

2022–23 Third Quarter Finances

- As of the 2022–23 Third Quarter Finances, Ontario is projecting a \$6.5 billion deficit in 2022–23, \$13.3 billion lower than the outlook published in the 2022 Budget and \$6.4 billion lower than the outlook published in the 2022 Ontario Economic Outlook and Fiscal Review.
- The Ministry of Finance estimates that Ontario real GDP increased 3.7 per cent in 2022, higher than the 2022 Ontario Economic Outlook and Fiscal Review planning assumption of 2.6 per cent. Ontario nominal GDP is estimated to have increased 9.4 per cent in 2022, slightly above the 2022 Ontario Economic Outlook and Fiscal Review planning assumption of 9.2 per cent.
- Ontario's net debt-to-GDP ratio is now forecast to be 38.3 per cent in 2022–23, 3.1 percentage points lower than the forecast of 41.4 per cent in the 2022 Budget. This is 0.1 percentage points lower than projected in the 2022 Ontario Economic Outlook and Fiscal Review.
- In spite of the higher interest rates, interest on debt is forecast to decline to \$13.4 billion from the \$13.5 billion forecast in the 2022 Budget as a result of lower deficits and the borrowing program.

Borrowing Program

- Ontario's current funding requirements for 2022–23 are projected to decrease by \$22.2 billion compared to the forecast in the 2022 Budget, reflecting stronger financial results reported in the Public Accounts of Ontario 2021–22 and a decrease in the projected deficit for 2022–23. The funding requirements are down \$6.9 billion, compared to the forecast in the 2022 Ontario Economic Outlook and Fiscal Review.
- Ontario's long-term borrowing requirement for 2022–23 is forecast to be \$32.2 billion, unchanged from the 2022 Ontario Economic Outlook and Fiscal Review forecast, reflecting additional pre-borrowing of \$6.9 billion for the next fiscal year, for a total of \$9.9 billion.

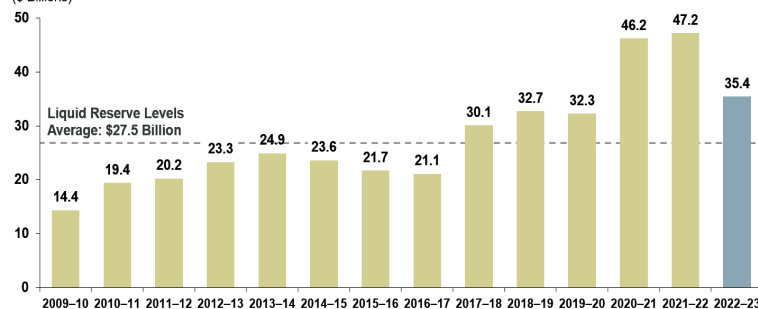
| (\$ Billions) | 2022–23 | | |
|--|-------------|-----------------|-------------------------|
| | 2022 Budget | Current Outlook | Change from 2022 Budget |
| Deficit/(Surplus) | 19.9 | 6.5 | (13.3) |
| Investment in Capital Assets | 13.4 | 13.3 | (0.2) |
| Non-Cash Adjustments | (9.7) | (17.7) | (8.0) |
| Loans to Infrastructure Ontario | (0.1) | (0.2) | (0.1) |
| Other Net Loans/Investments | 0.7 | 0.0 | (0.7) |
| Debt Maturities/Redemptions | 30.5 | 30.6 | 0.0 |
| Total Funding Requirement | 54.7 | 32.5 | (22.2) |
| Decrease/(Increase) in Short-Term Borrowing | (3.0) | – | 3.0 |
| Increase/(Decrease) in Cash and Cash Equivalents | – | – | – |
| Pre-borrowing in 2021–22 for 2022–23 | (10.3) | (10.3) | – |
| Pre-borrowing for 2023–24 | – | 9.9 | 9.9 |
| Total Long-Term Public Borrowing | 41.5 | 32.2 | (9.3) |

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 February 13, 2023, liquid reserve levels were \$38.4 billion.

