CANADA ACCOUNT
ANNUAL REPORT 2005-2006

Canada

EDC
Export Development Canada | Exportation et développement Canada

CANADA ACCOUNT ANNUAL REPORT

FOR THE GOVERNMENT OF CANADA YEAR ENDING MARCH 31, 2006

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Overview

Under Canada Account, the Government of Canada (the “Government” or the “Crown”) is able to authorize support for transactions which, on the basis of Export Development Canada’s (“EDC” or the “Corporation”) risk management practices, would not be supported under EDC’s Corporate Account and are in the national interest. Canada Account transactions are assessed, entered into and managed by EDC and the Government effectively assumes the associated financial risks by providing all monies required for any transaction from the Consolidated Revenue Fund. “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 support, interest on loans (which are fully repayable), insurance premiums and fees apply to Canada Account transactions.

Authority

Pursuant to Section 23 of the Act, the Minister of International Trade (the “Minister”), 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 Canada Account are paid to the Corporation by the Minister of Finance, out of the Consolidated Revenue Fund. 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 does assume 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 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.

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 of the Government. 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, requesting and 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 to be remitted to the Consolidated Revenue Fund. However 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). The Minister, with the concurrence of the Minister of Finance, may also authorize EDC to take certain actions necessary or desirable for the management of assets and liabilities arising out of transactions.

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 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. to support and develop, 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, EDC is able to support transactions which would not be supported under the Corporate Account for risk- or size-related reasons.

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

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

- EDC's customary lending or insurance criteria (Canadian benefits, financial and technical capability of the exporter, technical and commercial viability of the project, creditworthiness of the borrower);
- The Government's general willingness to consider the country risk in question and the creditworthiness of 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 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.

Policy on Concessional Financing

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 the Canada Account to match such financing available from other countries, is no longer to be provided. The only recent exception was the now expired availability period for the concessional facility for China which had been established to provide Canadian exporters with a competitive financing tool in a market where other countries provided their exporters with such facilities. The China facility was closed as of February 2005 for new loan commitments and all loans were to be signed prior to February 2006. Nevertheless, Canada retains the right to offer matching terms within the parameters agreed upon in the Organization 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.

Fiscal year

All data contained in this report has been prepared and presented on the basis of the Government'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 2005/2006:

- Total Canada Account loan obligations and commitments, and contingent liabilities declined by $0.7 billion from $7.5 billion to $6.8 billion reflecting primarily repayments from borrowers and the impact of foreign exchange valuation of the Canadian dollar since most of the portfolio is denominated in U.S. dollars.

- 36 new loans (representing $611 million in business volume) were made under existing authorizations for allocations under the China Line of Credit facility (3) and existing aerospace facilities (33).

- Remittances in principal, interest and fees totaling $344 million were made to the Consolidated Revenue Fund by EDC.

- The China Line of Credit facility availability period has expired. Over the five-year life of this facility, 11 loans were signed for a total of $41 million allowing 10 Canadian exporters to complete over $75 million in contracts in a market where other countries provided their exporters with such concessional facilities.

- During the year, the airline industry continued to struggle to control costs in a very competitive environment with record high fuel prices. In the latter part of 2005, two obligor airlines filed for Chapter 11 bankruptcy protection in the United States. In December of 2005, a number of aircraft financed by Canada Account were returned to EDC. Since the bankruptcy filings, EDC has been in extensive discussions with the airlines and its financing partners with the aim of minimizing losses on the total loan portfolio as well as maintaining the future value of the overall regional jet fleet. EDC has also implemented a number of portfolio management activities to manage the evolving needs surrounding its aerospace portfolio for both its Canada and Corporate Accounts.

