

2021 Budget

- Ontario is projecting a \$38.5 billion deficit in 2020–21. Over the medium term, the government projects steadily declining deficits of \$33.1 billion in 2021–22, \$27.7 billion in 2022–23, and \$20.2 billion in 2023–24.
- The 2021 Budget builds on the government’s response to the global pandemic, bringing total investments to \$16.3 billion to protect people’s health and \$23.3 billion to protect our economy. Ontario’s COVID-19 action plan support now totals \$51 billion over four years.
- The global economic disruptions caused by the COVID-19 pandemic have led to unprecedented uncertainty surrounding the economic forecast. The 2021 Budget includes a Faster Growth and a Slower Growth scenario that the economy could take over the next several years.
- Ontario’s net debt-to-GDP is now forecast to be 47.1 per cent in 2020–21, and 48.8 per cent in 2021–22, marginally higher than forecasts of 47.0 per cent and 48.5 per cent, respectively, at the time of the 2020 Budget because of the Province’s increased investments in capital assets since then. Ontario has set the objective to slow the rate of increase in the net debt-to-GDP ratio, supported by GDP growth, along with a target to not exceed 50.5 per cent over the medium-term outlook.
- While net debt-to-GDP is the primary measure of the sustainability of Ontario’s debt, another key measure is the interest on debt-to-revenue ratio. This ratio represents how much Ontario needs to spend on interest for every revenue dollar received. The forecast for 2021–22 is 8.5 cents of interest cost for every dollar of revenue. It is forecast to remain below the peak reached following the global financial crisis, and lower than the levels in the early 1990s through to the mid-2000s, demonstrating the continued relative affordability of Ontario’s debt.

Borrowing Program

- The 2021 Budget presents two alternative economic scenarios, which would change the province’s borrowing requirements in the next three years. Under the Faster Growth scenario, the long-term borrowing of the Province would decrease by a total of \$13.2 billion over the medium-term outlook, while under the Slower Growth scenario, long-term borrowing would increase by a cumulative \$10.9 billion over the same period.

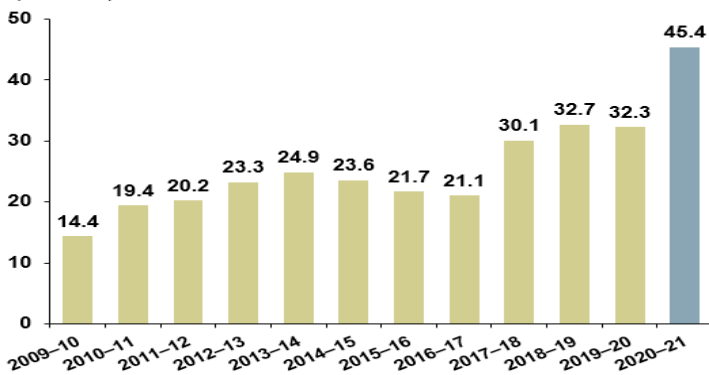
(\$ Billions)	2020–21			Medium-Term Outlook		
	2020 Budget	Change from 2020 Budget	Interim 2020–21 ¹	2021–22	2022–23	2023–24
Deficit/(Surplus)	38.5	–	38.5	33.1	27.7	20.2
Investment in Capital Assets	10.6	1.4	11.9	11.8	12.5	11.9
Non-Cash Adjustments	(9.2)	–	(9.2)	(9.5)	(9.5)	(9.5)
Loans to Infrastructure Ontario	–	–	–	0.2	(0.2)	0.0
Other Net Loans/Investments	0.6	(0.7)	(0.1)	1.3	0.1	(1.0)
Debt Maturities/Redemptions	26.7	–	26.7	25.0	30.5	33.6
Total Funding Requirement	67.0	0.7	67.7	61.9	61.1	55.2
Decrease/(Increase) in Short-Term Borrowing	(5.7)	4.7	(1.0)	(6.0)	(2.0)	–
Increase/(Decrease) in Cash and Cash Equivalents	(1.4)	(4.0)	(5.4)	4.0	–	–
Pre-borrowing in 2019–20	(7.6)	–	(7.6)	–	–	–
Pre-borrowing for 2021–22	–	5.2	5.2	(5.2)	–	–
Total Long-Term Public Borrowing	52.3	6.7	59.0	54.7	59.1	55.2

¹ Interim represents the 2021 Budget projection for the 2020–21 fiscal year. Note: Numbers may not add due to rounding. Source: Ontario Financing Authority

Liquidity

- Ensuring Ontario always has sufficient liquidity to meet its cashflow needs is even more critical during the COVID-19 pandemic, in order to continue to address any unforeseen economic or public health needs.
- As of March 23, 2021, liquid reserve levels were \$48.6 billion.

