



IR Presentation

August 2015

Ontario Financing Authority
www.ofina.on.ca

Overview

- **Ontario Bonds**

- Exceptional liquidity with a wide range of bond offerings
- Attractive spreads provide opportunities for investors to achieve higher returns

- **Ontario's Economic and Fiscal Summary**

- A diverse economy with a well-educated and highly skilled workforce, generating almost 40% of the national GDP
- Ontario is taking a deliberate and thoughtful approach to eliminating the deficit by 2017–18

Ontario Bonds

- **Bond Offerings**

- Wide range of offerings provide extensive investment and trading opportunities across the yield curve

- **Liquid**

- Strong liquidity in secondary markets
- Large benchmark issues

- **Attractive Spreads**

- Ontario spreads give investors opportunities to enhance their returns

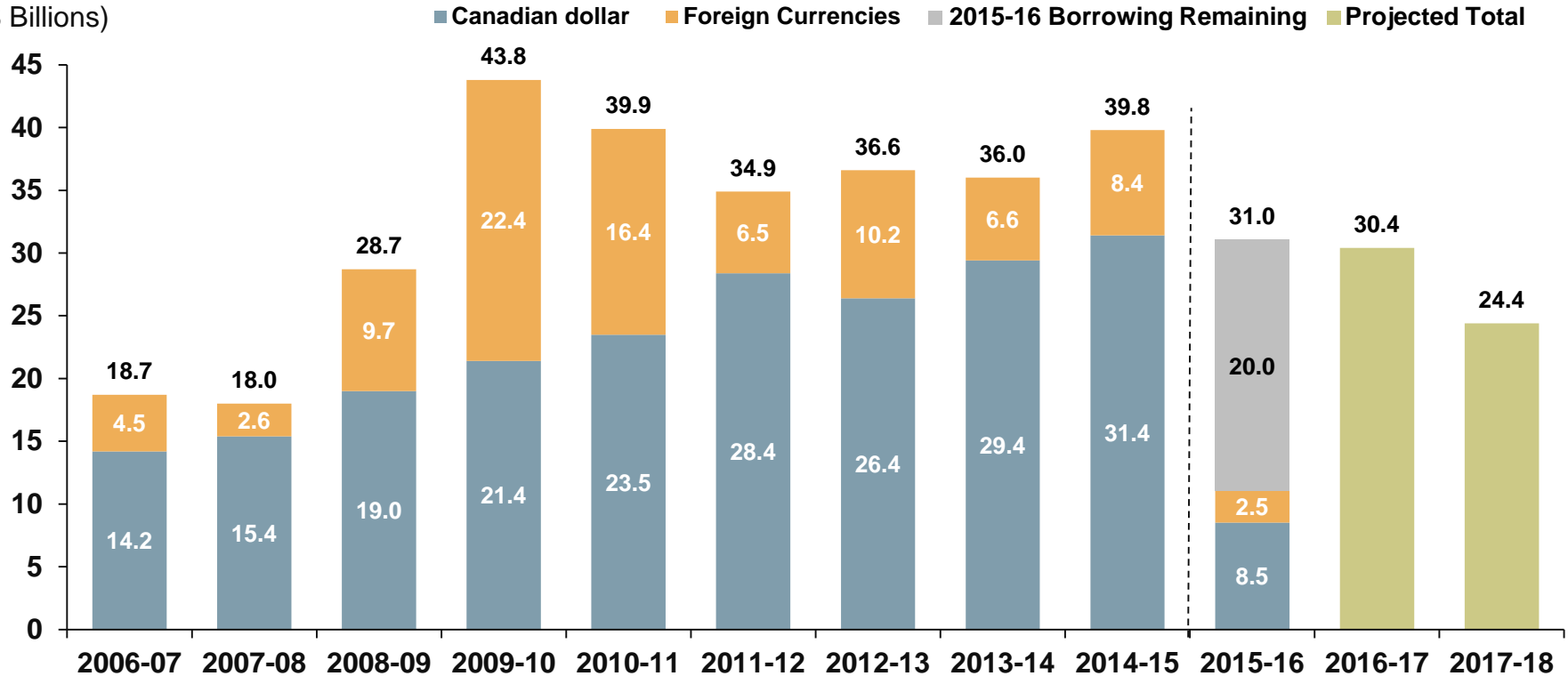
- **Safe**

- Largest Canadian provincial economy by GDP and population
- A diverse economy with direct taxation powers and stable growth

Domestic and International Borrowing

As of August 12, 2015

Total Long-Term Borrowing
(\$ Billions)



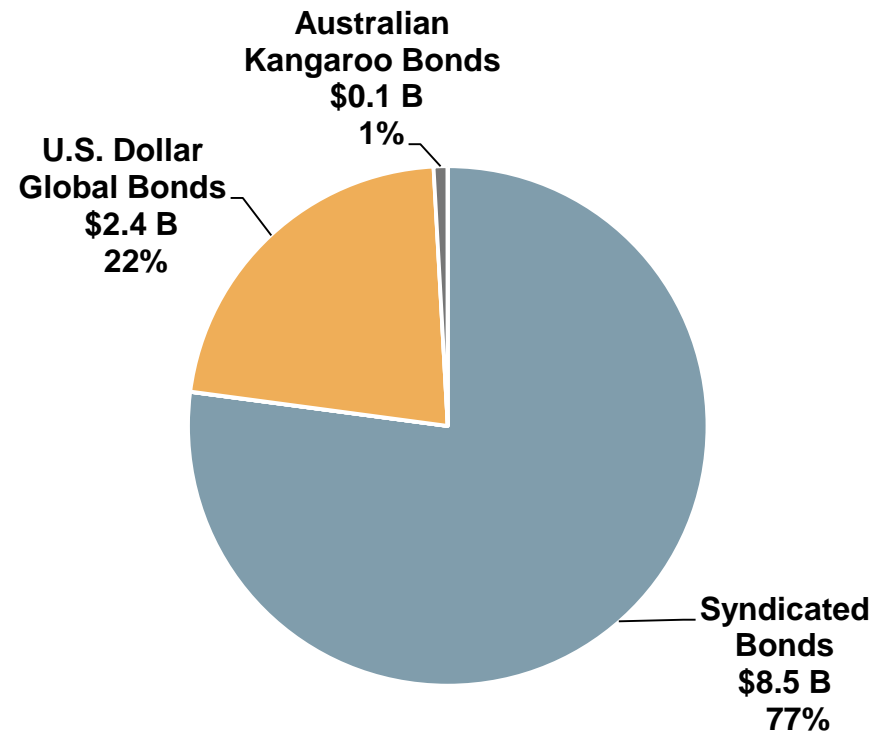
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Foreign	24%	14%	34%	51%	41%	19%	28%	18%	21%	23%	-	-
Domestic	76%	86%	66%	49%	59%	81%	72%	82%	79%	77%	-	-

Note: Numbers may not add due to rounding.

Source: Ontario Financing Authority.

2015–16 Borrowing Completed: \$11.0 Billion

As of August 12, 2015



2015–16 Total Borrowing Requirement: \$31.0B
Borrowing Completed: \$11.0B
Domestic: 77%
International: 23%
Average Term: 18.0 years

Note: Numbers may not add due to rounding.

Domestic Borrowing Program

- Narrow Bid-Ask Spreads
- Large and diverse domestic underwriting syndicate of 12 dealers make active markets in Ontario bonds
- Ontario bonds accounted for 54% of Canadian provincial bond trading in 2014¹
- Regular issuance of 5-year, 10-year and 30-year issues, which are re-opened to achieve benchmark size
- Ontario accounts for 13.9% of the FTSE TMX Universe Bond Index, 18.8% of the FTSE TMX Mid Bond Index and 19.6% of the FTSE TMX Long Bond Index²
- Large Order Procedure set up to accommodate large investors

Canadian dollar Benchmark Bonds (As of August 6, 2015)

	Ontario		Canada	
5 yr (old)	2.10% September 8, 2018	\$7.20B	1.75% March 1, 2019	\$10.20B
5 yr (new)	2.10% September 8, 2019	\$3.50B	1.50% March 1, 2020	\$10.20B
10 yr (old)	3.50% June 2, 2024	\$11.55B	2.50% June 1, 2024	\$13.80B
10 yr (new)	2.60% June 2, 2025	\$8.75B	2.25% June 1, 2025	\$13.10B
Long (old)	3.45% June 2, 2045	\$16.05B	4.00% June 1, 2041	\$15.69B
Long (new)	2.90% December 2, 2046	\$7.90B	3.50% December 1, 2045	\$16.40B

¹ Investment Industry Regulatory Organization of Canada, 12 months ending December 31, 2014.

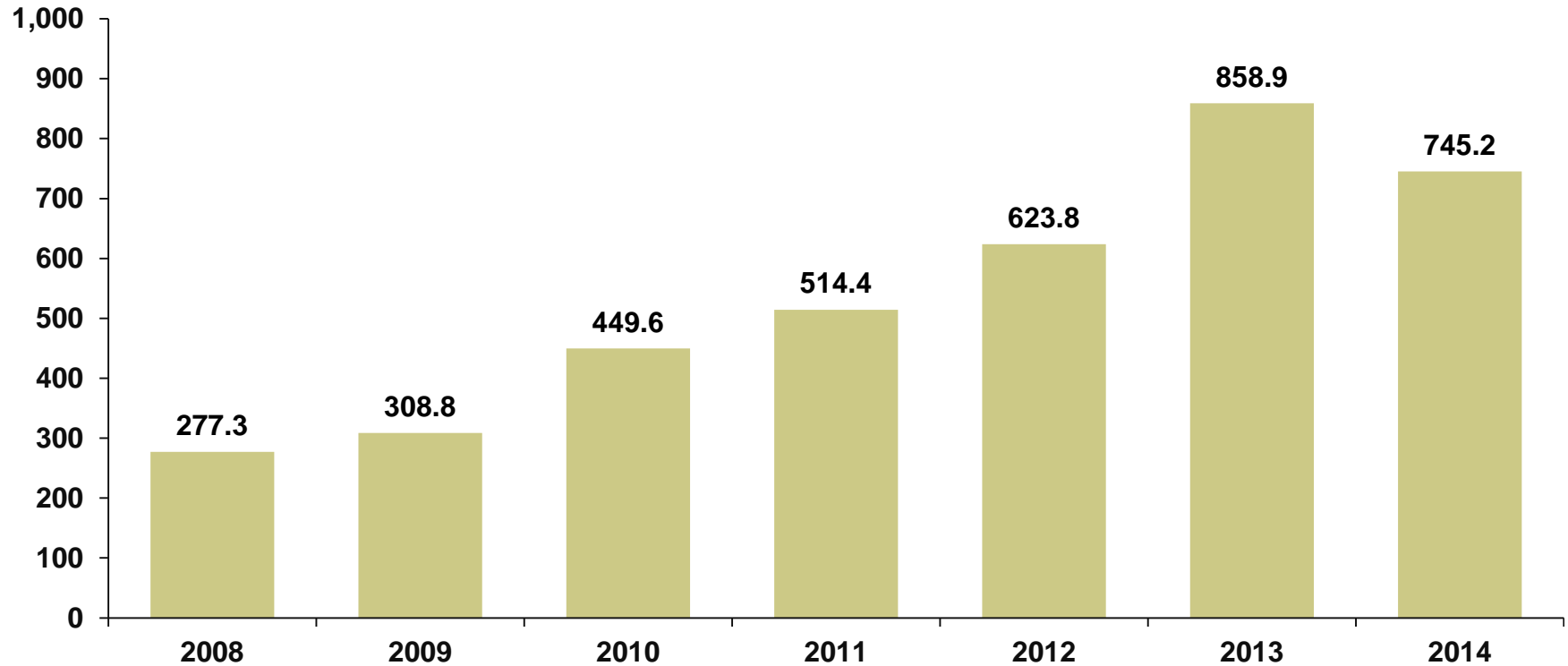
² PC Bond, as of March 31, 2015.

