Municipal Finance Authority of British Columbia

The 'AAA' Long-Term IDR is based on Municipal Finance Authority of British Columbia's (MFABC) independent and unlimited property taxing authority, which supports its mission of providing access to capital for local and regional governments (LRGs) within the Province of British Columbia (AA-/Negative).

Key Rating Drivers

Standalone Credit Profile — 'aaa': The rating reflects a Standalone Credit Profile (SCP) at 'aaa', which combines assessments of the risk profile at 'Stronger' and the financial profile in the 'aaa' category. The financial profile assessment — and hence, the SCP — is informed by a variation on Fitch Ratings' "International Local and Regional Governments Rating Criteria," as detailed below. No other factors affect the rating.

Risk Profile — 'Stronger': The 'Stronger' risk profile reflects a negligible risk relative to international peers that MFABC's ability to cover debt service from operating balances may weaken unexpectedly over the forecast horizon (through 2030) because of lower-than-expected revenue, higher-than-expected expenditures or an unanticipated rise in liabilities or debt-service requirements. It is based on six 'Stronger' assessments.

Financial Profile — 'aaa' Category: The financial profile, at 'aaa', is based on the criteria variation under which MFABC can adjust its financial performance in a manner that fully offsets the potential stresses tested under the rating case scenario. In the event of borrower default, MFABC's independent and unlimited property taxing power, combined with ample internal liquidity to cover the timing gap between levying and collecting any special property tax, lends it substantial resilience to address a stress as envisioned in Fitch's rating case scenario without materially affecting its financial profile.

Likewise, interest rates on authority debt and loan repayments are largely matched, limiting MFABC's exposure to interest rate risk. Long-term debt is driven by the capital borrowing needs of its client governments. New issuance is conservative, with funded projects subject to multiple layers of approval at the local, regional and provincial levels by voters, and, ultimately, by MFABC.

Other Rating Factors: There are no explicit support mechanisms for MFABC's liquidity or debt from the province. The IDR is not capped by IDRs for Canada (AA+/Stable) or British Columbia (AA-/Negative). Provincial responsibility for local governments under Canada's institutional framework shields MFABC from federal interference, and the province has statutorily delegated a high degree of financial autonomy and taxation powers to MFABC. The ability of MFABC to be rated above the province or the sovereign is tempered by the likelihood that factors affecting their credit quality would, ultimately, also affect MFABC's operating environment.

Criteria Variation: A variation has been made to the financial profile assessment because of the statutory requirement to levy an unlimited property tax on a broad economic base to restore draws on the debt reserve fund (DRF) if a borrower fails to pay, as well as the matched nature of long-term debentures and loans to borrower governments. These factors provide MFABC with the ability to adjust its financial performance in a manner that fully offsets potential stresses imposed by Fitch under the rating case.

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

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

Ratings

Foreign Currency	
Long-Term IDR	AAA
Short-Term IDR	F1+
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Debt Ratings	
Senior Unsecured Debt - Long-Term Rating	AAA
Senior Unsecured Debt - Short-Term Rating	F1+

Issuer Profile Summary

MFABC is the authorized capital financing entity for most municipalities and regional districts in British Columbia. MFABC provides loans to LRGs for capex and issues CP notes and long-term debentures to fund these loans.

Financial Data Summary

(CAD Mil.)	2025	2030rc
Payback ratio (x)	20.6	12.5
Synthetic coverage (x)	0.6	0.9
Actual coverage (x)	0.2	0.4
Fiscal debt burden (%)	1,896.0	1,168.2
Net adjusted debt	6,643	6,565
Operating balance	323	527
Operating revenue	350	562
Debt service	1,492	1,365

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

Climate Vulnerability Signals

2035 Climate Vulnerability Signal	26
Transition (Climate.VSt)	20
Physical (Climate.VSp)	20

Applicable Criteria

International Local and Regional Governments Rating Criteria (March 2026)

Related Research

Global Economic Outlook - June 2026

Canadian Provinces Scorecard (January 2026)

Canadian Provinces – Peer Credit Analysis 2025 (October 2025)

Supranationals, Subnationals and Agencies Handbook (September 2025)

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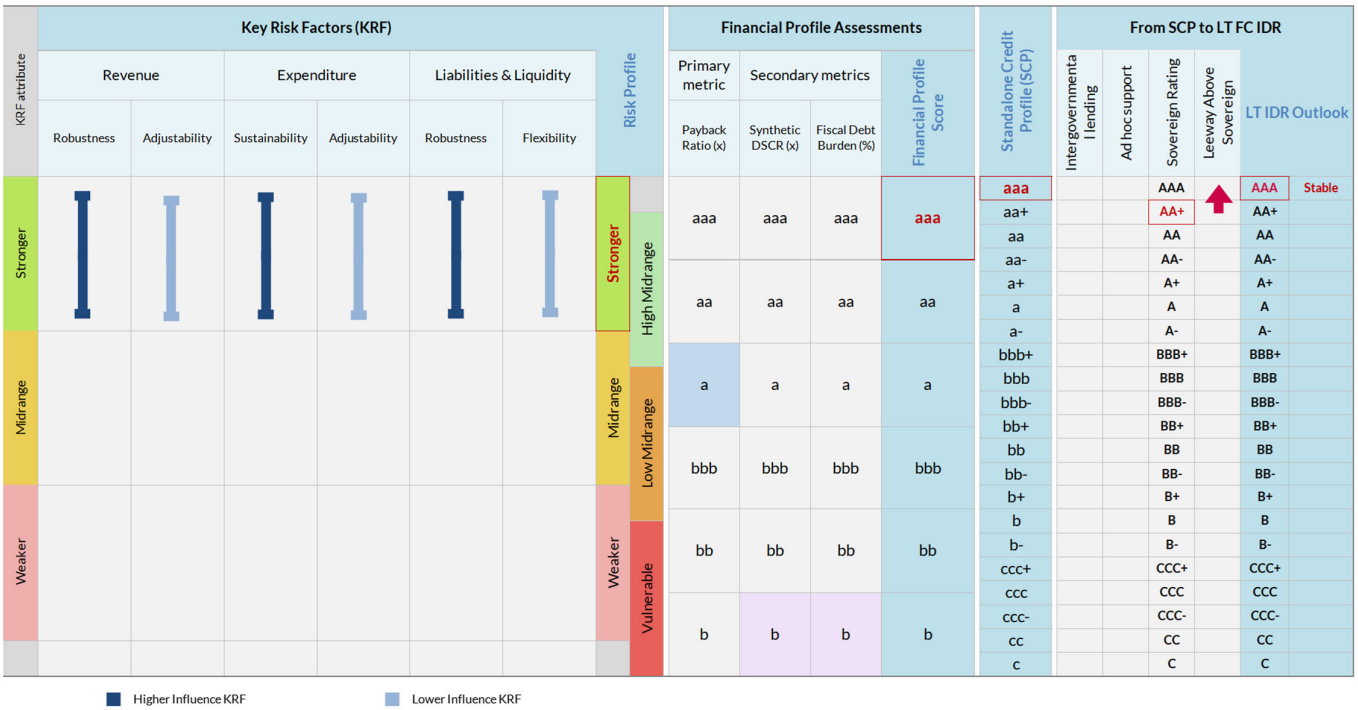
Rating Synopsis

