



2023

Financial Report

Third Quarter

December 31, 2022



Executive Summary

Canadian economic outlook

The Canadian economy showed continuing strength in the fourth quarter of 2022 despite facing stronger headwinds.

Real GDP increased by 0.1% in November compared to October. This meant the economy grew by 3.9% from January to November 2022, compared to the same period in 2021. According to a preliminary estimate from Statistics Canada, real GDP was essentially unchanged in December. The ongoing resilience of Canada's economy can be mostly explained by the good performance of the services sector toward the end of the year in contrast to the goods producing sector where a slowdown took hold.

Canada's healthy economic performance in the final quarter of the year led to the net creation of 222,400 jobs in the period. For all of 2022, there were almost 400,000 more Canadians employed compared to 2021. That brought the unemployment rate down to 5.0% at year-end, near its historic low.

Labour shortages continued to be felt by entrepreneurs. The number of job vacancies has fallen but remained over 850,000 in November, down from the 1 million mark reached in the summer. Retirements accelerated with more than 265,000 Canadians leaving the workforce in 2022. The tightness of the labour market and high inflation led to a 4.8% annual increase in wages in December.

The strength of the labour market and additional savings built up during the pandemic supported demand during the quarter, despite high inflation and interest rate hikes. Inflation slowed to 6.3% in December but remains far above the Bank of Canada's target. Moreover, core inflation measures were essentially unchanged, suggesting price increases are still entrenched.

As inflationary pressures spread through the economy, the Bank of Canada continued to tighten monetary policy.

While the central bank slowed the pace of its rate hikes during Q4 2022, the policy rate still went from 3.25% to 4.25% over the period, sending effective interest rates for households and businesses higher.

Meanwhile, consumers' disposable income and net savings remain elevated. Households turned more cautious as interest payments increased at their fastest pace in decades (+29.6% annualized in the third quarter), leaving them increasingly vulnerable to financial setbacks.

Supply chain bottlenecks eased further during the quarter as only 23.5% of Canadian businesses reported experiencing difficulties acquiring inputs, products, or supplies. Besides labour shortages, businesses also faced rising costs and increasing economic uncertainty. Nearly three-quarters of businesses reported they do not intend to apply for debt financing during the first three months of 2023.

Many commodity prices began to descend on the back of increasing concerns about the risk of a global recession. Oil prices dropped from their highs at the end of 2022 to about US\$82 per barrel for Brent and US\$73 for WTI. However, in January, crude oil benchmarks started to recover. A slowdown in global demand and lower commodity prices contributed to weakness in the Canadian dollar, which hovers around US\$0.74.

Overall, early estimates suggest Canada's economy reached 3.5% growth for all of 2022, compared to 2021. We expect the Canadian economy to experience a marked slowdown this year with real GDP increasing by only 0.5% while avoiding a recession. Notwithstanding, the risk of the economy slipping into a mild recession has increased this quarter.

End note: The Economic Outlook is based on the standard calendar year, however, the Quarterly Financial Report follows the fiscal year measure. As such, the information presented for Q4 2022 in this outlook relates to the third quarter of fiscal 2023 (F23-Q3).



Lines of business

The Business Development Bank of Canada (BDC) reports on six business lines: Financing, Advisory Services, Growth & Transition Capital (GTC), Venture Capital (VC), Capital Incentive Programs (CIP) and the Credit Availability Program (CAP). Refer to Note 11, *Segmented information*, of the Consolidated Financial Statements for a description of each reportable segment's operations.

Activities

BDC supports Canadian entrepreneurs in their efforts to build strong, growing businesses and, in doing so, contribute to creating a more competitive, prosperous and inclusive Canada.

Core results are driven by the activities of the Financing, Advisory Services, Growth and Transition Capital, Venture Capital and Capital Incentive Programs business lines, whereas those of the CAP segment stem from all of BDC's COVID-19 relief measures and the Canada Digital Adoption Program (CDAP).

The COVID-19 relief measures, which ended in fiscal 2022, included the Business Credit Availability Program (BCAP) and the Highly Affected Sectors Credit Availability Program (HASCAP), which were delivered in collaboration with Canadian banks and credit unions, as well as measures delivered directly by BDC. As small businesses adapted to the lasting impacts of the COVID-19 pandemic, our shareholder launched the Canada Digital Adoption Program (CDAP) with our support in March 2022 to help small businesses grow their online presence and adopt digital technologies. All of these measures have been grouped together under the Credit Availability Program to distinguish them from BDC's core activities.

Core activities

BDC's activity level slowed down in the third quarter of fiscal 2023 as entrepreneurs were more cautious and reduced their investment intentions in the context of an uncertain economic environment driven by high inflation and rising interest rates.

The volume of Financing's acceptances slightly decreased in the third quarter compared to the first two quarters this fiscal year. Nevertheless, strong growth of 15.4% was achieved for the nine-month period of fiscal 2023 compared to the equivalent period last year. Financing clients accepted a total of \$2.6 billion in loans for the third quarter and \$8.8 billion for the nine-month period of fiscal 2023, compared to \$2.8 billion and \$7.6 billion for the same periods last year. Financing's loans portfolio¹ excluding CAP loans, stood at \$33.3 billion as at December 31, 2022.

Advisory Services continued to extend its client reach with the new services offered this fiscal year to support entrepreneurs in their digital adoption plan under CDAP for which BDC is one of the approved partners. The number of mandates sold jumped 57.4% in the first nine months of fiscal 2023 compared to the equivalent period last year. Net contracts signed amounted to \$11.0 million for the quarter and \$32.5 million for the nine-month period ended December 31, 2022, compared to \$8.0 million and \$24.2 million for the same periods last year.

Market demand for business growth and transition financing was strong for the nine-month period this fiscal year. GTC clients accepted \$138.6 million in financing during the third quarter and \$400.6 million for the nine-month period of fiscal 2023, compared to \$114.0 million and \$384.0 million, respectively, for the same periods last year.

After a high level of activity for the first half of fiscal 2023, VC investment authorizations decreased in the third quarter of fiscal 2023 to total \$91.4 million, compared to \$173.1 million for the same period last year, driven by lower investments in funds mainly explained by declines in the Canadian venture capital activity over the last quarter. For the nine-month period of fiscal 2023, investment authorizations amounted to \$468.9 million, which were 19.6% higher than the \$392.2 million for the corresponding period last year. The increase in authorizations this fiscal year was mainly attributable to indirect investments in funds and the new Climate Tech Fund II and Growth Equity Partners funds. In September 2022, BDC announced the launch of the \$500 million Thrive Venture Fund and Lab for Women to

¹ Net of allowance for expected credit losses.



support Canadian women-led businesses and has authorized \$23.2 million of direct investments as at December 31, 2022.

On behalf of the Government of Canada, BDC manages Capital Incentive Programs (CIP), which include \$390 million for Venture Capital Action Plan (VCAP) to support promising Canadian start-ups, \$372 million for Venture Capital Catalyst Initiative (VCCI) to increase the availability of late-stage VC and support underserved groups, \$600 million for Cleantech Practice and \$100 million for Indigenous Growth Fund (IGF) in partnership with the National Aboriginal Capital Corporations Association (NACCA). VCAP and VCCI were fully committed in F2021. VCCI has been renewed to deploy \$450 million under VCCI II to support funds-of-funds, investments in life science technologies and entrepreneurs from underrepresented groups.

VCCI II recorded its first authorizations in the third quarter of fiscal 2023, which amounted to \$277.5 million. Cleantech Practice recorded authorizations of \$2.0 million in the third quarter and \$12.7 million in the nine-month period of fiscal 2023, compared to \$42.8 million and \$109.1 million, respectively, for the same periods last year. Cleantech Practice's total authorizations since inception amounted to \$519.2 million. Of the \$100 million committed to IGF, \$10.9 million was disbursed as at December 31, 2022.

Credit Availability Program (CAP)

HASCAP guarantee acceptances amounted to \$228.8 million for the nine-month period of fiscal 2023 compared to \$2.8 billion for the same period last year. The program was closed for new authorizations on March 31, 2022 and the loan acceptances under this program are now fully funded by the participating financial institutions. The actual exposure under the HASCAP guarantees totalled \$3.5 billion as at December 31, 2022. The carrying amount of CAP's loan and investment portfolio stood at \$2.3 billion as at December 31, 2022.

CDAP acceptances were recorded in the total amount of \$24.0 million for the nine-month period of fiscal 2023, including \$17.5 million for the third quarter. To receive BDC financing under the program, entrepreneurs must finalize a digital plan, receive approval from Innovation,

Science and Economic Development Canada (ISED) as well as a referral to BDC. We expect acceptances to increase in the coming quarters.

On November 16, 2022, BDC issued 3,430,000 common shares for cash proceeds of \$343.0 million, which represents a capital injection in support of the Canada Digital Adoption Program.

Financial results overview

Consolidated net income amounted to \$81.9 million for the third quarter and \$334.4 million for the nine-month period of fiscal 2023, consisting of net income of \$91.5 million and \$251.6 million, respectively, for the core business, and a net loss of \$9.6 million and net income of \$82.8 million, respectively, for CAP. In comparison, BDC reported consolidated net income of \$459.5 million and \$2.2 billion, respectively, for the same periods last year, consisting of net income of \$461.8 million and \$2.2 billion, respectively, for the core business and net losses of \$2.3 million and \$55.7 million, respectively, for CAP. The decrease in net income is mainly attributable to higher net change in unrealized depreciation of the investments portfolio driven by headwinds in the venture capital market and higher provision for expected credit losses on the loans portfolio reflecting an unfavourable macroeconomic outlook.



The Business Development Bank of Canada (BDC) is a Crown corporation wholly owned by the Government of Canada.

BDC is the bank for Canadian entrepreneurs. Its purpose is to support small and mid-sized businesses in all industries and at all stages of growth. Whether business owners want to take on new markets, make their operations more efficient, acquire another business or everything in between, BDC provides access to financing, as well as advisory services to meet their needs. BDC's investment arm, BDC Capital, offers a wide range of risk capital solutions. BDC supports underserved entrepreneurs and emergent industries to generate greater social and economic impact. BDC is also certified B Corp and actively contributes to the growth of a worldwide movement of entrepreneurs who create inclusive and sustainable prosperity.



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We may make forward-looking statements in this quarterly financial report. These forward-looking statements include, but are not limited to, statements about objectives and strategies for achieving objectives, as well as statements about outlooks, plans, expectations, anticipations, estimates and intentions.

By their very nature, forward-looking statements involve numerous factors and assumptions, and they are subject to inherent risks and uncertainties, both general and specific. These uncertainties give rise to the possibility that predictions, forecasts, projections and other elements of forward-looking statements will not be achieved. A number of important factors could cause actual results to differ materially from the expectations expressed.



Management Discussion and Analysis

Context of the Quarterly Financial Report

Management's Discussion and Analysis outlines the significant activities and initiatives, risks and financial results of the Business Development Bank of Canada (BDC) for the nine months ended December 31, 2022. This analysis should be read in conjunction with BDC's unaudited condensed quarterly Consolidated Financial Statements included in this report, which have been prepared in accordance with the Treasury Board of Canada's Directive on Accounting Standards: *GC 5200 Crown Corporations Quarterly Financial Reports*. This analysis should also be read in conjunction with BDC's 2022 Annual Report. All amounts are in Canadian dollars, unless otherwise specified.

