bdc

2024 Annual Report

BDC aims to support Canadian entrepreneurs to build strong and resilient businesses. In doing so, it contributes to a more prosperous, competitive and inclusive Canada.

Our purpose

Empower a nation of dreamers and doers to build a better tomorrow for all.

Our mission

Support Canadian entrepreneurs by providing financing, capital and advisory services, with a focus on small and medium-sized enterprises.

Vinh Le, co-founder, Level Studio, Ontario

The bank of ambitions

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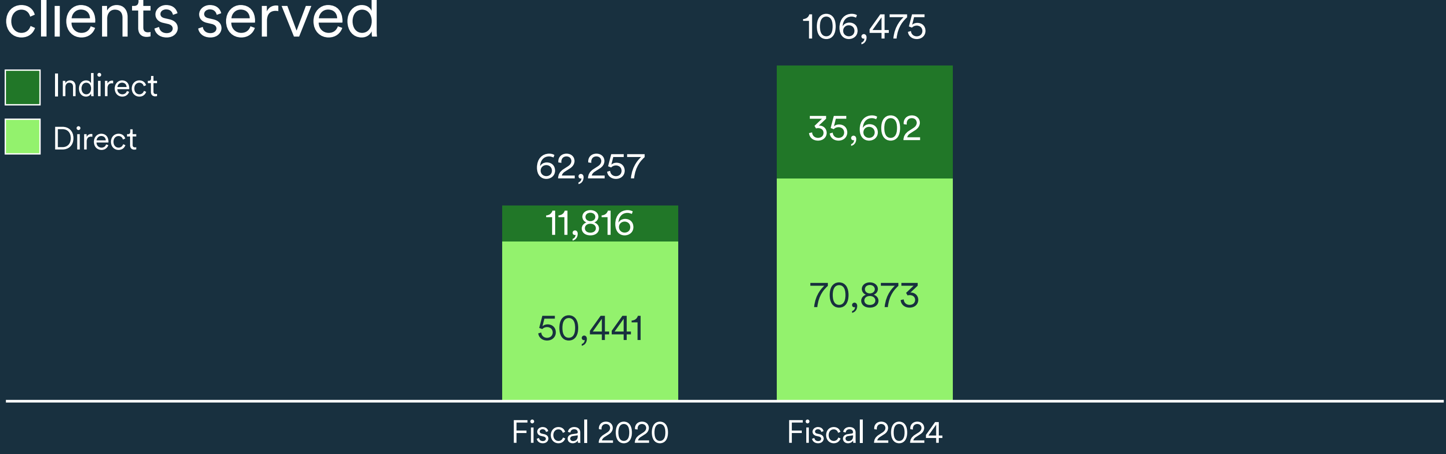
Increasing our impact on the Canadian economy

Record number of clients served



1.2M
People employed by our clients

$435B
BDC clients' annual revenue

$11.8B
New financing and investment

Estimated financial value added to Canada's economy over the next 5 years (GDP)

$23.6B

Entosystem, Quebec

Message from the Chairperson of the Board of Directors

I am pleased to present BDC's annual report for fiscal 2024. This is my first as Chairperson, having served on the BDC Board of Directors since 2017. I am honoured to be entrusted with this role at Canada's bank for entrepreneurs—an institution which continues to prove its value across the country, nearly 80 years since its founding.

In 2023, BDC welcomed the results of the Government of Canada's 10-year Legislative Review. What struck me most about that consultation was the clear and positive alignment with BDC's current strategy, to do more to help entrepreneurs start and grow their businesses. That review also reflected a shared priority with new initiatives currently under development at the Bank.

> "I am honoured to be entrusted with this role at Canada's bank for entrepreneurs—an institution which continues to prove its value across the country, nearly 80 years since its founding."

The credit for this alignment between BDC and the broader ecosystem goes to every member of the BDC team, for developing and deploying renewed programs to help entrepreneurs tackle the challenges of our times.

As part of this deployment, BDC has put increased focus on its development role, making sure a greater number of entrepreneurs are able to access the financing, advice and capital needed to grow their businesses and maximize their contribution to the economy.

BDC continued to work closely with partners and with its shareholder, the Government of Canada, to broaden support to SMEs. In doing so, BDC plays an important complementary role to Canada's many financial institutions.

As highlighted in the Legislative Review, the Board has approved and overseen the implementation of initiatives to better fulfill BDC's mandate. These include improving risk management and governance, expanding oversight of the venture capital portfolio, strengthening emphasis on environmental performance, and increasing focus on serving underrepresented entrepreneurs.

As a result of these efforts, and those of BDC's approximately 3,000 employees, the Bank came through for entrepreneurs in a year marked by higher interest rates, rising costs, slowing consumer spending, and economic uncertainty. It was a difficult year for many small businesses, and a record number of them came to BDC for help. We stepped up to the challenge and maintained our commitment to provide our services at no cost to the taxpayer. Indeed, BDC declared a dividend of $337 million to its shareholder, for the 2024 fiscal year.

I would like to thank Mike Pedersen, our outgoing Chairperson of the Board, for his leadership in ensuring effective governance and responsible stewardship of BDC. I would also like to acknowledge outgoing Board members Cathy Bennett, Sandra Bosela, Vijay Kanwar and Abdullah Snobar, for their service and many contributions; and to welcome Lena Bullock, Marie-Soleil Lacoursière, Michael Ladha, Konata Lake, Melanie Nadeau and Stéphane Therrien.

The Board of Directors remains engaged and passionate about the mission. We also benefit from regional, sectoral, professional and lived-experience diversity that generates greater insight and better oversight. While this approach is rooted in BDC's Diversity, Equity and Inclusion (DEI) commitments, Board diversity is a core business asset that helps BDC deliver value to Canada's entrepreneurs, who are at the centre of everything we do.

Brian O'Neil
Chairperson of the Board

Message from the President and CEO

Two years ago, we developed a bold plan for the future that is clearly aligned with our shareholder's priorities. Since then, we have put the machinery in place to execute our ambitious goals, and we've been diligently working to achieve faster results. This fiscal year showcased what doing more and better for entrepreneurs looks like, and sets the stage for exciting growth in the years to come.

I am proud to report that in fiscal 2024, our focus on client experience resulted in a 93 percent satisfaction rate with our services. We also achieved the highest number of loans in our nearly 80-year history, even higher than during the pandemic, and served a record number of entrepreneurs (106,475 clients vs. 100,716 in fiscal 2023). We have now reached 25% of our total addressable market, and our acceleration in client growth over the past two years has strengthened our trajectory toward this long-term strategic goal.

> "This fiscal year showcased what doing more and better for entrepreneurs looks like, and sets the stage for exciting growth in the years to come."

We served a record number of women and Indigenous entrepreneurs (20,719), with increases of 11% and 22%, respectively, compared to fiscal 2023. Our advisory services also had a record-breaking year, reaching 3,068 mandates (up 23% from fiscal 2023), with $50.1 million in revenue (up 31% from fiscal 2023).

Of our clients, 35,602 were indirectly supported through our network of 140 partners. The first phase of the Thrive Lab established partnerships with 26 accelerators, incubators and angel groups across the country, and we signed agreements with Meridian and TD to work closely together to serve more clients from underrepresented sectors of the population. We also undertook more than 1,000 events and collaborations to connect with more than 100,000 entrepreneurs across the country, with the goal of meeting them where they are.

In keeping with our development focus, we increased our supplier diversity by 15%, which now accounts for nearly 9% of our total procurement. We issued our first Annual Sustainability Report and developed a GHG footprint calculator to help SMEs adapt to climate change. Our clients have benefitted from our new $125 million Green Solution envelope, a combination of advice

and financing to help green commercial facilities—with every dollar of the fund being used. We launched a mental health pilot program with Greenshield Health, offering entrepreneurs three hours of free virtual therapy. Early results from a small sample show a 40% improvement in the severity of their symptoms after three hours of therapy, and a high level of satisfaction with the service.

While we take on significantly more risk than the private sector, we remain financially self-sustaining. Despite a challenging climate for lenders, our core net income reached $411.5 million, a 68% increase. At the same time, BDC remains the largest and most active venture capital investor in Canada, nurturing the entire ecosystem.

Thank you to our team for embracing our values—*united for entrepreneurs, powered by people and courageously impactful*. The positive feedback I hear from our clients across the country stems from our team's ability to make it easier for entrepreneurs to get financing and funding—and receive advice that makes a real difference to their bottom lines.

A special thank you to our outgoing Chairperson, Mike Pedersen, for his five years of excellent insight and guidance, and a welcome to Brian O'Neil, who takes on this vital role of leading BDC's governance and oversight at a critical time for Canada's entrepreneurs.

In fiscal 2025, we will accelerate our execution against our strategic objectives, as our renewed values fuel our determination to increase our reach and relevance, particularly among underrepresented and rural entrepreneurs. Small businesses are mission-critical to Canada's long-term prosperity, and by helping more entrepreneurs grow, we're helping them build a more prosperous, competitive and inclusive Canada.

Isabelle Hudon
President and Chief Executive Officer

Meeting the needs of underrepresented and diverse entrepreneurs

Élisabeth Bélanger
President and General Manager
Maison Orphée, Québec

Priscilla Sternat-McIvor
Founding Partner
Sternat Manaigre, Manitoba

Ernest Korankye
Founder, President and CEO
Asante Logistic Group, Nova Scotia

Women

19,418
Women-owned businesses (record year, +11% over fiscal 2023)

$7B
Committed (+10% over fiscal 2023)

$1.73B
Authorized in loans in fiscal 2024

$500M
Thrive Platform for Women

Indigenous

1,301
Clients (record year, +22% over fiscal 2023)

$917M
Committed (+56% over fiscal 2023)

$208M
Authorized in loans in fiscal 2024

$100M
Indigenous Growth Fund—Anchor investor

Black

$33M
Loans committed through the Black Entrepreneurship Loan Fund (BELF) in partnership with the Federation of African Canadian Economics (FACE) since inception

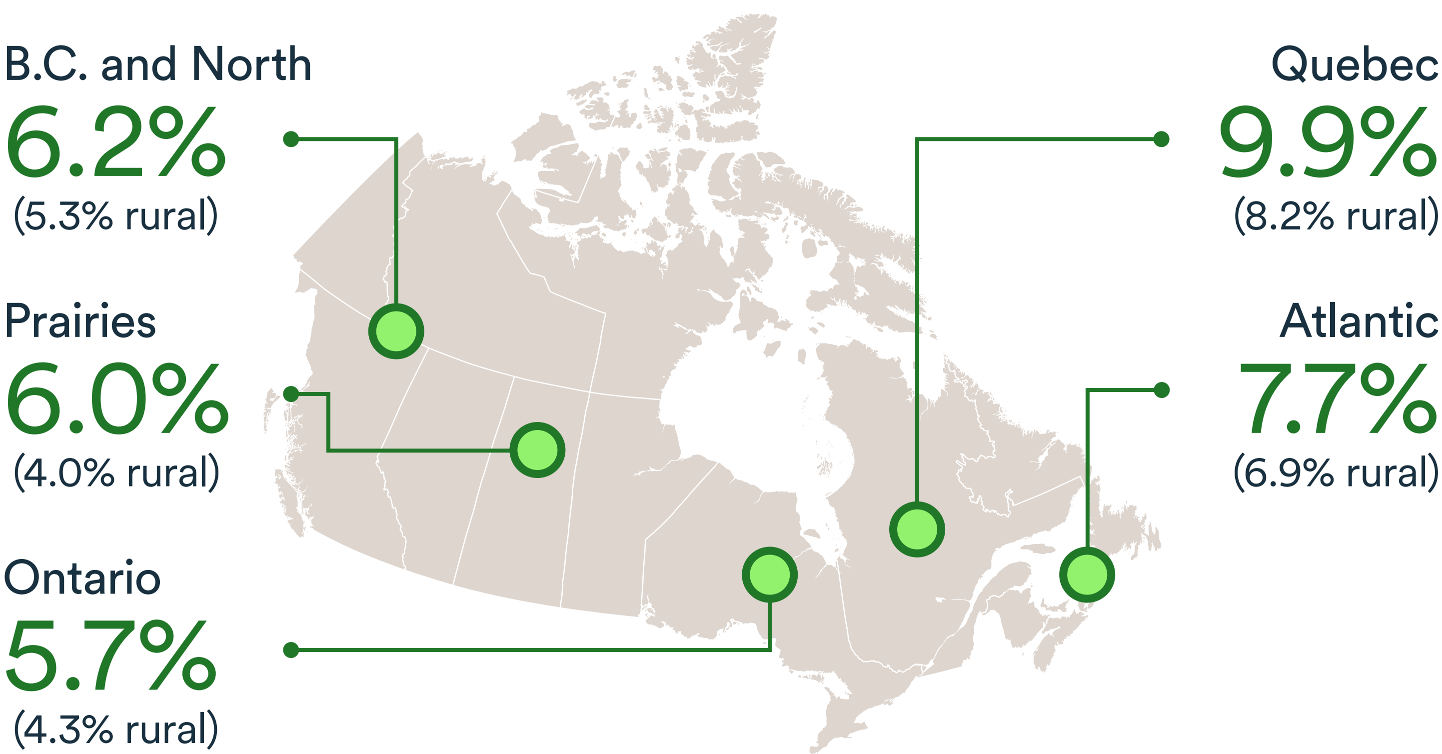
$4M
Black Innovation Fund—With BKR Capital

Reaching entrepreneurs in every corner of the country

We are committed to reaching entrepreneurs in every corner of the country, including underserved regions, new immigrants, rural Canadians, and new businesses. We are seeking to increase our penetration in markets where we are less present and where there are more unmet needs. And we work closely with like-minded public and private organizations across the country to support even more SMEs.

Market penetration rate

Below is a map of our market penetration rate, which is defined as the number of direct BDC clients in relation to the total addressable market in that region, in keeping with our role as a complementary lender.



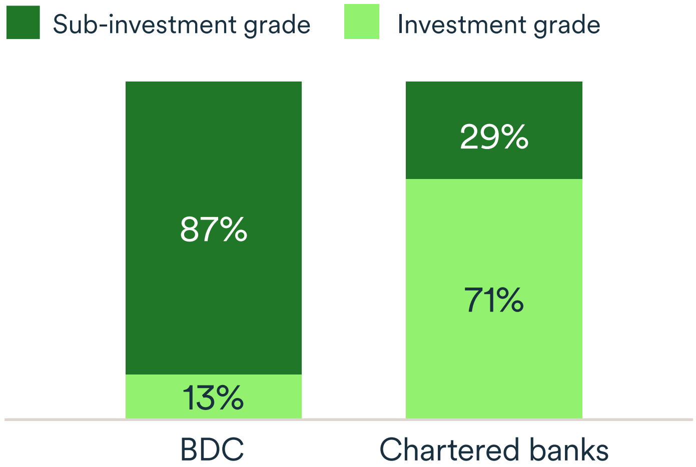
Largest increases in clients served:

B.C.	Alberta	Manitoba
+17.4%	+11.2%	+8.3%

Responsibly taking on the most risk for entrepreneurs

Consistent with our mandate to better support SMEs, BDC assumes significantly more risk than a typical financial institution. Our focus on sub-investment-grade* loans fills an important gap, serving borrowers who may otherwise be unable to access the financing they need from the private sector.

BDC vs. chartered banks' portfolios



* Businesses with less than an S&P Global equivalent grade of BB+, which the agency designates as having a higher degree of risk than standard commercial-grade lending. These businesses typically have less capacity to manage their financial commitments.

BDC's Growth & Transition Capital business provides higher risk secondary rank loans and is the most active national lender in this segment.

~$400M

Authorizations for higher risk secondary rank loans (up from $100M in fiscal 2010)

BDC focuses on supporting small and early-stage businesses

~19,000

Small loans
(up from ~6,000 in fiscal 2010)

$2.2B

Authorized small loans
(up from ~$900M in fiscal 2010)

"BDC recognized that my business had strong potential and believed that I could succeed! The bank was responsive, always helpful and found me the right financing solution."

– Whitney Dudzic, Owner,
The Beach Café, Alberta

Helping to build future champions of the Canadian economy

BDC is Canada's most active venture capital investor. We play a catalyst role to offset the lower available capital in the Canadian market.

$2.2B
Direct equity investments

$2.2B
Indirect equity investments

$5.68
Raised by other investors for every dollar we invest

300+
Companies backed through direct investments

600+
Companies backed through indirect investments in over 160 funds

$3.2B
Authorized in investments in the past five years

76%
Direct authorizations in seed and early stage

"Capital and support are so critical in early-stage start-ups. It's really encouraging for a company to know it has a partner that has the capacity to be in it for the long haul."

– Julia Rivard Dexter, Co-founder and CEO, Shoelace Learning, Nova Scotia

We're a leader in climate funding to help address one of the greatest challenges of our time

$1.1B
Cleantech funding since 2016

Bringing our best for today's and tomorrow's entrepreneurs

93% Client satisfaction

Making banking easier with pre-authorized loans for existing clients

3,459
Pre-authorized loans, totalling $99.7M in new financing

33.1%
Growth in online financing loans vs. fiscal 2023

$609.3M
Financing loans accepted by clients through online financing (vs. $457.7M in fiscal 2023)

Leading by example

#1
First bank to obtain B Corp certification in 2013. We are also the movement's national partner.

27%*
Cut from our carbon footprint over our base year of fiscal 2020, on track to meet our 40% reduction target by fiscal 2026.

*Estimated amount.
See our fiscal 2024 Sustainability Report for the final figure.

"BDC's advice was very relevant and adapted to our needs. They understand that 'one size fits all' doesn't work. The bank's easy-to-understand, and flexible approach to advice really helped us address our challenges."

– François Daignault, President, TRA INC, Quebec

Ensuring BDC is managed with discipline

$2.2B
Net Revenue
(vs. $2.1B in fiscal 2023)

$741M
Provision for expected credit losses
(vs. $343.9M in fiscal 2023)

35.5%
Efficiency ratio
(vs. 34.5% in fiscal 2023)

$411.5M
Core net income
(vs. 245M in fiscal 2023)

106,475
Clients
(a 6% increase over fiscal 2023)

$337M
Dividend declared in fiscal 2024

$1.2B
Dividends paid from fiscal 2020-2024

A word on provisioning

We ensure that the allowance for expected credit losses appropriately considers portfolio risk levels and macro-economic conditions, in accordance with IFRS 9. This ensures that our growing portfolio, aimed at supporting entrepreneurs, is adequately provisioned to absorb expected credit losses. Our approach underscores our commitment to ensuring sound risk management, in line with industry practices.

"BDC has changed our trajectory. They were very supportive, understood our needs and vision, and believed in us."

– Pepe Barajas, CEO and President, Infinity Group, British Columbia

Management's discussion and analysis

1. Economic Environment

The global economy proved resilient in 2023. Despite widespread high inflation and interest rates, real global GDP rose 3.1%.

The high cost of living and weak international demand were key challenges for most advanced economies. GDP growth rates for both the euro area and the United Kingdom were significantly weaker than in 2022, both registering a modest 0.5% increase. China's economy rebounded swiftly, supported by a near-zero inflation rate and significant fiscal support from the government, but momentum began slowing near the end of the year. Closer to home, the United States managed to hold its own despite ongoing challenges, as real GDP increased by 2.5%, a significant improvement compared to the 1.9% growth registered in 2022.

The major challenge for developed economies in 2023 was inflation and Canada was not spared from it. As such, the Bank of Canada continued its contractionary monetary policy, increasing the overnight rate by 75 basis points to 5% as of July. This was the highest rate in over 20 years. The efforts helped curb inflation, which fell to 3.4% by the end of the year (versus a 5.9% rise in the January 2023 Consumer Price Index).

Canada's economy held up relatively well in 2023, but it lost momentum over the calendar year. GDP growth slowed to 1.1% in 2023, compared to 3.4% in 2022. The slowdown reflected a decline in business and residential investment, both areas having been squeezed by higher interest rates. Meanwhile, gains in government and consumer spending provided some relief, the latter being supported by a sharp population increase, the fastest gain in 65 years. Exports remained strong in 2023, with gains driven by robust demand from the U.S. and a depreciation of the Canadian dollar.

The Canadian labour market remained on solid footing throughout the year, with the economy creating nearly 420,000 new jobs. Labour shortages, a persistent issue in many key sectors, started to ease over the course of the year, stimulated by the previously mentioned population spike. With the labour force increase outpacing employment gains, the unemployment rate rose nearly a full point to 5.8% by year-end, while job vacancies decreased. The solid employment situation—and average wage growth of 5%—helped households deal with higher payments (which increased by 15%) but hindered their discretionary spending.

Fears of a recession loomed over many developed markets in 2023, eroding business owners' optimism and making them more cautious. According to Bank of Canada surveys, 39% of businesses saw a decrease in sales volumes over the year. Roughly three-quarters of firms were negatively impacted by higher interest rates, with smaller businesses straining to finance their growing debt loads. Small businesses have been increasingly missing payments, evidenced by the high percentage of small business loans being past due by more than 30 days. By December 2023, that number reached 2.3%, a level not seen since the 2008-2009 financial crisis.

Business investment dropped by nearly 8% compared to 2022, due to high economic uncertainty, a high-interest rate environment, and reduced demand for their offerings.

The tightening of financing conditions was another factor hindering SMEs' optimism and investment plans. Their financing needs shifted to smaller loans, mainly to cover short-term expenses. The average value of loans disbursed to businesses in 2023 decreased by 2.6%. Consumer-facing firms were among those experiencing the greatest difficulty obtaining credit, as chartered banks became more risk-averse. In a 2023 BDC survey, 75% of businesses reported their financing requests were approved, a decrease from 80% in 2022.

In summary, 2023 was a difficult year for Canadian households and businesses, but it was not without its silver linings. The monetary policy undertaken by the Bank of Canada is proving its worth: inflation is cooling while the labour market remains robust. Despite a pullback in household spending and an increase in Canadian debt payments, strong population growth helped mitigate a broader slowdown in demand. While businesses became more cautious in 2023, there is optimism that rate cuts will stimulate demand conditions in the second half of 2024, when we expect Canadian economic activity to improve.

2. Expected Results and Performance Indicators

BDC's performance measures support its goal of helping Canadian entrepreneurs in their efforts to build strong, growing businesses. They are aligned with shareholder priorities and BDC's client impact strategic objectives.

Short term (1 year)

Objective	Performance indicator	Target fiscal 2024	Result fiscal 2024	Percentage achieved	Comment
Increase the reach and relevance of our support to entrepreneurs	# of clients (direct)[1]	67,465	70,873	105%	BDC remained fully committed to its ambition of extending needed support to many more entrepreneurs, especially underrepresented ones. In the last year, we have continued to deliver on several initiatives to better support more Canadian entrepreneurs in their efforts to build strong and resilient businesses. This commitment has allowed the Bank to surpass its target.
	# of clients served through partnerships	37,300	35,602	95%	BDC continued to strengthen the Canadian entrepreneurial ecosystem and extend its reach to more entrepreneurs by collaborating with many private- and public-sector organizations and VC investors. This has helped to significantly increase the number of clients served through partnerships in recent years. Our loan guarantee pilot was successfully launched this year but was still in ramp-up at the end of the year. Consequently, the overall result came in slightly lower than the target that had been set.
	# of direct clients identified as women-owned businesses (ownership of 50% and over)	19,000	19,418	102%	In fiscal 2021, BDC committed to significantly increase the number of women entrepreneurs it serves by fiscal 2024. To achieve this ambitious goal, BDC partnered with several organizations that support women entrepreneurs, made diversity-based goals part of each region's performance objectives, and continued to lean on its Inclusive Entrepreneurship team and diversity ambassadors across the country. These strategic initiatives allowed the Bank to surpass its target.
	# of direct clients identified as Indigenous	1,250	1,301	104%	As part of its commitment to reach a diverse array of business owners, BDC continued supporting a growing number of Indigenous entrepreneurs. The goal is for them to access the same resources and opportunities as other business owners. Initiatives to further increase access to capital for Indigenous entrepreneurs, such as developing new partnerships, deepening existing relationships with current partners and improving our cultural competency, have allowed the Bank to exceed its target.
Spur the growth of SMEs and the competitiveness of Canada's economy	Number of new Advisory Services mandates	2,330	3,068	132%	The need for high-quality advisory services remained important, as entrepreneurs continued to look for support in navigating the current economic environment, seizing opportunities and growing their businesses. The Canada Digital Adoption Program (CDAP) also generated strong demand for BDC's Advisory Services from entrepreneurs wanting to develop and implement digital adoption strategies before applying for CDAP loans. This allowed the Bank to surpass its target.
Empower SMEs to respond to the big challenges of our time	$ accepted, cleantech investments ($ in millions)	90	72	80%	With growing global demand for cleantech, BDC has built a strong network of partners and a promising pipeline of firms to support. While BDC retains an excellent record of investing in businesses in this sector and drawing in private-sector investment, this year saw lower-than-expected results. This was due mainly to overall market declines in Canadian venture capital activity, owing to challenging macroeconomic conditions.
Deliver a world-class client and employee experience	% of very satisfied clients[2]	68	62	91%	Delivering an excellent client experience is at the heart of BDC's values and is key to achieving our goals. The proportion of clients satisfied with BDC remained high and stable in the last fiscal year, at 93%. However, the proportion of very satisfied clients (VSAT) is lower than the objective we had set. Feedback received from our clients led us to develop a robust client satisfaction action plan, which includes reconnecting with clients more frequently, providing value-added advice and optimizing our processes for faster delivery of service.

Unless otherwise noted, all data are sourced from BDC's portfolio.

[1] Clients in more than one unit are only counted once.

[2] "Very satisfied" clients gave a score of 9 or 10 out of 10 for their overall satisfaction with BDC services. Source: BDC Client Voice Survey (excludes Venture Capital).

Medium term (3 years)

Objective	Performance indicator	Target (T) ending in fiscal	**Result fiscal 2024**	Comment
Spur the growth of SMEs and the competitiveness of Canada's economy	Results of BDC impact study[3]	T2025 BDC has a positive impact on revenue growth	N/A	BDC is committed to measuring the impact it has on the businesses it serves. The latest impact study, performed by Statistics Canada in fiscal 2022, showed that BDC clients achieved better results in terms of revenue, employment growth and survival rate than the control group. The next study results will be available in fiscal 2025.
Deliver a world-class client and employee experience	% of BDC workforce compared to labour market availability (LMA) in the finance sector, in each of the designated groups (women, Indigenous, visible minorities and persons with disabilities[4]	T2025 (meets LMA)		BDC is dedicated to fostering a barrier-free environment where diversity, equity, inclusion, and accessibility (DEIA) thrive. We are continuously refining our talent strategy to align with our evolving organizational culture and the dynamic nature of the labour market. As BDC looks forward to meeting the LMA for all designated groups by fiscal 2025, we remain focused on engaging with employees for their insights and feedback, analyzing data to identify trends and areas for improvement, implementing targeted talent programs to support underrepresented groups, and providing training to all employees to further develop an inclusive mindset. These steps will help maintain our momentum and ensure that DEIA efforts are deeply integrated into every facet of BDC.
		Women 47.1	49.1	
		Indigenous persons 1.9	1.1	
		Visible minorities 24.9	30.3	
		Persons with disabilities 8.2	7.8	

Unless otherwise noted, all data are sourced from BDC's portfolio.

[3] This measure is calculated by Statistics Canada and refers to the average percentage points of revenue growth of BDC clients that received both financing and advisory services above that of non-clients (control group of similar businesses), after one year.

[4] Labour market availability represents the share of designated group members in the Canadian finance sector labour market.

Long term (5 years)

Objective	Performance indicator	Target (T) ending in fiscal	**Result fiscal 2024**	Comment
Spur the growth of SMEs and the competitiveness of Canada's economy	% of clients who reported a positive impact on their business following the services they received from BDC[5]	T2027 Maintain a minimum of 89	92	BDC is dedicated to helping Canadian entrepreneurs achieve their ambitions by being a trusted partner and offering high-quality and impactful solutions. The strong result of this objective continues to demonstrate the impact that BDC's employees, financing offerings and tailored advisory solutions have on Canadian SMEs.
	BDC direct VC funds total value to paid-in capital (TVPI)[6]	T2027 1.80 or higher	1.65	BDC aims to have a profitable VC portfolio to attract investors to this asset class. This year's lower-than-expected TVPI result reflects the headwinds the Canadian VC industry was facing last year, following years of remarkable growth and profitability. However, BDC's long-term outlook for Canada's innovation ecosystem remains positive.

Unless otherwise noted, all data are sourced from BDC's portfolio.

[5] Percentage of respondents who selected 7 or + on the survey question related to the impact of BDC's services on their business. Source: BDC Client Voice Survey (excludes Venture Capital).

[6] TVPI, a standard VC industry metric, is the ratio of the current value of investments and proceeds to the original amount invested in the Venture Capital segment.

3. Analysis of Financial Results

Lines of business and activities

The Business Development Bank of Canada (BDC) is the bank for Canadian entrepreneurs. Our purpose is to help Canadian entrepreneurs succeed. We do that by providing financing, capital and advisory services.

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).

Core results are driven by the activities of the Financing, Advisory Services, GTC, VC and CIP business lines.

CORE	
Financing	BDC Financing helps improve the competitiveness of SMEs at each stage of their business journey by providing term lending and collaborating with other financial institutions to increase credit availability in the market through syndicated loans and indirect financing.
Advisory services	BDC Advisory Services provides entrepreneurs with high-value advisory services in the form of a variety of solutions for small, medium and larger companies, as well as free online educational content and a program targeting high-growth firms.
Growth and Transition Capital (GTC)	GTC provides cash flow, mezzanine and quasi-equity financing to support the growth, transition and acquisition projects of SMEs with strong business models and management teams but limited tangible assets as collateral.
Venture Capital (VC)	Venture Capital helps Canadian innovators launch and grow high-potential businesses and commericialize their innovations through growth equity, intellectual property financing and venture capital activites. It invests directly and indirectly in companies across multiple sectors and business life cycle stages.
Capital Incentive Programs (CIP)	CIP includes the Venture Capital Action Plan (VCAP), which supports promising Canadian start-ups, the Venture Capital Catalyst Initiative (VCCI), which increases the availability of late-stage VC and supports underrepresented groups, the Cleantech Practice, and the Indigenous Growth Fund (IGF) in partnership with the National Aboriginal Capital Corporations Association (NACCA). These programs are managed by BDC on behalf of the Government of Canada.

CAP results stem from all of BDC's COVID-19 relief measures and the Canada Digital Adoption Program (CDAP).

CAP	
Credit Availability Program (CAP)	CAP brings together initiatives designed to increase capital availability for specific SME needs, such as COVID-19 related support and digitial adoption projects.

Activity level summary

($ in millions unless otherwise noted)

	2020	2021	2022	2023	**2024**
Financing loan acceptances	7,405.1	5,181.6	9,415.7	10,252.7	**10,455.8**
Growth	2.5%	(30.0%)	81.7%	8.9%	**2.0%**
Advisory Services net contracts signed	30.7	17.8	29.9	41.5	**51.8**
Growth	14.4%	(42.2%)	68.4%	38.9%	**24.8%**
Growth & Transition Capital acceptances	431.8	124.4	503.3	468.0	**461.5**
Growth	11.1%	(71.2%)	304.7%	(7.0%)	**(1.4%)**
Venture Capital authorizations	275.7	362.3	495.9	526.6	**403.6**
Growth	11.5%	33.3%	34.9%	6.2%	**(23.4%)**
Capital Incentive Programs authorizations	147.8	231.8	138.6	373.4	**106.8**
Growth	(65.0%)	56.9%	(40.2%)	169.4%	**(71.4%)**
Credit Availability Program acceptances/authorizations	–	3,721.3	370.9	76.1	**310.2**
Credit Availability Program loan guarantees issuances	–	286.7	3,224.8	228.8	**0.7**

While BDC's activity level was strong in fiscal 2024, results reflect the continued impact of declining economic activity and higher inflation and interest rates. Overall, BDC's clients accepted $10.8 billion in loans and $458.4 million in debt investments and BDC authorized $264.7 million in direct equity investments and $246.2 million in indirect equity investments in funds. In fiscal 2023, BDC's clients accepted $10.3 billion in loans and $498.8 million in debt investments and BDC authorized $338.6 million in direct equity investments and $536.1 million in indirect equity investments in funds.

Financing

During fiscal 2024, higher interest rates, rising costs, and slowing consumer spending continued to contribute to economic uncertainty, leading SMEs to cancel or postpone investment projects. Despite these challenging circumstances, clients of Financing accepted a total of $10.5 billion in loans in fiscal 2024, an increase of 2.0% compared to $10.3 billion in fiscal 2023.

In recent years, we have invested to improve our digital channels to ensure entrepreneurs have access to our solutions regardless of where they live in Canada at a time that is most convenient for them. Our online financing platform for loans under $100,000 has been instrumental in helping us serve more small businesses and do so more efficiently. In fiscal 2024, we introduced an important new capability: pre-authorized loans to existing clients which enabled us to provide 3,459 loans totalling $99.7 million in new financing to entrepreneurs in less than 15 minutes. This contributed to the growth of 33.1% in online financing loans in fiscal 2024 compared to fiscal 2023. Overall, Financing clients accepted $609.3 million in loans through our online financing process, compared to $457.7 million in fiscal 2023.

Advisory Services

Advisory services continued to extend its client reach this fiscal year with a significant increase in number of mandates sold, which increased by 23.2% from 2,491 mandates last fiscal to 3,068 as of March 31, 2024. This increase was mainly driven by the services offered to support entrepreneurs in their digital adoption plan under the CDAP Program, which saw an increase of 51.8% in net contracts signed in fiscal 2024, as compared to fiscal 2023.

Growth and Transition Capital (GTC)

GTC acceptances have decreased since the second half of fiscal 2023 as a result of high interest rates, economic uncertainties and reduced merger and acquisition activities due to lower valuations, especially in the technology sector where BDC has a strong presence. Clients of GTC accepted $461.5 million in debt investments for fiscal 2024, compared to $468.0 million for fiscal 2023.

In fiscal 2023, BDC announced the deployment of a $30 million financing envelope to deepen its support for Canada's creative and cultural industries. This initiative aims to address the persistent gap between the industry's growing strategic value to the Canadian economy and its challenges in raising capital. In the last two fiscal years, BDC increased its financing of the sector by a total of $113.0 million across its Financing and GTC service offerings, nearly four times greater than planned.

Venture Capital (VC)

As the most active venture capital investor in Canada, BDC has been a key participant in the industry's remarkable growth in recent years. Venture Capital invests both directly in companies and indirectly through external private sector funds. In fiscal 2024, VC authorized investments totalling $403.6 million (including $234.6 million in direct equity investments and $171.9 million in indirect equity investments in funds offset by a cancellation of $2.9 million in debt investments) compared to $526.7 million last year (including $313.2 million in direct equity investments, $186.1 million in indirect equity investments in funds and $27.4 million in debt investments). The decrease in authorizations in fiscal 2024 compared to fiscal 2023 was driven by lower direct and indirect investments, mainly explained by declines in Canadian venture capital activity and a slower pace of fundraising.

In fiscal 2023, BDC launched the $500 million Thrive Venture Fund and Lab for Women to support Canadian women-led businesses. The Thrive platform comprises three distinct components: a $300 million direct investment fund, the $100 million Lab and a $100 million indirect investment envelope. In fiscal 2024, BDC started rolling out the Lab's first phase by co-investing, alongside 25 partners from across Canada, up to $35 million in businesses in the earliest stages of development, when fundraising can be challenging. Over the next five years, BDC's Thrive Lab aims to provide $100 million in equity and equity-like investments, plus training and support, for at least 100 ambitious, women-led businesses committed to delivering social impact, alongside financial return. For the fiscal year ended March 31, 2024, a total of $44.3 million has been authorized, comprising $11.8 million in direct investments, $30.1 million in indirect investments and $2.4 million allocated to the Lab. As at March 31, 2023, $31.8 million in direct investments had been authorized for Thrive.

VC plays a leading role in supporting Canada's transition to a low carbon economy by investing in world-class Canadian cleantech champions. In fiscal 2023, BDC launched the $400 million Climate Tech Fund which was supplemented with an additional $100 million in fiscal 2024, for a total of $500 million. The fund invests in high-impact Canadian companies to accelerate the development and deployment of homegrown low-carbon technologies for domestic and international markets. For the year ended March 31, 2024, authorizations in the Climate Tech Fund reached $39.3 million in addition to the $26.5 million authorized in fiscal 2023.

In fiscal 2024, BDC announced the creation of its new $150 million Sustainability Venture Fund, which is a key component of BDC's commitment to sustainability and part of its contribution to help advance Canada's 2050 net-zero ambition. The Fund will be dedicated to making equity investments in Canadian early-stage companies developing technologies that contribute to a net zero economy and are aligned with four United Nations (UN) Sustainable Development Goals (SDGs). The fund has authorized $8.9 million of investments for the twelve-month period ended March 31, 2024.

Our direct investment strategy aims to support undercapitalized innovative industries in Canada at an earlier stage of their development. In October 2023, BDC injected an additional $50 million into its Seed Venture Fund, a software-focused venture fund that aims to provide emerging Canadian start-ups with early capital to get ideas off the ground and build world-class companies. The fund will pay particular attention to underrepresented entrepreneurs and regions where this asset class is less present. It also intends to strengthen and expand its relationship with incubators, accelerators, innovation hubs, angel investors and early-stage investment partners in those areas and across the country. VC authorized $6.9 million in the Seed Venture Fund in fiscal 2024.

VC indirectly supports more than 550 Canadian companies through investments in 135 external funds operating in technology sectors such as information, life sciences and climate tech. We invest in a network of fund managers that generate a steady stream of high-quality investments to grow Canadian tech champions.

Capital Incentive Programs (CIP)

On behalf of the Government of Canada, BDC continued to manage CIP, which includes $390 million for VCAP, $372 million for VCCI, $600 million for the Cleantech Practice and $100 million for IGF. VCAP and VCCI are now fully committed. VCCI was renewed in fiscal 2023 to deploy $450 million under the Venture Capital Catalyst Initiative II (Renewed VCCI), to support private sector funds of funds and funds focused on investments in life science technologies and entrepreneurs from underrepresented groups. Renewed VCCI recorded authorizations of $74.3 million for the year ended March 31, 2024, in addition to the $350.0 million authorized in fiscal 2023.

The Cleantech Practice has now invested most of the $600 million in additional capital extended to BDC by the federal government to help build globally competitive Canadian cleantech firms and a long-term, commercially sustainable cleantech industry that can attract significant private capital investment. In fiscal 2024, a further $32.5 million was authorized to Cleantech Practice bringing the total net commitment since inception to $562.5 million, with the balance reserved for follow-on investments in its most promising high growth portfolio companies. The $500 million Climate Tech Fund envelope in VC and the $600 million envelope in CIP's Cleantech Practice brings BDC's committed investments in the innovative cleantech/climate tech sector to $1.1 billion.

BDC initiated IGF in fiscal 2021 in partnership with the NACCA. With a capital injection of $50 million from the Government of Canada, BDC will invest $100 million in IGF, which will then lend to Indigenous Financial Institutions, to enable them to offer loans to new and expanding Indigenous businesses. Of the $100 million committed to IGF, $48.0 million was disbursed as at March 31, 2024.

Credit Availability Program (CAP)

The Credit Availability Program consists of initiatives aimed at increasing capital for SME needs, such as COVID-19 relief and digital adoption. The carrying amount of CAP's loan and investment portfolio stood at $1.5 billion as at March 31, 2024, compared to $2.1 billion as at March 31, 2023. The portfolio is decreasing as CAP's COVID-19 relief measures ended in fiscal 2022 and only the CDAP program remained active during fiscal 2024.

The Highly Affected Sectors Credit Availability Program (HASCAP), which is one of the COVID-19 relief initiatives, has guarantee acceptances of $3.7 billion since the inception of the program. The actual exposure under the HASCAP guarantees totalled $2.7 billion as at March 31, 2024 ($3.3 billion as at March 31, 2023).

CDAP acceptances amounted to $312.7 million in fiscal 2024, compared to $63.8 million in fiscal 2023. 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. During February 2024, the government announced that the CDAP program was no longer accepting new applications.

Financial performance and key measures

Overall, BDC's financial performance and capital level remained strong for fiscal 2024, and BDC is well positioned to invest to enhance our support to entrepreneurs and drive future growth in the Canadian economy.

Financial performance and key measures

for the years ended March 31 ($ in millions unless otherwise noted)

	2020	2021	2022	2023	**2024**
Net interest income	1,397.3	1,519.4	1,588.5	1,928.7	**2,015.2**
Net realized gains (losses) on investments	248.1	167.1	576.0	16.7	**87.3**
Revenue from Advisory Services	29.2	20.9	28.9	38.2	**50.1**
Fee and other income	72.1	67.4	107.8	100.3	**88.6**
Provision for expected credit losses	(772.5)	(507.3)	84.7	(343.9)	**(741.3)**
Net change in unrealized appreciation (depreciation) of investments	(541.2)	1,136.0	915.7	(830.3)	**(317.3)**
Net foreign exchange gains (losses)	36.1	(80.7)	(12.6)	163.5	**0.6**
Net gains (losses) on other financial instruments	0.2	1.0	0.6	(4.5)	**(98.0)**
Operating and administrative expenses	(687.3)	(674.0)	(774.9)	(766.2)	**(798.3)**
Net income (loss)	(218.0)	1,649.8	2,514.7	302.5	**286.9**
Core net income (loss)	(218.0)	1,965.4	2,567.3	245.0	**411.5**
Loan portfolio growth					
Number of loans	77,412	88,921	92,885	96,368	**105,656**
Outstanding loans at gross carrying amount	28,472.3	32,431.2	34,394.8	36,976.7	**40,162.9**
Outstanding portfolio growth (%)	7.3%	13.9%	6.1%	7.5%	**8.6%**
Allowance for expected credit losses	(1,199.2)	(1,525.7)	(1,111.2)	(1,044.0)	**(1,271.9)**
Investment portfolio growth					
Investments at cost	2,875.3	3,283.4	3,771.7	4,328.6	**4,634.1**
Portfolio growth (%)	11.2%	14.2%	14.9%	14.8%	**7.1%**
Investments at fair value	2,961.7	4,431.5	5,862.6	5,742.5	**5,737.9**
Profitability					
Financing net interest income margin (%)	4.6%	4.6%	4.4%	4.3%	**4.2%**
Efficiency					
Efficiency ratio (%)	41.3%	38.3%	39.9%	34.5%	**35.5%**
Capital management					
Internal capital ratio (CORE)	112.0%	118.7%	119.3%	118.6%	**116.1%**
Debt-to-equity ratio	2.7	1.0	1.2	1.9	**2.0**
Paid-in-capital	4,036.7	11,539.7	11,974.7	7,317.7	**7,667.7**
Shareholder return					
Adjusted return on common equity	(1.4%)	22.9%	23.6%	2.9%	**4.0%**
Adjusted return on common equity – 10 year moving average	9.9%	11.2%	12.2%	11.2%	**10.6%**
Dividends paid based on the prior fiscal year performance	128.4	–	735.0	–	**337.0**

Consolidated net income

For fiscal 2024, BDC generated consolidated net income of $286.9 million. The decrease of $15.6 million compared to net income of $302.5 million reported in fiscal 2023 was largely due to higher provisions for expected credit losses and lower net foreign exchange gains, offset by lower net change in unrealized depreciation of investments. Net income attributable to BDC's shareholder amounted to $289.9 million, while a net loss of $3.0 million was attributable to non-controlling interests related to Growth & Transition Capital and Venture Capital operations.

