Navigating the Volatility

Quarterly Financial Report
September 30, 2016
Unaudited

Canada

TABLE OF CONTENTS

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. 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

Global uncertainty remained the dominant theme in the third quarter of 2016; however, economic fortunes among developed countries have differed in important respects. In the U.S., the upcoming presidential election has not materially impacted short-term growth but has raised questions of policy certainty, including U.S. trade relations. U.S. private sector sentiment has remained resilient, dispelling fears of election-related drags. That being said, expectations of a strong rebound following a three-quarter lull did not materialize as the advance estimate of third quarter GDP growth came in at less than expected.

European markets continued to be on edge following the vote to exit Britain from the European Union. The aftermath of the vote did not have any material short-term negative impacts to the U.K. economy partly due to the cushion afforded by the falling British pound; however, the medium- to long-term implications remain to be seen. Continental Europe remained resilient amid ongoing banking sector worries and the threat of anti-establishment political forces; however, the failed coup in Turkey and the dramatic government response to political opposition and the intensification of the Syrian conflict threatening the latest ceasefire deal also contributed to global uncertainty.

Amid the volatility in oil prices, the Canadian dollar averaged 77 cents U.S. during the third quarter; a slight decline from the second quarter. The Canadian dollar continued to provide competitive support to Canadian exporters as they benefitted from robust U.S. domestic demand fundamentals and recovering U.S. demand for imports as temporary setbacks, such as the strong U.S. dollar and low oil prices, are gradually dissipating. Year-to-date growth among non-energy exports remained very strong, led by the automotive and consumer good sectors.

Business Facilitated

Financing business facilitated increased by 14% compared to the same period in 2015 primarily due to an increase in the extractive sector as well as foreign exchange translation.

Business facilitated within our credit insurance program decreased by 7% primarily due to the impact of a large policy that was not renewed in 2016. The effect of this decline was partly mitigated by increased activity with other customers.

Business facilitated with small and medium-sized enterprises was $11.2 billion for the first nine months of 2016, an increase of $0.3 billion when compared with the same period in 2015.

	For the nine months ended	
(in millions of Canadian dollars)	**Sep 2016**	Sep 2015
Business Facilitated		
Direct lending	**14,995**	14,187
Project finance	**2,333**	1,230
Loan guarantees	**1,057**	740
Investments	**223**	199
Total financing and investments	**18,608**	16,356
Credit insurance	**40,721**	43,944
Financial institutions insurance	**5,346**	4,804
Contract insurance and bonding	**3,447**	3,759
Political risk insurance	**2,013**	2,368
Total insurance	**51,527**	54,875
Total business facilitated	**$70,135**	$71,231

SUMMARY OF FINANCIAL RESULTS

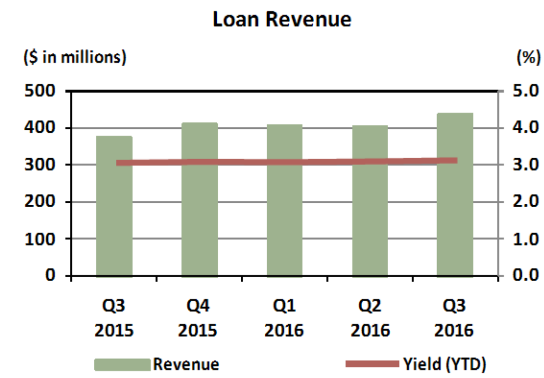
Financial Performance

	For the three months ended			For the nine months ended	
(in millions of Canadian dollars)	**Sep 2016**	Jun 2016	Sep 2015	**Sep 2016**	Sep 2015
Net financing and investment income	**330**	317	338	**976**	976
Net insurance premiums and guarantee fees*	**56**	60	60	**174**	173
	386	377	398	**1,150**	1,149
Other (income) expenses	**116**	(83)	(164)	**(24)**	(287)
Administrative expenses	**94**	91	84	**271**	256
Provision for (reversal of) credit losses	**(55)**	172	61	**204**	77
Claims-related expenses	**53**	16	7	**93**	41
Net income	**$178**	$181	$410	**$606**	$1,062
Period average U.S.$ equivalent of CAD 1.00	**0.77**	0.78	0.76	**0.76**	0.79

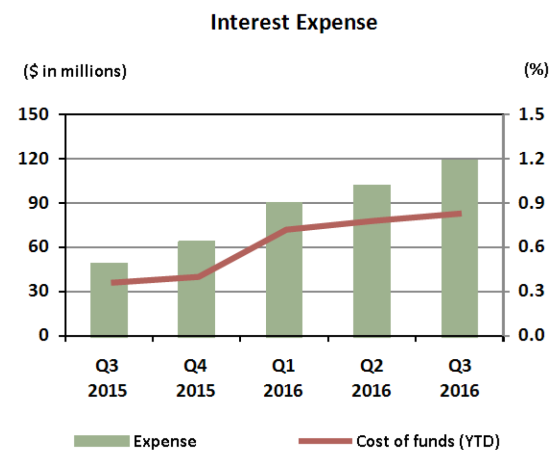
* *Includes loan guarantee fees.*

Net income remained stable when compared to the previous quarter. We continued to see fluctuations in provisioning requirements, the fair value of our financial instruments due to market conditions and claims-related expenses. These changes are further discussed beginning on page 6.

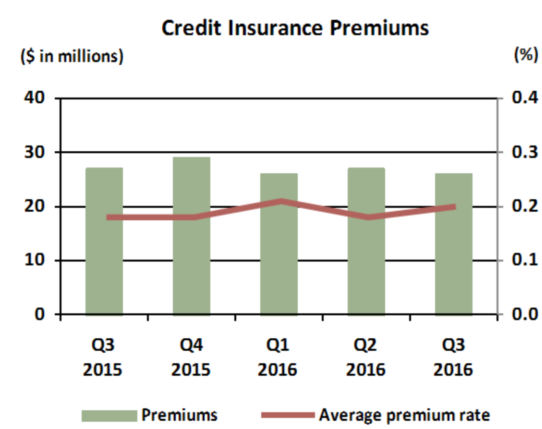
Loan revenue increased in the third quarter mainly due to increased yields on our floating rate portfolio.



