

PROVINCE OF BRITISH COLUMBIA

BUDGET 2023

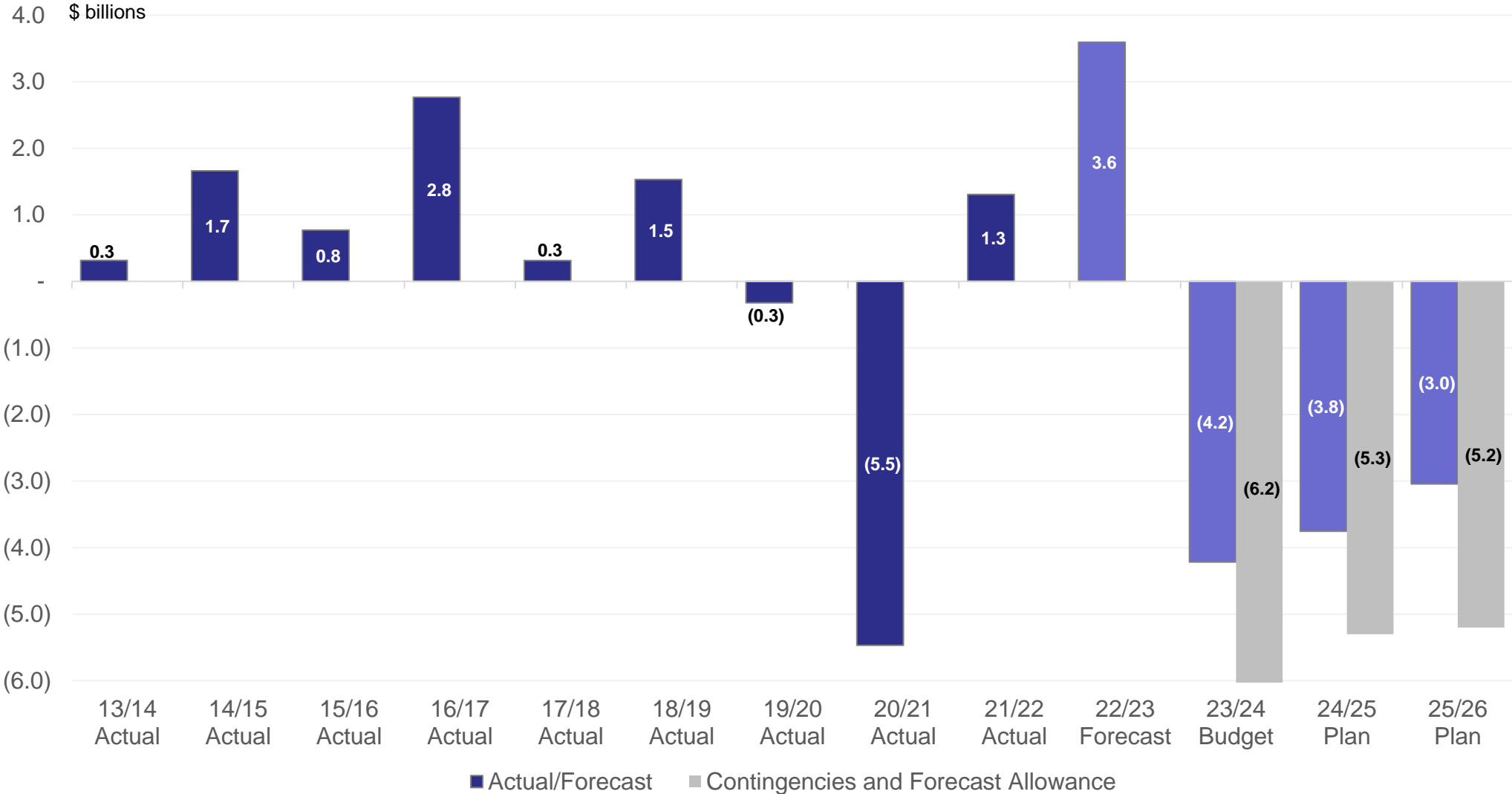


Ministry of
Finance

2022/23 Updated Q3 Forecast

- The updated 2022/23 forecast projects a Q3 surplus of \$3.6 billion, which is \$9.1 billion improvement from the \$5.5 billion deficit forecast at *Budget 2022*
- Taxpayer-supported debt metrics:
 - Debt to GDP ratio: 16.4%
 - Debt to Revenue ratio: 78.7%
 - Interest bite: 2.4 cents per revenue dollar

Historical Surplus (Deficit)