MFABC LT IDR Derivation Summary



Source: Fitch Ratings

Under Fitch's international LRG rating criteria, the six key risk factors, combined according to their relative importance, collectively represent the risk profile of the LRG. The financial profile assessment measures the LRG's debt burden and debt service requirements amid a reasonable economic or financial downturn over the rating horizon. Both are combined in an SCP, which, together with some additional factors not captured in the SCP, such as extraordinary support or a rating cap, produce the IDR.

Rating Sensitivities

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

- Not applicable for an 'AAA' rating, as such ratings are at the highest level and cannot be upgraded.

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

- Erosion of the authority's unrestricted liquidity available to cover debt service during the time between a borrower's failure to pay and the collection of offsetting property taxes.
- Any change in British Columbia's institutional framework that narrows the authority's independent and unlimited taxing power, or a structural shift in the province's favorable long-term economic and property valuation trends.

Issuer Profile

Canadian Subnational Framework: Canada has a decentralized federal system of government, with powers divided between or shared among the federal government and 10 provinces. Provincial powers and responsibilities limit the federal government's ability to impose changes unilaterally, particularly in areas falling exclusively within provincial jurisdiction. These include responsibility to establish the types and roles of municipal governments. Municipal government tiers in British Columbia include 28 regional districts and 161 municipalities.

MFABC Overview: MFABC is governed by regional districts that appoint 40 members, who then elect 10 trustees. It operates autonomously from the province and does not report to the Ministry of Municipal Affairs. Its financial statements and debt are not consolidated with those of the province, and the province does not oversee borrowing or

guarantee its debt. However, MFABC benefits indirectly from the province's strict oversight of local governments. They may not budget for deficits and have broad operating flexibility to adjust their finances to address their own needs. Municipalities are subject to strict borrowing limits that include a cap on principal and interest at 25% of recurring revenue.

Once a loan is made to a municipality, the loan becomes a regional district liability carrying the joint and several guarantee of all members within the district. MFABC clients operate under a strict system of local oversight. Under provincial law, all regional districts and municipalities except the City of Vancouver must use MFABC to finance general municipal capital projects, including water and sewer infrastructure, communications technology and transportation. MFABC issues short- and long-term debt to fund loans to local entities. Before financing is possible, multiple layers of approval are necessary, including from voters, trustees and the regional district, together with an MFABC credit review and provincial verification that an entity can service the debt.

The DRF is funded from a 1% holdback of the loan proceeds authorized in law, with one-half of average annual principal and interest payable to the DRF by both the borrowing entity and the regional district. The requirement may be met by a combination of cash and a regional district demand note callable by MFABC. In 2025 the DRF balance totaled CAD131 million held by MFABC, with another CAD265 million in callable demand notes held by regional districts. MFABC does not recognize callable demand notes in its capital adequacy policy.

A borrower's failure to pay triggers a DRF draw and, ultimately, a requirement that MFABC levy a province-wide property tax to replenish the DRF if the draw is greater than 50% of the DRF balance; no provincial approval is required for MFABC to act. A separate retention fund (RF) has also been created to further support liquidity between a failure to pay and the receipt of property taxes, and it has ample access to other sources of liquidity, including sinking funds. There have been no borrower defaults in MFABC's 56-year history. Pandemic-related disruptions and several severe fire and flood events over time have had no impact on MFABC borrowers given robust provincial and federal disaster support and recovery mechanisms.

MFABC's loan activity is concentrated in the province's most populated regions, with 63% of loans in metropolitan Vancouver and another 15% on Vancouver Island. The city of Vancouver is a member but operates under its own charter and issues its own debt, and the South Coast British Columbia Transportation Authority, the regional transit agency also known as TransLink, began direct issuance in 2008, rather than using MFABC. Remaining TransLink debt accounted for approximately 3% of outstanding MFABC long-term lending in 2025.

British Columbia Socioeconomic Profile: British Columbia is one of Canada's four largest provinces by population and GDP, with almost 14% of Canada's population in 2025 and 14% of GDP in 2024. Most of the population and economic base is concentrated in the wealthy Lower Mainland region, including the cities of Vancouver and Victoria, the capital on Vancouver Island. Services such as finance, insurance, real estate, professional, scientific and technical services and education and healthcare are significant economic drivers, although natural resources, including forestry, natural gas and mining, are important in the interior and northern regions.

