2021–22 Third Quarter Finances

- As of the release of the *2021–22 Third Quarter Finances*, the government is projecting a deficit of $13.1 billion in 2021–22, an improvement of $20.0 billion from the outlook presented in the 2021 Budget, and $8.4 billion lower than projected in the *2021 Ontario Economic Outlook and Fiscal Review*.
- Acknowledging the continued uncertainty related to the global COVID-19 pandemic, the government plans to provide an updated fiscal recovery plan in the *2022 Budget*.
- Ontario's net debt-to-GDP is projected to be 40.8 per cent in 2021–22, 8.0 percentage points lower than the 48.8 per cent forecast in *2021 Budget* and 2.6 percentage points lower than projected in the *2021 Ontario Economic Outlook and Fiscal Review*.
- Ontario's 2021–22 long-term public borrowing is now forecast to be $41.0 billion. This is $13.7 billion lower than the *2021 Budget* forecast reflecting the decrease in the funding requirements along with an increase in pre-borrowing for 2022 –23 to $10.0 billion.
- Ontario's real gross domestic product (GDP) is projected to have risen 4.4 per cent in 2021, up slightly from the *2021 Ontario Economic Outlook and Fiscal Review* real GDP growth planning assumption of 4.3 per cent.

Borrowing Program

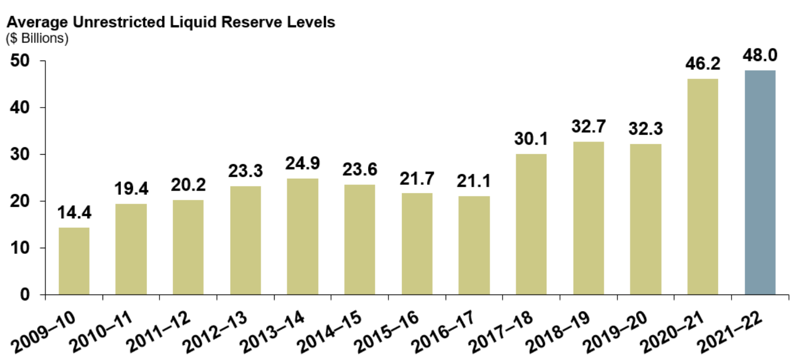
- The Province's funding requirements for 2021–22 are projected to decrease by $18.9 billion compared to the forecast in the *2021 Budget*, primarily reflecting a decrease of $20.0 billion in the projected deficit offset by a $1.5 billion increase in capital investments. The Province's long-term borrowing program for 2021–22 is forecast to decrease by $13.7 billion, reflecting the decrease in the funding requirements along with and increase in pre-borrowing for 2022–23 to $10.0 billion.

($ Billions)	2021–22		
	2021 Budget	Current Outlook[1]	Change from *2021 Budget*
Deficit/(Surplus)	33.1	13.1	(20.0)
Investment in Capital Assets	11.8	13.3	1.5
Non-Cash Adjustments	(9.5)	(9.5)	–
Loans to Infrastructure Ontario	0.2	0.2	(0.0)
Other Net Loans/Investments	1.3	1.0	(0.3)
Debt Maturities/Redemptions	25.0	25.0	0.0
Total Funding Requirement	**61.9**	**43.1**	**(18.9)**
Decrease/(Increase) in Short-Term Borrowing	(6.0)	–	6.0
Increase/(Decrease) in Cash and Cash Equivalents	4.0	4.0	–
Pre-borrowing in 2020–21 for 2021–22	(5.2)	(16.2)	(10.9)
Pre-borrowing for 2022–23	–	10.0	10.0
Total Long-Term Public Borrowing	**54.7**	**41.0**	**(13.7)**

[1] The Current Outlook reflects additional pre-borrowing completed between the release of the *2021 Budget* and fiscal year end.
Note: Numbers may not add due to rounding.
Source: Ontario Financing Authority

