



Investor Relations Presentation

March 28, 2018

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
- Since 2014, the province's growth has outpaced that of Canada
- The government is projecting a surplus of \$0.6 billion in 2017–18
- Ontario is projecting a deficit of \$6.7 billion in 2018–19, \$6.6 billion in 2019–20 and \$6.5 billion in 2020–21

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 2018–19 is forecast to be \$31.7 billion

2017–18 Borrowing Program

(\$ Billions)	2017–18		
	2017 Budget	Current Outlook	In-Year Change
Deficit/(Surplus)	–	(0.6)	(0.6)
Investment in Capital Assets	13.1	10.7	(2.4)
Non-Cash Adjustments	(6.7)	(5.9)	0.8
Loans to Infrastructure Ontario	0.4	0.1	(0.3)
Other Net Loans/Investments	(0.8)	(1.6)	(0.8)
Debt Maturities	17.5	17.4	(0.1)
Debt Redemptions	0.1	0.1	(0.0)
Total Funding Requirement	23.7	20.2	(3.5)
Canada Pension Plan Borrowing	–	–	–
Decrease/(Increase) in Short-Term Borrowing	–	–	–
Increase/(Decrease) in Cash and Cash Equivalents	6.0	6.0	–
Pre-borrowing from 2016–17	(3.2)	(3.8)	(0.5)
Pre-borrowing in 2017–18 for 2018–19	–	11.5	11.5
Total Long-Term Public Borrowing	26.4	33.9	7.4

Note: Numbers may not add due to rounding.

Medium-Term Borrowing Outlook

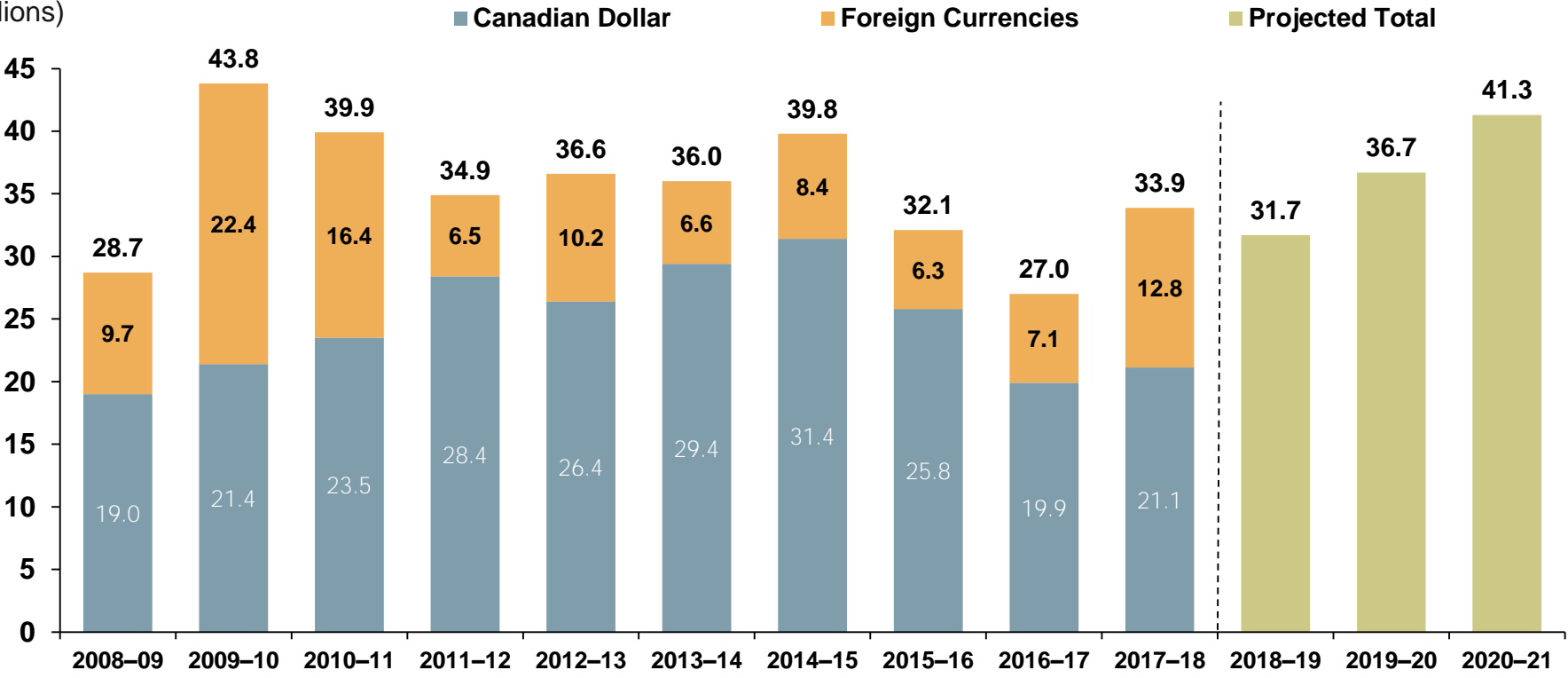
(\$ Billions)	Medium-Term Outlook		
	2018–19	2019–20	2020–21
Deficit/(Surplus)	6.7	6.6	6.5
Investment in Capital Assets	14.2	15.7	15.8
Non-Cash Adjustments	(7.1)	(7.1)	(7.6)
Loans to Infrastructure Ontario	0.4	0.5	0.4
Other Net Loans/Investments	1.5	0.5	0.4
Debt Maturities	21.5	27.3	26.4
Debt Redemptions	0.1	0.1	0.1
Total Funding Requirement	37.3	43.6	41.9
Canada Pension Plan Borrowing	(0.0)	(0.9)	(0.6)
Decrease/(Increase) in Short-Term Borrowing	–	–	–
Increase/(Decrease) in Cash and Cash Equivalents	6.0	(6.0)	–
Pre-borrowing in 2017–18 for 2018–19	(11.5)	–	–
Total Long-Term Public Borrowing	31.7	36.7	41.3
<i>2017 Budget</i> Total Long-Term Public Borrowing Forecast	32.2	37.8	
Change in Total Long-Term Public Borrowing	(0.5)	(1.1)	

Note: Numbers may not add due to rounding.

Domestic and International Borrowing

As of March 28, 2018

Total Long-Term Borrowing
(\$ Billions)



	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
Foreign	34%	51%	41%	19%	28%	18%	21%	19%	26%	38%	-	-	-
Domestic	66%	49%	59%	81%	72%	82%	79%	81%	74%	62%	-	-	-
Weighted-Average Term	8.6	8.1	12.8	13.0	12.4	13.6	14.1	14.2	13.9	12.1	-	-	-

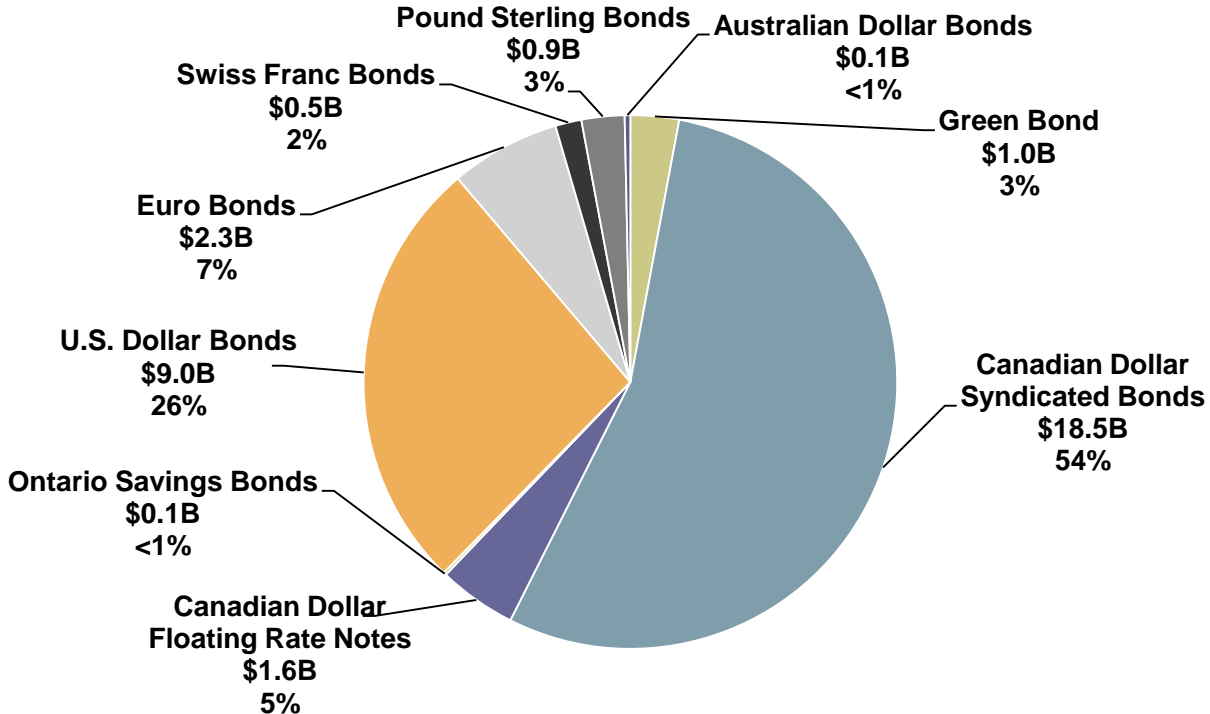
Note: Numbers may not add due to rounding.

Source: Ontario Financing Authority.



