

2022 Budget

- Ontario is projecting a \$13.5 billion deficit in 2021–22. Over the medium term, the government is projecting deficits of \$19.9 billion in 2022–23, \$12.3 billion in 2023–24 and \$7.6 billion in 2024–25. The 2022 Budget deficit outlook represents a significant improvement compared to the outlook published in the 2021 Budget.
- Under the government’s planning projection, Ontario is projected to return to a surplus position by 2027–28, two years earlier than forecast in the 2021 Budget.
- The net debt-to-GDP ratio is projected to be 40.7 per cent in 2021–22, 8.1 percentage points lower than the 48.8 per cent forecast presented in the 2021 Budget. Over the medium-term outlook, Ontario’s net debt-to-GDP ratio is now forecast to be 41.4 per cent in 2022–23 and 2023–24, and declining to 41.3 per cent in 2024–25.
- Ontario completed \$41.1 billion in long-term public borrowing in 2021–22, including \$10.3 billion in pre-borrowing for 2022–23. This is \$13.5 billion lower than the 2021 Budget forecast, primarily due to lower deficits in fiscal years 2020–21 and 2021–22. The 2022–23 long-term public borrowing forecast is \$41.5 billion, a further decrease of \$17.6 billion from the 2021 Budget forecast.

Borrowing Program

- In the event that alternative economic scenarios materialize, Ontario’s borrowing requirements in the next three years would also change. Under the Faster Growth scenario, long-term borrowing would decrease by a total of \$22.4 billion over the three-year outlook period, while under the Slower Growth scenario, long-term borrowing would increase by \$16.2 billion over the same period.

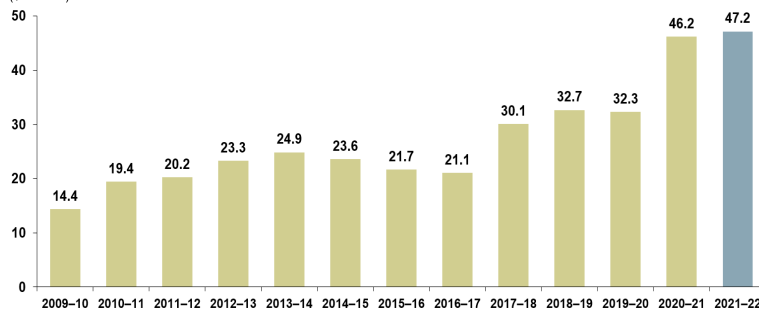
(\$ Billions)	2021–22			Medium-Term Outlook		
	2021 Budget	Change from 2021 Budget	Interim ¹ 2021–22	2022–23	2023–24	2024–25
Deficit/(Surplus)	33.1	(19.6)	13.5	19.9	12.3	7.6
Investment in Capital Assets	11.8	1.0	12.9	13.4	13.6	14.8
Non-Cash Adjustments	(9.5)	1.1	(8.4)	(9.7)	(9.6)	(10.5)
Loans to Infrastructure Ontario	0.2	0.0	0.3	(0.1)	0.2	0.0
Other Net Loans/Investments	1.3	(1.4)	(0.1)	0.7	(0.1)	(0.9)
Debt Maturities/Redemptions	25.0	0.0	25.0	30.5	31.2	27.8
Total Funding Requirement	61.9	(18.9)	43.1	54.7	47.6	38.9
Decrease/(Increase) in Short-Term Borrowing	(6.0)	6.0	–	(3.0)	(3.0)	–
Increase/(Decrease) in Cash and Cash Equivalents	4.0	–	4.0	–	–	–
Pre-borrowing in 2020–21 for 2021–22	(5.2)	(10.9)	(16.2)	–	–	–
Pre-borrowing for 2022–23	–	10.3	10.3	(10.3)	–	–
Total Long-Term Public Borrowing	54.7	(13.5)	41.1	41.5	44.6	38.9

¹ Interim represents the 2022 Budget projection for the 2021–22 fiscal year.
 Note: Numbers may not add due to rounding.
 Source: Ontario Financing Authority

Liquidity

- Ontario balances the objective of minimizing the cost of holding liquid reserves against the need to always have enough cash on hand to pay its bills, invest in capital assets, refinance maturing debt and pay interest.
- As of April 27, 2022, liquid reserve levels were \$40.3 billion.

