

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

## The Province of Quebec

<Rating Change>

Foreign Currency Long-term Issuer Rating: from AA+ to AAA  
Outlook: Stable

### Rationale

- (1) Quebec is the second-largest among the 10 Canadian provinces in terms of population and economy. The upgrading mainly reflects the strengthening of economic fundamentals along with the fiscal consolidation that has led to an early economic recovery and a reduction in the government debt-to-GDP ratio even after the COVID-19 pandemic. The economy recovered to its pre-pandemic level in the latter half of 2021, and is currently growing, mainly driven by domestic demand. The government intends to further reduce the budget deficit and the government debt-to-GDP ratio amid moderate economic expansion in FY2022 and beyond. The next general election is scheduled for October 2022, and the ruling Coalition Avenir Quebec is likely to win the election given its current high approval rating. JCR expects the fiscal consolidation to progress further along with the sustained economic growth, given the government's track records of fiscal consolidation and conservative economic outlook assumptions. Therefore, the rating outlook maintains Stable. The rating remains supported by the province's highly developed and diversified industrial structure and the support provided by the federal government through its fiscal transfers.
- (2) Quebec's nominal GDP totaled around CAD 500 billion and its population stood around 8.6 million in 2021, each accounting for around 20% of the country's totals. The province has a highly developed economy with its per capita real GDP standing higher than CAD 45,000 in 2021. Its industrial structure is diversified and it is endowed with mineral resources. Its ratio of exports to GDP was high at 45% in 2021. About 80% of its exports are bound for the U.S. and other Canadian provinces and territories, indicating that the economy is susceptible to the economic developments in its trading partners. The average annual economic growth rate from 2017 to 2019 was 2.8%, which was higher than that of Canada as a whole, mainly led by domestic demand, as the government's economic measures have proved to be effective to strengthen the province's economic base. The economy contracted sharply to 5.5% in 2020 on the impact of the pandemic, but it recovered rapidly to 5.6% in 2021 led by domestic demand with expectation of moderate economic growth rate in the mid-2% range in 2022 and 2023. The impact of supply constraints and soaring resource prices on price inflation may continue at least until 2022. Canada is highly self-sufficient in energy and food, and Quebec's main power source is hydroelectric power generation, which is invulnerable to resource prices. Direct impact of the Ukraine conflict on Quebec is also limited because its imports from and exports to Russia and Ukraine account for less than 1% of their respective totals.
- (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. The exclusive jurisdiction of provincial governments is 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 (78% in FY2021 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 complied with the Balanced Budget Act and kept a balanced budget and lower the government debt-to-GDP ratio before the pandemic. In FY2020 (April 2020 to March 2021), both the fiscal deficit and government debt-to-GDP ratio worsened due to a large scale economic measures and the sharp economic contraction. However, the deficit (before using a fiscal stabilization reserve) was estimated to have narrowed to less than 0.1% of GDP in FY 2021 and the government debt-to-GDP ratio also could decline to 41.6% of GDP at the end FY2021, falling below its pre-pandemic level in FY2019. It also achieved the target to below 45% of GDP by FY 2025. Under its medium-term fiscal plan (FY2022-FY2026) unveiled in March 2022, the government intends to further reduce the fiscal deficit and debt-to-GDP ratio amid moderate economic growth. The financial

framework includes provisions for economic risks and other contingencies. The government plans to restore a balanced budget in FY2027 in accordance with the Balanced Budget Act and will set a new government debt target in FY2023. It continues to uphold its prudent debt management policy. It holds ample liquidity and keeps funding in a stable manner.

Toshihiko Naito, Hiroshi Tonegawa

### **Rating**

Issuer: The Province of Quebec

<Rating Change>

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

Rating Assignment Date: July 13, 2022

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/>).

### **Japan Credit Rating Agency, Ltd.**

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan  
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

---

Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied, as to accuracy, results, adequacy, timeliness, completeness or merchantability, or fitness for any particular purpose, with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from the use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind caused by the use of any such information, including but not limited to, lost opportunity or lost money, whether in contract, tort, strict liability or otherwise, and whether such damages are foreseeable or unforeseeable. JCR's ratings and credit assessments are statements of JCR's current and comprehensive opinion regarding redemption possibility, etc. of financial obligations assumed by the issuers or financial products, and not statements of opinion regarding any risk other than credit risk, such as market liquidity risk or price fluctuation risk. JCR's ratings and credit assessments are statements of opinion, and not statements of fact as to credit risk decisions or recommendations regarding decisions to purchase, sell or hold any securities such as individual bonds or commercial paper. The ratings and credit assessments may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. JCR receives a rating fee paid by issuers for conducting rating services in principle. JCR retains all rights pertaining to this document, including JCR's rating data. Any reproduction, adaptation, alteration, etc. of this document, including such rating data, is prohibited, whether or not wholly or partly, without prior consent of JCR.

JCR is registered as a "Nationally Recognized Statistical Rating Organization" with the U.S. Securities and Exchange Commission with respect to the following four classes. (1) Financial institutions, brokers and dealers, (2) Insurance Companies, (3) Corporate Issuers, (4) Issuers of government securities, municipal securities and foreign government securities.

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 15, 2022

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) 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.

D) Status of Extra-Departmental Bodies

The likelihood of a given debt payment is influenced by the issuer's relations with local public/governmental corporations, joint public-private sector enterprises and other extra-departmental organizations.

E) Credit Enhancement Systems of the National Government

The likelihood of a given debt payment is influenced by the systems of national government's credit enhancement and implementation thereof, which includes local government bond system, local financial system and others.

F) 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.

## 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) Information materials and explanations for the financial reports, budgets and financial management policies of the issuer presented by the rating stakeholders
- C) Statistics and reports on the economy, fiscal status, etc. published by an independent organization

## 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 verification by a government agency and alike, the publication by the issuer or 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) 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.

D) Status of Extra-Departmental Bodies

The credit rating is subject to alteration if there is a change in the conditions of local public/ governmental corporations, joint public-private sector enterprises and other extra-departmental organizations and thereby an improvement/ deterioration in the issuer's fiscal base. 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) Credit Enhancement Systems of the National Government

The credit rating is subject to alteration if there is a change in the local government bond system and/or local financial system and thereby an improvement/ deterioration in the issuer's fiscal conditions or in the likelihood of the national government's implementation of such systems of credit enhancement. 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.

F) 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.

12

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/>

13

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 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.

D) Credit Enhancement Systems of the National Government

The credit rating is subject to alteration if there is a change in the local government bond system and/or local financial system and thereby an improvement/ deterioration in the issuer's fiscal conditions or in the likelihood of the national government's implementation of such systems of credit enhancement. 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) 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.

14 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.

**Japan Credit Rating Agency, Ltd.**

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan  
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

## 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



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

I, Toshihiko Naito, 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.



Toshihiko Naito  
General Manager of International Rating Department

### **Japan Credit Rating Agency, Ltd.**

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan  
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026