2017–18 Borrowing Completed: \$33.9 Billion

As of March 28, 2018



2017–18 Total Borrowing Requirement: \$33.9B
Borrowing Completed: \$33.9B (including \$11.5B in preborrowing for 2018–19)
Domestic: 62%
International: 38%
Average Term: 12.1 years

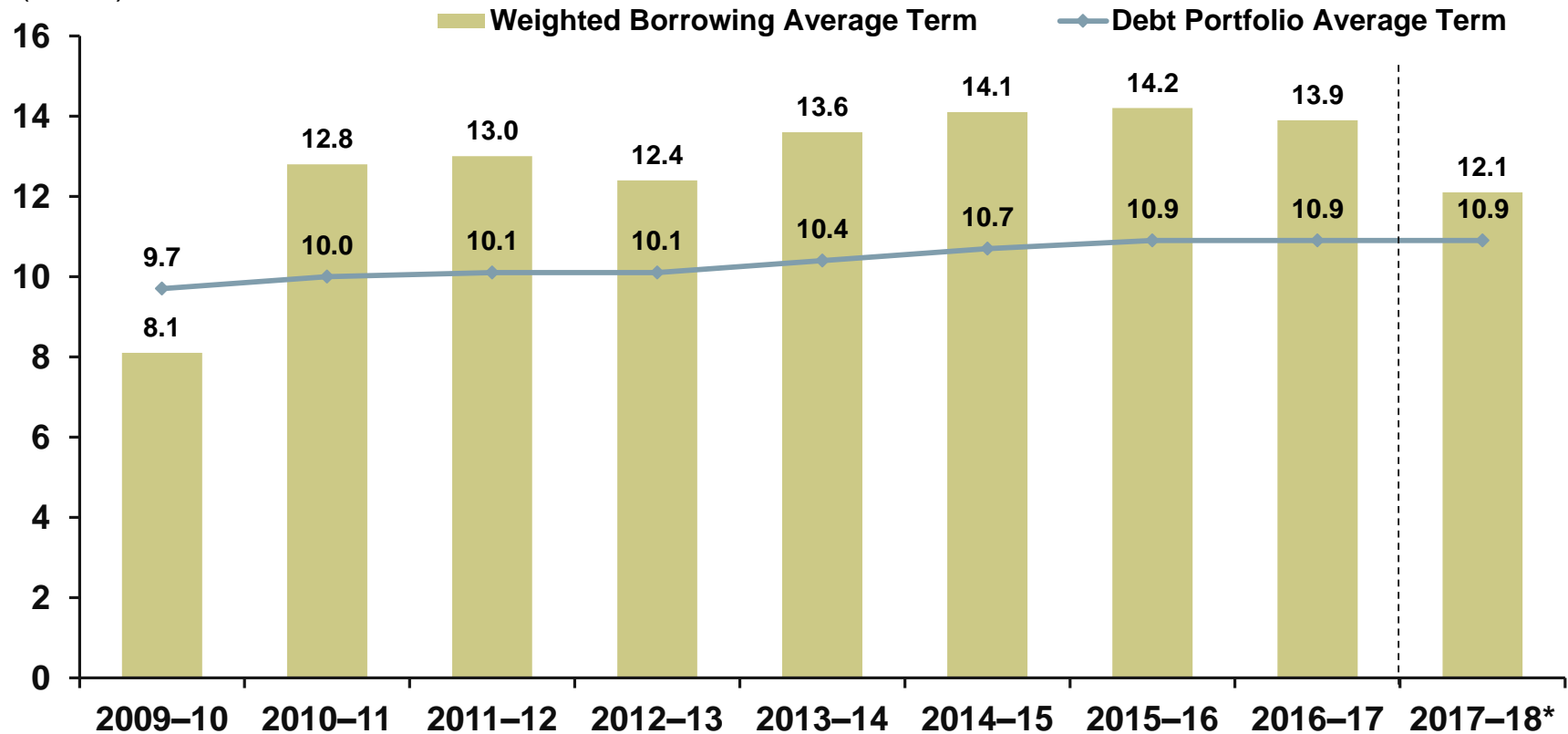
Note: Numbers may not add due to rounding.

Weighted-Average Term of Borrowings

- Going back to the beginning of fiscal 2010–11, Ontario has issued \$70.6 billion of bonds with terms longer than 30 years to lock in low interest rates

As of March 28, 2018

Average Term
(Years)



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

Source: Ontario Financing Authority.

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, 18.8 per cent of the FTSE TMX Mid Bond Index and 19.5 per cent of the FTSE TMX Long Bond Index¹
- Ontario bonds accounted for 59.0 per cent of Canadian provincial bond trading in 2017²
- 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 March 27, 2018)

Term	Ontario		Canada	
5 yr (old)	1.35% March 8, 2022	\$5.00B	1.00% September 1, 2022	\$15.60B
5 yr (new)	2.60% September 8, 2023	\$1.50B	1.75% March 1, 2023	\$15.00B
10 yr (old)	2.40% June 2, 2026	\$7.50B	1.50% June 1, 2026	\$13.50B
10 yr (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

¹ PC Bond, as of December 31, 2017.

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\$40.4B outstanding projected as of March 31, 2018
- U.S. commercial paper (1-270 days), with about C\$1.7B outstanding as of February 28, 2018

- 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

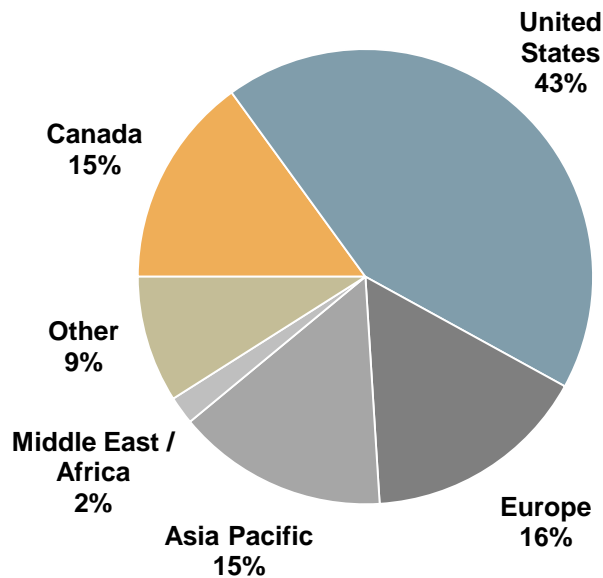
Maturity	Issue Details			
	Issue Date	Maturity Date	Amount (U.S.\$)	Coupon
3 years	February 12, 2018	February 12, 2021	3.00 billion	2.55%
5 years	October 3, 2017	October 3, 2022	2.00 billion	2.20%
7 years	September 11, 2014	September 10, 2021	2.00 billion	2.50%
10 years	April 27, 2016	April 27, 2026	1.00 billion	2.50%

Sources: Bloomberg, Ontario Financing Authority.

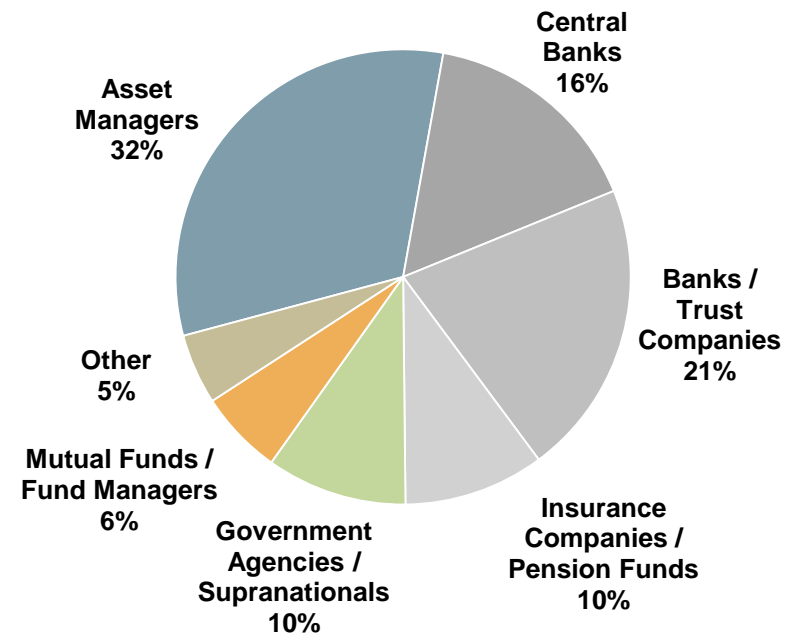
U.S. Dollar Market

- 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.

