BDC
Entrepreneurs first

2013

THIRD QUARTER

FINANCIAL REPORT

December 31, 2012

Canada

EXECUTIVE SUMMARY

The Canadian economy is expected to generate moderate growth in 2013, supported by consumer spending and business investment. Export growth remains subpar and will limit economic growth for the first part of the year. However, a recent budget deal in the United States to avoid the "fiscal cliff" should help restore confidence and boost Canadian exports. At the same time, difficulties elsewhere in the global economy will limit demand for Canadian natural resources.

The Canadian economy slowed in the third quarter of fiscal 2013, although strong job creation in December 2012 suggests that growth momentum will improve during the next quarter.

The supply of business credit has been robust to date in fiscal 2013, driven by chartered-bank lending. In November, short-term bank credit increased by 9.7% and long-term credit increased by 9.5%, consistent with the trend observed throughout the year.

With chartered banks active in the market but foreign banks largely absent, BDC is working to address market needs to support the competitiveness of Canadian small and medium-sized enterprises (SMEs), while continuing to focus on its complementary role. BDC is encouraging SMEs to improve their competitiveness and their levels of productivity and innovation. Initiatives such as BDC's loans to help SMEs apply information and communication technologies (ICT), as well as equipment line loans, have been well received.

Clients of BDC Financing[1] accepted $1.1 billion in loans versus $933.0 million for the same period last year. For the nine months ended December 31, a total of $3.3 billion in loans was accepted, compared to $2.7 billion last year.

As at December 31, BDC Financing's[1] loan portfolio, before allowance for credit losses, stood at $16.2 billion, a 2.6% increase compared to the previous quarter ended September 30, and a 5.4% increase compared to March 31.

BDC Subordinate Financing's ability to offer flexible solutions to support the growth of SMEs resulted in another good performance during the quarter. Clients accepted $33.3 million in financing in the third quarter, compared to $45.0 million in the same period last year. For the nine months ended December 31, acceptances reached $145.5 million, compared to $114.3 million for the same period last year.

To support innovative Canadian companies and continue its work in the venture capital ecosystem, BDC Venture Capital authorized investments totalling $53.7 million in the third quarter, compared to $35.1 million in the same period last year. For the nine-month period ended December 31, a total of $104.8 million was authorized, $14.2 million more than the same period last year.

(1) Unless otherwise indicated, BDC Financing excludes BDC Subordinate Financing.

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

Our mission is to help create and develop Canadian businesses through financing, venture capital and consulting services, with a focus on small and medium-sized enterprises.

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

Among the highlights in our other lines of business, BDC Consulting initiated 586 new mandates during the quarter for a total of 1,542 mandates for the nine-month period. This compares with 571 and 1,623 for the same periods last year, respectively. BDC strives to deliver affordable advice to help entrepreneurs make their businesses more competitive. To enhance these services and ensure they have the maximum impact on clients, particularly small businesses, a review of BDC Consulting was recently completed and a transition plan is expected to be phased in, beginning in fiscal 2014.

BDC is maintaining its role in the securitization market to help SMEs access financing for the vehicles and equipment they need to realize productivity gains. As at December 31, total asset-backed securities stood at $498.5 million, compared to $763.2 million as at March 31. The decrease was mainly due to repayments of $405.1 million, offset by purchases of $144.4 million of asset-backed securities investments.

In the third quarter of fiscal 2013, BDC posted consolidated net income of $103.0 million[(2)], compared to $160.2 million[(2)] for the same period last year. For the nine-month period ended December 31, 2012, consolidated net income was $376.5 million[(3)], lower than the $441.8 million[(3)] recorded last year. Net income in fiscal 2012 was favourably affected by $49.0 million in impairment reversals on loans.

For the third quarter of fiscal 2013, consolidated total comprehensive income totalled $117.3 million, compared to a consolidated total comprehensive income of $102.2 million for the same period last year. The increase was mostly due to lower actuarial losses on post-employment benefits. This was offset by lower impairment reversals on loans recorded this year, compared to last year, as explained above. For the nine-month period, total comprehensive income totalled $285.2 million, compared to $240.9 million for the same period last year.

BDC Small Business Week™ ran from October 14 to 20 featuring the theme "*Aim high! Invest in your future*"– to put the spotlight on the importance of entrepreneurs investing in their businesses. For more than 30 years, BDC has been organizing Small Business Week to celebrate the achievements of entrepreneurs and their contribution to Canadian society.

For the seventh consecutive year, BDC was honoured as one of Canada's Top 100 Employers. The national competition recognizes leading employers that offer exceptional workplaces and forward-thinking employee programs. Canada's Top 100 Employers are evaluated on a variety of criteria, including work atmosphere and social opportunities, benefits, training and development, performance management, community involvement, and physical workspace. In 2012, BDC also ranked among Canada's best employers in four different categories: Diversity, New Canadians, Canadians Over 40 and Top Montreal Employers.

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(2) Including $1.4 million and $2.5 million in net income attributable to non-controlling interests for fiscal 2013 and 2012, respectively.

(3) Including $4.0 million and $9.7 million in net income attributable to non-controlling interests for fiscal 2013 and 2012, respectively.

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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.

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 quarterly Consolidated Financial Statements included in this report have not been audited or reviewed by an external auditor.

RISK MANAGEMENT

Risk is an inherent feature of the financial sector. BDC uses an enterprise risk management (ERM) framework.

BDC manages risk through the development and communication of policies; the establishment of formal risk reviews and approval processes; and the establishment of limits and delegation of authorities. The board of directors and its Board Credit and Risk Committee review ERM quarterly risk reports and monitor the effectiveness of the framework. In each line of business, management ensures that governance activities, controls, processes and procedures are consistent with BDC's ERM framework.

No significant changes were made to BDC's ERM framework and no new risks were identified during the quarter ended December 31, 2012.

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, 2012, compared to the corresponding periods of the prior fiscal year. This analysis also includes comments about significant variances from BDC's fiscal 2013-2017 Corporate Plan, when applicable.

BDC reports on five business segments: Financing, Subordinate Financing, Venture Capital, Consulting and Securitization. All amounts are in Canadian dollars, unless otherwise specified, and are based on unaudited quarterly Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS).

This analysis should be read in conjunction with the unaudited quarterly Consolidated Financial Statements included in this report and the audited annual Consolidated Financial Statements in the fiscal 2012 Annual Report.

Net Income

	Three months ended December 31		Nine months ended December 31	
($ in millions)	**F2013**	F2012	**F2013**	F2012
Financing	**113.0**	151.8	**374.2**	402.0
Subordinate Financing	**9.1**	6.7	**35.5**	26.4
Venture Capital	**(19.1)**	(4.0)	**(33.9)**	(19.2)
Consulting	**(2.6)**	(2.3)	**(8.5)**	(8.1)
Securitization	**2.6**	8.0	**9.2**	40.7
Net income	**103.0**	160.2	**376.5**	441.8
Net income attributable to:				
BDC's shareholder	**101.6**	157.7	**372.5**	432.1
Non-controlling interests	**1.4**	2.5	**4.0**	9.7
Net income	**103.0**	160.2	**376.5**	441.8

Three and nine months ended December 31

BDC reported consolidated net income of $103.0 million for the third quarter ended December 31, 2012, comprising $101.6 million attributable to BDC's shareholder and $1.4 million to non-controlling interests. This compares to $160.2 million in consolidated net income for the third quarter of fiscal 2012, of which $2.5 million was attributable to non-controlling interests.