Liquidity

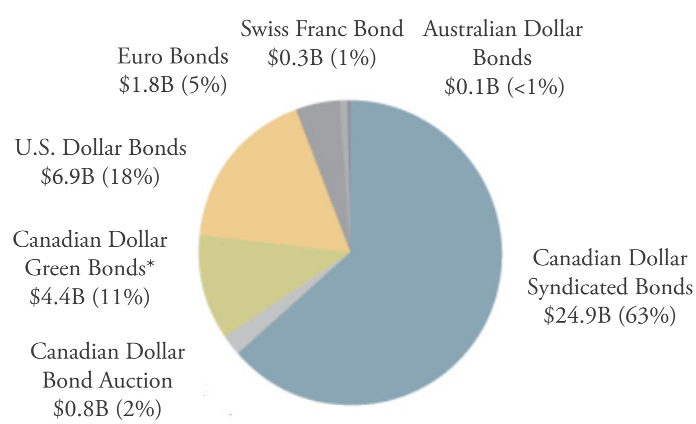
- Ensuring Ontario always has sufficient liquidity to meet its cashflow needs is even more critical during the COVID-19 pandemic, in order to continue to address any unforeseen economic or public health needs.
- As of February 11, 2022, liquid reserve levels were $45.8 billion.



Note: As of January 31, 2022.

2021–22 Borrowing Program

As of February 14, 2022, borrowing completed for 2021–22 totalled $39.2 billion.

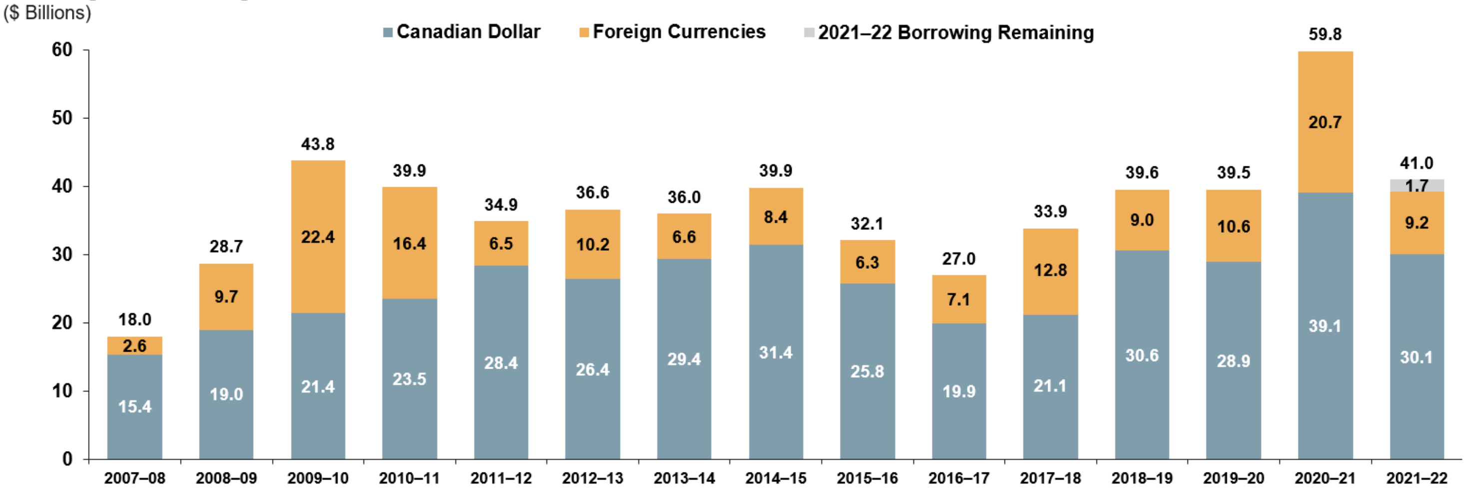


* Face value $4.5 billion
Note: Numbers may not add due to rounding.

Long-Term Borrowing

- Ontario's target range for domestic borrowing remains unchanged at 65 to 80 per cent of borrowing completed for the 2021–22 fiscal year. This range will be further adjusted, if necessary, in response to evolving investor demand in the Canadian dollar and foreign currency debt markets.
- Ontario continues to extend the term of its debt, when investor demand allows, to reduce refinancing risk on maturing debt and capitalize on historically low interest rates. Ontario has issued $112.7 billion of bonds, or approximately one-quarter of total debt, with maturities of 30 years or longer since 2010–11. This includes $9.3 billion so far in 2021–22.

