

Province of Alberta

Investor Meetings

April, 2018

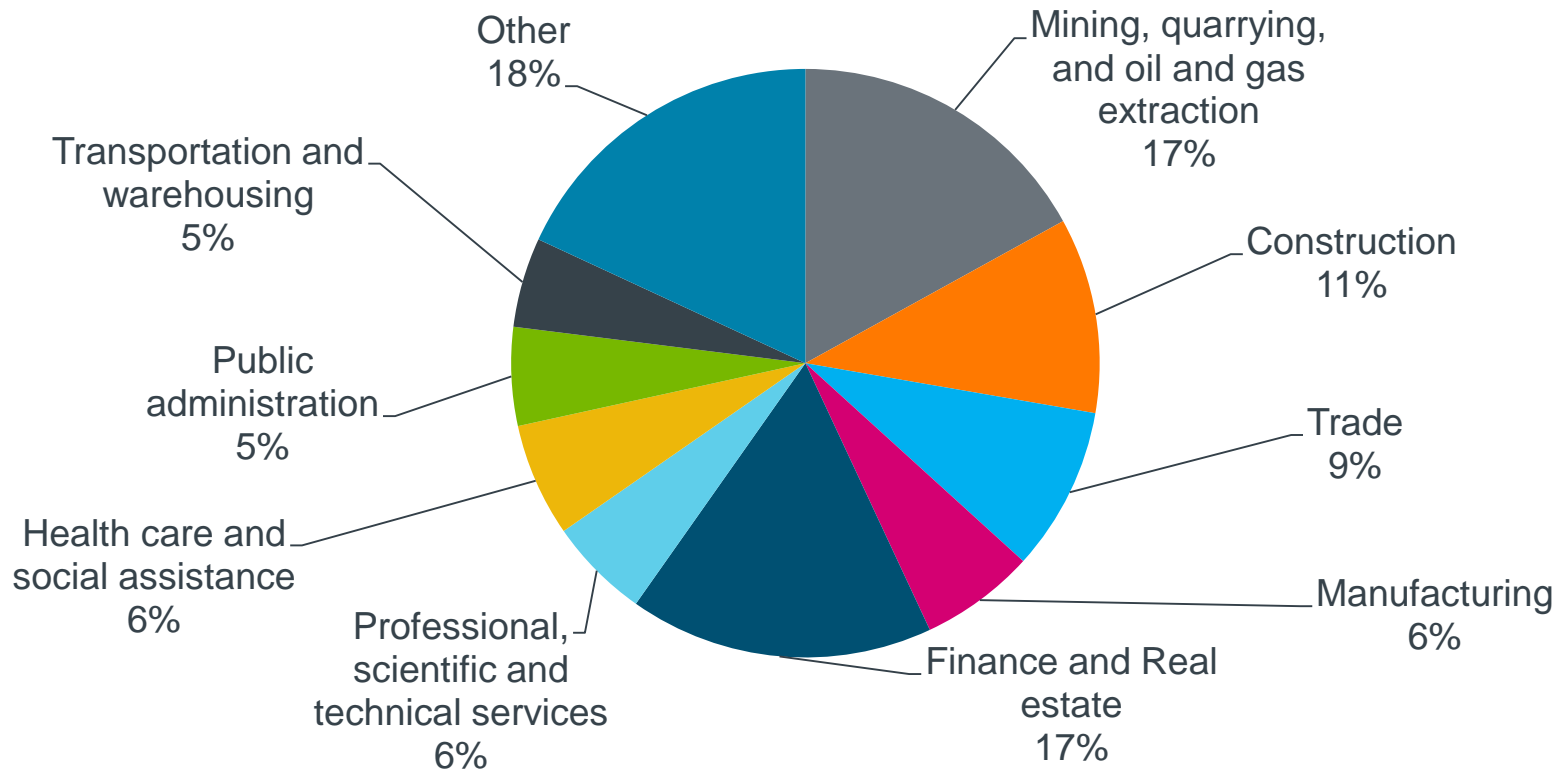
Stephen J Thompson
Executive Director
Capital Markets, Treasury Board and Finance

and

Catherine Rothrock
Chief Economist & Executive Director,
Treasury Board and Finance

