PROTECTED

# CANADA ACCOUNT ANNUAL REPORT

# FOR THE GOVERNMENT OF CANADA YEAR ENDED MARCH 31, 2022

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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 subsection 10(1.1) of the Act.

During the year, EDC continued to provide COVID-19 pandemic relief through the Canada Emergency Business Account ("CEBA") program. The CEBA program, funding for which ended in December 2021, was focused on supporting micro and small businesses in Canada with loans from $40 thousand to $60 thousand, which will be partially forgivable and interest free if the loans are repaid by December 31, 2023. As at March 31, 2022, $44.7 billion remains outstanding under this program (see Note 3 for more details).

## Authority

Pursuant to Section 23 of the Act, the Minister of International Trade, Export Promotion, Small Business and Economic Development ("the Minister" or "the Minister of International Trade"), 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: (i) contingent liabilities (i.e., insurance policies, guarantees and other contingent liability arrangements), (ii) obligations to advance funds in respect of any outstanding arrangements that has the effect of extending credit or to pay money in respect of any outstanding arrangement, and (iii) outstanding principal amounts owed in respect of any arrangement that has the effect of extending credit. In response to the COVID-19 pandemic, on March 25, 2020, the Act was amended to provide that the Statutory Limit was an amount notified by the Minister of Finance. On April 16, 2020, the Statutory Limit was increased to $75 billion. It was further increased to $93 billion on May 15, 2020 and $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.

## 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 temporarily 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.

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

- EDC's customary transaction criteria (including Canadian benefits, financial and technical capability of the customer, 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.

### 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, but not limited to, 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 Receiver General. 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 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 these Canada Account transactions.

EDC has entered into a Memorandum of Understanding with Global Affairs Canada, the department under the Minister of International Trade which provides the mechanism whereby funding requests and remittances are made by EDC to the Government.

### Disclosure

Information on current transactions is posted on EDC's website 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 2021-2022:

- Under the CEBA program, $44.7 billion remains disbursed as at March 31, 2022.

- At the end of 2020-2021, there were Ministerial Authorizations allowing for financing of up to $17.3 billion related to the Trans Mountain Pipeline, which included a term loan of up to $4.7 billion, a second term loan of up to $11.6 billion, and financing in the form of a loan and/or guarantee of up to $1 billion, all of which mature on August 29, 2025. During the year, a new Ministerial Authorization was signed increasing the limit on the second term loan by $1.9 billion to an available amount of $13.5 billion through August 29, 2025. At March 31, 2022, the total Ministerial Authorizations related to the Trans Mountain Pipeline totalled $19.2 billion, of which $16.3 billion has been disbursed including $6.3 billion in the current year. Disbursements totalling $1.6 billion following February 18, 2022 were repaid with interest after Trans Mountain Corporation closed on external financing on April 29, 2022. On that day, the Corporation secured up to $10 billion in third-party financing for which a Canada Account backed guarantee of financing was provided for the full amount.

Other highlights for the fiscal year 2021-2022 are:

- Net loss was $755 million compared to a net loss of $15.6 billion for the prior year. The decrease in net loss was primarily due to a lower forgiveness expense and a lower CEBA provision for credit losses being recognized during the year. The forgiveness expense represented as CEBA transfer payment expense was $13.1 billion in the prior period compared to $1.5 billion in the current period and the CEBA provision was $2.7 billion compared to a recovery of $364 million in the current period. The last fiscal year (2020-21) was the inception of the CEBA program with the majority of the disbursements taking place in that period which resulted in both a higher forgiveness expense and higher provision for credit losses when compared to the current period. Additional CEBA program costs also contributed to the current year net loss:
    - financial institution fees of $182 million (2020-21 $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 of $56 million (2020-21 $56 million).

- Loan revenue increased by $210 million to $614 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 $3,839 million were made to the Receiver General by EDC. Total amounts received from the CRF were $10,308 million primarily due to amounts related to the CEBA program.

