

Province of British Columbia



October 2017

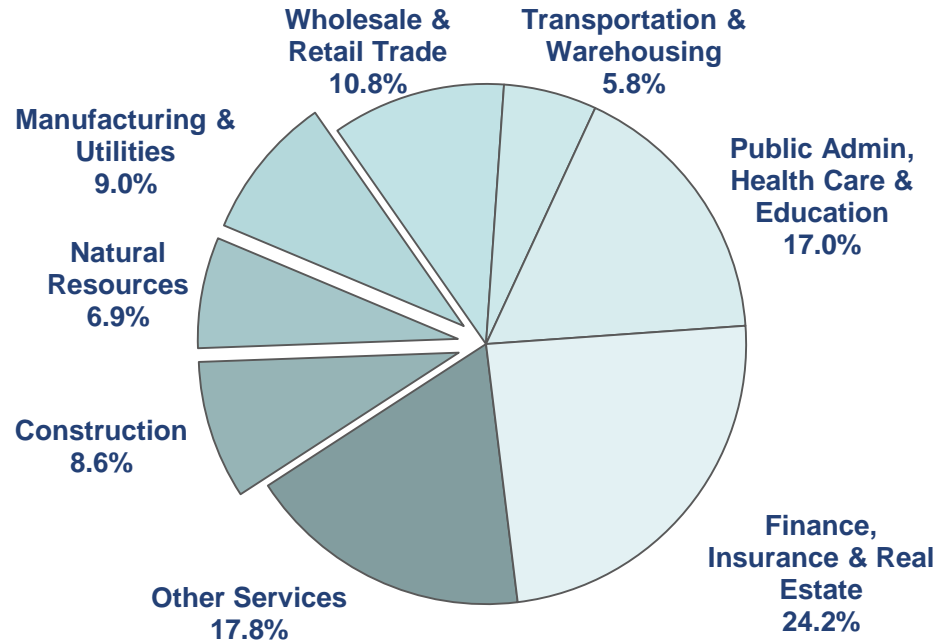
Ministry of Finance
Website: <http://www.gov.bc.ca/>

Quick Facts on British Columbia

- **4.8 million population**
- **364,764 sq. mi on west coast of Canada; third-largest province; size of France and UK combined**
- **Borders the Pacific Rim**
- **Strategic ports for North America trade**
- **Parliamentary system of government**
- **2015 nominal gross domestic product: C\$250 Billion (13% of Canadian economy)**

BC's Diversified Economy

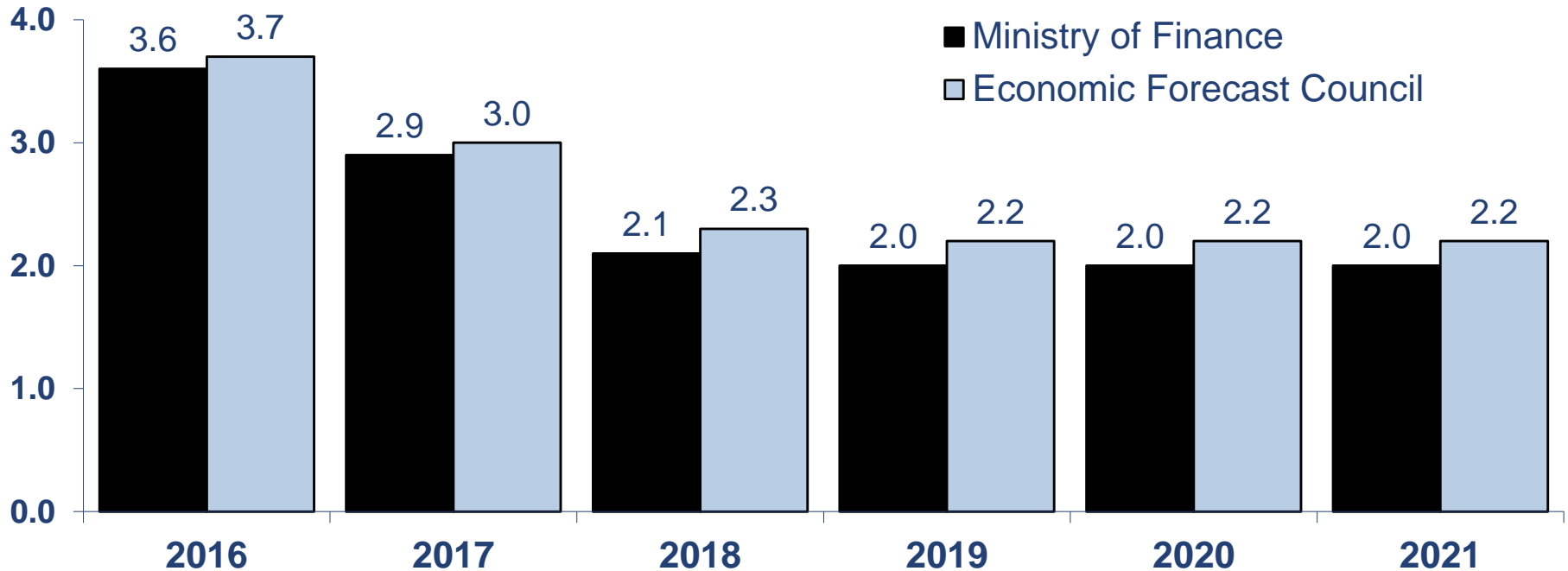
Share of BC GDP at basic prices (chained \$2007) by major industry, 2016



Source: Statistics Canada (may not add to 100 per cent due to rounding)

Prudent Economic Forecast

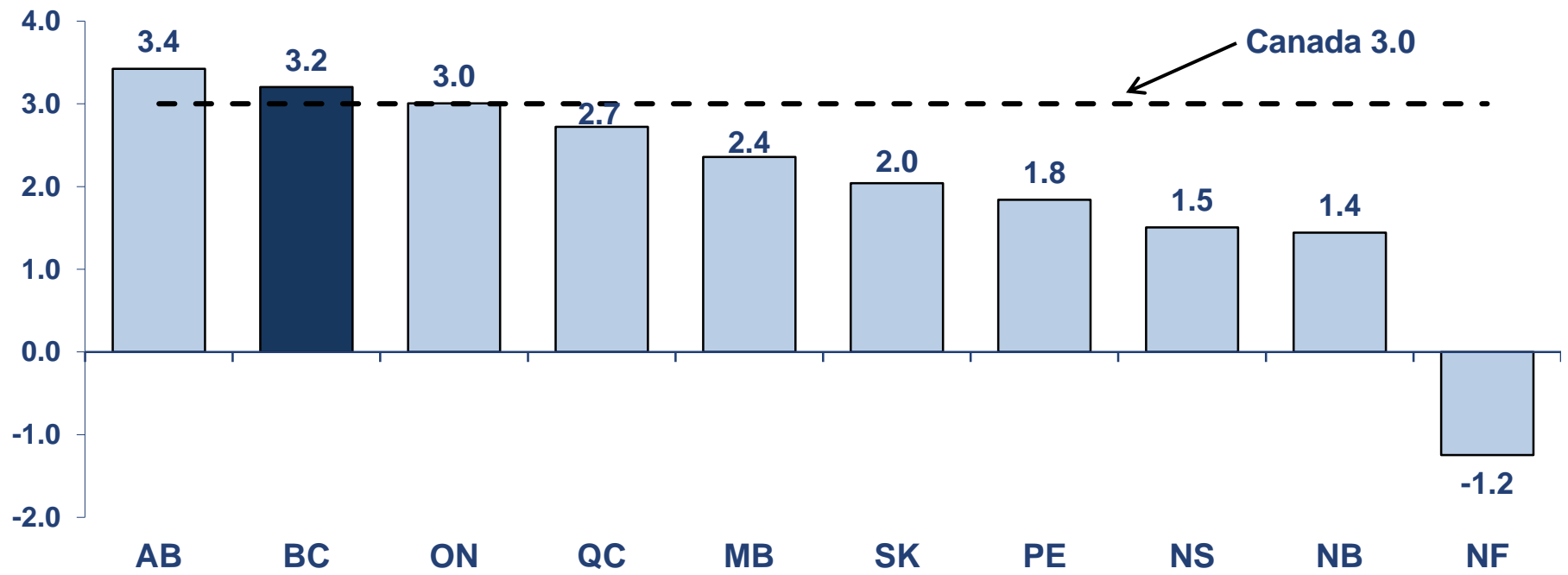
BC real GDP (annual per cent change)



