

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

The Province of Quebec

<Affirmation>

Foreign Currency Long-term Issuer Rating: AAA
Outlook: Stable

Rationale

- (1) Quebec is the second-largest among the 10 Canadian provinces in terms of population and economy. The rating is mainly supported by the province's highly developed and diversified industrial structure, its track record of fiscal consolidation, and the support provided by the federal government through its fiscal transfers. The rating outlook remains Stable. In the general election held in October 2022, the Coalition Avenir Quebec was re-elected as the governing party, which is likely to maintain fiscal policies aimed at reducing the provincial budget deficit and the government debt-to-GDP ratio.
- (2) Quebec's nominal GDP reached around CAD 550 billion and its population was around 8.7 million in 2022, each representing around 20% of the country's total. The province has a highly developed economy with real GDP per capita exceeding CAD 48,000 in 2022. Its industrial structure is diversified and it is endowed with rich mineral resources. Its ratio of exports to GDP was high at 46% in 2022. About 80% of its exports are bound for the U.S. and other Canadian provinces and territories, indicating that the economy is susceptible to North American economies. Housing construction slowed considerably in 2022 due to rising interest rates, but the labor market remained strong with an unemployment rate of around 4%, and its real GDP grew 2.8% on solid household consumption. In 2023, while the global economic slowdown is likely to have an impact on Quebec, the economy is expected to maintain moderate growth, driven by strong household consumption under still favorable employment environment.
- (3) JCR considers that the fiscal conditions of Canadian provinces largely depend on their own policies as they have a broad range of jurisdiction including taxation while receiving support from the federal government through fiscal transfers. Provincial governments have exclusive jurisdiction over education, healthcare, social services, property and civil rights, natural resources and municipalities. They also have authority to raise revenues for provincial purposes through direct taxation. Their own source revenues such as income and consumption taxes account for around 80% of their total revenue (80% in FY2022 in Quebec). Various transfers from the federal government such as healthcare and post-secondary education subsidies and equalization payments account for only around 20%.
- (4) The current government has adhered to the Balanced Budget Act and has sought to maintain a balanced budget and reduce the government debt-to-GDP ratio. In FY2022 (April 2022 to March 2023), the fiscal deficit (before the use of fiscal stabilization reserve) is estimated to have narrowed to 0.9% of GDP and the government debt-to-GDP ratio declined to 40.2% at the end of FY2022, lower than the 45% target to be achieved by FY2025. The provincial government sets aside provisions needed to tide over economic risks and contingencies such as natural disasters. The government's debt management is prudent. It procures 88% of borrowing at fixed interest rates with a long average maturity of 12 years and takes no foreign exchange risks. Its liquidity also remained stable at CAD 13.2 billion at the end of FY2022. The government has set a new target to reduce its net debt, reaffirming its policy to cut its debt burden. Net debt corresponds to the government's liabilities minus its financial assets. The plan is to reduce its net debt from 50.2% of GDP in March 2016 and 37.4% in March 2023 to 30% over the next 15 years (by FY2037), with an interim target set at 33% over the next 10 years (by FY2032).

Atsushi Masuda, Masato Hotta

Rating

Issuer: The Province of Quebec

<Affirmation>

Foreign Currency Long-term Issuer Rating: AAA Outlook: Stable



Rating Assignment Date: July 14, 2023

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of the rating methodology is shown as "Sovereign and Public Sector Entities" (October 1, 2021) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

The rating stakeholder participated in the rating process of the aforementioned credit ratings.

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JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)



INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	The Province of Quebec
Rating Publication Date:	July 20, 2023

1

The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

2

The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

3

The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Economic Base

The likelihood of a given debt payment is highly conditional to the issuing government's ability to maintain/expand the economic base into the future with maintaining soundness of financial systems.

B) Fiscal Base

The likelihood of a given debt payment is highly correlated to fiscal balance, public debt and other factors of the issuing government's fiscal condition.

C) Creditworthiness of the National Government

The likelihood of a given debt payment is highly correlated to the creditworthiness of the national government that supports the said systems of credit enhancement.

D) Social and Political Bases and Economic Policy

The likelihood of a given debt payment is highly conditional to the social and political stability, effectiveness of economic and monetary policies as well as international economics.

E) Related Parties' Stance of Support/ Assistance for the Government

The likelihood of a given debt payment is affected by the stance of the credit enhancement provider and other related parties with regard to their stance of support/ assistance for the issuing government.

F) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuing government's will, and/ or its rank relative to other debts of the same government in the order of seniority in principal/ interest payment which is determined by design as financial product or by international practice, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.
 - A) Financial reports and budgets of the issuer presented by the rating stakeholders.
 - B) Informational and explanatory materials presented by the rating stakeholders with regard to the economy and fiscal management policy, etc. of the issuing government
 - C) Statistics and reports published by an independent organization with regard to the economy and fiscal status, etc. of the issuing government

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the publication by the issuer, some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.
- If the credit rating is an Indication, please see the report for Indication.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of public or private credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

- A) Economic Base

The credit rating is subject to alteration if there is an improvement or deterioration of the issuer's economy or financial systems, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.
- B) Fiscal Base

The credit rating is subject to alteration if the issuer increases/ decreases its fiscal deficit/ surplus and its public debt and thereby makes given debt payment liability less/ more bearable. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.
- C) Creditworthiness of the National Government

The likelihood of a given debt payment is highly correlated to the creditworthiness of the national government that supports the said systems of credit enhancement.

