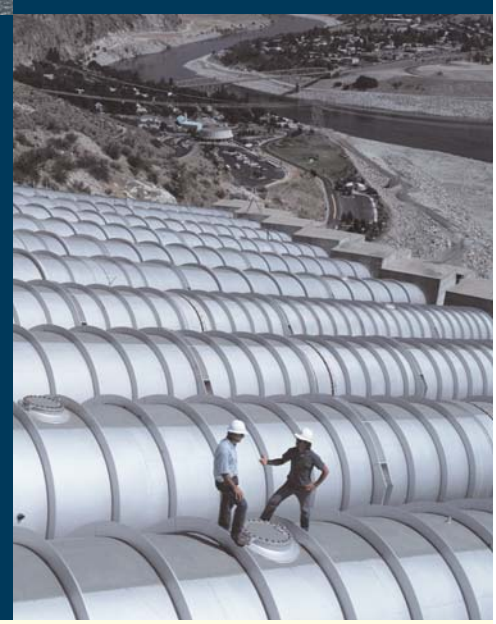
Focused on

Canadian

Exports

Canada Account Annual Report 2004-2005



Canada

EDC

Export Development Canada
Exportation et développement Canada

CANADA ACCOUNT ANNUAL REPORT

2004-2005

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Overview

Under Canada Account, the Government of Canada is able to authorize support for transactions which, on the basis of Export Development Canada's (EDC or the Corporation) risk management practices, could not be supported under EDC's Corporate Account. Canada Account transactions are assessed, entered into and managed by EDC and the Government effectively assumes the associated financial risks.* "Canada Account" consists of the class of transactions undertaken by EDC pursuant to Section 23 of the *Export Development Act* ("the Act"). Such transactions can and do include business in all of EDC's product categories (financing, accounts receivable insurance, contract insurance and bonding, and political risk insurance) except equity. Conversely, such transactions cannot include any business that cannot be undertaken by EDC pursuant to Section 10 of ''the Act''. As with other EDC programs, interest on loans (which are fully repayable), insurance premia and fees apply to Canada Account transactions generally.

**Section 23(3) of ''the Act'' provides all monies required by the Corporation to discharge its obligations under any transaction entered into under this section shall be paid to the Corporation by the Minister of Finance out of the Consolidated Revenue Fund.*

Authority

Pursuant to Section 23 of ''the Act'', the Minister for International Trade, with the concurrence of the Minister of Finance, may authorize EDC to undertake certain financial and contingent liability transactions. Under current operational procedures, transactions exceeding $50 million or those of a sensitive nature are first referred to Cabinet.

Section 24(1) of ''the Act'' allows the Canada Account to have outstanding commitments to borrowers, the principal amount of obligations owed to the Corporation, and contingent liabilities under contracts of insurance and other arrangements up to an aggregate of $13 billion. (See Management Discussion and Analysis, Position Against Statutory Limit.) All monies required by the Corporation to discharge its obligations under the Canada Account program must be paid to the Corporation by the Minister of Finance out of the Consolidated Revenue Fund (CRF). Such draws are accounted for separately and do not impinge on the Corporation's borrowing limits.

Risk Management

EDC provides financial services that allow Canadian exporters and investors to manage the risks they face while doing business internationally. In doing so, EDC is in the business of assuming risks and must therefore prudently manage these risks to ensure its long-term financial viability. In a transaction in which one or more of these risks (including country risk, credit risk, interest rate risk or the size of the transaction) are considered beyond the risk capacity of the Corporation and inconsistent with ensuring its long-term health, the Government may be prepared to authorize EDC to undertake the transaction and effectively assume those risks* itself provided that the transaction is in the national interest of Canada. In considering its authorization the Government benefits from EDC's risk assessment. The Government of Canada establishes reserves to be used in the event of loan losses or contingent liability payments. Provisions are established based on country classification and transaction risks for all financial exposures of the Crown.

**See above note.*

Management

The Corporation is responsible for the initiation, assessment, negotiation, documentation, management and administration of all Canada Account transactions.

At the initial stages of a transaction that is a candidate for Canada Account support, EDC seeks Ministers' Approval in Principle. Such approval allows the Corporation to indicate possible support to an exporter conditional on final approval by the Government of Canada. In the late stage, when the parameters of a transaction have been established, EDC seeks Ministerial Authorization to make a firm offer and/or to enter into an agreement.

