2022

annual report

The bank for Canadian entrepreneurs.

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Message from the Chairperson of the Board of Directors

Last year was marked by BDC's continued work to help entrepreneurs get through the pandemic, to help them rebuild and renew with growth, and to define how BDC can become even more impactful in helping Canada's entrepreneurs and economy prosper.

A crucial bridge from crisis to recovery

The economic recovery was strong, but uneven, with some sectors benefitting from increased demand, while others continued to struggle with periodic shutdowns as a result of successive waves of the pandemic.

At the same time, entrepreneurs faced a **series of other challenges**, including rising inflation, labour shortages and supply chain difficulties. BDC was there to support them to overcome these and other barriers through the year.

The Bank's rapid and comprehensive response was the latest example of the **shock absorber role** it plays for entrepreneurs and the economy. Working with partners and its shareholder, the Government of Canada, BDC provided **a crucial bridge from crisis to recovery** for tens of thousands of business owners, continuing to play an important complementary role to Canada's financial institutions.

In addition to helping existing clients, BDC **reached more entrepreneurs**, helping them ensure the continuity of their operations and pursue growth opportunities.

With business owners from diverse and underserved communities **disproportionately impacted by the pandemic**, we were pleased to see BDC's important progress during the year in reaching more Black, Indigenous and women entrepreneurs.

Focusing on digital transformation, climate change and managing risk

The board has closely followed BDC's **ongoing digital transformation**. The goals of this initiative include making BDC's **products and services more accessible to SMEs**, improving clients' experience, and making BDC more efficient and secure overall.

BDC also made significant headway this year in showing **leadership on climate change**. The team continued to grow its financing of cleantech and sustainable businesses. In addition, BDC endorsed the principles and guidelines of the **Task Force on Climate-related Financial Disclosure** and also joined the **Partnership for Carbon Accounting Financials (PCAF)**, a global network of financial institutions looking to define greenhouse gas emission-reporting metrics. BDC also quantified the environmental impacts of its business operations and committed to reducing them to zero by 2025.

Another important component of our oversight role was to ensure that the Bank continues to have the **appropriate risk management framework**, especially in the volatile economic context of the past year.

Strong performance and a renewed vision

I am pleased to report that BDC achieved all this while delivering an **excellent financial performance** that will allow it to reinvest to support even more entrepreneurs better.

On behalf of the Board, **I would like to thank Michael Denham**, whose mandate as CEO came to an end in the summer of 2021, three months into fiscal 2022. Michael showed unwavering leadership and understanding of entrepreneurs' challenges over his six-year term, capped off by the Bank's response to the pandemic in collaboration with private sector institutions and the Government of Canada.

BDC welcomed its new **President and CEO** Isabelle Hudon in August 2021. We are pleased to see she is off to a great start. With Isabelle's arrival, BDC embarked on an ambitious **process of renewal and transformation** that will shape the Bank in the years ahead.

Under Isabelle's leadership and the board's oversight, BDC conducted a strategic 360-degree review of its activities. This review produced a vision for the next five-to-10 years that will see BDC have even **greater impact on Canada, serving dramatically more entrepreneurs** and contributing to creating a more competitive, inclusive and sustainable economy.

I would like to thank all board members for their **stewardship, expertise and hard work through the pandemic**. I would especially like to recognize departing board member Mary Alice Vuicic for her eight years of dedicated service. As Chair of the Human Resources Committee, she stayed on the board well beyond the conclusion of her second term to support the CEO transition.

During the year, we welcomed Tania Clarke and Vivek Jain to the board. Their diverse expertise and backgrounds are great additions to the team.

Looking to the future with confidence

Canadian entrepreneurs have come through two years of pandemic and economic uncertainty. BDC was there for them in their time of greatest need and is now determined to be there for them through the recovery and beyond.

The Board of Directors is **confident we have the right leader in Isabelle** and that BDC will deliver on its **new strategic vision**.

On behalf of my colleagues, I would like to **thank BDC's management team and the 2,600 employees for their outstanding work** during the past year. The results achieved in often trying conditions are a testament to their professionalism, hard work and dedication to the success of entrepreneurs.

BDC is uniquely positioned to continue to make a real difference for Canada's business owners and the economy, and the ambition is to significantly increase this impact going forward.

Mike Pedersen
Chairperson of the Board

Message from the President and CEO

Thinking back to my first days at BDC in August 2021, I recall being excited to join an organization with such an outstanding reputation and record of achievement. But it wasn't until I actually started that I learned just how talented the people are at BDC and how fortunate I am to work with a team that's whole-heartedly committed to a common mission—**supporting the success of Canadian entrepreneurs.**

Now those first weeks seem far away because of all that we have achieved together since then.

BDC's support for entrepreneurs in the recovery

As the economic recovery gathered momentum during the year, entrepreneurs invested in new and postponed growth projects, creating exceptional demand for BDC's products and services.

BDC authorized **$14.4 billion** during the last fiscal year in financing and investments, including **$3.4 billion** in indirect lending with Canada's private financial institutions.

We are now serving a total of **95,000** clients directly and indirectly, including **16,500** via relief programs delivered in partnership with the private sector.

At a time when entrepreneurs needed guidance the most, we also continued to provide **essential, expert advice**. Through our Advisory Services practice, we provided essential, expert advice to entrepreneurs through **1,400 advisory mandates** helping them make their businesses more innovative, more productive, more profitable and more competitive. Our advice makes a real difference: clients who benefit from both BDC financing and advisory services see superior growth and profitability.

Our investment arm puts **smart money at work** to support the Canadian innovation ecosystem through BDC Capital's investment activities, spanning Venture Capital, Capital Incentive Programs and the Bridge Financing Program. With $5.7-billion in assets under management (AUM) and $636 million authorized in fiscal 2022—direct and indirect investments—BDC Capital supported over 700 Canadian tech innovators. BDC Capital ranks as the **most active investor in the country**.

Of special note was our success in **extending our reach and deepening our impact** through indirect lending to help entrepreneurs weather the pandemic's effects.

For example, under the **Business Credit Availability Program (BCAP)**, a total of $1.1 billion was lent in partnership with the federal government and private sector financial institutions to close to 800 companies from the launch of the program in 2020 until December 31, 2021, when it ended.

In the **Highly Affected Sectors Credit Availability Program (HASCAP)**, BDC joined forces with over 50 financial institutions to support businesses in sectors hardest hit by the pandemic. The Bank provided a 100% guarantee to financial institutions to extend loans of up to $1 million to eligible businesses in tourism, accommodation, food service, arts and culture, and the airline industry. A total of $3.6 billion was deployed to close to 16,000 companies under HASCAP from its launch in February 2021 until March 31, 2022, when the program ended.

As conditions improved in fiscal 2022, many of our relief programs came to an end.

For fiscal 2022, BDC earned consolidated net income of $2.5 billion, which will allow us to **enhance our support for entrepreneurs**.

BDC's overall profitability was fuelled by record net revenue on investments and unrealized fair value appreciations in BDC Capital's portfolio, reflecting remarkable growth in the tech ecosystem. The higher net income was also due to **reversals of provisions for expected credit losses** in a recovering economy and as entrepreneurs showed incredible resilience.

A renewed vision for the future

As Canadians started to recover from the massive impact of the pandemic, we knew that entrepreneurs would need additional support to successfully move on from this period of uncertainty.

So we embarked on an important strategic review of our activities, with clear objectives in mind:

- Evolve to **support more entrepreneurs and have more impact on them**.
- Put **greater emphasis on the "D" in our name**—our development role in building thriving businesses and an increasingly productive and inclusive economy.
- Be **a solid contributor to sustainability and the fight against climate change**.

Why a new strategic direction for BDC?

We believe Canada has a **unique opportunity to build back better** in the post-COVID era by addressing key challenges entrepreneurs are facing, including the need for more inclusive prosperity, stronger productivity and competitiveness, greater innovation and decisive actions to limit climate change.

The strategic review was **an inclusive and collective effort**, drawing on the viewpoints of entrepreneurs, employees and ecosystem players from across the country. It also included learning from the experience of leading development banks around the world.

We are now working on detailed program roadmaps and building capabilities to deliver on the big ambitions we have set for ourselves.

Building a sustainable future: A top priority

This strategic exercise led us to the conviction that **BDC can and must do much more**, especially when it comes to addressing i**nclusive prosperity and climate change**.

Over the past year, we have made strong progress on our Black entrepreneurs' strategy with the launch of such initiatives as the **Black Entrepreneurship Loan Fund** and the Black Innovation Fund. We were also pleased to see the **first loan authorized under the $150-million Indigenous Growth Fund**.

BDC Capital showed exceptional leadership by launching the first standardized diversity, equity and inclusion reporting template for Canadian fund managers and their portfolios.

On the climate change front, we have over $1.2 billion committed to sustainability-linked projects.

Most of the first $600 million of funding for our Cleantech Practice has now been invested, and we are working on a number of fronts to increase our contribution to achieving Canada's ambitious 2030 and 2050 climate goals.

As we started crystalizing our sustainability and impact ambitions for the future, we appointed a new **Chief Strategy and Impact Officer** and a new **Senior Vice President and Head, Sustainability and Diversity**.

We are now in excellent position to elevate and multiply our support and start a new cycle of transformation aimed at embedding diversity and inclusion and environmental, social and governance (ESG) in everything we do.

To learn more about BDC's sustainability journey and actions, I invite you to consult our Sustainability section, pages 8-10.

Continued support for innovation and scaling up businesses

During the year, we also continued our multi-faceted support for high-growth, innovative and internationally oriented businesses. When these companies grow into global champions, they make an **exceptional contribution to Canada's prosperity**.

Among the highlights of the year was **the launch of a second $250-million Growth Equity Partners Fund**, building on the success of the first fund in helping companies accelerate their growth, while maintaining ownership in Canadian hands.

As the largest venture capital investor in the country, BDC has been a key participant in the industry's remarkable growth in recent years in support of the country's most innovative businesses.

VC highlights during the year included:

- the launch of our **$200-million Deep Tech Venture Fund**, which invests in start-ups working on cutting edge, research-based technologies
- the launch of the **$300-million Growth Venture Co-Investment Fund** to help late-stage growth companies scale up and reach their full potential
- the renewal of the federal government's **Venture Capital Catalyst Initiative**, which is managed by BDC, with a $450-million allocation to support funds of funds, life sciences and inclusive growth

Accelerating digital adoption

The pandemic accelerated the need for Canadian organisations of all sorts to improve their digital capabilities.

For us, at BDC, digital adoption is a double opportunity. First, we support the digital transformation efforts of SMEs to fuel their recovery. The latest example is our participation in the **Canada Digital Adoption Program (CDAP)** announced by the federal government.

As a partner in this program, BDC aims to deploy **$2.6 billion** over four years to help SMEs finance the implementation of digital adoption plans.

Second, digital technologies can be a powerful ally in helping us achieve our goal of **making it easier for entrepreneurs to do business with us** by providing an increasingly frictionless, personalized client experience.

We know a large and growing number of our clients now prefer to be served digitally or have someone assist them remotely. This is why we continued to make progress on our digital transformation, notably by making our **online lending faster and easier** to use by automating and digitizing processes.

A new chapter for BDC

It's the dedication and hard work of 2,600 BDCers across Canada that has made all this possible. Once again, our employees achieved these results while working virtually. Looking ahead, we will finally experience our **Flex+ hybrid work model** that's adapted to our new ways of working while keeping health and safety our top priority.

My first year at the Bank demonstrated what I had already believed about this organization—**BDC truly is a great place to work**. Once again, this was confirmed by our recognition as one of Canada's Top 100 Employers (15th year), Top Montreal Employers (16th year) and Top Diversity Employers (12th year).

I want to extend my sincere thanks to all BDC employees for their tremendous efforts over the past year, including those who devoted their time, energy and talent to helping us with our renewed strategic vision for the future. Our exceptional results in fiscal 2022 show that you are **making a difference for entrepreneurs** and also that this is the right time to be even more ambitious.

I am grateful for all the open and honest advice I have received from board members, the senior management team and BDC employees across Canada through my onboarding and first months in my role.

I'm excited as we enter a new chapter in BDC's history. I have no doubt we will live up to our **purpose** to **empower a nation of dreamers and doers to build a better tomorrow for all**.

Isabelle Hudon
President and Chief Executive Officer

Sustainability and ESG

BDC helps build a more prosperous, inclusive and green Canada through our support for sustainable businesses across the country. We empower entrepreneurs to create a brighter future for all Canadians by helping them turn their commitment to environmental and social values into action. BDC is aligned with the United Nations' Sustainable Development Goals and supports the objectives of the Paris Agreement on climate change to create a cleaner, more sustainable future.

Amanda Baker
Head of Impact
Chief Operating Officer

Sheena Brady
Founder,
Chief Executive Officer

Tease Tea
Ottawa, ON

Sustainability and ESG: Deeply rooted in BDC's actions

We contribute to the development of communities in every part of Canada and help entrepreneurs create a sustainable future via three, interdependent pillars—economic, social and environmental. These pillars guide our actions and will continue to do so in the years ahead.

Economic value

- We **complement the role played by private-sector** financial institutions and have been serving Canadian entrepreneurs **since 1944**.
- We have **$47.8 billion committed** in support of **more than 95,000 entrepreneurs in all industries** and at all stages of development.
- We help **create and develop strong Canadian businesses** through financing, advisory services and investment capital.
- The entrepreneurs we serve **employ over one million Canadians** and **generate $350 billion in annual revenues**.
- We **support entrepreneurs in good and difficult times**, a mission that's never been more critical than during the COVID-19 pandemic.

Social value

- We play a **leading role in supporting women entrepreneurs** through financing, venture capital investments, partnerships and mentorship.
- We have supported **Indigenous entrepreneurs for over 25 years**, offering financing and advice that is tailored to their unique business opportunities and challenges.
- We have expanded our **support for Black entrepreneurs** through dedicated financing and capital solutions as well as partnerships.
- We have long given priority to **supporting diversity, equity and inclusion in Canada's entrepreneurial ecosystem**. We are equally committed to these values as an employer and have been consistently recognized as one of **Canada's Top Employers**.
- We are committed to creating an inclusive supply chain by **sourcing products and services from under-represented communities**.

Environmental value

- We offer entrepreneurs information, advice and tools, including the B Corp Impact Assessment tool, which **measures a company's environmental and social impact**.
- We have committed more than **$1.2 billion to sustainability linked projects**, including $600 million through our **Cleantech Practice**, which invests in globally competitive Canadian cleantech firms as they **discover and commercialize ways to combat climate change and pollution**.
- Our teams back innovative Canadian companies that are **reinventing industries and making them more energy efficient**.

BDC's sustainability and ESG journey

We have long recognized that the long-term success of Canadian entrepreneurs depends on their ability to integrate sustainability into their business practices and culture. Those values are equally important for BDC's success in supporting entrepreneurs and contributing to Canadian prosperity. Here are some milestones on BDC's road to sustainability.

1995

BDC addresses gaps in the lending market by focusing on groups underserved by the private sector, including **Indigenous, women and young entrepreneurs**, followed one year later by the creation of an Indigenous Banking Unit.

2002

BDC develops a **Diversity Action Plan** to reach visible minority and immigrant entrepreneurs.

2013

BDC Capital launches the Industrial, Clean and Energy Technology Venture Fund, **our first internal fund focusing on clean energy, which now manages $300 million in investment capital**.

BDC becomes the **first financial institution in Canada to receive the B Corp certification.** BDC is now the exclusive national partner for B Lab Canada and has educated thousands of entrepreneurs on how to measure their ESG practices.

2015

BDC launches a **strategy focusing on helping women-owned businesses** grow and succeed at every stage of their development, followed three years later by the **$200-million Women in Technology Venture Fund, one of the largest funds of its kind in the world**.

2018

BDC launches the **Cleantech Practice, now one of the largest, most active investors** of its kind in Canada with $600 million committed to Canadian cleantech firms.

BDC commits to **lending $1.4 billion to women-led businesses** by 2021. Signs a pioneering **partnership with Women's Enterprise Organizations of Canada** to better support women entrepreneurs.

2019

BDC expands its efforts to support entrepreneurs' health and well-being by partnering to create a **first of its kind research initiative focusing on entrepreneurs' mental health**.

2020

BDC creates an integrated **client diversity team to guide BDC's support for businesses** that face bias and discrimination in accessing capital and other resources. As part of this effort, BDC's President and CEO signs the **BlackNorth Initiative CEO Pledge**.

2021

BDC commits to **reducing its operational carbon footprint to net zero by 2025** and aligns with the Paris Agreement.

BDC announces its support for the **Task Force on Climate-related Financial Disclosures** and begins work towards implementing its recommendations.

BDC partners with Futurpreneur Canada and the Royal Bank of Canada to deliver the **Black Entrepreneur Startup Program**.

During fiscal 2022, we continued to deliver on our sustainability and ESG agenda

Environment

Became a founding member of the OECD Platform on Financing SMEs for Sustainability

A new knowledge-sharing platform that brings together various players in the sustainable financing ecosystem.

Joined the Partnership for Carbon Accounting Financials

Nearly 40% of our office space has already been certified LEED

Strategy and governance

Momentum towards creating greater impact

During the year, we embarked on an important strategic review of our activities with the goal of increasing our impact in support of more inclusive prosperity, stronger productivity and greater competitiveness in the Canadian economy. We are also aiming to boost innovation and take more decisive actions to help limit climate change. BDC is now in an excellent position to start a new cycle of transformation aimed at embedding sustainability and ESG in everything we do.

Diversity, equity and inclusion

Launched the $150M Indigenous Growth Fund

to provide greater access to capital for Indigenous entrepreneurs.

Committed $130M to the Black Entrepreneurship Loan Fund

co-developed by the Government of Canada in partnership with the Federation of African Canadian Economics (FACE).

Supported the $20M Black Innovation Fund

launched by Black Innovation Capital.

BDC Capital became one of the first venture capital investors in Canada to survey its portfolio on diversity and inclusion.

Provided additional financing opportunities to Black, social and women entrepreneurs in Ontario in partnership with Alterna Savings.

Launched a new standardized private capital reporting template for Canadian fund managers and their portfolios to survey diversity, equity and inclusion.

Sourced nearly 5% of products and services from under-represented and diverse communities.

Nearly 40% of BDC's senior management positions are held by women, compared to labour market availability of about 28%.

Management's Discussion and Analysis

1 Economic Environment

In 2021, the global economy grew by 6.1% as it rebounded strongly from the pandemic-induced recession of 2020. The reopening of the economy worldwide, amid major vaccination campaigns, spurred international demand. **Global trade** volumes of goods and services increased by 10.1%—a huge jump from a 8.2% drop in 2020—contributing significantly to world economic growth.

However, the global recovery was disrupted during the year by the emergence of COVID-19 variants that led to periodic lockdowns and created much uncertainty. Nevertheless, economies across the globe proved to be increasingly resilient to new waves of infection.

China's economy held up strongly in calendar 2021, growing 8.1%, despite a real-estate liquidity crisis and strict pandemic policies that caused the shutdown of many factories. In **Europe**, the risk of an economic slowdown grew due to the war in Ukraine and the resulting sanctions on Russia. Even before the war began, the European Union had still not fully recovered from the pandemic. After declining by 5.9% in 2020, GDP grew by 5.4% in 2021.

The **United States** was the first country in the G7 to fully reach its pre-pandemic GDP level. The federal government's extraordinary COVID relief measures supported strong consumption in 2021. Employment growth was robust with about 6.75 million jobs created during the year. Despite this strong showing, job vacancies still remained greater than the number of unemployed people. Consumption has been the main driver of growth in the U.S., accounting for 92% of the U.S.'s astonishing 5.7% GDP growth in 2021. Exports held up well but couldn't keep pace with strong domestic demand that spurred a surge in imports. After keeping its policy rate near zero and doubling the size of its balance sheet over the past two years to stimulate the economy, the Federal Reserve embarked on what is expected to be an aggressive tightening cycle in early 2022 to slow inflation, which averaged 4.7% in 2021.

In **Canada**, growth accelerated to 4.6% in 2021, but it was not a smooth progression. The third COVID wave in the spring of 2021 was particularly difficult, leading to negative growth in the second quarter when most of the country was in full lockdown.

Canada's economy recovered to its pre-crisis GDP level in November 2021. However, the recovery remained uneven, with the burden of each new COVID wave being borne almost entirely by the accommodation and food services and information, culture and leisure sectors. Economic activity in these two sectors, as well as their employment levels, had not fully recovered by the end of the fiscal year.

Canadian economic growth in 2021 was driven by strong household consumption and record residential investment supported by a strong labour market, robust household savings and low interest rates. By contrast, business investment, while positive, was tepid. In the face of economic uncertainty stemming from the pandemic, entrepreneurs preferred to replenish their inventories.

Employment recovered faster than GDP in Canada. There were approximately 450,000 more people employed in March 2022 than before the pandemic. Job vacancies remain elevated and the unemployment rate reached its lowest level in almost 50 years. The pandemic exacerbated **labour shortages** across the country, limiting the capacity of many businesses to increase production to meet growing demand as the economy reopened.

The pandemic also exposed the fragility of **supply chains**. The rapid rebound in demand for raw materials, intermediate goods and various logistics services ran up against supply bottlenecks and shortages. This led to late or cancelled supply deliveries and rising prices that limited business capacity and fuelled inflation.

Inflation in Canada averaged 3.4% in 2021 and has continued to rise in the new year, hitting levels not seen for decades. The base effect increased the inflation rate last year, because prices, particularly energy prices, dropped dramatically at the beginning of the COVID crisis and then started to recover as health restrictions were lifted.

In **energy markets**, limited oil supply and a strong rebound in demand put upward pressure on oil prices through 2021, and the war in Ukraine substantially worsened the situtation in the new year. Over fiscal 2022, Brent and WTI, the two leading global price benchmarks, increased by 65% or about US$40 per barrel. Both benchmarks have exceeded the US$100 mark. The recovery in oil prices and other commodities fuelled a broad-based expansion in Canada's exports and kept the Canadian dollar hovering around US$0.80 for most of the year.

Financial conditions in Canada remained favourable for investment this fiscal year, albeit less so than during the previous year. Interest rates began to climb modestly in the autumn as the Bank of Canada ended its quantitative easing program and signalled future monetary tightening to curb inflation. The bank's first-rate hike on March 2, 2022 brought its overnight rate to 0.50%. Effective interest rates for households and businesses jumped by 0.45% following this first hike.

In summary, COVID variants continued to create uncertainty in 2021, but the global economy staged a strong recovery from the pandemic-induced recession of 2020. Economic activity in both the United States and Canada reached their pre-pandemic levels during the year. The reopening of the economy and geopolitical tensions created much economic upheaval. Strong demand is running up against supply chain bottlenecks and labour shortages, resulting in rising inflation.

Management's Discussion and Analysis | Expected results and performance indicators

2 Expected results and performance indicators

BDC's performance measures support its goal of helping Canadian entrepreneurs in their efforts to build strong, growing businesses. They are aligned with shareholder priorities and BDC's client impact strategic objectives.

Short term (1 year)

Objective	Performance indicator	Target Fiscal 2022	Result Fiscal 2022	Percentage achieved	Comment
Support more entrepreneurs	# of clients[1]	61,500	**62,722**	102%	BDC strives to provide SMEs with the financing and advice they need to build growing and resilient businesses. As the Canadian economy continued moving from crisis to recovery, SMEs needed support for projects they had delayed, as well as guidance on moving from stabilizing their businesses in the pandemic to growth. This helped BDC exceed its target on the number of direct clients in its portfolio. Our digital platform continued to be instrumental in the attainment of our goals.
Provide asset-light financing	$ of acceptances for GTC, online financing, information and communications technology leveraged loans and intellectual property financing ($ in millions)	800	**1,157**	145%	BDC supports businesses that require financing even if they have little or no collateral. The need for such financing was further highlighted over the last year as SMEs continued their efforts to adapt to the post-pandemic business environment by adopting new technologies and striving to improve their productivity. This allowed the Bank to substantially exceed its target.
Support Indigenous entrepreneurs	# of direct clients identified as Indigenous	950	**982**	103%	BDC supports a growing number of Indigenous entrepreneurs as part of its commitment to reach a diverse array of business owners. An important example of our commitment to further increase access to capital for Indigenous entrepreneurs is the recently launched Indigenous Growth Fund. BDC is an anchor investor in the fund in partnership with the National Aboriginal Capital Corporations Association.
Make it easy for clients to do business with BDC	% of very satisfied clients[2]	67	**66**	99%	BDC continues to orchestrate its services across all channels and business lines with the goal of providing a truly exceptional client experience, recognizing this is critical to fulfilling its mission. This year's result, which is slightly lower than the objective, reflects an improvement over last year when service delays occurred at the outset of the COVID-19 crisis due to exceptionally high demand for our products and services. BDC continues to adapt its processes and has made operational changes to ensure capital is deployed to clients in the most efficient manner possible.
Provide advisory services to accelerate growth, innovation and productivity	Revenue from Advisory Services ($ in millions)	22	**29**	132%	BDC offers expert advice to help entrepreneurs build resilient, successful businesses. In a year when entrepreneurs were still affected by the pandemic, the level of advisory activity surpassed the objective. This confirms that our advisory services offerings on how best to recover from the pandemic, become more productive and tackle emerging challenges, such as labour shortages and supply chain disruptions, are aligned with entrepreneurs' needs.

→ Increasing access to capital and advice for entrepreneurs
→ Accelerating growth, innovation and productivity for targeted entrepreneurs
→ Improving the Canadian entrepreneurial ecosystem

Unless otherwise noted, all data are sourced from BDC's portfolio.

(1) BDC direct clients, excluding Capital Incentive Programs clients. Clients in more than one unit are only counted once.

(2) "Very satisfied" clients gave a score of 9 or 10 out of 10 for their overall satisfaction with BDC services. Source: BDC Client Voice Survey (excludes Venture Capital).

Management's Discussion and Analysis | Expected results and performance indicators

Medium term (3 years)

Objective	Performance indicator	Target (T) ending in fiscal	Result Fiscal 2022	Comment
Support women entrepreneurs	# of direct clients identified as women-owned businesses (ownership of 50% and over)[3]	T2024 19,000	**16,441**	In fiscal 2021, we surpassed an ambitious three-year target for increasing the number of women entrepreneurs we finance. In the next phase of our strategy, we are committed to another significant hike in the number of women entrepreneurs we serve by fiscal 2024. To achieve this goal, BDC will rely on dedicated diversity champions from all lines of business across the country, as well as partnering with many organizations who work with women entrepreneurs. We are currently on track to achieve this target.
Work in partnerships to extend reach and provide support to entrepreneurs	# of indirect clients	T2023 12,500	**32,159**	BDC reaches more entrepreneurs by working with other financial institutions, alternative lenders and investing in venture capital funds. Our ongoing efforts to facilitate increased access to capital by collaborating with a growing number of organizations to extend our reach has helped increase the number of indirect clients to levels higher than the target set for fiscal 2023.

Long term (5 years)

Objective	Performance indicator	Target (T) ending in fiscal	Result Fiscal 2022	Comment
Support women-led tech firms[4]	$ authorized to women in tech (VC) ($ in millions, cumulative to fiscal 2023)	T2023 100	**125.7**	BDC has committed to invest $200 million through the Women in Technology Venture Fund. The fund continued its momentum in fiscal 2022 and has already surpassed its fiscal 2023 target.
Fulfill our complementary role by serving underserved entrepreneurs	% of Financing portfolio that is sub-investment grade[5]	T2022 Maintain a minimum of 93	**88%**	BDC activities are complementary to those of other financial institutions. To help Canadian entrepreneurs during the pandemic and through the recovery, Canadian governments have implemented exceptional support measures. While BDC's proportion of sub-investment grade portfolio remains larger than its industry peers, capital made available through government support measures and a stronger than expected performance of the economy enabled the risk profile of clients to improve. This explains results that are slightly below the target.
Provide financing and advisory services that enable clients to succeed	% of clients who reported a positive impact on their business following the services they received from BDC[6]	T2022 Maintain a minimum of 89	**92**	BDC continues to ensure clients receive the tailored support they need. The strong result on this objective demonstrates the impact the Bank's employees, financing products and tailored advisory solutions have had on Canadian SMEs.
Help restore the VC asset class to profitability to attract private sector investors	BDC direct VC funds total value to paid-in capital (TVPI)[7]	T2022 1.25 or higher	**1.62**	BDC aims to have profitable venture capital operations to attract investors to this asset class. In a world changed by COVID-19, the tech sector has remained resilient through the pandemic and into the recovery. This helped Venture Capital exceed the TVPI target.
Accelerate entrepreneurs' competitiveness	Results of BDC impact study[8]	T2022 BDC has a positive impact on revenue growth	**6.8**	BDC is committed to measuring the impact it has on the businesses it serves. The latest impact study performed by Statistics Canada in fiscal 2022 showed that BDC clients achieved better results in terms of revenue, employment growth and survival rate than they would have if they had not turned to BDC. The next study results will be available in fiscal 2025.
Increase the amount of capital available to Canada's promising cleantech firms	$ accepted, Cleantech Practice ($ in millions, cumulative fiscal 2018 to fiscal 2024)[9]	T2024 600	**507**	With global demand for cleantech growing strongly, the Cleantech Practice has built a strong network of partners and a promising pipeline of firms to support. Due to the pandemic, and the need to reserve capital for follow-on investments for companies already in the portfolio, the goal of investing $600 million in cleantech businesses will now be reached in fiscal 2024, two years later than originally planned.

Increasing access to capital and advice for entrepreneurs — Accelerating growth, innovation and productivity for targeted entrepreneurs — Improving the Canadian entrepreneurial ecosystem

Unless otherwise noted, all data are sourced from BDC's portfolio.

(3) BDC direct clients excluding Capital Incentive Programs clients. Clients in more than one unit are only counted once.

(4) A women-led firm is defined as a firm with at least one woman founder or cofounder, CEO and/or a woman in a senior leadership position.

(5) Sub-investment grade is rated BB+ or less.

(6) Source: BDC Client Voice Survey (excludes Venture Capital).

(7) TVPI, a standard VC industry metric, is the ratio of the current value of investments to the original amount invested. BDC's direct VC funds are Deep Tech Venture Fund, Information Technology Fund, Healthcare Fund, Industrial, Clean and Energy Technology Fund, Industrial Innovation Venture Fund, Growth Venture Co-Investment Fund and Women in Technology Venture Fund.

(8) This measure is calculated by Statistics Canada and refers to the average percentage points of revenue growth of BDC clients that received both financing and advisory services above that of non-clients (a control group of similar businesses) after one year. The target was initially set to be reached in fiscal 2023, but since the latest results have been made available one year earlier than expected, it has been adjusted to reflect this change.

(9) Includes Financing, Growth & Transition Capital and Venture Capital.

3 Analysis of Financial Results

Lines of business

The Business Development Bank of Canada (BDC) is the bank for Canadian entrepreneurs. Our purpose is to help Canadian entrepreneurs succeed. We do that by providing financing, capital and advisory services.

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).

Activities

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

At BDC, diversity and inclusion are part of our business strategy to provide greater access to financing and advice to underserved and diverse groups of entrepreneurs, including women, Indigenous, Black, LGBTQ+, and other minorities. Our commitment starts internally with a measurable action plan and extends to our Client Diversity strategy which guides our support for underserved Canadian entrepreneurs. This strategy ensures all business owners can thrive in the Canadian entrepreneurial ecosystem, and that every employee has a diverse and inclusive mindset to help our clients excel.

A critical part of our mission as a development bank is to ensure viable small and medium-sized enterprises (SMEs) have access to the credit they need in difficult times. Throughout the COVID-19 pandemic, BDC has supported thousands of additional entrepreneurs providing them with urgently needed capital and advice through a variety of relief measures, in close collaboration with the Government of Canada and private sector partners. Our relief programs have formed a crucial bridge from crisis to recovery for businesses in every industry and in every part of Canada. These measures include the Business Credit Availability Program (BCAP) and the Highly Affected Sectors Credit Availability Program (HASCAP), which are delivered in collaboration with Canadian banks and credit unions, as well as measures delivered directly by BDC. As small businesses adapt to the lasting impacts of the COVID-19 pandemic, our shareholder launched the Canadian Digital Adoption Program (CDAP) with our support in March 2022 to help small businesses grow their online presence and adopt digital technologies. All of these measures have been grouped together under the Credit Availability Program (CAP) to distinguish them from BDC's core activities.

Core results are driven by the activities of the Financing, Advisory Services, Growth and Transition Capital, Venture Capital and Capital Incentive Programs business lines, whereas those of the CAP segment result from all of BDC's COVID-19 relief measures and the digital adoption program.

BDC achieved a record volume of activity for fiscal 2022 driven by the economic recovery that gave entrepreneurs confidence to focus on growth strategies after two years of pandemic. Overall, BDC's clients accepted $9.8 billion in loans and BDC authorized $741.7 million in subordinate financing investments, and $399.5 million of venture capital investments. In addition, $3.2 billion of guarantees were accepted through the HASCAP program.

Core activities

BDC Financing helps improve the competitiveness of SMEs by providing term lending and collaborating with other financial institutions to increase credit availability in the market through syndicated loans and indirect financing. Demand for Financing was exceptional during the year as entrepreneurs took advantage of the strong economic recovery and the low interest rate environment to invest in projects they had postponed during the pandemic. Clients of Financing accepted a total of $9.4 billion in loans, an increase of 81.4% compared to $5.2 billion in fiscal 2021.

BDC strives to reach more entrepreneurs and have a greater impact on their businesses. This is especially true for underserved and diverse entrepreneurs, such as women in business, Canada's Indigenous people and Black entrepreneurs.

In the last fiscal year, BDC surpassed its ambitious three-year target by providing $1.8 billion in loans for majority women-owned businesses. In fiscal 2022, we authorized $1.5 billion in loans and the number of women entrepreneurs we finance reached 16,441. We are committed to grow the number of women entrepreneurs we serve to 19,000 by fiscal 2024. To help women succeed, BDC has made it a priority to support them at every stage of their business journey from accessing capital to finding networks, mentors and resources. BDC has partnered with a number of organizations to provide mentoring, training and peer-to peer learning opportunities.

BDC has a long history of supporting Indigenous entrepreneurs. To improve access to capital, we offer flexible and preferred terms through the Indigenous Entrepreneur Loan for which the limit increased to $350,000 from $125,000. We also maintain several partnerships in support of Indigenous entrepreneurs. During fiscal 2022, BDC committed $506.3 million to 982 Indigenous clients across Canada.

BDC is committed to help Black entrepreneurs overcome barriers and seize opportunities to build strong, growing businesses by partnering with several organizations. In fiscal 2022, we extended our commitment through the Black Entrepreneurship Loan Fund by investing $130 million in partnership with the Government of Canada, the Federation of African Canadian Economics (FACE), Black-led business organizations and private sector financial institutions.

BDC Advisory Services provides entrepreneurs with high-value advisory services, in the form of a variety of solutions for small, medium and larger companies, as well as free online educational content and a program targeting high-growth firms. After the slowdown last year due to the impact of COVID-19, Advisory Services has returned to its pre-pandemic level of activities as entrepreneurs are now focusing on growth and innovation. Net contracts signed amounted to $29.9 million compared to $17.8 million recorded last year.

GTC provides cash flow, mezzanine, quasi-equity and equity financing to support the growth, transition and acquisition projects of SMEs with strong business models and management teams but limited tangible assets as collateral. Clients of GTC accepted $503.3 million in financing for fiscal 2022, compared to $124.4 million for fiscal 2021. Demand for GTC's offerings rebounded rapidly in fiscal 2022 driven by the strong economic recovery and by entrepreneurs who are now focusing on planning their growth strategy.

With more baby boomers heading toward retirement, there is a growing need for business transition financing. We facilitate transitions by providing advice to entrepreneurs on managing the crucial integration phase following a merger or acquisition. We sponsor educational events on key transition success factors and focus on building strategic partnerships in support of successful transitions.

Venture Capital includes activities in growth equity, intellectual property financing and venture capital, which invests directly in companies in multiple sectors and indirectly through external funds. As the largest venture capital investor in Canada, BDC has been a key participant in the industry's remarkable growth in recent years in support of the country's most innovative businesses. During fiscal 2022, BDC continued to strengthen the innovation ecosystem with its venture capital activities. These activities helped Canadian innovators launch and grow technology-focused businesses and commercialize innovations. In fiscal 2022, VC authorized investments totalling $495.9 million (including $398.1 million of venture capital investments and $97.8 million of subordinated financing investments), compared to $362.3 million last year (including $304.3 million of venture capital investments and $58.0 million of subordinated financing investments).

In May 2021, BDC created the $200 million Deep Tech Venture Fund which invests in early-stage deep tech companies to accelerate the development of transformational technologies in a number of sectors including quantum, electronics, photonics, foundational AI and related fields. Two successor funds were also launched in fiscal 2022: a new $300 million Growth Venture Co-Investment Fund targeting late-stage growth companies as well as a $250 million follow-on internal fund from Growth Equity Partners focused on mid-sized businesses seeking support for their growth initiatives.

VC plays a leading role in setting diversity and inclusion best practices for the industry. In fiscal 2018, it committed $200 million to the first Women in Technology Venture Fund (WIT) to provide better access to capital to women-led technology companies. Our target was to reach $100 million of authorizations by fiscal 2023. Our WIT fund continued its momentum in fiscal 2022 and reached total commitment of $122.7 million, surpassing our fiscal 2023 target. Given its aim to promote the development of the ecosystem for women in tech and investment roles, the fund continued to support the emerging managers with a female General Partner and a focus on fostering women-led firms.

To extend its reach to Black entrepreneurs, BDC co-created in fiscal 2022, with the Black Innovation Capital organization, the $10 million Black Innovation Fund, the first venture capital fund focused on investing in Canadian pre-seed and seed stage Black-founded tech companies. BDC serves as the fund's anchor investor with a $3.5 million commitment.

VC indirectly supports more than 500 Canadian companies through investments in 113 funds. We support and mentor emerging fund managers as they scale their funds and back fund managers working in emerging and existing areas of strategic importance to Canada.

On behalf of the Government of Canada, BDC continued to manage Capital Incentive Programs, which include $390 million for Venture Capital Action Plan (VCAP) to support promising Canadian start-ups, $372 million for Venture Capital Catalyst Initiative (VCCI) to increase the availability of late-stage VC and support underserved groups, $600 million for Cleantech Practice and $100 million for Indigenous Growth Fund (IGF).

VCAP and VCCI are now fully committed, and VCCI has been renewed to deploy $450 million under the Venture Capital Catalyst Initiative II (VCCI II) in fiscal 2023.

The Cleantech Practice has now invested most of the $600 million in additional capital extended to BDC by the federal government to help build globally competitive Canadian cleantech firms and a long-term, commercially sustainable cleantech industry that can attract significant private capital investment. In fiscal 2022, a further $138.6 million was committed to Cleantech Practice bringing the total net commitment since inception to $506.6 million.

The IGF, under the management of the National Aboriginal Capital Corporations Association (NACCA), made its first investment of $5.0 million in fiscal 2022.

Credit Availability Program (CAP) activities

CAP activities include all of our COVID-19 measures, delivered directly by us or in collaboration with the private sector, and CDAP which was launched in March 2022 to accelerate SMEs' adoption of digital technologies.

Initiatives delivered directly by BDC

In response to the COVID-19 crisis, BDC launched wide-ranging financing initiatives, including those related to online loan requests and working capital loans. These initiatives ended on June 30, 2021. To support the venture capital market, BDC created a Bridge Financing Program. This is a matching convertible note program to increase VC funding to companies that have suffered significant setbacks related to the pandemic.

Initiatives delivered in collaboration with the private sector

Business Credit Availability Program

The Business Credit Availability Program took a collaborative approach to supporting the financing needs of entrepreneurs during the pandemic. Building on our well-established relationships with Export Development Canada (EDC) and private sector lenders, BDC collaboratively provided support to financially viable Canadian businesses in all sectors and regions. Our efforts, together with those of EDC and a series of other federal government relief measures, were designed to fill market gaps in access to financing for entrepreneurs hit by the pandemic. BCAP includes the Co-Lending and Mid-Market Financing Programs that ended on December 31, 2021.

Highly Affected Sectors Credit Availability Program
In its Fall Economic Statement 2020, the federal government announced a program to provide additional liquidity to businesses in sectors hardest hit by the COVID-19 pandemic, including tourism, hotels, arts and culture, and the airline industry. Under the Highly Affected Sectors Credit Availability Program, financial institutions provided loans of up to $1 million to eligible businesses. The loans are 100% guaranteed by BDC and carry low interest rates and extended terms of up to 10 years. Under this program, BDC also issued loans directly to its qualifying clients. HASCAP ended on March 31, 2022.

Canadian Digital Adoption Program
The Canada Digital Adoption Program is a Government of Canada program to help SMEs adopt digital technologies and stay competitive by providing access to funding and expertise. This funding will help Canadian entrepreneurs leverage e-commerce opportunities, upgrade or adopt digital technologies, and digitize their operations to stay competitive and meet their customers' needs in the digital marketplace. Depending on the size of their businesses, specific needs, and goals, entrepreneurs can apply for funding through the "Grow Your Business Online" or "Boost your Business Technology" streams. BDC's role is to provide advisory services and zero-interest loans up to $100,000 to businesses that are eligible for Boost your Business Technology.

Total financing acceptances and investment authorizations for the CAP initiatives reached $370.9 million for fiscal 2022 and $3.7 billion for fiscal 2021. The HASCAP guarantee acceptances amounted to $3.2 billion for the fiscal year for a total of $3.5 billion since inception of the program. CAP's loan portfolio, net of allowance for credit losses, stood at $2.8 billion as at March 31, 2022 and $3.0 billion as at March 31, 2021.

Financial results overview

For the analysis of financial results, please also refer to Note 24—*Segmented Information* to the Consolidated Financial Statements.

BDC's exceptional financial performance for fiscal 2022 was driven by the strong economic recovery post pandemic leading to high demand for our products and services as entrepreneurs focused on their growth. As a result, we continued to adjust the provision for expected credit losses during the year due to favourable macroeconomic conditions, as Canadian SMEs showed incredible resilience through the pandemic and anticipated losses did not materialize. In addition, BDC's financial results largely benefitted from a significant increase in the unrealized fair value appreciation of its investment portfolio. This increase reflects the very positive performance of its investee companies and a strong venture capital market. These were some of the factors that contributed to an excellent financial performance which will allow us to reinvest in supporting even more entrepreneurs.

Consolidated net income
For fiscal 2022, BDC generated consolidated net income of $2.5 billion. The increase of $864.9 million compared to net income of $1.6 billion reported in fiscal 2021 was largely due to lower provision for expected credit losses and higher net realized gains on the investments portfolio. Net income attributable to BDC's shareholder amounted to $2.4 billion, while net income of $74.7 million was attributable to non-controlling interests related to Growth & Transition Capital and Venture Capital operations.

With BDC's profitability surpassing the required capital to support portfolio growth, $1.0 billion of capital from our core activities was generated above the internal target rate. BDC will return $5.0 billion of the excess capital from CAP to our shareholder.

Core net income
Net income from Financing was $1.2 billion, an increase of $429.1 million from last year. The increase was largely explained by lower provision for expected credit losses due to reversals of provisions on performing loans driven by improvements in macroeconomic conditions, compared to provisions taken in fiscal 2021 due to the impact of COVID-19.

Advisory Services reported a net loss of $39.0 million, lower than the net loss of $39.4 million recorded last year. Revenue for fiscal 2022 reached $28.9 million compared to $20.9 million last year, whereas delivery expenses amounted to $15.5 million compared to $12.0 million last year.

Growth & Transition Capital recorded net income of $152.3 million for fiscal 2022, compared to a net income of $114.8 million last year. The favourable results were mainly due to higher net realized gains from sales of investments.

Venture Capital recorded net income of $988.0 million for fiscal 2022, compared to net income of $902.5 million recorded last year. The positive variance is mainly driven by higher net realized gains on investments and higher net fair value appreciation.

