



**2026**

# Financial Report

Second Quarter

September 30, 2025



# Executive Summary

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## Canadian economic outlook

Ongoing conflicts and policy shifts are reshaping the global trading system and have continued to make the economic environment challenging over the quarter. The trade tensions and associated tariffs are exacerbating the low-growth outlook for the global economy. World GDP is expected to increase by 2.8% in the 2025 calendar year.

Like the rest of the world, the Canadian economy is experiencing slower growth as it continues to face either new or increased tariffs on targeted exports to the United States. Over the quarter, tariffs on Canadian aluminium and steel exports to the United States increased to 50%, while a new tariff on copper was added to the list. Tariffs increased by 25% on cars, 35% on softwood lumber (from anti-dumping duties), 35% on non-CUSMA compliant goods, including 10% on energy products and potash. China also imposed tariffs on Canada's exports: 100% tariffs on canola oil, canola meal and peas, a 76% countervailing duty on canola seeds, and 25% tariffs on certain pork, fish and seafood products.

Tariffs and related uncertainty weigh considerably on sectors exposed to trade. The slowdown has been more acute in goods-producing industries, specifically manufacturing and transportation. While U.S. tariffs on steel, aluminum and copper are weighing more heavily on the economies of Ontario and Quebec, Chinese tariffs on Canadian agricultural products are hitting the Maritime provinces (seafood products) and particularly the Canadian Prairies. Canada's GDP declined by a significant 1.6% annualized in the second quarter versus the first quarter, with almost the entire drop attributable to falling exports.

By contrast, domestic demand improved (household and government consumption along with residential investment). This sparked hope that robust domestic demand could cushion the negative effects of trade tensions with the U.S., but it is not likely to last. This is

because much of the domestic demand in the second quarter came from a build-up of business inventories.

The Canadian economy is navigating a complex landscape marked by lingering low optimism and persistent challenges. Real GDP growth is estimated to have reached 1.4% for January to August 2025 compared to January to August 2024. Leading indicators suggest that the economy could continue to grow albeit at a slower pace; however, it is not immune to more negative quarterly growth.

The current context has put a dent in hiring and overall employment levels, highlighting a softening of the labour market. Job vacancies are trending lower, job creation has eased, and the unemployment rate has increased to 7.1%. Between February and August 2025, 38,500 jobs were lost in Canada, but layoffs have remained stable. After four consecutive months of steady growth, consumer confidence weakened in August, according to the Conference Board of Canada. Recent data also suggest that households slowed their pace of spending in the second half of the year as retail trade (excluding gas stations) decreased by 1.0% in July.

Demand has weakened in the economy since trade tensions resurged and generated increased uncertainty among businesses. As a result, business investment has struggled to recover; non-residential investment declined by 2.1% at the national level, which weighs on economic momentum. Canadian business investment in machinery and equipment experienced a significant drop of 9.4% in the second quarter of 2025, marking the slowest pace since late 2016 (outside the pandemic period). Due to actual and anticipated increased tariffs, businesses in Canada have accelerated their stockpiling efforts since February 2025. Businesses could face difficulties clearing excess stock.

The recent slowdown in the economy, a softening in the labour market and a healthy inflation picture encouraged



the Bank of Canada to lower its key interest rate in mid-September to 2.5%.

One positive factor contributing to GDP growth in the latest month was the residential market, as both home starts and resale volume remained on their upward trend and should continue to benefit from a lower interest rate environment. In addition, commodities-oriented economies and the energy sector continue to experience solid momentum.

Canadian businesses benefited from a drop of 26 basis points in effective interest rates between July and September; however, the bulk of that decrease started at quarter-end following the policy cut. Credit conditions had been broadly stable over the quarter, including non-monetary conditions. In July, funds advanced to the corporate sector decreased by 2.1% following the strong pickup in June. Lending to the corporate sector, including

term loans, lines of credit, asset-based lending and revolving credit, increased by almost 4% since the start of fiscal 2026.

The outlook remains challenging for many SMEs (small and medium-sized businesses) as profit margins get tighter and uncertainty remains. Businesses will continue to exercise caution in their hiring and investment plans, awaiting a more stable economic environment and better demand conditions from consumers.

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 and 1.0% in 2026, 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 & 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 and 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 September 30		Six months ended September 30	
	F2026	F2025	F2026	F2025
Financing loans acceptances	2,469.9	2,171.5	5,535.3	5,554.5
Advisory Services net contracts signed	6.7	8.8	14.9	17.4
Growth & Transition Capital acceptances	138.6	92.0	309.6	216.4
Venture Capital authorizations	112.7	66.7	157.3	202.8
Capital Incentive Programs authorizations	1.4	15.3	1.4	25.7
Credit Availability Program acceptances	28.6	112.8	85.7	245.2



### Core activities

The results of the second quarter of fiscal 2026 reflect that businesses are continuing to face an economic slowdown driven by tariff pressures and trade uncertainties.

In the second quarter of fiscal 2026, clients accepted \$2.5 billion in loans through our Financing activities, up from \$2.2 billion in the same quarter last year. This growth was primarily driven by an increase in syndicated loan transactions. For the first half of fiscal 2026, total loan acceptances reached \$5.5 billion, matching the volume for the same period last year. Notably, this figure exceeds the \$4.4 billion accepted during the third and fourth quarters of fiscal 2025, which reflects an improvement in financing activity for this six-month period.

Community Banking, a Financing initiative launched by BDC during fiscal 2025, focused on providing equal chances for underserved entrepreneurs to gain access to financial solutions and support. Its Business Accelerator Loan Program (BALP) (previously known as Accelerator Loan Guarantee (ALG)) is a tailored program piloted to support partner organizations and offer small loans to underserved entrepreneurs. By providing a guarantee for these loans, we promote equity and inclusive growth. As at September 30, 2025, total acceptances made through BALP since the inception of the program amounted to \$67.5 million.

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

Alongside BDC's Community Banking initiatives, 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 unit at a regional level. Since its inception, Financing clients have accepted \$64.5 million in loans through the Inclusive Entrepreneurship initiative.

In the second quarter of fiscal 2026, net Advisory Services contracts totaled \$8.0 million, \$6.7 million from core activities and \$1.3 million from the new Pivot to Grow program reported under CAP, down from \$8.8 million in the same period last year. The decrease is due to two factors: the end of the CDAP program in February 2024, which contributed \$1.2 million in the second quarter of fiscal 2025 but none this year, and the preferential pricing of Pivot to Grow mandates, which supports businesses facing tariff-related challenges and broader economic uncertainty.

In the second quarter of fiscal 2026, GTC clients accepted \$138.6 million in debt investments, which was higher than the \$92.0 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 second quarter of fiscal 2026 totalled \$112.7 million (including \$75.7 million in direct equity investments, \$37.0 million in indirect equity investments in funds, and nil in debt investments) a significant increase from \$66.7 million (including \$44.7 million in direct equity investments, \$19.5 million in indirect equity investments in funds, and \$2.5 million in debt investments) for the same period last year. The increase in authorizations was due to larger deal sizes and a sectoral shift toward areas such as AI, industrial tech, and climate tech.

On August 20, 2025, BDC announced a new \$200 million commitment through the Industrial Innovation Venture Fund II (I2VF II) which aims to help Canadian entrepreneurs developing next-generation technologies that will drive productivity and resilience across key industrial sectors. Building on the success of its first fund launched in 2019, I2VF II will invest in early-stage, high growth companies developing transformative solutions in advanced manufacturing, ag-tech, food-tech, and extractive industries, now with an expanded focus on critical minerals, a sector increasingly recognized as vital to Canada's economic sovereignty and national ambitions. Since its inception, \$21.0 million have been authorized through I2VF II.



### 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 second quarter of fiscal 2026 were \$1.4 million compared to \$15.3 million for the same period last year, as the 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 \$1.0 billion as at September 30, 2025, compared to \$1.2 billion as at March 31, 2025. This decrease in portfolio size was mainly attributable to CAP's COVID-19 relief measures ending 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 U.S. 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 second quarter of fiscal 2026, CAP clients accepted \$26.1 million in Pivot to Grow loans, and 137 net advisory services contracts were signed amounting to \$1.3 million.

CDAP acceptances amounted to \$2.5 million for the second quarter of fiscal 2026 compared to \$112.8 million for the same period last year as the applications submitted before the end of the program are now nearly all processed.

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 \$1.8 billion as at September 30, 2025, compared to \$2.4 billion for the same period last year.



## Financial results overview

Consolidated net income amounted to \$242.5 million for the second quarter of fiscal 2026, consisting of net income of \$238.5 million for the Core activities, a net loss of \$18.2 million for CIP and net income of \$22.2 million for CAP. In comparison, BDC reported a consolidated net loss of \$20.9 million for the same period last year, consisting of net income of \$49.8 million for the Core activities, a net loss of \$35.8 million for CIP and a net loss of \$34.9 million for CAP.

(\$ in millions)	Three months ended September 30		Six months ended September 30	
	F2026	F2025	F2026	F2025
Net interest income	533.8	510.5	1,054.2	1,033.2
Net realized gains (losses) on investments	(11.7)	(20.8)	(30.5)	(22.5)
Revenue from Advisory Services	7.1	7.6	14.9	20.7
Fee and other income	19.3	21.7	37.8	44.1
<b>Net revenue</b>	<b>548.5</b>	<b>519.0</b>	<b>1,076.4</b>	<b>1,075.5</b>
Provision for expected credit losses	(101.5)	(166.3)	(261.5)	(335.1)
Net change in unrealized appreciation (depreciation) of investments	(28.2)	(112.4)	37.6	(110.1)
Net foreign exchange gains (losses)	37.0	(24.3)	(67.6)	(8.8)
Net gains (losses) on other financial instruments	(1.0)	(33.7)	(10.9)	(74.6)
<b>Income before operating and administrative expenses</b>	<b>454.8</b>	<b>182.3</b>	<b>774.0</b>	<b>546.9</b>
Operating and administrative expenses	212.3	203.2	419.4	406.8
<b>Consolidated net income (loss)</b>	<b>242.5</b>	<b>(20.9)</b>	<b>354.6</b>	<b>140.1</b>
<b>Core net income (loss)</b>	<b>238.5</b>	<b>49.8</b>	<b>368.7</b>	<b>222.3</b>

BDC recorded net income of \$354.6 million for the six months ended September 30, 2025, consisting of net income of \$368.7 million for the Core activities, a net loss of \$1.2 million for CIP and a net loss of \$12.9 million for CAP. In comparison, BDC reported consolidated net income of \$140.1 million for the same period last year, consisting of net income of \$222.3 million for the Core business, a net loss of \$7.1 million for CIP and a net loss of \$75.1 million for CAP.

