2025
Financial Report

First Quarter

June 30, 2024

Executive Summary

Canadian economic outlook

The global economy has remained surprisingly resilient since the beginning of 2024, despite the headwinds of elevated interest rates and uncertainty stemming from geopolitical tensions. World GDP is expected to increase by 3.2 % in calendar year 2024—at the same pace as in 2023.

In Canada, the economy found more solid footing in recent months in contrast to weak growth at the end of 2023. Household spending continued to provide good support for the economy, growing at an annualized rate of 3.0% in the first quarter, similar to the level in the final quarter of 2023. In the first three months, purchases of services led the way, but consumers also spent more on goods. Even when strong population growth is taken into account, per capita consumer spending increased by 0.1% after three quarters of decline.

Businesses also contributed to growth in the first quarter. Non-residential investment rose by 4.3% compared with the fourth quarter of 2023. However, GDP growth was hampered by falling business inventory. Lower inventories accumulation reduced growth by 1.5 percentage points as companies struggled to clear excess stock from their shelves in 2023. Although the inventory investment drawdown was widespread, it was most pronounced in the automotive sector.

The economy continued to grow in the second quarter. In April, GDP rose 0.3% compared to March. For the quarter ending June 30, the Bank of Canada estimated real growth at 1.5%.

Higher interest rates in the last two years have slowed down the economy and rebalanced the supply and demand of products and services.

Inflation continued to normalize over the second quarter but remained in the upper end of the central bank's target range at 2.7% in June.

Some consumer spending categories are still experiencing price increases well above what is expected in a more balanced economy, notably in the housing sector. Despite these trends, the Bank of Canada lowered its policy rate by 25 basis points in early June, its first cut since 2020.

The labour market has continued to perform well, creating over 115,000 new jobs in the second quarter. The national unemployment rate ended the quarter higher at 6.4% as Canada's rising population brought new workers into the labour force.

While job growth is certainly supporting consumer confidence, declining job vacancies and a growing unemployment rate signal that the labour market is softening. However, businesses still seemed to be having difficulty finding workers with the skills they need. Wage pressure also continued to weigh on companies and poses a risk for rekindling inflation. On a year-over-year basis, average hourly wages were up by 5.4% in June.

Fears of a recession have faded, and business owners' optimism has improved slowly. Still, entrepreneurs remain cautious in the face of high interest rates. Canadian businesses, particularly small businesses, are in a more precarious financial situation than in previous quarters, leading them to seek smaller financings and struggle with their existing debt. This is evidenced by the high percentage of small business loans that are past due by more than 30 days. It reached 3.5% in April, a level not seen in nearly 20 years.

Overall, business lending conditions have started to ease, but remained challenging, especially for smaller businesses. While chartered banks have shown a greater appetite for risk, they have tightened loan conditions.

While growth remains positive across the country, the pace has weakened. Real GDP growth is forecast to come in at 1.0% for 2024, below the Canadian economy's growth potential, estimated at 2.0%. The first interest rate cut by the Bank of Canada should help improve the economy's momentum, but tight credit conditions will continue to limit business investment.

Executive Summary

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

Core results are driven by the activities of the Financing, Advisory Services, Growth and Transition Capital, Venture Capital and Capital Incentive Programs business lines. The Credit Availability Program brings together initiatives designed to increase capital availability for specific SME needs, and results stem from all of BDC's COVID-19 relief measures and the Canada Digital Adoption Program (CDAP).

Activity level summary

	Three months ended June 30	
($ in millions)	**F2025**	F2024
Financing loans acceptances	**3,382.0**	2,889.3
Advisory Services net contracts signed	**8.6**	12.4
Growth & Transition Capital acceptances	**124.5**	94.2
Venture Capital authorizations	**136.0**	83.3
Capital Incentive Programs authorizations	**10.4**	52.0
Credit Availability Program acceptances	**132.5**	56.1

Core activities

The results of the first quarter of fiscal 2025 reflect that entrepreneurs began to regain confidence in the economy, as interest rates were expected to decrease from their still high level, and inflation rates returned to levels within the Bank of Canada`s target range.

Financing reached a high volume of activities with clients accepting a total of $3.4 billion in loans in the first quarter of fiscal 2025 compared to $2.9 billion for the same period last year. This increase mainly resulted from higher activity in our syndicated loans portfolio.

In recent years, we have invested to improve our digital channels to ensure entrepreneurs have access to our solutions regardless of where they live in Canada and at a time that is most convenient for them. Our online financing platform for loans under $100,000 has been instrumental in helping us serve a greater number of small businesses and do so more efficiently. Overall, Financing clients accepted $151.1 million in online financing loans during the first quarter of fiscal 2025, compared to $148.8 million for the same period last year.

Financing's loans portfolio, net of allowance for credit losses, stood at $38.3 billion as at June 30, 2024.

Advisory Services reached net contracts signed amounting to $8.6 million in the first quarter of fiscal 2025 compared to $12.4 million for the same period last year. This decrease was mainly driven by lower CDAP mandates recorded, following the closing of the application period for this program in February 2024.

In the first quarter of fiscal 2025, GTC clients accepted $124.5 million in debt investments, which was higher than the $94.2 million accepted in the same quarter of the previous year. Business confidence is improving as lower interest rates were expected, and this boosted the demand for our GTC flexible financing solutions in the first quarter of this fiscal year.

VC authorizations for the first quarter of fiscal 2025 totalled $136.0 million compared to $83.3 million for the same period last year. The increase in authorizations was driven by higher indirect and direct investments as Canadian venture capital activity began to find its footing in an improved capital markets environment.

On June 19, 2024, to ensure that the growing number of Indigenous and Black-led businesses are well-served, BDC announced the creation of a dedicated Inclusive Entrepreneurship team, the launch of a $50 million financing and training program, and the creation of two new $100 million funds. The financing and training program, which is led by the Inclusive Entrepreneurship team, will provide loans and training for businesses that are majority-owned by women, Indigenous or Black entrepreneurs and have revenues under $3 million. The two new $100 million funds will support Indigenous and Black-led businesses and will complement the $500 million Thrive Platform for Women launched in 2022.

On behalf of the Government of Canada, BDC continued to manage Capital Incentive Programs (CIP), which includes $390 million for Venture Capital Action Plan (VCAP), $372 million for Venture Capital Catalyst Initiative (VCCI), $600 million for Cleantech Practice and $100 million for Indigenous Growth Fund (IGF). VCAP and VCCI are now fully committed. VCCI was renewed in fiscal 2023 to deploy $450 million under the Venture Capital Catalyst Initiative II (Renewed VCCI).

CIP authorizations for the first quarter of fiscal 2025 totalled $10.4 million stemming from the activities of Cleantech Practice compared to $52.0 million for the same period last year, which included authorizations for both Cleantech Practice and Renewed VCCI.

Credit Availability Program (CAP)

The carrying amount of CAP’s loan and investment portfolio stood at $1.4 billion as at June 30, 2024, compared to $1.5 billion as at March 31, 2024. The portfolio is decreasing as CAP’s COVID-19 relief measures ended in fiscal 2022.

CDAP acceptances amounted to $132.5 million for the first quarter of fiscal 2025 compared to $56.1 million for the same period last year. Since February 19, 2024, the program is no longer accepting new applications, but existing applications were still being processed during the first quarter of fiscal 2025.

Highly Affected Sectors Credit Availability Program (HASCAP) guarantee acceptances amounted to $3.7 billion since the inception of the program, which has been closed for new authorizations since March 31, 2022. The actual exposure under the HASCAP guarantee program totalled $2.6 billion as at June 30, 2024, compared to $3.2 billion for the same period last year.

Financial results overview

Consolidated net income amounted to $161.0 million for the first quarter of fiscal 2025, consisting of net income of $201.2 million for the Core business, and a net loss of $40.2 million for CAP. In comparison, BDC reported consolidated net income of $124.0 million for the same period last year, consisting of net income of $147.9 million for the Core business and a net loss of $23.9 million for CAP.