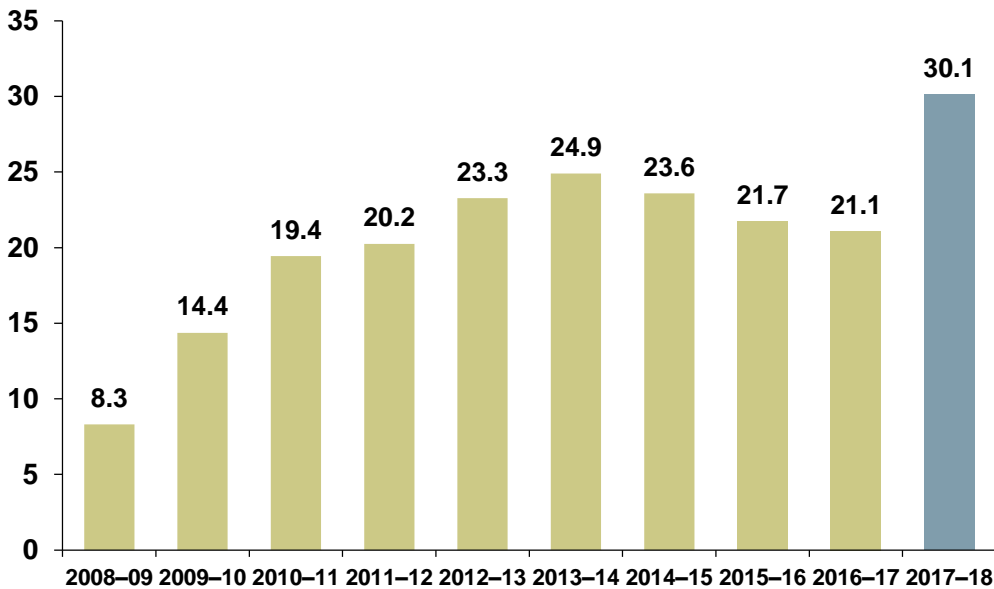
Ontario's Green Bond Initiative

- 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
- 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 priced a \$1 billion Global Green Bond, the transaction represents the fourth and largest ever Green Bond offering from the Province of Ontario
- Ontario remains committed to the Green Bond market, and expects to continue accessing it

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 \$28.4 billion available

Average Unrestricted Liquid Reserve Levels
(\$ Billions)



Note: As of February 28, 2018

	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\$17.9	C\$1.7	C\$19.6
Available	C\$15.1	C\$13.3	C\$28.4

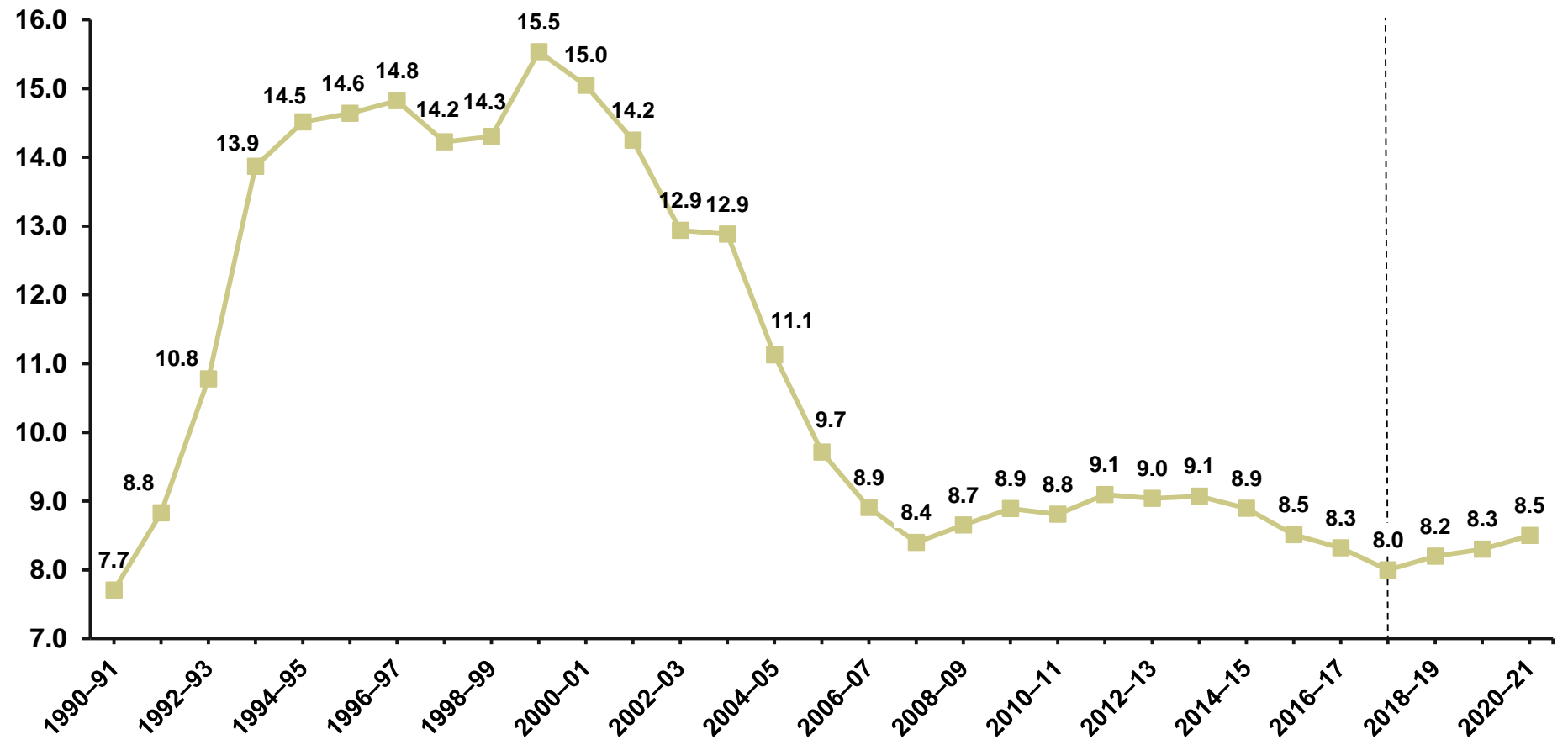
*Regular issuance of 3M, 6M and 1Y T-Bills

Note: As of February 28, 2018. Numbers may not add due to rounding.

Source: Ontario Financing Authority.

Interest on Debt-to-Revenue

Interest on Debt-to-Revenue
(Per Cent)

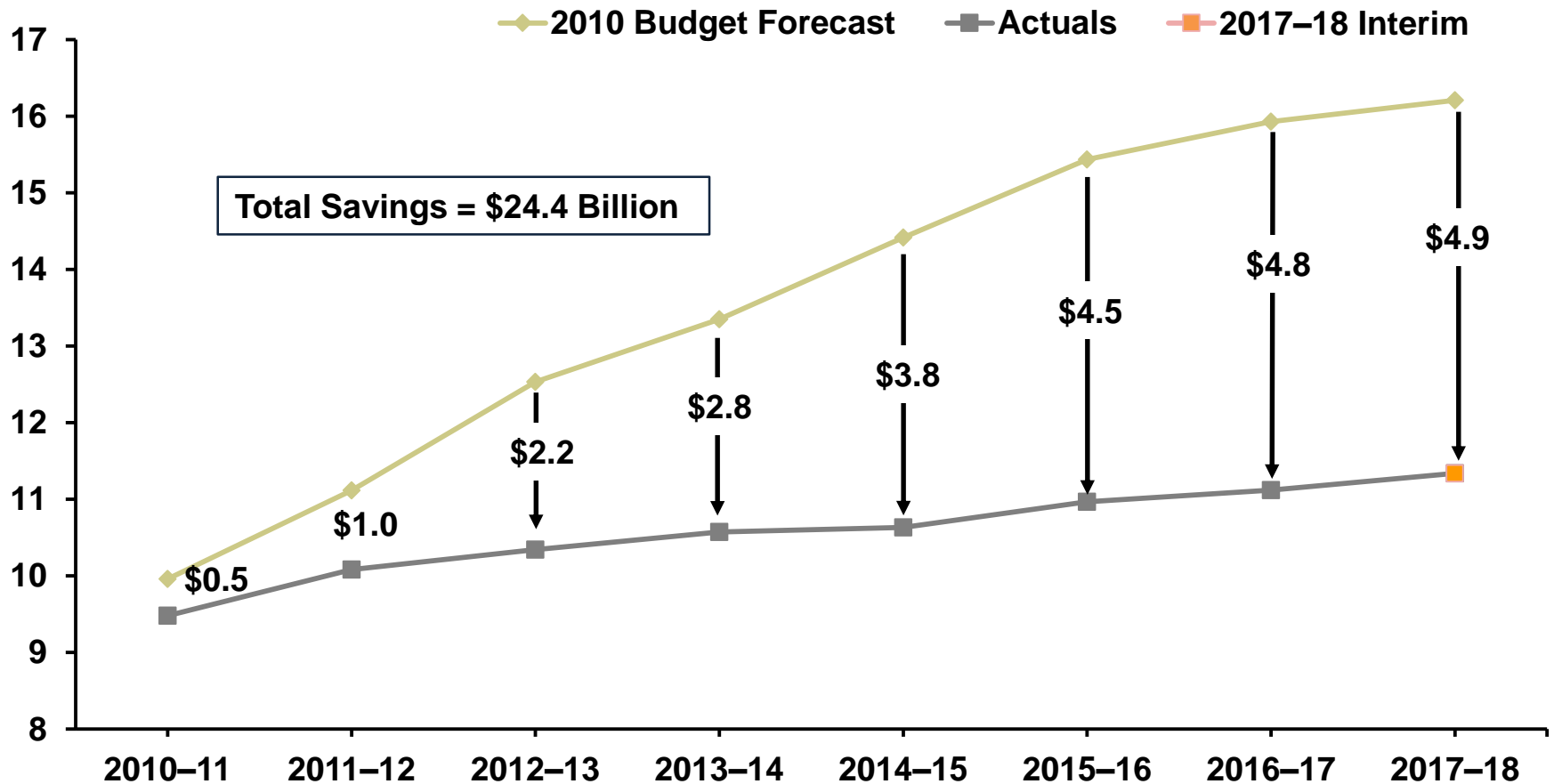


Note: 2005-06 to 2019-20 have been restated for broader public sector line-by-line presentation.

Source: Ontario Financing Authority.