The increase in consolidated net income for the six months ended September 30, 2025, was mainly attributable to a higher net change in unrealized appreciation of investments from Venture Capital's investments portfolio, a lower provision for expected credit losses on Financing and CAP's loans portfolios, and lower net losses on other financial instruments in CAP's loans portfolio. These increases in consolidated net income were offset by higher net foreign exchange losses on Venture Capital's investments portfolio.



## Key financial measures

(\$ in millions unless otherwise noted)	Six months ended September 30	
	F2026	F2025
<b>Loans portfolio growth</b>		
Outstanding loans at gross carrying amount	<b>43,232.5</b>	41,405.0
Outstanding portfolio growth (%)	<b>4.4%</b>	7.5%
Allowance for expected credit losses	<b>(1,721.5)</b>	(1,394.9)
<b>Investments portfolio growth</b>		
Investments at cost	<b>5,381.8</b>	4,937.7
Portfolio growth (%)	<b>9.0%</b>	10.4%
Investments at fair value	<b>6,500.6</b>	5,930.1
<b>Profitability</b>		
Financing net interest income margin (%)	<b>4.31%</b>	4.19%
<b>Efficiency</b>		
Efficiency ratio (%)	<b>35.8%</b>	35.5%
<b>Capital management</b>		
Internal capital ratio (Core)	<b>111.3%</b>	112.7%
<b>Shareholder return</b>		
Adjusted return on common equity	<b>6.6%</b>	4.2%
Adjusted return on common equity - 10 year moving average	<b>9.6%</b>	10.0%
Dividends paid based on the performance of the previous fiscal year	<b>50.0</b>	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.

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**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.**



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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

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## 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 six months ended September 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

An analysis of financial results is provided to enable the reader to assess BDC's results of operations and financial condition for the three and six months ended September 30, 2025, compared to the corresponding periods of the previous 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 (loss)

(\$ in millions)	Three months ended September 30		Six months ended September 30	
	F2026	F2025	F2026	F2025
Financing	215.8	165.5	395.8	336.4
Advisory Services	(8.4)	(12.1)	(17.7)	(21.7)
Growth & Transition Capital	6.6	16.6	22.9	37.1
Venture Capital	24.5	(120.2)	(32.3)	(129.5)
<b>Core net income</b>	<b>238.5</b>	<b>49.8</b>	<b>368.7</b>	<b>222.3</b>
Capital Incentive Programs	(18.2)	(35.8)	(1.2)	(7.1)
Credit Availability Program	22.2	(34.9)	(12.9)	(75.1)
<b>Net income (loss)</b>	<b>242.5</b>	<b>(20.9)</b>	<b>354.6</b>	<b>140.1</b>
<b>Net income (loss) attributable to:</b>				
BDC's shareholder	242.4	(21.0)	353.3	141.0
Non-controlling interests	0.1	0.1	1.3	(0.9)
<b>Net income (loss)</b>	<b>242.5</b>	<b>(20.9)</b>	<b>354.6</b>	<b>140.1</b>

### Three and six months ended September 30

For the second quarter of fiscal 2026, BDC generated consolidated net income of \$242.5 million, comprising net income of \$242.4 million attributable to BDC's shareholder and net income of \$0.1 million attributable to non-controlling interests. For the equivalent period last year, the consolidated net loss of \$20.9 million included a \$21.0 million net loss attributable to BDC's shareholder and a net income of \$0.1 million attributable to non-controlling interests.

BDC's consolidated Core net income was \$238.5 million for the second quarter of fiscal 2026, compared to \$49.8 million reported for the same period last year. The increase in net income was mainly attributable to higher net interest income from Financing's loans portfolio and to higher net foreign exchange gains and higher a net change in unrealized appreciation both from Venture Capital's investments portfolio.

CIP reported a consolidated net loss of \$18.2 million for the second quarter of fiscal 2026, compared to a net loss of \$35.8 million for the same period last year. The decrease in CIP's net loss was driven by a lower net change in unrealized depreciation on investments.

CAP reported consolidated net income of \$22.2 million for the second quarter of fiscal 2026, compared to a net loss of \$34.9 million for the same period last year. The increase in CAP's net income was due to a lower provision for expected credit losses and lower net losses on other financial instruments, offset by lower net interest income.



For the six months ended September 30, 2025, BDC reported consolidated net income of \$354.6 million, comprising net income of \$353.3 million attributable to BDC's shareholder and net income of \$1.3 million attributable to non-controlling interests. For the equivalent period last year, consolidated net income of \$140.1 million included net income of \$141.0 million attributable to BDC's shareholder and a \$0.9 million net loss attributable to non-controlling interests

BDC's consolidated Core net income was \$368.7 million for the six months ended September 30, 2025, compared to \$222.3 million reported for the same period last year. The increase in net income was mainly attributable to higher net interest income from Financing and a higher net change in unrealized appreciation of investments from Venture Capital, offset by higher net foreign exchanges losses from Venture Capital.

CIP reported a consolidated net loss of \$1.2 million for the six months ended September 30, 2025, compared to a net loss of \$7.1 million for the same period last year. The decrease in CIP's net loss was driven by a lower net change in unrealized depreciation of investments.

CAP reported a consolidated net loss of \$12.9 million for the six months ended September 30, 2025, compared to a net loss of \$75.1 million for the same period last year, mainly due to lower net losses on other financial instruments from CDAP loans and lower provisions for expected credit losses, offset by lower net interest income.

## Consolidated comprehensive income

(\$ in millions)	Three months ended September 30		Six months ended September 30	
	F2026	F2025	F2026	F2025
<b>Net income (loss)</b>	<b>242.5</b>	(20.9)	<b>354.6</b>	140.1
<b>Other comprehensive income (loss)</b>				
Items that may be reclassified subsequently to net income				
Net change in unrealized gains (losses) on FVOC <sup>(1)</sup> assets	(0.5)	22.5	(2.6)	27.1
Net change in unrealized gains (losses) on cash flow hedges	0.1	-	0.1	-
<b>Total items that may be reclassified subsequently to net income</b>	<b>(0.4)</b>	22.5	<b>(2.5)</b>	27.1
Items that will not be reclassified to net income				
Remeasurements of net defined benefit asset or liability	131.8	(46.3)	164.9	31.5
<b>Other comprehensive income (loss)</b>	<b>131.4</b>	(23.8)	<b>162.4</b>	58.6
<b>Total comprehensive income (loss)</b>	<b>373.9</b>	(44.7)	<b>517.0</b>	198.7
<b>Total comprehensive income (loss) attributable to:</b>				
BDC's shareholder	373.8	(44.8)	515.7	199.6
Non-controlling interests	0.1	0.1	1.3	(0.9)
<b>Total comprehensive income (loss)</b>	<b>373.9</b>	(44.7)	<b>517.0</b>	198.7

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



## Three and six months ended September 30

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

BDC recorded consolidated other comprehensive income of \$131.4 million and \$162.4 million, respectively, for the three and six months ended September 30, 2025, compared to a consolidated other comprehensive loss of \$23.8 million and other comprehensive income of \$58.6 million, respectively, for the same periods last year. The increase in consolidated other comprehensive income for the six months ended September 30, 2025, was mainly attributable to a remeasurement gain of \$164.9 million on the net defined benefit asset or liability, which was higher than the remeasurement gain of \$31.5 million on the net defined benefit asset or liability for the same period last year. This gain was mainly due to higher returns on pension plan assets and an increase in the discount rate used to measure the net defined benefit liability.

## Operating and administrative expenses

	Three months ended September 30		Six months ended September 30	
	F2026	F2025	F2026	F2025
(\$ in millions unless otherwise noted)				
<b>Salaries and benefits</b>				
Salaries and other benefits	139.4	131.7	274.0	261.6
Defined benefit plan expense	13.4	13.4	25.1	25.3
	152.8	145.1	299.1	286.9
<b>Premises and equipment</b>	11.5	11.2	22.9	22.6
<b>Other expenses</b>				
Professional and outsourcing fees	21.4	22.8	44.0	48.1
Computers and software, including amortization and depreciation	19.6	17.4	39.0	34.8
Communications, advertising, and promotion	3.6	2.7	7.1	6.1
Other	3.4	4.0	7.3	8.3
	48.0	46.9	97.4	97.3
<b>Total operating and administrative expenses</b>	<b>212.3</b>	203.2	<b>419.4</b>	406.8
<b>Efficiency ratio</b>	<b>36.1%</b>	36.6%	<b>35.8%</b>	35.5%

## Three and six months ended September 30

For the second quarter and first six months of fiscal 2026, BDC recorded operating and administrative expenses of \$212.3 million and \$419.4 million, respectively, compared to \$203.2 million and \$406.8 million, respectively, for the same periods 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, Pivot to Grow, 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 improved and slightly increased, respectively, for the three and six months ended September 30, 2025, compared to the same periods last year. The slight deterioration for the six months ended September 30, 2025 was mainly due to higher operating and administrative expenses in Financing, due to higher salaries and employees benefits to support portfolio growth and lower net revenue from CAP, due to a decrease in CAP's COVID-19 relief measures loan portfolio.



