

2020 Budget

- The *2020 Budget* builds on the *March 2020 Economic and Fiscal Update*, which provided the Province's initial response to the COVID-19 pandemic. This was a one-year update, which made available \$17 billion in total support. The *2020–21 First Quarter Finances* released in August built on that plan and made available \$30 billion as part of the Province's response to the global pandemic.
- The *2020 Budget* includes \$15 billion in new supports, for a total of \$45 billion in total supports over a three-year period.
- The global economic disruptions caused by the COVID-19 pandemic have led to unprecedented uncertainty surrounding the economic forecast. Given this heightened uncertainty, in addition to the planning projection the government is presenting two alternative economic scenarios, a Faster Growth and a Slower Growth scenario.
- Under the Faster Growth scenario, the long-term borrowing of the Province would decrease by a total of \$12.3 billion over the medium-term outlook, while under the Slower Growth scenario, long-term borrowing would increase by a cumulative \$7.7 billion over the same period.
- Acknowledging the continued uncertainty of the global pandemic, the government plans to set a long-term target for the net debt-to-GDP ratio along with a path to balance in the *2021 Budget*, which will be released by March 31, 2021.
- While net debt-to-GDP is the primary measure of the sustainability of Ontario's debt, another key measure is the IOD-to-revenue ratio. This ratio represents how much Ontario needs to spend on interest for every revenue dollar received. The current forecast is 8.2 cents of interest cost for every dollar of revenue in 2020–21.

Borrowing Program

(\$ Billions)	2019–20	2020–21				Medium-Term Outlook	
		March 2020 Update	First Quarter Finances	Change from First Quarter Finances	Current Outlook ¹	2021–22	2022–23
Deficit/(Surplus)	8.7	20.5	38.5	–	38.5	33.1	28.2
Investment in Capital Assets	9.7	10.4	10.4	0.2	10.6	11.5	12.0
Non-Cash Adjustments	(6.0)	(9.2)	(9.2)	–	(9.2)	(8.8)	(8.9)
Loans to Infrastructure Ontario	0.2	0.3	–	–	–	0.1	(0.4)
Other Net Loans/Investments	0.3	1.2	0.5	0.1	0.6	(0.5)	(0.3)
Debt Maturities/Redemptions	27.4	26.6	26.6	0.1	26.7	25.1	30.6
Total Funding Requirement	40.3	49.7	66.7	0.4	67.0	60.6	61.3
Decrease/(Increase) in Short-Term Borrowing	(3.0)	(2.0)	(7.0)	1.3	(5.7)	(2.0)	(2.0)
Increase/(Decrease) in Cash and Cash Equivalents	(5.4)	–	–	(1.4)	(1.4)	–	–
Pre-Borrowing from 2019–20	7.6	(4.1)	(7.6)	–	(7.6)	–	–
Total Long-Term Public Borrowing	39.5	43.6	52.1	0.2	52.3	58.6	59.3

¹ For the purposes of the legislated requirements for a budget and mid-year review in the *Fiscal Sustainability, Transparency, and Accountability Act, 2019*, the 2020–21 current outlook represents the plan year of the Budget as well as the current fiscal year of the mid-year review.

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 November 9, 2020, liquid reserve levels were \$45.5 billion.

2020–21 Borrowing Program

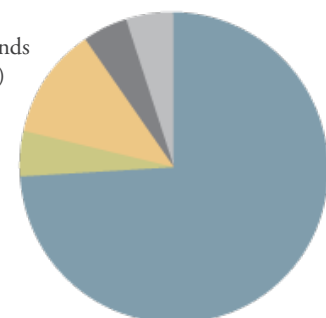
As of November 9, 2020, borrowing completed for 2020–21 totalled \$35.9 billion.

Euro Bonds \$1.6B (5%) Pound Sterling Bonds \$1.7B (5%)

U.S. Dollar Bonds \$4.1B (11%)

Green Bond \$1.6B (4%)

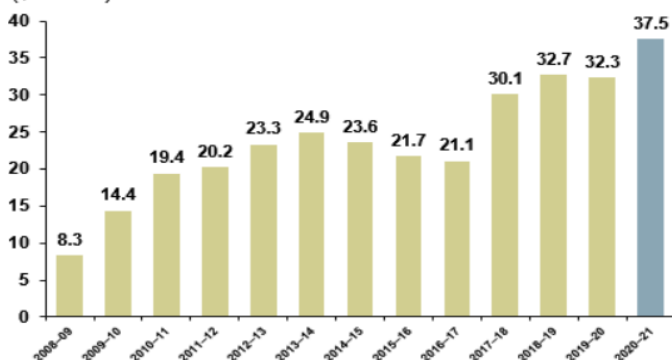
Canadian Dollar Syndicated Bonds \$26.9B (75%)



Notes: Green Bond proceeds were \$1.6 billion from a re-opening of an issue maturing in February 2027, with a \$1.5 billion face value, a coupon of 1.85 per cent, and priced at 105.8. Numbers may not add due to rounding.

