RESULTS – YEAR TO DATE

Prior Year Comparison

Net income for the first nine months of 2015 was $259 million higher than the net income reported for the same period in 2014 primarily due to fluctuations in the fair value of our financial instruments included in other income. Refer to Note 18 for further details. In addition, we experienced variances in the following items:

Provision for credit losses were $77 million for the first nine months of 2015, compared to a reversal of credit losses of $2 million in the prior year, primarily due to downward credit migration for two obligors in the telecom and media and aerospace sectors.

Claims-related expenses were $41 million for the first nine months of the year, a decrease of $38 million from the prior year period. The higher claims-related expenses in 2014 is mainly due to a reduction in our recoverable insurance claims as a result of heightened risk in our political insurance portfolio.

We recorded **other comprehensive income** of $26 million in the first nine months of 2015 compared to an other comprehensive loss of $79 for the same period in 2014. The income in 2015 is due to an increase in the discount rate used to value our pension liabilities.

Corporate Plan Comparison

Financial Performance

	Nine months ended		Year ended
	Sep 2015	Sep 2015	Dec 2015
(in millions of Canadian dollars)	**Actual Results**	Corporate Plan	Corporate Plan
Net financing and investment income	**976**	853	1,148
Net insurance premiums and guarantee fees*	**173**	172	237
Other (income) expenses	**(287)**	(5)	(6)
Administrative expenses	**256**	262	356
Provision for credit losses	**77**	165	191
Claims-related expenses	**41**	44	59
Net income	**1,062**	559	785
Other comprehensive income	**26**	116	154
Comprehensive income	**$1,088**	$675	$939

**Includes loan guarantee fees.*

Net income for the first nine months of 2015 was $503 million higher than the Corporate Plan primarily due to increases in other income, net financing and investment income and lower provisioning requirements in our loans portfolio.

Other income was $287 million for the first nine months of 2015, $282 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, no forecast for these items is included in the Corporate Plan. In addition we realized gains of $64 million on our investments portfolio and a $45 million gain on the sale of aircraft from our held-for-sale portfolio.

Net financing and investment income for the first nine months of 2015 was $976 million, $123 million higher than anticipated in the Corporate Plan. The main contributors to the increase were higher loan interest revenue due to a larger loan book and foreign exchange translation.

We recorded a **provision charge** of $77 million for the first nine months of 2015, $88 million lower than the Corporate Plan. The credit quality of our portfolio was better than anticipated in the Corporate Plan and updates to the collateral values for our secured aerospace portfolio resulted in a lower provision charge than anticipated.

Other comprehensive income for the first nine months of 2015 is $90 million lower than the Corporate Plan due to the re-measurement of pension assets and liabilities. In developing the Plan, we anticipated a larger increase in the discount rate than what actually occurred.

Financial Position

As at *(in millions of Canadian dollars)*	**Sep 2015** **Actual Results**	Sep 2015 Corporate Plan	Dec 2015 Corporate Plan
Cash and marketable securities	**7,583**	5,819	6,148
Derivative instruments	**448**	722	722
Loans receivable	**52,099**	41,195	41,857
Allowance for losses on loans	**(1,394)**	(1,140)	(1,133)
Other financing and leasing assets	**1,047**	1,252	1,271
Other assets	**787**	513	559
Total Assets	**$60,570**	$48,361	$49,424
Loans payable	**46,717**	39,288	40,156
Derivative instruments	**3,146**	425	425
Allowance for losses on loan commitments	**52**	41	43
Premium and claims liabilities	**685**	560	523
Other liabilities	**666**	486	452
Equity	**9,304**	7,561	7,825
Total Liabilities and Equity	**$60,570**	$48,361	$49,424

Loans receivable were $10.9 billion above the Corporate Plan mainly due to the weakening of the Canadian dollar which resulted in a $7.9 billion increase as the majority of our loan portfolio is denominated in U.S. dollars. In addition, net disbursements for both 2014 and 2015 were higher than projected in the Corporate Plan as a result of increased financing activity.

Loans payable were $7.4 billion higher than the Corporate Plan as a result of foreign exchange translation and the funding required for the increase in loans receivable.

Net derivative instruments were $3.0 billion lower than Plan due to changes in interest rates used for their valuation and fluctuations in foreign exchange rates.

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 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 $45 million (2014 – $24 million) and an increase in actuarial liabilities of $28 million (2014 – $11 million decrease).

The increase in the claims ratio is due to higher net claims incurred than was experienced in the prior year mainly due to updated assumptions used in the actuarial calculation of the premium liabilities as well as an increase in claims paid for 2015. We had net claims paid of $32 million relating to losses in the resources sector in the first nine months of 2015.

