



Ontario Economic Outlook and Fiscal Review

November 26, 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
- The government remains committed to balancing the budget by 2017-18 and will do so in a way that is fair and responsible and supports the vital services on which Ontarians rely

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**

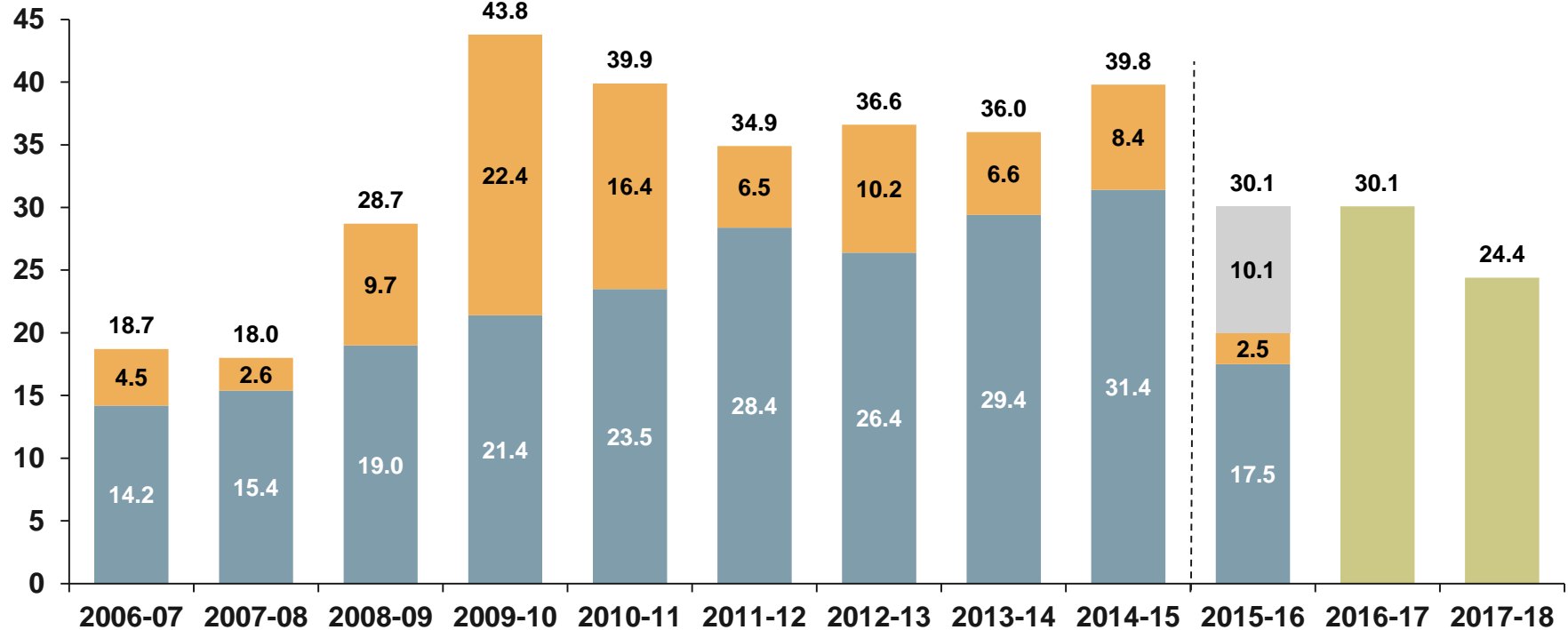
- Largest Canadian provincial economy by GDP and population
- A diverse economy with direct taxation powers and stable growth

Domestic and International Borrowing

As of November 26, 2015

Total Long-Term Borrowing
(\$ Billions)

Canadian Dollar Foreign Currencies 2015-16 Borrowing Remaining Projected Total



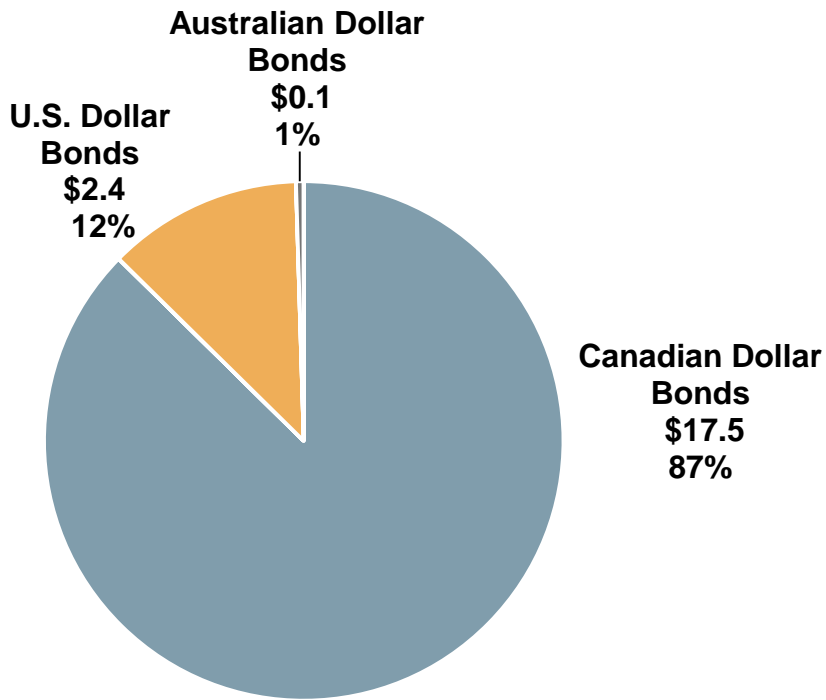
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Foreign	24%	14%	34%	51%	41%	19%	28%	18%	21%	13%	-	-
Domestic	76%	86%	66%	49%	59%	81%	72%	82%	79%	87%	-	-

Note: Numbers may not add due to rounding.

Source: Ontario Financing Authority.

2015–16 Borrowing Completed: \$20.1 Billion

As of November 26, 2015



2015–16 Total Borrowing Requirement: \$30.1B
Borrowing Completed: \$20.1B
Domestic: 87%
International: 13%
Average Term: 16.1 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
- 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 Index¹
- Large Order Procedure set up to accommodate large investors

Canadian dollar Benchmark Bonds

(As of November 25, 2015)

	Ontario		Canada	
5 yr (old)	2.10% September 8, 2019	\$3.50B	1.75% September 1, 2019	\$10.20B
5 yr (new)	4.20% June 2, 2020	\$10.80B	0.75% September 1, 2020	\$13.00B
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	\$12.35B	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	\$10.45B	3.50% December 1, 2045	\$16.40B

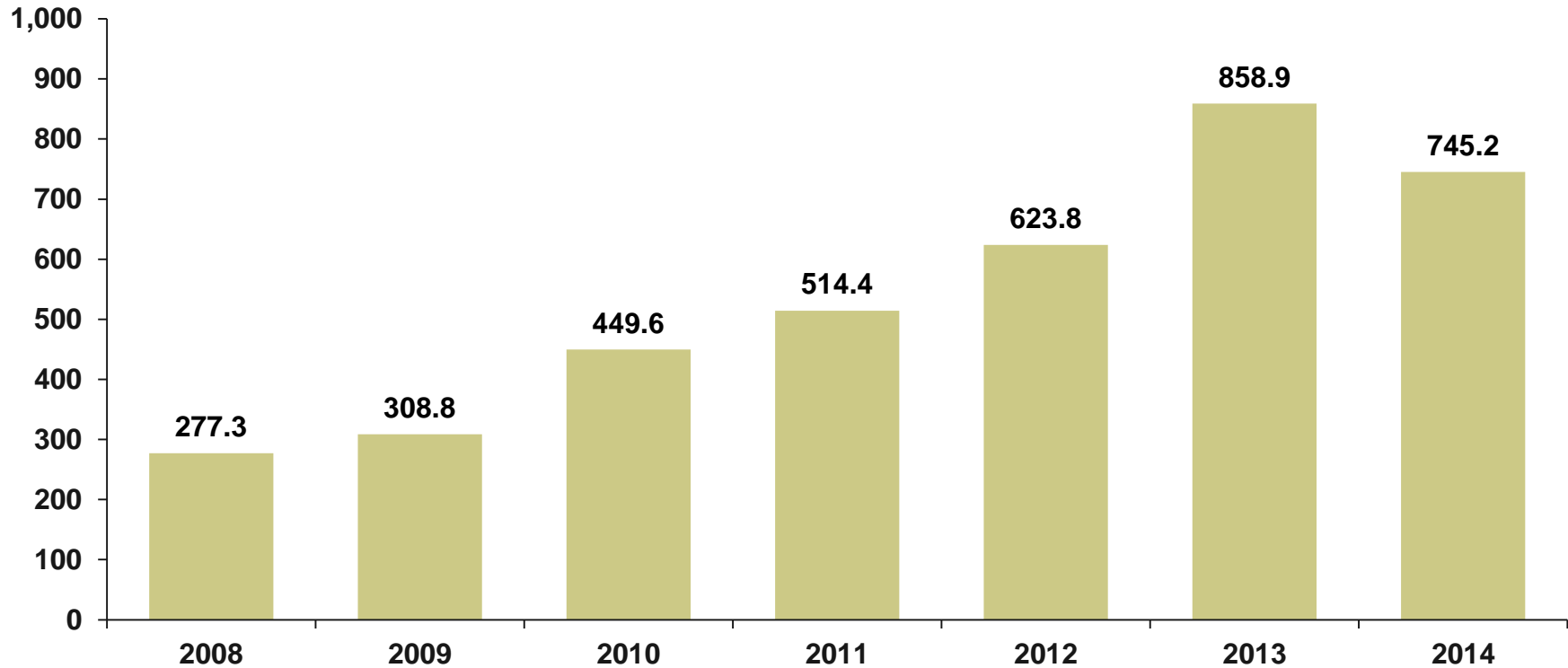
¹ PC Bond, as of March 31, 2015.

