



CONSOLIDATED FINANCIAL STATEMENTS 2025/26

Management Report

The consolidated financial statements of British Columbia Hydro and Power Authority (BC Hydro) are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the consolidated financial statements have been properly prepared within the framework of the accounting policies summarized in the consolidated financial statements and incorporate, within reasonable limits of materiality, all information available at June 4, 2026. The consolidated financial statements have also been reviewed by the Audit and Finance Committee and approved by the Board of Directors. Financial information presented elsewhere in this Annual Service Plan Report is consistent with that in the consolidated financial statements.

Management maintains systems of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel, appropriate delegation of authority, and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of internal controls on an ongoing basis and reports its findings to management and the Audit and Finance Committee.

The consolidated financial statements have been audited by an independent external auditor. The external auditors' responsibility is to express their opinion on whether the consolidated financial statements, in all material respects, fairly present BC Hydro's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards. The Independent Auditor's Report, which follows, outlines the scope of their audit and their opinion.

The Board of Directors, through the Audit and Finance Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit and Finance Committee, comprised of directors who are not employees, meets regularly with the external auditors, the internal auditors and management to satisfy itself that each group has properly discharged its responsibility with respect to internal controls and financial reporting. The Audit and Finance Committee reviews the consolidated financial statements and management's discussion and analysis and recommends their approval to the Board of Directors. The internal and external auditors have full and open access to the Audit and Finance Committee, with and without the presence of management.



Charlotte Mitha
President and Chief Executive Officer



Ryan Layton
Executive Vice President, Finance, Supply Chain,
Regulatory and Chief Financial Officer

Vancouver, Canada
June 4, 2026



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INDEPENDENT AUDITOR'S REPORT

To the Minister of Energy and Climate Solutions, Province of British Columbia and the Board of Directors of British Columbia Hydro and Power Authority

Opinion

We have audited the consolidated financial statements of British Columbia Hydro and Power Authority (the Entity), which comprise:

- the consolidated statements of financial position as at March 31, 2026
- the consolidated statements of comprehensive income for the year then ended
- the consolidated statements of changes in equity for the year then ended
- the consolidated statements of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2026, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***“Auditor’s Responsibilities for the Audit of the Financial Statements”*** section of our auditor’s report.



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We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditor's report thereon, included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the Management's Discussion & Analysis as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants

Vancouver, Canada
June 4, 2026

Audited Financial Statements**Consolidated Statements of Comprehensive Income**

<i>for the years ended March 31 (in millions)</i>	2026	2025
Revenues (Note 4)		
Domestic	\$ 6,350	\$ 6,049
Trade	1,244	1,429
	7,594	7,478
Expenses		
Operating expenses (Note 5)	6,690	6,399
Finance charges (Note 6)	864	1,094
Net Income (Loss) Before Movement in Regulatory Balances	40	(15)
Net movement in regulatory balances (Note 16)	681	602
Net Income	721	587

OTHER COMPREHENSIVE INCOME**Items That Will Be Reclassified to Net Income**

Effective portion of changes in fair value of derivatives designated as cash flow hedges (Note 24)	21	54
Reclassification to income of derivatives designated as cash flow hedges (Note 24)	3	(88)
Foreign currency translation gains (losses)	(21)	36

Items That Will Not Be Reclassified to Net Income

Actuarial gain (loss)	442	(94)
Other Comprehensive Income (Loss) before movement in regulatory balances	445	(92)
Net movements in regulatory balances (Note 16)	(427)	66
Other Comprehensive Income (Loss)	18	(26)
Total Comprehensive Income	\$ 739	\$ 561

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Financial Position

<i>(in millions)</i>	As at March 31, 2026	As at March 31, 2025
ASSETS		
Current Assets		
Cash and cash equivalents (Note 8)	\$ 122	\$ 136
Restricted cash (Note 8)	54	35
Accounts receivable and accrued revenue (Note 9)	998	820
Inventories (Note 10)	444	452
Prepaid expenses	187	230
Sinking funds (Note 15)	-	225
Derivative financial instrument assets (Note 24)	234	260
	2,039	2,158
Non-Current Assets		
Property, plant and equipment (Note 11)	45,507	42,945
Right-of-use assets (Note 12)	1,132	1,180
Intangible assets (Note 13)	666	651
Derivative financial instrument assets (Note 24)	196	106
Sinking funds (Note 15)	56	54
Other assets (Note 14)	229	154
	47,786	45,090
Total Assets	49,825	47,248
Regulatory Balances (Note 16)	4,841	5,930
Total Assets and Regulatory Balances	\$ 54,666	\$ 53,178
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 17)	\$ 2,296	\$ 2,027
Short-term borrowings and current portfolio of long-term debt (Note 18)	5,347	5,284
Unearned revenues and contributions in aid (Note 21)	134	123
Derivative financial instrument liabilities (Note 24)	119	158
	7,896	7,592
Non-Current Liabilities		
Long-term debt (Note 18)	29,235	27,180
Lease liabilities (Note 20)	1,212	1,270
Derivative financial instrument liabilities (Note 24)	26	118
Unearned revenues and contributions in aid (Note 21)	3,242	3,069
Post-employment benefits (Note 23)	517	862
Other liabilities (Note 25)	1,481	1,423
	35,713	33,922
Total Liabilities	43,609	41,514
Regulatory Balances (Note 16)	2,067	3,410
Total Liabilities and Regulatory Balances	45,676	44,924
Shareholder's Equity		
Contributed surplus	60	60
Retained earnings	8,979	8,261
Accumulated other comprehensive loss	(49)	(67)
	8,990	8,254
Total Liabilities, Regulatory Balances, and Shareholder's Equity	\$ 54,666	\$ 53,178

Commitments and Contingencies (Notes 11 and 26)

See accompanying Notes to the Consolidated Financial Statements.

Approved on behalf of the Board:



Glen Clark

Board Chair and Audit and Finance Committee Chair

Consolidated Statements of Changes in Equity

<i>(in millions)</i>	Cumulative Translation Reserve	Unrealized Loss on Cash Flow Hedges	Total Accumulated Other Comprehensive Loss	Contributed Surplus	Retained Earnings	Total
Balance as at April 1, 2024	\$ 10	\$ (51)	\$ (41)	\$ 60	\$ 7,677	\$ 7,696
Distribution to the Province	-	-	-	-	(3)	(3)
Comprehensive Income	8	(34)	(26)	-	587	561
Balance as at March 31, 2025	18	(85)	(67)	60	8,261	8,254
Distribution to the Province	-	-	-	-	(3)	(3)
Comprehensive Income	(6)	24	18	-	721	739
Balance as at March 31, 2026	\$ 12	\$ (61)	\$ (49)	\$ 60	\$ 8,979	\$ 8,990

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

<i>for the years ended March 31 (in millions)</i>	2026	2025
Operating Activities		
Net income	\$ 721	\$ 587
Regulatory account transfers (Note 16)	(681)	(602)
Adjustments for non-cash items:		
Amortization and depreciation expense (Note 7)	1,354	1,200
Unrealized gains on derivative financial instruments	(352)	(240)
Post-employment benefits expense	76	59
Interest accrual	1,219	1,168
Other items	(16)	(23)
	2,321	2,149
Changes in working capital and other assets and liabilities (Note 19)	228	(173)
Interest paid	(1,219)	(1,165)
Income taxes paid	(1)	(5)
Cash provided by operating activities	1,329	806
Investing Activities		
Property, plant and equipment and intangible asset expenditures	(3,763)	(3,514)
Cash used in investing activities	(3,763)	(3,514)
Financing Activities		
Long-term debt issued (Note 18)	2,923	4,217
Long-term debt retired (Note 18)	(2,023)	(10)
Receipt of revolving borrowings	9,980	8,414
Repayment of revolving borrowings	(8,713)	(9,919)
Payment of principal portion of lease liability	(90)	(75)
Settlement of hedging derivatives	154	142
Other items	196	(27)
Cash provided by financing activities	2,427	2,742
Increase (Decrease) in cash and cash equivalents	(7)	34
Effect of currency translation on cash balances	(7)	6
Cash and cash equivalents, beginning of year	136	96
Cash and cash equivalents, end of year	\$ 122	\$ 136

See Note 19 for Supplemental disclosure of cash flow information

See accompanying Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2026 AND 2025

Note 1: Reporting Entity

British Columbia Hydro and Power Authority (BC Hydro) was established in 1962 as a Crown Corporation of the Government of British Columbia (the Province) by enactment of the *Hydro and Power Authority Act*. As directed by the *Hydro and Power Authority Act*, BC Hydro's mandate is to generate, manufacture, conserve and supply power. BC Hydro owns and operates electric generation, transmission and distribution facilities in the province of British Columbia. The head office of the Company is 333 Dunsmuir Street, Vancouver, British Columbia.

The consolidated financial statements of BC Hydro include the accounts of BC Hydro and its principal wholly owned operating subsidiaries Powerex Corp. (Powerex), and Powertech Labs Inc. (Powertech), (collectively with BC Hydro, the Company). All intercompany transactions and balances are eliminated on consolidation.

Note 2: Basis of Presentation

(a) Basis of Accounting

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The material accounting policies are set out in Note 3.

These consolidated financial statements were approved by the Board of Directors on June 4, 2026.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for natural gas inventories in Note 3(j), financial instruments that are accounted for at fair value through profit and loss according to the financial instrument categories as defined in Note 3(k) and the post-employment benefits obligation as described in Note 3(p).

(c) Functional and Presentation Currency

The functional currency of BC Hydro and all of its subsidiaries, except for Powerex, is the Canadian dollar. Powerex's functional currency is the United States (U.S.) dollar. These consolidated financial statements are presented in Canadian dollars and financial information has been rounded to the nearest million.

(d) Key Assumptions and Significant Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions in respect of the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those judgments, estimates, and assumptions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about significant areas of judgment, estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(i) Retirement Benefit Obligation

BC Hydro operates a defined benefit statutory pension plan for its employees, which is accounted for in accordance with IAS 19, *Employee Benefits*. Actuarial valuations are based on key assumptions which include employee turnover, mortality rates, discount rates, earnings increase and expected rate of return on retirement plan assets. Judgment is exercised in determining these assumptions. The assumptions adopted are based on prior experience, market conditions and advice of plan actuaries. Future results are impacted by these assumptions including the accrued benefit obligation and current service cost. See Note 23 for significant benefit plan assumptions.

(ii) Provisions and Contingencies

Management is required to make judgments to assess if the criteria for recognition of provisions and contingencies are met, in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. IAS 37 requires that a provision be recognized where there is a present obligation as a result of a past event, it is probable that transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Key judgments are whether a present obligation exists and the probability of an outflow being required to settle that obligation. Key assumptions in measuring recorded provisions include the timing and amount of future payments and the discount rate applied in valuing the provision.

(iii) Financial Instruments

The Company enters into financial instrument arrangements which require management to make judgments to determine if such arrangements are derivative instruments in their entirety or contain embedded derivatives, including whether those embedded derivatives meet the criteria to be separated from their host contract, in accordance with IFRS 9, *Financial Instruments*. Key judgments are whether certain non-financial items are readily convertible to cash, whether similar contracts are routinely settled net in cash or delivery of the underlying commodity taken and then resold within a short period, whether the value of a contract changes in response to a change in an underlying rate, price, index or other variable, and for embedded derivatives, whether the economic risks and characteristics are not closely related to the host contract and a separate instrument with the same terms would meet the definition of a derivative on a standalone basis.

Valuation techniques are used in measuring the fair value of financial instruments when active market quotes are not available. Valuation of the Company's financial instruments is based in part on forward prices which are volatile and therefore the actual realized value may differ from management's estimates.

(iv) Right-of-Use Leases

The Company enters into long-term energy purchase agreements that may be considered to be or contain a lease. In making this determination, judgment is required to determine whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In the situation where the implicit interest rate in the lease is not readily determined, the Company uses judgment to estimate the incremental borrowing rate for discounting the lease payment. The Company's incremental borrowing rate generally reflects the interest rate that the Company would

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2026 AND 2025

have to pay to borrow a similar amount at a similar term and with similar security. The Company estimates the lease term by considering the facts and circumstances that create an economic incentive to exercise an extension or termination option. Certain qualitative and quantitative assumptions are used when evaluating these options.

(v) Property, Plant and Equipment and Intangible Assets

Estimation and judgment are involved in determining useful lives and related depreciation and amortization of property, plant and equipment and intangible assets. Estimated useful lives are determined based upon the anticipated physical life of the asset, past experience with similar assets, industry averages and expectations about future events that could impact the life of the asset. Estimated useful lives are reviewed annually to ensure their reasonableness (Note 3(e) and 3(f)). The Company periodically conducts depreciation studies to assess asset useful lives.

In addition, significant judgment and estimation are required in determining the allocation of costs among components of major assets that are placed in service.

(vi) Rate Regulation

When a regulatory account has been or will be applied for, and, in management's estimate, acceptance of deferral treatment by the British Columbia Utilities Commission (BCUC), and recovery in future rates is considered probable, BC Hydro defers such costs in advance of a final order from the BCUC. In assessing whether deferral approval and collection in future rates is probable management considers factors such as past precedents, magnitude of the costs, impact on rates, legal enquiries, regulatory framework for cost recovery, and political environment. If the BCUC subsequently denies the application for regulatory treatment, the deferred amount is recognized immediately in comprehensive income.

Note 3: Material Accounting Policies

(a) Rate Regulation

BC Hydro is regulated by the BCUC and both entities are subject to directives and directions issued by the Province. BC Hydro's rates are set on a cost of service basis. Calculation of its revenue requirements and rates charged to customers are established through applications filed with and approved by the BCUC.

In January 2014, the IASB issued an interim standard, IFRS 14, *Regulatory Deferral Accounts*, which provides guidance on accounting for the effects of rate regulation under IFRS. This guidance allows entities that conduct rate-regulated activities to continue to recognize regulatory deferral accounts. BC Hydro has elected to adopt IFRS 14 in its consolidated financial statements. The interim standard is only intended to provide temporary guidance until the IASB completes its comprehensive project on rate-regulated activities. IFRS 14 remains in force until either repealed or replaced by permanent guidance on rate-regulated accounting from the IASB.

Under rate-regulated accounting, the timing and recognition of certain expenses and revenues may differ from those otherwise expected under other IFRS in order to appropriately reflect the economic impact of regulatory orders regarding the Company's regulated revenues and expenditures. These amounts arising from timing differences are recorded as regulatory debit and credit balances on the Company's

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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consolidated statements of financial position, and represent existing rights and obligations regarding cash flows expected to be recovered from or refunded to customers, based on orders from the BCUC. In the absence of rate-regulation, these amounts would be included in comprehensive income.

BC Hydro capitalizes as a regulatory asset, all or part of an incurred cost that would otherwise be charged to net income or other comprehensive income (OCI) if it is probable that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes and the future rates and revenue approved by the BCUC will permit recovery of that incurred cost. Regulatory liabilities are recognized for certain gains or other reductions of net allowable costs for adjustment of future rates as determined by the BCUC. In the event that the recovery of these asset balances is assessed to no longer be probable based on management's judgment or the refund of these liability balances is no longer required, the balances are recorded in the Company's consolidated statements of comprehensive income in the period when the assessment is made.

