

Debt Digest

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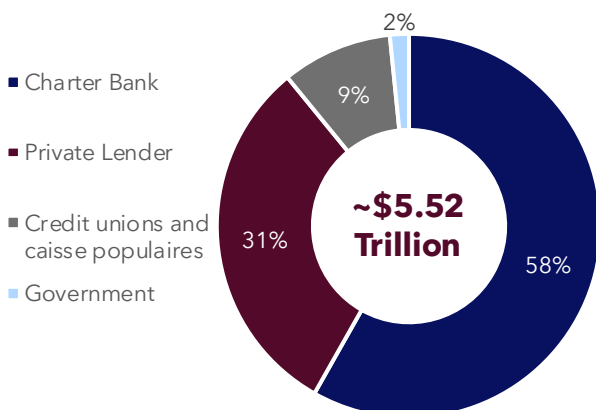
2025 Canadian Bank Loan Book Analysis

2025 was a banner year for the Canadian Big 6 Banks, who all posted solid loan growth with stable credit profiles. Despite strong performance, real estate continues to dominate loan books, presenting a material risk and reinforcing the need for greater diversification. This note breaks down those loan books by sector which hopefully ties to your business' financing requirements and the estimated \$110 billion of investment Canada expects over the next decade. We see increased opportunities for both traditional lenders and alternative credit to deploy capital across a broader range of sectors.

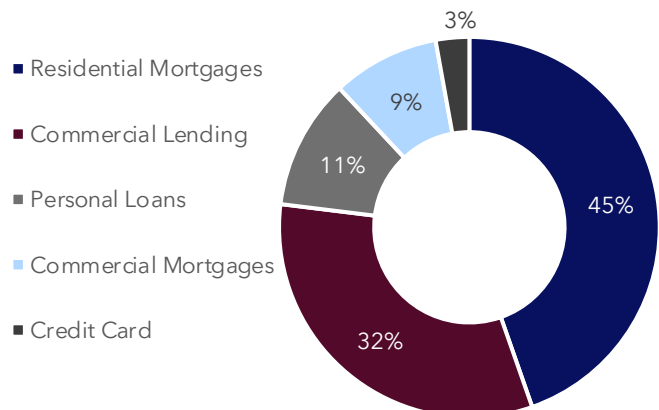
Key Takeaways this Month:

- **Lots and Lots of Real Estate:** Banks hold \$2.3 trillion of the \$3 trillion in Canadian real estate exposure. This highlights a critical concentration risk and makes the case for greater lending diversification.
- **The Big 6 Delivered Big Results:** Canada's Big 6 Banks grew their loan book by 4.1% in 2025. Impaired loans however are at elevated levels which we expect will keep special loans and insolvency professionals busy in 2026.
- **Sectors to Watch Going into 2026:** Recent announcements from the Major Projects Office have allocated \$110 billion to various sectors, including power, mining and industrials. We expect there will be opportunities for private capital as Banks have trimmed their sector exposure.