There is no requirement for an audit or review of the financial statements included in the quarterly financial report. Therefore, the condensed quarterly Consolidated Financial Statements included in this report have not been audited or reviewed by an external auditor.

Risk Management

In order to fulfill its mandate while ensuring sustainability, BDC must take and manage risk. BDC's approach to risk management is based on establishing a risk governance structure, including organizational design, policies, processes and controls, to effectively manage risk in line with its risk appetite. This structure enables the establishment of a comprehensive risk management framework for risk identification, assessment and measurement, analytics, reporting, and monitoring. In addition, this framework is designed to ensure that risk is considered in all business activities and that risk management is an integral part of day-to-day decision-making, as well as the annual corporate planning process.

The primary means through which the risk management function reports risk is through its quarterly Integrated Risk Management (IRM) report to senior management and the Board of Directors. This report provides a comprehensive quantitative and qualitative assessment of performance against the Risk Appetite Statement, profiles BDC's major risk categories, identifies significant existing and emerging risks, and provides in-depth portfolio monitoring.



Analysis of Financial Results

Analysis of financial results is provided to enable a reader to assess BDC's results of operations and financial condition for the three-month and nine-month periods ended December 31, 2022, compared to the corresponding periods of the prior fiscal year.

BDC currently reports on six business segments: Financing, Advisory Services, Growth & Transition Capital (GTC), Venture Capital (VC), Capital Incentive Programs (CIP) and the Credit Availability Program (CAP).

Consolidated net income

(\$ in millions)	Three months ended December 31		Nine months ended December 31	
	F2023	F2022	F2023	F2022
Financing	220.1	269.6	652.4	923.3
Advisory Services	(8.5)	(9.5)	(27.8)	(29.6)
Growth & Transition Capital	14.6	36.2	39.0	120.9
Venture Capital	(196.6)	141.1	(465.5)	886.4
Capital Incentive Programs	61.9	24.4	53.5	319.0
Core net income	91.5	461.8	251.6	2,220.0
Credit Availability Program	(9.6)	(2.3)	82.8	(55.7)
Net income	81.9	459.5	334.4	2,164.3
Net income (loss) attributable to:				
BDC's shareholder	114.0	412.1	412.5	2,088.3
Non-controlling interests	(32.1)	47.4	(78.1)	76.0
Net income	81.9	459.5	334.4	2,164.3

Three and nine months ended December 31

For the quarter ended December 31, 2022, BDC generated consolidated net income of \$81.9 million, comprising \$114.0 million of net income attributable to BDC's shareholder and a loss of \$32.1 million attributable to non-controlling interests. For the equivalent period last year, consolidated net income of \$459.5 million included \$412.1 million of net income attributable to BDC's shareholder and \$47.4 million attributable to non-controlling interests. BDC's consolidated core net income was \$91.5 million compared to net income of \$461.8 million reported for the same period last year.

For the nine months ended December 31, 2022, BDC recorded consolidated net income of \$334.4 million compared to net income of \$2.2 billion recorded for the same period last year. The decrease in core net income was mostly attributable to higher net change in unrealized depreciation of investments for VC, lower net change in unrealized appreciation for CIP and higher provision for expected credit losses on Financing's performing and impaired loans portfolio. Core results were negatively impacted by the slowdown in the economy due to high inflation, rising interest rates, geopolitical uncertainties and declines in public market investment valuations. CAP's net income was favourable compared to last year mainly explained by higher fee and other income and lower provision for expected credit losses.



Consolidated comprehensive income

(\$ in millions)	Three months ended December 31		Nine months ended December 31	
	F2023	F2022	F2023	F2022
Net income	81.9	459.5	334.4	2,164.3
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net income				
Net change in unrealized gains (losses) on FVOCI assets	4.7	(6.6)	(20.4)	(12.0)
Net change in unrealized gains (losses) on cash flow hedges	(0.5)	(0.1)	(0.8)	(0.6)
Total items that may be reclassified subsequently to net income	4.2	(6.7)	(21.2)	(12.6)
Items that will not be reclassified to net income				
Remeasurements of net defined benefit asset or liability	42.1	5.8	1.3	121.7
Other comprehensive income (loss)	46.3	(0.9)	(19.9)	109.1
Total comprehensive income (loss) attributable to:	128.2	458.6	314.5	2,273.4
Total comprehensive income (loss) attributable to:				
BDC's shareholder	160.3	411.2	392.6	2,197.4
Non-controlling interests	(32.1)	47.4	(78.1)	76.0
Total comprehensive income (loss)	128.2	458.6	314.5	2,273.4

Three and nine months ended December 31

Consolidated total comprehensive income comprises net income and other comprehensive income. Other comprehensive income (OCI) is mostly affected by remeasurements of net defined benefit asset or liability, which are subject to volatility as a result of market fluctuations.

BDC recorded consolidated other comprehensive income of \$46.3 million for the third quarter of fiscal 2023 and other comprehensive loss of \$19.9 million for the nine-month period ended December 31, 2022, compared to consolidated other comprehensive loss of \$0.9 million and other comprehensive income of \$109.1 million, respectively, for the same periods last year. The decrease in consolidated other comprehensive income for the nine-month period of fiscal 2023 was mainly attributable to a remeasurement gain of \$1.3 million on the net defined benefit asset or liability, \$120.4 million lower than the remeasurement gain recorded in the same period last year. This decrease was due to lower returns on plan assets, which was offset by higher discount rates used to value the net defined benefit liability.



Financing results

(\$ in millions)	Three months ended December 31		Nine months ended December 31	
	F2023	F2022	F2023	F2022
Net interest income	371.7	347.6	1,086.7	1,030.9
Fee and other income	7.0	6.3	20.3	18.3
Provision for expected credit losses	(6.0)	47.2	(56.2)	231.6
Net realized gains (losses) on investments	-	(0.3)	(0.5)	(0.6)
Net change in unrealized appreciation (depreciation) of investments	-	(0.1)	1.3	(4.1)
Net gains (losses) on other financial instruments	0.5	0.1	13.6	0.7
Net foreign exchange gains (losses)	(1.9)	(1.7)	11.9	(0.2)
Income before operating and administrative expenses	371.3	399.1	1,077.1	1,276.6
Operating and administrative expenses	151.2	129.5	424.7	353.3
Net income from Financing	220.1	269.6	652.4	923.3

As % of average portfolio	Three months ended December 31		Nine months ended December 31	
	F2023	F2022	F2023	F2022
Net interest income	4.2	4.4	4.2	4.4
Fee and other income	0.1	0.1	0.1	0.1
Provision for expected credit losses	(0.1)	0.6	(0.2)	1.0
Net gains (losses) on other financial instruments	-	-	0.1	-
Income before operating and administrative expenses	4.2	5.1	4.2	5.5
Operating and administrative expenses	1.7	1.6	1.7	1.5
Net income from Financing	2.5	3.5	2.5	4.0

Three and nine months ended December 31

Net income from Financing was \$220.1 million for the third quarter of fiscal 2023 and \$652.4 million for the nine-month period ended December 31, 2022, compared to net income of \$269.6 million and \$923.3 million for the same periods last year. The decrease in net income from Financing for the quarter and nine months ended December 31, 2022 was mainly explained by higher provision for expected credit losses on the impaired portfolio and lower reversals of provision on the performing portfolio. The macroeconomic conditions deteriorated in fiscal 2023 due to economic uncertainty, whereas improvements in macroeconomic outlook were anticipated last fiscal year. For the nine-month period of fiscal 2023, the provision for expected credit losses reached \$56.2 million compared to a reversal of \$231.6 million for the equivalent period last year. This was partially offset by higher net interest income of \$55.8 million primarily due to portfolio growth.



Operating and administrative expenses for the quarter and nine months ended December 31, 2022, were \$151.2 million and \$424.7 million, higher than the \$129.5 million and \$353.3 million in the corresponding periods last year. The increase in operating and administrative expenses was mainly driven by higher salaries and benefits due to additional resources to support the growth of our portfolio and higher technology expenses to support our innovation projects. In addition, lower costs were allocated to the CAP segment for COVID-19 initiatives, which ended on June 30, 2021.

Advisory Services results

(\$ in millions)	Three months ended December 31		Nine months ended December 31	
	F2023	F2022	F2023	F2022
Revenue	10.6	7.8	26.5	21.3
Delivery expenses ⁽¹⁾	5.2	4.3	13.6	11.5
Gross operating margin	5.4	3.5	12.9	9.8
Operating and administrative expenses	13.9	13.0	40.7	39.4
Net loss from Advisory Services	(8.5)	(9.5)	(27.8)	(29.6)

⁽¹⁾ Delivery expenses are included in operating and administrative expenses in the Consolidated Statement of Income.

Three and nine months ended December 31

A net loss of \$8.5 million was recorded for the third quarter of fiscal 2023, compared to a \$9.5 million net loss for the same quarter last year. Cumulative net loss for the nine-month period ended December 31, 2022 was \$27.8 million, compared to a net loss of \$29.6 million for the same period last year. The \$1.8 million favourable variance for the nine-month period ended December 31, 2022, was attributable to the higher gross operating margin resulting from higher revenues. This was offset by slightly higher operating and administrative expenses.

Revenue amounted to \$26.5 million for the nine-month period ended December 31, 2022, higher than the \$21.3 million recorded last year, mainly driven by higher net contracts signed for the Canada Digital Adoption Program.

Operating and administrative expenses amounted to \$13.9 million for the three-month period compared to \$13.0 million for the corresponding period of fiscal 2022. Operating and administrative expenses of \$40.7 million for the nine-month period ended December 31, 2022 were higher than the \$39.4 million recorded for the corresponding period of fiscal 2022, mainly explained by higher cost allocations from other divisions.



Growth & Transition Capital results

	Three months ended December 31		Nine months ended December 31	
	F2023	F2022	F2023	F2022
(\$ in millions)				
Net revenue on investments	24.1	25.9	102.3	93.9
Net change in unrealized appreciation (depreciation) of investments	1.1	20.0	(26.1)	54.4
Net foreign exchange gains (losses)	-	0.1	(4.9)	0.4
Income before operating and administrative expenses	25.2	46.0	71.3	148.7
Operating and administrative expenses	10.6	9.8	32.3	27.8
Net income from Growth & Transition Capital	14.6	36.2	39.0	120.9
Net income (loss) attributable to:				
BDC's shareholder	17.3	25.2	55.0	104.8
Non-controlling interests	(2.7)	11.0	(16.0)	16.1
Net income from Growth & Transition Capital	14.6	36.2	39.0	120.9
	Three months ended December 31		Nine months ended December 31	
	F2023	F2022	F2023	F2022
As % of average portfolio				
Net revenue on investments	8.1	9.7	11.8	12.2
Net change in unrealized appreciation (depreciation) of investments	0.4	7.5	(3.0)	7.1
Net foreign exchange gains (losses)	-	-	(0.6)	0.1
Income before operating and administrative expenses	8.5	17.2	8.2	19.4
Operating and administrative expenses	3.6	3.7	3.7	3.6
Net income from Growth & Transition Capital	4.9	13.5	4.5	15.8
Net income (loss) attributable to:				
BDC's shareholder	5.8	9.4	6.3	13.7
Non-controlling interests	(0.9)	4.1	(1.8)	2.1
Net income from Growth & Transition Capital	4.9	13.5	4.5	15.8



Three and nine months ended December 31

The third quarter of fiscal 2023 resulted in net income of \$14.6 million for GTC, compared to net income of \$36.2 million for the same period last year. For the nine months ended December 31, 2022, GTC recorded net income of \$39.0 million, compared to net income of \$120.9 million for the same period of fiscal 2022. Results for the third quarter and the nine-month period of fiscal 2023 were negatively impacted by higher net fair value depreciation due to uncertainty in the current economic environment.