Alberta's economy at a glance

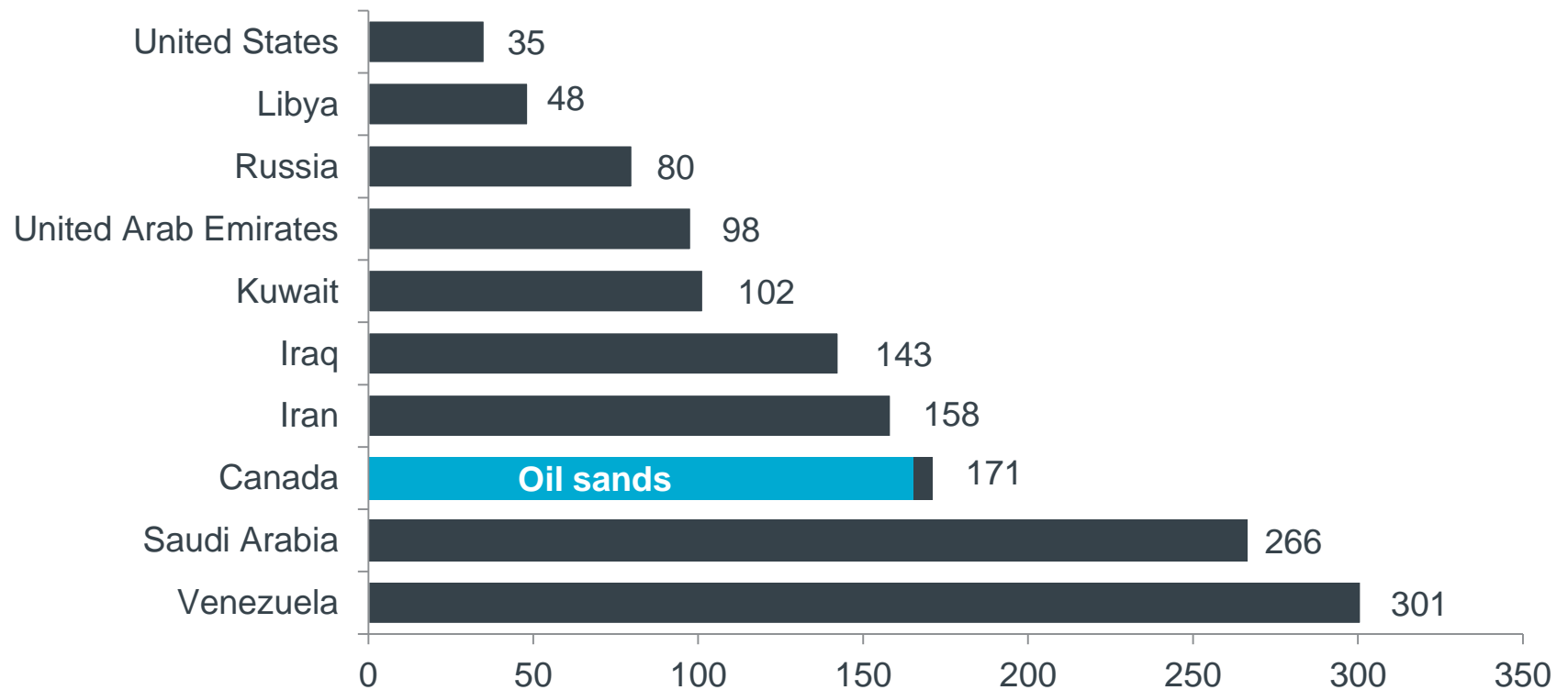
Share of nominal GDP by industry, 2016



Source: Statistics Canada

Alberta's oil reserves ranked 3rd in the world

2016 global oil reserves, estimated proved reserves (billions bbl)



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

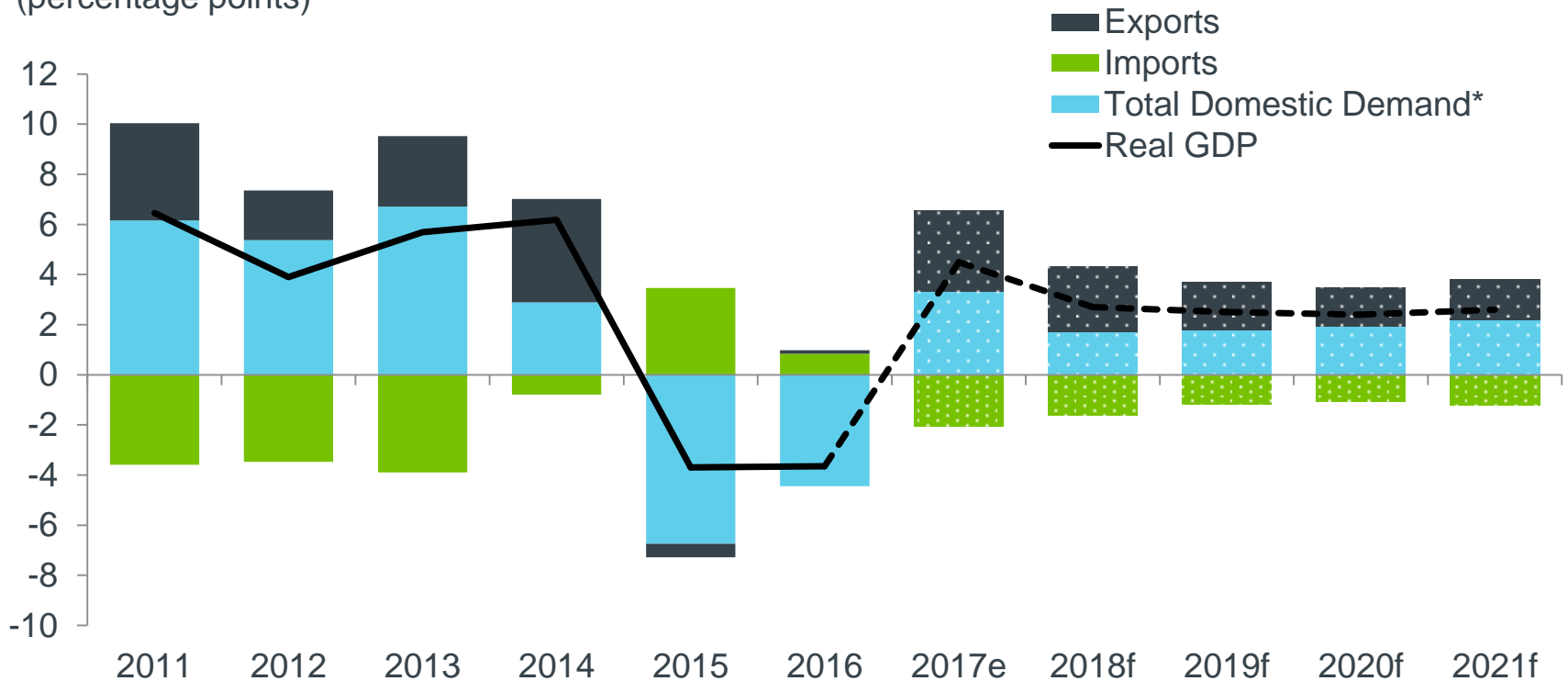
Alberta enters second year of recovery

- Rebound surpassed expectations
 - Real GDP growth in 2017 estimated to be 4.5%
 - Driven by rising oil production, broad-based strength across industries, and recovery from 2016 Fort McMurray wildfires
- Growth moderating in 2018 as recovery more entrenched
 - Real GDP growth forecast to be 2.7%
 - Exports and consumer spending to drive growth
- A prolonged recovery
 - Lingering effects of downturn on corporate profits and investment
 - Full recovery in real GDP not until 2019, nominal GDP in 2020
 - Government revenue not forecast to reach pre-recession levels until 2019-20

Exports continue to drive recovery

Contribution to change in Alberta real GDP by expenditure

(percentage points)