Sources: BC Ministry of Finance, Economic Forecast Council

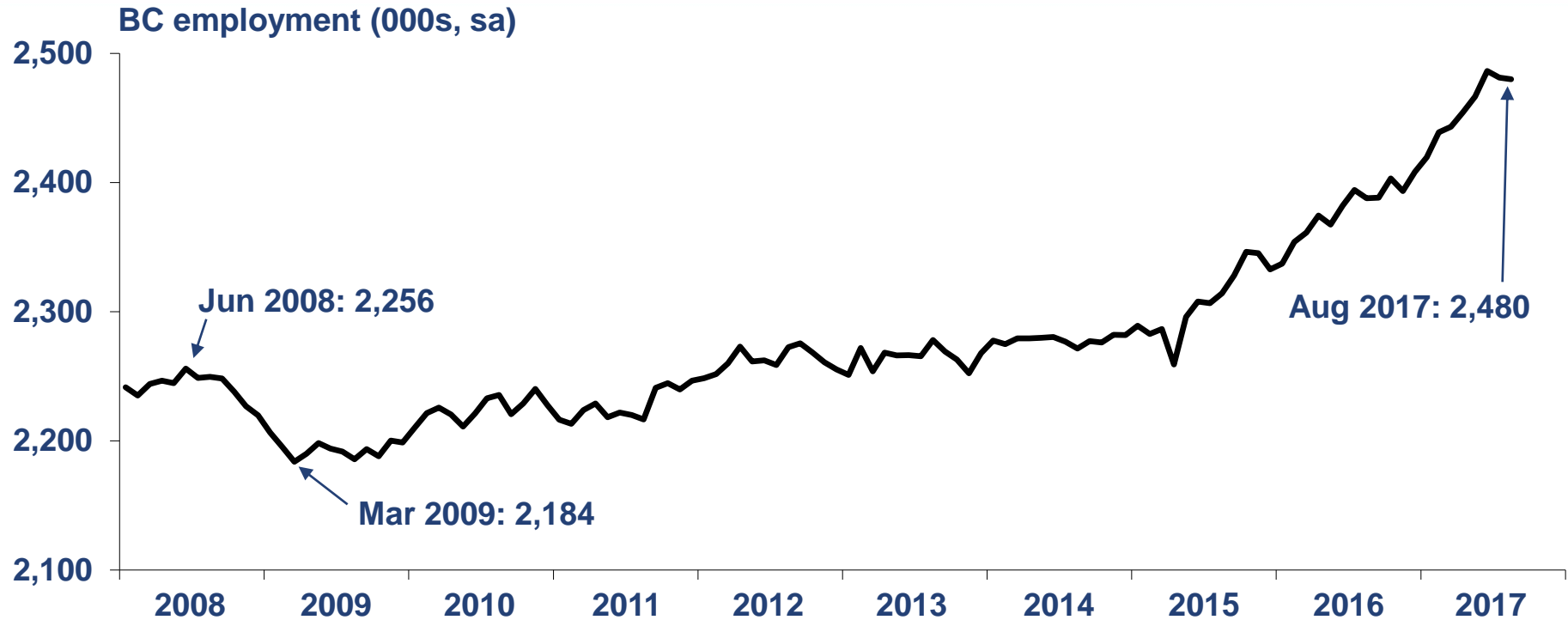
Private Sector Economic Growth Expectations

Forecast annual growth in 2017 real GDP (per cent)



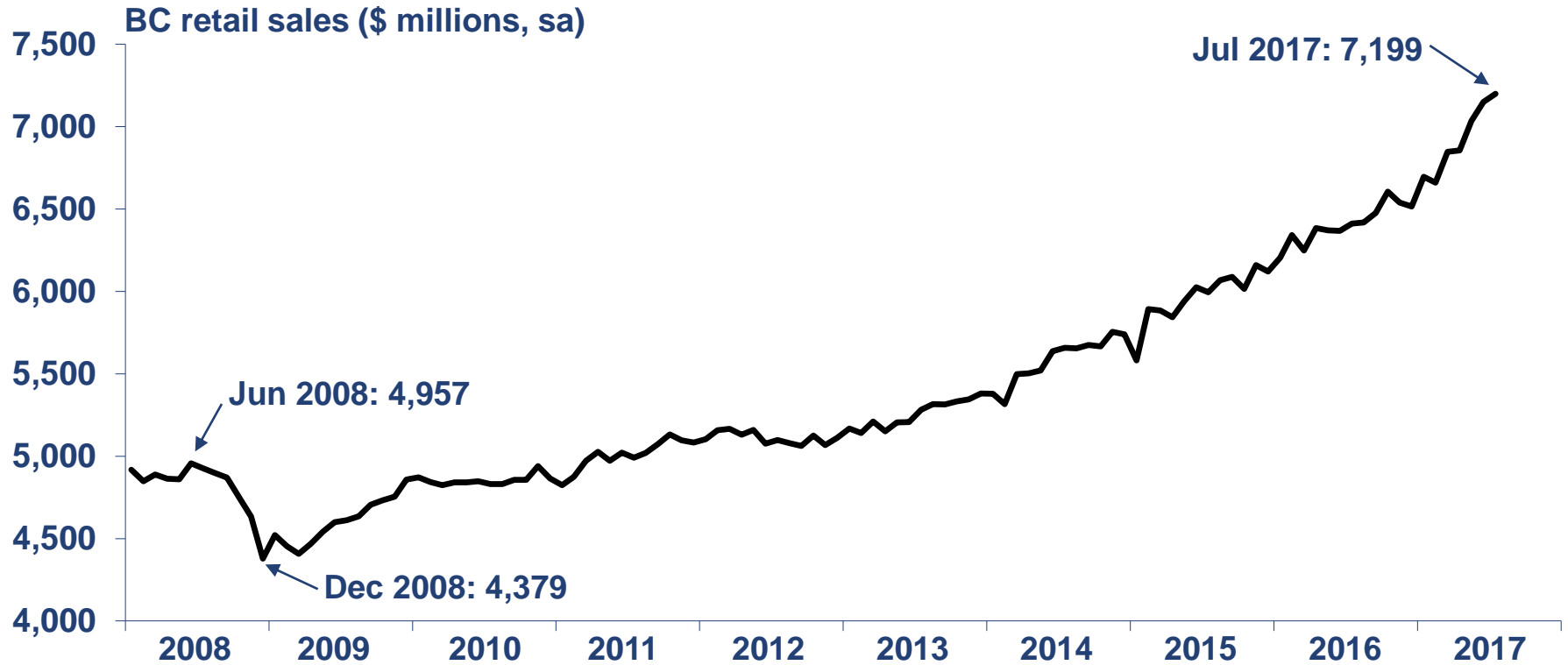
Source: Private Sector Average (subset of the Economic Forecast Council: BMO, RBC, CIBC, TD, Scotiabank and IHS Markit) as of September 22, 2017.

