



2017

Financial Report

Third Quarter

December 31, 2016



Executive Summary

Canadian growth remained positive, despite low crude oil prices, due to a diversified economy.

Over the past few months, business confidence has strengthened, partly as a result of the rise in oil prices, which bodes well for investment. According to BDC's latest survey of entrepreneur investment intentions, Canadian entrepreneurs are increasingly optimistic about economic growth and plan to invest more in 2017.

The price of oil, which had been hovering around US\$45 per barrel since mid-April 2016, surpassed US\$50 at the end of November following a decision by the Organization of Petroleum Exporting Countries (OPEC) to reduce production in January 2017. In December, 11 non-OPEC member countries, including Russia, also committed to lowering production, contributing to the rise in oil prices.

The value of the Canadian dollar remained favourable to merchandise exports and continued to stimulate activity in the tourism industry in recent months. The U.S., Federal Reserve raised its policy rate in December 2016 and more increases are expected in 2017. Forecasters assume that the Canadian key rate will remain unchanged until the end of the year. As a result, the spread between the Canadian and U.S. rates is likely to widen, which should offset the upward pressures that the oil surge is exerting on the Canadian currency.

Investment in residential construction declined in the third quarter ended September 30, 2016, for the first time in more than two years. It is expected that its contribution to economic growth will be modest in the coming quarters. Indeed, activity in the housing market will no doubt be slowed by fiscal and regulatory measures implemented by the government to curb real estate speculation and counter the over-indebtedness of households.

BDC Financing provides term lending to small and medium-sized enterprises (SMEs) and collaborates with other financial institutions to increase credit availability in the market through co-lending and syndicated loans. Recently, BDC invested in increasing its presence across Canada to be closer to entrepreneurs and in enhancing its technology and processes to make it easier for entrepreneurs to do business with the Bank.. This, combined with unforeseen demand due to market conditions, especially in the oil and gas sector, and increased cost of business assets, resulted in a significant increase in activity in fiscal 2017.

During this quarter, clients of Financing⁽¹⁾ accepted \$1.8 billion in loans for a total of \$5.3 billion for the nine months ended December 31, 2016. This compared to \$1.3 billion and \$3.8 billion for the same periods last year, respectively.

As a result of the above, the Financing's⁽¹⁾ loan portfolio, before allowance for credit losses, stood at \$22.0 billion as at December 31, 2016, an 8.4% increase since March 31, 2016.

BDC recognizes the importance of supporting small and medium-sized businesses by providing small loans. For the nine months ended December 31, 2016, a total of \$962.0 million in small loans (\$750,000 or less) was accepted by 9,127 clients, an increase over the \$845.1 million accepted by 8,131 clients last year.

Growth & Transition Capital continued to support the growth plans of Canadian entrepreneurs through its diverse product offerings, with clients accepting \$90.8 million in financing in the third quarter, for a total of \$265.3 million for the nine-month period, a strong result when compared to the \$79.0 million and \$199.8 million recorded last year for the same periods, respectively.

⁽¹⁾ Unless otherwise indicated, Financing excludes Growth & Transition Capital.



To support innovative Canadian companies and create the conditions for success in the venture capital ecosystem, Venture Capital authorized investments totalling \$65.6 million during the third quarter of fiscal 2017, compared to \$91.2 million for the same period last year. For the nine-month period ended December 31, 2016, a total of \$122.6 million was authorized, compared to \$184.4 million for the same period last year. The pace of BDC's Venture Capital investments has dropped in fiscal 2017 reflecting the slowdown in venture capital fundraising activities early in the fiscal year.

In November, BDC announced a new \$135- million venture capital fund to support Canadian energy and clean-tech start-up businesses with global potential. The Industrial, Clean and Energy Technology (ICE) Venture Fund II will invest in 15 to 20 new high-impact Canadian start-up firms that demonstrate efficiency and strong scalability.

In addition to our support to women entrepreneurs through financing, a \$50- million injection into women-led venture capital technology firms was announced during the quarter as part of BDC's efforts to support women entrepreneurs.

BDC continued to deploy the Venture Capital Action Plan (VCAP), a federal government initiative to invest \$400 million to increase private sector venture capital financing for high-potential, innovative Canadian businesses. As at December 31, 2016, the total VCAP portfolio stood at \$267.2 million, compared to \$137.7 million as at March 31, 2016. VCAP has met its goal of supporting the closing of four private sector-led funds of funds with a total of \$1.35 billion under management. This has resulted in over \$900 million in private investor capital being added to the ecosystem.

BDC is maintaining its role in the securitization market, where SMEs access financing for the vehicles and equipment they need to improve productivity. As at December 31, 2016, total asset-backed securities stood at \$512.6 million, compared to \$509.8 million as at March 31, 2016.

Advisory Services offers a full range of services to help entrepreneurs address challenges such as operational efficiency, international expansion, sales and marketing, technology implementation, and business management. It also has a team of experienced advisors focused on mid-

sized high-impact firms that are seeking accelerated growth. Most of what Advisory Services does is considered an investment in increasing the competitiveness of Canadian businesses. BDC takes on a great proportion of the costs associated with these activities and initiatives to ensure that firms can reap maximum benefits. In total, 1,405 mandates were initiated during the nine-month period ended December 31, 2016. This compared positively to 1,326 mandates initiated during the same period of fiscal 2016.

In the third quarter of fiscal 2017, BDC posted consolidated net income of \$116.2 million, for a total of \$322.1 million for the nine-month period of fiscal 2017. The comparative figures for the same periods in fiscal 2016 were \$148.8 million and \$460.7 million, respectively. The variance compared to fiscal 2016 was mostly attributable to last year's strong Venture Capital results and to higher provisions for credit losses in fiscal 2017 due mainly to the oil price decline.

For the quarter, other comprehensive income was \$185.3 million, compared to other comprehensive income of \$5.1 million for the same period last year. The increase in other comprehensive income was due to higher remeasurement gains on the net defined benefit asset or liability. Refer to the consolidated comprehensive income section for further information.

For the 37th year, BDC organized its flagship event, BDC Small Business Week Held from October 16 to 22 under the theme "Measure up! Shape your future," it focused on productivity, an important driver of competitiveness for SMEs. This annual flagship event celebrates entrepreneurship at the local, provincial and national levels.

This year, to encourage more businesses to improve their productivity, BDC launched Canada's first business productivity benchmarking tool available free of charge, it helps entrepreneurs improve their business's performance by comparing its productivity levels to those of other companies in the same sector.



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

BDC is the only bank devoted exclusively to Canadian entrepreneurs. It promotes entrepreneurship with a focus on small and medium-sized businesses. With more than 110 business centres from coast to coast, BDC provides businesses with financing, investment and advisory services.

When entrepreneurs succeed, they make an irreplaceable contribution to Canada's economy. Supporting them is in our national interest.



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From time to time, we make written or oral forward-looking statements. We may make forward-looking statements in this quarterly financial report. These forward-looking statements include, but are not limited to, statements about objectives and strategies for achieving objectives, as well as statements about outlooks, plans, expectations, anticipations, estimates and intentions.

By their very nature, forward-looking statements involve numerous factors and assumptions, and they are subject to inherent risks and uncertainties, both general and specific. These uncertainties give rise to the possibility that predictions, forecasts, projections and other elements of forward-looking statements will not be achieved. A number of important factors could cause actual results to differ materially from the expectations expressed.



Management Discussion and Analysis

Context of the Quarterly Financial Report

The *Financial Administration Act* requires that all departments and parent Crown corporations prepare and make public a quarterly financial report. The Standard on Quarterly Financial Reports for Crown Corporations is issued by the Treasury Board of Canada Secretariat to provide parent Crown corporations with the form and content of the quarterly financial report under the authority of section 131.1 of the *Financial Administration Act*. There is no requirement for an audit or review of the financial statements included in the quarterly financial report. Therefore, the condensed quarterly Consolidated Financial Statements included in this report have not been audited or reviewed by an external auditor.

Risk Management

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

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

No significant changes were made to BDC's IRM practices and no new risks were identified during the quarter ended December 31, 2016.



Analysis of Financial Results

Analysis of financial results is provided to enable a reader to assess BDC's results of operations and financial condition for the three-month and nine-month periods ended December 31, 2016, compared to the corresponding periods of the prior fiscal year. This analysis also includes comments about significant variances from BDC's fiscal 2017–21 Corporate Plan, when applicable.

BDC reports on six business segments: Financing, Growth & Transition Capital, Venture Capital, Advisory Services, Securitization and Venture Capital Action Plan (VCAP). All amounts are in Canadian dollars, unless otherwise specified, and are based on unaudited condensed quarterly Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS).

This analysis should be read in conjunction with the unaudited condensed quarterly Consolidated Financial Statements included in this report and the audited annual Consolidated Financial Statements in the fiscal 2016 Annual Report.

