

Rating Report

Province of Alberta

DBRS Morningstar

December 14, 2021

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Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	AA (low)	Trend Change	Stable
Long-Term Debt	AA (low)	Trend Change	Stable
Short-Term Debt	R-1 (middle)	Confirmed	Stable

On December 9, 2021, DBRS Limited (DBRS Morningstar) confirmed the Issuer Rating and Long-Term Debt rating of the Province of Alberta (Alberta or the Province) at AA (low), as well as its Short-Term Debt rating at R-1 (middle). DBRS Morningstar changed the trends on both long-term ratings to Stable from Negative, while the trend on the short-term rating remains Stable.

At the time of DBRS Morningstar's December 2020 rating review of the Province, DBRS Morningstar indicated that changing the trend to Stable would depend on a sustained improvement in the fiscal deficit, increased clarity about where the debt-to-GDP burden will stabilize, and no changes to critical rating factors. While the outlook remains subject to uncertainty, the Province's recent midyear update points to DBRS Morningstar-adjusted deficits remaining well below 5% of GDP and debt-to-GDP trending below 30% (DBRS Morningstar-adjusted). No critical rating factors have been changed and DBRS Morningstar believes that this material improvement in fiscal and debt outlook warrants a restoration of the Stable trends.

The 2021 budget forecast a deficit of \$18.2 billion in 2021–22; however, the midyear update released on November 30, 2021, presents a much improved picture. The Province is now projecting a deficit of \$5.8 billion in 2021–22. On a DBRS Morningstar-adjusted basis, this points to a shortfall of \$7.5 billion, or 2.1% of GDP, compared with a deficit of 6.2% of GDP in 2020–21. Based on the revised multiyear outlook, DBRS Morningstar-adjusted deficits of 1.4% and 0.8% are now anticipated in 2022–23 and 2023–24, respectively, much improved from earlier expectations.

Alberta's debt outlook has also improved markedly from the initial 2021–22 budget. On a DBRS Morningstar-adjusted basis, debt-to-GDP is projected to fall to 31.2% in 2021–22 as the robust recovery in nominal GDP will more than offset continued debt growth. This compares with debt-to-GDP of 37.2% anticipated when the February 2021 budget was presented. Over the medium term, adjusted debt-to-GDP is projected to fall to approximately 28.0% by 2023–24.

Although severely affected by the dual shock of the Coronavirus Disease (COVID-19) pandemic and significant decline in oil prices in 2020, Alberta's economy is now poised to recover sharply. For 2021,

the Province now estimates that real economic growth will rebound to 6.1% in 2021, with growth ranging between 2.7% and 5.1% in the following three years. Nevertheless, the emergence of new coronavirus variants and rising cases, demonstrate that the economic recovery is likely to remain choppy and the risk of volatile energy prices remains ever present.

A material reversal in the current outlook, with the adjusted deficit-to-GDP rising above 5.0% for a sustained period, and adjusted debt exceeding 35% of GDP, and/or negative adjustments to any critical rating factors could result in a negative rating action. A positive rating action is not likely in the near term and would depend on a material improvement in financial risk assessment metrics beyond current expectations and/or improvement in critical rating factors.

Financial Information

(For the year ended March 31)	Q2 2022	2021	2020	2019	2018
Debt/GDP (%)	31.2	34.8	24.4	21.0	17.8
Surplus (deficit)/GDP (%)	(2.1)	(6.2)	(2.8)	(2.3)	(3.0)
Federal transfers/total revenue (%)	19.6	24.4	19.6	16.2	16.1
Interest costs/total revenue (%)	4.3	5.8	4.8	4.0	3.0
Real GDP growth (%)	6.1	(7.9)	(0.1)	2.2	4.5

Sources: The Province of Alberta, Statistics Canada, and DBRS Morningstar calculations.

Issuer Description

Alberta is in Western Canada and has the third-largest provincial economy (approximately \$350 billion) and fourth-largest population (4.4 million). The Province is home to much of Canada's oil and gas industry and has the world's third-largest proven oil reserves, totalling approximately 165 billion barrels.

Rating Considerations

Strengths

1. Competitive tax regime

Alberta has the most competitive tax system in the country. It does not levy a sales tax, health premium, capital tax, or payroll tax and has relatively low personal and corporate income tax rates. Upon taking office, the United Conservative Party (UCP) legislated corporate income tax reductions, which were accelerated in July 2020, further boosting Alberta's tax competitiveness. This low tax burden provides the economy with a competitive advantage and provides future governments with flexibility to address fiscal imbalances should they choose.