For the nine months ended December 31, 2012, BDC's consolidated net income was $376.5 million, compared to $441.8 million for the same period last year. These results included $4.0 million and $9.7 million in net income attributable to non-controlling interests, respectively.

Net income in the third quarter of fiscal 2013 was lower than in the corresponding period of fiscal 2012 as last year's results were favourably impacted by impairment reversals on loans and by higher income from Securitization. Refer to the Financing and Securitization sections of this analysis for further information.

BDC expects its consolidated net income for fiscal 2013 to exceed the Corporate Plan target of $262 million, mainly as a result of lower-than-anticipated impairment losses on loans.

Comprehensive Income

	Three months ended December 31		Nine months ended December 31	
($ in millions)	**F2013**	F2012	**F2013**	F2012
Net income	**103.0**	160.2	**376.5**	441.8
Other comprehensive income (loss)				
Net change in unrealized gains (losses) on available-for-sale assets	**(0.9)**	(4.2)	**(3.9)**	(17.6)
Net change in unrealized gains (losses) on cash flow hedges	**(1.4)**	(2.2)	**(1.8)**	15.7
Actuarial gains (losses) on post-employment benefits	**16.6**	(51.6)	**(85.6)**	(199.0)
Other comprehensive income (loss)	**14.3**	(58.0)	**(91.3)**	(200.9)
Total comprehensive income	**117.3**	102.2	**285.2**	240.9
Total comprehensive income attributable to:				
BDC's shareholder	**115.9**	99.7	**281.2**	231.2
Non-controlling interests	**1.4**	2.5	**4.0**	9.7
Total comprehensive income	**117.3**	102.2	**285.2**	240.9

Three and nine months ended December 31

Consolidated total comprehensive income for the third quarter was $117.3 million, comprising $103.0 million in consolidated net income and $14.3 million in other comprehensive income. For the nine-month period ended December 31, 2012, BDC reported total comprehensive income of $285.2 million, comprising $376.5 million in net income and $91.3 million in other comprehensive loss.

The decrease in other comprehensive loss for the nine-month period ended December 31, 2012 compared to the same period last year, was mainly due to lower actuarial losses on post-employment benefits recorded in fiscal 2013, as a result of higher returns on pension plan assets and the unchanged discount rate used to value the defined benefit obligation in the third quarter.

BDC Financing Results

	Three months ended December 31		Nine months ended December 31	
($ in millions)	**F2013**	F2012	**F2013**	F2012
Net interest and fee income	**201.4**	199.0	**597.7**	581.9
Impairment reversal (losses) on loans	**(9.9)**	28.0	**11.4**	49.0
Net gains (losses) on other financial instruments	**4.4**	2.2	**3.7**	(0.4)
Income before operating and administrative expenses	**195.9**	229.2	**612.8**	630.5
Operating and administrative expenses	**82.9**	77.4	**238.6**	228.5
Income from Financing	**113.0**	151.8	**374.2**	402.0

	Three months ended December 31		Nine months ended December 31	
As % of average portfolio	**F2013**	F2012	**F2013**	F2012
Net interest and fee income	**5.0**	5.3	**5.0**	5.2
Impairment reversal (losses) on loans	**(0.2)**	0.7	**0.1**	0.4
Net gains (losses) on other financial instruments	**0.1**	0.1	**-**	-
Income before operating and administrative expenses	**4.9**	6.1	**5.1**	5.6
Operating and administrative expenses	**2.1**	2.0	**2.0**	2.1
Income from Financing	**2.8**	4.1	**3.1**	3.5

Three and nine months ended December 31

BDC Financing's income for the third quarter was $113.0 million, compared to $151.8 million for the same period last year. On a cumulative basis, income from BDC Financing totalled $374.2 million, compared to $402.0 million last year.

For the nine-month period ended December 31, 2012, the decrease in profitability was mainly due to lower impairment reversals on loans. For the nine-month period ended December 31, 2012, BDC Financing recorded a total impairment reversal on loans of $11.4 million, comprising collective impairment reversal on loans of $50.0 million and individual impairment losses on loans of $38.6 million. For the same period last year, a total impairment reversal on loans of $49.0 million was recorded, comprising $100.0 million of collective impairment reversals on loans and $51.0 million of individual impairment losses.

As a result of portfolio growth, net interest and fee income increased. Business growth and higher pension costs, largely driven by lower discount rates, contributed to an increase in operating and administrative expenses. Expressed as a percentage of the average portfolio, operating and administrative expenses remained at the same level as last year.

BDC Subordinate Financing Results

	Three months ended December 31		Nine months ended December 31	
($ in millions)	**F2013**	F2012	**F2013**	F2012
Net revenue on investments	**14.5**	13.4	**43.7**	40.3
Net change in unrealized appreciation (depreciation) of investments	**0.8**	(1.2)	**7.8**	0.1
Income before operating and administrative expenses	**15.3**	12.2	**51.5**	40.4
Operating and administrative expenses	**6.2**	5.5	**16.0**	14.0
Income from Subordinate Financing	**9.1**	6.7	**35.5**	26.4
Income attributable to:				
BDC's shareholder	**7.2**	4.0	**28.7**	15.5
Non-controlling interests	**1.9**	2.7	**6.8**	10.9
Income from Subordinate Financing	**9.1**	6.7	**35.5**	26.4

Three and nine months ended December 31

BDC Subordinate Financing's income for the third quarter of fiscal 2013 was $9.1 million, compared to $6.7 million for the same period last year. Income included $1.9 million attributable to non-controlling interests in fiscal 2013 and $2.7 million in fiscal 2012.

Net revenue on investments and net change in unrealized appreciation of investments accounted for the increase in income in the third quarter.

The net change in unrealized appreciation of investments of $0.8 million for the quarter included:

- a $2.1 million net fair value depreciation; and
- a reversal of net fair value depreciation due to net realized losses totalling $2.9 million.

For the nine months ended December 31, 2012, BDC Subordinate Financing recorded income of $35.5 million, up $9.1 million from last year. Income included $6.8 million attributable to non-controlling interests in fiscal 2013 and $10.9 million in fiscal 2012.

The increase from fiscal 2012 was due to higher net revenue on investments and higher net change in unrealized appreciation of investments, as lower interest rates contributed to the increase in the fair value of the portfolio.

The net change in unrealized appreciation of $7.8 million for the nine-month period ended December 31, 2012, included:

> a $4.1 million net fair value appreciation; and
> a reversal of net fair value depreciation due to net realized losses totalling $3.7 million.

BDC Venture Capital Results

	Three months ended December 31		Nine months ended December 31	
($ in millions)	**F2013**	F2012	**F2013**	F2012
Net revenue (loss) on investments	**(5.3)**	(0.1)	**(24.7)**	7.8
Net change in unrealized appreciation (depreciation) of investments	**(9.6)**	1.9	**4.2**	(14.0)
Net unrealized foreign exchange gains (losses) on investments	**1.7**	(3.6)	**(0.4)**	7.1
Net gains (losses) on other financial instruments	**(1.1)**	2.9	**1.0**	(5.3)
Income (loss) before operating and administrative expenses	**(14.3)**	1.1	**(19.9)**	(4.4)
Operating and administrative expenses	**4.8**	5.1	**14.0**	14.8
Loss from Venture Capital	**(19.1)**	(4.0)	**(33.9)**	(19.2)
Loss attributable to:				
BDC's shareholder	**(18.6)**	(3.8)	**(31.1)**	(18.0)
Non-controlling interests	**(0.5)**	(0.2)	**(2.8)**	(1.2)
Loss from Venture Capital	**(19.1)**	(4.0)	**(33.9)**	(19.2)

Three and nine months ended December 31

During the third quarter of fiscal 2013, BDC Venture Capital recorded a $19.1 million loss, compared to a loss of $4.0 million for the same period last year. Results included losses of $0.5 million in fiscal 2013 and $0.2 million in fiscal 2012 attributable to non-controlling interests.

