

EXPORT DEVELOPMENT CANADA
QUARTERLY FINANCIAL REPORT



ACCELERATING THE EXPORT IMPACT

JUNE 30, 2024 | UNAUDITED

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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 a Crown corporation dedicated to helping Canadian companies of all sizes succeed in global markets. We're Canada's export credit agency and a member of the Government of Canada's international trade portfolio, with offices and representations across Canada and around the world. Since 1944, we've equipped Canadian companies with the tools they need—the trade knowledge, connections and financial solutions, including loans, equity and insurance—to grow their business with confidence. Underlying our support is a commitment to sustainable, responsible and inclusive business, aimed at strengthening the way trade serves society and our planet.

Economic Environment

As global inflation has returned to a more acceptable range, central banks in advanced economies—with the notable exception of the U.S. Federal Reserve—have taken steps to begin easing monetary policy. But, together with price increases, higher-for-longer interest rates have pressured the economic outlook in many countries. This has left policymakers grappling to find their footing, all while navigating economies squeezed by tighter financial conditions.

For the first time since they started increasing rates in 2022, both the Bank of Canada and the European Central Bank cut rates in June 2024. While the reduction of 0.25% in both countries was modest, and rates ended the quarter at 4.75% in Canada and 4.25% in Europe, more action will likely follow in the second half of the year. However, the U.S. Federal Reserve continued to hold its policy rate as economic and inflation data didn't indicate an eroding outlook and the first half of 2024 has seen the U.S. economy continue its steady expansion. While unemployment in the U.S. has increased modestly, it only reached 4.1% as of June, close to pre-pandemic historical lows, as job creation has persisted. This has contributed to stable consumer spending and fueled growth.

The divergence in monetary policy between the U.S. and much of the world helped fuel a modest strengthening in the value of the U.S. dollar. The Canadian dollar averaged USD 73 cents in the second quarter, a slight decline from the previous six months. While a weaker Canadian dollar and sturdier U.S. economy often translates into a more positive Canadian trade environment, through the first half of 2024 exports were essentially the same as during the first half of 2023. Falling non-oil commodity prices and the closure of motor vehicle production lines for retooling have presented key challenges for exports.

China's economic weakness continues to impact the global economy. While the government announced additional support measures and an extraordinary bond program in the second quarter of 2024 to stimulate growth, consumer and business confidence remained weak. China's export-focused growth has also increased trade tensions with Europe and the U.S. and resulted in new and escalating trade tariffs being announced this quarter.

In the European area, Germany has not seen industrial production recover, despite a modest improvement in the economy. Industrial capacity utilization recorded lows in the second quarter of 2024 that have only been surpassed during the start of the pandemic in 2020 and in the depths of the 2008 financial crisis.

Overall Canada's economy was relatively stable through the second quarter of 2024. Interest rates have seen Canadians' debt service ratio stabilize around 15% in 2024 and slowed business investment. Weak job creation and high levels of population growth have resulted in the unemployment rate increasing to 6.4% in June.

Macroeconomic Outlook

Our expected credit loss impairment model uses forward-looking information determined from reasonable and supportable forecasts of future economic conditions as at the reporting date. Our forecasts are updated quarterly, and the impact of the update is reflected in the expected credit losses for the period.

EDC's baseline scenario anticipates a global economy experiencing growth in 2024 of 3.1%. In this scenario, growth is expected to rise next year, reaching 3.5% as forecast lower interest rates support a gradual recovery in consumer and business balance sheets. Growth in Canada is projected to be just 1.1% in 2024 before seeing a modest recovery to 1.9% in 2025. The lower growth in 2024 is the result of a highly indebted Canadian consumer, whose sizable debt-servicing requirements have led to a focus on savings over spending. In the U.S., a resilient labour market has supported steady growth in wages and employment, generating a spending splurge that's helped its economy outperform relative to other developed market economies. We expect the U.S. economy to post growth of 2.3% in 2024, and 1.8% in 2025.

EDC's downside scenario anticipates higher-for-longer interest rates driven by persistent inflation and projects that strict monetary policy from the U.S. Federal Reserve Bank will lead to greater than intended economic and financial impacts. This scenario begins in the fourth quarter of 2024 and is assigned a probability of 25%. Under this scenario, higher for longer interest rates hit economic activity more powerfully than in the baseline. The elevated cost of borrowing reduces credit-sensitive spending, weakening demand and consumption, and sees a substantial rise in default risk and risk perceptions. Continued U.S. dollar strength makes it more difficult for emerging market sovereigns and corporates to borrow.

EDC's upside scenario sees higher spending by consumers and businesses driving greater economic activity than in the base case beginning in the first quarter of 2025 and is assigned a probability of 10%. This scenario assumes that major central banks will cut interest rates more slowly than the baseline scenario and converge to baseline levels in the medium term.

Risk Management

Our business activities expose us to a wide variety of risks including strategic, financial and operational risks. We manage risk with a three lines of defence risk governance structure, which emphasizes and balances strong central oversight of risk with clear accountability for and ownership of risk. The structure governs EDC's risk appetite throughout the organization and provides forums for risks to be appropriately considered, discussed, debated and factored into business decisions at all levels and across all functions. This structure will allow us to continue to manage our business as risks evolve and as new risks emerge.

For a more comprehensive discussion on our risk management practices, please refer to pages 105-113 of our 2023 Annual Report. Refer to Note 10 of the accompanying financial statements for details on financial instrument risks.

Impact of Foreign Exchange Translation on Financial Results

Our foreign currency-denominated results are impacted by exchange rate fluctuations. The Canadian dollar relative to the U.S. dollar weakened in the second quarter of 2024, resulting in a rate of \$0.73 at the end of the quarter compared to \$0.75 at the end of 2023. The impact of the weaker dollar was an increase to our assets and liabilities which are primarily denominated in U.S. dollars and are translated to Canadian dollars at rates prevailing at the statement of financial position date. The Canadian dollar averaged \$0.73 against the U.S. dollar in the second quarter of 2024, compared to \$0.74 for the second quarter of 2023. This weakening had a favourable impact on our financial results, as the components of net income and our business facilitated are translated into Canadian dollars at average exchange rates.

Comparative Figures

Certain comparative figures within this report have been updated to reflect the results presented in the December 31, 2023 consolidated financial statements, including changes related to the implementation of IFRS 17, reclassifications on the Condensed Consolidated Statement of Cash flows and changes in disclosure regarding cash and cash equivalents. The changes resulted in the update of comparative figures in certain areas in Management's Discussion and Analysis, the condensed consolidated financial statements and the related notes.

Business Facilitated

Business facilitated for financing and investments decreased by \$4.0 billion compared to the same period in 2023 mainly due to decreases in direct lending and guarantees. The decrease in direct lending occurred primarily in the transportation and storage, information and resources sectors where we signed fewer and lower value transactions when compared to the first six months of 2023. The decrease in guarantees occurred primarily in manufacturing due to fewer signings when compared to the same period in 2023.

Business facilitated for financial institutions insurance decreased by 27% compared to the same period in 2023 primarily due to decreased demand in the Latin America market.