Executive Summary

Financial performance

	Three months ended June 30	
($ in millions)	**F2025**	F2024
Net interest income	**522.7**	485.2
Net realized gains (losses) on investments	**(1.7)**	17.7
Revenue from Advisory Services	**13.1**	11.4
Fee and other income	**22.4**	21.2
Net revenue	**556.5**	535.6
Provision for expected credit losses	**(168.8)**	(149.8)
Net change in unrealized appreciation (depreciation) of investments	**2.3**	(13.4)
Net foreign exchange gains (losses)	**15.5**	(37.7)
Net gains (losses) on other financial instruments	**(40.9)**	(17.1)
Income before operating and administrative expenses	**364.6**	317.5
Operating and administrative expenses	**(203.6)**	(193.4)
Consolidated net income (loss)	**161.0**	124.0
Core net income (loss)	**201.2**	147.9

The increase in consolidated net income was mainly attributable to higher net interest income on Financing's loans portfolio and lower net foreign exchange losses on Venture Capital's investments portfolio, partially offset by higher provision for expected credit losses on Financing's loans portfolio, lower net realized gains on Venture Capital's investments portfolio, and higher net losses on other financial instruments in CAP.

Executive Summary

Key measures

($ in millions unless otherwise noted)	Three months ended June 30 F2025	 F2024
Loan portfolio growth		
Outstanding loans at gross carrying amount	**40,923.1**	37,613.3
Outstanding portfolio growth (%)	**8.8%**	7.8%
Allowance for expected credit losses	**(1,330.2)**	(1,096.4)
Investment portfolio growth		
Investments at cost	**4,813.7**	4,447.0
Portfolio growth (%)	**8.2%**	12.1%
Investments at fair value	**5,937.1**	5,815.3
Profitability		
Financing net interest income margin (%)	**4.22%**	4.28%
Efficiency		
Efficiency ratio (%)	**34.4%**	35.4%
Capital management		
Internal capital ratio (Core)	**112.1%**	115.4%
Shareholder return		
Adjusted return on common equity	**6.5%**	5.5%
Adjusted return on common equity - 10 year moving average	**10.2%**	10.8%
Dividends paid based on the performance of the previous fiscal year	**337.0**	337.0

A $337.0 million dividend was paid in June 2024 to our sole shareholder, the Government of Canada. The repurchase by the Minister of Finance of 15.0 million of its common shares for a total value of $1.5 billion, to reduce the excess capital in CAP related to COVID-19 initiatives, was also finalized in June 2024.

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

BDC's mission is to help Canadian entrepreneurs build strong and resilient businesses, and support a more prosperous, competitive, and inclusive Canada. Our corporate values - United for Entrepreneurs, Powered by People, and Courageously Impactful - are the building blocks of our DNA. They connect what we stand for to how we deliver on our mandate and corporate strategy.

We're the only financial institution devoted entirely to Canada's entrepreneurs. We provide them with financing and advice to build their businesses and tackle the big challenges of our time. Our investment arm, BDC Capital, offers a wide range of risk capital solutions to the country's most innovative firms.

Our services will add an estimated $23.6 billion to Canada's GDP over the next five years, while supporting nearly 40,000 additional jobs. We're also one of Canada's Top 100 Employers and Best Diversity Employers, and the country's first financial institution to receive B Corp certification.

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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 three months ended June 30, 2024. 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 2024 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 period ended June 30, 2024, 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 June 30	
($ in millions)	**F2025**	F2024
Financing	**170.9**	171.8
Advisory Services	**(9.6)**	(9.0)
Growth & Transition Capital	**20.5**	17.3
Venture Capital	**(9.3)**	(38.3)
Capital Incentive Programs	**28.7**	6.1
Core net income	**201.2**	147.9
Credit Availability Program	**(40.2)**	(23.9)
Net income (loss)	**161.0**	124.0
Net income (loss) attributable to:		
BDC's shareholder	**162.0**	125.7
Non-controlling interests	**(1.0)**	(1.7)
Net income (loss)	**161.0**	124.0

Three months ended June 30

For the first quarter of fiscal 2025, BDC generated consolidated net income of $161.0 million, comprising $162.0 million of net income attributable to BDC's shareholder and a net loss of $1.0 million attributable to non-controlling interests. For the equivalent period last year, consolidated net income of $124.0 million included $125.7 million of net income attributable to BDC's shareholder and net loss of $1.7 million attributable to non-controlling interests.

BDC's consolidated Core net income was $201.2 million compared to $147.9 million reported for the same period last year. The increase in net income was mainly attributable to higher net interest income from Financing's loans portfolio and lower net foreign exchange losses on Venture Capital's investments portfolio, offset by higher provision for expected credit losses on Financing's loans portfolio and lower net realized gains on Venture Capital's investments portfolio.

CAP reported a consolidated net loss of $40.2 million for the first quarter of fiscal 2025, compared to a net loss of $23.9 million for the same period last year. The increase in CAP's net loss is due to higher net losses on other financial instruments, generated by fair value losses on initial recognition of CDAP loans, offset by lower provision for expected credit losses.

Consolidated comprehensive income

	Three months ended June 30	
($ in millions)	**F2025**	F2024
Net income (loss)	**161.0**	124.0
Other comprehensive income (loss)		
Items that may be reclassified subsequently to net income		
Net change in unrealized gains (losses) on FVOCI[1] assets	**4.6**	(8.9)
Total items that may be reclassified subsequently to net income	**4.6**	(8.9)
Items that will not be reclassified to net income		
Remeasurements of net defined benefit asset or liability	**77.8**	(8.0)
Other comprehensive income (loss)	**82.4**	(16.9)
Total comprehensive income (loss)	**243.4**	107.1
Total comprehensive income (loss) attributable to:		
BDC's shareholder	**244.4**	108.8
Non-controlling interests	**(1.0)**	(1.7)
Total comprehensive income (loss)	**243.4**	107.1

[1]Fair value through other comprehensive income

Three months ended June 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 $82.4 million for the first quarter ended June 30, 2024, compared to consolidated other comprehensive loss of $16.9 million for the same period last year. The increase in consolidated other comprehensive income for the first quarter of fiscal 2025 was mainly attributable to a remeasurement gain of $77.8 million on the net defined benefit asset or liability, compared to a remeasurement loss of $8.0 million on the net defined benefit asset or liability for the same period last year. This gain was mainly due to an increase in the discount rate used to measure the net defined benefit liability.

Operating and administrative expenses

	Three months ended June 30	
($ in millions unless otherwise noted)	**F2025**	F2024
Salaries and benefits		
Salaries and other benefits	**130.0**	121.2
Defined benefit plan expense	**11.9**	11.0
	141.9	132.2
Premises and equipment	**11.4**	11.2
Other expenses		
Professional and outsourcing fees	**25.3**	25.7
Computers and software, including amortization and depreciation	**17.4**	15.5
Communications, advertising, and promotion	**3.4**	3.6
Other	**4.2**	5.3
	50.3	50.0
Total operating and administrative expenses	**203.6**	193.4
Efficiency ratio	**34.4%**	35.4%

Three months ended June 30

For the first quarter of fiscal 2025, BDC recorded operating and administrative expenses of $203.6 million, compared to $193.4 million for the same period last year. The increase was mainly due to higher salaries and staff benefits to support portfolio growth. However, as a percentage of the average portfolio, operating and administrative expenses decreased.

The efficiency ratio is a measure of the efficiency with which BDC incurs expenses to generate revenue from its operations. It is calculated as operating and administrative expenses as a percentage of net revenue. It excludes CIP, pension expenses, Venture Capital net revenue, Venture Capital Bridge Financing Program net revenue as well as CDAP. A lower ratio indicates improved efficiency. BDC's efficiency ratio has slightly improved for the three-month period ended June 30, 2024, as compared to the same period last year, as net revenues increased at a faster pace than operating and administrative expenses, mainly due to an increase in net interest income from Financing.

