

Are the Corporate Debt Markets back to Normal?



RÉSEAU CAPITAL

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Canada

Outline of the presentation

1. Credit Availability
 - Current context
 - Recent evolution
2. BDC's Response to the Credit Crunch
 - Business Credit Availability Program (BCAP)
 - Canadian Secured Credit Facility (CFCF)

Credit Availability



Still in Credit Tightening Territory

Overall Business Lending Conditions: Balance of opinion
Bank of Canada's Senior Loan Officer Survey

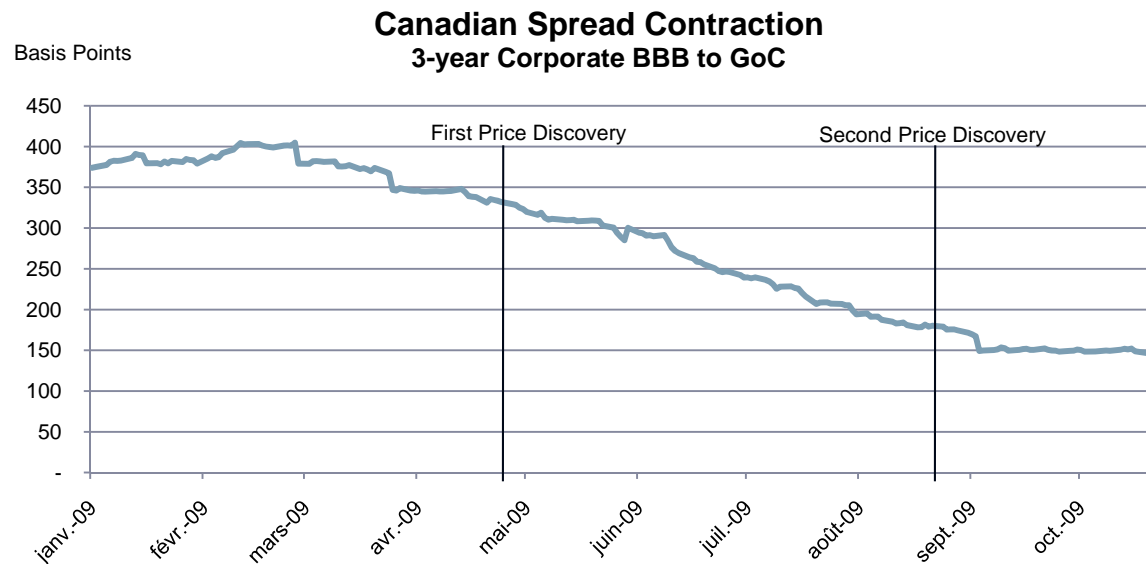


- Continued tightening in lending conditions still in Q3 2009 on both pricing and non-price terms – but moving in the right direction
- Lowest tightening since the onset of the global crisis

Some Improvements in Financial Markets

> In Canada:

- Canadian corporate bond issuance has increased, spreads are down by 250 bps
- Spreads on Deposit Notes from banks have reduced
 - Spreads have returned to late 2007 levels