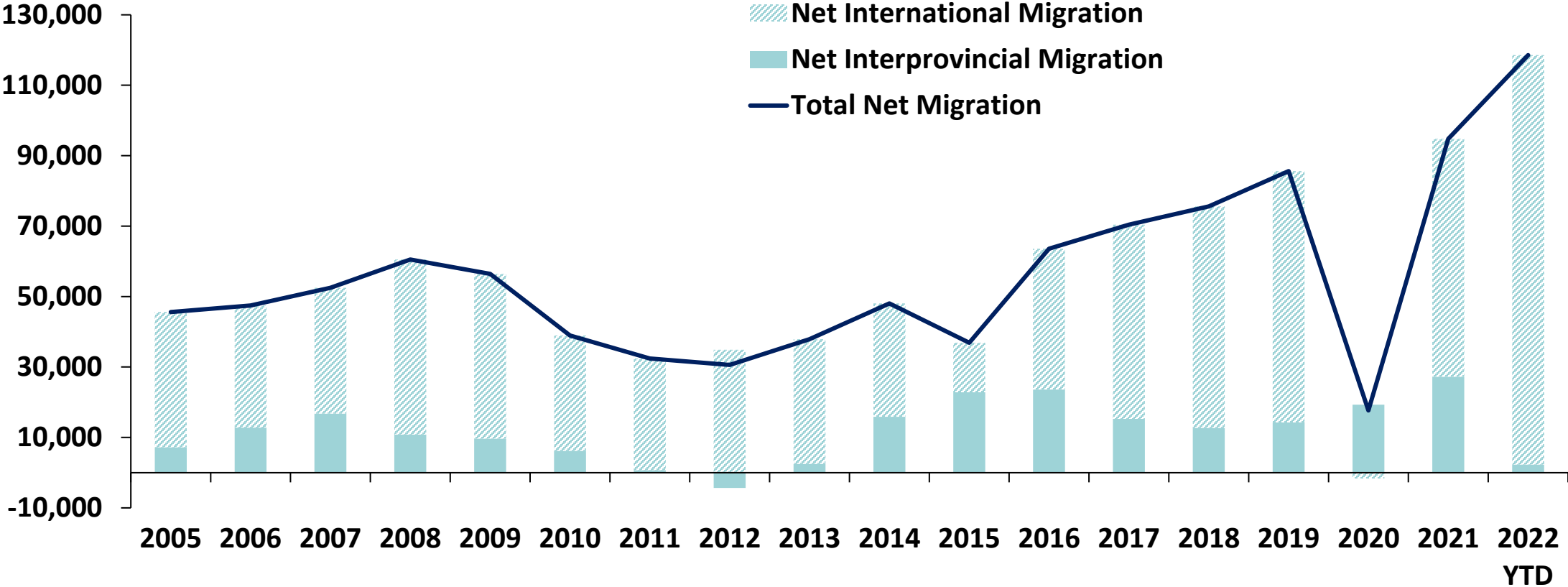


Summary of Current Economic Situation

Indicator	Performance
Labour Market	The unemployment rate is low (5.1% in February) but is leading to high job vacancies in some sectors.
Consumer Spending	Consumer spending on services continues to recover while spending on goods has softened.
Housing Market	Housing construction is strong (46,721 units in 2022) while sales activity has declined to low levels (-35.2% in 2022).
Inflation & Interest Rates	Inflation has started to ease (6.2% in February) but affordability challenges remain, while interest rates are high.
Exports	The value of goods exports is weakening (-15.6% since May) while service exports continue to recover.
Global Growth, Geopolitical Events & Pandemic	The economic outlook for most of B.C.'s major trading partners (e.g., rest of Canada, U.S., China, and Japan) has weakened.

Total Net Migration

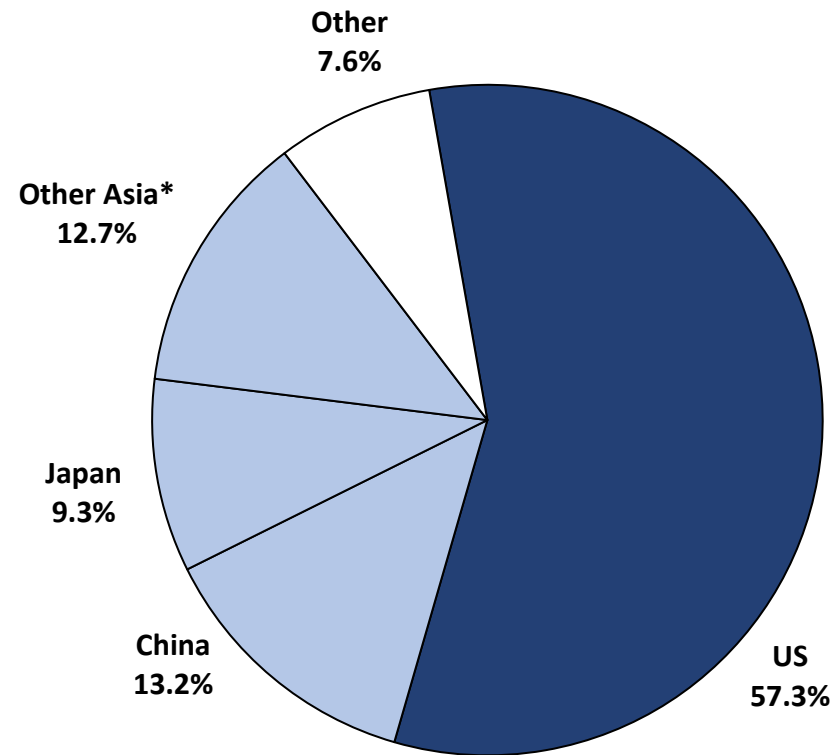
B.C. Total Net Migration (persons)