CANADIAN LOAN BOOK COMPOSITION



BIG 6 LOAN BOOK COMPOSITION

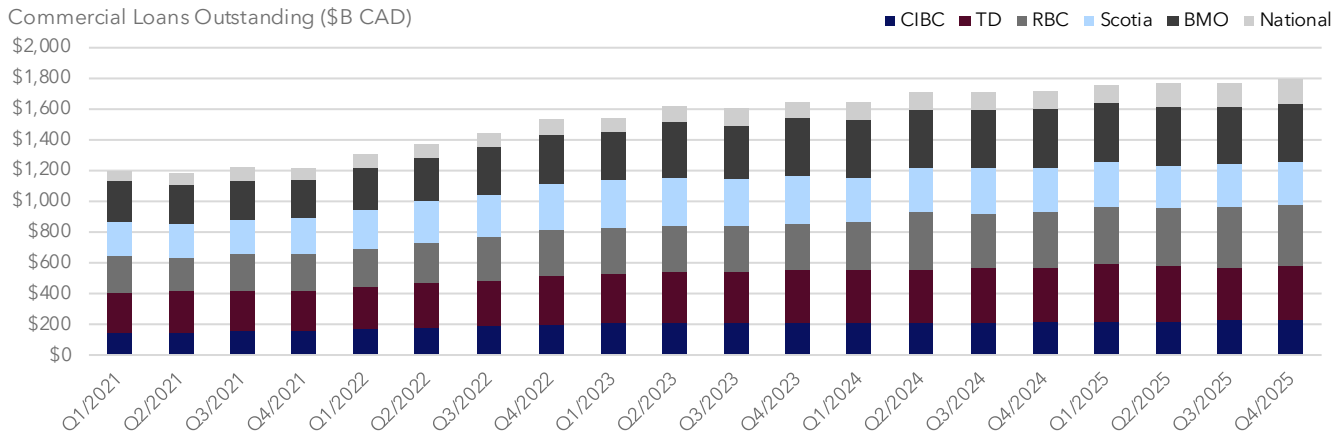


Of the \$5.5 trillion in outstanding credit in Canada, 58% are on the balance sheets of chartered banks. These chartered banks hold ~\$2.3 trillion of real estate, highlighting a material concentration risk and making the case for greater diversification in lending exposure.

Source: Statistics Canada, Bank financial reporting, Diamond Willow

CANADIAN BIG 6 COMMERCIAL LOANS OUTSTANDING

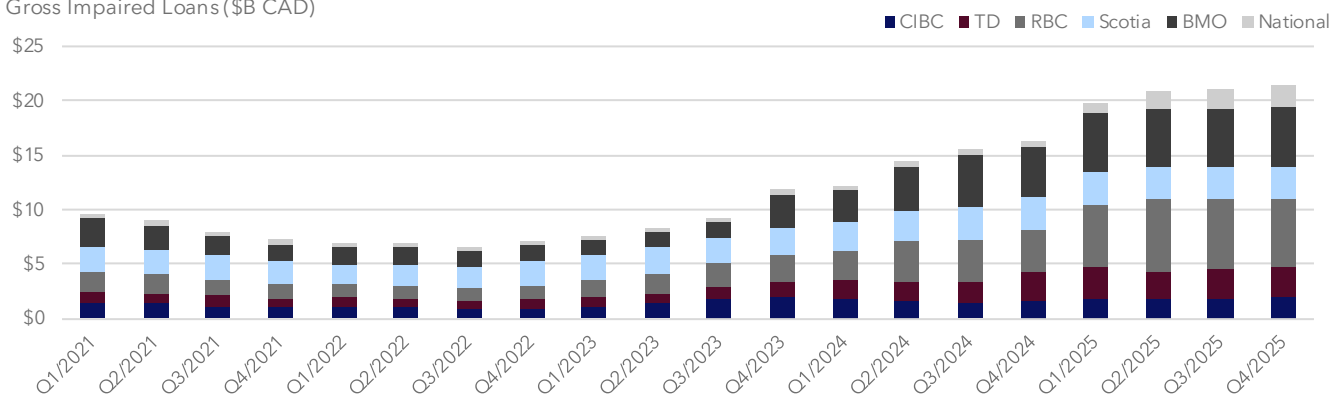
Commercial Loans Outstanding (\$B CAD)



Led by solid loan growth (4.3% YoY), Canada's big banks closed out 2025 with strong earnings beats and rising profits across the board

