

Province of Alberta

Investor Meetings

September 2016

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and

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Canada

Quick facts

- **10th largest economy in the world**
- **Ranked 7th least risky country in the world⁽¹⁾**
- **GDP of US\$1.6 trillion in 2015**
 - Major industries include natural resources and manufacturing
- **Population of 36M; highest growth rate in G8 during last decade**
 - Moderate unemployment rate at 6.9%
- **Federation; Federal Government, 10 Provinces and 3 Territories**
- **Provinces have significant autonomy**
 - Responsible for health care, primary and post-secondary education
 - Considerable taxing powers, including personal income, corporate income, value added/sales, fuel and payroll taxes
 - Provincial ownership of natural resources

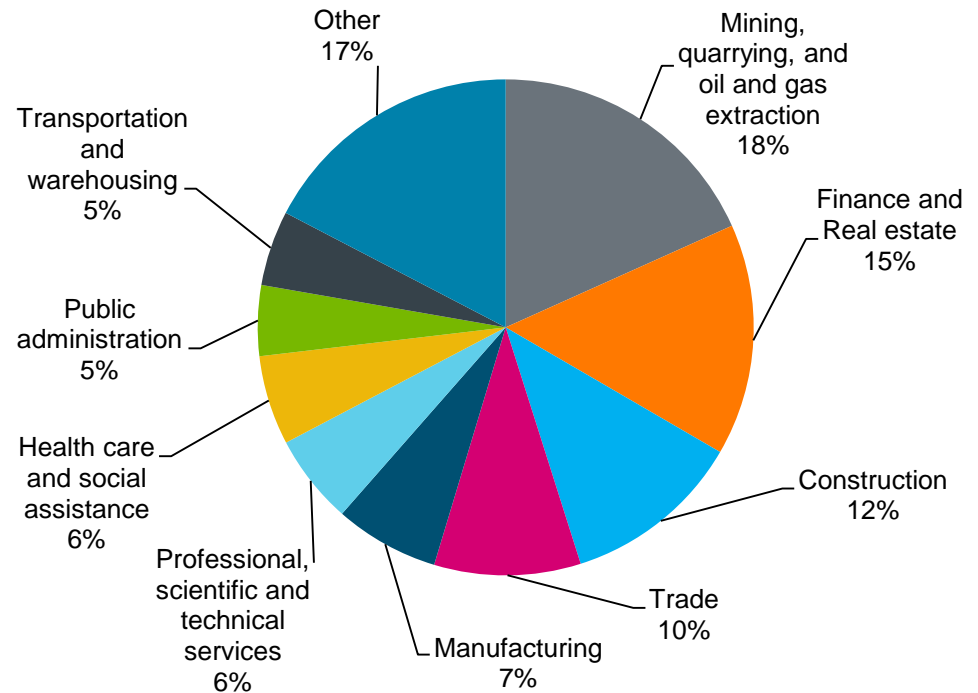
(1) Euromoney Country Risk score

Economic structure

Alberta's (AB) economy at a glance

- AB's share of the national population is about 12%
- In 2014, AB contributed almost 20% to national GDP and 25% to exports
- Between 2000 and 2014, the province experienced broad-based industry growth that outpaced the rest of Canada

Share of nominal GDP by industry, 2015



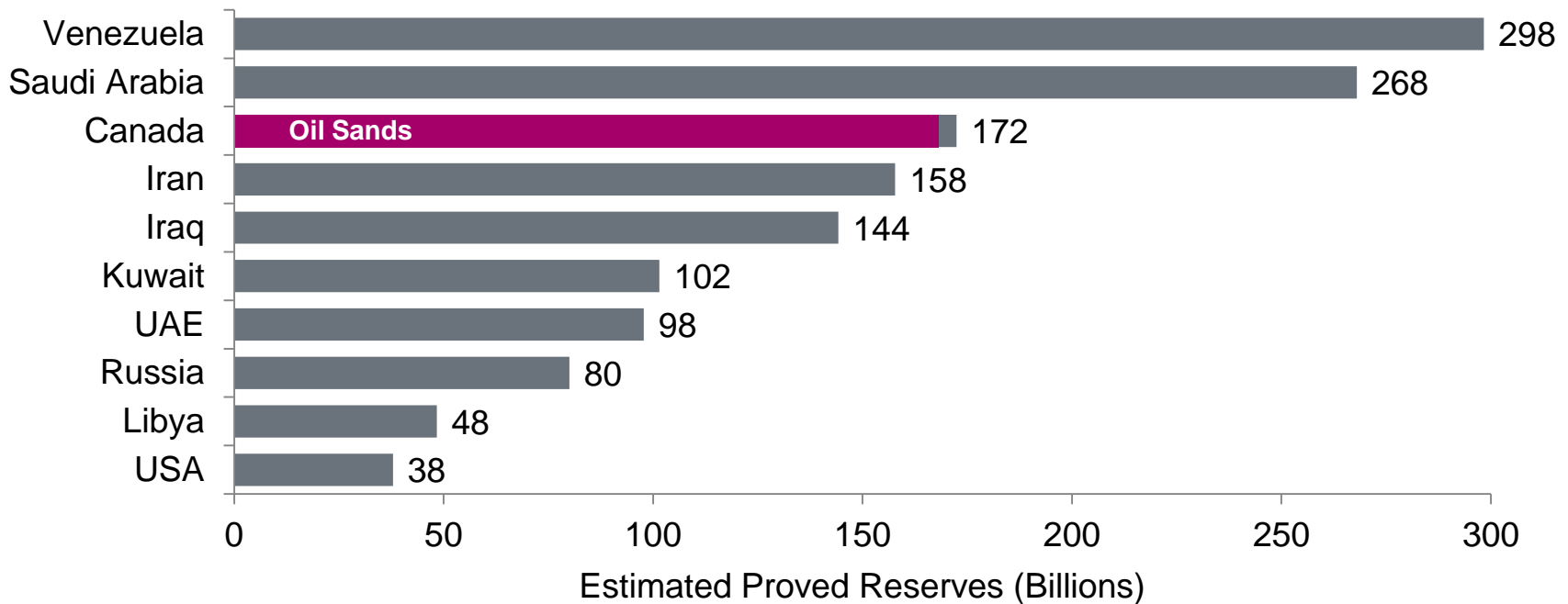
From 2000-14, AB was the economic engine for Canada: Growing by about 60%

Source: Statistics Canada

Economic structure

AB's oil reserves ranked 3rd in the world

2015 Global Oil Reserves



AB's reserves are massive and open to private investment

Source: Alberta Energy, International Energy Agency, Alberta Energy Regulator, OGJ

