Province of Ontario Investor Presentation

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February 10, 2021

2020–21 Third Quarter Finances

- As of the *2020–21 Third Quarter Finances,* the government is projecting a deficit of $38.5 billion in 2020–21, unchanged from the outlook presented in the *2020 Budget*.
- As committed in the *2020 Budget*, Ontario's Action Plan: Protect, Support, Recover, released last fall, the government's top priority remains protecting and supporting people's health and well-being throughout the pandemic.
- The COVID-19 pandemic has resulted in unprecedented impacts on economies around the world. Recent key economic indicators show that a significant economic rebound has occurred since last spring, but the global economy has not fully recovered to its pre-pandemic level.
- The government is projecting to spend an additional $25 billion in 2020–21 compared to 2019–20, and have made an additional $2.6 billion in investments since the *2020 Budget* to continue to protect and support people's health and economic well-being.

Borrowing Program

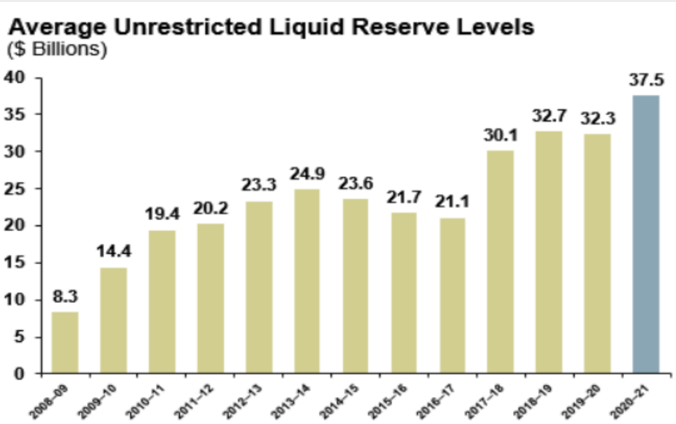
- The Province has completed $55.2 billion in long-term borrowing, $2.9 billion more than forecast in the *2020 Budget* and has updated the current outlook for the program accordingly. This reflects $1.5 billion in pre-borrowing currently completed for 2021–22, and $1.4 billion to fund increased investments. Subject to market conditions, the Province will continue to pre-borrow for next fiscal year.

($ Billions)	2020–21		
	2020 Budget	Current Outlook	In-Year Change
Deficit/(Surplus)	38.5	38.5	–
Investment in Capital Assets	10.6	11.9	1.4
Non-Cash Adjustments	(9.2)	(9.2)	–
Loans to Infrastructure Ontario	–	–	–
Other Net Loans/Investments	0.6	–	(0.6)
Debt Maturities/Redemptions	26.7	26.7	–
Total Funding Requirement	**67.0**	**67.8**	**0.8**
Decrease/(Increase) in Short-Term Borrowing	(5.7)	(5.1)	0.6
Increase/(Decrease) in Cash and Cash Equivalents	(1.4)	(1.4)	–
Pre-Borrowinging from 2019–20	(7.6)	(7.6)	–
Pre-Borrowinging in 2020–21 for 2021–22	–	1.5	1.5
Total Long-Term Public Borrowing	**52.3**	**55.2**	**2.9**

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

Liquidity and Short-Term Borrowing

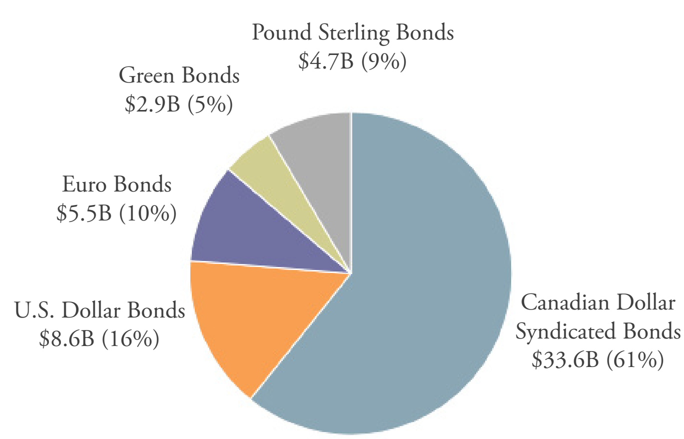
- The Province has large liquid reserve levels to withstand periods of financial market volatility, such as currently being experienced.
- As of February 10, 2021, liquid reserve levels were $54.5 billion.