	Nine months ended	
(in millions of Canadian dollars)	**Sep 2015**	Sep 2014
Direct premiums	**76**	74
Reinsurance assumed	**2**	3
Reinsurance ceded	**(4)**	(5)
Net written premium	**$74**	$72
Direct net claims incurred	**72**	11
Net claims incurred – reinsurance assumed	**1**	2
Net claims incurred	**$73**	$13
Claims ratio %	**98.6%**	18.1%

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 September 30, 2015 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
November 19, 2015

Export Development Canada
Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at
(in millions of Canadian dollars)

	Notes	**Sep 2015**	Jun 2015	Dec 2014	Sep 2014
Assets					
Cash		**147**	143	69	139
Marketable securities:					
At fair value through profit or loss		**7,436**	6,200	6,391	5,083
At amortized cost		**-**	90	85	83
Derivative instruments	6	**448**	449	371	443
Assets held-for-sale		**13**	19	364	16
Loans receivable	2,3	**52,099**	47,794	41,586	39,992
Allowance for losses on loans	4	**(1,394)**	(1,256)	(1,163)	(1,254)
Investments at fair value through profit or loss		**831**	769	689	622
Equipment available for lease		**-**	-	-	353
Net investment in aircraft under finance leases		**66**	65	68	69
Recoverable insurance claims	5	**39**	33	33	65
Reinsurers' share of premium and claims liabilities	7	**119**	101	88	87
Other assets		**498**	370	156	127
Property, plant and equipment		**51**	53	56	55
Intangible assets		**67**	63	56	53
Building under finance lease		**150**	151	155	157
Total Assets		**$60,570**	$55,044	$49,004	$46,090
Liabilities and Equity					
Accounts payable and other credits		**130**	362	134	141
Loans payable:					
Designated at fair value through profit or loss		**39,214**	35,260	32,616	31,666
At amortized cost		**7,503**	7,011	5,422	4,110
Derivative instruments	6	**3,146**	2,287	1,377	1,048
Obligation under finance lease		**163**	164	166	167
Retirement benefit obligations		**227**	231	258	186
Allowance for losses on loan commitments	4	**52**	50	44	37
Premium and claims liabilities	7	**685**	643	618	607
Loan guarantees		**146**	149	153	162
		51,266	46,157	40,788	38,124
Financing commitments (Note 2) and contingent liabilities (Note 8)					
Equity					
Share capital	9	**1,333**	1,333	1,333	1,333
Retained earnings		**7,971**	7,554	6,883	6,633
		9,304	8,887	8,216	7,966
Total Liabilities and Equity		**$60,570**	$55,044	$49,004	$46,090

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 November 19, 2015.

Herbert M. Clarke
Director

Benoit Daignault
Director

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

		For the three months ended			For the nine months ended	
	Notes	**Sep 2015**	Jun 2015	Sep 2014	**Sep 2015**	Sep 2014
Financing and investment revenue:						
Loan	13	**376**	350	305	**1,063**	924
Finance lease		**1**	2	1	**4**	4
Operating lease		**-**	-	10	**-**	38
Marketable securities		**16**	13	12	**43**	32
Investments		**3**	1	2	**5**	5
Total financing and investment revenue		**396**	366	330	**1,115**	1,003
Interest expense	14	**49**	41	21	**119**	50
Leasing and financing related expenses		**9**	6	7	**20**	34
Net Financing and Investment Income		**338**	319	302	**976**	919
Loan Guarantee Fees		**11**	10	8	**30**	26
Insurance premiums and guarantee fees		**56**	55	52	**162**	156
Reinsurance assumed		**1**	2	2	**5**	6
Reinsurance ceded		**(8)**	(8)	(5)	**(24)**	(16)
Net Insurance Premiums and Guarantee Fees	15	**49**	49	49	**143**	146
Other (Income) Expenses	18	**(164)**	(49)	6	**(287)**	(24)
Administrative Expenses	19	**84**	86	80	**256**	235
Income before Provision and Claims-Related Expenses		**478**	341	273	**1,180**	880
Provision for (Reversal of) Credit Losses	16	**61**	(6)	(32)	**77**	(2)
Claims-Related Expenses	17	**7**	16	10	**41**	79
Net Income		**410**	331	295	**1,062**	803
Other comprehensive income (loss):						
Pension plan re-measurement		**7**	29	(37)	**26**	(79)
Comprehensive Income		**$417**	$360	$258	**$1,088**	$724

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			For the nine months ended	
	Notes	**Sep 2015**	Jun 2015	Sep 2014	**Sep 2015**	Sep 2014
Share Capital	9	**1,333**	1,333	1,333	**1,333**	1,333
Retained Earnings						
Balance beginning of period		**7,554**	7,194	6,375	**6,883**	7,038
Net income		**410**	331	295	**1,062**	803
Other comprehensive income (loss)						
Pension plan re-measurement		**7**	29	(37)	**26**	(79)
Dividends		**-**	-	-	**-**	(1,129)
Balance end of period		**7,971**	7,554	6,633	**7,971**	6,633
Total Equity at End of Period		**$9,304**	$8,887	$7,966	**$9,304**	$7,966