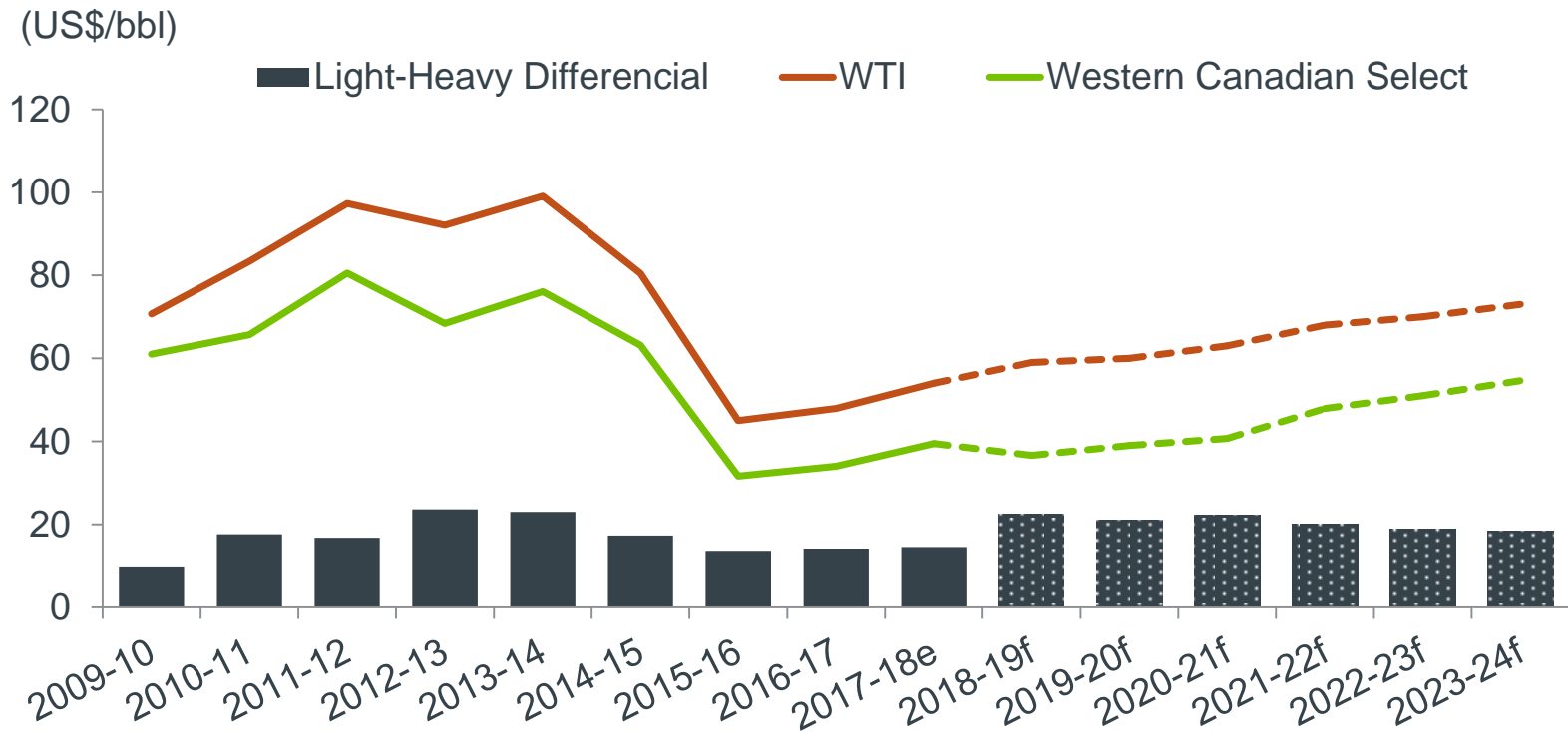


Sources: Statistics Canada and Alberta Treasury Board and Finance; e-estimate, f-forecast