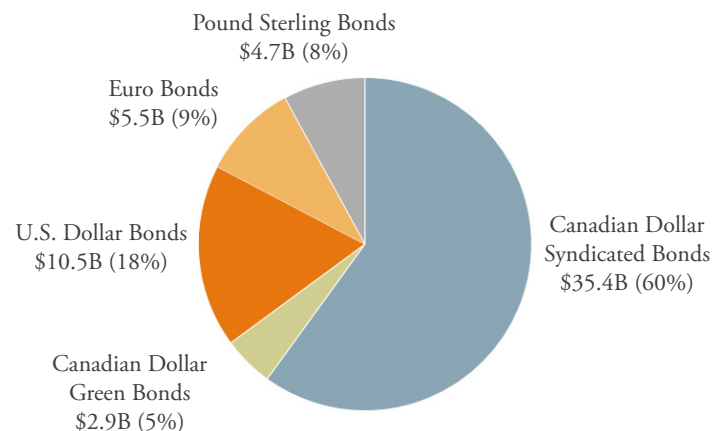
Average Unrestricted Liquid Reserve Levels (\$ Billions)



Note: 2020–21 liquid reserves are on a forecast basis to fiscal year end as of January 31, 2021.

2020–21 Borrowing Program

As of March 24, 2021, borrowing completed for 2020–21 totalled \$59.0 billion.

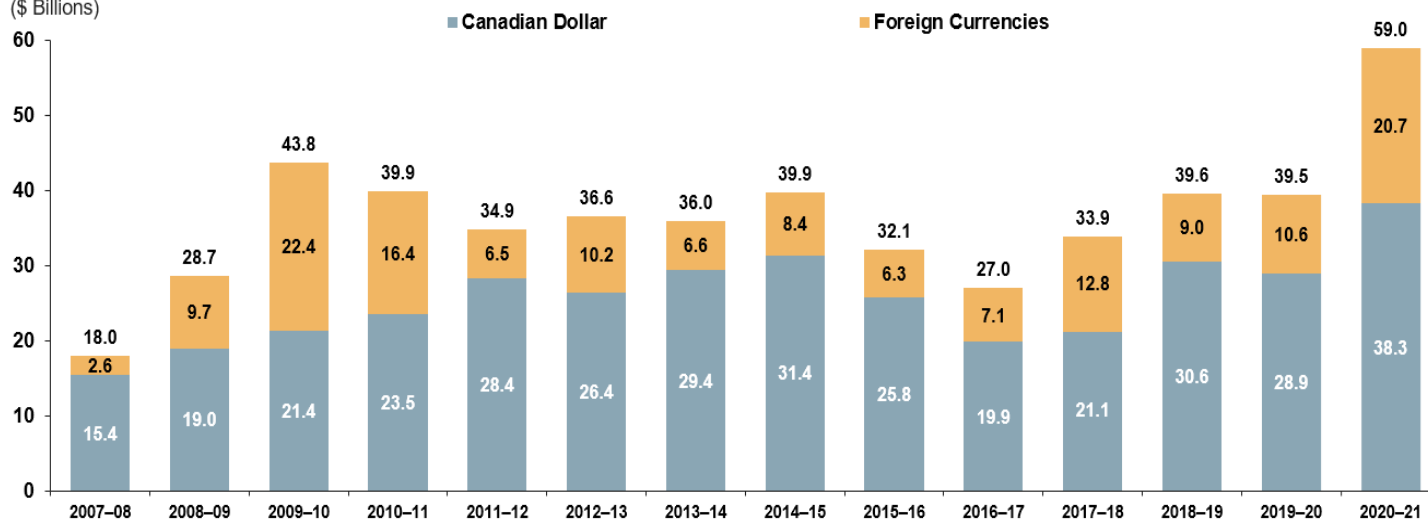


Note: Numbers may not add due to rounding.

Long-Term Borrowing

- Based on the strong demand for Ontario debt globally in 2020–21, Ontario has adjusted its target range for domestic borrowing to 65 to 80 per cent for 2021–22.
- Ontario continues to extend the term of its debt, when investor demand allows, to reduce refinancing risk on maturing debt and capitalize on historically low interest rates. Ontario has issued \$102.6 billion of bonds, or approximately one-quarter of total debt, with maturities of 30 years or longer since 2010–11. This includes \$10.1 billion in 2020–21.

