Province of Ontario Investor Presentation

www.ofina.on.ca January 30, 2020

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 forecasted at $887 billion in 2019, 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.
- As of December 31, 2019, the government is projecting a deficit of $9.0 billion in 2019–20, an improvement of $1.3 billion from the outlook presented in the *2019 Budget* and unchanged since the *2019 Ontario Economic Outlook and Fiscal Review*.

Borrowing Program

($ Billions)	*2019 Budget*	In-Year Change	Current Outlook 2019–20
Deficit/(Surplus)	10.3	(1.3)	9.0
Investment in Capital Assets	11.6	–	11.6
Non-Cash Adjustments	(7.7)	–	(7.7)
Loans to Infrastructure Ontario	0.2	–	0.2
Other Net Loans/Investments	0.7	0.0	0.7
Debt Maturities/Redemptions	27.5	(0.1)	27.4
Total Funding Requirement	**42.5**	**(1.3)**	**41.2**
Decrease/(Increase) in Short-Term Borrowing	(1.2)	(1.8)	(3.0)
Increase/(Decrease) in Cash and Cash Equivalents	(5.3)	(1.0)	(6.3)
Total Long-Term Public Borrowing	**36.0**	**(4.1)**	**31.9**

Note: Numbers may not add due to rounding.

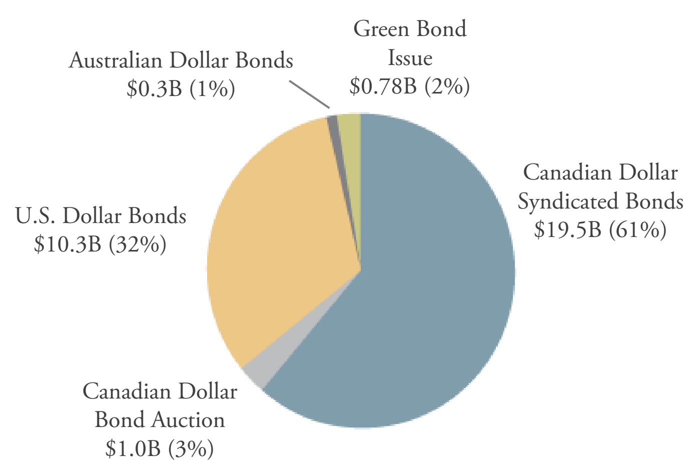
Ontario Bonds

- 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 January 30, 2020, borrowing completed for 2019–20 totalled $31.9 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 $90.2 billion of bonds longer than 30 years to lock in low rates, including $10.1 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 11.1 years as of December 31, 2019.

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	21.3 (67%)	10.6 (33%)	**31.9**	**14.5**	**11.1***

* The debt portfolio average term for 2019–20 is as of December 31, 2019.
Note: Numbers may not add due to rounding.

Canadian Dollar Issuance

- Ontario accounted for 67.2 per cent of Canadian provincial bond trading in 2019. As of December 31, 2019, Ontario accounted for 14.6 per cent of the FTSE TMX Universe Bond Index, 16.5 per cent of the FTSE TMX Mid Bond Index, and 20.6 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 (24 syndicated issues so far in 2019–20).

Canadian Dollar Benchmark Bonds (as of January 30, 2020)

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)	2.70% June 2, 2029	$9.15B	2.00% June 1, 2028	$13.50B
10 year (new)	2.05% June 2, 2030	$1.00 B	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	$8.55B	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.$)
3 year	1.75% January 16, 2020	$3.00B
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

Risk Management and Short-Term Borrowing

	Exposure	Policy Limit
Foreign Exchange	0.2%	3.0%
Net Interest Rate Resetting	11.9%	35.0%

Of outstanding debt, as of December 31, 2019.

- The average level of daily unrestricted liquid reserves from April 1, 2019 to December 31, 2019 was $32.7 billion.
- As of December 31, 2019, capacity for short-term borrowing: $54.0 billion authorized and $23.4 billion outstanding, leaving $30.6 billion available.