Interest expense increased during the first nine months of 2016 mainly 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 nine months of 2016, short-term U.S. dollar rates increased, resulting in higher cost of funds. Refer to Note 14 for further details.



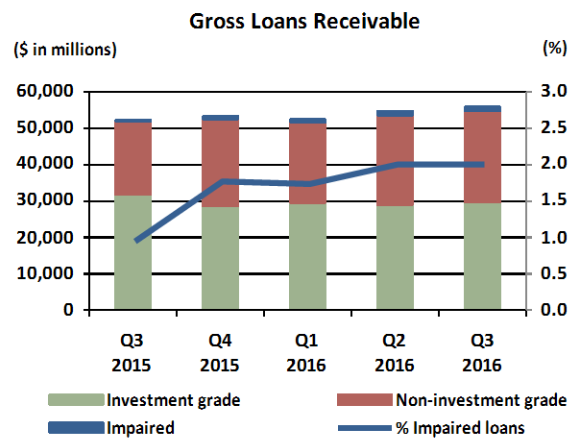
The credit insurance portfolio experienced an increase in the average premium rate in the third quarter of 2016, primarily due to a decrease in activity for higher volume accounts with lower premium rates.



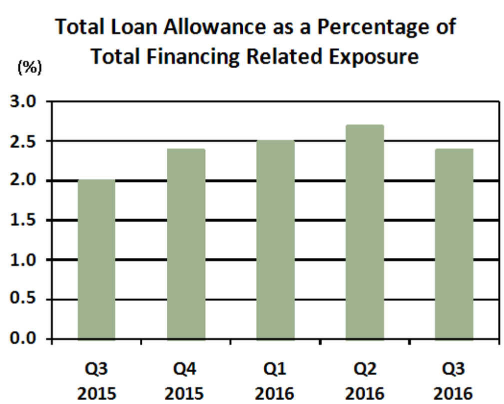
Financial Position

As at *(in millions of Canadian dollars)*	**Sep 2016**	Jun 2016	Dec 2015	Sep 2015
Total assets	**62,166**	61,241	60,969	60,570
Total liabilities	**53,057**	52,251	51,804	51,266
Equity	**9,109**	8,990	9,165	9,304
Gross loans receivable	**55,864**	54,673	53,326	52,279
Total allowances	**2,428**	2,471	2,384	2,018
Period-end U.S.$ equivalent of CAD 1.00	**0.76**	0.77	0.72	0.75

Gross loans receivable increased in the third quarter primarily due to the weakening of the Canadian dollar.



Total loan allowance as a percentage of total financing related exposure has decreased in the third quarter of 2016 primarily due to a write-off of a fully provisioned loan in the aerospace sector and upward credit migration of one obligor in the extractive sector and one obligor in the telecom sector.



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 at the end of the third quarter along with a weaker than average exchange rate during the quarter had a favourable impact on our third quarter financial results and financial position. 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 the three months ended		Compared to the nine months ended
(in millions of Canadian dollars)	Jun 2016	Sep 2015	Sep 2015
Financial Results			
Increase (decrease) in comprehensive income	(3)	1	(32)
Increase (decrease) in business facilitated	(189)	48	(2,563)

	Compared to		
(in millions of Canadian dollars)	Jun 2016	Dec 2015	Sep 2015
Financial Position			
Increase (decrease) in loans receivable	(703)	2,492	780
Increase (decrease) in loans payable	(766)	2,717	850

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.

THIRD QUARTER HIGHLIGHTS

Net income of $178 million is in line with the previous quarter, although we experienced variances in the following items:

	Three months ended	
(in millions of Canadian dollars)	**Sep 2016**	Jun 2016
Income before provisions and claims-related expenses	**176**	369
Provision for (reversal of) credit losses	**(55)**	172
Claims-related expenses	**53**	16
Net income	**$178**	$181

We recorded a **provision reversal** of $55 million in the third quarter of 2016 mainly due to upward credit migration of one obligor in the extractive sector and one obligor in the telecom sector. In comparison, we recorded a provision charge of $172 million in the second quarter of 2016 primarily due to downward credit migration in the aerospace and telecom portfolios.

Other expenses were $116 million in the third quarter of 2016 compared to other income of $83 million in the previous 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.

We experienced $53 million in **claims-related expenses** in the third quarter compared to $16 million in the second quarter. This change is primarily due to an actuarial increase in the net allowance for claims of $36 million as a result of the downgrade of a Sovereign risk rating impacting a large political risk insurance policy in addition to the impact of the annual update to the frequency and severity of loss assumptions used in the calculation of the allowance.

FINANCIAL RESULTS – YEAR TO DATE

Prior Year Comparison

Net income for the first nine months of 2016 was $456 million lower than the net income reported for the same period in 2015 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 was $204 million for the first nine months of 2016, an increase of $127 million from the prior year period. In 2015, the impact of the release of provision from loan repayments exceeded the additional provisions required as a result of disbursements whereas in 2016 the net impact due to disbursements and repayments was insignificant. In addition, the impact of the reductions in the collateral values within our secured aerospace portfolio were more significant in 2016.

Claims-related expenses were $93 million for the first nine months of the year, compared to $41 million for the same period in 2015. The higher expense in the current year was primarily due to the actuarial increase in the net allowance for claims as previously discussed.

