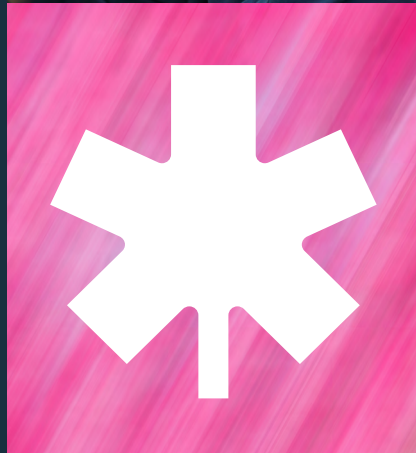


Corporate Plan Summary

2025-26 to 2029-30



Operating budget
Capital budget
Borrowing plan

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On the cover page:

- 1 Yvette Cuthbert, Owner, Rocky Point Ice Cream (British Columbia)
- 2 Eva Jin, President, Signature Clinic (Ontario)
- 3 Isaac Bosquet, CEO, DameSara (Quebec)

The Corporate Plan Summary of the Business Development Bank of Canada is based on the 2025-26 to 2029-30 BDC Corporate Plan as approved by the Governor in Council on March 6, 2025, on the recommendation of the Minister of Small Business.

Note: BDC’s fiscal year runs from April 1 to March 31. Unless otherwise noted, all data are for fiscal 2024.

Executive summary

BDC is the bank for Canadian entrepreneurs. For 80 years, we've been supporting economic growth by providing financing, capital and advisory services tailored to the needs of small and medium-sized businesses (SMEs)¹, while complementing the role of the private sector.

SMEs are the backbone of our economy. They create jobs, spearhead innovation and help build our collective future. Of the 1.22 million employer businesses in Canada, 99.7% are SMEs. They account for more than 48% of the country's GDP and employ almost 64% of the private sector workforce.² When they reach their full potential, all Canadians benefit.

BDC's role is to responsibly take risk to promote the growth of SMEs by filling market gaps and going the extra mile to support businesses that don't always fit the standard mould. It also means that we need to continuously adapt to ensure Canadian entrepreneurs have what they need to succeed, no matter who they are or where they do business.

Our role and commitment are more pertinent than ever, especially in the current environment, which is marked by slow economic growth, declining business creation, rising costs, persistent labour shortages, climate change and rapid technological change. In fact, according to the OECD, the share of new loans in Canada going to SMEs has dropped by half since 2011.³ As Canada's development bank, it is our responsibility to help put the odds back in favour of SMEs.

Recently, we renewed our commitment to do more and better for entrepreneurs by putting more emphasis on the "D" in BDC. Since then, we have been moving from ambition to action. The number of entrepreneurs we serve reached a record high of 106,475 in fiscal 2024. This increase was, in part, the result of our counter-cyclical role: we stepped in to deliver relief at a time when entrepreneurs needed it most, during the pandemic and its aftermath. While many of these clients no longer need support and have started exiting our portfolio, we remain committed to being there for entrepreneurs both through their growth journeys and in difficult times.

Over the planning period, our actions will be guided by the four strategic objectives we have set for ourselves: spurring the growth of SMEs and the competitiveness of Canada's economy; increasing the reach and relevance of our support to entrepreneurs; empowering SMEs to respond to the big challenges of our time; and delivering a world-class client and employee experience.

This Corporate Plan is focused on the following anchor themes.

➔ Consolidating and optimizing

Consistent with our renewed commitment to play our development role, our portfolio composition has evolved over the last years in terms of its risk profile. Our responsiveness to market changes and entrepreneurs' needs has also contributed to this shift. A slow economic environment is also resulting in higher provisions for credit losses and lower venture capital proceeds. This means that we will focus on the execution of in-flight initiatives and concentrate on a few new key areas of activity.

➔ Creating a multiplier effect

About 350,000 Canadian SMEs are underfinanced. We know we can reach more entrepreneurs and serve them better by working in tandem with local organizations. Partnerships are at the core of the additional efforts BDC will deploy in the coming months through our Community Banking initiative. By helping community-based lending organizations grow their lending and advisory capabilities, we are taking our collaboration efforts to the next level to create far greater impact for entrepreneurs.

➔ Evolving our investment strategy

Canada needs a strong innovation ecosystem that produces a solid pipeline of ideas and promising businesses. To that end, we are deepening our reflection on BDC's role in the venture capital and private equity markets. We want to ensure we play our role as an ecosystem enabler, while remaining a stabilizing, supportive and complementary catalyst for private investments as the VC industry continues to mature.

➔ Boosting productivity

Canada's business productivity has been sliding for years. We are intensifying our efforts to help more entrepreneurs adopt artificial intelligence (AI) to improve their business's productivity. We will also support innovative firms that are working to make AI more accessible and affordable, by continuing to invest in AI-focused tech companies. AI also creates opportunities for BDC to achieve productivity gains and become more digitally driven and customer-centric.

➔ Being ready to step-in

We will remain flexible and stand ready to adapt to entrepreneurs' changing needs, notably in the event of the imposition of tariffs on Canadian goods imported into the United States, Canada's largest trading partner.

¹ SMEs are businesses with 1 to 499 employees.

² Innovation, Science and Economic Development Canada (ISED), *Key Small Business Statistics*, 2024.

³ Organisation for Economic Co-operation and Development (OECD), *Financing SMEs and Entrepreneurs 2024: An OECD Scoreboard*, 2024

Financial highlights

This Corporate Plan has been developed amidst an economic climate where market uncertainty remains an important concern. This may result in significant variations from projections.

Demand for BDC's financing offerings has seen a decrease since the beginning of fiscal 2025 and is expected to remain restrained early in the planning period, due to economic uncertainty and financial institutions being more active in BDC's target market. We then expect volumes to increase at a robust pace for the remainder of the planning period, as the economy gains momentum, thereby stimulating business investments.

We expect net income to reach \$1.5 billion by fiscal 2030, thereby enhancing BDC's financial capacity to support Canadian entrepreneurs in the future.

The expected increase in annual net income over the planning period is mainly due to a larger portfolio in Financing and Growth and Transition Capital, as well as positive returns from venture capital investments and net income generated in the Credit Availability Program towards the end of the planning period. Additionally, BDC's commitment to operate efficiently will result in limited growth in operating expenses, positively impacting net income growth.

From fiscal 2027 onward, income generated should surpass the capital required to support portfolio growth. As a result, BDC is forecasting to have capital above the internal target rate. However, BDC's profitability may fluctuate significantly, especially due to volatility in the fair value of our investments and provisions for expected credit losses.

Our purpose

Empower a nation of dreamers and doers to build a better tomorrow for all.

Our mission

Support Canadian entrepreneurs by providing financing, capital and advisory services with a focus on small and medium-sized enterprises.

Our public policy role and approach

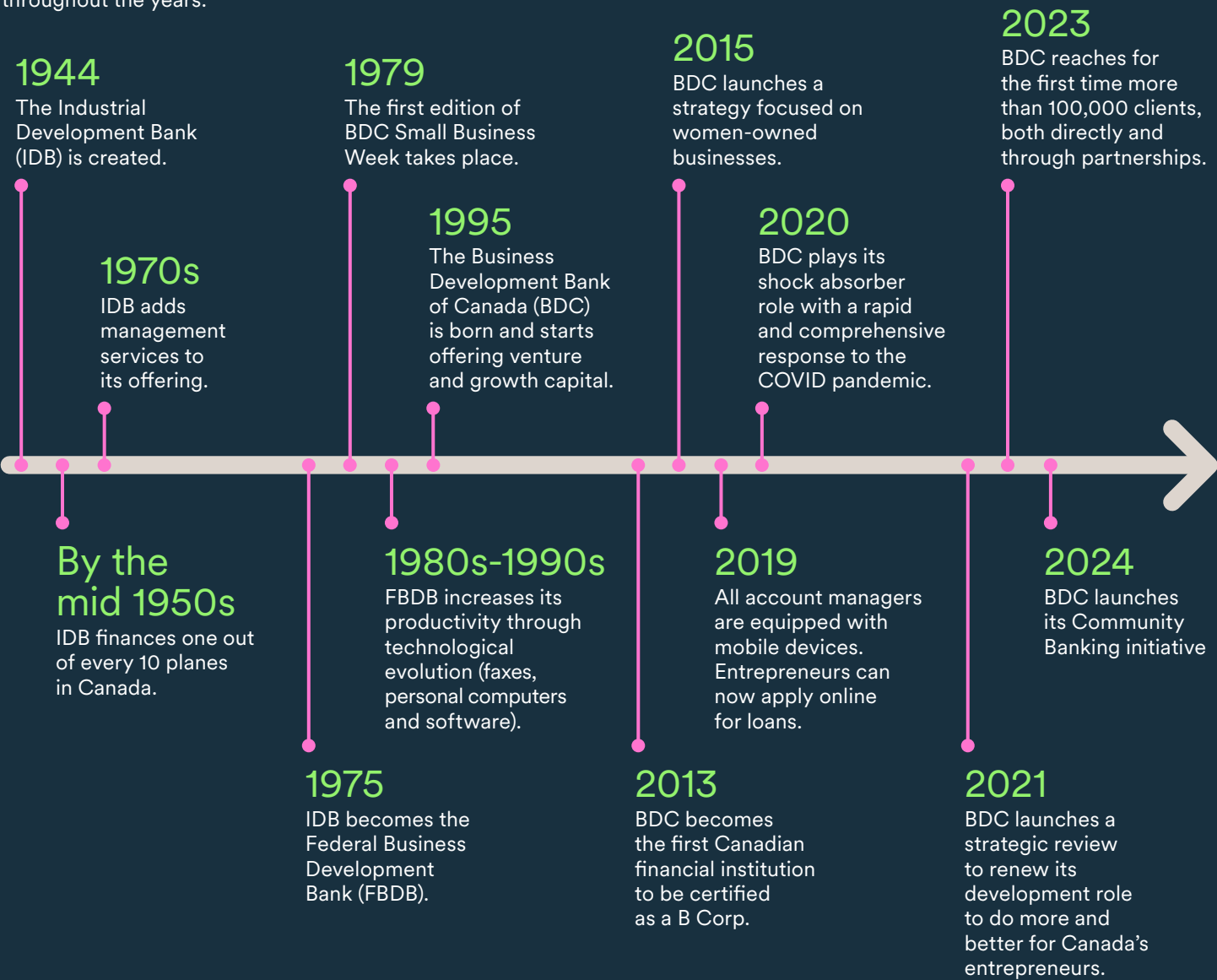
Through our independent decisions, we take more risk in supporting entrepreneurs in a way that is complementary to the private sector, while also ensuring our financial sustainability.

Our impact

SMEs supported by BDC experience double the growth compared to the Canadian average and we project a 5-year Canadian GDP impact of \$25.5 billion from our fiscal 2024 activities.

Helping entrepreneurs defy the odds since 1944

As we celebrated our 80th anniversary in 2024, we honoured the foundation upon which our organization was built. Today, we continue to embrace this rich heritage, and we remain committed to Canadian entrepreneurs’ success. Wherever they go and whatever the economy needs, BDC will be there to help them defy the odds. Below is a summary of BDC’s journey throughout the years.



➔ *Accelerating growth in every part of the country*

We serve an increasing number of entrepreneurs, in both official languages, across Canada.

106,475

Entrepreneurs in total

70,873

Entrepreneurs served directly

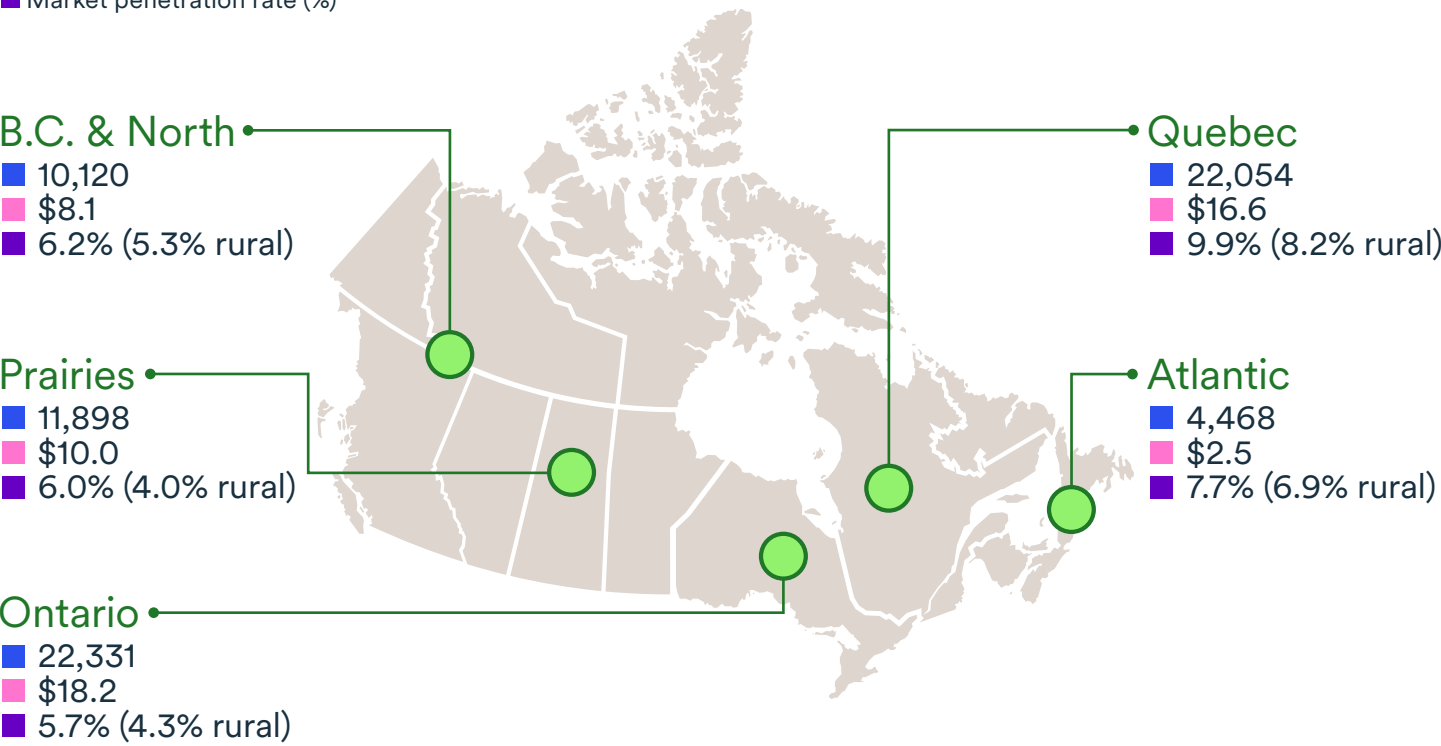
35,602

Entrepreneurs served through partnerships

\$55.4 billion

Total commitment to Canadian SMEs

- Direct clients (#)
- Billion committed (\$)
- Market penetration rate (%)



➔ *Being a complementary player to ensure all businesses can contribute fully to our economy*

Solution provider adapted to SMEs' needs

Trusted partner for financial diversification

Pioneer of innovative solutions to crowd in private capital

Active collaborator with the private and public sectors

➔ *Removing barriers for entrepreneurs so they can reach their full potential¹*

Women	Black	Indigenous
<div>19,418</div> <div>Women-owned businesses as direct clients</div>	<div>\$100 million</div> <div>New fund to support Black entrepreneur-led businesses</div>	<div>1,301</div> <div>Indigenous direct clients</div>
<div>\$1.73 billion</div> <div>Authorized in loans to women entrepreneurs</div>	<div>\$32 million</div> <div>Loans committed through the Black Entrepreneurship Loan Fund in collaboration with the Federation of African Canadian Economics, supporting 374 clients directly and indirectly</div>	<div>\$917 million</div> <div>Committed to Indigenous-owned businesses</div>
<div>\$500 million</div> <div>Thrive Platform, offering investment capital for women-led businesses</div>	<div>\$50 million</div> <div>New loan program for businesses that are majority-owned by women, Indigenous and Black entrepreneurs</div>	<div>\$100 million</div> <div>New fund to support Indigenous entrepreneur-led businesses</div>

➔ *Propelling Canada’s innovation potential*

<div>800</div> <div>Canadian VC and PE-backed companies supported, making us the country’s largest and most active venture capital investor</div>	<div>3,960</div> <div>Entrepreneurs served through our tailored advisory services</div>
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➔ *Empowering entrepreneurs to build a better tomorrow for all*

<div>174,000</div> <div>Visits to our Climate Action Centre</div>	<div>1 in 4</div> <div>B Corps in Canada are supported by BDC</div>
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➔ *Living our values: United for entrepreneurs, Powered by people, Courageously impactful*

<div>93%</div> <div>Client satisfaction</div>	<div>85%</div> <div>Employee engagement score</div>
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¹ Data on women, Black and Indigenous entrepreneurs is based on self-declaration and, as such, is an underestimation of the number of these entrepreneurs in our portfolio.

➔ *Our dedication to SMEs is strong across our business lines*

	Commitment to Canadian SMEs
Financing Term lending and collaboration with other financial institutions to increase credit availability for entrepreneurs.	\$45.2 billion
Growth & Transition Capital Working capital, mezzanine financing and quasi-equity to support the growth and transition projects of SMEs.	\$1.5 billion
Venture Capital Activities in venture capital and growth equity to help innovative technology companies start, grow and prosper in Canada.	\$2.8 billion
Advisory Services Affordable, high-value consulting services, as well as free online training and educational content designed specifically for SMEs.	3,068 mandates
Capital Incentive Programs Encompasses the Cleantech Practice, the Indigenous Growth Fund, the Venture Capital Action Plan and the Venture Capital Catalyst Initiatives.	\$1.7 billion
Credit Availability Program Initiatives delivered in collaboration with the Government of Canada.	\$4.3 billion

BDC considers the external environment in which it operates when planning activities and investments.

Economic conditions

Global economic conditions remained weak in 2024, despite some positive developments. Inflation declined worldwide, but restrictive monetary policies from major central banks continued to impede economic growth. China's outlook deteriorated, and the U.S. economy showed increased signs of a slowdown.

The Canadian economy expanded only modestly in 2024, continuing the trend from the previous two years, mainly as a result of elevated interest rates. After more than a decade of low interest rates, households, businesses and governments had to relearn how to deal with much higher borrowing costs.

However, Canada's fight against inflation appeared to be largely won in 2024. Inflation declined toward the Bank of Canada's target over the course of the year, reaching 1.9% in November. This progress reflected a return to a more balanced supply and demand picture which allowed the bank to cut its policy rate five times in the second half of the year, bringing it to 3.25% by December.

As a result of a slower economy, the labour market started to weaken. Job vacancies trended lower, while job creation of the private sector also declined. With robust population growth, the labour force grew faster than employment, pushing the unemployment rate to 6.7% in December. There were half as many job vacancies at year end compared to a peak reached in mid-2022. Entrepreneurs benefitted from lower wage growth, but customer demand remained low.

While interest rate cuts were positive for economic growth, households remained cautious in their spending, awaiting more rate reductions. Businesses were similarly conservative in their hiring and investment plans. It will take time for the economy to regain momentum.