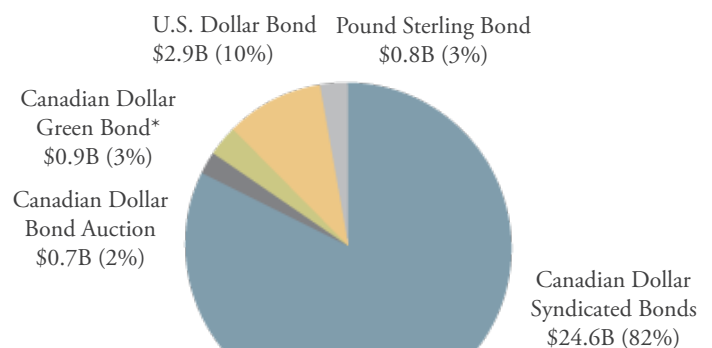
Average Unrestricted Liquid Reserve Levels (\$ Billions)



As of January 31, 2023.

2022–23 Borrowing Program

As of February 15, 2023, borrowing completed for 2022–23 totalled \$29.9 billion.



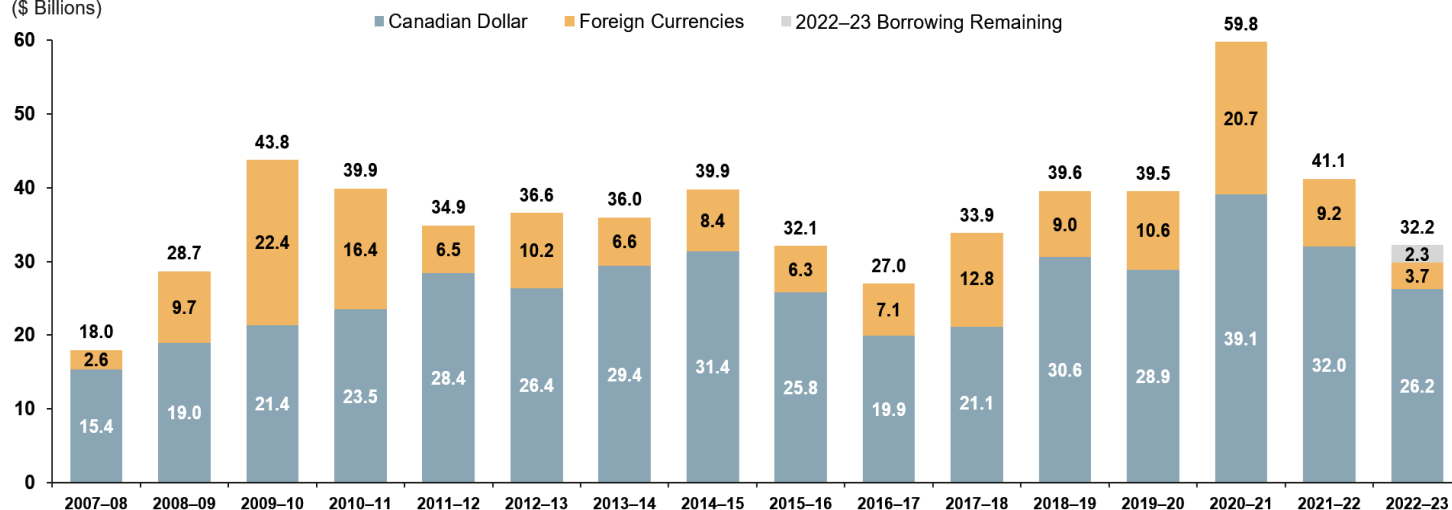
*Face value \$1.0 billion.

Note: Numbers may not add due to rounding.

Long-Term Borrowing

- Approximately \$26.2 billion or 88 per cent of 2022–23 borrowing was completed in Canadian dollars, with the remaining \$3.7 billion or 12 per cent completed in U.S. dollars.
- Ontario has continued to extend the term of its debt, when investor demand allows, to reduce refinancing risk on maturing debt. This also protects the interest on debt forecast against further increases in interest rates. Ontario has issued \$124.2 billion of bonds, or more than one-quarter of total debt, with maturities of 30 years or longer since 2010–11. This includes \$10.3 billion so far in 2022–23.

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 | 2022-23 |
|-----------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Foreign | 14% | 34% | 51% | 41% | 19% | 28% | 18% | 21% | 19% | 26% | 38% | 23% | 27% | 35% | 22% | 12% |
| Domestic | 86% | 66% | 49% | 59% | 81% | 72% | 82% | 79% | 81% | 74% | 62% | 77% | 73% | 65% | 78% | 88% |
| 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 | 15.4 |

Note: Numbers may not add due to rounding. As of February 15, 2023.