Consolidated net income

(\$ in millions)	Three months ended December 31		Nine months ended December 31	
	F2017	F2016	F2017	F2016
Financing	101.7	116.8	336.7	360.0
Growth & Transition Capital	13.1	9.6	41.0	31.3
Venture Capital	10.6	22.7	(16.7)	88.8
Advisory Services	(11.9)	(8.5)	(34.1)	(23.5)
Securitization	0.8	0.9	2.5	2.1
Venture Capital Action Plan	1.9	7.3	(7.3)	2.0
Net income	116.2	148.8	322.1	460.7
Net income attributable to:				
BDC's shareholder	115.9	148.9	323.0	462.0
Non-controlling interests	0.3	(0.1)	(0.9)	(1.3)
Net income	116.2	148.8	322.1	460.7

Three and nine months ended December 31

For the quarter ended December 31, 2016, BDC recorded consolidated net income of \$116.2 million for a total of \$322.1 million for the nine-month period. As forecasted in its fiscal 2017-21 Corporate Plan, these results are lower than those recorded in fiscal 2016, mostly attributable to last year's strong Venture Capital results and to higher provisions for credit losses in fiscal 2017 as a main result of oil price decline.

Currently, BDC expects its consolidated net income for fiscal 2017 to exceed the Corporate Plan target of \$368 million.



Consolidated comprehensive income

(\$ in millions)	Three months ended December 31		Nine months ended December 31	
	F2017	F2016	F2017	F2016
Net income	116.2	148.8	322.1	460.7
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net income				
Net change in unrealized gains (losses) on available-for-sale assets	(1.0)	(0.6)	(2.0)	(1.9)
Net change in unrealized gains (losses) on cash flow hedges	1.4	(0.5)	1.1	(1.5)
Total items that may be reclassified subsequently to net income	0.4	(1.1)	(0.9)	(3.4)
Items that will not be reclassified to net income				
Remeasurements of net defined benefit asset or liability	184.9	6.2	107.6	56.4
Other comprehensive income (loss)	185.3	5.1	106.7	53.0
Total comprehensive income	301.5	153.9	428.8	513.7
Total comprehensive income attributable to:				
BDC's shareholder	301.2	154.0	429.7	515.0
Non-controlling interests	0.3	(0.1)	(0.9)	(1.3)
Total comprehensive income	301.5	153.9	428.8	513.7

Three and nine months ended December 31

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

For the third quarter of fiscal 2017, BDC recorded other comprehensive income of \$185.3 million, reflecting the recent increase in long-term interest rates for high-quality corporate bonds, which is used to value the net defined benefit obligation.

As the discount rate returned close to March 31, 2016 level, the year-to-date results were not significantly affected by the revaluation of the net defined benefit obligation. Other comprehensive income of \$106.7 million was mainly the result of the increase in remeasurement gains due to higher returns on pension plan assets.



Financing results

(\$ in millions)	Three months ended December 31		Nine months ended December 31	
	F2017	F2016	F2017	F2016
Net interest and fee income	268.2	246.6	770.9	725.8
Provision for credit losses	(64.3)	(38.3)	(137.4)	(99.9)
Net gains (losses) on other financial instruments	0.3	0.1	0.8	3.8
Income before operating and administrative expenses	204.2	208.4	634.3	629.7
Operating and administrative expenses	102.5	91.6	297.6	269.7
Net income from Financing	101.7	116.8	336.7	360.0

As % of average portfolio	Three months ended December 31		Nine months ended December 31	
	F2017	F2016	F2017	F2016
Net interest and fee income	4.9	4.9	4.8	5.0
Provision for credit losses	(1.2)	(0.8)	(0.9)	(0.7)
Net gains (losses) on other financial instruments	-	-	-	-
Income before operating and administrative expenses	3.7	4.1	3.9	4.3
Operating and administrative expenses	1.9	1.8	1.9	1.8
Net income from Financing	1.8	2.3	2.0	2.5

Three and nine months ended December 31

Financing's net income was \$101.7 million for the third quarter of fiscal 2017 and \$336.7 million for the nine-month period ended December 31, 2016. These numbers are lower than last year's results of \$116.8 million and \$360.0 million for the same periods, respectively. The decrease in profitability in fiscal 2017 was mainly due to higher provision for credit losses, reflecting the economic uncertainty from declining oil prices. The level of credit losses increased to 1.2% and 0.9% of the average portfolio, for the quarter and nine-month periods ended December 31, 2016, respectively, the highest level since the financial crisis.

Net interest and fee income increased compared to last year as a result of strong portfolio growth. While stable for the quarter compared to last year, year-to-date net interest and fee income as a percentage of average portfolio fell compared to fiscal 2016, reflecting interest rate market dynamics.

Operating and administrative expenses as a percentage of the average portfolio were slightly higher in fiscal 2017 than those in the corresponding periods last year. The increase was mainly due to costs associated with the deployment of BDC's new brand identity, as well as higher staff levels aimed at increasing BDC's presence across Canada to help more entrepreneurs. BDC is also leveraging its online presence through the virtual business centre and is investing in enhanced mobile capabilities to make it simpler and faster for clients to secure financing.



Growth & Transition Capital results

	Three months ended December 31		Nine months ended December 31	
	F2017	F2016	F2017	F2016
(\$ in millions)				
Net revenue on investments	25.8	21.0	75.2	63.1
Net change in unrealized appreciation (depreciation) of investments	(2.8)	(3.2)	(8.9)	(9.1)
Income before operating and administrative expenses	23.0	17.8	66.3	54.0
Operating and administrative expenses	9.9	8.2	25.3	22.7
Net income from Growth & Transition Capital	13.1	9.6	41.0	31.3
Net income attributable to:				
BDC's shareholder	12.9	9.9	40.5	30.5
Non-controlling interests	0.2	(0.3)	0.5	0.8
Net income from Growth & Transition Capital	13.1	9.6	41.0	31.3

	Three months ended December 31		Nine months ended December 31	
	F2017	F2016	F2017	F2016
As % of average portfolio				
Net revenue on investments	12.3	12.1	12.4	12.6
Net change in unrealized appreciation (depreciation) of investments	(1.3)	(1.8)	(1.5)	(1.8)
Income before operating and administrative expenses	11.0	10.3	10.9	10.8
Operating and administrative expenses	4.7	4.7	4.2	4.5
Net income from Growth & Transition Capital	6.3	5.6	6.7	6.3
Net income attributable to:				
BDC's shareholder	6.2	5.8	6.6	6.1
Non-controlling interests	0.1	(0.2)	0.1	0.2
Net income from Growth & Transition Capital	6.3	5.6	6.7	6.3

Three and nine months ended December 31

Growth & Transition Capital recorded strong results compared to fiscal 2016, mainly due to a growing portfolio and good performance of investments. Net income reached \$13.1 million for the third quarter of fiscal 2017 and \$41.0 million for the nine months ended December 31, 2016, compared to \$9.6 million and \$31.3 million for the same periods last year.

Net revenue on investments, which comprised net interest income, net realized gains (losses) on investments, and fee and other income amounted to \$25.8 million for the third quarter and \$75.2 million for the nine months ended December 31, 2016. The increase compared to fiscal 2016 was mainly due to higher net interest income as a result of portfolio growth.



Growth & Transition Capital reported a net change in unrealized depreciation of investments of \$2.8 million for the third quarter and \$8.9 million for the nine-month period of fiscal 2017, as detailed below. Compared to last year's results, net fair value depreciation was lower, reflecting the strong performance of the portfolio. Note that the reversal of net fair value appreciation (depreciation) usually has minimal impact on net income, as it usually offsets realized gains or losses recorded in net revenue.

	Three months ended December 31		Nine months ended December 31	
	F2017	F2016	F2017	F2016
(\$ in millions)				
Net fair value appreciation (depreciation)	(0.6)	(1.2)	(2.2)	(6.3)
Reversal of net fair value depreciation (appreciation) due to realized income and write-offs	(2.2)	(2.0)	(6.7)	(2.8)
Net change in unrealized appreciation (depreciation) of investments	(2.8)	(3.2)	(8.9)	(9.1)

Operating and administrative expenses amounted to \$25.3 million for the nine-month period ended December 31, 2016, higher than the \$22.7 million recorded last year. The increase was mainly due to higher staff levels required to fully support the growth and transition plans of clients. However, as a percentage of the average portfolio, operating and administrative expenses decreased compared to fiscal 2016.

