2024 Financial Report

Second Quarter

September 30, 2023

Executive Summary

Canadian economic outlook

Global economic activity proved resilient in 2023, despite fast-rising interest rates. After solid growth of 3.5% in 2022, the global economy seems set to slow in 2023 to about 3%. Geopolitical tensions remain elevated, and uncertainty continues to prevail, but inflation moderated substantially over the course of 2023 as central banks raised interest rates to slow demand.

In the face of rapidly rising interest rates, the Canadian economy started to slow down in 2023 as well. Real GDP increased by 1.6% in the first half of the year compared to the same period in 2022. Canada's second-quarter growth turned negative with the economy registering a -0.2% annualized decrease in GDP. Preliminary GDP data for August pointed to an economy that is stagnating. Although forest fires were a temporary drag, rising interest rates had a more lasting impact on the economy, hurting discretionary consumer spending over the course of the quarter.

While healthy household income growth largely offset the rise in interest payments, consumption growth was essentially flat in Q2 of 2023. Consumer confidence remained in neutral territory, according to the Nanos/Bloomberg index. And in a sign of growing consumer caution, savings reached 5.1% of disposable income, compared with 3.7% in the first quarter.

Canada's population increased at a fast pace from July 2022 to July 2023, due to renewed inflows of newcomers following the pandemic. This contributed to a pick-up in consumer demand and boosted the labour supply, tempering the impact of interest rate hikes on inflation.

Additionally, job creation continued to be very strong despite the economy gearing down. During the year to September 2023, 388,000 new jobs were added. The active population also grew strongly with the addition of 535,000 available workers. With the pool of potential workers growing faster than the number of jobs, Canada's unemployment rate rose since the beginning of 2023, although it remains low by historical standards at 5.5% in September.

The inflation picture improved markedly in the first half of 2023, but the Consumer Price Index (CPI) remained above the Bank of Canada's 2% target, rising by 4.0% in August compared to the same month the previous year. Measures of core inflation suggested price increases had not become entrenched, but most remained well above the 2% target in August.

The Bank of Canada made a significant course correction in early June when it raised its policy interest rate for the first time since announcing a pause in rate hikes in January. The rate reached 5.0% in July, a level not seen since 2001. The hikes rekindled uncertainty and dampened business optimism.

The majority of Canadian businesses are in a relatively strong position to cope with an expected slowdown in consumer demand. However, there is a risk that a deeper economic downturn will make business conditions more challenging since entrepreneurs are already coping with increasing business costs. Financial stress is more acute for smaller businesses as they tend to face higher rates and are more exposed to interest rate variations as they are largely financed at variable rates. As well, the slowdown in demand is reducing capacity pressures and weighing on most businesses' plans for investment and employment. According to a Bank of Canada survey, 38% of firms are expecting higher investment spending (down from 50% a year ago) while 31% of businesses are expecting lower investment spending in the next twelve months.

High inflation and interest rates are prompting an increasing percentage of households to reduce spending. However, the strong pace of population growth, large-scale infrastructure projects and a slowdown in inflation should help the economy avoid a recession. The slowdown will likely be more acute at the end of 2023 and over the first half of 2024 as past rate hikes continue to take their toll on the economy. We forecast growth in Canada to come in at 1.1% and 0.9 %, respectively, for calendar years 2023 and 2024.

Lines of business

The Business Development Bank of Canada (BDC) reports on six business lines: Financing, Advisory Services, Growth & Transition Capital (GTC), Venture Capital (VC), Capital Incentive Programs (CIP) and the Credit Availability Program (CAP). Refer to Note 10, *Segmented information*, of the Consolidated Financial Statements for a description of each reportable segment's operations.

Activities

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

Core results are driven by the activities of the Financing, Advisory Services, Growth and Transition Capital, Venture Capital and Capital Incentive Programs business lines, whereas those of the CAP segment result from all of BDC's COVID-19 relief measures and the Canada Digital Adoption Program (CDAP). The COVID-19 measures ended in fiscal 2022. Our shareholder launched CDAP with our support in March 2022 to help small businesses grow their online presence and adopt digital technologies. CDAP is a four-year program which is open for applications until 2025. All these measures have been grouped together under CAP to distinguish them from BDC's core activities.

Core activities

The results of the second quarter of fiscal 2024 reflect the continued impacts of an uncertain economic environment resulting from high inflation, slowing consumer demand, and rising interest rates.

Financing clients accepted a total of $2.7 billion in loans for the second quarter and $5.6 billion for the six-month period of fiscal 2024, compared to $2.7 billion and $6.2 billion for the same periods last year. The volume of Financing's acceptances decreased in the first half of fiscal 2024 compared to the same period last year, as higher interest rates and inflation, coupled with flat consumer spending, continued to contribute to economic uncertainty, making it difficult for entrepreneurs to plan future investments. Financing's loans portfolio[1], excluding CAP loans, stood at $35.8 billion as at September 30, 2023.

Advisory Services continued to extend its client reach in the second quarter of fiscal 2024 with net contracts signed amounting to $15.5 million and $27.8 million for the six-month period ended September 30, 2023, compared to $9.7 million and $21.4 million for the same periods last year, representing an increase of 30.0% for the six-month period ended September 30, 2023, as compared to the equivalent period last year. This increase was mainly driven by the services offered to support entrepreneurs in their digital adoption plan under CDAP, which saw an increase of over 44% in net contracts signed for the six-month period ended September 30, 2023, as compared to the equivalent period last year.

GTC clients accepted $124.7 million in debt investments during the second quarter and $218.9 million for the six-month period of fiscal 2024, compared to $105.8 million and $261.9 million, respectively, for the same period last year. Acceptances decreased in the first half of fiscal 2024 compared to the same period last year, stemming mainly from the slow-down in demand for GTC's offering due to economic uncertainties which continued to negatively impact mergers and acquisitions as well as business transition transactions.

VC authorizations for the second quarter and the six-month period of fiscal 2024 totalled $39.4 million and $122.7 million, respectively, compared to $199.3 million and $377.5 million, respectively, for the same periods last year. The decrease in authorizations was driven by lower direct and indirect investments, mainly explained by declines in Canadian venture capital activity and a slower pace of fundraising.

On April 18, 2023, 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

[1] Net of allowance for expected credit losses.

2050 net-zero ambition. The Fund will be dedicated to making equity investments in Canadian companies developing sustainability-enhancing technology systems with the potential to deliver indirect GHG emission reductions. The fund has authorized $7.5 million of investments for the six-month period ended September 30, 2023.

On July 12, 2023, BDC announced the launch of the first phase of Thrive Lab, which will be built around a co-investment model with like-minded partners focused on supporting women-led businesses at the earliest stages of development. Over the next five years, BDC's Thrive Lab will 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. BDC has earmarked $35.0 million for this first phase. The Thrive platform comprises two other components: a $300 million direct investment fund, and a $100 million indirect investment envelope. Since the launch of the $500 million Thrive Venture Fund a year ago, $41.9 million has been authorized of which $34.4 million in direct investments and $7.5 million in indirect investments.

On behalf of the Government of Canada, BDC continued to manage Capital Incentive Programs (CIP), which include $390 million for Venture Capital Action Plan (VCAP) to support promising Canadian start-ups, $372 million for Venture Capital Catalyst Initiative (VCCI) to increase the availability of late-stage VC and support underserved groups, $450 million for the renewed Venture Capital Catalyst Initiative (VCCI II) to support private sector funds of funds and funds focused on investments in life science technologies and entrepreneurs from underrepresented groups, $600 million for Cleantech Practice and $100 million for Indigenous Growth Fund (IGF).

CIP authorizations for the second quarter and the six-month period of fiscal 2024 totalled $11.9 million and $64.0 million, respectively, compared to $5.3 million and $10.6 million, respectively, for the same period last year. As the envelopes for VCAP and VCCI were fully committed in F2021, the authorizations in CIP were fully attributable to VCCI II in the amount of $42.0 million and to Cleantech Practice in the amount of $22.0 million for the six-month period ended September 30, 2023.

Credit Availability Program (CAP)

The carrying amount of CAP's loan and investment portfolio stood at $1.7 billion as at September 30, 2023, 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 remains active.

CDAP acceptances amounted to $68.1 million and $124.2 million for the second quarter and the six-month period of fiscal 2024, respectively, compared to $5.9 million and $6.5 million, respectively, for the same periods last year, a significant increase compared to the same period last year as the first quarter of fiscal 2023 was the first quarter following the launch of the program. 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.

Highly Affected Sectors Credit Availability Program (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 $3.1 billion as at September 30, 2023, compared to $3.6 billion for the same period last year.

Financial results overview

Consolidated net income amounted to $115.0 million for the second quarter and $239.1 million for the six-month period of fiscal 2024, consisting of net income of $113.3 million and $261.2 million, respectively, for the core business, and net income of $1.7 million and a net loss of $22.1 million, respectively, for CAP. In comparison, BDC reported consolidated net income of $19.3 million and $252.5 million, respectively, for the same periods last year, consisting of a net loss of $40.2 million and net income of $160.1 million, respectively, for the core business and net income of $59.5 million and $92.4 million, respectively, for CAP. The decrease in consolidated net income for the six-month period was mainly attributable to higher provision for expected credit losses of $237.5 million on

Financing's and CAP's loans portfolios and lower net foreign exchange gains on VC's investment portfolio of $162.9 million, offset by lower net change in unrealized depreciation of VC investments of $399.8 million.

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

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

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

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

Management Discussion and Analysis

Context of the Quarterly Financial Report

Management's Discussion and Analysis outlines the significant activities and initiatives, risks and financial results of the Business Development Bank of Canada (BDC) for the six months ended September 30, 2023. This analysis should be read in conjunction with BDC's unaudited condensed quarterly Consolidated Financial Statements included in this report, which have been prepared in accordance with the Treasury Board of Canada's Directive on Accounting Standards: *GC 5200 Crown Corporations Quarterly Financial Reports*. This analysis should also be read in conjunction with BDC's 2023 Annual Report. All amounts are in Canadian dollars, unless otherwise specified.

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

Risk Management

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

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

Analysis of Financial Results

Analysis of financial results is provided to enable a reader to assess BDC's results of operations and financial condition for the three-month and six-month periods ended September 30, 2023, compared to the corresponding period of the prior fiscal year.

