

Province of British Columbia

Rating Rationale: British Columbia's 'AA+' Issuer Default Rating (IDR) reflects a standalone credit profile (SCP) assessed at 'aa', lowered from the 'aa+' level as of the last review given projected large operating deficits and rapid debt accumulation, leading to a sharp deterioration of debt metrics considered in Fitch Ratings' financial profile assessment. The SCP combines the province's risk profile, at 'Stronger,' and financial profile, which currently remains in the 'a' category. Lowering the SCP below Canada's 'AA+' IDR triggers a single notch uplift to British Columbia's IDR, reflecting ad hoc federal support, consistent with other rated provinces and territories with SCPs below the sovereign IDR.

The Negative Outlook reflects our expectation that weaker economic and fiscal performance is likely to lead to a substantial structural increase in debt. Fiscal setbacks beginning in fiscal 2026 from tariff-induced economic and revenue weakness, cancellation of the carbon tax, an abrupt halt in population growth, the budget impact of upcoming collective negotiations and other spending demands may exceed sizable annual contingencies and initiatives to curtail budget growth. While Fitch expects actual capex to fall short of the ambitious capital plan targets, a sharply higher debt burden could further weigh on the rating.

Key Rating Drivers

'Stronger' Risk Profile: The 'Stronger' risk profile reflects a negligible risk relative to international peers that the issuer's ability to cover debt service from operating balances may weaken unexpectedly over the forecast horizon (through fiscal 2029, ending March 31) because of lower-than-expected revenues, higher-than-expected expenditures, or an unanticipated rise in liabilities or debt service requirements. It is based on five 'Stronger' assessments and one 'Midrange' assessment.

'a' Category Financial Profile: Fitch assesses British Columbia's financial profile in the middle of the 'a' category based on a rating case scenario for economic, fiscal and debt projections through fiscal 2029, lowered from the high end of the 'a' category as of the last review. Under the scenario, British Columbia's economic liability burden (ELB) metric (net adjusted debt plus a proportion of central government debt/GDP), the primary financial profile metric, rises to 81.3% in fiscal 2029, near the middle of the 'a' category but 21.8% higher than in fiscal 2024.

All three secondary metrics fall into lower assessment categories that reflect weak projected operating performance over the rating case period. These include a negative payback ratio (net adjusted debt/operating balance) at -136.8x ('b' category), negative synthetic debt service coverage (operating balance/15-year mortgage-style debt payoff) at -0.1x ('b' category) and a fiscal debt burden (net adjusted debt/operating revenue) at 176% ('bbb' category). Despite weaker operating metrics, projected liquidity remains substantial.

Use of the ELB as primary metric reflects designation of British Columbia under Fitch's International Local and Regional Governments (LRG) Rating Criteria as a type A subnational government, with sovereign-like features including the ability to incur structural deficits. Projected federal debt, which is not stressed in this analysis, is forecast to rise to nearly CAD1.8 trillion in fiscal 2029. This level could increase more rapidly if federal deficits rise sharply, which Fitch incorporates in its rating sensitivities for the province.

Other Rating Factors: The single-notch uplift for ad hoc support reflects the likelihood of federal action during periods of market turbulence to support market access by provinces and territories. The uplift is only applied to provinces with an SCP below Canada's 'AA+' IDR.

ESG Considerations: British Columbia's ESG credit relevance is a score of '3', with ESG issues either credit-neutral or having only a minimal credit impact, due to either their nature or the way in which they are being managed by the entity.

This report does not constitute a new rating action for this issuer. It provides more detailed credit analysis than the previously published Rating Action Commentary, which can be found at www.fitchratings.com.

Ratings

Foreign Currency	
Long-Term IDR	AA+
Short-Term IDR	F1+
Local Currency	
Long-Term IDR	AA+
Outlooks	
Long-Term Foreign-Currency IDR	Negative
Long-Term Local-Currency IDR	Negative
Debt Ratings	
Senior Unsecured Debt - Long-Term Rating	AA+
Senior Unsecured Debt - Short-Term Rating	F1+

Issuer Profile Summary

British Columbia has a population of 5.7 million, about 14% of all Canadians. Economic growth has historically been strong and ahead of Canada's, and distribution of GDP across sectors approximates the nation's.

Financial Data Summary

(CAD Mil.)	2024	2029rc
Economic liability burden (%)	59.5	81.3
Payback ratio (x)	-49.1	-136.8
Synthetic coverage (x)	-0.2	-0.1
Fiscal debt burden (%)	84.0	176.4
Net adjusted debt	65,440	157,669
Operating balance	-1,333	-1,152
Operating revenue	77,932	89,361
Debt service	9,307	26,303
Mortgage-style debt annuity	5,787	14,158

rc - Fitch's rating-case scenario
Source: Fitch Ratings, Fitch Solutions, British Columbia

Applicable Criteria

[International Local and Regional Governments Rating Criteria \(August 2024\)](#)

Related Research

[Canadian Sentiment Plunge Suggests that Economic Contraction Lies Ahead \(May 2025\)](#)

[Sector Data & Tools: Canadian Provinces Scorecard \(May 2025\)](#)

[Global Economic Outlook - April 2025 Update: Supranationals, Subnationals and Agencies Handbook \(September 2024\)](#)

[Fitch Affirms British Columbia \(Canada\) 'AA+'; Outlook Negative \(May 2025\)](#)