Trading Volume of Ontario Bonds in the Canadian Bond Market

- Ontario bonds have accounted for an average of 55% of Canadian provincial bond trading since 2008

Trading Volume of Ontario Bonds

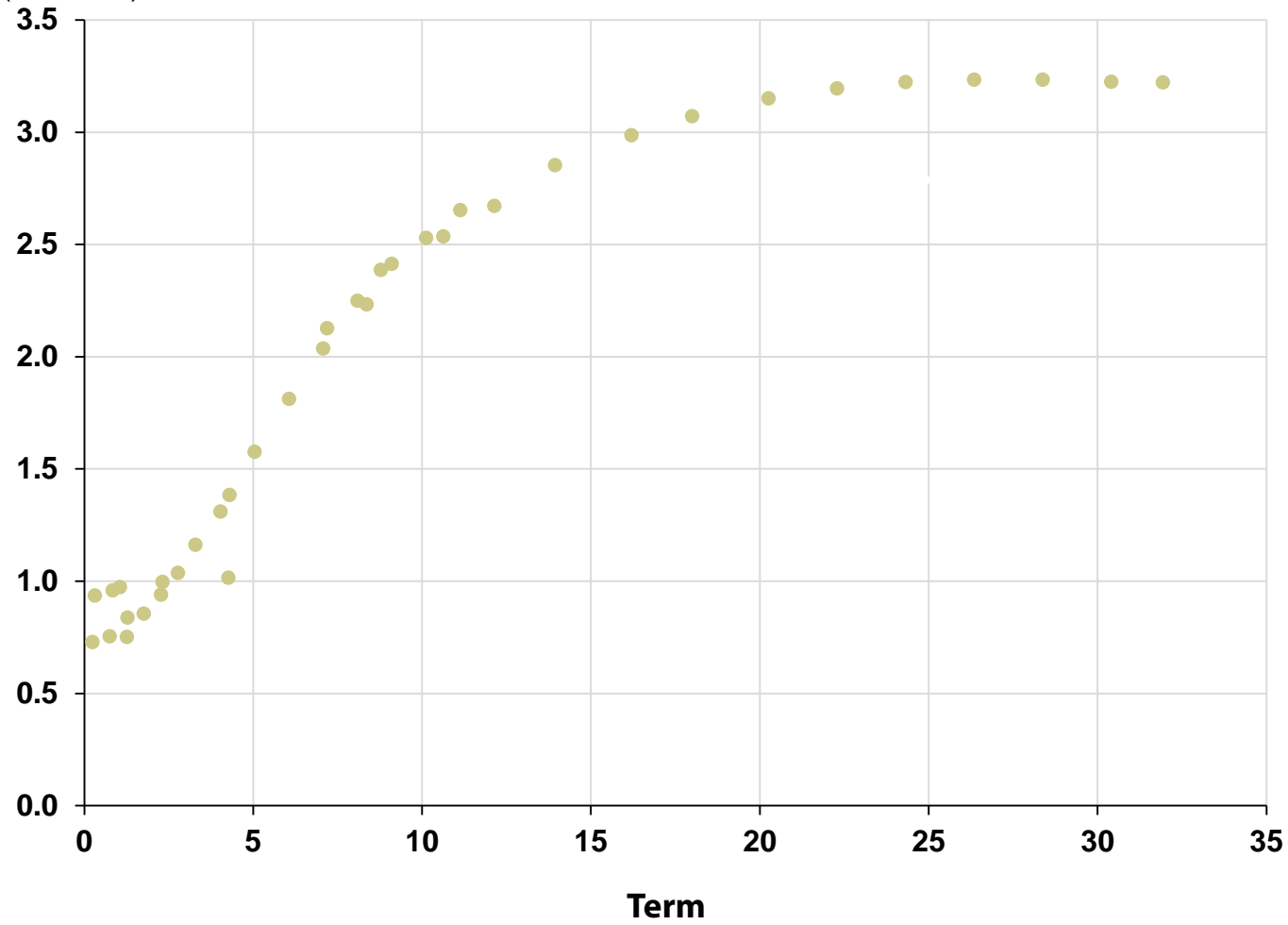
(\$ Billions)



Source: IIROC Market Trade Reporting System - Provincial Bond Total Trading.

Canadian Domestic Bond Offerings over \$1 Billion

Yield to Maturity
(Per Cent)



Types of Offerings

Syndicated bonds

Medium-term notes

Floating rate notes

Bond auctions

Real return bonds

Ontario Savings Bonds

Note: As of August 6, 2015.

U.S. Dollar Borrowing

- Fixed and floating rate Global Bonds in 3, 5, 7 and 10 years, with benchmark size of C\$1B plus
- Fixed and floating U.S. Medium-Term Notes (USMTN) in 2-10 years
- Total U.S. denominated bonds of about C\$40B outstanding as of July 27, 2015
- U.S. commercial paper (1-270 days), with C\$9.3B outstanding as of July 27, 2015

- Global Bonds and USMTNs are offered in SEC-registered format
- Financial information filed by the Province is available to investors electronically through the SEC's EDGAR system
- Eligible Ontario bonds included in a number of bond market indices and sub-indices including BofA Merrill Lynch, Citi and Barclays Capital
- Notes issued under the Province's U.S. Commercial Paper Program are exempt from SEC registration under the U.S. Securities Act

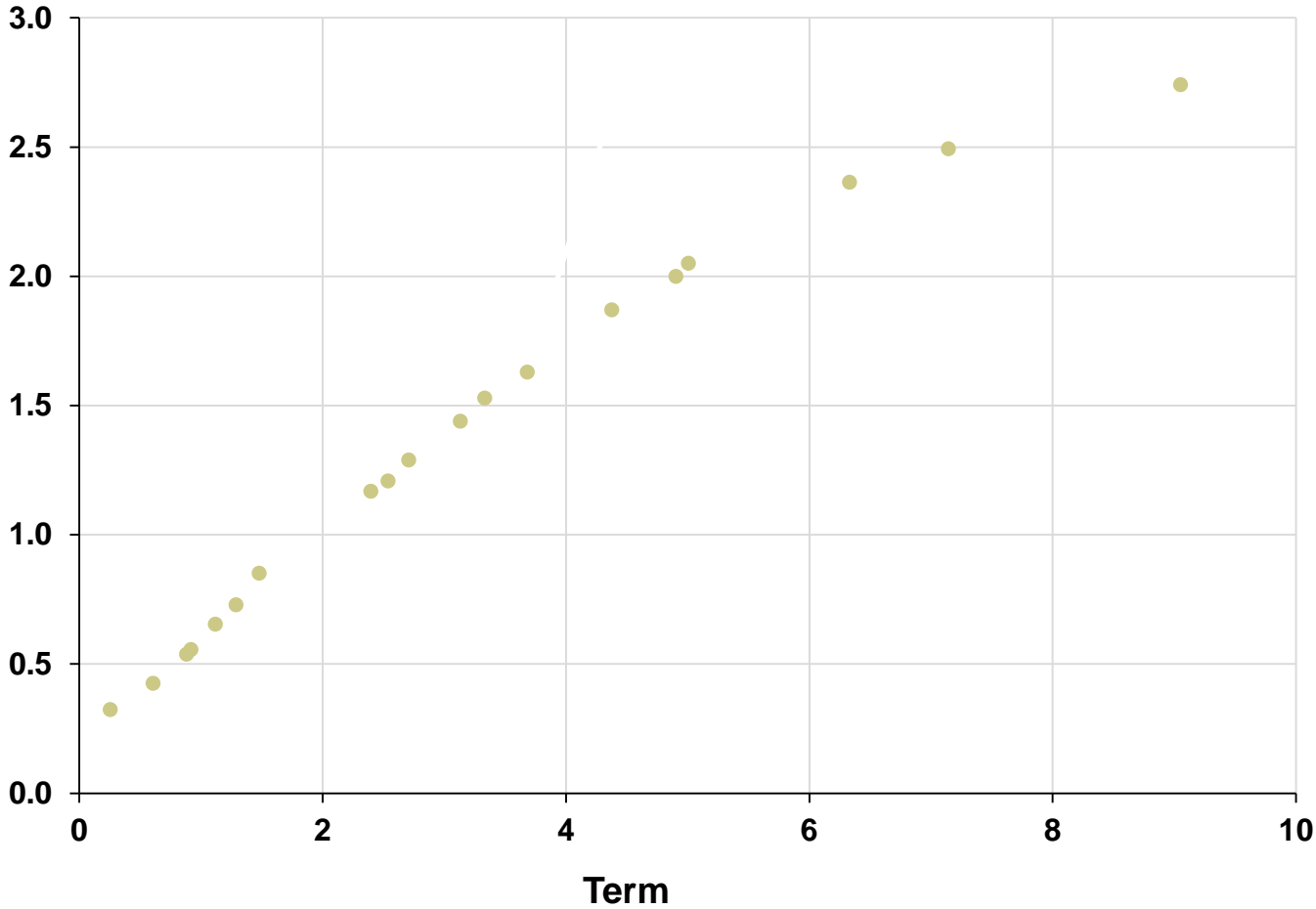
Recently Issued U.S. Dollar Bonds

Maturity	Series	Issue Details			
		Amount (US\$)	Coupon	Issue Date	Maturity Date
10 years	G66	1.25 billion	3.20%	May 2014	May 2024
7 years	G67	2.00 billion	2.50%	September 2014	September 2021
5 years	G70	2.00 billion	1.875%	May 2015	May 2020
5 years	G65	2.00 billion	2.00%	January 2014	January 2019

Sources: Bloomberg, Ontario Financing Authority.

U.S. Dollar Bond Offerings over \$1 Billion

Yield to Maturity
(Per Cent)



Types of Offerings

Fixed & floating rate
Global Bonds in 3, 5, 7
and 10 years

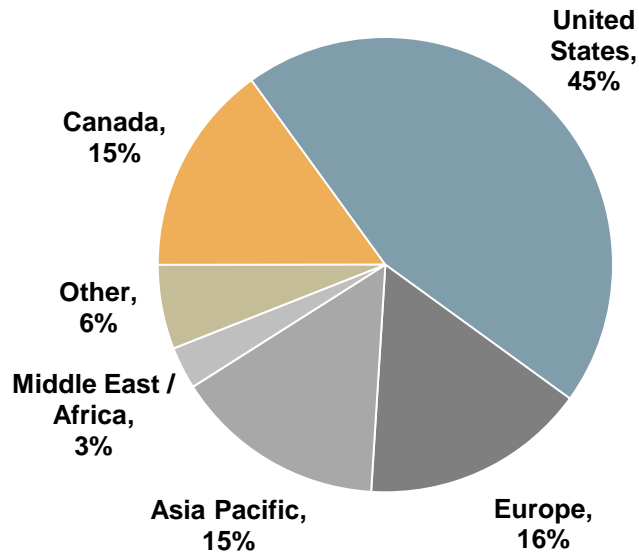
Fixed & floating U.S.
Medium-Term Notes
(USMTN) in 2-10 years

Note: As of August 6, 2015.

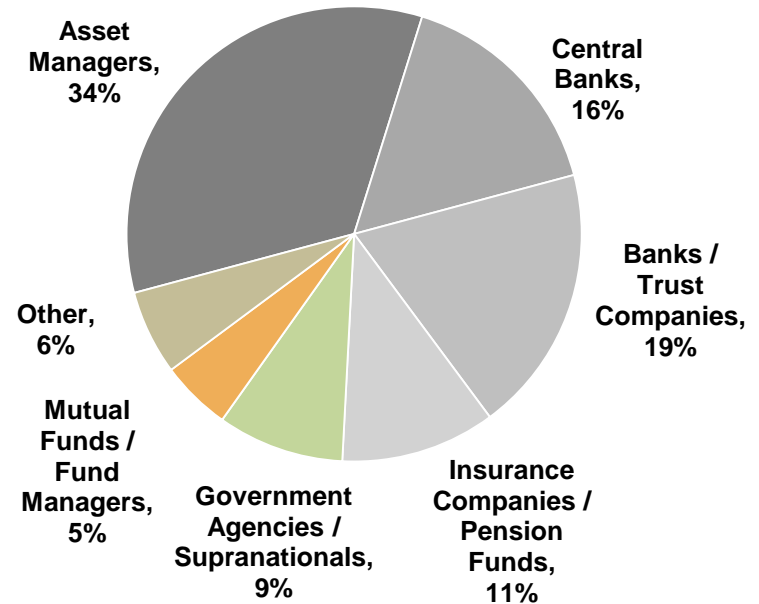
U.S. Dollar Market

- Core market with annual issuance since 1991
- Right-sized bond issues to meet demand
- U.S. dollar investors diversified both geographically and by type

USD by Geography¹



USD by Investor Type¹



¹ Since 2002.

Source: Ontario Financing Authority.