* Includes total household, business and government spending

Oil prices improve gradually: Differential to widen

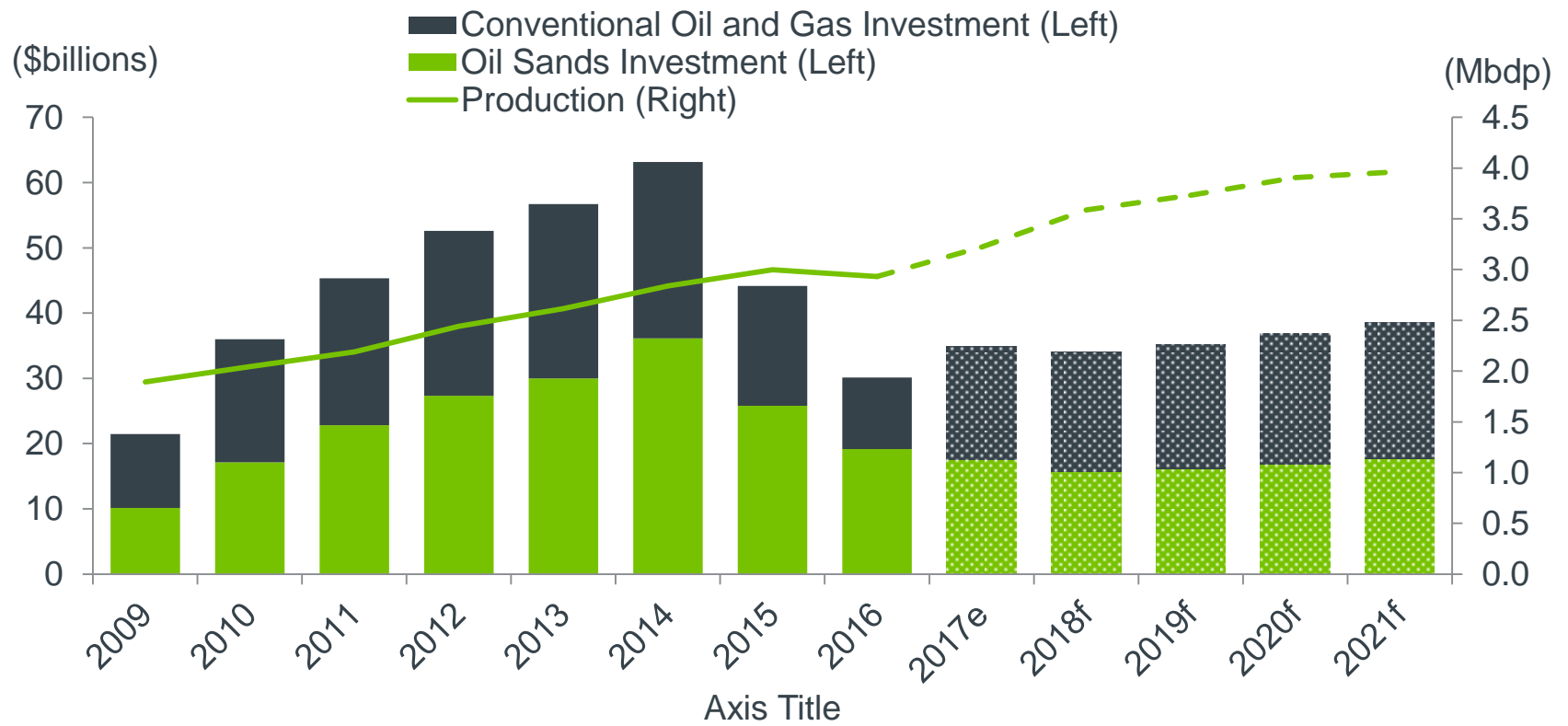
Oil prices



Sources: Alberta Energy, f-forecast

Energy investment stabilizing: Production continues to grow

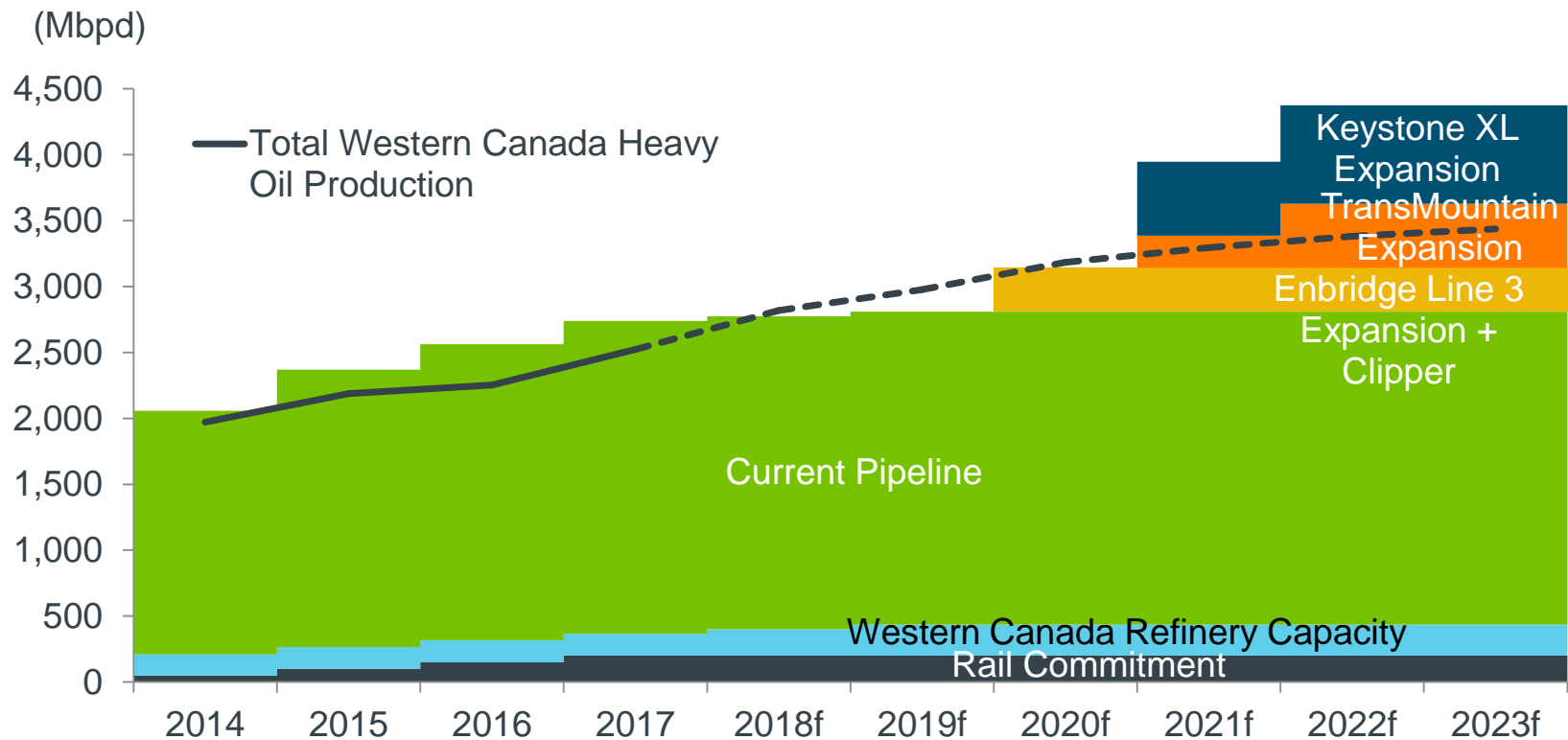
Alberta energy investment



Source: Statistics Canada and Alberta Treasury Board and Finance; e-estimate, f-forecast

Pipeline access critical for expanding production

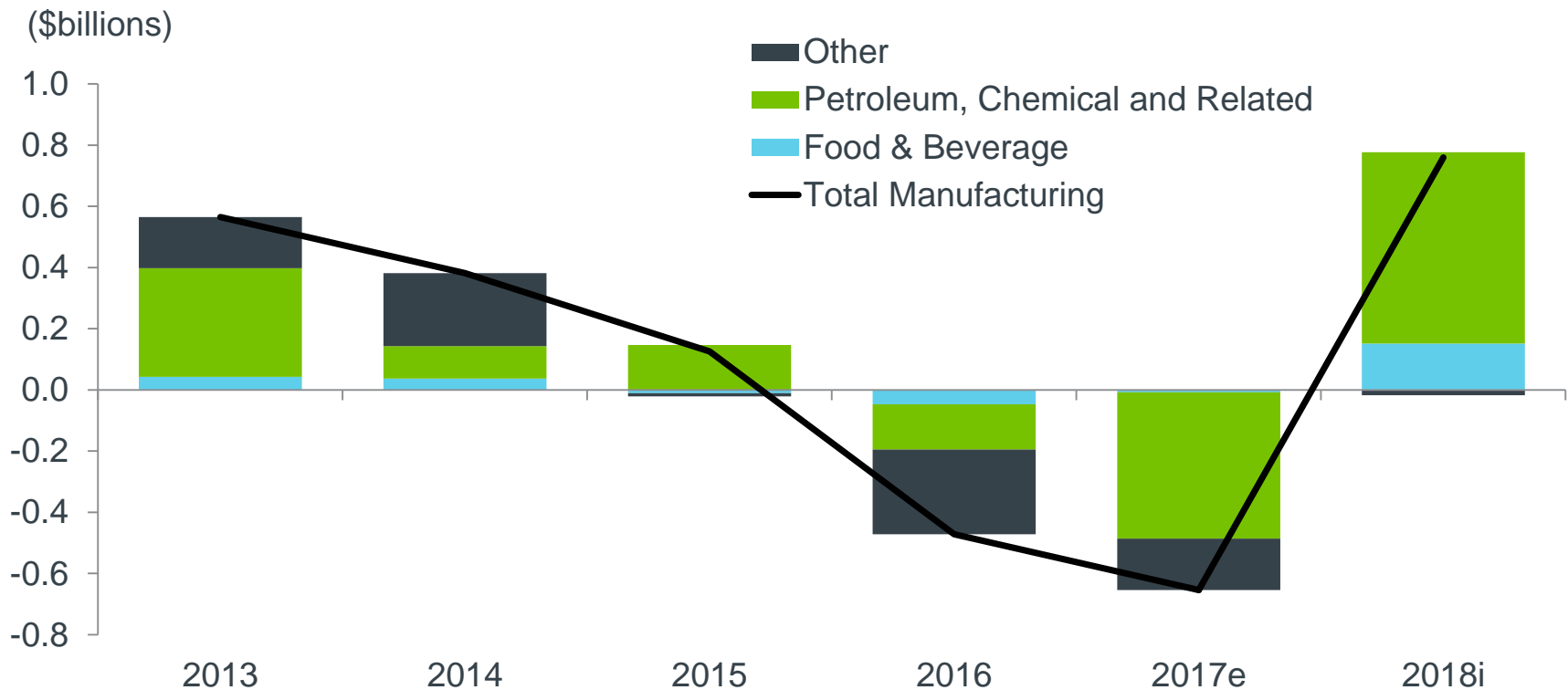
Pipeline and refinery capacity and western Canada heavy oil production



