# 2025
# Financial Report

## Second Quarter

September 30, 2024

# Executive Summary

## Canadian economic outlook

Overall, global economic conditions are still weak. However, the global economy has sustained decent growth so far in 2024 even though uncertainty has increased. Geopolitical and trade tensions have risen in the second half of the year, posing upside risks to inflation worldwide. Still, global GDP is expected to stay the course and increase by 3.2% in calendar year 2024.

The Canadian economy is navigating a complex landscape marked by cautious optimism of a soft landing on one hand and persistent challenges on the other. Real GDP growth is estimated to have reached 1.1% for the January to August 2024 period compared to the same period in 2023. Leading indicators suggest the economy could continue to grow in the second half of the year, albeit at a slower pace.

Canada's fight against inflation appears to be largely behind us. Inflation continued to cool toward the Bank of Canada target, even dipping below the 2.0% marks at 1.6% in September. Excluding mortgage interest costs, inflation averaged 1.7 % to date in 2024. This reflects the desired effect of restrictive monetary policy, and the normalization of the supply and demand balance in the economy.

This has supported the Bank of Canada's decision to continue cutting its policy rate, which was reduced by another 25-basis points at the September meeting, to 4.25%.

Still, the economy continues to grapple with the effects of high debt servicing costs. Discretionary consumer spending started to show signs of slowing in mid-2024, as the prolonged effect of high interest rates and growing slack in the labour market set in.

The labour market began to ease in the third quarter of calendar year 2024, with 66,000 jobs added. While more entrants into the labour force explained part of the increase in Canada's unemployment rate, employment gains slowed significantly in July and August before rebounding at the end of the quarter. Over 47,000 jobs were created in September and the unemployment rate decreased for the first time in 2024. Job vacancies also took a dive, reaching slightly more than half a million - nearly 50% below the peak of May 2022.

These trends indicate that, while the labour market is normalizing, it remains fragile and susceptible to economic fluctuations. Entrepreneurs should find some relief in expectations of lower wage growth in the coming months.

Despite a certain optimism that has accompanied the rate cuts, demand has weakened in the economy and generated increased uncertainty among businesses. As a result, business investment has struggled to recover from the lows reached at the end of 2023, weighing on economic momentum. One significant factor that hurt GDP growth in early 2024 was the reduction in business investments in inventories that have since flattened. Companies faced difficulties clearing excess stock accumulated in 2023, which reduced growth by 2.2 percentage points in Q1 alone. Business investment has regained some strength since, led by non-residential business investment surging 11.1% on an annualized quarterly basis in Q2. However, it will take much more growth to make up for past investment shortfalls.

Credit conditions have already started improving but will remain restrictive for a little while longer. Chartered banks appear to have increased their risk appetite. Funds advanced to the corporate sector increased by nearly 80% between June 2023 and June 2024 while interest rates decreased by a meagre 0.13 percentage points during that period. Overall business lending conditions have started to ease, but they remain challenging, especially for smaller businesses, which have taken on smaller borrowings to cover their costs.

Even with the policy rate dropping by 75-basis points since the beginning of 2024, interest rates are still considered restrictive because their current level encourages saving over borrowing. The real impact of the Bank of Canada reductions will take more time to fully materialize. Households and businesses will continue to exercise caution in their spending and investment plans, awaiting more substantial rate reductions, and better demand conditions.

As rates continue to come down, the economy should recover close to its potential while business investment gains strength. We forecast GDP growth in Canada to come in at 1.0% for 2024 and 2.0 % in 2025.

# 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 September 30 | | Six months ended September 30 | |
|---|---|---|---|---|
| ($ in millions) | **F2025** | F2024 | **F2025** | F2024 |
| Financing loans acceptances | **2,171.5** | 2,684.7 | **5,554.5** | 5,574.2 |
| Advisory Services net contracts signed | **8.8** | 15.5 | **17.4** | 27.8 |
| Growth & Transition Capital acceptances | **92.0** | 124.7 | **216.4** | 218.9 |
| Venture Capital authorizations | **66.7** | 39.4 | **202.8** | 122.7 |
| Capital Incentive Programs authorizations | **15.3** | 11.9 | **25.7** | 64.0 |
| Credit Availability Program acceptances | **112.8** | 68.1 | **245.2** | 124.2 |

### Core activities

Although the Bank of Canada has cut its key rate three times since June 2024, consumers and businesses will have to be patient as they look for signs of economic rebound as it will likely take several months before the economy regains momentum in the face of interest rates that are still high.

Financing clients accepted a total of $2.2 billion in loans in the second quarter of fiscal 2025 compared to $2.7 billion for the same period last year. Although the volume of activity remained high, the decrease in Financing`s activity reflects that entrepreneurs are still regaining their confidence and remaining cautious about making business investments, especially those in sectors hardest hit by the economic slowdown.

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 $258.9 million in online financing loans for the first six months of fiscal 2025, compared to $276.9 million for the same period last year.

Financing's loans portfolio, net of allowance for credit losses, stood at $38.8 billion as at September 30, 2024.

Advisory Services reached net contracts signed amounting to $8.8 million in the second quarter of fiscal 2025 down from $15.5 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 second quarter of fiscal 2025, GTC clients accepted $92.0 million in debt investments, which was lower than the $124.7 million accepted in the same quarter of the previous year. The decrease in acceptances reflects the slowdown in the technology sector, as well as lower merger and acquisition activity in the market.

VC authorizations for the second quarter of fiscal 2025 totalled $66.7 million ($44.7 million in direct investments, $19.5 million in indirect investments and $2.5 million in debt investments), compared to $39.4 million ($25.7 million in direct investments and $13.7 million in indirect investments) for the same period last year. The increase in authorizations was driven by higher direct and indirect investments. This included $25.0 million invested in Cleantech funds and $8.8 million in Thrive during this quarter.

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. In the second quarter of fiscal 2025, $11.4 million in financing was authorized under this program. 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 second quarter of fiscal 2025 totalled $15.3 million, stemming from the activities of Cleantech Practice ($6.2 million) and Renewed VCCI ($9.1 million), compared to $11.9 million for the same period last year, which included authorizations from Renewed VCCI only.

**Credit Availability Program (CAP)**

The carrying amount of CAP’s loan and investment portfolio stood at $1.4 billion as at September 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 $112.8 million for the second quarter of fiscal 2025 compared to $68.1 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 second 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 $2.4 billion as at September 30, 2024, compared to $3.1 billion for the same period last year.

**Financial results overview**

Consolidated net loss amounted to $20.9 million for the second quarter of fiscal 2025, consisting of net income of $14.0 million for the Core business, and a net loss of $34.9 million for CAP. In comparison, BDC reported consolidated net income of $115.0 million for the same period last year, consisting of net income of $113.3 million for the Core business and net income of $1.7 million for CAP.

| ($ in millions) | Three months ended September 30 F2025 | F2024 | Six months ended September 30 F2025 | F2024 |
|---|---|---|---|---|
| Net interest income | **510.5** | 499.0 | **1,033.2** | 984.2 |
| Net realized gains (losses) on investments | **(20.8)** | 28.0 | **(22.5)** | 45.7 |
| Revenue from Advisory Services | **7.6** | 11.6 | **20.7** | 23.0 |
| Fee and other income | **21.7** | 17.9 | **44.1** | 39.1 |
| **Net revenue** | **519.0** | 556.5 | **1,075.5** | 1,092.0 |
| Provision for expected credit losses | **(166.3)** | (161.5) | **(335.1)** | (311.3) |
| Net change in unrealized appreciation (depreciation) of investments | **(112.4)** | (104.1) | **(110.1)** | (117.5) |
| Net foreign exchange gains (losses) | **(24.3)** | 44.4 | **(8.8)** | 6.7 |
| Net gains (losses) on other financial instruments | **(33.7)** | (21.6) | **(74.6)** | (38.7) |
| **Income before operating and administrative expenses** | **182.3** | 313.7 | **546.9** | 631.3 |
| Operating and administrative expenses | **203.2** | 198.9 | **406.8** | 392.3 |
| **Consolidated net income (loss)** | **(20.9)** | 115.0 | **140.1** | 239.1 |
| **Core net income (loss)** | **14.0** | 113.3 | **215.2** | 261.2 |

BDC recorded net income of $140.1 million for the six months ended September 30, 2024, consisting of net income of $215.2 million for the Core business, and a net loss of $75.1 million for CAP. In comparison, BDC reported consolidated net income of $239.1 million for the same period last year, consisting of net income of $261.2 million for the Core business and a loss of $22.1 million for CAP.

The decrease in consolidated net income for the six-month period ended September 30, 2024 was mainly attributable to lower net realized gains on investments in VC and CIP investment portfolios, higher net losses on other financial instruments in the CAP segment, and higher provisions for expected credit losses on Financing's loan portfolio. These negative variances were partially offset by Financing's higher net interest income due to portfolio growth.

### Key measures

| | Six months ended September 30 | |
|---|---|---|
| ($ in millions unless otherwise noted) | **F2025** | F2024 |
| **Loan portfolio growth** | | |
| Outstanding loans at gross carrying amount | **41,405.0** | 38,501.8 |
| Outstanding portfolio growth (%) | **7.5%** | 7.6% |
| Allowance for expected credit losses | **(1,394.9)** | (1,169.2) |
| **Investment portfolio growth** | | |
| Investments at cost | **4,937.7** | 4,473.5 |
| Portfolio growth (%) | **10.4%** | 9.8% |
| Investments at fair value | **5,930.1** | 5,778.0 |
| **Profitability** | | |
| Financing net interest income margin (%) | **4.19%** | 4.22% |
| **Efficiency** | | |
| Efficiency ratio (%) | **35.5%** | 35.5% |
| **Capital management** | | |
| Internal capital ratio (Core) | **112.7%** | 116.0% |
| **Shareholder return** | | |
| Adjusted return on common equity | **4.2%** | 4.8% |
| Adjusted return on common equity - 10 year moving average | **10.0%** | 10.7% |
| 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 six months ended September 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 and six-month periods ended September 30, 2024, compared to the corresponding periods of the prior fiscal year.