Corporate Plan Comparison

Financial Performance

	Nine months ended		Year ended
	Sep 2016	Sep 2016	Dec 2016
(in millions of Canadian dollars)	**Actual Results**	Corporate Plan	Corporate Plan
Net financing and investment income	**976**	862	1,146
Net insurance premiums and guarantee fees*	**174**	178	238
Other (income) expenses	**(24)**	(57)	(76)
Administrative expenses	**271**	296	400
Provision for credit losses	**204**	64	73
Claims-related expenses	**93**	60	80
Net income	**606**	677	907
Other comprehensive income (loss)	**(162)**	57	75
Comprehensive income	**$444**	$734	$982

**Includes loan guarantee fees.*

Net income for the first nine months of 2016 was $71 million lower than the Corporate Plan primarily due to changes in provisioning requirements in our loans portfolio partly offset by an increase in net financing and investment income.

Provision for credit losses were $204 million for the first nine months of 2016, an increase of $140 million when compared to the Corporate Plan mainly due to reductions in the collateral values within our secured aerospace portfolio and downward credit migration which was more significant than projected in the Corporate Plan.

Net financing and investment income for the first nine months of 2016 was $976 million, $114 million higher than the Corporate Plan. The variance is primarily due to higher loan revenue on the floating rate portfolio as a result of higher than anticipated loan disbursements and foreign exchange translation gains.

We recorded an **other comprehensive loss** of $162 million for the first nine months of 2016 compared to other comprehensive income of $57 million in the Corporate Plan due to the re-measurement of pension assets and liabilities. The discount rate used to value our pension obligation decreased in the first nine months of the year, while the Corporate Plan had projected it would increase. The decrease in discount rate is largely due to a reduction in available high-yielding long-dated instruments used to derive the discount rate.

Financial Position

As at *(in millions of Canadian dollars)*	**Sep 2016 Actual Results**	Sep 2016 Corporate Plan	Dec 2016 Corporate Plan
Cash and marketable securities	**6,275**	6,101	5,856
Derivative instruments	**442**	449	449
Loans receivable	**55,723**	48,703	48,999
Allowance for losses on loans	**(1,790)**	(1,205)	(1,182)
Investments at fair value through profit or loss	**940**	802	809
Other assets	**576**	595	754
Total Assets	**$62,166**	$55,445	$55,685
Loans payable	**49,041**	42,861	43,001
Derivative instruments	**2,474**	2,287	2,287
Allowance for losses on loan commitments	**70**	47	46
Premium and claims liabilities	**633**	614	487
Other liabilities	**839**	542	522
Equity	**9,109**	9,094	9,342
Total Liabilities and Equity	**$62,166**	$55,445	$55,685

Loans receivable totalled $55.7 billion at September 30, 2016, $7 billion higher than Corporate Plan, primarily as a result of higher than anticipated net disbursements in the first nine months of 2016 and a weaker Canadian dollar than projected in the Plan.

Loans payable were $6.2 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 $41 million (2015 – $45 million) and an increase in actuarial liabilities of $25 million (2015 – $28 million).

	Nine months ended	
(in millions of Canadian dollars)	**Sep 2016**	Sep 2015
Direct premiums	**74**	76
Reinsurance assumed	**3**	2
Reinsurance ceded	**(4)**	(4)
Net written premium	**$73**	$74
Direct net claims incurred	**66**	72
Net claims incurred – reinsurance assumed	**-**	1
Net claims incurred	**$66**	$73
Claims ratio %	**90.4%**	98.6%

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, 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
November 17, 2016

Export Development Canada
Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

(in millions of Canadian dollars)

	Notes	**Sep 2016**	Jun 2016	Dec 2015	Sep 2015
Assets					
Cash		**247**	103	438	147
Marketable securities:					
At fair value through profit or loss		**6,028**	6,526	7,256	7,436
Derivative instruments	6	**442**	519	350	448
Assets held-for-sale		**15**	15	15	13
Loans receivable	2,3	**55,723**	54,520	53,136	52,099
Allowance for losses on loans	4	**(1,790)**	(1,872)	(1,715)	(1,394)
Investments at fair value through profit or loss		**940**	873	848	831
Net investment in aircraft under finance leases		**-**	-	64	66
Recoverable insurance claims	5	**56**	55	54	39
Reinsurers' share of premium and claims liabilities	7	**87**	103	141	119
Other assets		**140**	124	110	498
Property, plant and equipment		**49**	50	53	51
Intangible assets		**87**	81	71	67
Building under finance lease		**142**	144	148	150
Total Assets		**$62,166**	$61,241	$60,969	$60,570
Liabilities and Equity					
Accounts payable and other credits		**127**	108	115	130
Loans payable:					
Designated at fair value through profit or loss		**40,148**	41,607	39,291	39,214
At amortized cost		**8,893**	6,807	7,618	7,503
Derivative instruments	6	**2,474**	2,400	3,434	3,146
Obligation under finance lease		**159**	160	162	163
Retirement benefit obligations		**390**	323	225	227
Allowance for losses on loan commitments	4	**70**	74	113	52
Premium and claims liabilities	7	**633**	609	688	685
Loan guarantees		**163**	163	158	146
		53,057	52,251	51,804	51,266
Financing commitments (Note 2) and contingent liabilities (Note 8)					
Equity					
Share capital	9	**1,333**	1,333	1,333	1,333
Retained earnings		**7,776**	7,657	7,832	7,971
		9,109	8,990	9,165	9,304
Total Liabilities and Equity		**$62,166**	$61,241	$60,969	$60,570

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 17, 2016.