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

Consolidated net income

	Three months ended September 30		Six months ended September 30	
($ in millions)	**F2024**	F2023	**F2024**	F2023
Financing	**161.8**	156.1	**333.6**	432.2
Advisory Services	**(10.5)**	(9.6)	**(19.5)**	(19.3)
Growth & Transition Capital	**8.1**	(1.5)	**25.4**	24.3
Venture Capital	**(50.0)**	(233.8)	**(88.3)**	(268.8)
Capital Incentive Programs	**3.9**	48.6	**10.0**	(8.3)
Core net income	**113.3**	(40.2)	**261.2**	160.1
Credit Availability Program	**1.7**	59.5	**(22.1)**	92.4
Net income (loss)	**115.0**	19.3	**239.1**	252.5
Net income (loss) attributable to:				
BDC's shareholder	**114.6**	67.2	**240.4**	298.5
Non-controlling interests	**0.4**	(47.9)	**(1.3)**	(46.0)
Net income (loss)	**115.0**	19.3	**239.1**	252.5

Three and six months ended September 30

For the quarter ended September 30, 2023, BDC generated consolidated net income of $115.0 million, comprising $114.6 million of net income attributable to BDC's shareholder and net income of $0.4 million attributable to non-controlling interests. For the equivalent period last year, consolidated net income of $19.3 million included $67.2 million of net income attributable to BDC's shareholder and a loss of $47.9 million attributable to non-controlling interests. BDC's consolidated core net income was $113.3 million compared to a net loss of $40.2 million reported for the same period last year. The increase in net income for the quarter ended September 30, 2023, as compared to the same period last year, was mainly attributable to lower net change in unrealized depreciation of VC investments and higher net interest income on Financing's loans portfolios, offset by higher provision for expected credit losses on Financing and CAP's loans portfolio and lower net foreign exchange gains on VC's investment portfolio.

For the six months ended September 30, 2023, BDC recorded consolidated net income of $239.1 million compared to net income of $252.5 million recorded for the same period last year. BDC's consolidated core net income was $261.2 million compared to $160.1 million reported for the same period last year. The decrease in net income for the first half of fiscal 2024, as compared to the same period last year, was mainly attributable to higher provision for expected credit losses on

Financing's and CAP's loans portfolio and lower net foreign exchange gains on VC's investment portfolio, offset by lower net change in unrealized depreciation of VC investments and higher net interest income on Financing's loans portfolios.

CAP reported a consolidated net loss of $22.1 million for the six months ended September 30, 2023, compared to net income of $92.4 million for the same period last year, mainly due to the higher provision for expected credit losses and higher net losses on other financial instruments, offset by lower net change in unrealized depreciation of investments.

Consolidated comprehensive income

	Three months ended September 30		Six months ended September 30	
($ in millions)	**F2024**	F2023	**F2024**	F2023
Net income (loss)	**115.0**	19.3	**239.1**	252.5
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net income				
Net change in unrealized gains (losses) on FVOCI assets	**(0.7)**	(11.4)	**(9.6)**	(25.1)
Net change in unrealized gains (losses) on cash flow hedges	**-**	(0.2)	**-**	(0.3)
Total items that may be reclassified subsequently to net income	**(0.7)**	(11.6)	**(9.6)**	(25.4)
Items that will not be reclassified to net income				
Remeasurements of net defined benefit asset or liability	**59.0**	(113.2)	**51.0**	(40.8)
Other comprehensive income (loss)	**58.3**	(124.8)	**41.4**	(66.2)
Total comprehensive income (loss)	**173.3**	(105.5)	**280.5**	186.3
Total comprehensive income (loss) attributable to:				
BDC's shareholder	**172.9**	(57.6)	**281.8**	232.3
Non-controlling interests	**0.4**	(47.9)	**(1.3)**	(46.0)
Total comprehensive income (loss)	**173.3**	(105.5)	**280.5**	186.3

Three and six months ended September 30

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

BDC recorded consolidated other comprehensive income of $58.3 million and $41.4 million, respectively, for the second quarter and the six-month period ended September 30, 2023, compared to consolidated other comprehensive loss of $124.8 million and $66.2 million, respectively, for the same periods last year. The increase in consolidated other comprehensive income for the second quarter and first half of fiscal 2024 was mainly attributable to remeasurement gains on the net defined benefit asset or liability of $59.0 million and $51.0 million, respectively, compared to a remeasurement loss on the net defined benefit asset or liability of $113.2 million and $40.8 million, respectively, for the same periods last year. These gains were due to higher rates used to value the net defined benefit liability, which was partially offset by lower returns on plan assets.

Financing results

	Three months ended September 30		Six months ended September 30	
($ in millions)	**F2024**	F2023	**F2024**	F2023
Net interest income	**394.5**	360.5	**784.4**	715.0
Fee and other income	**6.9**	6.4	**14.0**	13.4
Provision for expected credit losses	**(105.6)**	(75.8)	**(187.9)**	(50.2)
Net change in unrealized appreciation (depreciation) of investments	**0.9**	1.3	**0.8**	1.2
Net realized gains (losses) on investments	**-**	-	**-**	(0.5)
Net foreign exchange gains (losses)	**6.2**	9.0	**2.6**	13.7
Net gains (losses) on other financial instruments	**-**	0.2	**-**	13.1
Income before operating and administrative expenses	**302.9**	301.6	**613.9**	705.7
Operating and administrative expenses	**141.1**	145.5	**280.3**	273.5
Net income (loss) from Financing	**161.8**	156.1	**333.6**	432.2

	Three months ended September 30		Six months ended September 30	
As % of average portfolio	**F2024**	F2023	**F2024**	F2023
Net interest income	**4.2**	4.2	**4.2**	4.3
Fee and other income	**0.1**	0.1	**0.1**	0.1
Provision for expected credit losses	**(1.1)**	(0.9)	**(1.0)**	(0.3)
Net foreign exchange gains (losses)	**-**	0.1	**-**	0.1
Income before operating and administrative expenses	**3.2**	3.5	**3.3**	4.2
Operating and administrative expenses	**1.5**	1.7	**1.5**	1.6
Net income (loss) from Financing	**1.7**	1.8	**1.8**	2.6

Three and six months ended September 30

Net income from Financing was $161.8 million for the second quarter of fiscal 2024 and $333.6 million for the six-month period ended September 30, 2023, compared to net income of $156.1 million and $432.2 million for the same periods last year. The decrease in net income from Financing for the six months ended September 30, 2023 was mainly explained by higher provision for expected credit losses on both the impaired and performing loans portfolio, lower gains on other financial instruments, and higher operating and administrative expenses. This was partially offset by higher net interest income due to portfolio growth.

Operating and administrative expenses amounted to $141.1 million for the three-month period compared to $145.5 million for the corresponding period of fiscal 2023. Operating and administrative expenses for the six-month period ended September 30, 2023, were $280.3 million, higher than the $273.5 million in the corresponding period last year. The increase in operating and administrative expenses was mainly driven by higher salaries and staff benefits due to an increase in resources to support the growth of our portfolio. However, as a percentage of the average portfolio, operating and administrative expenses for the six-month period ended September 30, 2023 decreased compared to the same period last year.

Advisory Services results

	Three months ended September 30		Six months ended September 30	
($ in millions)	**F2024**	F2023	**F2024**	F2023
Revenue	**11.6**	8.8	**23.0**	15.9
Delivery expenses[1]	**6.2**	4.5	**12.1**	8.4
Gross operating margin	**5.4**	4.3	**10.9**	7.5
Operating and administrative expenses	**15.9**	13.9	**30.4**	26.8
Net income (loss) from Advisory Services	**(10.5)**	(9.6)	**(19.5)**	(19.3)

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

Three and six months ended September 30

A net loss of $10.5 million was recorded for the second quarter of fiscal 2024, compared to a $9.6 million net loss for the same quarter last year. Cumulative net loss for the six-month period ended September 30, 2023 was $19.5 million, compared to a net loss of $19.3 million for the same period last year. The slight improvement in results of the second quarter of fiscal 2024 and the six-month period ended September 30, 2023 was due to an increase in revenue and higher cost recovery. This was offset by higher operating and administrative expenses.

Advisory Services continued to extend its reach with the new services offered to support entrepreneurs in the digital adoption plan under CDAP for which BDC is one of the approved partners, as net contracts signed the first six months of fiscal 2024 was $27.8 million compared to $21.4 million for the same period last year.

Operating and administrative expenses amounted to $15.9 million for the three-month period compared to $13.9 million for the corresponding period of fiscal 2023. Operating and administrative expenses of $30.4 million for the six-month period ended September 30, 2023 were higher than the $26.8 million recorded for the corresponding period of fiscal 2023 mainly explained by higher salaries and staff benefits and higher cost allocations from other divisions.

Growth & Transition Capital results

	Three months ended September 30		Six months ended September 30	
($ in millions)	**F2024**	F2023	**F2024**	F2023
Net revenue on investments	**33.3**	39.8	**64.3**	78.1
Net change in unrealized appreciation (depreciation) of investments	**(11.0)**	(26.6)	**(12.6)**	(27.2)
Net foreign exchange gains (losses)	**(2.7)**	(2.8)	**(3.9)**	(4.9)
Income before operating and administrative expenses	**19.6**	10.4	**47.8**	46.0
Operating and administrative expenses	**11.5**	11.9	**22.4**	21.7
Net income (loss) from G&TC	**8.1**	(1.5)	**25.4**	24.3
Net income (loss) attributable to:				
BDC's shareholder	**8.1**	12.2	**25.4**	37.6
Non-controlling interests	**-**	(13.7)	**-**	(13.3)
Net income (loss) from G&TC	**8.1**	(1.5)	**25.4**	24.3

	Three months ended September 30		Six months ended September 30	
As % of average portfolio	**F2024**	F2023	**F2024**	F2023
Net revenue on investments	**10.7**	13.7	**10.4**	13.6
Net change in unrealized appreciation (depreciation) of investments	**(3.5)**	(9.1)	**(2.0)**	(4.7)
Net foreign exchange gains (losses)	**(0.9)**	(1.0)	**(0.6)**	(0.9)
Income before operating and administrative expenses	**6.3**	3.6	**7.8**	8.0
Operating and administrative expenses	**3.7**	4.1	**3.7**	3.8
Net income (loss) from G&TC	**2.6**	(0.5)	**4.1**	4.2
Net income (loss) attributable to:				
BDC's shareholder	**2.6**	4.2	**4.1**	6.5
Non-controlling interests	**-**	(4.7)	**-**	(2.3)
Net income (loss) from G&TC	**2.6**	(0.5)	**4.1**	4.2

Three and six months ended September 30

The second quarter of fiscal 2024 resulted in net income of $8.1 million for GTC, compared to a net loss of $1.5 million for the same period last year. For the six months ended September 30, 2023, GTC recorded net income of $25.4 million, compared to net income of $24.3 million for the same period of fiscal 2023. Results for the three-and six-month period ended September 30, 2023 were positively affected by lower net change in unrealized depreciation of investments, offset by lower net revenue on investments.