Sources: Statistics Canada; Haver Analytics

B.C. Trade Diversity

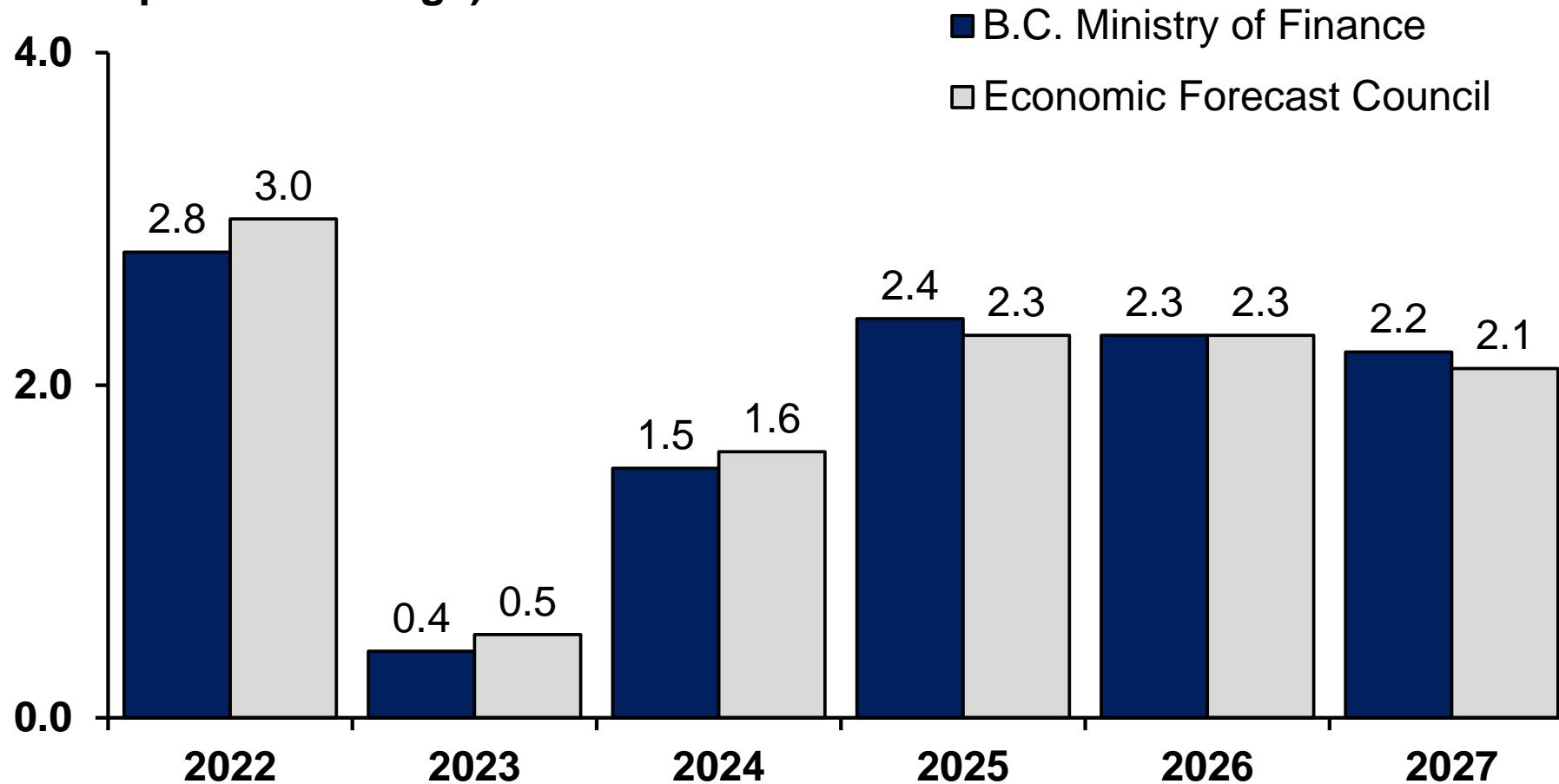
B.C.'s annual share of international goods exports, 2022



*Other Asia includes Hong Kong, Taiwan, South Korea, India and ASEAN member countries
Source: BC Stats (may not add to 100 per cent due to rounding)

Budget 2023 Economic Outlook

**B.C. real GDP
(annual per cent change)**



Sources: B.C. Ministry of Finance; Economic Forecast Council

Budget 2023 Fiscal Plan

(\$ millions)	Updated Forecast 2022/23	Budget Estimate 2023/24	Plan 2024/25	Plan 2025/26
Revenue	82,700	77,690	79,724	82,223
Expense	(74,393)	(80,206)	(82,978)	(84,766)
Pandemic Recovery Contingencies	(2,000)	(1,000)	-	-
Supplementary Estimates	(2,715)	-	-	-
Forecast allowance	-	(700)	(500)	(500)
Surplus (Deficit)	3,592	(4,216)	(3,754)	(3,043)
Capital spending:				
Taxpayer-supported capital spending	8,117	11,813	12,634	13,098
Self-supported capital spending	4,055	4,027	4,116	2,853
Total capital spending	12,172	15,840	16,750	15,951
Provincial Debt:				
Taxpayer-supported debt	63,701	75,617	88,436	99,395
Self-supported debt	29,788	31,607	33,671	34,405
Total debt (including forecast allowance)	93,489	107,924	122,607	134,300
Taxpayer-supported debt to GDP ratio	16.4%	18.9%	21.3%	23.0%
Taxpayer-supported debt to revenue ratio	78.7%	100.1%	114.8%	124.9%