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

	For the three months ended			For the nine months ended	
	Sep 2015	Jun 2015	Sep 2014	**Sep 2015**	Sep 2014
Cash Flows from (used in) Operating Activities					
Net income	**410**	331	295	**1,062**	803
Adjustments to determine net cash from (used in) operating activities					
Provision for (reversal of) credit losses	**61**	(6)	(32)	**77**	(2)
Actuarial change in the net allowance for claims on insurance	**(9)**	(1)	(31)	**(18)**	3
Depreciation and amortization	**8**	8	12	**23**	39
Realized (gains) and losses	**(19)**	(88)	(16)	**(114)**	(68)
Changes in operating assets and liabilities					
Change in accrued interest and fees receivable	**(2)**	(2)	(21)	**(27)**	(53)
Change in fair value of marketable securities	**(27)**	29	15	**(22)**	-
Change in fair value of loans payable	**11**	(58)	(35)	**26**	15
Change in derivative instruments	**(68)**	81	83	**(12)**	19
Other	**(366)**	619	(108)	**(404)**	(184)
Loan disbursements	**(4,343)**	(4,667)	(3,301)	**(13,442)**	(10,963)
Loan repayments and principal recoveries from loan asset sales	**2,985**	3,108	2,860	**9,046**	9,237
Net cash from (used in) operating activities	**(1,359)**	(646)	(279)	**(3,805)**	(1,154)
Cash Flows from (used in) Investing Activities					
Disbursements for investments	**(53)**	(41)	(34)	**(162)**	(99)
Receipts from investments	**38**	97	18	**152**	62
Finance lease repayments	**4**	6	3	**12**	10
Purchases of marketable securities at fair value through profit or loss	**(20,324)**	(15,571)	(11,076)	**(52,505)**	(40,539)
Sales/maturities of marketable securities at fair value through profit or loss	**19,532**	15,506	11,594	**52,289**	39,525
Purchases of marketable securities at amortized cost	**(10)**	(5)	-	**(25)**	-
Sales/maturities of marketable securities at amortized cost	**101**	5	-	**116**	-
Receipts from sale of assets held-for-sale	**7**	67	21	**74**	34
Net cash from (used in) investing activities	**(705)**	64	526	**(49)**	(1,007)
Cash Flows from (used in) Financing Activities					
Issue of long-term loans payable - designated at fair value through profit or loss	**4,627**	2,559	1,127	**11,020**	6,848
Repayment of long-term loans payable - designated at fair value through profit or loss	**(4,560)**	(2,772)	(1,928)	**(10,301)**	(6,506)
Issue of long-term loans payable at amortized cost	**23**	(11)	267	**1,191**	2,900
Repayment of long-term payable at amortized cost	**-**	-	3	**-**	(1,094)
Issue of short-term loans payable - designated at fair value through profit or loss	**8,698**	6,949	5,006	**19,758**	16,418
Repayment of short-term loans payable - designated at fair value through profit or loss	**(6,678)**	(6,021)	(4,728)	**(17,698)**	(15,332)
Disbursements from sale/maturity of derivative instruments	**(117)**	-	(23)	**(117)**	(39)
Receipts from sale/maturity of derivative instruments	**70**	1	2	**71**	104
Dividend paid	**-**	-	-	**-**	(1,129)
Net cash from (used in) financing activities	**2,063**	705	(274)	**3,924**	2,170
Effect of exchange rate changes on cash	**5**	2	3	**8**	3
Net increase (decrease) in cash	**4**	125	(24)	**78**	12
Cash					
Beginning of period	**143**	18	163	**69**	127
End of period	**$147**	$143	$139	**$147**	$139
Operating Cash Flows from Interest					
Cash paid for interest on loans payable	**$46**	$51	$26	**$128**	$83
Cash received for interest on currency swaps related to capital	**$12**	$13	$17	**$41**	$51
Cash received for interest on loan assets and marketable securities	**$375**	$335	$267	**$1,020**	$841

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, 2014. They should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2014 and the accompanying notes as set out on pages 84-139 of our 2014 Annual Report.

Application of New and Revised International Financial Reporting Standards

(a) New standards, amendments and interpretations

There were no new standards, interpretations, amendments or improvements issued by the IASB requiring mandatory adoption in the third quarter of 2015.

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

There were no standards or amendments issued by the IASB in the third quarter assessed as having a possible effect on EDC in the future.

Other upcoming standards – The IASB is currently working on projects related to insurance contracts, leases, the conceptual framework and principles of disclosure. Revisions to these standards could potentially have a significant impact on EDC's 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, equipment available for lease and assets-held-for-sale, premium and claims liabilities, recoverable insurance claims, retirement benefit obligations and financial instruments measured at fair value. Refer to page 89 of our 2014 Annual Report for details.

