



**2026**

# Financial Report

First Quarter

June 30, 2025



# Executive Summary

---

## Canadian economic outlook

Over the first three months of calendar 2025, businesses and consumers rushed to get ahead of the imposition of tariffs on both sides of the Canada-U.S. border. Imports and exports rose and companies built up inventories. Consumption and business investment, key pillars of economic growth, were positive, contributing 0.7 and 0.3 percentage points, respectively, to GDP growth. The economy expanded by a solid 2.2% in that quarter, but this was nevertheless a subpar performance as uncertainty prompted many businesses and consumers to remain cautious in their spending.

However, Canada's economic growth ground to a halt during the first quarter of fiscal 2026. Uncertainty increased markedly and trade volatility has been on the rise since the beginning of the year. The expected slowdown in exports amid increased trade tensions will likely outweigh the decrease in imports, hurting overall GDP growth. Higher inventories are another important vulnerability for the Canadian economy this quarter.

In April, as exports decreased, goods-producing industries saw their activity decline by 0.6%, weakened by a slowdown in manufacturing (-1.9%). Wholesale trade also recorded a significant decline of 1.9%, but this drop was more than offset by growth in other service industries. While service sectors dominate domestic economic activity, they account for a relatively small share of Canadian exports. Thus, it's the goods-producing industries that have borne the brunt of the recent slowdown. Overall, the economy declined by 0.1% in April on a monthly basis, and preliminary indicators suggest a further 0.1% decline in May, according to Statistics Canada.

After holding steady in April and May, employment ended the second quarter of the calendar year on a strong note. In June, 83,000 new jobs were added to the economy, bringing the unemployment rate down to 6.9% from 7.0% in previous months. Most of these jobs, were part-time and some sectors have been hit by trade tensions. Manufacturing has lost over 11,000 jobs in 2025 to date. However, the general employment upturn likely supported consumer spending in the quarter.

By contrast, the housing sector has been a drag on the economy this year. Uncertainty has hurt household confidence, limiting big-ticket purchases, including housing. Home resale activity picked up slightly in April and May, but the level of transactions remains low nationally

and contributed only marginally to growth. Taken together, the construction and real estate services sectors account for about 20% of the Canadian economy and depend mostly on internal economic dynamics rather than international trade.

Businesses appear to have adopted a wait-and-see approach to investment. Investment intentions among SME have been decreasing amid heightened uncertainty and imposed tariffs on trades.

Lending to the corporate sector, including term loans, lines of credit, asset-based lending and revolving credit, increased marginally in April 2025 compared to March (+0.5%), but remained significantly down from the level reached a year ago. Business sentiment was relatively pessimistic over the period, with only 70% of businesses maintaining a positive outlook, the lowest since the first quarter of 2024.

According to a BDC survey in April, fewer small and medium-sized businesses requested financing. Those that did apply for financing sought higher amounts and approval rates for financing declined for SMEs.

At the beginning of the year, interest rates improved, but non-monetary loan conditions tightened, leading to a more restrictive lending environment from January to March. Overall business credit conditions have tightened slightly again and remained particularly challenging for smaller businesses and sectors more sensitive to trade.

With inflation remaining near its 2% target, the Bank of Canada opted to stay on the sidelines during the first quarter. The bank's policy rate remained at 2.75%, the midpoint of the neutral zone. Still, trade disruptions and policy changes have created a volatile environment for setting monetary policy.

The first quarter of fiscal 2026 likely marked the low point for economic activity and business conditions this year, shaped by lingering uncertainty, elevated operating costs and higher inventories. Looking ahead, we expect a modest rebound as demand gradually returns, volatility eases and businesses adapt to operating amid persistent uncertainty. We continue to expect GDP to increase by 1.2% in calendar 2025, which would be below the economy's potential but enough to avoid a recession.



## Lines of business

The Business Development Bank of Canada (BDC) is the bank for Canadian entrepreneurs. Our purpose is to empower a nation of dreamers and doers to build a better tomorrow for all. We help create and develop strong Canadian businesses through financing, capital and advisory services, with a focus on small and medium-sized businesses.

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

## Activities

Core results are driven by the activities of the Financing, Advisory Services, Growth and Transition Capital and Venture Capital business lines. CIP results, which had previously been included in Core results, stem from programs aimed at strengthening Canada's VC ecosystem that are managed by BDC on behalf of the Government of Canada. CIP has been separated from Core activities to better align with BDC's capital management framework. CAP results stem from BDC's initiatives delivered in collaboration with the Government of Canada aimed at boosting capital for targeted SME needs, such as COVID-19 relief measures, the Canada Digital Adoption Program (CDAP), and tariff relief programs.

## Activity level summary

(\$ in millions)	Three months ended June 30	
	F2026	F2025
Financing loans acceptances	3,065.4	3,382.0
Advisory Services net contracts signed	8.2	8.6
Growth & Transition Capital acceptances	170.9	124.5
Venture Capital authorizations	44.6	136.0
Capital Incentive Programs authorizations	0.0	10.4
Credit Availability Program acceptances	57.1	132.5

## Core activities

The results of the first quarter of fiscal 2026 reflect that business are continuing to operate under challenging circumstances marked by slow economic growth, declining business creation, rising costs and significant trade uncertainties.

In the first quarter of fiscal 2026, clients accepted \$3.1 billion in loans through our financing activities, a slight decrease from the \$3.4 billion accepted during the same period last year. The last quarter of fiscal 2025 saw a significant drop in loan acceptances to \$2.1 billion, largely due to economic uncertainty and the looming threat of tariffs, which caused entrepreneurs to postpone their financing requests. However, we are beginning to see encouraging signs of recovery this quarter.

During fiscal 2025, BDC launched Community Banking, an initiative focused on providing equal chances for underserved entrepreneurs to gain access to financial solutions and support. BDC's Business Accelerator Loan Program (BALP) (previously known as Accelerator Loan Guarantee (ALG)) which is part of Community Banking, is a tailored program piloted to support partner organizations offer small loans to underserved entrepreneurs. By providing a guarantee for the loans provided to entrepreneurs by our partners, we promote equity and inclusive growth. As at June 30, 2025, total authorizations since the inception of the program amounted to \$59.6 million.



On June 5, 2025, the First Nations Bank of Canada (FNBC) and BDC announced a \$100M initiative to increase business acquisitions by Indigenous communities and economic development agencies across the country. In the spirit of economic reconciliation, this initiative will enable Indigenous communities and economic development agencies to have more access to capital for business acquisitions and support majority-owned Indigenous businesses.

Alongside BDC's Community Banking initiative, the Inclusive Entrepreneurship team is working to ensure entrepreneurs have access to financing, connections and know-how to grow their businesses successfully. A pan-Canadian network of BDC employee champions and ambassadors supports and promotes our inclusive entrepreneurship initiatives at a regional level. Since inception, Financing clients have accepted \$55.8 million in loans through the Inclusive Entrepreneurship initiative.

Advisory Services signed net contracts amounting to \$8.2 million in the first quarter of fiscal 2026 compared to \$8.6 million for the same period last year. This decrease is attributed to the termination of CDAP in February 2024, \$0.9 million of net contracts were signed for this program in the first quarter of fiscal year 2025 compared to none this quarter. Net contracts signed increased by 7% excluding the impact of CDAP.

In the first quarter of fiscal 2026, GTC clients accepted \$170.9 million in debt investments, which was higher than the \$124.5 million accepted in the same quarter of the previous year. This increase was driven by a higher volume of activity in the market for transition capital, and larger deal sizes.

VC authorizations for the first quarter of fiscal 2026 totalled \$44.6 million (including \$28.5 million in direct equity investments, \$20.0 million in indirect equity investments in funds, and cancellations of \$3.9 million in debt investments authorizations from a prior period) a significant decrease from \$136.0 million (including \$78.6 million in direct equity investments, \$57.1 million in indirect equity investments in funds, and \$0.3 million in debt investments) for the same period last year. The venture capital market continued to face challenges due to trade tensions and economic uncertainties, undermining investor confidence, making fundraising difficult, and leading to minimal exit activity.

### **Capital Incentive Programs (CIP)**

BDC continued to play a pivotal role in managing CIP for the Government of Canada, which includes \$390 million for Venture Capital Action Plan (VCAP), \$372 million for Venture Capital Catalyst Initiative (VCCI) 2017, \$450 million for Venture Capital Catalyst Initiative (VCCI) 2021, \$600 million for the Cleantech Practice, and \$100 million for Indigenous Growth Fund (IGF).

CIP authorizations for the first quarter of fiscal 2026 were nil compared to \$10.4 million for the same period last year, as VCAP and VCCI programs and Cleantech Practice are now fully committed. This decrease in activity was expected as we prepare for the transition to the next programs announced by our shareholder.

### **Credit Availability Program (CAP)**

The carrying amount of CAP's loan and investment portfolio stood at \$1.1 billion as at June 30, 2025, compared to \$1.2 billion as at March 31, 2025. The portfolio is decreasing as CAP's COVID-19 relief measures ended in fiscal 2022.

During the month of March 2025, the Government of Canada directed BDC to extend up to \$500 million in working capital loans to clients impacted by the new US tariffs, as well as offering consulting mandates to affected businesses. In response, we launched new products, including the Pivot to Grow loan and prequalified postponements to eligible clients, and extended the Advisory Services Trade Resilience program. In the first quarter of fiscal 2026, CAP clients accepted \$22.9 million in Pivot to Grow loans, and 125 net advisory services contracts were signed amounting to \$0.9 million.

CDAP acceptances amounted to \$32.6 million for the first quarter of fiscal 2026 compared to \$132.5 million for the same period last year. Since February 19, 2024, the program is no longer accepting new applications, but existing applications were still being processed during the first quarter of fiscal 2026.