GTC recorded a net change in unrealized depreciation of investments of $11.0 million in the second quarter of fiscal 2024 and of $12.6 million for the first half of fiscal 2024, compared to a net change in unrealized depreciation of investments of $26.6 million and $27.2 million during the same periods last year, as detailed below. The $12.6 million net change in unrealized depreciation of investments for the first six months of fiscal 2024 was mainly explained by a net fair value depreciation of $18.1 million and a reversal of net fair value depreciation due to realized income and write-offs of $5.5 million.

	Three months ended September 30		**Six months ended September 30**	
($ in millions)	**F2024**	F2023	**F2024**	F2023
Net fair value appreciation (depreciation)	**(11.9)**	(18.9)	**(18.1)**	(20.0)
Reversal of net fair value depreciation (appreciation) due to realized income and write-offs	**0.9**	(7.7)	**5.5**	(7.2)
Net change in unrealized appreciation (depreciation) of investments	**(11.0)**	(26.6)	**(12.6)**	(27.2)

Operating and administrative expenses amounted to $11.5 million for the three-month period compared to $11.9 million for the corresponding period of fiscal 2023. Operating and administrative expenses amounted to $22.4 million for the six-month period ended September 30, 2023, slightly higher than the $21.7 million recorded last year, mainly explained by higher cost allocations from other divisions.

Venture Capital results

($ in millions)	Three months ended September 30 F2024	Three months ended September 30 F2023	Six months ended September 30 F2024	Six months ended September 30 F2023
Net revenue on investments	**(8.3)**	29.9	**3.8**	57.4
Net change in unrealized appreciation (depreciation) of investments	**(65.2)**	(366.8)	**(68.7)**	(468.3)
Net foreign exchange gains (losses)	**39.6**	117.7	**7.8**	170.6
Income (loss) before operating and administrative expenses	**(33.9)**	(219.2)	**(57.1)**	(240.3)
Operating and administrative expenses	**16.1**	14.6	**31.2**	28.5
Net income (loss) from Venture Capital	**(50.0)**	(233.8)	**(88.3)**	(268.8)
Net income (loss) attributable to:				
BDC's shareholder	**(50.4)**	(199.6)	**(87.0)**	(236.1)
Non-controlling interests	**0.4**	(34.2)	**(1.3)**	(32.7)
Net income (loss) from Venture Capital	**(50.0)**	(233.8)	**(88.3)**	(268.8)

Three and six months ended September 30

During the second quarter of fiscal 2024, VC recorded a net loss of $50.0 million, compared to a net loss of $233.8 million for the same period last year. For the six months ended September 30, 2023, VC's net loss was $88.3 million, compared to a net loss of $268.8 million for the same period last year. Results for the second quarter and first half of fiscal 2024 were positively impacted by lower net change in unrealized depreciation of investments, offset by lower net foreign exchange gains.

As detailed below, VC recorded a net change in unrealized depreciation of investments of $65.2 million for the second quarter of fiscal 2024 and $68.7 million for the six months of fiscal 2024, mainly driven by net fair value depreciation, compared to a net change in unrealized depreciation of $366.8 million and $468.3 million, respectively, for the same periods last year.

($ in millions)	Three months ended September 30 F2024	Three months ended September 30 F2023	Six months ended September 30 F2024	Six months ended September 30 F2023
Net fair value appreciation (depreciation)	**(76.2)**	(349.7)	**(72.4)**	(421.3)
Reversal of fair value depreciation (appreciation) on divested investments and write-offs	**11.0**	(17.1)	**3.7**	(47.0)
Net change in unrealized appreciation (depreciation) of investments	**(65.2)**	(366.8)	**(68.7)**	(468.3)

In the second quarter and first six-month period of fiscal 2024, net foreign exchange gains on investments of $39.6 million and $7.8 million, respectively, were recorded due to foreign exchange fluctuations in U.S. dollar denominated investments compared to net foreign exchange gains on investments of $117.7 and $170.6 million, respectively, recorded for the same period last year.

Operating and administrative expenses amounted to $16.1 million for the three-month period compared to $14.6 million for the corresponding period of fiscal 2023. On a year-to-date basis, operating and administrative expenses amounted to $31.2 million, $2.7 million higher than for the same period of fiscal 2023. The increase was mainly explained by higher salaries and staff benefits due to an increase in the number of employees to support the growth of our investment portfolio and higher cost allocations from other divisions.

Capital Incentive Programs results

	Three months ended September 30		Six months ended September 30	
($ in millions)	**F2024**	F2023	**F2024**	F2023
Net revenue on investments	**44.9**	(1.9)	**58.5**	1.8
Net change in unrealized appreciation (depreciation) of investments	**(40.3)**	48.1	**(45.1)**	(12.6)
Net foreign exchange gains (losses)	**1.5**	4.0	**0.4**	5.7
Income (loss) before operating and administrative expenses	**6.1**	50.2	**13.8**	(5.1)
Operating and administrative expenses	**2.2**	1.6	**3.8**	3.2
Net income (loss) from Capital Incentive Programs	**3.9**	48.6	**10.0**	(8.3)

Three and six months ended September 30

During the second quarter of fiscal 2024, CIP recorded net income of $3.9 million, compared to net income of $48.6 million for the same period last year. For the six-month period ended September 30, 2023, CIP recorded net income of $10.0 million, compared to a net loss of $8.3 million for the same period last year.

As detailed below, CIP recorded a net change in unrealized depreciation of investments of $40.3 million for the second quarter of fiscal 2024 and of $45.1 million for the first half of fiscal 2024, compared to a net change in unrealized appreciation of investments of $48.1 million and a net change in unrealized depreciation of investments of $12.6 million during the same periods last year. The higher net change in unrealized depreciation of investments for the six-month period of fiscal 2024 compared to the equivalent period last year was mainly driven by higher reversal of net fair value appreciation due to net realized gains from sales of investments.

($ in millions)	Three months ended September 30 F2024	F2023	Six months ended September 30 F2024	F2023
Net fair value appreciation (depreciation)	**(21.2)**	40.9	**(20.1)**	(19.2)
Reversal of net fair value depreciation (appreciation) due to realized income and write-offs	**(19.1)**	7.2	**(25.0)**	6.6
Net change in unrealized appreciation (depreciation) of investments	**(40.3)**	48.1	**(45.1)**	(12.6)

Operating and administrative expenses amounted to $2.2 million for the three-month period ended September 30, 2023 compared to $1.6 million for the corresponding period of fiscal 2023. Operating and administrative expenses of $3.8 million for the six-month period ended September 30, 2023, were slightly higher than those recorded for the same period of fiscal 2023 due to higher professional fees.

Credit Availability Program results

($ in millions)	Three months ended September 30 F2024	F2023	Six months ended September 30 F2024	F2023
Net interest income	**66.1**	74.0	**126.6**	120.3
Fee and other income	**7.4**	9.7	**17.3**	21.5
Provision for expected credit losses	**(55.8)**	(6.0)	**(123.3)**	(23.5)
Net realized gains (losses) on investments	**(0.2)**	0.2	**(0.1)**	(0.7)
Net change in unrealized appreciation (depreciation) of investments	**11.7**	(11.4)	**8.2**	(11.7)
Net gains (losses) on other financial instruments	**(21.6)**	(1.7)	**(38.7)**	(1.9)
Net foreign exchange gains (losses)	**-**	0.5	**(0.1)**	0.8
Income (loss) before operating and administrative expenses	**7.6**	65.3	**(10.1)**	104.8
Operating and administrative expenses	**5.9**	5.8	**12.0**	12.4
Net income (loss) from Credit Availability Program	**1.7**	59.5	**(22.1)**	92.4

Three and six months ended September 30

During the second quarter of fiscal 2024, CAP recorded net income of $1.7 million, compared to net income of $59.5 million for the same period last year. For the six-month period ended September 30, 2023, CAP recorded a net loss of $22.1 million, compared to net income of $92.4 million for the same period last year. Results for the six-month period ended September 30, 2023, were unfavourably impacted by higher provision for expected credit losses of $123.3 million, compared to $23.5 million for the equivalent period of fiscal 2023, and higher net losses on other financial instruments of $38.7 million for the first half of fiscal 2024, compared to a net loss of $1.9 million for the equivalent period of fiscal 2023, driven by CDAP.

Operating and administrative expenses amounted to $5.8 million for the three-month period ended September 30, 2023, which was the same as for the corresponding period of fiscal 2023. Operating and administrative expenses amounted to $12.0 million for the six months ended September 30, 2023, slightly lower than the $12.4 million recorded last year mainly explained by a decrease in cost allocations from other divisions.

Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows

As at September 30, 2023, total BDC assets amounted to $45.9 billion, an increase of $1.6 billion from March 31, 2023, explained by the $1.4 billion increase in our net loan portfolio, the $109.8 million increase in our asset-backed securities portfolio, and the $35.5 million increase in our investments portfolio.

At $37.3 billion, the loan portfolio represented BDC's largest asset (gross portfolio of $38.5 billion less a $1.2 billion allowance for expected credit losses). The gross loans portfolio grew by 4.1% over the six-month period ended September 30, 2023, reflecting an increase in the level of activity in the Financing portfolio.

BDC's investment portfolio, which includes debt investments, direct equity investments and indirect equity investments in funds, stood at $5.8 billion, compared to $5.7 billion as at March 31, 2023. The increase of $35.5 million was mainly driven by net disbursements, offset by net change in unrealized depreciation of investments.

As at September 30, 2023, BDC recorded a net defined benefit asset of $298.1 million for the registered pension plan and a net defined benefit liability of $205.8 million for the other plans, for a total net defined benefit asset of $92.3 million. This represented an increase of $56.1 million, compared to the total net defined benefit asset as at March 31, 2023, primarily as a result of remeasurement gains recorded in the first half of fiscal 2024. Refer to page 9 of this report for further information on remeasurements of net defined benefit asset or liability.

BDC holds cash and cash equivalents in accordance with its Treasury Risk Policy. BDC's liquidities, which ensure funds are available to meet its cash outflows, totalled $893.9 million as at September 30, 2023, compared to $878.9 million as at March 31, 2023.

As at September 30, 2023, BDC funded its portfolios and liquidities with borrowings of $28.3 billion and total equity of $16.4 billion. Borrowings comprised $17.9 billion in short-term notes and $10.4 billion in long-term notes.

For the six-month period ended September 30, 2023, operating activities used $1.1 billion in net cash flows, mainly to support the growth of the loan portfolio. Cash flows used by investing activities amounted to $218.9 million, reflecting net disbursements for investments and asset-backed-securities. Financing activities provided $1.3 billion in cash flows, mainly as a result of a net change of $1.3 billion in borrowings, issuance of $350.0 million of common shares, offset by a dividend payment of $337.0 million.

