

Credit Rating Report

Province of British Columbia

Morningstar DBRS

May 01, 2026

Credit Rating Considerations

Strengths

- BC has a diversified economy.
- Prudent budgetary approach through use of contingencies and flexibility to adjust taxation levels.
- High degree of financial transparency and uses long-term forecasting tools.

Challenges

- The fiscal management approach has wavered in recent years, with a worsening deficit trajectory and reduced commitment to fiscal balance.
- The debt outlook has deteriorated, with higher-than-expected debt accumulation and a significantly larger borrowing program.

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Credit Ratings

Debt	Credit Rating	Credit Rating Action	Trend
Issuer Rating	AA	Downgrade, Trend Change	Stable
Long-Term Debt	AA	Downgrade, Trend Change	Stable
Short-Term Debt	R-1 (high)	Confirmed	Stable

Summary Credit Rating Rationale

On April 9, 2026, we downgraded the Province of British Columbia's (BC or the Province) Issuer Rating and Long-Term Debt credit rating to AA from AA (high) and confirmed its Short-Term Debt credit rating at R-1 (high). We also downgraded British Columbia Hydro and Power Authority's (BC Hydro or the Utility) Long-Term Obligations credit rating to AA from AA (high) and confirmed its Short-Term Obligations credit rating at R-1 (high). Concurrently, we changed the trends on BC's Issuer Rating and Long-Term Debt credit rating and BC Hydro's Long-Term Obligations credit rating to Stable from Negative. The trends on the short-term credit ratings are Stable.

The downgrades reflect a deterioration in public finances relative to prior expectations. While the Province had previously indicated a potential path to balance, its 2026-27 budget (Budget 2026) now points to a sustained period of elevated deficits and a larger borrowing program, which has resulted in weaker key financial metrics. We note that the Province has introduced modest tax measures alongside expenditure management targets and selective capital project delays, which signal some willingness to respond to fiscal pressures. While these have been insufficient to materially improve the fiscal outlook, they support a gradual approach to fiscal stabilization. The restoration of the Stable trends reflects the Province's solid economic fundamentals and our expectation that the Province will be able to reduce the deficit gradually and slow down debt growth over the medium term. The credit ratings remain supported by BC's prudent budgeting practices, conservative debt and liquidity management, strong market access, prudent debt structure, and diversified economic base, all of which continue to provide resilience to the Province's credit profile.

Budget 2026 forecasts a deficit of \$13.3 billion in 2026-27, compared with the \$9.6 billion deficit now anticipated in 2025-26. Over the medium term, the Province projects deficits of \$12.2 billion and \$11.4 billion for 2027-28 and 2028-29, respectively. These equate to operating deficit-to-operating revenues ratios of 13.7% for 2027-28 and 12.5% for 2028-29. Although Budget 2026 projects gradually declining deficits beyond 2026-27, deficits remain elevated through 2028-29, with no plan to return to balance. The latest budget points to a deterioration in the debt trajectory beyond our previous expectations. The Province projects the adjusted debt-to-operating revenues ratio will increase to 162.5% in 2026-27 and

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continue to rise to 197.8% by 2028–29. Given there is no plan to return to balance, we expect debt to remain high over the medium term.

Credit Rating Drivers

We could upgrade the credit ratings if meaningful budgetary action or an improvement in the broader economic environment led to consistently better key financial metrics and a strengthened fiscal management.

We could downgrade the credit ratings if the Province materially underperforms its budgetary targets, in a manner that materially weakens key financial metrics and signals a long-term erosion in fiscal discipline.

Summary Statistics (%)

	2023	2024	2025	2026P	2027B
Operating Surplus (Deficit)-to-Operating Revenue	1.2	-6.3	-8.7	-11.3	-15.6
Financing Surplus (Deficit)-to-Operating Revenue	-1.9	-14.2	-18.1	-20.7	-25.6
Adjusted Debt-to-Operating Revenue	73.2	94.7	117.9	134.8	162.5
Short-Term Debt-to-Operating Revenue	12.2	20.3	24.1	23.8	12.3
Interest Expense-to-Operating Revenue	3.3	4.1	5.1	5.9	7.4

Sources: BC, Morningstar DBRS.

B = budget. P = projection.

Credit Rating Rationale

We assessed the institutional framework applicable to Canadian provinces, including BC, as moderate. Canadian provinces operate with constitutionally entrenched autonomy and are not subject to direct federal control over legislation, borrowing, or budget execution. The federal government influences provinces primarily through the design of intergovernmental transfer programs and broader macroeconomic policy rather than through enforceable fiscal oversight. Transfers such as the Canada Health Transfer (CHT) and Canada Social Transfer (CST) provide a stable and predictable funding component that help support the cost of delivering core programs, although they are not designed to fill fiscal gaps. Equalization is intended to support less affluent provinces in providing core public services should they have reasonably comparable levels of taxation, through the redistribution of a pool of federal revenues. Like CHT and CST, equalization is not designed to prevent fiscal shortfalls. As a result, the institutional framework supports stability and predictability but does not materially limit fiscal divergence or ensure convergence with the federal government's credit profile. Additionally, extraordinary support remains subject to moral hazard concerns.

BC has a diverse economy. The provincial economy benefits from its advantageous location along the West Coast of Canada, skilled workforce, consistent permanent migration, and diverse industrial mix.