Green Bonds

- Ontario is currently the largest issuer of Canadian dollar Green Bonds, with six green issues totaling $4.75 billion and $4.25 billion outstanding.
- The Province priced its sixth Green Bond issue of $750 million on November 20, 2019. As stated in the *2019 Ontario Economic Outlook and Fiscal Review*, the Province may launch another Green Bond before the end of fiscal 2019–20, if market conditions allow.
- Previous issues include a $500 million issue in 2014, a $750 million issue in 2016, an $800 million issue in 2017, a $1.0 billion issue in 2018 and a $950 million issue in January 2019.

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

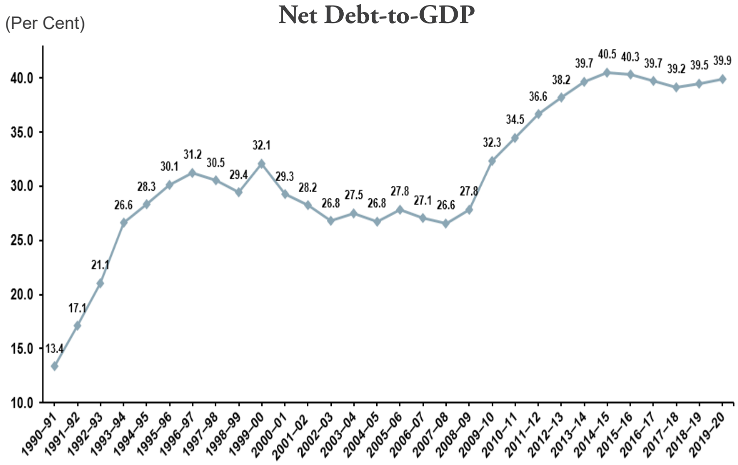
Fiscal Plan

- The government continues to make steady progress in its plan to return to a balanced budget. The government's responsible and prudent approach to managing the Province's finances has allowed for additional investments in critical public services while making life more affordable for individuals, families and businesses.
- The Province's 2019–20 deficit is projected to be $9.0 billion — an improvement of $1.3 billion from the outlook published in the *2019 Budget* and unchanged from the forecast provided at the release of the *2019 Ontario Economic Outlook and Fiscal Review*. The outlook for total expense is $165.3 billion, $1.7 billion higher than projected in the *2019 Ontario Economic Outlook and Fiscal Review*, largely due to additional funding to help Ontarians benefit from stable electricity costs. This additional expense was offset by higher projected revenues and lower interest on debt expense.

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
Revenue	**113.6**	**116.4**	**120.3**	**123.0**	**126.2**	**136.1**	**140.7**	**150.6**	**153.7**	**157.2**
Expense										
Programs	120.8	121.2	120.1	123.3	126.2	129.9	131.5	142.4	148.8	152.6
Interest on Debt	10.0	10.6	10.9	11.2	11.2	11.6	11.7	11.9	12.4	12.7
Total Expense	**130.8**	**131.8**	**131.0**	**134.5**	**137.4**	**141.5**	**143.2**	**154.3**	**161.1**	**165.3**
Reserve	–	–	–	–	–	–	–	–	–	1.0
Surplus/(Deficit)	**(17.3)**	**(15.4)**	**(10.7)**	**(11.5)**	**(11.3)**	**(5.3)**	**(2.4)**	**(3.7)**	**(7.4)**	**(9.0)**

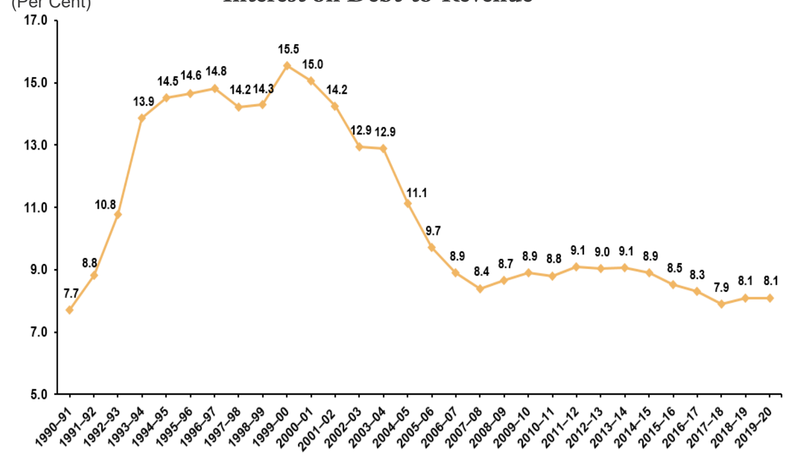
Note: Numbers may not add due to rounding.

