

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit ratings.

## Export Development Canada (security code: -)

### <Affirmation>

Foreign Currency Long-term Issuer Rating:	AAA
Outlook:	Stable
Local Currency Long-term Issuer Rating:	AAA
Outlook:	Stable

### Rationale

- (1) Export Development Canada (EDC) is an export credit agency wholly owned by the federal government of Canada (the government). EDC is a Crown Corporation and has a solid relationship with the government. EDC plays a crucial role in promoting the government's international trade policy. Thus, the ratings are primarily supported by the credit standing of Canada (long-term Issuer ratings; FC: AAA/Stable and LC: AAA/Stable). With no major changes to its legal status and pivotal role in Canada's industrial policy, JCR has affirmed the ratings and retained their Stable Outlook.
- (2) EDC was created in 1944 as Canada's export credit agency but established as a Crown Corporation in 1969 under the Export Development Act (the ED Act) with a mandate to support and develop international trade by helping Canadian companies respond to international business opportunities. EDC's Development Financial Institution, FinDev, began operations in 2018, has appointed its board of directors and made investments. EDC has been promoting gender equality and has appointed women in leadership positions such as the Chair and CEO in recent years. Like other federal Crown Corporations, EDC is supervised by the government under the Financial Administration Act (the FA Act). Under the FA Act, all liabilities it owes are borne and paid by the Consolidated Revenue Fund (the Fund), which is the aggregate of all public money such as tax revenues retained by the government. EDC can also borrow money from the Fund under terms and conditions set by the Minister of Finance. To date, it has never borrowed money from the Fund.
- (3) EDC expanded the number of its customers to 13,135 in 2018 amid the Canada-United States-Mexico Agreement (CUSMA) was signed as a result of the renegotiation of the North America Free Trade Agreement (NAFTA). Its export loan and insurance in 2018 increased to a record CAD 104.6 billion. While EDC opened more overseas representative offices mainly in emerging countries including Asia/Pacific where its export loan and insurance business was increasing, its business in North America has been expanding in recent years to account for 59% of the total. Accordingly, it opened two offices in the United States in 2018 for the first time since its inception. The offices in Chicago and Atlanta are aimed to strengthen relationships with regional banks and their operating networks.
- (4) EDC's total loan portfolio as of the end of 2018 stood at CAD 54.6 billion, of which 98% was made to commercial borrowers. In terms of commercial borrowers by sector, the mining, oil and gas and aerospace sectors together accounted for 50% of the total, which indicates the features of these Canadian industries. Sovereign borrowers were concentrated in Angola and Africa as a whole which respectively accounted for 39% and 48% of the total. Its nonperforming loan ratio declined to 1.58% at the end of 2018 from 1.79% a year earlier as improvement was made on impaired loans owed by the information and communication technologies sector. EDC has a strong capital position due to its conservative risk management policy. The equity capital ratio (shareholders' equity/total assets) fell from 16.7% at the end of 2017 to 14.9% at the end of 2018, but still stayed high. EDC sufficiently met both the borrowing and contingent liability limits set under the ED Act as of the end of 2018. While EDC is not a profit-oriented institution, it has been making annual profits enough to sustain its operations.

Toshihiko Naito, Hiroshi Tonegawa

## Rating

Issuer: Export Development Canada

### <Affirmation>

Foreign Currency Long-term Issuer Rating: AAA      Outlook: Stable

Local Currency Long-term Issuer Rating : AAA      Outlook: Stable

**Rating Assignment Date: September 5, 2019**

The criteria used for identifying matters which serve as assumptions for the assessment of the credit status, and the criteria used for setting of grades indicating the results of the assessments of the credit status are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of methodology for determination of the credit rating is shown as "Sovereign and Public Sector Entities" (November 7, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

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JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)

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## INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

### Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	Export Development Canada
Rating Publication Date:	September 10, 2019

1

The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release.

2

The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release.

3

The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

#### A) Legal Protection and Support Provided by the Government

The likelihood of a given debt payment is highly conditional to the issuer's legal protection provided by the government, personnel and capital relationship with the government, importance in the government's policy, credit enhancement, and other forms of the government's supporting policy, framework and the strength thereof.

#### B) Business Bases

The likelihood of a given debt payment is highly conditional to its issuer's business bases - how they can be maintained/ expanded into the future and thereby secure earnings and cash flows in adequacy and in a sustainable way.

#### C) Financial Grounds and Asset Quality

The likelihood of debt payment is highly dependent on the degree of the issuer's indebtedness and loss absorption capacity in terms of equity capital. Also notable is that a financial institution might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

#### D) Liquidity Positions

The likelihood of debt payment is highly dependent on the adequacy of the issuer's cash and other sources of repayment (liquidity positions).

#### E) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuer's discretion, and/ or its rank relative to other debts of the same issuer in the order of seniority in principal/ interest payment which is determined by design as financial product or by laws, etc.

### 4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

### 5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

### 6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

### 7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

### 8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.
- A) Unaudited financial statements presented by the rating stakeholders
- B) Explanations of business performance, management plans, etc. presented by the rating stakeholders

## 9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include verification by a government agency and alike, the publication by the issuer or some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.

## 10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of credit rating, such as one in the ancillary business.

## 11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

### A) Legal Protection and Support Provided by the Government

The credit rating is subject to alteration if there is a change in the issuer's legal support by the government, personnel or capital relationship with the government, importance in the government's policy, credit enhancement and other forms of the government's supporting policy, framework and the strength thereof. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

### B) Business Bases

The credit rating is subject to alteration if there is improvement or deterioration of the issuer's business bases, since its revenue, etc. may improve or deteriorate by the change in its business management policies, clients' preferences, competitive situation, or a technological innovation. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the business bases is large.

