

Province of Alberta

Investor Meetings

December, 2016

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Canada

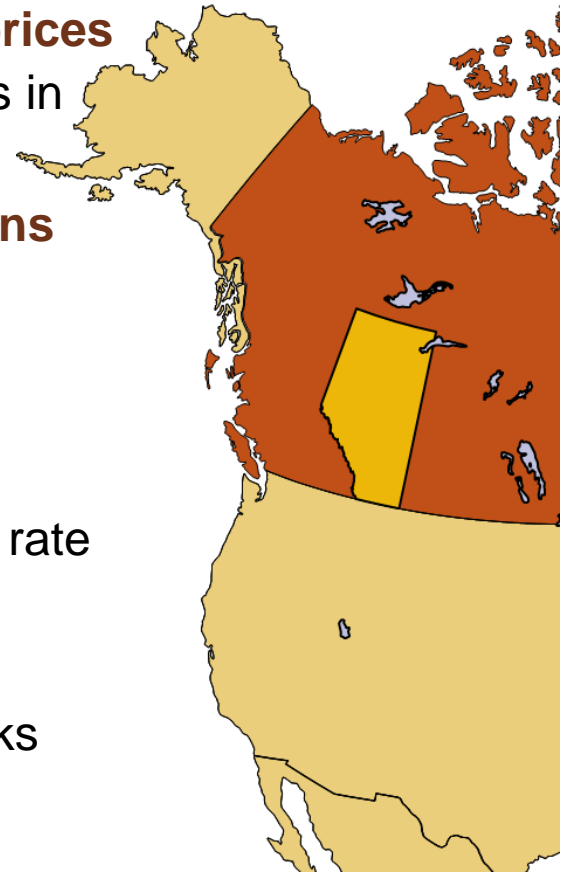
Quick facts

- **10th largest economy and 9th least risky country in the world⁽¹⁾**
- **Federal Government, 10 Provinces and 3 Territories**
 - Westminster parliamentary system
- **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 7%
- **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

Despite oil price drop, Alberta's economic strength & solid fundamentals remain

- **Alberta's (AB) economy hit hard by drop in oil prices**
 - Real GDP recovery starting in 2017, after declines in 2015 and 2016
- **Economy has softened, but core strength remains**
 - Broad-based economic growth
 - Economy is very capital intensive
 - Highest GDP per capita of any province
 - Unemployment rate at 20-yr high
 - However, AB still has the highest employment rate and average incomes of any province
- **Continue to have solid fundamentals.**
 - Demonstrated resiliency to commodity price shocks
 - Skilled workforce, with young population
 - Largest fiscal capacity among provinces



Economic structure

Low oil prices hit AB economy

Alberta GDP growth



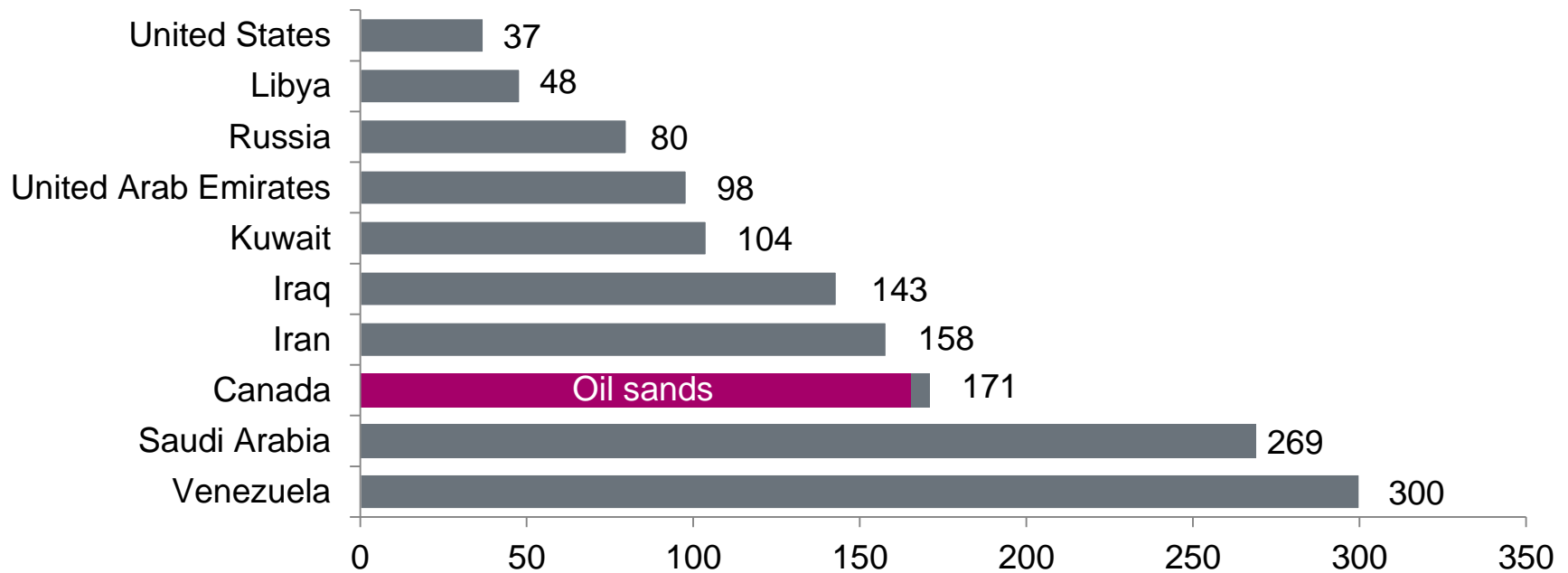
Real GDP recovery starting in 2017, after declines in 2015 and 2016

Sources: Statistics Canada and Alberta Treasury Board and Finance, Budget 2016 and 2nd quarter update

Economic structure

AB's oil reserves ranked 3rd in the world

2015 global oil reserves, estimated proved reserves (billions bbl)



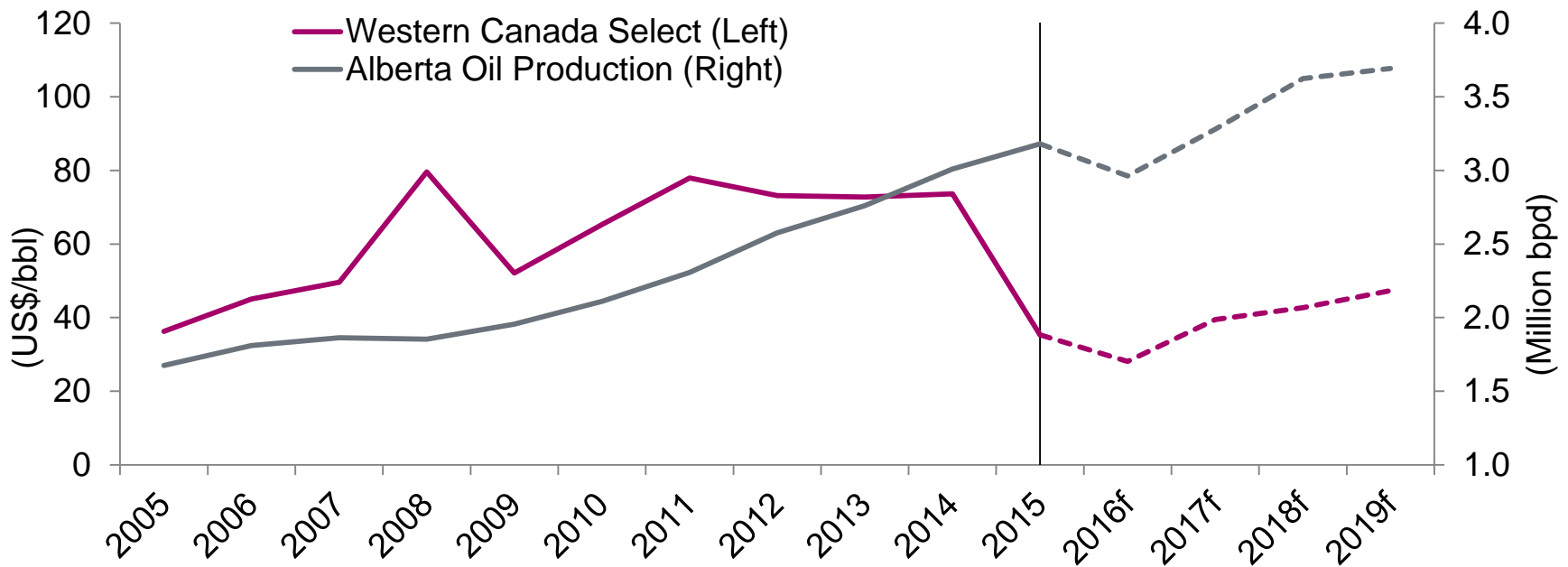
AB's reserves are massive and open to private investment