## Executive Summary



Highly Affected Sectors Credit Availability Program (HASCAP) guarantee acceptances amounted to \$3.7 billion since the inception of the program, which has been closed for new authorizations since March 31, 2022. The actual exposure under the HASCAP guarantee program totalled \$2.6 billion as at June 30, 2025, compared to \$2.5 billion for the same period last year.

### Financial results overview

Consolidated net income amounted to \$112.1 million for the first quarter of fiscal 2026, consisting of net income of \$130.2 million for the Core business, net income of \$17.0 million for CIP and a net loss of \$35.1 million for CAP. In comparison, BDC reported consolidated net income of \$161.0 million for the same period last year, consisting of net income of \$172.5 million for the Core business, net income of \$28.7 million for CIP and a net loss of \$40.2 million for CAP.

### Financial performance

(\$ in millions)	Three months ended June 30	
	F2026	F2025
Net interest income	520.5	522.7
Net realized gains (losses) on investments	(18.7)	(1.7)
Revenue from Advisory Services	7.8	13.1
Fee and other income	18.4	22.4
<b>Net revenue</b>	<b>528.0</b>	<b>556.5</b>
Provision for expected credit losses	(160.0)	(168.8)
Net change in unrealized appreciation (depreciation) of investments	65.8	2.3
Net foreign exchange gains (losses)	(104.6)	15.5
Net gains (losses) on other financial instruments	(10.0)	(40.9)
<b>Income before operating and administrative expenses</b>	<b>319.2</b>	<b>364.6</b>
Operating and administrative expenses	207.1	203.6
<b>Consolidated net income (loss)</b>	<b>112.1</b>	<b>161.0</b>
<b>Core net income (loss)</b>	<b>130.2</b>	<b>172.5</b>

The decrease in consolidated net income was mainly attributable to higher net foreign exchange losses on Venture Capital's investments portfolio and lower net realized gains on investments in GTC's investments portfolio, partially offset by higher net change in unrealized appreciation of investments from Venture Capital's investments portfolio and lower net losses on other financial instruments in CAP's loans portfolio.

## Executive Summary



### Key measures

	Three months ended June 30	
(\$ in millions unless otherwise noted)	F2026	F2025
<b>Loan portfolio growth</b>		
Outstanding loans at gross carrying amount	42,817.1	40,923.1
Outstanding portfolio growth (%)	4.6%	8.8%
Allowance for expected credit losses	(1,682.0)	(1,330.2)
<b>Investment portfolio growth</b>		
Investments at cost	5,250.8	4,813.7
Portfolio growth (%)	9.1%	8.2%
Investments at fair value	6,362.8	5,937.1
<b>Profitability</b>		
Financing net interest income margin (%)	4.30%	4.22%
<b>Efficiency</b>		
Efficiency ratio (%)	35.6%	34.4%
<b>Capital management</b>		
Internal capital ratio (Core)	110.5%	112.1%
<b>Shareholder return</b>		
Adjusted return on common equity	4.7%	6.5%
Adjusted return on common equity - 10 year moving average	9.4%	10.2%
Dividends paid based on the performance of the previous fiscal year	50.0	337.0

A \$50.0 million dividend was paid in June 2025 to our sole shareholder, the Government of Canada.



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 \$25 billion to Canada's GDP over the next five years, while supporting over 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.**



# Table of Contents

---

<b>Management Discussion and Analysis .....</b>	<b>9</b>
Context of the Quarterly Financial Report.....	9
Risk Management .....	9
Analysis of Financial Results .....	10
 <b>Consolidated Financial Statements.....</b>	 <b>23</b>

This report includes forward-looking statements regarding BDC’s financial position, results, operations, commitments, sustainability goals, and risk management. These statements include but are not limited to objectives, strategies, expectations, estimates, and targets, and are inherently uncertain due to numerous factors, assumptions and risks. Moreover, many of the assumptions, estimates, standards, methodologies, metrics, measurements, results and commitments described in this report continue to evolve and are based on assumptions believed to be reasonable at the time of preparation but should not be considered guarantees. As a result, actual outcomes may differ significantly from projections, expectations, estimations, and forecasts. Data, metrics, standards and methodologies may not align with those used by other organizations or by BDC in the future.



# Management Discussion and Analysis

---

## Context of the Quarterly Financial Report

The Management Discussion and Analysis outlines the significant activities and initiatives, risks and financial results of the Business Development Bank of Canada (BDC) for the three months ended June 30, 2025. 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 2025 Annual Report. All amounts are in Canadian dollars, unless otherwise specified.

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

## Risk Management

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

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



## Analysis of Financial Results

Analysis of financial results is provided to enable a reader to assess BDC's results of operations and financial condition for the three-month period ended June 30, 2025, compared to the corresponding period of the prior fiscal year.

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

### Consolidated net income

(\$ in millions)	Three months ended June 30	
	F2026	F2025
Financing	179.9	170.9
Advisory Services	(9.2)	(9.6)
Growth & Transition Capital	16.3	20.5
Venture Capital	(56.8)	(9.3)
<b>Core net income</b>	<b>130.2</b>	172.5
Capital Incentive Programs	17.0	28.7
Credit Availability Program	(35.1)	(40.2)
<b>Net income (loss)</b>	<b>112.1</b>	161.0
<b>Net income (loss) attributable to:</b>		
BDC's shareholder	110.9	162.0
Non-controlling interests	1.2	(1.0)
<b>Net income (loss)</b>	<b>112.1</b>	161.0

### Three months ended June 30

For the first quarter of fiscal 2026, BDC generated consolidated net income of \$112.1 million, comprising \$110.9 million of net income attributable to BDC's shareholder and net income of \$1.2 million attributable to non-controlling interests. For the equivalent period last year, consolidated net income of \$161.0 million included \$162.0 million of net income attributable to BDC's shareholder and a net loss of \$1.0 million attributable to non-controlling interests.

BDC's consolidated Core net income was \$130.2 million compared to \$172.5 million reported for the same period last year. The decrease in net income was mainly attributable to higher net foreign exchange losses from Venture Capital's investments portfolio, lower net realized gains on investments from GTC's investments portfolio and higher provision for expected credit losses on Financing's loans portfolio, partially offset by higher net interest income from Financing and higher net change in unrealized appreciation on investments from VC.

CIP reported consolidated net income of \$17.0 million for the first quarter of fiscal 2026, compared to net income of \$28.7 million for the same period last year. The decrease in CIP's net income was due to lower net interest income and lower net foreign exchange gains on investments.

CAP reported a consolidated net loss of \$35.1 million for the first quarter of fiscal 2026, compared to a net loss of \$40.2 million for the same period last year. The decrease in CAP's net loss was due to lower net losses on other financial



instruments and lower provision for expected credit losses, offset by lower net interest income and higher net realized losses on investments.

## Consolidated comprehensive income

(\$ in millions)	Three months ended June 30	
	F2026	F2025
<b>Net income (loss)</b>	<b>112.1</b>	161.0
<b>Other comprehensive income (loss)</b>		
Items that may be reclassified subsequently to net income		
Net change in unrealized gains (losses) on FVOCI <sup>(1)</sup> assets	<b>(2.1)</b>	4.6
<b>Total items that may be reclassified subsequently to net income</b>	<b>(2.1)</b>	4.6
Items that will not be reclassified to net income		
Remeasurements of net defined benefit asset or liability	<b>33.1</b>	77.8
<b>Other comprehensive income (loss)</b>	<b>31.0</b>	82.4
<b>Total comprehensive income (loss)</b>	<b>143.1</b>	243.4
<b>Total comprehensive income (loss) attributable to:</b>		
BDC's shareholder	<b>141.9</b>	244.4
Non-controlling interests	<b>1.2</b>	(1.0)
<b>Total comprehensive income (loss)</b>	<b>143.1</b>	243.4

<sup>(1)</sup>Fair value through other comprehensive income

### Three months ended June 30

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

BDC recorded consolidated other comprehensive income of \$31.0 million for the first quarter ended June 30, 2025, compared to consolidated other comprehensive income of \$82.4 million for the same period last year. The decrease in consolidated other comprehensive income for the first quarter of fiscal 2026 was mainly attributable to a remeasurement gain of \$33.1 million on the net defined benefit asset or liability, which was lower than the remeasurement gain of \$77.8 million on the net defined benefit asset or liability for the same period last year. This gain was mainly due to an increase in the discount rate used to measure the net defined benefit liability, offset by lower returns on pension plan assets.



## Operating and administrative expenses

	Three months ended June 30	
	F2026	F2025
(\$ in millions unless otherwise noted)		
<b>Salaries and benefits</b>		
Salaries and other benefits	134.5	130.0
Defined benefit plan expense	11.7	11.9
	<b>146.2</b>	141.9
<b>Premises and equipment</b>	<b>11.4</b>	11.4
<b>Other expenses</b>		
Professional and outsourcing fees	22.5	25.3
Computers and software, including amortization and depreciation	19.4	17.4
Communications, advertising, and promotion	3.5	3.4
Other	4.1	4.2
	<b>49.5</b>	50.3
<b>Total operating and administrative expenses</b>	<b>207.1</b>	203.6
<b>Efficiency ratio</b>	<b>35.6%</b>	34.4%

### Three months ended June 30

For the first quarter of fiscal 2026, BDC recorded operating and administrative expenses of \$207.1 million, compared to \$203.6 million for the same period last year. The increase was mainly due to higher salaries and staff benefits to support portfolio growth.