The Bank of Canada was poised to ease credit conditions further at year end. We expect the policy rate to reach 2.75%, the mid-point of the neutral range, by the middle of 2025. By then, demand for goods and services should have partially recovered, supporting stronger business investment. However, a slower population increase will keep economic growth below potential. For these reasons, we forecast growth in Canada to come in at 1.2% for 2024 and 1.5% for 2025. The new U.S. administration may introduce economic policies that could affect this outlook. The expected rise of protectionism and new tariffs could weaken trade and the Canadian dollar.

Access to capital and advice

Credit conditions improved in 2024 but continued to be restrictive. Chartered banks increased their risk appetite and advanced 73% more funds (year-over-year) to the business sector between October 2023 and October 2024. Interest rates decreased by 115 basis points during the same period. Still, traditional lenders continued to favour the most creditworthy borrowers as uncertainty remained elevated across the business landscape.

Overall investment intentions also improved, but remained weak compared to historical norms. Medium-sized and growing companies reported stronger investment intentions and more confidence that they will carry out those plans. As the economy gathers steam in 2025, business investment should pick up gradually, supporting demand for larger loans.

There was a significant uptick in the number of businesses requiring financing to cover salaries and other operating expenses. This drove substantial demand for smaller loan amounts (up to \$100,000) in 2024, a trend that was set to persist in 2025. However, a significant number of SMEs remained reluctant to invest and/or request financing.

In business advisory services, the need for consulting services increased. Our research¹ shows that there is a growing gap between the desire to operate a business and actual success. A lack of expertise not only impacts entrepreneurs' confidence to start a new company, but also their ability to realize their ambitions in an existing one. On the supply side, most players in the Canadian management consulting industry are small or self-employed, and they often cater to specific geographic markets or niche industries. This fragmented ecosystem makes it challenging for entrepreneurs to find support that is affordable and adapted to their needs.

Optimism in the Canadian venture capital (VC) ecosystem slightly improved in 2024 against the backdrop of a mixed macroeconomic environment. However, investors remained cautious. In terms of investment activity, there were fewer deals, but they tended to be bigger in size. In the first half of 2024, VC investment dollars declined by 16%, while the deal count declined by 25%. Fundraising activity continued a decline that began in 2022, but recent interest rate cuts could support new fundraising efforts. Additionally, Venture Capital Catalyst Initiative (VCCI) funds will continue to provide momentum to the market. In terms of initial public offerings (IPOs), the drought persisted with no VC-backed IPOs to date in 2024 and only one company having gone public in 2023.

1 BDC, *Entrepreneurship in Motion: Skills to Succeed in a Changing World*, 2023

Major trends affecting Canadian SMEs

Small businesses struggled to maintain profitability, which limited their ability to obtain financing. Still, after a sharp decline caused by high interest rates, the Canadian Small Business Health Index² increased slowly, but steadily, beginning in late 2023. In the third quarter of 2024, the index stood at 97.5, a 4.7% rise from a year earlier and a 1.5% increase over the previous quarter, showing improved business sentiment among small companies.

The next years will be challenging for entrepreneurs, who will need to adapt to a fast-changing business environment marked by a high level of uncertainty. Some of the major trends they will face over the planning period include:

- ➔ **High costs will continue to weigh on businesses:** Rising prices since the pandemic significantly impacted SMEs and will still be felt in the years ahead. Although inflation and interest rates have fallen, prices remain high, limiting investments and growth.
- ➔ **Labour shortages will return:** Despite a slowing economy in 2023 and 2024, and a sharp spike in immigration, labour shortages are expected to persist. The Canadian population is aging and there is a misalignment between the skills of available workers and the needs of businesses. Recent cuts to Canada's immigration targets could reduce the availability of workers. These conditions will accelerate the urgency for investments in productivity improvements.
- ➔ **Technology adoption is key for productivity gains:** Almost 40% of entrepreneurs³ say that new technologies, including AI, robotics and automation, will disrupt their businesses over the next five years. Technology is crucial for reducing costs, compensating for labour shortages, improving efficiency and increasing competitiveness.
- ➔ **Sustainability as a business practice:** Investors, bankers, clients and employees are increasingly looking for businesses to adopt sustainability practices. By doing so, entrepreneurs can improve their profits, attract and retain talent, respond to shifting customer expectations and generate long-term value for their businesses, their communities and the Canadian economy.
- ➔ **Wave of business transitions that will keep on growing:** A growing number of Canadian entrepreneurs are getting closer to retirement with 37% of them aged 55 years or older (in 2023). Therefore, many businesses will either close or undergo ownership changes in the coming years. Ensuring smooth transitions is crucial for maintaining economic stability and community services across the country.

² The Canadian Small Business Health Index is an innovative dataset developed by BDC and Equifax that combines real-world data and business sentiment to provide a comprehensive view of the financial well-being of small and medium-sized enterprises across Canada.

³ BDC, *4 Key Trends Shaping the Future of Canada's Businesses*, 2024

Strategic objective 1

Spur the growth of SMEs and the competitiveness of Canada’s economy

Canada has been facing a productivity crisis for years, mainly as a result of low levels of business investment in technology and innovation.¹ The economy produced no productivity growth from 2019 to 2023, and SMEs have seen their productivity drop to 58% of that of large firms. At the same time, many baby boomer entrepreneurs are getting ready to retire and not enough people are launching businesses to replace those that will soon close their doors. Our recent research found Canada has 100,000 fewer entrepreneurs than it did 20 years ago, despite our population having grown by approximately 10 million people since then.²

All this means slow economic growth and falling international competitiveness for our country. At BDC, we are invested in delivering a full range of solutions to help reverse these trends.

➔ SMEs are the heart of our economy

99.7%

Of Canada’s businesses are SMEs (1—499 employees)

48%

Of the country’s GDP is generated by SMEs

64%

Of the private sector is employed by SMEs.³

Support for innovative businesses

Companies that create new technologies, processes and products are critical for making our economy more competitive and helping solve the world’s most pressing problems.

Smart money for emerging sectors and areas of strategic importance

The Canadian venture capital (VC) ecosystem has evolved significantly over the past 15 years. In 2010, BDC undertook a strategic review of its VC activities. Our main objective was to revitalize this under-performing industry and reinforce our catalyst role in the ecosystem. Back then, private Canadian general partners showed a net 10-year internal rate of return (IRR) of -5%. Poor returns meant less capital invested by limited partners, resulting in under-sized general partners and underfunded tech firms. As a result, VC investments fell from \$3.7 billion in 2001 to \$1.1 billion in 2010. The 2008-09 financial crisis and recession also contributed to this decline in activity.

Since then, the Canadian VC ecosystem has evolved significantly, although it is still maturing. The strategy we developed in 2010, and refreshed in 2017, has supported the development of world-class venture capitalists and outstanding tech businesses, leading to a Canadian 10-year net IRR of 11.7% in 2023. BDC now has \$7.2 billion of assets under management and supports directly and indirectly more than 800 Canadian companies that are primarily VC-backed.

➔ Evolution of the Canadian venture capital market

	2010	2023
Number of General Partners (GPs) ⁴	26	79
Percentage of established GPs ⁵	4%	18%
Exits, \$Value	36, \$1.4B	41, \$8B
Deals, \$Value	356, \$1.8B	660, \$6.9B
% government funding ⁶	42%	15%
% Canadian 10-year IRR	-5%	11.7%
Cumulative net income of BDC Capital (previous 8 years)	-\$400M	\$1.6B

Despite significant progress over the past few years, Canada’s VC industry is at an inflection point. While the number of established fund managers has grown, the investment landscape still lacks experienced managers in key sectors. Many Canadian companies are now making their mark on the world stage, but the recent economic slowdown and the subsequent volatility in the market are eroding capital availability for entrepreneurs.

1 BDC, *Canada’s Productivity Puzzle: Solutions for Entrepreneurs*, 2024
2 BDC, *Entrepreneurship in Motion: Skills to Succeed in a Changing World*, 2023
3 Innovation, Science and Economic Development Canada (ISED), *Key Small Business Statistics*, 2024
4 BDC internal data and data sourced from Pitchbook
5 Established General Partners (GPs) are those who have closed four or more funds
6 Calculated using BDC’s portfolio data as a proxy in the absence of available market data. Includes investments by the federal government in platforms like Canadian fund of funds, by certain crown corporations (excluding pension funds) and by provincial entities.

Evolution of our venture capital investments

We are in the process of analyzing the current environment and the missing ingredients for a more robust innovation and tech ecosystem. This reflection is taking into account our shareholder's priorities and what key industry stakeholders have told us. Our initial assessment points toward accelerating the reorientation of our venture capital investments to support growing and emerging sectors with the goal of attracting more private capital to these sectors, while continuing to achieve financial sustainability.

To drive more innovation and collaboration across the industry, our reflection is guided by the following principles:

- ➔ Remaining complementary to the private sector.
- ➔ Investing in emerging and higher-risk sectors critical to Canada's economic prosperity.
- ➔ Balancing capital requirements while achieving our development ambitions.
- ➔ Supporting the objectives of BDC's overall strategy.

Based on methodical analysis, consideration of ecosystem realities and market needs, BDC will define its long-term ambition and set measurable objectives. This will help us outline strategic priorities and initiatives, culminating in a detailed execution plan.

Meanwhile, we continue to make our **direct investments**, which support emerging sectors and areas of strategic importance for Canada. Our funds include:

- ➔ \$450-million Industrial Innovation Venture Funds for businesses operating in Canada's core competitive sectors, including energy, manufacturing 4.0 and agriculture.
- ➔ \$300-million Growth Venture Funds to back late-stage growth companies scale to their full potential.
- ➔ \$500-million Climate Tech Fund to accelerate the development and deployment of low-carbon technologies (*more information on page 19*).
- ➔ \$287-million Industrial, Clean and Energy Technology Venture Funds, and a subsequent \$150-million Sustainability Venture Fund which invests in world-class cleantech and climate tech businesses (*more information on page 19*).
- ➔ \$200-million Deep Tech Venture Fund for start-ups working on research-based technologies in such areas as quantum technologies, photonics, electronics and foundational artificial intelligence.
- ➔ \$50-million Seed Fund to help emerging Canadian start-ups (*more information on page 17*).
- ➔ \$500-million Thrive Platform for women entrepreneurs (*more information on page 16*).

Through our **indirect channel**, we invest in over **140** funds in sectors such as information technology, life sciences and climate tech. Our indirect investment thesis is that strong, dynamic and sustainable funds are crucial for establishing a vibrant Canadian VC market.

Through our **educational programs**, we are looking to accelerate the development of the VC ecosystem. One of these programs is the GP Academy, a training program designed with the Kauffman Fellows Program—the global leader in venture education—designed to help leading fund managers access advanced learning and establish new business relationships.

Federal government-initiated VC initiatives

BDC manages \$390 million for the Venture Capital Action Plan (VCAP) which invests in Canadian VC funds of funds. Since its launch in 2013, VCAP has raised over \$1.4 billion, with more than \$1 billion coming from pension funds, high-net-worth individuals, corporations, financial institutions and the governments of Ontario and Quebec.

We also manage the \$371-million Venture Capital Catalyst Initiative (VCCI) 2017, which supports funds of funds, underrepresented groups, as well as emerging regions and sectors, as well as VCCI 2021, which provided an additional \$450 million to support funds of funds, life sciences funds and inclusive growth funds.

Overall, VCCI 2017 raised over \$1.8 billion in matching funds, including VCCI contribution and capital from other sources. VCCI 2021, the second program, is expected to raise at least \$1.6 billion, including VCCI contribution and capital from other sources.

Through Budget 2024, the Government of Canada proposed to provide **\$200 million to VCCI to increase access to venture capital for equity-deserving entrepreneurs, and to invest in underserved communities and outside key metropolitan hubs**. BDC will continue to support and manage VCCI investments on behalf of the Government of Canada.

The 2024 Fall Economic Statement also announced the launch of a fourth round of VCCI, with **\$1 billion in funding starting in fiscal 2026**, which BDC will manage. To leverage more private venture capital, this round will include more enticing terms for pension funds and other institutional investors.

Support for productivity

Higher productivity is crucial for business competitiveness. With the same number of employees, the most productive 10% of Canadian SMEs within their industry generate six times more sales and four times more profits than their peers.⁷

Business investment in artificial intelligence (AI), research and development, digital adoption, automation, robotics and business systems are key productivity drivers. But SMEs often lack the time, knowledge and resources to make these investments.

Empowering entrepreneurs to unlock the power of AI

Increased use of AI by SMEs could have a transformative impact on Canada's lagging productivity. An overwhelming 97% of SMEs using AI reported tangible benefits, including increased efficiency, reduced costs and higher sales.⁸

We help SMEs make AI work for them in a responsible way.

1. Advice and financing: A new BDC program helps entrepreneurs understand, adopt and implement AI through advisory and financing offerings. The program, called *Data to AI*, helps SMEs make productive use of their data. The program covers AI, cybersecurity and digital automation.

2. Smart money for AI innovators: With \$473 million invested in AI-focused tech companies, we support innovative firms that are working to make AI more accessible and affordable.

3. Thought leadership: We will keep enhancing our AI content library over the planning period to ensure that entrepreneurs are up to speed with the latest trends and AI use cases.

As announced in the 2024 Fall Economic Statement, BDC is working on expanding its offering to provide financing and expertise to help SMEs adopt digital technologies, with a priority focus on AI. The program will deploy \$500 million over 48 months, starting in fiscal 2026.

Expert advice to help entrepreneurs manage their business and solve the productivity puzzle

An integral part of our development role is our ability to deliver expert advice to entrepreneurs in a timely manner, while complementing consulting services already available in the market.

6.8 percentage points

higher revenue growth, on average, was achieved by BDC clients who use both financing and advisory services, compared to non-clients. They also performed better in terms of productivity, growth, employment and survival rates.⁹

Over the planning period, our focus will be on providing practical advice and one-on-one coaching to help more businesses grow in a changing environment marked by rising costs, persistent labour shortages, shifting customer expectations and rapid technological adoption. We want to ensure that entrepreneurs are equipped with the knowledge they need to invest in technology and do more with less in their business. In addition to evolving our AI advisory services, we will develop more solutions to enable businesses to become more sustainable and adopt low-carbon business models, practices and technologies.

Accelerating business growth

Helping Canadian businesses grow and achieve their potential faster is key to creating a stronger Canadian economy. BDC's clients employ 1.4 million people and generate \$532 billion in annual revenue. As these businesses grow, they generate more revenue, export more, and are more profitable, more innovative, more productive and more competitive.

We provide access to flexible, patient term loans that our clients use to buy or renovate existing facilities, open new markets, buy other businesses or invest in technology and equipment to make their businesses more productive. We have a "beyond the numbers" approach that takes into account more than just banking ratios and focuses on the entrepreneur's capabilities and the project's potential.

For asset-light, high-growth firms with strong business models and management teams, we offer patient, growth capital with customized and flexible repayment options, designed to help entrepreneurs preserve cash without diluting their ownership. Moving forward, we aim to be more present for underserved businesses, including those in rural regions.

⁷ BDC, *Canada's Productivity Puzzle: Solutions for Entrepreneurs*, June 2024

⁸ BDC, *The AI Imperative for Canada's Entrepreneurs*, September 2024

⁹ BDC, *Measuring BDC's Impact on Clients (2014-2018)*, 2022

Through our activities in Indirect and Syndicated Financing, we complement the work of other financial institutions and intermediaries by:

- ➔ co-financing loans delivered by partners;
- ➔ bridging gaps in the commercial and corporate loan market for medium-sized and larger businesses by providing senior debt financing in syndicated transactions led by other banks;
- ➔ funding against portfolios of loans secured by financial assets, such as equipment loans and leases, as well as other types of collateral, such as cash flow and receivables.

To help companies accelerate their growth and scale to become global champions, BDC operates two private equity funds and a co-investment fund managing \$890 million. These funds provide fast-growing Canadian companies with direct minority equity investments and co-investments alongside Canadian private investment equity funds.

Empowering high-growth firms

Our Growth Driver Program (GDP) is geared toward companies with the drive and potential to reach new levels of growth. We guide CEOs and their executive teams with a mix of strategic advice, tailored coaching and leadership development. Participants get access to seasoned business advisors with fast growth management experience. The program includes leadership retreats organized in conjunction with educational institutions, including the Ivey Business School.

For slightly smaller but equally ambitious businesses, we offer the Optimization for Growth Program (OGP) to prepare them for the next stage of growth by addressing leadership and organizational gaps and setting a clear vision for the future.

We also support the development of leadership teams through our Second-in-Command Program, which is available to GDP and OGP clients.

Over the planning period, we will do more to engage with high-growth firms by providing them with additional learning and networking opportunities.

Supporting business transition

A recent study showed that 76% of Canadian business owners plan to sell or transfer their business in the next decade, while 91% of them don't have a transition plan.¹⁰ To support business transitions, we finance transactions and also provide crucial advice to help the new owners manage the often-challenging integration phase following a merger or acquisition.

Women face additional barriers when looking to buy a business. A recently conducted study shows that only 11% of business acquisitions in the United States are made by a woman.¹¹ Although, to our knowledge, there is no data available for Canada, our experience and anecdotal evidence suggest a similar situation. To help alleviate this, our Thrive Lab will act on three fronts. First, we will innovate by introducing the first Search Fund Accelerator for Women to help women find, acquire and run private companies. Second, we will also make direct investments in women-owned businesses ready to buy another company. Finally, we will also invest indirectly in existing Canadian search funds that allow entrepreneurs to acquire and manage a company.

Offering solutions for companies with unique needs

Technology firms—We complement our VC offering through a specialized pan-Canadian tech team that offers a full range of loan products for promising tech firms. Tech companies are asset-light, have complex business models and often require unique borrowing structures. Due diligence involves heavier emphasis on qualitative analysis and a different risk approach. Working closely with all BDC business lines and tech-focused organizations, our tech team offers optimal support to tech entrepreneurs.

Firms expanding abroad—We mobilize financing, advice and connections to de-risk the international growth of Canadian SMEs. We team up with like-minded organizations such as Export Development Canada (EDC) and the Trade Commissioner Service (TCS) to ensure there is no wrong door for Canadian exporters looking for support.

- ➔ With EDC, we co-lend and co-invest, while cross-referrals continue to be an important part of our collaboration. We also cooperate on the Trade Accelerator Program, a training program that helps businesses prepare for international expansion.
- ➔ With TCS, we ensure companies that receive CanExport funding are made aware of BDC's services and can discuss their specific needs with us. We also promote trade missions and the Canadian Technology Accelerator program.
- ➔ In collaboration with federal organizations, we participate in the Accelerated Growth Service and the Business, Economic, Trade Resilience working group to enhance businesses' access to federal trade and business development services as they seek to grow in global markets.
- ➔ As part of our strategy to engage with like-minded international organizations, we are working with Bpifrance to test their EuroQuity digital platform to connect innovative Canadian companies with potential partners and investors in France and the European Union.