2. Loans Receivable

(in millions of Canadian dollars)	**Sep 2015**	Jun 2015	Dec 2014	Sep 2014
Performing:				
Past due	**19**	23	12	27
Current year and beyond	**51,765**	47,244	41,119	39,391
Performing gross loans receivable	**51,784**	47,267	41,131	39,418
Individually impaired loans (Note 3)	**495**	712	660	763
Gross loans receivable	**52,279**	47,979	41,791	40,181
Accrued interest and fees receivable	**198**	188	163	173
Deferred loan revenue and other credits	**(378)**	(373)	(368)	(362)
Total loans receivable	**$52,099**	$47,794	$41,586	$39,992

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

(in millions of Canadian dollars)		**Sep 2015**		Jun 2015		Dec 2014		Sep 2014
	$	**% of total**	$	% of total	$	% of total	$	% of total
Investment grade	**31,675**	**61**	28,811	60	22,689	54	22,368	56
Below investment grade	**20,109**	**38**	18,456	38	18,442	44	17,050	42
Individually impaired loans (Note 3)	**495**	**1**	712	2	660	2	763	2
Total gross loans receivable	**$52,279**	**100**	$47,979	100	$41,791	100	$40,181	100

The following table shows our outstanding financing commitments by type:

(in millions of Canadian dollars)	**Sep 2015**	Jun 2015	Dec 2014	Sep 2014
Signed loan commitments	**18,258**	16,957	16,593	14,022
Letters of offer	**2,475**	1,926	3,682	3,340
Confirmed lines of credit	**107**	126	122	113
Total financing commitments	**$20,840**	$19,009	$20,397	$17,475

3. Individually Impaired Loans

(in millions of Canadian dollars)	**Sep 2015**	Jun 2015	Dec 2014	Sep 2014
Gross loans receivable				
Commercial	**388**	608	556	662
Sovereign	**107**	104	104	101
	495	712	660	763
Less: Deferred loan revenue and other credits	**45**	47	36	36
Individual allowance	**363**	377	351	431
Carrying amount of individually impaired loans	**$87**	$288	$273	$296

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

(in millions of Canadian dollars)	**Sep 2015**	Sep 2014
Balance at January 1	**660**	599
Loans classified as impaired	**72**	414
Disbursements on loan guarantees called	**9**	18
Capitalized interest	**4**	24
Loans reinstated to performing	**(253)**	(172)
Principal repayments	**(65)**	(33)
Loans written off	**(15)**	(55)
Principal recoveries from loan asset sales	**-**	(64)
Foreign exchange translation	**83**	32
Balance at September 30	**$495**	$763

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)	**Sep 2015**	Jun 2015	Dec 2014	Sep 2014
Base allowance				
Investment grade exposure	**155**	138	104	99
Non-investment grade exposure	**959**	832	804	815
Total base allowance	**1,114**	970	908	914
Counterparty concentration				
Investment grade exposure	**19**	16	6	8
Non-investment grade exposure	**31**	27	31	34
Total counterparty concentration	**50**	43	37	42
Total collective allowance*	**1,164**	1,013	945	956
Allowance for individually impaired loans, loan commitments and loan guarantees	**376**	390	363	448
Total allowance for losses on loans, loan commitments and loan guarantees	**$1,540**	$1,403	$1,308	$1,404

** Includes allowance on finance leases of $1 million (June 2015 – $1 million, December 2014 – $1 million and September 2014 – $2 million).*

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

(in millions of Canadian dollars)	**Sep 2015**	Jun 2015	Dec 2014	Sep 2014
Allowance for losses on loans	**1,394**	1,256	1,163	1,254
Allowance for losses on loan commitments	**52**	50	44	37
Allowance for losses on loan guarantees*	**94**	97	101	113
Total	**$1,540**	$1,403	$1,308	$1,404

** Included in the liability for loan guarantees.*

For the nine months ended September 2015, changes to the allowance for losses on loans, loan commitments and loan guarantees were as follows:

(in millions of Canadian dollars)	**Collective**	**Individual**	**Sep 2015 Total**	Collective	Individual	Sep 2014 Total
Balance at beginning of year	**945**	**363**	**1,308**	1,029	379	1,408
Provision for (reversal of) credit losses on loans, loan commitments and loan guarantees	**97**	**(20)**	**77**	(111)	109	(2)
Write-offs	**-**	**(12)**	**(12)**	-	(50)	(50)
Recovery of amounts written-off in prior years	**-**	**1**	**1**	-	3	3
Foreign exchange translation	**122**	**44**	**166**	38	7	45
Total	**$1,164**	**$376**	**$1,540**	$956	$448	$1,404

5. Recoverable Insurance Claims

(in millions of Canadian dollars)	**Sep 2015**	Sep 2014
Balance at January 1	**33**	96
Claims paid	**70**	44
Claims paid – reinsured policies	**1**	8
Claims recovered	**(12)**	(9)
Claims recovered – reinsured policies	**-**	(1)
Change in recoverable portion of cumulative claims paid	**(57)**	(75)
Foreign exchange translation	**4**	2
Balance at September 30	**$39**	$65

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 109 of the 2014 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 September 30, 2015, we held derivatives with three counterparties (September 2014 – four) that have a rating below this requirement. The derivative transactions had a positive fair value of nil (September 2014 – $21 million) and a negative fair value of $83 million (September 2014 – $35 million) for the three counterparties. These exceptions have been approved by the Board of Directors. We do not anticipate any significant non-performance by these counterparties.

