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SMALL BUSINESS LOANS ACT:

Annual Report
on Operations for
the 12-month period
ended March 31, 1997

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Small Business Loans Act

**Annual Report on Operations
for the 12-month period ended March 31, 1997**



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Minister of Industry



Ministre de l'Industrie

Ottawa, Canada K1A 0H5

The Honourable L'honorable
John Manley P.C., M.P. c.p., député

His Excellency the Right Honourable Romeo LeBlanc, P.C., C.C., C.M.M., C.D.
Governor General
Government House
1 Sussex Drive
Ottawa, Ontario
K1A 0A1

Your Excellency:

In accordance with section 11 of the *Small Business Loans Act*, the undersigned has the honour to place before Your Excellency a report on the administration of the Act for the twelve-month period ended March 31, 1997.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "J. Manley".

Canada

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*Lenders that have made significant use of the program during the year under review are individually identified within the indicated tables.

FOREWORD

This Annual Report on the operations of the SBLA is being presented by the Minister of Industry.

On January 25, 1996, the Minister of Industry, in addition to continuing to occupy that position, was appointed the Minister responsible for the Atlantic Canada Opportunities Agency, the Minister responsible for the Federal Office of Regional Development - Quebec and the Minister of Western Economic Diversification. Formerly these constituted separate responsibilities under the SBLA, which are now exercised by the Minister of Industry who assumed complete responsibility for the SBLA across Canada.

Investing in Canada's Future

Small business is one of the fastest growing segments of Canada's economy. Imaginative entrepreneurs with drive and spirit are creating thousands of new jobs and new opportunities. However, financing may not always be available to them unless they are willing to include their personal assets as loan security or have a solid track record.

The Small Business Loans Program was created to help small businesses, which frequently lack the funds they need, to reach their potential by making it easier for them to get term business improvement loans - BILs - to finance the purchase or improvement of fixed assets.

Administered in accordance with the *Small Business Loans Act* (SBLA), the program is a joint initiative between the Government of Canada and commercial lenders. The Government shares the lending risks with commercial lenders and lenders are limited on the amounts and type of security they may take to make loans to the small business community more accessible.

Contributing to Canada's Economy

Nearly 99 percent of all small and medium size enterprises (SMEs) in Canada have fewer than 50 employees¹. Yet, SMEs provide 50 percent of private sector employment and 43 percent of private sector economic output. Clearly, small business plays a very important role in Canada's economy. The SBL Program has contributed directly to this SME community by generating some \$20.2 billion in BILs during its 36-year history.

During fiscal 1996-97, close to 31 000 BILs were made under the SBLA. More than 12 000 of these loans, or 39 percent, were made to new businesses. Borrowers estimated in their loan applications that they expected to create more than 73 000 additional jobs, for an average of 2.4 jobs per BIL, as a direct result of the BILs that were made during fiscal 1996-97. These job estimates by borrowers were in turn reported to the SBL Program Administration by lenders when registering their loans.

¹ "Trends & Statistics, Small Business Creating Jobs and Growth, Industry Canada, 1996, p. 1"

A Program in Transition

1961 to 1993

Until 1993, the SBLA program was relatively modest, providing 90 percent financing on loans up to \$100 000 to companies with sales less than \$2 million a year at rates of prime plus one percent, (after paying a one-time registration fee of one percent of the value of the loan). The government registered about \$500 million worth of loans per year during this period. In the event of defaults, the government paid up to 85 per cent of the cost of eligible claims. This translated into average annual claims cost of about \$38 million a year in the five years ending on March 31, 1993.

1993 to 1995

However, the SBLA program changed significantly on April 1, 1993 as a result of a broad set of legislated amendments adopted by Parliament in 1992. For the first time, bigger firms, with annual sales up to \$5 million, became eligible for loans, and loans of up to a maximum of \$250 000 could be extended to finance eligible assets up to 100 percent. As well, the government boosted its share of the burden for loan losses to 90 percent of eligible claims. At the same time, the one-time loan registration fee was increased to two percent, while the interest rate ceiling was raised to prime plus 1.75 percent.

The program was simultaneously made more appealing to both lenders and borrowers. As a result, lending under the SBLA program soared, from \$500 million annually to \$2.5 billion in 1993-94 and \$4.4 billion in 1994-95.

The most striking effect of the 1993 amendments was — and continues to be — felt in the size and pattern of claims for loan losses. With the sheer volume of loans extended during the 1993-1995 period, there were more defaults. And because the average loans were bigger, the claims were also for larger amounts. Moreover, because loans may be repaid over a period of up to 10 years and claims may be submitted for a further three years, the impact of the 1993-95 changes to the SBLA on loan losses will continue to be felt for a considerable period of time, notwithstanding the structural changes introduced into the SBLA program in 1995.

Program Response

1995 to 1997

By 1995, the SBLA program had grown eight-fold in just two years. The government concluded that the program had to be modified and put on a sounder financial footing.

Therefore, in 1995, Parliament imposed a new 1.25 percent annual administration fee on loans made after March 31, 1995 while increasing the maximum interest rate that lenders were permitted to charge on SBLA loans to prime plus three percent, to enable lenders to pass the

cost of the new fee on to borrowers. In addition, from January 1, 1996, the percentage of eligible assets that could be financed under the SBLA program was reduced from 100 percent to 90 percent, as it had been before 1993. The proportional liability for loan losses was also restored to the pre-1993 ratio of 85 percent for the government (down from 90 percent) and 15 percent for lenders. The introduction of the new administration fee was intended, together with the registration fee, to place the SBL Program on a cost recovery basis over the ten-year period commencing in 1995.

