

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 \$763 billion in 2015, 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 committed to balancing the budget in 2017–18 and remaining balanced in 2018–19
- Building on previous commitments, Ontario is investing about \$160 billion in public infrastructure over 12 years, starting in 2014–15



Borrowing Program

(\$ Billions)	Current Outlook	2016 Budget Outlook	
	2016–17	2017–18	2018–19
Deficit/(Surplus)	4.3	0.0	0.0
Investment in Capital Assets	11.7	12.4	14.2
Debt Maturities	21.2	17.5	22.1
Amortization and Other Offsets	(8.3)	(6.5)	(7.3)
Total Funding Requirement	28.9	23.3	28.8
Other Adjustments	(3.1)	–	–
Preborrowing from 2015–16	(2.0)	–	–
Total Long-Term Public Borrowing	23.8	23.3	28.7

Note: Numbers may not add due to rounding.

Ontario Bonds

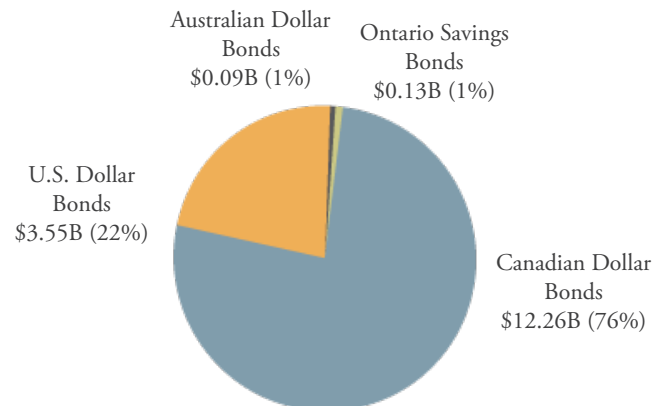
- Exceptional secondary market liquidity with a wide range of offerings provide extensive investment and trading opportunities across the yield curve
- Attractive spreads provide opportunities for investors to achieve higher returns
- Benchmark Canadian provincial borrower
- 75 per cent target for Canadian dollar borrowing with likely issuance in U.S. dollars and Euros
- Green Bond Program

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+

Diverse Borrowing Program 2016–17

As of November 14, 2016, borrowing completed for 2016–17 totalled \$16.1 billion.



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

Long-Term Borrowing

- Long-term borrowing for 2016–17 is forecast to be \$23.8 billion, this would be the Province's lowest borrowing program since 2008–09. As of November 14, 2016, borrowing completed for 2016–17 was \$16.1 billion
- Given the low interest rates experienced in recent years, Ontario has been proactive in extending the term of its borrowing program. It is 15.1 years so far 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%)	6.2 (19%)	32.1	14.2
2016–17	12.4 (77%)	3.6 (23%)	23.8	15.1
2017–18 Outlook	Target: at least 75%	Target: at most 25%	23.3	–
2018–19 Outlook			28.7	–

Note: Numbers may not add due to rounding, 2016-17 figures as of November 14, 2016.

Canadian Dollar Issuance

- Ontario accounted for 59.4 per cent of Canadian provincial bond trading in 2015 and about 59.3 per cent so far 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 (28 syndicated issues in 2015–16)
- Large order procedure initiated in 2011 (48 issues totalling approximately \$26.4 billion)

Canadian Dollar Benchmark Bonds (as of November 10, 2016)

	Ontario		Canada	
5 year (old)	4.20% June 2, 2020	\$10.80B	0.75% March 1, 2021	\$13.80B
5 year (new)	1.35% March 8, 2022	\$1.00B	0.75% September 1, 2021	\$15.00B
10 year (old)	2.60% June 2, 2025	\$13.60B	2.25% June 1, 2025	\$13.10B
10 year (new)	2.40% June 2, 2026	\$6.75B	1.50% June 1, 2026	\$13.50B
Long (old)	2.90% December 2, 2046	\$14.70B	4.00% June 1, 2041	\$15.80B
Long (new)	2.80% June 2, 2048	\$3.35B	3.50% December 1, 2045	\$16.40B

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 \$3.6 billion U.S. dollars issued so far 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 2 years

Green Bonds

- In 2014, Ontario successfully launched a Green Bond program, with an inaugural global 4-year Canadian dollar bond of \$500 million. Ontario launched a second global 7-year Canadian dollar bond of \$750 million in 2016 and will look to issue its third green bond in 2016–17
- The inaugural bond helped fund a clean transportation project, while the second green bond was expanded to include a basket of eight clean transportation, energy efficiency and conservation projects

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	0.32%	5.0%
Floating Rate	10.92%	35.0%

Of outstanding debt, as of October 31, 2016.

