



December 2, 2011

Canada Overview

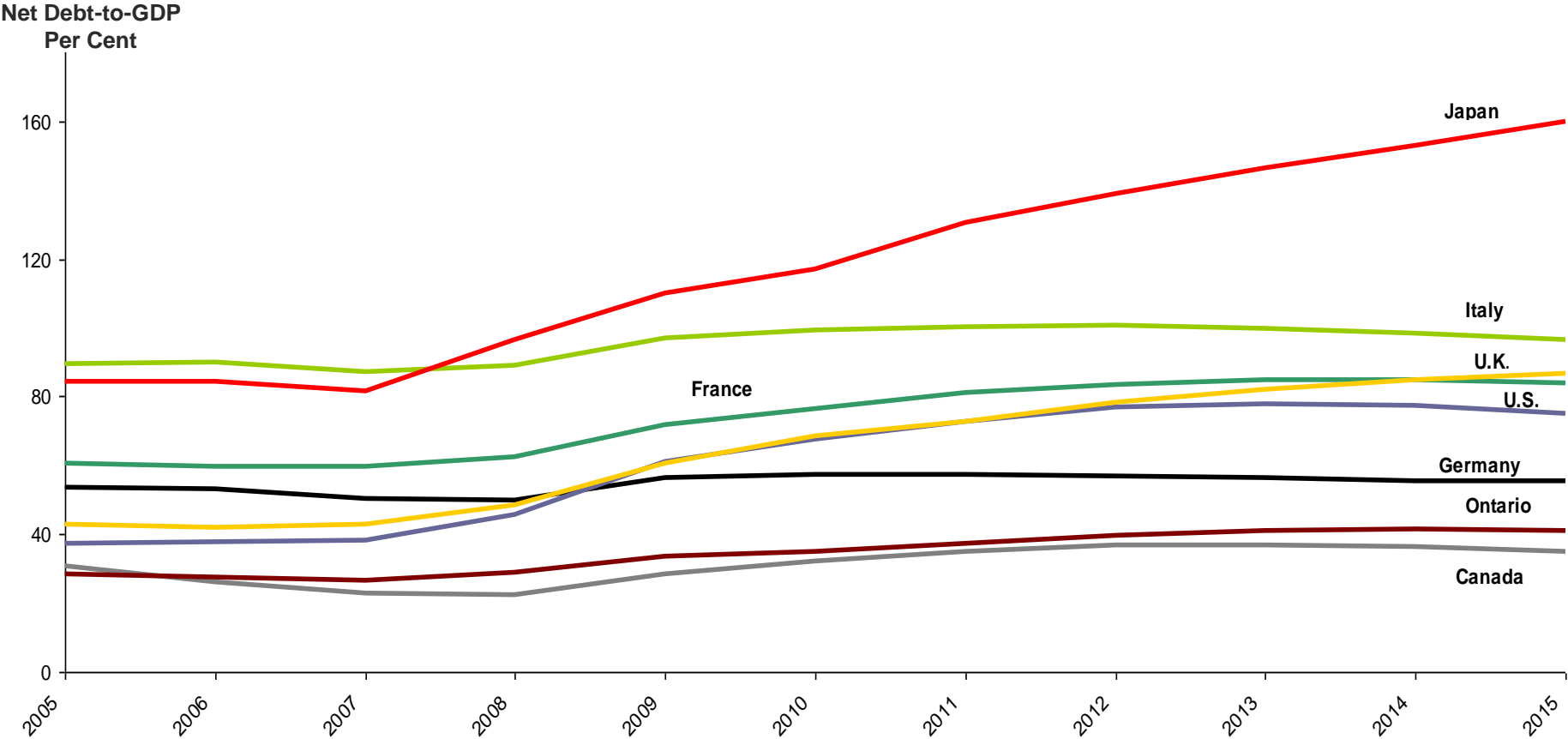
- Lowest government net debt-to-GDP ratio of any G7 country, and expected to remain so
- Ranked as having soundest banking system for three consecutive years
- Solid housing market, supported by conservative mortgage market and long-term economic fundamentals
- Economy expected to grow faster than most other G7 nations in 2011

Ontario Overview



- Located in prime area with close ties to many major U.S. cities
- Population of 13.2 million and GDP of \$612 billion in 2010, both roughly 40 per cent of Canada
- Government policy focused on long-term growth and innovation through investment and tax reform

Relatively Low Net Debt-to-GDP Ratio



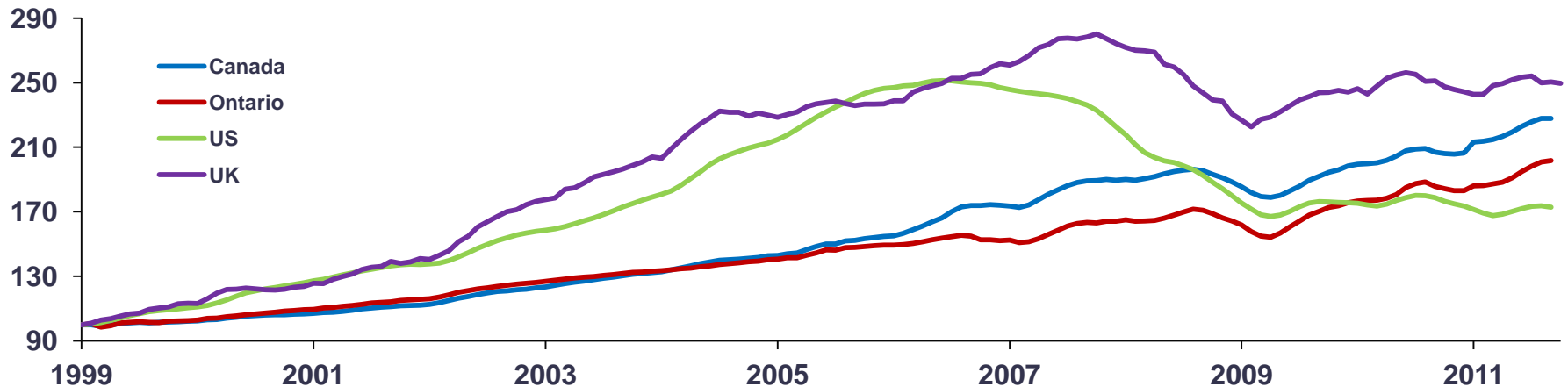
Source: IMF World Economic Outlook (September 2011) and Ontario Ministry of Finance

Conservative Mortgage and Housing Market

- Existing home prices in Ontario and Canada did not experience a bubble like the U.S. and U.K., and have surpassed pre-recession peaks
- Resilient and affordable mortgage market attributed to strong economic fundamentals
- Lower defaults and arrears reflect Canadian credit culture and more rigorous underwriting standards
- In Canada, all high-ratio residential mortgages issued by regulated financial institutions must be insured

Index (Jan. 1999=100)

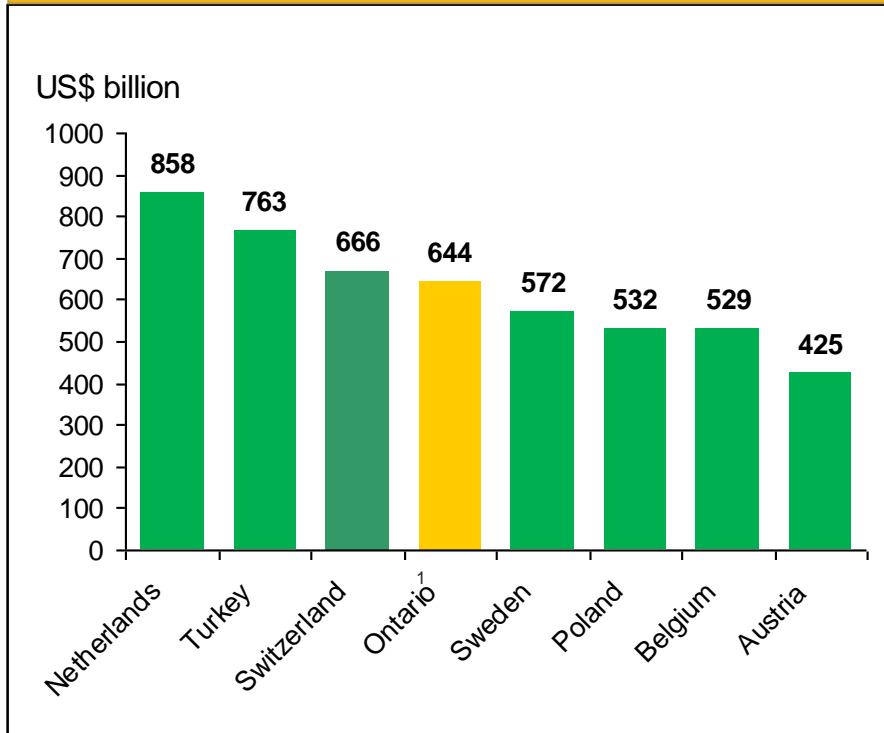
Existing House Prices



Sources: CMHC and IMF and S&P/Case Shiller Comp.10 Index for U.S., Teranet-National Bank Index for Canada/Ontario and Nationwide Index for U.K.

Ontario's GDP In Context

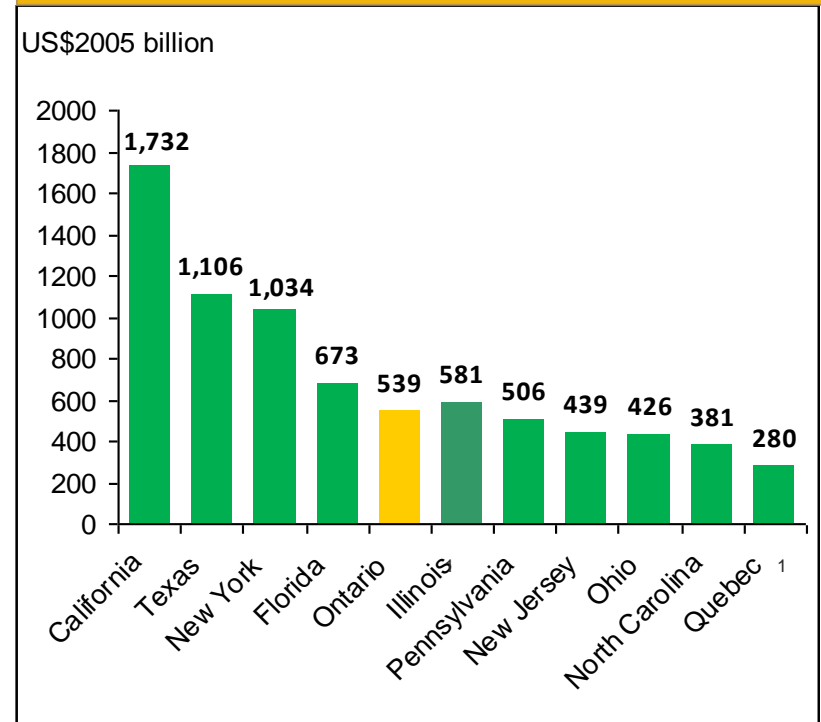
Ontario's 2011 Nominal GDP is larger than many sovereign countries (forecast)



Source: IMF *World Economic Outlook* (September 2011) and Ontario Ministry of Finance

¹ Ontario nominal GDP converted at U.S. dollar/CA dollar exchange rate for 2010 average

Sixth largest economy in North America (2010 Real GDP)