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.

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\$42B outstanding as of October 30, 2015
- U.S. commercial paper (1-270 days), with about C\$5.5B outstanding as of October 30, 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

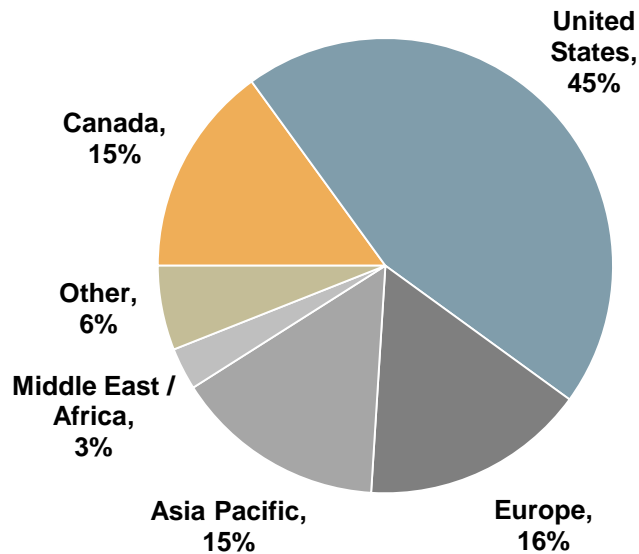
Maturity	Issue Details			
	Issue Date	Maturity Date	Amount (US\$)	Coupon
10 years	May 16, 2014	May 16, 2024	1.25 billion	3.20%
7 years	September 11, 2014	September 10, 2021	2.00 billion	2.50%
5 years	May 21, 2015	May 21, 2020	2.00 billion	1.875%
5 years	January 30, 2014	January 30, 2019	2.00 billion	2.00%

Sources: Bloomberg, Ontario Financing Authority.

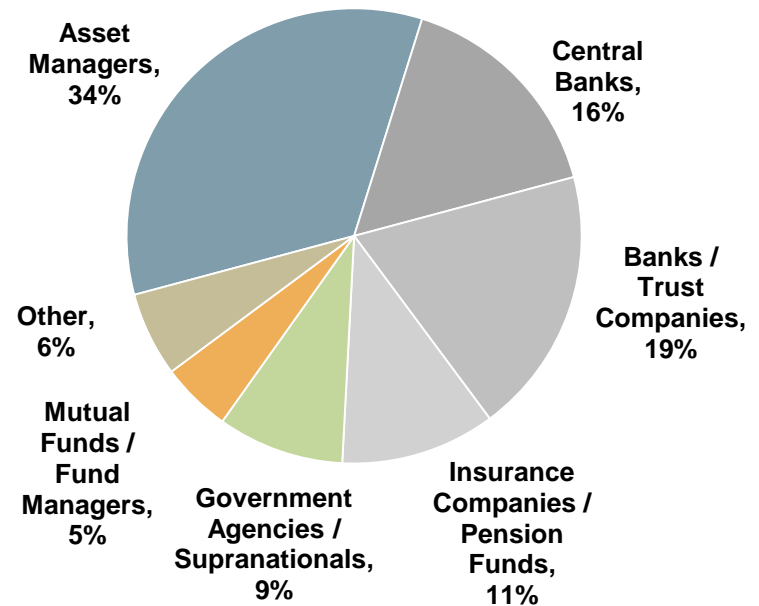
U.S. Dollar Market

- 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.

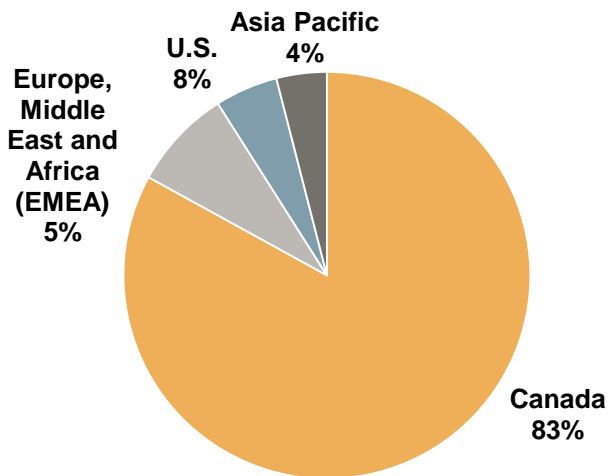
Ontario's Green Bond Initiative

- 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 and it will also be denominated in Canadian dollars

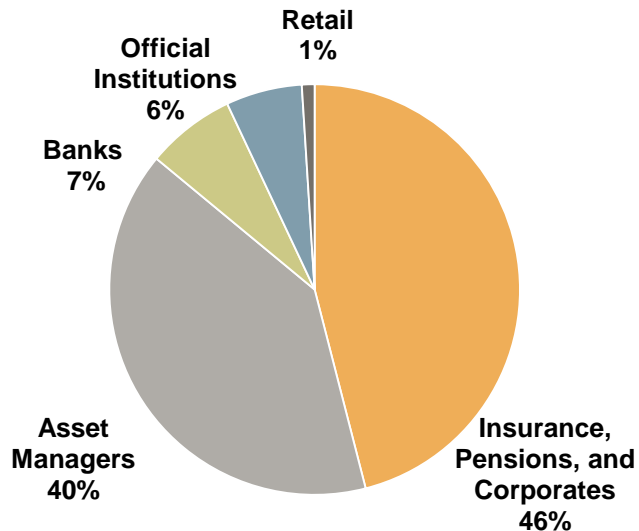
Ontario's Green Bond Deal Highlights

- 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



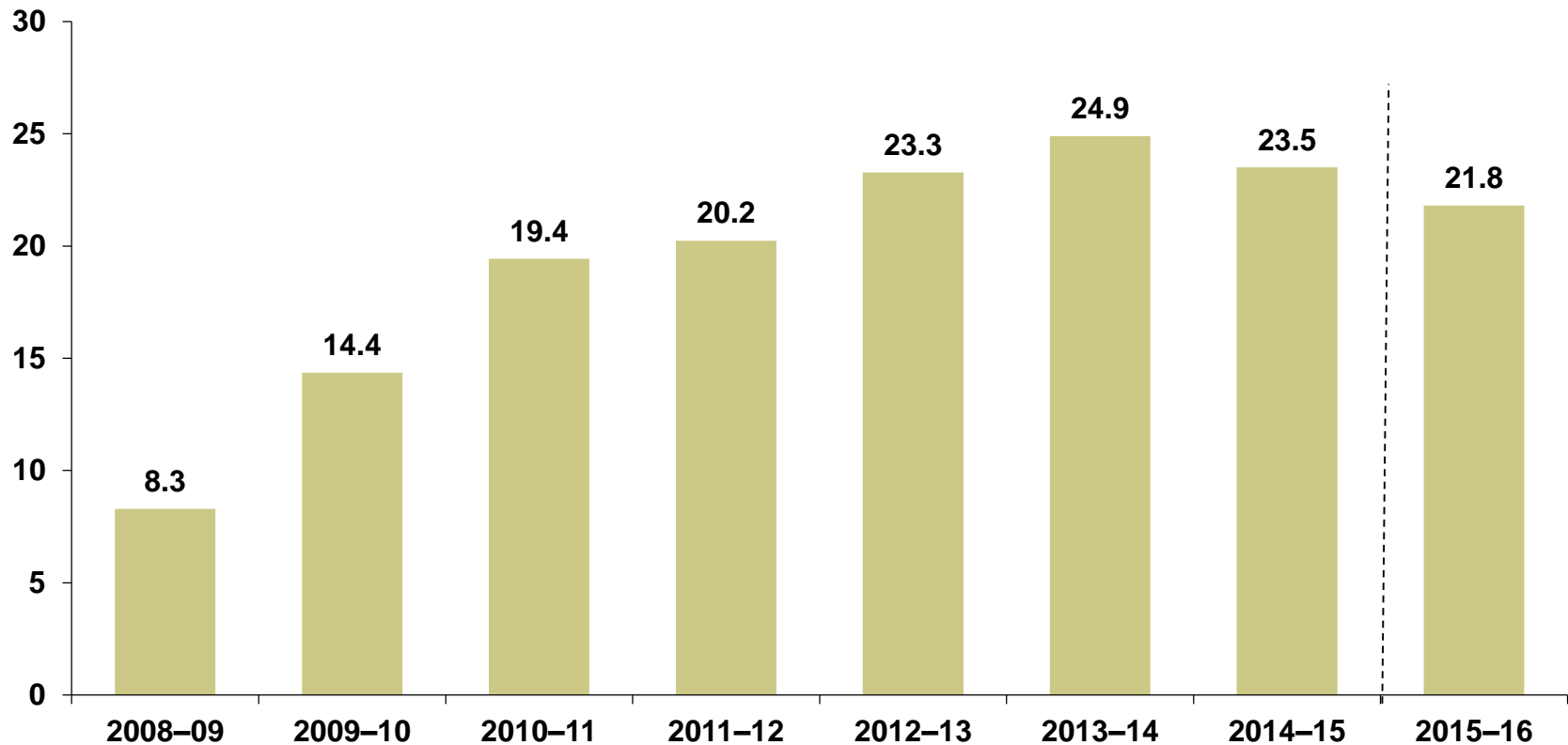
Distribution by Investor Type



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: 2015-16 figures as of October 30, 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 \$26.2B available

	C\$ T-Bill Program	US\$ Commercial Paper Program	Total
Currency	Canadian Dollars	U.S. Dollars	-
Maturity	1 day-3 years*	1-270 day(s)	-
Authorized	C\$33.0 billion	C\$15.0 billion	C\$48.0 billion
Outstanding	C\$16.3 billion	C\$5.5 billion	C\$21.8 billion
Available	C\$16.7 billion	C\$9.5 billion	C\$26.2 billion

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

Note: As of October 30, 2015.