- Ontario's maximum floating rate 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 October 31, 2016 were \$22.2 billion
- As of October 31, 2016, capacity for short-term borrowing: \$48.0 billion authorized and \$21.4 billion outstanding, leaving \$26.6 billion available

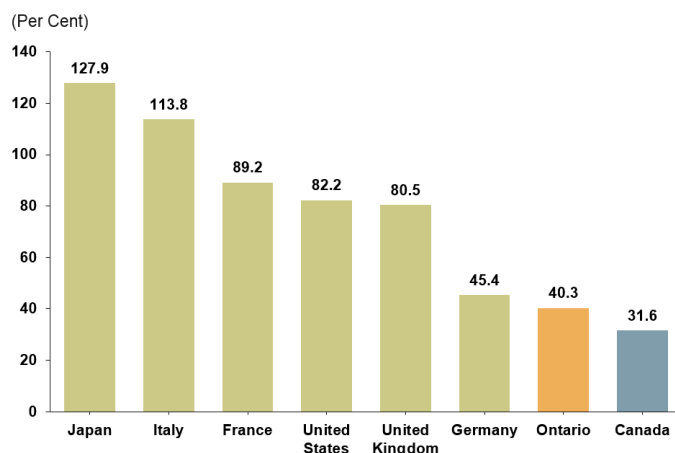
•• Fiscal Plan and Outlook

- The government continues to project a deficit of \$4.3 billion in 2016–17, a return to balance in 2017–18, and continued balance in 2018–19. Revenues are projected to grow from \$132.7 billion in 2016–17 to \$144.9 billion in 2018–19, and program expense is projected to grow from \$125.3 billion in 2016–17 to \$131.7 billion in 2018–19
- The Province remains on track with its multi-year government asset sales initiative to generate \$5.7 billion

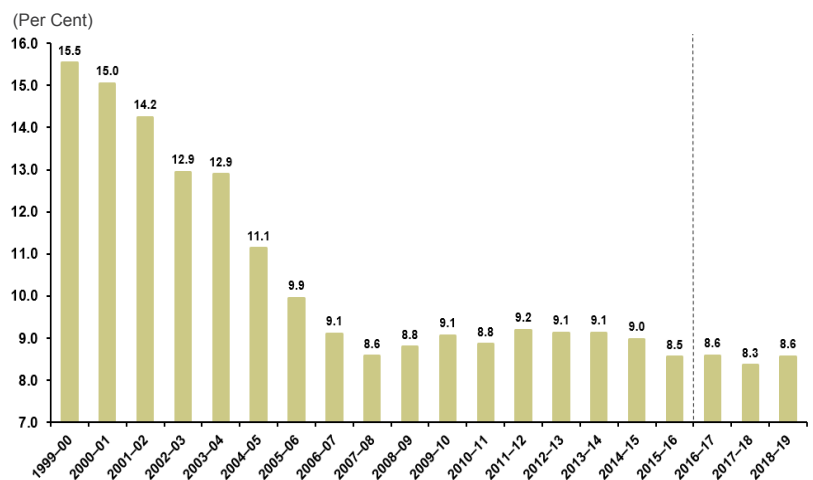
Medium-Term Fiscal Plan and Outlook (\$ Billions)	Actual							Current Outlook	Medium-Term Outlook	
	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Revenue	96.3	107.2	109.8	113.4	115.9	118.5	128.4	132.7	140.1	144.9
Expense										
Programs	106.9	111.7	112.7	112.2	115.8	118.2	122.4	125.3	127.7	131.7
Interest on Debt	8.7	9.5	10.1	10.3	10.6	10.6	11.0	11.4	11.7	12.4
Total Expense	115.6	121.2	122.7	122.6	126.4	128.9	133.4	136.6	139.4	144.1
Reserve	–	–	–	–	–	–	–	0.4	0.7	0.8
Surplus/(Deficit)	(19.3)	(14.0)	(13.0)	(9.2)	(10.5)	(10.3)	(5.0)	(4.3)	0.0	0.0

- Ontario's net debt-to-GDP ratio is forecast to peak in 2016–17 at 40.3 per cent and then begin to decline in 2017–18
- The IOD-to-revenue ratio is lower than it was in the 1990s and 2000s, and is forecast to remain lower through the outlook period to 2018–19