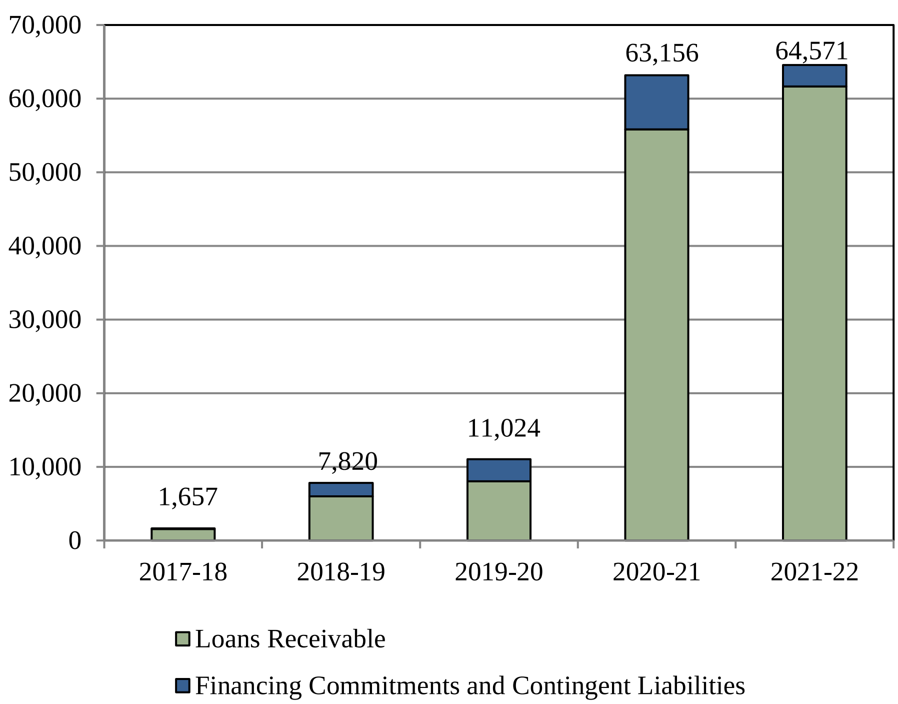
## Position against Statutory Limit

As at March 31, 2022, the position against the Statutory Limit of $115 billion was $64.6 billion (March 31, 2021 - $63.2 billion). The increase in the position against the Statutory Limit is mainly due to increases to loan facilities related to the Trans Mountain Pipeline. Details of this position are as follows:

| *(in millions of Canadian dollars)* | **Mar 2022** | Mar 2021 |
|---|---|---|
| **Loans Receivable** | | |
| Concessional - CEBA | **44,666** | 44,881 |
| Concessional | **463** | 500 |
| Non-concessional | **16,524** | 10,436 |
| | **61,653** | 55,817 |
| **Financing Commitments and Contingent Liabilities** | | |
| Loan commitments | **2,907** | 7,306 |
| Loan guarantees | **11** | 33 |
| | **2,918** | 7,339 |
| **Position Against Statutory Limit** | **$64,571** | $63,156 |

## Five-Year Summary

**Position Against Canada Account Statutory Limit**
**Five-Year History ($ in millions)**



## Concentration of Exposure

The following table reflects the country exposure where the risk resided as at March 31, 2022:

| *(in millions of Canadian dollars)* | | | | | **Mar 2022** | | Mar 2021 | |
|---|---|---|---|---|---|---|---|---|
| **Country** | **Concessional Loans Receivable** | **Non-Concessional Loans Receivable** | **Loan Commitments** | **Loan Guarantees** | **Total** | **%** | Total | % |
| Canada - CEBA | 44,666 | - | - | - | **44,666** | **69** | 44,881 | 71 |
| Canada | 11 | 16,322 | 2,907 | - | **19,240** | **30** | 17,340 | 27 |
| China | 279 | - | - | - | **279** | **1** | 304 | 1 |
| United States | - | 74 | - | - | **74** | **-** | 270 | 1 |
| Turkey | 70 | - | - | - | **70** | **-** | 74 | - |
| Iraq | - | 64 | - | - | **64** | **-** | 75 | - |
| Morocco | 54 | - | - | - | **54** | **-** | 57 | - |
| Argentina | - | 33 | - | - | **33** | **-** | 37 | - |
| India | 31 | - | - | - | **31** | **-** | 36 | - |
| Pakistan | - | 16 | - | - | **16** | **-** | 16 | - |
| Other * | 18 | 15 | - | 11 | **44** | **-** | 66 | - |
| Total | **$45,129** | **$16,524** | **$2,907** | **$11** | **$64,571** | **100** | $63,156 | 100 |

