



Investor Relations Presentation

November 14, 2016

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 per cent of the national GDP
- The government is committed to balancing the budget in 2017–18, while continuing to make investments in priority areas to enhance public services, support economic growth and a low-carbon economy, and create jobs
- Ontario is also projecting to remain balanced in 2018–19
- Building on previous commitments, Ontario is investing about \$160 billion in public infrastructure over 12 years, starting in 2014–15

Ontario Bonds

- **Bond Offerings**

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

- **Liquid**

- Strong liquidity in secondary markets and 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

- **Borrowing Program**

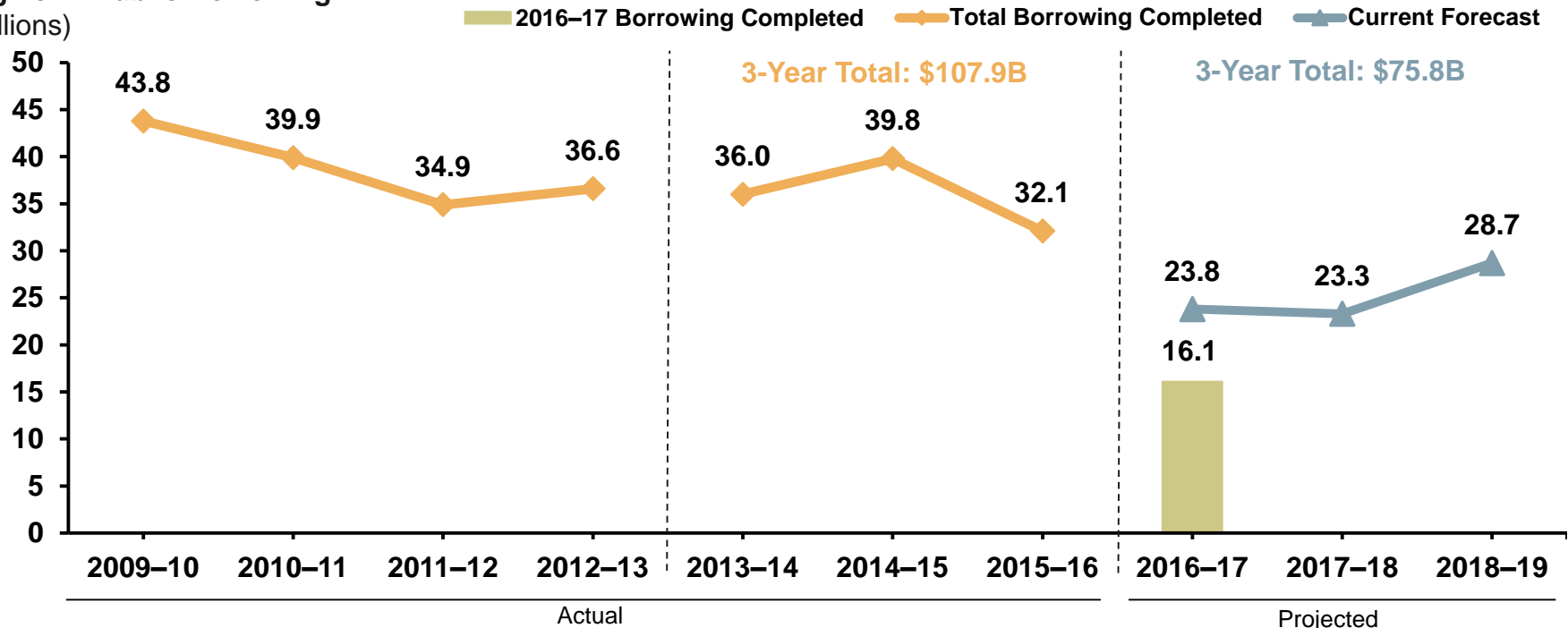
- Long-term borrowing for 2016–17 is forecast to be \$23.8 billion, this would be the Province's lowest borrowing program since 2008–09

Total Long-Term Public Borrowing Forecasts

- The Province plans to borrow \$75.8 billion over the three-year period in the medium-term borrowing outlook, down from the \$107.9 billion borrowed over the previous three-year period. This \$32.1 billion decline in borrowing reflects the impact of lower deficits, prefunding, term extension and the Province's asset optimization activities.

Long-Term Public Borrowing

(\$ Billions)



	Actual							Projected		
Foreign	51%	41%	19%	28%	18%	21%	19%	23%	-	-
Domestic	49%	59%	81%	72%	82%	79%	81%	77%	-	-
Weighted-Average Term (Years)	8.1	12.8	13.0	12.4	13.6	14.1	14.2	15.1	-	-

Source: Ontario Financing Authority. 2016-17 borrowing completed is as of November 14, 2016.

Domestic Borrowing Program

- Narrow Bid-Ask Spreads
- Large and diverse domestic underwriting syndicate of 12 dealers make active markets in Ontario bonds
- 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 Index¹
- Ontario bonds accounted for 59.4 per cent of Canadian provincial bond trading in 2015 and about 59.3 per cent so far in 2016²
- Regular issuance of 5-year, 10-year and 30-year issues, which are re-opened to achieve benchmark size
- Large Order Procedure set up to accommodate large investors

Canadian dollar Benchmark Bonds

(As of November 10, 2016)

	Ontario		Canada	
5 yr (old)	4.20% June 2, 2020	\$10.80B	0.75% March 1, 2021	\$13.80B
5 yr (new)	1.35% March 8, 2022	\$1.00B	0.75% September 1, 2021	\$15.00B
10 yr (old)	2.60% June 2, 2025	\$13.60B	2.25% June 1, 2025	\$13.10B
10 yr (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

¹ PC Bond, as of September 30, 2016.

² Investment Industry Regulatory Organization of Canada (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 C\$39.4 billion outstanding as of September 30, 2016
- U.S. commercial paper (1-270 days), with about C\$7.3B outstanding as of October 31, 2016

- 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 are 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

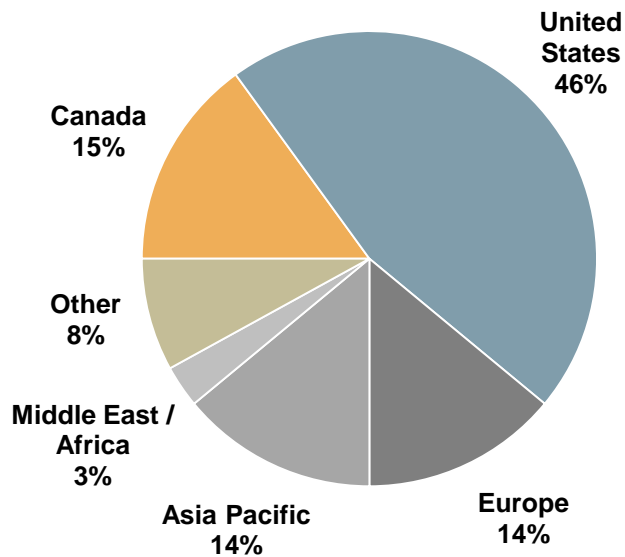
Maturity	Issue Details			
	Issue Date	Maturity Date	Amount (U.S.\$)	Coupon
3 years	June 17, 2016	June 17, 2019	1.75 billion	1.25%
10 years	April 27, 2016	April 27, 2026	1.00 billion	2.50%
5 years	May 21, 2015	May 21, 2020	2.00 billion	1.875%
7 years	September 11, 2014	September 10, 2021	2.00 billion	2.50%

Sources: Bloomberg, Ontario Financing Authority.