Total Long-Term Borrowing
(\$ Billions)



Foreign	14%	34%	51%	41%	19%	28%	18%	21%	19%	26%	38%	23%	27%	35%
Domestic	86%	66%	49%	59%	81%	72%	82%	79%	81%	74%	62%	77%	73%	65%
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	11.7
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	10.7*

* The debt portfolio average term is on a forecast basis for 2020–21 as of January 31, 2021.

Note: Numbers may not add due to rounding. As of March 24, 2021.

Canadian Dollar Issuance

- Ontario accounted for 65.4 per cent of Canadian provincial bond trading in 2020. As of December 31, 2020, Ontario accounted for 16.1 per cent of the FTSE TMX Universe Bond Index, 15.2 per cent of the FTSE TMX Mid Bond Index, and 22.7 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 (37 syndicated issues in 2020–21).

Canadian Dollar Benchmark Bonds (as of March 24, 2021)

Term	Ontario		Canada	
	Rate	Amount	Rate	Amount
5 year (old)	2.30% September 8, 2024	\$2.75B	0.50% September 1, 2025	\$47.50B
5 year (new)	1.75% September 8, 2025	\$9.05B	0.25% March 1, 2026	\$30.00B
7 year	1.05% September 8, 2027	\$2.00B	1.00% June 1, 2027	\$15.00B
10 year (old)	2.05% June 2, 2030	\$11.65B	1.25% June 1, 2030	\$44.20B
10 year (new)	1.35% December 2, 2030	\$7.00B	0.50% December 1, 2030	\$35.00B
Long (old)	2.65% December 2, 2050	\$14.10B	2.75% December 1, 2048	\$14.90B
Long (new)	1.90% December 2, 2051	\$6.70B	2.00% December 1, 2051	\$42.80B

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)
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
7 year	0.375% April 1, 2020	€1.00B

U.S Dollar Issues

Term	Issue Date and Coupon	Amount (U.S.\$)
10 year	1.60% February 18, 2021	\$1.50B
5 year	0.625% January 13, 2021	\$3.50B
10 year	1.125% September 29, 2020	\$1.25B
7 year	1.05% May 14, 2020	\$1.75B

Green Bonds

- Ontario remains the largest issuer of Canadian dollar Green Bonds, totalling \$8.0 billion with \$7.5 billion outstanding. A total of 27 projects have received or will receive funding from Ontario's nine Green Bond issues, with funding allocated towards clean transportation, energy efficiency and conservation, and climate adaptation and resilience projects.
- In January 2021, Ontario launched its second Green Bond of fiscal 2020–21, and ninth Green Bond overall. This issue was for \$1.25 billion and follows a \$1.5 billion Green Bond launched in October 2020. These are the two largest Canadian dollar Green Bond issues ever launched. Subject to market conditions, Ontario plans to continue to issue multiple Green Bonds each fiscal year.
- Ontario's Green Bond program has been recognized with the following awards in recent years:
 - Environmental Finance Bond Awards 2019**, for Green Bond of the Year — Local/Municipality (2018 Green Bond issue)
 - Climate Bonds Initiative 5th Green Bond Pioneer Awards**, for Largest Subnational Green Bond Issuer Over the Past 10 Years

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

- Under the government's planning projection, the deficit could be eliminated by 2029–30.
- In order to illustrate the high degree of economic uncertainty, the 2021 Budget presents alternative Faster Growth and Slower Growth scenarios that the economy could take over the next several years.
 - Over the medium term, under the Faster Growth scenario, the deficit outlook may improve to \$30.3 billion in 2021–22, \$23.2 billion in 2022–23 and \$14.1 billion in 2023–24. Under this scenario, the government could eliminate the deficit by 2027–28.
 - Under the Slower Growth scenario, the deficit outlook may deteriorate to \$34.9 billion in 2021–22, \$31.5 billion in 2022–23 and \$25.4 billion in 2023–24. Under this scenario, the government could eliminate the deficit by 2031–32.

