

Province of British Columbia

The downgrade of British Columbia's Issuer Default Rating (IDR) to 'AA-' from 'AA+' reflects our expectation that meaningful erosion of debt metrics is likely given projected operating deficits and capital spending. With only modest offsetting actions so far and no plan to return to balance in the near term, further erosion is possible, informing the Negative Outlook. Historically strong financial management practices and solid economic attributes should support British Columbia's ability to carry elevated debt at the lower rating level, despite near-term fiscal and economic challenges.

British Columbia's 'AA-' IDR reflects a standalone credit profile (SCP) assessed at 'a+', lowered two notches from 'aa'. The SCP is based on a combination of an unchanged risk profile at 'Stronger' and a financial profile lowered to the 'bbb' category from the 'a' category. The final IDR is one notch above the SCP, consistent with Fitch Ratings' view of likely ad-hoc support for provinces from Canada. No other factors affect the rating.

Key Rating Drivers

'Stronger' Risk Profile: The 'Stronger' risk profile reflects 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 2030, ending March 31) due to lower-than-expected revenues, higher-than-expected expenditures, or an unanticipated increase in liabilities or debt service requirements. It is based on five 'Stronger' assessments and one 'Midrange' assessment.

'bbb' Financial Profile: Fitch assesses British Columbia's financial profile in the 'bbb' category based on a rating case scenario for economic, fiscal and debt projections through fiscal 2030, lowered from the 'a' category as of the last review. Under the scenario, the economic liability burden (ELB) metric (net adjusted debt plus a proportion of central government debt/GDP), the primary financial profile metric, rises to 92.7% in fiscal 2030, at the lower end of the 'a' category and significantly higher than the 63.8% reported in fiscal 2025.

The financial profile outcome, below the 'a' level implied by the ELB metric, considers that secondary metrics fall into lower assessment categories given projected weak operating balances over the rating case period. These include a negative payback ratio (net adjusted debt/operating balance) at -171x ('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 193.3% ('bbb' category).

Use of the ELB as primary metric reflects British Columbia's status 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 expected to rise to CAD2.2 trillion in fiscal 2030. This level could increase more rapidly if federal deficits rise sharply, which Fitch incorporates as a sensitivity for the current rating.

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-
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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, or almost 14% of Canada's population. Economic growth historically has been strong and ahead of Canada's, and distribution of GDP across sectors approximates the nation's.

Financial Data Summary

(CAD mil.)	2025	2030rc
Economic liability burden (%)	63.8	92.7
Payback ratio (x)	-25.8	-170.7
Synthetic coverage (x)	-0.4	-0.1
Fiscal debt burden (%)	100.0	193.3
Net adjusted debt	81,739	182,166
Operating balance	-3,174	-1,067
Operating revenue	81,765	94,256
Debt service	14,524	32,817
Mortgage-style debt annuity	7,290	16,667

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

Climate Vulnerability Signals

2035 Climate Vulnerability Signal	36
Transition (Climate.VSt)	20
Physical (Climate.VSp)	32

Applicable Criteria

[International Local and Regional Governments Rating Criteria \(March 2026\)](#)

Related Research

- [Global Economic Outlook - March 2026](#)
- [Canadian Provinces Scorecard \(January 2026\)](#)
- [Canadian Provinces - Peer Credit Analysis 2025 \(October 2025\)](#)
- [Supranationals, Subnationals and Agencies Handbook \(September 2025\)](#)

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Federal responsibilities include defense, trade and commerce and administration of a Canada-wide unemployment system. Vertical transfers, supported by the federal government's broad revenue powers, are intended to enhance the provinces' ability to deliver similar services despite differing economic and fiscal profiles.

British Columbia's Socioeconomic Profile

British Columbia is one of Canada's four largest provinces by population and GDP, with almost 14% of Canada's population in 2025 and 14% of GDP in 2024. 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 healthcare are significant drivers, although natural resources, including forestry, natural gas and mining, are important in interior and northern regions.

Fitch calculates real GDP per capita at 101% of the Canadian average as of 2024. Economic performance is sensitive to national and international trends. A higher share of British Columbia's trade is with Asia compared to other provinces; 51% of goods were exported to the U.S. in 2025 compared to 72% for Canada as a whole. U.S. trade uncertainty has been a drag on economic growth and is likely to continue given the renegotiation of the Canada-United States-Mexico Agreement (CUSMA) scheduled later in 2026.

GDP has been variable since the pandemic in 2020, with a sharp rebound followed by rapid cooling. Real GDP in 2024, at 1.1%, was well under Canada's 2% level and the province's 2.6% CAGR for the last 20 years. For 2025, the province anticipates growth of 1.5%, with 2026 at 1.3%, before accelerating to 2.2% by 2030 under the baseline forecast. Given multiple uncertainties, Fitch's latest Global Economic Outlook forecasts slow growth in Canada, at 1.7% in 2025 and 1.2% in 2026. British Columbia is likely to track these trends despite its lesser exposure to U.S. markets.

