PROTECTED

CANADA ACCOUNT ANNUAL REPORT

FOR THE GOVERNMENT OF CANADA YEAR ENDED MARCH 31, 2021

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Overview

Under Section 23 of the *Export Development Act* ("the Act"), 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 but are in the national interest. Such transactions are referred to as Canada Account transactions. The Government effectively assumes the associated financial risks for Canada Account transactions by providing all monies required for any transaction from the Consolidated Revenue Fund ("CRF"). Canada Account transactions can consist of transactions or classes of transactions that EDC has the power to enter into pursuant to Section 10 of the Act, including business in all of EDC's product categories (financing, credit insurance, financial institutions insurance, international trade guarantees, and political risk insurance).

During the year, a number of actions were taken in response to the COVID 19 pandemic. Pursuant to paragraph 24(1.1)(a) of the Export Development Act, the Minister of Finance gave notice that, effective April 16, 2020, the amount of the total liabilities and obligations referred to in subsection 24(1) shall at no time exceed $75 billion. That maximum amount was subsequently increased to $93 billion (effective May 15, 2020) and $115 billion (effective September 30, 2020). As well, a Ministerial Authorization was signed authorizing up to $25 billion in Canada Account funds to provide emergency liquidity to Canadian businesses through the Canada Emergency Business Account ("CEBA"), and subsequent Ministerial Authorizations increased that limit to $40 billion, $55 billion, and $73 billion. The CEBA program is focused on supporting micro and small businesses in Canada with loans from $40 thousand to $60 thousand, which are partially forgivable and interest free if the loans are repaid by December 31, 2023. As at March 31, 2021, $44.9 billion remains disbursed under this program (see Note 3 for more details).

Authority

Pursuant to Section 23 of the Act, the Minister of Small Business, Export Promotion and International Trade ("the Minister"), with the concurrence of the Minister of Finance, may authorize EDC to undertake certain financial and contingent liability transactions.

Prior to March 25, 2020, Section 24(1) of the Act allowed Canada Account to have up to an aggregate of $20 billion (the "Statutory Limit") in contingent liabilities (i.e.: insurance policies, guarantees and other contingent arrangements), outstanding commitments to borrowers and outstanding principal amounts owed by borrowers. In response to the COVID-19 pandemic, on March 25, 2020, the Act was temporarily amended through September 30, 2020, to provide that the Statutory Limit was an amount notified by the Minister of Finance. On May 15, 2020, the Statutory Limit was increased to $93 billion to support programs related to the COVID-19 pandemic and further increased to $115 billion on September 30, 2020. 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 CRF. Such monies 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 prudently manage these risks to ensure its long-term financial viability. In a transaction where 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 financial viability, 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. For each transaction, the Government sets aside an allowance for potential losses in the fiscal framework. Allowances are adjusted annually by the Government for all financial exposures based on the risks associated with the transaction (country, credit rating, value of collateral, etc). In accordance with the Government's accounting policies, the value of loans and advances made under Canada Account are adjusted in its financial statements by an allowance for credit losses to approximate their net realizable value.

Management

Upon receipt of a Ministerial Authorization, EDC is responsible for coordinating and administering the transaction, which includes the execution of legal documents, the 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 CRF. 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 5). The Minister of Small Business, Export Promotion and International Trade, 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 Global Affairs Canada which provides the mechanism whereby funding requests and remittances are made by EDC to the Government.

Eligibility

Canada Account transactions must meet EDC's mandate. Prior to March 25, 2020, EDC's mandate included 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. On March 25, 2020, in response to the COVID-19 pandemic, the Act was amended to expand EDC's mandate to include supporting and developing, directly or indirectly, domestic business at the request of the Minister and the Minister of Finance. Under Canada Account, the Government of Canada is able to support transactions that exceed the financial or risk capacity of EDC under its Corporate Account but are deemed to be in the national interest.