EDC has the responsibility to provide information and advice on all Canada Account transactions. Upon receipt of a Ministerial Authorization for a transaction, EDC is responsible for coordinating and administering transactions, which include the execution of legal documents, disbursement of funds and management of the repayment flows. EDC is required to maintain separate accounts for all disbursements, receipts and recoveries. All such receipts and recoveries are remitted to the CRF. Under "the Act", the Minister of Finance may authorize EDC to retain certain amounts from receipts and recoveries to meet expenses and overhead related to these transactions (see Note 6).

EDC has entered into a Memorandum of Understanding with the Department of Foreign Affairs and International Trade which provides the mechanism whereby funding requests are made by EDC to the Government, funds are provided to EDC for disbursements, and other payments to be made by EDC and remittances are made by EDC to the Government.

Eligibility

Canada Account transactions, similar to EDC's Corporate Account business, must meet EDC's mandate, i.e. supporting and developing, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade and to respond to international business opportunities. However, under the Canada Account program, EDC is able to support transactions which could not be supported under the Corporate Account for risk- or capacity-related reasons.

A transaction will first be considered and rejected by EDC under the Corporate Account prior to it being referred to the Minister of International Trade for consideration under the Canada Account program.

In addition to falling within EDC's mandate, the eligibility considerations applied to transactions considered under the Canada Account program include:

- EDC's usual lending or insurance criteria (Canadian benefits, financial and technical capability of the exporter, technical and commercial viability of the project);
- The Government's general willingness to consider the country risk in question and the creditworthiness of non-sovereign borrowers; and
- National interest considerations such as:
  - economic benefits and costs to Canada, including the employment generated or sustained by the transaction;
  - importance of the export market to Canada; and
  - foreign policy implications, including Canada's bilateral relationship with the country in question.

Similar to all of EDC's services, services under the Canada Account program are provided on a user-pay basis. Exporters pay premiums for insurance coverage, and there are fees associated with

Canada Account financing and guarantees, with few exceptions. Loans are extended on terms that are fully repayable, with interest, on either a concessional or non-concessional basis.

Policy on Concessional Finance

It is the policy of the Government of Canada that tied-aid financing (interest-free or low-interest rates and/or extended repayment term financing), which in the past has been provided under Canada Account to match such financing available from other countries, is no longer to be provided. The only exception is the concessional facility for China which was established to provide Canadian exporters with a competitive financing tool in a market where other countries continue to provide their exporters with such facilities. Nevertheless, Canada retains the right to offer matching terms within the parameters agreed upon in the Organisation for Economic Co-operation and Development (OECD) "Arrangement on Guidelines for Officially Supported Export Credits", to ensure, where appropriate, that Canadian companies are not competitively disadvantaged by offers of such terms by other countries.

Disclosure

Information on current transactions is posted on EDC's website (www.edc.ca/disclosure) in accordance with the Corporation's Disclosure Policy, the principles of which apply generally for Canada Account business.

All data contained in this report has been prepared and presented on the basis of the Government of Canada's fiscal-year which ends on March 31. As a result, direct comparison to EDC's Annual Report, Corporate Plan and other Corporate documents, which are prepared on a calendar-year basis, is not recommended.

Management Discussion and Analysis

Highlights

The following are highlights of Canada Account activity during the fiscal year 2004/2005:

- Total Canada Account loan obligations and commitments, and contingent liabilities declined by $0.7 billion from $8.2 billion to $7.5 billion reflecting primarily the impact of foreign exchange valuation of the Canadian dollar since most of the portfolio is denominated in U.S. dollars.
- 50 new loans (representing $851 million in business volume) were made under existing authorizations for allocations under the China Line of Credit facility and existing aerospace facilities.
- $318 million in principal repayments were received, including a large loan prepayment from one sovereign borrower.