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, CDAP, pension expenses, Venture Capital net revenue, and Venture Capital Bridge Financing Program net revenue. A lower ratio indicates improved efficiency. BDC's efficiency ratio has deteriorated for the three-month period ended June 30, 2025, as compared to the same period last year, as net revenues decreased, mainly due to lower net interest income in CAP, while operating and administrative expenses increased, primarily in Financing, due to higher salaries and employee benefits to support portfolio growth.



## Financing results

(\$ in millions)	Three months ended June 30	
	F2026	F2025
Net interest income	458.2	426.6
Net realized gains (losses) on investments	(0.3)	-
Fee and other income	8.9	7.9
Provision for expected credit losses	(119.6)	(112.7)
Net change in unrealized appreciation (depreciation) of investments	-	0.8
Net foreign exchange gains (losses)	(15.8)	(5.3)
Net gains (losses) on other financial instruments	(0.1)	-
<b>Income before operating and administrative expenses</b>	<b>331.3</b>	<b>317.3</b>
Operating and administrative expenses	151.4	146.4
<b>Net income (loss) from Financing</b>	<b>179.9</b>	<b>170.9</b>

As % of average portfolio	Three months ended June 30	
	F2026	F2025
Net interest income	4.3	4.2
Fee and other income	0.1	0.1
Provision for expected credit losses	(1.1)	(1.1)
Net foreign exchange gains (losses)	(0.2)	(0.1)
<b>Income before operating and administrative expenses</b>	<b>3.1</b>	<b>3.1</b>
Operating and administrative expenses	1.4	1.4
<b>Net income (loss) from Financing</b>	<b>1.7</b>	<b>1.7</b>

### Three months ended June 30

Net income from Financing was \$179.9 million for the first quarter of fiscal 2026 compared to net income of \$170.9 million for the same period last year. The increase in net income from Financing for the first quarter of fiscal 2026 was mainly explained by higher net interest income, driven by portfolio growth and higher margin achieved, offset by higher provision for expected credit losses, higher net foreign exchanges losses and higher operating and administrative expenses due to higher salaries and staff benefits to support portfolio growth.



## Advisory Services results

(\$ in millions)	Three months ended June 30	
	F2026	F2025
Revenue	7.8	13.1
Delivery expenses <sup>(1)</sup>	4.6	7.1
<b>Gross operating margin</b>	<b>3.2</b>	6.0
Operating and administrative expenses	12.4	15.6
<b>Net income (loss) from Advisory Services</b>	<b>(9.2)</b>	(9.6)

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

### Three months ended June 30

A net loss of \$9.2 million was recorded for the first quarter of fiscal 2026, compared to a \$9.6 million net loss for the same quarter last year. The gross operating margin decreased by \$2.8 million, mainly driven by the lower delivery of CDAP mandates due to the termination of the program while operating and administrative expenses decreased by \$3.2 million, mainly due to higher expenses recharged to CAP segment in relation to the newly created Pivot to Grow program, which includes Advisory Services solutions.

## Growth & Transition Capital results

(\$ in millions)	Three months ended June 30	
	F2026	F2025
Net revenue on investments	25.2	40.3
Net change in unrealized appreciation (depreciation) of investments	(1.0)	(7.4)
Net foreign exchange gains (losses)	3.8	(1.0)
<b>Income before operating and administrative expenses</b>	<b>28.0</b>	31.9
Operating and administrative expenses	11.7	11.4
<b>Net income (loss) from G&amp;TC</b>	<b>16.3</b>	20.5
<b>Net income (loss) attributable to:</b>		
BDC's shareholder	16.3	20.5
Non-controlling interests	-	-
<b>Net income (loss) from G&amp;TC</b>	<b>16.3</b>	20.5



	Three months ended June 30	
	F2026	F2025
As % of average portfolio		
Net revenue on investments	6.8	11.9
Net change in unrealized appreciation (depreciation) of investments	(0.3)	(2.2)
Net foreign exchange gains (losses)	1.0	(0.3)
<b>Income before operating and administrative expenses</b>	<b>7.5</b>	<b>9.4</b>
Operating and administrative expenses	3.1	3.4
<b>Net income (loss) from G&amp;TC</b>	<b>4.4</b>	<b>6.0</b>
<b>Net income (loss) attributable to:</b>		
BDC's shareholder	4.4	6.0
Non-controlling interests	-	-
<b>Net income (loss) from G&amp;TC</b>	<b>4.4</b>	<b>6.0</b>

### Three months ended June 30

Net income reached \$16.3 million for the first quarter of fiscal 2026, compared to net income of \$20.5 million for the same period last year. The decrease in net income was mainly due to lower net realized gains on investments, offset by lower net change in unrealized depreciation on investments and lower net foreign exchange losses.

GTC recorded a net change in unrealized depreciation on investments of \$1.0 million in the first quarter of fiscal 2026, mainly driven by net fair value depreciation of \$4.9 million, offset by a reversal of fair value depreciation on investments of \$3.9 million, compared to a net change in unrealized depreciation on investments of \$7.4 million during the same period last year, mainly driven by net fair value depreciation of \$6.5 million.

	Three months ended June 30	
	F2026	F2025
(\$ in millions)		
Net fair value appreciation (depreciation)	(4.9)	(6.5)
Reversal of net fair value depreciation (appreciation) due to realized income and write-offs	3.9	(0.9)
<b>Net change in unrealized appreciation (depreciation) of investments</b>	<b>(1.0)</b>	<b>(7.4)</b>



## Venture Capital results

(\$ in millions)	Three months ended June 30	
	F2026	F2025
Net revenue on investments	(8.2)	(8.3)
Net change in unrealized appreciation (depreciation) of investments	52.2	(6.3)
Net foreign exchange gains (losses)	(86.0)	20.4
<b>Income (loss) before operating and administrative expenses</b>	<b>(42.0)</b>	<b>5.8</b>
Operating and administrative expenses	14.8	15.1
<b>Net income (loss) from Venture Capital</b>	<b>(56.8)</b>	<b>(9.3)</b>
<b>Net income (loss) attributable to:</b>		
BDC's shareholder	(58.0)	(8.3)
Non-controlling interests	1.2	(1.0)
<b>Net income (loss) from Venture Capital</b>	<b>(56.8)</b>	<b>(9.3)</b>

### Three months ended June 30

During the first quarter of fiscal 2026, VC recorded a net loss of \$56.8 million, compared to a net loss of \$9.3 million for the same period last year. The unfavourable variance for the first quarter of fiscal 2026 was mainly explained by higher net foreign exchange losses, partially offset by higher net change in unrealized appreciation on investments.

As detailed below, VC recorded a net change in unrealized appreciation of investments of \$52.2 million for the first quarter of fiscal 2026 mainly driven by net fair value appreciation, compared to a net change in unrealized depreciation of \$6.3 million for the same period last year.

(\$ in millions)	Three months ended June 30	
	F2026	F2025
Net fair value appreciation (depreciation)	40.4	(14.8)
Reversal of fair value depreciation (appreciation) on divested investments and write-offs	11.8	8.5
<b>Net change in unrealized appreciation (depreciation) of investments</b>	<b>52.2</b>	<b>(6.3)</b>

In the first quarter of fiscal 2026, net foreign exchange losses on investments of \$86.0 million were recorded due to foreign exchange fluctuations in U.S. dollar denominated investments compared to net foreign exchange gains on investments of \$20.4 million recorded for the same period last year.



## Capital Incentive Programs results

(\$ in millions)	Three months ended June 30	
	F2026	F2025
Net revenue on investments	6.3	12.4
Net change in unrealized appreciation (depreciation) of investments	15.8	17.3
Net foreign exchange gains (losses)	(3.4)	0.6
<b>Income (loss) before operating and administrative expenses</b>	<b>18.7</b>	<b>30.3</b>
Operating and administrative expenses	1.7	1.6
<b>Net income (loss) from Capital Incentive Programs</b>	<b>17.0</b>	<b>28.7</b>

### Three months ended June 30

During the first quarter of fiscal 2026, CIP recorded net income of \$17.0 million, compared to net income of \$28.7 million for the same period last year. The unfavourable variance for the first quarter of fiscal 2026 was mainly explained by lower net interest income, due to a decrease in interest rates used to determine interest recharges from Financing and lower net foreign exchange gains.

As detailed below, CIP recorded a net change in unrealized appreciation on investments of \$15.8 million in the first quarter of fiscal 2026 due to net fair value appreciation, compared to a net change in unrealized appreciation on investments of \$17.3 million during the same period last year, driven by a net fair value appreciation of \$17.4 million.

(\$ in millions)	Three months ended June 30	
	F2026	F2025
Net fair value appreciation (depreciation)	15.8	17.4
Reversal of net fair value depreciation (appreciation) due to realized income and write-offs	-	(0.1)
<b>Net change in unrealized appreciation (depreciation) of investments</b>	<b>15.8</b>	<b>17.3</b>



## Credit Availability Program results

(\$ in millions)	Three months ended June 30	
	F2026	F2025
Net interest income	28.8	57.0
Net realized gains (losses) on investments	(5.1)	(0.9)
Fee and other income	6.4	8.3
Provision for expected credit losses	(40.4)	(56.1)
Net change in unrealized appreciation (depreciation) of investments	(1.2)	(1.9)
Net foreign exchange gains (losses)	(3.2)	0.6
Net gains (losses) on other financial instruments	(9.9)	(40.9)
<b>Income (loss) before operating and administrative expenses</b>	<b>(24.6)</b>	<b>(33.9)</b>
Operating and administrative expenses	10.5	6.3
<b>Net income (loss) from Credit Availability Program</b>	<b>(35.1)</b>	<b>(40.2)</b>

### Three months ended June 30

During the first quarter of fiscal 2026, CAP recorded a net loss of \$35.1 million, compared to a net loss of \$40.2 million for the same period last year. The results for the first quarter of fiscal 2026 were favourably impacted by lower net losses on other financial instruments due to the reduced volume of CDAP loans following the termination of the program, and a lower provision for expected credit losses, mainly from HASCAP loan guarantees. This was offset by lower net interest income due to a declining portfolio, higher net realized losses on investments and higher operating and administrative expenses due to expenses related to the newly created Pivot to Grow program being recharged to CAP.



