

2023–24 Third Quarter Finances

- As of the 2023–24 Third Quarter Finances, Ontario's 2023–24 deficit is now projected to be \$4.5 billion. The 2023–24 projection is also an improvement of \$1.1 billion from the \$5.6 billion deficit outlook published in the 2023 Ontario Economic Outlook and Fiscal Review (FES).
- Ontario real GDP increased 1.2 per cent in 2023, slightly higher than the 2023 FES planning assumption of 1.1 per cent. Ontario nominal GDP is estimated to have increased 4.1 per cent in 2023, higher than the 2023 FES planning assumption of 3.6 per cent, largely due to higher-than-expected GDP inflation.
- Interest rates have been lower than projected in the 2023 FES, resulting in a decreased forecast of Ontario's cost of borrowing for 2023–24, from 4.6 per cent to 4.2 per cent. Interest on debt is projected to be \$12.9 billion, approximately \$0.6 billion lower than the \$13.4 billion projection in the 2023 FES, due to lower-than-projected borrowing costs and a reduced interest rate forecast.
- Ontario has completed \$38.6 billion of long-term borrowing in 2023–24 and has begun pre-borrowing for next fiscal year.

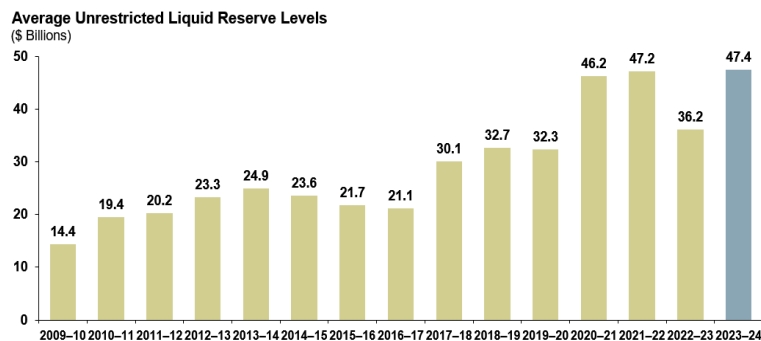
2023–24 Borrowing Program

(\$ Billions)	Current Outlook		
	2023 Budget	Change from 2023 Budget	2023–24
Deficit/(Surplus)	1.3	3.2	4.5
Investment in Capital Assets	13.6	0.1	13.6
Non-Cash and Cash Timing Adjustments	(9.2)	7.9	(1.3)
Loans to Infrastructure Ontario	0.1	–	0.1
Other Net Loans/Investments	0.1	(0.0)	0.1
Debt Maturities/Redemptions	31.2	(0.0)	31.2
Total Funding Requirement	37.0	(11.1)	48.1
Decrease/(Increase) in Short-Term Borrowing	–	–	–
Increase/(Decrease) in Cash and Cash Equivalents	5.0	(5.0)	–
Pre-borrowing in 2022–23 for 2023–24	(14.5)	–	(14.5)
Total Long-Term Public Borrowing	27.5	(6.1)	33.6

Note: Numbers may not add due to rounding.

Liquidity

- Ontario balances the objective of minimizing the cost of holding liquid reserves against the need to always have enough cash on hand to pay its bills, invest in capital assets, refinance maturing debt and pay interest.
- As of February 7, 2024, liquid reserve levels were \$40.6 billion.

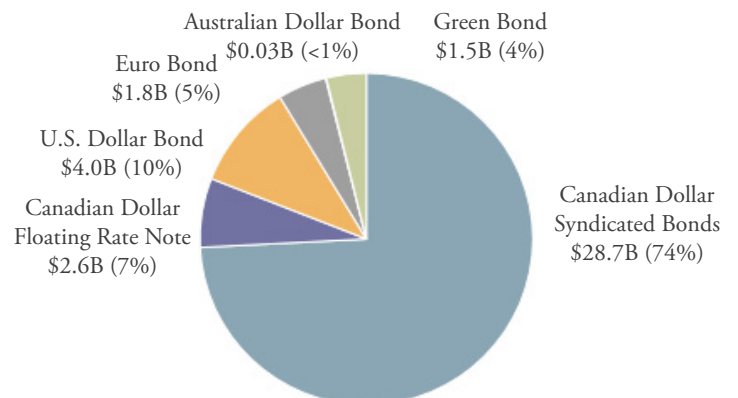


As of January 31, 2024

Source: Ontario Financing Authority.