The net change in unrealized depreciation of $9.6 million for the quarter included the following:

> a $15.1 million net fair value depreciation of the portfolio ($4.2 million appreciation last year); and
> a reversal of net fair value depreciation on divested investments and write-offs totalling $5.5 million (a reversal of $2.3 million of net fair value appreciation last year).

For the nine months ended December 31, 2012, Venture Capital recorded a $33.9 million loss, compared to a loss of $19.2 million for the same period last year. The results included a loss of $2.8 million and a loss of $1.2 million attributable to non-controlling interests, respectively.

A net loss on investments of $24.7 million for the nine months ended December 31, 2012, was mostly due to net realized gains of $5.6 million and write-offs of $34.2 million. Net revenue on investments of $7.8 million in fiscal 2012 was favourably impacted by the excellent return generated by the divestiture of two investee companies.

The net change in unrealized appreciation of investments of $4.2 million for the nine-month period ended December 31, 2102, included the following:

> a $24.8 million net fair value depreciation of the portfolio ($9.3 million depreciation last year); and
> a reversal of net fair value depreciation on divested investments and write-offs totalling $29.0 million (a reversal of $4.7 million of net fair value appreciation last year).

BDC records unrealized foreign exchange gains or losses on its investments in foreign currencies. BDC monitors currency movements and uses foreign exchange contracts to hedge investments in foreign currencies. As a result, net gains or losses on other financial instruments partially offset amounts recognized due to currency movements.

Operating and administrative expenses amounted to $14.0 million, lower than the $14.8 million recorded last year.

BDC Consulting Results

	Three months ended December 31		Nine months ended December 31	
($ in millions)	**F2013**	F2012	**F2013**	F2012
Revenue	**6.0**	6.4	**17.6**	17.8
Operating and administrative expenses	**8.6**	8.7	**26.1**	25.9
Loss from Consulting	**(2.6)**	(2.3)	**(8.5)**	(8.1)

Three and nine months ended December 31

BDC Consulting's loss was $2.6 million for the third quarter of fiscal 2013, slightly higher than the $2.3 million loss recorded for the same quarter last year. Cumulative loss for the nine-month period ended December 31, 2012, totalled $8.5 million, compared to $8.1 million for the same period last year. On a year-to-date basis, operating and administrative expenses in fiscal 2013 were slightly higher than those recorded for the same period last year.

BDC Securitization Results

	Three months ended December 31		Nine months ended December 31	
($ in millions)	**F2013**	F2012	**F2013**	F2012
Net interest and fee income	**3.1**	8.5	**10.4**	42.2
Net gains (losses) on other financial instruments	**(0.1)**	-	**(0.1)**	(0.1)
Income before operating and administrative expenses	**3.0**	8.5	**10.3**	42.1
Operating and administrative expenses	**0.4**	0.5	**1.1**	1.4
Income from Securitization	**2.6**	8.0	**9.2**	40.7

Three and nine months ended December 31

Income from BDC Securitization for the third quarter of fiscal 2013 was $2.6 million, for a total of $9.2 million for the nine-month period ended December 31, 2012. This compares to income from BDC Securitization of $8.0 million and $40.7 million, respectively, for the same periods last year.

The decrease in income was due to lower net interest and fee income as a result of the decline in the portfolio due to repayments.

The Funding Platform for Independent Lenders (F-PIL) — (formerly known as the Multi-Seller Platform for Small Originators (MSPSO) — was launched during the first quarter of fiscal 2012 to help small and medium-sized enterprises obtain credit. The program is geared toward the purchase of term asset-backed securities (ABS) supported by loans and leases on vehicles and equipment. For the nine months ended December 31, 2012, disbursements totalled $144.0 million.

Consolidated Statement of Financial Position and Cash Flows

As at December 31, 2012, total BDC assets amounted to $17.9 billion, an increase of $692.9 million from March 31, 2012, mainly due to the increase in loans and Subordinate Financing investments.

The ABS portfolio stood at $498.5 million, compared to $763.2 million at March 31, 2012. This portfolio consists mainly of AAA-rated term securities purchased under the Canadian Secured Credit Facility (CSCF). The decline of the portfolio is due to repayments.

At $15.6 billion, the loan portfolio (net of allowance for credit losses) represented BDC's largest asset ($16.2 billion in gross portfolio and a $0.6 billion allowance for credit losses). The loan portfolio grew by 5.4% in the nine months after March 31, 2012.

As for BDC's investment portfolios, the BDC Subordinate Financing portfolio stood at $541.9 million, representing growth of 18.5% since March 31, 2012. The BDC Venture Capital portfolio was $402.2 million at December 31, 2012, compared to $359.0 million at March 31, 2012. Investment disbursements accounted for most of the increase in both of these portfolios.

Derivative assets of $82.4 million and derivative liabilities of $15.2 million reflected the fair value of derivative financial instruments as at December 31, 2012. Net derivative fair value decreased by $3.2 million, compared to the value at March 31, 2012, as a result of maturities and redemptions of structured debt.

The post-employment benefit liability amounted to $259.9 million at December 31, 2012, representing an increase of $39.7 million, compared to the March 31, 2012, amount of $220.2 million. This significant increase was the result of actuarial losses recorded during the nine-month period ended December 31, 2012. Refer to page 7 of this report for further information on actuarial gains and losses on post-employment benefits.

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 $680.6 million at December 31, 2012, compared to $740.7 million at March 31, 2012. For the nine-month period ended December 31, 2012, cash flow provided by investing activities amounted to $98.3 million as a result of net repayments of asset-backed securities, offset by net disbursements for Subordinate Financing and Venture Capital investments. Financing activities provided $369.2 million in cash flow, as a result of the issuance of short-term notes, offset by the net repayment of long-term notes and by the payment of dividends on common shares, while operating activities used $527.6 million, mainly due to the increase in the loans portfolio.

At December 31, 2012, BDC funded its portfolios and liquidities with borrowings of $13.7 billion and total equity of $3.7 billion. Borrowings comprised $12.6 billion in short-term notes and $1.1 billion in long-term notes. Short-term notes increased by $1.4 billion as a result of funding the loan portfolio with short-term debt as opposed to long-term floating rate notes, and of the growth in the loan portfolio.

CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of Canadian dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

Management is responsible for the preparation and fair presentation of these 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 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 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 quarterly Consolidated Financial Statements.