Interest on Debt: Budget Forecast versus Actual

Interest on Debt (\$ Billions)

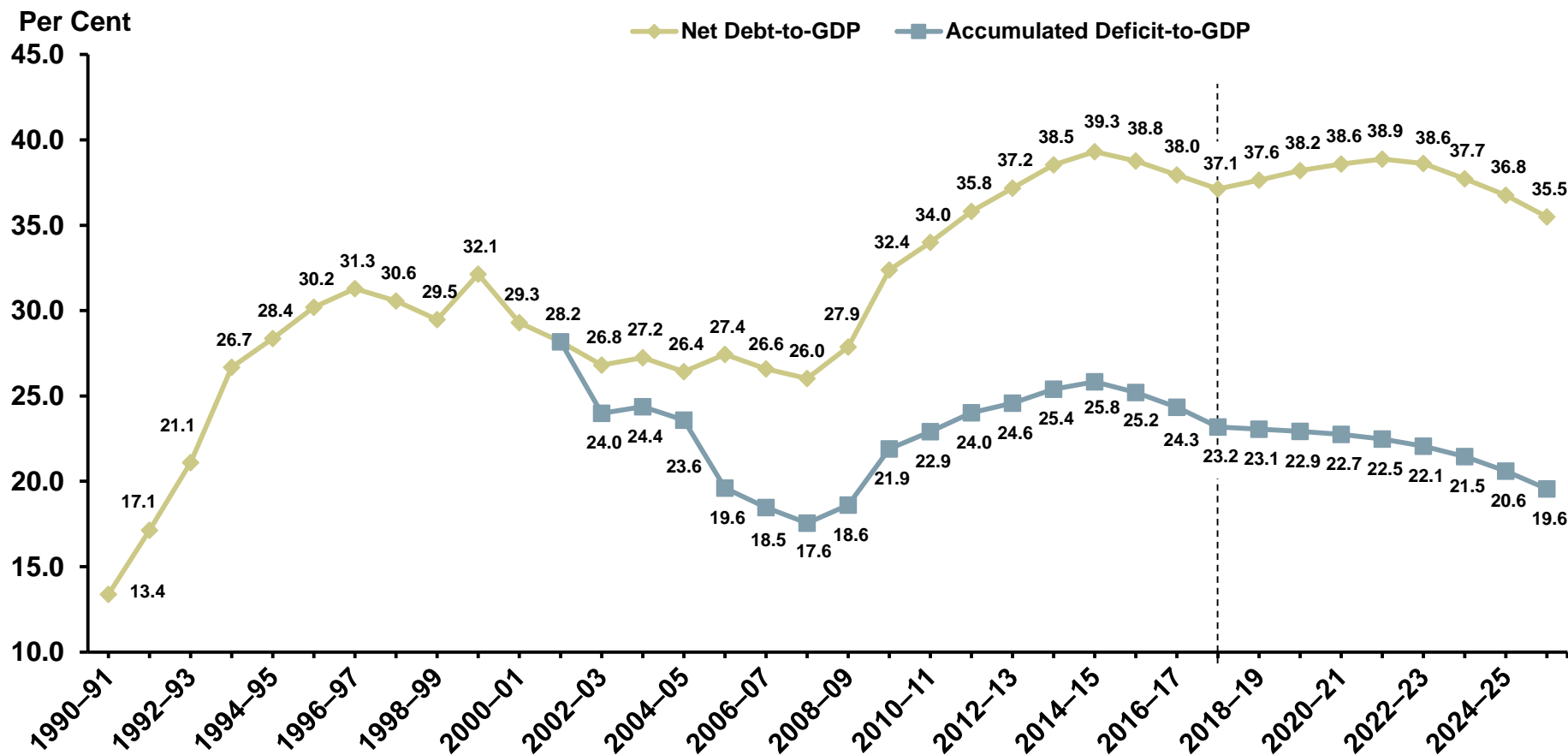


Note: Numbers may not add due to rounding. Starting in 2016-17, interest on debt for hospitals, school boards and colleges has been reported on a line-by-line basis consistent with Public Sector Accounting Board standards. This chart has been restated to conform with this revised presentation.

Source: Ontario Financing Authority.

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

- 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 net debt-to-GDP ratio is forecast to remain below the 2014–15 peak and resume a downward trend in 2022–23



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

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	0.2%	5.0%
Net Interest Rate Resetting	11.0%	35.0%

Of outstanding debt, as of February 28, 2018.

Note: Excludes Ontario Electricity Financial Corporation debt.

Economic and Fiscal Summary

- **Canada Overview**
 - Economic growth was modest in 2015 and 2016, but has rebounded in 2017, largely due to a recovery in energy producing provinces
- **Ontario's Economy**
 - Since 2014, Ontario's economy has grown more than Canada's¹
- **Ontario's Balanced Budget and Medium-Term Fiscal Plan**
 - The government is projecting a surplus of \$0.6 billion in 2017–18, and deficits 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
 - The government is committed to a recovery plan that returns to balanced budgets, while creating policies and programs that both benefit the people of Ontario and create the conditions for more robust economic expansion
- **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 (March 2018).

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
- 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

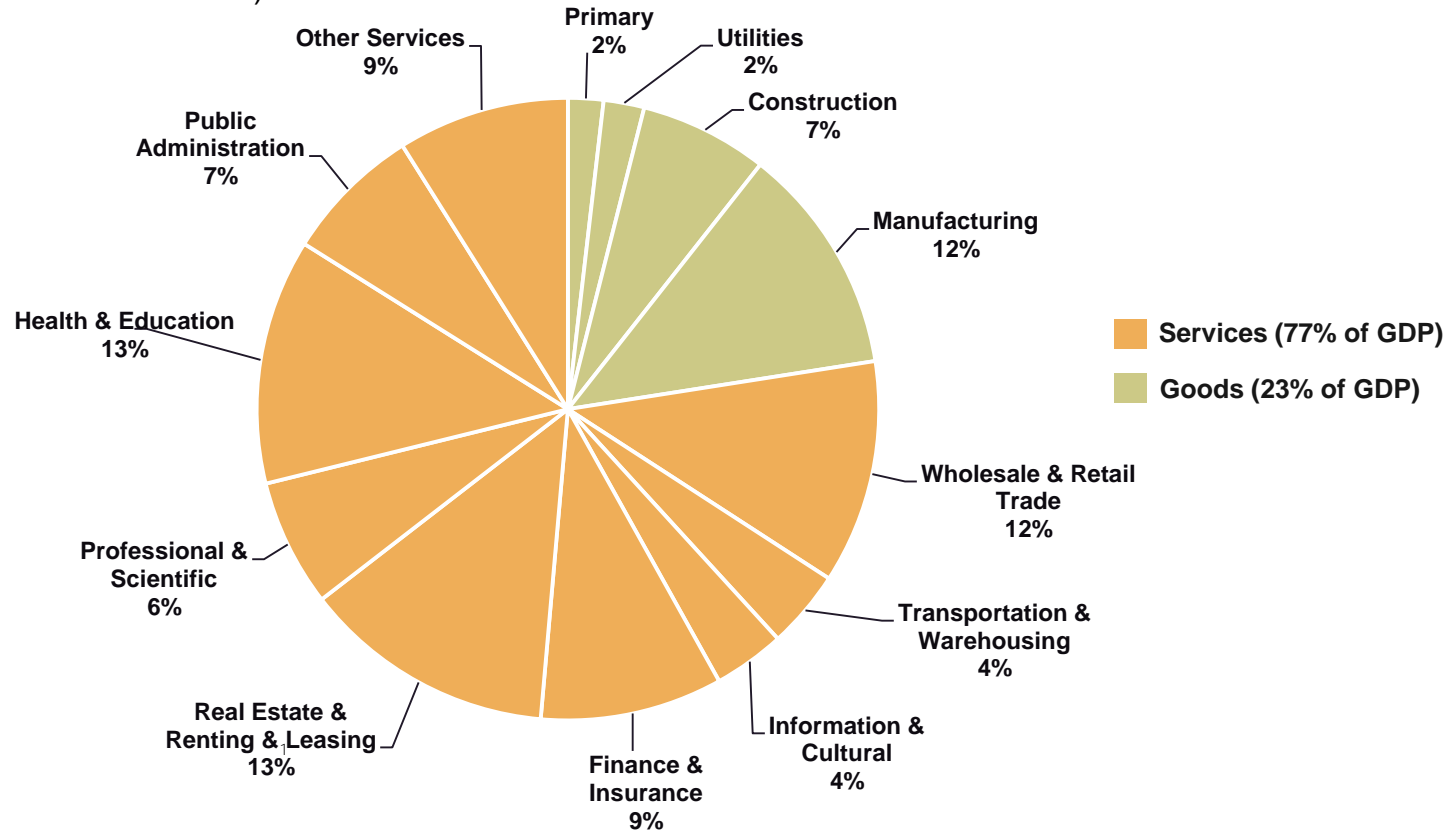


Ontario's Diverse Economy

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

Structure of the Ontario Economy, 2016

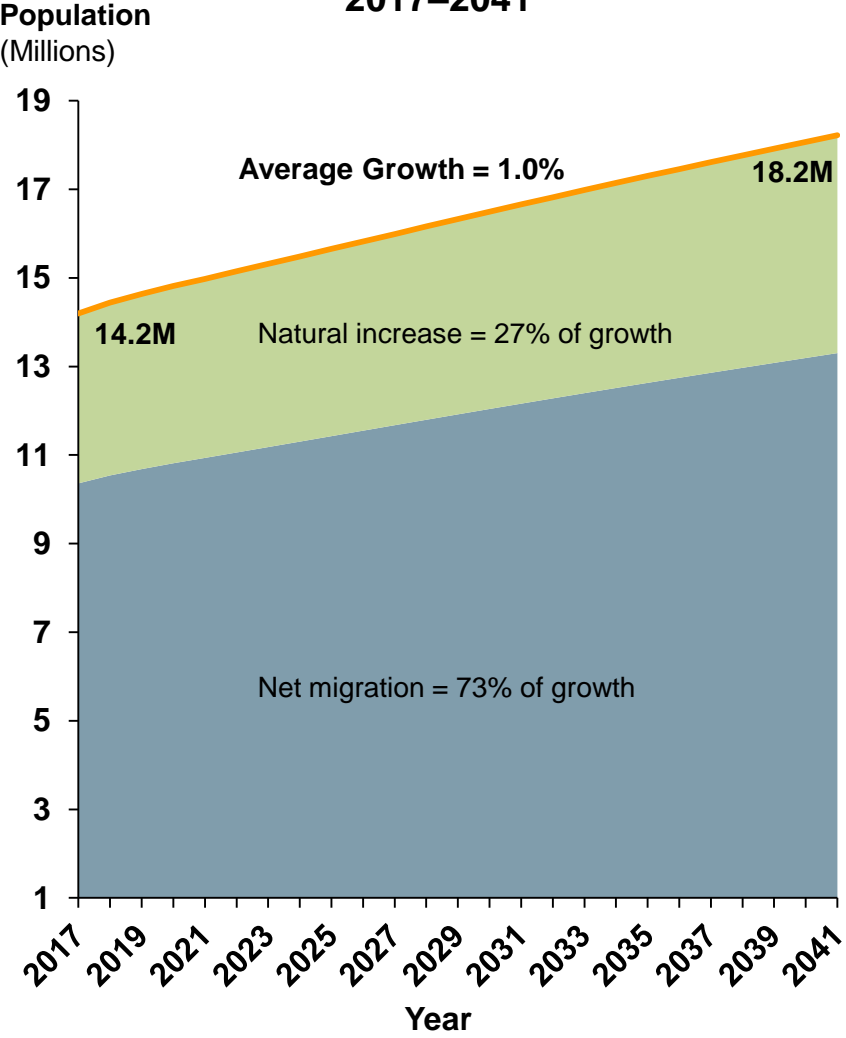
(Per Cent Share of Ontario Nominal GDP)