British Columbia's population stood at 5.7 million as of 2025. Growth historically has exceeded Canada's; it was the second fastest growing province over the past 20 years. Following a post-pandemic population surge at 2.9% in 2023 and 2.8% in 2024, federal immigration curbs announced in October 2024 have slowed population growth to only 0.5% in 2025, and population has fallen outright for three consecutive quarters through 1Q26. The shift is slowing revenue growth but reducing pressure on public services and the housing market. As of March 2026, the labor market remained steady, with unemployment at 6.7% in British Columbia, in the same as Canada. In the short term, employment growth is likely to slow, while unemployment improves, reflecting in part the population slowdown.

Consumer spending is expected to soften due to ongoing uncertainty. Consumer stress is signaled as well by a gradual rise in mortgage delinquencies. Housing market pressure, especially in metro Vancouver, has been a longer-term drag on economic performance given high demand, elevated prices and limited new supply. Provincial policy actions in recent years are adding materially to housing supply, although the market appears far from balance.

Socioeconomic Indicators

	British Columbia	Canada
Population, 2025 (mil.)	5.7	41.7
GDP per capita, 2024 (CAD)	60,131	59,529
Nominal GDP growth, 2024 (%)	3.5	4.8
Inflation, 2025 (%)	2.1	2.1
Unemployment rate, 2025 (%)	6.2	6.8

Source: Fitch Ratings, national statistics, Province of 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 assessment reflects Fitch's view of a limited degree of risk versus international peers that the issuer's ability to cover debt service with operating balance will weaken unexpectedly over the forecast horizon, due to lower than expected revenue, expenditures above expectations or an unanticipated rise in liabilities or debt service requirements.

Revenue Robustness: Stronger

British Columbia has a diverse and wealthy socioeconomic profile, broad revenue base, and solid growth prospects. Provincial taxes are likely to grow robustly over time despite moderate exposure to economic cyclicalities and current weakness. Taxes are broad based and comprise non-tax levies and receipts from government-related entities (GREs), including utilities, insurance, lottery, and liquor enterprises further diversify revenues. Federal transfers are stable and provide added support.

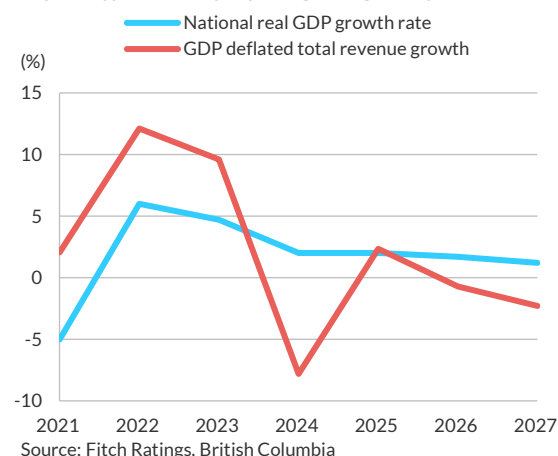
Total revenues are diverse, with own-source revenues representing about 81% of total revenues in fiscal 2025 and the remainder derived from federal transfers. (Most fiscal data in this report are Fitch adjusted.) Major taxes include moderately cyclical personal income tax (PIT) and corporate income tax and the provincial sales tax (PST). Property and property transfer taxes can fluctuate with housing cycles; these sources represent 7.8% of revenue. Forestry, natural gas, and other natural resource revenues are volatile and were 3% of revenue in fiscal 2025, down from 7.6% in fiscal 2023.

Crown corporation dividends provided about 3.1% of total revenue in fiscal 2025, primarily from lottery and liquor enterprises. Reported net revenues included additional amounts from British Columbia Hydro and Power Authority (BC Hydro; rated 'AA-'), the province's integrated hydropower generation, transmission, and distribution utility, and the Insurance Corporation of British Columbia (ICBC; an auto insurer), neither of which currently pays dividends. Crown corporations have periodically suffered setbacks, with losses consolidated on the province's income statement.

Federal transfers consist primarily of per-capita formula amounts for healthcare (Canada Health Transfer [CHT]) and social services (Canada Social Transfer). British Columbia is ineligible for equalization transfers provided at present to six provinces with lower fiscal capacity. Federal transfers rose an average of 9.3% over the five years through fiscal 2025, mostly due to one-time transfers to address the pandemic. Nominal GDP and population growth are likely to support moderate future growth, despite elevated uncertainties tied to U.S. trade tensions 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 7% annually over the five years through fiscal 2025, matching nominal GDP growth of 7% through 2024. Nominal GDP and revenue growth have slowed from the torrid pace immediately after the pandemic. Calendar 2024 nominal GDP rose 3.5%, supporting 4.9% operating revenue growth in fiscal 2025. In calendar 2025, nominal GDP is estimated to have risen 4.1%, while fiscal 2026 operating revenue rises only 1.7% given general economic uncertainty and the prior-year cancellation of the consumer carbon tax, among other factors.