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

## Consolidated net income (loss)

| | Three months ended September 30 | | Six months ended September 30 | |
|---|---|---|---|---|
| ($ in millions) | **F2025** | F2024 | **F2025** | F2024 |
| Financing | **165.5** | 161.8 | **336.4** | 333.6 |
| Advisory Services | **(12.1)** | (10.5) | **(21.7)** | (19.5) |
| Growth & Transition Capital | **16.6** | 8.1 | **37.1** | 25.4 |
| Venture Capital | **(120.2)** | (50.0) | **(129.5)** | (88.3) |
| Capital Incentive Programs | **(35.8)** | 3.9 | **(7.1)** | 10.0 |
| **Core net income** | **14.0** | 113.3 | **215.2** | 261.2 |
| Credit Availability Program | **(34.9)** | 1.7 | **(75.1)** | (22.1) |
| **Net income (loss)** | **(20.9)** | 115.0 | **140.1** | 239.1 |
| **Net income (loss) attributable to:** | | | | |
| BDC's shareholder | **(21.0)** | 114.6 | **141.0** | 240.4 |
| Non-controlling interests | **0.1** | 0.4 | **(0.9)** | (1.3) |
| **Net income (loss)** | **(20.9)** | 115.0 | **140.1** | 239.1 |

**Three and six months ended September 30**

For the second quarter of fiscal 2025, BDC reported a consolidated net loss of $20.9 million, comprising $21.0 million of net loss attributable to BDC's shareholder and net income of $0.1 million attributable to non-controlling interests. For the equivalent period last year, consolidated net income of $115.0 million included $114.6 million of net income attributable to BDC's shareholder and $0.4 million of net income attributable to non-controlling interests.

BDC's consolidated Core net income was $14.0 million for the second quarter of fiscal 2025, compared to $113.3 million reported for the same period last year. The decrease in net income was mainly attributable to lower net foreign exchange gains on VC's investment portfolio, lower net realized gains on CIP's investment portfolio, and higher expected credit losses on Financing's loan portfolio, offset by higher net interest income from Financing's loan portfolio.

CAP reported a consolidated net loss of $34.9 million for the second quarter of fiscal 2025, compared to net income of $1.7 million for the same period last year. CAP's results were negatively impacted by lower net interest income and higher net losses on other financial instruments generated by fair value losses on initial recognition of CDAP loans. This was offset by lower provisions for expected credit losses.

For the six months ended September 30, 2024, BDC reported consolidated net income of $140.1 million, comprising $141.0 million of net income attributable to BDC's shareholder and a net loss of $0.9 million attributable to non-controlling interests. For the equivalent period last year, consolidated net income of $239.1 million included $240.4 million of net income attributable to BDC's shareholder and $1.3 million of net loss attributable to non-controlling interests.

BDC's consolidated Core net income was $215.2 million for the six months ended September 30, 2024, compared to $261.2 million reported for the same period last year. The decrease in net income was mainly attributable to lower net realized gains on investments in the Venture Capital and Capital Incentive Programs investment portfolios and higher provisions for expected credit losses on Financing's loan portfolio, offset by higher net interest income from Financing.

CAP reported a consolidated net loss of $75.1 million for the six months ended September 30, 2024, compared to a net loss of $22.1 million for the same period last year, mainly due to higher net losses on other financial instruments from CDAP loans and lower net interest income, offset by lower provisions for expected credit losses.

## Consolidated comprehensive income

| | Three months ended September 30 | | Six months ended September 30 | |
|---|---|---|---|---|
| ($ in millions) | **F2025** | F2024 | **F2025** | F2024 |
| **Net income (loss)** | **(20.9)** | 115.0 | **140.1** | 239.1 |
| **Other comprehensive income (loss)** | | | | |
| Items that may be reclassified subsequently to net income | | | | |
| Net change in unrealized gains (losses) on FVOCI[1] assets | **22.5** | (0.7) | **27.1** | (9.6) |
| **Total items that may be reclassified subsequently to net income** | **22.5** | (0.7) | **27.1** | (9.6) |
| Items that will not be reclassified to net income | | | | |
| Remeasurements of net defined benefit asset or liability | **(46.3)** | 59.0 | **31.5** | 51.0 |
| **Other comprehensive income (loss)** | **(23.8)** | 58.3 | **58.6** | 41.4 |
| **Total comprehensive income (loss)** | **(44.7)** | 173.3 | **198.7** | 280.5 |
| **Total comprehensive income (loss) attributable to:** | | | | |
| BDC's shareholder | **(44.8)** | 172.9 | **199.6** | 281.8 |
| Non-controlling interests | **0.1** | 0.4 | **(0.9)** | (1.3) |
| **Total comprehensive income (loss)** | **(44.7)** | 173.3 | **198.7** | 280.5 |

[1]Fair value through other comprehensive income

### 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 a consolidated other comprehensive loss of $23.8 million and other comprehensive income of $58.6 million, respectively, for the second quarter and the six-month period ended September 30, 2024, compared to consolidated other comprehensive income of $58.3 million and $41.4 million, respectively, for the same periods last year.

The decrease in consolidated other comprehensive income for the second quarter was mainly attributable to lower remeasurement gains on the net defined benefit asset or liability due to decreases in the discount rate used to measure the net defined benefit liability, which was partially offset by higher returns on plan assets.

The increase in consolidated other comprehensive income for the six-month period ending September 30, 2024 was mainly attributable to higher net change in unrealized gains on FVOCI assets, partially offset by lower remeasurement gains on the net defined benefit asset or liability.

## Operating and administrative expenses

| | Three months ended September 30 | | Six months ended September 30 | |
|---|---|---|---|---|
| ($ in millions unless otherwise noted) | **F2025** | F2024 | **F2025** | F2024 |
| **Salaries and benefits** | | | | |
| Salaries and other benefits | **131.7** | 126.1 | **261.6** | 247.3 |
| Defined benefit plan expense | **13.4** | 12.4 | **25.3** | 23.5 |
| | **145.1** | 138.5 | **286.9** | 270.7 |
| **Premises and equipment** | **11.2** | 11.3 | **22.6** | 22.5 |
| **Other expenses** | | | | |
| Professional and outsourcing fees | **22.8** | 25.4 | **48.1** | 51.1 |
| Computers and software, including amortization and depreciation | **17.4** | 14.8 | **34.8** | 30.3 |
| Communications, advertising, and promotion | **2.7** | 4.1 | **6.1** | 7.6 |
| Other | **4.0** | 4.7 | **8.3** | 10.0 |
| | **46.9** | 49.0 | **97.3** | 99.0 |
| **Total operating and administrative expenses** | **203.2** | 198.8 | **406.8** | 392.3 |
| **Efficiency ratio** | **36.6%** | 35.6% | **35.5%** | 35.5% |

### Three and six months ended September 30

For the second quarter and the six-month period of fiscal 2025, BDC recorded operating and administrative expenses of $203.2 million and $406.8 million, respectively, compared to $198.8 million and $392.3 million, respectively, for the same periods last year. The increase was mainly due to higher salaries and staff benefits, driven by additional resources required to support portfolio growth. However, operating and administrative expenses as a percentage of the average portfolio 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 slightly deteriorated for the three-month period and remained stable for the six-month period ended September 30, 2024, as compared to the same periods last year. The deterioration for the quarter ended September 30, 2024 was mainly explained by CAP's lower net revenue.

## Financing results

| | Three months ended September 30 | | Six months ended September 30 | |
|---|---|---|---|---|
| ($ in millions) | **F2025** | F2024 | **F2025** | F2024 |
| Net interest income | **432.9** | 394.5 | **859.5** | 784.4 |
| Fee and other income | **8.0** | 6.9 | **15.9** | 14.0 |
| Provision for expected credit losses | **(127.6)** | (105.6) | **(240.3)** | (187.9) |
| Net change in unrealized appreciation (depreciation) of investments | **7.8** | 0.9 | **8.7** | 0.8 |
| Net realized gains (losses) on investments | **(2.9)** | - | **(2.9)** | - |
| Net foreign exchange gains (losses) | **(1.2)** | 6.2 | **(6.5)** | 2.6 |
| Net gains (losses) on other financial instruments | **0.1** | - | **0.1** | - |
| **Income before operating and administrative expenses** | **317.1** | 302.9 | **634.5** | 613.9 |
| Operating and administrative expenses | **151.6** | 141.1 | **298.1** | 280.3 |
| **Net income (loss) from Financing** | **165.5** | 161.8 | **336.4** | 333.6 |

| | Three months ended September 30 | | Six months ended September 30 | |
|---|---|---|---|---|
| As % of average portfolio | **F2025** | F2024 | **F2025** | F2024 |
| Net interest income | **4.2** | 4.2 | **4.2** | 4.2 |
| Fee and other income | **0.1** | 0.1 | **0.1** | 0.1 |
| Provision for expected credit losses | **(1.2)** | (1.1) | **(1.2)** | (1.0) |
| Net foreign exchange gains (losses) | **-** | 0.1 | **-** | - |
| **Income before operating and administrative expenses** | **3.1** | 3.3 | **3.1** | 3.3 |
| Operating and administrative expenses | **1.4** | 1.5 | **1.4** | 1.5 |
| **Net income (loss) from Financing** | **1.7** | 1.8 | **1.7** | 1.8 |

**Three and six months ended September 30**

Net income from Financing was $165.5 million for the second quarter of fiscal 2025 and $336.4 million for the six-month period ended September 30, 2024, compared to net income of $161.8 million and $333.6 million, for the same periods last year.