The Province estimates that population growth slowed substantially, increasing by a modest 0.5% in 2025, and forecasts it to grow at a much slower pace through the short term because of recent changes to federal immigration policy. According to Statistics Canada, GDP per capita remains in line with the national average and the unemployment rate increased to 6.2% in 2025, compared with national

average of 6.8%. The Province demonstrates a degree of resilience to U.S. trade shocks, reflecting its diversified economy and trading partners. As a result, the impacts from trade actions on the provincial economy have been less severe than initially anticipated; however, persistent tariff pressures and uncertainty around the upcoming Canada-United States-Mexico Agreement negotiations continue to cloud the outlook and pose downside risks to BC's growth.

BC's fiscal management framework is supported by established medium-term planning tools, prudent forecasting capacity, and strong transparency, which together underpin the Province's ability to manage fiscal pressures. Fiscal management reflects credible planning tools, prudent forecasting practices, strong transparency, and a demonstrated capacity to implement incremental revenue and expenditure measures. However, the sustained tolerance for deficits and the absence of a clearly articulated near-term path to balance signal weaker fiscal discipline, constraining fiscal flexibility should adverse conditions persist.

Although the absolute debt burden has risen dramatically in recent years, 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. BC maintains considerable liquidity relative to the size of its short-term program and its long-term borrowing requirement. The Province does not expect any unfunded pension liability over the forecast period, which ends at 2028-29.

The latest budget points to a deterioration in the debt and deficit trajectory beyond OUR previous expectations. Although the budget projects gradually declining deficits beyond 2026-27, they remain elevated throughout the forecast period with no plan to return to balance. Additionally, BC also expects the debt burden to continue increasing as it ramps up spending on priority capital investments. Debt-servicing costs are likely to rise, reflecting an increase in debt, with the interest expense-to-operating revenue ratio rising to 9.5% by 2028-29.

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. BC is the fourth-largest provincial economy in the country with nominal GDP of about \$450 billion. The Province has a diverse and stable economy.

Moderate Institutional Framework

We assess the institutional framework applicable to Canadian provinces, including BC, as moderate. Canadian provinces operate with constitutionally entrenched autonomy and are not subject to direct federal control over legislation, borrowing, or budget execution. Federal influence is exercised primarily through the design of intergovernmental transfer programs and broader macroeconomic policy rather than through enforceable fiscal oversight. Transfers such as the CHT and CST provide a stable and predictable funding component that help support the cost of delivering core programs, although they are not designed to fill fiscal gaps. Equalization is intended to support less affluent provinces in providing core public services should they have reasonably comparable levels of taxation, through the redistribution of a pool of federal revenues. Like CHT and CST, equalization is not designed to prevent

fiscal shortfalls. As a result, the institutional framework supports stability and predictability but does not materially limit fiscal divergence or ensure convergence with the federal government's credit profile. Additionally, extraordinary support remains subject to moral hazard concerns, so it is not a certainty.

Budgetary Framework and Oversight

The budgetary framework governing Canadian provinces, including BC, is characterized by a high degree of fiscal autonomy. The supporting government does not impose binding requirements that constrain borrowing levels, mandate fiscal balance, or trigger adjustment measures in response to sustained fiscal deterioration. This is demonstrated by the province's ability to determine borrowing levels, revenue measures, and expenditure paths through the legislative process without externally imposed limits or mandatory adjustment requirements. In addition, there are no institutional triggers that require fiscal correction if deficits persist or debt metrics deteriorate. The absence of externally imposed limits or automatic enforcement mechanisms means that fiscal outcomes are not institutionally constrained and may vary significantly across provinces based on policy choices and economic conditions.

Oversight by the supporting government is limited to the design of the broader intergovernmental framework and does not extend to the approval, monitoring, or revision of provincial budgets. While the federal government defines the broader intergovernmental framework, it does not exercise control over provincial fiscal decisions nor mandate consolidation measures in response to weakening financial performance. As a result, the framework does not actively promote convergence in fiscal performance or credit quality across provinces.

Predictability and Stability

The institutional environment in which BC operates demonstrates a high degree of predictability and stability. Provincial responsibilities are constitutionally defined and have remained broadly unchanged over time, particularly in core service areas such as healthcare, education, and social services. While there are occasional areas of disagreement regarding adjacent or overlapping areas of responsibility, these disputes are resolved through the judicial system. This division of responsibilities materially reduces the risk of abrupt changes to mandates or responsibilities.

Federal-provincial transfers, including the CHT, the CST, and equalization, are governed by legislation and formula-based allocation mechanisms, which provide provinces with medium-term funding visibility. Although the federal government retains the authority to adjust transfer parameters, it has historically implemented changes through advance notice and gradual phasing rather than through sudden or disruptive measures. This continuity supports planning certainty at the system level, even though it does not fully mitigate underlying expenditure pressures.

Alignment of Objectives Between Levels of Government

The relationship between BC and the federal government reflects a generally aligned set of policy objectives. Both levels of government pursue broadly consistent goals related to macroeconomic stability, fiscal sustainability, and continuity in public service delivery, as evidenced by ongoing intergovernmental negotiations and shared program frameworks.