BC Employment



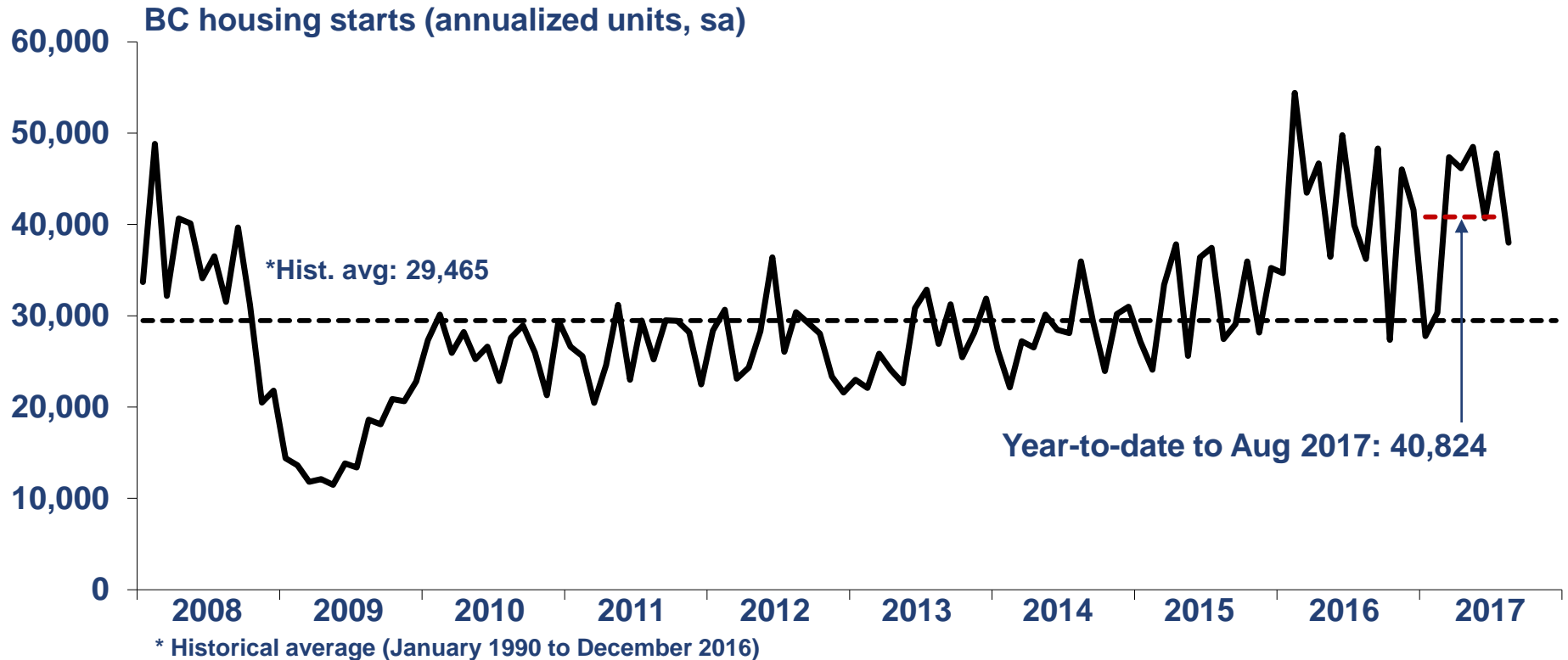
Source: Statistics Canada

BC Retail Sales



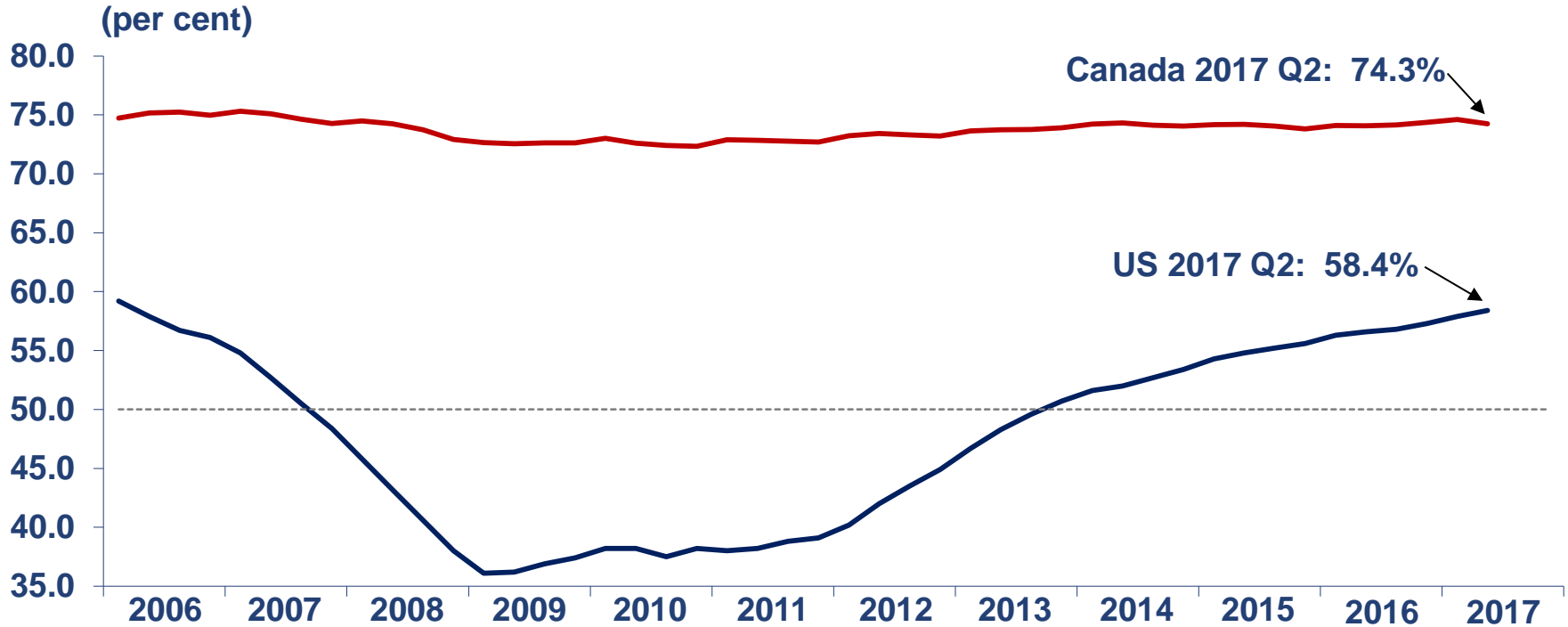
Source: Statistics Canada

BC Housing Starts



Source: Canada Mortgage and Housing Corporation

Owner's Equity as a Share of Residential Assets



Sources: Statistics Canada, St. Louis Federal Reserve

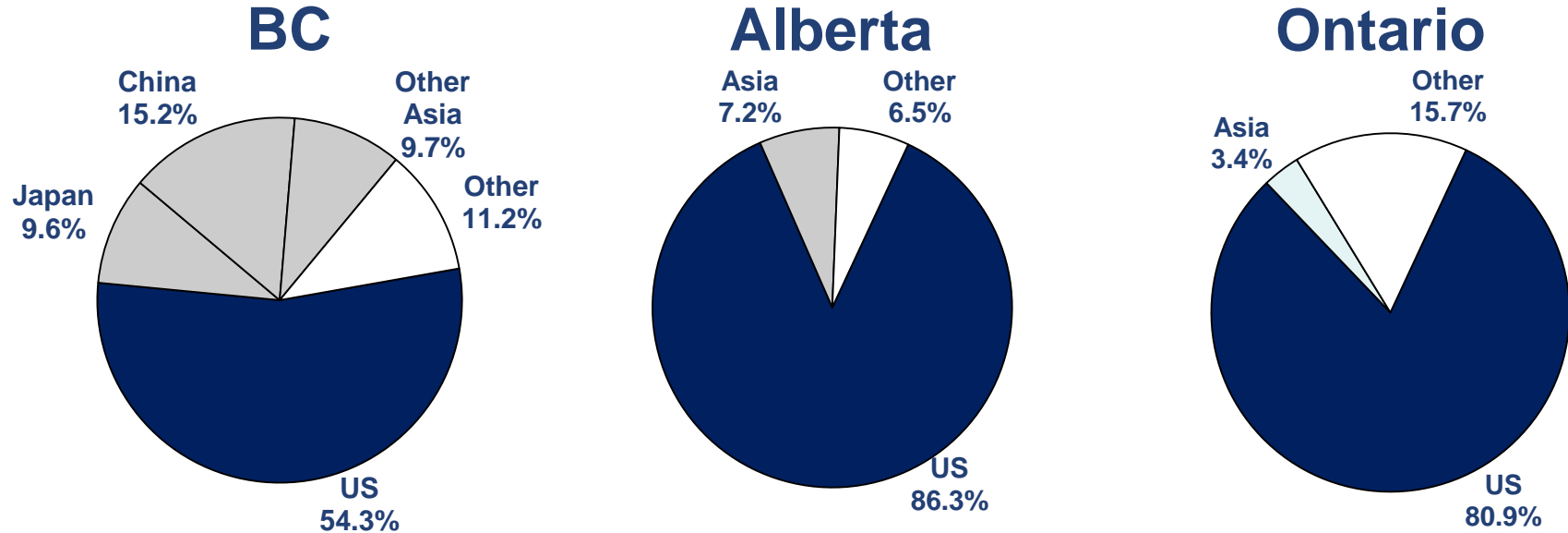
BC Exports



Source: BC Stats

BC Trade Diversity

Annual share of international goods exports by province, 2016



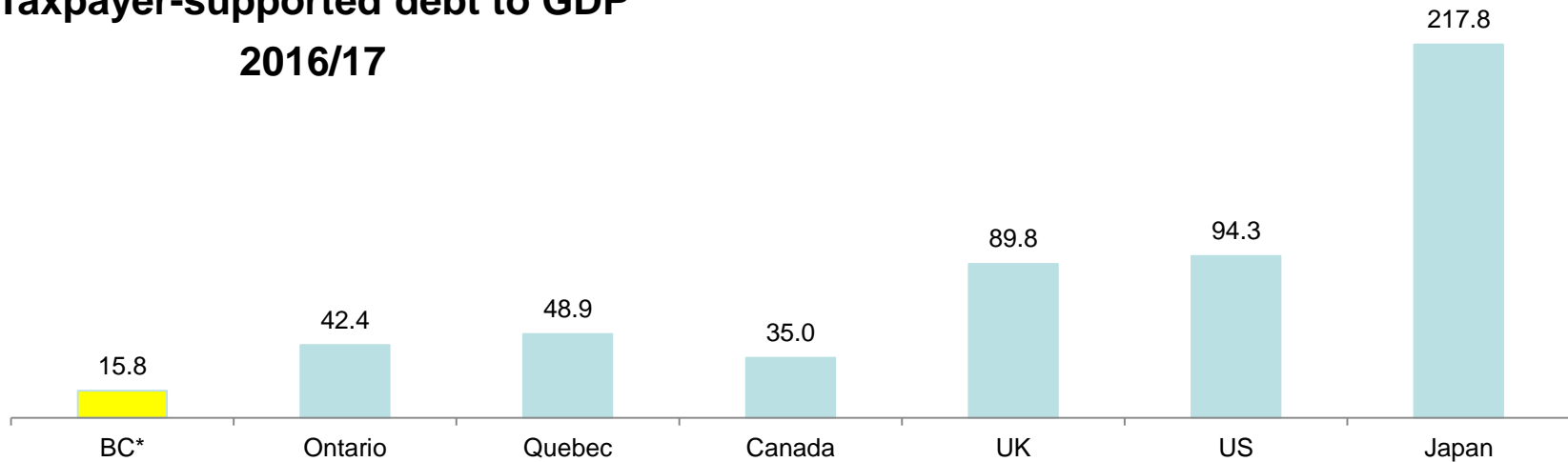
Source: BC Stats (may not add to 100 per cent due to rounding)

Three-year Operating Plan

\$ millions	Actual 2016/17	Budget Estimate 2017/18	Plan 2018/19	Plan 2019/20
Revenue	51,459	52,407	52,557	53,677
Expense excluding Contingencies Vote	(48,722)	(51,261)	(51,729)	(52,720)
Contingencies Vote	-	(600)	(300)	(350)
Total Expense	<u>(48,722)</u>	<u>(51,861)</u>	<u>(52,029)</u>	<u>(53,070)</u>
Surplus before forecast allowance	2,737	546	528	607
Forecast allowance	-	(300)	(300)	(350)
Surplus	<u>2,737</u>	<u>246</u>	<u>228</u>	<u>257</u>