Sources: U.S. Energy Information Administration, Alberta Energy Regulator

Economic structure

Oil production growing despite price drop

AB Oil Production and Western Canadian Select Heavy Oil Benchmark Price



Despite price declines, production continues to rise

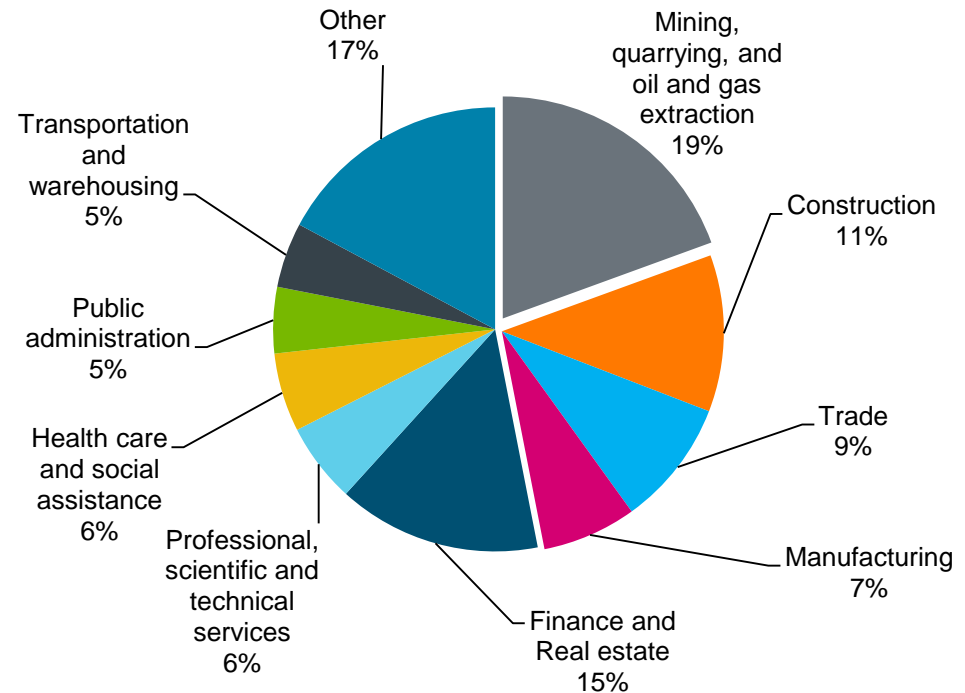
Sources: Statistics Canada, Alberta Energy and Baytex Energy, f-forecast

Economic structure

AB's economy at a glance

- Between 2000 and 2014, the province experienced broad-based industry growth that outpaced the rest of Canada
- In 2014, AB contributed almost 20% to national GDP and 25% to exports
- AB's share of the national population is about 12%
- Young, skilled population with highest employment rate (around 67%) in Canada, despite significant layoffs in 2015 and 2016

Share of nominal GDP by industry, 2015



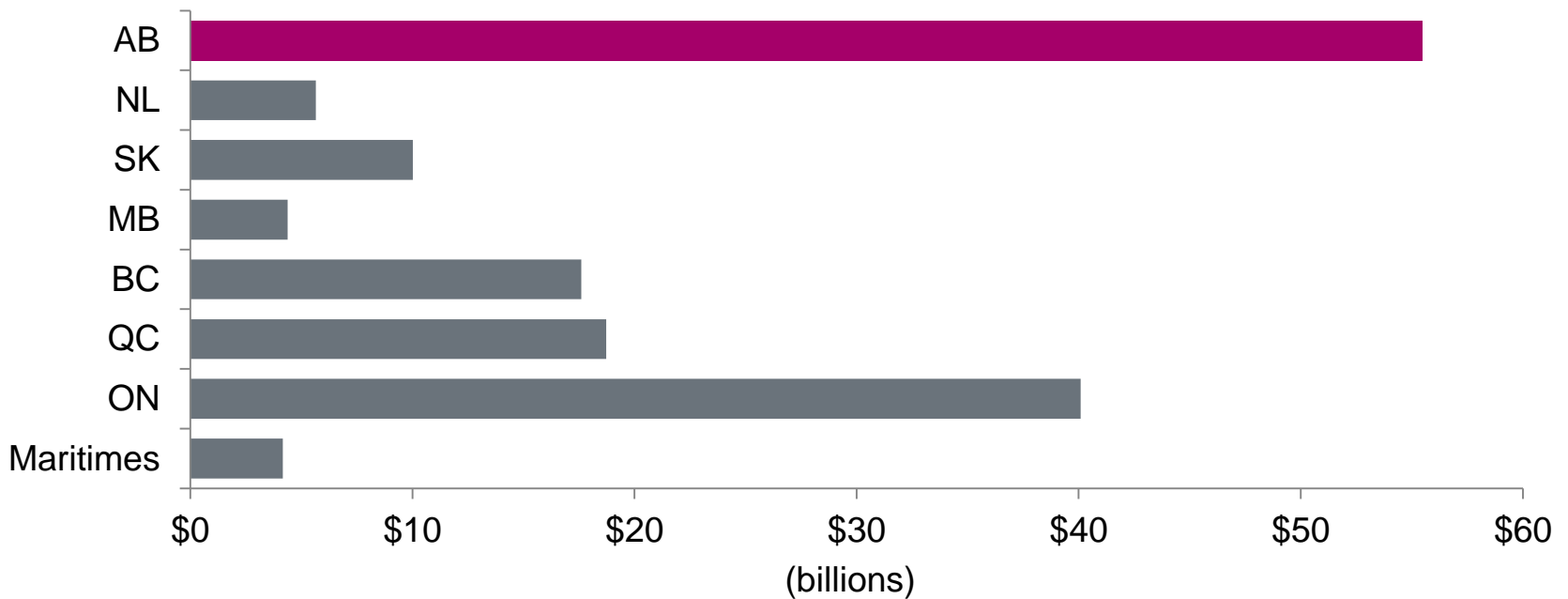
Growing by ~60% from 2000-14, AB was the economic engine for Canada