The increase in net income from Financing for the second quarter and the six-month period ended September 30, 2024, was mainly explained by higher net interest income, which was driven by portfolio growth. These results were partially reduced by higher provision for expected credit losses on the impaired loans portfolio. A significant factor influencing the allowance on impaired loans is the volume of loans that were downgraded from performing to impaired status. When financial conditions deteriorate, more loans go into default. The percentage of these downgrades increased to 2.5% of the opening portfolio in the first six months of fiscal 2025, from 1.8% for the same period last year.

Operating and administrative expenses amounted to $151.6 million for the three-month period of fiscal 2025 compared to $141.1 million for the corresponding period of fiscal 2024. Operating and administrative expenses for the six-month period ended September 30, 2024 were $298.1 million, higher than the $280.3 million for 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 required to support the growth of our portfolio.

## Advisory Services results

| | Three months ended September 30 | | Six months ended September 30 | |
|---|---|---|---|---|
| ($ in millions) | **F2025** | F2024 | **F2025** | F2024 |
| Revenue | **7.6** | 11.6 | **20.7** | 23.0 |
| Delivery expenses[1] | **4.0** | 6.2 | **11.1** | 12.1 |
| **Gross operating margin** | **3.6** | 5.4 | **9.6** | 10.9 |
| Operating and administrative expenses | **15.7** | 15.9 | **31.3** | 30.4 |
| **Net income (loss) from Advisory Services** | **(12.1)** | (10.5) | **(21.7)** | (19.5) |

[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 $12.1 million was recorded for the second quarter of fiscal 2025, compared to a $10.5 million net loss for the same quarter last year. Cumulative net loss for the six-month period ended September 30, 2024, was $21.7 million, compared to a net loss of $19.5 million for the same period last year. The gross operating margin decreased by $1.3 million for the six-month period ended September 30, 2024, mainly driven by fewer CDAP mandates delivered following the closing of the program in February 2024, while operating and administrative expenses were slightly higher due to higher cost allocations from other divisions.

## Growth & Transition Capital results

| | Three months ended September 30 | | Six months ended September 30 | |
|---|---|---|---|---|
| ($ in millions) | **F2025** | F2024 | **F2025** | F2024 |
| Net revenue on investments | **25.7** | 33.3 | **66.1** | 64.3 |
| Net change in unrealized appreciation (depreciation) of investments | **5.2** | (11.0) | **(2.3)** | (12.6) |
| Net foreign exchange gains (losses) | **(3.0)** | (2.7) | **(4.0)** | (3.9) |
| **Income before operating and administrative expenses** | **27.9** | 19.6 | **59.8** | 47.8 |
| Operating and administrative expenses | **11.3** | 11.5 | **22.7** | 22.4 |
| **Net income (loss) from G&TC** | **16.6** | 8.1 | **37.1** | 25.4 |
| **Net income (loss) attributable to:** | | | | |
| BDC's shareholder | **16.6** | 8.1 | **37.1** | 25.4 |
| Non-controlling interests | **-** | - | **-** | - |
| **Net income (loss) from G&TC** | **16.6** | 8.1 | **37.1** | 25.4 |

| As % of average portfolio | Three months ended September 30 F2025 | Three months ended September 30 F2024 | Six months ended September 30 F2025 | Six months ended September 30 F2024 |
|---|---|---|---|---|
| Net revenue on investments | **7.4** | 10.7 | **9.6** | 10.4 |
| Net change in unrealized appreciation (depreciation) of investments | **1.5** | (3.5) | **(0.3)** | (2.0) |
| Net foreign exchange gains (losses) | **(0.9)** | (0.9) | **(0.6)** | (0.6) |
| **Income before operating and administrative expenses** | **8.0** | 6.3 | **8.7** | 7.8 |
| Operating and administrative expenses | **3.3** | 3.7 | **3.3** | 3.7 |
| **Net income (loss) from G&TC** | **4.7** | 2.6 | **5.4** | 4.1 |
| **Net income (loss) attributable to:** | | | | |
| BDC's shareholder | **4.7** | 2.6 | **5.4** | 4.1 |
| Non-controlling interests | **-** | - | **-** | - |
| **Net income (loss) from G&TC** | **4.7** | 2.6 | **5.4** | 4.1 |

### Three and six months ended September 30

Net income reached $16.6 million for the second quarter of fiscal 2025, compared to net income of $8.1 million for the same period last year. This increase was mainly due to lower net change in unrealized depreciation of investments, offset by lower net realized gains on investments. For the six months ended September 30, 2024, GTC recorded net income of $37.1 million, compared to net income of $25.4 million for the same period of fiscal 2024. This increase was mainly due to lower net change in unrealized depreciation of investments.

GTC recorded a net change in unrealized appreciation of investments of $5.2 million in the second quarter of fiscal 2025, compared to a net change in unrealized depreciation of investments of $11.0 million for the same period last year, mainly driven by a reversal of net fair value depreciation of $7.7 million and lower net fair value depreciation.

| ($ in millions) | Three months ended September 30 F2025 | Three months ended September 30 F2024 | Six months ended September 30 F2025 | Six months ended September 30 F2024 |
|---|---|---|---|---|
| Net fair value appreciation (depreciation) | **(2.5)** | (11.9) | **(9.2)** | (18.1) |
| Reversal of net fair value depreciation (appreciation) due to realized income and write-offs | **7.7** | 0.9 | **6.9** | 5.5 |
| **Net change in unrealized appreciation (depreciation) of investments** | **5.2** | (11.0) | **(2.3)** | (12.6) |

## Venture Capital results

| ($ in millions) | Three months ended September 30 F2025 | Three months ended September 30 F2024 | Six months ended September 30 F2025 | Six months ended September 30 F2024 |
|---|---|---|---|---|
| Net revenue on investments | **(9.0)** | (8.3) | **(17.3)** | 3.8 |
| Net change in unrealized appreciation (depreciation) of investments | **(79.9)** | (65.2) | **(86.2)** | (68.7) |
| Net foreign exchange gains (losses) | **(18.4)** | 39.6 | **2.0** | 7.8 |
| **Income (loss) before operating and administrative expenses** | **(107.3)** | (33.9) | **(101.5)** | (57.1) |
| Operating and administrative expenses | **12.9** | 16.1 | **28.0** | 31.2 |
| **Net income (loss) from Venture Capital** | **(120.2)** | (50.0) | **(129.5)** | (88.3) |
| **Net income (loss) attributable to:** | | | | |
| BDC's shareholder | **(120.3)** | (50.4) | **(128.6)** | (87.0) |
| Non-controlling interests | **0.1** | 0.4 | **(0.9)** | (1.3) |
| **Net income (loss) from Venture Capital** | **(120.2)** | (50.0) | **(129.5)** | (88.3) |

**Three and six months ended September 30**

During the second quarter of fiscal 2025, VC recorded a net loss of $120.2 million, compared to a net loss of $50.0 million for the same period last year. The increase in net loss was mainly due to lower net foreign exchange gains and higher net change in unrealized depreciation of investments.

For the six months ended September 30, 2024, VC's net loss was $129.5 million, compared to a net loss of $88.3 million for the same period last year. The unfavourable variance was mainly explained by higher write-offs on investments and higher net change in unrealized depreciation of investments.

As detailed below, VC recorded a net change in unrealized depreciation of investments of $79.9 million for the second quarter of fiscal 2025, compared to $65.2 million for the same period last year. This increase was mainly driven by higher net fair value depreciation.

In the first half of fiscal 2025, VC recorded a net change in unrealized depreciation of investments of $86.2 million due to net fair value depreciation, up from $68.7 million during the same period last year. This decline was primarily caused by public investments and increased impairments in private investments. The Venture Capital market continues to face challenges from fewer investor deals and reduced exits through IPOs and M&A activity.

| ($ in millions) | Three months ended September 30 F2025 | Three months ended September 30 F2024 | Six months ended September 30 F2025 | Six months ended September 30 F2024 |
|---|---|---|---|---|
| Net fair value appreciation (depreciation) | **(88.8)** | (76.2) | **(103.6)** | (72.4) |
| Reversal of fair value depreciation (appreciation) on divested investments and write-offs | **8.9** | 11.0 | **17.4** | 3.7 |
| **Net change in unrealized appreciation (depreciation) of investments** | **(79.9)** | (65.2) | **(86.2)** | (68.7) |

In the second quarter and six-month period of fiscal 2025, net foreign exchange losses on investments of $18.4 million and net foreign exchange gains on investments of $2.0 million, respectively, were recorded due to foreign exchange fluctuations in U.S. dollar-denominated investments, compared to net foreign exchange gains on investments of $39.6 million and $7.8 million, respectively, recorded for the same periods last year.

## Capital Incentive Programs results

| | Three months ended September 30 | | Six months ended September 30 | |
|---|---|---|---|---|
| ($ in millions) | **F2025** | F2024 | **F2025** | F2024 |
| Net revenue on investments | **12.3** | 44.9 | **24.7** | 58.5 |
| Net change in unrealized appreciation (depreciation) of investments | **(45.6)** | (40.3) | **(28.3)** | (45.1) |
| Net foreign exchange gains (losses) | **(0.8)** | 1.5 | **(0.2)** | 0.4 |
| **Income (loss) before operating and administrative expenses** | **(34.1)** | 6.1 | **(3.8)** | 13.8 |
| Operating and administrative expenses | **1.7** | 2.2 | **3.3** | 3.8 |
| **Net income (loss) from Capital Incentive Programs** | **(35.8)** | 3.9 | **(7.1)** | 10.0 |

### Three and six months ended September 30

During the second quarter of fiscal 2025, CIP recorded a net loss of $35.8 million, compared to net income of $3.9 million for the same period last year. For the six-month period ended September 30, 2024, CIP recorded a net loss of $7.1 million, compared to net income of $10.0 million for the same period last year. The unfavourable variance for the second quarter of fiscal 2025 was mainly explained by lower net realized gains on sale of investments compared to the equivalent period last year. The unfavourable variance for the six-month period was mainly explained by lower net realized gains on sale of investments, offset by lower net change in unrealized depreciation of investments.