CIP recorded net income of $303.8 million, compared to net income of $254.4 million last year, due to higher net realized gains from sales of investments in Cleantech.

Net income attributable to non-controlling interests was $74.7 million in fiscal 2022 ($15.9 million in net income from Growth & Transition Capital and $58.8 million from Venture Capital), compared to net income of $2.2 million in fiscal 2021 ($1.5 million in net income from Growth & Transition Capital and $0.7 million in net income from Venture Capital). The increase in net income attributable to non-controlling interest was due to higher net realized gains from sales of investments and higher net change in unrealized appreciation of investments.

CAP net income

CAP recorded a net loss of $52.6 million, compared to a net loss of $315.5 million recorded last year. The improved results are mainly attributable to higher net interest and fee income, lower provision for expected credit losses and to the decrease in operating and administrative expenses as the COVID-19 initiatives are now fully deployed and closed for new authorizations.

Consolidated net income—by business segment
for the years ended March 31 ($ in millions)

	2022	2021	2020	2019	2018
Financing	**1,162.2**	733.1	32.1	621.3	613.7
Advisory Services	**(39.0)**	(39.4)	(46.8)	(49.8)	(51.0)
Growth & Transition Capital	**152.3**	114.8	(32.9)	73.4	71.2
Venture Capital	**988.0**	902.5	(86.9)	194.2	159.3
Capital Initiative Programs	**303.8**	254.4	(83.5)	46.5	25.1
Core net income (loss)	**2,567.3**	1,965.4	(218.0)	885.6	818.3
Credit Availability Program	**(52.6)**	(315.5)	–	–	–
Net income (loss)	**2,514.7**	1,649.9	(218.0)	885.6	818.3
Net income (loss) attributable to:					
BDC's shareholder	**2,440.0**	1,647.7	(193.0)	878.5	775.0
Non-controlling interests	**74.7**	2.2	(25.0)	7.1	43.3
Net income (loss)	**2,514.7**	1,649.9	(218.0)	885.6	818.3

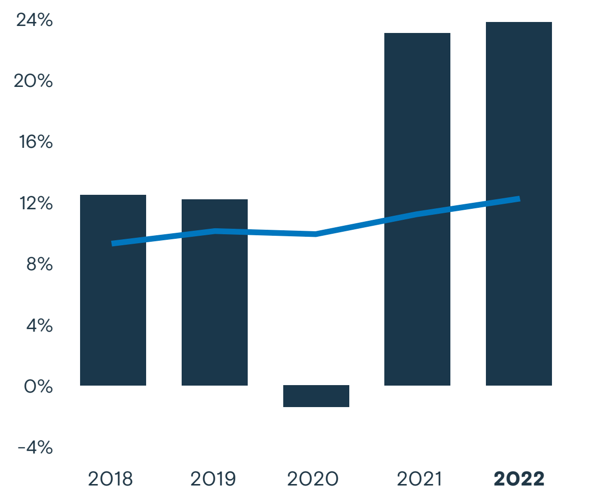
Adjusted return on common equity

BDC's adjusted return on common equity (ROE) was 23.6% in fiscal 2022, exceeding the 10-year moving average of 12.2%, as a result of higher net income in fiscal 2022.

Consolidated comprehensive income

BDC reported consolidated comprehensive income of $2.8 billion for fiscal 2022, compared to consolidated comprehensive income of $1.6 billion last year. Fiscal 2022 consolidated comprehensive income comprised $2.5 billion in consolidated net income and $260.0 million in other comprehensive income. The other comprehensive income for the year was mostly due to the remeasurement gain on the net defined benefit asset or liability of $289.5 million, compared to a loss of $43.1 million in fiscal 2021. For the most part, this gain was caused by higher discount rates used to value the net defined benefit liability. For further details, refer to Note 19 —*Net Defined Benefit Asset or Liability* to the Consolidated Financial Statements.

Adjusted return on common equity (ROE)
as at March 31



	2018	2019	2020	2021	**2022**
Adjusted ROE[1]	12.4%	12.1%	(1.4%)	22.9%	**23.6%**
Adjusted ROE—10-year moving average	9.3%	10.1%	9.9%	11.2%	**12.2%**

(1) ROE is calculated based on equity attributable to BDC's shareholder (see the glossary on page 160 for a detailed definition).

Consolidated comprehensive income (loss)
for the years ended March 31 ($ in millions)

	2022	2021	2020	2019	2018
Net income (loss)	**2,514.7**	1,649.9	(218.0)	885.6	818.3
Other comprehensive income (loss)					
Items that may be reclassified subsequently to net income					
Net change in unrealized gains (losses) on fair value through other comprehensive income assets	**(28.8)**	6.1	2.5	7.0	(3.6)
Net change in unrealized gains (losses) on cash flow hedges	**(0.7)**	(1.3)	(1.1)	1.3	(0.1)
Total items that may be reclassified subsequently to net income	**(29.5)**	4.8	1.4	8.3	(3.7)
Items that will not be reclassified to net income					
Remeasurements of net defined benefit asset or liability	**289.5**	(43.1)	91.6	(76.2)	(36.8)
Other comprehensive income (loss)	**260.0**	(38.3)	93.0	(67.9)	(40.5)
Total comprehensive income (loss)	**2,774.7**	1,611.6	(125.0)	817.7	777.8
Total comprehensive income (loss) attributable to:					
BDC's shareholder	**2,700.0**	1,609.4	(100.0)	810.6	734.5
Non-controlling interests	**74.7**	2.2	(25.0)	7.1	43.3
Total comprehensive income (loss)	**2,774.7**	1,611.6	(125.0)	817.7	777.8

Performance against objectives

The consolidated net income of $2.5 billion was significantly higher than the consolidated net income of $218.8 million established in the corporate plan. All business lines achieved higher results than planned.

Core performance against objectives

Financing's net income of $1.2 billion was higher by $414.3 million compared to corporate plan, primarily due to a lower-than-expected provision for expected credit losses on impaired loans.

Advisory Services' net loss of $39.0 million was $12.7 million lower than expected as a result of higher revenue and lower-than-anticipated operating and administrative expenses.

Growth & Transition Capital recorded net income of $152.3 million, a $100.2 million increase compared to the corporate plan objective. The positive variance was mainly driven by higher-than-expected net realized gains on investments and net change in unrealized appreciation on investments.

Both Venture Capital's and Capital Incentive Programs' net income were significantly higher than expected (favourable variances of $940.4 million and $320.4 million respectively), mainly due to a higher-than-anticipated net realized gains on investments and net change in unrealized appreciation on investments.

CAP performance against objectives

CAP's net loss of $52.6 million was lower than the net loss of $560.6 million projected in the corporate plan, primarily due to a lower provision for expected credit losses on impaired loans and lower net losses on other financial instruments.

Financing

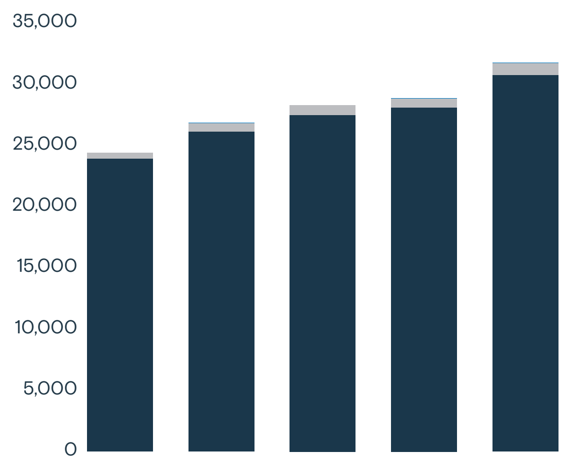
Financing provides term lending to SMEs at each stage of their business journey and helps them improve their competitiveness. BDC also works closely with other financial institutions to increase credit availability in the market through syndicated loans and indirect financing.

BDC continued to automate processes, use data analytics and dynamic electronic forms to evolve its digital lending platform, better anticipate entrepreneur needs and provide them with more insightful advice.

Financing portfolio

The financing portfolio comprises loans, asset-backed securities (ABS) and subordinate financing investments, totalling $31.5 billion, net of the allowance for expected credit losses of $953.0 million.

Financing portfolio
as at March 31 ($ in millions)

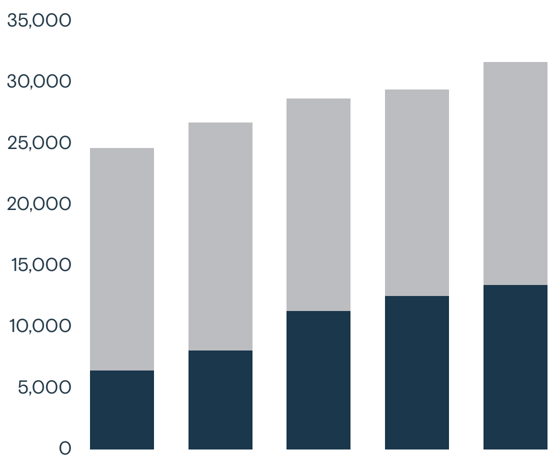


	2018	2019	2020	2021	**2022**
Loan portfolio(1)	23,728	25,916	27,273	27,877	**30,499**
Asset-backed securities portfolio	473	700	778	733	**988**
Subordinate financing portfolio	10	12	12	17	**11**
Total Financing portfolio	24,211	26,628	28,063	28,627	**31,498**

(1) Net of allowance for expected credit losses of $953.0 million in fiscal 2022.

Financing's loan portfolio, before allowance for expected credit losses, increased by 7.7% from $29.2 billion a year ago to $31.5 billion as at March 31, 2022, compared to 2.5% as at March 31, 2021. The growth of the loan portfolio is higher in fiscal 2022 mainly as a result of a return to our core activities after a shift to the CAP segment in fiscal 2021 and solid credit demand. The closing loan portfolio comprised $30.5 billion in performing loans and $1.0 billion in impaired loans. As at March 31, 2022, 57.6% of the loan portfolio was composed of floating-rate loans, comparable to the fiscal 2021 level of 57.4%.

Financing loan portfolio
as at March 31 ($ in millions)



	2018	2019	2020	2021	**2022**
Fixed-rate loan portfolio	6,371	8,002	11,234	12,438	**13,321**
Floating-rate loan portfolio	18,062	18,543	17,238	16,755	**18,131**
Total loan portfolio	24,433	26,545	28,472	29,193	**31,452**

Financing results

Financing recorded net income of $1.2 billion for the year, compared to net income of $733.1 million in fiscal 2021. The favourable variance with last year was mainly driven by lower provision for expected credit losses partially offset by higher operating and administrative expenses.

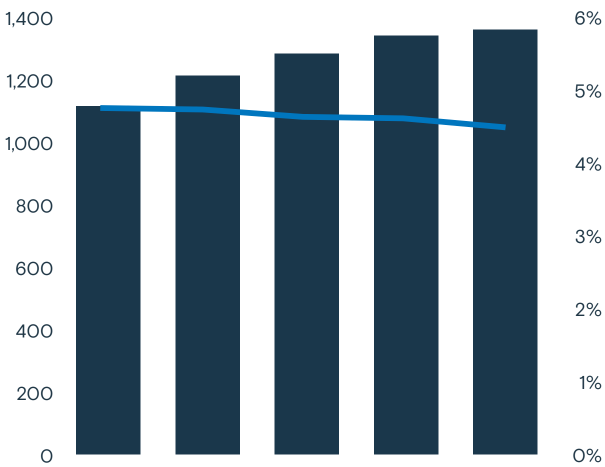
Net interest income

Net interest income reflects interest income less interest expense on borrowings. Net interest income reached $1,378.9 million in fiscal 2022, compared to $1,360.1 million in fiscal 2021. The increase of $18.8 million was primarily the result of growth in the portfolio. The net interest income margin, which is the ratio of net interest income to the average loan portfolio, decreased from 4.56% in fiscal 2021 to 4.44% in fiscal 2022, reflecting an overall decrease in interest rates for the period.

Financing results
for the years ended March 31 ($ in millions)

	2022	2021
Net interest income	**1,378.9**	1,360.1
Fee and other income	**24.3**	24.1
Provision for expected credit losses	**267.7**	(262.0)
Net change in unrealized appreciation (depreciation) of investments	**(6.2)**	(4.5)
Net realized gains (losses) on investments	**(0.6)**	(0.3)
Net gains (losses) on other financial instruments	**0.7**	1.0
Net foreign exchange gains (losses)	**(0.5)**	(4.0)
Income before operating and administrative expenses	**1,664.3**	1,114.4
Operating and administrative expenses	**502.1**	381.3
Net income from Financing	**1,162.2**	733.1

Financing net interest income
for the years ended March 31 ($ in millions)



	2018	2019	2020	2021	**2022**
Net interest income	1,131.0	1,229.4	1,300.6	1,360.1	**1,378.9**
As a % of average Financing portfolio	4.70%	4.68%	4.58%	4.56%	**4.44%**

Financing results
for the years ended March 31 (as % of average portfolio)

	2022	2021
Net interest income	**4.4%**	4.6%
Fee and other income	**0.1%**	0.1%
Provision for expected credit losses	**0.9%**	(0.9%)
Income before operating and administrative expenses	**5.4%**	3.8%
Operating and administrative expenses	**1.6%**	1.3%
Net income from Financing	**3.8%**	2.5%

Provision for expected credit losses

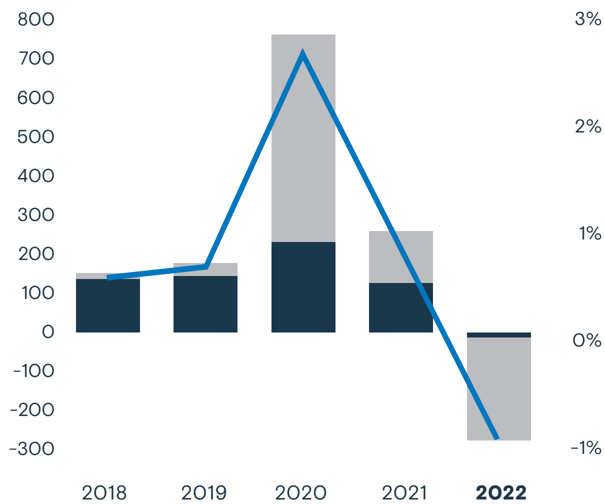
The provision for expected credit losses (ECL) is the amount charged to income to maintain the total allowance at a level considered adequate to absorb the credit losses expected in the portfolio at the statement of financial position date. The ECL model calculates a probability-weighted estimate that incorporates forward-looking information representing three macroeconomic scenarios.

In fiscal 2022, Financing recorded a net reversal of provision for expected credit losses of $267.7 million compared to a provision of $262.0 million in fiscal 2021. The reversal of provision for expected credit losses on performing loans was $280.2 million, compared to a provision of $133.8 million in fiscal 2021, representing a favourable movement of $414.0 million driven by improved macroeconomic conditions.

The provision for expected credit losses on impaired loans was $12.5 million compared to $128.2 million in fiscal 2021. A significant factor influencing the allowance on impaired loans is the volume of loans that were downgraded from performing to impaired status. When financial conditions deteriorate, more loans go into default. We then classify them as impaired and record an amount equal to the net exposure in the allowance for expected credit losses on impaired loans. The percentage of these downgrades decreased to 2.0% of the opening performing portfolio in fiscal 2022, compared to 2.2% for fiscal 2021, whereas the provision for expected credit losses on impaired loans decreased to 0.04% of the average portfolio. The ECL on the impaired portfolio is below pre-pandemic level and is mainly explained by a decrease in insolvencies in the context of the various support programs implemented by governments during the pandemic.

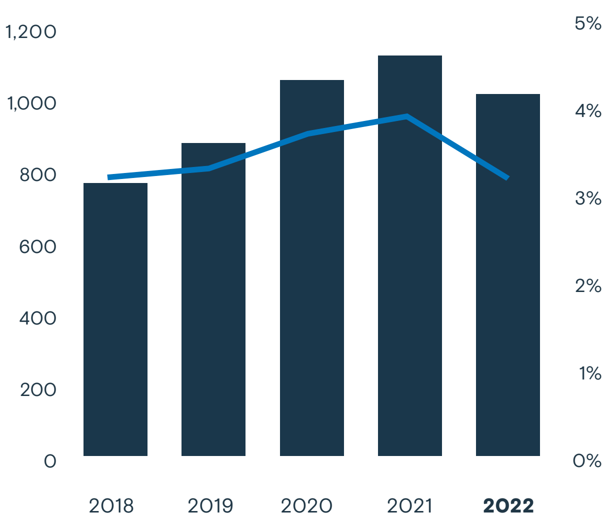
BDC closely manages the $1.0 billion in impaired loans, which represented 3.2% of the total portfolio on March 31, 2022, lower than the 3.9% on March 31, 2021.

Provision for expected credit losses on loans
for the years ended March 31 ($ in millions)



	2018	2019	2020	2021	**2022**
Impaired	138.5	146.2	233.9	128.2	**12.5**
Performing	15.0	33.7	538.6	133.8	**(280.2)**
Provision for expected credit losses on loans	153.5	179.9	772.5	262.0	**(267.7)**
As a % of average loan portfolio	0.6%	0.7%	2.7%	0.9%	**(0.9%)**

Impaired portfolio
as at March 31 ($ in millions)

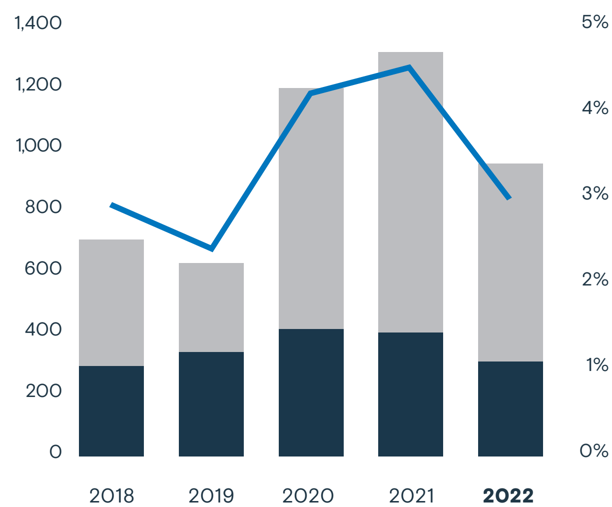


	2018	2019	2020	2021	**2022**
Impaired portfolio	770.6	882.8	1,061.6	1,130.6	**1,021.5**
Impaired portfolio as a % of total loan portfolio	3.2%	3.3%	3.7%	3.9%	**3.2%**

The total allowance for expected credit losses decreased to $953.0 million on March 31, 2022, compared to $1.3 billion in fiscal 2021. The total allowance represented 3.0% of the total loans outstanding, lower than the 4.5% recorded last year as a result of a $268.0 million decrease in the allowance on the performing portfolio and a $94.6 million decrease in the allowance on the credit impaired portfolio.

To read more about credit risk management, please refer to Note 22—*Risk Management* to the Consolidated Financial Statements.

Allowance for expected credit losses
as at March 31 ($ in millions)



	2018	2019	2020	2021	**2022**
Impaired	293.6	338.7	414.7	403.3	**308.7**
Performing	411.0	290.5	784.5	912.3	**644.3**
Total allowance	704.6	629.2	1,199.2	1,315.6	**953.0**
Total allowance as a % of total loan portfolio	2.9%	2.4%	4.2%	4.5%	**3.0%**

Operating and administrative expenses

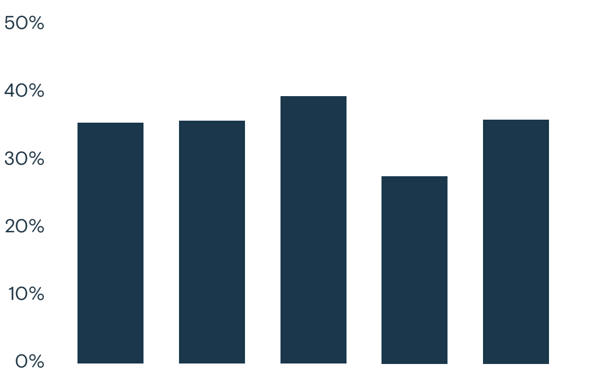
Operating and administrative expenses were $502.1 million in fiscal 2022, higher than the $381.3 million recorded last year.

As a percentage of the average portfolio, operating and administrative expenses were 1.6%, compared to the 1.3% recorded in fiscal 2021, reflecting a decrease in reallocation of costs to the CAP segment as financing activities shifted back to our core activities.

Operational efficiency

Over the years, BDC has made a concerted effort to achieve efficiencies while fulfilling its role as a development bank and implementing government priorities. BDC carefully manages operating expenses, by identifying and gaining efficiencies, and by improving its efficiency ratio, that is, the expenses incurred to earn each dollar of revenue. A lower ratio indicates improved efficiency. The Financing efficiency ratio returned to pre-pandemic level at 35.8% in 2022 from 27.5% in 2021. The increase is primarily explained by less activities allocated to the CAP segment to support CAP initiatives.

Financing efficiency ratio[1]
for the years ended March 31



2018	2019	2020	2021	**2022**
35.3%	35.6%	39.2%	27.5%	**35.8%**

(1) For the definition of efficiency ratio, refer to the Glossary on page 160.

Performance against objectives

Financing's net income was $414.3 million higher than planned, mainly due to a lower-than-anticipated provision for expected credit losses, higher-than-anticipated net interest income and lower-than-anticipated operating and administrative expenses.

Net interest and fee and other income was $25.3 million higher than the $1,377.9 million anticipated, mainly due to higher average portfolio. Total operating and administrative expenses of $502.1 million were $11.9 million lower than the corporate plan objective explained by lower pension expenses driven by a higher discount rate.

Financing's loan and ABS portfolio at the end of fiscal 2022, net of allowance for expected credit losses, stood at $31.5 billion, which is $1.6 billion higher than the corporate plan objective of $29.9 billion. Total loan acceptances for the year were $9.4 billion, which is $2.3 billion higher than the corporate plan objective.

Advisory Services

BDC invests in helping Canadian SMEs grow, innovate, and become more competitive by providing high-value advisory services at a price they can afford. These services include a variety of solutions for both smaller and larger companies, free online educational content and a program targeting high-growth firms. We use a national network of internal and external experts and online capabilities to help companies overcome their challenges and scale up. A BDC study[1] confirms that our advisory services have a long-lasting impact on entrepreneurs and the national economy. Used together, financing and advisory services have an even stronger impact.

Advisory Services results

Demand for Advisory Services has returned to its pre-pandemic level in fiscal 2022 after a slowdown in activities in fiscal 2021 as entrepreneurs were impacted by COVID-19. BDC Advisory Services delivered over 1,400 advisory mandates during fiscal 2022 generating impact and supporting both smaller and larger Canadian SMEs. This represents an increase of 37% compared to 1,030 mandates delivered in fiscal 2021.

(1) Measuring BDC's Impact on Clients (2008-2015), May 2019
https://www.bdc.ca/en/documents/analysis_research/measuring-bdc-impact-on-clientsmay-2019.pdf

Advisory Services' net contracts signed reached $29.9 million in fiscal 2022 compared to $17.8 million last year. Advisory Services recorded a net loss of $39.0 million in fiscal 2022, compared to a net loss of $39.4 million in fiscal 2021. Advisory Services' revenues of $28.9 million in fiscal 2022 were higher than the $21.0 million recorded last year reflecting that entrepreneurs are recovering from the pandemic and focusing on making their business more competitive. Operating and administrative expenses of $52.4 million were $4.0 million higher compared to those recorded in fiscal 2021 since no reallocation of expenses to the CAP segment was recorded this year as COVID-19 initiatives were fully deployed.

Advisory Services results
for the years ended March 31 ($ in millions)

	2022	2021
Revenue	**28.9**	21.0
Delivery expenses[(1)]	**15.5**	12.0
Gross operating margin	**13.4**	9.0
Operating and administrative expenses	**52.4**	48.4
Net loss from Advisory Services	**(39.0)**	(39.4)

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

Performance against objectives

For fiscal 2022, the results for Advisory showed a favourable variance of $12.7 million compared to the net loss of $51.6 million estimated in the corporate plan. Revenues were strong at $28.9 million, higher than the corporate plan objective of $22.3 million and operating and administrative expenses were lower.

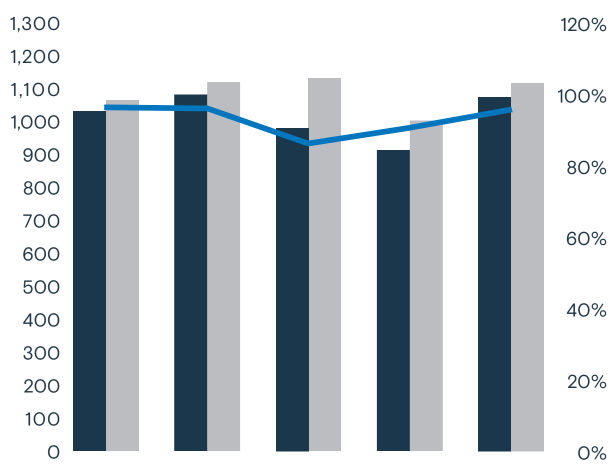
Growth & Transition Capital

Growth & Transition Capital caters to growing businesses, especially high-growth firms with solid business models and management teams but typically lacking sufficient tangible assets to offer as collateral. BDC offers higher risk solutions (cash flow, mezzanine, quasi-equity) to allow entrepreneurs to execute their growth and succession plans while limiting their ownership dilution.

Growth & Transition Capital investment portfolio

GTC's offerings benefited from the post-pandemic economic recovery and demand for growth and transition capital financing is expected to remain solid over the next fiscal year. GTC's subordinate financing investment portfolio at cost increased by 11.5% to $1,118.5 million in fiscal 2022 reflecting the strong level of acceptances. The fair value as a percentage of cost increased from 91.1% to 96.2% primarily due to the increase in volume.

Growth & Transition Capital portfolio—total investment
as at March 31 ($ in millions)



	2018	2019	2020	2021	**2022**
Fair value	1,032.7	1,082.3	982.0	913.9	**1,075.8**
Cost	1,066.1	1,120.4	1,132.7	1,003.5	**1118.5**
Fair value as % of cost	96.9%	96.6%	86.7%	91.1%	**96.2%**

Growth & Transition Capital results

Growth & Transition Capital recorded net income of $152.3 million for the year, compared to net income of $114.8 million in fiscal 2021. The net income included an amount of $15.9 million attributable to non-controlling interests in fiscal 2022, compared to $1.5 million last year. The favourable variance from last year was mainly driven by higher net realized gains on investments.

Growth & Transition Capital results
for the years ended March 31 ($ in millions)

	2022	2021
Net revenue on investments	**142.6**	92.7
Net change in unrealized appreciation (depreciation) of investments	**47.2**	61.2
Net foreign exchange gains (loss)	**0.0**	(2.7)
Income before operating and administrative expenses	**189.8**	151.2
Operating and administrative expenses	**37.5**	36.4
Net income from Growth & Transition Capital	**152.3**	114.8
Net income attributable to:		
BDC's shareholder	**136.4**	113.3
Non-controlling interests	**15.9**	1.5
Net income from Growth & Transition Capital	**152.3**	114.8

Growth & Transition Capital results
for the years ended March 31 (as % of average portfolio)

	2022	2021
Net revenue on investments	**13.8%**	8.6%
Net change in unrealized appreciation (depreciation) of investments	**4.6%**	5.7%
Net foreign exchange gains (losses)	**0.0%**	(0.2%)
Income before operating and administrative expenses	**18.4%**	14.1%
Operating and administrative expenses	**3.6%**	3.4%
Net income from Growth & Transition Capital	**14.8%**	10.7%
Net income attributable to:		
BDC's shareholder	**13.3%**	10.6%
Non-controlling interests	**1.5%**	0.1%
Net income from Growth & Transition Capital	**14.8%**	10.7%

Net revenue on investments, comprising net interest income, net realized gains on investments, as well as fee and other income, reached $142.6 million, $49.8 million higher than in fiscal 2021. The increase was mainly due to higher net realized gains on investments.

In fiscal 2022, Growth & Transition Capital recorded a net change in unrealized appreciation of investments of $47.2 million compared to $61.2 million last year. As shown in the table below, the higher net change in unrealized appreciation of investments this fiscal was due to a higher net fair value appreciation on investments, resulting from an increase in volume.

Net change in unrealized (depreciation) appreciation of investments
for the years ended March 31 ($ in millions)

	2022	2021
Net fair value appreciation (depreciation)	**51.9**	24.9
Reversal of net fair value depreciation (appreciation) due to realized income and write offs	**(4.7)**	36.3
Net change in unrealized appreciation (depreciation) of investments	**47.2**	61.2

Operating and administrative expenses increased by $1.1 million compared to last year. As a percentage of the average portfolio, operating and administrative expenses increased to 3.6% compared to 3.4% in fiscal 2021. The increase was mainly due to lower reallocations of expenses to the CAP segment as COVID-19 initiatives were fully deployed.

Performance against objectives

Growth & Transition Capital recorded net income of $152.3 million in fiscal 2022, which represents a favourable variance of $100.2 million from net income of $52.0 million projected in the corporate plan. The favourable variance in net income was attributable to the net change in unrealized appreciation of investments, which was $36.2 million higher than planned, and higher net revenue on investments that generated a positive variance of $60.1 million compared to the corporate plan.

Acceptances reached $503.3 million for the year, which is $263.3 million higher than the corporate plan objective of $240.0 million.

Venture Capital

Venture Capital actively supports the development of a healthy and vibrant venture capital (VC) ecosystem to foster innovation in Canada. BDC plays an important role by helping Canadian innovators launch and grow technology-focused businesses and commercialize their innovations. It backs approximately 200 Canadian companies through direct investments in businesses and 500 Canadian companies through indirect investments in 113 VC funds. VC's efforts to make Canadian venture capital a financially viable and attractive asset class for private sector investors have helped propel the market forward.

Direct investment

Since 2012, BDC has been managing several direct internal investment funds to foster and finance innovation in many sectors including but not limited to: information and communications technology; healthcare; industrial clean technology; energy; materials and agriculture.

Our $200-million Women in Technology fund aims to deliver on a dual mandate of supporting tech businesses led by women while helping to create a vibrant support ecosystem for women tech entrepreneurs.

BDC is also a leader in reinforcing the early-stage innovation ecosystem and filling the gap in seed funding with strategic investments in other ecosystem-building activities.

In fiscal 2022, BDC created the $200 million Deep Tech Venture Fund which invests in early-stage deep tech companies to accelerate the development of transformational technologies in a number of sectors including quantum, electronics, photonics, foundational AI and related fields. Two successor funds were also launched this year: A new $300 million Growth Venture Co-Investment Fund targeting late-stage growth companies as well as a $250 million follow-on internal fund from Growth Equity Partners focused on mid-sized businesses seeking support for their growth initiatives.

Indirect investment

The goal of BDC's indirect investing strategy is to help create a thriving ecosystem of high-performing fund managers, while generating positive results. To achieve this mandate, BDC supports a mix of emerging and established managers, and focuses on helping top-performing funds evolve into globally competitive mature funds over time. The performance of BDC's own portfolio of fund investments—a good proxy for Canadian industry performance—has improved significantly in recent years, closing the gap with the more mature U.S. VC industry.

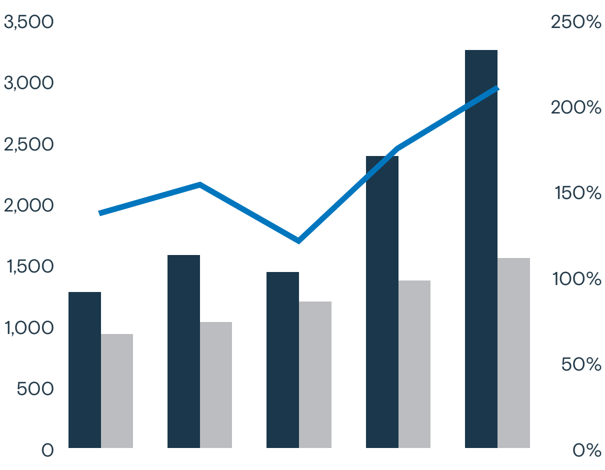
Venture Capital portfolio

The fair value of the portfolio increased from $2,368.1 million in fiscal 2021 to $3,226.6 million this year. The fair value of the total portfolio as a percentage of cost was 209.3% as at March 31, 2022, up from 174.3% last year, driven by the fair value appreciation of investments in line with the industry trend.

This segment's investment portfolio is composed of venture capital investments, which comprises $1,788.6 million in direct investments and $1,186.1 million in indirect investments and subordinate financing investments of $251.9 million.

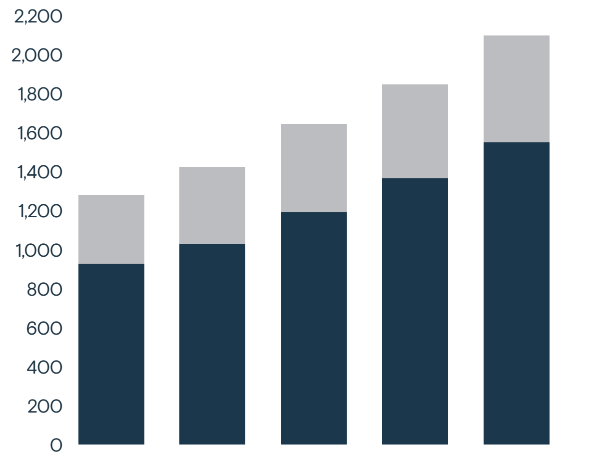
The total Venture Capital commitment to investees, which represents the portfolio outstanding at cost plus undisbursed commitments, amounted to $2,088.1 million as at March 31, 2022. This represents $1,066.6 million committed to direct investments and $1,021.5 million to private sector investment funds, for an increase of 13.6% compared to last year.

Venture Capital portfolio—total investments
as at March 31 ($ in millions)



	2018	2019	2020	2021	**2022**
Fair value	1,263.1	1,566.2	1,428.1	2,368.1	**3,226.4**
Portfolio (cost)	922.9	1,021.4	1,185.4	1,358.9	**1,541.3**
Fair value as % of cost	136.9%	153.3%	120.5%	174.3%	**209.3%**

Total commitment to Venture Capital investees
as at March 31 ($ in millions)



	2018	2019	2020	2021	**2022**
Portfolio (cost)	922.9	1,021.4	1,185.4	1,358.9	**1,541.3**
Undisbursed commitment	351.3	395.5	449.6	479.1	**546.8**
Total commitment to Venture Capital investees	1,274.2	1,416.9	1,635.0	1,838.0	**2,088.1**

Venture Capital results

Venture Capital recorded net income of $988.0 million, compared to net income of $902.5 million last year. The favourable variance from last year was mainly driven by higher net revenue on investments partly offset by lower net change in unrealized appreciation on investments.

Venture Capital results
for the years ended March 31 ($ in millions)

	2022	2021
Net revenue (loss) on investments	**471.2**	177.8
Net change in unrealized appreciation (depreciation) of investments	**648.4**	836.2
Net foreign exchange gains (losses)	**(11.4)**	(69.8)
Income (loss) before operating and administrative expenses	**1,108.2**	944.2
Operating and administrative expenses	**120.2**	41.7
Net income from Venture Capital	**988.0**	902.5
Net income attributable to:		
BDC's shareholder	**929.2**	901.8
Non-controlling interests	**58.8**	0.7
Net income from Venture Capital	**988.0**	902.5

The net revenue on investments, which comprised net realized gain on investments, write-offs, and other income, was $471.2 million, compared to $177.8 million recorded in fiscal 2021. The increase of $293.4 million in net revenue was due to higher net realized gains from sales of investments and lower write-offs. Proceeds received from divestiture of investments amounted to $708.1 million in fiscal 2022, compared to $346.8 million in fiscal 2021. Fiscal 2022 was a successful year in terms of divestitures, BDC sold several of its investments to public and private companies, which is in line with our strategy of supporting the best performing Canadian companies with the technology and talent to assume leadership at the global level.

VC recorded a net change in unrealized appreciation of investments of $648.4 million, compared to a net change in unrealized appreciation of investments of $836.2 million last year.

Net change in unrealized appreciation (depreciation) of investments
for the years ended March 31 ($ in millions)

	2022	2021
Net fair value appreciation (depreciation)	**986.2**	922.9
Reversal of fair value depreciation (appreciation) on divested investments and write-offs	**(337.8)**	(86.7)
Net change in unrealized appreciation (depreciation) of investments	**648.4**	836.2

Direct investments recorded a net fair value appreciation of $629.2 million, and indirect investments recorded fair value appreciation of $357.0 million in fiscal 2022 for a total net fair value appreciation of $986.2 million, mainly due to financing rounds with new external investors, offers to purchase, IPOs in both direct and indirect investments underlying portfolios.

Net unrealized foreign exchange losses of $11.4 million on investments were due to foreign exchange fluctuations in the U.S. dollar denominated investments. BDC uses foreign exchange contracts to hedge U.S. dollar proceeds, following the occurrence of a liquidity event under which a venture capital investment is monetized as cash.

Operating and administrative expenses were $120.2 million, higher than the $41.7 million recorded last year, mainly due to an increase in salaries and benefits. Due to significant net fair value appreciation on investments recorded in fiscal 2022, a contingent liability was recorded related to the long-term incentive plan to reflect the amount which is expected to become payable in future periods as the gains on investments materialize into benefits payable to plan participants.

Venture Capital's net income attributable to non-controlling interests was $58.8 million for the year, $58.1 million higher than last year. The increase in non-controlling interests was due to higher net fair value appreciation.

Performance against objectives

Venture Capital's recorded net income of $988.0 million in fiscal 2022, compared to net income of $47.7 million in the corporate plan. The favourable variance of $940.3 million was due to higher-than-anticipated net change in unrealized appreciation on investments and higher net revenue on investments. It was partly offset by higher operating and administrative expenses. Venture Capital is a risky asset class that is subject to volatility and is difficult to predict.

Capital Incentive Programs

The Capital Incentive Programs segment includes Venture Capital Action Plan, Venture Capital Catalyst Initiative, Cleantech Practice, and Indigenous Growth Fund.

VCAP and VCCI

BDC plays a leadership role in strengthening the Canadian venture capital ecosystem. Recognizing the importance of venture capital to Canada's economic prosperity, the government asked BDC to manage VCAP and VCCI to help increase available capital for promising innovative Canadian start-ups and create a vibrant and sustainable venture capital ecosystem in Canada led by the private sector.

BDC's role was to provide advice and analysis to support the government's design of VCAP and VCCI; negotiate and make investments as the government's agent; administer the flow of capital; and monitor the initiative for the government.

Through VCAP, the government committed $340 million to four private sector funds of funds and $50 million to four high-performing VC funds. This capital was used to leverage over $904 million in private sector capital and $112.5 million from provincial governments, bringing the total venture capital raised under VCAP to $1.4 billion.

Through VCCI, the government committed $372 million to four private sector funds of funds, five alternative model VC funds and three cleantech funds. This capital was used to leverage over $1.3 billion in private sector capital including Crown Corporations and $162 million from provincial governments, bringing the total venture capital raised under VCCI to $1.9 billion.

Cleantech Practice

Recognizing the importance of giving high-potential innovative cleantech firms access to financing, the federal government requested BDC to further support the growth and expansion of future Canadian global cleantech champions. The 2017 budget allocated $600 million in new capital to BDC for debt and equity transactions that exceed BDC's normal risk appetite. BDC's Cleantech Practice aims to build globally competitive Canadian cleantech firms and a long-term commercially sustainable cleantech industry that will, over time, be able to attract the necessary private sector capital investments to grow.

Indigenous Growth Fund

BDC initiated the Indigenous Growth Fund in fiscal 2021. With a capital injection of $50 million from the government, BDC will provide $100 million to Aboriginal Financial Institutions to offer loans to new and expanding Indigenous businesses.

Capital Incentive Programs portfolio

As at March 31, 2022, the total portfolio stood at $1.4 billion ($715.9 million from VCAP, $251.3 million from VCCI, $410.3 million from Cleantech Practice, and $5.0 million from IGF), compared to $963.2 million last year ($570.8 million from VCAP, $89.6 million from VCCI, and $302.8 million from Cleantech Practice). The increase was mainly due to higher fair value appreciation on investments.

Capital Incentive Programs results

CIP recorded net income of $303.8 million, mostly as a result of a net change in unrealized appreciation of investments of $234.2 million related to the increase in fair value of the underlying funds. Operating and administrative expenses were $6.3 million in fiscal 2022, slightly higher than last year.

Capital Incentive Programs results
for the years ended March 31 ($ in millions)

	2022	2021
Net revenue on investments	**76.1**	18.6
Net change in unrealized appreciation (depreciation) of investments	**234.2**	243.3
Net foreign exchange gains (losses)	**(0.2)**	(2.1)
Income (loss) before operating and administrative expenses	**310.1**	259.8
Operating and administrative expenses	**6.3**	5.4
Net income from Capital Incentive Programs	**303.8**	254.4

Performance against objectives

Net income was $303.8 million, $320.4 million higher than anticipated, largely due to a higher-than anticipated net change in unrealized appreciation of investments.

Credit Availability Program

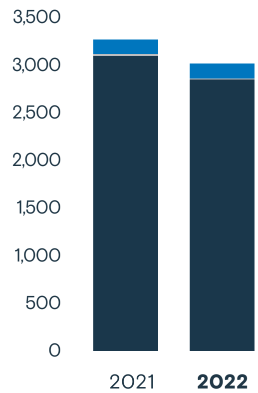
All our COVID-19 measures are grouped under the Credit Availability Program segment. Through our relief measures, we extended our reach to tens of thousands of entrepreneurs who had not previously been clients and increased our support for existing clients. This action has been taken in concert with the federal government and the private sector to help entrepreneurs through the crisis.

Following the announcement of the Canada Digital Adoption Program in March 2022, CAP also includes CDAP. CDAP is a program by the Government of Canada to help SMEs adopt digital technologies and stay competitive by providing access to funding and expertise. The program is divided into two streams, each applicable to different sized SMEs. BDC's role is to provide advisory services and zero-interest loans to businesses that are eligible for the stream *Boost your Business Technology.*

Credit Availability Program portfolio

As at March 31, 2022, CAP's loan portfolio, net of allowance for expected credit losses, stood at $2.8 billion. CAP's investment portfolio stood at $166.3 million ($13.7 million in subordinate financing portfolio and $152.6 million in venture capital portfolio).

Credit Availability Program portfolio
as at March 31 ($ in millions)

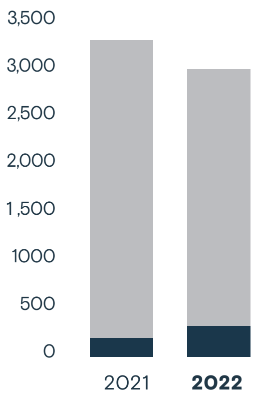


	2021	**2022**
Loan portfolio[1]	3,028.6	**2,784.3**
Subordinate Financing	18.1	**13.7**
Venture Capital investments	150.9	**152.6**
Total CAP portfolio	3,197.6	**2,950.6**

(1) Net of allowance of $158.2 million

The gross loan portfolio comprised $2,893.0 million in performing loans and $49.5 million in impaired loans. As at March 31, 2022, 89.3% of the loan portfolio was composed of floating-rate loans.

Credit Availability Program loan portfolio
as at March 31 ($ in millions)



	2021	2022
Fixed-rate loan portfolio	191.7	**313.5**
Floating-rate loan portfolio	3,046.9	**2,629.0**
Total loan portfolio	3,238.6	**2,942.5**

Credit Availability Program results

CAP recorded a net loss of $52.6 million for fiscal 2022, mainly driven by the provision for expected credit losses on loans of $183.1 million reflecting the higher risk of this portfolio. Operating and administrative expenses stood at $40.8 million, which is significantly lower than the $148.8 million for fiscal 2021. The reduction is mainly driven by lower salaries and benefits, as the level of resources from other segments assigned to the CAP segment decreased significantly due to lower volume.