Affordable Debt

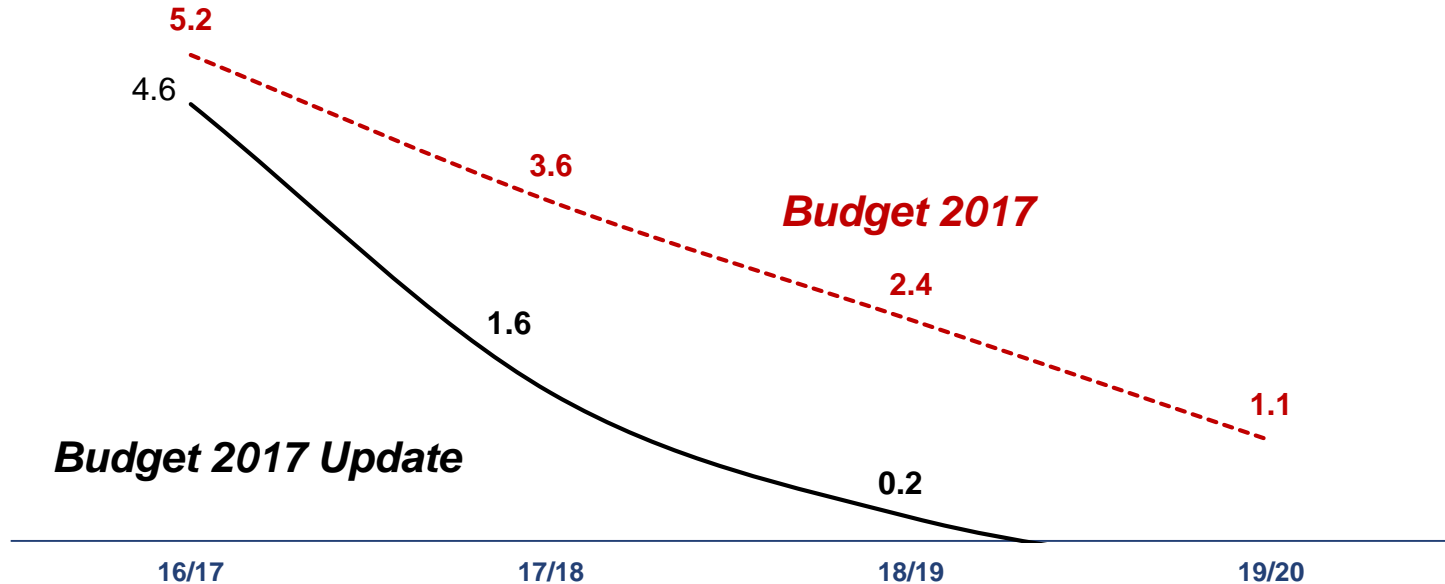
Taxpayer-supported debt to GDP 2016/17



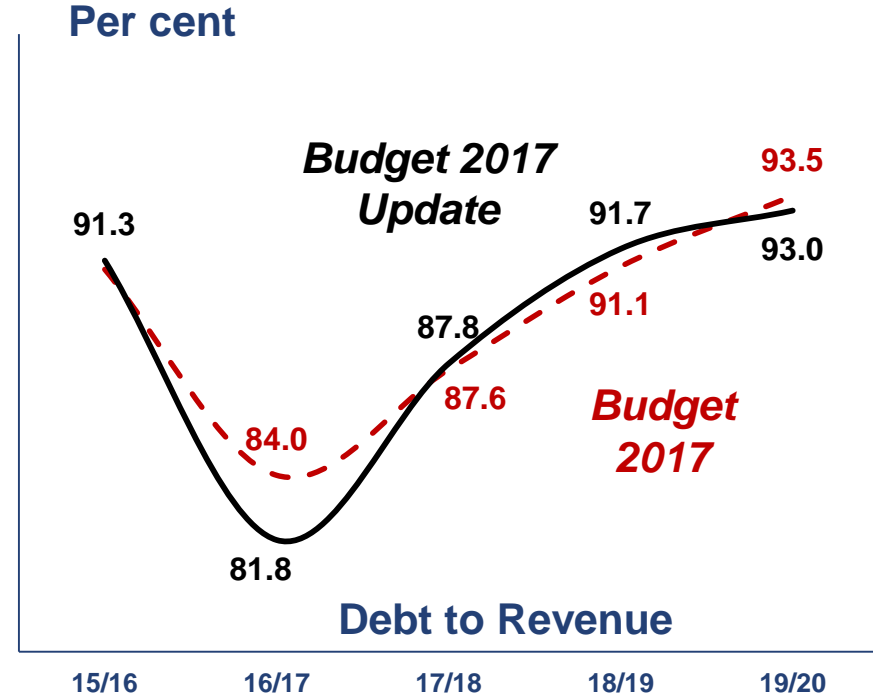
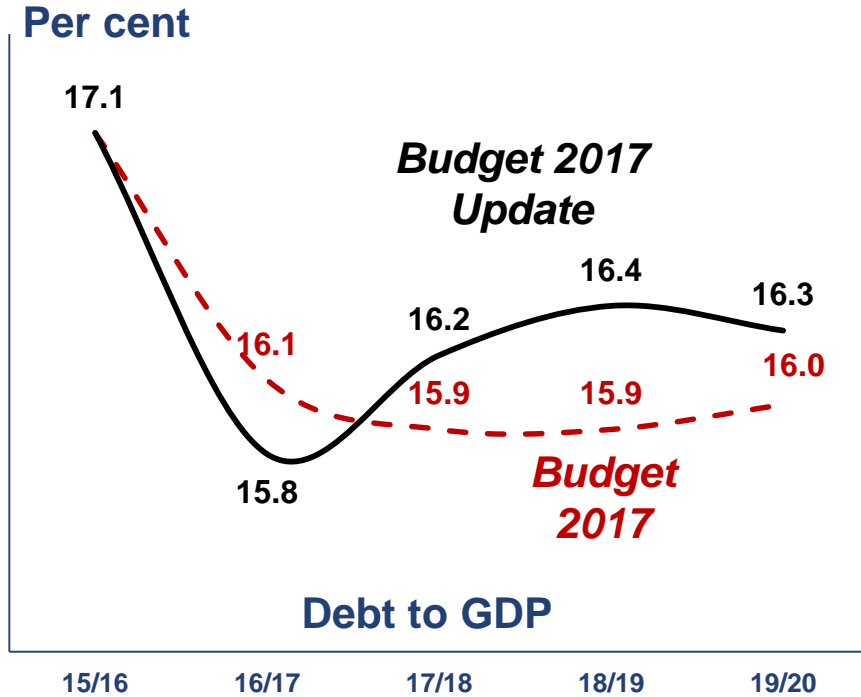
Source: Moody's; *BC Budget 2017 September Update

