



Ontario Financing Authority

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Ontario Economic Overview

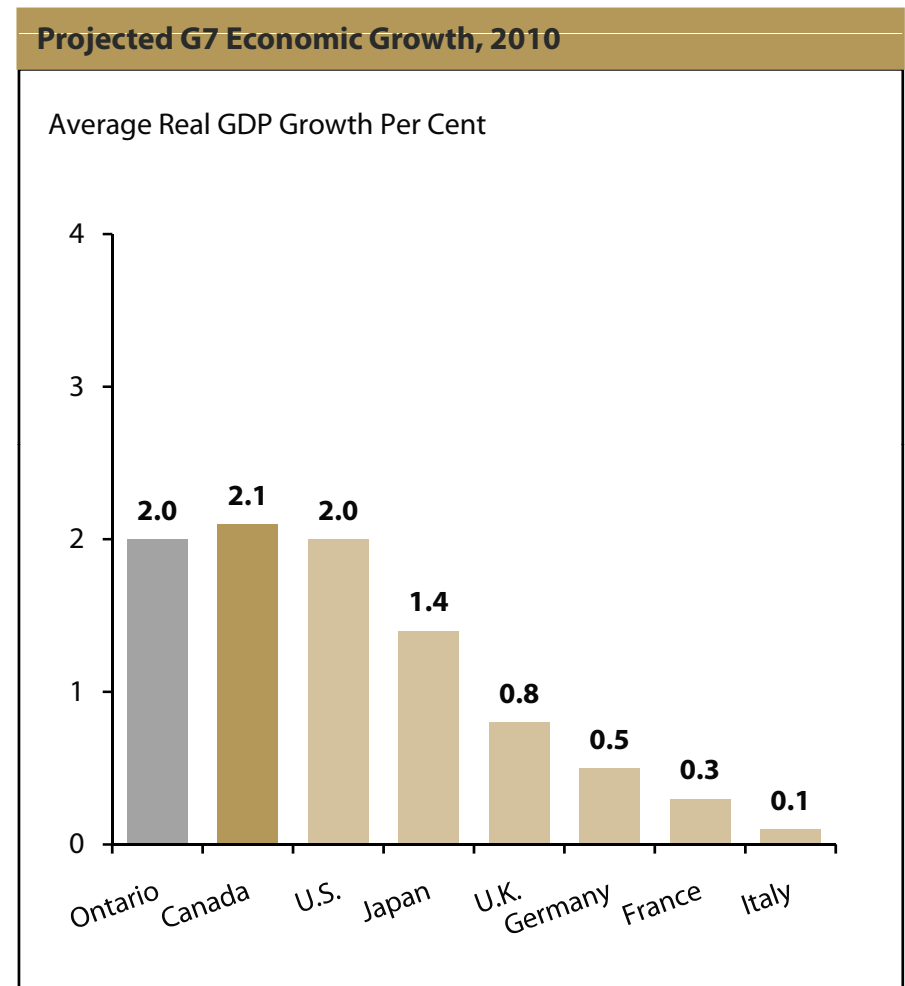
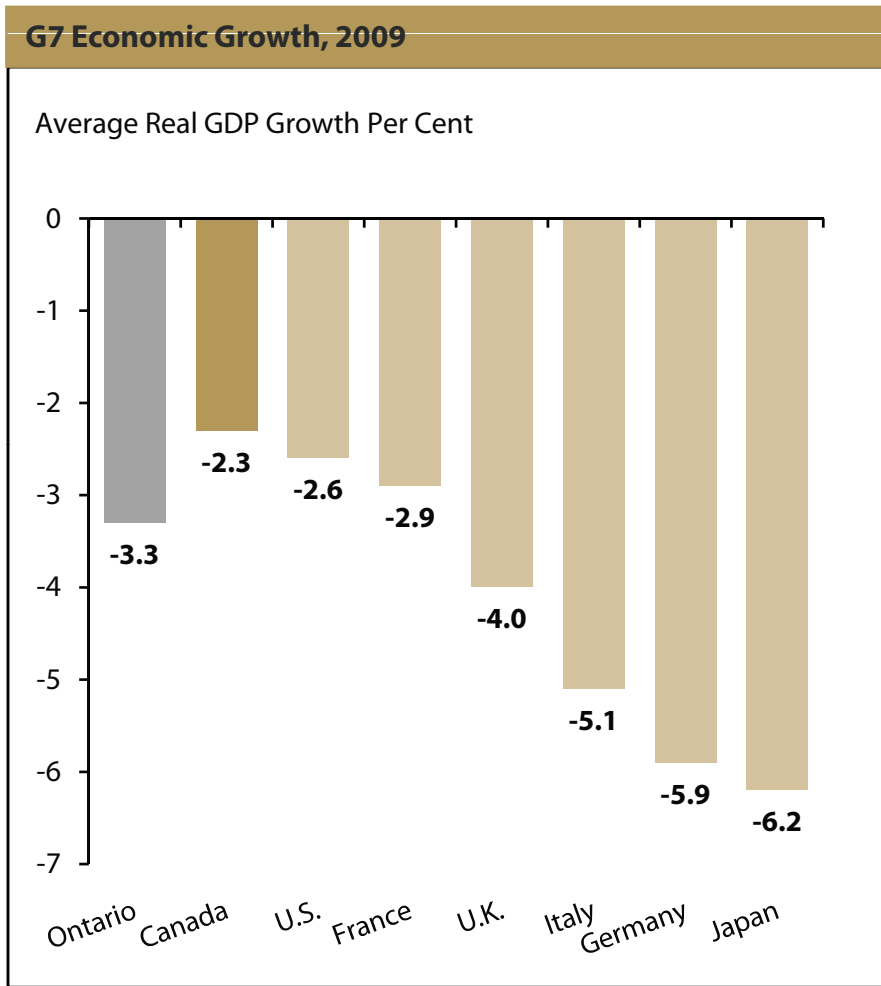