As a result of these further program changes, total lending was reduced by one half, from \$4.4 billion in 1994-95 to \$2.2 billion in 1995-96, and around \$2 billion in 1996-97.

Operational Response

1995 to 1997

In 1995, a re-engineering of the administrative processes was initiated to address the large volume increase in claims anticipated. During 1996-97, re-engineered processes were implemented resulting in a significant productivity improvement. In addition, a decision was made to reallocate resources to reduce the time required to process loan-loss claims. This will result in a substantial reduction of interest expense in future years. In addition, a set of guidelines was developed for lenders, which greatly reduced the number of routine enquiries to the department. As part of this re-engineering, a new fully-integrated computer system was developed and installed together with fax-back technology which is expected to decrease paper burden by 50 percent.

An information product was also developed and launched as part of Industry Canada's "Strategis" Internet site. Included in this product are the SBL Act and Regulations, together with certain frequently used forms as well as general information on the program, including a copy of the Small Business Loans Guidelines and the Report to Parliament. Via this package, lending institutions are now retrieving the information directly and thus eliminating the need for considerable hard copy distribution by the Administration. Altogether, these improvements have greatly improved productivity and have significantly enhanced service to SBLA's clients, both in the commercial lending community and the small and medium sized business community.

In 1995, given the series of fundamental changes made to the program in 1993 and 1995, it became necessary to develop new loan loss forecasting models. The SBLA Administration is now developing and testing a new forecasting model that will take into account a far greater range of data which will assist in predicting the future behaviour of the program. However, the accuracy of the model will improve over time as more data respecting the 1993-95 and the post 1995 period become available.

PROGRAM DESCRIPTION

The objective of the SBLA, which has been in force since January 1961, is to encourage lenders in the private sector to increase the availability of loans for the purpose of the establishment, expansion, modernization and improvement of small business enterprises.

A firm is eligible for BIL consideration if it estimates that its gross revenues will not exceed \$5.0 million in the year the BIL is approved by the lender and the maximum loan amount is \$250 000. The maximum term for these BILs is 10 years. Farming businesses, which are eligible for loans under a separate program sponsored by Agriculture Canada, are not eligible for BILs; charitable and religious organizations are also not eligible.

The following changes were made to the SBL Program in 1995:

- 1) Concerning a BIL made after March 31, 1995, a lender shall pay to the government an annual administration fee of 1.25% of the yearly average of the end-of-month BIL balances outstanding.

A lender may not pass on the newly introduced administration fee to the borrower, except indirectly through interest rates, while respecting the prescribed maximum rates.

- 2) In addition, concerning a BIL made after December 31, 1995,
 - (a) a lender may not finance more than 90% (compared to 100% previously) of eligible program costs, and
 - (b) the loss-sharing ratio has changed to 85% government/15% lender (from 90% government/10% lender).

Under the SBLA, the Minister was liable to pay, during the period covered by this report, 85% or 90% of the amount of any loss sustained by a lender in respect of a BIL, as prescribed at the time the BIL was made. Such payments are made only if the lender had minimized its loss through the disposition of the secured assets of the borrower, and provided all other legislated requirements were met.²

² The principal legislated requirements relate to:

- . eligibility of the borrower as a defined business enterprise;
- . eligible purpose for which a BIL may be made;
- . maximum amount of the BIL;
- . maximum repayment term;
- . maximum rate of interest which may be charged to a borrower; and
- . security to be taken.

APPROVED LENDERS

Approved lenders include all chartered banks, Alberta Treasury Branches, cooperative credit societies (inclusive of their respective credit unions and *caisses populaires*) and trust, loan and insurance corporations with membership in the Canadian Payments Association. Other organizations that make loans, may, upon application, be designated as approved lenders.

During the past fiscal year, approximately 1 500 lending institutions operating from more than 13 000 branches/offices across Canada participated in making BILs to small businesses under the SBLA.

TYPES OF LOANS (OR LOAN PURPOSES)

During the period covered by this report, BILs could be granted by an approved lender to finance up to 90% of the borrower's eligible cost in respect of the following:

- **Land Loans** made for the purchase of land, including any building or structure on the land, necessary for the operation of a business enterprise;
- **Premises Loans** made for the renovation, improvement, modernization, construction and/or purchase of premises necessary for the operation of a business enterprise;
- **Equipment Loans** made for the purchase, installation, renovation, improvement and/or modernization of equipment necessary for the operation of a business enterprise; and
- **Fee Loans** made for the purpose of financing the 2% loan registration fee.

Loans to finance inventory, working capital, franchise fees or share purchases are not eligible. A BIL can be used to refinance commitments or expenditures which are otherwise eligible and have been incurred within 180 days prior to the date of the lender's BIL approval.

OPERATING RESULTS FOR FISCAL 1996-97

The following summarizes significant highlights of the operating results for the SBL Program for the fiscal year April 1, 1996 to March 31, 1997.

In the fiscal year ended March 31, 1997 (see Table 1):

- more than 30 700 BILs totalling almost \$2.0 billion were made and registered with the SBL Administration while
- the average size of a BIL made was \$65 000 compared with over \$64 800 during the previous 12-month period.

Of these \$2.0 billion in BILs loaned during the period under review:

- \$1.405 billion, or 70.3%, was used to finance the purchase, installation, renovation, improvement and/or modernization of **equipment**;
- \$446 million, or 22.3%, was used to finance the renovation, improvement, modernization, construction and/or purchase of **premises**;
- \$130 million, or 6.5%, was used to finance the purchase of **land**; and
- \$19 million, or 0.9%, was used to finance **2% loan registration fees**.