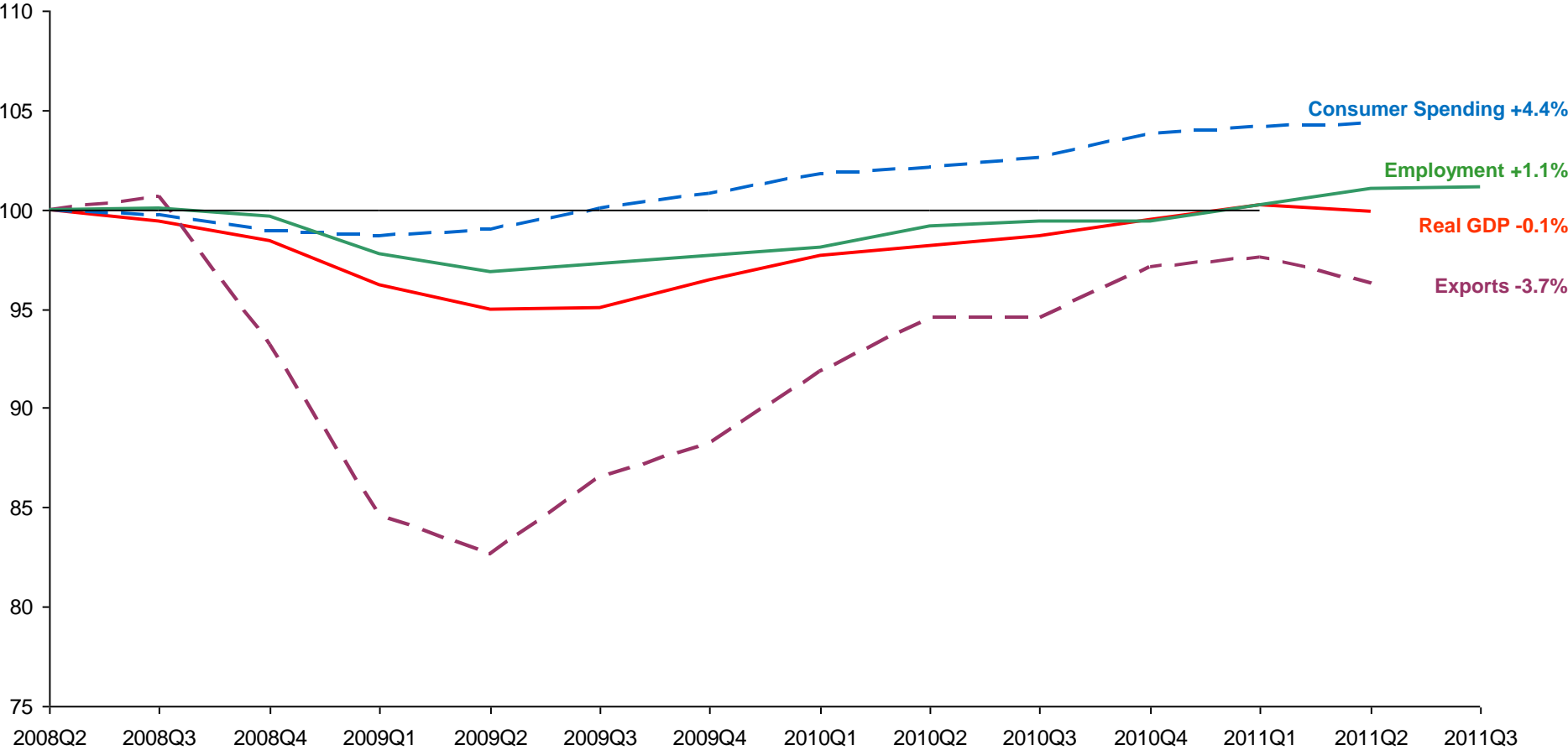


Source: U.S. Bureau of Economic Analysis, Statistics Canada and Ontario Ministry of Finance

¹ Ontario and Quebec real GDP converted at U.S. dollar/CA exchange rate for 2010 average

Economic Recovery Despite Sluggish Exports

Index of GDP and Employment
2008Q2 = 100



Sources: Statistics Canada and Ontario Ministry of Finance



Ontario Exports Shifting to New Markets

Per Cent Change, 2005 to 2010

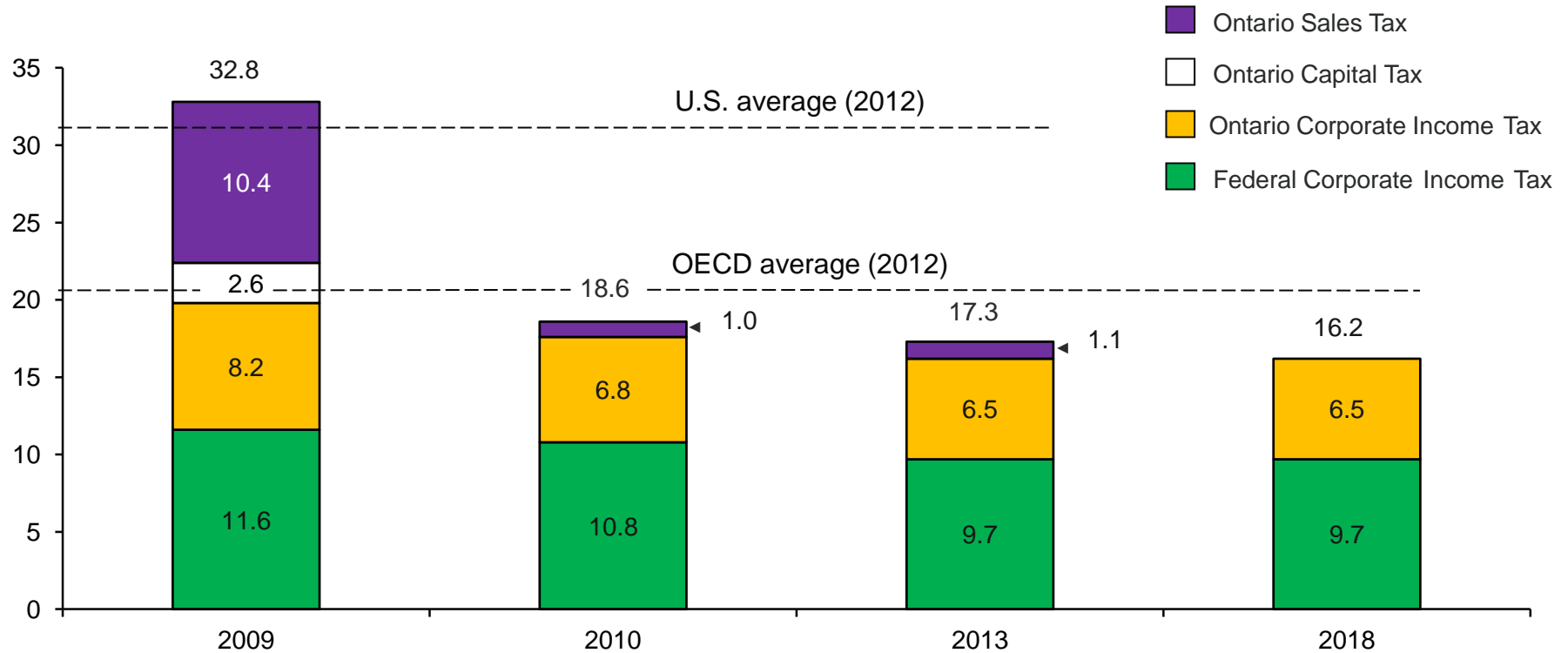


Sources: Statistics Canada and Ontario Ministry of Finance

Marginal Effective Tax Rates (METR) on New Business Investment

It is estimated that by 2020, the reduction in the tax burden on new business investment in Ontario will lead to \$47 billion in capital investment, almost 600,000 net new jobs and higher annual incomes of up to 8.8 per cent.

Per Cent



Notes: Includes Ontario Corporate Income Tax (CIT) rate cuts and HST announced in Ontario's Tax Plan for Jobs and Growth, the phase-out of Ontario's Capital Tax on July 1, 2010 and the reduction in the general federal CIT rate to 15 per cent by 2012.

The U.S. and OECD METR include measures announced as of January 1, 2011.

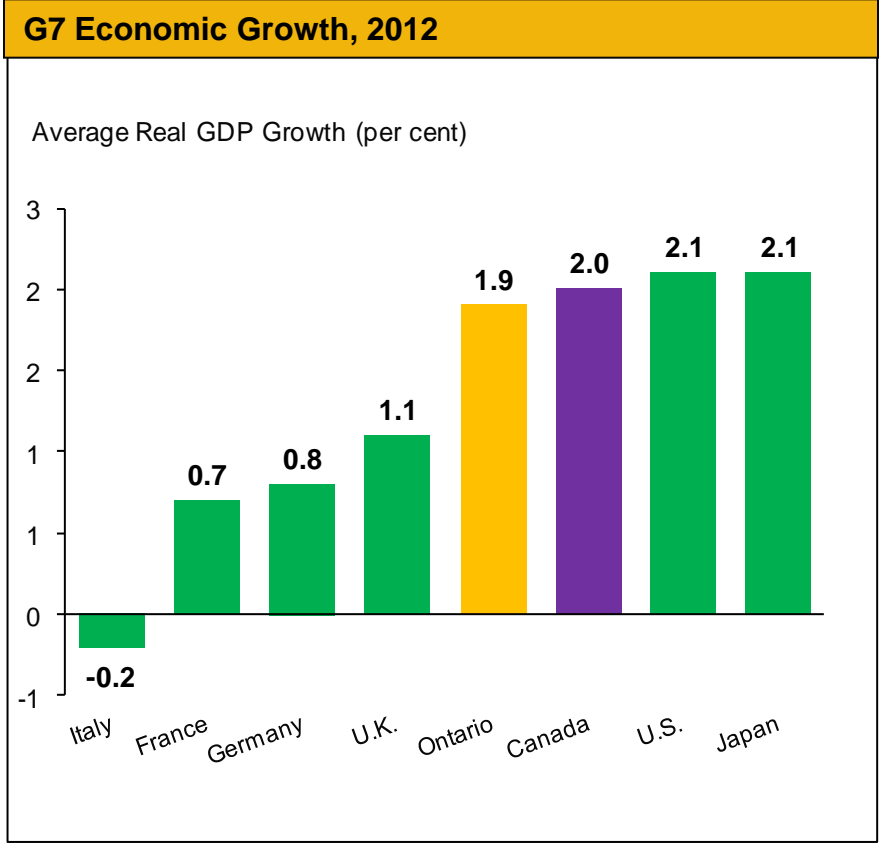
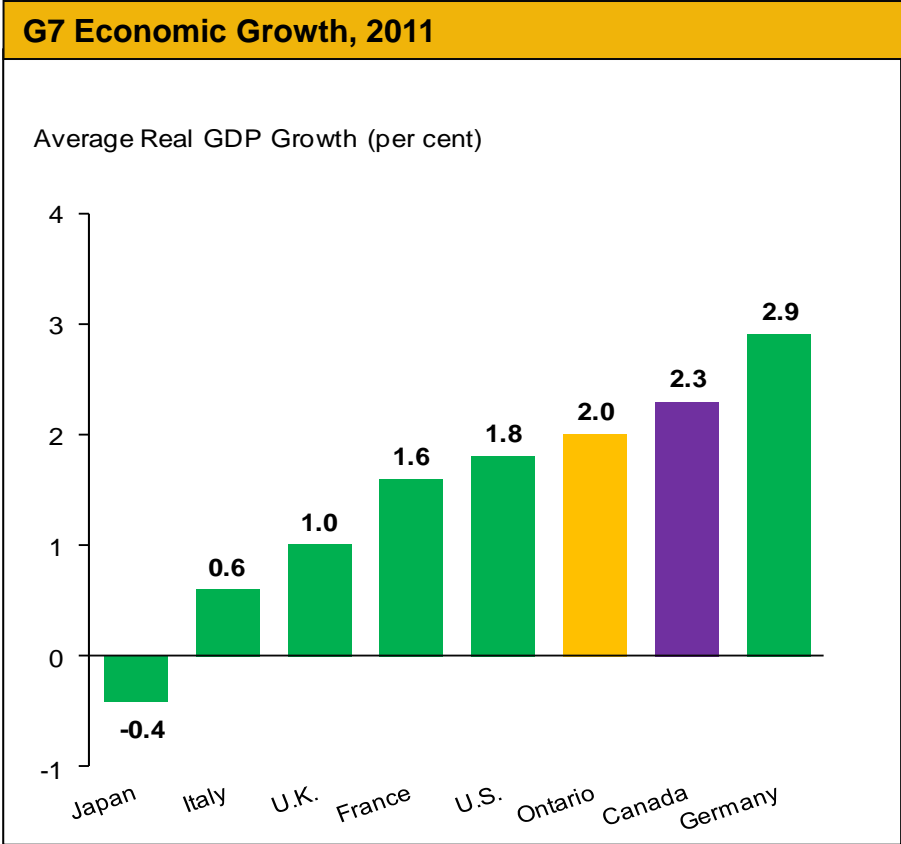
Ontario Economic Outlook for Continued Growth

