Q. Provide the recent copies of all credit rating reports for Hydro and the Government of Newfoundland and Labrador.

A. Newfoundland and Labrador Hydro ("Hydro") does not have standalone credit ratings or standalone corporate credit rating reports. Credit rating agencies publish reports relating to the Province of Newfoundland and Labrador that include ratings for Hydro's provincially guaranteed debt. These ratings reflect the province's unconditional guarantee of Hydro's debt obligations rather than Hydro's standalone creditworthiness. Rating reports are published by agencies including Morningstar Dominion Bond Rating Service ("DBRS"), Standard and Poor's ("S&P") Global Ratings, and Moody's Ratings.

Please find attached copies of the latest credit rating press releases for the Province of Newfoundland and Labrador, as follows:

- PUB-NLH-073, Attachment 1 – Province of Newfoundland and Labrador as published by the Morningstar DBRS (July 17, 2026);
- PUB-NLH-073, Attachment 2 – Province of Newfoundland and Labrador as published by S&P Global Ratings (June 9, 2026); and
- PUB-NLH-073, Attachment 3 – Province of Newfoundland and Labrador as published by Moody's Ratings (June 17, 2026).

These press releases are publicly available, include the applicable credit rating assigned to the province and have been provided as supporting documentation. The underlying detailed rating reports are not publicly available in their entirety and may be subject to the respective rating agencies' distribution and access restrictions.

PRESS RELEASE

JULY 17, 2026

Morningstar DBRS Confirms the Province of Newfoundland and Labrador at "A" and R-1 (low), Stable Trends

SUB-SOVEREIGN GOVERNMENTS, UTILITIES & INDEPENDENT POWER

DBRS Limited (Morningstar DBRS) confirmed the Province of Newfoundland and Labrador's (Newfoundland or the Province) Issuer Rating and Long-Term Debt credit rating at "A" and the Short-Term Debt credit rating at R-1 (low). Concurrently, Morningstar DBRS confirmed Newfoundland and Labrador Hydro's Guaranteed Long-Term Debt and Short-Term Debt credit ratings at "A" and R-1 (low), respectively. The trends on all credit ratings are Stable.

KEY CREDIT RATING CONSIDERATIONS

Newfoundland's credit ratings are supported by a stable and predictable institutional framework, significant economic potential through the future development of energy and mining endowments, generally prudent fiscal management, and sound debt and liquidity management. However, the credit ratings are constrained by a small and volatile economy, the weak budgetary outlook, and deteriorating deficit and debt metrics.

The Stable trends reflect Morningstar DBRS' view that despite the deterioration in Newfoundland's budgetary outlook, risks to the credit ratings are currently balanced. Morningstar DBRS expects the Province to outperform its forecasts. Newfoundland's exposure to global commodity prices presents material upside to fiscal performance and will mitigate deterioration in the debt ratio. In addition, should the memorandum of understanding with Hydro-Québec be finalized, this presents an upside that has not been incorporated into the current fiscal plan, while increased federal defence spending and potential development of the Bay du Nord offshore oil project could have significant positive fiscal and economic benefits over the medium to longer term.

CREDIT RATING DRIVERS

Morningstar DBRS could upgrade the credit ratings if there is a substantial and sustained improvement in Newfoundland's financial risk metrics, namely better operating results and reduced debt.

A credit rating downgrade could result from a deterioration in fiscal management and/or debt and liquidity, or a downgrade of the sovereign credit rating.

CREDIT RATING RATIONALE

Moderate Institutional Framework

Morningstar DBRS assesses the institutional framework applicable to Canadian provinces, including Newfoundland and Labrador, as moderate. Canadian provinces operate with constitutionally entrenched autonomy and are not subject to direct federal control over legislation, borrowing, or budget execution. Federal influence is exercised primarily through the design of intergovernmental transfer programs and broader macroeconomic policy rather than through enforceable fiscal oversight. Transfers such as the Canada

Health Transfer (CHT) and Canada Social Transfer (CST) provide a stable and predictable funding component that helps support the cost of delivering core programs, although they are not designed to fill fiscal gaps. Equalization is intended to support less affluent provinces in providing core public services, should they have reasonably comparable levels of taxation, through the redistribution of a pool of federal revenues. Like CHT and CST, equalization is not designed to prevent fiscal shortfalls. As a result, the institutional framework supports stability and predictability but does not materially limit fiscal divergence or ensure convergence with the federal government's credit profile. Additionally, extraordinary support remains subject to moral hazard concerns, so it is not a certainty.

Small, Resource-Based Economy Exhibits Volatility

Newfoundland accounts for a relatively small share of Canada's economy, generating approximately 1.5% of national GDP. Economic performance in Newfoundland tends to be more volatile than in larger, more diversified provinces because of its reliance on natural resource industries and major capital projects. According to Statistics Canada, Newfoundland's real GDP by industry increased by 3.5% in 2025, well above the national growth rate of 1.6%, making it the fastest-growing provincial economy in Canada last year. Growth was driven primarily by gains in resource-based industries, including offshore oil production and mining activity. On a per-capita basis, GDP in Newfoundland is generally above the national average, reflecting the high value of output generated by its resource sectors. Labour market conditions continue to lag the national average, although they have improved considerably over the past decade. The Province has historically recorded one of the highest unemployment rates in Canada, reflecting demographic and structural economic challenges.

Strong Fiscal Management Constrained by Spending Pressures

Newfoundland occasionally makes modest use of budget contingencies, although assumptions are generally based on an average of private-sector forecasts. Newfoundland's exposure to commodity prices results in fiscal performance that exhibits greater volatility than provincial peers. Like other provinces, Newfoundland has considerable autonomy to adjust taxation and expenditure levels, although this flexibility is constrained by limited political willingness to raise taxes and significant public demands in core spending areas, namely health, education, and social services. Transparency in financial reporting is good, while timeliness is lagging many provincial peers.