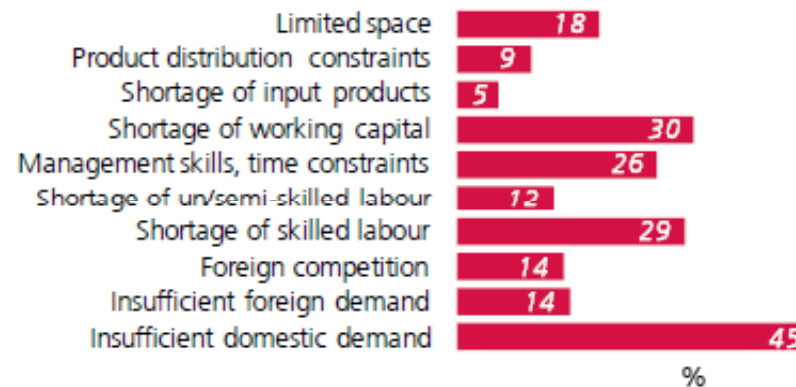


Source: Bloomberg and Bank of Canada

CFIB – Survey shows financing availability still an issue

- **Shortage of working capital still a main concern**

Main Business Constraints



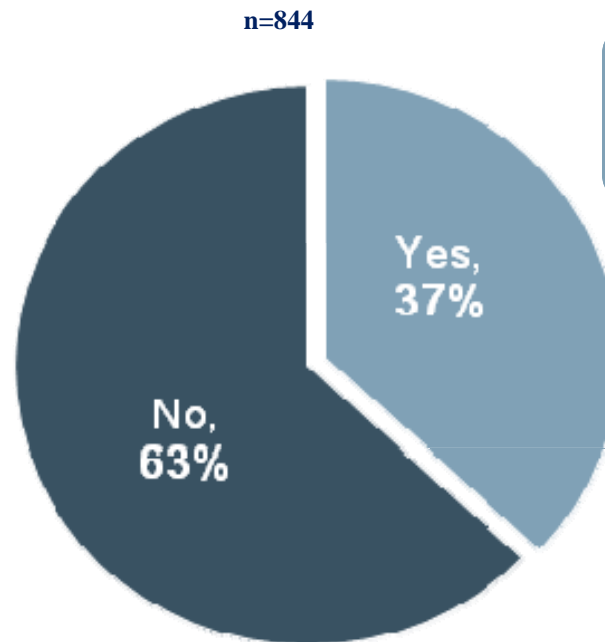
- **Access to financing is still an issue for 50%+ of SMEs**

Financing Availability

	% resp.
Have access to all business credit required	39
Have access to most business credit required	23
Have access to only some business credit required	24
Don't have access to any business credit	5
Not applicable, do not require credit	9

BDC Survey: Application for new loans or leases to finance equipment

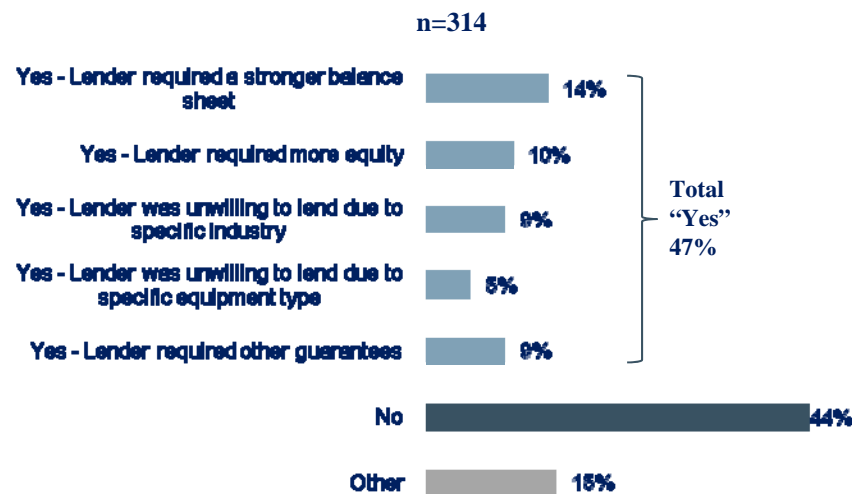
Over the past 18 months, did your business apply for new loans or leases, with BDC or otherwise, to finance the purchase of equipment?



A minority of businesses applied for new loans or leases to finance the purchase of equipment in the past 18 months

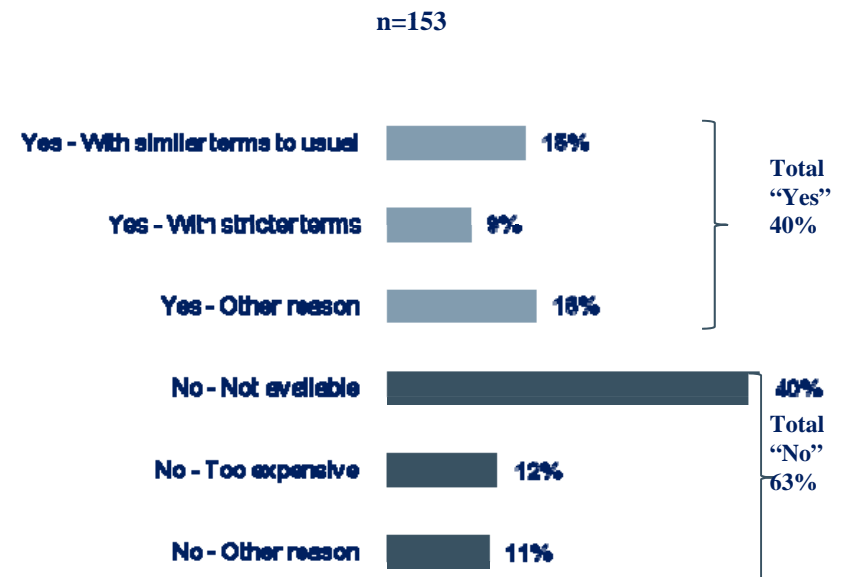
BDC Survey : Declined funding and ability to obtain financing elsewhere