Ontario Economic Outlook (per cent)	2008	2009	2010	2011	2012	2013	2014
Real GDP Growth	(0.6)	(3.2)	3.0	1.8	1.8	2.5	2.6
Nominal GDP Growth	0.5	(0.9)	5.3	4.0	3.7	4.4	4.5
Employment Growth	1.6	(2.5)	1.7	1.8	1.1	1.4	1.5
Unemployment Rate	6.5	9.0	8.7	7.9	7.7	7.3	6.9
CPI Inflation	2.3	0.4	2.5	3.2	2.0	2.0	2.0

Actual
 Fall 2011 planning projection

Sources: Statistics Canada and Ontario Ministry of Finance

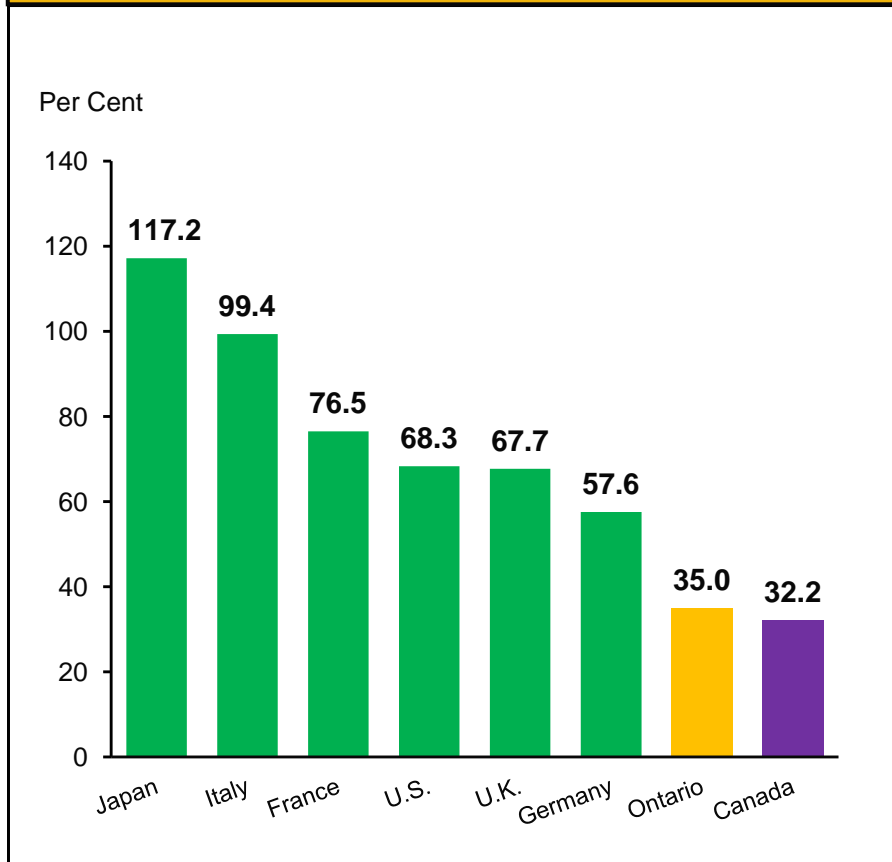
Relatively Strong Economic Growth Outlook



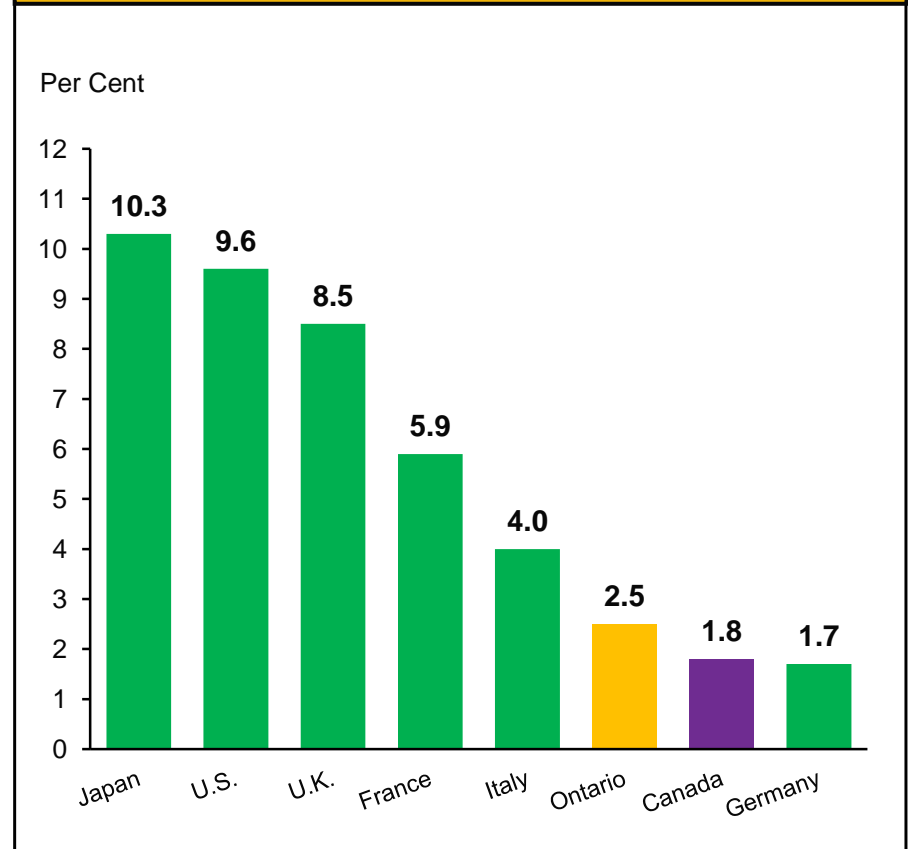
Sources: Consensus Economics (November 2011) and Ontario Ministry of Finance *Survey of Forecasts* (November 2011)

Strong Government Fiscal Position

Net Debt-to-GDP G7 Countries, 2010



Projected Deficit-to-GDP G7 Countries, 2011

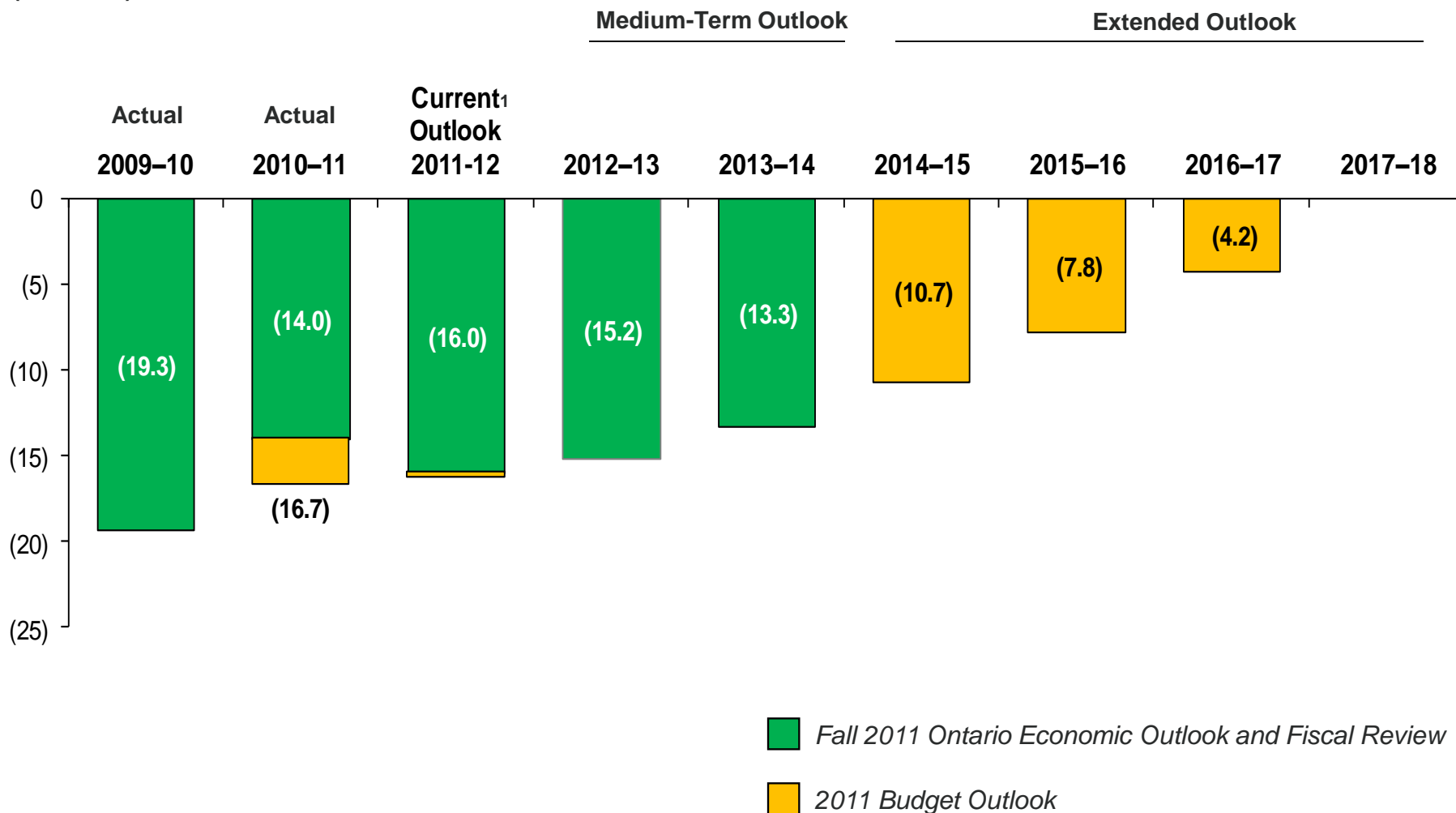


Sources: IMF *World Economic Outlook* (September 2011) and Ontario Financing Authority

Sources: IMF *World Economic Outlook* (September 2011), Ontario Ministry of Finance, Department of Finance Canada.

