

Ontario Overview

- The Province of Ontario is located in a prime area with close ties to the United States
- Ontario had a population of 14 million and nominal GDP of \$798 billion in 2016, representing roughly 40 per cent of Canada
- Ontario has a diverse economy, with extensive manufacturing, financial and business services and a 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 government is dedicated to a fiscally sound approach to managing the Province's finances, and is projecting a balanced budget in 2017–18 and to remain balanced in 2018–19 and 2019–20
- The Province is making public infrastructure investments of more than \$190 billion over 13 years, beginning in 2014–15



Borrowing Program

(\$ Billions)	Interim 2016-17	Current Outlook		
		2017-18	2018-19	2019-20
Deficit/(Surplus)	1.5	0.0	0.0	0.0
Investment in Capital Assets	8.9	13.1	15.4	17.1
Loans/Investments	(1.0)	(0.3)	1.9	1.2
Debt Maturities	20.9	17.5	21.8	27.4
Amortization and Other Offsets	(4.7)	(6.6)	(6.8)	(7.0)
Total Funding Requirement	25.6	23.7	32.3	38.7
Other Adjustments	0.2	6.0	–	(0.9)
Preborrowing from 2015–16	(2.0)	–	–	–
Preborrowing in 2016–17 for 2017–18	3.2	(3.2)	–	–
Total Long-Term Public Borrowing	27.0	26.4	32.2	37.8

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
- 75 per cent target for Canadian dollar borrowing with likely issuance in U.S. dollars and Euros
- In January 2017, Ontario issued its third Green Bond of \$800 million

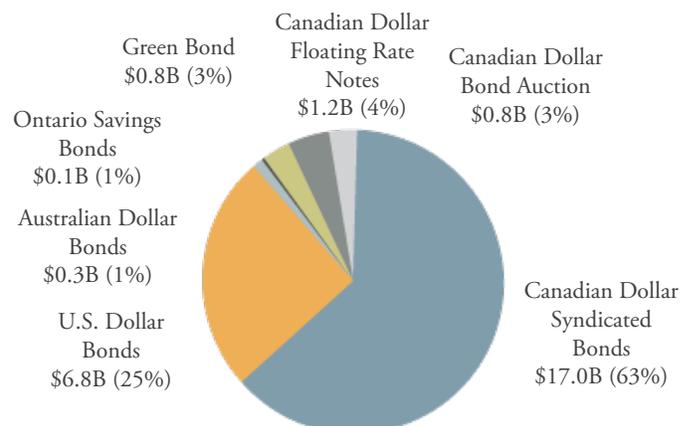
Current Ratings (Long-Term/Short-Term)

Moody's	Aa2 / P-1
Fitch	AA- / F1+
DBRS	AA (low) / R-1(mid)
S&P	A+ / A-1+ (UCO)*

*UCO: under criteria observation.

Diverse Borrowing Program 2016–17

As of March 31, 2017, borrowing completed for 2016–17 totalled \$27.0 billion.



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

Long-Term Borrowing

- In 2016–17, the Province successfully completed its borrowing program of \$27.0 billion, this is the Province's lowest borrowing program since 2008–09. As of April 27, 2017, borrowing completed for 2017–18 was \$0.6 billion
- Given the low interest rates experienced in recent years, Ontario has been proactive in extending the term of its borrowing program. It was 13.9 years in 2016–17, up from 8.1 years in 2009–10

Fiscal Year	Canadian Dollar (\$Billions)	Foreign Currencies (\$Billions)	Total Long-Term Borrowing (\$Billions)	Weighted-Average Term (years)
2009–10	21.4 (49%)	22.4 (51%)	43.8	8.1
2010–11	23.5 (59%)	16.4 (41%)	39.9	12.8
2011–12	28.4 (81%)	6.5 (19%)	34.9	13.0
2012–13	26.4 (72%)	10.2 (28%)	36.6	12.4
2013–14	29.4 (82%)	6.6 (18%)	36.0	13.6
2014–15	31.4 (79%)	8.4 (21%)	39.8	14.1
2015–16	25.8 (81%)	6.3 (19%)	32.1	14.2
2016–17	19.9 (74%)	7.1 (26%)	27.0	13.9
2017–18 Outlook	0.6 (100%)	0.0 (0%)	26.4	–
2018–19 Outlook	Target: at least 75%	Target: at most 25%	32.2	–
2019–20 Outlook			37.8	–

Note: Numbers may not add due to rounding. 2017-18 figures as of April 27, 2017.