Regulatory balances that do not meet the definition of an asset or liability under any other IFRS are segregated on the consolidated statement of financial position, and are separately disclosed on the consolidated statements of comprehensive income as net movements in regulatory balances related to net income (loss) or net movements in regulatory balances related to other comprehensive income (loss). The netting of regulatory debit and credit balances is not permitted. The measurement of regulatory balances is subject to certain estimates and assumptions, including assumptions made in the interpretation of the BCUC's regulations and orders.

(b) Revenues

The Company recognizes revenue when it transfers control over a promised good or service, which constitutes a performance obligation under the contract, to a customer and where the Company is entitled to consideration as a result of completion of the performance obligation. Depending on the terms of the contract with the customer, revenue recognition can occur at a point in time or over time. When a performance obligation is satisfied, revenue is measured at the transaction price that is allocated to that performance obligation, net of any customer credits issued. Amounts received from customers in advance of the performance obligation are recognized as unearned revenue until the performance obligation is satisfied.

Domestic revenues comprise sales to customers within the province of British Columbia, sales that are surplus to domestic load requirements, and certain sales of energy outside the province that are under long-term contracts. Sales outside the province besides those described above are classified as Trade revenue.

A significant portion of the Company's revenue is generated from providing electricity goods and services. Revenue is recognized over time generally using output measure or progress (i.e., kilowatt hours delivered) as the Company's customers simultaneously receive and consume the electricity goods and services as it is provided. Revenue is determined on the basis of billing cycles and includes accruals for electricity deliveries not yet billed.

The Company recognizes a financing component where the timing of payment from the customer differs from the Company's performance under the contract and where that difference is the result of the Company financing the transfer of goods and services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Energy trading contracts that meet the definition of a financial or non-financial derivative are accounted for at fair value whereby any realized gains and losses and unrealized changes in the fair value are recognized in trade revenues in the period of change. Realized and unrealized changes in the fair value of these contracts are accounted for under IFRS 9, *Financial Instruments* (Note 3(k)).

Energy trading and other contracts which do not meet the definition of a derivative are accounted for on an accrual basis whereby the realized gains and losses are recognized as revenue as the contracts are settled. Such contracts are considered to be settled when control of products and services are transferred to the buyer and performance obligation is satisfied.

(c) Finance Costs and Recoveries

Finance costs are comprised of interest expense on borrowings, accretion expense on provisions and other long-term liabilities, net interest on net defined benefit obligations, interest on lease liabilities, foreign exchange losses and realized and unrealized interest and foreign exchange hedging instrument losses that are recognized in the statement of comprehensive income, excluding energy trading contracts. All borrowing costs are recognized using the effective interest rate method.

Finance costs exclude borrowing costs attributable to the construction of qualifying assets, which are assets that take six months or more to prepare for their intended use.

Finance recoveries comprises of income earned on sinking fund investments held for the redemption of long-term debt, foreign exchange gains and realized and unrealized interest and foreign exchange hedging instrument gains that are recognized in the statement of comprehensive income, excluding energy trading contracts.

(d) Foreign Currency

Foreign currency transactions are translated into the respective functional currencies of BC Hydro and its subsidiaries, using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate in effect at that date. The foreign currency gains or losses on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in the foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For purposes of consolidation, the assets and liabilities of Powerex, whose functional currency is the U.S. dollar, are translated to Canadian dollars using the rate of exchange in effect at the reporting date. Revenue and expenses of Powerex are translated to Canadian dollars at exchange rates at the date of the transactions. Foreign currency differences resulting from translation of the accounts of Powerex are recognized directly in other comprehensive income and are accumulated in the cumulative translation reserve. Foreign exchange gains or losses arising from a monetary item receivable from or payable to Powerex, the settlement of which is neither planned nor likely in the foreseeable future and which in substance is considered to form part of a net investment in Powerex by BC Hydro are recognized directly in other comprehensive income in the cumulative translation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(e) Property, Plant and Equipment

(i) Recognition and Measurement

Property, plant and equipment in service are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset into service. The cost of dismantling and removing an item of property, plant and equipment and restoring the site on which it is located is estimated and capitalized only when, and to the extent that, the Company has a legal or constructive obligation to dismantle and remove such asset. Property, plant and equipment in service include the cost of plant and equipment financed by contributions in aid of construction. Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of the qualifying asset. Upon retirement or disposal, any gain or loss is recognized in the statement of comprehensive income.

Unfinished construction consists of the cost of property, plant and equipment that is under construction or not ready for service. Costs are transferred to property, plant and equipment in service when the constructed asset is capable of operation in a manner intended by management.

(ii) Subsequent Costs

The cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of property, plant and equipment maintenance are recognized in the statement of comprehensive income as incurred.

(iii) Depreciation

Property, plant and equipment in service are depreciated over the expected useful lives of the assets, using the straight-line method. When major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The expected useful lives, in years, of the Company's main classes of property, plant and equipment are:

Generation	15 – 100
Transmission	20 – 75
Distribution	20 – 60
Buildings	5 – 65
Equipment & Other	3 – 35

The expected useful lives and residual values of items of property, plant and equipment are reviewed annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Depreciation of an item of property, plant and equipment commences when the asset is available for use and ceases at the earlier of the date the asset is classified as held for sale and the date the asset is derecognized.

(f) Intangible Assets

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. Land rights associated with statutory rights of way acquired from the Province that have indefinite useful lives are not subject to amortization. Intangible assets with finite useful lives are amortized over their expected useful lives on a straight line basis. These assets are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset value may not be fully recoverable.

The expected useful life for software is 2 to 10 years. Amortization of intangible assets commences when the asset is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

(g) Asset Impairment

(i) Financial Assets

Financial assets, other than those measured at fair value (note 3(k)), are assessed at each reporting date to determine whether there is impairment. The Company accounts for impairment of financial assets based on a forward-looking expected credit loss model under IFRS 9, *Financial Instruments*. The expected-loss impairment model requires an entity to recognize the expected credit losses (ECL) when financial instruments are initially recognized and to update the amount of ECL recognized at each reporting date to reflect changes in the credit risk of the financial instruments. ECL's are measured as the difference in the present value of the contractual cash flows due to the Company under the contract and the cash flows that Company expects to receive.

For accounts receivable without a significant financing component, the Company applies the simplified approach for determining expected credit losses, which requires the Company to determine the lifetime expected losses for all accounts receivable and accrued revenue. For a non-current receivable with a significant financing component, the Company measures the expected credit loss at an amount equal to the 12-month expected credit loss at initial recognition. If the credit risk has increased significantly since initial recognition, the Company measures the expected credit loss at an amount equal to the lifetime expected credit loss. The expected lifetime credit loss provision and 12-month expected credit loss is based on historical counterparty default rates, third party default probabilities and credit ratings, and is adjusted for relevant forward looking information specific to the counterparty, when required.

(ii) Non-Financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated annually.

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For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of identifiable assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or CGU). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. All of BC Hydro's assets form one CGU for the purposes of testing for impairment.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net income. Impairment losses recognized in respect of a CGU are allocated to reduce the carrying amounts of the assets in the CGU on a pro-rata basis.

(h) Cash and Cash Equivalents

Cash and cash equivalents include unrestricted cash and units of a money market fund (short-term investments) that are redeemable on demand and are carried at amortized cost and fair value, respectively.

(i) Restricted Cash

Restricted cash includes cash balances which the Company does not have immediate access to as they have been pledged to counterparties as security for investments or trade obligations. These balances are available to the Company only upon settlement of the underlying obligations.

(j) Inventories

Inventories are comprised primarily of natural gas, materials and supplies, and environmental products that include certain carbon products. Natural gas and certain carbon product inventory are valued at fair value less costs to sell and is included in Level 2 of the fair value hierarchy (refer to Note 10).

Materials and supplies and other environmental products inventories are valued at the lower of cost determined on a weighted average basis and net realizable value. The cost of materials and supplies comprises all costs of purchase, costs of conversion and other directly attributable costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

(k) Financial Instruments

(i) Financial Instruments – Recognition and Measurement

All financial instruments are measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on which of the following categories the financial instrument has been classified as: fair value through profit or loss (FVTPL), and those measured at amortized cost. The Company may designate financial instruments as held at FVTPL when such financial instruments have a reliably determinable fair value and where doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities or recognizing gains and losses on them on a different basis. All derivative instruments are categorized as FVTPL unless they are designated as

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accounting hedges.

Transaction costs are expensed as incurred for financial instruments classified or designated as fair value through profit or loss. For other financial instruments, transaction costs are included in the carrying amount. All regular-way purchases or sales of financial assets are accounted for on a settlement date basis.

Financial assets and financial liabilities classified as FVTPL are subsequently measured at fair value with changes in those fair values recognized in net income in the period of change. Financial assets and liabilities are measured at amortized cost if the business model is to hold the instrument for collection or payment of contractual cash flows and those cash flows are solely principal and interest. If the business model is not to hold the instruments, it is classified as FVTPL. After initial recognition they are measured at amortized cost using the effective interest method less any impairment losses in the impairment of financial assets.

(ii) Classification and Measurement of Financial Instruments

Short-term investments	FVTPL
Derivatives	FVTPL
Cash	Amortized cost
Restricted cash	Amortized cost
Accounts receivable and other receivable	Amortized cost
US dollar sinking funds	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Short-term borrowings	Amortized cost
Long-term debt	Amortized cost
Lease liabilities	Amortized cost
First Nation liabilities and Other liabilities presented in Other long-term liabilities	Amortized cost

(iii) Fair Value

The fair value of financial instruments reflects changes in the level of commodity market prices, interest rates, foreign exchange rates and credit risk. Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act.

Fair value amounts reflect management's best estimates considering various factors including closing exchange or over-the-counter quotations, estimates of future prices and foreign exchange rates, time value of money, counterparty and own credit risk, and volatility. The assumptions used in establishing fair value amounts could differ from actual prices and the impact of such variations could be material. In certain circumstances, valuation inputs are used that are not based on observable market data but based on internally developed valuation models which are based on models and techniques generally recognized as standard within the energy industry.

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(iv) Inception Gains and Losses

In some instances, a difference may arise between the fair value of a financial instrument at initial recognition, as defined by its transaction price, and the fair value calculated by a valuation technique or model (inception gain or loss). In addition, the Company's inception gain or loss on a contract may arise as a result of embedded derivatives which are recorded at fair value, with the remainder of the contract recorded on an accrual basis. In these circumstances, the unrealized inception gain or loss is deferred and amortized into income over the full term of the underlying financial instrument. Additional information on deferred inception gains and losses is disclosed in Note 24.

(v) Derivative Financial Instruments

The Company may use derivative financial instruments to manage interest rate and foreign exchange risks related to debt and to manage risks related to electricity and natural gas commodity transactions.

Interest rate and foreign exchange related derivative instruments that are not designated as hedges, are classified as FVTPL whereby instruments are recorded at fair value as either an asset or liability with changes in fair value recognized in net income in the period of change. For debt management activities, the related gains or losses are included in finance charges. The Company's policy is to not utilize interest rate and foreign exchange related derivative financial instruments for speculative purposes.

Commodity derivative financial instruments are used to manage economic exposure to market risks relating to commodity prices. Commodity derivatives that are not designated as hedges are classified as FVTPL whereby instruments are recorded at fair value as either an asset or liability with changes in fair value recognized in net income. Gains or losses are included in trade revenues.

(vi) Hedges

In a fair value hedging relationship, the carrying value of the hedged item is adjusted for unrealized gains or losses attributable to the hedged risk and recognized in net income. Changes in the fair value of the hedged item attributed to the hedged risk, to the extent that the hedging relationship is effective, are offset by changes in the fair value of the hedging derivative, which is also recorded in net income. When hedge accounting is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to net income over the remaining term of the original hedging relationship, using the effective interest method of amortization.

In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative is recognized in other comprehensive income. The ineffective portion is recognized in net income. The amounts recognized in accumulated other comprehensive income are reclassified to net income in the periods in which net income is affected by the variability in the cash flows of the hedged item. When hedge accounting is discontinued the cumulative gain or loss previously recognized in accumulated other comprehensive income remains there until the forecasted transaction occurs. When the hedged item is a non-financial asset or liability, the amount recognized in accumulated other comprehensive income is transferred to the carrying amount of the asset or liability when it is recognized. In other cases, the amount recognized in accumulated other comprehensive income is transferred to net income in the same period that the hedged item affects net income.

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Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an effective hedge, the hedging relationship is discontinued, or the derivative is terminated or sold, or upon the sale or early termination of the hedged item.

(l) Investments Held in Sinking Funds

Investments held in sinking funds are held as individual portfolios and are classified as amortized cost. Securities included in an individual portfolio are recorded at cost, adjusted by amortization of any discounts or premiums arising on purchase, on a yield basis over the estimated term to settlement of the security. Realized gains and losses are included in finance charges.

(m) Unearned Revenues

Unearned revenues consist principally of amounts received under the agreement relating to the Skagit River, Ross Lake and the Seven Mile Reservoir on the Pend d'Oreille River (collectively the Skagit River Agreement) and other amounts received from customers for performance obligations which have not been performed.

Under the Skagit River Agreement, the Company has committed to deliver a predetermined amount of electricity each year to the City of Seattle for an 80 year period ending in fiscal 2066 in return for annual payments of approximately US\$22 million for a 35 year period ending in 2021 and US\$100,000 (adjusted for inflation) for the remaining 45 year period ending in 2066. The amounts received under the agreement are deferred and included in income on an annuity basis over the electricity delivery period ending in fiscal 2066. As a result of the upfront consideration received under the Skagit River Agreement, in determining the transaction price, the promised amount of consideration is adjusted for the effects of the time value of money (i.e., significant financing component). The application of the significant financing component requirement results in the recognition of interest expense over the financing period and a higher amount of revenue.

(n) Government Grants

The Company recognizes government grants when there is reasonable assurance that any conditions attached to the grant will be met and the grant will be received. Government grants related to assets are deducted from the carrying amount of the related asset and recognized in profit or loss over the life of the related asset. Grants that compensate the Company for expenses incurred are recognized in profit or loss as an offset against the originating expense in the same period in which the expenses are recognized. Non-monetary grants are recognized on the cost basis at a nominal amount.

(o) Contributions in Aid of Construction

Contributions in aid of construction are amounts paid by certain customers toward the cost of property, plant and equipment required for the extension of services to supply electricity. These amounts are recognized into revenue over the term of the agreement with the customer, or over the expected useful life of the related assets when the associated contracts do not have a finite period over which service is provided.

(p) Post-Employment Benefits

The cost of pensions and other post-employment benefits earned by employees is actuarially determined using the projected accrued benefit method pro-rated on service and management's best estimate of

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mortality, salary escalation, retirement ages of employees and expected health care costs. The net interest for the period is determined by applying the same market discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset or liability at the beginning of the annual period, taking into account any changes in the net defined benefit asset or liability during the period as a result of current service costs, contributions and benefit payments. The market discount rate is determined based on the market interest rate at the end of the year on high-quality corporate debt instruments that match the timing and amount of expected benefit payments.

Past service costs arising from plan amendments and curtailments are recognized in net income immediately. A plan curtailment will result if the Company has demonstrably committed to a significant reduction in the expected future service of active employees or a significant element of future service by active employees no longer qualifies for benefits. A curtailment is recognized when the event giving rise to the curtailment occurs.