Analysts

Douglas Offerman
+1 212 908 0889
douglas.offerman@fitchratings.com

Eric Kim
+1 212 908 0241
eric.kim@fitchratings.com

Rating Synopsis

British Columbia LT IDR Derivation Summary

KRF attribute	Key Risk Factors (KRF)						Risk Profile	Financial Profile Assessments					Standalone Credit Profile (SCP)	From SCP to LT FC IDR				
	Revenue		Expenditure		Liabilities & Liquidity			Primary metric		Secondary metrics		Financial Profile Score		Intergovernmental lending	Ad hoc support	Sovereign Rating		LT IDR Outlook
	Robustness	Adjustability	Sustainability	Adjustability	Robustness	Flexibility		Economic Liability Burden	Payback Ratio (x)	Synthetic DSCR (x)	Fiscal Debt Burden (%)					AAA	AA	
Stronger	Higher Influence KRF	Higher Influence KRF		Higher Influence KRF	Higher Influence KRF	Higher Influence KRF	Stronger	aaa	aaa	aaa	aaa	aaa			AAA	AAA		
							High Midrange	aaa	aaa	aaa	aaa	aa+			AA+	AA+	Negative	
								aa	aa	aa	aa	aa			AA	AA		
								a	a	a	a	a			AA-	AA-		
								bbb	bbb	bbb	bbb	bbb			A+	A+		
								bbb	bbb	bbb	bbb	bbb			A	A		
								bbb	bbb	bbb	bbb	bbb			A-	A-		
								bbb	bbb	bbb	bbb	bbb			BBB+	BBB+		
								bbb	bbb	bbb	bbb	bbb			BBB	BBB		
								bbb	bbb	bbb	bbb	bbb			BBB-	BBB-		
								bbb	bbb	bbb	bbb	bbb			BB+	BB+		
								bbb	bbb	bbb	bbb	bbb			BB	BB		
								bbb	bbb	bbb	bbb	bbb			BB-	BB-		
								bbb	bbb	bbb	bbb	bbb			B+	B+		
								bbb	bbb	bbb	bbb	bbb			B	B		
								bbb	bbb	bbb	bbb	bbb			B-	B-		
								bbb	bbb	bbb	bbb	bbb			CCC+	CCC+		
								bbb	bbb	bbb	bbb	bbb			CCC	CCC		
								bbb	bbb	bbb	bbb	bbb			CCC-	CCC-		
								bbb	bbb	bbb	bbb	bbb			CC	CC		
								bbb	bbb	bbb	bbb	bbb			C	C		

Higher Influence KRF Lower Influence KRF

Source: Fitch Ratings

The six key risk factors, combined according to their relative importance, collectively represent the risk profile of the LRG. The risk profile and debt sustainability assessments, metrics that measure the LRG's debt burden and debt service requirements amid a reasonable economic or financial downturn over the rating horizon, are combined in the SCP. The SCP, together with additional factors not captured in the SCP, such as extraordinary support or rating cap, produces the IDR.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- An ELB metric that stabilizes between 80%-90% of GDP, with improving operating balances supporting a payback ratio of at least 18x, could lead to stabilization of the rating.
- Federal fiscal performance that leads to lower sovereign borrowing, materially lowering the pro-rata share of debt attributable to British Columbia and reducing the ELB metric, could lead to positive rating momentum; however, Fitch views this as unlikely.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- An ELB metric that exceeds 90% of GDP over the rating case scenario or persistent weakness in secondary metrics, driven by weaker provincial economic and fiscal performance, and higher reliance on borrowing to address fiscal and capital demands.
- Federal fiscal performance that leads to higher sovereign borrowing, adding materially to the pro-rata share of debt attributable to British Columbia and raising the ELB metric.

Issuer Profile

Decentralized Institutional Framework: Canada has a decentralized federal system of government, with powers divided between or shared among the federal government and 10 provinces. With broad powers devolved to the provinces, negotiation and consensus among provincial and federal governments are necessary to initiate most

changes. The powers and responsibilities of the provinces limit the federal government’s ability to unilaterally impose changes, notably on matters that fall exclusively to the provinces.

The constitution bestows to provinces the responsibility for most public services and provides them with virtually unlimited revenue and borrowing powers to support their service responsibilities. These include responsibility over municipal governments, education, healthcare, property and civil rights, transportation, civil and criminal law, labor relations and liquor sales. Federal responsibilities include defense, trade and commerce, and the federal government operates a Canada-wide unemployment system. Vertical transfers supported by the federal government’s own broad revenue power is intended to enhance the provinces’ ability to provide relatively similar services, despite their varying economic and fiscal profiles.

British Columbia's Socioeconomic Profile: British Columbia is one of Canada's four largest provinces by population and GDP, with 14% of Canada's population in 2024 and 14% of GDP in 2023. Most of the population and economic base is concentrated in the wealthy Lower Mainland region, including the city of Vancouver, and Victoria, the capital on Vancouver Island. Services such as finance, insurance, real estate, professional, scientific and technical services, and education and health services are significant economic drivers, although natural resources, including forestry, natural gas and mining, are important in the province's interior and northern regions.

Fitch calculates real GDP per capita at 101% of the Canadian average as of 2023. Economic performance is sensitive to national and international trends. A higher share of British Columbia's trade is with Asia compared to other provinces, although the U.S. remains the destination for 53% of goods exports in 2024 compared to 76% for Canada as a whole. Economic weakness in the U.S. or trade disruptions have quick and significant economic implications.

GDP has been variable since the pandemic in 2020, with a sharp rebound followed by rapid cooling. Real GDP in 2023, at 2.4%, was well ahead of Canada’s 1.5% but below the province’s 2.6% CAGR for the last 20 years. For 2024, the province anticipates only 1.2% growth, with 2025-2029 growth rising slowly from 1.8% to 2.2% under the baseline forecast. Given tariff-induced uncertainty, Fitch’s latest Global Economic Outlook forecasts that GDP in Canada will be barely positive at 0.1% in 2025 and 0.5% in 2026. British Columbia is likely to track these trends despite its lower exposure to U.S. markets.

British Columbia's population is 5.7 million (as of 2024). Growth historically has exceeded Canada's; it was the second fastest growing province over the past 20 years. Following a post-pandemic population surge exceeding 3% annually in 2023 and 2024 and federal immigration curbs announced in October 2024, British Columbia’s population is expected to flatten in the near term, before slow growth resumes. The shift could slow provincial revenue growth but may also reduce pressure on public services and the housing market. The labor market remains resilient, with March 2025 unemployment at 6.1% in British Columbia, comparing favorably to Canada’s 6.7% rate. In the short term, the province expects improving labor market conditions, aided in part by the population slowdown.

The housing market, particularly in metro Vancouver, has been a long-term source of concern due to high demand, rising prices and limited new supply. Provincial actions in recent years to address these concerns have added modestly to the housing supply, with prices and rents modestly falling.