Source: Statistics Canada

Economic structure

AB's economy is very capital intensive

2016 Private Sector Capital Expenditures by Province

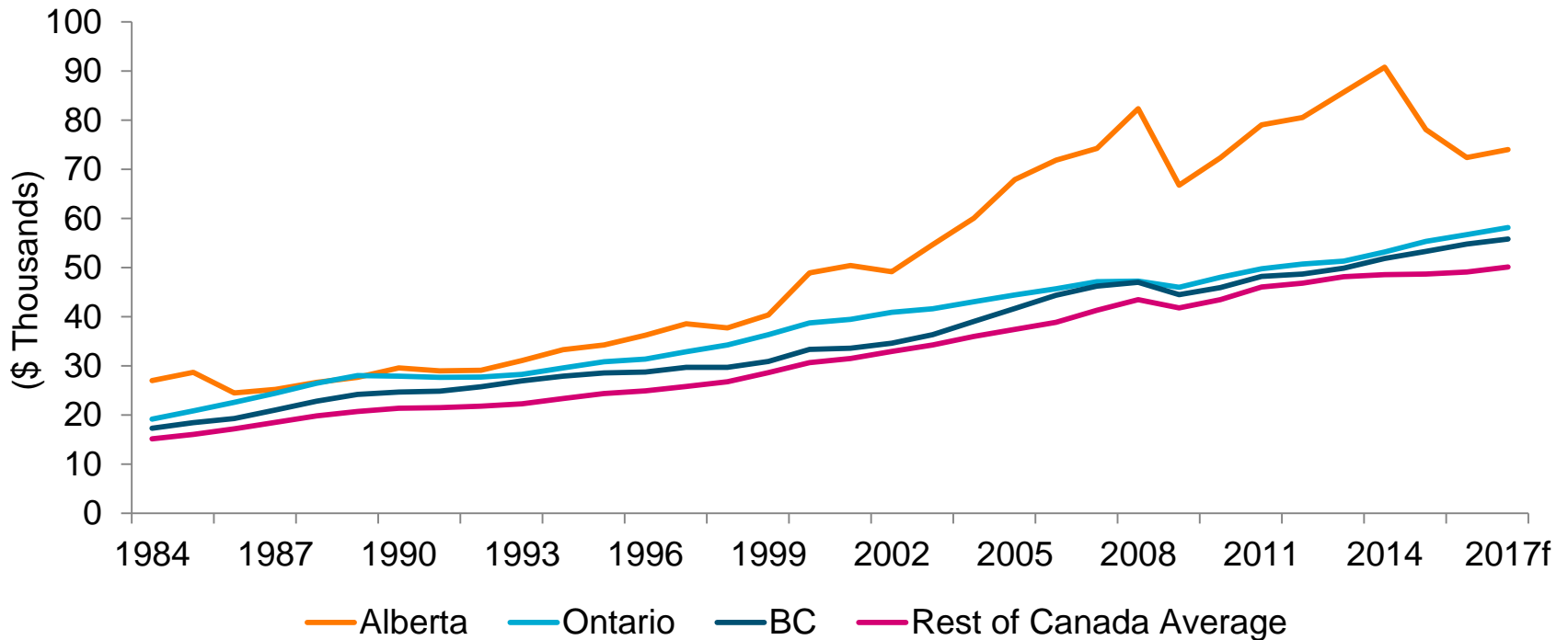


Source: Statistics Canada

Economic structure

Long-standing economic prosperity

Nominal GDP per capita



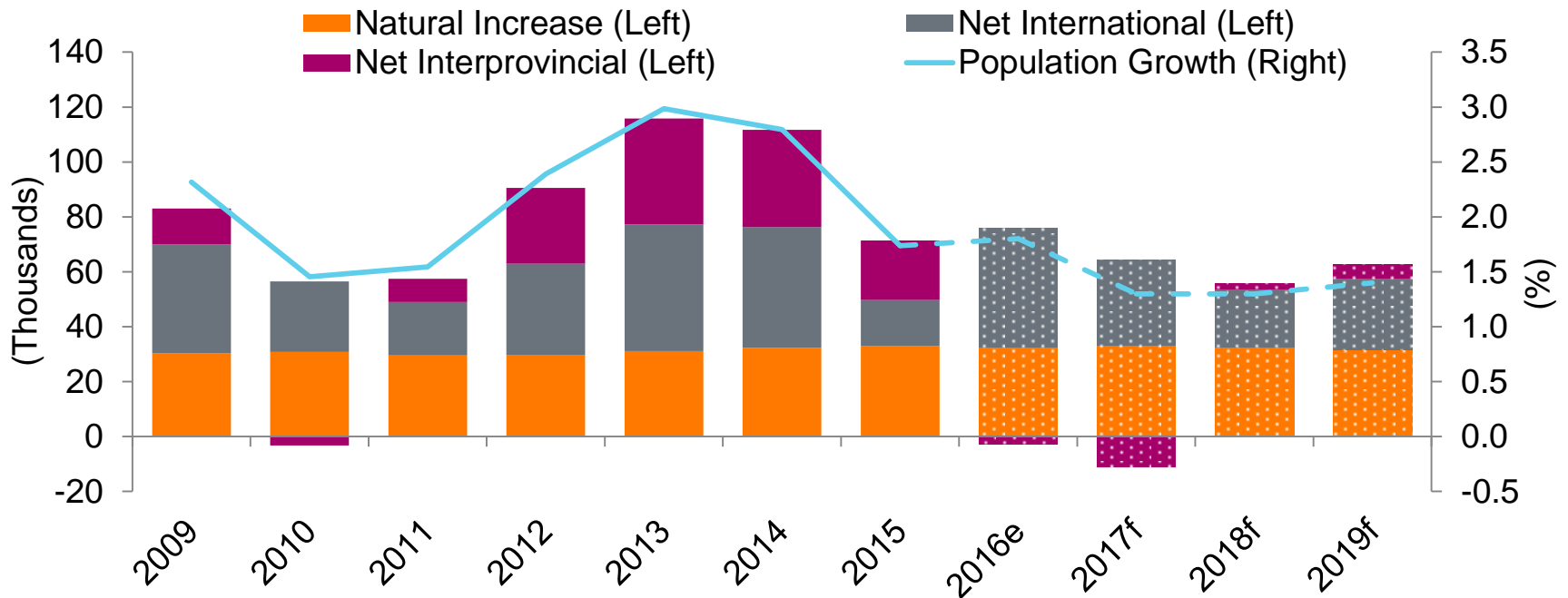
AB has proven to be resilient in the face of tough economic times

Sources: Statistics Canada, Alberta Treasury Board and Finance and TD Economics (Sept 29, 2016)

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

Fiscal policy – Q2 update

Key metrics

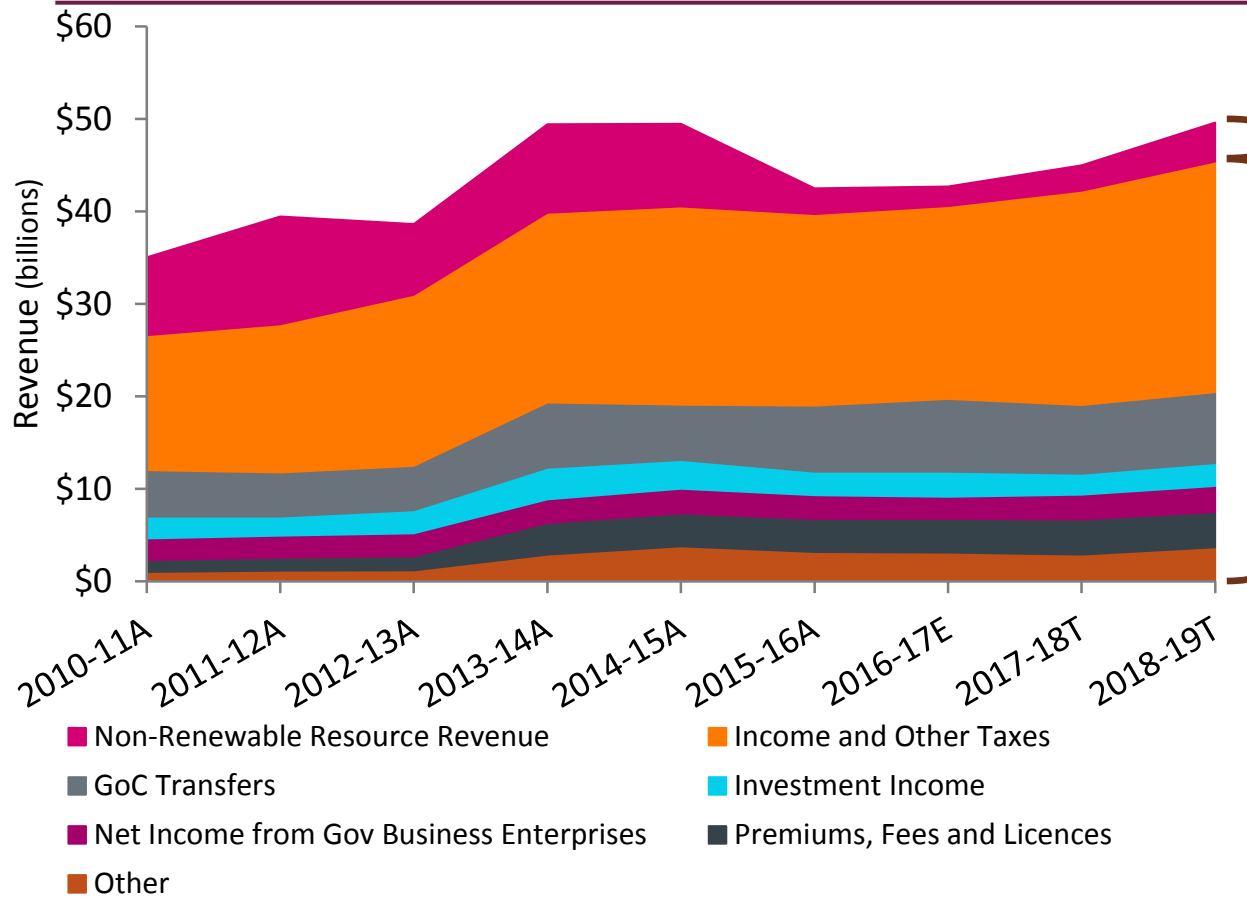
Fiscal policy

- **Contain rate of growth of government operating expense to the rate of population growth plus inflation**
- **Manage province's fiscal position with a long-term view**
 - Maintain government services, instead of making drastic cuts