BILs outstanding on lenders' books as of March 31, 1997 (see Table 3):

- totalled in excess of \$6.0 billion; and
- the Crown's contingent liability in relation to this total was unchanged at \$1.4 billion.

THE CROWN'S CONTINGENT LIABILITY TO APPROVED LENDERS

As soon as a BIL is made by an approved lender, the Crown is contingently liable to the lender for the reimbursement of any loss the lender may sustain in an amount not exceeding the following formulae per legislated lending period:

a) In respect of any BIL that was made prior to April 1, 1993:

- i) 90% of the first \$125 000 in BILs made;
- ii) 50% of the second \$125 000 in BILs made; and
- iii) 10% of all subsequent BILs made.

b) In respect of any BIL made after March 31, 1993:

- i) 90% of the first \$250 000 in BILs made;
- ii) 50% of the second \$250 000 in BILs made; and
- iii) 10% of all subsequent BILs made.

Thus, the government will continue to pay to a lender its legislated share of BIL losses for as long as sufficient funds are available in the lender's loss reimbursement account.

The government's contingent liability per approved lender, per lending period, is reduced by the repayment of BILs by borrowers and the reimbursement of BIL losses by the government. No contingent liability remains under the SBLA with respect to BILs made prior to July 1, 1980, i.e., prior to lending period 8, as none of those BILs remain outstanding (see Table 3).

Since July 1, 1980, \$19 007 780 967 in BILs were registered. Overall BIL reductions have comprised an aggregate of \$12 987 601 818 representing \$12 362 246 728 in borrowers' repayments and \$625 355 090 in government reimbursements of lenders' BIL losses. The government's payment of \$625.4 million in lenders' losses equates to a claims paid rate of 4.8% on overall BIL reductions of \$13.0 billion.

Together, these payments have reduced the amount of BILs outstanding on the books of all participating lenders, as of March 31, 1997, to \$6 020 179 149 (see Table 3).

At that same date, the government's net contingent liability in respect of the \$6 020 179 149 in outstanding BILs had been reduced to a maximum not to exceed \$1 382 517 972, a figure which is presently estimated to translate to some \$485.7 million in actual claim payments by the Crown to conventional lenders during the ensuing 10 fiscal years. Adding \$485.7 million in estimated future claim payments to the \$625.4 million in claims already paid to March 31, 1997, would represent a cumulative loss rate of 5.8% on some \$19.0 billion in BILs made since July 1, 1980.

\$19 007 780 967	BILs registered between July 1, 1980, and March 31, 1997 (see Table 3)
(\$12 362 246 728)	Borrowers' repayments
(625 355 090)	Crown's loss reimbursements (4.8% of overall BIL reductions) ³
<u>(12 987 601 818)</u>	Overall BIL reductions
\$ 6 020 179 149	BILs outstanding on lenders' books as of March 31, 1997 (see Table 3)

3 Included in the \$625 355 090 in loss reimbursements paid by the Crown, which represent subrogated debts, are \$110 435 312 which, in accordance with standard procedures, were written off during the 1996-97 fiscal year. This represents a \$12 185 180 increase from the 1995-96 write-off. The increase is the direct result of a process initiated in 1995 to clean up old accounts, still reported as receivables, in respect of which it was determined that no further recoveries could be made.

AGE OF SMALL BUSINESS ENTERPRISE BORROWERS

A lender is required to report the age of a business enterprise in respect of which a BIL had been made under the SBLA. Business start-ups and young businesses continue to be recipients of the majority of BILs made under the SBLA.

Fiscal Year	Age of Business Enterprise				Sub-Total	Older Than Three years	Totals
	Start-ups	1st year	2nd Year	3rd Year			
1988-89	7 004 39.4%	1 232 6.9%	1 429 8.0%	1 110 6.3%	10 775 60.7%	6 983 39.3%	17 758 100.0%
1989-90	5 349 38.8%	949 6.9%	1 070 7.8%	926 6.7%	8 294 60.1%	5 508 39.9%	13 802 100.0%
1990-91	4 260 40.1%	700 6.6%	711 6.7%	644 6.1%	6 315 59.4%	4 311 40.6%	10 626 100.0%
1991-92	3 943 37.3%	667 6.3%	681 6.5%	663 6.3%	5 954 56.4%	4 603 43.6%	10 557 100.0%
1992-93	4 824 36.7%	829 6.3%	809 6.1%	836 6.4%	7 298 55.5%	5 857 44.5%	13 155 100.0%
1993-94	14 123 32.6%	3 132 7.2%	2 897 6.7%	2 671 6.2%	22 823 52.6%	20 526 47.4%	43 349 100.0%
1994-95	24 624 36.0%	5 598 8.2%	4 524 6.6%	3 632 5.3%	38 378 56.1%	30 003 43.9%	68 381 100.0%
1995-96	13 813 39.9%	3 523 10.2%	2 609 7.5%	1 993 5.8%	21 938 63.4%	12 678 36.6%	34 616 100.0%
1996-97	12 002 39.0%	2 918 9.5%	2 414 7.8%	1 952 6.3%	19 286 62.7%	11 479 37.3%	30 765 100.0%

Percentages have been rounded

EMPLOYMENT BY SMALL BUSINESS ENTERPRISE BORROWERS

The actual number of workers on the payroll of a borrower on the date a BIL is made by a lender and the estimated number of workers that a borrower believes will be employed additionally, as a direct result of a BIL being made, are figures provided by borrowers to lenders, that, in turn, forward those numbers concerning actually existing and anticipated future workers, to the SBL Program Administration in Ottawa. The foregoing process has been used since November of 1987 when the applicable regulations were suitably amended.