Position Against Statutory Limit

Section 24 of "the Act" allows the Canada Account to have outstanding commitments to borrowers, principal amount of obligations owed to the Corporation and contingent liabilities under contracts of insurance and other arrangements up to an aggregate of $13 billion. The position against this limit as at March 31, 2005 was $7,489 million (2003/2004 - $8,223 million). Details of this position are as follows:

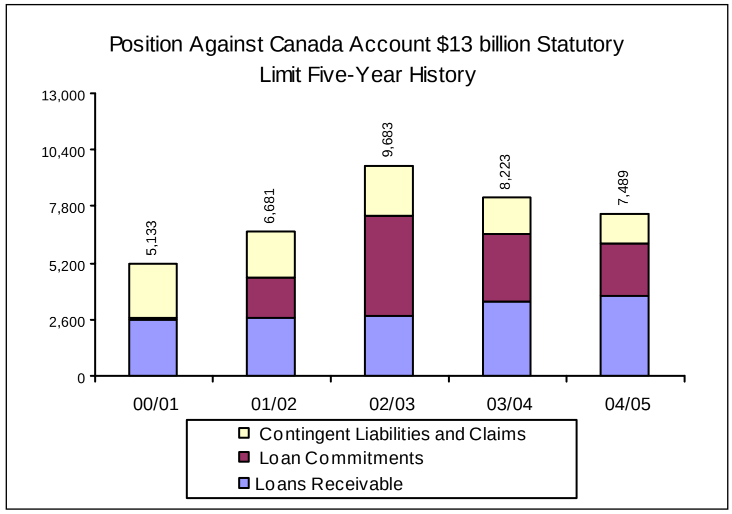
($ in millions)	2004/2005	2003/2004
Loans Receivable		
Concessional	983	1,082
Non-concessional	2,752	2,286
	3,735	3,368
Loan Commitments		
Concessional	15	4
Non-concessional	2,336	3,190
	2,351	3,194
Contingent Liabilities and Claims		
Guarantees	1,454	1,690
Insurance	0	0
Outstanding Claims	44	45
	1,498	1,735
Total	$7,584	$8,297
Indemnity Agreement*	(95)	(74)
Total	$7,489	$8,223

**To reflect indemnities representing the total net amount paid and unrecovered to date in respect of demands on guarantees provided to third parties.*

In addition to the above position against the statutory limit as of March 31, 2005, there were Ministerial Authorizations in place for potential new transactions amounting to $226 million. In accordance with "the Act", transactions related to these amounts will count against the statutory limit once binding commitments are in place and have been accepted.

Five Year Summary

The position against the statutory limit demonstrated an upward trend between the 2000/2001 and 2002/2003 fiscal years. This was due to an increase in loan commitments in 2001/2002 and 2002/2003. The decrease in 2003/2004 and 2004/2005 is due to a decrease in contingent liabilities, loan commitments, and foreign exchange translation (refer to section on Exposure by Currency).



Concentration of Exposure

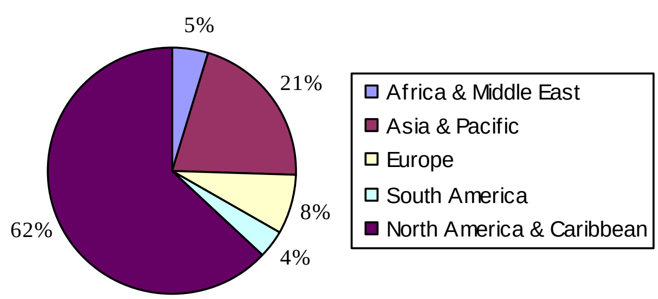
The following table reflects the major concentrations of total commercial and sovereign exposures in the country where the risk resided as at March 31, 2005.

($ in millions)	Concessional		Non-Concessional					
Country	Loans Receivable	Loan Commitments	Loans Receivable	Loan Commitments	Outstanding Claims	Contingent Liabilities	Exposure $	%
United States	-	-	2,199	2,274	-	238	4,711	*62.1*
China	562	15	4	-	-	888	1,469	*19.4*
Romania	-	-	44	-	-	328	372	*4.9*
Venezuela	-	-	109	62	-	-	171	*2.3*
Turkey	124	-	-	-	-	-	124	*1.6*
Morocco	104	-	-	-	-	-	104	*1.4*
Argentina	-	-	85	-	-	-	85	*1.1*
Russian Federation	-	-	65	-	14	-	79	*1.0*
Other *	193	-	246	-	30	-	469	*6.2*
Total	$983	$15	$2,752	$ 2,336	$44	$1,454	$ 7,584	*100.0%*

**Other includes 27 countries with exposures ranging from $0.4 million to $64 million.*

Exposure by Geographic Region

The chart provides a breakdown of the Canada Account concentration of exposure by geographic region where the risk resided as at March 31, 2005. The two largest exposures are in North America & Caribbean with 62% (mainly U.S.) and Asia & Pacific with 21% (mainly China).



