BDC helped Canadian businesses weather the financial crisis

**ECONOMIC ACTION PLAN (EAP) AND BDC**

1. **Business Credit Availability Program (BCAP)** – BDC worked with Export Development Canada (EDC) and private-sector financial institutions to provide financing.

2. **Canadian Secured Credit Facility (CSCF)** – By buying asset-backed securities (ABS), BDC helped businesses and consumers access financing to purchase new vehicles and equipment.

3. **Venture Capital** – Injections of capital allowed BDC to take an active role in VC to help bring long-term sustainability to the market.
1 BCAP – Complementarity in action

BDC’s historical counter-cyclical role
BDC vs. Total Business Credit (3-month % change, annualized)

BDC authorizations
February 2009 to October 2011

$5.9B

BDC fulfilled its mandate to play a complementary role in the marketplace.

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Complementarity in action

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Complementarity in action
BCAP – Ensuring access to credit

Includes $770M refinancing loans, nearly 4x historical dollar volume

BDC has wound down its BCAP activities, and lending is returning to pre-recession levels.

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount ($ in millions)</th>
<th>Average transaction size ($ in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>2,692</td>
<td>287</td>
</tr>
<tr>
<td>2008</td>
<td>2,907</td>
<td>318</td>
</tr>
<tr>
<td>2009</td>
<td>2,832</td>
<td>365</td>
</tr>
<tr>
<td>2010</td>
<td>4,343</td>
<td>542</td>
</tr>
<tr>
<td>2011</td>
<td>3,245</td>
<td>331</td>
</tr>
</tbody>
</table>

53% Growth in loans

Growth in loans

Average transaction size (right axis)

Amount (left axis)
BDC provided a variety of solutions that helped about 14,000 clients during the financial crisis.

- **$179M** Working Capital Support (WCS)
- **3,700** BDC Economic Recovery Loans
- **3,300** BCAP authorizations from syndication or referrals
- **$45M** Operating Line of Credit Guarantee (OLCG)
- **9,600** Workout and Postponements

Sectors that benefited most from BDC’s BCAP activities:
- Manufacturing
- Wholesale and retail
- Tourism
- Commercial properties
- Natural resources

All figures as at October, 2011.
BDC designed and managed the CSCF, purchasing almost $3.7 billion in ABS through five AAA transactions (including with GMAC Canada and Nissan Canada).

“The creation of the CSCF has helped to stimulate investor interest in the Canadian automotive ABS market and has contributed to Ford Credit’s successful execution of recent retail and lease transactions.”

– Ford Credit, July 2009
CSCF – BDC moves quickly

2009

- **Jan**: CSCF announced in Budget 2009
- **Feb**: BDC consults with Finance and Industry Canada
- **Mar**: BDC hires external advisors
- **Apr**: BDC holds stakeholder consultations
- **May**: BDC undertakes 1st price discovery process
- **Jun**: Commitment letters delivered
- **Aug**: Initial signed commitment letters received
- **Sep**: BDC undertakes 2nd price discovery process
- **Oct**: BDC announces revised program parameters

- **Jan**: BDC Board meets with Finance Canada
- **Feb**: 1st report to Parliament
- **Mar**: Program parameters developed
- **Apr**: BDC receives Section 21 authorization from Minister of Industry
- **May**: Commitment letters delivered
- **Jun**: Initial signed commitment letters received
- **Aug**: 2nd report to Parliament
- **Sep**: BDC announces revised program parameters
- **Oct**: Signed commitment letters received

BDC hires VP, Securitization
CSCF: Sustaining confidence

- Sales of new motor vehicles started to trend upwards after CSCF was announced

- Corporate market spreads tightened, providing companies with more financing options

**New motor vehicle sales**
Seasonally adjusted – November 2009

**Canadian spread contraction**
3-year Corporate BBB to GoC

Source: Statistics Canada

Source: Bloomberg and Bank of Canada
In the case of both TALF and CSCF, the initial volume expectations for the programs far exceeded their actual activity levels [...] These low utilization levels are not indicators of a lack of success from a public policy standpoint.”

– C.D. Howe Institute November 2010

The CSCF ended on March 31, 2010.

BDC has returned unused capital under CSCF to the Government.
MSPSO – Meeting evolving needs

CSCF was designed for larger transactions.

BDC identified a need for smaller players in the market. The Vehicle and Equipment Financing Program (VEFP) helps these businesses improve productivity by investing in vehicles, machinery and equipment.