More Narrowly Focused Domestic Borrowing Program With Good Liquidity

Newfoundland maintains a relatively smooth debt maturity profile, no unhedged foreign currency debt, and moderate floating-rate exposure. The Province funds the majority of its needs in the domestic market but also has an established euro medium-term note program. At times, market access can be more challenging relative to larger, more frequent provincial borrowers. To mitigate this, Newfoundland maintains sufficient liquidity in the form of cash balances and additional cash and credit facilities within broader public-sector entities, and unused capacity within its Treasury bill program to withstand near-term market volatility.

Key Financial Metrics Exhibit Weakness From Ongoing Deficits and Rising Debt

Budget 2026-27 represents the Progressive Conservative Party of Newfoundland and Labrador's first budget and presents a fiscal plan with ongoing deficits and rising debt, with no plan to return to balance as previously anticipated. Based on the budget, the operating deficit as a share of operating revenues is expected to improve slightly in 2026-27 before widening again for the subsequent three years. Adjusted debt-to-operating revenues is forecast to trend materially higher, to 275% in 2026-27 from 258% in 2025-26. However, Newfoundland's exposure to global commodity prices presents material upside to fiscal performance and will mitigate deterioration in the debt ratio.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CONSIDERATIONS
There were no Environmental/Social/Governance factors that had a significant or relevant effect on the credit analysis.

A description of how Morningstar DBRS considers ESG factors within the Morningstar DBRS analytical framework can be found in the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings at (May 16, 2025) https://dbrs.morningstar.com/research/454196

Notes:
All figures are in Canadian dollars unless otherwise noted.

Morningstar DBRS applied the following principal methodology:
-- Rating Canadian and European Sub-Sovereign Governments (March 6, 2026), https://dbrs.morningstar.com/research/475833

Morningstar DBRS credit ratings may use one or more sections of the Morningstar DBRS Global Corporate Criteria (December 19, 2026), https://dbrs.morningstar.com/research/470156 which covers, for example, topics such as holding companies and parent/subsidiary relationships, guarantees, recovery, and common adjustments to financial ratios.

The following methodologies have also been applied:
-- Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings (May 16, 2025) https://dbrs.morningstar.com/research/454196

The credit rating methodologies used in the analysis of this transaction can be found at: https://dbrs.morningstar.com/about/methodologies.

A description of how Morningstar DBRS analyzes corporate finance transactions and how the methodologies are collectively applied can be found at: https://dbrs.morningstar.com/research/431153.

The related regulatory disclosures pursuant to the National Instrument 25-101 Designated Rating Organizations are hereby incorporated by reference and can be found by clicking on the link under Related Documents or by contacting us at info-DBRS@morningstar.com.

The credit rating was initiated at the request of the rated entity.

The rated entity or its related entities did participate in the credit rating process for this credit rating action.

Morningstar DBRS had access to the accounts, management, and other relevant internal documents of the rated entity or its related entities in connection with this credit rating action.

This is a solicited credit rating.

For more information on Morningstar DBRS' policy regarding the solicitation status of credit ratings, please refer to the Credit Ratings Global Policy, which can be found in the Morningstar DBRS Understanding Ratings section of the website: https://dbrs.morningstar.com/understanding-ratings

The conditions that lead to the assignment of a Negative or Positive trend are generally resolved within a 12-month period. Morningstar DBRS trends and credit ratings are under regular surveillance.

Information regarding Morningstar DBRS credit ratings, including definitions, policies, and methodologies, is available on dbrs.morningstar.com or contact us at info-DBRS@morningstar.com.

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Ratings

Newfoundland and Labrador Hydro

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
17-Jul-26	Guaranteed Short-Term Debt (bsd. on Prov. Nfld.)	Confirmed	R-1 (low)	Stb	CA
17-Jul-26	Guaranteed Long-Term Debt (bsd. on Prov. Nfld.)	Confirmed	A	Stb	CA

Newfoundland and Labrador, Province of

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
17-Jul-26	Long-Term Debt	Confirmed	A	Stb	CA
17-Jul-26	Short-Term Debt	Confirmed	R-1 (low)	Stb	CA
17-Jul-26	Issuer Rating	Confirmed	A	Stb	CA

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S&P Global
Ratings

RatingsDirect®

Research Update:

Newfoundland and Labrador Outlook Revised To Negative From Stable On Potential For Rising Deficits

June 9, 2026

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Overview

- The Province of Newfoundland and Labrador has significant economic opportunities for growth, such as the potential energy deal between Newfoundland Hydro (NLH) and Hydro-Quebec. Although not included in our current projections, the deal could generate considerable additional revenue for the province.
- Nevertheless, higher healthcare costs and new affordability measures will lead to widening operating deficits and elevated after-capital deficits, with the province's already high debt burden projected to keep rising.
- Accordingly, S&P Global Ratings revised the outlook to negative from stable and affirmed its 'A' long-term issuer credit and senior unsecured debt ratings, as well as its 'A-1' short-term issuer credit and commercial paper (CP) ratings on Newfoundland and Labrador.
- The negative outlook reflects our expectation that, despite robust economic activity and without a fiscal response by the government, weaker budgetary performance could persist, leading to a very high debt burden and escalating debt service costs.

Rating Action

On June 9, 2026, S&P Global Ratings revised the outlook on the Province of Newfoundland and Labrador to negative from stable and affirmed its 'A' long-term issuer credit and senior unsecured debt ratings. S&P Global Ratings also affirmed its 'A-1' short-term issuer credit and CP ratings on the province, and its 'A' issue-level rating on Newfoundland and Labrador Hydro's (NLH) provincially guaranteed senior unsecured debt.