¹⁰ Canadian Federation of Independent Business, *Succession Tsunami - Preparing for a decade of small business transitions in Canada*, 2022

¹¹ Women's Search Network, *Women in Search Funds 2023 Study: 100 Strong & Growing*, 2023

Strategic objective 2

Increase the reach and relevance of our support to entrepreneurs

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We reached a record 106,475 entrepreneurs in fiscal 2024. Some of these businesses only needed temporary support during the pandemic will start transitioning out of our portfolio over the planning period. With about 350,000 Canadian small and medium-sized businesses (SMEs)¹² having limited access to the financing they need, it is imperative we accelerate the pace of our activities to bridge this gap. Canadian SMEs are also finding fewer financing options compared to their G7 counterparts. According to a recent OECD report, commercial financing for Canadian companies has increased over the past decade, but the share of new loans going to SMEs declined significantly.¹³ At the same time, women, Indigenous people, visible minorities, LGBTQ2+, people with disabilities, young entrepreneurs, newcomers and entrepreneurs in smaller and rural communities face additional barriers and lack the resources to grow their businesses to their full potential.

→ Our portfolio evolution over the past three years

46%

More clients served

28%

More women-led businesses

47%

More Indigenous businesses

Companies owned by these entrepreneurs are among the fastest growing business segments in Canada. When they have what they need to succeed, they can fully contribute to our country's economy and prosperity. Going forward, we remain committed to fostering a more inclusive economy and transforming the demographic makeup of business ownership in Canada.

Unlocking the economic potential of all entrepreneurs

We act on all fronts to ensure no entrepreneur is left behind.

Community Banking initiative

Consistent with our value *United for entrepreneurs*, our Community Banking initiative puts partnerships at its core and creates a multiplier effect by working in tandem with organizations in communities across the country. These organizations know the small businesses in their communities better than anyone. By combining their knowledge and BDC's expertise in financing and advice, we create a much greater impact for entrepreneurs that are ready and able to grow. Our focus is on entrepreneurs with unconventional business models, little credit history, operations in rural/remote areas or in younger age groups. Each of these groups has unique needs to grow their businesses, and therefore there isn't a one-size-fits-all solution.

We are already partnering with several financial institutions to pilot a loan guarantee solution. The objective is to scale BDC's support through our partners' delivery networks. Since the launch in November 2023, 475 loans and \$43.7 million were authorized. Preliminary data shows that approximately 70% of the self-declared SMEs that benefitted from a loan guarantee are led by underserved entrepreneurs. Given the success of our pilot, we will expand this offering to additional financial institutions.

Over the planning period, we plan to launch a microfinancing solution for community-focused organizations to help them build or enhance their lending capabilities.

Alongside our Community Banking initiative, which is focused on building impactful partnerships, our Inclusive Entrepreneurship team is working to ensure all entrepreneurs have access to financing, connections and know-how to grow their businesses successfully. A pan-Canadian network of BDC employee champions and ambassadors is supporting and promoting our inclusive entrepreneurship initiatives at a regional level.

¹² This number does not include self-employed entrepreneurs.

¹³ Organisation for Economic Co-operation and Development (OECD), *Financing SMEs and Entrepreneurs 2024: An OECD Scoreboard*, 2024

9%

Growth in the number of underrepresented direct clients over the past three years (versus 6% growth for all clients)¹⁴

We are deploying a \$50-million inclusive entrepreneurship financing program for businesses that are majority-owned by women, Indigenous and Black entrepreneurs and that have revenues under \$3 million. The program provides access to affordable financing as well as training to help improve entrepreneurs' financial know-how.

Moving forward, we will strengthen our data collection to better quantify and refine our offering for all entrepreneurs.

Women entrepreneurs

Women make up half the population and workforce, yet only 20% of all private-sector businesses in Canada are majority-owned by women.¹⁵

For the past 10 years, we have made it our priority to advance women entrepreneurship through financing, investments, expertise, networking and mentorship. We ended fiscal 2024 with a record number of women entrepreneurs as clients—19,418, and the total value of the loan portfolio committed to women businesses reached \$7 billion. This puts us on track to reach our next ambitious objective—to serve 23,000 women entrepreneurs by the end of fiscal 2027.

One of the main vehicles to do more and better for women entrepreneurs is our \$500-million Thrive Platform, the largest investment platform of its kind in the world. Launched in fiscal 2023, it builds on the success of BDC's Women in Technology Venture Fund, with the dual mandate of supporting women-led tech businesses and helping create a vibrant ecosystem for women tech entrepreneurs.

The Thrive Platform takes a comprehensive approach to addressing barriers faced by women through the following initiatives:

- ➔ \$300-million direct investment fund for promising women entrepreneurs who are building Canadian technology companies at the seed and series A/B stages.
- ➔ \$100-million indirect investment envelope dedicated to women-led and women-focused venture capital funds across the country.
- ➔ \$100-million Thrive Lab, which makes equity or equity-like investments available to women-led companies with promising business models and growth potential.

In fiscal 2024, we started rolling out the Lab's first phase by co-investing, alongside 25 like-minded organizations, in businesses in the earliest stages of development.

Indigenous entrepreneurs

Indigenous entrepreneurs are one of the fastest-growing segments of business owners in Canada. Still, they are less likely to use financial institutions as their main source of financing. Geographic remoteness of many Indigenous communities, limited infrastructure and lack of reliable Internet service all contribute to making access to traditional financial services challenging.¹⁶

We take a comprehensive approach to increasing access to financing, capital, advice and mentorship for Indigenous entrepreneurs.

In fiscal 2024, we committed \$917 million in loans to Indigenous businesses, while serving a record number of Indigenous entrepreneurs across Canada—1,301. To deepen our relationships with Indigenous communities and support more entrepreneurs, we are increasing our in-person market presence by deploying Indigenous banking specialists in all regions.

BDC is preparing to launch a \$100-million Indigenous entrepreneur fund. This fund will increase access to capital and support the emergence of more Indigenous entrepreneurs, while also crowding in other market participants.

We are the anchor investor in the \$153-million Indigenous Growth Fund (IGF), in partnership with the National Aboriginal Capital Corporations Association, and we have committed \$7.5 million to Raven Indigenous Capital Partners, a leading North American Indigenous-led and owned private venture capital fund.

To further demonstrate our commitment to reconciliation with First Nations, Métis and Inuit (FNMI) Peoples, we have also developed an Indigenous reconciliation strategy, which will culminate in a reconciliation action plan. The first year will focus on reflection, listening and engagement with FNMI communities across Canada.

¹⁴ Data on women, Black and Indigenous entrepreneurs we serve is based on self-declaration. As a result, this underestimates their proportion in our portfolio.

¹⁵ Statistics Canada, *Analysis on businesses majority-owned by women*, first quarter of 2024.

¹⁶ Bank of Canada, *Survey of Indigenous Firms: A Snapshot of Wages, Prices and Financing in the Indigenous Business Sector in Canada*, May 2024

Black entrepreneurs

Black entrepreneurs are another fast-growing entrepreneurial segment. The number of Black-owned businesses with employees has grown by 60% over the past 10 years, compared to only 6% on average for the rest of the entrepreneur population.¹⁷

To ensure no entrepreneurial potential is wasted, we plan to launch the new \$100-million Black Entrepreneurs Fund. This fund will also aim to mobilize other market participants.

Collaboration is key to reaching more entrepreneurs. As such, we collaborate with FACE, a national, Black-led non-profit organization, to provide loans up to \$250,000 to eligible businesses. In fiscal 2024, BDC authorized \$11.7 million in loans through the Black Entrepreneurship Loan Fund. We also co-created the Black Innovation Fund with BKR Capital and serve as the fund's anchor investor with a \$4-million commitment, creating the first venture capital fund focused on Black-founded tech companies in Canada.

On a smaller scale, we have teamed up with Futurpreneur Canada and RBC in the Black Entrepreneur Startup Program. It allows to help young Black entrepreneurs to access financing of up to \$75,000 to start or buy their businesses, along with mentorship, networking and other resources they need to succeed.

New and young entrepreneurs

To provide emerging Canadian start-ups with early capital to get ideas off the ground and build world-class companies, our \$50-million software-focused Seed Fund pays particular attention to start-ups from underserved entrepreneurs and regions where this asset class is less present.

To strengthen the next generation of Canadian business owners, we have a longstanding co-lending agreement with Futurpreneur to provide collateral-free, accessible loans to entrepreneurs aged 18-39. Aspiring young entrepreneurs and those in their first 24 months of business can now access up to \$75,000 in loans, an increase from the previous \$60,000. Entrepreneurs also receive one-on-one mentorship as well as access to Futurpreneur's resources and tools. BDC and Futurpreneur have over 2,195 clients in common, representing a \$45.9-million outstanding portfolio.

Entrepreneurs in underserved areas

One in five Canadian SMEs operate in **rural areas**.¹⁸ With a market penetration of 7.3% in urban areas compared to 5.6% in rural areas, we aim to increase our presence in these communities. We continuously invest in our online channels to reach more entrepreneurs in places where we do not have a physical presence. We are also looking at collaborating with organizations with broad pan-Canadian and rural reach.

While we serve all parts of Canada, a recent area of focus has been increasing our **presence in rural regions in Ontario and the West**, where our analysis shows there are unmet needs. We increased our recruitment efforts to expand our workforce in these regions. We also reinforced our grass-roots collaboration with local organizations and established entrepreneurial cultural communities, specifically in the Greater Toronto Area where a growing number of newcomer entrepreneurs are settling, many of whom are underserved.

¹⁷ Statistics Canada and BDC

¹⁸ ISED, *SME Profile: Rural enterprises in Canada, 2020*

Providing the know-how entrepreneurs need to thrive

Entrepreneurs can take advantage of our comprehensive collection of online content to make more informed business decisions.

2,000

Free articles, videos, assessments, tools, templates and eBooks on BDC.ca

540,000

Unique subscribers to BDC's publications each month

6.7 million

Canadians visit on BDC.ca each year

+20

Research studies and reports published annually on issues relevant for SMEs, including AI, productivity, economic trends and venture capital.

Over the planning period, we will evolve our library of content to support the changing needs of entrepreneurs.

Offering quality learning programs and networking opportunities to entrepreneurs is also an integral part of our long-term strategy.

58,600

Entrepreneurs attended our free online e-learning courses over the past 6 years

1,200

Events and collaborations organized with partners helping us connect with more than 100,000 entrepreneurs

Making workplaces more diverse and inclusive

We launched a free online diversity, equity and inclusion (DEI) toolkit which includes information, advice and templates to help entrepreneurs adopt high-quality DEI policies and practices in their businesses.

We also offer free virtual training for entrepreneurs and their employees, including the *4 Seasons of Reconciliation* training, which provides foundational knowledge on the relationship between Canada and Indigenous peoples, as well as the Truth and Reconciliation Commission of Canada (TRC). In fiscal 2024, 2,559 Canadians registered for this training through BDC. This is also a mandatory training for all BDC employees.

We highlight the need for more diversity, equity and sustainability in the VC ecosystem through our environmental social and governance (ESG) and DEI templates. These tools help Canadian investors and entrepreneurs track key metrics in these areas. The results serve as a benchmark for the industry in terms of ESG and DEI progress, and help identify opportunities for improvement.

Strategic objective 3

Empower SMEs to respond to the big challenges of our time

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True to our development and complementary role, we continue to support entrepreneurs in good times and bad, ensuring that they have continued access to the resources they need to thrive, even in the face of natural disaster, crisis and economic recession.

We are also fully invested in supporting entrepreneurs as they respond to the big challenges of our time. We aim to empower entrepreneurs to build greener, more inclusive, prosperous businesses. In 2022, our sustainability framework outlined actions and ambitions related to four development pillars of economic, social, environmental and collective impact. We have made important strides since then and we are committed to intensifying our efforts to ensure a better tomorrow for all.

For details on our actions to support sustainability, please consult our latest *Sustainability Report* available on BDC.ca.

Environmental impact

At BDC, we have an important role to play in helping Canada meet its environmental objectives. It is estimated that SMEs account for about 40% of Canada's total greenhouse gas (GHG) emissions.¹⁹ Therefore, they can play a crucial role in shaping a clean, low-carbon economy that meets our country's climate targets.

Expanding our environment-related lending and advice

In fiscal 2023, we launched a pilot combining financing with free advisory services to accompany entrepreneurs through the process of retrofitting their buildings or getting a recognized environmental certification for their buildings. In fiscal 2024, \$38.5 million in loans were authorized under this initiative. Going forward, we will continue to pilot these green building loans.

On the advisory side, we guide SMEs in attaining business certifications, including the ISO 14001 environmental management systems certification. In addition, we recently introduced new e-learning tailored to the specific needs of small businesses, including the course *Sustainability Fundamentals for your Business*.

Over the planning period, we will:

- ➔ Develop new financial and advisory solutions to support businesses' environment and energy security-related projects and sustainability practices.
- ➔ Equip our employees with environment-related information so they can better guide their clients on sustainability trends, actions and results.
- ➔ Add more relevant content and tools to the Climate Action Centre, an online climate-focused resource hub where entrepreneurs can find support and guidance to act on GHG emissions reduction, climate adaptation and other environmentally beneficial initiatives and business results.

Capital for cleantech and climate tech innovators

As one of Canada's most active cleantech and climate investors, we play an important role in helping the country achieve environmental sustainability objectives. Since 2018, when we launched our Cleantech Practice—a specialized, pan-Canadian cleantech investment team—our total climate tech-focused investment funds reached \$1.6 billion.

Our main investment vehicles are our Climate Tech funds and our Sustainability Venture Fund. Our Industrial Innovation Venture Fund focuses on companies in traditional, more carbon-intensive industries to help them reduce their GHG emissions.

To increase our reach and in line with our complementary role, we will continue to invest together with public and private sector investors to support the growth of this critical asset class. Our objective is to help meet the often-complex capital requirements of homegrown climate tech ventures, facilitate their expansion, fill market gaps and crowd in more private capital.

¹⁹ BDC, *The Benefits for SMEs of taking Climate Action*, December 2023

Equipping SMEs to be more proactive in energy security supply chains

We have reached out to a broad range of stakeholders to better understand the challenges and opportunities for SMEs in this area and what BDC can do to better play our development role. This outreach effort confirmed there is an opportunity to fill a market gap by helping SMEs, including Indigenous-led businesses, gear up to participate in electricity project supply chains. We will develop our approach over the planning period.

Walking the talk

To do our part as an organization, we remain focused on reducing our emissions to achieve operational net zero by 2028. Our interim target is to reduce our emissions by 40% by end of fiscal 2026, compared to our base year of fiscal 2020. Across Canada, we now have 11 BDC business centres that are LEED-certified and we are taking steps to reduce emissions associated with all our facilities. So far, we have reduced our carbon footprint by 39% compared to fiscal 2020.

We were the first financial institution in the country to be certified as a Beneficial Corporation (B Corp) in 2013. We most recently renewed our certification in 2022. In 2025, we will be looking to once again renew our B Corp certification.

As the B Corp movement's national champion, we support companies that are certified as B Corps. These are profitable companies that meet high environmental, social and governance standards.

We also advise entrepreneurs how to certify as B Corps and we attract thousands of SMEs to awareness-raising events and workshops. We also offer the B Corp Impact Assessment, a free tool that measures a company's environmental and social impact.

Helping entrepreneurs through difficult times

One of our most important roles as a development bank is acting as a shock absorber during difficult times. This means that whenever credit conditions tighten, we boost our support to make sure that entrepreneurs still have access to the capital they need. Similarly, when the economy and credit conditions improve, we adapt to continue playing a complementary role in the market.

During the pandemic, we extended our reach through other financial institutions and provided \$8 billion in dedicated financing to SMEs. This contributed to a significant increase in the number of clients we serve, leading to a record high of 106,475 entrepreneurs in fiscal 2024. As the economy improves, many of these entrepreneurs will no longer need support and will start exiting our portfolio over the planning period. This is just the latest example of the critical counter-cyclical role we play in the economy, and we remain committed to being there for entrepreneurs in good times and bad.

Support for entrepreneurs' mental health

BDC was the first financial institution in Canada to focus on entrepreneurs' mental health in 2018 and the first Canadian financial institution to launch a program to connect its clients to mental health support.

Our research indicates that many entrepreneurs struggle with the responsibilities and pressures of owning and running a business. We also noted that cost was the main barrier for entrepreneurs looking for mental health support. Our latest survey²⁰ indicated that 38% of respondents said they had sought professional help for a mental health concern in the previous year, and nearly half (47%) said they had felt depressed during the last two weeks.

To help address this issue, we launched a pilot program offering up to three hours of free virtual therapy and additional care at a discounted rate through GreenShield Health. In fiscal 2024, 229 clients registered for this program, with many clients sharing that this initiative had made a difference in their lives. Due to the success of our pilot, we plan to keep offering this program and will evaluate how to scale up our support for entrepreneurs' well-being.

20 BDC, *Survey on SME owners' mental health and support*, May 2024

Strategic objective 4

Deliver a world-class client and employee experience

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We interact with thousands of entrepreneurs across Canada every day. We listen to their challenge and support their ambitions. To complement this first-hand knowledge and to ensure that our services reflect entrepreneurs' needs and expectations, we conduct research and analysis on an ongoing basis. Our 2,900 employees are the key ingredient to reaching our goals and they enable us to provide outstanding service to our clients.

Putting our clients first

BDC strives to meet entrepreneurs where they are through the channel that best suits their needs and preferences. These channels include our online and mobile platforms (online financing platform, Virtual Business Centre, Client Contact Centre, client portal and BDC.ca), our physical presence in our 108 business centres across the country, and our numerous collaborations with public and private sector organizations.

For a full list of the organizations we collaborate with, please consult the **Partnerships section** on BDC.ca

During fiscal 2024, the proportion of clients satisfied with our services remained high and stable at 93%, but the proportion of very satisfied clients fell short of our target.

Feedback from clients led us to develop a client satisfaction action plan, which included connecting with clients more frequently, providing more value-added advice, launching new targeted offers and optimizing our processes for faster service delivery. As a result, our satisfaction scores trended upward in the first half of fiscal 2025.

Our actions to improve client experience are geared towards making it easier and faster for entrepreneurs to do business with us.

Ease

- ➔ Enhanced our client engagement approach by connecting more regularly with clients to strengthen relationships and provide additional value.
- ➔ Launched a re-amortization offer for online loans to support clients' cash flow needs in a higher interest rate environment.

Speed

- ➔ Introduced digital identification for loan applicants, speeding up the verification process while reducing the risk of identity theft and fraud.
- ➔ Made it faster for entrepreneurs to apply for BDC's online loans.
- ➔ Invested in our digital channels to provide a best-in-class experience for our clients who increasingly work and bank online. For example, we reduced our call centre wait times and abandon rates by allowing clients to book an appointment and communicate with us via text messages.

Looking forward, we will implement a new client satisfaction platform to transform and improve how we measure client satisfaction and other key client experience indicators. By leveraging advanced analytics and artificial intelligence, we will be better equipped to take faster action and resolve problems. We will also introduce a pilot to leverage the automation capacities of our online financing platform to simplify the delivery process for loans up to \$350,000.

Technology as a productivity enabler

Technology advancements like the responsible use of AI and automation create opportunities for BDC to better respond to employee and client needs, speed up loan approvals, achieve efficiency gains and enhance security.

For instance, we created a centre of expertise dedicated to enhancing our processes and technologies to maximize the benefits of automation. This has allowed us to improve both our service quality and employee satisfaction. We are also implementing several AI-driven solutions to streamline administrative tasks and provide faster access to client information for employees.

As we increasingly rely on data, we also need to ensure we use AI in a safe, human-centric, responsible manner. To this end, we put in place an AI Governance Directive. Its guiding principles help us promote trust with our clients, employees and collaborators, while complying with the regulatory requirements.