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

GDP has been variable since the pandemic in 2020, with a sharp rebound followed by rapid cooling. Real GDP in 2024, at 1.1%, was well under Canada's 2% level and the province's 2.6% CAGR for the past 20 years. For 2025, the province anticipates growth of 1.5%, with 2026 at 1.3%, before accelerating to 2.2% by 2030 under the baseline forecast. Given multiple uncertainties, Fitch's June 2026 Global Economic Outlook forecasts slow growth in Canada, at 1.9% in 2025 and 0.7% in 2026. British Columbia is likely to track these trends despite its lower exposure to U.S. markets.

British Columbia's population stood at 5.7 million as of 2025. Growth historically has exceeded Canada's; it was the second-fastest-growing province over the past 20 years. Following post-pandemic population surges of 2.9% in 2023 and 2.8% in 2024, federal immigration curbs announced in October 2024 slowed population growth to only 0.5% in 2025, and population had fallen outright for three consecutive quarters through 1Q26. The shift is slowing revenue growth but reducing pressure on public services and the housing market. As of May 2026, the labor market remained steady, with unemployment at 6.8% in British Columbia, above the 6.6% level for Canada. In the short term, employment growth is likely to slow, while unemployment improves, reflecting in part the slowdown in population growth.

Consumer spending is expected to soften due to ongoing uncertainty. Consumer stress is signaled as well by a gradual rise in mortgage delinquencies. Housing market pressure, especially in metro Vancouver, has been a longer-term drag

on economic performance given high demand, elevated prices and limited new supply. Provincial policy actions in recent years are adding materially to housing supply, although the market appears far from balance.

Socioeconomic Indicators

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

Source: Fitch Ratings, national statistics, MFABC

Risk Profile Assessment

Risk Profile: Stronger

Fitch assesses MFABC's risk profile at 'Stronger', reflecting a combination of the following six sub-assessments:

Risk Profile Assessment

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

Source: Fitch Ratings

The 'Stronger' risk profile reflects a negligible risk relative to international peers that MFABC's ability to cover debt service from operating balances may weaken unexpectedly over the forecast horizon (through 2030) because of lower-than-expected revenue, higher-than-expected expenditure or an unanticipated rise in liabilities or debt-service requirements. The profile is based on six 'Stronger' assessments.

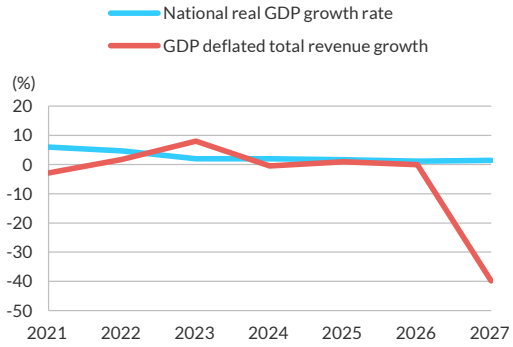
Revenue Robustness: Stronger

MFABC's total revenue stood at CAD511 million in 2025. Its largest revenue source comprises loan repayments from client governments, which generated CAD327 million; the second-largest source is investment income from authority-managed assets, mainly sinking funds, which generated CAD160 million. A small operating levy on every property owner's annual tax bill across the province generated CAD651,000 and grew by 7.8% a year over in the five years to 2025. Maintaining the annual levy ensures MFABC has an administrative mechanism to collect more, if needed, to address a borrower default.

The province's massive property tax assessment base was valued at CAD2.4 trillion as of the 2026 assessment, down 2.7% from last year. For the purposes of the MFABC's tax levy, the taxable value for hospital purposes is available, and is only slightly smaller than the total assessment base. Assessments are completed annually by BC Assessment, an independent provincial authority. Assessment trends over time have been strong, with the assessment roll growing at an average of 6.8% annually over the past 30 years. Only four years in the past 30 have seen declines in assessed values, including the 2026 assessment decline. The pandemic resulted in a 2.9% dip in assessed value in 2020, with a previous decline in 1999 and 2000 of a combined 1.2%.

Fitch does not consider housing market weakness to be a material risk to MFABC's ability to levy sufficient property taxes, given the small size of the MFABC levy that would be necessary to ensure DRF replenishment compared with the value of the provincial assessment roll. Despite near-term housing market strains amid broader economic uncertainty, long-term property market fundamentals are expected to remain strong, consistent with Fitch's view of British Columbia's economy.

Real Total Revenue and GDP Growth



Source: Fitch Ratings, MFABC

Revenue Breakdown, 2025

	Operating revenue (%)	Total revenue (%)
Property tax	0.2	0.1
Interest from loans	93.2	63.9
Other taxes	0.0	0.0
Transfers	0.0	0.0
Other operating revenue	6.6	4.5
Operating revenue	**100.0**	**68.6**
Interest revenue	—	31.4
Capital revenue	—	0.0
Total revenue	—	**100.0**

Source: Fitch Ratings, Fitch Solutions, MFABC

Revenue Adjustability: Stronger

The authority can levy province-wide property tax, subject to a vote of its board of trustees, after any draw on the DRF if it determines loan repayments will be insufficient to restore the DRF within a reasonable period. If the DRF is drawn down by more than 50% from its required level, MFABC is statutorily required to levy a province-wide tax to restore it. The size of the levy is limited to restoring the DRF to its required level at half of the average annual principal and interest (P&I) payments on borrower loans for all regional districts and half of the average annual P&I payments on borrowings by districts' member municipalities. There is no other limitation on the rate, and no additional approvals are necessary from the province or local authorities.

