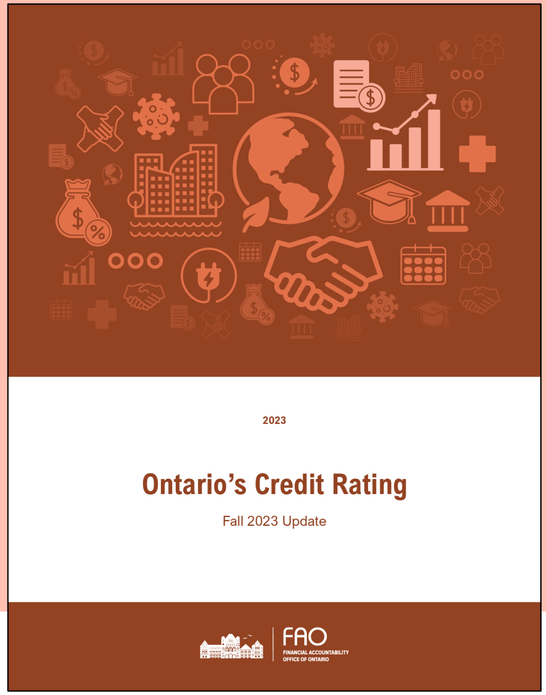


Ontario’s Credit Rating

Fall 2023 Update

Briefing Deck

FAO
FINANCIAL ACCOUNTABILITY
OFFICE OF ONTARIO

Background

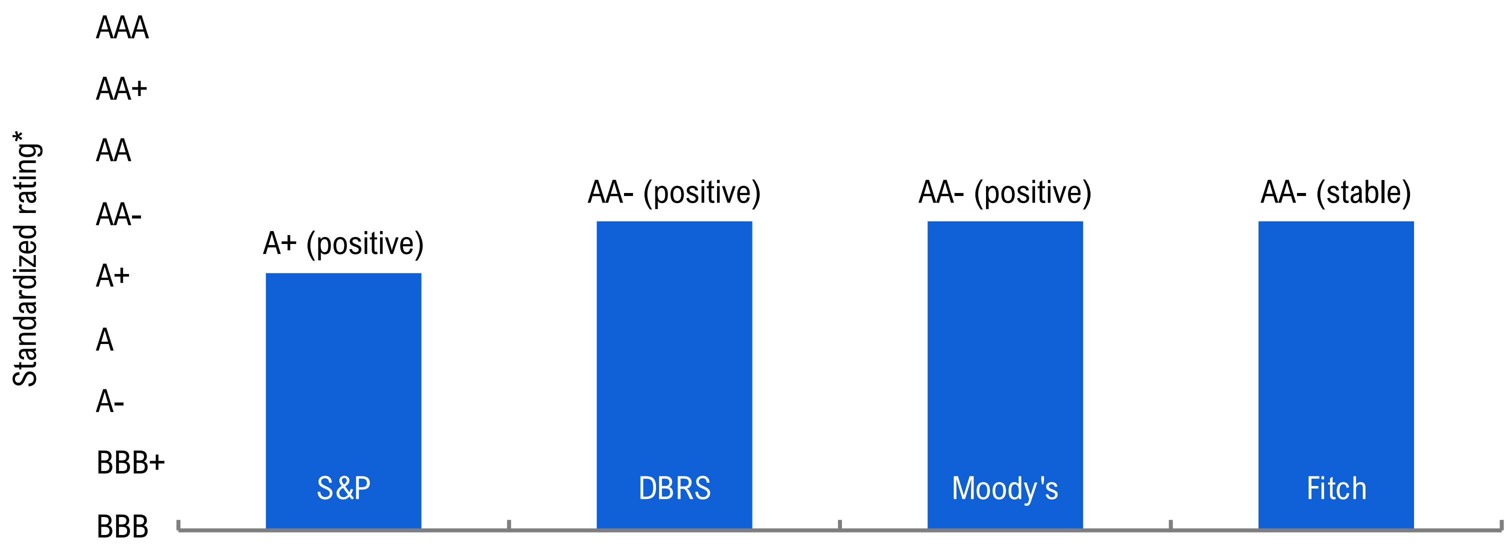
- Ontario's debt is rated by four principal international credit rating agencies:
  - S&P Global Ratings
  - Moody's Investors Service
  - DBRS Morningstar
  - Fitch Ratings

- Credit ratings represent the credit rating agencies' opinions on Ontario's ability to meet its debt-related financial obligations.