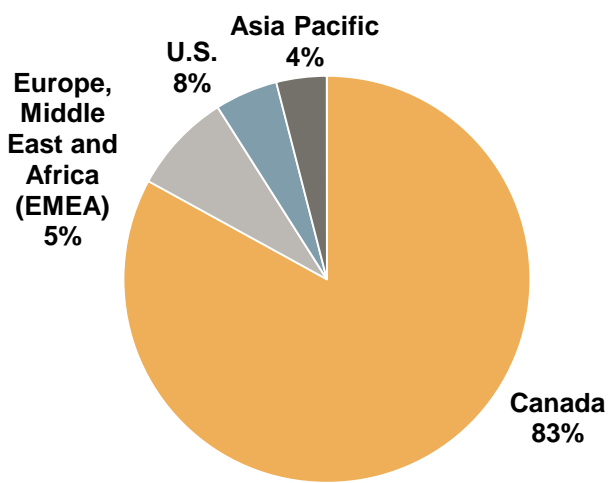
Ontario's Green Bond Initiative

- Ontario's Green Bonds are being used to finance transit and other environmentally friendly infrastructure projects across the province
- Ontario's Green Bond framework specifies five categories of eligible projects:
 - Clean Transportation
 - Energy Efficiency and Conservation
 - Clean Energy and Technology
 - Forestry, Agriculture and Land Management
 - Climate Adaptation and Resilience
- Independent verification provided by:
 - CICERO Second Opinion on Ontario's Green Bond Framework
 - Assurance audit by Auditor General of Ontario to verify amounts allocated to selected projects and drawdown of green bond issue proceeds are invested short term as projects progress
- Ontario's issues under the Green Bond program will carry the full faith and credit of the Province of Ontario with no project risk
- The Province plans to issue its second Green Bond during fiscal 2015–16

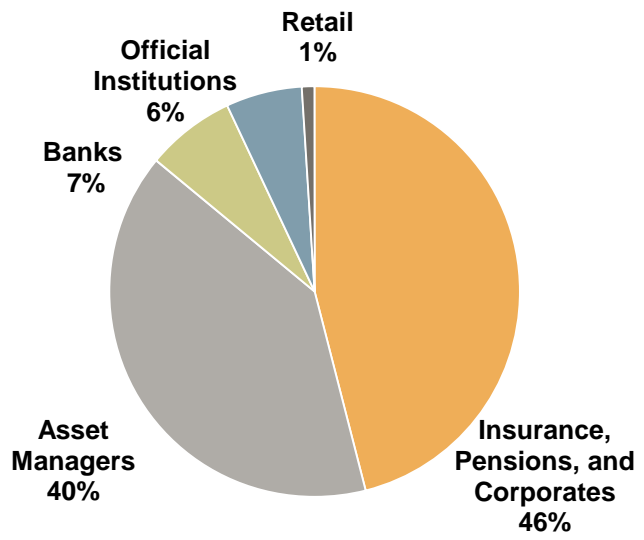
Ontario's Green Bond Deal Highlights

- On October 2nd, 2014 the Province of Ontario successfully priced its inaugural Global CAD Green Bond, with a 4-year, \$500 million issue
- Demand was strongly driven by investors with Green mandates and/or UN PRI signatories and allowed for broadening of Ontario's traditional investor base
- Orders approached \$2.4 billion from investors in Canada as well as in the United States, Europe and Asia
- Global offering format used to leverage and facilitate international investor interest with strong trading liquidity supported by Ontario's Canadian dollar syndicate

Distribution by Geographic Region



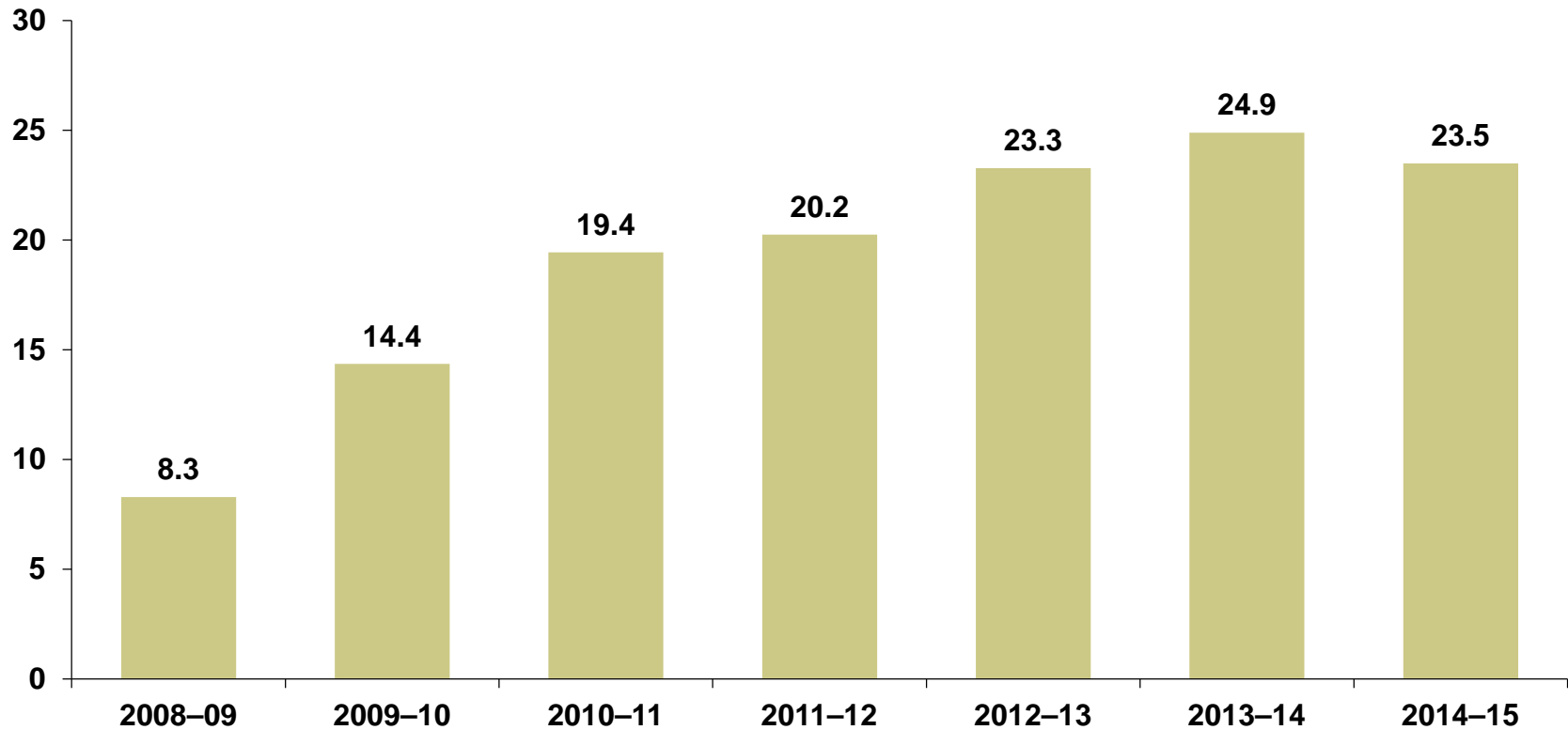
Distribution by Investor Type



Liquid Reserve Levels

- Liquid reserves (cash and short term investments) are maintained at levels sufficient to ensure the Province is able to meet its short-term financial obligations

Average Unrestricted Liquid Reserve Levels
(\$ Billions)



Note: As of March 31, 2015.

Source: Ontario Financing Authority.

Short Term Borrowing Capacity

- Ontario treasury bills and U.S. commercial paper are very well received in the money markets and provide additional borrowing capacity if required
- Large capacity for short term borrowing: \$48.0B authorized and \$21.4B available

	C\$ T-Bill Program	US\$ Commercial Paper Program
Currency	Canadian Dollars	U.S. Dollars
Maturity	1 day-3 years*	1-270 day(s)
Authorized	C\$33.0 billion	C\$15.0 billion
Outstanding	C\$17.3 billion	C\$9.3 billion
Available	C\$15.7 billion	C\$5.7 billion

**Regular issuance of 3M, 6M and 1Y T-Bills*

Note: As of July 27, 2015.

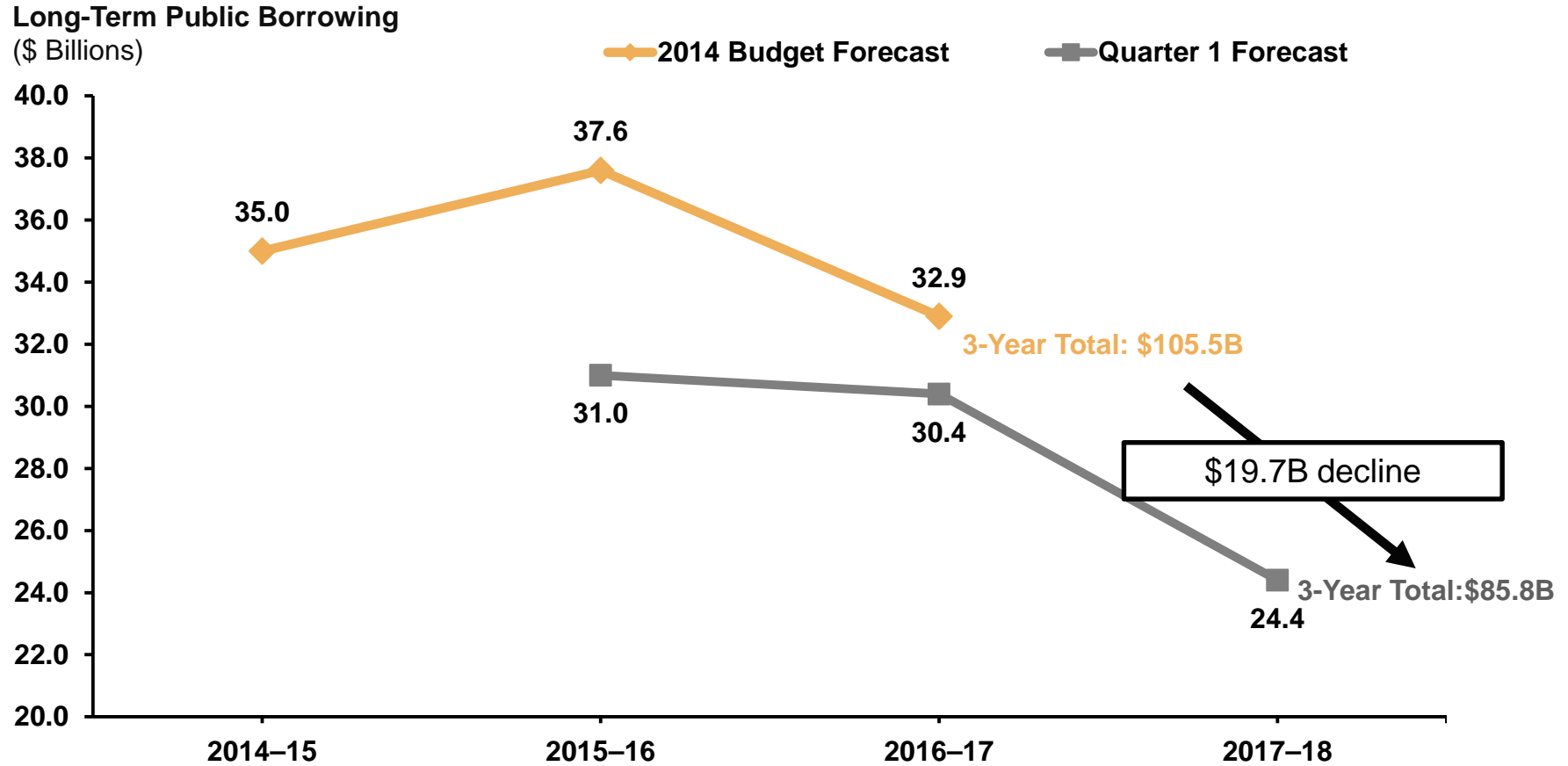
Source: Ontario Financing Authority.

Medium-Term Borrowing Outlook

	2015-16	2016-17	2017-18
(\$ Billions)			
Deficit/(Surplus)	8.5	4.8	-
Investment in Capital Assets	9.1	11.3	11.8
Non-Cash Adjustments	(4.9)	(5.5)	(5.6)
Loans to Infrastructure Ontario	1.1	0.5	0.4
Other Net Loans/Investments	1.0	0.3	0.1
Debt Maturities	21.1	21.4	17.5
Debt Redemptions	0.1	0.2	0.2
Total Funding Requirement	35.9	33.0	24.4
Canada Pension Plan Borrowing	(0.0)	(0.1)	-
Decrease/(Increase) in Short-Term Borrowing	-	(2.5)	-
Increase/(Decrease) in Cash and Cash Equivalents	-	-	-
Preborrowing in 2014/15	(4.8)	-	-
Total Long-Term Public Borrowing	31.0	30.4	24.4

Note: Numbers may not add due to rounding.

Total Long-Term Public Borrowing Forecasts

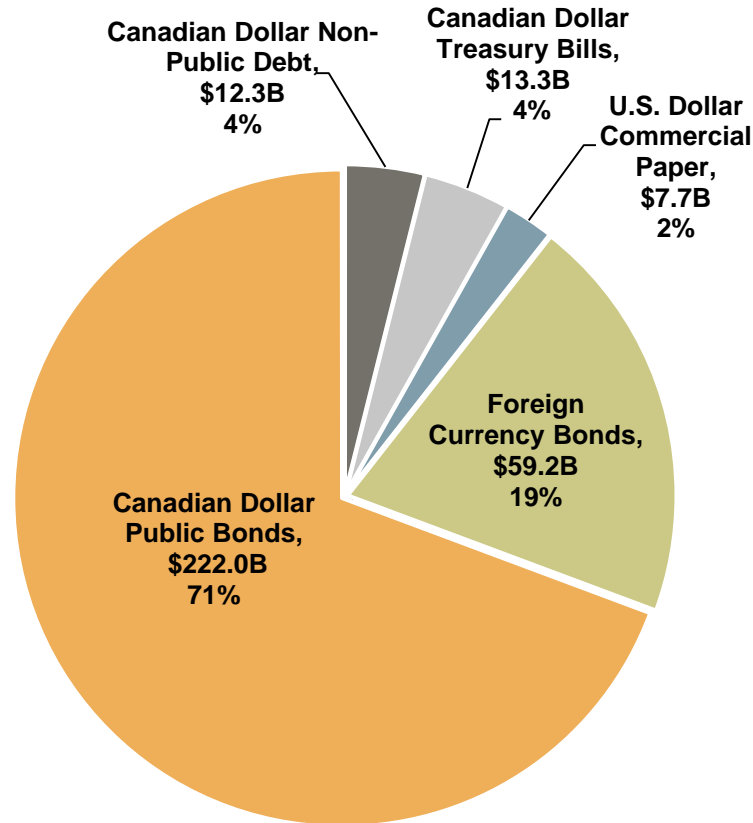


Source: Ontario Financing Authority.

