

# Credit Rating Report

## Province of British Columbia

### Morningstar DBRS

May 9, 2025

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### Credit Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	AA (high)	Trend Change	Negative
Long-Term Debt	AA (high)	Trend Change	Negative
Short-term Debt	R-1 (high)	Confirmed	Stable

### Credit Rating Update

On April 30, 2025, we confirmed the Issuer Rating and Long-Term Debt rating of the Province of British Columbia (BC or the Province) at AA (high) and its Short-Term Debt rating at R-1 (high). We also confirmed British Columbia Hydro and Power Authority's Long-Term Obligations credit rating at AA (high) and its Short-Term Obligations rating at R-1 (high). Concurrently, the trends on the Issuer and Long-Term Debt ratings were changed to Negative from Stable.

The Negative trends reflect our view that BC's approach to fiscal management has been gradually deteriorating in recent years, as the government tolerates ever-increasing budget deficits and rising debt. As such, key financial metrics continue to deteriorate or weaken relative to our previous expectations, which is exhausting flexibility within the current credit ratings. The budget anticipates ongoing deficits and a significantly larger borrowing program while prioritizing targeted public investments. Although the Province has incorporated prudence in Budget 2025 through reasonable economic assumptions and large contingencies, the Province has yet to present a plan to turn around its fiscal and debt outlook. Nevertheless, BC's strong balance sheet, past track record of outperformance, and diverse economy continue to lend support to its credit profile.

Budget 2025 forecasts a deficit of \$10.9 billion in 2025–26 compared with the \$9.1 billion deficit now anticipated in 2024–25. On a Morningstar DBRS-adjusted basis, this equates to a shortfall of \$21.1 billion, or 4.7% of GDP, standing at one of the largest provincial deficits for 2025–26. Over the medium term, the Province projects deficits of \$10.2 billion and \$9.8 billion for 2026–27 and 2027–28, respectively. On a Morningstar DBRS-adjusted basis, these equate to deficits of 4.4% and 3.9% of GDP, respectively. Budget 2025 emphasizes that achieving a balanced budget will be a multi-year effort, continuing the path of modest year-over-year (YOY) declining deficits.

The latest budget points to a deterioration in debt-to-GDP ratio beyond our previous expectations. At our last review, we had contemplated a debt-to-GDP ratio approaching 27.0%. As per the latest budget estimates, on a Morningstar DBRS-adjusted basis, debt-to-GDP will increase to 25.8% in 2025–26 and is

expected to continue to trend upward to 32.6% of GDP by 2027–28. The Province has signalled that the next budget iteration will present a credible strategy to curb the rising debt, with efforts already underway to identify potential savings and revenue opportunities to support a path toward fiscal balance.

A negative credit rating action could result from the inability of the Province to materially outperform current expectations on the fiscal and debt outlook. A positive rating action is unlikely in the near term; however, the trend could change to Stable should meaningful budgetary action or improvement in the broader economic environment point to an improvement in the financial risk assessment factors.

### Financial Information

	For the year ended March 31				
	2026B	2025P	2024	2023	2022
Debt/GDP (%)	25.8	22.5	18.4	15.1	17.5
Surplus (deficit)/GDP (%)	-4.7	-3.8	-2.8	-0.5	-0.4
Federal transfers/total revenue (%)	18.6	17.5	17.6	15.3	16.6
Interest costs/total revenue (%)	4.7	4.0	3.0	2.4	2.6
Real GDP growth (%)	1.8	1.2	2.4	4.0	7.7

B = budget. P = projection.  
Sources: The Province, Statistics Canada, and Morningstar DBRS calculations.

### Issuer Description

BC is Canada's westernmost province, located along the Pacific Ocean. The Province has a population of 5.7 million, according to Statistics Canada, and is the fourth-largest provincial economy in the country by GDP. The Province has a diverse and stable economy, with nominal GDP of about \$410 billion.

### Rating Considerations

#### Strengths

##### 1. Diversified economy

BC has a diverse economy. The provincial economy benefits from its advantageous location along the West Coast, a skilled workforce, consistent population growth, and a diverse industrial mix. Budget 2025 assumes real GDP growth of 1.8% in 2025 and 1.9% in 2026, reflecting the effects of slower population growth as a result of federal immigration policies and trade uncertainty. In an alternative scenario that incorporates the impact of 25% U.S. tariffs on most Canadian exports, GDP is projected to slow significantly to a 0.3% increase in 2025 and 0.8% in 2026. Given the latest developments and exemption of the Canada United States-Mexico Agreement (CUSMA)-compliant goods the downside scenario assumptions are considered conservative compared with private-sector consensus, leaving room for some upside.

##### 2. Fiscal capacity

BC has a lower tax burden compared with most other provinces, which provides the government with the flexibility to raise revenue to address budget pressures should it be deemed necessary. While recent budgets have seen a reduced commitment to fiscal balance with a higher tolerance for deficits and debt, the Province has signalled that the next budget iteration will likely present a credible strategy to

curb the rising debt, with efforts already underway to identify potential savings and revenue opportunities to support a path toward fiscal balance.

## **Challenges**

### *1. Pace of spending growth*

The pace of spending growth has accelerated under the New Democratic Party (NDP) government, made possible by strong economic growth and tax policy changes like higher income taxes and corporate taxes since 2017. BC has expanded health, education, and social service programs, which may not be sustainable if the Province were to face economic headwinds, forcing the government to curtail spending.

### *2. High level of household indebtedness*

The rapid increase in home prices and historically low interest rates have resulted in elevated household indebtedness, which could amplify the severity of an external shock to the provincial economy and, by extension, the Province's fiscal plan.