Total Long-Term Borrowing
($ Billions)



	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21	2021–22
Foreign	14%	34%	51%	41%	19%	28%	18%	21%	19%	26%	38%	23%	27%	35%	23%
Domestic	86%	66%	49%	59%	81%	72%	82%	79%	81%	74%	62%	77%	73%	65%	77%
Weighted-Average Term	12.1	8.6	8.1	12.8	13.0	12.4	13.6	14.1	14.2	13.9	12.1	12.9	14.5	12.0	14.1
Debt Portfolio Average Term	10.7	10.4	9.7	10.0	10.1	10.1	10.4	10.7	10.9	10.9	10.7	10.7	10.9	10.8	10.9*

*As of September 30, 2021.
Note: Numbers may not add due to rounding. As of February 14, 2022.

Canadian Dollar Issuance

- Ontario accounted for 65.4 per cent of Canadian provincial bond trading in 2020. As of July 31, 2021, Ontario accounts for 15.5 per cent of the FTSE TMX Universe Bond Index, 16.4 per cent of the FTSE TMX Mid Bond Index, and 21.8 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 (33 syndicated issues in 2021–22).

Canadian Dollar Benchmark Bonds (as of February 14, 2022)

Term	Ontario		Canada	
5-year (old)	1.75% September 8, 2025	$9.05B	0.25% March 1, 2026	$34.00B
5-year (new)	1.35% September 8, 2026	$1.25B	1.00% September 1, 2026	$23.00B
7-year	1.05% September 8, 2027	$2.00B	1.00% June 1, 2027	$15.00B
10-year (old)	2.15% June 2, 2031	$8.85B	0.50% December 1, 2030	$40.00B
10-year (new)	2.25% December 2, 2031	$5.60B	1.50% June 1, 2031	$42.00B
Long (old)	1.90% December 2, 2051	$12.75B	2.75% December 1, 2048	$14.90B
Long (new)	2.55% December 2, 2052	$5.30B	2.00% December 1, 2051	$51.80B

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.

EMTN Issues

Term	Issue Date and Coupon	Amount (Euros/Sterling)
10-year	0.25% June 1, 2021	€1.00B
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

U.S. Dollar Issues

Term	Issue Date and Coupon	Amount (U.S.$)
10-year	2.13% January 13, 2022	$1.50B
10-year	1.80% October 6, 2021	$1.00B
5-year	1.05% April 7, 2021	$3.00B
10-year	1.60% February 18, 2021	$1.50B

Green Bonds

- Ontario remains the largest issuer of Canadian dollar Green Bonds, totalling $12.5 billion with $12.0 billion outstanding. A total of 28 projects have received or will receive funding from Ontario's eleven Green Bond issues, with funding allocated towards clean transportation, energy efficiency and conservation, and climate adaptation and resilience projects.
- On February 2, 2022, the Province issued its second Green Bond in fiscal 2021–22, and eleventh Green Bond overall. This issue was for $1.75 billion and follows a $2.75 billion issue in July 2021.
- Ontario plans to continue its leadership role in the Canadian dollar Green Bond market and, subject to market conditions, will issue multiple Green Bonds each fiscal year, including in 2021–22.

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

- The government remains committed to strengthening the economy. In the third quarter and early 2022, the government's focus was fighting the COVID-19 pandemic, while supporting people and businesses impacted by public health restrictions to blunt the spread of Omicron.
- The deficit is projected to be $13.1 billion in 2021–22, and the deficit improvement is largely driven by a projected increase in taxation revenue attributable to stronger than expected nominal GDP growth in 2021.
- The Province is also investing an additional $2.3 billion, primarily in health care and supports to businesses and workers, offset from existing contingencies, relative to the *2021 Ontario Economic Outlook and Fiscal Review.*
- The reserve has been maintained as part of the current fiscal outlook, at $1.0 billion in 2021-22, which can be used to address any unforeseen events that could arise before the fiscal year-end.

