

## 2020–21 First Quarter Finances

- The Province's 2020–21 deficit is projected to be \$38.5 billion — an increase of \$18.0 billion from the outlook published in the *March 2020 Economic and Fiscal Update*. The government continues to invest in the fight against the COVID-19 outbreak, the government's current total COVID-19 response action plan is a projected \$30 billion, up from \$17 billion in the *March 2020 Economic and Fiscal Update*.
- The *2020–21 First Quarter Finances* updates the economic outlook with the most current available private-sector forecasts. It also reports on the additional actions the government has taken in response to COVID-19 since the *March 2020 Economic and Fiscal Update*. The *2020–21 First Quarter Finances* is based on a real GDP planning assumption scenario with a decrease of 6.7 per cent in 2020 and growth of 5.5 per cent in 2021, both slightly below the current private-sector average forecast to incorporate prudence.
- While acknowledging that this remains a unique and unpredictable time, the *2020–21 First Quarter Finances* delivers on the government's commitment to transparency and accountability as responsible managers of the public's finances. The government remains committed to releasing a multi-year provincial Budget no later than November 15, 2020.

## Borrowing Program

- The Province's 2020–21 funding requirement is projected to increase by \$17.0 billion relative to the *March 2020 Economic and Fiscal Update*, with a resulting increase in long-term public borrowing of \$8.5 billion. The planned increase in the Province's long-term public borrowing is significantly less than the increase in the deficit because of an additional \$3.5 billion completed in pre-borrowing following the release of the *March 2020 Economic and Fiscal Update*, and a \$5 billion increase in short-term borrowing through the Bank of Canada's Provincial Money Market Purchase Program.

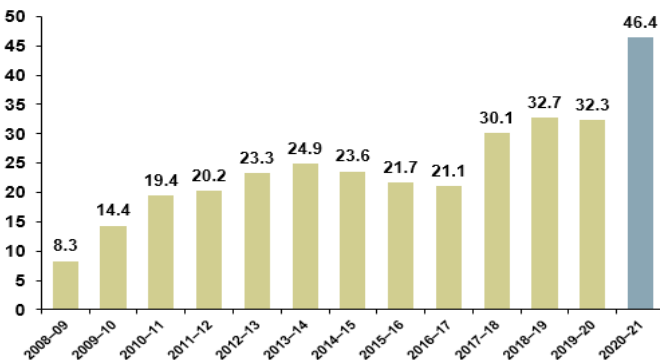
(\$ Billions)	2020–21		
	March 2020 Update	Current Outlook	In-Year Change
Deficit/(Surplus)	20.5	38.5	18.0
Investment in Capital Assets	10.4	10.4	–
Non-Cash Adjustments	(9.2)	(9.2)	–
Loans to Infrastructure Ontario	0.3	(0.0)	(0.3)
Other Net Loans/Investments	1.2	0.5	(0.7)
Debt Maturities/Redemptions	26.6	26.6	–
<b>Total Funding Requirement</b>	<b>49.7</b>	<b>66.7</b>	<b>17.0</b>
Decrease/(Increase) in Short-Term Borrowing	(2.0)	(7.0)	(5.0)
Increase/(Decrease) in Cash and Cash Equivalents	–	–	–
Pre-Borrowing from 2019–20	(4.1)	(7.6)	(3.5)
<b>Total Long-Term Public Borrowing</b>	<b>43.6</b>	<b>52.1</b>	<b>8.5</b>

Note: Numbers may not add due to rounding.

## Liquidity and Short-Term Borrowing

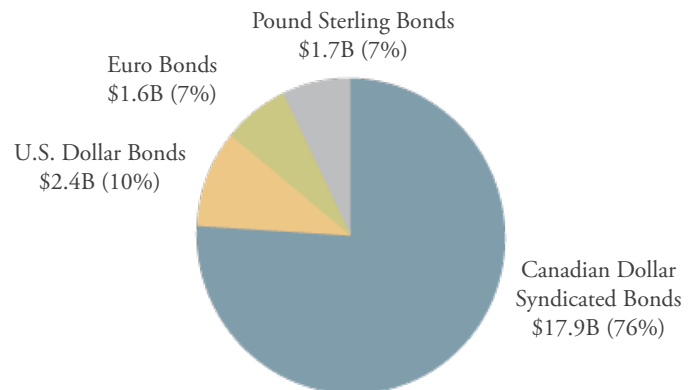
- The Province has large liquid reserve levels to withstand periods of financial market volatility, such as currently being experienced.
- As of August 11, 2020, liquid reserve levels were \$43.4 billion.