Real Total Revenue and GDP Growth



2025 Revenue Breakdown

	Operating revenue (%)	Total revenue (%)
Income tax	30.9	30.9
Sales tax	12.7	12.7
Other taxes	16.9	16.9
Transfers	17.5	17.5
Natural resources	3.0	3.0
Other operating revenue	19.1	19.1
Operating revenue	100.0	99.9
Interest revenue	-	0.0
Capital revenue	-	0.1
Total revenue	-	100.0

Source: Fitch Ratings, Fitch Solutions, Province of British Columbia

Revenue Adjustability: Stronger

All provinces have unlimited authority to raise revenue under Canada's constitutional framework. There are no legal caps on tax rates, and revenue per capita in British Columbia is near the average, suggesting ample capacity to raise rates if needed. Revenue forecasting is developed in consultation with private forecasters and is typically

conservative and transparent. Practical limits on taxation are driven by political considerations and competition with neighboring Alberta and the U.S., but Fitch views the province as retaining considerable revenue-raising flexibility.

Tax changes are relatively frequent. After Canada canceled the federal consumer carbon tax on fuels in March 2025, British Columbia immediately repealed its own consumer carbon tax, along with an offsetting tax credit, with a net CAD1.8 billion impact in fiscal 2026. The province has restructured some programs previously funded by the tax to limit the budgetary effects of the repeal. Budget 2026 includes tax increases forecast to generate CAD 757 million in fiscal 2027, rising to CAD 1.9 billion in fiscal 2029, including pausing PIT brackets, raising the lowest PIT rate, extending PST to more services and raising certain property taxes.

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

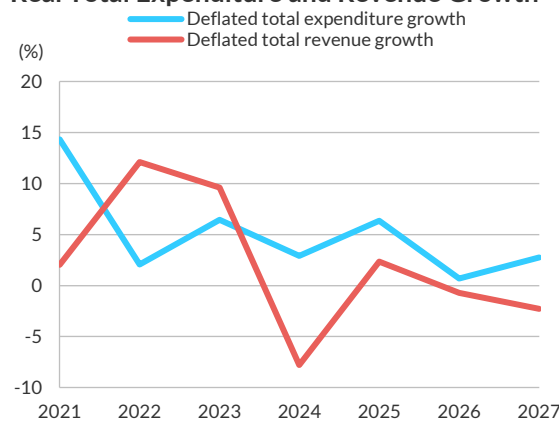
Expenditure Sustainability: Midrange

The provinces are responsible for funding a broad array of services under Canada's federal system, ranging from relatively stable categories such as education to faster-growing healthcare, social services, and capital outlays to support growth. The 'Midrange' assessment for all provinces reflects this broad spending mandate and Fitch's expectation that, in an economic downturn, provinces will maintain or increase spending, heightening deficit risk over time.

The 'Midrange' assessment also assumes 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's responsibility for unemployment insurance reduces one source of cyclicity in provincial budgets.

Healthcare, education and social services are British Columbia's largest spending responsibilities, accounting for 38%, 19%, and 11% of total expenditures, respectively in fiscal 2025. Rising healthcare costs are a key long-term concern, driven by 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.

Real Total Expenditure and Revenue Growth



Source: Fitch Ratings, British Columbia

Expenditure Breakdown, 2025

	Operating expenditure (%)	Total expenditure (%)
Healthcare	43.8	37.7
Education	21.8	18.8
Social services	12.8	11.1
Natural resources	7.1	6.1
Other operating expenditure	14.5	12.5
Operating expenditures	100.0	86.1
Interest expenditure	-	3.3
Capital expenditure	-	10.5
Total expenditures	-	100.0

Source: Fitch Ratings, Fitch Solutions, Province of British Columbia

Expenditure Adjustability: Stronger

As the primary providers of public services in Canada, the provinces maintain high service levels and retain ample flexibility to modify spending, supporting the 'Stronger' assessment. Adjustability is constrained by political and service demands, including demographic pressures and the need for countercyclical stimulus during recessions. Flexibility is most often exercised through collective labor agreements or program efficiencies, although outright service reductions are uncommon. Operating contingencies provide additional flexibility.

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, and budgets since then have extended it, with the current suspension through fiscal 2029.

Although Budget 2026 does not forecast near-term balance, British Columbia had a solid history of managing spending growth and taking action to address imbalances, notably following the global financial crisis (GFC) and the voter referendum rejecting the HST. More recently, spending demands have been driven by inflation, higher wage settlements and rapid population growth. Operating expenditures rose an average of 9.2% annually in the five years through fiscal 2025, ahead of 7% for operating revenue.