Exposure by Currency

The following table provides a breakdown of the Canada Account exposure by currency as at March 31, 2005. The U.S. dollar portion accounts for 93.0% of the exposure (2003/2004 - 93.6%). Of the $5,833 million of U.S. dollar exposure, $4,896 million (84%) is made up of loans receivable and loan commitments.

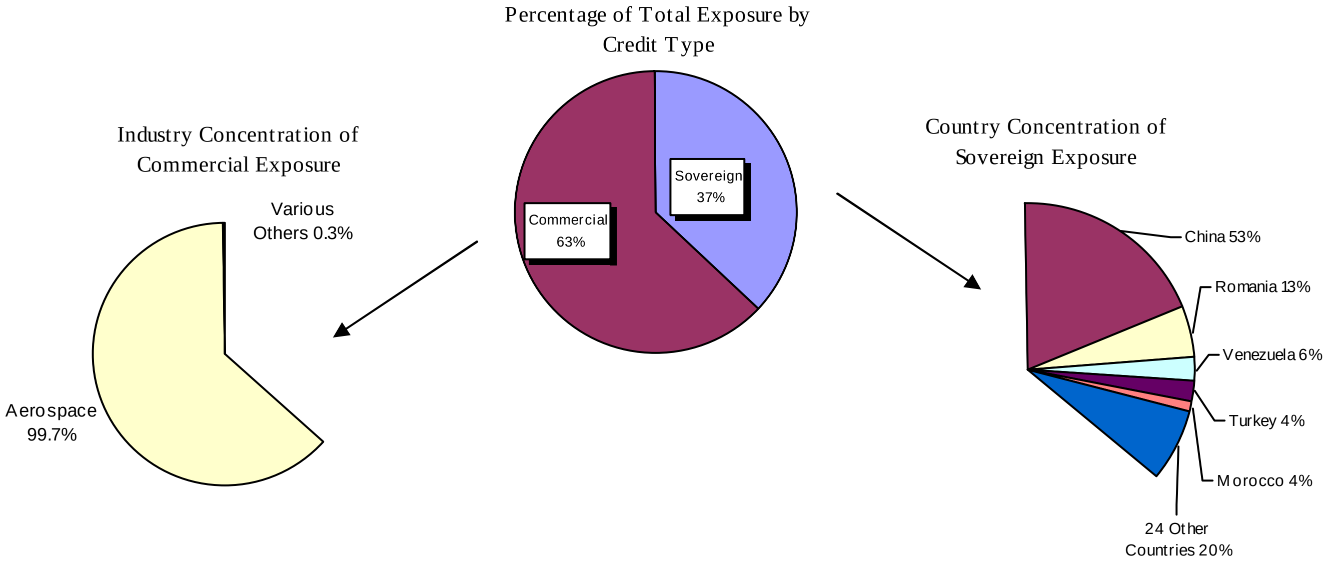
($ in millions)	2004/2005				2003/2004			
Currency	Amount	CAD Equiv.	*Exchange Rate*	*Percentage*	Amount	CAD Equiv.	*Exchange Rate*	*Percentage*
USD	5,833	7,056	*1.2096*	*93.0%*	5,924	7,764	*1.3105*	*93.6%*
CAD	507	507	-	*6.7%*	510	510	-	*6.1%*
EUR	13	21	*1. 5689*	*0.3%*	14	23	*1. 6297*	*0.3%*
Total		$7,584		*100.0%*		$8,297		*100.0%*

Exposure by Credit Type

The following table provides a breakdown of the Canada Account exposure by commercial and sovereign exposure. The commercial concentration increased slightly from 62% of the overall portfolio in fiscal year 2003/2004 to 63% in fiscal year 2004/2005. The largest concentration of Canada Account exposure is in non-concessional commercial loans receivables and loan commitments.