**Average Unrestricted Liquid Reserve Levels**  
(\$ Billions)



## 2020–21 Borrowing Program

As of August 12, 2020, borrowing completed for 2020–21 totalled \$23.6 billion.



Note: Numbers may not add due to rounding.

## Long-Term Borrowing

- The Province's target range for Canadian dollar borrowing remains at 70 to 80 per cent of total borrowing for the fiscal year.
- Since the beginning of fiscal 2010–11, the Province has issued \$96.4 billion of bonds longer than 30 years to lock in low rates, including \$3.8 billion so far in 2020–21. As a result, the average term of Ontario's debt portfolio has been extended, from 9.7 years in 2009–10 to 10.8 years in 2019–20.

Fiscal Year	Canadian Dollar (\$Billions)	Foreign Currencies (\$Billions)	Total Long-Term Borrowing (\$Billions)	Weighted-Average Term (years)	Debt Portfolio Average Term (years)
2007–08	15.4 (86%)	2.6 (14%)	18.0	12.1	10.7
2008–09	19.0 (66%)	9.7 (34%)	28.7	8.6	10.4
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%)	39.9	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	10.7
2018–19	30.6 (77%)	9.0 (23%)	39.6	12.9	10.7
2019–20	28.9 (73%)	10.6 (27%)	39.5	14.5	10.8
2020–21	17.9 (76%)	5.8 (24%)	52.1	11.0	–

Note: Numbers may not add due to rounding. As of August 12, 2020.

## Canadian Dollar Issuance

- Ontario accounted for 67.2 per cent of Canadian provincial bond trading in 2019. As of December 31, 2019, Ontario accounted for 14.6 per cent of the FTSE TMX Universe Bond Index, 16.5 per cent of the FTSE TMX Mid Bond Index, and 20.6 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 (16 syndicated issues so far in 2020–21).

### Canadian Dollar Benchmark Bonds (as of August 12, 2020)

Term	Ontario		Canada	
	Rate and Maturity	Amount	Rate and Maturity	Amount
5 year (old)	2.30% September 8, 2024	\$2.75B	1.25% March 1, 2025	\$17.30B
5 year (new)	1.75% September 8, 2025	\$9.05B	0.50% September 1, 2025	\$37.50B
10 year (old)	2.70% June 2, 2029	\$9.325B	2.25% June 1, 2029	\$12.30B
10 year (new)	2.05% June 2, 2030	\$9.40B	1.25% June 1, 2030	\$34.20B
Long (old)	2.90% June 2, 2049	\$13.25B	2.75% December 1, 2048	\$14.90B
Long (new)	2.65% December 2, 2050	\$14.10B	2.00% December 1, 2051	\$21.80B

## 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.

### Recent EMTN Issues

Term	Issue Date and Coupon	Amount (Euros/Sterling)
3 year	0.50% May 27, 2020	£1.00B
7 year	0.375% April 1, 2020	€1.00B

### Recent U.S Dollar Issues

Term	Issue Date and Coupon	Amount (U.S.\$)
7 year	1.05% May 14, 2020	\$1.75B
3 year	1.75% January 16, 2020	\$3.00B
10 year	2.00% September 25, 2019	\$1.25B
7 year	2.30% June 13, 2019	\$1.75B

## Green Bonds

- Ontario is currently the largest issuer of Canadian dollar Green Bonds, with seven green issues totaling \$5.25 billion and \$4.75 billion outstanding.
- For the first time, the Province issued two Green Bonds in the same fiscal year. On February 12, 2020, the Province priced a \$500 million Green Bond, following its \$750 million Green Bond issue in November 2019.
- Previous issues include a \$500 million issue in 2014, a \$750 million issue in 2016, an \$800 million issue in 2017, a \$1.0 billion issue in 2018 and a \$950 million issue in January 2019.