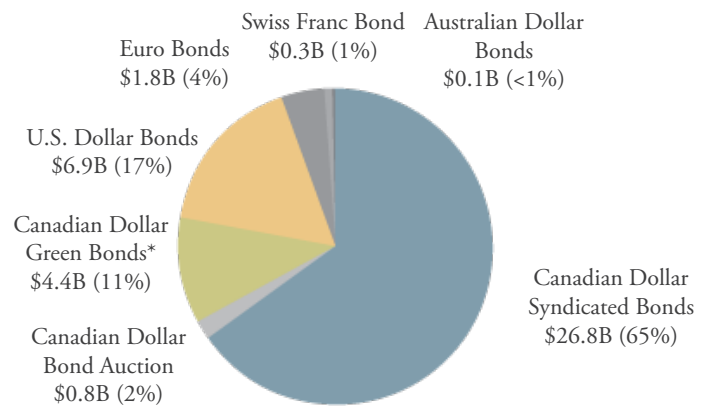
Average Unrestricted Liquid Reserve Levels (\$ Billions)



Note: As of March 31, 2022.

2021–22 Borrowing Program

As of March 31, 2022, borrowing completed for 2021–22 totalled \$41.1 billion.



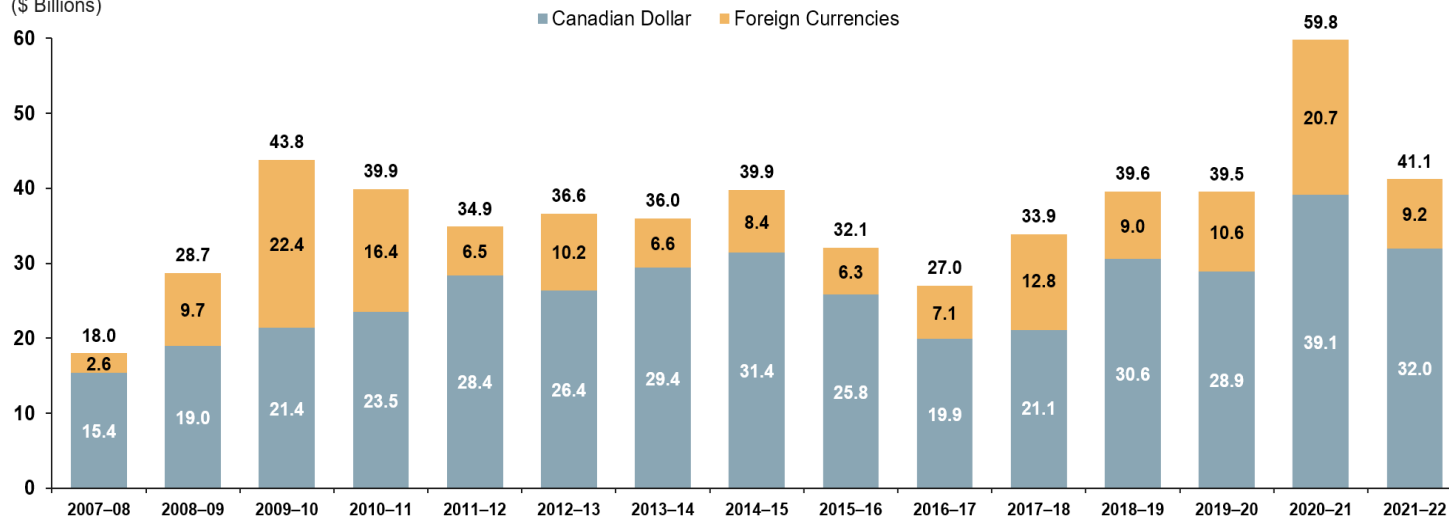
* Face value \$4.5 billion
 Note: Numbers may not add due to rounding.