Outlook

The negative outlook reflects our expectation that, in the next two years, weaker fiscal outcomes could persist despite healthy economic activity. This includes increasing operating deficits and elevated after-capital deficits of more than 10% of total revenues, which will continue to pressure Newfoundland and Labrador's liquidity position. The province's tax-supported debt could increase to more than 300% of operating revenues in fiscal 2029 and remain high compared with that of domestic and global peers. Although not included in our financial projections, successful completion of negotiations between NLH and Hydro-Quebec is part of our base-case scenario.

Downside scenario

We could lower the ratings in the next two years if, absent a meaningful fiscal response by the government, declining operating performance and elevated capital spending persist, leading to sustained operating deficits and weaker debt metrics. We could also take a negative rating action if our expectations change for the province's ability to reach an energy agreement with Quebec, leading to weaker than expected economic activity and considerably lower potential revenues.

Upside scenario

We could revise the outlook to stable if the government limits spending growth, leading to an improved fiscal trajectory and narrowing operating deficits toward balance. We would also expect the pace of debt accumulation to slow, with debt service coverage consistently above 40%. Reaching an agreement on the energy deal would also support an outlook revision to stable.

Rationale

The rating action reflects our view of a weaker fiscal trajectory for Newfoundland and Labrador than previously expected, even when considering potential additional revenues from a future energy agreement between NLH and Hydro-Quebec. The new government has implemented most of its election platform priorities in the 2026 budget, resulting in a higher cost base in future years. This follows higher than expected estimated spending in fiscal 2026. The primary risk now lies in the government's ability to demonstrate a credible path toward reducing fiscal deficits and stabilizing its already elevated debt burden. Our projections do not incorporate the possibility of higher electricity rates under the existing 1969 Churchill Falls agreement or the potential economic boost from related capital investments. Nevertheless, we continue to assume that an agreement will eventually be reached, albeit later than originally expected.

Despite these issues, the province retains significant economic opportunities, particularly in oil and gas, mining, and wind hydrogen, although the benefits from these sectors are unlikely to materialize within the next two years. We will also monitor further details on the federal government's announced defense strategy, which could boost economic activity in the province. Although the trade policy environment remains highly uncertain, we believe the province's export exposure to the U.S. is manageable.

Healthy economic prospects clouded by uncertainty about government's fiscal restraint

We expect strong oil and mineral production will underpin economic activity this year, with major projects in oil and wind hydrogen supporting activity into 2027-2028. In line with the provincial budget, we assume real growth of 5.5% in 2026 and 3.9% in 2027. Population growth has softened with lower federal immigrations targets, but we believe labor needs for major projects will aid a recovery in the medium term. Newfoundland and Labrador's GDP per capita will continue to exceed the national average of about US$59,500 for 2026, although within the composition of GDP, income of nonresidents is a large contributor through their ownership of large oil and mineral projects. The province's oil industry and its supporting activities account for about 20% of GDP, which tempers our economic assessment.

Similar to other Atlantic provinces, with a higher proportion of residents aged 65 and over than the country, Newfoundland and Labrador could face additional financial stress, particularly related to healthcare expenditures.

The proposed deal between NLH and Hydro-Quebec is an important opportunity for the province. We expected the deal to be finalized earlier this year but negotiations are still underway following an independent panel review. The deal will not only bring significant additional revenues to the province from a new power purchase agreement but also includes co-development of new hydro capacity at Gull Island and Upper Churchill Falls. Although we are no longer building this deal into our economic growth or fiscal projections, we consider it holistically in the province's credit profile. Construction could begin as early as 2028 and will increase Newfoundland and Labrador's access to power by almost 4x on completion, which could help foster future development in the province. However, material deviation from expectations regarding the ability to reach a deal will further pressure the ratings.

Growth opportunities in critical mineral development and investments supporting wind hydrogen projects offer additional upside. Furthermore, significant defense investments announced by the federal government in April 2026, with up to $8 billion available to upgrade military infrastructure in Labrador, will support employment and economic activity in the province. We will monitor developments as more information becomes available about the timing and specifics of the investments.

We expect the province's financial management will remain prudent, although the fiscal outlook has shifted following the formation of a new Conservative government in October 2025. The recently tabled budget does not show a clear path to balance, even when accounting for potential revenues from the energy deal. With the government enacting most of its platform as part of Budget 2026, we expect steps toward a balanced budget will be introduced in Budget 2027, likely through cost-containment measures. However, the government's ability to execute these measures remains uncertain. In the past, the government has demonstrated its willingness to act decisively to restore fiscal sustainability, such as after the oil price shock of 2014, through tax increases and expenditure reductions. Because of volatile oil prices, variances in revenue can be significant, although budget assumptions are generally conservative. In our view, the civil service is experienced and qualified to deliver financial policies through effective cash management and prudent debt management.

Newfoundland and Labrador benefits from Canada's provincial-federal institutional framework. The Canadian constitution is the cornerstone of federal-provincial intergovernmental arrangements, which we view as mature and stable. The federal government provides revenue support through a number of agreements and transfer arrangements, including the Canada Health Transfer and Canada Social Transfer payments. For fiscal 2026 (year ended March 31), total federal government transfers are estimated to have constituted about 21% of provincial operating revenues. Most of the agreements covering these transfers are long-term, formula-driven, and predictable, but can be subject to change. Specific to Newfoundland and Labrador, the Atlantic Accord Agreement was renewed in May 2019, providing the provincial government with C$2.5 billion over 38 years. Furthermore, in 2022, the province signed agreements with the federal government that will mitigate a significant increase in electricity rates related to the rising costs of the Muskrat Falls hydroelectric project. The federal government agreed to provide annual cash transfers to the province until 2047 equal to Canada's yearly net revenue from the Hibernia offshore oil project (which, in total, is estimated at about C$3.2 billion).