As detailed below, CIP recorded a net change in unrealized depreciation of investments of $45.6 million for the second quarter of fiscal 2025 and $28.3 million for the first half of fiscal 2025, compared to a net change in unrealized depreciation of investments of $40.3 million and $45.1 million during the same periods last year. The higher net change in unrealized depreciation of investments for the second quarter of fiscal 2025 compared to the equivalent period last year was mainly driven by higher net fair value depreciation. The lower net change in unrealized depreciation of investments for the six-month period of fiscal 2025 was explained by lower reversal of fair value appreciation due to realized income and write-offs.

| | Three months ended September 30 | | Six months ended September 30 | |
|---|---|---|---|---|
| ($ in millions) | **F2025** | F2024 | **F2025** | F2024 |
| Net fair value appreciation (depreciation) | **(43.3)** | (21.2) | **(25.9)** | (20.1) |
| Reversal of net fair value depreciation (appreciation) due to realized income and write-offs | **(2.3)** | (19.1) | **(2.4)** | (25.0) |
| **Net change in unrealized appreciation (depreciation) of investments** | **(45.6)** | (40.3) | **(28.3)** | (45.1) |

## Credit Availability Program results

| ($ in millions) | Three months ended September 30 F2025 | Three months ended September 30 F2024 | Six months ended September 30 F2025 | Six months ended September 30 F2024 |
|---|---|---|---|---|
| Net interest income | **40.0** | 66.1 | **97.0** | 126.6 |
| Fee and other income | **7.5** | 7.4 | **15.9** | 17.3 |
| Provision for expected credit losses | **(38.7)** | (55.8) | **(94.8)** | (123.3) |
| Net realized gains (losses) on investments | **(3.1)** | (0.2) | **(4.0)** | (0.1) |
| Net change in unrealized appreciation (depreciation) of investments | **(0.1)** | 11.7 | **(2.0)** | 8.2 |
| Net gains (losses) on other financial instruments | **(33.7)** | (21.6) | **(74.7)** | (38.7) |
| Net foreign exchange gains (losses) | **(0.9)** | - | **(0.3)** | (0.1) |
| **Income (loss) before operating and administrative expenses** | **(29.0)** | 7.6 | **(62.9)** | (10.1) |
| Operating and administrative expenses | **5.9** | 5.9 | **12.2** | 12.0 |
| **Net income (loss) from Credit Availability Program** | **(34.9)** | 1.7 | **(75.1)** | (22.1) |

**Three and six months ended September 30**

During the second quarter of fiscal 2025, CAP recorded a net loss of $34.9 million, compared to net income of $1.7 million for the same period last year. For the six-month period ended September 30, 2024, CAP recorded a net loss of $75.1 million, compared to a net loss of $22.1 million for the same period last year. Results for the second quarter and the six-month period ended September 30, 2024 were unfavourably impacted by higher net losses on other financial instruments driven by CDAP and lower net interest income due mainly to a decrease in the portfolio, offset by lower provision for expected credit losses.

# Financial Condition

| ($ in millions) | September 30, 2024 | March 31, 2024 |
|---|---|---|
| Cash | **897.9** | 919.3 |
| Asset-backed securities | **1,336.2** | 1,289.5 |
| Loans, gross carrying amount | **41,405.0** | 40,162.9 |
| Allowance for expected credit losses | **(1,394.9)** | (1,271.9) |
| Investments | **5,930.1** | 5,737.9 |
| Net defined benefit asset | **360.1** | 338.3 |
| Other | **280.4** | 266.9 |
| **Total assets** | **48,814.8** | 47,442.9 |
| Borrowings | **32,711.0** | 29,610.8 |
| Net defined benefit liability | **228.2** | 231.6 |
| Expected credit losses on loan commitments and guarantees | **616.3** | 637.9 |
| Other | **368.0** | 433.1 |
| **Total liabilities** | **33,923.5** | 30,913.4 |
| **Total equity** | **14,891.3** | 16,529.5 |

As at September 30, 2024, total BDC assets amounted to $48.8 billion, an increase of $1.4 billion from March 31, 2024, mainly explained by the $1.1 billion increase in our net loans portfolio.

At $40.0 billion, the loan portfolio represented BDC's largest asset (gross portfolio of $41.4 billion less a $1.4 billion allowance for expected credit losses). The gross loans portfolio grew by 3.1% over the six months ended September 30, 2024, reflecting net loan disbursements of $1.3 billion.

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 $0.2 billion was mainly driven by net disbursements.

As at September 30, 2024, BDC recorded a net defined benefit asset of $360.1 million for the registered pension plan and a net defined benefit liability of $228.2 million for the other plans, for a total net defined benefit asset of $131.9 million. This represented an increase of $25.2 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 six months 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 $897.9 million as at September 30, 2024, compared to $919.3 million as at March 31, 2024.

As at September 30, 2024, BDC funded its portfolios and liquidities with borrowings of $32.7 billion and total equity of $14.9 billion. Borrowings comprised $19.8 billion in short-term notes and $12.9 billion in long-term notes.

## Cash

| ($ in millions) | Three months ended September 30 F2025 | F2024 | Six months ended September 30 F2025 | F2024 |
|---|---|---|---|---|
| Cash used by operating activities | **(334.3)** | (685.7) | **(892.5)** | (1,067.4) |
| Cash used by investing activities | **(171.6)** | (7.1) | **(368.2)** | (218.9) |
| Cash provided by financing activities | **404.3** | 721.1 | **1,239.3** | 1,301.3 |
| **Change in cash** | **(101.6)** | 28.3 | **(21.4)** | 15.0 |

For the six-month period ended September 30, 2024, operating activities used $892.5 million in net cash flows, mainly to support the growth of the loan portfolio. Cash flows used by investing activities amounted to $368.2 million, reflecting net disbursements for investments and asset-backed-securities. Financing activities provided $1,239.3 million in cash flows, mainly as a result of a net change of $2.0 billion in borrowings and net issue of long-term notes of $1.1 billion, 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) | September 30, 2024 | March 31, 2024 |
|---|---|---|
| Equity attributable to BDC's shareholder | **14,887** | 16,526 |
| Intangible assets, net of accumulated amortization | **(50)** | (52) |
| Net defined benefit asset | **(360)** | (338) |
| Adjustments for allowance for expected credit losses | **520** | 503 |
| Portion of equity attributable to CIP | **(2,376)** | (2,382) |
| Portion of equity attributable to CAP | **(1,779)** | (3,356) |
| Adjustments to available capital | **(4,045)** | (5,625) |
| **Total available capital (a)** | **10,842** | 10,901 |
| **Required capital (b)** | **9,624** | 9,389 |
| **Capital status (a-b)** | **1,218** | 1,512 |
| Management operating range (c) | **740** | 720 |
| **Capital generated above the internal target rate (a-b-c)** | **478** | 792 |
| **Internal capital ratio** | **112.7%** | 116.1% |

BDC's internal capital ratio, excluding CIP and CAP, stood at 112.7% as at September 30, 2024 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 $337.0 million 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

| | Six months ended September 30 | |
|---|---|---|
| | **Actual F2025** | Plan F2025 |
| Adjusted return on equity (annual) | **4.2%** | 5.6% |
| Adjusted return on equity (10-year moving average) | **10.0%** | 10.1% |
| BDC efficiency ratio | **35.5%** | 39.9% |
| Internal capital ratio (Core) | **112.7%** | 110.3% |

Adjusted return on equity was 4.2% as at September 30, 2024, lower than the corporate plan (plan) of 5.6%. This was mainly due to higher-than-expected net loss from Venture Capital as a result of higher net change in unrealized depreciation of investments, lower net revenue on investments, combined with lower-than-expected net income from Financing, due mainly to higher provision for expected credit losses.

BDC's efficiency ratio for the six months ended September 30, 2024, was 35.5%, which was better than the planned 39.9%. This was mainly because operating and administrative expenses were lower than expected, due to lower salaries and benefits, as new employee hires and corporate project spending were delayed, as well as BDC`s continued focus on efficiency. The internal capital ratio stands at 112.7%, above plan of 110.3% as the amount of required capital was lower than anticipated for our Financing and Venture Capital portfolios, partially offset by lower available capital than planned due to lower net income from Financing and Venture Capital.