** Includes seven countries with exposures ranging from $2 million to $12 million (2020-21 Eight countries with exposures ranging from $0.1 million to $16 million).*

## Exposure by Currency

| *(in millions of Canadian dollars)* | | | | **Mar 2022** | | | | Mar 2021 |
|---|---|---|---|---|---|---|---|---|
| **Currency** | **Amount** | **CAD Equiv.** | **Exchange Rate** | **%** | Amount | CAD Equiv. | Exchange Rate | % |
| CAD | **63,939** | **63,939** | **-** | **99** | 62,278 | 62,278 | - | 99 |
| USD | **506** | **632** | **1.2502** | **1** | 699 | 878 | 1.2567 | 1 |
| Total | | **$64,571** | | **100** | | $63,156 | | 1 |

The overall CAD exposure increased in the year primarily due to loan disbursements under the facilities related to the Trans Mountain Pipeline. The decrease in USD exposure in the year was primarily due to an automotive industry loan write-off amount.

## Commercial and Sovereign Exposure

| *(in millions of Canadian dollars)* | | | **Mar 2022** | | | Mar 2021 |
|---|---|---|---|---|---|---|
| | **Commercial** | **Sovereign** | **Total** | Commercial | Sovereign | Total |
| **Loans Receivable** | | | | | | |
| Concessional - CEBA | **44,666** | **-** | **44,666** | 44,881 | - | 44,881 |
| Concessional | **11** | **452** | **463** | 10 | 490 | 500 |
| Non-concessional | **127** | **16,397** | **16,524** | 314 | 10,122 | 10,436 |
| | **44,804** | **16,849** | **61,653** | 45,205 | 10,612 | 55,817 |
| **Financing Commitments and Contingent Liabilities** | | | | | | |
| Loan commitments | **7** | **2,900** | **2,907** | 16 | 7,290 | 7,306 |
| Loan guarantees | **-** | **11** | **11** | - | 33 | 33 |
| | **7** | **2,911** | **2,918** | 16 | 7,323 | 7,339 |
| Total | **$44,811** | **$19,760** | **$64,571** | $45,221 | $17,935 | $63,156 |
| Percentage | **69%** | **31%** | **100%** | 72% | 28% | 100% |

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 2022** | | Mar 2021 | |
|---|---|---|---|---|
| | **Total** | **%** | Total | % |
| Commercial (by industry): | | | | |
| CEBA | **44,666** | **69** | 44,881 | 71 |
| Transportation and storage | **74** | **-** | 131 | - |
| Resources | **38** | **-** | 38 | - |
| Other | **33** | **-** | 171 | 1 |
| | **44,811** | **69** | 45,221 | 72 |
| Sovereign (by country): | | | | |
| Canada | **19,170** | **31** | 17,270 | 27 |
| China | **279** | **-** | 304 | 1 |
| Turkey | **70** | **-** | 74 | - |
| Iraq | **64** | **-** | 75 | - |
| Morocco | **54** | **-** | 57 | - |
| Argentina | **33** | **-** | 37 | - |
| Other | **90** | **-** | 118 | - |
| | **19,760** | **31** | 17,935 | 28 |
| Total | **$64,571** | **100** | $63,156 | 100 |

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 2022** | | | Mar 2021 |
|---|---|---|---|---|---|---|
| | **Fixed** | **Floating** | **Total** | Fixed | Floating | Total |
| Concessional - CEBA | **44,666** | **-** | **44,666** | 44,881 | - | 44,881 |
| Concessional | **457** | **6** | **463** | 494 | 6 | 500 |
| Non-concessional | **16,383** | **141** | **16,524** | 10,145 | 291 | 10,436 |
| Total | **61,506** | **147** | **61,653** | 55,520 | 297 | 55,817 |
| Percentage | **100%** | **0%** | **100%** | 99% | 1% | 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 Receiver General 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 2022** | | | Mar 2021 |
|---|---|---|---|---|---|---|
| | **Average annual principal balance** | **Interest cash flow** | **%** | Average annual principal balance | Interest cash flow | % |
| Concessional | **37,251** | **-** | **0.00%** | 21,037 | 12 | 0.06% |
| Non-concessional | **22,807** | **547** | **2.40%** | 9,125 | 381 | 4.18% |
| Total | **$60,058** | **$547** | **0.91%** | $30,162 | $393 | 1.30% |

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, 2022, Canada Account facilitated disbursements of $3.8 billion (2020-21 $45.2 billion) to the CEBA program.