While differences arise, they are managed through consultative processes and adjudicated through the courts where necessary. There is no evidence of persistent policy divergence that has undermined provincial fiscal management or destabilized the operating environment. This pattern of cooperation and managed disagreement supports a stronger assessment for alignment of objectives, though it does not imply full policy synchronization.

Likelihood of Additional Funding or Extraordinary Support

The federal government has shown its ability and willingness to provide exceptional, time-limited support to provinces during periods of systemic stress, most notably during the COVID-19 pandemic, when it provided significant operational funding to support the provision of healthcare services and to help individuals and businesses to mitigate the economic impact.

Furthermore, in times of financial market disruption, the Bank of Canada has intervened to ensure the smooth functioning of domestic capital markets and support liquidity for provincial borrowing programs and ongoing access to capital. Though rarely used, Section 18 of the Bank of Canada Act has provisions that could allow it to act as a lender of last resort by providing short-term collateralized loans or providing loans not exceeding one-fourth of a province's estimated revenues for the fiscal year. The provision of support remains subject to moral hazard concerns, however, so extraordinary support is not guaranteed.

Intrinsic Assessment

Contingencies and Conservative Budgetary Practices Support Fiscal Management, Though Discipline Has Moderated

In conjunction with its annual budgets, BC's fiscal management framework is supported by established medium-term planning tools, prudent forecasting capacity, and strong transparency, which together underpin the Province's ability to manage fiscal pressures. Annual budgets are accompanied by rolling multi-year fiscal plans setting out policy priorities, expenditure paths, and debt projections, providing continuity between annual budget decisions and medium-term fiscal objectives. These Province follows up these plans with regular quarterly fiscal updates incorporating revised economic and fiscal forecasts, strengthening in-year monitoring and allowing timely adjustments as assumptions evolve. Recent budgets have prioritized funding for healthcare, education, social services, and targeted infrastructure investment amid weaker economic conditions and sustained cost pressures, with capital spending guided by a multiyear taxpayer-supported capital plan.

Recent fiscal plans indicate a greater tolerance for operating deficits and frame balance as a longer-term objective rather than a near-term target, pointing to a moderation in fiscal discipline and reduced fiscal headroom. At the same time, the Province has demonstrated a measured willingness to adjust policy settings through modest revenue measures. On the expenditure side, the government has introduced expenditure management targets and cost-control initiatives, including administrative efficiencies and selective capital project rephasing. While these actions provide some offset to fiscal pressures, they have not been sufficient to materially alter the overall deficit trajectory.

Budget formulation is supported by generally conservative assumptions, with revenue forecasts informed by economic projections and scenario analysis, and expenditure assumptions reflecting policy commitments and known cost drivers, particularly in healthcare and compensation. The Province continues to incorporate sizable budgetary contingencies, providing a buffer against forecasting uncertainty, collective bargaining outcomes, and downside risks related to trade and economic volatility.

Overall, BC's fiscal management reflects credible planning tools, prudent forecasting practices, strong transparency, and demonstrated capacity to implement incremental revenue and expenditure measures. However, the sustained tolerance for deficits and the absence of a clearly articulated near-term path to balance signal softening fiscal discipline, constraining fiscal flexibility should adverse conditions persist.

Weakened Financial Performance

Exhibit 1 Operating Performance

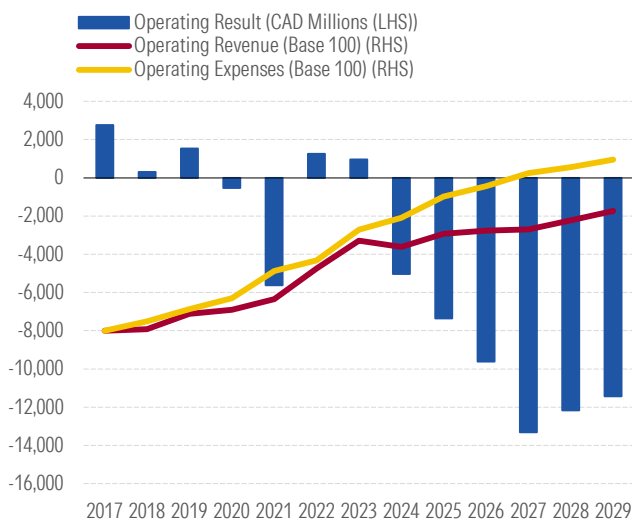
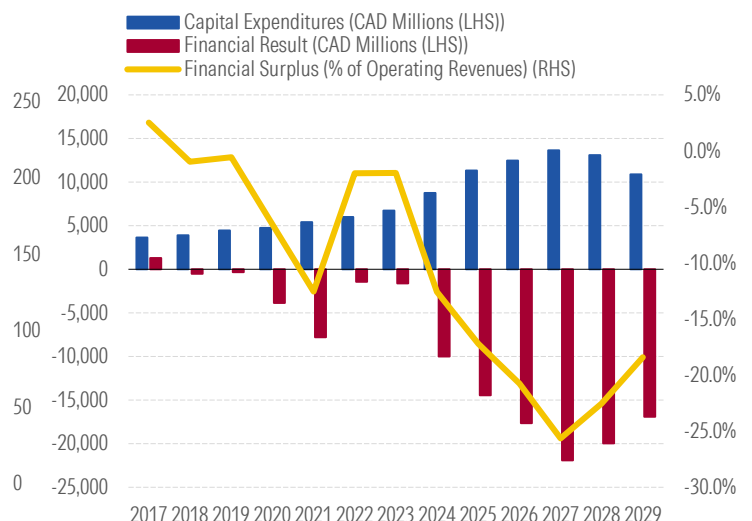


Exhibit 2 Financial Result and Capital Expenditure



Sources: The Province, Morningstar DBRS.