Herbert M. Clarke
Director

Benoit Daignault
Director

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

	Notes	For the three months ended Sep 2016	Jun 2016	Sep 2015	For the nine months ended Sep 2016	Sep 2015
Financing and investment revenue:						
Loan	13	**439**	406	376	**1,253**	1,063
Finance lease		**-**	-	1	**1**	4
Marketable securities		**18**	18	16	**54**	43
Investments		**2**	1	3	**5**	5
Total financing and investment revenue		**459**	425	396	**1,313**	1,115
Interest expense	14	**119**	102	49	**311**	119
Leasing and financing related expenses		**10**	6	9	**26**	20
Net Financing and Investment Income		**330**	317	338	**976**	976
Loan Guarantee Fees		**9**	10	11	**29**	30
Insurance premiums and guarantee fees		**55**	55	56	**165**	162
Reinsurance assumed		**2**	2	1	**6**	5
Reinsurance ceded		**(10)**	(7)	(8)	**(26)**	(24)
Net Insurance Premiums and Guarantee Fees	15	**47**	50	49	**145**	143
Other (Income) Expenses	18	**116**	(83)	(164)	**(24)**	(287)
Administrative Expenses	19	**94**	91	84	**271**	256
Income before Provision and Claims-Related Expenses		**176**	369	478	**903**	1,180
Provision for (Reversal of) Credit Losses	16	**(55)**	172	61	**204**	77
Claims-Related Expenses	17	**53**	16	7	**93**	41
Net Income		**178**	181	410	**606**	1,062
Other comprehensive income (loss):						
Pension plan re-measurement		**(59)**	(79)	7	**(162)**	26
Comprehensive Income		**$119**	$102	$417	**$444**	$1,088

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 2016**	Jun 2016	Sep 2015	**Sep 2016**	Sep 2015
Share Capital	9	**1,333**	1,333	1,333	**1,333**	1,333
Retained Earnings						
Balance beginning of period		**7,657**	7,555	7,554	**7,832**	6,883
Net income		**178**	181	410	**606**	1,062
Other comprehensive income (loss)						
Pension plan re-measurement		**(59)**	(79)	7	**(162)**	26
Dividends	9	**-**	-	-	**(500)**	-
Balance end of period		**7,776**	7,657	7,971	**7,776**	7,971
Total Equity at End of Period		**$9,109**	$8,990	$9,304	**$9,109**	$9,304

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			For the nine months ended	
	Sep 2016	Jun 2016	Sep 2015	**Sep 2016**	Sep 2015
Cash Flows from (used in) Operating Activities					
Net income	**178**	181	410	**606**	1,062
Adjustments to determine net cash from (used in) operating activities					
Provision for (reversal of) credit losses	**(55)**	172	61	**204**	77
Actuarial change in the net allowance for claims on insurance	**36**	(9)	(9)	**31**	(18)
Depreciation and amortization	**8**	8	8	**24**	23
Realized (gains) and losses	**(3)**	(8)	(19)	**(7)**	(114)
Changes in operating assets and liabilities					
Change in accrued interest and fees receivable	**(21)**	(25)	(2)	**(102)**	(27)
Change in fair value of marketable securities	**29**	(23)	(27)	**(60)**	(22)
Change in fair value of loans payable	**22**	31	11	**243**	26
Change in derivative instruments	**(26)**	(144)	(68)	**(418)**	(12)
Other	**(47)**	658	(366)	**(5)**	(404)
Loan disbursements	**(3,859)**	(7,383)	(4,343)	**(16,610)**	(13,442)
Loan repayments and principal recoveries from loan asset sales	**3,562**	4,640	2,985	**11,420**	9,046
Net cash used in operating activities	**(176)**	(1,902)	(1,359)	**(4,674)**	(3,805)
Cash Flows from (used in) Investing Activities					
Disbursements for investments	**(66)**	(43)	(53)	**(160)**	(162)
Receipts from investments	**10**	30	38	**63**	152
Finance lease repayments	**-**	-	4	**4**	12
Purchases of marketable securities at fair value through profit or loss	**(10,119)**	(15,466)	(20,324)	**(44,027)**	(52,505)
Sales/maturities of marketable securities at fair value through profit or loss	**10,717**	15,732	19,532	**45,005**	52,289
Purchases of marketable securities at amortized cost	**-**	-	(10)	**-**	(25)
Sales/maturities of marketable securities at amortized cost	**-**	-	101	**-**	116
Receipts from sale of assets held-for-sale	**-**	-	7	**-**	74
Net cash from (used in) investing activities	**542**	253	(705)	**885**	(49)
Cash Flows from (used in) Financing Activities					
Issue of long-term loans payable - designated at fair value through profit or loss	**1,886**	3,763	4,627	**9,641**	11,020
Repayment of long-term loans payable - designated at fair value through profit or loss	**(740)**	(1,118)	(4,560)	**(4,768)**	(10,301)
Issue of long-term loans payable at amortized cost	**1,984**	-	23	**1,984**	1,191
Repayment of long-term loans payable at amortized cost	**2**	11	-	**(331)**	-
Issue of short-term loans payable - designated at fair value through profit or loss	**6,685**	10,318	8,698	**27,047**	19,758
Repayment of short-term loans payable - designated at fair value through profit or loss	**(10,050)**	(10,669)	(6,678)	**(29,079)**	(17,698)
Disbursements from sale/maturity of derivative instruments	**9**	(79)	(117)	**(379)**	(117)
Receipts from sale/maturity of derivative instruments	**-**	-	70	**-**	71
Dividend paid	**-**	(500)	-	**(500)**	-
Net cash from (used in) financing activities	**(224)**	1,726	2,063	**3,615**	3,924
Effect of exchange rate changes on cash	**2**	(15)	5	**(17)**	8
Net increase (decrease) in cash	**144**	62	4	**(191)**	78
Cash					
Beginning of period	**103**	41	143	**438**	69
End of period	**$247**	$103	$147	**$247**	$147
Operating Cash Flows from Interest					
Cash paid for interest on loans payable	**$96**	$102	$46	**$259**	$128
Cash received for interest on currency swaps related to capital	**$3**	$2	$12	**$12**	$41
Cash received for interest on loan assets and marketable securities	**$411**	$385	$375	**$1,174**	$1,020

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

There were no new standards, interpretations, amendments or improvements issued by the IASB requiring mandatory adoption in the third quarter of 2016.