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 at March 31, 2006 was $6,775 million (2004/2005 - $7,489 million). Details of this position are as follows:

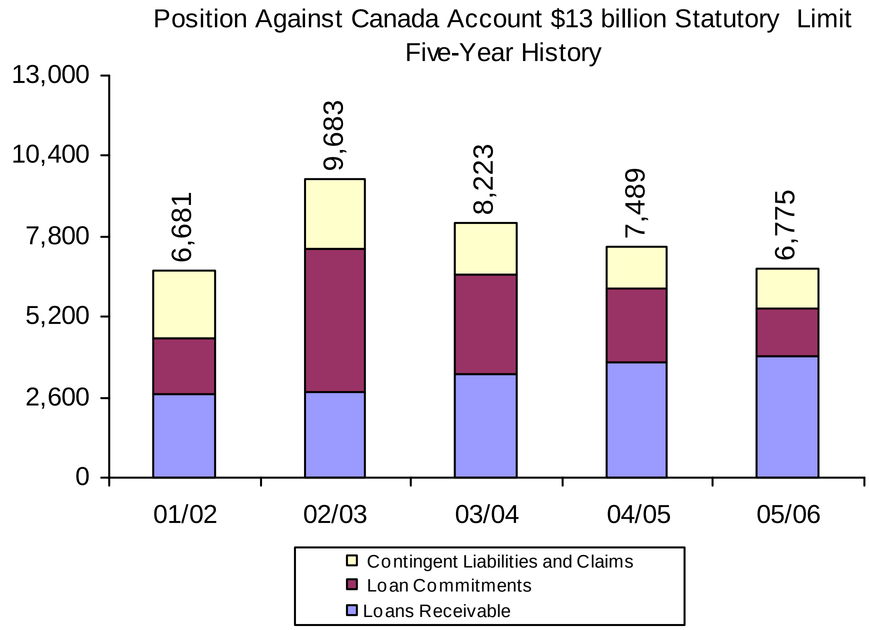
($ in millions)	March 31, 2006	March 31, 2005
Loans Receivable		
Concessional	933	983
Non-concessional	3,017	2,752
	3,950	3,735
Loan Commitments		
Concessional	12	15
Non-concessional	1,517	2,336
	1,529	2,351
Contingent Liabilities and Claims		
Guarantees	1,340	1,454
Insurance	-	-
Outstanding Claims	44	44
	1,384	1,498
Total	$6,863	$7,584
Indemnity Agreement*	(88)	(95)
Total	$6,775	$7,489

** Third party guarantees in favour of the Government.*

In addition to the above position against the statutory limit at March 31, 2006, Ministerial Authorizations were in place for potential new transactions amounting to $225 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 2001/2002 and 2002/2003 fiscal years. This was due to an increase in loan commitments in 2002/2003. The decrease in 2003/2004 and onward is due to a decrease in contingent liabilities, loan commitments converted to loans receivable, and foreign exchange translation (refer to section on Exposure by Currency).



Concentration of Exposure

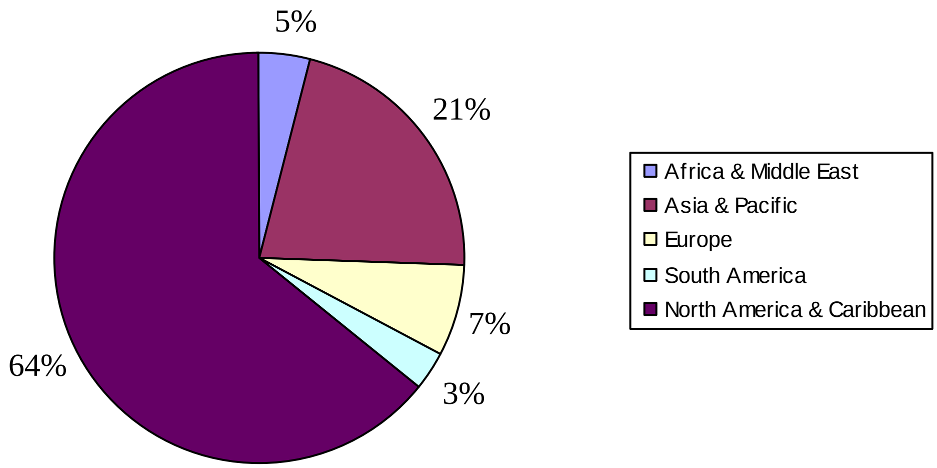
The following table reflects the major concentrations of total commercial and sovereign exposures in the country where the risk resided at March 31, 2006.