2026–27 Budget

Budget 2026 (see our February 18, 2026, commentary, *British Columbia's Budget 2026: Record Deficits, Higher Borrowing, and No Path to Balance*) arrives amid heightened fiscal pressures, as the Province seeks to safeguard core services while navigating weaker economic conditions and sustained spending pressures. Unlike last year, when it avoided broad-based tax measures, the government is introducing modest tax increases and provincial sales tax base expansions alongside expenditure management targets and selective capital project delays, while still prioritizing investments in healthcare, education, and workforce development. Framed as a disciplined and balanced approach, Budget 2026 continues to incorporate prudence through contingencies; however, the deterioration in deficit and debt trajectories materially reduces flexibility.

Budget 2026 forecasts a deficit of \$13.3 billion in 2026–27 compared with the \$9.6 billion deficit now anticipated in 2025–26. The operating deficit-to-operating revenues ratio is forecast to weaken to 15.6% compared with 11.3% anticipated for 2025–26. Total revenue is forecast to rise modestly by 0.5% in 2026–27 primarily because of higher taxation revenue from new measures and nominal GDP expansion, stronger natural gas royalties, higher federal transfers, and largely stable government Crown corporations revenue, partly offset by the absence of the one-time \$2.7 billion tobacco settlement in 2025–26 that bolstered prior-year revenues. New tax measures implemented in Budget 2026 are expected to generate \$757 million in additional revenues for 2026–27 and a \$4.2 billion cumulative increase in revenue over the plan period.

The Province expects total expenses to increase by 4.3% year over year (YOY), reflecting continued funding for healthcare, education, and social support. The fiscal plan incorporates cost management measures, including a planned reduction of 15,000 full-time equivalent employees across the public sector and other expenditure management savings to moderate the pace of spending growth while preserving essential frontline services, with expected net savings amounting to \$625.0 million in 2026–27 and a cumulative \$4.4 billion in 2028–29.

Over the medium term, the Province projects deficits of \$12.2 billion and \$11.4 billion for 2027–28 and 2028–29, respectively. These equate to operating deficit-to-operating revenues ratios of 13.7% and 12.5%, respectively. Although Budget 2026 projects gradually declining deficits beyond 2026–27, deficits remain elevated throughout the plan period with absence of a plan to return to balance. The budget also incorporates the impact of tariff-related uncertainty through conservative economic assumptions. Although Budget 2026 does not include explicit downside scenario analysis as in the previous budget, it maintains sizable contingencies to mitigate potential fiscal risks.

The Province maintains its prudent fiscal approach by including contingencies totaling \$5.0 billion (increased from \$4.0 billion in the previous plan) in each of the three years through 2028–29 to manage spending initiatives and caseload pressures, which, if unused, would contribute to improvements in the bottom line and debt outlook.

Budget 2026 prioritizes capital spending on essential healthcare, education, housing, and community infrastructure, while adjusting project timelines to moderate near-term fiscal pressures. The three-year taxpayer-supported capital plan is projected to be \$37.7 billion, down \$8.2 billion from the previous plan. This is supported by the wind-down of various major projects and a rephasing of the capital plan to manage spending pressures. For 2026–27, the Province has planned a total capital investment of \$18.7 billion, which resulted in a financing deficit-to-operating revenues ratio of 25.6%, up from 20.7% the previous year. We expect the financing deficit to remain elevated over the plan period with some declines in the outer years, resulting in a financing deficit-to-operating revenues ratio approaching 18.4% in 2028–29.

Exhibit 3 Debt Evolution

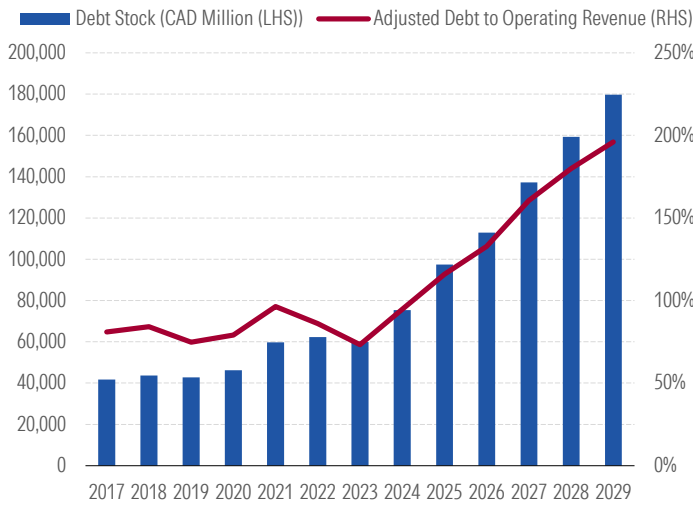
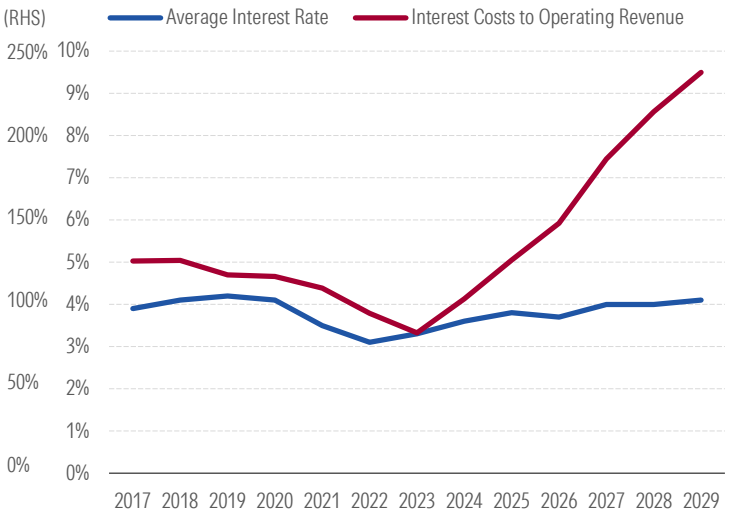