(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 and the Disclosure Initiative. Revisions to standards as a result of these ongoing projects 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 judgment 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)	**Sep 2016**	Jun 2016	Dec 2015	Sep 2015
Performing:				
Past due	**37**	41	21	19
Current year and beyond	**54,586**	53,424	52,362	51,765
Performing gross loans receivable	**54,623**	53,465	52,383	51,784
Individually impaired loans (Note 3)	**1,241**	1,208	943	495
Gross loans receivable	**55,864**	54,673	53,326	52,279
Accrued interest and fees receivable	**230**	213	200	198
Deferred loan revenue and other credits	**(371)**	(366)	(390)	(378)
Total loans receivable	**$55,723**	$54,520	$53,136	$52,099

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

(in millions of Canadian dollars)		**Sep 2016**		Jun 2016		Dec 2015		Sep 2015
	$	**% of total**	$	% of total	$	% of total	$	% of total
Investment grade	**29,612**	**53**	28,830	53	28,505	53	31,675	61
Non-investment grade	**25,011**	**45**	24,635	45	23,878	45	20,109	38
Individually impaired loans (Note 3)	**1,241**	**2**	1,208	2	943	2	495	1
Total gross loans receivable	**$55,864**	**100**	$54,673	100	$53,326	100	$52,279	100

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

(in millions of Canadian dollars)	**Sep 2016**	Sep 2015
Balance at January 1	**53,326**	41,791
Disbursements	**16,610**	13,442
Principal repayments	**(11,245)**	(8,996)
Principal recoveries from loan asset sales	**(175)**	(50)
Loans written off	**(82)**	(17)
Financing on sale of assets held-for-sale	**-**	325
Capitalized interest	**28**	15
Foreign exchange translation	**(2,598)**	5,769
Balance at September 30	**$55,864**	$52,279

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

(in millions of Canadian dollars)	**Sep 2016**	Jun 2016	Dec 2015	Sep 2015
Signed loan commitments	**16,457**	15,223	19,928	18,258
Letters of offer	**5,349**	3,769	3,007	2,448
Unallocated confirmed lines of credit	**113**	137	109	107
Total financing commitments	**$21,919**	$19,129	$23,044	$20,813

3. Individually Impaired Loans

(in millions of Canadian dollars)	**Sep 2016**	Jun 2016	Dec 2015	Sep 2015
Gross loans receivable				
Commercial	**1,194**	1,175	833	388
Sovereign	**47**	33	110	107
	1,241	1,208	943	495
Less: Deferred loan revenue and other credits	**32**	22	42	45
Individual allowance	**663**	728	553	363
Carrying amount of individually impaired loans	**$546**	$458	$348	$87

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

(in millions of Canadian dollars)	**Sep 2016**	Sep 2015
Balance at January 1	**943**	660
Loans classified as impaired	**562**	72
Capitalized interest	**15**	4
Disbursements on loan guarantees called	**4**	9
Principal repayments	**(98)**	(65)
Loans written off	**(78)**	(15)
Loans reinstated to performing	**(60)**	(253)
Foreign exchange translation	**(47)**	83
Balance at September 30	**$1,241**	$495

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 2016**	Jun 2016	Dec 2015	Sep 2015
Base allowance				
Investment grade exposure	**132**	131	125	155
Non-investment grade exposure	**1,110**	1,139	931	959
Total base allowance	**1,242**	1,270	1,056	1,114
Counterparty concentration overlay				
Investment grade exposure	**7**	8	9	19
Non-investment grade exposure	**26**	26	36	31
Total counterparty concentration overlay	**33**	34	45	50
Extractive market overlay	**-**	-	265	-
Total collective allowance*	**1,275**	1,304	1,366	1,164
Allowance for individually impaired loans, loan commitments and loan guarantees	**686**	743	565	376
Total allowance for losses on loans, loan commitments and loan guarantees	**$1,961**	$2,047	$1,931	$1,540

* *Includes allowance on finance leases which was nil at September 2016 (June 2016 – nil, December 2015 – $1 million and September 2015 – $1 million) and allowance on other receivables of $6 million (June 2016 – $6 million, December 2015 – $4 million and September 2015 –$4 million).*

During 2015, a fundamental shift occurred in the extractive sector as demand for commodities dropped, which 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 at the end of 2015 as a component of our collective allowance. As market conditions stabilized and updated financial information became available in the first half of 2016, credit ratings were updated, the impact was reflected in the base allowance and the extractive market overlay was fully removed. The updated credit ratings reflect all information available at the time of rerating. Had the updated ratings been in effect at the end of 2015, the December allowance would have been $57 million lower.

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

(in millions of Canadian dollars)	**Sep 2016**	Jun 2016	Dec 2015	Sep 2015
Allowance for losses on loans	**1,790**	1,872	1,715	1,394
Allowance for losses on loan commitments	**70**	74	113	52
Allowance for losses on loan guarantees*	**101**	101	103	94
Total	**$1,961**	$2,047	$1,931	$1,540

* *Included in the liability for loan guarantees.*

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

(in millions of Canadian dollars)	**Collective**	**Individual**	**Sep 2016 Total**	Collective	Individual	Sep 2015 Total
Balance at beginning of year	**1,366**	**565**	**1,931**	945	363	1,308
Provision for (reversal of) credit losses on loans, loan commitments and loan guarantees	**(21)**	**225**	**204**	97	(20)	77
Write-offs	**-**	**(74)**	**(74)**	-	(12)	(12)
Recovery of amounts written-off in prior years	**-**	**-**	**-**	-	1	1
Foreign exchange translation	**(70)**	**(30)**	**(100)**	122	44	166
Total	**$1,275**	**$686**	**$1,961**	$1,164	$376	$1,540

5. Recoverable Insurance Claims

(in millions of Canadian dollars)	**Sep 2016**	Sep 2015
Balance at January 1	**54**	33
Claims paid	**73**	70
Claims paid – reinsured policies	**1**	1
Claims recovered	**(10)**	(12)
Change in recoverable portion of cumulative claims paid	**(60)**	(57)
Foreign exchange translation	**(2)**	4
Balance at September 30	**$56**	$39

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 September 30, 2016, we held derivatives with no counterparties that have a rating below this requirement (September 2015 – three counterparties with a combined negative fair value of $83 million).