Deteriorating fiscal position despite strong economic performance, with growing operating deficits

Operating spending remains a pressure, with another year of higher-than-expected expenditures in fiscal 2026, primarily spurred by healthcare. We expect this trend will continue into fiscal 2027, as the new government prioritizes affordability and expansion of social services. Despite higher revenues on the back of stronger economic growth, we expect growing operating deficits during the two-year outlook horizon. We capture higher oil prices by increasing royalty revenues during the outlook horizon compared with the province's budget. Excluding the potential energy deal, we expect deficit operating balances will average about 3% of operating revenues in fiscal years 2025-2029, rising to more than 7% by fiscal 2029. Even with consideration for higher revenues from the energy deal, we forecast a weaker fiscal trajectory. Absence of government action to demonstrate a path to balance will pressure the ratings.

We expect capital investment will remain elevated, with a focus on road infrastructure, healthcare facilities, and public safety infrastructure. Construction of new schools is a meaningful part of the capital budget. We expect annual capital spending will gradually decrease during the outlook horizon and average C$845 million in fiscal years 2027-2029. Coupled with weaker operating results, after-capital deficits will also be elevated at more than 10% of total revenues.

Operating and infrastructure requirements as well as increasing borrowing on behalf of NLH will bring the debt burden to 313% of operating revenues by fiscal 2029. We consider this very high compared with both domestic and international peers. Given large operating deficits projected in the medium term, we expect the province will continue accumulating new debt. Excluding on-lent debt, the debt burden represents 292% of consolidated operating revenues. The province's interest burden remains above that of peers as well, averaging 9% of operating revenues, and we expect it could increase to more than 10% during the outlook horizon. Our calculation of Newfoundland and Labrador's tax-supported debt includes capital market debt net of nondiscretionary sinking funds; the guaranteed debt of NLH; and the nonmarketable, fully enforceable promissory notes the province issued to address the unfunded liabilities of its two largest pension plans. We now also deduct the accumulated balance in the province's Future Fund, following the recent amendment in legislation for use of funds.

The province has large contingent liabilities related to its utility company, NLH. We believe that Newfoundland and Labrador would provide support to NLH to meet its federally guaranteed debt obligations in a stress scenario, given the political and economic importance of the utility's Muskrat Falls project. However, we also believe that the risk of NLH requiring provincial support has diminished, thanks to the rate-mitigation agreements signed with the federal government in 2021 and 2022.

Including the province's projected pre-borrowing, we estimate that larger after-capital deficits will pressure liquidity, with free cash totaling about C$2.8 billion in the next 12 months, sufficient to cover 40% of estimated debt service for the period (including repayments of short-term debt). This ratio excludes nondiscretionary sinking funds, which we net off of the province's tax-supported debt. The province has very good access to external liquidity for refinancing needs, given its proven ability to issue into various markets and the presence of a secondary market for Canadian provincial debt instruments.

Newfoundland and Labrador--selected indicators

Budget year* (Mil. C$)	2023	2024	2025bc	2026bc	2027bc	2028bc
Operating revenue	9,588	10,503	10,836	11,254	10,596	10,499

Newfoundland and Labrador--selected indicators

Operating expenditure	9,776	10,535	11,068	11,143	11,176	11,301
Operating balance	(188)	(33)	(232)	112	(580)	(802)
Operating balance (% of operating revenue)	(2.0)	(0.3)	(2.1)	1.0	(5.5)	(7.6)
Capital revenue	197	58	60	139	107	119
Capital expenditure	1,153	935	776	934	807	796
Balance after capital accounts	(1,144)	(910)	(948)	(683)	(1,279)	(1,479)
Balance after capital accounts (% of total revenue)	(11.7)	(8.6)	(8.7)	(6.0)	(12.0)	(13.9)
Debt repaid	9,342	7,668	7,062	5,838	6,805	6,735
Gross borrowings	10,536	10,230	9,996	8,301	10,927	10,539
Balance after borrowings	50	1,652	1,986	1,780	2,842	2,325
Direct debt (outstanding at year-end)	18,182	20,751	23,761	25,935	29,349	32,443
Direct debt (% of operating revenue)	189.6	197.6	219.3	230.4	277.0	309.0
Tax-supported debt (outstanding at year-end)	23,227	25,630	28,539	30,606	33,907	36,881
Tax-supported debt (% of consolidated operating revenue)	215.4	217.6	235.6	244.3	285.6	313.3
Interest (% of operating revenue)	8.4	8.5	7.9	8.3	10.7	12.1
Local GDP per capita ($)	55,566	55,512	56,700	64,408	66,453	69,855
National GDP per capita ($)	54,848	55,016	55,698	59,475	62,139	64,935

The data and ratios above result in part from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information. The main sources are the financial statements and budgets, as provided by the issuer. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. *Budget year 2025 equals fiscal year 2026. C$--Canadian dollar. $--U.S. dollar.

Rating component scores

Key rating factors	Scores
Institutional framework	2
Economy	3
Financial management	2
Budgetary performance	4
Liquidity	4
Debt burden	5
Stand-alone credit profile	a
Issuer credit rating	A

S&P Global Ratings bases its ratings on non-U.S. local and regional governments (LRGs) on the six main rating factors in this table. In the "**Methodology For Rating Local And Regional Governments Outside Of The U.S.**," published on July 15, 2019, we explain the steps we follow to derive the global scale foreign currency rating on each LRG. The institutional framework is assessed on a six-point scale: 1 is the strongest and 6 the weakest score. Our assessments of economy, financial management, budgetary performance, liquidity, and debt burden are on a five-point scale, with 1 being the strongest score and 5 the weakest.

Key Sovereign Statistics

- Sovereign Risk Indicators, April 13, 2026. Interactive version available at http://www.spratings.com/sri

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | International Public Finance: Methodology For Rating Local And Regional Governments Outside Of The U.S., July 15, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Credit Conditions: Special Update: Prolonged Hormuz Disruptions Hurtling Towards Lasting Credit Implications, May 21, 2026
- Economic Outlook Canada Q2 2026: Trade Uncertainty, Cautious Spending Constrain Growth, March 26, 2026
- Institutional Framework Assessment: Fiscal Autonomy Has Effective Limits For Canadian Provinces, April 2, 2026
- Subnational Government Outlook 2026: Moderate Debt Growth Expected For Canadian LRGs While Headwinds Remain, Jan. 19, 2026
- S&P Global Ratings Definitions , Dec. 2, 2024

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see "Related Criteria"). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Rating Component Scores above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see "Related Criteria").