## Financial condition

(\$ in millions)	June 30, 2025	March 31, 2025
Cash	1,623.8	1,547.8
Asset-backed securities	1,121.1	1,202.6
Loans, gross carrying amount	42,817.1	42,405.9
Allowance for expected credit losses	(1,682.0)	(1,633.6)
Investments	6,362.8	6,306.3
Net defined benefit asset	436.5	417.0
Other	274.9	258.0
<b>Total assets</b>	<b>50,954.2</b>	<b>50,504.0</b>
Borrowings	34,312.1	33,935.7
Net defined benefit liability	223.2	236.5
Expected credit losses on loan commitments and guarantees	555.3	564.7
Other	441.2	437.8
<b>Total liabilities</b>	<b>35,531.8</b>	<b>35,174.7</b>
<b>Total equity</b>	<b>15,422.4</b>	<b>15,329.3</b>

As at June 30, 2025, total BDC assets amounted to \$50.9 billion, an increase of \$0.4 billion from March 31, 2025, mainly explained by the \$0.4 billion increase in our net loans portfolio.

At \$41.1 billion, the loan portfolio represented BDC's largest asset (gross portfolio of \$42.8 billion less a \$1.7 billion allowance for expected credit losses). The gross loans portfolio grew by 1.0% over the quarter ended June 30, 2025, reflecting an increase in the level of activity in the Financing portfolio.

BDC's investment portfolio, which includes debt investments, direct equity investments and indirect equity investments in funds, stood at \$6.4 billion, compared to \$6.3 billion as at March 31, 2025. The increase of \$0.1 billion was mainly driven by net disbursements.

As at June 30, 2025, BDC recorded a net defined benefit asset of \$436.5 million for the registered pension plan and a net defined benefit liability of \$223.2 million for the other plans, for a total net defined benefit asset of \$213.3 million. This represented an increase of \$32.8 million, compared to the total net defined benefit asset as at March 31, 2025, primarily as a result of remeasurement gains recorded in the first quarter of fiscal 2026. 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 \$1,623.8 million as at June 30, 2025, compared to \$1,547.8 million as at March 31, 2025.

As at June 30, 2025, BDC funded its portfolios and liquidities with borrowings of \$34.3 billion and total equity of \$15.4 billion. Borrowings comprised \$22.0 billion in short-term notes and \$12.3 billion in long-term notes.



## Cash

(\$ in millions)	Three months ended June 30	
	F2026	F2025
Cash provided (used) by operating activities	(214.6)	(558.2)
Cash provided (used) by investing activities	(40.9)	(196.6)
Cash provided (used) by financing activities	331.5	835.0
<b>Change in cash</b>	<b>76.0</b>	<b>80.2</b>

For the three-month period ended June 30, 2025, operating activities used \$214.6 million in net cash flows, mainly to support the growth of the loan portfolio. Cash flows used by investing activities amounted to \$40.9 million, reflecting net disbursements for investments offset by net repayments on asset-backed-securities. Financing activities provided \$331.5 million in cash flows, mainly as a result of a net change of \$385.0 million in borrowings, offset by a dividend payment of \$50.0 million.

## Capital adequacy

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

(\$ in millions)	June 30, 2025	March 31, 2025
Equity attributable to BDC's shareholder	15,419	15,327
Intangible assets, net of accumulated amortization	(48)	(49)
Net defined benefit asset	(436)	(417)
Adjustments for allowance for expected credit losses	540	533
Portion of equity attributable to CIP	(2,523)	(2,506)
Portion of equity attributable to CAP	(1,660)	(1,695)
Adjustments to available capital	(4,127)	(4,134)
<b>Total available capital (a)</b>	<b>11,292</b>	<b>11,193</b>
<b>Required capital (b)</b>	<b>10,223</b>	<b>10,128</b>
<b>Capital status (a-b)</b>	<b>1,069</b>	<b>1,065</b>
Management operating range (c)	769	754
<b>Capital generated above the internal target rate (a-b-c)</b>	<b>300</b>	<b>311</b>
<b>Internal capital ratio</b>	<b>110.5%</b>	<b>110.5%</b>

BDC's internal capital ratio, excluding CIP and CAP, stood at 110.5% as at June 30, 2025, above its target capital ratio and unchanged since March 31, 2025. Our regulatory capital ratio is well above the minimum regulatory capital requirements and BDC is well positioned to continue to support Canadian SMEs.



## Corporate Plan discussion

### Key financial measures

	Three months ended June 30	
	Actual F2026	Plan F2026
Adjusted return on equity (annual)	4.7%	7.2%
Adjusted return on equity (10-year moving average)	9.4%	9.7%
BDC efficiency ratio	35.6%	37.8%
Internal capital ratio (Core)	110.5%	108.5%

Adjusted return on equity was 4.7% as at June 30, 2025, lower than the Corporate Plan of 7.2%. This was mainly due to lower-than-expected net income from Venture Capital resulting from a \$86.0 million net foreign exchange losses. Given the high level of uncertainty relating to this item, a neutral stance is adopted in Corporate Plan projections for foreign exchange gains and losses.

BDC's efficiency ratio for the first quarter of fiscal 2025 was 35.6%, which was better than the planned 37.8%. This was primarily due to operating and administrative expenses being lower than anticipated, driven by lower salaries and staff benefit resulting from a smaller-than-expected workforce, as well as lower-than-forecasted professional fees. The internal capital ratio stands at 110.5%, above the planned 108.5% as the amount of required capital was lower than anticipated for our Financing and Venture Capital portfolio.



## Consolidated net income

(\$ in millions)	Three months ended June 30	
	Actuals F2026	Plan F2026
Net interest income	520.5	517.6
Net realized gains (losses) on investments	(18.7)	(8.3)
Revenue from Advisory Services	7.8	8.6
Fee and other income	18.4	21.2
<b>Net revenue</b>	<b>528.0</b>	539.1
Provision for expected credit losses	(160.0)	(158.2)
Net change in unrealized appreciation (depreciation) of investments	65.8	24.2
Net foreign exchange gains (losses)	(104.6)	-
Net gains (losses) on other financial instruments	(10.0)	(45.7)
<b>Income before operating and administrative expenses</b>	<b>319.2</b>	359.4
Operating and administrative expenses	207.1	218.5
<b>Consolidated net income (loss)</b>	<b>112.1</b>	140.9
<b>Core net income (loss)</b>	<b>130.2</b>	203.3

BDC's consolidated net income for the first quarter of fiscal 2026 totaled \$112.1 million, falling short of the plan by \$28.8 million. This variance was primarily driven by higher-than-expected net foreign exchange losses in the Venture Capital and Capital Incentive Programs. These impacts were partially offset by greater-than-planned unrealized appreciation of investments within the same segments, along with lower-than-anticipated net losses on other financial instruments under the Credit Availability Program as CDAP acceptances were lower than projected.



# Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)

<b>Management’s Responsibility for Financial Information .....</b>	<b>24</b>
<b>Consolidated Statement of Financial Position .....</b>	<b>25</b>
<b>Consolidated Statement of Income .....</b>	<b>26</b>
<b>Consolidated Statement of Comprehensive Income .....</b>	<b>27</b>
<b>Consolidated Statement of Changes in Equity .....</b>	<b>28</b>
<b>Consolidated Statement of Cash Flows.....</b>	<b>29</b>
<b>Notes to the Consolidated Financial Statements.....</b>	<b>30</b>
Note 1: BDC general description .....	30
Note 2: Basis of preparation.....	30
Note 3: Material accounting policies .....	31
Note 4: Significant accounting judgements, estimates and assumptions .....	31
Note 5: Fair value of financial instruments.....	31
Note 6: Asset-backed securities .....	33
Note 7: Loans.....	34
Note 8: Investments .....	36
Note 9: Share capital.....	38
Note 10: Segmented information .....	39
Note 11: Guarantees.....	43
Note 12: Related party transactions.....	44



## Management's Responsibility for Financial Information

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

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

---

**Isabelle Hudon**  
President and Chief Executive Officer

---

**Christian Settano, CPA**  
Chief Financial Officer

Montreal, Canada  
August 13, 2025



## Consolidated Statement of Financial Position

(unaudited)

(in thousands of Canadian dollars)	Notes	June 30, 2025	March 31, 2025
<b>ASSETS</b>			
Cash		1,623,780	1,547,771
Derivative assets		4,692	454
Asset-backed securities	6	1,121,117	1,202,586
Loans			
Loans, gross carrying amount	7	42,817,168	42,405,851
Less: allowance for expected credit losses	7	(1,682,038)	(1,633,600)
Loans, net of allowance for expected credit losses		41,135,130	40,772,251
Investments	8	6,362,761	6,306,293
Property and equipment		56,026	55,341
Intangible assets		47,948	49,321
Right-of-use-assets		75,165	77,520
Net defined benefit asset		436,488	417,040
Other assets		91,149	75,436
<b>Total assets</b>		<b>50,954,256</b>	<b>50,504,013</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Accounts payable, accrued and other liabilities		347,704	341,211
Derivative liabilities		3,003	3,853
Borrowings			
Short-term notes		22,004,433	21,254,049
Long-term notes		12,307,736	12,681,699
Total borrowings		34,312,169	33,935,748
Lease liabilities			
Short-term lease liabilities		13,866	13,681
Long-term lease liabilities		76,646	79,011
Total lease liabilities		90,512	92,692
Net defined benefit liability		223,169	236,498
Expected credit losses on loan commitments and guarantees	7, 11	555,262	564,721
<b>Total liabilities</b>		<b>35,531,819</b>	<b>35,174,723</b>
<b>Equity</b>			
Share capital	9	6,239,900	6,239,900
Contributed surplus		27,778	27,778
Retained earnings		9,135,273	9,041,178
Accumulated other comprehensive income (loss)		16,856	18,977
<b>Equity attributable to BDC's shareholder</b>		<b>15,419,807</b>	<b>15,327,833</b>
Non-controlling interests		2,630	1,457
<b>Total equity</b>		<b>15,422,437</b>	<b>15,329,290</b>
<b>Total liabilities and equity</b>		<b>50,954,256</b>	<b>50,504,013</b>