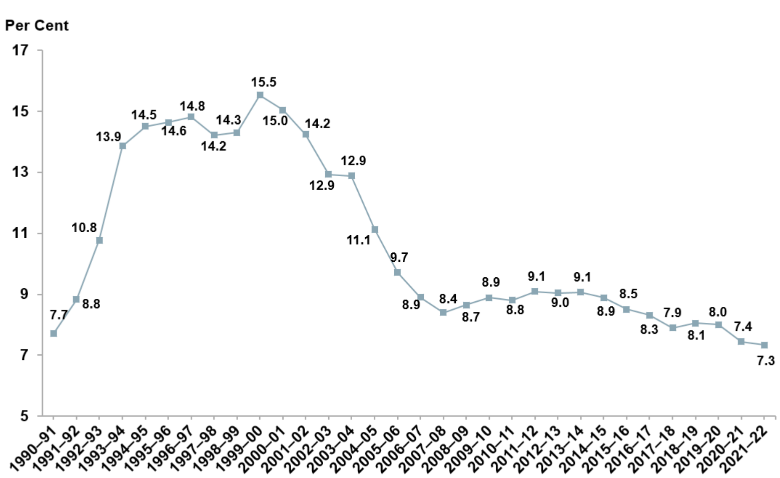
Fiscal Plan ($ Billions)	**Actuals**									**Current Outlook**
	2012–13	**2013–14**	**2014–15**	**2015–16**	**2016–17**	**2017–18**	**2018–19**	**2019–20**	**2020–21**	**2021–22**
Revenue	**120.3**	**123.0**	**126.2**	**136.1**	**140.7**	**150.6**	**153.7**	**156.1**	**164.9**	**176.7**
Expense										
Programs	120.1	123.3	126.2	129.9	131.5	142.4	148.8	152.3	169.0	175.8
Interest on Debt	10.9	11.2	11.2	11.6	11.7	11.9	12.4	12.5	12.3	13.0
Total Expense	**131.0**	**134.5**	**137.4**	**141.5**	**143.2**	**154.3**	**161.1**	**164.8**	**181.3**	**188.8**
Reserve	–	–	–	–	–	–	–	–	–	1.0
Surplus/(Deficit)	**(10.7)**	**(11.5)**	**(11.3)**	**(5.3)**	**(2.4)**	**(3.7)**	**(7.4)**	**(8.7)**	**(16.4)**	**(13.1)**

Note: Numbers may not add due to rounding. *Sources*: Ontario Treasury Board Secretariat and Ontario Ministry of Finance.

Interest on Debt (IOD) Expense

- Lower than forecast deficits and borrowing requirements have reduced Ontario's interest costs.
- The IOD forecast for 2021–22 is $13.0 billion, lower than the *2021 Budget* forecast of $13.1 billion.
- The IOD-to-revenue forecast for 2021–22 is 7.3 per cent, or 1.2 percentage points lower than forecasted in the *2021 Budget.*

IOD-to-Revenue



Source: Public Accounts of Ontario (1990–1991 to 2020–2021) and 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, 2022, capacity for short-term borrowing: $61.0 billion authorized and $22.0 billion outstanding, leaving $39.0 billion available.

Risk Management

	Exposure[1]	Policy Limit
Foreign Exchange	0.13%	3.0%
Net Interest Rate Resetting	10.3%	35.0%

[1] Of outstanding debt, interim as of January 31, 2022.

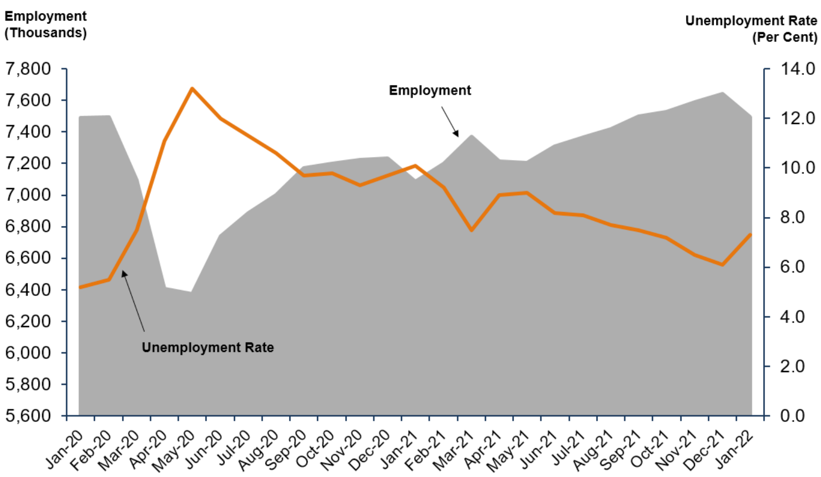
Credit Ratings (Long-Term/Short-Term)