Ontario on Track to Eliminate Deficit

Fiscal Balance
(\$ Billions)



¹ Fiscal Forecast as at September 30, 2011.

Source: Ontario Ministry of Finance

Medium-Term Fiscal Plan and Outlook

(\$ Billion)	Actual	Projected Outlook*		
	2010–11 ¹	2011–12	2012–13	2013–14
Total Revenue	106.7	108.3	111.3	116.3
Expense				
Programs	111.2	114.0	114.9	117.0
Interest on Debt	9.5	10.1	10.6	11.7
Total Expense	120.7	124.1	125.5	128.7
Reserve	-	0.2	1.0	1.0
Surplus / (Deficit)	(14.0)	(16.0)	(15.2)	(13.3)

¹ In the 2011 Budget, the interim projection for the 2010–11 deficit was \$16.7 billion.

Note: Numbers may not add due to rounding

*As presented in the 2011 Ontario Economic Outlook and Fiscal Review.

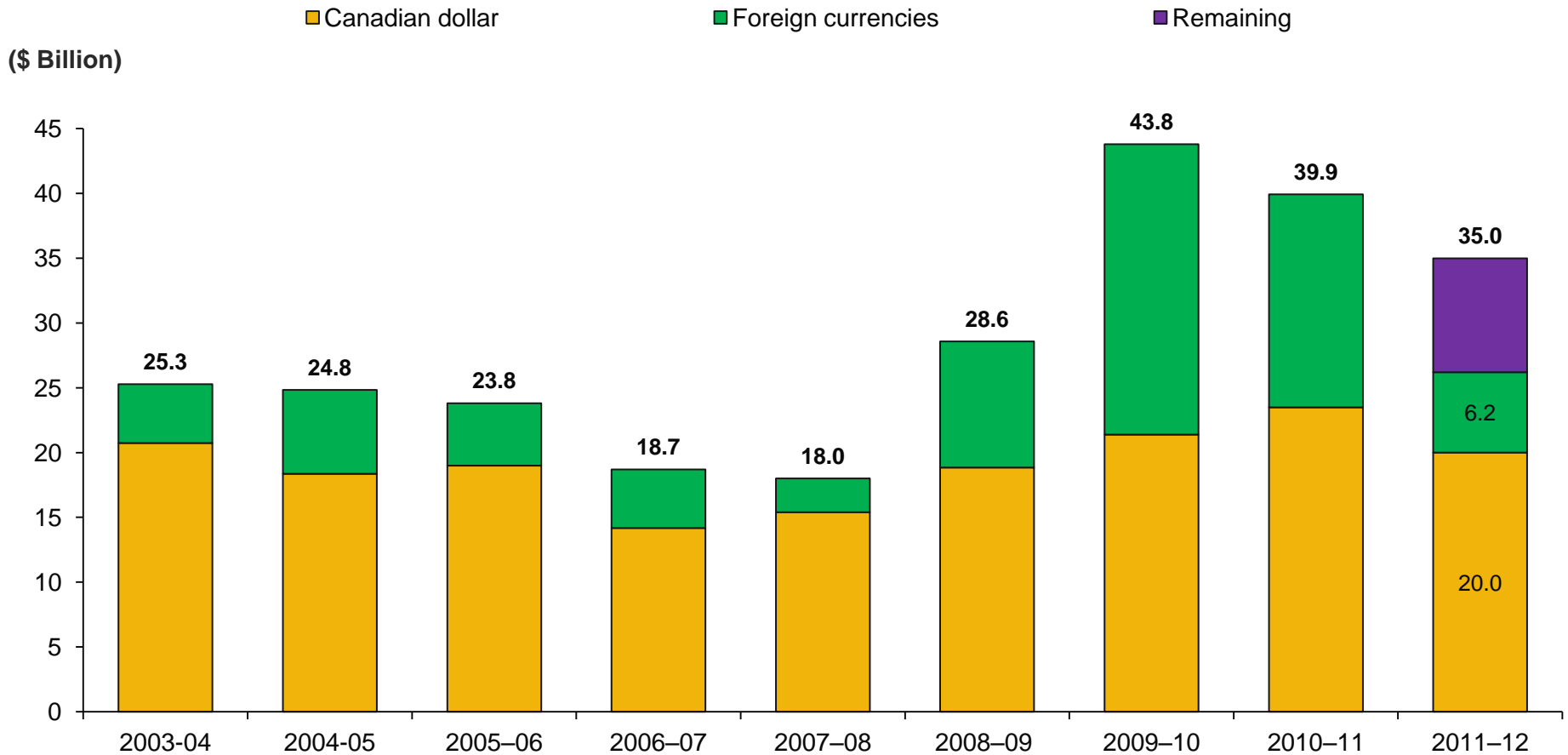
Medium-Term Borrowing Outlook

	Current Outlook	Medium-Term Outlook	
(\$ billion)	2011–12	2012–13	2013–14
Deficit	16.0	15.2	13.3
Investment in Capital Assets	10.9	11.5	10.5
Non-Cash Adjustments	(3.6)	(3.4)	(3.9)
Net Loans/Investments	2.4	1.2	1.0
Debt Maturities	13.9	17.3	23.8
Debt Redemptions	0.3	0.3	0.3
Total Funding Requirement	40.0	42.1	45.1
Canada Pension Plan Borrowing	(1.1)	(0.8)	-
Decrease/(Increase) in Short-Term Borrowing	0.7	(3.0)	(3.0)
Increase/(Decrease) in Cash and Cash Equivalents	(7.8)	-	-
Provision for Debt Buy-Backs	3.2	(1.2)	(2.0)
Total Long-Term Public Borrowing	35.0	37.2	40.0

Note: Numbers may not add due to rounding

Highly Diversified Borrowing Program

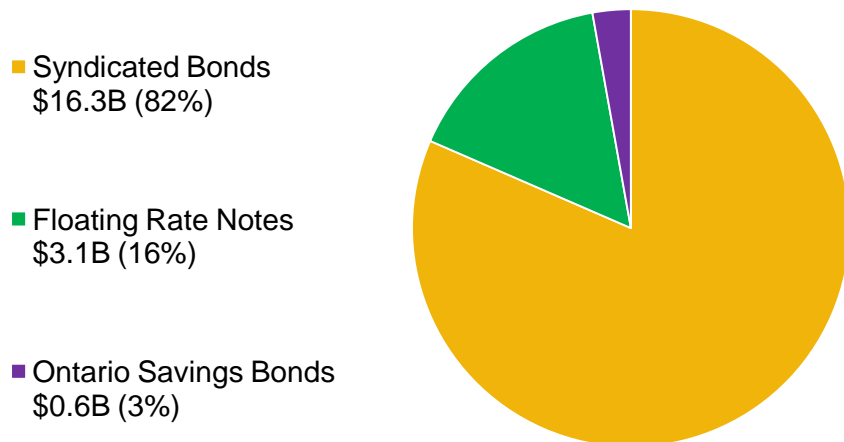
- Amount of domestic borrowing has remained relatively consistent over last few years
- Plan to borrow at least 70 per cent in the domestic market in 2011–12 (borrowed 76% domestically as at December 02, 2011)



Source: Ontario Financing Authority

2011–12 Canadian Market Issuance

2011–12 Domestic Market Issuance \$20.0 billion



- Ontario is a benchmark borrower in the Canadian bond market, issuing syndicated bonds, floating rate notes, real return bonds, medium-term notes, auctions and Ontario Savings Bonds to retail investors.
- Well-defined yield curve maintained through regular issuance of 5-year, 10-year and 30-year issues, which are re-opened to achieve benchmark size
- Large and diverse domestic underwriting syndicate makes active markets in Ontario bonds
- Ontario bonds have accounted for about 58 per cent of Canadian provincial bond trading in 2011¹

Source: IIROC
¹ Nine months ending September 30, 2011

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

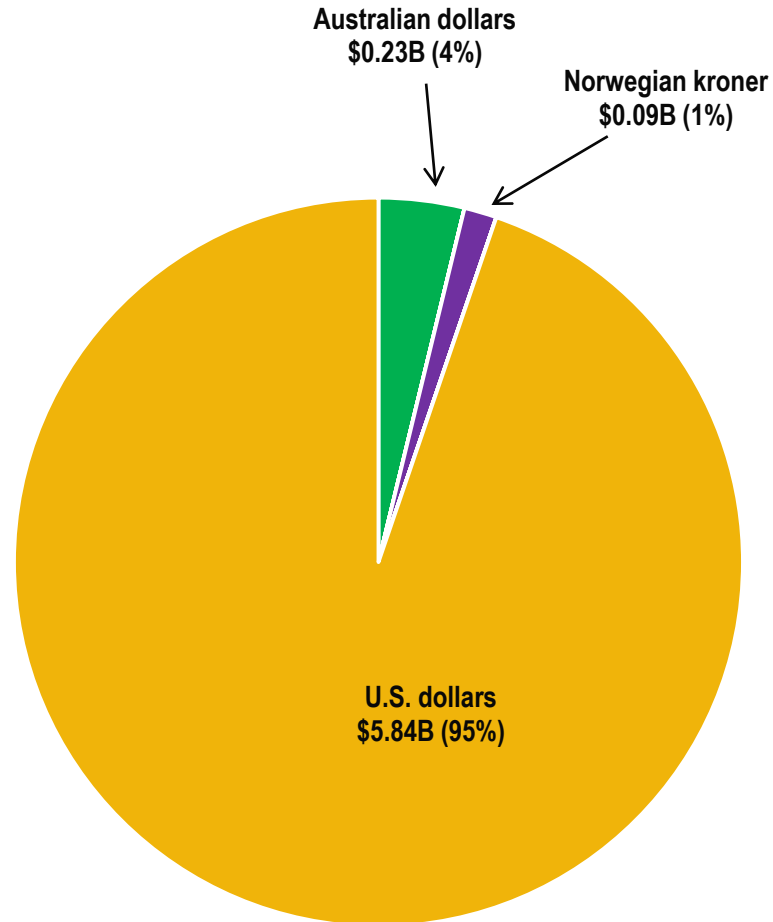
Outstanding Benchmark Size: Canada vs. Ontario (as at December 02, 2011)

	Ontario		Canada	
	Rate	Amount	Rate	Amount
5 yr (old)	3.15% September 8, 2015	\$2.25 billion	2.5% June 1, 2015	\$9.0 billion
5 yr (new)	3.2% September 8, 2016	\$1.0 billion	2.0% June 1, 2016	\$9.9 billion
10 yr (old)	4.0% June 2, 2021	\$9 billion	3.25% June 1, 2021	\$11.5 billion
10 yr (recently issued)	3.15% June 2, 2022	\$1.5 billion	2.75% June 1, 2022	\$5.0 billion
Long (old)	4.6% June 2, 2039	\$9.7 billion	5.0% June 1, 2037	\$14.0 billion
Long (new)	4.65% June 2, 2041	\$11.65 billion	4.0% June 1, 2041	\$15.8 billion

Source: Bloomberg

2011–12 Ontario International Borrowing

- In 2011–12, the Province borrowed \$6.2 billion so far in international markets.