Exhibit 4 Cost of Debt



Sources: The Province, Morningstar DBRS.

The latest budget points to a deterioration in the debt trajectory beyond our previous expectations that will continue to limit flexibility within the current credit ratings. The debt burden is expected to continue increasing as spending on priority capital investments ramps up. We project Morningstar DBRS-adjusted debt—calculated as tax-supported debt and cumulative capital underspend—will increase to \$138.9 billion up from \$114.7 billion in the prior year and is expected to continue rising in the outer years of the forecast. Adjusted debt-to-operating revenues ratio is expected to increase to 162.5% in 2026–27 and will continue to trend upward to 197.8% by 2028–29. Given the substantial deficit projections with no plan to return to balance, we expect debt to remain high over the medium term. Short-term debt-to-operating revenue ratio stood at a high of 23.8% for 2025–26, however the Province projects short-term debt to moderate over the forecast period with short-term debt-to-operating revenue remaining below 13.0% through 2028–29.

The Province projects debt servicing costs will rise by 26.3% in 2026–27 compared to the prior year, reflecting an increase in debt, with interest expense-to-operating revenue rising to 9.5% over 2028–29.

Prudent Debt Management with Considerable Liquidity

Exhibit 5 Debt Amortization Schedule (Billion CAD)

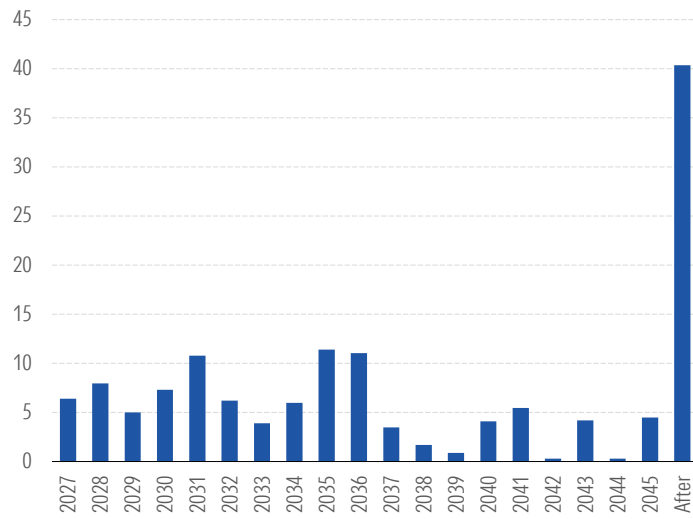
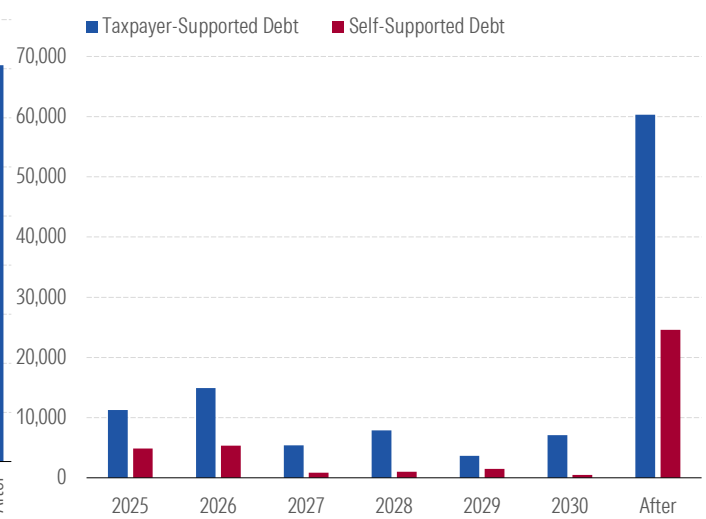


Exhibit 6 Debt Structure (Million CAD)



Sources: The Province, Morningstar DBRS.

Although absolute debt burden has risen dramatically in recent years, 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 (6.7% of the estimated debt stock at February 17, 2026). 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 U.S., 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 17, 2026, the Province sourced about 35% of gross market debt outside the domestic market and fully hedged back to CAD.