Source: Alberta Energy, f-forecast

Manufacturing investment to surge

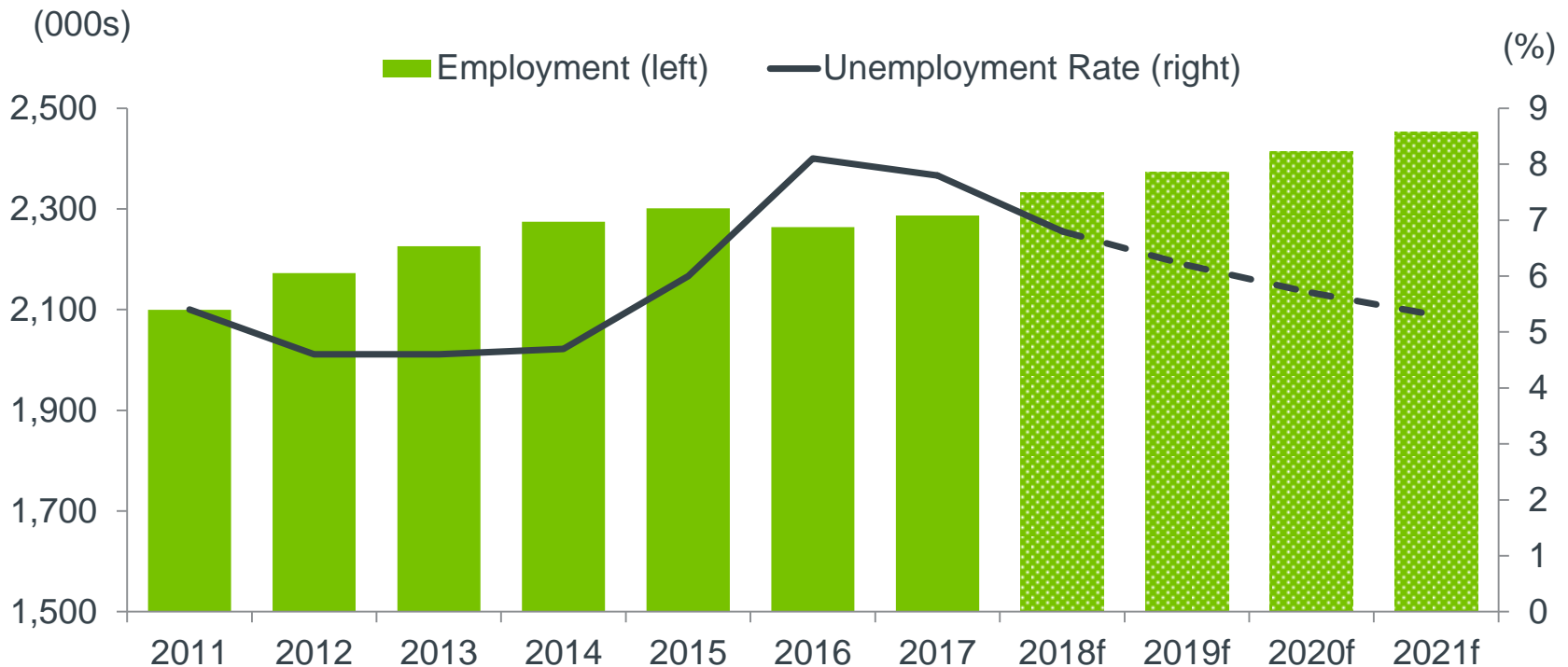
Change in Alberta manufacturing investment