Credit Availability Program
for the years ended March 31 ($ in millions)

	2022	2021
Net interest income	**117.6**	68.6
Fee and other income	**45.2**	11.1
Provision for expected credit losses	**(183.1)**	(245.2)
Net realized gains (losses) on investments	**17.0**	1.0
Net change in unrealized appreciation (depreciation) of investments	**(7.9)**	(0.1)
Net foreign exchange gains (losses)	**(0.6)**	(2.1)
Loss before operating and administrative expenses	**(11.8)**	(166.7)
Operating and administrative expenses	**40.8**	148.8
Net loss from Credit Availability Program	**(52.6)**	(315.5)

Credit Availability Program
for the years ended March 31 (as % of average portfolio)

	2022	2021
Net interest income	**3.7%**	3.2%
Fee and other income	**1.4%**	0.5%
Provision for expected credit losses	**(5.7%)**	(11.3%)
Net realized gains (losses) on investments	**0.5%**	0.0%
Net change in unrealized appreciation (depreciation) of investment	**(0.2%)**	0.0%
Loss before operating and administrative expenses	**(0.3%)**	(7.6%)
Operating and administrative expenses	**1.3%**	6.9%
Net loss from Credit Availability Program	**(1.6%)**	(14.5%)

Provision for expected credit losses

In fiscal 2022, CAP recorded a provision for expected credit losses of $183.1 million. The provision for expected losses on performing loans was $121.6 million, representing 3.8% of the average portfolio, and the provision on impaired loans was $61.5 million, representing 1.9% of the average portfolio.

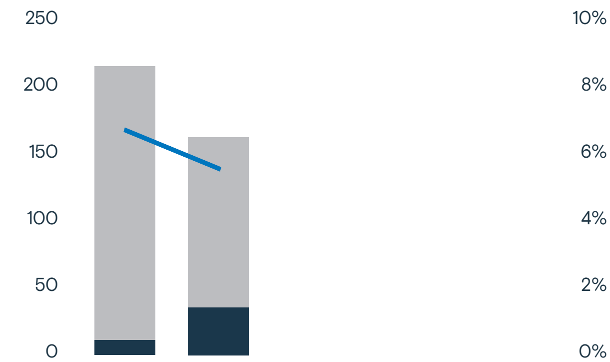
Impaired loans of the CAP segment amounted to $49.4 million, representing 1.7% of the total portfolio.

Provision for expected credit losses
for the years ended March 31 ($ in millions)

	2021	**2022**
Impaired	12.6	**61.5**
Performing	232.6	**121.6**
Provision for expected credit losses on loans	245.2	**183.1**
As a % of average loan portfolio	11.3%	**5.7%**

The total allowance for expected credit losses was $158.2 million, representing 5.4% of the total loans outstanding.

Allowance for expected credit losses
as at March 31 ($ in millions)



	2021	**2022**
Impaired	10.9	**34.7**
Performing	199.1	**123.5**
Total allowance	210.1	**158.2**
Total allowance as a % of loan portfolio	6.5%	**5.4%**

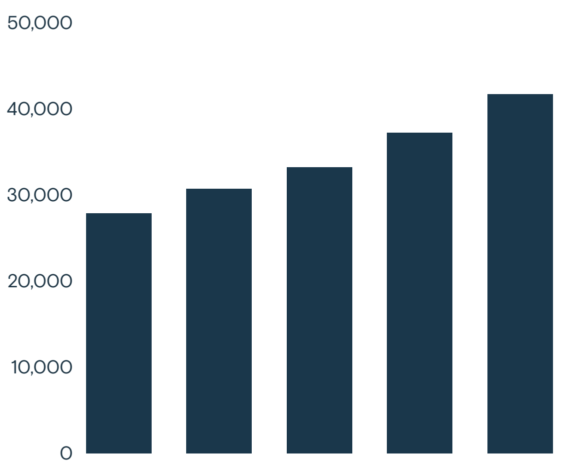
Performance against objectives

CAP recorded a net loss of $52.6 million, which represents a favourable variance of $508.0 million compared to a net loss of $560.6 million projected in the corporate plan. The favorable variance is primarily due to lower than projected provision for expected credit losses and lower net losses on other financial instruments partially offset by lower than projected net interest income.

Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows

Total assets amounted to $41.6 billion, an increase of $4.4 billion from a year ago, largely due to a $2.4 billion increase in the loans portfolio, combined with a $1.7 billion increase in the investments portfolio. BDC received a capital injection from its shareholder of $385 million in May 2021 in support of the Cleantech Practice and Venture Capital Catalyst Initiative. In July 2021, BDC received a capital injection of $50.0 million in support of the Indigenous Growth Fund.

Total assets—BDC
as at March 31 ($ in millions)



2018	2019	2020	2021	**2022**
27,809	30,656	33,153	37,148	**41,567**

At $33.3 billion (gross portfolio of $34.4 billion, net of a $1.1 billion allowance for expected credit losses), the loan portfolio represented BDC's largest asset. The gross loan portfolio has grown by 6.1% since March 31, 2021, reflecting an increase in the level of activity in Financing. BDC remained committed to actively supporting SMEs' needs and helping them improve competitiveness, while continuing to identify and address market gaps in financing across Canada.

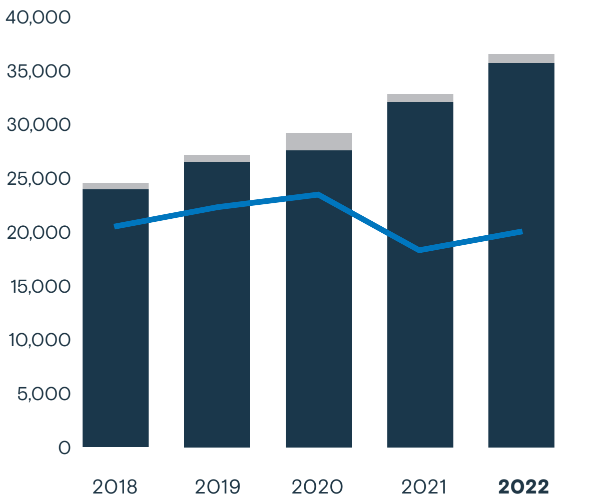
BDC's investment portfolios, which include the subordinate financing, venture capital and asset-backed securities portfolios, stood at $6.8 billion, compared to $5.2 billion as at March 31, 2021. Subordinate financing investments amounted to $1.7 billion as at March 31, 2022 compared to $1.5 billion as at March 31, 2021. Venture capital investments increased from $3.0 billion last year to $4.1 billion as at March 31, 2022 due to appreciation of fair value. The asset-backed securities portfolio stood at $988.5 million, compared to $733.3 million as at March 31, 2021.

Derivative assets of $12.3 million and derivative liabilities of $0.1 million reflect the fair value of derivative financial instruments as at March 31, 2022. Net derivative fair value increased by $9.6 million compared to the value as at March 31, 2021, due to foreign exchange impact on forward contracts. BDC acquires derivative financial instruments to manage exposure to interest, currency and other market risks. BDC does not hold derivatives for speculative or trading purposes.

As at March 31, 2022, BDC recorded a net defined benefit asset of $233.7 million related to the registered pension plan, and a net defined benefit liability of $233.1 million for the other plans, for a total net defined benefit asset of $0.6 million. This represents a variance of $273.8 million compared to the total net defined benefit liability as at March 31, 2021, mostly as a result of remeasurement gains recorded during the year. For further information, refer to Note 19—*Net Defined Benefit Asset or Liability* to the Consolidated Financial Statements.

BDC holds cash and cash equivalents in accordance with its treasury risk policy. The Bank's liquidities, which ensure funds are available to meet BDC's cash outflows, totaled $906.4 million as at March 31, 2022, compared to $800.5 million as at March 31, 2021. The increase is primarily explained by cash flows provided by financing activities.

Borrowings
as at March 31 ($ in millions)



	2018	2019	2020	2021	**2022**
Liquid assets	673	704	1,821	801	**906**
Portfolios[(1)]	26,917	29,797	31,013	36,070	**40,135**
Borrowings	20,619	22,395	23,569	18,373	**20,093**

(1) Includes net portfolios, investments and asset-backed securities

As at March 31, 2022, BDC funded its portfolios and liquidities with borrowings of $20.1 billion and total equity of $20.5 billion. Borrowings comprised $14.4 billion in short-term notes and $5.7 billion in long-term notes.

For the year ended March 31, 2022, net cash flows used by investing activities amounted to $240.9 million. Financing activities provided $1,403.9 million in net cash flows mainly explained by net change in short-term notes of $1,048.0 million and net issuance of long-term notes of $673.9 million. BDC issued common shares totalling $435.0 million and paid a dividend of $735.0 million. Operating activities used $1,057.1 million in net cash flows, mainly to support the growth of the loans portfolio. For further information, refer to the Consolidated Statement of Cash Flows on page 73.

Net defined benefit asset or liability

The net defined benefit asset or liability related to BDC's pension plan, supplemental plans and other employee future benefits are based on actuarial valuations and assumptions detailed in Note 19—*Net Defined Benefit Asset or Liability* to the Consolidated Financial Statements. Several factors, particularly the discount rate used to value future liabilities, influence the calculation of those obligations. For accounting measurement purposes, the discount rate used at each measurement date is based on market interest rates for long-term, high-quality debt instruments.

BDC's employer contributions to the registered pension plan totalled $45.4 million in fiscal 2022, compared to $23.8 million in fiscal 2021. BDC's best estimate of the contributions to be paid for fiscal 2023 is $51.7 million. For more information regarding BDC's defined benefit pension plan, refer to Note 1—*Act of Incorporation, Objectives and Operations of the Corporation* to the Consolidated Financial Statements.

Further to the directive received in December 2014 from the Governor in Council, BDC must ensure a 50:50 current service cost-sharing ratio between employee and employer. As at December 31, 2021, BDC reached a level of employer contribution that, although not exactly 50:50, only slightly exceeded 50% of the current service cost, and was administered in accordance with regulations and its funding policy.

BDC funds its registered pension plan in accordance with applicable federal pension legislation and actuarial standards of practice in Canada to ensure proper funding of employee benefit. As of December 31, 2021, the funded status of the registered pension plan was a going-concern ratio of 144.5% (with a surplus in excess of $626.9 million) and a wind-up/solvency ratio of 97.2%. Mandatory employer current service contribution holiday occurs whenever the going-concern ratio is above 125% and the wind-up/ solvency ratio is above 105%. Consequently, BDC will continue to contribute to the pension fund in future years, as prescribed by the applicable federal pension legislation.

Capital management

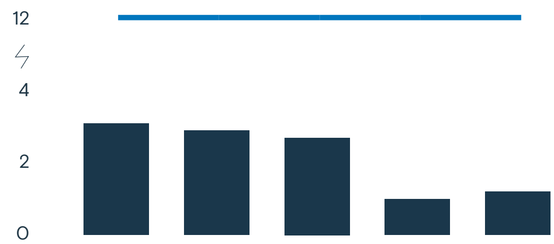
Statutory limitations

The *BDC Act* specifies that the aggregate of borrowings and contingent liabilities in the form of guarantees provided by BDC may not exceed 12 times its equity. This ratio excludes accumulated other comprehensive income. BDC's debt-to-equity ratio as at March 31, 2022, was low at 1.2:1 (1.0:1 as at March 31, 2021), mostly due to the capital injection to support the Credit Availability Program and the full capitalization of venture capital portfolios.

In addition, the amount of paid-in capital, the contributed surplus and any proceeds that have been prescribed as equity (such as hybrid capital instruments) must not at any time exceed $20.0 billion per the *Business Development Bank of Canada Act, 1995* amended in October 2020. The maximum amount was $4.5 billion prior to April 22, 2020 and $15.0 billion from April 22, 2020 to September 30, 2020. As at March 31, 2022, these amounts totalled $12.0 billion, compared to $11.5 billion as at March 31, 2021.

On May 19, 2021, BDC issued 3,850,000 common shares for cash proceeds of $385 million, which represents a capital injection in support of the Cleantech Practice and Venture Capital Catalyst Initiative. On July 12, 2021, BDC issued 500,000 common shares, which represents a capital injection of $50 million in support of the Indigenous Growth Fund. In addition to the $944 million received in fiscal 2020, a $7.5 billion capital injection was received in fiscal 2021 from the shareholder to support a series of measures BDC launched for Canadian businesses during the COVID-19 crisis including the delivery of the Credit Availability Program.

Debt-to-equity ratio
as at March 31



	2018	2019	2020	2021	**2022**
Actual	3.1	2.9	2.7	1.0	**1.2**
Statutory limit	12.0	12.0	12.0	12.0	**12.0**

Capital adequacy

BDC's capital management framework ensures effective capital management in alignment with regulatory guidelines (Office of the Superintendent of Financial Institutions (OSFI)/Basel) and with other Canadian financial institutions. BDC strives to continuously evolve its capital adequacy techniques and measures to better reflect the Bank's inherent risks while integrating industry best practices.

BDC's capital management framework is based on its Internal Capital Adequacy Assessment Process (ICAAP), which is aligned with the OSFI's guidelines and the Capital and Dividend Policy Framework for Financial Crown Corporations.

The key principles behind BDC's capital management framework are as follows:

> BDC has adequate capital to protect against risks that could adversely impact its ability to deliver on its mandate and minimize the risk of recapitalization through a complete economic cycle.

> Capital generated above BDC's target capital is available to be returned to the shareholder in the form of dividends, at the discretion of BDC's Board of Directors.

The concept that capital has a cost is also embedded in the framework and related policies. It is ensured through strategic and efficient capital allocation to business segments, pricing models based on return on risk adjusted capital (RORAC) and assessment of financial performance against expected historical ranges and limits, as set out in BDC's risk appetite statement.

BDC's internal capital requirements are determined in the application of OSFI's Capital Adequacy Requirements for calculation of Pillar 1 and Pillar 2 capital requirements. Capital adequacy measures are used as an estimate of the required capital to absorb the maximum potential losses inherent in our activities. To assess its capital adequacy, BDC monitors its capital status regularly by comparing its available capital to its required capital. A key measure for assessing capital status adequacy is BDC's internal capital ratio.

To manage the $8.4 billion total capital injection received for the Credit Availability Program, BDC has established an internal structure where CAP and its related capital is maintained independently from BDC's core portfolio. This is because CAP programs operate under a different risk appetite than the core portfolio. BDC's core capital management framework excludes CIP and CAP because these programs are managed by BDC under a specific capital allocation from the shareholder.

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 and the capital management framework. Calculations are made as prescribed in OSFI's Capital Adequacy Requirements.

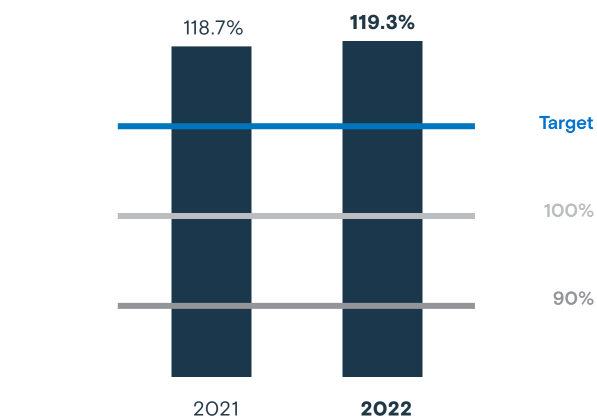
Required capital
BDC employs rigorous models to assess demand for capital arising from credit and investment, operational, business and market risk (interest rate risk as well as market risk related to the pension plan). Economic capital is a measure of risk used to determine the amount of capital required to ensure a financial institution's solvency given its risk profile. Economic capital is the methodology used to determine BDC's Pillar 2.

Economic capital models are developed based on advanced quantification methods and internal risk-based assumptions and take into account risk diversification benefits and both disbursed and undisbursed commitments. A key principle underlying the economic capital models is the establishment of a solvency level that is set at a credit rating of AA. Economic capital models are validated by a third party as per the model validation policy.

Management operating range
BDC's target capital level also factors in an operating range to mitigate the impact of unplanned capital volatility. It accounts for differences between planned and actual levels of activities, as well as other Corporate Plan assumptions that are difficult to predict and allows for capital to be managed near a target level by mitigating unplanned required capital.

Internal capital ratio (applicable to BDC's core portfolio)
BDC's key measure for determining and assessing the adequacy of its capital status is its internal capital ratio, which is expressed as the level of available capital over the economic capital required. The internal capital ratio is used to set BDC's target capital level as well as measure its capital adequacy risk appetite measures. BDC's capital management framework establishes different management zones to closely monitor the internal capital ratio through a complete economic cycle, against a minimum limit (90%) and a tolerance threshold in normal economic conditions (100%). BDC's target capital is revised annually based on BDC's Corporate Plan forecasts for internal capital requirements and the management operating range, as well as any capital required by a potential stress testing capital shortfall, identified as part of the enterprise-wide stress testing program.

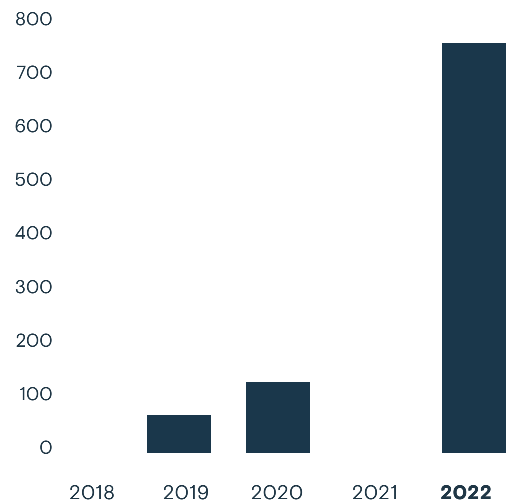
Internal capital ratio[1]
as at March 31



- Actual
- Target capital
- Tolerance threshold (normal economic conditions)
- Limit (stressed period)

(1) Available capital as a percentage of economic capital required

Dividends
for the years ended March 31 ($ in millions)



	2018	2019	2020	2021	2022
Common dividends declared[1]	0.0	69.7	128.4	0.0	**735.0**

(1) Based on previous year's performance

BDC's internal capital ratio, as at March 31, 2022, was 119.3%, above our internal target and the ratio of 118.7% as at March 31, 2021. The increase in the internal capital ratio was mainly driven by the strong net income of $2,263.5 million earned in fiscal 2022 from Core activities excluding CIP, compared to a net income of $1,771.0 million recorded last year.

Dividends
BDC revised its dividend policy in fiscal 2020 to align with the dividend methodology included in the new Capital and Dividend Policy Framework for Financial Crown Corporations. Capital generated above the internal target rate, which is the difference between available capital and the combination of capital demand and management operating range, is available for additional operational needs and/or dividend payments, subject to the discretion of the Board of Directors. The calculation excludes CIP and CAP.

As of March 31, 2022, there was capital of $1.0 billion ($735 million as of March 31, 2021) generated above the internal target rate. On the date of approval of the fiscal 2022 Consolidated Financial Statements, no dividend was declared and a dividend in the amount of $735 million was paid in fiscal 2022 based on fiscal 2021 performance.

Capital Summary (BDC's core portfolio, excluding CAP)
($ in million)

	2022	2021
Equity attributable to BDC's shareholder	**20,404**	18,004
AOCI on cash flow hedges	**(2)**	(3)
Intangible assets, net of accumulated amortization	**(40)**	(40)
Net defined benefit asset	**(233)**	(5)
Adjustments for allowance for expected credit losses	**412**	379
Portion of equity attributable to CIP	**(2,018)**	(1,277)
Portion of equity attributable to CAP	**(8,079)**	(8,131)
Adjustments to available capital	**(9,960)**	(9,076)
Total available capital (a)	**10,444**	8,928
Required capital (b)	**8,751**	7,523
Capital status (a-b)	**1,693**	1,405
Management operating range (c)	**650**	670
Capital generated above the internal target rate (a-b-c)	**1,043**	735
Internal capital ratio	**119.3%**	118.7%

Credit Availability Program portfolio

In support of BDC's response to the COVID-19 pandemic, the shareholder provided a capital injection of $8.4 billion, $944.0 million in fiscal 2020 and $7.5 billion in fiscal 2021, that BDC earmarked for CAP initiatives. Following the announcement of CDAP, the CAP segment also includes CDAP and BDC is expected to receive capital injections to deliver this initiative. Capital generated above the internal target rate for CAP reached $6.9 billion in fiscal 2022. Since the COVID-19 related programs are now closed for new authorizations, the portfolio is expected to decrease resulting in a reduction in capital requirements starting in fiscal 2023. On June 8, 2022, BDC's Board of Directors approved a share repurchase of $5.0 billion.

Capital Summary (BDC's CAP portfolio)
($ in million)

	2022	2021
Equity attributable to BDC's shareholder	**8,079**	8,132
Adjustments for allowance for expected credit losses	**77**	37
Adjustments to available capital	**77**	37
Total available capital (a)	**8,156**	8,169
Required capital (b)	**1,153**	701
Capital status (a-b)	**7,003**	7,468
Management operating range (c)	**128**	77
Capital generated above the internal target rate (a-b-c)	**6,875**	7,391

Outlook for fiscal 2023

The economy rebounded strongly from the pandemic-induced recession in 2021. Canadian households and businesses proved to be resilient in the face of the virus over the year. However, the pandemic will continue to have an impact on the business landscape in the coming fiscal year.

The high level of uncertainty induced by the emergence of COVID-19 variants has been exacerbated by Russia's invasion of Ukraine in the beginning of the calendar year 2022. Moreover, new challenges have been rising with the reopening of the economy and will temper growth moving forward. Nonetheless, strong demand will continue to support the economic recovery and Canada's GDP is expected to grow by 3.5% in calendar 2022.

Businesses are struggling to keep up with strong demand, a sign that there is little or no excess capacity in the economy today. China's zero-tolerance COVID policy will continue to add pressure on supply chains and the war in Ukraine is pushing up commodity prices including energy. Increasing costs and labour shortages undermined business capacities to meet strong domestic and foreign demand. The rapid pace of inflation will continue to weigh on the central bank's monetary policies. Therefore, interest rates will rise quickly in the calendar year 2022.

The Canadian economy remains on solid footing amid record low unemployment. Growth will continue in the coming year albeit at a slower pace than last year as several headwinds intensify.

BDC fiscal 2022 results were strong, thanks to the economic recovery, which gave entrepreneurs renewed confidence to invest in projects they had postponed during the worst of the pandemic. This led to unexpected exceptional demand for our products and services. Our positive financial results put us on a strong footing to further support the economic recovery and key priorities over the next five years. We expect credit demand to remain solid over this planning period as entrepreneurs continue to focus on growth and as a result, BDC's volume of activity should increase steadily from fiscal 2023 to fiscal 2027.

BDC's consolidated net income is forecast to total $494 million in fiscal 2023. After reporting consolidated net income of $2,514.8 million in fiscal 2022, BDC expects higher provision for expected credit losses and higher net change in unrealized depreciation of investments in fiscal 2023.

Operating and administrative expense growth is expected to be higher in fiscal 2023. Investments in our digital transformation and the ramp-up of initiatives such as the Women in Technology Venture Fund and the Industrial, Clean and Energy Technology Venture Fund will contribute to this planned growth. In addition, the deployment of new initiatives such as the Venture Capital Catalyst Initiative II and the Canada Digital Adoption Program will also contribute to the increase. Finally, hiring to fill many vacant positions due to labor shortage and employees returning to the office under our new hybrid work model should also lead to higher expenses.

Financing

In fiscal 2022, SMEs needed financing for projects that they had delayed during the worst of the pandemic. Thus, acceptances greatly surpassed pre-pandemic levels. For fiscal 2023, credit demand from entrepreneurs is expected to be solid as many businesses will focus on growth coming out of the pandemic. Investments in machinery and equipment, and technology should increase.

Loan acceptances in fiscal 2023 are expected to reach $9.2 billion. Financing's portfolio, before allowance for credit losses, is expected to grow by 5.6% to $34.3 billion in fiscal 2023.

Financing's net income is projected to reach $677.0 million in fiscal 2023. Provisions for expected credit losses on loans are expected to amount to $234.0 million, representing 0.7% of the average outstanding loan portfolio, in line with historical levels, compared to -0.9% recorded in fiscal 2022, which reflects a reversal of provisions due to an improvement in macroeconomic forecasts. Financing's operating expenses as a percentage of the average portfolio are expected to return to pre-pandemic levels at 2.0% increasing from 1.6% in fiscal 2022.

Advisory Services
Advisory Services will continue to extend its reach and offer affordable tailored products that address the needs of Canadian entrepreneurs as they recover from the pandemic. As a result, revenue from activities is expected to be $31 million in fiscal 2023, resulting in a net loss of $42 million and a cost recovery ratio of 54%. Revenues generated by Advisory Services are not always sufficient to cover associated costs, but management considers these activities as an investment in the competitiveness of Canadian entrepreneurs and SMEs.

Growth & Transition Capital (GTC)
Similar to Financing, market demand for Growth & Transition Capital's offerings should benefit from the economic recovery. Demand for business transition and acquisition financing is expected to remain strong. The volume of acceptances is forecast to reach $430.0 million in fiscal 2023. The fair value of the portfolio is expected to be $1.2 billion in fiscal 2023, higher than the $1.1 billion recorded in fiscal 2022. Operating and administrative expenses are expected to increase in fiscal 2023, mainly due to employees returning to the office under our new hybrid work model and the return to average spending on business development.

Following solid results in fiscal 2022, Growth & Transition Capital's net income is forecasted to decrease to $64.0 million in fiscal 2023 mainly explained by lower net realized gains on investments and lower net fair value appreciation. During the COVID-19 crisis in fiscal 2020, GTC's portfolio experienced significant fair value depreciation. With the strong economic recovery, it then saw significant fair value appreciation, resulting in strong net income for fiscal 2021 and 2022. It is expected that net income will return to its historical level by fiscal 2023.

Venture Capital (VC)
Venture Capital will play a catalyst role in the Canadian VC ecosystem by authorizing $490.0 million in investments in fiscal 2023, including $185.0 million in direct investments, $175.0 million indirect investments, $60.0 million in Growth Equity investments, $40.0 million in IP financing investments and $30.0 million in Cleantech Practice. The fair value of the Venture Capital portfolio is forecasted to be $3,295.0 million by March 31, 2023, compared to $3,226.6 million as at March 31, 2022.

For fiscal 2023, Venture Capital forecasts net income of $149.0 million. Operating and administrative expenses are projected to be $59.0 million, lower than in fiscal 2022. For fiscal 2023 proceeds from investments are forecasted at $405.0 million and disbursements at $428.0 million. It should be noted, however, that due to the risky nature of venture capital, which translates into portfolio volatility, it is difficult to make reliable net income forecasts.

Capital Incentive Programs (CIP)
The Capital Incentive Programs include the Venture Capital Action Plan, the Venture Capital Catalyst Initiative, the Cleantech Practice and the Indigenous Growth Fund.They also include the new Venture Capital Catalyst Initiative II.

CIP estimates that it will authorize $450.0 million in VCCI II and $51.0 million in Cleantech Practice in fiscal 2023. For fiscal 2023, CIP forecasts net income of $24.0 million, mainly due to net fair value appreciation. Similar to VC, financial results are expected to be subject to significant volatility.

Capital Availability Program (CAP)
The Credit Availability Program brings together initiatives meant to increase capital availability for specific SME needs, such as COVID-related and digital adoption requirements. Following the announcement of the Canada Digital Adoption Program, CAP was extended to include this initiative. Through CDAP, BDC aims to deploy $2.6 billion in loans over four years to help Canadian SMEs finance the implementation of digital adoption plans. There is a high level of uncertainty on the amounts to be committed through CDAP initiatives because deployment depends on factors outside of BDC's control.

The CAP portfolio is expected to reach $2,551 million by March 31, 2023. CAP's net loss is forecasted to be $378.0 million in fiscal 2023, mainly driven by the provision for expected credit losses due to the riskier profile of the portfolio and net losses on other financial instruments from CDAP. Since CDAP loans are provided at below-market interest rates, a loss on initial recognition is recorded in accordance with IFRS 9 *Financial Instruments*. Operating and administrative expenses are expected to be lower in fiscal 2023, as COVID-19 initiatives ended at the end of fiscal 2022.

Considering the high degree of economic and market uncertainty, significant variations from projections may occur.

4 Risk Management

BDC's mandate is to support the establishment and development of businesses in Canada, with a focus on small and medium-sized enterprises.

Consistent with our mandate, BDC generally assumes more risk than a typical financial institution to better support SMEs. BDC's non-investment grade exposure is significantly higher than that of the six largest Canadian chartered banks. However, BDC's strong risk management practices and culture enable it to take the risks necessary to fulfill its mandate.

BDC's risk management framework (RMF) outlines the methodology used to manage the risks inherent in BDC's activities, while ensuring the outcomes of these risk-taking activities are aligned with BDC's strategy and mandate. It also reinforces a risk management culture across the organization that ensures a high level of risk awareness and makes risk management an integral part of strategic and operational decision-making.

BDC's risk management principles

Key risk management principles that support the organization in our risk governance activities are the following:

> **Risk impact**: Risk management involves identifying, considering and managing risks that may impede BDC and its clients from achieving their objectives.

> **Risk accountability**: Risk management is everyone's responsibility, from members of the Board of Directors to employees carrying out oversight, business and corporate functions.

> **Transparency**: Employees should be comfortable talking openly and honestly about risk, using a common risk vocabulary that promotes shared understanding.

> **Strategic balance**: BDC manages risk by balancing it with our strategic objectives, our mandate to support Canadian entrepreneurs and our ability to reinvest capital and/or declare a dividend to the shareholder at the discretion of the Board of Directors.

> **Risk integration**: BDC integrates risk management into key business processes and activities, including strategic, operational, business and budget planning, as well as lending, investing and advisory services.

> **Risk challenge**: BDC fosters an open and transparent culture that promotes and encourages the challenging of decisions as part of risk management. The timely escalation of risk issues to the appropriate management level is fundamental to an effective dialogue about risk.

> **Risk governance**: Policies codify comprehensive processes for identifying, analyzing, monitoring and mitigating risk within approved limits.
>
> Oversight functions, executive-level reporting and accountability to an independent Board of Directors and the shareholder ensure continuous and objective assessment of risk.

> **Continuous improvement**: BDC strives to ensure the collective ability of its employees to manage risk effectively is continuously improving through training and other professional development initiatives.

The successful application of these risk management principles in day-to-day activities is essential for enhancing employee awareness and understanding of their responsibilities within BDC's risk culture.

Risk governance framework

Risk owners

- Identify, assess, manage and mitigate risks in all day-to-day activities.

Risk oversight functions

- Design, implement and communicate risk governance, risk and control strategies, and risk management policies, directives and procedures.
- Support first line in the development, management and updating of activities to address governance, risk and controls.
- Objectively provide oversight of first line activities

The Board of Directors

The board and its committees oversee risk governance and risk management.

In addition to approving the risk appetite framework, the board also approves risk policies and strategies; ensures BDC's risk management is effective; reviews portfolio and treasury risks; reviews capital adequacy and stress-testing analyses; sets clear levels of delegation of authority for transactions; and ensures an appropriate link between risk and reward.

All committees consider risk in their deliberations and have specific responsibilities for managing risk. For full details on the board and its committees, please see the Corporate Governance section, starting on page 147.

BDC management: Risk committees and functions

BDC has implemented a management governance framework to foster a collaborative risk management culture that ensures effective coordination among business units. Each committee helps BDC meet its strategic objectives while ensuring that operations are managed effectively.

The following committees and functions are key elements of this management governance framework and help ensure effective risk management throughout the Bank.

The Senior Management Committee includes the President and CEO, the Chief Financial Officer, the Chief Risk Officer and other operating officers and designated senior vice presidents. It ensures BDC establishes and respects sound risk management strategies and practices. It makes sure BDC has an integrated vision for addressing key strategic, financial (credit, market and liquidity) and operational risks. It also, through the Disclosure Committee, oversees BDC's disclosure obligations and practices.

The Chief Risk Officer is accountable for the executive leadership and direction of BDC's risk operations, processes and systems. The Chief Risk Officer chairs the Risk Management Committee and is a member of the Senior Management Committee. The Chief Risk Officer has unfettered access to the Board Risk Committee and has the responsibility and authority to identify and address risk issues, as required.

The Risk Management Committee includes senior leaders from various business units and corporate functions. It focuses on risk oversight. As such, the committee ensures that BDC has an adequate and effective risk management framework to identify and evaluate trends in critical issues; evaluate or quantify their probable impact; and ensure BDC is mitigating them within our risk appetite.

More specifically, the committee reviews the quality and the migration of risk in the loan and securitization portfolios, and in venture capital and subordinate financing investments. It also reviews financial performance, capital adequacy and BDC's risk appetite statement.

The committee reports to the Senior Management Committee and the board on significant risks and related remediation activity.

The Operational Risk Management Committee provides executive oversight, direction and guidance on operational risk governance, and risk and control issues arising from the planning and execution of BDC's strategies. The committee is a sub-committee of the Risk Management Committee.

The Valuation Committees oversee the assessment and determination of the fair value of investment portfolios. The committees include senior leaders and an external chartered business valuator.

The Asset-Liability Committee includes the Chief Financial Officer and senior leaders from various business units and corporate functions. It focuses on treasury activities and treasury risk oversight.

BDC's risk management structure is comprised of the following key functions:

> credit and investment risk management

> enterprise risk management and compliance, which includes operational risk management and preventing financial misconduct

> integrated risk management, which includes portfolio risk management

Risk management responsibilities include the following elements:

> ensure that BDC applies appropriate risk management principles, policies and corporate directives to manage significant and emerging risks, according to risk thresholds

> develop tools to measure, monitor and report on risks

> provide timely and complete reports on risks to the Bank's risk management committees

BDC's information security and information technology teams implement infrastructure, governance, processes and activities to protect BDC's electronic information assets and supporting infrastructure against unauthorized access, use, disclosure, modification, damage or loss, while ensuring compliance with regulatory and enterprise requirements.

The internal audit department promotes sound risk management practices and exists to protect the organization by providing reasonable assurance the internal controls put in place by management and the Board of Directors are both adequate and effective.

Top risks

The identification of top risks and/or emerging risks is an integral part of BDC's corporate planning and ongoing monitoring of activities. We identify significant risks that may have an impact on the Bank's capacity to achieve its objecives. Risks are considered by executive management and the Board of Directors and are monitored and remediated as part of BDC's day-to-day risk management activities.

F **Portfolio risk**
The risk that business disruption, market uncertainty, global recession and declining liquidity will lead to higher loan defaults, pricing that is not aligned with client risk profiles, declining fair value instruments (impacting Venture capital or GTC investments) as well as a higher number of clients who are vulnerable to financial difficulty.

O **Operational risk**
The risks associated to failed operational processes, human errors or technology faults impacting BDC's capacity to operate or deliver on its objectives.

T **Cyber-security**
The risk associated with the intentional or unintentional exploitation of vulnerabilities or weaknesses in IT controls. This risk is further elevated as a result of remote connectivity by employees and suppliers, and the current operating environment.

O **Reputational risk**
The risk that stakeholder perceptions regarding BDC's practices, actions or inaction will cause damage to our reputation and have an impact on our ability to fulfill our mandate and conduct our business.

F **Market uncertainty**
The risk that increasing market uncertainty and adverse changes in the macroeconomic environment will result in significant changes in interest rates and other market factors impacting loans, investments and transactions.

F **Financial misconduct**
The risk associated with criminal acts and other misconduct.

O **Climate change**
The risks associated with climate change and its impact on BDC and its clients. These include severe weather events, changing economic systems and evolving government and societal responses that may lead to strategic, reputational, structural and credit-related impacts for BDC.

F **Portfolio volatility**
The risk that increasing market uncertainty and adverse changes in market factors such as interest rates, foreign exchange rates, equity or commodity prices will result in losses that exceed expectations.

T **Technology operations failure**
The risk associated with the interruption, insufficiency or instability of technology operations.

T **Data risk**
The risk associated with deficiencies in data security, information governance and lifecycle management.

O **Third-party failure**
The risk of failure and/or security breaches associated with the sourcing, procurement and performance of third-party suppliers and/or the possibility their supply chain problems will result in service disruptions, regulatory action, financial loss, litigation or reputational damage for BDC.

O **Change management**
The risk that the volume and velocity of change resulting from large concurrent strategic initiatives and internal priorities will impact BDC's ability to implement initiatives effectively, increase its reliance on limited specialized resources and/or disrupt its capacity to deliver on its mandate and achieve its strategic objectives.

O **Human resources**
The risk that labour and skill shortages will arise due to the following factors: competition for key resources; increasing operational demands for specialized skills and knowledge; a highly demanding workplace environment with large, varied and concurrent changes underway.

O **Severe external events**
The risk associated with external events, including but not limited to pandemics or other health crises, changes in the geo-political environment and/or social unrest, resulting in a material impact on the financial system or BDC's capacity to operate.

F Financial risk
T Technological risk
O Operational risk

Risk appetite framework and risk appetite statement

The risk appetite framework (RAF) defines BDC's approach to establishing and governing our risk appetite. The RAF supports the process of determining the risks we are willing to accept in fulfilling our mandate. It describes our core risk principles, which dictate that BDC will only take risks that:

> we understand, can manage and fit our strategic objectives

> fulfill our mandate to support Canadian SMEs

> do not risk materially harming our brand, reputation or shareholder

The risk appetite statement (RAS) is based on qualitative and quantitative measures that articulate, and allow for reporting on, the board and management's vision for managing the risks BDC is willing to accept in executing our mandate. Risk limits set the boundaries for acceptable risk levels.

Enterprise-wide risk management process

The risk management framework (RMF) provides a consistent and structured approach to managing the risks inherent in BDC's activities while ensuring that the outcome of such risk-taking activities are aligned with BDC's strategy and mandate and are in conformity with its RAS. The RMF outlines the methodology used by BDC to manage risk and reinforces a risk culture throughout the organization.

BDC's Enterprise Risk Management Policy codifies the integrated, enterprise-wide process we use to identify, analyze, accept, monitor, mitigate and report risks. The policy is designed to ensure BDC considers risk in all business activities and makes risk management an integral part of day-to-day decision-making and the annual corporate planning process. The policy defines the roles and responsibilities of board members, management, functional units and employees in implementing the policy. The Board of Directors reviews and approves the policy at least once every two years.

The foundation of an effective RMF is the use of common language and a consistent approach to identifying, assessing, measuring and reporting risks. BDC defines risk as the potential for loss or an undesirable outcome that adversely affects the achievement of the Bank's mandate and strategic objectives. BDC has established a risk inventory that defines the following risk categories:

> strategic

> credit and investment

> market and liquidity

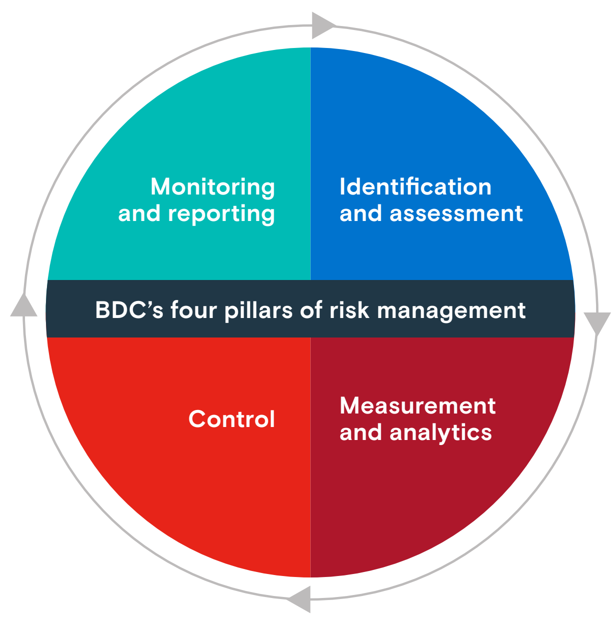
> operational

> technology

> regulatory and legal compliance

> reputational

BDC's approach to managing risk is based on four pillars of risk management.



Risk identification and assessment
The implementation of integrated risk identification and assessment programs and processes ensures that BDC continuously identifies, understands and assesses existing and emerging risks that evolve as a result of changes in both the internal and external environments. Top and emerging risks are presented to the organization's risk management committees for assessment and discussion. Risks related to all significant projects, new products or services, and policy changes, are also assessed and discussed.

Risk measurement and analytics
Risks throughout the organization are quantitatively and/or qualitatively assessed with up-to-date tools and models, taking into consideration best practices in the financial services industry. This ensures they reflect BDC's policies, corporate directives, standards and tolerance limits. Board members and senior managers use this information to understand BDC's risk profile and portfolio performance.

Risk monitoring and reporting
The continuous monitoring of the potential impact of existing and emerging risks occurs in the normal course of management activities. Business lines, corporate functions, and risk management and oversight functions have established responsibilities associated with the day-to-day monitoring of their respective activities. Integrated risk management (IRM) reports provide a comprehensive quantitative and qualitative assessment of performance against the Bank's risk appetite, risk profile as measured in major risk categories and in-depth portfolio monitoring. IRM reports are communicated to senior management and the board.

Risk control
Business lines are responsible for ensuring that effective and appropriate controls are described in their business rules and that procedures are complied with by employees. BDC uses the following elements to mitigate risks:

> adequate and clear roles, responsibilities, processes, policies, corporate directives and procedures

> corporate risk management functions and committees that provide oversight and monitoring

> risk mitigation activities, such as hedging, insurance risk management, business continuity planning, information technology recovery planning, and anti-fraud and anti-money laundering programs

> quality reviews and audits to ensure that BDC is using appropriate risk management practices

> enterprise-wide stress tests on significant risks and portfolios to determine the appropriate level of capital necessary to withstand a sustained economic downturn and continue to fulfill BDC's mandate

Major risk categories

Strategic risk
The risk that we will fail to fulfill our mandate and thus put at risk our sustainability and/or existence due to ineffective strategies, ineffective strategy execution, inaccurate knowledge of the market or lack of responsiveness to changes in the external environment.

Managing strategic risk
The Senior Management Committee, which includes the CEO and leaders from the business and corporate functions, establishes BDC's strategic direction, sets corporate objectives, defines success measures and monitors operations and performance.

BDC has a rigorous process to update its corporate strategy annually. The strategy is then approved by senior management, the board and the Government of Canada. Regular strategic reviews and risk management programs ensure alignment with the Bank's risk appetite.

BDC ensures we operate with an appropriate level of capital in accordance with the nature and level of risk taken. The internal capital adequacy assessment process evaluates capital adequacy on both a regulatory and an economic capital basis and is used to establish capital thresholds in line with the risk appetite statement. BDC allocates capital among business units based on needs and assessed risks in order to support new and existing corporate activities.

BDC also conducts stress tests on our capital levels to assess the impact of different adverse scenarios to ensure we have sufficient capital to withstand unfavourable economic conditions. BDC's stress-testing framework seeks to ensure we are adequately capitalized, given the risks we take in line with BDC's risk appetite.

Please refer to Note 22—*Capital management* to the Consolidated Financial Statements for additional information on BDC's capital management and adequacy.

Financial risks
BDC has identified three major categories of financial risk: credit risk, market risk and liquidity risk. Note 23—*Risk management* to the Consolidated Financial Statements details BDC's financial risk management policies and measurements.

Credit risk
The risk of loss if a counterparty in a transaction fails to meet contractual commitments or obligations.

Managing credit risk
All credit and investment decisions must comply with established policies, corporate directives, guidelines, business rules and risk assessment tools used to help make these decisions. Managing credit risk is the responsibility of several levels of employees—from those who deal directly with clients to authorizing officers. Specific authorities are delegated to positions commensurate with their function and the level of credit knowledge and judgement that employees holding that position are required to possess.