Moving forward, we will accelerate the development of a number of AI use cases, notably to reduce the length of the loan application process. We will also continue to invest in enhancing our capabilities to better use data and analytics through modernization of our data platform and infrastructure. Additionally, we will further strengthen BDC's cybersecurity in the face of an evolving threat landscape to ensure the highest possible levels of protection for our IT systems and data.

Our people, our driving force

As part of BDC’s culture evolution, we defined and launched a new set of values to support our strategic goals and guide our day-to-day work. Our values—*United for entrepreneurs, Powered by people, and Courageously impactful*—are our personality and DNA. We also launched a new set of competencies,

emphasizing the importance of aligning our skills and behaviors with these core values. Through our recently launched Senior Leadership Development Program, we help all senior leaders to continue developing the knowledge, skills, competencies and mindsets required to lead BDC’s culture evolution.

<p>United for entrepreneurs</p> <p>Entrepreneurs are at the core of our actions. We collaborate effectively and create trusting relationships, as well as long-term partnerships, based on respect and integrity.</p>	<p>Powered by people</p> <p>Our colleagues, clients and partners are our true driving force. We genuinely care about them and value their authentic selves. We create an environment for fulfillment, and foster agility and flexibility.</p>	<p>Courageously impactful</p> <p>We are determined and accountable to deliver sustainable results. We have an impact by having the courage to act in innovative ways and being focused on the best interest of entrepreneurs and our colleagues.</p>
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A great place to work

Our hybrid work model provides our employees with the flexibility to work both in-person (from a BDC office or with clients) and remotely from home. To continue fostering a collaborative and productive work environment, we encourage all of our employees to plan activities in the office and in front of clients a minimum two days a week, and optimally three days a week. Wherever they work from,

our employees have the tools and the equipment they need to work efficiently.

Thanks to our wellness program, our employees have access to resources on topics of interest to them, such as financial security. They can also benefit from mental health support and take part in physical activities.

<p>Canada’s Top Employers (18 years)</p> 	<p>Canada’s Best Diversity Employers (14 years)</p> 	<p>Montreal’s Top Employers (18 consecutive years)</p> 	<p>Gold parity certification status</p> 
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We have made significant progress in our Diversity, Equity, Inclusion and Accessibility (DEIA) strategy. Women and visible minorities are well above the workforce targets we had set for fiscal 2024. For other diversity groups, such as Indigenous employees and those with disabilities, we have action plans in place.

In the future, we will further develop our capabilities to analyze diversity data and gather feedback to uncover and address any barriers to retention and advancement of diverse talent at BDC.

49.1%

Women in our workforce
(compared to a 46.3% fiscal 2024 target)

To ensure our employees have a mindset that reflects and fosters DEIA, we also provide training on anti-racism, anti-discrimination, unconscious bias and accessibility. Our journey towards a more inclusive, diverse, accessible and safe workspace for all will continue with the roll out of an inclusive entrepreneurship competency training for our business development leads.

30.3%

Visible minorities in our workforce
(compared to a 24.9% fiscal 2024 target)

95%

of our employees participated in the last voluntary self-identification campaign

Overview of key risks

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BDC's risk management framework (RMF) outlines the methodology used to manage the risks inherent in BDC's activities, while ensuring the outcomes of these risk-taking activities are aligned with BDC's strategy, risk appetite and mandate.

The risk management team works with business lines and corporate functions to establish policies, procedures and thresholds that reflect BDC's risk appetite. It monitors and reports on existing and emerging risks and risk appetite compliance.

BDC reviews and assesses significant risks that may impede the Bank's capacity to achieve its objectives as outlined in the Corporate Plan. Based on BDC's strategic objectives over the planning period, we have identified the following top risks that we will continuously monitor through the planning period.

- ➔ Risk from changes in the business, economic and market environment
- ➔ Cybersecurity risk
- ➔ Portfolio volatility risk
- ➔ Third-party risk
- ➔ Reputational risk
- ➔ Climate risk
- ➔ Strategic risk

For more details on the key financial and non-financial risks we monitor, as well as our mitigation strategies, please consult Appendix 3 on page 39.

This section presents an overview of BDC's financial plan for fiscal 2026-2030. Details by business line are shown starting on page 48. The financial plan projections for BDC's operations are based on economic conditions and planning assumptions presented in the *External environment* section, starting on page 9, as well as the execution of BDC's strategy, as presented starting on page 11. The plan has been developed in an economic environment characterized by persistent market uncertainty. This could result in variations from plan projections.

Demand for BDC's offerings has been slow since the beginning of fiscal 2025 and is expected to remain restrained until the end of the fiscal year due to economic uncertainty and other financial institutions being more active in the market. Although we anticipate that activity levels will remain modest at the beginning of the planning period, we expect volumes to increase at a robust pace for the remainder of the planning period as the economy gains momentum, thereby stimulating business investments.

BDC's expected volume of activity is presented in Table 1.

➔ Financing loan acceptances are expected to grow at an annualized rate of 7.4%, while securitization disbursements are forecasted to grow at an annualized rate of 11.5% over the planning period. Loan guarantees from the Community Banking initiative are projected to reach \$869 million in issuances annually by fiscal 2030. In total, Financing will deploy \$68 billion over the planning period to unlock the economic potential of all entrepreneurs.

➔ Growth & Transition Capital (GTC) activity is forecasted to grow at an annualized rate of 7.1% to reach \$620 million in acceptances in fiscal 2030. The economic landscape remains challenging for GTC, marked by a notable drop in the volume of mergers and acquisitions, and business transitions, along with a decrease in transactions in the technology sector. Despite these challenges, the outlook is positive with opportunities in underserved and rural regions, where GTC is most complementary. Concurrently, broader dynamics such as interest rate cuts and higher valuations are expected to spur merger and acquisition activity and increase transaction sizes as the economy recovers.

➔ Venture Capital investments are projected to total between \$550 million and \$650 million per year over the planning period. This projection is highly sensitive to the unfolding market dynamics and the pace of gradual return to normal market conditions. Direct investments are projected to range from \$235 million to \$290 million, driven by initiatives such as the Industrial Innovation Venture Fund, Growth Venture Fund and the Thrive Platform. In addition, two funds will be rolled out to support Indigenous and Black entrepreneurs. Direct growth equity activity is projected to range from \$66 million to \$85 million per year, supported by the deployment of a \$150-million initiative to co-invest with existing Canadian private equity and growth equity funds. Lastly, the Climate Tech Fund will invest between \$60 million and \$75 million per year in Canadian businesses that are accelerating the development and deployment of low-carbon technologies. Fund investments are expected to range from \$184 million to \$200 million as BDC Capital continues to expand its network of partners.

- ➔ Advisory Services is expected to deliver between 1,500 and 1,600 mandates per year over the planning period. Following the delivery of the last Canada Digital Adoption Program (CDAP) mandates in fiscal 2025, revenues will return to pre-COVID and pre-CDAP levels, ranging between \$33 million and \$35 million from fiscal 2026 to 2030, representing an annualized growth rate of 1.5%. The resulting annual net investment (net loss) will average \$50 million over the planning period.
- ➔ The Capital Incentive Programs (CIP) encompass the Venture Capital Action Plan (VCAP), the Venture Capital Catalyst Initiatives (VCCI), the Cleantech Practice and the Indigenous Growth Fund (IGF). The \$600-million Cleantech Practice envelope will be fully authorized by the end of fiscal 2026. The VCCI 2021 envelope of \$450 million is expected to be completely authorized by the end of fiscal 2025. BDC will also support the implementation of VCCI streams announced in Budget 2024 and the 2024 Fall Economic Statement. The \$100-million envelope from IGF will be fully deployed by the end of fiscal 2027.
- ➔ The Credit Availability Program (CAP) brings together initiatives delivered in collaboration with the Government of Canada to increase capital for specific SME needs, including COVID relief and digital adoption. To date, more than \$8.6 billion of capital has been committed through CAP initiatives, including \$3.7 billion in loan guarantees through the Highly Affected Sectors Credit Availability Program (HASCAP). Following the announcement of the Canada Digital Adoption Program (CDAP), CAP was extended to include loans deployed by BDC under CDAP. By the end of the program in fiscal 2026, BDC will have deployed an estimated \$987 million of CDAP loans to approximately 17,000 entrepreneurs to support the implementation of their digital adoption plans. In addition, as announced in the 2024 Fall Economic Statement, BDC will deploy \$500 million over 48 months, starting in fiscal 2026, to provide financing and advice to help SMEs adopt digital technologies, with a priority focus on AI.

Table 1—Activity level summary

(\$ in millions)

	2024	2025	2026	2027	2028	2029	2030
Financing loans acceptances	10,391	9,744	10,500	11,293	12,132	12,994	13,900
<i>Growth</i>	2%	-6%	8%	8%	7%	7%	7%
Securitization disbursements	794	534	593	702	827	873	919
Financing loan guarantees issuances	1	75	255	435	605	785	869
Growth & Transition Capital acceptances*	442	440	470	505	540	580	620
<i>Growth</i>	-4%	0%	7%	7%	7%	7%	7%
Venture Capital authorizations	404	545	550	575	600	625	650
Advisory Services revenue	50	36	33	32	33	34	35
<i>Growth</i>	31%	-28%	-8%	-3%	3%	3%	3%
Capital Incentive Programs authorizations	107	54	1,109	100	-	-	-
Credit Availability Program acceptances/authorizations/advice	311	442	190	85	120	166	114

* Uni-tranche senior debt component is excluded as it is volatile and difficult to forecast.

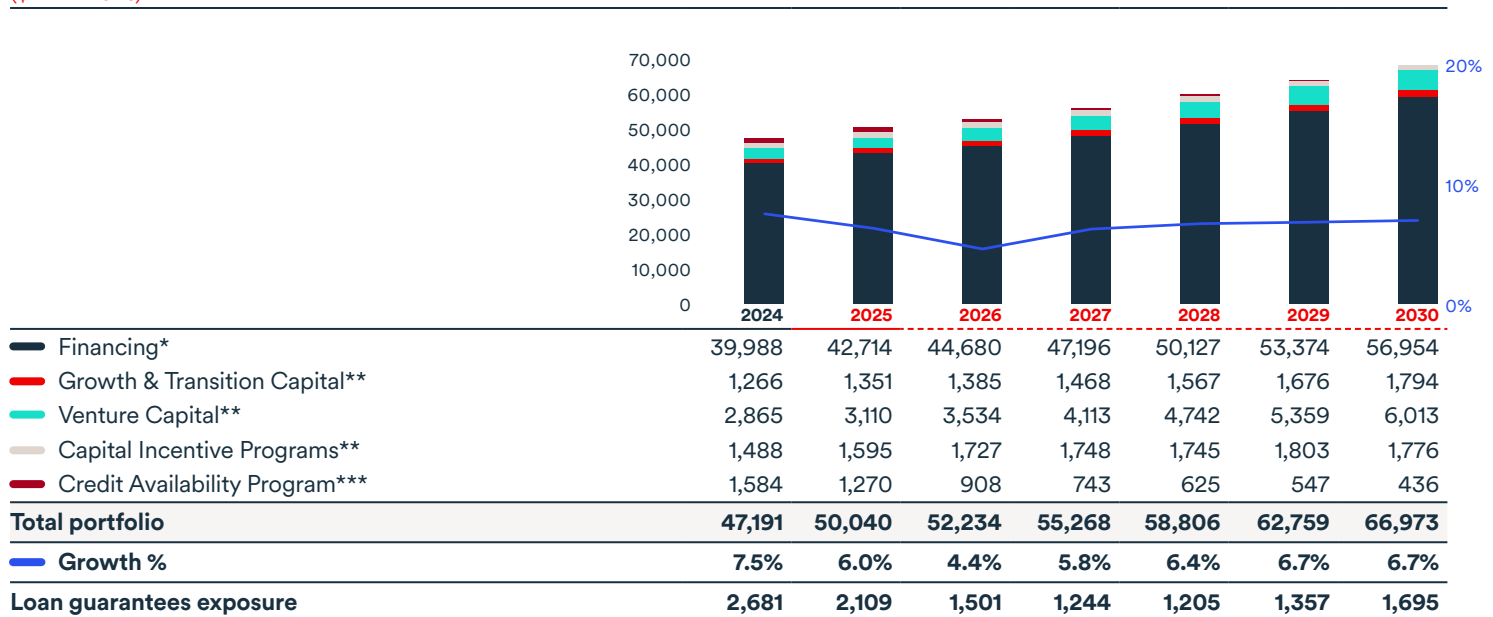
As shown in Table 2, BDC's consolidated portfolio is expected to grow modestly early in the planning period, primarily due to a decrease in the CAP portfolio as entrepreneurs repay their COVID relief loans. From fiscal 2027 onwards, reflecting a more positive economic environment, we expect the portfolio to grow at a faster pace. We anticipate that BDC's activity levels will become more robust and venture capital investments will appreciate in fair value. Additionally, repayment rates on COVID loans should be lower as that portfolio of loans diminishes. Overall, BDC's consolidated portfolio is projected to grow by 6% annually over the planning period, reaching \$67 billion by the end of fiscal 2030.

BDC's loan guarantees exposure is expected to decrease early in the planning period as SMEs repay loans covered by HASCAP guarantees. From 2028, loan guarantees exposure

is anticipated to increase due to the issuance of new loan guarantees through our Community Banking initiative, which will enable BDC to reach more entrepreneurs by helping community-based lending organizations grow their lending and advisory capabilities.

BDC's net revenue growth, as shown in Table 3, is expected to increase modestly from fiscal 2025 to fiscal 2026, mainly due to lower revenue from CAP as the portfolio gets repaid. Starting in fiscal 2027, we anticipate a consistent rise in net revenue, projected to reach \$2.9 billion by fiscal 2030. This growth will be fuelled by the expansion of our Financing and GTC portfolios, along with higher realized gains from Venture Capital and CIP investments.

Table 2—Consolidated portfolio
(\$ in millions)



* Financing's loans are at amortized cost. Financing's subordinate financing investments and asset-backed securities are at fair value.

** At fair value.

***Credit Availability Program portfolio is at cost except for Venture Capital Bridge Financing Program investments that are at fair value.

Table 3—Summary of BDC consolidated net income and capital expenditures

(\$ in millions)

	2024	2025	2026	2027	2028	2029	2030
Net revenue	2,241	2,099	2,171	2,324	2,504	2,727	2,907
<i>Growth</i>	8%	-6%	3%	7%	8%	9%	7%
Provision for expected credit losses	(741)	(772)	(638)	(399)	(386)	(447)	(472)
Net change in unrealized appreciation (depreciation) of investments and other	(415)	(191)	30	222	202	181	172
Operating and administrative expenses	798	860	904	952	997	1,049	1,100
<i>Growth</i>	4%	8%	5%	5%	5%	5%	5%
Net income	287	276	659	1,195	1,323	1,412	1,507
Capital expenditures	20	24	29	26	30	23	23

In Budget 2023, the federal government indicated that all Crown corporations would be expected to contribute to government-wide spending reductions. In response, BDC's Corporate Plan 2024-25 to 2028-29 included reductions in operating and administrative expenses amounting to \$107 million by fiscal 2027 as compared with planned expenses in Corporate Plan 2022-23 to 2026-27.

The current Corporate Plan projects an additional \$126 million in savings from fiscal 2026 to fiscal 2029, compared to the previous year's plan, despite the addition of VCCI \$200M, VCCI \$1B and the Fall Economic Statement (FES) digital program. These savings include at least 15% reductions in professional and outsourcing fees and travel expenses, relative to the baseline Corporate Plan 2022-23 to 2026-27. These reductions are driven by lower activity levels compared to last year's plan, necessitating adjustments to our projected operating expenses as we remain dedicated to optimizing our resource utilization. Details about planned reductions are provided at the bottom of Table 4.

Overall, the annualized growth of operating and administrative expenses is projected to be 5% over the planning period. Beginning in fiscal 2027, the growth in operating and administrative expenses is expected to be surpassed by both net revenue and portfolio growth, driven by efficiency gains from our investments in processes and technology.

We expect BDC's profitability to continue to be adversely impacted by challenging economic conditions, leading to elevated provisions for expected credit losses and modest fair value appreciation on investments.

BDC's consolidated net income is forecasted to reach \$1.5 billion by fiscal 2030. The expected increase in annual net income over the planning period will be mainly due to rising net income from a larger portfolio in Financing and Growth and Transition Capital, positive returns from venture capital investments and net income generated in CAP towards the end of the planning period. Additionally, BDC's commitment to operating efficiently will result in limited growth in operating expenses and higher net income.

As income generated by activities surpasses the capital required to support portfolio growth, BDC expects to generate capital above the internal target rate from fiscal 2027 until the end of the planning period.

To continue to deliver a world-class client and employee experience, BDC will continue to invest in information and digital technologies. For more information, please refer to the *Capital budget* on page 55.

Table 4—Operating and administrative expenses

(\$ in millions)

	2024	2025	2026	2027	2028	2029	2030
Salaries and other benefits	483	530	569	601	632	668	699
Defined benefit plan expense	48	52	55	55	58	63	69
	531	582	624	656	690	731	768
Premises and equipment	46	49	49	51	52	53	53
Professional and outsourcing fees	29	31	32	32	30	30	30
Computer and software, including amortization and depreciation	64	72	84	89	100	105	115
Communications, advertising and promotion	27	24	30	32	30	31	31
MTA, training and business development expenses*	16	16	18	18	19	20	21
On site consultant and professional fees capitalized	56	64	46	46	45	46	47
External delivery expenses	24	17	16	22	25	26	27
Other	5	5	5	6	6	7	8
	267	278	280	296	307	318	332
Total operating and administrative expenses	798	860	904	952	997	1,049	1,100

* MTA stands for Meals, travels and accommodation.

Reduction to operating and administrative expenses

(\$ in millions)

	2024	2025	2026	2027	2028	2029	2030
Corporate Plan 2022-23 to 2026-27 operating and administrative expenses - Baseline	870	922	970	1,018	-	-	-
Reduction to operating and administrative expenses	(14)	(16)	(29)	(31)	-	-	-
Corporate Plan 2023-24 to 2027-28 operating and administrative expenses	856	906	941	987	1,037	-	-
Reduction to operating and administrative expenses	-	(5)	(6)	(6)	(7)	-	-
Corporate Plan 2024-25 to 2028-29 operating and administrative expenses	-	901	935	981	1,030	1,082	-
Additional reductions	-	-	(31)	(29)	(33)	(33)	-
Corporate Plan 2025-26 to 2029-30 operating and administrative expenses	-	-	904	952	997	1,049	1,100

Key financial indicators

Table 5 presents financial indicators related to BDC's financial sustainability and capital adequacy, as required by the Capital and Dividend Policy Framework for Financial Crown Corporations.

Adjusted annual return on equity¹

Adjusted annual return on equity measures efficiency in generating income relative to equity. This is a key indicator measuring BDC's financial sustainability and capital management efficiency. BDC compares this ratio to its historical and projected financial performance to ensure financial sustainability objectives are being met. The ratio excludes all initiatives requested and fully capitalized by the Government of Canada, namely CIP and CAP.