Jean-René Halde
President and Chief Executive Officer

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

Montreal, Canada
February 6, 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited)

(in thousands of Canadian dollars)	Notes	December 31, 2012	March 31, 2012
ASSETS			
Cash and cash equivalents		**680,573**	740,667
Derivative assets		**82,394**	87,681
Loans and investments			
Asset-backed securities	6	**498,515**	763,200
Loans	7	**15,624,449**	14,739,271
Subordinate financing investments	8	**541,920**	457,369
Venture capital investments	9	**402,164**	358,951
		17,067,048	16,318,791
Property and equipment		**24,177**	25,171
Intangible assets		**36,852**	32,094
Other assets		**21,728**	15,478
Total assets		**17,912,772**	17,219,882
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and accrued liabilities		**80,993**	89,229
Derivative liabilities		**15,191**	17,244
Borrowings			
Short-term notes		**12,571,156**	11,214,813
Long-term notes		**1,123,717**	2,008,943
		13,694,873	13,223,756
Post-employment benefit liability		**259,869**	220,169
Other liabilities		**48,737**	44,223
Total liabilities		**14,099,663**	13,594,621
Equity			
Share capital	10	**2,088,400**	2,088,400
Contributed surplus		**27,778**	27,778
Retained earnings		**1,596,860**	1,378,617
Accumulated other comprehensive income		**9,427**	15,185
Equity attributable to BDC's shareholder		**3,722,465**	3,509,980
Non-controlling interests		**90,644**	115,281
Total equity		**3,813,109**	3,625,261
Total liabilities and equity		**17,912,772**	17,219,882

Guarantees (Note 12)

Commitments (Note 13)

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 2012	Three months ended December 31 2011	Nine months ended December 31 2012	Nine months ended December 31 2011
Interest income	**245,509**	241,458	**725,593**	736,851
Interest expense	**31,798**	27,869	**93,227**	95,034
Net interest income	**213,711**	213,589	**632,366**	641,817
Net realized gains (losses) on investments	**(11,413)**	(2,158)	**(35,994)**	4,977
Consulting revenue	**6,049**	6,340	**17,577**	17,752
Fee and other income	**11,252**	9,307	**30,606**	25,281
Net realized gains (losses) on other financial instruments	**2,450**	(3,960)	**5,089**	(1,508)
Net revenue	**222,049**	223,118	**649,644**	688,319
Impairment reversal (losses) on loans	**(9,907)**	27,951	**11,415**	49,018
Net change in unrealized appreciation (depreciation) of investments	**(8,687)**	711	**12,115**	(13,870)
Net unrealized foreign exchange gains (losses) on investments	**1,653**	(3,593)	**(360)**	7,129
Net unrealized gains (losses) on other financial instruments	**784**	9,015	**(459)**	(4,349)
Income before operating and administrative expenses	**205,892**	257,202	**672,355**	726,247
Salaries and benefits	**65,707**	62,911	**195,486**	187,854
Premises and equipment	**9,369**	9,297	**28,162**	27,529
Other expenses	**27,864**	24,800	**72,191**	69,101
Operating and administrative expenses	**102,940**	97,008	**295,839**	284,484
Net income	**102,952**	160,194	**376,516**	441,763
Net income attributable to:				
BDC's shareholder	**101,572**	157,692	**372,455**	432,108
Non-controlling interests	**1,380**	2,502	**4,061**	9,655
Net income	**102,952**	160,194	**376,516**	441,763

The accompanying notes are an integral part of these Consolidated Financial Statements and Note 11 provides additional information on segmented net income.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(unaudited)

(in thousands of Canadian dollars)	Three months ended December 31 2012	Three months ended December 31 2011	Nine months ended December 31 2012	Nine months ended December 31 2011
Net income	**102,952**	160,194	**376,516**	441,763
Other comprehensive income (loss)				
Net change in unrealized gains (losses) on available-for-sale assets	**(897)**	(4,202)	**(3,922)**	(17,635)
Net change in unrealized gains (losses) on cash flow hedges	**(1,368)**	(2,172)	**(1,836)**	15,764
Actuarial gains (losses) on post-employment benefits	**16,597**	(51,580)	**(85,588)**	(199,033)
Other comprehensive income (loss)	**14,332**	(57,954)	**(91,346)**	(200,904)
Total comprehensive income	**117,284**	102,240	**285,170**	240,859
Total comprehensive income attributable to:				
BDC's shareholder	**115,904**	99,738	**281,109**	231,204
Non-controlling interests	**1,380**	2,502	**4,061**	9,655
Total comprehensive income	**117,284**	102,240	**285,170**	240,859

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

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): Available-for-sale assets	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 at September 30, 2012	2,088,400	27,778	1,478,691	3,326	8,366	11,692	3,606,561	101,203	3,707,764
Total comprehensive income									
Net income			101,572				101,572	1,380	102,952
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on available-for-sale assets				(897)		(897)	(897)		(897)
Net change in unrealized gains (losses) on cash flow hedges					(1,368)	(1,368)	(1,368)		(1,368)
Actuarial gains (losses) on post-employment benefits			16,597				16,597		16,597
Other comprehensive income (loss)	-	-	16,597	(897)	(1,368)	(2,265)	14,332	-	14,332
Total comprehensive income	-	-	118,169	(897)	(1,368)	(2,265)	115,904	1,380	117,284
Dividends on common shares			-				-		-
Distributions to non-controlling interests								(13,241)	(13,241)
Capital injections from non-controlling interests								1,302	1,302
Transactions with owner, recorded directly in Equity	-	-	-	-	-	-	-	(11,939)	(11,939)
Balance at December 31, 2012	2,088,400	27,778	1,596,860	2,429	6,998	9,427	3,722,465	90,644	3,813,109

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss): Available-for-sale assets	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 at September 30, 2011	2,514,400	27,778	1,128,323	12,737	16,359	29,096	3,699,597	133,261	3,832,858
Total comprehensive income									
Net income			157,692				157,692	2,502	160,194
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on available-for-sale assets				(4,202)		(4,202)	(4,202)		(4,202)
Net change in unrealized gains (losses) on cash flow hedges					(2,172)	(2,172)	(2,172)		(2,172)
Actuarial gains (losses) on post-employment benefits			(51,580)				(51,580)		(51,580)
Other comprehensive income (loss)	-	-	(51,580)	(4,202)	(2,172)	(6,374)	(57,954)	-	(57,954)
Total comprehensive income	-	-	106,112	(4,202)	(2,172)	(6,374)	99,738	2,502	102,240
Dividends on common shares			-				-		-
Distributions to non-controlling interests								(13,192)	(13,192)
Capital injections from non-controlling interests								810	810
Transactions with owner, recorded directly in Equity	-	-	-	-	-	-	-	(12,382)	(12,382)
Balance at December 31, 2011	2,514,400	27,778	1,234,435	8,535	14,187	22,722	3,799,335	123,381	3,922,716

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): Available-for-sale assets	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 at March 31, 2012	2,088,400	27,778	1,378,617	6,351	8,834	15,185	3,509,980	115,281	3,625,261
Total comprehensive income									
Net income			372,455				372,455	4,061	376,516
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on available-for-sale assets				(3,922)		(3,922)	(3,922)		(3,922)
Net change in unrealized gains (losses) on cash flow hedges					(1,836)	(1,836)	(1,836)		(1,836)
Actuarial gains (losses) on post-employment benefits			(85,588)				(85,588)		(85,588)
Other comprehensive income (loss)	-	-	(85,588)	(3,922)	(1,836)	(5,758)	(91,346)	-	(91,346)
Total comprehensive income	-	-	286,867	(3,922)	(1,836)	(5,758)	281,109	4,061	285,170
Dividends on common shares			(68,624)				(68,624)		(68,624)
Distributions to non-controlling interests								(31,278)	(31,278)
Capital injections from non-controlling interests								2,580	2,580
Transactions with owner, recorded directly in Equity	-	-	(68,624)	-	-	-	(68,624)	(28,698)	(97,322)
Balance at December 31, 2012	2,088,400	27,778	1,596,860	2,429	6,998	9,427	3,722,465	90,644	3,813,109