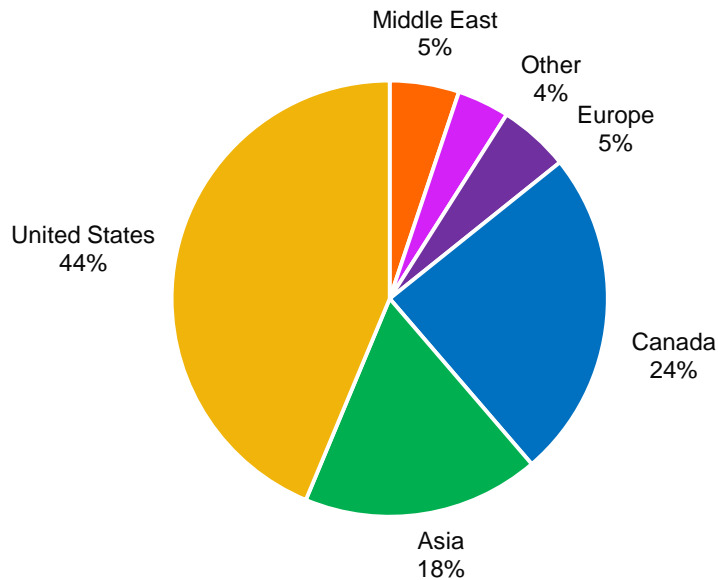
Note: Numbers may not add due to rounding

Source: Ontario Financing Authority

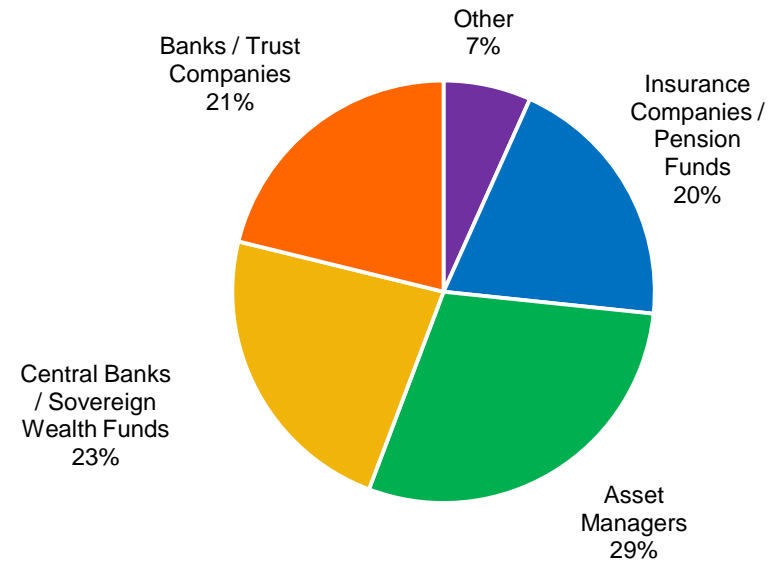
2011–12 U.S. Dollar Market

- Since 1991, core market with several issues annually
- Increased benchmark size starting in 2009–10
- U.S. dollar investors diversified both geographically and by type

USD¹ by Geography



USD¹ by Investor Type



¹ Ontario U.S. dollar-denominated bonds issued in 2011–12 as of November 23, 2011.

Source: Ontario Financing Authority

U.S. Dollar Market

2010–11 U.S. dollar Issuance

Size	Coupon	Maturity
USD 3.5 billion	1.375%	January 27, 2014
USD 1.25 billion	3.15%	December 15, 2017
USD 1.25 billion	1.875%	September 15, 2015
USD 2.5 billion	2.70%	June 16, 2015
USD 0.5 billion(FRN)	3-month U.S. LIBOR +16 basis points	May 7, 2013
USD 2.0 billion	4.40%	April 14, 2020

2011–12 U.S. dollar Issuance

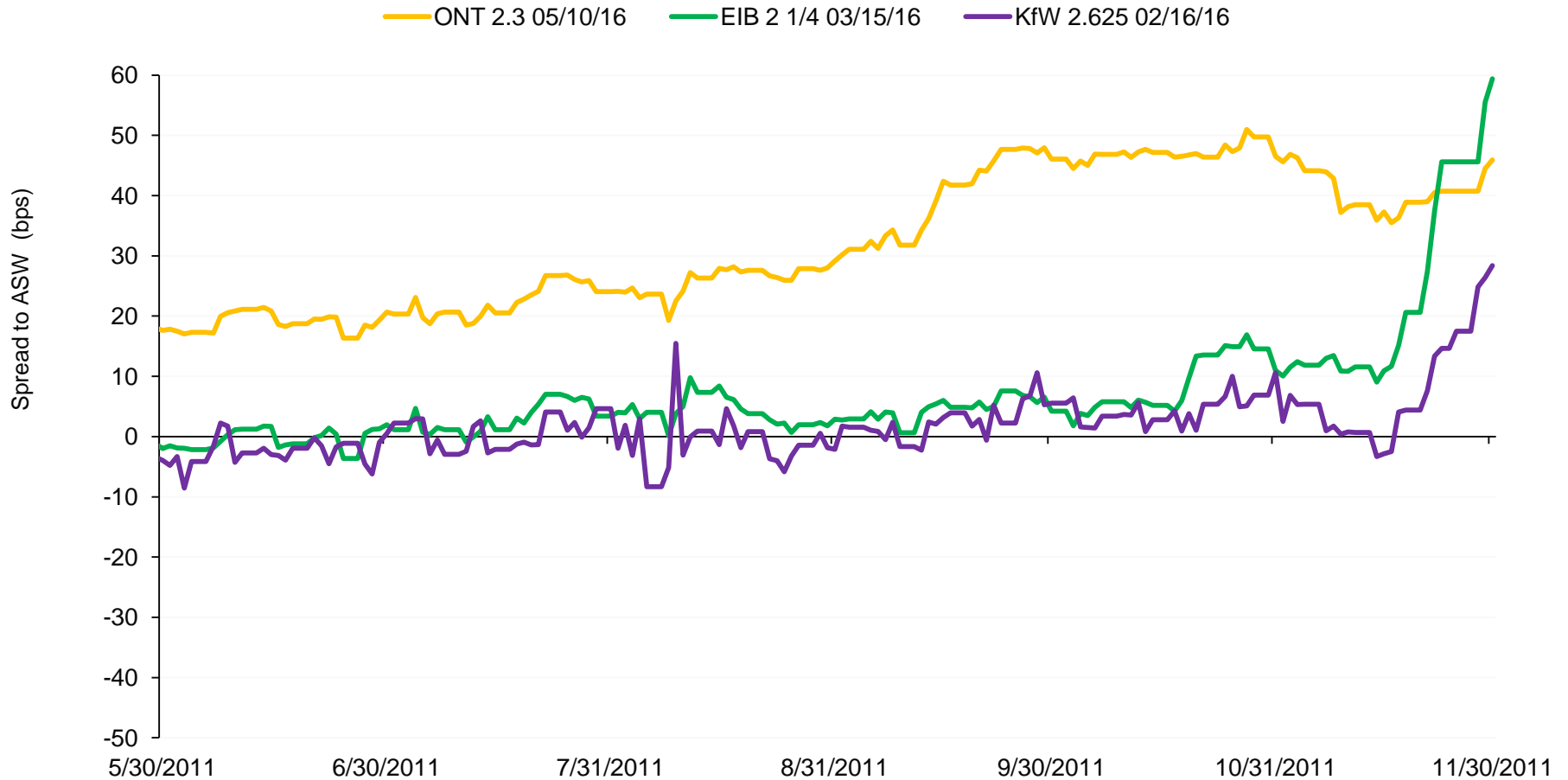
Size	Coupon	Maturity
USD 3.0 billion	2.3%	May 10, 2016
USD 1.0 billion	3.0%	July 16, 2018
USD 2.0 billion	1.6%	September 21, 2016

- Ontario has been expanding its U.S. dollar global investor base which has allowed it to increase its benchmark issue size while still offering attractive spreads and the potential of positive spread performance.
- Issues have tended to be oversubscribed, with some deals having more than 100 investors

Source: Ontario Financing Authority, November 23, 2011

U.S. Dollar – Performance

Asset Swap Spread: 5-Year U.S. Dollar

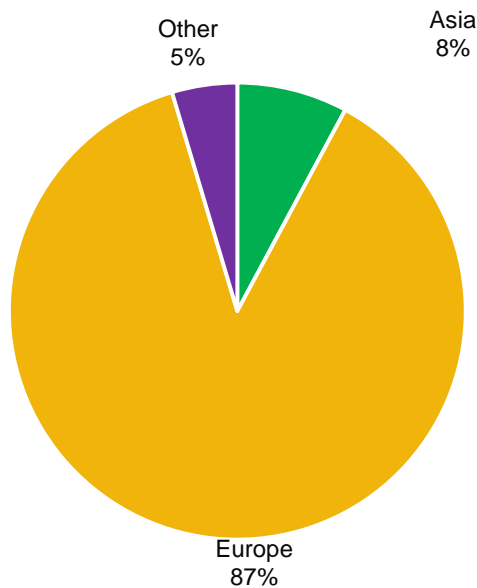


Source: Bloomberg Analytics, November 30, 2011

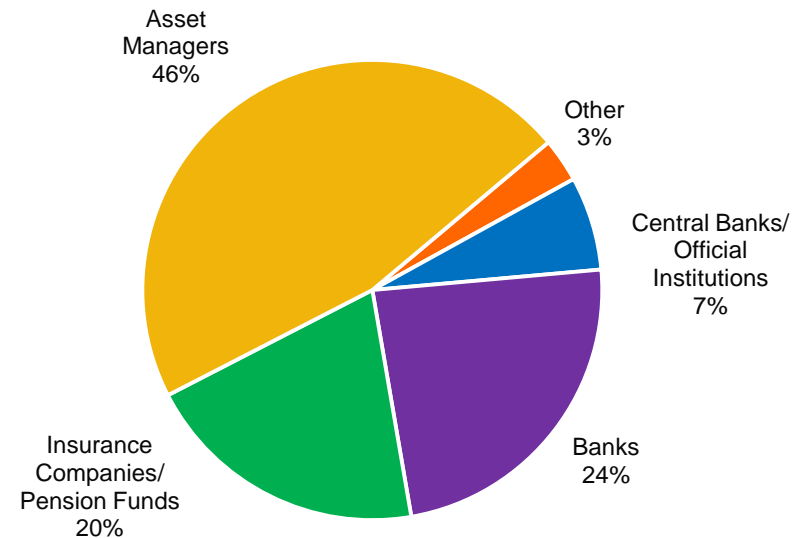
2010–11 Euro Market

- Core market for Ontario with more regular issuance over the past two years
- Provides good opportunity to expand investor base and diversify across Europe

euro¹ by Geography



euro¹ by Investor Type



Note: Numbers may not add due to rounding

¹ Ontario euro-denominated bonds issued in fiscal 2010–11

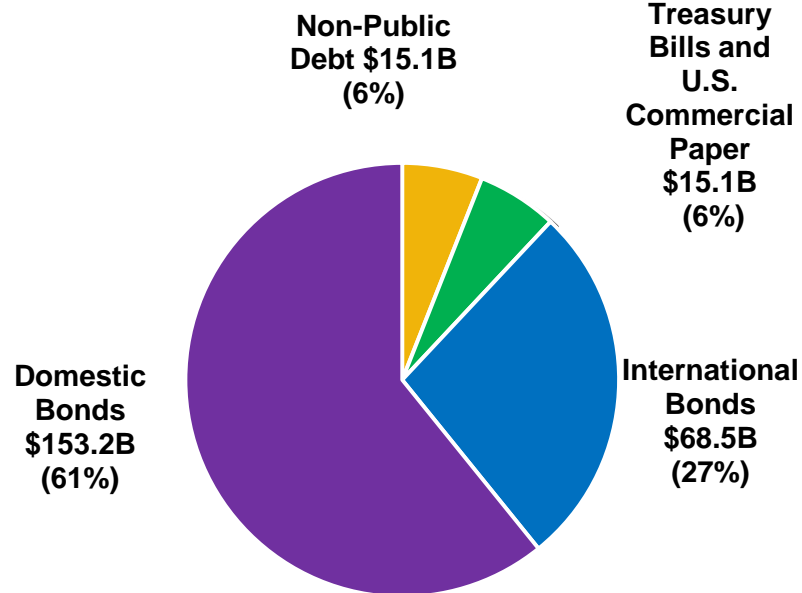
Source: Ontario Financing Authority

Total Debt Composition

C\$ 251.9 Billion
(as at September 30, 2011)