	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	42.7	45.0	49.6
Consolidated Expense	48.4	48.9	51.1	52.8	53.6	56.0
Surplus / (Deficit)	1.1	(6.4)	(9.7)	(10.1)	(8.6)	(6.4)
Risk Adjustment	-	-	(0.7)	(0.7)	(1.5)	(2.0)
Surplus / (Deficit) After Risk Adjustment	1.1	(6.4)	(10.4)	(10.8)	(10.1)	(8.4)

Fiscal policy

Revenue sources⁽¹⁾



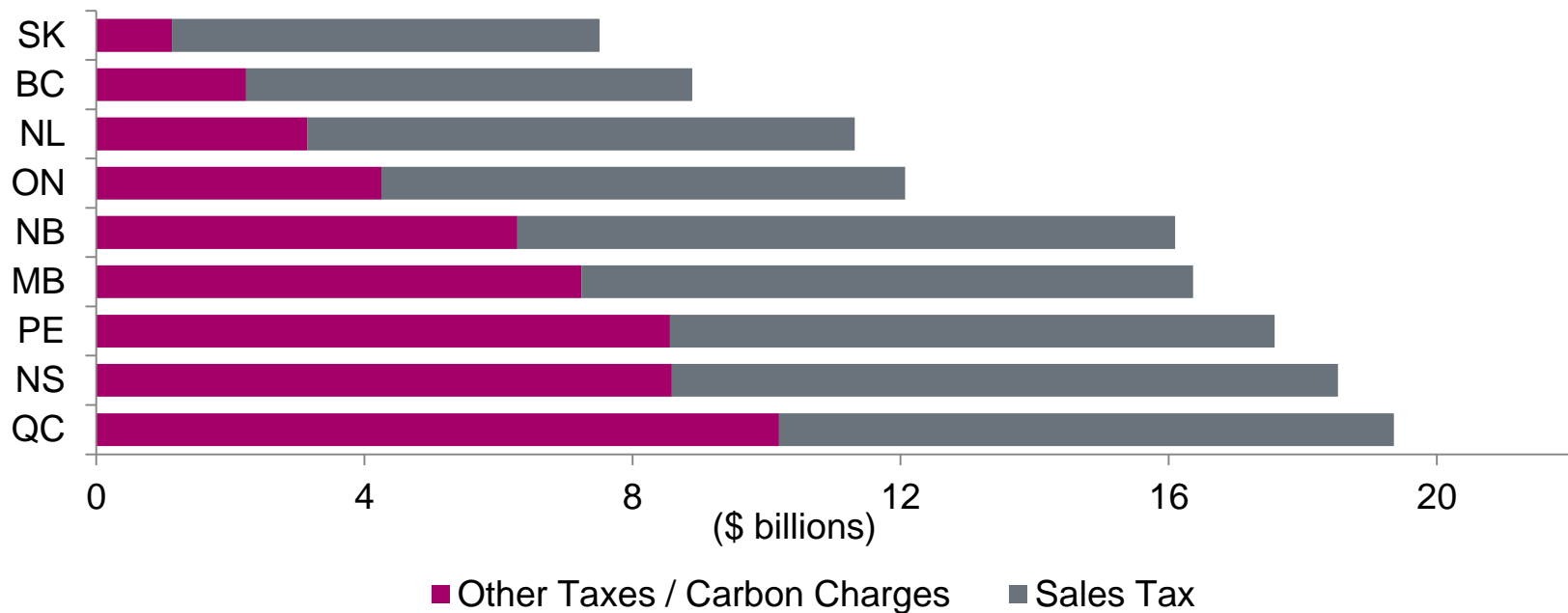
- **Non-Renewable Resource Revenue can be large, but variable**
- **Combined other sources provide stability and support growth**

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

Fiscal policy

AB's fiscal capacity

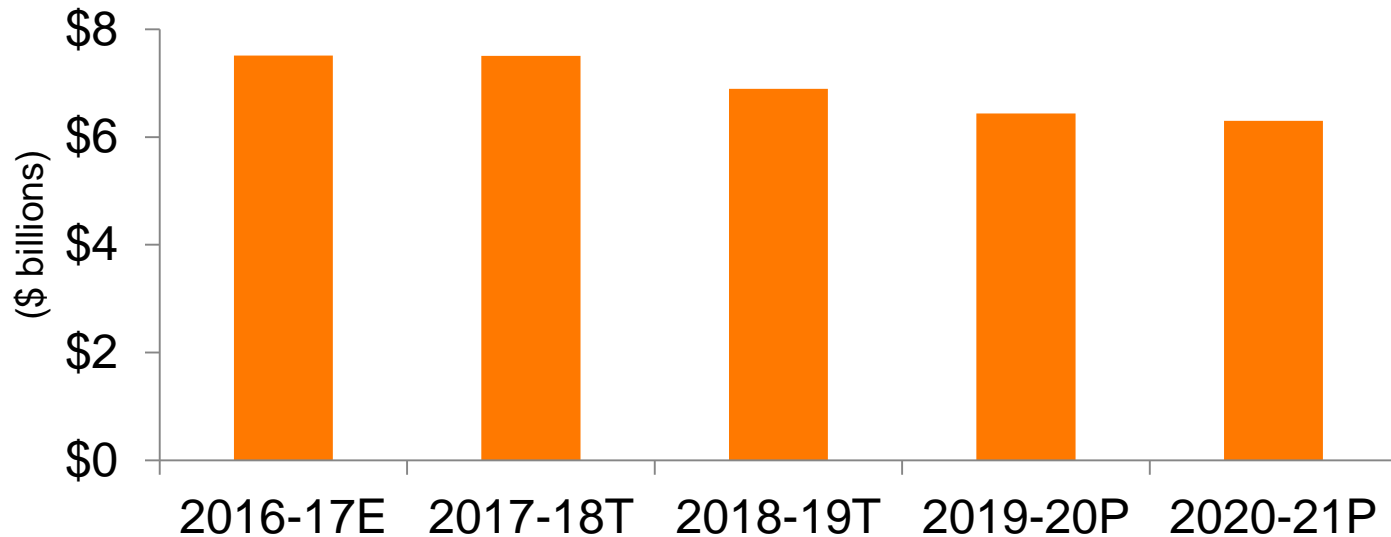
Alberta has a significant Tax Advantage compared to all provinces⁽¹⁾



(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 policy

Capital Plan



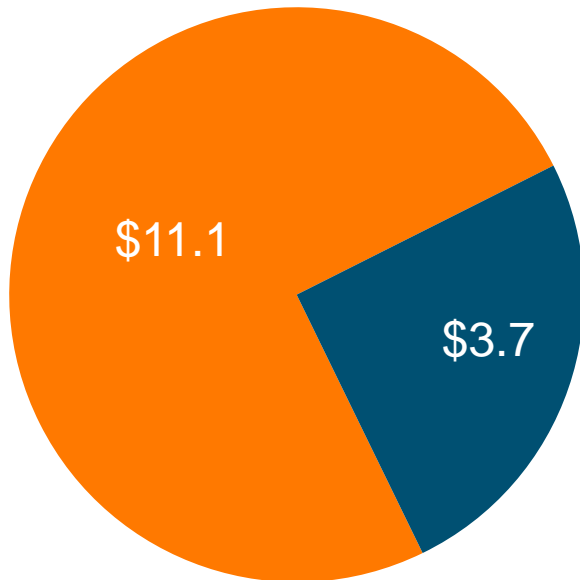
- **\$34.8B over 5 yrs**
- **Additional \$4.4B will be self-financed by Alberta Health Services, post secondary institutions and school boards over 5 yrs**