Adjusted return on equity is expected to be 5.4% in fiscal 2025 mostly due to high levels of provisions for expected credit losses in Financing, combined with modest realized gains and fair value depreciation in Venture Capital. The ratio is expected to increase in fiscal 2026 and 2027 primarily due to improved Venture Capital results with higher realized gains on investments and fair value appreciation as well as stabilization in Financing's provisions for expected credit losses. The ratio is then expected to range between 8.8% and 9.5% due to rising net income from a larger portfolio in Financing and Growth and Transition Capital, combined with positive returns from our Venture Capital investments.

10-year moving average for adjusted return on equity

The 10-year moving average for adjusted return on equity is expected to range between 10.3% and 9.2%.

BDC's efficiency ratio

The efficiency ratio is a measure of the efficiency with which BDC incurs expenses to generate revenue from its operations. It is calculated as operating and administrative expenses as a percentage of net revenue. It excludes CIP, pension expenses, Venture Capital net revenue, Venture Capital Bridge Financing Program net revenue, CDAP as well as the FES digital program. A lower ratio indicates improved efficiency.

The ratio is expected to deteriorate early in the planning period mainly due to the Credit Availability Program's declining portfolio generating lower net revenue. Starting in fiscal 2028, the ratio will improve, reflecting efficiency gains from investments in processes and technology, combined with strong net revenue growth outpacing expense growth. As shown in Table 5, the ratio is forecasted to improve from 39.0% in fiscal 2027 to 37.5% in fiscal 2030, meaning BDC will incur 37.5 cents of expense to earn one dollar of revenue.

Internal capital ratio

BDC uses the internal capital ratio to assess the adequacy of its capital status, excluding CAP and CIP. It is expressed as the level of capital available over economic capital required.

In fiscal 2025 and 2026, the growth of available capital will be outpaced by growth in capital demand. Starting in fiscal 2027, capital generated above the internal target rate is expected to increase. Although BDC's growth will increase pressure on capital, the ratio is expected to exceed target levels over the planning period.

Table 5—Key financial indicators

	2024	2025	2026	2027	2028	2029	2030
Adjusted return on equity (annual)	4.0%	5.4%	7.2%	9.5%	9.2%	8.8%	9.0%
Adjusted return on equity (10-year moving average)	10.6%	10.1%	9.7%	9.9%	9.5%	9.2%	10.3%
BDC efficiency ratio	35.5%	37.8%	38.9%	39.0%	38.8%	38.2%	37.5%
Internal capital ratio	116%	111%	109%	110%	110%	110%	108%

¹ Adjusted return on equity is net income expressed as a percentage of average common equity. It excludes other comprehensive income or loss, accumulated other comprehensive income or loss and remeasurement of net defined benefit asset or liability, and non-controlling interest. It also excludes Capital Incentive Programs and the Credit Availability Program.

Expected results and performance indicators

30

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

Short term (1 year)		Actual F2024	Target F2025	Forecast F2025	Target F2026
Increase the reach and relevance of our support to entrepreneurs	Direct clients (#) ¹	70,873	73,400	75,860	74,945
	Clients served through partnerships (#)	35,602	37,650	32,400	32,750
	<i>Total number of clients we aim to serve by the end of fiscal 2026²: 107,695</i>				
	Black entrepreneurs supported directly and indirectly (#) ³	772	N/A	1,147	1,385
Spur the growth of SMEs and the competitiveness of Canada's economy	Support for growth, innovation and productivity (\$ in millions) ⁴	1,295	N/A	1,322	2,427
	Advisory Services clients (#)	3,960	N/A	3,084	2,115
Empower SMEs to respond to the big challenges of our time	Environment-related support (\$ in millions) ⁵	214	390	740	765
Deliver a world-class client and employee experience	Very satisfied clients (%) ⁶	62	65	64	65

Unless otherwise noted, all data are sourced from BDC's portfolio. All number of clients' data are net of clients who exited the portfolio during the period. Data on women, Black and Indigenous entrepreneurs is based on self-declaration and, as such, is an underestimation of the number of these entrepreneurs in our portfolio.

¹ Clients in more than one unit are only counted once.

² Direct clients who are also clients served through partnerships are counted twice as we cannot at this time identify the latter to remove duplicates.

³ For Financing, GTC and CAP, includes direct clients identifiable in our system. As we continue to identify more loans to Black entrepreneurs, we will get a better representation of the portfolio. Excludes Advisory Services only clients. For Community Banking, includes direct and indirect clients supported through FACE and Futurpreneur. For BDC Capital, includes direct and indirect clients supported through our Black Entrepreneur Fund and BKR's Black Innovation Fund. Direct clients who are also clients served through partnerships are counted twice as we cannot at this time identify the latter to remove duplicates.

⁴ Includes acceptances from Financing (ICT and leverage loans between \$350,000 and \$2 million), acceptances from GTC (excluding uni-tranche senior debt) and authorizations from VC & CIP.

⁵ Includes environment-related loans, BDC Capital authorizations / acceptances and Advisory services for environment-related mandates, as per BDC green taxonomy.

⁶ "Very satisfied" clients gave a score of 9 or 10 out of 10 for their overall satisfaction with BDC services. Source: BDC Client Voice Survey (excludes Venture Capital).

Medium term (3 years)		Actual F2024	Forecast F2025	Target (T)
Increase the reach and relevance of our support to entrepreneurs	Women entrepreneurs supported directly (#) ⁷	19,585	21,685	T2027 22,720
	Indigenous entrepreneurs supported directly (#) ⁸	1,310	1,510	T2027 1,690
Spur the growth of SMEs and the competitiveness of Canada's economy	Sales growth for BDC clients compared to Canadian businesses (percentage points difference) ⁹	14.4	8.3	T2027 Maintain a minimum spread of 11.4
Empower SMEs to respond to the big challenges of our time	BDC's operational greenhouse gas emissions (tonnes)	3,690	3,622	T2026 3,603
Deliver a world-class client and employee experience	BDC workforce compared to labour market availability (LMA) in the finance sector, in each of the designated groups (%) ¹⁰	Women 49.1	Women 49.0	T2028 BDC meets LMA for 4 of the measured groups
		Visible minorities 30.3	Visible minorities 32.0	
		Indigenous persons 1.1	Indigenous persons 1.2	
		Persons with disabilities 7.8	Persons with disabilities 7.7	

Long term (5 years)		Actual F2024	Forecast F2025	Target (T)
Spur the growth of SMEs and the competitiveness of Canada's economy	% of clients who reported a positive impact on their business following the services they received from BDC ¹¹	92	92	T2027 Maintain a minimum of 89

Unless otherwise noted, all data are sourced from BDC's portfolio. All number of clients' data are net of clients who exited the portfolio during the period. Data on women, Black and Indigenous entrepreneurs is based on self-declaration and, as such, is an underestimation of the number of these entrepreneurs in our portfolio.

7 Excludes Advisory Services only clients.

8 Excludes Advisory Services only clients.

9 Includes Financing and Growth and Transition clients.

10 Labour market availability (LMA) represents the share of designated group members in the Canadian finance sector labour market, which stood at 47.1% for women, 1.9% for Indigenous, 24.9% for visible minorities and 8.2% for persons with disabilities as of March 31, 2024.

11 Includes clients who answered "Somewhat positive" or "Very positive" in terms of the impact BDC had on their business either directly or indirectly. Source: BDC Client Voice Survey (excluding Venture Capital).

Chief Executive Officer commitment: I, Isabelle Hudon, as President and Chief Executive Officer of BDC, am accountable to the Board of Directors of BDC for the implementation of the results described in this Corporate Plan and outlined in this section. I confirm that this commitment is supported by the balanced use of all available and relevant performance measurement and evaluation information.



Isabelle Hudon, Chief Executive Officer, BDC

Original signed January 22, 2025

The Statement of Priorities and Accountabilities highlights the government's priorities and contains instructions concerning any duties or functions or directives BDC is to implement in its role as an arms-length Crown corporation and instrument of government policy.

November 28th, 2024



Brian O'Neil
Chairperson of the Board
Business Development Bank of Canada
5 Place Ville-Marie, Ground Floor
Montréal, Quebec H3B 5E7

brian.oneil@afai.ca

Dear Brian O'Neil:

Congratulations on your success during your first year as Chairperson of the Business Development Bank of Canada's (BDC) Board of Directors. I look forward to continuing to work with you and your team to help support Canadian entrepreneurs and small and medium-sized enterprises (SMEs). To this effect, I am pleased to provide the BDC with its 2024–2025 Statement of Priorities and Accountabilities (SPA).

The BDC has shown success in expanding the number of clients that it supports, promoting economic inclusion and diversity, and fostering innovative companies to invest in productivity-enhancing technologies. Building on these accomplishments, Budget 2024 provides guidance for the BDC to mobilize further financing and take on greater risk to support more Canadian businesses. I acknowledge the BDC's ongoing engagement with Innovation, Science and Economic Development Canada (ISED) and the Department of Finance Canada on meeting these objectives.

Looking forward, I expect the BDC to focus on i) enhancing support for innovative companies; ii) making its services more accessible across Canada; and iii) ensuring alignment with government priorities.

Enhancing support for innovative companies

The BDC is Canada's most active single venture capital (VC) investor and, for decades, has helped foster innovation in Canada by supporting the development of a vibrant VC ecosystem. Budget 2024 emphasized the Government of Canada's

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Canada

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expectation that the BDC renew its mandate on driving economic growth and productivity, including through its support for innovative SMEs and those looking to develop and gain returns on intellectual property (IP). I expect the BDC to maintain its leadership role in helping demonstrate the strong and sustainable financial returns by investing in Canadian innovative SMEs and entrepreneurs and by continuing to attract private capital investment, all the while maintaining the BDC's capacity to support innovative entrepreneurs over the long term. To support this vision, I ask that the BDC continue to do the following:

- ❖ support promising new and high-growth firms through its advisory, financing, and VC business lines. The BDC should also accelerate the reorientation of its VC investments toward emerging and higher-risk sectors, crowding in more private capital in the asset class while ensuring that the BDC continues to prioritize financing and advisory support for under-financed equity-deserving business owners;
- ❖ support innovative Canadian businesses in IP-intensive sectors such as cleantech, artificial intelligence, health sciences, and industrial tech while helping them protect their intangible assets and secure financing;
- ❖ provide digital support to SMEs as they move toward digitalization—from the initial adoption of digital technology to the identification and acquisition of advanced technologies—to allow firms to improve productivity and/or transition toward a low-carbon economy; and
- ❖ work with ISED to ensure the effective delivery of the Venture Capital Catalyst Initiative, which includes an additional \$200 million announced in Budget 2024, the negotiation of limited partnership agreements, and the collection and reporting of relevant program data.

Making the BDC's services more accessible across Canada

The *2010–2022 Business Development Bank of Canada Legislative Review Report* identified recommendations to strengthen the BDC's accessibility and visibility, and to improve the Bank's reach across Canada. To accomplish this, the BDC will need to work with partner organizations in the ecosystem to increase accessibility, including to SMEs and entrepreneurs from equity-deserving groups, in a manner that is consistent with its complementary role. To this end, I ask that the BDC continue to do the following:

- ❖ support diverse entrepreneurs from equity-deserving groups, whether through the BDC's direct offerings or through its partnerships with other organizations, such as the BDC's new community banking practice;

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- ❖ explore opportunities to expand the BDC's reach and increase the availability of financing, particularly in rural and remote areas and in regions currently underserved by the BDC and private-sector financial institutions; and
- ❖ work with ISED to develop an appropriate time frame and approach to conduct an evaluation of the preliminary results of the BDC's Accelerator Loan Guarantee pilot. This could include an assessment of economic and market impact, uptake from clients, types of clients supported, complementarity, and other relevant considerations required to assess the impact of the program.

Ensuring alignment with government priorities

As an independent, arm's-length Crown corporation, the BDC serves an important public policy role to support Canadian SMEs. In addition to the announcements in Budget 2024, the BDC has worked closely with ISED to respect other government initiatives and directives. I want to commend the BDC for its ongoing work to ensure alignment with government priorities, particularly on guidance and directions laid out by the Treasury Board Secretariat (TBS) for Crown corporations. To this end, I ask that the BDC continue to do the following:

- ❖ work toward responsibly reducing the solvency rating from AA to A in a manner that is consistent with the amended Capital and Dividend Policy Framework for Financial Crown Corporations, ensuring that this process is incorporated into the corporate planning process and corporate performance incentives, and that progress is reflected in annual reporting;
- ❖ work internally and with ISED to comply with the guidelines set out by TBS for Crown corporations, including those related to enhanced expenditures reporting, the Greening Government Strategy, the hybrid work model and return to the office, and the awarding and management of professional services contracts;
- ❖ participate in Environment and Climate Change Canada's consultations regarding public finance to the domestic fossil fuel sector; and
- ❖ promote openness and transparency in the BDC's relationship with the Shareholder, including through the provision of regular updates and working with ISED to find ways to improve data sharing.

Going forward, I expect you to provide me with updates on initial measures and ongoing progress as part of the corporate planning and annual reporting cycles. I also look forward to receiving details on the BDC's approach to implementing the expectations outlined in Budget 2024 in its 2026–2030 Corporate Plan.

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- 4 -

As the Designated Minister for the BDC, I will provide direction through an annual SPA. I look forward to working with you on supporting Canadian entrepreneurs from coast to coast to coast.

Please accept my best wishes.

Sincerely,

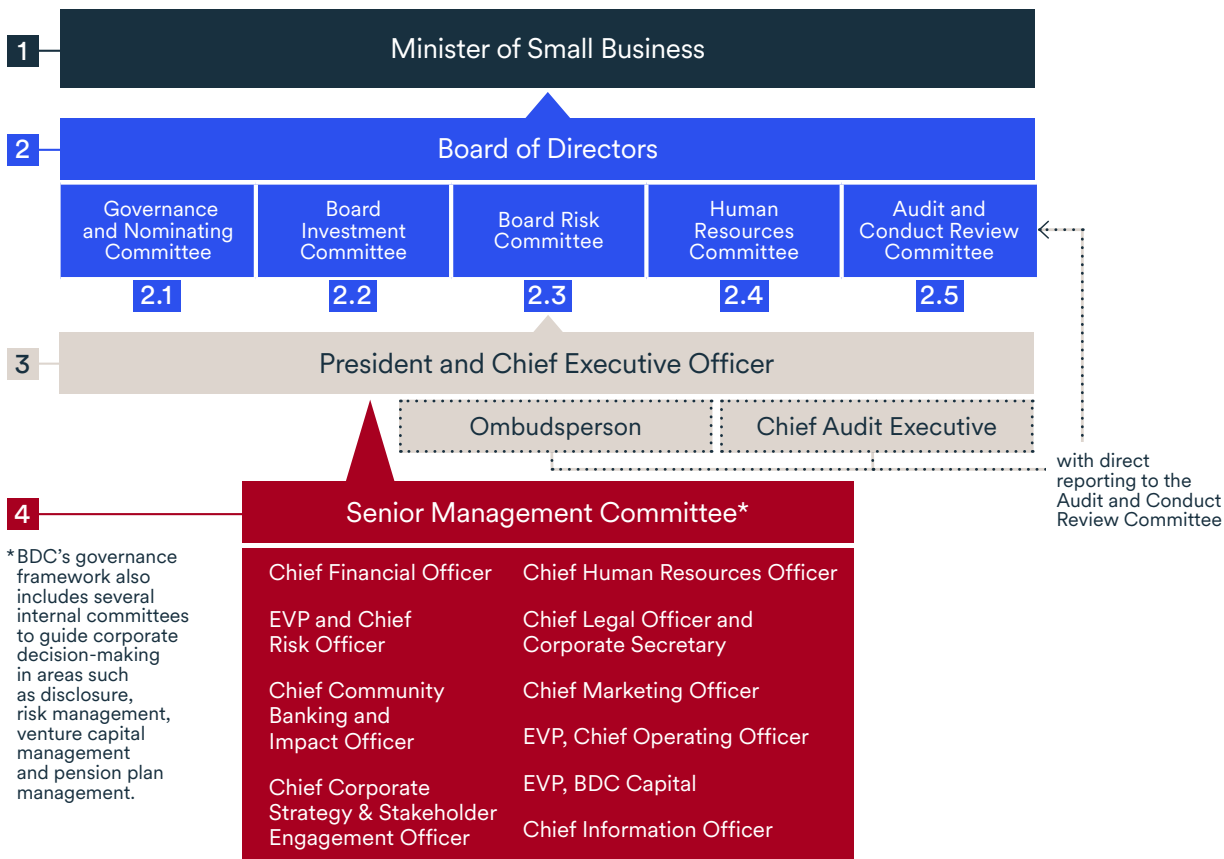


The Honourable Rechie Valdez, P.C., M.P.

c.c.: Isabelle Hudon, President and Chief Executive Officer, BDC
isabelle.hudon@bdc.ca

The Corporate Plan is a key reporting requirement for BDC as a Crown corporation. It enables the Government of Canada, BDC’s sole shareholder, to understand the Bank’s planned activities and ensure that its overall direction and performance are aligned with the policy rationale for which the government created and maintains it.

The Corporate Plan’s objective is to inform ministers and government officials of BDC’s strategic plan, forecasted expenditures and capital requirements over a five-year horizon and request approval for them. BDC also regularly interacts with government officials to further ensure alignment with government priorities and direction.



In the context of the *Business Development Bank of Canada Act* (*BDC Act*), approved Corporate Plans and instructions it may receive from the government through Statement of Priorities and Accountabilities Letters and under section 21 of the *BDC Act*, BDC operates at arm’s length from the government. It is ultimately accountable to Parliament through the **Minister of Small Business. 1**

An independent **Board of Directors 2**, supported by various board committees as described below, ensures the highest standard of corporate governance and ethical conduct at the board level which permeates through management and the organization. BDC’s **President and CEO 3** sits on and reports to the Board of Directors. For a more comprehensive view of our Board of Directors’ activities and responsibilities, as well as details on each of the committees’ duties, please visit <https://www.bdc.ca/en/about/corporate-governance/governance-committees>.

The **Governance and Nominating Committee** ^{2.1} assists with governance of the Board and its committees, and oversight of the corporate governance framework and sustainable development strategy.

The **Board Investment Committee** ^{2.2} assists the Board in overseeing all investment activities at BDC, as well as the activities of BDC Capital.

The **Board Risk Committee** ^{2.3} assists the Board in overseeing the risk management framework and monitoring BDC's risk profile, its performance against the framework, major risk exposures and important strategic initiatives. It also adjudicates transactions above the management's delegation of authority.

The **Human Resources Committee** ^{2.4} helps the Board oversee the management of human capital to ensure that BDC attracts and retains the talent needed to deliver on its mandate and business objectives. The committee is responsible for the oversight of diversity, equity, inclusion and accessibility with respect to employees. The committee also oversees the design and performance of the pension plans, as well as the funds established and maintained for those plans.

The **Audit and Conduct Review Committee** ^{2.5} assists the Board in overseeing and assessing the accuracy and integrity of BDC's financial statements, internal controls, accounting standards, and legal and regulatory compliance and management information systems. It also oversees the independence of external auditors, the Chief Audit Executive, the Chief Financial Officer, the Chief Compliance Officer, the Chief Anti-Money Laundering Officer and the Ombudsperson. The committee has primary responsibility for the oversight of standards of business conduct and ethics.

BDC's **Senior Management Committee** ⁴ is comprised of the President and CEO and designated senior executives of the Bank.

Compensation of key management personnel

Key management personnel are defined as those officers having authority and responsibility for planning, directing and controlling the activities of BDC, including members of the Board of Directors.