Note: 2020–21 liquid reserves are on a forecast basis to fiscal year end as of September 30, 2020.

2020–21 Borrowing Program

As of February 10, 2021, borrowing completed for 2020–21 totalled $55.2 billion.



Notes: Numbers may not add due to rounding.

Long-Term Borrowing

- Since the beginning of fiscal 2010–11, the Province has issued $101.5 billion of bonds longer than 30 years to lock in low rates, including $8.9 billion so far in 2020–21. As a result, the weighted-average term of Ontario's borrowing has been extended from 8.1 years in 2009–10 to 11.4 years in 2020–21.

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%)	**39.9**	**14.1**	**10.7**
2015–16	25.8 (81%)	6.3 (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	28.9 (73%)	10.6 (27%)	**39.5**	**14.5**	**10.9**
2020–21	36.5 (66%)	18.8 (34%)	**55.2**	**11.4**	**10.7***

* The debt portfolio average term is on a forecast basis for 2020–21 as of September 30, 2020.
Note: Numbers may not add due to rounding. As of February 10, 2021.

Canadian Dollar Issuance

- Ontario accounted for 65.4 per cent of Canadian provincial bond trading in 2020. As of December 31, 2020, Ontario accounted for 16.1 per cent of the FTSE TMX Universe Bond Index, 15.2 per cent of the FTSE TMX Mid Bond Index, and 22.7 per cent of the FTSE TMX Long Bond Index.
- Regular issuance of 5-year, 7-year, 10-year and 30-year issues, which are re-opened to achieve benchmark size (34 syndicated issues so far in 2020–21).

Canadian Dollar Benchmark Bonds (as of February 10, 2021)

Term	Ontario		Canada	
5 year (old)	2.30% September 8, 2024	$2.75B	1.25% March 1, 2025	$17.30B
5 year (new)	1.75% September 8, 2025	$9.05B	0.50% September 1, 2025	$47.50B
7 year	1.05% September 8, 2027	$2.00B	1.00% June 1, 2027	$15.00B
10 year (old)	2.05% June 2, 2030	$11.65B	1.25% June 1, 2030	$44.20B
10 year (new)	1.35% December 2, 2030	$6.25B	0.50% December 1, 2030	$30.0B
Long (old)	2.65% December 2, 2050	$14.10B	2.75% December 1, 2048	$14.90B
Long (new)	1.90% December 2, 2051	$5.35B	2.00% December 1, 2051	$36.8B

Foreign Issuance

- The Province regularly accesses foreign markets to diversify its borrowing program and expand its investor base. Depending on market conditions the Province may borrow in U.S. dollars, Euros, Japanese yen, Pounds sterling, Swiss francs and Australian dollars.

EMTN Issues

Term	Issue Date and Coupon	Amount (Euros/Sterling)
5 year	0.25% January 6, 2021	£1.75B
10 year	0.01% November 17, 2020	€2.50B
3 year	0.50% May 27, 2020	£1.00B
7 year	0.375% April 1, 2020	€1.00B

U.S. Dollar Issues

Term	Issue Date and Coupon	Amount (U.S.$)
5 year	0.625% January 13, 2021	$3.50B
10 year	1.125% September 29, 2020	$1.25B
7 year	1.05% May 14, 2020	$1.75B
3 year	1.75% January 16, 2020	$3.00B