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

(in millions of Canadian dollars)			**Sep 2015**			Dec 2014			Sep 2014
	Positive	**Negative**	**Total**	Positive	Negative	Total	Positive	Negative	Total
Cross currency interest rate swaps	**116**	**3,099**	**(2,983)**	170	1,339	(1,169)	251	901	(650)
Interest rate swaps	**229**	**-**	**229**	141	21	120	144	32	112
Foreign exchange swaps	**103**	**47**	**56**	60	7	53	48	99	(51)
Credit default swaps – protection purchased	**-**	**-**	**-**	-	10	(10)	-	15	(15)
Foreign exchange forwards	**-**	**-**	**-**	-	-	-	-	1	(1)
Total derivative instruments	**448**	**3,146**	**(2,698)**	371	1,377	(1,006)	443	1,048	(605)
Impact of netting agreements	**(225)**	**(225)**	**-**	(188)	(188)	-	(260)	(260)	-
Total	**$223**	**$2,921**	**$(2,698)**	$183	$1,189	$(1,006)	$183	$788	$(605)
Applicable collateral			**(63)**			(64)			(65)
Net amount			**$(2,761)**			$(1,070)			$(670)

7. Premium Claims and 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)				**Sep 2015**				Jun 2015				Dec 2014				Sep 2014
	CI*	**CIB**	**PRI**	**Total**	CI*	CIB	PRI	Total	CI*	CIB	PRI	Total	CI*	CIB	PRI	Total
Insurance	**161**	**69**	**455**	**685**	150	80	413	643	126	82	410	618	121	67	419	607
Reinsurance	**(6)**	**-**	**(113)**	**(119)**	(2)	(1)	(98)	(101)	-	(2)	(86)	(88)	-	(1)	(86)	(87)
Net liability	**$155**	**$69**	**$342**	**$566**	$148	$79	$315	$542	$126	$80	$324	$530	$121	$66	$333	$520

* *Includes financial institutions insurance.*

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

(in millions of Canadian dollars)	**Sep 2015**	Jun 2015	Dec 2014	Sep 2014
Deferred insurance premiums	**113**	99	96	80
Allowance for claims on insurance	**572**	544	522	527
Total premium and claims liabilities	**685**	643	618	607
Reinsurers’ share of allowance for claims on insurance	**(94)**	(82)	(73)	(76)
Prepaid reinsurance	**(25)**	(19)	(15)	(11)
Reinsurers’ share of premium and claims liabilities	**(119)**	(101)	(88)	(87)
Net premium and claims liabilities	**$566**	$542	$530	$520

8. Contingent Liabilities

As explained on page 88 of the 2014 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)	**Sep 2015**	Jun 2015	Dec 2014	Sep 2014
Insurance in force:				
Credit insurance	**8,776**	9,074	8,665	8,872
Financial institutions insurance	**3,579**	3,211	3,797	4,529
Contract insurance and bonding	**8,775**	8,612	8,379	8,165
Political risk insurance	**1,729**	1,616	1,564	1,687
Reinsurance ceded*	**(250)**	(250)	(250)	(150)
Insurance in force	**22,609**	22,263	22,155	23,103
Loan guarantees	**2,152**	2,084	2,108	2,102
Total	**$24,761**	$24,347	$24,263	$25,205

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

9. Share Capital

EDC's authorized share capital is $3.0 billion consisting of 30 million shares with a par value of $100 each. The number of shares issued and fully paid is 13.3 million (2014 – 13.3 million).

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)	**Sep 2015**	Jun 2015	Dec 2014	Sep 2014
Allowance for losses on loans	**1,394**	1,256	1,163	1,254
Allowance for losses on loan commitments	**52**	50	44	37
Allowance for losses on loan guarantees	**94**	97	101	113
Allowance for claims on insurance	**572**	544	522	527
Reinsurers' share of allowance for claims on insurance	**(94)**	(82)	(73)	(76)
Share capital	**1,333**	1,333	1,333	1,333
Retained earnings	**7,971**	7,554	6,883	6,633
Supply of capital	**$11,322**	$10,752	$9,973	$9,821