Operating Debt Elimination

\$ billions

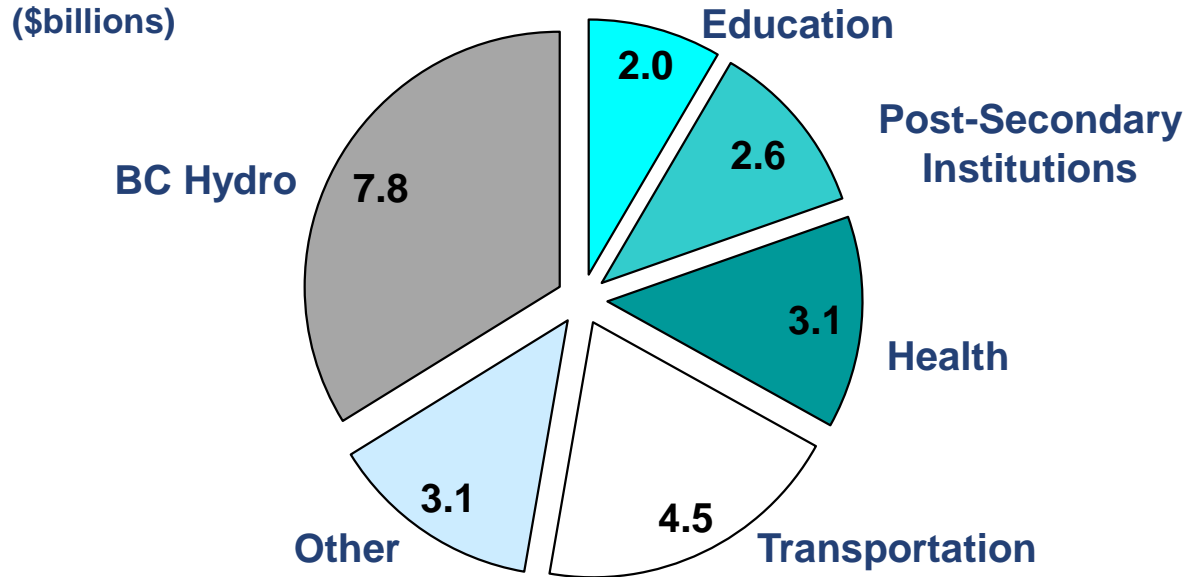


Maintaining Debt Affordability



Infrastructure Spending Allocations

Three-year infrastructure spending totals \$23.1 billion



Priority Investments

Over \$1.8 billion in new ministry investments over 3 years in support of:

- **improving affordability**
- **enhancing services**
- **building a strong, sustainable economy**

Improving Competitiveness

- **Reducing health care premiums by 50%**
- **PST on electricity phased out beginning with a 50% cut in the coming months and eliminated April 1, 2019.**
- **Small business corporate income tax rate reduced to 2% from 2.5% effective April 1, 2017.**
- **Restore tax treatment for credit unions.**
- **Innovation Commissioner / Emerging Economy Task Force**

Risks to the Fiscal Plan

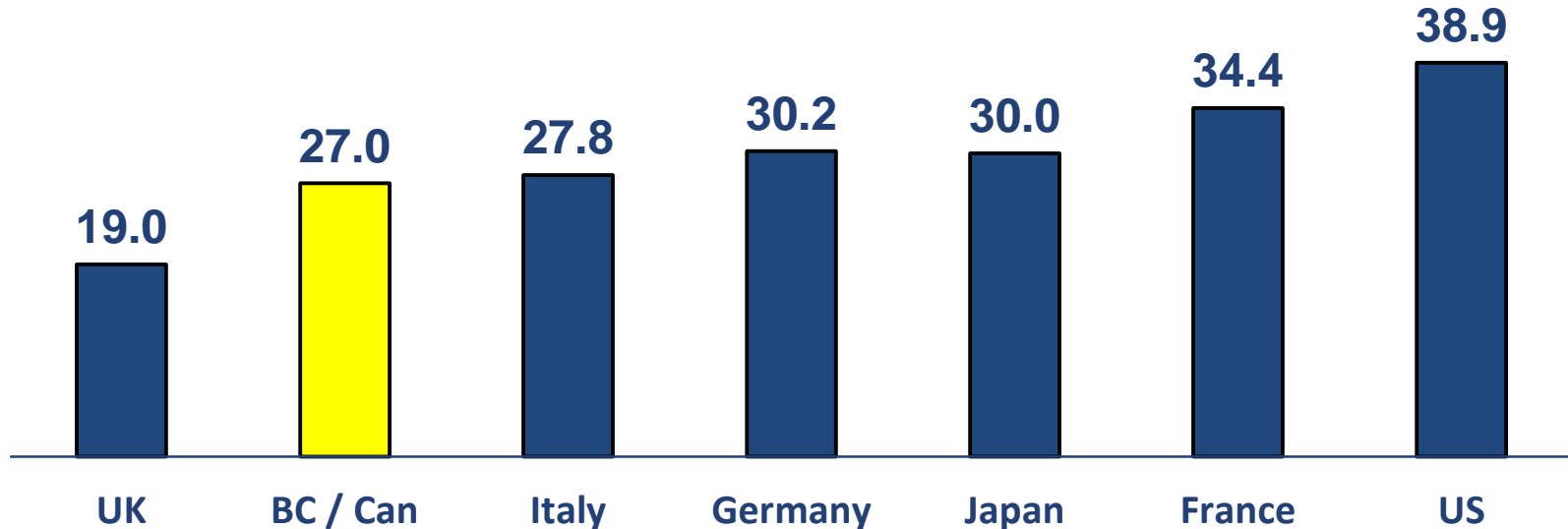
- **Wildfires**
- **Softwood lumber and NAFTA**
- **New compensation mandate**
- **Increasing interest rates**

Prudence Remains Important

- **Contingencies Vote**
 - totals \$1,250M over the ensuing 3 years
- **Forecast Allowance**
 - totals \$950M over the ensuing 3 years
- **Prudent economic growth outlook**