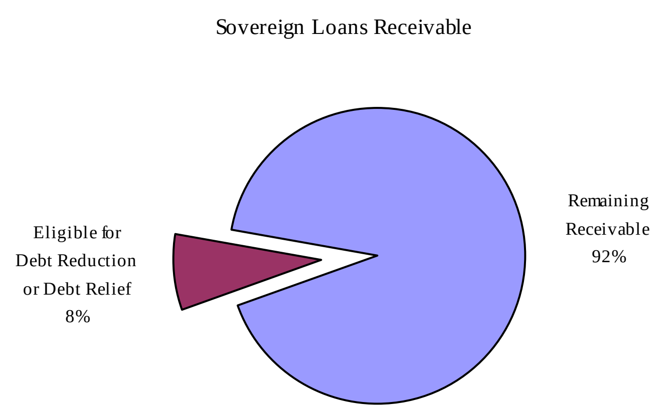
($ in millions)	2004/2005			2003/2004		
	Commercial	Sovereign	Total	Commercial	Sovereign	Total
Loans Receivable:						
Concessional	26	957	983	28	1,054	1,082
Non-concessional	2,258	494	2,752	1,647	639	2,286
Subtotal	2,284	1,451	3,735	1,675	1,693	3,368
Loan Commitments:						
Concessional	-	15	15	-	4	4
Non-concessional	2,274	62	2,336	3,128	62	3,190
Subtotal	2,274	77	2,351	3,128	66	3,194
Contingent Liabilities & Claims:						
Guarantees	238	1,216	1,454	323	1,367	1,690
Insurance	-	-	-	-	-	-
Outstanding Claims	-	44	44	-	45	45
Subtotal	238	1,260	1,498	323	1,412	1,735
Total	$4,796	$2,788	$7,584	$5,126	$3,171	$8,297
Percentage	*63%*	*37%*	*100%*	*62%*	*38%*	*100%*

The following charts provide an additional breakdown by industry and country respectively of the commercial and sovereign exposures as at March 31, 2005.



Debt Forgiveness / Debt Relief for Sovereign Loans Receivable

In 1996 the International Monetary Fund and the World Bank proposed that comprehensive treatment be given to the external debt of some of the world's poorest and most heavily indebted countries (HIPCs). This initiative was approved by member governments including Canada and at the present time 42 countries have been identified as candidates for this treatment. As at March 31, 2005, Canada Account has loans receivable exposure to eight HIPCs totaling $171 million or 11.8 % of the total sovereign loan portfolio. (Not all of this amount is yet eligible for reduction/relief.) All of this exposure was taken on prior to 1996. Eight countries have completed the multilateral process which precedes the forgiveness of some or all of their official debt.



Loans Portfolio by Interest Type

As at the end of the fiscal year 2004/2005, floating rate loans amounted to $639 million (2003/2004 - $539 million) or 17% of total loans receivable (2003/2004 - 16%). Of this amount, $543 million are LIBOR-based U.S. dollar denominated loans (2003/2004 - $435 million). The remainder of the floating rate loans are either LIBOR-based Canadian dollar denominated loans or prime rate based Canadian and U.S. dollar denominated loans. Fixed rate loans account for 83% of the total loan portfolio (2003/2004 - 84%). Concessional fixed rate loans which total $980 million (2003/2004 - $1,079 million) earn either a reduced or zero interest rate. Therefore, nearly all of the cash generated from interest receipts originates from non-concessional loans.

($ in millions)	2004/2005			2003/2004		
	Fixed	Floating	Total	Fixed	Floating	Total
Concessional	980	3	983	1,079	3	1,082
Non-concessional	2,116	636	2,752	1,750	536	2,286
Total	$3,096	$639	$3,735	$2,829	$539	$3,368
Percentage	*83%*	*17%*	*100%*	*84%*	*16%*	*100%*

Outstanding Claims on Insurance

There are currently $44.2 million in claims paid and unrecovered under the Canada Account of which $30.2 million pertain to Cuba. The latter claims were paid between 1994 and 1999 under documentary credits insurance and bulk agriculture insurance programs. In addition, there are $13.6 million in claims paid in 1995 under the foreign investment insurance program that pertain to Russia and $0.4 million that pertain to Haiti.

Cash Flow Realized on Loans Portfolio

The following table provides a summary of amounts realized on Canada Account loans receivable with a breakdown between concessional and non-concessional loans. Concessional loans have either low or zero interest rates and/or extended repayment terms. The cash flows represent interest and fees that have been received by EDC with respect to Canada Account loans that have been remitted to the CRF during the fiscal year net of the administration charge. Accrued interest and fees receivable are also recorded by EDC in the accounts for Canada Account and are kept separate from EDC's own accounts.