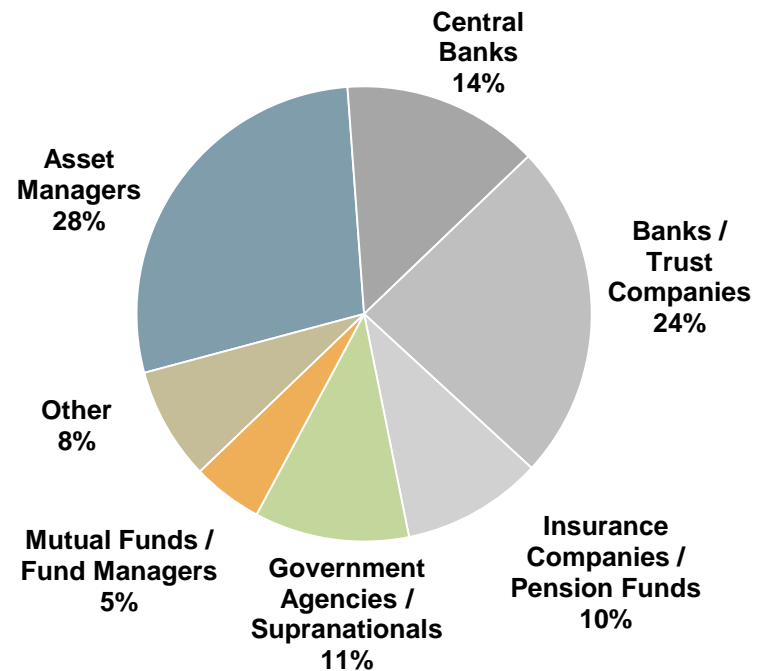
U.S. Dollar Market

- 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 2010.

Source: Ontario Financing Authority.

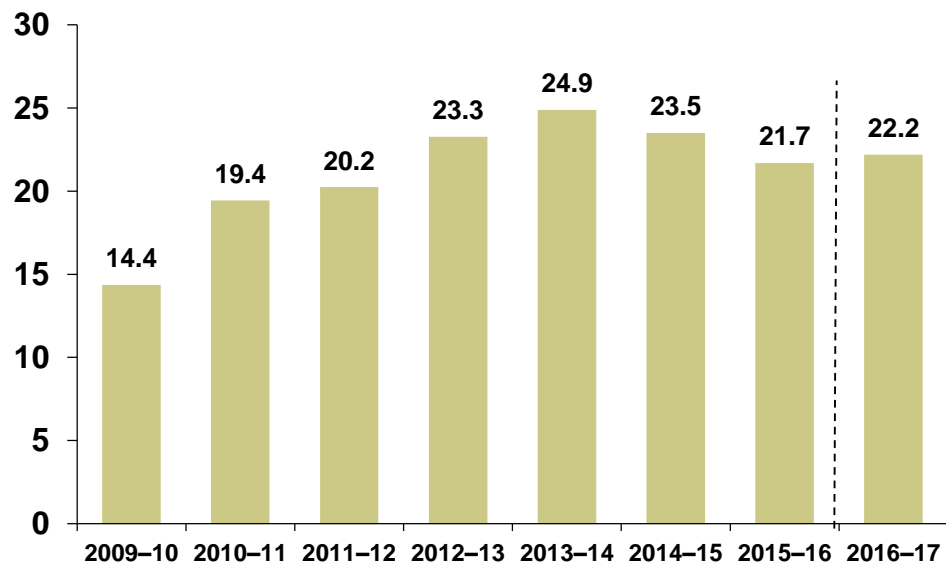
Ontario's Green Bond Initiative

- Ontario's Green Bonds are being used to help finance transit and other environmentally friendly infrastructure projects across the province
- Ontario's Green Bond framework specifies five categories of eligible projects:
 - Clean Transportation (e.g. public transportation)
 - Energy Efficiency and Conservation (e.g. building efficiency improvement)
 - Clean Energy and Technology (e.g. smart grid infrastructure and energy storage)
 - Forestry, Agriculture and Land Management (e.g. sustainable forest management)
 - Climate Adaptation and Resilience (e.g. flood protection and storm water management)
- Assurances:
 - Ontario's Green Bond Framework has been developed in consultation with the Center for International Climate and Environmental Research – Oslo (CICERO)
 - 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
- 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 issued its second Canadian dollar Green Bond in January 2016 and will look to issue its third Green Bond later this fiscal year

Liquidity and Short-Term Borrowing Capacity

- 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
- 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: \$48.0 billion authorized and \$26.6 billion available

Average Unrestricted Liquid Reserve Levels
(\$ Billions)



Note: As of October 31, 2016
Source: Ontario Financing Authority.

(\$ Billions)	C\$ T-Bill Program	U.S.\$ Commercial Paper Program	Total
Currency	Canadian Dollars	U.S. Dollars	-
Maturity	1 day-3 years*	1-270 day(s)	-
Authorized	C\$33.0	C\$15.0	C\$48.0
Outstanding	C\$14.1	C\$7.3	C\$21.4
Available	C\$18.9	C\$7.7	C\$26.6

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

Note: As of October 31, 2016. Numbers may not add due to rounding.

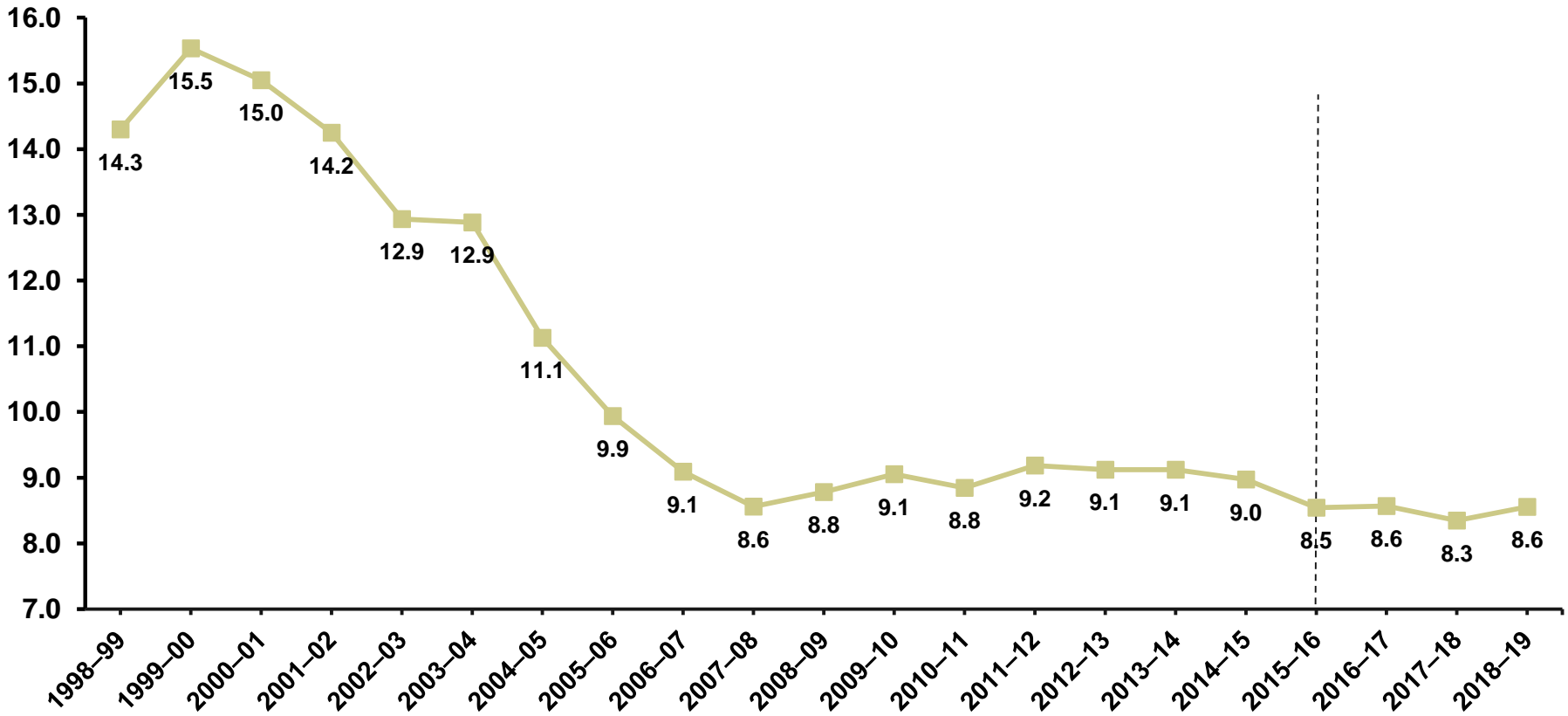
Medium-Term Borrowing Outlook

(\$ 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.