Business facilitated for international trade guarantee increased by 8% compared to the same period in 2023 primarily due to broad growth from existing and new customers in the finance and insurance sectors.

	For the six months ended	
	Jun 2024	Jun 2023
<i>(in millions of Canadian dollars)</i>		
Direct lending	7,820	11,437
Project finance	2,796	2,745
Loan guarantees	1,350	1,795
Investments	400	374
Total financing and investments	12,366	16,351
Credit insurance	42,570	42,822
Financial institutions insurance	2,681	3,671
International trade guarantee	4,944	4,597
Political risk insurance	-	228
Total insurance	50,195	51,318
Total	\$62,561	\$67,669

SUMMARY OF FINANCIAL RESULTS

Financial Performance

	For the three months ended		For the six months ended		Jun 2024 Corporate Plan
	Jun 2024	Jun 2023	Jun 2024	Jun 2023	
<i>(in millions of Canadian dollars)</i>					
Net financing and investment income	292	259	630	584	603
Loan guarantee fees	21	18	43	38	39
Net insurance service revenue ⁽¹⁾	80	68	155	139	128
Realized gains (losses) ⁽²⁾	(4)	(16)	(64)	1	(22)
Net revenue	389	329	764	762	748
Administrative expenses	140	143	276	277	276
Net insurance service expenses ⁽¹⁾	34	73	101	153	118
Provision for (reversal of) credit losses	578	(16)	417	(67)	131
Income (loss) before unrealized (gains) losses	(363)	129	(30)	399	223
Unrealized (gains) losses on financial instruments ⁽²⁾	(219)	(111)	(329)	(69)	-
Net income (loss)	(144)	240	299	468	223
Other comprehensive income (loss)	40	(3)	129	62	6
Comprehensive income (loss)	\$(104)	\$237	\$428	\$530	\$229

⁽¹⁾ Included in Net Insurance Service Result on the Condensed Consolidated Statement of Comprehensive Income

⁽²⁾ Included in Other (Income) Expenses on the Condensed Consolidated Statement of Comprehensive Income

Quarter Highlights

We had a **net loss** of \$144 million in the second quarter of 2024 compared to net income of \$240 million for the same period in 2023 primarily as a result of an increase in the provision for credit losses partially offset by an increase in unrealized gains on our financial instruments carried at fair value, net revenue and a decrease in net insurance service expenses.

Net revenue increased by \$60 million compared to the same period in 2023 primarily due to higher **net financing and investment income**, largely as a result of a higher average balance in our floating rate loan portfolio, and increased **net insurance service revenue** due to growth in our international trade guarantee solution, primarily in the utilities and finance and insurance sectors.

Net insurance service expenses decreased by \$39 million compared to the same period last year due to a change in the estimates related to incurred claims.

We recorded a **provision for credit losses** of \$578 million in the quarter compared to a reversal of credit losses of \$16 million in the same period last year primarily due to an impairment in the utilities sector. This was partially offset by an improvement in the macroeconomic outlook. The release in 2023 was primarily due to upward credit migration and an improvement in the macroeconomic outlook.

Net unrealized gains of \$219 million in the second quarter of 2024 compared to \$111 million in the same period in the prior year were primarily due to the volatility associated with our financial instruments carried at fair value through profit or loss.

We recorded **other comprehensive income** of \$40 million in the second quarter of 2024 mainly due to an increase in the discount rate used to value the pension obligations and positive returns on plan assets.

Year to Date Highlights

Net income for the first six months of 2024 was \$299 million compared to \$468 million for the same period in 2023 mainly due to an increase in the provision for credit losses in 2024 partially offset by an increase in unrealized gains on our financial instruments carried at fair value when compared to 2023.

Net realized losses of \$64 million for the first six month of 2024 compared to a realized gain of \$1 million in the prior year period were primarily due to losses within our investments portfolio.

Net insurance service expenses decreased by \$52 million compared to the same period last year primarily due to a change in the estimates related to incurred claims.

We recorded a **provision for credit losses** of \$417 million in the first half of 2024 compared to a reversal of credit losses of \$67 million in the same period last year. The provision for credit losses was primarily due to a new impairment as previously discussed partially offset by upward credit migration, an improvement in the macroeconomic outlook and net loan repayments. The reversal of credit losses in 2023 was primarily due to an improvement in the macroeconomic outlook and upward credit migration partially offset by higher impaired provision rates.

Net unrealized gains of \$329 million for the first six months of 2024 compared to \$69 million in the prior year period were primarily due to the volatility associated with our financial instruments carried at fair value through profit or loss.

We recorded **other comprehensive income** of \$129 million in the first half of the year mainly due to an increase in the discount rate used to value the pension obligations and positive returns on plan assets.

Net income for the first six months of 2024 has increased from Corporate Plan primarily due to unrealized gains on financial instruments. Due to the volatility and difficulty in estimating fair value gains and losses, a forecast is not included in the Corporate Plan. The increase is partially offset by an increase in the provision for credit losses as previously discussed.

Provision for (Reversal of) Credit Losses by Sector

Activity within the provision for (reversal of) credit losses during the second quarter by sector was as follows:

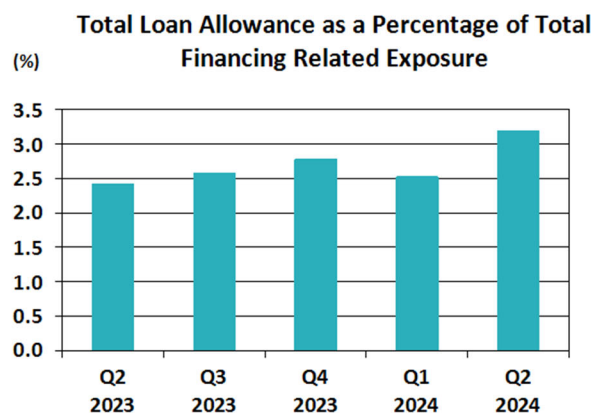
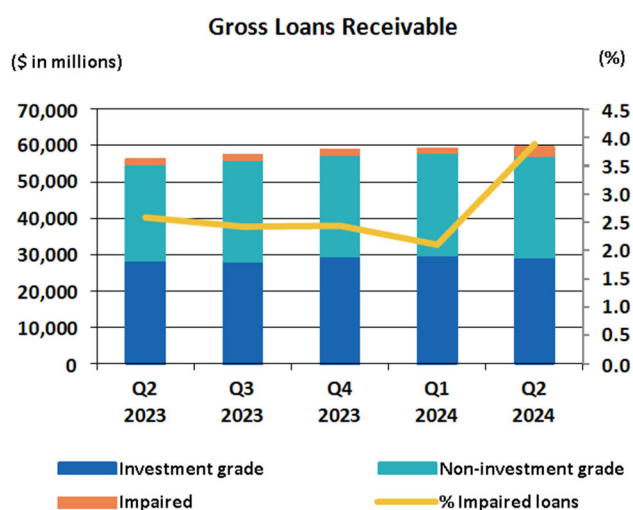
<i>(in millions of Canadian dollars)</i>	Jun 2024			Jun 2023		
	Performing	Impaired	Total	Performing	Impaired	Total
Utilities	(44)	631	587	(29)	-	(29)
Wholesale and retail trade	12	18	30	-	9	9
Manufacturing	(41)	19	(22)	(21)	37	16
Transportation and storage	(17)	(4)	(21)	(32)	21	(11)
Commercial properties	20	(2)	18	(14)	(1)	(15)
Information	14	-	14	8	(1)	7
Professional services	(15)	2	(13)	14	1	15
Resources	(9)	7	(2)	6	1	7
Sovereign	-	-	-	(18)	-	(18)
Other	4	(17)	(13)	(1)	4	3
Total	\$(76)	\$654	\$578	\$(87)	\$71	\$(16)