Source: Ontario Financing Authority.

Medium-Term Borrowing Outlook

(\$ Billions)	2015-16			Medium-Term Outlook	
	2015 Budget	Current Outlook	In-Year Change	2016-17	2017-18
Deficit/(Surplus)	8.5	7.5	(1.0)	4.5	–
Investment in Capital Assets	9.1	9.1	–	11.3	11.8
Non-Cash Adjustments	(4.9)	(3.1)	1.8	(5.5)	(5.6)
Loans to Infrastructure Ontario	1.1	1.1	0.0	0.5	0.4
Other Net Loans/Investments	1.0	(0.3)	(1.3)	0.3	0.1
Debt Maturities	21.0	21.1	0.1	21.4	17.5
Debt Redemptions	0.2	0.1	(0.1)	0.1	0.1
Hydro One Special Dividends	–	(0.8)	(0.8)	–	–
Total Funding Requirement	35.9	34.7	(1.3)	32.7	24.4
Canada Pension Plan Borrowing	–	–	–	(0.1)	–
Decrease/(Increase) in Short-Term Borrowing	–	–	–	(1.7)	–
Increase/(Decrease) in Cash and Cash Equivalents	–	0.8	0.8	(0.8)	–
Preborrowing in 2014-15	(4.8)	(5.3)	(0.5)	–	–
Total Long-Term Public Borrowing	31.1	30.1	(1.0)	30.1	24.4

Note: Numbers may not add due to rounding.

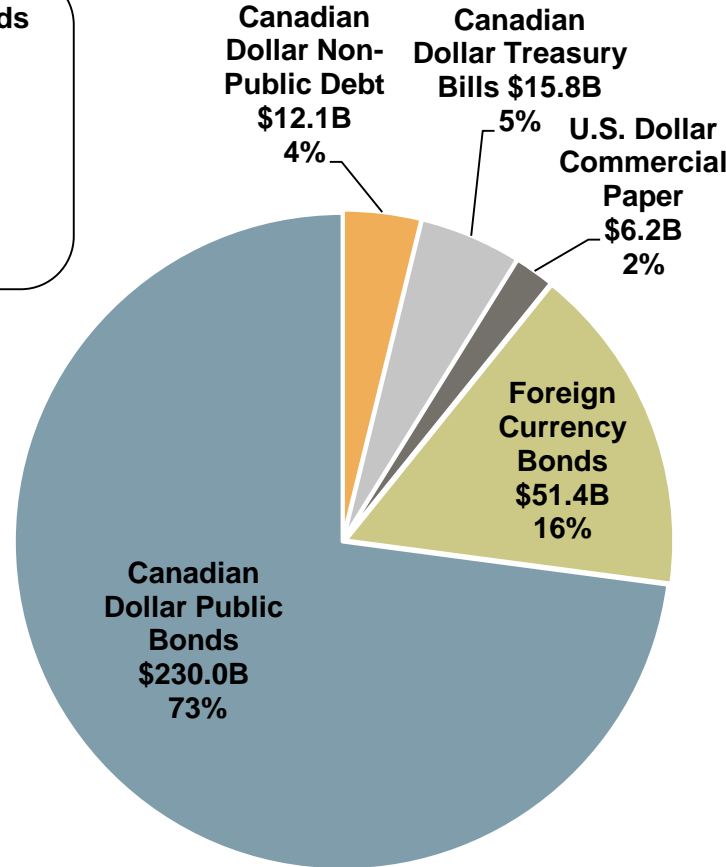
Total Debt Composition

\$315.4 Billion Outstanding

(as of September 30, 2015)

Canadian Dollar Public Bonds

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



Debt Outstanding by Currency

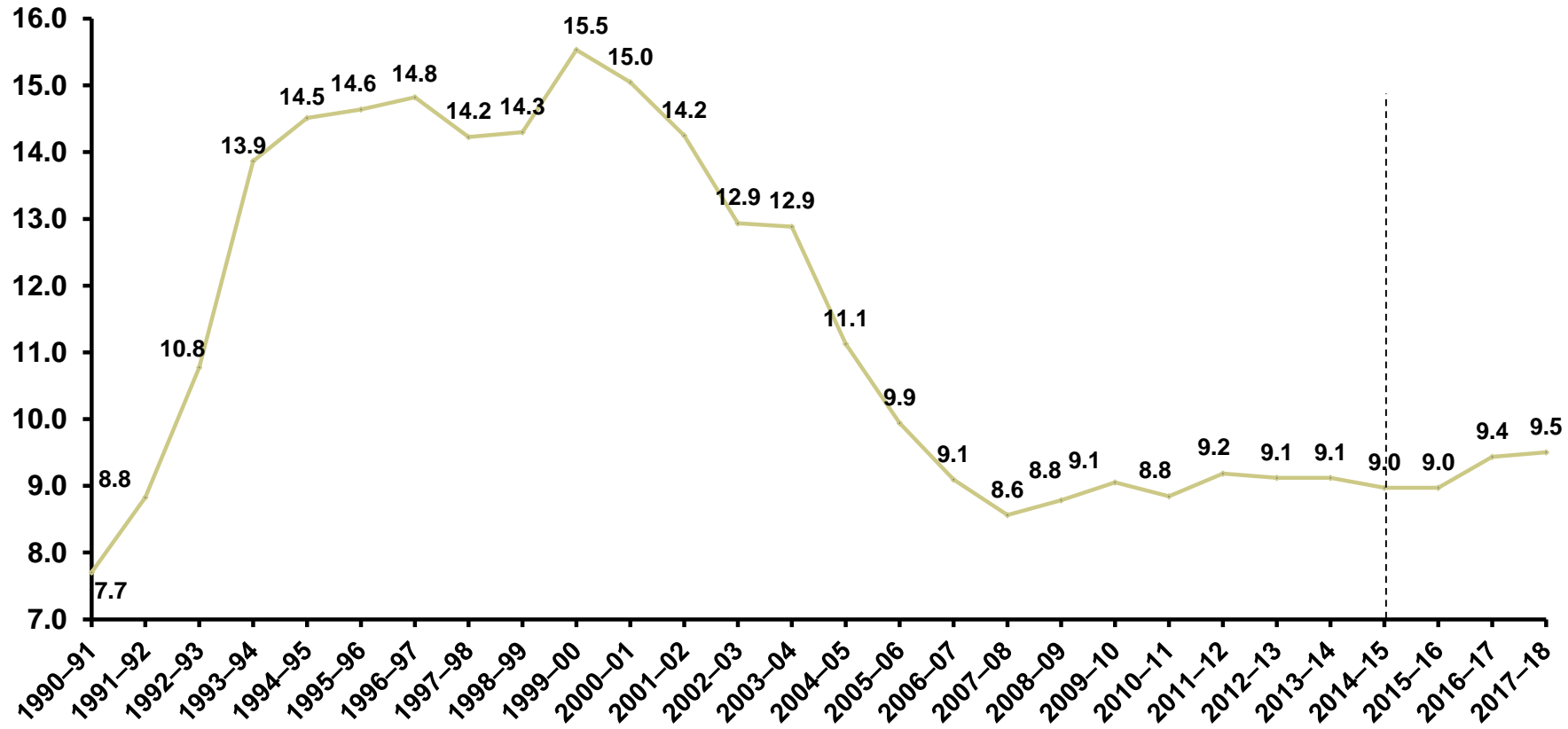
Currency	Debt Outstanding
Canadian Dollar Public Bonds	\$245.7B
Canadian Dollar Non-Public Debt	\$12.1B
U.S. dollars	\$41.6B
Euros	\$11.8B
Swiss francs	\$2.1B
Japanese yen	\$0.5B
Australian dollars	\$1.3B
Norwegian kroner	\$0.1B
Hong Kong dollars	\$0.1B
South African rand	\$0.01B

Note: Numbers may not add due to rounding.

Source: Ontario Financing Authority.