In most cases, a transaction will first be considered and rejected by EDC under its Corporate Account prior to it being referred to the Minister of International Trade for consideration under Canada Account. The Government may request that EDC manage a transaction under Canada Account as was the case for the support provided to the automotive sector in 2009.

In addition to falling within EDC's mandate, the eligibility considerations applied to transactions considered under 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 and revenues 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.

Disclosure

Information on current transactions is posted on EDC's website (https://www.edc.ca/en/about-us/corporate/disclosure/reporting-transactions/canada-account.html) in accordance with the Corporation's Disclosure Policy.

Fiscal Year

All data contained in this report is presented on the basis of the Government's fiscal year which ends on March 31 and will therefore not directly compare to EDC's Annual Report, Corporate Plan and other corporate documents, which are prepared on a calendar-year basis.

Management's Discussion and Analysis

Highlights

The following are highlights of Canada Account activity during the fiscal year 2020-2021:

- Under the CEBA program, $44.9 billion remains disbursed as at March 31, 2021.

- At the end of 2019-2020, there were Ministerial Authorizations allowing for financing of $10 billion related to the Trans Mountain Pipeline including a term loan of up to $5 billion for a term of up to five years, a second term loan of up to $4 billion available through August 23, 2023, and financing in the form of a loan/ and or guarantee of up to $1 billion for a term of up to five years. In October 2020, a new Ministerial Authorization was signed increasing the limit on the second term loan by $7.6 billion to an available amount of $11.6 billion and extending the maturity through August 29, 2025. As of March 31, 2021, the total Ministerial Authorizations related to the Trans Mountain Pipeline totalled $17.6 billion and $17.27 billion in credit agreements were signed against the limit, of which $9.98 billion was disbursed including $3.76 billion in the current year.

Other highlights for the fiscal year 2020-2021 are:

- Net loss was $15.6 billion compared to net income of $335 million for the prior year. The net loss was primarily due to estimates of the amounts to be forgiven ($13.1 billion) relating to the CEBA program. Additional CEBA program costs also contributed to the current year net loss:
    - financial institution fees ($92 million) charged by the financial institutions who are delivering the CEBA program to qualifying borrowers; and
    - CEBA administrative charges which includes direct costs incurred by EDC primarily paid to third parties for the administration of the CEBA program ($56 million).

- Loan revenue increased by $125 million to $404 million mainly due to increased loan interest revenue related to the Trans Mountain Pipeline.

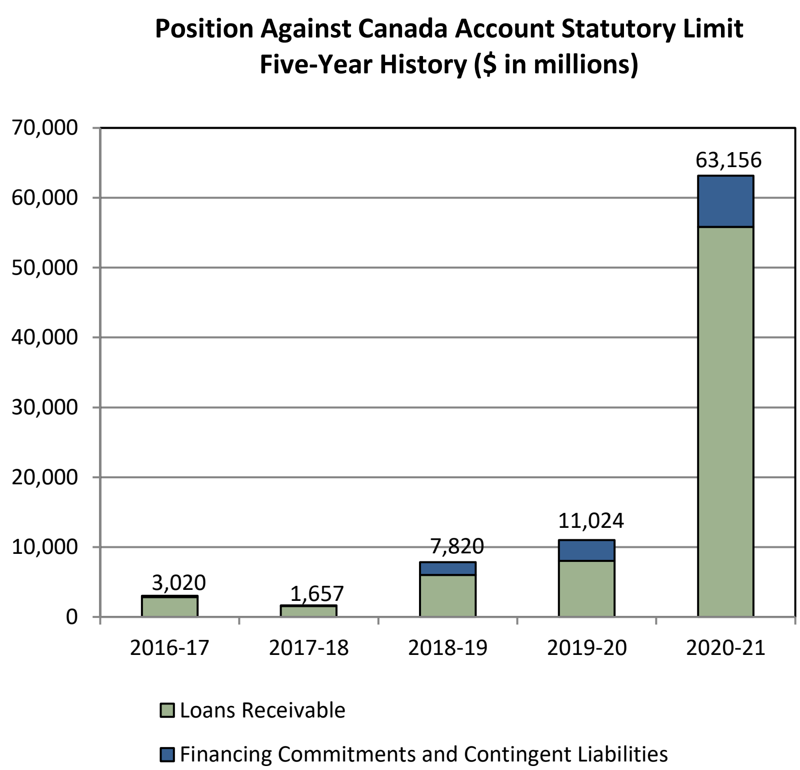
- Remittances of principal, interest, premiums and fees, net of expenses, totalling $1,546 million were made to the CRF by EDC. Total amounts received from the CRF were $49,185 million primarily due to amounts related to the CEBA program.