($ in millions)	Concessional		Non-Concessional					
Country	Loans Receivable	Loan Commitments	Loans Receivable	Loan Commitments	Outstanding Claims	Contingent Liabilities	Exposure $	*%*
United States	-	-	2,622	1,487	-	222	4,331	*63.1*
China	545	12	1	-	-	790	1,348	*19.7*
Romania	-	-	14	-	-	328	342	*5.0*
Venezuela	-	-	101	30	-	-	131	*1.9*
Turkey	116	-	-	-	-	-	116	*1.7*
Morocco	98	-	-	-	-	-	98	*1.4*
Argentina	-	-	84	-	-	-	84	*1.2*
Other *	174	-	195	-	44	-	413	*6.0*
Total	$933	$12	$3,017	$1,517	$44	$1,340	$6,863	*100.0%*

* Includes 26 countries with exposures ranging from $0.4 million to $62 million.

Exposure by Geographic Region

The chart provides a breakdown of the Canada Account concentration of exposure by geographic region where the risk resided at March 31, 2006. The two largest exposures are in North America & Caribbean with 64% (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 at March 31, 2006. The U.S. dollar portion accounts for 93% of the exposure (2004/2005 - 93%). Of the $5,488 million of U.S. dollar exposure, $4,615 million (84%) is made up of loans receivable and loan commitments.

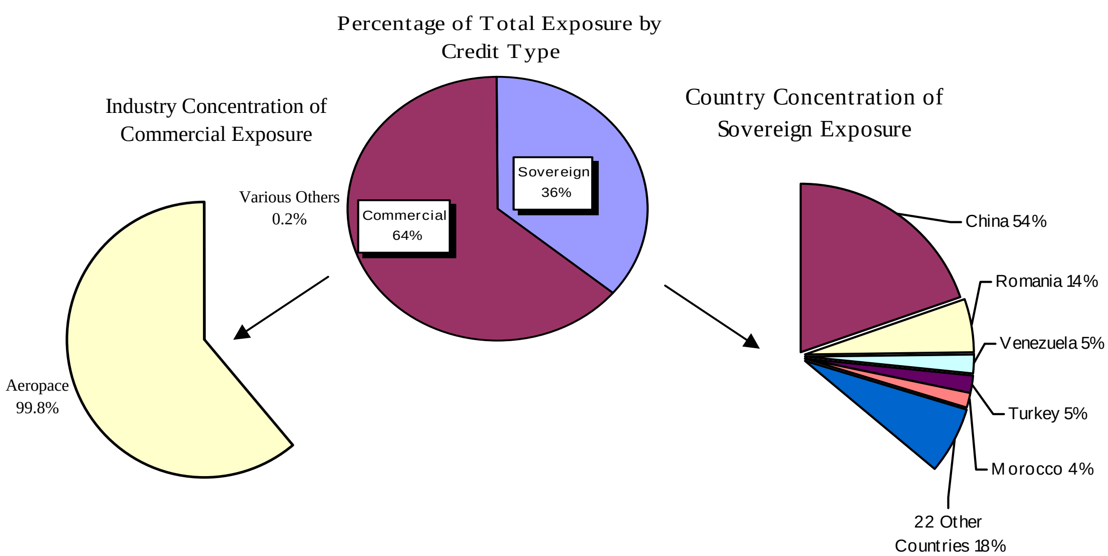
($ in millions)	March 31, 2006				March 31, 2005			
Currency	Amount	CAD Equiv.	*Exchange Rate*	*Percentage*	Amount	CAD Equiv.	*Exchange Rate*	*Percentage*
USD	5,488	6,405	*1.1671*	*93.3%*	5,833	7,056	*1.2096*	*93.0%*
CAD	440	440	-	*6.4%*	507	507	-	*6.7%*
EUR	13	18	*1.4169*	*0.3%*	13	21	*1.5689*	*0.3%*
Total		$6,863		*100.0%*		$7,584		*100.0%*

Exposure by Credit Type

The following table provides a commercial and sovereign breakdown of the Canada Account exposure. The commercial concentration increased slightly from 63% of the overall portfolio in fiscal year 2004/2005 to 64% in fiscal year 2005/2006. The largest concentration of Canada Account exposure is in non-concessional commercial loans receivable and loan commitments.