Venture Capital results

	Three months ended December 31		Nine months ended December 31	
	F2017	F2016	F2017	F2016
(\$ in millions)				
Net revenue (loss) on investments	4.5	(7.2)	6.7	9.7
Net change in unrealized appreciation (depreciation) of investments	3.0	22.7	(20.3)	62.9
Net unrealized foreign exchange gains (losses) on investments	9.2	12.7	14.1	32.1
Net gains (losses) on other financial instruments	(0.2)	(0.2)	(0.4)	(0.3)
Income before operating and administrative expenses	16.5	28.0	0.1	104.4
Operating and administrative expenses	5.9	5.3	16.8	15.6
Net income (loss) from Venture Capital	10.6	22.7	(16.7)	88.8
Net income attributable to:				
BDC's shareholder	10.5	22.5	(15.3)	90.9
Non-controlling interests	0.1	0.2	(1.4)	(2.1)
Net income (loss) from Venture Capital	10.6	22.7	(16.7)	88.8



Three and nine months ended December 31

During the third quarter of fiscal 2017, Venture Capital recorded net income of \$10.6 million, compared to net income of \$22.7 million for the same period last year. Fiscal 2017 net income was mainly driven by the appreciation of the U.S. dollar, as well as minimal fair value depreciation on investments.

For the nine months ended December 31, 2016, the net loss was \$16.7 million, compared to net income of \$88.8 million recorded for the same period last year. Fiscal 2016 net income was improved by a significant fair value appreciation following an external round of financing for one of our investees and by higher net unrealized foreign exchange gains on the U.S. portfolio.

Net revenue on investments was \$4.5 million for the third quarter and \$6.7 million for the nine-month period of fiscal 2017. Venture Capital recorded lower write-offs and higher realized gains during the third quarter of fiscal 2017 compared to the same period of fiscal 2016. During the third quarter and the nine-month period of fiscal 2017, proceeds received from divestiture of investments were \$41.5 million and \$87.3 million, respectively, compared to \$18.3 million and \$76.3 million received for the same periods of fiscal 2016.

Venture Capital recorded a net change in unrealized appreciation of investments of \$3.0 million for the third quarter of fiscal 2017 and net change in unrealized depreciation of investments of \$20.3 million for the nine-month period of fiscal 2017, as detailed below. For the nine-month period ended December 31, net fair value depreciation of \$31.8 million was mainly attributable to the direct portfolio, while fiscal 2016 net fair value appreciation of \$58.8 million was the result of an external round of financing for one of our direct investees.

(\$ in millions)	Three months ended December 31		Nine months ended December 31	
	F2017	F2016	F2017	F2016
Net fair value appreciation (depreciation)	(3.7)	12.8	(31.8)	58.8
Reversal of fair value depreciation (appreciation) on divested investments and write-offs	6.7	9.9	11.5	4.1
Net change in unrealized appreciation (depreciation) of investments	3.0	22.7	(20.3)	62.9

Net unrealized foreign exchange gains on investments were due to foreign exchange fluctuations on the U.S. dollar and were lower than last year due to a more stable Canadian dollar.

On a year-to-date basis, operating and administrative expenses were \$16.8 million, higher than those recorded for the same period of fiscal 2016, mainly as a result of higher salaries to better support venture capital initiatives and portfolio growth.



Advisory Services results

(\$ in millions)	Three months ended December 31		Nine months ended December 31	
	F2017	F2016	F2017	F2016
Revenue	5.5	3.8	14.6	11.0
Operating and administrative expenses	17.4	12.3	48.7	34.5
Net loss from Advisory Services	(11.9)	(8.5)	(34.1)	(23.5)

Three and nine months ended December 31

At the beginning of fiscal 2017, BDC Advantage was renamed Advisory Services, to better reflect the full range of non-financial services offered to entrepreneurs.

The offering under Advisory Services is considered an investment in entrepreneurs. As such, a net loss of \$11.9 million was recorded for the third quarter of fiscal 2017, for a cumulative net loss of \$34.1 million for the nine-month period ended December 31, 2016. These are higher than last year, as planned in 2017-21 Corporate Plan, as BDC continues to invest to develop its non-financial services, including new offerings for Canada's high-impact firms (Growth Driver Program), the Accelerated Growth Service (AGS) program and an enhanced offering to help businesses expand internationally.

Advisory Services increased its reach in fiscal 2017, which is reflected in higher revenue compared to last year. Revenue amounted to \$5.5 million and \$14.6 million, respectively, for the third quarter and the nine-month period ended December 31, 2016, representing 45% and 33% growth compared to last year.

On a year-to-date basis, operating and administrative expenses of \$48.7 million were \$14.2 million higher than those recorded in the same period of fiscal 2016 but are lower than anticipated.

Securitization results

(\$ in millions)	Three months ended December 31		Nine months ended December 31	
	F2017	F2016	F2017	F2016
Net revenue	1.5	1.5	4.5	3.8
Operating and administrative expenses	0.7	0.6	2.0	1.7
Net income from Securitization	0.8	0.9	2.5	2.1

Three and nine months ended December 31

Net income from Securitization for the third quarter of fiscal 2017 was \$0.8 million for a total of \$2.5 million for the nine-month period ended December 31, 2016. These figures compared to net income from Securitization of \$0.9 million and \$2.1 million, respectively, for the same periods last year.

Net revenue was \$4.5 million for the nine months ended December 31, 2016, higher than the \$3.8 million recorded for the same period last year. This was mainly due to higher net interest income as a result of the growth of the asset-backed securities portfolio for the nine-month period of fiscal 2017, compared to the same period last year.



Operating and administrative expenses for the three-month and nine-month periods ended December 31, 2016, were slightly higher than those reported for the same periods last year but consistent as a percentage of the average portfolio.

Venture Capital Action Plan results

(\$ in millions)	Three months ended December 31		Nine months ended December 31	
	F2017	F2016	F2017	F2016
Net revenue (loss) on investments	-	0.1	-	0.3
Net change in unrealized appreciation (depreciation) of investments	2.1	7.4	(6.8)	2.3
Income (loss) before operating and administrative expenses	2.1	7.5	(6.8)	2.6
Operating and administrative expenses	0.2	0.2	0.5	0.6
Net income (loss) from Venture Capital Action Plan	1.9	7.3	(7.3)	2.0

Three and nine months ended December 31

During the third quarter of fiscal 2017, Venture Capital Action Plan (VCAP) recorded net income of \$1.9 million, compared to net income of \$7.3 million for the same period last year. Net income for the three months ended December 31, 2016, was lower than for the same period last year as a result of a lower net change in unrealized appreciation of investments, primarily as a result of a decrease in the fair value of the underlying funds.

For the nine-month period ended December 31, 2016, VCAP recorded a net loss of \$7.3 million, compared to a net income of \$2.0 million for the same period last year. The net change in unrealized depreciation of investments was affected by a decrease in the fair value of underlying funds, as well as expenses related to the closing of funds of funds.

On a year-to-date basis, operating and administrative expenses of \$0.5 million were slightly lower to those recorded in the same period of fiscal 2016.

Currently, BDC expects fiscal 2017 VCAP results to be better than its Fiscal 2017-21 Corporate Plan projections.

Consolidated statement of financial position and cash flows

As at December 31, 2016, total BDC assets amounted to \$24.8 billion, an increase of \$1.9 billion from March 31, 2016, mainly due to the increase in loans and investments.

At \$21.3 billion, the loan portfolio represented BDC's largest asset (\$22.0 billion in gross portfolio less a \$0.7-billion allowance for credit losses). The gross loan portfolio grew by 8.4% in the nine months after March 31, 2016, reflecting a high level of activities.

BDC's investment portfolios, which include the subordinate financing, venture capital and venture capital action plan portfolios, stood at \$2.1 billion, compared to \$1.8 billion as at March 31, 2016. The asset-backed securities portfolio stood at \$0.5 billion, stable compared to March 31, 2016.

Derivative assets of \$25.2 million and derivative liabilities of \$4.8 million reflected the fair value of derivative financial instruments as at December 31, 2016. Net derivative fair value decreased by \$27.2 million, compared to the fair value as at March 31, 2016, primarily due to maturities, redemptions and a decrease in fair value.



As at December 31, 2016, BDC recorded a net defined benefit asset of \$143.2 million related to the registered pension plan and a net defined benefit liability of \$212.2 million for the other plans, for a total net defined benefit liability of 69.0 million. This represented a decrease of \$95.0 million compared to the total net defined benefit liability as at March 31, 2016, primarily as the result of remeasurement gains recorded in fiscal 2017. Refer to page 8 of this report for further information on remeasurements of net defined benefit asset or liability.

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, totalled \$669.6 million as at December 31, 2016, compared to \$680.1 million as at March 31, 2016. For the nine-month period ended December 31, 2016, operating activities used \$1.2 billion mainly to support the growth of the loans portfolio. Cash flows used by investing activities amounted to \$309.1 million, reflecting net disbursements of subordinate financing, venture capital and venture capital action plan investments. Financing activities provided \$1.5 billion in cash flow, mainly as a result of the issuance of short-term notes and common shares, partially offset by the repayment of long-term notes and the payment of dividends.

As at December 31, 2016, BDC funded its portfolios and liquidities with borrowings of \$18.7 billion and total equity of \$5.8 billion. Borrowings comprised \$18.5 billion in short-term notes and \$0.2 billion in long-term notes.



Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)

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Management's Responsibility for Financial Information

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

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

Michael Denham
President and Chief Executive Officer

Paul Buron, CPA, CA
Executive Vice President and Chief Financial Officer

Montreal, Canada
February 8, 2017



Consolidated Statement of Financial Position

(unaudited)

(in thousands of Canadian dollars)	Notes	December 31, 2016	March 31, 2016
ASSETS			
Cash and cash equivalents		669,563	680,093
Derivative assets		25,208	51,687
Loans and investments			
Asset-backed securities	6	512,601	509,758
Loans	7	21,318,538	19,717,706
Subordinate financing investments	8	844,547	751,404
Venture capital investments	9	991,928	928,000
Venture capital action plan investments	10	267,210	137,668
Total loans and investments		23,934,824	22,044,536
Property and equipment		25,258	22,849
Intangible assets		32,394	38,446
Net defined benefit asset		143,218	53,995
Other assets		18,234	14,297
Total assets		24,848,699	22,905,903
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and accrued liabilities		90,779	96,966
Derivative liabilities		4,849	4,077
Borrowings			
Short-term notes		18,484,827	16,848,041
Long-term notes		169,072	350,268
Total borrowings		18,653,899	17,198,309
Net defined benefit liability		212,164	217,996
Other liabilities		55,545	39,036
Total liabilities		19,017,236	17,556,384
Equity			
Share capital	11	2,413,400	2,288,400
Contributed surplus		27,778	27,778
Retained earnings		3,365,392	3,003,483
Accumulated other comprehensive income		2,856	3,812
Equity attributable to BDC's shareholder		5,809,426	5,323,473
Non-controlling interests		22,037	26,046
Total equity		5,831,463	5,349,519
Total liabilities and equity		24,848,699	22,905,903

Guarantees (Note 13)

Commitments (Note 14)

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



Consolidated Statement of Income

(unaudited)

(in thousands of Canadian dollars)	Three months ended December 31		Nine months ended December 31	
	2016	2015	2016	2015
Interest income	302,633	274,736	871,404	818,008
Interest expense	20,487	16,862	60,323	57,823
Net interest income	282,146	257,874	811,081	760,185
Net realized gains (losses) on investments	4,109	(6,551)	7,273	7,205
Consulting revenue	5,426	3,851	14,538	11,023
Fee and other income	13,742	10,701	38,986	35,287
Net realized gains (losses) on other financial instruments	37	(33)	2,100	156
Net revenue	305,460	265,842	873,978	813,856
Provision for credit losses	(64,336)	(38,290)	(137,369)	(99,921)
Net change in unrealized appreciation (depreciation) of investments	2,158	26,751	(36,134)	56,140
Net unrealized foreign exchange gains (losses) on investments	9,336	12,796	14,202	32,146
Net unrealized gains (losses) on other financial instruments	(25)	24	(1,730)	3,405
Income before operating and administrative expenses	252,593	267,123	712,947	805,626
Salaries and benefits	94,049	83,494	270,670	246,871
Premises and equipment	10,125	9,631	30,056	28,235
Other expenses	32,196	25,153	90,118	69,818
Operating and administrative expenses	136,370	118,278	390,844	344,924
Net income	116,223	148,845	322,103	460,702
Net income attributable to:				
BDC's shareholder	115,882	148,917	322,927	462,053
Non-controlling interests	341	(72)	(824)	(1,351)
Net income	116,223	148,845	322,103	460,702

The accompanying notes are an integral part of these Consolidated Financial Statements and Note 12 provides additional information on segmented net income.



Consolidated Statement of Comprehensive Income

(unaudited)

(in thousands of Canadian dollars)	Three months ended December 31		Nine months ended December 31	
	2016	2015	2016	2015
Net income	116,223	148,845	322,103	460,702
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net income				
Net change in unrealized gains (losses) on available-for-sale assets	(1,005)	(626)	(2,027)	(1,888)
Net unrealized gains (losses) on cash flow hedges	1,409	(442)	1,226	(1,349)
Reclassification to net income of losses (gains) on cash flow hedges	(54)	(44)	(155)	(132)
Net change in unrealized gains (losses) on cash flow hedges	1,355	(486)	1,071	(1,481)
Total items that may be reclassified subsequently to net income	350	(1,112)	(956)	(3,369)
Items that will not be reclassified to net income				
Remeasurements of net defined benefit asset or liability	184,946	6,192	107,631	56,406
Other comprehensive income (loss)	185,296	5,080	106,675	53,037
Total comprehensive income	301,519	153,925	428,778	513,739
Total comprehensive income attributable to:				
BDC's shareholder	301,178	153,997	429,602	515,090
Non-controlling interests	341	(72)	(824)	(1,351)
Total comprehensive income	301,519	153,925	428,778	513,739



Consolidated Statement of Changes in Equity

For the three-month period ended December 31
(unaudited)

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				Available-for-sale assets	Cash flow hedges	Total			
Balance as at September 30, 2016	2,288,400	27,778	3,064,564	(65)	2,571	2,506	5,383,248	23,197	5,406,445
Total comprehensive income									
Net income			115,882				115,882	341	116,223
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on available-for-sale assets				(1,005)		(1,005)	(1,005)		(1,005)
Net change in unrealized gains (losses) on cash flow hedges					1,355	1,355	1,355		1,355
Remeasurements of net defined benefit asset or liability			184,946				184,946		184,946
Other comprehensive income (loss)	-	-	184,946	(1,005)	1,355	350	185,296	-	185,296
Total comprehensive income	-	-	300,828	(1,005)	1,355	350	301,178	341	301,519
Issuance of shares	125,000						125,000		125,000
Distributions to non-controlling interests								(2,301)	(2,301)
Capital injections from non-controlling interests								800	800
Transactions with owner, recorded directly in equity	125,000	-	-	-	-	-	125,000	(1,501)	123,499
Balance as at December 31, 2016	2,413,400	27,778	3,365,392	(1,070)	3,926	2,856	5,809,426	22,037	5,831,463

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				Available-for-sale assets	Cash flow hedges	Total			
Balance as at September 30, 2015	2,288,400	27,778	2,870,916	2,685	2,992	5,677	5,192,771	25,988	5,218,759
Total comprehensive income									
Net income			148,917				148,917	(72)	148,845
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on available-for-sale assets				(626)		(626)	(626)		(626)
Net change in unrealized gains (losses) on cash flow hedges					(486)	(486)	(486)		(486)
Remeasurements of net defined benefit asset or liability			6,192				6,192		6,192
Other comprehensive income (loss)	-	-	6,192	(626)	(486)	(1,112)	5,080	-	5,080
Total comprehensive income	-	-	155,109	(626)	(486)	(1,112)	153,997	(72)	153,925
Distributions to non-controlling interests								(1,683)	(1,683)
Capital injections from non-controlling interests								-	-
Transactions with owner, recorded directly in equity	-	-	-	-	-	-	-	(1,683)	(1,683)
Balance as at December 31, 2015	2,288,400	27,778	3,026,025	2,059	2,506	4,565	5,346,768	24,233	5,371,001

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



Consolidated Statement of Changes in Equity

For the nine-month period ended December 31
(unaudited)

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				Available-for-sale assets	Cash flow hedges	Total			
Balance as at March 31, 2016	2,288,400	27,778	3,003,483	957	2,855	3,812	5,323,473	26,046	5,349,519
Total comprehensive income									
Net income			322,927				322,927	(824)	322,103
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on available-for-sale assets				(2,027)		(2,027)	(2,027)		(2,027)
Net change in unrealized gains (losses) on cash flow hedges					1,071	1,071	1,071		1,071
Remeasurements of net defined benefit asset or liability			107,631				107,631		107,631
Other comprehensive income (loss)	-	-	107,631	(2,027)	1,071	(956)	106,675	-	106,675
Total comprehensive income	-	-	430,558	(2,027)	1,071	(956)	429,602	(824)	428,778
Issuance of shares	125,000						125,000		125,000
Dividends on common shares			(68,649)				(68,649)		(68,649)
Distributions to non-controlling interests								(4,565)	(4,565)
Capital injections from non-controlling interests								1,380	1,380
Transactions with owner, recorded directly in equity	125,000	-	(68,649)	-	-	-	56,351	(3,185)	53,166
Balance as at December 31, 2016	2,413,400	27,778	3,365,392	(1,070)	3,926	2,856	5,809,426	22,037	5,831,463

