

Ontario Overview

- The Province of Ontario is located in a prime area with close ties to the United States. Ontario had a population of 14.3 million in 2018 and GDP of \$826 billion in 2017, representing almost 40 per cent of Canada.
- Ontario has a diverse economy, with extensive manufacturing, financial and business services and a smaller energy sector compared to the rest of Canada. It has direct taxation powers and stable growth. Services account for 77 per cent of the overall economy.
- The Independent Financial Commission of Inquiry (Commission) was created to look into the Province's past spending and accounting practices and provide a baseline for the Province's 2018–19 fiscal outlook to support planning moving forward. The Commission's report, which was released in September 2018, provided recommendations to enhance transparency in Ontario's public finances.
- The Commission's report revised the baseline deficit projection for 2018–19 to \$15 billion. Building on the Commission's recommendations and taking into account new information, as well as government actions and decisions to date, the *2018 Ontario Economic Outlook and Fiscal Review* now projects a deficit of \$14.5 billion in 2018–19, a \$0.5 billion improvement compared to the baseline for planning provided by the Commission.



Borrowing Program

- The Province's total long-term borrowing in 2018–19 is forecast to be \$33.2 billion, \$1.9 billion less than the forecast for 2018–19 which was based on the findings of the Commission.

(\$ Billions)	2018–19			
	2018 Budget	Outlook Based on Commission of Inquiry	Change from Commission of Inquiry Outlook	Current Outlook
Deficit/(Surplus)	6.7	15.0	(0.5)	14.5
Investment in Capital Assets	14.2	14.2	(1.4)	12.8
Non-Cash Adjustments	(7.1)	(7.4)	–	(7.4)
Loans to Infrastructure Ontario	0.4	0.4	–	0.4
Other Net Loans/Investments	1.5	0.5	(0.6)	(0.0)
Debt Maturities	21.5	21.5	0.3	21.8
Debt Redemptions	0.1	0.1	0.1	0.1
Total Funding Requirement	37.3	44.3	(2.1)	42.1
Canada Pension Plan Borrowing	(0.0)	(0.0)	–	(0.0)
Decrease/(Increase) in Short-Term Borrowing	–	–	–	–
Increase/(Decrease) in Cash and Cash Equivalents	6.0	3.3	0.2	3.5
Pre-Borrowing from 2017–18	(11.5)	(12.4)	–	(12.4)
Total Long-Term Public Borrowing Requirement	31.7	35.1	(1.9)	33.2

Note: Numbers may not add due to rounding.

Ontario Bonds

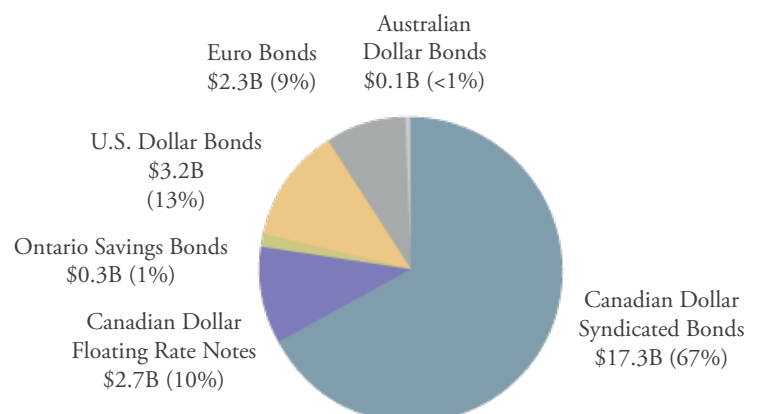
- Exceptional secondary market liquidity with a wide range of offerings provide extensive investment and trading opportunities across the yield curve.
- Attractive spreads provide opportunities for investors to achieve higher returns
- Benchmark Canadian provincial borrower. Primary focus on Canadian dollar borrowing with likely issuance in U.S. dollars and Euros

Current Ratings (Long-Term/Short-Term)

Moody's	Aa2 (N) / P-1
Fitch	AA- (N) / F1+
DBRS	AA (low) / R-1(mid)
S&P	A+ / A-1

Diverse Borrowing Program 2018–19

As of November 15, 2018, borrowing completed for 2018–19 totalled \$25.9 billion.



Note: Numbers may not add due to rounding.
Source: Ontario Financing Authority.

Long-Term Borrowing

- Since the beginning of fiscal year 2010–11, Ontario has issued \$77.3 billion of bonds with terms of longer than 30 years to lock in low interest rates. As a result, the average term of Ontario's debt portfolio has been extended, from 9.7 years in 2009–10 to 10.9 years as of October 31, 2018.
- The Province is targeting Canadian dollar borrowing to be approximately 70 per cent of total borrowing for the fiscal year. The Province will actively assess this target and adjust it further, if needed, to reflect market conditions.