Consolidated comprehensive income

BDC reported consolidated comprehensive income of $371.7 million for fiscal 2024, compared to consolidated comprehensive income of $313.4 million last year. Fiscal 2024 consolidated comprehensive income comprised $286.9 million in consolidated net income and $84.8 million in other comprehensive income. The other comprehensive income for the year was mostly due to the remeasurement gain on the net defined benefit asset or liability of $69.5 million, compared to a gain of $24.6 million in fiscal 2023. The fiscal 2024 gain resulted from higher returns on assets offset by lower discount rates used to value the net defined benefit liability. For further details, refer to Note 14—*Net Defined Benefit Asset or Liability* to the Consolidated Financial Statements.

Consolidated comprehensive income
for the years ended March 31 ($ in millions)

	2020	2021	2022	2023	**2024**
Net income (loss)	(218.0)	1,649.9	2,514.8	302.5	**286.9**
Other comprehensive income (loss)					
Net change in unrealized gains (losses) on fair value through other comprehensive income assets	2.5	6.1	(28.8)	(12.2)	**15.3**
Reclassification to net income of losses (gains) on cash flow hedges	(1.1)	(1.3)	(0.7)	(1.5)	**–**
Total items that may be reclassified subsequently to net income	1.4	4.8	(29.5)	(13.7)	**15.3**
Items that will not be reclassified to net income					
Remeasurements of net defined benefit asset or liability	91.6	(43.0)	289.5	24.6	**69.5**
Other comprehensive income (loss)	93.0	(38.2)	260.0	10.9	**84.8**
Total comprehensive income (loss)	(125.0)	1,611.7	2,774.8	313.4	**371.7**
Total comprehensive income (loss) attributable to:					
BDC's shareholder	(100.0)	1,609.5	2,700.1	391.6	**374.7**
Non-controlling interests	(25.0)	2.2	74.7	(78.2)	**(3.0)**
Total comprehensive income (loss)	(125.0)	1,611.7	2,774.8	313.4	**371.7**

Financial performance by segment

Financial performance by segment[1]

for the years ended March 31 ($ in millions)

	Financing		Advisory Services		Growth & Transition Capital		Venture Capital		Capital Incentive Programs		Core		Credit Availability Program		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
Interest income	**2,882.0**	2,162.9	**–**	–	**139.1**	120.6	**2.5**	2.6	**5.1**	6.3	**3,028.7**	2,292.4	**139.8**	156.6	**3,168.5**	2,449.0
Interest expense	**1,270.9**	696.5	**–**	–	**32.9**	18.9	**0.4**	0.3	**(38.6)**	(16.6)	**1,265.6**	699.1	**(112.3)**	(178.8)	**1,153.3**	520.3
Net interest income	**1,611.1**	1,466.4	**–**	–	**106.2**	101.7	**2.1**	2.3	**43.7**	22.9	**1,763.1**	1,593.3	**252.1**	335.4	**2,015.2**	1,928.7
Net realized gains (losses) on investments	**(1.0)**	(0.6)	**–**	–	**(0.1)**	(6.1)	**41.4**	35.4	**41.6**	(6.0)	**81.9**	22.7	**5.4**	(6.0)	**87.3**	16.7
Revenue from Advisory Services	**–**	–	**50.1**	38.2	**–**	–	**–**	–	**–**	–	**50.1**	38.2	**–**	–	**50.1**	38.2
Fee and other income	**28.8**	27.2	**–**	–	**15.5**	25.1	**7.9**	7.5	**0.4**	0.6	**52.6**	60.4	**36.0**	39.9	**88.6**	100.3
Net revenue	**1,638.9**	1,493.0	**50.1**	38.2	**121.6**	120.7	**51.4**	45.2	**85.7**	17.5	**1,947.7**	1,714.6	**293.5**	369.3	**2,241.2**	2,083.9
Provision for expected credit losses	**(448.4)**	(85.9)	**–**	–	**–**	–	**–**	–	**–**	–	**(448.4)**	(85.9)	**(292.9)**	(258.0)	**(741.3)**	(343.9)
Net change in unrealized appreciation (depreciation) of investments	**(1.6)**	1.9	**–**	–	**(7.9)**	(20.2)	**(220.1)**	(804.8)	**(82.1)**	3.4	**(311.7)**	(819.7)	**(5.6)**	(10.6)	**(317.3)**	(830.3)
Net foreign exchange gains (losses)	**1.7**	14.8	**–**	–	**(7.8)**	(7.2)	**3.5**	150.3	**0.2**	4.9	**(2.4)**	162.8	**3.0**	0.7	**0.6**	163.5
Net gains (losses) on other financial instruments	**0.1**	14.4	**–**	–	**–**	–	**–**	–	**–**	–	**0.1**	14.4	**(98.1)**	(18.9)	**(98.0)**	(4.5)
Income (loss) before operating and administrative expenses	**1,190.7**	1,438.2	**50.1**	38.2	**105.9**	93.3	**(165.2)**	(609.3)	**3.8**	25.8	**1,185.3**	986.2	**(100.1)**	82.5	**1,085.2**	1,068.7
Operating and administrative expenses	**587.7**	586.1	**88.2**	75.2	**43.5**	43.4	**46.8**	28.6	**7.6**	7.9	**773.8**	741.2	**24.5**	25.0	**798.3**	766.2
Net income (loss)	**603.0**	852.1	**(38.1)**	(37.0)	**62.4**	49.9	**(212.0)**	(637.9)	**(3.8)**	17.9	**411.5**	245.0	**(124.6)**	57.5	**286.9**	302.5

[1] Some numbers may not match exactly with numbers in the Consolidated Financial Statements due to rounding.

Operating and administrative expenses
for the years ended March 31 ($ in millions unless otherwise noted)

	2020	2021	2022	2023	**2024**
Salaries and benefits					
Salaries and other benefits	377.4	389.9	467.5	442.5	**483.5**
Defined benefit plan expense	75.6	64.6	77.3	56.5	**48.3**
	453.0	454.4	544.8	499.0	**531.8**
Premises and equipment	44.2	43.2	42.2	43.6	**45.8**
Other expenses					
Professional and outsourcing fees	95.2	96.8	91.3	114.9	**109.4**
Computers and software, including amortization and depreciation	47.2	51.5	53.3	59.4	**62.7**
Communications, advertising, and promotion	22.7	19.6	20.8	30.6	**26.8**
Other	25.1	8.5	22.5	18.7	**21.8**
	190.2	176.4	187.9	223.6	**220.7**
Total operating and administrative expenses	687.3	674.0	774.9	766.2	**798.3**
Efficiency ratio	41.3%	38.3%	39.9%	34.5%	**35.5%**

Operating and administrative expenses

Operating and administrative expenses were $798.3 million in fiscal 2024, $32.1 million higher than the $766.2 million recorded last year. The increase was mainly due to higher salaries and benefits due a higher average number of employees, offset by lower professional and outsourcing fees.

The efficiency ratio is a measure of the efficiency with which BDC incurs expenses to generate revenue from its operations. It is calculated as operating and administrative expenses as a percentage of net revenue. It excludes CIP, pension expenses, Venture Capital net revenue, Venture Capital Bridge Financing Program net revenue as well as CDAP. A lower ratio indicates improved efficiency. Over the years, BDC has made a concerted effort to achieve efficiencies while fulfilling its role as a development bank and implementing government priorities by carefully managing operating expenses, and by identifying and gaining efficiencies.

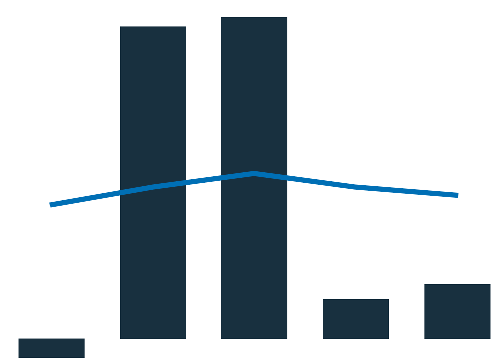
BDC's efficiency ratio increased to 35.5% in 2024 from 34.5% in 2023. The increase is primarily explained by lower net revenue generated from CAP due to the declining portfolio.

Capital management and Adjusted return on common equity

With BDC's profitability surpassing the required capital to support portfolio growth, $792.0 million of capital was generated on a cumulative basis above the internal target rate from our core activities, resulting in an internal capital ratio of 116.1%. On the date of approval of the fiscal 2024 Consolidated Financial Statements, a $337.0 million dividend was declared based on fiscal 2024 performance. Capital generated above the internal target rate amounted to $2.5 billion for CAP.

BDC's adjusted return on common equity (ROE) was 4.0% in fiscal 2024, lower than the 10-year moving average of 10.6%, but higher than the 2.9% reported in fiscal 2023.

Adjusted return on common equity (ROE)
as at March 31

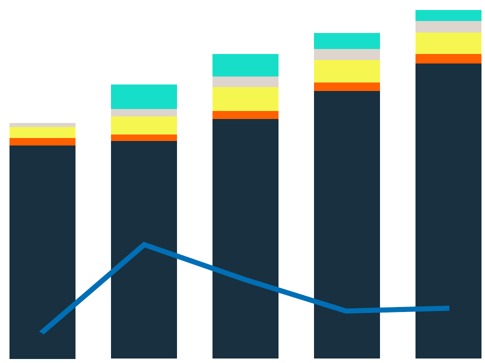


	2020	2021	2022	2023	**2024**
Adjusted ROE[1]	(1.4%)	22.9%	23.6%	2.9%	**4.0%**
Adjusted ROE—10-year moving average	9.9%	11.2%	12.2%	11.2%	**10.6%**

[1] Adjusted ROE is calculated based on equity attributable to BDC's shareholder (see the glossary on page 143 for a detailed definition).

Consolidated portfolio by segment (at carrying value)

as at March 31 ($ in millions unless otherwise noted)



	2020	2021	2022	2023	**2024**
Financing	28,064	28,627	31,499	35,207	**38,822**
Growth & Transition Capital	982	914	1,076	1,171	**1,266**
Venture Capital	1,428	2,368	3,227	2,901	**2,865**
Capital Incentive Programs	539	963	1,382	1,515	**1,488**
Credit Availability Program	–	3,198	2,951	2,057	**1,478**
Total portfolio at carrying value	31,013	36,070	40,135	42,851	**45,919**
Portfolio growth %	3.9%	16.3%	11.3%	6.8%	**7.2%**
Loan guarantees exposure	11	295	3,456	3,320	**2,681**

Financing

$10.6B
in acceptances
in F24

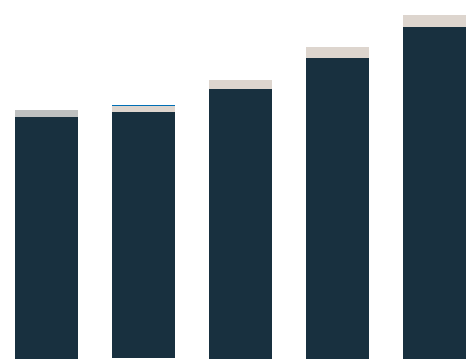
Portfolio of
$38.8B
Growth of 10.3%
since F23

Financing portfolio

The financing portfolio comprises loans, asset-backed securities (ABS) and debt investments, totalling $38.8 billion, net of the allowance for expected credit losses of $1.2 billion.

Financing portfolio (at carrying value)

as at March 31 ($ in millions)



	2020	2021	2022	2023	**2024**
Loans[1]	27,273.1	27,876.9	30,499.3	34,020.4	**37,522.5**
Asset-backed securities	778.0	733.0	988.0	1,176.0	**1,289.5**
Debt investments	12.0	17.0	11.0	11.0	**10.0**
Total Financing portfolio	28,063.1	28,626.9	31,498.3	35,207.4	**38,822.0**

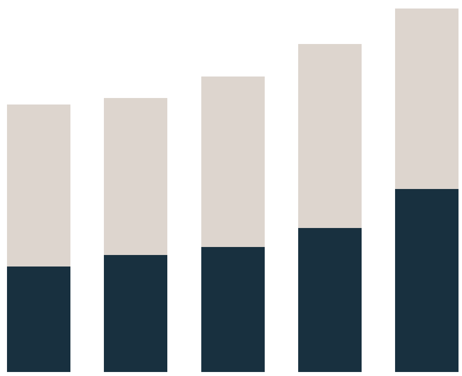
[1] Net of allowance for expected credit losses of $1.2 billion in fiscal 2024.

Financing's loan portfolio, before allowance for expected credit losses, increased by 10.6% from $35.0 billion a year ago to $38.7 billion as at March 31, 2024, compared to 11.1% as at March 31, 2023. The growth of the loan portfolio in fiscal 2024 is in line with that of fiscal 2023, despite the continued impact of a more difficult economic situation resulting in a lower SME demand for credit.

As at March 31, 2024, 49.7% of the loan portfolio was composed of floating-rate loans, below the fiscal 2023 level of 56.2%, as client preference leans more towards fixed-rate loans due to the inversion of the Canadian interest-rate yield curve.

Financing loan portfolio

as at March 31 ($ in millions)



	2020	2021	2022	2023	**2024**
Fixed-rate loan portfolio	11,234.2	12,438.0	13,321.0	15,311.4	**19,458.6**
Floating-rate loan portfolio	17,238.0	16,754.6	18,131.3	19,644.4	**19,245.0**
Total loan portfolio	28,472.2	29,192.6	31,452.3	34,955.8	**38,703.6**

The closing gross loan portfolio comprised $37.7 billion in performing loans and $1.0 billion in impaired loans.

Financing results

Financing recorded net income of $603.0 million for the year, compared to net income of $852.1 million in fiscal 2023. The unfavourable variance with last year was mainly driven by a provision for expected credit losses of $448.4 million recorded this fiscal year, compared to a provision for expected credit losses of $85.9 million recorded last fiscal.

Financing results

for the years ended March 31 ($ in millions)

	2024	2023
Net interest income	**1,611.1**	1,466.4
Fee and other income	**28.8**	27.2
Provision for expected credit losses	**(448.4)**	(85.9)
Net change in unrealized appreciation (depreciation) of investments	**(1.6)**	1.9
Net realized gains (losses) on investments	**(1.0)**	(0.6)
Net gains (losses) on other financial instruments	**0.1**	14.4
Net foreign exchange gains (losses)	**1.7**	14.8
Income before operating and administrative expenses	**1,190.7**	1,438.2
Operating and administrative expenses	**587.7**	586.1
Net income from Financing	**603.0**	852.1

Financing results

for the years ended March 31 (as % of average portfolio)

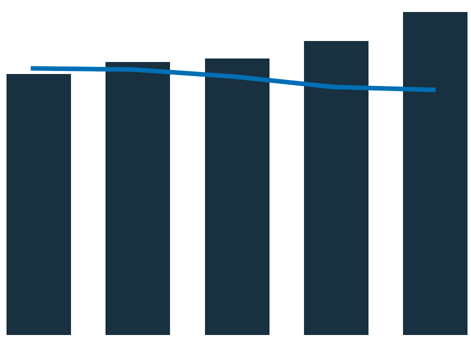
	2024	2023
Net interest income	**4.2%**	4.3%
Fee and other income	**0.1%**	0.1%
Provision for expected credit losses	**(1.2%)**	(0.2%)
Income before operating and administrative expenses	**3.1%**	4.2%
Operating and administrative expenses	**1.5%**	1.7%
Net income from Financing	**1.6%**	2.5%

Net interest income

Net interest income reflects interest income less interest expense on borrowings. Net interest income reached $1,611.1 million in fiscal 2024, compared to $1,466.4 million in fiscal 2023. The increase of $144.7 million was primarily the result of growth in the portfolio. The net interest income margin, which is the ratio of net interest income to the average loan portfolio, decreased from 4.26% in fiscal 2023 to 4.21% in fiscal 2024, reflecting our risk and portfolio mix, as well as our client’s preference for fixed rate loans.

Financing net interest income

for the years ended March 31 ($ in millions)



	2020	2021	2022	2023	**2024**
Net interest income	1,300.6	1,360.1	1,378.9	1,466.4	**1,611.1**
As a % of average Financing portfolio	4.58%	4.56%	4.44%	4.26%	**4.21%**

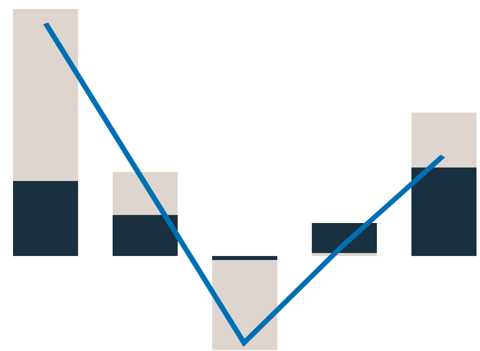
Provision for expected credit losses

The provision for expected credit losses (ECL) is the amount charged to income to maintain the total allowance at a level considered adequate to absorb the credit losses expected in the portfolio at the statement of financial position date. The ECL model calculates a probability-weighted estimate that incorporates forward-looking information representing three macroeconomic scenarios.

In fiscal 2024, Financing recorded a provision for expected credit losses of $448.4 million compared to a provision for expected credit losses of $85.9 million last fiscal, representing an unfavourable variance of $362.5 million. Fiscal 2024’s provision for expected credit losses on performing loans reflects a modest macroeconomic outlook as there remains risks related to higher debt levels, a rising unemployment rate, persistent inflation rate above the Bank of Canada target, elevated interest rates and geopolitical tensions.

Provision for expected credit losses on loans

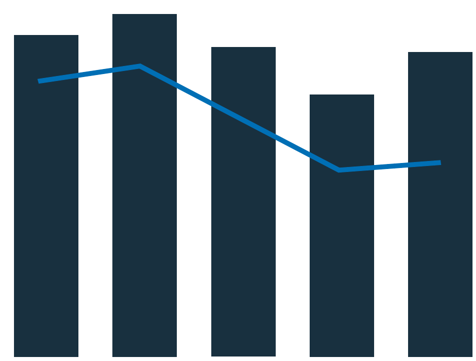
for the years ended March 31 ($ in millions unless otherwise noted)



	2020	2021	2022	2023	**2024**
Impaired	233.9	128.2	12.5	94.2	**276.2**
Performing	538.6	133.8	(280.2)	(8.3)	**172.2**
Provision for expected credit losses on loans	772.5	262.0	(267.7)	85.9	**448.4**
As a % of average loan portfolio	2.7%	0.9%	(0.9%)	0.2%	**1.2%**

Impaired portfolio

as at March 31 ($ in millions unless otherwise noted)

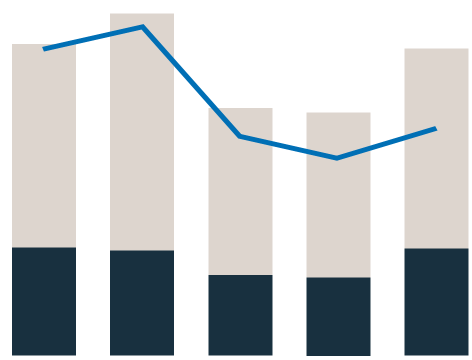


	2020	2021	2022	2023	**2024**
Impaired portfolio	1,061.6	1,130.6	1,021.5	864.9	**1,006.4**
Impaired portfolio as a % of total loan portfolio	3.7%	3.9%	3.2%	2.5%	**2.6%**

BDC closely manages the $1.0 billion in impaired loans, which represented 2.6% of the total portfolio on March 31, 2024, slightly higher than the 2.5% on March 31, 2023.

The provision for expected credit losses on impaired loans was $276.2 million compared to $94.2 million in fiscal 2023. A significant factor influencing the allowance on impaired loans is the volume of loans that were downgraded from performing to impaired status. When financial conditions deteriorate, more loans go into default. We then classify them as impaired and record an amount equal to the net exposure in the allowance for expected credit losses on impaired loans. The percentage of these downgrades increased to 2.4% of the opening performing portfolio in fiscal 2024, compared to 1.7% for fiscal 2023, whereas the provision for expected credit losses on impaired loans increased to 0.72% of the average portfolio compared to 0.27% for fiscal 2023.

Allowance for expected credit losses
as at March 31 ($ in millions unless otherwise noted)



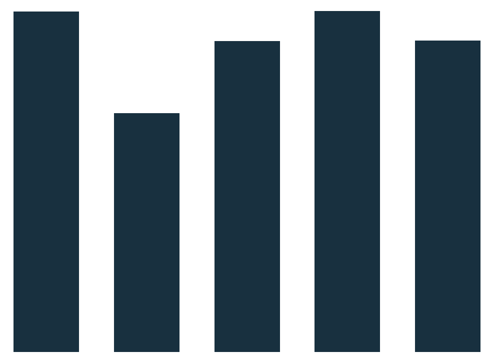
	2020	2021	2022	2023	**2024**
Impaired	414.7	403.3	308.7	300.6	**411.4**
Performing	784.5	912.3	644.3	634.8	**769.7**
Total allowance	1,199.2	1,315.6	953.0	935.4	**1,181.1**
Total allowance as a % of loan portfolio	4.2%	4.5%	3.0%	2.7%	**3.1%**

The total allowance for expected credit losses increased to $1,181.1 million on March 31, 2024, compared to $935.4 million in fiscal 2023. The total allowance represented 3.1% of the total loans outstanding, higher than the 2.7% recorded last year as a result of a $134.9 million increase in the allowance on the performing portfolio and a $110.8 million increase in the allowance on the credit impaired portfolio.

Operating and administrative expenses

Operating and administrative expenses were $587.7 million in fiscal 2024, slightly higher than the $586.1 million recorded last year. The increase was mainly due to higher salaries and benefits due to additional resources to support the growth of our portfolio and higher technology expenses to support our innovation and digital transformation projects, offset by lower professional fees. Although operating expenses were slightly higher than last year, as a percentage of the average portfolio, operating and administrative expenses decreased from 1.7% recorded in fiscal 2023 to 1.5% for fiscal 2024.

Financing efficiency ratio[1]
for the years ended March 31



2020	2021	2022	2023	**2024**
34.7%	24.8%	31.8%	36.3%	**33.6%**

[1] A lower ratio indicates improved efficiency.
For the definition of efficiency ratio, refer to the Glossary on page 143.

The Financing efficiency ratio improved from 36.3% in fiscal 2023 to 33.6% in fiscal 2024, as net revenues increased while operating and administrative expenses remained relatively stable.

Advisory Services

3,068
mandates in F24

23% growth
vs. F23

$52M
in net contracts
signed in F24

25% growth
vs. F23

Advisory Services delivered 3,068 advisory mandates during fiscal 2024 generating impact and supporting both smaller and larger Canadian SMEs. This represents an increase of 23.2% compared to 2,491 mandates delivered in fiscal 2023, driven by the services offered to support entrepreneurs in their digital adoption plan under CDAP.

Advisory Services recorded a net loss of $38.1 million in fiscal 2024, compared to a net loss of $37.0 million in fiscal 2023. Advisory Services' revenues of $50.1 million in fiscal 2024 were higher than the $38.2 million recorded last year driven by the high demand for CDAP mandates. Operating and administrative expenses of $61.5 million were $6.0 million higher compared to those recorded in fiscal 2023 mainly explained by higher salaries and benefits, higher professional fees and higher cost allocations from other divisions.

Advisory Services

for the years ended March 31 ($ in millions)

	2024	2023
Revenue	**50.1**	38.2
Delivery expenses[1]	**26.7**	19.7
Gross operating margin	**23.4**	18.5
Operating and administrative expenses	**61.5**	55.5
Net loss from Advisory Services	**(38.1)**	(37.0)

[1] Delivery expenses are included in operating and administrative expenses in the Consolidated Statement of Income.

Growth & Transition Capital

$462M
in acceptances
in F24

$1.3B
debt investments
at cost

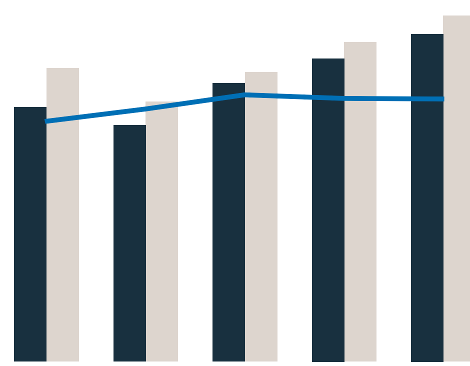
8% growth
vs. F23

Growth & Transition Capital investment portfolio

GTC's investments portfolio at cost increased by 8.3% to $1,336.8 million in fiscal 2024. The fair value as a percentage of cost decreased slightly from 94.9% to 94.7%.

Growth & Transition Capital portfolio—total investment

as at March 31 ($ in millions unless otherwise noted)



	2020	2021	2022	2023	**2024**
Fair value	982.0	913.9	1,075.8	1,171.0	**1,265.8**
Cost	1,132.7	1,003.5	1,118.5	1,234.0	**1,336.8**
Fair value as % of cost	86.7%	91.1%	96.2%	94.9%	**94.7%**

Growth & Transition Capital results

Growth & Transition Capital recorded net income of $62.4 million for the year, compared to net income of $49.9 million in fiscal 2023. Net income included an amount of $0.1 million in net loss attributable to non-controlling interests in fiscal 2024, compared to net loss of $16.0 million last year. The favourable variance from last year was mainly driven by lower net fair value depreciation of investments.

Growth & Transition Capital results

for the years ended March 31 ($ in millions)

	2024	2023
Net revenue on investments	**121.6**	120.7
Net change in unrealized appreciation (depreciation) of investments	**(7.9)**	(20.2)
Net foreign exchange gains (loss)	**(7.8)**	(7.2)
Income before operating and administrative expenses	**105.9**	93.3
Operating and administrative expenses	**43.5**	43.4
Net income from Growth & Transition Capital	**62.4**	49.9
Net income (loss) attributable to:		
BDC's shareholder	**62.5**	65.9
Non-controlling interests	**(0.1)**	(16.0)
Net income from Growth & Transition Capital	**62.4**	49.9

Growth & Transition Capital results

for the years ended March 31 (as % of average portfolio)

	2024	2023
Net revenue on investments	**9.7%**	10.3%
Net change in unrealized appreciation (depreciation) of investments	**(0.6%)**	(1.7%)
Net foreign exchange gains (losses)	**(0.6%)**	(0.6%)
Income before operating and administrative expenses	**8.4%**	8.0%
Operating and administrative expenses	**3.4%**	3.7%
Net income from Growth & Transition Capital	**5.0%**	4.3%
Net income (loss) attributable to:		
BDC's shareholder	**5.0%**	5.6%
Non-controlling interests	**(0.0%)**	(1.3%)
Net income from Growth & Transition Capital	**5.0%**	4.3%

Net change in unrealized appreciation (depreciation) of investments

In fiscal 2024, Growth & Transition Capital recorded a net change in unrealized depreciation of investments of $7.9 million compared to a net change in unrealized depreciation of investments of $20.2 million last year. As shown in the table below, the lower net change in unrealized depreciation of investments for this fiscal year was due to a decrease in net fair value depreciation of investments.

Net change in unrealized appreciation (depreciation) of investments

for the years ended March 31 ($ in millions)

	2024	2023
Net fair value appreciation (depreciation)	**(19.9)**	(31.9)
Reversal of net fair value depreciation (appreciation) due to realized income and write-offs	**12.0**	11.7
Net change in unrealized appreciation (depreciation) of investments	**(7.9)**	(20.2)

Venture Capital

Authorizations in F24:	$1.7B
$232M in direct investments	Direct Investments
$172M in indirect investments	$1.1B Indirect Equity Investments in funds (fair value)

Direct investment

Since 2012, BDC has been managing several direct internal investment funds to foster and finance innovation in many sectors including but not limited to: information and communications technology; healthcare; industrial clean technology; clean energy; materials and agriculture and deep tech.

BDC is also a leader in reinforcing the early-stage innovation ecosystem and filling the gap in seed funding with strategic investments in other ecosystem-building activities.

Indirect investment

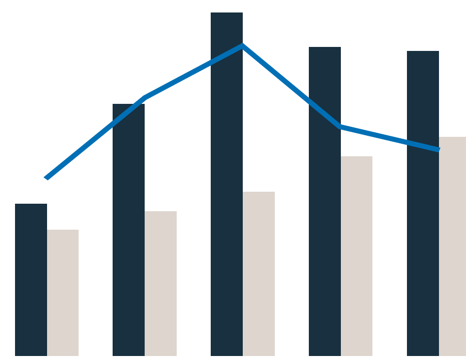
The goal of BDC's indirect investing strategy is to help create a thriving ecosystem of high-performing fund managers, while generating positive results. To achieve this mandate, BDC supports a mix of emerging and established managers, and focuses on helping top-performing funds evolve into globally competitive mature funds over time. The performance of BDC's own portfolio of fund investments—a good proxy for Canadian industry performance—has improved significantly in recent years, closing the gap with the more mature U.S. VC industry.

Venture Capital portfolio

VC's investment portfolio is composed of $28.9 million in debt investments, $1,720.9 million in direct equity investments and $1,115.3 million in indirect equity investments in funds.

The fair value of the portfolio decreased from $2,901.1 million in fiscal 2023 to $2,865.1 million this year. The fair value of the total portfolio as a percentage of cost was 139.3% as at March 31, 2024, down from 154.6% last year, driven by the fair value depreciation of investments this fiscal year due to economic uncertainties in the venture capital market. Higher fair value depreciation in our portfolio was driven by slower investment activity as well as decreases in growth expectations from our investee companies. High interest rates and inflation made it challenging for startups to attract venture capital as investors maintained a cautious approach amid an economic slowdown. Some of the depreciation was offset by increases in the public markets, notably the technology sectors.

Venture Capital portfolio—total investments
as at March 31 ($ in millions unless otherwise noted)



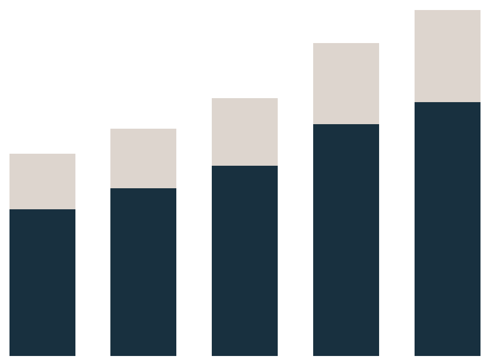
	2020	2021	2022	2023	**2024**
Fair value	1,428.1	2,368.1	3,226.6	2,901.1	**2,865.1**
Portfolio (cost)	1,185.4	1,358.9	1,541.3	1,876.6	**2,056.5**
Fair value as % of cost	120.5%	174.3%	209.3%	154.6%	**139.3%**

Venture Capital portfolio (at fair value)
as at March 31 ($ in millions)

	2020	2021	2022	2023	**2024**
Debt investments	–	2.0	13.6	35.6	**28.9**
Direct equity investments	824.4	1,460.2	2,026.9	1,705.8	**1,720.9**
Indirect equity investments in Funds	603.7	905.9	1,186.1	1,159.7	**1,115.3**
Total Venture Capital portfolio (at fair value)	1,428.1	2,368.1	3,226.6	2,901.1	**2,865.1**

The total Venture Capital commitment to investees, which represents the portfolio outstanding at cost plus undisbursed commitments, amounted to $2,799.1 million as at March 31, 2024. This represents $50.9 million committed to debt investments, $1,434.1 million to direct equity investments and $1,314.1 million to indirect equity investments in funds, for an increase of 10.5% compared to last year.

Total commitment to Venture Capital investees
as at March 31 ($ in millions)



	2020	2021	2022	2023	**2024**
Portfolio (cost)	1,185.4	1,358.9	1,541.3	1,876.6	**2,056.5**
Undisbursed commitment	449.6	479.1	546.8	655.6	**742.6**
Total commitment to Venture Capital investees	1,635.0	1,838.0	2,088.1	2,532.2	**2,799.1**

Venture Capital results

Venture Capital recorded a net loss of $212.0 million, compared to a net loss of $637.9 million last year. The favourable variance from last year was mainly driven by lower net change in unrealized depreciation of investments, offset by lower net foreign exchange gains. VC's results are affected by high volatility in the fair value of our investments due to the riskier nature of venture capital.

Venture Capital results
for the years ended March 31 ($ in millions)

	2024	2023
Net revenue (loss) on investments	**51.4**	45.2
Net change in unrealized appreciation (depreciation) of investments	**(220.1)**	(804.8)
Net foreign exchange gains (losses)	**3.5**	150.3
Income (loss) before operating and administrative expenses	**(165.2)**	(609.3)
Operating and administrative expenses	**46.8**	28.6
Net income (loss) from Venture Capital	**(212.0)**	(637.9)
Net income (loss) attributable to:		
BDC's shareholder	**(209.1)**	(575.7)
Non-controlling interests	**(2.9)**	(62.2)
Net income (loss) from Venture Capital	**(212.0)**	(637.9)

Net revenue on investments

The net revenue on investments, which comprised net realized gain on investments, write-offs, and other income, was $51.4 million, compared to $45.2 million recorded in fiscal 2023. The increase of $6.2 million in net revenue was mainly due to higher net realized gains from sales of investments. Proceeds received from divestiture of investments amounted to $204.4 million in fiscal 2024, compared to $158.0 million in fiscal 2023.

Net change in unrealized appreciation (depreciation) of investments

VC recorded a net change in unrealized depreciation of investments of $220.1 million, compared to a net change in unrealized depreciation of investments of $804.8 million last year. The decrease in net change in unrealized depreciation of investments is mainly due to lower net fair value depreciation of investments.

Net change in unrealized appreciation (depreciation) of investments
for the years ended March 31 ($ in millions)

	2024	2023
Net fair value appreciation (depreciation)	**(205.2)**	(785.5)
Reversal of fair value depreciation (appreciation) on divested investments and write-offs	**(14.9)**	(19.3)
Net change in unrealized appreciation (depreciation) of investments	**(220.1)**	(804.8)

A net fair value depreciation of investments of $4.0 million was recorded for debt investments, $113.3 million for direct equity investments, and $87.9 million for indirect equity investments in funds in fiscal 2024 for a total net fair value depreciation of $205.2 million, explained by private and public market decreases in the past year in both direct and indirect underlying portfolios.

Net foreign exchange gains

Net foreign exchange gains of $3.5 million on investments were due to foreign exchange fluctuations in the U.S. dollar denominated investments. BDC uses foreign exchange contracts to hedge U.S. dollar proceeds, following the occurrence of a liquidity event under which a venture capital investment is monetized as cash.

Operating and administrative expenses were $46.8 million, higher than the $28.6 million recorded last year. In fiscal 2023, there was a decrease in the long-term incentive plan provision recorded in salaries and benefits.

Capital Incentive Programs

Authorizations in F24:

Cleantech Practice

$32.5M

VCCI II

$74.3M

$403M

Direct Equity Investments

$1.1B

Indirect Equity Investments (fair value)

VCAP and VCCI

BDC plays a leadership role in strengthening the Canadian venture capital ecosystem. Recognizing the importance of venture capital to Canada's economic prosperity, the government asked BDC to manage VCAP and VCCI to help increase available capital for promising innovative Canadian start-ups and create a vibrant and sustainable venture capital ecosystem in Canada led by the private sector.

BDC's role was to provide advice and analysis to support the government's design of VCAP and VCCI; negotiate and make investments as the government's agent; administer the flow of capital; and monitor the initiative for the government.

Through VCAP, the government committed $340.0 million to four private sector funds of funds and $50.0 million to four high-performing VC funds. This capital was used to leverage over $904.0 million in private sector capital and $112.5 million from provincial governments, bringing the total venture capital raised under VCAP to $1.4 billion.

Through VCCI, the government committed $372.0 million to four private sector funds of funds, five alternative model VC funds and three cleantech funds. This capital was used to leverage over $1.4 billion from all other capital sources including private sector investors, provincial governments and crown corporations, bringing the total venture capital raised under VCCI to $1.9 billion.

In fiscal 2023, VCCI was renewed to deploy $450 million under the Venture Capital Catalyst Initiative II (VCCI II), to support private funds of funds, funds focused in investments in life science technologies and entrepreneurs from underrepresented groups.

Cleantech Practice

Recognizing the importance of giving high-potential innovative cleantech firms access to financing, the federal government requested BDC to further support the growth and expansion of future Canadian global cleantech champions. The 2017 budget allocated $600 million in new capital to BDC for debt and equity transactions that exceed BDC's normal risk appetite. BDC's Cleantech Practice aims to build globally competitive Canadian cleantech firms and a long-term commercially sustainable cleantech industry that will, over time, be able to attract the necessary private sector capital investments to grow.

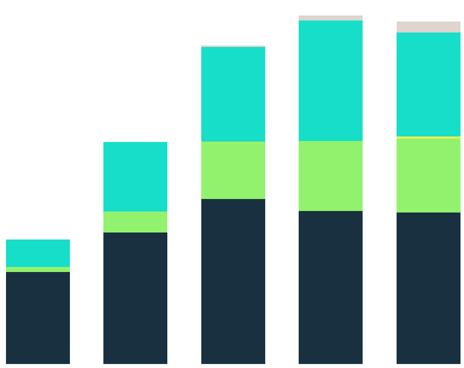
Indigenous Growth Fund

BDC initiated the Indigenous Growth Fund in fiscal 2021. With a capital injection of $50 million from the government, BDC will provide $100 million to Aboriginal Financial Institutions to offer loans to new and expanding Indigenous businesses.

Capital Incentive Programs portfolio

As at March 31, 2024, the total portfolio stood at $1,487.7 million ($657.3 million from VCAP, $321.4 million from VCCI, $10.3 million from VCCI II, $450.2 million from Cleantech Practice, and $48.5 million from IGF), compared to $1,514.6 million last year ($663.7 million from VCAP, $304.7 million from VCCI, $523.6 million from Cleantech Practice and $22.6 million from IGF).

CIP portfolio by fund
as at March 31 ($ in millions)



	2020	2021	2022	2023	**2024**
VCAP	399.6	570.8	715.9	663.7	**657.3**
VCCI	19.7	89.5	251.3	304.7	**321.4**
VCCI II	–	–	–	–	**10.3**
Cleantech	119.8	302.9	410.3	523.6	**450.2**
IGF	–	–	5.0	22.6	**48.5**
Total	539.1	963.2	1,382.5	1,514.6	**1,487.7**

Capital Incentive Programs results

CIP recorded a net loss of $3.8 million in fiscal 2024, compared to net income of $17.9 million last fiscal. The decrease in net income was mainly due to lower net change in unrealized appreciation of investments offset by higher net revenue on investments. Operating and administrative expenses amounted to $7.6 million in fiscal 2024, slightly lower than last year.

Capital Incentive Programs results
for the years ended March 31 ($ in millions)

	2024	2023
Net revenue on investments	**85.7**	17.5
Net change in unrealized appreciation (depreciation) of investments	**(82.1)**	3.4
Net foreign exchange gains (losses)	**0.2**	4.9
Income before operating and administrative expenses	**3.8**	25.8
Operating and administrative expenses	**7.6**	7.9
Net income (loss) from Capital Incentive Programs	**(3.8)**	17.9

Net revenue on investments

Net revenue on investments, comprising net interest income, net realized gains on investments, as well as fee and other income, reached $85.7 million, $68.2 million higher than in fiscal 2023, mostly due to higher net realized gains on investments.

Net change in unrealized appreciation (depreciation) of investments

CIP recorded a net change in unrealized depreciation of investments of $82.1 million, compared to a net change in unrealized appreciation of investments of $3.4 million last year. The decrease is mainly due to higher net fair value depreciation of investments.

Net change in unrealized appreciation (depreciation)
for the years ended March 31 ($ in millions)

	2024	2023
Net fair value appreciation (depreciation)	**(63.5)**	(2.2)
Reversal of net fair value depreciation (appreciation) due to realized income and write-offs	**(18.6)**	5.6
Net change in unrealized appreciation (depreciation) of investments	**(82.1)**	3.4

Credit Availability Program

$313M CDAP acceptances in F24	Over 45 participating financial institutions in HASCAP guarantee program	$2.7B HASCAP loan guarantees

All our COVID-19 measures are grouped under the Credit Availability Program segment. Through our relief measures, we extended our reach to tens of thousands of entrepreneurs who had not previously been clients and increased our support for existing clients. This action was taken in concert with the federal government and the private sector to help entrepreneurs through the crisis. These measures ended in fiscal 2022.

CAP also includes CDAP, a program by the Government of Canada to help SMEs adopt digital technologies and stay competitive by providing access to funding and expertise. The program is divided into two streams, each applicable to different sized SMEs. BDC's role is to provide advisory services and zero-interest loans to businesses that are eligible for the stream *Boost your Business Technology*. During February 2024, the government announced that the CDAP program was no longer accepting new applications.

Credit Availability Program portfolio

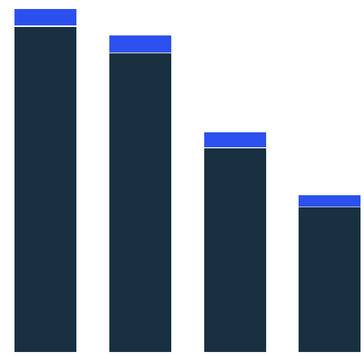
As at March 31, 2024, CAP's loan portfolio, net of allowance for expected credit losses, stood at $1,368.6 million. CAP's investment portfolio stood at $109.4 million ($4.5 million in debt investments and $104.9 million in direct equity investments).

The gross loan portfolio comprised $1,405.6 million in performing loans and $53.8 million in impaired loans. As at March 31, 2024, 76.1% of the loan portfolio was composed of floating-rate loans.

HASCAP guarantee acceptances amounted to $3.7 billion since the inception of the program, which is now closed for new authorizations. The actual exposure under the HASCAP guarantee program totalled $2.7 billion as at March 31, 2024, compared to $3.3 billion for the same period last year.