- Ontario is a prime location with close ties to major U.S. cities.
- Exceptionally well-educated and skilled labour force.
- Canada's business & financial services and manufacturing centre.
- 2009 Budget strengthens economy through infrastructure investment and tax reform.

Canada and Ontario Advantages

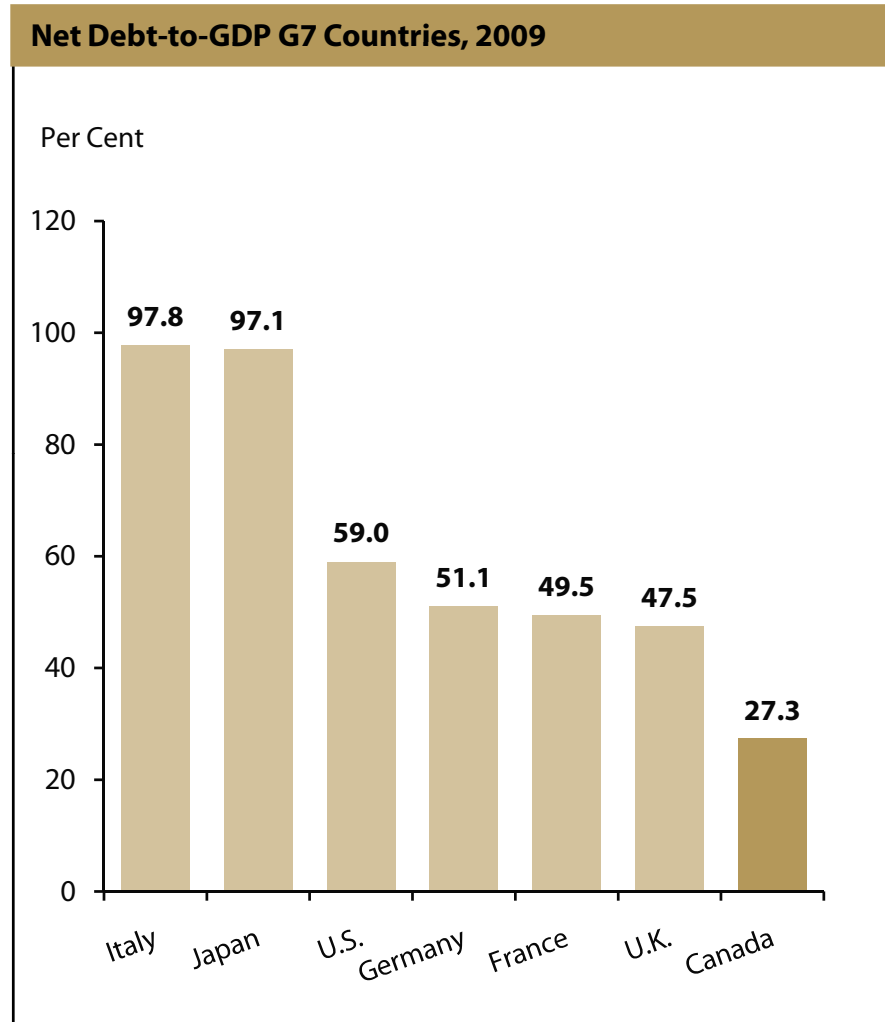
- Strong budgetary position. Canada's net debt-to-GDP is the lowest in the G-7.
- Projected deficit-to-GDP is forecast to be the second lowest among the G-7 (4.8%) in 2009.
- Stable prices and housing market. Canadian housing market slowing but has not collapsed like that of the US.
- One of the soundest banking systems in the world, according to a recent report by the World Economic Forum.