The net interest costs on the net defined benefit plan liabilities arising from the passage of time are included in finance charges. The Company recognizes actuarial gains and losses immediately in other comprehensive income.

(q) Provisions

A provision is recognized if the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be determined. For obligations of a long-term nature, provisions are measured at their present value by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability except in cases where future cash flows have been adjusted for risk.

Decommissioning Obligations

Decommissioning obligations are legal and constructive obligations associated with the retirement of long-lived assets. A liability is recorded at the present value of the estimated future costs based on management's best estimate. When a liability is initially recorded, the Company capitalizes the costs by increasing the carrying value of the asset unless the asset is fully depreciated. The increase in net present value of the provision for the expected cost is included in finance costs as accretion (interest) expense. Adjustments to the provision made for changes in timing, amount of cash flow and discount rates are capitalized and amortized over the useful life of the associated asset. Actual costs incurred upon settlement of a decommissioning obligation are charged against the related liability. Any difference between the actual costs incurred upon settlement of the decommissioning obligation and the recorded liability is recognized in net income at that time.

Environmental Expenditures and Liabilities

Environmental expenditures are expensed as part of operating activities, unless they constitute an asset improvement or act to mitigate or prevent possible future contamination, in which case the expenditures are capitalized and amortized to income. Environmental liabilities arising from a past event are accrued when it is probable that a present legal or constructive obligation will require the Company to incur environmental expenditures.

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Legal

The Company recognizes legal claims as a provision when it is probable that there will be a future outflow of resources required to settle the claim against the Company and the amount of the settlement can be reliably measured. Management obtains the advice of its legal counsel in determining the likely outcome and estimating the expected costs associated with legal claims. Further information regarding lawsuits in progress is disclosed in Note 26.

(r) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, consideration is allocated to each lease component within the contract on the basis of its relative stand-alone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are comprised of:

- i) Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- ii) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- iii) Amounts expected to be payable under a residual value guarantee;
- iv) Exercise prices of purchase options if reasonably certain the option will be exercised; and
- v) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate or assessment of the amount expected to be payable under a residual value guarantee, purchase, extension or termination option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Lease modifications are accounted for as separate leases when they increase the scope of the lease and the consideration is commensurate with the stand-alone price. Other lease modifications result in a remeasurement of the lease liability using a revised discount rate, with a corresponding adjustment to the right-of-use asset or recognition in profit or loss where the modification decreases the lease scope.

Variable lease payments not included in the initial measurement of the lease liability are charged directly to the consolidated statement of comprehensive income as an expense.

The Company elected to use the following practical expedients under IFRS 16:

- (i) The Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component for leases pertaining to generating assets (including long-term energy purchase agreements).
- (ii) The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

(s) Taxes

The Company is a Crown corporation and therefore no Canadian provincial or federal income tax is payable. However, the Company pays provincial and local government taxes and grants in lieu of property taxes to municipalities, regional districts, and rural area jurisdictions. In addition, Powerex, a subsidiary of BC Hydro, pays taxes relating to trading and operating activities in the United States.

(t) New Standards and Amendments Not Yet Adopted

A number of amendments to standards and interpretations and one new standard, are not yet effective for the year ended March 31, 2026, and have not been applied in preparing these consolidated financial statements. The following new and amended standards become effective for the Company's annual periods beginning on or after the dates noted below:

- Amendments to IFRS 7, *Financial Instruments: Disclosures* (effective April 1, 2026)
- Amendments to IFRS 9, *Financial Instruments* (effective April 1, 2026)
- Amendments to IAS 21, *The Effects of Changes in Foreign Exchange Rates* (effective April 1, 2027)
- IFRS 18, *Presentation and Disclosure in Financial Statements* (effective April 1, 2027)

The Company is currently assessing the effect of the amended standards on the consolidated financial statements. The Company is currently assessing the impact of the new standard, IFRS 18, on its consolidated financial statements and note disclosures. The standard introduces new defined subtotals and requires disclosure of management defined performance measures (MPMs). The Company expects changes to the structure of its statement of comprehensive income but does not expect IFRS 18 to affect recognition or measurement of assets and liabilities.

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Note 4: Revenues

Disaggregated Revenue

The Company disaggregates revenue by revenue types and customer class, which are considered to be the most relevant revenue information for management to consider in allocating resources and evaluating performance.

<i>(in millions)</i>	2026	2025
Domestic		
Residential	\$ 2,490	\$ 2,405
Light industrial and commercial	2,143	2,061
Large industrial	1,026	947
Other sales	691	636
Total Domestic	6,350	6,049
Total Trade¹	1,244	1,429
Total Revenue	\$ 7,594	\$ 7,478

¹ Includes revenue of \$490 million recognized under IFRS 9, *Financial Instruments* (2025 - \$504 million) and revenue of \$46 million recognized under IAS 2, *Inventories* (2025 - \$20 million).

Contract Balances

The Company does not have any contract assets which constitute consideration receivable from a customer that is conditional on the Company's future performance. The current and non-current receivable balances from customers as at March 31, 2026 was \$940 million (2025 - \$762 million).

Contract liabilities represent payments received for performance obligations which have not been fulfilled.

The following table reconciles the items included in the contract liabilities balance:

<i>(in millions)</i>	March 31, 2026	March 31, 2025
Unearned revenues (Note 21)	\$ 350	\$ 358
Contributions in aid (Note 21)	3,026	2,834
Customer deposits	130	102
	\$ 3,506	\$ 3,294

The following table reconciles the changes in the contract liabilities balances during the years ended March 31, 2026 and 2025:

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FOR THE YEARS ENDED MARCH 31, 2026 AND 2025

<i>(in millions)</i>	Contract Liabilities
Balance at April 1, 2024	\$ 3,286
Revenue recognized that was included in the contract liability balance at the beginning of the year	(166)
Increases due to cash received, excluding amounts recognized as revenue during the year	478
Other ¹	(304)
Balance at March 31, 2025	3,294
Revenue recognized that was included in the contract liability balance at the beginning of the year	(204)
Increases due to cash received, excluding amounts recognized as revenue during the year	388
Other ¹	28
Balance at March 31, 2026	\$ 3,506

¹ Other includes finance charges, foreign exchange adjustments, and Energy Affordability Credits applied to customer bills.

Remaining Performance Obligations

The following table includes revenue expected to be recognized in the future related to the performance obligations that are unsatisfied (or partially unsatisfied) as at March 31, 2026:

<i>(in millions)</i>	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Contributions in aid	\$ 75	\$ 300	\$ 2,651	\$ 3,026
Skagit River Agreement	30	119	1,039	1,188
Other	96	170	30	296
	\$ 201	\$ 589	\$ 3,720	\$ 4,510

The Company elected to use the performance obligation practical expedients whereby the performance obligation is not disclosed for the following:

- (i) Where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance to date, revenue is recognized in the amount to which the Company has a right to invoice, or
- (ii) Where the remaining performance obligations have an original expected duration of one year or less.

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Note 5: Operating Expenses

<i>(in millions)</i>	2026	2025
Electricity and gas purchases	\$ 2,118	\$ 2,209
Water rentals	336	294
Transmission charges	295	361
Personnel expenses	979	916
Materials and external services	1,217	1,100
Amortization and depreciation (Note 7)	1,354	1,200
Grants and taxes	336	326
Other costs, net of recoveries	163	98
Capitalized costs	(108)	(105)
	\$ 6,690	\$ 6,399

Note 6: Finance Charges

<i>(in millions)</i>	2026	2025
Interest on debt	\$ 1,173	\$ 1,119
Interest on lease liabilities	43	44
Interest on defined benefit plan obligations (Note 23)	41	35
Losses (gains) on derivative financial instruments (Note 24)	(307)	154
Capitalized interest	(125)	(335)
Other	39	77
	\$ 864	\$ 1,094

The capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 3.5 per cent (2025 - 3.6 per cent).

Note 7: Amortization and Depreciation

<i>(in millions)</i>	2026	2025
Depreciation of property, plant and equipment (Note 11)	\$ 1,180	\$ 1,033
Depreciation of right-of-use assets (Note 12)	93	86
Amortization of intangible assets (Note 13)	81	81
	\$ 1,354	\$ 1,200

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Note 8: Cash and Cash Equivalents and Restricted Cash

<i>(in millions)</i>	March 31, 2026	March 31, 2025
Cash	\$ 60	\$ 58
Short-term investments	62	78
Restricted Cash	54	35
	\$ 176	\$ 171

Note 9: Accounts Receivable and Accrued Revenue

<i>(in millions)</i>	March 31, 2026	March 31, 2025
Accounts receivable	\$ 397	\$ 365
Accrued revenue	316	255
Other	285	200
	\$ 998	\$ 820

Accrued revenue represents revenue for electricity delivered and not yet billed.

Note 10: Inventories

<i>(in millions)</i>	March 31, 2026	March 31, 2025
Materials, Supplies, and Environmental Products	\$ 327	\$ 301
Natural Gas and Certain Carbon products	117	151
	\$ 444	\$ 452

There were no materials, supplies, and environmental products inventory impairments during the years ended March 31, 2026 and 2025. Natural gas and certain carbon products inventory that are held for trading are measured at fair value less costs to sell and are therefore not subject to impairment testing.

Inventories recognized as an expense during the year amounted to \$184 million (2025 - \$182 million).

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Note 11: Property, Plant, and Equipment

<i>(in millions)</i>		Generation	Transmission	Distribution	Land & Buildings	Equipment & Other	Unfinished Construction	Total
Cost								
Balance at April 1, 2024	\$	10,645	\$ 9,108	\$ 8,527	\$ 984	\$ 1,156	\$ 15,253	\$ 45,673
Net additions		13,396	376	804	68	148	(10,866)	3,926
Disposals and retirements		(13)	(19)	(52)	-	(70)	(13)	(167)
Balance at March 31, 2025		24,028	9,465	9,279	1,052	1,234	4,374	49,432
Net additions		1,152	584	1,020	133	184	754	3,827
Disposals and retirements		(18)	(22)	(55)	(3)	(35)	(37)	(170)
Balance at March 31, 2026	\$	25,162	\$ 10,027	\$ 10,244	\$ 1,182	\$ 1,383	\$ 5,091	\$ 53,089
Accumulated Depreciation								
Balance at April 1, 2024	\$	(1,746)	\$ (1,615)	\$ (1,490)	\$ (196)	\$ (518)	\$ -	\$ (5,565)
Depreciation expense		(358)	(260)	(269)	(36)	(110)	-	(1,033)
Disposals and retirements		12	12	18	-	69	-	111
Balance at March 31, 2025		(2,092)	(1,863)	(1,741)	(232)	(559)	-	(6,487)
Depreciation expense		(471)	(264)	(292)	(37)	(116)	-	(1,180)
Disposals and retirements		15	15	21	2	32	-	85
Balance at March 31, 2026	\$	(2,548)	\$ (2,112)	\$ (2,012)	\$ (267)	\$ (643)	\$ -	\$ (7,582)
Net carrying amounts								
At March 31, 2025	\$	21,936	\$ 7,602	\$ 7,538	\$ 820	\$ 675	\$ 4,374	\$ 42,945
At March 31, 2026	\$	22,614	\$ 7,915	\$ 8,232	\$ 915	\$ 740	\$ 5,091	\$ 45,507

- (i) During the year ended March 31, 2026, \$938 million (2025 - \$13.20 billion) in assets related to the Site C Project were put in-service and transferred from the Unfinished Construction category to Generation.
- (ii) Included within Distribution assets are the Company's portion of utility poles with a net book value of \$1.39 billion (2025 - \$1.32 billion) that are jointly owned with a third party. Depreciation expense on jointly owned utility poles for the year ended March 31, 2026 was \$38 million (2025 - \$36 million).
- (iii) The Company received government grants arising from the Columbia River Treaty related to three dams built by the Company in the mid-1960s to regulate the flow of the Columbia River. The grants were made to assist in financing the construction of the dams. The grants were deducted from the carrying amount of the related dams. In addition, the Company received, in the current year and prior years, government grants for the construction of transmission lines and electric vehicle infrastructure and has deducted the grants received from the cost of the asset. BC Hydro received and earned government grants of \$110 million during the year ended March 31, 2026 (2025 - \$72 million) which were deducted from the cost of the assets.
- (iv) The Company has contractual commitments to spend \$1.64 billion on major property, plant and equipment projects (on individual projects greater than \$20 million) as at March 31, 2026.

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Note 12: Right-of-Use Assets

<i>(in millions)</i>	Long-term energy purchase agreements	Property	Equipment/ Other	Total
Cost				
Balance at April 1, 2024	\$ 1,739	\$ 79	\$ 4	\$ 1,822
Net additions	52	(1)	5	56
Disposals, retirements and other	-	2	-	2
Balance at March 31, 2025	1,791	80	9	1,880
Net additions	40	(6)	10	44
Disposals, retirements and other	-	(1)	(2)	(3)
Balance at March 31, 2026	\$ 1,831	\$ 73	\$ 17	\$ 1,921
Accumulated Depreciation				
Balance at April 1, 2024	\$ (573)	\$ (36)	\$ (4)	\$ (613)
Depreciation expense	(80)	(6)	-	(86)
Disposals, retirements and other	-	(1)	-	(1)
Balance at March 31, 2025	(653)	(43)	(4)	(700)
Depreciation expense	(89)	(4)	-	(93)
Disposals, retirements and other	-	1	3	4
Balance at March 31, 2026	\$ (742)	\$ (46)	\$ (1)	\$ (789)
Net carrying amounts				
At March 31, 2025	\$ 1,138	\$ 37	\$ 5	\$ 1,180
At March 31, 2026	\$ 1,089	\$ 27	\$ 16	\$ 1,132

Refer to Note 20 for additional information on right-of-use assets and lease liabilities.

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Note 13: Intangible Assets

<i>(in millions)</i>	Land Rights	Internally Developed Software	Purchased Software	Other	Work in Progress	Total
Cost						
Balance at April 1, 2024	\$ 341	\$ 180	\$ 599	\$ 1	\$ 80	\$ 1,201
Net additions	34	15	66	-	(15)	100
Disposals, retirements, and other	-	(28)	(17)	(1)	(9)	(55)
Balance at March 31, 2025	375	167	648	-	56	1,246
Net additions	7	8	46	10	25	96
Disposals, retirements, and other	-	8	(20)	-	-	(12)
Balance at March 31, 2026	\$ 382	\$ 183	\$ 674	\$ 10	\$ 81	\$ 1,330
Accumulated Amortization						
Balance at April 1, 2024	\$ (6)	\$ (134)	\$ (420)	\$ -	\$ -	\$ (560)
Amortization expense	(1)	(16)	(64)	-	-	(81)
Disposals, retirements, and other	-	28	18	-	-	46
Balance at March 31, 2025	(7)	(122)	(466)	-	-	(595)
Amortization expense	(1)	(16)	(63)	(1)	-	(81)
Disposals, retirements, and other	-	(8)	20	-	-	12
Balance at March 31, 2026	\$ (8)	\$ (146)	\$ (509)	\$ (1)	\$ -	\$ (664)
Net carrying amounts						
At March 31, 2025	\$ 368	\$ 45	\$ 182	\$ -	\$ 56	\$ 651
At March 31, 2026	\$ 374	\$ 37	\$ 165	\$ 9	\$ 81	\$ 666

Land rights consist primarily of statutory rights of way acquired from the Province in perpetuity. Substantially all of these land rights have indefinite useful lives and are not subject to amortization. These land rights are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset value may not be recoverable.