Financing results

($ in millions)	Three months ended June 30 F2025	F2024
Net interest income	**426.6**	389.9
Fee and other income	**7.9**	7.1
Provision for expected credit losses	**(112.7)**	(82.3)
Net change in unrealized appreciation (depreciation) of investments	**0.8**	(0.1)
Net foreign exchange gains (losses)	**(5.3)**	(3.6)
Income before operating and administrative expenses	**317.3**	311.0
Operating and administrative expenses	**146.4**	139.2
Net income (loss) from Financing	**170.9**	171.8

As % of average portfolio	Three months ended June 30 F2025	F2024
Net interest income	**4.2**	4.3
Fee and other income	**0.1**	0.1
Provision for expected credit losses	**(1.1)**	(0.9)
Income before operating and administrative expenses	**3.1**	3.5
Operating and administrative expenses	**1.4**	1.5
Net income (loss) from Financing	**1.7**	2.0

Three months ended June 30

Net income from Financing was $170.9 million for the first quarter of fiscal 2025 compared to net income of $171.8 million for the same period last year. The slight decrease in net income from Financing for the first quarter of fiscal 2025 was mainly explained by higher provision for expected credit losses on the impaired loans portfolio and higher operating and administrative expenses, partially offset by higher net interest income. The increase of $36.7 million in net interest income was driven by portfolio growth offset by the lower margin achieved.

Advisory Services results

	Three months ended June 30	
($ in millions)	**F2025**	F2024
Revenue	**13.1**	11.4
Delivery expenses[1]	**7.1**	5.9
Gross operating margin	**6.0**	5.5
Operating and administrative expenses	**15.6**	14.5
Net income (loss) from Advisory Services	**(9.6)**	(9.0)

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

Three months ended June 30

A net loss of $9.6 million was recorded for the first quarter of fiscal 2025, compared to a $9.0 million net loss for the same quarter last year. The gross operating margin increased by $0.5 million, mainly driven by the delivery of CDAP mandates while operating and administrative expenses increased by $1.1 million.

Growth & Transition Capital results

	Three months ended June 30	
($ in millions)	**F2025**	F2024
Net revenue on investments	**40.3**	31.0
Net change in unrealized appreciation (depreciation) of investments	**(7.4)**	(1.6)
Net foreign exchange gains (losses)	**(1.0)**	(1.2)
Income before operating and administrative expenses	**31.9**	28.2
Operating and administrative expenses	**11.4**	10.9
Net income (loss) from G&TC	**20.5**	17.3
Net income (loss) attributable to:		
BDC's shareholder	**20.5**	17.3
Non-controlling interests	**-**	-
Net income (loss) from G&TC	**20.5**	17.3

Three months ended June 30		
As % of average portfolio	**F2025**	F2024
Net revenue on investments	**11.9**	10.1
Net change in unrealized appreciation (depreciation) of investments	**(2.2)**	(0.5)
Net foreign exchange gains (losses)	**(0.3)**	(0.4)
Income before operating and administrative expenses	**9.4**	9.2
Operating and administrative expenses	**3.4**	3.6
Net income (loss) from G&TC	**6.0**	5.6
Net income (loss) attributable to:		
BDC's shareholder	**6.0**	5.6
Non-controlling interests	**-**	-
Net income (loss) from G&TC	**6.0**	5.6

Three months ended June 30

Net income reached $20.5 million for the first quarter of fiscal 2025, compared to net income of $17.3 million for the same period last year, mainly due to higher net revenue on investments, offset by higher net change in unrealized depreciation of investments.

GTC recorded a net change in unrealized depreciation on investments of $7.4 million in the first quarter of fiscal 2025, mainly driven by net fair value depreciation of $6.5 million, compared to a net change in unrealized depreciation on investments of $1.6 million during the same period last year, mainly driven by net fair value depreciation of $6.2 million.

Three months ended June 30		
($ in millions)	**F2025**	F2024
Net fair value appreciation (depreciation)	**(6.5)**	(6.2)
Reversal of net fair value depreciation (appreciation) due to realized income and write-offs	**(0.9)**	4.6
Net change in unrealized appreciation (depreciation) of investments	**(7.4)**	(1.6)

Venture Capital results

($ in millions)	Three months ended June 30 F2025	F2024
Net revenue on investments	**(8.3)**	12.1
Net change in unrealized appreciation (depreciation) of investments	**(6.3)**	(3.5)
Net foreign exchange gains (losses)	**20.4**	(31.8)
Income (loss) before operating and administrative expenses	**5.8**	(23.2)
Operating and administrative expenses	**15.1**	15.1
Net income (loss) from Venture Capital	**(9.3)**	(38.3)
Net income (loss) attributable to:		
BDC's shareholder	**(8.3)**	(36.6)
Non-controlling interests	**(1.0)**	(1.7)
Net income (loss) from Venture Capital	**(9.3)**	(38.3)

Three months ended June 30

During the first quarter of fiscal 2025, VC recorded a net loss of $9.3 million, compared to a net loss of $38.3 million for the same period last year. The favourable variance for the first quarter of fiscal 2025 was mainly explained by lower net foreign exchange losses, partially offset by lower net revenue on investments.

As detailed below, VC recorded a net change in unrealized depreciation of investments of $6.3 million for the first quarter of fiscal 2025 mainly driven by net fair value depreciation, compared to a net change in unrealized depreciation of $3.5 million for the same period last year, mainly due to reversal of fair value appreciation on divested investments and write-offs.

($ in millions)	Three months ended June 30 F2025	F2024
Net fair value appreciation (depreciation)	**(14.8)**	3.8
Reversal of fair value depreciation (appreciation) on divested investments and write-offs	**8.5**	(7.3)
Net change in unrealized appreciation (depreciation) of investments	**(6.3)**	(3.5)

In the first quarter of fiscal 2025, net foreign exchange gains on investments of $20.4 million were recorded due to foreign exchange fluctuations in U.S. dollar denominated investments compared to net foreign exchange losses on investments of $31.8 million recorded for the same period last year.

Capital Incentive Programs results

	Three months ended June 30	
($ in millions)	**F2025**	F2024
Net revenue on investments	**12.4**	13.6
Net change in unrealized appreciation (depreciation) of investments	**17.3**	(4.8)
Net foreign exchange gains (losses)	**0.6**	(1.1)
Income (loss) before operating and administrative expenses	**30.3**	7.7
Operating and administrative expenses	**1.6**	1.6
Net income (loss) from Capital Incentive Programs	**28.7**	6.1

Three months ended June 30

During the first quarter of fiscal 2025, CIP recorded net income of $28.7 million, compared to net income of $6.1 million for the same period last year. The favourable variance for the first quarter of fiscal 2025 was mainly explained by lower net change in unrealized depreciation on investments compared to the equivalent period last year.

As detailed below, CIP recorded a net change in unrealized appreciation on investments of $17.3 million in the first quarter of fiscal 2025 mainly driven by a net fair value appreciation of $17.4 million, compared to a net change in unrealized depreciation on investments of $4.8 million during the same period last year, mainly driven by reversal of net fair value appreciation due to realized income and write-offs of $5.9 million.

	Three months ended June 30	
($ in millions)	**F2025**	F2024
Net fair value appreciation (depreciation)	**17.4**	1.1
Reversal of net fair value depreciation (appreciation) due to realized income and write-offs	**(0.1)**	(5.9)
Net change in unrealized appreciation (depreciation) of investments	**17.3**	(4.8)

Credit Availability Program results

($ in millions)	Three months ended June 30 F2025	F2024
Net interest income	**57.0**	60.5
Fee and other income	**8.3**	9.9
Provision for expected credit losses	**(56.1)**	(67.5)
Net realized gains (losses) on investments	**(0.9)**	0.1
Net change in unrealized appreciation (depreciation) of investments	**(1.9)**	(3.5)
Net gains (losses) on other financial instruments	**(40.9)**	(17.1)
Net foreign exchange gains (losses)	**0.6**	(0.1)
Income (loss) before operating and administrative expenses	**(33.9)**	(17.7)
Operating and administrative expenses	**6.3**	6.2
Net income (loss) from Credit Availability Program	**(40.2)**	(23.9)

Three months ended June 30

During the first quarter of fiscal 2025, CAP recorded a net loss of $40.2 million, compared to a net loss of $23.9 million for the same period last year. Results for the first quarter of fiscal 2025 were unfavourably impacted by higher net losses on other financial instruments of $40.9 million compared to $17.1 million for the first quarter of fiscal 2024, driven by fair value losses on initial recognition of CDAP loans, and lower net interest income, offset by lower provision for expected credit losses of $56.1 million, compared to $67.5 million for the first quarter of fiscal 2024.