2023–24 Borrowing Program

As of February 12, 2024, borrowing completed for 2023–24 totalled \$38.6 billion.

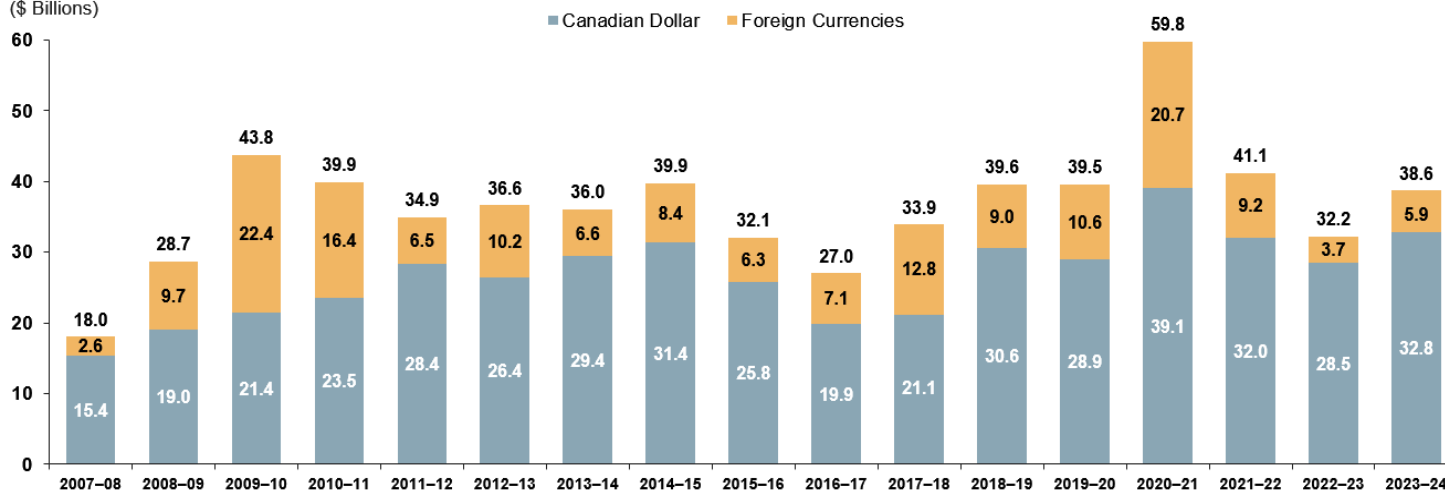


Note: Numbers may not add due to rounding.

Long-Term Borrowing

- \$32.8 billion or 85 per cent of borrowing completed so far for fiscal year 2023–24 was in Canadian dollars, through 34 syndicated issues, a floating rate note, and one Green Bond. The remaining \$5.9 billion, or 15 per cent, was completed through a U.S. dollar issue and a Euro Issue.
- The success Ontario has had in extending the term of its debt from the time of the Global Financial Crisis has created flexibility for managing its large borrowing program and debt portfolio. Due to the extension of the term of debt in recent years, the impact on IOD in the short term and medium term has been lessened. Ontario has issued \$136.0 billion of bonds, or more than one-quarter of total debt, with maturities of 30 years or longer since 2010–11. This includes \$11.8 billion so far in 2023–24. Ontario will monitor the market and adjust the debt term strategy in the future, if necessary, in response to further changes to interest rates and the yield curve.