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

(in millions of Canadian dollars)			**Sep 2016**			Dec 2015			Sep 2015
	Positive	**Negative**	**Total**	Positive	Negative	Total	Positive	Negative	Total
Cross currency interest rate swaps	**151**	**2,308**	**(2,157)**	121	3,314	(3,193)	116	3,099	(2,983)
Interest rate swaps	**251**	**135**	**116**	127	59	68	229	-	229
Foreign exchange swaps	**40**	**31**	**9**	102	61	41	103	47	56
Total derivative instruments	**442**	**2,474**	**(2,032)**	350	3,434	(3,084)	448	3,146	(2,698)
Impact of netting agreements	**(209)**	**(209)**	**-**	(110)	(110)	-	(225)	(225)	-
Total	**$233**	**$2,265**	**$(2,032)**	$240	$3,324	$(3,084)	$223	$2,921	$(2,698)
Applicable collateral			**(23)**			(68)			(63)
Net amount			**$(2,055)**			$(3,152)			$(2,761)

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)				**Sep 2016**				Jun 2016				Dec 2015				Sep 2015
	CI*	**CIB**	**PRI**	**Total**	CI*	CIB	PRI	Total	CI*	CIB	PRI	Total	CI*	CIB	PRI	Total
Insurance	**236**	**27**	**370**	**633**	212	28	369	609	212	32	444	688	161	30	494	685
Reinsurance	**(10)**	**(3)**	**(74)**	**(87)**	(7)	(3)	(93)	(103)	(13)	(1)	(127)	(141)	(6)	1	(114)	(119)
Net liability	**$226**	**$24**	**$296**	**$546**	$205	$25	$276	$506	$199	$31	$317	$547	$155	$31	$380	$566

* *Includes financial institutions insurance.*

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

(in millions of Canadian dollars)	**Sep 2016**	Jun 2016	Dec 2015	Sep 2015
Deferred insurance premiums	**105**	113	121	113
Allowance for claims on insurance	**528**	496	567	572
Total premium and claims liabilities	**633**	609	688	685
Reinsurers' share of allowance for claims on insurance	**(62)**	(72)	(114)	(94)
Prepaid reinsurance	**(25)**	(31)	(27)	(25)
Reinsurers' share of premium and claims liabilities	**(87)**	(103)	(141)	(119)
Net premium and claims liabilities	**$546**	$506	$547	$566

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)	**Sep 2016**	Jun 2016	Dec 2015	Sep 2015
Insurance in force:				
Credit insurance	**8,907**	9,086	9,390	8,776
Financial institutions insurance	**3,791**	4,063	4,872	3,579
Contract insurance and bonding	**7,902**	7,728	8,906	8,775
Political risk insurance	**1,302**	1,278	1,396	1,729
Reinsurance ceded*	**(250)**	(250)	(250)	(250)
Insurance in force	**21,652**	21,905	24,314	22,609
Loan guarantees	**2,413**	2,384	2,187	2,152
Total	**$24,065**	$24,289	$26,501	$24,761

* *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 half of 2016, a dividend of $500 million was paid to the Government of Canada (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)	**Sep 2016**	Jun 2016	Dec 2015	Sep 2015
Allowance for losses on loans	**1,790**	1,872	1,715	1,394
Allowance for losses on loan commitments	**70**	74	113	52
Allowance for losses on loan guarantees	**101**	101	103	94
Allowance for claims on insurance	**528**	496	567	572
Reinsurers' share of allowance for claims on insurance	**(62)**	(72)	(114)	(94)
Share capital	**1,333**	1,333	1,333	1,333
Retained earnings	**7,776**	7,657	7,832	7,971
Supply of capital	**$11,536**	$11,461	$11,549	$11,322

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)		**Sep 2016**		Jun 2016
	Carrying value	**Fair value**	Carrying value	Fair value
Assets				
Performing fixed rate loans*	**11,129**	**11,382**	10,932	11,062
Performing floating rate loans*	**42,264**	**42,836**	41,264	41,311
Total performing loans receivable*	**53,393**	**54,218**	52,196	52,373
Impaired loans*	**546**	**546**	458	458
Loans receivable and accrued interest and fees	**53,939**	**54,764**	52,654	52,831
Marketable securities at fair value through profit or loss	**6,028**	**6,028**	6,526	6,526
Derivative instruments	**442**	**442**	519	519
Investments at fair value through profit or loss	**940**	**940**	873	873
Recoverable insurance claims	**56**	**56**	55	55
Other assets	**140**	**139**	124	132
Liabilities				
Accounts payable and other credits	**127**	**132**	108	113
Loans payable:				
Designated at fair value through profit or loss	**40,148**	**40,148**	41,607	41,607
At amortized cost	**8,893**	**8,897**	6,807	6,810
Derivative instruments	**2,474**	**2,474**	2,400	2,400
Loan guarantees	**163**	**120**	163	119

* *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 Sep 2016[1]
Multiples	Multiple (Sales or EBITDA[2])	0.0 – 10.2 (5.7)	42
	Liquidity discount	0% – 25% (25%)	5
	Discount rate	25% – 40% (30%)	9
Discounted cash flows	Discount rate	0% – 1% (1%)	3

(1) The valuation of an investment may use multiple unobservable inputs and therefore its fair value can be included multiple times in the fair value amounts.
(2) Earnings before interest, taxes, depreciation and amortization.