Fiscal Year	Canadian Dollar (\$Billions)	Foreign Currencies (\$Billions)	Total Long-Term Borrowing (\$Billions)	Weighted-Average Term (years)	Debt Portfolio Average Term (years)
2009–10	21.4 (49%)	22.4 (51%)	43.8	8.1	9.7
2010–11	23.5 (59%)	16.4 (41%)	39.9	12.8	10.0
2011–12	28.4 (81%)	6.5 (19%)	34.9	13.0	10.1
2012–13	26.4 (72%)	10.2 (28%)	36.6	12.4	10.1
2013–14	29.4 (82%)	6.6 (18%)	36.0	13.6	10.4
2014–15	31.4 (79%)	8.4 (21%)	39.8	14.1	10.7
2015–16	25.8 (81%)	6.2 (19%)	32.1	14.2	10.9
2016–17	19.9 (74%)	7.1 (26%)	27.0	13.9	10.9
2017–18	21.1 (62%)	12.8 (38%)	33.9	12.1	10.7
2018–19	20.2 (78%)	5.7 (22%)	33.2	13.4	10.9*

Note: Numbers may not add due to rounding. 2018–19 figures as of November 15, 2018.

*The debt portfolio average terms are on a forecast basis for 2018–19 as of October 31, 2018.

Canadian Dollar Issuance

- Ontario accounted for 59.0 per cent of Canadian provincial bond trading in 2017. As of December 31, 2017, Ontario accounts for 14.0 per cent of the FTSE TMX Universe Bond Index, 18.8 per cent of the FTSE TMX Mid Bond Index, and 19.5 per cent of the FTSE TMX Long Bond Index.
- Regular issuance of 5-year, 10-year and 30-year issues, which are re-opened to achieve benchmark size (19 syndicated issues so far in 2018–19).
- Large order procedure initiated in 2011 (59 issues totalling approximately \$31.8 billion).

Canadian Dollar Benchmark Bonds (as of November 14, 2018)

	Ontario		Canada	
5 year (old)	1.35% March 8, 2022	\$5.00B	1.75% March 1, 2023	\$15.00B
5 year (new)	2.60% September 8, 2023	\$4.75B	2.00% September 1, 2023	\$12.00B
10 year (old)	2.60% June 2, 2027	\$7.65B	1.00% June 1, 2027	\$15.00B
10 year (new)	2.90% June 2, 2028	\$7.45B	2.00% June 1, 2028	\$13.50B
Long (old)	2.80% June 2, 2048	\$12.70B	3.50% December 1, 2045	\$16.40B
Long (new)	2.90% June 2, 2049	\$9.10B	2.75% December 1, 2048	\$14.90B

Foreign Issuance

- The Province regularly accesses foreign markets to diversify its borrowing program and expand its investor base.

U.S. Dollar Borrowing

- The U.S. dollar market remains an important source of funding for Ontario with \$6.0 billion issued in 2015–16, \$6.8 billion issued in 2016–17, \$9.0 billion issued in 2017–18, and approximately \$3.2 billion issued so far in 2018–19.

EMTN Borrowing

- The Euro Market is also an important source of funding for Ontario with \$2.3 billion issued in 2017–18 and \$2.3 billion issued so far in 2018–19.

Green Bonds

- Ontario is currently the largest issuer of Canadian dollar Green Bonds, with four green issues totaling \$3.05 billion.
- This includes a \$500 million issue in 2014, a \$750 million issue in 2016, an \$800 million issue in 2017 and a \$1.0 billion issue in 2018.
- Ontario plans to issue its next Green Bond by the end of the fiscal year, after realigning the program to support the new government's approach to addressing environmental challenges.

Ontario's Green Bonds:

- Carry the full faith and credit of the Province of Ontario
- Rank *pari passu* with Ontario's other bonds and are payable without any preference or priority
- Are direct unsecured obligations of the Province of Ontario and investors do not assume any specific risk related to the funded projects
- Serve as an important tool to help Ontario finance transit and energy efficiency projects

Assurances and Features:

- Ontario's Green Bond Framework was developed in consultation with the Center for International Climate and Environmental Research – Oslo (CICERO)
- Ontario's Green Bond program aligns with the Green Bond Principles maintained by the International Capital Markets Association
- An assurance audit is performed by the Auditor General of Ontario verifying amounts allocated to selected projects and tracking the amount of Green Bond proceeds

• Risk Management and Short-Term Borrowing

	Exposure	Policy Limit
Foreign Exchange	0.2%	5.0%
Net Interest Rate Resetting	12.7%	35.0%

Of outstanding debt, as of October 31, 2018.