### C) Financial Grounds and Asset Quality

The credit rating is subject to alteration if the issuer increases/ decreases its debt/ capital or vice versa and thereby makes its individual debt payment liability less or more bearable and its loss absorption capacity into the future decreased or increased. Also, the changes in the quality of asset under the issuer's holding may affect the credit rating, since such changes could raise or lower the likelihood of future loss of the issuer's financial grounds. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the financial grounds and/ or asset quality is large.

#### D) Liquidity Positions

The credit rating is subject to alteration if there is a change in the issuer's financial management policy or in the relations with fund procurement sources and the change thereby makes its liquidity positions improve or deteriorate. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

#### E) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts caused by the improvement/ deterioration of the issuer's financial condition. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large. Also, in case of the financial products for which non-payment of interest/ principal is contractually permissible, the credit rating is subject to alteration if and when the likelihood of such non-payment is projected to increase or decrease. The resultant alteration of the credit rating could be by a notch but often as much as a few notches.

#### F) Creditworthiness of the Government, etc. that Constitute the Framework of Credit Enhancement

The credit rating is subject to alteration if there is a change in the creditworthiness of the government, etc. that constitute the framework of credit enhancement. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change on such framework is exceptionally large.

#### G) Rise and Fall in General Economy and Markets

The credit rating is subject to alteration if there is a rise/ fall in the general economy and/ or the markets inducing the issuer's revenues/ expenses to increase/ decrease and vice versa, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

#### H) Various Events

The credit rating is subject to alteration on occurrence of various events, such as change in the issuer's major shareholders, M&A and other organizational change, accident, violation of the law, litigation, legal/ regulatory change, natural disaster, etc., which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's business bases, financial grounds, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

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Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

<https://www.jcr.co.jp/en/service/company/regu/nrsro/>

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Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Legal Protection and Government Support

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's legal protection provided by the government, personnel and capital relationship with the government, importance in the government's policy, credit enhancement and other forms of the government's supporting policy, framework and the strength thereof. The resultant change of the credit rating is most likely by one notch, as JCR stipulates, but possibly as much as a few notches if the change in the government's supporting policy is significant.

B) Business Bases

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's business bases and powers of earning or cash flow generation, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's business bases on some drastic change in the operational environments, etc.

C) Financial Grounds and Asset Quality

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's financial grounds and asset quality. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's financial grounds and/ or asset quality on some drastic change in its business bases.

D) Liquidity Risks

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in its financial management policy or relations with fund procurement sources, etc.

E) Creditworthiness of the Government, etc. that Constitute the Framework of Credit Enhancement

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the creditworthiness of the government, etc. that constitute the framework of credit enhancement. JCR assumes the resultant change of the credit rating is most likely by a notch. The change could be as much as a few notches should the creditworthiness of said government, etc. change so greatly.

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Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

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## The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
Export Development Canada	Issuer(Long-term)(FC)	October 19, 2005	AAA	Stable
Export Development Canada	Issuer(Long-term)(FC)	July 21, 2006	AAA	Stable
Export Development Canada	Issuer(Long-term)(FC)	July 20, 2007	AAA	Stable
Export Development Canada	Issuer(Long-term)(FC)	July 4, 2008	AAA	Stable
Export Development Canada	Issuer(Long-term)(FC)	August 18, 2009	AAA	Stable
Export Development Canada	Issuer(Long-term)(FC)	August 9, 2010	AAA	Stable
Export Development Canada	Issuer(Long-term)(FC)	August 1, 2011	AAA	Stable
Export Development Canada	Issuer(Long-term)(FC)	September 4, 2012	AAA	Stable
Export Development Canada	Issuer(Long-term)(FC)	July 24, 2013	AAA	Stable
Export Development Canada	Issuer(Long-term)(FC)	August 1, 2014	AAA	Stable
Export Development Canada	Issuer(Long-term)(FC)	July 29, 2015	AAA	Stable
Export Development Canada	Issuer(Long-term)(FC)	July 29, 2016	AAA	Stable
Export Development Canada	Issuer(Long-term)(FC)	August 18, 2017	AAA	Stable
Export Development Canada	Issuer(Long-term)(FC)	September 21, 2018	AAA	Stable
Export Development Canada	Issuer(Long-term)(LC)	July 4, 2008	AAA	Stable
Export Development Canada	Issuer(Long-term)(LC)	August 18, 2009	AAA	Stable
Export Development Canada	Issuer(Long-term)(LC)	August 9, 2010	AAA	Stable
Export Development Canada	Issuer(Long-term)(LC)	August 1, 2011	AAA	Stable
Export Development Canada	Issuer(Long-term)(LC)	September 4, 2012	AAA	Stable
Export Development Canada	Issuer(Long-term)(LC)	July 24, 2013	AAA	Stable
Export Development Canada	Issuer(Long-term)(LC)	August 1, 2014	AAA	Stable
Export Development Canada	Issuer(Long-term)(LC)	July 29, 2015	AAA	Stable
Export Development Canada	Issuer(Long-term)(LC)	July 29, 2016	AAA	Stable
Export Development Canada	Issuer(Long-term)(LC)	August 18, 2017	AAA	Stable
Export Development Canada	Issuer(Long-term)(LC)	September 21, 2018	AAA	Stable



## Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Atsushi Masuda, have responsibility to this Rating Action and to the best of my knowledge:

- A) No part of the credit rating was influenced by any other business activities.
- B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.
- C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.



Atsushi Masuda  
General Manager of International Rating Department

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