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 29 on page 124 of the 2014 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)		**Sep 2015**		Jun 2015
	Carrying value	**Fair value**	Carrying value	Fair value
Assets				
Performing fixed rate loans*	**10,816**	**11,144**	10,180	10,478
Performing floating rate loans*	**39,937**	**40,047**	36,210	36,834
Accrued interest receivable, deferred revenue and other credits	**(135)**	**(135)**	(138)	(138)
Total performing loans receivable*	**50,618**	**51,056**	46,252	47,174
Impaired loans*	**87**	**87**	288	288
Loans receivable and accrued interest and fees	**50,705**	**51,143**	46,540	47,462
Marketable securities:				
At fair value through profit or loss	**7,436**	**7,436**	6,200	6,200
At amortized cost	**-**	**-**	90	86
Derivative instruments	**448**	**448**	449	449
Investments at fair value through profit or loss	**831**	**831**	769	769
Recoverable insurance claims	**39**	**39**	33	33
Other assets	**498**	**496**	370	369
Liabilities				
Accounts payable and other credits	**130**	**136**	362	368
Loans payable:				
Designated at fair value through profit or loss	**39,214**	**39,214**	35,260	35,260
At amortized cost	**7,503**	**7,543**	7,011	7,021
Derivative instruments	**3,146**	**3,146**	2,287	2,287
Loan guarantees	**146**	**109**	149	125

* *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 (weighted average)**	**Fair value at Sep 2015[(1)]**
	Multiple of Sales	0.5 – 5.2 (2.6)	25
Sales Multiple	Liquidity discount	15% – 50% (27%)	17
	Multiple of EBITDA	4.0 – 7.0 (6.5)	13
EBITDA Multiple[(2)]	Discount rate	25% – 30% (27%)	4
Discounted cash flows	Discount rate	18% (18%)	4

[(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)				**Sep 2015**				Jun 2015
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Assets								
Performing fixed rate loans	**-**	**10,608**	**536**	**11,144**	-	10,029	449	10,478
Performing floating rate loans	**-**	**39,510**	**537**	**40,047**	-	36,427	407	36,834
Accrued interest receivable, deferred revenue and other credits	**-**	**(135)**	**-**	**(135)**	-	(138)	-	(138)
Total performing loans receivable	**-**	**49,983**	**1,073**	**51,056**	-	46,318	856	47,174
Impaired loans	**-**	**87**	**-**	**87**	-	288	-	288
Loans receivable and accrued interest and fees	**-**	**50,070**	**1,073**	**51,143**	-	46,606	856	47,462
Marketable securities:								
At fair value through profit or loss	**3,837**	**3,599**	**-**	**7,436**	3,222	2,978	-	6,200
At amortized cost	**-**	**-**	**-**	**-**	86	-	-	86
Derivative instruments	**-**	**368**	**80**	**448**	-	375	74	449
Investments at fair value through profit or loss	**1**	**-**	**830**	**831**	1	-	768	769
Recoverable insurance claims	**-**	**-**	**39**	**39**	-	-	33	33
Other assets	**446**	**50**	**-**	**496**	320	49	-	369
Liabilities								
Accounts payable and other credits	**80**	**56**	**-**	**136**	314	54	-	368
Loans payable:								
Designated at fair value through profit or loss	**-**	**38,891**	**323**	**39,214**	-	34,961	299	35,260
At amortized cost	**-**	**7,543**	**-**	**7,543**	-	7,021	-	7,021
Derivative instruments	**-**	**3,146**	**-**	**3,146**	-	2,287	-	2,287
Loan guarantees	**-**	**109**	**-**	**109**	-	125	-	125

The following table summarizes the reconciliation of Level 3 fair values between the beginning of year and the end of the third quarter of 2015 for the financial instruments carried at fair value:

(in millions of Canadian dollars)					**Sep 2015**
	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	**33**	**687**	**(292)**	**72**	**500**
Decrease in recoverable insurance claims	**2**	**-**	**-**	**-**	**2**
Accrued interest	**-**	**-**	**(8)**	**8**	**-**
Unrealized gains (losses) included in other (income) expenses	**-**	**1**	**7**	**(10)**	**(2)**
Purchases of assets/issuances of liabilities	**-**	**168**	**-**	**-**	**168**
Matured assets/liabilities	**-**	**-**	**13**	**-**	**13**
Return of capital	**-**	**(89)**	**-**	**-**	**(89)**
Foreign exchange translation	**4**	**63**	**(43)**	**10**	**34**
Balance at end of period	**$39**	**$830**	**$(323)**	**$80**	**$626**
Total gains (losses) for the first nine months of 2015 included in comprehensive income for instruments held at the end of the quarter	**$2**	**$64**	**$(7)**	**$11**	**$70**