2. Strong demographics

Alberta has a relatively young population with a median age of 37.9 years at July 1, 2021—among the lowest across all provinces. Furthermore, population growth remains positive, supported by one of the highest birth rates in Canada and, historically, strong international immigration. While the pandemic and related travel restrictions have impeded international immigration, growth remains in line with the national average and is forecast to increase as travel restrictions are gradually eased.

3. Abundant oil and gas resources

Alberta has a long-established energy industry and the world's third-largest proven reserves. The large energy sector has contributed to high income levels, significant royalty revenue for the Province, and the potential for above-average economic growth.

Challenges

1. Economic concentration and constrained market access

A high reliance on the energy sector adds considerable volatility to economic and fiscal performance. While the outlook has improved markedly from the depths of spring 2020, the consensus forecast points to a moderation in oil prices over the near to medium term. Furthermore, Western Canada's energy industry faces other significant challenges that will likely limit investment and growth, such as rising environmental concerns and regulatory uncertainty, export-capacity constraints, and expectations that growth in global oil demand will subside over the coming decade.

2. Ongoing structural deficit

Alberta has a structural deficit because of its historic reliance on resource revenue. In response to the pandemic, the UCP government deferred its return-to-balance plan and, like all other provinces, is focused on managing the health crisis and laying the groundwork to support the economic recovery. The plan entails significant expenditure restraint, which may become challenging should inflationary pressures persist. While the midyear update points to a much-improved revenue outlook, it remains subject to uncertainty.

3. Significant debt growth

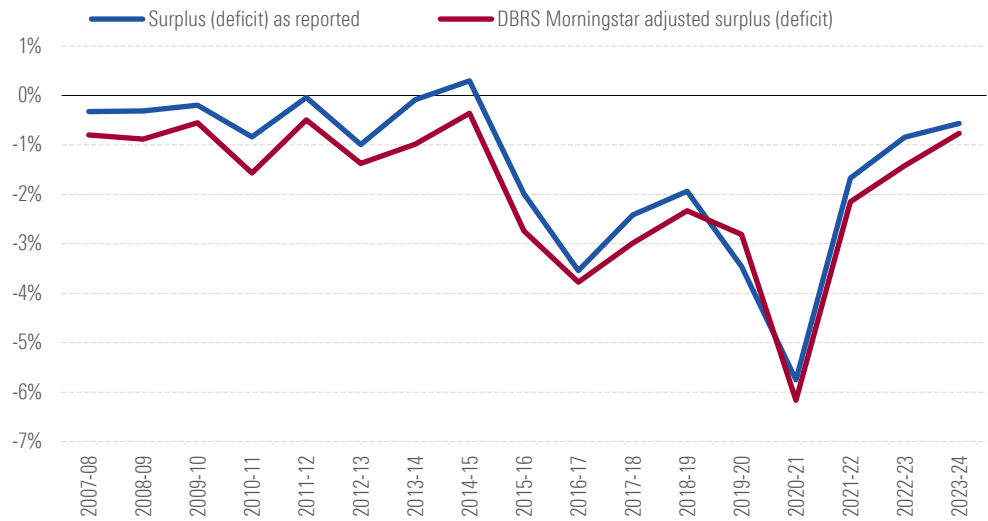
Alberta's adjusted debt burden, as calculated by DBRS Morningstar, has risen sharply, to 34.8% of GDP as of March 31, 2021, from under 10% of GDP in 2015–16. While debt-to-GDP is now poised to decline, the outlook remains subject to uncertainty.

4. Labour negotiations

A significant component of the effort to manage spending depends on reducing public sector employment and limiting salary growth, which may prove challenging. The fiscal plan makes no provisions for public sector wage increases and envisions changes in service delivery and a decline in public sector employment, primarily through attrition.

2021–22 Budget and Outlook

Exhibit 1 Operating Result (Share of GDP)



Sources: The Province, DBRS Morningstar, and Statistics Canada.

Alberta released its 2021 budget on February 25, 2021. This was the UCP government's third budget but first since the onset of the pandemic in March 2020. The budget focused on the UCP government's efforts to combat the pandemic and lay the groundwork for the economic recovery and reiterate fiscal anchors, but it did not articulate a plan to return to balance.

Like previous plans, the 2021 budget relies on steady economic growth, increased pipeline capacity, and a gradual recovery in the energy industry, and there are no new taxes or tax increases. The government has reiterated the fiscal anchors first presented in the midyear update last fall. The guiding principles are:

- Aligning per capita spending with other large provinces;
- Keeping net debt-to-GDP below 30%; and
- Establishing a plan to balance the budget after the pandemic.