Financial Condition

($ in millions)	June 30, 2024	March 31, 2024
Cash	**999.5**	919.3
Asset-backed securities	**1,306.1**	1,289.5
Loans, gross carrying amount	**40,923.1**	40,162.9
Allowance for expected credit losses	**(1,330.2)**	(1,271.9)
Investments	**5,937.1**	5,737.9
Net defined benefit asset	**403.6**	338.3
Other	**279.0**	266.9
Total assets	**48,518.2**	47,442.9
Borrowings	**32,289.5**	29,610.8
Net defined benefit liability	**223.5**	231.6
Expected credit losses on loan commitments and guarantees	**629.3**	637.9
Other	**439.9**	433.1
Total Liabilities	**33,582.2**	30,913.4
Total Equity	**14,936.0**	16,529.5

As at June 30, 2024, total BDC assets amounted to $48.5 billion, an increase of $1.1 billion from March 31, 2024, mainly explained by the $0.7 billion increase in our net loans portfolio.

At $39.6 billion, the loan portfolio represented BDC's largest asset (gross portfolio of $40.9 billion less a $1.3 billion allowance for expected credit losses). The gross loans portfolio grew by 1.9% over the quarter ended June 30, 2024, 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 $5.9 billion, compared to $5.7 billion as at March 31, 2024. The increase of $199.2 million was mainly driven by net disbursements.

As at June 30, 2024, BDC recorded a net defined benefit asset of $403.6 million for the registered pension plan and a net defined benefit liability of $223.5 million for the other plans, for a total net defined benefit asset of $180.1 million. This represented an increase of $73.5 million, compared to the total net defined benefit asset as at March 31, 2024, primarily as a result of remeasurement gains recorded in the first quarter of fiscal 2025. Refer to page 11 of this report for further information on remeasurements of net defined benefit asset or liability.

BDC holds cash in accordance with its Treasury Risk Policy. BDC's liquidities, which ensure funds are available to meet its cash outflows, totalled $999.5 million as at June 30, 2024, compared to $919.3 million as at March 31, 2024.

As at June 30, 2024, BDC funded its portfolios and liquidities with borrowings of $32.3 billion and total equity of $14.9 billion. Borrowings comprised $19.7 billion in short-term notes and $12.6 billion in long-term notes.

Cash

($ in millions)	Three months ended June 30 F2025	F2024
Cash used by operating activities	**(558.2)**	(381.6)
Cash used by investing activities	**(196.6)**	(211.8)
Cash provided by financing activities	**835.0**	580.1
Change in cash	**80.2**	(13.3)

For the three-month period ended June 30, 2024, operating activities used $558.2 million in net cash flows, mainly to support the growth of the loan portfolio. Cash flows used by investing activities amounted to $196.6 million, reflecting net disbursements for investments and asset-backed-securities. Financing activities provided $835.0 million in cash flows, mainly as a result of a net change of $2.7 billion in borrowings, offset by a share repurchase of $1.5 billion and 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.

($ in millions)	June 30, 2024	March 31, 2024
Equity attributable to BDC's shareholder	**14,934**	16,526
Intangible assets, net of accumulated amortization	**(52)**	(52)
Net defined benefit asset	**(404)**	(338)
Adjustments for allowance for expected credit losses	**514**	503
Portion of equity attributable to CIP	**(2,412)**	(2,382)
Portion of equity attributable to CAP	**(1,814)**	(3,356)
Adjustments to available capital	**(4,168)**	(5,625)
Total available capital (a)	**10,766**	10,901
Required capital (b)	**9,607**	9,389
Capital status (a-b)	**1,159**	1,512
Management operating range (c)	**731**	720
Capital generated above the internal target rate (a-b-c)	**428**	792
Internal capital ratio	**112.1%**	116.1%

BDC's internal capital ratio, excluding CIP and CAP, stood at 112.1% as at June 30, 2024, above its target capital ratio, compared to 116.1% as at March 31, 2024. 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 2025. Our regulatory capital ratio is well above the minimum regulatory capital requirements and BDC is well positioned to continue to support Canadian SMEs.

Corporate Plan Discussion

Key financial measures

	Three months ended June 30	
	Actual F2025	Plan F2025
Adjusted return on equity (annual)	6.5%	5.4%
Adjusted return on equity (10-year moving average)	10.2%	10.1%
BDC efficiency ratio	34.4%	39.1%
Internal capital ratio (Core)	112.1%	110.4%

Adjusted return on equity was 6.5% as at June 30, 2024, higher than the corporate plan (plan) of 5.4%. This was mainly due to higher-than-expected net income from Venture Capital as a result of higher than planned net foreign exchange gains and lower than planned net change in unrealized depreciation of investments.

BDC's efficiency ratio for the first quarter of fiscal 2025 was 34.4%, which was better than the planned 39.1%. This was mainly because operating and administrative expenses were less than expected, due to lower salaries and staff benefits, as new employee hires and corporate project spending were delayed. The internal capital ratio stands at 112.1%, above plan of 110.4% as the amount of required capital was lower than anticipated for our Financing portfolio.

Consolidated net income

($ in millions)	Three months ended June 30 Actual F2025	 Plan F2025
Net interest income	**522.7**	503.9
Net realized gains (losses) on investments	**(1.7)**	(14.1)
Revenue from Advisory Services	**13.1**	11.8
Fee and other income	**22.4**	23.2
Net revenue	**556.5**	**524.8**
Provision for expected credit losses	**(168.8)**	(151.2)
Net change in unrealized appreciation (depreciation) of investments	**2.3**	(12.4)
Net foreign exchange gains (losses)	**15.5**	-
Net gains (losses) on other financial instruments	**(40.9)**	(24.9)
Income before operating and administrative expenses	**364.6**	**336.3**
Operating and administrative expenses	**(203.6)**	(218.3)
Consolidated net income (loss)	**161.0**	**118.0**
Core net income (loss)	**201.2**	**156.5**

BDC's consolidated net income for the first quarter of fiscal 2025 reached $161.0 million, $43.0 million higher than plan. This variance was mainly driven by higher than planned net interest income in Financing and CAP, lower net change in unrealized depreciation of VC investments and lower operating and administrative expenses. This was partially offset by higher than planned provision for expected credit losses in Financing and higher net losses on other financial instruments in CAP driven by the CDAP program.

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
August 14, 2024

Consolidated Statement of Financial Position

(unaudited)

(in thousands of Canadian dollars)	Notes	June 30, 2024	March 31, 2024
ASSETS			
Cash		**999,518**	919,278
Derivative assets		**3,552**	317
Asset-backed securities	6	**1,306,090**	1,289,527
Loans			
Loans, gross carrying amount	7	**40,923,108**	40,162,892
Less: allowance for expected credit losses	7	**(1,330,234)**	(1,271,850)
Loans, net of allowance for expected credit losses		**39,592,874**	38,891,042
Investments	8	**5,937,136**	5,737,949
Property and equipment		**56,762**	58,360
Intangible assets		**52,185**	52,275
Right-of-use-assets		**77,115**	80,357
Net defined benefit asset		**403,600**	338,256
Other assets		**89,327**	75,579
Total assets		**48,518,159**	47,442,940
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable, accrued and other liabilities		**345,718**	336,738
Derivative liabilities		**1,601**	144
Borrowings			
Short-term notes		**19,738,909**	17,833,660
Long-term notes		**12,550,571**	11,777,172
Total borrowings		**32,289,480**	29,610,832
Lease liabilities			
Short-term lease liabilities		**13,557**	13,872
Long-term lease liabilities		**79,069**	82,314
Total lease liabilities		**92,626**	96,186
Net defined benefit liability		**223,467**	231,608
Expected credit losses on loan commitments and guarantees	7,11	**629,315**	637,857
Total liabilities		**33,582,207**	30,913,365
Equity			
Share capital	9	**6,139,900**	7,639,900
Contributed surplus		**27,778**	27,778
Retained earnings		**8,775,886**	8,873,078
Accumulated other comprehensive income		**(9,689)**	(14,301)
Equity attributable to BDC's shareholder		**14,933,875**	16,526,455
Non-controlling interests		**2,077**	3,120
Total equity		**14,935,952**	16,529,575
Total liabilities and equity		**48,518,159**	47,442,940

