Ontario

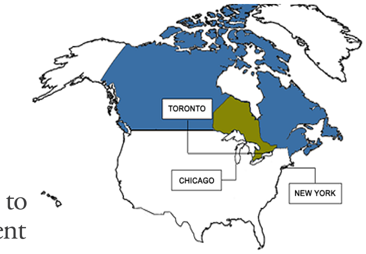
Province of Ontario Investor Presentation

www.ofina.on.ca

November 6, 2019

Ontario Overview

- The Province of Ontario is located in a prime area with close ties to the United States.
- Ontario currently has a population of 14.6 million with nominal GDP forecast at $884 billion, representing almost 40 per cent of Canada.
- Ontario has a diverse economy, with extensive manufacturing, financial and business services and a relatively 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 province is projected to beat the deficit target set out in the *2019 Budget* by $1.3 billion, an improvement to $9.0 billion from $10.3 billion. This reflects the benefits of a strong economy and revenue outlook, and prudent fiscal planning.



Borrowing Program

($ Billions)	*2019 Budget*	In-Year Change	Current Outlook 2019–20	2020–21	2021–22
Deficit/(Surplus)	10.3	(1.3)	9.0	6.7	5.4
Investment in Capital Assets	11.6	–	11.6	11.0	10.4
Non-Cash Adjustments	(7.7)	–	(7.7)	(7.7)	(7.7)
Loans to Infrastructure Ontario	0.2	–	0.2	0.1	0.2
Other Net Loans/Investments	0.7	0.0	0.7	0.5	(0.1)
Debt Maturities/Redemptions	27.5	(0.1)	27.4	26.6	24.0
Total Funding Requirement	**42.5**	**(1.3)**	**41.2**	**37.2**	**32.2**
Decrease/(Increase) in Short-Term Borrowing	(1.2)	–	(1.2)	(1.0)	(1.0)
Increase/(Decrease) in Cash and Cash Equivalents	(5.3)	(2.8)	(8.1)	(4.5)	–
Total Long-Term Public Borrowing	**36.0**	**(4.1)**	**31.9**	**31.7**	**31.2**

Note: Numbers may not add due to rounding.

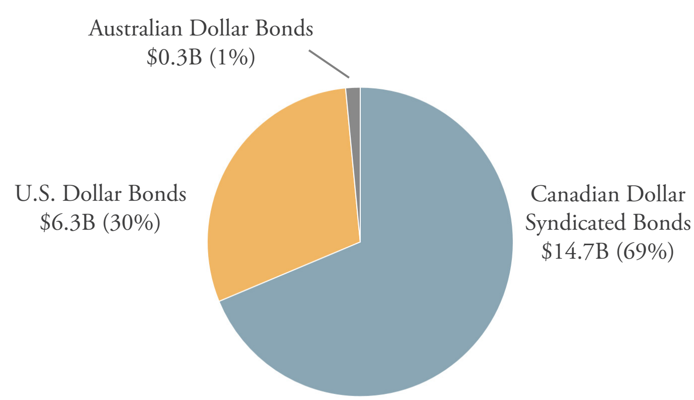
Ontario Bonds

- 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

Credit Ratings (Long-Term/Short-Term)	
Moody's	Aa3 / P-1
Fitch	AA- / F1+
DBRS	AA (low) / R-1(mid)
S&P	A+ / A-1

2019–20 Borrowing Program

As of November 6, 2019, borrowing completed for 2019–20 totalled $21.3 billion.



Note: Numbers may not add due to rounding.

Long-Term Borrowing

- The Province's target range for Canadian dollar borrowing remains at 70 to 80 per cent of total borrowing for the fiscal year.
- Since the beginning of fiscal 2010–11, the Province has issued $87.9 billion of bonds longer than 30 years to lock in low rates, including $7.8 billion so far in 2019–20. As a result, the average term of Ontario's debt portfolio has been extended, from 9.7 years in 2009–10 to 11.2 years.