Resilient Economic Outlook

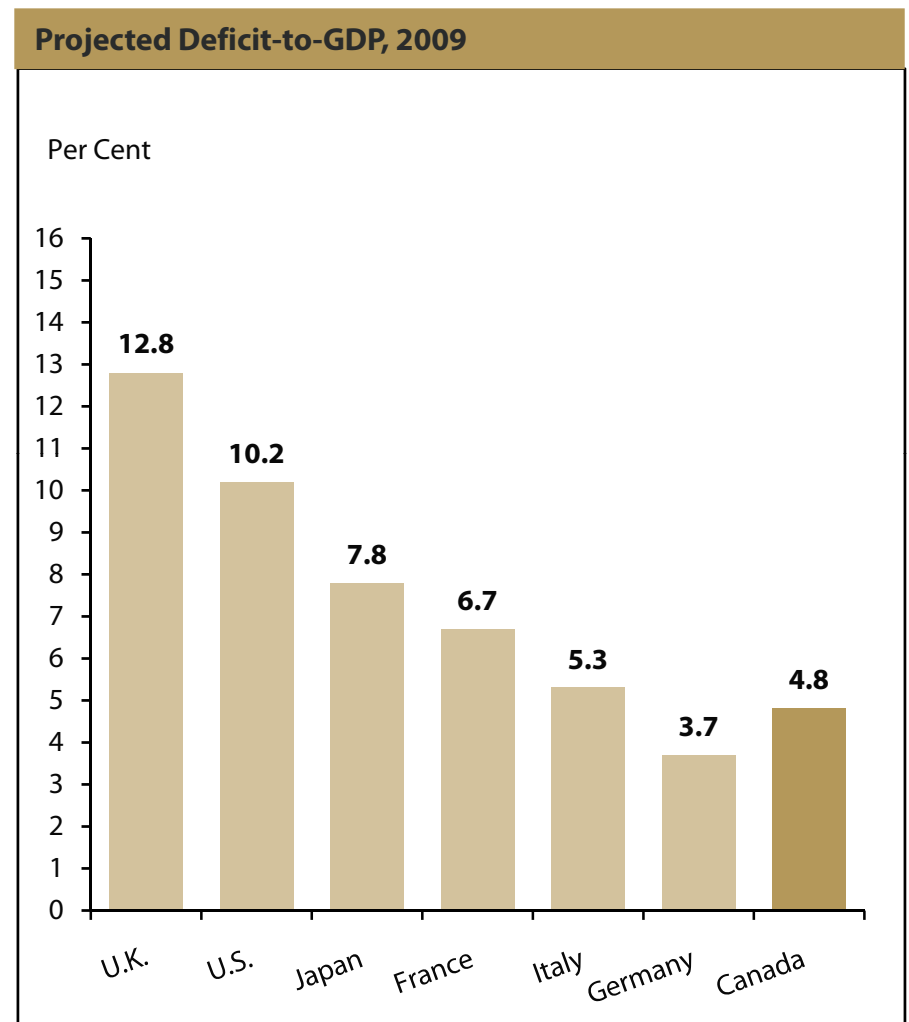


Sources: Consensus Economics (July 2009), Blue Chip Economic Indicators (July 2009), and Ontario Ministry of Finance, Survey of Forecasts (July 2009).

Strong Government Fiscal Position



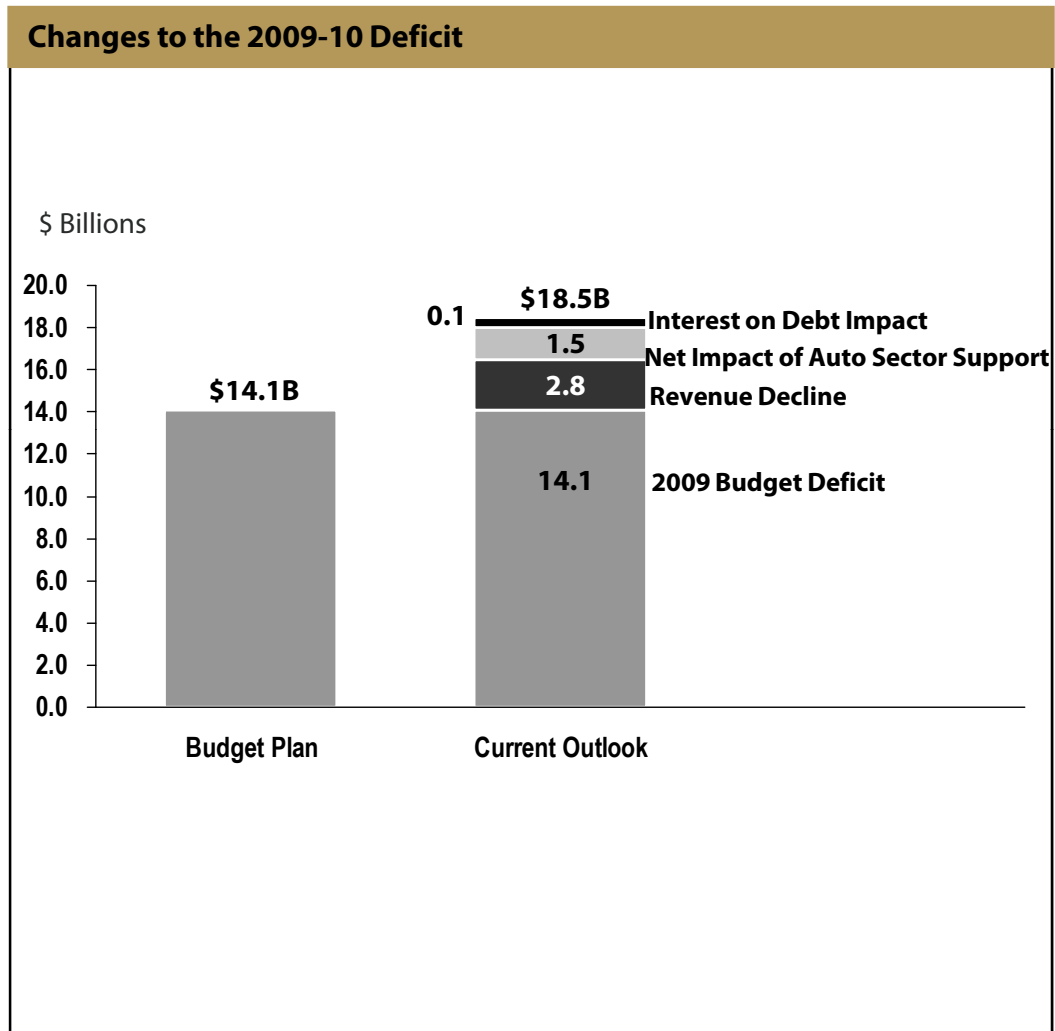
Source: OECD Economic Outlook (June 2009).



