



Moody's Investors Service

Rating Action: **Moody's assigns Aaa IFS to Export Development Canada**

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Toronto, August 17, 2009 -- Moody's Investors Service has assigned a first-time insurance financial strength (IFS) rating of Aaa to Export Development Canada (EDC), the Government of Canada's export credit agency. Moody's currently maintains Aaa senior unsecured debt ratings (both local-currency and foreign-currency) and a Prime-1 short-term debt rating for commercial paper on EDC. EDC's rating outlook remains stable.

Moody's assigned the Aaa IFS rating to EDC on the basis of the corporation's status as an agent of the Canadian Government (rated Aaa for Government Bonds with a stable outlook). When an agent corporation of the Canadian Government transacts in accordance with its mandate, the Canadian Government is liable for the obligations undertaken by that corporation. EDC's constituting act, the Export Development Act (ED Act), designates the corporation as an agent of Her Majesty in right of Canada. The ED Act also gives EDC the power to write insurance and reinsurance contracts under its mandate of supporting domestic and export trade and Canadian capacity to engage therein.

Moody's Senior Vice President Peter Routledge comments: "There are theoretical differences in how a debt security and policyholder claim would be administered in extreme circumstances. A debt instrument would be payable out of the Consolidated Revenue Fund of Canada whereas an insurance claim would have to be adjudicated." For practical purposes, however, the rating agency believes the Canadian Government would likely extend a loan to EDC, as permitted under the ED Act, in the extremely unlikely situation where EDC lacked the liquid resources to fulfill an admitted claims obligation. In Moody's view, EDC is critical to the government's role in supporting Canadian exports, a sector essential to Canada's economic health. Moreover, Moody's believes the prevention of an EDC default is critical to the financial reputation of the government.

The key driver of a downgrade for EDC's ratings would be any negative rating action with respect to the Government of Canada. EDC's rating would also likely be lowered should it ever lose its status as an Agent.

EDC, a Crown Corporation, is Canada's official export credit agency. The corporation's mandate is to promote Canadian exports by providing investment and credit insurance, export finance, lease financing, loan and bond guarantees, and equity investments. The nature of EDC's business exposes it to diverse commercial and sovereign risks, all of which are ultimately underwritten by the Canadian Government.

Moody's last rating action with regard to EDC was on June 30, 2005 when Moody's affirmed its ratings in light of the introduction of its new rating methodology for government-related issuers.

The principal methodologies used in rating Export Development Canada were "A Revised Methodology for Government Related Non-Bank Financial Institutions" and "The Application of Joint Default Analysis to Government Related Issuers", which can be found at www.moody.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating EDC can also be found in the Credit Policy & Methodologies directory.

Headquartered in Ottawa, Canada, EDC reported total assets of C\$35.3 billion, at fiscal year-end 2008.

Moody's insurance financial strength ratings are opinions of the ability of insurance companies to pay punctually senior policyholder claims and obligations. For more information, visit our website at www.moody.com/insurance.

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