Fiscal Year	No. of Borrowers	Existing Employment at Loan Made Date		Expected Additional Employment	
		Total	Per Borrower	Total	Per Borrower
1988-89	17 758	83 658	4.7	38 071	2.1
1989-90	13 802	63 524	4.6	37 331	2.7
1990-91	10 626	50 491	4.8	24 590	2.3
1991-92	10 557	48 150	4.6	24 329	2.3
1992-93	13 155	58 236	4.4	24 061	1.8
1993-94	43 349	249 314	5.8	90 435	2.1
1994-95	68 379	379 217	5.5	159 895	2.3
1995-96	34 616	168 522	4.9	83 042	2.4
1996-97	30 765	153 504	5.0	73 223	2.4

INDUSTRY SECTOR ACTIVITY

The numbers and dollar value of BILs included in the following table, represent loans made by industry sector during the fiscal year.

INDUSTRY SECTOR	Business Improvement Loans (BILs) Made During Fiscal 1996-97	
	Amount \$	%
Accommodation, Food, Beverage Services	373 152 288	18.7
Retail Trade Industries	271 883 287	13.6
Transportation & Storage Industries	262 332 810	13.1
Manufacturing Industries	179 042 163	9.0
Logging & Forestry Industries	85 539 668	4.3
Construction Industries	76 978 457	3.8
Business Services	76 483 807	3.8
Health & Social Services	55 532 918	2.7
Wholesale Trade Industries	51 335 465	2.5
Mining, Quarrying & Oil Industries	31 572 393	1.6
Communications & Other Utilities Industries	29 516 050	1.5
Industries Related to Agriculture	27 131 381	1.4
Fishing & Trapping Industries	23 889 170	1.2
Education Services	17 567 767	0.9
Real Estate & Insurance Agent Industries	11 731 611	0.6
Finance & Insurance Industries	6 629 791	0.3
Government Services Industries	1 241 660	0.1
Other Misc. Service Industries*	418 046 830	20.9
Total	1 999 607 516	100.0

* "Other - Misc. Service Industries" represent a wide miscellany of service industries not otherwise categorized by lenders at time of loan registration.

Questions respecting this Annual Report should be addressed as follows:

in writing to

Director
Small Business Loans Administration
Industry Canada
235 Queen Street
Ottawa, Ontario
K1A 0H5

The Small Business Loans Administration may be reached

by telephone in English	at (613) 954-5539
in French	at (613) 954-5570

by facsimile	at (613) 952-0290
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Copies of this Annual Report as well as other SBLA documents may be seen at the World Wide Web site:

<http://strategis.ic.gc.ca/sbla>

TABLES

Table 1

Summary of Operations -- Total Program

Period	Business Improvement Loans (BILs) Made		Average Size of BIL \$	Claims Paid	
	Number	Amount \$		Number	Amount \$
12 months ended Dec. 31					
1961-1969	20 865	195 424 436	9 366	142	873 289
1970-1974	12 461	133 312 215	10 698	122	697 286
1975	4 835	82 003 157	16 960	35	237 093
1976	5 106	91 893 663	17 997	42	231 896
1977	5 001	99 636 016	19 923	72	632 794
1978	7 321	176 760 504	24 144	122	1 380 584
1979	10 822	268 786 603	24 837	152	1 788 619
1980	16 830	421 407 563	25 039	242	3 825 688
1981	17 546	522 529 088	29 781	390	6 761 102
1982	17 378	450 863 534	25 945	561	11 705 508
1983	26 484	712 845 493	26 916	998	22 283 733
3 months ended March 31					
1984	7 601	211 368 934	27 808	368	10 724 817
12 months ended March 31					
1985	34 743	1 005 937 892	28 954	1 533	29 079 005
1986	23 587	737 228 550	31 256	1 884	44 433 240
1987	21 143	709 286 075	33 547	1 524	37 066 765
1988	18 665	683 819 836	36 636	1 457	35 052 253
1989	17 758	682 667 264	38 443	1 436	32 236 474
1990	13 802	539 050 494	39 056	1 224	32 951 533
1991	10 626	413 258 424	38 891	1 556	33 286 976
1992	10 557	397 274 532	37 631	1 927	45 924 377
1993	13 155	502 173 290	38 174	1 826	45 185 242
1994	43 349	2 548 688 917	58 795	1 376	32 479 122
1995	68 379	4 397 392 060	64 309	1 015	23 962 663
1996	34 616	2 243 516 510	64 812	2 003	65 868 628
1997	30 765	1 999 607 516	64 996	3 822	151 159 223
Total	493 395	20 226 732 566	40 995	25 829	669 827 910

- Note: 1) Subsequent to the December 31, 1983, calendar year, the reporting period was changed to coincide with the federal government's fiscal year-end of March 31.
- 2) Statistics shown above under "BILs Made" and "Average Size of BIL" for the year ended March 31, 1996 and prior periods may differ from those presented in previous Annual Reports because of late registration of BILs and sundry adjustments.