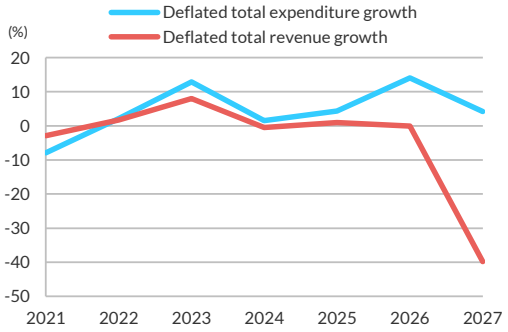
British Columbia's tax base appears exceptionally robust relative to a potential additional tax levy that would be needed to support MFABC. Although actual property tax revenue data are lagged, 2025 total property taxes and charges were CAD14.6 billion, of which variable-rate taxes were CAD12 billion. By comparison, in 2025 MFABC's operating levy was CAD651,000, the DRF balance was CAD131 million, interest on long-term debt was CAD310 million and loan repayments by clients were CAD1.027 billion, suggesting more than sufficient tax leeway to absorb a higher levy, if triggered. Compared to 2024 household income of CAD301 billion, based on provincial data, interest on long-term debt measures a small 0.1%, implying ample affordability with respect to additional taxation.

Property tax assessments are determined on July 1 and sent to property owners the following January. Tax rates are set in March, bills are mailed in May and payments are due in July. MFABC receives its levy by August 1. Debenture debt service falls either in June and December, or April and October, leaving a maximum gap of nearly one year between a potential missed borrower repayment and levied property tax revenue.

Expenditure Sustainability: Stronger

MFABC's operating profile consists primarily of servicing market-issued debt with loan repayments from borrowing governments, managing pools of invested sinking funds and providing secondary financial services to client governments, including asset management. Rising interest rates on debt over time are passed through to borrowers in the form of higher loan repayments, insulating MFABC from interest rate risk. MFABC provides no direct program services to residents and does not perform capital planning or construction services. Within its narrow scope of activity, MFABC regularly runs small annual surpluses, indicating tight control over expenditure growth, and had built up a sizable RF, at CAD141 million, as of 2026.

Real Total Expenditure and Revenue Growth



Source: Fitch Ratings, MFABC

Expenditure Breakdown, 2025

	Operating expenditure (%)	Total expenditure (%)
Administration	17.9	1.4
Other operating expenditure	82.1	6.3
Operating expenditure	**100.0**	**7.7**
Interest expenditure	—	92.3
Capital expenditure	—	0.0
Total expenditure	—	**100.0**

Source: Fitch Ratings, Fitch Solutions, MFABC

Expenditure Adjustability: Stronger

MFABC's primary expenses for interest on debt are matched over time by incoming borrower loan repayments. Secondary services for client governments, such as pooled fund offerings and management and financial risk training, including cyber risk, are demand-based and impose limited additional operating costs on the authority. It has a small staff of 20.

Liabilities and Liquidity Robustness: Stronger

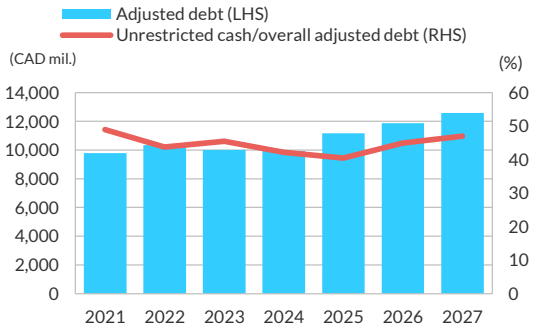
MFABC's debt is issued at fixed rates and benefits from excellent access to capital markets, as demonstrated by favorable spreads for five- and 10-year issuance in Canada's highly liquid domestic market. The weighted average maturity calculated by Fitch is about 4.7 years. Long-term debt outstanding in 2025 totaled CAD10.2 billion in debentures, with bullet maturities typically at five, 10 and 20 years. In 2025, MFABC issued CAD2 billion in long-term debt.

CP notes with maturities of one, three and six months had an outstanding balance of CAD946 million in 2025. The authorized limit was increased to CAD1.25 billion during the pandemic to address possible liquidity needs, and more recently to CAD1.75 billion to support rising capital needs, although MFABC has maintained the active program at a lower level. CP notes are backstopped by three general-purpose corporate facilities totaling CAD350 million with three Canadian chartered banks. Proceeds provide liquidity to MFABC and interim financing for local governments, including for initial capital project financing, until refunded by long-term debentures. MFABC retains strong market access for the CP note program, implying limited rollover risk.

The authority's loan assets are matched with its debenture liabilities such that interest payments from client governments meet annual interest obligations on debentures. Loans are fully amortized with principal payments deposited in dedicated sinking funds invested by MFABC and used to retire debentures upon maturity. Loan maturities tied to capital projects are not always matched to the corresponding debt maturities, although the loan rates reset to reflect the rate on refinanced debt.

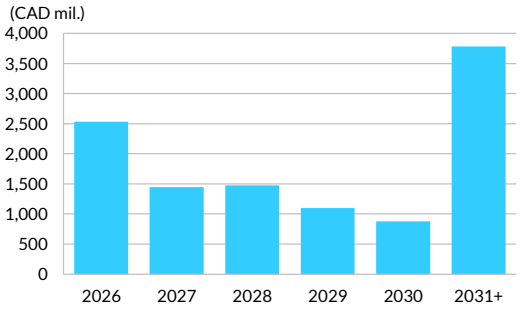
Borrowers are compensated for sinking funds accumulated and invested before the associated debenture matures, with the application of an actuarial reduction applied to each principal payment. The discount is covered through earnings on sinking fund investments. The authority sets actuarial rates (between 1.75% and 5%) at the commencement of each loan and reviews them against actual investment performance. The authority retains the right to adjust the actuarial assumption and has done so regularly. Earnings in excess of the actuarial rate are recorded as a surplus and are available to MFABC as liquidity until the associated debenture maturity, when the authority distributes them to participating borrowers.