The 2021 budget forecast a deficit of \$18.2 billion in 2021–22, however the mid-year update released on November 30, 2021 presents a much improved picture. The Province is now projecting a deficit of \$5.8 billion in 2021–22. On a DBRS Morningstar-adjusted basis, this points to a shortfall of \$7.5 billion, or 2.1% of GDP, compared with a deficit of 6.2% of GDP in 2020–21.

Exhibit 2 Budget Summary

(CAD millions)	2021–22	2020–21	2019–20	2018–19	2017–18	2016–17
	Q2 Update	Actual	Actual	Actual	Actual	Actual
Revenue	57,917	43,137	46,224	49,572	47,295	42,289
Expense						
Program expense	61,255	57,613	56,141	54,312	53,898	52,060
Interest expense	2,484	2,486	2,235	1,971	1,420	1,017
Surplus (deficit) as reported	(5,822)	(16,962)	(12,152)	(6,711)	(8,023)	(10,788)
DBRS Morningstar adjustments						
Nonrecurring items	925	443	3,366	6	212	726
Capital investment	(5,299)	(4,287)	(3,677)	(3,837)	(4,448)	(3,714)
Amortization	2,715	2,627	2,578	2,472	2,337	2,283
Adjusted surplus (deficit)	(7,481)	(18,179)	(9,885)	(8,070)	(9,922)	(11,493)
Share of nominal GDP (%)	(2.1)	(6.2)	(2.8)	(2.3)	(3.0)	(3.8)

Sources: DBRS Morningstar and the Province.

Based on the midyear update, the Province projects total revenue to be \$57.9 billion in 2021–22, representing year-over-year (YOY) growth of 34.3% and a material improvement from initial budget expectations. This improvement has been driven by a marked increase in nonrenewable resource revenue and broad-based increases across most other sources.

The Province projects nonrenewable resource revenue to rise to \$11.0 billion — a level last seen a decade ago — driven by a recovery in oil prices and production. The midyear update assumes an average West Texas Intermediate (WTI) oil price of USD 70.50/barrel for 2021–22 (up from USD 46.00/barrel in the initial budget) and a light-heavy differential of USD 14.40/barrel. Over the medium term, oil prices are likely to moderate, with WTI falling to USD 63.50/barrel in 2023–24. This compares with DBRS Morningstar's recently updated price assumptions of USD 68.00/barrel for 2021, USD 67.00/barrel for 2022, and USD 60.00/barrel for 2023 (see *DBRS Morningstar Updates Oil and Natural Gas Price Forecasts: Stronger Fundamentals Prompt Upward Revisions*, published November 12, 2021).

Tax revenues are likely to increase by 9.2% YOY, driven by an improvement in personal income tax as a result of higher incomes, improving employment, and the impacts of significant federal supports. The Province projects net income from government business enterprises (GBE) to turn meaningfully positive (\$2.3 billion), compared with modest losses in the prior two years. This mainly reflects higher gaming revenue at the Alberta Gaming, Liquor and Cannabis (AGLC) and reduced losses at the Alberta Petroleum Marketing Commission. Investment income is forecast to rebound (51%), which reflects strong financial market returns.

Alberta now expects federal transfers to rise by 7.9%, which largely reflects a one-time increase in the Canada Health Transfer for additional coronavirus support along with various other measures.

Based on the midyear update, total DBRS Morningstar-adjusted spending is now projected to be \$65.4 billion in 2021–22, or a 6.7% YOY increase. Health expense is projected to decline modestly by 0.7%, while most other program areas will experience increases including education (3.8%) and social services (7.1%). Relative to budget, the increase in spending is primarily a result of \$1.4 billion in additional crop

insurance costs related to drought conditions earlier in the year. The Province expects debt-servicing costs to be relatively unchanged.

The original budget included a \$1.25 billion contingency for additional healthcare costs related to coronavirus in 2021–22. Based on the midyear update, \$391 million remains unused. Additionally, \$96 million, of the budgeted \$500 million contingency to support Alberta's recovery plan, remains unallocated.

The capital plan is largely unchanged from budget, and is likely to remain sizable at \$8.3 billion for 2021–22. Capital spending will then taper off to \$7.3 billion and \$6.1 billion in 2022–23 and 2023–24, respectively.

Outlook

Based on the revised multiyear outlook, Alberta now anticipates deficits of \$3.3 billion in 2022–23 and \$2.3 billion in 2023–24. On a DBRS Morningstar-adjusted basis, this equates to deficits of 1.4% and 0.8% over the outer two years of the plan, respectively, much improved from earlier expectations. Nevertheless, this plan is subject to considerable risks, including the emergence of additional coronavirus variants, commodity price volatility, and implementation risk regarding Alberta's ability to achieve its expenditure targets, specifically on public sector compensation.

