

Ontario Overview

- The Province of Ontario is located in a prime area with close ties to the United States. Ontario had a population of 14.3 million in 2018 and GDP of \$826 billion in 2017, representing almost 40 per cent of Canada.
- Ontario has a diverse economy, with extensive manufacturing, financial and business services 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 of Ontario is now projecting a deficit of \$13.5 billion in 2018–19. This represents an improvement of \$1.0 billion from the 2018 *Fall Economic Statement* (FES). This improvement is the result of stronger economic growth, supported by Ontario's open for business approach to government that is helping to increase investor confidence and foster an environment for companies to thrive and prosper.



Borrowing Program

- The Province's total funding requirement in 2018–19 is forecast to be \$1.0 billion lower than anticipated in the 2018 FES, reflecting the improvement in the projected deficit.

(\$ Billions)	2018–19		
	FES Outlook	Current Outlook	In-Year Change
Deficit/(Surplus)	14.5	13.5	(1.0)
Investment in Capital Assets	12.8	12.8	–
Non-Cash Adjustments	(7.4)	(7.4)	–
Loans to Infrastructure Ontario	0.4	0.4	–
Other Net Loans/Investments	(0.0)	(0.0)	–
Debt Maturities	21.8	21.8	–
Debt Redemptions	0.1	0.1	–
Total Funding Requirement	42.1	41.1	(1.0)
Canada Pension Plan Borrowing	(0.0)	(0.0)	–
Decrease/(Increase) in Short-Term Borrowing	–	–	–
Increase/(Decrease) in Cash and Cash Equivalents	3.5	6.8	3.3
Pre-Borrowing from 2017–18	(12.4)	(12.4)	–
Total Long-Term Public Borrowing	33.2	35.5	2.3

Note: Numbers may not add due to rounding.

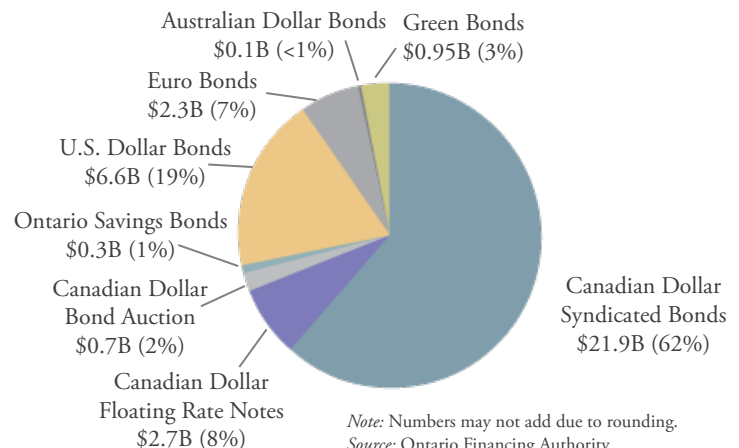
Ontario Bonds

- 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

Current Ratings (Long-Term/Short-Term)	
Moody's	Aa3 / P-1
Fitch	AA- (N) / F1+
DBRS	AA (low) / R-1 (mid)
S&P	A+ / A-1

Diverse Borrowing Program 2018–19

As of February 13, 2019, borrowing completed for 2018–19 totalled \$35.5 billion.



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

Long-Term Borrowing

- As of February 13, 2019, the Province had borrowed \$3.3 billion more than was required to complete the 2018–19 borrowing program. The Province will use this \$3.3 billion, and all long-term borrowing issued between now and March 31, 2019, to continue to increase its cash reserves, thereby lowering next year's borrowing requirements.
- Since the beginning of fiscal year 2010–11, Ontario has issued \$78.8 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 10.8 years as of December 31, 2018.

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%)	6.2 (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	26.5 (75%)	9.0 (25%)	35.5	12.6	10.8*

Note: Numbers may not add due to rounding. 2018–19 figures as of February 13, 2019.

*Debt portfolio average term for 2018–19 as of December 31, 2018.