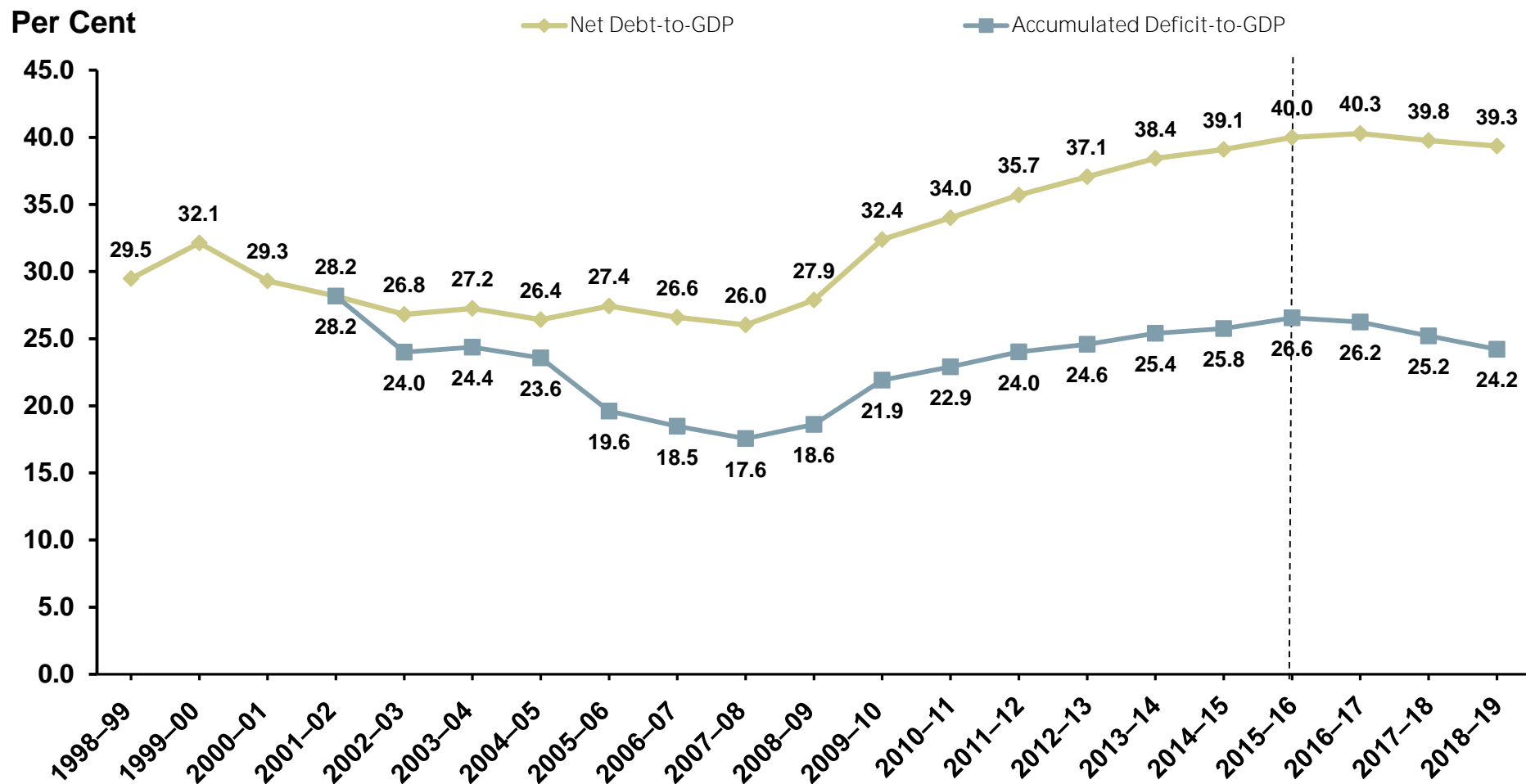
Interest on Debt-to-Revenue

Interest on Debt-to-Revenue
(Per Cent)



Note: Chart dates represent fiscal years ending March 31st.
Source: Ontario Financing Authority.

Net Debt-to-GDP and Accumulated Deficit-to-GDP



Note: Historical Net Debt-to-GDP was revised to reflect historical GDP released by Statistics Canada in November 2016. Net Debt has been restated to include Broader Public Sector Net Debt, starting in 2005-06. These ratios include the impact of the Pension Adjustment in 2015-16 and the impact of the projected Pension Adjustment going forward.

Sources: Statistics Canada and Ontario Ministry of Finance.

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	0.32%	5.0%
Net Interest Rate Resetting	10.92%	35.0%

Of outstanding debt, as of October 31, 2016.

Note: Excludes Ontario Electricity Financial Corporation debt.

Economic and Fiscal Summary

- **Canada Overview**

- Economy grew faster in 2014 than most major advanced economies, but growth softened in 2015 mainly due to the drop in oil prices

- **Ontario's Economy**

- Ontario became one of the strongest growing provincial economies in Canada during 2014 and 2015, and, on average, private sector economists expect that trend to continue until at least 2018¹

- **Eliminating the Deficit**

- The government is dedicated to a fiscally sound approach to managing the Province's finances, and is committed to balancing the budget by 2017–18
- The plan to balance the budget is focused on transforming government and responsibly managing spending, and ensuring revenue integrity and addressing the underground economy

- **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 government²

¹Ontario Ministry of Finance Survey of Forecasters (October 2016).

²For homes with a purchase price of less than \$1 million.

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 14 million in 2016 and nominal GDP of \$763 billion in 2015, both about 40 per cent of Canada