Overall Adjusted Debt Structure



Source: Fitch Ratings, MFABC

Debt Maturity Profile



Source: Fitch Ratings, MFABC

Liabilities and Liquidity Flexibility: Stronger

MFABC has considerable flexibility in managing its liquidity, with recourse to a range of internal and external sources, if needed. In the unexpected event of a borrower's failure to pay, the authority would cover interest first by drawing on the CAD131 million DRF balance. If the DRF is drawn, the MFABC can unilaterally impose a property tax to restore the draw; a tax must be imposed if the DRF balance is drawn to less than 50% of the required level.

Beyond the DRF balance, additional liquidity sources include the RF, which held CAD141 million in 2025, and a CAD100 million revolving line of credit with Canadian Imperial Bank of Commerce (AA-/Stable). Finally, MFABC can draw on its sinking fund balance, which stood at CAD4.2 billion in 2025, equal to 41% of outstanding long-term debt.

Sinking fund assets are invested under statutory requirements that limit holdings to Canadian or provincial securities or those guaranteed by them; securities of a local, municipal or regional government in Canada; investments guaranteed by a chartered bank; or deposits in a savings institution or non-equity or membership shares of a credit union. Statutory restrictions on the DRF are similar, except that those cannot be invested in securities of Canadian local, municipal or regional governments. MFABC has developed investment policies to provide further guidance in managing DRF and RF assets. Fitch excludes the portion of DRF held as callable demand notes by regional districts from its assessment of liquidity flexibility, consistent with MFABC's approach of excluding them from its assessment of capital adequacy.

MFABC resources have been ample relative to annual interest obligations on debentures, which were CAD310 million in 2025. Short-term CP notes outstanding in 2025 were CAD946 million, with CAD4.2 billion refinanced during the year. To backstop the CP note program, MFABC has three dedicated lines of credit: CAD130 million with CIBC (AA–/Stable), CAD120 million with National Bank of Canada (A+/Stable) and CAD100 million with Bank of Montreal (AA–/Stable).

Debt Analysis

	2025
Fixed rate (% of direct debt)	100
Debt in foreign currency (% of direct debt)	0
Apparent cost of debt (%)	3
Weighted average life of debt (years)	4.7

Source: Fitch Ratings, MFABC

Liquidity

(CADm)	2025
Total cash, liquid deposits and sinking funds	4,515
Restricted cash	0
Cash available for debt service	4,515
Undrawn committed credit lines	0

Source: Fitch Ratings, MFABC

Financial Profile Assessment

Financial Profile: aaa category

Financial Profile Score Summary

	Primary metric	Secondary metrics	
	Payback ratio (x)	Coverage (x)	Fiscal debt burden (%)
aaa	X ≤ 5	X >= 4	X ≤ 50

Financial Profile Score Summary

	Primary metric	Secondary metrics	
	Payback ratio (x)	Coverage (x)	Fiscal debt burden (%)
aa	5 < X ≤ 9	2 ≤ X < 4	50 < X ≤ 100
a	9 < X ≤ 13	1.5 ≤ X < 2	100 < X ≤ 150
bbb	13 < X ≤ 18	1.2 ≤ X < 1.5	150 < X ≤ 200
bb	18 < X ≤ 25	1 ≤ X < 1.2	200 < X ≤ 250
b	X > 25	X < 1	X > 250

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

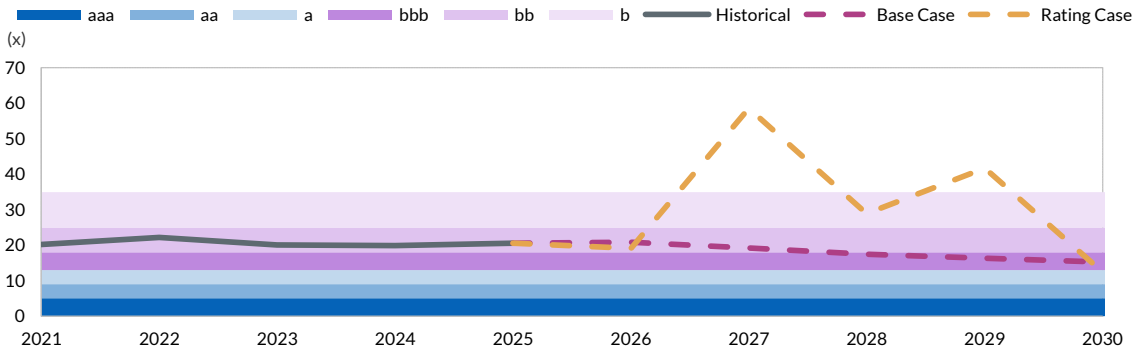
The 'aaa' category financial profile assessment is based on a criteria variation under which the unlimited taxing power of MFABC provides protection against potential downside risks captured under a rating case scenario. Features supporting MFABC's credit strength, including its unrestricted authority to tax the province's massive assessment base and substantial liquid resources, provide multiples of coverage for interest and scheduled maturities during an unprecedented disruption in borrower repayments.

The scenario envisions a widespread and lengthy borrower failure to pay interest resulting in a greater-than-50% draw on the DRF, automatically triggering the province-wide property tax to replenish the DRF. Ample liquidity covers authority obligations until property taxes are collected. The payback ratio (net adjusted debt/operating balance) gradually falls to 12.4x through 2030, versus 15.2x in the base case, as the tax levy generates additional receipts. The synthetic debt service coverage ratio (operating balance to a 15-year mortgage-like payoff of debt service) rises to 0.9x, versus 0.8x in the base case, given the levy of additional property tax. The fiscal debt burden (net adjusted debt/operating revenue) remains weak through the period, although is not as relevant to the overall assessment given the matched nature of MFABC's liabilities and assets over time.

Although this combination of financial profile metrics suggests an assessment at the 'a' category level, the triggering of MFABC's taxation powers in a stress scenario generates an improvement of metrics relative to the base case and historical experience, when taxation powers beyond the small operating level remain unused. The essentially unlimited nature of the property tax relative to authority obligations and high liquid balances offsets the potential impacts of any reasonable stress that the rating case is intended to capture.