- **Declining deficits of \$4.2 billion in 2023/24 to \$3.0 billion in 2025/26**
- **\$37.5 billion in taxpayer-supported capital spending over the three-year plan**
- **Debt metrics are lower than in *Budget 2022***

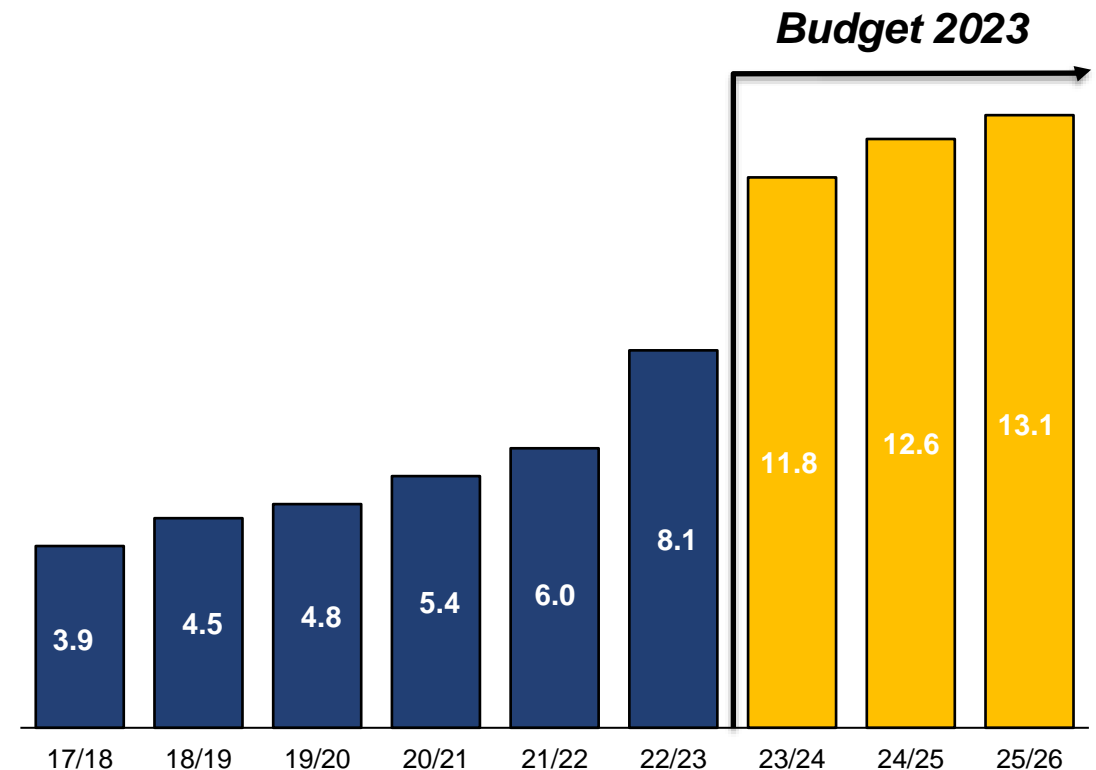
2022 Shared Recovery Mandate

- Provides wage increases and inflation protection for B.C. public sector workers to help improve essential services – like health care and education
- Estimated to cost \$10.8 billion over the three-year mandate term (2022/23 to 2024/25) with ongoing annual costs of \$5.4 billion
- *Budget 2023* provides \$7.6 billion over three years in ministry base budget funding for signed agreements as of December 31, 2022; and \$7.5 billion is set aside in contingencies for pending agreements and potential cost-of-living adjustments

Building the Infrastructure That People Rely On

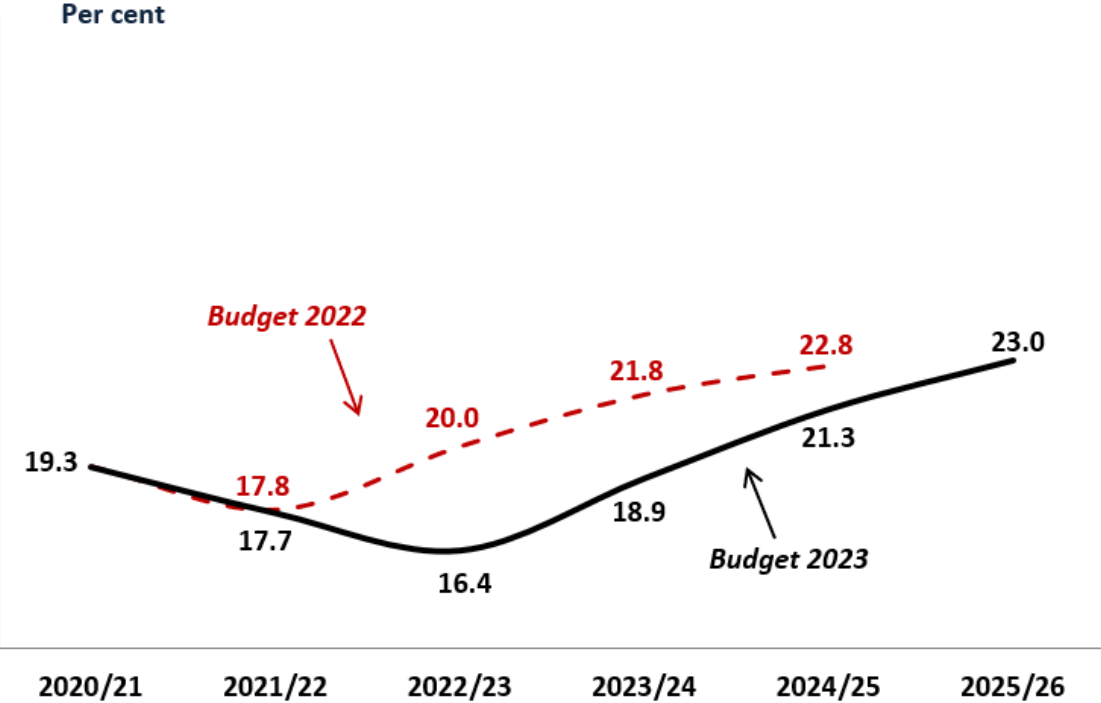
- \$37.5 billion for taxpayer-supported capital over the three-year plan to deliver the infrastructure people rely on
- \$10.1 billion (37%) increase from *Budget 2022* taxpayer-supported capital plan
- Government is implementing the ESG Framework for capital investments to achieve child-care, workforce, CleanBC, and mass timber objectives