### *3. Affordability challenges*

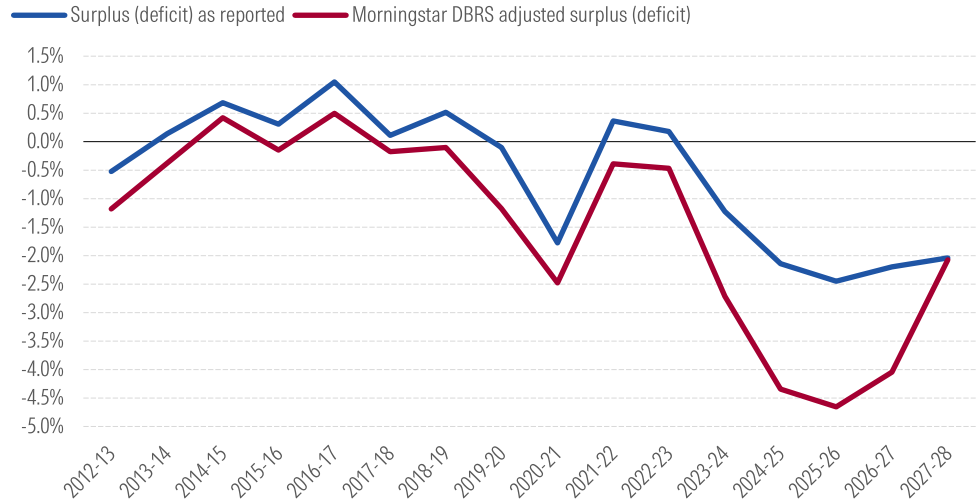
Greater Vancouver and, to a lesser extent, Greater Victoria, are among the least-affordable regions in Canada, posing financial challenges for residents and hindering the ability of businesses to attract labour to the region. While the lack of affordability has prompted a policy response by various levels of government, this has yet to lead to any significant improvement.

### *4. Rising debt burden*

BC's debt outlook has deteriorated based on the most recent budget forecast. On a Morningstar DBRS-adjusted basis, debt-to-GDP will increase to 25.8% in 2025–26 and is expected to continue to trend upward to 32.6% of GDP by 2027–28. We previously contemplated a debt-to-GDP ratio approaching 27.0%.

## 2025-26 Budget

**Exhibit 1** Operating Result (Share of GDP)



Sources: The Province, Morningstar DBRS, and Statistics Canada.

Trade uncertainties loom over Budget 2025 as the re-elected NDP government seeks to balance spending on priority areas of healthcare and education while postponing some of its key campaign promises like the one-time rebate and ongoing middle-income tax credit. The budget anticipates ongoing deficits and a significantly larger borrowing program while prioritizing targeted public investments.

The key priorities of Budget 2025 include the following:

- Strengthening public services with a focus on healthcare, education, and affordability;
- Building economic resilience amid trade uncertainties by diversifying trade, accelerating critical resource projects, and supporting job creation; and
- Increasing housing supply and affordability.

<b>Budget Summary</b>						
<b>(CAD millions)</b>	2025-26	2024-25	2023-24	2022-23	2021-22	2020-21
	<b>Budget</b>	<b>Forecast</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
<b>Revenue</b>	84,003	82,868	79,623	81,536	72,392	62,156
<b>Expense</b>						
Program expense	85,855	83,745	81,366	78,113	68,344	64,902
Interest expense	5,060	4,373	3,292	2,719	2,742	2,722
Contingencies	4,000	3,885	-	-		
<b>Forecast Allowance</b>	-	-	-	-		
<b>Surplus (Deficit) as Reported</b>	<b>(10,912)</b>	<b>(9,135)</b>	<b>(5,035)</b>	<b>704</b>	<b>1,306</b>	<b>(5,468)</b>
<b>Morningstar DBRS Adjustments</b>						
Nonrecurring items	(23)	(12)	(28)	(40)	(18)	(7)
Capital investment	(15,374)	(11,348)	(8,772)	(6,755)	(6,002)	(5,428)
Amortization	3,336	3,142	3,012	3,077	2,717	2,670
Assumed capital investment underspend	2,306	1,702	-	-	-	-
BC Hydro adjustment	(433)	(579)	(495)	1,162	608	604
Rate smoothing regulatory account write-off	-	-	-	-	-	-
Forecast allowance	-	-	-	-	-	-
<b>Adjusted Surplus (Deficit)</b>	<b>(21,100)</b>	<b>(16,230)</b>	<b>(11,318)</b>	<b>(1,852)</b>	<b>(1,389)</b>	<b>(7,629)</b>
Share of nominal GDP (%)	(4.7)	(3.8)	(2.8)	(0.5)	(0.4)	(2.5)

Sources: Morningstar DBRS and the Province.

Budget 2025 forecasts a deficit of \$10.9 billion in 2025-26 compared with the \$9.1 billion deficit now anticipated in 2024-25. On a Morningstar DBRS-adjusted basis, this equates to a shortfall of \$21.1 billion, or 4.7% of GDP. We made several adjustments to BC's reported results/budget projections to improve comparability among the provinces. We adjusted reported results to recognize capital spending as incurred rather than as amortized, assumed a modest amount of capital underspending, and excluded the change in regulatory accounts from British Columbia Hydro and Power Authority's (rated AA (high) with a Stable trend) net income to arrive at the adjusted deficit.

Total revenue growth is expected to slow, with a modest increase of 1.4% YOY projected for 2025-26 compared with the prior year. This reflects softening of taxation revenues and lower revenues from government Crown corporations. Own-source revenues are projected to remain muted, primarily due to a 24.8% decline in corporate income taxes following the absence of one-time revenue gains in the previous year. In addition, net income at the Insurance Corporation of British Columbia (ICBC) is also projected to decline, following exceptionally strong investment income in the prior years as well as modest declines in other revenues partly offset by higher natural resources royalties driven by higher natural gas prices and increased volumes. Federal transfers are budgeted to increase by 7.7% YOY, driven primarily by an increase in funding for childcare support, health care, and payments under the disaster recovery program. The budget is absent of any new major policy measures with a focus on priority area spending barring a few small measures like increase in the Speculation and Vacancy Tax among others. The budget does not include the removal of the consumer Carbon tax implemented post-budget and will leave the Province with a substantial revenue shortfall, presenting further downside risks to the budget. While base-case revenue projections assume a limited impact of tariffs, the budget presents a scenario analysis that estimates potential annual revenue losses between \$1.7 billion and \$3.4 billion over the next three years that are reasonably offset by contingencies.