International bonds

- Canadian dollar
- U.S. dollar
- Euro
- Swiss franc
- Japanese yen
- U.K. pound sterling
- Australian dollar
- Norwegian kroner
- New Zealand dollar
- Hong Kong dollar
- South African rand



- Domestic bonds
- Syndicated bonds
- Medium-term notes
- Floating rate notes
- Ontario Savings Bonds
- Bond auctions
- Real return bonds

Source: Ontario Financing Authority

Risk Management

- Foreign exchange exposure of 1.1 per cent of outstanding debt as at September 30, 2011. Policy limit is 5.0 per cent of debt
- Floating rate exposure of 5.76 per cent as at September 30, 2011 (i.e., net floating rate exposure plus debt maturing within one year). Policy limit is 35.0 per cent of debt
- Monitor and manage debt maturity profile to limit refinancing risk
- Strict credit limits for financial and investment counterparties
- Developing collateralized swap agreements for swap counterparties
- Ontario treasury bills and U.S. commercial paper are very well received in the money markets and provide additional borrowing capacity if required.

Note: Excludes OEFC debt

Credit Ratings

	Current Ratings (Long-Term / Short-Term)
S&P	AA - / A-1+
Moody's	Aa1 / P-1
DBRS	AA (low) / R-1 (mid)

- Ontario's debt has a zero risk-weighting in Canada, U.S., Australia, Singapore, U.K., France, Germany, Italy, Luxembourg, Belgium, Norway, Finland, Denmark and Ireland.

Summary

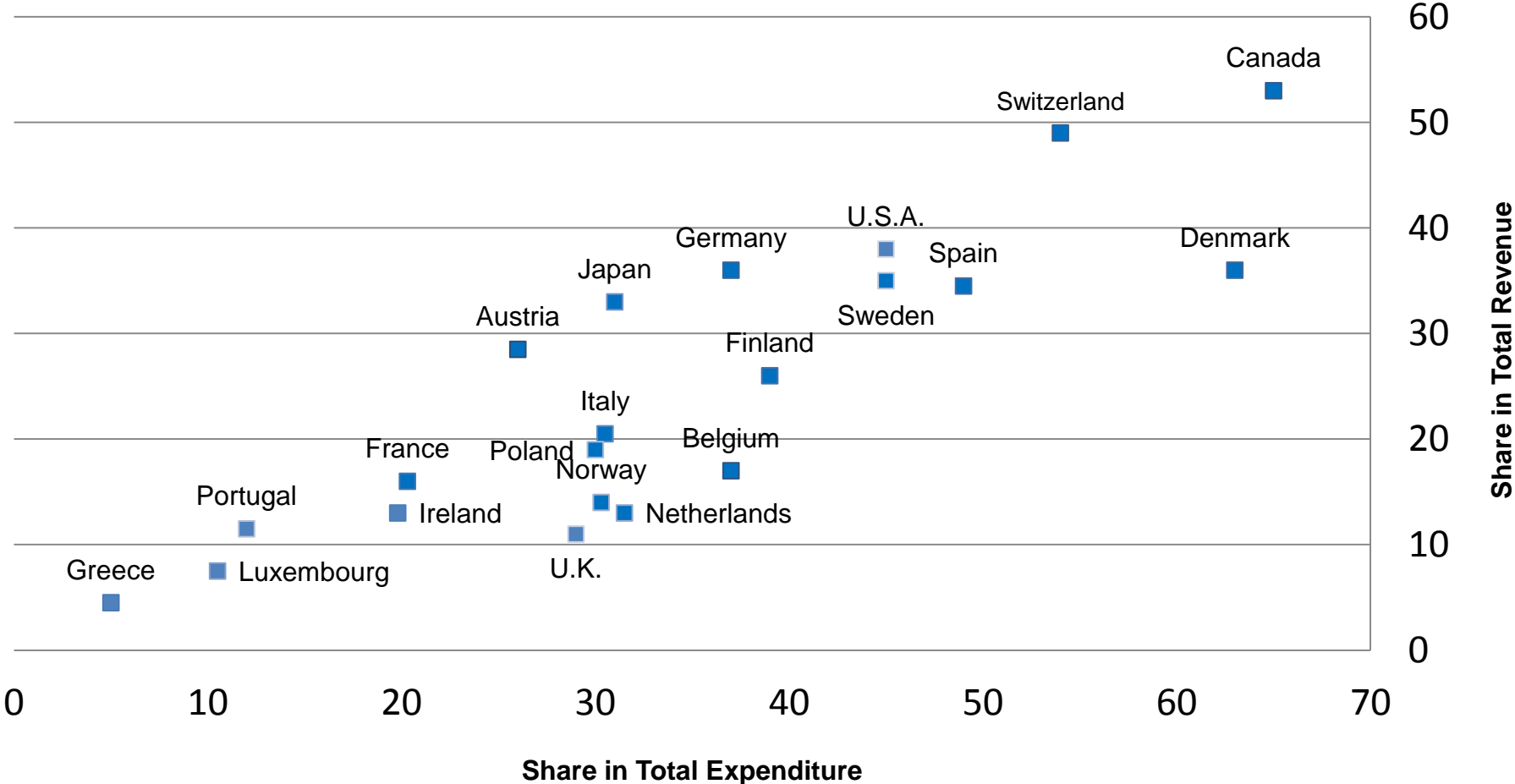
- Backed by Ontario's diverse economy, Ontario bonds offer an attractive combination of safety, liquidity and yield.
- Ontario's flexible fiscal policy and extensive taxation powers allow for greater financial autonomy than many other sub-national issuers.
- Relative to its peers, Ontario's economic performance and potential for growth remains positive.
- Further information is available on the Ontario Financing Authority website:

www.ofina.on.ca

APPENDIX

Sub-Central Governments Play Significant Role in Public Finance

Sub-Central Governments' Share in General Government Revenues and Expenditures*



*OECD National Accounts and U.S. Bureau of Economic Analysis (data based on 2006 or latest year available; revenue excludes transfers received from other levels of government; and expenditure excludes transfers paid to other levels of government)

Source: Blöchliger, H. et al. (2010), "Sub-central Governments and the Economic Crisis: Impact and Policy Responses", OECD Economics Department Working Papers, No. 752.

Federal vs. Provincial Division of Powers

- Expenditure responsibilities of federal and provincial governments are described in the *Constitution Act, 1867*
- Provincial government responsible for: hospitals, health care, education (including universities and colleges), highways, social programs and municipal governments
- Provinces retain discretion over expense decisions and are free to modify their expenses to meet policy objectives
- Provinces have ability to borrow, but do not control monetary policy
- Provincial governments do not require a vote or supermajority, as in some American states, to raise revenues or cut expenses

“Unfettered access to a broad range of tax bases and the ability to alter expenditure programs provide Ontario, and all Canadian provinces, with a high degree of fiscal policy flexibility that is more akin to that of sovereign governments than to many of their international sub-sovereign peers.”

Moody’s Investors Services

Federal Transfers to the Provinces

- Federal transfers to the Provinces support provincial program spending
- All Provinces receive health and social transfers from the federal government; some Provinces receive equalization payments
- Provinces have considerable flexibility in how transfer payments are used, in contrast to U.S. states which receive conditional transfers

Transfer	Used for..
Canada Health Transfer	Supporting health care spending in Provinces and territories
Canada Social Transfer	Supporting postsecondary education and social programs
Equalization	Addressing fiscal disparities among Provinces

Equalization

- Equalization is the federal government's transfer program for addressing fiscal disparities among Provinces.
- Ontario will receive a revised Equalization payment of \$2.2 billion in 2011–12. This is up from the \$972-million payment in 2010-11.
- Ontario's entitlement is \$170 per capita compared to other receiving-provinces whose average per capita entitlement is \$1,154.

Distribution of Taxation Powers

- Federal government has unrestricted power to levy taxes
- Provincial governments are limited to taxation within their provincial boundaries (i.e., income, sales, property and commodity taxes)
- Provinces have the authority to set their own tax policies. Under tax collection agreements with the Federal government, the federal government administers and collects Ontario's personal income (since 1962), corporate income (since 2009) and sales taxes (effective 2010)

	Federal	Ontario
Common revenue sources		
Personal income taxes	√	√
Corporate income taxes	√	√
Sales taxes	√	√
Payroll taxes	√	√
Unique provincial revenue sources		
Resource royalties within provincial jurisdiction		√
Gaming, liquor profits		√
Property taxes		√
Unique federal revenue sources		
Customs import duties	√	
Taxes on non-residents	√	

Source: Department of Finance Canada

Ontario compared to U.S. States

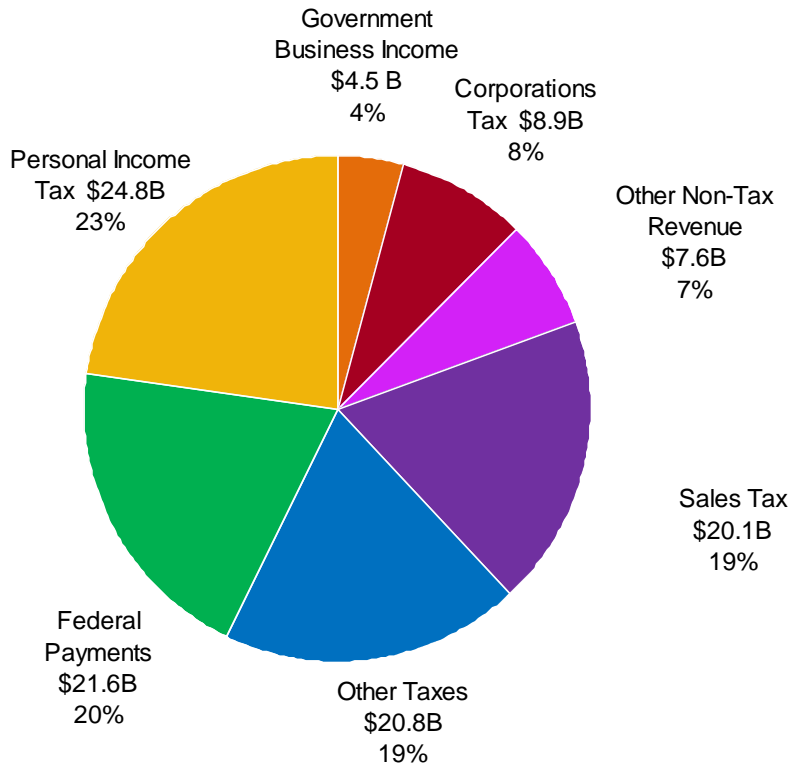
	ONTARIO	U.S. STATES
Credit Ratings	<ul style="list-style-type: none"> • Ontario is a strong investment grade credit and has a stable ratings outlook. • Moody's rating relies on joint default analysis which builds in the strong likelihood of federal support. • Despite higher debt levels, Ontario ratings are stronger than a number of U.S. states 	<ul style="list-style-type: none"> • Pressure on U.S. rating could negatively affect states. State and local credit ratings under pressure. • Moody's - downgrade to upgrade ratio - highest in 3 years. • Material differences in fiscal make-up are an important reason why the two are not considered peers by credit rating agencies.
Financing	<ul style="list-style-type: none"> • Well developed access to international capital markets. • Sophisticated debt management practices – fixed and floating rate debt, public and private placement. • All bonds issued by the province are General Obligation Bonds 	<ul style="list-style-type: none"> • Bonds are often tied to certain revenue streams. • Issuing General Obligation Bonds may require voter approval or legislative backing.
Federal Support	<ul style="list-style-type: none"> • Strong federal partner. Federal transfers for health, social and equalization. • Transfers account for about 20% of revenues and province has considerable flexibility in how funds are used. • Federal transfers more secure - multi-year formula agreements. 	<ul style="list-style-type: none"> • Federal support could be jeopardized by cutbacks which increases uncertainty. • U.S. states receive conditional transfers. • No federal program aimed explicitly at reducing the disparities in state fiscal capacity.
Public Pensions	<ul style="list-style-type: none"> • Canada's Pension Plan is fully funded with total assets of \$148 billion at the end of 2010–11, increasing \$20 billion last year. • Joint trusteeship for Ontario Teachers Pension Plan and Ontario Public Service Union. Sole sponsor of the Public Service Pension Plans. • Ontario's pension plans have net assets of \$5.4 billion on a PSAB accounting basis. On a valuation basis, they have a small unfunded liability with special payments being made over 15 years to fund the shortfall. 	<ul style="list-style-type: none"> • U.S. Social Security Trust Fund has a large unfunded liability. • Large unfunded pension liability and growing post-employment liability. Aggressive discount rate assumptions. • Governments are raiding pension funds to meet budget pressures.