Canadian Dollar Issuance

- Ontario accounted for 58.3 per cent of Canadian provincial bond trading in 2016. Ontario accounts for 14.0 per cent of the FTSE TMX Universe Bond Index, 19.8 per cent of the FTSE TMX Mid Bond Index, and 19.8 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 (22 syndicated issues in 2016–17)
- Large order procedure initiated in 2011 (49 issues totalling approximately \$26.8 billion)

Canadian Dollar Benchmark Bonds (as of April 27, 2017)

	Ontario		Canada	
5 year (old)	4.20% June 2, 2020	\$10.80B	0.75% September 1, 2021	\$15.00B
5 year (new)	1.35% March 8, 2022	\$2.00B	0.50% March 1, 2022	\$15.00B
10 year (old)	2.40% June 2, 2026	\$7.50B	1.50% June 1, 2026	\$13.50B
10 year (new)	2.60% June 2, 2027	\$1.75B	1.00% June 1, 2027	\$12.00B
Long (old)	2.90% December 2, 2046	\$14.70B	3.50% December 1, 2045	\$16.40B
Long (new)	2.80% June 2, 2048	\$6.65B	2.75% December 1, 2048	\$12.10B

Foreign Issuance

- The Province regularly accesses foreign markets to diversify its borrowing program and expand its investor base

U.S. Dollar Borrowing

- The U.S. dollar market remains an important source of funding for Ontario with \$6.0 billion issued in 2015–16, and \$6.8 billion issued in 2016–17

Euro Borrowing

- The Euro Market is also an important source of funding for Ontario, with \$4.5 billion issued in the last 3 years

Green Bonds

- In 2014, Ontario successfully launched a Green Bond program, with an inaugural global 4-year Canadian dollar bond of \$500 million and in 2016, Ontario launched a second global 7-year Canadian dollar bond of \$750 million. In January 2017, the Province successfully priced an \$800 million reopening of its January 2023 Global Green Bond. The transaction represents the third and largest ever Green Bond offering from the Province of Ontario
- The inaugural bond helped fund a clean transportation project, while the second and third Green Bonds were expanded to include a basket of eight and twelve clean transportation, energy efficiency and conservation projects, respectively

Ontario's Green Bonds:

- 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
- Help finance transit and other environmentally friendly projects across the Province

Assurances and Features:

- 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 Markets 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

Risk Management and Short-Term Borrowing

	Exposure	Policy Limit
Foreign Exchange	0.2%	5.0%
Net Interest Rate Resetting	11.3%	35.0%

Of outstanding debt, as of February 28, 2017.

- Ontario's maximum net interest rate resetting exposure is 35 per cent and its maximum foreign exchange exposure is 5 per cent of debt issued for provincial purposes
- Average liquid reserves as of March 31, 2017 were \$20.9 billion
- As of March 31, 2017, capacity for short-term borrowing: \$48.0 billion authorized and \$21.8 billion outstanding, leaving \$26.2 billion available

Fiscal Plan and Outlook

- The government is projecting a deficit of \$1.5 billion in 2016–17, a return to balance in 2017–18 and continued balance in 2018–19 and 2019–20
- Revenue is projected to grow from \$133.2 billion in 2016–17 to \$149.3 billion in 2019–20, and program expense is projected to grow from \$123.5 billion in 2016–17 to \$135.8 billion in 2019–20

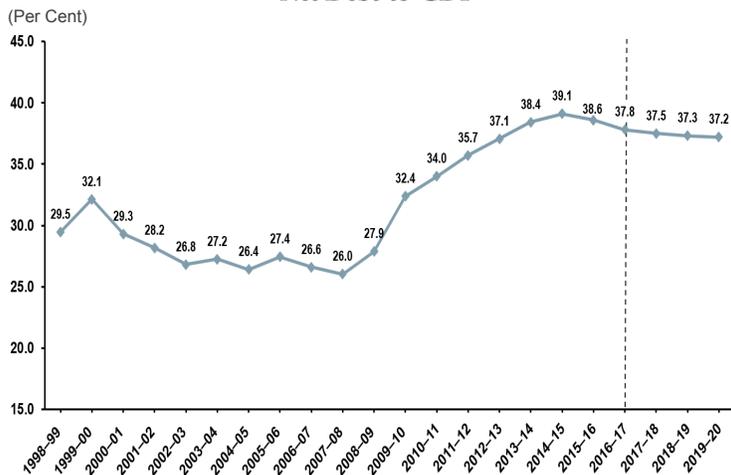
Medium-Term Fiscal Plan and Outlook (\$ Billions)	Actual ¹							Current Outlook	Plan	Medium-Term Outlook	
	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20
Revenue	96.3	107.2	109.8	113.4	115.9	118.5	128.4	133.2	141.7	144.9	149.3
Expense											
Programs	106.9	111.7	112.7	112.2	115.8	118.2	120.9	123.5	129.5	132.3	135.8
Interest on Debt	8.7	9.5	10.1	10.3	10.6	10.6	11.0	11.3	11.6	12.0	12.6
Total Expense	115.6	121.2	122.7	122.6	126.4	128.9	131.9	134.8	141.1	144.3	148.4
Reserve	–	–	–	–	–	–	–	–	0.6	0.6	0.9
Surplus/(Deficit)	(19.3)	(14.0)	(13.0)	(9.2)	(10.5)	(10.3)	(3.5)	(1.5)	0.0	0.0	0.0