($ in millions)	March 31, 2006			March 31, 2005		
	Commercial	Sovereign	Total	Commercial	Sovereign	Total
Loans Receivable:						
Concessional	22	911	933	26	957	983
Non-concessional	2,655	362	3,017	2,258	494	2,752
Subtotal:	2,677	1,273	3,950	2,284	1,451	3,735
Loan Commitments:						
Concessional	-	12	12	-	15	15
Non-concessional	1,487	30	1,517	2,274	62	2,336
Subtotal:	1,487	42	1,529	2,274	77	2,351
Contingent Liabilities & Claims:						
Guarantees	222	1,118	1,340	238	1,216	1,454
Insurance	-	-	-	-	-	-
Outstanding Claims	-	44	44	-	44	44
Subtotal:	222	1,162	1,384	238	1,260	1,498
Total	$4,386	$2,477	$6,863	$4,796	$2,788	$7,584
Percentage	*64%*	*36%*	*100%*	*63%*	*37%*	*100%*

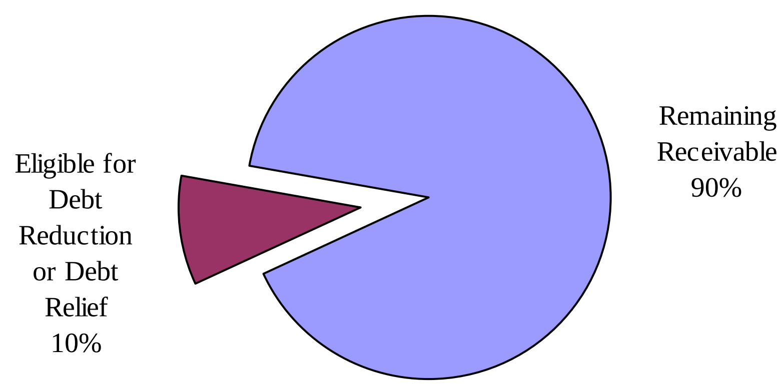
The following charts provide an additional breakdown of the commercial and sovereign exposures at March 31, 2006 by industry and country respectively.



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 41 countries have been identified as candidates for this treatment. At March 31, 2006, Canada Account had loans receivable exposure to eight HIPCs totaling $164 million or 12.9% of the total sovereign loan portfolio, only part of which is eligible for debt relief or debt reduction. All of this exposure was taken on prior to 1996. Ten countries have completed the multilateral process which precedes the forgiveness of some or all of their official debt.

Sovereign Loans Receivable



Loans Portfolio by Interest Type

At the end of fiscal year 2005/2006, floating rate loans amounted to $787 million (2004/2005 - $639 million) or 20% of total loans receivable (2004/2005 - 17%). Of this amount, $691 million are LIBOR-based U.S. dollar denominated loans (2004/2005 - $543 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 80% of the total loan portfolio (2004/2005 - 83%). Concessional fixed rate loans which total $925 million (2004/2005 - $980 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)			March 31, 2006			March 31, 2005
	Fixed	Floating	Total	Fixed	Floating	Total
Concessional	925	8	933	980	3	983
Non-concessional	2,238	779	3,017	2,116	636	2,752
Total	$3,163	$787	$3,950	$3,096	$639	$3,735
Percentage	*80%*	*20%*	*100%*	*83%*	*17%*	*100%*

Outstanding Claims on Insurance

There are currently $43.9 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, $13.3 million in claims were paid in 1995 under the foreign investment insurance program for investments in Russia and $0.4 million for an investment in Haiti.