Credit Availability Program portfolio

as at March 31 ($ in millions)

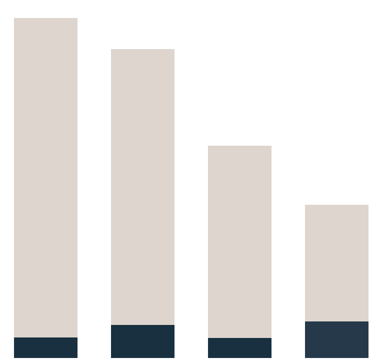


	2021	2022	2023	**2024**
Loan portfolio[1]	3,028.6	2,784.3	1,912.3	**1,368.6**
Debt equity investments	18.1	13.7	10.8	**4.5**
Direct equity investments	150.9	152.6	134.0	**104.9**
Total CAP portfolio	3,197.6	2,950.6	2,057.1	**1,478.0**
Loan guarantees exposure	286.6	3,452.0	3,318.6	**2,679.2**

[1] Net of allowance of $90.8 million

Credit Availability Program loan portfolio

as at March 31 ($ in millions)



	2021	2022	2023	**2024**
Fixed-rate loan portfolio	191.7	313.5	187.6	**348.2**
Floating-rate loan portfolio	3,046.9	2,629.0	1,833.3	**1,111.2**
Total loan portfolio	3,238.6	2,942.5	2,020.9	**1,459.4**

Credit Availability Program results

CAP recorded a net loss of $124.6 million for fiscal 2024, lower than the net income of $57.5 million recorded in fiscal 2023, mainly driven by lower net interest income, due in part to a decrease in CAP's loan portfolio, and to higher net losses on other financial instruments. Net losses on other financial instruments were generated by fair value losses on initial recognition of CDAP loans, which are provided at 0% interest. Operating and administrative expenses stood at $24.5 million, which is slightly lower than the $25.0 million for fiscal 2023.

Credit Availability Program results

for the years ended March 31 ($ in millions)

	2024	2023
Net interest income	**252.1**	335.4
Fee and other income	**36.0**	39.9
Provision for expected credit losses	**(292.9)**	(258.0)
Net realized gains (losses) on investments	**5.4**	(6.0)
Net change in unrealized appreciation (depreciation) of investments	**(5.6)**	(10.6)
Net gains (losses) on other financial instruments	**(98.1)**	(18.9)
Net foreign exchange gains (losses)	**3.0**	0.7
Income (loss) before operating and administrative expenses	**(100.1)**	82.5
Operating and administrative expenses	**24.5**	25.0
Net income (loss) from Credit Availability Program	**(124.6)**	57.5

Credit Availability Program results

for the years ended March 31 (as % of average portfolio)

	2024	2023
Net interest income	**14.8%**	13.5%
Fee and other income	**2.1%**	1.6%
Provision for expected credit losses	**(17.2%)**	(10.4%)
Net realized gains (losses) on investments	**0.3%**	(0.2%)
Net change in unrealized appreciation (depreciation) of investments	**(0.3%)**	(0.4%)
Net gains (losses) on other financial instruments	**(5.8%)**	(0.8%)
Net foreign exchange gains (losses)	**0.2%**	0.0%
Income (loss) before operating and administrative expenses	**(5.9%)**	3.3%
Operating and administrative expenses	**1.4%**	1.0%
Net income (loss) from Credit Availability Program	**(7.3%)**	2.3%

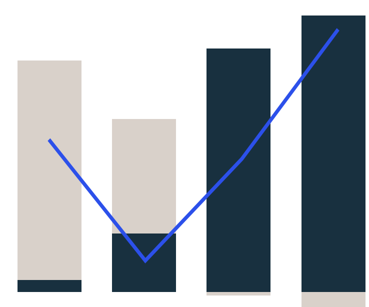
Provision for expected credit losses

In fiscal 2024, CAP recorded a provision for expected credit losses on loans of $292.9 million, compared to a provision of $258.0 million recorded in fiscal 2023. The provision for expected losses on performing loans was a reversal of $22.0 million in fiscal 2024, compared to a reversal of $3.5 million in fiscal 2023. The provision on impaired loans was $314.9 million in fiscal 2024, compared to a provision of $261.5 million in fiscal 2023. The higher provision for expected credit losses compared to last year was mainly driven by an increase in HASCAP loans that migrated from performing to impaired.

Impaired loans of the CAP segment amounted to $53.8 million, representing 3.7% of the total loans outstanding.

Provision for expected credit losses on loans

for the years ended March 31 ($ in millions unless otherwise noted)

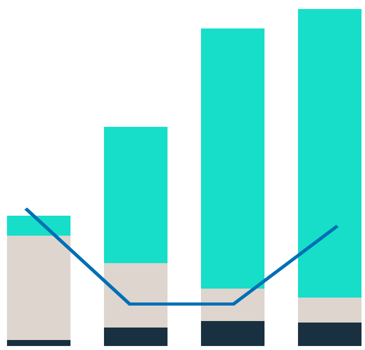


	2021	2022	2023	**2024**
Impaired	12.6	61.5	261.5	**314.9**
Performing	232.6	121.6	(3.5)	**(22.0)**
Provision for expected credit losses on loans	245.2	183.1	258.0	**292.9**
As a % of average loan portfolio and loan guarantees	10.6%	3.6%	4.4%	**6.2%**

The total allowance for expected credit losses on loans was $90.8 million, representing 6.2% of the total loans outstanding and the allowance for expected credit losses on loan commitments and guarantees reached $571.7 million which is mainly attributable to HASCAP.

Allowance for expected credit losses

as at March 31 ($ in millions unless otherwise noted)



	2021	2022	2023	**2024**
Impaired	10.9	34.7	47.5	**44.1**
Performing	199.2	123.5	61.1	**46.7**
Total allowance	210.1	158.2	108.6	**90.8**
Total allowance as a % of loan portfolio	6.5%	5.4%	5.4%	**6.2%**
ECL on commitments and loan guarantees	38.6	260.0	497.4	**571.7**

Financial Condition

Total assets amounted to $47.4 billion, an increase of $3.2 billion from a year ago, primarily due to a $3.0 billion increase in the loans portfolio.

At $38.9 billion (gross portfolio of $40.2 billion, net of a $1.3 billion allowance for expected credit losses), the loans portfolio represented BDC's largest asset. The gross loans portfolio has grown by 8.6% since March 31, 2023, reflecting an increase in the level of activity in Financing. BDC remained committed to actively supporting SMEs' needs and helping them improve competitiveness, while continuing to identify and address market gaps in financing across Canada.

BDC's investment portfolios, which include debt investments, direct equity investments and indirect equity investments in funds stood at $5.7 billion, the same level as the $5.7 billion as at March 31, 2023. The debt investments portfolio amounted to $1.3 billion as at March 31, 2024 compared to $1.2 billion as at March 31, 2023. Direct equity investments decreased from $2.3 billion last year to $2.2 billion as at March 31, 2024 due to net fair value depreciation. Indirect equity investments in funds amounted to $2.2 billion as at March 31, 2024 comparable to $2.2 billion as at March 31, 2023.

As at March 31, 2024, BDC recorded a net defined benefit asset of $338.3 million related to the registered pension plan, and a net defined benefit liability of $231.6 million for the other plans, for a total net defined benefit asset of $106.7 million. This represents a positive variance of $70.5 million compared to the total net defined benefit asset as at March 31, 2023, mostly as a result of higher returns on assets offset by lower discount rates used to value the net defined benefit liability. For further information, refer to Note 14—*Net Defined Benefit Asset or Liability* to the Consolidated Financial Statements.

Financial Condition

for the years ended March 31 ($ in millions)

	2020	2021	2022	2023	**2024**
Cash	1,821.4	800.5	906.4	878.9	**919.3**
Asset-backed securities	777.8	733.3	988.5	1,176.1	**1,289.5**
Loans, gross carrying amount	28,472.3	32,431.2	34,394.8	36,976.7	**40,162.9**
Allowance for expected credit losses	(1,199.2)	(1,525.7)	(1,111.2)	(1,044.0)	**(1,271.9)**
Investments	2,961.7	4,431.5	5,862.6	5,742.5	**5,737.9**
Net defined benefit asset	41.8	4.8	233.7	260.5	**338.3**
Other	277.6	272.5	292.2	294.2	**267.0**
Total assets	33,153.4	37,148.1	41,567.0	44,284.9	**47,443.0**
Borrowings	23,569.3	18,372.6	20,092.9	26,924.9	**29,610.8**
Net defined benefit liability	246.4	278.0	233.1	224.3	**231.6**
Expected credit losses on loan commitements and guarantees	67.1	106.6	315.8	554.3	**637.9**
Other	367.8	373.6	436.7	436.5	**433.1**
Total liabilities	24,250.6	19,130.8	21,078.5	28,140.0	**30,913.4**
Total equity	8,902.8	18,017.3	20,488.5	16,144.9	**16,529.6**

Cash

for the years ended March 31 ($ in millions)

	2020	2021	2022	2023	**2024**
Cash used by operating activities	(1,180.6)	(3,102.9)	(1,057.1)	(1,404.2)	**(2,229.3)**
Cash used by investing activities	(133.7)	(219.7)	(240.9)	(745.4)	**(352.8)**
Cash provided by financing activities	2,431.7	2,301.7	1,403.9	2,122.1	**2,622.5**
Change in cash	1,117.4	(1,020.9)	105.9	(27.5)	**40.4**

BDC holds cash and cash equivalents in accordance with its treasury risk policy. The Bank's liquidities, which ensure funds are available to meet BDC's cash outflows, totalled $919.3 million as at March 31, 2024, compared to $878.9 million as at March 31, 2023. The increase is primarily explained by cash flows provided by financing activities, partly offset by cash flows used by operating and investing activities.

As at March 31, 2024, BDC funded its portfolios and liquidities with borrowings of $29.6 billion and total equity of $16.5 billion. Borrowings comprised $17.8 billion in short-term notes and $11.8 billion in long-term notes.

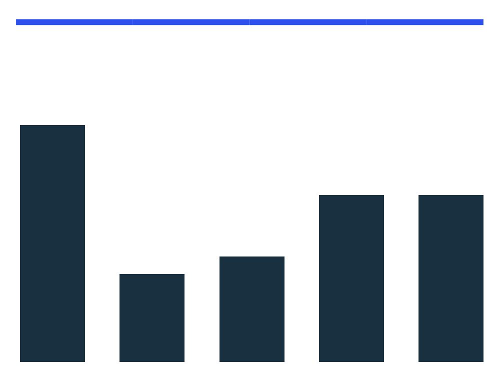
For the year ended March 31, 2024, net cash flows used operating activities amounted to $2,229.3 million, mainly to support the growth of the loans portfolio. Net cash flows used by investing activities amounted to $352.8 million, reflecting net disbursements for investments and asset-back securities. Financing activities provided $2,622.5 million in net cash flows, mainly explained by the net issuance of long-term notes of $4,570.0 million and the issuance of $350.0 million in common shares, offset by a negative net change in short-term notes of $1,944.0 million and the payment of dividends of $337.0 million.

On July 12, 2023, BDC issued 3.5 million common shares for cash proceeds of $350.0 million, which represents a capital injection in support of the renewed Venture Capital Catalyst Initiative (3.43 million common shares were issued in fiscal 2023 for cash proceeds of $343.0 million in support of the Canada Digital Adoption Program).

Following the approval by BDC's Board of Directors, the Minister of Finance authorized on June 6, 2024 the repurchase of 15.0 million of its common shares for a total value of $1.5 billion to reduce the excess capital in the Credit Availability Program (CAP) related to COVID-19 initiatives. The repurchase will be finalized in fiscal 2025. In fiscal 2023, to reduce the excess capital in CAP related to COVID-19 initiatives, BDC repurchased 50.0 million common shares for $5.0 billion.

Debt-to-equity ratio

as at March 31



	2020	2021	2022	2023	**2024**
Actual	2.7	1.0	1.2	1.9	**2.0**
Statutory limit	12.0	12.0	12.0	12.0	**12.0**

Capital management

Statutory limitations

The *BDC Act* specifies that the aggregate of borrowings and contingent liabilities in the form of guarantees provided by BDC may not exceed 12 times its equity. This ratio excludes accumulated other comprehensive income. BDC's debt-to-equity ratio as as at March 31, 2024 was 2.0:1 and 1.9:1 as at March 31, 2023.

In addition, the amount of paid-in capital, which is calculated as share capital plus contributed surplus, must not at any time exceed $20.0 billion per the *Business Development Bank of Canada Act, 1995* amended in October 2020. As at March 31, 2024, these amounts totalled $7.7 billion, compared to $7.3 billion as at March 31, 2023.

Capital adequacy

BDC's capital management framework ensures effective capital management in alignment with regulatory guidelines (Office of the Superintendent of Financial Institutions (OSFI)/Basel) and with other Canadian financial institutions. BDC strives to continuously evolve its capital adequacy techniques and measures to better reflect the Bank's inherent risks while integrating industry best practices.

BDC's capital management framework is based on its Internal Capital Adequacy Assessment Process (ICAAP), which is aligned with the OSFI's guidelines and the Capital and Dividend Policy Framework for Financial Crown Corporations.

The key principles behind BDC's capital management framework are as follows:

- BDC has adequate capital to protect itself against risks that could adversely impact its ability to deliver on its mandate and minimize the risk of recapitalization through a complete economic cycle.
- Capital generated above BDC's target capital is available to be returned to the shareholder in the form of dividends, at the discretion of BDC's Board of Directors.

The concept that capital has a cost is also embedded in the framework and related policies. It is ensured through strategic and efficient capital allocation to business segments, pricing models based on return on risk adjusted capital (RORAC) and assessment of financial performance against expected historical ranges and limits, as set out in BDC's risk appetite statement.

BDC's internal capital requirements are determined in the application of OSFI's Capital Adequacy Requirements for calculation of Pillar 1 and Pillar 2 capital requirements. Capital adequacy measures are used as an estimate of the required capital to absorb the maximum potential losses inherent in our activities. To assess its capital adequacy, BDC monitors its capital status regularly by comparing its available capital to its required capital. A key measure for assessing capital status adequacy is BDC's internal capital ratio.

To manage the capital for CAP, BDC has established an internal structure where CAP and its related capital is maintained independently from BDC's core portfolio. This is because CAP programs operate under a different risk appetite level than the core portfolio. BDC's core capital management framework excludes CIP and CAP because these programs are managed by BDC under a specific capital allocation from the shareholder.

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 and the capital management framework. Calculations are made as prescribed in OSFI's Capital Adequacy Requirements.

Required capital

BDC employs rigorous models to assess demand for capital arising from credit and investment, operational, business and market risk (interest rate risk as well as market risk related to the pension plan). 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. Economic capital is the methodology used to determine BDC's Pillar 2.

Economic capital models are developed based on advanced quantification methods and internal risk-based assumptions. Models consider risk diversification benefits and both disbursed and undisbursed commitments, including guarantees. A key principle underlying the economic capital models is the establishment of a solvency level that is set at a credit rating of AA. Economic capital models are validated by a third party as per the model validation policy.

Management operating range

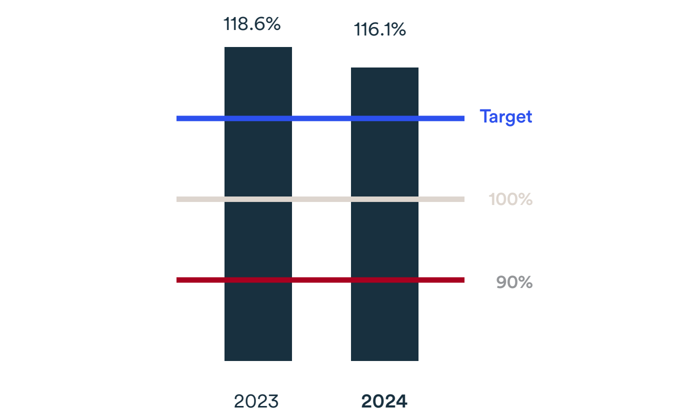
BDC's target capital level also factors in an operating range to mitigate the impact of unplanned capital volatility. It accounts for differences between planned and actual levels of activities, as well as other Corporate plan assumptions that are difficult to forecast and allows for capital to be managed near a target level by mitigating unplanned required capital.

Internal capital ratio (applicable to BDC's core portfolio)

BDC's key measure for determining and assessing the adequacy of its capital status is its internal capital ratio, which is expressed as the level of available capital over the economic capital required. The internal capital ratio is used to set BDC's target capital level as well as measure its capital adequacy risk appetite measures. Based on BDC's risk appetite statement, the capital management framework embeds the monitoring of the internal capital ratio through a complete economic cycle, against a minimum limit (90%) and a tolerance threshold in normal economic conditions (100%). BDC's target capital is revised annually based on BDC's Corporate plan forecasts for internal capital requirements and the management operating range, as well as any capital required by a potential stress testing capital shortfall, identified as part of the enterprise-wide stress testing program.

Internal capital ratio (BDC's core portfolio)[1]

as at March 31



- Actual
- Target capital
- Tolerance threshold (normal economic conditions)
- Limit (stressed period)

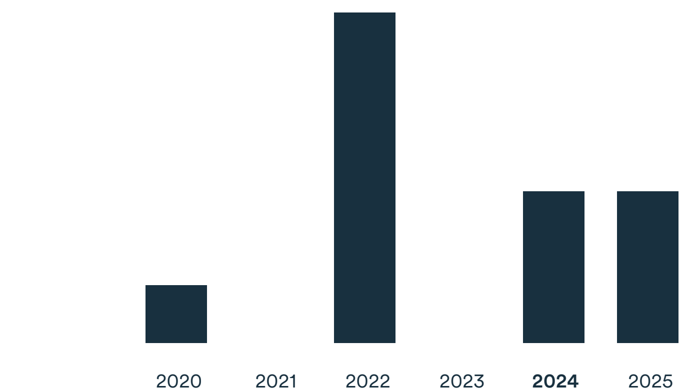
BDC's internal capital ratio, as at March 31, 2024, was 116.1%, above our internal target, but below the ratio of 118.6% as at March 31, 2023. The decrease in the internal capital ratio was driven by the $337.0 million dividends paid in the first quarter of fiscal 2024 and new investments in Venture Capital authorized at a higher pace than cash proceeds realized on exits. These items were partially offset by the capital generated from the Financing segment.

Dividends

BDC's dividend policy is aligned with the dividend methodology included in the Capital and Dividend Policy Framework for Financial Crown Corporations. Capital generated above the internal target rate, which is the difference between available capital and the combination of capital demand and management operating range, is available for additional operational needs and/or dividend payments, subject to the discretion of the Board of Directors. The calculation excludes CIP and CAP.

Dividends

for the years ended March 31 ($ in millions)



	2020	2021	2022	2023	**2024**	2025
Common dividends paid[1]	128.4	0.0	735.0	0.0	**337.0**	337.0

[1] Dividends are declared at the end of the current fiscal year based on the year's performance and paid in the following fiscal year.

As of March 31, 2024, BDC held $792.0 million in capital ($1.0 billion as of March 31, 2023) above the internal target rate. On the date of approval of the fiscal 2024 Consolidated Financial Statements, a dividend in the amount of $337.0 million was declared based on fiscal 2024 performance. A dividend of 337.0 million was paid in fiscal 2024 based on fiscal 2023 performance.

Capital adequacy (BDC's core portfolio, excluding CAP)

($ in million)

	March 31, 2024	March 31, 2023
Equity attributable to BDC's shareholder	**16,526**	16,139
Intangible assets, net of accumulated amortization	**(52)**	(48)
Net defined benefit asset	**(338)**	(260)
Adjustments for allowance for expected credit losses	**503**	456
Portion of equity attributable to CIP	**(2,382)**	(2,036)
Portion of equity attributable to CAP	**(3,356)**	(3,480)
Adjustments to available capital	**(5,625)**	(5,368)
Total available capital (a)	**10,901**	10,771
Required capital (b)	**9,389**	9,084
Capital status (a-b)	**1,512**	1,687
Management operating range (c)	**720**	675
Capital above the internal target rate (a-b-c)	**792**	1,012
Internal capital ratio	**116.1%**	118.6%

Credit Availability Program portfolio

The Credit Availability Program brings together initiatives meant to increase capital availability for specific SME needs, such as COVID-19-related needs for which the shareholder provided a total capital injection of $8.4 billion, of which $944.0 million was received in fiscal 2020 and $7.5 billion in fiscal 2021. During fiscal 2023, the shareholder provided a $343.0 million capital injection for the digital adoption requirements through the Canada Digital Adoption Program. This brings the total net capital injection earmarked for CAP initiatives to $8.7 billion.

To reduce the excess capital in CAP related to COVID-19 initiatives, BDC repurchased 50.0 million of its common shares for a cash payment of $5.0 billion in fiscal 2023 and a second repurchase of 15.0 million of its common shares for a cash payment of $1.5 billion was authorized by the Minister of Finance on June 6, 2024 and will be finalized in fiscal 2025.

Capital above the internal target rate for CAP reached $2.6 billion in fiscal 2024, compared to $2.4 billion in fiscal 2023.

Capital summary (BDC's CAP portfolio)

($ in million)

	March 31, 2024	March 31, 2023
Equity attributable to BDC's shareholder	**3,356**	3,480
Adjustments for allowance for expected credit losses	**50**	65
Total available capital (a)	**3,406**	3,545
Required capital (b)	**741**	1,006
Capital status (a-b)	**2,665**	2,539
Management operating range (c)	**78**	105
Capital above the internal target rate (a-b-c)	**2,587**	2,434

Corporate Plan Discussion

Financial performance and key measures

At the end of fiscal 2024, adjusted return on equity of 4.0% was lower than corporate plan (plan) of 6.2%. This was mainly due to a higher fair value depreciation in Venture Capital, combined with a higher level of provisions for expected credit losses in Financing. Despite an increase in fiscal 2025, the ratio will remain below the historical average as provisions for expected credit losses in Financing are excepted to remain elevated, albeit at a slightly lower level than in fiscal 2024. Moreover, Venture Capital results are projected to continue to deteriorate amid the current economic environment. The 10-year moving average adjusted ROE remains stable.

BDC's fiscal 2024 efficiency ratio ended better than plan at 35.5% as operating expenses were lower than anticipated mainly due to lower salaries and benefits. In addition, net revenue was higher due to Financing's portfolio exceeding plan and higher revenue from Advisory Services stemming from Canadian Digital Adoption Program (CDAP) mandates. Fiscal 2025 is projected to result in a slight deterioration in efficiency ratio, mostly due to lower revenue from a declining Credit Availability Program portfolio as COVID-19 initiatives are winding down.

In fiscal 2024, BDC's internal capital ratio ended above the plan at 116.1% due to lower capital consumption in Financing and Venture Capital. BDC will reach an internal capital ratio of 109.0% in fiscal 2025 due to capital demands outpacing the generated available capital. This is driven by the $337 million dividend payment and by higher capital needs in Financing due to robust portfolio growth.

Key financial indicators

as at March 31

	Plan 2025	**Actual 2024**	Plan 2024
Adjusted return on equity (annual)	5.9%	**4.0%**	6.2%
Adjusted return on equity (10-year moving average)	10.1%	**10.6%**	10.7%
BDC efficiency ratio	39.8%	**35.5%**	41.5%
Internal capital ratio (CORE)	109.0%	**116.1%**	113.0%

Consolidated net income

Net income in fiscal 2024 ended lower than plan by $181 million primarily due to higher unrealized depreciation of venture capital investments as well as higher provisions for expected credit losses in Financing. This was partially offset by lower operating and administrative expenses.

Fiscal 2025 is forecasted to show net income growth as the economic environment is expected to improve. Consolidated net income is expected to increase to $494 million driven by easing in provisions for expected credit losses as well as growth in Financing and Growth & Transition Capital's portfolios. BDC also expects lower unrealized depreciation of venture capital investments. Operating and administrative expenses are expected to increase in fiscal 2025 driven by the continued effort to digitalize our processes for better client and employee experience and support our reach and portfolio growth. Moreover, BDC plans to accelerate and develop initiatives supporting the recommendations of the most recent Legislative Review.

Consolidated statement of income

as at March 31 ($ in millions)

	Plan 2025	**Actual 2024**	Plan 2024
Net interest income	2,057	**2,015**	1,811
Net realized gains (losses) on investments	(57)	**87**	9
Revenue from Advisory Services	44	**50**	40
Fee and other income	92	**89**	109
Net revenue	2,136	**2,241**	1,969
Provision for expected credit losses	(594)	**(741)**	(634)
Net change in unrealized appreciation (depreciation) of investments	(49)	**(317)**	45
Net foreign exchange gains (losses)	–	**–**	–
Net gains (losses) on other financial instruments	(98)	**(98)**	(56)
Income before operating and administrative expenses	1,395	**1,085**	1,324
Operating and administrative expenses	901	**798**	856
Consolidated net income	494	**287**	468

Financial performance by segment

Financing

The net income from Financing in fiscal 2024 of $603 million was slightly below plan of $645 million. This variance was mainly driven by higher than planned provision for expected credit losses by $119.4 million, which was partially offset by a $40.1 million favourable variance in net interest income due to portfolio growth. In 2024, the loan guarantee solution pilot was delayed leading to lower loan guarantees exposure than planned.

Looking ahead to fiscal 2025, the net income from financing is expected to increase by $166 million compared to fiscal 2024. This increase is attributed to two key factors: net revenue increase of $143 million from portfolio growth and the provision for expected credit losses lower by $100 million as the economy is expected to recover. These favourable variances are expected to be slightly offset by an increase in operating and administrative expenses of $77 million from fiscal 2024 to enable BDC to increase its reach to support entrepreneurs across Canada.

Finally, Financing is expected to increase its loan guarantees exposure in fiscal 2025 through a pilot with a number of financial institutions that is designed to enable them to reach more underrepresented entrepreneurs.

Financing results

as at March 31 ($ in millions)

	Plan 2025	**Actual 2024**	Plan 2024
Net interest income	1,746	**1,611**	1,571
Fee and other income	36	**29**	31
Net realized gains (losses) on investments	–	**(1)**	–
Net revenue	1,782	**1,639**	1,602
Provision for expected credit losses	(348)	**(448)**	(329)
Net change in unrealized appreciation (depreciation) of investments	–	**(2)**	–
Net foreign exchange gains (losses)	–	**2**	–
Net gains (losses) on other financial instruments	–	**–**	–
Income before operating and administrative expenses	1,434	**1,191**	1,273
Operating and administrative expenses	665	**588**	628
Net income from Financing	769	**603**	645
Portfolio	43,317	**38,822**	38,697
Loan guarantees exposure	386	**1**	194

Growth & Transition Capital

Fiscal 2024 results were in line with plan. Leading into fiscal 2025, despite an anticipated economic recovery, GTC's target market is still expected to demonstrate slow growth, notably in the tech sector. As a result, net income is expected to slightly decrease mainly due to higher net realized losses considering persistent economic challenges and higher operating and administrative expenses to prepare the business as growth is expected to resume in future planning periods.

Growth & Transition Capital results

as at March 31 ($ in millions)

	Plan 2025	**Actual 2024**	Plan 2024
Net revenue (loss) on investments	111	**122**	121
Net change in unrealized appreciation (depreciation) of investments	(6)	**(8)**	(15)
Net foreign exchange gains (losses)	–	**(8)**	–
Income before operating and administrative expenses	105	**106**	106
Operating and administrative expenses	47	**44**	45
Net income from Growth & Transition Capital	58	**62**	61
Portfolio at fair value	1,283	**1,266**	1,268

Venture Capital

Venture Capital's fiscal 2024 results were below plan, driven primarily by larger unrealized net fair value depreciation of investments than anticipated as uncertain market conditions continued to have an impact on Venture Capital's investments. This was partially offset by net revenue higher than plan by $15 million as Venture Capital successfully divested from several investments in fiscal 2024, which is in line with our strategy of supporting the best performing Canadian companies with the technology and talent to assume leadership at the global level. Finally, operating and administrative expenses were lower than plan by $22 million due to a decrease in the long-term incentive plan following a net fair value depreciation of investments and Venture Capital's ability to remain efficient in its operations.

In fiscal 2025, challenging market dynamics for venture capital are expected to persist, which should lead to further net fair value depreciation and larger net realized losses on investments. As Venture Capital continues to grow to support the Canadian innovation ecosystem and prepares to launch several new initiatives, operating and administrative expenses are expected to increase by $3 million when compared to plan 2024.

Venture Capital results

as at March 31 ($ in millions)

	Plan 2025	**Actual 2024**	Plan 2024
Net revenue (loss) on investments	(15)	**51**	36
Net change in unrealized appreciation (depreciation) of investments	(63)	**(220)**	33
Net foreign exchange gains (losses)	–	**4**	–
Income before operating and administrative expenses	(78)	**(165)**	69
Operating and administrative expenses	72	**47**	69
Net income (loss) from Venture Capital	(150)	**(212)**	–
Portfolio at fair value	3,072	**2,865**	3,287

Advisory Services

In fiscal 2024, Advisory Services performed better than plan, driven by higher revenue than anticipated from subsidized mandates related to the Canadian Digital Adoption Program (CDAP). This led to a lower net loss of $38 million compared to an expected $43 million net loss.

Fiscal 2025 is projected to see a higher net loss due to lower revenue driven by the end of CDAP leading to lower mandates volume.

Advisory Services results

as at March 31 ($ in millions)

	Plan 2025	**Actual 2024**	Plan 2024
Revenue from activities	44	**50**	40
Delivery expenses	24	**27**	22
Gross operating margin	20	**23**	18
Operating and administrative expenses	63	**61**	61
Net income (loss) from Advisory Services	(43)	**(38)**	(43)

Capital Incentive Programs

Capital Incentive Programs' net income in fiscal 2024 was below plan by $51 million, driven by unrealized net fair value depreciation of investments. Net revenue outperformed plan by $62 million in fiscal 2024 due to important realized gains on investments in the Cleantech Practice. Net interest income also exceeded plan due to higher interest rates than planned combined with a higher level of equity since the share repurpose to Venture Capital was postponed to fiscal 2025. Operating and administrative expenses were in line with plan as Capital Incentive Programs remained efficient, while continuing to address market gaps in areas such as low-carbon technologies and to support funds of funds, underrepresented groups, including women and diverse entrepreneurs, as well as emerging regions and sectors.

In fiscal 2025, fewer realized gains and larger realized losses on investments are expected as several investments have been exited earlier than anticipated, leading to lower net revenue when compared to fiscal 2024. Compared with fiscal 2024, an increase in unrealized net change in appreciation of investments is expected in fiscal 2025 driven by reversal of fair value depreciation due to larger realized losses. This results in expected net income of $40 million for the CIP initiatives, an increase of $44 million versus fiscal 2024.

Capital Incentive Programs results

as at March 31 ($ in millions)

	Plan 2025	**Actual 2024**	Plan 2024
Net revenue on investments	34	**86**	24
Net change in unrealized appreciation (depreciation) of investments	14	**(82)**	31
Net foreign exchange gains (losses)	–	**–**	–
Income before operating and administrative expenses	48	**4**	55
Operating and administrative expenses	8	**8**	8
Net income (loss) from Capital Incentive Programs	40	**(4)**	47
Portfolio at fair value	1,563	**1,488**	1,643

Credit Availability Program

Fiscal 2024 saw net income above plan by $117 million, driven by a $126 million favourable variance in net interest income due to higher interest rates than planned combined with lower interest expenses from higher equity than planned as the share repurchase was postponed to fiscal 2025. The increase in net interest income was slightly offset by $42 million due to higher Day-1 losses from increased demand for CDAP loans versus plan. Day-1 losses are recognized at disbursement as CDAP's loans carry interest at below-market rates. These Day-1 losses will be reversed and recognized as net interest income as loans are repaid.

Fiscal 2025 is expected to see lower net interest income due to lower equity following the planned share repurchase. In addition, fee and other income, provision for expected credit losses and operating and administrative expenses are expected to decrease from fiscal 2024 in line with activity level, and the winding down of portfolio and loan guarantees exposure.

Credit Availability Program results

as at March 31 ($ in millions)

	Plan 2025	**Actual 2024**	Plan 2024
Net interest income	160	**252**	126
Fee and other income	27	**37**	35
Net realized gains (losses) on investments	(7)	**5**	(15)
Net revenue	180	**294**	146
Provision for expected credit losses	(246)	**(293)**	(305)
Net change in unrealized appreciation (depreciation) of investments	6	**(6)**	(4)
Net foreign exchange gains (losses)	–	**3**	–
Net gains (losses) on other financial instruments	(98)	**(98)**	(56)
Income before operating and administrative expenses	(158)	**(100)**	(219)
Operating and administrative expenses	22	**25**	23
Net income (loss) from Credit Availability Programs	(180)	**(125)**	(242)
Portfolio at fair value	1,099	**1,478**	1,371
Loan guarantees exposure	1,797	**2,732**	2,625

Financial condition

Fiscal 2024 ended with higher assets than plan, driven mainly by a strong portfolio growth in Financing. This was partially offset by lower investments than anticipated due to fair value depreciation. A $2.1 billion share repurchase in the Credit Availability Program was expected in the first quarter of fiscal 2024. This has been postponed to fiscal 2025 resulting in lower needs for borrowings and higher equity than planned.

In fiscal 2025, assets are expected to increase due to portfolio growth as BDC continues to deploy capital to support Canadian entrepreneurs. The share repurchase in the Credit Availability Program now expected in fiscal 2025 combined with portfolio growth should result in a higher need for borrowings.

Financial position

as at March 31 ($ in millions)

	Plan 2025	**Actual 2024**	Plan 2024
Cash	901	**919**	856
Asset-backed securities	1,443	**1,290**	1,172
Loans, gross carrying amount	42,888	**40,163**	38,797
Allowance for expected credit losses	(1,436)	**(1,272)**	(1,172)
Investments	6,003	**5,738**	6,297
Net defined benefit asset	177	**338**	206
Other	251	**267**	252
Total assets	50,227	**47,443**	46,408
Borrowings	34,278	**29,611**	30,928
Net defined benefit liability	242	**231**	225
Expected credit losses on loan commitments and guarantees	544	**638**	501
Other	462	**433**	458
Total liabilities	35,526	**30,913**	32,112
Total equity	14,701	**16,530**	14,296
Total liabilities and equity	50,227	**47,443**	46,408

Capital adequacy

At the end of fiscal 2024, BDC held $792 million in capital above the internal target rate. This was $231 million higher than fiscal 2024 plan mainly due to lower required capital in Financing and Venture Capital. In fiscal 2025 plan, BDC expects its capital above the internal target rate to decline mainly due to portfolio growth.

Capital adequacy—excluding Credit Availability Program

as at March 31 ($ in millions)

	Plan 2025	**Actual 2024**	Plan 2024
Equity attributable to BDC's shareholder	14,699	**16,526**	14,198
Adjustments to available capital	(3,366)	**(5,625)**	(2,997)
Total available capital	11,333	**10,901**	11,201
Financing	6,228	**5,523**	5,713
Growth & Transition Capital	345	**340**	325
Venture Capital	3,812	**3,526**	3,900
Required capital	10,385	**9,389**	9,938
Capital status	948	**1,512**	1,263
Management operating range	796	**720**	702
Capital above the internal target rate	152	**792**	561
Dividends paid based on the performance of the previous fiscal year	337	**337**	311

Capital for the Credit Availability Program above the internal target rate was $2.6 billion at the end of fiscal 2024. This was $2.3 billion higher than plan, due mostly to the delay of the share repurchase of $1.5 billion, which is now expected in fiscal 2025. As the Credit Availability Program portfolio continues to wind down in fiscal 2025, we expect capital above the internal target rate for CAP to decrease compared to fiscal 2024.

Capital adequacy—Credit Availability Program

as at March 31 ($ in millions)

	Plan 2025	**Actual 2024**	Plan 2024
Equity attributable to BDC's shareholder	1,273	**3,356**	1,082
Adjustments to available capital	37	**50**	48
Total available capital	1,310	**3,406**	1,130
Required capital	543	**741**	731
Capital status	767	**2,665**	399
Management operating range	56	**78**	77
Capital above the internal target rate	711	**2,587**	322
Repurchase of shares	0.3	**–**	2,100

4. Risk Management

BDC's mandate is to support the establishment and development of businesses in Canada, with a focus on small and medium-sized enterprises.

Consistent with our mandate to support SMEs, BDC generally assumes more risk than a typical financial institution. BDC's non-investment-grade exposure is significantly higher than that of the six largest Canadian chartered banks. However, BDC's strong risk management practices and culture enable it to take the risks necessary to fulfill its mandate.

BDC's risk management framework (RMF) outlines the methodology used to manage the risks inherent in BDC's activities while ensuring the outcomes of these risk-taking activities are aligned with BDC's strategy, risk appetite and mandate. It also reinforces a risk management culture across the organization that ensures a high level of risk awareness and makes risk management an integral part of strategic and operational decision-making and day-to-day activities.

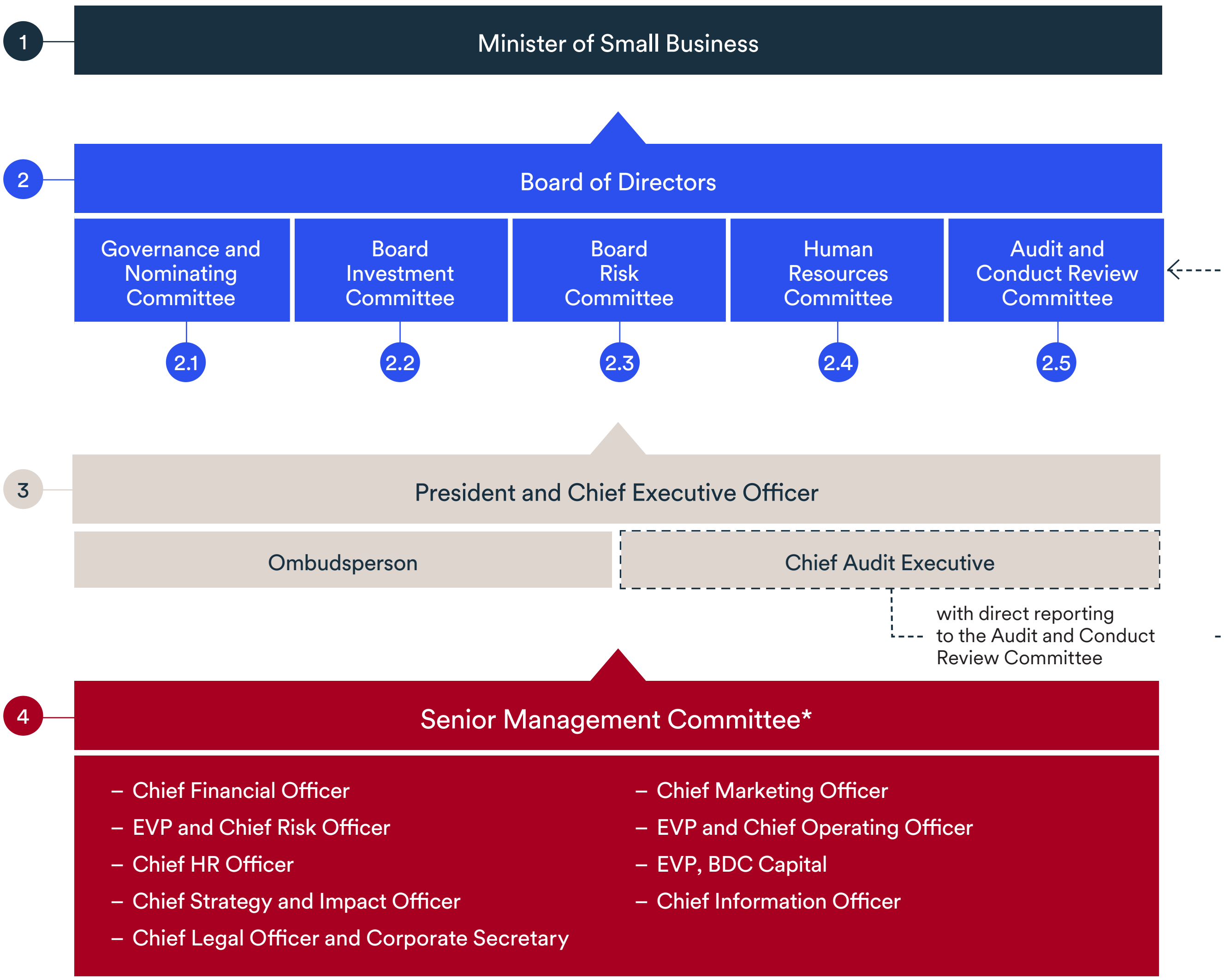
BDC's risk management principles

Key risk management principles that support the organization in our risk governance activities are the following.

- **Risk impact**: Risk management involves identifying, assessing, managing, monitoring, and reporting on risks that may impede BDC and its clients from achieving their objectives.
- **Risk accountability**: Risk management is everyone's responsibility, from members of the Board of Directors to employees carrying out oversight, lines of business and corporate functions.
- **Transparency**: Employees should be comfortable talking openly and honestly about risk, using a common risk vocabulary that promotes shared understanding.
- **Strategic balance**: BDC manages risk by balancing it with our strategic objectives, our mandate to support Canadian entrepreneurs and our ability to reinvest capital and/or declare a dividend to the shareholder at the discretion of the Board of Directors.
- **Risk integration**: BDC integrates risk management into key business processes and activities, including strategic, operational, business and budget planning, as well as lending, investing and advisory services.
- **Risk challenge**: BDC fosters an open and transparent culture that promotes and encourages risk challenge. The timely escalation of risk issues is fundamental to establishing effective risk.
- **Risk governance**: Policies codify comprehensive processes for identifying, assessing, managing, monitoring and reporting risk, and for managing risk within approved limits.
- **Oversight functions, executive-level reporting, and accountability to an independent Board of Directors and the shareholders**: These ensure continuous and objective assessment of risk.
- **Resiliency**: BDC is operationally prepared for potential incidents and is financially sustainable through economic cycles.

The successful application of these risk management principles in day-to-day activities is essential to enhancing employees' awareness and understanding of their responsibilities within BDC's risk culture.

Risk governance framework



*BDC's governance framework also includes several internal committees to guide corporate decision-making in areas such as disclosure, risk management, venture capital management and pension management.

The Board of Directors

BDC's Board of Directors benefits from regional, sectoral, professional and lived-experience diversity that generates greater insight and better oversight. This diversity is integral to the Board and its committees in their oversight of risk governance and risk management.

In addition to approving the risk appetite framework, the Board also approves risk policies and strategies; ensures BDC's risk management is effective; reviews capital adequacy and stress-testing analyses; sets clear levels of delegation of authority for transactions; and ensures an appropriate link between risk and reward.

All committees consider risk in their deliberations and have specific responsibilities for managing risk. For full details on the Board and its committees, please see the Corporate Governance section, starting on page 132.