Long-Term Borrowing

- Approximately 78 per cent of 2021–22 borrowing was completed in Canadian dollars. This percentage is near the top of Ontario's target borrowing range of 65 to 80 per cent for the fiscal year. Based on the 2021–22 experience, Ontario plans to retain the same target range for 2022–23 but will adjust, if necessary, in response to evolving investor demand in the Canadian dollar and foreign currency markets.
- Ontario has continued to extend the term of its debt, when investor demand allowed, to reduce refinancing risk on maturing debt. This also continues to protect the IOD forecast against increases in interest rates. Ontario has issued \$113.9 billion of bonds, or approximately one-quarter of total debt, with maturities of 30 years or longer since 2010–11. This includes \$10.4 billion in 2021–22.

Total Long-Term Borrowing

(\$ Billions)



	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Foreign	14%	34%	51%	41%	19%	28%	18%	21%	19%	26%	38%	23%	27%	35%	22%
Domestic	86%	66%	49%	59%	81%	72%	82%	79%	81%	74%	62%	77%	73%	65%	78%
Weighted-Average Term	12.1	8.6	8.1	12.8	13.0	12.4	13.6	14.1	14.2	13.9	12.1	12.9	14.5	12.0	14.5
Debt Portfolio Average Term	10.7	10.4	9.7	10.0	10.1	10.1	10.4	10.7	10.9	10.9	10.7	10.7	10.9	10.8	10.9

Note: Numbers may not add due to rounding. As of March 31, 2022.

Canadian Dollar Issuance

- Ontario accounted for 63.8 per cent of Canadian provincial bond trading in 2021. As of December 31, 2021, Ontario accounts for 15.7 per cent of the FTSE Russell Universe Bond Index, 15.4 per cent of the FTSE TMX Mid Bond Index, and 22.6 per cent of the FTSE TMX Long Bond Index.
- Regular issuance of 5-year, 7-year, 10-year and 30-year issues, which are re-opened to achieve benchmark size (36 syndicated issues in 2021–22).

Canadian Dollar Benchmark Bonds (as of March 31, 2022)

Term	Ontario	Canada
5-year (old)	1.75% September 8, 2025 \$9.05B	1.00% September 1, 2026 \$23.00B
5-year (new)	1.35% September 8, 2026 \$1.25B	1.25% March 1, 2027 \$17.00B
7-year	2.70% June 2 2029 \$9.33B	2.25% June 1, 2029 \$12.30B
10-year (old)	2.15% June 2, 2031 \$8.85B	1.50% June 1, 2031 \$42.00B
10-year (new)	2.25% December 2, 2031 \$6.35B	1.50% December 1, 2031 \$32.00B
Long (old)	1.90% December 2, 2051 \$12.75B	2.75% December 1, 2048 \$14.90B
Long (new)	2.55% December 2, 2052 \$6.65B	2.00% December 1, 2051 \$51.80B

Foreign Issuance

- The Province regularly accesses foreign markets to diversify its borrowing program and expand its investor base. Dependant on market conditions the Province borrows in U.S. dollars, euros, Japanese yen, pound sterling, Swiss francs and Australian dollars.

EMTN Issues

Term	Issue Date and Coupon	Amount (Euros/Sterling)
10-year	0.25% June 1, 2021	€1.00B
5-year	0.25% January 6, 2021	£1.75B
10-year	0.01% November 17, 2020	€2.50B
3-year	0.50% May 27, 2020	£1.00B

U.S. Dollar Issues

Term	Issue Date and Coupon	Amount (U.S.\$)
10-year	2.13% January 13, 2022	\$1.50B
10-year	1.80% October 6, 2021	\$1.00B
5-year	1.05% April 7, 2021	\$3.00B
10-year	1.60% February 18, 2021	\$1.50B