Taxpayer-Supported Capital Spending
(\$ billions)

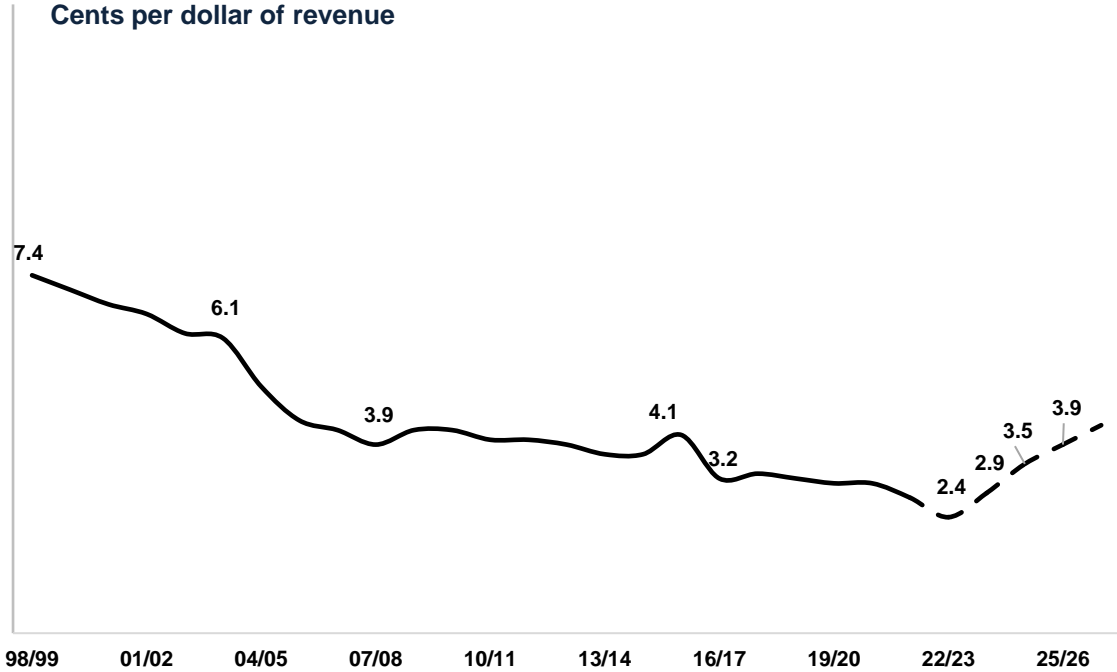


Sustainable Debt Levels

Taxpayer-Supported Debt-to-GDP



Interest Bite for Taxpayer-Supported Debt



Fiscal Sustainability

- Government continues to take a responsible and thoughtful approach to budgeting by focusing on long-term fiscal sustainability, while continuing to invest in near-term needs and priorities
- *Budget 2023* demonstrates government's ongoing commitment to fiscal sustainability by adhering to the fiscal guardrails that have guided the budget process since *Budget 2021*