Fiscal Year	Canadian Dollar ($Billions)	Foreign Currencies ($Billions)	Total Long-Term Borrowing ($Billions)	Weighted-Average Term (years)	Debt Portfolio Average Term (years)
2007–08	15.4 (86%)	2.6 (14%)	**18.0**	**12.1**	**10.7**
2008–09	19.0 (66%)	9.7 (34%)	**28.7**	**8.6**	**10.4**
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	30.6 (77%)	9.0 (23%)	**39.6**	**12.9**	**10.7**
2019–20	14.7 (69%)	6.7 (31%)	**31.9**	**16.3**	**11.2***

* The debt portfolio average terms are on a forecast basis for 2019–20 as of October 24, 2019.
Note: Numbers may not add due to rounding.

Canadian Dollar Issuance

- Ontario accounted for 61.0 per cent of Canadian provincial bond trading in 2018. As of March 31, 2019, Ontario accounted for 14.6 per cent of the FTSE TMX Universe Bond Index, 18.6 per cent of the FTSE TMX Mid Bond Index, and 19.7 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 (18 syndicated issues so far in 2019–20).

Canadian Dollar Benchmark Bonds (as of November 6, 2019)

Term	Ontario		Canada	
5 year (old)	2.60% September 8, 2023	$4.75B	2.25% March 1, 2024	$12.00B
5 year (new)	2.30% September 8, 2024	$2.75B	1.50% September 1, 2024	$16.20B
10 year (old)	2.90% June 2, 2028	$9.55B	2.00% June 1, 2028	$13.50B
10 year (new)	2.70% June 2, 2029	$7.65B	2.25% June 1, 2029	$12.30B
Long (old)	2.90% June 2, 2049	$13.25B	3.50% December 1, 2045	$16.40B
Long (new)	2.65% December 2, 2050	$6.30B	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. Dependant on market conditions the Province borrows in U.S. dollars, euros, Japanese yen, pound sterling, Swiss francs and Australian dollars.

Recent EMTN Issues

Term	Issue Date and Coupon	Amount (Euros/Sterling)
7 year	0.625% April 10, 2018	€1.50B
7 year	0.375% June 7, 2017	€1.50B
3 year	FRN May 11, 2017	£0.50B
10 year	0.875% January 12, 2015	€1.25B

Recent U.S Dollar Issues

Term	Issue Date and Coupon	Amount (U.S.$)
10 year	2.00% September 25, 2019	$1.25B
7 year	2.30% June 13, 2019	$1.75B
3 year	2.55% April 17, 2019	$1.75B
5 year	3.05% January 29, 2019	$2.50B

Risk Management and Short-Term Borrowing

	Exposure	Policy Limit
Foreign Exchange	0.2%	3.0%
Net Interest Rate Resetting	11.5%	35.0%

Of outstanding debt, interim as of October 31, 2019.

- The average level of daily unrestricted liquid reserves from April 1, 2019 to October 31, 2019 was $34.3 billion.
- As of October 31, 2019, capacity for short-term borrowing: $54.0 billion authorized and $23.0 billion outstanding, leaving $31.0 billion available.

Green Bonds

- Ontario is currently the largest issuer of Canadian dollar Green Bonds, with five green issues totaling $4.0 billion and with $3.5 billion currently outstanding. The Province successfully priced its fifth Green Bond issue of $950 million on January 31, 2019. October marked the fifth anniversary of Ontario's Green Bond program.
- Previous issues include 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.
- The Province plans to launch its next Green Bond before the end of this fiscal year, and possibly another if market conditions allow.

Features:

- 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 finance public transit initiatives, extreme-weather resistant infrastructure, and energy efficiency and conservation projects

Assurances:

- 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 Market 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