Socioeconomic Indicators

	British Columbia	Canada
Population, 2024 (mil.)	5.7	41.3
GDP per capita, 2023 (CAD)	60,218	59,512
GDP growth, 2023 (%)	2.4	1.5
Inflation, 2024 (%)	2.6	2.4
Unemployment rate, 2024 (%)	5.6	6.3

Source: Fitch Ratings, Statistics Canada, British Columbia

Risk Profile Assessment

Risk Profile: Stronger

Fitch assesses British Columbia's risk profile at 'Stronger', reflecting the following combination of assessments:

Risk Profile Assessment

Revenue robustness	Revenue adjustability	Expenditure sustainability	Expenditure adjustability	Liabilities & liquidity robustness	Liabilities & liquidity flexibility	Implied operating environment score	Risk profile
Stronger	Stronger	Midrange	Stronger	Stronger	Stronger	aa	Stronger

Source: Fitch Ratings

The 'Stronger' risk profile reflects a negligible risk relative to international peers that the issuer's ability to cover debt service from operating balances may weaken unexpectedly over the forecast horizon (through fiscal 2029, ending March 31) because of lower-than-expected revenues, higher-than-expected expenditures, or an unanticipated rise in liabilities or debt-service requirements. It is based on five 'Stronger' assessments and one 'Midrange' assessment, as detailed below.

Revenue Robustness: Stronger

The 'Stronger' revenue robustness assessment is based on British Columbia's diverse and wealthy socioeconomic profile, broad revenue base and solid growth prospects over time. Provincially levied taxes are expected to grow robustly, despite their moderate exposure to economic cyclicality. Revenues are diversified by a range of non-tax levies and receipts from Crown corporations, provincially owned government-related entities (GREs), including utilities, insurance, lottery and liquor enterprises. Federal transfers are stable and provide further support.

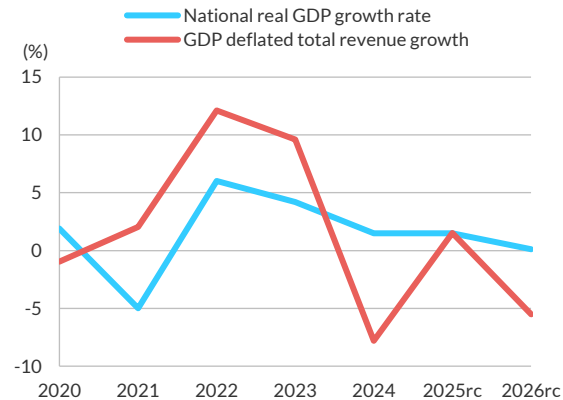
Total revenues are diverse, with own-source revenues representing about 82% of total revenues as of fiscal 2024 with the remainder from federal transfers. (Most fiscal data included in this report are as adjusted by Fitch). Major taxes include moderately cyclical personal and corporate income and provincial sales tax (PST). Direct exposure to real estate is present but limited; property transfer taxes can shift with housing cycles, but the two sources represented 7.2% of revenues. Forestry, natural gas and other natural resource revenue are volatile and totaled 4% of revenue in fiscal 2024, down from 7.6% in fiscal 2023.

Crown corporation dividends provided about 3.6% of total revenue in fiscal 2024, primarily from lottery and liquor enterprises. Reported net revenues included additional amounts from British Columbia Hydro and Power Authority (BC Hydro, rated 'AA+' by Fitch), the province's integrated hydropower generation, transmission and distribution utility, and the Insurance Corporation of British Columbia (ICBC; an auto insurer), neither of which pay dividends at present. Crown corporations have periodically suffered setbacks, with losses consolidated on the province's income statement.

Federal transfers consist primarily of per-capita amounts for healthcare (Canada Health Transfer [CHT]) and social services (Canada Social Transfer). British Columbia is ineligible for equalization transfers provided to five provinces with lower fiscal capacity. Federal transfers rose an average of 9.5% over the five years ending in fiscal 2024, in part reflecting large one-time transfers to help combat the pandemic. Nominal GDP and population are likely to drive solid future growth, despite the elevated risk of a near-term tariff-related shock and the 2024 federal policy change curbing immigration. A 2023 federal-provincial agreement on health transfers included a minimum 5% annual CHT increase for five years, through fiscal 2028, plus CAD3.3 billion for the province for family health, workforce support, mental health and health data.

Operating revenue grew an average of 6.2% annually in the five-year period through fiscal 2024, close to the 6.6% annual growth in nominal GDP. Nominal GDP and revenue growth have slowed from the torrid pace immediately after the pandemic. Calendar 2024 nominal GDP is estimated at 4.1%, contributing to estimated growth in fiscal 2025 revenue at the same level. Fiscal 2025 federal transfers are estimated to be 3.3% higher.

Real Total Revenue and GDP Growth



rc – Fitch’s rating case scenario
Source: Fitch Ratings, British Columbia

Revenue Breakdown, 2024

	Operating revenue (%)	Total revenue (%)
Personal income	21.1	21.1
Provincial sales	13.3	13.2
Other taxes	25.1	25.0
Transfers	17.6	17.6
Other operating revenue	23.0	22.9
Operating revenue	100.0	99.9
Interest revenue	-	0.0
Capital revenue	-	0.1
Total revenue	-	100.0

Source: Fitch Ratings, Fitch Solutions, British Columbia

Revenue Adjustability: Stronger

Like all provinces, British Columbia has unlimited power to raise revenues with no legal caps on tax rates. Revenue per capita is near the average, suggesting ample room to raise taxes if necessary. Revenue forecasting is typically conservative and transparent, with economic forecasts developed in consultation with a 13-member council of private forecasters. Practical limits on taxation are driven by political and taxpayer demands and competitive pressures, but Fitch views the province as having considerable additional revenue-raising flexibility.

Taxation changes are relatively frequent. Following Canada’s cancellation of the consumer carbon tax on fuels, in March 2025, British Columbia immediately canceled its own carbon tax, as well as an offsetting tax credit, with a net CAD1.8 billion impact in fiscal 2026. The province expects to restructure programs funded by the tax to minimize the budgetary effects of the cancellation.

Voter referenda can also affect provincial taxes. In 2011, British Columbia voters rejected a 2010 policy change that had implemented a harmonized sales tax (HST), combining the PST and the federal goods and services tax (GST). The referendum repealed the HST, triggering a refund of CAD1.6 billion in federal transition funds in fiscal 2012 and forcing the province to separate the PST from the GST in fiscal 2014. Despite the disruption and the sizable refund, British Columbia was still able to return to fiscal balance in fiscal 2014 on a reported basis.