## Financing results

(\$ in millions)	Three months ended September 30		Six months ended September 30	
	F2026	F2025	F2026	F2025
Net interest income	468.8	432.9	927.0	859.5
Net realized gains (losses) on investments	-	(2.9)	(0.2)	(2.9)
Fee and other income	8.2	8.0	17.1	15.9
Provision for expected credit losses	(103.1)	(127.6)	(222.7)	(240.3)
Net change in unrealized appreciation (depreciation) of investments	0.1	7.8	0.1	8.7
Net foreign exchange gains (losses)	1.0	(1.2)	(14.8)	(6.5)
Net gains (losses) on other financial instruments	(0.1)	0.1	(0.2)	0.1
<b>Income before operating and administrative expenses</b>	<b>374.9</b>	317.1	<b>706.3</b>	634.5
Operating and administrative expenses	159.1	151.6	310.5	298.1
<b>Net income (loss) from Financing</b>	<b>215.8</b>	165.5	<b>395.8</b>	336.4

As % of average portfolio	Three months ended September 30		Six months ended September 30	
	F2026	F2025	F2026	F2025
Net interest income	4.3	4.2	4.3	4.2
Fee and other income	0.1	0.1	0.1	0.1
Provision for expected credit losses	(0.9)	(1.2)	(1.0)	(1.2)
Net foreign exchange gains (losses)	-	-	(0.1)	-
<b>Income before operating and administrative expenses</b>	<b>3.5</b>	3.1	<b>3.3</b>	3.1
Operating and administrative expenses	1.5	1.4	1.4	1.4
<b>Net income (loss) from Financing</b>	<b>2.0</b>	1.7	<b>1.9</b>	1.7

### Three months and six months ended September 30

Net income from Financing was \$215.8 million for the second quarter of fiscal 2026 and \$395.8 million for the six months ended September 30, 2025, compared to net income of \$165.5 million and \$336.4 million for the same periods last year. The increase in net income from Financing for the second quarter of fiscal 2026 was mainly explained by higher net interest income, driven by average portfolio growth of 4.5% and the higher margin achieved, and a lower provision for expected credit losses, offset by higher operating and administrative expenses due to higher salaries and staff benefits to support portfolio growth.

Lower provisions for expected credit losses for the second quarter ended September 30, 2025, compared to the same period last year were driven by a lower provision on the performing portfolio. This provision reflects a mixed macroeconomic outlook, with improvements in select indicators such as inflation rate and deterioration in others such as Canada's GDP growth and unemployment rate. However, downside risks to the Canadian economy remain, stemming from the uncertainty surrounding the timing and outcome of CUSMA negotiations and other geopolitical tensions.



The provision for expected credit losses on impaired loans portfolio for the second quarter of fiscal 2026 decreased slightly due to fewer loans being downgraded from performing to impaired. The percentage of these downgrades decreased to 2.3% in the second quarter of fiscal 2026, compared to 2.4% for the same period last year.

The increase in net income from Financing for the first half of fiscal 2026 was mainly due to higher net interest income and a lower provision for expected credit losses, partially offset by higher operating and administrative expenses.

## Advisory Services results

(\$ in millions)	Three months ended September 30		Six months ended September 30	
	F2026	F2025	F2026	F2025
Revenue	6.8	7.6	14.5	20.7
Delivery expenses <sup>(1)</sup>	3.4	4.0	7.9	11.1
<b>Gross operating margin</b>	<b>3.4</b>	<b>3.6</b>	<b>6.6</b>	<b>9.6</b>
Operating and administrative expenses	11.8	15.7	24.3	31.3
<b>Net income (loss) from Advisory Services</b>	<b>(8.4)</b>	<b>(12.1)</b>	<b>(17.7)</b>	<b>(21.7)</b>

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

### Three and six months ended September 30

A net loss of \$8.4 million was recorded for the second quarter of fiscal 2026, compared to a \$12.1 million net loss for the same quarter last year. Cumulative net loss for the six months ended September 30, 2025 was \$17.7 million, compared to a net loss of \$21.7 million for the same period last year. The gross operating margin decreased by \$3.0 million for the six months ended September 30, 2025, mainly driven by the lower delivery of CDAP mandates due to the termination of the program, while operating and administrative expenses decreased by \$7.1 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 September 30		Six months ended September 30	
	F2026	F2025	F2026	F2025
Net revenue on investments	20.4	25.7	45.5	66.1
Net change in unrealized appreciation (depreciation) of investments	(1.5)	5.2	(2.4)	(2.3)
Net foreign exchange gains (losses)	(1.8)	(3.0)	2.0	(4.0)
<b>Income before operating and administrative expenses</b>	<b>17.1</b>	<b>27.9</b>	<b>45.1</b>	<b>59.8</b>
Operating and administrative expenses	10.5	11.3	22.2	22.7
<b>Net income (loss) from G&amp;TC</b>	<b>6.6</b>	<b>16.6</b>	<b>22.9</b>	<b>37.1</b>
<b>Net income (loss) attributable to:</b>				
BDC's shareholder	6.6	16.6	22.9	37.1
Non-controlling interests	-	-	-	-
<b>Net income (loss) from G&amp;TC</b>	<b>6.6</b>	<b>16.6</b>	<b>22.9</b>	<b>37.1</b>

As % of average portfolio	Three months ended September 30		Six months ended September 30	
	F2026	F2025	F2026	F2025
Net revenue on investments	5.3	7.4	6.0	9.6
Net change in unrealized appreciation (depreciation) of investments	(0.4)	1.5	(0.3)	(0.3)
Net foreign exchange gains (losses)	(0.5)	(0.9)	0.3	(0.6)
<b>Income before operating and administrative expenses</b>	<b>4.4</b>	<b>8.0</b>	<b>6.0</b>	<b>8.7</b>
Operating and administrative expenses	2.7	3.3	2.9	3.3
<b>Net income (loss) from G&amp;TC</b>	<b>1.7</b>	<b>4.7</b>	<b>3.1</b>	<b>5.4</b>
<b>Net income (loss) attributable to:</b>				
BDC's shareholder	1.7	4.7	3.1	5.4
Non-controlling interests	-	-	-	-
<b>Net income (loss) from G&amp;TC</b>	<b>1.7</b>	<b>4.7</b>	<b>3.1</b>	<b>5.4</b>

### Three and six months ended September 30

Net income reached \$6.6 million for the second quarter of fiscal 2026, compared to net income of \$16.6 million for the same period last year. The decrease in net income was mainly due to higher net realized losses on investments and a higher net change in unrealized depreciation of investments. For the six months ended September 30, 2025, GTC recorded net income of \$22.9 million, compared to net income of \$37.1 million for the same period of fiscal 2025. This decrease was mainly due to higher net realized losses on investments.

GTC recorded a net change in unrealized depreciation on investments of \$1.5 million in the second quarter of fiscal 2026, compared to a net change in unrealized appreciation on investments of \$5.2 million during the same period last year, mainly driven by a net fair value depreciation of \$15.8 million, offset by a reversal of net fair value depreciation of \$14.3 million.



(\$ in millions)	Three months ended September 30		Six months ended September 30	
	F2026	F2025	F2026	F2025
Net fair value appreciation (depreciation)	(15.8)	(2.5)	(20.7)	(9.2)
Reversal of net fair value depreciation (appreciation) due to realized income and write-offs	14.3	7.7	18.3	6.9
<b>Net change in unrealized appreciation (depreciation) of investments</b>	<b>(1.5)</b>	<b>5.2</b>	<b>(2.4)</b>	<b>(2.3)</b>

## Venture Capital results

(\$ in millions)	Three months ended September 30		Six months ended September 30	
	F2026	F2025	F2026	F2025
Net revenue on investments	1.6	(9.0)	(6.7)	(17.3)
Net change in unrealized appreciation (depreciation) of investments	3.0	(79.9)	55.3	(86.2)
Net foreign exchange gains (losses)	35.4	(18.4)	(50.6)	2.0
<b>Income (loss) before operating and administrative expenses</b>	<b>40.0</b>	<b>(107.3)</b>	<b>(2.0)</b>	<b>(101.5)</b>
Operating and administrative expenses	15.5	12.9	30.3	28.0
<b>Net income (loss) from Venture Capital</b>	<b>24.5</b>	<b>(120.2)</b>	<b>(32.3)</b>	<b>(129.5)</b>
<b>Net income (loss) attributable to:</b>				
BDC's shareholder	24.4	(120.3)	(33.6)	(128.6)
Non-controlling interests	0.1	0.1	1.3	(0.9)
<b>Net income (loss) from Venture Capital</b>	<b>24.5</b>	<b>(120.2)</b>	<b>(32.3)</b>	<b>(129.5)</b>

### Three and six months ended September 30

During the second quarter of fiscal 2026, VC recorded net income of \$24.5 million, compared to a net loss of \$120.2 million for the same period last year. The favourable variance for the second quarter of fiscal 2026 was mainly explained by higher net change in unrealized appreciation of investments and higher net foreign exchange gains.

For the six months ended September 30, 2025, VC's net loss was \$32.3 million, compared to a net loss of \$129.5 million for the same period last year. The favourable variance was mainly explained by a higher net change in unrealized appreciation of investments, offset by higher net foreign exchange losses.

As detailed below, VC recorded a net change in unrealized appreciation of investments of \$3.0 million for the second quarter of fiscal 2026 mainly driven by a net fair value appreciation of \$2.9 million, compared to a net change in unrealized depreciation of \$79.9 million for the same period last year.

In the first half of fiscal 2026, VC recorded a net change in unrealized appreciation of investments of \$55.3 million due to a net fair value appreciation of investments of \$43.3 million and a reversal of fair value depreciation of \$12.0 million, compared to a net change in unrealized depreciation of investments of \$86.2 million during the same period last year. This favourable variance reflects stronger private and public investment valuations and lower impairments.



(\$ in millions)	Three months ended September 30		Six months ended September 30	
	F2026	F2025	F2026	F2025
Net fair value appreciation (depreciation)	2.9	(88.8)	43.3	(103.6)
Reversal of fair value depreciation (appreciation) on divested investments and write-offs	0.1	8.9	12.0	17.4
<b>Net change in unrealized appreciation (depreciation) of investments</b>	<b>3.0</b>	<b>(79.9)</b>	<b>55.3</b>	<b>(86.2)</b>

In the second quarter and first six months of fiscal 2026, net foreign exchange gains on investments of \$35.4 million and net foreign exchange losses of \$50.6 million, respectively, were recorded due to foreign exchange fluctuations in U.S. dollar denominated investments, compared to net foreign exchange losses on investments of \$18.4 million and net foreign exchange gains of \$2.0 million, respectively, recorded for the same periods last year.