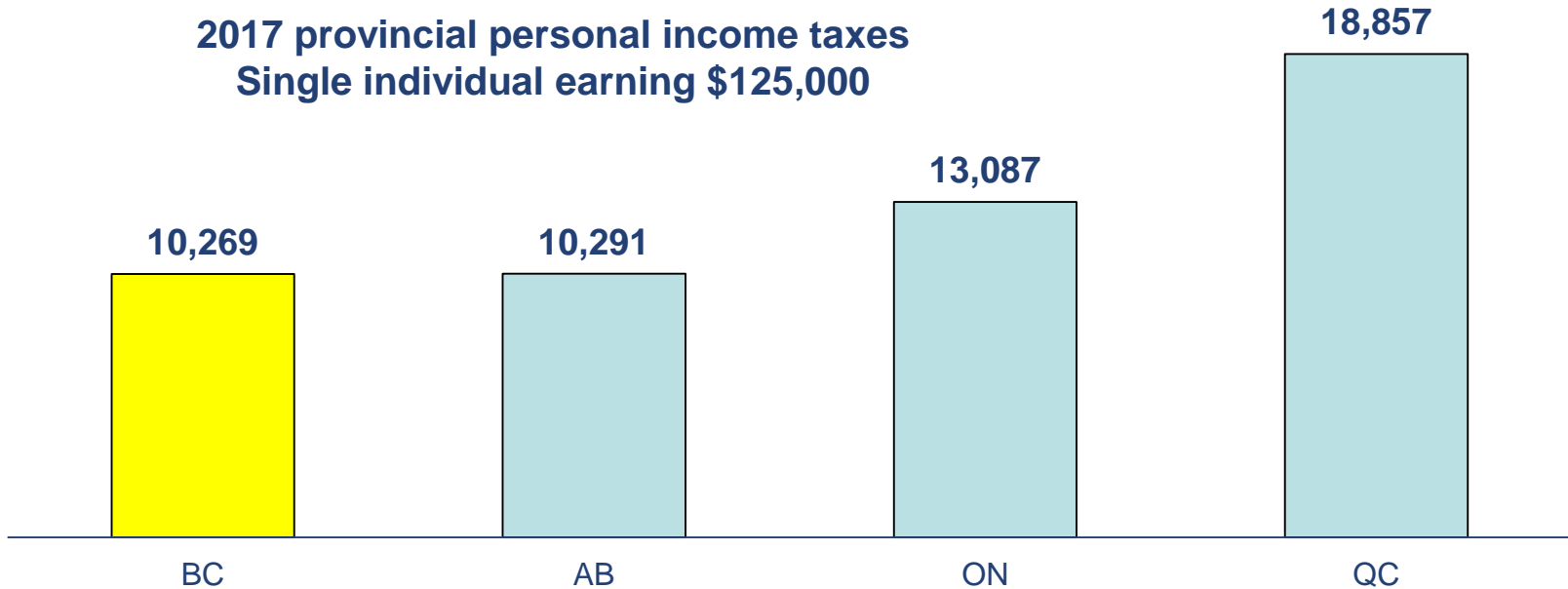
Competitive Corporate Income Tax

% of taxable income



Combined central and sub-central corporate income tax rates for 2016 (source: OECD Tax Database)
Combined BC/federal 2018 rate

Competitive Personal Income Tax



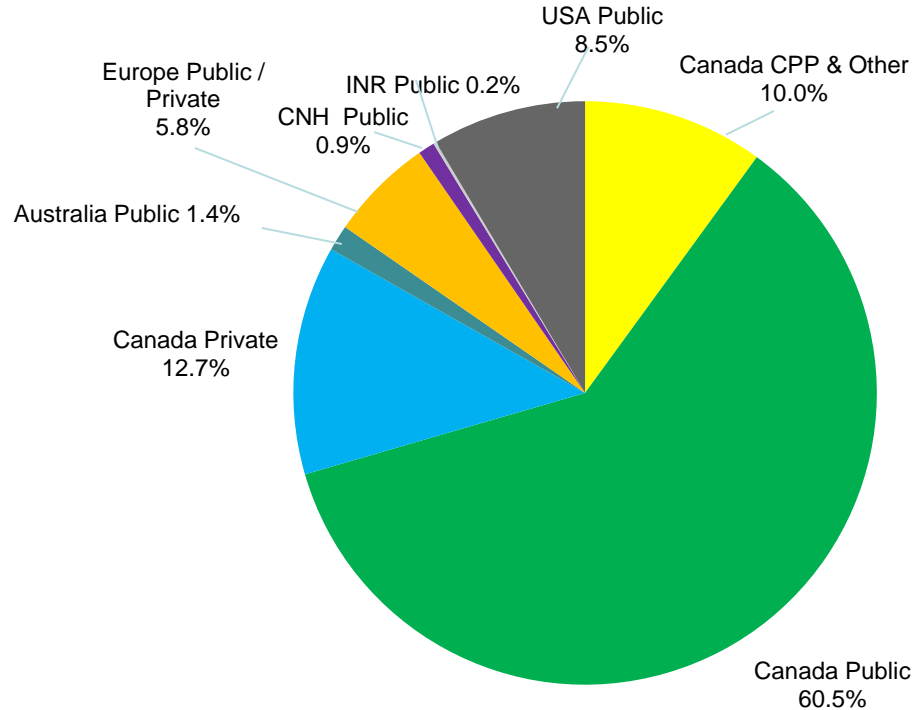
Source: BC Ministry of Finance

British Columbia's Public Sector Pension Risk Management

- **Defined Benefit/Defined Contribution hybrid plan design**
- **Joint trusteeship**
- **Sound funding and actuarial policies set by the trustees**
- **Strong pension plan governance**
- **101-105% funded on a funded or actuarial basis**

Gross Market Debt Outstanding by Source as of September 22, 2017

Gross Debt Outstanding: \$60.6 Billion



Market debt does not include guaranteed and non-guaranteed debt of SUCH sector and P3s.

Debt Management

- **\$3.5 billion borrowing program for 2017/18; \$2.4 billion remaining**
- **\$5.3 billion to \$6.9 billion in outer years**
- **Manageable borrowing program**
- **Will rely on province's significant access to domestic and international capital markets**

Green Bond Program

Objectives:

- **Establish a credible & sustainable mechanism to fund green entities and projects in BC's public sector.**
- **Build on BC's existing financial management & environmental leadership.**
- **Follow international best practices**
- **Access a wider range of investors**
- **Open the domestic provincial bond market to support growth of low carbon economy**

Next Steps:

- **Finalize internal program governance**
- **May consider issuance in 2018/19**

BC's Strong Credit Ratings

- | | | |
|-----------------------------------|-----------------|---------------|
| • Moody's Investor Service | Aaa | Stable |
| • Standard and Poor's | AAA | Stable |
| • Fitch | AAA | Stable |
| • DBRS | AA(high) | Stable |