Green Bonds

- Ontario remains the largest issuer of Canadian dollar Green Bonds, totalling \$12.5 billion with \$12.0 billion outstanding. A total of 28 projects have received or will receive funding from Ontario's eleven Green Bond issues, with funding allocated towards clean transportation, energy efficiency and conservation, and climate adaptation and resilience projects.
- On February 2, 2022, the Province issued its second Green Bond in fiscal 2021–22, and eleventh Green Bond overall. This issue was for \$1.75 billion and followed a \$2.75 billion issue in July 2021.
- Ontario is considering updating its Green Bond Framework. The update may include better alignment of framework categories with the Green Bond Principles through standardized wording, as well as the possible expansion from green to sustainable to allow for a greater breadth of potential bond offerings in the future.
- Ontario plans to continue its leadership role in the Canadian dollar Green Bond market and, subject to market conditions, will issue multiple Green Bonds each fiscal year, including in 2022–23.

Features:

- 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
- Serve as an important tool to help finance public transit initiatives, extreme-weather resistant infrastructure, and energy efficiency and conservation projects

Assurances:

- 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 Market 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

Fiscal Outlook

- Total revenue is projected to increase from \$173.6 billion in 2021–22 to \$196.9 billion in 2024–25, for an average annual growth rate of 4.3 per cent. Revenue growth reflects the Ontario Ministry of Finance's outlook for economic growth.
- The total expense outlook is projected to grow from \$187.1 billion in 2021–22 to \$203.0 billion in 2024–25. Program expense is projected to grow from \$174.1 billion in 2021–22 to \$188.1 billion in 2024–25. This reflects the government's commitment to invest in priority areas such as health, education and social services.
- Ontario incorporates prudence in the form of a reserve to protect the fiscal outlook against unforeseen adverse changes in the province's revenue and expense, including those resulting from changes in Ontario's economic performance. The reserve has been set at \$1.0 billion in 2022–23, \$1.5 billion in 2023–24, and \$1.5 billion in 2024–25.

Fiscal Plan (\$ Billions)	Actuals										Interim ¹	Medium-Term Outlook		
	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	
Revenue	120.3	123.0	126.2	136.1	140.7	150.6	153.7	156.1	164.9	173.6	179.8	188.2	196.9	
Expense														
Programs	120.1	123.3	126.2	129.9	131.5	142.4	148.8	152.3	169.0	174.1	185.2	184.8	188.1	
Interest on Debt	10.9	11.2	11.2	11.6	11.7	11.9	12.4	12.5	12.3	13.0	13.5	14.3	14.9	
Total Expense	131.0	134.5	137.4	141.5	143.2	154.3	161.1	164.8	181.3	187.1	198.6	199.1	203.0	
Reserve	–	–	–	–	–	–	–	–	–	–	1.0	1.5	1.5	
Surplus/(Deficit)	(10.7)	(11.5)	(11.3)	(5.3)	(2.4)	(3.7)	(7.4)	(8.7)	(16.4)	(13.5)	(19.9)	(12.3)	(7.6)	

¹ Interim represents the 2022 Budget projection for the 2021–22 fiscal year.

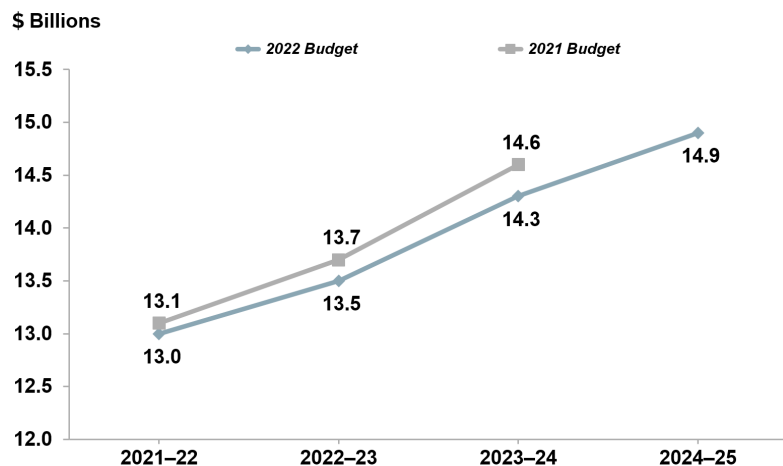
Note: Numbers may not add due to rounding.