Average Unrestricted Liquid Reserve Levels

(\$ Billions)



Note: 2020–21 liquid reserves are on a forecast basis to fiscal year end as of September 30, 2020.

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 \$99.0 billion of bonds longer than 30 years to lock in low rates, including \$6.4 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 10.7 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	10.9
2020–21	28.5 (79%)	7.4 (21%)	52.3	11.9	10.7*

* The debt portfolio average term is on a forecast basis for 2020–21 as of September 30, 2020.

Note: Numbers may not add due to rounding. As of November 9, 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, 7-year, 10-year and 30-year issues, which are re-opened to achieve benchmark size (26 syndicated issues so far in 2020–21).

Canadian Dollar Benchmark Bonds (as of November 9, 2020)

Term	Ontario		Canada	
	Rate	Amount	Rate	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	\$47.50B
7 year	1.05% September 8, 2027	\$2.00B	1.00% June 1, 2027	\$15.00B
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	\$11.65B	1.25% June 1, 2030	\$44.20B
Long (old)	2.65% December 2, 2050	\$14.10B	2.75% December 1, 2048	\$14.90B
Long (new)	1.90% December 2, 2051	\$2.70B	2.00% December 1, 2051	\$30.82B

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)
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	1.13% September 29, 2020	\$1.25B
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

Green Bonds

- Ontario is currently the largest issuer of Canadian dollar Green Bonds, with eight green issues totaling \$6.75 billion and \$6.25 billion outstanding. A total of 23 projects have received or will receive funding from Ontario's eight Green Bond issues, with funding allocated towards clean transportation, energy efficiency and conservation, and climate adaptation and resilience projects.
- On October 6, 2020, Ontario issued its eighth and largest Green Bond to date for \$1.5 billion. Four projects have been selected as eligible to receive funding from Ontario's latest Green Bond.
- 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

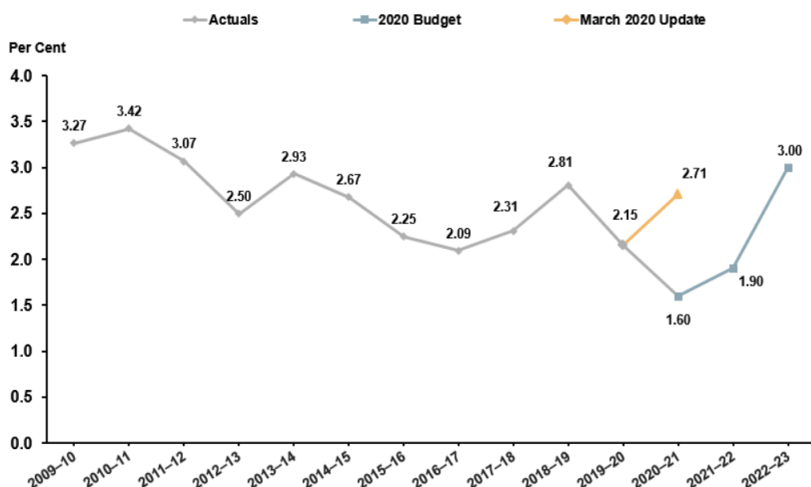
- As a result of the response to the COVID-19 pandemic, the government is projecting a \$38.5 billion deficit in 2020–21. Over the medium-term, the government projects steadily declining deficits of \$33.1 billion in 2021–22, and \$28.2 billion in 2022–23.
- The reserve has been set at \$2.5 billion in 2020–21, \$2.0 billion in 2021–22, and \$2.0 billion in 2022–23.
- In addition to the reserves, the Province has also made available time-limited funding and extraordinary contingencies of \$13.3 billion in 2020–21, \$5 billion in 2021–22 and \$2.8 billion in 2022–23. The balances remaining in these funds enable the government to continue to respond to COVID-19 and support the recovery for the province.