Canadian Dollar Issuance

- Ontario accounted for 61.0 per cent of Canadian provincial bond trading in 2018. As of December 31, 2018, Ontario accounts for 14.0 per cent of the FTSE Russel Universe Bond Index, 16.7 per cent of the FTSE Russell Mid Bond Index, and 20.0 per cent of the FTSE Russell Long Bond Index.
- Regular issuance of 5-year, 10-year and 30-year issues, which are re-opened to achieve benchmark size (24 syndicated issues so far in 2018–19).
- Large order procedure initiated in 2011 (61 issues totalling approximately \$32.7 billion).

Canadian Dollar Benchmark Bonds (as of February 13, 2019)

	Ontario		Canada	
5 year (old)	1.35% March 8, 2022	\$5.75B	1.75% March 1, 2023	\$15.00B
5 year (new)	2.60% September 8, 2023	\$4.75B	2.00% September 1, 2023	\$12.00B
10 year (old)	2.90% June 2, 2028	\$9.55B	1.00% June 1, 2027	\$15.00B
10 year (new)	2.70% June 2, 2029	\$1.00B	2.00% June 1, 2028	\$13.50B
Long (old)	2.80% June 2, 2048	\$12.70B	3.50% December 1, 2045	\$16.40B
Long (new)	2.90% June 2, 2049	\$10.70B	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, \$9.0 billion issued in 2017–18, and approximately \$6.6 billion issued so far in 2018–19.

EMTN Borrowing

- The Euro Market is also an important source of funding for Ontario with \$2.3 billion issued in 2017–18 and \$2.3 billion issued so far in 2018–19.

Green Bonds

- Ontario is currently the largest issuer of Canadian dollar Green Bonds, with five green issues totaling \$4.0 billion. The Province successfully priced its fifth Green Bond issue of \$950 million on January 31, 2019.
- Previous issues include a \$500 million issue in 2014, a \$750 million issue in 2016, an \$800 million issue in 2017 and a \$1.0 billion issue in 2018.

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
- Serve as an important tool to help Ontario finance transit and energy efficiency projects

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%	3.0%
Net Interest Rate Resetting	12.8%	35.0%

Of outstanding debt, as of January 31, 2019.

- Ontario's maximum net interest rate resetting exposure is 35 per cent and its maximum foreign exchange exposure is 3 per cent of debt issued for provincial purposes.
- Average Unrestricted Liquid reserves were \$26.5 billion as of January 31, 2019.
- As of January 31, 2019, capacity for short-term borrowing: \$54.0 billion authorized and \$22.7 billion outstanding, leaving \$31.3 billion available.

Fiscal Plan

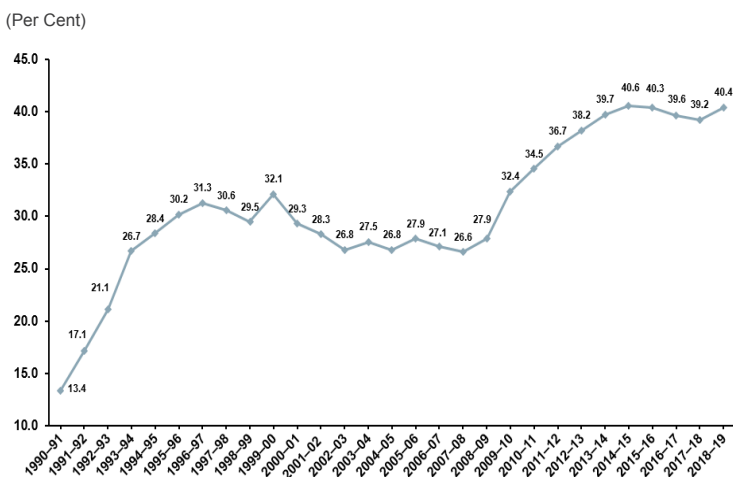
- The Province's 2018–19 deficit is projected to be \$13.5 billion – an improvement of \$1.0 billion from the outlook published in the 2018 FES, and a \$1.5 billion improvement from the \$15.0 billion inherited deficit identified by the Independent Financial Commission of Inquiry.
- This is largely due to an increase of \$1.0 billion to the revenue outlook, reflecting higher household spending and stronger business profits. The outlook for total expense is \$161.8 billion, mostly unchanged from the 2018 FES.