## Consolidated net income

| ($ in millions) | Three months ended September 30 Actuals F2025 | Three months ended September 30 Plan F2025 | Six months ended September 30 Actuals F2025 | Six months ended September 30 Plan F2025 |
|---|---|---|---|---|
| Net interest income | **510.5** | 513.1 | **1,033.2** | 1,017.0 |
| Net realized gains (losses) on investments | **(20.8)** | (14.1) | **(22.5)** | (28.3) |
| Revenue from Advisory Services | **7.6** | 10.8 | **20.7** | 22.6 |
| Fee and other income | **21.7** | 23.2 | **44.1** | 46.3 |
| **Net revenue** | **519.0** | 533.0 | **1,075.5** | 1,057.6 |
| Provision for expected credit losses | **(166.3)** | (146.9) | **(335.1)** | (298.0) |
| Net change in unrealized appreciation (depreciation) of investments | **(112.4)** | (8.8) | **(110.1)** | (21.2) |
| Net foreign exchange gains (losses) | **(24.3)** | - | **(8.8)** | - |
| Net gains (losses) on other financial instruments | **(33.7)** | (24.9) | **(74.6)** | (49.8) |
| **Income before operating and administrative expenses** | **182.3** | 352.4 | **546.9** | 688.6 |
| Operating and administrative expenses | **203.2** | 229.7 | **406.8** | 447.8 |
| **Consolidated net income (loss)** | **(20.9)** | 122.7 | **140.1** | 240.8 |
| **Core net income (loss)** | **14.0** | 166.7 | **215.2** | 323.4 |

BDC's consolidated net loss for the second quarter of fiscal 2025 reached $20.9 million, a $143.6 million unfavourable difference compared to plan. For the six-month period ended September 30, 2024, BDC recorded net income of $140.1 million, a $100.7 million unfavourable difference compared to plan. The variances were mainly driven by higher than planned net change in unrealized depreciation of Venture Capital and Capital Incentive Programs investments and higher provision for expected credit losses on Financing's performing loan portfolio, partially offset by lower operating and administrative expenses.

# Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)

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# Management's Responsibility for Financial Information

Management is responsible for the preparation and fair presentation of these condensed quarterly Consolidated Financial Statements in accordance with the Treasury Board of Canada's Directive on Accounting Standards: *GC 5200 Crown Corporations Quarterly Financial Reports*, and for such internal controls as management determines are necessary to enable the preparation of condensed quarterly Consolidated Financial Statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the 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 13, 2024

# Consolidated Statement of Financial Position

(unaudited)

| (in thousands of Canadian dollars) | Notes | September 30, 2024 | March 31, 2024 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | | **897,871** | 919,278 |
| Derivative assets | | **3,464** | 317 |
| Asset-backed securities | 6 | **1,336,190** | 1,289,527 |
| Loans | | | |
| Loans, gross carrying amount | 7 | **41,404,989** | 40,162,892 |
| Less: allowance for expected credit losses | 7 | **(1,394,856)** | (1,271,850) |
| Loans, net of allowance for expected credit losses | | **40,010,133** | 38,891,042 |
| Investments | 8 | **5,930,148** | 5,737,949 |
| Property and equipment | | **56,588** | 58,360 |
| Intangible assets | | **50,649** | 52,275 |
| Right-of-use-assets | | **74,397** | 80,357 |
| Net defined benefit asset | | **360,070** | 338,256 |
| Other assets | | **95,308** | 75,579 |
| **Total assets** | | **48,814,818** | 47,442,940 |
| **LIABILITIES AND EQUITY** | | | |
| **Liabilities** | | | |
| Accounts payable, accrued and other liabilities | | **277,258** | 336,738 |
| Derivative liabilities | | **979** | 144 |
| Borrowings | | | |
| Short-term notes | | **19,824,075** | 17,833,660 |
| Long-term notes | | **12,886,951** | 11,777,172 |
| Total borrowings | | **32,711,026** | 29,610,832 |
| Lease liabilities | | | |
| Short-term lease liabilities | | **13,564** | 13,872 |
| Long-term lease liabilities | | **76,176** | 82,314 |
| Total lease liabilities | | **89,740** | 96,186 |
| Net defined benefit liability | | **228,211** | 231,608 |
| Expected credit losses on loan commitments and guarantees | 7,11 | **616,307** | 637,857 |
| **Total liabilities** | | **33,923,521** | 30,913,365 |
| **Equity** | | | |
| Share capital | 9 | **6,139,900** | 7,639,900 |
| Contributed surplus | | **27,778** | 27,778 |
| Retained earnings | | **8,708,616** | 8,873,078 |
| Accumulated other comprehensive income | | **12,820** | (14,301) |
| **Equity attributable to BDC's shareholder** | | **14,889,114** | 16,526,455 |
| Non-controlling interests | | **2,183** | 3,120 |
| **Total equity** | | **14,891,297** | 16,529,575 |
| **Total liabilities and equity** | | **48,814,818** | 47,442,940 |

**Guarantees (Note 11)**
**Commitments (Notes 7, 8 and 10)**

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

# Consolidated Statement of Income (Loss)

(unaudited)

| (in thousands of Canadian dollars) | Notes | Three months ended September 30 2024 | Three months ended September 30 2023 | Six months ended September 30 2024 | Six months ended September 30 2023 |
|---|---|---|---|---|---|
| Interest income | | **836,125** | 787,745 | **1,672,349** | 1,529,893 |
| Interest expense | | **325,676** | 288,779 | **639,165** | 545,720 |
| **Net interest income** | | **510,449** | 498,966 | **1,033,184** | 984,173 |
| Net realized gains (losses) on investments | | **(20,773)** | 27,966 | **(22,461)** | 45,678 |
| Revenue from Advisory Services | | **7,553** | 11,606 | **20,671** | 23,049 |
| Fee and other income | | **21,692** | 17,896 | **44,055** | 39,104 |
| **Net revenue** | | **518,921** | 556,434 | **1,075,449** | 1,092,004 |
| Provision for expected credit losses | | **(166,312)** | (161,423) | **(335,119)** | (311,258) |
| Net change in unrealized appreciation (depreciation) of investments | | **(112,405)** | (104,067) | **(110,078)** | (117,490) |
| Net foreign exchange gains (losses) | | **(24,287)** | 44,463 | **(8,783)** | 6,737 |
| Net gains (losses) on other financial instruments | | **(33,628)** | (21,531) | **(74,562)** | (38,661) |
| **Income before operating and administrative expenses** | | **182,289** | 313,876 | **546,907** | 631,332 |
| Salaries and benefits | | **145,050** | 138,508 | **286,937** | 270,745 |
| Premises and equipment | | **11,172** | 11,300 | **22,619** | 22,476 |
| Other expenses | | **46,929** | 49,038 | **97,228** | 99,034 |
| **Operating and administrative expenses** | | **203,151** | 198,846 | **406,784** | 392,255 |
| **Net income** | | **(20,862)** | 115,030 | **140,123** | 239,077 |
| **Net income (loss) attributable to:** | | | | | |
| BDC's shareholder | | **(20,968)** | 114,669 | **141,060** | 240,425 |
| Non-controlling interests | | **106** | 361 | **(937)** | (1,348) |
| **Net income** | | **(20,862)** | 115,030 | **140,123** | 239,077 |

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 (Loss)

(unaudited)

| (in thousands of Canadian dollars) | Three months ended September 30 2024 | Three months ended September 30 2023 | Six months ended September 30 2024 | Six months ended September 30 2023 |
|---|---|---|---|---|
| **Net income** | **(20,862)** | 115,030 | **140,123** | 239,077 |
| **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 | **22,509** | (682) | **27,121** | (9,556) |
| Total items that may be reclassified subsequently to net income | **22,509** | (682) | **27,121** | (9,556) |
| Items that will not be reclassified to net income | | | | |
| Remeasurements of net defined benefit asset or liability | **(46,302)** | 58,992 | **31,478** | 50,957 |
| **Other comprehensive income** | **(23,793)** | 58,310 | **58,599** | 41,401 |
| **Total comprehensive income** | **(44,655)** | 173,340 | **198,722** | 280,478 |
| **Total comprehensive income (loss) attributable to:** | | | | |
| BDC's shareholder | **(44,761)** | 172,979 | **199,659** | 281,826 |
| Non-controlling interests | **106** | 361 | **(937)** | (1,348) |
| **Total comprehensive income** | **(44,655)** | 173,340 | **198,722** | 280,478 |

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) Total | Equity attributable to BDC's shareholder | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **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** |
| **Total comprehensive income (loss)** | | | | | | | | |
| Net income | | | **(20,968)** | | | **(20,968)** | **106** | **(20,862)** |
| Other comprehensive income (loss) | | | | | | | | |
| Net change in unrealized gains (losses) on fair value through other comprehensive income assets | | | | **22,509** | **22,509** | **22,509** | | **22,509** |
| Remeasurements of net defined benefit asset or liability | | | **(46,302)** | | | **(46,302)** | | **(46,302)** |
| Other comprehensive income (loss) | **-** | **-** | **(46,302)** | **22,509** | **22,509** | **(23,793)** | **-** | **(23,793)** |
| Total comprehensive income (loss) | **-** | **-** | **(67,270)** | **22,509** | **22,509** | **(44,761)** | **106** | **(44,655)** |
| **Balance as at September 30, 2024** | **6,139,900** | **27,778** | **8,708,616** | **12,820** | **12,820** | **14,889,114** | **2,183** | **14,891,297** |

| (in thousands of Canadian dollars) | Share capital | Contributed surplus | Retained earnings | Accumulated other comprehensive income (loss) FVOCI assets (1) | 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 | | | | | | | | |
| 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 | - | - | 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 |