## Capital Incentive Programs results

(\$ in millions)	Three months ended September 30		Six months ended September 30	
	F2026	F2025	F2026	F2025
Net revenue on investments	11.9	12.3	18.2	24.7
Net change in unrealized appreciation (depreciation) of investments	(29.7)	(45.6)	(13.9)	(28.3)
Net foreign exchange gains (losses)	1.3	(0.8)	(2.1)	(0.2)
<b>Income (loss) before operating and administrative expenses</b>	<b>(16.5)</b>	<b>(34.1)</b>	<b>2.2</b>	<b>(3.8)</b>
Operating and administrative expenses	1.7	1.7	3.4	3.3
<b>Net income (loss) from Capital Incentive Programs</b>	<b>(18.2)</b>	<b>(35.8)</b>	<b>(1.2)</b>	<b>(7.1)</b>

### Three and six months ended September 30

During the second quarter of fiscal 2026, CIP recorded a net loss of \$18.2 million, compared to a net loss of \$35.8 million for the same period last year. For the six months ended September 30, 2025, CIP recorded net loss of \$1.2 million, compared to a net loss of \$7.1 million for the same period last year. The favourable variance for the second quarter and first six months of fiscal 2026 was mainly explained by lower net change in unrealized depreciation of investments, offset by lower net revenue on investments.

As detailed below, CIP recorded a net change in unrealized depreciation of investments of \$29.7 million in the second quarter of fiscal 2026 and a net change in unrealized depreciation of \$13.9 million for the first half of fiscal 2026, compared to a net change in unrealized depreciation of investments of \$45.6 million and \$28.3 million, respectively, during the same periods last year. The lower net change in unrealized depreciation of investments for the first half of fiscal 2026 compared to the equivalent period last year was mainly driven by lower net fair value depreciation in Cleantech Practice of \$35.8 million, offset by a higher net fair value depreciation in VCCI 2017 of \$17.8 million.



(\$ in millions)	Three months ended September 30		Six months ended September 30	
	F2026	F2025	F2026	F2025
Net fair value appreciation (depreciation)	(24.1)	(43.3)	(8.4)	(25.9)
Reversal of net fair value depreciation (appreciation) due to realized income and write-offs	(5.6)	(2.3)	(5.5)	(2.4)
<b>Net change in unrealized appreciation (depreciation) of investments</b>	<b>(29.7)</b>	<b>(45.6)</b>	<b>(13.9)</b>	<b>(28.3)</b>

## Credit Availability Program results

(\$ in millions)	Three months ended September 30		Six months ended September 30	
	F2026	F2025	F2026	F2025
Net interest income	29.7	40.0	58.5	97.0
Net realized gains (losses) on investments	(5.7)	(3.1)	(10.9)	(4.0)
Fee and other income	6.5	7.5	12.9	15.9
Gross operating margin from Advisory Services <sup>(1)</sup>	(0.2)	-	(0.2)	-
Provision for expected credit losses	1.6	(38.7)	(38.8)	(94.8)
Net change in unrealized appreciation (depreciation) of investments	(0.3)	(0.1)	(1.4)	(2.0)
Net foreign exchange gains (losses)	1.1	(0.9)	(2.1)	(0.3)
Net gains (losses) on other financial instruments	(0.8)	(33.7)	(10.7)	(74.7)
<b>Income (loss) before operating and administrative expenses</b>	<b>31.9</b>	<b>(29.0)</b>	<b>7.3</b>	<b>(62.9)</b>
Operating and administrative expenses	9.7	5.9	20.2	12.2
<b>Net income (loss) from Credit Availability Program</b>	<b>22.2</b>	<b>(34.9)</b>	<b>(12.9)</b>	<b>(75.1)</b>

<sup>(1)</sup>Includes delivery expenses, which are included in operating and administrative expenses in the Consolidated Statement of Income

### Three and six months ended September 30

During the second quarter of fiscal 2026, CAP recorded a net income of \$22.2 million, compared to a net loss of \$34.9 million for the same period last year. For the six months ended September 30, 2025, CAP recorded a net loss of \$12.9 million compared to a net loss of \$75.1 million for the same period last year. Results for the second quarter and first six months ended September 30, 2025, were favourably impacted by lower net losses on other financial instruments. This was primarily due to a reduced volume of CDAP loans following the program's termination; these loans are recorded at a loss on initial recognition because of their 0% interest rate. In addition, the provision for expected credit losses decreased, mainly due to the reduced exposure on HASCAP loan guarantees. This was offset by lower net interest income due to a declining portfolio and lower interest income charged to Financing for intersegment cash transfers. Additionally, operating and administrative expenses increased due to the operating expenses incurred to administer loans and advisory mandates for the newly created Pivot to Grow program, which were recharged to CAP.



## Financial condition

(\$ in millions)	September 30, 2025	March 31, 2025
Cash	1,604.3	1,547.8
Asset-backed securities	1,043.8	1,202.6
Loans, gross carrying amount	43,232.4	42,405.9
Allowance for expected credit losses	(1,721.5)	(1,633.6)
Investments	6,500.6	6,306.3
Net defined benefit asset	549.1	417.0
Other	267.4	258.0
<b>Total assets</b>	<b>51,476.1</b>	<b>50,504.0</b>
Borrowings	34,581.7	33,935.7
Net defined benefit liability	215.7	236.5
Expected credit losses on loan commitments and guarantees	509.8	564.7
Other	372.6	437.8
<b>Total liabilities</b>	<b>35,679.8</b>	<b>35,174.7</b>
<b>Total equity</b>	<b>15,796.3</b>	<b>15,329.3</b>
<b>Total liabilities and equity</b>	<b>51,476.1</b>	<b>50,504.0</b>

As at September 30, 2025, total BDC assets amounted to \$51.5 billion, an increase of \$1.0 billion from March 31, 2025, mainly explained by the \$0.7 billion increase in our net loans portfolio.

At \$41.5 billion, the loans portfolio represented BDC's largest asset (gross portfolio of \$43.2 billion less a \$1.7 billion allowance for expected credit losses). The gross loans portfolio grew by 2.0% over the six months ended September 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 \$6.5 billion, compared to \$6.3 billion as at March 31, 2025. The increase of \$0.2 billion was mainly driven by net disbursements of \$246.2 million.

As at September 30, 2025, BDC recorded a net defined benefit asset of \$549.1 million for the registered pension plan and a net defined benefit liability of \$215.7 million for the other plans, for a total net defined benefit asset of \$333.4 million. This represented an increase of \$152.9 million, compared to the total net defined benefit asset as at March 31, 2025, primarily as a result of remeasurement gains recorded for the six months ended September 30, 2025. Refer to page 11 of this report for further information on remeasurements of the 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 \$1,604.3 million as at September 30, 2025, compared to \$1,547.8 million as at March 31, 2025.

As at September 30, 2025, BDC funded its portfolios and liquidities with borrowings of \$34.6 billion and total equity of \$15.8 billion. Borrowings comprised \$22.6 billion in short-term notes and \$12.0 billion in long-term notes.



## Cash

(\$ in millions)	Three months ended September 30		Six months ended September 30	
	F2026	F2025	F2026	F2025
Cash provided (used) by operating activities	(222.1)	(334.3)	(436.8)	(892.5)
Cash provided (used) by investing activities	(65.7)	(171.6)	(106.5)	(368.2)
Cash provided (used) by financing activities	268.3	404.3	599.8	1,239.3
<b>Change in cash</b>	<b>(19.5)</b>	<b>(101.6)</b>	<b>56.5</b>	<b>(21.4)</b>

For the six months ended September 30, 2025, operating activities used \$436.8 million in net cash flows, mainly to support the growth of the loan portfolio. Cash flows used by investing activities amounted to \$106.5 million, reflecting net disbursements for investments offset by net repayments on asset-backed-securities. Financing activities provided \$599.8 million in cash flows, mainly as a result of the net change of \$657.0 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)	September 30, 2025	March 31, 2025
Equity attributable to BDC's shareholder	15,794	15,327
Intangible assets, net of accumulated amortization	(47)	(49)
Net defined benefit asset	(549)	(417)
Adjustments for allowance for expected credit losses	546	533
Portion of equity attributable to CIP	(2,506)	(2,506)
Portion of equity attributable to CAP	(1,683)	(1,695)
Adjustments to available capital	(4,239)	(4,134)
<b>Total available capital (a)</b>	<b>11,555</b>	<b>11,193</b>
<b>Required capital (b)</b>	<b>10,385</b>	<b>10,128</b>
<b>Capital status (a-b)</b>	<b>1,170</b>	<b>1,065</b>
Management operating range (c)	774	754
<b>Capital generated above the internal target rate (a-b-c)</b>	<b>396</b>	<b>311</b>
<b>Internal capital ratio</b>	<b>111.3%</b>	<b>110.5%</b>

BDC's internal capital ratio, excluding CIP and CAP, stood at 111.3% as at September 30, 2025, above its target capital ratio and higher than 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

	Six months ended September 30	
	Actual F2026	Plan F2026
Adjusted return on equity (annual)	6.6%	7.2%
Adjusted return on equity (10-year moving average)	9.6%	9.7%
BDC efficiency ratio	35.8%	38.6%
Internal capital ratio (Core)	111.3%	109.0%

Adjusted return on equity was 6.6% as at September 30, 2025, lower than the Corporate Plan of 7.2%. This was mainly due to lower-than-expected net income from GTC, mainly driven by higher net realized losses on investments and lower-than-expected net income from Venture Capital resulting from \$50.6 million in net foreign exchange losses. Given the high level of uncertainty related to foreign exchange results, a neutral stance is adopted in Corporate Plan projections for this item.

BDC's efficiency ratio for the first half of fiscal 2026 was 35.8%, better than the planned 38.6%. This was primarily due to operating and administrative expenses being lower than anticipated, due to lower salaries and staff benefits resulting from a smaller-than-expected workforce, as well as lower-than-forecasted professional fees.

The internal capital ratio stands at 111.3%, above the planned 109.0% as the amount of required capital was lower than anticipated for our Financing and Venture Capital portfolios.