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

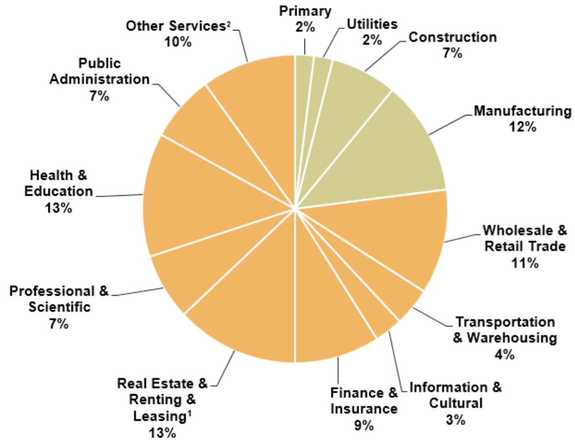


Note: The years from 2005–06 to 2019–20 have been restated for broader public sector line-by-line presentation.
Sources: Public Accounts of Ontario (1990–1991 to 2018–2019), and Ontario Financing Authority.

- Ontario's real GDP increased by 2.2 per cent in 2018, following a gain of 2.9 per cent growth in 2017. Private sector economists expect Ontario's GDP to grow by 1.7 per cent in both 2019 and 2020.

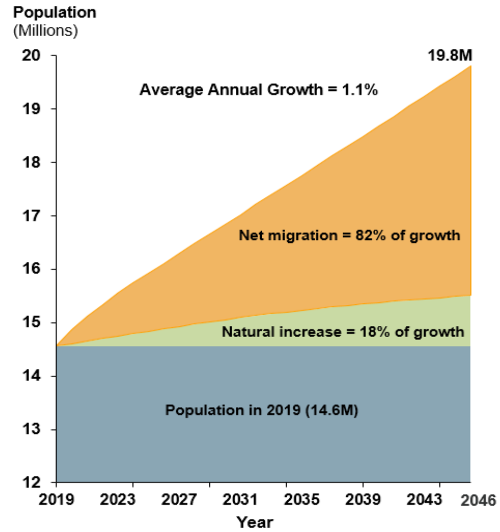
Ontario's Diverse Economy, 2018

(Per Cent Share of Ontario Nominal GDP)



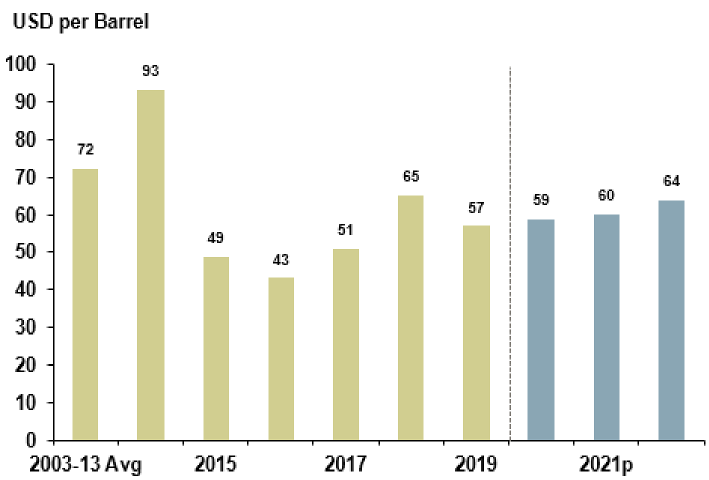
[1] Includes estimate of imputed rental income from owner occupied dwellings.
[2] Other services include: management of companies and enterprises [55], administrative and support, waste management and remediation services [56], arts, entertainment and recreation [71], accommodation and food services [72] and other services [81].
Source: Statistics Canada.
Note: Numbers may not add due to rounding.