As at February 18, 2026, BC was party to derivatives contracts with notional principal amounts totalling \$57.8 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 27, 2026, 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 \$11.8 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, 2026, forecast cash and temporary investments that can be readily accessed in the event of a broad market disruption were estimated to be \$8.6 billion. The Province also had other investments worth \$5.1 billion as of March 31, 2025, and could further access liquidity from sinking fund assets, the Prosperity Fund, or 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.

BC Hydro

We assign BC government's credit ratings to BC Hydro's obligations based on our [Global Methodology for Rating Government-Related Entities](#). 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.

In addition to providing electricity to customers in BC, the Utility's transmission system is connected to transmission systems in Alberta and Washington state, allowing energy-trade opportunities. BC Hydro is predominantly hydro based, with more than 98% of installed capacity derived from low-cost hydroelectric generation, supporting a competitive cost structure and operational flexibility.

For the nine months ended December 31, 2025 (Q3 2026), BC Hydro reported net income of \$353 million, supported by higher domestic revenues and lower finance charges, partially offset by rising operating expenses. Revenues increased 4% YOY in Q3 2026 to \$5.52 billion, reflecting approved rate increases and modest volume growth.

With Site C's all generating units placed into service, the Utility continues to execute large capital projects and ongoing investments focused on transmission, distribution, and generation replacement and expansion and system renewal to support long-term demand growth.

Regulation

BC Hydro operates under a well-established regulatory framework administered by the British Columbia Utilities Commission (BCUC), with rates primarily determined on a cost-of-service (COS) basis. The BCUC continues to allow a forecast COS approach for revenue requirements, providing visibility into cost recovery and supporting earnings stability. The framework includes extensive use of regulatory deferred accounts, which mitigate volatility from uncontrollable factors such as hydrology, energy costs, and market prices by deferring differences between forecast and actual results for future recovery.

Recent regulatory decisions approved annual rate increases of approximately 3.75% for fiscal year 2026 and 2027, reinforcing predictable revenue growth. However, the regulatory regime reflects meaningful provincial influence, including directed customer credit and prescribed net income targets, which can introduce some policy-driven variability in reported earnings.

Diversification

BC Hydro's business profile is moderately diversified, combining a stable domestic utility franchise with exposure to wholesale electricity trading through its subsidiary Powerex. The Utility benefits from interconnections with Alberta and the U.S. Pacific Northwest, enabling import and export optimization and participation in North American energy markets. Trade revenues provide incremental earnings and operational flexibility, with \$989 million recorded in Q3 2026.

Nevertheless, diversification is somewhat constrained by the Utility's heavy reliance on hydroelectric generation, which exposes cash flow to hydrological volatility. While this risk is partially mitigated by geographically diverse basins and reservoir storage capacity, periods of drought can materially shift the system to net import positions and increase cost of energy.

Franchise and Customer Mix

BC Hydro benefits from a strong monopoly service territory covering the majority of electricity demand in British Columbia, with approximately 2.29 million domestic customers accounts as of December 31, 2025. The customer base is well diversified across residential, commercial, and industrial segments. For the nine months ended December 31, 2025 (Q3 2026), domestic revenues were broadly distributed across residential (37%), commercial (35%), and large industrial (17%) customers, providing a balanced demand profile and reducing concentration risk. Load growth remains modest but positive, supported by population growth, electrification trends, and industrial activity, with domestic sales volumes increasing approximately 2% YOY in Q3 2026.

Operating Efficiency

BC Hydro demonstrates strong operating efficiency underpinned by its predominantly hydroelectric generation fleet, which provides low marginal cost power and high system flexibility. The Utility's ability to optimize between domestic generating, imports, and exports supports cost efficiency across varying market conditions.

Energy costs declined 3% YOY for the nine months ended December 31, 2025 (Q3 2026). The lower energy costs were primarily caused by reduced market purchases, largely reflecting lower electricity import costs as a result of lower import volumes. Net electricity imports declined mainly because of improved water conditions and the addition of Site C generation. The decrease in energy costs also reflects lower transmission costs related to trading activity. These savings were partially offset by higher purchases from independent power producers. Operating expenses increased 5% YOY in Q3 2026 because of higher depreciation and amortization linked to Site C coming into service, additional

employees, and higher maintenance costs, reflecting the growing asset base and ongoing capital program.

Overall, while cost pressures are emerging from asset expansion and inflationary factors, the Utility's low-cost generation profile and regulatory cost recovery mechanisms continue to support stable operating performance.