Activity within the provision for (reversal of) credit losses during the first six months by sector was as follows:

<i>(in millions of Canadian dollars)</i>			Jun 2024			Jun 2023
	Performing	Impaired	Total	Performing	Impaired	Total
Utilities	(68)	565	497	16	(2)	14
Sovereign	(41)	-	(41)	(33)	-	(33)
Wholesale and retail trade	17	23	40	17	11	28
Professional services	(31)	6	(25)	20	1	21
Transportation and storage	(18)	(5)	(23)	(129)	49	(80)
Resources	11	11	22	(4)	6	2
Manufacturing	(42)	25	(17)	(14)	49	35
Commercial properties	10	(2)	8	(38)	(1)	(39)
Information	(5)	(1)	(6)	(4)	(1)	(5)
Other	(6)	(32)	(38)	(15)	5	(10)
Total	\$(173)	\$590	\$417	\$(184)	\$117	\$(67)

Financial Position

As at (in millions of Canadian dollars)	Jun 2024	Dec 2023	Jun 2024 Corporate Plan
Total assets	72,068	71,514	74,129
Total liabilities	61,258	58,688	63,422
Equity	10,810	12,826	10,707
Gross loans receivable	59,586	58,961	60,931
Total allowances - loans portfolio	2,480	2,110	1,887



Total liabilities are \$2.6 billion higher than December 2023 primarily due to a \$2.3 billion increase in loans payable as we took advantage of favourable market conditions to pre-fund a portion of our anticipated borrowing requirements for the remainder of the year. The excess funds will be used for future loan disbursements and to pay down upcoming debt maturities and were held as marketable securities at the end of June 2024.

Impaired loans as a percentage of gross loans receivable increased compared to the fourth quarter of 2023 primarily due to the impairment recorded in the second quarter of 2024 as previously discussed.

Loan allowance as a percentage of total financing exposure increased during the first half of 2024. The components impacting the change in allowance during the first half of 2024 were as follows:

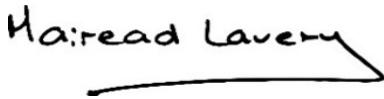
- remeasurements due to credit migration – increase of \$577 million;
- new originations – increase of \$138 million;
- the weakening of the Canadian dollar relative to the U.S. dollar – increase of \$32 million;
- net repayments and maturities – decrease of \$230 million;
- loan write-offs – decrease of \$79 million; and
- updated macroeconomic assumptions – decrease of \$68 million.

STATEMENT OF MANAGEMENT RESPONSIBILITY

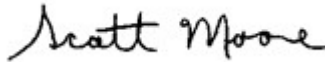
Management is responsible for the preparation and fair presentation of these condensed consolidated quarterly financial statements in accordance with the Treasury Board of Canada's *Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports*, and for such internal controls 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 June 30, 2024 and for the periods presented in the condensed consolidated quarterly financial statements.



Mairead Lavery,
President and Chief Executive Officer



Scott Moore,
Executive Vice-President, Finance and Chief Finance Officer

Ottawa, Canada
August 29, 2024

Export Development Canada

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at

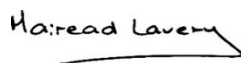
<i>(in millions of Canadian dollars)</i>	Notes	Jun 2024	Dec 2023
Assets			
Cash and cash equivalents		1,519	1,950
Marketable securities		7,145	7,006
Derivative instruments		1,511	1,307
Loans receivable	3	59,651	59,041
Allowance for losses on loans	3	(2,140)	(1,720)
Investments		3,428	3,089
Reinsurance contract assets	4	57	65
Property, plant and equipment		38	41
Intangible assets		27	31
Right-of-use assets		105	108
Retirement benefit assets		575	461
Other assets		152	135
Total Assets		\$72,068	\$71,514
Liabilities and Equity			
Accounts payable and other credits		153	218
Loan guarantees	3	302	334
Loans payable		57,411	55,109
Derivative instruments		2,698	2,293
Lease liabilities		141	143
Allowance for losses on loan commitments	3	80	100
Insurance contract liabilities	4	300	318
Retirement benefit liabilities		173	173
Total Liabilities		61,258	58,688
<i>Financing commitments (Note 3) and contingent liabilities (Note 9)</i>			
Share capital	5	6,046	8,490
Retained earnings		4,764	4,336
Total Equity		10,810	12,826
Total Liabilities and Equity		\$72,068	\$71,514

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 August 29, 2024.



Manjit Sharma
Director



Mairead Lavery
Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(in millions of Canadian dollars)</i>	Notes	For the three months ended		For the six months ended	
		Jun 2024	Jun 2023	Jun 2024	Jun 2023
Financing and Investment Revenue:					
Loans		1,011	905	2,021	1,736
Marketable securities and cash equivalents		93	81	220	183
Investments		6	4	13	9
Total financing and investment revenue		1,110	990	2,254	1,928
Interest expense		809	723	1,609	1,316
Financing-related expenses		9	8	15	28
Net Financing and Investment Income		292	259	630	584
Loan Guarantee Fees					
		21	18	43	38
Insurance revenue	6	89	80	177	160
Insurance service expenses	6	(33)	(94)	(94)	(181)
Reinsurance service recoveries (expenses)		(10)	9	(29)	7
Net Insurance Service Result		46	(5)	54	(14)
Other (Income) Expenses	7	(215)	(95)	(265)	(70)
Administrative Expenses	8	140	143	276	277
Income before Credit Losses		434	224	716	401
Provision for (Reversal of) Credit Losses	3	578	(16)	417	(67)
Net Income (Loss)		(144)	240	299	468
Other comprehensive income (loss):					
Retirement benefit plans remeasurement		40	(3)	129	62
Comprehensive Income (Loss)		\$(104)	\$237	\$428	\$530

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(in millions of Canadian dollars)</i>	Notes	For the three months ended		For the six months ended	
		Jun 2024	Jun 2023	Jun 2024	Jun 2023
Share Capital					
Balance beginning of period		7,290	8,490	8,490	8,490
Shares repurchased	5	1,244	-	2,444	-
Balance end of period		6,046	8,490	6,046	8,490
Retained Earnings					
Balance beginning of period		4,868	4,194	4,336	3,901
Net income (loss)		(144)	240	299	468
Other comprehensive income (loss)					
Retirement benefit plans remeasurement		40	(3)	129	62
Balance end of period		4,764	4,431	4,764	4,431
Total Equity End of Period		\$10,810	\$12,921	\$10,810	\$12,921