BDC management: Risk committees and functions

BDC has implemented a management governance framework to foster a collaborative risk management culture that ensures effective coordination among business units and corporate functions. Each committee helps BDC meet its strategic objectives while ensuring that operations are managed effectively.

The following committees and functions are key elements of this management governance framework and help ensure effective risk management throughout the Bank.

The Senior Management Committee ensures that sound risk management strategies and practices are established and respected and that an integrated, aligned vision of BDC's significant risks is in place, including plans to mitigate and assume risks when appropriate, in an effective and coordinated manner. It also, through the Disclosure Committee, oversees BDC's disclosure obligations and practices.

The Chief Risk Officer is accountable for the executive leadership and direction of BDC's risk operations, processes and systems. The Chief Risk Officer chairs the Risk Management Committee and is a member of the Senior Management Committee. The Chief Risk Officer has unfettered access to the Board Risk Committee and has the responsibility and authority to identify and address risk issues, as required.

The Risk Management Committee includes senior leaders from various business units and corporate functions. It focuses on risk oversight. As such, the committee ensures that BDC has an adequate and effective risk management framework to identify and evaluate trends and critical issues; evaluate or quantify their likely impact; and ensure BDC is mitigating them within our risk appetite.

More specifically, the committee reviews the quality and the migration of risk in the loan and securitization portfolios, and in venture capital and subordinate financing investments. It also reviews financial performance, capital adequacy and BDC's risk appetite statement.

The committee reports to the Senior Management Committee and the Board on significant risks and related remediation activity.

The Operational Risk and Compliance Committee provides oversight, direction and guidance on operational risk governance, and risk and control issues arising from the planning and execution of BDC's strategies. The committee is a sub-committee of the Risk Management Committee.

The Valuation Committees oversee the assessment and determination of the fair value of investment portfolios. The committees include senior leaders and an external chartered business valuator.

The Asset Liability Committee includes the Chief Financial Officer and senior leaders from various business units and corporate functions. It focuses on treasury activities and treasury risk oversight.

BDC's risk management structure comprises the following key functions:

— **credit and investment risk management**

— **enterprise risk management and compliance**, which includes operational risk management, and financial crimes and misconduct risk management

— **integrated risk management**, which includes portfolio risk management

Risk management responsibilities include the following tasks:

— ensure that BDC applies appropriate risk management principles, policies and corporate directives to manage significant and emerging risks, within our risk appetite

— develop tools to measure, monitor and report on risks

— provide timely and complete reports on risks to the Bank's risk management committees

BDC's information security and information technology (IT) teams implement and monitor infrastructure, governance, processes and activities to protect BDC's electronic information assets and supporting infrastructure against unauthorized access, use, disclosure, modification, damage or loss, while ensuring compliance with regulatory and enterprise requirements.

The internal audit department promotes sound risk management practices and protects the organization by providing reasonable assurance that the internal controls put in place by management and the Board of Directors are both adequate and effective.

Top risks

The identification of top and/or emerging risks is an integral part of BDC's corporate planning and ongoing monitoring of activities. We identify significant risks that may have an impact on the Bank's capacity to achieve its objectives. Management and the Board of Directors review and assess risks, which are monitored and remediated as part of BDC's day-to-day risk management activities.

S Strategic risk

The risk associated with sub-optimal or ineffective strategy, ineffective deployment of the chosen strategy, inaccurate knowledge of the market or a lack of responsiveness to changes in the external environment impacting BDC's ability to achieve its mandate.

S Risk from changes in the business, economic and market environment

The risk associated with volatility in the economic and market environment, which may be caused by inflation, supply chain disruptions, capital market fluctuations, and changes in the real estate market, energy prices, interest rates and other factors. Volatility in the economic and market environment may impact loans, investments and transactions.

T Cybersecurity risk

The risk associated with the intentional or unintentional exploitation of vulnerabilities or weaknesses in IT controls. This risk is heightened by an ever-evolving threat landscape and the need for constantly updated security controls.

F Portfolio volatility risk

The risk that market volatility will lead to higher loan defaults, pricing that is not aligned with client risk profiles, declining fair value of venture capital investments or a higher number of clients who are facing financial difficulty.

S Climate risk

The risk associated with climate change (physical and transition risk) and its impact on BDC and its clients. This includes severe weather events, changing economic systems, and evolving government and societal responses that may result in a broad range of risks, including strategic, reputational, operational, structural and credit-related risks.

O Reputational risk

The risk that stakeholder and client perceptions regarding BDC's mandate, practices, actions or inactions may damage its reputation and impact its ability to fulfill its mandate and conduct its business.

T Technology operations failure

The risk associated with the interruption, insufficiency or instability of technology operations.

O Third-party failure

The risk of failure or security breaches associated with the sourcing, procurement and performance of third-party suppliers or their supply chain that may result in critical service disruptions, regulatory action, financial loss, litigation or reputational damage for BDC.

T Data risk

The risk associated with deficiencies in data privacy and confidentiality, information governance, and lifecycle management.

O Human resources

The risk that labour and skill shortages will arise from competition for key resources, thus increasing operational demands for specialized skills and knowledge in a highly demanding workplace environment with large, varied and concurrent changes underway.

O Change management

The risk that the volume and velocity of change resulting from large concurrent strategic initiatives and internal priorities will impact BDC's ability to implement initiatives effectively, increase reliance on limited specialized resources, or disrupt BDC's capacity to deliver on its mandate and achieve its strategic objectives.

O Business continuity

The risk associated with process or system disruption, and in the disruption of people's lives, due to events over which BDC has limited control, such as natural catastrophes or other crises.

F Financial crimes and misconduct

The risk associated with criminal acts or other misconduct leading to financial or property loss.

F Financial risk
T Technological risk
O Operational risk
S Strategic risk

Risk appetite framework and risk appetite statement

The risk appetite framework (RAF) defines BDC's approach to establishing and governing our risk appetite. The RAF is integrated into BDC's strategy and supports the process of determining the risks we are willing to accept in fulfilling our mandate. It describes our core risk principles, which dictate that BDC will only take risks that:

— we understand and can manage, and that fit with our strategic objectives
— fulfill our mandate to support Canadian entrepreneurship
— are not expected to negatively impact our brand, reputation or shareholder's reputation

The risk appetite statement is based on qualitative and quantitative measures that articulate, and allow for reporting on, the Board and management's vision for managing the risks BDC is willing to accept in executing our mandate. Risk limits set the boundaries for acceptable risk levels.

Enterprise-wide risk management process

The risk management framework (RMF) provides a consistent and structured approach to managing the risks inherent in BDC's activities while ensuring that the outcomes of such risk-taking activities are aligned with BDC's strategy, risk appetite and mandate. The RMF outlines the methodology used by BDC to manage risk and reinforces a risk culture throughout the organization.

BDC's Enterprise Risk Management Policy codifies the integrated, enterprise-wide process we use to identify, assess, manage, monitor and report risks. The policy is designed to ensure that BDC considers risk in all business activities and makes risk management an integral part of day-to-day decision-making and the annual corporate planning process. The policy defines the roles and responsibilities of the Board of Directors and its committees, business management, functional units, and employees in implementing the policy. The Board of Directors reviews and approves the policy at least once every two years.

The foundation of an effective RMF is the use of common language and a consistent approach to identifying, assessing/measuring, managing, monitoring and reporting risks. BDC defines risk as the potential for loss or an undesirable outcome that adversely affects the achievement of the Bank's mandate and strategic objectives. BDC has established a risk inventory that defines the following risk categories:

— strategic
— credit and investment
— market
— liquidity
— operational
— technology
— environmental and social
— regulatory and legal compliance
— reputational

BDC's approach to managing risk is based on four pillars of risk management.

Risk identification and assessment

Risk identification and assessment programs and processes ensure that BDC continuously identifies, understands and assesses existing and emerging risks that evolve as a result of changes in both the internal and external environments. Top risks, as well as those that are emerging, are presented to the organization's risk management committees for assessment and discussion. Risks related to significant projects, new products or services, and policy changes are also assessed and discussed.

Risk measurement and analytics

Risks throughout the organization are quantitatively and/or qualitatively assessed with up-to-date tools or models, taking into consideration best practices in the financial services industry. These assessments ensure that BDC's policies, corporate directives, standards and tolerance limits are upheld. Board members and senior managers use this information to understand BDC's risk profile and portfolio performance.

Risk monitoring and reporting

The continuous monitoring of the potential impact of existing and emerging risks occurs in the normal course of management activities. Business lines, corporate functions, and risk management and oversight functions have established responsibilities associated with the day-to-day monitoring of their respective activities. Integrated risk management (IRM) reports provide a full quantitative and qualitative assessment of performance against the Bank's risk appetite.

The evolution of the Bank's risk profile is reported through in-depth portfolio monitoring and analysis. IRM reports are communicated to senior management and the Board.

Risk control and management

Business lines are responsible for ensuring that their business rules include effective and appropriate controls and that employees comply with procedures. BDC uses the following elements to mitigate risks:

— appropriate and clear roles, responsibilities, processes, policies, directives and procedures

— corporate risk management functions and committees that provide oversight and monitoring

— risk mitigation activities, such as insurance risk management, business continuity planning, IT recovery planning, and anti-fraud and anti-money laundering programs

— quality reviews and audits to ensure that BDC is using appropriate risk management practices

— enterprise-wide stress tests on significant risks and portfolios to determine the appropriate level of capital necessary to withstand a sustained economic downturn and continue to fulfill BDC's mandate

Major risk categories

Strategic risk

This is the risk that impedes the fulfillment of our mandate and thus puts at risk our sustainability and/or existence due to ineffective strategies, ineffective strategy execution, inaccurate knowledge of the market or lack of responsiveness to changes in the external environment.

Managing strategic risk

The Senior Management Committee, which includes the CEO and leaders from the business and corporate functions, establishes BDC's strategic direction, sets corporate objectives, defines success measures, and monitors operations and performance.

BDC employs a rigorous process to annually update its corporate strategy. The strategy is then approved by senior management, the Board and the Government of Canada. Regular strategic reviews and risk management programs ensure alignment with the Bank's risk appetite.

BDC ensures that it operates with an appropriate level of capital in accordance with the nature and level of risk taken. The internal capital adequacy assessment process evaluates capital adequacy on both a regulatory and an economic capital basis and is used to establish capital thresholds in line with the risk appetite statement. BDC allocates capital among business units based on needs and assessed risks in order to support new and existing corporate activities.

BDC also conducts stress tests on its capital levels to assess the impact of different adverse scenarios to ensure it has sufficient capital to withstand unfavourable economic conditions. BDC's stress-testing framework seeks to ensure that it is adequately capitalized, given the risks taken in line with BDC's risk appetite.

Please refer to Note 16—*Capital management* to the Consolidated Financial Statements for additional information on BDC's capital management and adequacy.

Financial risks

BDC has identified three major categories of financial risk: credit risk, market risk and liquidity risk. Note 17—*Risk management* to the Consolidated Financial Statements details BDC's financial risk management policies and measurements.

Credit and investment risk

The risk of financial loss that arises from the possibility of default by a Client, an issuer of security, or a counterparty with whom BDC conducts business, together with the amount of loss that would occur in the event of default or failure to meet initial performance expectations.

Managing credit and investment risk

All credit and investment decisions must comply with established policies, directives, guidelines, business rules and risk assessment tools used to help make these decisions. Managing credit risk is the responsibility of several levels of employees—from those who deal directly with clients to authorizing officers. Specific authorities are delegated to positions commensurate with their function and the level of credit knowledge and judgment that employees holding that position are required to possess.

Our adjudication process includes assigning a borrower rating that reflects our estimate of the probability of default (PD) over the life of a loan. PD estimates are determined using internal risk classifications and scoring systems that take into consideration quantitative and qualitative criteria. These criteria include an assessment of the borrower's financial strength, management quality, financial flexibility and competitive strength. A score from a quantitative model can be modified in some cases based on expert judgment, as prescribed by our credit policies. Our internal risk classifications are also used for portfolio risk management, risk limit setting, product pricing and the determination of economic capital.

The table below matches our internal ratings to ratings used by external ratings agencies.

BDC loans portfolio credit risk exposure (excluding CAP)

BDC rating	Grade	S&P equivalent	F2024—March 31, 2024
0.5 to 1.0	Investment grade	A+ to BBB-	13.0%
1.5 to 2.0		BB+	30.3%
2.5 to 4.0	Non-investment grade	BB to BB-	42.3%
4.5 to 5.0		B+ to B-	9.5%
5.5	Watchlist	CCC+ to CC	2.4%
6	Default		2.5%
			100%

While BDC follows leading risk management practices, we generally assume more risk than a typical financial institution, due to our mandate and corresponding risk appetite. As a result, a large portion of BDC's portfolio is non-investment grade. Please refer to Note 9—*Loans* to the Consolidated Financial Statements for further information on outstanding loans by grade equivalent.

The most common method used to mitigate credit risk at the transaction level is to obtain high-quality collateral from borrowers. While collateral cannot replace a rigorous assessment of a borrower's ability to meet his or her obligations to us, it is an important complement. Collateral is not required in all cases; it depends on the type of loan granted. Please refer to Note 9—*Loans* to the Consolidated Financial Statements for further information about principal collateral pledged as security and our level of security coverage.

In addition to managing credit risk based on individual transactions, BDC manages it on a portfolio level. Through monitoring, analysis and risk reports, portfolio risk management ensures that the overall risk in the portfolio is well diversified and consistent with fulfilling our mandate while achieving our financial objectives, in line with our risk appetite.

Market risk

This is the risk of financial loss that may arise from developments in the marketplace or from our inability to forecast weak economic conditions quickly enough to mitigate losses in our portfolio.

It represents the market value fluctuations of BDC's assets and liabilities arising from volatility in interest rates, equity markets and foreign currency levels. For BDC, market risk also arises from volatile and unpredictable market events affecting the value of investments in Venture Capital and Capital Incentive Programs.

Market non-trading risk is the risk of loss in financial instruments, financial position or net income, or the risk in non-trading activities, such as asset liability management or hedging, due to market factors, including fluctuations in interest rates, foreign exchange rates, or the price of equities or commodities.

Managing market risk

BDC applies a sound asset and liability management framework in our funding strategy and uses derivatives to manage and mitigate exposure to fluctuations in equity markets, foreign currencies and interest rates.

Liquidity risk

This is the risk of being unable to obtain or convert BDC's assets into cash for the purpose of servicing and refinancing debt for the timely disbursement of committed loans and/or for the payment of operating expenses and dividends.

Managing liquidity risk

To avoid any business disruptions, BDC ensures that the minimum required level of cash is invested in highly liquid, high-quality accounts.

Operational risk

Operational risk is the risk of loss from inadequate or failed internal processes, people and systems, or from events beyond BDC's control, such as natural disasters. It is pervasive in all business activities, including our practices for managing other risks, such as strategic, credit, market and liquidity, technology, regulatory and compliance, and environmental and social risk.

Managing operational risk

Operational risk is inherent in all our activities and operations at BDC. As such, BDC strives to identify, analyze, manage, monitor and report these risks in line with our enterprise risk management framework and relevant directives. These policies and directives govern the way we manage our people, processes and internal/external environment.

BDC has implemented the following mitigation practices for managing key operational risks.

— **Business continuity management and incident management**. BDC has tools and processes to manage adverse incidents and minimize interruptions to business operations, as set out in our business continuity plans.
— **Insurance**. BDC mitigates its financial losses by purchasing insurance against unfavourable insurable events.
— **Human resources management**. BDC's long-term success depends largely on our capacity to attract, retain and develop skilled employees and to create a healthy, professional and collaborative environment that encourages them to contribute fully to BDC's mission of helping Canadian entrepreneurs succeed. We achieve this through:
  – BDC's Code of Conduct, Ethics and Core Values
  – human capital strategies and plans, including effective hiring practices, organizational design and compensation
  – training and other professional development programs to foster engagement and prepare employees to achieve their full potential
  – diversity, equity and inclusion practices
— **Third-party risk management processes**. BDC follows sound principles and practices in the procurement and contracting of goods and services and the management of external suppliers. BDC maintains a broad range of third-party risk management programs and activities to mitigate third-party risks. These include an effective governance framework, and transparent and disciplined processes for performing due diligence and risk-assessment oversight on our relationships with third parties.
— **Project management**. The BDC Prioritization Committee (BPC) and Enterprise Project Management Office (EPMO) provide project management leadership, expertise and experience to the organization. The BPC is a senior-level committee responsible for the approval and prioritization of initiatives at BDC. The EPMO also provides executive management with an overall strategic view of all BDC projects for prioritization and effective decision-making. This ensures projects are aligned with corporate objectives and the organizational capacity to deliver them.
— **Fraud management**. BDC has a fraud management and misconduct program to prevent and detect illicit activity.
— **Model risk management**. BDC manages and mitigates model risk by reviewing, validating, and approving new and existing models.

Technology risk

Technology risks are omnipresent in the daily operations of BDC. The potential severity of technology failures and cyberersecurity threats continues to increase as our reliance on technology, systems and data grows, and as we become increasingly interconnected with third parties.

Organizations, including financial institutions, are exposed to a large and growing array of internal and external threats. Hybrid work environments and remote work heighten our exposure to technology risk.

Additionally, BDC has embarked on a significant transformation of our digital operations, including an enhancement of our IT infrastructure and data management systems. Digital transformations necessarily introduce new technology risks. The continuous identification and mitigation of these risks is a high priority for management.

Therefore, the need to identify, analyze, manage, monitor and report technology risks is included in policies and directives. These policies and directives govern the way BDC manages systems and infrastructure, cybersecurity, assets, information security and data integrity.

Managing technology risk

BDC strives to ensure the protection of our systems and of our client and corporate data. We continuously invest in our technology infrastructure to safeguard our systems and data while advancing our business goals. Risk mitigation efforts include 24/7 detection and response capabilities, in partnership with leading security firms; the ongoing rollout of tools to monitor and prevent data loss; system and network controls; programs to foster employee awareness of threats; and ongoing independent testing of infrastructure, systems and applications.

In addition, we have established a training program to improve incident responses by our IT cybersecurity/operations specialists. We manage technology incidents and work to minimize interruptions to business operations through our IT disaster recovery plan and IT incident management processes.

Legal and regulatory risk

This is the risk associated with a failure to meet BDC's obligations as required by the laws, rules, regulations and prescribed practices in the jurisdictions in which we operate.

Managing legal and regulatory risk

Compliance and Legal Affairs oversee compliance with legal and regulatory requirements through the regulatory compliance management framework. In addition, Legal Affairs is responsible for managing all litigation involving BDC.

Reputational risk

This is the risk that stakeholder perceptions regarding BDC's mandate, practices, actions or inaction will damage our reputation and affect our ability to fulfill our mandate and conduct our business.

Managing reputational risk

BDC's risk management framework is the cornerstone of managing reputational risk. Reputational risk management is part of our corporate risk policies and corporate directives and is embedded in all elements of our business activities.

BDC has monitoring tools and processes in place to track topics of interest in social and traditional media.

BDC considers reputational risk when assessing potential loans or investments. We screen potential clients and complete due diligence on potential transactions.

Environmental and social risk

This is the risk that environmental or social issues associated with BDC, or with a client, supplier, transaction, product or activity, may give rise to financial loss or reputational damage. Environmental risks could impact the quality of air, land, water and habitat, and biodiversity.

Climate change risks are a type of environmental risk and could be in the form of physical or transition risks. Physical risks arise from the physical impacts associated with a change in climate. These may include severe weather events (e.g., floods, hurricanes, extreme cold or heat), as well as the impacts of long-term changes in the climate (e.g., rising sea levels, higher average temperatures, drier conditions). Transition risks are driven by societal changes that are occurring to mitigate climate change; policy/regulatory actions, such as subsidies, taxes or increased fuel costs; innovation and changes in technologies; and changing market conditions.

For BDC, social risk has both direct and indirect dimensions. Direct risks would stem from failing to effectively fulfill our mandate of supporting entrepreneurs. Indirect risks would stem from financing clients, engaging third parties, or collaborating with partners whose behaviours contravene accepted norms of responsible corporate behaviour, such as discriminating against individuals or groups.

Managing environmental and social risk (including climate risk)

Social risk management is embedded in the day-to-day activities of the Bank and the products and services we provide to entrepreneurs. In addition, we establish internal risk management programs to ensure that employees, suppliers and clients adhere to conduct aligned with our mandate and sustainability objectives.

Using a risk-based approach, BDC obtains environmental site assessments on financed properties. BDC incorporates the consideration of environmental issues associated with its loan applicants and investments, as appropriate.

BDC's strategy to address climate-related risk is aligned with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Like our peers, we are using the roadmap created by the TCFD's core principles and guidelines for governance, strategy, risk management, and metrics and targets. We report progress to our Board of Directors, which oversees senior management's implementation of strategy, policies and practices.

Climate-related financial disclosure

Climate governance

The Board, and its committees, oversee BDC's strategic direction and management of environmental risks, which include climate risks.

The Governance and Nomination Committee is responsible for the oversight of sustainability, including disclosure. It also reviews developments and emerging issues in corporate sustainability, including climate change.

The Board Risk Committee oversees BDC's risk management framework and ensures that all reasonable measures are taken so that major risks, including those related to climate, are identified, and that controls and processes are in place to manage them.

The Senior Management Committee (SMC) has overall accountability for the management of environmental risks and opportunities, including those related to climate.

The Sustainability and Diversity Function is responsible for the design and implementation of BDC's sustainability strategy.

Climate strategy

BDC's climate strategy focuses on investing in, accelerating, and supporting SMEs in their transition to a low-carbon economy. This includes a commitment of more than $1 billion in venture capital investment for innovative companies in the clean tech and climate tech space. In addition, BDC continues to expand its comprehensive suite of financial products, advisory services, and free resources to help small and medium-sized businesses accelerate their efforts on climate action. In 2023, BDC launched its Climate Action Centre, a source of online tools to inspire and engage SMEs.

Climate risk management

BDC's approach to managing climate risk was integrated into its Environmental Risk Directive. Using a risk-based approach, BDC obtains environmental site assessments on financed properties. BDC then incorporates, as it sees fit, the consideration of environmental issues associated with its loan applicants and investments.

We have implemented a business continuity program to facilitate the recovery of critical business operations if a climate event happens to affect a location where we conduct operations.

Metrics and targets

BDC is committed to reporting annually on its climate action plan and progress, applying guidance from the TCFD.

Committed to leading by example, BDC also aims to reduce its operational emissions, including scope 1, scope 2, and business travel emissions, by 40% by 2026, measured against a 2019 baseline. BDC intends to purchase 100% non-emitting electricity by 2028.

Additional information on BDC's approach to climate change, including metrics and targets, can be found in our Annual Sustainability Report at BDC.ca

5. Accounting and Control Matters

Material accounting policies

BDC's material accounting policies are described in Note 3—*Material accounting policies* to the Consolidated Financial Statements. Certain of these policies, as well as estimates and assumptions made in applying such policies, are considered critical, as they require significant judgments by management. BDC has established control procedures, including formal representations and certification by senior officers, to ensure that accounting policies, estimates and assumptions are reviewed and applied consistently from period to period.

Judgments, estimates and assumptions

BDC's significant accounting judgments, estimates and assumptions are described in Note 5—*Significant accounting judgments, estimates and assumptions* to the Consolidated Financial Statements. Critical accounting estimates that have the most significant effect on the amounts recognized in the Consolidated Financial Statements include those related to the allowance for expected credit losses, fair value of financial instruments, consolidation and net defined benefit asset or liability.

Controls and procedures

Management is responsible for establishing and maintaining adequate internal control over financial reporting as well as appropriate disclosure controls and procedures.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards). However, because of its inherent limitations, internal control over financial reporting can only provide reasonable assurance and may not prevent or detect misstatements.

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management on a timely basis so that BDC can make appropriate decisions about public disclosure.

BDC has a certification regime to evaluate the design and effectiveness of our internal control over financial reporting and our disclosure controls and procedures. The evaluation of the design and effectiveness of internal control over financial reporting was performed using the *Internal control—Integrated Framework 2013* issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO).

BDC has reached the following conclusion regarding the design and effectiveness of internal control over financial reporting:
As of March 31, 2024, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, management evaluated the design and effectiveness of internal control over financial reporting. Based on the results of the evaluation, they concluded that internal control over financial reporting is adequately designed and operates effectively to provide reasonable assurance about the reliability of financial reporting and of financial statements prepared in accordance with IFRS accouting standards.

BDC has reached the following conclusion regarding the design and effectiveness of disclosure controls and procedures:
As of March 31, 2024, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, management evaluated the design and effectiveness of disclosure controls and procedures. Based on the results of the evaluation, they concluded that disclosure controls and procedures are adequately designed and operate effectively to provide reasonable assurance that material information disclosed is recorded, processed, summarized and presented within the requested timeframe, and that it is communicated to management on a timely basis for decision-making purposes.

Consolidated Financial Statements

Management's Responsibility for Financial Information

The Consolidated Financial Statements of the Business Development Bank of Canada (BDC) were prepared and presented by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards). The information contained therein normally includes amounts requiring estimations that have been made based upon informed judgment as to the expected results of current transactions and events. The financial information presented elsewhere in this Annual Report is consistent with the Consolidated Financial Statements.

In discharging its responsibility for the integrity, fairness and quality of the Consolidated Financial Statements and for the accounting systems from which they are derived, management maintains a system of internal control designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. BDC has a certification regime to evaluate the design and effectiveness of its internal control over financial reporting and its disclosure controls and procedures. This certification regime is based on the Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Refer to the Management's Discussion and Analysis section of the Annual Report for additional information (p. 56).

The system of internal controls is supported by internal audit staff members who conduct periodic reviews of different aspects of BDC's operations. In addition, the Chief Audit Executive, and the External Auditors have full and free access to the Audit and Conduct Review Committee of the Board of Directors, which is responsible for overseeing and reviewing management's internal control and reporting responsibilities. The Board of Directors, through the Audit and Conduct Review Committee, which is entirely composed of independent directors, is responsible for reviewing and approving the audited annual Consolidated Financial Statements.

BDC's independent auditors, KPMG LLP, Chartered Professional Accountants, and the Auditor General of Canada have audited BDC's Consolidated Financial Statements and their report indicates the scope of their audit and their opinion on the Consolidated Financial Statements.

Isabelle Hudon
President and Chief Executive Officer

Christian Settano, CPA
Chief Financial Officer

Montreal, Canada
June 12, 2024

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

Independent Auditors’ Report

To the Minister of Small Business

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of the Business Development Bank of Canada (BDC), which comprise the consolidated statement of financial position as at 31 March 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of BDC as at 31 March 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of BDC in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information
Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors’ report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditors’ report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing BDC’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate BDC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing BDC’s financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BDC's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on BDC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause BDC to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion
In conjunction with the audit of the consolidated financial statements, we have audited transactions of the Business Development Bank of Canada and its wholly-owned subsidiary coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act* and regulations, the *Business Development Bank of Canada Act*, the charter and by-laws of the Business Development Bank of Canada and its wholly-owned subsidiary, and the directives issued pursuant to section 89 of the *Financial Administration Act*.

In our opinion, the transactions of the Business Development Bank of Canada and its wholly-owned subsidiary that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRS Accounting Standards have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities
Management is responsible for the Business Development Bank of Canada and its wholly-owned subsidiary's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Business Development Bank of Canada and its wholly-owned subsidiary to comply with the specified authorities.

Auditors' Responsibilities for the Audit of Compliance with Specified Authorities
Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the consolidated financial statements are in compliance with the specified authorities referred to above.

Chantale Perreault.

Chantale Perreault, CPA auditor
Principal
for the Auditor General of Canada

KPMG LLP*

*CPA auditor, public accountancy permit No. A120220

Montréal, Canada
12 June 2024

Consolidated Statement of Financial Position

(in thousands of Canadian dollars)

	Note	**March 31, 2024**	March 31, 2023
Assets			
Cash		**919,278**	878,919
Derivative assets	7	**317**	11,603
Asset-backed securities	8	**1,289,527**	1,176,100
Loans			
Loans, gross carrying amount	9	**40,162,892**	36,976,742
Less: allowance for expected credit losses	9	**(1,271,850)**	(1,044,039)
Loans, net of allowance for expected credit losses		**38,891,042**	35,932,703
Investments	10	**5,737,949**	5,742,512
Property and equipment		**58,360**	66,140
Intangible assets		**52,275**	47,646
Right-of-use assets	11	**80,357**	98,780
Net defined benefit asset	14	**338,256**	260,466
Other assets		**75,579**	70,053
Total assets		**47,442,940**	44,284,922
Liabilities and equity			
Liabilities			
Accounts payable, accrued and other liabilities	12	**336,738**	320,173
Derivative liabilities	7	**144**	117
Borrowings			
Short-term notes	13	**17,833,660**	19,767,097
Long-term notes	13	**11,777,172**	7,157,814
Total borrowings		**29,610,832**	26,924,911
Lease liabilities			
Short-term lease liabilities	11	**13,872**	14,705
Long-term lease liabilities	11	**82,314**	101,458
Total lease liabilities		**96,186**	116,163
Net defined benefit liability	14	**231,608**	224,313
Expected credit losses on loan commitments and guarantees	9, 20	**637,857**	554,344
Total liabilities		**30,913,365**	28,140,021
Equity			
Share capital	15	**7,639,900**	7,289,900
Contributed surplus		**27,778**	27,778
Retained earnings		**8,873,078**	8,850,687
Accumulated other comprehensive income (loss)		**(14,301)**	(29,590)
Equity attributable to BDC's shareholder		**16,526,455**	16,138,775
Non-controlling interests		**3,120**	6,126
Total equity		**16,529,575**	16,144,901
Total liabilities and equity		**47,442,940**	44,284,922

Guarantees and contingent liabilities (Note 20)

Commitments (Notes 9, 10, 11 and 19)

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

Suzanne Trottier
Director
Chairperson, Audit and Conduct Review Committee

Isabelle Hudon
Director
President and Chief Executive Officer

Consolidated Statement of Income

For the year ended March 31 (in thousands of Canadian dollars)

	Note	2024	2023
Interest income	22	**3,168,491**	2,449,037
Interest expense	22	**1,153,248**	520,306
Net interest income		**2,015,243**	1,928,731
Net realized gains (losses) on investments		**87,293**	16,700
Revenue from Advisory Services		**50,096**	38,249
Fee and other income		**88,457**	100,294
Net revenue		**2,241,089**	2,083,974
Provision for expected credit losses		**(741,304)**	(343,940)
Net change in unrealized appreciation (depreciation) of investments		**(317,283)**	(830,289)
Net foreign exchange gains (losses)		**605**	163,469
Net gains (losses) on other financial instruments		**(97,963)**	(4,519)
Income before operating and administrative expenses		**1,085,144**	1,068,695
Salaries and benefits		**531,827**	498,952
Premises and equipment		**45,814**	43,553
Other expenses		**220,627**	223,648
Operating and administrative expenses		**798,268**	766,153
Net income		**286,876**	302,542
Net income (loss) attributable to:			
BDC's shareholder		**289,874**	380,732
Non-controlling interests		**(2,998)**	(78,190)
Net income		**286,876**	302,542

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

Note 18 provides additional information on the Consolidated Statement of Income, including interest income on financial assets measured at amortized cost and at fair value through other comprehensive income calculated using the effective interest rate method.

Note 19 provides segmented information.

Consolidated Statement of Comprehensive Income

For the year ended March 31 (in thousands of Canadian dollars)

	Note	2024	2023
Net income		**286,876**	302,542
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		**15,289**	(12,198)
Reclassification to net income of losses (gains) on cash flow hedges		**–**	(1,528)
Total items that may be reclassified subsequently to net income		**15,289**	(13,726)
Items that will not be reclassified to net income			
Remeasurements of net defined benefit asset or liability	14	**69,517**	24,586
Other comprehensive income (loss)		**84,806**	10,860
Total comprehensive income		**371,682**	313,402
Total comprehensive income (loss) attributable to:			
BDC's shareholder		**374,680**	391,592
Non-controlling interests		**(2,998)**	(78,190)
Total comprehensive income		**371,682**	313,402

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

Consolidated Statement of Changes in Equity

For the year ended March 31 (in thousands of Canadian dollars)

	Note	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss): FVOCI assets[1]	Accumulated other comprehensive income (loss): Cash flow hedges	Accumulated other comprehensive income (loss): Total	Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
Balance as at March 31, 2023		**7,289,900**	**27,778**	**8,850,687**	**(29,590)**	**–**	**(29,590)**	**16,138,775**	**6,126**	**16,144,901**
Total comprehensive income (loss)										
Net income (loss)				**289,874**				**289,874**	**(2,998)**	**286,876**
Other comprehensive income (loss)										
Net change in unrealized gains (losses) on fair value through other comprehensive income assets					**15,289**		**15,289**	**15,289**		**15,289**
Remeasurements of net defined benefit asset or liability	14			**69,517**				**69,517**		**69,517**
Other comprehensive income (loss)		**–**	**–**	**69,517**	**15,289**	**–**	**15,289**	**84,806**	**–**	**84,806**
Total comprehensive income (loss)		**–**	**–**	**359,391**	**15,289**	**–**	**15,289**	**374,680**	**(2,998)**	**371,682**
Dividends on common shares	15			**(337,000)**				**(337,000)**		**(337,000)**
Distributions to non-controlling interests									**(8)**	**(8)**
Issuance of common shares	15	**350,000**						**350,000**		**350,000**
Transactions with owner, recorded directly in equity		**350,000**	**–**	**(337,000)**	**–**	**–**	**–**	**13,000**	**(8)**	**12,992**
Balance as at March 31, 2024		**7,639,900**	**27,778**	**8,873,078**	**(14,301)**	**–**	**(14,301)**	**16,526,455**	**3,120**	**16,529,575**

[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 (continued)

For the year ended March 31 (in thousands of Canadian dollars)

	Note	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss): FVOCI assets[1]	Accumulated other comprehensive income (loss): Cash flow hedges	Accumulated other comprehensive income (loss): Total	Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
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				380,732				380,732	(78,190)	302,542
Other comprehensive income (loss)										
Net change in unrealized gains (losses) on fair value through other comprehensive income assets					(12,198)		(12,198)	(12,198)		(12,198)
Reclassification to net income of losses (gains) on cash flow hedges						(1,528)	(1,528)	(1,528)		(1,528)
Remeasurements of net defined benefit asset or liability	14			24,586				24,586		24,586
Other comprehensive income (loss)		–	–	24,586	(12,198)	(1,528)	(13,726)	10,860	–	10,860
Total comprehensive income (loss)		–	–	405,318	(12,198)	(1,528)	(13,726)	391,592	(78,190)	313,402
Capital injections from non-controlling interests									26	26
Issuance of common shares	15	343,000						343,000		343,000
Repurchase of common shares	15	(5,000,000)						(5,000,000)		(5,000,000)
Transactions with owner, recorded directly in equity		(4,657,000)	–	–	–	–	–	(4,657,000)	26	(4,656,974)
Balance as at March 31, 2023		**7,289,900**	**27,778**	**8,850,687**	**(29,590)**	**–**	**(29,590)**	**16,138,775**	**6,126**	**16,144,901**

[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

For the year ended March 31 (in thousands of Canadian dollars)

	Note	2024	2023
Operating activities			
Net income		**286,876**	302,542
Adjustments to determine net cash flows			
Interest income	22	**(3,168,491)**	(2,449,037)
Interest expense	22	**1,151,392**	518,509
Interest on lease liabilities		**1,856**	1,797
Net realized losses (gains) on investments		**(87,293)**	(16,700)
Provision for expected credit losses		**741,304**	343,940
Net change in unrealized depreciation (appreciation) of investments		**317,283**	830,289
Net unrealized foreign exchange losses (gains)		**11,230**	(202,411)
Defined benefits funding below (in excess of) amounts expensed	14	**(978)**	(10,995)
Depreciation of property and equipment, and amortization of intangible assets		**19,958**	20,246
Depreciation of right-of-use assets	11	**13,124**	13,532
Loss (gain) on derecognition of property and equipment and intangible assets		**3,261**	644
Other		**(38,594)**	(24,183)
Interest expense paid		**(1,091,676)**	(450,706)
Interest income received		**3,065,735**	2,323,689
Claims paid on loan guarantees		**(156,456)**	(29,255)
Changes in operating assets and liabilities			
Net change in loans		**(3,270,803)**	(2,559,749)
Net change in accounts payable, accrued and other liabilities		**(21,550)**	(9,058)
Net change in other assets		**(5,526)**	(7,278)
Net cash flows provided (used) by operating activities		**(2,229,348)**	(1,404,184)
Investing activities			
Disbursements for asset-backed securities		**(692,248)**	(672,979)
Repayments and proceeds on sale of asset-backed securities		**561,157**	474,006
Disbursement for investments		**(862,113)**	(1,012,443)
Repayments of investments		**433,611**	365,315
Proceeds on sale of investments		**226,907**	126,907
Acquisition of property and equipment, net of write-offs		**(8,121)**	(10,560)
Acquisition of intangible assets		**(11,946)**	(15,644)
Net cash flows provided (used) by investing activities		**(352,753)**	(745,398)
Financing activities			
Net change in short-term notes	13	**(1,944,000)**	5,352,500
Issue of long-term notes	13	**6,435,000**	2,675,000
Repayment of long-term notes	13	**(1,865,000)**	(1,234,000)
Distributions to non-controlling interests		**(8)**	–
Capital injections from non-controlling interests		**–**	26
Issuance of common shares	15	**350,000**	343,000
Repurchase of common shares	15	**–**	(5,000,000)
Dividends paid on common shares	15	**(337,000)**	–
Payment of lease liabilities		**(16,532)**	(14,411)
Net cash flows provided (used) by financing activities		**2,622,460**	2,122,115
Net increase (decrease) in cash		**40,359**	(27,467)
Cash at beginning of year		**878,919**	906,386
Cash at end of year		**919,278**	878,919

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2024 (in thousands of Canadian dollars)

1.

Act of incorporation, objectives and operations of the Corporation

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 Corporation's head office is located at 5 Place Ville Marie, Suite 100, Montreal, Quebec, 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. To finance its objectives, BDC borrows funds from His Majesty the King in Right of Canada acting through the Minister of Finance. Prior to April 21, 2008, BDC issued debt instruments, which were secured by the Government of Canada. The *Business Development Bank of Canada Act* (BDC Act) also allows the use of hybrid capital instruments to provide the capital required for its operations. His Majesty the King in Right of Canada would not be liable for payment of amounts owing under such capital instruments, none of which were outstanding as at March 31, 2024, and March 31, 2023.

BDC is for all purposes an agent of His Majesty the King in Right of Canada. BDC is also named in Part I of Schedule III to the *Financial Administration Act* (FAA) and is accountable for its affairs to Parliament through the Minister of Small Business.

Pursuant to section 89 of the FAA, BDC, together with a number of other Crown corporations, has to comply with a directive issued in 2008 to ensure that Crown corporations give due consideration to the personal integrity of those they lend to or provide benefits to, in accordance with the government's policy to improve the accountability and integrity of federal institutions. In fiscal 2009, BDC completed the implementation of this directive and confirms that it has been met since then.

Pursuant to section 89 of the FAA, BDC received a directive in December 2014 from the Governor General in Council (P.C. 2014-1378) requesting that BDC review its current pension plan and ensure that it remains affordable, financially sustainable and consistent with the terms of the Public Service Pension Plan. These changes were intended to ensure that pension plans of Crown corporations provide a 50:50 current service cost-sharing ratio between employee and employer for pension contributions by December 31, 2017, as well as to raise the normal age of retirement to 65 years for employees hired on or after January 1, 2015. Consequently, to comply with the directive, BDC implemented modifications to its existing defined benefit pension plan effective January 1, 2015. Eligible employees hired before January 1, 2015, had a choice of three options: two options included some features of the old plan design and a third option offered a completely new benefit structure. Employees hired after December 31, 2014, are automatically enrolled in the third option. In addition, BDC gradually increased the employee's contribution level, allowing it to achieve a 50:50 current service cost sharing by December 31, 2017 and approved a funding policy with mechanisms to ensure BDC's cash contributions, for current service cost only, would not exceed members' required contributions, on a cumulative basis while complying with regulations. BDC completed the implementation of both elements of its strategy by December 31, 2017. As at December 31, 2023, BDC reached a level of employer contribution that, although not exactly 50:50, only slightly deviated from 50% of the current service cost on a cumulative basis, and confirmed that the plan is administered in accordance with regulations and its funding policy. BDC met with representatives from the Treasury Board Secretariat of Canada (TBS) in May 2019 and agreed to report annually on its current service cost sharing ratio over the next 5 years. This will enable TBS and BDC to monitor the situation and assess whether further actions are required at the end of fiscal 2025.

Pursuant to section 89 of the FAA, BDC received a directive in July 2015 from the Governor General in Council (P.C. 2015-1109) requiring that BDC align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations. Consequently, BDC implemented modifications to its Business Expenses Policy and Corporate Directive and confirms that it complies with this directive since then. The Business Expenses Policy can be found on BDC's website.

2.
Basis of preparation

Statement of compliance

BDC has prepared its Consolidated Financial Statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards). These Consolidated Financial Statements were approved for issue by the Board of Directors on June 12, 2024.

Basis of presentation and measurement

The Consolidated Financial Statements have been prepared on a historical cost basis, except for the following:

— financial assets and financial liabilities measured at fair value through profit or loss (FVTPL), financial assets measured at fair value through other comprehensive income (FVOCI), and derivative financial instruments measured at fair value; and

— the net defined benefit asset or liability in respect of post-employment benefits has been recognized as the present value of the defined benefit obligation less the fair value of plan assets.

These Consolidated Financial Statements are presented in Canadian dollars, which is BDC's functional currency as well as the functional currency of its subsidiaries. Unless otherwise specified, the figures presented in the Consolidated Financial Statements are stated in thousands of Canadian dollars.

Basis of consolidation

BDC conducts business through a variety of entities, including a wholly owned subsidiary, and two investment funds that are considered to be subsidiaries for financial reporting purposes.

The Consolidated Financial Statements of BDC comprise the financial statements of the parent entity and the consolidated financial statements of the subsidiaries referred to below as at March 31, 2024, and March 31, 2023. The financial statements of the subsidiaries are prepared using uniform accounting policies and valuation methods for similar transactions.

Subsidiaries

For financial reporting purposes, subsidiaries are defined as entities controlled by another entity. BDC controls an entity when it has power over the investee; it is exposed to, or has rights to, variable returns from its involvement with the entity; and it has the ability to affect those returns through its power over the entity. Control is presumed when BDC directly or indirectly holds the majority of the voting rights. The existence and effect of potential voting rights are considered when assessing whether BDC controls another entity.