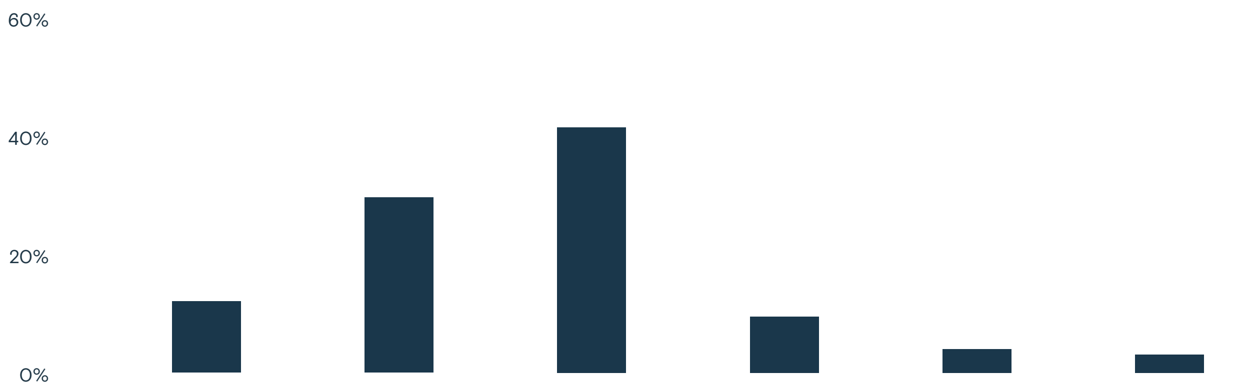
Our adjudication process includes assigning a borrower rating that reflects our estimate of the probability of default (PD) over the life of a loan. PD estimates are determined using internal risk classifications and scoring systems that take into consideration quantitative and qualitative criteria. These criteria include an assessment of the borrower's financial strength, management quality, financial flexibility and competitive strength. A score from a quantitative model can be modified in some cases on the basis of expert judgement, as prescribed by our credit policies. Our internal risk classifications are also used for portfolio risk management, risk limit setting, product pricing and the determination of economic capital.

The table below matches our internal ratings to ratings used by external ratings agencies.

BDC performing loans portfolio credit risk exposure

BDC rating	Grade	S&P equivalent	F2022—March 31, 2022
0.5 to 1.0	Investment grade	A+ to BBB-	12.1%
1.5 - 2.0	Non-investment grade	BB+	29.7%
2.5 - 4.0		BB to BB-	41.6%
4.5 - 5.0		B+ to B-	9.5%
5.5	Watchlist	CCC+ to CC	4.0%
6	Default		3.1%
			100%

BDC's performing loan portfolio, classified by credit risk exposure
as at March 31, 2022 (as a percentage of gross performing financing portfolio)



A+ to BBB-	BB+	BB to BB-	B+ to B-	CCC+ to CC	
Investment grade	Non-investment grade			Watchlist	Default
12.1%	29.7%	41.6%	9.5%	4.0%	3.1%

While BDC follows leading risk management practices, we generally assume more risk than a typical financial institution, due to our mandate and corresponding risk appetite. As a result, a large portion of BDC's portfolio is non-investment grade. Please refer to Note 9—*Loans* to the Consolidated Financial Statements for further information on loans outstanding, by grade equivalent.

The most common method used to mitigate credit risk at the transaction level is to obtain high-quality collateral from borrowers. While collateral cannot replace a rigorous assessment of a borrower's ability to meet his or her obligations to us, it is an important complement. Collateral is not required in all cases; it depends on the type of loan granted. Please refer to Note 9—*Loans* to the Consolidated Financial Statements for further information about principal collateral pledged as security and our level of security coverage.

In addition to managing credit risk on an individual transaction basis, BDC manages it on a portfolio level. Through monitoring, analysis and risk reports, portfolio risk management ensures that the overall risk in the portfolio is well-diversified and consistent with fulfilling our mandate while achieving our financial objectives, in line with our risk appetite.

Market risk
This is the risk of financial loss that may arise from developments in the marketplace or from our inability to forecast poor economic conditions quickly enough to mitigate losses in our portfolio. It represents the market value fluctuations of BDC's assets and liabilities arising from volatility in interest rates, equity markets and foreign currency levels. For BDC, market risk also arises from volatile and unpredictable market events affecting the value of investments of Venture Capital, the Capital Incentive Programs and the Cleantech Practice.

Market non-trading risk is the risk of loss in financial instruments, financial position or net income, or the risk in non-trading activities, such as asset liability management or hedging, due to market factors, including fluctuations in interest rates, foreign exchange rates, or the price of equities or commodities.

Managing market risk
BDC applies a sound asset/liability framework in our funding strategy and uses derivatives to manage and mitigate exposure to fluctuations in equity markets, foreign currencies and interest rates.

Liquidity risk
This is the risk of being unable to obtain or convert BDC's assets into cash for the purpose of servicing and refinancing debt for the timely disbursement of committed loans and/or for the payment of operating expenses and dividends.

Managing liquidity risk
To avoid any business disruptions, BDC ensures that the minimum required level of cash is invested in highly liquid, high-quality securities that can be sold to a wide range of counterparties in active secondary markets without incurring a substantial loss.

Operational risk
Operational risk is the risk of loss from inadequate or failed internal processes, people and systems, or from events beyond BDC's control, such as natural disasters. It is pervasive in all business activities, including our practices for managing other risks such as credit, market and liquidity risk.

Managing Operational Risk
Operational risk is inherent in all our activities and operations at BDC. As such, BDC strives to identify, analyze, mitigate and monitor these risks in line with our enterprise risk management framework and relevant corporate directives. These policies and corporate directives govern the way we manage our people, processes and internal/external environment.

BDC has implemented the following mitigation practices for managing key operational risks.

- Business continuity management and incident management: BDC has developed tools to manage adverse incidents and minimize interruptions to business operations as set out in our Master Business Continuity Plan as well as individual Business Continuity Plans for each region, business centre area and business unit.
- Insurance: BDC protects our financial interests through the purchase of insurance against unfavourable insurable events.
- Human resources management: BDC's long-term success depends largely on our capacity to attract, retain and develop skilled employees and to create a healthy, professional and collaborative environment that encourages them to fully contribute to BDC's mission of helping Canadian entrepreneurs succeed. We achieve this through:
  - BDC's Code of Conduct, Ethics and Core Values
  - human capital strategies and plans, including effective hiring practices, organizational design and compensation
  - training and other professional development programs to foster engagement and prepare employees to achieve their full potential
  - diversity, equity and inclusion practices
- Procurement and contracting processes: BDC follows sound principles and practices in the procurement and contracting of goods and services and the management of external suppliers. BDC maintains a broad range of third party risk management programs and activities to mitigate supplier risks. These include an effective governance framework and transparent and disciplined processes for performing due diligence and risk assessment oversight on our relationships with third parties.
- Project management: The Enterprise Project Management Office (EPMO) provides project management leadership, expertise and experience to the organization. The EPMO also provides executive management with an overall strategic view of all BDC projects for prioritization and effective decision-making. This ensures projects are aligned with corporate objectives and the organizational capacity to deliver them.
- Fraud management: BDC has a fraud management and misconduct program to prevent and detect illicit activity.
- Model risk management: BDC manages and mitigates model risk by reviewing, validating and approving new and existing models.

Technology risk

Technology risks are omnipresent in the daily operations of BDC. The potential severity of technology failures and cyber-security threats continues to increase as our reliance on technology, systems and data grows, and as we become increasingly interconnected with third parties.

Organizations, including financial institutions, are exposed to a large and growing array of threats from both outside and inside the organization. As a consequence of the COVID-19 pandemic, our exposure to technology risk has grown even larger due to employee dispersion and virtual operations.

Additionally, BDC has embarked on a significant transformation of our digital operations, including an enhancement of our IT infrastructure and data management systems. Digital transformations necessarily introduce new technology risks. The continuous identification and mitigation of these risks is a high priority for management.

Therefore, the need to identify, analyze, monitor and mitigate technology risks is included in numerous policies and directives. These policies and directives govern the way BDC manages systems and infrastructure, cyber-security, information security and data integrity.

Managing technology risk
BDC strives to ensure the protection of our systems and client and corporate information and data. We continuously invest in our technology infrastructure to safeguard our systems and data while advancing our business goals. Risk mitigation efforts include 24/7 detection and response capabilities in partnership with leading security firms; the ongoing roll out of tools to monitor and prevent data loss; system and network controls; programs to foster employee awareness of threats; and ongoing independent testing of infrastructure, systems and applications.

In addition, we have established a training program to improve incident responses by our IT cyber-security/operations specialists. We manage technology incidents and work to minimize interruptions to business operations through our IT disaster recovery plan and IT incident management processes.

Legal and regulatory risk
This is the risk associated with a failure to meet BDC's obligations as required by the laws, rules, regulations and prescribed practices in the jurisdictions in which we operate.

Managing legal and regulatory risk
BDC's Compliance, Legal Affairs and Corporate Secretariat ensure employees comply with legal and regulatory requirements through the regulatory compliance framework. In addition, Legal Affairs is responsible for managing all litigation involving BDC. It provides the Audit and Conduct Committee with the information it needs to ensure compliance with laws and regulations and oversees management of legal and regulatory risks.

Reputational risk
This is the risk that stakeholder perceptions regarding BDC's mandate, practices, actions or inaction will cause damage to our reputation and have an impact on our ability to fulfill our mandate and conduct our business.

BDC must meet Canadians' expectations in various ways, including the following:

- meet the shareholder's expectation that BDC will support entrepreneurship
- carry out our mandate effectively
- meet legal and broadly held ethical standards
- refuse to support clients who fail to meet societal expectations of responsible behaviour
- do business in an environmentally responsible manner

Managing reputational risk
BDC's risk management framework is the cornerstone of managing reputational risk. Reputational risk management is part of our corporate risk policies and corporate directives and is embedded in all elements of our business activities.

BDC has monitoring tools and processes in place to track topics of interest in social media and the media.

BDC considers reputational risk when assessing potential loans or investments. We screen potential clients and do due diligence on potential transactions. BDC has well-established procedures to determine whether a client is involved in fraud, money laundering or terrorist activities. We also ensure he or she meets requirements related to transparency and disclosure, environmental performance, ethics and credit eligibility.

Environmental and social risk
The risk that BDC's actions or inaction will have direct, indirect or perceived negative environmental or social impacts.

Climate change has led to physical risks, including floods, storms, wildfires and drought. It is also creating marketplace transition risks as governments, institutions, businesses, investors and consumers adapt to the movement towards a low-carbon, climate resilient economy. Many Canadian entrepreneurs—including BDC clients and partners—are directly or indirectly vulnerable to physical and/or transition risks related to climate change.

We are starting to see structural adjustments in the global economy, including, for example, climate-related standards in supply chains. We believe climate change risk management will become business-as-usual and be embedded in everyday decisions. In the financial sector, this transition has already begun.

In line with this trend, BDC is progressively shifting our management of climate risk to accommodate the necessary operational, strategic, regulatory and legal considerations.

For BDC, social risk has both direct and indirect dimensions. Direct risks would stem from failing to effectively fulfill our mandate of supporting entrepreneurs. Indirect risks would stem from financing clients or collaborating with partners whose behaviours contravene accepted norms of responsible corporate behavior, such as discriminating against individuals or groups.

Managing environment and social risk
Climate-related risks for Canada, BDC and entrepreneurs are no longer emerging risks; they are an operational reality. Therefore, in addition to managing our own carbon footprint, climate considerations and risks are being integrated into BDC's risk management framework, corporate governance, product considerations and operational activities.

BDC's strategy to address climate-related risk is aligned with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Like our peers, we are using the roadmap created by the TCFD's core principles and guidelines for governance, strategy, risk management, and metrics and targets. We will report progress to our Board of Directors, which oversees senior management's implementation of new policies and practices. In the execution of the TCFD recommendations, BDC will progressively identify, understand and manage the risks and opportunities presented by climate change and solutions to support both our operational needs and those of our clients.

Social risk management is embedded in the day-to-day activities of the Bank and the products and services we provide to entrepreneurs. In addition, we establish internal risk management programs to ensure that employees, suppliers and clients adhere to conduct aligned with our mandate and sustainability objectives.

5 Accounting and Control Matters

Significant accounting policies

BDC's significant accounting policies are described in Note 3—*Significant accounting policies* to the Consolidated Financial Statements. Certain of these policies, as well as estimates and assumptions made in applying such policies, are considered critical, as they require significant judgements by management. BDC has established control procedures, including formal representations and certification by senior officers, to ensure that accounting policies, estimates and assumptions are reviewed and applied consistently from period to period.

Judgements, estimates and assumptions

BDC's significant accounting judgements, estimates and assumptions are described in Note 5—*Significant accounting judgements, estimates and assumptions* to the Consolidated Financial Statements. Critical accounting estimates that have the most significant effect on the amounts recognized in the Consolidated Financial Statements include those related to the allowance for expected credit losses, fair value of financial instruments, impairment of assets at fair value through other comprehensive income, consolidation, defined benefit pension plans and other post-employment benefits.

Controls and procedures

Management is responsible for establishing and maintaining adequate internal control over financial reporting as well as appropriate disclosure controls and procedures.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. However, because of its inherent limitations, internal control over financial reporting can only provide reasonable assurance and may not prevent or detect misstatements.

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management on a timely basis so that BDC can make appropriate decisions about public disclosure.

BDC has a certification regime to evaluate the design and effectiveness of our internal control over financial reporting and our disclosure controls and procedures. The evaluation of the design and effectiveness of internal control over financial reporting was performed using the *Internal control—Integrated Framework 2013* issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO).

BDC has reached the following conclusion regarding the design and effectiveness of internal control over financial reporting:

As of March 31, 2022, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, management evaluated the design and effectiveness of internal control over financial reporting. Based on the results of the evaluation, they concluded that internal control over financial reporting is adequately designed and operates effectively to provide reasonable assurance about the reliability of financial reporting and of financial statements prepared in accordance with IFRS.

BDC has reached the following conclusion regarding the design and effectiveness of disclosure controls and procedures:

As of March 31, 2022, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, management evaluated the design and effectiveness of disclosure controls and procedures. Based on the results of the evaluation, they concluded that disclosure controls and procedures are adequately designed and operate effectively to provide reasonable assurance that material information disclosed is recorded, processed, summarized and presented within the requested timeframe, and that it is communicated to management on a timely basis for decision-making purposes.

Consolidated Financial Statements

Management's Responsibility for Financial Information

The Consolidated Financial Statements of the Business Development Bank of Canada (BDC) were prepared and presented by management in accordance with International Financial Reporting Standards. The information contained therein normally includes amounts requiring estimations that have been made based upon informed judgement as to the expected results of current transactions and events. The financial information presented elsewhere in this Annual Report is consistent with the Consolidated Financial Statements.

In discharging its responsibility for the integrity, fairness and quality of the Consolidated Financial Statements and for the accounting systems from which they are derived, management maintains a system of internal control designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. BDC has a certification regime to evaluate the design and effectiveness of its internal control over financial reporting and its disclosure controls and procedures. This certification regime is based on the Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Refer to the Management's Discussion and Analysis section of the annual report for additional information (p. 62).

The system of internal controls is supported by internal audit staff members who conduct periodic reviews of different aspects of BDC's operations. In addition, the Chief Audit Executive, and the External Auditors have full and free access to the Audit and Conduct Committee of the Board of Directors, which is responsible for overseeing and reviewing management's internal control and reporting responsibilities. The Board of Directors, through the Audit and Conduct Committee, which is entirely composed of independent directors, is responsible for reviewing and approving the audited annual Consolidated Financial Statements.

BDC's independent auditors, KPMG LLP, Chartered Professional Accountants, and the Auditor General of Canada have audited BDC's Consolidated Financial Statements and their report indicates the scope of their audit and their opinion on the Consolidated Financial Statements.

Isabelle Hudon
President and Chief Executive Officer

Stefano Lucarelli, CPA
Chief Financial Officer

Montreal, Canada
June 8, 2022

Office of the Auditor General of Canada | Bureau du vérificateur général du Canada

INDEPENDENT AUDITORS' REPORT

To the Minister of International Trade

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Business Development Bank of Canada (the BDC), which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the BDC as at 31 March 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the BDC in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the annual report prior to the date of the auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the BDC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the BDC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the BDC's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BDC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the BDC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the BDC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion
In conjunction with the audit of the consolidated financial statements, we have audited transactions of the Business Development Bank of Canada and its wholly-owned subsidiary coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act and regulations, the Business Development Bank of Canada Act*, the charter and by laws of the Business Development Bank of Canada and its wholly-owned subsidiary, and the directives issued pursuant to section 89 of the *Financial Administration Act.*

In our opinion, the transactions of the Business Development Bank of Canada and its wholly-owned subsidiary that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities
Management is responsible for the Business Development Bank of Canada and its wholly-owned subsidiary's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Business Development Bank of Canada and its wholly-owned subsidiary to comply with the specified authorities.

Auditors' Responsibilities for the Audit of Compliance with Specified Authorities
Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the consolidated financial statements are in compliance with the specified authorities referred to above.

Tina Swiderski, CPA auditor
Principal
for the Auditor General of Canada

Montréal, Canada
8 June 2022

KPMG LLP*

*CPA auditor, public accountancy permit No. A120220

Consolidated Statement of Financial Position

(in thousands of Canadian dollars)

	Note	**March 31, 2022**	March 31, 2021
ASSETS			
Cash and cash equivalents	7	**906,386**	800,515
Derivative assets	8	**12,277**	4,895
Loans			
Loans, gross carrying amount	9	**34,394,759**	32,431,181
Less: allowance for expected credit losses	9	**(1,111,242)**	(1,525,700)
Loans, net of allowance for expected credit losses		**33,283,517**	30,905,481
Investments			
Asset-backed securities	10	**988,466**	733,322
Subordinate financing investments	11	**1,729,544**	1,452,966
Venture capital investments	12	**4,133,010**	2,978,568
Total investments		**6,851,020**	5,164,856
Property and equipment	13	**68,745**	72,993
Intangible assets	14	**39,727**	39,841
Right-of-use assets	15	**108,859**	119,038
Net defined benefit asset	19	**233,690**	4,796
Other assets	16	**62,775**	35,702
Total assets		**41,566,996**	37,148,117
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable, accrued and other liabilities	17, 27	**311,267**	238,808
Derivative liabilities	8	**110**	2,278
Borrowings			
Short-term notes	18	**14,385,629**	13,336,374
Long-term notes	18	**5,707,297**	5,036,235
Total borrowings		**20,092,926**	18,372,609
Lease liabilities			
Short-term lease liabilities	15	**13,962**	13,328
Long-term lease liabilities	15	**111,362**	119,129
Total lease liabilities		**125,324**	132,457
Net defined benefit liability	19	**233,118**	277,981
Expected credit losses on loan commitments and guarantees	9, 25, 27	**315,778**	106,627
Total liabilities		**21,078,523**	19,130,760
Equity			
Share capital	20	**11,946,900**	11,511,900
Contributed surplus		**27,778**	27,778
Retained earnings		**8,445,369**	6,450,829
Accumulated other comprehensive income (Loss)		**(15,864)**	13,588
Equity attributable to BDC's shareholder		**20,404,183**	18,004,095
Non-controlling interests		**84,290**	13,262
Total equity		**20,488,473**	18,017,357
Total liabilities and equity		**41,566,996**	37,148,117

Guarantees and contingent liabilities (Note 25)

Commitments (Notes 9, 10, 11, 12, 13, 14 and 15)

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

Brian O'Neil
Director
Chairperson, Audit and Conduct Committee

Isabelle Hudon
Director
President and Chief Executive Officer

Consolidated Statement of Income

For the year ended March 31 (in thousands of Canadian dollars)

	2022	2021
Interest income	**1,694,417**	1,613,015
Interest expense	**105,871**	93,619
Net interest income	**1,588,546**	1,519,396
Net realized gains (losses) on investments	**576,019**	167,076
Revenue from Advisory Services	**28,865**	20,922
Fee and other income	**107,725**	67,425
Net revenue	**2,301,155**	1,774,819
Provision for expected credit losses	**84,681**	(507,256)
Net change in unrealized appreciation (depreciation) of investments	**915,722**	1,136,019
Net foreign exchange gains (losses)	**(12,565)**	(80,717)
Net gains (losses) on other financial instruments	**622**	1,034
Income before operating and administrative expenses	**3,289,615**	2,323,899
Salaries and benefits	**544,832**	454,441
Premises and equipment	**42,169**	43,158
Other expenses	**187,852**	176,437
Operating and administrative expenses	**774,853**	674,036
Net income	**2,514,762**	1,649,863
Net income attributable to:		
BDC's shareholder	**2,440,048**	1,647,648
Non-controlling interests	**74,714**	2,215
Net income	**2,514,762**	1,649,863

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

Note 23 provides additional information on the Consolidated Statement of Income, including interest income on financial assets measured at amortized cost and at fair value through other comprehensive income calculated using the effective interest rate method.

Note 24 provides segmented information.

Consolidated Statement of Comprehensive Income

For the year ended March 31 (in thousands of Canadian dollars)

	Note	**2022**	2021
Net income		**2,514,762**	1,649,863
Other comprehensive income (loss)			
Items that may be reclassified subsequently to net income			
Net change in unrealized gains (losses) on fair value through other comprehensive income assets		**(28,754)**	6,096
Reclassification to net income of losses (gains) on cash flow hedges		**(698)**	(1,271)
Total items that may be reclassified subsequently to net income		**(29,452)**	4,825
Items that will not be reclassified to net income			
Remeasurements of net defined benefit asset or liability	19	**289,492**	(43,038)
Other comprehensive income (loss)		**260,040**	(38,213)
Total comprehensive income		**2,774,802**	1,611,650
Total comprehensive income (loss) attributable to:			
BDC's shareholder		**2,700,088**	1,609,435
Non-controlling interests		**74,714**	2,215
Total comprehensive income		**2,774,802**	1,611,650

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

Consolidated Statement of Changes in Equity

For the year ended March 31 (in thousands of Canadian dollars)

	Note	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss) FVOCI assets[1]	Accumulated other comprehensive income (loss) Cash flow hedges	Accumulated other comprehensive income (loss) Total	Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
Balance as at March 31, 2021		**11,511,900**	**27,778**	**6,450,829**	**11,362**	**2,226**	**13,588**	**18,004,095**	**13,262**	**18,017,357**
Total comprehensive income (loss)										
Net income				**2,440,048**				**2,440,048**	**74,714**	**2,514,762**
Other comprehensive income (loss)										
Net change in unrealized gains (losses) on fair value through other comprehensive income assets					**(28,754)**		**(28,754)**	**(28,754)**		**(28,754)**
Reclassification to net income of losses (gains) on cash flow hedges						**(698)**	**(698)**	**(698)**		**(698)**
Remeasurements of net defined benefit asset or liability	19			**289,492**				**289,492**		**289,492**
Other comprehensive income (loss)		**–**	**–**	**289,492**	**(28,754)**	**(698)**	**(29,452)**	**260,040**	**–**	**260,040**
Total comprehensive income (loss)		**–**	**–**	**2,729,540**	**(28,754)**	**(698)**	**(29,452)**	**2,700,088**	**74,714**	**2,774,802**
Dividends on common shares	20			**(735,000)**				**(735,000)**		**(735,000)**
Distributions to non-controlling interests									**(5,027)**	**(5,027)**
Capital injections from non-controlling interests									**1,341**	**1,341**
Issuance of common shares	20	**435,000**						**435,000**		**435,000**
Transactions with owner, recorded directly in equity		**435,000**	**–**	**(735,000)**	**–**	**–**	**–**	**(300,000)**	**(3,686)**	**(303,686)**
Balance as at March 31, 2022		**11,946,900**	**27,778**	**8,445,369**	**(17,392)**	**1,528**	**(15,864)**	**20,404,183**	**84,290**	**20,488,473**

(1) Fair value through other comprehensive income assets

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

Consolidated Statement of Changes in Equity (continued)

For the year ended March 31 (in thousands of Canadian dollars)

	Note	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss): FVOCI assets[1]	Accumulated other comprehensive income (loss): Cash flow hedges	Accumulated other comprehensive income (loss): Total	Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
Balance as at March 31, 2020		4,008,900	27,778	4,846,219	5,266	3,497	8,763	8,891,660	11,139	8,902,799
Total comprehensive income (loss)										
Net income				1,647,648				1,647,648	2,215	1,649,863
Other comprehensive income (loss)										
Net change in unrealized gains (losses) on fair value through other comprehensive income assets					6,096		6,096	6,096		6,096
Reclassification to net income of losses (gains) on cash flow hedges						(1,271)	(1,271)	(1,271)		(1,271)
Remeasurements of net defined benefit asset or liability	19			(43,038)				(43,038)		(43,038)
Other comprehensive income (loss)		–	–	(43,038)	6,096	(1,271)	4,825	(38,213)	–	(38,213)
Total comprehensive income (loss)		–	–	1,604,610	6,096	(1,271)	4,825	1,609,435	2,215	1,611,650
Distributions to non-controlling interests									(144)	(144)
Capital injections from non-controlling interests									52	52
Issuance of common shares	20	7,503,000						7,503,000		7,503,000
Transactions with owner, recorded directly in equity		7,503,000	–	–	–	–	–	7,503,000	(92)	7,502,908
Balance as at March 31, 2021		11,511,900	27,778	6,450,829	11,362	2,226	13,588	18,004,095	13,262	18,017,357

(1) Fair value through other comprehensive income assets

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

Consolidated Statement of Cash Flows

For the year ended March 31 (in thousands of Canadian dollars)

	Note	2022	2021
Operating activities			
Net income		**2,514,762**	1,649,863
Adjustments to determine net cash flows			
Interest income		**(1,694,417)**	(1,613,015)
Interest expense		**104,113**	91,537
Interest on lease liabilities		**1,758**	2,082
Net realized losses (gains) on investments		**(576,019)**	(167,076)
Provision for expected credit losses		**(84,681)**	507,256
Net change in unrealized depreciation (appreciation) of investments		**(915,722)**	(1,136,019)
Net unrealized foreign exchange losses (gains)		**(3,354)**	132,852
Net unrealized losses (gains) on other financial instruments		**(76)**	237
Defined benefits funding below (in excess of) amounts expensed	19	**15,735**	25,485
Depreciation of property and equipment, and amortization of intangible assets	13, 14	**20,496**	22,466
Depreciation of right-of-use assets	15	**13,931**	15,306
Loss (gain) on derecognition of property and equipment and intangible assets	13, 14	**186**	192
Other		**(20,479)**	(34,073)
Interest expense paid		**(102,602)**	(95,152)
Interest income received		**1,646,008**	1,566,706
Changes in operating assets and liabilities			
Net change in loans		**(2,022,139)**	(4,088,664)
Net change in accounts payable, accrued and other liabilities		**72,459**	36,515
Net change in other assets		**(27,073)**	(19,428)
Net cash flows provided (used) by operating activities		**(1,057,114)**	(3,102,930)
Investing activities			
Disbursements for asset-backed securities		**(698,444)**	(282,419)
Repayments and proceeds on sale of asset-backed securities		**414,243**	332,966
Disbursements for subordinate financing investments		**(629,004)**	(379,461)
Repayments of subordinate financing investments		**620,556**	349,772
Disbursements for venture capital investments		**(514,017)**	(512,951)
Proceeds on sale of venture capital investments		**582,050**	298,688
Acquisition of property and equipment	13	**(8,351)**	(16,708)
Acquisition of intangible assets	14	**(7,969)**	(9,555)
Net cash flows provided (used) by investing activities		**(240,936)**	(219,668)
Financing activities			
Net change in short-term notes	18	**1,048,000**	(6,019,828)
Issue of long-term notes	18	**1,223,000**	835,000
Repayment of long-term notes	18	**(549,139)**	(2,554)
Distributions to non-controlling interests		**(5,027)**	(144)
Capital injections from non-controlling interests		**1,341**	52
Issuance of common shares	20	**435,000**	7,503,000
Dividends paid on common shares	20	**(735,000)**	–
Payment of lease liabilities		**(14,254)**	(13,810)
Net cash flows provided (used) by financing activities		**1,403,921**	2,301,716
Net increase (decrease) in cash and cash equivalents		**105,871**	(1,020,882)
Cash and cash equivalents at beginning of year		**800,515**	1,821,397
Cash and cash equivalents at end of year		**906,386**	800,515

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2022 (in thousands of Canadian dollars)

1.

Act of incorporation, objectives and operations of the Corporation

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 Corporation's head office is located at 5 Place Ville Marie, Suite 100, Montreal, Quebec, 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. To finance its objectives, BDC borrows funds from Her Majesty the Queen in Right of Canada acting through the Minister of Finance. Prior to April 21, 2008, BDC issued debt instruments, which were secured by the Government of Canada. The *Business Development Bank of Canada Act* (BDC Act) also allows the use of hybrid capital instruments to provide the capital required for its operations. Her Majesty the Queen in Right of Canada would not be liable for payment of amounts owing under such capital instruments, none of which were outstanding as at March 31, 2022 and March 31, 2021.

BDC is for all purposes an agent of Her Majesty the Queen in Right of Canada. BDC is also named in Part I of Schedule III to the *Financial Administration Act* (FAA) and is accountable for its affairs to Parliament through the Minister of International Trade, Export Promotion, Small Business and Economic Development. Pursuant to section 89 of the FAA, BDC, together with a number of other Crown corporations, has to comply with a directive issued in 2008 to ensure that Crown corporations give due consideration to the personal integrity of those they lend to or provide benefits to, in accordance with the government's policy to improve the accountability and integrity of federal institutions. In fiscal 2009, BDC completed the implementation of this directive and confirms that it has been met since then.

Pursuant to section 89 of the FAA, BDC received a directive in December 2014 from the Governor General in Council (P.C. 2014-1378) requesting that BDC review its current pension plan and ensure that it remains affordable, financially sustainable and consistent with the terms of the Public Service Pension Plan. These changes were intended to ensure that pension plans of Crown corporations provide a 50:50 current service cost-sharing ratio between employee and employer for pension contributions by December 31, 2017, as well as to raise the normal age of retirement to 65 years for employees hired on or after January 1, 2015. Consequently, to comply with the directive, BDC implemented modifications to its existing defined benefit pension plan effective January 1, 2015. Eligible employees hired before January 1, 2015, had a choice of three options: two options included some features of the old plan design and a third option offered a completely new benefit structure. Employees hired after December 31, 2014 are automatically enrolled in the third option. In addition, BDC gradually increased the employee's contribution level to achieve a 50:50 current service cost sharing by December 31, 2017 and approved a funding policy with mechanisms to ensure BDC's cash contributions, for current service cost only, would not exceed members' required contributions, on a cumulative basis while complying with regulations. BDC completed the implementation of both elements of its strategy by December 31, 2017. As at December 31, 2021, BDC reached a level of employer contribution that, although not exactly 50:50, only slightly exceeded 50% of the current service cost, and is administered in accordance with regulations and its funding policy. BDC met with representatives from the Treasury Board Secretariat of Canada (TBS) in May 2019 and agreed to report annually on its current service cost sharing ratio over the next 5 years. This will enable TBS and BDC to monitor the situation and assess whether further actions are required at the end of fiscal 2025.

1. Act of incorporation, objectives and operations of the Corporation (continued)

Pursuant to section 89 of the FAA, BDC received a directive in July 2015 from the Governor General in Council (P.C. 2015-1109) requiring that BDC align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations. Consequently, BDC implemented modifications to its Business Expenses Policy and Corporate Directive and confirms that it complies with this directive since then. The Business Expenses Policy can be found on BDC's website.

2.

Basis of preparation

Statement of compliance

BDC has prepared its Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These Consolidated Financial Statements were approved for issue by the Board of Directors on June 8, 2022.

Basis of presentation and measurement

The Consolidated Financial Statements have been prepared on a historical cost basis, except for the following:

> financial assets and financial liabilities measured at fair value through profit or loss (FVTPL), financial assets measured at fair value through other comprehensive income (FVOCI), and derivative financial instruments measured at fair value; and

> the net defined benefit asset or liability in respect of post-employment benefits has been recognized as the present value of the defined benefit obligation less the fair value of plan assets.

These Consolidated Financial Statements are presented in Canadian dollars, which is BDC's functional currency as well as the functional currency of its subsidiaries. Unless otherwise specified, the figures presented in the Consolidated Financial Statements are stated in thousands of Canadian dollars.

Basis of consolidation

BDC conducts business through a variety of entities, including a wholly owned subsidiary, and two investment funds that are considered to be subsidiaries for financial reporting purposes.

The Consolidated Financial Statements of BDC comprise the financial statements of the parent entity and the consolidated financial statements of the subsidiaries referred to below as of March 31, 2022, and March 31, 2021. The financial statements of the subsidiaries are prepared using uniform accounting policies and valuation methods for similar transactions.

2. Basis of preparation (continued)

Subsidiaries

For financial reporting purposes, subsidiaries are defined as entities controlled by BDC. BDC controls an entity when it has power over the investee; it is exposed to, or has rights to, variable returns from its involvement with the entity; and it has the ability to affect those returns through its power over the entity. Control is presumed when BDC directly or indirectly holds the majority of the voting rights. The existence and effect of potential voting rights are considered when assessing whether BDC controls another entity.

In instances where BDC does not hold a majority of the voting rights, further analysis is performed to determine whether or not BDC has control of the entity. BDC is deemed to have control when, according to the terms of the shareholder's and/or limited partnership agreements, it makes most of the decisions affecting relevant activities.

Subsidiaries are fully consolidated from the date that control begins until the date that control ceases. No subsidiary has been acquired or disposed of during the reporting periods. Intercompany transactions and balances are eliminated upon consolidation.

The following operating entities have been consolidated in BDC's Consolidated Financial Statements.

Entity	Principal activity	Country of incorporation and residence	Proportion of ownership and voting power held	Basis of control
BDC Capital Inc.	Holding company structure for investment activities	Canada	100%	Voting power
AlterInvest II Fund L.P.	Investments in subordinate financing	Canada	50%	Voting power and contractual agreements
Go Capital L.P.	Investments in venture capital	Canada	20%	Contractual agreements

AlterInvest II Fund L.P.

BDC owns 50% of AlterInvest II Fund L.P. and acts as the general partner for this entity, thus having the ability to direct all relevant activities and power to affect the variable returns to which BDC is exposed.

Go Capital L.P.

Although BDC owns less than half of Go Capital L.P. and holds less than half of the voting power, management has determined, based on the terms of the agreement under which Go Capital L.P. was established, that BDC controls this entity. As the general partner, BDC has the current ability to direct the relevant activities of Go Capital L.P. and has the power to affect the variable returns, to which BDC is exposed.

Go Capital L.P.'s year-end date is December 31, as agreed upon by the partners at the time this entity was established. Consequently, additional financial information regarding this entity is prepared for the interim period for the purposes of consolidation.

Non-controlling interests

Interests in the equity of subsidiaries not attributable to the parent entity are reported in consolidated equity as non-controlling interests. Net income and each component of other comprehensive income (loss) are attributed to BDC's shareholder and to non-controlling interests in accordance with their respective shareholdings, even if this results in the non-controlling interests having a deficit balance.

2. Basis of preparation (continued)

Associates

Associates are those entities in which BDC has significant influence, but not control, over the financial and operating policies. Subordinate financing and venture capital investments in associates that are held as part of BDC's investment portfolio by BDC Capital Inc. are carried in the Consolidated Statement of Financial Position at fair value. This treatment is permitted by International Accounting Standard (IAS) 28, *Investments in Associates*, under which an entity that is a venture capital organization or other similar entity that holds investments in an associate may elect to measure these investments at fair value through profit or loss in accordance with IFRS 9, *Financial Instruments*.

3.

Significant accounting policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all periods presented in these Consolidated Financial Statements and have been applied consistently by all entities consolidated by BDC.

Financial instruments

Recognition, derecognition and measurement of financial instruments
Financial assets and financial liabilities are recognized when BDC becomes party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when the related contractual obligation is extinguished, discharged or cancelled, or when it expires.

Financial instruments are recognized and derecognized using settlement date accounting.

On initial recognition, financial instruments are measured at fair value. Fair value on initial recognition includes transaction costs directly attributable to the acquisition or issue of financial instruments, except for financial instruments carried at fair value through profit or loss, for which transaction costs are recognized in net income in the period when they are incurred.

Classification of financial instruments
Financial assets
On initial recognition, a financial asset is classified as subsequently measured at:

> amortized cost;

> fair value through profit or loss (FVTPL); or

> fair value through other comprehensive income (FVOCI).

Business model assessment
The classification depends on BDC's business model for managing these financial assets and the contractual terms of the financial asset's cash flows. The business model objectives are broken down into three categories:

> Financial assets held solely to collect contractual cash flows;

> Financial assets held to both collect contractual cash flows and sell the assets;

> Financial assets that are managed on a fair value basis.

3. Significant accounting policies (continued)

Financial instruments (continued)

Classification of financial instruments

Financial assets (continued)

Business model assessment (continued)

BDC makes an assessment of the objective of a business model under which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

> the investment strategy for holding or selling the assets in the portfolio and the risks that affect the performance of the business model;

> the reports provided to BDC's management and key indicators used to assess the performance of the portfolio;

> the portfolio managers' compensation (i.e., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected);

> the frequency, volume and timing of sales in prior periods, the reasons for such sales and the expectations about future sales activity.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

> the asset is held within a business model whose objective is to hold assets to collect contractual cash flows;

> the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

A financial asset that is a debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

> the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

> the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

All other financial assets are classified as measured at FVTPL.

On initial recognition, BDC may irrevocably designate a financial asset that meets the requirements to be measured at amortized cost or at FVOCI, to be measured as at FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis.

Assessment whether contractual cash flows are solely payments of principal and interest

In assessing whether the contractual cash flows are solely payments of principal and interest, BDC considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, BDC considers characteristics such as:

> contingent events that change the amount and timing of cash flows;

> leveraged features;

> prepayment and extension terms;

> terms that limit BDC's claim to cash flows from specified assets;

> features that modify consideration of the time value of money.

3. Significant accounting policies (continued)

Financial instruments (continued)

Classification of financial instruments (continued)

Financial liabilities

BDC classifies its financial liabilities at amortized cost unless it has designated liabilities at FVTPL or is required to measure liabilities at FVTPL. BDC designates a financial liability as measured at FVTPL on initial recognition when it eliminates an accounting mismatch that would otherwise arise from measuring assets or liabilities on a different basis or when the liability contains an embedded derivative that is separable and significantly modifies the cash flows that would otherwise be required under the contract.

A description of the basis for each designation is set out in the Major types of financial instruments section of this note.

Subsequent measurement of financial instruments

Financial instruments are measured in subsequent periods either at fair value or at amortized cost depending on the financial instrument classification.

Financial instruments classified at amortized cost

Subsequent to initial recognition, financial assets and liabilities classified in this category are measured at amortized cost using the effective interest rate method, net of an allowance for expected credit losses in the case of financial assets. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to its carrying amount. When calculating the effective interest rate, BDC estimates future cash flows, considering all contractual terms of the financial instrument.

Financial instruments classified at fair value through profit or loss

Subsequent to initial recognition, financial instruments classified as fair value through profit or loss are measured at fair value with the variation of unrealized gains or losses being recognized in the Consolidated Statement of Income as:

- net change in unrealized appreciation or depreciation of investments, or net foreign exchange gains or losses, when related to asset-backed securities, subordinate financing and venture capital investments; or
- net gains or losses on other financial instruments when related to derivatives.

Gains and losses upon the sale, disposal or write-off of these financial instruments are included directly in the Consolidated Statement of Income and are reported as:

- net realized gains or losses on investments when related to asset-backed securities, subordinate financing and venture capital investments; or
- net gains or losses on other financial instruments when related to derivatives.

Financial instruments classified at fair value through other comprehensive income

Subsequent to initial recognition, financial instruments measured as at FVOCI are measured at fair value, with unrealized gains and losses recorded in Other Comprehensive Income (Loss) (OCI) until the asset is derecognized, with the exception that the IFRS 9 impairment model applies to these instruments, and the provision for expected credit losses is recorded in the Consolidated Statement of Income.

3. Significant accounting policies (continued)

Financial instruments (continued)

Subsequent measurement of financial instruments (continued)
Financial liabilities designated at fair value through profit or loss
Subsequent to initial recognition, financial liabilities designated as at fair value through profit or loss are measured at fair value. The variation of unrealized gains or losses and gains and losses upon the sale, disposal or write-off of these financial instruments are recognized in the Consolidated Statement of Income as net gains or losses on other financial instruments. Changes in the fair value of these financial liabilities that are attributable to changes in BDC's own credit risk are recognized in OCI unless such treatment would create or enlarge an accounting mismatch in profit or loss in which case, the effect of the changes in credit risk is recorded in the Consolidated Statement of Income.

Cash flow hedges
BDC elected to de-designate the hedging instruments effective on the last day of fiscal 2018. The amounts recognized in other comprehensive income (loss) at March 31, 2018 will be recycled to the Consolidated Statement of Income in the periods where the hedged items affect net income. Derivatives held for risk management are measured at fair value through profit or loss in the Consolidated Statement of Income starting April 1, 2018.

Impairment
An allowance for expected credit losses (ECL) is calculated for the following financial instruments that are not measured at FVTPL:

- Cash and cash equivalents;
- Loans;
- Investment-grade asset-backed securities;
- Accounts receivable from advisory clients;
- Loans and asset-backed securities commitments;
- Loan guarantees.

The allowance for ECL is maintained at a level considered adequate to absorb the credit losses expected in the portfolio at the financial reporting date based on reasonable and supportable information about past events, current conditions and forecasts of future economic events, which are established at the individual level.

As required by IFRS 9, the allowance for expected credit losses is measured using a three-stage impairment model:

i. Stage 1—12-month ECL: The loss allowance is measured at an amount equal to 12-month expected credit losses if there is no significant increase in credit-risk since initial recognition;

ii. Stage 2—Lifetime ECL: The loss allowance is measured at an amount equal to the lifetime expected credit losses if there is a significant increase in credit risk since initial recognition and the loan is not considered credit-impaired;

iii. Stage 3—Lifetime ECL: The loss allowance is measured as the difference between the carrying amount and present value of its estimated future cash flow if the loan is considered credit-impaired.

3. Significant accounting policies (continued)

Financial instruments (continued)

Impairment (continued)

The ECL model calculates a probability-weighted estimate that incorporates forward-looking information representing three macro-economic scenarios. The assessment of significant increase in credit risk is based on changes in the forward-looking lifetime probability of default since initial recognition. For certain instruments with low credit risk at the reporting date, the credit risk has not increased significantly relative to initial recognition. Credit risk is low if the financial asset has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The allowance for ECL is calculated on the disbursed and undisbursed amounts of authorized loans, loan guarantees, and investment-grade asset-backed securities. The allowance on disbursed amounts is recorded against the assets whereas the allowance on the undisbursed amounts and on guarantees is recorded in the liabilities in the Consolidated Statement of Financial Position.

Definition of default

Per BDC's credit risk management policy, a financial asset is considered impaired and moves to Stage 3 when it is in default of payments for three consecutive months and collection efforts are not reasonably expected to result in repayment, or when adverse events have occurred that are judged to be severe and likely unresolvable which indicate that BDC can no longer expect to collect the expected future cash flows in full.

Write-off policy

Financial assets are written off, either partially or in full, after BDC has exhausted all possible avenues of recovery from the borrower and guarantors and no value can be expected from the realization of security.

Loan modifications

To provide financial relief to our clients affected by the COVID-19 pandemic, BDC offered its clients certain relief programs, such as principal and interest postponement options. These modifications did not result in derecognition events, and therefore, no modification losses have been recorded.

Major types of financial instruments

Cash equivalents

Cash equivalents include short-term bank notes that, at the original acquisition date, have maturities of less than three months and are used to manage liquidity risk. Cash equivalents are classified at amortized cost.