Total Long-Term Borrowing
(\$ Billions)



	2007-08	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	2021-22	2022-23	2023-24
Foreign	14%	34%	51%	41%	19%	28%	18%	21%	19%	26%	38%	23%	27%	35%	22%	12%	15%
Domestic	86%	66%	49%	59%	81%	72%	82%	79%	81%	74%	62%	77%	73%	65%	78%	88%	85%
%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	12.0	14.5	15.0	15.2

Note: Numbers may not add due to rounding. As of February 12, 2024.

Canadian Dollar Issuance

- Ontario accounted for 69.4 per cent of Canadian provincial bond trading in 2023. As of December 31, 2022, Ontario accounted for 14.0 per cent of the FTSE Universe Bond Index, 13.6 per cent of the FTSE Mid Bond Index, and 22.2 per cent of the FTSE Long Bond Index.
- Regular issuance of 5-year, 7-year, 10-year and 30-year issues, which are re-opened to achieve benchmark size (34 syndicated issues so far in 2023–24).

Canadian Dollar Benchmark Bonds (as of February 8, 2024)

Term	Ontario		Canada	
	Rate	Amount	Rate	Amount
5 yr (old)	3.60% March 8, 2028	\$5.50B	3.50% March 1, 2028	\$15.00B
5 yr (new)	3.40% September 8, 2028	\$2.00B	3.25% September 1, 2028	\$20.00B
7 yr	2.70% June 2, 2029	\$9.33B	2.25% June 1, 2029	\$12.30B
10 yr (old)	3.65% June 2, 2033	\$12.95B	2.75% June 1, 2033	\$19.00B
10 yr (new)	4.15% June 2, 2034	\$2.50B	3.25% December 1, 2033	\$21.00B
Long (old)	3.75% December 2, 2053	\$12.40B	2.00% December 1, 2051	\$51.80B
Long (new)	4.15% December 2, 2054	\$9.50B	1.75% December 1, 2053	\$32.00B

Foreign Issuance

- Foreign currency borrowing helps reduce Ontario's overall borrowing costs by continuing to diversify Ontario's 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)
10-year	3.10% January 24, 2024	€1.25B
4-year	2.25% May 17, 2022	£0.50B
10-year	0.25% June 1, 2021	€1.00B
5-year	0.25% January 6, 2021	£1.75B

U.S. Dollar Issues

Term	Issue Date and Coupon	Amount (U.S.\$)
5-year	4.20% January 10, 2024	\$3.00B
5-year	3.10% May 12, 2022	\$2.25B
10-year	2.13% January 13, 2022	\$1.50B
10-year	1.80% October 6, 2021	\$1.00B

Green Bonds

- Ontario remains the largest issuer of Canadian dollar Green Bonds, totalling \$16.5 billion with \$14.45 billion outstanding. A total of 28 projects have received or will receive funding from Ontario's fourteen Green Bond issues, with funding allocated towards clean transportation, energy efficiency and conservation, and climate adaptation and resilience projects.
- In December 2023, Ontario issued a \$1.5 billion Green Bond. This was the fourteenth Green Bond issued by Ontario and the first offering of this fiscal year.
- On February 1, 2024, Ontario released its Sustainable Bond Framework replacing the Green Bond Framework from 2014. The new framework will allow for a broader range of potential bond offerings in the future.

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

- As of the 2023–24 *Third Quarter Finances*, Ontario's 2023–24 deficit is now projected to be \$4.5 billion. This is an improvement of \$1.1 billion from the \$5.6 billion deficit outlook published in the 2023 FES, primarily due to increased revenues and decreased interest on debt expense.
- The outlook for revenue in 2023–24 is projected to be \$202.7 billion, a decrease of \$1.6 billion compared to the 2023 *Budget* and \$0.9 billion higher than the projection in the 2023 FES.
- Program expense in 2023–24 is projected to be \$193.4 billion, \$2.8 billion higher than forecast in the 2023 *Budget* and \$0.4 billion higher than the 2023 FES. Increases in program expense since the release of the 2023 FES are primarily due to expense commitments for the health sector and support for the City of Toronto.