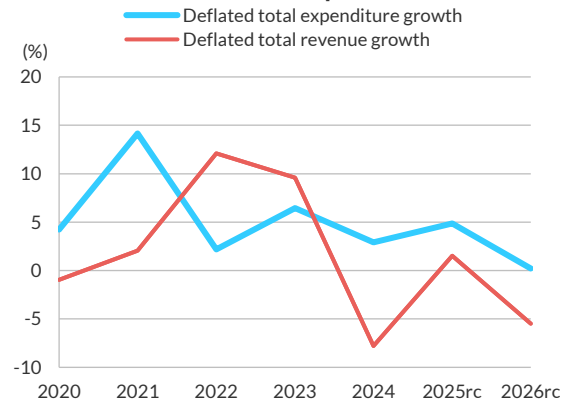
Expenditure Sustainability: Midrange

The provinces are responsible for delivering a broad array of public services under Canada's constitution. These range from relatively stable services such as education to faster-growing healthcare and social services and capital outlays to address growth. The 'Midrange' assessment for British Columbia, as with all provinces, reflects their broad spending mandate and Fitch's expectation that provinces will maintain or raise spending through economic cycles, elevating the risk of deficits over time.

The 'Midrange' assessment also assumes that deficits are followed by periods of budgetary consolidation during which policy adjustments and economic growth support a gradual return to balance. Political pressure to avoid deficits and borrowing varies over time and across provinces, as does each province’s effectiveness in addressing budgetary and accumulated deficits. The federal government is responsible for unemployment insurance, reducing potential cyclicalities in provincial budgets.

Healthcare, social services and education are the largest spending responsibilities for British Columbia, at 44%, 12% and 23% of operating expenditures in fiscal 2024, respectively. Rising healthcare costs are a key long-term concern given their size and its recent challenges from staffing needs, population aging, input costs such as pharmaceuticals, technology shifts and gaps in care exposed by the pandemic. Social services have also risen rapidly as the current government has sought to address specific needs, while education has grown more slowly. Budget 2025 assumes a sharp growth slowdown for all three in fiscal 2026.

Real Total Revenue and Expenditure Growth



rc – Fitch’s rating case scenario
Source: Fitch Ratings, British Columbia

Expenditure Breakdown, 2024

	Operating expenditure (%)	Total expenditure (%)
Healthcare	44.0	38.5
Education	23.3	20.4
Social services	11.7	10.3
Economic development	8.5	7.4
Other operating expenditure	12.5	11.0
Operating expenditure	100.0	87.6
Interest expenditure	-	2.7
Capital expenditure	-	9.7
Total expenditure	-	100.0

Source: Fitch Ratings, Fitch Solutions, British Columbia

Expenditure Adjustability: Stronger

Provinces provide high service levels and have ample flexibility to modify spending, supporting the 'Stronger' assessment. Adjustability is constrained by political and service demands, including demographic pressures and the imperative to support economic activity during recessions. Flexibility is most commonly exercised via collective labor agreements and to a lesser degree by pursuit of program efficiencies, with outright service reductions uncommon. Operating contingencies are sizable and intended to help absorb unforeseen demands.

Like many provinces, British Columbia operates under its own budget balance rule, the Balanced Budget and Ministerial Accountability Act of 2002 (BBMAA), which prohibits forecasting a deficit; however, the limitation may be suspended to allow for a gradual return to projected balance. The limitation was suspended during the pandemic through fiscal 2025, with last year’s budget extending the suspension through fiscal 2027.

British Columbia had a solid history of managing spending growth and taking action to address budgetary imbalances, notably following the global financial crisis (GFC) and the voter referendum rejecting the HST. Spending demands after the pandemic have been notable, given inflation, higher wage settlements and rapid population growth. Operating expenditures rose an average of 9% annually through fiscal 2024, ahead of the 6.2% rate for operating revenue.

Lower inflation and near-flat population growth is likely to reduce spending pressure near term though Budget 2025 also envisions flat staffing and an initial CAD1.5 billion multiyear cost-control program as the province seeks to gradually close future budget gaps. Expirations of collective agreements beginning this year present uncertainty. High inflation as of the 2022 bargaining round led to settlements averaging 13.75% for wages and COLAs over the three years ending in fiscal 2025, with the province allocating CAD7.4 billion to cover higher settlement costs. To manage these and other risks through the medium-term outlook, Budget 2025 includes sizable contingencies at CAD4 billion annually, equal to 4.5% of operating expenditure in fiscal 2026.

Most public capital spending is provincially funded, with the province carefully distinguishing between taxpayer and self-supported capital and borrowing. The Budget 2025 plan assumes CAD45.9 billion in taxpayer-supported capex through fiscal 2028, with another CAD14 billion in self-supported borrowing, largely for BC Hydro’s ambitious capacity expansion plans. Actual capex historically has fallen 20% below budget targets given routine project delays, and Fitch otherwise views capex as an important source of spending flexibility.

Liabilities and Liquidity Robustness: Stronger

The 'Stronger' assessment for liability and liquidity robustness is based on the provinces' comprehensive approach to debt and liabilities, with most borrowing concentrated at the provincial level, the tier of government with the broadest fiscal powers. The provincial treasury board maintains close oversight of liquidity and borrowing, with risks stemming from variable rates, foreign currency and bullet maturities carefully managed. Provinces manage their liquidity and debt separately from the federal government, despite significant fiscal linkages.

Net adjusted debt totals CAD65.4 billion in fiscal 2024, including direct debt of CAD73.2 billion plus CAD2.8 billion in public-private partnership and capital lease debt, offset by CAD10.6 billion, consisting of cash, temporary investments and other investments on the province’s balance sheet, net of CAD1 billion in net payables. Pensions in British Columbia are effectively fully funded. Fitch excludes the debt of self-supporting Crown corporations, primarily BC Hydro, as contingent obligations.

Canada's debt market is large and well-regulated, and the province also routinely accesses markets in the U.S., Europe and Asia. Although not subject to federal prudential borrowing limits, consistent with Canada's federal structure, the province's debt management and reporting are transparent and comprehensive. Its debt actively trades at a reasonable spread to Canada's own debt, implying a solid degree of financial market discipline

British Columbia historically has been more debt-averse than other provinces, despite the significant debt increase forecast in recent budgets. In fiscal 2013–2014, when returning to budget balance after the GFC, it was able to repay borrowing associated with past deficits, with only capital debt remaining. Under the Budget Transparency and Accountability Act of 2000, a reported deficit triggers a requirement to redirect increases in cash to debt reduction.