### 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

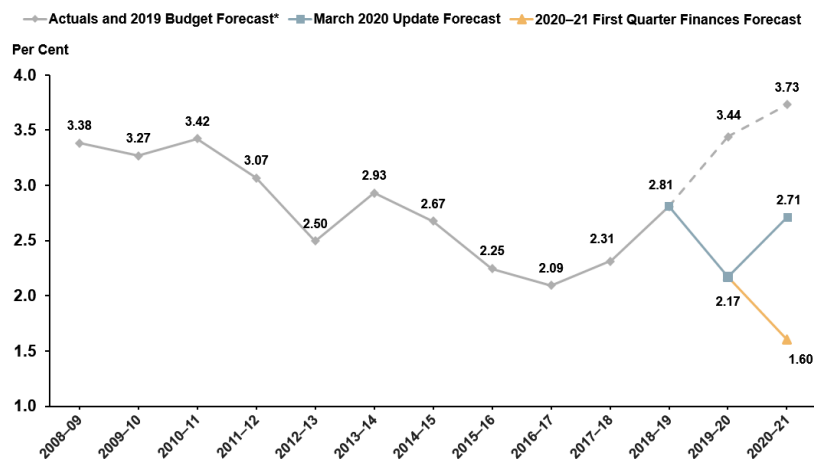
- Revenues in 2020–21 are projected to be \$150.6 billion, \$5.7 billion lower than forecast, while program expense is projected to be \$174.2 billion, \$13.1 billion higher than the *March 2020 Economic and Fiscal Update* forecast. The 2020–21 outlook also maintains a \$2.5 billion reserve to protect the fiscal outlook against unforeseen adverse changes in the Province's revenue and expense forecasts for the remainder of the fiscal year.

Fiscal Plan (\$ Billions)	Actuals								Interim 2019–20	March 2020 Update 2020–21	Current Outlook 2020–21
	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19			
<b>Revenue</b>	116.4	120.3	123.0	126.2	136.1	140.7	150.6	153.7	156.7	156.3	150.6
<b>Expense</b>											
Programs	121.2	120.1	123.3	126.2	129.9	131.5	142.4	148.8	153.1	161.1	174.2
Interest on Debt	10.6	10.9	11.2	11.2	11.6	11.7	11.9	12.4	12.6	13.2	12.5
<b>Total Expense</b>	<b>131.8</b>	<b>131.0</b>	<b>134.5</b>	<b>137.4</b>	<b>141.5</b>	<b>143.2</b>	<b>154.3</b>	<b>161.1</b>	<b>165.7</b>	<b>174.3</b>	<b>186.7</b>
Reserve	–	–	–	–	–	–	–	–	0.2	2.5	2.5
<b>Surplus/(Deficit)</b>	<b>(15.4)</b>	<b>(10.7)</b>	<b>(11.5)</b>	<b>(11.3)</b>	<b>(5.3)</b>	<b>(2.4)</b>	<b>(3.7)</b>	<b>(7.4)</b>	<b>(9.2)</b>	<b>(20.5)</b>	<b>(38.5)</b>

Note: Numbers may not add due to rounding.

## Average Annual Ontario Borrowing Rates

- Interest on debt (IOD) expense is projected to be \$12.5 billion, a savings of \$741 million relative to the forecast of \$13.2 billion in the *March 2020 Economic and Fiscal Update*.
- Despite a \$17.0 billion increase in the funding requirement since then, the IOD forecast has decreased because interest rates have remained substantially lower than expected at that time and are projected to remain lower over the balance of the fiscal year.



\*2019–20 and 2020–21 are 2019 Budget forecasts.

Sources: Public Accounts of Ontario and Ontario Financing Authority.

## 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 August 4, 2020, capacity for short-term borrowing: \$61.0 billion authorized and \$28.0 billion outstanding, leaving \$33.0 billion available.