Source: OECD Economic Outlook (June 2009).

For Canada, the figures includes the federal-provincial and territorial government sectors, as well as the Canada Pension Plan and the Quebec Pension Plan.

Ontario's Fiscal Plan



- In the 2009 Ontario Budget, the government projected a \$14.1 billion deficit for 2009–10. Since then, a weaker-than-expected economy and further steps to support the automotive industry have increased the deficit projection to \$18.5 billion in 2009–10.
- This \$4.4 billion increase to the deficit for 2009–10 is primarily due to an approximately \$2.8 billion deterioration in the Province's revenue outlook as a result of a weaker economy, combined with an increase in total expense of \$1.5 billion to support the automotive sector and \$0.1 billion in higher interest on debt expense.
- The 2009 Ontario Budget set aside \$2.5 billion of the contingency funds in recognition of the challenges facing the auto sector. This put Ontario in a position to partially mitigate the estimated \$4.0 billion fiscal impact of the auto sector support.

2009-10 Fiscal Outlook

FISCAL SUMMARY (\$ Millions)	Interim 2008-09	2009-10		
		Budget Plan	Current Outlook	In-Year Change
Revenue	93,427	95,980	93,230	(2,750)
Expense				
Programs	88,463	99,579	101,124	1,545
Interest on Debt	8,854	9,301	9,406	105
Total Expense	97,317	108,880	110,530	1,650
Reserve	–	1,200	1,200	–
SURPLUS / (DEFICIT)	(3,890)	(14,100)	(18,500)	(4,400)
Net Debt ^{1,2}	149,357	169,830	174,230	4,400
Accumulated Deficit ³	109,507	123,607	128,007	4,400

1 Net Debt is calculated as the difference between liabilities and financial assets. The annual change in Net Debt is equal to the surplus/deficit of the Province plus the change in tangible capital assets, the change in net assets of hospitals, school boards and colleges and, effective April 1, 2007, the change in the fair value of the Ontario Nuclear Funds.

2 Net Debt is restated in 2005-06 to reflect the value of hydro corridor lands transferred to the Province from Hydro One Inc.

3 Accumulated Deficit is calculated as the difference between liabilities and total assets, including tangible capital assets and net assets of hospitals, school boards and colleges. The annual change in the Accumulated Deficit is equal to the surplus/deficit plus, effective April 1, 2007, the change in the fair value of the Ontario Nuclear Funds. Accumulated Deficit may also be adjusted from time to time for accounting changes, e.g., the consolidation of the Broader Public Sector entities in fiscal 2005-06.

2009-10 Borrowing Program

2009-10 Borrowing program: Province and OEFC (C\$ Billions)	Interim 2008-09	2009-10		
		Budget Plan	Current Outlook	In-Year Change
Deficit	3.9	14.1	18.5	4.4
Non-Cash Adjustments	1.9	(2.0)	(2.0)	0.0
Investment in Capital Assets	4.3	9.5	9.5	0.0
Net Loans/Investments	0.9	1.9	1.7	(0.1)
Debt Maturities:	20.3	14.7	14.8	0.1
Debt Redemptions	0.5	0.4	0.4	0.0
Total Funding Requirement	31.9	38.5	42.9	4.4
Canada Pension Plan Borrowing	(0.5)	(0.7)	(1.1)	(0.4)
Decrease/(Increase) in Short-Term Borrowing	(5.5)	(3.0)	(3.0)	0.0
Increase/(Decrease) in Cash and Cash Equivalents	2.8	0.0	0.4	0.4
Total Long-Term Public Borrowing Requirement	28.7	34.8	39.2	4.4