**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

(unaudited)

(in thousands of Canadian dollars)	Notes	Three months ended June 30	
		2025	2024
Interest income		770,452	836,224
Interest expense		249,985	313,489
<b>Net interest income</b>		<b>520,467</b>	<b>522,735</b>
Net realized gains (losses) on investments		(18,735)	(1,688)
Revenue from Advisory Services		7,828	13,118
Fee and other income		18,451	22,363
<b>Net revenue</b>		<b>528,011</b>	<b>556,528</b>
Provision for expected credit losses		(160,020)	(168,807)
Net change in unrealized appreciation (depreciation) of investments		65,860	2,327
Net foreign exchange gains (losses)		(104,650)	15,504
Net gains (losses) on other financial instruments		(9,947)	(40,934)
<b>Income before operating and administrative expenses</b>		<b>319,254</b>	<b>364,618</b>
Salaries and benefits		146,192	141,887
Premises and equipment		11,388	11,447
Other expenses		49,551	50,299
<b>Operating and administrative expenses</b>		<b>207,131</b>	<b>203,633</b>
<b>Net income (loss)</b>		<b>112,123</b>	<b>160,985</b>
<b>Net income (loss) attributable to:</b>			
BDC's shareholder		110,950	162,028
Non-controlling interests		1,173	(1,043)
<b>Net income (loss)</b>		<b>112,123</b>	<b>160,985</b>

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



## Consolidated Statement of Comprehensive Income

(unaudited)

(in thousands of Canadian dollars)	Three months ended June 30	
	2025	2024
<b>Net income (loss)</b>	<b>112,123</b>	160,985
<b>Other comprehensive income (loss)</b>		
Items that may be reclassified subsequently to net income		
Net change in unrealized gains (losses) on fair value through other comprehensive income assets	<b>(2,121)</b>	4,612
<b>Total items that may be reclassified subsequently to net income</b>	<b>(2,121)</b>	4,612
Items that will not be reclassified to net income		
Remeasurements of net defined benefit asset or liability	<b>33,145</b>	77,780
<b>Other comprehensive income (loss)</b>	<b>31,024</b>	82,392
<b>Total comprehensive income (loss)</b>	<b>143,147</b>	243,377
<b>Total comprehensive income (loss) attributable to:</b>		
BDC's shareholder	<b>141,974</b>	244,420
Non-controlling interests	<b>1,173</b>	(1,043)
<b>Total comprehensive income (loss)</b>	<b>143,147</b>	243,377

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



## Consolidated Statement of Changes in Equity

For the three months ended June 30  
(unaudited)

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)		Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
					FVOCI assets <sup>(1)</sup>			
<b>Balance as at March 31, 2025</b>	6,239,900	27,778	9,041,178		18,977	15,327,833	1,457	15,329,290
<b>Total comprehensive income (loss)</b>								
Net income (loss)			110,950			110,950	1,173	112,123
Other comprehensive income (loss)								
Net change in unrealized gains (losses) on fair value through other comprehensive income assets					(2,121)	(2,121)		(2,121)
Remeasurements of net defined benefit asset or liability			33,145			33,145		33,145
Other comprehensive income (loss)	-	-	33,145		(2,121)	31,024	-	31,024
<b>Total comprehensive income (loss)</b>	-	-	144,095		(2,121)	141,974	1,173	143,147
Dividends on common shares			(50,000)			(50,000)		(50,000)
Transactions with owner, recorded directly in equity	-	-	(50,000)		-		-	(50,000)
<b>Balance as at June 30, 2025</b>	6,239,900	27,778	9,135,273		16,856	15,419,807	2,630	15,422,437
<b>Balance as at March 31, 2024</b>	7,639,900	27,778	8,873,078		(14,301)	16,526,455	3,120	16,529,575
<b>Total comprehensive income (loss)</b>								
Net income (loss)			162,028			162,028	(1,043)	160,985
Other comprehensive income (loss)								
Net change in unrealized gains (losses) on fair value through other comprehensive income assets					4,612	4,612		4,612
Remeasurements of net defined benefit asset or liability			77,780			77,780		77,780
Other comprehensive income (loss)	-	-	77,780		4,612	82,392	-	82,392
<b>Total comprehensive income (loss)</b>	-	-	239,808		4,612	244,420	(1,043)	243,377
Dividends on common shares			(337,000)			(337,000)		(337,000)
Issuance 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)
<b>Balance as at June 30, 2024</b>	6,139,900	27,778	8,775,886		(9,689)	14,933,875	2,077	14,935,952

<sup>(1)</sup> Fair value through other comprehensive income assets

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



## Consolidated Statement of Cash Flows

(unaudited)

(in thousands of Canadian dollars)	Notes	Three months ended	
		June 30	2024
		2025	2024
<b>Operating activities</b>			
Net income (loss)		112,123	160,985
Adjustments to determine net cash flows			
Interest income		(770,452)	(836,224)
Interest expense		249,438	312,948
Interest on lease liabilities		547	541
Net realized losses (gains) on investments		18,735	1,688
Provision for expected credit losses		160,020	168,807
Net change in unrealized depreciation (appreciation) of investments		(65,860)	(2,327)
Net unrealized foreign exchange losses (gains)		151,436	(29,080)
Defined benefits funding below (in excess of) amounts expensed		370	4,295
Depreciation of property and equipment, and amortization of intangible assets		6,196	5,752
Depreciation of right-of-use assets		3,120	3,106
Other		5,298	(20,813)
Interest expense paid		(256,575)	(298,915)
Interest income received		758,170	829,729
Claims on guarantees paid		(65,178)	(72,104)
Changes in operating assets and liabilities			
Net change in loans		(527,145)	(788,701)
Net change in accounts payable, accrued and other liabilities		20,834	15,866
Net change in other assets		(15,712)	(13,748)
<b>Net cash flows provided (used) by operating activities</b>		<b>(214,635)</b>	<b>(558,195)</b>
<b>Investing activities</b>			
Disbursements for asset-backed securities		(66,943)	(156,937)
Repayments and proceeds on sale of asset-backed securities		146,182	144,664
Disbursements for investments		(239,988)	(289,681)
Repayments of investments		72,820	88,410
Proceeds on sale of investments		52,573	21,008
Acquisition of property and equipment		(3,533)	(1,267)
Acquisition of intangible assets		(1,975)	(2,797)
<b>Net cash flows provided (used) by investing activities</b>		<b>(40,864)</b>	<b>(196,600)</b>
<b>Financing activities</b>			
Net change in short-term notes		753,000	1,919,000
Issue of long-term notes		441,000	1,297,000
Repayment of long-term notes		(809,000)	(540,000)
Repurchase of common shares		-	(1,500,000)
Dividends paid on common shares		(50,000)	(337,000)
Payment of lease liabilities		(3,492)	(3,965)
<b>Net cash flows provided (used) by financing activities</b>		<b>331,508</b>	<b>835,035</b>
<b>Net increase (decrease) in cash</b>		<b>76,009</b>	<b>80,240</b>
<b>Cash at beginning of period</b>		<b>1,547,771</b>	<b>919,278</b>
<b>Cash at end of period</b>		<b>1,623,780</b>	<b>999,518</b>

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 Industry.

## 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, 2025. They should be read in conjunction with the audited Consolidated Financial Statements for the year ended March 31, 2025 and the accompanying notes as set out on pages 71 to 133 of BDC's 2025 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, 2025. If BDC changes the application of these policies, it may result in a restatement of these condensed quarterly Consolidated Financial Statements.

The condensed quarterly Consolidated Financial Statements were approved for issue by the Board of Directors on August 13, 2025.



### 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, 2025. 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 2025 Annual Report and the accompanying notes, as set out on pages 71 to 133 of our 2025 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 83 of our 2025 Annual Report.

The ongoing uncertainty surrounding tariff policy, particularly the lack of clarity on future implementation, continues to weigh on business confidence, already dampening investment. These dynamics pose risks to trade flows, elevate input costs, and may dampen economic growth, contributing to increased volatility, which could materially impact expected credit losses (ECL) under IFRS 9 standards. See note 7-Loans for more information on the assumptions regarding the forward-looking information included in the assessment of allowance for expected credit losses considers.