Fiscal Plan (\$ Billions)	Actuals									Current Outlook
	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21	2021–22	2022–23	2023–24
Revenue	126.2	136.1	140.7	150.7	153.8	156.2	165.0	185.1	192.9	202.7
Expense										
Programs	126.2	129.9	131.4	142.5	148.7	152.3	169.0	170.5	186.4	193.4
Interest on Debt	11.2	11.6	11.7	11.9	12.4	12.5	12.3	12.6	12.4	12.9
Total Expense	137.4	141.5	143.2	154.4	161.1	164.8	181.3	183.1	198.8	206.3
Reserve	–	–	–	–	–	–	–	–	–	1.0
Surplus/(Deficit)	(11.3)	(5.3)	(2.4)	(3.7)	(7.3)	(8.6)	(16.3)	2.0	(5.9)	(4.5)

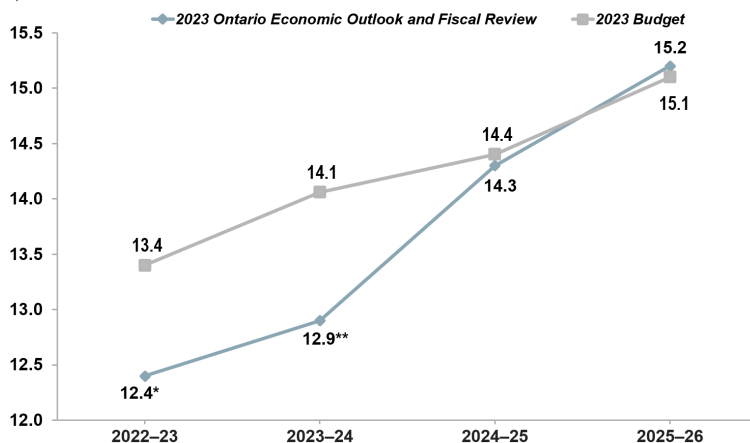
Notes: Numbers may not add due to rounding.
Sources: Ontario Treasury Board Secretariat and Ontario Ministry of Finance.

Interest on Debt (IOD) Expense

- Ontario is forecast to pay \$12.9 billion in interest costs in 2023–24, approximately \$1.2 billion lower than the \$14.1 billion forecast in the 2023 *Budget* and \$0.6 billion lower than the \$13.4 billion projection in the 2023 FES.
- The Province will continue to monitor interest rate movements and provide regular updates on IOD costs in future fiscal updates.

Interest on Debt Expense Lower than 2023 Budget Forecast

\$ Billions



*Public Accounts of Ontario 2022–2023
**2023–24 *Third Quarter Finances*
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 January 31, 2024, capacity for short-term borrowing: \$61.0 billion authorized and \$25.0 billion outstanding, leaving \$36.0 billion available.

Risk Management

	Exposure ¹	Policy Limit
Foreign Exchange	0.14%	3.0%
Net Interest Rate Resetting	6.8%	35.0%

¹ Of outstanding debt, interim as of January 31, 2024.

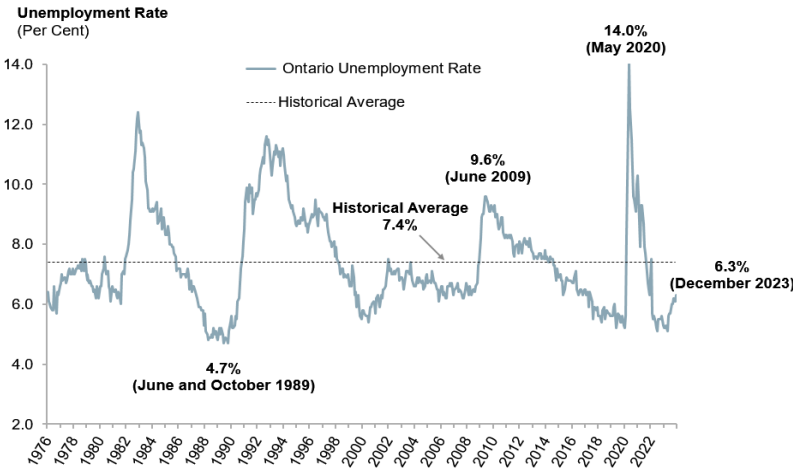
Credit Ratings (Long-Term/Short-Term)