Fitch views MFABC as a Type B LRG under its criteria, with the obligation to cover debt service from cash flows on an annual basis consistent with most local governments in Canada and globally. The primary financial profile metric for Type B LRGs in a rating case projection is the payback ratio.

Payback Ratio - Fitch's Base and Rating Case Scenarios



Source: Fitch Ratings, MFABC

Scenario Assumptions

Fitch designates MFABC as a Type B LRG under the LRG criteria because it repays debt service from cash flow on an annual basis. Long-term debt in both the base and rating cases remains the same, using the MFABC forecast to 2028, trended forward to 2030. While the financial profile analysis focuses primarily on the effects of economic cycles on an LRG's revenue, expense and liquidity trends, for MFABC the cyclical stress would manifest through a severe recession or other event severe enough to create multiple borrower defaults.

Despite the magnitude of the stresses, unusually strong features including the required increase in property taxes sufficient to refill DRF draws and the matched nature of loan repayments with interest on debt cushion potential weakness and are the basis of the criteria variation. The most notable risk remains the time lag between multiple borrower defaults and the collection of property taxes. During this potential time lag, the RF, credit facility, general purpose backstop facilities and sinking fund provide many multiples of coverage for interest expenditure and scheduled debt maturities, before considering MFABC's solid market access.

Long-term debt in both the base and rating cases remains the same, relying on near-term MFABC expectations for borrowing, trended forward through 2030. Stresses in the rating case are intended to pressure operations to assess the impact on P&I repayments. Despite stresses, the requirement to levy a property tax to refill the DRF and the matched nature of loan repayments with interest on debt are unusually strong features that cushion weakness and form the basis of the criteria variation.

The rating case assumes modifications to loan repayments in 2027, 2028 and 2029, representing a widespread and extended failure to pay, equal to half of the combined projected DRF and RF balances in 2027, one-third in 2028 and one-quarter in 2029. The draw from the DRF in 2027 triggers the province-wide property tax to replenish the DRF, with receipt of the levy lagged by one year; the rating case assumes the levy stays in place in 2029 and 2030 to cover subsequent draws and rebuild the balance. The lag in receipt of the tax levy is reflected in the one-year deterioration of the payback ratio, to 52.5x in 2027, followed by rapid improvement to a level in 2030 stronger than historical experience, given the magnitude of revenue generated.

Scenario Assumptions Summary

	2021 - 2025 historical	2026 - 2030 average	
Assumptions	average	Base Case	Rating Case
Operating revenue growth (%)	6.5	4.5	9.9
Tax revenue growth (%)	11.8	5.0	166.1
Current transfers received growth (%)	—	—	—
Operating expenditure growth (%)	13.4	5.0	5.0
Net capital expenditure (CADm)	0	0	0
Apparent cost of debt (%)	2.9	3.1	3.4

		2030	
Outcomes	2025	Base Case	Rating Case
Payback ratio (x)	20.6	15.2	12.4
Overall payback ratio (x)	20.6	15.2	12.4
Actual coverage ratio (x)	0.2	0.3	0.4
Synthetic coverage ratio (x)	0.6	0.8	0.9
Fiscal debt burden (%)	1,895.9	1,399.0	1,166.1

Source: Fitch Ratings, MFABC

Direct debt was CAD11.2 billion in 2025, comprising CAD10.2 billion in long-term debentures and CAD946 million in short-term CP notes. Net adjusted debt is CAD 6.6 billion, after netting CAD4.5 billion in cash, cash equivalents and investments (chiefly sinking funds). MFABC has no contingent liabilities. MFABC's direct debt is used solely to fund loans to borrower governments. Loans outstanding, both long- and short-term, represent 61% of outstanding debt, with the rest consisting of investments, mostly accumulated sinking fund deposits and earnings. Loan terms often exceed the maturity of associated debt, with loan repayments subject to reset when maturing debt is refunded.

SCP Positioning and Peer Comparison

Analytical Outcome Guidance

Risk profile	Financial profile					
Stronger	aaa or aa	a	bbb	bb	b	
High Midrange	aaa	aa	a	bbb	bb	b
Midrange		aaa	aa	a	bbb	bb or below
Low Midrange			aaa	aa	a	bbb or below

Analytical Outcome Guidance

Risk profile	Financial profile					
Weaker				aaa	aa	a or below
Vulnerable					aaa	aa or below
Suggested analytical outcome (SCP)	**aaa**	**aa**	**a**	**bbb**	**bb**	**b**

Source: Fitch Ratings

MFABC has no directly comparable Fitch-rated peers. Fitch rates several entities that similarly help finance local governments, although none have the independent, unlimited taxing authority supported by a joint and several pledge of local governments that underlies MFABC's 'AAA' IDR.

The most directly comparable peer is a government-related entity, rather than an LRG. The New Zealand Local Government Funding Agency Limited (IDR 'AA+'/Negative) issues debt on behalf of related subnational governments; it has no power to tax. The rating under the "Government-Related Entities Rating Criteria" reflects the availability of sovereign support; thus, Fitch equalizes it to New Zealand's sovereign rating and does not determine an SCP.

Less directly comparable LRGs include French intermunicipal groupings such as Aix-Marseille-Provence (IDR A+/Stable), rated under the "International Local and Regional Governments Criteria." It provides services across multiple municipalities, although unlike MFABC, it directly delivers public services including transit and wastewater, and it has ongoing taxation and borrowing powers to fund these services. MFABC does not provide direct public services; it only serves local governments for capital financing and treasury management.

Peer Comparison

	Risk Profile	Financial Profile Score	SCP	Extraordinary Support	Sovereign Rating	LT IDR	National Rating
Municipal Finance Authority of British Columbia	Stronger	aaa	aaa	N.A.	AA+	AAA/Stable	N.A.
Aix-Marseille-Provence Metropolis	High Midrange	aa	aa-	N.A.	A+	A+/Stable	N.A.

