

Ontario Overview

- The Province of Ontario is located in a prime area with close ties to the United States.
- Ontario had a population of 14.2 million in 2017 and nominal GDP of \$795 billion in 2016, representing roughly 40 per cent of Canada.
- Ontario has a diverse economy, with extensive financial and business services, manufacturing and a smaller energy sector compared to the rest of Canada. It has direct taxation powers and stable growth.
- Services account for 77 per cent of the overall economy.
- The government is currently projecting a surplus of \$0.6 billion in 2017–18. As reported in the *2018 Budget*, the government is projecting a deficit of \$6.7 billion in 2018–19, \$6.6 billion in 2019–20, and \$6.5 billion in 2020–21. The *2018 Budget* also lays out the government’s plan to eliminate the deficit by 2024–25.
- The Province is making public infrastructure investments of about \$230 billion over 14 years, beginning in 2014–15.



Borrowing Program

- The Province’s total long-term borrowing is forecast to be \$31.7 billion in 2018–19 and \$36.7 billion for 2019–20. This is \$0.5 billion and \$1.1 billion less than what was forecasted in the *2017 Budget*, respectively.

| (\$ Billions) | 2017–18 | | | Medium-Term Plan | | |
|---|-------------|-------------|----------------|------------------|-------------|-------------|
| | 2017 Budget | Interim | In-Year Change | 2018–19 | 2019–20 | 2020–21 |
| Deficit/(Surplus) | – | (0.6) | (0.6) | 6.7 | 6.6 | 6.5 |
| Investment in Capital Assets | 13.1 | 10.7 | (2.4) | 14.2 | 15.7 | 15.8 |
| Loans/Investments | (0.3) | (1.5) | (1.1) | 1.9 | 1.0 | 0.8 |
| Debt Maturities | 17.5 | 17.4 | (0.1) | 21.5 | 27.3 | 26.4 |
| Amortization and Other Offsets | (6.6) | (5.8) | 0.8 | (7.1) | (7.0) | (7.6) |
| Total Funding Requirement | 23.7 | 20.2 | (3.5) | 37.3 | 43.6 | 41.9 |
| Other Adjustments | 6.0 | 6.0 | – | 6.0 | (6.9) | (0.6) |
| Preborrowing from 2016–17 | (3.2) | (3.8) | (0.5) | – | – | – |
| Preborrowing in 2017–18 for 2018–19 | – | 11.5 | 11.5 | (11.5) | – | – |
| Total Long-Term Public Borrowing | 26.4 | 33.9 | 7.4 | 31.7 | 36.7 | 41.3 |

| | | |
|---|--------------|--------------|
| 2017 Budget Total Long-Term Public Borrowing | 32.2 | 37.8 |
| Change in Total Long-Term Public Borrowing | (0.5) | (1.1) |

Note: Numbers may not add due to rounding.

Ontario Bonds

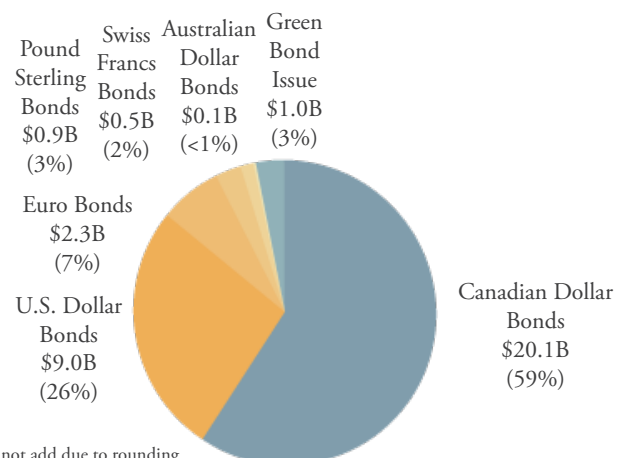
- Exceptional secondary market liquidity with a wide range of offerings provide extensive investment and trading opportunities across the yield curve. Attractive spreads provide opportunities for investors to achieve higher returns
- Benchmark Canadian provincial borrower. Primary focus on Canadian dollar borrowing with likely issuance in U.S. dollars and Euros
- In January 2018, Ontario issued its fourth and largest Green Bond issue of \$1.0 billion

Current Ratings (Long-Term/Short-Term)

| | |
|---------|----------------------|
| Moody’s | Aa2 / P-1 |
| Fitch | AA- / F1+ |
| DBRS | AA (low) / R-1 (mid) |
| S&P | A+ / A-1 |

Diverse Borrowing Program 2017–18

As of March 28, 2018, borrowing completed for 2017–18 totalled \$33.9 billion.