Position against Statutory Limit

As at March 31, 2021, the position against the Statutory Limit of $115 billion was $63.2156 billion (March 31, 2020 - $11.0 billion). The increase in the position against the statutory limit is mainly due to disbursements under the CEBA program and increases to loan facilities related to the Trans Mountain Pipeline. Details of this position are as follows:

(in millions of Canadian dollars)	**Mar 2021**	Mar 2020
Loans Receivable		
Concessional - CEBA	**44,881**	-
Concessional	**500**	594
Non-concessional	**10,436**	7,428
	55,817	8,022
Financing Commitments and Contingent Liabilities		
Loan commitments	**7,306**	2,947
Loan guarantees	**33**	55
	7,339	3,002
Position Against Statutory Limit	**$63,156**	$11,024

Five-Year Summary



Concentration of Exposure

The following table reflects the country exposure where the risk resided as at March 31, 2021:

(in millions of Canadian dollars)

Country	Concessional Loans Receivable	Non-Concessional Loans Receivable	Loan Commitments	Loan Guarantees	**Mar 2021** Total	**Mar 2021** %	Mar 2020 Total	Mar 2020 %
Canada - CEBA	44,881	-	-	-	**44,881**	**71**	-	-
Canada	10	10,024	7,306	-	**17,340**	**27**	9,870	90
China	304	-	-	-	**304**	**1**	366	3
United States	-	270	-	-	**270**	**1**	348	3
Iraq	-	75	-	-	**75**	**-**	96	1
Turkey	74	-	-	-	**74**	**-**	86	1
Morocco	57	-	-	-	**57**	**-**	68	1
Argentina	-	37	-	-	**37**	**-**	36	-
India	36	-	-	-	**36**	**-**	43	-
Romania	-	-	-	33	**33**	**-**	55	-
Other *	19	30	-	-	**49**	**-**	56	1
Total	**$45,381**	**$10,436**	**$7,306**	**$33**	**$63,156**	**100**	$11,024	100

** Includes eight countries with exposures ranging from $0.1 million to $16 million.*

Exposure by Currency

(in millions of Canadian dollars)

Currency	**Mar 2021** Amount	**Mar 2021** CAD Equiv.	**Mar 2021** Exchange Rate	**Mar 2021** %	Mar 2020 Amount	Mar 2020 CAD Equiv.	Mar 2020 Exchange Rate	Mar 2020 %
CAD	**62,278**	**62,278**	**-**	**99**	9,947	9,947	-	90
USD	**699**	**878**	**1.2567**	**1**	765	1,077	1.4076	10
Total		**$63,156**		**100**		$11,024		100

The overall CAD exposure increased in the year primarily due to loan disbursements under both the CEBA program and facilities related to the Trans Mountain Pipeline.