Fiscal Plan (\$ Billions)	Actuals									2020–21 First Quarter Finances	Current Outlook	Medium-Term Outlook	
	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21	2020–21	2021–22	2022–23
Revenue	116.4	120.3	123.0	126.2	136.1	140.7	150.6	153.7	156.1	150.6	151.1	152.3	160.2
Expense													
Programs	121.2	120.1	123.3	126.2	129.9	131.5	142.4	148.8	152.3	174.2	174.6	170.2	172.4
Interest on Debt	10.6	10.9	11.2	11.2	11.6	11.7	11.9	12.4	12.5	12.5	12.5	13.2	13.9
Total Expense	131.8	131.0	134.5	137.4	141.5	143.2	154.3	161.1	164.8	186.7	187.0	183.4	186.3
Reserve	–	–	–	–	–	–	–	–	–	2.5	2.5	2.0	2.0
Surplus/(Deficit)	(15.4)	(10.7)	(11.5)	(11.3)	(5.3)	(2.4)	(3.7)	(7.4)	(8.7)	(38.5)	(38.5)	(33.1)	(28.2)

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, unchanged from 2019–20 to 2020–21, despite increases to the forecasted deficits.
- Ontario's average cost of borrowing in 2020–21 is forecast to be 1.60 per cent. Since the *2019 Budget*, the Province's borrowing rate assumptions have dropped by more than two percentage points for the fiscal year and two and a half percentage points for 2012–22, providing significant relief on IOD expenses.



Sources: Public Accounts of Ontario (1990–1991 to 2019–2020) 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 October 30, 2020, capacity for short-term borrowing: \$61.0 billion authorized and \$25.7 billion outstanding, leaving \$35.3 billion available.

Risk Management

	Exposure	Policy Limit
Foreign Exchange	0.2%	3.0%
Net Interest Rate Resetting	8.0%	35.0%

Of outstanding debt, interim as of October 30, 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

- The COVID-19 pandemic has resulted in significant and unprecedented impact on economies around the world.
- The 2020 Budget projects real GDP to decline 6.5 per cent in 2020 and rise 4.9 per cent in 2021, then gradually slow to growth of 3.5 per cent in 2022 and 2.0 per cent in 2023. For prudent planning purposes, these projections are slightly below the average of private-sector forecasts at the time the Budget was finalized.

Ontario's Action Plan: Protect, Support, Recover

Ontario's Economic Planning Projection



Protect — Urgent COVID-19 Response

\$15.2 Billion



Support — Support for People and Jobs

\$13.5 Billion



Recover — Creating the Conditions for Growth

\$4.8 Billion

Total Direct Support

\$33.4 Billion



Improving Cash Flow for People and Businesses

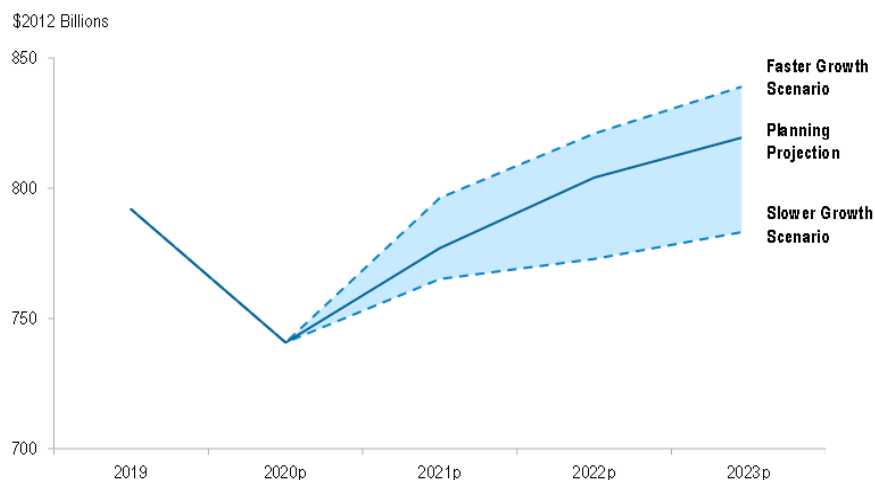
\$11.3 Billion

\$45 Billion in Total Supports over Three Years

2020 Budget (Per Cent Change)	2019	2020p	2021p	2022p	2023p
Real GDP Growth	1.7	(6.5)	4.9	3.5	2.0
Nominal GDP Growth	3.9	(5.0)	6.6	5.7	4.2
Compensation of Employees	4.2	(2.5)	5.3	5.1	4.6
Net Operating Surplus – Corporations	2.6	(16.0)	10.0	10.3	2.7
Nominal Household Consumption	3.6	(6.0)	7.4	6.0	4.2
Employment Growth	2.9	(5.4)	5.0	2.5	1.9

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

Range of Ontario Real GDP Scenario Forecasts



p = Ontario Ministry of Finance projections.
Source: Ontario Ministry of Finance.

Ontario's Real GDP Growth Scenarios

(Per Cent)	2021p	2022p	2023p
Faster Growth Scenario	7.5	3.1	2.3
Planning Projection	4.9	3.5	2.0
Slower Growth Scenario	3.3	1.0	1.4

Note: p = Ontario Ministry of Finance planning projection.
Source: 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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