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Note 14: Other Non-Current Assets

<i>(in millions)</i>	March 31, 2026	March 31, 2025
Non-current receivables	\$ 104	\$ 114
Other	125	40
	\$ 229	\$ 154

Non-Current Receivables

Included in the non-current receivables balance are \$89 million of receivables (2025 - \$98 million) from a vendor to aid in the construction of a transmission system. The contributions are to be received in 16 annual payments of approximately \$11 million, adjusted for inflation. The fair value of the receivable was initially measured using an estimated inflation rate and a 4.6 per cent discount rate.

Note 15: Sinking Funds

Investments held in sinking funds are held by the Trustee (the Minister of Finance for the Province) for the redemption of long-term debt. The sinking fund balances include the following investments:

<i>(in millions)</i>	March 31, 2026		March 31, 2025	
	Carrying Value	Weighted Average Effective Rate¹	Carrying Value	Weighted Average Effective Rate¹
Province of BC bonds	\$ 48	4.7 %	\$ 154	4.5 %
Other provincial government and crown corporation bonds	5	4.4 %	67	4.4 %
Money market funds	2	-	56	-
Other	1	-	2	-
	\$ 56		\$ 279	
Less: Current portion	-		(225)	
Non-current sinking funds	\$ 56		\$ 54	

¹Rate calculated on market yield to maturity.

Effective December 2005, all sinking fund payment requirements on new and outstanding debt were removed. The existing sinking funds relate to debt that matures in fiscal 2037.

Note 16: Rate Regulation

Regulatory Accounts

The Company has established various regulatory accounts through rate regulation and with the approval of the BCUC. In the absence of rate regulation, these amounts would be reflected in total comprehensive income. The net movement in regulatory balances related to total comprehensive income is as follows:

British Columbia Hydro and Power Authority

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<i>(in millions)</i>		2026	2025
Net increase in regulatory balances related to net income	\$	681	\$ 602
Net increase (decrease) in regulatory balances related to OCI		(427)	66
	\$	254	\$ 668

For each regulatory account, the amount reflected in the net change column in the following regulatory tables represents the impact on comprehensive income for the applicable year. Under rate regulated accounting, a net decrease in a regulatory asset or a net increase in a regulatory liability results in a decrease to comprehensive income.

<i>(in millions)</i>	<i>As at April 1 2025</i>	<i>Addition / (Reduction)</i>	<i>Interest ^A</i>	<i>Amortization</i>	<i>Net Change</i>	<i>As at March 31 2026</i>	<i>Remaining recovery/ reversal period (years)</i>
Regulatory Assets							
Heritage Deferral	\$ 167	\$ 55	\$ 5	\$ (121)	\$ (61)	\$ 106	Note B
Non-Heritage Deferral	1,494	65	37	(1,083)	(981)	513	Note B
Load Variance	88	123	4	(64)	63	151	Note B
Demand-Side Management	936	240	-	(121)	119	1,055	1-15
Debt Management	33	(33)	-	-	(33)	-	2-34
First Nations Provisions & Costs	479	19	-	(18)	1	480	1-8 Note F
Site C	511	1	18	(23)	(4)	507	Note D
CIA Amortization	53	(5)	-	-	(5)	48	14
Environmental Provisions & Costs	207	(2)	1	(33)	(34)	173	Note E, F
Smart Metering & Infrastructure	88	-	3	(25)	(22)	66	3
Inflationary Pressures	113	-	3	(59)	(56)	57	Note E
IFRS Pension	268	-	-	(38)	(38)	230	6
IFRS Property, Plant & Equipment	944	-	-	(31)	(31)	913	26-35
Total Finance Charges	115	(40)	-	(75)	(115)	-	Note E
Cloud Costs	111	80	5	(18)	67	178	1-11
Project Write-off Costs	55	19	2	(23)	(2)	53	Note E
Site C Variance Costs	117	15	5	-	20	137	Note I
Other Regulatory Accounts	151	69	4	(50)	23	174	Note H
Total Regulatory Assets	5,930	606	87	(1,782)	(1,089)	4,841	
Regulatory Liabilities							
Trade Income Deferral	1,856	(167)	42	(1,346)	(1,471)	385	Note C
Rate Smoothing	446	(1)	12	(238)	(227)	219	Note E
Debt Management	-	267	-	(11)	256	256	2-34
Biomass Energy Program Variance	188	(46)	4	(136)	(178)	10	Note B
Low Carbon Fuel Credits Variance	84	(15)	2	(61)	(74)	10	Note B
Non-Current Pension Costs	730	344	-	(32)	312	1,042	1-13
PEB Current Pension Costs	85	-	-	(42)	(42)	43	Note E
Electric Vehicle Rebate	18	30	1	-	31	49	Note G
Total Finance Charges	-	16	-	15	31	31	Note E
Other Regulatory Accounts	3	86	-	(67)	19	22	Note H
Total Regulatory Liabilities	3,410	514	61	(1,918)	(1,343)	2,067	
Net Regulatory Asset	\$ 2,520	\$ 92	\$ 26	\$ 136	\$ 254	\$ 2,774	

British Columbia Hydro and Power Authority

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(in millions)	As at April 1 2024	Addition / (Reduction)	Interest ^A	Amortization	Net Change	As at March 31 2025	Remaining recovery/ reversal period (years)
Regulatory Assets							
Heritage Deferral	\$ 49	\$ 106	\$ 5	\$ 7	\$ 118	\$ 167	Note B
Non-Heritage Deferral	1,092	187	49	166	402	1,494	Note B
Load Variance	11	75	-	2	77	88	Note B
Demand-Side Management	870	186	-	(120)	66	936	1-15
Debt Management	-	37	-	(4)	33	33	3-34
First Nations Provisions & Costs	474	21	-	(16)	5	479	1-9 Note F
Site C	502	(4)	19	(6)	9	511	Note D
CIA Amortization	58	(5)	-	-	(5)	53	15
Environmental Provisions & Costs	208	11	-	(12)	(1)	207	Note E, F
Smart Metering & Infrastructure	109	-	4	(25)	(21)	88	4
Inflationary Pressures	7	104	2	-	106	113	Note E
IFRS Pension	306	-	-	(38)	(38)	268	7
IFRS Property, Plant & Equipment	976	-	-	(32)	(32)	944	27-36
Total Finance Charges	88	39	-	(12)	27	115	Note E
Cloud Costs	47	61	3	-	64	111	1-12
Project Write-off Costs	48	8	2	(3)	7	55	Note E
Site C Variance Costs	-	115	2	-	117	117	Note I
Other Regulatory Accounts	108	71	3	(31)	43	151	Note H
Total Regulatory Assets	4,953	1,012	89	(124)	977	5,930	
Regulatory Liabilities							
Trade Income Deferral	1,736	55	65	-	120	1,856	Note C
Rate Smoothing	-	438	8	-	446	446	Note E
Debt Management	114	(128)	-	14	(114)	-	3-34
Biomass Energy Program Variance	127	36	6	19	61	188	Note B
Low Carbon Fuel Credits Variance	63	9	2	10	21	84	Note B
Non-Current Pension Costs	892	(191)	-	29	(162)	730	2-13
PEB Current Pension Costs	65	28	-	(8)	20	85	Note E
Electric Vehicle Rebate	71	(54)	1	-	(53)	18	Note G
Other Regulatory Accounts	33	(31)	1	-	(30)	3	Note H
Total Regulatory Liabilities	3,101	162	83	64	309	3,410	
Net Regulatory Asset	\$ 1,852	\$ 850	\$ 6	\$ (188)	\$ 668	\$ 2,520	

^A As permitted by the BCUC, interest charges were accrued to certain regulatory account balances at BC Hydro's weighted average cost of debt which was 3.5 per cent for the year ended March 31, 2026 (2025 – 3.7 per cent).

^B The balances in these regulatory accounts are recovered in rates through the Deferral Account Rate Rider (DARR), which is an additional charge or refund on customer bills and generally has a recovery period of 4 to 6 years. In its Order for the *Fiscal 2026 to Fiscal 2027 Revenue Requirements Application*, the BCUC approved the requested DARR refund of 4.5 per cent (2025 – 2.5 per cent) for fiscal 2026, effective April 1, 2025, and a refund of 1.5 per cent for fiscal 2027.

^C In its Order for the Fiscal 2026 to Fiscal 2027 Revenue Requirements Application, the BCUC approved recovery of the Trade Income Deferral Account balance through the DARR and the requested the DARR refund of 4.5 per cent for fiscal 2026, effective April 1, 2025, and a of refund 1.5 per cent for fiscal 2027. In fiscal 2025, the Trade Income Deferral Account balance was recovered through the Trade Income Rate Rider (TIRR) at an approved refund of 2.3 per cent, which is a separate additional charge or refund on customer bills.

^D The Site C regulatory account balance commenced recovery in fiscal 2025. The balance is recovered over the forecasted weighted average expected useful life of the Site C assets, estimated at 86 years (2025 – 84 years) in the *Fiscal 2026 to Fiscal 2027 Revenue Requirements Application*.

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^E The balances forecast to be in these accounts at the end of a test period are recovered over the next test period. A test period refers to the period covered by a revenue requirements application filing.

^F The First Nations Provisions & Costs and Environmental Provisions & Costs regulatory accounts include both expenditures and provisions (costs to be incurred in future years). Actual expenditures are recovered over the term identified. The provision balance becomes recoverable at such time as expenditures are forecast to be incurred and transferred to the respective regulatory cost account.

^G The Electric Vehicle Rebate regulatory account includes electric vehicle rebates, revenue from specified low carbon fuel credits, administration and marketing costs, and forecast interest. BC Hydro will request a refund mechanism to refund the revenue from specified low carbon fuel credits and cost of issuing electric vehicle rebates in the test period commencing in fiscal 2028. The administration and marketing costs, including forecast interest, are recovered over the next test period.

^H Other Regulatory Accounts includes various accounts with recovery periods ranging from 1 to 100 years or that will be determined by the BCUC as part of a future regulatory proceeding.

^I The recovery period for this account will be determined by the BCUC as part of a future regulatory proceeding.

Rate Regulation

On March 17, 2025, the Government of B.C. issued Order in Council No. 131 which under section 3 of the Utilities Commission Act enacted Direction No. 9 to the BCUC to, among other things, issue final orders approving various rate changes. In accordance with Direction No. 9, on March 26, 2025, the BCUC issued Order No. G-76-25 to approve the requested bill increases of 3.75 per cent (2025 – 2.3 per cent) for each of fiscal 2026 and fiscal 2027, which included a DARR refund of 4.5 per cent (2025 – 2.5 per cent) and 1.5 per cent for fiscal 2026 and fiscal 2027 respectively. In addition, the Order included the refund of the Trade Income Deferral Account in the Deferral Account Rate Rider, the establishment of a new Net Salvage Regulatory Account and recovery mechanisms for the Rate Smoothing Regulatory Account, the Inflationary Pressures Regulatory Account and the Electrification Customer Connections Regulatory Account.

Heritage Deferral Account

This account is intended to mitigate the impact of certain cost and revenue variances between the forecast costs and revenues in a revenue requirements application and actual costs and revenues associated with the Company's hydroelectric and thermal generating facilities. The account balance is recovered through the DARR, which is an additional charge or refund on customer bills. In its Order for the *Fiscal 2026 to Fiscal 2027 Revenue Requirements Application*, the BCUC approved the recovery of the balance through the DARR table mechanism for fiscal 2026. The DARR table mechanism is a sliding scale that determines the level of the DARR based on the forecast net balance of the cost of energy variance accounts (i.e., the Heritage Deferral account, the Non-Heritage Deferral account, the Load Variance account, the Biomass Energy Program Variance account and the Low Carbon Fuel Credits Variance Regulatory Account). In response to the *Fiscal 2026 to Fiscal 2027 Revenue Requirements Application*, the BCUC issued Order No. G-76-25, as directed by the Government of BC in Direction No. 9, that the Trade Income Deferral account be recovered through the DARR table mechanism with the cost of energy variance accounts for fiscal 2026 and 2027.

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Non-Heritage Deferral Account

This account is intended to mitigate the impact of certain cost and revenue variances between the forecast costs and revenues in a revenue requirements application and actual costs and revenues related to items including all non-heritage energy costs (e.g., costs related to power acquisitions from Independent Power Producers). The account balance is recovered through the DARR, which is an additional charge or credit on customer bills.

Load Variance

This account is intended to capture the variance between planned and actual domestic customer load (i.e., customer demand). This account is categorized as one of BC Hydro's cost of energy variance accounts and has the same mechanisms for interest charges and recovery applied to it that are applicable to the Non-Heritage Deferral Account. The account balance is recovered through the DARR, which is an additional charge or credit on customer bills.

Biomass Energy Program Variance

This account is intended to capture the variances between planned and actual energy purchase and load associated with Biomass energy purchases agreements. This account is categorized as one of BC Hydro's cost of energy variance accounts and has the same mechanisms for interest charges and recovery applied to it that are applicable to the Non-Heritage Deferral Account. The account balance is recovered through the DARR, which is an additional charge or credit on customer bills.

Low Carbon Fuel Credits

This account is intended to capture the variances between planned and actual revenue from low carbon fuel credits. This account is categorized as one of BC Hydro's cost of energy variance accounts and has the same mechanisms for interest charges and recovery applied to it that are applicable to the Non-Heritage Deferral Account. The account balance is recovered through the DARR, which is an additional charge or credit on customer bills.

Trade Income Deferral Account

This account is intended to mitigate the uncertainty associated with forecasting the net income of the Company's trade activities. The impact is to defer the difference between the Trade Income forecast in a revenue requirements application and actual Trade Income. In its Order for the *Fiscal 2023 to Fiscal 2025 Revenue Requirements Application*, the BCUC directed BC Hydro, for fiscal 2025, to recover the Trade Income Deferral Account in rates, through the Trade Income Rate Rider (TIRR), which is a separate additional charge or credit on customer bills. In response to the *Fiscal 2026 to Fiscal 2027 Revenue Requirements Application*, the BCUC issued Order No. G-76-25, as directed by the Government of BC in Direction No. 9, that the Trade Income Deferral account be recovered through the DARR table mechanism with the cost of energy variance accounts for fiscal 2026 and 2027.

Inflationary Pressures

On November 18, 2022, the Province issued Order in Council No. 571, which directed the BCUC to authorize BC Hydro to establish the Inflationary Pressures Regulatory Account and transfer \$74 million from the Trade Income Deferral Account to the new account. It also allowed BC Hydro to defer specified costs to the Inflationary Pressures Regulatory Account. On November 28, 2022, the BCUC issued Order No. G-341-22

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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as directed to authorize BC Hydro to establish the Inflationary Pressures Regulatory Account and transfer \$74 million from the Trade Income Deferral Account to the Inflationary Pressure Regulatory Account. In response to the *Fiscal 2026 to Fiscal 2027 Revenue Requirements Application*, the BCUC issued Order No. G-76-25, as directed by the Government of BC in Direction No. 9, BC Hydro to recover the forecast balance, including forecast interest over the fiscal 2026 to fiscal 2027 test period.