In the last 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 $11.6 billion to $13.5 billion. At the end of the year, $16.3 billion was disbursed under their facilities.

# Canada Account Financial Statements

### Statement of Receivables

| *as at* *(in millions of Canadian dollars)* | **Mar 2022** | Mar 2021 |
|---|---|---|
| CEBA loans receivable (Note 3) | **44,666** | 44,881 |
| CEBA allowance for transfer payments (Note 3) | **(13,778)** | (13,085) |
| Net CEBA receivable | **30,888** | **31,796** |
| | | |
| Loans receivable (Note 4) | **16,987** | 10,936 |
| Allowance for credit losses on loans | **(2,471)** | (3,003) |
| Allowance for losses on accrued interest and fees | **(247)** | (197) |
| Unamortized discount on concessionary loans | **(320)** | (343) |
| Accrued interest and fees | **429** | 357 |
| Total | **45,266** | 39,546 |

### Statement of Financing Commitments and Contingent Liabilities

| *as at* *(in millions of Canadian dollars)* | **Mar 2022** | Mar 2021 |
|---|---|---|
| Loan commitments | **2,907** | 7,306 |
| Loan guarantees (Note 7) | **11** | 33 |
| Total | **$2,918** | $7,339 |

### Statement of Revenue and Expenses

| *for the year ended* *(in millions of Canadian dollars)* | **Mar 2022** | Mar 2021 |
|---|---|---|
| **Revenue** | | |
| Loan interest and guarantee fees | **614** | 404 |
| Gain on foreign currency translation | **2** | - |
| Amortization of discount | **23** | 23 |
| Recovery of amounts previously expensed (Note 5) | **374** | 2 |
| Total Revenue | **1,013** | 429 |
| **Expenses** | | |
| CEBA transfer payment expense (Note 3) | **1,515** | 13,085 |
| CEBA loan provision for credit losses (Note 3) | **-** | 2,722 |
| CEBA financial institution fees (Note 3) | **182** | 92 |
| CEBA administrative charges (Note 3 and 5) | **56** | 56 |
| Loss on foreign currency translation | **-** | 76 |
| Provision for credit losses on loans and loan guarantees | **14** | 1 |
| Administrative charges (Note 5) | **1** | 1 |
| Total Expenses | **1,768** | 16,033 |
| Net Income (Loss) | **$(755)** | $(15,604) |

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

| *for the year ended* *(in millions of Canadian dollars)* | **Mar 2022** | Mar 2021 |
|---|---|---|
| **Remittances to the Receiver General by EDC** | | |
| Principal | **(3,292)** | (1,153) |
| Interest, premiums and fees | **(547)** | (393) |
| Total remitted to the Receiver General | **(3,839)** | (1,546) |
| **Received from CRF by EDC** | | |
| Principal | **10,069** | 49,036 |
| CEBA financial institution fees (Note 3) | **182** | 92 |
| Administrative charges | **57** | 57 |
| Total received from CRF | **10,308** | 49,185 |
| **Net cash received from (remitted to) the CRF/Receiver General (as applicable)** | **6,469** | $47,639 |