Note: Numbers may not add due to rounding.
Source: Ontario Financing Authority.

Long-Term Borrowing

- The Province has completed its 2017–18 borrowing program with \$33.9 billion issued, including \$11.5 billion in pre-borrowing for 2018–19.
- Since the beginning of fiscal year 2010–11, Ontario has issued \$70.6 billion of bonds with terms of longer than 30 years to lock in low interest rates. As a result, the average term of Ontario's debt portfolio has been extended, from 9.7 years in 2009–10 to 10.9 years, as of December 31, 2017.

| Fiscal Year | Canadian Dollar (\$Billions) | Foreign Currencies (\$Billions) | Total Long-Term Borrowing (\$Billions) | Weighted-Average Term (years) | Debt Portfolio Average Term (years) |
|-------------|------------------------------|---------------------------------|--|-------------------------------|-------------------------------------|
| 2009–10 | 21.4 (49%) | 22.4 (51%) | 43.8 | 8.1 | 9.7 |
| 2010–11 | 23.5 (59%) | 16.4 (41%) | 39.9 | 12.8 | 10.0 |
| 2011–12 | 28.4 (81%) | 6.5 (19%) | 34.9 | 13.0 | 10.1 |
| 2012–13 | 26.4 (72%) | 10.2 (28%) | 36.6 | 12.4 | 10.1 |
| 2013–14 | 29.4 (82%) | 6.6 (18%) | 36.0 | 13.6 | 10.4 |
| 2014–15 | 31.4 (79%) | 8.4 (21%) | 39.8 | 14.1 | 10.7 |
| 2015–16 | 25.8 (81%) | 6.3 (19%) | 32.1 | 14.2 | 10.9 |
| 2016–17 | 19.9 (74%) | 7.1 (26%) | 27.0 | 13.9 | 10.9 |
| 2017–18* | 21.1 (62%) | 12.8 (38%) | 33.9 | 12.1 | 10.9 |

Note: Numbers may not add due to rounding. 2017–18 figures as of March 28, 2018.

* Debt Portfolio Average Term as of December 31, 2017.

Canadian Dollar Issuance

- Ontario accounted for 59.0 per cent of Canadian provincial bond trading in 2017. As of December 31, 2017, Ontario accounts for 14.0 per cent of the FTSE TMX Universe Bond Index, 18.8 per cent of the FTSE TMX Mid Bond Index, and 19.5 per cent of the FTSE TMX Long Bond Index.
- Regular issuance of 5-year, 10-year and 30-year issues, which are re-opened to achieve benchmark size (23 syndicated issues in 2017–18).
- Large order procedure initiated in 2011 (53 issues totalling approximately \$28.4 billion).

Canadian Dollar Benchmark Bonds (as of March 27, 2018)

| | Ontario | | Canada | |
|---------------|-------------------------|----------|-------------------------|----------|
| 5 year (old) | 1.35% March 8, 2022 | \$5.00B | 1.00% September 1, 2022 | \$15.60B |
| 5 year (new) | 2.60% September 8, 2023 | \$1.50B | 1.75% March 1, 2023 | \$15.00B |
| 10 year (old) | 2.40% June 2, 2026 | \$7.50B | 1.50% June 1, 2026 | \$13.50B |
| 10 year (new) | 2.60% June 2, 2027 | \$7.65B | 1.00% June 1, 2027 | \$15.00B |
| Long (old) | 2.80% June 2, 2048 | \$12.70B | 3.50% December 1, 2045 | \$16.40B |
| Long (new) | 2.90% June 2, 2049 | \$1.95B | 2.75% December 1, 2048 | \$14.90B |

Foreign Issuance

- The Province regularly accesses foreign markets to diversify its borrowing program and expand its investor base.

U.S. Dollar Borrowing

- The U.S. dollar market remains an important source of funding for Ontario with \$6.0 billion issued in 2015–16, \$6.8 billion issued in 2016–17, and \$9.0 billion issued in 2017–18.