Ratings List

Ratings List		
Ratings Affirmed; Outlook Action		
	To	**From**
Newfoundland and Labrador (Province of)		

Ratings List		
Issuer Credit Rating	A/Negative/A-1	A/Stable/A-1
Foreign Currency	A/Negative/A-1	A/Stable/A-1
Ratings Affirmed		
Newfoundland and Labrador (Province of)		
Newfoundland and Labrador Hydro		
Senior Unsecured	A	
Commercial Paper	A-1	
Commercial Paper	A-1(MID)	

MOODY'S RATINGS

CREDIT OPINION
17 June 2026

Update

Send Your Feedback

RATINGS

Newfoundland and Labrador, Province of

Domicile	Canada
Long Term Rating	A1
Type	Senior Unsecured - Fgn Curr
Outlook	Negative

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

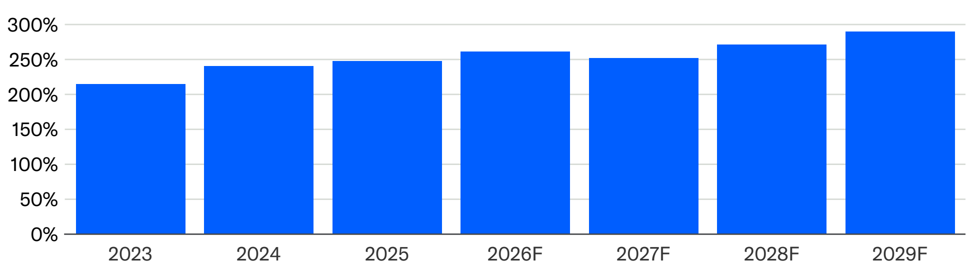
Province of Newfoundland and Labrador (Canada)

Update following change in outlook to negative

Summary

The credit profile of the Province of Newfoundland and Labrador (A1 negative) reflects the elevated debt and interest burdens, as well as twin challenges stemming from a relatively narrow economic base - namely a limitation on revenue growth relative to larger economies and exposure to volatile revenue sourced from the offshore oil sector. Among the credit strengths are the considerable fiscal flexibility that supports higher debt burden capacity and strong treasury management to ensure that debt repayment is protected. The rating also includes our assumption of a high likelihood of support from the Government of Canada (Aaa stable).

Exhibit 1
Newfoundland and Labrador's debt burden will remain elevated and rising across through to 2029
Net direct and indirect debt as a share of revenue



Year ending 31 March.
All forecasts are Moody's
Source: Moody's Ratings

Credit strengths

» Strong institutional framework offers fiscal flexibility to navigate pressures

» Treasury management and regular cash flows facilitate financing planning

» Strong debt management and favourable maturity schedule

Credit challenges

» Debt and interest burdens to remain among highest of Canadian provinces

» Relatively narrow economic base and dependence on oil exposes the province to price volatility

» Significant fiscal pressures identified by province

Rating outlook

The negative outlook reflects uncertainty over the province's execution of its fiscal plan, both in the current year and future years, which could result in a materially higher debt burden to fund persistent deficits. Though the province will benefit from higher revenue driven by higher than expected oil prices, this windfall is expected to be short-lived, with benefits potentially eroded by higher spending.

Factors that could lead to an upgrade

Given the negative outlook, an upgrade is unlikely. The outlook could be stabilized if the province presents a fiscal plan that we determine could credibly limit the weakening of operating outcomes and debt burden accumulation.

Factors that could lead to a downgrade

Downward rating pressure could arise if the province fails to execute spending restraint plans to align with revenue capacity. In addition to failing to limit intrinsic credit challenges facing the province, these outcomes could lead to our reassessment of the governance strength of the province.

Key indicators

Exhibit 2
Province of Newfoundland and Labrador

Key Indicators (as of March 31)	2023	2024	2025	2026F	2027F	2028F
Primary Operating Balance as a % of Operating Revenue	17.2	11.3	12.7	9.3	14.4	9.4
Cash and Cash Equivalents as a % of Operating Revenue	12.0	8.3	17.9	12.4	13.8	13.6
Net Direct and Indirect Debt as a % of Operating Revenues	214.6	240.6	247.5	261.2	252.2	271.1
Interest Payments as a % of Operating Revenues	10.7	11.9	11.3	12.0	11.7	13.1
Capital expenses as a % of Total expenses	3.4	11.4	8.8	6.8	8.9	7.3
Cash Financing Surplus (Requirement) as a % of Total Revenues	0.1	(19.1)	(15.0)	(13.6)	(11.4)	(17.6)

All forecasts are Moody's
Sources: Province of Newfoundland and Labrador and Moody's Ratings

Profile

Newfoundland and Labrador is Canada's easternmost province, comprising the island of Newfoundland and the mainland region of Labrador. The economy relies on natural resources, with industries such as fishing, mining, and oil and gas playing pivotal roles, alongside growing sectors like technology and tourism. Key responsibilities of the province include providing essential services like healthcare, education, and social welfare programs.

Detailed credit considerations

The credit profile of the Province of Newfoundland and Labrador, as expressed in its A1 rating with negative outlook, combines a baseline credit assessment (BCA) for the province of a3 and a high likelihood of extraordinary support coming from the Government of Canada in the event that Newfoundland and Labrador faced acute liquidity stress.