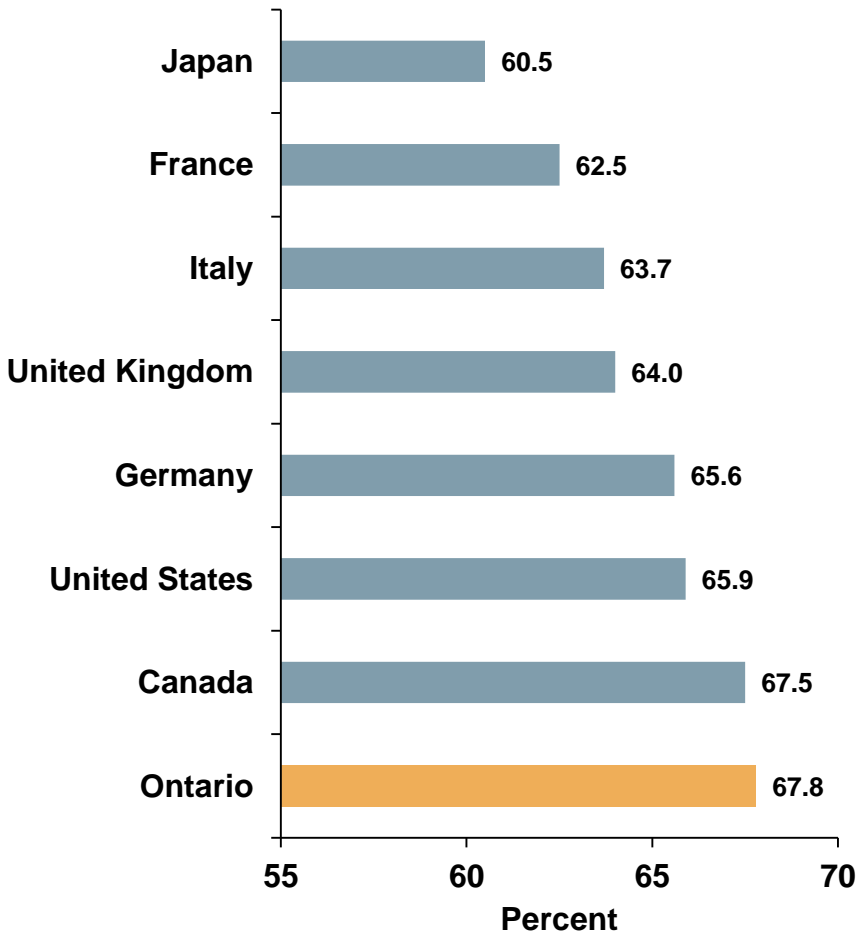
¹ Includes estimate of imputed rental income on owner occupied dwellings.
Sources: Statistics Canada and Ontario Ministry of Finance.
Note: Numbers may not add due to rounding.

Favourable Demographics

**Ontario Population Projection
2017–2041**



**Working-Age (15–64) Population Share
Compared to G7 (2016)**



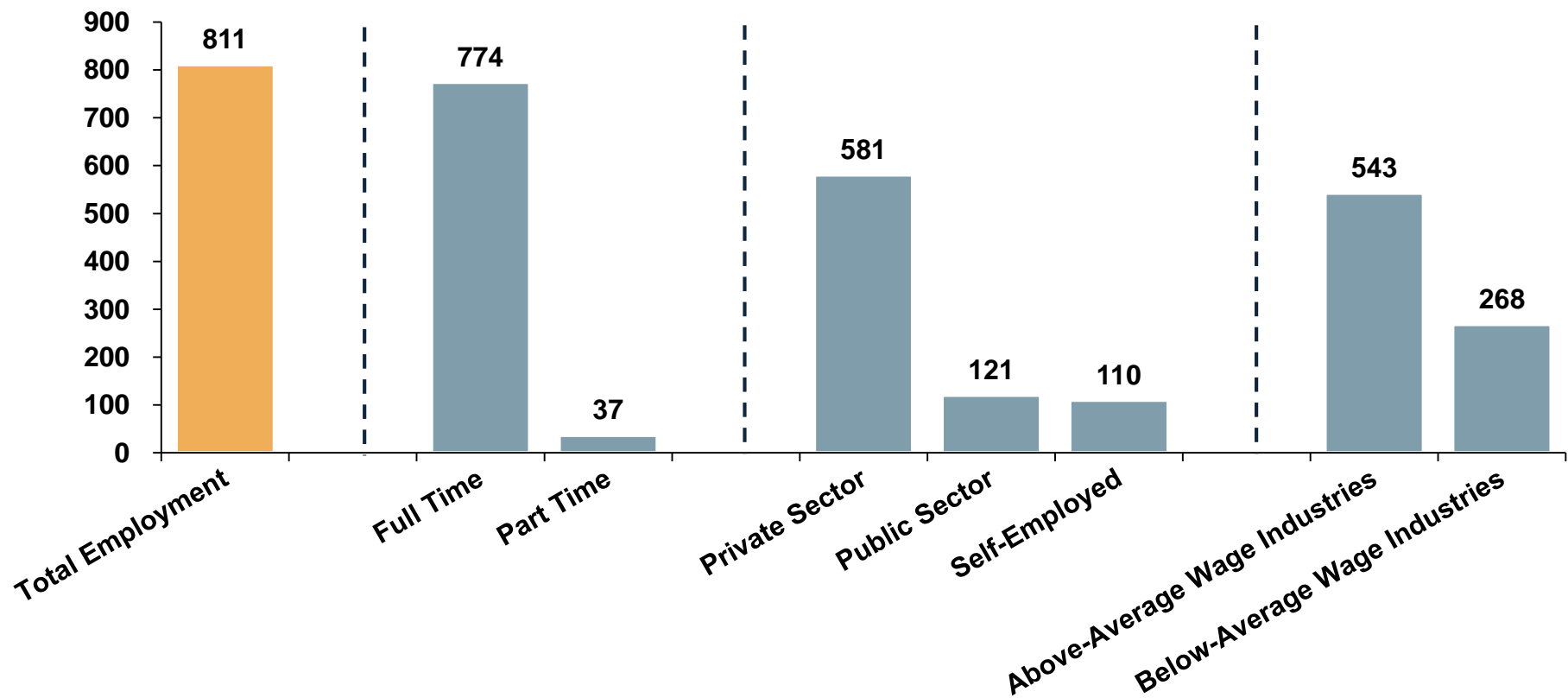
Source: Statistics Canada for 2017 and Ontario Ministry of Finance projections.

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)

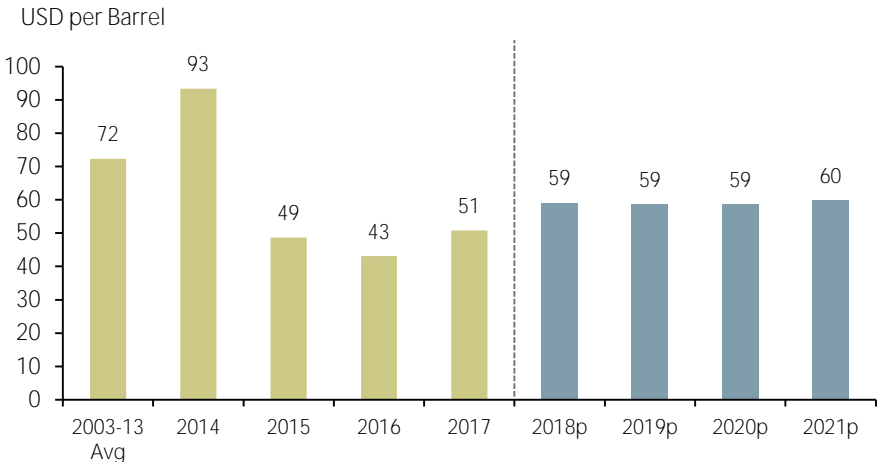


Note: Above-average wage industries are defined as those with earnings above the average hourly earnings of all industries in 2017. Numbers may not add due to rounding.