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				Available-for-sale assets	Cash flow hedges	Total			
Balance as at March 31, 2015	2,138,400	27,778	2,570,454	3,947	3,987	7,934	4,744,566	34,554	4,779,120
Total comprehensive income									
Net income			462,053				462,053	(1,351)	460,702
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on available-for-sale assets				(1,888)		(1,888)	(1,888)		(1,888)
Net change in unrealized gains (losses) on cash flow hedges					(1,481)	(1,481)	(1,481)		(1,481)
Remeasurements of net defined benefit asset or liability			56,406				56,406		56,406
Other comprehensive income (loss)	-	-	56,406	(1,888)	(1,481)	(3,369)	53,037	-	53,037
Total comprehensive income	-	-	518,459	(1,888)	(1,481)	(3,369)	515,090	(1,351)	513,739
Issuance of shares	150,000						150,000		150,000
Dividends on common shares			(62,888)				(62,888)		(62,888)
Distributions to non-controlling interests								(9,753)	(9,753)
Capital injections from non-controlling interests								783	783
Transactions with owner, recorded directly in equity	150,000	-	(62,888)	-	-	-	87,112	(8,970)	78,142
Balance as at December 31, 2015	2,288,400	27,778	3,026,025	2,059	2,506	4,565	5,346,768	24,233	5,371,001

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



Consolidated Statement of Cash Flows

(unaudited)

(in thousands of Canadian dollars)	Three months ended December 31		Nine months ended December 31	
	2016	2015	2016	2015
Operating activities				
Net income	116,223	148,845	322,103	460,702
Adjustments to determine net cash flows				
Interest income	(302,633)	(274,736)	(871,404)	(818,008)
Interest expense	20,487	16,862	60,323	57,823
Net realized losses (gains) on investments	(4,109)	6,551	(7,273)	(7,205)
Provision for credit losses	64,336	38,290	137,369	99,921
Net change in unrealized depreciation (appreciation) on investments	(2,158)	(26,751)	36,134	(56,140)
Net unrealized foreign exchange losses (gains) on investments	(9,336)	(12,796)	(14,202)	(32,146)
Net unrealized losses (gains) on other financial instruments	25	(24)	1,730	(3,405)
Defined benefits funding below (in excess) of amounts expensed	7,445	2,358	12,575	1,695
Depreciation of property and equipment, and amortization of intangible assets	3,899	4,398	11,748	13,195
Other	(8,836)	(6,449)	(18,527)	(16,615)
Interest expense paid	(17,922)	(13,350)	(58,635)	(55,576)
Interest income received	285,062	266,429	840,440	796,833
Disbursements for loans	(1,607,392)	(1,269,685)	(4,653,765)	(3,452,399)
Repayments of loans	1,062,192	769,568	2,968,573	2,362,802
Changes in operating assets and liabilities				
Net change in accounts payable and accrued liabilities	17,174	19,297	(6,187)	(11,713)
Net change in other assets and other liabilities	2,078	4,374	12,572	2,070
Net cash flows provided (used) by operating activities	(373,465)	(326,819)	(1,226,426)	(658,166)
Investing activities				
Disbursements for asset-backed securities	(65,787)	(73,959)	(182,958)	(270,155)
Repayments and proceeds on sale of asset-backed securities	62,352	56,403	178,167	159,670
Disbursements for subordinate financing investments	(71,112)	(87,673)	(219,182)	(210,194)
Repayments of subordinate financing investments	47,780	38,504	122,572	126,973
Disbursements for venture capital investments	(67,679)	(75,291)	(150,574)	(175,028)
Proceeds on sale of venture capital investments	41,497	18,321	87,316	76,334
Disbursements for venture capital action plan investments	(23,369)	(26,468)	(137,658)	(67,591)
Proceeds on sale of venture capital action plan investments	1,197	6	1,274	228
Acquisition of property and equipment	(2,997)	(1,249)	(6,710)	(5,246)
Acquisition of intangible assets	(1,036)	-	(1,394)	-
Net cash flows provided (used) by investing activities	(79,154)	(151,406)	(309,147)	(365,009)
Financing activities				
Net change in short-term notes	337,020	550,135	1,636,226	1,093,273
Repayment of long-term notes	(23,500)	(55,023)	(164,349)	(127,722)
Distributions to non-controlling interests	(2,301)	(1,683)	(4,565)	(9,753)
Capital injections from non-controlling interests	800	-	1,380	783
Issue of common shares	125,000	-	125,000	150,000
Dividends paid on common shares	-	-	(68,649)	(62,888)
Net cash flows provided (used) by financing activities	437,019	493,429	1,525,043	1,043,693
Net increase (decrease) in cash and cash equivalents	(15,600)	15,204	(10,530)	20,518
Cash and cash equivalents at beginning of period	685,163	672,398	680,093	667,084
Cash and cash equivalents at end of period	669,563	687,602	669,563	687,602

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



Notes to the Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)

1.

BDC General Description

The Business Development Bank of Canada is a Crown corporation that was established by an Act of Parliament on December 20, 1974, as the Federal Business Development Bank and continued under its current name by an Act of Parliament that was enacted on July 13, 1995. The Business Development Bank of Canada is incorporated in Canada and wholly owned by the Government of Canada.

The objectives of the Business Development Bank of Canada and its subsidiaries (together, BDC) are to promote and assist in the establishment and development of business enterprises in Canada, with a focus on small and medium-sized enterprises, by providing a range of complementary lending, investment and consulting 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.

2.

Basis of Preparation

BDC's condensed quarterly Consolidated Financial Statements are in compliance with the Standard on Quarterly Financial Reports for Crown Corporations, as required by the *Financial Administration Act* and issued by the Treasury Board of Canada Secretariat.

BDC's condensed quarterly Consolidated Financial Statements follow the same basis of preparation as our audited Consolidated Financial Statements for the year ended March 31, 2016. For complete information on the basis of preparation, refer to page 59 of our 2016 Annual Report.

These condensed quarterly Consolidated Financial Statements have been prepared using International Financial Reporting Standards (IFRS). The condensed quarterly Consolidated Financial Statements have also been prepared in accordance with the accounting policies BDC expects to use in its annual Consolidated Financial Statements for the year ending March 31, 2017. If BDC changes the application of these policies, it may result in a restatement of these condensed quarterly Consolidated Financial Statements.

These condensed quarterly Consolidated Financial Statements were approved for issue by the Board of Directors on February 8, 2017.



3.

Significant Accounting Policies

BDC's condensed quarterly Consolidated Financial Statements follow the same accounting policies as our audited Consolidated Financial Statements for the year ended March 31, 2016. These policies have been consistently applied to all periods presented in these condensed quarterly Consolidated Financial Statements and have been applied consistently by all entities consolidated by BDC.

These condensed quarterly Consolidated Financial Statements must be read in conjunction with BDC's 2016 Annual Report and the accompanying notes, as set out on pages 58 to 117 of our 2016 Annual Report.

4.

Significant Accounting Judgements, Estimates and Assumptions

Preparation of the condensed quarterly Consolidated Financial Statements as per IFRS requires management to make judgements and use estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Significant changes in the underlying assumptions could result in significant changes to these estimates. Consequently, management reviews these assumptions regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

For information about the significant judgements, estimates and assumptions that have the most significant effect on the amounts recognized in the condensed quarterly Consolidated Financial Statements, refer to page 69 of our 2016 Annual Report.



5.

Classification and Fair Value of Financial Instruments

Classification of financial instruments

The following tables summarize the classification of BDC's financial instruments as at December 31, 2016, and March 31, 2016.

								December 31, 2016
	Note	Measured at fair value				Measured at amortized cost		Total
		FVTPL ⁽¹⁾				Loans and receivables	Financial liabilities	
		Held-for-trading	Designated as at FVTPL	Available-for-sale	Cash flow hedges			
Financial assets								
Cash and cash equivalents						669,563		669,563
Derivative assets		21,203			4,005			25,208
Asset-backed securities	6		9,069	503,532				512,601
Loans	7					21,318,538		21,318,538
Subordinate financing investments	8		844,547					844,547
Venture capital investments	9		991,928					991,928
Venture capital action plan investments	10		267,210					267,210
Other assets ⁽²⁾						9,222		9,222
Total financial assets		21,203	2,112,754	503,532	4,005	21,997,323	-	24,638,817
Financial liabilities								
Accounts payable and accrued liabilities							90,779	90,779
Derivative liabilities		4,849						4,849
Short-term notes							18,484,827	18,484,827
Long-term notes			163,458				5,614	169,072
Other liabilities ⁽²⁾							42,659	42,659
Total financial liabilities		4,849	163,458	-	-	-	18,623,879	18,792,186

								March 31, 2016
	Note	Measured at fair value				Measured at amortized cost		Total
		FVTPL ⁽¹⁾				Loans and receivables	Financial liabilities	
		Held-for-trading	Designated as at FVTPL	Available-for-sale	Cash flow hedges			
Financial assets								
Cash and cash equivalents						680,093		680,093
Derivative assets		48,963			2,724			51,687
Asset-backed securities	6		7,152	502,606				509,758
Loans	7					19,717,706		19,717,706
Subordinate financing investments	8		751,404					751,404
Venture capital investments	9		928,000					928,000
Venture capital action plan investments	10		137,668					137,668
Other assets ⁽²⁾						9,350		9,350
Total financial assets		48,963	1,824,224	502,606	2,724	20,407,149	-	22,785,666
Financial liabilities								
Accounts payable and accrued liabilities							96,966	96,966
Derivative liabilities		4,068			9			4,077
Short-term notes							16,848,041	16,848,041
Long-term notes			251,916				98,352	350,268
Other liabilities ⁽²⁾							28,908	28,908
Total financial liabilities		4,068	251,916	-	9	-	17,072,267	17,328,260

⁽¹⁾ Fair value through profit or loss.