Sources: Statistics Canada, e-estimate, i-intentions

Labour market re-balancing

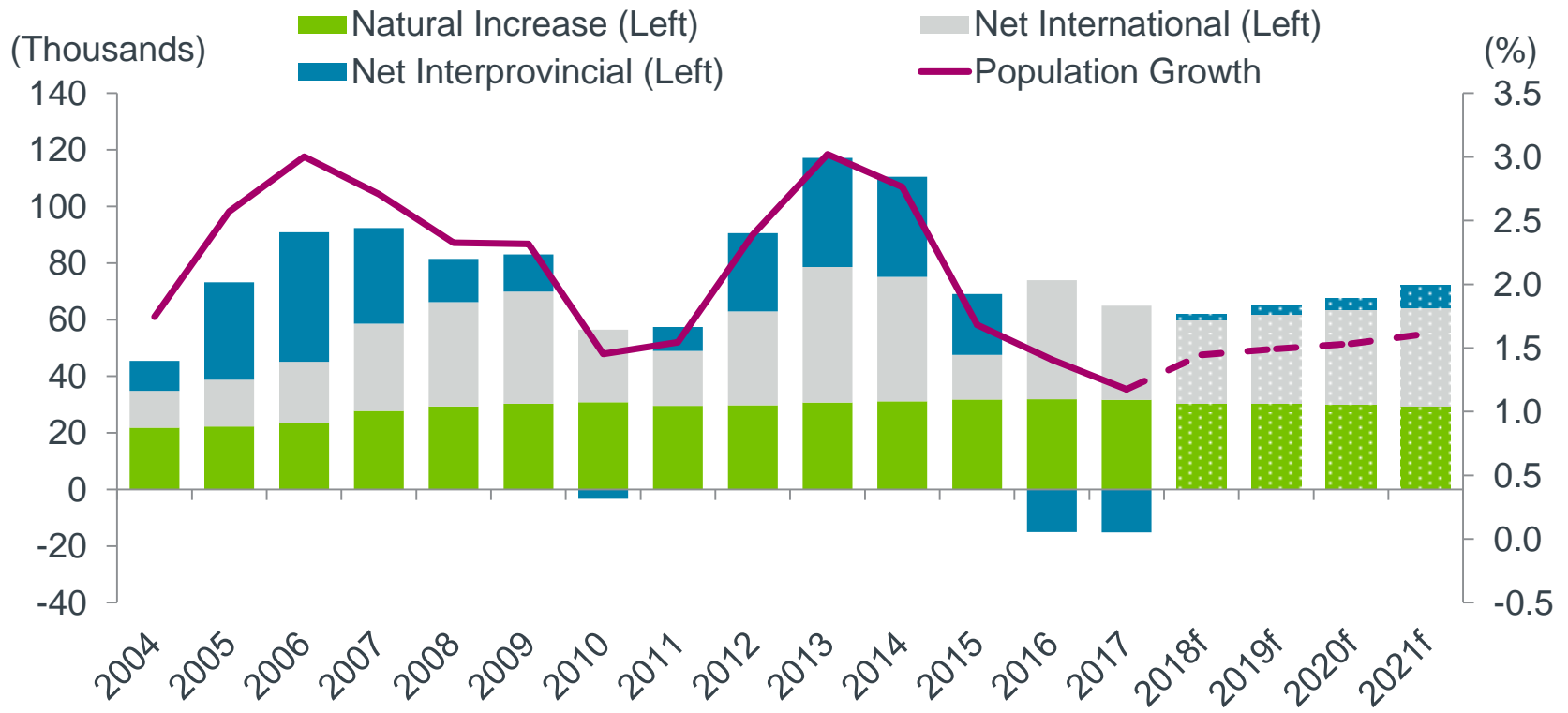
Alberta labour market indicators



Source: Statistics Canada and Alberta Treasury Board & Finance, f-forecast

Solid population growth

Change in Alberta's population by component

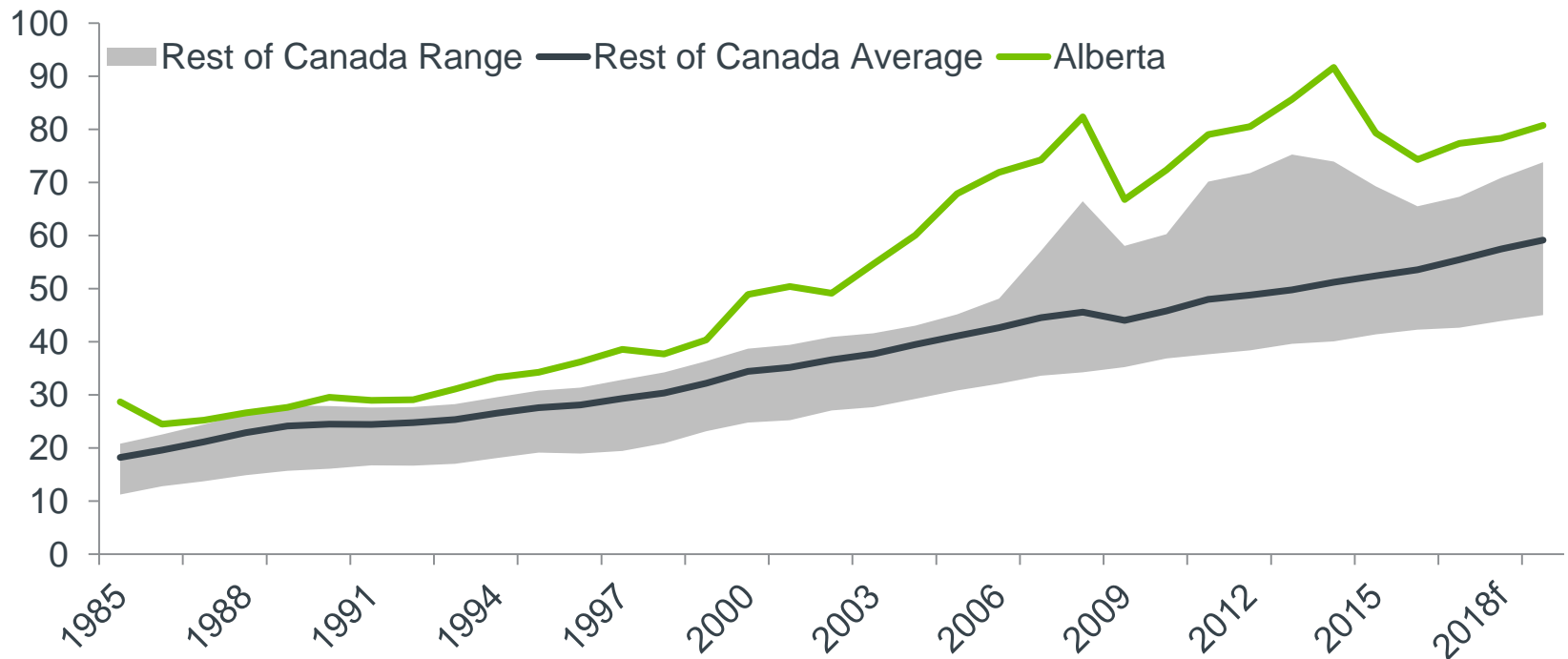


Source: Statistics Canada and Alberta Treasury Board & Finance, f-forecast

Alberta remains Canada's most prosperous province