Economic structure

Outlook for oil prices

WTI Oil Price



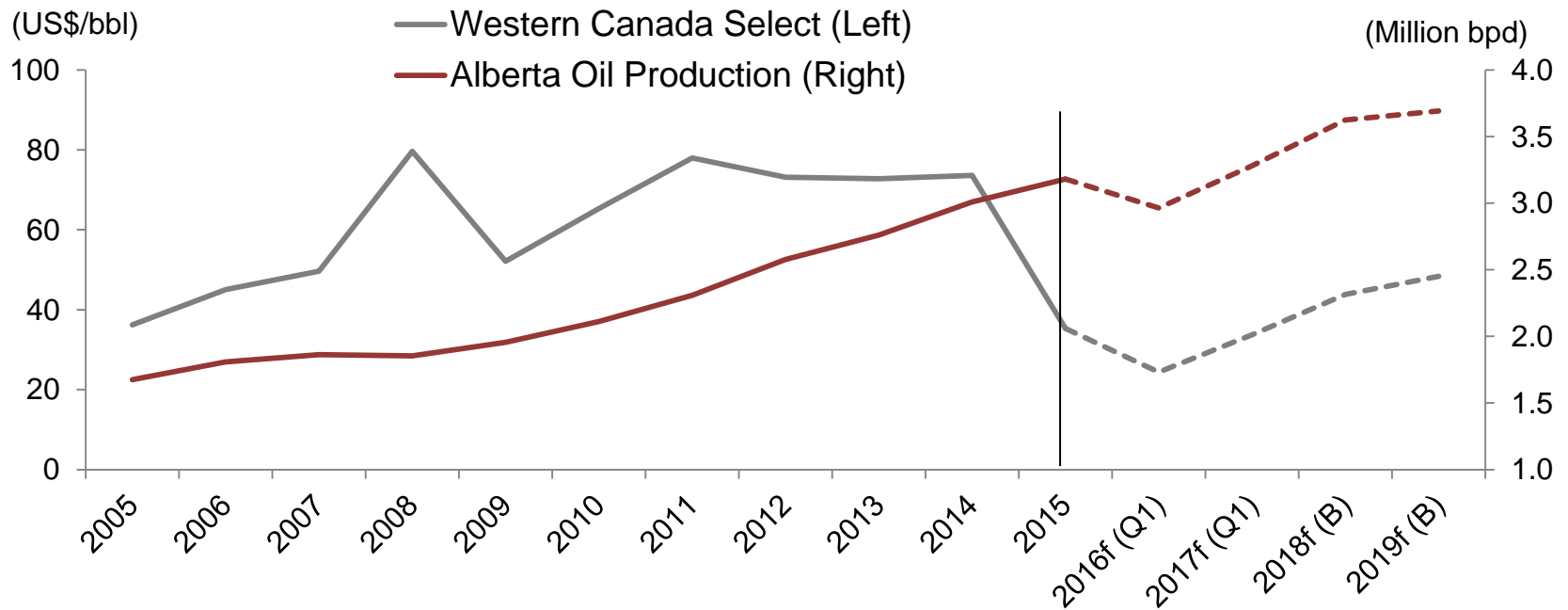
WTI Oil Forecast for 2016-17F to be US\$45/bbl

Source: Alberta Energy, f-forecast

Economic structure

Oil production growing despite price drop

AB Oil Production and Western Canadian Select Heavy Oil Benchmark Price



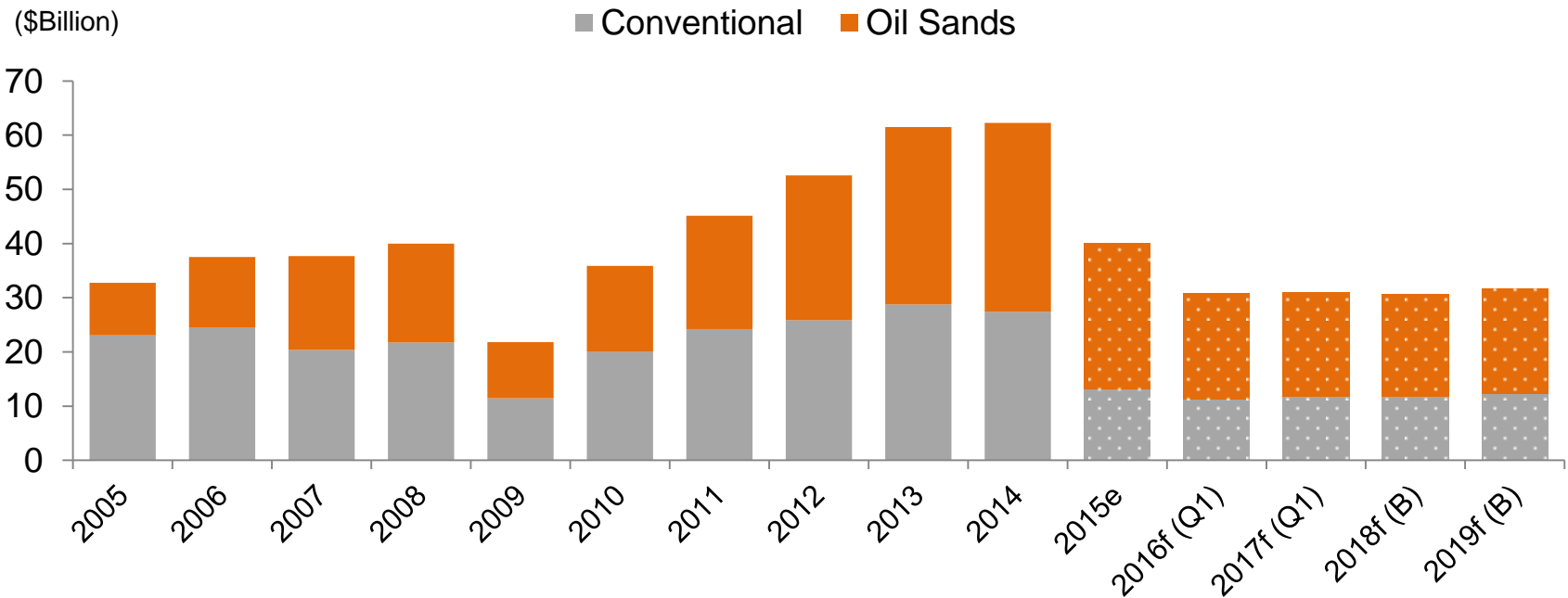
Despite the downturn, production continues to rise

Sources: Alberta Energy and Statistics Canada, f-forecast, Q1-first quarter update, B-2016 Budget

Economic structure

Oil and gas investment to remain lower

Alberta oil and gas investment



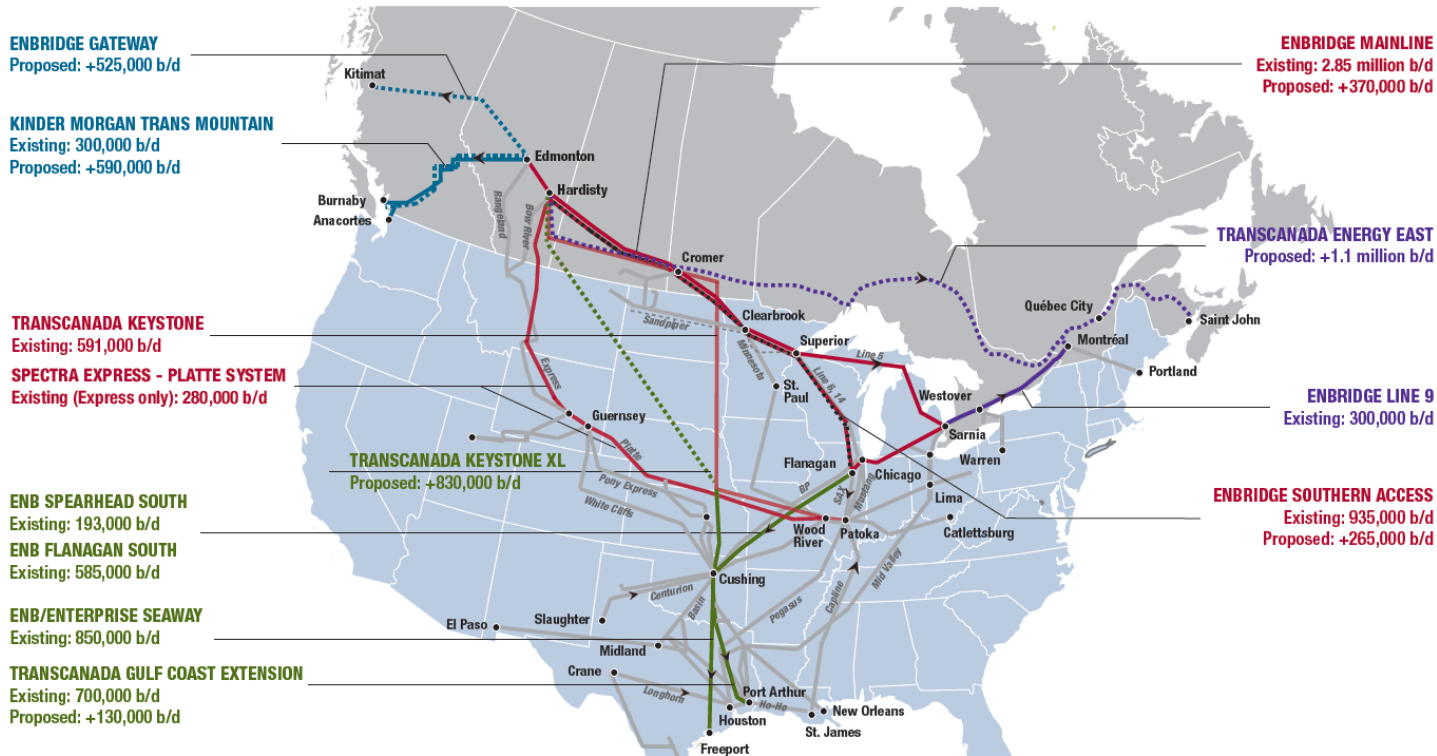
Investment in oil has shifted towards maintenance