Lower inflation, near-flat population growth and efforts to identify savings are expected to lower spending growth, with year-over-year projected growth at 3.6% in fiscal 2026 declining to 1.9% in fiscal 2028 on a reported basis. Part of projected savings from the latter are expected to be reinvested in service expansion. However, a new round of collective agreement negotiations that began last year creates uncertainty for the pace of spending. The budget assumes a sizable CAD 5 billion annually for contingencies through fiscal 2029.

Most public capital spending is provincially funded and carefully distinguishes taxpayer-supported and self-supported capex. Budget 2026 assumes CAD 37.7 billion in taxpayer-supported capex through fiscal 2029. Actual taxpayer-supported capex in the last five years has averaged 26% below original budget targets given routine delays. Fitch views capex as an important source of flexibility. Budget 2026 lowers projected taxpayer-supported capex from CAD45.9 billion as of last year, partly reflecting the ability to defer spending. The budget also projects CAD 15.3 billion in self-supported capex, largely for BC Hydro's ambitious expansion plans.

Liabilities and Liquidity Robustness: Stronger

The provinces manage debt and liabilities comprehensively, with most borrowing concentrated at the provincial level, the tier of government with the broadest fiscal powers. The provincial treasury maintains close oversight of liquidity and borrowing, while risks from variable rates, foreign currency, and bullet maturities are carefully managed. Despite federal linkages, provinces manage liquidity and debt separately from the federal government.

British Columbia's debt burden is manageable but rising, supported by favorable borrowing costs and long maturities. Borrowing occurs within Canada's large, well-regulated financial market and in the U.S., Europe, and Asia. Although not subject to federal prudential borrowing limits, consistent with Canada's federal structure, debt management and reporting are transparent and comprehensive, market access is solid, and the province's bonds trade actively in benchmark issuances at close spreads to Canada's own debt, implying solid financial market discipline.

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

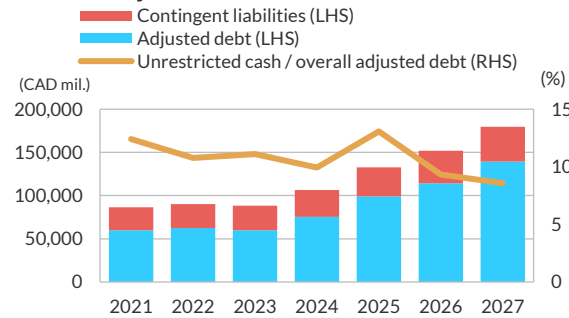
Debt issuance is senior and unsecured. Adjusted debt before netting available liquidity was CAD 99.1 billion in fiscal 2025, excluding debt issued for self-supporting Crown corporations. Under Canadian accounting rules, liability reporting is comprehensive and includes direct borrowing, public-private 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 using reasonable discount rates.

Debt service is manageable, supported by low rates and long maturities; Fitch calculates the weighted average debt maturity at about 14 years. While debt matures in bullet form rather than amortizing over time, sinking funds, solid liquidity, and active maturity management help mitigate refinancing 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 carries no provincial guarantee. Outside 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.

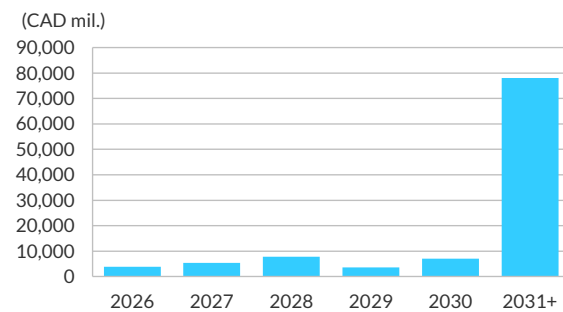
The province maintains long-standing policies limiting the risk of unhedged debt issued in foreign currencies or at variable interest rates, with caps of 10% and 45%, respectively. In recent years, foreign currency risk has been fully hedged, while unhedged variable-rate debt has remained near or below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

Overall Adjusted Debt Structure



Source: Fitch Ratings, British Columbia

Debt Maturity Profile



Source: Fitch Ratings, British Columbia

Liabilities and Liquidity Flexibility: Stronger

As with all provinces, British Columbia has extensive authority under Canada's federal framework to manage internal liquid resources or mobilize external resources as needed, supporting the 'Stronger' assessment. Internal liquid resources have risen in recent years and remain ample, including cash and investments calculated by Fitch at CAD 17.4 billion as of fiscal 2025 after net payables. The province's borrowing profile is diversified across markets, and it maintains active CAD and USD commercial paper (CP) note programs, a CAD 376 million line of credit and a CAD 2.5 billion committed syndicated bank credit facility.

The provinces manage operating, capital, and investing cash flows comprehensively, using internal liquidity, debt issuance, or other external sources to bridge timing needs, including debt refinancing. All provinces maintain unrestricted liquidity pools, although available balances vary widely. British Columbia manages its debt conservatively, issuing mainly in 10- to 30-year benchmark maturities to support secondary-market liquidity and reduce borrowing costs.