Total Debt Composition

\$314.5 Billion Outstanding

(as of March 31, 2015)



Domestic Bonds

- Syndicated bonds
- Medium-term notes
- Floating rate notes
- Ontario Savings Bonds
- Bond auctions
- Real return bonds
- Green Bonds

Public Debt Outstanding by Currency

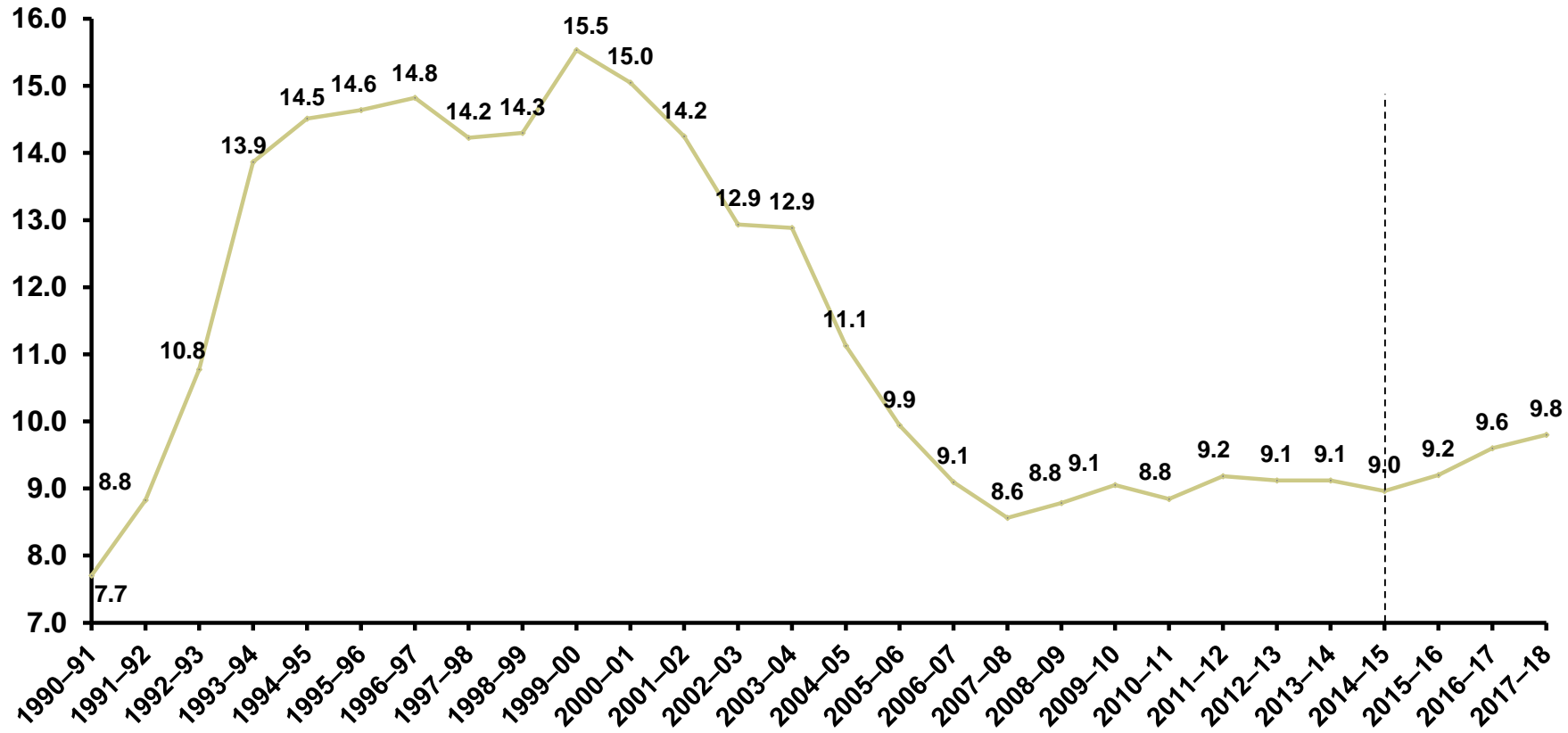
Currency	Debt Outstanding
Core Currencies	
Canadian Dollars	\$235.3B
U.S. dollars	\$49.0B
Euros	\$11.5B
Other Currencies	
Swiss francs	\$2.3B
Japanese yen	\$1.4B
Australian dollars	\$1.2B
Norwegian kroner	\$0.4B
New Zealand dollars	\$0.6B
Hong Kong dollars	\$0.3B
South African rand	\$0.1B

Note: Numbers may not add due to rounding.

Source: Ontario Financing Authority.

Interest on Debt-to-Revenue

Interest on Debt-to-Revenue
(Per Cent)

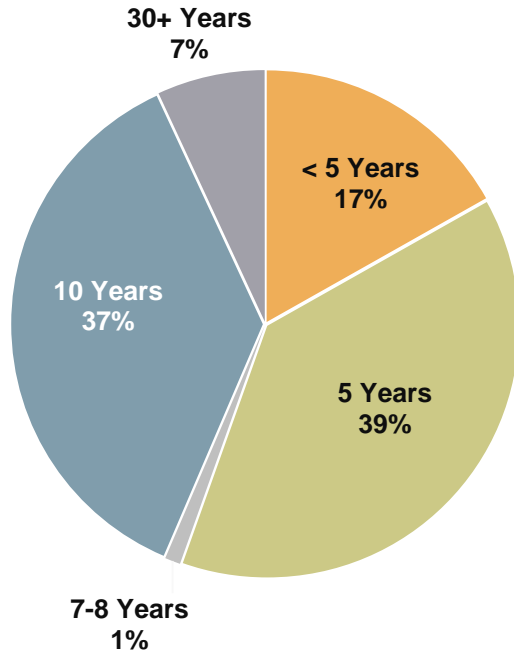


Source: Ontario Financing Authority.

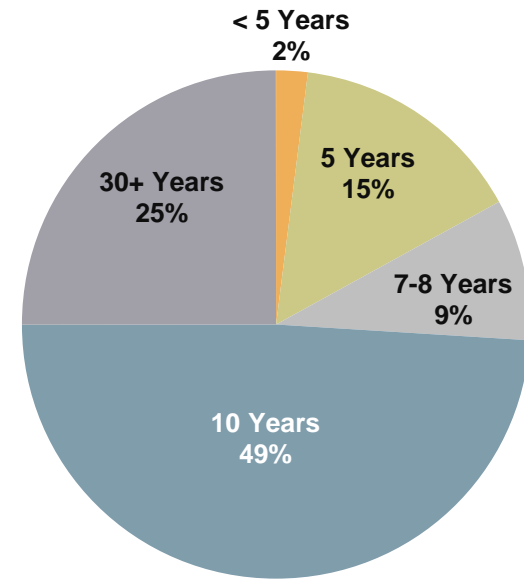
Long-Term Borrowing Maturity Profile

- The Province has less refinancing risk and less interest rate risk than it had five years ago

2009-10



2014-15



As of March 31, 2015.

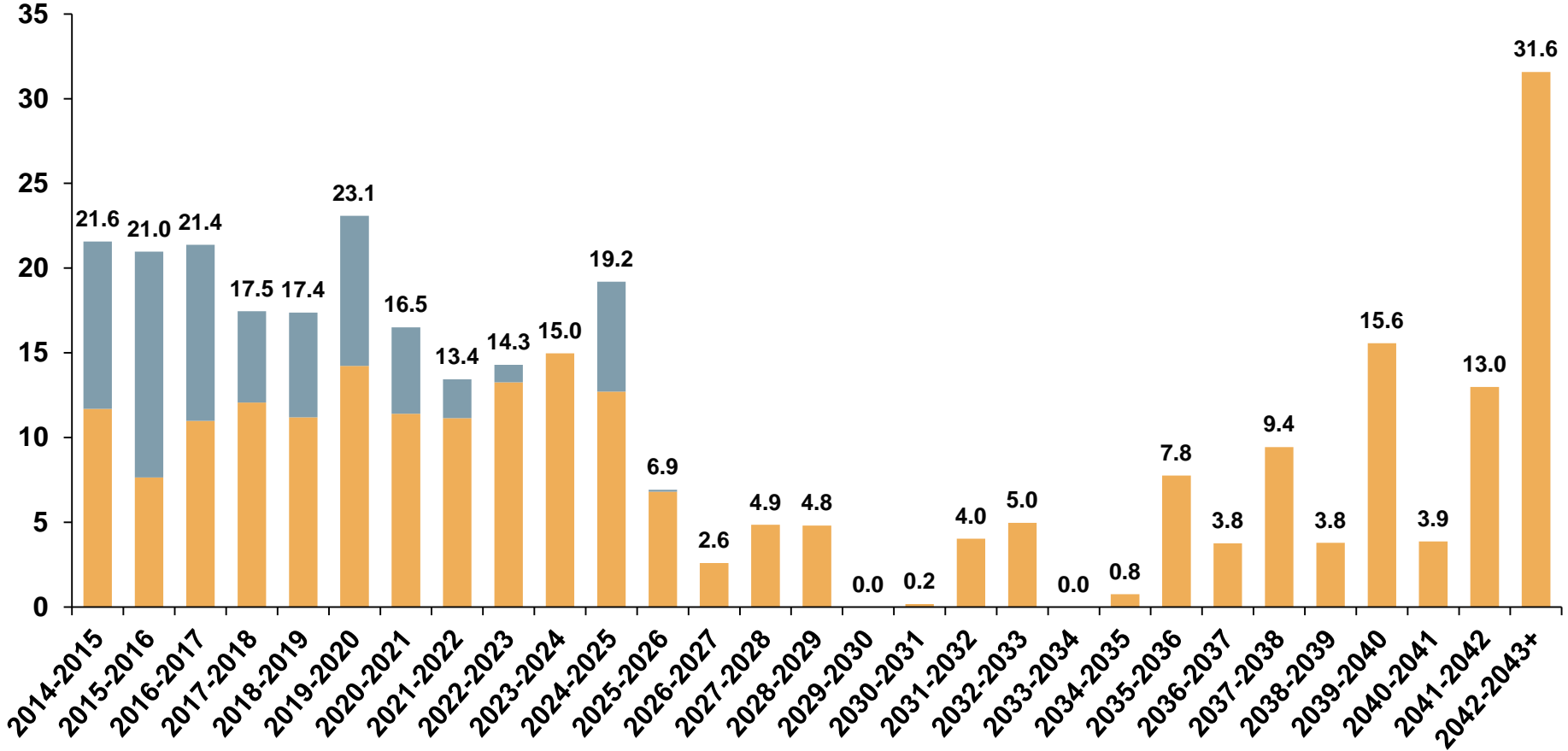
Source: Ontario Financing Authority.

Maturity Profile of Outstanding Issues

As of March 31, 2015

Outstanding Issues
(\$ Billions)

Foreign Currencies Canadian Dollar



Note: Dates represent fiscal years ending March 31st of the following year.

Risk Management

- Monitor and manage debt maturity profile to limit refinancing risk
- High level of liquid reserves and short term borrowing capacity
- Strict credit limits for financial and investment counterparties
- Collateralized swap agreements in place for most swap counterparties

	Exposure*	Policy Limit*
Foreign Exchange	0.3%	5.0%
Net Interest Rate Resetting	10.2%	35.0%

*Of outstanding debt, as of June 30, 2015.

Note: Excludes Ontario Electricity Financial Corporation debt.

Economic and Fiscal Summary

- **Canada Overview**

- Economy estimated to have grown faster in 2014 than most major advanced economies

- **Ontario's Economy**

- Ontario's economy is diverse
- Highly skilled and adaptive workforce

- **Eliminating the Deficit**

- The government will manage risks prudently to ensure it can continue to invest in key priorities, while also taking a thoughtful and fiscally responsible approach to balancing the budget by 2017-18

- **Mortgage Market**

- Conservative mortgage market
- All high ratio residential mortgages issued by banks must be insured and the large majority is guaranteed by the federal government

Canada Overview

- Canadian economy grew 2.4% in 2014, faster than most major advanced economies (G7)
- Ranked as having the world's soundest banks for seven consecutive years¹
- Lowest general government net debt-to-GDP ratio of any G7 country, and expected to remain so

¹ World Economic Forum, *Global Competitiveness Report* (2008, 2009, 2010, 2011, 2012, 2013 and 2014).