Green Bonds

- Ontario is currently the largest issuer of Canadian dollar Green Bonds, with nine green issues totaling $8.0 billion and $7.5 billion outstanding. A total of 27 projects have received or will receive funding from Ontario's nine Green Bond issues, with funding allocated towards clean transportation, energy efficiency and conservation, and climate adaptation and resilience projects.
- On January 28, 2021, Ontario issued its ninth Green Bond for $1.25 billion. This is Ontario's second Green Bond issue for fiscal year 2020–21. Nine projects have been selected as eligible to receive funding from Ontario's latest Green Bond.
- Ontario's Green Bond program has been recognized with the following awards in recent years:
  - **Environmental Finance Bond Awards 2019,** for Green Bond of the Year — Local/Municipality (2018 Green Bond issue)
  - **Climate Bonds Initiative 5th Green Bond Pioneer Awards**, for Largest Subnational Green Bond Issuer Over the Past 10 Years

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 Outlook

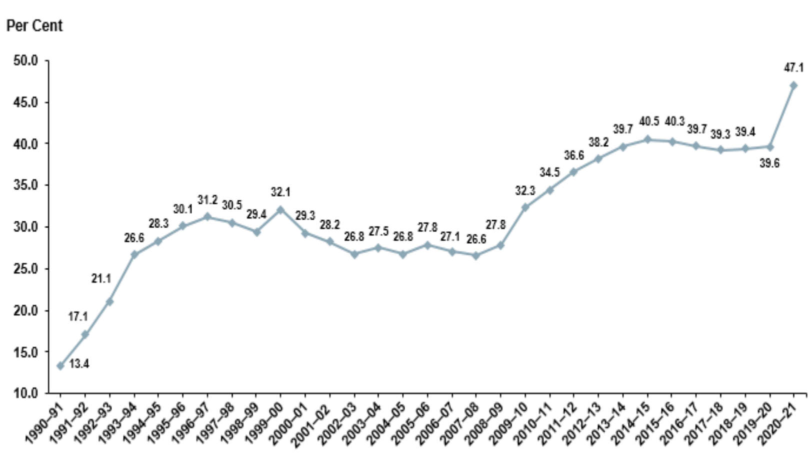
- Ontario's deficit forecast remains unchanged from the *2020 Budget* at $38.5 billion.
- Revenues in 2020–21 are projected to be $151.7 billion, $0.6 billion higher than forecast in the *2020 Budget.* The higher revenue forecast largely reflects stronger taxation revenues, attributable to a smaller economic decline in 2020 than the prudent planning assumptions in the *2020 Budget*.
- Program expenses are projected to be $2.6 billion higher than forecast in the *2020 Budget*, largely due to investments in hospitals, long-term care homes, and business support, primarily offset from existing contingencies.
- The *2020 Budget* included a $2.5 billion reserve in 2020–21 to protect the fiscal outlook against any unforeseen adverse changes in the Province's revenue and expense forecasts. With the release of the *2020–21 Third Quarter Finances,* the reserve has been reduced to $0.5 billion, and the standard Contingency Fund has been increased by $2.1 billion, for a total of $4.0 billion, to allow for additional investments to address the impacts of the COVID-19 before the end of the year.
- Interest on debt is projected to remain unchanged from the $12.5 billion forecast in the *2020 Budget*.

Fiscal Plan ($ Billions)	**Actuals**									***2020 Budget***	**Current Outlook[1]**
	2011–12	**2012–13**	**2013–14**	**2014–15**	**2015–16**	**2016–17**	**2017–18**	**2018–19**	**2019–20**	**2020–21**	**2020–21**
Revenue	**116.4**	**120.3**	**123.0**	**126.2**	**136.1**	**140.7**	**150.6**	**153.7**	**156.1**	**151.1**	**151.7**
Expense											
Programs	121.2	120.1	123.3	126.2	129.9	131.5	142.4	148.8	152.3	174.6	177.2
Interest on Debt	10.6	10.9	11.2	11.2	11.6	11.7	11.9	12.4	12.5	12.5	12.5
Total Expense	**131.8**	**131.0**	**134.5**	**137.4**	**141.5**	**143.2**	**154.3**	**161.1**	**164.8**	**187.0**	**189.7**
Reserve	–	–	–	–	–	–	–	–	–	2.5	0.5
Surplus/(Deficit)	**(15.4)**	**(10.7)**	**(11.5)**	**(11.3)**	**(5.3)**	**(2.4)**	**(3.7)**	**(7.4)**	**(8.7)**	**(38.5)**	**(38.5)**

1 Current outlook primarily reflects information available as of December 31st, 2020 as well as updates to February 5th, 2021.
Note: Numbers may not add due to rounding. *Source*: Ontario Treasury Board Secretariat and Ministry of Finance.