⁽²⁾ Certain items within the other assets and other liabilities categories on the Consolidated Statement of Financial Position are not considered to be financial instruments.

Notes to the Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)



Fair value of financial instruments

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

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

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

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

	Fair value measurements using			December 31, 2016
	Level 1	Level 2	Level 3	Total fair value
Assets				
Derivative assets		25,208		25,208
Asset-backed securities		512,601		512,601
Subordinate financing investments	1,425		843,122	844,547
Venture capital investments	14,237		977,691	991,928
Venture capital action plan investments			267,210	267,210
	15,662	537,809	2,088,023	2,641,494
Liabilities				
Derivative liabilities		4,849		4,849
Long-term notes designated as at FVTPL ⁽¹⁾		163,458		163,458
	-	168,307	-	168,307

	Fair value measurements using			March 31, 2016
	Level 1	Level 2	Level 3	Total fair value
Assets				
Derivative assets		51,687		51,687
Asset-backed securities		509,758		509,758
Subordinate financing investments	824		750,580	751,404
Venture capital investments	11,905		916,095	928,000
Venture capital action plan investments			137,668	137,668
	12,729	561,445	1,804,343	2,378,517
Liabilities				
Derivative liabilities		4,077		4,077
Long-term notes designated as at FVTPL ⁽¹⁾		251,916		251,916
	-	255,993	-	255,993

⁽¹⁾ Fair value through profit or loss.

Notes to the Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)



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

	December 31, 2016			
	Subordinate financing investments	Venture capital investments	Venture capital action plan investments	Total
Fair value as at April 1, 2016	750,580	916,095	137,668	1,804,343
Net realized gains (losses) on investments	4,221	943	-	5,164
Net change in unrealized appreciation (depreciation) of investments	(9,452)	(17,587)	(6,936)	(33,975)
Net unrealized foreign exchange gains (losses) on investments	-	14,073	95	14,168
Disbursements for investments	219,182	146,574	137,658	503,414
Repayments of investments and other	(121,409)	(76,499)	(1,275)	(199,183)
Transfers from level 3 to level 1	-	(5,908)	-	(5,908)
Fair value as at December 31, 2016	843,122	977,691	267,210	2,088,023

	March 31, 2016			
	Subordinate financing investments	Venture capital investments	Venture capital action plan investments	Total
Fair value as at April 1, 2015	642,203	707,768	47,643	1,397,614
Net realized gains (losses) on investments	394	(6,545)	-	(6,151)
Net change in unrealized appreciation (depreciation) of investments	258	82,792	3,958	87,008
Net unrealized foreign exchange gains (losses) on investments	-	8,258	(71)	8,187
Disbursements for investments	254,076	228,915	86,367	569,358
Repayments of investments and other	(146,351)	(95,478)	(229)	(242,058)
Transfers from level 3 to level 1	-	(9,615)	-	(9,615)
Fair value as at March 31, 2016	750,580	916,095	137,668	1,804,343

Notes to the Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)



6. Asset-Backed Securities

	December 31, 2016	March 31, 2016
Available-for-sale		
Principal amount	504,602	501,649
Cumulative fair value appreciation (depreciation)	(1,070)	957
Carrying value	503,532	502,606
Yield	1.84%	1.77%
Fair value through profit or loss		
Principal amount	9,037	7,105
Cumulative fair value appreciation (depreciation)	32	47
Carrying value	9,069	7,152
Yield	6.94%	6.95%
Asset-backed securities	512,601	509,758

No asset-backed securities were impaired as at December 31 or March 31, 2016.

7. Loans

The following tables summarize loans outstanding by contractual maturity date.

	Within 1 year	1 to 5 years	Over 5 years	Total gross amount	Collective allowance	Individual allowance	Total allowance	Total net amount
Performing	263,993	2,527,078	18,488,908	21,279,979	(400,000)	-	(400,000)	20,879,979
Impaired	25,523	145,131	554,900	725,554	-	(286,995)	(286,995)	438,559
Loans as at December 31, 2016	289,516	2,672,209	19,043,808	22,005,533	(400,000)	(286,995)	(686,995)	21,318,538

	Within 1 year	1 to 5 years	Over 5 years	Total gross amount	Collective allowance	Individual allowance	Total allowance	Total net amount
Performing	220,222	2,292,473	17,256,082	19,768,777	(390,000)	-	(390,000)	19,378,777
Impaired	19,837	74,442	460,374	554,653	-	(215,724)	(215,724)	338,929
Loans as at March 31, 2016	240,059	2,366,915	17,716,456	20,323,430	(390,000)	(215,724)	(605,724)	19,717,706

Allowance for credit losses

	December 31, 2016	March 31, 2016
Balance at beginning of period	605,724	529,923
Write-offs	(54,261)	(81,127)
Effect of discounting	(10,993)	(13,395)
Recoveries and other	9,156	9,414
	549,626	444,815
Provision for credit losses	137,369	160,909
Balance at end of period	686,995	605,724

Notes to the Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)



Concentrations of total loans outstanding

Geographic distribution	December 31, 2016	March 31, 2016
Newfoundland and Labrador	872,860	849,591
Prince Edward Island	62,535	56,456
Nova Scotia	551,608	528,651
New Brunswick	447,728	467,311
Quebec	6,911,409	6,496,866
Ontario	5,796,640	5,242,987
Manitoba	677,128	653,069
Saskatchewan	770,617	701,224
Alberta	3,357,490	3,000,998
British Columbia	2,428,650	2,200,621
Yukon	99,451	95,400
Northwest Territories and Nunavut	29,417	30,256
Total loans outstanding	22,005,533	20,323,430

Industry sector	December 31, 2016	March 31, 2016
Manufacturing	5,037,320	4,503,108
Wholesale and retail trade	4,287,979	4,109,247
Service industries	2,964,511	2,681,948
Tourism	2,716,540	2,562,826
Commercial properties	2,266,268	2,166,365
Construction	1,859,682	1,714,697
Transportation and storage	1,267,191	1,221,123
Resources	936,677	811,028
Other	669,365	553,088
Total loans outstanding	22,005,533	20,323,430

Notes to the Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)



8.

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 December 31, 2016	88,781	647,190	132,073	868,044	844,547
As at March 31, 2016	76,089	565,188	124,772	766,049	751,404

Concentrations of total subordinate financing investments

Geographic distribution	December 31, 2016		March 31, 2016	
	Fair value	Cost	Fair value	Cost
Newfoundland and Labrador	6,655	6,730	5,252	5,773
Nova Scotia	19,509	19,750	16,963	17,108
New Brunswick	32,104	27,850	29,135	25,426
Quebec	318,257	334,522	302,632	319,494
Ontario	294,014	290,942	262,383	260,106
Manitoba	6,838	6,305	14,097	7,260
Saskatchewan	17,765	17,654	14,957	14,529
Alberta	101,857	114,910	72,650	80,877
British Columbia	43,427	45,066	29,776	31,715
Yukon	3,112	3,210	2,548	2,656
Northwest Territories and Nunavut	1,009	1,105	1,011	1,105
Subordinate financing investments	844,547	868,044	751,404	766,049

Industry sector	December 31, 2016		March 31, 2016	
	Fair value	Cost	Fair value	Cost
Manufacturing	275,657	282,517	259,348	267,869
Service industries	194,148	202,559	170,955	179,235
Wholesale and retail trade	153,618	154,284	133,656	135,052
Resources	65,737	75,745	45,820	53,125
Construction	65,534	65,523	68,130	60,652
Information industries	37,229	37,830	28,237	28,473
Transportation and storage	13,538	13,930	10,350	10,850
Tourism	8,969	9,469	5,229	5,866
Educational services	5,218	5,219	2,796	2,728
Other	24,899	20,968	26,883	22,199
Subordinate financing investments	844,547	868,044	751,404	766,049

Notes to the Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)



9.

Venture Capital Investments

BDC maintains a high-risk portfolio of venture capital investments that is focused on early-stage and fast-growing technology companies having promising positions in their respective marketplaces and strong growth potential. The concentrations and investment types of venture capital investments are listed below.