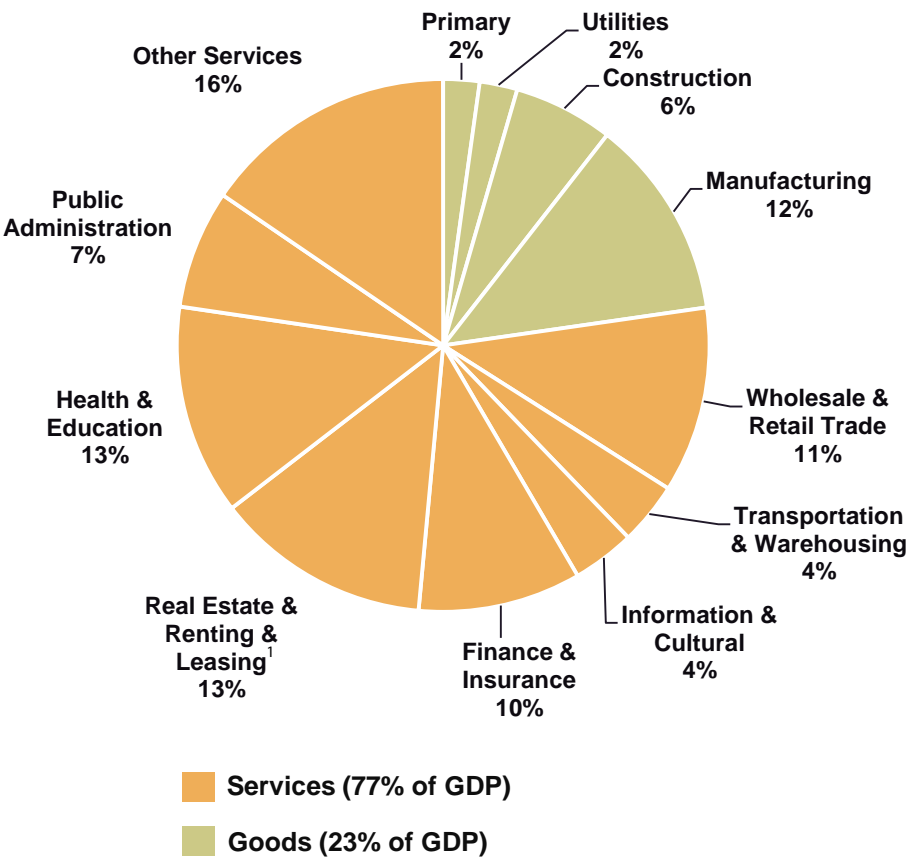
Ontario Overview

- Located in prime area with close ties to many major U.S. cities
- Ontario has a diverse economy with direct taxation powers and stable growth
- Population of 13.7 million and nominal GDP of \$721 billion in 2014, both roughly 40% of Canada



Ontario's Diverse Economy

Structure of the Ontario Economy, 2014
(Per Cent Share of Ontario Nominal GDP)



- A diverse economy, with extensive manufacturing, financial and business services
- Highly skilled and well-educated work force

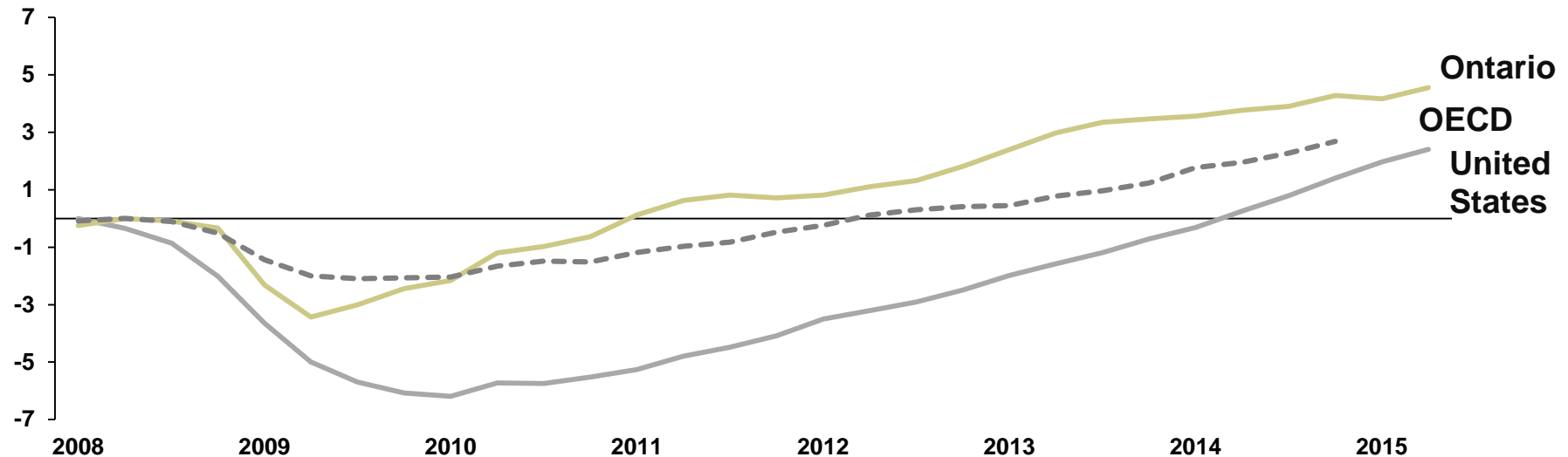
¹ Includes estimate of imputed rental income on owner occupied dwellings.
Sources: Statistics Canada and Ontario Ministry of Finance.
Note: Numbers may not add due to rounding.

Job Recovery in Ontario

- Since the recessionary low in June 2009, over half a million net new jobs have been created in Ontario
- The job recovery in Ontario since the global recession has been stronger than in most developed economies, including the United States and most OECD countries

Employment

(Per Cent Change from Peak)



Sources: Statistics Canada, U.S. Bureau of Labor Statistics and Organisation for Economic Co-operation and Development (OECD).

Ontario's Economic Outlook

- For prudent fiscal planning, Ontario's real GDP growth projections are slightly below the average private-sector forecast at the time of the projections

Ontario Economic Outlook (Per Cent)	2012	2013	2014	2015p	2016p	2017p	2018p
Real GDP Growth	1.7	1.3	2.2	2.7	2.4	2.2	2.1
Nominal GDP Growth	3.2	2.4	3.6	4.2	4.2	4.2	4.1
Employment Growth	0.7	1.8	0.8	1.1	1.3	1.4	1.3
Unemployment Rate	7.9	7.6	7.3	6.9	6.7	6.5	6.3
CPI Inflation	1.4	1.0	2.4	1.2	2.0	2.0	2.0

Actual
 Ontario Ministry of Finance planning projection (2015 Budget)

Sources: Statistics Canada and Ontario Ministry of Finance.

Private-Sector Growth Forecasts

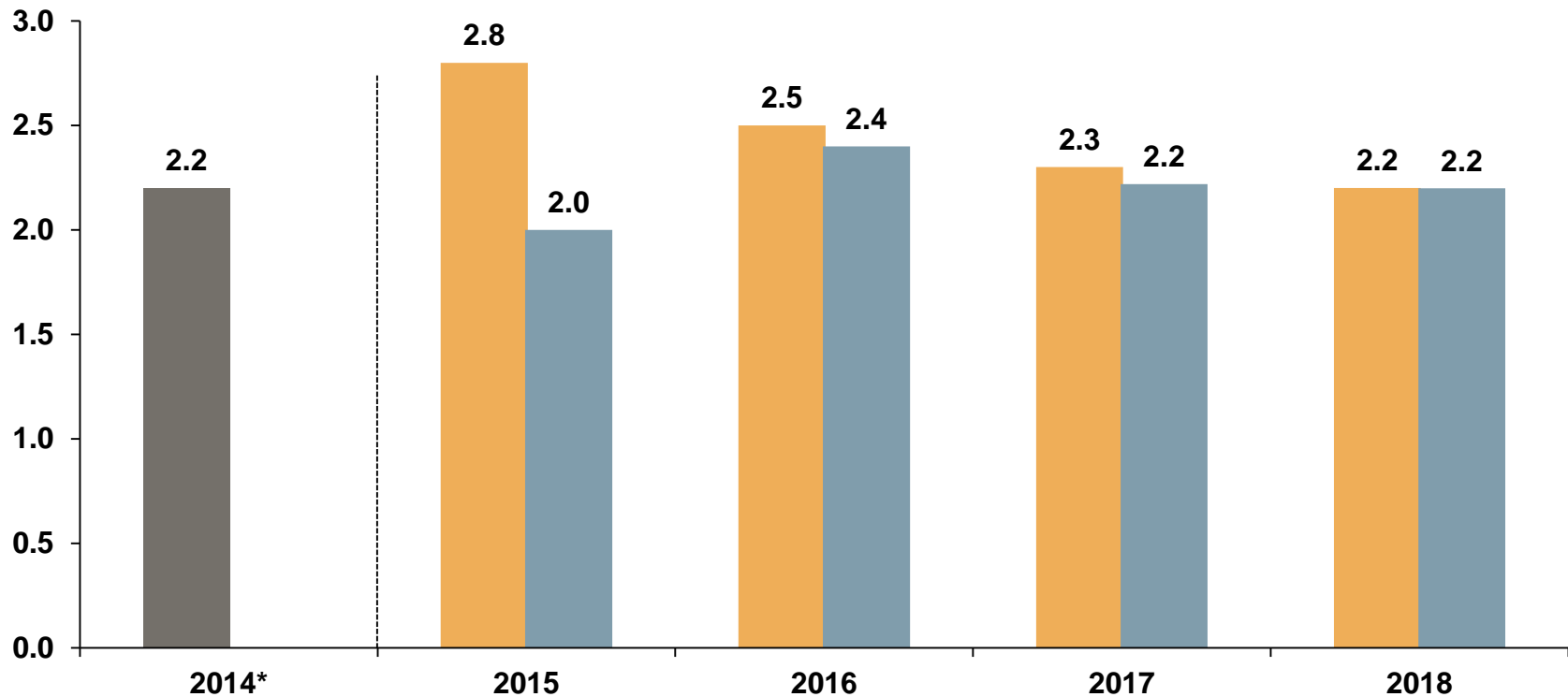
- Private-sector forecasts for Ontario's real GDP growth have moderated for 2015 compared to the *2015 Budget*.

Real GDP growth

(Per Cent)

2015 Budget

Current

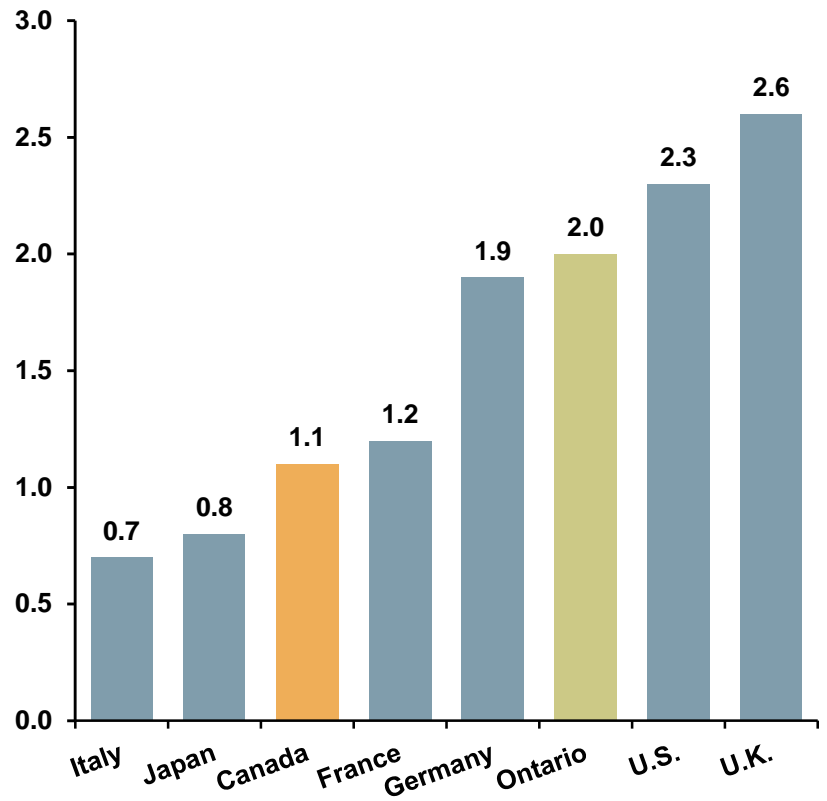


* Actual

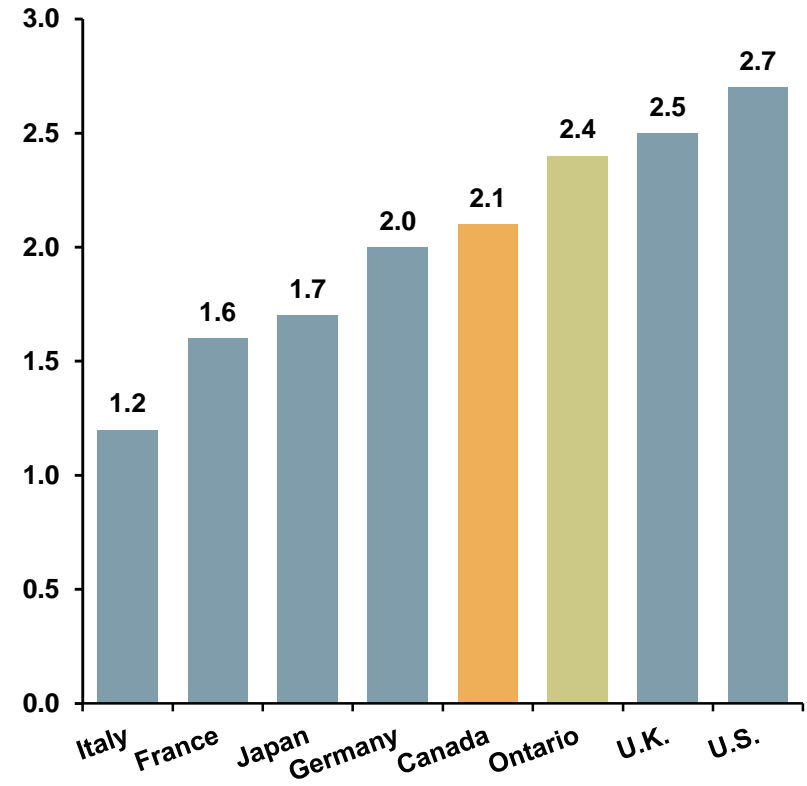
Source: Ontario Ministry of Finance Survey of Private Sector Forecasts (March and August 2015).