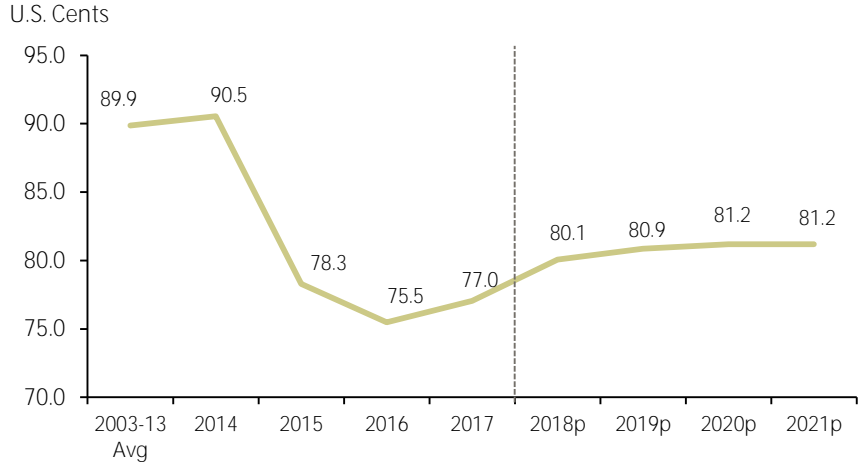
Sources: Statistics Canada and Ontario Ministry of Finance (March 2018).

Global Factors Slightly Less Supportive to Ontario's Growth

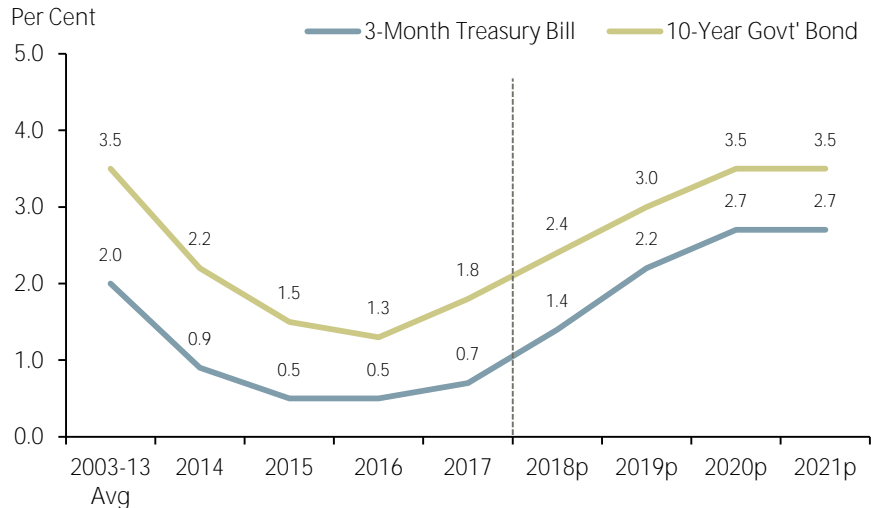
WTI Oil Prices



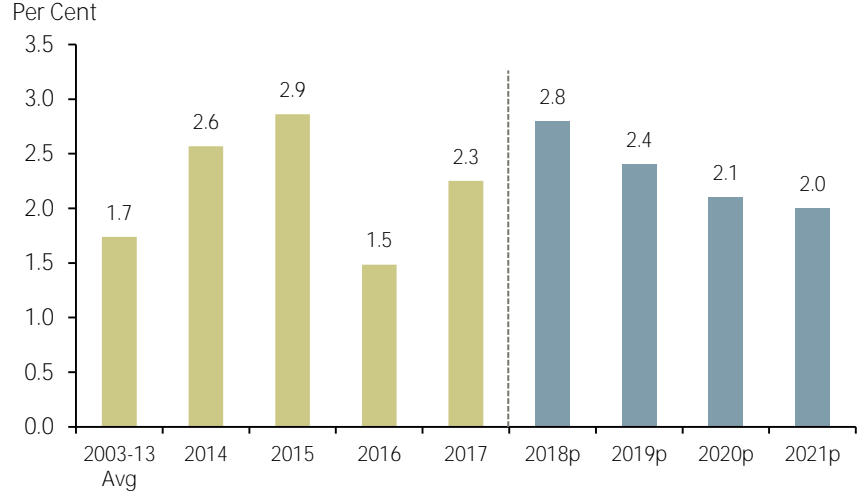
CAD/USD Exchange Rate



Canadian Interest Rates



U.S. Real GDP Growth

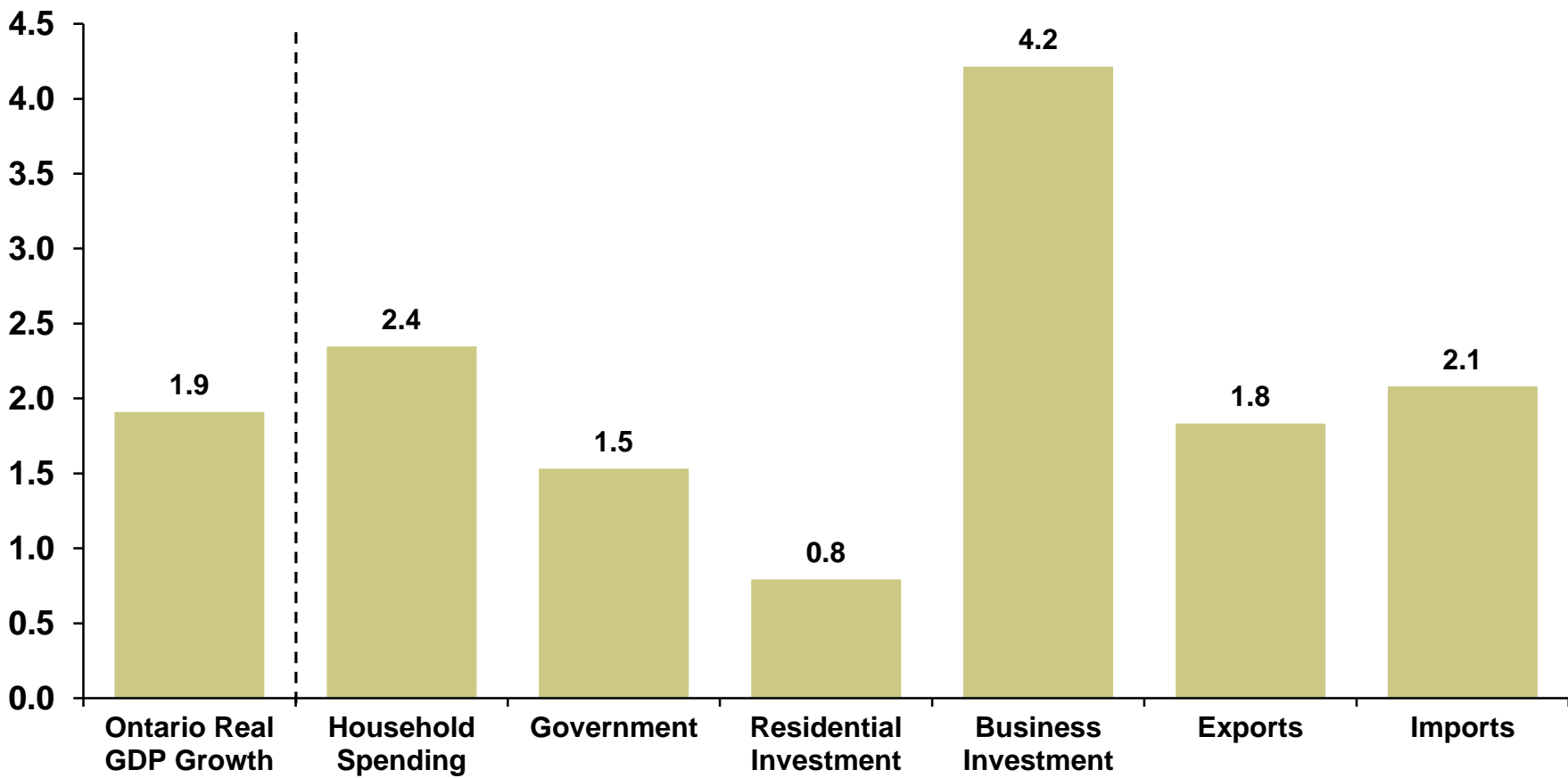


p = private-sector average.

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

Business Investment Important Contributor to Growth

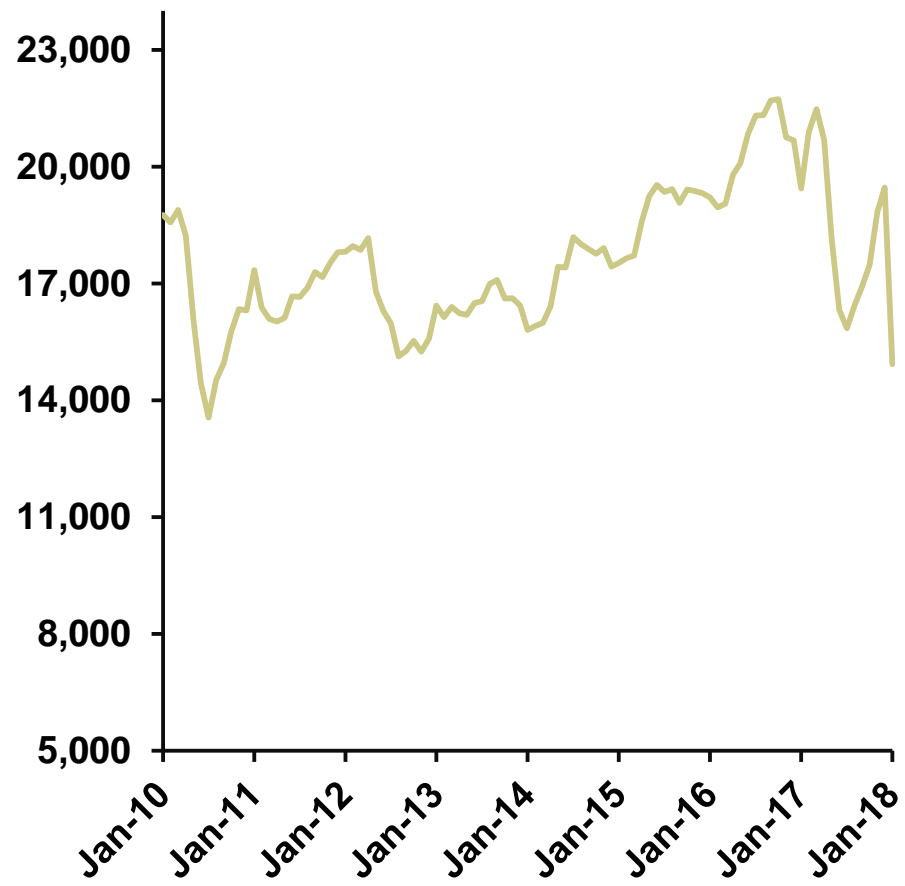
Forecasted Average Annual Per Cent Change, 2018 to 2021
(Per cent)