Demand-Side Management

Demand-Side Management expenditures include materials, direct labour and applicable portions of support costs, equipment costs, and incentives, which are not eligible for capitalization. Costs relating to identifiable tangible assets that meet the capitalization criteria are recorded as property, plant and equipment. In March 2017, the Province issued Orders in Council No. 100 and No. 101, which enable BC Hydro to pursue cost-effective electrification and allows for costs related to undertakings pursuant to Order in Council No. 101 to be deferred to the Demand-Side Management Regulatory Account. Annual additions to the Demand-Side Management Regulatory Account are amortized on a straight-line basis over the anticipated 15 year benefit period.

First Nations Provisions & Costs

The First Nations Provisions Regulatory Account includes the present value of future payments and the First Nations Costs Regulatory Account includes the payments related to agreements reached with various First Nations groups. These agreements address settlements related to the construction and operation of the Company's existing facilities and provide compensation for associated impacts. Actual lump sum and annual settlement costs paid pursuant to these settlements are transferred from the First Nations Provisions Regulatory Account to the First Nations Costs Regulatory Account. In addition, annual negotiation costs are deferred to the First Nations Costs Regulatory Account.

Forecast lump sum settlement payments are amortized over 10 years starting in the year of payment, forecast annual settlement payments are amortized in the year of payment, and actual annual negotiation costs are recovered from the First Nations Costs Regulatory Account in the year incurred. Variances between forecast and actual lump sum and annual settlement payments in the current test period are recovered over the following test period.

Non-Current Pension Costs

The Non-Current Pension Costs Regulatory Account captures variances between forecast and actual non-current service costs, such as net interest income or expense related to pension and other post-employment benefit plans. In addition, all re-measurements of the net defined benefit liability are deferred to this account. Amounts deferred during the current test period are amortized at the start of the following test period over the expected average remaining service life of the employee group (currently 13 years).

PEB Current Pension Costs

The Post-Employment Benefit (PEB) Current Pension Costs regulatory account captures variances between forecast and actual costs related to the operating cost portion of post-employment benefits current pension costs. Variances deferred during the current test period are recovered over the following test period.

Site C

The Site C Regulatory Account captures Site C Project costs that are not eligible for capitalization. In its

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Order G-91-23 on the *Fiscal 2023 to Fiscal 2025 Revenue Requirements Application*, the BCUC approved BC Hydro's request to begin amortizing the balance of the Site C Regulatory Account commencing in fiscal 2025 over the forecast weighted average expected useful life of the Site C assets, originally estimated at 84 years in the *Fiscal 2023 to Fiscal 2025 Revenue Requirements Application* and updated to 86 years for the *Fiscal 2026 to Fiscal 2027 Revenue Requirements Application*.

Contributions in Aid (CIA) of Construction Amortization

This account captures the difference in amortization between the 45 year amortization period the Company uses for financial reporting and the 25 year amortization period determined by the BCUC for revenue requirement applications.

Environmental Provisions & Costs

A liability provision and offsetting regulatory asset has been established for environmental compliance and remediation arising from the costs that will likely be incurred to comply with the Federal Polychlorinated Biphenyl (PCB) Regulations enacted under the *Canadian Environmental Protection Act* and the Asbestos requirements of the Occupational Health and Safety Regulations under the jurisdiction of WorkSafe BC.

Actual expenditures related to environmental regulatory provisions are transferred to the environmental cost regulatory accounts. Forecast environmental and remediation costs are amortized from the accounts each year. Variances between forecast and actual environmental and remediation expenditures in the current test period are recovered over the following test period.

Smart Metering & Infrastructure

Net operating costs incurred with respect to the Smart Metering & Infrastructure program were deferred through the end of fiscal 2016 when the project was completed. Costs relating to identifiable tangible and intangible assets that meet the capitalization criteria were recorded as property, plant and equipment or intangible assets, respectively. The balance in the regulatory account at the end of fiscal 2016 is being amortized over a period of 13 years, reflecting the remaining period of the overall amortization period of 15 years, which is based on the average life of Smart Metering & Infrastructure assets.

IFRS Pension

Unamortized experience gains and losses on the pension and other post-employment benefit plans recognized at the time of transition to IFRS as part of the Prescribed Standards (the previous accounting standards applicable to BC Hydro that were effective April 1, 2012 to March 31, 2018) were deferred to this regulatory account to allow for recovery in future rates. The account balance is amortized/recovered over 20 years on a straight-line basis beginning in fiscal 2013.

IFRS Property, Plant & Equipment

This account includes the fiscal 2012 incremental costs impacts due to the application of the accounting principles of IFRS to Property, Plant & Equipment to the comparative fiscal year for the adoption of IFRS as part of the Prescribed Standards (the previous accounting standards applicable to BC Hydro that were effective April 1, 2012 to March 31, 2018). In addition, the account includes an annual deferral of overhead costs, ineligible for capitalization under the accounting principles of IFRS that was being phased in over 10 years and the phase in was completed in fiscal 2021. The annual deferred amounts are amortized over 40 years beginning the year following the deferral of the expenditures.

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Debt Management

This account captures gains and losses on financial contracts that economically hedge future long-term debt. The realized gains or losses are amortized over the remaining term of the associated long-term debt issuances, commencing in the test period following the test period in which the long-term debt associated with a particular hedge is issued.

Total Finance Charges

This account is intended to mitigate the impact of certain variances that arise between the forecast finance costs in a revenue requirements application and actual finance charges incurred. Variances deferred during the current test period are recovered over the following test period.

Cloud Costs

This account is intended to capture actual cloud arrangement implementation costs that would have been capitalized for each project, had the cloud arrangement been eligible for capitalization as an intangible asset. The forecast balance in the account attributable to each forecast completed cloud arrangement is recovered over the expected term of each cloud arrangement.

Project Write-off Costs

This account is intended to capture actual project write offs in each fiscal year for which BC Hydro believes future recovery from ratepayers is appropriate. Write-off costs deferred in respect to completed fiscal years during a test period are recovered over the following test period.

Site C Variance Costs

This account is intended to capture specific variances related to amortization and finance charges on Site C assets in service, commencing fiscal 2023. The recovery period for this account will be determined by the BCUC as part of a future regulatory proceeding.

Rate Smoothing

In February 2024, the BCUC approved a Rate Smoothing regulatory account to defer an amount that would have otherwise been refunded to customers through the Trade Income Rate Rider on their bills in fiscal 2025, so that the balance could be used to lower rates in future periods. In March 2025, the BCUC issued Order No. G-76-25, as directed by the Government of BC in Direction No. 9, that the forecast balance in the Rate Smoothing Regulatory Account be refunded, as specified, in fiscal 2026 and fiscal 2027.

Electric Vehicle Rebate

This account is intended to capture revenue from specified low carbon fuel credits, costs of issuing electric vehicle rebates and forecast variances in program expenditures on administration and marketing. Recovery of administration and marketing costs were approved to be recovered over the following test period in the BCUC order on BC Hydro's Application for Approval of the Electric Vehicle Rebate regulatory account. Revenue from specified low carbon fuel credits and costs of issuing electric vehicle rebates were expected to self-clear over time. However, the Province has cancelled the Electric Vehicle Rebate program; therefore, a refund mechanism will be required for the remaining specified low carbon fuel credits in excess of electric vehicle rebate costs. BC Hydro will file a request in its next revenue requirements application so the credit balance can be refunded in the test period commencing in fiscal 2028.

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Other Regulatory Accounts

Other regulatory asset and liability accounts with individual balances less than \$50 million include the following: Foreign Exchange Gains and Losses, Amortization of Capital Additions, Real Property Sales, Customer Crisis Fund, Electric Vehicle Public Charging, Mining Customer Payment Plan, Cloud Usage Fees, Mandatory Reliability Standards Costs, Load Attraction Costs, Routine Trouble and Storm Restoration Costs, Dismantling Cost, Electrification Customer Connection Costs, Insurance Costs, Regulatory Fees, Remote Community Electrification Repayment, and Net Salvage.

Note 17: Accounts Payable and Accrued Liabilities

<i>(in millions)</i>	March 31, 2026	March 31, 2025
Accounts payable	\$ 649	\$ 566
Accrued liabilities	1,332	1,174
Current portion of lease liabilities (Note 20)	90	78
Current portion of other long-term liabilities (Note 25)	161	149
Other	64	60
	\$ 2,296	\$ 2,027

Note 18: Debt

The Company's debt primarily comprises bonds and revolving borrowings obtained under an agreement with the Province.

Short-term Borrowings

Short-term borrowings include amounts under a commercial paper borrowing program with the Province which is limited to \$5.50 billion and a non-revolving credit facility limited to \$140 million. At March 31, 2026, the outstanding amount under the commercial paper borrowing program was \$4.44 billion (March 31, 2025 - \$3.25 billion) and the outstanding amount under the non-revolving credit facility was \$59 million (March 31, 2025 - \$nil).

Long-term Debt

For the year ended March 31, 2026, the Company issued bonds for net proceeds of \$2.92 billion (2025 - \$4.22 billion) and a par value of \$2.98 billion (2025 - \$4.20 billion), a weighted average effective interest rate of 4.4 per cent (2025 - 4.2 per cent) and a weighted average term to maturity of 25 years (2025 - 24 years).

For the year ended March 31, 2026, the Company redeemed bonds at maturity with a par value of \$2.02 billion (2025 - \$10 million).

Debt, expressed in Canadian dollars, is summarized in the following table by year of maturity:

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<i>(in millions)</i>											
March 31, 2026						March 31, 2025					
	Canadian	US	Euro	Total	Weighted Average Interest Rate ¹	Canadian	US	Euro	Total	Weighted Average Interest Rate ¹	
Maturing in fiscal:											
2026	\$ -	\$ -	\$ -	\$ -	-	\$ 900	\$ 719	\$ 410	\$ 2,029	3.7	
2027	850	-	-	850	2.4	850	-	-	850	2.4	
2028	1,000	-	-	1,000	2.8	1,000	-	-	1,000	2.8	
2029	1,500	-	-	1,500	2.8	1,500	-	-	1,500	2.8	
2030	500	-	-	500	5.0	500	-	-	500	5.0	
2031	1,725	-	-	1,725	1.6	-	-	-	-	-	
1-5 years	5,575	-	-	5,575	2.5	4,750	719	410	5,879	3.2	
6-10 years	5,325	-	223	5,548	3.8	6,275	-	216	6,491	3.2	
11-15 years	1,250	417	-	1,667	5.5	-	432	-	432	7.4	
16-20 years	4,588	-	-	4,588	3.9	5,838	-	-	5,838	4.1	
21-25 years	5,545	-	-	5,545	2.9	3,695	-	-	3,695	3.2	
26-30 years	7,220	-	-	7,220	4.2	5,710	-	-	5,710	3.4	
Over 30 years	50	-	-	50	3.4	1,210	-	-	1,210	4.1	
Bonds	\$ 29,553	\$ 417	\$ 223	\$ 30,193	3.6	\$ 27,478	\$ 1,151	\$ 626	\$ 29,255	3.5	
Short-term borrowings	3,904	593	-	4,497	2.4	2,550	704	-	3,254	2.9	
	\$ 33,457	\$ 1,010	\$ 223	\$ 34,690		\$ 30,028	\$ 1,855	\$ 626	\$ 32,509		
Adjustments to carrying value resulting from discontinued hedging activities	5	14	-	19		6	15	-	21		
Unamortized premium, discount, and issue costs	(122)	(4)	(1)	(127)		(61)	(5)	-	(66)		
	\$ 33,340	\$ 1,020	\$ 222	\$ 34,582		\$ 29,973	\$ 1,865	\$ 626	\$ 32,464		
Less: Current portion	(4,754)	(593)	-	(5,347)		(3,451)	(1,423)	(410)	(5,284)		
Non-current long-term debt	\$ 28,586	\$ 427	\$ 222	\$ 29,235		\$ 26,522	\$ 442	\$ 216	\$ 27,180		

¹The weighted average interest rate represents the effective rate of interest on fixed-rate bonds.

The following foreign currency contracts were in place at March 31, 2026 in a net asset position of \$21 million (2025 – net asset of \$88 million). Such contracts are primarily used to hedge foreign currency long-term debt principal and U.S. commercial paper borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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<i>(in millions)</i>	March 31, 2026	March 31, 2025
Cross-Currency Swaps		
Euro dollar (€) to Canadian dollar - notional amount ¹	€ 138	€ 402
Euro dollar to Canadian dollar - weighted average contract rate	1.44	1.47
Weighted remaining term	6 years	3 years
Foreign Currency Forwards		
United States dollar (US\$) to Canadian dollar - notional amount ¹	US\$ 659	US\$ 1,065
United States dollar to Canadian dollar - weighted average contract rate	1.33	1.32
Weighted remaining term	3 years	3 years

¹Notional amount for a derivative instrument is defined as the contractual amount on which payments are calculated.

The following forward swap contracts were in place at March 31, 2026 with a net asset position of \$166 million (2025 - net liability of \$58 million). Such contracts are used to lock in interest rates on future Canadian denominated debt issues. The contracts outstanding relate to \$3.58 billion (2025 - \$3.48 billion) of planned 10 and 30 year debt (2025 - 10 and 30 year debt) to be issued on dates ranging from June 2026 to October 2029 (2025 - July 2025 to October 2028).

<i>(in millions)</i>	March 31, 2026	March 31, 2025
Forward Swaps		
Canadian dollar - notional amount ¹	\$ 3,575	\$ 3,475
Weighted forecast borrowing yields	4.17%	3.89%
Weighted remaining term	1 year	1 years

¹Notional amount for a derivative instrument is defined as the contractual amount on which payments are calculated.

For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see Note 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2026 AND 2025

Note 19: Supplemental Disclosure of Cash Flow Information

Change in Working Capital and Other Assets and Liabilities:

<i>(in millions)</i>		2026	2025
Restricted Cash	\$	(19)	\$ 10
Accounts receivable, accrued revenue, prepaid expenses and other non-current assets		(201)	128
Inventories		47	(29)
Accounts payable, accrued liabilities, and other non-current liabilities		219	(267)
Unearned revenues, customer credits and contributions in aid		184	(16)
Post-employment benefits		(2)	1
	\$	228	\$ (173)

Non-Cash Investing Transactions:

<i>(in millions)</i>		2026	2025
Contributions in kind received for property, plant and equipment	\$	55	\$ 97

Reconciliation for liabilities:

<i>(in millions)</i>	Balance, April 1, 2025	Issued	Redemptions	Foreign exchange movement	Other ¹	Proceeds (Payments)	Balance March 31, 2026
Long-term debt and short-term borrowings:							
Long-term debt	\$ 29,210	\$ 2,923	\$ (2,023)	\$ (15)	\$ (10)	\$ -	\$ 30,085
Short-term borrowings	3,254	9,980	(8,713)	(21)	(3)	-	4,497
Total long-term debt and short-term borrowings (Note 18)	32,464	12,903	(10,736)	(36)	(13)	-	34,582
Lease liability (Note 20)	1,348	-	-	-	87	(133)	1,302
Vendor financing liability	248	-	-	-	23	(42)	229
Debt-related derivative net asset	(30)	-	-	-	(311)	154	(187)
	\$ 34,030	\$ 12,903	\$ (10,736)	\$ (36)	\$ (214)	\$ (21)	\$ 35,926

¹ Other includes new lease liability, fair value adjustments to the debt-related derivative liability, interest, and other non-cash items.