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss): Available-for-sale assets	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 at March 31, 2011	2,514,400	27,778	1,046,431	26,170	(1,577)	24,593	3,613,202	146,645	3,759,847
Total comprehensive income									
Net income			432,108				432,108	9,655	441,763
Other comprehensive income									
Net change in unrealized gains (losses) on available-for-sale assets				(17,635)		(17,635)	(17,635)		(17,635)
Net change in unrealized gains (losses) on cash flow hedges					15,764	15,764	15,764		15,764
Actuarial gains (losses) on post-employment benefits			(199,033)				(199,033)		(199,033)
Other comprehensive income	-	-	(199,033)	(17,635)	15,764	(1,871)	(200,904)	-	(200,904)
Total comprehensive income	-	-	233,075	(17,635)	15,764	(1,871)	231,204	9,655	240,859
Dividends on common shares			(45,071)				(45,071)		(45,071)
Distributions to non-controlling interests								(38,334)	(38,334)
Capital injections from non-controlling interests								5,415	5,415
Transactions with owner, recorded directly in Equity	-	-	(45,071)	-	-	-	(45,071)	(32,919)	(77,990)
Balance at December 31, 2011	2,514,400	27,778	1,234,435	8,535	14,187	22,722	3,799,335	123,381	3,922,716

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 2012	Three months ended December 31 2011	Nine months ended December 31 2012	Nine months ended December 31 2011
Operating activities				
Net income	**102,952**	160,194	**376,516**	441,763
Adjustments to determine net cash flows				
Interest income	**(245,509)**	(241,458)	**(725,593)**	(736,851)
Interest expense	**31,798**	27,869	**93,227**	95,034
Net realized losses (gains) on investments	**11,413**	2,158	**35,994**	(4,977)
Impairment losses (reversals) on loans	**9,907**	(27,951)	**(11,415)**	(49,018)
Net change in unrealized depreciation (appreciation) on investments	**8,687**	(711)	**(12,115)**	13,870
Net unrealized foreign exchange losses (gains) on investments	**(1,653)**	3,593	**360**	(7,129)
Net unrealized losses (gains) on other financial instruments	**(784)**	(9,015)	**459**	4,349
Post-employment benefits funding in excess of amounts expensed	**(12,769)**	(7,243)	**(45,892)**	(26,512)
Amortization of property and equipment, and intangible assets	**2,656**	2,826	**7,946**	8,235
Other	**(4,860)**	(6,373)	**(11,428)**	(14,030)
Interest expense paid	**(28,077)**	(23,182)	**(88,398)**	(90,106)
Interest income received	**248,056**	238,616	**734,016**	738,005
Disbursements for loans	**(1,110,398)**	(989,722)	**(2,875,067)**	(2,500,404)
Repayments of loans	**688,024**	653,307	**2,003,763**	1,797,842
Changes in operating assets and liabilities				
Net change in accounts payable and accrued liabilities	**17,468**	10,621	**(8,236)**	(12,975)
Net change in other assets and other liabilities	**(76)**	7	**(1,736)**	5,601
Net cash flows provided (used) by operating activities	**(283,165)**	(206,464)	**(527,599)**	(337,303)
Investing activities				
Disbursements for asset-backed securities	**(42,182)**	(21,977)	**(144,406)**	(61,831)
Repayments and proceeds on sale of asset-backed securities	**124,713**	1,783,764	**405,108**	2,256,260
Disbursements for subordinate financing investments	**(34,941)**	(43,532)	**(149,755)**	(109,792)
Repayments of subordinate financing investments	**33,271**	18,735	**65,648**	57,446
Disbursements for venture capital investments	**(32,143)**	(16,240)	**(91,039)**	(73,129)
Proceeds on sale of venture capital investments	**5,364**	44,876	**24,437**	100,252
Acquisition of property and equipment	**(2,008)**	(3,386)	**(3,878)**	(6,878)
Acquisition of intangible assets	**(2,896)**	(4,601)	**(7,832)**	(13,505)
Net cash flows provided (used) by investing activities	**49,178**	1,757,639	**98,283**	2,148,823
Financing activities				
Net change in short-term notes	**1,003,188**	431,300	**1,355,800**	1,164,542
Issue of long-term notes	**9,030**	-	**109,030**	6,587
Repayment of long-term notes	**(768,123)**	(2,074,311)	**(998,286)**	(2,596,984)
Distributions to non-controlling interests	**(13,241)**	(13,192)	**(31,278)**	(38,334)
Capital injections from non-controlling interests	**1,302**	810	**2,580**	5,415
Dividends paid on common shares	**-**	-	**(68,624)**	(45,071)
Dividends paid on preferred shares	**-**	-	**-**	(5,012)
Net cash flows provided (used) by financing activities	**232,156**	(1,655,393)	**369,222**	(1,508,857)
Net increase (decrease) in cash and cash equivalents	**(1,831)**	(104,218)	**(60,094)**	302,663
Cash and cash equivalents at beginning of period	**682,404**	1,060,112	**740,667**	653,231
Cash and cash equivalents at end of period	**680,573**	955,894	**680,573**	955,894

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

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. BDC 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 and investment as well as 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, 2012. For complete information on the basis of preparation, refer to page 75 of our 2012 Annual Report.

These quarterly Consolidated Financial Statements have been prepared using International Financial Reporting Standards (IFRS). The 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, 2013. If BDC changes the application of these policies, it may result in a restatement of these quarterly Consolidated Financial Statements.

These Consolidated Financial Statements were approved for issue by the board of directors on February 6, 2013.

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, 2012. These financial statements must be read in conjunction with BDC's 2012 Annual Report and the accompanying notes, as set out on pages 75 to 133.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Preparation of the quarterly Consolidated Financial Statements using IFRS requires management to make judgements, 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 on a regular basis. 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 quarterly Consolidated Financial Statements, refer to page 86 of our 2012 Annual Report.

(unaudited, in thousands of Canadian dollars)

5. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table summarizes the classification of BDC's financial instruments as at December 31 and March 31, 2012.

December 31, 2012

		Measured at fair value				Measured at amortized cost		
		FVTPL[1]						
	Note	Held-for-trading	Designated as FVTPL	Available-for-sale	Cash flow hedges	Loans and receivables	Other financial liabilities	Total
Financial assets								
Cash and cash equivalents						**680,573**		**680,573**
Derivative assets		**76,925**			**5,469**			**82,394**
Asset-backed securities	6		**3,419**	**495,096**				**498,515**
Loans	7					**15,624,449**		**15,624,449**
Subordinate financing investments	8		**541,920**					**541,920**
Venture capital investments	9		**402,164**					**402,164**
Other assets[2]						**15,349**		**15,349**
Total financial assets		**76,925**	**947,503**	**495,096**	**5,469**	**16,320,371**	**-**	**17,845,364**
Financial liabilities								
Accounts payable and accrued liabilities							**80,993**	**80,993**
Derivative liabilities		**14,982**			**209**			**15,191**
Short-term notes							**12,571,156**	**12,571,156**
Long-term notes			**639,236**				**484,481**	**1,123,717**
Other liabilities[2]							**34,834**	**34,834**
Total financial liabilities		**14,982**	**639,236**	**-**	**209**	**-**	**13,171,464**	**13,825,891**

March 31, 2012

		Measured at fair value				Measured at amortized cost		
		FVTPL[1]						
	Note	Held-for-trading	Designated as FVTPL	Available-for-sale	Cash flow hedges	Loans and receivables	Other financial liabilities	Total
Financial assets								
Cash and cash equivalents						740,667		740,667
Derivative assets		78,165			9,516			87,681
Asset-backed securities	6		2,502	760,698				763,200
Loans	7					14,739,271		14,739,271
Subordinate financing investments	8		457,369					457,369
Venture capital investments	9		358,951					358,951
Other assets[2]						11,003		11,003
Total financial assets		78,165	818,822	760,698	9,516	15,490,941	-	17,158,142
Financial liabilities								
Accounts payable and accrued liabilities							89,229	89,229
Derivative liabilities		16,656			588			17,244
Short-term notes							11,214,813	11,214,813
Long-term notes			644,735				1,364,208	2,008,943
Other liabilities[2]							28,752	28,752
Total financial liabilities		16,656	644,735	-	588	-	12,697,002	13,358,981

[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.