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

Ontario's Economic Update

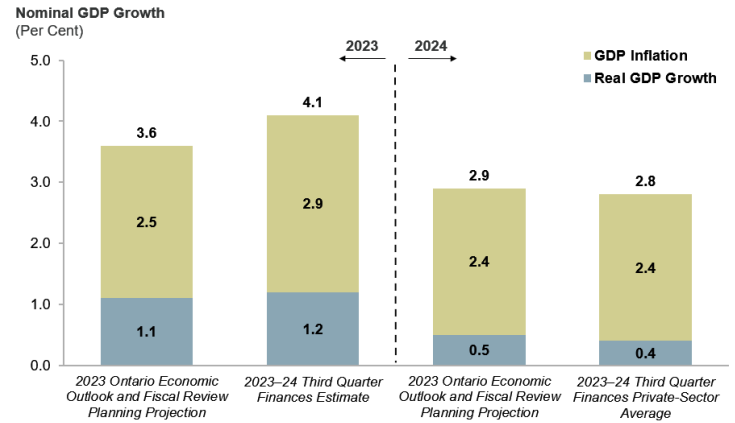
- The Ministry of Finance estimates that Ontario real GDP increased 1.2 per cent in 2023, slightly higher than the 2023 FES planning assumption of 1.1 per cent. Ontario nominal GDP is estimated to have increased 4.1 per cent in 2023, higher than the 2023 FES planning assumption of 3.6 per cent, largely due to higher-than-expected GDP inflation.
- In 2023, employment in Ontario increased by over 180,000. The unemployment rate was 6.3 per cent in December 2023, well below its long-term historical average.
- Private-sector forecasters, on average, project Ontario's real GDP to rise by 0.4 percent in 2024, which is slightly lower than the 2023 FES planning assumption of 0.5 per cent. Ontario's nominal GDP is projected to rise by 2.8 per cent in 2024, compared to the 2023 FES planning assumption of 2.9 per cent.
- While there has been an easing of inflationary pressure, the future path of consumer price inflation and the persistence of high interest rates continues to be a key risk to the economic outlook. Despite these challenges, Ontario's economy is expected to see continued growth in 2024.

Ontario Unemployment Rate Remains Low



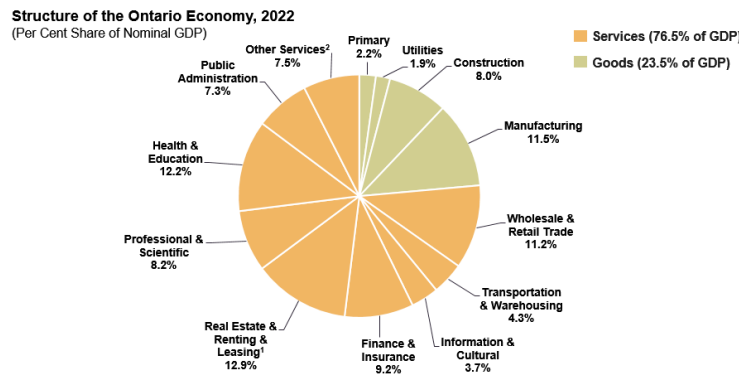
Source: Statistics Canada.

Comparison of Projections for Nominal GDP Growth



Source: Ontario Ministry of Finance, based on information available as of January 25, 2024.

Ontario's Diverse Economy



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.

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

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