CANADIAN BIG 6 GROSS IMPAIRED LOANS

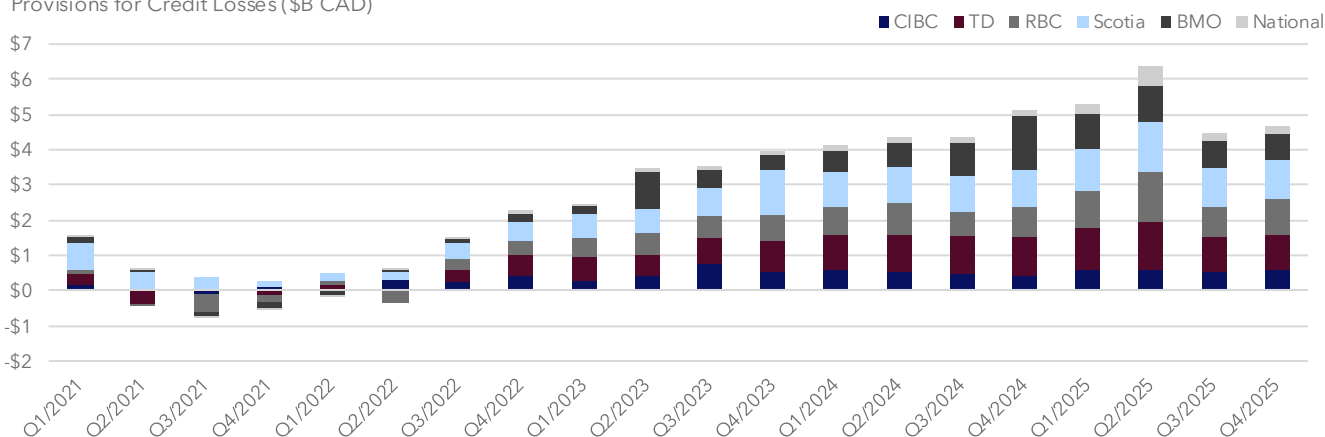
Gross Impaired Loans (\$B CAD)



Special Loans & Insolvency groups should be busy in 2026 - Gross Impaired Loans grew materially in 2025 and now represent 1.2% of all commercial loans outstanding (vs. 0.7% historical average)

CANADIAN BIG 6 PROVISION FOR CREDIT LOSSES

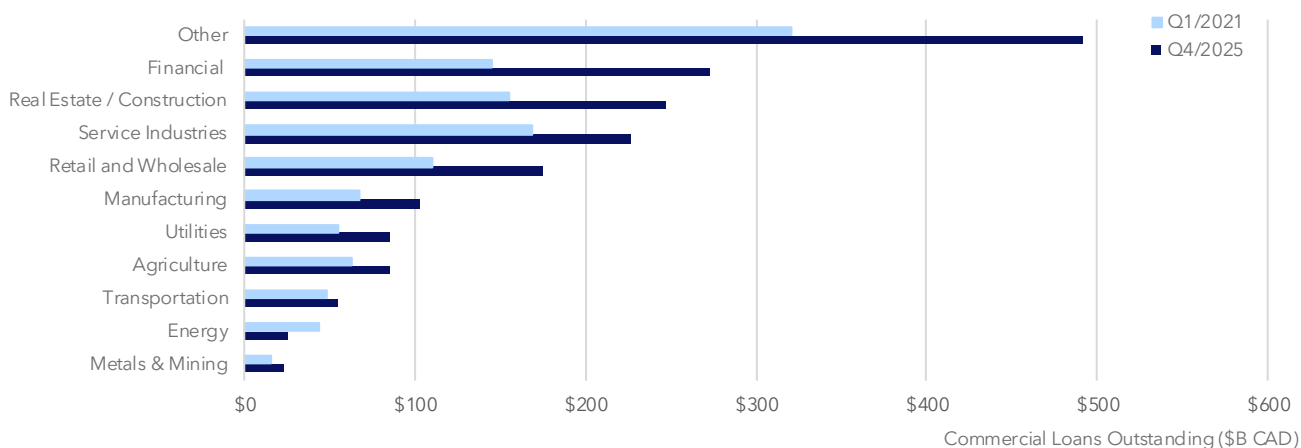
Provisions for Credit Losses (\$B CAD)