Capital adequacy

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

BDC's internal capital ratio, excluding CIP and CAP, stood at 116.0% as at September 30, 2023, above its target capital ratio, compared to 118.6% as at March 31, 2023. The decrease in the internal capital ratio was explained by a decrease in available capital mainly due to the dividend payment made during the first quarter of fiscal 2024. Our regulatory capital ratio is well above the minimum regulatory capital requirements and BDC is well positioned to continue to support Canadian SMEs.

Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)

Management's Responsibility for Financial Information

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

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

Isabelle Hudon
President and Chief Executive Officer

Christian Settano, CPA
Chief Financial Officer

Montreal, Canada
November 15, 2023

Consolidated Statement of Financial Position

(unaudited)

(in thousands of Canadian dollars)	Notes	September 30, 2023	March 31, 2023
ASSETS			
Cash and cash equivalents		**893,894**	878,919
Derivative assets		**137**	11,603
Asset-backed securities	6	**1,285,889**	1,176,100
Loans			
Loans, gross carrying amount	7	**38,501,784**	36,976,742
Less: allowance for expected credit losses	7	**(1,169,208)**	(1,044,039)
Loans, net of allowance for expected credit losses		**37,332,576**	35,932,703
Investments	8	**5,778,026**	5,742,512
Property and equipment		**63,978**	66,140
Intangible assets		**49,045**	47,646
Right-of-use-assets		**92,650**	98,780
Net defined benefit asset		**298,084**	260,466
Other assets		**92,376**	70,053
Total assets		**45,886,655**	44,284,922
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable, accrued and other liabilities		**295,299**	320,173
Derivative liabilities		**5,493**	117
Borrowings			
Short-term notes		**17,879,591**	19,767,097
Long-term notes		**10,379,808**	7,157,814
Total borrowings		**28,259,399**	26,924,911
Lease liabilities			
Short-term lease liabilities		**14,781**	14,705
Long-term lease liabilities		**95,061**	101,458
Total lease liabilities		**109,842**	116,163
Net defined benefit liability		**205,762**	224,313
Expected credit losses on loan commitments and guarantees	7,11	**572,481**	554,344
Total liabilities		**29,448,276**	28,140,021
Equity			
Share capital	9	**7,639,900**	7,289,900
Contributed surplus		**27,778**	27,778
Retained earnings		**8,805,069**	8,850,687
Accumulated other comprehensive income		**(39,146)**	(29,590)
Equity attributable to BDC's shareholder		**16,433,601**	16,138,775
Non-controlling interests		**4,778**	6,126
Total equity		**16,438,379**	16,144,901
Total liabilities and equity		**45,886,655**	44,284,922

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

Consolidated Statement of Income

(unaudited)

(in thousands of Canadian dollars)	Notes	Three months ended September 30 2023	Three months ended September 30 2022	Six months ended September 30 2023	Six months ended September 30 2022
Interest income	13	**787,745**	570,547	**1,529,893**	1,053,079
Interest expense	13	**288,779**	106,135	**545,720**	156,263
Net interest income		**498,966**	464,412	**984,173**	896,816
Net realized gains (losses) on investments		**27,966**	29,696	**45,678**	56,213
Revenue from Advisory Services		**11,606**	8,836	**23,049**	15,940
Fee and other income	13	**17,896**	24,613	**39,104**	53,316
Net revenue		**556,434**	527,557	**1,092,004**	1,022,285
Provision for expected credit losses		**(161,423)**	(81,828)	**(311,258)**	(73,756)
Net change in unrealized appreciation (depreciation) of investments		**(104,067)**	(355,406)	**(117,490)**	(518,623)
Net foreign exchange gains (losses)		**44,463**	128,521	**6,737**	185,993
Net gains (losses) on other financial instruments		**(21,531)**	(1,544)	**(38,661)**	11,197
Income before operating and administrative expenses		**313,876**	217,300	**631,332**	627,096
Salaries and benefits		**138,508**	134,846	**270,745**	254,108
Premises and equipment		**11,300**	10,012	**22,476**	20,693
Other expenses		**49,038**	53,106	**99,034**	99,782
Operating and administrative expenses		**198,846**	197,964	**392,255**	374,583
Net income		**115,030**	19,336	**239,077**	252,513
Net income (loss) attributable to:					
BDC's shareholder		**114,669**	67,265	**240,425**	298,484
Non-controlling interests		**361**	(47,929)	**(1,348)**	(45,971)
Net income		**115,030**	19,336	**239,077**	252,513

The accompanying notes are an integral part of these Consolidated Financial Statements. Note 10 provides additional information on segmented net income.

Consolidated Statement of Comprehensive Income

(unaudited)

	Three months ended September 30		Six months ended September 30	
(in thousands of Canadian dollars)	**2023**	2022	**2023**	2022
Net income	**115,030**	19,336	**239,077**	252,513
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	**(682)**	(11,337)	**(9,556)**	(25,068)
Net change in unrealized gains (losses) on cash flow hedges	**-**	(167)	**-**	(305)
Total items that may be reclassified subsequently to net income	**(682)**	(11,504)	**(9,556)**	(25,373)
Items that will not be reclassified to net income				
Remeasurements of net defined benefit asset or liability	**58,992**	(113,198)	**50,957**	(40,752)
Other comprehensive income	**58,310**	(124,702)	**41,401**	(66,125)
Total comprehensive income	**173,340**	(105,366)	**280,478**	186,388
Total comprehensive income (loss) attributable to:				
BDC's shareholder	**172,979**	(57,437)	**281,826**	232,359
Non-controlling interests	**361**	(47,929)	**(1,348)**	(45,971)
Total comprehensive income	**173,340**	(105,366)	**280,478**	186,388

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

Consolidated Statement of Changes in Equity

For the three months ended September 30
(unaudited)

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss) 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 June 30, 2023	**7,289,900**	**27,778**	**8,631,408**	**(38,464)**	**-**	**(38,464)**	**15,910,622**	**4,417**	**15,915,039**
Total comprehensive income (loss)									
Net income			**114,669**				**114,669**	**361**	**115,030**
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on fair value through other comprehensive income assets				**(682)**		**(682)**	**(682)**		**(682)**
Remeasurements of net defined benefit asset or liability			**58,992**				**58,992**		**58,992**
Other comprehensive income (loss)	**-**	**-**	**58,992**	**(682)**	**-**	**(682)**	**58,310**	**-**	**58,310**
Total comprehensive income (loss)	**-**	**-**	**173,661**	**(682)**	**-**	**(682)**	**172,979**	**361**	**173,340**
Issuance of common shares	**350,000**						**350,000**		**350,000**
Transactions with owner, recorded directly in equity	**350,000**	**-**	**-**	**-**	**-**	**-**	**350,000**	**-**	**350,000**
Balance as at September 30, 2023	**7,639,900**	**27,778**	**8,805,069**	**(39,146)**	**-**	**(39,146)**	**16,433,601**	**4,778**	**16,438,379**

(in thousands of Canadian dollars)	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 June 30, 2022	11,946,900	27,778	8,749,034	(31,123)	1,390	(29,733)	20,693,979	86,248	20,780,227
Total comprehensive income									
Net income			67,265				67,265	(47,929)	19,336
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on fair value through other comprehensive income assets				(11,337)		(11,337)	(11,337)		(11,337)
Net change in unrealized gains (losses) on cash flow hedges					(167)	(167)	(167)		(167)
Remeasurements of net defined benefit asset or liability			(113,198)				(113,198)		(113,198)
Other comprehensive income (loss)	-	-	(113,198)	(11,337)	(167)	(11,504)	(124,702)	-	(124,702)
Total comprehensive income	-	-	(45,933)	(11,337)	(167)	(11,504)	(57,437)	(47,929)	(105,366)
Balance as at September 30, 2022	11,946,900	27,778	8,703,101	(42,460)	1,223	(41,237)	20,636,542	38,319	20,674,861

(1) Fair value through other comprehensive income assets

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

Consolidated Statement of Changes in Equity

For the six months ended September 30
(unaudited)

				Accumulated other comprehensive income (loss)					
(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	FVOCI assets [1]	Cash flow hedges	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			**240,425**				**240,425**	**(1,348)**	**239,077**
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on fair value through other comprehensive income assets				**(9,556)**		**(9,556)**	**(9,556)**		**(9,556)**
Remeasurements of net defined benefit asset or liability			**50,957**				**50,957**		**50,957**
Other comprehensive income (loss)	**-**	**-**	**50,957**	**(9,556)**	**-**	**(9,556)**	**41,401**	**-**	**41,401**
Total comprehensive income (loss)	**-**	**-**	**291,382**	**(9,556)**	**-**	**(9,556)**	**281,826**	**(1,348)**	**280,478**
Dividends on common shares			**(337,000)**				**(337,000)**		**(337,000)**
Issuance of common shares	**350,000**						**350,000**		**350,000**
Transactions with owner, recorded directly in equity	**350,000**	**-**	**(337,000)**	**-**	**-**	**-**	**13,000**	**-**	**13,000**
Balance as at September 30, 2023	**7,639,900**	**27,778**	**8,805,069**	**(39,146)**	**-**	**(39,146)**	**16,433,601**	**4,778**	**16,438,379**

				Accumulated other comprehensive income (loss)					
(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	FVOCI assets [1]	Cash flow hedges	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 (loss)			298,484				298,484	(45,971)	252,513
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on fair value through other comprehensive income assets				(25,068)		(25,068)	(25,068)		(25,068)
Net change in unrealized gains (losses) on cash flow hedges					(305)	(305)	(305)		(305)
Remeasurements of net defined benefit asset or liability			(40,752)				(40,752)		(40,752)
Other comprehensive income (loss)	-	-	(40,752)	(25,068)	(305)	(25,373)	(66,125)	-	(66,125)
Total comprehensive income (loss)	-	-	257,732	(25,068)	(305)	(25,373)	232,359	(45,971)	186,388
Balance as at September 30, 2022	11,946,900	27,778	8,703,101	(42,460)	1,223	(41,237)	20,636,542	38,319	20,674,861

[1] Fair value through other comprehensive income assets

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

Consolidated Statement of Cash Flows

(unaudited)