Cash Flow Realized on Loans Portfolio

The following table provides a summary of remittances of interest and fees on Canada Account loans receivable broken down 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 received by EDC with respect to Canada Account loans that were remitted to the Consolidated Revenue Fund 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 corporate accounts.

($ in millions)	March 31, 2006			March 31, 2005		
	Average Annual Principal Balance	Interest Cash Flow	%	Average Annual Principal Balance	Interest Cash Flow	%
Concessional	965	1	0.06%	1,048	-	-
Non-concessional	3,023	101	3.34%	2,698	96	3.56%
Total	$3,988	$102	2.56%	$3,746	$96	2.56%

Remittances of loan-related interest and fees to the Consolidated Revenue Fund increased by $6 million in 2005/2006 from the previous fiscal year. The increase in the average principal balance was due primarily to the impact of foreign exchange valuation of the Canadian dollar. The interest cash flow did not increase to the same degree due to the increase of impairments over 2005, specifically in the U.S. aerospace portfolio.

Business Volumes

($ in millions)		March 31, 2006			March 31, 2005	
	Commercial	Sovereign	Total	Commercial	Sovereign	Total
Financing:						
Concessional	-	10	10	-	10	10
Non-concessional	601	-	601	841	-	841
Guarantees	-	-	-	-	-	-
Total Financing:	601	10	611	841	10	851
No. of Loans	*33*	*3*	*36*	*48*	*2*	*50*
Insurance	-	-	-	-	-	-
Total	$601	$10	$611	$841	$10	$851
Percentage	*98.4%*	*1.6%*	*100.0%*	*98.8%*	*1.2%*	*100.0%*

Total Canada Account financing volumes decreased by $240 million between fiscal years 2004/2005 and 2005/2006. This was due to a decrease in commercial lending activity such as the reduction in new aircraft sales due to the downturn in the aerospace sector. No insurance volumes under the Canada Account were reported in either fiscal years. In certain classes of business such as lines of credit, the number of loans represents allocations during the period, whereas the approval of the facility is shown as a single transaction.

Canada Account Financial Statements

Statement of Loans Receivable and Claims

As at March 31, 2006

($ in millions)	March 31, 2006	March 31, 2005
Loans receivable (Notes 3, 4 and 5)	3,950	3,735
Accrued interest and fees	154	123
Outstanding claims	44	44
Total	$4,148	$3,902

Statement of Loan Commitments and Contingent Liabilities

As at March 31, 2006

($ in millions)	March 31, 2006	March 31, 2005
Loan commitments	1,529	2,351
Contingent liabilities	1,340	1,454
Subtotal	2,869	3,805
Indemnity agreement*	(88)	(95)
Total	$2,781	$3,710

**Third party guarantees in favour of the Government.*

Statement of Income and Expenses

For the year ended March 31, 2006

($ in millions)	March 31, 2006	March 31, 2005
Income:		
Loan interest and guarantee fees	157	127
Insurance premiums and fees	-	-
Subtotal	157	127
Loss on foreign currency translation (Note 2)	(174)	(233)
Administrative charges (Note 6)	(12)	(12)
Net loss	$(29)	$(118)

Statement of Cash Flow to/from the Consolidated Revenue Fund

For the year ended March 31, 2006

($ in millions)	March 31, 2006	March 31, 2005
Remittances to Consolidated Revenue Fund by EDC		
Principal	242	205
Interest, premiums and fees	114	125
Administrative charges (Note 6)	(12)	(12)
Total remitted	344	318
Received from Consolidated Revenue Fund by EDC	475	634
Claims paid	-	-
Total received	475	634
Net increase in cash flow	$131	$316

Note: All funds received by EDC in respect of Canada Account transactions (loan repayments, interest payments, fees, premium payments, etc.) are remitted by EDC to the Consolidated Revenue Fund net of the expenses and overhead of the Corporation arising out of those transactions.

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 Section 23 of the Act, the Minister, with the concurrence of the Minister of Finance, may authorize the Corporation to undertake certain financial and contingent liability transactions where it is considered to be in the national interest. 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, 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, amounted to $4,148 million at March 31, 2006 (2005 - $3,902 million). Loan loss provisions for the entire portfolio are established and maintained by the Government.