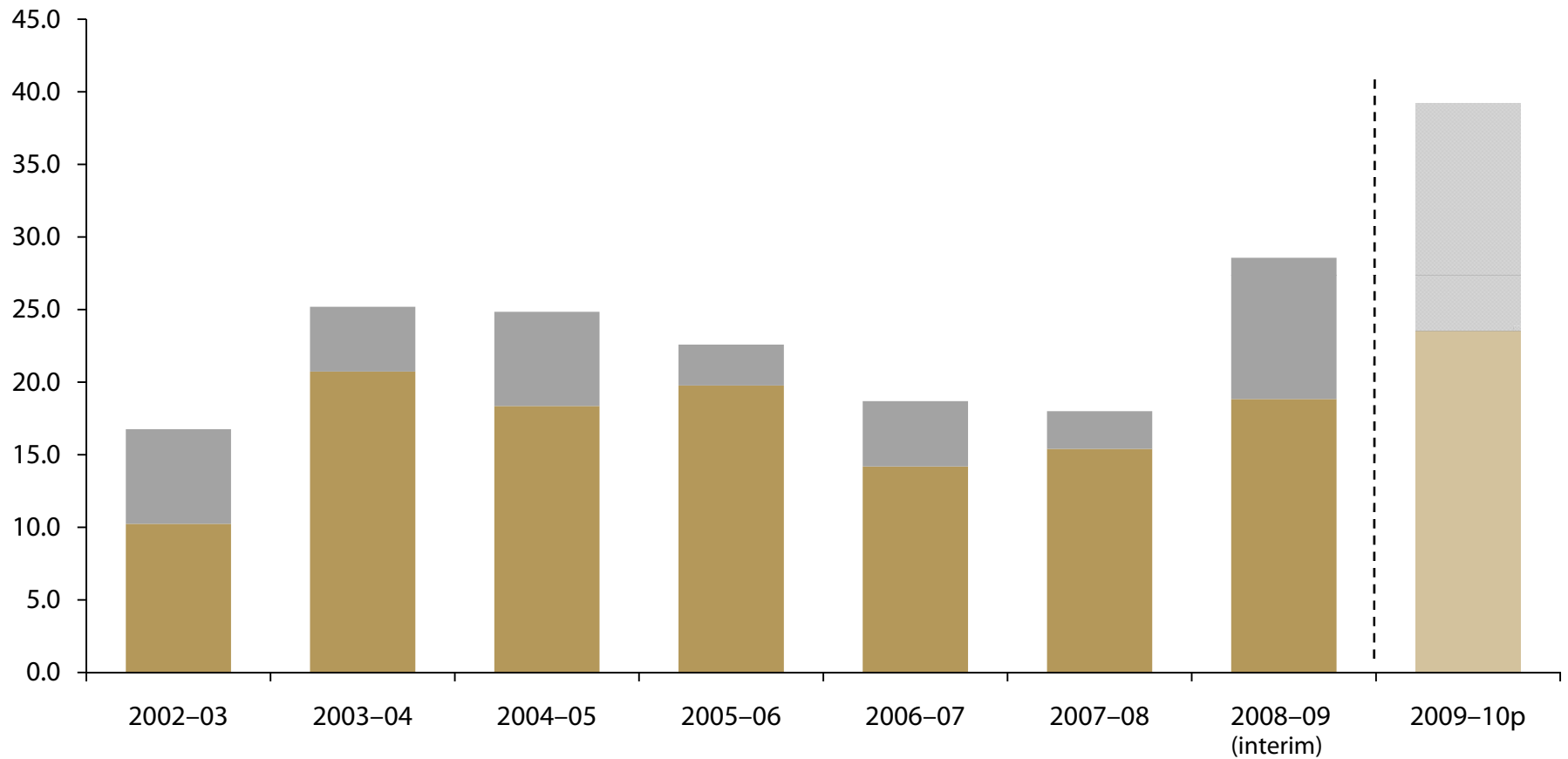
Note: Numbers may not add due to rounding.

Ontario Funding Overview

Annual Borrowing Program

(C\$ Billions)

■ Canadian dollar ■ Foreign currencies ■ Forecast Canadian dollar ■ Forecast foreign currencies

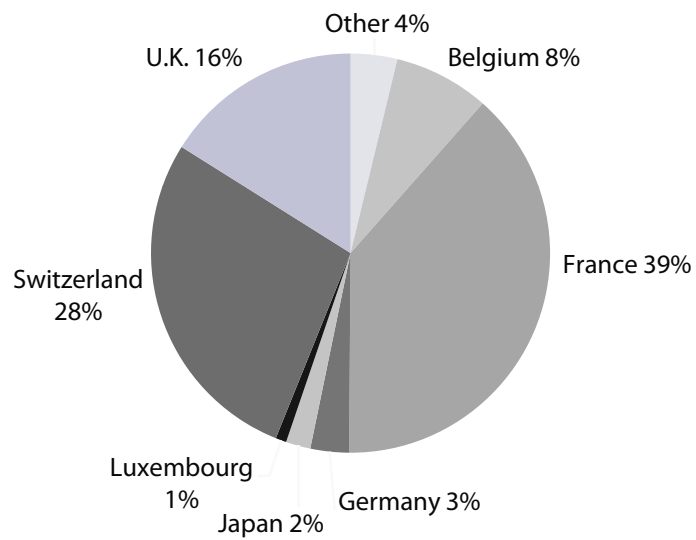


Ontario's debt has a zero risk-weighting in Canada, U.S., Australia, Singapore, U.K., France, Germany, Italy, Luxemburg, Belgium, Norway, Finland, Denmark and Ireland. It has a 20% risk weighting in Malaysia, the Netherlands and Switzerland.