Guarantees (Note 11)
Commitments (Notes 6, 7, 8 and 11)

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 June 30 2024	2023
Interest income	13	**836,224**	742,148
Interest expense	13	**313,489**	256,942
Net interest income		**522,735**	485,206
Net realized gains (losses) on investments		**(1,688)**	17,712
Revenue from Advisory Services		**13,118**	11,443
Fee and other income		**22,363**	21,208
Net revenue		**556,528**	535,569
Provision for expected credit losses		**(168,807)**	(149,834)
Net change in unrealized appreciation (depreciation) of investments		**2,327**	(13,423)
Net foreign exchange gains (losses)		**15,504**	(37,727)
Net gains (losses) on other financial instruments		**(40,934)**	(17,130)
Income before operating and administrative expenses		**364,618**	317,455
Salaries and benefits		**141,887**	132,237
Premises and equipment		**11,447**	11,176
Other expenses		**50,299**	49,995
Operating and administrative expenses		**203,633**	193,408
Net income		**160,985**	124,047
Net income (loss) attributable to:			
BDC's shareholder		**162,028**	125,755
Non-controlling interests		**(1,043)**	(1,708)
Net income		**160,985**	124,047

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 June 30	
(in thousands of Canadian dollars)	**2024**	2023
Net income	**160,985**	124,047
Other comprehensive income (loss)		
Items that may be reclassified subsequently to net income		
Net change in unrealized gains (losses) on fair value through other comprehensive income assets	**4,612**	(8,874)
Total items that may be reclassified subsequently to net income	**4,612**	(8,874)
Items that will not be reclassified to net income		
Remeasurements of net defined benefit asset or liability	**77,780**	(8,034)
Other comprehensive income	**82,392**	(16,908)
Total comprehensive income	**243,377**	107,139
Total comprehensive income (loss) attributable to:		
BDC's shareholder	**244,420**	108,847
Non-controlling interests	**(1,043)**	(1,708)
Total comprehensive income	**243,377**	107,139

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

Consolidated Statement of Changes in Equity

For the three months ended June 30
(unaudited)

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive FVOCI assets [(1)]	Accumulated other comprehensive Total	Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
Balance as at March 31, 2024	**7,639,900**	**27,778**	**8,873,078**	**(14,301)**	**(14,301)**	**16,526,455**	**3,120**	**16,529,575**
Total comprehensive income (loss)								
Net income			**162,028**			**162,028**	**(1,043)**	**160,985**
Other comprehensive income (loss)								
Net change in unrealized gains (losses) on fair value through other comprehensive income assets				**4,612**	**4,612**	**4,612**		**4,612**
Remeasurements of net defined benefit asset or liability			**77,780**			**77,780**		**77,780**
Other comprehensive income (loss)	**-**	**-**	**77,780**	**4,612**	**4,612**	**82,392**	**-**	**82,392**
Total comprehensive income (loss)	**-**	**-**	**239,808**	**4,612**	**4,612**	**244,420**	**(1,043)**	**243,377**
Dividends on common shares			**(337,000)**			**(337,000)**		**(337,000)**
Repurchase of common shares	**(1,500,000)**					**(1,500,000)**		**(1,500,000)**
Transactions with owner, recorded directly in equity	**(1,500,000)**	**-**	**(337,000)**	**-**	**-**	**(1,837,000)**	**-**	**(1,837,000)**
Balance as at June 30, 2024	**6,139,900**	**27,778**	**8,775,886**	**(9,689)**	**(9,689)**	**14,933,875**	**2,077**	**14,935,952**

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive FVOCI assets [(1)]	Accumulated other comprehensive Total	Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
Balance as at March 31, 2023	7,289,900	27,778	8,850,687	(29,590)	(29,590)	16,138,775	6,126	16,144,901
Total comprehensive income (loss)								
Net income (loss)			125,755			125,755	(1,708)	124,047
Other comprehensive income (loss)								
Net change in unrealized gains (losses) on fair value through other comprehensive income assets				(8,874)	(8,874)	(8,874)		(8,874)
Remeasurements of net defined benefit asset or liability			(8,034)			(8,034)		(8,034)
Other comprehensive income (loss)	-	-	(8,034)	(8,874)	(8,874)	(16,908)	-	(16,908)
Total comprehensive income (loss)	-	-	117,721	(8,874)	(8,874)	108,847	(1,708)	107,139
Dividends on common shares			(337,000)			(337,000)		(337,000)
Transactions with owner, recorded directly in equity	-	-	(337,000)	-	-	(337,000)	-	(337,000)
Balance as at June 30, 2023	7,289,900	27,778	8,631,408	(38,464)	(38,464)	15,910,622	4,418	15,915,040

(1) Fair value through other comprehensive income assets

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

Consolidated Statement of Cash Flows

(unaudited)

(in thousands of Canadian dollars)	Notes	Three months ended June 30 2024	2023
Operating activities			
Net income		**160,985**	124,047
Adjustments to determine net cash flows			
Interest income	13	**(836,224)**	(742,148)
Interest expense	13	**312,948**	256,485
Interest on lease liabilities		**541**	457
Net realized losses (gains) on investments		**1,688**	(17,712)
Provision for expected credit losses		**168,807**	149,834
Net change in unrealized depreciation (appreciation) of investments		**(2,327)**	13,423
Net unrealized foreign exchange losses (gains)		**(29,080)**	57,026
Defined benefits funding below (in excess of) amounts expensed		**4,295**	(2,986)
Depreciation of property and equipment, and amortization of intangible assets		**5,752**	5,253
Depreciation of right-of-use assets		**3,106**	3,323
Other		**(20,813)**	(6,346)
Interest expense paid	13	**(298,915)**	(242,310)
Interest income received	13	**829,729**	725,996
Claims on guarantees paid		**(72,104)**	(31,637)
Changes in operating assets and liabilities			
Net change in loans		**(788,701)**	(675,722)
Net change in accounts payable,accrued and other liabilities		**15,866**	12,823
Net change in other assets		**(13,748)**	(11,484)
Net cash flows provided (used) by operating activities		**(558,195)**	(381,678)
Investing activities			
Disbursements for asset-backed securities		**(156,937)**	(235,269)
Repayments and proceeds on sale of asset-backed securities		**144,664**	134,658
Disbursements for investments		**(289,681)**	(228,673)
Repayments of investments		**88,410**	98,150
Proceeds on sale of investments		**21,008**	24,808
Acquisition of property and equipment		**(1,267)**	(2,535)
Acquisition of intangible assets		**(2,797)**	(2,940)
Net cash flows provided (used) by investing activities		**(196,600)**	(211,801)
Financing activities			
Net change in short-term notes		**1,919,000**	(7,000)
Issue of long-term notes		**1,297,000**	1,234,000
Repayment of long-term notes		**(540,000)**	(306,000)
Repurchase of common shares		**(1,500,000)**	-
Dividends paid on common shares		**(337,000)**	(337,000)
Payment of lease liabilities		**(3,965)**	(3,861)
Net cash flows provided (used) by financing activities		**835,035**	580,139
Net increase (decrease) in cash		**80,240**	(13,340)
Cash at beginning of period		**919,278**	878,919
Cash at end of period		**999,518**	865,579

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 Small Business.

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, 2024. They should be read in conjunction with the audited Consolidated Financial Statements for the year ended March 31, 2024 and the accompanying notes as set out on pages 67 to 131 of BDC's 2024 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 August 14, 2024.

3.

Material 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, 2024. 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 2024 Annual Report and the accompanying notes, as set out on pages 67 to 131 of our 2024 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 79 of our 2024 Annual Report.

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

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:

(unaudited, in thousands of Canadian dollars)

- 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.