Diversified Economy with Demonstrated Degree of Resilience to Trade Shocks

Exhibit 7 GDP Growth and Unemployment Rate

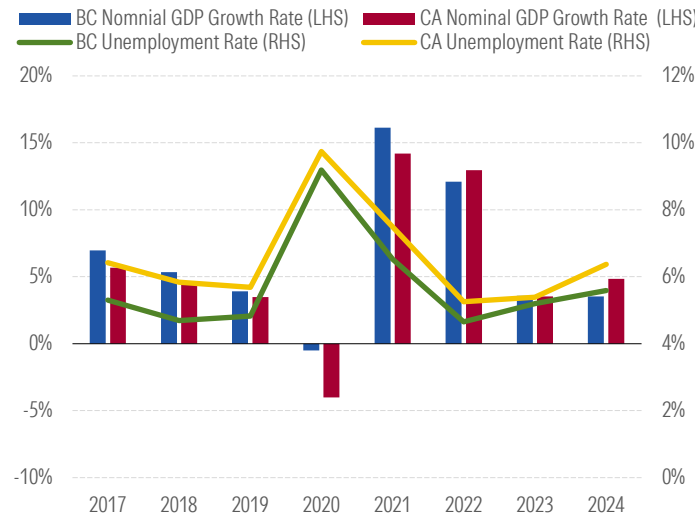
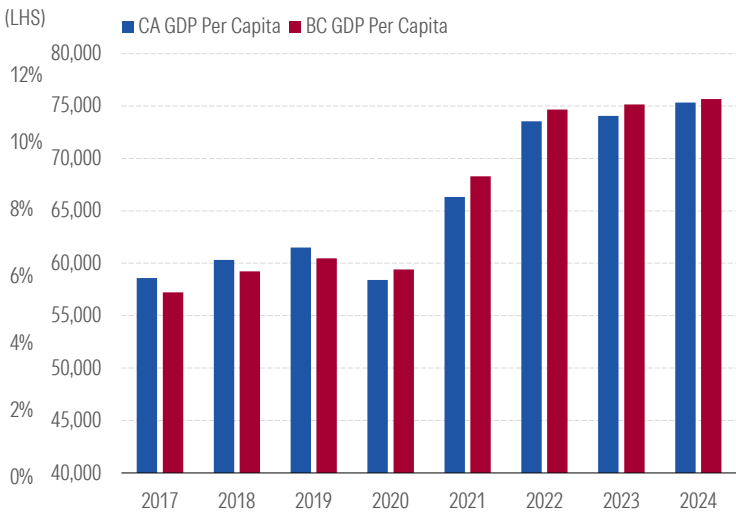


Exhibit 8 GDP Per Capita



Source: Morningstar DBRS.

BC's economy is estimated to have grown by 1.5% in 2025, reflecting the drag from ongoing trade uncertainty alongside slowing population growth and broader macro headwinds. Budget 2026 assumes a modest real GDP growth of 1.3% in 2026, rising to 1.8% in 2027 and 1.9% in 2028, with the near-term outlook tempered by continued trade uncertainty, tariff-related headwinds in lumber and aluminum, and weak housing activity resulting from a moderation in population growth following federal immigration policy changes. While the impacts from U.S. trade actions on the provincial economy have been less severe than initially anticipated, persistent tariff pressures and uncertainty around the upcoming Canada-U.S.-Mexico (CUSMA) negotiations continue to cloud the outlook and pose downside risks to BC's growth and revenue prospects.

Population growth slowed substantially in 2025, increasing by a modest 0.5%, and the Province forecasts it will grow at a much slower pace, averaging of 0.6% annually over 2026-2030, affected by the changes to federal immigration policy in recent years. Unemployment rate increased to 6.2% in 2025, up from 5.6% in 2024 driven by slower economic growth and moderating employment gains. According to Statistics Canada, GDP per capita remains in line with the national average and the unemployment rate

increased to 6.2% in 2025, compared with a national average of 6.8%. Prolonged trade uncertainty remains a downside risk that could result in higher-than-projected job losses.

Housing market activity remained subdued in 2025, with home sales decreasing by 5.7%, following a growth of 2.0% in the prior year. Housing starts decreased by 3.6% as a result of the economic uncertainty. While the Province anticipates a stabilization in home sales activity supported by various housing initiatives, trade tensions and lower population growth could dampen the market recovery.

Merchandise exports remained resilient despite heightened trade uncertainty and volatile commodity prices, with real exports of goods and services estimated to have declined by a marginal 1.0% in 2025. The overall value of merchandise goods exports was broadly flat in 2025, as weaker shipments of coal, pulp and paper, and softwood lumber were largely offset by stronger exports of other energy products, including petroleum, copper, and natural gas. By destination, exports to the U.S. declined by 2.9%, alongside softer shipments to Japan, South Korea, and India, while exports to China and Mexico increased, reflecting diversification in external demand. The Province expects real exports to grow by a modest 1.6% in 2026, reflecting weaker global demand and continued global trade uncertainty. Over the medium term, the Province expects growth momentum to improve because of projects like LNG Canada, expected to reach full export capacity in 2026, and the anticipated launch of Woodfibre LNG and Cedar LNG in the latter years of the forecast horizon.

Ongoing trade uncertainty, particularly affecting the forestry and energy sectors, continues to weigh on external demand and private investment. Nevertheless, the Province demonstrates a degree of resilience to U.S. trade shocks, reflecting its diversified economy, strong technology, clean energy sectors, and relatively diversified trading relationships. Ongoing public sector capital investment, gradual stabilization in housing activity, and the presence of fiscal contingencies should provide some support to economic activity with potential for modest outperformance if trade relations improve.