\$ in thousands	2023	2024
Salaries and short-term employee benefits	6,535	6,960
Post-employment benefits	1,089	1,174
Other long-term benefits	1,706	1,660
Total	9,330	9,794

Composition of the Board of Directors and its committees as of January 10, 2025

Board member	Committee memberships	Date of appointment	Length of current term	Expiry of term
Brian O'Neil ¹ (Chairperson)	-Governance and Nominating (Chair)	2017-06-21	4 years (reappointment)	2027-12-14
Isabelle Hudon ² (President and Chief Executive Officer)		2021-08-10	5 years	2026-08-09
Lena Bullock	-Audit and Conduct Review -Board Risk	2024-01-26	4 years	2028-01-25
Tania M. Clarke	-Audit and Conduct Review -Board Risk	2021-06-10	4 years	2025-06-09
Donald William (Bill) Currie	-Board Risk (Chair) -Governance and Nominating -Human Resources	2021-01-08	4 years (reappointment)	2029-01-07
Vivek Jain	-Audit and Conduct Review -Board Investment	2021-06-10	4 years	2025-06-09
Marie-Soleil Lacoursière	-Audit and Conduct Review -Board Investment	2023-06-22	4 years	2027-06-21
Michael Ladha	-Human Resources -Board Investment	2024-01-26	4 years	2028-01-25
Melanie Nadeau	-Human Resources -Board Investment	2024-01-26	4 years	2028-01-25
Tracey Scarlett	-Human Resources (Chair) -Board Investment -Governance and Nominating	2017-06-21	4 years (reappointment)	2026-06-20
Stéphane Therrien	-Board Investment (Chair) -Board Risk -Governance and Nominating	2023-06-22	4 years	2027-06-21
Suzanne Trottier	-Audit and Conduct Review (Chair) -Board Risk -Governance and Nominating	2019-06-19	4 years (reappointment)	2027-06-21
1 vacant position				

A diverse Board of Directors

Board members bring a diverse range of perspectives that help us support our clients' goals and aspirations. Half of our board members are women, 8% are Indigenous, and 42% are visible minorities, including 16.7% who identify as Black.³

¹ Although Mr. O'Neil is not a member of any committee other than the Governance and Nominating Committee, he regularly attends an extensive number of committees' meetings in his capacity as Chairperson of the Board of Directors.

² As President and CEO, Ms. Hudon is not a member of any committee. However, she attends an extensive number of committees' meetings.

³ Based on 12 independent board members, as at March 31, 2024.

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

The risk appetite framework (RAF) defines BDC’s approach to establishing and governing its risk appetite. The RAF is integrated into BDC’s strategy development and implementation process. It includes core risk principles, which dictate that BDC will only take risks that:

- ➔ it understands, can manage and fit with its strategic objectives
- ➔ fulfill its mandate to support Canadian entrepreneurship
- ➔ are not expected to negatively impact its brand, reputation or its shareholder’s reputation

The risk appetite statement (RAS) is based on qualitative and quantitative measures that articulate, and allow for reporting on, the vision of the Board of Directors and senior

management for managing the risks that BDC is willing to accept in executing its mandate.

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

BDC’s approach to risk management is based on four pillars of risk management as illustrated in the diagram below.

Each pillar incorporates risk management governance, programs, processes, tools and reports to ensure an effective and proactive framework for risk management.

BDC regularly reviews its activities to identify top and emerging risks across its risk management programs. Risks are considered by senior management and the Board of Directors and are monitored and mitigated in alignment with BDC’s day-to-day risk management activities.



Top risks which represent our areas of focus

S Risk from changes in the business, economic and market environment

The risk associated with volatility in the economic and market environment, including inflation, supply chain disruptions, capital market fluctuations, changes in the real estate market, energy prices, interest rates and other factors impacting loans, investments and transactions.

T Cybersecurity risk

Risk associated with intentional or unintentional exploitation of vulnerabilities or weaknesses in controls to compromise BDC's systems or information. This risk is heightened by an ever-evolving threat landscape and the need for constantly updated security controls.

F Portfolio volatility risk

The risk that market volatility, global recession and rising interest rates will lead to higher loan defaults, pricing that is not aligned to client risk profiles, declining fair value of venture capital investments or a higher number of clients who are facing financial difficulty.

O Third-party failure

The risk of failure or security breaches associated with the sourcing, procurement and performance of third-party suppliers or their supply chains that may result in critical service disruptions, regulatory action, privacy breaches, financial loss, litigation or reputational damage for BDC.

O Reputational risk

The potential that stakeholder and client perceptions regarding BDC's mandate, practices, actions or inactions may cause damage to its reputation and impact its ability to fulfill its mandate and conduct its business.

O Climate risk

Risk associated with climate change (physical and transition risk) and its impact on both BDC and its clients. This includes severe weather events, changing economic systems and evolving government and societal responses that may result in a broad range of risks, including strategic, reputational, operational, regulatory, and credit-related risks.

S Strategic risk

The risk associated with suboptimal or ineffective strategy, ineffective deployment of the chosen strategy, inaccurate knowledge of the market or a lack of responsiveness to changes in the external environment impacting BDC's ability to achieve its mandate.

Risks we continue to monitor closely

T Technology operations failure

Risk associated with the interruption, insufficiency or instability of technology operations.

T **O** Data risk

Risk associated with deficiencies in data privacy and confidentiality, information governance and life cycle management.

T **O** Model risk

Risk associated with the potential for adverse consequences arising from the design, development, implementation and/or use of a model including artificial intelligence.

O Human resource risk

The risk that labour and skill shortages will arise from competition for key resources, increasing operational demands for specialized skills and knowledge in a highly demanding workplace environment with large, varied and concurrent changes underway.

O Change management

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

O Business continuity

The risk associated with people, process or system disruption due to events over which BDC has limited control such as third-party failures, natural catastrophes or other crises.

O Financial crimes and misconduct

Risk associated with criminal acts or other misconduct leading to financial, data or reputational loss.

F Financial risk **O** Operational risk **S** Strategic risk **T** Technological risk

This appendix presents important priorities for BDC, including transparency, diversity and inclusion, and employment equity, among others, that align with government priorities. BDC is firmly committed to advancing in these areas.

Transparency and open government

BDC is committed to promoting transparent and open government through proactive disclosure and access to information. For example, BDC ensures we proactively disclose information by:

- ➔ preparing a summary of our Corporate Plan to be tabled in Parliament by the responsible minister and publishing it on our website
- ➔ publishing our Annual Report, which includes consolidated financial statements, management discussion and analysis and notes to the financial statements, as well as attaching our sustainability report to our Annual Report to create an integrated document that offers a cohesive, transparent view of BDC's commitment, targets and actions toward sustainability
- ➔ providing annual reports as required by the *Access to Information Act and the Privacy Act*
- ➔ publishing quarterly financial reports on our website
- ➔ publishing the Office of the Auditor General Special Examination report on our website
- ➔ answering questions from various stakeholders, including the federal government and parliamentarians
- ➔ responding to access to information and privacy requests
- ➔ conducting regular outreach to financial institutions and ecosystem players to ensure our activities remain complementary to the private sector
- ➔ webcasting our Annual Public Meeting to share corporate results and future priorities
- ➔ providing information to the public about our activities through, for example, news releases, publications and presentations

Greening Government Strategy

The Greening Government Strategy was announced by the federal government as part of its commitment to address climate change and promote environmental sustainability. It aims to reduce the environmental impact of government operations, making them more sustainable and resilient. Crown corporations are expected to align with the strategy or adopt an equivalent set of commitments in each significant area of their operations, including a commitment to net-zero emissions by 2050 and to be climate resilient. BDC is already aligned with key elements of the strategy, including oversight and reporting. Climate-related financial disclosure is also included in our sustainability report. During the planning period, our focus will notably be on our leased buildings and procurement activities.

Diversity, equity, inclusion and accessibility (DEIA)

We are working to create an increasingly diverse, equitable, inclusive and accessible BDC. We want to ensure everyone feels included and can freely contribute their ideas in our workplace. It is through differing perspectives and experiences that we grow, innovate and ultimately have a greater positive impact on Canadian entrepreneurs.

In addition to our efforts to provide a more diverse, equitable, inclusive and accessible environment at BDC, as presented on page 22, BDC, with the guidance of the Bank's Indigenous Peoples Employee Resource Group, continues to contribute to the following two calls to action from the Truth and Reconciliation Commission of Canada.

Call to Action 92—Business and reconciliation

BDC is committed to the United Nations Declaration on the Rights of Indigenous Peoples as a reconciliation framework and will apply the declaration's principles, norms and standards to corporate policy and core operational activities involving Indigenous Peoples, their lands, culture and resources.

Call to Action 57—Professional development and training for public servants

BDC has teamed up with the First Nations University and Reconciliation Canada to offer *4 Seasons of Reconciliation*, an Indigenous cultural awareness training. In 2022, all BDC employees took the course and it is part of the DEIA learning curriculum for new employees as they are onboarded. In addition, we offer this training to all Canadian entrepreneurs free of charge through our Entrepreneur Learning Centre.

BDC is committed to ensuring our services are accessible to all entrepreneurs, regardless of gender, race, ethnicity, sexual orientation, religion, age or disability, and recognizes the importance of using a gender equity lens in our endeavours. Furthermore, we pay particular attention to underrepresented client segments by offering them tailored support. This includes, but is not restricted to, women, Indigenous people, Black people, visible minorities, LGBTQ2+, people with disabilities, young entrepreneurs and entrepreneurs in rural communities. (See *Unlocking the economic potential of all entrepreneurs* beginning on page 15 for more details.)

We understand the importance of fostering an accessible and welcoming environment for our employees, entrepreneurs and other stakeholders who enter our premises, contact us or access our information. Recognizing that accessibility is an ongoing journey, we continue executing on our accessibility action plan to meet the *Accessible Canada Act* requirements, while continuously consulting with people with disabilities.

Safe workspaces

BDC's People Policy defines a mutual commitment from BDC and our employees to ensure safe workspaces.

The policy aims to make our organization a great place to work and conforms to the *Business Development Bank of Canada Act*, as well as with all Canadian labour laws and regulations. This policy includes the following key elements:

- ➔ BDC promotes a culture in which employees and internal or external collaborators (colleagues, clients, suppliers, etc.) are treated with respect and courtesy in a spirit of collaboration, openness and accountability.
- ➔ BDC commits to providing a work environment that protects and fosters the security, health, safety and overall well-being of all employees.

Official languages

BDC is committed to the use of both official languages, English and French, when serving the public and in our work environment. We recognize their equal status and are committed to providing professional environment that supports the use of both languages while respecting the language rights of our employees and clients. We are committed to supporting the vitality and development of official language minority communities in Canada, including the English-speaking communities of Quebec and the Canadian Francophonie.

We continue to implement our official languages action plan. In fiscal 2025, we updated the bilingual designation of our business centres, resulting in a total of 85 bilingual centres. We provided mandatory training to all client-facing employees to increase their awareness of roles and responsibilities and to ensure entrepreneurs are served in the official language of their choice. We also reviewed our official languages organizational structure and published a new directive that aligns with the modernized *Official Languages Act*. The directive came into effect in June 2023.

Regulatory compliance processes

BDC's mandate is to support Canadian entrepreneurs while ensuring our activities remain within the scope of applicable laws and regulations so that BDC and our shareholder, the Government of Canada, are not exposed to undue reputational, financial, operational or legal risks. This entails having processes and controls in place to ensure BDC is in compliance with all applicable regulatory requirements. BDC's legislative and regulatory environment consists of the following:

- ➔ 36 federal and provincial laws, including the *Business Development Bank of Canada Act* and the *Financial Administration Act*
- ➔ 15 Treasury Board Secretariat and Minister of Finance policy instruments
- ➔ three orders of the Privy Council
- ➔ two trade agreements

BDC's Compliance Assurance and Monitoring (CAM) function maintains the following processes to ensure effective management of regulatory compliance risk:

- ➔ identification and risk assessment of applicable regulatory requirements
- ➔ identification and mapping of regulatory requirements to compliance internal controls
- ➔ assessment of the adequacy and effectiveness of BDC's compliance internal controls
- ➔ reporting activities to management and board committees
- ➔ annual cascading certification of compliance by business and senior leaders
- ➔ continuous monitoring of BDC's compliance with legislation and regulations

Regulatory compliance framework

The regulatory compliance framework consists of a Regulatory Compliance Policy and a regulatory compliance function, which oversees compliance processes and accountability. In this regard, BDC's regulatory compliance framework is based on a three line of defence model. The three lines of defence are as follows:

Business units as operational management

- ➔ Internal controls are implemented and managed in business units to ensure compliance on a day-to-day basis. Internal controls are documented in policies, corporate directives and procedures or are reflected in processes or tasks.

Compliance as an oversight function

- ➔ The adequacy and effectiveness of day-to-day compliance internal controls are overseen by the Compliance function, using a risk-based approach. Compliance is an independent oversight function that assigns responsibility for ensuring all relevant laws and regulations are respected. It also assesses the adequacy and effectiveness of day-to-day compliance internal controls and assists business units in developing appropriate policies, corporate directives, procedures, processes and tasks.
- ➔ The activities carried out by Compliance are subject to periodic reviews by Internal Audit, which assesses the reliability of and adherence to the regulatory compliance framework. In addition, Compliance reports to the Audit and Conduct Review Committee of the Board of Directors, assuring its independence, and carries out compliance testing across all lines of business and corporate functions in alignment with BDC's risk controls.

Regulatory Compliance Policy

The Regulatory Compliance Policy defines the roles and responsibilities of the Board and Board committees, senior management, business and corporate function leaders, compliance, and Internal Audit. Included in the policy is BDC's governance model related to regulatory compliance and the compliance risk management process.

Regulatory compliance accountability

While compliance procedures exist at an operational level, independent testing is overseen by Compliance, which is an independent oversight function responsible for the management of the regulatory compliance framework. The function reports to the Chief Risk Officer and provides reports to the Audit and Conduct Review Committee of the Board of Directors on all regulatory compliance matters.

Regulatory compliance activities

In alignment with its compliance activities, BDC ensures that it operates in compliance with applicable laws, regulations, policies and legislation. As such, Compliance conducts effectiveness testing of BDC's compliance controls based on a five-year plan and issues recommendations to business leaders to implement action plans to address any gaps related to regulatory requirements. In addition, Compliance maintains an action plan register that contains details of various action plans, deliverables and timelines, and monitors the progress of business units in completing their action plans.

Information is provided below on amendments and interpretations to existing standards, as well as new standards, that are effective starting in fiscal 2026 or that are not yet effective but are expected to affect BDC's financial results.

BDC actively monitors developments and changes in accounting standards published by the International Accounting Standards Board (IASB). BDC is currently assessing the impact of adopting the following standards, as detailed below.

Modified or new accounting changes not yet effective

International Financial Reporting Standards (IFRS) 9, Financial Instruments and IFRS 7, Financial Instruments: Disclosures

On May 30, 2024, the IASB issued *Amendments to the Classification and Measurement of Financial Instruments* which amends IFRS 9, *Financial Instruments* and IFRS 7, *Financial Instruments: Disclosures*. These amendments:

- a) introduce an accounting policy choice to derecognize financial liabilities settled through an electronic payment system before the settlement date upon meeting certain conditions;
- b) clarify the assessment of contractual cash flow characteristics of financial assets based on contingent events, such as interest rates linked to environmental, social and governance-linked targets;
- c) introduce new disclosure requirements for financial instruments with contractual terms that can change cash flows due to events not directly related to changes in basic lending risks, such as certain loans subject to environmental, social and governance-linked targets; and
- d) change some of the disclosure requirements for equity instruments designated at fair value through other comprehensive income.

These amendments are effective for annual periods beginning on or after January 1, 2026, which means April 1, 2026, for BDC (fiscal 2027). We are currently assessing the impact of adopting the amendments on our Consolidated Financial Statements.

IFRS 18, Presentation and Disclosure in Financial Statements

On April 9, 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements*, which sets out requirements for the presentation and disclosure of information in the financial statements. IFRS 18 will replace IAS 1, *Presentation of Financial Statements*, and accompanies limited amendments to other standards which will be effective upon the adoption of the new standard.

The standard:

- a) introduces new defined totals and subtotals to be presented in the Consolidated Statements of Income, as well as aggregating and disaggregating principles to categorize financial information; and
- b) requires disclosure of certain management-defined performance measures in the notes to the financial statements.

IFRS 18 is effective for annual periods beginning on or after January 1, 2027, which means April 1, 2027, for BDC (fiscal 2028). We are currently assessing the impact of adopting IFRS 18 on our Consolidated Financial Statements.

Certain other developments and changes have been issued by the IASB and are not expected to have a material impact on BDC's Consolidated Financial Statements.

Table 6—Consolidated statement of financial position

(\$ in millions)

	2024	2025	2026	2027	2028	2029	2030
ASSETS							
Cash and cash equivalents	919	920	935	950	970	990	1,005
Derivative assets	-	-	-	-	-	-	-
Loans							
Loans, gross carrying amount	40,163	42,648	44,267	46,615	49,354	52,483	55,902
Less: allowance for expected credit losses	(1,272)	(1,465)	(1,590)	(1,481)	(1,391)	(1,365)	(1,352)
Loans, net of allowance for expected credit losses	38,891	41,183	42,677	45,134	47,963	51,118	54,550
Asset-backed securities	1,290	1,249	1,255	1,287	1,380	1,438	1,489
Investments	5,738	6,143	6,712	7,366	8,072	8,838	9,582
Right-of-use asset	80	79	68	56	43	31	19
Net defined benefit asset	338	382	347	311	271	227	176
Other assets	187	180	175	164	154	148	142
Total assets	47,443	50,136	52,169	55,268	58,853	62,790	66,963
LIABILITIES AND EQUITY							
Liabilities							
Accounts payable and accrued liabilities	336	356	369	390	414	441	471
Derivative liabilities	-	3	-	-	-	-	-
Borrowings							
Short-term notes	17,834	20,119	22,374	24,916	27,505	30,290	33,038
Long-term notes	11,777	13,500	13,104	12,370	12,074	12,015	12,190
Total borrowings	29,611	33,619	35,478	37,286	39,579	42,305	45,228
Lease Liabilities							
Short-term lease liabilities	14	13	13	14	14	14	9
Long-term lease liabilities	82	81	68	54	40	26	17
Total lease liabilities	96	94	81	68	54	40	26
Net defined benefit liability	232	241	242	244	246	247	247
Expected credit losses on loan commitments and guarantees	638	645	423	259	181	155	178
Total liabilities	30,913	34,958	36,593	38,247	40,474	43,188	46,150
Equity							
Share capital	7,640	6,240	6,029	6,329	6,484	6,558	6,638
Contributed surplus	28	28	28	28	28	28	28
Retained earnings	8,873	8,894	9,503	10,648	11,851	13,000	14,131
Accumulated other comprehensive income	(14)	13	13	13	13	13	13
Equity attributable to BDC's shareholder	16,527	15,175	15,573	17,018	18,376	19,599	20,810
Non-controlling interests	3	3	3	3	3	3	3
Total equity	16,530	15,178	15,576	17,021	18,379	19,602	20,813
Total liabilities and equity	47,443	50,136	52,169	55,268	58,853	62,790	66,963
Debt-to-equity ratio	2.0	2.4	2.4	2.3	2.2	2.2	2.3

Table 7—Consolidated statement of income
(\$ in millions)

	2024	2025	2026	2027	2028	2029	2030
Interest income	3,168	3,228	3,039	3,119	3,274	3,462	3,684
Interest expense	1,153	1,186	952	950	990	1,041	1,115
Net interest income	2,015	2,042	2,087	2,169	2,284	2,421	2,569
Net realized gains (losses) on investments*	87	(66)	(33)	30	82	154	170
Revenue from Advisory Services	50	36	33	38	42	44	45
Fee and other income	89	87	84	87	96	108	123
Net revenue	2,241	2,099	2,171	2,324	2,504	2,727	2,907
Provision for expected credit losses	(741)	(772)	(638)	(399)	(386)	(447)	(472)
Net change in unrealized appreciation (depreciation) of investments**	(318)	(135)	91	222	202	181	172
Net foreign exchange gains (losses)	1	89	-	-	-	-	-
Net gains (losses) on other financial instruments	(98)	(145)	(61)	-	-	-	-
Income before operating and administrative expenses	1,085	1,136	1,563	2,147	2,320	2,461	2,607
Salaries and benefits	531	582	624	656	690	731	768
Premises and equipment	46	49	49	51	52	53	53
Other expenses	221	229	231	245	255	265	279
Operating and administrative expenses	798	860	904	952	997	1,049	1,100
Net income	287	276	659	1,195	1,323	1,412	1,507
Net income attributable to:							
BDC's shareholder	290	276	659	1,195	1,323	1,412	1,507
Non-controlling interests	(3)	-	-	-	-	-	-
Net income	287	276	659	1,195	1,323	1,412	1,507

* Includes write-offs.