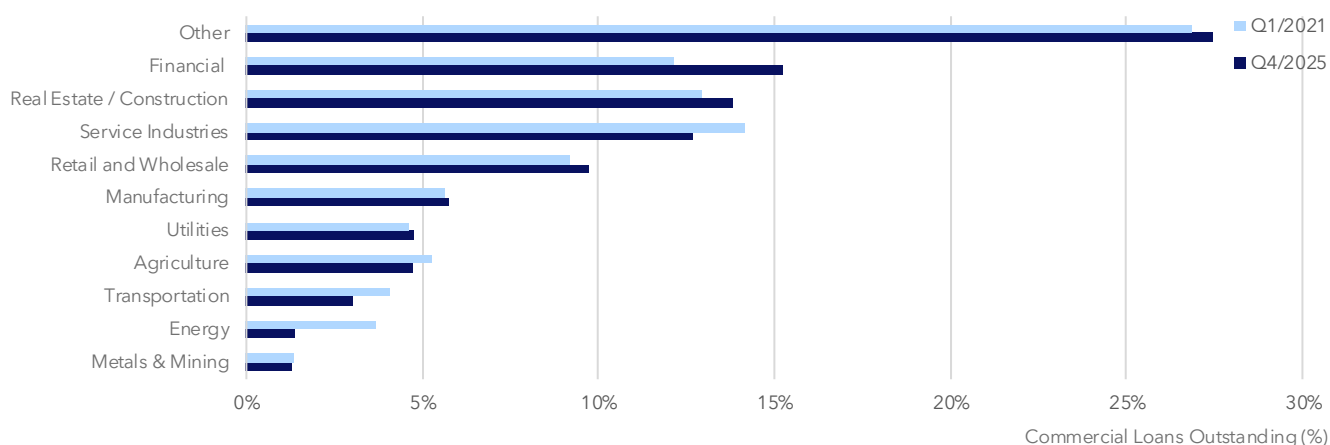
Provisions for Credit Losses grew at a modest 5.3% QoQ in Q4/2025 and currently represents 0.3% of all commercial loans outstanding (which is in line with the 0.2% historical average)

Source: Bank financial reporting, Diamond Willow

CANADIAN BIG 6 COMMERCIAL LOAN BOOK COMPOSITION (\$)

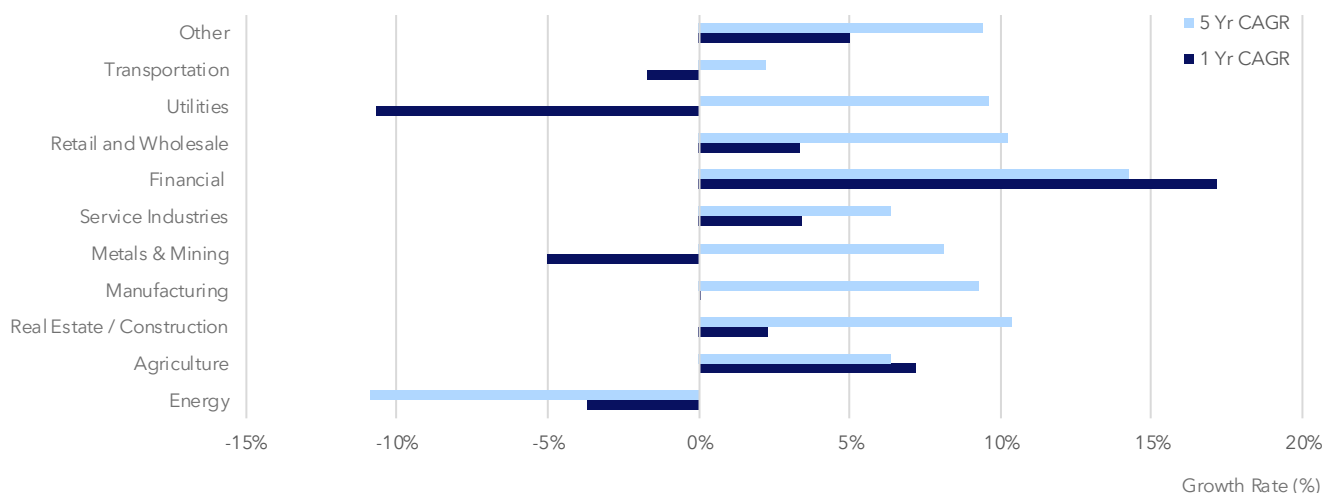


CANADIAN BIG 6 COMMERCIAL LOAN BOOK COMPOSITION (%)



Big 6 lending has shifted toward Financial and Real Estate/Construction, now 29% of overall loan books (vs. 25% in Q1/2021), while Energy exposure has fallen to 1% (vs. 4% in Q1/2021)