Cash available to support liquidity includes CAD 13.3 billion of cash and equivalents, CAD 5.1 billion of other investments, and CAD 0.2 billion of sinking funds. Liquidity is also supported by diverse short-term borrowing programs, including domestic and U.S. CP note programs and the aforementioned operating line of credit and committed syndicated bank credit facilities. No amounts were outstanding on either the syndicated bank credit facility or the operating line of credit.

Debt Analysis

	2025
Fixed rate (% of direct debt)	86
Debt in foreign currency (% of direct debt)	0
Apparent cost of debt (%)	3.9
Weighted average life of debt (years)	14.3

Source: Fitch Ratings, British Columbia

Liquidity

(CAD Mil.)	2025
Total cash, liquid deposits and sinking funds	17,350
Restricted cash	0
Cash available for debt service	17,350
Undrawn credit lines	2,876

Source: Fitch Ratings, British Columbia

Financial Profile Assessment

Financial Profile: bbb category

Financial Profile Score Summary

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

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

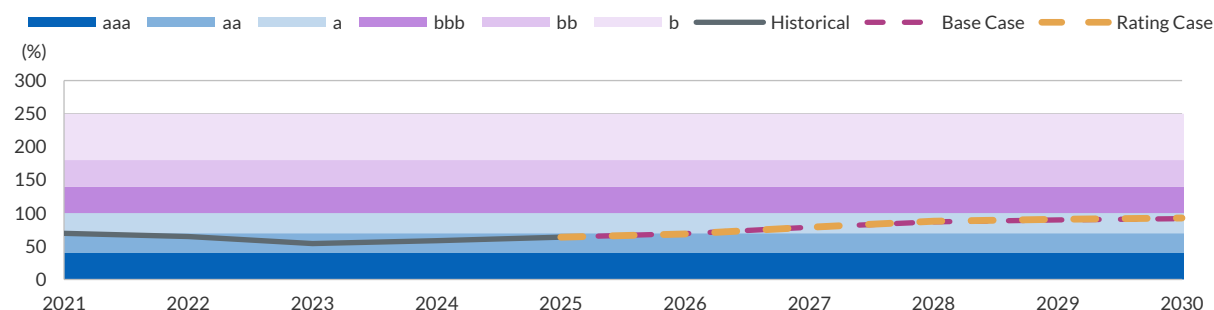
Fitch assesses British Columbia's financial profile in the 'bbb' category based on a rating case scenario for economic, fiscal and debt projections through fiscal 2030, lowered from the 'a' category as of the last review. Under the scenario,

the ELB metric (net adjusted debt plus a proportion of central government debt/GDP), the primary financial profile metric, rises to 92.7% in fiscal 2030, at the lower end of the 'a' category and significantly higher than the 63.8% reported in fiscal 2025.

The financial profile outcome, below the 'a' level implied by the ELB metric, considers that most secondary metrics fall into lower assessment categories given projected weak operating balances over the rating case period. These include a negative payback ratio (net adjusted debt/operating balance) at -171x ('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 193% ('bbb' category).

Use of the ELB as primary metric reflects British Columbia's status under Fitch's International Local and Regional Governments 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 expected to rise to CAD2.2 trillion in fiscal 2030. This level could increase more rapidly if federal deficits rise sharply, which Fitch incorporates as a sensitivity for the current rating.

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



Source: Fitch Ratings, British Columbia

Scenario Assumptions

The base and rating cases are informed by economic and other data from Statistics Canada, Fitch Ratings, and British Columbia's March 2026 Budget and Financial Plan. Nominal GDP growth in the base case tracks the province's baseline forecast in the budget through calendar 2028 (fiscal 2029), with calendar 2029 (fiscal 2030) at the province's 20-year nominal GDP CAGR. For the rating case, Fitch assumes weaker economic performance in calendar 2026 (fiscal 2027) lowering nominal GDP to 3.3%, corresponding to a moderate shock based on historical nominal GDP growth. Thereafter, nominal GDP gradually rises to the 20-year CAGR in calendar 2029 (fiscal 2030).

Rating case operating performance in fiscal years 2026 and 2027 largely reflects the forecast in the budget. Own-source operating revenue thereafter rises in line with nominal GDP recovery. Federal transfers are also slightly below budget expectations, consistent with a slightly slower increase in federal nominal GDP. Fitch assumes that operating spending exceeds budgeted amounts, with a 25-bp variance in fiscal 2027 rising to a 1% variance by fiscal 2030. This excess assumes that spending needs will exceed the sizable, CAD5 billion spending contingency budgeted for wide range of fiscal uncertainties, including economic weakness, new collective agreements, and routine program services.

For capex, the base and rating cases assume that the province continues to underspend targets despite the downward adjustment of projected outlays in Budget 2026. The cost of debt in the base case assumes a 4.1% rate from fiscal 2027 onward and in the base case assumes a 10-bp increase from the base case level.