EMTN Borrowing

- The Euro Market is also an important source of funding for Ontario with \$6.8 billion issued in the last four years, \$2.3 billion of which was issued in 2017–18.
- In May 2017, Ontario issued its first Pound Sterling bond since 2011 and in June 2017, Ontario issued its first Swiss Franc bond since 2010.

Green Bonds

- Ontario is currently the largest issuer of Canadian dollar Green Bonds, with four outstanding green issues totaling \$3.05 billion.
- On January 25, 2018 the Province successfully launched its fourth Green Bond issue of \$1.0 billion. This is not only the largest Green Bond offering from the Province of Ontario, but the largest issue to be priced in the Canadian dollar Green Bond market to date.
- In 2014, Ontario successfully launched a Green Bond program, with an inaugural 4-year Canadian dollar Global bond of \$500 million. This was followed by a 7-year Canadian dollar Global bond of \$750 million in 2016 and an \$800 million reopening of its January 2023 Global Green Bond in 2017.

Ontario's Green Bonds:

- 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
- Help finance transit and other environmentally friendly projects across the Province

Assurances and Features:

- 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 Markets 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

Risk Management and Short-Term Borrowing

| | Exposure | Policy Limit |
|-----------------------------|----------|--------------|
| Foreign Exchange | 0.2% | 5.0% |
| Net Interest Rate Resetting | 11.0% | 35.0% |

Of outstanding debt, as of February 28, 2018.

- Ontario's maximum net interest rate resetting exposure is 35 per cent and its maximum foreign exchange exposure is 5 per cent of debt issued for provincial purposes.
- Liquid reserves were \$30.1 billion as of February 28, 2018.
- As of February 28, 2018, capacity for short-term borrowing: \$48.0 billion authorized and \$19.6 billion outstanding, leaving \$28.4 billion available.

Medium-Term Fiscal Plan

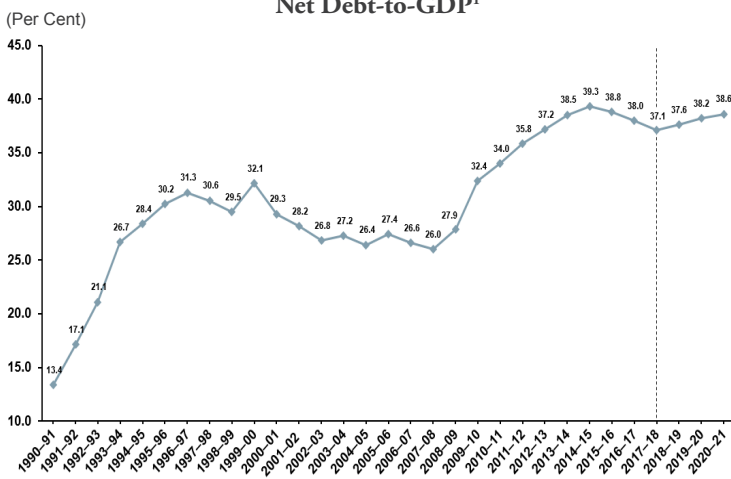
- The government is projecting a deficit of \$6.7 billion in 2018–19, \$6.6 billion in 2019–20, and \$6.5 billion in 2020–21. This represents a projected deficit-to-GDP ratio of 0.8 per cent in 2018–19, declining to 0.7 per cent by 2020–21.
- Revenue is projected to grow from \$152.5 billion in 2018–19 to \$163.8 billion in 2020–21, and total expense is projected to grow from \$158.5 billion in 2018–19 to \$169.6 billion in 2020–21.