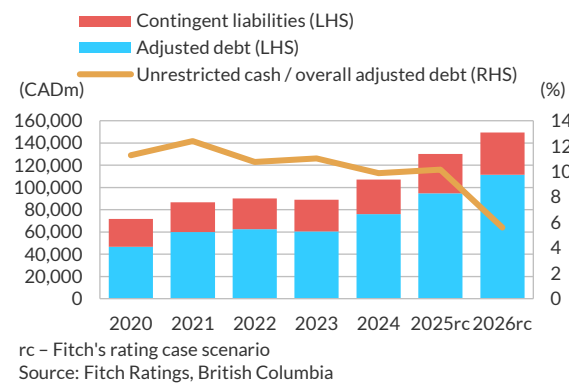
Debt issuance is senior and unsecured, and adjusted debt (before netting available liquidity) was CAD76 billion in fiscal 2024, excluding debt issued for self-supporting Crown corporations. Under Canadian accounting rules, liability reporting is comprehensive and includes direct borrowing, public-private partnerships, commercial Crown corporations, guarantees and employee pensions. Self-supported debt consists largely of BC Hydro borrowing, for which the province acts as fiscal agent. Pensions are well funded at reasonable discount rates.

Interest on debt is manageable, supported by low rates and long maturities; Fitch calculates the weighted average debt maturity at approximately 11 years. While debt matures as bullets, rather than amortizing over time, the presence of sinking funds, solid liquidity and active management of the maturity profile help mitigate refinance risk.

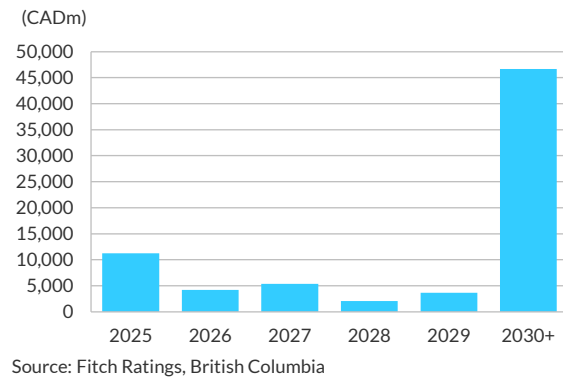
Municipalities may not run deficits, and provincial law requires nearly all to borrow through the Municipal Finance Authority of British Columbia (MFABC; rated AAA) for general municipal projects, including water and sewer infrastructure, communications technology and transportation. The province does not oversee MFABC, and its debt does not carry a provincial guarantee. Outside of MFABC, only the City of Vancouver and the regional transit system, the South Coast British Columbia Transportation Authority (TransLink), issue their own debt without direct provincial guarantees. TransLink also receives provincial capital grants.

The province maintains longstanding policies limiting the risk of unhedged debt issued in foreign currencies or at variable interest rates, with levels capped at 10% and 45%, respectively. In recent years, foreign currency risk has been fully hedged, while unhedged variable-rate debt has been near or below 20% of provincial direct debt.

Overall Adjusted Debt Structure



Debt Maturity Profile



Liabilities and Liquidity Flexibility: Stronger

As with all provinces, British Columbia has extensive power under Canada's federal framework to manage its own internal liquid resources or mobilize external resources as needed, supporting the 'Stronger' assessment. Internal liquid resources have risen in recent years and are ample, including cash and investments calculated by Fitch at CAD10.6 billion as of fiscal 2024, after adjusting for net payables. Its borrowing profile is diversified across markets, and it maintains active CAD and USD-denominated commercial paper (CP) note programs and external credit facilities.

The provinces manage their operating, capital and investing cash flows comprehensively, with internal liquidity, debt issuance or other external liquidity bridging cash flow timing needs, including for refunding maturing debt. Unrestricted pools of liquidity are present in all provinces, although the size of available liquidity differs. British Columbia manages its debt conservatively, mostly issuing to 10- to 30-year maturity benchmarks to support liquid trading in the secondary market and lower borrowing costs.

Cash available to support liquidity includes cash and equivalents of CAD8.7 billion, other investments of CAD4.6 billion, and sinking funds of CAD0.6 billion. Liquidity is also supported by diverse short-term borrowing programs,

including domestic and U.S. CP note programs, a CAD2.5 billion syndicated bank credit facility and a CAD 376 million operating line of credit. No balances are outstanding on the syndicated bank credit facility or operating line of credit.

Debt Analysis

	2024
Fixed rate (% of direct debt)	82.0
Debt in foreign currency (% of direct debt)	0.0
Apparent cost of debt (%)	3.8
Weighted average life of debt (years)	10.5

Source: Fitch Ratings, British Columbia

Liquidity

(CAD Mil.)	2024
Total cash, liquid deposits and sinking funds	10,562
Restricted cash	0
Cash available for debt service	10,562
Undrawn committed credit lines	2,876

Source: Fitch Ratings, British Columbia

Financial Profile Assessment

Financial Profile: a category

Financial Profile Score Summary

	Primary Metric		Secondary Metrics	
	Economic Liability Burden (%)	Payback Ratio (x)	Coverage (x)	Fiscal Debt Burden (%)
aaa	$X \leq 40$	$X \leq 5$	$X \geq 4$	$X \leq 50$
aa	$40 < X \leq 70$	$5 < X \leq 9$	$2 \leq X < 4$	$50 < X \leq 100$
a	$70 < X \leq 100$	$9 < X \leq 13$	$1.5 \leq X < 2$	$100 < X \leq 150$
bbb	$100 < X \leq 140$	$13 < X \leq 18$	$1.2 \leq X < 1.5$	$150 < X \leq 200$
bb	$140 < X \leq 180$	$18 < X \leq 25$	$1 \leq X < 1.2$	$200 < X \leq 250$
b	$X > 180$	$X > 25$	$X < 1$	$X > 250$