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

Ontario's Economic Update

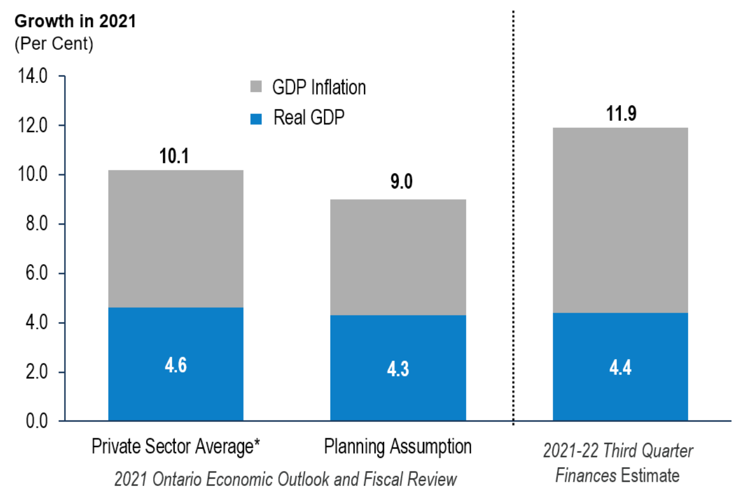
- Ontario's economy has been resilient in the face of the COVID-19 pandemic. Between May and December 2021, the Province added a total of 1.3 million net jobs reflecting the reopening of the economy. Employment in Ontario in January 2022 was essentially unchanged compared to the February 2020 pre-pandemic level.
- Ontario's real GDP is projected to have risen 4.4 per cent in 2021, up slightly from the *2021 Ontario Economic Outlook and Fiscal Review* real GDP growth planning assumption of 4.3 per cent. Ontario's nominal GDP is estimated to have increased 11.9 per cent in 2021, higher than the prudent *2021 Ontario Economic Outlook and Fiscal Review* nominal GDP growth planning assumption of 9.0 per cent.
- The private-sector average forecast for Ontario real GDP growth in 2022 is 4.2 per cent, lower than the 4.6 per cent average at the time of the *2021 Ontario Economic Outlook and Fiscal Review.* The private-sector average forecast for Ontario nominal GDP growth in 2022 is 7.0 per cent, higher than the 6.7 per cent average at the time of the *2021 Ontario Economic Outlook and Fiscal Review.*

Ontario Labour Market



Source: Statistics Canada.

Stronger-than-Planned Real and Nominal GDP Growth in 2021



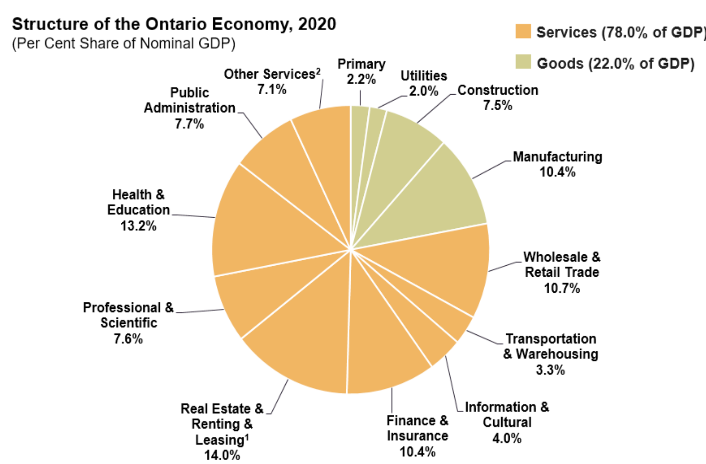
*Average of private-sector forecasts updated updated between August 31 and October 1, 2021.
Sources: Ontario Ministry of Finance Survey of Forecasters and Ontario Ministry of Finance.

Ontario's Economic Outlook

Economic Summary (Per Cent)	2020	2021	2022p	2023p	2024p
Real GDP Growth	(5.1)	4.4e	4.5	2.6	2.0
Nominal GDP Growth	(2.8)	11.9e	6.6	4.6	4.1
Employment Growth	(4.8)	4.9	3.3	2.0	1.5
CPI Inflation	0.7	3.5	2.6	2.1	1.9

e = Ontario Ministry of Finance Q3 Finances estimate.
p = Ontario Ministry of Finance Fall Statement planning projection.
Sources: Statistics Canada and Ontario Ministry of Finance.

Ontario's Diverse Economy



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

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

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