Fiscal Guardrails

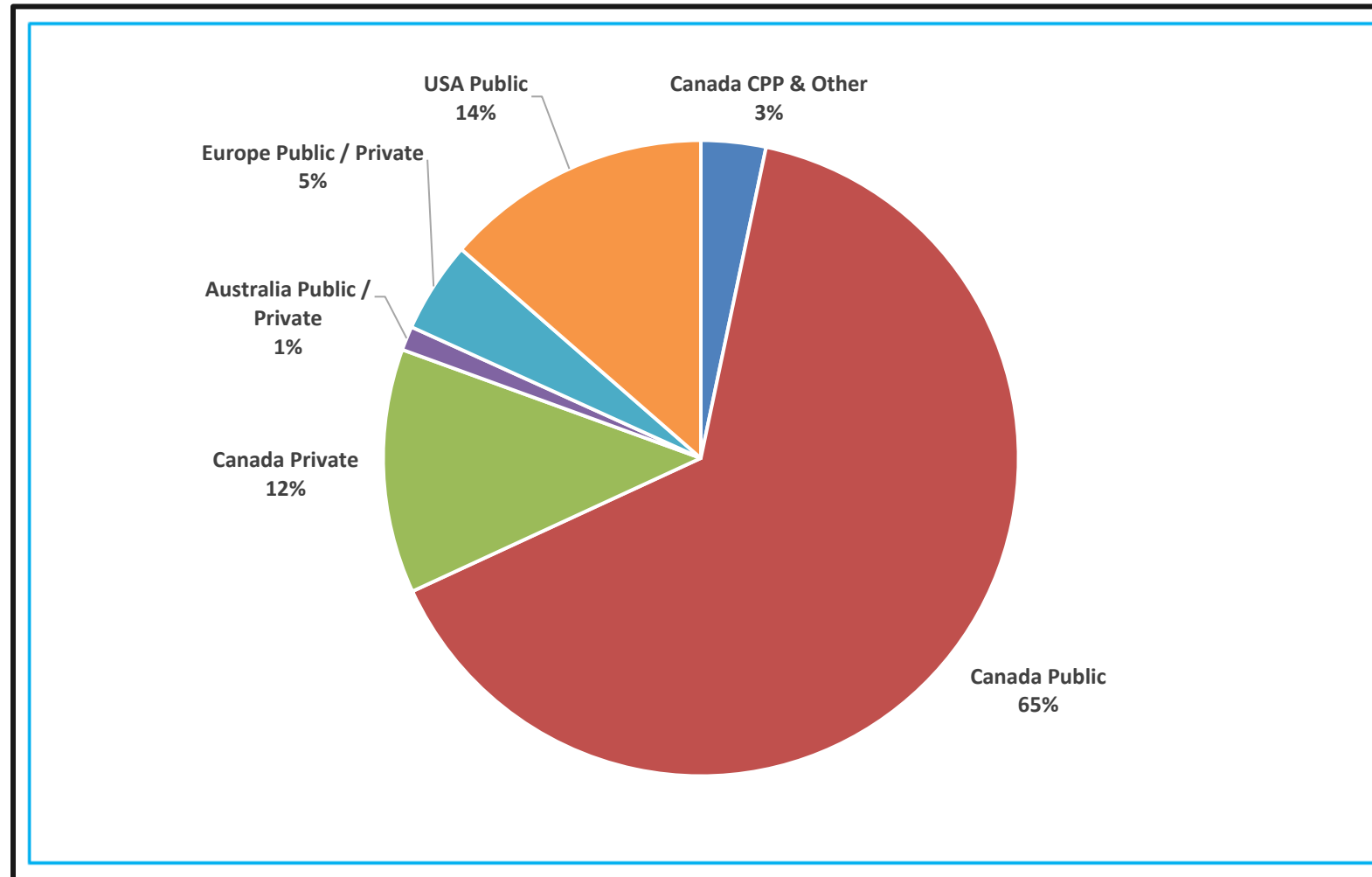
- Year-over-year declining deficits
- Targeted spending criteria
- Levels of prudence
- Pandemic Recovery Contingencies
- Debt metrics and debt affordability
- Transparent and timely reporting

Budget 2023 Summary

- Significant new funding for health and mental health, housing, reducing costs, safe communities and a sustainable and clean economy
- New investments to support hospitals, schools, housing and transit systems that people rely on
- Prudence built into fiscal plan:
 - \$15 billion in Contingencies over three years for various priorities including Shared Recovery Mandate (\$7.5B), CleanBC (\$950M), Climate & Emergency Response (\$750M), Pandemic Recovery (\$1B) and General programs (\$4B)
 - Forecast allowance of \$700M in 2023/24 and \$500M each year in 2024/25 and 2025/26
 - Forecast for real GDP growth is lower than the outlook provided by the Economic Forecast Council

Gross Debt Outstanding by Source at March 13, 2023

Gross Debt Outstanding: \$83.9 Billion



Debt Management



2023/2024 Borrowing Program: \$19.1 billion (Budget 2023)

2024/2025 and 2025/2026 Borrowing Programs: \$20.5 billion and \$19.4 billion

Manageable borrowing program

Will rely on province's significant access to domestic and international capital markets

B.C.'s Strong Credit Rating

Agency	Rating	Outlook
Moody's Investor Service	Aaa	Stable
Fitch	AA+	Stable
Standard and Poor's	AA+	Stable
DBRS Morningstar	AA (high)	Stable

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APPENDIX

BUDGET
2023

StrongerBC
for everyone

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Moody's commentary on BC Budget 2023

On March 1, 2023, Moody's published an Issuer Comment on Budget 2023, stating:

- “While the forecast of a return to modest deficits is a credit negative, we note that the budget contains significant contingencies to the projections in excess of the annual deficits, which is in line with British Columbia’s cautious fiscal management. As such, we view the budget plan as well protected against expected fiscal and economic headwinds, and more likely to be surpassed.”
- “A clear credit positive element from the budget is the improved forecast for the debt burden (net direct and indirect debt as a % of revenues). This is due to improvements on both sides of the ratio.”

DBRS Morningstar commentary on BC Budget 2023

On March 2, 2023, DBRS Morningstar published a commentary on Budget 2023, stating:

- “The budget plans for increased spending in priority areas, continued deficits, and rising debt amid a macroeconomic slowdown, resulting in reduced flexibility over the years to come. However, the Province’s prudent fiscal approach, consistent track record of outperformance, strong balance sheet, and currently low debt burden will lend stability to its credit profile.”
- “DBRS Morningstar notes that British Columbia has historically incorporated a significant level of prudence in its budget assumptions, which leaves room for outperformance, as has been the Province’s trademark.”