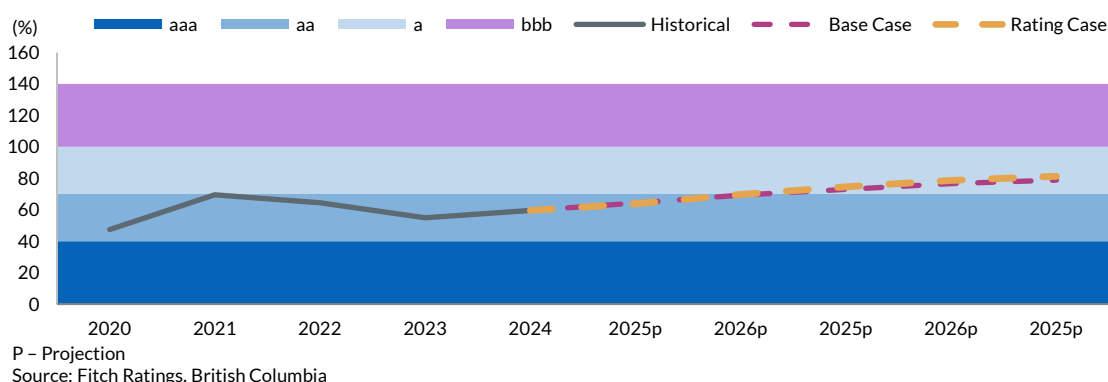
Note: Yellow highlights show metric ranges applicable to issuer
Source: Fitch Ratings

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All three secondary metrics fall into lower assessment categories that reflect weaker projected operating performance over the rating case period. These include a negative payback ratio (net adjusted debt/operating balance) at -136.8x ('b' category), synthetic debt service coverage (operating balance/15-year mortgage-style debt payoff) at -0.1x ('b' category) and the fiscal debt burden (net adjusted debt/operating revenue) at 176% ('bbb' category). Despite weaker operating metrics, projected liquidity remains substantial.

Use of the ELB as primary metric reflects designation of British Columbia under Fitch's LRG criteria as a type A subnational government, with sovereign-like features including the ability to incur structural deficits. Projected federal debt, which is not stressed in the rating case, is expected to rise to nearly CAD1.8 trillion in fiscal 2029. This level could increase more rapidly if fiscal loosening at the federal level leads to a rise in borrowing, which Fitch reflects in its rating sensitivities for the province.

Economic Liability Burden - Fitch's Base and Rating Case Scenarios



Scenario Assumptions

The base and rating cases underlying projected financial profile metrics rely on Fitch's economic forecast for Canada and British Columbia's March 2025 Budget and Financial Plan and are informed by recent historical trends and Fitch's expectations for economic and fiscal growth. Economic assumptions in the base case rely on the province's baseline forecast in the budget, ending in the final year at the province's 20-year nominal GDP CAGR. For the rating case, Fitch assumes an economic shock in 2025 and 2026 lowering nominal GDP by 1.6pp and 1.1pp, respectively, corresponding to the severe uncertainty triggered by the U.S.-Canada trade situation.

Rating case operating performance in fiscal 2025 through 2026 largely reflects the forecast in the budget, higher national GDP recently announced by Statistics Canada and British Columbia's history of understating revenue growth between the forecast estimate and final public accounts, which could support slightly stronger revenues for fiscal 2025. Fiscal 2026 includes estimates for the negative impact of canceling the carbon tax and a CAD1.5 billion drop in own-source revenue, approximating the estimate provided by the province in its budget tariff scenario.

For the projection through fiscal 2029, own-source revenue tracks with nominal GDP growth, and Fitch assumes slightly higher federal transfers. Fitch assumes that spending exceed budgeted amounts by a small margin in fiscal 2026, with excess spending rising to about 1% over the baseline by fiscal 2029. This excess assumes that spending needs will exceed the CAD4 billion spending contingency intended to absorb a wide range of fiscal uncertainties, including tariff-induced weakness, upcoming collective agreements, and routine program service needs.

For capex, the base and rating cases assume actual capex falls from the fiscal 2024 peak, well below the level assumed by the province and closer to historical levels. For direct debt in the base and rating cases, Fitch modifies the province's forecast for taxpayer-supported debt (trended forward to fiscal 2029), netting the cumulative impact of operating revenue and expenditure changes and lowered capex noted above.

Scenario Assumptions Summary

Assumptions	5-Year Historical Average	2025 - 2029 Average	
		Base Case	Rating Case
Operating revenue growth (%)	6.2	3.4	2.8
Tax revenue growth (%)	7.2	3.4	2.6
Current transfers received growth (%)	8.7	4.5	4.4
Operating expenditure growth (%)	9.0	2.5	2.7
Net capital expenditure (average per year; m)	-6,241	-10,571	-8,923
Apparent cost of debt (%)	3.7	3.9	3.9
		2029	
Outcomes	2024	Base Case	Rating Case
Economic liability burden (%)	59.5	78.8	81.3
Payback ratio (x)	-49.1	63.4	-136.8
Synthetic coverage ratio (x)	-0.2	0.2	-0.1
Fiscal debt burden (%)	84.0	167.9	176.4

Source: Fitch Ratings, British Columbia

Debt calculated under Fitch's LRG criteria differs from the comprehensive "net debt" calculation derived under Canadian accounting. Fitch's net adjusted debt calculation totals CAD65.4 billion in fiscal 2024. This figure includes direct debt of CAD73.2 billion plus CAD2.8 billion in public-private partnership and capital lease debt, offset by CAD10.6 billion, consisting of cash, temporary investments and other investments on the province's balance sheet, net of CAD942 million in net payables. Pensions in British Columbia are effectively fully funded. Fitch also excludes the CAD31 billion in debt of self-supporting Crown corporations, primarily BC Hydro, as contingent obligations.

SCP Positioning and Peer Comparison

Analytical Outcome Guidance

Risk Profile	Financial Profile					
Stronger	aaa or aa	a	bbb	bb	b	
High Midrange	aaa	aa	a	bbb	bb	b
Midrange		aaa	aa	a	bbb	bb or below
Low Midrange			aaa	aa	a	bbb or below
Weaker				aaa	aa	a or below
Vulnerable					aaa	aa or below
Suggested analytical outcome (SCP)	aaa	aa	a	bbb	bb	b

Source: Fitch Ratings

British Columbia's peers include other Canadian provinces and other type A LRGs in decentralized federal structures globally, including in Australia, Germany and Switzerland. Among Canadian peers, the most directly comparable provinces are Ontario ('AA-/Stable) and Quebec ('AA-/Stable). These three provinces share comparatively diverse, large economies, although British Columbia's historical experience of comparatively lower debt distinguishes it from its closest Canadian peers. Alberta ('AA/Stable) shares with British Columbia the higher growth attributes common among western Canadian provinces, but its large, cyclical energy sector and the resulting cyclicity of revenues result in a 'High Midrange' risk profile. All three provinces benefit from a one-notch uplift due to a history of ad hoc support from the federal government.