2020–21 Results

For 2020–21, the Province reported a deficit of \$17.0 billion, a deterioration from the \$12.2 billion shortfall recorded in 2019–20. On an adjusted basis, after including capital expenditures (capex) as incurred rather than as amortized and removing nonrecurring items, this equates to a shortfall of \$18.2 billion, or 6.2% of GDP, the weakest result among all provinces.

Total revenue (DBRS Morningstar-adjusted) declined by 11.5% YOY in 2020–21, driven by significantly lower own-source revenue that was only partly offset by higher federal transfers. Tax revenue fell by 7.2% owing to a significant decline in corporate income tax. Natural resource revenue fell by almost 50.0% reflecting materially lower prices. GBE net income, although still reporting overall losses, was modestly improved YOY, while other own-source revenue also came in lower. Federal transfers increased by 16.1%, which largely reflects extraordinary supports to combat the coronavirus pandemic.

Total expenditures (DBRS Morningstar-adjusted) increased by 3.0% in 2020–21, driven by a combination of increased spending on healthcare, agriculture, resource management, and economic development as well as regional planning and development. Healthcare expenditures rose by 6.7%, largely on account of efforts to combat the coronavirus pandemic. Meanwhile, education, social services, and protection of persons and property program costs were all down YOY. Debt-servicing costs increased by 11.2% as a result of rapid debt growth.

Capital investment rose by 16.6% YOY to \$4.3 billion as the government increased capital spending to stimulate the economy.

Debt Profile

Exhibit 3 Debt-to-GDP Ratios

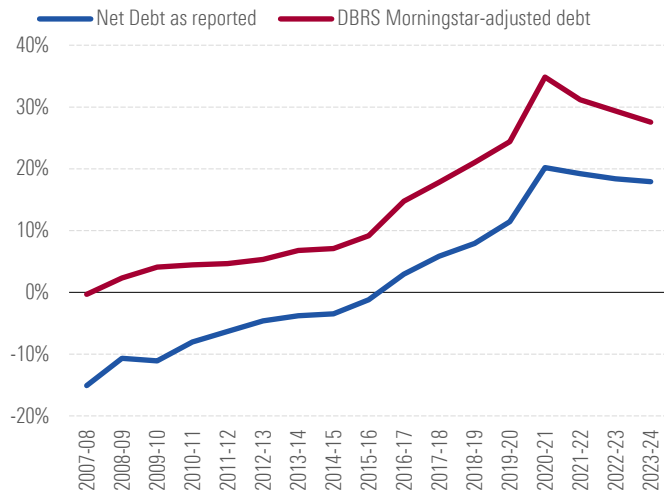
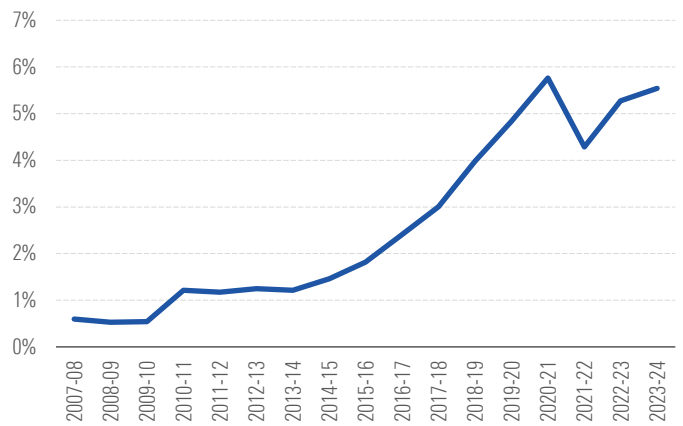


Exhibit 4 Interest Costs as a Share of Adjusted Revenue



Sources: Statistics Canada, DBRS Morningstar, and the Province.

Alberta's debt-to-GDP ratio has been on a steady upward trajectory for more than a decade—a trend only exacerbated by the dual shock of the coronavirus pandemic and collapse in energy prices in 2020. For 2020–21, the Province reported net debt-to-GDP of 20.2%, up from 11.4% a year earlier.

On a DBRS Morningstar-adjusted basis, debt is defined as tax-supported debt, debt borrowed by or on behalf of provincial crown corporations, and unfunded pension liabilities, less assets in the Alberta Heritage Savings Trust Fund. In 2020–21, adjusted debt rose by \$17.1 billion, or 19.9%, largely to fund the operating shortfall and capex needs. Nominal GDP declined by 16.1%, which has amplified the impact of rising debt, resulting in a DBRS Morningstar-adjusted debt-to-GDP ratio of 34.8%, up from 24.4% in 2019–20.