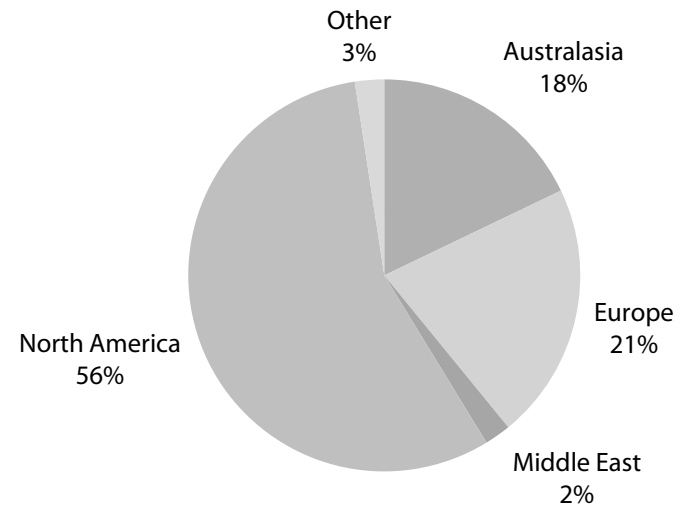
July 2009

Global Distribution

Euro By Geography



USD By Geography

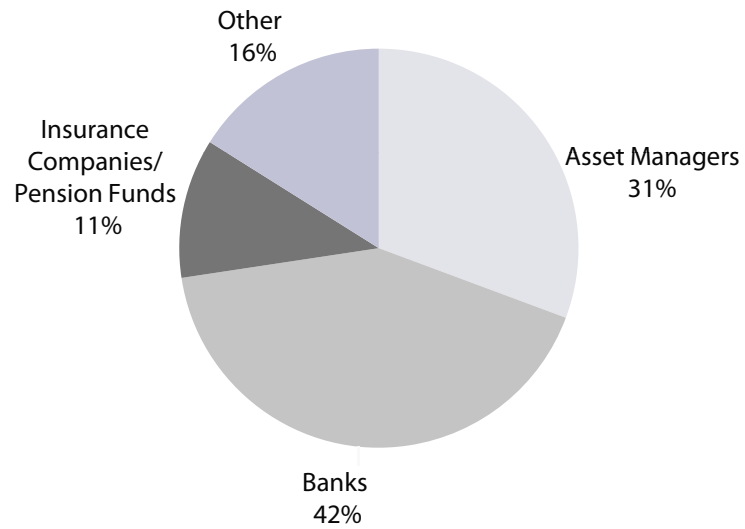


July 2009

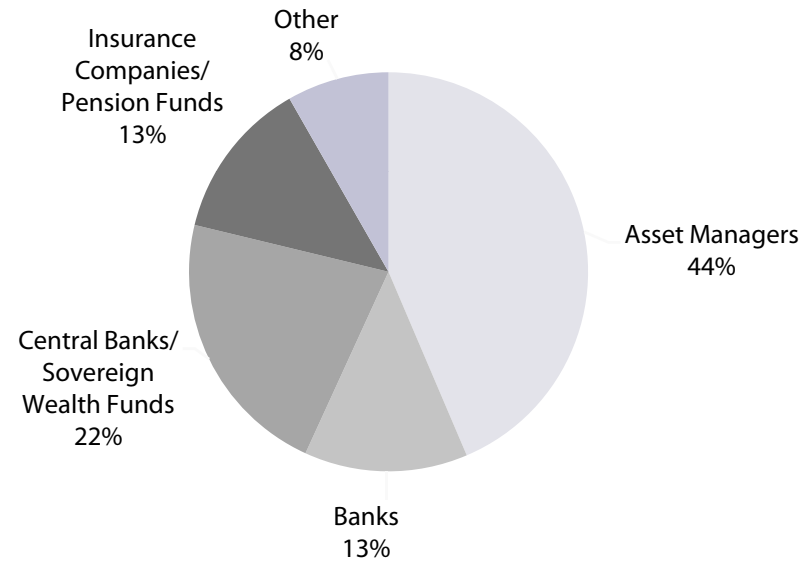
Source: Ontario Financing Authority.