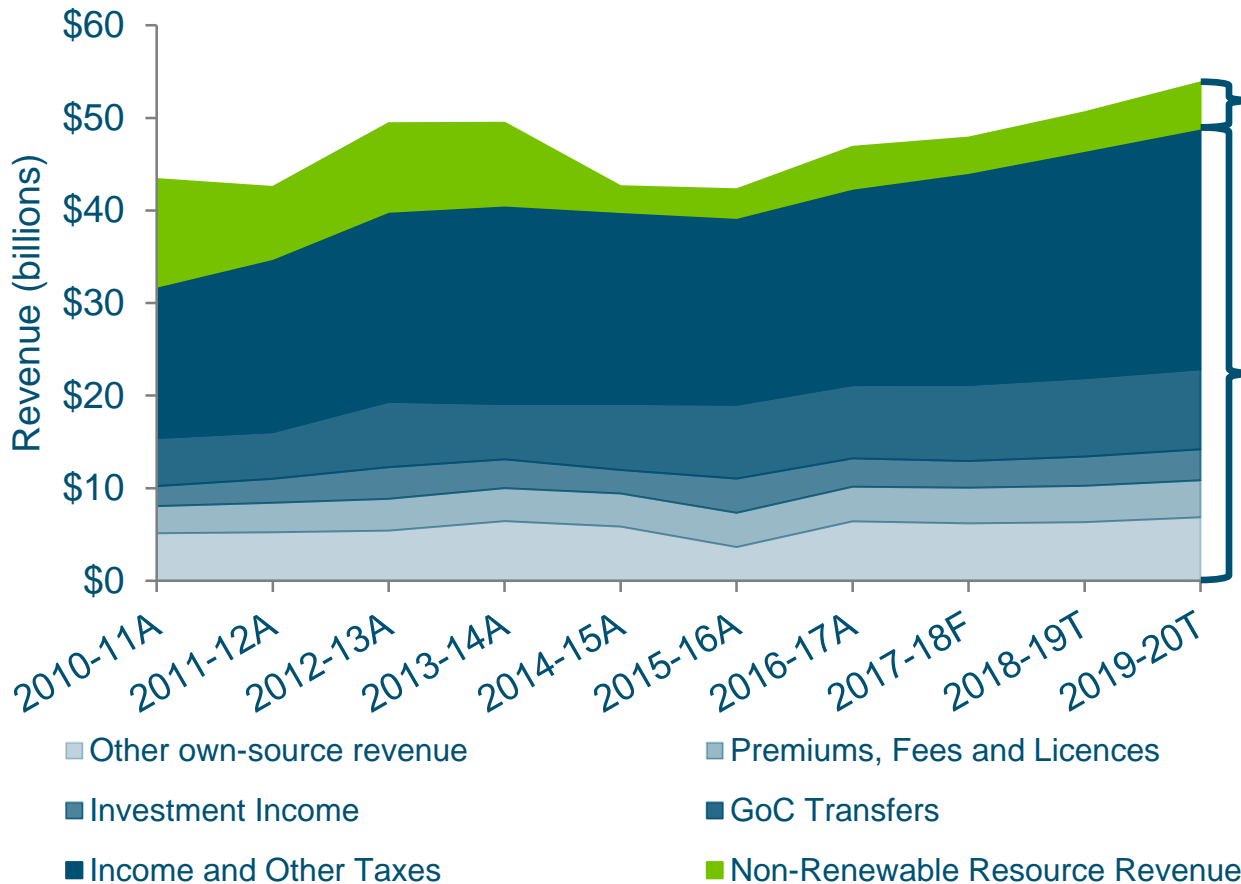
Nominal GDP per capita

(\$thousands)



Sources: Statistics Canada, Alberta Treasury Board and Finance and TD Economics, f-forecast

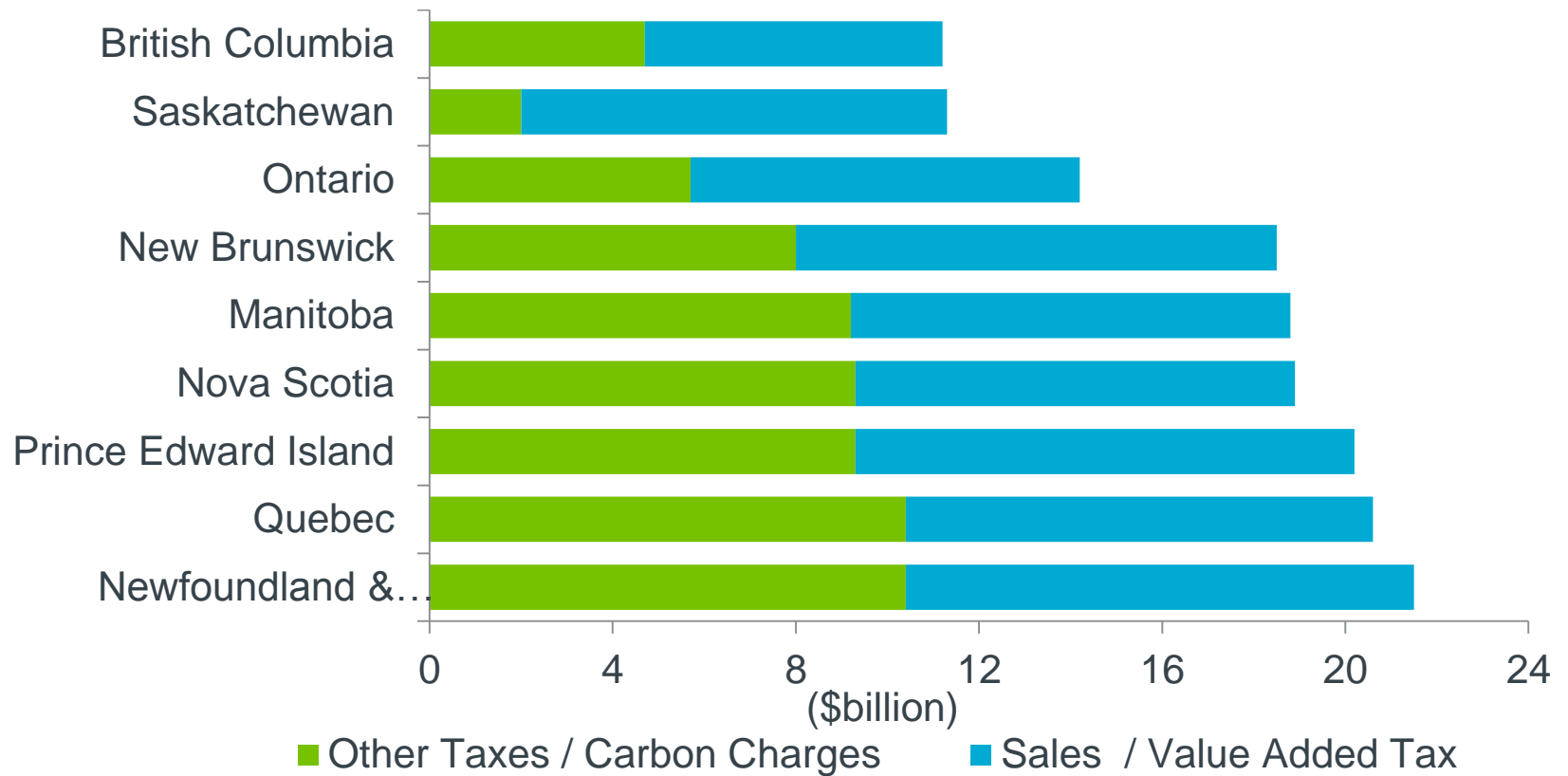
Revenue sources⁽¹⁾



- Non-Renewable Resource Revenue can be large, but variable
- Combined other sources provide stability and support growth
- Transfers from GoC of \$8.6B in 2018-19, or 16% of total revenue

(1) A=Actual, F= Forecast, T=Target.