Spending increases are projected at a modest +3.2% YOY compared with last year's significant growth of 8.7% YOY as the Province focuses on targeted funding for priority areas of healthcare (+4.6%), education (+2.6%), and other social services (+5.1%). The Budget has also introduced expenditure management targets through administrative and operational efficiencies set at \$1.5 billion over the plan period.

Debt-servicing costs are projected to rise by 15.7%, reflecting an increase in debt; however, these costs remain manageable at around 6.0% of total revenues, although rising to 8% over 2027–28.

Consistent with past prudent budget practice, the budget includes contingencies totalling \$4.0 billion in each of the three years through 2027–28 to offset unexpected financial pressures resulting from the current tariff-related economic headwinds, collective bargaining, and other emerging priorities, which, if unused, would contribute to improvements in the bottom line and debt outlook.

To help insulate the economy from the potential impact of tariffs, the Province has increased its capital program, focusing on the critical priorities of healthcare, transportation, and education. The three-year, taxpayer-supported capital plan is projected to be \$45.9 billion, up \$2.6 billion from the previous plan. For 2025–26, a total capital investment of \$20.2 billion is planned. However, we note that actual capital investment tends to be below budget projections, and we have assumed a modest amount of capital underspending in our debt projections.

### **Outlook**

Over the medium term, the Province projects deficits of \$10.2 billion and \$9.8 billion for 2026–27 and 2027–28, respectively. On a Morningstar DBRS-adjusted basis, these equate to deficits of 4.4% and 3.9% of GDP, respectively, further susceptible to downside from the current trade uncertainty and removal of the carbon tax, which is net negative for the fiscal outlook. We note the possibility of some modest upside from the recent tobacco lawsuit settlement. Budget 2025 emphasizes that achieving a balanced budget will be a multi-year effort, continuing the path of modest YOY declining deficits with no plan for a return to balance over the plan period.

### **2024–25 Preliminary Forecast**

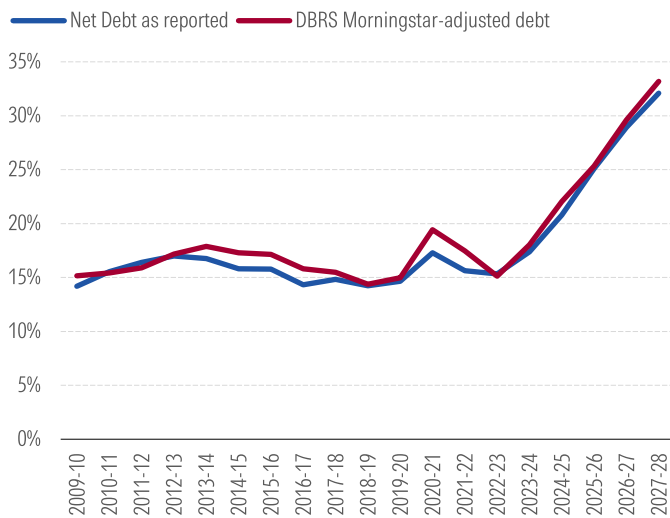
Based on updated forecasts, BC estimates a deficit of \$9.1 billion for the year ended March 31, 2025, slightly lower than the \$9.4 billion estimated during the fall update mainly due to higher revenues from corporate income taxes and ICBC net income partly offset by higher expenses for compensation and shelter-related costs. On a Morningstar DBRS-adjusted basis, this equates to a shortfall of \$18.5 billion, or 3.8% of GDP in 2024–25.

Based on interim results, we estimate adjusted revenue to have increased by 3.8% in 2024–25, reflecting higher tax revenues mainly from corporate taxes (+7.0%) and increases in other own source revenues (+2.9%) as well as federal transfers (+3.3%), partly offset by lower natural resource revenues (-25.7%). Net income from government business enterprises (GBE) is expected to be largely unchanged.

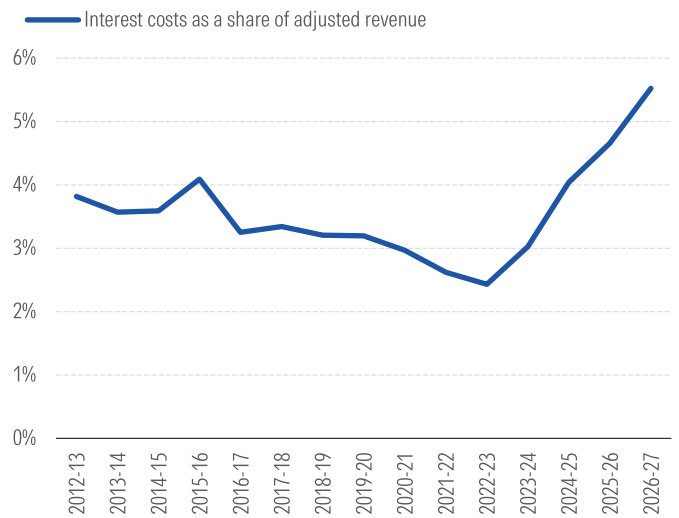
We project total adjusted spending to have increased by 8.9% in 2024–25 with increases across core program areas of health (+7.1%), social services (+16.2%), and education (+4.7%), partly offset by lower expenses toward natural resources and economic development and other program categories. General contingencies of \$3.9 billion have also been recorded and are assumed to have been fully allocated. As a result of higher debt, debt-servicing costs were up by 32.8% YOY. In line with its priorities, the Province continues to ramp up capital spending in priority areas of health, education, transportation and housing, with taxpayer-supported capital investments estimated to have increased by 29.4% YOY.