Commercial and Sovereign Exposure

(in millions of Canadian dollars)			**Mar 2021**			Mar 2020
	Commercial	**Sovereign**	**Total**	Commercial	Sovereign	Total
Loans Receivable						
Concessional - CEBA	**44,881**	**-**	**44,881**	-	-	-
Concessional	**10**	**490**	**500**	10	584	594
Non-concessional	**314**	**10,122**	**10,436**	1,006	6,422	7,428
	45,205	**10,612**	**55,817**	1,016	7,006	8,022
Financing Commitments and Contingent Liabilities						
Loan commitments	**16**	**7,290**	**7,306**	32	2,915	2,947
Loan guarantees	**-**	**33**	**33**	-	55	55
	16	**7,323**	**7,339**	32	2,970	3,002
Total	**$45,221**	**$17,935**	**$63,156**	$1,048	$9,976	$11,024
Percentage	**72%**	**28%**	**100%**	9%	91%	100%

The increase in Commercial exposure is primarily due to loan disbursements under the CEBA program and the increase in sovereign exposure was primarily due to loan facilities related to the Trans Mountain Pipeline.

The following chart provides an additional breakdown of the commercial and sovereign exposure by industry and country:

(in millions of Canadian dollars)	**Mar 2021**		Mar 2020	
	Total	**%**	Total	%
Commercial (by industry):				
CEBA	**44,881**	**71**	-	-
Automotive	**139**	**1**	805	7
Aerospace	**131**	**-**	193	2
Resources	**38**	**-**	32	-
Other	**32**	**-**	18	-
	45,221	**72**	1,048	9
Sovereign (by country):				
Canada	**17,270**	**27**	9,170	83
China	**304**	**1**	366	3
Iraq	**75**	**-**	96	1
Turkey	**74**	**-**	86	1
Morocco	**57**	**-**	68	1
Argentina	**37**	**-**	36	1
Other	**118**	**-**	154	1
	17,935	**28**	9,976	91
Total	**$63,156**	**100**	$11,024	100

The decrease in automotive exposure is due to the full repayment of a loan facility to General Dynamics Land Systems. The increase in Sovereign Canada exposure is due to disbursements and an increase in loan facilities related to the Trans Mountain Pipeline.

Loan Receivable by Interest Type

(in millions of Canadian dollars)			**Mar 2021**			Mar 2020
	Fixed	**Floating**	**Total**	Fixed	Floating	Total
Concessional - CEBA	**44,881**	**-**	**44,881**	-	-	-
Concessional	**494**	**6**	**500**	587	7	594
Non-concessional	**10,145**	**291**	**10,436**	7,123	305	7,428
Total	**$55,520**	**$297**	**$55,817**	$7,710	$312	$8,022
Percentage	**99%**	**1%**	**100%**	96%	4%	100%

Cash Flow Realized on Loans

The following table provides a summary of the interest and fees received on Canada Account loans. These cash flows were remitted to the CRF during the fiscal year net of the administration charge. Almost all the revenue generated from interest receipts originates from non-concessional loans; as concessional loans have either low or zero interest rates.

(in millions of Canadian dollars)			**Mar 2021**			Mar 2020
	Average annual principal balance	**Interest cash flow**	**%**	Average annual principal balance	Interest cash flow	%
Concessional	**21,037**	**12**	**0.06%**	601	-	0.01%
Non-concessional	**9,125**	**381**	**4.18%**	6,703	265	3.95%
Total	**$30,162**	**$393**	**1.30%**	$7,304	$265	3.63%

The increase in the average principal balances was primarily due to new financing activity in the fiscal year related to the CEBA program and loans related to the Trans Mountain Pipeline.

Financial Arrangements Facilitated

In the fiscal year-ended March 31, 2021, Canada Account facilitated net disbursements of $44.9 billion to the CEBA program as previously discussed.

In the second quarter of the year, there was an amendment to one of the loan facilities relating to the Trans Mountain Pipeline transaction, which increased the limit of the loan facility from $4 billion to $11.6 billion and extended the maturity date of that loan facility to August 29, 2025. At the end of the year, $9.98 billion was disbursed under all Trans Mountain Pipeline facilities.