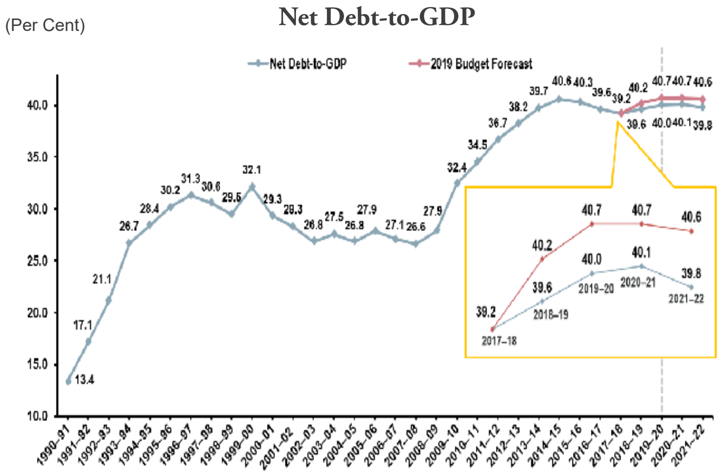
Fiscal Plan

- The government is implementing a balanced and prudent plan to build Ontario together. As part of this plan, the government has been responsive by making changes since the *2019 Budget* in a way that ensures critical public services are supported on an ongoing basis, while maintaining its commitment to balance the budget by 2023–24. By adopting a prudent approach to financial management, Ontario's finances are on a path towards fiscal sustainability.
- The *2019 Ontario Economic Outlook and Fiscal Review* is reporting progress on the Province's fiscal plan, as set out in the *2019 Budget*, with fiscal improvements in all years. The government is projecting a $1.3 billion improvement to the 2019–20 to $9.0 billion from $10.3 billion. Over the medium term, the government continues to project steadily declining deficits of $6.7 billion in 2020–21 and $5.4 billion in 2021–22.

Fiscal Plan ($ Billions)	Actuals									Current Outlook		
	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21	2021–22
Revenue	**113.6**	**116.4**	**120.3**	**123.0**	**126.2**	**136.1**	**140.7**	**150.6**	**153.7**	**155.8**	**161.5**	**165.4**
Expense												
Programs	120.8	121.2	120.1	123.3	126.2	129.9	131.5	142.4	148.8	150.9	154.0	155.9
Interest on Debt	10.0	10.6	10.9	11.2	11.2	11.6	11.7	11.9	12.4	12.9	13.2	13.9
Total Expense	**130.8**	**131.8**	**131.0**	**134.5**	**137.4**	**141.5**	**143.2**	**154.3**	**161.1**	**163.8**	**167.2**	**169.8**
Reserve	–	–	–	–	–	–	–	–	–	1.0	1.0	1.0
Surplus/(Deficit)	**(17.3)**	**(15.4)**	**(10.7)**	**(11.5)**	**(11.3)**	**(5.3)**	**(2.4)**	**(3.7)**	**(7.4)**	**(9.0)**	**(6.7)**	**(5.4)**

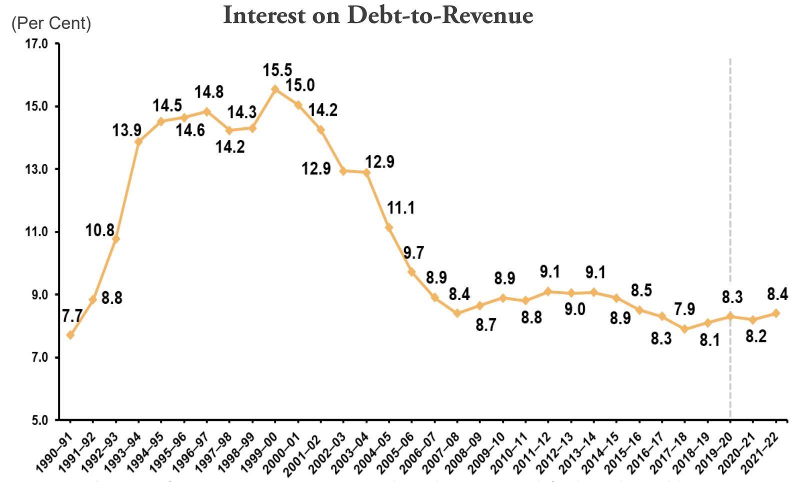
Note: Numbers may not add due to rounding.

Net Debt-to-GDP



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 onward for the adjustments resulting from the revised accounting treatment of jointly sponsored pension plans.
Sources: Statistics Canada and Ontario Ministry of Finance.