Cash equivalents are monitored daily to determine the counterparty credit risk using external credit rating agencies. As at March 31, 2022, and March 31, 2021, cash equivalents are considered to have a low credit risk based on the counterparties' external credit ratings of A to AA. The low credit risk simplification is used and the impairment on cash equivalents is calculated based on 12-month expected credit losses.

3. Significant accounting policies (continued)

Financial instruments (continued)

Major types of financial instruments (continued)
Loans
Loans are classified and measured at amortized cost using the effective interest rate method, less allowance for expected credit losses. Loans presented on the Consolidated Statement of Financial Position include accrued interest receivable.

Allowance for expected credit losses
BDC establishes the allowances for credit losses on an individual asset basis for loans, loan commitments and loan guarantees using the three-stage IFRS 9 impairment model and recognizes ECLs in the provision for expected credit losses in the Consolidated Statement of Income. The allowance for credit losses related to loans is presented in the allowance for expected credit losses against Loans in the Consolidated Statement of Financial Position. The allowance for credit losses related to loan commitments and guarantees is included in liabilities under “Expected credit losses on loan commitments and guarantees”.

Allowance on performing loans
Under the IFRS 9 ECL methodology, an allowance is recorded for expected credit losses on loans, loan commitments and loan guarantees regardless of whether there has been an actual impairment. We recognize a loss allowance at an amount equal to 12-month expected credit losses for loans in Stage 1 if the credit risk at the reporting date has not increased significantly since initial recognition. We record expected credit losses over the remaining life of performing loans in Stage 2 when they have experienced a significant increase in credit risk.

Allowance on impaired loans
Under BDC’s definition of default, loans are considered to be in default and classified in Stage 3 when they meet one or both of the following criteria that represent objective evidence of impairment:

> there has been a deterioration in credit quality to the extent that BDC considers that the obligor is unlikely to pay its credit obligations to BDC in full; or

> the obligor is past due more than 90 days on any credit obligation to BDC and collection efforts are not reasonably expected to result in repayment.

When a loan is considered impaired, ECLs are measured as the difference between the carrying amount of the loan and the present value of its estimated future cash flows discounted using (i) the effective interest rate of the loan for fixed-rate loans or (ii) the rate at time of impairment for floating-rate loans.

The carrying amounts of impaired loans are first reduced through the use of the ECL allowance account, and then written off when all collection efforts have been exhausted and no further prospect of recovery is likely. The amounts of the initial impairment losses, as well as any subsequent increases or reversals of these impairment losses, are recognized in the provision for expected credit losses in the Consolidated Statement of Income.

Changes in the allowance for expected credit losses on loans, loan commitments and loan guarantees as a result of originations, repayments and maturities, changes in risk parameters, remeasurements and modifications are recorded in the provision for expected credit losses in our Consolidated Statement of Income.

Refer to Note 5—*Significant accounting judgements, estimates and assumptions* for more information regarding the criteria used to determine the amount of the allowance.

3. Significant accounting policies (continued)

Financial instruments (continued)

Major types of financial instruments (continued)

Asset-backed securities

The asset-backed securities (ABS) portfolio consists of investment-grade senior and subordinated notes issued by way of private placement.

Investment-grade senior notes are classified as fair value through other comprehensive income, and subordinated notes are classified as fair value through profit or loss on the basis that they are reported to and evaluated by senior management on a fair value basis. ABS presented in the Consolidated Statement of Financial Position include accrued interest receivable.

The fair value of ABS is calculated using forecasted cash flows and an estimated yield curve that is derived from the Canadian government yield curve and ABS spread for comparable transactions. The result is adjusted to reflect the risk of the underlying assets and deal structure.

As required by IFRS 9, expected credit losses are calculated on the disbursed and undisbursed portfolio of investment grade senior notes since they are classified at FVOCI. No impairment is calculated on the subordinated notes since they are classified at FVTPL.

ABS credit risk is monitored quarterly using internal credit risk rating methodology. As at March 31, 2022, and March 31, 2021, all of the investment-grade senior notes are considered low credit risk, and therefore the low credit risk simplification is used and the impairment is calculated based on 12-month expected credit losses.

Refer to Note 5—*Significant accounting judgements, estimates and assumptions* for more information regarding the criteria used to determine whether an impairment has occurred.

Subordinate financing and venture capital investments

Upon initial recognition, subordinate financing and venture capital investments are classified as at fair value through profit or loss on the basis that they are part of a portfolio that is reported to and evaluated by senior management on a fair value basis, in accordance with a documented investment and risk management strategy. Undisbursed amounts of subordinate financing investments are designated as measured at fair value through profit or loss to avoid an accounting mismatch between the undisbursed and outstanding investments measured at FVTPL.

BDC's valuation process for fair value measurement of subordinate financing and venture capital investments was derived from the International Private Equity and Venture Capital Valuation Guidelines. Based on the type of investments being valued, BDC uses (i) market-based methodologies, such as the quoted share price or the price of recent similar investments; (ii) discounted earnings or cash flow approaches; or (iii) liquidation or asset-based methods. These fair values are updated at least twice a year by internal valuators and are then reviewed by a valuation committee, which includes an external member who is a chartered business valuator. Venture Capital investments also include fund-of-fund transactions that provide for certain other limited partners to receive a preferred return on the initial cost of their investment, later timing of cash calls and preference in the distributions. The impact of these terms and conditions is taken into account in the fair value calculation by applying an adjustment to the attributed net asset value of each fund. The fair value of fund-of-fund investments is determined using the net assets provided by the administrator or by the general partner, unless there is an indication that fair value differs from the net asset value provided. The impact of these terms and conditions is taken into account in the fair value calculation by applying an adjustment to the attributed net asset value of each fund.

3. Significant accounting policies (continued)

Financial instruments (continued)

Major types of financial instruments (continued)

Derivatives

Derivative financial instruments are financial contracts that derive their value from underlying changes in interest rates, foreign exchange rates, stock market indices or other financial instrument measures. BDC acquires derivative financial instruments to manage exposures to interest, currency and other market risks. BDC does not hold derivatives for speculative or trading purposes. Derivatives are classified at fair value through profit or loss.

All BDC derivatives are over-the-counter and are mainly composed of swaps and foreign exchange forwards. The fair value of swaps is determined using pricing models that take into account current market and contractual prices of the underlying instrument, as well as time value, the yield curve, or volatility factors underlying the position and embedded options. The fair value of foreign exchange forwards is calculated by discounting the notional amount using the yield curves of the respective currencies. Inputs to both these calculations are market-observable data sourced from leading inter-dealer brokers, together with industry-standard valuation models for estimating fair value.

BDC holds hybrid financial instruments that contain a non-derivative host contract and an embedded derivative that is separable and significantly modifies the cash flows that would otherwise be required under the contract. The cash flows of the hybrid instruments vary in a way that is similar to a stand-alone derivative. If the host contract is a financial liability, embedded derivatives that are not closely related to the host contract must be separated and classified as derivatives at fair value through profit or loss unless the host is designated as at fair value through profit or loss. Hybrid contracts with financial asset hosts within the scope of IFRS 9 are no longer required to be separated, instead they are measured at FVTPL based on the assessment of the cash flows of the entire hybrid financial instruments as per the Classification of financial instruments section of this note.

As at March 31, 2022, and March 31, 2021, BDC had no embedded derivatives that needed to be separated from a host contract because the entire instrument was designated at fair value through profit or loss.

Borrowings

Short-term notes are measured at amortized cost.

BDC has two types of long-term notes: unstructured and structured. Unstructured long-term notes are recorded at amortized cost. Structured notes are notes for which interest or principal, or both, are linked to fluctuations in currency rates, swap rates and other market references. These structured notes are designated as at fair value through profit or loss on initial recognition because BDC holds related derivatives at fair value through profit or loss, and designation therefore eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The fair value of structured notes is determined by using observable market data, together with recognized valuation techniques. Observable market data are sourced from leading inter-dealer brokers and include interest rates, foreign exchange rates and other market references.

Interest accrued on borrowings is included in the carrying amount of both short- and long-term notes.

3. Significant accounting policies (continued)

Financial instruments (continued)

Major types of financial instruments (continued)

Financial guarantees

BDC issues "letters of credit, loan guarantees and portfolio guarantees" (guarantees) to support businesses. They represent BDC's obligation to make payments to third parties if clients are unable to meet their contractual commitments. All guarantees are issued to unrelated parties on arm's-length terms. Those guarantees are initially recognized at fair value at the date the contract is issued. As no initial fee at inception is received, the fair value is considered nil. In addition, no receivable for future expected fees is recognized on initial recognition.

Subsequently, the guarantees are measured at the amount of the allowance for expected credit losses based on the three-stage IFRS 9 impairment model and recognized in the Consolidated Statement of Financial Position.

The fee income is calculated as a percentage of the outstanding principal amounts and is recognized in fee and other income in the Consolidated Statement of Income as it becomes payable.

Subsequent recognition of a claim payable will only occur when it becomes more likely than not that a client will not meet its contractual commitments resulting in a call on guarantee. When a claim is recorded, the expected credit loss related to the guarantee is reversed and the actual claim amount is recorded in provision for expected credit losses in the Consolidated Statement of Income.

Interest income and interest expense on financial instruments, and fee income

Interest income and expense for interest-bearing financial instruments are recognized in interest income and interest expense in the Consolidated Statement of Income using the effective interest rate method, with the exception of subordinate financing investments classified as FVTPL, for which interest income is recognized using the contractual rate of the instrument. Interest on impaired loans continues to be recognized based on the reduced carrying amount using the interest rate used to discount the future cash flows for the purposes of measuring the impairment loss.

Subordinate financing investments also bear non-interest returns, such as royalties and interest bonuses, which are recognized in fee and other income in the Consolidated Statement of Income when it is probable that they will be received and the amounts can be reliably measured.

Fees that are integral to originating or renegotiating a loan are deferred and recognized as interest income over the expected term of the loan using the effective interest rate method. All other fees are recognized in net income as the related services are performed.

Premiums and discounts on borrowings are amortized in interest expense over the life of the obligation using the effective interest rate.

3. Significant accounting policies (continued)

Revenue from Advisory Services

Advisory Services provides solutions and advice to entrepreneurs. Revenue from Advisory Services is recognized over time as the performance obligations under the contracts are rendered to the clients and is measured using a percentage of completion method based on delivery costs incurred to date compared to total delivery costs expected to deliver the service.

Property and equipment and intangible assets

Property and equipment and intangible assets are carried at cost less accumulated depreciation, accumulated amortization and accumulated impairment losses, if any.

The cost of an item of property and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to operate in the manner intended by management.

Property and equipment are depreciated using the straight-line method over the estimated useful life of the asset, as follows:

	Estimated useful life	Recorded in Consolidated Statement of Income as
Computer and telecommunications equipment	5 years	Other expenses
Furniture, fixtures and equipment	10 years	Premises and equipment
Leasehold improvements	Lease term	Premises and equipment

Intangible assets primarily comprise systems and software applications, the cost of which includes the purchase price plus any costs incurred to prepare them for their intended internal use. Intangible assets have finite lives and are amortized on a straight-line basis over their estimated useful economic lives, which range from three to seven years. Costs related to projects in progress are not subject to amortization until the related intangible asset is available for use. Amortization expense is included in other expenses in the Consolidated Statement of Income.

For internally developed intangible assets, expenditures on research (or on the research phase of an internal project) are recognized as an expense when incurred.

An intangible asset arising from development (or from the development phase of an internal project) will be recognized if, and only if, all of the following can be demonstrated:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
(b) the intention to complete the intangible asset and use or sell it;
(c) the ability to use or sell the intangible asset;
(d) how the intangible asset will generate probable future economic benefits;
(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
(f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The cost of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria above. If the above criteria are not met, development costs are recognized as expenses during the fiscal year in which they were incurred.

3. Significant accounting policies (continued)

Property and equipment and intangible assets (continued)

The residual values, depreciation and amortization methods, as well as useful lives of items of property and equipment and intangible assets, are reviewed and adjusted if appropriate at least at each financial reporting date.

These assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Irrespective of whether there is any indication of impairment, an impairment test is also performed annually for projects in progress related to intangible assets. When impairment tests indicate that the carrying amount of an asset (or group of assets) is greater than its estimated recoverable amount, the carrying amount is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Leases

At inception of a contract, BDC assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, BDC determines whether:

- the contract involves the use of an identified asset—this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- BDC has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- BDC has the right to direct the use of the asset. BDC has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

BDC recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically tested for impairment and reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, BDC's incremental borrowing rate. Generally, BDC uses its incremental borrowing rate as the discount rate. Lease payments mainly includes fixed payments.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising mainly from a change in BDC's evaluation of whether it will exercise an extension or termination option or if there are changes in lease payments due to the reassessment of a location's square footage.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3. Significant accounting policies (continued)

Leases (continued)

Short-term leases and leases of low-value assets

BDC has elected not to recognize right-of-use assets and lease liabilities for some short-term leases that have a lease term of 12 months or less and for leases of low-value assets such as office equipment. BDC recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Net defined benefit asset or liability

BDC maintains a registered defined benefit pension plan, supplemental defined benefit pension plans and other post-employment defined benefits (which include health, dental, critical illness and life insurance coverage) for eligible employees.

The net defined benefit asset or liability is the present value of the defined benefit obligation less the fair value of plan assets.

BDC's defined benefit obligation in respect of retirement benefit plans is calculated separately for each plan by estimating the amount of future benefits employees have earned in return for their services in the current and prior periods.

The defined benefit obligation is calculated for each plan using the projected unit credit method. In determining the present value of its defined benefit obligation, and the related current service cost and past service cost, BDC attributes the benefit to periods of service under the plan's benefit formula. The present value of the defined benefit obligation is calculated by discounting the estimated future cash outflows using interest rates that have terms to maturity approximating the terms of the obligation. These interest rates are derived from yields on high quality corporate bonds which, because of the limited number of these bonds at longer maturities, are extrapolated for longer terms based on high quality provincial bond yields to which a spread is added to reflect the additional credit risk of high quality corporate bonds.

BDC determines the net interest expense or income on the net defined benefit asset or liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual reporting period to both the defined benefit obligation and the plan assets. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognized immediately in profit or loss when the plan amendment or curtailment occurs.

Remeasurements, which include actuarial gains and losses, as well as differences between the return on plan assets and interest income on plan assets, are recognized immediately in OCI. Remeasurements recognized in OCI are reflected immediately in retained earnings and are not reclassified to net income. Current service costs, past service costs, gain or loss on curtailment, and net interest on the net defined benefit asset or liability are recognized in net income.

3. Significant accounting policies (continued)

Equity attributable to BDC's shareholder

Share capital represents the par value of common shares issued and in circulation. Contributed surplus represents the value of assets transferred to BDC by the shareholder without issuance of shares.

Unrealized gains and losses on financial instruments classified as FVOCI assets are included in AOCI until such time as the financial instruments are derecognized or impaired, at which time these gains or losses are reclassified to net income. Prior to April 1, 2018, unrealized gains and losses on derivative financial instruments designated as hedging instruments were included in AOCI until such time the hedged forecasted cash flows were reclassified to net income. BDC elected to de-designate the hedging instruments effective March 31, 2018 and current AOCI balances are being reclassified to net income over the original contract life remaining.

Retained earnings include all current and prior periods' net income and remeasurements of net defined benefit asset or liability, net of dividends paid.

Translation of foreign currencies

Assets and liabilities denominated in foreign currencies, all of which are monetary, are translated into Canadian dollars at exchange rates prevailing at the reporting date. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars using the exchange rate at either the daily or monthly average exchanges rates in effect during the year.

Unrealized and realized foreign exchange gains or losses on foreign exchange forwards, subordinate financing investments, loans, asset-backed securities as well as unrealized foreign exchange gains or losses on venture capital investments are included in the Consolidated Statement of Income and reported as net foreign exchange gains or losses, whereas realized and unrealized gains or losses on debts and swaps are reported as net gains or losses on other financial instruments. Realized foreign exchange gains or losses on venture capital investments are reported under net realized gains (losses) on investments in the Consolidated Statement of Income.

Segmented information

BDC has the following operating segments, which are based on differences in products and services and government supported initiatives: Financing, Advisory Services, Growth & Transition Capital, Venture Capital, Capital Incentive Programs and Credit Availability Program.

The operating segments are reported in a manner consistent with the way BDC presents and discloses information that is regularly reviewed by the senior management team and the Board of Directors in assessing performance.

All transactions between business segments are recognized on an arm's-length basis. Income and expenses directly associated with each segment are included when determining business segment performance.

4.

Change in accounting policies

The following amendments have been adopted by BDC on April 1, 2021.

Interest Rate Benchmark Reform Phase 2—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In August 2020, the IASB issued the second phase of the Interbank Offered Rates (IBOR) Reform which amends IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts*, and IFRS 16, *Leases*. The Phase 2 amendments address issues that might affect financial reporting when existing benchmark rates are replaced with alternative benchmark rates. The amendments relate to modifications of financial assets, financial liabilities and lease liabilities, hedge accounting requirements, and specific disclosures. These amendments are effective for annual periods beginning on or after January 1, 2021 and are to be applied retrospectively. BDC adopted the final amendments on April 1, 2021. Note that amendments relating to the following areas/standards had no impact on BDC as explained below:

- IFRS 4, *Insurance Contracts*, as BDC does not issue insurance contracts
- IFRS 16, *Leases*, as BDC's leases are not exposed to IBOR
- Hedge accounting requirements as BDC does not apply hedge accounting.

One of the practical expedient of the Phase 2 amendments is that modifications of amortized cost financial assets and financial liabilities that are made as a direct consequence of the IBOR Reform, and on an economically equivalent basis can be accounted for by updating the effective interest rate prospectively with no immediate gain or loss recognition. If additional changes are made, which are not directly related to the reform, the IFRS 9 requirements are to be applied. BDC plans to apply this practical expedient when the applicable existing benchmark rates will cease to be published on June 30, 2023 and June 28, 2024. Therefore, there is no impact on BDC's consolidated financial statements for the current and prior periods.

BDC has exposures to the Canadian Dollar Offered Rate (CDOR) and the London Interbank Offered Rate (LIBOR), particularly the USD LIBOR. In March 2021, the Financial Conduct Authority (FCA) confirmed that the publication of most tenors of USD LIBOR (overnight, one-month, three-month, six-month and 12-month LIBOR) will cease immediately following a final publication on June 30, 2023. All tenors of EUR LIBOR ceased to be published on December 31, 2021.

IBOR Reform Phase 2 also amended IFRS 7, introducing expanded qualitative and quantitative disclosures about the risks arising from the IBOR Reform, how an entity is managing those risks, its progress in completing the transition to Alternative Reference Rates (ARRs), and how it is managing the transition.

To manage our transition to ARRs, we have created a working group to evaluate and monitor the key areas of impact to support the Bank's transition through the reform. This includes identifying the exposures to various IBORs, evaluating the existing contracts exposed to IBOR and their remediation, identifying risk areas, evaluating the financial reporting impacts and legal aspects, developing the capabilities to issue and trade products referencing risk free rates, evaluating the modifications required to processes and systems and establishing communication with clients and counterparties regarding industry developments through the transition.

The Bank is progressing on its transition plan and continues to monitor industry and regulatory developments and target dates for cessation of IBOR based products.

(in thousands of Canadian dollars)

4. Change in accounting policies (continued)

Interest Rate Benchmark Reform Phase 2—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (continued)

The following table provides BDC's exposures to financial instruments subject to the IBOR Reform as at March 31, 2022 that have yet to transition to ARRs for USD LIBOR.

	March 31, 2022
	USD Libor
Non-derivative financial assets	
Asset backed securities	**591**
Loans[1]	**244,508**
	245,099

(1) Portfolios are at gross carrying amount

We are currently evaluating significant exposures to the CDOR benchmark interest rates subject to the Reform which are excluded from the table above. On May 16, 2022, the administrator of CDOR, Refinitiv Benchmark Services (UK) Limited, announced that the calculation and publication of all tenors of CDOR will permanently cease immediately following a final publication on June 28, 2024.

5.

Significant accounting judgements, estimates and assumptions

The preparation of the 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.

The global pandemic related to an outbreak of COVID-19 has cast additional uncertainty on the assumptions used by management in making its judgments and estimates. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The post-pandemic economic recovery and geopolitical tensions arising from the Ukraine War exacerbated labour and supply chains shortages leading to rising inflation. BDC's operations are Canadian based with no direct credit exposure to Russia or Ukraine. BDC has credit exposures to businesses that are impacted, either directly or indirectly, by higher energy costs, commodity prices, or disruption within their supply chains. It is difficult to reliably estimate the length and severity of these developments and the impact on the financial results and condition of BDC in future periods. Given that the full extent of the impact that COVID-19, geopolitical tensions, and supply chain disruptions will have on the global economy and BDC's business is uncertain and not predictable at this time, there is a higher level of uncertainty with respect to management's judgments and estimates.

Information about the significant judgements, estimates and assumptions that have the most significant effect on the amounts recognized in the Consolidated Financial Statements are summarized in this note.

5. Significant accounting judgements, estimates and assumptions (continued)

Allowance for expected credit losses

The allowance for expected credit losses under IFRS 9 represents management's estimate of the losses expected in the loan portfolio, loan commitments and loan guarantees, at the reporting date, which is established at the individual asset level, incorporates forward looking information and is based on a probability-weighted outcome of multiple economic scenarios.

BDC reviews its loans, loan commitments and loan guarantees individually to estimate the provision for expected credit losses. The process requires BDC to make assumptions and judgements by carrying out certain activities, including assessing the impaired status and risk of a loan, loan commitments and loan guarantees, and estimating future cash flows and collateral values.

Impaired loans, loan commitments and loan guarantees are considered in Stage 3. All other loans, loan commitments and loan guarantees are either considered in Stage 1 or in Stage 2 if a significant increase in credit risk has occurred. If the increase in credit risk is no longer considered significant, loans, loan commitments and loan guarantees, will be moved back to Stage 1 and if the loans, loan commitments and loan guarantees, are no longer considered impaired, they will be transferred back to Stage 1 or 2. Assumptions used to determine whether there is a significant increase in credit risk include a significant increase in the expected lifetime probability of default since origination, loans, loan commitments and loan guarantees, which are on the watchlist and loans that are 30 days past due. To support our clients who were experiencing financial difficulties resulting from the COVID-19 pandemic, BDC offered certain relief programs. Utilization of these relief programs does not systematically in and of itself trigger a significant increase in credit risk.

Expert credit judgment may also be applied, as required, to account for loans that have experienced a significant increase in risk. The ECL is calculated for each exposure, taking into account the financial instrument's forward-looking probability of default, loss given default and exposure at default. IFRS 9 requires current and expected economic conditions for multiple scenarios to be taken into account in determining whether there has been a significant increase in credit risk and in calculating the amount of expected losses. BDC considers three forward-looking scenarios that are probability weighted. The "base case" represents the most likely scenario under current and forward-looking economic conditions, whereas the "upside" and "downside" differ relative to the base case based on plausible economic conditions. Management judgement is required in the application of forward- looking information. Since March 2020, the coronavirus outbreak evolved rapidly resulting in an economic crisis. Entrepreneurs have been experiencing challenges due to business closures, higher unemployment rates and social distancing. Our ECL methodology also requires the use of experienced credit judgment to incorporate the estimated impact of factors that are not captured in the modelled ECL results. Expert credit judgment was applied to reflect the continuing impact of the uncertain environment on credit conditions and the economy as a result of the COVID-19 pandemic. Actual results may differ materially from those recorded on March 31, 2022.

Changes in these assumptions, or the use of other reasonable judgements, can materially affect the allowance level. Refer to Note 9—*Loans*, for more information on the allowance for expected credit losses.

5. Significant accounting judgements, estimates and assumptions (continued)

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the Consolidated Statement of Financial Position cannot be derived from active markets (i.e., from quoted market prices or dealer price quotations), it is determined using valuation techniques, including discounted cash flow models. The price of a recent investment is considered to calibrate inputs to the valuation models and is established from completed financing rounds prior to or at the reporting date. When there has been a recent significant investment in the investee(s) the price of that investment is considered for Fair Value.

The inputs to these models, such as interest rate yield curves, equity prices and currency prices and yields, volatility of underlying assumptions, and correlations between inputs, are taken from observable markets, where possible. Where this is not feasible, a degree of judgement is required in establishing fair values.

These judgements include considerations of inputs such as the discount rate, the expected rate of return by level of risk and the weighted forecast of cash flows. Changes to these inputs could affect the reported fair value of financial instruments. Refer to Note 3—*Significant accounting policies* for more information about the valuation techniques used for each type of financial instrument and to Note 6—*Classification and fair value of financial instruments* for additional information on fair value hierarchy levels.

BDC's valuation process considered the impacts of COVID-19 on forecasts, workforce, supply chain, liquidity level and the ability to obtain financing. The process includes management adjustments based on factors such as the competitive landscape, quality, and financial ability of the stakeholders to support the business, specific business fundamentals and the rank of financial instruments.

Net defined benefit asset or liability

The cost of defined benefit pension plans and other post-employment benefits, and the present value of the related obligations, are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates used to measure the obligations, expected future salary increases, expected retirement age, expected mortality rates, expected health care cost trends, expected inflation and expected future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Actual results will differ from results that are estimated based on assumptions.

Refer to Note 19—*Net defined benefit asset or liability* for additional information about the key assumptions.

Consolidation

A key judgement that has been used in the preparation of the Consolidated Financial Statements is that BDC has the power to control certain investment funds (refer to Note 2—*Basis of preparation*, for additional information). BDC has assessed that it has the current ability to direct the funds' activities that most significantly affect their returns, and that BDC is exposed to these returns. Consequently, these funds have been fully consolidated rather than accounted for using the equity accounting approach.

(in thousands of Canadian dollars)

6.

Classification and fair value of financial instruments

Classification of financial instruments

The following tables summarize the classification of BDC's financial instruments as at March 31, 2022, and March 31, 2021.

March 31, 2022

		Measured at fair value				
		FVTPL(1)				
	Note	FVTPL	Designated as at FVTPL	FVOCI(2)	Measured at amortized cost	Total
Financial assets						
Cash and cash equivalents	7	–	–	–	**906,386**	**906,386**
Derivative assets	8	**12,277**	–	–	–	**12,277**
Loans, net of allowance for expected credit losses	9	–	–	–	**33,283,517**	**33,283,517**
Asset-backed securities	10	**13,024**	–	**975,442**	–	**988,466**
Subordinate financing investments	11	**1,729,544**	–	–	–	**1,729,544**
Venture capital investments	12	**4,133,010**	–	–	–	**4,133,010**
Other assets(3)	16	–	–	–	**31,118**	**31,118**
Total financial assets		**5,887,855**	–	**975,442**	**34,221,021**	**41,084,318**
Financial liabilities						
Accounts payable, accrued and other liabilities(3)	17	–	–	–	**301,306**	**301,306**
Derivative liabilities	8	**110**	–	–	–	**110**
Short-term notes	18	–	–	–	**14,385,629**	**14,385,629**
Long-term notes	18	–	–	–	**5,707,297**	**5,707,297**
Expected credit losses on loan commitments and guarantees		–	–	–	**315,778**	**315,778**
Total financial liabilities		**110**	–	–	**20,710,010**	**20,710,120**

(1) Fair value through profit or loss.
(2) Fair value through other comprehensive income.
(3) Certain items within the other assets and other liabilities categories on the Consolidated Statement of Financial Position are not considered to be financial instruments.

(in thousands of Canadian dollars)

6. Classification and fair value of financial instruments (continued)

Classification of financial instruments (continued)

March 31, 2021

		Measured at fair value				
		FVTPL(1)				
	Note	FVTPL	Designated as at FVTPL	FVOCI(2)	Measured at amortized cost	Total
Financial assets						
Cash and cash equivalents	7	–	–	–	800,515	800,515
Derivative assets	8	4,895	–	–	–	4,895
Loans, net of allowance for expected credit losses	9	–	–	–	30,905,481	30,905,481
Asset-backed securities	10	10,076	–	723,246	–	733,322
Subordinate financing investments	11	1,452,966	–	–	–	1,452,966
Venture capital investments	12	2,978,568	–	–	–	2,978,568
Other assets(3)	16	–	–	–	8,800	8,800
Total financial assets		4,446,505	–	723,246	31,714,796	36,884,547
Financial liabilities						
Accounts payable, accrued and other liabilities(3)	17	–	–	–	230,309	230,309
Derivative liabilities	8	2,278	–	–	–	2,278
Short-term notes	18	–	–	–	13,336,374	13,336,374
Long-term notes	18	–	127,662	–	4,908,573	5,036,235
Expected credit losses on loan commitments and guarantees		–	–	–	106,627	106,627
Total financial liabilities		2,278	127,662	–	18,581,883	18,711,823

(1) Fair value through profit or loss.
(2) Fair value through other comprehensive income.
(3) Certain items within the other assets and other liabilities categories on the Consolidated Statement of Financial Position are not considered to be financial instruments.

Financial instruments carried at amortized cost

The following table provides a comparison of the carrying and fair values of BDC's financial instruments that are not carried at fair value in the Consolidated Financial Statements and for which the carrying values are not reasonable approximations of their fair value.

			March 31, 2022			March 31, 2021
	Fair value hierarchy level	Fair value	Carrying value	Fair value hierarchy level	Fair value	Carrying value
Financial assets measured at amortized cost						
Loans	**2**	**32,888,123**	**33,283,517**	2	30,990,580	30,905,481
Financial liabilities measured at amortized cost						
Short-term notes	**1**	**14,381,792**	**14,385,629**	1	13,336,546	13,336,374
Long-term notes	**2**	**5,558,308**	**5,707,297**	2	5,006,326	4,908,573

6. Classification and fair value of financial instruments (continued)

Financial instruments carried at amortized cost (continued)

Loans measured at amortized cost
The net carrying value of performing floating-rate loans is a reasonable approximation of their fair value because the net carrying value reflects changes in interest rates since the loan was originated. For performing fixed-rate loans, fair value is determined using a discounted cash flow calculation that uses market interest rates prevailing at the end of the period charged for similar new loans with corresponding remaining terms.

For impaired loans, the fair value is equal to the net carrying value determined in accordance with the valuation methods described in Note 3—*Significant accounting policies*, under the heading Major types of financial instruments—Loans.

Short-term notes measured at amortized cost
The fair value of short-term notes classified at amortized cost is determined using a quoted market price.

Long-term notes measured at amortized cost
The fair value of long-term notes classified at amortized cost is determined using a discount cash flow calculation that uses market interest rates based on the remaining time to maturity.

Financial instruments measured at fair value

The assumptions and methods used to estimate the fair value of those financial assets and liabilities that are measured at fair value are disclosed in Note 3—*Significant accounting policies*.

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.

(in thousands of Canadian dollars)

6. Classification and fair value of financial instruments (continued)

Financial instruments measured at fair value (continued)

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

				March 31, 2022
	Fair value measurements using			Total
	Level 1	Level 2	Level 3	fair value
Assets				
Derivative assets	**–**	**12,277**	**–**	**12,277**
Asset-backed securities	**–**	**988,466**	**–**	**988,466**
Subordinate financing investments	**109,399**	**–**	**1,620,145**	**1,729,544**
Venture capital investments	**115,309**	**–**	**4,017,701**	**4,133,010**
	224,708	**1,000,743**	**5,637,846**	**6,863,297**
Liabilities				
Derivative liabilities	**–**	**110**	**–**	**110**
Long-term notes designated as at fair value through profit or loss	**–**	**–**	**–**	**–**
	–	**110**	**–**	**110**

				March 31, 2021
	Fair value measurements using			Total
	Level 1	Level 2	Level 3	fair value
Assets				
Derivative assets	–	4,895	–	4,895
Asset-backed securities	–	733,322	–	733,322
Subordinate financing investments	88,764	–	1,364,202	1,452,966
Venture capital investments	62,955	–	2,915,613	2,978,568
	151,719	738,217	4,279,815	5,169,751
Liabilities				
Derivative liabilities	–	2,278	–	2,278
Long-term notes designated as at fair value through profit or loss	–	127,662	–	127,662
	–	129,940	–	129,940

The following tables detail the changes in fair value measurement for financial instruments included in Level 3 of the fair value hierarchy. The procedures and valuation techniques used to determine the fair values of subordinate financing and venture capital investments included in Level 3 are described in Note 3—*Significant accounting policies*. These valuation techniques draw upon diverse unobservable inputs, none of which, with the exception of the risk-free interest rate, is individually significant enough to have a material impact on BDC's net income (loss) if it varied within reasonable possible ranges. For subordinate financing investments, the impact of a 1% variation in the risk-free rate would result in a gain or loss of $11.1 million in the current period and an equivalent change in retained earnings ($15.5 million in 2021).

(in thousands of Canadian dollars)

6. Classification and fair value of financial instruments (continued)

Financial instruments measured at fair value (continued)

			March 31, 2022
	Subordinate financing investments	Venture capital investments	Total
Fair value as at April 1, 2021	**1,364,202**	**2,915,613**	**4,279,815**
Net realized gains (losses) on investments	**172,130**	**308,272**	**480,402**
Net change in unrealized appreciation (depreciation) of investments	**(92,524)**	**969,134**	**876,610**
Net unrealized foreign exchange gains (losses) on investments	**–**	**(12,861)**	**(12,861)**
Disbursements for investments	**622,673**	**513,384**	**1,136,057**
Repayments of investments and other	**(389,785)**	**(524,618)**	**(914,403)**
Transfers from level 3 to level 1	**(56,551)**	**(151,223)**	**(207,774)**
Fair value as at March 31, 2022	**1,620,145**	**4,017,701**	**5,637,846**

			March 31, 2021
	Subordinate financing investments	Venture capital investments	Total
Fair value as at April 1, 2020	1,233,427	1,676,822	2,910,249
Net realized gains (losses) on investments	22,070	136,580	158,650
Net change in unrealized appreciation (depreciation) of investments	88,248	950,963	1,039,211
Net unrealized foreign exchange gains (losses) on investments	–	(69,809)	(69,809)
Disbursements for investments	370,729	512,951	883,680
Repayments of investments and other	(350,272)	(270,293)	(620,565)
Transfers from level 3 to level 1	–	(21,601)	(21,601)
Fair value as at March 31, 2021	1,364,202	2,915,613	4,279,815

The following table shows total gains or losses for financial instruments included in Level 3 that are attributable to assets held at the end of the reporting periods.

	2022	2021
Net realized gains (losses) on investments	**188,368**	47,589
Net change in unrealized appreciation (depreciation) of investments	**997,974**	1,027,866
Net unrealized foreign exchange gains (losses) on investments	**(10,865)**	(65,533)
Total gains related to level 3 assets still held at the end of the reporting period	**1,175,477**	1,009,922

(in thousands of Canadian dollars)

6. Classification and fair value of financial instruments (continued)

Fair value sensitivity of key unobservable inputs

The following tables show the significant valuation techniques used to determine the fair value of financial instruments included in Level 3, and the sensitivity analysis of these unobservable inputs on their fair value.

				March 31, 2022
Subordinate financing investments	Fair value	Significant valuation techniques	Sensitivity of unobservable inputs	Fair value sensitivity of unobservable inputs
Total fair value direct	1,620,145	Discounted cash flows (DCF)(2)	Discount rate: Increase 1% Decrease 1%	(34,248) 34,248
		Market multiples	Comparability: Increase 5% Decrease 5%	(2,377) 2,377
		Direct capitalization of earnings(3)	N/A	N/A
		Transaction prices(3)	N/A	N/A
		Net asset value (NAV) or liquidation value(3)	N/A	N/A

				March 31, 2022
Venture capital investments	Fair value	Significant valuation techniques	Sensitivity of unobservable inputs	Fair value sensitivity of unobservable inputs
Total fair value indirect	2,191,853	Net asset value (NAV)(1)	N/A	N/A
Total fair value direct	1,825,848	Discounted cash flows (DCF)(2)	Discount rate: Increase 5% Decrease 5%	(10,769) 15,100
		Market multiples	Comparability Discount +-5%(3)	(13,934) 13,934
		Transaction prices	N/A	N/A
		Net asset value (NAV) or liquidation value	N/A	N/A

(1) Fair value is determined by third parties, venture capital investment funds' general partners (GPs).
(2) An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
(3) Range of unobservable inputs are not applicable to this valuation methodology.

(in thousands of Canadian dollars)

6. Classification and fair value of financial instruments (continued)

Fair value sensitivity of key unobservable inputs (continued)

March 31, 2021

Subordinate financing investments	Fair value	Significant valuation techniques	Sensitivity of unobservable inputs	Fair value sensitivity of unobservable inputs
Total fair value direct	1,364,202	Discounted cash flows (DCF)(2)	Discount rate: Increase 1% Decrease 1%	(29,515) 29,515
		Market multiples	N/A	(1,615) 1,615
		Direct capitalization of earnings(3)	N/A	N/A
		Transaction prices(3)	N/A	N/A
		Net asset value (NAV) or liquidation value(3)	N/A	N/A

March 31, 2021

Venture capital investments	Fair value	Significant valuation techniques	Sensitivity of unobservable inputs	Fair value sensitivity of unobservable inputs
Total fair value indirect	1,580,590	Net asset value (NAV)(1)	N/A	N/A
Total fair value direct	1,335,023	Discounted cash flows (DCF)(2)	Discount rate: Increase 5% Decrease 5%	(14,388) 19,063
		Market multiples	N/A	N/A
		Transaction prices	N/A	N/A
		Net asset value (NAV) or liquidation value	N/A	N/A

(1) Fair value is determined by third parties, venture capital investment funds' general partners (GPs).
(2) An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
(3) Range of unobservable inputs are not applicable to this valuation methodology.

(in thousands of Canadian dollars)

7.

Cash and cash equivalents

As at March 31, 2022, and March 31, 2021, there are no restrictions on cash and cash equivalents. Cash and cash equivalents include the following components.

	March 31, 2022	March 31, 2021
Cash	**906,386**	800,515
Cash and cash equivalents	**906,386**	800,515

8.

Derivative financial instruments

In compliance with BDC's Treasury Risk Policy, BDC uses the following derivative financial instruments to mitigate its foreign exchange rate risk, as well as its interest rate risk. BDC's policy is not to use derivative financial instruments for speculative purposes. BDC did not enter into any transactions that would require netting during the year.

Swaps

Swaps are contractual obligations to exchange a series of cash flows on a specific notional amount for a predetermined period. The various swap agreements that BDC enters into are as follows:

- interest rate swaps, which involve exchange of fixed- and floating-rate interest payments; and
- cross-currency interest rate swaps, which involve the exchange of both interest and notional amounts in two different currencies.

The main risk associated with these instruments is related to movements in interest rates and foreign currencies.

Interest rate

BDC may enter into interest rate swaps to hedge the financial impact of future interest rate fluctuations in relation to changes in the loan portfolio mix. Prior to March 31, 2018, these contracts were designated as cash flow hedges. BDC elected to de-designate the hedging instruments effective on March 31, 2018.

BDC also used derivative financial instruments as an economic hedge for its structured notes. These instruments include interest rate swaps and cross-currency interest rate swaps. These instruments have been classified as fair value through profit and loss.

Foreign exchange rate

BDC economically hedges its foreign currency denominated loans and subordinate financing investments with foreign exchange forward contracts. Venture capital investments denominated in foreign currencies are economically hedged following the occurrence of a liquidity event. These instruments are classified as fair value through profit and loss.

(in thousands of Canadian dollars)

8. Derivative financial instruments (continued)

Forwards

Forwards are contractual agreements to either buy or sell currencies or financial instruments at specified prices and dates in the future. They are customized contracts transacted in the over-the-counter market.

The main risks associated with these instruments arise from the possible inability of over-the-counter counterparties to meet the terms of the contracts, and from movements in interest rates and foreign exchange rates.

The following tables provide the fair value of BDC's derivatives portfolio as represented by gross asset and gross liability values. Refer to Note 22—*Risk management*, for additional information on master netting agreements and collateral associated with derivatives.

			March 31, 2022
	Gross assets	Gross liabilities	Net amount
Foreign exchange forward contracts	**12,277**	**110**	**12,167**
Total derivative financial instruments	**12,277**	**110**	**12,167**

			March 31, 2021
	Gross assets	Gross liabilities	Net amount
Interest rate swap contracts	2,718	–	2,718
Foreign exchange forward contracts	2,177	2,278	(101)
Total derivative financial instruments	4,895	2,278	2,617

The following table summarizes the notional amount, by term to maturity, of derivative instruments. Notional amounts, which are provided solely for comparative purposes, are not recorded as assets or liabilities on the Consolidated Statement of Financial Position, as they represent the face amount of the contract to which a rate or a price is applied to determine the amount of cash flows to be exchanged.

	Term to maturity	**March 31, 2022**	March 31, 2021
	Within 1 year	Notional amount	Notional amount
Interest rate swap contracts	**–**	**–**	124,139
Foreign exchange forward contracts	**673,282**	**673,282**	579,909
Total derivative financial instruments	**673,282**	**673,282**	704,048

The floating component for almost all of the Canadian dollar swap contracts is based on one-month Canadian bankers' acceptance rates. All amounts in foreign currencies are converted into the Canadian dollar equivalent using the rate of exchange of the derivative contracts.

(in thousands of Canadian dollars)

9.
Loans

The following tables summarize loans outstanding by contractual maturity date.

						2022
	Within 1 year	1 to 5 years	Over 5 years	Total gross carrying amount	Allowance for expected credit losses	Total net carrying amount
Performing	**579,719**	**5,581,543**	**27,163,276**	**33,324,538**	**(767,829)**	**32,556,709**
Impaired	**40,268**	**161,719**	**868,234**	**1,070,221**	**(343,413)**	**726,808**
Loans as at March 31, 2022	**619,987**	**5,743,262**	**28,031,510**	**34,394,759**	**(1,111,242)**	**33,283,517**

						2021
	Within 1 year	1 to 5 years	Over 5 years	Total gross carrying amount	Allowance for expected credit losses	Total net carrying amount
Performing	419,926	5,669,005	25,192,018	31,280,949	(1,111,410)	30,169,539
Impaired	28,146	189,580	932,506	1,150,232	(414,290)	735,942
Loans as at March 31, 2021	448,072	5,858,585	26,124,524	32,431,181	(1,525,700)	30,905,481

Allowance for expected credit losses

The following tables show a reconciliation from the opening to the closing balance of the expected credit loss allowance.

				March 31, 2022
	Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total
Balance as at April 1, 2021	**395,895**	**715,515**	**414,290**	**1,525,700**
Provision for expected credit losses				
Transfer to Stage 1[1]	**261,079**	**(257,948)**	**(3,131)**	**–**
Transfer to Stage 2[1]	**(158,853)**	**228,632**	**(69,779)**	**–**
Transfer to Stage 3[1]	**(1,364)**	**(55,325)**	**56,689**	**–**
Net remeasurement of allowance for expected credit losses[2]	**(378,369)**	**(146,677)**	**69,712**	**(455,334)**
Financial assets that have been fully repaid	**(41,879)**	**(58,794)**	**(39,877)**	**(140,550)**
New financial assets originated	**235,250**	**30,712**	**–**	**265,962**
Write-offs	**–**	**–**	**(114,098)**	**(114,098)**
Recoveries	**–**	**–**	**29,705**	**29,705**
Foreign exchange and other movements	**97**	**(142)**	**(98)**	**(143)**
Balance as at March 31, 2022	**311,856**	**455,973**	**343,413**	**1,111,242**

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

(in thousands of Canadian dollars)

9. Loans (continued)

Allowance for expected credit losses (continued)

	March 31, 2021			
	Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total
Balance as at April 1, 2020	270,249	514,256	414,668	1,199,173
Provision for expected credit losses				
Transfer to Stage 1[1]	264,681	(264,139)	(542)	–
Transfer to Stage 2[1]	(293,043)	325,317	(32,274)	–
Transfer to Stage 3[1]	(1,953)	(68,231)	70,184	–
Net remeasurement of allowance for expected credit losses[2]	(107,430)	223,485	126,439	242,494
Financial assets that have been fully repaid	(37,459)	(52,464)	(54,329)	(144,252)
New financial assets originated	328,420	72,241	–	400,661
Write-offs	–	–	(129,142)	(129,142)
Recoveries	–	–	21,419	21,419
Foreign exchange and other movements	(27,570)	(34,950)	(2,133)	(64,653)
Balance as at March 31, 2021	395,895	715,515	414,290	1,525,700

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

Key input and assumptions

The measurement of allowance for expected credit losses is the result of a complex calculation using a number of assumptions and inputs. The key drivers that contribute to changes in expected credit losses include:

> Changes in the forward-looking macro-economic conditions of multiple scenarios and their respective weighting;
> Changes in the credit risk of loans as reflected by changes in the internal risk ratings;
> Change in volume of new loans and portfolio growth;
> Loan exposure migration between the stages because of changes of the above inputs and assumptions.