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

Financial management

Borrowing program

2016-17 Borrowing



- Direct Borrowing
- Provincial Corporations

Borrowing Requirements

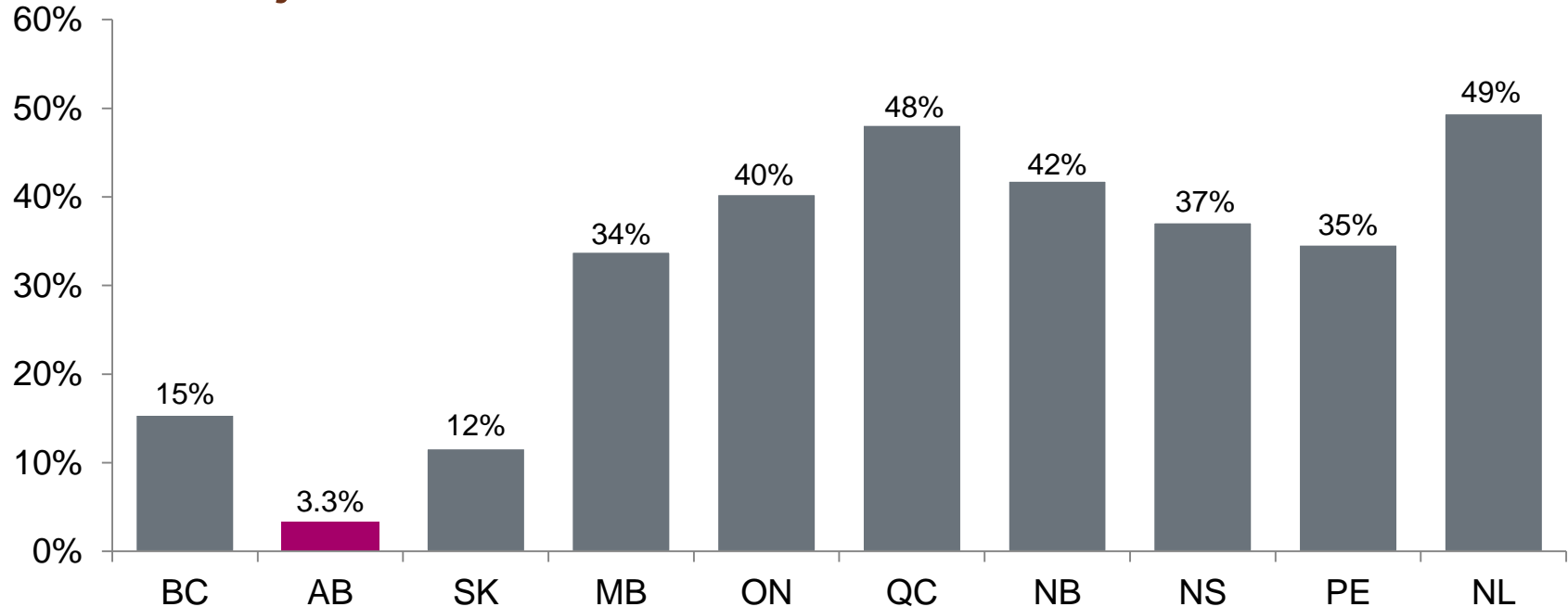
(\$ billions per Q1 Update)	New	Total ⁽¹⁾
2016-17 Estimate	\$12.2	\$14.8
2017-18 Target	\$16.2	\$19.8
2018-19 Target	\$13.8	\$16.6

(1) Includes new and re-financing of maturing term debt.

Fiscal policy

Low debt burden

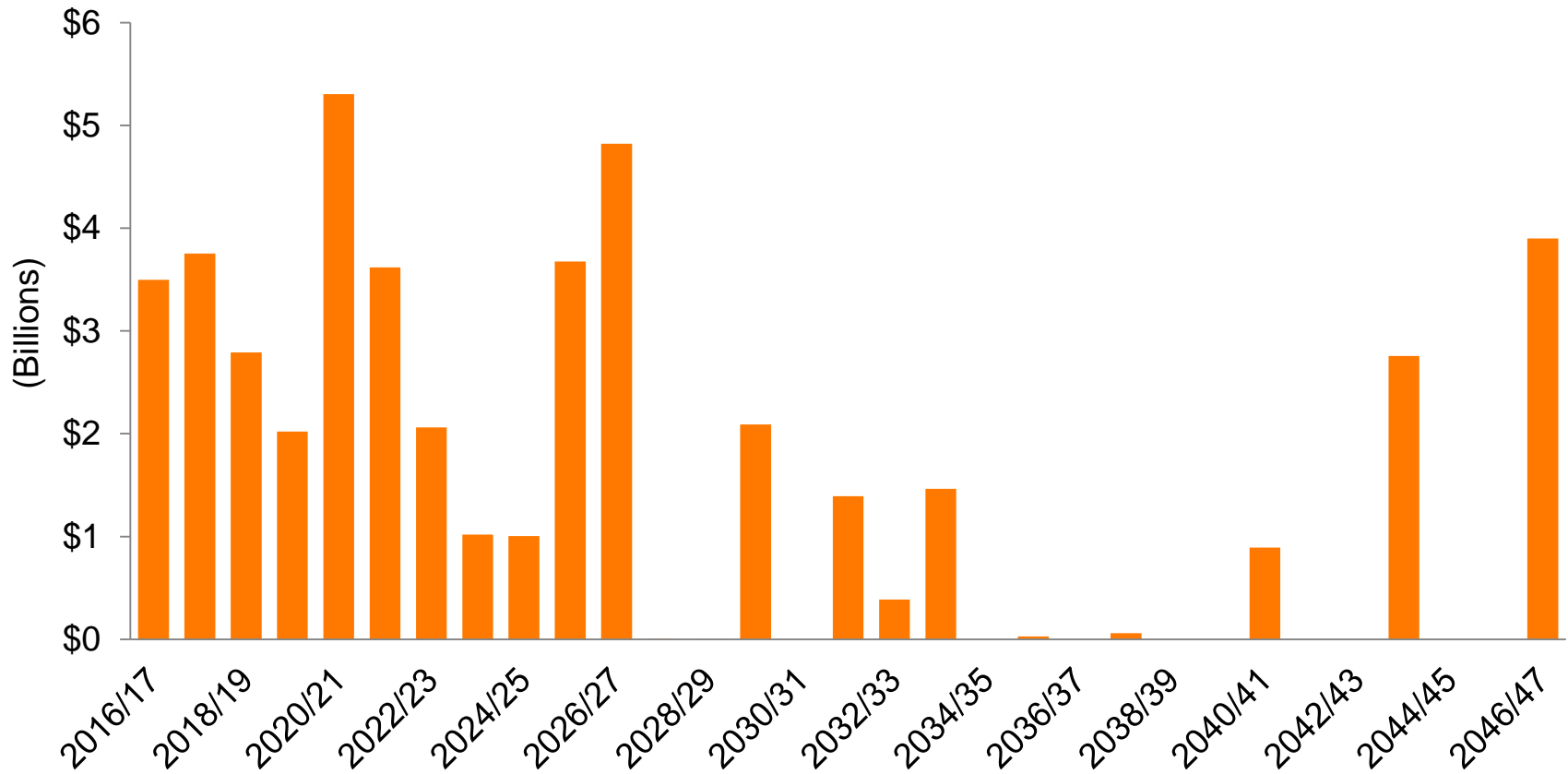
2016-17 Projected Net Debt to GDP⁽¹⁾



(1) RBC: Public accounts basis. Numbers are based on reports from individual governments and, due to accounting differences, are not strictly comparable between provinces. Sources include: Fiscal reference tables (Department of Finance Canada), various provincial budgets, budget updates and public accounts. As of Nov 29, 2016