Interest on Debt-to-Revenue

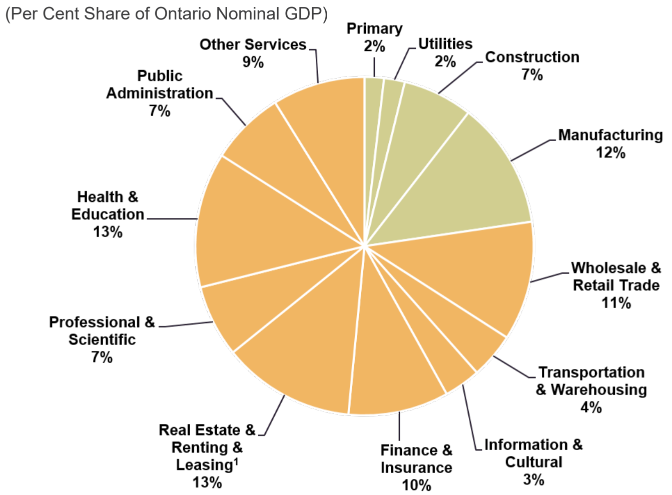


Note: The years from 2005–06 to 2019–20 have been restated for broader public sector line-by-line presentation.
Sources: Public Accounts of Ontario (1990–1991 to 2018–2019), and Ontario Financing Authority.

Economic Update

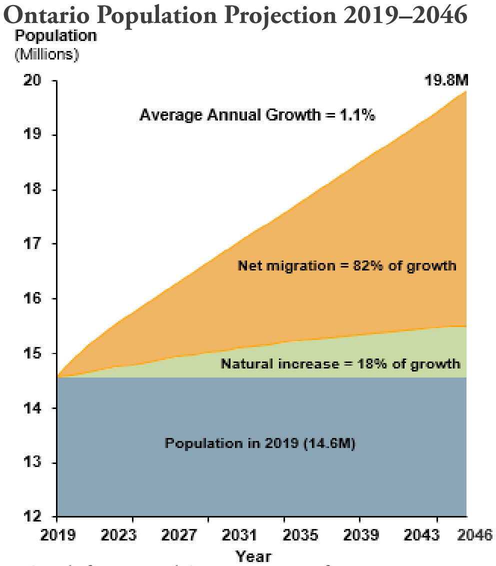
- Ontario's real GDP increased by 2.3 per cent in 2018, following a gain of 2.8 per cent growth in 2017, and is expected to grow by 1.4 per cent in 2019 and then at an average annual rate of 1.6 per cent over the 2020–22 period.

Ontario's Diverse Economy, 2018



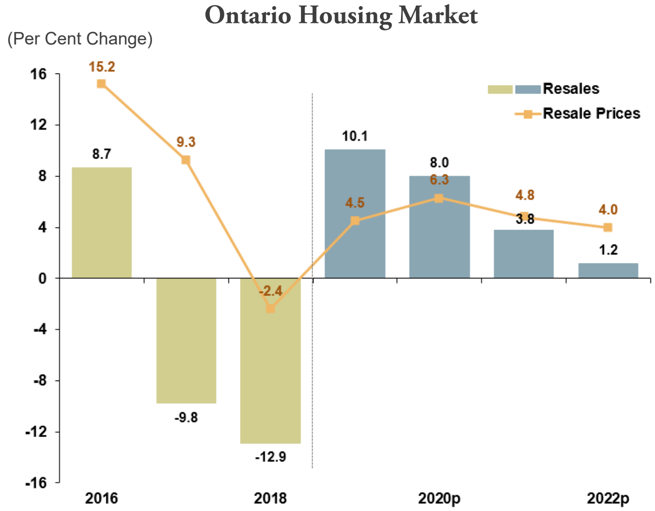
[1] Includes estimate of imputed rental income from owner occupied dwellings.
Source: Statistics Canada.
Note: Numbers may not add due to rounding.