(unaudited, in thousands of Canadian dollars)

6. ASSET-BACKED SECURITIES

	December 31, 2012	March 31, 2012
Available-for-sale		
Principal amount	**492,738**	754,548
Unamortized loss on initial recognition	**(70)**	(200)
Cumulative fair value appreciation (depreciation)	**2,428**	6,350
Carrying value	**495,096**	760,698
Yield	**2.73%**	2.96%
Fair value through profit or loss		
Principal amount	**3,357**	2,512
Cumulative fair value appreciation (depreciation)	**62**	(10)
Carrying value	**3,419**	2,502
Yield	**9.21%**	9.31%
Asset-backed securities	**498,515**	763,200

No asset-backed securities were impaired as at December 31 or March 31, 2012.

7. LOANS

The following table summarizes loans outstanding. Floating-rate loans are classified based on their maturity date and fixed-rate loans are classified based on their repricing or maturity date, whichever is earlier.

	Within 1 year	1 to 5 years	Over 5 years	Total gross amount	Collective allowance	Individual allowance	Total allowance	Total net amount
Performing	**733,099**	**3,414,284**	**11,535,669**	**15,683,052**	**(350,000)**		**(350,000)**	**15,333,052**
Impaired	**38,689**	**90,342**	**362,577**	**491,608**		**(200,211)**	**(200,211)**	**291,397**
Loans as at December 31, 2012	**771,788**	**3,504,626**	**11,898,246**	**16,174,660**	**(350,000)**	**(200,211)**	**(550,211)**	**15,624,449**

	Within 1 year	1 to 5 years	Over 5 years	Total gross amount	Collective allowance	Individual allowance	Total allowance	Total net amount
Performing	810,970	3,006,795	10,980,890	14,798,655	(400,000)	-	(400,000)	14,398,655
Impaired	35,425	104,084	411,274	550,783	-	(210,167)	(210,167)	340,616
Loans as at March 31, 2012	846,395	3,110,879	11,392,164	15,349,438	(400,000)	(210,167)	(610,167)	14,739,271

(unaudited, in thousands of Canadian dollars)

Allowance for credit losses

	December 31, 2012	March 31, 2012
Balance at beginning of period	**610,167**	774,676
Write-offs	**(48,994)**	(134,609)
Effect of discounting	**(9,910)**	(13,482)
Recoveries and other	**10,363**	21,817
	561,626	648,402
Impairment losses (reversals) on loans	**(11,415)**	(38,235)
Balance at end of period	**550,211**	610,167

Concentrations of total loans outstanding

Geographic distribution	December 31, 2012		March 31, 2012	
Newfoundland and Labrador	**653,517**	**4.0%**	606,044	3.9%
Prince Edward Island	**48,954**	**0.3%**	44,778	0.3%
Nova Scotia	**387,213**	**2.4%**	404,124	2.6%
New Brunswick	**474,933**	**2.9%**	486,004	3.2%
Quebec	**5,457,870**	**33.7%**	5,142,378	33.5%
Ontario	**4,486,403**	**27.8%**	4,350,568	28.3%
Manitoba	**426,184**	**2.6%**	387,297	2.5%
Saskatchewan	**408,083**	**2.5%**	376,466	2.5%
Alberta	**1,940,936**	**12.0%**	1,691,419	11.0%
British Columbia	**1,766,656**	**11.0%**	1,751,039	11.5%
Yukon	**98,354**	**0.6%**	78,866	0.5%
Northwest Territories and Nunavut	**25,557**	**0.2%**	30,455	0.2%
Loans outstanding	**16,174,660**	**100.0%**	15,349,438	100.0%

Industry sector	December 31, 2012		March 31, 2012	
Manufacturing	**3,851,350**	**23.8%**	3,866,503	25.2%
Wholesale and retail trade	**3,397,798**	**21.0%**	3,318,302	21.6%
Tourism	**1,945,031**	**12.0%**	1,864,383	12.1%
Commercial properties	**1,917,574**	**11.9%**	1,568,489	10.2%
Construction	**1,289,701**	**8.0%**	1,175,223	7.7%
Transportation and storage	**908,003**	**5.6%**	900,074	5.9%
Business services	**707,904**	**4.4%**	649,964	4.2%
Other	**2,157,299**	**13.3%**	2,006,500	13.1%
Loans outstanding	**16,174,660**	**100.0%**	15,349,438	100.0%

(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 Subordinate financing investments by maturity date. Floating-rate investments are classified based on their maturity date, and fixed-rate investments are classified based on their repricing or maturity date, whichever is earlier.

	Within 1 year	1 to 5 years	Over 5 years	Total cost	Total fair value
As at December 31, 2012	**87,281**	**374,096**	**83,839**	**545,216**	**541,920**
As at March 31, 2012	77,091	329,875	61,555	468,521	457,369

Concentrations of total Subordinate financing investments

	December 31, 2012		March 31, 2012	
Geographic distribution	**Fair value**	**Cost**	Fair value	Cost
Newfoundland and Labrador	**15,975**	**14,661**	16,502	14,777
Nova Scotia	**11,957**	**11,677**	10,772	10,846
New Brunswick	**7,090**	**7,744**	8,688	9,533
Quebec	**247,941**	**255,236**	213,914	227,810
Ontario	**169,551**	**168,816**	129,839	128,273
Manitoba	**8,757**	**8,271**	8,578	8,005
Saskatchewan	**3,907**	**3,899**	555	546
Alberta	**50,375**	**48,111**	41,107	41,342
British Columbia	**22,838**	**23,283**	23,912	23,887
Yukon	**3,529**	**3,518**	3,502	3,502
Subordinate financing investments	**541,920**	**545,216**	457,369	468,521

	December 31, 2012		March 31, 2012	
Industry sector	**Fair value**	**Cost**	Fair value	Cost
Manufacturing	**197,058**	**195,241**	171,567	172,538
Business services	**108,997**	**116,352**	92,202	101,061
Wholesale and retail trade	**96,737**	**94,475**	77,746	74,037
Construction	**30,823**	**30,208**	29,176	29,038
Transportation and storage	**15,004**	**14,594**	13,395	13,487
Tourism	**6,398**	**5,730**	4,998	4,446
Technologies	**4,210**	**6,573**	3,691	6,563
Industrial technologies	**1,927**	**2,025**	1,123	1,625
Biotechnology	**1,521**	**1,215**	1,521	1,215
Other	**79,245**	**78,803**	61,950	64,511
Subordinate financing investments	**541,920**	**545,216**	457,369	468,521

(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.