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 $6,775 million at March 31, 2006 (2005 - $7,489 million).

Note 2: Summary of Significant Accounting Policies

Loans Receivable

Loans receivable are carried at historical cost and include 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 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 reduced interest rates and/or extended repayment terms.

($ in millions)	March 31, 2006			March 31, 2005		
Fiscal	Concessional	Non-concessional	Total	Concessional	Non-concessional	Total
Past Due	-	105	105	-	73	73
05/06	-	-	-	24	176	200
06/07	25	320	345	27	149	176
07/08	27	144	171	29	157	186
08/09	31	153	184	32	167	199
09/10	31	160	191	33	170	203
10/11	32	319	351	33	301	334
11/12	32	169	201	33	151	184
12/13	32	159	191	33	149	182
13/14 and beyond	723	1,488	2,211	739	1,259	1,998
Total	$933	$3,017	$3,950	$983	$2,752	$3,735

Note 4: Past Due Receivables

The following table provides a breakdown of principal, interest and fees in arrears at the end of the fiscal year. Of the $217 million in arrears (2004/2005 - $158 million), $138 million (2004/2005 - $121 million) is due from sovereign-risk borrowers. The increase was due primarily to amounts due from borrowers in Argentina and the United States. Of the sovereign amount, $67 million of arrears (2004/2005 - $66 million) pertain to amounts due from HIPCs and may be eligible for debt and/or debt-service forgiveness. The balance of sovereign-risk loans arrears are eligible for rescheduling (see Note 5). Arrears from commercial risk loans, if not recovered, may be subject to restructuring and/or write-off.

($ in millions)	March 31, 2006			March 31, 2005		
	Commercial	Sovereign	Total	Commercial	Sovereign	Total
Concessional:	-	-	-	-	-	-
Non-concessional:						
Past Due Principal	43	62	105	21	52	73
Past Due Interest and Fees	36	76	112	16	69	85
Subtotal:	79	138	217	37	121	158
Total	$79	$138	$217	$37	$121	$158

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 due (including fees) that were rescheduled during the year. Payment of these amounts, which are either past due or due within the current year, 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. Pursuant to Section 23 of the *Financial Administration Act*, an amount of USD $1.63 million representing principal and interest payments from the Republic of Cameroon was forgiven in 2005/2006 by the Government under the Canadian Debt Initiative and the terms of the Paris Club debt restructuring agreement. No amounts forgiven were written off in 2005/2006 or 2004/2005.

($ in millions)	March 31, 2006			March 31, 2005		
Amounts Rescheduled:	Principal	Interest	Total	Principal	Interest	Total
Concessional	4	-	4	1	-	1
Non-concessional	2	2	4	14	1	15
Total	$6	$2	$8	$15	$1	$ 16

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 of the Corporation arising out of Canada Account transactions.

Glossary

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

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

Accrued Interest - Interest earned but not yet paid under a loan or other interest-bearing instrument calculated from the later of the disbursement date or 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 below-market interest rates and/or have extended repayment terms. On rare occasions a normal loan can be combined with a concessional loan to achieve an overall concessionality level of at least 35%, a level 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, 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 - Financing and contingent liability transactions undertaken by EDC for its own account, i.e. Section 10 of the Act. These transactions are maintained separately from the Canada Account.

Credit Risk - The possibility that a loss may be incurred if a financing or insurance 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 insured 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 – Former name of EDC's Political Risk Insurance.

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

Interest Rate Risk - The potential impact on revenues earned on Canada Account interest bearing 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 with foreign financial institutions to be used for financing various export transactions.

Loan Commitments - The portion of a loan that has been offered and accepted but not yet 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; war, revolution or insurrection. It covers investments made in the form of equity, loans, guarantees, assets and services.

Provisions - A charge against current income to establish and maintain a reserve against potential future loan losses.

Public Accounts of Canada – The *Public Accounts of Canada* is the report of the Government 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 future loan write-offs would be 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 national government.