- Provinces with higher credit ratings tend to have lower borrowing rates.

Ontario's credit rating reaffirmed, outlook revised to positive by three agencies

- All four credit rating agencies reaffirmed Ontario's credit rating in updated assessments.
- Three agencies revised Ontario's credit outlook from stable to positive. The positive outlook reflects the agencies' view that Ontario's fiscal performance has improved, leading to a quicker return to balanced budgets and a lower debt burden than previously forecasted.



* Ratings are based on a standardized framework that aligns the credit ratings assigned by the four rating agencies to those of S&P and Fitch. The credit rating agencies' outlook is shown in brackets
Source: S&P, DBRS, Fitch, Moody's, and FAO.

Key strengths supporting Ontario's credit rating

- Economy – large and diversified economy, including both manufacturing and services sectors, strong trade relationships, and favourable demographics and wealth factors.

- Liquidity and debt management – large liquid reserves, strong access to borrowing markets and a prudent debt management program which seeks to limit the impact of risks related to refinancing, changes in interest rates and exchange rate fluctuations on its debt.

- Federal-provincial framework – provides provinces with the flexibility to adjust both tax policy and program spending, in addition to predictable federal transfers.

Negative factors affecting Ontario’s rating

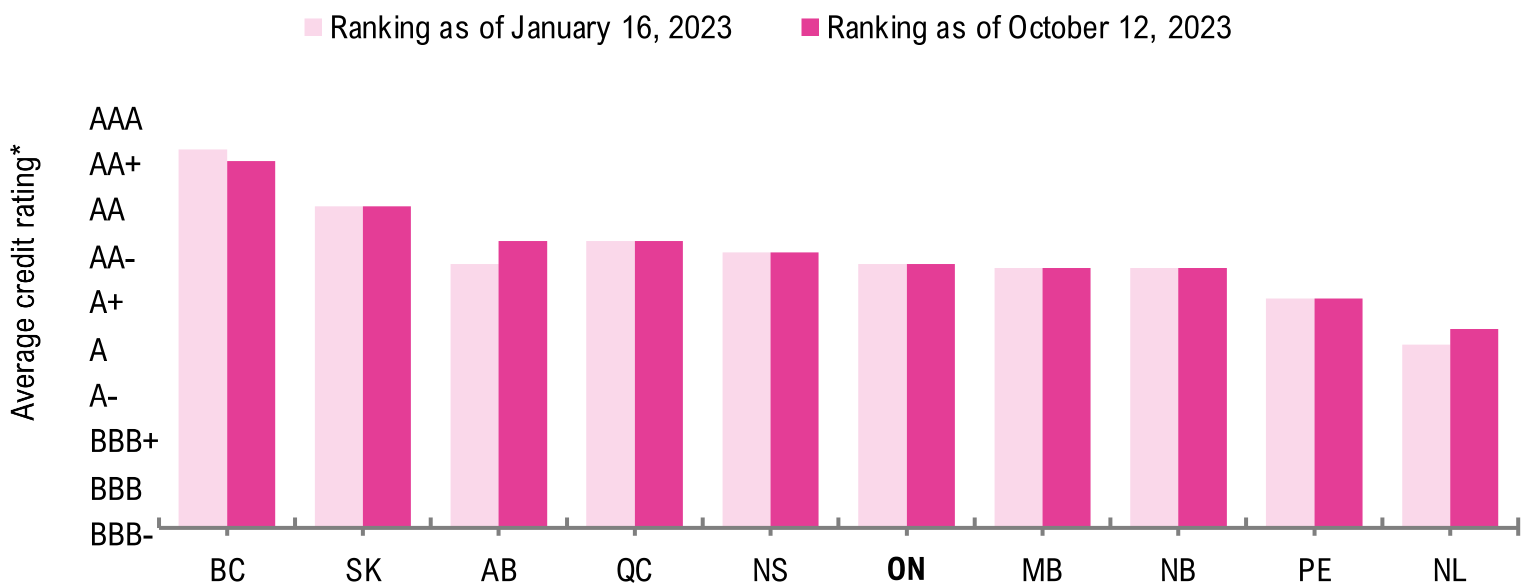
- **Macroeconomic conditions** – domestic and global macroeconomic conditions, including high inflation, elevated interest rates, slowing global trade and ongoing geopolitical instability are downward risks to the Province’s fiscal projections.