Source: Statistics Canada, e-estimate, f-forecast, Q1-first quarter update, B-2016 Budget

Economic structure

Market access remains key

Canadian & U.S. Crude Oil Pipelines and Proposals



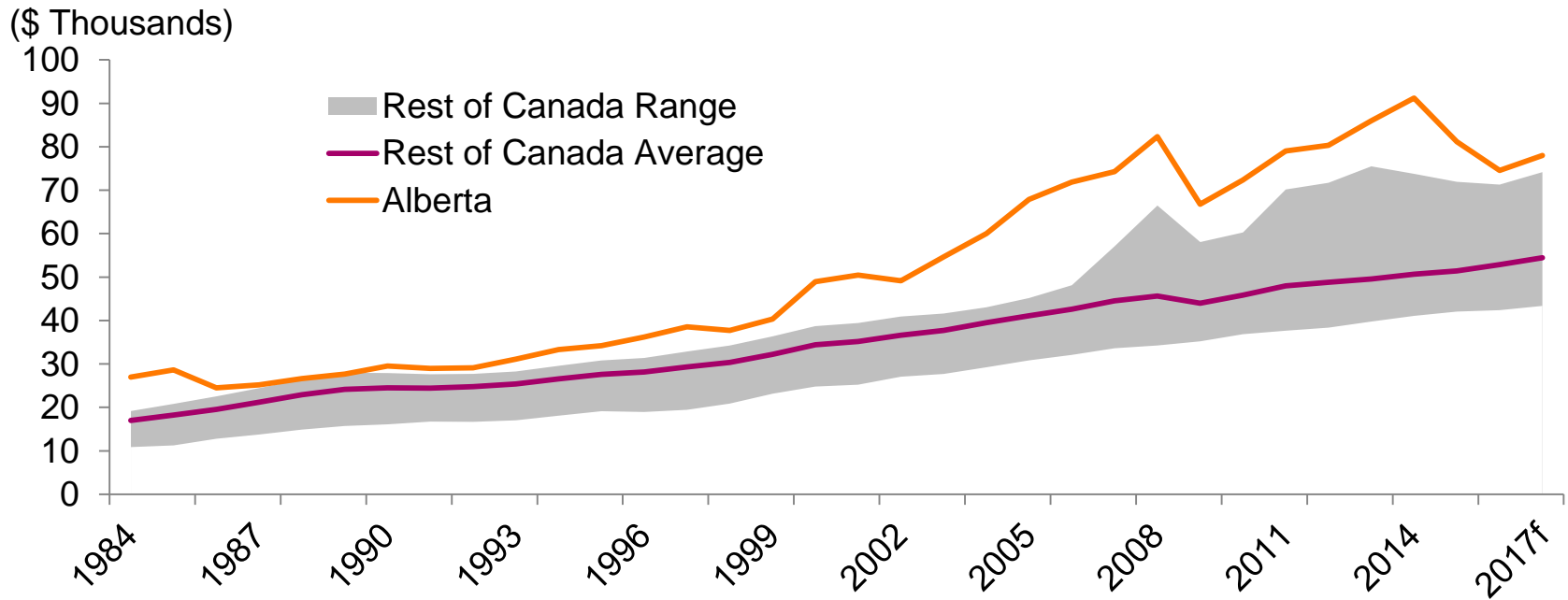
Continue to work to improve market access

Source: Canadian Association of Petroleum Producers

Economic structure

Long-standing economic prosperity

Nominal GDP per capita



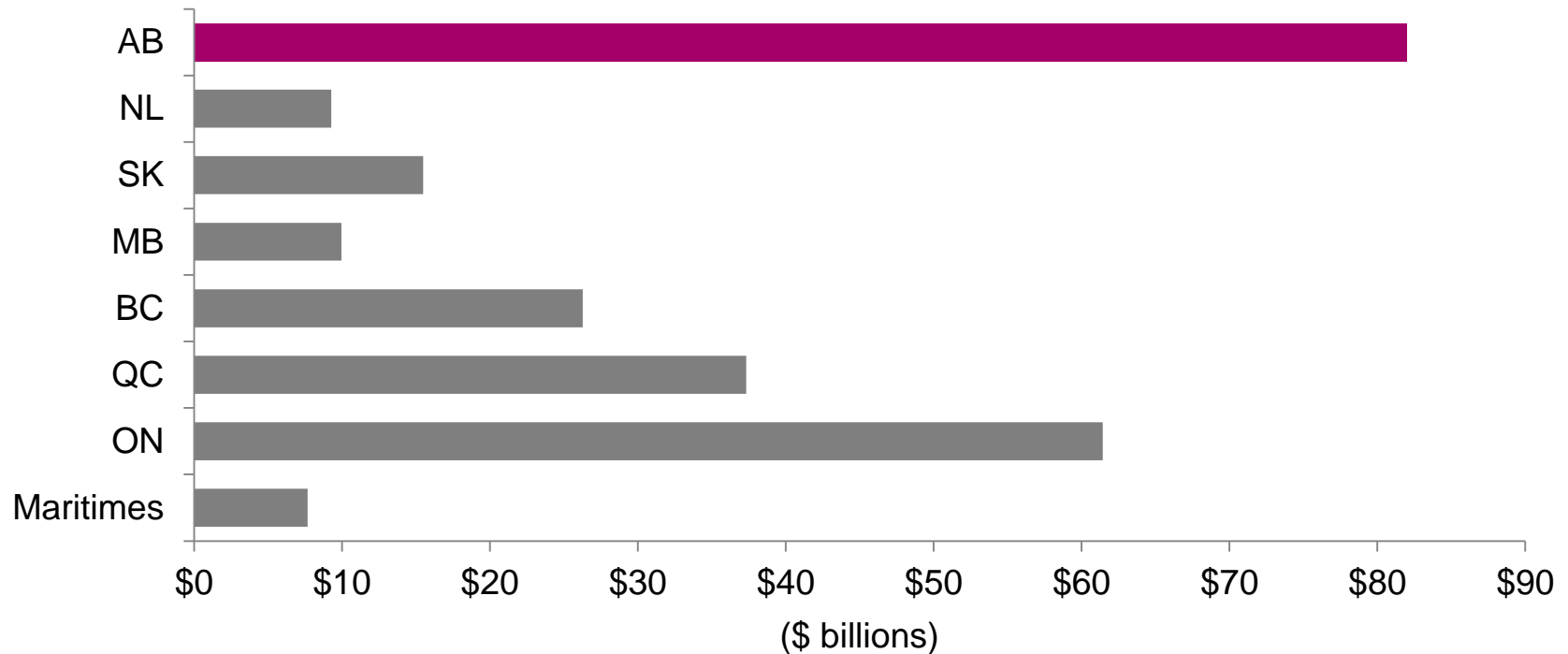
AB has strong fundamentals with highest Nominal GDP per capita in Canada