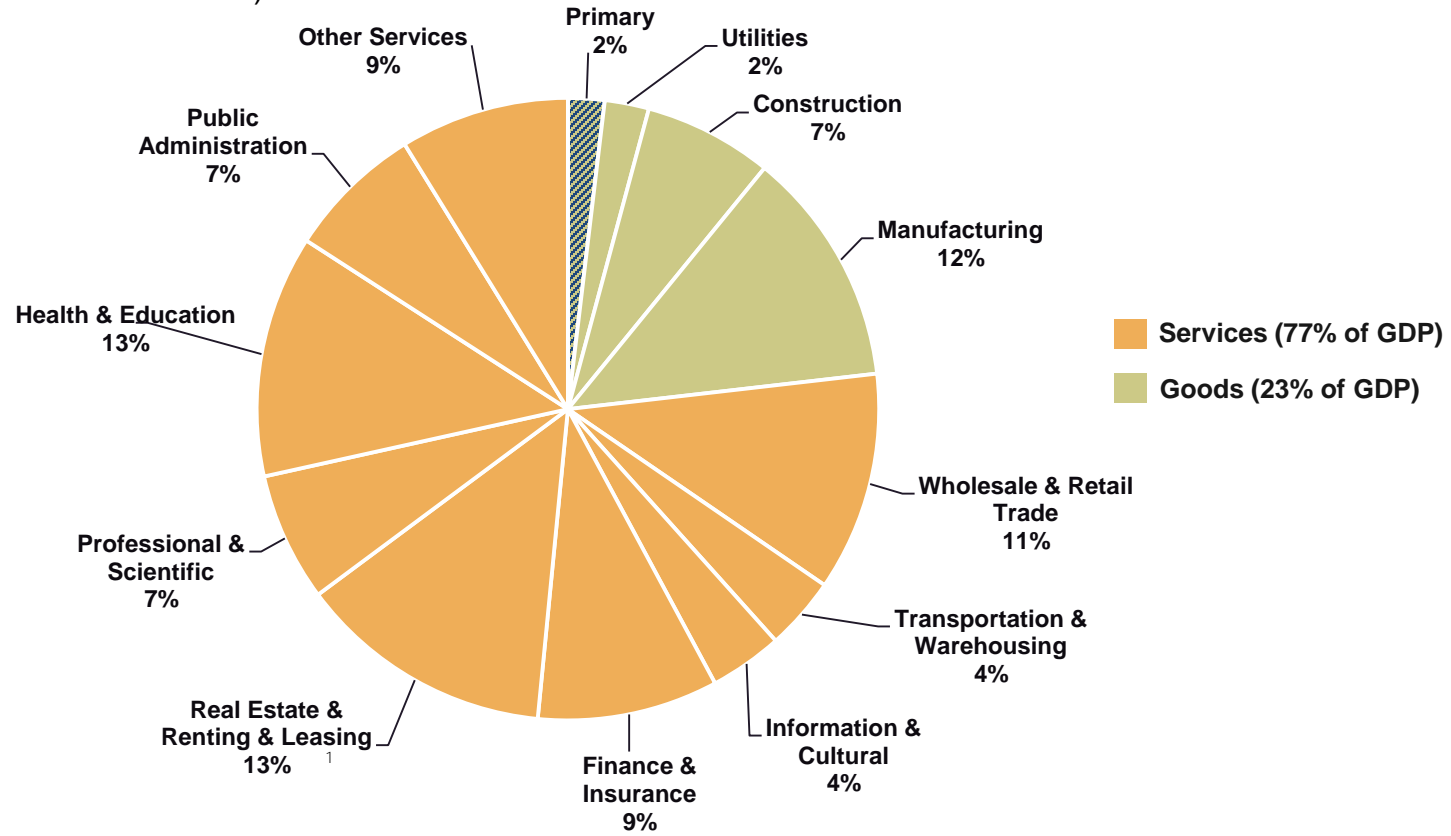


Ontario's Diverse Economy

- Ontario has a diverse economy, with extensive manufacturing, financial and business services and a smaller energy sector compared to the rest of Canada

Structure of the Ontario Economy, 2015

(Per Cent Share of Ontario Nominal GDP)



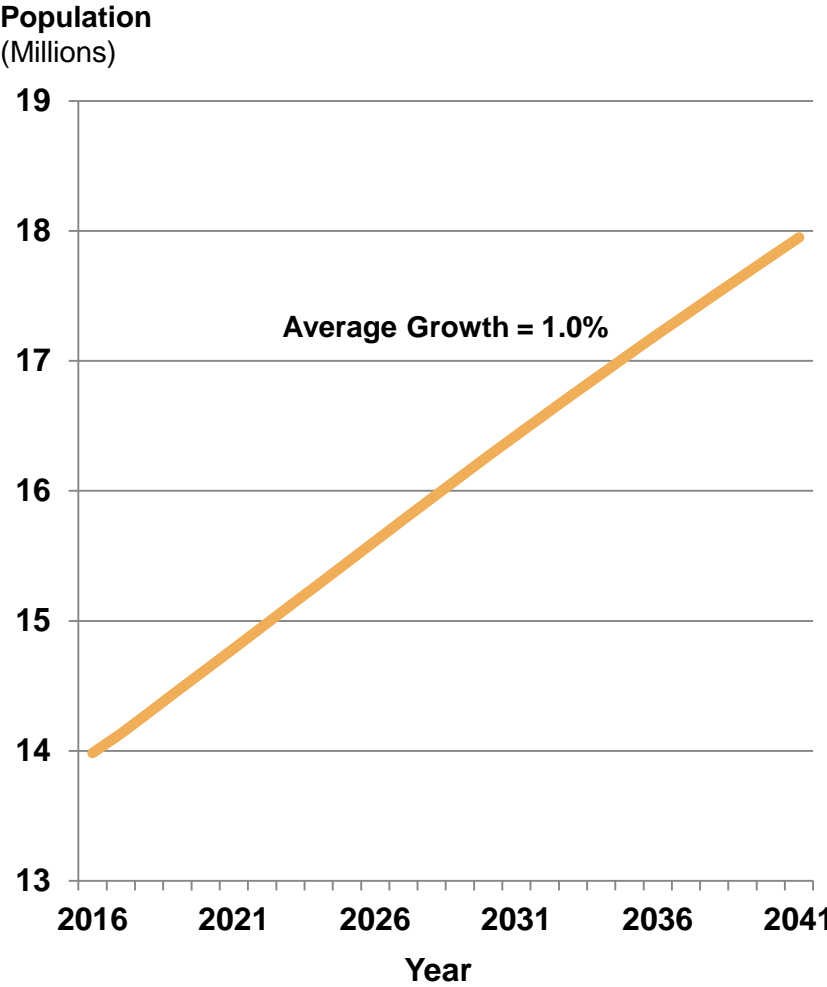
¹ Includes estimate of imputed rental income on owner occupied dwellings.

Sources: Statistics Canada and Ontario Ministry of Finance.

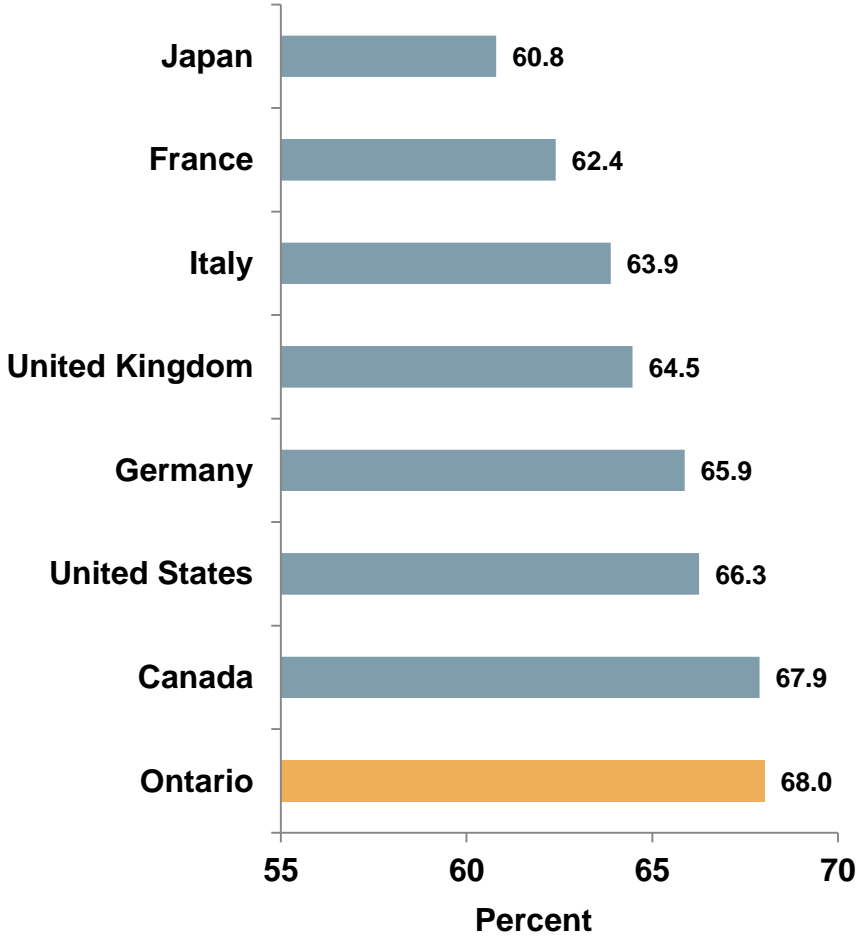
Note: Numbers may not add due to rounding.