N.A. – Not applicable
Source: Fitch Ratings, MFABC

Long Term Rating Derivation

From SCP to LT FC IDR: Factors Beyond the SCP

		Support					
SCP	Sovereign Long-Term Foreign-Currency IDR	Intergovernmental financing	Ad-hoc support	Floor	Rating cap	Leeway above sovereign (notches)	Long-Term Foreign-Currency IDR
aaa	AA+	—	—	—	—	1	AAA

Source: Fitch Ratings

The 'AAA' IDR is based on a 'aaa' SCP, reflecting both the 'Stronger' risk profile and a 'aaa' debt sustainability assessment. Fitch does not cap the IDR of MFABC at the 'AA+' IDRs of Canada or British Columbia. The province has responsibility for local governments under its institutional framework, shielding MFABC from federal interference, in Fitch's view. Additionally, the province has statutorily delegated broad financial autonomy and taxing powers to the authority. The ability of MFABC to be rated above the province and the sovereign is tempered by the likelihood that factors affecting provincial or sovereign credit quality would ultimately affect the authority's operating environment.

Short-Term Rating Derivation

The short-term IDR at 'F1+' is based on the Long-Term IDR of 'AAA', as provided in Fitch's "International Local and Regional Governments Rating Criteria." The CP notes are senior unsecured short-term obligations of MFABC with a maximum authorized outstanding balance of CAD1.75 billion.

Criteria Variation

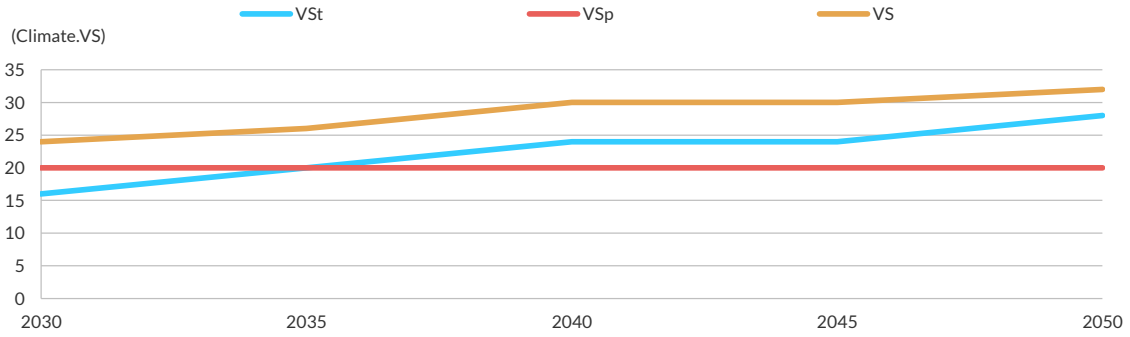
The analysis supporting MFABC's 'AAA' rating includes a variation from the "International Local and Regional Governments Rating Criteria." A variation was made to the debt sustainability because of the statutory requirement to levy an unlimited property tax on a broad economic base to restore draws on the authority's DRF, as well as the matched nature of MFABC's long-term debentures and loans made to borrower governments. These factors result in MFABC adjusting its financial performance in a manner that fully offsets potential stresses imposed by Fitch under the rating case, a situation that is not anticipated in determining the rating case scenario. The variation provides a means to assess the broad ability of the entity to respond to these stresses and the likely trajectory of financial metrics under these scenarios.

Climate Vulnerability Signals

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

The Climate.VS for 2035 is 26 out of 100. This reflects a VSp of 20 and a VSt of 20.

Climate Vulnerability Signals



Source: Fitch Ratings

ESG Considerations

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

Appendix A: Financial Data

MFABC

(CAD Mil.)	2021	2022	2023	2024	2025	2026rc	2027rc	2028rc	2029rc	2030rc
Fiscal Performance										
Taxes	0	1	1	1	1	1	1	163	114	93
Transfers received	0	0	0	0	0	0	0	0	0	0
Fees, fines and other operating revenues	255	269	290	312	350	370	144	101	82	469
Operating revenue	255	269	291	313	350	371	145	264	196	562
Operating expenditure	-8	-6	-19	-24	-28	-29	-31	-32	-34	-35
Operating balance	247	263	272	289	323	342	114	232	162	527
Interest revenue	144	164	195	183	160	151	176	190	199	192
Interest expenditure	-246	-270	-306	-314	-331	-390	-415	-442	-469	-490
Current balance	146	157	162	159	152	103	-125	-20	-108	229
Capital revenue	0	0	0	0	0	0	0	0	0	0
Capital expenditure	0	0	0	0	0	0	0	0	0	0
Capital balance	0	0	0	0	0	0	0	0	0	0
Total revenue	399	433	486	496	511	522	321	454	395	754
Total expenditure	-253	-276	-324	-337	-359	-419	-446	-474	-503	-525
Surplus (deficit) before net financing	146	157	162	159	152	103	-125	-20	-108	229
New direct debt borrowing	2,010	1,292	1,102	1,235	2,030	2,303	2,153	2,403	1,729	1,534
Direct debt repayment	-1,245	-811	-1,523	-1,205	-1,160	-1,586	-1,445	-1,475	-1,101	-875
Net direct debt movement	765	482	-421	29	869	717	708	928	628	659
Overall results	911	639	-259	188	1,021	820	583	908	520	888
Debt and Liquidity										
Short-term debt	500	598	696	598	946	950	950	950	950	950
Long-term debt	9,284	9,753	9,322	9,344	10,212	10,925	11,633	12,561	13,189	13,849
Intergovernmental debt	0	0	0	0	0	0	0	0	0	0
Direct debt	9,784	10,350	10,018	9,942	11,158	11,875	12,583	13,511	14,139	14,799
Other fitch-classified debt	0	0	0	0	0	0	0	0	0	0
Adjusted debt	9,784	10,350	10,018	9,942	11,158	11,875	12,583	13,511	14,139	14,799
Guarantees issued (excluding adjusted debt portion)	0	0	0	0	0	0	0	0	0	0
Majority-owned GRE debt and other contingent liabilities	0	0	0	0	0	0	0	0	0	0
Overall adjusted debt	9,784	10,350	10,018	9,942	11,158	11,875	12,583	13,511	14,139	14,799
Total cash, liquid deposits, and sinking funds	4,790	4,528	4,555	4,195	4,515	5,334	5,917	6,824	7,346	8,234
Restricted cash	0	0	0	0	0	0	0	0	0	0
Unrestricted cash	4,790	4,528	4,555	4,195	4,515	5,334	5,917	6,824	7,346	8,234
Net adjusted debt	4,994	5,822	5,463	5,747	6,643	6,541	6,666	6,687	6,793	6,565
Net overall debt	4,994	5,822	5,463	5,747	6,643	6,541	6,666	6,687	6,793	6,565
Enhanced net adjusted debt	4,994	5,822	5,463	5,747	6,643	6,541	6,666	6,687	6,793	6,565
Enhanced net overall debt	4,994	5,822	5,463	5,747	6,643	6,541	6,666	6,687	6,793	6,565
Memo:										
Debt in foreign currency/Direct debt (%)	0	0	0	0	0	–	–	–	–	–
Issued debt/Direct debt (%)	100	100	100	100	100	–	–	–	–	–
Floating interest rate debt/Direct debt (%)	0	0	0	0	0	–	–	–	–	–