$440M
MSPSO financing as of March 2012

BDC works with the private sector to offer the Multi-Seller Platform for Small Originators (MSPSO).
Private-sector support

“In the face of global economic uncertainty, it is the unpredictability of supply of funding that is a crucial industry issue and the VEFP is critical to offsetting this risk. In that context, the VEFP should remain an important policy tool for the foreseeable future, in assuring credit stability and reliability to finance the acquisition of equipment, machinery and vehicles by business and consumer customers.”

– Canadian Finance and Leasing Association, letter to the Minister of Finance, October 2011
Venture Capital: Rapid deployment of $375M capital injection

- **$250M** Direct and Fund Investments
- **$50M** FedDev
- **$80M** Tandem fund ($75M injection + $5M BDC top-up)

- **$210M** authorized (84%)
- **$69M** authorized, direct and indirect (138%)
- Fully authorized. The fund closed a $300M capital raise (leverage of 4x on injected dollars)

All figures as at March, 2012
Following the 1st tranche of the injection in F10, BDC was an active investor in the market, even as other market actors withdrew.

**Early stage (# of investments)**

<table>
<thead>
<tr>
<th>FY Year</th>
<th>Total</th>
<th>BDC</th>
<th>Rest of Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2009</td>
<td>145</td>
<td>29</td>
<td>116</td>
</tr>
<tr>
<td>FY2010</td>
<td>120</td>
<td>33</td>
<td>87</td>
</tr>
<tr>
<td>FY2011</td>
<td>118</td>
<td>33</td>
<td>85</td>
</tr>
<tr>
<td>Q3F12</td>
<td>87</td>
<td>25</td>
<td>62</td>
</tr>
</tbody>
</table>
From F09 to March 31, 2012, BDC VC has authorized $230M to new private-sector funds with the injected money, leveraging $1.5B.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Year</th>
<th>BDC ($M)</th>
<th>Fund Size ($M)</th>
<th>Leverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tandem</td>
<td>F09</td>
<td>80.0</td>
<td>300.0</td>
<td>3.75</td>
</tr>
<tr>
<td>Chrysalix</td>
<td>F10</td>
<td>5.3</td>
<td>122.9</td>
<td>23.0</td>
</tr>
<tr>
<td>VanEdge</td>
<td>F10</td>
<td>15.0</td>
<td>136.5</td>
<td>9.1</td>
</tr>
<tr>
<td>Yaletown</td>
<td>F10</td>
<td>10.0</td>
<td>120.0</td>
<td>12.0</td>
</tr>
<tr>
<td>RHO</td>
<td>F11</td>
<td>20.0</td>
<td>100.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Real Ventures</td>
<td>F11</td>
<td>5.0</td>
<td>50.0</td>
<td>10.0</td>
</tr>
<tr>
<td>TVM</td>
<td>F12</td>
<td>20.0</td>
<td>140.0</td>
<td>7.0</td>
</tr>
<tr>
<td>iNovia III</td>
<td>F12</td>
<td>20.0</td>
<td>105.0</td>
<td>5.3</td>
</tr>
<tr>
<td>GrowLab</td>
<td>F12</td>
<td>0.5</td>
<td>2.1</td>
<td>4.2</td>
</tr>
<tr>
<td>XPV</td>
<td>F10</td>
<td>10.3</td>
<td>150.0</td>
<td>14.5</td>
</tr>
<tr>
<td>Extreme</td>
<td>F12</td>
<td>0.5</td>
<td>2.5</td>
<td>5.0</td>
</tr>
<tr>
<td>Celtic House IV</td>
<td>F12</td>
<td>23.0</td>
<td>140.0</td>
<td>6.1</td>
</tr>
<tr>
<td>Lumira II</td>
<td>F12</td>
<td>20.8</td>
<td>100.0</td>
<td>4.8</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>230.4</strong></td>
<td><strong>1,469.0</strong></td>
<td><strong>6.4</strong></td>
</tr>
</tbody>
</table>
BDC acted quickly to support the federal Digital Economy Strategy

> October 2010 – BDC surveyed its clients to understand their priorities and challenges related to the adoption of information and communication technologies (ICTs). BDC then developed a strategy based on three stages:

- Awareness
- Consideration
- Adoption

> May 2011 - BDC launched Smart Tech on BDC.ca to raise awareness

> October 2011 - During Small Business Week, BDC launched the following ICT services:
  - Website assessment
  - ICT assessment
  - On-line sale
  - Website diagnostic
  - ICT diagnostic
  - ICT essentials
  - Internet strategy
  - System selection
  - ICT financing
“In Canada, the federal government’s financial institutions – specifically the Business Development Bank of Canada (BDC) and Export Development Canada (EDC) – provided exceptional credit support in a time of crisis.”

January, 2010