				June 30, 2024
	Fair value measurements using			**Total**
	Level 1	**Level 2**	**Level 3**	**fair value**
Assets				
Derivative assets	**-**	**3,552**	**-**	**3,552**
Asset-backed securities	**-**	**1,306,090**	**-**	**1,306,090**
Investments	**66,671**	**-**	**5,870,465**	**5,937,136**
	66,671	**1,309,642**	**5,870,465**	**7,246,778**
Liabilities				
Derivative liabilities	**-**	**1,601**	**-**	**1,601**
	-	**1,601**	**-**	**1,601**

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

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

	June 30, 2024
	Total
Fair value as at April 1, 2024	**5,652,600**
Net realized gains (losses) on investments	**(1,687)**
Net change in unrealized appreciation (depreciation) of investments	**21,361**
Net unrealized foreign exchange gains (losses) on investments	**14,346**
Disbursements for investments	**289,389**
Repayments of investments and other	**(105,543)**
Transfers from level 3 to level 1	**-**
Fair value as at June 30, 2024	**5,870,465**

(unaudited, in thousands of Canadian dollars)

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

6.

Asset-backed securities

The following table summarizes ABS by classification of financial instruments.

	June 30, 2024	March 31, 2024
Fair value through other comprehensive income		
Principal amount	**1,326,742**	1,314,892
Cumulative fair value appreciation (depreciation)	**(37,835)**	(42,447)
Carrying value	**1,288,907**	1,272,445
Yield	**4.42%**	4.27%
Fair value through profit or loss		
Principal amount	**22,496**	22,440
Cumulative fair value appreciation (depreciation)	**(5,313)**	(5,358)
Carrying value	**17,183**	17,082
Yield	**8.94%**	8.85%
Asset-backed securities	**1,306,090**	1,289,527

An allowance for expected credit losses of $28.1 million, resulting from a significant increase in credit risk, was recorded on a portion of the ABS portfolio classified at fair value through other comprehensive income for the year ending March 31, 2024. No additional provision was recorded for the quarter ending June 30, 2024. The allowance for expected credit losses was recognized in the Consolidated Statement of Income in provision for expected credit losses with the corresponding loss recorded in net change in unrealized gains (losses) on FVOCI assets in the Consolidated Statement of Comprehensive Income.

(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	**392,115**	**5,362,402**	**34,023,350**	**39,777,867**	**(843,253)**	**38,934,614**
Impaired	**49,305**	**208,244**	**887,692**	**1,145,241**	**(486,981)**	**658,260**
Loans as at June 30, 2024	**441,420**	**5,570,646**	**34,911,042**	**40,923,108**	**(1,330,234)**	**39,592,874**

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

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, 2024	**405,580**	**410,732**	**455,538**	**1,271,850**
Provision for expected credit losses				
Transfer to Stage 1(1)	**42,705**	**(42,431)**	**(274)**	**-**
Transfer to Stage 2(1)	**(42,001)**	**47,774**	**(5,773)**	**-**
Transfer to Stage 3(1)	**(739)**	**(17,171)**	**17,910**	**-**
Net remeasurement of allowance for expected credit losses(2)	**(54,625)**	**48,716**	**76,627**	**70,718**
Financial assets that have been fully repaid	**(13,052)**	**(13,174)**	**(7,633)**	**(33,859)**
New financial assets originated	**68,501**	**6,198**	**-**	**74,699**
Write-offs	**-**	**-**	**(59,817)**	**(59,817)**
Recoveries	**-**	**-**	**10,141**	**10,141**
Foreign exchange and other movements	**25**	**(3,785)**	**262**	**(3,498)**
Balance as at June 30, 2024	**406,394**	**436,859**	**486,981**	**1,330,234**

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

(1) Provides the cumulative movement from the previous month'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.

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.

(unaudited, in thousands of Canadian dollars)

Undisbursed amounts of authorized loans were $4,461,256 as at June 30, 2024 ($1,583,898 at fixed rates; $2,868,173 at floating rates, and $9,185 at zero interest rate) ($4,399,869 as at March 31, 2024; $1,719,844 at fixed rates; $2,673,525 at floating rates; $6,500 at zero interest rate). The weighted average effective interest rate on interest-bearing loan commitments was 7.70% (7.78% as at March 31, 2024).

	June 30, 2024		March 31, 2024	
Geographic distribution	**Outstanding**	**Commitments**	Outstanding	Commitments
Newfoundland and Labrador	**764,325**	**46,146**	767,641	43,511
Prince Edward Island	**76,856**	**278**	78,507	1,786
Nova Scotia	**760,126**	**45,842**	761,702	41,954
New Brunswick	**553,490**	**73,350**	535,519	91,019
Quebec	**13,182,685**	**1,496,178**	13,018,040	1,398,451
Ontario	**11,248,061**	**1,100,667**	11,096,225	1,128,123
Manitoba	**1,117,995**	**115,843**	1,073,479	91,974
Saskatchewan	**1,080,892**	**64,633**	1,074,714	63,774
Alberta	**5,530,810**	**877,857**	5,431,721	796,677
British Columbia	**6,417,286**	**623,063**	6,137,216	735,489
Yukon	**107,907**	**9,216**	107,305	4,676
Northwest Territories and Nunavut	**82,675**	**8,183**	80,823	2,435
Total loans outstanding	**40,923,108**	**4,461,256**	40,162,892	4,399,869

	June 30, 2024		March 31, 2024	
Industry sector	**Outstanding**	**Commitments**	Outstanding	Commitments
Manufacturing	**8,441,139**	**1,130,818**	8,402,140	1,131,408
Wholesale and retail trade	**8,662,039**	**805,182**	8,346,092	868,616
Service industries	**6,398,693**	**523,108**	6,247,200	551,155
Tourism	**3,747,138**	**252,460**	3,676,376	309,806
Commercial properties	**3,921,980**	**332,262**	3,882,292	207,352
Construction	**3,975,206**	**349,878**	3,907,244	350,356
Transportation and storage	**2,817,416**	**336,630**	2,766,857	312,562
Resources	**1,533,067**	**564,923**	1,549,146	491,796
Other	**1,426,430**	**165,995**	1,385,545	176,818
Total loans outstanding	**40,923,108**	**4,461,256**	40,162,892	4,399,869

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.

	June 30, 2024			
	Allowance for expected credit losses on commitments			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at April 1, 2024	**55,504**	**10,781**	**-**	**66,285**
Provision for expected credit losses				
Transfer to Stage 1[(1)]	**656**	**(656)**	**-**	**-**
Transfer to Stage 2[(1)]	**(3,316)**	**3,316**	**-**	**-**
Net remeasurement of the allowance for expected credit losses[(2)]	**1,537**	**7,751**	**-**	**9,288**
Net increase (decrease) in commitments	**1,397**	**(4,613)**	**-**	**(3,216)**
Foreign exchange and other movements	**(89)**	**(816)**	**-**	**(905)**
Balance as at June 30, 2024	**55,689**	**15,763**	**-**	**71,452**

(unaudited, in thousands of Canadian dollars)

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

(1) Provides the cumulative movement from the previous month's allowance for expected credit losses 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.

			June 30, 2024			March 31, 2024
Investment type	**Fair value**	**Cost**	**Commitments**	Fair value	Cost	Commitments
Direct investments						
Debt	**1,349,162**	**1,448,751**	**177,094**	1,309,099	1,401,247	170,594
Equity	**2,327,329**	**1,915,098**	**76,137**	2,228,638	1,822,650	106,573
	3,676,491	**3,363,849**	**253,231**	3,537,737	3,223,897	277,167
Indirect equity investments in funds	**2,260,645**	**1,449,898**	**1,219,686**	2,200,212	1,410,230	1,211,789
Investments	**5,937,136**	**4,813,747**	**1,472,917**	5,737,949	4,634,127	1,488,956

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 June 30, 2024	**176,592**	**1,009,826**	**262,333**	**1,448,751**	**1,349,162**
As at March 31, 2024	120,148	987,492	293,607	1,401,247	1,309,099

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

The following tables summarize debt investments outstanding and commitments, classified by geographic distribution and by industry sector. Debt investment commitments include $100,841 at fixed rates and $76,253 at floating rates ($103,310 and $67,284, respectively, as at March 31, 2024) and their weighted-average effective interest rate was 10.3% (10.1% on debt commitments as at March 31, 2024), excluding non-interest returns.