Interest on Debt-to-Revenue

Interest on Debt-to-Revenue
(Per Cent)

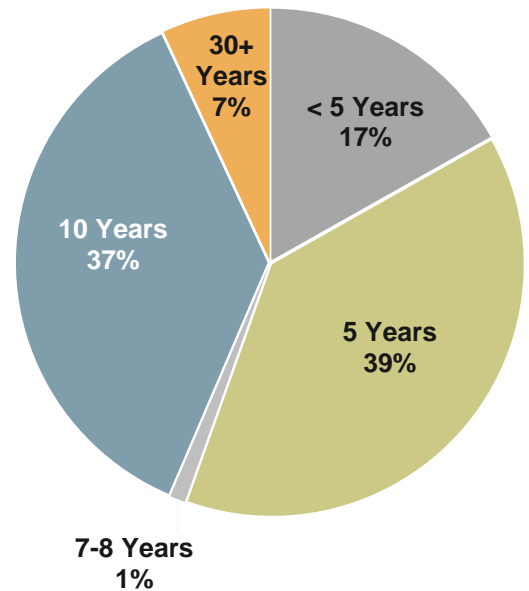


Source: Ontario Financing Authority.

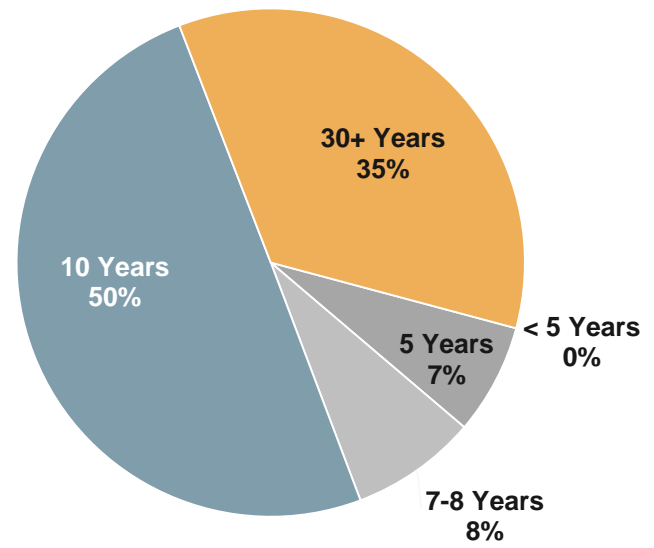
Long-Term Borrowing Maturity Profile

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

2009-10



2015-16



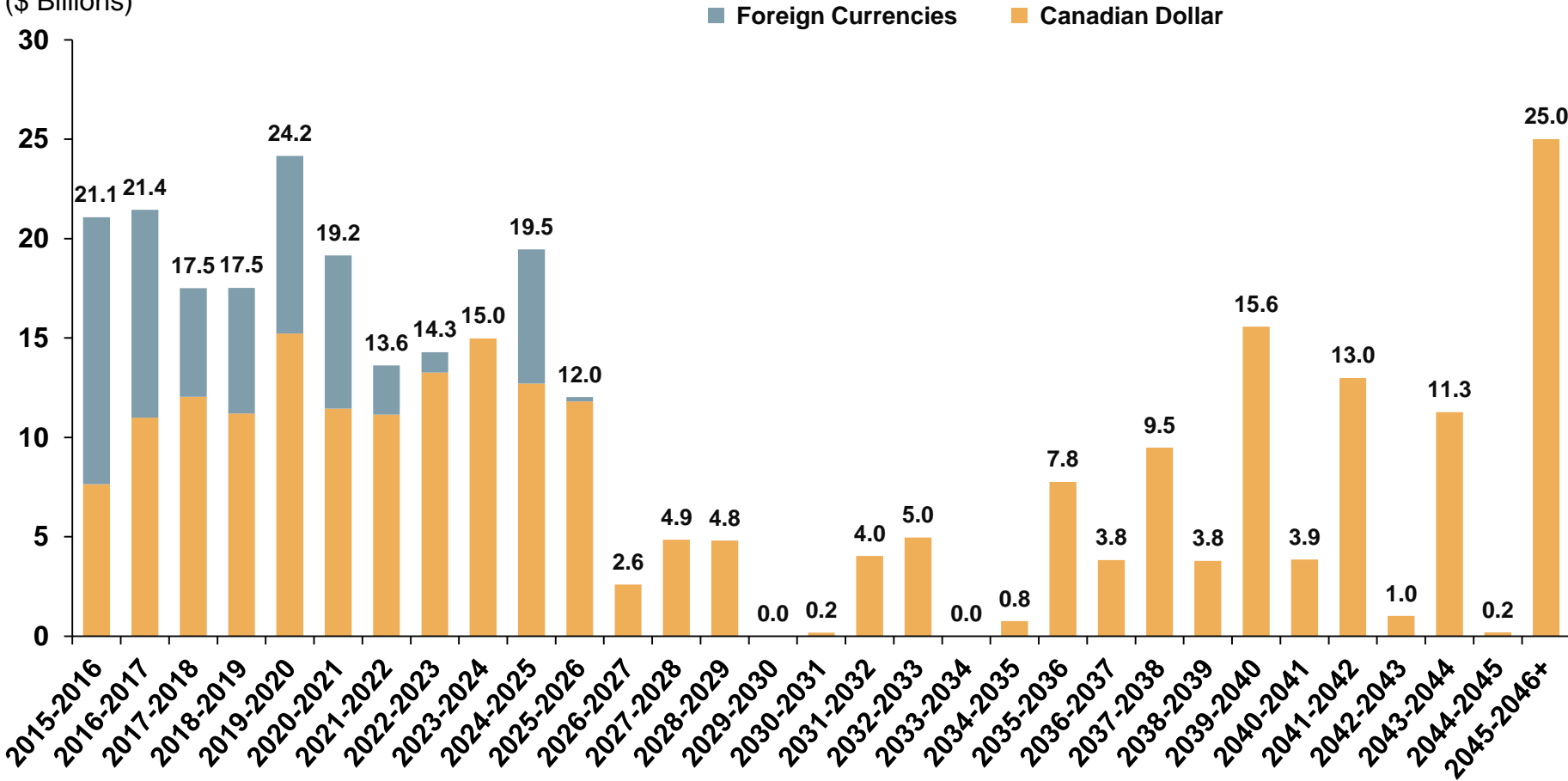
As of November 26, 2015.

Source: Ontario Financing Authority.

Maturity Profile of Outstanding Issues

As of September 30, 2015

Outstanding Issues
(\$ Billions)



Note: Chart dates represent fiscal years ending March 31st.

Risk Management

- Monitor and manage debt maturity profile to limit refinancing risk
- Maintain a high level of liquid reserves and short term borrowing capacity
- Enforce strict credit limits for financial and investment counterparties
- Have collateralized swap agreements in place for most swap counterparties

	Exposure	Policy Limit
Foreign Exchange	0.3%	5.0%
Net Interest Rate Resetting	10.6%	35.0%

Of outstanding debt, as of September 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 has become one of the strongest growing provincial economies in Canada during 2014 and 2015, and, on average, private sector economists expect that trend to continue over the next two years*

- **Eliminating the Deficit**

- The government remains committed to balancing the budget by 2017-18 and will do so in a way that is fair and responsible and supports the vital services on which Ontarians rely. The government's plan to balance the budget is focused on managing growth in spending and delivering the best possible value for every dollar spent

- **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

*Ontario Ministry of Finance Survey of Forecasters (November 2015).

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).

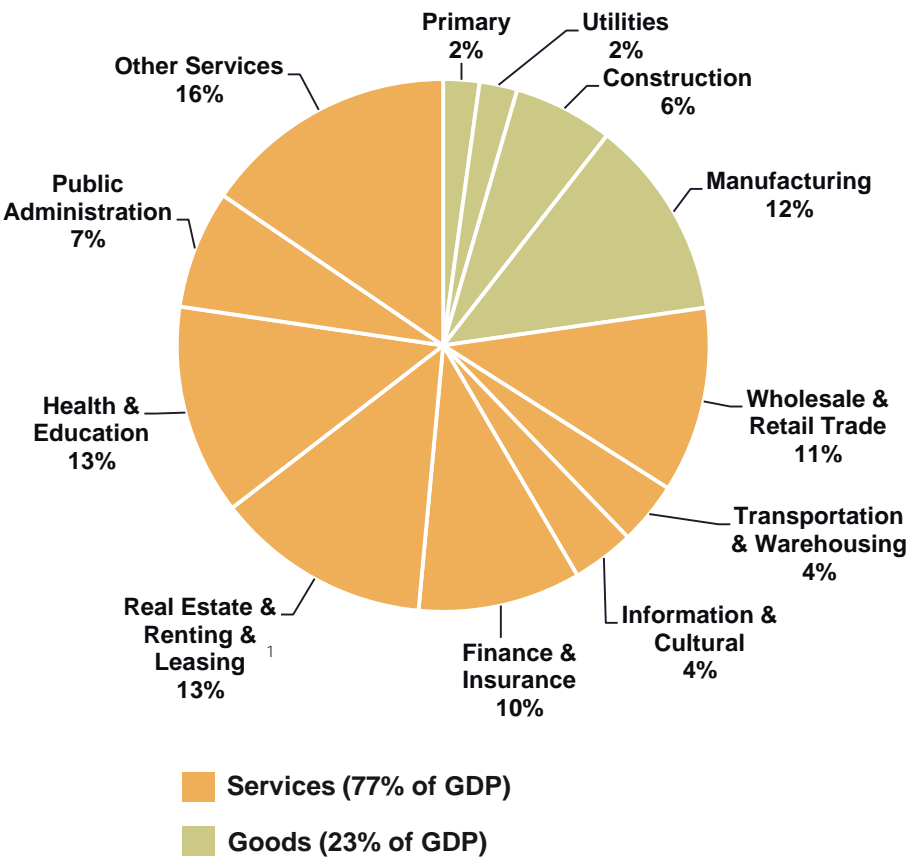
Ontario Overview

- 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 13.8 million in 2015 and nominal GDP of \$722 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)