Sources: Ontario Treasury Board Secretariat and Ontario Ministry of Finance.

Interest on Debt (IOD) Expense

- Lower than forecast deficits and borrowing requirements have reduced Ontario's interest costs, in spite of rising interest rates.
- The IOD forecast for 2021–22 is \$13.0 billion, down from the 2021 Budget forecast of \$13.1 billion, and remains lower for each year of the medium-term outlook than the IOD forecast contained in the 2021 Budget.

Comparison of IOD Expense Forecast



Source: Ontario Ministry of Finance

Short-Term Borrowing

- Ontario treasury bills and U.S. commercial paper are very well received in the money markets and provide additional borrowing capacity if required.
- As of March 31, 2022, capacity for short-term borrowing: \$61.0 billion authorized and \$24.4 billion outstanding, leaving \$36.6 billion available.

Risk Management

	Exposure ¹	Policy Limit
Foreign Exchange	0.13%	3.0%
Net Interest Rate Resetting	8.9%	35.0%

¹ Of outstanding debt, interim as of March 31, 2022.

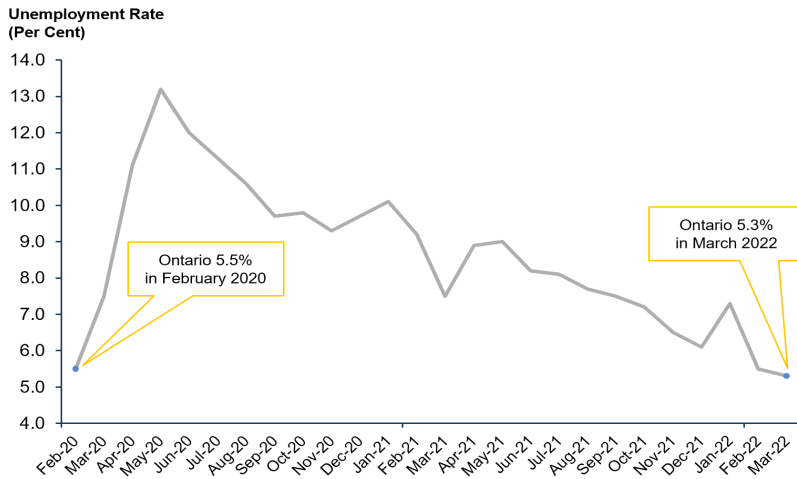
Credit Ratings (Long-Term/Short-Term)

Moody's	Aa3 / P-1
Fitch	AA- / F1+
DBRS	AA (low) / R-1 (mid)
S&P	A+ / A-1

Ontario's Economic Update

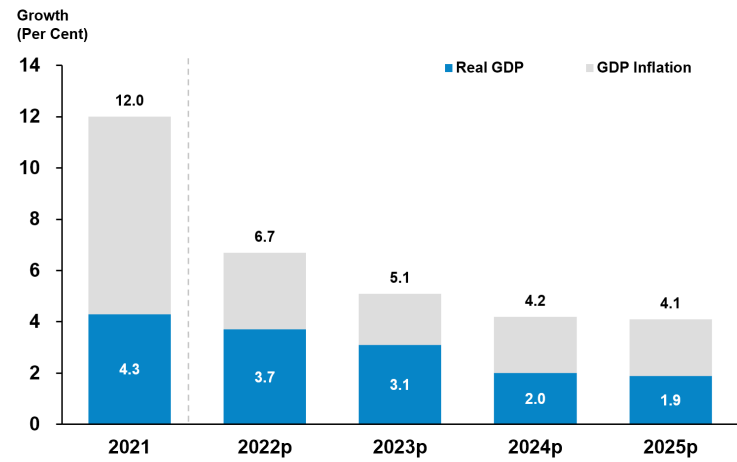
- Ontario's economy has been resilient in the face of the COVID-19 pandemic. Between May 2020 and December 2021, the province added a total of 1.3 million net jobs reflecting the reopening of the economy. Employment in Ontario in March 2022 was 228,300 higher than the February 2020 pre-pandemic level.
- In the *2022 Budget*, Ontario's real GDP is projected to rise 3.7 per cent in 2022, 3.1 per cent in 2023, 2.0 per cent in 2024 and 1.9 per cent in 2025. Ontario's nominal GDP is projected to rise 6.7 per cent in 2022, 5.1 per cent in 2023, 4.2 per cent in 2024 and 4.1 per cent in 2025.
- For the purposes of prudent fiscal planning, these projections were set slightly below the average of private-sector forecasts. The planning projections for real and nominal GDP growth in 2022 incorporates additional prudence as a result of continued economic risks related to the pandemic along with uncertainty around GDP inflation.