In instances where BDC does not hold a majority of the voting rights, further analysis is performed to determine whether or not BDC has control of the entity. BDC is deemed to have control when, according to the terms of the shareholder's and/or limited partnership agreements, it makes most of the decisions affecting relevant activities.

Subsidiaries are fully consolidated from the date that control begins until the date that control ceases. No subsidiary has been acquired or disposed of during the reporting periods. Intercompany transactions and balances are eliminated upon consolidation.

2. Basis of preparation (continued)

Subsidiaries (continued)

The following operating entities have been consolidated in BDC's Consolidated Financial Statements.

Entity	Principal activity	Country of incorporation and residence	Proportion of ownership and voting power held	Basis of control
BDC Capital Inc.	Holding company structure for investment activities	Canada	100%	Voting power
AlterInvest II Fund L.P.	Direct equity investments	Canada	50%	Voting power and contractual agreements
Go Capital L.P.	Direct equity investments	Canada	20%	Contractual agreements

AlterInvest II Fund L.P.

BDC owns 50% of AlterInvest II Fund L.P. and acts as the general partner for this entity, thus having the ability to direct all relevant activities and power to affect the variable returns to which BDC is exposed.

Go Capital L.P.

Although BDC owns less than half of Go Capital L.P. and holds less than half of the voting power, management has determined, based on the terms of the agreement under which Go Capital L.P. was established, that BDC controls this entity. As the general partner, BDC has the current ability to direct the relevant activities of Go Capital L.P. and has the power to affect the variable returns, to which BDC is exposed.

Go Capital L.P.'s year-end date is December 31, as agreed upon by the partners at the time this entity was established. Consequently, additional financial information regarding this entity is prepared for the interim period for the purposes of consolidation.

Non-controlling interests

Interests in the equity of subsidiaries not attributable to the parent entity are reported in consolidated equity as non-controlling interests. Net income and each component of other comprehensive income (loss) are attributed to BDC's shareholder and to non-controlling interests in accordance with their respective shareholdings, even if this results in the non-controlling interests having a deficit balance.

Associates

Associates are those entities in which BDC has significant influence, but not control, over the financial and operating policies. Debt investments and equity investments in associates that are held as part of BDC's investment portfolio by BDC Capital Inc. are carried in the Consolidated Statement of Financial Position at fair value. This treatment is permitted by International Accounting Standard (IAS) 28, *Investments in Associates*, under which an entity that is a venture capital organization or other similar entity that holds investments in an associate may elect to measure these investments at fair value through profit or loss in accordance with IFRS 9, *Financial Instruments*.

3.
Material accounting policies

The material accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all periods presented in these Consolidated Financial Statements and have been applied consistently by all entities consolidated by BDC.

Financial instruments

Recognition, derecognition and measurement of financial instruments

Financial assets and financial liabilities are recognized when BDC becomes party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when the related contractual obligation is extinguished, discharged or cancelled, or when it expires.

Financial instruments are recognized and derecognized using settlement date accounting.

On initial recognition, financial instruments are measured at fair value. Fair value on initial recognition includes transaction costs directly attributable to the acquisition or issue of financial instruments, except for financial instruments carried at fair value through profit or loss, for which transaction costs are recognized in net income in the period when they are incurred.

Classification of financial instruments

Financial assets

On initial recognition, a financial asset is classified as subsequently measured at:

— amortized cost;

— FVTPL; or

— FVOCI.

Business model assessment

The classification depends on BDC's business model for managing these financial assets and the contractual terms of the financial asset's cash flows. The business model objectives are broken down into three categories:

— Financial assets held solely to collect contractual cash flows;

— Financial assets held to both collect contractual cash flows and sell the assets;

— Financial assets that are managed on a fair value basis.

BDC makes an assessment of the objective of a business model under which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

— the investment strategy for holding or selling the assets in the portfolio and the risks that affect the performance of the business model;

— the reports provided to BDC's management and key indicators used to assess the performance of the portfolio;

— the portfolio managers' compensation (i.e., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected);

— the frequency, volume and timing of sales in prior periods, the reasons for such sales and the expectations about future sales activity.

3. Material accounting policies (continued)

Financial instruments (continued)

Classification of financial instruments (continued)

Financial assets (continued)

Business model assessment (continued)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

— the asset is held within a business model whose objective is to hold assets to collect contractual cash flows;

— the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

A financial asset that is a debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

— the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

— the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

All other financial assets are classified as measured at FVTPL.

On initial recognition, BDC may irrevocably designate a financial asset that meets the requirements to be measured at amortized cost or at FVOCI, to be measured as at FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis.

Assessment whether contractual cash flows are solely payments of principal and interest

In assessing whether the contractual cash flows are solely payments of principal and interest, BDC considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, BDC considers characteristics such as:

— contingent events that change the amount and timing of cash flows;

— leveraged features;

— prepayment and extension terms;

— terms that limit BDC's claim to cash flows from specified assets;

— features that modify consideration of the time value of money.

Financial liabilities

BDC classifies its financial liabilities at amortized cost unless it has designated liabilities at FVTPL or is required to measure liabilities at FVTPL. BDC designates a financial liability as measured at FVTPL on initial recognition when it eliminates an accounting mismatch that would otherwise arise from measuring assets or liabilities on a different basis or when the liability contains an embedded derivative that is separable and significantly modifies the cash flows that would otherwise be required under the contract.

A description of the basis for each designation is set out in the Major types of financial instruments section of this note.

Subsequent measurement of financial instruments

Financial instruments are measured in subsequent periods either at fair value or at amortized cost depending on the financial instrument classification.

Financial instruments classified at amortized cost

Subsequent to initial recognition, financial assets and liabilities classified in this category are measured at amortized cost using the effective interest rate method, net of an allowance for expected credit losses in the case of financial assets. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to its carrying amount. When calculating the effective interest rate, BDC estimates future cash flows, considering all contractual terms of the financial instrument.

3. Material accounting policies (continued)

Financial instruments (continued)

Subsequent measurement of financial instruments (continued)

Financial instruments classified at fair value through profit or loss

Subsequent to initial recognition, financial instruments classified as fair value through profit or loss are measured at fair value with the variation of unrealized gains or losses being recognized in the Consolidated Statement of Income as:

— net change in unrealized appreciation or depreciation of investments, or net foreign exchange gains or losses, when related to asset-backed securities, debt, and equity investments; or

— net gains or losses on other financial instruments when related to derivatives.

Gains and losses upon the sale, disposal or write-off of these financial instruments are included directly in the Consolidated Statement of Income and are reported as:

— net realized gains or losses on investments when related to asset-backed securities, debt and equity investments; or

— net gains or losses on other financial instruments when related to derivatives.

Financial instruments classified at fair value through other comprehensive income

Subsequent to initial recognition, financial instruments measured as at FVOCI are measured at fair value, with unrealized gains and losses recorded in Other Comprehensive Income (Loss) (OCI) until the asset is derecognized, with the exception that the IFRS 9 impairment model applies to these instruments, and the provision for expected credit losses is recorded in the Consolidated Statement of Income.

Cash flow hedges

BDC elected to de-designate the hedging instruments effective on the last day of fiscal 2018. The amounts recognized in other comprehensive income (loss) at March 31, 2018 were fully recycled to the Consolidated Statement of Income as at March 31, 2023. Derivatives held for risk management are measured at fair value through profit or loss in the Consolidated Statement of Income.

Impairment

An allowance for expected credit losses (ECL) is calculated for the following financial instruments that are not measured at FVTPL:

— Cash;

— Loans;

— Investment-grade asset-backed securities;

— Accounts receivable from advisory clients;

— Loans and asset-backed securities commitments;

— Loan guarantees

The allowance for ECL is maintained at a level considered adequate to absorb the credit losses expected in the portfolio at the financial reporting date based on reasonable and supportable information about past events, current conditions and forecasts of future economic events, which are established at the individual level.

As required by IFRS 9, the allowance for expected credit losses is measured using a three-stage impairment model:

i. Stage 1—12-month ECL: The loss allowance is measured at an amount equal to 12-month expected credit losses if there is no significant increase in credit-risk since initial recognition;

ii. Stage 2—Lifetime ECL: The loss allowance is measured at an amount equal to the lifetime expected credit losses if there is a significant increase in credit risk since initial recognition and the loan is not considered credit-impaired;

iii. Stage 3—Lifetime ECL: The loss allowance is measured as the difference between the carrying amount and present value of its estimated future cash flow if the loan is considered credit-impaired.

3. Material accounting policies (continued)

Financial instruments (continued)

Subsequent measurement of financial instruments (continued)

Impairment (continued)

The ECL model calculates a probability-weighted estimate that incorporates forward-looking information representing three macro-economic scenarios. The assessment of significant increase in credit risk is based on changes in the forward-looking lifetime probability of default since initial recognition. For certain instruments with low credit risk at the reporting date, the credit risk has not increased significantly relative to initial recognition. Credit risk is low if the financial asset has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The allowance for ECL is calculated on the disbursed and undisbursed amounts of authorized loans, loan guarantees, and investment-grade asset-backed securities. The allowance on disbursed amounts is recorded against the assets whereas the allowance on the undisbursed amounts and on guarantees is recorded in the liabilities in the Consolidated Statement of Financial Position.

Definition of default

Per BDC's credit risk management policy, a financial asset is considered impaired and is moved to Stage 3 when it is in default of payments for three consecutive months and collection efforts are not reasonably expected to result in repayment, or when adverse events have occurred that are judged to be severe and likely unresolvable, which indicate that BDC can no longer expect to collect the expected future cash flows in full.

Write-off policy

Financial assets are written off, either partially or in full, after BDC has exhausted all possible avenues of recovery from the borrower and guarantors and no value can be expected from the realization of security.

Major types of financial instruments

Loans

Loans are classified and measured at amortized cost using the effective interest rate method, less allowance for expected credit losses. Loans presented on the Consolidated Statement of Financial Position include accrued interest receivable.

Allowance for expected credit losses

BDC establishes the allowances for credit losses on an individual asset basis for loans, loan commitments and loan guarantees using the three-stage IFRS 9 impairment model and recognizes ECLs in the provision for expected credit losses in the Consolidated Statement of Income. The allowance for credit losses related to loans is presented in the allowance for expected credit losses against Loans in the Consolidated Statement of Financial Position. The allowance for credit losses related to loan commitments and guarantees is included in the liabilities under "Expected credit losses on loan commitments and guarantees".

Allowance on performing loans

Under the IFRS 9 ECL methodology, an allowance is recorded for expected credit losses on loans, loan commitments and loan guarantees regardless of whether there has been an actual impairment. We recognize a loss allowance at an amount equal to 12-month expected credit losses for loans in Stage 1 if the credit risk at the reporting date has not increased significantly since initial recognition. We record expected credit losses over the remaining life of performing loans in Stage 2 when they have experienced a significant increase in credit risk.

3. Material accounting policies (continued)

Financial instruments (continued)

Subsequent measurement of financial instruments (continued)

Loans (continued)

Allowance on impaired loans

Under BDC's definition of default, loans are considered to be in default and classified in Stage 3 when they meet one or both of the following criteria which represent objective evidence of impairment:

— there has been a deterioration in credit quality to the extent that BDC considers that the obligor is unlikely to pay its credit obligations to BDC in full; or

— the obligor is past due more than 90 days on any credit obligation to BDC and collection efforts are not reasonably expected to result in repayment.

When a loan is considered impaired, ECLs are measured as the difference between the carrying amount of the loan and the present value of its estimated future cash flows discounted using (i) the effective interest rate of the loan for fixed-rate loans or (ii) the rate at time of impairment for floating-rate loans.

The carrying amounts of impaired loans are first reduced through the use of the ECL allowance account, and then written off when all collection efforts have been exhausted and no further prospect of recovery is likely. The amounts of the initial impairment losses, as well as any subsequent increases or reversals of these impairment losses, are recognized in the provision for expected credit losses in the Consolidated Statement of Income.

Changes in the allowance for expected credit losses on loans, loan commitments and loan guarantees as a result of originations, repayments and maturities, changes in risk parameters, remeasurements and modifications are recorded in the provision for expected credit losses in our Consolidated Statement of Income.

Refer to Note 5— *Significant accounting judgments, estimates and assumptions* for more information regarding the criteria used to determine the amount of the allowance.

Asset-backed securities

The asset-backed securities (ABS) portfolio consists of investment-grade senior and subordinated notes issued by way of private placement.

Investment-grade senior notes are classified as fair value through other comprehensive income, and subordinated notes are classified as fair value through profit or loss on the basis that they are reported to and evaluated by senior management on a fair value basis. ABS presented in the Consolidated Statement of Financial Position include accrued interest receivable.

The fair value of each ABS is calculated using forecasted cash flows and an estimated discount rate that is derived from the yield on Government of Canada bonds for a similar term length and an ABS spread for comparable transactions. The result is adjusted to reflect the risk of the underlying assets and deal structure.

As required by IFRS 9, expected credit losses are calculated on the disbursed and undisbursed portfolio of investment grade senior notes since they are classified at FVOCI. No impairment is calculated on the subordinated notes since they are classified at FVTPL.

ABS credit risk is monitored quarterly using internal credit risk rating methodology. As at March 31, 2024, and March 31, 2023, all of the investment-grade senior notes are considered low credit risk, and therefore the low credit risk simplification is used and the impairment is calculated based on 12-month expected credit losses.

Refer to Note 5— *Significant accounting judgments, estimates and assumptions* for more information regarding the criteria used to determine whether an impairment has occurred.

3. Material accounting policies (continued)

Financial instruments (continued)

Subsequent measurement of financial instruments (continued)

Investments

Upon initial recognition, debt and equity investments are classified as at fair value through profit or loss on the basis that they are part of a portfolio that is reported to and evaluated by senior management on a fair value basis, in accordance with a documented investment and risk management strategy. Undisbursed amounts of debt investments are designated as measured at FVTPL to avoid an accounting mismatch between the undisbursed and outstanding investments measured at FVTPL.

BDC's valuation process for fair value measurement of debt and equity investments was derived from the International Private Equity and Venture Capital Valuation Guidelines. Based on the type of investments being valued, BDC uses (i) market-based methodologies, such as the quoted share price or the price of recent similar investments; (ii) discounted earnings or cash flow approaches; or (iii) liquidation or asset-based methods. These fair values are updated at least twice a year by BDC's investment managers, reviewed by internal valuators and a valuation committee, which includes an external member who is a chartered business valuator. Indirect equity investments include fund transactions and the fair value of these investments are determined using the asset-based method. BDC uses the most recent net assets provided by the administrator or by the general partner, unless there is an indication that fair value differs from the net asset value provided. The net assets are adjusted for all events between the reporting date of the fund and BDC's reporting date, typically a period of one quarter. Events include but are not limited to disbursements, distributions, foreign exchange, change in publicly quoted investments and material events impacting underlying portfolio companies.

Derivatives

Derivative financial instruments are financial contracts that derive their value from underlying changes in interest rates, foreign exchange rates, stock market indices or other financial instrument measures. BDC acquires derivative financial instruments to manage exposures to interest, currency and other market risks. BDC does not hold derivatives for speculative or trading purposes. Derivatives are classified at fair value through profit or loss.

All BDC derivatives are over-the-counter and are mainly composed of swaps and foreign exchange forwards. The fair value of swaps is determined using pricing models that take into account current market and contractual prices of the underlying instrument, as well as time value, the yield curve, or volatility factors underlying the position and embedded options. The fair value of foreign exchange forwards is calculated by discounting the notional amount using the yield curves of the respective currencies. Inputs to both these calculations are market-observable data sourced from leading inter-dealer brokers, together with industry-standard valuation models for estimating fair value.

Borrowings

Short and long-term notes are measured at amortized cost.

Interest accrued on borrowings is included in the carrying amount of both short- and long-term notes.

Financial guarantees

BDC issues "letters of credit, loan guarantees and portfolio guarantees" (guarantees) to support businesses. They represent BDC's obligation to make payments to third parties if clients are unable to meet their contractual commitments. All guarantees are issued to unrelated parties on arm's-length terms. Those guarantees are initially recognized at fair value at the date the contract is issued. As no initial fee at inception is received, the fair value is considered nil. In addition, no receivable for future expected fees is recognized on initial recognition.

Subsequently, the guarantees are measured at the amount of the allowance for expected credit losses based on the three-stage IFRS 9 impairment model and recognized in the Consolidated Statement of Financial Position.

The fee income is calculated as a percentage of the outstanding principal amounts and is recognized in fee and other income in the Consolidated Statement of Income as it becomes payable.

Subsequent recognition of a claim payable will only occur when it becomes more likely than not that a client will not meet its contractual commitments resulting in a call on guarantee. When a claim is recorded, the expected credit loss related to the guarantee is reversed and the actual claim amount is recorded in provision for expected credit losses in the Consolidated Statement of Income.

3. Material accounting policies (continued)

Interest income and interest expense on financial instruments, and fee income

Interest income and expense for interest-bearing financial instruments are recognized in interest income and interest expense in the Consolidated Statement of Income using the effective interest rate method, with the exception of debt investments classified as FVTPL, for which interest income is recognized using the contractual rate of the instrument. Interest on impaired loans continues to be recognized based on the reduced carrying amount using the interest rate used to discount the future cash flows for the purposes of measuring the impairment loss.

For loans provided at no interest rate, the fair value is estimated on initial recognition as the present value of all future cash receipts discounted using the prevailing market rates for similar transactions with a similar credit rating. At initial recognition, the difference between the fair value and the transaction amount disbursed is recognized as a net loss on other financial instruments in the Consolidated Statement of Income. Interest income is subsequently measured using the effective interest rate method and recognized in interest income in the Consolidated Statement of Income.

Debt investments also bear non-interest returns, such as royalties and interest bonuses, which are recognized in fee and other income in the Consolidated Statement of Income when it is probable that they will be received, and the amounts can be reliably measured.

Fees that are integral to originating or renegotiating a loan are deferred and recognized as interest income over the expected term of the loan using the effective interest rate method. All other fees are recognized in net income as the related services are performed.

Leases

At inception of a contract, BDC assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, BDC determines whether:

— the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
— BDC has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
— BDC has the right to direct the use of the asset. BDC has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

BDC recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically tested for impairment and reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, BDC's incremental borrowing rate. Generally, BDC uses its incremental borrowing rate as the discount rate. Lease payments mainly include fixed payments.

Subsequently, the lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising mainly from a change in BDC's evaluation of whether it will exercise an extension or termination option or if there are changes in lease payments due to the reassessment of a location's square footage.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

BDC has elected not to recognize right-of-use assets and lease liabilities for some short-term leases that have a lease term of 12 months or less and for leases of low-value assets such as office equipment. BDC recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. Material accounting policies (continued)

Net defined benefit asset or liability

BDC maintains a registered defined benefit pension plan, supplemental defined benefit pension plans and other post-employment defined benefits (which include health, dental, critical illness and life insurance coverage) for eligible employees.

The net defined benefit asset or liability is the present value of the defined benefit obligation less the fair value of plan assets.

BDC's defined benefit obligation in respect of retirement benefit plans is calculated separately for each plan by estimating the amount of future benefits employees have earned in return for their services in the current and prior periods.

The defined benefit obligation is calculated for each plan using the projected unit credit method. In determining the present value of its defined benefit obligation, and the related current service cost and past service cost, BDC attributes the benefit to periods of service under the plan's benefit formula. The present value of the defined benefit obligation is calculated by discounting the estimated future cash outflows using interest rates that have terms to maturity approximating the terms of the obligation. These interest rates are derived from yields on high quality corporate bonds which, because of the limited number of these bonds at longer maturities, are extrapolated for longer terms based on high quality provincial bond yields to which a spread is added to reflect the additional credit risk of high-quality corporate bonds.

BDC determines the net interest expense or income on the net defined benefit asset or liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual reporting period to both the defined benefit obligation and the plan assets. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognized immediately in profit or loss when the plan amendment or curtailment occurs.

Remeasurements, which include actuarial gains and losses and the return on plan assets excluding net interest on the net defined benefit liability (asset), are recognized immediately in OCI. Remeasurements recognized in OCI are reflected immediately in retained earnings and are not reclassified to net income. Current service costs, past service costs, gain or loss on curtailment, and net interest on the net defined benefit asset or liability are recognized in net income.

Equity attributable to BDC's shareholder

Share capital represents the par value of common shares issued and in circulation. Contributed surplus represents the value of assets transferred to BDC by the shareholder without issuance of shares.

Unrealized gains and losses on financial instruments classified as FVOCI assets are included in accumulated other comprehensive income (AOCI) until such time as the financial instruments are derecognized or impaired, at which time these gains or losses are reclassified to net income.

Retained earnings include all current and prior periods' net income and remeasurements of net defined benefit asset or liability, net of dividends paid.

Translation of foreign currencies

Assets and liabilities denominated in foreign currencies, all of which are monetary, are translated into Canadian dollars at exchange rates prevailing at the reporting date. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars using the exchange rate at either the daily or monthly average exchanges rates in effect during the year.

Unrealized and realized foreign exchange gains or losses on foreign exchange forwards, debt investments, loans, asset-backed securities as well as unrealized foreign exchange gains or losses on equity investments are included in the Consolidated Statement of Income and reported as net foreign exchange gains or losses, whereas realized and unrealized gains or losses on debts and swaps are reported as net gains or losses on other financial instruments. Realized foreign exchange gains or losses on equity investments are reported under net realized gains (losses) on investments in the Consolidated Statement of Income.

(in thousands of Canadian dollars)

4.

Interbank Offered Rates (IBOR) Reform

In August 2020, the IASB issued the second phase of the Interbank Offered Rates (IBOR) Reform which amends IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts*, and IFRS 16, *Leases*. BDC adopted the final amendments on April 1, 2021 and applied the practical expedient of the Phase 2 amendments which allows modifications of amortized cost financial assets and financial liabilities that are made as a direct consequence of the IBOR Reform, and on an economically equivalent basis, to be accounted for by updating the effective interest rate prospectively with no immediate gain or loss recognition. If additional changes are made and are not directly related to the reform, the IFRS 9 requirements are to be applied.

In March 2021, the Financial Conduct Authority (FCA) confirmed that the publication of most tenors of USD LIBOR (London interbank offered rate) (overnight, one-month, three-month, six-month and 12-month LIBOR) would cease immediately following a final publication on June 30, 2023. Consequently, all of BDC's exposures to LIBOR were transitioned to an alternative reference rate (ARR) during fiscal 2024 thus eliminating all exposures to LIBOR. On May 16, 2022, the administrator of CDOR (Canadian dollar offered rate), Refinitiv Benchmark Services (UK) Limited, announced that the calculation and publication of all tenors of CDOR will permanently cease immediately following a final publication on June 28, 2024. As such, as detailed in the table below, some of BDC's financial assets are still exposed to CDOR rates as at March 31, 2024.

To manage our transition to ARRs, a working group was created to evaluate and monitor the key areas of impact to support BDC's transition through the reform. This includes identifying the exposures to various IBORs, evaluating the existing contracts exposed to IBOR and their remediation, identifying risk areas, evaluating the financial reporting impacts and legal aspects, developing the capabilities to issue and trade products referencing risk free rates, evaluating the modifications required to processes and systems and establishing communication with clients and counterparties regarding industry developments through the transition.

As the majority of BDC's exposure to financial instruments subject to the IBOR Reform is related to syndicated loans for which BDC is not the lead syndicate, BDC's transition plan is reliant on the transition plans of these lead syndicates. In general, the interest rates on these loans are reset every three months, and as they are repriced, the existing interest rate is transitioned to an ARR prior to the cessation date of the applicable USD Libor or CDOR rate.

The following table provides BDC's exposures to financial instruments subject to the IBOR Reform as at March 31, 2024 and March 31, 2023, that have yet to transition to ARRs for USD LIBOR and CDOR.

		March 31, 2024
	USD LIBOR	CDOR
Non-derivative financial assets		
Asset backed securities	–	**2,308**
Loans[1]	–	**250,946**
	–	**253,254**

		March 31, 2023
	USD LIBOR	CDOR
Non-derivative financial assets		
Asset backed securities	452	76
Loans[1]	8,212	283,417
	8,664	283,493

[1] Portfolios are at gross carrying amount

5.
Significant accounting judgments, estimates and assumptions

The preparation of the Consolidated Financial Statements in accordance with IFRS accounting standards requires management to make judgments 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.

The slowdown in the Canadian and global economy during fiscal 2024 brings additional uncertainty about the assumptions used by management in making its judgments and estimates. The situation is stabilizing and is expected to improve in fiscal 2025, but there is still uncertainty pertaining to interest rates and geopolitical developments. Inflation, despite having come down to levels close to the upper bound of the Bank of Canada's target rate, remains a key risk. BDC has credit exposures to businesses that are impacted, either directly or indirectly, by the level of interest rates, energy costs, or commodity prices. Even with the situation looking more positive in fiscal 2025, it remains difficult to reliably estimate the severity of these impacts on the financial results and condition of BDC in future periods. Given that the timing and magnitude of the expected interest rate cuts is uncertain, and that the impact of geopolitical tensions is unpredictable, it remains challenging to estimate the impact that these factors will have on the global economy and BDC's business.

Information about the significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the Consolidated Financial Statements are summarized in this note.

Allowance for expected credit losses

The allowance for expected credit losses under IFRS 9 represents management's estimate of the losses expected in the loan portfolio, loan commitments and loan guarantees, at the reporting date, which is established at the individual asset level, incorporates forward looking information and is based on a probability-weighted outcome of multiple economic scenarios.

BDC reviews its loans, loan commitments and loan guarantees individually to estimate the provision for expected credit losses. The process requires BDC to make assumptions and judgments by carrying out certain activities, including assessing the impaired status and risk of a loan, loan commitments and loan guarantees, and estimating future cash flows and collateral values.

Impaired loans, loan commitments and loan guarantees, are considered in Stage 3. All other loans, loan commitments and loan guarantees are either considered in Stage 1 or in Stage 2 if a significant increase in credit risk has occurred. If the increase in credit risk is no longer considered significant, loans, loan commitments and loan guarantees will be moved back to Stage 1 and if the loans, loan commitments and loan guarantees are no longer considered impaired they will be transferred back to Stage 1 or 2. At each reporting date, BDC considers the following criteria to assess whether a significant increase in credit risk has taken place since the initial recognition:

— a significant increase in the expected lifetime probability of default since origination
— loans, loan commitments and loan guarantees that are on the watchlist and
— loans that are 30 days past due.

Expert credit judgment may also be applied, as required, to account for loans that have experienced a significant increase in credit risk. The ECL is calculated for each exposure, taking into account the financial instrument's forward-looking probability of default, loss given default and exposure at default. IFRS 9 requires current and expected economic conditions for multiple scenarios to be taken into account in determining whether there has been a significant increase in credit risk and in calculating the amount of expected losses. BDC considers three forward-looking scenarios that are probability weighted. The "base case" represents the most likely scenario under current and forward-looking economic conditions, whereas the "upside" and "downside" differ relative to the base case based on plausible economic conditions. Management judgment is required in the application of forward-looking information.

Changes in these assumptions, or the use of other reasonable judgments, can materially affect the allowance level. Refer to Note 9—*Loans*, for more information on the allowance for expected credit losses.

5. Significant accounting judgments, estimates and assumptions (continued)

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the Consolidated Statement of Financial Position cannot be derived from active markets (i.e., from quoted market prices or dealer price quotations), it is determined using valuation techniques, including discounted cash flow models. The price of a recent investment is considered to calibrate inputs to the valuation models and is established from completed financing rounds prior to or at the reporting date. When there has been a recent significant investment in the investee(s), the price of that investment is considered as the fair value.

The inputs to these models, such as interest rate yield curves, equity prices and currency prices and yields, volatility of underlying assumptions, and correlations between inputs, are taken from observable markets, where possible. Where this is not feasible, a degree of judgment is required in establishing fair values.

These judgments include considerations of inputs such as the discount rate, the expected rate of return by level of risk and the weighted forecast of cash flows. Changes to these inputs could affect the reported fair value of financial instruments. Refer to Note 3—*Material accounting policies* for more information about the valuation techniques used for each type of financial instrument and to Note 6—*Classification and fair value of financial instruments* for additional information on fair value hierarchy levels.

BDC's valuation process considered the impacts of the macro-economic and the geopolitical environment, interest rates, workforce, supply chain, liquidity level and the ability to obtain financing. The process includes management adjustments based on factors such as the competitive landscape, quality, and financial ability of the stakeholders to support the business, specific business fundamentals and the rank of financial instruments.

Net defined benefit asset or liability

The cost of defined benefit pension plans and other post-employment benefits, and the present value of the related obligations, are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates used to measure the obligations, expected future salary increases, expected retirement age, expected mortality rates, expected health care cost trends, expected inflation and expected future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Actual results will differ from results that are estimated based on assumptions.

Refer to Note 14—*Net defined benefit asset or liability* for additional information about the key assumptions.

Consolidation

A key judgment that has been used in the preparation of the Consolidated Financial Statements is that BDC has the power to control certain investment funds (refer to Note 2—*Basis of preparation*, for additional information). BDC has assessed that it has the current ability to direct the funds' activities that most significantly affect their returns, and that BDC is exposed to these returns. Consequently, these funds have been fully consolidated rather than accounted for using the equity accounting approach.

(in thousands of Canadian dollars)

6.
Classification and fair value of financial instruments

Classification of financial instruments

The following tables summarize the classification of BDC's financial instruments as at March 31, 2024, and March 31, 2023.

					March 31, 2024
		Measured at fair value			
	Note	FVTPL	FVOCI	Measured at amortized cost	Total
Financial assets					
Cash				**919,278**	**919,278**
Derivative assets	7	**317**	**–**	**–**	**317**
Asset-backed securities	8	**17,082**	**1,272,445**	**–**	**1,289,527**
Loans, net of allowance for expected credit losses	9	**–**	**–**	**38,891,042**	**38,891,042**
Investments	10	**5,737,949**	**–**	**–**	**5,737,949**
Other assets[1]		**–**	**–**	**26,945**	**26,945**
Total financial assets		**5,755,348**	**1,272,445**	**39,837,265**	**46,865,058**
Financial liabilities					
Accounts payable, accrued and other liabilities[1]	12	**–**	**–**	**325,222**	**325,222**
Derivative liabilities	7	**144**	**–**	**–**	**144**
Short-term notes	13	**–**	**–**	**17,833,660**	**17,833,660**
Long-term notes	13	**–**	**–**	**11,777,172**	**11,777,172**
Expected credit losses on loan commitments and guarantees		**–**	**–**	**637,857**	**637,857**
Total financial liabilities		**144**	**–**	**30,573,911**	**30,574,055**

[1] Certain items within the other assets and other liabilities categories in the Consolidated Statement of Financial Position are not considered to be financial instruments.

(in thousands of Canadian dollars)

6. Classification and fair value of financial instruments (continued)

Classification of financial instruments (continued)

March 31, 2023

	Note	Measured at fair value FVTPL	Measured at fair value FVOCI	Measured at amortized cost	Total
Financial assets					
Cash				878,919	878,919
Derivative assets	7	11,603	–	–	11,603
Asset-backed securities	8	18,400	1,157,700	–	1,176,100
Loans, net of allowance for expected credit losses	9	–	–	35,932,703	35,932,703
Investments	10	5,742,512	–	–	5,742,512
Other assets[1]		–	–	30,668	30,668
Total financial assets		5,772,515	1,157,700	36,842,290	43,772,505
Financial liabilities					
Accounts payable, accrued and other liabilities[1]	12	–	–	311,149	311,149
Derivative liabilities	7	117	–	–	117
Short-term notes	13	–	–	19,767,097	19,767,097
Long-term notes	13	–	–	7,157,814	7,157,814
Expected credit losses on loan commitments and guarantees		–	–	554,344	554,344
Total financial liabilities		117	–	27,790,404	27,790,521

[1] Certain items within the other assets and other liabilities categories on the Consolidated Statement of Financial Position are not considered to be financial instruments.

Financial instruments carried at amortized cost

The following table provides a comparison of the carrying and fair values of BDC's financial instruments that are not carried at fair value in the Consolidated Financial Statements and for which the carrying values are not reasonable approximations of their fair value.

			March 31, 2024			March 31, 2023
	Fair value hierarchy level	Fair value	Carrying value	Fair value hierarchy level	Fair value	Carrying value
Financial assets measured at amortized cost						
Loans	**2**	**38,285,131**	**38,891,042**	2	35,289,931	35,932,703
Financial liabilities measured at amortized cost						
Long-term notes	**2**	**11,597,120**	**11,777,172**	2	6,958,562	7,157,814

Loans measured at amortized cost

The net carrying value of performing floating-rate loans is a reasonable approximation of their fair value because the net carrying value reflects changes in interest rates since the loan was originated. For performing fixed-rate loans, fair value is determined using a discounted cash flow calculation that uses market interest rates prevailing at the end of the period charged for similar new loans with corresponding remaining terms.

For impaired loans, the fair value is equal to the net carrying value determined in accordance with the valuation methods described in Note 3—*Material accounting policies*, under the heading Major types of financial instruments – Loans.

Short-term notes measured at amortized cost

The fair value of short-term notes classified at amortized cost is determined using a quoted market price. The carrying value of short-term notes is a reasonable approximation of their fair value because of their short term to maturity. This is the reason why the short-term notes are not disclosed in the table above.

(in thousands of Canadian dollars)

6. Classification and fair value of financial instruments (continued)

Financial instruments carried at amortized cost (continued)

Long-term notes measured at amortized cost

The fair value of long-term notes classified at amortized cost is determined using a discount cash flow calculation that uses market interest rates based on the remaining time to maturity.

Financial instruments measured at fair value

The assumptions and methods used to estimate the fair value of those financial assets and liabilities that are measured at fair value are disclosed in Note 3—*Material accounting policies*.

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. There were transfers between Level 1 and Level 3 during fiscal 2024 and fiscal 2023.

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

				March 31, 2024
	Fair value measurements using			Total
	Level 1	Level 2	Level 3	fair value
Assets				
Derivative assets	**–**	**317**	**–**	**317**
Asset-backed securities	**–**	**1,289,527**	**–**	**1,289,527**
Investments	**85,349**	**–**	**5,652,600**	**5,737,949**
	85,349	**1,289,844**	**5,652,600**	**7,027,793**
Liabilities				
Derivative liabilities	**–**	**144**	**–**	**144**
	–	**144**	**–**	**144**

				March 31, 2023
	Fair value measurements using			Total
	Level 1	Level 2	Level 3	fair value
Assets				
Derivative assets	–	11,603	–	11,603
Asset-backed securities	–	1,176,100	–	1,176,100
Investments	105,160	–	5,637,352	5,742,512
	105,160	1,187,703	5,637,352	6,930,215
Liabilities				
Derivative liabilities	–	117	–	117
	–	117	–	117

(in thousands of Canadian dollars)

6. Classification and fair value of financial instruments (continued)

Financial instruments measured at fair value (continued)

The following tables detail the changes in fair value measurement for financial instruments included in Level 3 of the fair value hierarchy. The procedures and valuation techniques used to determine the fair values of debt and equity investments included in Level 3 are described in Note 3—*Material accounting policies*. These valuation techniques draw upon diverse unobservable inputs, none of which, with the exception of the risk-free interest rate, is individually significant enough to have a material impact on BDC's net income if it varied within reasonably possible ranges. For debt investments, the impact of a 1% variation in the risk-free rate would result in a gain or loss of $16.0 million in the current period and an equivalent change in retained earnings ($12.1 million in 2023).

	March 31, 2024
	Total
Fair value as at April 1, 2023	**5,637,352**
Net realized gains (losses) on investments	**69,897**
Net change in unrealized appreciation (depreciation) of investments	**(288,979)**
Net unrealized foreign exchange gains (losses) on investments	**4,209**
Disbursements for investments	**863,952**
Repayments of investments and other	**(622,215)**
Transfers from Level 3 to Level 1	**(11,616)**
Fair value as at March 31, 2024	**5,652,600**

	March 31, 2023
	Total
Fair value as at April 1, 2022	5,637,846
Net realized gains (losses) on investments	(10,961)
Net change in unrealized appreciation (depreciation) of investments	(677,811)
Net unrealized foreign exchange gains (losses) on investments	145,468
Disbursements for investments	1,012,311
Repayments of investments and other	(418,660)
Transfers from Level 3 to Level 1	(50,841)
Fair value as at March 31, 2023	5,637,352

The following table shows total gains or losses for financial instruments included in Level 3 that are attributable to assets held at the end of the reporting periods.

	2024	2023
Net realized gains (losses) on investments	**64,493**	(206)
Net change in unrealized appreciation (depreciation) of investments	**(268,477)**	(696,011)
Net unrealized foreign exchange gains (losses) on investments	**4,213**	143,782
Total gains related to Level 3 assets still held at the end of the reporting period	**(199,771)**	(552,435)

7.
Derivative financial instruments

In compliance with BDC's Treasury Risk Policy, BDC uses swaps and forwards to mitigate its foreign exchange and interest rate risk. BDC's policy is not to use derivative financial instruments for speculative purposes. BDC did not enter into any transactions that would require netting during the year.

Swaps

Swaps are contractual obligations to exchange a series of cash flows on a specific notional amount for a predetermined period. The various swap agreements that BDC may enter into are as follows:

— interest rate swaps, which involve exchange of fixed- and floating-rate interest payments; and

— cross-currency interest rate swaps, which involve the exchange of both interest and notional amounts in two different currencies.

BDC may enter into interest rate and cross currency interest rate swaps to hedge the financial impact of future interest rate and currency fluctuations in relation to changes in the loan portfolio mix.

The main risk associated with these instruments is related to movements in interest rates and foreign currencies.

Forwards

Forwards are contractual agreements to either buy or sell currencies or financial instruments at specified prices and dates in the future. They are customized contracts transacted in the over-the-counter market.

BDC economically hedges its foreign currency denominated loans and debt investments with foreign exchange forward contracts. Equity investments denominated in foreign currencies are economically hedged following the occurrence of a liquidity event. These instruments are classified as fair value through profit and loss.

The main risks associated with these instruments arise from the possible inability of over-the-counter counterparties to meet the terms of the contracts, and from movements in interest rates and foreign exchange rates.

(in thousands of Canadian dollars)

7. Derivative financial instruments (continued)

The following tables provide the fair value of BDC's derivatives portfolio as represented by gross assets and gross liabilities values. Refer to Note 17—*Risk management*, for additional information on master netting agreements and collateral associated with derivatives.

			March 31, 2024
	Gross assets	Gross liabilities	Net amount
Foreign exchange forward contracts	**317**	**144**	**173**
Total derivative financial instruments	**317**	**144**	**173**

			March 31, 2023
	Gross assets	Gross liabilities	Net amount
Foreign exchange forward contracts	11,603	117	11,486
Total derivative financial instruments	11,603	117	11,486

The following table summarizes the notional amount, by term to maturity, of derivative instruments. Notional amounts, which are provided solely for comparative purposes, are not recorded as assets or liabilities on the Consolidated Statement of Financial Position, as they represent the face amount of the contract to which a rate or a price is applied to determine the amount of cash flows to be exchanged.

	Term to maturity	**March 31, 2024**	March 31, 2023
	Within 1 year	Notional amount	Notional amount
Foreign exchange forward contracts	**1,340,800**	**1,340,800**	887,747
Total derivative financial instruments	**1,340,800**	**1,340,800**	887,747

All amounts in foreign currencies are converted into the Canadian dollar equivalent using the rate of exchange of the derivative contracts.

(in thousands of Canadian dollars)

8.

Asset-backed securities

The following table summarizes ABS by classification of financial instruments. As at March 31, 2024, ABS in the amount of $63,540 had maturities of less than five years ($143,666 as at March 31, 2023) and ABS in the amount of $1,225,987 had maturities over five years ($1,032,434 as at March 31, 2023). The ABS may be redeemed by the issuing trust at par depending on the terms of the securitization deal if the balance of the underlying assets or, in some cases, the balance of the notes, amortizes below 10% of the original balance at issuance.

	March 31, 2024	March 31, 2023
Fair value through other comprehensive income		
Principal amount	**1,314,892**	1,187,290
Cumulative fair value appreciation (depreciation)	**(42,447)**	(29,590)
Carrying value	**1,272,445**	1,157,700
Yield	**4.27%**	3.33%
Fair value through profit or loss		
Principal amount	**22,440**	18,602
Cumulative fair value appreciation (depreciation)	**(5,358)**	(202)
Carrying value	**17,082**	18,400
Yield	**8.85%**	9.86%
Asset-backed securities	**1,289,527**	1,176,100

An allowance for expected credit losses of $28.1 million, resulting from a significant increase in credit risk, was recorded on a portion of the ABS portfolio classified at fair value through other comprehensive income for the year ended March 31, 2024. The allowance for expected credit losses was recognized in the Consolidated Statement of Income in the provision for expected credit losses with the corresponding loss recorded in net change in unrealized gains (losses) on FVOCI assets in the Consolidated Statement of Comprehensive Income. No allowance for expected credit losses was recorded for disbursed and undisbursed ABS portfolio at fair value through other comprehensive income as at March 31, 2023 on the basis that results of the ECL calculation were insignificant. Refer to Note 17—*Risk management*, for additional information on credit risk associated with the ABS portfolio.

(in thousands of Canadian dollars)

9. Loans

The following tables summarize loans outstanding by contractual maturity date.

2024	Within 1 year	1 to 5 years	Over 5 years	Total gross carrying amount	Allowance for expected credit losses	Total net carrying amount
Performing	**350,444**	**5,515,051**	**33,236,815**	**39,102,310**	**(816,312)**	**38,285,998**
Impaired	**40,801**	**208,911**	**810,870**	**1,060,582**	**(455,538)**	**605,044**
Loans as at March 31, 2024	**391,245**	**5,723,962**	**34,047,685**	**40,162,892**	**(1,271,850)**	**38,891,042**

2023	Within 1 year	1 to 5 years	Over 5 years	Total gross carrying amount	Allowance for expected credit losses	Total net carrying amount
Performing	455,469	5,479,860	30,111,047	36,046,376	(695,872)	35,350,504
Impaired	46,036	171,001	713,329	930,366	(348,167)	582,199
Loans as at March 31, 2023	501,505	5,650,861	30,824,376	36,976,742	(1,044,039)	35,932,703

Allowance for expected credit losses

The following tables show a reconciliation from the opening to the closing balance of the expected credit loss allowance.