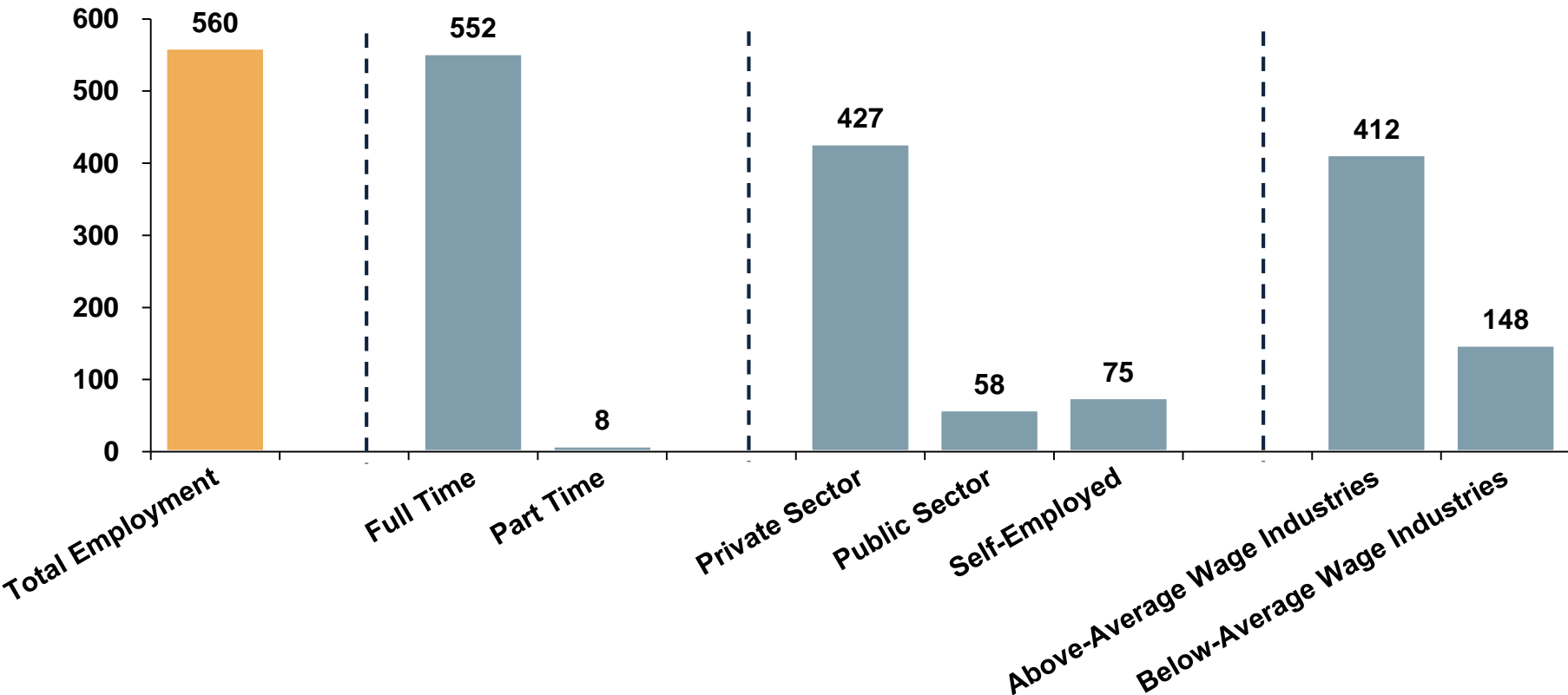
- A diverse economy, with extensive manufacturing, financial and business services
- Highly skilled and well-educated work force

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.

Ontario's Strong Job Recovery Since the Global Recession

- Employment Gains Concentrated in Full-Time, Private-Sector, Above-Average Wage Industries

Employment Gains since June 2009
(Thousands)

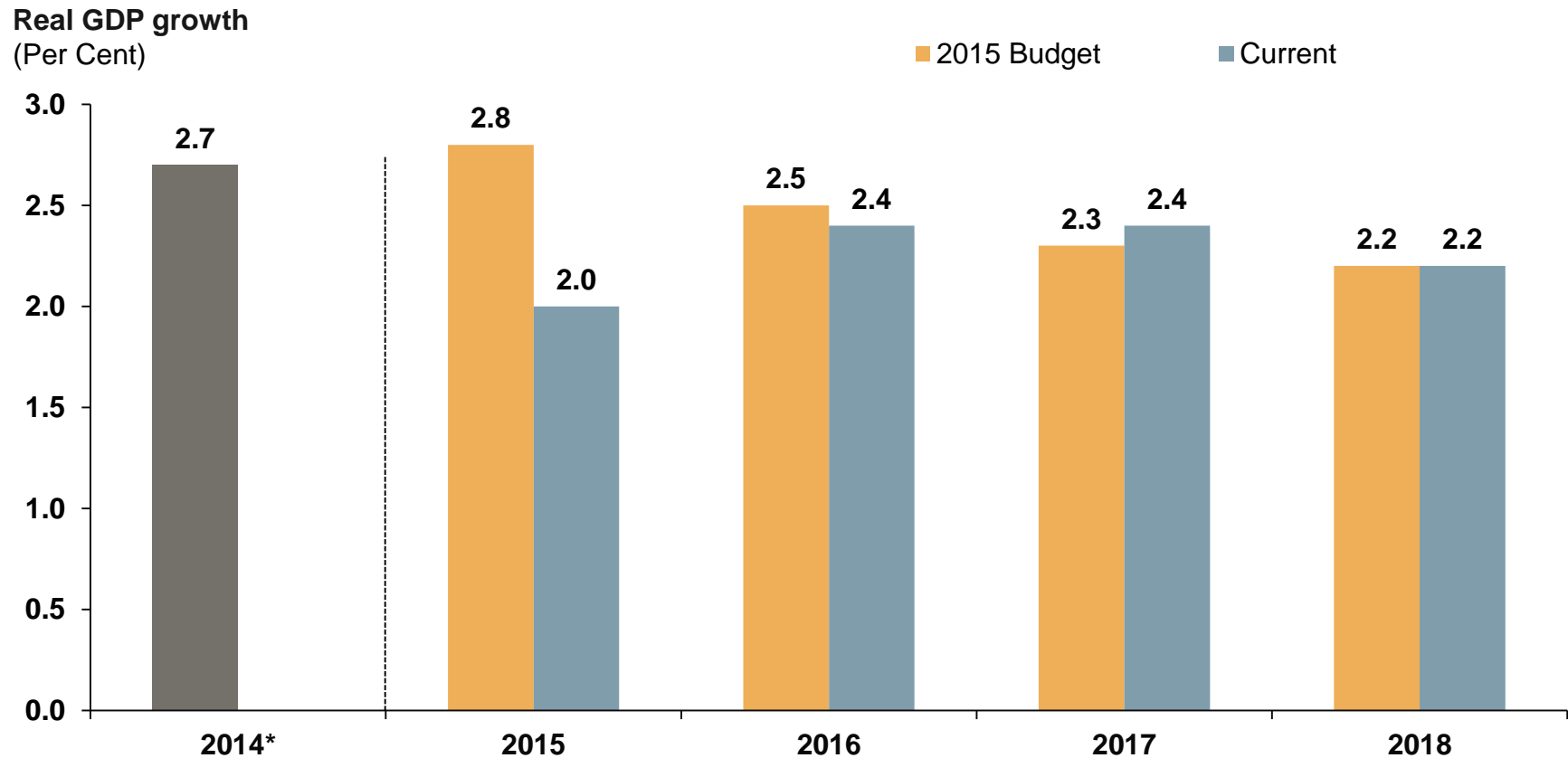


Note: Above-average wage industries are defined as those with earnings above the average hourly earnings of all industries in 2014.

Sources: Statistics Canada and Ontario Ministry of Finance (October 2015).