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in millions of Canadian dollars)</i>	For the three months ended		For the six months ended	
	Jun 2024	Jun 2023	Jun 2024	Jun 2023
Cash Flows from (used in) Operating Activities				
Net income (loss)	(144)	240	299	468
Adjustments to determine net cash flows from (used in) operating activities				
Provision for (reversal of) credit losses	578	(16)	417	(67)
Depreciation and amortization	6	8	13	16
Realized losses	17	8	85	8
Changes in operating assets and liabilities				
Change in accrued interest and fees on loans receivable	79	75	(24)	(116)
Change in accrued interest and fair value of marketable securities	(10)	50	38	(42)
Change in accrued interest and fair value of loans payable	143	(207)	(312)	96
Change in fair value of investments	(35)	51	(149)	(23)
Change in derivative instruments	4	72	96	(326)
Other	(5)	94	(17)	51
Loan disbursements	(3,666)	(4,749)	(7,728)	(10,312)
Loan repayments and principal recoveries from loan asset sales	3,809	4,773	8,228	7,710
Net cash from (used in) operating activities	776	399	946	(2,537)
Cash Flows from (used in) Investing Activities				
Disbursements for investments	(241)	(206)	(407)	(341)
Receipts from investments	98	50	194	96
Purchases of marketable securities	(1,775)	(2,581)	(3,538)	(4,958)
Sales/maturities of marketable securities	1,737	1,938	3,577	4,256
Purchases of property, plant and equipment	(1)	-	(1)	(1)
Net cash used in investing activities	(182)	(799)	(175)	(948)
Cash Flows from (used in) Financing Activities				
Issue of long-term loans payable	1,665	3,883	14,425	16,119
Repayment of long-term loans payable	(3,094)	(3,318)	(8,992)	(9,649)
Issue of short-term loans payable	6,589	14,969	11,280	24,075
Repayment of short-term loans payable	(6,956)	(10,317)	(15,513)	(22,188)
Disbursements from sale/maturity of derivative instruments	(13)	(188)	(42)	(238)
Receipts from sale/maturity of derivative instruments	16	40	55	70
Repurchase of share capital	(1,244)	-	(2,444)	-
Net cash from (used in) financing activities	(3,037)	5,069	(1,231)	8,189
Effect of exchange rate changes on cash and cash equivalents	4	(118)	29	(117)
Net increase (decrease) in cash and cash equivalents	(2,439)	4,551	(431)	4,587
Cash and cash equivalents				
Beginning of period	3,958	3,091	1,950	3,055
End of period	\$1,519	\$7,642	\$1,519	\$7,642
Cash and cash equivalents are comprised of:				
Cash	750	425	750	425
Cash equivalents	769	7,217	769	7,217
	\$1,519	\$7,642	\$1,519	\$7,642
Operating Cash Flows from Interest				
Cash paid for interest	\$499	\$424	\$1,549	\$1,006
Cash received for interest	\$1,214	\$1,007	\$2,173	\$1,717

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

Notes to the Condensed Consolidated Financial Statements

1. Material Accounting Policy Information

Basis of Presentation

Our condensed consolidated financial statements comply with the *Directive on Accounting Standards: G5200 Crown Corporations Quarterly Financial Report* issued by the Treasury Board of Canada.

Except as indicated below, these condensed consolidated financial statements follow the same accounting policies and methods of computation as our audited consolidated financial statements for the year ended December 31, 2023. They should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2023 and the accompanying notes as set out on pages 132-184 of our 2023 Integrated Annual Report.

Pursuant to the Export Development Act, the Minister of Export Promotion, International Trade and Economic Development, with the concurrence of the Minister of Finance, may authorize us to undertake certain financial and contingent liability transactions on behalf of the Government of Canada. These transactions and the legislative authorities that underlie them have come to be known collectively as “Canada Account.” Accounts for these transactions are maintained separately from our accounts and are consolidated annually as at March 31 with the financial statements of the Government of Canada, which are reported upon separately by the Government and audited by the Auditor General of Canada.

Basis of Consolidation

Our consolidated financial statements include the assets, liabilities, results of operations and cash flows of our wholly owned subsidiaries and those structured entities consolidated under *IFRS 10 – Consolidated Financial Statements*. Intercompany transactions and balances have been eliminated.

Application of New International Financial Reporting Standards

New standards, amendments and interpretations adopted during the quarter

There were no new standards, amendments or interpretations adopted in the second quarter of the year.

New standards, amendments and interpretations issued but not yet in effect

The standards, amendments and interpretations issued but not yet in effect are disclosed in Note 2 of our audited consolidated financial statements for the year ended December 31, 2023.

On April 9, 2024 the IASB issued IFRS 18 – *Presentation and Disclosures in Financial Statements* which is to replace IAS 1 – *Presentation of Financial Statements*. The new standard is intended to enhance the comparability and transparency of reporting in the financial statements and will be effective for annual periods beginning on or after January 1, 2027. We are currently assessing the impact of the new standard on our consolidated financial statements.

Use of Estimates and Key Judgements

The preparation of financial statements requires the use of estimates and key judgements. Judgement 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. Other areas where management has made use of significant estimates and exercised judgement include allowance for credit losses, insurance contract liabilities, insurance service results, assets held for sale, retirement benefit plans and financial instruments measured at fair value. Refer to page 135 of our 2023 Integrated Annual Report for additional details.

2. 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 3 on page 144 of the 2023 Integrated 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 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. The methodologies and values derived from these models were relatively unchanged at the end of the second quarter of 2024 from what was disclosed in the 2023 Integrated Annual Report.

Fair Value Hierarchy

The following table presents the fair value hierarchy of our financial instruments based on whether the inputs to the valuation 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).

	Jun 2024					Dec 2023				
	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying Value	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying Value
<i>(in millions of Canadian dollars)</i>										
Assets										
Performing fixed rate loans	-	10,753	981	11,734	12,517	-	10,760	1,277	12,037	12,784
Performing floating rate loans	-	44,634	715	45,349	44,014	-	44,204	794	44,998	43,944
Total performing loans receivable	-	55,387	1,696	57,083	56,531	-	54,964	2,071	57,035	56,728
Impaired loans	-	980	-	980	980	-	593	-	593	593
Loans receivable and accrued interest and fees	-	56,367	1,696	58,063	57,511	-	55,557	2,071	57,628	57,321
Marketable securities	4,840	2,305	-	7,145	7,145	4,703	2,303	-	7,006	7,006
Derivative instruments	-	1,511	-	1,511	1,511	-	1,307	-	1,307	1,307
Investments	64	-	3,364	3,428	3,428	77	-	3,012	3,089	3,089
Liabilities										
Loans payable	-	57,416	-	57,416	57,411	-	55,109	-	55,109	55,109
Derivative instruments	-	2,698	-	2,698	2,698	-	2,293	-	2,293	2,293
Loan guarantees	-	286	-	286	302	-	323	-	323	334

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The financial instruments included in other assets and accounts payable and other credits are short-term in nature and have a carrying amount that reasonably approximate the fair value.