Projected borrowing in the base and rating cases is modified to reflect the cumulative effects of assumption changes to operating performance and capital. For the base case, assumed lower capex decreases cumulative borrowing by CAD 6 billion by fiscal 2030. For the rating case, assumed operating revenue and expenditure changes raise borrowing by CAD 6.5 billion while lower capex reduces borrowing by CAD 12.6 billion.

Scenario Assumptions Summary

Assumptions	2021–2025 historical average	2026–2030 average	
		Base case	Rating case
Operating revenue growth (%)	7.0	3.1	2.9
Tax revenue growth (%)	8.2	3.7	3.4
Current transfers received growth (%)	8.5	2.3	3.0
Operating expenditure growth (%)	9.2	2.1	2.3
Net capital expenditure (CAD mil.)	-7,364	-10,943	-9,632
Apparent cost of debt (%)	3.63	4.05	4.13

Outcomes	2025	2030	
		Base case	Rating case
Economic liability burden (%)	63.8	91.7	92.7
Payback ratio (x)	-25.8	200.4	-170.8
Actual coverage ratio (x)	-0.2	0.0	0.0
Synthetic coverage ratio (x)	-0.4	0.1	-0.1
Fiscal debt burden (%)	100.0	191.5	193.3

Source: Fitch Ratings, British Columbia

Liquidity and Debt Structure: 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 CAD 81.7 billion in fiscal 2025. This figure includes direct debt of CAD 96.4 billion plus CAD 2.6 billion in public-private partnership and capital lease debt, offset by CAD 18.6 billion, consisting of cash, temporary investments and other investments on the province's balance sheet, net of CAD 1.2 million in net payables. Pensions in British Columbia are effectively fully funded. Fitch also excludes the CAD 33.7 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 type A LRGs in decentralized federal systems, including Australia and Germany. The most directly comparable Canadian peers are Ontario ('AA-/Stable) and Quebec ('AA-/Stable). The three provinces share 'Stronger' risk profiles and 'bbb' category financial profiles; before the current review, British Columbia was distinct for carrying lower debt. Alberta ('AA-/Stable) shares the stronger growth prospects common to western Canadian provinces, but its large, cyclical energy sector and narrow revenue base produce a 'High Midrange' risk profile; much lower debt enables it to support a higher rating.

Australian states operate within a similar federal framework. Both New South Wales ('AAA-/Stable) and Queensland ('AA+/Stable) have similarly 'Stronger' risk profiles, with only one sub-assessment, expenditure adjustability, at 'Midrange' due to a higher share of inflexible costs. Their financial profile assessments, at 'aa' for New South Wales and 'a' for Queensland, are based on lower ELB metrics than British Columbia's. As a result, both have higher SCPs, and neither receives additional notching for extraordinary support.

German Laender also operate with broad powers and within a solidarity system under which all Laender and the sovereign are jointly responsible for supporting a Land in financial distress. This unique institutional support mechanism equalizes 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	Stronger	bbb	a+	1	AA+	AA-/Negative	N.A.
Ontario	Stronger	bbb	a+	1	AA+	AA-/Stable	N.A.
Quebec	Stronger	bbb	a+	1	AA+	AA-/Stable	N.A.
Alberta	High Midrange	aa	aa-	1	AA+	AA/Stable	N.A.
Victoria	Stronger	a	aa+	N.A.	AAA	AA+/Stable	N.A.
North Rhine-Westphalia	Stronger	a	aa+	N.A.	AAA	AAA/Stable	N.A.
New South Wales	Stronger	aa	aaa	N.A.	AAA	AAA/Stable	N.A.

Source: Fitch Ratings, British Columbia

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			
a+	AA+	-	1	-	-	-	AA-

Source: Fitch Ratings, Province of British Columbia

British Columbia's IDR, at 'AA-', is driven by its SCP, at 'a+', reflecting a 'Stronger' risk profile and a financial profile in the 'bbb' 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

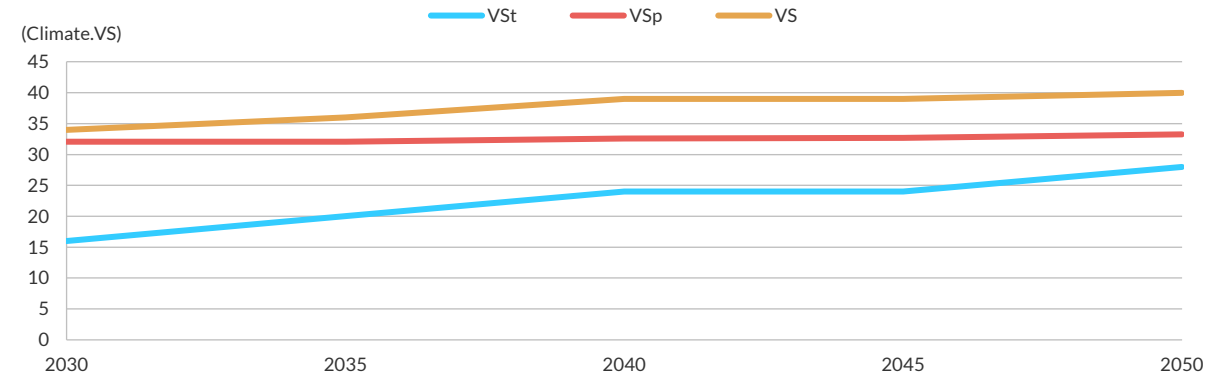
The Short-Term IDR of 'F1+' corresponds with British Columbia's Long-Term IDR of 'AA-', as provided in Fitch's LRG rating criteria.

