

CEO's Corner – June 26, 2017

Hi, I'm Gadi Mayman, CEO of the Ontario Financing Authority. Thank you for joining me for the next few minutes.

As we approach the end of our first fiscal quarter, I wanted to take this opportunity to update you on our borrowing program and strategy, as well as highlight some of our accomplishments so far this fiscal year.

Let's start with the borrowing program.

As of June 22nd, we have issued \$12.0 billion, which is approximately 45% of our 2017–18 borrowing requirement of \$26.4 billion, and puts our program well ahead of even pace.

Over the past couple of months we have been quite active in the international market. Of the \$12.0 billion issued, about \$6.3 billion or 53% of borrowing was completed in foreign currencies. Taking advantage of borrowing opportunities that arose, we came to market with sizeable transactions in Pound Sterling, USD, Euros, and Swiss Francs.

In early May, we had issued a new 3.5-year floating rate Pound Sterling bond. This transaction represents Ontario's first foray into the Sterling primary market since 2011. The new issue totalled 400 million pounds, with bank treasuries and official institutions accounting for almost three quarters of the book. Near the end of the month, we also re-opened the issue for 100 million pounds. In total, Sterling accounts for \$882 million Canadian dollars of our long-term borrowing requirement for 2017–18.

In May, we also issued a 5-year \$2.0 billion USD global bond. This was our first U.S. dollar Global for the fiscal year. It had a final book in excess of \$2.7 billion U.S. dollars and received 60 orders. The placement saw a wide participation of investors by geography. The order book was dominated by accounts from the Americas, accounting for 60% of the demand, followed by EMEA and Asian investors at 23% and 17% respectively, highlighting the breadth of Ontario's global investor base. Currently, U.S. dollar issuance accounts for \$2.7 billion Canadian dollars of our borrowing completed this year.

Earlier this month, we completed our first Euro benchmark transaction since January 2015. The 7-year, €1.5 billion Euro deal, equivalent to \$2.3 billion in Canadian dollars, had a final book in excess of €2.2 billion Euros with over 70 investors participating in the trade. Again, demand was strongly driven by bank treasuries and official institutions, accounting for a combined 69% of the transaction.

Finally, our most recent international issue was in Swiss Francs on June 12th of this year. This was Ontario's first Swiss Franc bond offering since 2010, and only the second Swiss Franc transaction from a Canadian issuer in 2017. The 12-year, 300 million Swiss Franc transaction is also the longest tenor that Ontario has had in this

market. In total, Swiss Francs accounted for approximately \$400 million Canadian dollars out of the \$6.3 billion we have borrowed in the international market for 2017–18.

The remaining \$5.6 billion, or 47%, was issued in the domestic market, primarily through our syndicated issues. On June 21st, we re-opened our 5-year domestic for \$1.0 billion and prior to that, we completed five re-openings of our 30-year benchmark bond, dated June 2048. This included our 50th carve-out order of \$400 million in May. Carve-out deals to date total approximately \$27.2 billion since we began the program.

Our domestic borrowing also includes our annual retail savings bond campaign, the Ontario Savings Bonds, which we completed on June 21st, as well as our floating rate notes of approximately \$1.6 billion, which we issued on June 22nd.

I'd like to move on to our borrowing strategy now.

The primary focus of our borrowing program continues to be in the domestic market. However, as I've mentioned previously, the OFA will maintain a responsive and flexible approach in dealing with markets and investors.

In recognition of the success we are having in international markets, we are modifying downwards our forecast of funding at least 75% of our long-term borrowing in the Canadian dollar market. Currently, we forecast ending the year with about two-thirds of our funding done in Canadian dollars. We will regularly update this forecast to ensure that our funding is done in the most cost-effective manner over the long-term, while being responsive to investor demand.

The average term of our debt issued so far this year has been 12.1 years, continuing the strategy that we've followed for the past few years of locking in historically low interest rates. In addition, the Province will attempt to remain ahead of pace in its borrowing program, depending on market conditions.

Finally, I would like to highlight some of our major outreach initiatives this quarter.

During the first quarter of our fiscal year, outreach efforts focused on Europe, with three roadshows in the region. This included a technical roadshow to Switzerland, France, and the Netherlands; multiple conferences and investor meetings in London; as well as a Minister-led roadshow to Frankfurt and London.

This was then followed by a trip to Panama to meet with Central Banks at a Latin America Institutional Investors Conference. This week, a member of the funding team is also scheduled to participate at a conference and conduct fixed income meetings in Vancouver.

While there were many questions from investors about the Toronto housing market, and the potential impact of NAFTA renegotiations on the Ontario economy, our reception has been very favourable, and Ontario bonds remain in strong demand. In fact, we've

seen many of the investors we met with come through with orders for our international deals.

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Thank you very much for your time.