Canada Account Financial Statements

Statement of Receivables

as at *(in millions of Canadian dollars)*	**Mar 2021**	Mar 2020
CEBA loans receivable (Note 3)	**44,881**	-
CEBA allowance for transfer payments (Note 3)	**(13,085)**	-
Net CEBA receivable	**31,796**	-
Loans receivable (Note 4)	**10,936**	8,022
Allowance for credit losses on loans	**(3,003)**	(203)
Allowance for losses on accrued interest and fees	**(249)**	(296)
Unamortized discount on concessionary loans	**(343)**	(365)
Accrued interest and fees	**357**	321
Total	**$39,546**	$7,479

Statement of Financing Commitments and Contingent Liabilities

as at *(in millions of Canadian dollars)*	**Mar 2021**	Mar 2020
Loan commitments	**7,306**	2,947
Loan guarantees (Note 7)	**33**	55
Total	**$7,339**	$3,002

Statement of Revenue and Expenses

for the year ended *(in millions of Canadian dollars)*	**Mar 2021**	Mar 2020
Revenue		
Loan interest and guarantee fees	**404**	279
Gain on foreign currency translation	**-**	72
Amortization of discount	**23**	23
Recovery of amounts previously expensed (Note 5)	**2**	15
Total Revenue	**429**	389
Expenses		
CEBA transfer payment expense (Note 3)	**13,085**	-
CEBA financial institution fees (Note 3)	**92**	-
CEBA administrative charges (Note 3 and 5)	**56**	-
Loss on foreign currency translation	**76**	-
Provision for credit losses on loans and loan guarantees	**2,723**	45
Administrative charges (Note 5)	**1**	9
Total Expenses	**16,033**	54
Net Income (Loss)	**$(15,604)**	$335

Statement of Cash Flow (to)/from the Consolidated Revenue Fund

for the year ended *(in millions of Canadian dollars)*	**Mar 2021**	Mar 2020
Remittances to CRF by EDC		
Principal	**(1,153)**	(168)
Interest, premiums and fees	**(393)**	(265)
Total remitted to CRF	**$(1,546)**	$(433)
Received from CRF by EDC		
Principal	**49,036**	2,123
CEBA financial institution fees	**92**	-
Administrative charges	**57**	9
Total received from CRF	**$49,185**	$2,132
Net cash received (remitted) to the CRF	**$47,639**	$1,699

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 CRF 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, domestic trade and Canadian capacity to engage in either of these trades and to respond to international and domestic 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 that are considered to be in the national interest. These transactions or classes of transactions and the legislative authorities that underlie them have come to be known collectively as the “Canada Account”. Such transactions can include business in all of EDC’s product categories (financing, credit insurance, financial institutions insurance, international trade guarantees, and political risk insurance) other than investments. The Corporation is responsible for ensuring that Canada Account transactions 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.

Prior to March 25, 2020, the Export Development Act allowed Canada Account to have up to an aggregate of $20 billion in contingent liabilities (i.e. insurance policies, guarantees and other contingent arrangements), outstanding loan commitments to borrowers and outstanding principal amounts of obligations owed to the Corporation. On March 25, 2020, in response to the COVID-19 pandemic, the Act was temporarily amended to provide that the Canada Account limit was an amount notified by the Minister of Finance and published in the Canada Gazette. On April 16, 2020, the Statutory Limit was increased to $75 billion to support programs related to the COVID-19 pandemic and further increased to $93 billion on May 15, 2020 and $115 billion on September 30, 2020. The position against this limit, determined in accordance with the requirements of the Act, was $63,156 million at March 31, 2021 (March 31, 2020 - $11,024 million).

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The balances presented in the Canada Account financial statements are recorded in accordance with Public Sector Accounting Standards.

Loans Receivable

Loans receivable are carried at historical cost and include capitalized interest and fees.

Accrued interest is recorded on the contractual basis of the underlying loan. It includes accrued interest and fee revenue on all loans, including loans in default and/or those where there is no expectation of collectability.