2016–17 Net Debt-to-GDP



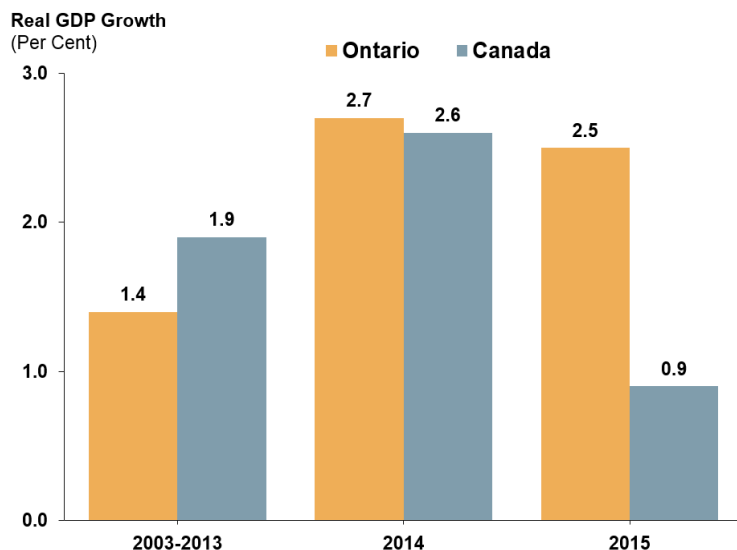
Interest on Debt (IOD)-to-Revenue



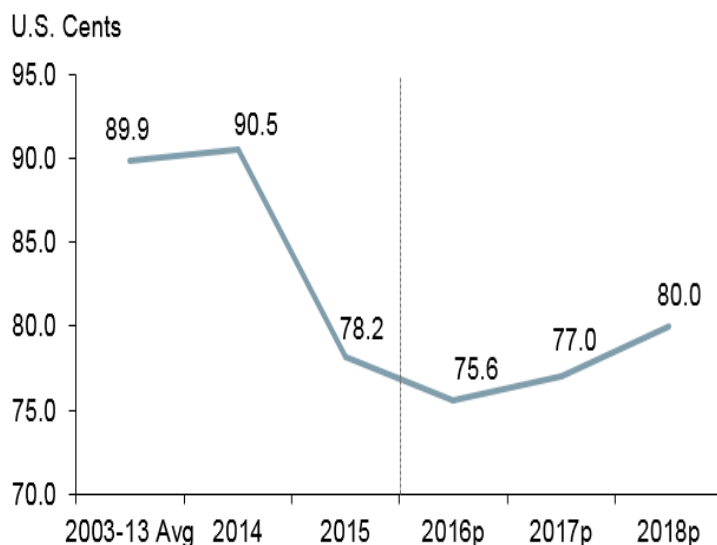
•• Economic Update

- Ontario's real GDP increased by 2.5 per cent in 2015, following up on 2.7 per cent growth in 2014
- Lower oil prices, a more competitive Canadian dollar and steady growth in the U.S. economy are projected to lead to a broadening of economic growth in Ontario
- The Province is forecasting continued growth in Ontario's economy, with real GDP projected to rise by 2.2 per cent annually, on average, over the 2016 to 2019 period
- Ontario's marginal effective tax rate on new business investment (a comprehensive measure of the tax burden on new business investment) has been cut in half since 2009, making the Province a significantly more attractive location for business investment

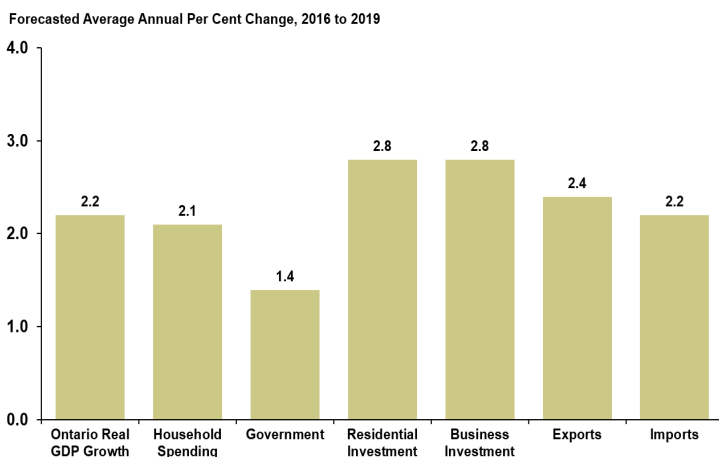
Ontario Real GDP Growth Outpacing Canada



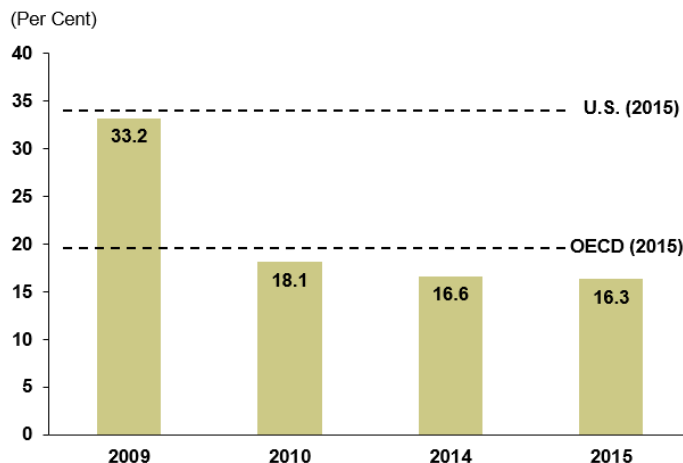
CAD/USD Exchange Rate



Ontario Economic Growth Expected to Broaden



Cutting Ontario's Marginal Effective Tax Rate



- 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.

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

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