### Consolidated net income

(\$ in millions)	Three months ended September 30		Six months ended September 30	
	Actuals F2026	Plan F2026	Actuals F2026	Plan F2026
Net interest income	533.8	522.8	1,054.2	1,040.5
Net realized gains (losses) on investments	(11.7)	(8.2)	(30.5)	(16.5)
Revenue from Advisory Services	7.1	8.2	14.9	16.8
Fee and other income	19.3	21.0	37.8	42.3
<b>Net revenue</b>	<b>548.5</b>	<b>543.8</b>	<b>1,076.4</b>	<b>1,083.1</b>
Provision for expected credit losses	(101.5)	(159.3)	(261.5)	(317.4)
Net change in unrealized appreciation (depreciation) of investments	(28.2)	22.1	37.6	46.2
Net foreign exchange gains (losses)	37.0	-	(67.6)	-
Net gains (losses) on other financial instruments	(1.0)	(15.2)	(10.9)	(61.0)
<b>Income before operating and administrative expenses</b>	<b>454.8</b>	<b>391.4</b>	<b>774.0</b>	<b>750.9</b>
Operating and administrative expenses	212.3	228.4	419.4	446.9
<b>Consolidated net income (loss)</b>	<b>242.5</b>	<b>163.0</b>	<b>354.6</b>	<b>304.0</b>
<b>Core net income (loss)</b>	<b>238.5</b>	<b>201.5</b>	<b>368.7</b>	<b>404.9</b>



BDC's consolidated net income for the second quarter of fiscal 2026 totaled \$242.5 million, \$79.5 million higher than planned. This variance was primarily driven by lower-than-expected provision for expected credit losses and higher net foreign exchange gains in Venture Capital partially offset by unrealized depreciation of investments.

For the six months ended September 30, 2025, BDC recorded net income of \$354.6 million, a \$50.6 million favourable variance compared to the plan. This variance was mainly explained by lower operating and administrative expenses, a lower-than-anticipated provision for credit losses in CAP and lower-than-expected net losses on other financial instruments also in CAP as CDAP acceptances were lower than projected. These favourable variances were partially offset by higher net foreign exchange losses.



# Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)

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## Management's Responsibility for Financial Information

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

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

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**Isabelle Hudon**  
President and Chief Executive Officer

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**Christian Settano, CPA**  
Chief Financial Officer

Montreal, Canada  
November 13, 2025



## Consolidated Statement of Financial Position

(unaudited)

(in thousands of Canadian dollars)	Notes	September 30, 2025	March 31, 2025
<b>ASSETS</b>			
Cash		1,604,262	1,547,771
Derivative assets		1,374	454
Asset-backed securities	6	1,043,829	1,202,586
Loans			
Loans, gross carrying amount	7	43,232,523	42,405,851
Less: allowance for expected credit losses	7	(1,721,501)	(1,633,600)
Loans, net of allowance for expected credit losses		41,511,022	40,772,251
Investments	8	6,500,634	6,306,293
Property and equipment		59,323	55,341
Intangible assets		46,744	49,321
Right-of-use-assets		73,054	77,520
Net defined benefit asset		549,127	417,040
Other assets		86,736	75,436
<b>Total assets</b>		<b>51,476,105</b>	<b>50,504,013</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Accounts payable, accrued and other liabilities		273,330	341,211
Derivative liabilities		10,866	3,853
Borrowings			
Short-term notes		22,554,799	21,254,049
Long-term notes		12,026,896	12,681,699
Total borrowings		34,581,695	33,935,748
Lease liabilities			
Short-term lease liabilities		14,058	13,681
Long-term lease liabilities		74,315	79,011
Total lease liabilities		88,373	92,692
Net defined benefit liability		215,707	236,498
Expected credit losses on loan commitments and guarantees	7,11	509,825	564,721
<b>Total liabilities</b>		<b>35,679,796</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		9,509,412	9,041,178
Accumulated other comprehensive income (loss)		16,468	18,977
<b>Equity attributable to BDC's shareholder</b>		<b>15,793,558</b>	<b>15,327,833</b>
Non-controlling interests		2,751	1,457
<b>Total equity</b>		<b>15,796,309</b>	<b>15,329,290</b>
<b>Total liabilities and equity</b>		<b>51,476,105</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 September 30		Six months ended September 30	
		2025	2024	2025	2024
Interest income		784,620	836,125	1,555,072	1,672,349
Interest expense		250,786	325,676	500,771	639,165
<b>Net interest income</b>		<b>533,834</b>	<b>510,449</b>	<b>1,054,301</b>	<b>1,033,184</b>
Net realized gains (losses) on investments		(11,790)	(20,773)	(30,525)	(22,461)
Revenue from Advisory Services		7,065	7,553	14,893	20,671
Fee and other income		19,325	21,692	37,776	44,055
<b>Net revenue</b>		<b>548,434</b>	<b>518,921</b>	<b>1,076,445</b>	<b>1,075,449</b>
Provision for expected credit losses		(101,488)	(166,312)	(261,508)	(335,119)
Net change in unrealized appreciation (depreciation) of investments		(28,236)	(112,405)	37,624	(110,078)
Net foreign exchange gains (losses)		37,037	(24,287)	(67,613)	(8,783)
Net gains (losses) on other financial instruments		(956)	(33,628)	(10,903)	(74,562)
<b>Income before operating and administrative expenses</b>		<b>454,791</b>	<b>182,289</b>	<b>774,045</b>	<b>546,907</b>
Salaries and benefits		152,845	145,050	299,038	286,937
Premises and equipment		11,470	11,172	22,858	22,619
Other expenses		47,999	46,929	97,550	97,228
<b>Operating and administrative expenses</b>		<b>212,314</b>	<b>203,151</b>	<b>419,446</b>	<b>406,784</b>
<b>Net income (loss)</b>		<b>242,477</b>	<b>(20,862)</b>	<b>354,599</b>	<b>140,123</b>
<b>Net income (loss) attributable to:</b>					
BDC's shareholder		242,356	(20,968)	353,305	141,060
Non-controlling interests		121	106	1,294	(937)
<b>Net income (loss)</b>		<b>242,477</b>	<b>(20,862)</b>	<b>354,599</b>	<b>140,123</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 September 30		Six months ended September 30	
	2025	2024	2025	2024
<b>Net income (loss)</b>	<b>242,477</b>	(20,862)	<b>354,599</b>	140,123
<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	(474)	22,509	(2,595)	27,121
Net unrealized gains (losses) on cash flow hedges	118	-	118	-
Reclassification to net income of losses (gains) on cash flow hedges	(32)	-	(32)	-
Net change in unrealized gains (losses) on cash flow hedges	86	-	86	-
Total items that may be reclassified subsequently to net income	(388)	22,509	(2,509)	27,121
Items that will not be reclassified to net income				
Remeasurements of net defined benefit asset or liability	131,783	(46,302)	164,929	31,478
<b>Other comprehensive income (loss)</b>	<b>131,395</b>	(23,793)	<b>162,420</b>	58,599
<b>Total comprehensive income (loss)</b>	<b>373,872</b>	(44,655)	<b>517,019</b>	198,722
<b>Total comprehensive income (loss) attributable to:</b>				
BDC's shareholder	373,751	(44,761)	515,725	199,659
Non-controlling interests	121	106	1,294	(937)
<b>Total comprehensive income (loss)</b>	<b>373,872</b>	(44,655)	<b>517,019</b>	198,722

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



## Consolidated Statement of Changes in Equity

For the three months ended September 30  
(unaudited)

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				FVOCI assets <sup>(1)</sup>	Cash flow hedges	Total			
<b>Balance as at June 30, 2025</b>	6,239,900	27,778	9,135,273	16,856	-	16,856	15,419,807	2,630	15,422,437
<b>Total comprehensive income (loss)</b>									
Net income (loss)			242,356				242,356	121	242,477
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on FVOCI assets				(474)		(474)	(474)		(474)
Net change in unrealized gains (losses) on cash flow hedges					86	86	86		86
Remeasurements of net defined benefit asset or liability			131,783				131,783		131,783
Other comprehensive income (loss)	-	-	131,783	(474)	86	(388)	131,395	-	131,395
<b>Total comprehensive income (loss)</b>	-	-	374,139	(474)	86	(388)	373,751	121	373,872
<b>Balance as at September 30, 2025</b>	6,239,900	27,778	9,509,412	16,382	86	16,468	15,793,558	2,751	15,796,309

(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>	Cash flow hedges	Total			
<b>Balance as at June 30, 2024</b>	6,139,900	27,778	8,775,886	(9,689)	-	(9,689)	14,933,875	2,077	14,935,952
<b>Total comprehensive income (loss)</b>									
Net income (loss)			(20,968)				(20,968)	106	(20,862)
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on FVOCI assets				22,509		22,509	22,509		22,509
Net change in unrealized gains (losses) on cash flow hedges					-	-	-		-
Remeasurements of net defined benefit asset or liability			(46,302)				(46,302)		(46,302)
Other comprehensive income (loss)	-	-	(46,302)	22,509	-	22,509	(23,793)	-	(23,793)
<b>Total comprehensive income (loss)</b>	-	-	(67,270)	22,509	-	22,509	(44,761)	106	(44,655)
<b>Balance as at September 30, 2024</b>	6,139,900	27,778	8,708,616	12,820	-	12,820	14,889,114	2,183	14,891,297

<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 Changes in Equity

For the six months ended September 30  
(unaudited)