Sources: Statistics Canada, Alberta Treasury Board and Finance and TD Economics (July 6, 2016)

Economic structure

AB's economy is very capital intensive

2015 Investment by Province¹



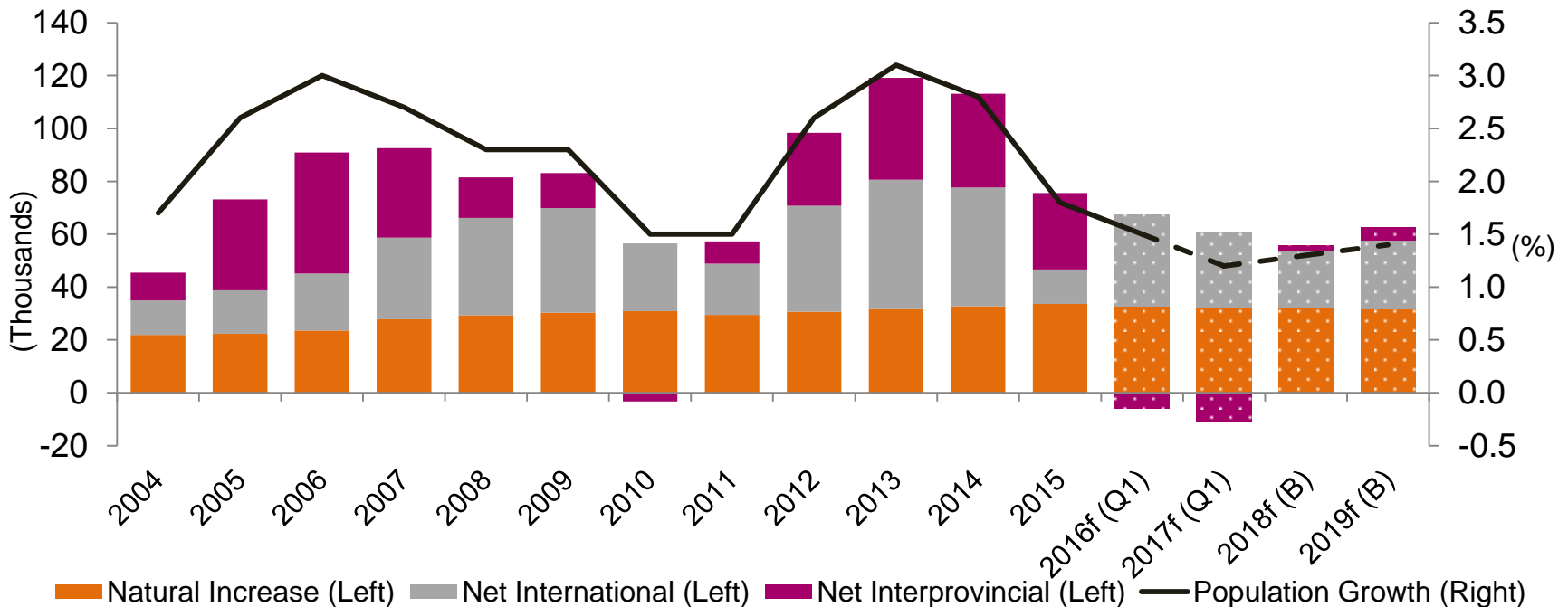
\$1 out of every \$3 spent on capital in Canada is invested in AB

(1) Based on Public and Private Investment in Canada. Source: Statistics Canada.

Economic structure

AB's population expected to grow

Change in the Alberta population by component



Population gains driven by natural increases and immigration

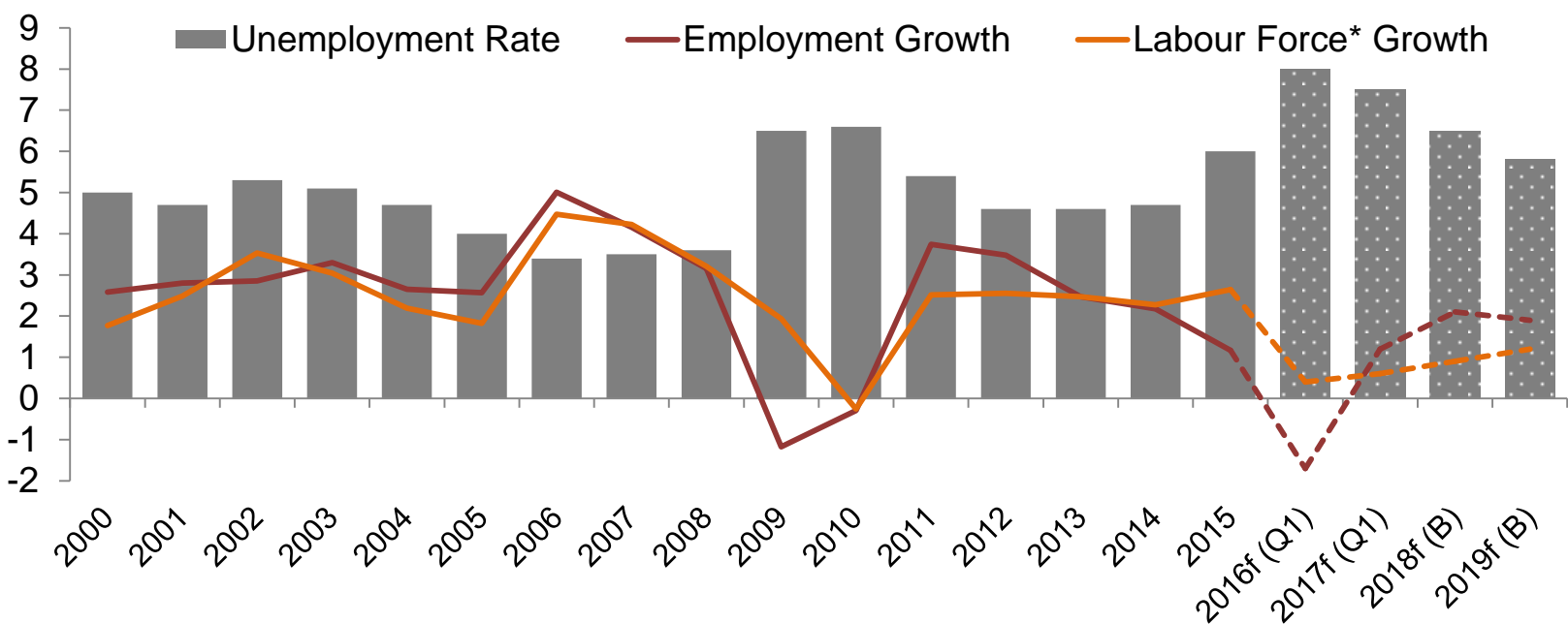
Sources: Statistics Canada and Alberta Treasury Board and Finance, f-forecast, Q1-first quarter update, B-2016 Budget

Economic structure

Unemployment rate gradually eases

Alberta Labour Market Indicators

(%)



Weak labour market anticipated to improve moving forward

Source: Statistics Canada and Alberta Treasury Board and Finance, f-forecast, Q1-first quarter update, B-2016 Budget

Q1 Update

Key metrics

The net fiscal impact of the Wood Buffalo wildfire is forecast at an estimated \$500 million for 2016-17