Fiscal Plan (\$ Billions)	Actual									Current Outlook
	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Revenue	102.6	113.6	116.4	120.3	123.0	126.2	136.1	140.7	150.6	149.2
Expense										
Programs	112.7	120.8	121.2	120.1	123.3	126.2	129.9	131.5	142.4	149.2
Interest on Debt	9.1	10.0	10.6	10.9	11.2	11.2	11.6	11.7	11.9	12.5
Total Expense	121.8	130.8	131.8	131.0	134.5	137.4	141.5	143.2	154.3	161.8
Reserve	–	–	–	–	–	–	–	–	–	1.0
Surplus/(Deficit)	(19.3)	(17.3)	(15.4)	(10.7)	(11.5)	(11.3)	(5.3)	(2.4)	(3.7)	(13.5)

Note: Numbers may not add due to rounding.

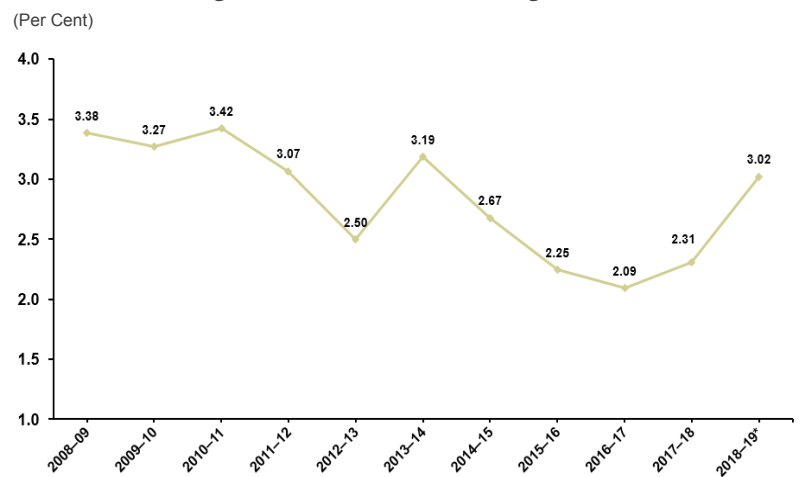
- The Province's interest on debt expense forecast, at \$12.5 billion, is unchanged from the 2018 FES.
- The net debt-to-GDP ratio is now projected to be 40.4 per cent in 2018–19, 0.1 percentage points lower than the 40.5 per cent forecast in the 2018 FES.

Net Debt-to-GDP



Notes: Net Debt has been restated to include broader public-sector net debt, starting in 2005–06. Net Debt has been restated from 2001–02 for the adjustments resulting from the revised accounting treatment of jointly sponsored pension plans.

Average Annual Ontario Borrowing Rates



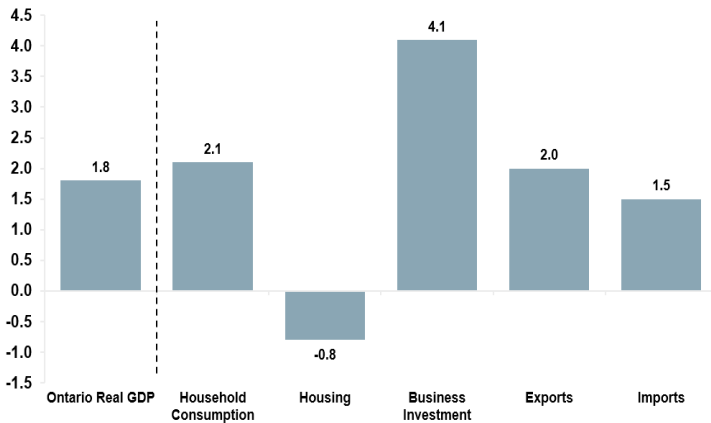
*Projected average annual Ontario borrowing rate for 2018–19.

•• Economic Update

- Ontario's real GDP is estimated to have increased by 2.4 per cent in 2018, following a gain of 2.8 per cent growth in 2017.
- Ontario's economy is expected to grow over the forecast period with rising employment, higher incomes, improved business investment and gains in exports.
- Private sector forecasters are expecting real GDP to rise by an average of 1.7 per cent per year between 2019 and 2021.
- Growth is expected to be more modest over the next few years due to higher interest rates and slowing U.S. growth.
- Business investment growth is projected to be strong over the forecast period, supported by Ontario's open-for-business policies and an economy nearing capacity. The new USMCA on trade will provide a greater degree of certainty and help lift business confidence and investment.