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 2016**				Jun 2016
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Assets								
Performing fixed rate loans	**-**	**10,972**	**410**	**11,382**	-	10,601	461	11,062
Performing floating rate loans	**-**	**42,391**	**445**	**42,836**	-	40,864	447	41,311
Total performing loans receivable	**-**	**53,363**	**855**	**54,218**	-	51,465	908	52,373
Impaired loans	**-**	**546**	**-**	**546**	-	458	-	458
Loans receivable and accrued interest and fees	**-**	**53,909**	**855**	**54,764**	-	51,923	908	52,831
Marketable securities at fair value through profit or loss	**3,794**	**2,234**	**-**	**6,028**	3,730	2,796	-	6,526
Derivative instruments	**-**	**415**	**27**	**442**	-	486	33	519
Investments at fair value through profit or loss	**-**	**-**	**940**	**940**	-	-	873	873
Recoverable insurance claims	**-**	**-**	**56**	**56**	-	-	55	55
Other assets	**95**	**44**	**-**	**139**	88	44	-	132
Liabilities								
Accounts payable and other credits	**84**	**48**	**-**	**132**	64	49	-	113
Loans payable:								
Designated at fair value through profit or loss	**-**	**40,053**	**95**	**40,148**	-	41,471	136	41,607
At amortized cost	**-**	**8,897**	**-**	**8,897**	-	6,810	-	6,810
Derivative instruments	**-**	**2,474**	**-**	**2,474**	-	2,400	-	2,400
Loan guarantees	**-**	**120**	**-**	**120**	-	119	-	119

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

(in millions of Canadian dollars)					**Sep 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	**4**	**-**	**-**	**-**	**4**
Change in accrued interest	**-**	**-**	**49**	**(49)**	**-**
Unrealized gains (losses) included in other (income) expenses	**-**	**15**	**10**	**(6)**	**19**
Purchases of assets/issuances of liabilities	**-**	**175**	**-**	**-**	**175**
Matured assets/liabilities	**-**	**-**	**165**	**-**	**165**
Return of capital	**-**	**(70)**	**-**	**-**	**(70)**
Foreign exchange translation	**(2)**	**(27)**	**16**	**(1)**	**(14)**
Balance at end of period	**$56**	**$940**	**$(95)**	**$27**	**$928**
Total gains (losses) for the first nine months of 2016 included in comprehensive income for instruments held at the end of the quarter	**$4**	**$23**	**$(1)**	**$(6)**	**$20**

Changes in valuation methods may result in transfers into or out of Levels 1, 2 and 3. In the first nine 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 September 30, 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 $0.8 million to a favourable change of $2.2 million. On our Level 3 derivative assets the impact ranged from an unfavourable change of $0.9 million to a favourable change of $0.6 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 $36 million to a favourable change of $42 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)		**Sep 2016 Exposure**		Jun 2016 Exposure		Dec 2015 Exposure		Sep 2015 Exposure
Country	**$**	**%**	$	%	$	%	$	%
United States	**17,451**	**27**	17,750	27	17,773	28	17,683	28
Canada	**8,833**	**13**	8,529	13	8,922	14	8,786	14
United Kingdom	**3,630**	**6**	3,718	6	3,981	6	3,909	6
Brazil	**3,244**	**5**	3,289	5	3,646	6	3,607	6
Australia	**3,142**	**5**	3,222	5	3,697	6	2,719	4
Mexico	**2,424**	**4**	2,442	4	2,550	4	2,554	4
Chile	**2,265**	**3**	2,258	4	2,193	3	2,344	4
Saudi Arabia	**2,265**	**3**	2,215	3	1,659	2	1,621	3
India	**2,251**	**3**	2,278	4	1,859	3	1,772	3
Germany	**1,694**	**3**	1,573	2	1,295	2	1,341	2
Other	**18,735**	**28**	17,804	27	16,830	26	16,957	26
Total	**$65,934**	**100**	$65,078	100	$64,405	100	$63,293	100

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

(in millions of Canadian dollars)		**Sep 2016 Exposure**		Jun 2016 Exposure		Dec 2015 Exposure		Sep 2015 Exposure
Industry	**$**	**%**	$	%	$	%	$	%
Commercial:								
Extractive	**18,149**	**28**	17,518	27	16,770	26	16,868	27
Aerospace	**12,964**	**20**	12,950	20	13,695	21	13,703	22
Financial institutions	**7,554**	**11**	7,376	11	8,452	13	7,713	12
Information and communication technologies	**6,167**	**9**	5,859	9	5,039	8	5,494	9
Surface transportation	**5,998**	**9**	5,935	9	5,828	9	5,719	9
Infrastructure and environment	**4,690**	**7**	4,515	7	4,212	7	3,639	6
Other	**3,449**	**5**	3,385	5	3,312	5	3,124	5
Total commercial	**58,971**	**89**	57,538	88	57,308	89	56,260	90
Sovereign	**6,963**	**11**	7,540	12	7,097	11	7,033	10
Total	**$65,934**	**100**	$65,078	100	$64,405	100	$63,293	100

13. Loan Revenue

	Three months ended			Nine months ended	
(in millions of Canadian dollars)	**Sep 2016**	Jun 2016	Sep 2015	**Sep 2016**	Sep 2015
Loan interest					
Floating rate	**289**	260	216	**805**	605
Fixed rate	**103**	102	109	**311**	313
Loan fee revenue	**37**	38	42	**115**	127
Impaired revenue	**6**	4	2	**14**	7
Other	**4**	2	7	**8**	11
Total loan revenue	**$439**	$406	$376	**$1,253**	$1,063

14. Interest Expense

	Three months ended			Nine months ended	
(in millions of Canadian dollars)	**Sep 2016**	Jun 2016	Sep 2015	**Sep 2016**	Sep 2015
Loans payable designated at fair value through profit or loss and related derivatives					
Short-term payables	**30**	31	16	**88**	38
Long-term payables – floating	**71**	57	26	**177**	70
Long-term payables – fixed*	**(3)**	(3)	(4)	**(9)**	(12)
Loans payable carried at amortized cost					
Long-term payables – fixed	**22**	20	20	**63**	58
Total interest expense on loans payable and related derivatives	**120**	105	58	**319**	154
Interest income on currency swaps related to capital	**(2)**	(3)	(10)	**(9)**	(37)
Other	**1**	-	1	**1**	2
Total interest expense	**$119**	$102	$49	**$311**	$119