	Actuals		Budget	Q1 Forecast	Budget Targets	
	2014-15	2015-16	2016-17	2016-17	2017-18	2018-19
Consolidated Revenue	49.5	42.5	41.4	42.1	45.0	49.6
Consolidated Expense	48.4	48.9	51.1	52.3	53.6	56.0
Risk Adjustment	-	-	(0.7)	(0.7)	(1.5)	(2.0)
Consolidated Surplus / (Deficit)	1.1	(6.4)	(10.4)	(10.9)	(10.1)	(8.4)

Q1 Update

Assumptions¹

	Actual	Budget	Q1 Forecast	Budget 2016 Targets	
Fiscal Year (Apr- Mar 31)	2015-16	2016-17	2016-17	2017-18	2018-19
WTI Oil (US\$/bbl)	45.00	42.00	45.00	54.00	64.00
Light-Heavy Differential (US\$/bbl)	13.40	15.20	14.10	17.50	18.50
Natural Gas (CDN\$/GJ)	2.21	2.40	1.90	2.80	3.00
Exchange Rate (US cents/CDN\$)	76.3	73.5	77.0	75.5	77.5
Calendar year	2015E	2016B	2016F	2017T	2018T
Real GDP Growth (%)	-3.7	-1.4	-2.7	1.9	2.8
Employment Growth (%)	1.2	-1.7	-1.7	0.9	2.1
Unemployment Rate (%)	6.0	8.0	8.0	7.5	6.5
Population Growth (%)	1.8	1.2	1.5	1.0	1.3

(1) A=Actual, B=Budget, T=Target, F= Q1 Forecast. Source: Statistics Canada, Alberta Energy, Alberta Treasury Board and Finance

Q1 Update

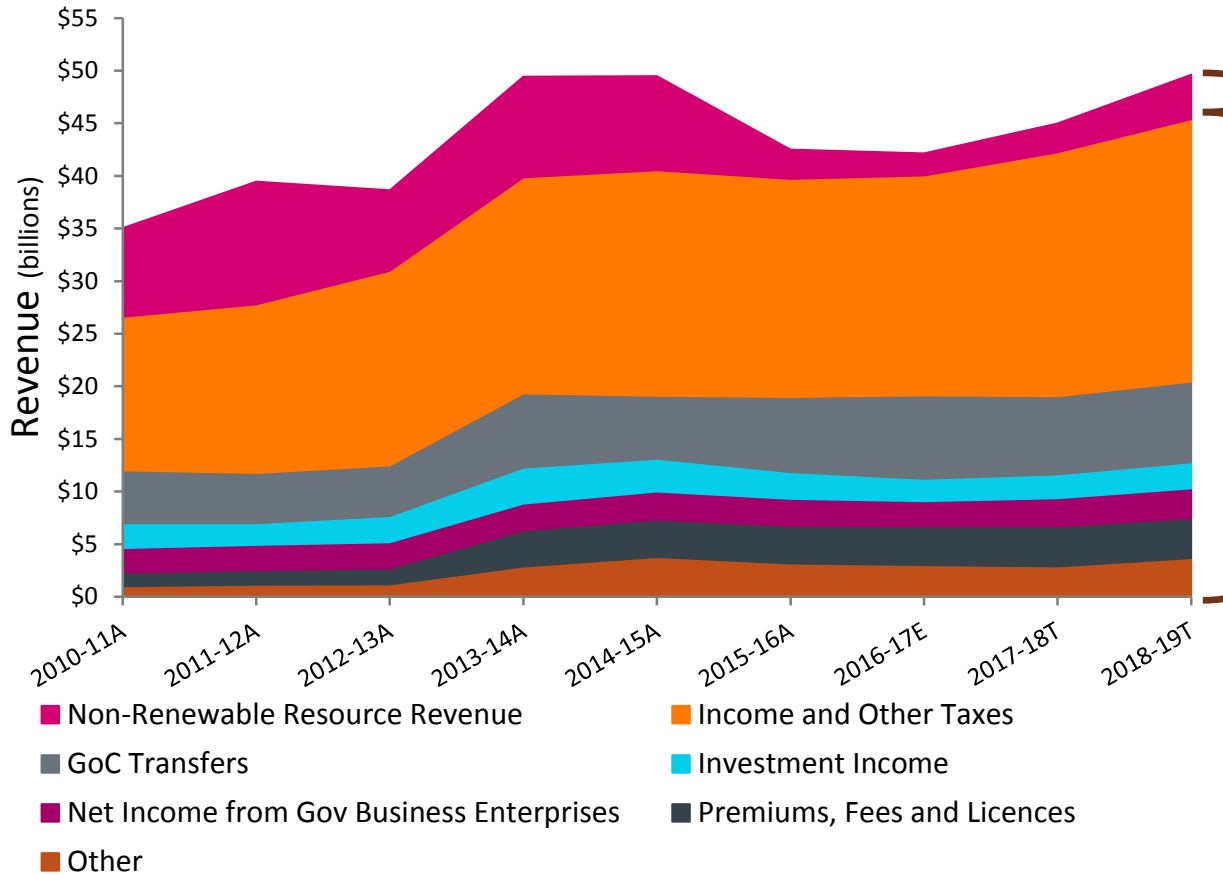
Wood Buffalo Regional Fire

- **More than 88,000 residents evacuated, 1,500 residential and commercial structures destroyed, and hundreds more damaged**
 - Evacuation lasted May 3 to June 1st, but many services did not return until later in the month
- **Insurable losses estimated by the IBC⁽¹⁾ to be \$3.6B, exceeding both the 2013 AB Floods and 1998 Ontario/Quebec ice storm**
- **Estimated 0.6% net impact on GDP in 2016**
- **2016-17 forecast includes a net \$500M fiscal impact of the wildfire**
 - Disaster Recovery Program expense of \$647M, partially offset by federal assistance of \$452M
 - \$300M in lower non-renewable resource, corporate and personal income tax revenues
 - Likely at least 40M barrels of oil sands production deferred over 2 months

(1) Insurance Bureau of Canada

Fiscal management

Revenue sources⁽¹⁾



- Non-Renewable Resource Revenue can be large, but variable
- Combined other sources provide stability and support growth

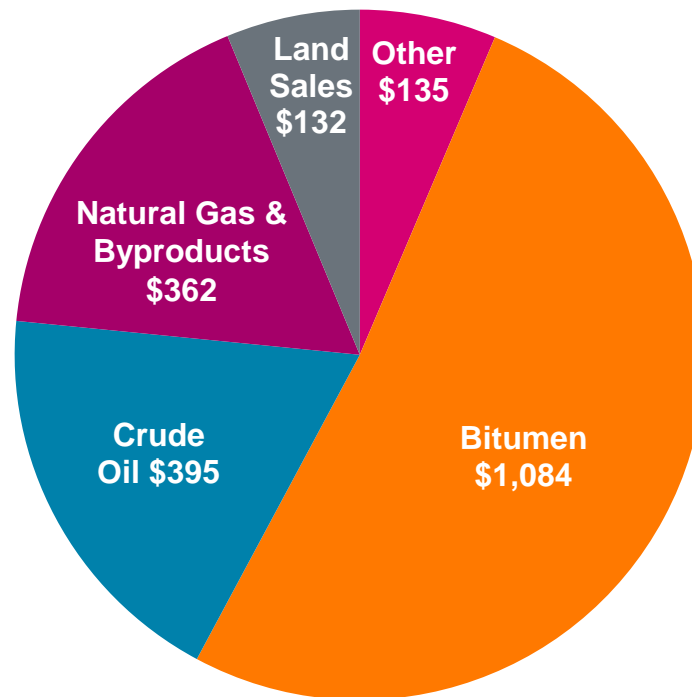
(1) A=Actual, E= Estimate, T=Target.