(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)

| (in thousands of Canadian dollars) | Share capital | Contributed surplus | Retained earnings | Accumulated other comprehensive income (loss): FVOCI assets [1] | Accumulated other comprehensive income (loss): 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 | | | **141,060** | | | **141,060** | **(937)** | **140,123** |
| Other comprehensive income (loss) | | | | | | | | |
| Net change in unrealized gains (losses) on fair value through other comprehensive income assets | | | | **27,121** | **27,121** | **27,121** | | **27,121** |
| Remeasurements of net defined benefit asset or liability | | | **31,478** | | | **31,478** | | **31,478** |
| Other comprehensive income (loss) | - | - | **31,478** | **27,121** | **27,121** | **58,599** | - | **58,599** |
| **Total comprehensive income (loss)** | - | - | **172,538** | **27,121** | **27,121** | **199,659** | **(937)** | **198,722** |
| 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 September 30, 2024** | **6,139,900** | **27,778** | **8,708,616** | **12,820** | **12,820** | **14,889,114** | **2,183** | **14,891,297** |

| (in thousands of Canadian dollars) | Share capital | Contributed surplus | Retained earnings | Accumulated other comprehensive income (loss): FVOCI assets [1] | Accumulated other comprehensive income (loss): Total | Equity attributable to BDC's shareholder | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance as at March 31, 2023** | 7,289,900 | 27,778 | 8,850,687 | (29,590) | (29,590) | 16,138,775 | 6,126 | 16,144,901 |
| Total comprehensive income (loss) | | | | | | | | |
| Net income (loss) | | | 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 |

[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 September 30 2024 | Three months ended September 30 2023 | Six months ended September 30 2024 | Six months ended September 30 2023 |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Net income | | **(20,862)** | 115,030 | **140,123** | 239,077 |
| Adjustments to determine net cash flows | | | | | |
| Interest income | | **(836,125)** | (787,745) | **(1,672,349)** | (1,529,893) |
| Interest expense | | **325,148** | 288,331 | **638,096** | 544,815 |
| Interest on lease liabilities | | **528** | 448 | **1,069** | 905 |
| Net realized losses (gains) on investments | | **20,773** | (27,966) | **22,461** | (45,678) |
| Provision for expected credit losses | | **166,312** | 161,423 | **335,119** | 311,258 |
| Net change in unrealized depreciation (appreciation) of investments | | **112,405** | 104,067 | **110,078** | 117,490 |
| Net unrealized foreign exchange losses (gains) | | **32,282** | (52,536) | **3,202** | 4,490 |
| Defined benefits funding below (in excess of) amounts expensed | | **1,972** | (2,224) | **6,267** | (5,210) |
| Depreciation of property and equipment, and amortization of intangible assets | | **6,288** | 5,238 | **12,040** | 10,491 |
| Depreciation of right-of-use assets | | **3,043** | 3,311 | **6,149** | 6,634 |
| Other | | **3,621** | (28,542) | **(17,192)** | (34,888) |
| Interest expense paid | | **(314,078)** | (275,319) | **(612,993)** | (506,687) |
| Interest income received | | **814,967** | 759,265 | **1,644,696** | 1,474,319 |
| Claims on guarantees paid | | **(60,482)** | (38,253) | **(132,586)** | (69,890) |
| Changes in operating assets and liabilities | | | | | |
| Net change in loans | | **(529,178)** | (836,409) | **(1,317,879)** | (1,512,131) |
| Net change in accounts payable,accrued and other liabilities | | **(54,944)** | (62,967) | **(39,078)** | (50,144) |
| Net change in other assets | | **(5,981)** | (10,839) | **(19,729)** | (22,323) |
| **Net cash flows provided (used) by operating activities** | | **(334,311)** | (685,687) | **(892,506)** | (1,067,365) |
| **Investing activities** | | | | | |
| Disbursements for asset-backed securities | | **(159,468)** | (154,684) | **(316,405)** | (389,953) |
| Repayments and proceeds on sale of asset-backed securities | | **140,102** | 136,031 | **284,766** | 270,689 |
| Disbursements for investments | | **(268,051)** | (171,349) | **(557,732)** | (400,022) |
| Repayments of investments | | **82,364** | 154,156 | **170,774** | 252,306 |
| Proceeds on sale of investments | | **38,034** | 32,970 | **59,042** | 57,778 |
| Acquisition of property and equipment | | **(2,710)** | (1,342) | **(3,977)** | (3,877) |
| Acquisition of intangible assets | | **(1,869)** | (2,911) | **(4,666)** | (5,851) |
| **Net cash flows provided (used) by investing activities** | | **(171,598)** | (7,129) | **(368,198)** | (218,930) |
| **Financing activities** | | | | | |
| Net change in short-term notes | | **83,000** | (1,886,000) | **2,002,000** | (1,893,000) |
| Issue of long-term notes | | **1,115,000** | 2,475,000 | **2,412,000** | 3,709,000 |
| Repayment of long-term notes | | **(790,000)** | (214,000) | **(1,330,000)** | (520,000) |
| Issuance of common shares | | **-** | 350,000 | **-** | 350,000 |
| Repurchase of common shares | | **-** | - | **(1,500,000)** | - |
| Dividends paid on common shares | | **-** | - | **(337,000)** | (337,000) |
| Payment of lease liabilities | | **(3,738)** | (3,869) | **(7,703)** | (7,730) |
| **Net cash flows provided (used) by financing activities** | | **404,262** | 721,131 | **1,239,297** | 1,301,270 |
| **Net increase (decrease) in cash** | | **(101,647)** | 28,315 | **(21,407)** | 14,975 |
| **Cash at beginning of period** | | **999,518** | 865,579 | **919,278** | 878,919 |
| **Cash at end of period** | | **897,871** | 893,894 | **897,871** | 893,894 |

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 November 13, 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 Canadian economy is gradually moving towards a more stable and healthy growth trajectory, avoiding a severe downturn. However, it still faces risks of slowing growth due to the delayed effects of previous rate hikes, geopolitical tensions, and the potential impact of U.S. election outcomes that will shape future US tax and trade policies. BDC has credit exposures to businesses that are impacted, either directly or indirectly, by the level of interest rates, energy costs, and commodity prices. Even with the situation looking more positive, it remains difficult to reliably estimate the severity of these impacts on the financial results and condition of BDC in future periods.

# 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.

| | | | | **September 30, 2024** |
|---|---|---|---|---|
| | **Fair value measurements using** | | | **Total** |
| | **Level 1** | **Level 2** | **Level 3** | **fair value** |
| **Assets** | | | | |
| Derivative assets | **-** | **3,464** | **-** | **3,464** |
| Asset-backed securities | **-** | **1,336,190** | **-** | **1,336,190** |
| Investments | **58,443** | **-** | **5,871,705** | **5,930,148** |
| | **58,443** | **1,339,654** | **5,871,705** | **7,269,802** |
| **Liabilities** | | | | |
| Derivative liabilities | **-** | **979** | **-** | **979** |
| | **-** | **979** | **-** | **979** |

| | | | | 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.

| | **September 30, 2024** |
|---|---|
| | **Total** |
| Fair value as at April 1, 2024 | **5,652,600** |
| Net realized gains (losses) on investments | **(23,288)** |
| Net change in unrealized appreciation (depreciation) of investments | **(84,995)** |
| Net unrealized foreign exchange gains (losses) on investments | **(3,407)** |
| Disbursements for investments | **558,307** |
| Repayments of investments and other | **(227,512)** |
| Transfers from level 3 to level 1 | **-** |
| **Fair value as at September 30, 2024** | **5,871,705** |

(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.

| | **September 30, 2024** | March 31, 2024 |
|---|---|---|
| **Fair value through other comprehensive income** | | |
| Principal amount | **1,345,434** | 1,314,892 |
| Cumulative fair value appreciation (depreciation) | **(27,866)** | (42,447) |
| Carrying value | **1,317,568** | 1,272,445 |
| Yield | **4.42%** | 4.27% |
| **Fair value through profit or loss** | | |
| Principal amount | **23,551** | 22,440 |
| Cumulative fair value appreciation (depreciation) | **(4,929)** | (5,358) |
| Carrying value | **18,622** | 17,082 |
| Yield | **8.94%** | 8.85% |
| **Asset-backed securities** | **1,336,190** | 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. An additional provision of $12.5 million was recorded for the quarter ending September 30, 2024. The allowance for expected credit losses was recognized in the Consolidated Statement of Income (Loss) 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 (Loss).

No allowance for credit losses was recorded for the undisbursed ABS portfolio classified at fair value through other comprehensive income as at September 30, 2024 or March 31, 2024 as results of the ECL calculation were insignificant.

(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 | **440,647** | **5,282,642** | **34,450,187** | **40,173,476** | **(861,631)** | **39,311,845** |
| Impaired | **40,335** | **238,708** | **952,470** | **1,231,513** | **(533,225)** | **698,288** |
| **Loans as at September 30, 2024** | **480,982** | **5,521,350** | **35,402,657** | **41,404,989** | **(1,394,856)** | **40,010,133** |

| | 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) | **81,349** | **(81,011)** | **(338)** | **-** |
| Transfer to Stage 2(1) | **(83,300)** | **99,389** | **(16,089)** | **-** |
| Transfer to Stage 3(1) | **(1,620)** | **(33,545)** | **35,165** | **-** |
| Net remeasurement of allowance for expected credit losses(2) | **(96,623)** | **75,188** | **175,061** | **153,626** |
| Financial assets that have been fully repaid | **(22,130)** | **(23,426)** | **(17,663)** | **(63,219)** |
| New financial assets originated | **125,583** | **9,365** | **-** | **134,948** |
| Write-offs | **-** | **-** | **(118,958)** | **(118,958)** |
| Recoveries | **-** | **-** | **20,523** | **20,523** |
| Foreign exchange and other movements | **(57)** | **(3,843)** | **(14)** | **(3,914)** |
| **Balance as at September 30, 2024** | **408,782** | **452,849** | **533,225** | **1,394,856** |

| | 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 $4,438,830 as at September 30, 2024 ($1,595,499 at fixed rates; $2,836,101 at floating rates, and $7,230 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 7.36% (7.78% as at March 31, 2024).