** Includes net fair value appreciation (depreciation) and reversal of fair value depreciation (appreciation) on divested investments and write-offs.

Table 8—Consolidated statement of comprehensive income
(\$ in millions)

	2024	2025	2026	2027	2028	2029	2030
Net income	287	276	659	1,195	1,323	1,412	1,507
Other comprehensive income (loss)							
<i>Items that may be reclassified subsequently to net income</i>							
Net change in unrealized gains (losses) on fair value through other comprehensive income assets	15	27	-	-	-	-	-
Net unrealized gains (losses) on cash flow hedges	-	-	-	-	-	-	-
Total items that may be reclassified subsequently to net income	15	27	-	-	-	-	-
<i>Items that will not be reclassified to net income</i>							
Remeasurements of net defined benefit asset or liability	70	82	-	-	-	-	-
Other comprehensive income (loss)	85	109	-	-	-	-	-
Total comprehensive income	372	385	659	1,195	1,323	1,412	1,507
<i>Total comprehensive income attributable to:</i>							
BDC's shareholder	375	385	659	1,195	1,323	1,412	1,507
Non-controlling interests	(3)	-	-	-	-	-	-
Total comprehensive income	372	385	659	1,195	1,323	1,412	1,507

Table 9—Consolidated statement of changes in equity
(\$ in millions)

	2024	2025	2026	2027	2028	2029	2030
Opening balance	16,145	16,530	15,178	15,576	17,021	18,379	19,602
Net Income	287	276	659	1,195	1,323	1,412	1,507
Other comprehensive income (loss)	85	109	-	-	-	-	-
Total comprehensive income	372	385	659	1,195	1,323	1,412	1,507
Dividends on common shares	(337)	(337)	(50)	(50)	(120)	(263)	(376)
Distributions to non-controlling interests	-	-	-	-	-	-	-
Issuance (repurchase) of common shares	350	(1,400)	(211)	300	155	74	80
Closing balance	16,530	15,178	15,576	17,021	18,379	19,602	20,813

Table 10—Consolidated statement of cash flows
(\$ in millions)

	2024	2025	2026	2027	2028	2029	2030
Net cash flows used in operating activities	(2,230)	(1,737)	(1,027)	(1,567)	(1,747)	(1,980)	(2,106)
Net cash flows used in investing activities	(352)	(518)	(540)	(461)	(546)	(522)	(491)
Net cash flows provided by financing activities	2,622	2,256	1,582	2,043	2,313	2,522	2,612
Net increase (decrease) in cash and cash equivalents	40	1	15	15	20	20	15
Cash and cash equivalents at beginning of year	879	919	920	935	950	970	990
Cash and cash equivalents at end of year	919	920	935	950	970	990	1,005

Operating budget

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Financing

In fiscal 2025, demand for BDC's offerings declined from fiscal 2024 levels, primarily due to economic uncertainty and the easing of lending conditions by financial institutions. Financing loan acceptances are projected to decrease by 6% from fiscal 2024 to fiscal 2025. This decline will be partially offset by syndicated financing loan acceptances, which are expected to be similar to fiscal 2024 levels. Syndicated financing benefitted from favourable conditions and added new borrowers, despite the market experiencing a significant slowdown due to high interest rates and a reduction in merger and acquisition (M&A) activities.

From fiscal 2025 to 2030, loan acceptances are projected to grow at an annualized rate of 7.4%. This robust growth will be driven by stronger business investments as the economy is expected to regain momentum, stimulated by lower interest rates.

Securitization disbursements are projected to decrease in fiscal 2025 compared to fiscal 2024 levels due to temporary challenges in the long-haul transportation industry, which is significantly impacted by the slower economy. However, starting in fiscal 2026, disbursements are expected to grow at an annualized rate of 11.5%, reflecting BDC's goal of reaching more entrepreneurs through its securitization partner channel.

Loan guarantees from the Community Banking initiative are projected to reach \$869 million in issuances annually by fiscal 2030. The initiative will focus on entrepreneurs with unconventional business models, with little credit history, in rural/remote areas, or from younger age groups.

Overall, Financing will deploy \$68 billion over the planning period to unlock the economic potential of all entrepreneurs. This level of activity is expected to result in an annualized portfolio growth rate of 6.0% through the planning period, ultimately increasing the portfolio to \$57 billion by fiscal 2030.

Net income from Financing is expected to reach \$1.1 billion by fiscal 2030, fuelled by a larger portfolio, coupled with provisions for expected credit losses returning to normal levels. Additionally, productivity enhancements from technological and digital investments will further improve profitability.

Table 11—Financing: Activity and statement of income

(\$ in millions)

	2024	2025	2026	2027	2028	2029	2030
Loans acceptances	10,391	9,744	10,500	11,293	12,132	12,994	13,900
Securitization disbursements	794	534	593	702	827	873	919
Loan guarantees issuances	1	75	255	435	605	785	869
Net interest income	1,611	1,732	1,835	1,920	2,034	2,167	2,319
Fee and other income	29	34	40	49	60	74	87
Net realized gains (losses) on investments	(1)	(3)	-	-	-	-	-
Net revenue	1,639	1,763	1,875	1,969	2,094	2,241	2,406
Provision for expected credit losses	(448)	(467)	(413)	(276)	(317)	(415)	(455)
Net change in unrealized appreciation (depreciation) of investments	(2)	9	-	-	-	-	-
Net foreign exchange gains (losses)	2	-	-	-	-	-	-
Net gains (losses) on other financial instruments	-	-	-	-	-	-	-
Income before operating and administrative expenses	1,191	1,305	1,462	1,693	1,777	1,826	1,951
Operating and administrative expenses	588	642	677	711	749	792	835
Net income from Financing	603	663	785	982	1,028	1,034	1,116
Portfolio outstanding	39,988	42,714	44,680	47,196	50,127	53,374	56,954
Loan guarantees exposure	3	69	279	587	951	1,357	1,695

Actuals Forecast Plan

Growth & Transition Capital

Growth & Transition Capital (GTC) acceptances are projected to remain steady in fiscal 2025, yet they are expected to meet the fiscal 2025 target from fiscal 2024. The economic landscape remains challenging for GTC, marked by a notable drop in the volume of M&A, along with a decrease in transactions in the tech sector. From fiscal 2026, GTC is expected to see growth in acceptances, supported by its intention to be more active with underserved businesses, including those in rural regions, which is where GTC can best play its complementary role in the ecosystem. Concurrently, as the economy recovers, broader dynamics such as interest rate cuts and higher valuations should spur M&A activity, pushing deal sizes higher and resulting in larger transactions. Overall, activity level is expected to grow at an annualized rate of 7.1% over the planning period, reaching \$620 million in fiscal 2030.

As a result, portfolio at fair value is expected to reach \$1.8 billion in fiscal 2030, representing 5.8% annualized growth over the planning period.

While operating and administrative expenses are expected to increase each year, they are projected to decrease as a percentage of the average portfolio outstanding at cost—from 3.5% in fiscal 2024 to 3.2% in fiscal 2030, demonstrating enhanced efficiency.

GTC's net income is expected to reach \$115 million in fiscal 2030 primarily due to portfolio growth, the planned exit of mature investments, coupled with a sustained focus on efficiency. It should be noted that due to high volatility in fair value, which translates into portfolio volatility, it is difficult to make precise net income forecasts.

Table 12—Growth & Transition Capital: Activity and statement of income
(\$ in millions)

	2024	2025	2026	2027	2028	2029	2030
Acceptances*	442	440	470	505	540	580	620
Net interest income	106	109	111	119	127	136	147
Net realized gains (losses) on investments**	-	(2)	3	10	-	4	5
Fee and other income	16	21	20	23	26	27	29
Net revenue	122	128	134	152	153	167	181
Net fair value appreciation (depreciation)	(20)	(20)	(12)	(9)	(14)	(9)	(10)
Reversal of fair value depreciation (appreciation) on divested investments and write-offs	12	15	5	(1)	5	3	3
Net foreign exchange gains (losses)	(8)	(7)	-	-	-	-	-
Income before operating and administrative expenses	106	116	127	142	144	161	174
Operating and administrative expenses	44	46	47	51	53	56	59
Net income from GTC	62	70	80	91	91	105	115
Portfolio at fair value	1,266	1,351	1,385	1,468	1,567	1,676	1,794

* Uni-tranche senior debt component is excluded as it is volatile and difficult to forecast.

** Includes write-offs.

Venture Capital

Venture Capital investments are projected to increase steadily each year and reach \$650 million by fiscal 2030. This level of activity will keep BDC at the forefront of the Canadian ecosystem while remaining complementary to the private sector. It will also allow us to invest in emerging and higher-risk sectors critical to Canada's economic prosperity. This projection is highly sensitive to unfolding market dynamics and how quickly market conditions return to normal. Direct investments are projected to range from \$235 million to \$290 million as BDC continues to deploy capital including through its Industrial Innovation Venture Fund, Growth Venture Fund and the Thrive Platform. Additionally, two funds will be rolled out to support Indigenous and Black entrepreneurs.

Concurrently, fund investments are expected to range from \$184 million to \$200 million, as BDC continues to expand its network of partners. This level of activity in indirect investments reflects initiatives in sectors such as information technology, biotech and climate tech, as well as support for funds that cater to underserved entrepreneurs.

Direct growth equity activity is projected to range from \$66 million to \$85 million per year. This level of activity will be supported by the deployment of a \$150-million initiative to co-invest with existing Canadian private equity and growth equity funds that will provide capital to fast-growing Canadian companies. Lastly, the Climate Tech Fund should invest between \$60 million and \$75 million per year in Canadian businesses that are accelerating the development and deployment of low-carbon technologies.

Venture Capital investments are forecasted to bring in close to \$1.3 billion in proceeds during the planning period, fuelled by the exit of successful legacy investments and an increasing number of indirect investments that provide a consistent stream of distributions.

Disbursements are anticipated to exceed \$3 billion, bringing the portfolio at fair value to \$6 billion by the end of the planning period.

In fiscal 2024, private equity and public markets continued to experience a downturn, leading to significant fair value depreciation in the Venture Capital portfolio. This resulted in a net loss of \$212 million. Market conditions have remained challenging in fiscal 2025, with the Venture Capital portfolio expected to experience further fair value depreciation and only modest realized gains on investments due to an ongoing initial public offering drought. We anticipate this will result in a net loss of \$120 million.

As the ecosystem recovers in fiscal 2026, Venture Capital is forecasted to break even, and then subsequently generate rising net income from fiscal 2027 onward, hitting \$225 million by fiscal 2030. It should be noted, however, that due to the risky nature of Venture Capital, which translates into portfolio volatility, combined with the volatility of market conditions, it is difficult to make reliable net income forecasts.

Table 13—Venture Capital: Activity and statement of income

(\$ in millions)

	2024	2025	2026	2027	2028	2029	2030
Direct venture capital authorizations	135	195	235	251	279	286	290
Fund investments authorizations	173	210	184	184	185	189	200
Growth Equity Partners authorizations	60	87	71	66	66	75	85
IP-Backed Financing authorizations	(3)	3	-	-	-	-	-
Climate Tech authorizations	39	50	60	74	70	75	75
Authorizations	404	545	550	575	600	625	650
Proceeds	205	140	200	225	250	300	300
Disbursements	335	460	557	587	630	641	647
Net interest income	2	1	2	2	4	5	5
Net realized gains (losses) on investments	98	35	83	117	119	152	119
Write-offs	(57)	(81)	(80)	(88)	(93)	(101)	(110)
Net realized gains (losses) on investments and write-offs	41	(46)	3	29	26	51	9
Fee and other income	8	2	2	2	2	3	3
Net revenue	51	(43)	7	33	32	59	17
Net fair value appreciation (depreciation)	(205)	(153)	48	195	222	244	280
Reversal of fair value depreciation (appreciation) on divested investments and write-offs	(15)	44	13	(7)	(4)	(25)	11
Net foreign exchange gains (losses)	4	92	-	-	-	-	-
Income before operating and administrative expenses	(165)	(60)	68	221	250	278	308
Operating and administrative expenses	47	60	68	71	75	78	83
Net income (loss) from Venture Capital	(212)	(120)	-	150	175	200	225
Portfolio at fair value	2,865	3,110	3,534	4,113	4,742	5,359	6,013

Advisory Services

Advisory Services will continue to innovate and evolve while focusing on helping Canadian businesses grow and become more productive in a changing environment with advice and one-on-one coaching.

Revenue from activities are forecasted to decrease from \$36 million in fiscal 2025 to \$33 million in fiscal 2026. Revenue is then expected to grow at an annualized rate of 1.5% and peak in fiscal 2030 at \$35 million. From fiscal 2026, net investment (net loss) will average \$50 million, while the cost recovery ratio will average 52%.

Table 14—Advisory Services: Statement of income
(\$ in millions)

	2024	2025	2026	2027	2028	2029	2030
Revenue from activities	50	36	33	32	33	34	35
Operating and administrative expenses including delivery costs	88	81	80	81	83	86	88
Net income (loss) from Advisory Services	(38)	(45)	(47)	(49)	(50)	(52)	(53)
Cost-recovery ratio*	71%	58%	53%	51%	52%	52%	53%

* The cost-recovery ratio is calculated as revenue from activities as a percentage of operating and administrative expenses minus shared-costs.

Capital Incentive Programs

The Capital Incentive Programs (CIP) include the Venture Capital Action Plan (VCAP), the Venture Capital Catalyst Initiative 2017 (VCCI 2017), Venture Capital Catalyst Initiative 2021 (VCCI 2021), the Cleantech Practice, the Indigenous Growth Fund (IGF), as well as new investments announced in Budget 2024 and the 2024 Fall Economic Statement (VCCI 2024).

Like Venture Capital, CIP initiatives experienced significant fair value depreciation in fiscal 2025, resulting in a net loss of \$9 million.

VCAP's capital deployment is nearing completion and is expected to return over \$600 million in proceeds throughout the planning period as the underlying funds close and exit their investments. BDC's participation in VCAP, on behalf of the federal government, is anticipated to achieve a lifetime total value to paid-in capital (TVPI) of 1.9x.

VCCI 2017 is expected to continue to deploy capital over the planning period, with disbursements totalling over \$55 million. As the portfolio matures, proceeds exceeding \$240 million are expected from fiscal 2026 to fiscal 2030. BDC's participation in VCCI 2017, on behalf of the federal government, is expected to generate a lifetime TVPI of 1.26x.

VCCI was renewed in 2021 (VCCI 2021), supported by capital injections totalling \$450 million to support Canadian private sector funds of funds, life sciences funds and inclusive growth funds.

In addition, a new \$200-million VCCI program (VCCI 2024 \$200M) was announced in Budget 2024. This program is targeted towards emerging managers and will invest in underserved communities and outside key metropolitan hubs. It is expected to be implemented through fiscal 2026 with disbursements extending beyond the planning period.

Finally, as announced in the 2024 Fall Economic Statement, BDC will deliver a \$1 billion VCCI program (VCCI 2024 \$1B) to leverage more private venture capital that will offer more enticing terms for pension funds and other institutional investors. It is expected to be implemented through fiscal 2026, with disbursements extending beyond the planning period.

For these two programs, the financial projections may differ from results as the funds structure remain to be finalized.

The \$600-million Cleantech Practice is expected to be fully deployed by fiscal 2026. It is forecast to generate over \$250 million in proceeds from fiscal 2025 to fiscal 2030, capitalizing on the cleantech industry's momentum, coupled with a robust investment strategy.

The \$153-million Indigenous Growth Fund is designed to provide capital to Indigenous Financial Institutions to enable them to offer loans to new and expanding Indigenous businesses. It is expected to be fully disbursed by fiscal 2027.

In support of Canadian public policy priorities, CIP initiatives bridge market gaps while generating an estimated \$373 million in net income over the planning period. Financial results are subject to significant volatility due to the high-risk nature of these loans and investments.

Table 15—CIP: Activity and statement of income

(\$ in millions)

	2024	2025	2026	2027	2028	2029	2030
Authorizations	107	54	1,109	100	-	-	-
Disbursements	131	168	152	176	234	275	241
Proceeds	123	32	34	211	299	296	321
Net interest income	44	29	22	31	36	42	46
Net realized gains (losses) on investments*	41	(7)	(29)	11	77	104	156
Fee and other income	-	2	3	3	3	3	4
Net revenue	85	24	(4)	45	116	149	206
Net fair value appreciation (depreciation)	(64)	(31)	4	34	32	49	41
Reversal of fair value depreciation (appreciation) on divested investments and write-offs	(18)	3	33	3	(54)	(82)	(153)
Net foreign exchange gains (losses)	-	2	-	-	-	-	-
Income before operating and administrative expenses	3	(2)	33	82	94	116	94
Operating and administrative expenses	7	7	9	12	9	8	8
Net income from CIP	(4)	(9)	24	70	85	108	86
Portfolio at fair value	1,488	1,595	1,727	1,748	1,745	1,803	1,776

* Includes write-offs.

Credit Availability Program

The Credit Availability Program (CAP) consists of initiatives delivered in collaboration with the Government of Canada. These initiatives are aimed at increasing capital for specific SME needs, such as COVID relief and digital adoption. To date, more than \$8.6 billion of capital has been committed through CAP initiatives, including \$3.7 billion in loan guarantees through the Highly Affected Sectors Credit Availability Program.

Following the announcement of the Canada Digital Adoption Program (CDAP), CAP was extended to include loans deployed by BDC under the CDAP umbrella. Through CDAP, BDC is expected to deploy \$987 million by fiscal 2026 to approximately 17,000 entrepreneurs to support the implementation of their digital adoption plans. In addition, as announced in the 2024 Fall Economic Statement, BDC will deploy \$500 million over 48 months, starting in fiscal 2026, to provide financing and advice to help SMEs adopt digital technologies, with a priority focus on AI.