	March 31, 2024			
	Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total
Balance as at April 1, 2023	**302,061**	**393,811**	**348,167**	**1,044,039**
Provision for expected credit losses				
Transfer to Stage 1[1]	**181,086**	**(175,725)**	**(5,361)**	**–**
Transfer to Stage 2[1]	**(132,770)**	**169,321**	**(36,551)**	**–**
Transfer to Stage 3[1]	**(3,096)**	**(69,742)**	**72,838**	**–**
Net remeasurement of allowance for expected credit losses[2]	**(138,738)**	**123,906**	**304,989**	**290,157**
Financial assets that have been fully repaid	**(35,240)**	**(49,663)**	**(44,722)**	**(129,625)**
New financial assets originated	**232,161**	**18,920**	**–**	**251,081**
Write-offs	**–**	**–**	**(215,299)**	**(215,299)**
Recoveries	**–**	**–**	**30,656**	**30,656**
Foreign exchange and other movements	**116**	**(96)**	**821**	**841**
Balance as at March 31, 2024	**405,580**	**410,732**	**455,538**	**1,271,850**

[1] Provides the cumulative movement from the previous month 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.

(in thousands of Canadian dollars)

9. Loans (continued)

Allowance for expected credit losses (continued)

	March 31, 2023			
	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]	210,629	(206,385)	(4,244)	–
Transfer to Stage 2[1]	(126,774)	180,471	(53,697)	–
Transfer to Stage 3[1]	(1,783)	(48,962)	50,745	–
Net remeasurement of allowance for expected credit losses[2]	(257,255)	47,633	125,487	(84,135)
Financial assets that have been fully repaid	(33,289)	(56,401)	(25,570)	(115,260)
New financial assets originated	198,481	20,842	10,844	230,167
Write-offs	–	–	(128,929)	(128,929)
Recoveries	–	–	28,689	28,689
Foreign exchange and other movements	196	640	1,429	2,265
Balance as at March 31, 2023	302,061	393,811	348,167	1,044,039

[1] Provides the cumulative movement from the previous month 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.

Key input and assumptions

The measurement of allowance for expected credit losses is the result of a complex calculation using a number of assumptions and inputs. The key drivers that contribute to changes in expected credit losses include:

— Changes in the forward-looking macro-economic conditions of multiple scenarios and their respective weightings;

— Changes in the credit risk of loans as reflected by changes in the internal risk ratings;

— Change in volume of new loans and portfolio growth;

— Loan exposure migration between the stages because of changes in the above inputs and assumptions.

Forward-looking information

Forward-looking information is included in both the assessment of allowance for expected credit losses and whether a financial instrument has experienced a significant increase in credit risk. The probability of default (PD), the loss given default (LGD) and the exposure at default (EAD) inputs used to estimate the expected credit loss allowance on the performing portfolio reflect the scenario-weighted forward-looking assumptions. Forward-looking macro-economic variables are forecasted for the base case, upside case and downside case scenarios. For each of the three macro-economic scenarios, the expected credit loss estimate includes a projection of relevant macro-economic variables over the upcoming two years. Key variables include, but are not limited to, GDP growth, unemployment rates, Consumer Price Index, and interest rates. Forecasts include both national and provincial macro-economic variables.

Over the preceding year, the Canadian economy has demonstrated resilience despite monetary tightening measures, largely propelled by robust labor markets, strong consumer activity, and accumulated demand. This resilience, alongside resultant inflationary pressures, has necessitated greater monetary policy tightening than initially projected. Consequently, while economic growth in 2023 was in line with earlier forecasts, projections for 2024 have been adjusted downwards to reflect the impact of heightened policy rates. Both business and consumer spending are expected to face constraints throughout much of the year, with these pressures likely to ease by autumn. Export growth, particularly in energy products, is anticipated to lead Canada's economic expansion during the forecast period, albeit at a more moderate pace compared to the previous year, as the U.S. economy experiences a deceleration. Weakness in exports, particularly non-energy goods, is foreseen for the current year, with energy and services exports expected to show growth.

(in thousands of Canadian dollars)

9. Loans (continued)

Forward-looking information (continued)

Upside and downside scenarios have been formulated to account for potential macroeconomic fluctuations affecting GDP growth. In the downside scenario, a contraction in GDP is forecasted for 2024, with sluggish growth in 2025, reflecting the impact of recent financial crises, leading to an extended recession driven by reduced business investment and consumer spending. Conversely, the upside scenario presents a more optimistic economic outlook, with increased business investment in 2024, albeit still below potential growth, and a return to above-potential economic activity in 2025.

The models were calibrated based on historical performance and relied on macro-economic forecasts combined with experts' judgments in determining the plausible weights for the scenarios considered to reflect the forward-looking information.

The tables presented below feature essential macroeconomic indicators employed in determining our estimated credit loss allowances. These projections encompass the base case, as well as upside and downside scenarios, outlining insights into the next 12 months and the subsequent forecast period, which aligns with BDC's medium-term outlook.

						March 31, 2024
	Baseline scenario		Upside scenario		Downside scenario	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Real GDP Canada (%)	**0.8**	**2.3**	**1.0**	**2.3**	**(4.5)**	**0.4**
Unemployment rate (%)	**6.0**	**5.8**	**6.0**	**5.8**	**10.1**	**11.3**
WTI oil price (US$ per barrel)	**78**	**77**	**78**	**77**	**44**	**29**

						March 31, 2023
	Baseline scenario		Upside scenario		Downside scenario	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Real GDP Canada (%)	0.9	1.4	1.7	1.5	(3.1)	(1.1)
Unemployment rate (%)	5.3	5.5	4.9	5.1	8.7	10.1
WTI oil price (US$ per barrel)	78	77	78	76	44	28

(in thousands of Canadian dollars)

9. Loans (continued)

Sensitivity of expected credit losses

The following tables show the impact on the allowance for expected credit losses that would result under the assumption that all performing loans were in either Stage 1 or Stage 2.

		March 31, 2024
	Allowance for expected credit losses on performing loans[1]	Impact of staging
As reported	**882,597**	**–**
Simulation		
Performing loans as if they were all in Stage 1	**733,571**	**(149,026)**
Performing loans as if they were all in Stage 2	**1,225,047**	**342,450**

[1] Includes loans and loan commitments.

		March 31, 2023
	Allowance for expected credit losses on performing loans[1]	Impact of staging
As reported	752,972	–
Simulation		
Performing loans as if they were all in Stage 1	585,406	(167,566)
Performing loans as if they were all in Stage 2	1,109,273	356,301

[1] Includes loans and loan commitments.

Credit risk

The principal items of collateral pledged as security if a loan defaults and other credit enhancements for loans include (i) various types of security on assets; (ii) personal and corporate guarantees; (iii) letters of credit; (iv) assignments of life insurance; (v) assignments or hypothecs of third-party loans; and (vi) assignments of leases.

As at March 31, 2024, $21.9 million ($18.7 million as at March 31, 2023) of impaired loans, net of allowance for credit losses, was secured by assets that BDC had the power to sell in order to satisfy borrower commitments. BDC's policy is to have these assets sold when other avenues of resolution have been exhausted.

(in thousands of Canadian dollars)

9. Loans (continued)

Credit risk (continued)

The following table summarizes performing and non-performing loans outstanding by client credit risk exposure based on BDC classification.

BDC rating	Grade equivalent	Stage 1	Stage 2	Stage 3	Total	March 31, 2024 %
0.5-1.0	Investment grade	**5,156,116**	**45,768**	**–**	**5,201,884**	**13%**
1.5-5.0	Non-investment grade	**25,557,050**	**7,275,771**	**–**	**32,832,821**	**81%**
5.5	Watchlist	**–**	**1,067,605**	**–**	**1,067,605**	**3%**
6.0 and up	Credit-impaired	**–**	**–**	**1,060,582**	**1,060,582**	**3%**
Loans gross carrying amount		**30,713,166**	**8,389,144**	**1,060,582**	**40,162,892**	**100%**
Allowance for expected credit losses		**(405,580)**	**(410,732)**	**(455,538)**	**(1,271,850)**	
Net carrying amount		**30,307,586**	**7,978,412**	**605,044**	**38,891,042**	

BDC rating	Grade equivalent	Stage 1	Stage 2	Stage 3	Total	March 31, 2023 %
0.5-1.0	Investment grade	4,677,039	81,341	–	4,758,380	13%
1.5-5.0	Non-investment grade	23,001,337	7,122,027	–	30,123,364	81%
5.5	Watchlist	6,132	1,158,500	–	1,164,632	3%
6.0 and up	Credit-impaired	–	–	930,366	930,366	3%
Loans gross carrying amount		27,684,508	8,361,868	930,366	36,976,742	100%
Allowance for expected credit losses		(302,061)	(393,811)	(348,167)	(1,044,039)	
Net carrying amount		27,382,447	7,968,057	582,199	35,932,703	

The following tables summarize loans outstanding, classified by secured risk exposure coverage.

Secured risk exposure	Performing loans outstanding	Impaired loans outstanding	Total	**March 31, 2024**
Secured financing[1]	**28,156,598**	**680,595**	**28,837,193**	**71%**
Partially secured financing[2]	**4,534,049**	**130,976**	**4,665,025**	**12%**
Leverage financing[3]	**6,411,663**	**249,011**	**6,660,674**	**17%**
Loans outstanding	**39,102,310**	**1,060,582**	**40,162,892**	**100%**

[1] % of security shortfall at authorization is less than 30%.
[2] % of security shortfall at authorization is between 31% and 60%.
[3] % of security shortfall at authorization is over 60%.

Secured risk exposure	Performing loans outstanding	Impaired loans outstanding	Total	March 31, 2023
Secured financing[1]	25,331,487	608,760	25,940,247	70%
Partially secured financing[2]	4,324,840	127,225	4,452,065	12%
Leverage financing[3]	6,390,049	194,381	6,584,430	18%
Loans outstanding	36,046,376	930,366	36,976,742	100%

[1] % of security shortfall at authorization is less than 30%.
[2] % of security shortfall at authorization is between 31% and 60%.
[3] % of security shortfall at authorization is over 60%.

(in thousands of Canadian dollars)

9. Loans (continued)

Credit risk (continued)

BDC considers a loan past due when a client has not made a payment by the contractual due date. The following table shows the gross carrying value of loans that are past due but not classified as impaired because they are either less than three months past due or collection efforts are reasonably expected to result in repayment. These loans are included in Stage 2.

Loans past due but not impaired	Within 1 month	1 to 3 months	Over 3 months	Total
As at March 31, 2024	**229,993**	**72,035**	**13,420**	**315,448**
As at March 31, 2023	160,440	41,821	17,577	219,838

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. The largest concentration in one individual or closely related group of clients was less than 1% as at March 31, 2024, and March 31, 2023.

Undisbursed amounts of authorized loans stood at $4,399,869 as at March 31, 2024 ($1,719,844 at fixed rates; $2,673,525 at floating rates; $6,500 at zero interest rate) ($4,138,082 as at March 31, 2023; $1,323,440 at fixed rates; $2,811,592 at floating rates; $3,050 at zero interest rate). The weighted-average effective interest rate on interest-bearing loan commitments was 7.78% (7.42% as at March 31, 2023).

		March 31, 2024		March 31, 2023
Geographic distribution	Outstanding	Commitments	Outstanding	Commitments
Newfoundland and Labrador	**767,641**	**43,511**	792,925	45,051
Prince Edward Island	**78,507**	**1,786**	73,787	7,559
Nova Scotia	**761,702**	**41,954**	708,206	45,833
New Brunswick	**535,519**	**91,019**	489,897	43,714
Quebec	**13,018,040**	**1,398,451**	11,915,354	1,262,642
Ontario	**11,096,225**	**1,128,123**	10,254,562	1,135,688
Manitoba	**1,073,479**	**91,974**	986,635	118,647
Saskatchewan	**1,074,714**	**63,774**	1,015,036	124,771
Alberta	**5,431,721**	**796,677**	4,968,162	828,130
British Columbia	**6,137,216**	**735,489**	5,577,631	515,441
Yukon	**107,305**	**4,676**	105,698	4,596
Northwest Territories and Nunavut	**80,823**	**2,435**	88,849	6,010
Total loans outstanding	**40,162,892**	**4,399,869**	36,976,742	4,138,082

(in thousands of Canadian dollars)

9. Loans (continued)

Credit risk (continued)

	March 31, 2024		March 31, 2023	
Industry sector	Outstanding	Commitments	Outstanding	Commitments
Manufacturing	**8,402,140**	**1,131,408**	7,819,547	1,084,419
Wholesale and retail trade	**8,346,092**	**868,616**	7,545,389	769,761
Service industries	**6,247,200**	**551,155**	5,758,306	459,562
Tourism	**3,676,376**	**309,806**	3,519,023	211,735
Commercial properties	**3,882,292**	**207,352**	3,751,219	211,380
Construction	**3,907,244**	**350,356**	3,544,654	396,832
Transportation and storage	**2,766,857**	**312,562**	2,462,347	282,318
Resources	**1,549,146**	**491,796**	1,346,911	530,441
Other	**1,385,545**	**176,818**	1,229,346	191,634
Total loans outstanding	**40,162,892**	**4,399,869**	36,976,742	4,138,082

The following tables summarize loan commitments outstanding by client credit risk exposure based on BDC classification.

						March 31, 2024
BDC rating	Grade equivalent	Stage 1	Stage 2	Stage 3	Total	%
0.5-1.0	Investment grade	**583,939**	**–**	**–**	**583,939**	**13%**
1.5-5.0	Non-investment grade	**3,493,336**	**258,991**	**–**	**3,752,327**	**85%**
5.5	Watchlist	**–**	**63,603**	**–**	**63,603**	**2%**
Total loan commitment outstanding		**4,077,275**	**322,594**	**–**	**4,399,869**	**100%**
Allowance for expected credit losses		**(55,504)**	**(10,781)**	**–**	**(66,285)**	
Carrying value		**4,021,771**	**311,813**	**–**	**4,333,584**	

						March 31, 2023
BDC rating	Grade equivalent	Stage 1	Stage 2	Stage 3	Total	%
0.5-1.0	Investment grade	460,854	10,920	–	471,774	11%
1.5-5.0	Non-investment grade	3,461,540	162,685	–	3,624,225	88%
5.5	Watchlist	–	42,083	–	42,083	1%
Total loan commitment outstanding		3,922,394	215,688	–	4,138,082	100%
Allowance for expected credit losses		(47,172)	(9,928)	–	(57,100)	
Carrying value		3,875,222	205,760	–	4,080,982	

(in thousands of Canadian dollars)

9. Loans (continued)

Credit risk (continued)

The following tables show a reconciliation from the opening to the closing balance of the allowance for expected credit losses on commitments, which is included in expected credit losses on loan commitments and guarantees in the Consolidated Statement of Financial Position.

				March 31, 2024
Allowance for expected credit losses on commitments	Stage 1	Stage 2	Stage 3	Total
Balance as at April 1, 2023	**47,172**	**9,928**	**–**	**57,100**
Provision for expected credit losses				
Transfer to Stage 1[1]	**4,917**	**(4,917)**	**–**	**–**
Transfer to Stage 2[1]	**(9,300)**	**9,300**	**–**	**–**
Net remeasurement of the allowance for expected credit losses[2]	**7,824**	**13,067**	**–**	**20,891**
Net increase (decrease) in commitments	**5,182**	**(16,603)**	**–**	**(11,421)**
Foreign exchange and other movements	**(291)**	**6**	**–**	**(285)**
Balance as at March 31, 2024	**55,504**	**10,781**	**–**	**66,285**

[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 commitments amounts, changes in credit risk and changes in model inputs and assumptions, including forward-looking macroeconomic variables.

				March 31, 2023
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]	6,250	(6,250)	–	–
Transfer to Stage 2[1]	(10,491)	10,491	–	–
Net remeasurement of the allowance for expected credit losses[2]	(9,520)	14,701	–	5,181
Net increase (decrease) in commitments	13,683	(17,972)	–	(4,289)
Foreign exchange and other movements	(60)	(82)	–	(142)
Balance as at March 31, 2023	47,172	9,928	–	57,100

[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 commitments amounts, changes in credit risk and changes in model inputs and assumptions, including forward-looking macroeconomic variables.

(in thousands of Canadian dollars)

10. Investments

BDC maintains a medium- to high-risk portfolio of debt investments and a high-risk portfolio of direct and indirect equity investments. All investments, which are held for a longer term, are non-current assets.

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

			March 31, 2024			March 31, 2023
Investment type	Fair value	Cost	Commitments	Fair value	Cost	Commitments
Direct investments						
Debt	**1,309,099**	**1,401,247**	**170,594**	1,228,445	1,309,799	166,794
Equity	**2,228,638**	**1,822,650**	**106,573**	2,319,740	1,758,907	67,753
	3,537,737	**3,223,897**	**277,167**	3,548,185	3,068,706	234,547
Indirect equity investments in funds[1]	**2,200,212**	**1,410,230**	**1,211,789**	2,194,327	1,259,942	1,181,926
Investments	**5,737,949**	**4,634,127**	**1,488,956**	5,742,512	4,328,648	1,416,473

[1] As at March 31, 2024, BDC had invested in 135 funds through its VC segment and 39 funds through its CIP segment (125 and 28 funds, respectively, as at March 31, 2023).

The following table summarizes outstanding debt investments by their contractual maturity date.

	Within 1 year	1 to 5 years	Over 5 years	Total cost	Total fair value
As at March 31, 2024	**120,148**	**987,492**	**293,607**	**1,401,247**	**1,309,099**
As at March 31, 2023	110,490	928,201	271,108	1,309,799	1,228,445

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

(in thousands of Canadian dollars)

10. Investments (continued)

The following tables summarize debt investments outstanding and commitments, classified by geographic distribution and by industry sector. Debt investment commitments include $103,310 at fixed rates and $67,284 at floating rates ($72,057 and $94,737 respectively, as at March 31, 2023) and their weighted-average effective interest rate was 10.1% (9.9% on debt commitments as at March 31, 2023), excluding non-interest return.

			March 31, 2024			March 31, 2023
Geographic distribution	Fair value	Cost	Commitments	Fair value	Cost	Commitments
Newfoundland and Labrador	**12,665**	**13,524**	**16,500**	16,007	20,464	5,000
Prince Edward Island	**–**	**–**	**4,050**	–	–	–
Nova Scotia	**19,539**	**21,225**	**1,700**	15,163	16,949	500
New Brunswick	**14,387**	**17,470**	**–**	16,618	19,613	1,000
Quebec	**446,506**	**455,129**	**42,950**	432,522	449,702	41,517
Ontario	**522,034**	**568,870**	**67,355**	462,076	495,500	90,948
Manitoba	**27,895**	**28,676**	**5,065**	12,966	12,883	–
Saskatchewan	**37,856**	**38,324**	**–**	31,839	33,803	–
Alberta	**92,824**	**115,653**	**9,649**	115,371	133,561	9,050
British Columbia	**133,272**	**140,155**	**23,325**	123,182	124,677	18,779
Yukon	**2,121**	**2,221**	**–**	2,257	2,220	–
Northwest Territories and Nunavut	**–**	**–**	**–**	444	427	–
Debt investments	**1,309,099**	**1,401,247**	**170,594**	1,228,445	1,309,799	166,794

			March 31, 2024			March 31, 2023
Industry sector	Fair value	Cost	Commitments	Fair value	Cost	Commitments
Service industries	**437,365**	**450,607**	**68,053**	378,525	390,996	46,829
Manufacturing	**303,662**	**323,648**	**37,488**	297,457	328,054	34,780
Wholesale and retail trade	**245,657**	**258,940**	**17,715**	224,265	226,745	42,800
Information industries	**137,604**	**151,018**	**29,118**	136,900	145,124	27,940
Construction	**99,291**	**101,405**	**10,000**	88,239	89,308	5,015
Resources	**36,608**	**58,366**	**1,155**	64,944	80,486	7,630
Tourism	**18,081**	**20,912**	**2,000**	8,016	9,432	1,500
Educational services	**16,603**	**16,918**	**565**	15,947	16,988	–
Transportation and storage	**14,228**	**19,433**	**–**	13,146	21,660	300
Other	**–**	**–**	**4,500**	1,006	1,006	–
Debt investments	**1,309,099**	**1,401,247**	**170,594**	1,228,445	1,309,799	166,794

The largest concentration of debt investments in one individual or closely related group of clients as at March 31, 2024, was 2.1% of total debt investments at cost (2.6% as at March 31, 2023). The debt investments portfolio is composed primarily of debentures.

(in thousands of Canadian dollars)

10. Investments (continued)

The concentrations by industry sector for direct equity investments are listed below. For direct equity investments, the largest single investment represented 2.3% of the total direct equity investments at cost (4.3% as at March 31, 2023).

			March 31, 2024			March 31, 2023
Industry sector	Fair value	Cost	Commitments	Fair value	Cost	Commitments
Information technology	**721,823**	**638,604**	**14,306**	721,175	625,981	12,809
Service industries	**362,035**	**246,195**	**10,158**	403,824	219,879	6,197
Manufacturing	**352,763**	**197,128**	**15,738**	390,660	240,030	3,000
Communications	**227,472**	**142,642**	**1,002**	258,368	141,047	812
Resources	**133,133**	**136,963**	**4,287**	123,831	119,132	8,514
Industrial	**103,461**	**104,769**	**834**	93,375	81,356	4,725
Electronics	**87,950**	**104,547**	**100**	80,407	101,648	142
Wholesale and retail trade	**54,645**	**47,398**	**12,900**	63,635	47,398	–
Medical and health	**54,191**	**60,505**	**3,579**	59,599	52,469	9,325
Transportation and storage	**46,010**	**33,585**	**30,521**	37,155	19,106	15,000
Biotechnology and pharmacology	**28,571**	**37,283**	**4,230**	39,108	49,921	4,230
Energy	**20,555**	**27,516**	**496**	22,563	21,919	2,159
Educational services	**8,340**	**6,249**	**751**	6,000	6,160	840
Construction	**–**	**–**	**6,771**	–	–	–
Other	**27,689**	**39,266**	**900**	20,040	32,861	–
Direct equity investments	**2,228,638**	**1,822,650**	**106,573**	2,319,740	1,758,907	67,753

(in thousands of Canadian dollars)

10. Investments (continued)

Fair value sensitivity of key unobservable inputs

The following tables show the significant valuation techniques used to determine the fair value of financial instruments included in Level 3 (refer to Note 6–*Classification and fair value of financial instruments* for additional information on hierarchy levels), and the sensitivity analysis of these unobservable inputs on their fair value.

				March 31, 2024
Investments	Fair value	Significant valuation techniques	Sensitivity of unobservable inputs	Fair value sensitivity of unobservable inputs
Total fair value—debt investments	**1,307,496**	Discounted Cash Flows (DCF)[2]	Discount rate: Increase 1% Decrease 1%	(25,345) 26,397
Total fair value—direct equity investments	**2,144,892**	Discounted Cash Flows (DCF)[2]	Discount rate: Increase 5% Decrease 5%	(9,194) 5,604
		Market Multiples	Comparability Discount +-5%[3]	(28,957) 28,957
		Transaction Prices	N/A	N/A
		Net Asset Value (NAV) or Liquidation Value	N/A	N/A
Total fair value—indirect equity investments in Funds	**2,200,212**	Net Asset Value (NAV)[1]	N/A	N/A
Total fair value—Level 3	**5,652,600**			

				March 31, 2023
Investments	Fair value	Significant valuation techniques	Sensitivity of unobservable inputs	Fair value sensitivity of unobservable inputs
Total fair value—debt investments	1,226,842	Discounted Cash Flows (DCF)[2]	Discount rate: Increase 1% Decrease 1%	(34,947) 34,947
Total fair value—direct equity investments	2,216,183	Discounted Cash Flows (DCF)[2]	Discount rate: Increase 5% Decrease 5%	(2,481) 1,668
		Market Multiples	Comparability Discount +-5%[3]	(27,491) 27,491
		Transaction Prices	N/A	N/A
		Net Asset Value (NAV) or Liquidation Value	N/A	N/A
Total fair value—indirect equity investments in Funds	2,194,327	Net Asset Value (NAV)[1]	N/A	N/A
Total fair value—Level 3	5,637,352			

[1] Fair value is determined by third parties, venture capital investment funds' general partners (GPs).
[2] An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
[3] Range of unobservable inputs are not applicable to this valuation methodology.

(in thousands of Canadian dollars)

11.
Leases

Right-of-use assets

	March 31, 2024
	Premise leases
Cost	
Balance as at April 1, 2023	**147,961**
Additions	**1,782**
Disposal	**(10,668)**
Balance as at March 31, 2024	**139,075**
Accumulated depreciation	
Balance as at April 1, 2023	**49,181**
Depreciation	**13,124**
Disposal	**(3,587)**
Balance as at March 31, 2024	**58,718**
Right-of-use assets as at March 31, 2024	**80,357**

	March 31, 2023
	Premise leases
Cost	
Balance as at April 1, 2022	148,254
Additions	3,453
Disposal	(3,746)
Balance as at March 31, 2023	147,961
Accumulated depreciation	
Balance as at April 1, 2022	39,395
Depreciation	13,532
Disposal	(3,746)
Balance as at March 31, 2023	49,181
Right-of-use assets as at March 31, 2023	98,780

(in thousands of Canadian dollars)

11. Leases (continued)

Lease liabilities

Maturity analysis—undiscounted contractual cash flow for lease liabilities

	March 31, 2024	March 31, 2023
Within 1 year	**14,840**	15,454
1 to 5 years	**51,938**	57,063
After 5 years	**37,687**	51,423
Total undiscounted lease liabilities	**104,465**	123,940

As at March 31, 2024, lease liabilities included in the Consolidated Statement of Financial Position totalled $96,186 of which $13,872 was short-term and $82,314 was long-term ($116,163 as at March 31, 2023 of which $14,705 was short-term and $101,458 was long-term).

Amounts recognized in the Consolidated Statement of Income

The following table summarizes amounts recognized in the Consolidated Statement of Income for the years ended March 31, 2024 and March 31, 2023.

	March 31, 2024	March 31, 2023
Interest on lease liabilities	**1,856**	1,797
Payments of non-lease components	**16,600**	14,551
	18,456	16,348

Lease commitments

BDC's future minimum non-fixed lease payments and cost for services related to the rental of premises are as follows:

	March 31, 2024	March 31, 2023
Within 1 year	**16,944**	17,608
1 to 5 years	**62,940**	67,861
After 5 years	**56,261**	75,350
Total	**136,145**	160,819

Leases not yet commenced to which BDC is committed amounted to nil as at March 31, 2024 ($478 as at March 31, 2023).

Premise leases

BDC leases premises to provide office space for its head office and business centers. The leases typically run for a period of 5 to 10 years. Some leases include options to renew for additional periods.

Some leases also require BDC to make payments that relate to the property taxes, business taxes and water taxes levied on the lessor; these amounts are generally variable payments determined annually.

Renewal options

Some leases for premises contain extension options exercisable by BDC up to between 60 and 120 months depending on the contract terms. BDC assesses at lease commencement whether it is reasonably certain to exercise the extension options. BDC reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

(in thousands of Canadian dollars)

12.
Accounts payable, accrued, and other liabilities

	March 31, 2024	March 31, 2023
Financial instruments measured at amortized cost		
Current		
Salaries and benefits payable	**94,803**	95,031
Accounts payable	**9,461**	10,608
Deposits from clients	**58,638**	56,436
Guarantee claims payable	**58,265**	20,149
Other	**14,246**	19,649
	235,413	201,873
Non-current		
Long-term accrued liabilities	**88,149**	107,689
Other	**1,660**	1,587
	89,809	109,276
Deferred income[1]	**11,516**	9,024
Accounts payable, accrued and other liabilities	**336,738**	320,173

[1] Deferred income is classified as current liability.

(in thousands of Canadian dollars)

13.
Borrowings

The table below presents the outstanding short-term notes.

Maturity date	Effective rate	Currency	March 31, 2024 Principal amount[1]	March 31, 2024 Carrying value	March 31, 2023 Principal amount(1)	March 31, 2023 Carrying value
Short-term notes/ financial liabilities measured at amortized cost						
2024	4.315% - 4.470%	CAD	–	–	19,736,500	19,767,097
2025	4.638% - 5.163%	CAD	**17,792,500**	**17,833,660**	–	–
Total short-term notes				**17,833,660**		19,767,097

[1] The principal amount is presented in the original currency.

The table below presents the outstanding long-term notes by maturity.

Maturity date	2024 Effective rate[1]	2023 Effective rate[1]	Currency	March 31, 2024 Principal amount[2]	March 31, 2024 Carrying value	March 31, 2023 Principal amount[2]	March 31, 2023 Carrying value
Long-term notes/financial liabilities measured at amortized cost							
2024		0.44% - 2.26%	CAD			1,140,000	1,144,120
2025	0.43% - 5.02%	0.43% - 4.20%	CAD	**2,307,000**	**2,316,932**	2,222,000	2,230,265
2026	0.44% - 4.89%	0.44% - 4.04%	CAD	**2,257,000**	**2,271,334**	1,291,000	1,296,976
2027	0.49% - 4.71%	0.49% - 3.72%	CAD	**2,415,000**	**2,434,903**	567,000	569,039
2028	0.51% - 4.49%	0.51% - 3.60%	CAD	**1,692,000**	**1,703,907**	834,000	837,269
2029	1.20% - 4.40%	1.20% - 3.31%	CAD	**1,949,000**	**1,964,875**	220,000	221,400
2030	0.55% - 3.89%	0.55% - 3.27%	CAD	**415,000**	**417,213**	250,000	250,666
2031	1.42% - 4.06%	1.42% - 1.77%	CAD	**159,000**	**159,753**	145,000	145,703
2032	1.69% - 4.03%	1.69% - 3.19%	CAD	**240,000**	**241,067**	230,000	230,766
2033	2.68% - 3.31%	2.68% - 3.31%	CAD	**120,000**	**120,873**	110,000	110,629
2034	3.31% - 3.77%	3.31% - 3.31%	CAD	**55,000**	**55,573**	30,000	30,244
2035	3.31% - 3.31%	3.31% - 3.31%	CAD	**30,000**	**30,247**	30,000	30,245
2036	3.31% - 3.31%	3.31% - 3.31%	CAD	**30,000**	**30,250**	30,000	30,248
2037	3.31% - 3.31%	–	CAD	**30,000**	**30,245**	30,000	30,244
Total long-term notes					**11,777,172**		7,157,814

[1] The effective rates on long-term notes refer to yield to maturity for fixed-rate issues and yield to reset for floating-rate issues.
[2] The principal amount is disclosed in the original currency.

(in thousands of Canadian dollars)

13. Borrowings (continued)

As at March 31, 2024 and March 31, 2023, all long-term notes are interest-bearing. The following tables show the cash flows and non-cash changes for borrowings.

		Cash flows		Non-cash changes			
	March 31, 2023	Issuances	Repayments	Fair value changes	Accrued interests	Changes in foreign exchange rate	**March 31, 2024**
2024							
Measured at amortized cost							
Short-term notes	**19,767,097**	**28,579,500**	**(30,523,500)**	**–**	**10,563**	**–**	**17,833,660**
Long-term notes	**7,157,814**	**6,435,000**	**(1,865,000)**	**–**	**49,358**	**–**	**11,777,172**
	26,924,911	**35,014,500**	**(32,388,500)**	**–**	**59,921**	**–**	**29,610,832**

		Cash flows		Non-cash changes			
	March 31, 2022	Issuances	Repayments	Fair value changes	Accrued interests	Changes in foreign exchange rate	March 31, 2023
2023							
Measured at amortized cost							
Short-term notes	14,385,629	35,485,000	(30,132,500)	–	28,968	–	19,767,097
Long-term notes	5,707,297	2,675,000	(1,234,000)	–	9,517	–	7,157,814
	20,092,926	38,160,000	(31,366,500)	–	38,485	–	26,924,911

14.

Net defined benefit asset or liability

BDC offers defined benefit plans that provide pension and other post-employment benefits to eligible employees. The defined benefit pension plans provide benefits based on years of service and average earnings at retirement, fully or partially indexed to the Consumer Price Index, depending on the option chosen by eligible employees hired before January 1, 2015, and partially indexed to the Consumer Price Index for employees hired after December 31, 2014. Other post-employment benefit plans include health, dental, critical illness and life insurance coverage, as well as a retirement allowance program for a closed group of employees who meet certain conditions.

These defined benefit plans expose BDC to actuarial risks, such as longevity risk, interest rate risk, inflation risk and market (investment) risk. The interest rate risk arises because, each year, the present value of the defined benefit obligation is calculated using a discount rate determined by reference to current market yields of high-quality corporate and provincial bonds, which may vary in the future. A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments. The investment risk arises because the actual return on the plan assets may not be sufficient to fulfill future obligations. The longevity risk arises because the present value of the obligation is calculated using projected cash flows based on a life expectancy table reflecting current expectations, which may change over time, and the inflation risk arises because the actual inflation rate in a given year may be different than the rate used for estimation purposes. For each of these risks, an unfavourable variance in any given year will result in an increase in the present value of the obligation and, ultimately, in higher costs. The risk that such unfavourable variances might arise is considered by the actuaries and management when reviewing the inputs to the annual actuarial valuation report.

BDC is the legal administrator of these plans and has implemented a governance structure, as follows:

— The Management Pension Funds Investment Committee (MPFIC) of BDC is established to act in an advisory capacity to the Human Resources Committee of the Board (HR Committee) on the Funds' investment strategies and to manage the funds according to the statements of investment policies. The MPFIC reports to the HR Committee and is chaired by the Treasurer.

— The HR Committee is responsible for design, funding, administration, communications and compliance related to the plans, as well as for overseeing all activities related to the investments of the funds of the Pension Plan for Employees of the Business Development Bank of Canada (registered pension plan) and BDC's supplemental pension plans (jointly referred to as the fund). The HR Committee reports directly to the Board, comprises Board members and is supported by BDC's MPFIC.

— The Board is responsible for overall monitoring of the plans and the fund, and for approving recommendations from the HR Committee.

The registered pension plan is governed according to applicable federal legislation, such as the *Pension Benefits Standards Act and the Income Tax Act*. The plan is under the jurisdiction of the Office of the Superintendent of Financial Institutions. Participants contribute a fixed percentage of their earnings to the plan, while BDC contributes the amount needed to maintain adequate funding, as dictated by the prevailing regulations. BDC may be required to take measures to offset any funding and solvency deficit by increasing its contributions. In addition, BDC pays the entire cost of the supplemental pension plans. The HR Committee is responsible for the investment and funding policies related to the registered and supplemental pension plans.

The registered pension plan is either partly or wholly funded in accordance with actuarially determined amounts required to satisfy employee benefit entitlements. Benefits accruing to members of the contributory component of the registered pension plan are also funded by contributions by plan participants. BDC's best estimate of contributions to be paid for fiscal 2025 for the registered pension plan is $5.5 million. The supplemental pension plans are partly funded by BDC and BDC's best estimate of contributions for fiscal 2025 is $10.4 million. The other benefit plans are wholly unfunded. Estimated BDC-paid benefits for other post-employment benefit plans (including the retirement allowance plan) for fiscal 2025 amount to $7.1 million.

BDC funds its registered pension plan in accordance with applicable federal pension legislation and actuarial standards of practice in Canada to ensure proper funding of employee benefit. As of December 31, 2023, the funded status of the registered pension plan was a going-concern ratio of 143.1% (with a surplus in excess of $604.5 million) and a wind-up/solvency ratio of 114.8%. Mandatory employer current service contribution holiday occurs whenever the going-concern ratio is above 125% and the wind-up/solvency ratio is above 105%. Consequently, BDC has now reached both thresholds providing for a mandatory employer contribution holiday. Effective starting with the deposit of its actuarial valuation report for funding purposes as at December 31, 2023, BDC will stop contributing to the pension fund, as prescribed by the applicable federal pension legislation.

(in thousands of Canadian dollars)

14. Net defined benefit asset or liability (continued)

The following tables provide aggregate, information concerning the defined benefit plans.

	Registered pension plan		Supplemental pension plans		Other plans		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
Fair value of net plan assets at beginning of year	**1,838,404**	1,858,640	**96,596**	93,223	**–**	–	**1,935,000**	1,951,863
Interest income	**92,804**	81,413	**5,075**	4,217	**–**	–	**97,879**	85,630
Employer contributions	**33,236**	51,964	**9,584**	8,919	**–**	–	**42,820**	60,883
Participant contributions	**26,436**	30,282	**–**	–	**–**	–	**26,436**	30,282
Benefit payments from plan	**(59,671)**	(54,933)	**(6,561)**	(5,900)	**–**	–	**(66,232)**	(60,833)
Administrative expenses paid from plan assets	**(1,408)**	(1,467)	**(40)**	(44)	**–**	–	**(1,448)**	(1,511)
Remeasurements								
Return on plan assets (excluding interest income)	**132,122**	(127,495)	**5,834**	(3,819)	**–**	–	**137,956**	(131,314)
Fair value of net plan assets at end of year	**2,061,923**	1,838,404	**110,488**	96,596	**–**	–	**2,172,411**	1,935,000
Defined benefit obligation at beginning of year	**1,577,938**	1,624,950	**157,858**	153,281	**163,051**	173,060	**1,898,847**	1,951,291
Current service cost	**43,052**	48,661	**3,481**	3,225	**4,156**	5,256	**50,689**	57,142
Interest expense	**78,179**	69,491	**7,807**	6,539	**8,065**	7,388	**94,051**	83,418
Benefit payments from plan	**(59,671)**	(54,933)	**(6,561)**	(5,900)	**–**	–	**(66,232)**	(60,833)
Benefit payments from employer	**–**	–	**–**	–	**(6,467)**	(6,553)	**(6,467)**	(6,553)
Participant contributions	**26,436**	30,282	**–**	–	**–**	–	**26,436**	30,282
Remeasurements								
Effect of changes in demographic assumptions	**–**	–	**–**	–	**(5,051)**	(2,647)	**(5,051)**	(2,647)
Effect of changes in financial assumptions	**63,025**	(180,712)	**8,051**	(11,781)	**4,968**	(18,293)	**76,044**	(210,786)
Effect of experience adjustments	**(5,292)**	40,199	**5,010**	12,494	**(2,272)**	4,840	**(2,554)**	57,533
Defined benefit obligation at end of year	**1,723,667**	1,577,938	**175,646**	157,858	**166,450**	163,051	**2,065,763**	1,898,847
Total net defined benefit asset	**338,256**	260,466	**–**	–	**–**	–	**338,256**	260,466
Total net defined benefit liability	**–**	–	**65,158**	61,262	**166,450**	163,051	**231,608**	224,313

(in thousands of Canadian dollars)

14. Net defined benefit asset or liability (continued)

	Registered pension plan		Supplemental pension plans		Other plans		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
Expense recognized in net income								
Current service cost	**43,052**	48,661	**3,481**	3,225	**4,156**	5,256	**50,689**	57,142
Interest expense on defined benefit obligation	**78,179**	69,491	**7,807**	6,539	**8,065**	7,388	**94,051**	83,418
Interest income on plan assets	**(92,804)**	(81,413)	**(5,075)**	(4,217)	**–**	–	**(97,879)**	(85,630)
Administrative expenses	**1,408**	1,467	**40**	44	**–**	–	**1,448**	1,511
Expense recognized in net income	**29,835**	38,206	**6,253**	5,591	**12,221**	12,644	**48,309**	56,441
Remeasurements recognized in OCI								
Effect of changes in demographic assumptions	**–**	–	**–**	–	**5,051**	2,647	**5,051**	2,647
Effect of changes in financial assumptions	**(63,025)**	180,712	**(8,051)**	11,781	**(4,968)**	18,293	**(76,044)**	210,786
Effect of experience adjustments	**5,292**	(40,199)	**(5,010)**	(12,494)	**2,272**	(4,840)	**2,554**	(57,533)
Return on plan assets (excluding interest income)	**132,122**	(127,495)	**5,834**	(3,819)	**–**	–	**137,956**	(131,314)
Remeasurement gain (loss) recognized in OCI	**74,389**	13,018	**(7,227)**	(4,532)	**2,355**	16,100	**69,517**	24,586

Net plan assets for BDC's registered and supplemental pension plans can be broken down into the following major categories of investments.

			March 31, 2024			March 31, 2023
Investment type	Quoted on active market	Unquoted	Total	Quoted on active market	Unquoted	Total
Investments						
Cash	**16,983**	**–**	**16,983**	28,856	–	28,856
Securities purchased under reverse repurchase agreements	**–**	**441,207**	**441,207**	–	444,859	444,859
Bonds						
Government of Canada	**–**	**400,938**	**400,938**	–	354,343	354,343
Canadian provinces	**–**	**648,970**	**648,970**	–	499,041	499,041
Canadian corporate	**–**	**562,692**	**562,692**	–	322,850	322,850
Equity investments						
Canadian equity	**–**	**102,855**	**102,855**	–	90,246	90,246
Global equity	**–**	**895,618**	**895,618**	–	877,033	877,033
Private market	**–**	**311,205**	**311,205**	–	221,166	221,166
Other	**–**	**53,170**	**53,170**	–	49,928	49,928
Investment-related liabilities						
Securities sold under repurchase agreements	**–**	**833,734**	**833,734**	–	545,533	545,533
Securities sold short	**–**	**427,493**	**427,493**	–	407,789	407,789
Fair value of net plan assets	**16,983**	**2,155,428**	**2,172,411**	**28,856**	**1,906,144**	**1,935,000**

(in thousands of Canadian dollars)

14. Net defined benefit asset or liability (continued)

The investment objective for the plan assets of the registered pension plan is to outperform, in the long term, the pension obligation growth rate to compensate for the risk taken. The HR Committee annually reviews the investment policy, which stipulates a diversification strategy, an acceptable level of investment risk and a commensurate rate of return. The plan assets must be invested in a portfolio of diversified securities, according to the investment policy. These investments must be well diversified by industrial sector, based on the industry classification of specific identified indices.

According to the policy, the portfolio can be divided into three large categories of investments: fixed-income assets, equity investments and private market investments. The target for fixed-income assets is set at 40.0% (40.0% in 2023) of the fair market value of the portfolio. The target for investments in equity should represent approximately 45.0% (50.0% in 2023) of the fair market value of the portfolio: 40.0% in global equity (45.0% in 2023) and 5.0% in Canadian equity (5.0% in 2023). The target for private market investments should represent approximately 15.0% (10.0% in 2023) of the fair market value of the portfolio. The positioning of the asset mix is reviewed monthly to assess the need for rebalancing.

The Pension Fund uses a Liability Driven Investing ("LDI") bond portfolio with an inflation overlay. As part of the inflation overlay, repurchase agreements are contracted to fund the purchase of federal real return bonds and reverse repurchase agreements are contracted to obtain the federal nominal bonds to deliver when selling them short. Such repurchase and reverse repurchase positions are rolled over on an annual basis to maintain a synthetic long federal real return bond and short federal nominal bond position that delivers the inflation performance. In addition, the Pension Fund uses a bond overlay with the LDI bond portfolio to achieve a target interest rate hedge ratio. The bond overlay uses repurchase agreements to fund the purchase of additional exposure to the LDI bond portfolio. The repurchase agreements are rolled over periodically (up to 1 year) to maintain the targeted interest rate hedge.