Favourable Demographics

**Ontario Population Projection
2016–2041**



**Working-Age (15–64) Population Share
Compared to G7 (2015)**



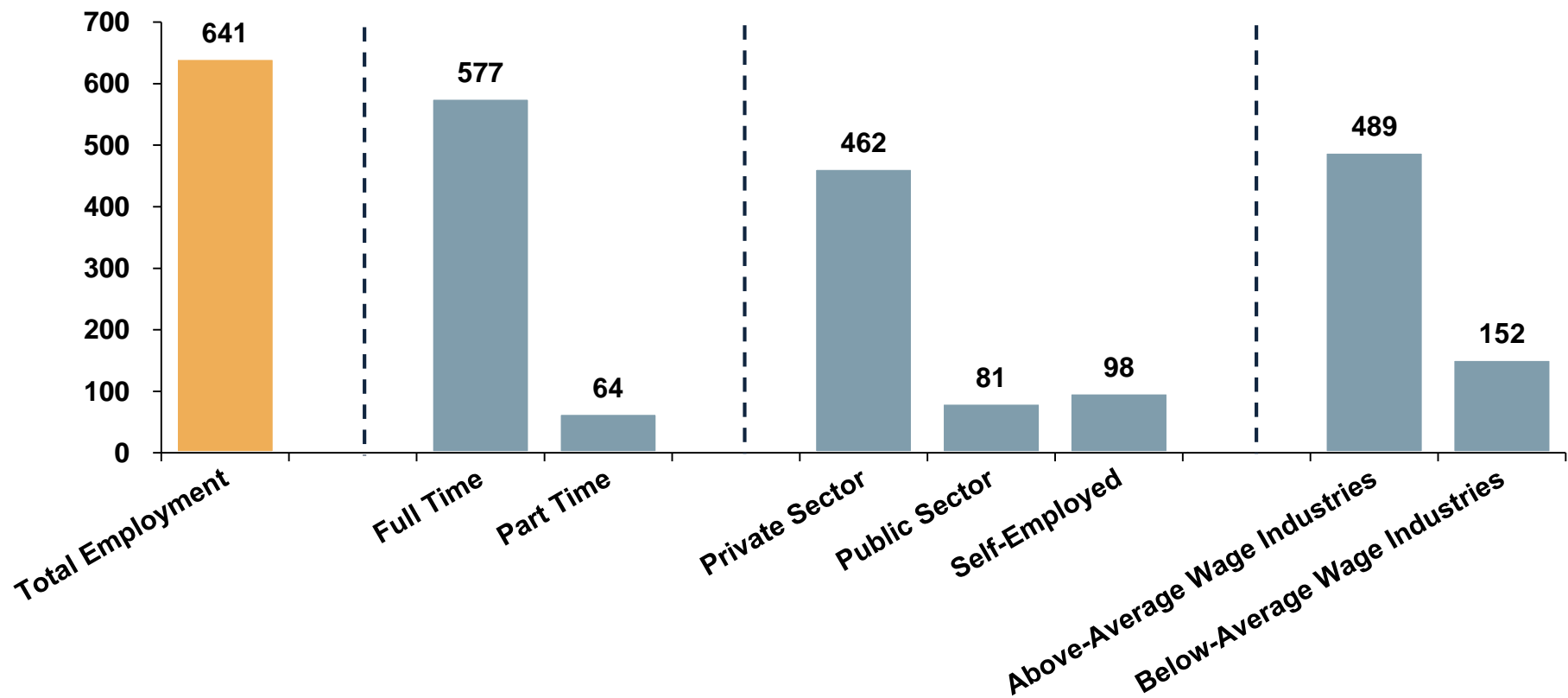
Sources: Statistics Canada for 2016 and Ontario Ministry of Finance projections.

Sources: Statistics Canada and The World Bank.

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)

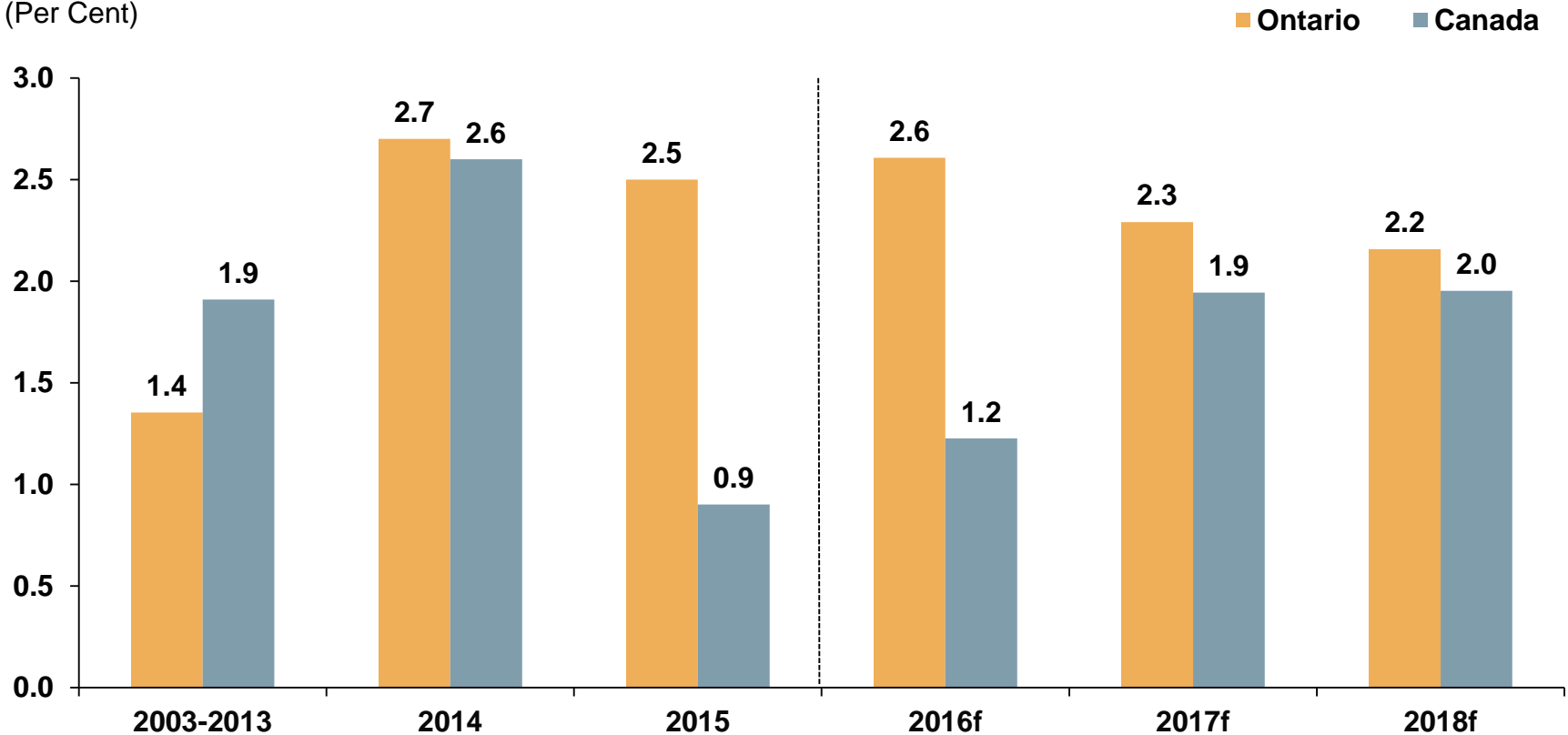


Note: Above-average wage industries are defined as those with earnings above the average hourly earnings of all industries in 2015.
Sources: Statistics Canada and Ontario Ministry of Finance (November 2016).

Ontario Outpacing Canadian Growth

- Ontario outpaced Canadian growth in 2014 and 2015 and private sector economists expect that trend to continue until at least 2018

Real GDP growth
(Per Cent)

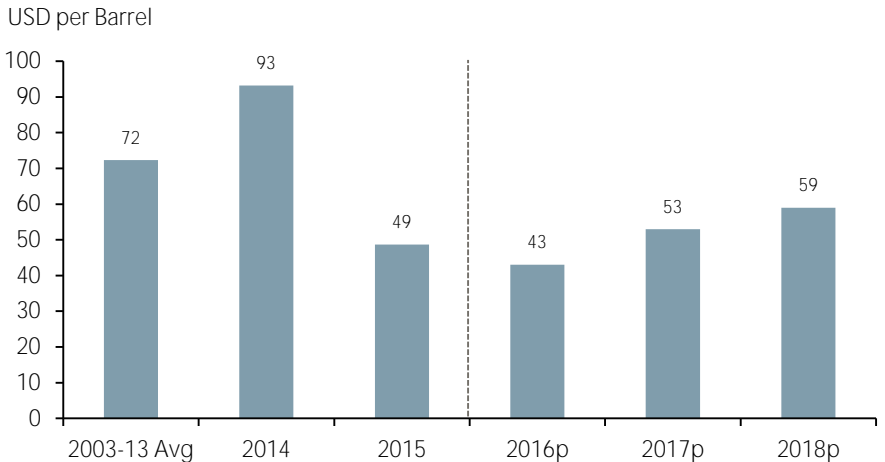


f = private-sector forecast.