Fiscal management

Budget 2016 sensitivities 2016-17⁽¹⁾

	Change	Net Impact (2016-17)
Oil Price (WTI US\$/bbl)	-\$1.00	-\$130M
Light/Heavy Oil Price Differential	+\$1.00	-\$70M
Natural Gas Price (Cdn\$/GJ)	-10 Cents	-\$25M
Exchange Rate (US¢/Cdn\$)	+1 Cent	-\$85M
Interest Rates	+1%	-\$230M
Primary Household Income	-1%	-\$170M

2016/17 Non-Renewable Resource Revenue \$2.1F

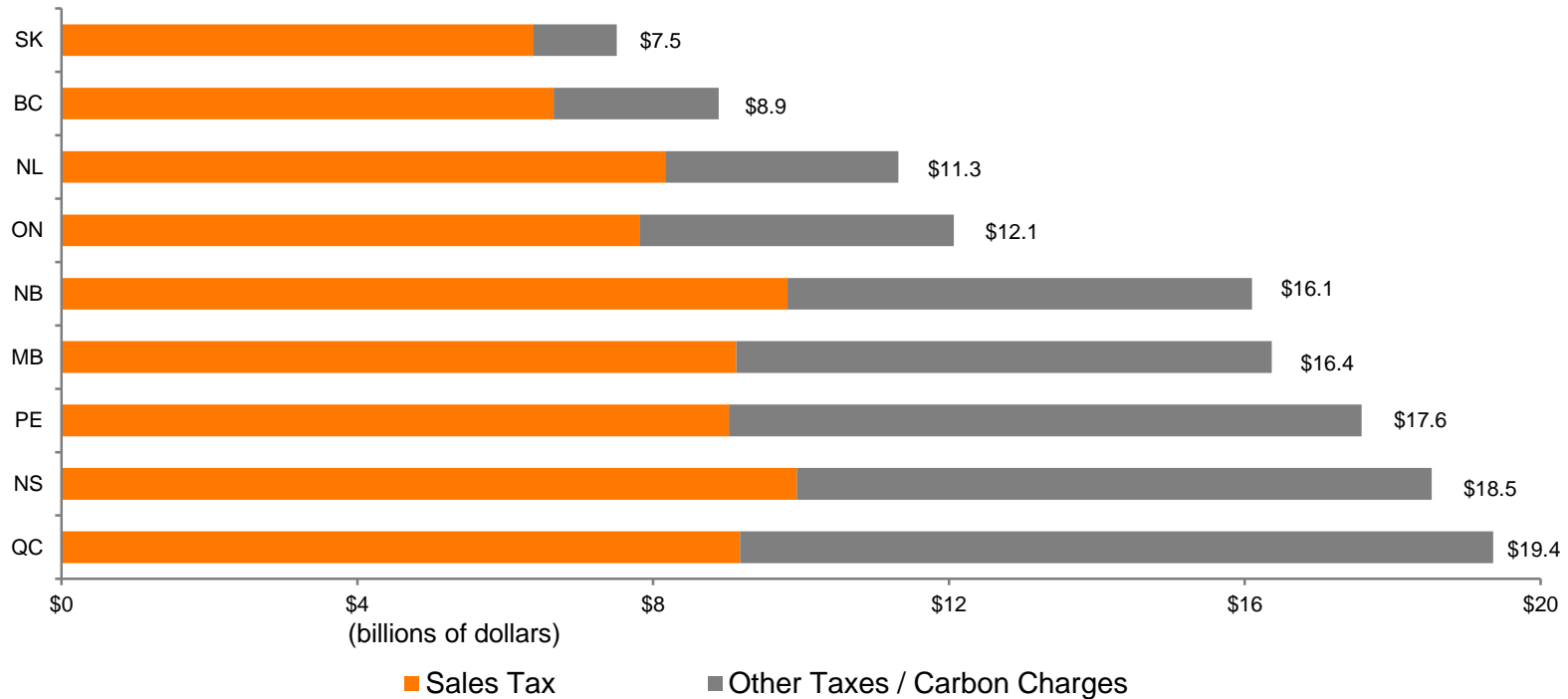


(1) Based on current price and rate assumptions, show effect for a full 12-month period and can vary significantly at different price and rate levels. Energy price sensitivities do not include potential impact of price changes on revenue from land sales.

Fiscal management

AB's fiscal capacity

AB's Tax Advantage estimated at \$7.5B⁽¹⁾

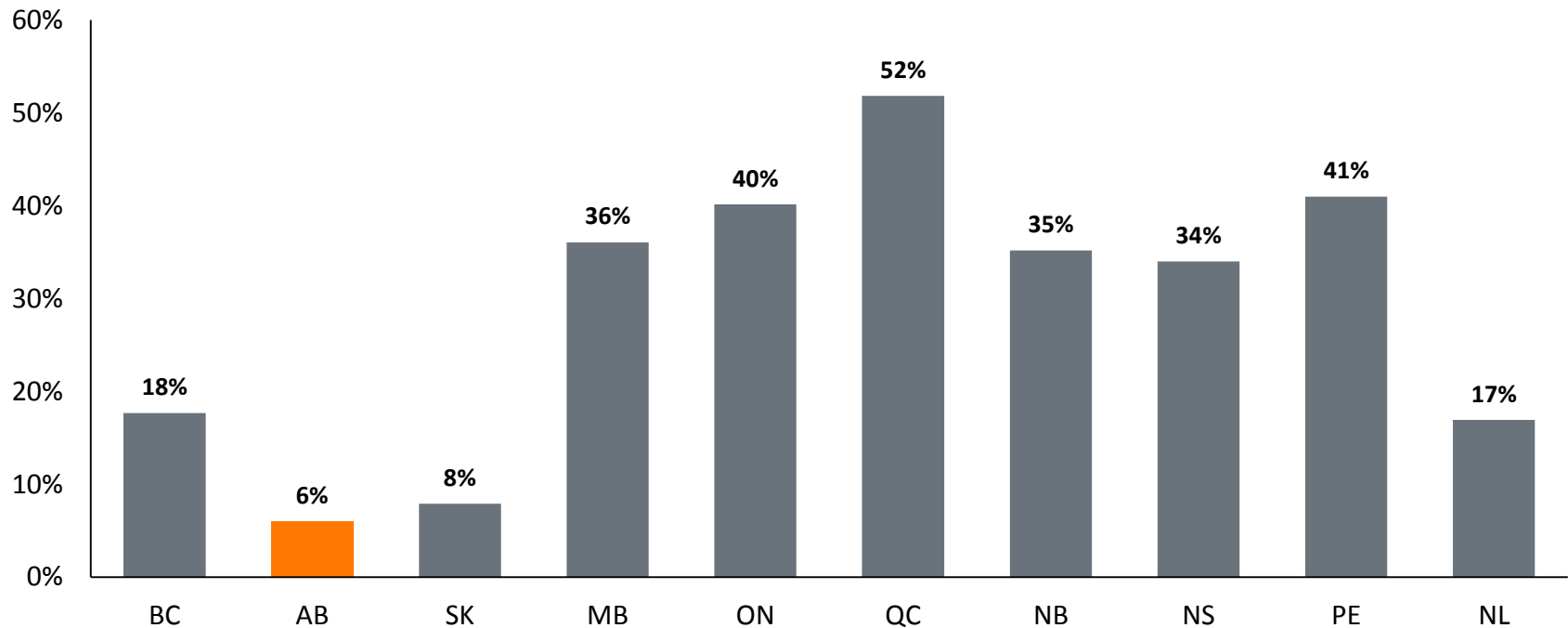


(1) Reflects total additional provincial tax and carbon charges that individuals and businesses would pay if Alberta had the same tax system and carbon charges as other provinces (Mar 24/16). Includes personal income, corporate income, sales, fuel, tobacco, payroll, liquor, land transfer and other minor taxes, as well as health premiums, liquor markups and full implementation of announced provincial carbon charge.