- Ontario's maximum net interest rate resetting exposure is 35 per cent and its maximum foreign exchange exposure is 5 per cent of debt issued for provincial purposes.
- Average Unrestricted Liquid reserves were \$31.0 billion as of October 31, 2018.
- As of October 31, 2018, capacity for short-term borrowing: \$48.0 billion authorized and \$19.0 billion outstanding, leaving \$29.0 billion available.

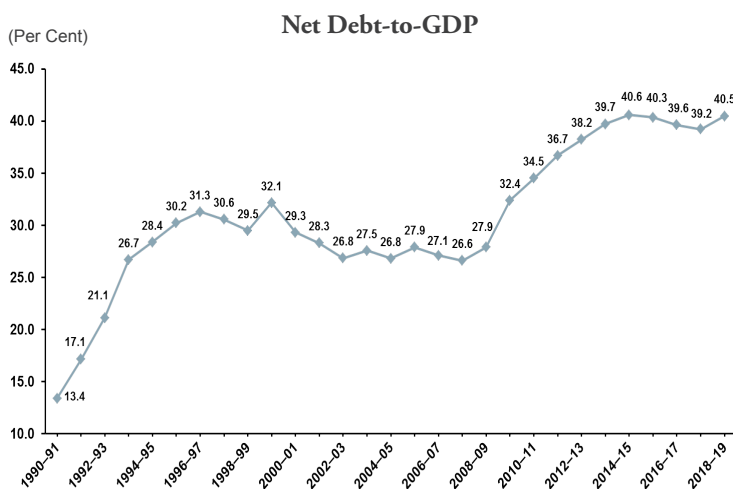
• Fiscal Plan

- After accepting the recommendations in the Commission's report, the government is now projecting a deficit of \$14.5 billion for 2018–19 as reported in the *2018 Ontario Economic Outlook and Fiscal Review*. This is a \$0.5 billion improvement compared to the baseline for planning provided by the Commission. Actions undertaken by the government to find efficiencies and reduce spending have resulted in \$3.2 billion in program expense savings relative to the Commission's expense outlook, while total revenue is projected to be \$2.7 billion lower.

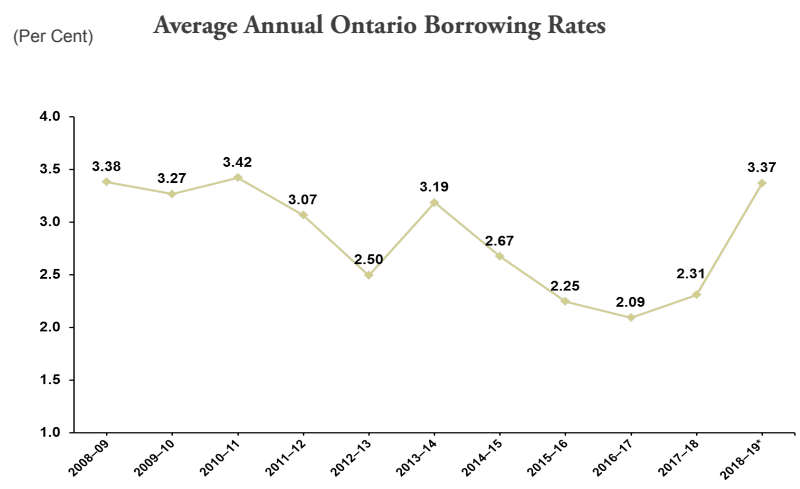
Fiscal Plan (\$ Billions)	Actual									Current Outlook
	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Revenue	102.6	113.6	116.4	120.3	123.0	126.2	136.1	140.7	150.6	148.2
Expense										
Programs	112.7	120.8	121.2	120.1	123.3	126.2	129.9	131.5	142.4	149.2
Interest on Debt	9.1	10.0	10.6	10.9	11.2	11.2	11.6	11.7	11.9	12.5
Total Expense	121.8	130.8	131.8	131.0	134.5	137.4	141.5	143.2	154.3	161.8
Reserve	—	—	—	—	—	—	—	—	—	1.0
Surplus/(Deficit)	(19.3)	(17.3)	(15.4)	(10.7)	(11.5)	(11.3)	(5.3)	(2.4)	(3.7)	(14.5)

Note: Numbers may not add due to rounding.
Amounts reflect a change in pension expense that was calculated based on recommendations of the Independent Financial Commission of Inquiry, as described in Note 19 to the Consolidated Financial Statement in *Public Accounts of Ontario 2017–18*.

- In 2018–19, the net debt-to-GDP ratio is projected to be 40.5 per cent, or 0.3 percentage points lower than the 40.8 per cent forecast by the Commission. As recommended in the Commission's report, the government will conduct analysis to determine and set an appropriate target and timeline to reduce the Province's ratio of net debt-to-GDP to a sustainable level.
- Interest rates have begun to rise, with the forecast for 2018–19 increasing by more than one and a quarter percentage points since the low point in 2016–17.