($ in millions)	2004-2005			2003-2004		
	Average Annual Principal Balance	Interest Cash Flow	%	Average Annual Principal Balance	Interest Cash Flow	%
Concessional	1,048	-	-	1,111	2	0.18%
Non-concessional	2,698	96	3.56%	1,912	50	2.62%
Total	$3,746	$96	2.56%	$3,023	$52	1.72%

Remittances of loan-related interest and fees to the CRF increased by $44 million in 2004/2005 from the previous fiscal year. Higher volume resulting from large loan disbursements, higher interest rates mainly on the floating rate portion of the U.S. dollar loan portfolio and a reduction of capitalization of interest all contributed to an increase in amounts generated during 2004/2005. Conversely, increases in amounts overdue, a strengthening of the Canadian dollar on U.S. dollar denominated cash flows and an increase in the Canada Account Administration Charge from the previous year due to increased volume, all served to limit the increase in the cash flow to the CRF.

Additional Remittances

During 2004/2005 an additional $17 million was remitted to the CRF representing guarantee fees (2003/2004 **-** $57 million).

Business Volumes

($ in millions)	2004/2005			2003/2004		
	Commercial	Sovereign	Total	Commercial	Sovereign	Total
Financing:						
Concessional	-	10	10	-	1	1
Non-concessional	841	-	841	955	-	955
Guarantees	-	-	-	-	-	-
Total Financing:	841	10	851	955	1	956
No. of Loans	*48*	*2*	*50*	*50*	*1*	*51*
Insurance*:						
Medium Term	-	-	-	-	-	-
Short Term	-	-	-	1	-	1
Subtotal:	-	-	-	1	-	1
No. of New Policies	-	-	-	*4*	-	*4*
Total	$841	$10	$851	$956	$1	$957
Percentage	*98.8%*	*1.2%*	*100.0%*	*99.9%*	*0.1%*	*100.0%*

**Includes amounts for policies issued, renewed or declarations under existing policies.*

Total Canada Account financing volumes decreased by $106 million between fiscal years 2004/2005 and 2003/2004. This was due mainly to a decrease of $114 million in commercial lending activity offset slightly by an increase of $9 million in sovereign lending. Insurance volumes under the Canada Account for the same period decreased by $1 million as the remaining insurance facility expired. In certain classes of business, such as some lines of credit and insurance facilities, the number of loans/policies represents the number of allocations made during the period, whereas the approval is provided as a single transaction.

Canada Account Financial Statements

Statement of Loans Receivable and Claims

As at March 31, 2005

($ in millions)	2004/2005	2003/2004
Loans Receivable (Notes 3, 4 and 5)	3,735	3,368
Accrued Interest and Fees	123	107
Outstanding Claims	44	45
Total	$3,902	$3,520

Statement of Loan Commitments and Contingent Liabilities

As at March 31, 2005

($ in millions)	2004/2005	2003/2004
Loan Commitments	2,351	3,194
Contingent Liabilities	1,454	1,690
Total	3,805	4,884
Indemnity Agreement*	(95)	(74)
Total	$3,710	$4,810

**To reflect indemnities representing the total net amount paid and unrecovered to date in respect of demands on guarantees provided to third parties.*

Statement of Income and Expenses

For the year ended March 31, 2005

Net Income/(Loss)

($ in millions)	2004/2005	2003/2004
Income:		
Loan Interest and Guarantee Fees	127	161
Insurance Premiums and Fees	-	-
Total	127	161
Foreign Currency Translation	(233)	(180)
Administrative Charges (Note 6)	(12)	(8)
Net Income/(Loss)	$(118)	$(27)

Statement of Cash Flow to / from the Consolidated Revenue Fund

For the year ended March 31, 2005

($ in millions)	2004/2005	2003/2004
Remittances to Consolidated Revenue Fund by EDC		
Principal	205	144
Interest, Premiums and Fees	125	109
Administrative Charges (Note 6)	(12)	(8)
Total	318	245
Disbursements from Consolidated Revenue Fund to EDC	634	872
Claims Paid	-	-
Total	634	872
Net Activity	$(316)	$(627)

Note: Not included in the table above is an amount of $59 million representing a sovereign prepayment of principal and interest which was due to the CRF by EDC and was remitted on April 1, 2005.

Note: All funds received by EDC in respect of Canada Account transactions (loan repayments, interest payments, fees, premium payments etc.) are remitted by EDC, net of the administration charge, to the CRF.