Baseline credit assessment

Strong institutional framework provides for high level of fiscal flexibility

The institutional framework governing relations, powers and responsibilities between Canadian provinces and the Federal government is well developed and stable. This framework provides Canadian provinces unfettered access to a broad range of tax bases and wide discretion over expenditure decisions, allowing provinces significant flexibility in its financial management. Compared to their counterparts in other countries, such as the German Länder and the Australian states, Canadian provinces enjoy far greater autonomy in terms of both the spending and revenue sides of their budgets. As such, Canadian provinces benefit from a high degree of fiscal policy flexibility that is more akin to that of sovereign governments than to many of their international sub-sovereign peers. This supports a high degree of shock absorption capacity, allowing provinces to adjust fiscal plans in-year should the need arise.

Additionally, the institutional framework in Canada, provides for important federal transfers to provinces, which are highly predictable and secure. For Newfoundland and Labrador these include the Canada Health Transfer and Canada Social Transfer. In addition to the direct, scheduled federal transfers to the province, Newfoundland and Labrador (as with other Canadian provinces) also benefits from indirect federal support programs to individuals, businesses and to municipalities, which can ease the spending pressure of the province.

Treasury management and regular cash flows facilitate financing planning

Although the province faces ongoing cash financing requirements over the next three years, Newfoundland and Labrador's treasury management is expected to continue to help minimize the credit risk from any volatility in financial planning that may arise. The province continues to receive regular cash inflows reflecting the lagged nature of tax receipts, arising from the federal government administrating an important share of the province's tax revenue, and the federal government's support programs to both citizens and businesses.

The federal government is also expected to continue to play an important role, through multiple streams, in minimizing risk to cash flow across the foreseeable future. Sizeable federal transfers, such as the Canada Health Transfer and Canada Social Transfers, are allocated to all provinces and are known well in advance of provincial budgetary planning. They are provided on a dependable schedule, allowing the province to maximize its planning around these receipts. Additionally, agreements with Canada, including the Hibernia Dividend Backed Annuity Agreement and the financial relief for Muskrat Falls/Labrador Transmission Assets (MF/TLA) also provide for ongoing reliable cash flow support and help the province manage its treasury needs efficiently. These numerous flows mitigate risk stemming from the province's volatile own-source revenue streams.

Strong debt management and maturity schedule

The province's debt management is considered to be strong, keeping debt service costs low and affordable. The province issues across a variety of tenors, ensuring that it matches maturity to financing needs. As of June 2026, its borrowing portfolio was composed primarily of Canadian dollar denominated debt, with only 1.0% of direct debt exposed to exchange rate risk.

The province issues debt across a variety of tenors to minimize costs, ensuring that annual interest expense does not pose undue burden on the budget. The annual debt maturity schedule of the province is relatively consistent through 2035, followed by years between 2036-2046 that have little to no debt maturing, which gives the province the opportunity to issue new debt without creating refinancing risk in any particular year.

Although limited to higher rated peers, the province also held liquidity equivalent to nearly 18% of total revenue at March 31, 2025. The province prudently utilizes its liquid holdings to allow itself to better time the issuance of debt should market conditions be temporarily unfavourable as was witnessed at the onset of the pandemic in March 2020.

Debt and interest burdens to remain highest among Canadian provinces

A string of material deficits and financing requirement for capital spending plans will keep the province's debt burden elevated over the next 3-4 years. We project that net direct and indirect debt, which includes the portion of the debt directly issued by the province on behalf of Newfoundland and Labrador Hydro, the provincially owned utility company, will reach 290% by 31 March 2029, up from 247.5% recorded by the province at 31 March 2025. These levels of debt will continue to place Newfoundland and Labrador among the highest indebted regional governments globally.

Given the high debt burden, interest expense is also elevated which we estimate measured 12% of revenue in 2025-26. We forecast that the interest burden will exceed 13% over the next 3 years, the highest among Canadian provinces.

Included in the province's elevated debt burden are two promissory notes issued as part of pension reforms efforts in 2014 and 2015. Originally valued at CAD2.685 billion and CAD1.8 billion, these notes were issued in return for changes to the employee contribution levels which will lower the long-term liabilities of the province. Both notes amortize over a 30 year period with fixed annual payments. The promissory notes effectively lower the province's unfunded pension liability.

While unfunded pension liabilities are viewed as debt-like contingent liabilities, and therefore taken into the creditworthiness of a province, they are not specifically included in our metrics of net debt for Canadian provinces. This differentiates Newfoundland and

Labrador's debt burden from those of other Canadian provinces, as the province has explicitly transferred unfunded pension liability into debt. The interest expense of the province likewise includes the interest of the promissory notes, which further formalizes the cost of the pension liability on the balance sheet of the province.

Relatively narrow economic base and dependence on oil exposes the province to price volatility

In part due to the higher costs of transporting goods to and from the province, as well as its small population, Newfoundland and Labrador has a relatively narrow economy with an important focus on natural resource development. This ties the province's revenue potential to movements in a handful of sectors much more so than in other provinces with more diverse economies. Furthermore, the direct revenue stream from offshore oil royalties further ties the province's revenues to price and production fluctuations of this sector, which has demonstrated a historically high level of volatility. These developments complicate the forward planning and execution of the province's fiscal plan as revenue streams are typically more uncertain. Additionally, the reliance on the offshore oil industry exposes the province to risks should the global economy experience a quicker shift away from carbon products as no other industry is, at present, expected to provide the economic strength the oil sector currently provides.

Despite the trade tensions between Canada and the US (Aa1 stable), including frequent announcements of tariff implications by the US, the majority of Canadian goods receive an exemption under the Canada-United States-Mexico Agreement (CUSMA). For goods not covered under this exemption, we expect Newfoundland and Labrador to be the least impacted province because only 45% of its exports go the US, relatively low compared to other provinces.

Although Newfoundland and Labrador posts GDP per capita metrics above the national average, much of this is tied to the value stemming from the offshore oil production which is not widely dispersed across the population. As such, median household income levels in the province tend to be below the national average. Additionally, Newfoundland and Labrador has a relatively high share of the labour force in season employment, which results in unemployment rates higher than those of Canada, although sustained economic activity across and province and gradual structure changes will lead to a lowering of the unemployment rate across the next 3-4 years.