Global Distribution

Euro By Investor Type



USD By Investor Type

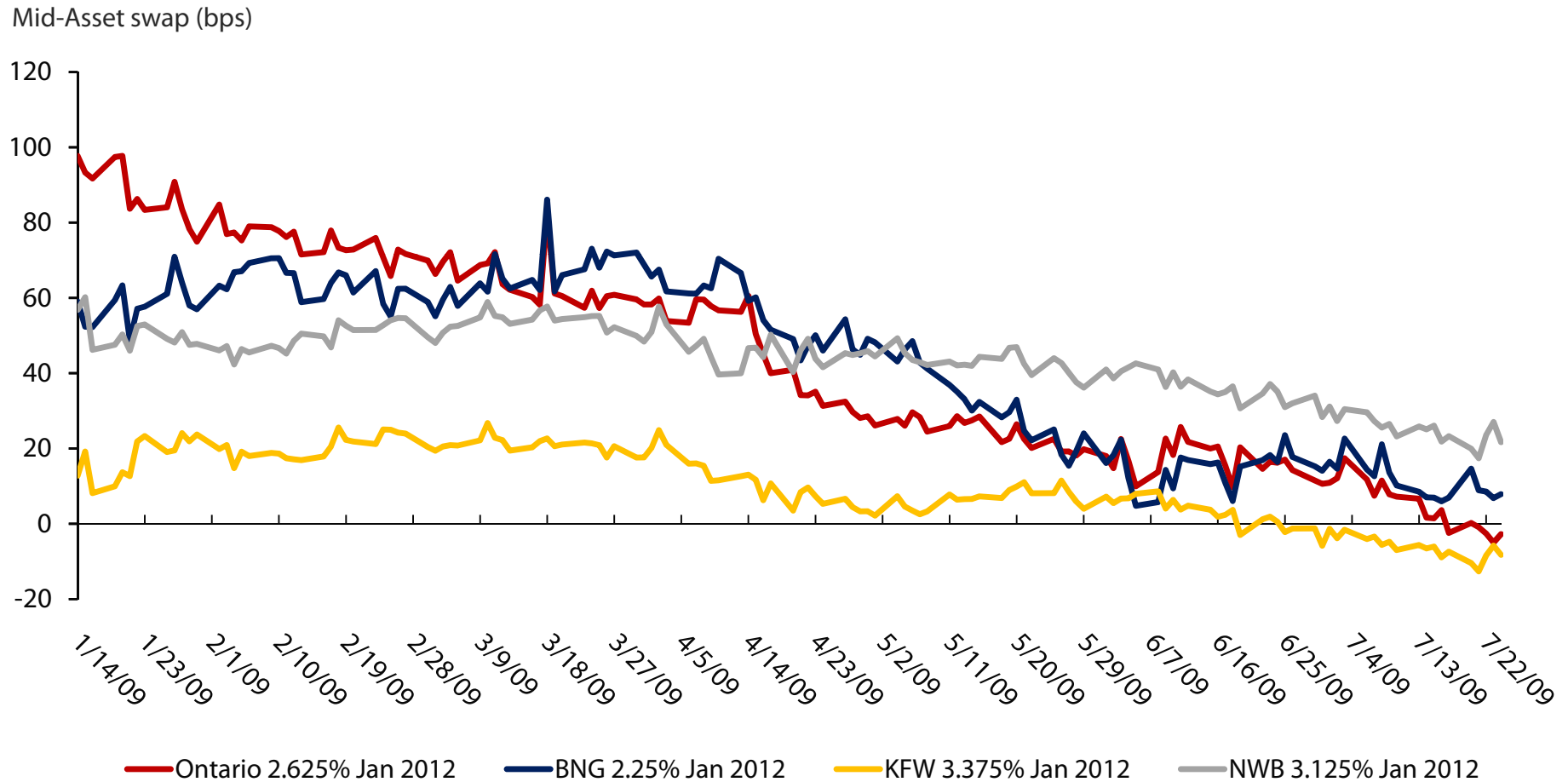


July 2009

Source: Ontario Financing Authority.

Performance

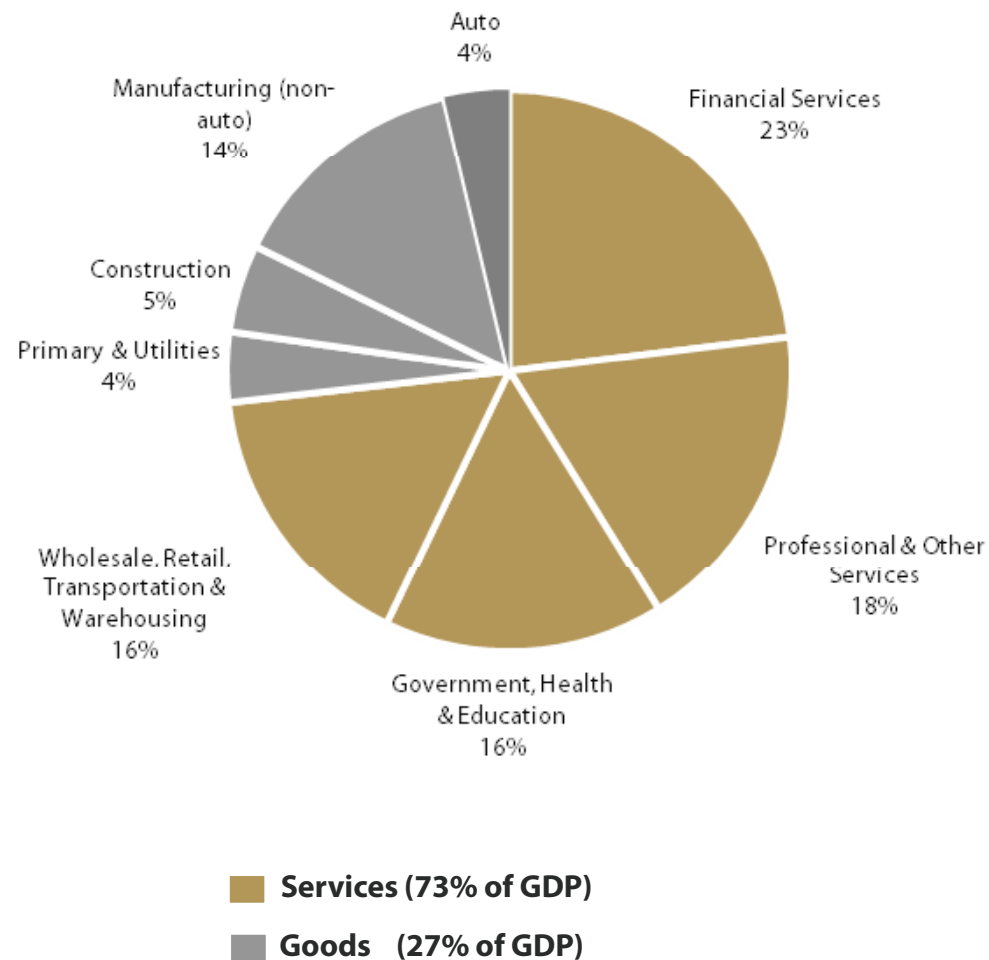
Ontario 3-yr USD versus BNG, KFW and NWB