Financial management

Maturity profile & liquidity⁽¹⁾



(1) As of Nov 28, 2016

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 now province is SEC Registered
 - US\$ CP program expected to come online in early 2017
- **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**

International issuances support growth in expanded 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**

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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Appendix

Q2 Update Assumptions⁽¹⁾

Appendix

	Actual	Budget	Q2 Forecast	Budget 2016 Targets	
Fiscal Year (Apr- Mar 31)	2015-16	2016-17	2016-17	2017-18	2018-19
WTI Oil (US\$/bbl)	45	42	45	54	64
Light-Heavy Differential (US\$/bbl)	13.4	15.2	14.3	17.5	18.5
Natural Gas (CDN\$/GJ)	2.21	2.4	2.1	2.8	3
Exchange Rate (US/CDN\$)	76.3	73.5	77	75.5	77.5
Calendar year	2015A	2016B	2016F	2017T	2018T
Real GDP Growth (%)	-3.6	-1.4	-2.8	1.9	2.8
Employment Growth (%)	1.2	-1.7	-1.7	0.9	2.1
Unemployment Rate (%)	6	8	8	7.5	6.5

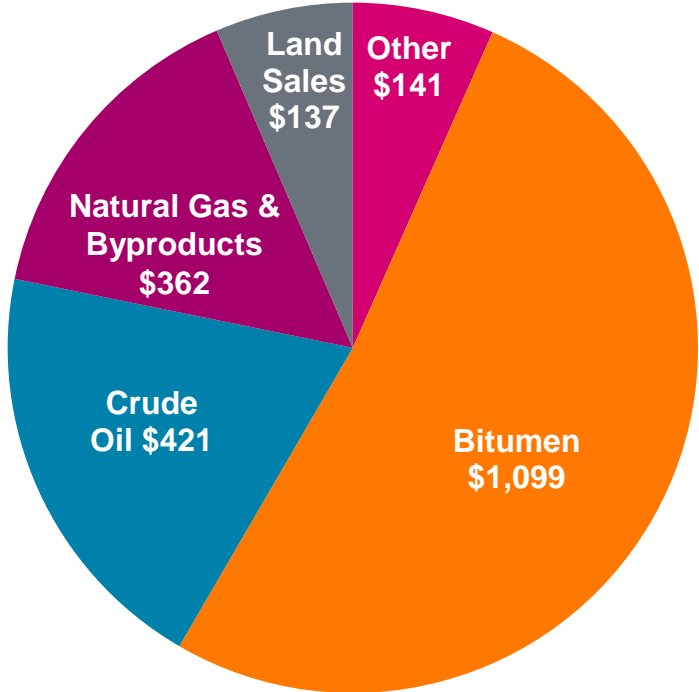
(1) A=Actual, B=Budget, T=Target, F= Q2 Forecast. Source: Statistics Canada, Alberta Energy, Alberta Treasury Board and Finance

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 \$520M fiscal impact of the wildfire**
 - Disaster Recovery Program expense of \$647M, partially offset by federal assistance of \$427M
 - \$300M reduction to revenue, primarily corporate income tax
 - Likely at least 40M barrels of oil sands production deferred over 2 months

(1) Insurance Bureau of Canada

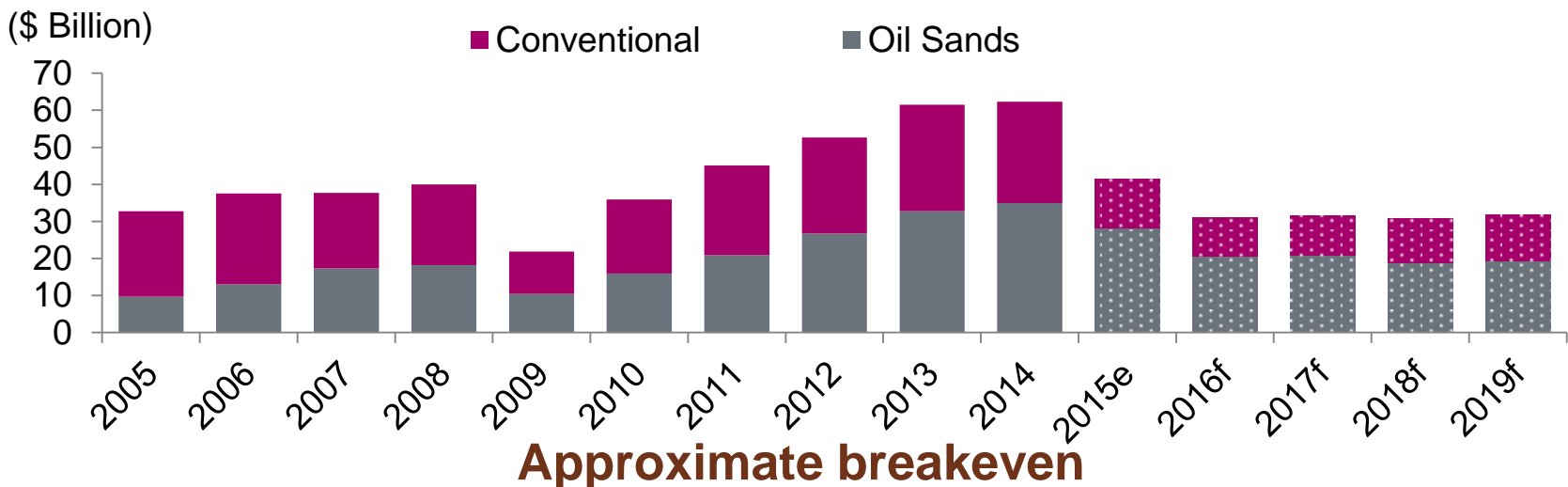
Budget 2016 sensitivities 2016-17⁽¹⁾

	Change	Net Impact (2016-17)	2016/17 Non-Renewable Resource Revenue \$2.1F
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	

(1) Based on budget 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. F=Q2 Forecast