British Columbia Hydro and Power Authority

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<i>(in millions)</i>	Balance, April 1, 2024	Issued	Redemptions	Foreign exchange movement	Other ¹	Proceeds (Payments)	Balance March 31, 2025
Long-term debt and short-term borrowings:							
Long-term debt	\$ 24,907	\$ 4,217	\$ (10)	\$ 107	\$ (11)	\$ -	\$ 29,210
Short-term borrowings	4,730	8,414	(9,919)	66	(37)	-	3,254
Total long-term debt and short-term borrowings (Note 18)	29,637	12,631	(9,929)	173	(48)	-	32,464
Lease liability (Note 20)	1,405	-	-	-	62	(119)	1,348
Vendor financing liability	273	-	-	-	16	(41)	248
Debt-related derivative net asset	(191)	-	-	-	19	142	(30)
	\$ 31,124	\$ 12,631	\$ (9,929)	\$ 173	\$ 49	\$ (18)	\$ 34,030

¹ Other includes new lease liability, fair value adjustments to the debt-related derivative liability, interest, and other non-cash items.

Note 20: Lease Liabilities

Lease costs

<i>(in millions)</i>	2026	2025
Interest on lease liabilities	\$ 43	\$ 44
Variable lease payments (recoveries) not included in the measurement of lease liabilities	3	(14)
Expenses relating to short-term leases and leases of low-value assets	38	26
	\$ 84	\$ 56

Amounts recognized in the statement of cash flows

<i>(in millions)</i>	2026	2025
Total cash outflow for leases	\$ 174	\$ 131

Maturity analysis

<i>(in millions)</i>	March 31, 2026	March 31, 2025
Maturity analysis - contractual undiscounted cash flows		
Less than 1 year	\$ 130	\$ 122
1 to 5 years	391	410
More than 5 years	1,228	1,337
Total Undiscounted Lease Liabilities	\$ 1,749	\$ 1,869

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<i>(in millions)</i>	March 31, 2026	March 31, 2025
Current	\$ 90	\$ 78
Non-current	1,212	1,270
Total Lease Liabilities	\$ 1,302	\$ 1,348

Long-term energy purchase agreements

The Company has entered into some long-term energy purchase agreements that are considered to be a lease. The long-term energy purchase agreements have terms ranging from 4.5 years to 30 years with no option to renew. The lease payments are adjusted annually for changes in the consumer price index, and these amounts are included in the measurement of the lease liability. The variable lease payments (recoveries) for these long-term energy purchase agreement leases for the year ended March 31, 2026 were \$2 million (2025 - \$15 million recoveries). The variable rent recoveries for the year ended March 31, 2025 was mainly due to waivers of payments associated with generating unit outages. See note 26 for long-term energy purchase agreements with related parties.

Property leases

The Company leases land and building for its office space and operation use. The property leases typically run for a period of 2 years to 99 years. Some leases include an option to renew the leases for an additional period ranging from 1 year to 10 years.

Some leases require the Company to make payments that relate to the property taxes, insurance payments and operating costs; these amounts are generally determined annually. These variable lease payments for the year ended March 31, 2026 were \$1 million (2025 - \$1 million).

Other leases

The Company leases telecom equipment and the lease liability for each item will be settled in two equal installments that are due at the first and second year anniversaries after each item becomes operational. In addition, the company has commitments to pay \$39 million over the next five years associated with lease assets that have not yet commenced.

The Company also leases vehicles, office equipment and other equipment. These vehicle leases are short-term, and office and other equipment leases are short-term and/or leases of low value items. The Company has elected not to recognize right-of-use assets and lease liabilities as a result of the practical expedients used as noted in note 3(r).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 21: Unearned Revenues and Contributions in Aid

<i>(in millions)</i>	March 31, 2026	March 31, 2025
Unearned revenues	\$ 350	\$ 358
Contributions in aid	3,026	2,834
	3,376	3,192
Less: Current portion, unearned revenues	(59)	(53)
Less: Current portion, contributions in aid	(75)	(70)
	\$ 3,242	\$ 3,069

Note 22: Capital Management

Orders in Council from the Province establish the basis for determining the Company's equity for regulatory purposes, as well as the annual payment to the Province (see below). Capital requirements are consequently managed through the retention of equity subsequent to the Payment to the Province. For this purpose, the applicable Order in Council defines debt as revolving borrowings and interest-bearing borrowings less investments held in sinking funds and cash and cash equivalents. Equity comprises retained earnings, accumulated other comprehensive loss, and contributed surplus. The Company monitors its capital structure on the basis of its debt to equity ratio.

During the year, there were no changes in the approach to capital management.

The debt to equity ratio at March 31, 2026, and March 31, 2025 was as follows:

<i>(in millions)</i>	March 31, 2026	March 31, 2025
Total debt	\$ 34,582	\$ 32,464
Less: Sinking funds	(56)	(279)
Less: Cash and cash equivalents	(122)	(136)
Net Debt	\$ 34,404	\$ 32,049
Retained earnings	\$ 8,979	\$ 8,261
Contributed surplus	60	60
Accumulated other comprehensive loss	(49)	(67)
Total Equity	\$ 8,990	\$ 8,254
Net Debt to Equity Ratio	79 : 21	80 : 20

Dividend Payment to the Province

In accordance with Order in Council No. 095/2014 from the Province, the payment to the Province will remain at zero until BC Hydro achieves a 60:40 debt to equity ratio.

As BC Hydro has not achieved a debt to equity ratio of 60:40 there was no payment for the year ended March 31, 2026 and March 31, 2025.

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During the year ended March 31, 2026, the Company contributed \$3 million (2025 - \$3 million) funding to the Province to support incremental workload associated with environmental assessment and permitting resources.

Note 23: Post-Employment Benefits

The Company provides a defined benefit statutory pension plan (registered under the British Columbia *Pension Benefits Standards Act*) to substantially all employees, as well as supplemental arrangements which provide pension benefits in excess of statutory limits. Pension benefits are based on years of membership service and highest five-year average pensionable earnings. The plan also provides pensioners a conditional indexing fund. Employees and the Company make equal basic and indexing contributions to the plan funds based on a percentage of current pensionable earnings in accordance with the plan provisions and as recommended by the independent actuary. The Company may be required to contribute additional amounts as recommended by the independent actuary. The Company is responsible for ensuring that the defined benefit statutory pension plan has sufficient assets to pay the pension benefits. The supplemental arrangements are not funded. The defined benefit pension plans are administered under a defined governance structure. The pension arrangements including investment, plan benefits and funding decisions are administered by the Company's Pension Management Committee with oversight resting with the Board of Directors. Significant changes to the plans, investment policies, and funding policies require the approval of the Board of Directors. The most recent actuarial funding valuation for the statutory pension plan was performed as at December 31, 2023. The valuation has been extrapolated to March 31, 2026 in accordance with IAS 19 and incorporated in these financial statements. The next valuation for funding purposes is required no later than December 31, 2026.

The Company also provides post-employment benefits other than pensions including limited medical, extended health, dental and life insurance coverage for retirees who have at least 10 years of service and qualify to receive pension benefits. Certain benefits, including the short-term continuation of health care and life insurance, are provided to terminated employees or to survivors on the death of an employee. These post-employment benefits other than pensions are not funded. Post-employment benefits include the pay out of benefits that vest or accumulate, such as banked vacation.

By their design, defined benefit pension plans and other post-employment benefit plans expose the Company to various risks such as investment performance, reductions in discount rates used to value the obligations, increased longevity of plan members and future inflation levels impacting future salary increases and indexing, as well as future increases in healthcare costs.

Information about the pension benefit plans and post-employment benefits other than pensions is as follows:

- (a) The expense for the Company's benefit plans for the years ended March 31, 2026 and 2025 is recognized in the following line items in the statement of comprehensive income prior to any capitalization of employment costs attributable to property, plant and equipment and intangible asset additions:

British Columbia Hydro and Power Authority

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(in millions)	Pension Benefit Plans		Other Benefit Plans		Total	
	2026	2025	2026	2025	2026	2025
Current service costs charged to personnel expense - operating expenses	\$ 132	\$ 112	\$ 5	\$ 5	\$ 137	\$ 117
Net interest costs charged to finance costs	33	26	8	9	41	35
Total post-employment benefit plan expense	\$ 165	\$ 138	\$ 13	\$ 14	\$ 178	\$ 152

Actuarial gain recognized in other comprehensive income was \$442 million (2025 – loss of \$94 million).

(b) Information about the Company's defined benefit plans, in aggregate, is as follows:

(in millions)	Pension Benefits Plans		Other Benefits Plans		Total	
	March 31, 2026	March 31, 2025	March 31, 2026	March 31, 2025	March 31, 2026	March 31, 2025
Defined benefit obligation of funded plan	\$ (5,807)	\$ (5,827)	\$ -	\$ -	\$ (5,807)	\$ (5,827)
Defined benefit obligation of unfunded plans	(174)	(182)	(179)	(177)	(353)	(359)
Fair value of plan assets	5,643	5,324	-	-	5,643	5,324
Plan deficit	\$ (338)	\$ (685)	\$ (179)	\$ (177)	\$ (517)	\$ (862)
Represented by:						
Accrued benefit plan liability	\$ (338)	\$ (685)	\$ (179)	\$ (177)	\$ (517)	\$ (862)

The Company determined that there was no minimum funding requirement adjustment required in fiscal 2026 and fiscal 2025 in accordance with IFRIC 14, *The Limit on Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*.

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(c) Movement of defined benefit obligations and defined benefit plan assets during the year:

	Pension Benefit Plans		Other Benefit Plans	
	March 31, 2026	March 31, 2025	March 31, 2026	March 31, 2025
<i>(in millions)</i>				
Defined benefit obligation				
Opening defined benefit obligation	\$ 6,009	\$ 5,460	\$ 177	\$ 176
Current service cost	132	112	5	5
Interest cost on benefit obligations	318	321	8	9
Benefits paid ¹	(232)	(224)	(6)	(6)
Employee contributions	63	62	-	-
Actuarial losses (gains) ²	(309)	278	(5)	(7)
Defined benefit obligation, end of year	5,981	6,009	179	177
Fair value of plan assets				
Opening fair value	5,324	4,944	n/a	n/a
Interest income on plan assets ³	285	295	n/a	n/a
Employer contributions	64	63	n/a	n/a
Employee contributions	63	62	n/a	n/a
Benefits paid ¹	(221)	(217)	n/a	n/a
Actuarial gains ^{2,3}	128	177	n/a	n/a
Fair value of plan assets, end of year	5,643	5,324	-	-
Accrued benefit liability	\$ (338)	\$ (685)	\$ (179)	\$ (177)

¹ Benefits paid under Pension Benefit Plans include \$12 million (2025 - \$14 million) of settlement payments.

² Actuarial gains/losses are included in the Non-Current Pension Costs Regulatory Account and for fiscal 2026 are comprised of:
- \$128 million of actuarial gains on return on plan assets (2025 - \$177 million actuarial gains) due to higher actual return; and
- \$314 million of actuarial gains (2025 - \$271 million actuarial losses) on the benefit obligations mainly due to an increase in the discount rate.

³ Actual income on defined benefit plan assets for the year ended March 31, 2026 was \$413 million (2025 - \$472 million).

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- (d) The significant assumptions adopted in measuring the Company's accrued benefit obligations as at each March 31 year end are as follows:

	Pension Benefit Plans		Other Benefit Plans	
	March 31, 2026	March 31, 2025	March 31, 2026	March 31, 2025
Discount rate				
Benefit cost	4.64%	4.89%	4.64%	4.87%
Accrued benefit obligation	5.11%	4.64%	4.95%	4.64%
Rate of return on plan assets	4.64%	4.89%	n/a	n/a
Rate of compensation increase				
Benefit cost	3.50%	3.50%	3.50%	3.50%
Accrued benefit obligation	3.50%	3.50%	3.50%	3.50%
Health care cost trend rates				
Weighted average health care cost trend rate	n/a	n/a	3.44%	3.43%
Weighted average ultimate health care cost trend rate	n/a	n/a	3.44%	3.43%
Year ultimate health care cost trend rate will be achieved	n/a	n/a	n/a	n/a

The valuation cost method for the accrued benefit obligation is the projected unit credit method pro-rated on service.

- (e) Defined benefit statutory pension plan assets are invested prudently in order to meet the Company's pension obligations. The pension plan's investment strategy is to hold a diversified mix of investments by asset class and geographic location in order to reduce investment-specific risk to the funded status while maximizing the expected returns to meet pension obligations. Investment of the plan's assets follows an asset/liability framework as investment is conducted with consideration of the pension obligation's sensitivity to interest rates which is a key risk factor impacting the obligation's value.

In developing the pension plan's asset mix, the Company includes, but is not limited to, the following factors:

- the nature of the underlying benefit obligations, including the duration and term profile of the liabilities;
- the member demographics, including expectations for normal retirements, terminations, and deaths;
- the financial position of the pension plan;
- the diversification benefits obtained by the inclusion of multiple asset classes; and
- expected asset returns, including asset and liability correlations, along with liquidity requirements of the plan.

To implement the asset mix policy, the Company may invest in fixed interest investments (such as debt instruments), equity securities, and alternative investments. The Company's defined benefit statutory pension plan assets are primarily comprised of debt and equity securities and alternative investments.

The publicly traded equity securities are unadjusted quoted market prices in an active market (Level 1) and the publicly traded fixed interest investments generally have quoted market prices or observable market inputs for similar assets in an active market (Level 2). Alternative investments include private fund investments including infrastructure, renewable resources, real estate, mortgages and private equity and debt, all of which usually do not have quoted market prices available (Level 3). These fund assets

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are valued by external managers and independent valuers using accepted industry valuation methods and models.

- (f) Asset allocation of the defined benefit statutory pension plan as at the measurement date:

	Long Term Strategic Target Allocation	Target Range		March 31, 2026	March 31, 2025
		Min	Max		
Fixed interest investments	20%	15%	35%	21%	21%
Public equities	40%	30%	50%	41%	40%
Real estate	15%	10%	20% ¹	13%	14%
Private equities	15%	10%	20% ¹	15%	15%
Infrastructure and renewable resources	10%	5%	15% ¹	10%	10%

¹The total of these three cannot exceed 50%.

Plan assets are re-balanced within ranges around target applications. An updated asset allocation was approved in fiscal 2026 and will be implemented starting in fiscal 2027. The Company's expected return on plan assets is determined as the discount rate in accordance with IAS19.

- (g) Other information about the Company's benefit plans is as follows:

The Company's contribution to be paid to its funded defined benefit statutory pension plan in fiscal 2027 is expected to amount to \$68 million. The expected benefit payments to be paid in fiscal 2027 in respect to the unfunded defined benefit plans are \$14 million.

The following table presents the maturity profile of the Company's defined benefit statutory pension plan obligation:

(in millions, except weighted average duration and plan participants)

Number of plan participants as at March 31, 2026	17,271
Actual benefit payments 2026	\$ 217
Benefits expected to be paid 2027	\$ 238
Benefits expected to be paid 2028	\$ 243
Benefits expected to be paid 2029	\$ 249
Benefits expected to be paid 2030	\$ 255
Benefits expected to be paid 2031	\$ 262
Benefits expected to be paid 2032-2035	\$ 1,107
Weighted average duration of defined benefit payments	13.4 years

Assumptions adopted can have a significant effect on the value of the obligations for defined benefit pension and other post-employment benefit plans and are based on historical experience and market inputs. The increase (decrease) in obligation in the following table has been determined for key assumptions assuming all other assumptions are held constant. In practice, this is unlikely to occur, as

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changes in some of the assumptions may be correlated. The table below presents the sensitivity analysis of key assumptions for 2026.