## Risk Management

	Exposure	Policy Limit
Foreign Exchange	0.2%	3.0%
Net Interest Rate Resetting	9.7%	35.0%

Of outstanding debt, as of July 31, 2020

## 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 Updated Action Plan

- Significant uncertainty around the economic forecast remains, mainly related to the impacts of the COVID-19 pandemic in Ontario, Canada and globally.

## Ontario's Economic Planning Projection

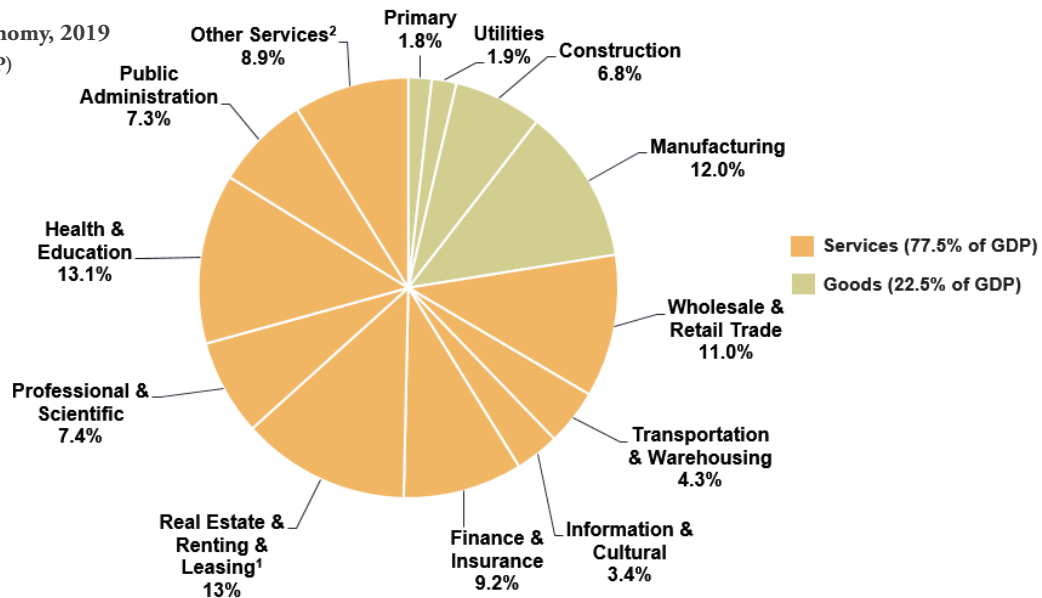
2020–21 First Quarter Finances	2019a	2020p	2021p
Real GDP Growth	1.7	(6.7)	5.5
Nominal GDP Growth	3.9	(5.3)	7.1
Compensation of Employees	4.2	(2.5)	5.5
Net Operating Surplus – Corporations	2.6	(14.1)	9.3
Nominal Household Consumption	3.6	(6.0)	8.3

Sources: Statistics Canada and Ontario Ministry of Finance.  
Note: a = actual; p = Ontario Ministry of Finance planning projection.

## Ontario's Diverse Economy

### Structure of the Ontario Economy, 2019

(Per Cent Share of Nominal GDP)



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.

## Ontario's Updated Action Plan

### Ontario's Updated Action Plan: Responding to COVID-19



Support for Health Care  
**\$7.7 Billion**



Support for People and Jobs  
**\$11.0 Billion**

Total Direct Support  
**\$18.7 Billion**



Support for People and Businesses to improve Cash Flow  
**\$11.3 Billion**

**\$30.0 Billion in Total Supports**

## Key Changes to 2020–21 Total Expense Projections

### Safe Restart Framework

**+\$4B**

For Municipalities and Transit

\$2.4B net increase in program expense

### Pandemic Pay

**+\$1.55B**

For Pandemic Pay

\$1.1B net increase in program expense

### Increased Contingencies



**+\$4.3B**

Increase in Health Contingency Fund



**+\$3.0B**

Increase in Support for People and Jobs Fund



**+\$2.2B**

Increase in Standard Contingency Fund

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

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