Private-Sector Growth Forecasts

- Private-sector forecasts for Ontario's real GDP growth have moderated for 2015 compared to the *2015 Budget*, but remain largely on track over the period of 2016 to 2018



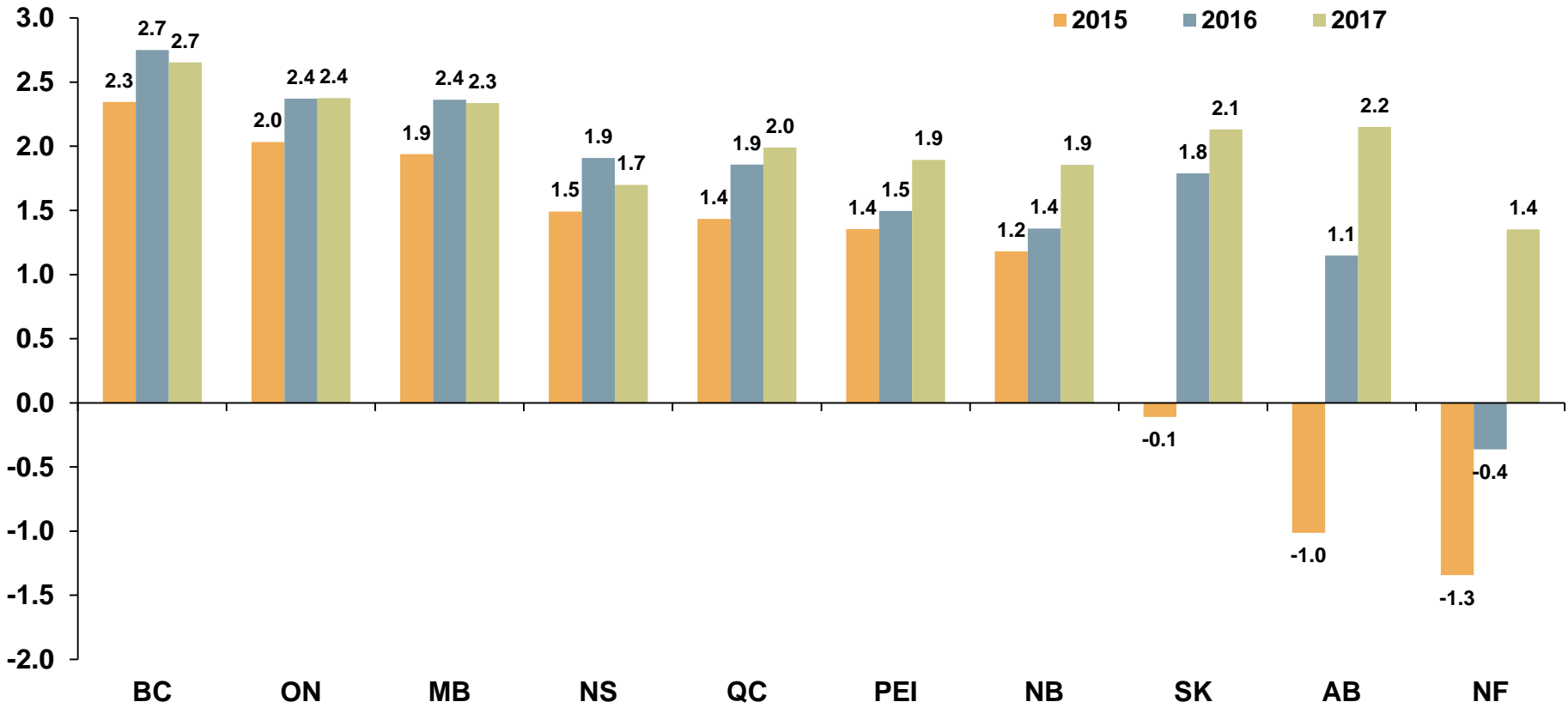
* Actual

Sources: Statistics Canada and Ontario Ministry of Finance Survey of Private Sector Forecasts (March and November 2015).

Private-Sector Growth Forecasts

- Private sector economists expect Ontario to be among the growth leaders in 2015, 2016 and 2017.

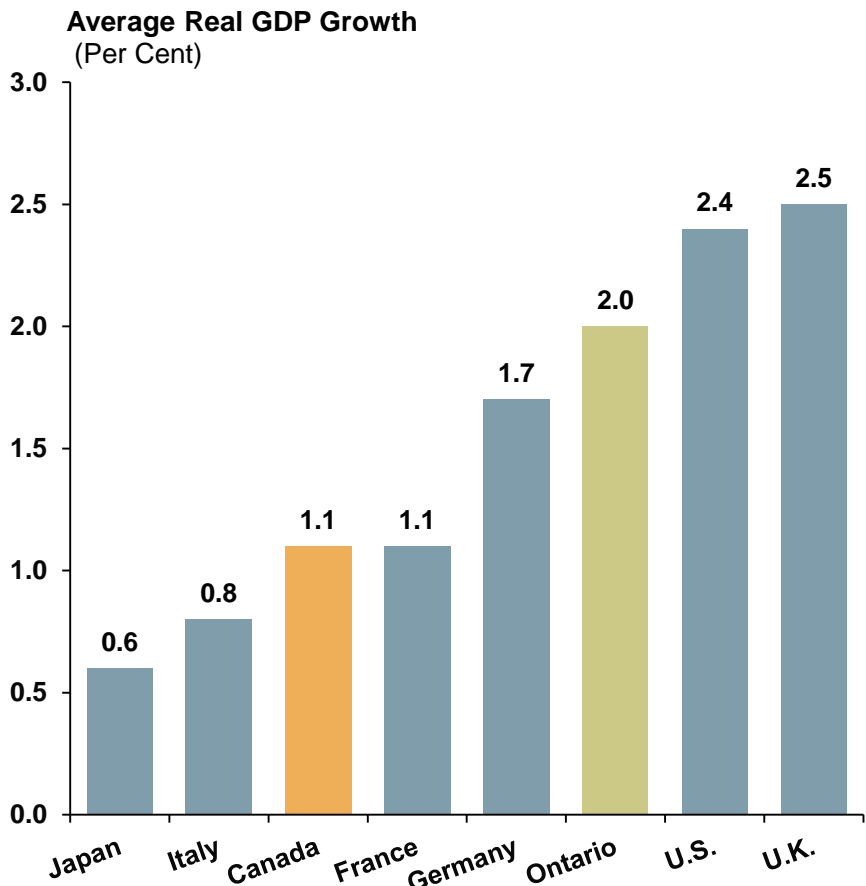
Real GDP growth
(Per Cent)



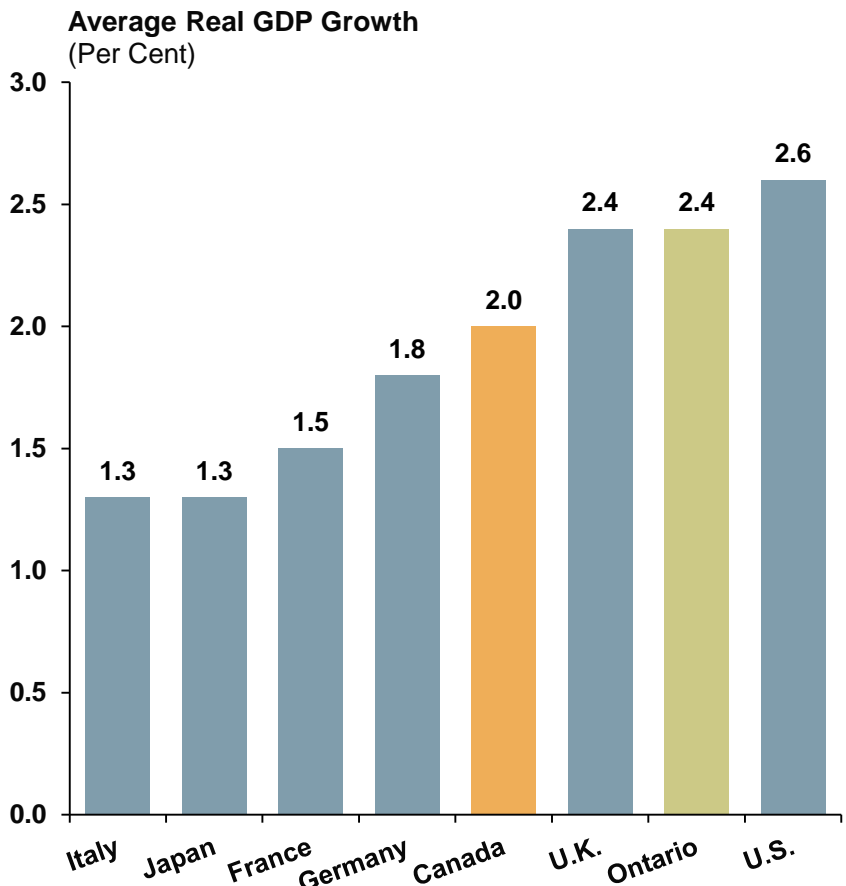
Sources: Ontario Ministry of Finance Survey of Private Sector Forecasts (November 2015).