Ontario Labour Market Improving



Source: Statistics Canada.

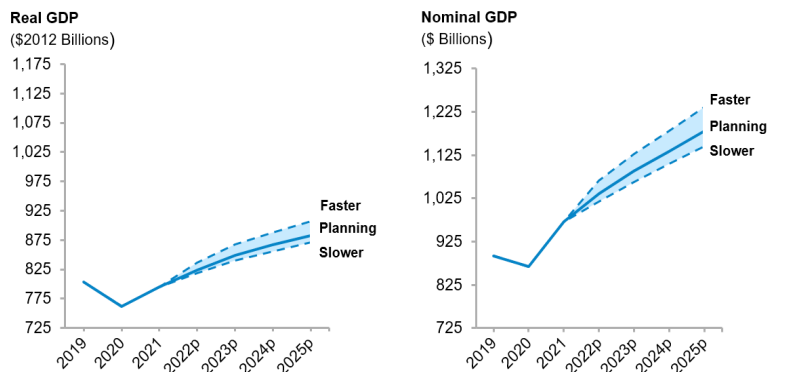
Ontario Real and Nominal GDP Growth to Moderate



p = Ontario Ministry of Finance planning projection as of March 8, 2022.

Source: Ontario Ministry of Finance.

Ontario Medium-Term Outlook Scenarios



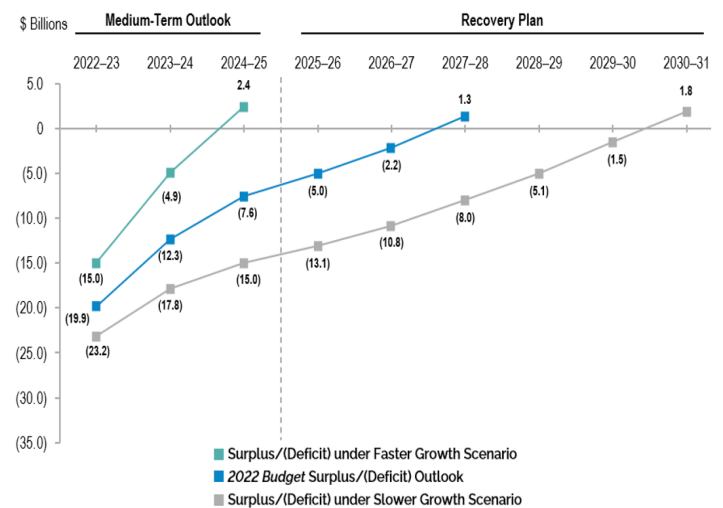
Ontario Real GDP Growth Scenarios (Per Cent)	2022p	2023p	2024p	2025p
Faster Growth Scenario	5.2	3.8	2.3	2.2
Planning Projection	3.7	3.1	2.0	1.9
Slower Growth Scenario	3.0	2.6	1.9	1.8

Ontario Nominal GDP Growth Scenarios (Per Cent)	2022p	2023p	2024p	2025p
Faster Growth Scenario	9.8	5.9	4.7	4.6
Planning Projection	6.7	5.1	4.2	4.1
Slower Growth Scenario	4.8	4.5	3.9	3.8

p = Ontario Ministry of Finance planning projection and alternative scenarios.

Source: Ontario Ministry of Finance.

Ontario's Recovery Plan Scenarios



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

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