CANADIAN BIG 6 COMMERCIAL LOAN BOOK GROWTH RATES



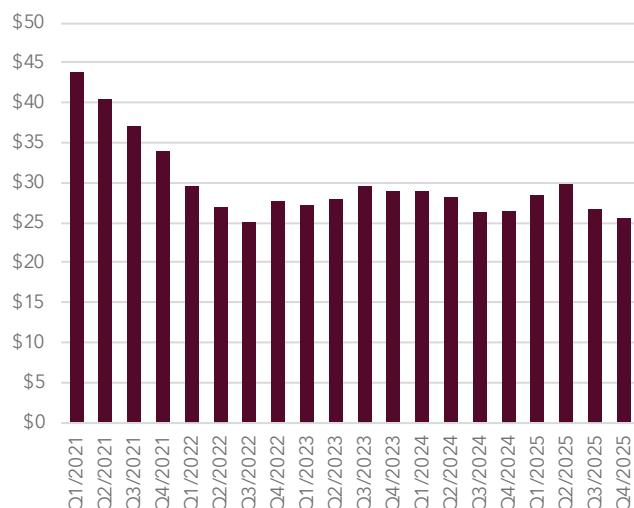
Most sectors are growing YoY, but Metals & Mining (-5%), Utilities (-11%), and Transportation (-2%) show short-term softness; Energy continues its structural decline (-4%)

Source: Bank financial reporting, Diamond Willow

Canadian Big 6 Key Sector Commercial Loans Outstanding

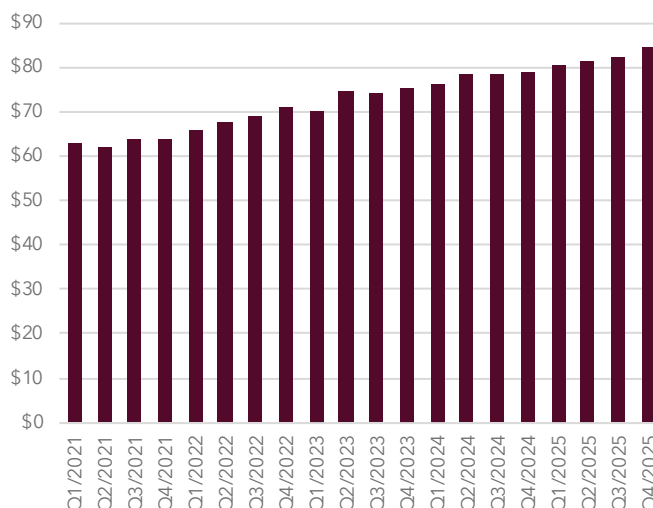
ENERGY - LIMITED APPETITE

Commercial Loans Outstanding (\$B CAD)



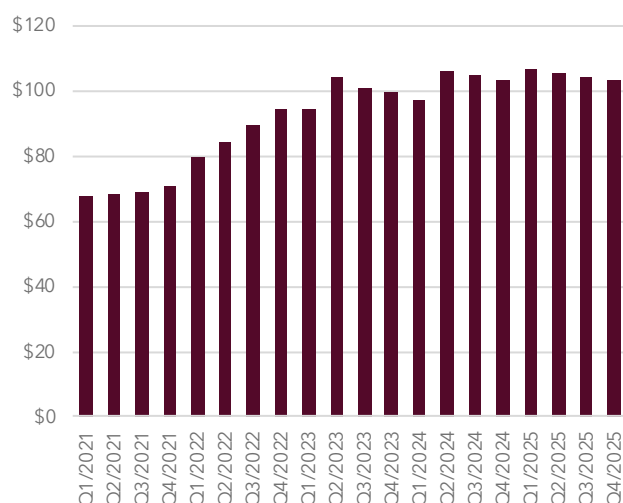
AGRICULTURE - SLOW AND STEADY

Commercial Loans Outstanding (\$B CAD)