| | | **September 30, 2024** | | March 31, 2024 |
|---|---|---|---|---|
| **Geographic distribution** | **Outstanding** | **Commitments** | Outstanding | Commitments |
| Newfoundland and Labrador | **748,419** | **76,577** | 767,641 | 43,511 |
| Prince Edward Island | **76,503** | **-** | 78,507 | 1,786 |
| Nova Scotia | **751,219** | **45,292** | 761,702 | 41,954 |
| New Brunswick | **555,914** | **92,328** | 535,519 | 91,019 |
| Quebec | **13,346,842** | **1,421,148** | 13,018,040 | 1,398,451 |
| Ontario | **11,403,602** | **1,160,060** | 11,096,225 | 1,128,123 |
| Manitoba | **1,143,044** | **103,199** | 1,073,479 | 91,974 |
| Saskatchewan | **1,086,765** | **46,087** | 1,074,714 | 63,774 |
| Alberta | **5,591,071** | **822,503** | 5,431,721 | 796,677 |
| British Columbia | **6,507,301** | **656,609** | 6,137,216 | 735,489 |
| Yukon | **107,233** | **7,731** | 107,305 | 4,676 |
| Northwest Territories and Nunavut | **87,076** | **7,296** | 80,823 | 2,435 |
| **Total loans outstanding** | **41,404,989** | **4,438,830** | 40,162,892 | 4,399,869 |

| | | **September 30, 2024** | | March 31, 2024 |
|---|---|---|---|---|
| **Industry sector** | **Outstanding** | **Commitments** | Outstanding | Commitments |
| Wholesale and retail trade | **8,706,264** | **799,815** | 8,346,092 | 868,616 |
| Manufacturing | **8,502,686** | **1,137,492** | 8,402,140 | 1,131,408 |
| Service industries | **6,522,090** | **542,252** | 6,247,200 | 551,155 |
| Commercial properties | **4,139,109** | **181,558** | 3,882,292 | 207,352 |
| Construction | **4,040,797** | **400,952** | 3,907,244 | 350,356 |
| Tourism | **3,785,098** | **345,790** | 3,676,376 | 309,806 |
| Transportation and storage | **2,820,689** | **319,583** | 2,766,857 | 312,562 |
| Resources | **1,505,133** | **521,126** | 1,549,146 | 491,796 |
| Other | **1,383,123** | **190,262** | 1,385,545 | 176,818 |
| **Total loans outstanding** | **41,404,989** | **4,438,830** | 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.

| | **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)] | **1,794** | **(1,794)** | **-** | **-** |
| Transfer to Stage 2[(1)] | **(5,052)** | **5,052** | **-** | **-** |
| Net remeasurement of the allowance for expected credit losses[(2)] | **1,410** | **8,922** | **-** | **10,332** |
| Net increase (decrease) in commitments | **5,491** | **(10,140)** | **-** | **(4,649)** |
| Foreign exchange and other movements | **(169)** | **(821)** | **-** | **(990)** |
| **Balance as at September 30, 2024** | **58,978** | **12,000** | **-** | **70,978** |

(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, 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.

| | | | **September 30, 2024** | | | March 31, 2024 |
|---|---|---|---|---|---|---|
| **Investment type** | **Fair value** | **Cost** | **Commitments** | Fair value | Cost | Commitments |
| Direct investments | | | | | | |
| Debt | **1,368,251** | **1,452,840** | **224,764** | 1,309,099 | 1,401,247 | 170,594 |
| Equity | **2,300,633** | **1,988,051** | **24,338** | 2,228,638 | 1,822,650 | 106,573 |
| | **3,668,884** | **3,440,891** | **249,102** | 3,537,737 | 3,223,897 | 277,167 |
| Indirect equity investments in funds | **2,261,264** | **1,496,847** | **1,178,987** | 2,200,212 | 1,410,230 | 1,211,789 |
| **Investments** | **5,930,148** | **4,937,738** | **1,428,089** | 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 September 30, 2024** | **177,260** | **1,018,290** | **257,290** | **1,452,840** | **1,368,251** |
| 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 $132,506 at fixed rates and $92,258 at floating rates ($103,310 and $67,284, respectively, as at March 31, 2024) and their weighted-average effective interest rate was 9.4% (10.1% on debt commitments as at March 31, 2024), excluding non-interest returns.

(unaudited, in thousands of Canadian dollars)

| | September 30, 2024 | | | March 31, 2024 | | |
|---|---|---|---|---|---|---|
| **Geographic distribution** | **Fair value** | **Cost** | **Commitments** | Fair value | Cost | Commitments |
| Newfoundland and Labrador | **17,242** | **18,217** | **-** | 12,665 | 13,524 | 16,500 |
| Prince Edward Island | **2,616** | **2,559** | **1,500** | - | - | 4,050 |
| Nova Scotia | **22,290** | **23,521** | **300** | 19,539 | 21,225 | 1,700 |
| New Brunswick | **15,362** | **15,984** | **1,500** | 14,387 | 17,470 | - |
| Quebec | **467,193** | **476,028** | **101,574** | 446,506 | 455,129 | 42,950 |
| Ontario | **531,294** | **574,499** | **75,549** | 522,034 | 568,870 | 67,355 |
| Manitoba | **33,257** | **33,412** | **4,165** | 27,895 | 28,676 | 5,065 |
| Saskatchewan | **35,292** | **36,568** | **-** | 37,856 | 38,324 | - |
| Alberta | **94,369** | **114,298** | **19,304** | 92,824 | 115,653 | 9,649 |
| British Columbia | **147,137** | **155,603** | **20,872** | 133,272 | 140,155 | 23,325 |
| Yukon | **2,199** | **2,151** | **-** | 2,121 | 2,221 | - |
| **Debt investments** | **1,368,251** | **1,452,840** | **224,764** | 1,309,099 | 1,401,247 | 170,594 |

| | September 30, 2024 | | | March 31, 2024 | | |
|---|---|---|---|---|---|---|
| **Industry sector** | **Fair value** | **Cost** | **Commitments** | Fair value | Cost | Commitments |
| Service industries | **443,484** | **462,843** | **101,080** | 437,365 | 450,607 | 68,053 |
| Manufacturing | **322,940** | **339,602** | **39,704** | 303,662 | 323,648 | 37,488 |
| Wholesale and retail trade | **262,115** | **274,004** | **20,276** | 245,657 | 258,940 | 17,715 |
| Information industries | **152,037** | **167,870** | **38,097** | 137,604 | 151,018 | 29,118 |
| Construction | **102,083** | **104,108** | **13,365** | 99,291 | 101,405 | 10,000 |
| Resources | **36,392** | **55,513** | **5,000** | 36,608 | 58,366 | 1,155 |
| Transportation and storage | **16,126** | **16,228** | **1,352** | 14,228 | 19,433 | - |
| Educational services | **14,363** | **14,165** | **565** | 16,603 | 16,918 | 565 |
| Tourism | **13,036** | **12,860** | **3,825** | 18,081 | 20,912 | 2,000 |
| Other | **5,675** | **5,647** | **1,500** | - | - | 4,500 |
| **Debt investments** | **1,368,251** | **1,452,840** | **224,764** | 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 September 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 2.1% of the total direct equity investments at cost (2.3% as at March 31, 2024).

| | September 30, 2024 | | | March 31, 2024 | | |
|---|---|---|---|---|---|---|
| **Industry sector** | **Fair value** | **Cost** | **Commitments** | Fair value | Cost | Commitments |
| Information technology | **740,996** | **704,014** | **5,370** | 721,823 | 638,604 | 14,306 |
| Service industries | **396,747** | **270,669** | **85** | 362,035 | 246,195 | 10,158 |
| Manufacturing | **363,295** | **225,407** | **4,501** | 352,763 | 197,128 | 15,738 |
| Communications | **190,992** | **138,152** | **1,488** | 227,472 | 142,642 | 1,002 |
| Resources | **121,539** | **143,145** | **2,787** | 133,133 | 136,963 | 4,287 |
| Industrial | **96,494** | **108,469** | **3,853** | 103,461 | 104,769 | 834 |
| Electronics | **95,676** | **102,175** | **100** | 87,950 | 104,547 | 100 |
| Wholesale and retail trade | **69,612** | **60,297** | **1** | 54,645 | 47,398 | 12,900 |
| Medical and health | **63,074** | **69,511** | **250** | 54,191 | 60,505 | 3,579 |
| Transportation and storage | **52,448** | **31,283** | **-** | 46,010 | 33,585 | 30,521 |
| Biotechnology and pharmacology | **25,650** | **34,683** | **4,230** | 28,571 | 37,283 | 4,230 |
| Construction | **21,626** | **21,626** | **1** | - | - | 6,771 |
| Energy | **20,547** | **27,516** | **496** | 20,555 | 27,516 | 496 |
| Educational services | **8,686** | **6,249** | **751** | 8,340 | 6,249 | 751 |
| Other | **33,251** | **44,855** | **425** | 27,689 | 39,266 | 900 |
| **Direct equity investments** | **2,300,633** | **1,988,051** | **24,338** | 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 September 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 six months ended September 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

(unaudited, in thousands of Canadian dollars)

directly by BDC. As small businesses adapt to the lasting impacts of the COVID-19 pandemic, BDC's 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 stopped accepting 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.

Interest expense is allocated to each operating segment based on its business portfolio and the capital attributed to the segment. Interest expense includes an intersegment interest charged to Financing from CIP and CAP, which have a corresponding intersegment interest credit, and which reflects the interest expense (credit) on CIP and CAP's cash balances transferred to Financing for treasury management purposes. The attribution of capital to BDC's business segments is maintained in accordance with BDC's ICAAP and is consistently aligned 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. All transactions between business segments are recognized on an arm's length basis.