### 5.

#### Fair value of financial instruments

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

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

## Notes to the Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)



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

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

	Fair value measurements using			June 30, 2025
	Level 1	Level 2	Level 3	Total fair value
<b>Assets</b>				
Derivative assets	-	4,692	-	4,692
Asset-backed securities	-	1,121,117	-	1,121,117
Investments	48,421	-	6,314,340	6,362,761
	<b>48,421</b>	<b>1,125,809</b>	<b>6,314,340</b>	<b>7,488,570</b>
<b>Liabilities</b>				
Derivative liabilities	-	3,003	-	3,003
	-	3,003	-	3,003

	Fair value measurements using			March 31, 2025
	Level 1	Level 2	Level 3	Total fair value
<b>Assets</b>				
Derivative assets	-	454	-	454
Asset-backed securities	-	1,202,586	-	1,202,586
Investments	43,632	-	6,262,661	6,306,293
	<b>43,632</b>	<b>1,203,040</b>	<b>6,262,661</b>	<b>7,509,333</b>
<b>Liabilities</b>				
Derivative liabilities	-	3,853	-	3,853
	-	3,853	-	3,853

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

	June 30, 2025
Fair value as at April 1, 2025	6,262,661
Net realized gains (losses) on investments	274
Net change in unrealized appreciation (depreciation) of investments	41,303
Net unrealized foreign exchange gains (losses) on investments	(85,052)
Disbursements for investments	239,988
Repayments of investments and other	(144,834)
<b>Fair value as at June 30, 2025</b>	<b>6,314,340</b>

## Notes to the Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)



	March 31, 2025
	Total
Fair value as at April 1, 2024	5,652,600
Net realized gains (losses) on investments	(42,313)
Net change in unrealized appreciation (depreciation) of investments	(64,857)
Net unrealized foreign exchange gains (losses) on investments	91,579
Disbursements for investments	1,107,385
Repayments of investments and other	(480,559)
Transfers from level 3 to level 1	(1,174)
Fair value as at March 31, 2025	6,262,661

## 6.

### Asset-backed securities

The following table summarizes ABS by classification of financial instruments.

	June 30, 2025	March 31, 2025
<b>Fair value through other comprehensive income</b>		
Principal amount	1,133,745	1,212,445
Cumulative fair value appreciation (depreciation)	(29,017)	(26,896)
Carrying value	1,104,728	1,185,549
Yield	4.39%	4.40%
<b>Fair value through profit or loss</b>		
Principal amount	21,319	21,987
Cumulative fair value appreciation (depreciation)	(4,930)	(4,950)
Carrying value	16,389	17,037
Yield	8.83%	8.88%
<b>Asset-backed securities</b>	<b>1,121,117</b>	<b>1,202,586</b>

An allowance for expected credit losses of \$17.7 million, resulting from a significant increase in credit risk, was recorded on a portion of the ABS portfolio classified at fair value through other comprehensive income for the year ended March 31, 2025. No additional provision was recorded for the quarter ended June 30, 2025. The allowance for expected credit losses was recognized in the Consolidated Statement of Income in provision for expected credit losses with the corresponding loss recorded in net change in unrealized gains (losses) on FVOCI assets in the Consolidated Statement of Comprehensive Income.

# Notes to the Consolidated Financial Statements

(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	543,918	5,058,782	35,583,840	41,186,540	(936,468)	40,250,072
Impaired	71,917	257,486	1,301,225	1,630,628	(745,570)	885,058
<b>Loans as at June 30, 2025</b>	<b>615,835</b>	<b>5,316,268</b>	<b>36,885,065</b>	<b>42,817,168</b>	<b>(1,682,038)</b>	<b>41,135,130</b>

  

	Within 1 year	1 to 5 years	Over 5 years	Total gross carrying amount	Allowance for expected credit losses	Total net carrying amount
Performing	439,756	5,064,267	35,274,915	40,778,938	(907,196)	39,871,742
Impaired	73,307	246,809	1,306,797	1,626,913	(726,404)	900,509
<b>Loans as at March 31, 2025</b>	<b>513,063</b>	<b>5,311,076</b>	<b>36,581,712</b>	<b>42,405,851</b>	<b>(1,633,600)</b>	<b>40,772,251</b>

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, 2025	388,039	519,157	726,404	1,633,600
Provision for expected credit losses				
Transfer to Stage 1 <sup>(1)</sup>	62,943	(62,553)	(390)	-
Transfer to Stage 2 <sup>(1)</sup>	(65,755)	75,895	(10,140)	-
Transfer to Stage 3 <sup>(1)</sup>	(872)	(14,471)	15,343	-
Net remeasurement of allowance for expected credit losses <sup>(2)</sup>	(58,118)	50,803	93,964	86,649
Financial assets that have been fully repaid	(10,669)	(14,923)	(15,761)	(41,353)
New financial assets originated	58,008	9,442	-	67,450
Write-offs	-	-	(73,938)	(73,938)
Recoveries	-	-	11,391	11,391
Foreign exchange and other movements	(162)	(296)	(1,303)	(1,761)
<b>Balance as at June 30, 2025</b>	<b>373,414</b>	<b>563,054</b>	<b>745,570</b>	<b>1,682,038</b>

  

	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 <sup>(1)</sup>	163,511	(159,893)	(3,618)	-
Transfer to Stage 2 <sup>(1)</sup>	(181,216)	219,883	(38,667)	-
Transfer to Stage 3 <sup>(1)</sup>	(4,261)	(99,708)	103,969	-
Net remeasurement of allowance for expected credit losses <sup>(2)</sup>	(194,570)	181,787	489,117	476,334
Financial assets that have been fully repaid	(39,818)	(48,231)	(35,240)	(123,289)
New financial assets originated	238,523	18,165	-	256,688
Write-offs	-	-	(286,482)	(286,482)
Recoveries	-	-	40,470	40,470
Foreign exchange and other movements	290	(3,578)	1,317	(1,971)
<b>Balance as at March 31, 2025</b>	<b>388,039</b>	<b>519,157</b>	<b>726,404</b>	<b>1,633,600</b>

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

<sup>(2)</sup> 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.

## Notes to the Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)



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

Undisbursed amounts of authorized loans were \$4,385,747 as at June 30, 2025 (\$1,251,020 at fixed rates; \$3,134,377 at floating rates, and \$350 at zero interest rate) (\$4,157,102 as at March 31, 2025: \$1,188,121 at fixed rates; \$2,963,131 at floating rates; \$5,850 at zero interest rate). The weighted average effective interest rate on interest-bearing loan commitments was 6.15% (6.30% as at March 31, 2025).

Geographic distribution	June 30, 2025		March 31, 2025	
	Outstanding	Commitments	Outstanding	Commitments
Newfoundland and Labrador	796,666	48,849	766,785	56,435
Prince Edward Island	104,319	1,801	75,021	3,140
Nova Scotia	789,771	59,619	771,378	57,827
New Brunswick	570,166	59,565	557,583	72,894
Quebec	13,927,566	1,605,007	13,766,233	1,481,673
Ontario	11,500,490	998,790	11,570,304	995,837
Manitoba	1,188,224	89,165	1,165,354	94,802
Saskatchewan	1,073,264	69,615	1,086,457	66,400
Alberta	5,817,729	805,305	5,720,037	801,672
British Columbia	6,839,385	619,854	6,721,409	511,619
Yukon	118,457	11,922	116,428	11,235
Northwest Territories and Nunavut	91,131	16,255	88,862	3,568
<b>Total loans outstanding</b>	<b>42,817,168</b>	<b>4,385,747</b>	<b>42,405,851</b>	<b>4,157,102</b>

Industry sector	June 30, 2025		March 31, 2025	
	Outstanding	Commitments	Outstanding	Commitments
Wholesale and retail trade	8,957,671	776,871	8,841,017	720,497
Manufacturing	8,542,506	1,179,631	8,550,289	1,052,862
Service industries	6,781,042	458,154	6,757,912	472,854
Commercial properties	4,481,319	299,730	4,374,271	275,433
Construction	4,163,711	411,100	4,169,422	369,495
Tourism	3,882,340	362,392	3,871,740	303,350
Transportation and storage	3,010,820	247,688	2,935,030	272,278
Resources	1,636,455	486,662	1,561,973	510,093
Other	1,361,304	163,519	1,344,197	180,240
<b>Total loans outstanding</b>	<b>42,817,168</b>	<b>4,385,747</b>	<b>42,405,851</b>	<b>4,157,102</b>

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, 2025	48,056	16,410	-	64,466
Provision for expected credit losses				
Transfer to Stage 1 <sup>(1)</sup>	2,736	(2,736)	-	-
Transfer to Stage 2 <sup>(1)</sup>	(4,651)	4,651	-	-
Net remeasurement of the allowance for expected credit losses <sup>(2)</sup>	145	4,128	-	4,273
Net increase (decrease) in commitments	5,144	(5,301)	-	(157)
Foreign exchange and other movements	(48)	(49)	-	(97)
<b>Balance as at June 30, 2025</b>	<b>51,382</b>	<b>17,103</b>	<b>-</b>	<b>68,485</b>

## Notes to the Consolidated Financial Statements

(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, 2024	55,504	10,781	-	66,285
Provision for expected credit losses				
Transfer to Stage 1 <sup>(1)</sup>	2,707	(2,707)	-	-
Transfer to Stage 2 <sup>(1)</sup>	(11,788)	11,788	-	-
Net remeasurement of the allowance for expected credit losses <sup>(2)</sup>	2,536	15,374	-	17,910
Net increase (decrease) in commitments	(660)	(18,032)	-	(18,692)
Foreign exchange and other movements	(243)	(794)	-	(1,037)
Balance as at March 31, 2025	48,056	16,410	-	64,466

(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.