- **Debt burden** – high debt burden means that if interest rates rise by more than expected or remain higher for a longer period of time, the Province may face greater budgetary pressure from increased interest expenses.

- **Spending pressures** – government faces spending pressures from public-sector wage and salary demands caused by high inflation, healthcare sector staffing shortages and retroactive wage increases related to Bill 124.

Ontario is the sixth highest rated province

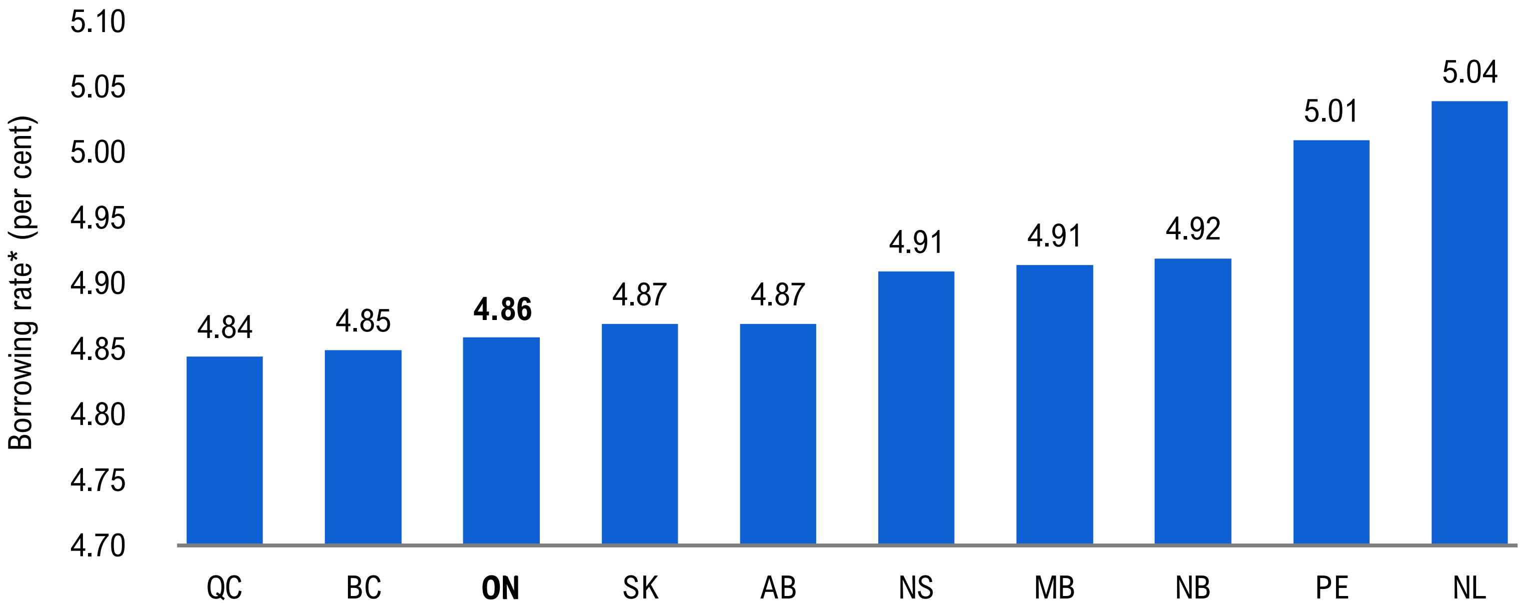
- Since the FAO's previous credit rating report, Alberta and Newfoundland and Labrador both saw credit rating upgrades, while British Columbia received a downgrade.
- As a result of Alberta's credit rating upgrade, Ontario's average credit rating fell from fifth to sixth highest among the provinces.



* Ratings are based on a standardized framework that aligns the credit ratings assigned by the four rating agencies to those of S&P and Fitch.
Source: S&P, DBRS, Fitch, Moody's, and FAO.

Ontario's borrowing rate lower than all provinces other than Quebec and British Columbia

- While provinces with higher credit ratings generally have lower borrowing rates, Ontario's borrowing costs are lower than all provinces other than Quebec and British Columbia, despite having the sixth highest credit rating.



* Borrowing rates are for 10-year bonds, as of October 10, 2023.
Source: Ontario Financing Authority and FAO.

Thank you!

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