Ontario compared to U.S. States – Cont'd

	ONTARIO	U.S. STATES
Spending	<ul style="list-style-type: none"> • Constitutional authority over health and education spending which accounts for close to two-thirds of spending. • Federal government provides support for health and social spending 	<ul style="list-style-type: none"> • Health care and education funded by private sector and various levels of government. • Dedicated tax structure funds education
Revenue	<ul style="list-style-type: none"> • Ontario's taxation powers is akin to sovereign nations. • Unfettered access to broad range of tax base including: personal and corporate income tax, sales, payroll and property taxes. • Simple majority of legislature required to raise taxes which gives the province a high degree of fiscal policy flexibility 	<ul style="list-style-type: none"> • Limitations under state constitutions to levy and collect taxes vary widely. • Voter approval required to raise taxes. Some states require super majority in legislature or even a referendum to raise taxes which severely limits flexibility. • Revenue sources include: personal and corporate income tax. Most states collect sales tax and some states collect property taxes.
Balanced Budget	<ul style="list-style-type: none"> • Financial Transparency and Accountability Act (FTAA) requires the government to develop a recovery plan for achieving a balanced budget. • Can use fiscal policy as shock absorber in times of economic weakness. • Planning assumptions are conservative, prudence and contingency built in. Plan to return to balance by 2017–18. 	<ul style="list-style-type: none"> • All U.S. states, except Vermont, are prevented from planning for operating deficits, with fiscal restraints generally embedded in state constitutions or other legislation. • Fiscal tightening has put strain on weak economy and reduced liquidity. • Planning assumptions can be aggressive. Many states have relied on special balances/reserves to meet budget requirements and funds getting depleted.

Composition of Revenue – 2011–12

Revenue \$108.3B



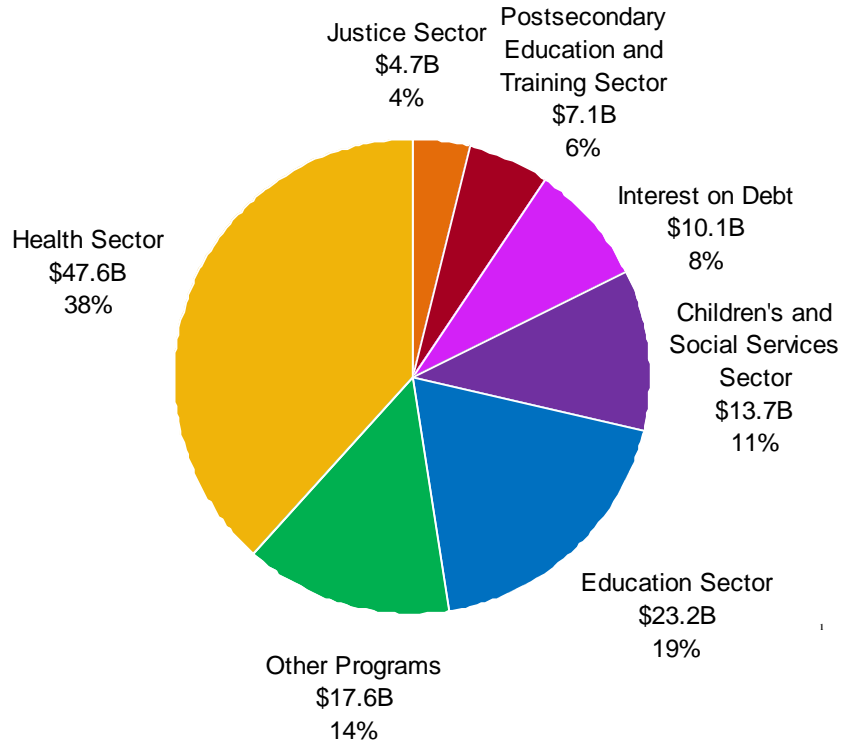
- Highly diversified revenue sources
- Revenues are beginning to recover
- Federal payments account for 20 per cent of total revenue
- Corporate taxes represent 8 per cent of revenue

Note: Numbers may not add due to rounding

Source: Ministry of Finance

Composition of Expense – 2011–12

Total Expense \$124.1B



Excludes Teachers' Pension Plan

Note: Numbers may not add due to rounding

- Health and education remain the largest expenses
- The government has appointed the Commission on the Reform of Ontario's Public Services to make recommendations on a fundamental review of the delivery of public services.

Source: Ministry of Finance

Ontario Asset Swap Levels

U.S. dollar Benchmark

Bond	Spread to LIBOR (bps)	Spread to TSY (bps)
ONT 1.375 per cent Jan. 2014	26.7	55.0
ONT 4.1 per cent June 2014	33.8	68.0
ONT 4.5 per cent Feb. 2015	47.7	93.0
ONT 2.7 per cent June 2015	45.4	100.0
ONT 1.875 per cent Sept. 2015	41.0	102.0
ONT 4.75 per cent Jan. 2016	61.8	73.0
ONT 1.6 per cent Sept. 2016	59.0	91.0
ONT 4.95 per cent Nov. 2016	57.5	92.0
ONT 3.15 per cent Dec. 2017	63.3	126.0
ONT 4.0 per cent Oct. 2019	81.3	120.0
ONT 4.4 per cent April 2020	81.6	71.0

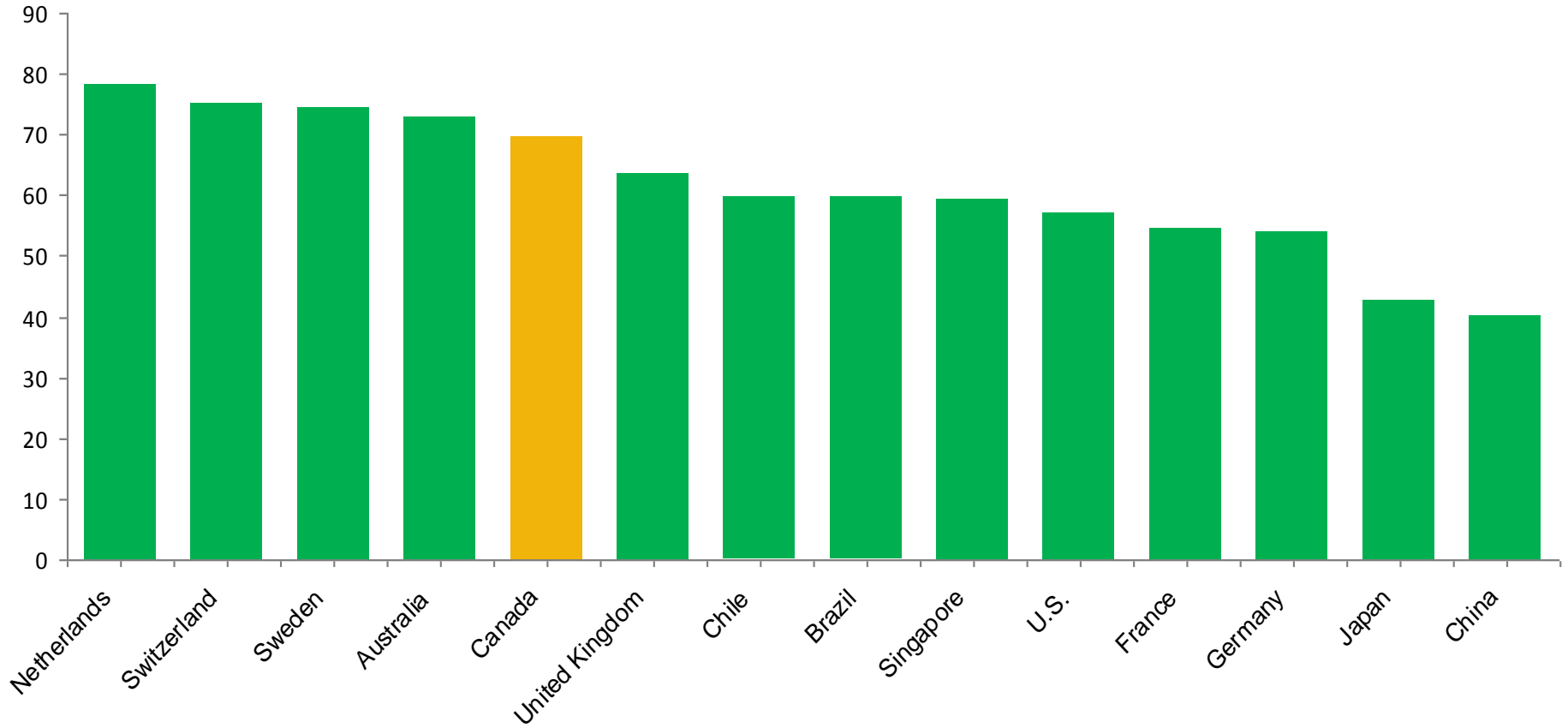
Source: Dealer daily run, December 01, 2011

Canada's Sound Pension System

- Canada has a well diversified, public & private pension system.
- The proportion of Canada's retirement incomes coming from private pensions and other financial assets is one of the highest among OECD countries.
- Canada highest ranking for all G7 nations and 5th overall in the latest Mercer Global Pension Index.
- The Canada Pension Plan is fully funded with total assets of \$148.2 billion at the end of 2010-11 and increased by over \$20 billion from the previous year.