Industry sector	December 31, 2016		March 31, 2016	
	Fair value	Cost	Fair value	Cost
Information technology	239,438	221,654	200,706	188,322
Biotechnology and pharmacology	154,369	127,896	140,414	102,042
Electronics	71,598	84,316	81,986	92,041
Communications	51,773	51,176	43,887	43,484
Medical and health	25,854	51,711	40,763	52,739
Industrial	15,630	16,633	12,135	17,785
Energy	11,732	9,762	23,457	26,073
Other	14,548	14,445	9,506	8,495
Total direct investments	584,942	577,593	552,854	530,981
Funds	406,986	310,839	375,146	287,271
Venture capital investments	991,928	888,432	928,000	818,252

Investment type	December 31, 2016		March 31, 2016	
	Fair value	Cost	Fair value	Cost
Common shares	47,182	80,537	60,298	80,567
Preferred shares	503,641	452,524	438,341	394,025
Debentures	34,119	44,532	54,215	56,389
Total direct investments	584,942	577,593	552,854	530,981
Funds	406,986	310,839	375,146	287,271
Venture capital investments	991,928	888,432	928,000	818,252



10.

Venture Capital Action Plan Investments

Venture Capital Action Plan is a federal government initiative to invest \$400 million to increase private sector venture capital financing for high-potential, innovative Canadian businesses.

Venture Capital Action Plan invests primarily in early-stage and mid-stage venture capital funds, and directly in companies across Canada. Venture Capital Action Plan 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.

As at December 31, 2016, the fair value of venture capital action plan investments stood at \$267,210 (\$137,668 as at March 31, 2016), and their cost was \$274,288 (\$137,905 as at March 31, 2016).

11.

Share Capital

An unlimited number of common shares, having a par value of \$100 each, is authorized. As at December 31, 2016, there were 24,134,000 common shares outstanding (22,884,000 as at March 31, 2016).

During the three-month period ended December 31, 2016, BDC issued 1,250,000 common shares for \$125.0 million.

Statutory limitations

As per the BDC Act, the debt-to-equity ratio cannot exceed 12:1. In addition, the paid-in capital, the contributed surplus and any proceeds that have been prescribed as equity (such as hybrid capital instruments) must not exceed \$3.0 billion. As at December 31 and March 31, 2016, BDC met both of these statutory limitation requirements.

Capital adequacy

Treasury Board of Canada Secretariat provides guidelines to BDC on its capital adequacy ratios. BDC must maintain overall capital and allowance for credit losses sufficient to ensure that BDC can withstand unfavourable economic circumstances without requiring additional government funding. During the nine-month period ended December 31, 2016, and for the fiscal year ended March 31, 2016, BDC complied with its capital adequacy guidelines.



12.

Segmented Information

BDC has six reportable segments, as described below, which are the Bank's business lines. Each business line offers different products and services, and is managed separately based on BDC's management and internal reporting structure.

The following summary describes the operations of 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.
- **Growth & Transition Capital** provides subordinate financing by way of flexible debt, with or without convertible features, and equity-type financing.
- **Venture Capital** provides investments to cover every stage of a technology-based company's development cycle, from seed funding to expansion. BDC also makes indirect investments via venture capital investment funds.
- **Advisory Services** provides consulting services, supports high-impact firms, and provides group programs and other services related to business activities.
- **Securitization** purchases investments in asset-backed securities through the Funding Platform for Independent Lenders. These securities are backed by vehicle and equipment loans and leases, as well as dealer floor plan loans. BDC also provides fully secured loans to small and medium-sized finance and leasing companies.
- **Venture Capital Action Plan** 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.

The assumptions and methodologies used in BDC's reporting framework are periodically reviewed by management to ensure they remain valid. BDC's main allocation methods 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 internal capital adequacy assessment process and is consistently aligned with the economic risks of each specific business segment.

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

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

Notes to the Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)



The following tables present financial information regarding the results of each reportable segment.

	Three months ended December 31, 2016						
	BDC	Financing	Growth & Transition Capital	Venture Capital	Advisory Services	Securitization	Venture Capital Action Plan
Interest income	302,633	281,201	18,870	-	-	2,562	-
Interest expense	20,487	18,447	1,011	-	-	1,029	-
Net interest income	282,146	262,754	17,859	-	-	1,533	-
Net realized gains (losses) on investments	4,109	-	390	3,719	-	-	-
Consulting revenue	5,426	-	-	-	5,426	-	-
Fee and other income	13,742	5,429	7,585	769	26	(18)	(49)
Net realized gains (losses) on other financial instruments	37	167	-	(151)	-	21	-
Net revenue (loss)	305,460	268,350	25,834	4,337	5,452	1,536	(49)
Provision for credit losses	(64,336)	(64,336)	-	-	-	-	-
Net change in unrealized appreciation (depreciation) of investments	2,158	-	(2,833)	2,988	-	(3)	2,006
Net unrealized foreign exchange gains (losses) on investments	9,336	-	-	9,238	-	30	68
Net unrealized gains (losses) on other financial instruments	(25)	100	-	(94)	-	(31)	-
Income (loss) before operating and administrative expenses	252,593	204,114	23,001	16,469	5,452	1,532	2,025
Salaries and benefits	94,049	69,862	8,603	3,958	10,864	628	134
Premises and equipment	10,125	8,130	425	414	1,107	35	14
Other expenses	32,196	24,428	823	1,456	5,397	75	17
Operating and administrative expenses	136,370	102,420	9,851	5,828	17,368	738	165
Net income (loss)	116,223	101,694	13,150	10,641	(11,916)	794	1,860
Net income (loss) attributable to:							
BDC's shareholder	115,882	101,694	12,909	10,541	(11,916)	794	1,860
Non-controlling interests	341	-	241	100	-	-	-
Net income (loss)	116,223	101,694	13,150	10,641	(11,916)	794	1,860
Business segment portfolio at end of period	23,934,824	21,282,925	844,547	991,928	-	548,214⁽¹⁾	267,210

⁽¹⁾ Securitization's portfolio at the end of the period included \$35,613 in loans and \$512,601 in asset-backed securities.

	Three months ended December 31, 2015						
	BDC	Financing	Growth & Transition Capital	Venture Capital	Advisory Services	Securitization	Venture Capital Action Plan
Interest income	274,736	256,489	15,856	-	-	2,391	-
Interest expense	16,862	14,753	1,093	-	-	1,016	-
Net interest income	257,874	241,736	14,763	-	-	1,375	-
Net realized gains (losses) on investments	(6,551)	-	787	(7,338)	-	-	-
Consulting revenue	3,851	-	-	-	3,851	-	-
Fee and other income	10,701	4,812	5,485	152	-	149	103
Net realized gains (losses) on other financial instruments	(33)	44	-	(77)	-	-	-
Net revenue (loss)	265,842	246,592	21,035	(7,263)	3,851	1,524	103
Provision for credit losses	(38,290)	(38,290)	-	-	-	-	-
Net change in unrealized appreciation (depreciation) of investments	26,751	-	(3,219)	22,641	-	(8)	7,337
Net unrealized foreign exchange gains (losses) on investments	12,796	-	-	12,748	-	-	48
Net unrealized gains (losses) on other financial instruments	24	100	-	(76)	-	-	-
Income (loss) before operating and administrative expenses	267,123	208,402	17,816	28,050	3,851	1,516	7,488
Salaries and benefits	83,494	63,768	6,932	3,807	8,289	514	184
Premises and equipment	9,631	8,050	438	491	608	31	13
Other expenses	25,153	19,816	783	1,035	3,397	95	27
Operating and administrative expenses	118,278	91,634	8,153	5,333	12,294	640	224
Net income (loss)	148,845	116,768	9,663	22,717	(8,443)	876	7,264
Net income (loss) attributable to:							
BDC's shareholder	148,917	116,768	9,904	22,548	(8,443)	876	7,264
Non-controlling interests	(72)	-	(241)	169	-	-	-
Net income (loss)	148,845	116,768	9,663	22,717	(8,443)	876	7,264
Business segment portfolio at end of period	21,705,913	19,429,839	718,077	912,575	-	528,023⁽¹⁾	117,399

⁽¹⁾ Securitization's portfolio at the end of the period included \$11,660 in loans and \$516,363 in asset-backed securities.