Ontario's Outlook Compares Favourably with G7

G7 Economic Growth, 2015
Average Real GDP Growth (Per Cent)

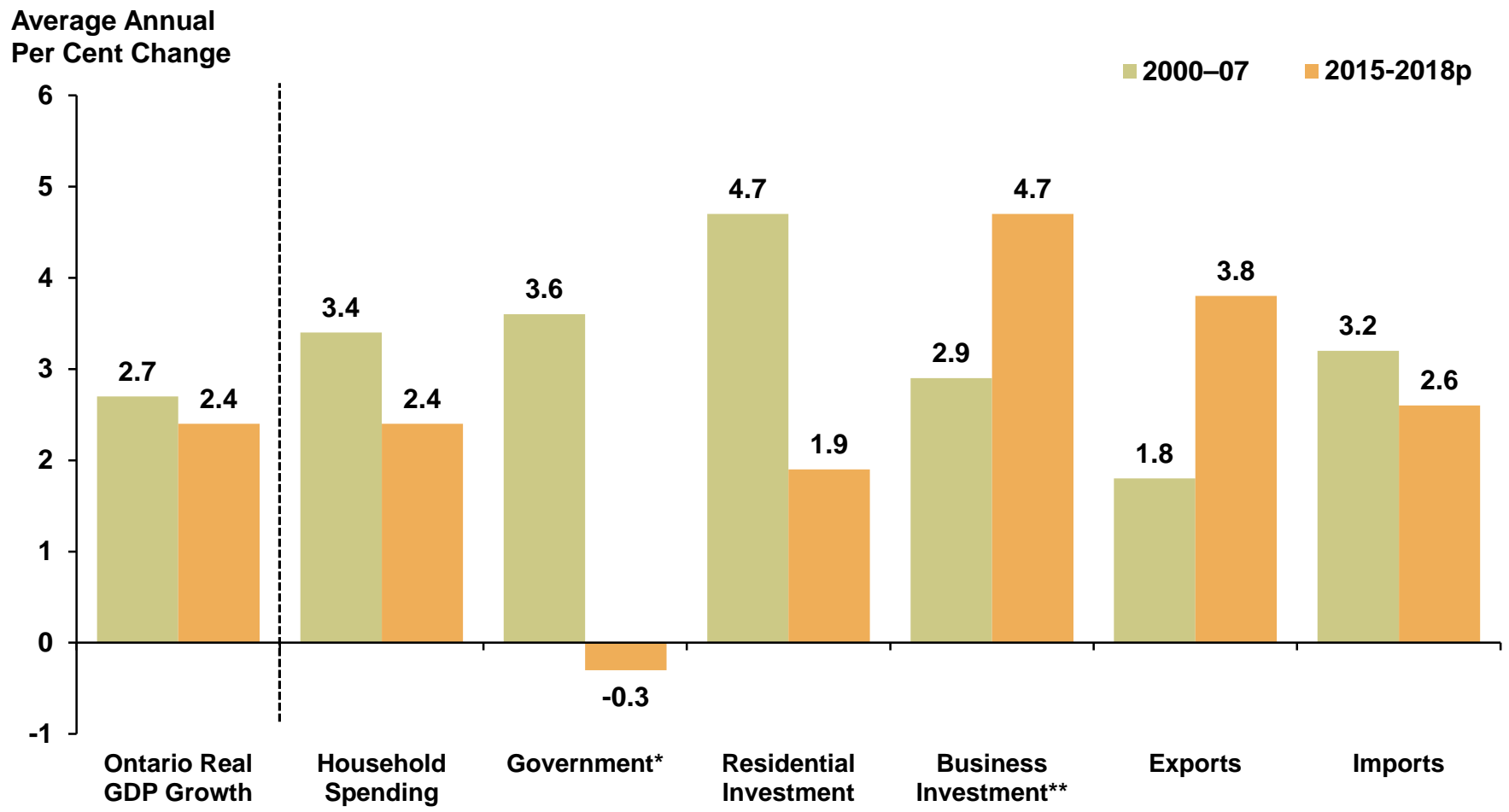


G7 Economic Growth, 2016
Average Real GDP Growth (Per Cent)



Sources: Consensus Economics (August 2015) and Ontario Ministry of Finance Survey of Private Sector Forecasts (August 2015).

Ontario's Growth Outlook Led by Exports and Investment



p = Ontario 2015 Budget Outlook.

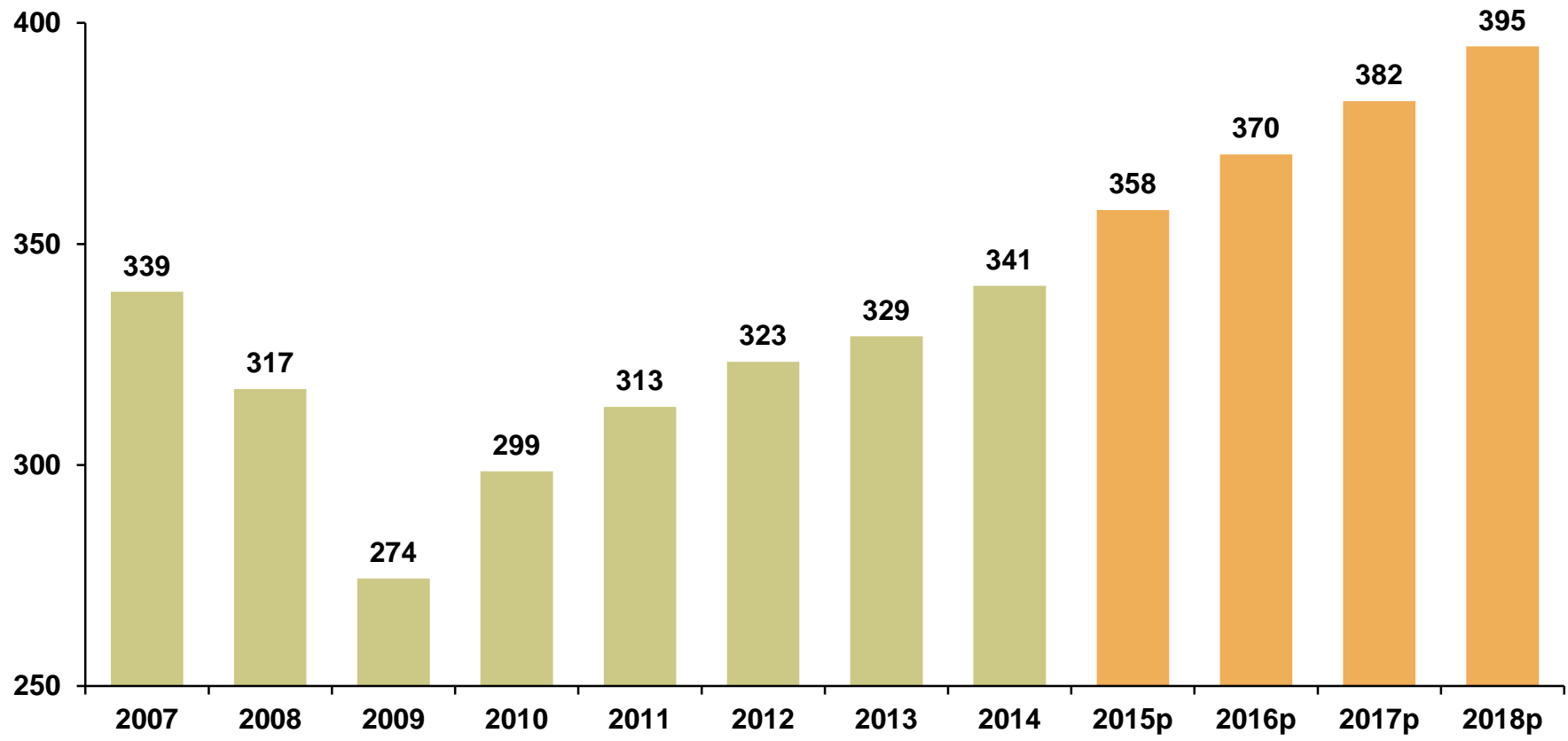
* Government includes current spending and capital investment.

** Business investment includes non-residential structures, machinery and equipment, and intellectual property products.

Sources: Statistics Canada and Ontario Ministry of Finance.

Strong Export Gains Will Support Growth

Real Exports
(\$ Billions, 2007)

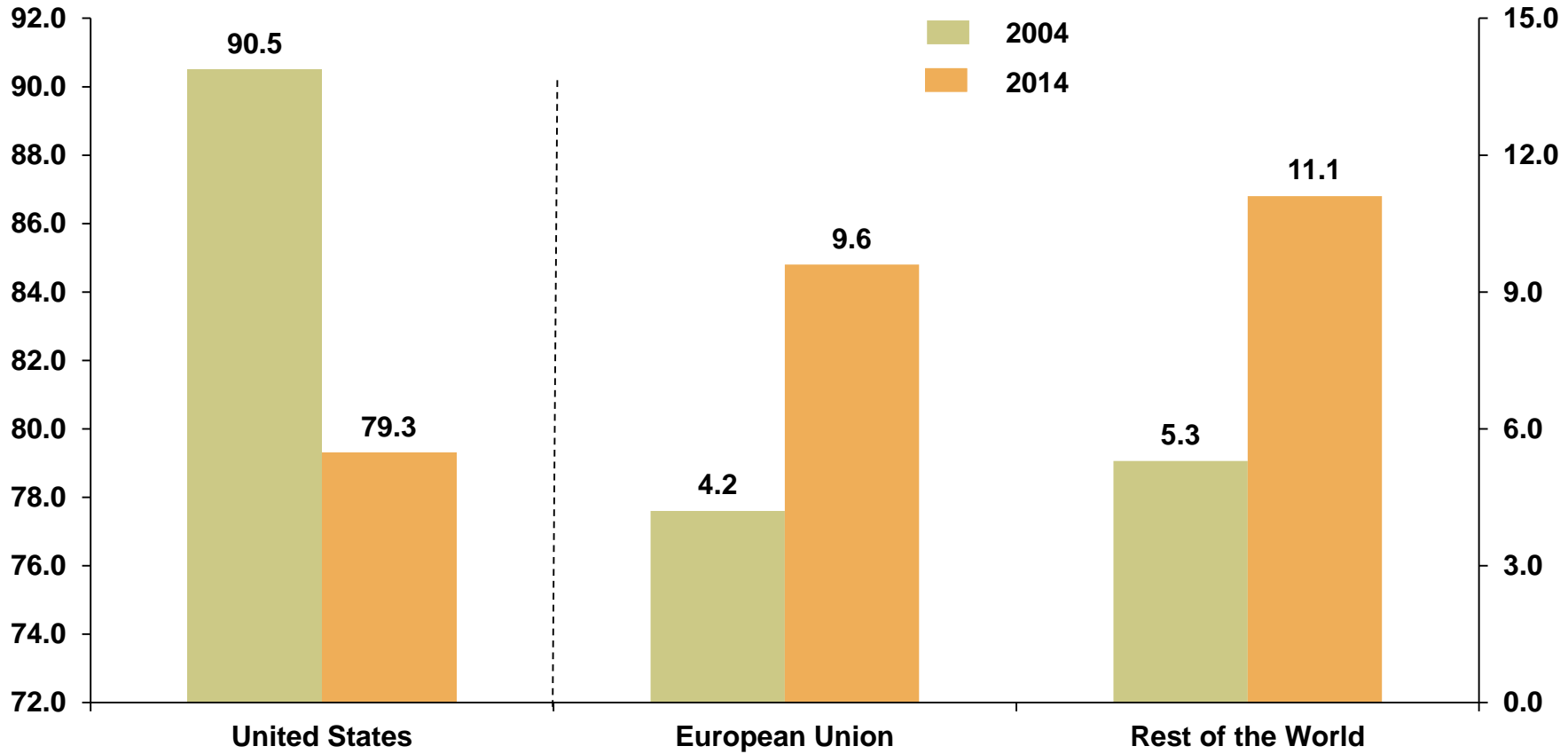


p = Ontario 2015 Budget Outlook.
Sources: Statistics Canada and Ontario Ministry of Finance.