Ontario's Outlook Compares Favourably with G7

G7 Economic Growth, 2015



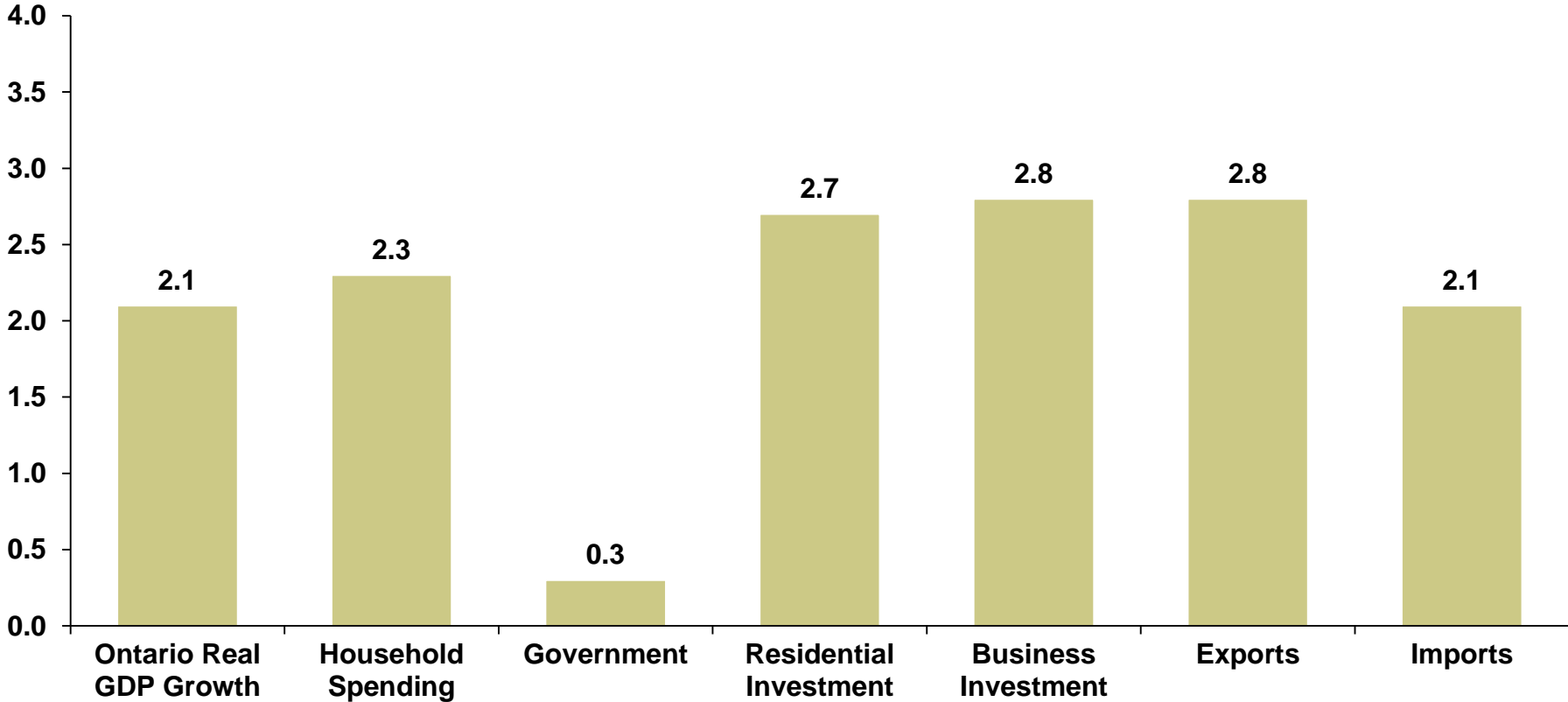
G7 Economic Growth, 2016



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

Ontario Economic Growth Will Be Led by Investment and Trade

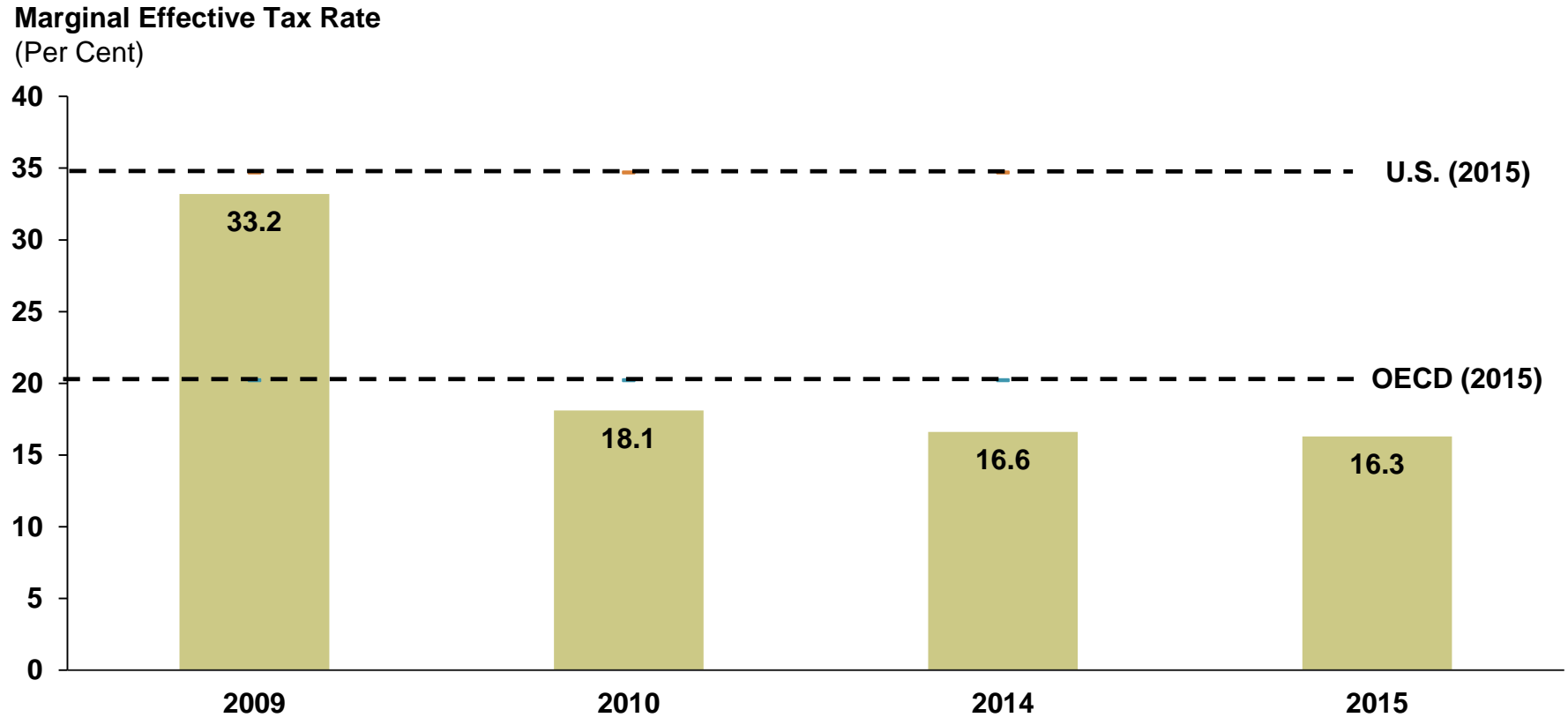
Average Annual Per Cent Change, 2015 to 2018



Notes:
1 Government includes investment and consumption expenditure.
2 Business investment includes investment in plant, equipment and intellectual property products.
Source: Ontario Ministry of Finance.

Cutting Ontario's Marginal Effective Tax Rate

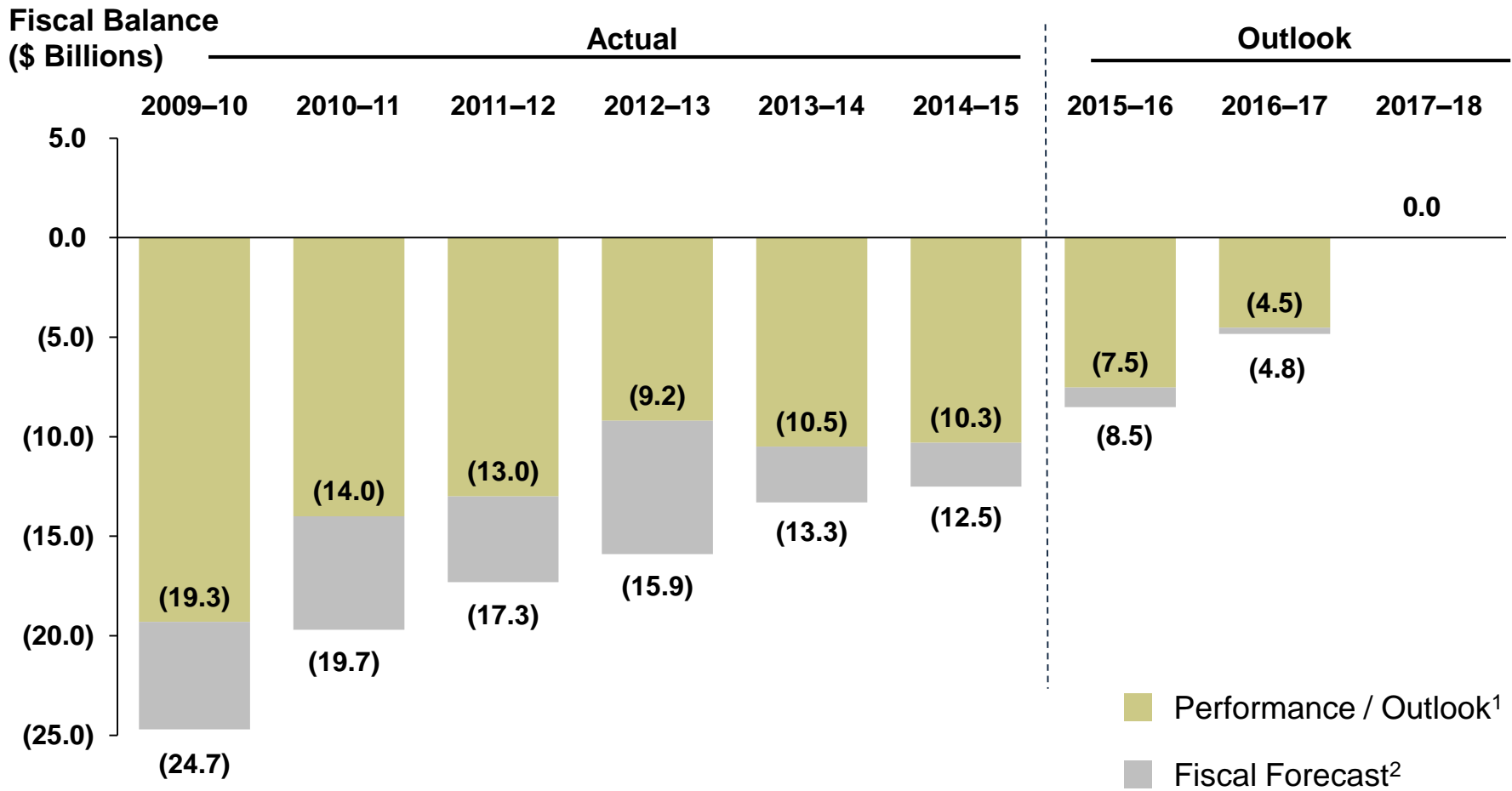
- Ontario's Marginal Effective Tax Rate on new business investment has been cut in half since 2009