		Three months ended September 30		Six months ended September 30	
(in thousands of Canadian dollars)	Notes	**2023**	2022	**2023**	2022
Operating activities					
Net income		**115,030**	19,336	**239,077**	252,513
Adjustments to determine net cash flows					
Interest income	13	**(787,745)**	(570,547)	**(1,529,893)**	(1,053,079)
Interest expense	13	**288,331**	105,697	**544,815**	155,386
Interest on lease liabilities		**448**	438	**905**	877
Net realized losses (gains) on investments		**(27,966)**	(29,696)	**(45,678)**	(56,213)
Provision for expected credit losses		**161,423**	81,828	**311,258**	73,756
Net change in unrealized depreciation (appreciation) of investments		**104,067**	355,406	**117,490**	518,623
Net unrealized foreign exchange losses (gains)		**(52,536)**	(151,656)	**4,490**	(207,415)
Defined benefits funding below (in excess of) amounts expensed		**(2,224)**	(6,729)	**(5,210)**	(12,891)
Depreciation of property and equipment, and amortization of intangible assets		**5,238**	5,145	**10,491**	10,190
Depreciation of right-of-use assets		**3,311**	3,348	**6,634**	6,751
Other		**(77,046)**	(7,616)	**(130,048)**	(7,719)
Interest expense paid	13	**(275,319)**	(92,822)	**(506,687)**	(136,232)
Interest income received	13	**759,265**	527,328	**1,474,319**	992,104
Changes in operating assets and liabilities					
Net change in loans		**(836,409)**	(827,527)	**(1,512,131)**	(1,331,434)
Net change in accounts payable,accrued and other liabilities		**(52,716)**	(6,681)	**(24,874)**	(43,783)
Net change in other assets		**(10,839)**	6,637	**(22,323)**	15,309
Net cash flows provided (used) by operating activities		**(685,687)**	(588,111)	**(1,067,365)**	(823,257)
Investing activities					
Disbursements for asset-backed securities		**(154,684)**	(142,061)	**(389,953)**	(283,194)
Repayments and proceeds on sale of asset-backed securities		**136,031**	118,919	**270,689**	231,450
Disbursements for investments	13	**(171,349)**	(222,171)	**(400,022)**	(517,721)
Repayments of investments	13	**154,156**	123,262	**252,306**	216,687
Proceeds on sale of investments	13	**32,970**	37,755	**57,778**	78,503
Acquisition of property and equipment		**(1,342)**	(1,760)	**(3,877)**	(3,045)
Acquisition of intangible assets		**(2,911)**	(3,274)	**(5,851)**	(7,124)
Net cash flows provided (used) by investing activities		**(7,129)**	(89,330)	**(218,930)**	(284,444)
Financing activities					
Net change in short-term notes		**(1,886,000)**	794,500	**(1,893,000)**	1,297,500
Issue of long-term notes		**2,475,000**	90,000	**3,709,000**	345,000
Repayment of long-term notes		**(214,000)**	(225,000)	**(520,000)**	(590,000)
Issuance of common shares		**350,000**	-	**350,000**	-
Dividends paid on common shares		**-**	-	**(337,000)**	-
Payment of lease liabilities		**(3,869)**	(3,155)	**(7,730)**	(6,706)
Net cash flows provided (used) by financing activities		**721,131**	656,345	**1,301,270**	1,045,794
Net increase (decrease) in cash and cash equivalents		**28,315**	(21,096)	**14,975**	(61,907)
Cash and cash equivalents at beginning of period		**865,579**	865,575	**878,919**	906,386
Cash and cash equivalents at end of period		**893,894**	844,479	**893,894**	844,479

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

Notes to the Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)

1.

BDC general description

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

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

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

2.

Basis of preparation

Statement of compliance

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

BDC's condensed quarterly Consolidated Financial Statements follow the same basis of preparation as our audited Consolidated Financial Statements for the year ended March 31, 2023. They should be read in conjunction with the audited Consolidated Financial Statements for the year ended March 31, 2023 and the accompanying notes as set out on pages 55 to 118 of BDC's 2023 Annual Report.

The condensed quarterly Consolidated Financial Statements have also been prepared in accordance with the accounting policies BDC expects to use in its annual Consolidated Financial Statements for the year ending March 31, 2024. If BDC changes the application of these policies, it may result in a restatement of these condensed quarterly Consolidated Financial Statements.

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

3.

Significant accounting policies

BDC's condensed quarterly Consolidated Financial Statements follow the same accounting policies as our audited Consolidated Financial Statements for the year ended March 31, 2023. These policies have been consistently applied to all periods presented in these condensed quarterly Consolidated Financial Statements and have been applied consistently by all entities consolidated by BDC.

These condensed quarterly Consolidated Financial Statements must be read in conjunction with BDC's 2023 Annual Report and the accompanying notes, as set out on pages 55 to 118 of our 2023 Annual Report.

4.

Significant accounting judgements, estimates and assumptions

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

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

For information about the significant judgements, estimates and assumptions that have the most significant effect on the amounts recognized in the condensed quarterly Consolidated Financial Statements, refer to page 68 of our 2023 Annual Report.

The downturn in the Canadian and global economy brings additional uncertainty on the assumptions used by management in making its judgments and estimates. The current economic environment characterized by high inflation, supply chain disruptions, labour shortages and geopolitical tensions is challenging for businesses. To reduce inflation, the Bank of Canada has been raising its policy rate aggressively resulting in a slowdown in the economic activity and consumer demand. BDC has credit exposures to businesses that are impacted, either directly or indirectly, by increases in interest rates, energy costs, commodity prices, or disruption in their supply chains. It is difficult to reliably estimate the length and severity of these developments and the impact on the financial results and condition of BDC in future periods. Given that the full extent of the impact of rising interest rates, geopolitical tensions, and supply chain disruptions will have on the global economy and BDC's business is uncertain and not predictable at this time, there is a higher level of uncertainty with respect to management's judgments and estimates.

(unaudited, in thousands of Canadian dollars)

5.

Fair value of financial instruments

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

- Level 1—fair values based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities
- Level 2—fair values based on inputs other than quoted prices in active markets that are either directly or indirectly observable
- Level 3—fair values based on valuation techniques with one or more significant unobservable market inputs

There have been no transfers between Level 1 and Level 2 or between Level 2 and Level 3 in the reporting periods. BDC's policy is to recognize transfers between Level 1 and Level 3 when private investments become publicly traded or public investments become private investments during the reporting periods.

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

				September 30, 2023
	Fair value measurements using			**Total**
	Level 1	**Level 2**	**Level 3**	**fair value**
Assets				
Derivative assets	**-**	**137**	**-**	**137**
Asset-backed securities	**-**	**1,285,889**	**-**	**1,285,889**
Investments	**73,604**	**-**	**5,704,422**	**5,778,026**
	73,604	**1,286,026**	**5,704,422**	**7,064,052**
Liabilities				
Derivative liabilities	**-**	**5,493**	**-**	**5,493**
	-	**5,493**	**-**	**5,493**

				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

(unaudited, in thousands of Canadian dollars)

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

	Total
Fair value as at April 1, 2023	**5,637,352**
Net realized gains (losses) on investments	**30,305**
Net change in unrealized appreciation (depreciation) of investments	**(96,112)**
Net unrealized foreign exchange gains (losses) on investments	**7,855**
Disbursements for investments	**407,253**
Repayments of investments and other	**(281,953)**
Transfers from level 3 to level 1	**(278)**
Fair value as at September 30, 2023	**5,704,422**

	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

6.

Asset-backed securities

The following table summarizes asset-backed securities ("ABS") by classification of financial instruments. No ABS were impaired as at September 30, 2023 or March 31, 2023. No allowances for expected credit losses were recorded for disbursed and undisbursed ABS at fair value through other comprehensive income as at September 30, 2023 or March 31, 2023.

	September 30, 2023	March 31, 2023
Fair value through other comprehensive income		
Principal amount	**1,303,736**	1,187,290
Cumulative fair value appreciation (depreciation)	**(39,146)**	(29,590)
Carrying value	**1,264,590**	1,157,700
Yield	**3.92%**	3.33%
Fair value through profit or loss		
Principal amount	**21,610**	18,602
Cumulative fair value appreciation (depreciation)	**(311)**	(202)
Carrying value	**21,299**	18,400
Yield	**8.99%**	9.86%
Asset-backed securities	**1,285,889**	1,176,100

Committed amounts of authorized asset-backed securities were $736,605 as at September 30, 2023 ($755,866 as at March 31, 2023), all in the Financing segment.

(unaudited, in thousands of Canadian dollars)

7.

Loans

The following tables summarize loans outstanding by contractual maturity date.

	Within 1 year	1 to 5 years	Over 5 years	Total gross carrying amount	Allowance for expected credit losses	Total net carrying amount
Performing	274,242	5,528,831	31,764,258	37,567,331	(782,425)	36,784,906
Impaired	37,305	191,009	706,139	934,453	(386,783)	547,670
Loans as at September 30, 2023	**311,547**	**5,719,840**	**32,470,397**	**38,501,784**	**(1,169,208)**	**37,332,576**

	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

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

	Allowance for expected credit losses			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at April 1, 2023	**302,061**	**393,811**	**348,167**	**1,044,039**
Provision for expected credit losses				
Transfer to Stage 1[1]	**70,214**	**(69,308)**	**(906)**	**-**
Transfer to Stage 2[1]	**(65,373)**	**81,874**	**(16,501)**	**-**
Transfer to Stage 3[1]	**(1,205)**	**(25,757)**	**26,962**	**-**
Net remeasurement of allowance for expected credit losses[2]	**(61,762)**	**81,175**	**115,967**	**135,380**
Financial assets that have been fully repaid	**(16,731)**	**(19,908)**	**(21,972)**	**(58,611)**
New financial assets originated	**103,515**	**9,757**	**-**	**113,272**
Write-offs	**-**	**-**	**(78,784)**	**(78,784)**
Recoveries	**-**	**-**	**13,809**	**13,809**
Foreign exchange and other movements	**70**	**(8)**	**41**	**103**
Balance as at September 30, 2023	**330,789**	**451,636**	**386,783**	**1,169,208**

	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's allowance for expected credit losses due to changes in stages prior to remeasurements.
(2) Includes the net remeasurement of the allowance following a transfer between stages, changes in gross carrying amounts, changes in credit risk of existing loans and changes in model inputs and assumptions, including forward-looking macroeconomic variables.

(unaudited, in thousands of Canadian dollars)

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

Undisbursed amounts of authorized loans were $4,501,370 as at September 30, 2023 ($1,734,979 at fixed rates; $2,762,641 at floating rates, and $3,750 at zero interest rate). The weighted average effective interest rate on interest-bearing loan commitments was 7.82% (7.42% as at March 31, 2023).