Oil and gas investment to remain lower

AB oil and gas investment has shifted towards sustaining capital



Conventional oil projects

- ~\$25-\$55 USD/barrel
- Enhanced ~\$50-\$60 USD/barrel

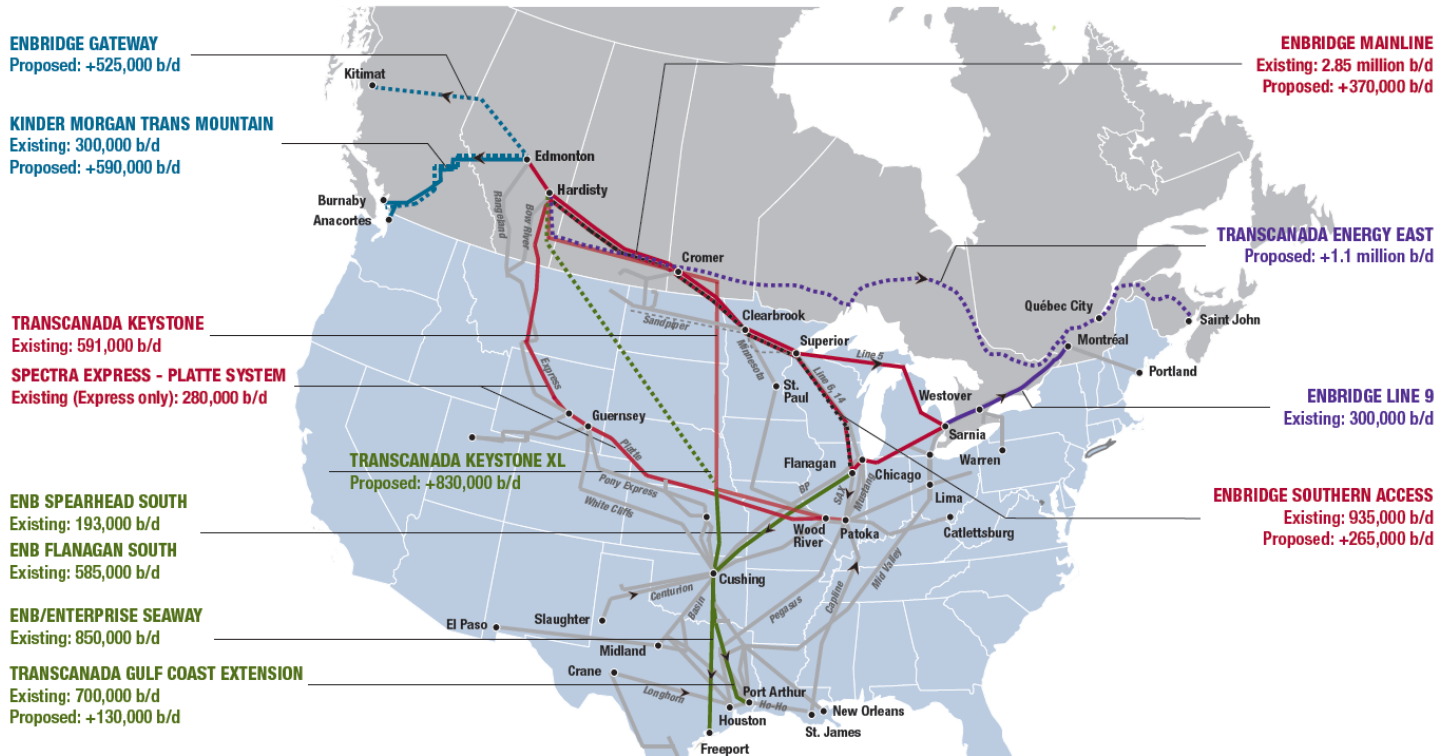
Oil sands projects

- Surface mine ~\$80 - \$85 full cycle
- SAGD \$45-\$65 USD/barrel full cycle

Sources: Alberta Treasury Board and Finance, e-estimate, f-forecast, Budget 2016 and 2nd quarter update

Market access remains key

Canadian & U.S. Crude Oil Pipelines and Proposals



Continue to work to improve market access

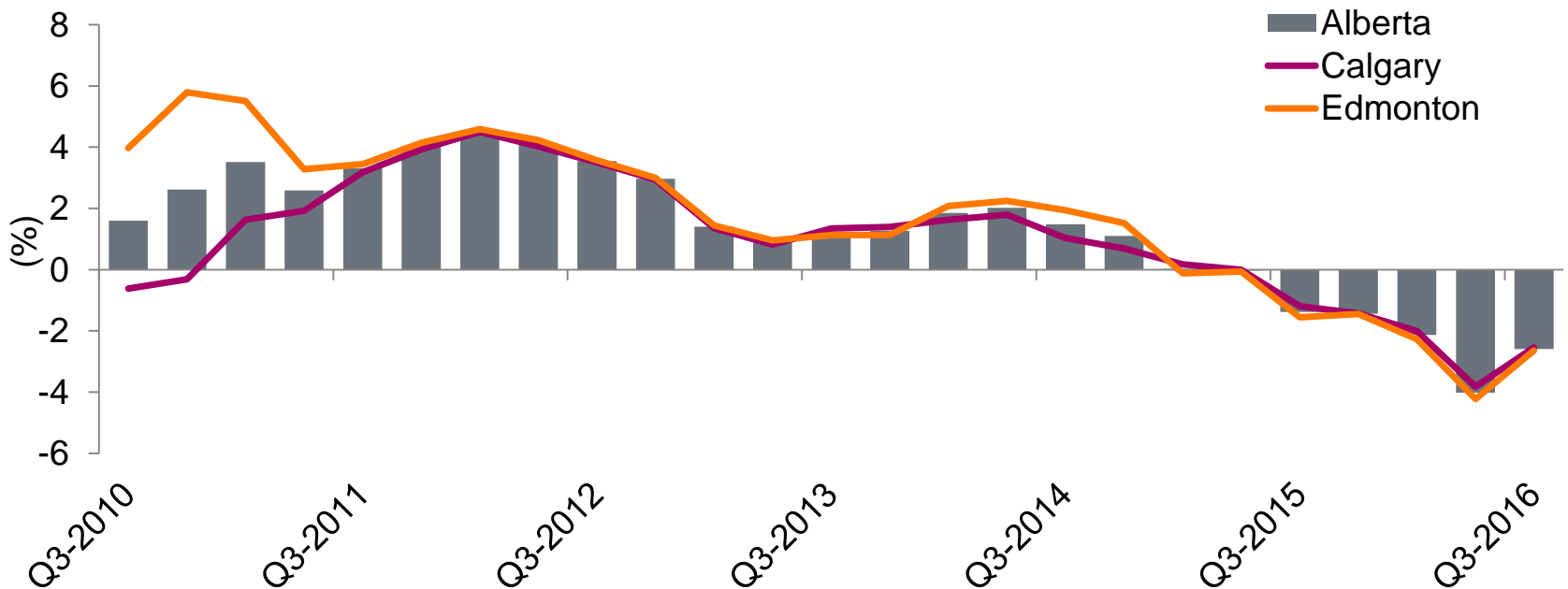
Source: Canadian Association of Petroleum Producers

Economic structure

Costs are coming down

Appendix

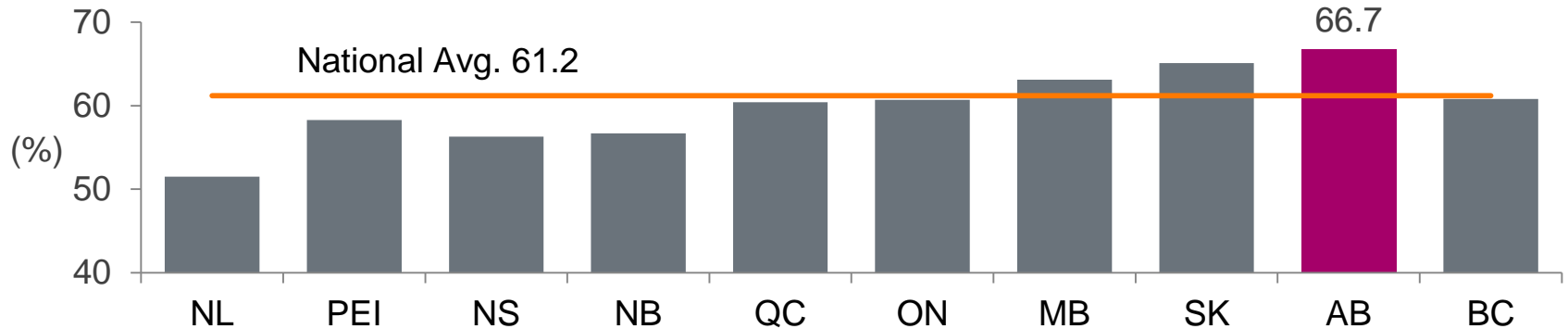
Year-over-Year change in non-residential construction price index