### Debt and Liquidity

**Exhibit 2 Debt-to-GDP Ratios**



**Exhibit 3 Interest Costs as a Share of Adjusted Revenue**



Sources: Morningstar DBRS and the Province.

The latest budget points to a deterioration in debt-to-GDP ratio beyond our previous expectations that will substantially erode flexibility within the current credit ratings. At our last review, we had contemplated a debt-to-GDP ratio approaching 27.0%. The debt burden is expected to continue increasing as spending on priority capital investments ramps up. In 2024–25, the Morningstar DBRS-adjusted debt—defined as tax-supported debt and unfunded pension liabilities (there were no pension liabilities for BC)—is estimated to have grown by \$20.6 billion to \$96.0 billion. Combined with expansion in nominal GDP, this pushed the debt-to-GDP ratio to 22.5% from 18.4% the year prior.

Debt management remains prudent as the Province maintains a relatively smooth debt maturity profile, no unhedged foreign currency exposure, and a limited amount of floating-rate debt (18.0% of the estimated debt stock at February 28, 2025). BC has an internal oversight committee that advises the Ministry of Finance on the borrowing program.

The Province issues debt in both domestic and international markets, looking for opportunities to reduce its overall borrowing costs. It has established borrowing programs in the United States, Europe, and Australia and borrowing access to currencies in Asia. BC does not have an explicit policy or guideline

dictating domestic/foreign issuance, but it will generally go offshore if the all-in cost is lower than what is available in the domestic market. As at February 28, 2025, about 32% of gross market debt outstanding was sourced outside the domestic market and fully hedged back to Canadian dollars.

As at March 6, 2025, BC was party to derivatives contracts with notional principal amounts totalling \$47.0 billion, consisting largely of foreign currency and interest rate swaps. Internal policy limits the Province's counterparties to high-quality financial institutions with higher standards for longer-dated swaps. The Province continues to implement its Collateral Management Framework (negotiated symmetrical credit support annexes) with all its bank counterparties.

The average term to maturity was 10.8 years as at February 28, 2025, excluding short-term debt. The maturity profile is relatively smooth over the next decade, with generally no more than \$8.0 billion maturing in any given year, except for \$11.5 billion in 2035.

BC maintains considerable liquidity relative to the size of its short-term program and its long-term borrowing requirement. At March 31, 2025, forecast cash and temporary investments that can be readily accessed in the event of a broad market disruption were estimated to be \$8.7 billion. The Province also has other investments worth \$4.6 billion as of March 31, 2024, and could further access liquidity from sinking fund assets, the Prosperity Fund, or within the broader public-sector entities it controls. The Province also has access to a syndicated bank credit facility of \$2.5 billion and a \$376 million operating line of credit.

BC does not expect any unfunded pension liability over the forecast period. We note that on an actuarial basis, the four major pension plans have significant surpluses. The major pension plans are defined-benefit/defined-contribution hybrid plans. They provide a basic guarantee, but indexation is not guaranteed and subject to decisions of pension boards. In addition, the plans have joint trusteeship, with employers and employees equally sharing risk, which results in more proactive management.

### **Outlook**

The Province projects debt-to-GDP to reach 26.7% in 2025–26 and anticipates that this will increase to 34.4% by 2027–28. On a Morningstar DBRS-adjusted basis, debt-to-GDP will increase to 25.8% in 2025–26 and is expected to continue to trend upward to 32.6% of GDP by 2027–28. Gross borrowing requirements are estimated to be \$31.1 billion in 2025–26 and to increase to \$34.7 billion in 2027–28. The Province has signalled that the next budget iteration will present a credible strategy to curb the rising debt, with efforts already underway to identify potential savings and revenue opportunities to support a path toward fiscal balance.

### **British Columbia Hydro and Power Authority**

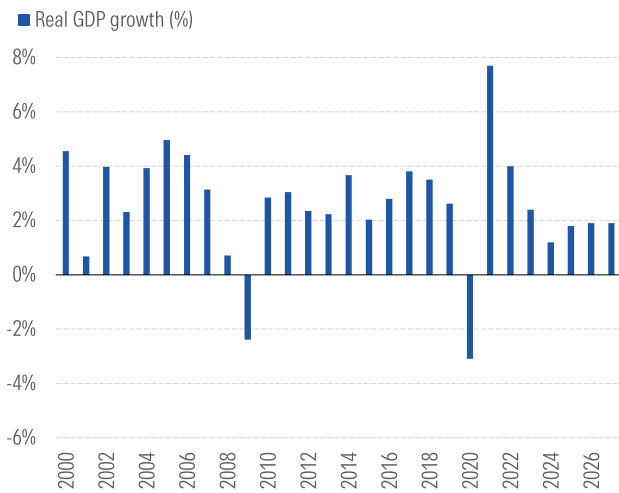
BC Hydro is a commercial Crown agent of the Province that generates, transmits, and distributes electric power, primarily from renewable energy sources. We consider BC Hydro to be self-supporting because it funds its own operations and services its debt obligations. The Province has sought to

maintain low and competitive electricity rates and has set BC Hydro's net income targets through directives at \$712 million until F2028.