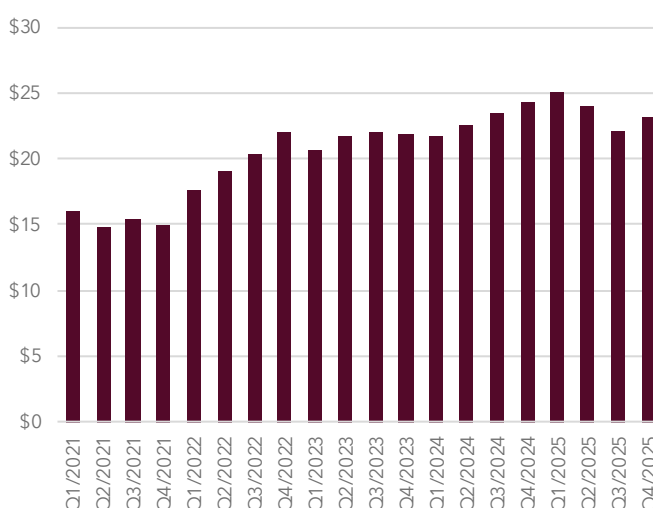
MANUFACTURING - TARIFF HEADWIND?

Commercial Loans Outstanding (\$B CAD)



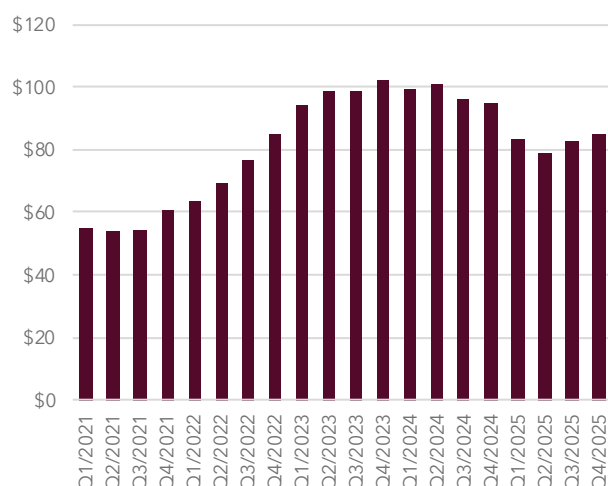
MINING & METALS - A SECTOR TO WATCH

Commercial Loans Outstanding (\$B CAD)



POWER & UTILITIES - LONG-TERM GROWTH OPPORTUNITY?

Commercial Loans Outstanding (\$B CAD)



Based on recent announcements, we expect a surge of capital flowing into mining, power generation, and industrial services in 2026 and beyond (but are cautiously optimistic on energy). Over the next five years, the Government of Canada has earmarked more than \$110 billion for these sectors, signaling a structural shift in national priorities. Traditional financial institutions appear to have stalled their appetite for these sectors, with loan books shrinking 1-10% in 2025.

This widening gap between capital need and capital supply presents a compelling opportunity for alternative lenders and investors to step in.

Source: Bank financial reporting, Diamond Willow

We help you finance the gap between Where you are and where you need to be.

Diamond Willow helps Canadian companies raise \$10-50 million in corporate debt from bank and non-bank lenders to execute turnarounds, fund acquisitions, and accelerate scaling.

**We don't
just find you
lenders—we
get deals done.**

We've secured hundreds of millions of dollars for Canadian entrepreneurs across the country, backed by an experienced team bringing capital markets discipline to mid-market debt.

We design capital structures that get funded with realistic terms you can manage.

→ Creative Capital Structures

We transform challenging situations into fundable transactions by aligning your business reality with lender requirements and structuring solutions that get financed.

→ Unparalleled Market Access

Our relationships span the entire Canadian lending landscape, from chartered banks to specialized credit funds, creating competitive dynamics that provide more options and drive better terms.

→ Sophisticated Execution

Senior-led advisory and embedded support delivered with the rigor and sophistication typically reserved for investment banking and large-cap transactions.

WAYS TO WORK WITH US

01 End-to-end financing support

Whether navigating distress, fueling growth, or executing an acquisition, we bring the structure, pace, and disciplined process to close.

02 Targeted consulting services

We offer tailored support that aligns your capital plan with business priorities—backed by experienced advisors and our network of partners.

**The Research Desk at Diamond Willow loves hearing from you.
Please reach out to share your thoughts and questions.**



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