	December 31, 2012		March 31, 2012	
Industry sector	**Fair value**	**Cost**	Fair value	Cost
Information technology	**86,943**	**99,731**	71,844	89,426
Biotechnology and pharmacology	**59,606**	**91,407**	55,257	90,354
Electronics	**54,306**	**69,658**	52,578	59,876
Medical and health	**41,178**	**48,810**	33,434	50,019
Communications	**26,603**	**41,639**	31,684	41,199
Industrial	**6,449**	**15,715**	8,870	17,765
Other	**5,781**	**5,544**	5,414	5,173
Total direct investments	**280,866**	**372,504**	259,081	353,812
Funds	**121,298**	**141,212**	99,870	120,539
Venture capital investments	**402,164**	**513,716**	358,951	474,351

	December 31, 2012		March 31, 2012	
Investment type	**Fair value**	**Cost**	Fair value	Cost
Common shares	**39,254**	**87,206**	49,112	81,223
Preferred shares	**197,245**	**238,147**	166,063	222,426
Debt instruments	**44,367**	**47,151**	43,906	50,163
Total direct investments	**280,866**	**372,504**	259,081	353,812
Funds	**121,298**	**141,212**	99,870	120,539
Venture capital investments	**402,164**	**513,716**	358,951	474,351

10. SHARE CAPITAL

An unlimited number of common shares, having a par value of $100 each, is authorized. As at December 31 and March 31, 2012, there were 20,884,000 common shares outstanding.

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, 2012, and March 31, 2012, and during the nine-month period ended December 31, 2012, 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, 2012, BDC complied with its capital adequacy guidelines.

11. SEGMENTED INFORMATION

BDC has five 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 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.
> **Subordinate Financing** provides 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.
> **Consulting** provides customized consulting services related to business activities.
> **Securitization** purchases investments in asset-backed securities through the Funding Platform for Independent Lenders (F-PIL, formerly known as Multi-Seller Platform for Small Originators) and manages the Canadian Secured Credit Facility investment portfolio. These securities are backed by vehicle and equipment loans and leases, as well as dealer floor plan loans.

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 the capital adequacy ratios provided by the Treasury Board of Canada Secretariat and is consistently aligned to 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, 2012

	BDC	Financing	Subordinate Financing	Venture Capital	Consulting	Securitization
Interest income	245,509	226,708	14,934	-	-	3,867
Interest expense	31,798	28,873	2,036	-	-	889
Net interest income (expense)	**213,711**	**197,835**	**12,898**	**-**	**-**	**2,978**
Net realized gains (losses) on investments	(11,413)	-	(5,255)	(6,158)	-	-
Consulting revenue	6,049	-	-	-	6,049	-
Fee and other income	11,252	3,562	6,801	810	-	79
Net realized gains (losses) on other financial instruments	2,450	402	-	2,132	-	(84)
Net revenue (loss)	**222,049**	**201,799**	**14,444**	**(3,216)**	**6,049**	**2,973**
Impairment reversals (losses) on loans	(9,907)	(9,907)	-	-	-	-
Net change in unrealized appreciation (depreciation) of investments	(8,687)	-	825	(9,551)	-	39
Net unrealized foreign exchange gains (losses) on investments	1,653	-	-	1,653	-	-
Net unrealized gains (losses) on other financial instruments	784	4,044	-	(3,260)	-	-
Income (loss) before operating and administrative expenses	**205,892**	**195,936**	**15,269**	**(14,374)**	**6,049**	**3,012**
Salaries and benefits	65,707	52,016	5,477	3,212	4,730	272
Premises and equipment	9,369	8,342	221	445	337	24
Other expenses	27,864	22,632	472	1,116	3,574	70
Operating and administrative expenses	**102,940**	**82,990**	**6,170**	**4,773**	**8,641**	**366**
Net income (loss)	**102,952**	**112,946**	**9,099**	**(19,147)**	**(2,592)**	**2,646**
Net income (loss) attributable to:						
BDC's shareholder	101,572	112,946	7,201	(18,629)	(2,592)	2,646
Non-controlling interests	1,380	-	1,898	(518)	-	-
Net income (loss)	**102,952**	**112,946**	**9,099**	**(19,147)**	**(2,592)**	**2,646**
Business segment portfolio at end of period	**17,067,048**	**15,624,449**	**541,920**	**402,164**	**-**	**498,515**

Three months ended December 31, 2011

	BDC	Financing	Subordinate Financing	Venture Capital	Consulting	Securitization
Interest income	241,458	220,285	12,470	-	-	8,703
Interest expense	27,869	24,854	1,786	118	-	1,111
Net interest income (expense)	**213,589**	**195,431**	**10,684**	**(118)**	**-**	**7,592**
Net realized gains (losses) on investments	(2,158)	-	(1,573)	(585)	-	-
Consulting revenue	6,340	-	-	-	6,340	-
Fee and other income	9,307	3,591	4,252	572	-	892
Net realized gains (losses) on other financial instruments	(3,960)	70	-	(4,030)	-	-
Net revenue (loss)	**223,118**	**199,092**	**13,363**	**(4,161)**	**6,340**	**8,484**
Impairment reversals (losses) on loans	27,951	27,951	-	-	-	-
Net change in unrealized appreciation (depreciation) of investments	711	-	(1,223)	1,920	-	14
Net unrealized foreign exchange gains (losses) on investments	(3,593)	-	-	(3,593)	-	-
Net unrealized gains (losses) on other financial instruments	9,015	2,110	-	6,905	-	-
Income (loss) before operating and administrative expenses	**257,202**	**229,153**	**12,140**	**1,071**	**6,340**	**8,498**
Salaries and benefits	62,911	49,662	4,616	3,649	4,615	369
Premises and equipment	9,297	8,498	193	307	269	30
Other expenses	24,800	19,195	633	1,105	3,802	65
Operating and administrative expenses	**97,008**	**77,355**	**5,442**	**5,061**	**8,686**	**464**
Net income (loss)	**160,194**	**151,798**	**6,698**	**(3,990)**	**(2,346)**	**8,034**
Net income (loss) attributable to:						
BDC's shareholder	157,692	151,798	3,989	(3,783)	(2,346)	8,034
Non-controlling interests	2,502	-	2,709	(207)	-	-
Net income (loss)	**160,194**	**151,798**	**6,698**	**(3,990)**	**(2,346)**	**8,034**
Business segment portfolio at end of period	**16,178,049**	**14,494,658**	**438,805**	**386,438**	**-**	**858,148**

(unaudited, in thousands of Canadian dollars)

Nine months ended December 31, 2012

	BDC	Financing	Subordinate Financing	Venture Capital	Consulting	Securitization
Interest income	725,593	670,552	41,306	-	-	13,735
Interest expense	93,227	83,654	5,936	-	-	3,637
Net interest income (expense)	**632,366**	**586,898**	**35,370**	**-**	**-**	**10,098**
Net realized gains (losses) on investments	(35,994)	-	(7,384)	(28,610)	-	-
Consulting revenue	17,577	-	-	-	17,577	-
Fee and other income	30,606	10,785	15,669	3,905	-	247
Net realized gains (losses) on other financial instruments	5,089	1,086	-	4,087	-	(84)
Net revenue (loss)	**649,644**	**598,769**	**43,655**	**(20,618)**	**17,577**	**10,261**
Impairment reversals (losses) on loans	11,415	11,415	-	-	-	-
Net change in unrealized appreciation (depreciation) of investments	12,115	-	7,835	4,208	-	72
Net unrealized foreign exchange gains (losses) on investments	(360)	-	-	(360)	-	-
Net unrealized gains (losses) on other financial instruments	(459)	2,631	-	(3,090)	-	-
Income (loss) before operating and administrative expenses	**672,355**	**612,815**	**51,490**	**(19,860)**	**17,577**	**10,333**
Salaries and benefits	195,486	156,528	13,845	9,626	14,601	886
Premises and equipment	28,162	25,066	664	1,347	1,017	68
Other expenses	72,191	57,065	1,448	3,036	10,440	202
Operating and administrative expenses	**295,839**	**238,659**	**15,957**	**14,009**	**26,058**	**1,156**
Net income (loss)	**376,516**	**374,156**	**35,533**	**(33,869)**	**(8,481)**	**9,177**
Net income (loss) attributable to:						
BDC's shareholder	372,455	374,156	28,709	(31,106)	(8,481)	9,177
Non-controlling interests	4,061	-	6,824	(2,763)	-	-
Net income (loss)	**376,516**	**374,156**	**35,533**	**(33,869)**	**(8,481)**	**9,177**
Business segment portfolio at end of period	**17,067,048**	**15,624,449**	**541,920**	**402,164**	**-**	**498,515**