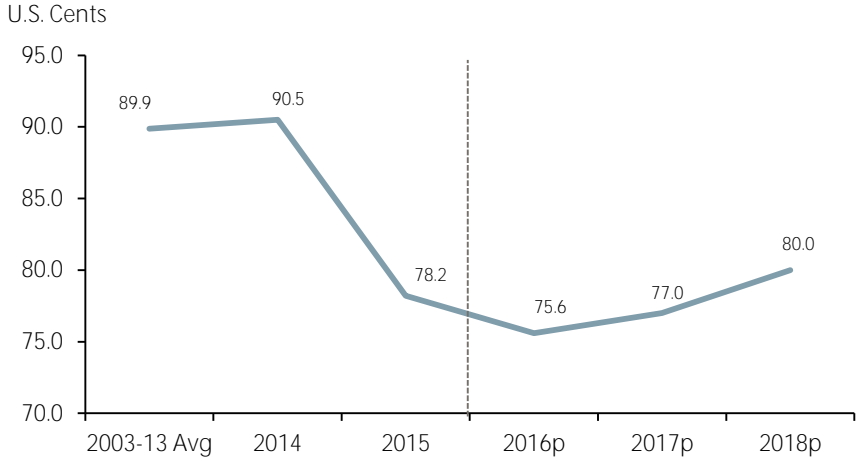
Sources: Statistics Canada, Ontario Ministry of Finance and Ontario Ministry of Finance Survey of Private Sector Forecasts (October 2016).

External Factors Supportive to Ontario's Growth

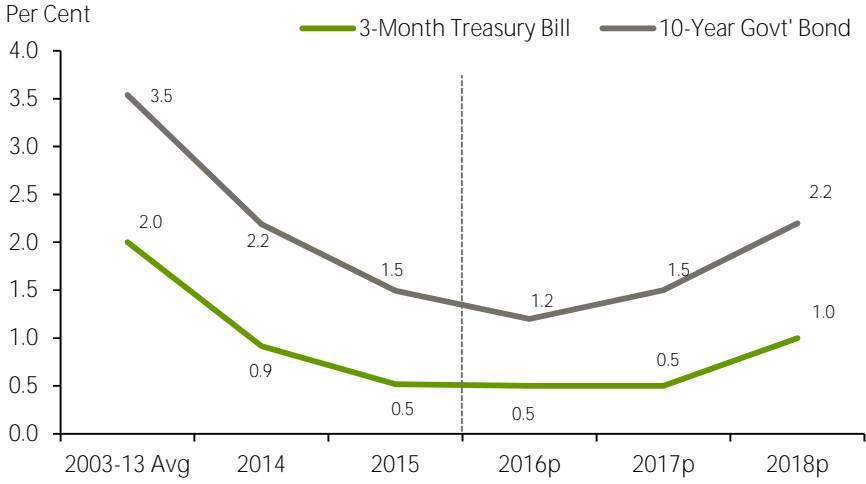
WTI Oil Prices



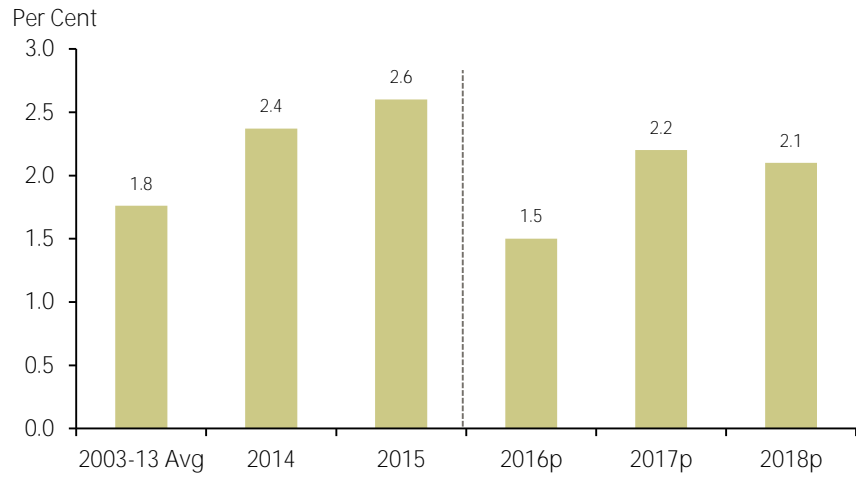
CAD/USD Exchange Rate



Canadian Interest Rates



U.S. Real GDP Growth



p = Ontario Ministry of Finance planning projection.

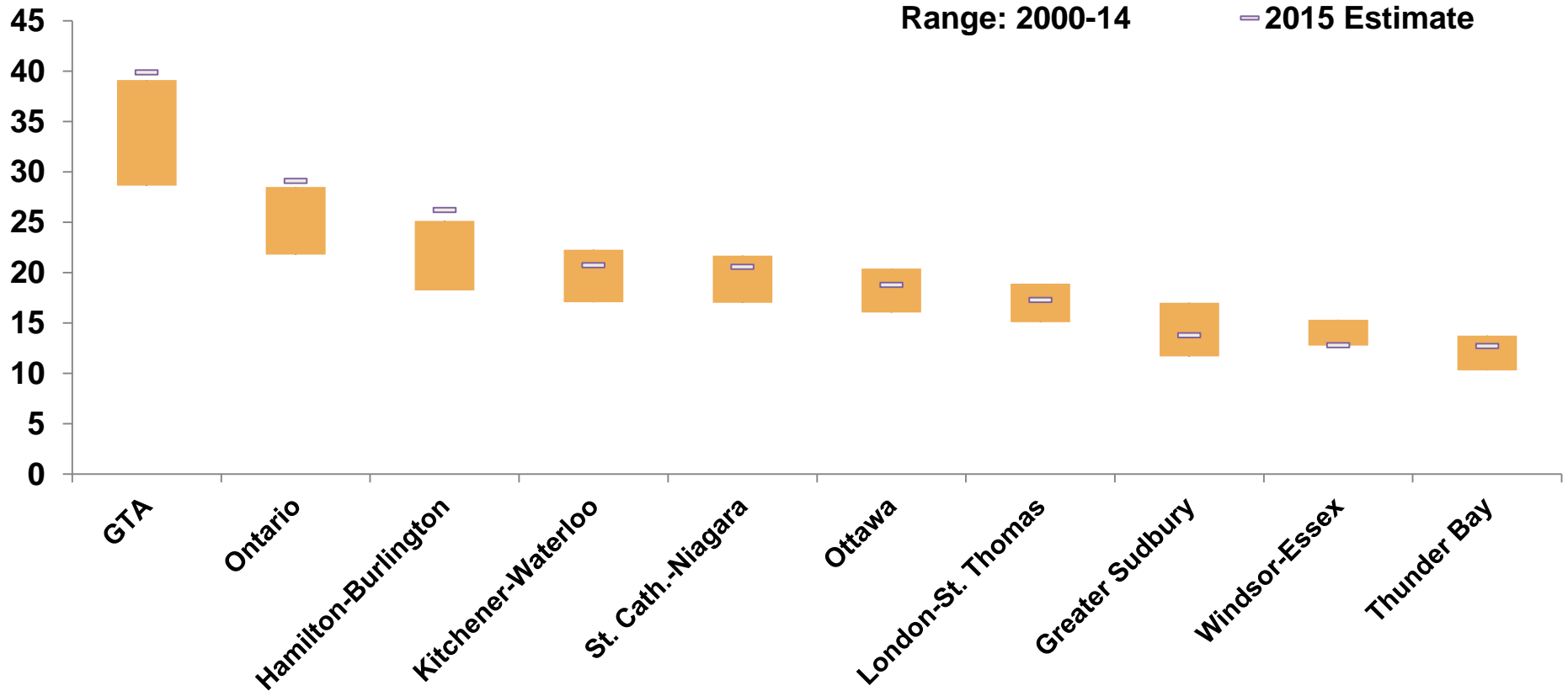
Sources: U.S. Energy Information Administration, Bank of Canada, U.S. Bureau of Economic Analysis, Blue Chip Economic Indicators (October 2016) and Ontario Ministry of Finance (Fall Economic Statement 2016).