Climate Vulnerability Signals

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to climate-related risks. If Fitch identifies an entity as higher risk (i.e. its Climate.VS in 2035 is 50 or higher), the entity receives additional analysis and consideration in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). For more information on Climate.VS, see Fitch's International Local and Regional Governments Rating Criteria.

The Climate.VS for 2035 is 36 out of 100. This reflects a VSp of 32 and a VSt of 20. Although Canadian provinces are vulnerable to extreme climate-related events, Canada and the provinces have robust disaster response mechanisms to mitigate or address the effects of physical climate hazards.

Climate Vulnerability Signals



Source: Fitch Ratings

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.)	2021	2022	2023	2024	2025	2026rc	2027rc	2028rc	2029rc	2030rc
Fiscal Performance										
Taxes	34,166	40,717	49,025	46,296	49,446	49,224	50,225	53,323	55,802	58,573
Transfers received	12,894	11,980	12,527	13,734	14,307	14,610	15,379	15,004	15,224	16,547
Fees, fines and other operating revenues	12,895	16,817	19,731	17,902	18,012	19,282	17,513	17,667	18,158	19,136
Operating revenue	59,955	69,514	81,283	77,932	81,765	83,116	83,117	85,994	89,184	94,256
Operating expenditure	-63,340	-66,550	-75,874	-79,267	-84,939	-87,436	-90,530	-91,435	-92,977	-95,323
Operating balance	-3,385	2,964	5,409	-1,335	-3,174	-4,320	-7,413	-5,441	-3,793	-1,067
Interest revenue	0	0	0	0	0	0	0	0	0	0
Interest expenditure	-1,832	-1,896	-2,032	-2,444	-3,278	-3,976	-5,158	-6,222	-7,229	-8,006
Current balance	-5,217	1,068	3,377	-3,779	-6,452	-8,296	-12,571	-11,663	-11,022	-9,073
Capital revenue	123	68	192	88	47	47	47	47	47	47
Capital expenditure	-5,428	-6,002	-6,755	-8,772	-10,379	-10,234	-11,215	-10,548	-8,250	-8,149
Capital balance	-5,305	-5,934	-6,563	-8,684	-10,332	-10,187	-11,168	-10,501	-8,203	-8,102
Total revenue	60,078	69,582	81,475	78,020	81,812	83,163	83,164	86,041	89,231	94,303
Total expenditure	-70,600	-74,448	-84,661	-90,483	-98,596	-101,646	-106,903	-108,205	-108,456	-111,478
Surplus (deficit) before net financing	-10,522	-4,866	-3,186	-12,463	-16,784	-18,483	-23,739	-22,164	-19,225	-17,175
New direct debt borrowing	19,688	13,285	6,695	23,116	36,893	30,228	41,330	44,202	40,514	40,183
Direct debt repayment	-6,647	-10,990	-8,617	-6,861	-11,246	-14,932	-16,359	-21,259	-19,279	-24,811
Net direct debt movement	13,041	2,295	-1,922	16,255	25,647	15,296	24,971	22,943	21,235	15,372
Overall results	2,519	-2,571	-5,108	3,792	8,863	-3,187	1,232	779	2,010	-1,803
Debt and Liquidity										
Short-term debt	7,630	4,908	3,519	7,337	11,012	10,950	13,397	15,646	17,727	19,233
Long-term debt	48,976	53,993	52,830	65,297	85,429	100,787	123,311	144,005	163,159	177,025
Intergovernmental debt	0	0	0	0	0	0	0	0	0	0
Direct debt	56,606	58,901	56,349	72,634	96,441	111,737	136,708	159,651	180,886	196,258
Other fitch-classified debt	3,377	3,664	3,539	2,768	2,648	2,569	2,494	2,422	2,353	2,287
Adjusted debt	59,983	62,565	59,888	75,402	99,089	114,306	139,202	162,073	183,239	198,545
Guarantees issued (excluding adjusted debt portion)	14	16	15	15	6	6	6	6	6	6
Majority-owned GRE debt and other contingent liabilities	26,531	27,489	28,332	30,969	33,705	37,519	40,477	42,949	45,540	49,026
Overall adjusted debt	86,528	90,070	88,235	106,386	132,800	151,831	179,685	205,028	228,785	247,577
Total cash, liquid deposits, and sinking funds	10,727	9,688	9,802	10,562	17,350	14,163	15,395	16,173	18,182	16,379
Restricted cash	0	0	0	0	0	0	0	0	0	0
Unrestricted cash	10,727	9,688	9,802	10,562	17,350	14,163	15,395	16,173	18,182	16,379
Net adjusted debt	49,256	52,877	50,086	64,840	81,739	100,143	123,807	145,900	165,057	182,166
Net overall debt	75,801	80,382	78,433	95,824	115,450	137,668	164,290	188,855	210,603	231,198
Enhanced net adjusted debt	49,256	52,877	50,086	64,840	81,739	100,143	123,807	145,900	165,057	182,166
Enhanced net overall debt	75,801	80,382	78,433	95,824	115,450	137,668	164,290	188,855	210,603	231,198
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	16	13	17	14	-	-	-	-	-