Fiscal management

Low debt burden

Debt to GDP



(1) Debt to GDP calculated by Alberta Treasury Board and Finance. Ratios are based upon available public accounts; include public debt and P3 liabilities, but exclude unfunded pension liability and excludes debt of government business enterprises.

(2) AB, BC, SK and NS ratios based on fiscal year 2015-2016. MB, ON, QC, NB, PE and NL ratios are based on 2014-2015 fiscal year.

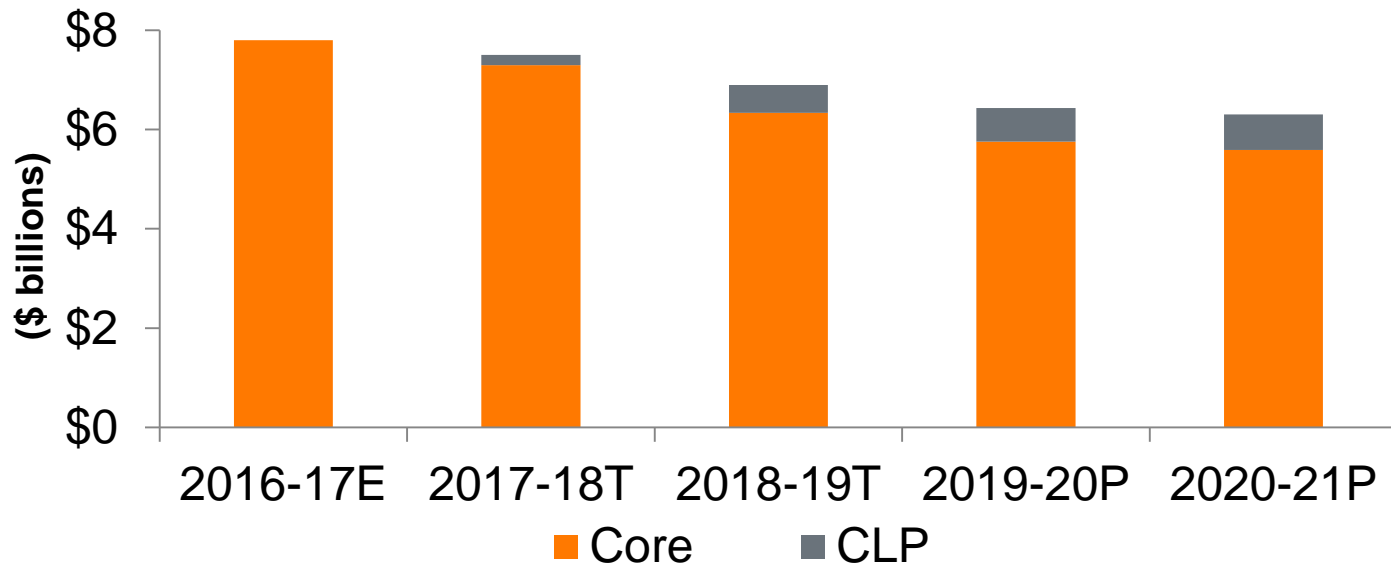
Fiscal management

Climate Leadership Plan (CLP)

- A provincial carbon levy to encourage reduced carbon emissions and to reinvest to diversify the energy industry
- **\$9.6B in gross revenues over 5 years**
 - \$6.2B to be invested in renewable energy, green infrastructure (such as public transit) and energy efficiency initiatives
 - \$3.4B Climate Leadership Adjustment Rebate in the forms of consumer rebates, small business tax reduction, energy transition funding
- **Legislated limit on oil sands emissions**
- **Phase out of coal-fired emissions by 2030**

Fiscal management

Capital Plan

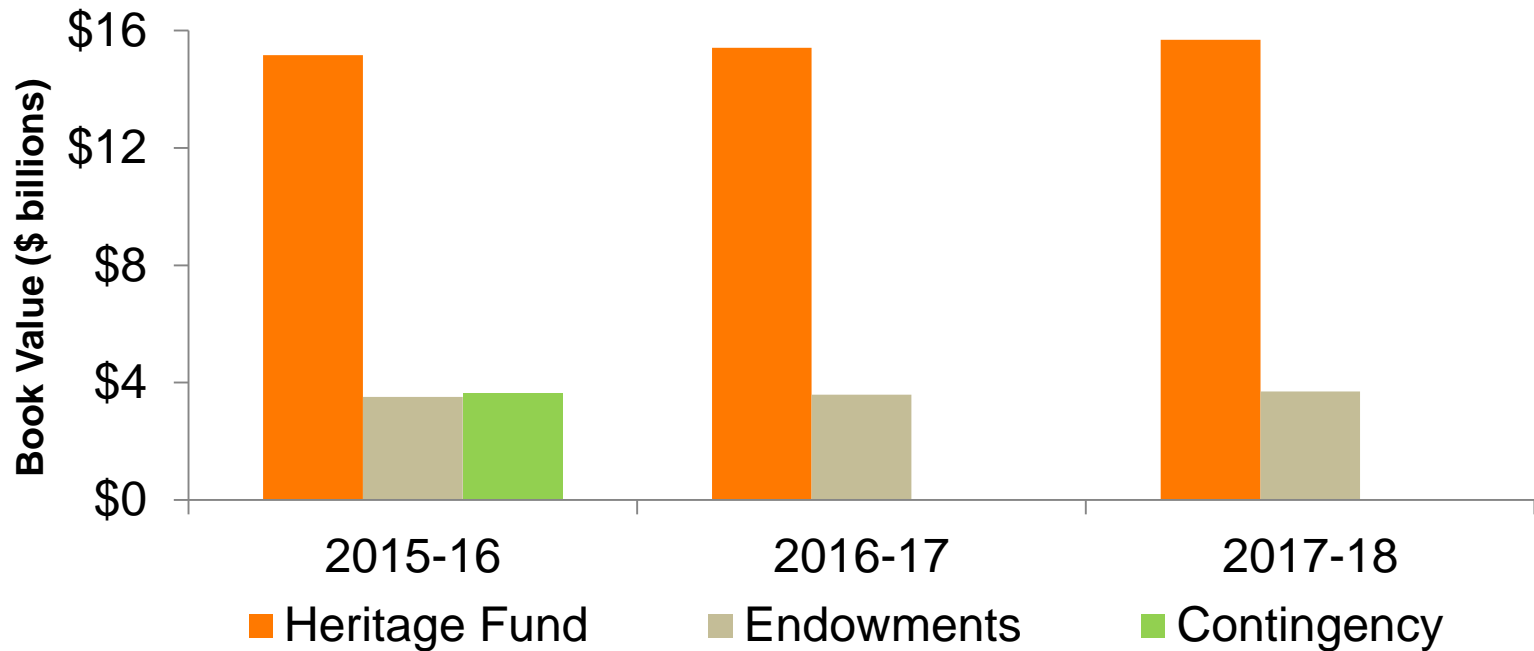


- **\$34.8B over 5 yrs**
- **Additional \$4.4B will be self-financed by Alberta Health Services, post secondary institutions and school boards over 5 yrs**

(1) E= Estimate, T=Target, P= Projected.