Mortgage Carrying Costs in the GTA and Hamilton-Burlington Elevated Relative to Historical Trends

- The acceleration in resale house price growth in the Greater Toronto Area and Hamilton-Burlington regions has led to a deterioration in affordability

Mortgage Carrying Costs as a Share of Total Income
(Per Cent)

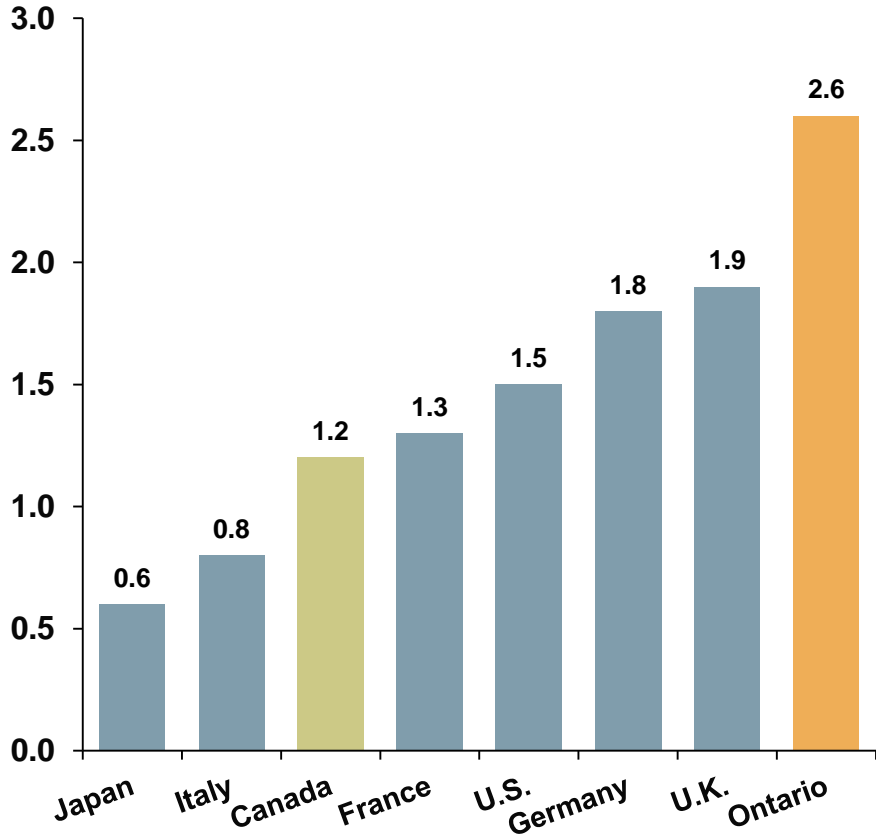


Notes: Carrying Cost is based on the average five-year mortgage rate, a 25 year amortization and a 25 per cent down payment. Home price is the average home resale price by region/community. For the 2000-14 period, income is the median total income by census family by census metropolitan area. Income for 2015 is Ontario Ministry of Finance estimate.
Sources: Statistics Canada, Canadian Real Estate Association, Bank of Canada and Ontario Ministry of Finance.

Ontario's Outlook Compares Favourably with G7

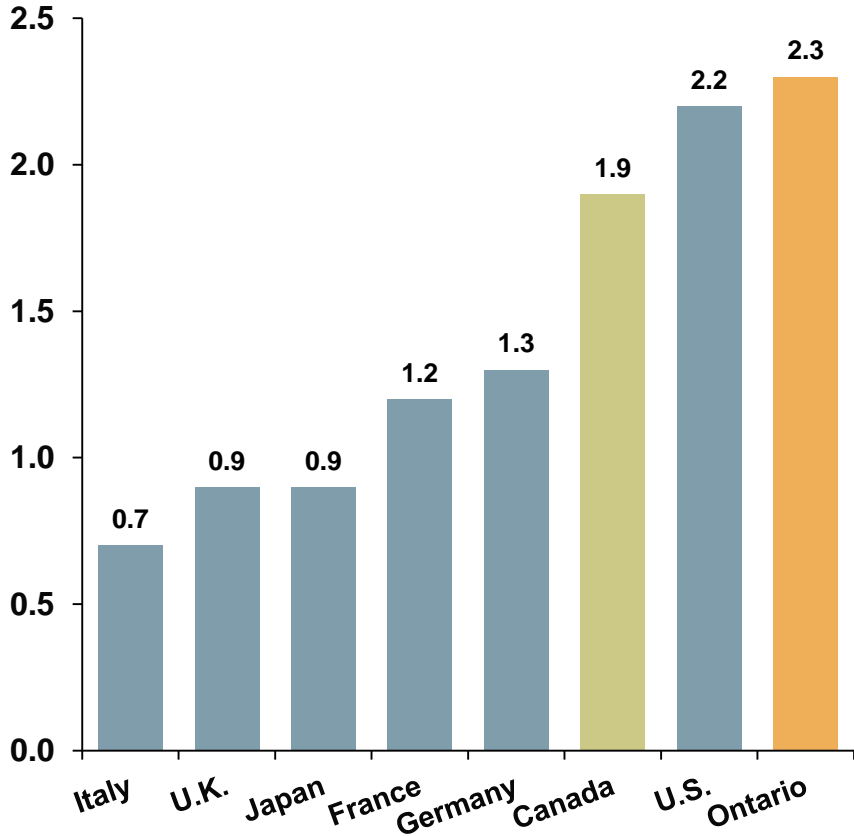
G7 Economic Growth, 2016

Average Real GDP Growth
(Per Cent)