Canadian Dollar Issuance

- Ontario accounted for 67.7 per cent of Canadian provincial bond trading in 2022. As of December 31, 2022, Ontario accounts for 14.0 per cent of the FTSE Universe Bond Index, 13.6 per cent of the FTSE Mid Bond Index, and 22.2 per cent of the FTSE Long Bond Index.
- Regular issuance of 5-year, 7-year, 10-year and 30-year issues, which are re-opened to achieve benchmark size (29 syndicated issues so far in 2022–23).

Canadian Dollar Benchmark Bonds (as of February 14, 2023)

| Term | Ontario | | Canada | |
|-------------|-------------------------|---------|-------------------------|----------|
| | Rate | Amount | Rate | Amount |
| 5 yr (old) | 1.35% September 8, 2026 | \$1.25B | 1.25% March 1, 2027 | \$17.00B |
| 5 yr (new) | 3.60% March 8, 2028 | \$5.50B | 2.75% September 1, 2027 | \$16.00B |
| 7 yr | 2.70% June 2, 2029 | \$9.33B | 2.25% June 1, 2029 | \$12.30B |
| 10 yr (old) | 2.25% December 2, 2031 | \$6.35B | 2.00% June 1, 2032 | \$24.00B |
| 10 yr (new) | 3.75% June 2, 2032 | \$8.90B | 2.25% December 1, 2032 | \$21.00B |
| Long (old) | 2.55% December 2, 2052 | \$8.25B | 2.00% December 1, 2051 | \$51.80B |
| Long (new) | 3.75% December 2, 2053 | \$9.55B | 2.00% December 1, 2053 | \$32.00B |

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) |
|---------|-------------------------|-------------------------|
| 4-year | 2.25% May 17, 2022 | £0.50B |
| 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 |

U.S. Dollar Issues

| Term | Issue Date and Coupon | Amount (U.S.\$) |
|---------|------------------------|-----------------|
| 5-year | 3.10% May 12, 2022 | \$2.25B |
| 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 |

Green Bonds

- Ontario remains the largest issuer of Canadian dollar Green Bonds, totalling \$13.5 billion with \$13.0 billion outstanding. A total of 28 projects have received or will receive funding from Ontario's twelve Green Bond issues, with funding allocated towards clean transportation, energy efficiency and conservation, and climate adaptation and resilience projects.
- On October 5, 2022, the Province issued its first Green Bond in fiscal 2022–23, and twelfth Green Bond overall. This issue was for \$1.0 billion.
- 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

- The 2022–23 total revenue outlook is \$196.4 billion, \$16.6 billion higher than projected in the *2022 Budget* and \$9.6 billion higher than expected in the *2022 Ontario Economic Outlook and Fiscal Review*, mainly reflecting stronger than expected taxation revenues as a result of higher net tax assessments for 2021 and prior years.
- Program expense in 2022–23 is projected to be \$188.6 billion, \$3.4 billion higher than forecast in both the *2022 Budget* and the *2022 Ontario Economic Outlook and Fiscal Review*. Increases in program expense since the *2022 Ontario Economic Outlook and Fiscal Review* are primarily due to significant one-time costs associated with ongoing land and land-related claims with Indigenous communities.
- The reserve has been maintained as part of the current fiscal outlook, at \$1.0 billion in 2022–23.