Ontario's Goods Exports Expanding to New Markets

Share of Exports to U.S.
(Per Cent)

Share of Exports to Other Countries
(Per Cent)



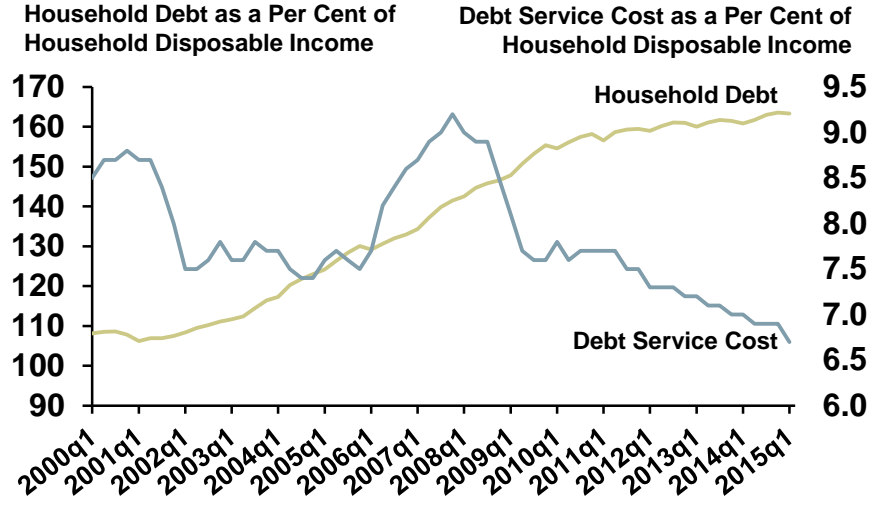
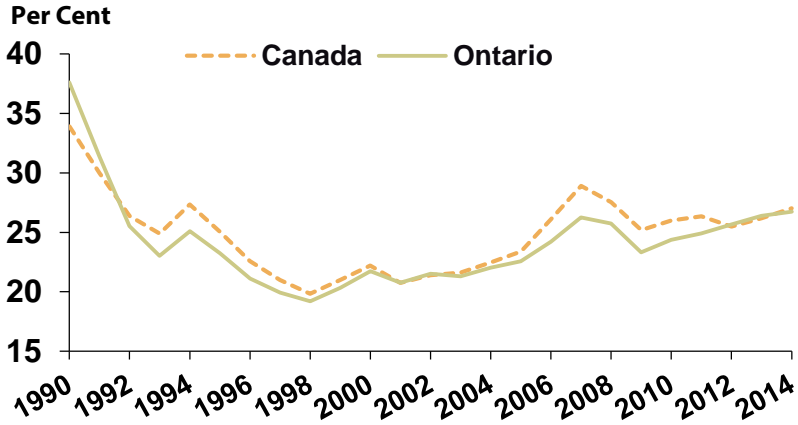
Source: Statistics Canada.

Conservative Mortgage Market

- Resilient and stable mortgage market attributed to strong economic fundamentals
- Lower defaults and arrears reflect Canadian credit culture and more rigorous underwriting standards, share of total mortgages in arrears in Ontario was at 0.2% in April 2015
- In Canada, all high-ratio* residential mortgages issued by banks must be insured which is at least 90-percent backstopped by federal guarantees
- Over one-third of Canadian homeowners own their homes outright. Excluding these, average household equity levels (loan-to-value) are 56%.

Mortgage Carrying Cost: Canada and Ontario

(As a share of disposable income per household)



Note: Carrying cost is based on the average five-year mortgage rate, a 25-year amortization and a 25% down payment.

*Note: Down payments of 5% to 20%.

Sources: Statistics Canada, Canadian Real Estate Association and Ontario Ministry of Finance.

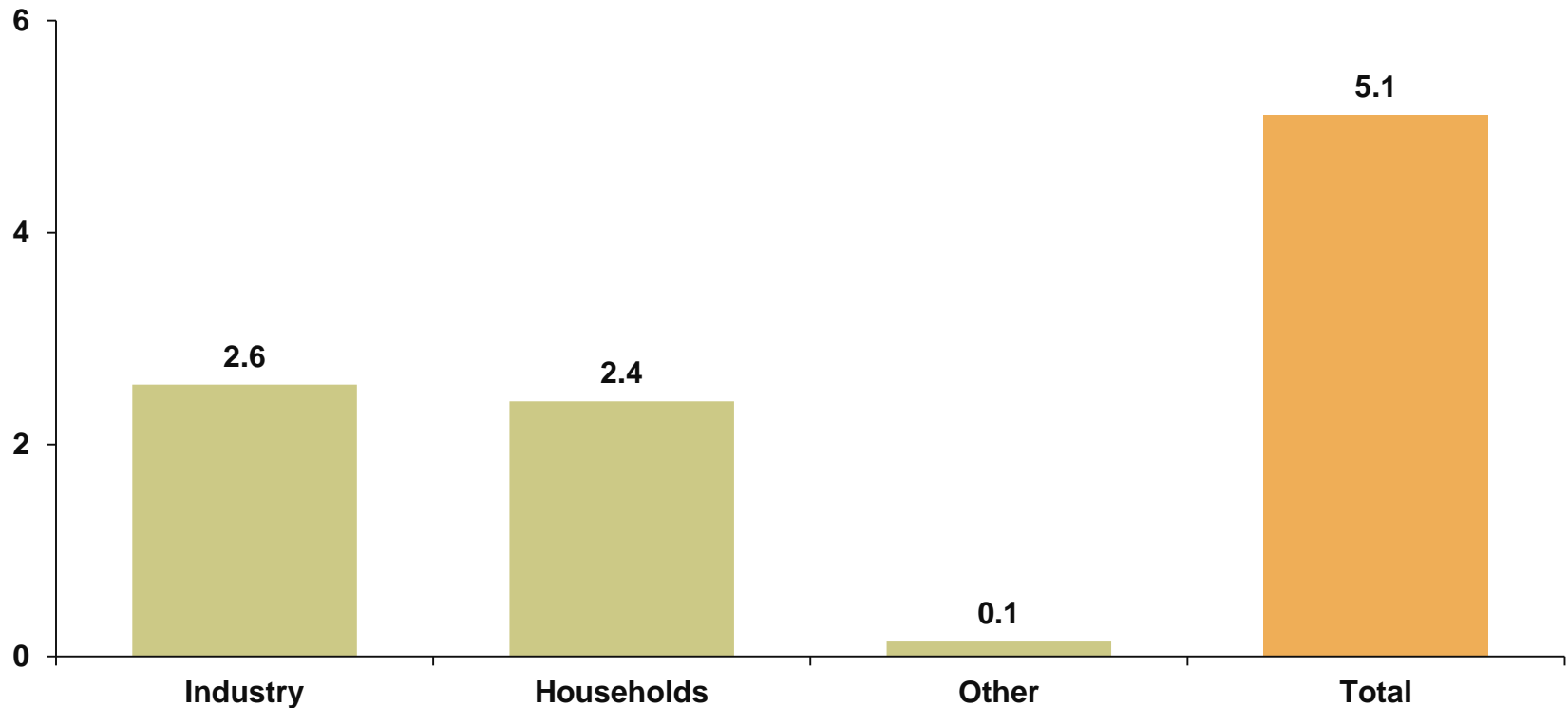


Lower Oil Prices Will Provide Savings to Consumers and Businesses

- The average Ontario household could expect to save almost \$500 from lower fuel costs in 2015

\$ Billions

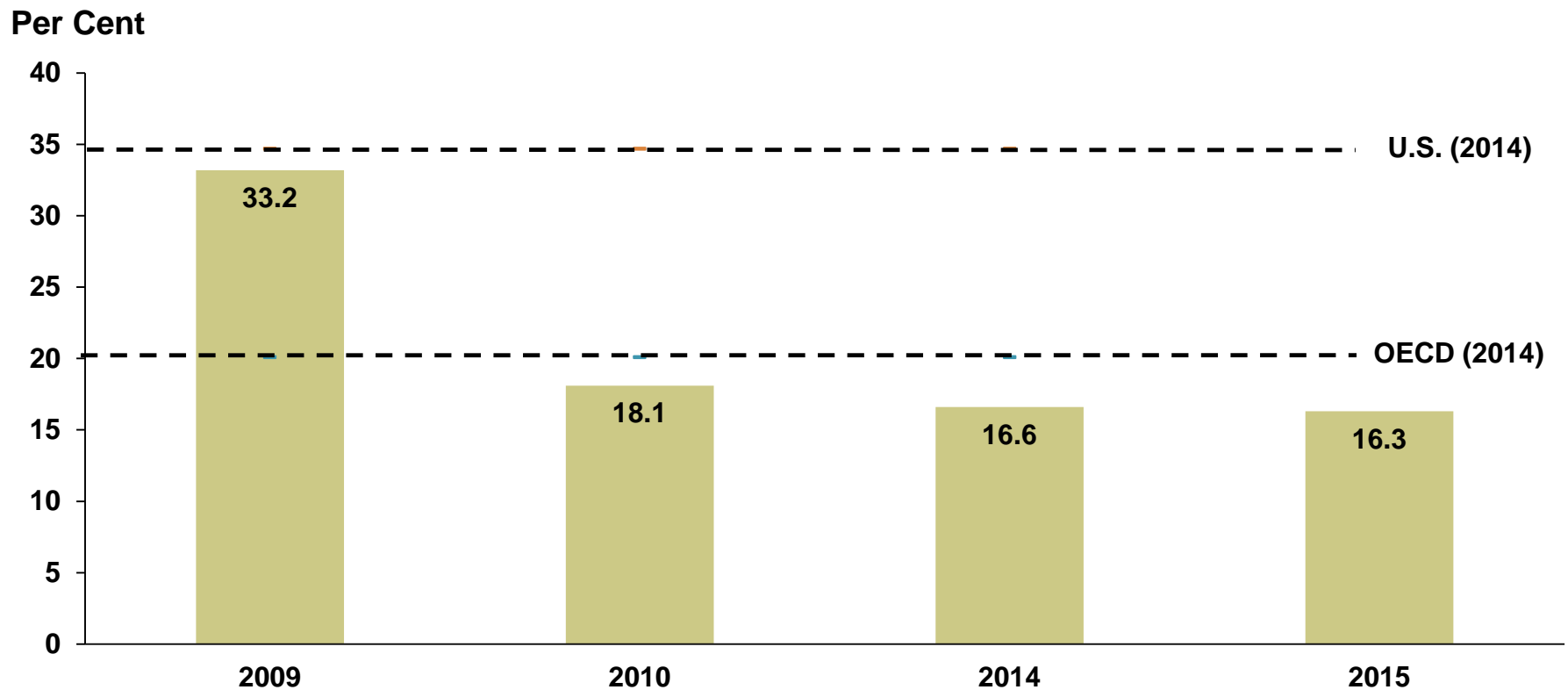
Expected Savings in Ontario from Lower Oil Prices in 2015



Source: Ontario Ministry of Finance (2015 Budget)

Cutting Ontario's Marginal Effective Tax Rate

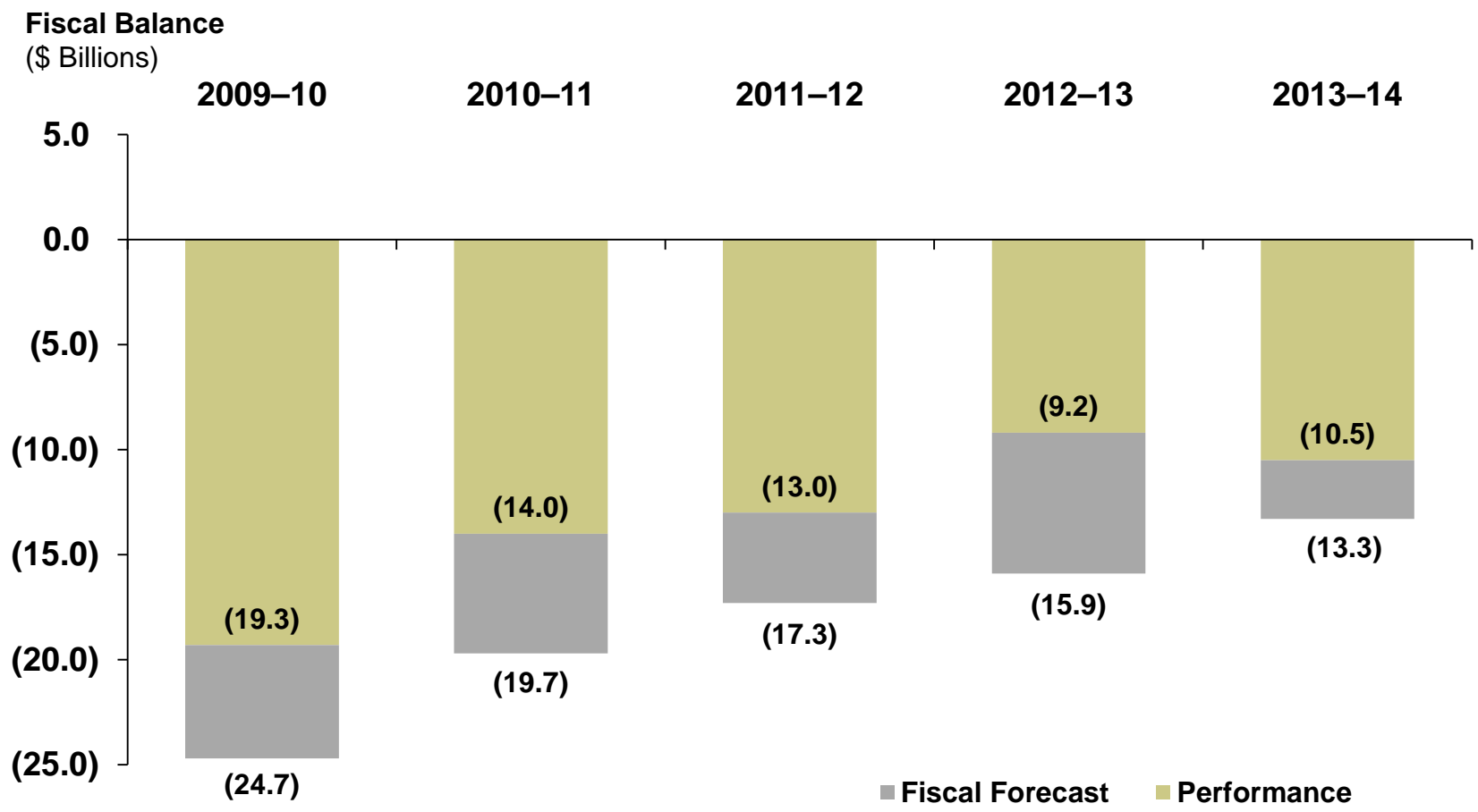
- Ontario's Marginal Effective Tax Rate on new business investment has been cut in half since 2009



Notes: The marginal effective tax rate (METR) takes into account federal and provincial/state corporate income taxes, capital taxes and sales taxes. The OECD METR is the average for OECD member countries excluding Canada. The METRs for the U.S. and OECD countries include measures announced as of January 1, 2014.