G7 Economic Growth, 2017

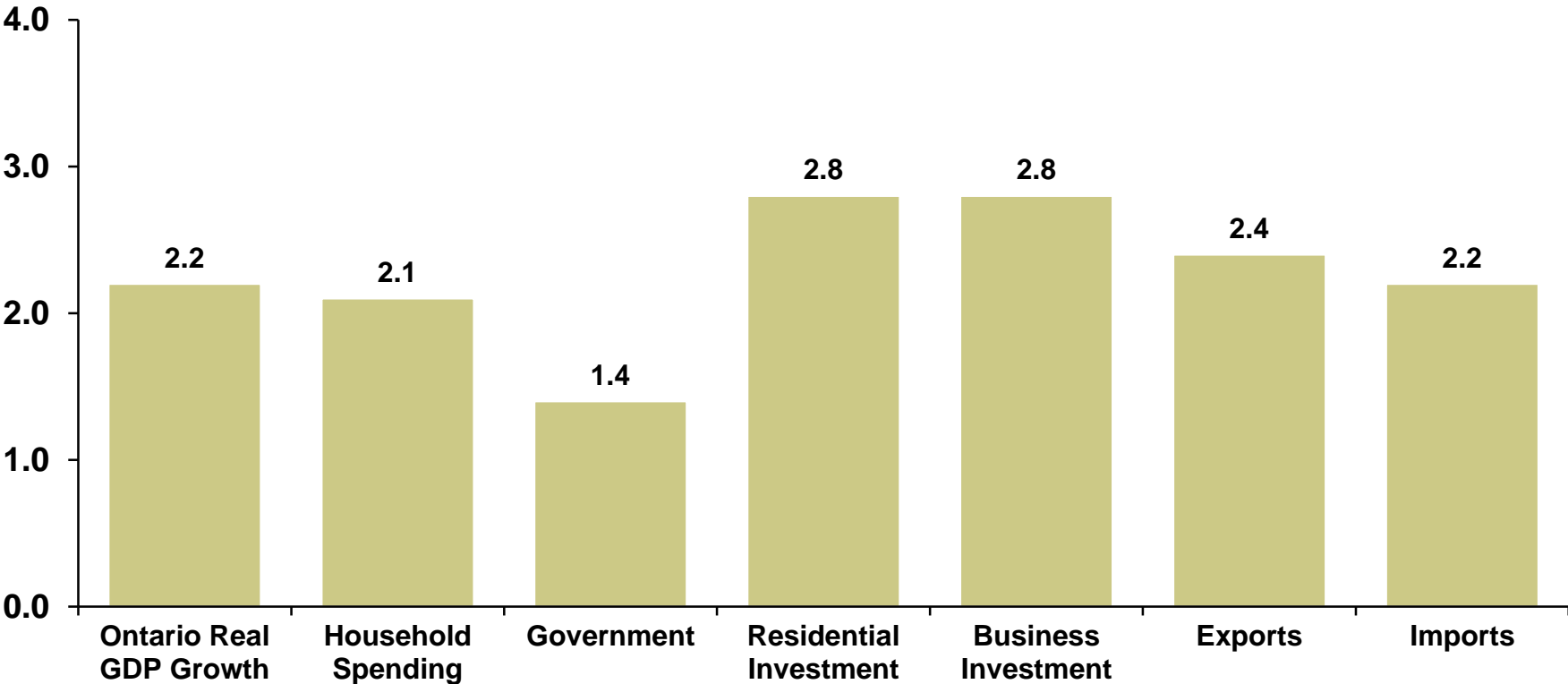
Average Real GDP Growth
(Per Cent)



Sources: Consensus Economics (October 2016), Blue Chip Economic Indicators (November 2016) and Ontario Ministry of Finance Survey of Private Sector Forecasts (October 2016).

Ontario Economic Growth Expected to Broaden

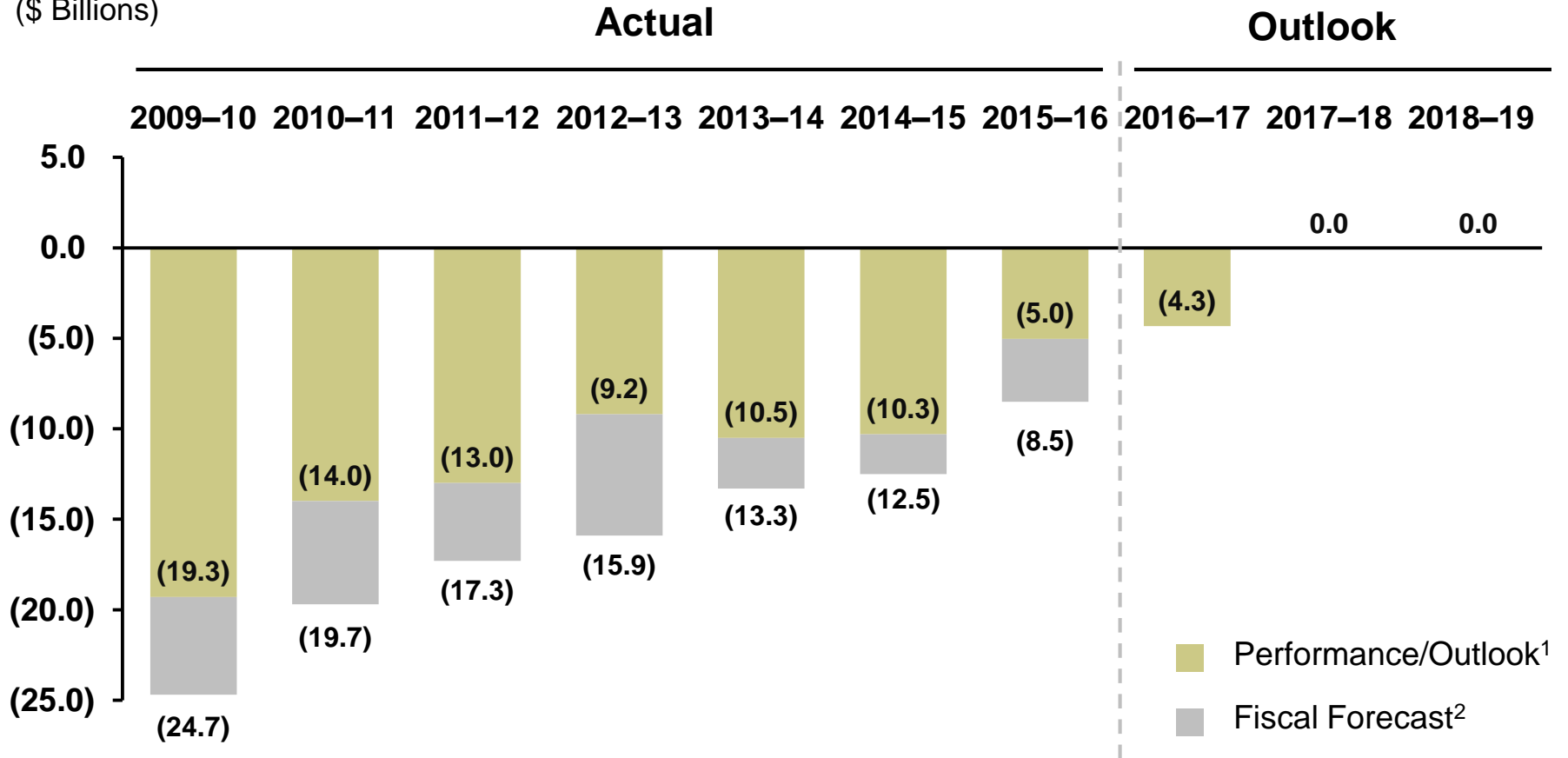
Forecasted Average Annual Per Cent Change, 2016 to 2019



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 (Fall Economic Statement 2016).

Ontario's Plan to Eliminate the Deficit

Fiscal Balance
(\$ Billions)



¹ Represents the 2016 Ontario Economic Outlook and Fiscal Review outlook for 2016-17 to 2018-19.

For 2009-10 to 2015-16, actual results are presented. 2015-16 actual results reflect the accounting treatment adopted in the *Public Accounts of Ontario 2015-2016* including the Pension Adjustment related to net pension assets. The outlook for 2016-17 to 2018-19 also reflects the Pension Adjustment.

² Forecast for 2009-10 is based on the 2009 Ontario Economic Outlook and Fiscal Review, 2010-11 to 2013-14 is based on the 2010 Budget; 2014-15 is based on the 2014 Budget; and 2015-16 is based on the 2015 Budget.

Source: Ontario Ministry of Finance.

Ontario's 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, consistent with the *2016 Budget*

Medium-Term Fiscal Plan and Outlook (\$ Billions)	Actual	Current Outlook	Medium-Term Outlook	
	2015-16	2016-17	2017–18	2018-19
Revenue	128.4	132.7	140.1	144.9
Expense				
Programs	122.4	125.3	127.7	131.7
Interest on Debt	11.0	11.4	11.7	12.4
Total Expense	133.4	136.6	139.4	144.1
Reserve	–	0.4	0.7	0.8
Surplus/(Deficit)	(5.0)	(4.3)	0.0	0.0

Note: Numbers may not add due to rounding.

2015-16 actual results reflect the accounting treatment adopted in the *Public Accounts of Ontario 2015-2016* including the Pension Adjustment related to net pension assets. Outlook for 2016-17 to 2018-19 also reflects this Pension Adjustment.

Credit Ratings

Rating Agencies	Long-term Rating	Short-term Rating	Outlook
	Aa2	P-1	stable
	AA-	F1+	stable
	AA (low)	R-1 (mid)	stable
	A+	A-1+	stable

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 in 2017–18 and remain balanced in 2018–19
- The province is well positioned for fiscal stability

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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