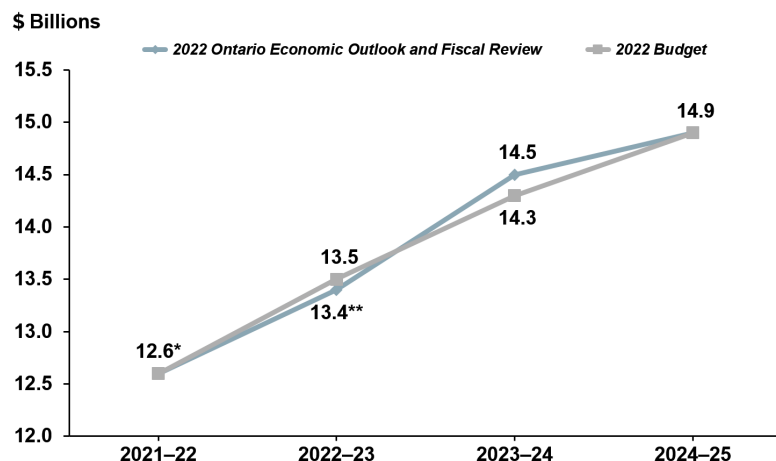
| Fiscal Plan (\$ Billions) | Actuals | | | | | | | | | Current Outlook |
|------------------------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|-----------------|
| | 2013–14 | 2014–15 | 2015–16 | 2016–17 | 2017–18 | 2018–19 | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
| Revenue | 123.0 | 126.2 | 136.1 | 140.7 | 150.6 | 153.7 | 156.1 | 164.9 | 185.1 | 196.4 |
| Expense | | | | | | | | | | |
| Programs | 123.3 | 126.2 | 129.9 | 131.5 | 142.4 | 148.8 | 152.3 | 169.0 | 170.5 | 188.6 |
| Interest on Debt | 11.2 | 11.2 | 11.6 | 11.7 | 11.9 | 12.4 | 12.5 | 12.3 | 12.6 | 13.4 |
| Total Expense | 134.5 | 137.4 | 141.5 | 143.2 | 154.3 | 161.1 | 164.8 | 181.3 | 183.0 | 202.0 |
| Reserve | – | – | – | – | – | – | – | – | – | 1.0 |
| Surplus/(Deficit) | (11.5) | (11.3) | (5.3) | (2.4) | (3.7) | (7.4) | (8.7) | (16.4) | 2.1 | (6.5) |

Note: Numbers may not add due to rounding.
Sources: Ontario Treasury Board Secretariat and Ontario Ministry of Finance.

Interest on Debt (IOD) Expense

- Interest on debt expense is projected to be \$13.4 billion, slightly lower than the \$13.5 billion forecast in the *2022 Budget* and approximately \$0.2 billion lower than the \$13.6 billion projection in the *2022 Ontario Economic Outlook and Fiscal Review*.
- Due to rising interest rates, Ontario's cost of borrowing has, however, increased to 4.0 per cent, which is higher than the 3.4 per cent forecast in the *2022 Budget*, but lower than the 4.2 per cent forecast in the *2022 Ontario Economic Outlook and Fiscal Review*.

Comparison of IOD Expense Forecast



*As of the *Public Accounts of Ontario 2021–2022*.

**As of the *2022–23 Third Quarter Finances*.

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 January 31, 2023, capacity for short-term borrowing: \$61.0 billion authorized and \$22.2 billion outstanding, leaving \$38.8 billion available.

Risk Management

| | Exposure ¹ | Policy Limit |
|-----------------------------|-----------------------|--------------|
| Foreign Exchange | 0.14% | 3.0% |
| Net Interest Rate Resetting | 8.3% | 35.0% |

¹ Of outstanding debt, as of January 31, 2023.

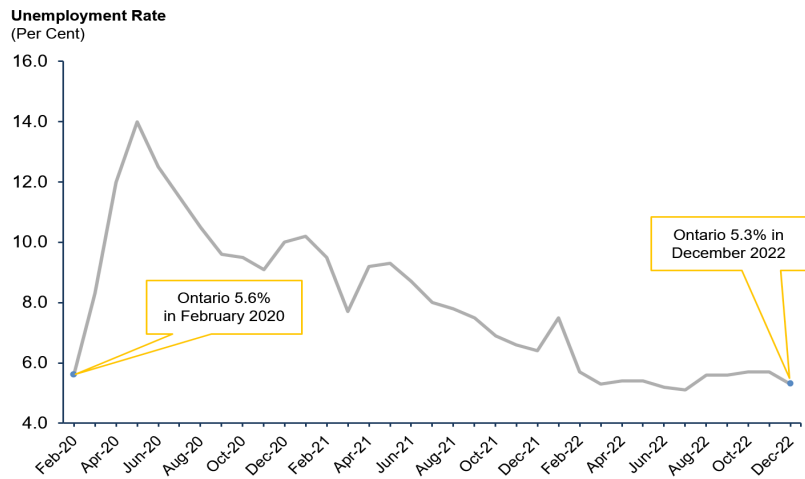
Credit Ratings (Long-Term/Short-Term)