Net Debt-to-GDP

- The net debt-to-GDP ratio is projected to be 47.1 per cent in 2020–21, 0.1 percentage point higher than the 47.0 per cent forecast in the *2020 Budget*. The net debt-to-GDP ratio increased slightly as a result of an increased investment in capital assets.



Source: Ontario Financing Authority.

Short-Term Borrowing

- Ontario treasury bills and U.S. commercial paper are very well received in the money markets and provide additional borrowing capacity, if required.
- As of January 31, 2021, capacity for short-term borrowing: $61.0 billion authorized and $24.8 billion outstanding, leaving $36.2 billion available.

Risk Management

	Exposure	Policy Limit
Foreign Exchange	0.1%	3.0%
Net Interest Rate Resetting	7.1%	35.0%

Of outstanding debt, interim as of January 31, 2021

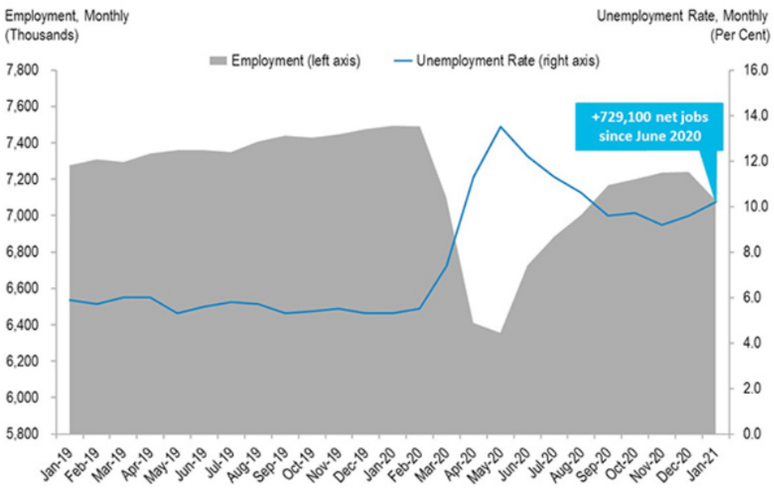
Credit Ratings (Long-Term/Short-Term)

Moody's	Aa3 / P-1
Fitch	AA- / F1+
DBRS Morningstar	AA (low) / R-1(mid)
S&P	A+ / A-1

Ontario's Economic Update and Pandemic Reponse

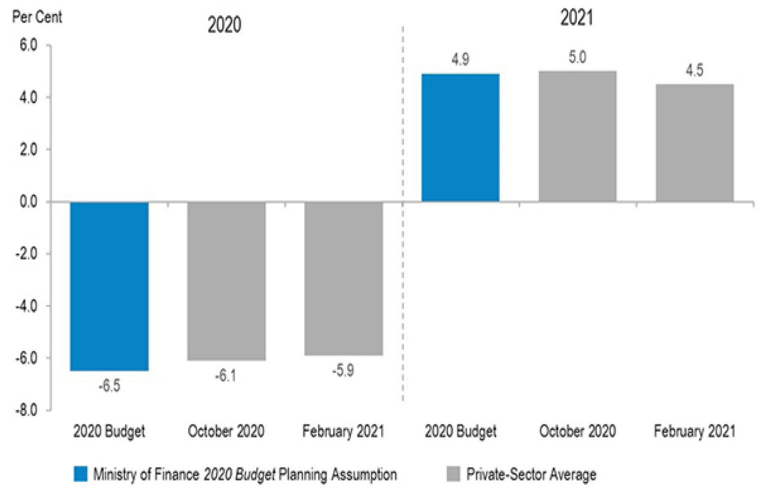
- The COVID-19 pandemic has resulted in significant and unprecedented impacts on economies around the world.
- The *2020 Budget* projects real GDP to decline 6.5 per cent in 2020 and rise 4.9 per cent in 2021, then gradually slow to a growth of 3.5 per cent in 2022 and 2.0 per cent in 2023. For prudent planning purposes, these projections are slightly below the average of private-sector forecasts at the time the Budget was finalized.
- Private-sector forecasts for Ontario real GDP growth in 2021 have eased since the time of the *2020 Budget*. Private-sector forecasters, on average, project Ontario real GDP to increase by 4.5 per cent in 2021 compared to an average increase of 5.0 per cent in October 2020.