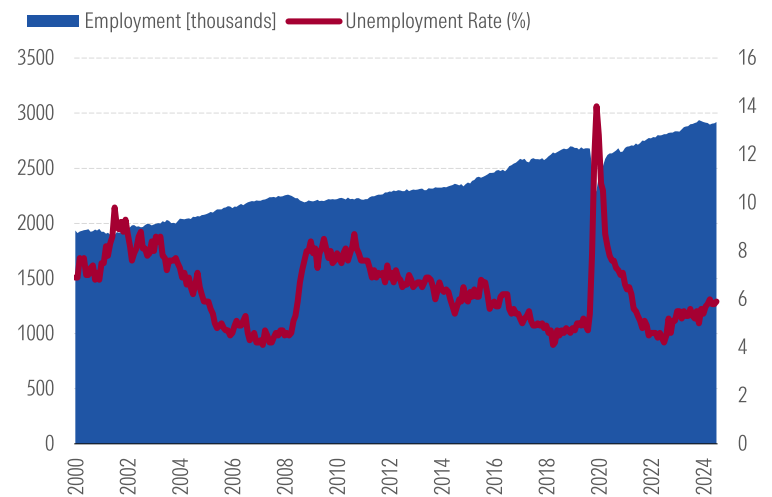
**Site C Clean Energy Project (Site C):** Construction of a 1,100-megawatt hydroelectric generating station. In 2021, the Province announced the cost to complete Site C had increased to \$16.0 billion from \$10.7 billion, and the full in-service date was delayed by one year to 2025 attributable to the COVID-19 pandemic, geotechnical issues, and schedule pressures. Because BC Hydro expects costs associated with the Site C project, including any additional debt to fund the delays, to be fully recovered from ratepayers, the cost increase is not expected to have any impact on BC Hydro's self-supported status. As of December 31, 2024, the project was more than 90% complete and now seems to be within budget and on track toward its anticipated in-service date of Fall 2025. We will continue to monitor Site C for its impact on the utility's financial outlook.

**Economy**

**Exhibit 4 Economic Growth (Annual)**



**Exhibit 5 Labour Market (Annual)**



Sources: Statistics Canada and the Province.

BC's economy is estimated to have grown by 1.2% in 2024, amid ongoing global economic uncertainty, and inflationary pressures. Budget 2025 assumes real GDP growth of 1.8% in 2025 and 1.9% in 2026, reflecting the effects of slower population growth as a result of federal immigration policies and trade uncertainty. In an alternative scenario that incorporates the impact of U.S. tariffs, including a 10% tariff on Canadian energy and a 25% tariff on all other goods along with retaliatory measures from Canada, GDP is projected to slow significantly to a 0.3% increase in 2025 and 0.8% in 2026. Given the latest developments and exemption of the Canada United States-Mexico Agreement (CUSMA)-compliant goods the downside scenario assumptions are considered conservative compared with private-sector consensus leaving room for some upside. However, the overall impact remains uncertain, depending on the effects of the additional U.S. duties on softwood lumber set to take effect later this year and how long the tariff uncertainty remains in place.

The population grew by 3.0% in 2024, and the Province forecasts it to grow at a much slower pace by an average of 0.6% annually through the medium term, affected by the recent changes to federal immigration policy. Strong population growth led to the unemployment rate averaging 5.6% in 2024, up from 5.2% in 2023. Despite some recent softening, labour markets are expected to remain tight compared with the national average, although prolonged trade uncertainty could lead to higher than projected job losses. The Province is projecting the unemployment rate to rise to 5.7% in 2025, decreasing to 5.4% in 2026 as employment growth outpaces a slowing labour force compared with the national average projections of 6.8% in 2025 and 6.4% in 2026 as per average of Canadian bank forecasts. Average weekly earnings grew by 5.2% in 2024 as wage pressures remain firm.

Housing market activity picked up slightly in 2024 with home sales increasing by 2.1%, following a decline of 9.2% in the prior year. Housing starts decreased by 9.2% as a result of higher borrowing costs, labour shortages, and inflationary pressures. While the Province anticipates a rebound in home sales activity given interest-rate cuts, trade tensions could potentially dampen the market recovery.

Merchandise exports declined affected by lower energy prices and slowing global economy. The value of merchandise goods exports was down by 2.7% in 2024, led by lower exports of energy, partly offset by gains in exports of metallic minerals, pulp and paper and machinery and equipment. By destination, exports to the United States were down 5.1%, while those to the rest of the world were relatively flat. Real exports are projected to grow by a modest 1.8% in 2025, up from 0.7% in 2024, reflecting weaker global demand and global trade uncertainty. Over the medium term, growth momentum is expected to improve driven by the coming online of projects like LNG Canada in 2025 and the anticipated launch of Woodfibre LNG and Cedar LNG in the latter years of the forecast horizon.

While key industries like forestry and energy remain susceptible to tariffs and export restrictions, we note that the Province has some resilience to U.S. trade shocks because of its diversified economy, strong technology and clean energy sectors, and relatively diversified trading relationships. Ongoing capital investments, moderate housing activity driven by rate cuts, and contingency funds will lend some support to the economy, which has the potential for outperformance if trade relations improve.

<b>Economic Statistics</b>						
	<b>2026P</b>	<b>2025E</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Nominal GDP (CAD billions)	464.4	445.3	426.8	409.9	395.6	357.0
Growth rate (%)	4.3	4.3	4.1	3.6	10.8	16.1
Real GDP (CAD billions)	350.0	343.4	337.2	333.1	325.4	313.0
Growth rate (%)	1.9	1.8	1.2	2.4	4.0	7.7
Population (thousands)	5,693	5,711	5,698	5,532	5,357	5,227
Population growth (%)	(0.3)	0.2	3.0	3.2	2.5	1.0

**Labour Market**

Employment (thousands)	2,887	2,865	2,842	2,792	2,748	2,664
Growth rate (%)	0.8	0.8	1.8	1.6	3.2	6.2
Average Weekly Earnings (CAD)	-	-	-	1,213.4	1,164.2	1,125.7
Growth rate (%)	-	-	-	4.2	3.4	4.1
Unemployment rate (%)	5.4	5.7	5.6	5.2	4.6	6.6

**Other Indicators**

Housing starts	47,815	46,543	45,828	50,490	46,721	47,607
Retail sales (CAD millions)	114,016	110,568	107,768	107,766	107,889	104,653
Inflation rate (CPI)	2.1	2.2	2.6	3.9	6.9	2.8

E = estimate.

Sources: Statistics Canada/Haver Analytics and the Province's estimates and projections.