Ontario Population Projection 2019–2046



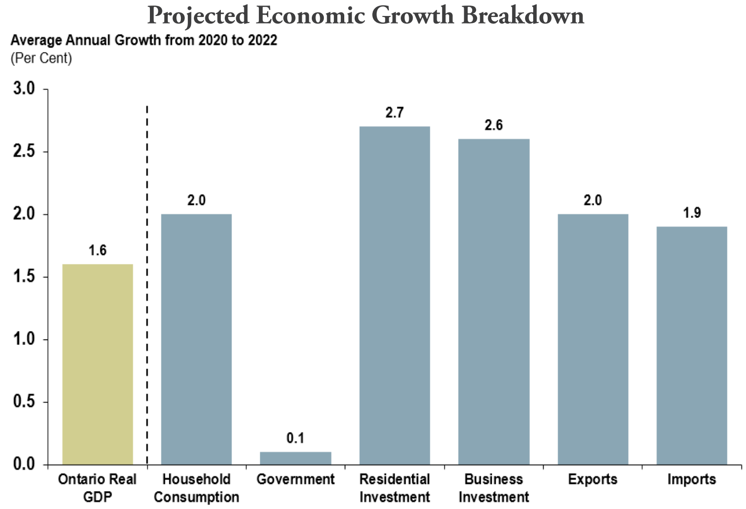
Sources: Statistics Canada for 2019 and Ontario Ministry of Finance projections.

WTI Oil Prices



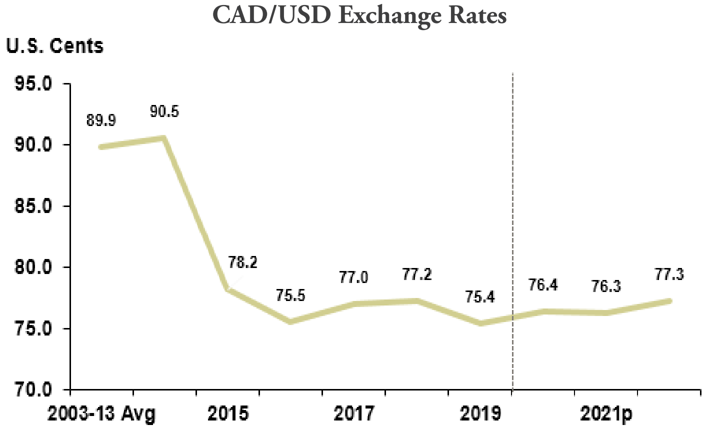
p = Ontario Ministry of Finance planning projection based on external sources.
Sources: U.S. Energy Information Administration and Ontario Ministry of Finance Survey of Forecasters (January 2020) and Ontario Ministry of Finance.

Projected Economic Growth Breakdown



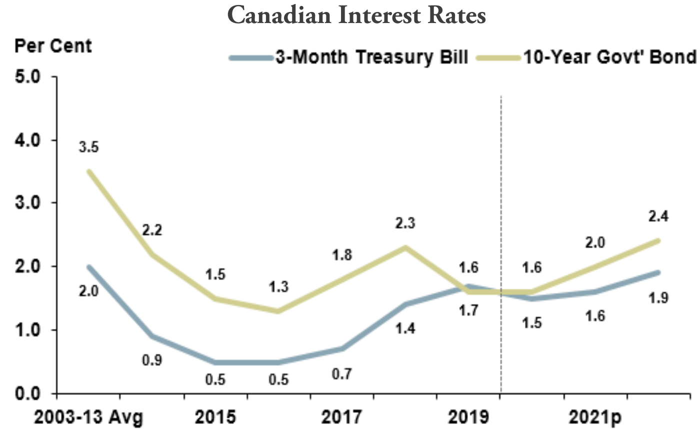
Note: Government includes consumption and investment expenditure. Business investment includes non-residential construction, machinery and equipment and intellectual property products.
Source: 2019 Ontario Economic Outlook and Fiscal Review planning projections.

CAD/USD Exchange Rates



p = Ontario Ministry of Finance planning projection based on external sources.
Sources: Bank of Canada, Ontario Ministry of Finance Survey of Forecasters (January 2020) and Ontario Ministry of Finance.

Canadian Interest Rates



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

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