(unaudited, in thousands of Canadian dollars)

			June 30, 2024			March 31, 2024
Geographic distribution	**Fair value**	**Cost**	**Commitments**	Fair value	Cost	Commitments
Newfoundland and Labrador	**25,326**	**25,684**	**-**	12,665	13,524	16,500
Prince Edward Island	**2,559**	**2,559**	**1,500**	-	-	4,050
Nova Scotia	**21,912**	**23,597**	**1,000**	19,539	21,225	1,700
New Brunswick	**15,676**	**18,759**	**1,900**	14,387	17,470	-
Quebec	**441,743**	**454,701**	**60,339**	446,506	455,129	42,950
Ontario	**539,422**	**589,239**	**77,820**	522,034	568,870	67,355
Manitoba	**30,656**	**31,437**	**3,565**	27,895	28,676	5,065
Saskatchewan	**36,660**	**37,407**	**-**	37,856	38,324	-
Alberta	**96,281**	**119,237**	**9,099**	92,824	115,653	9,649
British Columbia	**136,807**	**143,911**	**21,871**	133,272	140,155	23,325
Yukon	**2,120**	**2,220**	**-**	2,121	2,221	-
Debt investments	**1,349,162**	**1,448,751**	**177,094**	1,309,099	1,401,247	170,594

			June 30, 2024			March 31, 2024
Industry sector	**Fair value**	**Cost**	**Commitments**	Fair value	Cost	Commitments
Service industries	**447,424**	**465,151**	**72,974**	437,365	450,607	68,053
Manufacturing	**304,392**	**327,352**	**28,869**	303,662	323,648	37,488
Wholesale and retail trade	**257,159**	**270,908**	**15,575**	245,657	258,940	17,715
Information industries	**150,641**	**163,067**	**38,468**	137,604	151,018	29,118
Construction	**102,664**	**104,903**	**2,750**	99,291	101,405	10,000
Resources	**37,931**	**59,355**	**1,200**	36,608	58,366	1,155
Transportation and storage	**15,979**	**21,183**	**1,368**	14,228	19,433	-
Tourism	**15,331**	**19,029**	**5,825**	18,081	20,912	2,000
Educational services	**14,792**	**14,954**	**565**	16,603	16,918	565
Commercial properties	**2,849**	**2,849**	**9,500**	-	-	-
Other	**-**	**-**	**-**	-	-	4,500
Debt investments	**1,349,162**	**1,448,751**	**177,094**	1,309,099	1,401,247	170,594

The largest concentration of debt investments in one individual or closely related group of clients as at June 30, 2024, was 2.0% of total debt investments at cost (2.1% as at March 31, 2024). 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 2.2% of the total direct equity investments at cost (2.3% as at March 31, 2024).

			June 30, 2024			March 31, 2024
Industry sector	**Fair value**	**Cost**	**Commitments**	Fair value	Cost	Commitments
Information technology	**763,309**	**685,974**	**19,008**	721,823	638,604	14,306
Service industries	**374,614**	**256,600**	**3**	362,035	246,195	10,158
Manufacturing	**361,610**	**207,627**	**23,746**	352,763	197,128	15,738
Communications	**229,371**	**142,879**	**914**	227,472	142,642	1,002
Resources	**130,402**	**133,861**	**12,787**	133,133	136,963	4,287
Industrial	**99,228**	**105,499**	**1,788**	103,461	104,769	834
Electronics	**87,702**	**91,975**	**10,100**	87,950	104,547	100
Wholesale and retail trade	**67,545**	**60,297**	**1**	54,645	47,398	12,900
Medical and health	**56,994**	**62,156**	**1,961**	54,191	60,505	3,579
Transportation and storage	**46,010**	**31,283**	**-**	46,010	33,585	30,521
Biotechnology and pharmacology	**26,538**	**36,668**	**4,230**	28,571	37,283	4,230
Energy	**21,886**	**21,886**	**1**	20,555	27,516	496
Educational services	**20,606**	**27,515**	**497**	8,340	6,249	751
Construction	**8,340**	**6,249**	**751**	-	-	6,771
Other	**33,174**	**44,629**	**350**	27,689	39,266	900
Direct equity investments	**2,327,329**	**1,915,098**	**76,137**	2,228,638	1,822,650	106,573

9.

Share capital

An unlimited number of common shares, having a par value of $100 each, is authorized. As at June 30, 2024, there were 61,399,000 common shares outstanding (76,399,000 as at March 31, 2024).

The Minister of Finance authorized on June 6, 2024 the repurchase of 15.0 million of its common shares for a total value of $1.5 billion to reduce the excess capital in the Credit Availability Program (CAP) related to COVID-19 initiatives. On June 14, 2023, BDC's Board of Directors authorized the payment of $337.0 million in dividends. The payment for both these transactions was made on June 22, 2024.

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 three months ended June 30, 2024 and the year ended March 31, 2024, 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, and 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 and loan guarantees 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. The 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 and equity investments targeted to companies that are rich in intellectual property. The Climate Tech Fund II are equity investments in Canadian cleantech companies made 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 its sole shareholder, the Government of Canada, BDC 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 BDC is 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, its shareholder launched the Canada Digital Adoption Program (CDAP), to help small and medium-sized enterprises adopt digital technologies and stay competitive by providing access to expertise and funding with interest-free loans from BDC. CAP's COVID-19 relief measures ended in fiscal 2022, and the CDAP program no longer accepted applications as of the end of fiscal 2024.

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.

(unaudited, in thousands of Canadian dollars)

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.

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

Three months ended June 30, 2024

	BDC	Financing	Advisory Services	Growth & Transition Capital	Venture Capital	Capital Incentive Programs	Credit Availability Program
Interest income	836,224	769,274	-	36,693	404	601	29,252
Interest expenses	313,489	342,646	-	9,248	120	(10,783)	(27,742)
Net interest income	522,735	426,628	-	27,445	284	11,384	56,994
Net realized gains (losses) on investments	(1,688)	-	-	7,844	(8,667)	-	(865)
Revenue from Advisory Services	13,118	-	13,118	-	-	-	-
Fee and other income	22,363	7,889	-	5,059	72	1,037	8,306
Net revenue	556,528	434,517	13,118	40,348	(8,311)	12,421	64,435
Provision for expected credit losses	(168,807)	(112,695)	-	-	-	-	(56,112)
Net change in unrealized appreciation (depreciation) of investments	2,327	783	-	(7,479)	(6,348)	17,304	(1,933)
Net foreign exchange gains (losses)	15,504	(5,258)	-	(953)	20,499	562	654
Net gains (losses) on other financial instruments	(40,934)	-	-	-	-	-	(40,934)
Income (loss) before operating and administrative expenses	364,618	317,347	13,118	31,916	5,840	30,287	(33,890)
Salaries and benefits	141,887	101,657	12,954	9,675	11,821	1,230	4,550
Premises and equipment	11,447	8,906	802	466	830	118	325
Other expenses	50,299	35,879	8,947	1,292	2,534	246	1,401
Operating and administrative expenses	203,633	146,442	22,703	11,433	15,185	1,594	6,276
Net income (loss)	160,985	170,905	(9,585)	20,483	(9,345)	28,693	(40,166)
Net income (loss) attributable to:							
BDC's shareholder	162,028	170,905	(9,585)	20,502	(8,321)	28,693	(40,166)
Non-controlling interests	(1,043)	-	-	(19)	(1,024)	-	-
Net income (loss)	160,985	170,905	(9,585)	20,483	(9,345)	28,693	(40,166)
Business segment portfolio as at June 30, 2024							
Asset-backed securities	1,306,090	1,306,090	-	-	-	-	-
Loans, net of allowance for expected credit losses	39,592,874	38,272,283	-	-	-	-	1,320,591
Debt investments	1,349,162	10,321	-	1,303,689	31,413	-	3,739
Direct equity investments	2,327,329	-	-	13	1,819,250	405,900	102,166
Indirect equity investments in Funds	2,260,645	-	-	-	1,140,274	1,120,371	-
Investments	5,937,136	10,321	-	1,303,702	2,990,937	1,526,271	105,905
Total portfolio	46,836,100	39,588,694	-	1,303,702	2,990,937	1,526,271	1,426,496
Business segment Commitments and Guaranteesas at June 30, 2024							
Asset-backed securities	712,502	712,502	-	-	-	-	-
Loans	4,461,256	4,445,231	-	-	-	-	16,025
Debt investments	177,094	1,490	-	167,154	8,450	-	-
Direct equity investments	76,137	-	-	-	59,723	16,113	301
Indirect equity investments in Funds	1,219,686	-	-	-	671,865	547,821	-
Commitments	6,646,675	5,159,223	-	167,154	740,038	563,934	16,326
Guarantees	2,583,134	18,815	-	-	-	-	2,564,319
Total commitments and guarantees	9,229,809	5,178,038	-	167,154	740,038	563,934	2,580,645