Forward-looking information

Forward-looking information is included in both the assessment of allowance for expected credit losses and whether a financial instrument has experienced a significant increase in credit risk. The probability of default (PD), the loss given default (LGD) and the exposure at default (EAD) inputs used to estimate the expected credit loss allowance on the performing portfolio reflect the scenario-weighted forward-looking assumptions. Forward-looking macro-economic variables are forecasted for the base case, upside case and downside case scenarios. For each of the three macro-economic scenarios, the expected credit loss estimate includes a projection of relevant macro-economic variables over the upcoming two years. Key variables include, but are not limited to, GDP growth, unemployment rates, Consumer Price Index, and interest rates. Forecasts include both national and provincial macro-economic variables. The base case scenario forecasts solid growth in real GDP for 2022[1] as the economy is expected to stay on its pandemic recovery track, followed by more moderate growth in 2023[1]. The labour force has returned to pre-pandemic levels, with high participation rates and low unemployment rates. Inflation is forecasted to increase in 2022[1] as strong consumer demand continues to fuel the economy. The war in Ukraine has exacerbated the ongoing supply chain issues and contributed to increase in global inflation.

Upside and downside scenarios vary relative to our base case scenario based on reasonably plausible alternative macroeconomic conditions. The downside case forecasts flat growth in GDP for 2022[1] followed by modest increase in 2023[1], The upside scenario reflects a stronger recovery in 2022[1] than the base case, with a return to economic activity as forecasted in the base case.

(1) calendar year

(in thousands of Canadian dollars)

9. Loans (continued)

Forward-looking information (continued)

The inputs and models used in determining the expected credit losses may not always capture all relevant risk factors in our portfolio. The models were calibrated based on historical performance and relied on macro-economic forecasts. The COVID-19 pandemic significantly differs from previous crises given its magnitude, velocity, and root cause and the government is providing unprecedented levels of support to entrepreneurs and consumers. In addition, there is uncertainty as to the impact of geopolitical tensions, supply chain disruptions, shortages in labour and inflation on the global economy and BDC's business. Therefore, given the significant uncertainties as to the economic recovery and to address all risk factors not captured in the modelled results, expert credit judgement was applied in the assessment of expected credit losses. This included a quantitative and qualitative assessment of BDC's portfolio by industry and geographic segments, which served as a basis for the management overlay. Expert credit judgement was applied to the forecast default assumptions for each portfolio segment considering BDC's historical experience as well as internal portfolio performance and external industry trends.

Sensitivity of expected credit losses

The following tables show the impact on the allowance for expected credit losses that would result under the assumption that all performing loans were in either Stage 1 or Stage 2.

	March 31, 2022	
	Allowance for expected credit losses on performing loans[1]	Impact of staging
As reported	**824,179**	**–**
Simulation		
Performing loans as if they were all in Stage 1	**656,548**	**(167,631)**
Performing loans as if they were all in Stage 2	**1,124,677**	**300,498**

(1) Includes loans and loans commitments.

	March 31, 2021	
	Allowance for expected credit losses on performing loans[1]	Impact of staging
As reported	1,192,578	–
Simulation		
Performing loans as if they were all in Stage 1	981,863	(210,715)
Performing loans as if they were all in Stage 2	1,430,709	238,131

(1) Includes loans and loans commitments.

Credit risk

The principal items of collateral pledged as security if a loan defaults and other credit enhancements for loans include (i) various types of security on assets; (ii) personal and corporate guarantees; (iii) letters of credit; (iv) assignments of life insurance; (v) assignments or hypothecs of third-party loans; and (vi) assignments of leases.

As at March 31, 2022, $23.6 million ($45.0 million as at March 31, 2021) of impaired loans, net of allowance for credit losses, was secured by assets that BDC had the power to sell in order to satisfy borrower commitments. BDC's policy is to have these assets sold when other avenues of resolution have been exhausted.

(in thousands of Canadian dollars)

9. Loans (continued)

Credit risk (continued)

The following table summarizes performing and non-performing loans outstanding by client credit risk exposure based on BDC classification.

BDC rating	Grade equivalent	Stage 1	Stage 2	Stage 3	Total	**March 31, 2022** %
0.5-1.0	Investment grade	**3,949,448**	**31,031**	**–**	**3,980,479**	**12%**
1.5-5.0	Non-investment grade	**20,646,720**	**7,283,559**	**–**	**27,930,279**	**81%**
5.5	Watchlist	**7,230**	**1,406,550**	**–**	**1,413,780**	**4%**
6.0 and up	Credit-impaired	**–**	**–**	**1,070,221**	**1,070,221**	**3%**
Loans gross carrying amount		**24,603,398**	**8,721,140**	**1,070,221**	**34,394,759**	**100%**
Allowance for expected credit losses		**(311,856)**	**(455,973)**	**(343,413)**	**(1,111,242)**	
Net carrying amount		**24,291,542**	**8,265,167**	**726,808**	**33,283,517**	

BDC rating	Grade equivalent	Stage 1	Stage 2	Stage 3	Total	March 31, 2021 %
0.5-1.0	Investment grade	2,969,455	188,988	–	3,158,443	10%
1.5-5.0	Non-investment grade	17,540,899	8,940,259	–	26,481,158	81%
5.5	Watchlist	–	1,641,348	–	1,641,348	5%
6.0 and up	Credit-impaired	–	–	1,150,232	1,150,232	4%
Loans gross carrying amount		20,510,354	10,770,595	1,150,232	32,431,181	100%
Allowance for expected credit losses		(395,895)	(715,515)	(414,290)	(1,525,700)	
Net carrying amount		20,114,459	10,055,080	735,942	30,905,481	

The following tables summarize loans outstanding, classified by secured risk exposure coverage.

Secured risk exposure	Performing loans outstanding	Impaired loans outstanding	Total	**March 31, 2022**
Secured financing[(1)]	**22,821,856**	**766,019**	**23,587,875**	**69%**
Partially secured financing[(2)]	**3,992,588**	**124,166**	**4,116,754**	**12%**
Leverage financing[(3)]	**6,510,094**	**180,036**	**6,690,130**	**19%**
Loans outstanding	**33,324,538**	**1,070,221**	**34,394,759**	**100%**

(1) % of security shortfall at authorization is less than 30%.
(2) % of security shortfall at authorization is between 31% and 60%.
(3) % of security shortfall at authorization is over 60%.

Secured risk exposure	Performing loans outstanding	Impaired loans outstanding	Total	March 31, 2021
Secured financing[(1)]	20,838,623	830,069	21,668,692	67%
Partially secured financing[(2)]	3,751,818	103,108	3,854,926	12%
Leverage financing[(3)]	6,690,508	217,055	6,907,563	21%
Loans outstanding	31,280,949	1,150,232	32,431,181	100%

(1) % of security shortfall at authorization is less than 30%.
(2) % of security shortfall at authorization is between 31% and 60%.
(3) % of security shortfall at authorization is over 60%.

(in thousands of Canadian dollars)

9. Loans (continued)

Credit risk (continued)

BDC considers a loan past due when a client has not made a payment by the contractual due date. The following table shows the gross carrying value of loans that are past due but not classified as impaired because they are either less than three months past due or collection efforts are reasonably expected to result in repayment. These loans are included in Stage 2.

Loans past due but not impaired	Within 1 month	1 to 3 months	Over 3 months	Total
As at March 31, 2022	**111,300**	**26,532**	**1,370**	**139,202**
As at March 31, 2021	261,594	88,438	42,515	392,547

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. The largest concentration in one individual or closely related group of clients was less than 1% as at March 31, 2022, and March 31, 2021.

Undisbursed amounts of authorized loans stood at $3,698,715 as at March 31, 2022 ($846,600 fixed rate; $2,852,115 floating rate) ($3,065,039 as at March 31, 2021 ($881,758 fixed rate; $2,183,281 floating rate)). The weighted-average effective interest rate was 4.09% on loan commitments (3.89% as at March 31, 2021).

		March 31, 2022		March 31, 2021
Geographic distribution	Outstanding	Commitments	Outstanding	Commitments
Newfoundland and Labrador	**823,485**	**44,346**	869,334	41,447
Prince Edward Island	**73,912**	**2,927**	75,018	7,742
Nova Scotia	**681,469**	**49,005**	724,909	35,060
New Brunswick	**505,189**	**51,533**	520,292	40,245
Quebec	**10,790,667**	**1,292,085**	10,253,238	928,116
Ontario	**9,583,632**	**964,543**	9,038,576	821,886
Manitoba	**919,966**	**96,938**	861,037	81,165
Saskatchewan	**920,773**	**113,158**	865,988	65,576
Alberta	**4,885,030**	**585,077**	4,666,837	498,183
British Columbia	**5,011,952**	**492,748**	4,363,207	528,237
Yukon	**109,502**	**2,315**	115,611	1,155
Northwest Territories and Nunavut	**89,182**	**4,040**	77,134	16,227
Total loans outstanding[(1)]	**34,394,759**	**3,698,715**	32,431,181	3,065,039

(1) Loans commitments included $3,676,540 in the Financing segment, and $22,175 in the Credit Availability Program segment as at March 31, 2022 ($2,870,540, and $194,499 respectively, as at March 31, 2021).

(in thousands of Canadian dollars)

9. Loans (continued)

Credit risk (continued)

	March 31, 2022		March 31, 2021	
Industry sector	Outstanding	Commitments	Outstanding	Commitments
Manufacturing	**7,259,967**	**926,017**	7,047,791	788,282
Wholesale and retail trade	**6,850,826**	**799,756**	6,221,719	570,210
Service industries	**5,288,151**	**475,463**	4,976,814	460,518
Tourism	**3,641,436**	**155,837**	3,742,182	156,433
Commercial properties	**3,507,522**	**240,329**	3,290,244	151,264
Construction	**3,134,407**	**362,810**	2,843,645	356,322
Transportation and storage	**2,135,019**	**191,234**	1,889,402	206,829
Resources	**1,384,880**	**380,367**	1,340,224	231,612
Other	**1,192,551**	**166,902**	1,079,160	143,569
Total loans outstanding(1)	**34,394,759**	**3,698,715**	32,431,181	3,065,039

(1) Loans commitments included $3,676,540 in the Financing segment, and $22,175 in the Credit Availability Program segment as at March 31, 2022 ($2,870,540, and $194,499 respectively, as at March 31, 2021).

The following tables summarize loan commitments outstanding by client credit risk exposure based on BDC classification.

						March 31, 2022
BDC rating	Grade equivalent	Stage 1	Stage 2	Stage 3	Total	%
0.5-1.0	Investment grade	**573,285**	**2,751**	**–**	**576,036**	**16%**
1.5-5.0	Non-investment grade	**2,894,646**	**188,014**	**–**	**3,082,660**	**83%**
5.5	Watchlist	**–**	**40,019**	**–**	**40,019**	**1%**
Total loan commitment outstanding		**3,467,931**	**230,784**	**–**	**3,698,715**	**100%**
Allowance for expected credit losses		**(47,310)**	**(9,040)**	**–**	**(56,350)**	
Carrying value		**3,420,621**	**221,744**	**–**	**3,642,365**	

						March 31, 2021
BDC rating	Grade equivalent	Stage 1	Stage 2	Stage 3	Total	%
0.5-1.0	Investment grade	291,162	45,511	–	336,673	11%
1.5-5.0	Non-investment grade	2,309,043	367,872	–	2,676,915	87%
5.5	Watchlist	–	51,451	–	51,451	2%
6.0 and up	Credit-impaired	–	–	–	–	0%
Total loan commitment outstanding		2,600,205	464,834	–	3,065,039	100%
Allowance for expected credit losses		(57,007)	(24,161)	–	(81,168)	
Carrying value		2,543,198	440,673	–	2,983,871	

(in thousands of Canadian dollars)

9. Loans (continued)

Credit risk (continued)

The following tables show a reconciliation from the opening to the closing balance of the allowance for expected credit losses on commitments, which is included in other liabilities on the Consolidated Statement of Financial Position.

				March 31, 2022
Allowance for expected credit losses on commitments	Stage 1	Stage 2	Stage 3	Total
Balance as at April 1, 2021	**57,007**	**24,161**	**–**	**81,168**
Provision for expected credit losses				
Transfer to Stage 1[1]	**6,260**	**(6,260)**	**–**	**–**
Transfer to Stage 2[1]	**(10,227)**	**10,227**	**–**	**–**
Net remeasurement of the allowance for expected credit losses[2]	**(17,745)**	**7,961**	**–**	**(9,784)**
Net increase (decrease) in commitments	**12,184**	**(26,927)**	**–**	**(14,743)**
Foreign exchange and other movements	**(169)**	**(122)**	**–**	**(291)**
Balance as at March 31, 2022	**47,310**	**9,040**	**–**	**56,350**

(1) Provides the cumulative movement from the previous month's allowance for expected credit losses due to changes in stages prior to remeasurements.
(2) Includes the net remeasurement of the allowance following a transfer between stages, changes in commitments amounts, changes in credit risk and changes in model inputs and assumptions, including forward-looking macroeconomic variables.

				March 31, 2021
Allowance for expected credit losses on commitments	Stage 1	Stage 2	Stage 3	Total
Balance as at April 1, 2020	41,778	25,281	–	67,059
Provision for expected credit losses				
Transfer to Stage 1[1]	13,817	(13,817)	–	–
Transfer to Stage 2[1]	(35,229)	35,229	–	–
Net remeasurement of the allowance for expected credit losses[2]	11,911	21,834	–	33,745
Net increase (decrease) in commitments	26,381	(43,124)	–	(16,743)
Foreign exchange and other movements	(1,651)	(1,242)	–	(2,893)
Balance as at March 31, 2021	57,007	24,161	–	81,168

(1) Provides the cumulative movement from the previous month's allowance for expected credit losses due to changes in stages prior to remeasurements.
(2) Includes the net remeasurement of the allowance following a transfer between stages, changes in commitments amounts, changes in credit risk and changes in model inputs and assumptions, including forward-looking macroeconomic variables.

(in thousands of Canadian dollars)

10.
Asset-backed securities

The following table summarizes ABS by classification of financial instruments. As at March 31, 2022, $38,897 in ABS had maturities of less than five years ($40,793 as at March 31, 2021) and $949,569 had maturities over five years ($692,529 as at March 31, 2021). The ABS may be redeemed by the issuing trust at par depending on the terms of the securitization deal if the balance of the underlying assets or, in some cases, the balance of the notes, amortizes below 10% of the original balance at issuance. No ABS were impaired as at March 31, 2022, and March 31, 2021. No allowance for expected credit losses was recorded for disbursed and undisbursed ABS at fair value through other comprehensive income as at March 31, 2022 and March 31, 2021. Refer to Note 22—*Risk management*, for additional information on credit risk associated with the ABS portfolio.

	March 31, 2022	March 31, 2021
Fair value through other comprehensive income		
Principal amount	**992,833**	711,884
Cumulative fair value appreciation (depreciation)	**(17,391)**	11,362
Carrying value	**975,442**	723,246
Yield	**2.04%**	2.27%
Fair value through profit or loss		
Principal amount	**13,157**	9,863
Cumulative fair value appreciation (depreciation)	**(133)**	213
Carrying value	**13,024**	10,076
Yield	**6.98%**	7.01%
Asset-backed securities	**988,466**	733,322

Committed amounts of authorized asset-backed securities were $439,836 as at March 31, 2022 ($624,037 as at March 31, 2021), all of which are in the Financing segment.

11.
Subordinate financing investments

BDC maintains a medium- to high-risk portfolio of subordinate financing investments. The following table summarizes outstanding subordinate financing investments by their contractual maturity date.

	Within 1 year	1 to 5 years	Over 5 years	Total cost	Total fair value
As at March 31, 2022	**149,508**	**1,087,277**	**422,948**	**1,659,733**	**1,729,544**
As at March 31, 2021	150,441	974,871	320,979	1,446,291	1,452,966

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

(in thousands of Canadian dollars)

11. Subordinate financing investments (continued)

The concentrations of subordinate financing investments and undisbursed amounts of authorized subordinate financing investments, by geographic and industry distribution, are set out in the tables below. The largest concentration in one individual or closely related group of clients as at March 31, 2022, was 2.4% of total subordinate financing investments at cost (2.3% as at March 31, 2021). The subordinate financing portfolio is composed primarily of debentures.

Undisbursed amounts of authorized subordinate financing investments were $217,769 as at March 31, 2022 ($79,438 at fixed rate; $138,331 at floating rate) ($112,871 as at March 31, 2021 ($54,967 at fixed rate; $57,904 at floating rate)). The weighted-average effective interest rate was 8.3% on subordinate financing commitments (8.5% as at March 31, 2021), excluding non-interest return.

			March 31, 2022			March 31, 2021
Geographic distribution	Fair value	Cost	Commitments	Fair value	Cost	Commitments
Newfoundland and Labrador	**23,007**	**27,456**	**3,000**	16,371	21,563	7,525
Prince Edward Island	**6,304**	**6,516**	**–**	9,669	10,300	–
Nova Scotia	**23,385**	**23,576**	**15,000**	46,832	27,049	4,000
New Brunswick	**14,750**	**15,117**	**1,900**	15,979	15,657	–
Quebec	**618,389**	**543,257**	**54,323**	489,770	450,753	26,656
Ontario	**549,635**	**579,693**	**102,235**	464,186	503,659	37,290
Manitoba	**4,821**	**6,849**	**–**	6,801	8,532	–
Saskatchewan	**57,736**	**52,252**	**–**	47,842	53,696	2,100
Alberta	**216,648**	**228,133**	**20,800**	158,724	193,422	27,550
British Columbia	**214,073**	**176,089**	**20,511**	194,661	159,453	7,750
Yukon	**–**	**–**	**–**	225	224	–
Northwest Territories and Nunavut	**796**	**795**	**–**	1,906	1,983	–
Subordinate financing investments(1)	**1,729,544**	**1,659,733**	**217,769**	1,452,966	1,446,291	112,871

			March 31, 2022			March 31, 2021
Industry sector	Fair value	Cost	Commitments	Fair value	Cost	Commitments
Manufacturing	**539,559**	**503,813**	**54,101**	478,654	490,121	17,723
Service industries	**472,191**	**462,163**	**57,569**	411,798	389,167	37,145
Wholesale and retail trade	**241,039**	**221,459**	**48,125**	190,786	177,140	10,750
Resources	**173,857**	**187,906**	**22,984**	128,252	142,449	26,300
Information industries	**152,120**	**150,928**	**29,540**	123,367	118,257	10,603
Construction	**58,940**	**61,166**	**2,650**	45,822	48,163	7,650
Transportation and storage	**43,955**	**46,767**	**300**	36,751	47,578	2,700
Educational services	**11,258**	**11,823**	**–**	12,638	12,417	–
Tourism	**30,405**	**6,256**	**2,500**	6,288	9,980	–
Other	**6,220**	**7,452**	**–**	18,610	11,019	–
Subordinate financing investments(1)	**1,729,544**	**1,659,733**	**217,769**	1,452,966	1,446,291	112,871

(1) Subordinate financing commitments included $2,700 in the Financing segment, $132,882 in the Growth & Transition Capital segment, $29,192 in the Venture Capital segment, $52,995 in the Capital Incentive Programs segment and nil in the Credit Availability Program segment as at March 31, 2022 ($3,455, $56,251, $5,557, $42,783 and $4,825 respectively, as at March 31, 2021).

(in thousands of Canadian dollars)

12. Venture capital investments

BDC maintains a high-risk portfolio of venture capital investments. All venture capital investments, which are held for a longer term, are non-current assets.

The following table provides a summary of the venture capital investments portfolio, and undisbursed amounts of authorized investments, by type of investment and segment.

			March 31, 2022			March 31, 2021
Investment type	Fair value	Cost	Commitments	Fair value	Cost	Commitments
Direct investments	**1,941,156**	**1,011,375**	**26,836**	1,397,978	851,925	49,240
Indirect Investments in Funds(1)	**2,191,854**	**1,100,547**	**820,445**	1,580,590	985,162	876,138
Venture capital investments(2)	**4,133,010**	**2,111,922**	**847,281**	2,978,568	1,837,087	925,378

(1) As at March 31, 2022, BDC had invested in 113 funds through its VC segment and 24 funds through its CIP segment (100 and 24 funds, respectively, as at March 31, 2021).
(2) Venture Capital commitments included $517,584 in the Venture Capital segment, $327,247 in the Capital Incentive Programs segment and $2,449 in the Credit Availability Program segment as at March 31, 2022 ($473,575, $432,903 and $18,900 respectively, as at March 31, 2021).

The concentration by industry sector for direct investments are listed below. The largest single investment within these sectors as at March 31, 2022 was 2.98% of total venture capital direct investments at cost (3.35% as at March 31, 2021).

			March 31, 2022			March 31, 2021
Industry sector	Fair value	Cost	Commitments	Fair value	Cost	Commitments
Information technology	**1,039,452**	**518,973**	**20,518**	835,203	418,072	23,830
Service industries	**229,954**	**44,853**	**–**	101,194	43,045	–
Communications	**227,157**	**126,245**	**603**	141,868	100,473	10,031
Industrial	**225,438**	**79,420**	**–**	42,238	40,013	2,400
Biotechnology and pharmacology	**54,176**	**57,230**	**4,230**	63,498	58,480	4,232
Electronics	**54,090**	**89,597**	**50**	75,285	89,115	8,000
Medical and health	**51,362**	**46,312**	**938**	58,198	45,062	250
Energy	**28,691**	**20,582**	**497**	29,209	20,582	497
Other	**30,836**	**28,163**	**–**	51,285	37,083	–
Total direct investments	**1,941,156**	**1,011,375**	**26,836**	1,397,978	851,925	49,240

(in thousands of Canadian dollars)

13.
Property and equipment

	Computer and telecommunications equipment	Furniture, fixtures and equipment	Leasehold improvements	Total
				2022
Cost				
Balance as at March 31, 2021	**27,230**	**28,578**	**58,158**	**113,966**
Additions	**3,231**	**1,024**	**4,096**	**8,351**
Derecognition(1)	**(3,967)**	**(1,443)**	**(1,710)**	**(7,120)**
Balance as at March 31, 2022	**26,494**	**28,159**	**60,544**	**115,197**
Accumulated depreciation				
Balance as at March 31, 2021	**15,512**	**10,119**	**15,342**	**40,973**
Depreciation	**5,052**	**2,731**	**4,630**	**12,413**
Derecognition(1)	**(3,966)**	**(1,289)**	**(1,679)**	**(6,934)**
Balance as at March 31, 2022	**16,598**	**11,561**	**18,293**	**46,452**
Property and equipment as at March 31, 2022	**9,896**	**16,598**	**42,251**	**68,745**

(1) Derecognition of $7.1 million relates to property and equipment that are no longer in use.

	Computer and telecommunications equipment	Furniture, fixtures and equipment	Leasehold improvements	Total
				2021
Cost				
Balance as at March 31, 2020	26,310	26,712	48,423	101,445
Additions	1,790	3,297	11,621	16,708
Derecognition(1)	(870)	(1,431)	(1,886)	(4,187)
Balance as at March 31, 2021	27,230	28,578	58,158	113,966
Accumulated depreciation				
Balance as at March 31, 2020	11,838	8,698	13,205	33,741
Depreciation	4,532	2,622	4,019	11,173
Derecognition(1)	(858)	(1,201)	(1,882)	(3,941)
Balance as at March 31, 2021	15,512	10,119	15,342	40,973
Property and equipment as at March 31, 2021	11,718	18,459	42,816	72,993

(1) Derecognition of $4.2 million relates to property and equipment that are no longer in use.

No property and equipment were impaired as at March 31, 2022 and 2021.

As at March 31, 2022, and March 31, 2021, there were no significant contractual commitments to acquire property and equipment.

(in thousands of Canadian dollars)

14.
Intangible assets

				2022
	Acquired systems and software applications	Internally generated systems and software applications	Projects in progress	Total
Cost				
Balance as at March 31, 2021	**93,997**	**42,832**	**8,392**	**145,221**
Additions, separately acquired	**–**	**–**	**7,969**	**7,969**
Derecognition[(1)]	**(4,768)**	**(968)**	**–**	**(5,736)**
Balance as at March 31, 2022	**89,229**	**41,864**	**16,361**	**147,454**
Accumulated amortization				
Balance as at March 31, 2021	**92,148**	**13,232**	**–**	**105,380**
Amortization	**1,183**	**6,900**	**–**	**8,083**
Derecognition[(1)]	**(4,768)**	**(968)**	**–**	**(5,736)**
Balance as at March 31, 2022	**88,563**	**19,164**	**–**	**107,727**
Intangible assets as at March 31, 2022	**666**	**22,700**	**16,361**	**39,727**

(1) Derecognition of $5.7 million relates to intangible assets that are no longer in use.

				2021
	Acquired systems and software applications	Internally generated systems and software applications	Projects in progress	Total
Cost				
Balance as at March 31, 2020	94,195	20,093	21,576	135,864
Additions, separately acquired	–	–	9,555	9,555
Derecognition[(1)]	(198)	–	–	(198)
Available for use	–	22,739	(22,739)	–
Balance as at March 31, 2021	93,997	42,832	8,392	145,221
Accumulated amortization				
Balance as at March 31, 2020	88,619	5,720	–	94,339
Amortization	3,781	7,512	–	11,293
Derecognition[(1)]	(252)	–	–	(252)
Balance as at March 31, 2021	92,148	13,232	–	105,380
Intangible assets as at March 31, 2021	1,849	29,600	8,392	39,841

(1) Derecognition of $0.2 million relates to intangible assets that are no longer in use.

As at March 31, 2022, and March 31, 2021, there were no significant contractual commitments to acquire systems and software.

(in thousands of Canadian dollars)

15.
Leases

Right-of-use assets

	March 31, 2022
	Premise leases
Cost	
Balance as at April 1, 2021	**145,446**
Additions	**3,752**
Disposal	**(944)**
Balance as at March 31, 2022	**148,254**
Accumulated depreciation	
Balance as at April 1, 2021	**26,408**
Depreciation	**13,931**
Disposal	**(944)**
Balance as at March 31, 2022	**39,395**
Right-of-use assets as at March 31, 2022	**108,859**

	March 31, 2021
	Premise leases
Cost	
Balance as at April 1, 2020	141,281
Additions	6,821
Disposal	(2,656)
Balance as at March 31, 2021	145,446
Accumulated depreciation	
Balance as at April 1, 2020	13,758
Depreciation	15,306
Disposal	(2,656)
Balance as at March 31, 2021	26,408
Right-of-use assets as at March 31, 2021	119,038

(in thousands of Canadian dollars)

15. Leases (continued)

Lease liabilities

Maturity analysis—contractual undiscounted cash flow for lease liabilities

	March 31, 2022	March 31, 2021
Within 1 year	**14,595**	15,276
1 to 5 years	**57,252**	58,818
After 5 years	**61,589**	70,922
Total undiscounted lease liabilities	**133,436**	145,016

As at March 31, 2022, lease liabilities included in the Consolidated Statement of Financial Position totalled $125,325 of which $13,962 was short-term and $111,362 was long-term ($132,457 as at March 31, 2021 of which $13,328 was short-term and $119,129 was long-term).

Amounts recognized in the Consolidated Statement of Income

The following table summarizes amounts recognized in the Consolidated Statement of Income for the years ended March 31, 2022 and March 31, 2021.

	March 31, 2022	March 31, 2021
Interest on lease liabilities	**1,758**	2,082
Payments of non-lease components	**15,296**	15,270
	17,054	17,352

Lease commitments

BDC's future minimum non-fixed lease payments and cost for services related to the rental of premises are as follows:

	March 31, 2022	March 31, 2021
Within 1 year	**15,944**	15,816
1 to 5 years	**82,916**	81,302
After 5 years	**73,114**	87,442
Total	**171,974**	184,560

Leases not yet commenced to which BDC is committed amounted to $789.5 as at March 31, 2022 ($800.0 as at March 31, 2021).

Premise leases

BDC leases premises to provide office space for its head office and business centers. The leases typically run for a period of 5 to 10 years. Some leases include options to renew the lease for additional periods.

Some leases also require BDC to make payments that relate to the property taxes, business taxes and water taxes levied on the lessor; these amounts are generally variable payments determined annually.

(in thousands of Canadian dollars)

15. Leases (continued)

Renewal options

Some premise leases contain extension options exercisable by BDC up to between 60 and 120 months depending on the contract terms. BDC assesses at lease commencement whether it is reasonably certain to exercise the extension options. BDC reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

16.

Other assets

	March 31, 2022	March 31, 2021
Financial instruments measured at amortized cost		
Interest receivable on derivatives	**–**	728
Accounts receivable from Advisory clients	**2,260**	1,393
Other	**28,858**	6,679
	31,118	8,800
Prepaids and other	**31,657**	26,902
Other assets	**62,775**	35,702

17.

Accounts payable, accrued, and other liabilities

	March 31, 2022	March 31, 2021
Financial instruments measured at amortized cost		
Current		
Salaries and benefits payable	**86,067**	78,841
Accounts payable	**15,986**	15,400
Deposits from clients	**44,692**	33,973
Other	**18,758**	44,161
	165,503	172,375
Non-current		
Long-term accrued liabilities	**134,267**	56,405
Other	**1,536**	1,529
	135,803	57,934
Deferred income(1)	**9,703**	7,414
Lease incentives(2)	**258**	1,085
Accounts payable, accrued and other liabilities	**311,267**	238,808

(1) Deferred income is classified as current liability.
(2) Lease incentives are non-current

(in thousands of Canadian dollars)

18.

Borrowings

The table below presents the outstanding short-term notes.

				March 31, 2022		March 31, 2021
Maturity date	Effective rate	Currency	Principal amount (1)	Carrying value	Principal amount (1)	Carrying value
Short-term notes/ financial liabilities measured at amortized cost						
2022	0.072% - 0.20%	CAD	–	–	13,336,000	13,336,374
2023	0.126% - 1.003%	CAD	**14,384,000**	**14,385,629**	–	–
Total short-term notes				**14,385,629**		13,336,374

(1) The principal amount is presented in the original currency.

The table below presents the outstanding long-term notes by maturity.

					March 31, 2022		March 31, 2021
Maturity date	2022 Effective rate(1)	2021 Effective rate(1)	Currency	Principal amount (2)	Carrying value	Principal amount (2)	Carrying value
Long-term notes/financial liabilities measured at amortized cost							
2022		1.42% - 2.37%	CAD	–	–	270,000	271,239
2023	0.29% - 2.16%	0.35% - 2.16%	CAD	**900,000**	**902,805**	755,000	757,653
2024	0.44% - 2.26%	1.38% - 2.27%	CAD	**1,140,000**	**1,144,081**	735,000	738,518
2025	0.43% - 2.45%	0.43% - 2.45%	CAD	**1,770,000**	**1,776,615**	1,560,000	1,566,192
2026	0.44% - 2.27%	0.44% - 2.27%	CAD	**404,000**	**405,231**	395,000	396,230
2027	0.49% - 2.09%	0.49% - 2.09%	CAD	**585,000**	**586,997**	585,000	586,907
2028	0.51% - 1.46%	0.51% - 2.10%	CAD	**299,000**	**299,733**	405,000	405,982
2029	1.20% - 2.11%	1.62% - 2.11%	CAD	**145,000**	**145,728**	105,000	105,703
2030	0.55% - 1.73%	0.55% - 1.14%	CAD	**165,000**	**165,359**	80,000	80,149
2031	1.42% - 1.77%	–	CAD	**145,000**	**145,598**	–	–
2032	1.69% - 1.71%	–	CAD	**135,000**	**135,150**	–	–
					5,707,297		4,908,573
Long-term notes/ designated as at fair value through profit or loss							
2022		0.06% - 0.16%	CAD	–	–	124,139	127,662
Total long-term notes					**5,707,297**		5,036,235

(1) The effective rates on long-term notes are established after giving effect to swap contracts, when applicable, and refer to yield to maturity for fixed-rate issues and yield to reset for floating-rate issues.
(2) The principal amount is presented in the original currency.

(in thousands of Canadian dollars)

18. Borrowings (continued)

The total carrying value of the long-term notes designated at fair value through profit or loss as at March 31, 2022, was nil. As at March 31, 2021, the total carrying value of the long-term notes designated at fair value through profit and loss was $3,523 higher than the principal amount due at maturity, given respective exchange rates, fair value adjustments and accrued interest.

None of the liabilities designated at FVTPL was derecognized during the year ended March 31, 2022 and March 31, 2021.

As at March 31, 2022 and March 31, 2021, all long-term notes were interest-bearing.

The following tables show the cash flows and non-cash changes for borrowings.

		Cash flows		Non-cash changes			
	Balance at beginning of period	Issuances	Repayments	Fair value changes	Accrued interests	Changes in foreign exchange rate	Balance at end of period
2022							
Measured at amortized cost							
Short-term notes	**13,336,374**	**27,904,000**	**(26,856,000)**	**–**	**1,255**	**–**	**14,385,629**
Long-term notes	**4,908,573**	**1,223,000**	**(425,000)**	**–**	**724**	**–**	**5,707,297**
	18,244,947	**29,127,000**	**(27,281,000)**	**–**	**1,979**	**–**	**20,092,926**
Designated at fair value through profit or loss							
Long-term notes	**127,662**	**–**	**(124,139)**	**(2,794)**	**(730)**	**–**	**–**
	18,372,609	**29,127,000**	**(27,405,139)**	**(2,794)**	**1,250**	**–**	**20,092,926**

		Cash flows		Non-cash changes			
	Balance at beginning of period	Issuances	Repayments	Fair value changes	Accrued interests	Changes in foreign exchange rate	Balance at end of period
2021							
Measured at amortized cost							
Short-term notes	19,362,224	21,491,000	(27,510,828)	–	(5,963)	(59)	13,336,374
Long-term notes	4,071,332	835,000	–	–	2,241	–	4,908,573
	23,433,556	22,326,000	(27,510,828)	–	(3,722)	(59)	18,244,947
Designated at fair value through profit or loss							
Long-term notes	135,734	–	(2,554)	(4,656)	(16)	(846)	127,662
	23,569,290	22,326,000	(27,513,382)	(4,656)	(3,738)	(905)	18,372,609

19.

Net defined benefit asset or liability

BDC offers defined benefit plans that provide pension and other post-employment benefits to eligible employees. The defined benefit pension plans provide benefits based on years of service and average earnings at retirement, fully or partially indexed to the Consumer Price Index, depending on the option chosen by eligible employees hired before January 1, 2015, and partially indexed to the Consumer Price Index for employees hired after December 31, 2014. Other post-employment benefit plans include health, dental, critical illness and life insurance coverage, as well as a retirement allowance program for a closed group of employees who meet certain conditions.

These defined benefit plans expose BDC to actuarial risks, such as longevity risk, interest rate risk, inflation risk and market (investment) risk. The interest rate risk arises because, each year, the present value of the defined benefit obligation is calculated using a discount rate determined by reference to current market yields of high-quality corporate and provincial bonds, which may vary in the future. A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments. The investment risk arises because the actual return on the plan assets may not be sufficient to fulfill future obligations. The longevity risk arises because the present value of the obligation is calculated using projected cash flows based on a life expectancy table reflecting current expectations, which may change over time, and the inflation risk arises because the actual inflation rate in a given year may be different than the rate used for estimation purposes. For each of these risks, an unfavourable variance in any given year will result in an increase in the present value of the obligation and, ultimately, in higher costs. The risk that such unfavourable variances might arise is considered by the actuaries and management when reviewing the inputs to the annual actuarial valuation report.

BDC is the legal administrator of these plans and has implemented a governance structure, as follows:

- The Management Pension Funds Investment Committee (MPFIC) of BDC is established to act in an advisory capacity to the Human Resources Committee of the Board (HR Committee) on the Funds' investment strategies and to manage the funds according to the statements of investment policies. The MPFIC reports to the HR Committee and is chaired by the Treasurer.
- The HR Committee is responsible for design, funding, administration, communications and compliance related to the plans, as well as for overseeing—in conjunction with a pensioner, acting as an observer—all activities related to the investments of the funds of the Pension Plan for Employees of the Business Development Bank of Canada (registered pension plan) and BDC's supplemental pension plans (jointly referred to as the fund). The HR Committee reports directly to the board, comprises board members and is supported by BDC's MPFIC.
- The Board is responsible for overall monitoring of the plans and the fund, and for approving recommendations from the HR Committee.

The registered pension plan is governed according to applicable federal legislation, such as the *Pension Benefits Standards Act* and the *Income Tax Act*. The plan is under the jurisdiction of the Office of the Superintendent of Financial Institutions. Participants contribute a fixed percentage of their earnings to the plan, while BDC contributes the amount needed to maintain adequate funding, as dictated by the prevailing regulations. BDC may be required to take measures to offset any funding and solvency deficit by increasing its contributions. In addition, BDC pays the entire cost of the supplemental pension plans. The HR Committee is responsible for the investment and funding policies related to the registered and supplemental pension plans.

The registered pension plan is either partly or wholly funded in accordance with actuarially determined amounts required to satisfy employee benefit entitlements. Benefits accruing to members of the contributory component of the registered pension plan are also funded by contributions by plan participants. BDC's best estimate of contributions to be paid for fiscal 2023 for the registered pension plan is $51.7 million. The supplemental pension plans are partly funded by BDC and BDC's best estimate of contributions for fiscal 2023 is $9.7 million. The other benefit plans are wholly unfunded. Estimated BDC-paid benefits for other post-employment benefit plans (including the retirement allowance plan) for fiscal 2023 amount to $6.7 million.

(in thousands of Canadian dollars)

19. Net defined benefit asset or liability (continued)

The following tables provide aggregate, information concerning the defined benefit plans.

	Registered pension plan		Supplemental pension plans		Other plans		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Fair value of net plan assets at beginning of year	**1,768,380**	1,536,144	**85,285**	74,296	**–**	–	**1,853,665**	1,610,440
Interest income	**61,973**	64,968	**3,138**	3,312	**–**	–	**65,111**	68,280
Employer contributions	**45,394**	23,812	**9,733**	8,373	**–**	–	**55,127**	32,185
Participant contributions	**25,317**	24,912	**–**	–	**–**	–	**25,317**	24,912
Benefit payments from plan	**(64,934)**	(62,049)	**(5,769)**	(5,134)	**–**	–	**(70,703)**	(67,183)
Administrative expenses paid from plan assets	**(1,235)**	(1,636)	**(48)**	(146)	**–**	–	**(1,283)**	(1,782)
Remeasurements								
Return on plan assets (excluding interest income)	**23,745**	182,229	**884**	4,584	**–**	–	**24,629**	186,813
Fair value of net plan assets at end of year	**1,858,640**	1,768,380	**93,223**	85,285	**–**	–	**1,951,863**	1,853,665
Defined benefit obligation at beginning of year	**1,763,584**	1,494,363	**165,180**	144,278	**198,086**	176,461	**2,126,850**	1,815,102
Current service cost	**56,910**	45,082	**3,928**	3,640	**7,273**	6,761	**68,111**	55,483
Interest expense	**60,589**	62,192	**5,680**	6,023	**6,822**	7,363	**73,091**	75,578
Benefit payments from plan	**(64,934)**	(62,049)	**(5,769)**	(5,134)	**–**	–	**(70,703)**	(67,183)
Benefit payments from employer	**–**	–	**–**	–	**(6,512)**	(6,893)	**(6,512)**	(6,893)
Participant contributions	**25,317**	24,912	**–**	–	**–**	–	**25,317**	24,912
Remeasurements								
Effect of changes in demographic assumptions	**–**	(5,518)	**–**	425	**(4,209)**	(7,534)	**(4,209)**	(12,627)
Effect of changes in financial assumptions	**(222,745)**	204,378	**(13,915)**	17,858	**(26,534)**	23,125	**(263,194)**	245,361
Effect of experience adjustments	**6,229**	224	**(1,823)**	(1,910)	**(1,866)**	(1,197)	**2,540**	(2,883)
Defined benefit obligation at end of year	**1,624,950**	1,763,584	**153,281**	165,180	**173,060**	198,086	**1,951,291**	2,126,850
Total net defined benefit asset	**233,690**	4,796	**–**	–	**–**	–	**233,690**	4,796
Total net defined benefit liability	**–**	–	**60,058**	79,895	**173,060**	198,086	**233,118**	277,981

(in thousands of Canadian dollars)

19. Net defined benefit asset or liability (continued)

	Registered pension plan		Supplemental pension plans		Other plans		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Expense recognized in net income								
Current service cost	**56,910**	45,082	**3,928**	3,640	**7,273**	6,761	**68,111**	55,483
Interest expense on defined benefit obligation	**60,589**	62,192	**5,680**	6,023	**6,822**	7,363	**73,091**	75,578
Interest income on plan assets	**(61,973)**	(64,968)	**(3,138)**	(3,312)	**–**	–	**(65,111)**	(68,280)
Administrative expenses	**1,235**	1,636	**48**	146	**–**	–	**1,283**	1,782
Expense recognized in net income	**56,761**	43,942	**6,518**	6,497	**14,095**	14,124	**77,374**	64,563
Remeasurements recognized in OCI								
Effect of changes in demographic assumptions	**–**	5,518	**–**	(425)	**4,209**	7,534	**4,209**	12,627
Effect of changes in financial assumptions	**222,745**	(204,378)	**13,915**	(17,858)	**26,534**	(23,125)	**263,194**	(245,361)
Effect of experience adjustments	**(6,229)**	(224)	**1,823**	1,910	**1,866**	1,197	**(2,540)**	2,883
Return on plan assets (excluding interest income)	**23,745**	182,229	**884**	4,584	**–**	–	**24,629**	186,813
Remeasurement gain (loss) recognized in OCI	**240,261**	(16,855)	**16,622**	(11,789)	**32,609**	(14,394)	**289,492**	(43,038)

(in thousands of Canadian dollars)

19. Net defined benefit asset or liability (continued)

Net plan assets for BDC's registered and supplemental pension plans can be broken down into the following major categories of investments.

			March 31, 2022			March 31, 2021
Investment type	Quoted on active market	Unquoted	Total	Quoted on active market	Unquoted	Total
Investments						
Cash	**60,639**		**60,639**	18,908	–	18,908
Short-term investments	**–**	**–**	**–**	–	3,698	3,698
Securities purchased under reverse repuchase agreements	**–**	**635,079**	**635,079**	–	528,495	528,495
Bonds						
Government of Canada	**–**	**367,937**	**367,937**	–	364,650	364,650
Canadian provinces	**–**	**468,535**	**468,535**	–	545,788	545,788
Canadian corporate	**–**	**295,337**	**295,337**	–	354,541	354,541
Equity investments						
Canadian equity	**–**	**95,143**	**95,143**	–	200,704	200,704
Global equity	**–**	**865,933**	**865,933**	–	755,317	755,317
Private market	**–**	**206,529**	**206,529**	–	186,778	186,778
Other	**–**	**46,412**	**46,412**	–	45,358	45,358
Investment-related liabilities						
Securities sold under repurchase agreements	**–**	**648,258**	**648,258**	–	777,613	777,613
Securities sold short	**–**	**441,423**	**441,423**	–	372,959	372,959
Fair value of net plan assets	**60,639**	**1,891,224**	**1,951,863**	18,908	1,834,757	1,853,665

The investment objective for the plan assets of the registered pension plan is to outperform, in the long term, the pension obligation growth rate to compensate for the risk taken. The HR Committee annually reviews the investment policy, which stipulates a diversification strategy, an acceptable level of investment risk and a commensurate rate of return. The plan assets must be invested in a portfolio of diversified securities, according to the investment policy. These investments must be well diversified by industrial sector, based on the industry classification of specific identified indices.