Loan interest income is recorded on an accrual basis for the purposes of presentation in the Statement of Revenue and Expenses. It includes accrued interest and fee revenue on all loans, with the exception of loans in default where collectability is not reasonably assured.

Consolidated information presented in the *Public Accounts of Canada* is prepared in accordance with criteria outlined in the Receiver General Manual (Public Accounts of Canada Instructions).

Allowances for Transfer Payments and Credit Losses

When necessary, allowances are recorded to reduce the carrying value of loans to amounts that approximate their net recoverable value. The allowance for transfer payments represent discounts to reflect the concessionary terms of forgiveness clauses in the CEBA program.

The allowance for credit losses reflects the possibility of losses associated with potential default. The determination of the allowance considers the credit risk of borrowers, collateral provided as well as previous repayment history. When they are determined to be uncollectible, the loans are written off.

Translation of Foreign Currency

All loans receivable, loan commitments, contingent liabilities and claims paid and outstanding denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the end of the reporting period. 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.

Measurement Uncertainty

Loans receivable are subject to measurement uncertainty due to the use of estimates relating to the allowances for credit losses that reflects the possibility of losses associated with potential defaults, as well as allowances for determining the discounts related to concessionary terms of forgiveness clauses in the CEBA program.

The estimate of the allowance for credit losses and the allowance for transfer payments is reviewed annually and refined in light of several factors, including historical loan loss rates, expert judgment, management assumptions, and model-based approaches that consider current economic conditions. The allowance for transfer payments is reviewed annually and refined in light of several factors including historical repayments, expert judgment and management assumptions.

The ongoing COVID-19 pandemic heightens the measurement uncertainty related to the allowances for loans. In particular, given the unique nature of the pandemic there is limited historical experience to assess the expected recoveries of CEBA loans receivable which may lead to a material variance in the valuation of the CEBA loans receivable. The full potential impact of the COVID-19 pandemic on the assumptions such as credit quality and probability of default used to measure the allowance for credit losses is unknown as it will depend on future developments that are uncertain.

Note 3. Canada Emergency Business Account (CEBA)

Under CEBA in its initial form, loans of up to $40 thousand were made available to qualifying businesses at 0% interest and repayable by December 31, 2022, subject to a one-time extension of three years and 5% interest per annum commencing on January 1, 2023. Up to 25% of the loan may be forgiven only if the borrower repays their obligation by December 31, 2022. Since December 4, 2020, eligible applicants are able to receive a $60 thousand CEBA loan. CEBA applicants who have received the $40 thousand CEBA loan may apply for the CEBA expansion, which provides eligible businesses with an additional $20 thousand CEBA loan. In both cases, these loans are at 0% interest, in its initial form repayable by December 31, 2022 and subject to a one-time extension of three years and 5% interest per annum commencing on January 1, 2023. Up to 33% of the $60 thousand CEBA loan (25% of the first $40 thousand, plus 50% on amounts above $40 thousand) may be forgiven if the borrower repays their obligation by December 31, 2022. At March 31, 2021, $44.9 billion remains disbursed under the program.

CEBA allowance for transfer payments represents management's best estimate of the principal to be forgiven under the terms of the CEBA program. The assumptions include estimates of the qualifying businesses expected to take advantage of the forgiveness component of the loans and are based on management judgement. The assumptions used to develop the estimates are reviewed annually and refined if necessary. At March 31, 2021, the allowance for transfer payments was $13.1 billion.

Changes in the CEBA allowance for transfer payment as a result of disbursements, repayments and maturities, forgiveness, and changes in assumptions used to develop the estimates are recorded in the CEBA transfer payments expense on the statement of revenue and expenses.

CEBA financial institution fees of $92 million are amounts charged by the financial institutions who are delivering the CEBA program. These financial institutions have the direct relationship with the CEBA borrowers and are responsible for: distributing and collecting funds to and from the CEBA borrowers, remitting collected funds back to the Government of Canada, and reporting on the balances and activity of CEBA borrowers.