Changes in valuation methods may result in transfers into or out of levels 1, 2 and 3. In the first nine months of 2015, 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 September 30, 2015, 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 $4 million to a favourable change of $8 million. On our Level 3 derivative assets the impact ranged from an unfavourable change of $5 million to a favourable change of $2 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 $48 million to a favourable change of $47 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 68 to 72 and notes related to our derivative instruments and debt instruments of the 2014 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)	**Sep 2015 Exposure**		Jun 2015 Exposure		Dec 2014 Exposure		Sep 2014 Exposure	
Country	**$**	**%**	$	%	$	%	$	%
United States	**17,683**	**28**	15,337	27	14,414	28	13,757	28
Canada	**8,786**	**14**	7,622	13	7,441	15	6,781	14
United Kingdom	**3,909**	**6**	3,637	6	2,074	4	2,196	5
Brazil	**3,607**	**6**	3,396	6	3,230	6	2,999	6
Australia	**2,719**	**4**	2,749	5	2,882	6	2,409	5
Mexico	**2,554**	**4**	2,444	4	2,557	5	2,581	5
Chile	**2,344**	**4**	2,176	4	1,995	4	1,685	3
India	**1,772**	**3**	1,518	3	1,690	3	1,718	4
Saudi Arabia	**1,621**	**3**	1,637	3	1,180	2	1,016	2
China	**1,555**	**2**	1,318	2	1,006	2	876	2
Other	**16,743**	**26**	15,880	27	13,035	25	12,635	26
Total	**$63,293**	**100**	$57,714	100	$51,504	100	$48,653	100

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

(in millions of Canadian dollars)	**Sep 2015 Exposure**		Jun 2015 Exposure		Dec 2014 Exposure		Sep 2014 Exposure	
Industry	**$**	**%**	$	%	$	%	$	%
Commercial:								
Extractive	**16,868**	**27**	15,695	27	14,789	29	13,703	28
Aerospace	**13,703**	**22**	13,016	23	11,715	23	11,346	23
Financial institutions	**7,713**	**12**	6,165	11	5,269	10	3,940	8
Surface transportation	**5,719**	**9**	5,353	9	4,228	8	4,293	9
Information and communications technology	**5,494**	**9**	4,999	9	4,039	8	3,605	8
Infrastructure and environment	**3,639**	**6**	3,550	6	3,065	6	3,578	7
Other	**3,124**	**5**	2,775	5	2,552	5	2,577	5
Total commercial	**56,260**	**90**	51,553	90	45,657	89	43,042	88
Sovereign	**7,033**	**10**	6,161	10	5,847	11	5,611	12
Total	**$63,293**	**100**	$57,714	100	$51,504	100	$48,653	100

13. Loan Revenue

	Three months ended			Nine months ended	
(in millions of Canadian dollars)	**Sep 2015**	Jun 2015	Sep 2014	**Sep 2015**	Sep 2014
Loan interest					
Floating rate	**216**	199	164	**605**	491
Fixed rate	**109**	100	97	**313**	297
Loan fee revenue	**42**	44	42	**127**	129
Impaired revenue	**2**	5	-	**7**	2
Other	**7**	2	2	**11**	5
Total loan revenue	**$376**	$350	$305	**$1,063**	$924

14. Interest Expense

	Three months ended			Nine months ended	
(in millions of Canadian dollars)	**Sep 2015**	Jun 2015	Sep 2014	**Sep 2015**	Sep 2014
Loans payable designated at fair value through profit or loss and related derivatives					
Short-term payables	**16**	13	7	**38**	22
Long-term payables – floating	**26**	23	20	**70**	60
Long-term payables – fixed*	**(4)**	(4)	(2)	**(12)**	(15)
Loans payable carried at amortized cost					
Long-term payables – fixed	**20**	20	11	**58**	31
Total interest expense on loans payable and related derivatives	**58**	52	36	**154**	98
Interest income on currency swaps related to capital	**(10)**	(12)	(17)	**(37)**	(51)
Other	**1**	1	2	**2**	3
Total interest expense	**$49**	$41	$21	**$119**	$50

* *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														
					Sep 2015					Jun 2015					Sep 2014
	CI	**FII**	**CIB**	**PRI**	**Total**	CI	FII	CIB	PRI	Total	CI	FII	CIB	PRI	Total
Direct premiums	**26**	**5**	**16**	**9**	**56**	27	5	15	8	55	26	6	12	8	52
Reinsurance assumed	**1**	**-**	**-**	**-**	**1**	1	-	1	-	2	1	-	1	-	2
Reinsurance ceded	**(1)**	**(1)**	**(2)**	**(4)**	**(8)**	(1)	(1)	(2)	(4)	(8)	(2)	-	-	(3)	(5)
Net insurance premiums and guarantee fees	**$26**	**$4**	**$14**	**$5**	**$49**	$27	$4	$14	$4	$49	$25	$6	$13	$5	$49