* *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 2016					Jun 2016					Sep 2015
	CI	**FII**	**CIB**	**PRI**	**Total**	CI	FII	CIB	PRI	Total	CI	FII	CIB	PRI	Total
Direct premiums	**25**	**5**	**18**	**7**	**55**	25	6	17	7	55	26	5	16	9	56
Reinsurance assumed	**1**	**-**	**1**	**-**	**2**	2	-	-	-	2	1	-	-	-	1
Reinsurance ceded	**(1)**	**(1)**	**(3)**	**(5)**	**(10)**	(2)	-	(1)	(4)	(7)	(1)	(1)	(2)	(4)	(8)
Net insurance premiums and guarantee fees	**$25**	**$4**	**$16**	**$2**	**$47**	$25	$6	$16	$3	$50	$26	$4	$14	$5	$49

(in millions of Canadian dollars)	Nine months ended									
					Sep 2016					Sep 2015
	CI	**FII**	**CIB**	**PRI**	**Total**	CI	FII	CIB	PRI	Total
Direct premiums	**76**	**16**	**51**	**22**	**165**	79	14	45	24	162
Reinsurance assumed	**3**	**-**	**2**	**1**	**6**	2	-	2	1	5
Reinsurance ceded	**(4)**	**(1)**	**(6)**	**(15)**	**(26)**	(4)	(2)	(6)	(12)	(24)
Net insurance premiums and guarantee fees	**$75**	**$15**	**$47**	**$8**	**$145**	$77	$12	$41	$13	$143

16. Provision for (Reversal of) Credit Losses

(in millions of Canadian dollars)	Three months ended			Nine months ended	
	Sep 2016	Jun 2016	Sep 2015	**Sep 2016**	Sep 2015
Changes in portfolio composition*	**(20)**	29	2	**107**	(49)
Credit migration	**(35)**	143	59	**106**	126
Decreased (increased) concentration threshold	**-**	-	-	**(9)**	**1**
Other	**-**	-	-	**-**	**(1)**
Provision for (reversal of) credit losses	**$(55)**	$172	$61	**$204**	$77

* *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 2016	Jun 2016	Sep 2015	**Sep 2016**	Sep 2015
Provision for (reversal of) credit losses on loans	**(48)**	200	69	**241**	88
Provision for (reversal of) losses on loan commitments	**(5)**	(33)	(2)	**(37)**	2
Provision for (reversal of) losses on loan guarantees	**(2)**	5	(6)	**-**	(13)
Provision for (reversal of) credit losses	**$(55)**	$172	$61	**$204**	$77

17. Claims-Related Expenses

(in millions of Canadian dollars)	Three months ended **Sep 2016**	Jun 2016	Sep 2015	Nine months ended **Sep 2016**	Sep 2015
Claims paid	**19**	29	20	**73**	70
Claims paid – reinsured policies	**1**	-	-	**1**	1
Claims recovered	**(4)**	(2)	(2)	**(10)**	(12)
Actuarial increase (decrease) in the net allowance for claims on insurance	**36**	(9)	(9)	**31**	(18)
(Increase) decrease in recoverable insurance claims	**-**	(2)	(3)	**(4)**	(2)
Claims handling expenses	**1**	-	1	**2**	2
Total claims-related expenses	**$53**	$16	$7	**$93**	$41

18. Other (Income) Expenses

(in millions of Canadian dollars)	Three months ended **Sep 2016**	Jun 2016	Sep 2015	Nine months ended **Sep 2016**	Sep 2015
Net unrealized (gain) loss on loans payable designated at fair value through profit or loss	**(3)**	38	10	**233**	(32)
Net unrealized (gain) loss on derivatives related to loans payable	**101**	(73)	(123)	**(155)**	(87)
Net realized and unrealized (gain) loss on marketable securities at fair value through profit or loss	**25**	(27)	(31)	**(73)**	(33)
Net realized and unrealized (gain) loss on investments at fair value through profit or loss	**(1)**	3	(12)	**(23)**	(65)
(Gain) loss on sale of aircraft	**-**	-	-	**23**	(45)
Other	**(6)**	(24)	(8)	**(29)**	(25)
Total other (income) expenses	**$116**	$(83)	$(164)	**$(24)**	$(287)

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, 2016, the net unrealized loss on our loans payable and derivatives totalled $98 million compared to a net unrealized gain of $35 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, 2016, the credit adjusted rates relevant to the valuation of derivatives had larger increases than the rates applicable to loans payable, leading to larger losses on our derivatives than gains 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, 2016, the net realized and unrealized loss on marketable securities was $25 million compared to a gain of $27 million for the previous quarter, which is a reflection of the continued uncertainty in long-term U.S. Treasury rates.

19. Administrative Expenses

	Three months ended			Nine months ended	
(in millions of Canadian dollars)	**Sep 2016**	Jun 2016	Sep 2015	**Sep 2016**	Sep 2015
Salaries and benefits	**48**	48	42	**142**	130
Pension, other retirement and post-employment benefits	**13**	12	13	**37**	40
Occupancy	**7**	6	7	**20**	20
Amortization and depreciation	**7**	6	6	**19**	18
Marketing and communications	**5**	3	3	**12**	12
Other	**14**	16	13	**41**	36
Total administrative expenses	**$94**	$91	$84	**$271**	$256

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 2016**	Jun 2016	Sep 2015	**Sep 2016**	Sep 2015
Pension benefit expense	**9**	9	9	**26**	27
Other post-employment benefit and severance expense	**4**	3	4	**11**	13
	$13	$12	$13	**$37**	$40

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.

Canada

EDC is the owner of trademarks and official marks. Any use of an EDC trademark or official mark without written permission is strictly prohibited. All other trademarks appearing in this document are the property of their respective owners. The information presented is subject to change without notice. EDC assumes no responsibility for inaccuracies contained herein. Copyright © 2016 Export Development Canada. All rights reserved.

EDC