Table 2

Record of Claim Payments, Recoveries and Receipt of Fees

Period	Claims Paid				Recoveries of prior years' claims \$	Sub-total claims paid less all recoveries \$	Loan Registration fee income \$	Loan Administration fee income \$	Total of claims less recoveries, less fees \$
	Number	Gross \$	Recoveries \$	Sub-total Net \$*					
12 months ended Dec. 31									
1961-1969	142	873 289	-	873 289	(2 386)	870 903	-	-	870 903
1970-1974	122	697 286	-	697 286	(56 640)	640 646	-	-	640 646
1975-1979	423	4 270 986	-	4 270 986	(94 132)	4 176 854	-	-	4 176 854
1980	242	3 825 688	-	3 825 688	(62 036)	3 763 652	-	-	3 763 652
1981	390	6 761 102	-	6 761 102	(88 662)	6 672 440	-	-	6 672 440
1982	561	11 705 508	-	11 705 508	(63 385)	11 642 123	-	-	11 642 123
1983	998	22 283 733	-	22 283 733	(178 500)	22 105 233	-	-	22 105 233
3 months ended March 31									
1984	368	10 724 817	-	10 724 817	(44 625)	10 680 192	-	-	10 680 192
12 months ended March 31									
1985	1 533	29 079 005	-	29 079 005	(670 000)	28 409 005	-	-	28 409 005
1986	1 884	44 454 693	(21 453)	44 433 240	(592 178)	43 841 062	(7 101 331)	-	36 739 731
1987	1 524	37 331 898	(265 133)	37 066 765	(507 944)	36 558 821	(7 172 167)	-	29 386 654
1988	1 457	35 379 304	(327 051)	35 052 253	(1 102 547)	33 949 706	(6 639 065)	-	27 310 641
1989	1 436	32 675 582	(439 108)	32 236 474	(1 004 661)	31 231 813	(6 887 911)	-	24 343 902
1990	1 224	33 562 975	(611 442)	32 951 533	(1 364 747)	31 586 786	(5 545 077)	-	26 041 709
1991	1 556	33 653 689	(366 713)	33 286 976	(1 728 699)	31 558 277	(4 179 079)	-	27 379 198
1992	1 927	46 424 478	(500 101)	45 924 377	(1 662 939)	44 261 438	(3 931 874)	-	40 329 564
1993	1 826	45 942 577	(757 335)	45 185 242	(1 733 171)	43 452 071	(4 755 773)	-	38 696 298
1994	1 376	32 916 740	(437 618)	32 479 122	(1 939 182)	30 539 940	(47 081 663)	-	(16 541 723)
1995	1 015	24 092 391	(129 728)	23 962 663	(1 498 922)	22 463 741	(78 307 287)	-	(55 843 546)
1996	2 003	65 984 760	(116 132)	65 868 628	(1 257 146)	64 611 482	(53 598 465)	-	11 013 017
1997	3 822	151 238 855	(79 632)	151 159 223	(818 618)	150 340 605	(40 086 617)	(13 764 332)	96 489 656
Total	25 829	673 879 356	(4 051 446)	669 827 910	(16 471 120)	653 356 790	(265 286 309)	(13 764 332)	374 306 149

* Corresponds to table 1

This table provides SBLA's cash flows by fiscal year since inception in 1961 on the basis of the newly integrated computer system. As a result, the data presented may differ marginally from that presented in previous annual reports. It does not reflect future claims for loss in respect of outstanding business improvement loans.

The relatively large receipt of the fee income during fiscals 1993-94, 1994-95, 1995-96 and 1996-97 is the result of a significant increase in BIL lending during these four years concurrent with a doubling in the one-time up front loan registration fees from 1% to 2%. A considerable increase in claims for loss must likely be paid by the government to lenders, particularly during the 3rd, 4th and 5th years following fiscals 1993-94, 1994-95, 1995-96 and 1996-97. However, claim costs of BILs made after March 31, 1995 are expected to be offset by revenues over a ten-year period.

Table 3

BILs Advanced, Claims Paid, Repayments Made and Principal Balance of BILs Outstanding

Lending Periods	Loans Made \$	Balance of Loans Outstanding as at March 31, 1997 * \$	Total Principal Reductions Made \$	Claims Paid by Government to Lenders \$	Principal Reductions Made by Borrowers \$
Period 1: Jan. 19/61 - Dec. 31/63	74 549 220	0	(74 549 220)	(722 023)	(73 827 197)
Period 2: Jan. 1/64 - Dec. 31/66	72 662 656	0	(72 662 656)	(471 468)	(72 191 188)
Period 3: Jan. 1/67 - Dec. 31/69	48 212 560	0	(48 212 560)	(285 712)	(47 926 848)
Period 4: Jan. 1/70 - June 30/71	23 140 841	0	(23 140 841)	(352 401)	(22 788 440)
Period 5: July 1/71 - June 30/74	86 339 365	0	(86 339 365)	(830 647)	(85 508 718)
Period 6: July 1/74 - June 30/77	241 496 183	0	(241 496 183)	(5 054 826)	(236 441 357)
Period 7: July 1/77 - June 30/80	672 550 774	0	(672 550 774)	(40 807 189)	(631 743 585)
Sub-total ** Jan. 19/61 - June 30/80	1 218 951 599	0	(1 218 951 599)	(48 524 266)	(1 170 427 333)
Period 8: July 1/80 - Mar. 31/83	1 354 210 176	417 854	(1 353 792 322)	(100 315 258)	(1 253 477 064)
Period 9: Apr. 1/83 - Mar. 31/85	1 799 607 317	2 174 387	(1 797 432 930)	(73 152 910)	(1 724 280 020)
Period 10: Apr. 1/85 - Mar. 31/90	3 352 052 222	29 080 731	(3 322 971 491)	(178 396 149)	(3 144 575 342)
Period 11: Apr. 1/90 - Mar. 31/93	1 312 706 248	127 116 978	(1 185 589 270)	(67 122 829)	(1 118 466 441)
Period 12: Apr. 1/93 - Mar. 31/97	11 189 205 004	5 861 389 199	(5 327 815 805)	(206 367 944)	(5 121 447 861)
Sub-total July 1/80 - Mar. 31/97	19 007 780 967	6 020 179 149	(12 987 601 818)	(625 355 090)	(12 362 246 728)
Total Jan 19/61 - Mar. 31/97	20 226 732 566	6 020 179 149	(14 206 553 417)	(673 879 356)	(13 532 674 061)

* As reported by lenders at time of printing.