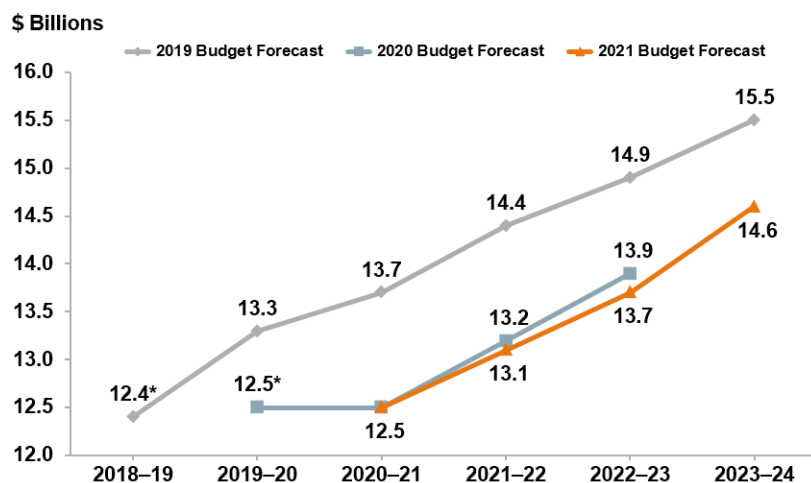
Fiscal Plan (\$ Billions)	Actuals								Interim ¹	Medium-Term Outlook		
	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20		2020–21	2021–22	2022–23
Revenue	120.3	123.0	126.2	136.1	140.7	150.6	153.7	156.1	151.8	154.0	160.0	167.0
Expense												
Programs	120.1	123.3	126.2	129.9	131.5	142.4	148.8	152.3	177.8	173.0	172.5	171.1
Interest on Debt	10.9	11.2	11.2	11.6	11.7	11.9	12.4	12.5	12.5	13.1	13.7	14.6
Total Expense	131.0	134.5	137.4	141.5	143.2	154.3	161.1	164.8	190.3	186.1	186.2	185.6
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)	(38.5)	(33.1)	(27.7)	(20.2)

¹ Interim represents the 2021 Budget projection for the 2020–21 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

- Ontario's current IOD forecast remains below the levels projected in the pre-pandemic 2019 Budget, despite significantly higher deficits, borrowing and debt levels than forecast at that time.
- The IOD forecast for 2020–21 remains unchanged from the 2020 Budget, and the medium-term IOD expense outlook in the 2021 Budget is now projected to be slightly lower than the 2020 Budget forecast.



*Actuals after Budgets were tabled.
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 February 26, 2021, capacity for short-term borrowing: \$61.0 billion authorized and \$24.6 billion outstanding, leaving \$36.4 billion available.

Risk Management

	Exposure ¹	Policy Limit
Foreign Exchange	0.1%	3.0%
Net Interest Rate Resetting	7.1%	35.0%

¹ Of outstanding debt, interim as of February 26, 2021

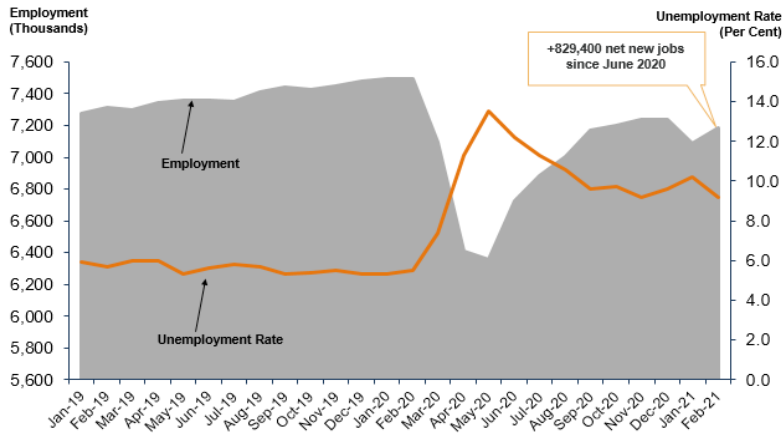
Credit Ratings (Long-Term/Short-Term)

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

Ontario's Economic Update and Action Plan

- The COVID-19 pandemic has resulted in significant and unprecedented impact on economies around the world.
- The 2021 Budget planning projections are for Ontario's real GDP to rise by 4.0 per cent in 2021 and 4.3 per cent in 2022 before moderating to 2.5 per cent in 2023 and 2.0 per cent in 2024.
- For the purposes of prudent fiscal planning, these projections are slightly below the average of private-sector forecasts.
- In the Faster Growth scenario the level of real GDP in 2024 is 2.6 per cent higher than the planning projection, while in the Slower Growth scenario the level of real GDP in 2024 is 2.1 per cent lower.