> Has your business been declined a funding request by a lender of equipment financing in the last 18 months?



Base: All respondents. Changes were made to this question after survey launch. Multiple answers were permitted to a part of the sample, therefore, total exceeds 100%.

> Was your business able to obtain financing elsewhere?

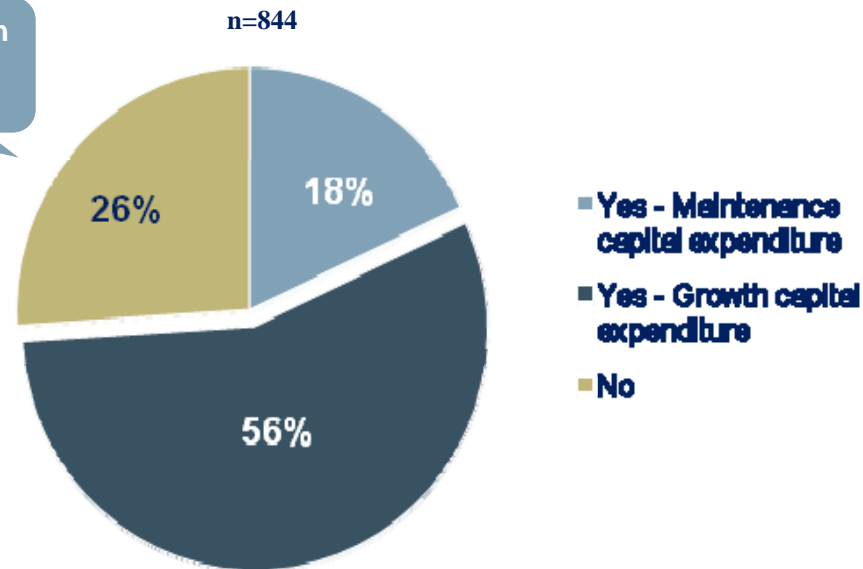


Base: Respondents who were declined a funding request by a lender of equipment financing in the last 18 months. Changes were made to this question after survey launch. Multiple answers were permitted to a part of the sample, therefore, total exceeds 100%.

BDC Survey: Capital investment and spending for different types of equipment

Does your business plan on making a capital investment in equipment in the next 18 months?