Note: Numbers may not add due to rounding.

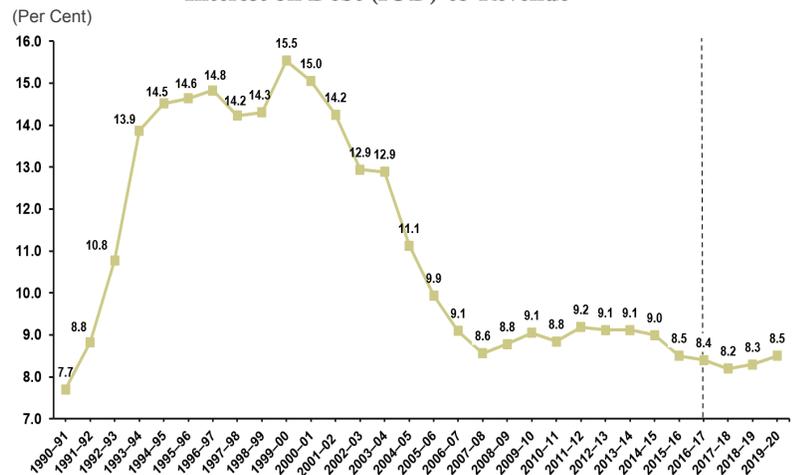
¹The 2015-16 actuals have been restated to reflect recognizing jointly sponsored net pension assets for the Ontario Public Service Employees' Union Pension Plan and the Ontario Teachers' Pension Plan on the Province's financial statements, consistent with the 2016 Budget and as described in the 2016–17 Third Quarter Finances.

- Ontario's net debt-to-GDP ratio peaked in 2014–15 at 39.1 per cent and has trended downwards since then, now forecast at 37.8 per cent in 2016–17 and 37.5 in 2017–18
- The government is setting an interim net debt-to-GDP ratio target of 35 per cent by 2023–24 and continues to maintain a target of reducing the net debt-to-GDP ratio to its pre-recession level of 27 per cent, currently projected to be achieved by 2029–30
- The IOD-to-revenue ratio is lower than it was in the past 25 years, and is forecast to remain lower through the outlook period in 2019–20

Net Debt-to-GDP



Interest on Debt (IOD)-to-Revenue

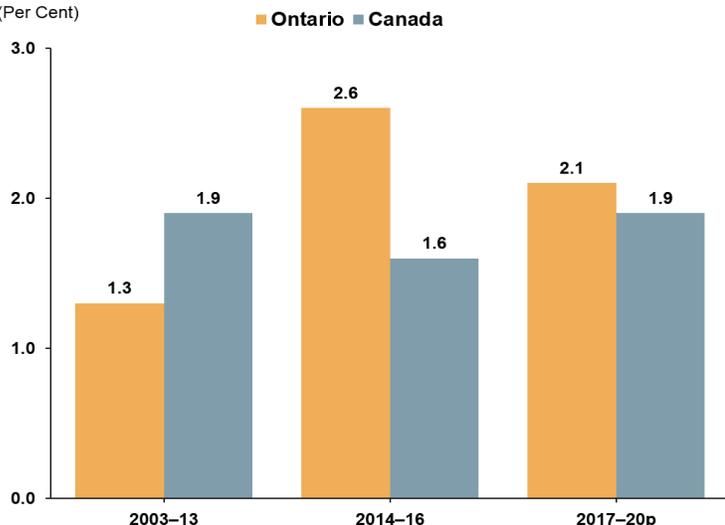


•• Economic Update

- Ontario's real GDP increased by 2.7 per cent in 2016, following up on 2.5 per cent growth in 2015
- Ontario outpaced Canadian growth over the last three years and private sector economists expect that trend to continue until at least 2018
- Low oil prices, a more competitive Canadian dollar and stronger growth in the U.S. economy are projected to lead to a broadening of economic growth in Ontario
- Ontario's marginal effective tax rate on new business investment (a comprehensive measure of the tax burden on new business investment) has been cut substantially from 33.0 per cent in 2009 to 16.9 per cent in 2016, making the Province a significantly more attractive location for business investment
- Over the past three years, Ontario has been twice named as the top destination in North America for foreign direct capital investment by fDi Intelligence, the research division of the Financial Times Ltd.