Australian states also operate in a similar institutional framework. IDRs for New South Wales ('AAA/Stable) and Queensland ('AA+/Stable) both reflect similarly 'Stronger' risk profiles, with only one sub-assessment, for expenditure adjustability, at 'Midrange' based on a higher share of inflexible costs. Financial profile assessments, at 'aa' for New South Wales and 'a' for Queensland, are based on lower ELB metrics compared to British Columbia; the resulting SCPs are higher for both, and no additional notching for extraordinary support is provided. German Laender also operate with similarly broad powers and a solidarity system in which all Laender and the sovereign are jointly responsible for supporting a Land in financial distress. This unique institutional support mechanism leads to the equalization of Laender ratings with the sovereign, regardless of SCP.

Peer Comparison

	Risk Profile	Financial Profile Score	SCP	Extraordinary Support	Sovereign Rating	LT IDR	National Rating
British Columbia, Province of	Stronger	a	aa	n.a.	AA+	AA+/Stable	n.a.
New South Wales, State of	Stronger	aa	aaa	n.a.	AAA	AAA/Stable	n.a.
Rhineland-Palatinate, State of	Stronger	a	aa+	n.a.	AAA	AAA/Stable	n.a.
Queensland, State of	Stronger	a	aa+	n.a.	AAA	AA+/Stable	n.a.
Alberta, Province of	High Midrange	aa	aa-	n.a.	AA+	AA/Stable	n.a.
Ontario, Province of	Stronger	bbb	a+	n.a.	AA+	AA-/Stable	n.a.
Quebec, Province of	Stronger	bbb	a+	n.a.	AA+	AA-/Stable	n.a.

Source: Fitch Ratings

Long Term Rating Derivation

From SCP to LT FC IDR: Factors Beyond the SCP

SCP	Sovereign LT FC IDR	Support				Rating Cap	Leeway above Sovereign (notches)	LT FC IDR
		Intergovernmental Financing	Ad hoc Support	Floor				
aa	AA+	-	1	-	-	-	AA+	

Source: Fitch Ratings, British Columbia

British Columbia's IDR, at 'AA+', is driven by its SCP, at 'aa', reflecting a 'Stronger' risk profile and a financial profile in the 'a' category. The final IDR reflects a one-notch uplift provided to all Canadian provincial and territorial ratings when the SCP is below Canada's 'AA+' IDR.

Short Term Rating Derivation

The Short-Term IDR of 'F1+' corresponds with British Columbia's Long-Term IDR of 'AA+' as provided in Fitch's LRG rating criteria.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores.

Appendix A: Financial Data

British Columbia

(CAD Mil.)	2020	2021	2022	2023	2024	2025rc	2026rc	2027rc	2028rc	2029rc
Fiscal Performance										
Taxes	33,266	34,166	40,717	49,025	46,296	49,879	46,635	48,102	50,082	52,630
Transfers received	9,535	12,894	11,980	12,527	13,734	14,331	15,277	15,735	16,316	17,032
Fees, fines and other operating revenues	15,566	12,895	16,817	19,731	17,902	17,314	17,455	18,004	18,745	19,699
Operating revenue	58,367	59,955	69,514	81,283	77,932	81,524	79,367	81,841	85,143	89,361
Operating expenditure	-54,706	-63,245	-66,550	-75,874	-79,265	-85,479	-87,862	-88,110	-89,171	-90,513
Operating balance	3,661	-3,290	2,964	5,409	-1,333	-3,955	-8,495	-6,269	-4,028	-1,152
Interest revenue	0	0	0	0	0	0	0	0	0	0
Interest expenditure	-1,807	-1,832	-1,896	-2,032	-2,446	-3,325	-3,865	-4,603	-5,634	-6,369
Current balance	1,854	-5,122	1,068	3,377	-3,779	-7,280	-12,360	-10,872	-9,662	-7,521
Capital revenue	53	123	68	192	88	88	88	88	88	88
Capital expenditure	-4,772	-5,428	-6,002	-6,755	-8,772	-8,960	-9,205	-9,042	-8,944	-8,904
Capital balance	-4,719	-5,305	-5,934	-6,563	-8,684	-8,872	-9,117	-8,954	-8,856	-8,816
Total revenue	58,420	60,078	69,582	81,475	78,020	81,612	79,455	81,929	85,231	89,449
Total expenditure	-61,285	-70,505	-74,448	-84,661	-90,483	-97,764	-100,932	-101,755	-103,749	-105,786
Surplus (deficit) before net financing	-2,865	-10,427	-4,866	-3,186	-12,463	-16,152	-21,477	-19,826	-18,518	-16,337
New direct debt borrowing	36,459	42,217	33,546	24,844	44,598	31,645	31,346	40,530	43,016	35,779
Direct debt repayment	-5,747	-6,647	-10,990	-8,617	-6,861	-12,837	-14,731	-18,091	-21,881	-19,934
Net direct debt movement	30,712	35,570	22,556	16,227	37,737	18,808	16,615	22,439	21,135	15,845
Overall results	27,847	25,143	17,690	13,041	25,274	2,656	-4,862	2,613	2,617	-492
Debt and Liquidity										
Short-term debt	4,504	7,630	4,908	3,519	7,337	8,928	10,540	12,716	14,766	16,303
Long-term debt	39,061	48,976	53,993	53,460	65,897	83,114	98,117	118,379	137,464	151,772
Intergovernmental debt	0	0	0	0	0	0	0	0	0	0
Direct debt	43,565	56,606	58,901	56,979	73,234	92,042	108,657	131,095	152,230	168,075
Other fitch-classified debt	3,105	3,377	3,664	3,539	2,768	2,747	2,729	2,713	2,699	2,686
Adjusted debt	46,670	59,983	62,565	60,518	76,002	94,789	111,386	133,808	154,929	170,761
Guarantees issued (excluding adjusted debt portion)	14	14	16	15	15	15	15	15	15	15
Majority-owned GRE debt and other contingent liabilities	25,094	26,531	27,489	28,332	30,969	35,295	37,903	40,290	42,341	44,989
Overall adjusted debt	71,778	86,528	90,070	88,865	106,986	130,099	149,304	174,113	197,285	215,765
Total cash, liquid deposits, and sinking funds	8,095	10,727	9,688	9,802	10,562	13,217	8,355	10,967	13,585	13,092
Restricted cash	0	0	0	0	0	0	0	0	0	0
Unrestricted cash	8,095	10,727	9,688	9,802	10,562	13,217	8,355	10,967	13,585	13,092
Net adjusted debt	38,575	49,256	52,877	50,716	65,440	81,572	103,031	122,841	141,344	157,669
Net overall debt	63,683	75,801	80,382	79,063	96,424	116,882	140,949	163,146	183,700	202,673
Enhanced net adjusted debt	38,575	49,256	52,877	50,716	65,440	81,572	103,031	122,841	141,344	157,669
Enhanced net overall debt	63,683	75,801	80,382	79,063	96,424	116,882	140,949	163,146	183,700	202,673
Memo:										
Debt in foreign currency/direct debt (%)	0	0	0	0	0	-	-	-	-	-
Issued debt/direct debt (%)	100	100	100	100	100	-	-	-	-	-
Floating interest rate debt/direct debt (%)	22	22	16	14	18	-	-	-	-	-