| Medium-Term Fiscal Plan (\$ Billions) | Actual | | | | | | | | Interim | Medium-Term Plan | | |
|---------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|------------------|---------|---------|
| | 2009–10 | 2010–11 | 2011–12 | 2012–13 | 2013–14 | 2014–15 | 2015–16 | 2016–17 | | 2017–18 | 2018–19 | 2019–20 |
| Revenue | 102.6 | 113.6 | 116.4 | 120.3 | 123.0 | 126.2 | 136.1 | 140.7 | 150.1 | 152.5 | 157.6 | 163.8 |
| Expense | | | | | | | | | | | | |
| Programs | 112.7 | 117.6 | 118.8 | 118.7 | 122.3 | 125.2 | 128.1 | 130.0 | 137.5 | 145.9 | 150.4 | 155.8 |
| Interest on Debt | 9.1 | 10.0 | 10.6 | 10.9 | 11.2 | 11.2 | 11.6 | 11.7 | 12.0 | 12.5 | 13.1 | 13.8 |
| Total Expense | 121.8 | 127.6 | 129.4 | 129.5 | 133.4 | 136.5 | 139.7 | 141.7 | 149.5 | 158.5 | 163.5 | 169.6 |
| Reserve | – | – | – | – | – | – | – | – | – | 0.7 | 0.7 | 0.7 |
| Surplus/(Deficit) | (19.3) | (14.0) | (13.0) | (9.2) | (10.5) | (10.3) | (3.5) | (1.0) | 0.6 | (6.7) | (6.6) | (6.5) |

Note: Numbers may not add due to rounding.

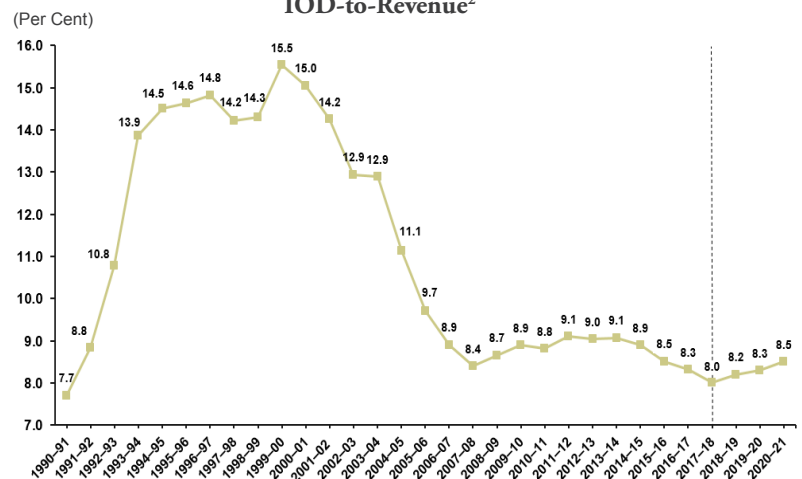
- Ontario's net debt-to-GDP ratio peaked in 2014–15 at 39.3 per cent and is now forecast at 37.1 per cent in 2017–18, below the forecast of 37.5 per cent for 2017–18 contained in the 2017 Budget.
- The interest-on-debt (IOD)-to-revenue ratio is lower than it has been for the past 25 years, and is forecast to remain in this range through the outlook period to 2020–21.

Net Debt-to-GDP¹



¹Net Debt has been restated to include broader public sector net debt, starting in 2005–06.

IOD-to-Revenue²



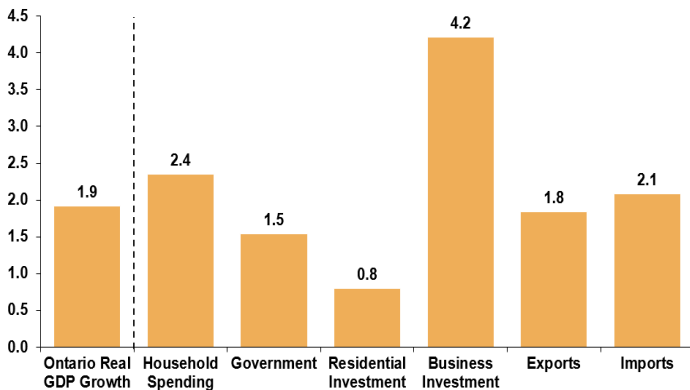
²2005–06 to 2019–20 have been restated for broader public sector line-by-line presentation.