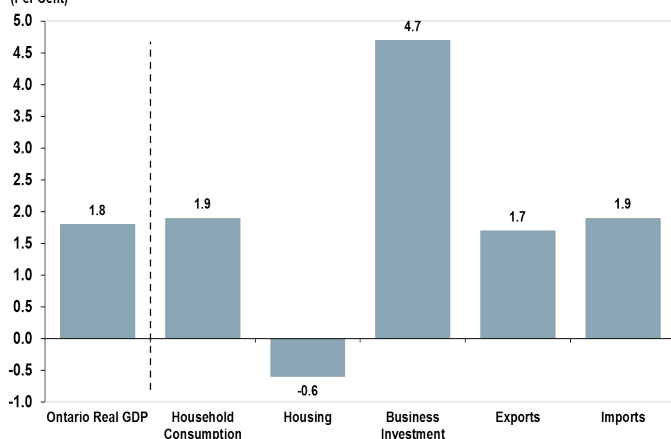


Notes: Net Debt has been restated to include broader public-sector net debt, starting in 2005–06. Net Debt has been restated from 2001–02 for the adjustments resulting from the revised accounting treatment of jointly sponsored pension plans.



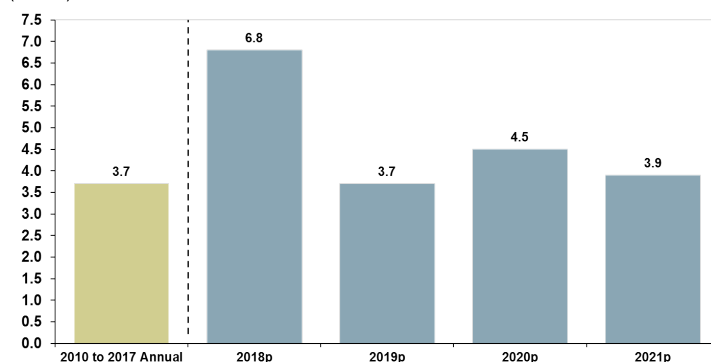
*Projected average annual Ontario borrowing rate for 2018–19.

**Average Annual Growth from 2018 to 2021
(Per Cent)**



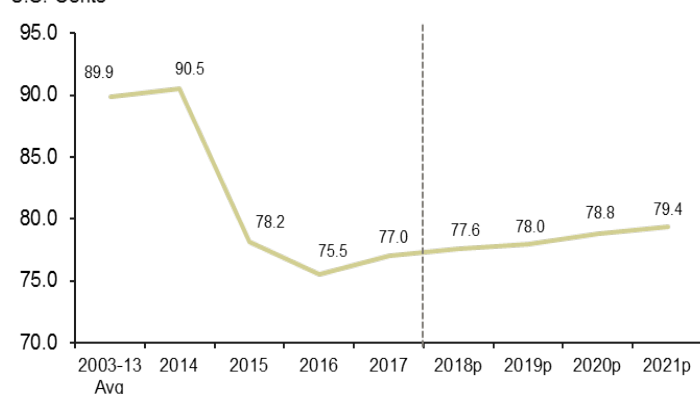
Sources: Statistics Canada and Ontario Ministry of Finance.

Real Business Investment Growth (Per Cent)

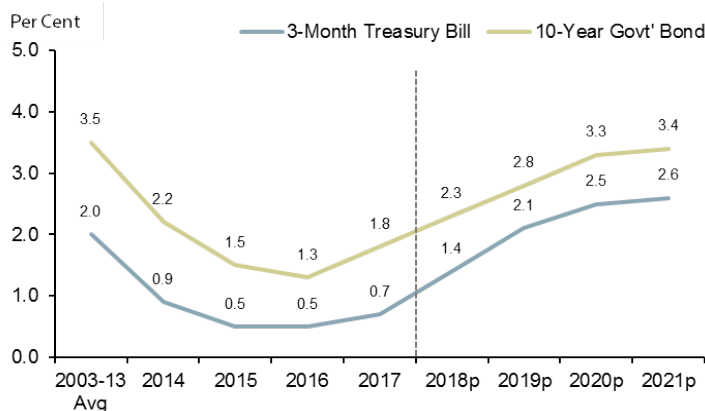


Sources: Statistics Canada and Ontario Ministry of Finance.

U.S. Cents



Canadian Interest Rates



Sources: Bank of Canada, Ontario Ministry of Finance Survey of Forecasters (October 2018) and Ontario Ministry of Finance.

- Bond Issues
- Investor Fact Sheet
- CEO's Corner
- Borrowing Program
- IR Presentations
- Other events

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