rc – Rating case

Source: Fitch Ratings, British Columbia

Appendix B: Financial Ratios

British Columbia

	2020	2021	2022	2023	2024	2025rc	2026rc	2027rc	2028rc	2029rc
Fiscal Performance Ratios										
Operating balance/operating revenue (%)	6.3	-5.5	4.3	6.7	-1.7	-4.9	-10.7	-7.7	-4.7	-1.3
Current balance/current revenue (%)	3.2	-8.5	1.5	4.2	-4.9	-8.9	-15.6	-13.3	-11.4	-8.4
Operating revenue annual growth (%)	1.0	2.7	15.9	16.9	-4.1	4.6	-2.7	3.1	4.0	5.0
Operating expenditure annual growth (%)	6.4	15.6	5.2	14.0	4.5	7.8	2.8	0.3	1.2	1.5
Surplus (deficit) before net financing/total revenue (%)	-4.9	-17.4	-7.0	-3.9	-16.0	-19.8	-27.0	-24.2	-21.7	-18.3
Surplus (deficit) before net financing/GDP (%)	-0.9	-3.4	-1.4	-0.8	-3.0	-3.8	-4.9	-4.4	-3.9	-3.3
Total revenue annual growth (%)	0.9	2.8	15.8	17.1	-4.2	4.6	-2.6	3.1	4.0	5.0
Total expenditure annual growth (%)	6.3	15.0	5.6	13.7	6.9	8.1	3.2	0.8	2.0	2.0
Debt Ratios										
Primary Metrics										
Economic liability burden (%)	47.4	69.6	64.5	54.9	59.5	63.9	69.8	74.6	78.6	81.3
Enhanced economic liability burden (%)	47.4	69.6	64.5	54.9	59.5	63.9	69.8	74.6	78.6	81.3
Payback ratio (x) (net adjusted debt to operating balance)	10.5	-15.0	17.8	9.4	-49.1	-20.6	-12.1	-19.6	-35.1	-136.8
Secondary Metrics										
Fiscal debt burden (%) (net debt-to-operating revenue)	66.1	82.2	76.1	62.4	84.0	100.1	129.8	150.1	166.0	176.4
Synthetic debt service coverage ratio (x)	1.0	-0.8	0.7	1.2	-0.2	-0.5	-0.9	-0.6	-0.3	-0.1
Actual debt service coverage ratio (x)	0.5	-0.4	0.2	0.5	-0.1	-0.2	-0.5	-0.3	-0.1	0.0
Other Debt Ratios										
Liquidity coverage ratio (x)	1.4	0.6	1.1	1.4	0.9	0.4	0.3	0.1	0.3	0.5
Direct debt maturing in one year/total direct debt (%)	15.3	19.4	14.6	12.0	15.4	9.7	9.7	9.7	9.7	9.7
Direct debt (annual % change)	8.4	29.9	4.1	-3.3	28.5	25.7	18.1	20.7	16.1	10.4
Apparent cost of direct debt (interest paid/direct debt) (%)	4.3	3.7	3.3	3.5	3.8	4.0	3.9	3.8	4.0	4.0
Revenue Ratios										
Tax revenue/total revenue (%)	56.9	56.9	58.5	60.2	59.3	61.1	58.7	58.7	58.8	58.8
Current transfers received/total revenue (%)	16.3	21.5	17.2	15.4	17.6	17.6	19.2	19.2	19.1	19.0
Interest revenue/total revenue (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital revenue/total revenue (%)	0.1	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Expenditure Ratios										
Staff expenditure/total expenditure (%)	37.3	34.8	35.1	33.3	36.0	0.0	0.0	0.0	0.0	0.0
Current transfers made/total expenditure (%)	26.9	31.9	30.1	33.4	27.3	0.0	0.0	0.0	0.0	0.0
Interest expenditure/total expenditure (%)	3.0	2.6	2.6	2.4	2.7	3.4	3.8	4.5	5.4	6.0
Capital expenditure/total expenditure (%)	7.8	7.7	8.1	8.0	9.7	9.2	9.1	8.9	8.6	8.4

rc - Rating case
Source: Fitch Ratings, British Columbia

Appendix C: Data Adjustments

Specific Adjustments

Adjustments have been made to British Columbia's public account and budget data to calculate historical, base and rating case metrics under Fitch's LRG criteria and to facilitate comparisons across Canadian and international LRGs. Reported consolidated data are modified to reflect operating, interest and capital revenues and expenditures. Adjustments to calculate the operating balance include replacing historical and projected government business enterprise net income with dividends and netting interest on debt and amortization expenses. The debt data reflect calculations of direct debt and unrestricted liquidity, as defined in Fitch criteria and detailed above.

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