The province is well positioned, however, to transition into a source of renewable energy through the development of hydrogen exports. Newfoundland and Labrador poses several favourable attributes for the development of this sector including ample access to water, renewable energy and deep sea ports with close proximity to Europe which has expressed interest in this new energy source.

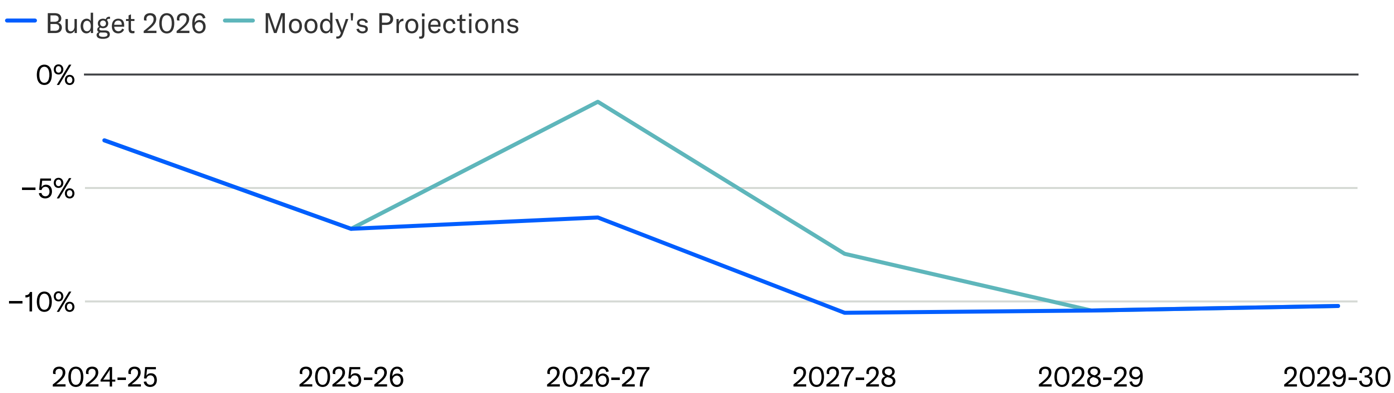
Significant fiscal pressures identified by province

While there exists a material difference between our base case and the province's own fiscal plan for fiscal years 2026-27 and 2027-28, what remains consistent is that the province has identified material fiscal pressures that could lead to a structural deficit (see Exhibit 3). Our base case provides for higher revenue in 2026-27 and 2027-28 due to our expectation of stronger offshore oil royalties, and an assumption the province will exhibit spending restraint in the fact of this increase in revenue. However, as this increase in revenue is tied to high oil prices stemming from the US-Iran conflict, this will not result in recurring revenue beyond these two years.

Exhibit 3

Material imbalances persist across fiscal plan horizon, but we forecast improvements in 2026-27 and 2027-28

Consolidated surplus (deficit) as a % of revenue



Source: Newfoundland and Labrador and Moody's Ratings

The weak fiscal forecast of the province is also based on its expectations of tight spending control across the multi-year plan. As per the province's 2026 budget, it forecasts spending exceeded the original budget by 3.3% in 2025-26. For 2026-27, spending is forecasted to increase 1.1% followed by nearly flat growth (0.2%) in 2027-28. These rates are less than the combined rate of expected population growth and inflation (2.7% in 2026-27 and 2.3% in 2027-28), which is a general rule of thumb to ensure service levels are maintained. Despite this low growth rate of expenses, the province's forecasted fiscal results show no sign of improvement.

The province's credit quality faces persistent weakness due to the volatility of its key sectors, which significantly impacts government finances. Although the province benefits from the rise in global demand for Canadian energy, persistent shifts in production and planning across a small number of companies can greatly influence overall provincial economic activity and revenue generation. Furthermore, a slower global economic growth could impact business and consumer confidence resulting in weaker revenue growth.

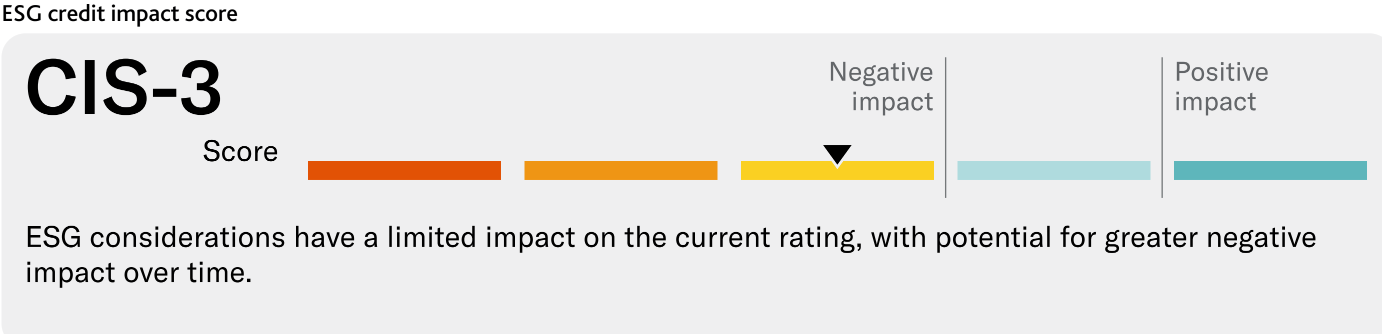
Despite recent population growth, demographic pressures, notably the high median age of the population, also weigh on services provided by the province, notably healthcare, which tends to be relatively costly to deliver. The widely dispersed population also adds additional costs for service delivery.