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				FVOCI assets <sup>(1)</sup>	Cash flow hedges	Total			
<b>Balance as at March 31, 2025</b>	6,239,900	27,778	9,041,178	18,977	-	18,977	15,327,833	1,457	15,329,290
<b>Total comprehensive income (loss)</b>									
Net income (loss)			353,305				353,305	1,294	354,599
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on FVOCI assets				(2,595)		(2,595)	(2,595)		(2,595)
Net change in unrealized gains (losses) on cash flow hedges					86	86	86		86
Remeasurements of net defined benefit asset or liability			164,929				164,929		164,929
Other comprehensive income (loss)	-	-	164,929	(2,595)	86	(2,509)	162,420	-	162,420
<b>Total comprehensive income (loss)</b>	-	-	518,234	(2,595)	86	(2,509)	515,725	1,294	517,019
Dividends on common shares			(50,000)				(50,000)		(50,000)
Capital injections from non-controlling interests								-	-
Issuance of common shares	-						-		-
Repurchase of common shares	-						-		-
Transactions with owner, recorded directly in equity	-	-	(50,000)	-	-	-	(50,000)	-	(50,000)
<b>Balance as at September 30, 2025</b>	6,239,900	27,778	9,509,412	16,382	86	16,468	15,793,558	2,751	15,796,309
(in thousands of Canadian dollars)									
<b>Balance as at March 31, 2024</b>	7,639,900	27,778	8,873,078	(14,301)	-	(14,301)	16,526,455	3,120	16,529,575
<b>Total comprehensive income (loss)</b>									
Net income (loss)			141,060				141,060	(937)	140,123
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on FVOCI assets				27,121		27,121	27,121		27,121
Net change in unrealized gains (losses) on cash flow hedges					-	-	-		-
Remeasurements of net defined benefit asset or liability			31,478				31,478		31,478
Other comprehensive income (loss)	-	-	31,478	27,121	-	27,121	58,599	-	58,599
<b>Total comprehensive income (loss)</b>	-	-	172,538	27,121	-	27,121	199,659	(937)	198,722
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 September 30, 2024</b>	6,139,900	27,778	8,708,616	12,820	-	12,820	14,889,114	2,183	14,891,297

<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		Six months ended	
		September 30		September 30	
		2025	2024	2025	2024
<b>Operating activities</b>					
Net income (loss)		242,477	(20,862)	354,599	140,123
Adjustments to determine net cash flows					
Interest income		(784,620)	(836,125)	(1,555,072)	(1,672,349)
Interest expense		250,246	325,148	499,684	638,096
Interest on lease liabilities		540	528	1,087	1,069
Net realized losses (gains) on investments		11,790	20,773	30,525	22,461
Provision for expected credit losses		101,488	166,312	261,508	335,119
Net change in unrealized depreciation (appreciation) of investments		28,236	112,405	(37,624)	110,078
Net unrealized foreign exchange losses (gains)		(49,321)	32,282	102,115	3,202
Net unrealized losses (gains) on other financial instruments		122	-	122	-
Defined benefits funding below (in excess of) amounts expensed		11,681	1,972	12,051	6,267
Depreciation of property and equipment, and amortization of intangible assets		6,089	6,288	12,285	12,040
Depreciation of right-of-use assets		3,139	3,043	6,259	6,149
Other		(7,646)	3,621	(2,347)	(17,192)
Interest expense paid		(247,859)	(314,078)	(504,434)	(612,993)
Interest income received		753,785	814,967	1,511,955	1,644,696
Claims on guarantees paid		(48,547)	(60,482)	(113,725)	(132,586)
Changes in operating assets and liabilities					
Net change in loans		(432,705)	(529,178)	(959,850)	(1,317,879)
Net change in accounts payable, accrued and other liabilities		(65,427)	(54,944)	(44,593)	(39,078)
Net change in other assets		4,412	(5,981)	(11,300)	(19,729)
<b>Net cash flows provided (used) by operating activities</b>		<b>(222,120)</b>	<b>(334,311)</b>	<b>(436,755)</b>	<b>(892,506)</b>
<b>Investing activities</b>					
Disbursements for asset-backed securities		(56,778)	(159,468)	(123,721)	(316,405)
Repayments and proceeds on sale of asset-backed securities		130,885	140,102	277,067	284,766
Disbursements for investments		(259,784)	(268,051)	(499,772)	(557,732)
Repayments of investments		74,932	82,364	147,752	170,774
Proceeds on sale of investments		53,238	38,034	105,811	59,042
Acquisition of property and equipment		(6,289)	(2,710)	(9,822)	(3,977)
Acquisition of intangible assets		(1,894)	(1,869)	(3,869)	(4,666)
<b>Net cash flows provided (used) by investing activities</b>		<b>(65,690)</b>	<b>(171,598)</b>	<b>(106,554)</b>	<b>(368,198)</b>
<b>Financing activities</b>					
Net change in short-term notes		553,000	83,000	1,306,000	2,002,000
Issue of long-term notes		365,000	1,115,000	806,000	2,412,000
Repayment of long-term notes		(646,000)	(790,000)	(1,455,000)	(1,330,000)
Repurchase of common shares		-	-	-	(1,500,000)
Dividends paid on common shares		-	-	(50,000)	(337,000)
Payment of lease liabilities		(3,708)	(3,738)	(7,200)	(7,703)
<b>Net cash flows provided (used) by financing activities</b>		<b>268,292</b>	<b>404,262</b>	<b>599,800</b>	<b>1,239,297</b>
<b>Net increase (decrease) in cash</b>		<b>(19,518)</b>	<b>(101,647)</b>	<b>56,491</b>	<b>(21,407)</b>
<b>Cash at beginning of period</b>		<b>1,623,780</b>	<b>999,518</b>	<b>1,547,771</b>	<b>919,278</b>
<b>Cash at end of period</b>		<b>1,604,262</b>	<b>897,871</b>	<b>1,604,262</b>	<b>897,871</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, 2026. If BDC changes the application of these policies, it may result in a restatement of these condensed quarterly Consolidated Financial Statements.

The condensed quarterly Consolidated Financial Statements were approved for issue by the Board of Directors on November 13, 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, except for hedge accounting as detailed below. 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.

During the second quarter of fiscal 2026, BDC began applying hedge accounting in accordance with IFRS 9, for cash flow hedges used to manage interest rate risk exposure. At the inception of each hedge, BDC formally designates and documents the hedging relationship, including the risk management objective and method for assessing effectiveness. Hedge effectiveness is evaluated on a quarterly basis; the effective portion of changes in the fair value of the hedging instrument is recognized in other comprehensive income and reclassified to profit or loss when the hedged cash flows affect earnings, and any ineffective portion is recognized immediately in profit or loss.

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.

## Notes to the Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)



# 5.

## Fair value of financial instruments

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

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

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

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

	Fair value measurements using			September 30, 2025
	Level 1	Level 2	Level 3	Total fair value
<b>Assets</b>				
Derivative assets		1,374		1,374
Asset-backed securities		1,043,829		1,043,829
Investments	56,236		6,444,398	6,500,634
	56,236	1,045,203	6,444,398	7,545,837
<b>Liabilities</b>				
Derivative liabilities		10,866		10,866
	-	10,866	-	10,866
March 31, 2025				
	Fair value measurements using			Total fair value
	Level 1	Level 2	Level 3	
<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
	43,632	1,203,040	6,262,661	7,509,333
<b>Liabilities</b>				
Derivative liabilities	-	3,853	-	3,853
	-	3,853	-	3,853

## Notes to the Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)



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

	September 30, 2025 Total
Fair value as at April 1, 2025	6,262,661
Net realized gains (losses) on investments	(11,537)
Net change in unrealized appreciation (depreciation) of investments	5,539
Net unrealized foreign exchange gains (losses) on investments	(50,329)
Disbursements for investments	499,972
Repayments of investments and other	(261,908)
<b>Fair value as at September 30, 2025</b>	<b>6,444,398</b>

  

	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 asset-backed securities (ABS) by classification of financial instruments.

	September 30, 2025	March 31, 2025
<b>Fair value through other comprehensive income</b>		
Principal amount	1,060,145	1,212,445
Cumulative fair value appreciation (depreciation)	(32,090)	(26,896)
Carrying value	1,028,055	1,185,549
Yield	4.38%	4.40%
<b>Fair value through profit or loss</b>		
Principal amount	20,709	21,987
Cumulative fair value appreciation (depreciation)	(4,935)	(4,950)
Carrying value	15,774	17,037
Yield	8.78%	8.88%
<b>Asset-backed securities</b>	<b>1,043,829</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. An additional provision of \$2.6 million was recorded for the quarter ended September 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	530,838	5,227,063	35,850,740	41,608,641	(948,773)	40,659,868
Impaired	60,454	265,356	1,298,072	1,623,882	(772,728)	851,154
<b>Loans as at September 30, 2025</b>	<b>591,292</b>	<b>5,492,419</b>	<b>37,148,812</b>	<b>43,232,523</b>	<b>(1,721,501)</b>	<b>41,511,022</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>	117,926	(117,509)	(417)	-
Transfer to Stage 2 <sup>(1)</sup>	(118,105)	145,839	(27,734)	-
Transfer to Stage 3 <sup>(1)</sup>	(1,416)	(37,996)	39,412	-
Net remeasurement of allowance for expected credit losses <sup>(2)</sup>	(126,487)	96,993	182,164	152,670
Financial assets that have been fully repaid	(18,917)	(26,110)	(23,099)	(68,126)
New financial assets originated	110,073	17,612	-	127,685
Write-offs	-	-	(143,698)	(143,698)
Recoveries	-	-	20,557	20,557
Foreign exchange and other movements	(101)	(225)	(861)	(1,187)
<b>Balance as at September 30, 2025</b>	<b>351,012</b>	<b>597,761</b>	<b>772,728</b>	<b>1,721,501</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.

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.

## Notes to the Consolidated Financial Statements

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Undisbursed amounts of authorized loans were \$4,354,842 as at September 30, 2025 (\$991,840 at fixed rates; \$3,362,901 at floating rates and \$101 at a zero interest rate) (\$4,157,102 as at March 31, 2025: \$1,188,121 at fixed rates; \$2,963,131 at floating rates and \$5,850 at a zero interest rate). The weighted average effective interest rate on interest-bearing loan commitments was 6.02% (6.30% as at March 31, 2025).