*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 Receiver General 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 (i) 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 and (ii) providing, directly or indirectly, development financing and other forms of development support in a manner that is consistent with Canada's international development priorities. In March of 2020, EDC's mandate was temporarily expanded to include supporting and developing, directly or indirectly, domestic business at the request of the Minister and the Minister of Finance. Pursuant to Section 23 of the Act, the Minister, with the concurrence of the Minister of Finance, may authorize the Corporation to undertake certain 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. 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 (the "Statutory Limit") in: (i) contingent liabilities (i.e., insurance policies, guarantees and other contingent arrangements), (ii) obligations to advance funds in respect of any outstanding arrangements that has the effect of extending credit or to pay money in respect of any outstanding arrangement, and (iii) outstanding principal amounts owed to EDC in respect of any arrangement that has the effect of extending credit. On March 25, 2020, in response to the COVID-19 pandemic, the Act was amended to provide that the Statutory Limit was an amount notified by the Minister of Finance. On April 16, 2020, the Statutory Limit was increased to $75 billion. It was 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 $64,571 million at March 31, 2022 (March 31, 2021 - $63,156 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.

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).

### 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.

### 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 represents 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 $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% ($10 thousand) of the loan could be forgiven only if the borrower repaid their obligation by December 31, 2022. On December 4, 2020, the program was modified to allow eligible applicants to receive a $60 thousand CEBA loan. Eligible CEBA applicants who had received the $40 thousand CEBA loan were able to apply for the CEBA expansion, which provided eligible businesses with an additional $20 thousand CEBA loan. In both cases, these loans were at 0% interest, 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) could be forgiven if the borrower repaid their obligation by December 31, 2022. On January 12, 2022, the Government of Canada announced that the repayment deadline for CEBA loans to qualify for partial loan forgiveness was extended to December 31, 2023 for all eligible CEBA loan holders in good standing; therefore, any loans in good standing with amounts outstanding at December 31, 2023 will be subject to a one-time extension of two years and 5% interest per annum commencing on January 1, 2024. At March 31, 2022, $44.7 billion remains outstanding 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 obligors 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, 2022, the allowance for transfer payments was $13.8 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 $182 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 the following: distributing and collecting funds to and from the CEBA borrowers, remitting collected funds back to the Government, 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 2022** | | | Mar 2021 |
|---|---|---|---|---|---|---|
| **Fiscal** | **Concessional** | **Non-Concessional** | **Total** | Concessional | Non-Concessional | Total |
| Past Due | **-** | **47** | **47** | - | 155 | 155 |
| 2021/22 | **-** | **-** | **-** | 31 | 92 | 123 |
| 2022/23 | **30** | **20** | **50** | 44,913 | 38 | 44,951 |
| 2023/24 | **44,697** | **26** | **44,723** | 31 | 26 | 57 |
| 2024/25 | **31** | **27** | **58** | 31 | 27 | 58 |
| 2025/26 | **31** | **16,336** | **16,367** | 31 | 10,046 | 10,077 |
| 2026/27 | **31** | **13** | **44** | 31 | 14 | 45 |
| 2027/28 | **31** | **14** | **45** | 31 | 14 | 45 |
| 2028/29 | **31** | **3** | **34** | 31 | 4 | 35 |
| 2029/30 and beyond | **247** | **38** | **285** | 251 | 20 | 271 |
| Total | **$45,129** | **$16,524** | **$61,653** | $45,381 | $10,436 | $55,817 |

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 2022** | | | Mar 2021 |
|---|---|---|---|---|---|---|
| | **Commercial** | **Sovereign** | **Total** | Commercial | Sovereign | Total |
| Past due principal | **-** | **47** | **47** | 139 | 16 | 155 |
| Past due interest and fees | **-** | **245** | **245** | - | 226 | 226 |
| Total | **$0** | **$292** | **$292** | $139 | $242 | $381 |

## 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 general, legal, and overhead expenses of the Corporation arising out of Canada Account transactions.

The following table provides a summary of the fees charged for the last five years:

*(in millions of Canadian dollars)*

| | **2021/22** | 2020/21 | 2019/20 | 2018/19 | 2017/18 |
|---|---|---|---|---|---|
| CEBA | **56** | 56 | - | - | - |
| Other Canada Account | **1** | 1 | 9 | 7 | 6 |
| Total | **57** | 57 | 9 | 7 | 6 |

## 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 Credit Losses -** Represents management's best estimate of probable credit losses under the CEBA program. These estimates are reviewed periodically during the year and in detail as at the date of the financial statements.

**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.

**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.

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

**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 Exposure** - Loans for which the financial and repayment risk is that of a sovereign government.