Mercer Global Pension Index

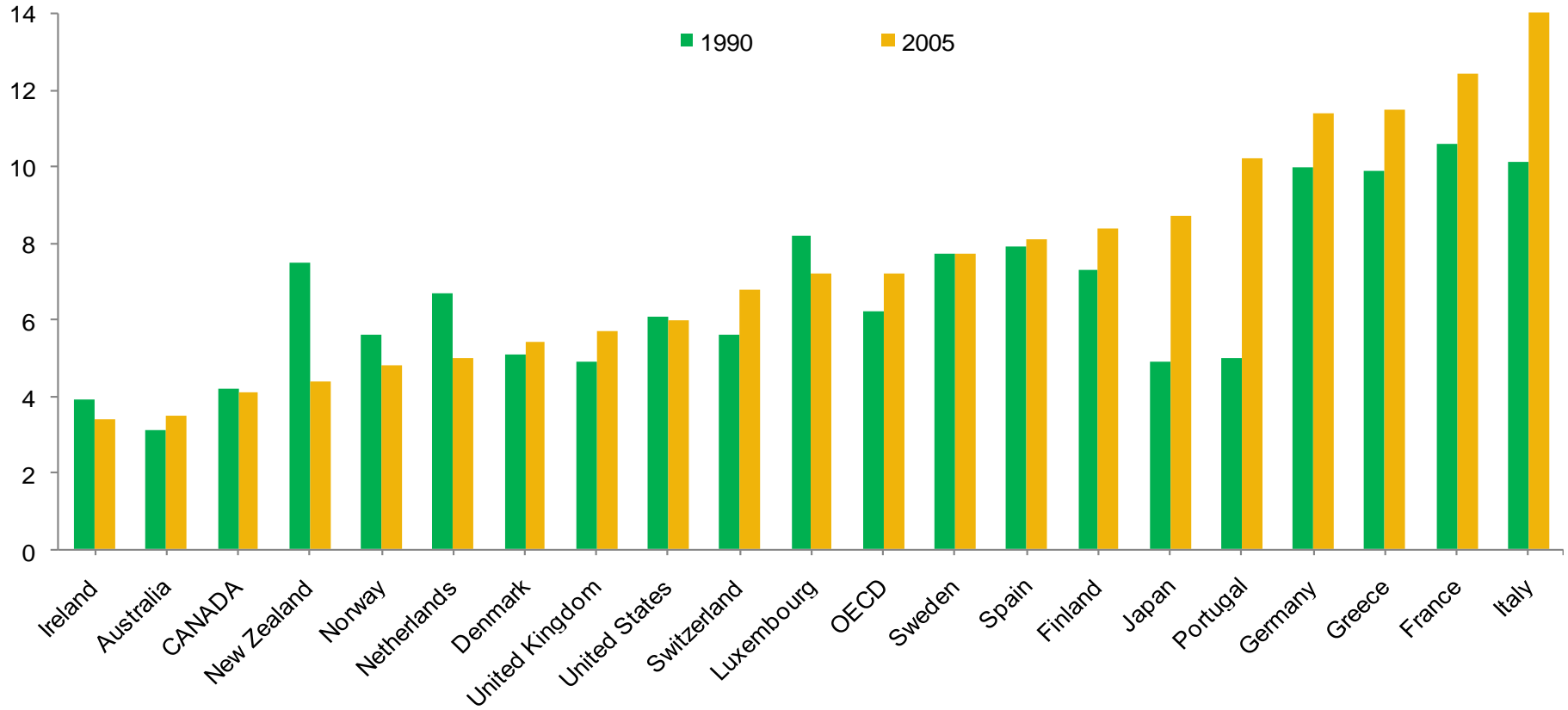
Overall rankings



Source: Australian Centre for Financial Studies (2010), *Melbourne Mercer Global Pension Index*

Public Expenditure on old-age benefits

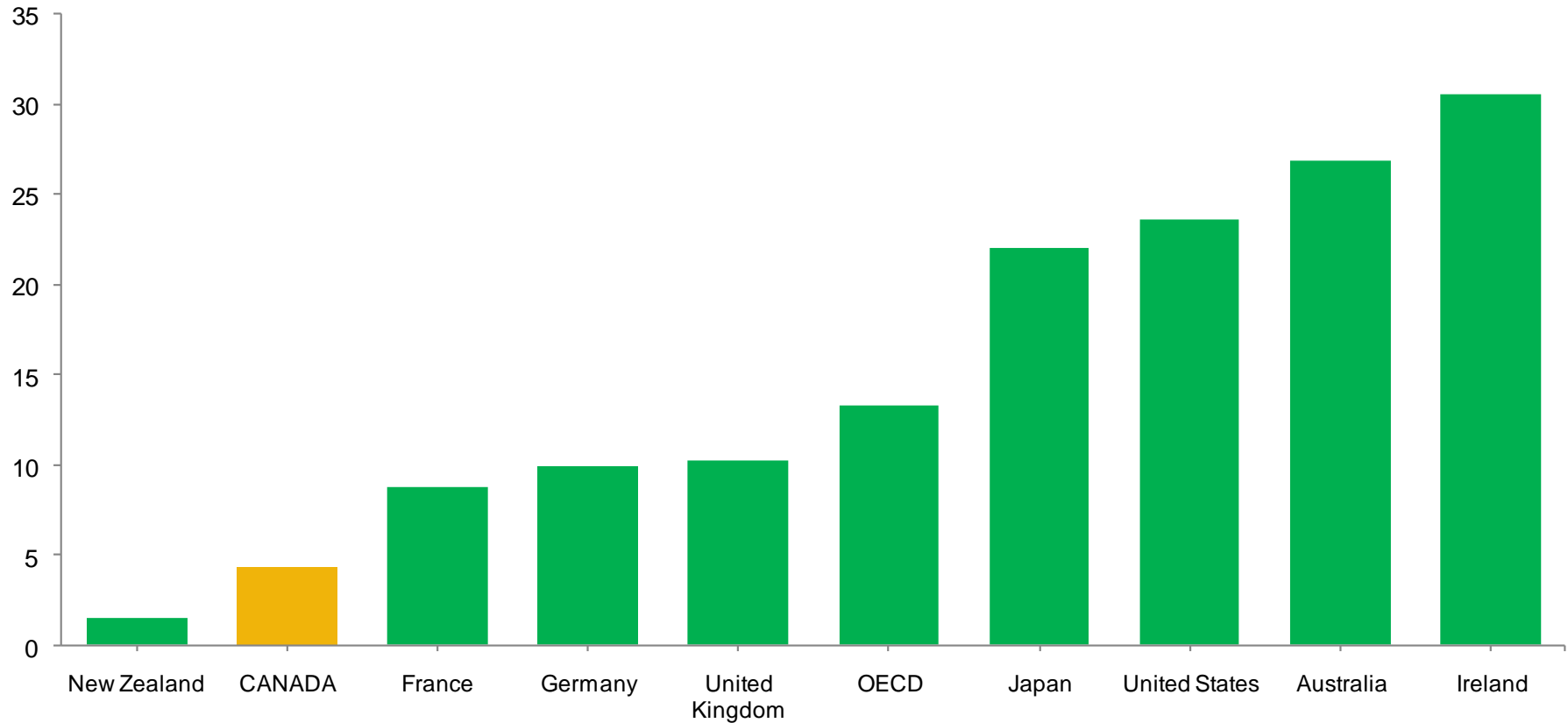
Per Cent of GDP



Source: *Pensions at a Glance 2009: Retirement-Income Systems in OECD Countries*

Old-age income poverty rates in an ageing society

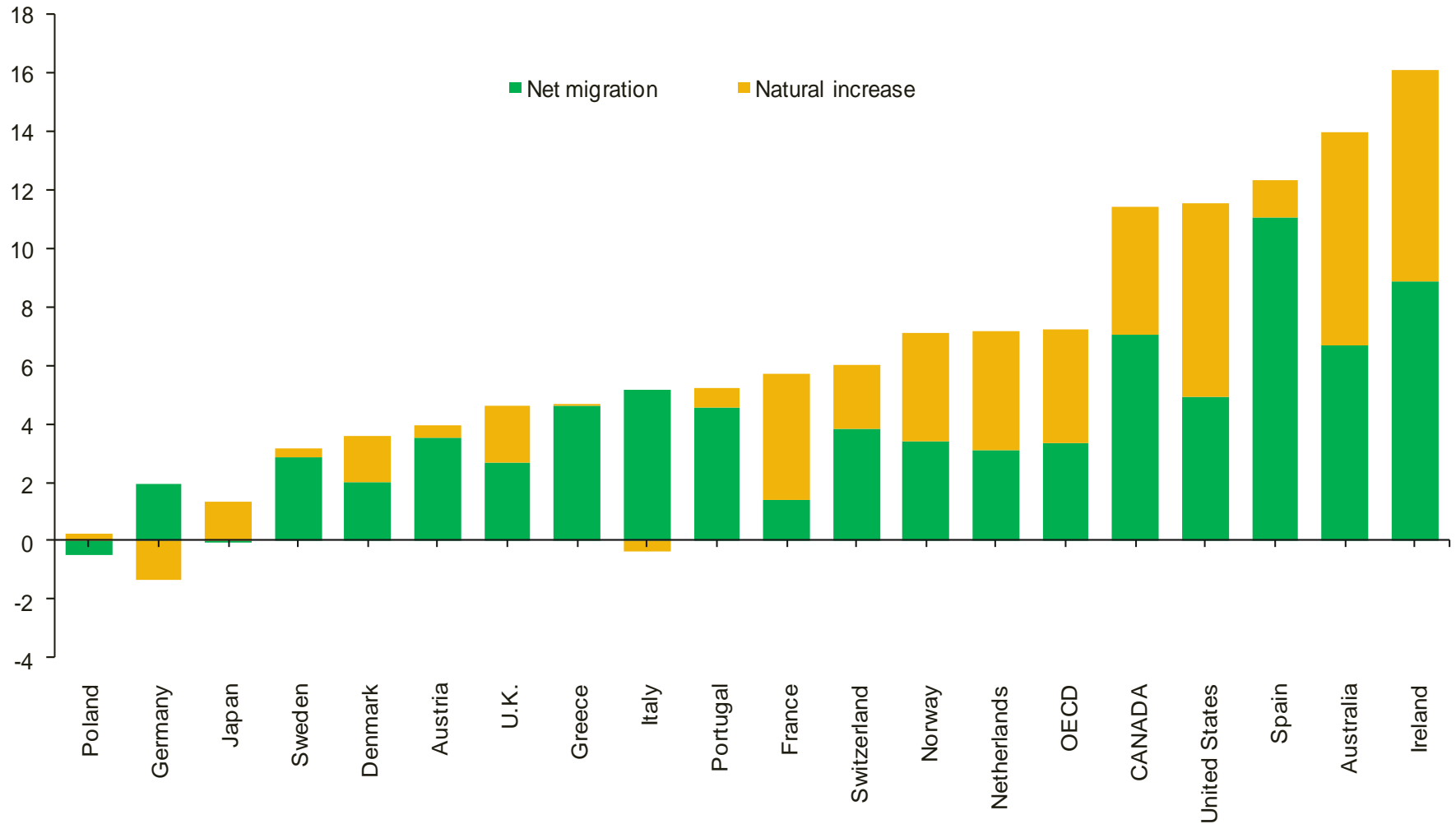
Per cent of population over 65 years old with incomes below half of the population median



Source: OECD (2009), *Pensions at a Glance: Retirement-Income Systems in OECD Countries*

Sustaining Population Growth through Migration

Percentage change in population 1996 to 2006 and contribution of net migration



Source: Society at a Glance 2009: OECD Social Indicators

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