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, 2015.

Sources: Finance Canada and Ontario Ministry of Finance.

Ontario's Plan to Eliminate the Deficit



¹ Represents the 2015 Ontario Economic Outlook and Fiscal Review outlook for 2015-16 to 2017-18. For 2009-10 to 2014-15, actual results are presented.
² Forecast for 2015-16 to 2017-18 is based on the 2015 Budget; for 2014-15 is based on the 2014 Budget; for 2010-11 to 2013-14 is based on the 2010 Budget; and for 2009-10 is based on the 2009 Ontario Economic Outlook and Fiscal Review.
 Source: Ontario Ministry of Finance.

Ontario's Medium-Term Fiscal Plan and Outlook

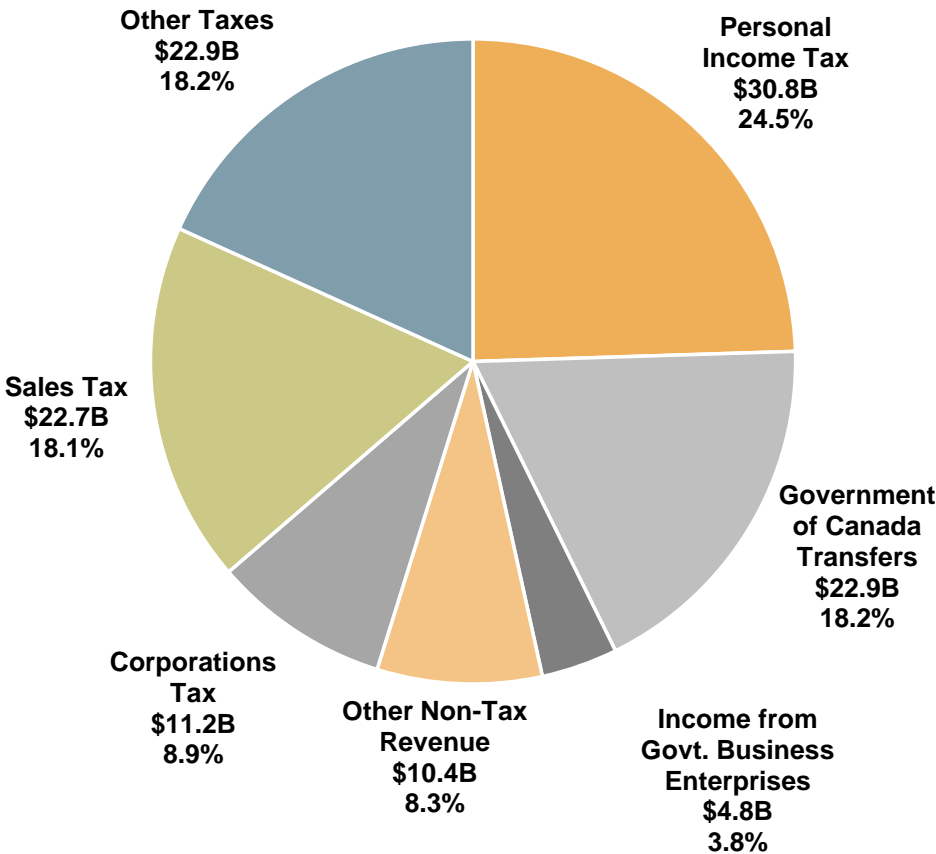
- The government is currently projecting deficits of \$7.5 billion in 2015–16 and \$4.5 billion in 2016–17, and a return to balance in 2017–18. This reflects an improvement of \$1.0 billion in 2015–16 and \$0.3 billion in 2016–17 compared with the deficit targets laid out in the *2015 Budget*

Ontario's Medium-Term Fiscal Plan and Outlook (\$ Billions)	2015–16			Outlook	
	Budget	Current Outlook	In-Year Change	2016–17	2017–18
Revenue	124.4	125.6	1.2	129.5	135.3
Expense					
Programs	120.5	120.9	0.4	120.6	121.3
Interest on Debt	11.4	11.3	(0.1)	12.2	12.9
Total Expense	131.9	132.2	0.3	132.8	134.1
Reserve	1.0	1.0	–	1.2	1.2
Surplus/(Deficit)	(8.5)	(7.5)	1.0	(4.5)	–

Note: Numbers may not add due to rounding.

Composition of Revenue 2015–16

Revenue \$125.6 Billion

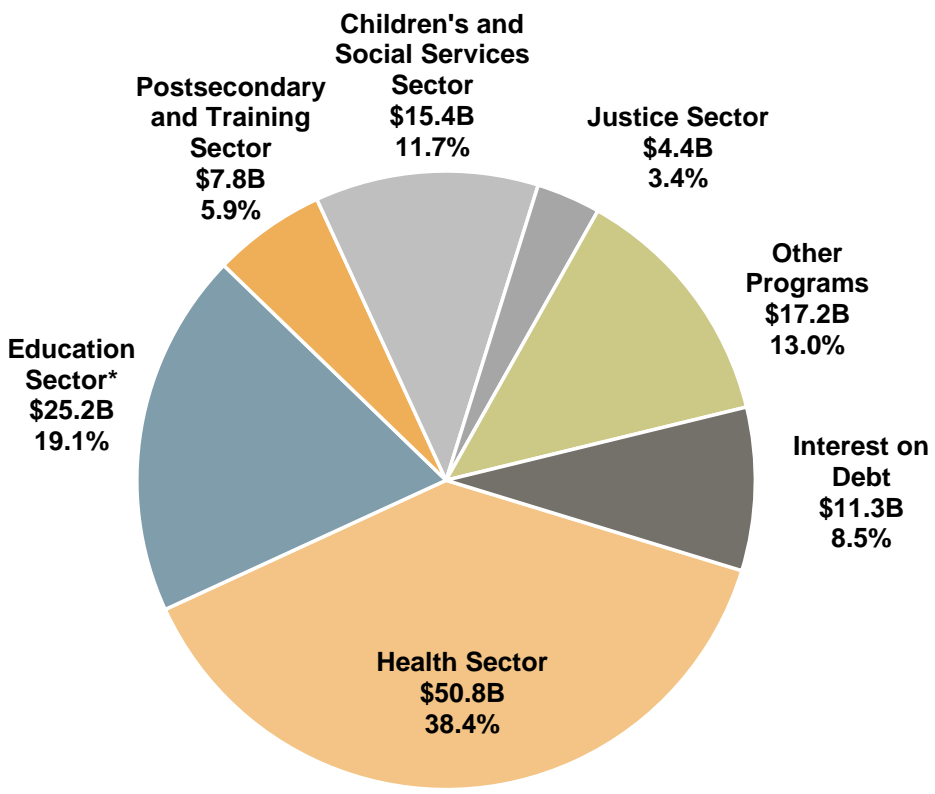


- Revenue sources are diversified
- Taxation revenues account for 70% of total revenues
- Government of Canada transfers including the Canada Health Transfer, Canada Social Transfer and Equalization account for 18.2% of total revenues
- Net Income from Government Business Enterprises (Liquor Control Board of Ontario, Ontario Lottery and Gaming Corporation, Hydro One Inc. and Ontario Power Generation Inc.) account for 3.8% of total revenues
- Other Non-Tax Revenues such as Vehicle and Driver Registration fees, Sales and Rentals, and Royalties account for 8.3% of total revenues

Source: Ontario Ministry of Finance, 2015 Ontario Economic Outlook and Fiscal Review
Note: Numbers may not add due to rounding.

Composition of Total Expense 2015–16

Total Expense \$132.2 Billion



- The largest expense is the Health Sector at \$50.8 billion, accounting for 38.4 per cent of total expense
- Interest on Debt, included as part of Total Expense, is \$11.3 billion, or 8.5 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.

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 remains committed to balancing the budget by 2017-18

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

www.ofina.on.ca

To contact our funding team, please use our website or contact us directly

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