With relatively high provisions for expected credit losses, due to the riskier profile of the portfolio, and margin compression, due to reduced pricing, the CAP portfolio should generate a net loss of \$203 million over the planning period. It should be noted that since CDAP loans are provided at below-market interest rates, a loss on the day the asset is recognized, Day-1 loss, is recorded in accordance with IFRS-9. This will generate a significant net loss for the program over the planning period, which will be partly recuperated after the planning period.

Considering the high degree of economic and market uncertainty, significant variations from plan projections should be expected.

Table 16—Credit Availability Program: Activity and statement of income
(\$ in millions)

	2024	2025	2026	2027	2028	2029	2030
COVID related initiatives acceptances/authorizations	(2)	3	4	-	-	-	-
COVID related initiatives loan guarantees issuances	-	-	-	-	-	-	-
Canada Digital Adoption Program loan acceptances	313	439	171	-	-	-	-
FES Digital Program loan acceptances & advice	-	-	15	85	120	166	114
Net interest income	252	171	117	97	83	71	52
Net realized gains (losses) on investments*	5	(8)	(10)	(20)	(21)	(5)	-
Revenue from Advisory Services	-	-	0	6	9	10	10
Fee and other income	37	28	19	10	5	1	(0)
Net revenue	294	191	126	93	76	77	62
Provision for expected credit losses	(293)	(305)	(225)	(123)	(69)	(32)	(17)
Net change in unrealized appreciation (depreciation) on investments**	(6)	(2)	-	7	15	1	-
Net foreign exchange gains (losses)	3	2	-	-	-	-	-
Net gains (losses) on other financial instruments	(98)	(145)	(61)	-	-	-	-
Income before operating and administrative expenses	(100)	(259)	(160)	(23)	22	46	45
Operating and administrative expenses	24	24	23	26	28	29	27
Net income (loss) from CAP	(124)	(283)	(183)	(49)	(6)	17	18
Portfolio	1,584	1,270	908	743	625	547	436
Loan guarantees exposure	2,678	2,040	1,222	657	254	-	-

* Includes write-offs.

** Includes net fair value appreciation (depreciation) and reversal of fair value depreciation (appreciation) on divested investments and write-offs.

Capital budget

To remain efficient and responsive to client needs, BDC will continue to invest in technology. Information technology (IT) capital expenditures are forecast to increase temporarily in fiscal 2027 and 2028, and then stabilize thereafter as BDC continues to invest in digital capabilities. However, it should be noted that most IT-related investments are expensed and therefore excluded from the capital budget.

Facilities capital expenditures should peak in 2026 as we are optimizing the footprint of several major business centers, while leases come up for renewal. Additionally, we continue enhancing security of our offices nationwide. As of fiscal 2027, capital expenditures are expected to remain stable as we continue to optimize our facility use, relocate and renovate offices to improve client and employee experience, and work to reduce our rental costs and environmental impact.

Table 17—Capital budget
(\$ in millions)

	2024	2025	2026	2027	2028	2029	2030
Facilities	8	12	18	11	12	12	12
Information technology	12	12	11	15	18	11	11
Total	20	24	29	26	30	23	23

BDC's capital management framework is aligned with:

- ➔ BDC's strategy (as outlined in the Corporate Plan), the risk appetite statement, the Capital Allocation Policy and the Enterprise Risk Management Policy
- ➔ the Department of Finance's Capital and Dividend Policy Framework for Financial Crown Corporations
- ➔ the Office of the Superintendent of Financial Institutions (OSFI) guidelines and relevant industry practices, while accounting for factors unique to BDC's mandate as a financial Crown corporation

Capital management methodology

BDC's capital management framework ensures effective capital management. It is designed so that BDC has a sufficient level of required capital to meet its mandate objectives, while ensuring its ongoing financial sustainability through economic cycles.

To assess capital adequacy, BDC monitors its capital status on an ongoing basis by comparing its available capital to its required capital for core and Credit Availability Program (CAP) portfolios. BDC's capital management is aligned across all portfolios, with available capital, required capital and capital above the internal target rate calculated on the same basis. BDC's approach is based on OSFI's Capital Adequacy Requirements and in alignment with OSFI's E-19 guideline on ICAAP.

BDC's core capital management framework excludes the Capital Incentive Programs (CIP) and CAP because these programs are managed by BDC under specific capital allocations from the shareholder.

To manage capital received for CAP, BDC has established independent internal structures under which CAP and its related capital are maintained independently from BDC's core portfolio.

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

- ➔ BDC has adequate capital to protect against risks that could adversely impact its ability to deliver on its mandate and minimize the risk of recapitalization through a complete economic cycle.
- ➔ Capital above the internal target rate is available to be returned to the shareholder in the form of dividends, at the discretion of BDC's Board of Directors.

The concept that capital has a cost, coupled with the requirement that BDC is to operate in a financially self-sustaining manner, is embedded in the capital management framework and supporting documentation and practices. Respect for this concept is ensured through strategic and efficient capital allocation to business segments, pricing models based on return on risk-adjusted capital and assessment of financial performance against forecasted data.

BDC's internal capital requirements are determined in the application of OSFI's Capital Adequacy Requirements for calculation of Pillar 1 and Pillar 2 capital requirements.

Capital adequacy measures are used as an estimate of the required capital to absorb the maximum potential losses inherent in our activities. BDC's key measure to determine, assess and monitor capital adequacy is its internal capital ratio.

To assess its capital adequacy, BDC monitors its internal capital ratio on an ongoing basis by comparing its **available capital** to its **required capital**. BDC's capital management framework also includes a **management operating range** to account for variances from the Corporate Plan in comparison with historical levels, unplanned growth and non-business internal and external factors.

Available capital

Available capital is composed of equity attributable to BDC's shareholder (share capital, contributed surplus and retained earnings) and adjustments aligned with industry best practices and the capital management framework. Calculations are made as prescribed in OSFI's Capital Adequacy Requirements.

Required capital

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

Economic capital models are developed based on advanced quantification methods and internal risk-based assumptions and take into account risk diversification benefits and both disbursed and undisbursed commitments. A key principle underlying the economic capital models is the establishment of a solvency status. Our solvency status is currently set at a credit rating of AA. This will be transitioned to an A solvency target over the course of the planning period, which will have the effect of reducing required capital. Economic capital models are validated by a third party as per the model validation policy.

BDC holds 100% capital for its Venture Capital portfolio.

Management operating range

BDC's management operating range accounts for differences between planned and actual levels of activities as well as other Corporate Plan assumptions that are difficult to predict. It allows capital to be managed near a target level by mitigating unplanned required capital.

Capital projections

Capital planning is a key component of BDC's ICAAP. For planning purposes, BDC allocates capital by business lines and strategic initiatives to optimize the use of capital in fulfilling BDC's mandate as Canada's development bank and ensuring overall financial sustainability. The allocation includes all risk types and the decision to deploy capital above the internal target rate as dividends or share repurchases may differ for the core and CAP portfolios, in compliance with BDC's Capital Management and Dividend Policy and in agreement with the shareholder.

BDC's core portfolio

BDC expects to have capital above the internal target rate from fiscal 2026 to fiscal 2030. This capital is planned to be returned to the shareholder in the form of dividends, at the discretion of BDC's Board of Directors.

At the request of our shareholder, BDC plans to responsibly reduce its solvency rating through a structured transition process, ensuring alignment with its capital management framework. BDC will report back to the shareholder and provide updates on progress and transition implications. The agreed upon process involves the following steps:

- ➔ Fiscal 2026: Refine the transition plan and update our capital management framework.
- ➔ Fiscal 2027: Operate financial reporting on a solvency rating AA, while estimating results based on a solvency rating A. This will allow us to assess implications that could require adjustments before final implementation. BDC will work with the shareholder to appropriately document the shareholder's commitment to inject capital into BDC if BDC demonstrates this is required, per its capital management framework, and test this recapitalization process.
- ➔ Fiscal 2028: Transition to a solvency rating A at the start of the fiscal year.

In consultation with the shareholder, the outlined timing may change based on the outcome of the various aforementioned steps.

The incremental capital numbers presented in the table below reflect our preliminary projections for the impact of this transition.

Credit Availability Program portfolio

To support BDC's response to the COVID-19 pandemic, the shareholder provided a capital injection that BDC earmarked for CAP initiatives. Following the announcement of CDAP, the CAP segment was extended to include CDAP. BDC received a \$343-million capital injection to deliver this initiative.

For CAP, capital requirements peaked at the end of fiscal 2022 when most of the COVID relief loans had been committed and most of the programs closed to new authorizations. The remaining COVID initiatives have been closed for new disbursements since June 30, 2022, and portfolio has been winding down since that time.

The portfolio should steadily decrease over the planning period, gradually reducing capital requirements and triggering additional share repurchases over the planning period.

Internal capital ratio (applicable to BDC’s core portfolio)

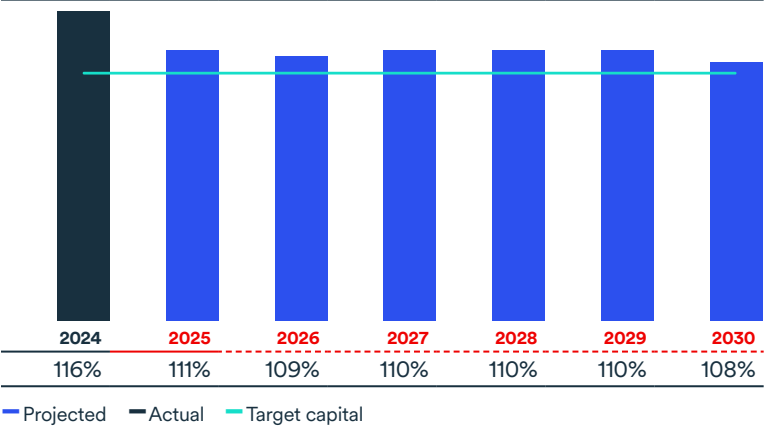
BDC’s key measure for determining and assessing its capital adequacy is its internal capital ratio. It is expressed as the level of available capital divided by the required capital.

The internal capital ratio is used to set BDC’s target capital level as well as measure its capital adequacy risk appetite measures. BDC’s target capital is revised annually based on BDC’s Corporate Plan forecasts for internal capital requirements and the management operating range, as well as any capital required by a potential stress testing capital shortfall, identified as part of the enterprise-wide stress testing program.

The internal capital ratio is expected to decrease from the fiscal 2024 level as the dividend payment, deteriorating economic conditions, adverse venture capital market

conditions and the forecasted portfolio growth of BDC pressured the net capital generation. During fiscal 2025 and continuing in fiscal 2026, the growth of available capital will be outpaced by the growth in capital demand. Starting in fiscal 2027, capital above the internal target rate for the core portfolio is expected to increase. Although BDC’s growth will increase pressure on capital, the ratio is expected to exceed target levels over the planning period. Transitioning from an AA to an A solvency rating will modify the behavior and increase the target level of the internal capital ratio in comparison to figures presented presented in Table 22.

Table 18—Internal capital ratio
(available capital as a percentage of economic capital required)



Dividend Policy

BDC’s Dividend Policy is aligned with the dividend methodology included in the Capital and Dividend Policy Framework for Financial Crown Corporations. The capital above the internal target rate is calculated as the difference between available capital and

required capital, less management operating range, and can be declared as dividends and distributed to the shareholder over the course of the planning period, subject to the discretion of the Board of Directors.

Statutory limitations

The *Business Development Bank of Canada Act* requires that the aggregate of borrowings and contingent liabilities in the form of guarantees provided by BDC may not exceed 12 times its equity. The debt-to-equity ratio is projected to be 2.4:1 in fiscal 2025, meaning that for every \$2.40 of debt, BDC has \$1 of equity. Therefore, the ratio is expected to be within the statutory limit of 12:1 over the planning period (Table 6).

As shown in Table 19, BDC's paid-in capital is expected to decrease to \$6.2 billion in fiscal 2025 following the share repurchase for CAP. The Cleantech Practice envelope under Capital Incentive Programs is expected to be fully deployed by the end of fiscal 2026. As the Cleantech Practice is generating positive returns, by the end of the planning period,

\$443 million is expected to be used to support the ongoing work of BDC's Cleantech Practice, including the Climate Tech Fund. Since COVID-related initiatives have been closed for new disbursements and the portfolio will decrease over the planning period, \$116 million of COVID-related initiatives' capital will be transferred to CDAP to ensure the program is adequately funded. Finally, capital injections of \$1.3 billion are required over the planning period to fund the Venture Capital Catalyst Initiatives and the FES digital program. Paid-in capital, contributed surplus and any proceeds that have been prescribed as equity (such as hybrid capital instruments) must at no time exceed the new ceiling of \$20 billion determined by the shareholder in October 2020.

Table 19—Paid-in capital

(\$ in millions)

	2024	2025	2026	2027	2028	2029	2030
Opening paid-in capital	7,290	7,640	6,240	6,029	6,329	6,484	6,558
Capital movement							
<i>BDC core portfolio* - repurpose of shares from CIP</i>	-	89	60	74	70	75	75
<i>Capital Incentive Programs</i>							
Venture Capital Catalyst Initiative 2021 - injections	350	100	-	-	-	-	-
Venture Capital Catalyst Initiative 2024 \$200M - injections	-	-	100	100	-	-	-
Venture Capital Catalyst Initiative 2024 \$1B - injections	-	-	200	200	200	200	200
Cleantech Practice Fund I - (repurpose of shares to core)	-	(89)	(60)	(74)	(70)	(75)	(75)
<i>Credit Availability Program</i>							
COVID-related initiatives - (repurchase of shares)	-	(1,500)	(586)	-	(110)	(126)	(55)
COVID-related initiatives - (repurpose of shares to CDAP)	-	-	(116)	-	-	-	-
Canada Digital Adoption Program - repurpose from COVID-related initiatives (repurchase of shares)	-	-	116	-	-	-	(65)
FES Digital Program - Injections	-	-	75	-	65	-	-
Closing paid-in capital	7,640	6,240	6,029	6,329	6,484	6,558	6,638

* Excludes Capital Incentive Programs & Credit Availability Program

Legislative authorities

BDC's funding activities are governed by section 18 of the *Business Development Bank of Canada Act* and section 127 of the *Financial Administration Act*. The activities must also comply with the Minister of Finance's Financial Risk Management Guidelines for Crown Corporations.

Under section 30 of the *Business Development Bank of Canada Act*, BDC is subject to a statutory borrowing authority constraint that limits the direct and contingent liabilities of the corporation to 12 times its equity.

Since 2008, BDC's Canadian dollar borrowings have been consolidated with the borrowing program of the Government of Canada. The Department of Finance, through the Crown Borrowing Program, provides this funding on a timely basis, at the government's estimated cost of funds and under flexible terms. This arrangement is consistent with section 19 of the *Business Development Bank of Canada Act*, which allows BDC to request that the Minister of Finance lend money out of the Consolidated Revenue Fund to BDC on such terms and conditions as the Minister may fix. BDC also has the option to borrow in U.S. dollars on the open market.

Overview of the borrowing plan

BDC's borrowing activities are an integral part of its operations and an important element of its risk management strategies. Requirements for new debt reflect the business needs for new financing of its clients. The borrowing portfolio is closely matched with the asset portfolio to ensure sound asset and liability management.

BDC closely manages the mix of fixed and variable rate borrowings daily, in accordance with BDC's Treasury Risk Policy, which requires matching of debt cash flow streams to the maturity profiles of client loan repayments. Through borrowing activities and first-hand knowledge of financial markets, BDC's Treasury ensures the Bank's pricing strategy reflects market conditions and avoids volatility in BDC's operating margin.

BDC's Asset Liability Committee meets at least quarterly to evaluate market trends, movements in interest rates, borrowing strategies and operating margins, as well as the compliance of BDC's treasury activities with its Treasury Risk Policy. Such compliance is reported quarterly to BDC's Board of Directors.

The assumptions and estimates used in this borrowing plan are highly sensitive to the economic environment, the interest rate environment and customer preferences. BDC routinely updates the Department of Finance on borrowing requirements.

Short-term borrowing

By the end of fiscal 2026, short-term borrowings will make up over 63% of total debt outstanding. BDC is projecting the proportion of short-term debt outstanding to increase to 73% of total debt outstanding over the planning period.

External economic factors may drive changes in customer preferences for long-term, fixed-rate borrowing versus short-term borrowing, which could impact the projected proportion.

Long-term borrowing

As shown in Table 22, long-term borrowings are projected to be \$13.1 billion in fiscal 2026.

Table 20—Projected outstanding borrowings at year end

(\$ in millions)	2024	2025	2026	2027	2028	2029	2030
Short-term borrowings	17,834	20,119	22,374	24,916	27,505	30,290	33,038
Long-term borrowings	11,777	13,500	13,104	12,370	12,074	12,015	12,190
Total	29,611	33,619	35,478	37,286	39,579	42,305	45,228

Table 21—Short-term borrowings

(\$ in millions)	2024	2025	2026	2027	2028	2029	2030
Canadian dollar borrowings	17,834	20,119	22,374	24,916	27,505	30,290	33,038
U.S. dollar borrowings	-	-	-	-	-	-	-
Total	17,834	20,119	22,374	24,916	27,505	30,290	33,038

Table 22—Outstanding long-term borrowings

(\$ in millions)	2024	2025	2026	2027	2028	2029	2030
Opening balance	7,158	11,777	13,500	13,104	12,370	12,074	12,015
Maturities	(1,816)	(2,657)	(2,533)	(3,516)	(3,424)	(3,001)	(2,105)
New issuances	6,435	4,380	2,137	2,782	3,128	2,942	2,280
Total	11,777	13,500	13,104	12,370	12,074	12,015	12,190
Fixed rate	11,777	13,500	13,104	12,370	12,074	12,015	12,190
Total	11,777	13,500	13,104	12,370	12,074	12,015	12,190

Liquidity risk management

BDC’s liquidity management practices and processes reinforce its risk mitigation strategies by assigning prudent liquidity levels, concentration requirements and maturity profile requirements.

The minimum liquidity level covers at least the net outflows scheduled for the next five working days. The maximum liquidity level is not to exceed 15 days of net cash outflows.

Table 23 shows the results of BDC’s liquidity risk management as at March 31, 2023 and 2024.

Table 23—Liquidity levels
(\$ in millions)

	Minimum	Actual	Maximum
As at March 31, 2024	-	846	872
As at March 31, 2023	-	825	1,203

Contingent liabilities

BDC issues loan guarantees to support businesses. These guarantees represent BDC’s obligation to make payments to third parties when losses occur after participating financial institutions have completed their recovery process when clients are unable to respect their contractual commitments.

As shown in Table 24, BDC loan guarantees exposure is expected to decrease early in the planning period as SMEs repay loans covered by HASCAP guarantees. Starting in fiscal 2028, loan guarantees exposure is anticipated to increase due to the issuance of new loan guarantees through our Community Banking initiative, which will enable BDC to reach more underserved entrepreneurs.

Table 24—Loan guarantees exposure
(\$ in millions)

	2024	2025	2026	2027	2028	2029	2030
Loan guarantees exposure	2,681	2,109	1,501	1,244	1,205	1,357	1,695