Ontario's Growth to Continue to Outpace Canada

Real GDP Growth
(Per Cent)

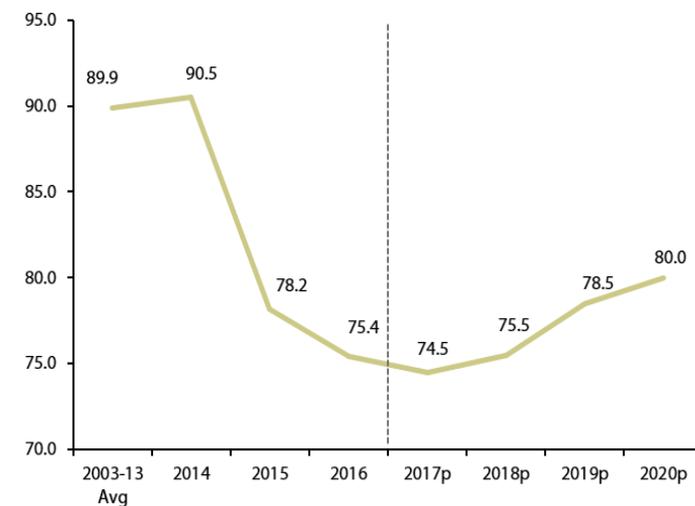


p = private-sector average

Sources: Statistics Canada, Ontario Ministry of Finance and Ontario Ministry of Finance Survey of Forecasters.

CAD/USD Exchange Rate

U.S. Cents

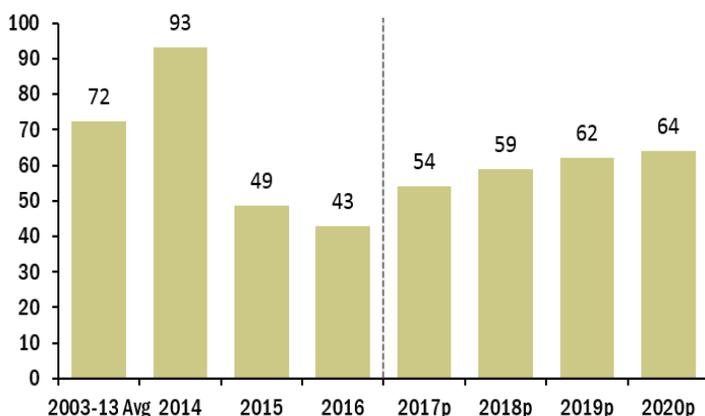


p = Ontario Ministry of Finance planning projection

Sources: Bank of Canada and Ontario Ministry of Finance (2017 Budget).

WTI Oil Prices

USD per Barrel

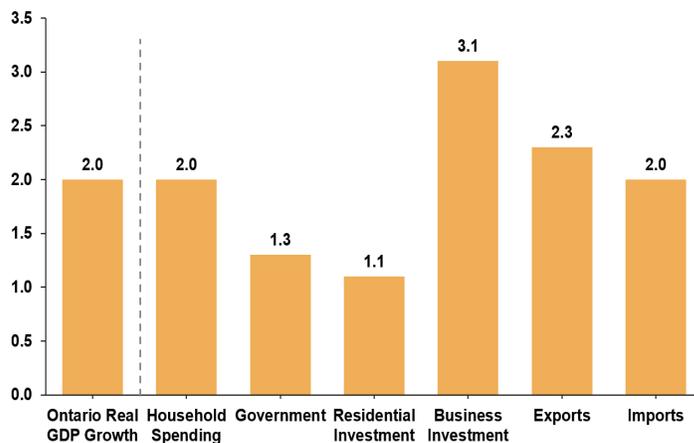


p = Ontario Ministry of Finance planning projection

Sources: U.S. Energy Information Administration and Ontario Ministry of Finance (2017 Budget).

Ontario Economic Growth Expected to Broaden

Forecasted Average Annual Per Cent Change, 2017 to 2020



Notes: Government includes investment and consumption expenditure. Business investment includes investment in plant, equipment and intellectual property products.

Source: Ontario Ministry of Finance (2017 Budget).

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

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