Table 4

Summary of BIL Lending, by Type of Lender and by Province
 April 1, 1996 -- March 31, 1997

Lender	Chartered Banks under the Bank Act		Credit Unions, Caisses populaires and Cooperative Credit Societies		Trust, Loan and Insurance Corporations		Province of Alberta Treasury Branches		Total Lending	
Province	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$
British Columbia	2 429	171 919 880	91	5 058 284	122	10 028 004	2	57 832	2 644	187 064 000
Alberta	2 457	160 316 702	173	11 527 886	176	13 799 883	291	23 450 162	3 097	209 094 633
Saskatchewan	1 028	56 006 100	411	19 932 016	13	1 053 194	0	0	1 452	76 991 310
Manitoba	649	37 233 684	177	10 171 707	30	2 679 830	0	0	856	50 085 221
Western Canada	6 563	425 476 366	852	46 689 893	341	27 560 911	293	23 507 994	8 049	523 235 164
Northwest Territories	51	4 528 850	0	0	2	211 843	0	0	53	4 740 693
Yukon	47	3 290 354	0	0	1	116 382	0	0	48	3 406 736
Ontario	8 670	632 795 032	215	14 845 096	203	18 821 188	0	0	9 088	666 461 316
Ontario & Territories	8 768	640 614 236	215	14 845 096	206	19 149 413	0	0	9 189	674 608 745
Quebec	5 471	365 501 109	5 513	274 828 780	231	21 788 958	0	0	11 215	662 118 847
New Brunswick	741	44 893 959	21	2 635 670	20	1 801 495	0	0	782	49 331 124
Nova Scotia	817	46 019 715	52	1 877 913	9	941 404	0	0	878	48 839 032
Prince Edward Island	178	11 185 092	4	439 259	0	0	0	0	182	11 624 351
Newfoundland	464	29 190 721	0	0	6	659 532	0	0	470	29 850 253
Atlantic Canada	2 200	131 289 487	77	4 952 842	35	3 402 431	0	0	2 312	139 644 760
Total	23 002	1 562 881 198	6 657	341 316 611	813	71 901 713	293	23 507 994	30 765	1 999 607 516

TABLE 4a

BIL Lending by Chartered Banks, by Province
April 1, 1996 -- March 31, 1997

Lender	Chartered Banks that Individually Made \$4 102 000* or More in BILs									
	Royal Bank of Canada		The Bank of Nova Scotia		Bank of Montreal		Canadian Imperial Bank of Commerce		Toronto-Dominion Bank	
Province	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$
British Columbia	471	39 319 148	550	39 009 813	582	36 607 876	177	14 483 587	465	25 347 684
Alberta	515	41 938 609	547	28 291 235	371	23 007 398	612	36 277 283	306	17 894 619
Saskatchewan	345	20 493 263	232	11 944 488	173	10 350 282	173	8 087 317	92	3 839 055
Manitoba	172	9 925 126	169	9 463 012	91	5 750 121	100	5 176 912	105	6 303 324
Western Canada	1 503	111 676 146	1 498	88 708 548	1 217	75 715 677	1 062	64 025 099	968	53 384 682
Northwest Territories	15	1 892 721	0	0	12	754 034	23	1 782 095	1	100 000
Yukon	11	807 539	1	166 704	16	923 539	2	270 000	17	1 122 572
Ontario	2 244	174 192 301	1 819	114 671 081	1 410	102 323 421	1 273	106 143 290	1 434	86 040 709
Ontario & Territories	2 270	176 892 561	1 820	114 837 785	1 438	104 000 994	1 298	108 195 385	1 452	87 263 281
Quebec	1 260	89 090 221	326	21 316 788	801	49 810 680	376	24 617 298	492	32 453 328
New Brunswick	145	9 826 076	278	14 617 243	94	6 026 500	57	4 267 529	74	3 273 538
Nova Scotia	219	16 150 365	353	16 905 082	70	3 718 412	45	2 884 006	108	4 623 228
Prince Edward Island	36	2 692 546	37	1 412 446	35	1 587 490	41	2 975 806	27	2 334 361
Newfoundland	102	9 453 564	201	9 183 362	83	5 365 397	29	2 397 421	49	2 790 978
Atlantic Canada	502	38 122 551	869	42 118 133	282	16 697 799	172	12 524 762	258	13 022 105
TOTAL	5 535	415 781 479	4 513	266 981 254	3 738	246 225 150	2 908	209 362 544	3 170	186 123 396

* This amount represents the cut off point for reporting on the 9 largest chartered banks that have made loans under the SBLA during fiscal 1996-97.