		September 30, 2023		March 31, 2023
Geographic distribution	**Outstanding**	**Commitments**	Outstanding	Commitments
Newfoundland and Labrador	**777,097**	**51,590**	792,925	45,051
Prince Edward Island	**78,165**	**1,120**	73,787	7,559
Nova Scotia	**733,897**	**45,998**	708,206	45,833
New Brunswick	**522,321**	**67,526**	489,897	43,714
Quebec	**12,376,919**	**1,407,228**	11,915,354	1,262,642
Ontario	**10,628,317**	**1,171,054**	10,254,562	1,135,688
Manitoba	**1,035,496**	**98,568**	986,635	118,647
Saskatchewan	**1,051,318**	**90,915**	1,015,036	124,771
Alberta	**5,203,096**	**959,217**	4,968,162	828,130
British Columbia	**5,906,356**	**598,056**	5,577,631	515,441
Yukon	**105,378**	**6,441**	105,698	4,596
Northwest Territories and Nunavut	**83,424**	**3,657**	88,849	6,010
Total loans outstanding[(1)]	**38,501,784**	**4,501,370**	36,976,742	4,138,082

		September 30, 2023		March 31, 2023
Industry sector	**Outstanding**	**Commitments**	Outstanding	Commitments
Manufacturing	**8,058,418**	**1,030,224**	7,819,547	1,084,419
Wholesale and retail trade	**7,924,310**	**918,484**	7,545,389	769,761
Service industries	**5,994,754**	**545,078**	5,758,306	459,562
Tourism	**3,565,960**	**261,960**	3,519,023	211,735
Commercial properties	**3,840,226**	**149,988**	3,751,219	211,380
Construction	**3,737,366**	**455,124**	3,544,654	396,832
Transportation and storage	**2,595,836**	**344,196**	2,462,347	282,318
Resources	**1,473,844**	**574,295**	1,346,911	530,441
Other	**1,311,070**	**222,021**	1,229,346	191,634
Total loans outstanding[(1)]	**38,501,784**	**4,501,370**	36,976,742	4,138,082

(1) Loan commitments included $4,497,620 in the Financing segment and $3,750 in the Credit Availability Program segment as at September 30, 2023 ($4,134,046, and $4,036, respectively, as at March 31, 2023).

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

	Allowance for expected credit losses on commitments			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at April 1, 2023	**47,172**	**9,928**	**-**	**57,100**
Provision for expected credit losses				
Transfer to Stage 1[(1)]	**1,446**	**(1,446)**	**-**	**-**
Transfer to Stage 2[(1)]	**(4,427)**	**4,427**	**-**	**-**
Net remeasurement of the allowance for expected credit losses[(2)]	**4,008**	**6,075**	**-**	**10,083**
Net increase (decrease) in commitments	**6,606**	**(7,115)**	**-**	**(509)**
Foreign exchange and other movements	**(90)**	**2**	**-**	**(88)**
Balance as at September 30, 2023	**54,715**	**11,871**	**-**	**66,586**

(unaudited, in thousands of Canadian dollars)

	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 on commitments due to changes in stages prior to remeasurements.

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

8.

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 investment portfolio, and undisbursed amounts of authorized investments, by type of investment and segment.

			September 30, 2023			March 31, 2023
Investment type	**Fair value**	**Cost**	**Commitments**	Fair value	Cost	Commitments
Direct investments						
Debt [1]	**1,217,536**	**1,314,575**	**170,632**	1,228,445	1,309,799	166,794
Equity [2]	**2,334,667**	**1,828,169**	**47,114**	2,319,740	1,758,907	67,753
	3,552,203	**3,142,744**	**217,746**	3,548,185	3,068,706	234,547
Indirect equity investments in funds [3]	**2,225,823**	**1,330,794**	**1,170,274**	2,194,327	1,259,942	1,181,926
Investments	**5,778,026**	**4,473,538**	**1,388,020**	5,742,512	4,328,648	1,416,473

(1) Debt investment commitments included $992 in the Financing segment, $156,485 the Growth & Transition Capital segment, $13,155 in the Venture Capital segment as at September 30, 2023 ($1,417, $148,097, $17,280, respectively, as at March 31, 2023).

(2) Direct equity commitments included $38,313 in the Venture Capital segment, $8,500 in the Capital Incentive Programs segment and $301 in the Credit Availability Program segment as at September 30, 2023 ($47,987, $16,864 and $2,902, respectively, as at March 31, 2023)

(3) Indirect equity in fund commitments included $571,364 in the Venture Capital segment and $598,910 in the Capital Incentive Programs segment as at September 30, 2023 ($590,369, $591,557 respectively, as at March 31, 2023). As at September 30, 2023, BDC had invested in 128 funds through its VC segment and 33 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 September 30, 2023	**149,269**	**925,024**	**240,282**	**1,314,575**	**1,217,536**
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.

(unaudited, in thousands of Canadian dollars)

The following tables summarize debt investments outstanding and commitments, classified by geographic distribution and by industry sector. Debt investments commitments include $106,044 at fixed rates and $64,588 at floating rates ($72,057 and $94,737, respectively, as at March 31, 2023) and their weighted-average effective interest rate was 10.6% (9.9% on debt commitments as at March 31, 2023), excluding non-interest return.

			September 30, 2023			March 31, 2023
Geographic distribution	**Fair value**	**Cost**	**Commitments**	Fair value	Cost	Commitments
Newfoundland and Labrador	**13,213**	**14,829**	**4,000**	16,007	20,464	5,000
Nova Scotia	**14,814**	**15,917**	**2,700**	15,163	16,949	500
New Brunswick	**15,644**	**19,215**	**1,000**	16,618	19,613	1,000
Quebec	**414,000**	**438,843**	**47,217**	432,522	449,702	41,517
Ontario	**494,439**	**534,027**	**73,620**	462,076	495,500	90,948
Manitoba	**16,584**	**16,589**	**565**	12,966	12,883	-
Saskatchewan	**35,168**	**38,190**	**-**	31,839	33,803	-
Alberta	**98,994**	**117,523**	**8,800**	115,371	133,561	9,050
British Columbia	**112,592**	**117,221**	**32,730**	123,182	124,677	18,779
Yukon	**2,088**	**2,221**	**-**	2,257	2,220	-
Northwest Territories and Nunavut	**-**	**-**	**-**	444	427	-
Debt investments	**1,217,536**	**1,314,575**	**170,632**	1,228,445	1,309,799	166,794

			September 30, 2023			March 31, 2023
Industry sector	**Fair value**	**Cost**	**Commitments**	Fair value	Cost	Commitments
Service industries	**381,843**	**396,564**	**72,694**	378,525	390,996	46,829
Manufacturing	**300,154**	**333,771**	**35,738**	297,457	328,054	34,780
Wholesale and retail trade	**233,009**	**242,655**	**21,701**	224,265	226,745	42,800
Information industries	**129,116**	**140,001**	**28,879**	136,900	145,124	27,940
Construction	**90,106**	**92,851**	**4,900**	88,239	89,308	5,015
Resources	**42,052**	**58,289**	**4,155**	64,944	80,486	7,630
Educational services	**18,956**	**19,512**	**565**	15,947	16,988	-
Transportation and storage	**13,068**	**20,405**	**2,000**	13,146	21,660	300
Commercial properties	**9,232**	**10,527**	**-**	-	-	-
Tourism	**-**	**-**	**-**	8,016	9,432	1,500
Other	**-**	**-**	**-**	1,006	1,006	-
Debt investments	**1,217,536**	**1,314,575**	**170,632**	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 September 30, 2023, was 2.6% of total debt investments at cost (2.6% as at March 31, 2023). The debt investments portfolio is composed primarily of debentures.

Concentrations by industry sector for direct equity investments are listed below. For direct equity investments, the largest single investment represented 4.1% of the total direct equity investments at cost (4.3% as at March 31, 2023).

(unaudited, in thousands of Canadian dollars)

			September 30, 2023			March 31, 2023
Industry sector	**Fair value**	**Cost**	**Commitments**	Fair value	Cost	Commitments
Information technology	**729,942**	**652,913**	**10,658**	721,175	625,981	12,809
Manufacturing	**359,521**	**231,386**	**3,001**	390,660	240,030	3,000
Service industries	**394,380**	**223,860**	**2,881**	403,824	219,879	6,197
Communications	**270,629**	**145,896**	**815**	258,368	141,047	812
Resources	**145,682**	**136,549**	**5,500**	123,831	119,132	8,514
Industrial	**114,449**	**88,230**	**8,231**	93,375	81,356	4,725
Electronics	**71,989**	**96,097**	**100**	80,407	101,648	142
Wholesale and retail trade	**61,076**	**47,398**	**-**	63,635	47,398	-
Medical and health	**50,329**	**53,107**	**9,840**	59,599	52,469	9,325
Transportation and storage	**50,869**	**33,584**	**521**	37,155	19,106	15,000
Biotechnology and pharmacology	**35,905**	**49,722**	**4,230**	39,108	49,921	4,230
Energy	**22,301**	**28,201**	**497**	22,563	21,919	2,159
Other	**21,595**	**35,066**	**-**	20,040	32,861	-
Educational services	**6,000**	**6,160**	**840**	6,000	6,160	840
Direct equity investments	**2,334,667**	**1,828,169**	**47,114**	2,319,740	1,758,907	67,753

9.

Share capital

An unlimited number of common shares, having a par value of $100 each, is authorized. As at September 30, 2023, there were 76,399,000 common shares outstanding (72,899,000 as at March 31, 2023).

On June 14, 2023, BDC's Board of Directors authorized the payment of $337.0 million in dividends. The payment was made on June 22, 2023.

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.

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 excluding accumulated other comprehensive income.

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

During the six months ended September 30, 2023 and the year ended March 31, 2023, BDC met both of these statutory limitations.

Capital adequacy

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

Available capital

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

Required capital

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

10.

Segmented information

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

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

- Financing: provides secured, partially secured and unsecured loans with a focus on small and medium-sized enterprises across Canada. 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.

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

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

Operating and administrative expenses include costs that 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.