According to the policy, the portfolio can be divided into three large categories of investments: fixed income assets, equity investments and private market investments. The target for fixed income assets is set at 40.0% (40.0% in 2021) of the fair market value of the portfolio. The target for investments in equity should represent approximately 50.0% (50.0% in 2021) of the fair market value of the portfolio: 45.0% in global equity (40.0% in 2021) and 5.0% in Canadian equity (10.0% in 2021). The target for private market investments should represent approximately 10.0% (10.0% in 2021) of the fair market value of the portfolio. The positioning of the asset mix is reviewed monthly to assess the need for rebalancing.

(in thousands of Canadian dollars)

19. Net defined benefit asset or liability (continued)

In fiscal 2020, the Pension Fund introduced the Liability Driven Investing ("LDI") bond portfolio with an inflation overlay. As part of the inflation overlay, repurchase agreements are contracted to fund the purchase of federal real return bonds and reverse repurchase agreements are contracted to obtain the federal nominal bonds to deliver when selling them short. Such repurchase and reverse repurchase positions are rolled over on an annual basis to maintain a synthetic long federal real return bond and short federal nominal bond position that delivers the inflation performance. In addition, the Pension Fund initiated in December 2020 a bond overlay with the LDI bond portfolio to achieve a target interest rate hedge ratio. The bond overlay uses repurchase agreements to fund the purchase of additional exposure to the LDI bond portfolio. The repurchase agreements are rolled over periodically (up to 1 year) to maintain the targeted interest rate hedge.

The significant actuarial assumptions adopted in measuring BDC's defined benefit obligation at year-end are as follows.

	Registered pension plan		Supplemental pension plans		Other plans	
	2022	2021	**2022**	2021	**2022**	2021
Discount rate	**4.35%**	3.50%	**4.35%**	3.50%	**4.35%**	3.50%
Inflation rate	**2.00%**	2.00%	**2.00%**	2.00%	**2.00%**	2.00%
Rate of salary increase	**3.20%**	3.20%	**3.20%**	3.20%	**3.20%**	3.20%
Rate of pension increase	**2.00%**	2.00%	**2.00%**	2.00%	**n/a**	n/a

The rates of inflation, salary increase, and pension increase in the above table for the fiscal 2022 year-end represent Management's long term view, which remains unchanged. The average rate of compensation increase is expected to be inflation, plus 0.5% for productivity gains, plus an adjustment for merit and promotion. For the short-term, provisions have been added to these assumptions to reflect the recent and anticipated impact of the COVID-19 pandemic on prices and wages. The resulting short-term assumptions are 3.50% inflation and 5.70% salary increase for the first year and 3.80% and 2.37% pension increases for the first and second year respectively.

The following mortality table was used to determine the present value of the benefit obligation:

> The 2014 Public Sector Mortality Table with mortality improvement Scale CPM-B, from the Canadian Pensioners' Mortality (CPM) study published by the Canadian Institute of Actuaries in February 2014, was used for 2022 and 2021.

As at March 31, 2022, the weighted-average duration of the defined benefit obligation was 16.1 years (2021: 17.4 years). For measurement purposes, health care cost trends were assumed to be as follows:

Medical (drugs)

> 5.50% in 2022 decreasing by 0.083% each year to 4.0% in 2040
(5.58% in 2021, decreasing by 0.083% each year to 4.0% in 2040)

Other medical costs

> 3.8% per year
(3.8% per year in fiscal 2021)

Dental costs

> 4.0% per year
(4.0% per year in fiscal 2021)

Weighted-average health care trend (Benefit obligation)

> 4.96% in 2022 decreasing by 0.056% each year to 3.96% in 2040
(4.97% in 2021, decreasing by 0.053% each year to 3.96% in 2040)

(in thousands of Canadian dollars)

19. Net defined benefit asset or liability (continued)

Sensitivity of assumptions

The present value of the defined benefit obligation is calculated, in the following sensitivity analyses, with the same method (the projected unit credit method) as the net defined benefit asset or liability recognized in the Consolidated Statement of Financial Position. The sensitivity analyses are based on a change in one assumption while all other assumptions are held constant. This analysis may not be representative of the actual change in the defined benefit obligation, as it is unlikely that a change in an assumption would occur in isolation; some of the assumptions may be correlated.

	March 31, 2022			March 31, 2021		
Increase (decrease) of the present value of the defined benefit obligation	Registered pension plan	Supplemental pension plans	Other plans	Registered pension plan	Supplemental pension plans	Other plans
Discount rate						
Impact of: 1% increase	**(229,995)**	**(19,258)**	**(24,270)**	(272,982)	(22,882)	(29,892)
1% decrease	**304,195**	**24,592**	**31,043**	363,878	29,803	38,749
Rate of salary increase						
Impact of: 1% increase	**39,034**	**10,774**	**340**	47,323	13,734	433
1% decrease	**(38,201)**	**(6,367)**	**(322)**	(46,305)	(8,099)	(411)
Rate of price inflation						
Impact of: 1% increase	**271,481**	**19,761**	**684**	324,802	21,802	885
1% decrease	**(211,976)**	**(14,078)**	**(587)**	(252,340)	(16,838)	(757)
Rate of pension increase						
Impact of: 1% increase	**219,200**	**21,877**	**–**	267,607	28,253	–
1% decrease	**(174,883)**	**(17,174)**	**–**	(213,562)	(19,617)	–
Health care cost trend						
Impact of: 1% increase	**–**	**–**	**24,813**	–	–	30,540
1% decrease	**–**	**–**	**(19,844)**	–	–	(24,166)
Post-retirement mortality						
Impact of: 1 year older	**(37,769)**	**(4,275)**	**(4,919)**	(45,434)	(5,053)	(6,256)
1 year younger	**37,443**	**4,230**	**5,000**	45,320	5,040	6,397

(in thousands of Canadian dollars)

20. Share capital

An unlimited number of common shares, having a par value of $100 each, is authorized. As at March 31, 2022, there were 119,469,000 common shares outstanding (115,119,000 as at March 31, 2021).

As per BDC's Capital Management and Dividend Policy, on the date of approval of the fiscal 2022 Consolidated Financial Statements, no dividend was declared while a dividend of $735.0 million was paid in fiscal 2022 based on fiscal 2021 performance.

In fiscal 2022, 4,350,000 common shares for $435.0 million were issued by BDC (75,030,000 for $7.503 billion in 2021).

Reconciliation of the number of common shares issued and outstanding

	2022	2021
As at beginning of the year	**115,119,000**	40,089,000
Shares issued	**4,350,000**	75,030,000
As at end of the year	**119,469,000**	115,119,000

On June 8, 2022, BDC's Board of Director authorized the repurchase of $5.0 billion of its common shares.

21. Capital management

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, which excludes accumulated other comprehensive income (loss). BDC's ratio as at March 31, 2022 was 1.2:1 (1.0:1 as at March 31, 2021).

In addition, the amount of paid-in-capital, together with any contributed surplus and any proceeds that have been prescribed as equity (such as hybrid capital instruments), must not at any time exceed $20.0 billion per the Business Development Bank of Canada Act, 1995 amended in March 2020. As at March 31, 2022, these amounts totalled $12.0 billion ($11.5 billion as at March 31, 2021).

During 2022 and 2021, BDC met both of these statutory limitations.

(in thousands of Canadian dollars)

21. Capital management (continued)

Capital adequacy

BDC's Capital Management Framework is outlined in its Capital Management and Dividend Policy and is aligned with:

> BDC's strategy, the Risk Appetite Statement and the Enterprise Risk Management Policy

> The Department of Finance's Capital and Dividend Policy Framework for Financial Crown Corporations

Although BDC is not regulated by the Office of the Superintendent of Financial Institutions (OSFI), its Capital Management Framework is continuously refined to better align with OSFI's guidelines and relevant industry practices, while accounting for factors unique to BDC's mandate as a financial Crown corporation.

The key principles behind BDC's Capital Management Framework are that:

> BDC has adequate capital to protect itself against risks that could adversely impact its ability to deliver on its mandate and minimize the risk of recapitalization through a complete economic cycle; and

> Capital in excess of BDC's target capital is available to be returned to the shareholder in the form of dividends, at the discretion of BDC's Board of Directors

BDC monitors its capital status on an ongoing basis by comparing its available capital to its required capital.

Available capital based on BDC's internal capital adequacy assessment process (ICAAP) is composed of equity attributable to BDC's shareholder and adjustments aligned with industry practices.

BDC's ICAAP excludes Capital Incentive Programs (CIP) and the Credit Availability Program (CAP), as these government programs are managed by BDC under a specific capital allocation from the shareholder.

The following table shows BDC's available capital reconciliation:

	March 31, 2022	March 31, 2021
Equity attributable to BDC's shareholder	**20,404,183**	18,004,095
Adjustments to available capital		
AOCI on cash flow hedges	**(1,528)**	(2,226)
Intangible assets, net of accumulated amortization	**(39,727)**	(39,841)
Net defined benefit asset	**(233,691)**	(4,796)
Adjustments for allowance for expected credit losses	**412,045**	378,696
Portion of equity attributable to CIP	**(2,017,633)**	(1,276,630)
Portion of equity attributable to CAP	**(8,079,491)**	(8,131,500)
Available capital	**10,444,158**	8,927,798

21. Capital management (continued)

Capital adequacy (continued)

BDC's required capital represents the capital required to support BDC's risk profile and includes the following element:

> Economic Capital quantifies the capital required to cover credit, investment, operational, business and market risks;

BDC's target capital level also factors in a management operating range to mitigate the impact of unplanned capital volatility. It accounts for differences between planned and actual level of activities, as well as volatility in assumptions that are difficult to predict. The management operating range allows any excess capital over target capital to be paid as dividends to the shareholder in the following fiscal year, subject to the discretion of the Board of Directors. Refer to Note 20—*Share capital* for information on dividends paid.

BDC's key measure for determining and assessing capital adequacy is its internal capital ratio, which is expressed as the level of available capital over the economic capital required. As set out in BDC's Capital Management and Dividend Policy, different management zones have been established to closely monitor the internal capital ratio through a complete business cycle, which include a risk limit, a tolerance threshold and a targeted level. BDC's target capital is revised annually based on BDC's Corporate Plan forecasts for internal capital requirements and the management operating range, as well as any capital required by a potential stress testing capital shortfall, identified as part of the enterprise-wide stress testing program.

As at March 31, 2022, BDC generated excess capital, however as per BDC's Capital Management and Dividend Policy, on the date of approval of the fiscal 2022 Consolidated Financial Statements, no dividend was declared.

22.

Risk management

Governance

Risk is an inherent feature of the financial sector. BDC has strong risk management practices that emphasize risk identification, risk management, transparency and accountability.

Nature and extent of risks arising from financial instruments

BDC is exposed to the following financial risks: credit risk, market risk and liquidity risk. This note provides the definitions of these risks and describes BDC's risk management policies and risk measurements.

Credit risk

Credit risk is the risk that a financial loss will be incurred due to the failure of a counterparty to discharge its contractual commitment or obligation to BDC. For the purposes of credit risk management activities, BDC distinguishes between credit risk arising from asset-backed securities issuers, borrowers and investees, and counterparties to Treasury activities.

22. Risk management (continued)

Credit risk (continued)

Asset-backed securities issuers

The ABS portfolio consists of investment-grade senior and subordinated notes issued by way of private placement. ABS are fully backed by security consisting of portfolios of loans and leases on vehicles and equipment, as well as dealer floor plan loans, for which there is no significant concentration risk.

In order to mitigate the credit risk on the underlying asset portfolio, generally, there are structural or credit protections. Also, the notional value of the subordinated notes does not exceed 10% of the senior notes. In addition, securities purchased must be of a certain grade. At time of purchase, senior notes must be, at a minimum, an implied investment grade. The implied rating is calculated by BDC using the same scale as rating agencies. The rating is derived by evaluating the transaction structure and the credit enhancement supporting the securities.

Subsequently, BDC receives portfolio reports that describe the performance of the securities, along with the cash flows associated with the collateral, in order to evaluate the securities. In addition, BDC uses an internal risk rating system to monitor credit risk.

As at March 31, 2022, and March 31, 2021, none of the notes were past due and none had experienced a deterioration in their credit rating. The maximum exposure to credit risk of ABS is limited to the carrying value of the securities. Refer to Note 10—*Asset-backed securities*, for additional information on this portfolio.

BDC is also exposed to credit risk on its ABS commitments. Maximum exposure to credit risk is limited to the committed amount. Refer to Note 10—*Asset-backed securities* for additional information.

Borrowers and investees

BDC uses a number of policies, directives and procedures to manage credit exposures from loans and investments, which include:

- the use of an internal credit risk rating classification;
- credit policies, guidelines and directives, communicated to officers whose activities and responsibilities include credit granting and risk assessment, which ensure early recognition of problem accounts and immediate implementation of steps to protect BDC's assets;
- independent reviews by Internal Audit of credit valuation, risk classification and credit management procedures, which include reporting the results to senior management, the President and Chief Executive Officer, and the Audit and Conduct Committee;
- approval of larger transactions by the Board Risk Committee and the Board Investment Committee, based on recommendations made by Management;
- monitoring of portfolio concentrations to protect BDC from being overly concentrated in any one province or industry sector;
- monitoring to ensure that exposure to a single borrower or associated borrowers, unless approved by the Board of Directors, does not represent more than 10% of the shareholder's equity;
- an annual review process to ensure appropriate classification of individual credit facilities;
- the conduct of semi-annual valuations of investments; and
- a watchlist report recording accounts with evidence of weaknesses, as well as an impaired loan report covering loans that show impairment.

(in thousands of Canadian dollars)

22. Risk management (continued)

Credit risk (continued)

Borrowers and investees (continued)

The maximum exposure to credit risk from borrowers and investees is limited to the carrying amount of the loans and subordinate financing investments. Refer to Note 9—*Loans* and Note 11—*Subordinate financing investments* for additional information on loans and investment portfolios.

BDC is also exposed to credit risk on its loan commitments and financial guarantees, which include loan guarantees. Maximum exposure to credit risk is limited to the committed amount or, in the case of financial guarantees, to the maximum amount payable under the guarantees. Refer to Note 9—*Loans* and Note 25—*Guarantees and contingent liabilities* for additional information.

Counterparties to treasury activities

Credit risk inherent to treasury activities is the risk that BDC faces through the non-performance of a counterparty and the possible event of its default. For the purpose of BDC's treasury activities, a distinction is made between credit risk arising from investments held in the liquidity portfolio (issuer risk) and credit risk arising from the use of derivative products (counterparty risk).

The notional amounts of derivative financial instruments held by BDC are not indicative of the credit risk exposure associated with the contracts. The risk of loss is related to the possibility that a counterparty to a transaction will not perform as agreed. In the event of default by a counterparty, the risk to BDC in these transactions would be limited to the prevailing market values of transactions that are in an unrealized gain position and uncollateralized.

BDC limits its exposure to credit risk by dealing only with financial institutions that have credit ratings in accordance with the Treasury Risk Policy. As at March 31, 2022, and March 31, 2021, BDC had no significant concentrations in any individual financial institution.

BDC continually monitors its position and the credit ratings of its counterparties, and seeks to limit its credit exposure with respect to contracts in a favorable position by entering into master netting agreements with counterparties.

Counterparty credit risk exposure	Counterparty ratings		
	AA- to AA+	A- to A+	Total
Gross positive replacement cost	**–**	**12,277**	**12,277**
Impact of master netting agreements	**–**	**(110)**	**(110)**
Replacement cost (after master netting agreements)—March 31, 2022	**–**	**12,167**	**12,167**
Replacement cost (after master netting agreements)—March 31, 2021	1,156	1,481	2,637
Number of counterparties			
March 31, 2022	**–**	**1**	**1**
March 31, 2021	2	4	6

(in thousands of Canadian dollars)

22. Risk management (continued)

Credit risk (continued)

Borrowers and investees (continued)

Counterparties to Treasury activities (continued)

Lastly, to manage the credit risk arising from an issuer of cash equivalents, the Treasury Risk Management Unit ensures the liquidity portfolio is composed of securities issued or guaranteed by entities that have a minimum credit rating of A.

The following table sets out information about the credit quality of cash and cash equivalents.

Counterparty rating	March 31, 2022	March 31, 2021
Rated AA- to AA+	**298,042**	298,477
Rated A- to A+	**608,344**	502,038
Cash and cash equivalents	**906,386**	800,515

Market risk

Market risk is the risk of incurring losses as a result of changes in market factors, such as interest rates, foreign exchange rates, the prices of equities or commodities, or other relevant market factors. Market risk for BDC also arises from volatile unpredictable market events affecting the value of venture capital investments.

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. For BDC, the risk and potential variability in earnings arise primarily when cash flows associated with interest-sensitive assets and liabilities have different repricing dates. A positive interest rate gap exists when interest-sensitive assets exceed interest-sensitive liabilities for a specific maturity or repricing period. A positive gap will result in an increase in net interest income when market interest rates rise, since assets reprice earlier than liabilities. The opposite impact will occur when market interest rates fall. As set out in the Treasury Risk Policy, BDC manages market risk by matching the terms of assets and liabilities. As a result, BDC structured notes are economically hedged, using derivatives, to eliminate market risks (refer to Note 8—*Derivative financial instruments*, for additional information).

To manage the interest rate gap on its interest-sensitive assets and interest-sensitive liabilities, BDC establishes policy guidelines for interest rate gap positions, regularly monitors the Bank's situation and decides future strategies in light of changing market conditions. The objective is to manage interest rate risk using sound and prudent guidelines. Interest rate risk policies included in the Treasury Risk Policy are approved and reviewed at least annually by the Board of Directors.

(in thousands of Canadian dollars)

22. Risk management (continued)

Market risk (continued)

Interest rate risk (continued)

Exposure to interest rate risk is controlled by managing the size of the static gap positions between interest-sensitive assets and interest-sensitive liabilities. Gap analysis is supplemented by scenario analysis of the asset liability portfolio structure and by a duration analysis. The interest rate gap is measured daily.

Exposure to interest rate risk is also monitored using a net interest income sensitivity stress test. A parallel and sustainable 200-basis-point shock on the Canadian yield curve is simulated and the impact on net interest income has to be less than 10%. The following table discloses the 12-month net interest income sensitivity stress test:

	March 31, 2022		March 31, 2021	
	200 basis points in interest rate		200 basis points in interest rate	
	Increase	Decrease	Increase	Decrease
Net interest income sensitivity	**43,600**	**(44,000)**	33,800	(33,800)
Net interest income sensitivity (%)	**3.14**	**(3.16)**	2.58	(2.58)

The following tables summarize BDC's interest rate sensitivity position based on the difference between the carrying value of assets and the carrying value of liabilities and equity, grouped by the earlier of contractual repricing or maturity date. This gap analysis is a static measurement of interest rate-sensitive gaps at a specific time. These gaps can change significantly in a short period of time.

	Immediately rate-sensitive	Within 3 months(1)	4 to 12 months	1 to 5 years	Over 5 years	Non-rate-sensitive(2)	Allowance and fair value	Total
Assets								
Cash and cash equivalents	**906,386**	**–**	**–**	**–**	**–**	**–**	**–**	**906,386**
Derivative assets	**–**	**–**	**–**	**–**	**–**	**12,277**	**–**	**12,277**
Loans	**19,405,535**	**1,034,127**	**1,539,217**	**8,144,135**	**3,201,524**	**1,070,221**	**(1,111,242)**	**33,283,517**
Asset-backed securities	**–**	**–**	**–**	**38,666**	**967,325**	**–**	**(17,525)**	**988,466**
Subordinate financing investments	**685,068**	**1,026**	**16,379**	**305,348**	**54,720**	**597,192**	**69,811**	**1,729,544**
Venture capital investments	**–**	**–**	**–**	**–**	**–**	**2,111,922**	**2,021,088**	**4,133,010**
Other	**–**	**–**	**–**	**–**	**–**	**513,796**	**–**	**513,796**
	20,996,989	**1,035,153**	**1,555,596**	**8,488,149**	**4,223,569**	**4,305,408**	**962,132**	**41,566,996**
Liabilities and equity								
Other	**–**	**–**	**–**	**–**	**–**	**985,487**	**–**	**985,487**
Derivative liabilities	**–**	**–**	**–**	**–**	**–**	**110**	**–**	**110**
Short-term notes	**–**	**14,385,629**	**–**	**–**	**–**	**110**	**–**	**14,385,629**
Long-term notes	**–**	**110,560**	**792,245**	**3,912,923**	**891,568**	**–**	**–**	**5,707,297**
Total equity	**–**	**–**	**–**	**–**	**–**	**20,488,473**	**–**	**20,488,473**
	–	**14,496,189**	**792,245**	**3,912,923**	**891,568**	**21,474,070**	**–**	**41,566,996**
Total gap position before derivatives								
March 31, 2022	**20,996,989**	**(13,461,036)**	**763,351**	**4,575,226**	**3,332,001**	**(17,168,662)**	**962,132**	**–**
March 31, 2021	19,561,365	(12,398,993)	771,117	4,519,004	2,958,470	(15,044,994)	(365,969)	–
Total derivative position	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total gap position March 31, 2022	**20,996,989**	**(13,461,036)**	**763,351**	**4,575,226**	**3,332,001**	**(17,168,662)**	**962,132**	**–**
Total gap position March 31, 2021	19,561,365	(12,523,132)	895,256	4,519,004	2,958,470	(15,044,994)	(365,969)	–

(1) This grouping includes asset-backed securities, short-term notes and long-term notes for which interest rates reset monthly. The short-term notes and long-term notes are used to fund floating-rate assets, the majority of which are categorized as immediately rate sensitive.

(2) Assets, liabilities and equities that are non-rate sensitive have no specific maturity.

(in thousands of Canadian dollars)

22. Risk management (continued)

Market risk (continued)

Foreign exchange risk

Foreign exchange risk arises when there is a difference between assets and liabilities held in foreign currencies. Foreign exchange risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. BDC's policy and practice is to economically hedge borrowings, subordinate financing investments and loans in foreign currencies so that the residual exposure to foreign exchange risk is not significant. Venture capital investments are hedged following the occurrence of a liquidity event. Refer to Note 8—*Derivative financial instruments*, for more information.

Venture capital market risk

Unpredictable financial markets, as well as the presence and appetite of buyers, dictate the timing of venture capital divestitures. This timing, in turn, affects the value of BDC venture capital investments. To manage this risk, BDC uses a rigorous selection process of investments and works closely with its investee companies. BDC also lowers the risk of its venture capital investments by applying conservative valuations when purchasing interests in a company, co-investing with other venture capital investors and monitoring investments regularly.

The following table represents a sensitivity analysis that aims to assess potential impact of general market repricing on fair value of investments.

				March 31, 2022
		Fair value movements under sensitivity shocks		
	Fair value	-10%	-25%	-50%
Venture Capital	**2,974,700**	**(297,470)**	**(743,675)**	**(1,487,350)**
Capital Incentive Programs	**1,005,737**	**(100,574)**	**(251,434)**	**(502,869)**
Credit Availability Program	**152,573**	**(15,257)**	**(38,143)**	**(76,287)**
March 31, 2022	**4,133,010**	**(413,301)**	**(1,033,252)**	**(2,066,506)**

				March 31, 2021
		Fair value movements under sensitivity shocks		
	Fair value	-10%	-25%	-50%
Venture Capital	2,152,971	(215,297)	(538,243)	(1,076,486)
Capital Incentive Programs	674,655	(67,466)	(168,664)	(337,328)
Credit Availability Program	150,942	(15,094)	(37,736)	(75,471)
March 31, 2021	2,978,568	(297,857)	(744,643)	(1,489,285)

As BDC's venture capital investments are fully capitalized, any movement in equity prices has a null effect on the capital status as both available and required capital move simultaneously by the same level. Nonetheless, movements in equity prices will impact net income as well as proceeds from divesture of investments. To manage this risk, BDC uses a rigorous selection process of investments and works closely with its investee companies.

Management reviews all transactions. Larger investment transactions that exceed delegations residing with management are recommended by management to the Board Investment Committee which, in turn, may recommend them to the Board, as required. Other transactions will be recommended for review by the Board Risk Committee, more specifically by the Executive Vice President and Chief Risk Officer.

(in thousands of Canadian dollars)

22. Risk management (continued)

Liquidity risk

Liquidity risk is the risk resulting from the difficulty in converting BDC's assets into cash for the purpose of servicing and refinancing its debt, for the timely disbursement of its committed loans and investments and for payment of its operating expenses and dividends.

The following tables detail contractual maturities of financial liabilities and commitments and are based on notional amounts, which may differ from carrying values.

	Within 1 year	1 to 5 years	Over 5 years	No fixed maturity	Total
Accounts payable and accrued liabilities	**167,039**	**134,267**	**–**	**–**	**301,306**
Short-term notes[1]	**14,425,712**	**–**	**–**	**–**	**14,425,712**
Long-term notes[1]	**976,151**	**4,044,100**	**911,469**	**–**	**5,931,720**
	15,568,902	**4,178,367**	**911,469**	**–**	**20,658,738**
Commitments					
Loans	**3,698,715**	**–**	**–**	**–**	**3,698,715**
Asset-backed securities[2]	**439,836**	**–**	**–**	**–**	**439,836**
Subordinate financing investments	**217,769**	**–**	**–**	**–**	**217,769**
Venture capital investments[3]	**–**	**–**	**–**	**847,281**	**847,281**
	4,356,320	**–**	**–**	**847,281**	**5,203,601**
Loan guarantees	**66,534**	**206,421**	**3,182,775**	**–**	**3,455,730**
Total as at March 31, 2022	**19,991,756**	**4,384,788**	**4,094,244**	**847,281**	**29,318,068**

(1) Short-term and long-term notes reflect the future payments that will be paid as per the contractual note agreements.
(2) Commitments are presented at the earliest possible liquidity event.
(3) Commitments are mainly related to participation in funds in which BDC is legally committed to invest. Timing of investments will vary, depending on funds' investment requirements, and should occur over the next several years.

	Within 1 year	1 to 5 years	Over 5 years	No fixed maturity	Total
Accounts payable and accrued liabilities[4]	173,904	56,405	–	–	230,309
Short-term notes[1]	13,340,838	–	–	–	13,340,838
Long-term notes[1]	464,806	3,617,253	1,196,855	–	5,278,914
	13,979,548	3,673,658	1,196,855	–	18,850,061
Commitments					
Loans	3,065,039	–	–	–	3,065,039
Asset-backed securities[2]	624,037	–	–	–	624,037
Subordinate financing investments	112,871	–	–	–	112,871
Venture capital investments[3]	–	–	–	925,378	925,378
	3,801,947	–	–	925,378	4,727,325
Total as at March 31, 2021	17,781,495	3,673,658	1,196,855	925,378	23,577,386

(1) Short-term and long-term notes reflect the future payments that will be paid as per the contractual note agreements.
(2) Commitments are presented at the earliest possible liquidity event.
(3) Commitments are mainly related to participation in funds in which BDC is legally committed to invest. Timing of investments will vary, depending on funds' investment requirements, and should occur over the next several years.
(4) Includes "Other financial liabilities" presented on a separate line in the F2021 financial statements. Refer to note 27—*Comparative Information* for more details

22. Risk management (continued)

Liquidity risk (continued)

A lack of marketability could make it expensive or even impossible to liquidate the securities held by BDC, which could also compromise the short-term continuity of normal business. To avoid any liquidity-related disruptions, BDC ensures that cash is invested in highly liquid and high-quality securities that can be sold to a wide range of counterparties without incurring a substantial loss.

BDC's liquidity risk management objective is to mitigate this risk by:

- providing for a minimum level of short-term assets over short-term liabilities to cover commitment, market, systemic and operational risks;
- minimizing the unproductive cash balance in the cash account; and
- achieving a return on liquid assets in excess of cost while protecting BDC's capital.

The Treasury Risk Policy establishes risk tolerance parameters, provides delegation of authority to BDC's Treasury Department to transact in approved products and provides limits related to specific measures. The policy governs management, measurement, monitoring and reporting requirements related to liquidity. Subsection 18(3) of the BDC Act defines the instruments in which BDC may invest its liquidity.

BDC's liquidity management practices and processes reinforce its risk mitigation strategies by assigning prudent liquidity levels, concentration requirements and maturity profile requirements, as outlined below:

- The minimum liquidity level covers at least the net outflows scheduled for the next five working days. As at March 31, 2022 the maximum liquidity level was not to exceed 15 days of net cash outflows (15 days as at March 31, 2021)
- The maturity profile requires 75% of the total liquidity to be invested in securities maturing within 100 days.
- The concentration profile requires that no more than 50% of the portfolio be invested in securities issued or guaranteed by Canadian provinces.

The following tables show the results of BDC's liquidity risk management:

Liquidity level (in millions of Canadian dollars)

	Minimum	Actual	Maximum
As at March 31, 2022	**–**	**869**	**1,050**
As at March 31, 2021	68	761	1,028

Maturity and concentration limits	Limits	**March 31, 2022**	March 31, 2021
Cash and cash equivalents maturing within 100 days	Min 75%	**100%**	100%
Cash and cash equivalents in Canadian provinces	Max 50%	**0%**	0%

The Treasury Risk Management Unit identifies, measures and monitors these liquidity limits daily. It reports any deviations from these liquidity limits to the Board of Directors. The Treasury Risk Management Unit determines whether the limits remain valid or whether changes to assumptions and limits are required in light of internal or external developments. This process ensures that close links are maintained between liquidity, market and credit risks.

(in thousands of Canadian dollars)

23.

Additional information on the Consolidated Statement of Income

Additional information on financial instruments

	FVTPL and designated at FVTPL	FVOCI	Amortized Cost	Total
				2022
Interest income(1)(2)	**101,462**	**16,475**	**1,576,480**	**1,694,417**
Interest expense(3)	**84**	**–**	**105,787**	**105,871**
Fee and other income	**43,055**	**–**	**64,670**	**107,725**

(1) Interest income includes $86,566 for impaired loans in 2022.
(2) The interest income on the financial assets measured at FVOCI and amortized cost are calculated using the effective rate method.
(3) The interest expense on financial liabilities measured at amortized cost is calculated using the effective rate method.

	FVTPL and designated at FVTPL	FVOCI	Amortized Cost	Total
				2021
Interest income(1)(2)	99,923	17,632	1,495,460	1,613,015
Interest expense(3)	359	–	93,260	93,619
Fee and other income	33,168	–	34,257	67,425

(1) Interest income includes $67,527 for impaired loans in 2021.
(2) The interest income on the financial assets measured at FVOCI and amortized cost are calculated using the effective rate method.
(3) The interest expense on financial liabilities measured at amortized cost is calculated using the effective rate method.

	FVTPL	Designated as at FVTPL	FVOCI	Amortized Cost	Total
					2022
Total gains (losses)					
Net realized gains (losses) on investments	**576,019**	**–**	**–**	**–**	**576,019**
Net change in unrealized appreciation (depreciation) of investments	**915,722**	**–**	**–**	**–**	**915,722**
Net realized foreign exchange gains (losses) on assets	**(2,394)**	**–**	**(59)**	**(4,307)**	**(6,760)**
Net unrealized foreign exchange gains (losses) on assets	**(12,191)**	**–**	**43**	**3,234**	**(8,914)**
Net realized foreign exchange gains (losses) on foreign exchange forward contracts	**(9,159)**	**–**	**–**	**–**	**(9,159)**
Net unrealized foreign exchange gains (losses) on foreign exchange forward contracts	**12,268**	**–**	**–**	**–**	**12,268**
Net foreign exchange gains (losses)	**(11,476)**	**–**	**(16)**	**(1,073)**	**(12,565)**
Net realized gains (losses) on other financial instruments	**578**	**–**	**–**	**(32)**	**546**
Net unrealized gains (losses) on other financial instruments	**(2,718)**	**2,794**	**–**	**–**	**76**
Net gains (losses) on other financial instruments	**(2,140)**	**2,794**	**–**	**(32)**	**622**
	1,478,125	**2,794**	**(16)**	**(1,105)**	**1,479,798**

(in thousands of Canadian dollars)

23. Additional information on the Consolidated Statement of Income (Loss) (continued)

Additional information on financial instruments (continued)

					2021
	FVTPL	Designated as at FVTPL	FVOCI	Amortized Cost	Total
Total gains (losses)					
Net realized gains (losses) on investments	167,076	–	–	–	167,076
Net change in unrealized appreciation (depreciation) of investments	1,136,019	–	–	–	1,136,019
Net realized foreign exchange gains (losses) on assets	(168)	–	(14)	(997)	(1,179)
Net unrealized foreign exchange gains (losses) on assets	(76,919)	–	(548)	(67,569)	(145,036)
Net realized foreign exchange gains (losses) on foreign exchange forward contracts	53,314	–	–	–	53,314
Net unrealized foreign exchange gains (losses) on foreign exchange forward contracts	12,184	–	–	–	12,184
Net foreign exchange gains (losses)	(11,589)	–	(562)	(68,566)	(80,717)
Net realized gains (losses) on other financial instruments	1,271	–	–	–	1,271
Net unrealized gains (losses) on other financial instruments	(4,952)	4,656	–	59	(237)
Net gains (losses) on other financial instruments	(3,681)	4,656	–	59	1,034
	1,287,825	4,656	(562)	(68,507)	1,223,412

Other additional information

	2022	2021
Salaries and benefits		
Salaries and other benefits	**467,458**	389,878
Defined benefit plan expense (Note 19)	**77,374**	64,563
	544,832	454,441
Other expenses		
Professional and outsourcing fees	**91,263**	96,497
Computers and software, including amortization and depreciation	**53,335**	49,112
Communications, advertising and promotion	**20,784**	21,962
Other	**22,470**	8,866
	187,852	176,437

24.

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.

24. Segmented information (continued)

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

> **Financing**: provides secured, partially secured and unsecured loans with a focus on small and medium-sized enterprises across Canada. It also purchases investments in asset-backed securities through the Funding Platform for Independent Lenders (F-PIL). These securities are backed by vehicle and equipment loans and leases, as well as dealer floor plan loans.

> **Advisory Services**: provides advisory services, supports high-impact firms, and provides group programs and other services related to business activities.

> **Growth & Transition Capital**: provides subordinate financing by way of flexible debt, with or without convertible features, and quasi-equity financing to support the growth and transition projects of SMEs.

> **Venture Capital**: includes investments in Venture capital (VC), Growth Equity (GE) and Intellectual Property (IP). Venture capital segment provides investments to cover every stage of a technology-based company's development cycle, from seed funding to expansion. Investments in VC are focused on fast-growing companies having promising positions in their respective marketplaces and strong growth potential. BDC also makes indirect investments via venture capital investment funds. GE are equity investments to support the growth of high-potential companies across Canada. With the first Growth Equity Fund reaching its total capital commitment target of $250.0 million, BDC will launch a follow-on fund, Growth Equity Fund II, which will maintain a focus on mid-size businesses and target a broader range of companies. Through its IP Fund, BDC launched a $160 million Fund that provides more targeted financing to companies that are rich in intellectual property. It focusses on such sectors as advanced manufacturing, media and telecom, med-tech and digital health and information technology. Companies will be able to access customized, patient capital that recognizes IP as a core asset that must be valued and protected.

> **Capital Incentive Programs**: : includes Venture Capital Action Plan (VCAP), Venture Capital Catalyst Initiative (VCCI), Cleantech Practice and Indigenous Growth Fund (IGF). VCAP is a $390.0 million federal government initiative to increase private sector venture capital financing for high-potential, innovative Canadian businesses. VCAP invests primarily in early-stage and mid-stage venture capital funds, and directly in companies across Canada. It supports the creation of large private sector-led funds of funds and also assists existing high-performing funds in partnership with institutional investors, corporate strategic investors and interested provinces. VCCI is also a government-sponsored initiative whereby $372.0 million is made available through BDC over three years to provide late-stage venture capital to support the growth of innovative start-ups. Through a $600.0 million envelope entrusted by the federal government, Cleantech Practice provides subordinate financing and venture capital investments to promising clean technology firms to help build globally competitive and commercially sustainable Canadian cleantech firms. IGF is a $150 million investment fund, to which BDC committed $100.0 million. It will provide access to the capital to Indigenous entrepreneurs across all industries via business loans from a network of Aboriginal Financial Institutions throughout the country. The fund is managed by the National Aboriginal Capital Corporation Association and lead investments come from the Government of Canada and BDC, with further commitments made by Export Development Canada and Farm Credit Canada.

> **Credit Availability Program**: with the support of our sole shareholder, the Government of Canada, we launched a series of measures to help Canadian businesses during the COVID-19 crisis. These measures are combined under this segment to distinguish COVID-19 related measures from our core activities. The initiatives extend eligibility criteria to ensure we are meeting the urgent needs of as many viable businesses as possible. They include the Business Credit Availability Program which is delivered in collaboration with private sector lenders, the Highly Affected Sectors Credit Availability Program under which, financial institutions provide loans up to the $1 million, 100% guaranteed by BDC, the Canada Digital Adoption Program, to help small and medium-sized enterprises adopt digital technologies and stay competitive by providing access to funding and expertise, and measures delivered directly by BDC.

(in thousands of Canadian dollars)

24. Segmented information (continued)

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 to the economic risks of each specific business segment. Refer to Note 21—*Capital management*, for more information.

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, which are all held in Canada, are managed separately based on BDC's business segments. None of the other assets or liabilities are managed by segment.

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

							March 31, 2022
	BDC	Financing	Advisory Services	Growth & Transition Capital	Venture Capital	Capital Incentive Programs	Credit Availability Program
Interest income	**1,694,417**	**1,476,077**	**–**	**87,756**	**664**	**8,538**	**121,382**
Interest expense	**105,871**	**97,141**	**–**	**4,884**	**17**	**–**	**3,829**
Net interest income	**1,588,546**	**1,378,936**	**–**	**82,872**	**647**	**8,538**	**117,553**
Net realized gains (losses) on investments	**576,019**	**(562)**	**–**	**36,960**	**457,707**	**64,914**	**17,000**
Revenue from Advisory Services	**28,865**	**–**	**28,865**	**–**	**–**	**–**	**–**
Fee and other income	**107,725**	**24,312**	**9**	**22,748**	**12,858**	**2,598**	**45,200**
Net revenue	**2,301,155**	**1,402,686**	**28,874**	**142,580**	**471,212**	**76,050**	**179,753**
Provision for expected credit losses	**84,681**	**267,742**	**–**	**–**	**–**	**–**	**(183,061)**
Net change in unrealized appreciation (depreciation) of investments	**915,722**	**(6,220)**	**–**	**47,191**	**648,449**	**234,241**	**(7,939)**
Net foreign exchange gains (losses)	**(12,565)**	**(502)**	**–**	**17**	**(11,443)**	**(169)**	**(468)**
Net gains (losses) on other financial instruments	**622**	**654**	**–**	**–**	**–**	**–**	**(32)**
Income (loss) before operating and administrative expenses	**3,289,615**	**1,664,360**	**28,874**	**189,788**	**1,108,218**	**310,122**	**(11,747)**
Salaries and benefits	**544,832**	**330,521**	**47,588**	**32,082**	**98,868**	**4,804**	**30,969**
Premises and equipment	**42,169**	**31,383**	**3,381**	**1,902**	**2,450**	**477**	**2,576**
Other expenses	**187,852**	**140,287**	**16,861**	**3,551**	**18,858**	**1,022**	**7,273**
Operating and administrative expenses	**774,853**	**502,191**	**67,830**	**37,535**	**120,176**	**6,303**	**40,818**
Net income (loss)	**2,514,762**	**1,162,169**	**(38,956)**	**152,253**	**988,042**	**303,819**	**(52,565)**
Net income (loss) attributable to:							
BDC's shareholder	**2,440,048**	**1,162,169**	**(38,956)**	**136,312**	**929,269**	**303,819**	**(52,565)**
Non-controlling interests	**74,714**	**–**	**–**	**15,941**	**58,773**	**–**	**–**
Net income (loss)	**2,514,762**	**1,162,169**	**(38,956)**	**152,253**	**988,042**	**303,819**	**(52,565)**
Business segment portfolio as at March 31, 2022							
Loans, net of allowance for expected credit losses	**33,283,517**	**30,499,262**	**–**	**–**	**–**	**–**	**2,784,255**
Asset-backed securities	**988,466**	**988,466**	**–**	**–**	**–**	**–**	**–**
Subordinate financing investments	**1,729,544**	**11,365**	**–**	**1,075,835**	**251,858**	**376,750**	**13,736**
Venture capital investments	**4,133,010**	**–**	**–**	**–**	**2,974,700**	**1,005,737**	**152,573**
Total portfolio	**40,134,537**	**31,499,093**	**–**	**1,075,835**	**3,226,558**	**1,382,487**	**2,950,564**

(in thousands of Canadian dollars)

24. Segmented information (continued)

							March 31, 2021
	BDC	Financing	Advisory Services	Growth & Transition Capital	Venture Capital	Capital Incentive Programs	Credit Availability Program
Interest income	1,613,015	1,445,665	–	87,837	37	8,941	70,535
Interest expense	93,619	85,579	–	5,637	523	–	1,880
Net interest income (loss)	1,519,396	1,360,086	–	82,200	(486)	8,941	68,655
Net realized gains (losses) on investments	167,076	(250)	–	(8,644)	168,211	6,799	960
Revenue from Advisory Services	20,922	–	20,922	–	–	–	–
Fee and other income	67,425	24,069	7	19,194	10,084	2,906	11,165
Net revenue	1,774,819	1,383,905	20,929	92,750	177,809	18,646	80,780
Provision for expected credit losses	(507,256)	(262,021)	–	–	–	–	(245,235)
Net change in unrealized appreciation (depreciation) of investments	1,136,019	(4,522)	–	61,162	836,236	243,307	(164)
Net foreign exchange gains (losses)	(80,717)	(3,957)	–	(2,685)	(69,863)	(2,124)	(2,088)
Net gains (losses) on other financial instruments	1,034	1,034	–	–	–	–	–
Income (loss) before operating and administrative expenses	2,323,899	1,114,439	20,929	151,227	944,182	259,829	(166,707)
Salaries and benefits	454,441	228,814	43,154	30,180	29,473	3,890	118,930
Premises and equipment	43,158	24,433	3,323	1,785	1,947	390	11,280
Other expenses	176,437	128,089	13,876	4,429	10,295	1,166	18,582
Operating and administrative expenses	674,036	381,336	60,353	36,394	41,715	5,446	148,792
Net income (loss)	1,649,863	733,103	(39,424)	114,833	902,467	254,383	(315,499)
Net income (loss) attributable to:							
BDC's shareholder	1,647,648	733,103	(39,424)	113,355	901,730	254,383	(315,499)
Non-controlling interests	2,215	–	–	1,478	737	–	–
Net income (loss)	1,649,863	733,103	(39,424)	114,833	902,467	254,383	(315,499)
Business segment portfolio as at March 31, 2021							
Loans, net of allowance for expected credit losses	30,905,481	27,876,931	–	–	–	–	3,028,550
Asset-backed securities	733,322	733,322	–	–	–	–	–
Subordinate financing investments	1,452,966	17,297	–	913,938	215,105	288,534	18,092
Venture capital investments	2,978,568	–	–	–	2,152,971	674,655	150,942
Total portfolio	36,070,337	28,627,550	–	913,938	2,368,076	963,189	3,197,584

(in thousands of Canadian dollars)

25.
Guarantees and contingent liabilities

Financial guarantees

Guarantees
BDC issues "letters of credit, loan guarantees and portfolio guarantees" (guarantees) to support businesses. Those guarantees represent BDC's obligation to make payments to third parties if clients are unable to meet their contractual commitments. Collateral requirements for guarantees are consistent with BDC collateral requirements for loans. The maximum contractual obligation and actual exposure under the guarantees amounted to $3,455.7 million as at March 31, 2022 ($294.6 million as at March 31, 2021) and the existing terms expire within 106 months (within 120 months as at March 31, 2021).