Notes to the Financial Statements

Note 1: Mandate and Authority

EDC is established for the purposes of supporting and developing, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade and to respond to international business opportunities. Pursuant to "the Act", the Minister of International Trade, with the concurrence of the Minister of Finance, may authorize the Corporation to undertake certain financial and contingent liability transactions. These transactions and the legislative authorities that underlie them have come to be known collectively as the "Canada Account". The Corporation is responsible for ensuring that the transactions made by the Corporation under the Canada Account are administered appropriately. Accounts for these transactions are maintained separately from the Corporation's 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. The assets under the Canada Account, mainly loans receivable and accrued interest and fees recorded in accordance with the accounting policies and practices of the Government of Canada, amounted to $3,902 million at March 31, 2005 (2004 - $3,520 million). Loan loss provisions for the entire portfolio are established and maintained centrally by the Government of Canada.

"The Act" allows the Canada Account to have outstanding commitments to borrowers, the principal amount of obligations owed to the Corporation, and contingent liabilities under contracts of insurance and other arrangements up to an aggregate of $13 billion. The position against this limit, determined in accordance with the requirements of "the Act", is $7,489 million at March 31, 2005 (2004 - $8,223 million).

Note 2: Summary of Significant Accounting Policies

Loans Receivable

Loans receivable is carried at historical cost and includes capitalized interest and fees.

Loan interest income is recorded on an accrual basis for the purposes of income statement presentation. It includes accrued interest and fee revenue on all loans, including loans in default. It also includes capitalized amounts of interest and fees.

Consolidated information presented in the *Public Accounts of Canada* is prepared in accordance with criteria outlined in the Receiver General Manual (Chapter 15 – Public Accounts Instructions) and excludes amounts of capitalized interest and fees from total loans receivable.

Translation of Foreign Currency

All loans receivable, loan commitments, contingent liabilities and claims that are denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the end of the fiscal year. Income and expenses are translated at either daily or monthly average exchange rates in effect during the year. Exchange gains and losses resulting from the translation of foreign currency balances and transactions are recognized in the income statement during the fiscal year.

Note 3: Aging of Loans Receivable

The following table shows the aging distribution of loans receivable by concessional and non-concessional loans. Concessional loans may have both/either reduced interest rates and/or extended repayment terms.

($ in millions)	2004/2005			2003/2004		
	Concessional	Non-concessional	Total	Concessional	Non-concessional	Total
Past Due	-	73	73	1	63	64
04/05	-	-	-	21	210	231
05/06	24	176	200	26	244	270
06/07	27	149	176	28	150	178
07/08	29	157	186	31	153	184
08/09	32	167	199	35	138	173
09/10	33	170	203	35	110	145
10/11	33	301	334	36	100	136
11/12	33	151	184	36	109	145
12/13 and beyond	772	1,408	2,180	833	1,009	1,842
Total	$983	$2,752	$3,735	$1,082	$2,286	$3,368

Note 4: Past Due Receivables

The following table provides a breakdown of principal, interest and fees in arrears as at the end of the fiscal year. Of the $158 million in arrears (2003/2004 - $142 million), $121 million (2003/2004 - $109 million) are due from sovereign risk borrowers. Of this amount, $66 million of arrears (2003/2004 - $69 million) pertain to amounts due from HIPCs and may be eligible for debt and/or debt service forgiveness. The balance of arrears under sovereign risk loans is eligible for rescheduling (see Note 5). Arrears under commercial risk loans, if not recovered, may be subject to restructuring and/or write-off.

($ in millions)	2004/2005			2003/2004		
	Commercial	Sovereign	Total	Commercial	Sovereign	Total
Concessional:						
Past Due Principal	-	-	-	-	1	1
Past Due Interest and Fees	-	-	-	-	-	-
Subtotal:	-	-	-	-	1	1
Non-concessional:						
Past Due Principal	21	52	73	20	43	63
Past Due Interest and Fees	16	69	85	13	65	78
Subtotal:	37	121	158	33	108	141
Total	$37	$121	$158	$33	$109	$142

Note 5: Amounts Rescheduled / Forgiven

Canada's membership in the Paris Club, an international group formed to deal on a multilateral basis with payment difficulties experienced by sovereign entities, allows it to be part of the negotiation and arrangement of rescheduling agreements. The following table shows the amounts of principal and interest (including fees) due that have been rescheduled during the year. These amounts, which are either past due or due within the current year, have been consolidated and payment has been deferred to future due dates pursuant to the terms of the individual rescheduling agreements.