**Government and Elections**

		Current Distribution of Seats in the Legislature	
<b>Party in Power</b>	NDP (majority)	<b>NDP</b>	47
<b>Premier</b>	David Eby	<b>Conservative Party</b>	41
<b>Finance Minister</b>	Brenda Bailey	<b>Independent</b>	3
<b>Next election</b>	October 2028	<b>Green Party</b>	2
		<b>BC United (formerly Liberal Party)</b>	-

## **Environmental, Social, and Governance Factors**

### **Environmental**

There were no Environmental factors that had a relevant or significant effect on the credit analysis. BC's provincewide GHG targets are to reduce emissions by 40% in 2030, 60% by 2040, and 80% by 2050—all below 2007 levels. While BC has experienced several extreme weather events in recent years, these have not had a material impact on public finances, and the bulk of disaster funding is received from the federal government.

### **Social**

There were no Social factors that had a relevant or significant effect on the credit analysis. BC has the third highest GDP per capita among peers, which reflects its skilled and productive workforce. Respect for human rights is also strong, and access to quality healthcare and other basic services is widespread.

### **Governance**

There were no Governance factors that had a relevant or significant effect on the credit analysis. Canada scores highly in the Worldwide Governance Indicators for both rule of law and control of corruption. Like Canada, BC has effective and transparent governing institutions, providing a favourable environment for investment and limited scope for corruption.

## ESG Checklists

ESG Factor	ESG Credit Consideration Applicable to the Credit Analysis: Y/N	Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*		
<b>Environmental</b>		<b>Overall:</b>	<b>N</b>	<b>N</b>
<b>Emissions, Effluents, and Waste</b>	Do the costs or risks result in changes to a government's financial standing or relationship with other governments, and does this affect the assessment of credit risk?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Carbon and GHG Costs</b>	Does a government face coordinated pressure from a higher-tier government or from numerous foreign governments as a result of its GHG emissions policies, and does this affect the assessment of credit risk?	<b>N</b>	<b>N</b>	<b>N</b>
	Will recent regulatory changes have an impact on economic resilience or public finances?	<b>N</b>	<b>N</b>	<b>N</b>
		<b>Carbon and GHG Costs</b>	<b>N</b>	<b>N</b>
<b>Resource and Energy Management</b>	Does the scarcity of key resources impose high costs on the public sector or make the private sector less competitive?	<b>N</b>	<b>N</b>	<b>N</b>
	Is the economy reliant on industries that are vulnerable to import or export price shocks?	<b>N</b>	<b>N</b>	<b>N</b>
		<b>Resource and Energy Management</b>	<b>N</b>	<b>N</b>
<b>Land Impact and Biodiversity</b>	Is there a risk to a government's economic or tax base for failing to effectively regulate land impact and biodiversity activities?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Climate and Weather Risks</b>	Under key IPCC climate scenarios will climate change and adverse weather events potentially destroy a material portion of national wealth, weaken the financial system, or disrupt the economy?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Passed-through Environmental credit considerations</b>	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Social</b>		<b>Overall:</b>	<b>N</b>	<b>N</b>
<b>Human Capital and Human Rights</b>	Compared with regional or global peers, is the domestic labour force more or less competitive, flexible and productive?	<b>N</b>	<b>N</b>	<b>N</b>
	Are labour or social conflicts a key source of economic volatility?	<b>N</b>	<b>N</b>	<b>N</b>
	Are individual and human rights insufficiently respected or failing to meet the population's expectations?	<b>N</b>	<b>N</b>	<b>N</b>
	Is the government exposed to heavy, coordinated international pressure as a result of its respect for fundamental human rights?	<b>N</b>	<b>N</b>	<b>N</b>
		<b>Human Capital and Human Rights</b>	<b>N</b>	<b>N</b>
<b>Access to Basic Services</b>	Does a failure to provide adequate basic services deter investment, migration, and income growth within the economy?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Passed-through Social credit considerations</b>	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Governance</b>		<b>Overall:</b>	<b>N</b>	<b>N</b>
<b>Bribery, Corruption, and Political Risks</b>	Does widespread evidence of official corruption and other weaknesses in the rule of law deter investment and contribute to fiscal or financial challenges?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Institutional Strength, Governance, and Transparency</b>	Compared with other governments, do institutional arrangements provide a higher or lesser degree of accountability, transparency, and effectiveness?	<b>N</b>	<b>N</b>	<b>N</b>
	Are regulatory and oversight bodies insufficiently protected from inappropriate political influence?	<b>N</b>	<b>N</b>	<b>N</b>
	Are government officials insufficiently exposed to public scrutiny or held to insufficiently high ethical standards of conduct?	<b>N</b>	<b>N</b>	<b>N</b>
		<b>Institutional Strength, Governance, and Transparency</b>	<b>N</b>	<b>N</b>
<b>Peace and Security</b>	Is the government likely to initiate or respond to hostilities with neighbouring governments?	<b>N</b>	<b>N</b>	<b>N</b>
	Is the government's authority over certain regions contested by domestic or foreign militias?	<b>N</b>	<b>N</b>	<b>N</b>
	Is the risk of terrorism or violence sufficient to deter investment or to create contingent liabilities for the government?	<b>N</b>	<b>N</b>	<b>N</b>
		<b>Peace and Security</b>	<b>N</b>	<b>N</b>
<b>Passed-through Governance credit considerations</b>	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Consolidated ESG Criteria Output:</b>		<b>N</b>	<b>N</b>	<b>N</b>

\* A Relevant Effect means that the impact of the applicable ESG Factors has not changed the rating or rating trend on the issuer.

A Significant Effect means that the impact of the applicable ESG Factors has changed the rating or trend on the issuer.