The significant actuarial assumptions adopted in measuring BDC's defined benefit obligation at year-end are as follows.

	Registered pension plan		Supplemental pension plans		Other plans	
	2024	2023	**2024**	2023	**2024**	2023
Discount rate	**4.85%**	5.05%	**4.85%**	5.05%	**4.85%**	5.05%
Inflation rate	**2.00%**	2.00%	**2.00%**	2.00%	**2.00%**	2.00%
Rate of salary increase	**3.20%**	3.20%	**3.20%**	3.20%	**3.20%**	3.20%
Rate of pension increase	**2.00%**	2.00%	**2.00%**	2.00%	**N/A**	N/A

The rates of inflation, salary increase, and pension increase in the above table represent management's long-term view. The average rate of compensation increase is expected to be the inflation rate, plus 0.5% for productivity gains, plus an adjustment for merit and promotion. For the short-term, provisions had been added in fiscal 2023 to these assumptions to reflect the anticipated impact of the inflationary environment on prices and wages. In fiscal 2023, the resulting short-term assumptions in the first year were 3.70% for inflation, 4.70% for salary increases and 4.70% for pension increases. In fiscal 2024, only the salary increase assumption was adjusted to reflect Management's view on wages. The resulting short-term assumption is 3.95 % in the first two years and 3.70 % in the following three years.

The following mortality table was used to determine the present value of the benefit obligation:

— The 2014 Public Sector Mortality Table with mortality improvement Scale CPM-B, from the Canadian Pensioners' Mortality (CPM) study published by the Canadian Institute of Actuaries in February 2014, was used for 2024 and 2023.

(in thousands of Canadian dollars)

14. Net defined benefit asset or liability (continued)

As at March 31, 2024, the weighted-average duration of the defined benefit obligation was 15.5 years (2023: 14.9 years). For measurement purposes, health care cost trends were assumed to be as follows:

Medical (drugs)

— 5.33% in 2024, decreasing by 0.083% each year to 4.0% in 2040
(5.42% in 2023, decreasing by 0.083% each year to 4.0% in 2040)

Other medical costs

— 3.9% per year
(3.8% per year in fiscal 2023)

Dental costs

— 4.0% per year
(4.0% per year in fiscal 2023)

Weighted-average health care trend (Benefit obligation)

— 4.85% in 2024, decreasing by 0.055% each year to 3.97% in 2040
(4.92% in 2023, decreasing by 0.056% each year to 3.96% in 2040)

Sensitivity of assumptions

The present value of the defined benefit obligation is calculated, in the following sensitivity analyses, with the same method (the projected unit credit method) as the net defined benefit asset or liability recognized in the Consolidated Statement of Financial Position. The sensitivity analyses are based on a change in one assumption while all other assumptions are held constant. This analysis may not be representative of the actual change in the defined benefit obligation, as it is unlikely that a change in an assumption would occur in isolation; some of the assumptions may be correlated.

			March 31, 2024			March 31, 2023
Increase (decrease) of the present value of the defined benefit obligation	Registered pension plan	Supplemental pension plans	Other plans	Registered pension plan	Supplemental pension plans	Other plans
Discount rate						
Impact of: 1% increase	**(236,447)**	**(21,399)**	**(22,139)**	(210,293)	(18,974)	(21,383)
1% decrease	**308,887**	**26,993**	**28,057**	272,930	23,718	27,031
Rate of salary increase						
Impact of: 1% increase	**36,621**	**13,851**	**199**	32,880	11,265	281
1% decrease	**(36,722)**	**(8,397)**	**(190)**	(32,798)	(6,876)	(266)
Rate of price inflation						
Impact of: 1% increase	**273,848**	**19,885**	**270**	244,543	16,859	427
1% decrease	**(216,394)**	**(15,755)**	**(245)**	(194,174)	(13,484)	(382)
Rate of pension increase						
Impact of: 1% increase	**222,311**	**23,074**	**–**	197,950	20,626	–
1% decrease	**(178,953)**	**(18,382)**	**–**	(160,341)	(16,637)	–
Health care cost trend						
Impact of: 1% increase	**–**	**–**	**22,602**	–	–	21,888
1% decrease	**–**	**–**	**(18,222)**	–	–	(17,678)
Post–retirement mortality						
Impact of: 1 year older	**(38,894)**	**(4,697)**	**(4,676)**	(34,296)	(4,124)	(4,265)
1 year younger	**38,444**	**4,631**	**4,745**	33,809	4,058	4,315

(in thousands of Canadian dollars)

15.
Share capital

An unlimited number of common shares, having a par value of $100 each, is authorized. As at March 31, 2024, there were 76,399,000 common shares outstanding (72,899,000 as at March 31, 2023).

As per BDC's Capital Management and Dividend Policy, on the date of approval of the fiscal 2024 Consolidated Financial Statements, a $337.0 million dividend was declared, representing $4.41 per share, based on fiscal 2024 performance and a dividend of $337.0 million, representing $4.62 per share, was paid in fiscal 2024 based on fiscal 2023 performance.

On July 12, 2023, BDC issued 3,500,000 common shares for cash proceeds of $350.0 million, which represents a capital injection in support of the renewed Venture Capital Catalyst Initiative (3,430,000 common shares were issued in fiscal 2023 for cash proceeds of $343.0 million in support of the Canada Digital Adoption Program).

No shares were repurchased during fiscal 2024 (the repurchase of 50.0 million of common shares for a cash payment of $5.0 billion was finalized in fiscal 2023 to reduce the excess capital in Credit Availability Program (CAP) related to COVID-19 initiatives).

Reconciliation of the number of common shares issued and outstanding

	2024	2023
As at beginning of the year	**72,899,000**	119,469,000
Shares issued	**3,500,000**	3,430,000
Shares repurchased	**–**	(50,000,000)
As at end of the year	**76,399,000**	72,899,000

Following the approval by BDC's Board of Directors, the Minister of Finance authorized on June 6, 2024 the repurchase of 15.0 million of its common shares for a total value of $1.5 billion to reduce the excess capital in the Credit Availability Program (CAP) related to COVID-19 initiatives. The repurchase will be finalized in fiscal 2025.

16.

Capital management

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). BDC's ratio as at March 31, 2024 was 2.0:1 (1.9:1 as at March 31, 2023).

In addition, 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. As at March 31, 2024, these amounts totalled $7.7 billion ($7.3 billion as at March 31, 2023).

During 2024 and 2023, BDC met both of these statutory limitations.

Capital adequacy

BDC's Capital Management Framework is outlined in its Capital Management and Dividend Policy and is aligned with:

- BDC's strategy, the Risk Appetite Statement and the Enterprise Risk Management Policy
- The Department of Finance's Capital and Dividend Policy Framework for Financial Crown Corporations

Although BDC is not regulated by the Office of the Superintendent of Financial Institutions (OSFI), its Capital Management Framework is continuously refined to better align with OSFI's guidelines and relevant industry practices, while accounting for factors unique to BDC's mandate as a financial Crown corporation.

The key principles behind BDC's Capital Management Framework are that:

- BDC has adequate capital to protect itself against risks that could adversely impact its ability to deliver on its mandate and minimize the risk of recapitalization through a complete economic cycle; and
- Capital in excess of BDC's target capital is available to be returned to the shareholder in the form of dividends, at the discretion of BDC's Board of Directors

BDC monitors its capital status on an ongoing basis by comparing its available capital to its required capital.

Available capital based on BDC's internal capital adequacy assessment process (ICAAP) is composed of equity attributable to BDC's shareholder and adjustments aligned with industry practices.

BDC's ICAAP excludes Capital Incentive Programs (CIP) and the Credit Availability Program (CAP), as these government programs are managed by BDC under a specific capital allocation from the shareholder.

(in thousands of Canadian dollars)

16. Capital management (continued)

Capital adequacy (continued)

The following table shows BDC's available capital reconciliation:

	March 31, 2024	March 31, 2023
Equity attributable to BDC's shareholder	**16,526,455**	16,138,775
Adjustments to available capital		
Intangible assets, net of accumulated amortization	**(52,275)**	(47,646)
Net defined benefit asset	**(338,256)**	(260,466)
Adjustments for allowance for expected credit losses	**502,674**	456,494
Portion of equity attributable to CIP	**(2,382,457)**	(2,035,800)
Portion of equity attributable to CAP	**(3,355,533)**	(3,480,060)
Available capital	**10,900,608**	10,771,297

BDC's required capital represents the capital required to support BDC's risk profile and includes the following element:

— Economic Capital quantifies the capital required to cover credit, investment, operational, business and market risks.

BDC's target capital level also factors in a management operating range to mitigate the impact of unplanned capital volatility. It accounts for differences between planned and actual level of activities, as well as volatility in assumptions that are difficult to predict. The management operating range allows any excess capital over target capital to be paid as dividends to the shareholder in the following fiscal year, subject to the discretion of the Board of Directors. Refer to Note 15—*Share capital* for information on dividends paid.

BDC's key measure for determining and assessing capital adequacy is its internal capital ratio, which is expressed as the level of available capital over the economic capital required. As set out in BDC's Capital Management and Dividend Policy, different management zones have been established to closely monitor the internal capital ratio through a complete business cycle, which include a risk limit, a tolerance threshold and a targeted level. BDC's target capital is revised annually based on BDC's Corporate Plan forecasts for internal capital requirements and the management operating range, as well as any capital required by a potential stress testing capital shortfall, identified as part of the enterprise-wide stress testing program.

As at March 31, 2024, BDC generated excess capital, as per BDC's Capital Management and Dividend Policy. On the date of approval of the fiscal 2024 Consolidated Financial Statements, a dividend of $337.0 million was declared based on fiscal 2024 performance.

17. Risk management

Governance

Risk is an inherent feature of the financial sector. BDC has strong risk management practices that emphasize risk identification, risk management, transparency and accountability.

Nature and extent of risks arising from financial instruments

BDC is exposed to the following financial risks: credit risk, market risk and liquidity risk. This note provides the definitions of these risks and describes BDC's risk management policies and risk measurements.

Credit risk

Credit risk is the risk that a financial loss will be incurred due to the failure of a counterparty to discharge its contractual commitment or obligation to BDC. For the purposes of credit risk management activities, BDC distinguishes between credit risk arising from asset-backed securities issuers, borrowers and investees, and counterparties to Treasury activities.

Asset-backed securities issuers

The ABS portfolio consists of investment-grade senior and subordinated notes issued by way of private placement. ABS are fully backed by security consisting of portfolios of loans and leases on vehicles and equipment, as well as dealer floor plan loans, for which there is no significant concentration risk.

In order to mitigate the credit risk on the underlying asset portfolio, generally, there are structural or credit protections. Also, the notional value of the subordinated notes does not exceed 10% of the senior notes. In addition, securities purchased must be of a certain grade. At time of purchase, senior notes must be, at a minimum, an implied investment grade. The implied rating is calculated by BDC using the same scale as rating agencies. The rating is derived by evaluating the transaction structure and the credit enhancement supporting the securities.

Subsequently, BDC receives portfolio reports that describe the performance of the securities, along with the cash flows associated with the collateral, in order to evaluate the securities. In addition, BDC uses an internal risk rating system to monitor credit risk.

As at March 31, 2024, a portion of the notes experienced a significant increase in credit risk for which a provision for expected credit losses of $28.1 million was recorded. As at March 31, 2023, none of the notes were past due and none had experienced a deterioration in their credit rating. The maximum exposure to credit risk of ABS is limited to the carrying value of the securities. Refer to Note 8—*Asset-backed securities*, for additional information on this portfolio.

BDC is also exposed to credit risk on its ABS commitments. Maximum exposure to credit risk is limited to the committed amount. Refer to Note 19—*Segmented information* for additional information.

17. Risk management (continued)

Nature and extent of risks arising from financial instruments (continued)

Credit risk (continued)

Borrowers and investees

BDC uses a number of policies, directives and procedures to manage credit exposures from loans and investments, which include:

- the use of an internal credit risk rating classification;
- credit policies, guidelines and directives, communicated to officers whose activities and responsibilities include credit granting and risk assessment, which ensure early recognition of problem accounts and immediate implementation of steps to protect BDC's assets;
- independent reviews by Internal Audit of credit valuation, risk classification and credit management procedures, which include reporting the results to senior management, the President and Chief Executive Officer, and the Audit and Conduct Review Committee;
- approval of larger transactions by the Board Risk Committee and the Board Investment Committee, based on recommendations made by Management;
- monitoring of portfolio concentrations to protect BDC from being overly concentrated in any one province or industry sector;
- monitoring to ensure that exposure to a single borrower or associated borrowers, unless approved by the Board of Directors, does not represent more than 10% of the shareholder's equity;
- an annual review process to ensure appropriate classification of individual credit facilities;
- the conduct of semi-annual valuations of investments; and
- a watchlist report recording accounts with evidence of weaknesses, as well as an impaired loan report covering loans that show impairment.

The maximum exposure to credit risk from borrowers and investees is limited to the carrying amount of the loans and debt investments. Refer to Note 9—*Loans* and Note 10—*Investments* for additional information on loans and investment portfolios.

BDC is also exposed to credit risk on its loan commitments and financial guarantees, which include loan guarantees. Maximum exposure to credit risk is limited to the committed amount or, in the case of financial guarantees, to the maximum amount payable under the guarantees. Refer to Note 19—*Segmented information* and Note 20—*Guarantees and contingent liabilities* for additional information.

Counterparties to Treasury activities

Credit risk inherent to Treasury activities is the risk that BDC faces through the non-performance of a counterparty and a possible default event. For the purpose of BDC's Treasury activities, a distinction is made between credit risk arising from investments held in the liquidity portfolio (issuer risk) and credit risk arising from the use of derivative products (counterparty risk).

The notional amounts of derivative financial instruments held by BDC are not indicative of the credit risk exposure associated with the contracts. The risk of loss is related to the possibility that a counterparty to a transaction will not perform as agreed. In the event of default by a counterparty, the risk to BDC in these transactions would be limited to the prevailing market values of transactions that are in an unrealized gain position and are uncollateralized.

BDC limits its exposure to credit risk by dealing only with financial institutions that have credit ratings in accordance with the Treasury Risk Policy. As at March 31, 2024, and March 31, 2023, BDC had no significant concentrations in any individual financial institution.

(in thousands of Canadian dollars)

17. Risk management (continued)

Nature and extent of risks arising from financial instruments (continued)

Credit risk (continued)

Counterparties to Treasury activities (continued)

BDC continually monitors its position and the credit ratings of its counterparties and seeks to limit its credit exposure with respect to contracts in a favourable position by entering into master netting agreements with counterparties.

Counterparty credit risk exposure	Counterparty ratings
	A- to A+
Gross positive replacement cost	**317**
Impact of master netting agreements	**(144)**
Replacement cost (after master netting agreements)—March 31, 2024	**173**
Replacement cost (after master netting agreements)—March 31, 2023	11,486
Number of counterparties	
March 31, 2024	**1**
March 31, 2023	1

Lastly, to manage the credit risk arising from an issuer of cash, the Treasury Risk Management Unit ensures the liquidity portfolio is composed of entities that have a minimum credit rating of A.

The following table sets out information about the credit quality of cash.

Counterparty rating	March 31, 2024	March 31, 2023
Rated AA- to AA+	**278,931**	268,910
Rated A- to A+	**640,347**	610,009
Cash	**919,278**	878,919

Market risk

Market risk is the risk of incurring losses as a result of changes in market factors, such as interest rates, foreign exchange rates, the prices of equities or commodities, or other relevant market factors. Market risk for BDC also arises from volatile unpredictable market events affecting the value of equity investments.

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. For BDC, the risk and potential variability in earnings arise primarily when cash flows associated with interest-sensitive assets and liabilities have different repricing dates. A positive interest rate gap exists when interest-sensitive assets exceed interest-sensitive liabilities for a specific maturity or repricing period. A positive gap will result in an increase in net interest income when market interest rates rise, since assets reprice earlier than liabilities. The opposite impact will occur when market interest rates fall. As set out in the Treasury Risk Policy, BDC manages market risk by matching the terms of assets and liabilities.

To manage the interest rate gap on its interest-sensitive assets and interest-sensitive liabilities, BDC establishes policy guidelines for interest rate gap positions, regularly monitors its situation and decides future strategies in light of changing market conditions. The objective is to manage the interest rate risk using sound and prudent guidelines. Interest rate risk policies included in the Treasury Risk Policy are approved and reviewed at least annually by the Board of Directors.

Exposure to interest rate risk is controlled by managing the size of the static gap positions between interest-sensitive assets and interest-sensitive liabilities. Gap analysis is supplemented by scenario analysis of the asset liability portfolio structure and by a duration analysis. The interest rate gap is measured daily.

(in thousands of Canadian dollars)

17. Risk management (continued)

Nature and extent of risks arising from financial instruments (continued)

Market risk (continued)

Interest rate risk (continued)

Exposure to interest rate risk is also monitored using a net interest income sensitivity stress test. A parallel and sustainable 200-basis-point shock on the Canadian yield curve is simulated and the impact on net interest income has to be less than 10%. The following table discloses the 12-month net interest income sensitivity stress test:

	March 31, 2024		March 31, 2023	
	200 basis points in interest rate		200 basis points in interest rate	
	Increase	Decrease	Increase	Decrease
Net interest income sensitivity	**29,581**	**(29,581)**	44,000	(44,000)
Net interest income sensitivity (%)	**1.81**	**(1.81)**	3.21	(3.21)

The following table summarizes BDC's interest rate sensitivity position based on the difference between the carrying value of assets and the carrying value of liabilities and equity, grouped by the earlier of contractual repricing or maturity date. This gap analysis is a static measurement of interest rate-sensitive gaps at a specific time. These gaps can change significantly over a short period of time.

	Immediately rate-sensitive	Within 3 months[1]	4 to 12 months	1 to 5 years	Over 5 years	Non-rate-sensitive[2]	Allowance and fair value	Total
Assets								
Cash	**919,278**	**–**	**–**	**–**	**–**	**–**	**–**	**919,278**
Derivative assets	**–**	**–**	**–**	**–**	**–**	**317**	**–**	**317**
Asset-backed securities	**–**	**4**	**–**	**65,650**	**1,271,678**	**–**	**(47,805)**	**1,289,527**
Loans	**18,203,764**	**2,273,728**	**2,872,178**	**12,525,345**	**3,227,295**	**1,060,582**	**(1,271,850)**	**38,891,042**
Investments	**735,835**	**4,545**	**38,447**	**451,069**	**191,752**	**3,212,479**	**1,103,822**	**5,737,949**
Other	**-**	**–**	**–**	**–**	**–**	**604,827**	**–**	**604,827**
	19,858,877	**2,278,277**	**2,910,625**	**13,042,064**	**4,690,725**	**4,878,205**	**(215,833)**	**47,442,940**
Liabilities and equity								
Other	**–**	**–**	**–**	**–**	**–**	**1,302,389**	**–**	**1,302,389**
Derivative liabilities	**–**	**–**	**–**	**–**	**–**	**144**	**–**	**144**
Short-term notes	**–**	**17,833,660**	**–**	**–**	**–**	**–**	**–**	**17,833,660**
Long-term notes	**–**	**543,111**	**1,773,821**	**8,375,019**	**1,085,221**	**–**	**–**	**11,777,172**
Total equity	**–**	**–**	**–**	**–**	**–**	**16,529,575**	**–**	**16,529,575**
	–	**18,376,771**	**1,773,821**	**8,375,019**	**1,085,221**	**17,832,108**	**–**	**47,442,940**
Total gap position—March 31, 2024	**19,858,877**	**(16,098,494)**	**1,136,804**	**4,667,045**	**3,605,504**	**(12,953,903)**	**(215,833)**	**–**
Total gap position—March 31, 2023	21,546,379	(18,594,272)	776,126	5,236,055	3,433,201	(12,737,522)	340,033	–

[1] This grouping includes asset-backed securities, short-term notes and long-term notes for which interest rates reset monthly. The short-term notes and long-term notes are used to fund floating-rate assets, the majority of which are categorized as immediately rate sensitive.

[2] Assets, liabilities and equities that are non-rate sensitive have no specific maturity.

(in thousands of Canadian dollars)

17. Risk management (continued)

Nature and extent of risks arising from financial instruments (continued)

Market risk (continued)

Foreign exchange risk

Foreign exchange risk arises when there is a difference between assets and liabilities held in foreign currencies. Foreign exchange risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. BDC's policy and practice is to economically hedge debt investments and loans in foreign currencies so that the residual exposure to foreign exchange risk is not significant. Equity investments are hedged following the occurrence of a liquidity event. Refer to Note 7—*Derivative financial instruments*, for more information.

Venture capital market risk

Unpredictable financial markets, as well as the presence and appetite of buyers, dictate the timing of venture capital divestitures. This timing, in turn, affects the value of BDC equity investments. To manage this risk, BDC uses a rigorous selection process of investments and works closely with its investee companies. BDC also lowers the risk of its equity investments by applying conservative valuations when purchasing interests in a company, co-investing with other venture capital investors and monitoring investments regularly.

The following table represents a sensitivity analysis that aims to assess potential impact of general market repricing on fair value of equity investments.

				March 31, 2024
		Fair value movements under sensitivity shocks		
	Fair value	-10%	-25%	-50%
Growth & Transition Capital	**47**	**(5)**	**(12)**	**(24)**
Venture Capital	**2,836,226**	**(283,623)**	**(709,057)**	**(1,418,113)**
Capital Incentive Programs	**1,487,701**	**(148,770)**	**(371,925)**	**(743,851)**
Credit Availability Program	**104,876**	**(10,488)**	**(26,219)**	**(52,438)**
March 31, 2024	**4,428,850**	**(442,886)**	**(1,107,213)**	**(2,214,426)**

				March 31, 2023
		Fair value movements under sensitivity shocks		
	Fair value	-10%	-25%	-50%
Growth & Transition Capital	–	–	–	–
Venture Capital	2,865,447	(286,545)	(716,362)	(1,432,724)
Capital Incentive Programs	1,514,625	(151,463)	(378,656)	(757,313)
Credit Availability Program	133,995	(13,400)	(33,499)	(66,998)
March 31, 2023	4,514,067	(451,408)	(1,128,517)	(2,257,035)

As BDC's equity investments are fully capitalized, any movement in equity prices has a null effect on the capital status as both available and required capital move simultaneously by the same level. Nonetheless, movements in equity prices will impact net income as well as proceeds from divesture of investments. To manage this risk, BDC uses a rigorous selection process of investments and works closely with its investee companies.

Management reviews all transactions. Larger investment transactions that exceed delegations residing with management are recommended by management to the Board Investment Committee which, in turn, may recommend them to the Board, as required.

(in thousands of Canadian dollars)

17. Risk management (continued)

Nature and extent of risks arising from financial instruments (continued)

Liquidity risk

Liquidity risk is the risk resulting from the difficulty in converting BDC's assets into cash for the purpose of servicing and refinancing its debt, for the timely disbursement of its committed loans and investments and for payment of its operating expenses and dividends.

The following tables detail contractual maturities of financial liabilities and commitments and guarantees, and are based on notional amounts, which may differ from carrying values.

	Within 1 year	1 to 5 years	Over 5 years	No fixed maturity	Total
Accounts payable and accrued liabilities	**235,413**	**89,809**	**–**	**–**	**325,222**
Short-term notes[1]	**18,117,788**	**–**	**–**	**–**	**18,117,788**
Long-term notes[1]	**2,661,161**	**9,088,938**	**1,148,817**	**–**	**12,898,916**
	21,014,362	**9,178,747**	**1,148,817**	**–**	**31,341,926**
Commitments					
Asset-backed securities[2]	**724,776**	**–**	**–**	**–**	**724,776**
Loans	**4,399,869**	**–**	**–**	**–**	**4,399,869**
Investments[3]	**170,594**	**–**	**–**	**1,318,362**	**1,488,956**
	5,295,239	**–**	**–**	**1,318,362**	**6,613,601**
Loan guarantees	**117,483**	**110,296**	**2,452,877**	**–**	**2,680,656**
Total as at March 31, 2024	**26,427,084**	**9,289,043**	**3,601,694**	**1,318,362**	**40,636,183**

[1] Short-term and long-term notes reflect the future payments that will be paid as per the contractual note agreements.

[2] Commitments are disclosed at the earliest possible liquidity event.

[3] Commitments are mainly related to participation in funds in which BDC is legally committed to invest. Timing of investments will vary, depending on funds' investment requirements, and should occur over the next several years.

	Within 1 year	1 to 5 years	Over 5 years	No fixed maturity	Total
Accounts payable and accrued liabilities	203,461	107,689	–	–	311,150
Short-term notes[1]	20,047,740	–	–	–	20,047,740
Long-term notes[1]	1,284,416	5,213,472	1,155,959	–	7,653,847
	21,535,617	5,321,161	1,155,959	–	28,012,737
Commitments					
Asset-backed securities[2]	755,866	–	–	–	755,866
Loans	4,138,082	–	–	–	4,138,082
Investments[3]	166,794	–	–	1,249,679	1,416,473
	5,060,742	–	–	1,249,679	6,310,421
Loan guarantees	113,156	180,841	3,025,947	–	3,319,944
Total as at March 31, 2023	26,709,515	5,502,002	4,181,906	1,249,679	37,643,102

[1] Short-term and long-term notes reflect the future payments that will be paid as per the contractual note agreements.

[2] Commitments are disclosed at the earliest possible liquidity event.

[3] Commitments are mainly related to participation in funds in which BDC is legally committed to invest. Timing of investments will vary, depending on funds' investment requirements, and should occur over the next several years.

17. Risk management (continued)

Nature and extent of risks arising from financial instruments (continued)

Liquidity risk (continued)

A lack of marketability could make it expensive or even impossible to liquidate the securities held by BDC, which could also compromise the short-term continuity of normal business. To avoid any liquidity-related disruptions, BDC ensures that cash is invested in highly liquid and high-quality securities that can be sold to a wide range of counterparties without incurring a substantial loss.

BDC's liquidity risk management objective is to mitigate this risk by:

— providing for a minimum level of short-term assets over short-term liabilities to cover commitment, market, systemic and operational risks;

— minimizing the unproductive cash balance in the cash account; and

— achieving a return on liquid assets in excess of cost while protecting BDC's capital.

The Treasury Risk Policy establishes risk tolerance parameters, provides delegation of authority to BDC's Treasury Department to transact in approved products and provides limits related to specific measures. The policy governs management, measurement, monitoring and reporting requirements related to liquidity. Paragraph 18(3) of the BDC Act defines the instruments in which BDC may invest its liquidity.

BDC's liquidity management practices and processes reinforce its risk mitigation strategies by assigning prudent liquidity levels, concentration requirements and maturity profile requirements, as outlined below:

— The minimum liquidity level covers at least the net outflows scheduled for the next five working days. As at March 31, 2024, the maximum liquidity level was not to exceed 15 days of net cash outflows (15 days as at March 31, 2023).

— The maturity profile requires 75% of the total liquidity to be invested in securities maturing within 100 days.

— The concentration profile requires that no more than 50% of the portfolio be invested in securities issued or guaranteed by Canadian provinces.

The following tables show the results of BDC's liquidity risk management:

Liquidity level (in millions of Canadian dollars)

	Minimum	Actual	Maximum
As at March 31, 2024	**–**	**846**	**872**
As at March 31, 2023	–	825	1,203

Maturity and concentration limits	Limits	**March 31, 2024**	March 31, 2023
Cash and cash equivalents maturing within 100 days	Min 75%	**100%**	100%
Cash and cash equivalents in Canadian provinces	Max 50%	**0%**	0%

As at March 31, 2024 and March 31, 2023, there are no restrictions on cash.

The Treasury Risk Management Unit identifies, measures and monitors these liquidity limits daily. It reports any deviations from these liquidity limits to the Board of Directors. The Treasury Risk Management Unit determines whether the limits remain valid or whether changes to assumptions and limits are required in light of internal or external developments. This process ensures that close links are maintained between liquidity, market and credit risks.

(in thousands of Canadian dollars)

18.

Additional information on the Consolidated Statement of Income

Additional information on financial instruments

				2024
	FVTPL and designated at FVTPL	FVOCI	Amortized cost	Total
Interest income[1]	**152,013**	**49,029**	**2,967,449**	**3,168,491**
Interest expense	**(9,122)**	**–**	**1,162,370**	**1,153,248**
Fee and other income	**30,603**	**3**	**57,851**	**88,457**

[1] Interest income includes $87,087 for impaired loans in fiscal 2024.

				2023
	FVTPL and designated at FVTPL	FVOCI	Amortized cost	Total
Interest income[1, 2]	134,502	27,099	2,287,436	2,449,037
Interest expense[2]	–	–	520,306	520,306
Fee and other income	35,952	–	64,342	100,294

[1] Interest income includes $75,332 for impaired loans in fiscal 2023.
[2] See Note 22—*Comparative Information*

				2024
	FVTPL	FVOCI	Amortized cost	Total
Total gains (losses)				
Net realized gains (losses) on investments	**87,293**	**–**	**–**	**87,293**
Net change in unrealized appreciation (depreciation) of investments	**(317,283)**	**–**	**–**	**(317,283)**
Net realized foreign exchange gains (losses) on assets	**3,035**	**52**	**8,084**	**11,171**
Net unrealized foreign exchange gains (losses) on assets	**(5,781)**	**59**	**5,855**	**133**
Net realized foreign exchange gains (losses) on foreign exchange forward contracts	**664**	**–**	**–**	**664**
Net unrealized foreign exchange gains (losses) on foreign exchange forward contracts	**(11,363)**	**–**	**–**	**(11,363)**
Net foreign exchange gains (losses)	**(13,445)**	**111**	**13,939**	**605**
Net realized gains (losses) on other financial instruments	**81**	**–**	**(98,044)**	**(97,963)**
Net gains (losses) on other financial instruments	**81**	**–**	**(98,044)**	**(97,963)**
	(243,354)	**111**	**(84,105)**	**(327,348)**

(in thousands of Canadian dollars)

18. Additional information on the Consolidated Statement of Income (continued)

Additional information on financial instruments (continued)

				2023
	FVTPL	FVOCI	Amortized cost	Total
Total gains (losses)				
Net realized gains (losses) on investments	16,700	–	–	16,700
Net change in unrealized appreciation (depreciation) of investments	(830,289)	–	–	(830,289)
Net realized foreign exchange gains (losses) on assets	203	(56)	14,091	14,238
Net unrealized foreign exchange gains (losses) on assets	156,618	182	46,292	203,092
Net realized foreign exchange gains (losses) on foreign exchange forward contracts	(53,180)	–	–	(53,180)
Net unrealized foreign exchange gains (losses) on foreign exchange forward contracts	(681)	–	–	(681)
Net foreign exchange gains (losses)	102,960	126	60,383	163,469
Net realized gains (losses) on other financial instruments	14,339	–	(18,858)	(4,519)
Net gains (losses) on other financial instruments	14,339	–	(18,858)	(4,519)
	(696,290)	126	41,525	(654,639)

Other additional information

	2024	2023
Salaries and benefits		
Salaries and other benefits	**483,518**	442,511
Defined benefit plan expense (Note 14)	**48,309**	56,441
	531,827	498,952
Other expenses		
Professional and outsourcing fees	**109,418**	114,882
Computers and software, including amortization and depreciation	**62,733**	59,463
Communications, advertising and promotion	**26,802**	30,572
Other	**21,674**	18,731
	220,627	223,648

19.
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 operating segments are reported in a manner consistent with the way BDC presents and discloses information that is regularly reviewed by the senior management team and the Board of Directors in assessing performance.

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

— **Financing**: provides secured, partially secured and unsecured loans with a focus on small and medium-sized enterprises across Canada. It 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**: provides advisory services, supports high-impact firms, and provides group programs and other services related to business activities such as free online and educational content.

— **Growth & Transition Capital**: includes debt investments by way of flexible subordinated debt, with or without convertible features, and quasi-equity financing, which offer flexible repayment terms with limited collateral, to support the growth and transition projects of SMEs.

— **Venture Capital**: includes investments in Venture capital (VC), Growth Equity (GE) and Intellectual Property (IP) and the new Climate Tech Fund II. Venture capital segment provides equity and debt investments to cover every stage of a technology-based company's development cycle, from seed funding to expansion. Equity investments in VC are focused on fast-growing companies having promising positions in their respective marketplaces and strong growth potential. BDC also makes indirect equity 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 debt investments targeted to companies that are rich in intellectual property. The Climate Tech Fund II are equity investments in Canadian cleantech companies to contribute to Canada's transition to a sustainable, low-carbon economy.

— **Capital Incentive Programs**: includes direct and indirect equity investments in 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. Through an envelope entrusted by the federal government, Cleantech Practice provides equity investments to promising clean technology firms to help build globally competitive and commercially sustainable Canadian cleantech firms. IGF is an investment fund that will provide 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), to help small and medium-sized enterprises adopt digital technologies and stay competitive by providing access to expertise and funding with interest free loans from BDC. CAP's COVID-19 relief measures ended in fiscal 2022, and the CDAP program no longer accepted applications as of the end of fiscal 2024.

19. Segmented information (continued)

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. Interest expense includes an intersegment interest charged to Financing from CIP and CAP, which have a corresponding intersegment interest credit, and which reflects the interest expense (credit) on CIP and CAP's cash balances transferred to Financing for treasury management purposes. The attribution of capital to BDC's business segments is maintained in accordance with BDC's ICAAP and is consistently aligned to the economic risks of each specific business segment. Refer to Note 16—*Capital management*, for more information.

Operating and administrative expenses include costs that were incurred directly by the business segments. Indirect costs incurred at the enterprise level are attributed to each segment using management's internal reporting framework. All transactions between business segments are recognized on an arm's length basis.

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

(in thousands of Canadian dollars)

19. Segmented information (continued)

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

							March 31, 2024
	Total	Financing	Advisory Services	Growth & Transition Capital	Venture Capital	Capital Incentive Programs	Credit Availability Program
Interest income	3,168,491	2,882,055	–	139,106	2,500	5,053	139,777
Interest expense	1,153,248	1,270,919	–	32,857	378	(38,628)	(112,278)
Net interest income	2,015,243	1,611,136	–	106,249	2,122	43,681	252,055
Net realized gains (losses) on investments	87,293	(953)	–	(51)	41,407	41,625	5,265
Revenue from Advisory Services	50,096	–	50,096	–	–	–	–
Fee and other income	88,457	28,711	–	15,466	7,901	429	35,950
Net revenue	2,241,089	1,638,894	50,096	121,664	51,430	85,735	293,270
Provision for expected credit losses	(741,304)	(448,406)	–	–	–	–	(292,898)
Net change in unrealized appreciation (depreciation) of investments	(317,283)	(1,576)	–	(7,940)	(220,116)	(82,052)	(5,599)
Net foreign exchange gains (losses)	605	1,716	–	(7,833)	3,549	130	3,043
Net gains (losses) on other financial instruments	(97,963)	81	–	–	–	–	(98,044)
Income (loss) before operating and administrative expenses	1,085,144	1,190,709	50,096	105,891	(165,137)	3,813	(100,228)
Salaries and benefits	531,827	393,739	49,252	35,981	31,792	4,489	16,574
Premises and equipment	45,814	35,493	3,327	1,932	3,121	638	1,303
Other expenses	220,627	158,498	35,607	5,591	11,901	2,494	6,536
Operating and administrative expenses	798,268	587,730	88,186	43,504	46,814	7,621	24,413
Net income (loss)	286,876	602,979	(38,090)	62,387	(211,951)	(3,808)	(124,641)
Net income (loss) attributable to:							
BDC's shareholder	289,874	602,979	(38,090)	62,439	(209,005)	(3,808)	(124,641)
Non-controlling interests	(2,998)	–	–	(52)	(2,946)	–	–
Net income (loss)	286,876	602,979	(38,090)	62,387	(211,951)	(3,808)	(124,641)
Business segment portfolio as at March 31, 2024							
Asset-backed securities	1,289,527	1,289,527	–	–	–	–	–
Loans, net of allowance for expected credit losses	38,891,042	37,522,461	–	–	–	–	1,368,581
Debt investments	1,309,099	9,993	–	1,265,752	28,851	–	4,503
Direct equity investments	2,228,638	–	–	47	1,720,913	402,802	104,876
Indirect equity investments in Funds	2,200,212	–	–	–	1,115,313	1,084,899	–
Investments	5,737,949	9,993	–	1,265,799	2,865,077	1,487,701	109,379
Total portfolio	45,918,518	38,821,981	–	1,265,799	2,865,077	1,487,701	1,477,960
Business segment commitments and guarantees as at March 31, 2024							
Asset-backed securities	724,776	724,776	–	–	–	–	–
Loans	4,399,869	4,388,369	–	–	–	–	11,500
Debt investments	170,594	490	–	159,449	10,655	–	–
Direct equity investments	106,573	–	–	–	89,633	16,640	300
Indirect equity investments in Funds	1,211,789	–	–	–	642,320	569,469	–
Commitments	6,613,601	5,113,635	–	159,449	742,608	586,109	11,800
Guarantees	2,680,656	1,475	–	–	–	–	2,679,181
Total commitments and guarantees	9,294,257	5,115,110	–	159,449	742,608	586,109	2,690,981

(in thousands of Canadian dollars)

19. Segmented information (continued)

								March 31, 2023
	Notes	Total	Financing	Advisory Services	Growth & Transition Capital	Venture Capital	Capital Incentive Programs	Credit Availability Program
Interest income	22	2,449,037	2,162,901	–	120,649	2,560	6,349	156,578
Interest expense	22	520,306	696,477	–	18,911	260	(16,517)	(178,825)
Net interest income		1,928,731	1,466,424	–	101,738	2,300	22,866	335,403
Net realized gains (losses) on investments		16,700	(607)	–	(6,070)	35,352	(5,966)	(6,009)
Revenue from Advisory Services		38,249	–	38,249	–	–	–	–
Fee and other income		100,294	27,211	–	25,070	7,505	639	39,869
Net revenue		2,083,974	1,493,028	38,249	120,738	45,157	17,539	369,263
Provision for expected credit losses		(343,940)	(85,911)	–	–	–	–	(258,029)
Net change in unrealized appreciation (depreciation) of investments		(830,289)	1,876	–	(20,210)	(804,764)	3,446	(10,637)
Net foreign exchange gains (losses)		163,469	14,793	–	(7,229)	150,274	4,914	717
Net gains (losses) on other financial instruments		(4,519)	14,339	–	–	–	–	(18,858)
Income (loss) before operating and administrative expenses		1,068,695	1,438,125	38,249	93,299	(609,333)	25,899	82,456
Salaries and benefits		498,952	375,333	46,530	36,739	17,727	4,841	17,782
Premises and equipment		43,553	33,990	2,928	1,699	2,716	598	1,622
Other expenses		223,648	176,748	25,819	4,950	8,119	2,475	5,537
Operating and administrative expenses		766,153	586,071	75,277	43,388	28,562	7,914	24,941
Net income (loss)		302,542	852,054	(37,028)	49,911	(637,895)	17,985	57,515
Net income (loss) attributable to:								
BDC's shareholder		380,732	852,054	(37,028)	65,944	(575,738)	17,985	57,515
Non-controlling interests		(78,190)	–	–	(16,033)	(62,157)	–	–
Net income (loss)		302,542	852,054	(37,028)	49,911	(637,895)	17,985	57,515
Business segment portfolio as at March 31, 2023								
Asset-backed securities		1,176,100	1,176,100	–	–	–	–	–
Loans, net of allowance for expected credit losses		35,932,703	34,020,437	–	–	–	–	1,912,266
Debt investments		1,228,445	10,969	–	1,170,994	35,642	–	10,840
Direct equity investments		2,319,740	–	–	–	1,705,753	479,992	133,995
Indirect equity investments in Funds		2,194,327	–	–	–	1,159,694	1,034,633	–
Investments		5,742,512	10,969	–	1,170,994	2,901,089	1,514,625	144,835
Total portfolio		42,851,315	35,207,506	–	1,170,994	2,901,089	1,514,625	2,057,101
Business segment commitments and guarantees as at March 31, 2023								
Asset-backed securities		755,866	755,866	–	–	–	–	–
Loans		4,138,082	4,134,046					4,036
Debt investments		166,794	1,417	–	148,097	17,280	–	–
Direct equity investments		67,753	–	–	–	47,987	16,864	2,902
Indirect equity investments in Funds		1,181,926	–	–	–	590,369	591,557	–
Commitments		6,310,421	4,891,329	–	148,097	655,636	608,421	6,938
Guarantees		3,319,944	1,299	–	–	–	–	3,318,645
Total commitments and guarantees		9,630,365	4,892,628	–	148,097	655,636	608,421	3,325,583

(in thousands of Canadian dollars)

20.

Guarantees and contingent liabilities

Financial guarantees

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 maximum contractual obligation and actual exposure under the guarantees, which is primarily from the HASCAP program, amounted to $2,680.7 million as at March 31, 2024 ($3,319.9 million as at March 31, 2023) and the existing terms expire within 80 months (within 96 months as at March 31, 2023).

As at March 31, 2024, an amount of 58.3 million of claims payable under these guarantees was recognized in BDC’s Consolidated Statement of Financial Position ($20.1 million of claims payable as at March 31, 2023).

Concentrations of the total loan guarantees by province and territory and by industry sector are set out in the tables below.