•• Economic Update

- Ontario's real GDP increased by 2.6 per cent in 2016, following up on 2.9 per cent growth in 2015. Private sector economists estimate that Ontario's real GDP advanced by 2.8 percent in 2017.
- Ontario's economy is expected to keep growing, but at a more modest pace. Gains in real GDP are expected to average 1.9 per cent per year on average between 2018 and 2021, slightly below the average of private sector forecasts.
- There are a number of risks that could affect Ontario's economic outlook. Stronger global economic growth, including in the United States and the rest of Canada, may provide a boost to Ontario's production.
- Potential changes to the North American Free Trade Agreement (NAFTA) could impact Ontario exporters, while the recent tax reform in the U.S. may lessen the Province's competitiveness and weaken business investment. High levels of household debt have left Ontario households more sensitive to rising interest rates.

Business Investment Important Contributor to Growth

Forecasted Average Annual Per Cent Change, 2018 to 2021

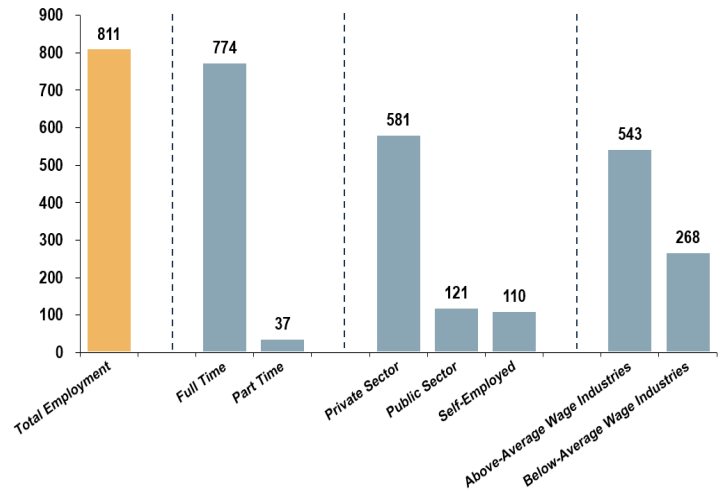


Notes: Government includes investment and consumption expenditure. Business investment includes investment in plant, equipment and intellectual property products.

Source: Ontario Ministry of Finance (2018 Ontario Budget).

Strong Job Recovery Since the Global Recession

Employment Gains since June 2009 (Thousands)

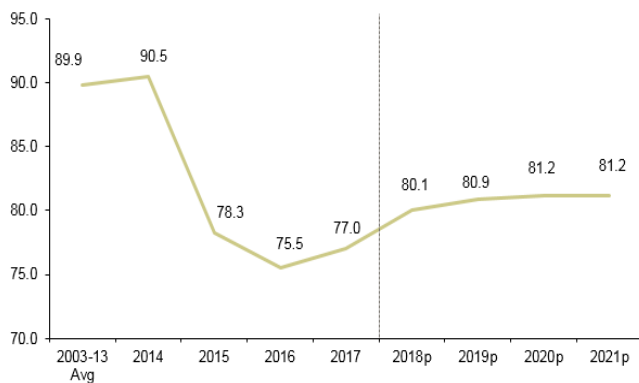


Note: Above-average wage industries are defined as those with earnings above the average hourly earnings of all industries in 2017. Numbers may not add due to rounding.

Sources: Statistics Canada and Ontario Ministry of Finance (March 2018).

CAD/USD Exchange Rate

U.S. Cents

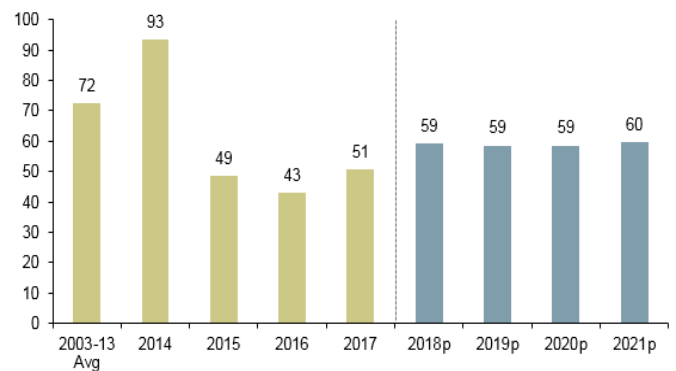


p = private-sector average

Sources: U.S. Energy Information Administration and Private Sector Oil and Natural Gas Forecasts, Bank of Canada and Ontario Ministry of Finance Survey of Forecasters (March 2018).

WTI Oil Prices

USD per Barrel



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

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