GTC recorded a net change in unrealized appreciation of investments of \$1.1 million in the third quarter of fiscal 2023 and a net change in unrealized depreciation of investments of \$26.1 million for the first nine months of fiscal 2023, compared to a net change in unrealized appreciation of investments of \$20.0 million and \$54.4 million, respectively, during the same periods last year, as detailed below. The \$26.1 million net change in unrealized depreciation of investments for the first nine months of fiscal 2023 was mainly explained by a net fair value depreciation of \$26.4 million and a reversal of net fair value appreciation due to realized income and write-offs of \$0.3 million. The uncertain economic environment including high inflation and rising interest rates contributed to net fair value depreciation in our portfolio.

(\$ in millions)	Three months ended December 31		Nine months ended December 31	
	F2023	F2022	F2023	F2022
Net fair value appreciation (depreciation)	(6.4)	14.9	(26.4)	56.0
Reversal of net fair value depreciation (appreciation) due to realized income and write-offs	7.5	5.1	0.3	(1.6)
Net change in unrealized appreciation (depreciation) of investments	1.1	20.0	(26.1)	54.4

Operating and administrative expenses amounted to \$10.6 million for the three-month period compared to \$9.8 million for the corresponding period of fiscal 2022. Operating and administrative expenses amounted to \$32.3 million for the nine-month period ended December 31, 2022, higher than the \$27.8 million recorded last year. The increase is a result of higher salaries and staff benefits and cost allocations from other divisions.



Venture Capital results

(\$ in millions)	Three months ended December 31		Nine months ended December 31	
	F2023	F2022	F2023	F2022
Net revenue on investments	(2.2)	116.3	55.2	375.8
Net change in unrealized appreciation (depreciation) of investments	(164.3)	47.8	(632.7)	537.0
Net foreign exchange gains (losses)	(15.7)	(12.7)	154.9	5.1
Income (loss) before operating and administrative expenses	(182.2)	151.4	(422.6)	917.9
Operating and administrative expenses	14.4	10.3	42.9	31.5
Net income (loss) from Venture Capital	(196.6)	141.1	(465.5)	886.4
Net income (loss) attributable to:				
BDC's shareholder	(167.2)	104.8	(403.4)	826.5
Non-controlling interests	(29.4)	36.3	(62.1)	59.9
Net income (loss) from Venture Capital	(196.6)	141.1	(465.5)	886.4

Three and nine months ended December 31

During the third quarter of fiscal 2023, VC recorded a net loss of \$196.6 million, compared to net income of \$141.1 million for the same period last year. For the nine months ended December 31, 2022, VC's net loss was \$465.5 million, compared to net income of \$886.4 million for the same period last year. Results for the third quarter and nine-month period of fiscal 2023 were negatively impacted by lower net revenue on investments and higher net change in unrealized depreciation of investments due to uncertainties in the current market environment. High inflation, rising interest rates, declines in public markets, more specifically the technology market, contributed to higher fair value depreciation in our portfolio, which is in line with market trends.

As detailed below, VC recorded a net change in unrealized depreciation of investments of \$164.3 million for the third quarter and \$632.7 million for the nine-month period of fiscal 2023, mainly driven by net fair value depreciation, compared to a net change in unrealized appreciation of \$47.8 million and \$537.0 million, respectively, for the same periods last year.

(\$ in millions)	Three months ended December 31		Nine months ended December 31	
	F2023	F2022	F2023	F2022
Net fair value appreciation (depreciation)	(178.2)	119.8	(599.5)	782.3
Reversal of fair value depreciation (appreciation) on divested investments and write-offs	13.9	(72.0)	(33.2)	(245.3)
Net change in unrealized appreciation (depreciation) of investments	(164.3)	47.8	(632.7)	537.0

In the third quarter of fiscal 2023, net foreign exchange losses on investments of \$15.7 million were recorded while the nine-month period of fiscal 2023 generated net foreign exchange gains of \$154.9 million due to foreign exchange



fluctuations in the portfolio denominated in U.S. dollars, compared to net foreign exchange losses on investments of \$12.7 million for the third quarter of fiscal 2022 and gains of \$5.1 million recorded for the nine-month period last year.

Operating and administrative expenses amounted to \$14.4 million for the third quarter of fiscal 2023 compared to \$10.3 million for the corresponding period of fiscal 2022. On a year-to-date basis, operating and administrative expenses amounted to \$42.9 million, \$11.4 million higher than those recorded for the same period of fiscal 2022. The increase was mainly explained by higher salaries and staff benefits due to an increase in the number of employees to support the growth of our investment portfolio and higher cost allocations from other divisions.

Capital Incentive Programs results

(\$ in millions)	Three months ended December 31		Nine months ended December 31	
	F2023	F2022	F2023	F2022
Net revenue on investments	8.6	(2.8)	10.4	74.5
Net change in unrealized appreciation (depreciation) of investments	56.0	29.2	43.4	248.6
Net foreign exchange gains (losses)	(0.6)	(0.5)	5.1	0.4
Income before operating and administrative expenses	64.0	25.9	58.9	323.5
Operating and administrative expenses	2.1	1.5	5.4	4.5
Net income from Capital Incentive Programs	61.9	24.4	53.5	319.0

Three and nine months ended December 31

During the third quarter of fiscal 2023, CIP recorded net income of \$61.9 million, compared to net income of \$24.4 million for the same period last year. For the nine-month period ended December 31, 2022, CIP recorded net income of \$53.5 million, compared to net income of \$319.0 million for the same period last year. The unfavourable variance for the nine-month period of fiscal 2023 was mainly explained by lower net fair value appreciation on investments due to market headwinds compared to the equivalent period last fiscal.

Operating and administrative expenses amounted to \$2.1 million for the three-month period compared to \$1.5 million for the corresponding period of fiscal 2022. Operating and administrative expenses of \$5.4 million for the nine-month period ended December 31, 2022, were slightly higher than those recorded for the same period of fiscal 2022. The increase was mainly explained by higher cost allocations from other divisions.



Credit Availability Program results

(\$ in millions)	Three months ended December 31		Nine months ended December 31	
	F2023	F2022	F2023	F2022
Net interest income	25.4	30.3	76.2	88.7
Fee and other income	85.3	12.6	176.3	31.2
Provision for expected credit losses	(109.1)	(44.1)	(132.6)	(152.8)
Net gains (losses) on investments	(5.1)	7.0	(5.9)	14.7
Net change in unrealized appreciation (depreciation) of investments	5.0	0.5	(6.7)	(4.6)
Net gains (losses) on other financial instruments	(5.1)	-	(7.0)	-
Net foreign exchange gains (losses)	-	0.1	0.8	(0.2)
Income (loss) before operating and administrative expenses	(3.6)	6.4	101.1	(23.0)
Operating and administrative expenses	6.0	8.7	18.3	32.7
Net income (loss) from Credit Availability Program	(9.6)	(2.3)	82.8	(55.7)

Three and nine months ended December 31

During the third quarter of fiscal 2023, CAP recorded a net loss of \$9.6 million, compared to a net loss of \$2.3 million for the same period last year. For the nine-month period ended December 31, 2022, CAP recorded net income of \$82.8 million, compared to a net loss of \$55.7 million for the same period last year.

Results for the third quarter of fiscal 2023 were negatively impacted by higher provision for expected credit losses of \$109.1 million compared to \$44.1 million for the same period last year, driven by an increase in the provision on the impaired loans portfolio. This was offset by higher fee and other income of \$85.3 million compared to \$12.6 million for the third quarter last year.

For the nine-month period ended December 31, 2022, the favourable results were mainly explained by higher fee and other income which amounted to \$176.3 million compared to \$31.2 million for the same period last year. CAP recorded a provision for expected credit losses of \$132.6 million for the nine-month period this fiscal, compared to a provision of \$152.8 million for the same period last year. The positive variance is mainly explained by a reversal of provision on the performing loans portfolio.

Operating and administrative expenses amounted to \$6.0 million for the three-month period compared to \$8.7 million for the corresponding period of fiscal 2022. Operating and administrative expenses of \$18.3 million for the nine months ended December 31, 2022, were lower than the \$32.7 million recorded last year, mostly due to a lower level of resources from other business lines assigned to the CAP segment for COVID-19 initiatives.

Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows

As at December 31, 2022, total BDC assets amounted to \$43.8 billion, an increase of \$2.2 billion from March 31, 2022, driven by the \$2.2 billion increase in our net loans portfolio.



At \$35.5 billion, the loans portfolio represented BDC's largest asset (gross portfolio of \$36.6 billion less a \$1.1 billion allowance for expected credit losses). The gross loans portfolio grew by 6.4% over the nine months ended December 31, 2022, reflecting an increase in the level of activity in the Financing portfolio.

BDC's investment portfolios, which include the asset-backed securities, subordinate financing and venture capital investments portfolios, stood stable at \$6.9 billion, compared to \$6.9 billion as at March 31, 2022. Subordinate financing grew by \$292.0 million, whereas the fair value of venture capital investments decreased by \$281.1 million. Asset-backed securities grew by \$30.1 million.

As at December 31, 2022, the fair value of derivative assets was \$3.1 million and the fair value of derivative liabilities was \$0.1 million. Net derivative fair value decreased by \$9.1 million since March 31, 2022.

As at December 31, 2022, BDC recorded a net defined benefit asset of \$214.5 million related to the registered pension plan, and a net defined benefit liability of \$199.0 million for the other plans, for a total net defined benefit asset of \$15.5 million. This represented an increase of \$14.9 million, compared to the total net defined benefit asset as at March 31, 2022 primarily as a result of a higher discount rate used to measure the net benefit obligation, offset by lower returns on plan assets, resulting in net remeasurement gains recorded in the first nine months of fiscal 2023. Refer to page 9 of this report for further information on remeasurements of net defined benefit asset or liability.

BDC holds cash and cash equivalents in accordance with its Treasury Risk Policy. BDC's liquidities, which ensure funds are available to meet its cash outflows, totalled \$882.3 million as at December 31, 2022, compared to \$906.4 million as at March 31, 2022.

For the nine-month period ended December 31, 2022, operating activities used \$1.3 billion, mainly to support the growth of the loans portfolio. Cash flows used by investing activities amounted to \$472.4 million, reflecting net disbursements for subordinate financing, venture capital investments and asset-backed-securities. Financing activities provided \$1.8 billion in cash flow, mainly as a result of the net change of \$1.0 billion in short-term notes and an issuance of \$1.2 billion of long-term notes.