As the debt stock continues to climb, Alberta aims to maintain a prudent debt structure. The Province targets for a relatively smooth maturity profile while all foreign-currency-denominated debt is hedged back to Canadian dollars and, as of March 31, 2021, roughly 15% of tax-supported debt is subject to an interest rate reset within 12 months.

As a result of the pandemic, the Province has enhanced its liquidity position, through increased preborrowing with a target cash position of \$8.5 billion, in addition to a separate \$4.0 billion cash reserve. The Province also maintains ample capacity on its short-term borrowing programs. Approximately \$6.5 billion is currently outstanding on Alberta's Canadian promissory note program, and \$7.2 billion is currently outstanding on a \$12.0 billion U.S. commercial paper program.

Pension Liabilities

As at March 31, 2021, unfunded pension liabilities totalled \$8.6 billion, down from a peak of \$11.6 billion in 2013–14. Most of the unfunded pension obligations relate to the pre-1992 Teachers' Pension Plan (Teachers') liability, which was assumed entirely by the Province with no offsetting assets. The pre-1992 liability will likely continue to dwindle as plan membership continues to mature. The Province estimates that a 100-basis-point increase in the discount rate would lower the Teachers' liability by approximately 10%.

Credit Unions and ATB

Through the Credit Union Deposit Guarantee Corporation, credit union deposits are guaranteed by the Province and represent a potential liability of \$23.8 billion as at March 31, 2021, compared with \$22.5 billion the previous year. In addition, the deposits of ATB Financial amounted to \$37.8 billion at March 31, 2021, and are also guaranteed by the Province. These are not included in DBRS Morningstar's calculation of tax-supported debt. Credit unions and ATB Financial have significant assets to mitigate the risk of loss to the Province and are well capitalized with very manageable loan losses.

Alberta Indigenous Opportunities Corporation

The Alberta Indigenous Opportunities Corporation was created in 2019 to support indigenous ownership in Alberta's natural resource sectors. Alberta has committed up to \$1.0 billion in potential support through loan guarantees. DBRS Morningstar expects to include any loan guarantees in its calculation of adjusted debt, once the amounts become known. To date, three projects have been announced, for a total of \$160 million. If fully used, an additional \$1.0 billion in debt would add about 0.3 percentage points to DBRS Morningstar's measure of debt.

Outlooks

Along with an improving fiscal outlook, Alberta's debt outlook has also improved markedly from the initial 2021–22 budget. DBRS Morningstar now projects net debt to decline to 19.2% of GDP in 2021–22, well below the government's 30% target, and continue declining thereafter.

On a DBRS Morningstar-adjusted basis, debt-to-GDP is projected to fall to 31.2% in 2021–22 as the robust recovery in nominal GDP will more than offset continued, albeit slower-than-planned, debt growth. This compares with an anticipated debt-to-GDP ratio of 37.2% based on the February 2021 budget. Although subject to uncertainty, the revised medium-term forecast points to adjusted debt-to-GDP falling to approximately 28.0% by 2023–24.

Total borrowing requirements have been reduced to \$13.0 billion for 2021–22, from \$24.0 billion at budget time, and are expected to fall to \$12.4 billion and \$7.6 billion in 2022–23 and 2023–24, respectively. At the time of writing, Alberta has completed approximately \$4.3 billion, or 33% of borrowing needs.

Economy

Exhibit 5 Economic Growth (Annual)

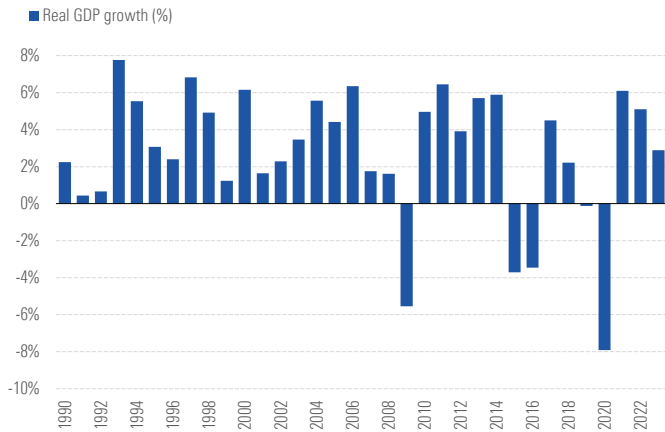
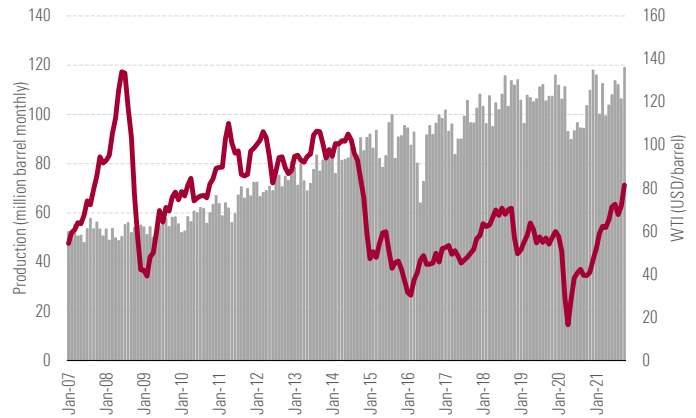