The impact on the defined benefit obligation for the Pension Benefit Plans of changing certain of the major assumptions is as follows:

(in millions)	Increase/ decrease in assumption	2026	
		Effect on accrued benefit obligation	Effect on current service costs
Discount rate	1% increase	-571	-32
Discount rate	1% decrease	+719	+43
Longevity	1 year increase	+116	+3
Longevity	1 year decrease	-118	-3
Compensation	1% increase	+183	+20
Compensation	1% decrease	-159	-17

Note 24: Financial Instruments

Financial Risk Management Overview

The Company is exposed to a number of financial risks in the normal course of its business operations, including market risks resulting from fluctuations in commodity prices, interest rates and foreign currency exchange rates, as well as credit risks and liquidity risks. The nature of the financial risks and the Company's strategy for managing these risks has not changed significantly from the prior year. Risk management strategies and policies are employed to ensure that any exposures to these risks are in compliance with the Company's business objectives and risk tolerance levels set out in the Company's Treasury Risk Management Policy and Liability Risk Management Annual Strategic Plan. Responsibility for the oversight of risk management is held by the Company's Board of Directors and is implemented and monitored by senior management within the Company.

The following discussion is limited to the nature and extent of risks arising from financial instruments, as defined under IFRS 7, *Financial Instruments: Disclosures*. However, for a complete understanding of the nature and extent of financial risks the Company is exposed to, this note should be read in conjunction with the Company's discussion of Risk Management found in the Management's Discussion and Analysis section of the 2025/26 Annual Service Plan Report.

(a) Credit Risk

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for a counterparty by failing to discharge an obligation. The Company is exposed to credit risk related to cash and cash equivalents, restricted cash, accounts receivable, non-current receivables, sinking fund investments, and derivative instruments.

The Company manages financial institution credit risk through a Board-approved Treasury Risk Management Policy. Exposures to credit risks are monitored on a regular basis. Large customers are assessed for credit quality by taking into account external credit ratings, where available, an analysis of financial

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position and liquidity, past experience and other factors. The Company assigns credit limits for counterparties based on evaluations of their financial condition, net worth, credit ratings, and other credit criteria. For some customers, security over accounts receivable may be obtained in the form of a security deposit.

Maximum credit risk with respect to financial assets is limited to the carrying amount presented on the consolidated statement of financial position.

(b) Liquidity Risk

Liquidity risk refers to the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by forecasting cash flows to identify financing requirements and by maintaining a commercial paper borrowing program under an agreement with the Province (see Note 18). The Company's debt primarily comprises bonds and revolving borrowings obtained under an agreement with the Province. Cash from operations reduces the Company's liquidity risk. The Company does not believe that it will encounter difficulty in meeting its obligations associated with financial liabilities.

(c) Market Risks

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk, such as changes in commodity prices. The Company monitors its exposure to market fluctuations and may use derivative contracts to manage these risks, as it considers appropriate.

(i) Currency Risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's currency risk is primarily with the U.S. dollar.

The majority of the Company's currency risk arises from long-term debt in the form of U.S. dollar denominated bonds. Energy commodity prices are also subject to currency risk as they are primarily denominated in U.S. dollars. As a result, the Company's trade revenues and purchases of energy commodities, such as electricity and natural gas, and associated accounts receivable and accounts payable, are affected by the Canadian/U.S. dollar exchange rate. In addition, all commodity derivatives and contracts priced in U.S. dollars are also affected by the Canadian/U.S. dollar exchange rate.

The Company actively manages its currency risk through its Treasury Risk Management Policy. The Company uses cross-currency swaps and forward foreign exchange purchase contracts to achieve and maintain foreign currency exposure targets.

(ii) Interest Rate Risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to changes in interest rates primarily through its variable rate debt and the active management of its debt portfolio including its related sinking fund assets and temporary investments. The Company actively manages its interest rate risk through its Treasury Risk Management Policy. The Company uses interest rate swaps and bond locks to lock in interest rates on future debt issues to protect against rising interest rates.

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(iii) Commodity Price Risk

Commodity price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company has exposure to movements in prices for commodities including electricity, natural gas, environmental products and other associated products. Prices for electricity and natural gas fluctuate in response to changes in supply and demand, market uncertainty, and other factors beyond the Company's control.

The management of commodity price risk is governed by risk management policies with oversight from either the BC Hydro or subsidiary Board of Directors. Risk management strategies, policies and limits are designed to ensure the Company's risks and related exposures are aligned with the Company's business objectives and risk tolerance. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the Company's activities.

Categories of Financial Instruments

The following table provides a comparison of carrying values and fair values for non-derivative financial instruments as at March 31, 2026, and March 31, 2025. It does not include fair value information for non-derivative financial instruments not measured at fair value if the carrying amount is a reasonable approximation of fair value which include cash and cash equivalents, restricted cash, accounts receivable and accrued revenue, accounts payable, accrued liabilities and short-term borrowings. Their carrying amount is a reasonable approximation of fair value due to the short duration of these financial instruments. When the carrying value differs from fair value, the fair values of the non-derivative financial instruments would be classified as Level 2 of the fair value hierarchy.

	March 31, 2026		March 31, 2025		2026	2025
	Carrying Value	Fair Value	Carrying Value	Fair Value	Interest Income (Expense) recognized in Finance Charges	Interest Income (Expense) recognized in Finance Charges
<i>(in millions)</i>						
Amortized Cost:						
Non-current receivables	\$ 104	\$ 106	\$ 114	\$ 117	\$ 6	\$ 5
Sinking funds (including current portion due in one year)	56	57	279	274	5	16
Long-term debt (including current portion due in one year)	(30,085)	(27,766)	(29,210)	(27,945)	(1,088)	(967)
First Nations liabilities (non-current portion)	(447)	(448)	(444)	(470)	(20)	(17)
Other liabilities (non-current portion)	(418)	(406)	(397)	(386)	(16)	(18)

Hedges

As permitted by the transitional provision for hedge accounting under IFRS 9, the Company has elected to continue with the hedging requirements of IAS 39, Financial Instruments: Recognition and Measurement (IAS 39) and not adopt the hedging requirements of IFRS 9.

The following foreign currency contracts under hedge accounting were in place at March 31, 2026 in a net asset position of \$15 million (2025 - net asset of \$67 million). Such contracts are used to hedge the principal on US\$ denominated long-term debt and the principal and coupon payments on Euro€ denominated long-term debt for which hedge accounting has been applied. The hedging instruments are effective in offsetting changes in the cash flows of the hedged item attributed to the hedged risk. The main source of hedge ineffectiveness in these hedges is credit risk.

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<i>(\$ amounts in millions)</i>	March 31, 2026	March 31, 2025
Cross- Currency Hedging Swap		
EURO € to CAD\$ - notional amount ¹	€ 138	€ 402
EURO € to CAD\$ - contract rate	1.44	1.47
Remaining term	6 years	3 years
Foreign Currency Hedging Forward		
US\$ to CAD\$ - notional amount ¹	US\$ 230	US\$ 573
US\$ to CAD\$ - contract rate	1.23	1.25
Remaining term	10 years	5 years

¹Notional amount for a derivative instrument is defined as the contractual amount on which payments are calculated.

The fair value of derivative instruments designated and not designated as hedges, was as follows:

<i>(in millions)</i>	March 31, 2026 Fair Value	March 31, 2025 Fair Value
Designated Derivative Instruments Used to Hedge Risk		
Associated with Long-term Debt:		
Foreign currency contract assets (cash flow hedges for US\$ denominated long-term debt)	\$ 11	\$ 59
Foreign currency contract assets (cash flow hedges for EURO€ denominated long-term debt)	4	14
Foreign currency contract liabilities (cash flow hedges for EURO€ denominated long-term debt)	-	(6)
	15	67
Non-Designated Derivative Instruments:		
Interest rate contract assets	172	41
Interest rate contract liabilities	(6)	(99)
Foreign currency contract assets	6	21
Commodity derivative assets	237	231
Commodity derivative liabilities	(139)	(171)
	270	23
Net assets	\$ 285	\$ 90

The carrying value of derivative instruments designated and not designated as hedges was the same as the fair value.

For designated cash flow hedges for the year ended March 31, 2026, there was a gain of \$26 million (2025 - gain of \$54 million). The effective portion was recognized in other comprehensive income. For the year ended March 31, 2026, \$3 million (2025 - \$88 million) was reclassified from other comprehensive income and reported in net income, offsetting net foreign exchange gains (2025 - losses) recorded in the period.

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For outstanding interest rate contracts not designated as hedges with an aggregate notional principal of \$3.58 billion (2025 - \$3.48 billion), used to economically hedge the interest rates on future debt issuances, there was a \$200 million increase (2025 - \$105 million decrease) in the fair value of these contracts for the year ended March 31, 2026. For interest rate contracts associated with debt issued, there was a \$100 million increase (2025 - \$60 million decrease) in the fair value of contracts that settled during the year ended March 31, 2026. The net increase for the year ended March 31, 2026 of \$300 million (2025 - \$165 million decrease) in the fair value of these interest rate contracts was transferred to the Debt Management Regulatory Account which had a net liability balance of \$256 million as at March 31, 2026.

Foreign currency contracts associated with U.S. revolving borrowings not designated as hedges, for the year ended March 31, 2026, had a loss of \$15 million (2025 – gain of \$78 million) recognized in finance charges. These economic hedges offset \$22 million of foreign exchange revaluation gains (2025 – loss of \$67 million) recorded in finance charges with respect to U.S. revolving borrowings for the year ended March 31, 2026.

For commodity derivatives not designated as hedges, a net gain of \$428 million (2025 – gain of \$490 million) was recorded in trade revenue for the year ended March 31, 2026.

Inception Gains and Losses

Changes in deferred inception gains and losses are as follows:

<i>(in millions)</i>	2026	2025
Deferred inception gains, beginning of the year	\$ 70	\$ 31
New transactions	5	56
Amortization	(27)	(20)
Foreign currency translation (gain) loss	(2)	3
Deferred inception gains, end of the year	\$ 46	\$ 70

CREDIT RISK

Domestic Electricity Receivables

A customer application and a credit check are required prior to initiation of services. For customers with no BC Hydro credit history, the Company ensures accounts are secured either by a credit bureau check, a cash security deposit, or a credit reference letter.

The value of the current domestic and trade accounts receivable, by age and the related provision for doubtful accounts are presented in the following table:

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Current Domestic and Trade Accounts Receivable Net of Allowance for Doubtful Accounts

<i>(in millions)</i>	March 31, 2026	March 31, 2025
Current	\$ 358	\$ 322
Past due (30-59 days)	28	31
Past due (60-89 days)	8	8
Past due (More than 90 days)	9	10
	403	371
Less: Allowance for doubtful accounts	(6)	(6)
	\$ 397	\$ 365

Financial Assets Arising from the Company's Trading Activities

The Company's management of credit risk generally includes evaluation of counterparty's credit quality, establishment of credit limits, and measurement, monitoring and mitigation of exposures. The Company assesses the creditworthiness of counterparties before entering into contractual obligations, and then reassesses changes on an ongoing basis. Credit risk is managed through securing, where appropriate, corporate guarantees, cash collateral, letters of credit, or third party credit insurance, and through the use of master netting agreements and margining provisions in contracts. Counterparty exposures are monitored on a daily basis against established credit limits. The Company's counterparties span a variety of industries. There is no significant industry concentration of credit risk.

The following table sets out the carrying amounts of recognized financial instruments presented in the consolidated statement of financial position on a gross basis that are subject to derivative master netting agreements or similar agreements:

<i>(in millions)</i>	Gross Derivative Instruments	Related Instruments Not Offset	Net Amount
As at March 31, 2026			
Derivative commodity assets	\$ 237	\$ 1	\$ 236
Derivative commodity liabilities	139	1	138
As at March 31, 2025			
Derivative commodity assets	\$ 231	\$ 2	\$ 229
Derivative commodity liabilities	171	2	169

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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LIQUIDITY RISK

The following table details the remaining contractual maturities at March 31, 2026 of the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows. Interest payments have been computed using contractual rates or, if floating, based on rates current at March 31, 2026. In respect of the cash flows in foreign currencies, the exchange rate as at March 31, 2026 has been used.

	Fiscal 2027	Fiscal 2028	Fiscal 2029	Fiscal 2030	Fiscal 2031	Fiscal 2032 and thereafter
<i>(in millions)</i>						
Non-Derivative Financial Liabilities						
Total accounts payable and other payables (excluding interest accruals and current portion of lease obligations and First Nations liabilities)	\$ (1,857)	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term debt (including interest payments)	(6,437)	(2,050)	(2,537)	(1,479)	(2,672)	(37,860)
Lease obligations	(130)	(117)	(104)	(89)	(81)	(1,228)
Other long-term liabilities	(67)	(209)	(77)	(76)	(64)	(1,700)
Total Non-Derivative Financial Liabilities	(8,491)	(2,376)	(2,718)	(1,644)	(2,817)	(40,788)
Derivative Financial Liabilities						
Other forward foreign exchange contracts designated at fair value						
Cash outflow	(110)	-	-	-	-	-
Cash inflow	111	-	-	-	-	-
Interest rate swaps used for hedging	(4)	-	(1)	-	-	-
Total Derivative Financial Liabilities	(3)	-	(1)	-	-	-
Total Financial Liabilities	(8,494)	(2,376)	(2,719)	(1,644)	(2,817)	(40,788)
Derivative Financial Assets						
Cross currency swaps used for hedging						
Cash outflow	(5)	(5)	(5)	(5)	(5)	(207)
Cash inflow	2	2	2	2	2	226
Forward foreign exchange contracts used for hedging						
Cash outflow	-	-	-	-	-	(283)
Cash inflow	-	-	-	-	-	320
Other forward foreign exchange contracts designated at fair value						
Cash outflow	(479)	-	-	-	-	-
Cash inflow	486	-	-	-	-	-
Interest rate swaps used for hedging	65	63	47	5	-	-
Net commodity derivatives	76	25	16	14	10	16
Total Derivative Financial Assets	145	85	60	16	7	72
Net Financial Liabilities	\$ (8,349)	\$ (2,291)	\$ (2,659)	\$ (1,628)	\$ (2,810)	\$ (40,716)

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MARKET RISKS

(a) Currency Risk

Sensitivity Analysis

For changes in the U.S. dollar to Canadian dollar exchange rate, an increase (decrease) of \$0.01 at March 31, 2026 would otherwise have a negative (positive) impact on net income before movement in regulatory balances of \$4 million, but as a result of regulatory accounting, it would have no impact on net income or other comprehensive income as all gains and losses will be captured in the Total Finance Charges Regulatory Account or the Foreign Exchange Gains/Losses Regulatory Account. This analysis assumes that all other variables, in particular interest rates, remain constant.

This sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at March 31, 2026 and been applied to each of the Company's exposures to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables remain constant. The stated change represents management's assessment of reasonably possible changes in foreign exchange.