Disclosure Statements

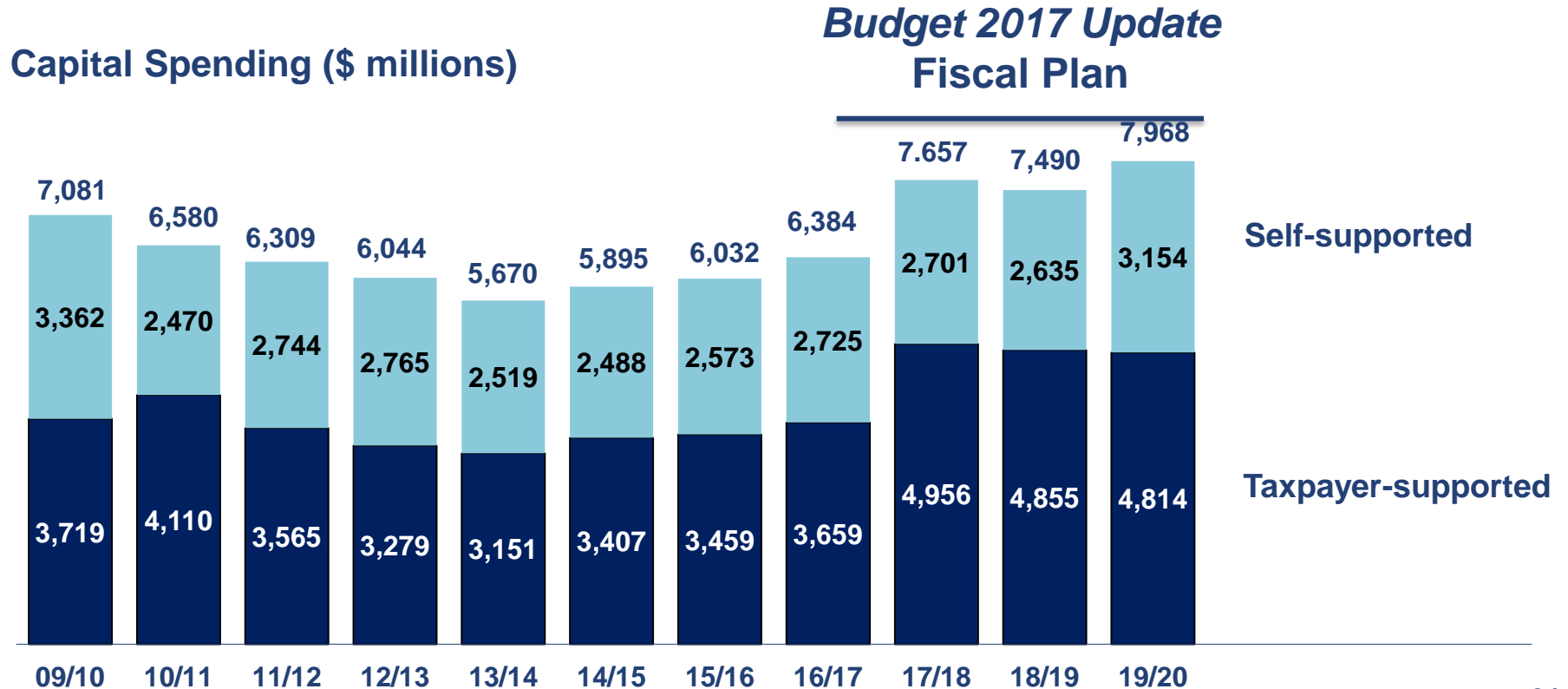
Certain statements used in this presentation are “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements include, but are not limited to, statements concerning the Province’s budgetary and program plans, fiscal outlook, expectations of future economic and trade conditions, and plans for pension risk management and debt management, and other statements that are not historical or current fact. These statements are based on the Province’s current estimates or projections and therefore you should not place undue reliance on them. Forward-looking statements involve known and unknown risks, uncertainties and other factors which could cause the state of our economy or fiscal position to differ materially from the forecasts and economic outlook expressed or implied by any forward-looking statements. In addition, such statements are based on a number of assumptions that are subject to change. We refer you to the Province’s filings with the U.S. Securities and Exchange Commission for a discussion of the various factors that may affect the Province’s economy. Forward-looking statements speak only as of the date they are made. The Province undertakes no obligation to update any forward-looking statements except as required by law.

Appendix

Canadian Mortgage Rules

- Maximum amortization period of 25 years for insured mortgages
- Minimum down payment of 5 per cent for any insured mortgage for homes priced below \$500,000
- An additional 10 per cent down payment is required for the portion of a home price between \$500,000 and \$1,000,000
- Maximum refinancing of 80 per cent of the value of the home
- Interest rate stress test required for all insured mortgages
- Maximum borrowing of 65 per cent of the value of the property through a non-amortizing home equity line of credit
- Federally-backed mortgage insurance is available only for homes with a purchase price of less than \$1 million
- Insurance is mandatory for down payments below 20 per cent

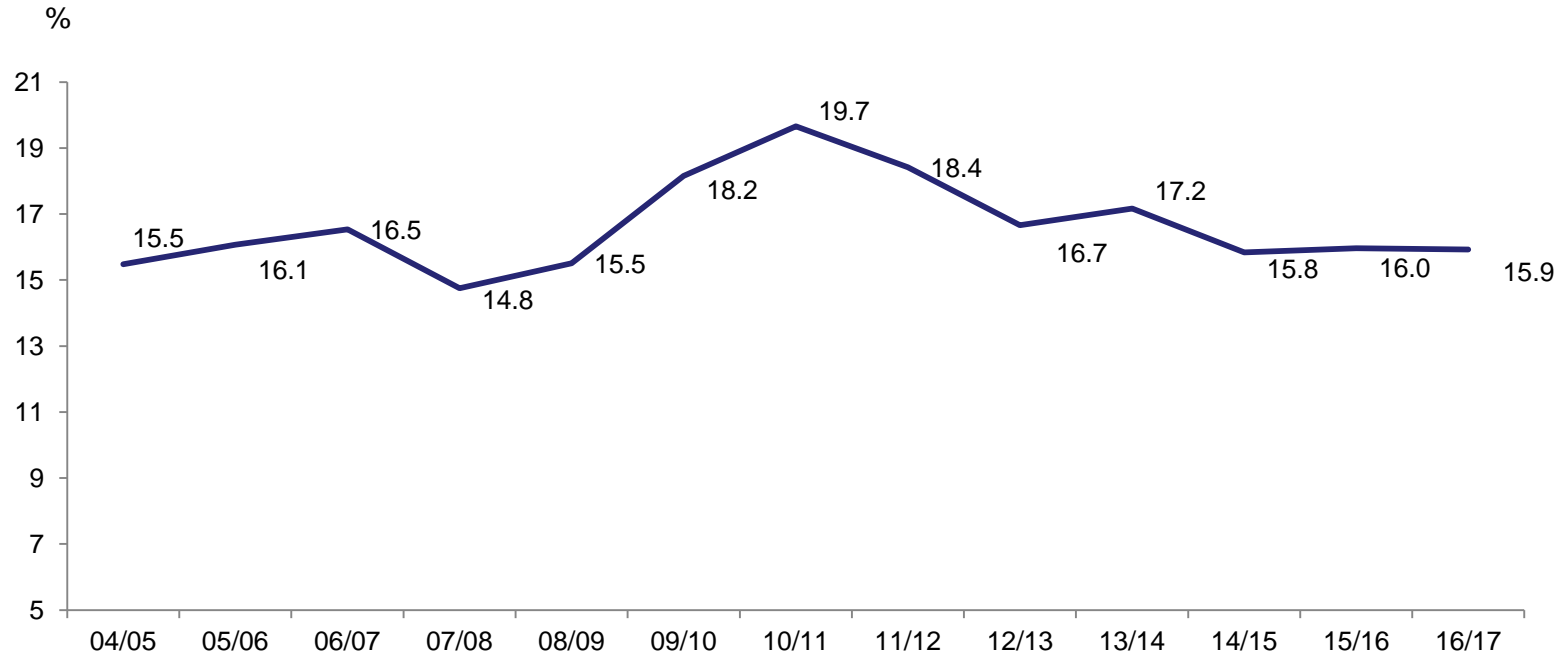
Infrastructure Investments at Record Levels



Pension Plan Positions

Pension Plan	Number of Members (thousands)	Most recent Valuation	Funding Basis (millions)	Accrued Basis (millions)
Public Service	119	Mar 31, 2014	\$194 101%	\$804 105%
Teachers'	94	Dec 31, 2014	\$449 102%	(\$704) 96%
College	26	Aug 31, 2015	\$154 104%	\$162 105%
Municipal	321	Dec 31, 2015	\$2,224 105%	\$1,034 103%

Federal Contributions as a Percentage of Total Revenues



Source: BC Ministry of Finance – 2017 British Columbia Financial and Economic Review