Changes in valuation methods may result in transfers into or out of Levels 1, 2 and 3. There were no changes in valuation methods in the first six months of 2024.

The following table is a year to date reconciliation of Level 3 fair values for investments carried at fair value:

<i>(in millions of Canadian dollars)</i>	2024	2023
Balance beginning of year	3,012	2,685
Purchases of assets	420	385
Return of capital	(146)	(109)
Unrealized gains included in other (income) expenses	28	9
Foreign exchange translation	50	(31)
Balance end of period	\$3,364	\$2,939
Total gains for the first six months of the year included in comprehensive income for instruments held at the end of the quarter	\$58	\$33

3. Loans and Allowance for Credit Losses

Loans Receivable

<i>(in millions of Canadian dollars)</i>	Jun 2024	Dec 2023
Gross loans receivable	59,586	58,961
Accrued interest and fees receivable	493	449
Deferred loan revenue and other	(428)	(369)
Total loans receivable	\$59,651	\$59,041

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

<i>(in millions of Canadian dollars)</i>	2024	2023
Balance January 1	58,961	54,193
Disbursements	7,728	10,312
Principal repayments	(8,178)	(7,475)
Principal recoveries from loan asset sales	(50)	(235)
Loans written off	(129)	(19)
Capitalized interest	22	22
Foreign exchange translation	1,232	(608)
Balance June 30	\$59,586	\$56,190

Exposure and Allowance by Credit Grade

The table below presents exposure and allowance by credit grade within our loans portfolio based on the following stage assignments:

- Stage 1 – where there has not been a significant increase in credit risk since origination;
- Stage 2 – where there has been a significant increase in credit risk since origination; and
- Stage 3 – where a financial instrument is considered impaired.

	Non-credit-impaired		Credit-impaired		Jun 2024	Dec 2023
<i>(in millions of Canadian dollars)</i>	Stage 1	Stage 2	Stage 3	\$	% of total	% of total
Gross loans receivable						
Investment grade*	21,129	8,182	-	29,311	49%	50%
Non-investment grade	14,780	13,092	-	27,872	47%	47%
Individually impaired	-	-	2,099	2,099	3%	2%
Originated credit-impaired	-	88	216	304	1%	1%
Gross loans receivable	35,909	21,362	2,315	59,586	100%	100%
Allowance for losses	115	691	1,334	2,140		
Net carrying value - loans receivable	\$35,794	\$20,671	\$981	\$57,446		\$57,241
Loan commitments						
Investment grade*	4,064	949	-	5,013	39%	38%
Non-investment grade	4,878	2,707	-	7,585	60%	62%
Individually impaired	-	-	39	39	-	-
Originated credit-impaired	-	66	-	66	1%	-
Total loan commitments	8,942	3,722	39	12,703	100%	100%
Allowance for losses	14	59	7	80		100
Net carrying value - loan commitments	\$8,928	\$3,663	\$32	\$12,623		\$11,544
Loan guarantees						
Investment grade*	210	22	-	232	4%	4%
Non-investment grade	3,356	1,812	-	5,168	92%	92%
Individually impaired	-	-	226	226	4%	4%
Total loan guarantees	3,566	1,834	226	5,626	100%	100%
Allowance for losses	39	80	141	260		290
Net carrying value - loan guarantees	\$3,527	\$1,754	\$85	\$5,366		\$5,348

*Investment grade exposure represents obligors with credit ratings of BBB- and above, as determined based on our internal credit risk rating methodology. Exposures are presented before the effects of any risk-mitigation strategies.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Allowance for Losses

Changes to the allowance for losses on loans receivable, loan commitments and loan guarantees as at and for the three months ended June 30 were as follows:

<i>(in millions of Canadian dollars)</i>	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Allowance for losses on loans receivable								
Balance beginning of period	141	716	733	1,590	189	651	720	1,560
Provision for (reversal of) credit losses								
Transfer to stage 1	66	(66)	-	-	53	(53)	-	-
Transfer to stage 2	(29)	43	(14)	-	(14)	14	-	-
Transfer to stage 3	-	(16)	16	-	3	3	(6)	-
Remeasurements	(67)	33	643	609	(70)	(34)	43	(61)
New originations	14	14	11	39	13	11	5	29
Net repayments and maturities	(11)	(37)	(11)	(59)	(12)	(41)	(3)	(56)
Total provision for (reversal of) credit losses	(27)	(29)	645	589	(27)	(100)	39	(88)
Write-offs	-	-	(45)	(45)	-	-	-	-
Foreign exchange translation	1	4	1	6	(2)	(9)	(11)	(22)
Balance end of period	115	691	1,334	2,140	160	542	748	1,450
Allowance for losses on loan commitments								
Balance beginning of period	10	66	4	80	14	5	1	20
Provision for (reversal of) credit losses								
Transfer to stage 1	1	(1)	-	-	-	-	-	-
Transfer to stage 2	(2)	2	-	-	(2)	2	-	-
Remeasurements	(3)	(11)	-	(14)	(4)	5	1	2
New originations	12	2	7	21	10	1	-	11
Net repayments and maturities	(4)	-	(4)	(8)	-	-	(2)	(2)
Total provision for (reversal of) credit losses	4	(8)	3	(1)	4	8	(1)	11
Foreign exchange translation	-	1	-	1	(1)	-	-	(1)
Balance end of period	14	59	7	80	17	13	-	30
Allowance for losses on loan guarantees								
Balance beginning of period	44	91	135	270	67	42	91	200
Provision for (reversal of) credit losses								
Transfer to stage 1	11	(11)	-	-	12	(12)	-	-
Transfer to stage 2	(11)	11	-	-	(11)	11	-	-
Transfer to stage 3	-	(9)	9	-	(2)	1	1	-
Remeasurements	(11)	(2)	18	5	(16)	18	38	40
New originations	9	-	6	15	29	-	-	29
Net repayments and maturities	(3)	-	(27)	(30)	-	(2)	(6)	(8)
Total provision for (reversal of) credit losses	(5)	(11)	6	(10)	12	16	33	61
Foreign exchange translation	-	-	-	-	-	-	(1)	(1)
Balance end of period	39	80	141	260	79	58	123	260
Total allowance for losses on loans receivable, loan commitments and loan guarantees	\$168	\$830	\$1,482	\$2,480	\$256	\$613	\$871	\$1,740

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Changes to the allowance for losses on loans receivable, loan commitments and loan guarantees as at and for the six months ended June 30 were as follows:

	Jun 2024				Jun 2023			
<i>(in millions of Canadian dollars)</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Allowance for losses on loans receivable								
Balance beginning of period	141	766	813	1,720	246	683	701	1,630
Provision for (reversal of) credit losses								
Transfer to stage 1	114	(114)	-	-	70	(70)	-	-
Transfer to stage 2	(38)	63	(25)	-	(44)	44	-	-
Transfer to stage 3	-	(16)	16	-	3	3	(6)	-
Remeasurements	(107)	11	635	539	(131)	(83)	76	(138)
New originations	24	37	21	82	43	46	20	109
Net repayments and maturities	(22)	(67)	(62)	(151)	(26)	(76)	(18)	(120)
Total provision for (reversal of) credit losses	(29)	(86)	585	470	(85)	(136)	72	(149)
Write-offs	-	-	(79)	(79)	-	-	(16)	(16)
Foreign exchange translation	3	11	15	29	(1)	(5)	(9)	(15)
Balance end of period	115	691	1,334	2,140	160	542	748	1,450
Allowance for losses on loan commitments								
Balance beginning of period	11	86	3	100	10	-	-	10
Provision for (reversal of) credit losses								
Transfer to stage 1	1	(1)	-	-	1	(1)	-	-
Transfer to stage 2	(2)	2	-	-	(2)	2	-	-
Remeasurements	(6)	(24)	1	(29)	(7)	11	1	5
New originations	16	2	7	25	17	1	1	19
Net repayments and maturities	(6)	(8)	(4)	(18)	(1)	-	(2)	(3)
Total provision for (reversal of) credit losses	3	(29)	4	(22)	8	13	-	21
Foreign exchange translation	-	2	-	2	(1)	-	-	(1)
Balance end of period	14	59	7	80	17	13	-	30
Allowance for losses on loan guarantees								
Balance beginning of period	54	97	139	290	82	39	79	200
Provision for (reversal of) credit losses								
Transfer to stage 1	26	(26)	-	-	22	(22)	-	-
Transfer to stage 2	(27)	27	-	-	(29)	29	-	-
Transfer to stage 3	-	(16)	16	-	(2)	(2)	4	-
Remeasurements	(30)	8	21	(1)	(50)	23	51	24
New originations	21	-	10	31	57	-	-	57
Net repayments and maturities	(5)	(10)	(46)	(61)	(1)	(9)	(10)	(20)
Total provision for (reversal of) credit losses	(15)	(17)	1	(31)	(3)	19	45	61
Foreign exchange translation	-	-	1	1	-	-	(1)	(1)
Balance end of period	39	80	141	260	79	58	123	260
Total allowance for losses on loans receivable, loan commitments and loan guarantees	\$168	\$830	\$1,482	\$2,480	\$256	\$613	\$871	\$1,740

Financing Commitments

The following table shows our outstanding financing commitments by type:

	Jun 2024	Dec 2023
<i>(in millions of Canadian dollars)</i>		
Signed loan commitments	12,703	11,644
Letters of offer	4,334	3,565
Unallocated unconfirmed lines of credit	169	132
Total financing commitments	\$17,206	\$15,341

4. Insurance Contract Liabilities

The following tables provide a breakdown of our insurance contract liabilities and reinsurance contract assets by portfolio:

Insurance Contract Liabilities

	Jun 2024				Dec 2023			
<i>(in millions of Canadian dollars)</i>	Liabilities for remaining coverage				Liabilities for remaining coverage			
	Excluding loss component	Loss component	Liabilities for incurred claims	Insurance contract liabilities	Excluding loss component	Loss component	Liabilities for incurred claims	Insurance contract liabilities
Credit insurance*	(27)	23	144	140	(19)	21	140	142
International trade guarantees	98	20	13	131	103	20	1	124
Political risk insurance	20	11	(2)	29	22	30	-	52
Total	\$91	\$54	\$155	\$300	\$106	\$71	\$141	\$318

*Includes insurance contract liabilities related to financial institutions insurance of \$2 million (2023 - \$2 million).

Reinsurance Contract Assets

	Jun 2024				Dec 2023			
<i>(in millions of Canadian dollars)</i>	Assets for remaining coverage				Assets for remaining coverage			
	Excluding loss- recovery component	Loss- recovery component	Assets for incurred claims	Reinsurance contract assets	Excluding loss- recovery component	Loss- recovery component	Assets for incurred claims	Reinsurance contract assets
International trade guarantees	6	-	-	6	7	-	-	7
Political risk insurance	24	4	-	28	25	10	-	35
Treaty reinsurance	(3)	-	26	23	(2)	-	25	23
Total	\$27	\$4	\$26	\$57	\$30	\$10	\$25	\$65

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Changes to the insurance contract liabilities as at and for the three months ended June 30 were as follows:

(in millions of Canadian dollars)

2024

	Liabilities for remaining coverage		Liabilities for incurred claims				Total
	Excluding loss component	Loss component	Contracts not under PAA	Contracts under PAA		Risk adjustment	
				Estimates of present value of future cash flows			
Balance beginning of period	92	58	-	148	17	315	
Insurance revenue	(89)	-	-	-	-	(89)	
Insurance service expenses:							
Incurred claims and other expenses	-	-	-	58	3	61	
(Reversal of) losses on onerous contracts	-	(6)	-	-	-	(6)	
Amortization of acquisition cash flows [*]	3	-	-	-	-	3	
Changes to the liabilities for incurred claims	-	-	1	(32)	(3)	(34)	
Insurance service result	(86)	(6)	1	26	-	(65)	
Net finance expenses	-	1	-	1	-	2	
Foreign exchange translation	-	1	-	(1)	-	-	
Total changes in net income	(86)	(4)	1	26	-	(63)	
Premiums received	89	-	-	-	-	89	
Claims and other expenses paid	-	-	(4)	(33)	-	(37)	
Acquisition cash flows	(4)	-	-	-	-	(4)	
Total cash flows	85	-	(4)	(33)	-	48	
Balance end of period	\$91	\$54	\$(3)	\$141	\$17	\$300	

* Insurance acquisition cash flows related to credit insurance were \$9 million for the three months ended June 30, 2024 (2023 - \$8 million) and expensed as incurred.

(in millions of Canadian dollars)

2023

	Liabilities for remaining coverage		Liabilities for incurred claims				Total
	Excluding loss component	Loss component	Contracts not under PAA	Contracts under PAA		Risk adjustment	
				Estimates of present value of future cash flows			
Balance beginning of period	89	89	12	107	17	314	
Insurance revenue	(80)	-	-	-	-	(80)	
Insurance service expenses:							
Incurred claims and other expenses	-	-	1	45	1	47	
(Reversal of) losses on onerous contracts	-	(3)	-	-	-	(3)	
Amortization of acquisition cash flows	5	-	-	-	-	5	
Changes to the liabilities for incurred claims	-	-	11	30	(4)	37	
Insurance service result	(75)	(3)	12	75	(3)	6	
Foreign exchange translation	2	(3)	-	(1)	(1)	(3)	
Total changes in net income	(73)	(6)	12	74	(4)	3	
Premiums received	79	-	-	-	-	79	
Claims and other expenses paid	1	-	(24)	(42)	-	(65)	
Acquisition cash flows	(5)	-	-	-	-	(5)	
Total cash flows	75	-	(24)	(42)	-	9	
Balance end of period	\$91	\$83	\$-	\$139	\$13	\$326	

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Changes to the insurance contract liabilities as at and for the six months ended June 30 were as follows:

Insurance Contracts

	Liabilities for remaining coverage		Liabilities for incurred claims			Jun 2024
			Contracts under PAA			
	Excluding loss component	Loss component	Contracts not under PAA	Estimates of present value of future cash flows	Risk adjustment	Total
Balance beginning of period	106	71	-	128	13	318
Insurance revenue	(177)	-	-	-	-	(177)
Insurance service expenses:						
Incurred claims and other expenses	-	-	-	107	5	112
(Reversal of) losses on onerous contracts	-	(21)	-	-	-	(21)
Amortization of acquisition cash flows*	8	-	-	-	-	8
Changes to the liabilities for incurred claims	-	-	2	(20)	(2)	(20)
Insurance service result	(169)	(21)	2	87	3	(98)
Net finance expenses	1	2	-	2	-	5
Foreign exchange translation	(2)	2	-	3	1	4
Total changes in net income	(170)	(17)	2	92	4	(89)
Premiums received	163	-	-	-	-	163
Claims and other expenses paid	-	-	(5)	(79)	-	(84)
Acquisition cash flows	(8)	-	-	-	-	(8)
Total cash flows	155	-	(5)	(79)	-	71
Balance end of period	\$91	\$54	\$(3)	\$141	\$17	\$300

* Insurance acquisition cash flows related to credit insurance were \$15 million for the six months ended June 30, 2024 (2023 - \$16 million) and expensed as incurred.

	Liabilities for remaining coverage		Liabilities for incurred claims			Jun 2023
			Contracts under PAA			
	Excluding loss component	Loss component	Contracts not under PAA	Estimates of present value of future cash flows	Risk adjustment	Total
Balance beginning of period	92	87	-	156	15	350
Insurance revenue	(160)	-	-	-	-	(160)
Insurance service expenses:						
Incurred claims and other expenses	-	-	12	92	3	107
(Reversal of) losses on onerous contracts	-	(3)	-	-	-	(3)
Amortization of acquisition cash flows	9	-	-	-	-	9
Changes to the liabilities for incurred claims	-	-	14	44	(6)	52
Insurance service result	(151)	(3)	26	136	(3)	5
Net finance expenses	1	2	-	(1)	-	2
Foreign exchange translation	2	(3)	-	(5)	1	(5)
Total changes in net income	(148)	(4)	26	130	(2)	2
Premiums received	156	-	-	-	-	156
Claims and other expenses paid	-	-	(26)	(147)	-	(173)
Acquisition cash flows	(9)	-	-	-	-	(9)
Total cash flows	147	-	(26)	(147)	-	(26)
Balance end of period	\$91	\$83	\$-	\$139	\$13	\$326

5. Share Capital

EDC's authorized share capital is \$15.0 billion consisting of 150 million shares with a par value of \$100 each. As agreed to with our shareholder, for 2022 onwards, dividends and/or special dividends will be paid by way of a share buyback until such time that our share capital returns to pre-pandemic levels. In the first half of 2024, we repurchased 24.4 million shares at a price of \$100 per share for a total of \$2.44 billion based on the capital position of our core programs, the Business Credit Availability Program (BCAP) and a targeted Internal Capital Adequacy Assessment Process (ICAAP) ratio. No shares were repurchased in 2023. The number of shares issued and fully paid at the end of the quarter is 60.46 million (2023 – 84.9 million).

6. Insurance Service Result

<i>(in millions of Canadian dollars)</i>	Three months ended							
	Jun 2024				Jun 2023			
	Credit Insurance ⁽¹⁾	International Trade Guarantees	Political Risk Insurance	Total	Credit Insurance ⁽¹⁾	International Trade Guarantees	Political Risk Insurance	Total
Insurance Revenue	37	50	2	89	41	37	2	80
Insurance Expenses:								
Incurred claims and other expenses	(34)	(26)	(1)	(61)	(34)	(12)	(1)	(47)
Reversal of (losses on) onerous contracts	4	1	1	6	4	(7)	6	3
Acquisition expenses ⁽²⁾	(9)	(3)	-	(12)	(9)	(4)	-	(13)
Changes to the liabilities for incurred claims	31	4	(1)	34	(25)	(1)	(11)	(37)
Insurance Service Result	\$29	\$26	\$1	\$56	\$(23)	\$13	\$(4)	\$(14)

⁽¹⁾Includes total insurance service results related to financial institutions insurance of \$2 million (2023 - \$2 million).

⁽²⁾Acquisition expenses include \$9 million of acquisition cash flows related to credit insurance for the three months ended June 30, 2024 (2023 - \$8 million) that were expensed as incurred.

<i>(in millions of Canadian dollars)</i>	Six months ended							
	Jun 2024				Jun 2023			
	Credit Insurance ⁽¹⁾	International Trade Guarantees	Political Risk Insurance	Total	Credit Insurance ⁽¹⁾	International Trade Guarantees	Political Risk Insurance	Total
Insurance Revenue	76	97	4	177	81	75	4	160
Insurance Expenses:								
Incurred claims and other expenses	(69)	(42)	(1)	(112)	(70)	(25)	(12)	(107)
Reversal of (losses on) onerous contracts	-	-	21	21	(2)	(5)	10	3
Acquisition expenses ⁽²⁾	(15)	(8)	-	(23)	(17)	(8)	-	(25)
Changes to the liabilities for incurred claims	26	(4)	(2)	20	(33)	(5)	(14)	(52)
Insurance Service Result	\$18	\$43	\$22	\$83	\$(41)	\$32	\$(12)	\$(21)

⁽¹⁾Includes total insurance service results related to financial institutions insurance of \$4 million (2023 - \$4 million).

⁽²⁾Acquisition expenses include \$15 million of acquisition cash flows related to credit insurance for the six months ended June 30, 2024 (2023 - \$16 million) that were expensed as incurred.

7. Other (Income) Expenses

<i>(in millions of Canadian dollars)</i>	Three months ended		Six months ended	
	Jun 2024	Jun 2023	Jun 2024	Jun 2023
Net realized (gains) losses				
Investments	9	(12)	77	(19)
Marketable securities and cash equivalents	11	20	17	31
Derivatives	(2)	-	(11)	(5)
Sale of loan assets	-	-	3	1
Other	-	3	-	7
Total net realized (gains) losses	18	11	86	15
Net unrealized (gains) losses				
Loans payable	(80)	(351)	(271)	(46)
Investments	(35)	49	(149)	(25)
Derivatives	(97)	140	59	45
Marketable securities and cash equivalents	(7)	57	35	(37)
Fair value adjustments on loan disbursements	-	(6)	(3)	(6)
Total net unrealized (gains) losses	(219)	(111)	(329)	(69)
Foreign exchange translation	(14)	5	(22)	(16)
Total	\$(215)	\$(95)	\$(265)	\$(70)

8. Administrative Expenses

<i>(in millions of Canadian dollars)</i>	Three months ended		Six months ended	
	Jun 2024	Jun 2023	Jun 2024	Jun 2023
Salaries and benefits	99	91	200	185
Pension benefit expense	4	2	9	4
Other post-employment benefit and severance expense	4	4	7	7
Systems costs	17	15	29	29
Professional services	14	26	27	47
Occupancy	7	7	14	14
Information services	7	7	13	13
Marketing and communications	4	5	7	8
Amortization and depreciation	4	5	8	11
Travel, hospitality and conferences	3	3	4	4
Other	3	5	8	9
Total administrative expenses	\$166	\$170	\$326	\$331
Amounts attributed to insurance contracts	(26)	(27)	(50)	(54)
Total	\$140	\$143	\$276	\$277

The amounts attributed to insurance contracts for the six months ended June 2024 include \$35 million of salaries and benefits (2023 - \$37 million) and \$5 million of system costs (2023 - \$6 million).