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

(unaudited, in thousands of Canadian dollars)

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

Three months ended September 30, 2023

	BDC	Financing	Advisory Services	Growth & Transition Capital	Venture Capital	Capital Incentive Programs	Credit Availability Program
Interest income	**787,745**	**713,262**	**-**	**34,474**	**1,022**	**893**	**38,094**
Interest expense	**288,779**	**318,755**	**-**	**8,269**	**92**	**(10,325)**	**(28,012)**
Net interest income	**498,966**	**394,507**	**-**	**26,205**	**930**	**11,218**	**66,106**
Net realized gains (losses) on investments	**27,966**	**5**	**-**	**3,958**	**(9,403)**	**33,570**	**(164)**
Revenue from Advisory Services	**11,606**	**-**	**11,606**	**-**	**-**	**-**	**-**
Fee and other income	**17,896**	**6,958**	**-**	**3,176**	**199**	**159**	**7,404**
Net revenue	**556,434**	**401,470**	**11,606**	**33,339**	**(8,274)**	**44,947**	**73,346**
Provision for expected credit losses	**(161,423)**	**(105,579)**	**-**	**-**	**-**	**-**	**(55,844)**
Net change in unrealized appreciation (depreciation) of investments	**(104,067)**	**819**	**-**	**(11,036)**	**(65,125)**	**(40,392)**	**11,667**
Net foreign exchange gains (losses)	**44,463**	**6,153**	**-**	**(2,723)**	**39,515**	**1,520**	**(2)**
Net gains (losses) on other financial instruments	**(21,531)**	**-**	**-**	**-**	**-**	**-**	**(21,531)**
Income (loss) before operating and administrative expenses	**313,876**	**302,863**	**11,606**	**19,580**	**(33,884)**	**6,075**	**7,636**
Salaries and benefits	**138,508**	**98,558**	**12,794**	**9,659**	**12,502**	**1,149**	**3,846**
Premises and equipment	**11,300**	**8,630**	**840**	**475**	**834**	**185**	**336**
Other expenses	**49,038**	**33,884**	**8,489**	**1,341**	**2,767**	**861**	**1,696**
Operating and administrative expenses	**198,846**	**141,072**	**22,123**	**11,475**	**16,103**	**2,195**	**5,878**
Net income (loss)	**115,030**	**161,791**	**(10,517)**	**8,105**	**(49,987)**	**3,880**	**1,758**
Net income (loss) attributable to:							
BDC's shareholder	**114,669**	**161,791**	**(10,517)**	**8,122**	**(50,365)**	**3,880**	**1,758**
Non-controlling interests	**361**	**-**	**-**	**(17)**	**378**	**-**	**-**
Net income (loss)	**115,030**	**161,791**	**(10,517)**	**8,105**	**(49,987)**	**3,880**	**1,758**

Three months ended September 30, 2022

	BDC	Financing	Advisory Services	Growth & Transition Capital	Venture Capital	Capital Incentive Programs	Credit Availability Program
Interest income	570,547	505,281	-	28,046	596	1,698	34,926
Interest expense	106,135	144,735	-	4,091	42	(3,702)	(39,031)
Net interest income (expense)	464,412	360,546	-	23,955	554	5,400	73,957
Net realized gains (losses) on investments	29,696	23	-	9,327	27,487	(7,313)	172
Revenue from Advisory Services	8,836	-	8,836	-	-	-	-
Fee and other income	24,613	6,344	-	6,587	1,888	35	9,759
Net revenue	527,557	366,913	8,836	39,869	29,929	(1,878)	83,888
Provision for expected credit losses	(81,828)	(75,798)	-	-	-	-	(6,030)
Net change in unrealized appreciation (depreciation) of investments	(355,406)	1,379	-	(26,630)	(366,827)	48,090	(11,418)
Net foreign exchange gains (losses)	128,521	9,016	-	(2,817)	117,724	4,041	557
Net gains (losses) on other financial instruments	(1,544)	167	-	-	-	-	(1,711)
Income (loss) before operating and administrative expenses	217,300	301,677	8,836	10,422	(219,174)	50,253	65,286
Salaries and benefits	134,846	95,706	11,853	10,463	11,511	1,096	4,217
Premises and equipment	10,012	7,898	675	399	497	167	376
Other expenses	53,106	41,894	5,932	1,098	2,622	336	1,224
Operating and administrative expenses	197,964	145,498	18,460	11,960	14,630	1,599	5,817
Net income (loss)	19,336	156,179	(9,624)	(1,538)	(233,804)	48,654	59,469
Net income (loss) attributable to:							
BDC's shareholder	67,265	156,179	(9,624)	12,191	(199,604)	48,654	59,469
Non-controlling interests	(47,929)	-	-	(13,729)	(34,200)	-	-
Net income (loss)	19,336	156,179	(9,624)	(1,538)	(233,804)	48,654	59,469

(unaudited, in thousands of Canadian dollars)

Six months ended September 30, 2023

	BDC	Financing	Advisory Services	Growth & Transition Capital	Venture Capital	Capital Incentive Programs	Credit Availability Program
Interest income	**1,529,893**	**1,381,351**	**-**	**68,950**	**1,863**	**2,343**	**75,386**
Interest expenses	**545,720**	**596,912**	**-**	**15,856**	**186**	**(16,025)**	**(51,209)**
Net interest income	**984,173**	**784,439**	**-**	**53,094**	**1,677**	**18,368**	**126,595**
Net realized gains (losses) on investments	**45,678**	**9**	**-**	**4,462**	**1,301**	**39,965**	**(59)**
Revenue from Advisory Services	**23,049**	**-**	**23,049**	**-**	**-**	**-**	**-**
Fee and other income	**39,104**	**14,021**	**-**	**6,790**	**818**	**208**	**17,267**
Net revenue	**1,092,004**	**798,469**	**23,049**	**64,346**	**3,796**	**58,541**	**143,803**
Provision for expected credit losses	**(311,258)**	**(187,913)**	**-**	**-**	**-**	**-**	**(123,345)**
Net change in unrealized appreciation (depreciation) of investments	**(117,490)**	**739**	**-**	**(12,628)**	**(68,602)**	**(45,155)**	**8,156**
Net foreign exchange gains (losses)	**6,737**	**2,576**	**-**	**(3,895)**	**7,754**	**367**	**(65)**
Net gains (losses) on other financial instruments	**(38,661)**	**-**	**-**	**-**	**-**	**-**	**(38,661)**
Income (loss) before operating and administrative expenses	**631,332**	**613,871**	**23,049**	**47,823**	**(57,052)**	**13,753**	**(10,112)**
Salaries and benefits	**270,745**	**193,308**	**24,411**	**18,699**	**24,384**	**2,248**	**7,695**
Premises and equipment	**22,476**	**17,319**	**1,668**	**950**	**1,553**	**361**	**625**
Other expenses	**99,034**	**69,655**	**16,447**	**2,726**	**5,285**	**1,197**	**3,724**
Operating and administrative expenses	**392,255**	**280,282**	**42,526**	**22,375**	**31,222**	**3,806**	**12,044**
Net income (loss)	**239,077**	**333,589**	**(19,477)**	**25,448**	**(88,274)**	**9,947**	**(22,156)**
Net income (loss) attributable to:							
BDC's shareholder	**240,425**	**333,589**	**(19,477)**	**25,479**	**(86,957)**	**9,947**	**(22,156)**
Non-controlling interests	**(1,348)**	**-**	**-**	**(31)**	**(1,317)**	**-**	**-**
Net income (loss)	**239,077**	**333,589**	**(19,477)**	**25,448**	**(88,274)**	**9,947**	**(22,156)**
Business segment portfolio as at September 30, 2023							
Asset-backed securities	**1,285,889**	**1,285,889**	**-**	**-**	**-**	**-**	**-**
Loans, net of allowance for expected credit losses	**37,332,576**	**35,765,617**	**-**	**-**	**-**	**-**	**1,566,959**
Debt investments	**1,217,534**	**10,168**	**-**	**1,171,310**	**30,785**	**-**	**5,271**
Direct equity investments	**2,323,632**	**-**	**-**	**-**	**1,730,455**	**451,431**	**141,746**
Indirect equity investments in Funds	**2,236,860**	**-**	**-**	**-**	**1,181,630**	**1,055,230**	**-**
Investments	**5,778,026**	**10,168**	**-**	**1,171,310**	**2,942,870**	**1,506,661**	**147,017**
Total portfolio	**44,396,491**	**37,061,674**	**-**	**1,171,310**	**2,942,870**	**1,506,661**	**1,713,976**

Six months ended September 30, 2022

	Notes	BDC	Financing	Advisory Services	Growth & Transition Capital	Venture Capital	Capital Incentive Programs	Credit Availability Program
Interest income	13	1,053,079	924,090	-	57,632	1,057	3,682	66,618
Interest expenses	13	156,263	209,042	-	6,039	64	(5,221)	(53,661)
Net interest income		896,816	715,048	-	51,593	993	8,903	120,279
Net realized gains (losses) on investments		56,213	(476)	-	11,002	53,665	(7,256)	(722)
Revenue from Advisory Services		15,940	-	15,940	-	-	-	-
Fee and other income	13	53,316	13,363	-	15,589	2,706	140	21,518
Net revenue		1,022,285	727,935	15,940	78,184	57,364	1,787	141,075
Provision for expected credit losses		(73,756)	(50,206)	-	-	-	-	(23,550)
Net change in unrealized appreciation (depreciation) of investments		(518,623)	1,235	-	(27,231)	(468,363)	(12,594)	(11,670)
Net foreign exchange gains (losses)		185,993	13,740	-	(4,908)	170,639	5,736	786
Net gains (losses) on other financial instruments		11,197	13,117	-	-	-	-	(1,920)
Income (loss) before operating and administrative expenses		627,096	705,821	15,940	46,045	(240,360)	(5,071)	104,721
Salaries and benefits		254,108	179,640	22,889	18,660	21,734	2,297	8,888
Premises and equipment		20,693	16,056	1,406	811	1,371	261	788
Other expenses		99,782	77,851	10,950	2,227	5,383	694	2,677
Operating and administrative expenses		374,583	273,547	35,245	21,698	28,488	3,252	12,353
Net income (loss)		252,513	432,274	(19,305)	24,347	(268,848)	(8,323)	92,368
Net income (loss) attributable to:								
BDC's shareholder		298,484	432,274	(19,305)	37,609	(236,139)	(8,323)	92,368
Non-controlling interests		(45,971)	-	-	(13,262)	(32,709)	-	-
Net income (loss)		252,513	432,274	(19,305)	24,347	(268,848)	(8,323)	92,368
Business segment portfolio as at September 30, 2022								
Asset-backed securities		1,015,153	1,015,153	-	-	-	-	-
Loans, net of allowance for expected credit losses		34,701,253	32,287,691	-	-	-	-	2,413,562
Debt investments(2)		1,158,187	11,934	-	1,101,962	32,394	-	11,897
Direct equity investments(2)		2,477,103	-	-	336	1,893,841	439,239	143,687
Indirect equity investments in funds(2)		2,183,659	-	-	-	1,176,923	1,006,736	-
Investments(2)		5,818,949	11,934	-	1,102,298	3,103,158	1,445,975	155,584
Total portfolio		41,535,355	33,314,778	-	1,102,298	3,103,158	1,445,975	2,569,146

(unaudited, in thousands of Canadian dollars)

11.