As at December 31, 2022, BDC funded its portfolios and liquidities with borrowings of \$21.6 billion and total equity of \$21.1 billion. Borrowings comprised \$15.5 billion in short-term notes and \$6.1 billion in long-term notes.

Capital adequacy

BDC's capital management framework is based on its Internal Capital Adequacy Assessment Process (ICAAP). To assess its capital adequacy, BDC monitors its capital status regularly by comparing its available capital to its capital demand. A key measure for assessing the adequacy of BDC's capital status is BDC's internal capital ratio.

BDC's internal capital ratio, excluding CIP and CAP, stood at 117.4% as at December 31, 2022, above its target capital ratio, compared to 119.3% as at March 31, 2022. The decrease in the internal capital ratio was explained by an increase in required capital arising mainly from Financing's and Venture Capital's portfolio growth. Our regulatory capital ratio is well above the minimum regulatory capital requirements and BDC is well positioned to continue to support Canadian SMEs.



Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)

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Management's Responsibility for Financial Information

Management is responsible for the preparation and fair presentation of these condensed quarterly Consolidated Financial Statements in accordance with the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports, and for such internal controls as management determines are necessary to enable the preparation of condensed quarterly Consolidated Financial Statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the condensed quarterly Consolidated Financial Statements.

Based on our knowledge, these unaudited condensed quarterly Consolidated Financial Statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the condensed quarterly Consolidated Financial Statements.

Isabelle Hudon
President and Chief Executive Officer

Stefano Lucarelli, CPA
Chief Financial Officer

Montreal, Canada
February 15, 2023



Consolidated Statement of Financial Position

(unaudited)

(in thousands of Canadian dollars)	Notes	December 31, 2022	March 31, 2022
ASSETS			
Cash and cash equivalents		882,327	906,386
Derivative assets		3,139	12,277
Loans			
Loans, gross carrying amount	6	36,587,482	34,394,759
Less: allowance for expected credit losses	6	(1,055,596)	(1,111,242)
Loans, net of allowance for expected credit losses		35,531,886	33,283,517
Investments			
Asset-backed securities	7	1,018,575	988,466
Subordinate financing investments	8	2,021,544	1,729,544
Venture capital investments	9	3,851,954	4,133,010
Total investments		6,892,073	6,851,020
Property and equipment		65,060	68,745
Intangible assets		43,183	39,727
Right-of-use-assets		101,918	108,859
Net defined benefit asset		214,504	233,690
Other assets		51,854	62,775
Total assets		43,785,944	41,566,996
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable, accrued and other liabilities		303,130	311,267
Derivative liabilities		78	110
Borrowings			
Short-term notes		15,458,788	14,385,629
Long-term notes		6,094,662	5,707,297
Total borrowings		21,553,450	20,092,926
Lease liabilities			
Short-term lease liabilities		14,631	13,962
Long-term lease liabilities		104,647	111,362
Total lease liabilities		119,278	125,324
Net defined benefit liability		199,039	233,118
Expected credit losses on loan commitments and guarantees		464,979	315,778
Total liabilities		22,639,954	21,078,523
Equity			
Share capital	10	12,289,900	11,946,900
Contributed surplus		27,778	27,778
Retained earnings		8,859,196	8,445,369
Accumulated other comprehensive income		(37,095)	(15,864)
Equity attributable to BDC's shareholder		21,139,779	20,404,183
Non-controlling interests		6,211	84,290
Total equity		21,145,990	20,488,473
Total liabilities and equity		43,785,944	41,566,996

Guarantees (Note 12)

Commitments (Notes 6, 7, 8, and 9)

The accompanying notes are an integral part of these Consolidated Financial Statements.



Consolidated Statement of Income (Loss)

(unaudited)

(in thousands of Canadian dollars)	Three months ended December 31		Nine months ended December 31	
	2022	2021	2022	2021
Interest income	659,136	427,464	1,702,871	1,263,121
Interest expense	235,475	25,021	457,084	75,264
Net interest income	423,661	402,443	1,245,787	1,187,857
Net realized gains (losses) on investments	(11,081)	110,075	45,132	461,350
Revenue from Advisory Services	10,524	7,835	26,464	21,291
Fee and other income	102,051	30,336	230,057	78,396
Net revenue	525,155	550,689	1,547,440	1,748,894
Provision for expected credit losses ⁽¹⁾	(115,055)	3,083	(188,811)	78,707
Net change in unrealized appreciation (depreciation) of investments	(102,114)	97,574	(620,737)	831,307
Net foreign exchange gains (losses)	(18,206)	(14,753)	167,787	5,468
Net gains (losses) on other financial instruments ⁽¹⁾	(4,530)	99	6,667	678
Income before operating and administrative expenses	285,250	636,692	912,346	2,665,054
Salaries and benefits	131,290	119,323	385,398	350,548
Premises and equipment	10,926	10,802	31,619	30,928
Other expenses	61,155	47,016	160,937	119,295
Operating and administrative expenses	203,371	177,141	577,954	500,771
Net income	81,879	459,551	334,392	2,164,283
Net income (loss) attributable to:				
BDC's shareholder	114,013	412,133	412,497	2,088,323
Non-controlling interests	(32,134)	47,418	(78,105)	75,960
Net income	81,879	459,551	334,392	2,164,283

⁽¹⁾ Difference of -\$101 compared with Q3-F2022 Quarterly Financial Report due to a reclassification from "Net gains (losses) on other financial instruments" to "Provision for expected credit losses" in Q4-F2022 in the same amount.

The accompanying notes are an integral part of these Consolidated Financial Statements. Note 11 provides additional information on segmented net income.



Consolidated Statement of Comprehensive Income (Loss)

(unaudited)

(in thousands of Canadian dollars)	Three months ended December 31		Nine months ended December 31	
	2022	2021	2022	2021
Net income	81,879	459,551	334,392	2,164,283
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net income				
Net change in unrealized gains (losses) on fair value through other comprehensive income assets	4,664	(6,607)	(20,403)	(11,934)
Net change in unrealized gains (losses) on cash flow hedges	(522)	(82)	(828)	(617)
Total items that may be reclassified subsequently to net income	4,142	(6,689)	(21,231)	(12,551)
Items that will not be reclassified to net income				
Remeasurements of net defined benefit asset or liability	42,082	5,768	1,330	121,701
Other comprehensive income (loss)	46,224	(921)	(19,901)	109,150
Total comprehensive income (loss)	128,103	458,630	314,491	2,273,433
Total comprehensive income (loss) attributable to:				
BDC's shareholder	160,237	411,212	392,596	2,197,473
Non-controlling interests	(32,134)	47,418	(78,105)	75,960
Total comprehensive income (loss)	128,103	458,630	314,491	2,273,433

The accompanying notes are an integral part of these Consolidated Financial Statements.



Consolidated Statement of Changes in Equity

For the three months ended September 30
(unaudited)

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				FVOCI assets ⁽¹⁾	Cash flow hedges	Total			
Balance as at September 30, 2022	11,946,900	27,778	8,703,101	(42,460)	1,223	(41,237)	20,636,542	38,319	20,674,861
Total comprehensive income (loss)									
Net income (loss)			114,013				114,013	(32,134)	81,879
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on fair value through other comprehensive income assets				4,664		4,664	4,664		4,664
Net change in unrealized gains (losses) on cash flow hedges					(522)	(522)	(522)		(522)
Remeasurements of net defined benefit asset or liability			42,082				42,082		42,082
Other comprehensive income (loss)	-	-	42,082	4,664	(522)	4,142	46,224	-	46,224
Total comprehensive income (loss)	-	-	156,095	4,664	(522)	4,142	160,237	(32,134)	128,103
Capital injections from non-controlling interests								26	26
Transactions with owner, recorded directly in equity	343,000	-	-	-	-	-	343,000	26	343,026
Balance as at December 31, 2022	12,289,900	27,778	8,859,196	(37,796)	701	(37,095)	21,139,779	6,211	21,145,990

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				FVOCI assets ⁽¹⁾	Cash flow hedges	Total			
Balance as at September 30, 2021	11,946,900	27,778	7,507,952	6,035	1,691	7,726	19,490,356	38,131	19,528,487
Total comprehensive income (loss)									
Net income			412,133				412,133	47,418	459,551
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on fair value through other comprehensive income assets				(6,607)		(6,607)	(6,607)		(6,607)
Net change in unrealized gains (losses) on cash flow hedges					(82)	(82)	(82)		(82)
Remeasurements of net defined benefit asset or liability			5,768				5,768		5,768
Other comprehensive income (loss)	-	-	5,768	(6,607)	(82)	(6,689)	(921)	-	(921)
Total comprehensive income (loss)	-	-	417,901	(6,607)	(82)	(6,689)	411,212	47,418	458,630
Capital injections from non-controlling interests								33	33
Transactions with owner, recorded directly in equity	-	-	-	-	-	-	-	33	33
Balance as at December 31, 2021	11,946,900	27,778	7,925,853	(572)	1,609	1,037	19,901,568	85,582	19,987,150

⁽¹⁾ Fair value through other comprehensive income assets

The accompanying notes are an integral part of these Consolidated Financial Statements.



Consolidated Statement of Changes in Equity

For the nine months ended September 30
(unaudited)

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				FVOCI assets ⁽¹⁾	Cash flow hedges	Total			
Balance as at March 31, 2022	11,946,900	27,778	8,445,369	(17,392)	1,528	(15,864)	20,404,183	84,290	20,488,473
Total comprehensive income (loss)									
Net income (loss)			412,497				412,497	(78,105)	334,392
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on fair value through other comprehensive income assets				(20,403)		(20,403)	(20,403)		(20,403)
Net change in unrealized gains (losses) on cash flow hedges					(828)	(828)	(828)		(828)
Remeasurements of net defined benefit asset or liability			1,330				1,330		1,330
Other comprehensive income (loss)	-	-	1,330	(20,403)	(828)	(21,231)	(19,901)	-	(19,901)
Total comprehensive income (loss)	-	-	413,827	(20,403)	(828)	(21,231)	392,596	(78,105)	314,491
Dividends on common shares			-				-		-
Distributions to non-controlling interests								-	-
Capital injections from non-controlling interests								26	26
Issuance of common shares	343,000						343,000		343,000
Transactions with owner, recorded directly in equity	343,000	-	-	-	-	-	343,000	26	343,026
Balance as at December 31, 2022	12,289,900	27,778	8,859,196	(37,795)	700	(37,095)	21,139,779	6,211	21,145,990

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				FVOCI assets ⁽¹⁾	Cash flow hedges	Total			
Balance as at March 31, 2021	11,511,900	27,778	6,450,829	11,362	2,226	13,588	18,004,095	13,262	18,017,357
Total comprehensive income (loss)									
Net income (loss)			2,088,323				2,088,323	75,960	2,164,283
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on fair value through other comprehensive income assets				(11,934)		(11,934)	(11,934)		(11,934)
Net change in unrealized gains (losses) on cash flow hedges					(617)	(617)	(617)		(617)
Remeasurements of net defined benefit asset or liability			121,701				121,701		121,701
Other comprehensive income (loss)	-	-	121,701	(11,934)	(617)	(12,551)	109,150	-	109,150
Total comprehensive income (loss)	-	-	2,210,024	(11,934)	(617)	(12,551)	2,197,473	75,960	2,273,433
Dividends on common shares			(735,000)				(735,000)		(735,000)
Distributions to non-controlling interests								(4,981)	(4,981)
Capital injections from non-controlling interests								1,341	1,341
Issuance of common shares	435,000						435,000		435,000
Transactions with owner, recorded directly in equity	435,000	-	(735,000)	-	-	-	(300,000)	(3,640)	(303,640)
Balance as at December 31, 2021	11,946,900	27,778	7,925,853	(572)	1,609	1,037	19,901,568	85,582	19,987,150

⁽¹⁾ Fair value through other comprehensive income assets

The accompanying notes are an integral part of these Consolidated Financial Statements.