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 September 30, 2024 |
|---|---|---|---|---|---|---|---|
| | BDC | Financing | Advisory Services | Growth & Transition Capital | Venture Capital | Capital Incentive Programs | Credit Availability Program |
| Interest income | 836,125 | 770,202 | - | 36,507 | 332 | 302 | 28,782 |
| Interest expense | 325,676 | 337,318 | - | 8,934 | 139 | (9,531) | (11,184) |
| **Net interest income** | 510,449 | 432,884 | - | 27,573 | 193 | 9,833 | 39,966 |
| Net realized gains (losses) on investments | (20,773) | (2,894) | - | (4,902) | (12,259) | 2,406 | (3,124) |
| Revenue from Advisory Services | 7,553 | - | 7,553 | - | - | - | - |
| Fee and other income | 21,692 | 8,006 | - | 3,031 | 3,096 | 13 | 7,546 |
| **Net revenue** | 518,921 | 437,996 | 7,553 | 25,702 | (8,970) | 12,252 | 44,388 |
| Provision for expected credit losses | (166,312) | (127,647) | - | - | - | - | (38,665) |
| Net change in unrealized appreciation (depreciation) of investments | (112,405) | 7,979 | - | 5,211 | (79,948) | (45,576) | (71) |
| Net foreign exchange gains (losses) | (24,287) | (1,270) | - | (3,012) | (18,373) | (752) | (880) |
| Net gains (losses) on other financial instruments | (33,628) | 87 | - | - | - | - | (33,715) |
| **Income (loss) before operating and administrative expenses** | 182,289 | 317,145 | 7,553 | 27,901 | (107,291) | (34,076) | (28,943) |
| Salaries and benefits | 145,050 | 107,083 | 13,114 | 9,589 | 9,653 | 1,342 | 4,269 |
| Premises and equipment | 11,172 | 8,829 | 748 | 414 | 765 | 114 | 302 |
| Other expenses | 46,929 | 35,692 | 5,794 | 1,315 | 2,515 | 253 | 1,360 |
| **Operating and administrative expenses** | 203,151 | 151,604 | 19,656 | 11,318 | 12,933 | 1,709 | 5,931 |
| **Net income (loss)** | (20,862) | 165,541 | (12,103) | 16,583 | (120,224) | (35,785) | (34,874) |
| **Net income (loss) attributable to:** | | | | | | | |
| BDC's shareholder | (20,968) | 165,541 | (12,103) | 16,591 | (120,338) | (35,785) | (34,874) |
| Non-controlling interests | 106 | - | - | (8) | 114 | - | - |
| **Net income (loss)** | (20,862) | 165,541 | (12,103) | 16,583 | (120,224) | (35,785) | (34,874) |

(unaudited, in thousands of Canadian dollars)

Three months ended September 30, 2023

| | Notes | 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 (expense)** | | 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 |

Six months ended September 30, 2024

| | BDC | Financing | Advisory Services | Growth & Transition Capital | Venture Capital | Capital Incentive Programs | Credit Availability Program |
|---|---|---|---|---|---|---|---|
| Interest income | 1,672,349 | 1,539,476 | - | 73,200 | 736 | 903 | 58,034 |
| Interest expenses | 639,165 | 679,964 | - | 18,182 | 259 | (20,314) | (38,926) |
| **Net interest income** | 1,033,184 | 859,512 | - | 55,018 | 477 | 21,217 | 96,960 |
| Net realized gains (losses) on investments | (22,461) | (2,894) | - | 2,942 | (20,926) | 2,406 | (3,989) |
| Revenue from Advisory Services | 20,671 | - | 20,671 | - | - | - | - |
| Fee and other income | 44,055 | 15,895 | - | 8,090 | 3,168 | 1,050 | 15,852 |
| **Net revenue** | 1,075,449 | 872,513 | 20,671 | 66,050 | (17,281) | 24,673 | 108,823 |
| Provision for expected credit losses | (335,119) | (240,342) | - | - | - | - | (94,777) |
| Net change in unrealized appreciation (depreciation) of investments | (110,078) | 8,762 | - | (2,268) | (86,296) | (28,272) | (2,004) |
| Net foreign exchange gains (losses) | (8,783) | (6,528) | - | (3,965) | 2,126 | (190) | (226) |
| Net gains (losses) on other financial instruments | (74,562) | 87 | - | - | - | - | (74,649) |
| **Income (loss) before operating and administrative expenses** | 546,907 | 634,492 | 20,671 | 59,817 | (101,451) | (3,789) | (62,833) |
| Salaries and benefits | 286,937 | 208,740 | 26,068 | 19,264 | 21,474 | 2,572 | 8,819 |
| Premises and equipment | 22,619 | 17,735 | 1,550 | 880 | 1,595 | 232 | 627 |
| Other expenses | 97,228 | 71,571 | 14,741 | 2,607 | 5,049 | 499 | 2,761 |
| **Operating and administrative expenses** | 406,784 | 298,046 | 42,359 | 22,751 | 28,118 | 3,303 | 12,207 |
| **Net income (loss)** | 140,123 | 336,446 | (21,688) | 37,066 | (129,569) | (7,092) | (75,040) |
| **Net income (loss) attributable to:** | | | | | | | |
| BDC's shareholder | 141,060 | 336,446 | (21,688) | 37,093 | (128,659) | (7,092) | (75,040) |
| Non-controlling interests | (937) | - | - | (27) | (910) | - | - |
| **Net income (loss)** | 140,123 | 336,446 | (21,688) | 37,066 | (129,569) | (7,092) | (75,040) |
| **Business segment portfolio as at September 30, 2024** | | | | | | | |
| Asset-backed securities | 1,336,190 | 1,336,190 | - | - | - | - | - |
| Loans, net of allowance for expected credit losses | 40,010,133 | 38,751,319 | - | - | - | - | 1,258,814 |
| Debt investments | 1,368,251 | 12,050 | - | 1,315,966 | 36,336 | - | 3,899 |
| Direct equity investments | 2,300,633 | - | - | 5 | 1,815,429 | 386,695 | 98,504 |
| Indirect equity investments in Funds | 2,261,264 | - | - | - | 1,123,997 | 1,137,267 | - |
| Investments | 5,930,148 | 12,050 | - | 1,315,971 | 2,975,762 | 1,523,962 | 102,403 |
| **Total portfolio** | 47,276,471 | 40,099,559 | - | 1,315,971 | 2,975,762 | 1,523,962 | 1,361,217 |
| **Business segment Commitments and Guarantees as at September 30, 2024** | | | | | | | |
| Asset-backed securities | 636,359 | 636,359 | - | - | - | - | - |
| Loans | 4,438,830 | 4,424,842 | - | - | - | - | 13,988 |
| Debt investments | 224,764 | - | - | 217,914 | 6,850 | - | - |
| Direct equity investments | 24,338 | - | - | - | 19,394 | 4,644 | 300 |
| Indirect equity investments in Funds | 1,178,987 | - | - | - | 654,726 | 524,261 | - |
| Commitments | 6,503,278 | 5,061,201 | - | 217,914 | 680,970 | 528,905 | 14,288 |
| Guarantees | 2,432,571 | 31,528 | - | - | - | - | 2,401,043 |
| **Total commitments and guarantees** | 8,935,849 | 5,092,729 | - | 217,914 | 680,970 | 528,905 | 2,415,331 |

(unaudited, in thousands of Canadian dollars)

Six months ended September 30, 2023

| | Notes | 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 |
| **Business segment Commitments and Guarantees as at September 30, 2023** | | | | | | | | |
| Asset-backed securities | | 736,605 | 736,605 | - | - | - | - | - |
| Loans | | 4,501,370 | 4,497,620 | - | - | - | - | 3,750 |
| Debt investments | | 170,632 | 992 | - | 156,485 | 13,155 | - | - |
| Direct equity investments | | 47,114 | - | - | - | 38,313 | 8,500 | 301 |
| Indirect equity investments in Funds | | 1,170,274 | - | - | - | 571,364 | 598,910 | - |
| Commitments | | 6,625,995 | 5,235,217 | - | 156,485 | 622,832 | 607,410 | 4,051 |
| Guarantees | | 3,055,650 | 1,014 | - | - | - | - | 3,054,636 |
| **Total commitments and guarantees** | | 9,681,645 | 5,236,231 | - | 156,485 | 622,832 | 607,410 | 3,058,687 |

(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 $2,432.6 million as at September 30, 2024 ($2,680.7 million as at March 31, 2024) and the existing terms expire within an average of 74 months (within an average of 80 months as at March 31, 2024).

As at September 30, 2024, an amount of $37.9 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 in the Consolidated Statement of Financial Position.

| | | | | **September 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] | **36,903** | **(34,430)** | **(2,473)** | **-** |
| Transfer to Stage 2[1] | **(11,933)** | **20,603** | **(8,670)** | **-** |
| Transfer to Stage 3[1] | **(155)** | **(55,151)** | **55,306** | **-** |
| Net remeasurement of the allowance for expected credit losses[2] | **(27,246)** | **50,532** | **(30,891)** | **(7,605)** |
| Net increase (decrease) in guarantees | **(289)** | **(12,801)** | **(5,548)** | **(18,638)** |
| **Balance as at September 30, 2024** | **33,157** | **219,907** | **292,265** | **545,329** |

| | | | | 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 September 30, 2024, BDC had $19,824.1 million in short-term notes and $12,887.0 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 $325.0 million in interest expense, related to the borrowings from the Minister of Finance for the quarter and $638.0 million for the six months ended September 30, 2024. Last year's comparative figure for the same period were $288.3 million and $544.7 million, respectively.

In addition, $185.0 million in borrowings with the Minister of Finance were repurchased in the first six months of fiscal 2025. These transactions resulted in gains of $0.1 million (no borrowings were 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.

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