As at March 31, 2022 an amount of $2.2 million of claims payable under these guarantees was recognized in BDC's Consolidated Statement of Financial Position (nil claims payable as at March 31, 2021).

Concentrations of the total loan guarantees by province and territory and by industry sector are set out in the tables below.

	March 31, 2022	March 31, 2021
Geographic distribution	**Loan guarantees**	Loan guarantees
Newfoundland and Labrador	**19,389**	2,575
Prince Edward Island	**9,449**	600
Nova Scotia	**31,084**	5,320
New Brunswick	**18,707**	3,660
Quebec	**400,253**	41,446
Ontario	**1,970,985**	147,328
Manitoba	**58,102**	4,525
Saskatchewan	**31,976**	1,900
Alberta	**634,097**	57,783
British Columbia	**280,969**	29,507
Yukon	**690**	–
Northwest Territories and Nunavut	**29**	–
Total loan guarantees(1)	**3,455,730**	294,644

(1) Loans guarantees included $3.7 million in the Financing segment, and $3,452 million in the Credit Availability Program segment as at March 31, 2022 ($8.0 million and $286.6 million respectively, as at March 31, 2021).

(in thousands of Canadian dollars)

25. Guarantees and contingent liabilities (continued)

Financial guarantees (continued)

Industry sector	**March 31, 2022 Loan guarantees**	March 31, 2021 Loan guarantees
Tourism	**1,337,976**	115,943
Service industries	**748,979**	56,396
Wholesale and retail trade	**386,724**	22,775
Construction	**262,484**	18,258
Manufacturing	**212,339**	18,338
Transportation and storage	**152,936**	9,731
Ressources	**71,101**	10,943
Commercial properties	**12,453**	2,949
Other	**270,738**	39,311
Total loan guarantees(1)	**3,455,730**	294,644

(1) Loans guarantees included $3.7 million in the Financing segment, and $3,452 million in the Credit Availability Program segment as at March 31, 2022 ($8.0 million and $286.6 million respectively, as at March 31, 2021).

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 other liabilities on the Consolidated Statement of Financial Position.

				March 31, 2022
Allowance for expected credit losses on loan guarantees	Stage 1	Stage 2	Stage 3	Total
Balance as at April 1, 2021	**12,659**	**12,800**	**–**	**25,459**
Provision for expected credit losses				
Transfer to Stage 1(1)	**74,706**	**(74,112)**	**(594)**	**–**
Transfer to Stage 2(1)	**(38,913)**	**39,235**	**(322)**	**–**
Transfer to Stage 3(1)	**(507)**	**(5,984)**	**6,491**	**–**
Net remeasurement of the allowance for expected credit losses(2)	**(87,531)**	**72,304**	**18,498**	**3,271**
Net increase (decrease) in loan guarantees	**123,729**	**106,824**	**145**	**230,698**
Balance as at March 31, 2022	**84,143**	**151,067**	**24,218**	**259,428**

				March 31, 2021
Allowance for expected credit losses on loan guarantees	Stage 1	Stage 2	Stage 3	Total
Balance as at April 1, 2020	–	–	–	–
Net remeasurement of the allowance for expected credit losses(2)	62	61	–	123
Net increase (decrease) in loan guarantees	12,597	12,739	–	25,336
Balance as at March 31, 2021	12,659	12,800	–	25,459

(1) Provides the cumulative movement from the previous month allowance for expected credit losses on loan guarantees due to transfers between stages prior to remeasurements.
(2) Includes the net remeasurement of the allowance following a transfer between stages, changes in guarantee amounts, changes in credit risk and changes in model inputs and assumptions, including forward-looking macroeconomic variables.

(in thousands of Canadian dollars)

25. Guarantees and contingent liabilities (continued)

Credit risk

The following table summarizes loan guarantees outstanding by client risk exposure based on BDC classification.

						March 31, 2022
BDC rating	Grade equivalent	Stage 1	Stage 2	Stage 3	Total	%
0.5-1.0	Investment grade	**304,662**	**345**	**–**	**305,007**	**9%**
1.5-5.0	Non-investment grade	**2,190,075**	**728,608**	**–**	**2,918,683**	**84%**
5.5	Watchlist	**–**	**195,091**	**–**	**195,091**	**6%**
6.0 and up	Credit-impaired	**–**	**–**	**36,949**	**36,949**	**1%**
Net carrying amount		**2,494,737**	**924,044**	**36,949**	**3,455,730**	**100%**

						March 31, 2021
BDC rating	Grade equivalent	Stage 1	Stage 2	Stage 3	Total	%
0.5-1.0	Investment grade	25,270	100	–	25,370	9%
1.5-5.0	Non-investment grade	203,358	54,388	–	257,746	87%
5.5	Watchlist	–	11,278	–	11,278	4%
6.0 and up	Credit-impaired	–	–	250	250	0%
Net carrying amount		228,628	65,766	250	294,644	100%

Indemnification agreements

In the ordinary course of business, BDC enters into many contracts that contain indemnification provisions, such as purchase contracts, employment contracts, service agreements and leasing arrangements. In such contracts, BDC may indemnify counterparties to the contracts for certain aspects of BDC's past conduct if other parties fail to perform, or if certain events occur, such as changes in laws and regulations (including tax legislation), changes in the financial condition of third parties, infringements and breaches of representations and warranties, undisclosed liabilities, and loss caused by the actions of third parties, or as a result of litigation claims by third parties.

These indemnification obligations vary based upon each contract. In many cases, there are no predetermined amounts or limits included in these contracts, and the occurrence of contingent events that triggers payment under them is difficult to predict. The nature of these indemnification contracts is such that BDC cannot reasonably estimate the maximum potential future amount that may be payable to counterparties. Historically, BDC has not made any significant payments under these indemnities and there were no significant provisions for indemnities as at March 31, 2022, and March 31, 2021.

Contingent liabilities

Various legal proceedings arising from the normal course of business are pending against BDC. Management believes that should BDC be found liable pursuant to one or more of these proceedings, the aggregate liability resulting from such proceedings would not be material.

(in thousands of Canadian dollars)

26.

Related party transactions

BDC is a Crown corporation that is wholly owned by the Government of Canada and is accountable for its affairs through the Minister of International Trade, Export Promotion, Small business and Economic Development. 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.

The defined benefit plans referred to in Note 19—*Net defined benefit asset or liability*, are also related parties. BDC's transactions with these funds include contributions paid to the plans, which are disclosed in Note 19—*Net defined benefit asset or liability*. BDC has no other transactions or balances related to these defined benefit plans.

Borrowings with the Minister of Finance

During the reporting periods, BDC has borrowed funds from Her Majesty the Queen in Right of Canada acting through the Minister of Finance. This borrowing is in accordance with the FAA and the BDC Act and is compliant with (i) BDC's borrowing plan, which is approved by the Minister of Finance, and (ii) the Crown Borrowing Program Framework.

The following table shows the transactions and outstanding balances related to the borrowings with the Minister of Finance. Refer to Note 18—*Borrowings*, for additional information on short-term and long-term notes.

	Short-term notes		Long-term notes		Total	
	2022	2021	**2022**	2021	**2022**	2021
Balance at beginning of year	**13,336,374**	19,356,337	**4,908,573**	4,071,332	**18,244,947**	23,427,669
Net change in short-term notes	**1,048,000**	(6,014,000)	**–**	–	**1,048,000**	(6,014,000)
Net changes in accrued interest	**1,255**	(5,963)	**724**	2,241	**1,979**	(3,722)
Issuance of long-term notes	**–**	–	**1,223,000**	835,000	**1,223,000**	835,000
Repayment of long-term notes	**–**	–	**(425,000)**	–	**(425,000)**	–
Balance at end of year	**14,385,629**	13,336,374	**5,707,297**	4,908,573	**20,092,926**	18,244,947

During the year, BDC recorded $91.70 million in interest expense related to these borrowings ($92.4 million in 2021). In addition, $875.0 million in borrowings with the Minister of Finance were repurchased in 2022. These transactions did not result in any gains or losses for fiscal 2022 ($5.305 billion in borrowings were repurchased for fiscal 2021 and did not result in any gains or losses).

(in thousands of Canadian dollars)

26. Related party transactions (continued)

Key management personnel

Key management personnel are defined as those officers having authority and responsibility for planning, directing and controlling the activities of BDC, including members of the Board of Directors. The following table shows the compensation expense of key management personnel.

	2022	2021
Salaries and short-term employee benefits	**6,142**	5,705
Post-employment benefits	**1,299**	1,277
Other long-term benefits	**1,430**	1,050
Total	**8,871**	8,032

The following loans or investments were approved by BDC's Board of Directors. A member of the Board of Directors or a BDC officer either owns an interest in, or is a director or officer of BDC's client or the fund in question, or the client or fund is an interested person. Said board member or BDC officer disclosed his or her interest to the board, was not present when the loan or investment was discussed, and, if applicable, did not vote on the resolution of the Board of Directors to approve the related transaction.

	March 31, 2022
Name of client / fund	Amount of the loan or investment
9111-6343 Québec Inc.	**2,233**
Venture Newfoundland and Labrador Fund II	**3,000**
Total	**5,233**

Subsidiaries and associates

The relationship between BDC and its subsidiaries meets the definition of a related party. All transactions between the Bank and its subsidiaries have been eliminated on consolidation, and as such, are not disclosed as related party transactions.

In the normal course of business, BDC provides certain services to associates, including equity-type financing and investments. These transactions meet the definition of related party transactions and are made on terms equivalent to those that prevail in arm's-length transactions. Refer to Note 2—*Basis of preparation*, for more information on associates.

(in thousands of Canadian dollars)

27.

Comparative information

During fiscal 2022, expected credit losses on loan guarantees grew significantly because of the HASCAP guarantee program. As a result, the expected credit losses on loan commitments and guarantees are now presented separately in the liabilities section of the Consolidated Statement of Financial Position, including the comparative information as at March 31, 2021.

The table below summarizes the impact of the above-mentioned changes in the Consolidated Statement of Financial Position as at March 31, 2021.

Financial position's items	Fiscal Year ended March 31, 2021	Reclassification in "Accounts payable, accrued and other liabilities"	Reclassification in "Expected credit losses on loan commitments and guarantees"	Fiscal Year ended March 31, 2021 reclassified
Other liabilities	44,001	(44,001)	–	–
Expected credit losses on loan commitments	81,168		(81,168)	–
Expected credit losses on loan guarantees	25,459		(25,459)	–
Other liabilities	**150,628**	**(44,001)**	**(106,627)**	**–**
Accounts payable, accrued and other liabilities	**194,807**	**44,001**	**–**	**238,808**
Expected credit losses on loan commitments and guarantees	**–**	**–**	**106,627**	**106,627**

Corporate Governance

At BDC, we have established a robust and effective corporate governance structure to maintain the confidence and trust of our most important stakeholders: entrepreneurs, employees, the public and our shareholder.

We achieve high standards of governance through a clear understanding of our mandate, well-defined roles, strong leadership and alignment of our corporate governance framework from the board level to the operational level.

BDC's corporate governance framework

Federal statutes and Treasury Board guidelines
The *Business Development Bank of Canada Act* sets out BDC's purpose, powers and mandate. The *Financial Administration Act* sets out the control regime for Crown corporations, including strategic planning and financial accountability. BDC's by-laws prescribe the rules that govern the functioning of the Bank.

We look to the Treasury Board of Canada Secretariat for guidance on public sector governance practices. BDC meets all of the governance standards recommended by Treasury Board. We also regularly benchmark ourselves against corporate governance and risk management best practices in the financial services sector and update our corporate governance framework as appropriate.

Board governance
Our Board of Directors sets BDC's strategic direction and holds senior management accountable for achieving BDC's statutory mandate while respecting its complementary role. Our board's mandate, the Board Code of Conduct and board committees' charters define the board's corporate governance framework, oversight responsibilities, stewardship role and decision-making authority.

The board is composed of dedicated directors. Their expertise, integrity and commitment to ethical business conduct allows them to transform principles into action and build trust amongst our stakeholders. Together, our directors have the required mix of skills and experience needed to guide management in delivering on BDC's mandate. They bring a diverse range of perspectives that helps us support our clients' goals and aspirations.

The board committees do in-depth work in their areas of responsibility and provide regular reports to the board on the activities and performance of the Bank. The board and its committees regularly undergo third-party assessments of their effectiveness; directors perform peer-to-peer evaluations; and management assesses the board. Except for the President and CEO, all directors are independent. The segregated roles and responsibilities of the Chairperson of the Board and the President and CEO reflect best practices.

There is extensive communication and collaboration between board members and senior management in an environment of respect.

The board and its committees regularly hold in camera sessions with the heads of the oversight functions and with auditors. They also regularly meet without management.

Compliance
Under the leadership of the Vice President and Lead, Entreprise Risk Management and Compliance, the Compliance Assurance and Monitoring team is accountable for the execution of internal reviews to ensure compliance with regulatory requirements. In addition, the Privacy and Information Management team ensures compliance with privacy requirements while defining the measures for the identification, management and protection of personal and confidential information.

Risk management
BDC's core challenge is to carry out its role as a development bank that supports entrepreneurs while prudently managing risk and remaining financially sustainable. The board works closely with management to instill and monitor an appropriate risk culture. BDC continues to refine its risk management framework under the leadership of the Chief Risk Officer who is responsible for the effectiveness of risk management and risk oversight functions.

Transparency and conduct review
BDC's directors, executives and employees are committed to the highest standards of business ethics and corporate governance. The Audit and Conduct Committee focuses on conduct and the board provides oversight of conduct review. Our operations and activities are characterized by an open and ethical culture. The Board Code of Conduct and the Employee Code of Conduct, Ethics and Values are regularly updated to ensure they provide ethical guidance at all levels of the organization. Directors, employees and consultants declare annually that they have read, understood and complied with our codes of conduct. The codes are reinforced by governance documents on personal trading, disclosure of wrongdoing, anti-fraud, anti-money laundering, know your client, anti-terrorism financing and respect for sanctions. In addition, BDC has an Ombudsperson and a thorough complaint handling process.

Robust processes are in place to manage conflicts of interest. Any loan or investment made to a company with respect to which a director or officer has declared an interest is approved by a committee of the board and directors recuse themselves from meetings where they have declared a conflict of interest.

Such transactions are disclosed in BDC's Annual Report in compliance with the *BDC Act*.

Government oversight
Each year, Parliament receives an update on BDC's five-year Corporate Plan, which has been approved by the board, the Treasury Board of Canada Secretariat and the Minister of Small Business, Export Promotion and International Trade. A summary of the Corporate Plan is tabled in Parliament. Parliament also receives BDC's Annual Report. It contains our Consolidated Financial Statements, which have been audited by both the Auditor General of Canada and an external audit firm.

At 10-year intervals, the Minister of Small Business, Export Promotion and International Trade reviews the provisions and operation of the *BDC Act*, in consultation with the Minister of Finance. The latest review had been scheduled for 2020. However, the government's response to the COVID pandemic took priority. We expect the review to resume shortly.

Highlights of the year

A large part of the Board of Directors' activities in fiscal 2022 continued to be devoted to dealing with the consequences of the COVID-19 pandemic. BDC was called upon by its shareholder, the Government of Canada, to continue providing COVID relief programs.

The Board Risk Committee and the Board Investment Committee met regularly to monitor the functioning of the Co-Lending Program and the Mid-Market Financing Program, which together made up the Business Credit Availability Program (BCAP). These committees also provided oversight for BDC's existing working capital and online financing loans, the Highly Affected Sectors Credit Availability Program, Venture Capital's Bridge Financing Program and the Canadian Digital Adoption Program (CDAP), which together make up BDC's Credit Availability Program.

The board provided invaluable oversight with respect to capital allocation, stress testing and management decisions on loan-loss provisions. Additionally, new programs were approved by the board to support underserved communities, including BDC's participation in the Black Entrepreneurship Loan Fund in partnership with the Federation of African Canadian Entrepreneurs. The board also supervised BDC's support for government priorities including implementation of CDAP. The Human Resources Committee focused on BDC's return to office strategy in the face of a continuously changing COVID situation as well as overseeing responses to the challenges of supporting a remote workforce.

A Special Committee of the Board was created to oversee the selection and onboarding of a new President and CEO. The Bank welcomed Isabelle Hudon on August 10, 2021. Isabelle worked with the board to focus on a strategic review, which aims to extend BDC's reach to more entrepreneurs, broaden its diversity, equity and inclusion efforts and ensure it plays a leading role in Canada's transition to a carbon-neutral economy. The board also oversaw the disbursement of the Cleantech Practice's investment envelop. Directors rose to all of these challenges, attending a significant 76 meetings of committees and the full board, all held virtually through the year.

Despite this heavy workload, the board stayed focused on other important priorities that became even more imperative as a result of the pandemic. These included approving a Privacy Policy and a Data Governance Policy, which are designed to support enhanced information security and provide more business insights from our data.

Governance highlights

The board bid farewell to three long-serving, dedicated directors.

> Shahir Gundi served on the board for nine years. Shahir provided a wealth of Venture Capital, HR and legal expertise as well as invaluable guidance on many other subjects over the years. His guidance contributed to the refinement of BDC's venture capital strategy and the launch of multiple, successful VC funds. He also played a critical role in the deployment of the Cleantech initiative.

> Michael Calyniuk served for eight years, including as the Chairperson of the Audit and Conduct Committee. In this role, he provided important support for the creation and deployment of the compliance function, BDC's cyber-security program, the digital transformation and the inclusion of conduct review in the mandate of the Audit and Conduct Committee.

> Mary Alice Vuicic's eight-year tenure extended through the mandates of two chairpersons and three CEOs. She provided critical support for the transitioning of members of the board and the Senior Management Committee, while skillfully chairing the Human Resources Committee. She also participated in two special committees, one focused on increasing the accessibility of BDC services, which was the precursor for many initiatives to enhance BDC's impact, and the Special Committee for the Succession Planning and Onboarding of the new President and CEO.

Michael Denham left BDC after six years of service as President and CEO. During his successful tenure, BDC significantly increased its impact on entrepreneurs, including in the venture capital and cleantech ecosystems, where the Bank has catalyzed increased investment. He also spearheaded the Bank's digital transformation, including the expansion of online banking and improvements to the client experience. He achieved his goal of doing more for more entrepreneurs while, at the same time, ensuring BDC remained one of Canada's best employers.

The board welcomed Tania Clarke, the Senior Vice President and CFO of New Look Vision Group and a Chartered Professional Accountant. Tania brings financial expertise to the board and is a member of the Audit and Conduct Committee and the Board Risk Committee.

Vivek Jain also joined the board, bringing expertise in venture capital to its deliberations. Vivek is also a Chartered Professional Accountant and is the CEO of LOKO, a successful tech start-up. He has joined the Audit and Conduct Committee and the Board Investment Committee.

The board spent considerable time reviewing BDC's environmental, social and governance (ESG) strategy, including a growing awareness of the responsibilities that all financial institutions have with respect to climate resilience risk and disclosure. The board also oversaw compliance with the *Impact Assessment Act* and the management of other environmental risks.

Board of Directors

Chairperson
Mike Pedersen

Number of meetings
13

The board is responsible for the following:

> approving BDC's strategic direction and corporate plan to meet its public policy mandate

> overseeing BDC's talent, culture and conduct review

> setting performance targets and monitoring progress

> approving the risk appetite framework, which includes the risk appetite statement, to ensure BDC is identifying and managing its risks properly

> ensuring the highest standards of corporate governance and board effectiveness are respected

> establishing compensation policies and ensuring they are aligned with BDC's risk appetite

> reviewing and approving management's succession plan, which includes approving appointments to the senior management team

> setting the President and CEO's performance objectives and evaluating her performance

> reviewing BDC's financial matters and internal controls

> overseeing communications and public disclosures

> overseeing BDC's pension plans, including establishing their funding policies and practices

> approving financing and investment activities beyond management's authority, and overseeing financial and advisory services

> ensuring the complementarity of BDC's market approach and activities

1 Committees

Audit and Conduct Committee

Chairperson	Members
Brian O'Neil	Tania Clarke
Number of meetings	Vivek Jain
4	Abdullah Snobar
	Suzanne Trottier

This committee promotes an overall corporate culture of quality financial reporting and ethical behaviour. Its main duties are as follows:

> review and advise the board on annual and quarterly Consolidated Financial Statements before disclosure in accordance with accounting principles

> review the integrity, adequacy and effectiveness of the internal control framework, information management systems, and, in particular, controls related to major IT, accounting and financial reporting systems

> provide primary oversight of conduct review, including BDC's standards of integrity and conduct, the anti-fraud program for internal fraud, the process for disclosing wrongdoing and reports from the Ombudsperson

> oversee data governance and approval of the Data Governance Policy

> oversee information management systems, their performance and information security

> recommend the appointment and removal of, and succession planning for, the Chief Audit Executive

> oversee the activities and assess the performance of the Chief Audit Executive and the internal audit function

> make recommendations on the appointments of auditors and special examiners, oversee their activities and assess the performance of external auditors

> review the scope and terms of engagement of auditors and special examiners who report directly to the committee and are accountable to the board

> oversee the activities of the corporate compliance function, including regulatory compliance, and assess its performance, as well as confidentiality and privacy issues

> oversee capital management, allocation, adequacy and the declaration of a dividend

> review directors' and officers' expenses

Board Risk Committee

Chairperson	Members
Bill Currie	Tania Clarke
Number of meetings	Tracey Scarlett
29	Abdullah Snobar
	Suzanne Trottier

This committee's main duties are as follows:

> review and recommend to the board the risk management framework

> oversee the work of the Chief Risk Officer and the risk oversight functions

> identify and manage BDC's principal financial, business and operational risks, and oversee the Bank's risk culture

> oversee activities aimed at preventing external fraud and other financial crimes

> oversee management of privacy issues and controls

> regularly review the Enterprise Risk Management Policy and other policies concerning key risks, such as credit, market, strategic, reputational, operational, information technology and other principal risks

> review and recommend to the board all strategies related to BDC's material financial offerings

> approve and assess the effectiveness of BDC's risk appetite statement and monitor compliance with the models and limits contained in it

> review reports and indicators related to BDC's risk profile regarding enterprise risk management, portfolio risk management, capital management and adequacy, treasury operations risks and information technology security, including emerging risks and exceptions to the risk appetite statement and policies

> approve the framework for assessing and approving new business activities, products and services, except those related to Venture Capital

> ensure the effectiveness of stress testing procedures and review reports on BDC's risk profile, stress testing processes, and the stress testing methodology, including review of the internal capital adequacy assessment process

> periodically review the business continuity plan

> approve loans and transactions that exceed the delegated authorities of senior management

> review policies and guidelines related to the delegation of authority for all financial products, except Venture Capital products

Governance/Nominating Committee

Chairperson	Members
Mike Pedersen	Sandra Bosela
	Bill Currie
Number of meetings	Brian O'Neil
5	Tracey Scarlett

This committee helps the board fulfill its corporate governance oversight responsibilities. Its main duties are as follows:

> continually review best practices and regulations related to governance in Canada and, if necessary, recommend changes to BDC's approach

> annually review BDC's corporate governance policies, including the Board Code of Conduct, and the Employee Code of Conduct, Ethics and Values

> annually assess the board's compliance with these policies

> oversee management of environmental, social and governance issues as a strategic challenge and opportunity

> monitor procedures established to detect and manage potential conflicts of interest

> regularly review the mandates, structures and memberships of the board and its committees

> develop selection criteria for the President and CEO position

> recommend to the board, for the consideration of the Minister of Small Business, Export Promotion and International Trade, the appointment or reappointment of the Chairperson of the Board, the President and CEO, and directors

> review and annually approve a list of skills required by directors

> develop processes to assess the performance of the board, its committees and directors

> ensure that comprehensive director orientation and continuous training programs are in place

Human Resources Committee

Chairperson	Members
Tracey Scarlett	Cathy Bennett
	Sandra Bosela
Number of meetings	Bill Currie
6	Vijay Kanwar

This committee's main duties are as follows:

> assess the "tone at the top" established by senior management regarding integrity and ethics, and review policies for managing personnel effectively

> recommend to the board the human resources strategy, including key human resources objectives, plans and workforce requirements

> oversee promotion of diversity, equity and inclusion at the Bank

> review and, if appropriate, recommend to the board for approval any major organizational structure changes, including the President and CEO's and other committees' recommendations for appointments of senior management committee members, the Chief Audit Executive, the Chief Risk Officer and the Ombudsperson

> assess the President and CEO's objectives, performance, evaluation and benefits

> oversee compensation risk

> review compensation for senior executives

> review and approve the design of compensation policies, programs and plans

> approve performance measures and metrics

> ensure there is a valid succession plan in place for all critical positions, including the Chief Risk Officer and Chief Audit Executive

> assess human resources risks, such as those related to employee attraction, retention, engagement and performance

> receive and examine actuarial evaluation reports and financial statements related to BDC's pension plans, as well as recommend funding contributions

> recommend to the board funding and design changes to the pension plans

> monitor the funded status of the pension plans

> provide enhanced focus on pension plan governance and investment

> recommend the pension plan funds' financial statements to the board

> advise the board on investment strategies and the asset mix

Board Investment Committee

Chairperson	Members
Sandra Bosela	Cathy Bennett
	Vivek Jain
Number of meetings	Vijay Kanwar
14	Brian O'Neil

This committee's duties are as follows:

> regularly review the Venture Capital Policy and other policies and processes for investment activities

> review and assess all risks associated with investments and the management thereof

> review all strategies, guardrails and capital allocations for all material investment activities, including venture capital and private equity

> approve the business plans of Venture Capital's internal funds, as well as their investment strategies, capital allocation and guardrails

> oversee the Cleantech Practice's transactions and portfolio

> review strategic initiatives aimed at improving the venture capital ecosystem

> review and recommend delegations of authority

> monitor portfolio performance

> approve investments that exceed the delegated authorities of senior management

President and CEO Succession and Onboarding Special Committee

Chairperson	Members
Mike Pedersen	Suzanne Trottier
	Mary Alice Vuicic
Number of meetings	
5	

The Board created a special committee to oversee the President and CEO succession and onboarding. The Governance/Nominating Committee delegated its responsibilities in this regard to the special committee. The committee's duties were as follows:

> engage and instruct a recruiting firm to identify candidates for the CEO position, based on the CEO selection criteria and mandate, ensuring the equality and diversity of candidates are considered

> review candidates recommended by the recruiting firm and identified by the shareholder from the Notices of Opportunity posted on the Privy Council Office's website

> recommend to the Board of Directors, for the Minister's consideration, profiles and/or names of the candidates for the role of CEO

> recommend to the board for approval the CEO's salary and benefits

> develop an onboarding and training plan and oversee its execution

The special committee was disbanded on November 17, 2021, after the nomination of Isabelle Hudon as President and CEO on August 10, 2021.

To see board committees' mandates, please go to www.bdc.ca.

Fiscal 2022 Board of Directors and Committee Attendance

	Board of Directors			Audit and Conduct Committee			Board Investment Committee			Board Risk Committee			Governance/ Nominating Committee			Human Resources Committee			President and CEO Succession and Onboarding Special Committee			Committee meetings		
Directors	Attendance	Total	%	Attendance	Total	%	Attendance	Total	%	Attendance	Total	%	Attendance	Total	%	Attendance	Total	%	Attendance	Total	%	Attendance	Total	**%**
Mike Pedersen[1]	13	13	100%										5	5	100%				5	5	100%	10	10	**100%**
Cathy Bennett[2]	12	13	92%				12	13	92%							6	6	100%				18	19	**95%**
Sandra Bosela	13	13	100%				14	14	100%				5	5	100%	6	6	100%				25	25	**100%**
Michael Calyniuk[3]	3	3	100%	1	1	100%	1	1	100%													2	2	**100%**
Tania Clarke[4]	7	10	70%	2	2	100%				14	19	74%										16	21	**76%**
Bill Currie[5]	12	13	92%							29	29	100%	5	5	100%	3	3	100%				37	37	**100%**
Michael Denham[6]	3	3	100%																			N/A	N/A	**N/A**
Pierre Dubreuil[7]	1	1	100%																			N/A	N/A	**N/A**
Shahir Guindi[8]	3	3	100%				1	1	100%							2	2	100%				3	3	**100%**
Isabelle Hudon[9]	8	9	89%																			N/A	N/A	**N/A**
Vivek Jain[10]	10	10	100%	2	2	100%	10	10	100%													12	12	**100%**
Vijay Kanwar[11]	12	13	92%	2	2	100%	13	14	93%							2	3	67%				17	19	**89%**
Brian O'Neil[12]	13	13	100%	4	4	100%	13	13	100%				5	5	100%							22	22	**100%**
Tracey Scarlett[13]	13	13	100%							28	28	100%	1	1	100%	6	6	100%				35	35	**100%**
Abdullah Snobar	13	13	100%	4	4	100%				27	29	93%										31	33	**94%**
Suzanne Trottier	11	13	85%	3	4	75%				26	29	90%							3	5	60%	32	38	**84%**
Mary Alice Vuicic[14]	5	10	50%										3	4	75%	4	5	80%	3	5	60%	10	14	**71%**

Notes

(1) Mr. Pedersen is the Chairperson of the Board of Directors and the Governance/Nominating Committee. He was also Chairperson of the Succession and Onboarding Special Committee. Although Mr. Pedersen is not a member of any other committee, he attends an extensive number of committee meetings.

(2) Due to a potential conflict of interest, Ms. Bennett recused herself from one Board Investment Committee meeting. This meeting has been excluded from the statistics above.

(3) Mr. Calyniuk ceased being a member of the Board of Directors on June 10, 2021.

(4) Ms. Clarke joined the Board of Directors on June 10, 2021. Ms. Clarke became a member of the Audit and Conduct Committee and Board Risk Committee on August 18, 2021. She was not a director when the board's annual schedule of meetings was approved and this led to a number of scheduling conflicts, which should not reoccur next year.

(5) Mr. Currie became a member of the Human Resources Committee following the approval of a resolution at the Board of Directors meeting held on August 18, 2021.

(6) Mr. Denham was BDC's President and CEO until June 30, 2021. As President and CEO, Mr. Denham was not a member of any committee. However, he attended meetings regularly.

(7) Mr. Dubreuil acted as BDC's Interim President and CEO from July 1 to August 10, 2021. As Interim President, Mr. Dubreuil was not a member of any committee. However, he attended meetings regularly.

(8) Mr. Guindi ceased being a member of the Board of Directors on June 10, 2021.

(9) Ms. Hudon was nominated as BDC's President and CEO effective August 10, 2021. As President and CEO, Ms. Hudon is not a member of any committee. However, she attends meetings regularly. Due to a potential conflict of interest, Ms. Hudon recused herself from one Board Risk Committee meeting.

(10) Mr. Jain joined the Board of Directors on June 10, 2021. Mr. Jain became a member of the Audit and Conduct Committee and Board Investment Committee following the approval of a resolution at the Board of Directors meeting on August 18, 2021.

(11) Mr. Kanwar became a member of the Human Resources Committee following the approval of a resolution at the Board of Directors meeting on August 18, 2021.

(12) Due to a potential conflict of interest, Mr. O'Neil recused himself from one Board Investment Committee meeting. This meeting has been excluded from the statistics above.

(13) Ms. Scarlett was nominated as the Human Resources Committee Chairperson effective January 1, 2022. Due to a potential conflict of interest, Ms. Scarlett recused herself from one Board Risk Committee meeting. This meeting has been excluded from the statistics above.

(14) Ms. Vuicic continued to serve as a director for more than a year beyond the expiration of her term on September 30, 2020 to support the transition to a new President and CEO. Due to her term extension, some scheduling conflicts arose that would not have otherwise occurred. Ms. Vuicic ceased being a member of the Board Risk Committee on May 5, 2021. Ms. Vuicic resigned from the Human Resources Committee, where she was the Chairperson, and the Board of Directors effective December 31, 2021.

2 Board of Directors

(March 31, 2022)

Mike Pedersen
Chairperson of the Board
BDC
Toronto, Ontario

Isabelle Hudon
President and CEO
BDC
Montreal, Quebec

Cathy Bennett
Entrepreneur and Director
Benco Investments
St. John's, Newfoundland
and Labrador

Sandra Bosela
Co-Head,
Managing Director and
Global Head Private Equity
OPTrust
Private Markets Group
Toronto, Ontario

Tania Clarke
Senior Vice President
and CFO
New Look Vision Group
Montreal, Quebec

Bill Currie
Corporate Director
Toronto, Ontario

Vivek Jain
CEO at LOKO
Regina, Saskatchewan

Vijay Kanwar
Founder
KMH Cardiology and
Diagnostic Centres Inc.

Founder and President
Lambardar Inc.
Mississauga, Ontario

Brian O'Neil
Managing Partner
A Faire Aujourd'hui Inc
Toronto, Ontario

Tracey Scarlett
Corporate Director
Edmonton, Alberta

Abdullah Snobar
Executive Director, The DMZ
CEO, DMZ Ventures
Toronto, Ontario

Suzanne Trottier
Vice President,
Indigenous Trust Services
First Nations Bank of Canada
Vancouver, British Columbia

To see BDC's directors' biographies, please go to www.bdc.ca.

3 Senior Management Team

(March 31, 2022)

Isabelle Hudon
President and CEO

Miguel Barrieras
Chief Strategy
and Impact Officer

Stéphane Bilodeau
Chief Information Officer

Jennifer Dibblee
Chief Legal Officer
and Corporate Secretary

Pierre Dubreuil
Executive Vice President
and Chief Operating Officer

Marie-Chantal Lamothe
Chief Human Resources
Officer

Stefano Lucarelli
Chief Financial Officer

Annie Marsolais
Chief Marketing Officer

Jérôme Nycz
Executive Vice President
BDC Capital

Christopher Rankin
Executive Vice President
and Chief Risk Officer

To see BDC's senior management team members' biographies, please go to www.bdc.ca.

Five-Year Operational and Financial Summary

for the years ended March 31 (in thousands of Canadian dollars)

Operational Statistics	**2022**	2021	2020	2019	2018
Loans					
Committed to clients[1]					
as at March 31					
Amount	**38,093,474**	35,496,220	31,546,910	29,943,724	27,520,367
Number of clients	**62,234**	59,291	49,391	47,104	43,989
Acceptances					
Amount	**9,786,838**	8,703,157	7,405,087	7,222,429	6,832,205
Number	**17,648**	24,755	18,608	17,206	17,554
Loan guarantees					
Committed to clients					
as at March 31					
Amount	**3,455,730**	294,644	–	–	–
Number of clients	**15,779**	1,195	–	–	–
Acceptances					
Amount	**3,224,761**	286,661	–	–	–
Number	**15,172**	1,195	–	–	–
Asset-backed securities					
Amount committed to clients[1]					
as at March 31	**1,445,827**	1,345,784	1,010,905	996,768	880,516
Amount authorized (cancelled) and renewed	**100,000**	335,000	40,000	90,000	(65,000)[2]
Subordinate financing					
Committed to clients[1]					
as at March 31					
Amount	**1,877,502**	1,559,162	1,569,965	1,401,933	1,197,764
Number of clients	**714**	689	656	654	640
Acceptances					
Amount	**741,696**	333,314	543,953	463,401	456,202
Number	**205**	139	193	177	207
Venture Capital					
Committed to clients[1]					
as at March 31					
Amount	**2,959,203**	2,762,465	2,327,093	2,146,605	1,664,163
Number of clients	**391**	389	268	261	254
Authorizations					
Amount	**399,471**	591,458	324,212	587,536	188,276
Number	**76**	194	77	99	67
BDC					
Total committed to clients	**47,831,736**	41,458,275	36,454,873	34,489,030	31,262,810

(1) Amount committed to clients represents the portfolio outstanding and amount undisbursed, at cost.

(2) Amount cancelled comprises $60,000 of authorizations and $125,000 of cancellations.

(in thousands of Canadian dollars)

Financial Information	2022	2021	2020	2019	2018
Net income (loss) and comprehensive income (loss)—by business segment[1] for the years ended March 31					
Financing	**1,162,169**	733,103	32,053	621,272	613,729
Advisory Services	**(38,956)**	(39,424)	(46,807)	(49,780)	(51,082)
Growth & Transition Capital	**152,253**	114,833	(32,945)	73,440	71,174
Venture Capital	**988,042**	902,467	(86,856)	194,147	159,272
Capital Incentive Programs	**303,819**	254,383	(83,444)	46,523	25,170
Core net income (loss)	**2,567,327**	1,965,362	(217,999)	885,602	818,263
Credit Availability Program	**(52,565)**	(315,499)			
Net income (loss)	**2,514,762**	1,649,863	(217,999)	885,602	818,263
Net income (loss) attributable to:					
BDC's shareholder	**2,440,048**	1,647,648	(193,018)	878,482	775,004
Non-controlling interests	**74,714**	2,215	(24,981)	7,120	43,259
Net income (loss)	**2,514,762**	1,649,863	(217,999)	885,602	818,263
Other comprehensive income (loss)[2]	**260,040**	(38,213)	92,953	(67,879)	(40,532)
Total comprehensive income (loss)	**2,774,802**	1,611,650	(125,046)	817,723	777,731
Total comprehensive income (loss) attributable to:					
BDC's shareholder	**2,700,088**	1,609,435	(100,065)	810,603	734,472
Non-controlling interests	**74,714**	2,215	(24,981)	7,120	43,259
Total comprehensive income (loss)	**2,774,802**	1,611,650	(125,046)	817,723	777,731
Financial position information as at March 31					
Loans, net of allowance for expected credit losses	**33,283,517**	30,905,481	27,273,088	25,916,222	23,728,191
Asset-backed securities	**988,466**	733,322	777,838	700,343	472,695
Subordinate financing investments	**1,729,544**	1,452,966	1,240,588	1,152,182	1,052,352
Venture Capital investments	**4,133,010**	2,978,568	1,721,136	2,027,778	1,663,627
Total assets	**41,566,996**	37,148,117	33,153,358	30,656,454	27,809,166
Total liabilities	**21,078,523**	19,130,760	24,250,559	22,900,694	21,049,963
Total equity attributable to:					
BDC's shareholder	**20,404,183**	18,004,095	8,891,660	7,714,125	6,716,472
Non-controlling interests	**84,290**	13,262	11,139	41,635	42,731
Total equity	**20,488,473**	18,017,357	8,902,799	7,755,760	6,759,203

(1) For detailed information on fiscal 2022 and fiscal 2021 segmented information, please also refer to Note 24—*Segmented information* to the Consolidated Financial Statements.

(2) For detailed information on fiscal 2022 and fiscal 2021 Other comprehensive income, please refer to Consolidated Statement of Comprehensive Income (loss) (page 70).

Glossary

Acceptance—The point at which the client has agreed to the authorized financing terms and conditions that BDC has offered them. Client acceptance follows BDC authorization. (Information on acceptances disclosed in this report is net of cancellations or reductions after client acceptance.)

Allowance for expected credit losses—Represents management's estimate of expected credit losses as at the Statement of Financial Position date. Allowance for expected credit losses can be in impaired or performing portfolio. The expected credit losses on outstanding loans are recorded on the Statement of Financial Position as a deduction from loans and the expected credit losses on loan commitments is recorded in other liabilities.

Allowance on impaired portfolio—Established by the management to measure the expected credit losses on the credit-impaired loan portfolio.

Allowance on performing portfolio—Established by management to measure the expected credit losses on the performing loan portfolio.

Asset-backed securities—Securities created through the securitization of a pool of assets. For example, BDC's securitization contains Canadian AAA-rated term securities backed by loans and leases on vehicles and equipment, as well as dealer floor plan loans.

Authorization—The point at which BDC has completed its due diligence and approved the financing request or venture capital investment. Authorization precedes acceptance. (Information on authorizations disclosed in this report is net of cancellations or reductions after BDC authorization.)

Cross-currency swaps—Agreements to exchange payments in different currencies over pre-determined periods of time.

Debt-to-equity ratio—A measure to ensure BDC operates within its statutory limitations on debts, calculated as the aggregate of borrowings and contingent liabilities over the equity attributable to BDC's shareholder. It also includes preferred shares classified as liabilities, and excludes accumulated other comprehensive income or loss. The statutory limit of BDC's debt-to-equity ratio is 12:1.

Derivative financial instruments—Contracts whose value is "derived" from movements in interest or foreign exchange rates, or equity or commodity prices. Use of derivatives allows for the transfer, modification or reduction of current or expected risks from changes in rates and prices.

Direct investments—Investments BDC makes directly in investee companies.

Fair value—The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value represents management's best estimate of the net worth of an investment at the Statement of Financial Position date and may not reflect the ultimate realizable value upon disposal of the investment.

Financing efficiency ratio—A measure of the efficiency with which BDC incurs expenses to generate income on its financing operations. It is calculated as operating and administrative expenses, as a percentage of net revenue. A lower ratio indicates improved efficiency.

Hedging—A risk management technique used to insulate financial results from market, interest rate or foreign currency exchange risk (exposure) arising from normal banking operations.

Impaired loans—Loans are deemed impaired when the interest or principal of the loan is in arrears for three consecutive months or more or if there is reason to believe that a portion of the principal or interest cannot be collected.

Interest rate swaps—Agreements to exchange streams of interest payments—typically, one at a floating rate and the other at a fixed rate—over a specified period, based on notional principal amounts.

Master netting agreement—A standard bilateral contract that enables trading counterparties to agree to net collateral requirements and, in a close-out situation, settlement amounts related to underlying master trading contracts for sales and purchases of financial instruments. The master netting agreement offsets positive balances of one transaction with negative balances of another.

Net change in unrealized appreciation or depreciation of investments—Amount included in income resulting from movements in the fair value of investments for the period.

Net interest income—The difference between interest revenues generated by interest-bearing portfolios, as well as cash equivalents and securities, and the cost of borrowings to fund these assets.

Net realized gains or losses on investments—Gains realized, net of realized capital losses, upon sale or write-off of investments, excluding the net change in unrealized appreciation or depreciation of venture capital and subordinate financing investments.

Net realized gains or losses on other financial instruments—Amounts that are related to structured notes and their associated derivatives. Realized gains or losses occur when financial instruments are repurchased prior to maturity at a price higher or lower than the original purchase price.

Net unrealized gains or losses on other financial instruments—Amounts that are related to structured notes and their associated derivatives. These represent the amounts included in income resulting from movements in the fair value of financial instruments for the period.

Non-controlling interest—The equity in a subsidiary not attributable, directly or indirectly, to BDC.

Performing portfolio—Loans for which there is reasonable assurance that BDC can collect the principal and interest on time.

Provision for expected credit losses—A charge to income that represents an amount that management deems adequate to fully provide for impairment in the loan portfolios, given the composition of the loan portfolios, the probability of default on the loans, the economic environment and the allowance for expected credit losses already established.

Adjusted return on common equity (ROE)—Net income (loss), less preferred share dividends, expressed as a percentage of average common equity. It excludes other comprehensive income or loss on post-employment benefits, accumulated other comprehensive income or loss, and non-controlling interest. It also excludes Capital Incentive Programs (CIP) and the Capital Credit Availability Program (CAP).

Revenue from Advisory Services—Fees charged to clients for management services (diagnostic, proposal and implementation) provided by BDC delivery employees (usually "Business Advisors") and External Consultants part of BDC's national network.

Start-up—A business that is being established for the first time. Also included in this category are existing enterprises that have not yet registered 12 consecutive months of sales.

Subordinate financing—A hybrid instrument that brings together some features of both debt financing and equity financing.

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