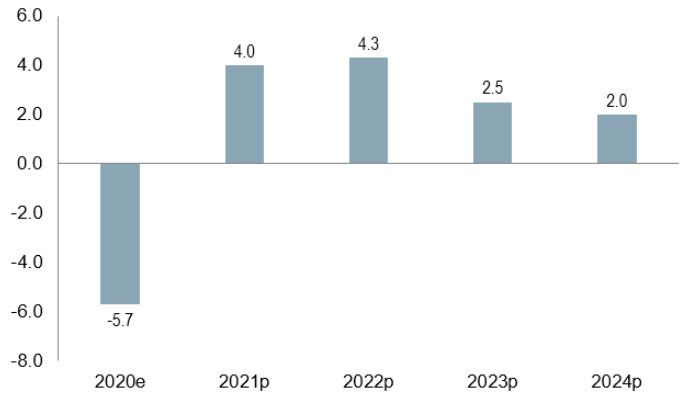
Ontario's Labour Market



Source: Statistics Canada

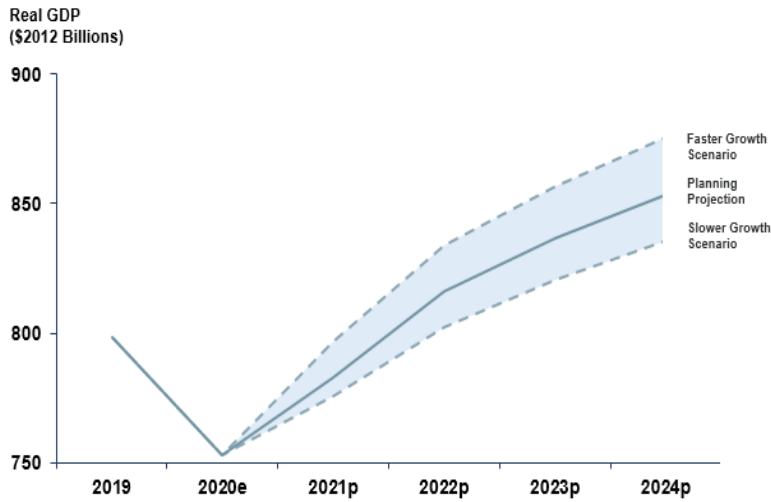
Ontario's Economic Outlook

Real GDP, Per cent annual change



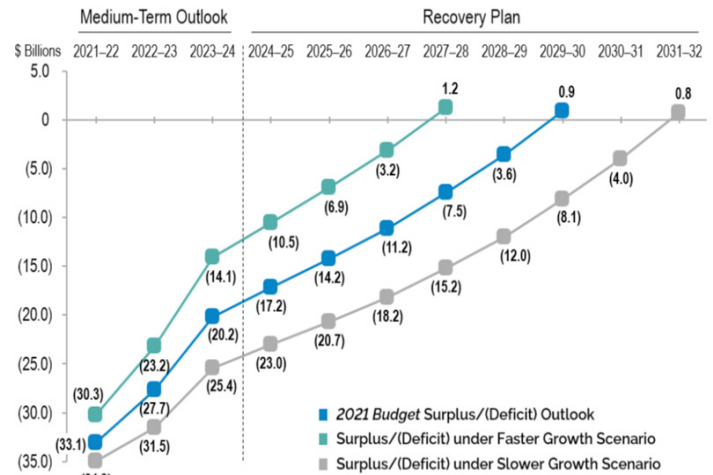
e = estimate; p = Ontario Ministry of Finance projections.
Source: Ontario Ministry of Finance.

Economic Outlook Scenarios

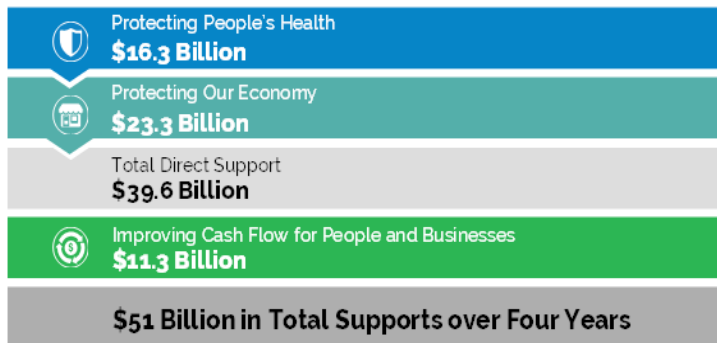


e = estimate; p = Ontario Ministry of Finance projections.
Source: Ontario Ministry of Finance.

Ontario's Recovery Plan Scenarios



Ontario's Action Plan: Protecting People's Health and Our Economy



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

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