Investment type	June 30, 2025			March 31, 2025		
	Fair value	Cost	Commitments	Fair value	Cost	Commitments
Direct investments						
Debt	1,475,917	1,570,565	156,194	1,413,542	1,504,391	195,437
Equity	2,451,092	2,087,185	41,424	2,460,847	2,100,757	61,971
	3,927,009	3,657,750	197,618	3,874,389	3,605,148	257,408
Indirect equity investments in funds	2,435,752	1,593,077	1,185,017	2,431,904	1,569,259	1,218,499
<b>Investments</b>	<b>6,362,761</b>	<b>5,250,827</b>	<b>1,382,635</b>	<b>6,306,293</b>	<b>5,174,407</b>	<b>1,475,907</b>

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

	Within 1 year	1 to 5 years	Over 5 years	Total cost	Total fair value
	As at June 30, 2025	172,024	1,137,935	260,606	1,570,565
As at March 31, 2025	134,112	1,091,904	278,375	1,504,391	1,413,542

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 \$44,373 at fixed rates and \$111,821 at floating rates (\$81,551 and \$113,886, respectively, as at March 31, 2025) and their weighted-average effective interest rate was 9.4% (9.3% on debt commitments as at March 31, 2025), excluding non-interest returns.

## Notes to the Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)



Geographic distribution	June 30, 2025			March 31, 2025		
	Fair value	Cost	Commitments	Fair value	Cost	Commitments
Newfoundland and Labrador	21,842	22,743	-	20,335	21,236	2,000
Prince Edward Island	2,472	2,404	-	2,551	2,482	-
Nova Scotia	20,926	25,662	800	21,695	24,774	2,043
New Brunswick	14,665	15,614	2,250	13,505	14,454	2,550
Quebec	541,699	560,518	55,740	481,098	502,335	87,412
Ontario	573,696	610,294	71,488	581,953	613,250	64,630
Manitoba	35,678	35,281	-	34,996	34,599	1,800
Saskatchewan	31,186	33,831	-	30,697	33,341	1,000
Alberta	111,072	135,307	8,955	103,854	128,107	18,040
British Columbia	120,899	127,271	16,962	121,007	128,104	15,962
Yukon	1,782	1,640	-	1,851	1,709	-
<b>Debt investments</b>	<b>1,475,917</b>	<b>1,570,565</b>	<b>156,194</b>	<b>1,413,542</b>	<b>1,504,391</b>	<b>195,437</b>

Industry sector	June 30, 2025			March 31, 2025		
	Fair value	Cost	Commitments	Fair value	Cost	Commitments
Service industries	501,157	520,362	55,619	462,329	479,196	87,955
Manufacturing	328,427	350,833	48,365	326,100	345,790	40,141
Wholesale and retail trade	246,197	267,902	9,120	239,305	260,899	13,541
Information industries	179,243	188,467	35,840	185,788	196,434	27,940
Construction	125,215	128,010	4,250	115,775	118,492	10,710
Resources	34,262	54,446	2,000	30,059	50,248	4,000
Transportation and storage	26,785	26,503	1,000	20,040	19,758	7,550
Tourism	14,870	14,827	-	14,976	14,933	1,800
Educational services	14,139	13,620	-	15,175	14,672	-
Other	5,622	5,595	-	3,995	3,969	1,800
<b>Debt investments</b>	<b>1,475,917</b>	<b>1,570,565</b>	<b>156,194</b>	<b>1,413,542</b>	<b>1,504,391</b>	<b>195,437</b>

The largest concentration of debt investments in one individual or closely related group of clients as at June 30, 2025, was 1.9% of total debt investments at cost (1.8% as at March 31, 2025). 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 (2.1% as at March 31, 2025).

Industry sector	June 30, 2025			March 31, 2025		
	Fair value	Cost	Commitments	Fair value	Cost	Commitments
Information technology	778,357	719,974	4,998	782,657	710,754	22,224
Manufacturing	406,715	246,604	8,028	411,089	251,189	8,200
Service industries	368,340	294,355	276	370,494	291,273	5,000
Communications	246,658	161,403	843	242,677	155,896	882
Resources	133,550	153,004	1,676	139,399	160,281	1,676
Electronics	107,687	110,789	2,572	110,766	110,002	3,358
Industrial	87,666	97,115	4,557	88,464	118,005	3,443
Wholesale and retail trade	74,963	60,692	-	71,107	60,692	-
Medical and health	64,387	73,042	250	68,888	74,849	250
Transportation and storage	62,718	31,283	-	62,718	31,283	-
Energy	28,017	31,754	482	25,245	31,754	481
Biotechnology and pharmacology	22,882	30,906	4,230	21,318	33,156	4,230
Construction	21,773	21,773	-	23,019	23,019	-
Educational services	7,726	2,400	661	7,726	2,400	661
Other	39,653	52,091	12,851	35,280	46,204	11,566
<b>Direct equity investments</b>	<b>2,451,092</b>	<b>2,087,185</b>	<b>41,424</b>	<b>2,460,847</b>	<b>2,100,757</b>	<b>61,971</b>



## 9.

### Share capital

An unlimited number of common shares, having a par value of \$100 each, is authorized. As at June 30, 2025, 62,399,000 common shares were outstanding (62,399,000 as at March 31, 2025).

As per BDC's Capital Management and Dividend Policy, on the date of approval of the fiscal 2025 Consolidated Financial Statements, a \$50.0 million dividend was declared, representing \$0.8 per share, based on fiscal 2025 performance.

### Statutory limitations

As per the *BDC Act*, the debt-to-equity ratio of BDC may not exceed 12:1. This ratio is defined as the aggregate of borrowings recognized in the Consolidated Statement of Financial Position and contingent liabilities that exist in the form of financial guarantees issued by BDC over equity attributable to BDC's shareholder excluding accumulated other comprehensive income.

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

During the three months ended June 30, 2025 and the year ended March 31, 2025, 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. BDC's Business Accelerator Loan Program (BALP) (previously known as Accelerator Loan Guarantee (ALG), which aims to provide additional liquidity through partner organizations via loan guarantees, is also included in this segment.
- **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), Intellectual Property (IP) and 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), all of which are government-sponsored initiatives. VCAP's objective is 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 an 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., Cleantech Practice provides equity investments to promising clean technology firms to help build globally competitive and commercially sustainable Canadian cleantech firms. Lastly, 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:** includes initiatives put in place at the request of our sole shareholder, the Government of Canada, to increase capital availability for specific SME needs, such as COVID-19 related support, digital adoption projects, and tariff relief programs. During the COVID-19 crisis, BDC launched a series of measures to help Canadian businesses survive the challenges brought on by this pandemic. These measures include the Business Credit Availability Program, delivered in collaboration with private sector lenders, and the Highly Affected Sectors Credit Availability Program (HASCAP) under which, financial institutions provide loans 100% guaranteed by BDC as well as measures delivered directly by BDC. As small businesses adapted to the lasting impacts of the COVID-19 pandemic, our

## Notes to the Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)



shareholder launched the Canada Digital Adoption Program (CDAP), to help small and medium-sized enterprises adopt digital technologies and stay competitive by providing access to expertise and funding with interest free loans from BDC. CAP's COVID-19 relief measures ended in fiscal 2022, and the CDAP program no longer accepted applications as of the end of fiscal 2024. At the end of fiscal 2025, the Government of Canada requested BDC's help in extending up to \$500 million in working capital loans to clients impacted by the new US tariffs, as well as offering consulting mandates to affected businesses.

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

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

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

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

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

# Notes to the Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)



Three months ended  
June 30, 2025

	BDC	Financing	Advisory Services	Growth & Transition Capital	Venture Capital	Capital Incentive Programs	Credit Availability Program
Interest income	770,452	712,535	-	34,385	347	336	22,849
Interest expenses	249,985	254,307	-	7,494	128	(5,967)	(5,977)
<b>Net interest income</b>	<b>520,467</b>	<b>458,228</b>	<b>-</b>	<b>26,891</b>	<b>219</b>	<b>6,303</b>	<b>28,826</b>
Net realized gains (losses) on investments	(18,735)	(250)	-	(4,234)	(9,116)	-	(5,135)
Revenue from Advisory Services	7,828	-	7,782	-	-	-	46
Fee and other income	18,451	8,858	-	2,495	654	39	6,405
<b>Net revenue</b>	<b>528,011</b>	<b>466,836</b>	<b>7,782</b>	<b>25,152</b>	<b>(8,243)</b>	<b>6,342</b>	<b>30,142</b>
Provision for expected credit losses	(160,020)	(119,612)	-	-	-	-	(40,408)
Net change in unrealized appreciation (depreciation) of investments	65,860	20	-	(984)	52,236	15,774	(1,186)
Net foreign exchange gains (losses)	(104,650)	(15,785)	-	3,807	(86,011)	(3,444)	(3,217)
Net gains (losses) on other financial instruments	(9,947)	(89)	-	-	-	-	(9,858)
<b>Income (loss) before operating and administrative expenses</b>	<b>319,254</b>	<b>331,370</b>	<b>7,782</b>	<b>27,975</b>	<b>(42,018)</b>	<b>18,672</b>	<b>(24,527)</b>
Salaries and benefits	146,192	106,614	10,396	9,992	11,700	1,341	6,149
Premises and equipment	11,388	8,747	686	511	770	177	497
Other expenses	49,551	36,010	5,952	1,154	2,295	198	3,942
<b>Operating and administrative expenses</b>	<b>207,131</b>	<b>151,371</b>	<b>17,034</b>	<b>11,657</b>	<b>14,765</b>	<b>1,716</b>	<b>10,588</b>
<b>Net income (loss)</b>	<b>112,123</b>	<b>179,999</b>	<b>(9,252)</b>	<b>16,318</b>	<b>(56,783)</b>	<b>16,956</b>	<b>(35,115)</b>
<b>Net income (loss) attributable to:</b>							
BDC's shareholder	110,950	179,999	(9,252)	16,323	(57,961)	16,956	(35,115)
Non-controlling interests	1,173	-	-	(5)	1,178	-	-
<b>Net income (loss)</b>	<b>112,123</b>	<b>179,999</b>	<b>(9,252)</b>	<b>16,318</b>	<b>(56,783)</b>	<b>16,956</b>	<b>(35,115)</b>
<b>Business segment portfolio as at June 30, 2025</b>							
Asset-backed securities	1,121,117	1,121,117	-	-	-	-	-
Loans, gross carrying amount	42,817,168	41,681,220	-	-	-	-	1,135,948
Less: Allowance for expected credit losses	(1,682,038)	(1,600,039)	-	-	-	-	(81,999)
Loans, net of allowance for expected credit losses	41,135,130	40,081,181	-	-	-	-	1,053,949
Debt investments	1,475,917	6,370	-	1,430,265	35,871	-	3,411
Direct equity investments	2,451,092	-	-	-	1,968,257	410,110	72,725
Indirect equity investments in Funds	2,435,752	-	-	-	1,216,067	1,219,685	-
Investments	6,362,761	6,370	-	1,430,265	3,220,195	1,629,795	76,136
<b>Total portfolio</b>	<b>48,619,008</b>	<b>41,208,668</b>	<b>-</b>	<b>1,430,265</b>	<b>3,220,195</b>	<b>1,629,795</b>	<b>1,130,085</b>
<b>Business segment Commitments and Guarantees as at June 30, 2025</b>							
Asset-backed securities	763,752	763,752	-	-	-	-	-
Loans	4,385,747	4,374,999	-	-	-	-	10,748
Debt investments	156,194	-	-	153,203	2,991	-	-
Direct equity investments	41,424	-	-	-	36,110	5,064	250
Indirect equity investments in Funds	1,185,017	-	-	-	691,995	493,022	-
Commitments	6,532,134	5,138,751	-	153,203	731,096	498,086	10,998
Guarantees	2,013,854	49,748	-	-	-	-	1,964,106
<b>Total commitments and guarantees</b>	<b>8,545,988</b>	<b>5,188,499</b>	<b>-</b>	<b>153,203</b>	<b>731,096</b>	<b>498,086</b>	<b>1,975,104</b>