British Columbia, Province of

	For the year ended March 31					
	2022	2023	2024	2025	2026E	2027B
Economic Indicators						
Population ('000)	5,227	5,359	5,515	5,671	5,698	5,647
Nominal GDP Growth (%)	16.1	12.1	3.6	3.5	4.1	4.4
Unemployment Rate (annual) (%)	6.6	4.6	5.2	5.6	6.2	5.9
Debt Metrics (CAD millions)						
Direct Debt	62,341	59,888	75,402	99,089	116,540	142,897
Direct Debt-to-Operating Revenues (%)	86.12	73.22	94.70	117.90	136.97	167.09
Adjusted Debt Stock	62,341	59,888	75,402	99,089	114,670	138,977
Adjusted Debt-to-Operating Revenues (%)	86.12	73.22	94.70	117.90	134.78	162.50
Direct Debt-to-Operating Result (x)	49.40	62.64	-14.98	-13.49	-12.12	-10.74
Fiscal Performance (CAD millions)						
Operating Revenues	72,391	81,790	79,623	84,046	85,082	85,523
Operating Expenditure	71,129	80,834	84,658	91,393	94,696	98,832
of which Interest Costs	2,742	2,719	3,292	4,245	5,039	6,366
Net Interest Costs-to-Operating Revenues (%)	3.79	3.32	4.13	5.05	5.92	7.44
Operating Surplus/(Deficit)	1,262	956	(5,035)	(7,347)	(9,614)	(13,309)
Operating Surplus/(Deficit)-to-Operating Revenues (%)	1.74	1.17	-6.32	-8.74	-11.30	-15.56
Capital Expenditure ¹	6,002	6,755	8,772	10,379	10,597	11,614
Financing Surplus/(Deficit)	(1,433)	(1,600)	(11,318)	(15,186)	(17,636)	(21,916)
Financing Surplus/(Deficit)-to-Operating Revenues (%)	-1.98	-1.96	-14.21	-18.07	-20.73	-25.63
¹ Adjusted for assumed capital investment underspend.						
Sources: The Province, Morningstar DBRS.						

Global Sub-Sovereign Government Scorecard

British Columbia, Province of	Value
Institutional Framework	
Supporting Government Rating	AAA
Institutional Framework Weight	Moderate
Intrinsic Assessment	
Economic Structure	
Economic Structure Grid	Lower risk
Fiscal Management	
Fiscal Management Grid	Lower risk
Debt and Liquidity Management	
Debt and Liquidity Management Grid	Lower risk
Financial Metrics	
	Higher risk

Source: Morningstar DBRS' Methodologies: Rating Canadian and European Sub-Sovereign Governments (March 2026), Approach to Environmental, Social, and Governance Factors in Credit Ratings (May 2025) and Morningstar DBRS Global Corporate Criteria (December 2025).
 Note: a moderate weight for the Institutional Framework ranges from 30%-55%. The scorecard risk assessment is split as follows; Lower risk: $1.00 \leq \text{score} < 2.25$; Moderate risk: $2.25 \leq \text{score} < 3.5$; Higher risk: $3.5 \leq \text{score} < 5.00$

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 greenhouse gas 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 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)*		
Environmental		Overall:	N	N
Emissions, Effluents, and Waste	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?	N	N	N
Carbon and GHG Costs	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?	N	N	N
	Will recent regulatory changes have an impact on economic resilience or public finances?	N	N	N
	Carbon and GHG Costs:	N	N	N
Resource and Energy Management	Does the scarcity of key resources impose high costs on the public sector or make the private sector less competitive?	N	N	N
	Is the economy reliant on industries that are vulnerable to import or export price shocks?	N	N	N
	Resource and Energy Management:	N	N	N
Land Impact and Biodiversity	Is there a risk to a government's economic or tax base for failing to effectively regulate land impact and biodiversity activities?	N	N	N
Climate and Weather Risks	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?	N	N	N
Passed-through Environmental credit considerations	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)?	N	N	N
Social		Overall:	N	N
Human Capital and Human Rights	Compared with regional or global peers, is the domestic labour force more or less competitive, flexible and productive?	N	N	N
	Are labour or social conflicts a key source of economic volatility?	N	N	N
	Are individual and human rights insufficiently respected or failing to meet the population's expectations?	N	N	N
	Is the government exposed to heavy, coordinated international pressure as a result of its respect for fundamental human rights?	N	N	N
	Human Capital and Human Rights:	N	N	N
Access to Basic Services	Does a failure to provide adequate basic services deter investment, migration, and income growth within the economy?	N	N	N
Passed-through Social credit considerations	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)?	N	N	N
Governance		Overall:	N	N
Bribery, Corruption, and Political Risks	Does widespread evidence of official corruption and other weaknesses in the rule of law deter investment and contribute to fiscal or financial challenges?	N	N	N
Institutional Strength, Governance, and Transparency	Compared with other governments, do institutional arrangements provide a higher or lesser degree of accountability, transparency, and effectiveness?	N	N	N
	Are regulatory and oversight bodies insufficiently protected from inappropriate political influence?	N	N	N
	Are government officials insufficiently exposed to public scrutiny or held to insufficiently high ethical standards of conduct?	N	N	N
	Institutional Strength, Governance, and Transparency:	N	N	N
Peace and Security	Is the government likely to initiate or respond to hostilities with neighbouring governments?	N	N	N
	Is the government's authority over certain regions contested by domestic or foreign militias?	N	N	N
	Is the risk of terrorism or violence sufficient to deter investment or to create contingent liabilities for the government?	N	N	N
	Peace and Security:	N	N	N
Passed-through Governance credit considerations	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)?	N	N	N
Consolidated ESG Criteria Output:		N	N	N

* 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.

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