Exhibit 6 Oil Production and Prices



Sources: Statistics Canada and the Province.

Alberta's economy was severely affected by the dual shock of the coronavirus pandemic and significant decline in oil prices in 2020. Real GDP contracted by 7.9% in 2020 and nominal GDP dropped by 16.1%. For 2021, the Province now estimates that real economic growth will rebound to 6.1% in 2021, with growth ranging between 2.7% and 5.1% in the following three years. This forecast marks an improvement from the February 2021 budget forecast.

The improving outlook has been supported by the ongoing global economic recovery, improvement in global oil demand, as well as higher oil prices and production. Meanwhile, government supports for households and businesses have aided consumer spending and housing activity, while the recovery gains momentum.

Similarly, the labour market recovery has been robust as employment has now fully recovered to pre-pandemic levels as of November 2021. As a result, the unemployment rate has fallen to 7.6%, which compares to a national unemployment rate of 6.0% in November 2021. Alberta projects the unemployment rate to fall to 7.1% in 2022 and 6.3% by 2023.

After years of decline, energy investment is likely to turn positive in 2021, rising by 26%, but it will remain well below peak levels reached in 2014 over the forecast horizon. Along with higher prices, this outlook has been supported by improving market access, with the Enbridge Line 3 replacement now in operation and expected to reach full capacity in the coming months. Additionally, the Province assumes that the Trans Mountain Expansion Project will now be completed in early 2023. Nonenergy investment now exceeds that of the energy sector and will rise by 6.6% in 2021, driven by growth in petrochemical and food manufacturing, transportation, renewable energy, and agricultural infrastructure. Indeed, there have been some high profile announcements in recent months including those by Amazon Web Services

for a cloud computing hub in Calgary and Northern Petrochemical Corporation's planned petrochemical plant in Grande Prairie.

Nevertheless, the economic recovery may be slower than anticipated and remains dependent on several variables beyond the Province's control. The emergence of new coronavirus variants and rising cases demonstrate that the economic recovery is likely to remain choppy, and the risk of volatile energy prices remains ever present. Furthermore, as the different levels of government attempt to strike a balance between resource development and environmental targets, there will continue to be political and regulatory uncertainty.

Economic Statistics

Economic Data	2022	2021	2020	2019	2018	2017	2016
Nominal GDP (CAD billions)	388.2	348.2	294.8	351.4	346.2	332.3	304.3
Growth rate (%)	11.5	18.1	(16.1)	1.5	4.2	9.2	(6.1)
Real GDP (CAD billions)	356.5	339.2	319.7	347.2	347.6	340.1	325.4
Growth rate (%)	5.1	6.1	(7.9)	(0.1)	2.2	4.5	(3.5)
Population (thousands)	4,478	4,443	4,420	4,363	4,298	4,241	4,196
Population growth (%)	0.8	0.5	1.3	1.5	1.3	1.1	1.2
Labour Market							
Employment (thousands)	2,321	2,238	2,130	2,279	2,264	2,221	2,196
Growth rate (%)	3.7	5.1	(6.6)	0.7	1.9	1.1	(2.3)
Average weekly earnings (CAD)	1,242	1,215	1,202	1,164	1,148	1,129	1,117
Growth rate (%)	2.2	1.1	3.3	1.4	1.7	1.0	(2.4)
Unemployment rate (%)	7.1	8.8	11.5	7.0	6.7	7.9	8.2
Other Indicators							
Housing starts	29,600	29,400	23,990	27,325	26,085	29,457	24,533
Retail sales (CAD millions)	95,288	86,942	78,894	81,091	81,737	80,318	74,997
Inflation rate (CPI)	2.6	3.1	1.1	1.7	2.5	1.5	1.1
Household income per capita (CAD)	48,566	46,136	43,667	46,868	46,451	46,244	44,911

Sources: Statistics Canada/Haver Analytics, Province of Alberta, and DBRS Morningstar estimates and projections.