<b>Statement of Operations</b>						
(CAD millions)	<b>2025-26</b>	<b>2024-25</b>	<b>2023-24</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>
	Budget	Forecast	Actual	Actual	Actual	Actual
<b>Revenue</b>						
<b>Tax Revenue</b>						
Personal income tax	17,751	17,027	16,443	17,268	13,704	11,118
Corporate income tax	6,209	8,262	6,085	9,156	5,053	4,805
Sales tax	10,961	10,412	10,330	9,818	8,731	7,694
Other	14,778	13,831	13,438	12,783	13,229	10,549
<b>Subtotal</b>	<b>49,699</b>	<b>49,532</b>	<b>46,296</b>	<b>49,025</b>	<b>40,717</b>	<b>34,166</b>
<b>Natural Resource Revenue</b>						
Natural gas	920	576	823	2,255	920	196
Forests	639	501	657	1,887	1,893	1,304
Other	1,438	1,257	1,663	2,056	1,658	903
<b>Subtotal</b>	<b>2,997</b>	<b>2,334</b>	<b>3,143</b>	<b>6,198</b>	<b>4,471</b>	<b>2,403</b>
<b>Net Income from GBE</b>						
BC Hydro	712	572	323	360	668	688
Liquor and lotteries	2,306	2,360	2,577	2,783	2,400	1,581
ICBC	800	1,400	1,399	(197)	2,216	1,528
Other	193	163	178	152	140	167
<b>Subtotal</b>	<b>4,011</b>	<b>4,495</b>	<b>4,477</b>	<b>3,098</b>	<b>5,424</b>	<b>3,964</b>
<b>Other Own-Source Revenue</b>						
Medical Services Plan premiums	-	-	(1)	-	1	(4)
Other licenses and fees	5,272	5,481	5,278	4,928	4,583	4,333
Investment earnings	1,815	1,874	1,708	1,316	1,306	1,264
Miscellaneous	4,932	4,963	4,988	4,445	3,910	3,136
<b>Subtotal</b>	<b>12,019</b>	<b>12,318</b>	<b>11,973</b>	<b>10,689</b>	<b>9,800</b>	<b>8,729</b>
<b>Federal Transfers</b>						
Canada Health Transfer	7,517	7,205	7,117	6,432	6,431	5,701
Canada Social Transfer	2,394	2,339	2,273	2,174	2,110	2,042
Equalization	-	-	-	-	-	-
Other	5,366	4,645	4,344	3,757	3,138	2,548
<b>Subtotal</b>	<b>15,277</b>	<b>14,189</b>	<b>13,734</b>	<b>12,526</b>	<b>11,980</b>	<b>12,894</b>
<b>Total Revenue as Reported</b>	<b>84,003</b>	<b>82,868</b>	<b>79,623</b>	<b>81,536</b>	<b>72,392</b>	<b>62,156</b>
Growth rate (%)	1.4	4.1	(2.3)	12.6	16.5	6.0
<b>Morningstar DBRS Adjustments</b>						
Nonrecurring revenue	-	-	-	-	-	-
BC Hydro adjustment	(433.0)	(579.0)	(495.0)	1,162.0	608.0	604.0
Reg. account write-off	-	-	-	-	-	-
GBE interest expense	(1,221.0)	(1,089.0)	(919.0)	(721.0)	(848.0)	(880.0)
Sinking fund earnings (tax-sup. only)	(8.0)	(5.0)	(7.0)	(6.0)	(5.4)	(5.3)
<b>Adjusted Total Revenue</b>	<b>82,341</b>	<b>81,195</b>	<b>78,202</b>	<b>81,971</b>	<b>72,146</b>	<b>61,874</b>
Growth rate (%)	1.4	3.8	(4.6)	13.6	16.6	9.2

(CAD millions)	2025-26	2024-25	2023-24	2022-23	2021-22	2020-21
	Budget	Forecast	Actual	Actual	Actual	Actual
<b>Expenses</b>						
Program Expense						
Health	39,047	37,345	34,863	30,322	27,584	25,605
Education	19,849	19,341	18,479	16,991	15,795	14,943
Social services	11,336	10,787	9,284	9,652	7,268	7,789
Protection of persons and property	2,672	2,941	3,101	3,483	2,937	2,258
Transportation	2,897	2,686	2,379	3,319	4,453	3,360
Natural resources and economic development	4,567	5,058	6,704	6,284	5,213	4,191
General government	2,064	2,025	2,341	2,326	2,036	3,915
Other	3,423	3,562	4,215	5,736	3,058	2,841
<b>Subtotal</b>	<b>85,855</b>	<b>83,745</b>	<b>81,366</b>	<b>78,113</b>	<b>68,344</b>	<b>64,902</b>
<b>Debt Servicing Costs</b>						
	5,060	4,373	3,292	2,719	2,742	2,722
Contingencies—General	4,000	3,885	-	-	-	-
	-	-	-	-	-	-
<b>Total Expense as Reported</b>	<b>94,915</b>	<b>92,003</b>	<b>84,658</b>	<b>80,832</b>	<b>71,086</b>	<b>67,624</b>
<b>Growth Rate (%)</b>	<b>3.2</b>	<b>8.7</b>	<b>4.7</b>	<b>13.7</b>	<b>5.1</b>	<b>14.7</b>
Morningstar DBRS Adjustments						
Nonrecurring expenditures	23	12	28	40	18	7
Capital investment	15,374.0	11,348.0	8,772.0	6,755.0	6,002.0	5,428.0
Assume capital expenditure underspend	(2,306.1)	(1,702.2)	-	-	-	-
Amortization	(3,336.0)	(3,142.0)	(3,012.0)	(3,077.0)	(2,717.0)	(2,670.0)
GBE interest expense	(1,221.0)	(1,089.0)	(919.0)	(721.0)	(848.0)	(880.0)
Tax-sup. debt sinking fund earnings	(8.0)	(5.0)	(7.0)	(6.0)	(5.4)	(5.3)
<b>Adjusted Total Expenditures</b>	<b>103,418</b>	<b>97,413</b>	<b>89,492</b>	<b>83,783</b>	<b>73,518</b>	<b>69,497</b>
<b>Growth Rate (%)</b>	<b>6.2</b>	<b>8.9</b>	<b>6.8</b>	<b>14.0</b>	<b>5.8</b>	<b>15.4</b>