TABLE 4a (continued)

BIL Lending by Chartered Banks, by Province
April 1, 1996 -- March 31, 1997

Lender	Chartered Banks that Individually Made \$4 102 000* or More in BILs								BILs Made by All Other Chartered Banks		Total BIL Lending by All Chartered Banks	
	National Bank of Canada		Hongkong Bank of Canada		Laurentian Bank		Banca Commerciale Italiana of Canada		Number	Amount \$	Number	Amount \$
Province	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$				
British Columbia	2	211 568	156	14 058 116	4	264 897	0	0	22	2 617 192	2 429	171 919 881
Alberta	1	250 000	96	11 989 089	1	56 100	0	0	8	612 370	2 457	160 316 703
Saskatchewan	0	0	13	1 291 695	0	0	0	0	0	0	1 028	56 006 100
Manitoba	1	22 032	0	0	11	593 156	0	0	0	0	649	37 233 683
Western Canada	4	483 600	265	27 338 900	16	914 153	0	0	30	3 229 562	6 563	425 476 367
Northwest Territories	0	0	0	0	0	0	0	0	0	0	51	4 528 850
Yukon	0	0	0	0	0	0	0	0	0	0	47	3 290 354
Ontario	236	25 327 303	180	16 449 373	28	2 770 259	24	2 952 095	22	1 925 200	8 670	632 795 032
Ontario & Territories	236	25 327 303	180	16 449 373	28	2 770 259	24	2 952 095	22	1 925 200	8 768	640 614 236
Quebec	1 965	127 933 125	37	2 624 177	187	14 005 592	11	1 150 900	16	2 499 000	5 471	365 501 109
New Brunswick	79	5 943 635	14	939 436	0	0	0	0	0	0	741	44 893 957
Nova Scotia	5	747 263	17	991 360	0	0	0	0	0	0	817	46 019 716
Prince Edward Island	2	182 442	0	0	0	0	0	0	0	0	178	11 185 091
Newfoundland	0	0	0	0	0	0	0	0	0	0	464	29 190 722
Atlantic Canada	86	6 873 340	31	1 930 796	0	0	0	0	0	0	2 200	131 289 486
TOTAL	2 291	160 617 368	513	48 343 246	231	17 690 004	35	4 102 995	68	7 653 762	23 002	1 562 881 198

* This amount represents the cut off point for reporting on the 9 largest chartered banks that have made loans under the SBLA during fiscal 1996-97.

TABLE 4b

BIL Lending by Credit Unions, *Caisses populaires* and Other Cooperative Credit Societies, by Province
 April 1, 1996-- March 31, 1997

Lender	Credit Unions, <i>Caisses populaires</i> and Other Cooperative Credit Societies that Individually Made \$2 034 000* or More in BILs									
	Lloyminster Credit Union Ltd.		<i>Caisse Populaire St-Benoît de Granby</i>		<i>Caisse Populaire de Granby</i>		<i>Caisse Populaire De La Pocatière</i>		<i>Caisse Populaire St-Frédéric de Drummondville</i>	
Province	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$
British Columbia	0	0	0	0	0	0	0	0	0	0
Alberta	7	736 667	0	0	0	0	0	0	0	0
Saskatchewan	42	2 583 688	0	0	0	0	0	0	0	0
Manitoba	0	0	0	0	0	0	0	0	0	0
Western Canada	49	3 320 355	0	0	0	0	0	0	0	0
Northwest Territories	0	0	0	0	0	0	0	0	0	0
Yukon	0	0	0	0	0	0	0	0	0	0
Ontario	0	0	0	0	0	0	0	0	0	0
Ontario & Territories	0	0	0	0	0	0	0	0	0	0
Quebec	0	0	41	2 862 443	46	2 522 481	35	2 248 330	52	2 144 093
New Brunswick	0	0	0	0	0	0	0	0	0	0
Nova Scotia	0	0	0	0	0	0	0	0	0	0
Prince Edward Island	0	0	0	0	0	0	0	0	0	0
Newfoundland	0	0	0	0	0	0	0	0	0	0
Atlantic Canada	0	0	0	0	0	0	0	0	0	0
TOTAL	49	3 320 355	41	2 862 443	46	2 522 481	35	2 248 330	52	2 144 093

* This amount represents the cut off point for reporting on the 8 largest Credit Unions, *Caisses populaires* and Other Cooperative Credit Societies that have made loans under the SBI.A during fiscal 1996-97.

TABLE 4b
(Continued)

BIL Lending by Credit Unions, *Caisses Populaires* and Other Cooperative Credit Societies, by Province
April 1, 1996 – March 31, 1997

Lender	Credit Unions, <i>Caisses Populaires</i> and Other Cooperative Credit Societies that Individually Made \$2 034 000* or More in BILs						BILs Made by All Other Credit Unions, <i>Caisses populaires</i> and Other Cooperative Credit Societies		Total BIL Lending by All Credit Unions, <i>Caisses populaires</i> and Other Cooperative Credit Societies	
	<i>Caisse Populaire Desjardins de Joliette</i>		Border Credit Union Ltd.		<i>Caisse Populaire Desjardins de Causapscal</i>					
Province	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$
British Columbia	0	0	0	0	0	0	91	5 058 284	91	5 058 284
Alberta	0	0	22	1 436 648	0	0	144	9 354 571	173	11 527 886
Saskatchewan	0	0	12	656 896	0	0	357	16 691 432	411	19 932 016
Manitoba	0	0	0	0	0	0	177	10 171 707	177	10 171 707
Western Canada	0	0	34	2 093 544	0	0	769	41 275 994	852	46 689 893
Ontario	0	0	0	0	0	0	215	14 845 096	215	14 845 096
Northwest Territories	0	0	0	0	0	0	0	0	0	0
Yukon	0	0	0	0	0	0	0	0	0	0
Ontario & Territories	0	0	0	0	0	0	215	14 845 096	215	14 845 096
Quebec	46	2 127 842	0	0	34	2 034 182	5 259	260 889 409	5 513	274 828 780
New Brunswick	0	0	0	0	0	0	21	2 635 670	21	2 635 670
Nova Scotia	0	0	0	0	0	0	52	1 877 913	52	1 877 913
Prince Edward Island	0	0	0	0	0	0	4	439 259	4	439 259
Newfoundland	0	0	0	0	0	0	0	0	0	0
Atlantic Canada	0	0	0	0	0	0	77	4 952 842	77	4 952 842
TOTAL	46	2 127 842	34	2 093 544	34	2 034 182	6 320	321 963 341	6 657	341 316 611

* This amount represents the cut off point for reporting on the 8 largest Credit Unions, *Caisses populaires* and Other Cooperative Credit Societies that have made loans under the SBLA during fiscal 1996-97.