Economic Plan

StrongerBC is British Columbia's roadmap to building a resilient economy

Clean Growth:



Meeting BC's
Climate Commitments



Leading on Environmental
& Social Responsibility



Fostering Innovation Across
Our Economy

Inclusive Growth:



Supporting People
& Families



Building Resilient
Communities



Advancing Reconciliation with
Indigenous Peoples

Welcoming Business Environment



Committed to balancing a competitive business climate and sustainable, inclusive economic growth

- B.C. actively encourages investment by non-Canadians
- Recognized for ease of setting up business
- Close to 1,000 foreign-owned firms operate in B.C. (26% of all corporations)
- Streamlined regulations, dependable legal system
- Consistent triple A credit rating
- Progressive climate legislation and commitment to a sustainable economy

BC's Technology Sector at a Glance (2020)



Source: CBRE Tech Report 2022
KPMG BC Technology Report Card, Nov 2020

Government Support for Tech and Innovation

- InBC: a new \$500M strategic investment fund for growth of B.C. businesses
- Quantum Algorithms Institute: application of quantum computing technology to real-world problems – government funded
- Innovate BC: Crown Agency delivering programs for entrepreneurs to help start and scale companies
- The BC Knowledge Development Fund: ~ \$862M investment in research infrastructure since 1998
- Michael Smith Foundation for Health Research: \$460M investment since 2001 for Health Research
- \$90M for expanding connectivity throughout the Province

Update on Export Oriented Energy Projects

Natural gas production was approximately 9% higher in 2022 than in 2021.

Upwards of 85% of natural gas production continues to be exported out of the province into Alberta and Washington State.

Exports to commence mid-decade from LNG Canada. Other facilities could come online later in the decade.

Propane exports to Japan and South Korea continue to grow.



Recent Mineral Investment Transactions in BC

- February 2023 – Artemis Gold Closes \$385 million project loan financing and \$40 million standby cost overrun facility to fund construction costs of its Blackwater Gold Project.
- February 2023 – Taseko Mines acquires an additional 12.5% interest in the Gibraltar copper mine from Sojitz Corporation for \$60 million.
- January 2023 – Ascot Resources closed \$200 million in project financing for construction of its Premier Gold Project.
- January 2023 – Skeena Resources closed a royalty sale with Franco-Nevada Corp.