Financial management

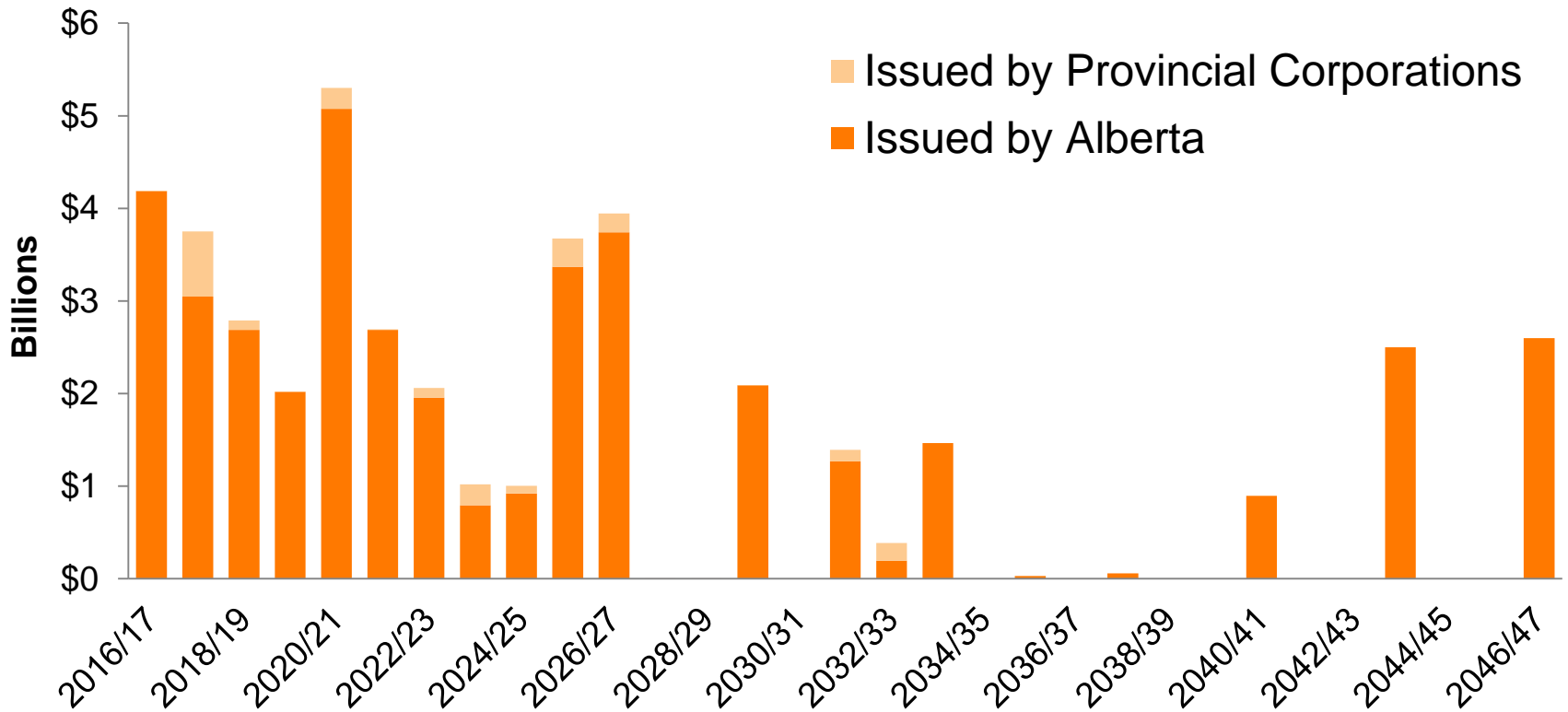
Heritage Fund & Endowments



- **Heritage Fund assets remain untouched**
- **Contingency Account exhausted in late 2016-17**

Financial management

Maturity profile & liquidity⁽¹⁾



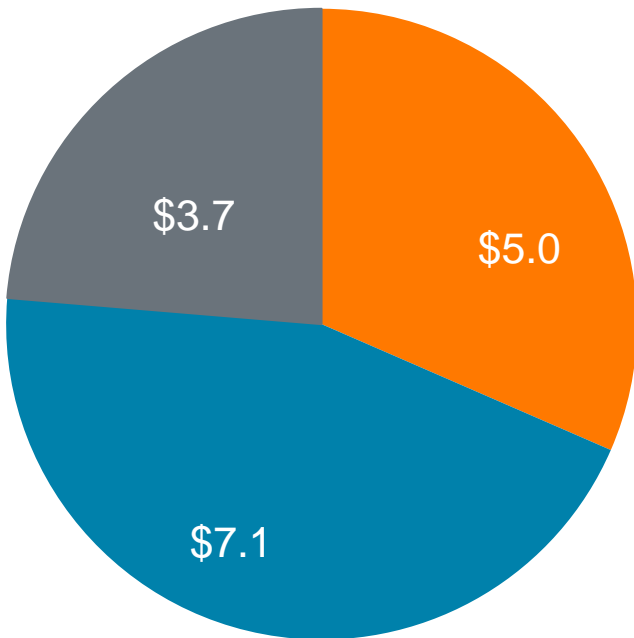
Well spread out maturity profile with low reinvestment risk

(1) As of Aug 26, 2016

Financial management

Borrowing program

Borrowing by Purpose 2016-17



■ Capital Plan ■ Fiscal Plan ■ Provincial Corporations

Total Borrowing Requirements

(\$ billions per Q1 Update)

2016-17 Estimate	\$15.8
2017-18 Target	\$19.8
2018-19 Target	\$16.6

Financial management

Borrowing platform

Maintain strength of borrowing platform in domestic market and build on strength in international markets

Domestic market

- **Ensure liquidity**
 - Maintain larger domestic benchmark sized issues (\$3-\$4B)
 - Infrequent domestic MTN issuance
 - Monitor secondary market liquidity
- **Control domestic supply**
 - Target issuance of 30%-40% or more to international markets
 - More frequent large US\$ benchmarks
 - Opportunistic multi-currency issues

Financial management

Borrowing platform continued

Foreign currency borrowing

- **US\$ Global Issues in 3, 5, 7, and 10 years**
 - Expect more frequent issuance as SEC Registered program comes online in late 2016.
 - US\$ CP program online with SEC Registration
- **Continued Euro placements in longer terms with potential for larger benchmark issues**
- **MTN and structured issues in other currencies, including under the new AUD program as opportunities arise**

Successful international issuances support growth in international borrowing program

Summary

- **Strong economic base**
- **Demonstrated resiliency to past commodity price shocks**
- **Continued high level of fiscal capacity**
- **Strong bond ratings**
- **Multi-currency, multi-market borrowing platforms**
- **Strong secondary liquidity**

Appendix

ATB Financial⁽¹⁾

- **Provincially owned corporation created in 1938**
 - Mandate is to provide Albertans with access to financial services and enhance competition in the AB financial services marketplace
 - Predominantly operates in AB and deposits guaranteed by the province
- **Board is operationally independent of government**
 - Appointed by the Lieutenant Governor in Council
- **Oversight by Alberta Superintendent of Financial Institutions, Investment Industry Regulatory Organization of Canada, Alberta Securities Commission and Auditor General**
- **Total Assets of \$46.8B and Total Liabilities of \$43.6B**
 - Total Risk Weighted Assets of \$33.9B
 - Liabilities include \$31B in deposits and \$5.5B in collateralized borrowings

(1) As of March 31, 2016

Appendix

Well funded public sector pensions

Public Sector Pensions

Fiscal Year Ending Mar 31	2012	2013	2014	2015	2016
Net Pension Assets (billions)	\$38.5	\$44.4	\$52.2	\$60.1	\$67.1
Aggregate Funded Status	78.4%	81.5%	87.1%	93.8%	99.4%
Liability for Province's employer share (billions)	\$1.5	\$1.8	\$1.8	\$1.7	\$1.5
Total Government Unfunded Pension Liabilities (billions)	\$10.6	\$10.9	\$11.6	\$11.2	\$10.6

- **\$8.1B of total unfunded liability from a settlement with teachers to deal with an issue stemming from 1992 pension reform**

Unfunded Pension Liability's absolute value has remained fairly static, but Aggregate Funded Status has greatly improved

Information and contact

Websites

Province of Alberta
Alberta Treasury Board and Finance
Budget 2016
Economy and Statistics
Debt Information

alberta.ca
finance.alberta.ca
budget.alberta.ca
finance.alberta.ca/aboutalberta
finance.alberta.ca/business/borrowing

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