rc - rating case
Source: Fitch Ratings, British Columbia

Appendix B: Financial Ratios

British Columbia

	2021	2022	2023	2024	2025	2026rc	2027rc	2028rc	2029rc	2030rc
Fiscal Performance Ratios										
Operating balance/operating revenue (%)	-5.7	4.3	6.7	-1.7	-3.9	-5.2	-8.9	-6.3	-4.3	-1.1
Current balance/current revenue (%)	-8.7	1.5	4.2	-4.9	-7.9	-10.0	-15.1	-13.6	-12.4	-9.6
Operating revenue annual growth (%)	2.7	15.9	16.9	-4.1	4.9	1.7	0.0	3.5	3.7	5.7
Operating expenditure annual growth (%)	15.8	5.1	14.0	4.5	7.2	2.9	3.5	1.0	1.7	2.5
Surplus (deficit) before net financing/total revenue (%)	-17.5	-7.0	-3.9	-16.0	-20.5	-22.2	-28.5	-25.8	-21.6	-18.2
Surplus (deficit) before net financing/GDP (%)	-3.4	-1.4	-0.8	-3.0	-3.9	-4.1	-5.1	-4.6	-3.9	-3.3
Total revenue annual growth (%)	2.8	15.8	17.1	-4.2	4.9	1.7	0.0	3.5	3.7	5.7
Total expenditure annual growth (%)	15.2	5.5	13.7	6.9	9.0	3.1	5.2	1.2	0.2	2.8
Debt Ratios										
Primary Metrics										
Economic liability burden (%)	69.6	64.5	54.2	58.6	63.8	68.7	78.9	87.7	90.8	92.7
Enhanced economic liability burden (%)	69.6	64.5	54.2	58.6	63.8	68.7	78.9	87.7	90.8	92.7
Payback ratio (x) (Net adjusted debt to operating balance)	-14.6	17.8	9.3	-48.6	-25.8	-23.2	-16.7	-26.8	-43.5	-170.7
Secondary Metrics										
Fiscal debt burden (%) (Net debt-to-operating revenue)	82.2	76.1	61.6	83.2	100.0	120.5	149.0	169.7	185.1	193.3
Synthetic debt service coverage ratio (x)	-0.8	0.7	1.2	-0.2	-0.4	-0.5	-0.7	-0.4	-0.3	-0.1
Actual debt service coverage ratio (x)	-0.4	0.2	0.5	-0.1	-0.2	-0.2	-0.3	-0.2	-0.1	0.0
Other Debt Ratios										
Liquidity coverage ratio (x)	0.6	1.1	1.4	0.9	0.5	0.7	0.3	0.4	0.5	0.5
Direct debt maturing in one year/total direct debt (%)	19.4	14.6	12.2	15.5	15.5	9.8	9.8	9.8	9.8	9.8
Direct debt (annual % change)	29.9	4.1	-4.3	28.9	32.8	15.9	22.4	16.8	13.3	8.5
Apparent cost of direct debt (interest paid/direct debt) (%)	3.7	3.3	3.5	3.8	3.9	3.8	4.2	4.2	4.3	4.3
Revenue Ratios										
Tax revenue/total revenue (%)	56.9	58.5	60.2	59.3	60.4	59.2	60.4	62.0	62.5	62.1
Current transfers received/total revenue (%)	21.5	17.2	15.4	17.6	17.5	17.6	18.5	17.4	17.1	17.6
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 (%)	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Expenditure Ratios										
Staff expenditure/total expenditure (%)	34.8	35.1	33.3	36.0	36.1	0.0	0.0	0.0	0.0	0.0
Current transfers made/total expenditure (%)	31.8	30.1	33.4	27.3	26.8	0.0	0.0	0.0	0.0	0.0
Interest expenditure/total expenditure (%)	2.6	2.6	2.4	2.7	3.3	3.9	4.8	5.8	6.7	7.2
Capital expenditure/total expenditure (%)	7.7	8.1	8.0	9.7	10.5	10.1	10.5	9.8	7.6	7.3

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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