Nine months ended December 31, 2011

	BDC	Financing	Subordinate Financing	Venture Capital	Consulting	Securitization
Interest income	736,851	650,189	35,656	-	-	51,006
Interest expense	95,034	79,254	5,117	398	-	10,265
Net interest income (expense)	**641,817**	**570,935**	**30,539**	**(398)**	**-**	**40,741**
Net realized gains (losses) on investments	4,977	-	(1,269)	6,246	-	-
Consulting revenue	17,752	-	-	-	17,752	-
Fee and other income	25,281	10,953	10,993	1,949	-	1,386
Net realized gains (losses) on other financial instruments	(1,508)	166	-	(1,562)	-	(112)
Net revenue (loss)	**688,319**	**582,054**	**40,263**	**6,235**	**17,752**	**42,015**
Impairment reversals (losses) on loans	49,018	49,018	-	-	-	-
Net change in unrealized appreciation (depreciation) of investments	(13,870)	-	100	(14,014)	-	44
Net unrealized foreign exchange gains (losses) on investments	7,129	-	-	7,129	-	-
Net unrealized gains (losses) on other financial instruments	(4,349)	(639)	-	(3,710)	-	-
Income (loss) before operating and administrative expenses	**726,247**	**630,433**	**40,363**	**(4,360)**	**17,752**	**42,059**
Salaries and benefits	187,854	150,441	11,586	10,553	14,154	1,120
Premises and equipment	27,529	25,082	571	976	810	90
Other expenses	69,101	52,949	1,809	3,253	10,924	166
Operating and administrative expenses	**284,484**	**228,472**	**13,966**	**14,782**	**25,888**	**1,376**
Net income (loss)	**441,763**	**401,961**	**26,397**	**(19,142)**	**(8,136)**	**40,683**
Net income (loss) attributable to:						
BDC's shareholder	432,108	401,961	15,513	(17,913)	(8,136)	40,683
Non-controlling interests	9,655	-	10,884	(1,229)	-	-
Net income (loss)	**441,763**	**401,961**	**26,397**	**(19,142)**	**(8,136)**	**40,683**
Business segment portfolio at end of period	**16,178,049**	**14,494,658**	**438,805**	**386,438**	**-**	**858,148**

(unaudited, in thousands of Canadian dollars)

12. GUARANTEES

BDC issues "letters of credit and loan 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. The maximum amount payable under the guarantees totalled $25.4 million as at December 31, 2012 ($30.9 million at March 31, 2012).

13. COMMITMENTS

Undisbursed amounts of authorized loans and Subordinate financing investments were $1,992,379 at December 31, 2012 ($353,753 fixed rate; $1,638,626 floating rate) and are expected to be disbursed within the next 12 months. The weighted average effective interest rate was 5.00% on loan commitments (4.96% at March 31, 2012) and 10.88% on Subordinate financing commitments (10.77% at March 31, 2012), excluding non-interest return. The following tables present undisbursed amounts of authorized loans and Subordinate financing investments, by location and industry.

Commitments, by geographic distribution		December 31, 2012		March 31, 2012
Newfoundland and Labrador	**75,004**	**3.8%**	69,501	4.3%
Prince Edward Island	**660**	**0.0%**	2,001	0.1%
Nova Scotia	**58,865**	**3.0%**	55,462	3.4%
New Brunswick	**26,451**	**1.3%**	31,576	1.9%
Quebec	**634,057**	**31.8%**	539,088	33.1%
Ontario	**528,479**	**26.5%**	432,113	26.5%
Manitoba	**49,760**	**2.5%**	30,346	1.9%
Saskatchewan	**89,394**	**4.5%**	28,825	1.8%
Alberta	**353,218**	**17.7%**	283,532	17.4%
British Columbia	**166,323**	**8.4%**	149,251	9.2%
Yukon	**8,720**	**0.4%**	4,532	0.3%
Northwest Territories and Nunavut	**1,448**	**0.1%**	1,863	0.1%
Total	**1,992,379**	**100.0%**	1,628,090	100.0%

Commitments, by industry distribution		December 31, 2012		March 31, 2012
Manufacturing	**468,468**	**23.7%**	406,462	25.0%
Tourism	**303,733**	**15.2%**	231,847	14.2%
Wholesale and retail trade	**257,862**	**12.9%**	252,503	15.5%
Services	**227,733**	**11.4%**	221,334	13.6%
Commercial properties	**209,967**	**10.5%**	131,969	8.1%
Construction	**200,321**	**10.1%**	164,553	10.1%
Transportation and storage	**144,140**	**7.2%**	86,272	5.3%
Mining and utilities	**76,398**	**3.8%**	59,646	3.7%
Other	**103,757**	**5.2%**	73,504	4.5%
Total	**1,992,379**	**100.0%**	1,628,090	100.0%

(unaudited, in thousands of Canadian dollars)

The undisbursed amount of authorized Venture capital investments was $274,879 at December 31, 2012, and was related to the following industry sectors.

Industry sector		December 31, 2012		March 31, 2012
Biotechnology and pharmacology	**8,247**	**3.0%**	9,359	3.6%
Medical and health	**4,930**	**1.8%**	6,372	2.4%
Electronics	**4,814**	**1.8%**	765	0.3%
Communications and information technology	**2,604**	**0.9%**	3,415	1.3%
Industrial	**300**	**0.1%**	1,000	0.4%
Other	**379**	**0.1%**	-	-
Total direct investments	**21,274**	**7.7%**	20,911	8.0%
Funds	**253,605**	**92.3%**	240,192	92.0%
Venture capital investments	**274,879**	**100.0%**	261,103	100.0%

The undisbursed amount of authorized asset-backed securities was $405,027 at December 31, 2012 ($354,000 at March 31, 2012).

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

14. RELATED PARTY TRANSACTIONS

As at December 31, 2012, BDC had $12,546.0 million outstanding in short-term notes and $484.2 million outstanding in long-term notes with Her Majesty the Queen in Right of Canada acting through the Minister of Finance ($11,197.8 million in short-term notes and $1,363.6 million in long-term notes at March 31, 2012).

Accrued interest on borrowings included $5.2 million payable to the Minister of Finance as at December 31, 2012 ($4.7 million at March 31, 2012).

BDC recorded $30.6 million in interest expense, related to the borrowings with the Minister of Finance, for the third quarter and $89.7 million for the nine months ended December 31, 2012. Last year’s comparative figures for the same periods were $26.1 million and $85.9 million, respectively.

In addition, certain borrowings with the Minister of Finance were repurchased in fiscal 2013. This resulted in a net realized loss of $0.1 million for the nine-month period ($0.1 million net realized loss for the same period last year).

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

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform to the current year’s presentation.

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