Ontario Economic Growth Broadly Based

Average Annual Growth from 2018 to 2021
(Per Cent)

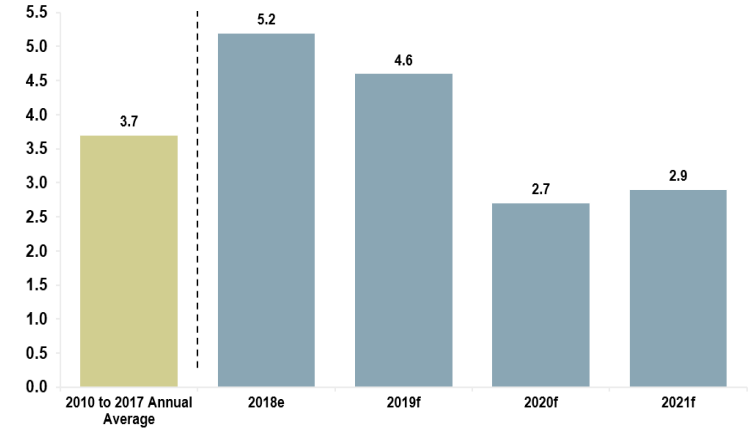


Note: Business investment includes non-residential construction, machinery and equipment and intellectual property products.

Sources: Statistics Canada and Ontario Ministry of Finance Survey of Forecasters (February 2019).

Business Investment Projected to be Supported

Real Business Investment Growth
(Per Cent)

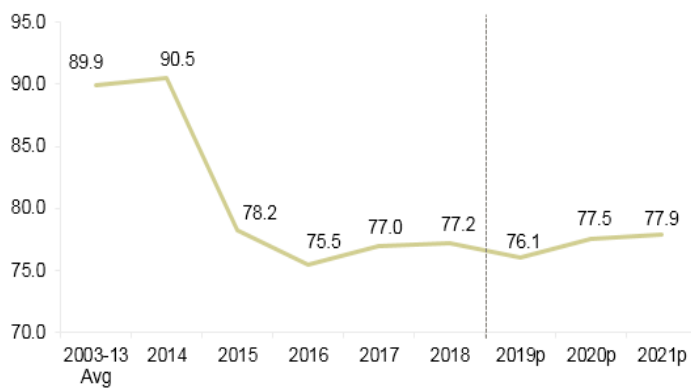


Note: Business investment includes non-residential construction, machinery and equipment and intellectual property products.

Sources: Statistics Canada and Ontario Ministry of Finance Survey of Forecasters (February 2019).

CAD/USD Exchange Rate

U.S. Cents

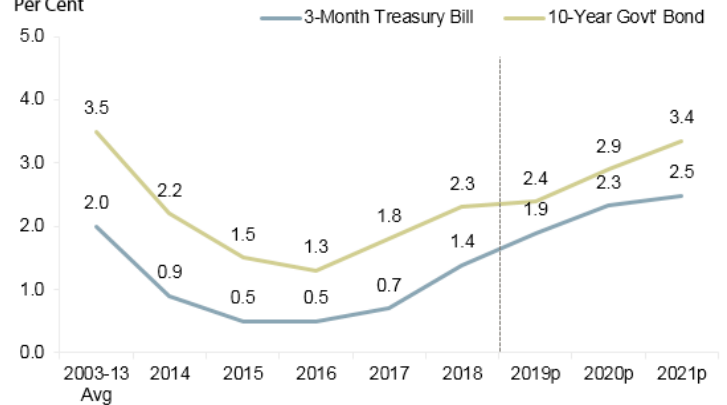


p = Ontario Ministry of Finance planning projection based on external sources.

Sources: Bank of Canada, Ontario Ministry of Finance Survey of Forecasters (February 2019) and Ontario Ministry of Finance.

Canadian Interest Rates

Per Cent



p = Ontario Ministry of Finance planning projection based on external sources.

Sources: Bank of Canada, Ontario Ministry of Finance Survey of Forecasters (February 2019) and Ontario Ministry of Finance.

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

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