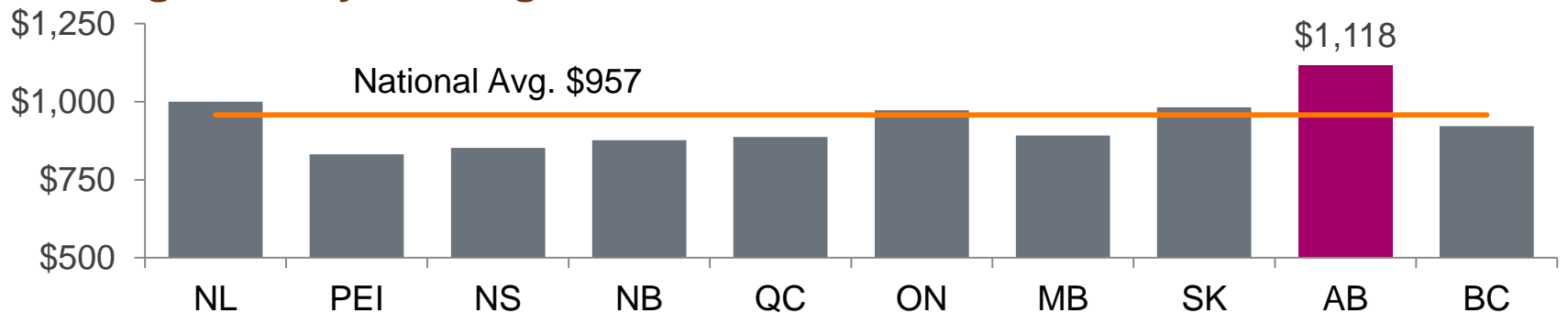
Source: Statistics Canada

Highest employment rate and incomes

Employment Rate⁽¹⁾



Average Weekly Earnings⁽²⁾

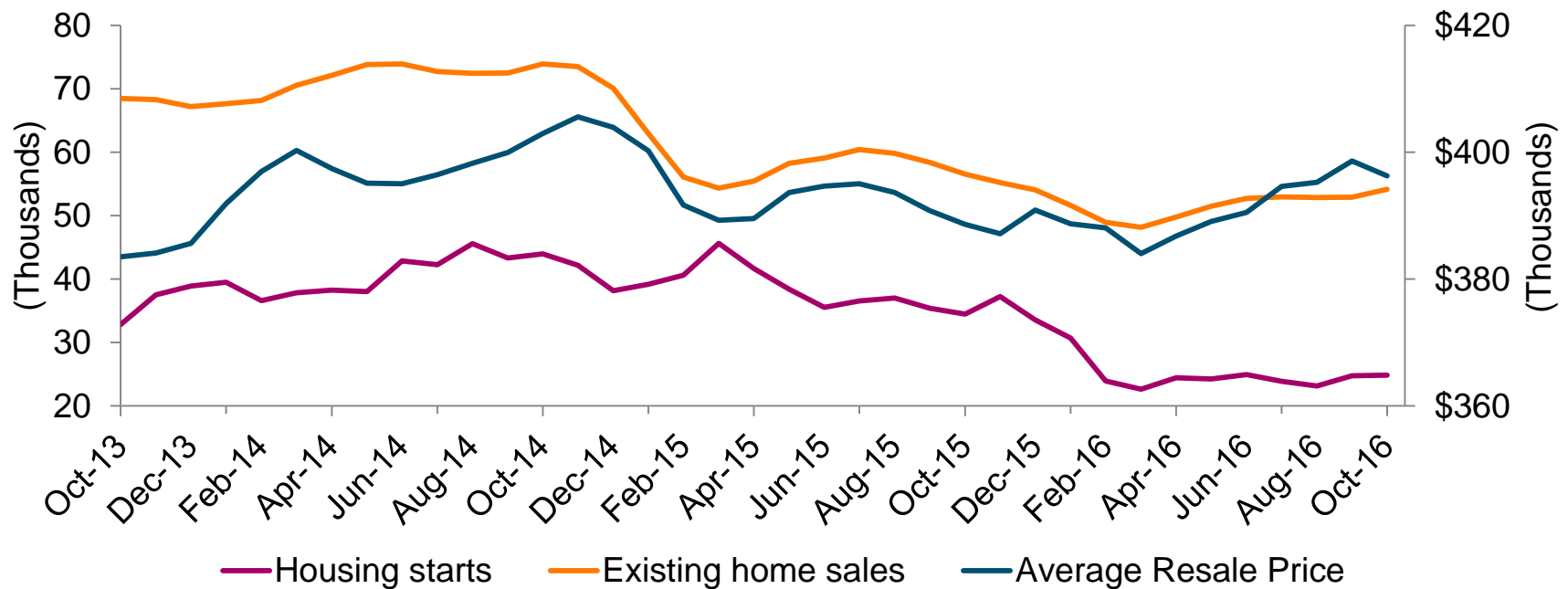


(1) Share of adults (15+) employed as of October 2016. Source: Statistics Canada

(2) Including overtime as of Sept 2016. Source: Statistics Canada

Housing activity remains sluggish

Annualized AB housing starts, existing home sales and the average resale home price*



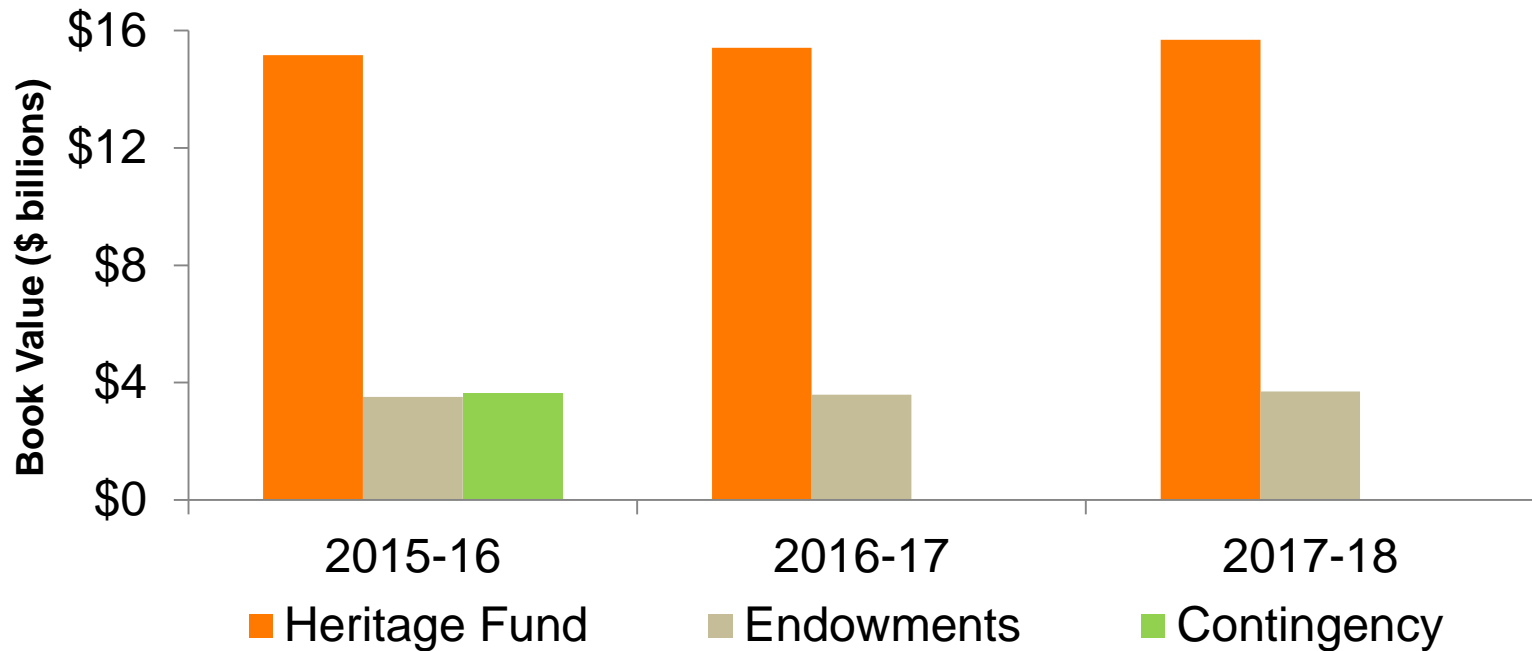
Home prices have held up despite the decline in activity

Sources: Canadian Real Estate Association, Canada Mortgage and Housing Corporation *3-month moving average

Financial management

Heritage Fund & Endowments

Appendix



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

Financial management

Credit ratings

Appendix

	Long Term	Short Term
S&P	AA	A-1+
Moody's	Aa1	P-1
DBRS	AA (high)	R-1 (high)

ATB Financial⁽¹⁾

- **Professionally managed at arms-length basis from government**
 - Credit policies and other risk management not unlike those of any other financial institution
 - Subject to regulatory oversight by provincial and national regulatory bodies
- **An agent of the crown, assets and liabilities belong to the crown**
 - Potential economic loss relatively small in relation to AB's balance sheet, budget and borrowing requirement
 - Less susceptible to the risk of a run due to provincial guarantee of deposits
 - ATB increased deposits during 2008/09 liquidity crisis
 - Capital requirements set by the Minister of Finance
- **Total Assets \$47.9B, Total Liabilities \$44.7B and Equity \$3.1B**
 - Liabilities include: Loans from province \$3.3B, Collateralized Borrowings \$6.5B, as well as Deposits and Other totaling \$34.9B

(1) As of September 30, 2016

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