Sources: Finance Canada and Ontario Ministry of Finance.

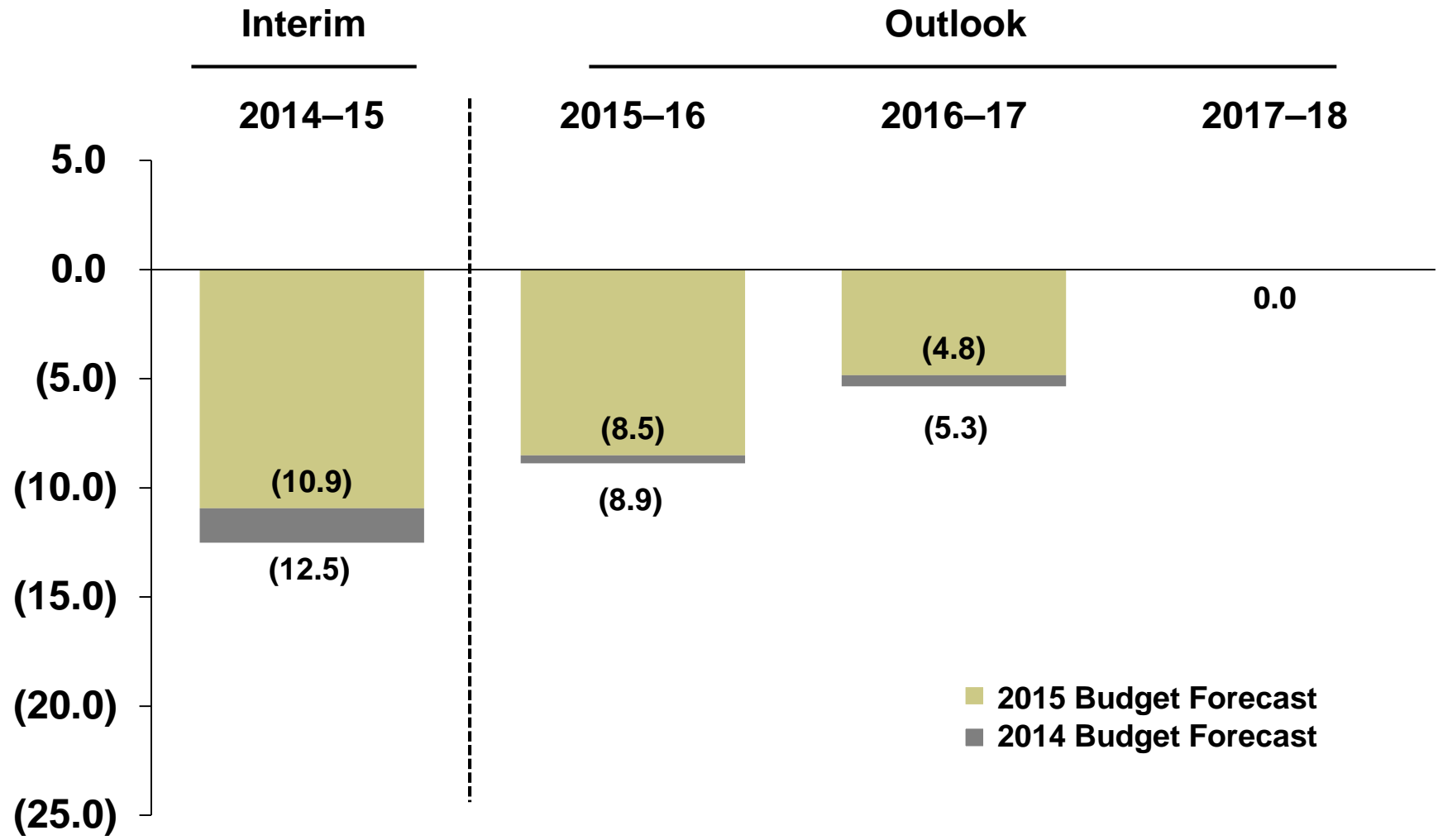
Ontario's Record Against Deficit Targets



Note: Forecast for 2010-11 to 2013-14 based on the 2010 Budget. Forecast for 2009-10 from the 2009 Ontario Economic Outlook and Fiscal Review.

Ontario's Plan to Eliminate the Deficit

Fiscal Balance
(\$ Billions)



Ontario's Fiscal Plan

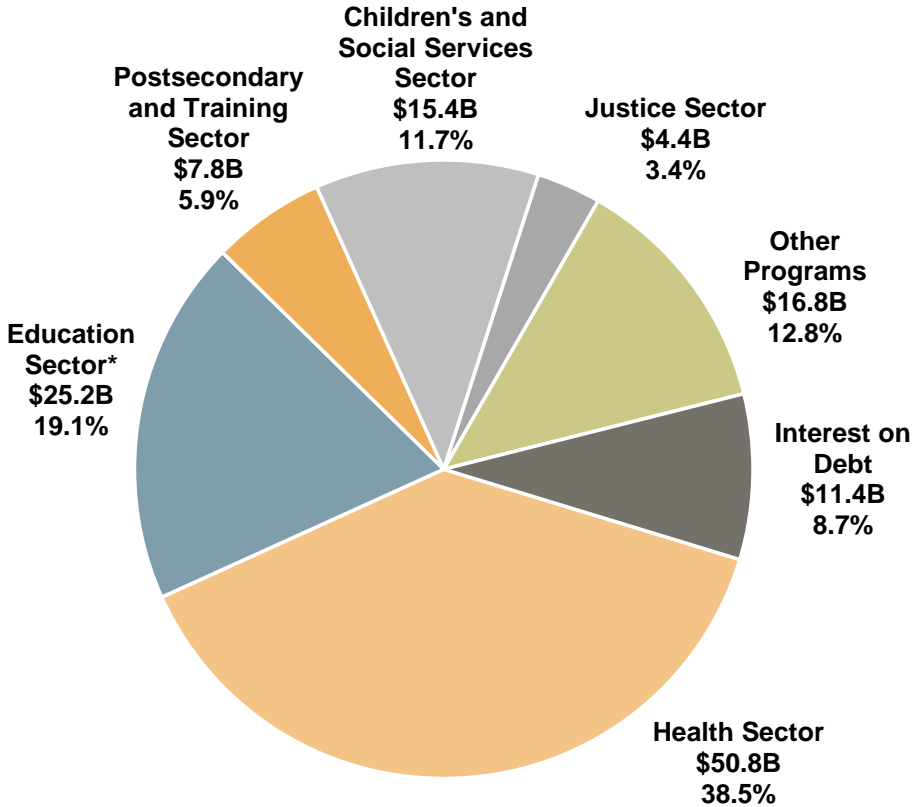
- While the government continues to invest in priority areas and implement its plan to support economic growth and prosperity, it is also committed to managing program expense growth over the medium term to support a balanced and thoughtful approach to eliminating the deficit

Ontario's Recovery Plan (\$ Billions)	Interim	Plan	Outlook	
	2014-15	2015-16	2016-17	2017-18
Revenue	118.5	124.4	129.4	134.4
Expense				
Programs	118.8	120.5	120.6	120.0
Interest on Debt	10.7	11.4	12.4	13.2
Total Expense	129.5	131.9	133.0	133.2
Reserve	–	1.0	1.2	1.2
Surplus/(Deficit)	(10.9)	(8.5)	(4.8)	–

Note: Numbers may not add due to rounding.

Composition of Total Expense 2015–16

Total Expense \$131.9 Billion



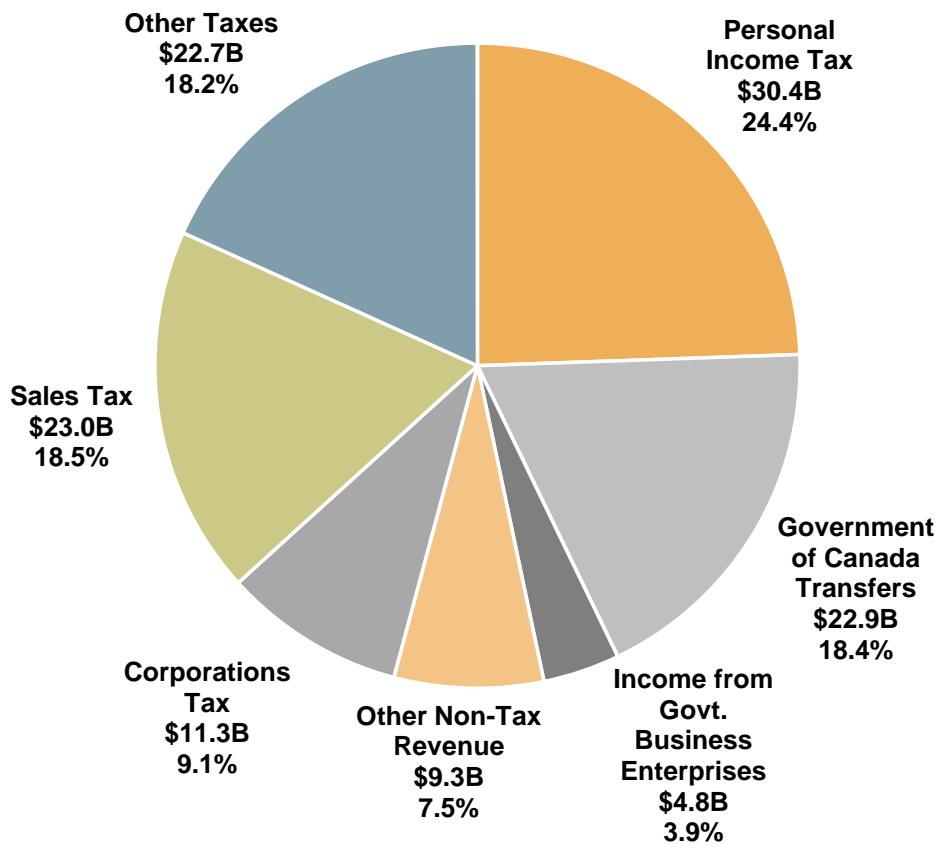
Total expense is projected to be \$131.9 billion in 2015-16.

- The largest expense is the Health and Education Sectors, collectively at \$76.0 billion and accounting for 57.6 per cent of total expense
- Interest on debt expense, included as part of total expense, is projected to be \$11.4 billion or 8.7 per cent of total expense

* Excludes Teachers' Pension Plan. Teachers' Pension Plan expense is included in Other Programs.
Note: Numbers may not add due to rounding.

Composition of Revenue 2015–16

Revenue \$124.4 Billion



- Revenue sources are diversified
- Direct taxation powers with taxation revenues accounting for 70% of total revenues
- Government of Canada transfers including the Canada Health Transfer, Canada Social Transfer and Equalization account for 18.4% of total revenues
- Other Non-Tax Revenues such as Vehicle and Driver Registration fees, Sales and Rentals, and Royalties account for 7.5% of total revenues

Source: Ontario Ministry of Finance, 2015 Budget.
Note: Numbers may not add due to rounding.

Progress on Actions to Eliminate the Deficit

Program Review, Renewal and Transformation

The Program Review, Renewal and Transformation – a fundamentally new approach to multi-year planning and budgeting – will be considering complex, cross-government opportunities that aim to modernize public services, support fiscal objectives and improve outcomes for people.

Managing Compensation Costs

Compensation costs must be addressed within Ontario's existing fiscal framework, which does not include additional funding for wage increases. Any modest wage increases must be offset by other measures to create a net zero agreement.

Maintain Tax Fairness and a Level Playing Field for Business

The Province has taken concrete measures to help ensure tax fairness and a level playing field. Going forward, the Province will build on these successful initiatives with new approaches to address the underground economy.

Credit Ratings

Rating Agencies	Current Ratings Long-Term	Current Ratings Short-Term
Standard & Poor's	A+	A-1+
Moody's	Aa2 (N)	P-1
Fitch	AA-	F1+
DBRS	AA (low)	R-1 (mid)

Summary

- Current Ontario spreads represent value for investors
- Ontario bonds are highly liquid
- We maintain a responsive and flexible approach in dealing with markets
- The government will take deliberate actions to meet or beat its deficit targets and eliminate the deficit by 2017–18

For up-to-date information on our borrowing program, please visit our website:

www.ofina.on.ca

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