9. Contingent Liabilities

As explained on page 133 of the 2023 Integrated Annual Report, we are subject to a limit imposed by the Export Development Act on our contingent liability arrangements. The limit is currently \$90.0 billion and our position against this limit is \$41.5 billion as at June 30, 2024 (December 2023 - \$40.5 billion).

10. 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 108 to 112 and notes related to our derivative instruments and debt instruments on pages 102 to 103 of the 2023 Integrated 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, marketable securities, derivative assets, cash and cash equivalents. 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.

<i>(in millions of Canadian dollars)</i>	Jun 2024 Exposure		Dec 2023 Exposure	
	\$	%	\$	%
United States	17,331	22	17,760	23
Canada	15,355	19	14,439	18
Chile	8,133	10	7,580	10
United Kingdom	7,893	10	7,640	10
Australia	5,119	6	5,289	7
Mexico	2,517	3	2,183	3
Germany	2,453	3	2,598	3
India	2,432	3	2,274	3
China	1,665	2	1,293	1
Spain	1,407	2	1,512	2
Other	14,510	20	15,383	20
Total	\$78,815	100	\$77,951	100

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

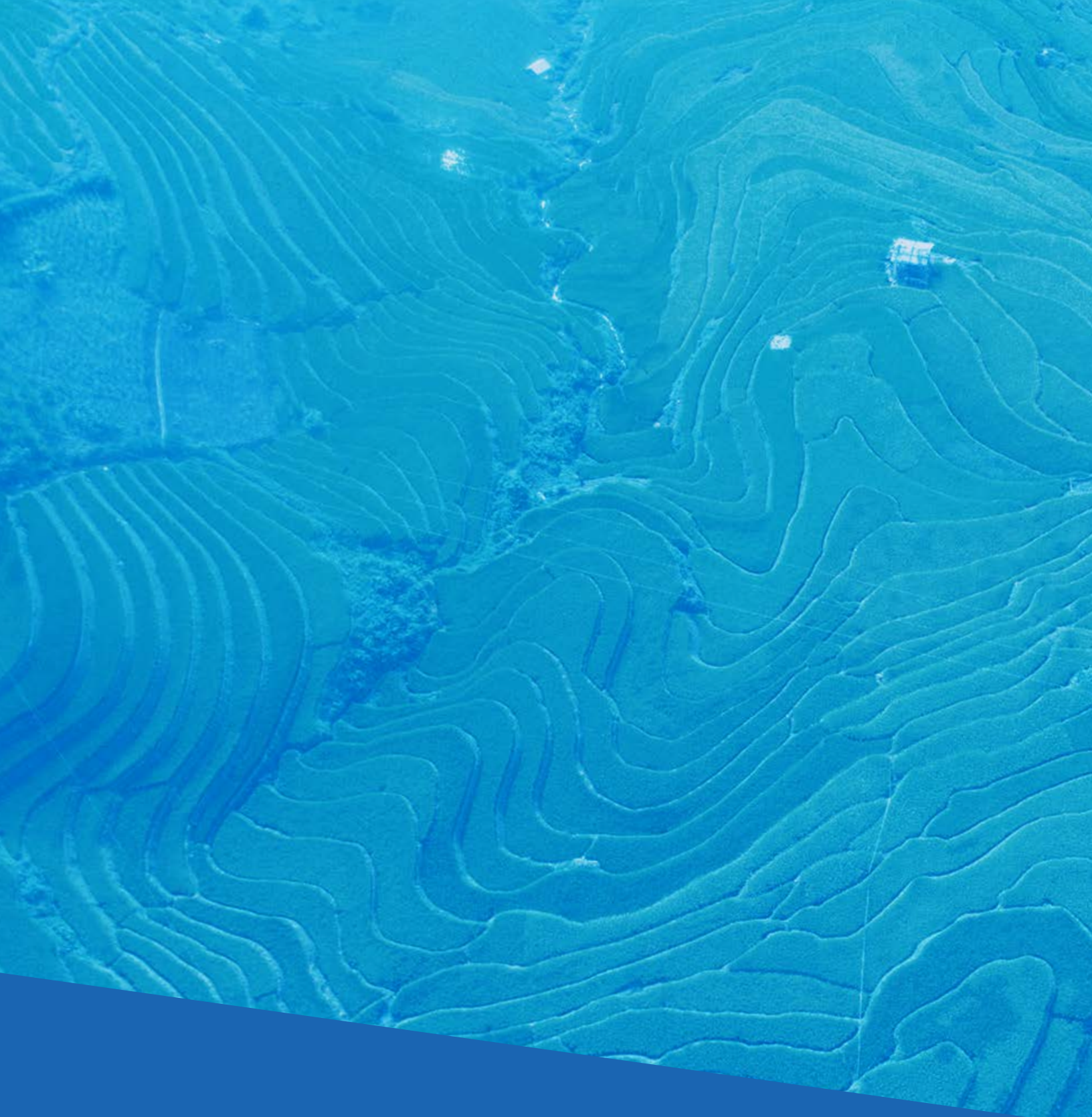
The concentration of credit risk by sector for our financial instruments is as follows:

<i>(in millions of Canadian dollars)</i>	Jun 2024		Dec 2023	
	Exposure		Exposure	
Sector	\$	%	\$	%
Commercial:				
Transportation and storage	13,197	17	13,954	18
Utilities	12,378	16	12,269	16
Manufacturing	10,530	13	9,673	12
Finance and insurance	9,710	12	10,017	13
Resources	8,368	11	7,588	10
Information	6,250	8	5,801	7
Wholesale and retail trade	3,043	4	3,381	4
Commercial properties	2,290	3	2,229	3
Professional services	1,716	2	2,073	3
Construction	725	1	799	1
Other	2,492	3	2,463	3
Total commercial	70,699	90	70,247	90
Sovereign	8,116	10	7,704	10
Total	\$78,815	100	\$77,951	100

11. Related Party Transactions

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.

In 2021, EDC's subsidiary FinDev Canada received a \$75.9 million Concessional Facility (CF) from Global Affairs Canada (GAC). The CF is an arrangement between GAC and FinDev Canada for the purpose of fulfilling the Government of Canada's Gender Smart COVID-19 Recovery Facility. FinDev Canada will hold, manage, administer, use and invest the funds under the facility with related financial results reported to GAC and consolidated within the financial statements of the Government of Canada.



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