Environmental, Social, and Governance Considerations

Based on the *DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings*, DBRS Morningstar applies a negative overlay that reflects Alberta's high greenhouse gas (GHG) emissions. Alberta is the largest emitter among all provinces and its GHG emissions are the second highest per capita. In 2017, GHG emissions were 272.8 megatonnes of carbon dioxide—a 58% increase from 1990, according to Environment and Climate Change Canada. For Canada to meet its emission reduction targets, Alberta will need to cooperate. Currently, Alberta is planning for a significant increase in carbon sequestration, the process of capturing and storing carbon dioxide from the atmosphere. Given Alberta's reliance on the energy sector, GHG emissions will continue to present a challenge in the future.

Environmental regulation is having an impact on the outlook for Alberta's economy and finances. Investment in Alberta's energy sector has been significantly affected by increased federal environmental

regulation, recent price volatility, and the ongoing global transition to renewable energy from fossil fuels. These trends have materially weighed on the outlook for employment, incomes, GDP growth, and broader provincial finances. DBRS Morningstar believes these considerations are already captured in its assessment of Alberta's critical rating factors through the *Rating Canadian Provincial and Territorial Governments* methodology.

Government and Elections

Party in Power	United Conservative Party (majority)	Current Distribution of Seats in the Legislature	
Premier	Jason Kenney	United Conservative Party	61
Finance Minister	Travis Toews	New Democratic Party	24
Next Election	Spring 2023	Independent/Vacant	2

Statement of Operations						
	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17
	Q2	Actual	Actual	Actual	Actual	Actual
Revenue (CAD millions)						
Tax Revenue						
Personal income tax	13,075	11,257	11,244	11,874	10,775	10,763
Corporate income tax	2,916	3,037	4,107	4,702	3,360	3,769
Education property tax	2,452	2,483	2,475	2,441	2,450	2,412
Other	2,877	2,742	3,197	4,494	4,109	3,179
Subtotal	21,320	19,519	21,023	23,511	20,694	20,123
Natural Resource Revenue						
Bitumen royalty	7,607	2,006	4,089	3,214	2,642	1,483
Crude oil royalty	1,485	466	1,175	1,149	965	716
Natural gas	1,551	465	371	536	644	520
Other	357	214	377	597	796	434
Subtotal	11,000	3,151	6,012	5,496	5,047	3,153
Net Income from Government Business Enterprises						
AGLC	2,166	1,659	2,162	2,273	2,283	2,285
ATB Financial	420	211	104	139	278	-
Balancing pool	107	(113)	161	361	763	(1,952)
Alberta Petroleum Marketing Commission	(409)	(1,854)	(2,678)	(215)	-	-
Other	-	14	26	27	63	210
Subtotal	2,284	(83)	(225)	2,585	3,387	543
Other Own-Source Revenue						
Investment income	3,995	2,643	2,828	2,349	3,126	3,698
Premiums, fees, and licenses	4,283	4,021	3,929	3,909	3,843	3,701
Other revenue	3,669	3,355	3,585	3,709	3,593	3,091
Subtotal	11,947	10,019	10,342	9,967	10,562	10,490
Federal Transfers						
Canada Health Transfer	5,468	4,838	4,678	4,461	4,325	4,201
Canada Social Transfer	1,797	1,744	1,694	1,637	1,600	1,558
Other	4,102	3,950	2,700	1,915	1,680	2,221
Subtotal	11,367	10,532	9,072	8,013	7,605	7,980
Total revenue as reported	57,917	43,137	46,224	49,572	47,295	42,289
Growth rate (%)	34.3	(6.7)	(6.8)	4.8	11.8	(0.8)
DBRS Morningstar Adjustments						
Nonrecurring revenue	-	-	2,500	-	212	(465)
Adjusted total revenue	57,917	43,137	48,724	49,572	47,507	41,824
Growth rate (%)	34.3	(11.5)	(1.7)	4.3	13.6	(2.0)