D) Social and Political Bases and Economic Policy

The credit rating is subject to alteration if there is a change in the issuer's social and political conditions or economic/ monetary policies, etc. and thereby an improvement/ deterioration of its economy and fiscal positions. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

E) Related Parties' Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the credit enhancement provider or other related parties with regard to their stance of support/ assistance for the issuing government and thereby an improvement/ deterioration of its economy, fiscal positions and liquidity positions. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

F) Order of Seniority in Debt Payment

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts, due to improvement/ deterioration of the issuer's fiscal condition and/or will. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

G) International Economies

The credit rating is subject to alteration if there is a change in the international economies, commodity or foreign exchange markets, etc. and thereby, through international balance of payments, an improvement/ deterioration in the issuer's fiscal balance or debt payment capacity. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

H) Various Events

The credit rating is subject to alteration on occurrence of various events, such as domestic unrest, war, natural disaster, etc. which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's economy, fiscal positions, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

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Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

<https://www.jcr.co.jp/en/service/company/regu/nrsro/>

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Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Economic Base

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's economy or financial systems, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's economy or financial systems on some drastic change in environments, etc.

B) Fiscal Base

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's fiscal conditions in terms of annual balance or public debt. The resultant change of the credit rating is most likely by a notch, as JCR

speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's fiscal condition on some drastic change in its economy.

C) Social and Political Bases and Economic Policies

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's social and political bases and economic/ monetary policies. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the country's situation changes drastically, making the issuer's social and political bases and economic/monetary policies significantly improved or deteriorated.

D) Creditworthiness of the National Government

The credit rating is subject to alteration if there is a change in the creditworthiness of the national government that supports the said credit enhancement systems. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

E) International Economics

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of the international economies or commodity/ foreign exchange markets, etc. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

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Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

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The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
The Province of Quebec	Issuer(Long-term)(FC)	July 1, 1997	AA	
The Province of Quebec	Issuer(Long-term)(FC)	July 31, 1998	AA	
The Province of Quebec	Issuer(Long-term)(FC)	September 10, 1999	AA	
The Province of Quebec	Issuer(Long-term)(FC)	August 22, 2000	AA	
The Province of Quebec	Issuer(Long-term)(FC)	October 16, 2001	AA	Stable
The Province of Quebec	Issuer(Long-term)(FC)	November 28, 2002	AA	Positive
The Province of Quebec	Issuer(Long-term)(FC)	December 12, 2003	AA	Positive
The Province of Quebec	Issuer(Long-term)(FC)	November 9, 2004	AA	Positive
The Province of Quebec	Issuer(Long-term)(FC)	October 13, 2005	AA+	Stable
The Province of Quebec	Issuer(Long-term)(FC)	July 28, 2006	AA+	Stable
The Province of Quebec	Issuer(Long-term)(FC)	October 12, 2007	AA+	Stable
The Province of Quebec	Issuer(Long-term)(FC)	July 23, 2008	AA+	Stable
The Province of Quebec	Issuer(Long-term)(FC)	August 28, 2009	AA+	Stable
The Province of Quebec	Issuer(Long-term)(FC)	August 31, 2010	AA+	Stable
The Province of Quebec	Issuer(Long-term)(FC)	July 20, 2011	AA+	Stable
The Province of Quebec	Issuer(Long-term)(FC)	July 17, 2012	AA+	Stable
The Province of Quebec	Issuer(Long-term)(FC)	September 13, 2013	AA+	Stable
The Province of Quebec	Issuer(Long-term)(FC)	August 26, 2014	AA+	Stable
The Province of Quebec	Issuer(Long-term)(FC)	August 25, 2015	AA+	Stable
The Province of Quebec	Issuer(Long-term)(FC)	September 9, 2016	AA+	Stable
The Province of Quebec	Issuer(Long-term)(FC)	September 14, 2017	AA+	Stable
The Province of Quebec	Issuer(Long-term)(FC)	June 29, 2018	AA+	Stable
The Province of Quebec	Issuer(Long-term)(FC)	July 29, 2019	AA+	Stable
The Province of Quebec	Issuer(Long-term)(FC)	September 10, 2020	AA+	Stable
The Province of Quebec	Issuer(Long-term)(FC)	July 12, 2021	AA+	Stable
The Province of Quebec	Issuer(Long-term)(FC)	July 15, 2022	AAA	Stable

Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Kiichi Sugiura, have responsibility to this Rating Action and to the best of my knowledge:

- A) No part of the credit rating was influenced by any other business activities.
- B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.
- C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

杉浦 輝一

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