Geographic distribution	September 30, 2025		March 31, 2025	
	Outstanding	Commitments	Outstanding	Commitments
Newfoundland and Labrador	797,187	70,406	766,785	56,435
Prince Edward Island	103,123	3,807	75,021	3,140
Nova Scotia	787,975	51,511	771,378	57,827
New Brunswick	566,635	72,942	557,583	72,894
Quebec	14,242,552	1,518,153	13,766,233	1,481,673
Ontario	11,458,532	1,046,829	11,570,304	995,837
Manitoba	1,198,711	104,913	1,165,354	94,802
Saskatchewan	1,079,974	82,609	1,086,457	66,400
Alberta	5,909,246	762,855	5,720,037	801,672
British Columbia	6,891,048	612,797	6,721,409	511,619
Yukon	114,617	12,899	116,428	11,235
Northwest Territories and Nunavut	82,923	15,121	88,862	3,568
<b>Total loans outstanding</b>	<b>43,232,523</b>	<b>4,354,842</b>	<b>42,405,851</b>	<b>4,157,102</b>

Industry sector	September 30, 2025		March 31, 2025	
	Outstanding	Commitments	Outstanding	Commitments
Wholesale and retail trade	9,090,934	823,985	8,841,017	720,497
Manufacturing	8,678,169	1,119,822	8,550,289	1,052,862
Service industries	6,803,316	517,689	6,757,912	472,854
Commercial properties	4,562,717	248,285	4,374,271	275,433
Construction	4,179,476	437,285	4,169,422	369,495
Tourism	3,901,383	331,550	3,871,740	303,350
Transportation and storage	3,014,661	231,249	2,935,030	272,278
Resources	1,677,442	477,712	1,561,973	510,093
Other	1,324,425	167,265	1,344,197	180,240
<b>Total loans outstanding</b>	<b>43,232,523</b>	<b>4,354,842</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>	4,639	(4,639)	-	-
Transfer to Stage 2 <sup>(1)</sup>	(8,172)	8,172	-	-
Net remeasurement of allowance for expected credit losses <sup>(2)</sup>	(841)	8,418	-	7,577
Net increase (decrease) in commitments	6,717	(12,989)	-	(6,272)
Foreign exchange and other movements	(81)	(23)	-	(104)
<b>Balance as at September 30, 2025</b>	<b>50,318</b>	<b>15,349</b>	<b>-</b>	<b>65,667</b>

<sup>(1)</sup> Provides the cumulative movement from the previous month's allowance for expected credit losses on commitments 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 commitment amounts, changes in credit risk and changes in model inputs and assumptions, including forward-looking macroeconomic variables.

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	Allowance for expected credit losses on commitments			Total
	Stage 1	Stage 2	Stage 3	
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 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

<sup>(1)</sup> Provides the cumulative movement from the previous month's allowance for expected credit losses on commitments 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 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	September 30, 2025			March 31, 2025		
	Fair value	Cost	Commitments	Fair value	Cost	Commitments
Direct investments						
Debt	1,507,734	1,607,057	166,076	1,413,542	1,504,391	195,437
Equity	2,526,990	2,132,030	50,183	2,460,847	2,100,757	61,971
	4,034,724	3,739,087	216,259	3,874,389	3,605,148	257,408
Indirect equity investments in funds	2,465,910	1,642,755	1,150,134	2,431,904	1,569,259	1,218,499
<b>Investments</b>	<b>6,500,634</b>	<b>5,381,842</b>	<b>1,366,393</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.

	September 30, 2025			March 31, 2025	
	Within 1 year	1 to 5 years	Over 5 years	Total cost	Total fair value
As at September 30, 2025	186,750	1,167,804	252,503	1,607,057	1,507,734
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 \$45,643 at fixed rates and \$120,433 at floating rates (\$81,551 and \$113,886, respectively, as at March 31, 2025) and their weighted-average effective interest rate was 9.2% (9.3% on debt commitments as at March 31, 2025), excluding non-interest returns.

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Geographic distribution	September 30, 2025			March 31, 2025		
	Fair value	Cost	Commitments	Fair value	Cost	Commitments
Newfoundland and Labrador	23,575	22,550	3,200	20,335	21,236	2,000
Prince Edward Island	2,379	2,326	-	2,551	2,482	-
Nova Scotia	20,792	23,948	500	21,695	24,774	2,043
New Brunswick	14,496	16,089	5,500	13,505	14,454	2,550
Quebec	556,008	576,547	53,385	481,098	502,335	87,412
Ontario	587,253	638,103	66,979	581,953	613,250	64,630
Manitoba	34,058	33,513	5,700	34,996	34,599	1,800
Saskatchewan	30,864	33,076	3,000	30,697	33,341	1,000
Alberta	106,635	122,692	8,050	103,854	128,107	18,040
British Columbia	129,987	136,642	17,762	121,007	128,104	15,962
Yukon	1,687	1,571	-	1,851	1,709	-
Northwest Territories and Nunavut	-	-	2,000	-	-	-
<b>Debt investments</b>	<b>1,507,734</b>	<b>1,607,057</b>	<b>166,076</b>	<b>1,413,542</b>	<b>1,504,391</b>	<b>195,437</b>

Industry sector	September 30, 2025			March 31, 2025		
	Fair value	Cost	Commitments	Fair value	Cost	Commitments
Service industries	513,954	537,865	51,641	462,329	479,196	87,955
Manufacturing	346,743	372,267	38,983	326,100	345,790	40,141
Wholesale and retail trade	247,015	272,907	23,100	239,305	260,899	13,541
Information industries	188,622	197,673	42,852	185,788	196,434	27,940
Construction	122,118	124,297	4,750	115,775	118,492	10,710
Resources	28,457	41,935	2,750	30,059	50,248	4,000
Transportation and storage	26,912	26,883	-	20,040	19,758	7,550
Tourism	14,786	14,744	2,000	14,976	14,933	1,800
Educational services	13,716	13,091	-	15,175	14,672	-
Other	5,411	5,395	-	3,995	3,969	1,800
<b>Debt investments</b>	<b>1,507,734</b>	<b>1,607,057</b>	<b>166,076</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 September 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 2.0% of the total direct equity investments at cost (2.1% as at March 31, 2025).

Industry sector	September 30, 2025			March 31, 2025		
	Fair value	Cost	Commitments	Fair value	Cost	Commitments
Information technology	808,081	756,925	13,700	782,657	710,754	22,224
Manufacturing	387,118	295,526	276	411,089	251,189	8,200
Service industries	396,620	247,388	8,092	370,494	291,273	5,000
Communications	256,667	156,337	10,358	242,677	155,896	882
Resources	128,279	154,233	3,056	139,399	160,281	1,676
Electronics	86,594	97,534	644	110,766	110,002	3,358
Industrial	131,333	110,724	2,572	88,464	118,005	3,443
Wholesale and retail trade	75,552	59,841	2	71,107	60,692	-
Medical and health	66,643	73,835	4,007	68,888	74,849	250
Transportation and storage	56,895	31,283	-	62,718	31,283	-
Energy	28,237	31,754	482	25,245	31,754	481
Biotechnology and pharmacology	23,615	31,075	4,830	21,318	33,156	4,230
Construction	30,531	30,531	-	23,019	23,019	-
Educational services	7,456	2,400	661	7,726	2,400	661
Other	43,369	52,644	1,503	35,280	46,204	11,566
<b>Direct equity investments</b>	<b>2,526,990</b>	<b>2,132,030</b>	<b>50,183</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 September 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 six months ended September 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 BDC'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 represents equity investments aimed 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 consists of 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

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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 U.S. tariffs, as well as offering consulting mandates to affected businesses; this initiative was later expanded to support clients suffering from the uncertainty related to tariffs or the broader economic slowdown.

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.

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

	Three months ended September 30, 2025						
	BDC	Financing	Advisory Services	Growth & Transition Capital	Venture Capital	Capital Incentive Programs	Credit Availability Program
Interest income	784,620	723,985	-	36,511	331	324	23,469
Interest expense	250,786	255,162	-	7,652	134	(5,904)	(6,258)
<b>Net interest income</b>	<b>533,834</b>	<b>468,823</b>	<b>-</b>	<b>28,859</b>	<b>197</b>	<b>6,228</b>	<b>29,727</b>
Net realized gains (losses) on investments	(11,790)	(5)	-	(12,902)	1,232	5,636	(5,751)
Revenue from Advisory Services	7,065	-	6,760	-	-	-	305
Fee and other income	19,325	8,255	-	4,417	139	33	6,481
<b>Net revenue</b>	<b>548,434</b>	<b>477,073</b>	<b>6,760</b>	<b>20,374</b>	<b>1,568</b>	<b>11,897</b>	<b>30,762</b>
Provision for expected credit losses	(101,488)	(103,070)	-	-	-	-	1,582
Net change in unrealized appreciation (depreciation) of investments	(28,236)	75	-	(1,442)	3,042	(29,659)	(252)
Net foreign exchange gains (losses)	37,037	1,024	-	(1,785)	35,367	1,304	1,127
Net gains (losses) on other financial instruments	(956)	(122)	-	-	-	-	(834)
<b>Income (loss) before operating and administrative expenses</b>	<b>454,791</b>	<b>374,980</b>	<b>6,760</b>	<b>17,147</b>	<b>39,977</b>	<b>(16,458)</b>	<b>32,385</b>
Salaries and benefits	152,845	113,392	9,804	9,018	12,477	1,356	6,798
Premises and equipment	11,470	8,754	633	515	842	186	540
Other expenses	47,999	37,004	4,741	1,012	2,185	169	2,888
<b>Operating and administrative expenses</b>	<b>212,314</b>	<b>159,150</b>	<b>15,178</b>	<b>10,545</b>	<b>15,504</b>	<b>1,711</b>	<b>10,226</b>
<b>Net income (loss)</b>	<b>242,477</b>	<b>215,830</b>	<b>(8,418)</b>	<b>6,602</b>	<b>24,473</b>	<b>(18,169)</b>	<b>22,159</b>
<b>Net income (loss) attributable to:</b>							
BDC's shareholder	242,356	215,830	(8,418)	6,602	24,352	(18,169)	22,159
Non-controlling interests	121	-	-	-	121	-	-
<b>Net income (loss)</b>	<b>242,477</b>	<b>215,830</b>	<b>(8,418)</b>	<b>6,602</b>	<b>24,473</b>	<b>(18,169)</b>	<b>22,159</b>