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

Ontario's Economic Update

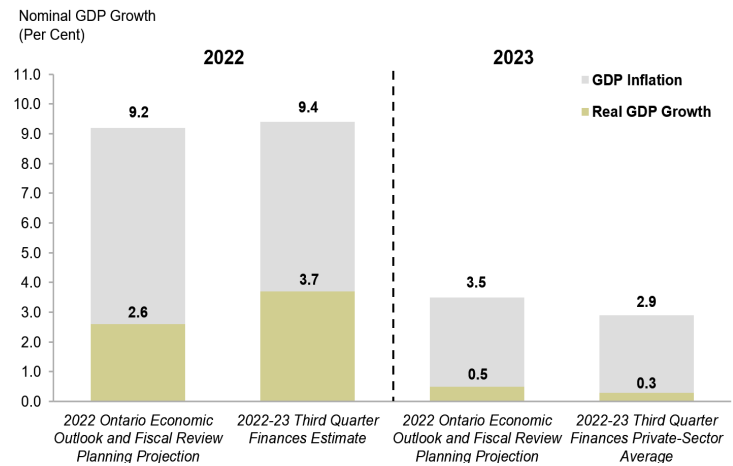
- Ontario's labour market remained strong in 2022, with employment rising by 338,300. In addition, the unemployment rate remained near historic lows, ending the year at 5.3 per cent in December 2022.
- The Ministry of Finance estimates that Ontario real GDP increased 3.7 per cent in 2022, higher than the *2022 Ontario Economic Outlook and Fiscal Review* planning assumption of 2.6 per cent. Ontario nominal GDP is estimated to have increased 9.4 per cent in 2022, slightly above the *2022 Ontario Economic Outlook and Fiscal Review* planning assumption of 9.2 per cent.
- Private sector forecasters, on average, project Ontario's real GDP to rise by 0.3 percent in 2023, compared to the *2022 Ontario Economic Outlook and Fiscal Review* planning assumption of 0.5 per cent. Ontario's nominal GDP is projected to rise by 2.9 per cent in 2023, compared to the *2022 Ontario Economic Outlook and Fiscal Review* planning assumption of 3.5 per cent, due largely to weaker GDP inflation expectations.

Ontario Labour Market Remains Resilient



Source: Statistics Canada.

Comparison of Planning Assumptions for GDP Growth



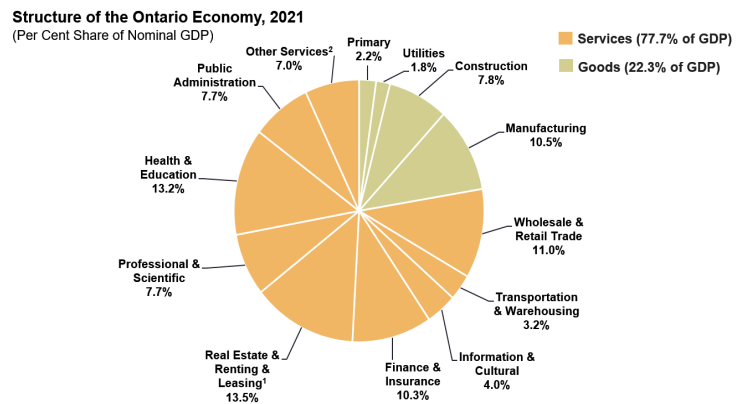
Source: Ontario Ministry of Finance based on information available as of January 30, 2023.

Ontario's Economic Outlook

| Economic Summary (Per Cent) | 2021 | 2022 | 2023p | 2024p | 2025p |
|-----------------------------|------|------------------|-------|-------|-------|
| Real GDP Growth | 5.2 | 3.7 ^e | 0.5 | 1.6 | 2.1 |
| Nominal GDP Growth | 10.3 | 9.4 ^e | 3.5 | 3.8 | 4.1 |
| Employment Growth | 5.2 | 4.6 | 0.5 | 1.3 | 1.5 |
| CPI Inflation | 3.5 | 6.8 | 3.4 | 2.3 | 2.0 |

^e = Ontario Ministry of Finance Q3 Finances estimate based on information as of January 30, 2023.
^p = Ontario Ministry of Finance planning projection based on external sources as of September 29, 2022.
 Sources: Statistics Canada and Ontario Ministry of Finance.

Ontario's Diverse Economy



¹ Includes estimate of imputed rental income from owner occupied dwellings.
² Other services include: management of companies and enterprises; administrative and support, waste management and remediation services; arts, entertainment and recreation; accommodation and food services; and other services.
 Source: Statistics Canada.
 Note: Numbers may not add due to rounding.

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

Contact Us

Investor Relations
 Ontario Financing Authority
 One Dundas Street West, Suite 1200
 Toronto, Ontario, M7A 1Y7, Canada

www.ofina.on.ca
 investor@ofina.on.ca

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