Consolidated Statement of Cash Flows

(unaudited)

(in thousands of Canadian dollars)	Three months ended December 31		Nine months ended December 31	
	2022	2021	2022	2021
Operating activities				
Net income	81,879	459,551	334,392	2,164,283
Adjustments to determine net cash flows				
Interest income	(659,136)	(427,464)	(1,702,871)	(1,263,121)
Interest expense	235,024	24,630	455,756	73,937
Interest on lease liabilities	451	391	1,328	1,327
Net realized losses (gains) on investments	11,081	(110,075)	(45,132)	(461,350)
Provision for expected credit losses ⁽¹⁾	115,055	(3,083)	188,811	(78,707)
Net change in unrealized depreciation (appreciation) of investments	102,114	(97,574)	620,737	(831,307)
Net unrealized foreign exchange losses (gains)	4,624	7,476	(202,791)	(21,590)
Net unrealized losses (gains) on other financial instruments	-	(23)	-	(66)
Defined benefits funding below (in excess of) amounts expensed	(671)	8,171	(13,562)	8,950
Depreciation of property and equipment, and amortization of intangible assets	5,058	4,935	15,248	15,568
Depreciation of right-of-use assets	3,404	3,398	10,155	10,448
Other ⁽¹⁾	(21,301)	(14,111)	(29,019)	(14,799)
Interest expense paid	(226,538)	(24,324)	(428,116)	(73,889)
Interest income received	626,607	427,132	1,609,366	1,235,702
Changes in operating assets and liabilities				
Net change in loans	(802,205)	(502,163)	(2,133,639)	(1,307,570)
Net change in accounts payable and accrued liabilities	35,646	40,218	(8,137)	(40,973)
Net change in other assets and other liabilities	(4,390)	17,085	10,919	4,761
Net cash flows provided (used) by operating activities	(493,298)	(185,830)	(1,316,555)	(578,396)
Investing activities				
Disbursements for asset-backed securities	(114,373)	(196,339)	(397,567)	(531,940)
Repayments and proceeds on sale of asset-backed securities	115,891	105,381	347,341	304,304
Disbursements for subordinate financing investments	(179,879)	(185,554)	(508,062)	(505,896)
Repayments of subordinate financing investments	78,978	118,353	295,665	435,319
Disbursements for venture capital investments	(115,480)	(121,101)	(305,018)	(348,206)
Proceeds on sale of venture capital investments	31,715	115,374	110,218	500,792
Acquisition of property and equipment	(2,713)	(1,964)	(5,758)	(6,156)
Acquisition of intangible assets	(2,137)	(2,939)	(9,261)	(6,282)
Net cash flows provided (used) by investing activities	(187,998)	(168,789)	(472,442)	(158,065)
Financing activities				
Net change in short-term notes	(249,000)	100,000	1,048,500	638,000
Issue of long-term notes	846,000	349,000	1,191,000	856,000
Repayment of long-term notes	(217,000)	(45,000)	(807,000)	(356,193)
Distributions to non-controlling interests	-	-	-	(4,981)
Capital injections from non-controlling interests	26	33	26	1,341
Issuance of common shares	343,000	-	343,000	435,000
Dividends paid on common shares	-	-	-	(735,000)
Payment of lease liabilities	(3,882)	(3,857)	(10,588)	(10,296)
Net cash flows provided (used) by financing activities	719,144	400,176	1,764,938	823,871
Net increase (decrease) in cash and cash equivalents	37,848	45,557	(24,059)	87,410
Cash and cash equivalents at beginning of period	844,479	842,368	906,386	800,515
Cash and cash equivalents at end of period	882,327	887,925	882,327	887,925

⁽¹⁾ Difference of -\$101 compared with Q3-F2022 Quarterly Financial Report due to a reclassification from "Net gains (losses) on other financial instruments" to "Provision for expected credit losses" in Q4-F2022 in the same amount.

The accompanying notes are an integral part of these Consolidated Financial Statements.



Notes to the Consolidated Financial Statements

(unaudited in thousands of Canadian dollars)

1.

BDC general description

The Business Development Bank of Canada is a Crown corporation that was established by an Act of Parliament on December 20, 1974, as the Federal Business Development Bank and continued under its current name by an Act of Parliament that was enacted on July 13, 1995. The Business Development Bank of Canada is incorporated in Canada and wholly owned by the Government of Canada.

The objectives of the Business Development Bank of Canada and its subsidiaries (together, BDC) are to promote and assist in the establishment and development of business enterprises in Canada, with a focus on small and medium-sized enterprises, by providing a range of complementary lending, investment and advisory services. BDC offers Canadian companies services tailored to meet their current needs while earning an appropriate return on equity, which is used to further BDC's activities. BDC does not receive appropriations from the Government of Canada.

BDC is accountable for its affairs to Parliament through the Minister of International Trade, Export Promotion, Small Business and Economic Development.

2.

Basis of preparation

Statement of compliance

BDC's condensed quarterly Consolidated Financial Statements are in compliance with the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports.

BDC's condensed quarterly Consolidated Financial Statements follow the same basis of preparation as our audited Consolidated Financial Statements for the year ended March 31, 2022. They should be read in conjunction with the audited Consolidated Financial Statements for the year ended March 31, 2022 and the accompanying notes as set out on pages 74 to 146 of BDC's 2022 Annual Report.

The condensed quarterly Consolidated Financial Statements have also been prepared in accordance with the accounting policies BDC expects to use in its annual Consolidated Financial Statements for the year ending March 31, 2023. If BDC changes the application of these policies, it may result in a restatement of these condensed quarterly Consolidated Financial Statements.

The condensed quarterly Consolidated Financial Statements were approved for issue by the Board of Directors on February 15, 2023.



3.

Significant accounting policies

BDC's condensed quarterly Consolidated Financial Statements follow the same accounting policies as our audited Consolidated Financial Statements for the year ended March 31, 2022. These policies have been consistently applied to all periods presented in these condensed quarterly Consolidated Financial Statements and have been applied consistently by all entities consolidated by BDC.

These condensed quarterly Consolidated Financial Statements must be read in conjunction with BDC's 2022 Annual Report and the accompanying notes, as set out on pages 74 to 146 of our 2022 Annual Report.

4.

Significant accounting judgements, estimates and assumptions

The preparation of the condensed quarterly Consolidated Financial Statements in accordance with IFRS requires management to make judgements and use estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Significant changes in the underlying assumptions could result in significant changes to these estimates. Consequently, management reviews these assumptions regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

For information about the significant judgements, estimates and assumptions that have the most significant effect on the amounts recognized in the condensed quarterly Consolidated Financial Statements, refer to page 91 of our 2022 Annual Report.

The anticipated downturn in the Canadian and global economy has cast additional uncertainty on the assumptions used by management in making its judgments and estimates. Geopolitical tensions and shutdowns in China due to the pandemic exacerbated labour and supply chain shortages, leading to rising inflation and declines in public markets. In an attempt to reduce inflation, the Bank of Canada has been raising its policy rate aggressively. BDC has credit exposures to businesses that are impacted, either directly or indirectly, by higher energy costs, commodity prices, or disruption within their supply chains. It is difficult to reliably estimate the length and severity of these developments and the impact on the financial results and condition of BDC in future periods. Given that the full extent of the impact of rising interest rates, geopolitical tensions, and supply chain disruptions will have on the global economy and since BDC's business is uncertain and not predictable at this time, there is a higher level of uncertainty with respect to management's judgements and estimates.

5.

Fair value of financial instruments

All financial instruments measured at fair value must be categorized into one of three hierarchy levels for disclosure purposes. Each level is based on the observability of the inputs used to measure the fair value of assets and liabilities, and is defined below:

- Level 1—fair values based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities
- Level 2—fair values based on inputs other than quoted prices in active markets that are either directly or indirectly



observable

- Level 3—fair values based on valuation techniques with one or more significant unobservable market inputs

There have been no transfers between Level 1 and Level 2 or between Level 2 and Level 3 in the reporting periods.

BDC's policy is to recognize transfers between Level 1 and Level 3 when private investments become publicly traded or public investments become private investments during the reporting periods.

The following tables present financial instruments carried at fair value categorized by hierarchy levels.

	Fair value measurements using			December 31, 2022
	Level 1	Level 2	Level 3	Total fair value
Assets				
Derivative assets	-	3,139	-	3,139
Asset-backed securities	-	1,018,575	-	1,018,575
Subordinate financing investments	53,599	-	1,967,945	2,021,544
Venture capital investments	72,453	-	3,779,501	3,851,954
	126,052	1,021,715	5,747,446	6,895,213
Liabilities				
Derivative liabilities	-	78	-	78
	-	78	-	78
				March 31, 2022
	Fair value measurements using			Total fair value
	Level 1	Level 2	Level 3	
Assets				
Derivative assets	-	12,277	-	12,277
Asset-backed securities	-	988,466	-	988,466
Subordinate financing investments	109,399	-	1,620,145	1,729,544
Venture capital investments	115,309	-	4,017,701	4,133,010
	224,708	1,000,743	5,637,846	6,863,297
Liabilities				
Derivative liabilities	-	110	-	110
	-	110	-	110



The following tables present the changes in fair value measurement for financial instruments included in level 3 of the fair value hierarchy.

	Subordinate financing investments	Venture capital investments	Total
Fair value as at April 1, 2022	1,620,145	4,017,701	5,637,846
Net realized gains (losses) on investments	18,608	18,487	37,095
Net change in unrealized appreciation (depreciation) of investments	90,252	(593,426)	(503,174)
Net unrealized foreign exchange gains (losses) on investments	-	149,965	149,965
Disbursements for investments	507,932	305,018	812,950
Repayments of investments and other	(268,992)	(70,292)	(339,284)
Transfers from level 3 to level 1	-	(47,952)	(47,952)
Fair value as at December 31, 2022	1,967,945	3,779,501	5,747,446

	Subordinate financing investments	Venture capital investments	Total
Fair value as at April 1, 2021	1,364,202	2,915,613	4,279,815
Net realized gains (losses) on investments	172,130	308,272	480,402
Net change in unrealized appreciation (depreciation) of investments	(92,524)	969,134	876,610
Net unrealized foreign exchange gains (losses) on investments	-	(12,861)	(12,861)
Disbursements for investments	622,673	513,384	1,136,057
Repayments of investments and other	(389,785)	(524,618)	(914,403)
Transfers from level 3 to level 1	(56,551)	(151,223)	(207,774)
Fair value as at March 31, 2022	1,620,145	4,017,701	5,637,846

6. Loans

The following tables summarize loans outstanding by contractual maturity date.