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

# Notes to the Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)



Six months ended  
September 30, 2025

	BDC	Financing	Advisory Services	Growth & Transition Capital	Venture Capital	Capital Incentive Programs	Credit Availability Program
Interest income	1,555,072	1,436,520	-	70,896	678	660	46,318
Interest expenses	500,771	509,469	-	15,147	262	(11,871)	(12,236)
<b>Net interest income</b>	<b>1,054,301</b>	<b>927,051</b>	<b>-</b>	<b>55,749</b>	<b>416</b>	<b>12,531</b>	<b>58,554</b>
Net realized gains (losses) on investments	(30,525)	(255)	-	(17,136)	(7,884)	5,636	(10,886)
Revenue from Advisory Services	14,893	-	14,542	-	-	-	351
Fee and other income	37,776	17,112	-	6,913	793	72	12,886
<b>Net revenue</b>	<b>1,076,445</b>	<b>943,908</b>	<b>14,542</b>	<b>45,526</b>	<b>(6,675)</b>	<b>18,239</b>	<b>60,905</b>
Provision for expected credit losses	(261,508)	(222,682)	-	-	-	-	(38,826)
Net change in unrealized appreciation (depreciation) of investments	37,624	95	-	(2,426)	55,279	(13,885)	(1,439)
Net foreign exchange gains (losses)	(67,613)	(14,761)	-	2,022	(50,645)	(2,140)	(2,089)
Net gains (losses) on other financial instruments	(10,903)	(211)	-	-	-	-	(10,692)
<b>Income (loss) before operating and administrative expenses</b>	<b>774,045</b>	<b>706,349</b>	<b>14,542</b>	<b>45,122</b>	<b>(2,041)</b>	<b>2,214</b>	<b>7,859</b>
Salaries and benefits	299,038	220,006	20,200	19,010	24,177	2,696	12,949
Premises and equipment	22,858	17,501	1,319	1,026	1,611	364	1,037
Other expenses	97,550	73,013	10,693	2,166	4,480	368	6,830
<b>Operating and administrative expenses</b>	<b>419,446</b>	<b>310,520</b>	<b>32,212</b>	<b>22,202</b>	<b>30,268</b>	<b>3,428</b>	<b>20,816</b>
<b>Net income (loss)</b>	<b>354,599</b>	<b>395,829</b>	<b>(17,670)</b>	<b>22,920</b>	<b>(32,309)</b>	<b>(1,214)</b>	<b>(12,957)</b>
<b>Net income (loss) attributable to:</b>							
BDC's shareholder	353,305	395,829	(17,670)	22,925	(33,608)	(1,214)	(12,957)
Non-controlling interests	1,294	-	-	(5)	1,299	-	-
<b>Net income (loss)</b>	<b>354,599</b>	<b>395,829</b>	<b>(17,670)</b>	<b>22,920</b>	<b>(32,309)</b>	<b>(1,214)</b>	<b>(12,957)</b>
<b>Business segment portfolio as at September 30, 2025</b>							
Asset-backed securities	1,043,829	1,043,829	-	-	-	-	-
Loans, gross carrying amount	43,232,523	42,195,503	-	-	-	-	1,037,020
Less: Allowance for expected credit losses	(1,721,501)	(1,647,818)	-	-	-	-	(73,683)
Loans, net of allowance for expected credit losses	41,511,022	40,547,685	-	-	-	-	963,337
Debt investments	1,507,734	6,273	-	1,465,464	32,796	-	3,201
Direct equity investments	2,526,990	-	-	-	2,056,961	401,753	68,276
Indirect equity investments in Funds	2,465,910	-	-	-	1,246,442	1,219,468	-
Investments	6,500,634	6,273	-	1,465,464	3,336,199	1,621,221	71,477
<b>Total portfolio</b>	<b>49,055,485</b>	<b>41,597,787</b>	<b>-</b>	<b>1,465,464</b>	<b>3,336,199</b>	<b>1,621,221</b>	<b>1,034,814</b>
<b>Business segment commitments and guarantees as at September 30, 2025</b>							
Asset-backed securities	564,770	564,770	-	-	-	-	-
Loans	4,354,842	4,333,568	-	-	-	-	21,274
Debt investments	166,076	650	-	162,482	2,944	-	-
Direct equity investments	50,183	-	-	-	43,451	6,482	250
Indirect equity investments in Funds	1,150,134	-	-	-	691,399	458,735	-
Commitments	6,286,005	4,898,988	-	162,482	737,794	465,217	21,524
Guarantees	1,884,037	53,563	-	-	-	-	1,830,474
<b>Total commitments and guarantees</b>	<b>8,170,042</b>	<b>4,952,551</b>	<b>-</b>	<b>162,482</b>	<b>737,794</b>	<b>465,217</b>	<b>1,851,998</b>

# Notes to the Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)



Six months ended  
September 30, 2024

Notes	BDC	Financing	Advisory Services	Growth & Transition Capital	Venture Capital	Capital Incentive Programs	Credit Availability Program
Interest income	1,672,349	1,539,476	-	73,200	736	903	58,034
Interest expenses	639,165	679,964	-	18,182	259	(20,314)	(38,926)
<b>Net interest income</b>	<b>1,033,184</b>	<b>859,512</b>	<b>-</b>	<b>55,018</b>	<b>477</b>	<b>21,217</b>	<b>96,960</b>
Net realized gains (losses) on investments	(22,461)	(2,894)	-	2,942	(20,926)	2,406	(3,989)
Revenue from Advisory Services	20,671	-	20,671	-	-	-	-
Fee and other income	44,055	15,895	-	8,090	3,168	1,050	15,852
<b>Net revenue</b>	<b>1,075,449</b>	<b>872,513</b>	<b>20,671</b>	<b>66,050</b>	<b>(17,281)</b>	<b>24,673</b>	<b>108,823</b>
Provision for expected credit losses	(335,119)	(240,342)	-	-	-	-	(94,777)
Net change in unrealized appreciation (depreciation) of investments	(110,078)	8,762	-	(2,268)	(86,296)	(28,272)	(2,004)
Net foreign exchange gains (losses)	(8,783)	(6,528)	-	(3,965)	2,126	(190)	(226)
Net gains (losses) on other financial instruments	(74,562)	87	-	-	-	-	(74,649)
<b>Income (loss) before operating and administrative expenses</b>	<b>546,907</b>	<b>634,492</b>	<b>20,671</b>	<b>59,817</b>	<b>(101,451)</b>	<b>(3,789)</b>	<b>(62,833)</b>
Salaries and benefits	286,937	208,740	26,068	19,264	21,474	2,572	8,819
Premises and equipment	22,619	17,735	1,550	880	1,595	232	627
Other expenses	97,228	71,571	14,741	2,607	5,049	499	2,761
<b>Operating and administrative expenses</b>	<b>406,784</b>	<b>298,046</b>	<b>42,359</b>	<b>22,751</b>	<b>28,118</b>	<b>3,303</b>	<b>12,207</b>
<b>Net income (loss)</b>	<b>140,123</b>	<b>336,446</b>	<b>(21,688)</b>	<b>37,066</b>	<b>(129,569)</b>	<b>(7,092)</b>	<b>(75,040)</b>
<b>Net income (loss) attributable to:</b>							
BDC's shareholder	141,060	336,446	(21,688)	37,093	(128,659)	(7,092)	(75,040)
Non-controlling interests	(937)	-	-	(27)	(910)	-	-
<b>Net income (loss)</b>	<b>140,123</b>	<b>336,446</b>	<b>(21,688)</b>	<b>37,066</b>	<b>(129,569)</b>	<b>(7,092)</b>	<b>(75,040)</b>
<b>Business segment portfolio as at September 30, 2024</b>							
Asset-backed securities	1,336,190	1,336,190	-	-	-	-	-
Loans, gross carrying amount	41,404,989	40,055,747	-	-	-	-	1,349,242
Less: Allowance for expected credit losses	(1,394,856)	(1,304,428)	-	-	-	-	(90,428)
Loans, net of allowance for expected credit losses	40,010,133	38,751,319	-	-	-	-	1,258,814
Debt investments	1,368,251	12,050	-	1,315,966	36,336	-	3,899
Direct equity investments	2,300,633	-	-	5	1,815,429	386,695	98,504
Indirect equity investments in funds	2,261,264	-	-	-	1,123,997	1,137,267	-
Investments	5,930,148	12,050	-	1,315,971	2,975,762	1,523,962	102,403
<b>Total portfolio</b>	<b>47,276,471</b>	<b>40,099,559</b>	<b>-</b>	<b>1,315,971</b>	<b>2,975,762</b>	<b>1,523,962</b>	<b>1,361,217</b>
<b>Business segment commitments and guarantees as at September 30, 2024</b>							
Asset-backed securities	636,359	636,359	-	-	-	-	-
Loans	4,438,830	4,424,842	-	-	-	-	13,988
Debt investments	224,764	-	-	217,914	6,850	-	-
Direct equity investments	24,338	-	-	-	19,394	4,644	300
Indirect equity investments in Funds	1,178,987	-	-	-	654,726	524,261	-
Commitments	6,503,278	5,061,201	-	217,914	680,970	528,905	14,288
Guarantees	2,432,571	31,528	-	-	-	-	2,401,043
<b>Total commitments and guarantees</b>	<b>8,935,849</b>	<b>5,092,729</b>	<b>-</b>	<b>217,914</b>	<b>680,970</b>	<b>528,905</b>	<b>2,415,331</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 \$1,884.0 million as at September 30, 2025 (\$2,097.2 million as at March 31, 2025) and the existing terms expire within an average of 62 months (within an average of 68 months as at March 31, 2025).

As at September 30, 2025, an amount of \$33.7 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.

	September 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>	27,465	(27,389)	(76)	-
Transfer to Stage 2 <sup>(1)</sup>	(8,312)	15,531	(7,219)	-
Transfer to Stage 3 <sup>(1)</sup>	(33)	(33,393)	33,426	-
Net remeasurement of allowance for expected credit losses <sup>(2)</sup>	(20,787)	3,727	(22,051)	(39,111)
Net increase (decrease) in guarantees	12	(11,734)	(5,264)	(16,986)
<b>Balance as at September 30, 2025</b>	<b>17,199</b>	<b>165,037</b>	<b>261,922</b>	<b>444,158</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 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 September 30, 2025, BDC had \$22,554.8 million in short-term notes and \$12,026.9 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 \$250.3 million in interest expense, related to the borrowings from the Minister of Finance for the quarter and \$499.6 million for the six months ended September 30, 2025. Last year's comparative figures for the same periods were \$325.0 million and \$638.0 million, respectively.

In addition, \$200.0 million in borrowings with the Minister of Finance was repurchased in the first six months of fiscal 2026, resulting in losses of \$0.1 million (\$185.0 million in borrowings was repurchased during the same period last year, resulting in gains 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.



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