(b) Interest Rate Risk

Sensitivity Analysis

For variable rate non-derivative instruments, an increase (decrease) of 100-basis points in interest rates at March 31, 2026 would otherwise have a negative (positive) impact on net income before movement in regulatory balance of \$44 million, but as a result of regulatory accounting, it would have no impact on net income or other comprehensive income as all gains and losses will be captured in the Total Finance Charges Regulatory Account. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

For the interest rate contracts, as rounded to the nearest \$25 million, an increase and decrease of 100-basis points in interest rates at March 31, 2026 would otherwise have a positive impact of \$425 million and a negative impact of \$525 million, respectively, on net income before movement in regulatory balances. As a result of regulatory accounting, it would have no impact on net income or other comprehensive income as all gains and losses will be captured in the Debt Management Regulatory Account.

This sensitivity analysis has been determined assuming that the change in interest rates had occurred at March 31, 2026 and been applied to each of the Company's exposure to interest rate risk for non-derivative financial instruments in existence at that date, and that all other variables remain constant. The stated change represents management's assessment of reasonably possible changes in interest rates over the period until the next consolidated statement of financial position date.

(c) Commodity Price Risk

Sensitivity Analysis

Commodity price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in commodity prices.

The Company has exposure to movements in prices for commodities including electricity, natural gas,

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environmental products and associated derivative products. Prices for electricity and natural gas commodities fluctuate in response to changes in supply and demand, market uncertainty, and other factors beyond the Company's control.

The Company manages these exposures through its risk management policies, which limit components of and overall market risk exposures, pre-defined approved products and mandate regular reporting of exposures.

The Company's risk management policies for trading activities defines various limits and controls, including Value at Risk (VaR) limits, Mark-to-Market limits, and various transaction specific limits which are monitored on a daily basis. VaR is a statistical estimate of potential loss in value of the Company's positions due to adverse market movements with a specific level of confidence, over a specific time period. The Company calculates over a 10-day holding period, within a 95 per cent confidence level, resulting from normal market fluctuations.

The VaR model, an industry standard Monte Carlo model, uses historical information to determine potential future volatility and correlation, assuming that price movements in the recent past are indicative of near-term future price movements. It cannot forecast unusual events which can lead to extreme price movements. In addition, it is sometimes difficult to appropriately estimate VaR associated with illiquid or non-standard products. As a result, the Company uses additional measures to supplement the use of VaR to estimate price risk. These include the use of a Historic VaR methodology, stress tests and notional limits for illiquid or emerging products.

The VaR for commodity derivatives, calculated under this methodology, was approximately \$9 million at March 31, 2026 (2025 - \$22 million).

Fair Value Hierarchy

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped based on the lowest level of input that is significant to that fair value measurement.

The inputs used in determining fair value are characterized by using a hierarchy that prioritizes inputs based on the degree to which they are observable. The three levels of the fair value hierarchy are as follows:

- Level 1 - values are quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 - inputs are those other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, as of the reporting date.

The Company determines Level 2 fair values for debt securities and derivatives using discounted cash flow techniques, which use contractual cash flows and market-related discount rates.

Level 2 fair values for commodity derivatives are determined using inputs other than unadjusted quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices). Level 2 includes bilateral and over-the-counter contracts valued using interpolation from observable forward curves or broker quotes from active markets for similar instruments and other publicly available data, and options valued using industry-standard and

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accepted models incorporating only observable data inputs.

- Level 3 - inputs are those that are not based on observable market data. Level 3 fair values for commodity derivatives are determined using inputs that are based on significant unobservable inputs.

Level 3 includes instruments valued using observable prices adjusted for unobservable basis differentials such as delivery location and product quality, instruments which are valued by extrapolation of observable market information into periods for which observable market information is not yet available, and instruments valued using internally developed or non-standard valuation models.

The following tables present the financial instruments measured at fair value for each hierarchy level as at March 31, 2026 and 2025:

As at March 31, 2026 (<i>in millions</i>)	Level 1	Level 2	Level 3	Total
Total financial assets (liabilities) carried at fair value:				
Short-term investments	\$ 62	\$ -	\$ -	\$ 62
Derivative financial instrument assets	39	200	191	430
Derivative financial instrument liabilities	(51)	(22)	(72)	(145)
	\$ 50	\$ 178	\$ 119	\$ 347

As at March 31, 2025 (<i>in millions</i>)	Level 1	Level 2	Level 3	Total
Total financial assets (liabilities) carried at fair value:				
Short-term investments	\$ 78	\$ -	\$ -	\$ 78
Derivative financial instrument assets	54	162	150	366
Derivative financial instrument liabilities	(41)	(146)	(89)	(276)
	\$ 91	\$ 16	\$ 61	\$ 168

The Company's policy is to recognize level transfers at the end of each period during which the change occurred. During the year, there were no commodity transfers between Level 1 and Level 2 (2025 – no transfers).

The following table reconciles the changes in the balance of financial instruments carried at fair value on the consolidated statement of financial position, classified as Level 3, for the years ended March 31, 2026 and 2025:

<i>(in millions)</i>	
Balance as at April 1, 2025	\$ 61
Realized and unrealized gains	483
Settlements	(424)
Foreign exchange	(1)
Balance as at March 31, 2026	\$ 119

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(in millions)

Balance as at April 1, 2024	\$	(94)
Realized and unrealized gains		377
Transfers		(10)
Settlements		(212)
Balance as at March 31, 2025	\$	61

During the year, there were no commodity transfers between Level 2 and Level 3 (2025 - derivatives with a liability carrying amount of \$10 million were transferred between Level 2 and Level 3).

During the year ended March 31, 2026, unrealized gains of \$171 million (2025 – \$89 million) were recognized on Level 3 derivative commodity financial instruments still on hand. These gains and losses were recognized in trade revenues.

Methodologies and procedures regarding commodity trading Level 3 fair value measurements are determined by the Company's risk management group. Level 3 fair values are calculated within the Company's risk management policies for trading activities based on underlying contractual data as well as observable and non-observable inputs. To ensure reasonability, Level 3 fair value measurements are reviewed and validated by risk management and finance departments on a regular basis.

The key unobservable inputs in the valuation of certain Level 3 financial instruments includes components of forward commodity prices and delivery or receipt volumes. A sensitivity analysis was prepared using the Company's assessment of a reasonably possible change in various components of forward prices and volumes of 10 percent. Forward commodity prices used in determining Level 3 base fair value at March 31, 2026 range between \$3-\$194 per MWh and a 10 percent increase/decrease in certain components of these prices would decrease/increase fair value by \$204 million. A 10 percent change in estimated volumes used in determining Level 3 fair value would increase/decrease fair value by \$7 million.

Note 25: Other Non-Current Liabilities

(in millions)	March 31, 2026	March 31, 2025
Provisions		
Environmental liabilities	\$ 217	\$ 279
Decommissioning obligations	138	83
Other	91	77
	446	439
First Nations liabilities	464	462
Other contributions	216	213
Other liabilities	516	458
	1,642	1,572
Less: Current portion, included in accounts payable and accrued liabilities	(161)	(149)
	\$ 1,481	\$ 1,423

Changes in each class of provision during the financial year are set out below:

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<i>(in millions)</i>	Environmental	Decommissioning	Other	Total
Balance at April 1, 2024	\$ 242	\$ 62	\$ 73	\$ 377
Made during the year	78	9	53	140
Used during the year	(53)	(3)	(48)	(104)
Changes in estimate	5	13	(2)	16
Changes due to currency translation	-	-	1	1
Accretion	7	2	-	9
Balance at March 31, 2025	279	83	77	439
Made during the year	4	3	20	27
Used during the year	(45)	(3)	(14)	(62)
Changes in estimate	(27)	52	8	33
Accretion	6	3	-	9
Balance at March 31, 2026	\$ 217	\$ 138	\$ 91	\$ 446

Environmental Liabilities

The Company has recorded a liability for the estimated future environmental expenditures related to present or past activities of the Company. The Company's recorded liability is based on management's best estimate of the present value of the future expenditures expected to be required to comply with existing regulations. There are uncertainties in estimating future environmental costs due to potential external events such as changes in legislation or regulations and advances in remediation technologies. All factors used in estimating the Company's environmental liabilities represent management's best estimates of the present value of costs required to meet existing legislation or regulations. Estimated environmental liabilities are reviewed annually or more frequently if significant changes in regulation or other relevant factors occur. Estimate changes are accounted for prospectively.

At March 31, 2026, the undiscounted cash flow related to the Company's environmental liabilities, which will be incurred between fiscal 2027 and 2086, is approximately \$303 million and was determined based on current cost estimates. A range of discount rates between 2.6 per cent and 3.9 per cent were used to calculate the net present value of the obligations.

Decommissioning Obligations

The Company's decommissioning obligation provision consists of estimated removal and destruction costs associated with certain PCB and asbestos contaminated assets and certain submarine cables. The Company has determined its best estimate of the undiscounted amount of cash flows required to settle remediation obligations at \$197 million (2025 - \$130 million), which will be settled between fiscal 2027 and 2086. The undiscounted cash flows, discounted by a range of discount rates between 2.6 per cent and 3.9 per cent, were used to calculate the net present value of the obligations. The obligations are re-measured at each period end to reflect changes in estimated cash flows and discount rates.

First Nations Liabilities

The First Nations liabilities consist primarily of settlement costs related to agreements reached with various First Nations groups. First Nations liabilities are recorded as financial liabilities and are measured at fair value on initial recognition with future contractual cash flows being discounted at rates ranging from 4.4 per cent to 5.0 per cent. These liabilities are measured at amortized cost and not re-measured for changes in discount rates. The First Nations liabilities are non-interest bearing.

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Other Contributions

Other contributions consist of contributions from vendors to aid in the construction of the transmission system. Contributions include payments received and also contributions to be received (refer to Note 14) and are being recognized as an offset to the applicable energy purchase costs over the life of the energy purchase agreement.

Other Liabilities

Other liabilities mainly include a contractual obligation associated with the construction of a capital project. This contractual obligation has an implicit interest rate of 7 per cent and a repayment term of 15 years commencing in fiscal 2019. This liability is measured at amortized cost and not re-measured for changes in discount rates. In addition, other liabilities also include long-term payables to other goods and service providers.

Note 26: Commitments and Contingencies

Energy Commitments

BC Hydro (excluding Powerex) has long-term energy and capacity purchase contracts to meet a portion of its expected future domestic electricity requirements. The expected obligations to purchase energy under these contracts have a total value of approximately \$56.47 billion.

Included in the total value of the long-term energy purchase agreements is \$1.65 billion accounted for as a lease liability under Note 20. The total BC Hydro combined payments are estimated to be approximately \$1.54 billion for less than one year, \$6.51 billion between one and five years, and \$48.42 billion for more than five years.

Powerex has energy purchase commitments with an estimated minimum payment obligation of \$4.15 billion extending to 2054 (including a purchase commitment with the Province of \$1.82 billion). The total Powerex energy purchase commitments are estimated to be approximately \$710 million for less than one year, \$1.82 billion between one and five years, and \$1.62 billion for more than five years.

Powerex has energy sales commitments of \$4.89 billion extending to 2036 with estimated amounts of \$879 million for less than one year, \$2.21 billion between one and five years, and \$1.80 billion for more than five years.

Lease and Service Agreements

The Company has entered into various agreements to lease facilities or assets or service agreements supporting operations. The agreements cover periods of up to 99 years, and the aggregate minimum payments are approximately \$1.37 billion. Payments are \$175 million for less than one year, \$280 million between one and five years, and \$918 million for more than five years. Included in the total value of the lease and service agreements is \$94 million accounted for as a lease liability under Note 20.

Refer to Note 11 for commitments pertaining to major property, plant and equipment projects.

Contingencies and Guarantees

- a) Facilities and Rights of Way: the Company is subject to existing and pending legal claims relating to alleged infringement and damages in the operation and use of facilities owned by the Company. These

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claims may be resolved unfavorably with respect to the Company and may have a significant adverse effect on the Company's financial position. For existing claims in respect of which settlement negotiations have advanced to the extent that potential settlement amounts can reasonably be predicted, management has recorded a liability for the potential costs of those settlements. For pending claims, management believes that there is a risk that any loss exposure that may ultimately be incurred may differ materially from management's current estimates. Management has not disclosed the ranges of expected outcomes due to the potentially adverse effect on the negotiation process for these claims.

- b) Due to the size, complexity and nature of the Company's operations, various other legal matters are pending. In many cases, it is not possible at this time to predict with any certainty the outcome of such litigation. For existing claims in respect of legal matters which have advanced to the extent that potential settlement amounts can reasonably be predicted, management has recorded a liability for the potential costs of those settlements. Management believes that any other settlements related to these matters will not have a material effect on the Company's consolidated financial position or results of operations.
- c) The Company and its subsidiaries have outstanding letters of credit totaling \$97 million (2025 - \$55 million). The total outstanding letter of credit also includes US \$39 million (2025 - US \$16 million) in foreign denominated letters of credit.

Note 27: Related Party Transactions

Subsidiaries

The principal subsidiaries of BC Hydro are Powerex and Powertech.

All companies are wholly owned and incorporated in Canada and all ownership is in the form of common shares. Operating out of Vancouver, BC, Canada, Powerex is a wholesale energy marketer, whose activities include trading electricity, environmental products, natural gas, and related financial and physical energy products in North America. Powertech offers services to solve technical problems with power equipment and systems in Canada and throughout the world.

All intercompany transactions and balances are eliminated upon consolidation.

Related Parties

As a Crown Corporation, the Company and the Province, including all ministries, crown corporations and agencies under the Province's control are considered related parties. All transactions between the Company and its related parties are considered to possess commercial substance and are consequently recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The related party transactions are summarized below:

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<i>(in millions)</i>	March 31, 2026	March 31, 2025
Consolidated Statement of Financial Position		
Prepaid expenses	\$ 108	\$ 94
Accounts receivable	37	6
Right-of-use assets	1,080	1,110
Accounts payable and accrued liabilities	98	101
Net Derivative assets (liabilities)	145	(46)
Lease liabilities	1,254	1,277
	2026	2025
Amounts incurred/accrued during the year include:		
Water rental fees	336	294
Energy Purchases	238	380
Grants and Taxes	180	177
Interest	1,173	1,119
Interest and foreign exchange derivatives settlement proceeds	77	(143)
Lease payments	107	74
Payment to the Province	3	3

In addition, the Company's debt is either held or guaranteed by the Province (see Note 18). Under an agreement with the Province, the Company indemnifies the Province for any credit losses incurred by the Province related to interest rate and foreign currency contracts entered into by the Province on the Company's behalf. As at March 31, 2026, the aggregate exposure under this indemnity totaled \$194 million (2025 - \$135 million). The Company has not experienced any losses to date under this indemnity. Future contractual arrangements with the Province pertaining to energy purchases are disclosed under Note 26.

BC Hydro is a Part 3 Fuel Supplier of British Columbia's low carbon fuel standard program and as a participant receives Low Carbon Fuel Credits from the Province, and these are sold to customers through a competitive process.

All other transactions with the Province, including all ministries, crown corporations and agencies under the Province's control occurred in the normal course of operations, and are not considered to be individually or collectively significant.

Key Management Personnel and Board Compensation

Key management personnel and board compensation includes compensation to the Company's executive management team and board of directors.

<i>(in millions)</i>	2026	2025
Short-term employee benefits	\$ 5	\$ 5
Post-employment benefits	1	1