	Within 1 year	1 to 5 years	Over 5 years	Total gross carrying amount	Allowance for expected credit losses	Total net carrying amount
Performing	865,776	5,180,281	29,593,808	35,639,865	(712,707)	34,927,158
Impaired	52,780	155,400	739,437	947,617	(342,889)	604,728
Loans as at December 31, 2022	918,556	5,335,681	30,333,245	36,587,482	(1,055,596)	35,531,886

	Within 1 year	1 to 5 years	Over 5 years	Total gross carrying amount	Allowance for expected credit losses	Total net carrying amount
Performing	579,719	5,581,543	27,163,276	33,324,538	(767,829)	32,556,709
Impaired	40,268	161,719	868,234	1,070,221	(343,413)	726,808
Loans as at March 31, 2022	619,987	5,743,262	28,031,510	34,394,759	(1,111,242)	33,283,517



The following table shows the reconciliation of the opening and closing balances of the allowance for expected credit losses.

	Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total
Balance as at April 1, 2022	311,856	455,973	343,413	1,111,242
Provision for expected credit losses				
Transfer to Stage 1 ⁽¹⁾	150,874	(148,234)	(2,640)	-
Transfer to Stage 2 ⁽¹⁾	(96,775)	132,215	(35,440)	-
Transfer to Stage 3 ⁽¹⁾	(1,209)	(30,593)	31,802	-
Net remeasurement of allowance for expected credit losses ⁽²⁾	(187,151)	26,867	71,979	(88,305)
Financial assets that have been fully repaid	(25,467)	(48,731)	(18,509)	(92,707)
New financial assets originated	153,712	16,251	10,843	180,806
Write-offs	-	-	(80,008)	(80,008)
Recoveries	-	-	19,958	19,958
Foreign exchange and other movements	1,578	1,541	1,491	4,610
Balance as at December 31, 2022	307,418	405,289	342,889	1,055,596
	Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total
Balance as at April 1, 2021	395,895	715,515	414,290	1,525,700
Provision for expected credit losses				
Transfer to Stage 1 ⁽¹⁾	261,079	(257,948)	(3,131)	-
Transfer to Stage 2 ⁽¹⁾	(158,853)	228,632	(69,779)	-
Transfer to Stage 3 ⁽¹⁾	(1,364)	(55,325)	56,689	-
Net remeasurement of allowance for expected credit losses ⁽²⁾	(378,369)	(146,677)	69,712	(455,334)
Financial assets that have been fully repaid	(41,879)	(58,794)	(39,877)	(140,550)
New financial assets originated	235,250	30,712	-	265,962
Write-offs	-	-	(114,098)	(114,098)
Recoveries	-	-	29,705	29,705
Foreign exchange and other movements	97	(142)	(98)	(143)
Balance as at March 31, 2022	311,856	455,973	343,413	1,111,242

⁽¹⁾ Provides the cumulative movement from the previous month's allowance for expected credit losses due to changes in stages prior to remeasurements.

⁽²⁾ Includes the net remeasurement of the allowance following a transfer between stages, changes in gross carrying amounts, changes in credit risk of existing loans and changes in model inputs and assumptions, including forward-looking macroeconomic variables.

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Concentrations of the total loans outstanding and undisbursed amounts of authorized loans, by province and territory and by industry sector, are set out in the tables below.

Undisbursed amounts of authorized loans were \$4,277,846 as at December 31, 2022 (\$1,225,284 at fixed rates; \$3,052,562 at floating rates). The weighted average effective interest rate on loan commitments was 6.97% (4.09% as at March 31, 2022).

Geographic distribution	December 31, 2022		March 31, 2022	
	Outstanding	Commitments	Outstanding	Commitments
Newfoundland and Labrador	801,226	38,561	823,485	44,346
Prince Edward Island	73,280	1,056	73,912	2,927
Nova Scotia	712,738	47,335	681,469	49,005
New Brunswick	503,960	44,506	505,189	51,533
Quebec	11,719,446	1,316,241	10,790,667	1,292,085
Ontario	10,162,186	1,287,944	9,583,632	964,543
Manitoba	967,472	122,136	919,966	96,938
Saskatchewan	992,868	117,665	920,773	113,158
Alberta	4,936,613	778,856	4,885,030	585,077
British Columbia	5,519,410	506,669	5,011,952	492,748
Yukon	110,834	7,689	109,502	2,315
Northwest Territories and Nunavut	87,449	9,188	89,182	4,040
Total loans outstanding⁽¹⁾	36,587,482	4,277,846	34,394,759	3,698,715

Industry sector	December 31, 2022		March 31, 2022	
	Outstanding	Commitments	Outstanding	Commitments
Manufacturing	7,717,374	1,070,148	7,259,967	926,017
Wholesale and retail trade	7,410,927	822,944	6,850,826	799,756
Service industries	5,712,263	518,818	5,288,151	475,463
Commercial properties	3,722,554	135,945	3,507,522	240,329
Construction	3,536,637	485,329	3,134,407	362,810
Tourism	3,535,704	170,420	3,641,436	155,837
Transportation and storage	2,353,833	325,245	2,135,019	191,234
Resources	1,318,988	533,488	1,384,880	380,367
Other	1,279,202	215,509	1,192,551	166,902
Total loans outstanding⁽¹⁾	36,587,482	4,277,846	34,394,759	3,698,715

⁽¹⁾ Loan commitments included \$4,275,998 in the Financing segment and \$1,848 in the Credit Availability Program segment as at December 31, 2022 (\$3,676,540 and \$22,175, respectively, as at March 31, 2022).



The following table shows the reconciliation of the opening and closing balances of the allowance for expected credit losses on commitments, which is included in liabilities in the Consolidated Statement of Financial Position.

	Allowance for expected credit losses on commitments			
	Stage 1	Stage 2	Stage 3	Total
Balance as at April 1, 2022	47,310	9,040	-	56,350
Provision for expected credit losses				
Transfer to Stage 1 ⁽¹⁾	4,683	(4,683)	-	-
Transfer to Stage 2 ⁽¹⁾	(8,325)	8,325	-	-
Net remeasurement of the allowance for expected credit losses ⁽²⁾	(7,430)	12,470	-	5,040
Net increase (decrease) in commitments	15,401	(13,457)	-	1,944
Foreign exchange and other movements	22	(35)	-	(13)
Balance as at December 31, 2022	51,661	11,660	-	63,321

	Allowance for expected credit losses on commitments			
	Stage 1	Stage 2	Stage 3	Total
Balance as at April 1, 2021	57,007	24,161	-	81,168
Provision for expected credit losses				
Transfer to Stage 1 ⁽¹⁾	6,260	(6,260)	-	-
Transfer to Stage 2 ⁽¹⁾	(10,227)	10,227	-	-
Net remeasurement of the allowance for expected credit losses ⁽²⁾	(17,745)	7,961	-	(9,784)
Net increase (decrease) in commitments	12,184	(26,927)	-	(14,743)
Foreign exchange and other movements	(169)	(122)	-	(291)
Balance as at March 31, 2022	47,310	9,040	-	56,350

⁽¹⁾ Provides the cumulative movement from the previous month's allowance for expected credit losses due to changes in stages prior to remeasurements.

⁽²⁾ Includes the net remeasurement of the allowance following a transfer between stages, changes in commitment amounts, changes in credit risk and changes in model inputs and assumptions, including forward-looking macroeconomic variables.

7. Asset-backed securities

The following table summarizes asset-backed securities ("ABS") by classification of financial instruments. No ABS were impaired as at December 31, 2022 or March 31, 2022. No allowances for expected credit losses were recorded for disbursed and undisbursed ABS at fair value through other comprehensive income as at December 31, 2022 or March 31, 2022.

	December 31, 2022	March 31, 2022
Fair value through other comprehensive income		
Principal amount	1,040,376	992,833
Cumulative fair value appreciation (depreciation)	(37,796)	(17,391)
Carrying value	1,002,580	975,442
Yield	2.95%	2.04%
Fair value through profit or loss		
Principal amount	16,344	13,157
Cumulative fair value appreciation (depreciation)	(349)	(133)
Carrying value	15,995	13,024
Yield	8.09%	6.98%
Asset-backed securities	1,018,575	988,466

Committed amounts of authorized asset-backed securities were \$754,610 as at December 31, 2022 (\$439,836 as at March 31, 2022).



8.

Subordinate financing investments

BDC maintains a medium- to high-risk portfolio of subordinate financing investments. The following table summarizes outstanding subordinate financing investments by their contractual maturity date.

	Within 1 year	1 to 5 years	Over 5 years	Total cost	Total fair value
As at December 31, 2022	167,443	1,201,552	542,533	1,911,528	2,021,544
As at March 31, 2022	149,508	1,087,277	422,948	1,659,733	1,729,544

Subordinate financing investments have subordinate status in relationship to the other debt issued by a company.

Concentrations of subordinate financing investments and commitments

The concentrations of subordinate financing investments and undisbursed amounts of authorized subordinate financing investments, by geographic and industry distribution, are set out in the tables below.

Undisbursed amounts of authorized investments totalled \$214,511 as at December 31, 2022 (\$90,522 at fixed rates; \$123,989 at floating rates). The weighted average effective interest rate on subordinate financing commitments was 10.8% (8.3% as at March 31, 2022), excluding non-interest return.

Geographic distribution	December 31, 2022			March 31, 2022		
	Fair value	Cost	Commitments	Fair value	Cost	Commitments
Newfoundland and Labrador	22,378	26,871	5,000	23,007	27,456	3,000
Prince Edward Island	-	-	-	6,304	6,516	-
Nova Scotia	25,587	31,115	500	23,385	23,576	15,000
New Brunswick	19,572	19,712	1,000	14,750	15,117	1,900
Quebec	604,616	575,270	63,987	618,389	543,257	54,323
Ontario	643,473	701,120	100,871	549,635	579,693	102,235
Manitoba	26,665	26,559	1,500	4,821	6,849	-
Saskatchewan	64,903	63,383	-	57,736	52,252	-
Alberta	250,617	229,745	17,599	216,648	228,133	20,800
British Columbia	360,918	234,950	24,054	214,073	176,089	20,511
Yukon	2,220	2,220	-	-	-	-
Northwest Territories and Nunavut	595	583	-	796	795	-
Subordinate financing investments⁽¹⁾	2,021,544	1,911,528	214,511	1,729,544	1,659,733	217,769

Industry sector	December 31, 2022			March 31, 2022		
	Fair value	Cost	Commitments	Fair value	Cost	Commitments
Manufacturing	667,861	548,859	41,566	539,559	503,813	54,101
Service industries	558,534	555,480	48,291	472,191	462,163	57,569
Wholesale and retail trade	283,490	271,474	51,495	241,039	221,459	48,125
Resources	178,657	192,485	17,490	173,857	187,906	22,984
Information industries	176,496	179,914	35,927	152,120	150,928	29,540
Construction	81,680	81,799	14,600	58,940	61,166	2,650
Transportation and storage	45,636	43,230	300	43,955	46,767	300
Educational services	20,948	21,646	3,342	11,258	11,823	-
Tourism	8,545	9,469	1,500	30,405	6,256	2,500
Other ⁽²⁾	(303)	7,172	-	6,220	7,452	-
Subordinate financing investments⁽¹⁾	2,021,544	1,911,528	214,511	1,729,544	1,659,733	217,769

(1) Subordinate financing commitments included \$2,067 in the Financing segment, \$166,498 in the Growth & Transition Capital segment, \$22,029 in the Venture Capital segment, \$23,917 in the Capital Incentive Programs segment and nil in the Credit Availability Program segment as at December 31, 2022 (\$2,700, \$132,882, \$29,192, \$52,995 and nil, respectively, as at March 31, 2022).