Source: Bloomberg, July 2009

APPENDIX

Diversified Economy



- C\$588 billion economy.
- Averages about 40% of Canada's GDP and population.
- Autonomous direct taxation powers.
- Safe, stable government credit.

Source: Ontario Ministry of Finance.

Ontario Economic Outlook

Ontario Economic Outlook (Per Cent)	2004	2005	2006	2007	2008	2009p	2010p	2011p
Real GDP Growth	2.6	2.9	2.4	2.1	(0.5)	(3.3)	2.0	3.7
Nominal GDP Growth	4.7	4.1	4.1	4.5	0.5	(3.7)	3.2	5.3
Employment Growth	1.7	1.3	1.5	1.6	1.4	(2.9)	0.2	2.4
Unemployment Rate	6.8	6.6	6.3	6.4	6.5	9.5	10.1	9.1
CPI Inflation	1.9	2.2	1.8	1.8	2.3	0.5	1.9	2.1

p = private-sector average.

Sources: Statistics Canada, Ontario Ministry of Finance, and Ontario Ministry of Finance Survey of Forecasts (July 22, 2009).

Benchmark Comparison

Outstanding Benchmark Size: Canada versus Ontario (C\$)

	Ontario		Canada	
5 year	5.0% March 8, 2014	\$6.3 billion	3% June 1, 2014	\$16 billion
10 year	4.4% June 19, 2019	\$2.4 billion	3.75% June 1, 2019	\$13.1 billion
Long	5.6% June 2, 2035	\$7.0 billion	5.75% June 1, 2033	\$13.4 billion
Long	4.6% June 2, 2039	\$4.3 billion	5% June 1, 2037	\$14.0 billion

July 2009

Ontario Mid-Asset Swap

USD Benchmark

Bond	Mid-Asset Swap (bps)
ONT 5.0% Oct. 2011	-4.5
ONT 2.625% Jan. 2012	-2.0
ONT 4.95% June 2012	+15.0
ONT 5.125% July 2012	+12.0
ONT 4.375% Feb. 2013	+35.0
ONT 4.5% Feb. 2015	+16.1
ONT 4.75% Jan. 2016	+64.1
ONT 5.45% Apr. 2016	+61.4
ONT 4.95% Nov. 2016	+64.7

July 2009

Source: Dealer daily run.

Credit Ratings

	Current Ratings (Long-Term/Short-Term)
S&P	AA (N) / A-1+ <i>“Credit strengths, in our view, include Ontario's large and well-diversified economy, with depth and scale in many sectors. Despite the recession, we believe that the provincial economy has a number of key strengths, including a large, well-educated workforce; and proximity to key northeastern U.S. markets.”</i>
Moody's	Aa1 / P-1 <i>“Despite the extent and the duration of the deficits, Ontario's plan to return to fiscal balance by 2015-16 does not rely on unsustainable measures such as asset sales. As such, the province's medium-term fiscal plan is transparent and, overall, achievable.”</i>

Federal Framework

CANADA		
	Federal Government	Provinces
Federal Provincial Powers	Jurisdiction within respective sphere of assigned responsibilities. Can exercise federal spending power in areas agreed to by the provinces and territories. Can also legislate in areas not specifically defined in Constitution.	Jurisdiction over constitutionally defined areas of responsibility.
Taxation Powers	Power to raise money by any means of taxation – occupies majority of tax fields (e.g. GST, personal income taxes).	Power to raise revenue through direct taxation within the province (e.g. provincial sales, corporate and personal income taxes).
Transfers	Equalization payments, health and social programs, direct transfers to individuals.	All receive health and social transfers. Currently, Alberta, British Columbia and Saskatchewan do not receive Equalization.
Areas of Authority	Include taxation, defence, foreign affairs, trade and commerce, postal and telecommunications, employment insurance, national pension plan and equalization payments.	Include health care, education, social services, highways, natural resources and municipal governments.

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