There is a need in equipment financing

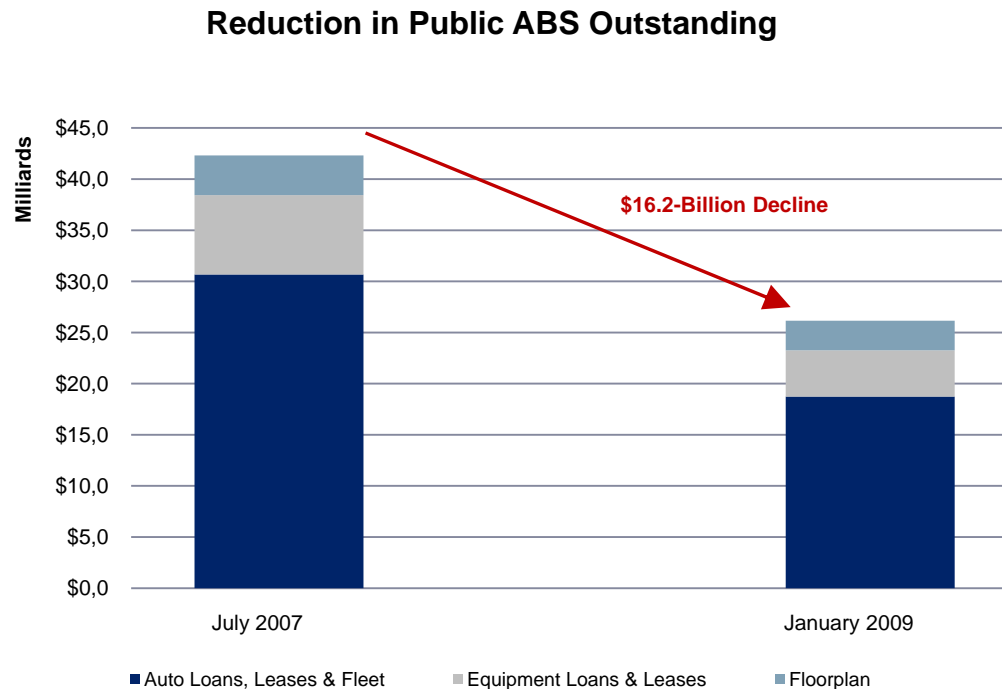


> As of October 2009, 74% of businesses plan to make capital investment in the next 18 months

Business Conditions

Canadian Asset Backed Securities Market

- > As at January 2009, outstanding ABS financing for auto and equipment assets has declined from approximately \$42B to \$26B in part due to the disruption in the market



Source: DBRS

BDC's response to the credit crunch



Business Credit Availability Program (BCAP)

- > To provide incremental financing to creditworthy companies
- > Under the BCAP, BDC authorized 6,500 transactions for a total of \$1.7 Billion (from February to September 2009)
 - Roughly one third of transactions are made in Quebec
- > Involves an enhanced relationship with Financial Institutions (“FIs”) for referrals and risk sharing (individual, pari-passu)
 - Grassroots referrals
 - Syndicated loan transactions (*new**)
 - Participation in Commercial Mortgages (*new**)
 - Operating Line of Credit Guarantee (OLCG) (*new**)
 - Higher Risk Transactions
 - Purchase Order (PO) Financing (*new**)

Creation of the Canadian Secured Credit Facility (CSCF)

- > Canadian Secured Credit Facility (CSCF) announced in the 2009 budget as part of Canada's Economic Action Plan
 - \$12 billion facility earmarked to purchase term asset-backed securities (ABS) backed by loans and leases on vehicles and equipment
- > BDC tasked to develop and manage CSCF
- > The primary objective of the CSCF is to stimulate economic activity in Canada over the near term by supporting sales of vehicles and equipment in Canada through the purchase of term ABS
- > A secondary, but very important, objective of the CSCF is to promote renewed investor participation and confidence in the Canadian term ABS market and in vehicle and equipment financing more broadly

CSCF – History of events

Jan 27/09	Mar 6/09	Apr 29/09	May 15/09	Jun 10/09	Aug 19/09	Sept 17/09	Sept 28/09	Oct 9/09
CSCF Announced in Budget	Consultation Process Begins	BDC Undertakes First Price Discovery Process 350 bps	Commitment Letters Delivered	Initial Signed Commitment Letters Received	BDC Undertakes Second Price Discovery Process 150 bps	BDC Announces New Program Parameters	Commitment Letters Delivered	Signed Commitment Letters Received

- > Commitments made based on demand expressed in price discovery process
- > Two distinct originator groups:
 - > Large Enterprise Tranche must have securitization experience but need not be financial institutions, with a limitation of \$1Billion
 - > Small Enterprise Tranche do not need securitization experience but must be capable of supporting an ABS issue of \$100MM

Conclusion

- > The economic recovery is mainly driven by government (monetary and fiscal stimulus)
 - Business optimism increasing but private sector not fully rebounded
- > Access to credit substantially improves but remains tight
 - Banks remain prudent and selective, more specifically in higher risk segments of the market
 - Securitization market remains “illiquid and fragile”
- > BDC continues to play an active role and maintain a healthy and incremental presence in the market

THANK YOU

www.bdc.ca