(2) The negative fair value is related to the carried interest in Accès Capital Québec.



9.

Venture capital investments

BDC maintains a high-risk portfolio of venture capital investments. All venture capital investments, which are held for a longer term, are non-current assets.

The following table presents a summary of the venture capital investments portfolio, and undisbursed amounts of authorized investments, by type of investment and segment.

Investment type	December 31, 2022			March 31, 2022		
	Fair value	Cost	Commitments	Fair value	Cost	Commitments
Direct investments	1,575,771	1,116,702	27,949	1,941,156	1,011,375	26,836
Indirect investments in funds ⁽¹⁾	2,276,183	1,217,071	1,157,815	2,191,854	1,100,547	820,445
Venture capital investments ⁽²⁾	3,851,954	2,333,773	1,185,764	4,133,010	2,111,922	847,281

⁽¹⁾ As at December 31, 2022, BDC has invested in 125 funds through its VC segment and 27 funds through its CIP segment (113 and 24 funds, respectively, as at March 31, 2022).

⁽²⁾ Venture Capital commitments included \$635,915 in the Venture Capital segment, \$546,993 in the Capital Incentive Programs segment and \$2,856 in the Credit Availability Program segment as at December 31, 2022 (\$517,584, \$327,247, and \$2,449, respectively, as at March 31, 2022).

Concentrations of total venture capital investments and commitments

The concentrations by industry sector of direct investments are listed below.

Industry sector	December 31, 2022			March 31, 2022		
	Fair value	Cost	Commitments	Fair value	Cost	Commitments
Information technology	799 220	611 074	4 198	1 039 452	518 973	20 518
Communications	234 160	135 446	2 169	227 157	126 245	603
Service industries	232 937	44 403	-	229 954	44 853	-
Industrial	87 553	84 456	-	225 438	79 420	-
Electronics	69 068	89 511	5 564	54 090	89 597	50
Medical and health	55 058	46 312	11 092	51 362	46 312	938
Biotechnology and pharmacology	44 274	53 388	4 230	54 176	57 230	4 230
Energy	31 023	21 919	496	28 691	20 582	497
Other	22 478	30 193	200	30 836	28 163	-
Total direct investments	1 575 771	1 116 702	27 949	1 941 156	1 011 375	26 836

10.

Share capital

An unlimited number of common shares, having a par value of \$100 each, is authorized. As at December 31, 2022, there were 122,899,000 common shares outstanding (119,469,000 as at March 31, 2022).

On June 8, 2022, BDC's Board of Director authorized the repurchase of \$5.0 billion of its common shares.

On November 16, 2022, BDC issued 3,430,000 common shares for cash proceeds of \$343.0 million, which represents a capital injection in support of the Canada Digital Adoption Program.

Statutory limitations

As per the BDC Act, the debt-to-equity ratio of BDC may not exceed 12:1. This ratio is defined as the aggregate of borrowings recognized in the Consolidated Statement of Financial Position and contingent liabilities that exist in the form



of financial guarantees issued by BDC over equity attributable to BDC's shareholder, which excludes accumulated other comprehensive income (loss).

The amount of paid-in-capital, together with any contributed surplus and any proceeds that have been prescribed as equity (such as hybrid capital instruments), must not at any time exceed \$20.0 billion per the *Business Development Bank of Canada Act, 1995* amended in March 2020.

During the nine months ended December 31, 2022 and the year ended March 31, 2022, BDC met both of these statutory limitations.

Capital adequacy

BDC's capital management framework is based on its Internal Capital Adequacy Assessment Process (ICAAP). To assess its capital adequacy, BDC monitors its capital status regularly by comparing its available capital to its capital demand. A key measure for assessing the adequacy of BDC's capital status is its internal capital ratio.

Available capital

Available capital is composed of equity attributable to BDC's shareholder (share capital, contributed surplus and retained earnings) and adjustments aligned with industry best practices.

Required capital

BDC employs rigorous models to assess demand for capital arising from credit and investments, operational, business and market risk. Economic capital is a measure of risk used to determine the amount of capital required to ensure a financial institution's solvency given its risk profile.

11. Segmented information

BDC reports on six business lines: Financing, Advisory Services, Growth & Transition Capital, Venture Capital (VC), Capital Incentive Programs (CIP) and Credit Availability Program (CAP). Each business line offers different products and services and is managed separately based on BDC's management and internal reporting structure.

The following summary describes the operations in each of the Bank's reportable segments.

- **Financing:** provides secured, partially secured and unsecured loans with a focus on small and medium-sized enterprises across Canada. Financing also purchases investments in asset-backed securities through the Funding Platform for Independent Lenders (F-PIL). These securities are backed by vehicle and equipment loans and leases, as well as dealer floor plan loans.
- **Advisory Services:** offers advisory services through a variety of solutions for both smaller and larger companies, supports high-impact firms, provides free online educational content and other services related to business activities.
- **Growth & Transition Capital** provides subordinate financing by way of flexible debt, with or without convertible features, and quasi-equity financing to support the growth and transition projects of SMEs.
- **Venture Capital:** includes investments in Venture Capital (VC), Growth Equity (GE), Intellectual Property (IP) and the new Climate Tech Fund II. Venture Capital provides investments to cover every stage of a technology-based company's development cycle, from seed funding to expansion. Investments in VC are focused on fast-growing companies having promising positions in their respective marketplaces and strong growth potential. BDC also makes indirect investments via venture capital investment funds. GE are equity investments to support the growth of high-potential companies across Canada with a focus on mid-size businesses. The IP Fund provides financing targeted to



companies that are rich in intellectual property. The new Climate Tech Fund II invests in Canadian cleantech companies to contribute to Canada's transition to a sustainable, low-carbon economy.

- **Capital Incentive Programs:** includes Venture Capital Action Plan (VCAP), Venture Capital Catalyst Initiative (VCCI), Cleantech Practice and Indigenous Growth Fund (IGF). VCAP is a federal government initiative to increase private sector venture capital financing for high-potential, innovative Canadian businesses. VCAP invests primarily in early-stage and mid-stage venture capital funds, and directly in companies across Canada. It supports the creation of large private sector-led funds of funds and also assists existing high-performing funds in partnership with institutional investors, corporate strategic investors and interested provinces. VCCI is also a government-sponsored initiative whereby capital is made available through BDC over three years to provide late-stage venture capital to support the growth of innovative start-ups. VCCI has been renewed under VCCI II to support funds-of-funds, investments in life science technologies and entrepreneurs from underrepresented groups. Through an envelope entrusted by the federal government, Cleantech Practice provides subordinate financing and venture capital investments to promising clean technology firms to help build globally competitive and commercially sustainable Canadian cleantech firms. IGF is an investment fund that provides access to capital to Indigenous entrepreneurs across all industries via business loans from a network of Aboriginal Financial Institutions throughout the country.
- **Credit Availability Program:** with the support of our sole shareholder, the Government of Canada, we launched a series of measures to help Canadian businesses during the COVID-19 crisis. These measures are combined under this segment to distinguish COVID-19 related measures from our core activities. The initiatives extend eligibility criteria to ensure we are meeting the urgent needs of as many viable businesses as possible. They include the Business Credit Availability Program, which is delivered in collaboration with private sector lenders, Highly Affected Sectors Credit Availability Program under which, financial institutions provide loans 100% guaranteed by BDC and measures delivered directly by BDC. As small businesses adapt to the lasting impacts of the COVID-19 pandemic, our shareholder launched the Canada Digital Adoption Program (CDAP) with our support to help small and medium-sized enterprises adopt digital technologies and stay competitive by providing access to funding and expertise.

The assumptions and methodologies used in BDC's reporting framework are periodically reviewed by management to ensure they remain valid. The main allocation methods used by BDC are described below.

Interest expense is allocated to each operating segment based on its business portfolio and the capital attributed to the segment. The attribution of capital to BDC's business segments is maintained in accordance with BDC's ICAAP and is consistently aligned with the economic risks of each specific business segment.

Operating and administrative expenses include costs that are incurred directly by the business segments. Indirect costs incurred at the enterprise level are attributed to each segment using management's internal reporting framework.

Loan and investment portfolios are managed separately based on BDC's business segments. None of the other assets or liabilities are managed by segment.

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The following tables provide financial information regarding the results of each reportable segment.

	Three months ended December 31, 2022						
	BDC	Financing	Advisory Services	Growth & Transition Capital	Venture Capital	Capital Incentive Programs	Credit Availability Program
Interest income	659,136	584,929	-	30,337	749	1,533	41,588
Interest expense	235,475	213,258	-	5,937	64	-	16,216
Net interest income	423,661	371,671	-	24,400	685	1,533	25,372
Net realized gains (losses) on investments	(11,081)	4	-	(3,881)	(3,373)	1,305	(5,136)
Revenue from Advisory Services	10,524	-	10,524	-	-	-	-
Fee and other income	102,051	6,965	-	3,586	489	5,733	85,278
Net revenue	525,155	378,640	10,524	24,105	(2,199)	8,571	105,514
Provision for expected credit losses	(115,055)	(5,983)	-	-	-	-	(109,072)
Net change in unrealized appreciation (depreciation) of investments	(102,114)	31	-	1,091	(164,264)	56,038	4,990
Net foreign exchange gains (losses)	(18,206)	(1,881)	-	29	(15,730)	(636)	12
Net gains (losses) on other financial instruments	(4,530)	522	-	-	-	-	(5,052)
Income (loss) before operating and administrative expenses	285,250	371,329	10,524	25,225	(182,193)	63,973	(3,608)
Salaries and benefits	131,290	94,958	11,328	8,928	10,772	1,067	4,237
Premises and equipment	10,926	8,564	725	426	657	162	392
Other expenses	61,155	47,665	7,049	1,221	3,020	872	1,328
Operating and administrative expenses	203,371	151,187	19,102	10,575	14,449	2,101	5,957
Net income (loss)	81,879	220,142	(8,578)	14,650	(196,642)	61,872	(9,565)
Net income (loss) attributable to:							
BDC's shareholder	114,013	220,142	(8,578)	17,385	(167,243)	61,872	(9,565)
Non-controlling interests	(32,134)	-	-	(2,735)	(29,399)	-	-
Net income (loss)	81,879	220,142	(8,578)	14,650	(196,642)	61,872	(9,565)