<b>Statement of Financial Position</b>						
	<b>2025-26</b>	<b>2024-25</b>	<b>2023-24</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>
(CAD millions)	Budget	Forecast	Actual	Actual	Actual	Actual
<b>Financial Assets</b>						
Cash & investments	4,854	8,742	6,768	8,247	7,142	6,560
Equity in gov't enterprises	18,194	16,649	14,677	12,634	12,223	9,623
Sinking fund investments	397	594	491	521	510	492
Loans recoverable from agencies	36,297	33,790	30,572	28,145	27,218	26,301
Other financial assets	25,325	21,917	22,057	19,077	17,105	15,399
<b>Total Financial Assets</b>	<b>85,067</b>	<b>81,692</b>	<b>74,565</b>	<b>68,624</b>	<b>64,198</b>	<b>58,375</b>
<b>Liabilities</b>						
Accounts payable and accrued liabilities	23,209	21,545	20,230	22,168	13,754	10,226
Deferred revenue	17,531	15,862	15,053	15,005	13,379	12,185
Unfunded pension liabilities	-	-	-	-	-	1
Employee future benefits	-	-	3,568	3,234	3,075	2,865
Tax-supported debt	119,528	98,724	76,002	60,564	62,565	59,982
Self-supported debt	36,547	34,281	30,969	28,332	27,209	26,275
Forecast allowance	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>196,815</b>	<b>170,412</b>	<b>145,822</b>	<b>129,303</b>	<b>119,982</b>	<b>111,534</b>
<b>Net Assets (Debt)</b>						
	<b>(111,748)</b>	<b>(88,720)</b>	<b>(71,257)</b>	<b>(60,679)</b>	<b>(55,784)</b>	<b>(53,159)</b>
Nonfinancial assets	90,080	77,964	69,636	63,382	59,939	56,366
<b>Accumulated Surplus (Deficit)</b>	<b>(21,668)</b>	<b>(10,756)</b>	<b>(1,621)</b>	<b>2,703</b>	<b>4,155</b>	<b>3,207</b>
Net debt as a share of GDP (%)	25.1	20.8	17.4	15.3	15.6	17.3

<b>Debt Profile</b> (CAD millions)						
	<b>2025-26</b>	<b>2024-25</b>	<b>2023-24</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>
	Budget	Forecast	Actual	Actual	Actual	Actual
<b>Tax-Supported Debt</b>						
Notes, bonds, and debentures	115,615	94,327	72,024	56,446	58,875	56,579
Capital leases	137	152	165	170	264	280
Public-private partnerships	2,372	2,489	2,602	2,711	3,400	3,096
Other	787	922	774	775	26	27
Loan guarantees	5	5	5	5	6	4
Sinking funds	(197)	(184)	(168)	(219)	(230)	(236)
<b>Net Tax-Supported Debt as Reported</b>	<b>118,719</b>	<b>97,711</b>	<b>75,402</b>	<b>59,888</b>	<b>62,341</b>	<b>59,750</b>
<b>Self-Supported Debt</b> (net of sinking funds)						
BC Hydro	34,955	32,467	29,351	26,707	25,611	24,650
BC Lottery Corporation	208	191	169	201	195	228
Columbia Power Corporate	249	258	266	270	266	271
Columbia Basin power projects	1,205	1,237	1,265	1,298	1,319	1,349
Liquor Distribution Branch	214	210	233	242	230	233
Postsecondary institutions subsidiaries	842	842	682	685	615	520
Transportation Investment Corporation	-	-	-	-	-	-
Other	240	100	94	89	89	99
<b>Net Self-Supported Debt as Reported</b>	<b>37,913</b>	<b>35,305</b>	<b>32,060</b>	<b>29,492</b>	<b>28,325</b>	<b>27,350</b>
<b>Net Public-Sector Debt</b>	<b>156,632</b>	<b>133,016</b>	<b>107,462</b>	<b>89,380</b>	<b>90,666</b>	<b>87,100</b>
<b>Calculation of Morningstar DBRS -Adjusted Debt</b>						
Tax-supported debt	118,719	97,711	75,402	59,888	62,341	59,750
Unfunded pension liabilities	-	-	-	-	-	1
Cumulative capital expenditure underspend	(4,008)	(1,702)	-	-	-	-
<b>Morningstar DBRS-Adjusted Debt</b>	<b>114,711</b>	<b>96,009</b>	<b>75,402</b>	<b>59,888</b>	<b>62,341</b>	<b>59,751</b>
Share of nominal GDP (%)	25.8	22.5	18.4	15.1	17.5	19.4
<b>Foreign Currency Exposure (net of hedges, share of total)</b>						
Canadian dollars (%)	100	100	100	100	100	100
Other (%)	-	-	-	-	-	-
<b>Floating-Rate Exposure (net of hedges, share of total)</b>						
Fixed rate (%)	85	82	83	85	83	79
Floating and maturing within 12 months (%)	15	18	17	15	17	21

### Rating History

	Current	2024	2023	2022	2021	2020
<b>Issuer Rating</b>	AA (high)	AA (high)	AA (high)	AA (high)	AA (high)	AA (high)
<b>Long-Term Debt</b>	AA (high)	AA (high)	AA (high)	AA (high)	AA (high)	AA (high)
<b>Short-Term Debt</b>	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)

### Previous Report

- British Columbia, Province of: Rating Report, May 22, 2024.

### Related Research

- *Rating Canadian Provincial and Territorial Governments*, April 25, 2025.
- *British Columbia's Budget 2025: Mounting Debt, With Election Promises Overshadowed by Tariffs*, March 6, 2025.
- *2025 Canadian Provincial Credit Outlook*, December 9, 2024.

#### Notes:

All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on <http://dbrs.morningstar.com>.

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