CEBA administrative charges of $56 million are direct costs incurred by EDC for the administration of the CEBA program. The direct costs are primarily related to third parties participating in the delivery of the CEBA program.

Note 4. Loans Receivable

(in millions of Canadian dollars)			**Mar 2021**			Mar 2020
Fiscal	**Concessional**	**Non-Concessional**	**Total**	Concessional	Non-Concessional	Total
Past Due	**-**	**155**	**155**	-	181	181
2020/21	**-**	**-**	**-**	35	737	772
2021/22	**31**	**92**	**123**	35	59	94
2022/23	**44,913**	**38**	**69**	35	39	74
2023/24	**31**	**26**	**57**	35	6,281	6,316
2024/25	**31**	**27**	**58**	35	27	62
2025/26	**31**	**10,046**	**54,959**	35	71	106
2026/27	**31**	**14**	**45**	35	12	47
2027/28	**31**	**14**	**45**	35	12	47
2028/29 and beyond	**282**	**24**	**306**	314	9	323
Total	**$45,381**	**$10,436**	**$55,817**	$594	$7,428	$8,022

The following table provides a breakdown of principal, interest and fees in arrears at the end of the fiscal year.

(in millions of Canadian dollars)			**Mar 2021**			Mar 2020
	Commercial	**Sovereign**	**Total**	Commercial	Sovereign	Total
Past due principal	**139**	**16**	**155**	166	15	181
Past due interest and fees	**-**	**226**	**226**	6	232	238
Total	**$139**	**$242**	**$381**	$172	$247	$419

Note 5. Recovery of Amounts Previously Expensed and 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. In 2020-2021, $56 million was retained to meet the CEBA administrative charges and $1 million was retained to meet general expenses, legal expenses, and overhead of the Corporation arising out of Canada Account transactions (2019-2020 – $9 million).

During the year, Canada Account recovered $2 million in amounts previously expensed related to the automotive sector bailout (2019-2020 – $15 million).

Note 6. Financing Commitments

Financing commitments consist of loan commitments which are immediately available to the obligor for drawdown subject to adherence to contractual covenants established under the financing agreements.

Note 7. Canada Account Guarantees

Loan guarantees are issued to cover non-payment of principal, interest and fees due to banks and financial institutions providing loans to borrowers. Calls on guarantees result in the recognition of a loan asset on the balance sheet and become a direct obligation of the borrower.

Glossary of Financial Terms

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

Administrative Charges - Direct costs incurred by EDC for the administration of all Canada Account transactions, excluding costs related to the CEBA program.

Allowance for Credit Losses - Represents management’s best estimate of probable credit losses. These estimates are reviewed periodically during the year and in detail as at the date of the financial statements.

CEBA – Canada Emergency Business Account.

CEBA Administrative Charges - Direct costs incurred by EDC for the administration of all Canada Account transactions related to the CEBA program.

CEBA Allowance for Transfer Payments - Represents management’s best estimate of the principal to be forgiven under the terms of the CEBA program.

CEBA Financial Institution Fees - Fees charged by the financial institutions who are participating in the CEBA program.

Concessional Loans - Loans which are interest free or at below-market interest rates and/or have extended repayment terms.

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

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

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

Forgiveness – Amounts forgiven under the terms of the CEBA program.

International Trade Guarantees - Insurance and bonding solutions that provide coverage for risks inherent in performance-related obligations, including performance security guarantees, foreign exchange guarantees and surety bond insurance.

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

Investments - The ownership interest EDC may hold in an entity via venture capital and private equity investments.

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

Public Accounts of Canada - The report of the Government, prepared each fiscal year by the Receiver General in which the transactions of all departments and agencies are summarized.

Sovereign Loans - Loans for which the financial and repayment risk is that of a sovereign government.
are recognized in the income statement during the fiscal year.