(unaudited, in thousands of Canadian dollars)

	Notes	BDC	Financing	Advisory Services	Growth & Transition Capital	Venture Capital	Capital Incentive Programs	Credit Availability Program
								Three months ended June 30, 2023
Interest income	13	742,148	668,089	-	34,476	841	1,450	37,292
Interest expenses	13	256,942	278,157	-	7,587	95	(5,700)	(23,197)
Net interest income		485,206	389,932	-	26,889	746	7,150	60,489
Net realized gains (losses) on investments		17,712	4	-	504	10,704	6,396	104
Revenue from Advisory Services		11,443	-	11,443	-	-	-	-
Fee and other income		21,208	7,063	-	3,614	619	49	9,863
Net revenue		535,569	396,999	11,443	31,007	12,069	13,595	70,456
Provision for expected credit losses		(149,834)	(82,334)	-	-	-	-	(67,500)
Net change in unrealized appreciation (depreciation) of investments		(13,423)	(81)	-	(1,591)	(3,477)	(4,763)	(3,511)
Net foreign exchange gains (losses)		(37,727)	(3,577)	-	(1,172)	(31,761)	(1,153)	(64)
Net gains (losses) on other financial instruments		(17,130)	-	-	-	-	-	(17,130)
Income (loss) before operating and administrative expenses		317,455	311,007	11,443	28,244	(23,169)	7,679	(17,749)
Salaries and benefits		132,237	94,750	11,617	9,040	11,882	1,099	3,849
Premises and equipment		11,176	8,689	828	475	719	176	289
Other expenses		49,995	35,770	7,958	1,386	2,517	336	2,028
Operating and administrative expenses		193,408	139,209	20,403	10,901	15,118	1,611	6,166
Net income (loss)		124,047	171,798	(8,960)	17,343	(38,287)	6,068	(23,915)
Net income (loss) attributable to:								
BDC's shareholder		125,755	171,798	(8,960)	17,356	(36,592)	6,068	(23,915)
Non-controlling interests		(1,708)	-	-	(13)	(1,695)	-	-
Net income (loss)		124,047	171,798	(8,960)	17,343	(38,287)	6,068	(23,915)
Business segment portfolio as at June 30, 2023								
Asset-backed securities		1,267,616	1,267,616	-	-	-	-	-
Loans, net of allowance for expected credit losses		36,516,924	34,810,372	-	-	-	-	1,706,552
Debt investments		1,238,514	10,051	-	1,182,634	37,793	-	8,036
Direct equity investments		2,351,292	-	-	-	1,743,935	477,973	129,384
Indirect equity investments in funds		2,225,538	-	-	-	1,164,907	1,060,631	-
Investments		5,815,344	10,051	-	1,182,634	2,946,635	1,538,604	137,420
Total portfolio		43,599,884	36,088,039	-	1,182,634	2,946,635	1,538,604	1,843,972
Business segment Commitments and Guarantees as at June 30, 2023								
Asset-backed securities		655,259	655,259	-	-	-	-	-
Loans		4,291,403	4,287,485	-	-	-	-	3,918
Debt investments		156,136	1,367	-	140,989	13,780	-	-
Direct equity investments		79,783	-	-	-	55,247	21,815	2,721
Indirect equity investments in Funds		1,166,370	-	-	-	564,905	601,465	-
Commitments		6,348,951	4,944,111	-	140,989	633,932	623,280	6,639
Guarantees		3,170,578	1,146	-	-	-	-	3,169,432
Total commitments and guarantees		9,519,529	4,945,257	-	140,989	633,932	623,280	3,176,071

(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 $2,583.1 million as at June 30, 2024 ($2,680.7 million as at March 31, 2024) and the existing terms expire within an average of 78 months (within an average of 80 months as at March 31, 2024).

As at June 30, 2024, an amount of $51.4 million of claims payable under these guarantees was recognized in BDC's Consolidated Statement of Financial Position ($58.3 million as at March 31, 2024).

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.

				June 30, 2024
Allowance for expected credit losses on loan guarantees	Stage 1	Stage 2	Stage 3	Total
Balance as at April 1, 2024	**35,877**	**251,154**	**284,541**	**571,572**
Provision for expected credit losses				
Transfer to Stage 1[1]	**18,760**	**(17,577)**	**(1,183)**	**-**
Transfer to Stage 2[1]	**(5,016)**	**7,750**	**(2,734)**	**-**
Transfer to Stage 3[1]	**(60)**	**(23,277)**	**23,337**	**-**
Net remeasurement of the allowance for expected credit losses[2]	**(14,619)**	**23,703**	**(21,175)**	**(12,091)**
Net increase (decrease) in guarantees	**168**	**(5,428)**	**3,642**	**(1,618)**
Balance as at June 30, 2024	**35,110**	**236,325**	**286,428**	**557,863**

				March 31, 2024
Allowance for expected credit losses on loan guarantees	Stage 1	Stage 2	Stage 3	Total
Balance as at April 1, 2023	46,030	248,601	202,614	497,245
Provision for expected credit losses				
Transfer to Stage 1[1]	104,309	(102,476)	(1,833)	-
Transfer to Stage 2[1]	(42,889)	61,687	(18,798)	-
Transfer to Stage 3[1]	(328)	(134,879)	135,207	-
Net remeasurement of the allowance for expected credit losses[2]	(67,294)	204,007	(8,998)	127,715
Net increase (decrease) in guarantees	(3,951)	(25,786)	(23,651)	(53,388)
Balance as at March 31, 2024	35,877	251,154	284,541	571,572

(1) Provides the cumulative movement from the previous month's 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 June 30, 2024, BDC had $19,738.9 million in short-term notes and $12,550.6 million in long-term notes outstanding with His Majesty the King in Right of Canada acting through the Minister of Finance ($17,833.7 million in short-term notes and $11,777.2 million in long-term notes as at March 31, 2024).

BDC recorded $312.9 million in interest expense, related to the borrowings from the Minister of Finance for the quarter ended June 30, 2024. Last year's comparative figure for the same period was $256.4 million.

In addition, no borrowings with the Minister of Finance were repurchased in the first three months of fiscal 2025 (no borrowings was repurchased during the same period last year).

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

Reclassifications of interest expense and interest 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 from Interest expense to interest income on the Consolidated Statement of Income, the Consolidated Statement of Cash Flows and Note 10—*Segmented information* for the quarter periods ended June 30, 2023.

(unaudited, in thousands of Canadian dollars)

Consolidated Statement of Income	Quarter ended June 30, 2023	Reclassification of interest expense	**Quarter ended June 30, 2023 reclassified**
Interest income	731,206	10,942	**742,148**
Interest expense	246,000	10,942	**256,942**

Consolidated Statement of Cash Flows			
Interest income	(731,206)	(10,942)	**(742,148)**
Interest income received	715,054	10,942	**725,996**
Interest expense	245,543	10,942	**256,485**
Interest expense paid	(231,368)	(10,942)	**(242,310)**

Note 10 - *Segmented Information*			
Interest income Financing	657,147	10,942	**668,089**
Total Interest income	657,147	10,942	**668,089**
Interest expense Financing	267,215	10,942	**278,157**
Total Interest expense	267,215	10,942	**278,157**

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