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 amounted to $3,055.6 million as at September 30, 2023 ($3,319.9 million as at March 31, 2023) and the existing terms expire within an average of 87 months (within an average of 96 months as at March 31, 2023).

As at September 30, 2023, an amount of $45.4 million of claims payable under these guarantees was recognized in BDC’s Consolidated Statement of Financial Position ($20.1 million as at March 31, 2023).

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.

				September 30, 2023
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)]	**44,436**	**(43,450)**	**(986)**	**-**
Transfer to Stage 2[(1)]	**(17,225)**	**26,312**	**(9,087)**	**-**
Transfer to Stage 3[(1)]	**(135)**	**(61,191)**	**61,326**	**-**
Net remeasurement of the allowance for expected credit losses[(2)]	**(34,024)**	**66,619**	**13,863**	**46,458**
Net increase (decrease) in guarantees	**(1,693)**	**(10,115)**	**(26,000)**	**(37,808)**
Balance as at September 30, 2023	**37,389**	**226,776**	**241,730**	**505,895**

				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 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.

12.

Related party transactions

As at September 30, 2023, BDC had $17,879.6 million outstanding in short-term notes and $10,379.8 million in long-term notes with His Majesty the King in Right of Canada acting through the Minister of Finance ($19,767.1 million in short-term notes and $7,157.8 million in long-term notes as at March 31, 2023).

BDC recorded $288.3 million in interest expense, related to the borrowings from the Minister of Finance, for the quarter and $544.7 million for the six months ended September 30, 2023. Last year's comparative figures for the same periods were $105.7 million and $155.2 million, respectively.

In addition, no borrowings with the Minister of Finance were repurchased in the first six months of fiscal 2024 ($321.0 million was repurchased during the same period last year, resulting in a gain of $12.8 million).

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.

13.

Comparative information

Reclassification of Subordinate financing investments and Venture capital investments to Investments

In order to simplify the presentation of investment balances in the Consolidated Statement of Financial Position, Subordinate financing investments and Venture capital investments were combined. As a result, Subordinate financing investments and Venture capital investments are now presented together as "Investments" in the assets section of the Consolidated Statement of Financial Position. Asset-backed securities were previously grouped into the subtotal "Total investments" in the Consolidated Statement of Financial Position. They are now presented on an individual line due to the distinct nature of this type of investments, which are lower risk due to high collateralization. The new presentation does not change the accounting policies and estimates for these financial instruments.

Note 8—*Investments* discloses our investments in three categories, namely debt investments, direct equity investments and indirect equity investments. As our investments portfolio has increased significantly in the last few years and become more diversified, the new disclosure provides more meaningful information about the nature of our investments compared to the previously used classification of Subordinate financing investments and Venture capital investments. Subordinate financing investments included both debt and direct equity investments while Venture capital investments included direct and indirect equity investments. All the notes in the condensed quarterly Consolidated Financial Statements were revised to reflect the new terminology.

The tables below summarize the impact on the Consolidated Statement of Cash Flows and on Note 10—*Segmented information* of the reclassification of Subordinate financing investments and Venture capital investments to the new line item "Investments" for the quarter and the six-month periods ended September 30, 2022.

(unaudited, in thousands of Canadian dollars)

Consolidated Statement of Cash Flows	Quarter ended September 30, 2022	Reclassification to Disbursements for investments	Reclassification to Repayments of investments	Reclassification to Proceeds on sale of investments	**Quarter ended September 30, 2022 reclassified**
Disbursements for subordinate financing investments	(121,302)	121,302	-	-	-
Repayments of subordinate financing investments	123,262	-	(123,262)	-	-
Disbursements for venture capital investments	(100,869)	100,869	-	-	-
Proceeds on sale of venture capital investments	37,755	-	-	(37,755)	-
Disbursements for investments		**(222,171)**	**-**	**-**	**(222,171)**
Repayments of investments		**-**	**123,262**	**-**	**123,262**
Proceeds on sale of investments		**-**	**-**	**37,755**	**37,755**

Consolidated Statement of Cash Flows	Six months ended September 30, 2022	Reclassification to Disbursements for investments	Reclassification to Repayments of investments	Reclassification to Proceeds on sale of investments	**Six months ended September 30, 2022 reclassified**
Disbursements for subordinate financing investments	(328,183)	328,183	-	-	-
Repayments of subordinate financing investments	216,687	-	(216,687)	-	-
Disbursements for venture capital investments	(189,538)	189,538	-	-	-
Proceeds on sale of venture capital investments	78,503	-	-	(78,503)	-
Disbursements for investments		**(517,721)**	**-**	**-**	**(517,721)**
Repayments of investments		**-**	**216,687**	**-**	**216,687**
Proceeds on sale of investments		**-**	**-**	**78,503**	**78,503**

Note 10 - ***Segmented Information***

		Financing		**Growth & Transition Capital**		**Venture Capital**		**Capital Incentive Programs**		**Credit Availability Program**	
Investment categories as per the three months ended September 30, 2022, reclassified	Total Investments	Subordinate financing investments	Venture capital investments	Subordinate financing investments	Venture capital investments	Subordinate financing investments	Venture capital investments	Subordinate financing investments	Venture capital investments	Subordinate financing investments	Venture capital investments
Debt investments	1,158,188	11,934	-	1,101,963	-	32,394	-	-	-	11,897	-
Direct equity investments	2,477,103	-	-	336	-	278,989	1,614,852	439,239	-	-	143,687
Indirect equity investments	2,183,658	-	-	-	-	-	1,176,923	-	1,006,735	-	-
Total	**5,818,949**	**11,934**	**-**	**1,102,299**	**-**	**311,383**	**2,791,775**	**439,239**	**1,006,735**	**11,897**	**143,687**
Reconciliation with the second quarter of fiscal 2023 Quarterly Financial Report											
Subordinate financing investments	1,876,752	11,934	-	1,102,299	-	311,383	-	439,239	-	11,897	-
Venture capital investments	3,942,197	-	-	-	-	-	2,791,775	-	1,006,735	-	143,687
Total	**5,818,949**	**11,934**	**-**	**1,102,299**	**-**	**311,383**	**2,791,775**	**439,239**	**1,006,735**	**11,897**	**143,687**

Other reclassifications

Segment interest expense includes intersegment interest charged to Financing from the Capital Incentive Programs (CIP) and the Credit Availability Program (CAP), which have a corresponding intersegment interest credit. This intersegment transaction reflects the interest expense (credit) on CIP's and CAP's cash balances transferred to Financing for treasury management purposes and was reclassified from Fee and other income to Interest expense. This reclassification does not impact consolidated net income.

Interest revenue earned on cash equivalents and short-term investments 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 tables below show the impact of the reclassification of intersegment interest from Fee and other income to Interest expense on the Consolidated Statement of Income, the Consolidated Statement of Cash Flows and Note 10—*Segmented information* for the quarter and the six-month periods ended September 30, 2022.

(unaudited, in thousands of Canadian dollars)

Consolidated Statement of Income	Quarter ended September 30, 2022	Reclassification of intersegment interest	Reclassification of interest expense	**Quarter ended September 30, 2022 reclassified**
Interest income	564,337	-	6,210	**570,547**
Interest expense	153,851	(53,926)	6,210	**106,135**
Fee and other income	78,539	(53,926)	-	**24,613**
Consolidated Statement of Cash Flows				
Interest income	(564,337)	-	(6,210)	**(570,547)**
Interest income received	521,118	-	6,210	**527,328**
Interest expense	153,413	(53,926)	6,210	**105,697**
Interest expense paid	(140,538)	53,926	(6,210)	**(92,822)**
Note 10 - *Segmented Information*				
Interest income Financing	499,071	-	6,210	**505,281**
Interest expense Growth and Transition Capital	28,046	-	-	**28,046**
Interest expense Venture Capital	596	-	-	**596**
Interest expense CIP	1,698	-	-	**1,698**
Interest expense CAP	34,926	-	-	**34,926**
Total Interest income	564,337	-	6,210	570,547
Interest expense Financing	138,525	-	6,210	**144,735**
Interest expense Growth and Transition Capital	4,091	-	-	**4,091**
Interest expense Venture Capital	42	-	-	**42**
Interest expense CIP	-	(3,702)	-	**(3,702)**
Interest expense CAP	11,193	(50,224)	-	**(39,031)**
Total Interest expense	153,851	(53,926)	6,210	106,135
Fee and other income Financing	6,344	-	-	**6,344**
Fee and other income Growth and Transition Capital	6,587	-	-	**6,587**
Fee and other income Venture Capital	1,888	-	-	**1,888**
Fee and other income CIP	3,737	(3,702)	-	**35**
Fee and other income CAP	59,983	(50,224)	-	**9,759**
Total Fee and other Income	78,539	(53,926)	-	24,613

(unaudited, in thousands of Canadian dollars)

Consolidated Statement of Income	Six months ended September 30, 2022	Reclassification of intersegment interest	Reclassification of interest expense	**Six months ended September 30, 2022 reclassified**
Interest income	1,043,734	-	9,345	**1,053,079**
Interest expense	221,609	(74,691)	9,345	**156,263**
Fee and other income	128,007	(74,691)	-	**53,316**
Consolidated Statement of Cash Flows				
Interest income	(1,043,734)	-	(9,345)	**(1,053,079)**
Interest income received	982,759	-	9,345	**992,104**
Interest expense	220,732	(74,691)	9,345	**155,386**
Interest expense paid	(201,578)	74,691	(9,345)	**(136,232)**
Note 10 - *Segmented Information*				
Interest income Financing	914,745	-	9,345	**924,090**
Interest expense Growth and Transition Capital	57,632	-	-	**57,632**
Interest expense Venture Capital	1,057	-	-	**1,057**
Interest expense CIP	3,682	-	-	**3,682**
Interest expense CAP	66,618	-	-	**66,618**
Total Interest income	1,043,734	-	9,345	**1,053,079**
Interest expense Financing	199,697	-	9,345	**209,042**
Interest expense Growth and Transition Capital	6,039	-	-	**6,039**
Interest expense Venture Capital	64	-	-	**64**
Interest expense CIP	-	(5,221)	-	**(5,221)**
Interest expense CAP	15,809	(69,470)	-	**(53,661)**
Total Interest expense	221,609	(74,691)	9,345	**156,263**
Fee and other income Financing	13,363	-	-	**13,363**
Fee and other income Growth and Transition Capital	15,589	-	-	**15,589**
Fee and other income Venture Capital	2,706	-	-	**2,706**
Fee and other income CIP	5,361	(5,221)	-	**140**
Fee and other income CAP	90,988	(69,470)	-	**21,518**
Total Fee and other Income	128,007	(74,691)	-	**53,316**

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