ESG considerations

Newfoundland and Labrador, Province of's ESG credit impact score is CIS-3

Exhibit 4

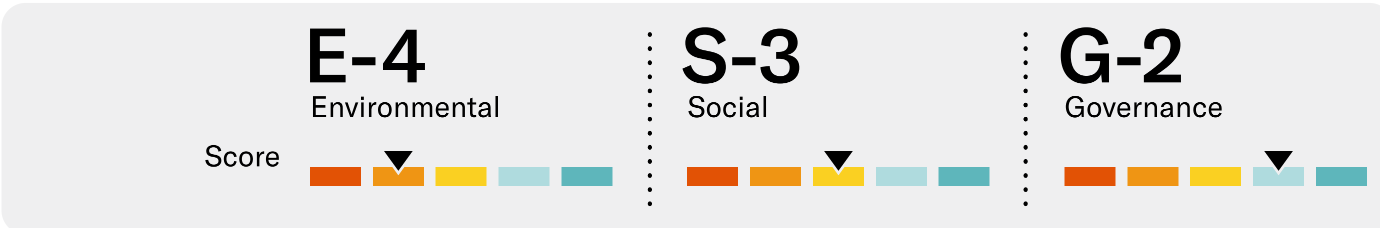
ESG credit impact score



Source: Moody's Ratings

The **CIS-3** credit impact score for the Province of Newfoundland and Labrador reflects the mix of a higher assessment of risk from environmental considerations, offset by less pronounced risk stemming from social factors and an absence of material risk from governance.

Exhibit 5
ESG issuer profile scores



Source: Moody's Ratings

Environmental

The **E-4** issuer profile score (IPS) reflects primarily our assessment of material risks associated with carbon transition. The government's revenue generation and overall economy has a sizeable reliance on offshore oil production which faces heightened risk from the transition away from carbon usage. While the presence of the offshore oil industry over the past 20 years has helped increase the wealth of the province, currently there are few other economic sectors that could replace this wealth should this sector decline. The province also faces risk from natural capital usage, given a dependence on other natural resources including mining and fishing activities. As with other Atlantic provinces, Newfoundland and Labrador also faces negative risks stemming from physical climate change, as the province is subject to low scale hurricanes that move up the North American eastern coast which can bring high winds, heavy levels of precipitation and rainfall. As the majority of the economy is driven by communities and activities on or near the coast, the economy is also subject to risks stemming from rising sea levels.

Social

The **S-3** IPS reflects the balance of the risk stemming from the range of risk assessment across (from highest to lowest) demographics, labour and income followed by health, education and access to basic services. Newfoundland and Labrador has an aging population which will lead to increased budget pressure stemming from an increase to the healthcare budget, which accounts for roughly 40% of the province's budget. While the offshore oil sector produces strong income levels, this is maintained within a small portion of the population. Other sectors of the economy typically generate wealth metrics below the national average. As with other Canadian peers, the province faces immaterial risks from other social factors including health and safety, housing and access to basic services.

Governance

The **G-2** IPS captures the positive risk from the very strong institutional and governance framework inherent to all Canadian provinces offset by the risk stemming from budget management and transparency and disclosure. The province tends to lag other Canadian peers on the timely production of key financial documents, including public accounts and budgets, although this remains within a very respectful time frame relative to many other global peers.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Extraordinary Support Considerations

Moody's assigns a high likelihood of extraordinary support from the Government of Canada (Aaa stable), reflecting Moody's assessment of the incentive provided to the federal government of minimizing the risk of potential disruptions to capital markets if Newfoundland and Labrador, or any province, were to default. It also indicates a moderately positive federal government policy stance as illustrated by the flexibility inherent in the system of federal-provincial transfers.

Rating methodology and scorecard factors

In the case of Newfoundland and Labrador, the assigned BCA of a3 is close to the scorecard-indicated outcome of a2. For details of our rating approach, please refer to the Regional and Local Governments methodology.

Exhibit 6

Newfoundland and Labrador, Province of

Regional & Local Governments

Baseline Credit Assessment – Scorecard	Score	Value	Sub-factor Weighting	Sub-factor Score	Factor Weighting	Total
Factor 1: Economy					**25%**	**1.00**
Regional Income [1]	1.65	64149.97	15%	0.25		
Economic Growth	6.00	a	5%	0.30		
Economic Diversification	9.00	baa	5%	0.45		
Factor 2: Institutional Framework and Governance					**30%**	**1.05**
Institutional Framework	1.00	aaa	15%	0.15		
Governance	6.00	a	15%	0.90		
Factor 3: Financial Performance					**20%**	**1.09**
Operating Margin [2]	6.50	12.67%	10%	0.65		
Liquidity Ratio [3]	5.74	17.93%	5%	0.29		
Ease of Access to Funding	3.00	aa	5%	0.15		
Factor 4: Leverage					**25%**	**3.67**
Debt Burden [4]	13.82	247.51%	15%	2.07		
Interest Burden [5]	15.98	11.31%	10%	1.60		
Preliminary BCA Scorecard-Indicated Outcome (SIO)						**(6.81) a3**
Idiosyncratic Notching						**0.0**
Preliminary BCA SIO After Idiosyncratic Notching						**(6.81) a3**
Sovereign Rating Threshold						**Aaa**
Operating Environment Notching						**1.0**
BCA Scorecard-Indicated Outcome						**(5.81) a2**
Assigned BCA						**a3**

[1] Regional GDP per capita in terms of purchasing power parity (PPP) terms, in international dollars
[2] Primary Operating Balance / Operating Revenue
[3] Cash and Cash Equivalents / Operating Revenue
[4] Net Direct and Indirect Debt / Operating Revenue
[5] Interest Payments / Operating Revenue
Source: Moody's Ratings; Fiscal year ending 31 March 2025.

Ratings

Exhibit 7

Category	Moody's Rating
NEWFOUNDLAND AND LABRADOR, PROVINCE OF	
Outlook	Negative
Baseline Credit Assessment	a3
Senior Unsecured	A1

Source: Moody's Ratings

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454