	Three months ended December 31, 2021						
	BDC	Financing	Advisory Services	Growth & Transition Capital	Venture Capital	Capital Incentive Programs	Credit Availability Program
Interest income	427,464	370,520	-	22,843	212	2,746	31,143
Interest expense	25,021	22,915	-	1,225	5	-	876
Net interest income	402,443	347,605	-	21,618	207	2,746	30,267
Net realized gains (losses) on investments	110,075	(346)	-	(1,946)	111,636	(6,246)	6,977
Revenue from Advisory Services	7,835	-	7,835	-	-	-	-
Fee and other income	30,336	6,304	-	6,203	4,483	689	12,657
Net revenue	550,689	353,563	7,835	25,875	116,326	(2,811)	49,901
Provision for expected credit losses	3,083	47,139	-	-	-	-	(44,056)
Net change in unrealized appreciation (depreciation) of investments	97,574	(38)	-	20,081	47,799	29,200	532
Net foreign exchange gains (losses)	(14,753)	(1,666)	-	105	(12,706)	(498)	12
Net gains (losses) on other financial instruments	99	104	-	-	-	-	(5)
Income (loss) before operating and administrative expenses	636,692	399,102	7,835	46,061	151,419	25,891	6,384
Salaries and benefits	119,323	84,265	11,636	8,441	7,786	1,197	5,998
Premises and equipment	10,802	8,208	872	488	636	88	510
Other expenses	47,016	37,003	4,789	897	1,885	254	2,188
Operating and administrative expenses	177,141	129,476	17,297	9,826	10,307	1,539	8,696
Net income (loss)	459,551	269,626	(9,462)	36,235	141,112	24,352	(2,312)
Net income (loss) attributable to:							
BDC's shareholder	412,133	269,626	(9,462)	25,192	104,737	24,352	(2,312)
Non-controlling interests	47,418	-	-	11,043	36,375	-	-
Net income (loss)	459,551	269,626	(9,462)	36,235	141,112	24,352	(2,312)

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	Nine months ended December 31, 2022						
	BDC	Financing	Advisory Services	Growth & Transition Capital	Venture Capital	Capital Incentive Programs	Credit Availability Program
Interest income	1,702,871	1,499,674	-	87,969	1,806	5,215	108,206
Interest expense	457,084	412,955	-	11,976	128	-	32,025
Net interest income	1,245,787	1,086,719	-	75,993	1,678	5,215	76,181
Net realized gains (losses) on investments	45,132	(472)	-	7,121	50,292	(5,951)	(5,858)
Revenue from Advisory Services	26,464	-	26,464	-	-	-	-
Fee and other income	230,057	20,328	-	19,175	3,195	11,094	176,266
Net revenue	1,547,440	1,106,575	26,464	102,289	55,165	10,358	246,589
Provision for expected credit losses	(188,811)	(56,189)	-	-	-	-	(132,622)
Net change in unrealized appreciation (depreciation) of investments	(620,737)	1,266	-	(26,140)	(632,627)	43,444	(6,680)
Net foreign exchange gains (losses)	167,787	11,859	-	(4,879)	154,909	5,100	798
Net gains (losses) on other financial instruments	6,667	13,639	-	-	-	-	(6,972)
Income (loss) before operating and administrative expenses	912,346	1,077,150	26,464	71,270	(422,553)	58,902	101,113
Salaries and benefits	385,398	274,598	34,217	27,588	32,506	3,364	13,125
Premises and equipment	31,619	24,620	2,131	1,237	2,028	423	1,180
Other expenses	160,937	125,516	17,999	3,448	8,403	1,566	4,005
Operating and administrative expenses	577,954	424,734	54,347	32,273	42,937	5,353	18,310
Net income (loss)	334,392	652,416	(27,883)	38,997	(465,490)	53,549	82,803
Net income (loss) attributable to:							
BDC's shareholder	412,497	652,416	(27,883)	54,994	(403,382)	53,549	82,803
Non-controlling interests	(78,105)	-	-	(15,997)	(62,108)	-	-
Net income (loss)	334,392	652,416	(27,883)	38,997	(465,490)	53,549	82,803
Business segment portfolio as at December 31, 2022							
Loans, net of allowance for expected credit losses	35,531,886	33,348,443	-	-	-	-	2,183,443
Asset-backed securities	1,018,575	1,018,575	-	-	-	-	-
Subordinate financing investments	2,021,544	12,165	-	1,146,974	375,980	475,459	10,966
Venture capital investments	3,851,954	-	-	-	2,675,763	1,035,503	140,688
Total portfolio	42,423,959	34,379,183	-	1,146,974	3,051,743	1,510,962	2,335,097

	Nine months ended December 31, 2021						
	BDC	Financing	Advisory Services	Growth & Transition Capital	Venture Capital	Capital Incentive Programs	Credit Availability Program
Interest income	1,263,121	1,100,080	-	64,353	424	7,114	91,150
Interest expense	75,264	69,167	-	3,650	11	-	2,436
Net interest income	1,187,857	1,030,913	-	60,703	413	7,114	88,714
Net realized gains (losses) on investments	461,350	(568)	-	16,510	365,451	65,292	14,665
Revenue from Advisory Services	21,291	-	21,291	-	-	-	-
Fee and other income	78,396	18,395	9	16,685	9,953	2,100	31,254
Net revenue	1,748,894	1,048,740	21,300	93,898	375,817	74,506	134,633
Provision for expected credit losses	78,707	231,555	-	-	-	-	(152,848)
Net change in unrealized appreciation (depreciation) of investments	831,307	(4,067)	-	54,429	536,975	248,587	(4,617)
Net foreign exchange gains (losses)	5,468	(237)	-	363	5,122	399	(179)
Net gains (losses) on other financial instruments	678	683	-	-	-	-	(5)
Income (loss) before operating and administrative expenses	2,665,054	1,276,674	21,300	148,690	917,914	323,492	(23,016)
Salaries and benefits	350,548	240,101	36,025	23,763	23,163	3,471	24,025
Premises and equipment	30,928	22,823	2,502	1,413	1,828	379	1,983
Other expenses	119,295	90,391	12,413	2,615	6,532	650	6,694
Operating and administrative expenses	500,771	353,315	50,940	27,791	31,523	4,500	32,702
Net income (loss)	2,164,283	923,359	(29,640)	120,899	886,391	318,992	(55,718)
Net income (loss) attributable to:							
BDC's shareholder	2,088,323	923,359	(29,640)	104,777	826,553	318,992	(55,718)
Non-controlling interests	75,960	-	-	16,122	59,838	-	-
Net income (loss)	2,164,283	923,359	(29,640)	120,899	886,391	318,992	(55,718)
Business segment portfolio as at December 31, 2021							
Loans, net of allowance for expected credit losses	32,518,286	29,596,722	-	-	-	-	2,921,564
Asset-backed securities	948,951	948,951	-	-	-	-	-
Subordinate financing investments	1,795,668	12,563	-	1,061,313	294,615	412,073	15,104
Venture capital investments	3,860,063	-	-	-	2,753,991	950,645	155,427
Total portfolio	39,122,968	30,558,236	-	1,061,313	3,048,606	1,362,718	3,092,095



12. Guarantees

BDC issues “letters of credit, loan guarantees and portfolio guarantees” (guarantees) to support businesses. Those guarantees represent BDC’s obligation to make payments to third parties if clients are unable to meet their contractual commitments. Collateral requirements for guarantees are consistent with BDC collateral requirements for loans. The fee income earned is calculated on a straight-line basis over the life of the instrument and recognized in fee and other income in the Consolidated Statement of Income. The maximum contractual obligation and actual exposure under the guarantees totalled \$3,481.2 million as at December 31, 2022 (\$3,455.7 million as at March 31, 2022) and the existing terms expire within an average of 100 months (within 106 months as at March 31, 2022).

As at December 31, 2022, an amount of \$10.6 million of claims payable under these guarantees was recognized in BDC’s Consolidated Statement of Financial Position (\$2.2 million as at March 31, 2022).

The following table shows a reconciliation of opening and closing balances of the allowance for expected credit losses on loan guarantees, which is included in liabilities in the Consolidated Statement of Financial Position.

				December 31, 2022
Allowance for expected credit losses on loan guarantees	Stage 1	Stage 2	Stage 3	Total
Balance as at April 1, 2022	84,143	151,067	24,218	259,428
Provision for expected credit losses				
Transfer to Stage 1 ⁽¹⁾	90,874	(85,968)	(4,906)	-
Transfer to Stage 2 ⁽¹⁾	(49,982)	60,537	(10,555)	-
Transfer to Stage 3 ⁽¹⁾	(545)	(48,690)	49,235	-
Net remeasurement of the allowance for expected credit losses ⁽²⁾	(86,052)	141,933	81,073	136,954
Net increase (decrease) in guarantees	4,479	1,290	(492)	5,277
Balance as at December 31, 2022	42,917	220,169	138,573	401,659
				March 31, 2022
Allowance for expected credit losses on loan guarantees	Stage 1	Stage 2	Stage 3	Total
Balance as at April 1, 2021	12,659	12,800	-	25,459
Provision for expected credit losses				
Transfer to Stage 1 ⁽¹⁾	74,706	(74,112)	(594)	-
Transfer to Stage 2 ⁽¹⁾	(38,913)	39,235	(322)	-
Transfer to Stage 3 ⁽¹⁾	(507)	(5,984)	6,491	-
Net remeasurement of the allowance for expected credit losses ⁽²⁾	(87,531)	72,304	18,498	3,271
Net increase (decrease) in guarantees	123,729	106,824	145	230,698
Balance as at March 31, 2022	84,143	151,067	24,218	259,428

⁽¹⁾ Provides the cumulative movement from the previous month’s allowance for expected credit losses on loan guarantees due to transfers between stages prior to remeasurements.

⁽²⁾ Includes the net remeasurement of the allowance following a transfer between stages, changes in guarantee amounts, changes in credit risk and changes in model inputs and assumptions, including forward-looking macroeconomic variables.



13.

Related party transactions

As at December 31, 2022, BDC had \$15,458.8 million outstanding in short-term notes and \$6,094.7 million in long-term notes due to His Majesty the King in Right of Canada acting through the Minister of Finance (\$14,385.6 million in short-term notes and \$5,707.3 million in long-term notes as at March 31, 2022).

BDC recorded \$162.3 million in interest expense, related to the borrowings from the Minister of Finance, for the quarter and \$317.5 million for the nine months ended December 31, 2022. Last year's comparative figures for the same periods were \$22.1 million and \$66.0 million, respectively.

In addition, \$576.0 million in borrowings from the Minister of Finance were repurchased in the first nine months of fiscal 2023. This resulted in a gain of \$13.0 million on the fixed rate debt for the first nine months of fiscal 2023 (\$90.0 million in borrowings were repurchased during the same period last year which did not result in any gain or loss).

BDC is also related to all Government of Canada-created departments, agencies and Crown corporations. BDC enters into transactions with these entities in the normal course of business, under terms and conditions similar to those that apply to unrelated parties.



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