Notes to the Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)



Nine months ended
December 31, 2016

	BDC	Financing	Growth & Transition Capital	Venture Capital	Advisory Services	Securitization	Venture Capital Action Plan
Interest income	871,404	808,130	55,873	-	-	7,401	-
Interest expense	60,323	54,232	3,087	-	-	3,004	-
Net interest income	811,081	753,898	52,786	-	-	4,397	-
Net realized gains (losses) on investments	7,273	-	4,221	3,052	-	-	-
Consulting revenue	14,538	-	-	-	14,538	-	-
Fee and other income	38,986	17,002	18,155	3,650	78	95	6
Net realized gains (losses) on other financial instruments	2,100	2,155	-	(76)	-	21	-
Net revenue (loss)	873,978	773,055	75,162	6,626	14,616	4,513	6
Provision for credit losses	(137,369)	(137,369)	-	-	-	-	-
Net change in unrealized appreciation (depreciation) of investments	(36,134)	-	(8,851)	(20,332)	-	(15)	(6,936)
Net unrealized foreign exchange gains (losses) on investments	14,202	-	-	14,080	-	27	95
Net unrealized gains (losses) on other financial instruments	(1,730)	(1,404)	-	(298)	-	(28)	-
Income (loss) before operating and administrative expenses	712,947	634,282	66,311	76	14,616	4,497	(6,835)
Salaries and benefits	270,670	202,721	21,916	12,190	31,747	1,745	351
Premises and equipment	30,056	24,374	1,236	1,315	2,987	104	40
Other expenses	90,118	70,453	2,153	3,265	14,030	176	41
Operating and administrative expenses	390,844	297,548	25,305	16,770	48,764	2,025	432
Net income (loss)	322,103	336,734	41,006	(16,694)	(34,148)	2,472	(7,267)
Net income (loss) attributable to:							
BDC's shareholder	322,927	336,734	40,462	(15,326)	(34,148)	2,472	(7,267)
Non-controlling interests	(824)	-	544	(1,368)	-	-	-
Net income (loss)	322,103	336,734	41,006	(16,694)	(34,148)	2,472	(7,267)
Business segment portfolio at end of period	23,934,824	21,282,925	844,547	991,928	-	548,214⁽¹⁾	267,210

⁽¹⁾ Securitization's portfolio at the end of the period included \$35,613 in loans and \$512,601 in asset-backed securities.

Nine months ended
December 31, 2015

	BDC	Financing	Growth & Transition Capital	Venture Capital	Advisory Services	Securitization	Venture Capital Action Plan
Interest income	818,008	764,432	46,872	-	-	6,704	-
Interest expense	57,823	51,251	3,542	-	-	3,030	-
Net interest income	760,185	713,181	43,330	-	-	3,674	-
Net realized gains (losses) on investments	7,205	-	396	6,809	-	-	-
Consulting revenue	11,023	-	-	-	11,023	-	-
Fee and other income	35,287	12,578	19,341	2,942	-	171	255
Net realized gains (losses) on other financial instruments	156	313	-	(157)	-	-	-
Net revenue (loss)	813,856	726,072	63,067	9,594	11,023	3,845	255
Provision for credit losses	(99,921)	(99,921)	-	-	-	-	-
Net change in unrealized appreciation (depreciation) of investments	56,140	-	(9,054)	62,875	-	(26)	2,345
Net unrealized foreign exchange gains (losses) on investments	32,146	-	-	32,098	-	-	48
Net unrealized gains (losses) on other financial instruments	3,405	3,476	-	(71)	-	-	-
Income (loss) before operating and administrative expenses	805,626	629,627	54,013	104,496	11,023	3,819	2,648
Salaries and benefits	246,871	190,845	19,230	11,314	23,450	1,467	565
Premises and equipment	28,235	23,712	1,295	1,299	1,800	89	40
Other expenses	69,818	55,134	2,197	3,019	9,241	187	40
Operating and administrative expenses	344,924	269,691	22,722	15,632	34,491	1,743	645
Net income (loss)	460,702	359,936	31,291	88,864	(23,468)	2,076	2,003
Net income (loss) attributable to:							
BDC's shareholder	462,053	359,936	30,536	90,970	(23,468)	2,076	2,003
Non-controlling interests	(1,351)	-	755	(2,106)	-	-	-
Net income (loss)	460,702	359,936	31,291	88,864	(23,468)	2,076	2,003
Business segment portfolio at end of period	21,705,913	19,429,839	718,077	912,575	-	528,023⁽¹⁾	117,399

⁽¹⁾ Securitization's portfolio at the end of the period included \$11,660 in loans and \$516,363 in asset-backed securities.

Notes to the Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)



13.

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 fee income earned is calculated on a straight-line basis over the life of the instrument and recognized in fee and other income in the Consolidated Statement of Income. The maximum contractual obligation under the guarantees totalled \$342.9 million as at December 31, 2016 (\$352.4 million as at March 31, 2016) and the existing terms expire within 154 months (within 163 months as at March 31, 2016). However, the actual exposure as at December 31, 2016, was \$31.3 million (\$17.8 million as at March 31, 2016).

These financial guarantees were initially recognized at fair value on the date the guarantees were given. The fair value was considered nil, as all guarantees were agreed to on arm’s-length terms and no initial fee was received. In addition, no receivable for the future expected fees was recognized. Subsequent recognition of a liability will only occur when it becomes more likely than not that a client will not meet its contractual commitments. As at December 31, 2016, and March 31, 2016, there were no liabilities recognized in BDC’s Consolidated Statement of Financial Position related to these guarantees.

14.

Commitments

Loans

Undisbursed amounts of authorized loans totalled \$2,948,656 as at December 31, 2016 (\$1,001,474 fixed rate; \$1,947,182 floating rate) and are expected to be disbursed within the next 12 months. The weighted average effective interest rate was 4.3% on loan commitments (4.4% as at March 31, 2016). The following tables present undisbursed amounts of authorized loans, by location and industry.

Commitments, by geographic distribution	December 31, 2016	March 31, 2016
Newfoundland and Labrador	82,043	63,612
Prince Edward Island	1,835	544
Nova Scotia	35,196	34,865
New Brunswick	37,527	19,884
Quebec	833,847	545,850
Ontario	770,565	685,774
Manitoba	133,252	55,091
Saskatchewan	61,374	53,655
Alberta	623,017	546,708
British Columbia	362,071	240,861
Yukon	3,025	1,298
Northwest Territories and Nunavut	4,904	2,528
Total	2,948,656	2,250,670

Notes to the Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)



	December 31, 2016	March 31, 2016
Commitments, by industry sector		
Manufacturing	799,904	572,285
Wholesale and retail trade	359,305	291,608
Construction	357,942	268,499
Service industries	343,707	229,252
Resources	328,927	258,051
Tourism	295,537	278,287
Transportation and storage	157,956	172,942
Commercial properties	135,739	70,284
Other	169,639	109,462
Total	2,948,656	2,250,670

Subordinate financing

Undisbursed amounts of authorized investments totalled \$86,872 as at December 31, 2016 (\$35,736 fixed rate; \$51,136 floating rate) and are expected to be disbursed within the next 12 months. The weighted average effective interest rate (excluding non-interest returns) was 10.4% on investment commitments (10.8% at March 31, 2016). The following tables present undisbursed amounts of authorized investments, by location and industry.

	December 31, 2016	March 31, 2016
Commitments, by geographic distribution		
Newfoundland and Labrador	1,359	1,209
Nova Scotia	2,000	750
Quebec	24,882	15,131
Ontario	42,626	35,571
Saskatchewan	2,340	-
Alberta	3,791	16,200
British Columbia	9,874	3,455
Total	86,872	72,316

	December 31, 2016	March 31, 2016
Commitments, by industry sector		
Service industries	30,607	9,720
Manufacturing	24,680	28,796
Information industries	9,354	8,425
Wholesale and retail trade	8,040	2,675
Educational services	5,000	-
Construction	2,550	1,650
Transportation and storage	2,400	2,400
Resources	2,341	14,750
Tourism	1,900	3,900
Total	86,872	72,316

Notes to the Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)



Venture capital

Undisbursed amounts of authorized venture capital investments totalled \$329,469 as at December 31, 2016, and were related to the following industry sectors.

Commitments, by industry sector	December 31, 2016	March 31, 2016
Biotechnology and pharmacology	4,727	16,030
Electronics	4,585	4,811
Information technology	2,162	1,914
Medical and health	1,999	4,000
Total direct investments	13,473	26,755
External funds	315,996	333,314
Venture capital investments	329,469	360,069

Venture capital action plan

Undisbursed amounts of authorized venture capital action plan investments totalled \$114,650 as at December 31, 2016 (\$252,254 as at March 31, 2016).

Asset-backed securities

Undisbursed amounts of authorized asset-backed securities totalled \$432,000 as at December 31, 2016 (\$297,000 as at March 31, 2016).

Leases

BDC has future minimum lease commitments under operating leases related to the rental of premises.

15.

Related Party Transactions

As at December 31, 2016, BDC had \$18,480.0 million outstanding in short-term notes and \$5.6 million outstanding in long-term notes (excluding accrued interest) with Her Majesty the Queen in Right of Canada acting through the Minister of Finance (\$16,844.0 million in short-term notes and \$98.1 million in long-term notes as at March 31, 2016).

Accrued interest on borrowings included \$3.6 million payable to the Minister of Finance as at December 31, 2016 (\$3.2 million as at March 31, 2016).

BDC recorded \$21.1 million in interest expense, related to the borrowings from the Minister of Finance, for the third quarter and \$62.0 million for the nine months ended December 31, 2016. Last year's comparative figures for the same periods were \$16.9 million and \$58.1 million, respectively.

In addition, no borrowings with the Minister of Finance were repurchased in the first nine months of fiscal 2017 and fiscal 2016.

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.

Notes to the Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars)



16.

Comparative Figures

Certain comparative figures have been reclassified to conform to the current quarter's presentation.



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