Ontario's Labour Market



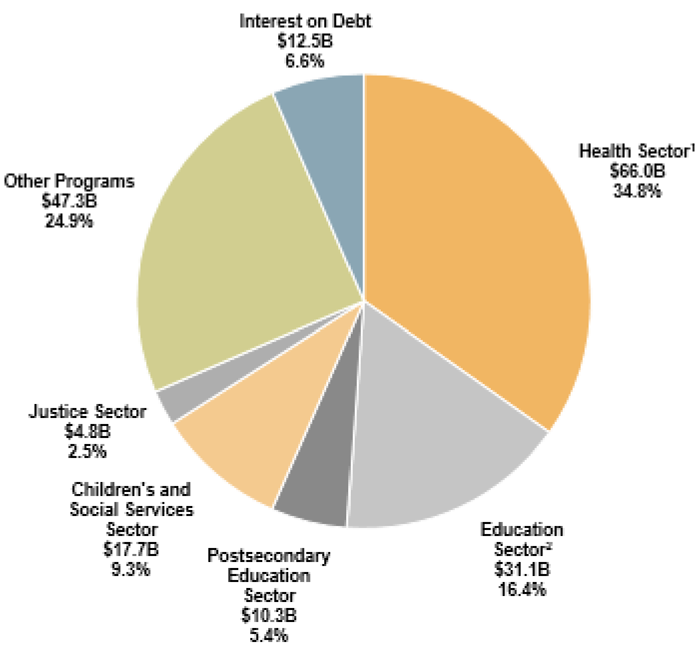
Source: Statistics Canada

Ontario Real GDP Growth



Sources: Ontario Ministry of Finance and Ontario Ministry of Finance Survey of Forecasters.

Composition of Total Expense 2020–21: $189.7B



1 For presentation purposes in the *2020–21 Third Quarter Finances*, all one-time COVID-19 related spending has been included separately instead of within the Ministry of Health and Ministry of Long-Term Care. This funding includes a one-time COVID-19 Health Sector expense of $3.1 billion and the COVID-19 Health Contingency Fund of $5.3 billion in 2020–21. This change in presentation does not impact ministry allocations, which reflect ministry structure(s) presented in the 2020–21 Expenditure Estimates.
2 Excludes Teachers' Pension Plan. Teachers' Pension Plan expense is included in Other Programs.
Note: Numbers may not add due to rounding.
Sources: Ontario Treasury Board Secretariat and Ministry of Finance.

Extraordinary Contingencies and Time-Limited Pandemic Response, 2020–21

($ Millions)	Current Outlook 2020–21
Time-limited Funding and Contingencies	
One-time COVID-19 Health Sector Expense	3,052
COVID-19 Health Contingency Fund	5,294
Subtotal: COVID-19 Health Sector Response	**8,346**
Support for People and Jobs Fund	**4,966**
Total Time-limited Funding and Contingencies	**13,312**
Remaining Balances[1]	
COVID-19 Health Contingency Fund	–
Support for People and Jobs Fund	–
Total Remaining Balances	–

1 As of February 5th, 2021, net of new projected drawdowns in the *2020–21 Third Quarter Finances*.
Note: Numbers may not add due to rounding.
Sources: Ontario Treasury Board Secretariat and 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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