# Notes to the Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)



Three months ended  
June 30, 2024

Notes	BDC	Financing	Advisory Services	Growth & Transition Capital	Venture Capital	Capital Incentive Programs	Credit Availability Program
Interest income	836,224	769,274	-	36,693	404	601	29,252
Interest expenses	313,489	342,646	-	9,248	120	(10,783)	(27,742)
<b>Net interest income</b>	<b>522,735</b>	<b>426,628</b>	<b>-</b>	<b>27,445</b>	<b>284</b>	<b>11,384</b>	<b>56,994</b>
Net realized gains (losses) on investments	(1,688)	-	-	7,844	(8,667)	-	(865)
Revenue from Advisory Services	13,118	-	13,118	-	-	-	-
Fee and other income	22,363	7,889	-	5,059	72	1,037	8,306
<b>Net revenue</b>	<b>556,528</b>	<b>434,517</b>	<b>13,118</b>	<b>40,348</b>	<b>(8,311)</b>	<b>12,421</b>	<b>64,435</b>
Provision for expected credit losses	(168,807)	(112,695)	-	-	-	-	(56,112)
Net change in unrealized appreciation (depreciation) of investments	2,327	783	-	(7,479)	(6,348)	17,304	(1,933)
Net foreign exchange gains (losses)	15,504	(5,258)	-	(953)	20,499	562	654
Net gains (losses) on other financial instruments	(40,934)	-	-	-	-	-	(40,934)
<b>Income (loss) before operating and administrative expenses</b>	<b>364,618</b>	<b>317,347</b>	<b>13,118</b>	<b>31,916</b>	<b>5,840</b>	<b>30,287</b>	<b>(33,890)</b>
Salaries and benefits	141,887	101,657	12,954	9,675	11,821	1,230	4,550
Premises and equipment	11,447	8,906	802	466	830	118	325
Other expenses	50,299	35,879	8,947	1,292	2,534	246	1,401
<b>Operating and administrative expenses</b>	<b>203,633</b>	<b>146,442</b>	<b>22,703</b>	<b>11,433</b>	<b>15,185</b>	<b>1,594</b>	<b>6,276</b>
<b>Net income (loss)</b>	<b>160,985</b>	<b>170,905</b>	<b>(9,585)</b>	<b>20,483</b>	<b>(9,345)</b>	<b>28,693</b>	<b>(40,166)</b>
<b>Net income (loss) attributable to:</b>							
BDC's shareholder	162,028	170,905	(9,585)	20,502	(8,321)	28,693	(40,166)
Non-controlling interests	(1,043)	-	-	(19)	(1,024)	-	-
<b>Net income (loss)</b>	<b>160,985</b>	<b>170,905</b>	<b>(9,585)</b>	<b>20,483</b>	<b>(9,345)</b>	<b>28,693</b>	<b>(40,166)</b>
<b>Business segment portfolio as at June 30, 2024</b>							
Asset-backed securities	1,306,090	1,306,090	-	-	-	-	-
Loans, gross carrying amount	40,923,108	39,512,198	-	-	-	-	1,410,910
Less: Allowance for expected credit losses	(1,330,234)	(1,239,915)	-	-	-	-	(90,319)
Loans, net of allowance for expected credit losses	39,592,874	38,272,283	-	-	-	-	1,320,591
Debt investments	1,349,162	10,321	-	1,303,689	31,413	-	3,739
Direct equity investments	2,327,329	-	-	13	1,819,250	405,900	102,166
Indirect equity investments in funds	2,260,645	-	-	-	1,140,274	1,120,371	-
Investments	5,937,136	10,321	-	1,303,702	2,990,937	1,526,271	105,905
<b>Total portfolio</b>	<b>46,836,100</b>	<b>39,588,694</b>	<b>-</b>	<b>1,303,702</b>	<b>2,990,937</b>	<b>1,526,271</b>	<b>1,426,496</b>
<b>Business segment Commitments and Guarantees as at June 30, 2024</b>							
Asset-backed securities	712,502	712,502	-	-	-	-	-
Loans	4,461,256	4,445,231	-	-	-	-	16,025
Debt investments	177,094	1,490	-	167,154	8,450	-	-
Direct equity investments	76,137	-	-	-	59,723	16,113	301
Indirect equity investments in Funds	1,219,686	-	-	-	671,865	547,821	-
Commitments	6,646,675	5,159,223	-	167,154	740,038	563,934	16,326
Guarantees	2,583,134	18,815	-	-	-	-	2,564,319
<b>Total commitments and guarantees</b>	<b>9,229,809</b>	<b>5,178,038</b>	<b>-</b>	<b>167,154</b>	<b>740,038</b>	<b>563,934</b>	<b>2,580,645</b>

# Notes to the Consolidated Financial Statements

(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 \$2,013.9 million as at June 30, 2025 (\$2,097.2 million as at March 31, 2025) and the existing terms expire within an average of 65 months (within an average of 68 months as at March 31, 2025).

As at June 30, 2025, an amount of \$42.6 million of claims payable under these guarantees was recognized in BDC’s Consolidated Statement of Financial Position (\$57.0 million as at March 31, 2025).

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

				June 30, 2025
Allowance for expected credit losses on loan guarantees	Stage 1	Stage 2	Stage 3	Total
Balance as at April 1, 2025	18,854	218,295	263,106	500,255
Provision for expected credit losses				
Transfer to Stage 1 <sup>(1)</sup>	10,232	(10,221)	(11)	-
Transfer to Stage 2 <sup>(1)</sup>	(3,414)	7,071	(3,657)	-
Transfer to Stage 3 <sup>(1)</sup>	(27)	(16,653)	16,680	-
Net remeasurement of the allowance for expected credit losses <sup>(2)</sup>	(7,761)	4,894	(3,345)	(6,212)
Net increase (decrease) in guarantees	102	(5,051)	(2,317)	(7,266)
<b>Balance as at June 30, 2025</b>	<b>17,986</b>	<b>198,335</b>	<b>270,456</b>	<b>486,777</b>

				March 31, 2025
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 <sup>(1)</sup>	83,508	(79,129)	(4,379)	-
Transfer to Stage 2 <sup>(1)</sup>	(37,345)	58,285	(20,940)	-
Transfer to Stage 3 <sup>(1)</sup>	(248)	(111,406)	111,654	-
Net remeasurement of the allowance for expected credit losses <sup>(2)</sup>	(61,487)	128,452	(98,313)	(31,348)
Net increase (decrease) in guarantees	(1,451)	(29,061)	(9,457)	(39,969)
<b>Balance as at March 31, 2025</b>	<b>18,854</b>	<b>218,295</b>	<b>263,106</b>	<b>500,255</b>

<sup>(1)</sup> 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.

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



# 12.

## Related party transactions

As at June 30, 2025, BDC had \$22,004.4 million in short-term notes and \$12,307.7 million in long-term notes outstanding with His Majesty the King in Right of Canada acting through the Minister of Finance (\$21,254.0 million in short-term notes and \$12,681.7 million in long-term notes as at March 31, 2025).

BDC recorded \$249.3 million in interest expense, related to the borrowings from the Minister of Finance for the quarter ended June 30, 2025. Last year's comparative figure for the same period was \$312.9 million.

In addition, \$200.0 million in borrowings with the Minister of Finance were repurchased in the first three months of fiscal 2026 (no borrowings was repurchased during the same period last year). These transactions resulted in a loss of \$0.1 million.

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



**Business Development Bank of Canada**

Head Office

5 Place Ville-Marie, Suite 100

Montreal, Quebec H3B 5E7

T 1 877 BDC-BANX (232-2269)

F 1 877 329-9232

For our business centres, please visit [www.bdc.ca](http://www.bdc.ca)

 BDC

 BDC\_ca

 BDC

**bdc.ca**  
**1-888-INFO-BDC**