The terms of the rescheduling may also stipulate forgiveness of principal and/or interest payments. No amounts forgiven were written-off in 2004/2005 or 2003/2004.

($ in millions)	2004/2005			2003/2004		
Amounts Rescheduled:	Principal	Interest	Total	Principal	Interest	Total
Concessional	1	-	1	8	-	8
Non-concessional	14	1	15	111	13	124
Total	$15	$1	$ 16	$119	$13	$ 132

Note 6: Canada Account Administrative Charges

Pursuant to Section 23(5) of "the Act", the Corporation is authorized by the Minister of Finance to retain from any receipts and recoveries an amount, as the Minister of Finance considers to be required, to meet the expenses and overhead costs of the Corporation arising out of its administration of Canada Account transactions.

Glossary

The purpose of this glossary is to explain the usage of some of the terms in the report in order to assist the reader's review. Such explanations are not necessarily for general application.

Accounts Receivable Insurance - Covers Canadian exporters against commercial and political risks related to export transactions with credit terms of up to 360 days.

Accrued Interest - Interest earned to date but not yet paid under a loan or other interest bearing instrument calculated from the date of the last interest payment.

Aging Distribution - The forecasted principal amortization of the current outstanding balance of loans receivable.

Concessional - Loans which are interest free or at low-interest rates and/or have extended repayment terms. On rare occasions a normal loan can be combined with a grant to achieve an overall concessionality level of at least 35%. (Such a structure is within the tied aid disciplines of the OECD "Arrangement on Guidelines for Officially Supported Export Credits".)

Consolidated Revenue Fund - All duties and revenues received by the Government of Canada, other than those reserved to the provinces, form one Consolidated Revenue Fund.

Contingent Liability - Potential debt which may become an actual financial obligation if certain events occur or fail to occur. Contingent liability is also referred to as insurance policies and guarantees outstanding.

Corporate Account - Refers to financing and contingent liability transactions undertaken by EDC for its own account. These are maintained separately from the Canada Account.

Credit Risk - The possibility that a loss may be incurred if a counterparty fails to meet its financial commitments.

Debt Forgiveness / Debt Relief - An agreement whereby some or all of a country's sovereign debt obligations are forgiven or deferred for payment at a later date.

Documentary Credits Insurance - Covers Canadian financial institutions against commercial and political risks in respect of letters of credit issued by foreign banks in support of Canadian export sales.

Equity - An ownership interest in an entity.

Financing - An arrangement that has the effect of extending credit or providing an undertaking to pay money.

Foreign Investment Insurance - Provides long-term protection (up to 15 years) against specific political risks. (See Political Risk Insurance.) It covers investments made in the form of equity, loans, guarantees, assets and services.

Guarantee - An undertaking with respect to a payment of a debt obligation that shall be duly met. A guarantee is a contingent liability of the guarantor.

Interest Rate Risk - Interest rate risk is the potential impact on revenues earned on Canada Account interest earning assets due to changes in interest rates.

LIBOR - London Interbank Offer Rate – The interest rate at which banks in London are prepared to lend to first-class banks.

Lines of Credit - Prearranged financing facilities set up with foreign banks to be used for financing various export transactions.

Loan Commitments - The portion of a loan that has been offered and accepted but that has not yet been disbursed.

OECD "Arrangement on Guidelines for Officially Supported Export Credits" - An agreement between most OECD member countries which sets maximum repayment terms, minimum interest rates and other basic conditions for official export credit support to minimize trade distortions.

Political Risk Insurance - Insurance which provides protection against specific political risks including: transfer of funds; expropriation; or war, revolution or insurrection.

Provisions - A charge against current income for the purposes of establishing and maintaining a reserve against potential future loan losses.

Public Accounts of Canada - The *Public Accounts of Canada* is the report of the Government of Canada prepared each fiscal year by the Receiver General. The accounts of Canada is the centralized record of the Government's financial transactions maintained by the Receiver General in which the transactions of all departments and agencies are summarized.

Reserves - Accumulated provisions against which potential future loan write-offs are made.

Recourse Agreement - An agreement whereby the holder of a financial asset has recourse to a third party if the debtor defaults.

Sovereign Loans - Loans for which the financial and repayment risk is that of a foreign government.

Undisbursed Loan Commitments - A contractual amount under an existing loan agreement that has yet to be advanced to the borrower.