Ontario Population Projection 2019–2046



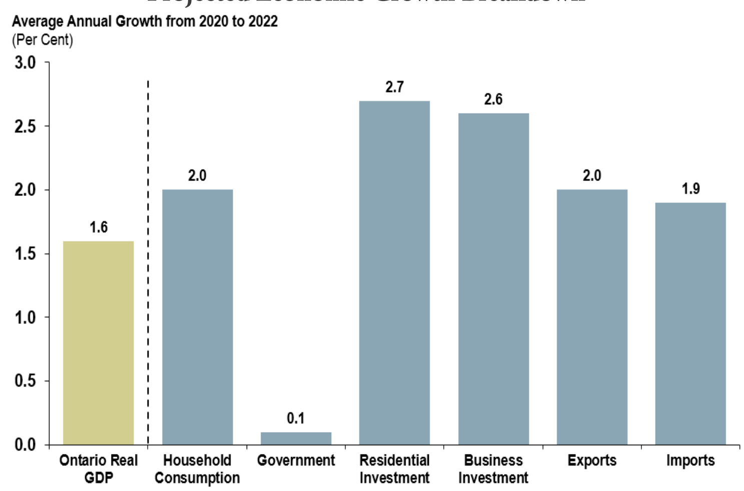
Sources: Statistics Canada for 2019 and Ontario Ministry of Finance projections.

Ontario Housing Market



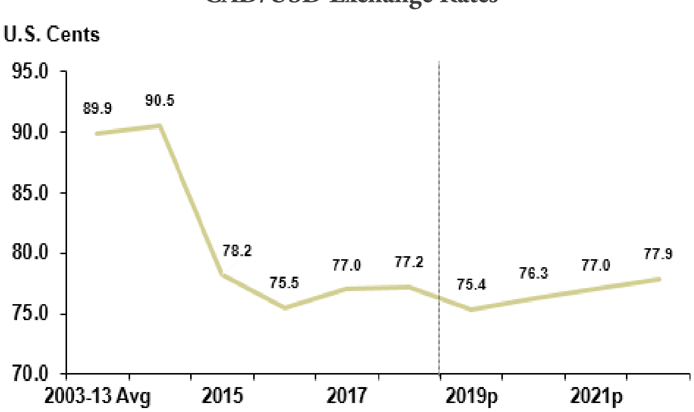
p = Ontario Ministry of Finance planning projection.
Sources: Canadian Real Estate Association and Ontario Ministry of Finance.

Projected Economic Growth Breakdown



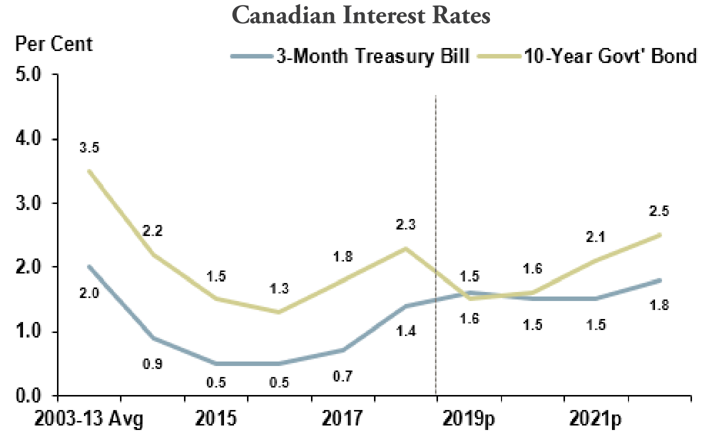
Note: Government includes consumption and investment expenditure. Business investment includes non-residential construction, machinery and equipment and intellectual property products.
Source: Ontario Ministry of Finance.

CAD/USD Exchange Rates



p = Ontario Ministry of Finance planning projection based on external sources.
Sources: Bank of Canada, U.S. Bureau of Economic Analysis, "Blue Chip Economic Indicators" (October 2019), Ontario Ministry of Finance Survey of Forecasters (October 2019) and Ontario Ministry of Finance.

Canadian Interest Rates



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Sources: Bank of Canada, Ontario Ministry of Finance Survey of Forecasters (October 2019) and Ontario Ministry of Finance.

The Ontario Financing Authority is an agency of the Province of Ontario responsible for provincial borrowing and debt management activities.

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