(in millions of Canadian dollars)	Nine months ended									
					Sep 2015					Sep 2014
	CI	**FII**	**CIB**	**PRI**	**Total**	CI	FII	CIB	PRI	Total
Direct premiums	**79**	**14**	**45**	**24**	**162**	76	19	37	24	156
Reinsurance assumed	**2**	**-**	**2**	**1**	**5**	3	-	2	1	6
Reinsurance ceded	**(4)**	**(2)**	**(6)**	**(12)**	**(24)**	(5)	-	(1)	(10)	(16)
Net insurance premiums and guarantee fees	**$77**	**$12**	**$41**	**$13**	**$143**	$74	$19	$38	$15	$146

16. Provision for (Reversal of) Credit Losses

(in millions of Canadian dollars)	Three months ended			Nine months ended	
	Sep 2015	Jun 2015	Sep 2014	**Sep 2015**	Sep 2014
Credit migration	**59**	56	(1)	**126**	(8)
Changes in portfolio composition*	**2**	(61)	(32)	**(49)**	13
Updates to independent variables:					
Decreased concentration threshold	**-**	-	-	**1**	6
Transaction specific loss given default	**-**	-	-	**-**	(10)
Other	**-**	(1)	1	**(1)**	(3)
Provision for (reversal of) credit losses	**$61**	$(6)	$(32)	**$77**	$(2)

* *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			Nine months ended	
	Sep 2015	Jun 2015	Sep 2014	**Sep 2015**	Sep 2014
Provision for (reversal of) credit losses on loans	**69**	(6)	(36)	**88**	14
Provision for (reversal of) losses on loan commitments	**(2)**	9	(5)	**2**	(12)
Provision for (reversal of) losses on loan guarantees	**(6)**	(9)	9	**(13)**	(4)
Provision for (reversal of) credit losses	**$61**	$(6)	$(32)	**$77**	$(2)

17. Claims-Related Expenses

(in millions of Canadian dollars)	Three months ended			Nine months ended	
	Sep 2015	Jun 2015	Sep 2014	**Sep 2015**	Sep 2014
Claims paid	**20**	18	8	**70**	44
Claims paid – reinsured policies	**-**	1	-	**1**	8
Claims recovered	**(2)**	(3)	(2)	**(12)**	(9)
Claims recovered – reinsured policies	**-**	-	-	**-**	(1)
Actuarial increase (decrease) in the net allowance for claims on insurance	**(9)**	(1)	(31)	**(18)**	3
(Increase) decrease in recoverable insurance claims	**(3)**	-	34	**(2)**	33
Claims handling expenses	**1**	1	1	**2**	1
Total claims-related expenses	**$7**	$16	$10	**$41**	$79

18. Other (Income) Expenses

(in millions of Canadian dollars)	Three months ended			Nine months ended	
	Sep 2015	Jun 2015	Sep 2014	**Sep 2015**	Sep 2014
Net unrealized (gain) loss on derivatives related to loans payable	**(123)**	100	36	**(87)**	64
Net unrealized (gain) loss on loans payable designated at fair value through profit or loss	**10**	(87)	(21)	**(32)**	5
Net realized and unrealized gain on investments at fair value through profit or loss	**(12)**	(37)	(7)	**(65)**	(31)
Net realized and unrealized (gain) loss on marketable securities at fair value through profit or loss	**(31)**	25	9	**(33)**	(10)
Gain on sale of aircraft and component parts	**-**	(45)	(3)	**(45)**	(52)
Foreign exchange translation (gain) loss	**(3)**	(1)	(4)	**(13)**	4
Other	**(5)**	(4)	(4)	**(12)**	(4)
Total other (income) expenses	**$(164)**	$(49)	$6	**$(287)**	$(24)

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 September 30, 2015, the net unrealized gain on our loans payable and associated derivatives totalled $113 million compared to a loss of $13 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 September 30, 2015, the credit adjusted rates relevant to the valuation of derivatives had larger decreases than the rates applicable to loans payable, leading to larger 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 September, 30, 2015, the net realized and unrealized gain on marketable securities was $31 million compared to a loss of $25 million for the previous quarter, which is a reflection of the decrease in long-term U.S. Treasury rates.

19. Administrative Expenses

	Three months ended			Nine months ended	
(in millions of Canadian dollars)	**Sep 2015**	Jun 2015	Sep 2014	**Sep 2015**	Sep 2014
Salaries and benefits	**42**	43	42	**130**	127
Pension, other retirement and post-employment benefits	**13**	14	10	**40**	29
Occupancy	**7**	6	7	**20**	20
Amortization and depreciation	**6**	6	6	**18**	17
Other	**16**	17	15	**48**	42
Total administrative expenses	**$84**	$86	$80	**$256**	$235

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

	Three months ended			Nine months ended	
(in millions of Canadian dollars)	**Sep 2015**	Jun 2015	Sep 2014	**Sep 2015**	Sep 2014
Pension benefit expense	**9**	9	7	**27**	19
Other post-employment benefit and severance expense	**4**	5	3	**13**	10
	$13	$14	$10	**$40**	$29

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.

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