rc - rating case. GRE – Government-related entity
Source: Fitch Ratings, MFABC

Appendix B: Financial Ratios

MFABC

	2021	2022	2023	2024	2025	2026rc	2027rc	2028rc	2029rc	2030rc
Fiscal Performance Ratios										
Operating balance/operating revenue (%)	97.1	97.6	93.6	92.5	92.1	92.2	78.6	87.9	82.7	93.8
Current balance/current revenue (%)	36.5	36.3	33.3	32.0	29.7	19.7	-38.9	-4.4	-27.3	30.4
Operating revenue annual growth (%)	-0.5	5.6	8.0	7.6	12.0	5.9	-60.9	82.1	-25.8	186.7
Operating expenditure annual growth (%)	-49.3	-14.7	189.1	27.6	17.4	4.7	6.9	3.2	6.3	2.9
Surplus (deficit) before net financing/total revenue (%)	36.5	36.3	33.3	32.0	29.7	19.7	-38.9	-4.4	-27.3	30.4
Surplus (deficit) before net financing/GDP (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total revenue annual growth (%)	0.3	8.7	12.2	2.0	3.0	2.2	-38.5	41.4	-13.0	90.9
Total expenditure annual growth (%)	-4.8	9.1	17.3	4.0	6.5	16.7	6.4	6.3	6.1	4.4
Debt Ratios										
Primary Metrics										
Payback ratio (x) (Net adjusted debt to operating balance)	20.2	22.2	20.1	19.9	20.6	19.1	58.5	28.8	41.9	12.5
Enhanced payback ratio (x)	20.2	22.2	20.1	19.9	20.6	19.1	58.5	28.8	41.9	12.5
Overall payback ratio (x)	20.2	22.2	20.1	19.9	20.6	19.1	58.5	28.8	41.9	12.5
Enhanced overall payback ratio (x)	20.2	22.2	20.1	19.9	20.6	19.1	58.5	28.8	41.9	12.5
Secondary Metrics										
Fiscal debt burden (%) (Net debt-to-operating revenue)	1959.3	2162.7	1878.5	1837.2	1896.0	1763.1	4597.2	2533.0	3465.8	1168.2
Synthetic debt service coverage ratio (x)	0.6	0.6	0.6	0.6	0.6	0.6	0.2	0.4	0.3	0.9
Actual debt service coverage ratio (x)	0.2	0.2	0.1	0.2	0.2	0.2	0.1	0.1	0.1	0.4
Other Debt Ratios										
Liquidity coverage ratio (x)	3.2	4.7	2.6	3.2	3.0	2.5	2.9	3.2	4.5	5.8
Direct debt maturing in one year/total direct debt (%)	13.4	20.5	19.0	17.7	22.8	8.0	7.6	7.0	6.7	6.4
Direct debt (annual % change)	7.0	5.8	-3.2	-0.8	12.2	6.4	6.0	7.4	4.7	4.7
Apparent cost of direct debt (interest paid/direct debt) (%)	2.6	2.7	3.0	3.1	3.1	3.4	3.4	3.4	3.4	3.4
Revenue Ratios										
Tax revenue/total revenue (%)	0.1	0.1	0.1	0.1	0.1	0.2	0.3	35.9	28.9	12.3
Current transfers received/total revenue (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest revenue/total revenue (%)	36.1	37.9	40.2	36.9	31.4	28.9	54.8	41.9	50.4	25.5
Capital revenue/total revenue (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure Ratios										
Staff expenditure/total expenditure (%)	–	–	–	–	–	–	–	–	–	–
Current transfers made/total expenditure (%)	–	–	–	–	–	–	–	–	–	–
Interest expenditure/total expenditure (%)	97.0	97.7	94.3	93.0	92.3	93.1	93.1	93.3	93.2	93.3
Capital expenditure/total expenditure (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

rc - rating case
Source: Fitch Ratings, MFABC

Appendix C: Data Adjustments

Specific Adjustments

Adjustments have been made to MFABC's public account data and projections to calculate historical, base and rating case metrics under Fitch's "International Local and Regional Government Rating Criteria," and to facilitate comparisons across Canadian and international LRGs. Reported consolidated data are modified to reflect operating and interest revenue and expenditures; there are no capital transactions. The debt data reflect calculations of direct debt and unrestricted liquidity as defined in Fitch criteria and detailed above.

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