	March 31, 2024	March 31, 2023
Geographic distribution	**Loan guarantees**	Loan guarantees
Newfoundland and Labrador	**15,184**	18,625
Prince Edward Island	**7,709**	8,930
Nova Scotia	**23,456**	28,136
New Brunswick	**15,306**	16,746
Quebec	**308,697**	383,104
Ontario	**1,553,103**	1,926,334
Manitoba	**45,291**	52,418
Saskatchewan	**28,650**	34,884
Alberta	**467,568**	584,929
British Columbia	**215,079**	265,144
Yukon	**598**	672
Northwest Territories and Nunavut	**15**	22
Total loan guarantees	**2,680,656**	3,319,944

(in thousands of Canadian dollars)

20. Guarantees and contingent liabilities (continued)

Financial guarantees (continued)

Industry sector	**March 31, 2024 Loan guarantees**	March 31, 2023 Loan guarantees
Tourism	**1,026,834**	1,251,160
Service industries	**587,058**	731,421
Wholesale and retail trade	**298,918**	379,360
Construction	**206,882**	265,559
Manufacturing	**164,822**	201,434
Transportation and storage	**121,804**	154,927
Resources	**55,878**	63,935
Commercial properties	**9,444**	10,759
Other	**209,016**	261,389
Total loan guarantees	**2,680,656**	3,319,944

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

				March 31, 2024
Allowance for expected credit losses on loan guarantees	Stage 1	Stage 2	Stage 3	Total
Balance as at April 1, 2023	**46,030**	**248,601**	**202,614**	**497,245**
Provision for expected credit losses				
Transfer to Stage 1[(1)]	**104,309**	**(102,476)**	**(1,833)**	**–**
Transfer to Stage 2[(1)]	**(42,889)**	**61,687**	**(18,798)**	**–**
Transfer to Stage 3[(1)]	**(328)**	**(134,879)**	**135,207**	**–**
Net remeasurement of the allowance for expected credit losses[(2)]	**(67,294)**	**204,007**	**(8,998)**	**127,715**
Net increase (decrease) in loan guarantees	**(3,951)**	**(25,786)**	**(23,651)**	**(53,388)**
Balance as at March 31, 2024	**35,877**	**251,154**	**284,541**	**571,572**

				March 31, 2023
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]	129,019	(123,249)	(5,770)	–
Transfer to Stage 2[1]	(62,269)	82,945	(20,676)	–
Transfer to Stage 3[1]	(774)	(84,081)	84,855	–
Net remeasurement of the allowance for expected credit losses[2]	(107,420)	226,697	126,302	245,579
Net increase (decrease) in loan guarantees	3,331	(4,778)	(6,315)	(7,762)
Balance as at March 31, 2023	46,030	248,601	202,614	497,245

[1] Provides the cumulative movement from the previous month allowance for expected credit losses on loan guarantees due to changes in 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.

(in thousands of Canadian dollars)

20. Guarantees and contingent liabilities (continued)

Credit risk

The following table summarizes loan guarantees outstanding by client risk exposure based on BDC classification.

						March 31, 2024
BDC rating	Grade equivalent	Stage 1	Stage 2	Stage 3	Total	%
0.5-1.0	Investment grade	**349,345**	**4,219**	**–**	**353,564**	**13%**
1.5-5.0	Non-investment grade	**739,657**	**1,034,558**	**–**	**1,774,215**	**66%**
5.5	Watchlist	**–**	**261,076**	**–**	**261,076**	**10%**
6.0 and up	Credit-impaired	**–**	**–**	**291,801**	**291,801**	**11%**
Net carrying amount		**1,089,002**	**1,299,853**	**291,801**	**2,680,656**	**100%**

						March 31, 2023
BDC rating	Grade equivalent	Stage 1	Stage 2	Stage 3	Total	%
0.5-1.0	Investment grade	373,153	3,989	–	377,142	11%
1.5-5.0	Non-investment grade	1,244,316	1,240,038	–	2,484,354	76%
5.5	Watchlist	–	246,439	–	246,439	7%
6.0 and up	Credit-impaired	–	–	212,009	212,009	6%
Net carrying amount		1,617,469	1,490,466	212,009	3,319,944	100%

Indemnification agreements

In the ordinary course of business, BDC enters into many contracts that contain indemnification provisions, such as purchase contracts, employment contracts, service agreements and leasing arrangements. In such contracts, BDC may indemnify counterparties to the contracts for certain aspects of BDC's past conduct if other parties fail to perform, or if certain events occur, such as changes in laws and regulations (including tax legislation), changes in the financial condition of third parties, infringements and breaches of representations and warranties, undisclosed liabilities, and loss caused by the actions of third parties, or as a result of litigation claims by third parties.

These indemnification obligations vary based upon each contract. In many cases, there are no predetermined amounts or limits included in these contracts, and the occurrence of contingent events that triggers payment under them is difficult to predict. The nature of these indemnification contracts is such that BDC cannot reasonably estimate the maximum potential future amount that may be payable to counterparties. Historically, BDC has not made any significant payments under these indemnities and there were no significant provisions for indemnities as at March 31, 2024, and March 31, 2023.

Contingent liabilities

Various legal proceedings arising from the normal course of business are pending against BDC. Management believes that should BDC be found liable pursuant to one or more of these proceedings, the aggregate liability resulting from such proceedings would not be material.

(in thousands of Canadian dollars)

21. Related party transactions

BDC is a Crown corporation that is wholly owned by the Government of Canada and is accountable for its affairs through the Minister of Small Business. 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.

The defined benefit plans referred to in Note 14—*Net defined benefit asset or liability*, are also related parties. BDC's transactions with these funds include contributions paid to the plans, which are disclosed in Note 14—*Net defined benefit asset or liability*. BDC has no other transactions or balances related to these defined benefit plans.

Borrowings from the Minister of Finance

During the reporting periods, BDC has borrowed funds from His Majesty the King in Right of Canada acting through the Minister of Finance. This borrowing is in accordance with the FAA and the BDC Act and is compliant with (i) BDC's borrowing plan, which is approved by the Minister of Finance, and (ii) the Crown Borrowing Program Framework.

The following table shows the transactions and outstanding balances related to the borrowings from the Minister of Finance. Refer to Note 13—*Borrowings*, for additional information on short-term and long-term notes.

	Short-term notes		Long-term notes		Total	
	2024	2023	**2024**	2023	**2024**	2023
Balance at beginning of year	**19,767,097**	14,385,629	**7,157,814**	5,707,297	**26,924,911**	20,092,926
Net change in short-term notes	**(1,944,000)**	5,352,500	**–**	–	**(1,944,000)**	5,352,500
Net changes in accrued interest	**10,563**	28,968	**49,358**	9,517	**59,921**	38,485
Issuance of long-term notes	**–**	–	**6,435,000**	2,675,000	**6,435,000**	2,675,000
Repayment of long-term notes	**–**	–	**(1,865,000)**	(1,234,000)	**(1,865,000)**	(1,234,000)
Balance at end of year	**17,833,660**	19,767,097	**11,777,172**	7,157,814	**29,610,832**	26,924,911

During the year, BDC recorded $1,151.4 million in interest expense related to these borrowings ($518.6 million in fiscal 2023). In addition, $725.0 million in borrowings with the Minister of Finance were repurchased in fiscal 2024. These transactions resulted in gains of $0.1 million for fiscal 2024 ($621.0 million in borrowings were repurchased in fiscal 2023 and resulted in gains of $13.0 million).

(in thousands of Canadian dollars)

21. Related party transactions (continued)

Key management personnel

Key management personnel are defined as those officers having authority and responsibility for planning, directing and controlling the activities of BDC, including members of the Board of Directors. The following table shows the compensation expense of key management personnel.

	2024	2023
Salaries and short-term employee benefits	**6,960**	6,535
Post-employment benefits	**1,174**	1,089
Other long-term benefits	**1,660**	1,706
Total	**9,794**	9,330

During fiscal 2024, there were no loans or investments made to a BDC client with respect to which a member of the Board of Directors or a BDC officer either owned an interest in or was a director or officer of the client.

Subsidiaries and associates

The relationships between BDC and its subsidiaries meet the definition of related party relationships. All transactions between BDC and its subsidiaries have been eliminated on consolidation, and as such, are not disclosed as related party transactions.

In the normal course of business, BDC provides certain services to associates, including equity-type financing and investments. These transactions meet the definition of related party transactions and are made on terms equivalent to those that prevail in arm's-length transactions. Refer to Note 2—*Basis of preparation*, for more information on associates.

(in thousands of Canadian dollars)

22.
Comparative information

Interest revenue earned on cash was reclassified from Interest expense to Interest income, as this classification is a more accurate reflection of the nature of the transaction. The amounts previously recorded in Interest expense were not material, however, with rising interest rates the interest revenue earned on these assets has become more significant. This reclassification does not impact consolidated net income.

The table below shows the impact of this reclassification on the Consolidated Statement of Income, the Consolidated Statement of Cash Flows and Note 19—*Segmented information* for the year ended March 31, 2023.

	Fiscal year ended March 31, 2023	Reclassification of interest expense	**Fiscal year ended March 31, 2023 reclassified**
Consolidated Statement of Income			
Interest income	2,420,608	28,429	**2,449,037**
Interest expense	491,877	28,429	**520,306**
Consolidated Statement of Cash Flows			
Interest income	(2,420,608)	(28,429)	**(2,449,037)**
Interest expense	490,080	28,429	**518,509**
Note 19—*Segmented Information*			
Interest income—Financing	2,134,472	28,429	**2,162,901**
Interest expense—Financing	668,048	28,429	**696,477**

The reclassification impacts interest income and interest expense on assets carried at amortized cost only. Refer to Note 18—*Additional information on the Consolidated Statement of Income* for more information.

Corporate Governance

At BDC, we have established a robust and effective corporate governance structure to maintain the confidence and trust of our most important stakeholders: entrepreneurs, employees, the public and our shareholder.

We achieve high standards of governance through a clear understanding of our mandate, well-defined roles, strong leadership and alignment of our corporate governance framework from Board to operational levels.

BDC's corporate governance framework

Federal statutes and Treasury Board guidelines

The *Business Development Bank of Canada Act* sets out BDC's purpose, powers and mandate. The *Financial Administration Act* sets out the control regime for Crown corporations, including strategic planning and financial accountability. BDC's by-laws prescribe the rules that govern the functioning of BDC.

We look to the Treasury Board of Canada Secretariat for guidance on public sector governance practices. BDC meets all the governance standards recommended by the Treasury Board. We also regularly benchmark ourselves against corporate governance and risk management best practices in the financial services sector and update our corporate governance framework as appropriate.

Board governance

Our Board of Directors sets BDC's strategic direction and holds senior management accountable for achieving BDC's statutory mandate while respecting its complementary role. Our Board's charter, Board of Directors Code of Ethics and Conduct and Board committees' charters define the Board's corporate governance framework, oversight responsibilities, stewardship role and decision-making authority.

The Board is composed of dedicated directors. Their expertise, integrity and commitment to ethical business conduct allow them to transform principles into action and build trust among our stakeholders. Together, our directors have the required mix of skills and experience needed to guide management in delivering on BDC's mandate. They bring a diverse range of perspectives that helps us support our clients' goals and aspirations. The Board recognizes the importance of diversity and its benefits to the success of BDC. Of the 12 directors (not including the President and CEO of BDC), six are women and six are men.

Upon appointment, a detailed orientation program is provided to new Board members, including orientation sessions with each member of the Senior Management Team to learn about BDC.

The Board committees do in-depth work in their areas of responsibility and provide regular reports to the Board on the activities and performance of BDC. The Board and its committees regularly undergo assessments of their effectiveness, including third-party assessments; directors perform peer-to-peer evaluations and management assesses the Board. Except for the President and CEO, all directors are independent. The segregated roles and responsibilities of both the Chairperson of the Board and the President and CEO reflect best practices.

There is extensive communication and collaboration between Board members and senior management in an environment of respect.

At each Board and committee meeting, time is reserved for members of the Board to meet in camera, with the CEO, without management and separately without the CEO. In-camera sessions with the heads of the oversight functions and with auditors are regularly held.

Compliance

Under the leadership of the Vice President and Lead, Enterprise Risk Management and Compliance, the Compliance Assurance and Monitoring team is accountable for the execution of internal reviews to test compliance with regulatory requirements. In addition, the Privacy and Information Management team ensures compliance with privacy requirements while defining the measures for identifying, managing, and protecting personal and confidential information.

Risk management

BDC's core challenge is to carry out its role as a development bank that supports entrepreneurs while prudently managing risk and remaining financially sustainable. The Board works closely with management to instill and monitor an appropriate risk culture. BDC continues to refine its risk management framework under the leadership of the Chief Risk Officer, who is responsible for the effectiveness of risk management and risk oversight functions.

Transparency and conduct review

BDC's directors, executives and employees are committed to the highest standards of business ethics and corporate governance.

The Audit and Conduct Review Committee focuses on the overall effectiveness of BDC's standards of integrity and reviews reports on BDC's conduct risk, while the Board provides oversight of the conduct review to ensure BDC employees embody its integrity, values and culture. Our operations and activities are characterized by an open and ethical culture.

The Board of Directors Code of Ethics and Conduct, and the Employee Code of Ethics are regularly updated to ensure they provide ethical guidance at all levels of the organization. Directors, employees, and consultants annually declare that they have read, understood, and complied with our codes of conduct. The codes are reinforced by governance documents on personal trading, disclosure of wrongdoing, anti-fraud and anti-money laundering practices, knowing your client, anti-terrorism financing and respecting sanctions. In addition, BDC has an Ombudsperson and a thorough complaint-handling process.

Robust processes are in place to manage conflicts of interest. If a BDC director or officer has a declared interest in a company applying for a loan or investment, it's the Board or one of its committees that makes that approval (as per the Delegation of Authority). Directors refrain from discussions or voting where a conflict of interest exists, and Board documents are screened to flag companies listed in the directors' declarations so that transaction documents are withheld from a director who has declared an interest related to that transaction.

Such transactions are disclosed in BDC's Annual Report, in compliance with the *BDC Act*.

Government oversight

Each year, Parliament receives an update on BDC's five-year Corporate Plan, its development ensuring its alignment with shareholder priorities. When said plan is approved by the Board, it is submitted to the Minister of Small Business, which recommends its approval by the Treasury Board. When approved by the Treasury Board, a summary of the Corporate Plan is then tabled in Parliament. Parliament also receives BDC's Annual Report. It contains our Consolidated Financial Statements, which have been audited by both the Auditor General of Canada and an external audit firm.

At 10-year intervals, the Minister of Small Business reviews the provisions and operation of the *BDC Act*, in consultation with the Minister of Finance, to ensure BDC's mandate remains pertinent. The final report of the most recent Legislative Review was published in November 2023 and confirmed that BDC's activities and strategic objectives are in line with its mission.

Highlights of the year

In fiscal 2024, the Board of Directors carried out its activities in a tense and fast-changing economic environment marked by high inflation and high interest rates, which proved to be a challenge for Canadian businesses. It is in such a context that BDC's distinctive mission to support Canadian entrepreneurs, especially in difficult times, takes on its full meaning.

The Board consistently provided invaluable oversight with respect to capital allocation, stress testing and management decisions on loan-loss provisions. Additionally, it continued to oversee BDC programs designed to support underrepresented communities, Indigenous peoples, women, and Black entrepreneurs, which had been recently launched. In 2023, BDC launched the first $35 million co-investment phase of its Thrive Lab with 25 Canadian partners. A year earlier, in 2022, BDC launched the $500 million Thrive Venture Fund and Lab for Women, a program designed to address the varied equity needs of female entrepreneurs.

BDC will continue building on existing partnerships and developing initiatives designed for Indigenous and Black communities to ensure they are given the opportunities to thrive. For example, BDC has been working with some financial institutions to develop a pilot for a loan guarantee solution. Partnerships include organizations like the National Aboriginal Capital Corporations Association, FACE, a national, Black-led non-profit organization, and Futurpreneur Canada.

The Board also approved the first BDC Sustainability Report titled “Building a Better Tomorrow,” which presents BDC's first sustainability framework, outlining BDC's targets and actions across its workforce, workplace, marketplace and community, in line with the UN Sustainable Development Goals. That Sustainability Report also lists some of the many tools BDC makes available to entrepreneurs to help them contribute to the creation of a prosperous, more inclusive and greener future for all Canadians. Moreover, to improve its understanding of its clients and their needs, and improve future reporting, BDC also encourages its new clients to voluntarily self-identify with additional demographic data such as gender, sexual orientation, and ethnicity. In line with that initiative, the members of the Board also proceeded with their own self-identification.

For greater environmental sustainability, specifically Canada's net-zero commitments, BDC has continued to invest in its Climate Tech Funds and its Industrial, Clean and Energy Technology Venture Fund (Sustainability Venture Fund).

Additionally, BDC launched its online Climate Action Centre (CAC), a hub of information and useful tools to accompany small and medium-sized enterprises in all sectors through their energy transition and climate change challenges. The CAC is now online.

The Board also continued to manage the allocation from the federal government's Venture Capital Catalyst Initiative, which supports funds-of-funds, life sciences and inclusive growth stream investing. The sum of $1.8 billion is now under management.

The Board additionally adopted its revised Board of Directors Code of Ethics and Conduct to reflect good governance practices and guidelines.

It was also in fiscal 2024 that the Board bid farewell to five directors. Mike Pedersen served on the Board for almost six years, all of them as its Chairperson. Sandra Bosela (2016), Cathy Bennett (2019), Abdullah Snobar (2019) and Vijay Kanwar (2017) also served as members of the Board and various committees. Through the exceptional leadership of Mr. Pedersen, the Board helped BDC navigate the COVID-19 pandemic and provide additional financing support to a record number of entrepreneurs during a time of need rarely seen.

Following a selection process led by the Privy Council Office, the Chair position and six director positions were filled in fiscal 2024. Marie-Soleil Lacoursière and Stéphane Therrien were appointed in June 2023. Brian O'Neil, already a Board member since 2017, was appointed Chairperson of the Board in December 2023. In January 2024, Lena Bullock, Michael Ladha, Konata Lake, and Melanie Nadeau were appointed members of the Board of Directors. Their biographies can be consulted on BDC's website. During the year, a total of 61 meetings of the Board and its committees were held. Most of them took place virtually, with the remainder in person.

Training on artificial intelligence, environmental, social and governance (ESG) practices, climate change, Indigenous cultural heritage as well as updates on the economic situation were offered to the Board.

1. Board of Directors and Committees

Board of Directors

Chairperson: Brian O'Neil

Number of meetings: 11

The Board is responsible for the following (the Board's charter is available on BDC's website):

- approving BDC's strategic direction and Corporate Plan to meet its public policy mandate
- overseeing BDC's talent, culture and conduct review
- setting performance targets and monitoring progress
- approving the risk management policy, which includes the risk management framework and the Risk Appetite Statement and Framework to ensure BDC is identifying and managing its risks properly and in alignment with BDC's mandate and impact objectives
- approving BDC's risk-based capital requirements and management's evaluation of the effectiveness of BDC's internal capital adequacy assessment process
- ensuring that the highest standards of corporate governance and Board effectiveness are respected
- establishing compensation policies and ensuring they are aligned with BDC's risk appetite
- reviewing and approving management's succession plan, which includes approving appointments to the senior management team
- setting the President and CEO's performance objectives and evaluating performance
- reviewing BDC's financial matters and internal controls
- overseeing communications and public disclosures
- overseeing and approving the Sustainability Strategy
- overseeing BDC's pension plans, including establishing their funding policies and practices
- approving financing and investment activities beyond management's authority, and overseeing financial and advisory services
- ensuring the complementarity of BDC's market approach and activities

Audit and Conduct Review Committee

Chairperson: Suzanne Trottier

Number of meetings: 6

Members: Lena Bullock, Tania M. Clarke, Vivek Jain, Marie-Soleil Lacoursière

This committee promotes a corporate culture of quality financial reporting and ethical behaviour and provides regular reports to the Board.

Its main duties are as follows (the committee's charter is available on BDC's website):

- review and advise the Board on the annual and quarterly Consolidated Financial Statements before disclosure in accordance with accounting principles
- review the integrity, adequacy and effectiveness of the internal control framework, information management systems and controls related to major information technology, including data governance and artificial intelligence, cybersecurity, accounting and financial reporting systems
- provide primary oversight of conduct review, including BDC's standards of integrity and conduct, the anti-fraud program for internal fraud, the process for disclosing wrongdoing, and reports from the Ombudsperson
- oversee data governance and approval of the Data Governance Policy
- oversee information management systems and their performance, and information security
- recommend the appointment and removal of, and succession planning for, the Chief Audit Executive
- oversee the activities and assess the performance of the Chief Audit Executive and the internal audit function
- oversee the function of the Chief Financial Officer and finance functions, ensure the CFO's independence from business activities and assess its performance and effectiveness
- make recommendations on the appointments of external auditors and special examiners, oversee their activities, and assess the performance of external auditors
- review the scope and terms of engagement of auditors and special examiners who report directly to the committee and are accountable to the Board
- oversee the activities of the corporate compliance function, including regulatory compliance, and assess its performance
- assess confidentiality and privacy issues
- oversee capital management, allocation and adequacy, and the declaration of a dividend
- review directors' and officers' expenses
- oversee procurement activities and review the Procurement Policy

Board Risk Committee

Chairperson: Bill Currie

Number of meetings: 15

Members: Tania M. Clarke, Tracey Scarlett, Stéphane Therrien, Suzanne Trottier

Its main duties are as follows (the committee's charter is available on BDC's website):

— review and recommend to the Board the risk management policy which includes the risk management framework and the Risk Appetite Statement and Framework

— oversee the work of the Chief Risk Officer and the risk oversight functions and ensure that risk management is independent of the business, adequately resourced and has status and visibility to perform its responsibilities

— identify and manage BDC's principal risks, and oversee the BDC's risk culture

— oversee activities aimed at preventing external fraud and other financial crimes

— oversee the management of privacy issues and controls

— regularly review the Enterprise Risk Management Policy and other policies concerning key risks, such as credit, market, strategic, reputational, operational, information technology and other principal risks

— review and recommend to the Board all strategies related to BDC's material financial offerings

— approve and assess the effectiveness of BDC's risk appetite statement and monitor compliance with the models and limits contained in it

— review reports and indicators related to BDC's risk profile regarding enterprise risk management, portfolio risk management, capital management and adequacy, treasury operations risks, and information technology security, including emerging risks and exceptions to the Risk Appetite Statement and policies

— approve the framework for assessing and approving new business activities, products and services, except those related to Venture Capital

— ensure the effectiveness of stress-testing procedures and review reports on BDC's risk profile, stress-testing processes, stress-testing methodology and internal capital adequacy assessment process

— review the business continuity plan

— approve loans and transactions that exceed the delegated authorities of senior management

— review policies and guidelines related to the delegation of authority for all financial products, except venture capital products

Governance and Nominating Committee

Chairperson: Brian O'Neil

Number of meetings: 8

Members: Bill Currie, Tracey Scarlett, Stéphane Therrien, Suzanne Trottier

This committee helps the Board fulfill its corporate governance oversight responsibilities. Its main duties are as follows (the committee's charter is available on BDC's website):

— continually review best practices and regulations related to governance in Canada and, if necessary, recommend changes to BDC's approach

— review BDC's corporate governance policies

— annually assess the Board's compliance with these policies and report any breaches to the Board Code of Ethics and Conduct

— oversee BDC's Sustainability Strategy, BDC's voluntary public disclosure on Environmental, Social and Governance (ESG) matters and review developments and emerging issues in corporate sustainability

— identify, report and manage real, potential and apparent conflicts of interest

— regularly review the mandates, structures and memberships of the Board and its committees

— develop selection criteria for the President and CEO positions

— recommend to the Board, for the consideration of the Minister of Small Business, the appointment or reappointment of the Chairperson of the Board, the President and CEO, and directors

— review and recommend a list of skills required by directors, with a focus on Diversity, Equality and Inclusion at the Board level

— monitor and assess the performance of the Board, its committees and directors

— review and recommend the Director Orientation and Continuing Education Policy and ensure that comprehensive director orientation and continuous training programs are in place

Human Resources Committee

Chairperson: Tracey Scarlett

Number of meetings: 6

Members: Bill Currie, Michael Ladha, Brian O'Neil, Stéphane Therrien

This committee's main duties are as follows (the committee's charter is available on BDC's website):

- regularly review, monitor and recommend to the Board BDC policies which provide for the sound management of BDC personnel and take reasonable measures to ensure that BDC's organizational culture is aligned with its strategy, including the aspects relating to diversity, equity, inclusion and accessibility as well as employee health, safety and well-being
- review and recommend to the Board the human resources strategy, including key human resources objectives, plans and workforce requirements
- review and, if appropriate, recommend to the Board for approval any significant organizational structure changes, including the President and CEO's and other committees' recommendations for appointments of senior management, the Chief Risk Officer, the Chief Audit Executive, the Treasurer, and the Ombudsperson
- assess the President and CEO's performance objectives, evaluation and benefits
- review compensation for senior executives
- review and approve the design of compensation policies, programs and plans
- approve performance measures and metrics
- ensure there is a succession plan in place for all critical positions and review development plans, talent retention and career development for potential successors
- assess human resources risks, such as those related to employee attraction, retention, engagement, performance, succession planning and talent management
- receive and examine actuarial valuation reports and financial statements related to BDC's pension plans, as well as recommend funding contributions
- recommend to the Board pension plan funding and design changes
- monitor the funded status of the pension plans
- provide oversight on pension plan governance and investment
- recommend the pension plan funds' financial statements to the Board
- advise the Board on investment strategies and the asset mix

Board Investment Committee

Chairperson: Stéphane Therrien

Number of meetings: 15

Members: Vivek Jain, Marie-Soleil Lacoursière, Melanie Nadeau, Tracey Scarlett

This committee's duties are as follows (the committee's charter is available on BDC's website):

- regularly review policies and processes for investment activities
- review strategies and their risk profile guardrails, as well as capital allocations for all material investment activities, including Venture Capital and private equity
- approve or recommend to the Board, if appropriate, investment transactions to support the Canadian Venture Capital ecosystem and for capital appreciation investments (within the limits of delegated authority)
- review ways of improving how Canadian businesses leverage external capital
- oversee the execution of any program supporting Canadian entrepreneurship
- review strategic initiatives aimed at improving the venture capital ecosystem, including sustainability initiatives, with particular regard to diversity, equity and inclusion
- collaborate with the Human Resources Committee regarding BDC Capital's long-term compensation programs
- review and recommend delegations of authority to the Committee and senior management for investments
- monitor portfolio performance

Sandra Bosela served as chairperson of the Committee until January 2024. BDC would like to thank her for her time and dedication.

Fiscal 2024 Board of Directors and Committee Meetings Attendance

	Board of Directors			Audit and Conduct Review Committee			Board Investment Committee[6]			Board Risk Committee[6]			Governance and Nominating Committee			Human Resources Committee			Committee meetings		
Director	Attendance	Total	%	Attendance	Total	%	Attendance	Total	%	Attendance	Total	%	Attendance	Total	%	Attendance	Total	%	Attendance	Total	%
Brian O'Neil[1]	11	11	100%	5	5	100%	15	15	100%				7	8	88%	1	1	100%	28	29	97%
Cathy Bennett[2]	4	4	100%				6	7	86%							3	3	100%	9	10	90%
Sandra Bosela[3]	7	9	78%				12	13	92%				4	5	80%	5	5	100%	21	23	91%
Lena Bullock[4]	2	2	100%																N/A	N/A	N/A
Tania M. Clarke	11	11	100%	6	6	100%				15	15	100%							21	21	100%
Bill Currie	9	11	82%							13	15	87%	6	8	75%	4	6	67%	23	29	79%
Isabelle Hudon[5]	11	11	100%																N/A	N/A	N/A
Vivek Jain	8	11	73%	4	6	67%	15	16	94%										19	22	86%
Vijay Kanwar[6]	3	3	100%				3	3	100%							0.5	2	25%	3.5	5	70%
Marie-Soleil Lacoursière[7]	7	8	88%	3	3	100%	7	8	88%										10	11	91%
Michael Ladha[8]	2	2	100%																N/A	N/A	N/A
Konata Lake[9]	2	2	100%																N/A	N/A	N/A
Melanie Nadeau[10]	1	2	50%																N/A	N/A	N/A
Mike Pedersen[11]	7	8	88%										4	4	100%				4	4	100%
Tracey Scarlett[12]	10	10	100%				2	2	100%	15	15	100%	8	8	100%	6	6	100%	31	31	100%
Abdullah Snobar[13]	5	5	100%							8	10	80%							12	14	86%
Stéphane Therrien[14]	8	8	100%	4	4	100%	2	2	100%	8	8	100%	3	3	100%	3	3	100%	16	16	100%
Suzanne Trottier[15]	11	11	100%	6	6	100%				12	15	80%	4	4	100%				22	25	88%

1 Mr. O'Neil was appointed Chairperson of the Board of Directors on December 15, 2023, and was appointed as the Chairperson of the Governance and Nominating Committee and a Member of the Human Resources Committee effective January 17, 2024. Prior to these appointments, Mr. O'Neil was the Chairperson of the Audit and Conduct Review Committee and a Member of the Board Investment Committee. Although Mr. O'Neil is not a member of any other committees, he regularly attends an extensive number of committee meetings in his capacity as Chairperson.

2 Ms. Bennett resigned from the Board effective September 17, 2023.

3 Ms. Bosela continued to serve beyond the end of her term, as permitted by the *BDC Act*, until her replacement was appointed to the Board, effective January 26, 2024.

4 Ms. Bullock was appointed to the Board effective January 26, 2024, and as a Member of the Audit and Conduct Review Committee effective March 21, 2024. No meeting of this Committee was held following her appointment.

5 Ms. Hudon is BDC's President and CEO. As President and CEO, Ms. Hudon is not a member of any committee. However, she attends an extensive number of committee meetings.

6 Mr. Kanwar continued to serve beyond the end of his term, as permitted by the *BDC Act*, until his replacement was appointed to the Board, effective June 22, 2023.

7 Ms. Lacoursière was appointed to the Board effective June 22, 2023. She was appointed as a Member of the Audit and Conduct Review Committee effective August 16, 2023, and as a member of the Board Investment Committee effective October 4, 2023.

8 Mr. Ladha was appointed to the Board effective January 26, 2024, and as a Member of the Human Resources Committee, effective March 21, 2024. No meeting of this Committee was held following his appointment.

9 Mr. Lake was appointed to the Board effective January 26, 2024.

10 Ms. Nadeau was appointed to the Board effective January 26, 2024, and as a Member of the Board Investment Committee, effective March 21, 2024. No meeting of this Committee was held following her appointment.

11 Mr. Pedersen was the Chairperson of the Board of Directors and the Governance and Nominating Committee until his replacement was appointed on December 15, 2023. Although Mr. Pedersen was not a member of any other committee, he attended an extensive number of committee meetings.

12 Ms. Scarlett is the Chairperson of the Human Resources Committee and, effective January 17, 2024, she became a member of the Board Investment Committee. Due to a potential conflict of interest, Ms. Scarlett recused herself from one Board of Directors meeting, with this meeting excluded from the statistics above.

13 Mr. Snobar resigned from the Board of Directors, effective October 25, 2023.

14 Mr. Therrien was appointed to the Board, effective June 22, 2023. He was appointed as a member of the Board Risk Committee, effective August 16, 2023, and effective October 4, 2023, as a member of the Human Resources Committee. Effective January 17, 2024, Mr. Therrien was appointed as a member of the Board Investment Committee and, effective January 26, 2024, as its Chairperson.

15 Ms. Trottier was appointed Chairperson of the Audit and Conduct Review Committee, effective January 17, 2024.

2. Board of Directors

(March 31, 2024)

Brian O'Neil
Chairperson of the Board
BDC
Toronto, Ontario

Isabelle Hudon
President and CEO
BDC
Montreal, Quebec

Lena Bullock
Chief Financial Officer
Frind Properties Ltd.
Burnaby, British Columbia

Tania M. Clarke
Corporate Director
Montreal, Quebec

Bill Currie
Corporate Director
Toronto, Ontario

Vivek Jain
Entrepreneur
Regina, Saskatchewan

Marie-Soleil Lacoursière
Corporate Director
Yellowknife,
Northwest Territories

Michael Ladha
Vice President,
Chief Legal Officer and
Corporate Secretary
Newfoundland
and Labrador Hydro
St. John's, Newfoundland
and Labrador

Konata Lake
Partner
Torys LLP
Toronto, Ontario

Melanie Nadeau
Chief Executive Officer
COVE
Dartmouth, Nova Scotia

Tracey Scarlett
Corporate Director
Edmonton, Alberta

Stéphane Therrien
Corporate Director
Montreal, Quebec

Suzanne Trottier
President, First Nations
Bank of Canada Trust
(FNB Trust)
Vancouver,
British Columbia

To see BDC's directors' biographies, please go to www.bdc.ca.

3. Senior Management Committee

(March 31, 2024)

Isabelle Hudon
President and CEO

Miguel Barrieras
Chief Strategy and Impact Officer

Jean-Sébastien Charest
Chief Information Officer

Jennifer Dibblee (on leave)
Chief Legal Officer
and Corporate Secretary

Véronique Dorval
Executive Vice President
and Chief Operating Officer

Marie-Chantal Lamothe
Chief Human Resources
Officer

Maxime Laverdière
Interim Chief Legal Officer
and Corporate Secretary

Annie Marsolais
Chief Marketing Officer

Jérôme Nycz
Executive Vice President
BDC Capital

Christopher Rankin
Executive Vice President
and Chief Risk Officer

Christian Settano
Chief Financial Officer

To see BDC's senior management team members' biographies, please go to www.bdc.ca.

Five-Year Operational and Financial Summary

for the years ended March 31 (in thousands of Canadian dollars)

Operational Statistics	2024	2023	2022	2021	2020
Loans					
Committed to clients[1] as at March 31					
Amount	**44,562,761**	41,114,824	38,093,474	35,496,220	31,546,910
Number of clients	**69,496**	64,484	62,234	59,291	49,391
Acceptances					
Amount	**10,768,415**	10,326,810	9,786,838	8,703,157	7,405,087
Number	**27,616**	19,634	17,648	24,755	18,608
Loan guarantees					
Committed to clients as at March 31					
Amount	**2,680,656**	3,319,944	3,455,730	294,644	–
Number of clients	**14,584**	16,538	15,779	1,195	–
Acceptances					
Amount	**705**	228,835	3,224,761	286,661	–
Number	**13**	1,151	15,172	1,195	–
Asset-backed securities					
Amount committed to clients[1] as at March 31	**2,062,108**	1,961,758	1,445,827	1,345,784	1,010,905
Amount authorized (cancelled) and renewed	**100,000**	515,000	100,000	335,000	40,000
Debt investments					
Committed to clients[1] as at March 31					
Amount	**1,571,841**	1,476,593	1,323,470	1,115,593	1,273,627
Number of clients	**644**	643	639	625	614
Acceptances/Authorizations					
Amount	**458,403**	498,808	530,396	155,787	436,679
Number	**160**	169	173	107	172
Direct equity investments					
Committed to clients[1] as at March 31					
Amount	**1,929,223**	1,826,660	1,592,243	1,344,734	963,593
Number of clients	**329**	331	328	328	202
Acceptances/Authorizations					
Amount	**264,667**	338,562	435,279	510,160	236,353
Number	**78**	86	93	205	79
Indirect equity investments in funds					
Committed to clients[1] as at March 31					
Amount	**2,622,019**	2,441,868	1,920,992	1,861,300	1,659,838
Number of clients	**176**	155	138	125	108
Authorizations					
Amount	**246,208**	536,126	175,492	258,825	195,133
Number	**25**	16	15	21	19
BDC					
Total committed to clients	**55,428,608**	52,141,647	47,831,736	41,458,275	36,454,873

[1] Amount committed to clients represents portfolio outstanding and amount undisbursed, at cost.

(in thousands of Canadian dollars)

Financial Information	2024	2023	2022	2021	2020
Net income (loss) and comprehensive income (loss)—by business segment[1]					
for the years ended March 31					
Financing	**602,979**	852,054	1,162,169	733,103	32,053
Advisory Services	**(38,090)**	(37,028)	(38,956)	(39,424)	(46,807)
Growth & Transition Capital	**62,387**	49,911	152,253	114,833	(32,945)
Venture Capital	**(211,951)**	(637,895)	988,042	902,467	(86,856)
Capital Incentive Programs	**(3,808)**	17,985	303,819	254,383	(83,444)
Core net income (loss)	**411,517**	245,027	2,567,327	1,965,362	(217,999)
Credit Availability Program	**(124,641)**	57,515	(52,565)	(315,499)	–
Net income (loss)	**286,876**	302,542	2,514,762	1,649,863	(217,999)
Net income (loss) attributable to:					
BDC's shareholder	**289,874**	380,732	2,440,048	1,647,648	(193,018)
Non-controlling interests	**(2,998)**	(78,190)	74,714	2,215	(24,981)
Net income (loss)	**286,876**	302,542	2,514,762	1,649,863	(217,999)
Other comprehensive income (loss)[2]	**84,806**	10,860	260,040	(38,213)	92,953
Total comprehensive income (loss)	**371,682**	313,402	2,774,802	1,611,650	(125,046)
Total comprehensive income (loss) attributable to:					
BDC's shareholder	**374,680**	391,592	2,700,088	1,609,435	(100,065)
Non-controlling interests	**(2,998)**	(78,190)	74,714	2,215	(24,981)
Total comprehensive income (loss)	**371,682**	313,402	2,774,802	1,611,650	(125,046)
Financial position information					
as at March 31					
Asset-backed securities	**1,289,527**	1,176,100	988,466	733,322	777,838
Loans, net of allowance for credit losses	**38,891,042**	35,932,703	33,283,517	30,905,481	27,273,088
Investments	**5,737,949**	5,742,512	5,862,554	4,431,534	2,961,724
Total assets	**47,442,940**	44,284,922	41,566,996	37,148,117	33,153,358
Total liabilities	**30,913,365**	28,140,021	21,078,523	19,130,760	24,250,559
Total equity attributable to:					
BDC's shareholder	**16,526,455**	16,138,775	20,404,183	18,004,095	8,891,660
Non-controlling interests	**3,120**	6,126	84,290	13,262	11,139
Total equity	**16,529,575**	16,144,901	20,488,473	18,017,357	8,902,799

1 For detailed information on fiscal 2024 and fiscal 2023 segmented information, please also refer to Note 19—*Segmented information* to the Consolidated Financial Statements.

2 For detailed information on fiscal 2024 and fiscal 2023 Other comprehensive income, please refer to Consolidated Statement of Comprehensive Income (p.63).

Glossary

Acceptance—The point at which the client has agreed to the authorized financing terms and conditions that BDC has offered them. Client acceptance follows BDC authorization. (Information on acceptances disclosed in this report is net of cancellations or reductions after client acceptance.)

Allowance for expected credit losses—Represents management's estimate of expected credit losses as at the Statement of Financial Position date. Allowance for expected credit losses can be related to the impaired portfolio or the performing portfolio. The expected credit losses on outstanding loans are recorded in the Statement of Financial Position as a deduction from loans and the expected credit losses on loan commitments is recorded in other liabilities.

Allowance on impaired portfolio—Established by the management to measure the expected credit losses on the credit-impaired loan portfolio.

Allowance on performing portfolio—Established by management to measure the expected credit losses on the performing loan portfolio.

Asset-backed securities—Securities created through the securitization of a pool of assets. For example, BDC's securitization contains Canadian AAA-rated term securities backed by loans and leases on vehicles and equipment, as well as dealer floor plan loans.

Authorization—The point at which BDC has completed its due diligence and approved the financing request or venture capital investment. Authorization precedes acceptance. (Information on authorizations disclosed in this report is net of cancellations or reductions after BDC authorization.)

Cross-currency swaps—Agreements to exchange payments in different currencies over pre-determined periods of time.

Debt investments—Patient capital in the form of debt with flexible lending terms, with or without convertible features and quasi-equity financing.

Debt-to-equity ratio—A measure to ensure BDC operates within its statutory limitations on debts, calculated as the aggregate of borrowings and contingent liabilities over the equity attributable to BDC's shareholder. It also includes preferred shares classified as liabilities, and excludes accumulated other comprehensive income or loss. The statutory limit of BDC's debt-to-equity ratio is 12:1.

Derivative financial instruments—Contracts whose value is "derived" from movements in interest or foreign exchange rates, or equity or commodity prices. Use of derivatives allows for the transfer, modification or reduction of current or expected risks from changes in rates and prices.

Direct equity investments—Investments BDC makes directly in investee companies.

Efficiency ratio—A measure of the efficiency with which BDC incurs expenses to generate revenue from its operations. It is calculated as operating and administrative expenses as a percentage of net revenue. It excludes CIP, pension expenses, Venture Capital net revenue, Venture Capital Bridge Financing Program net revenue as well as CDAP. A lower ratio indicates improved efficiency.

Fair value—The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value represents management's best estimate of the net worth of an investment at the Statement of Financial Position date and may not reflect the ultimate realizable value upon disposal of the investment.

Hedging—A risk management technique used to insulate financial results from market, interest rate or foreign currency exchange risk (exposure) arising from normal banking operations.

Impaired loans—Loans are deemed impaired when the interest or principal of the loan is in arrears for three consecutive months or more or if there is reason to believe that a portion of the principal or interest cannot be collected.

Indirect equity investments in funds—Equity investments made indirectly through external funds.

Interest rate swaps—Agreements to exchange streams of interest payments—typically, one at a floating rate and the other at a fixed rate—over a specified period, based on notional principal amounts.

Master netting agreement—A standard bilateral contract that enables trading counterparties to agree to net collateral requirements and, in a close-out situation, settlement amounts related to underlying master trading contracts for sales and purchases of financial instruments. The master netting agreement offsets positive balances of one transaction with negative balances of another.

Net change in unrealized appreciation or depreciation of investments—Amount included in income resulting from movements in the fair value of investments for the period.

Net interest income—The difference between interest revenues generated by interest-bearing portfolios, as well as cash equivalents and securities, and the cost of borrowings to fund these assets.

Net realized gains or losses on investments—Gains realized, net of realized capital losses, upon sale or write-off of investments, excluding the net change in unrealized appreciation or depreciation of venture capital and subordinate financing investments.

Net realized gains or losses on other financial instruments—Amounts that are related to structured notes and their associated derivatives. Realized gains or losses occur when financial instruments are repurchased prior to maturity at a price higher or lower than the original purchase price.

Net unrealized gains or losses on other financial instruments—Amounts that are related to structured notes and their associated derivatives. These represent the amounts included in income resulting from movements in the fair value of financial instruments for the period.

Non-controlling interest—The equity in a subsidiary not attributable, directly or indirectly, to BDC.

Performing portfolio—Loans for which there is reasonable assurance that BDC can collect the principal and interest on time.

Provision for expected credit losses—A charge to income that represents an amount that management deems adequate to fully provide for impairment in the loan portfolios, given the composition of the loan portfolios, the probability of default on the loans, the economic environment and the allowance for expected credit losses already established.

Quasi-equity investments—A hybrid form of finance with characteristics of both debt and equity investments with tailor-made repayment terms and which typically does not require collateral and dilution of the ownership stake.

Adjusted return on common equity (ROE)—Net income (loss), less preferred share dividends, expressed as a percentage of average common equity. It excludes other comprehensive income or loss on post-employment benefits, accumulated other comprehensive income or loss, and non-controlling interest. It also excludes Capital Incentive Programs (CIP) and the Capital Credit Availability Program (CAP).

Revenue from Advisory Services—Fees charged to clients for management services (diagnostic, proposal and implementation) provided by BDC delivery employees (usually "Business Advisors") and external consultants who are part of BDC's national network.

Start-up—A business that is being established for the first time. Also included in this category are existing enterprises that have not yet registered 12 consecutive months of sales.

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