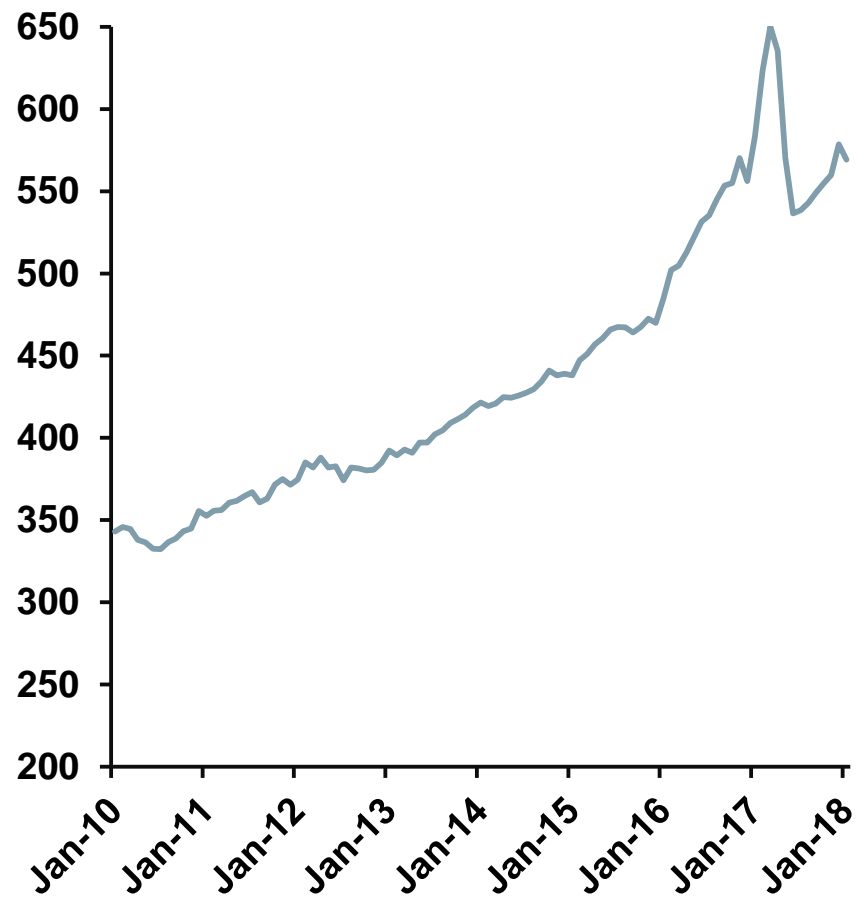
Notes: Government includes investment and consumption expenditure.
Business investment includes investment in plant, equipment and intellectual property products.
Source: Ontario Ministry of Finance (2018 Ontario Budget).

Ontario Housing Market Rebalancing

MLS Ontario Home Resale Volumes
(Units)



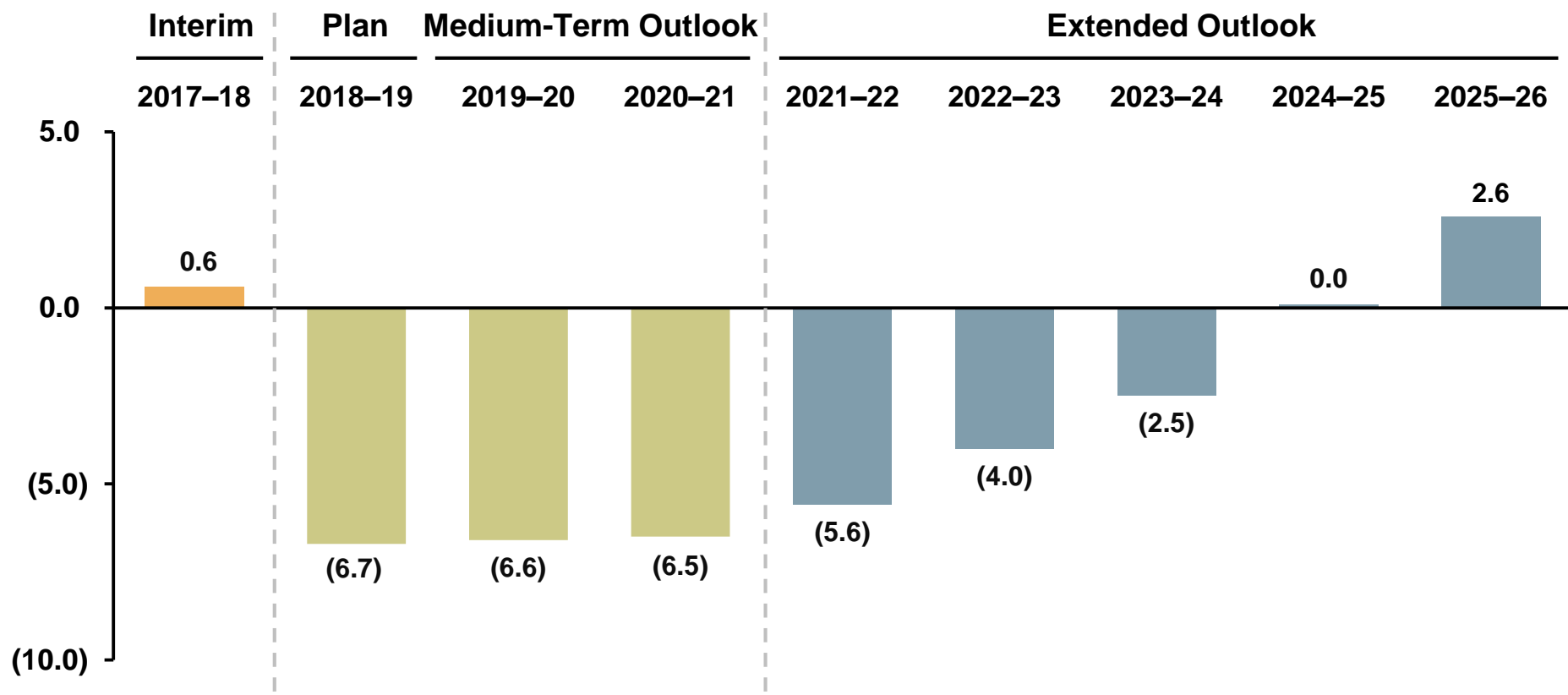
Average MLS Ontario Home Resale Price
(\$ Thousands)



Source: Canadian Real Estate Association.

Ontario's Fiscal Recovery Plan

Fiscal Balance
(\$ Billions)



Source: Ontario Ministry of Finance.

Ontario's Fiscal Plan

- The government is meeting the *2010 Budget* commitment to balance the budget in 2017–18 with a projected surplus of \$0.6 billion this year
- Over the medium term, the government is projecting deficits of \$6.7 billion in 2018–19, \$6.6 billion in 2019–20, and \$6.5 billion in 2020–21