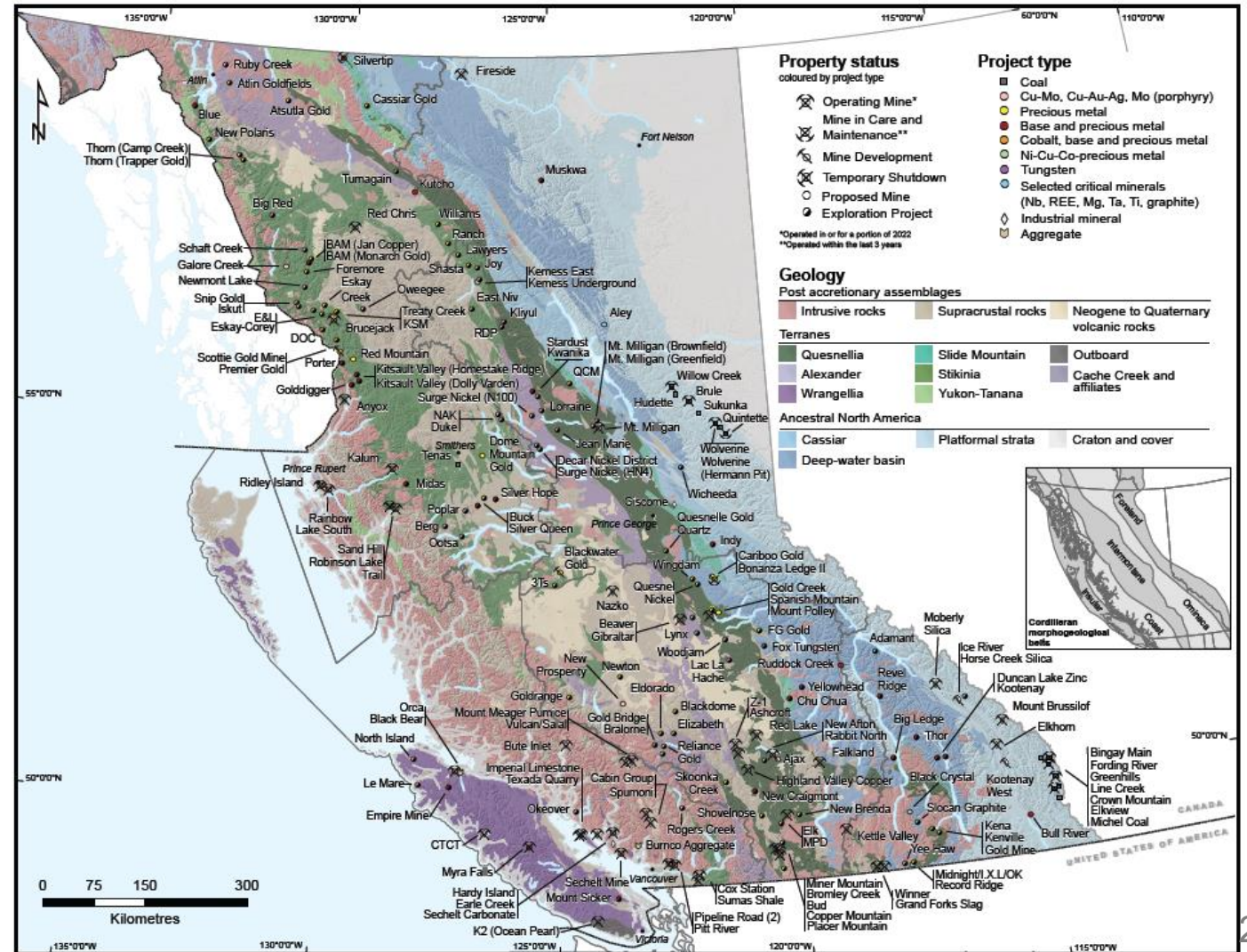


Fig. 1. Mines, mine development, selected proposed mines, and selected exploration projects in British Columbia, 2022. Based on Clarke et al. (2023), British Columbia Geological Survey Open File 2023-01.

B.C.'s ESG Profile

ENVIRONMENTAL	SOCIAL	GOVERNANCE
Clean BC – 40% reduction of 2007 GHG emissions by 2030	Reconciliation with Indigenous Peoples	<i>Declaration on the Rights of Indigenous Peoples Act</i>
Carbon Tax – first in North America	Budget 2023 makes \$37.5 billion commitment to capital investments in health, transportation and education sectors	Gender Equality
Climate Change Accountability Act and Report	Pandemic Action Plan	Rule of Law
Clean BC Industry Fund– world leading benchmarks across industry	Social Infrastructure Investment	Budget Transparency & Accountability Act
Carbon Neutral government operations – including schools, hospitals, universities and core government	Affordable Housing	<i>Balanced Budget & Ministerial Accountability Act</i>
	Robust & Diversified Economy	<i>Freedom of Information and Privacy Act</i>
	Poverty Reduction	Ethics Advisor
	Child Care	<i>Public Interest Disclosure Act</i>
	Employer of Choice	Information Security
	Earthquake/Fire Prevention Preparedness & Response	

B.C.'s ESG Scores

Agency	Score	Scale
Moody's Investor's Service*	Credit Impact Score: CIS-2 (neutral-to-low)	1 – 5 (Positive to very highly negative)
Fitch*	Credit-Relevant ESG Score: 3 (minimally relevant)	1 – 5 (Irrelevant to highly relevant to the credit rating)
MSCI	ESG Rating: AA	CCC to AAA (Worst to best)

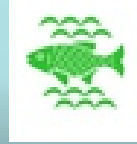
Environmental



↓ 40%
Below 2007
GHG emissions
by 2030



\$2.8 billion
carbon tax revenue
Budget Est. 2023/24



↓ 1000
tonnes
marine debris
Since 2020



\$1.33 billion on
climate related
initiatives
2020/21



↑ 30+ electric
buses now
deployed
2023



↓ 29%
Waste emissions
since 2007



↑ 10,000
charging stations
By 2030



↓ 315,000 tonnes
plastic pollution
Annually since 2020



↑ 20,000 tonnes
new capacity to
recycle plastics
2021/22

Social



30,500

licensed child care spaces

since 2018



More than **33,000**

affordable homes complete or under way

2018-2028/29



\$705 million GDP generated by Indigenous tourism

2019-2020



3.0% average real GDP growth for agriculture, food, fisheries
Annual Growth Rate
2000-2021



1 million+ new sport opportunities supported

since 2004



6,100+ lives saved through Essential Health Sector Interventions

since April 2016



67,553 households benefited from improved internet access

Since 2017



25.6% Total poverty rate



58.0% Child poverty rate

As of 2019



136,000+ clients served through Employment Services program

over the past 2 years

Governance



New government buildings are constructed to comply with **LEED Gold** BC Energy Step Code 4



Annual Reports issued by all B.C. ministries

Budget Transparency and Accountability Act



\$25+ million spent on cybersecurity

each year



53% of our public service executive is female

2021



10,700+ public servants have had training from the Gender Equity Office

As of October 2021



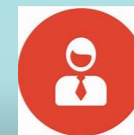
\$30 million spent on Freedom of Information request

each year



B.C. was the **first** to enact legislation to implement the UN Declaration on the Rights of Indigenous Peoples

2019



The B.C. Public services named as one of B.C.s **Top Employers**

every year since 2008



BC's ESG Framework for Capital

Pension Plan Positions

Pension Plan	Number of Members	Most recent Valuation	Actuarial Basis (millions)	Accrued Basis (millions)
Teachers'	102,000	Dec 31, 2020	\$1,584 - 105.3% + \$892 RSA	\$3,096 - 114%
College	33,000	Aug 31, 2021	\$202 – 103.2% + \$146 RSA	\$477 – 111%
Municipal	398,000	Dec 31, 2021	\$3,761 - 105.3% + \$3,185 RSA	\$9,742M – 120.9%
Public Service	138,000	Mar 31, 2020	\$2,667 - 109.6% + \$117M RSA	\$3,258 – 115%

RSA = Rate Stabilization Account – funds set aside to mitigate future contribution rate increases

CONTACT

Websites:

Debt Management Branch

<https://gov.bc.ca/provincialdebt>

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