TABLE 4c

BIL Lending by Trust, Loan and Insurance Corporations, by Province
 April 1, 1996 -- March 31, 1997

April 1, 1990 -- March

Lender	Trust, Loan and Insurance Corporations that Individually Made \$1 241 000* or More in BILs						BILs Made by All Other Trust, Loan and Insurance Corporations	Total BIL Lending by All Trust, Loan and Insurance Corporations		
	Newcourt Credit Group Inc.		GE Capital Canada Equipment Financing Inc.		Boreal Assurances Inc.					
Province	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$
British Columbia	111	8 480 835	9	1 047 340	0	0	2	499 829	122	10 028 004
Alberta	171	12 907 213	4	683 162	0	0	1	209 508	176	13 799 883
Saskatchewan	12	1 029 194	1	24 000	0	0	0	0	13	1 053 194
Manitoba	23	1 996 730	6	513 270	0	0	1	169 830	30	2 679 830
Western Canada	317	24 413 972	20	2 267 772	0	0	4	879 167	341	27 560 911
Northwest Territories	2	211 843	0	0	0	0	0	0	2	211 843
Yukon	1	116 382	0	0	0	0	0	0	1	116 382
Ontario	157	13 134 914	29	3 707 522	0	0	17	1 978 751	203	18 821 187
Ontario & Territories	160	13 463 139	29	3 707 522	0	0	17	1 978 751	206	19 149 412
Quebec	174	16 109 186	22	3 998 911	32	1 241 862	3	439 000	231	21 788 959
New Brunswick	19	1 692 871	1	108 623	0	0	0	0	20	1 801 494
Nova Scotia	7	658 487	1	120 890	0	0	1	162 027	9	941 404
Prince Edward Island	0	0	0	0	0	0	0	0	0	0
Newfoundland	6	659 533	0	0	0	0	0	0	6	659 533
Atlantic Canada	32	3 010 891	2	229 513	0	0	1	162 027	35	3 402 431
TOTAL	683	56 997 188	73	10 203 718	32	1 241 862	25	3 458 945	813	71 901 713

* This amount represents the cut off point for reporting on the 3 largest Trust, Loan and Insurance Corporations that have made loans under the SBLA during fiscal 1996-97.

Table 5

SMALL BUSINESS LOANS ACT - PROGRAM FACT SHEET AS AT APRIL 1, 1993 AND THEREAFTER

Item	A BIL Made Prior to April 1, 1993	A BIL Made After March 31, 1993	A BIL Made After December 31, 1995
Maximum Eligible Business Size	\$2 million in estimated gross annual revenue	\$5 million in estimated gross annual revenue	\$5 million in estimated gross annual revenue
Maximum Loan Size	\$100 000 outstanding in aggregate.	\$250 000 outstanding in aggregate.	\$250 000 outstanding in aggregate.
Maximum Interest Rate	Prime + 1%	On floating rate loans, prime + 1 3/4% and on fixed rate loans 1 3/4% over the residential mortgage rate for the applicable term.	For floating rate loans, prime + 3% and for fixed rate loans, 3% over the residential mortgage rate for the applicable term (introduced for loans made after March 31, 1995).
Government Fees	1% one-time up front registration fee	2% one-time up front registration fee which may be added to amount of the loan.	2% one-time up front registration fee which may be added to amount of the loan and 1.25% annual administration fee will be charged (applies to loans made after March 31, 1995). The 1.25% is to be paid by a lender but cannot be passed on to borrower except through the interest rate, while respecting the prescribed maximum rates.
Refinancing	Not permitted	Up to 180 days prior to loan approval date	Up to 180 days prior to loan approval date.
Percentage of Financing Permitted	80% of Equipment 90% of Land and Buildings	100% of all eligible assets.	90% of all eligible assets
Loss-sharing Ratio	85% government/15% lender	90% government/10% lender	85% government / 15% lender
Substitution and Release of Security	Lender may release any security acquired but shall through remaining term maintain adequate security pursuant to normal lending practice for loan repayment	Substitution of security excluding personal guarantees.	As at January 31, 1995, substitution of security and secured assets of equivalent value excluding personal guarantees. Secured equipment may be released under prescribed conditions (no default, after 2 years and outstanding balance reduced appropriately). Release land and premises if expropriated.
Maximum Loan Term	10 years	10 years	10 years
Businesses Excluded from the Program	Finance, insurance, real estate, professions, mining of metals, minerals, non-metallic materials, production of petroleum, natural gas, farming, charitable and religious organizations	The business of farming as well as charitable and religious organizations.	The business of farming as well as charitable and religious organizations.
Classes of Loans	Land Premises Movable Equipment Fixed Equipment	Land Premises Equipment Fee (2% up-front loan registration fee)	Land Premises Equipment Fee (2% up-front loan registration fee)