	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17
Expense (CAD millions)	Q2	Actual	Actual	Actual	Actual	Actual
Program Expense						
Health	23,812	23,984	22,477	21,921	21,239	20,687
Education	14,675	14,134	14,879	14,848	14,471	14,110
Social services	6,339	5,919	6,248	5,867	5,592	5,198
Agriculture, resource management, and economic development	3,183	3,222	2,700	2,313	2,291	2,341
Protection of persons and property	3,509	1,966	2,337	2,021	1,951	2,636
Transportation, communication, and utilities	1,978	1,506	1,487	1,696	2,204	1,301
General government	2,973	2,814	2,659	2,565	2,238	2,078
Other	4,786	4,068	3,354	3,081	3,912	3,709
Subtotal	61,255	57,613	56,141	54,312	53,898	52,060
Debt servicing costs	2,484	2,486	2,235	1,971	1,420	1,017
Total expense as reported	63,739	60,099	58,376	56,283	55,318	53,077
Growth rate (%)	6.1	3.0	3.7	1.7	4.2	8.2
DBRS Morningstar Adjustments						
Nonrecurring expenditures	(925)	(443)	(866)	(6)	-	(1,191)
Capital investment	5,299	4,287	3,677	3,837	4,448	3,714
Amortization	(2,715)	(2,627)	(2,578)	(2,472)	(2,337)	(2,283)
Adjusted total expenditures	65,398	61,316	58,609	57,642	57,429	53,317
Growth rate (%)	6.7	4.6	1.7	0.4	7.7	3.4

Statement of Financial Position (CAD millions)						
	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17
	Q2	Actual	Actual	Actual	Actual	Actual
Financial Assets						
Cash & investments	-	16,412	15,325	14,391	12,391	10,313
Equity in government enterprises	-	(822)	1,105	3,062	2,527	1,592
Portfolio investments	-	32,509	31,014	31,261	30,845	30,301
Other financial assets	-	29,987	28,937	27,029	25,214	24,081
Total financial assets	-	78,086	76,381	75,743	70,977	66,287
Liabilities						
Accounts payable and accrued liabilities	-	14,616	13,877	11,574	13,233	11,622
Unfunded pension liabilities	-	8,636	8,918	9,252	9,430	10,023
Debt	-	111,693	92,438	81,019	66,414	49,579
Public-private partnerships	-	-	-	-	-	2,763
Other	-	2,669	1,292	1,375	1,244	1,201
Total liabilities	-	137,614	116,525	103,220	90,321	75,188
Net Assets (Debt)	(66,791)	(59,528)	(40,144)	(27,477)	(19,344)	(8,901)
Nonfinancial liabilities	-	57,110	54,801	53,908	52,024	49,408
Net assets before spent deferred capital contributions	-	(2,418)	14,657	26,431	32,680	40,507
Spent deferred capital contributions	-	3,343	3,231	3,164	3,009	2,786
Accumulated surplus (deficit)	-	(5,761)	11,426	23,267	29,671	37,721
Net debt as a share of nominal GDP	19.2	20.2	11.4	7.9	5.8	2.9

Debt Profile (CAD millions)						
	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17
	Q2	Actual	Actual	Actual	Actual	Actual
Tax-Supported Debt						
Notes, bonds, and debentures	115,641	108,338	89,170	77,845	63,532	49,579
Capital leases	268	268	230	228	250	-
Public-private partnerships	3,047	3,087	3,038	2,946	2,882	2,763
Loan guarantees	87	87	82	87	81	76
Coal phase-out agreements	771	843	914	983	1,054	1,115
Less: Heritage Fund assets (MV)	(19,504)	(18,546)	(16,702)	(18,193)	(17,643)	(18,334)
Less: Self-supporting debt ¹	-	-	-	(339)	(331)	(345)
Net tax-supported debt	100,310	94,077	76,732	63,557	49,825	34,854
Calculation of Adjusted Debt						
Net tax-supported debt	100,310	94,077	76,732	63,557	49,825	34,854
Unfunded pension liabilities	8,296	8,636	8,918	9,252	9,430	10,023
Adjusted debt	108,606	102,713	85,650	72,809	59,255	44,877
Share of nominal GDP	31.2	34.8	24.4	21.0	17.8	14.7
Foreign Currency Exposure (net of hedges)						
Canadian dollars	-	100.0	100.0	100.0	100.0	100.0
Other	-	-	-	-	-	-
Fixed/Floating Rate Exposure (net of hedges)						
Fixed rate	-	85.0	83.0	94.0	91.0	94.0
Floating and maturing within 12 months	-	15.0	17.0	6.0	9.0	6.0

¹ Loans made to ATB Financial.

Rating History

	Current	2020	2018	2017	2016	2015
Issuer Rating	AA (low)	AA (low)	AA	AA	AA	AA (high)
Long-Term Debt	AA (low)	AA (low)	AA	AA	AA	AA (high)
Short-Term Debt	R-1 (middle)	R-1 (middle)	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)

Previous Report

- Province of Alberta: Rating Report, December 18, 2020.

Related Research

- *Province of Alberta Budget 2021 - Still Riding Out the Storm*, February 26, 2021.
- *Rating Canadian Provincial and Territorial Governments*, May 3, 2021.

Notes:

All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrsmorningstar.com. Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

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