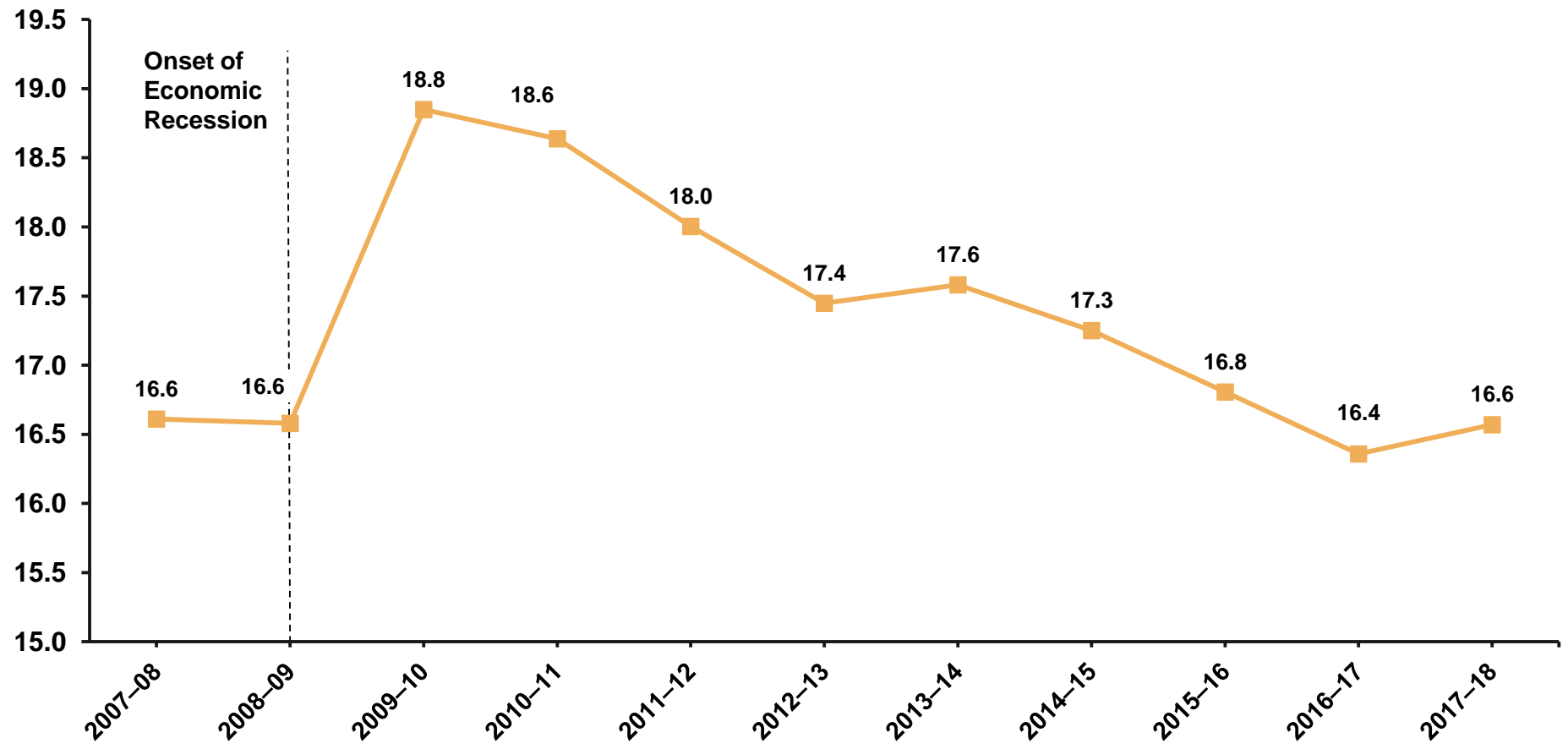
Medium-Term Fiscal Plan (\$ Billions)	Actual	Interim	Medium-Term Plan		
	2016–17	2017–18	2018–19	2019–20	2020–21
Revenue	140.7	150.1	152.5	157.6	163.8
Expense					
Programs	130.0	137.5	145.9	150.4	155.8
Interest on Debt	11.7	12.0	12.5	13.1	13.8
Total Expense	141.7	149.5	158.5	163.5	169.6
Surplus/(Deficit) Before Reserve	(1.0)	0.6	(6.0)	(5.9)	(5.8)
Reserve	–	–	0.7	0.7	0.7
Surplus/(Deficit)	(1.0)	0.6	(6.7)	(6.6)	(6.5)
Net Debt as a Per Cent of GDP	38.0	37.1	37.6	38.2	38.6
Accumulated Deficit as a Per Cent of GDP	24.3	23.2	23.1	22.9	22.7

Note: Numbers may not add due to rounding.

Program Expense-to-GDP

- Supported by strong economic performance and responsible management of growth in program spending, Ontario's program expense-to-GDP ratio is expected to remain at its pre-recession level of 16.6 per cent in 2017–18

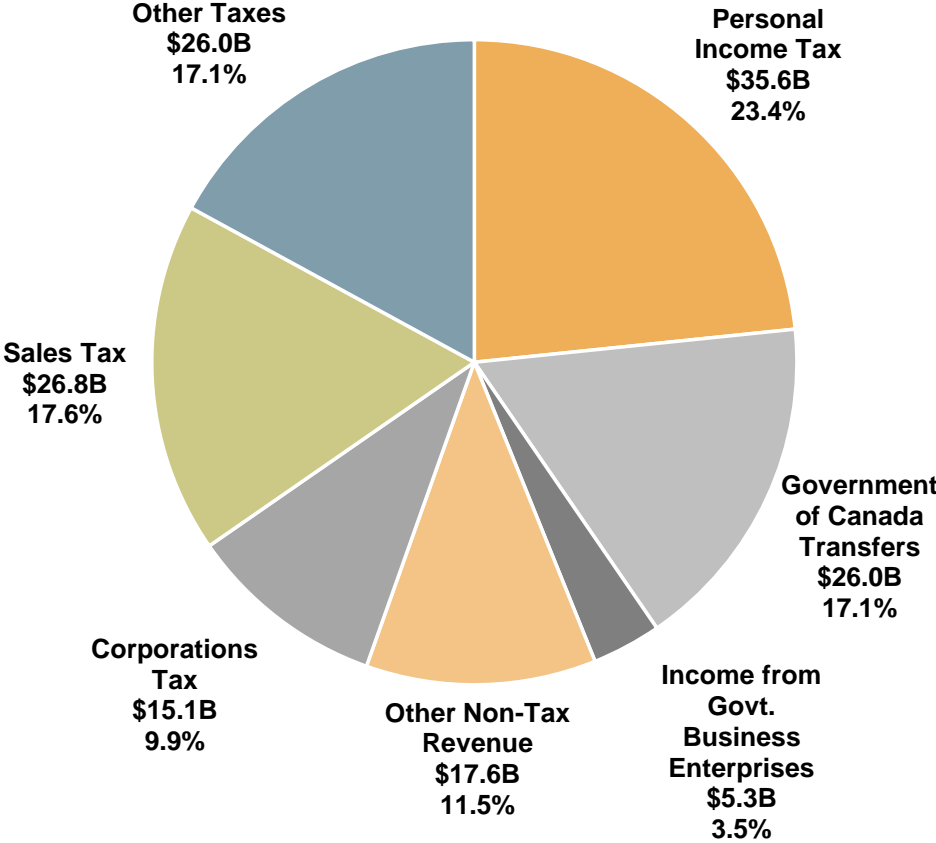
Program Expense-to-GDP
(Per Cent)



Source: Ontario Ministry of Finance.

Composition of Revenue 2018–19

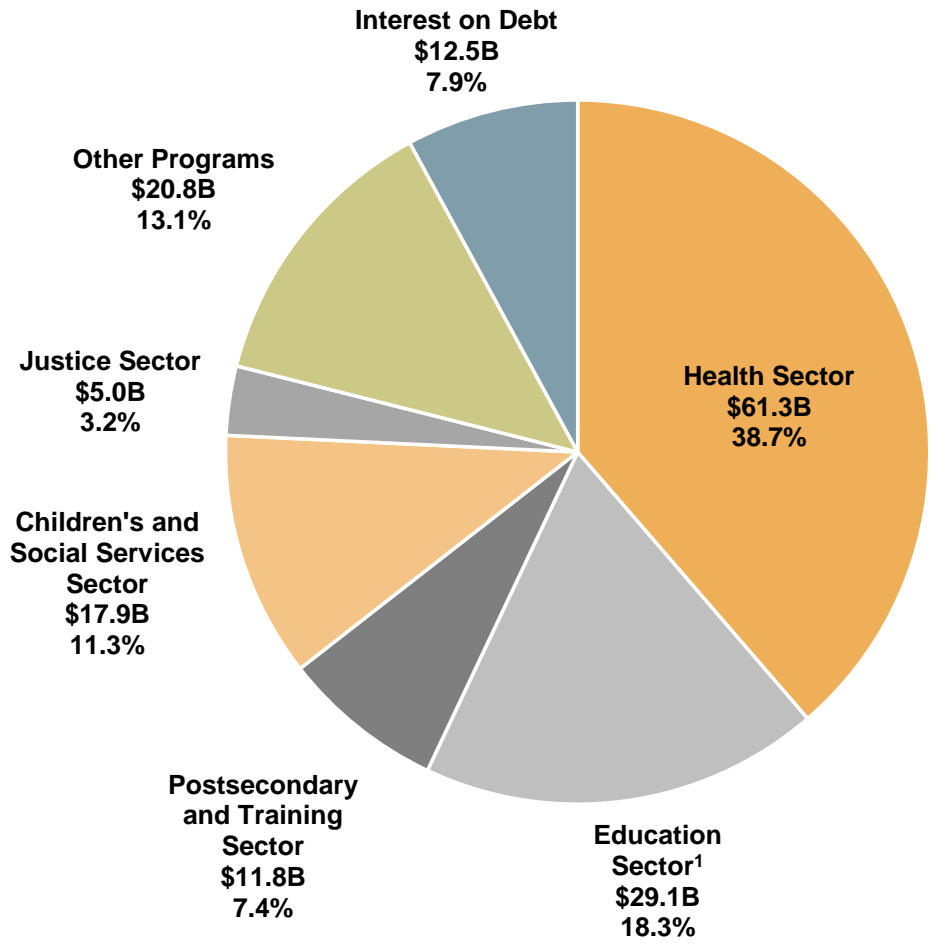
Revenue \$152.5 Billion



- Revenue sources are diversified
- Taxation revenues account for 67.9 per cent of total revenues
- Government of Canada transfers including the Canada Health Transfer, Canada Social Transfer and Equalization account for 17.1 per cent of total revenues
- Net Income from Government Business Enterprises (Liquor Control Board of Ontario, Ontario Lottery and Gaming Corporation, Hydro One Ltd, and Ontario Power Generation Inc.) account for 3.5 per cent of total revenues
- Other Non-Tax Revenues such as Fees, donations and other revenues from the broader public sector, Vehicle and Driver Registration fees, and Sales and Rentals, account for 11.5 per cent of total revenues

Composition of Total Expense 2018–19





Expense \$158.5 Billion



- The largest expense is the Health Sector at \$61.3 billion, accounting for 38.7 per cent of total expense
- Interest on Debt, included as part of total expense, is \$12.5 billion, or 7.9 per cent of total expense

¹ Excludes Teachers' Pension Plan. Teachers' Pension Plan expense is included in Other Programs

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



Investor Relations
Ontario Financing Authority
1 Dundas Street West, Suite 1200
Toronto, Ontario M5G 1Z3
Canada

Telephone: (416) 325-8000

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