Alberta's tax advantage 2018-19



(1) Alberta Treasury Board and Finance

Fiscal and capital plans

- Budgeted total revenue is up 2.1% from 2017-18, led by higher personal and corporate income taxes
- Operating expense is forecast to be \$47.8 billion, below forecast growth in population and inflation

Fiscal Plan (Billions) ⁽¹⁾	Forecast 2017-18	Estimate 2018-19	Target 2019-20	Target 2020-21
Consolidated Revenue	46.9	47.9	50.6	53.8
Consolidated Expense	55.9	56.2	57.8	59.8
Surplus / (Deficit)	(9.1)	(8.3)	(7.2)	(6.0)
Risk Adjustment	-	(0.5)	(0.7)	(1.0)
Surplus / (Deficit) After Risk Adjustment	(9.1)	(8.8)	(7.9)	(7.0)

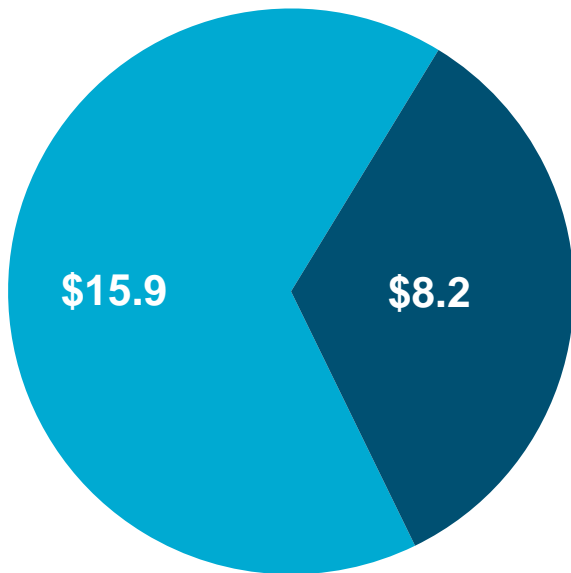
- Returning to more normal levels of capital investment with reduced need for economic stimulus

Capital Plan (Billions) ⁽⁵⁾	Estimate 2018-19	Target 2019-20	Target 2020-21	Projected 2021-22	Projected 2022-23
Total Capital Plan	6.4	5.9	6.0	6.4	5.2

(1) Numbers may not add due to rounding.

Borrowing platform

2018-19 Total Borrowing



■ Direct Borrowing

■ Provincial Corporations

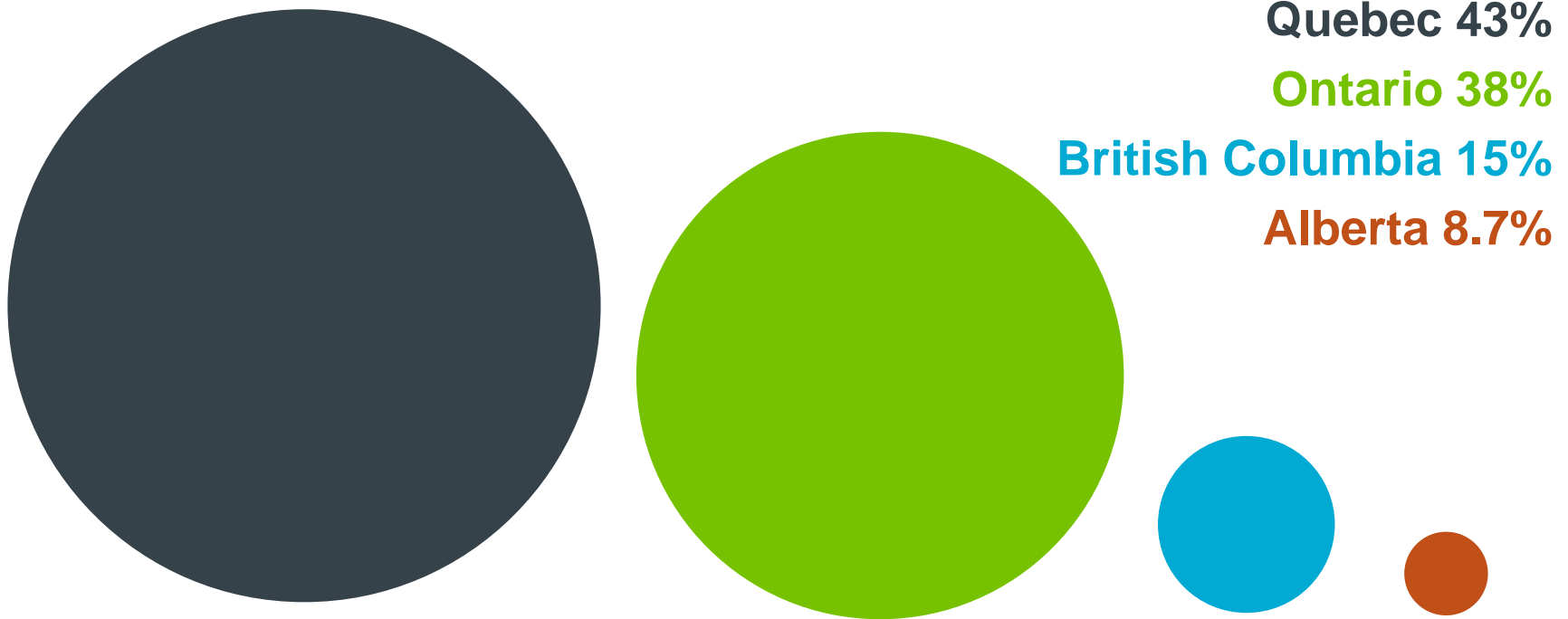
Total Borrowing Requirements

(\$ billions)	2018-19 Estimate	2019-20 Target	2020-21 Target
Refinancing	14.4	16.1	16.6
New	11.7	12.6	12.2
Total Financing Requirements	26.1	28.7	28.7

(1) Includes liabilities for capital projects, Debt for pre-1992 Teacher's pension Plan and Direct borrowing for the Fiscal Plan.

Low debt burden

2018-19 Projected net debt-to-GDP⁽¹⁾

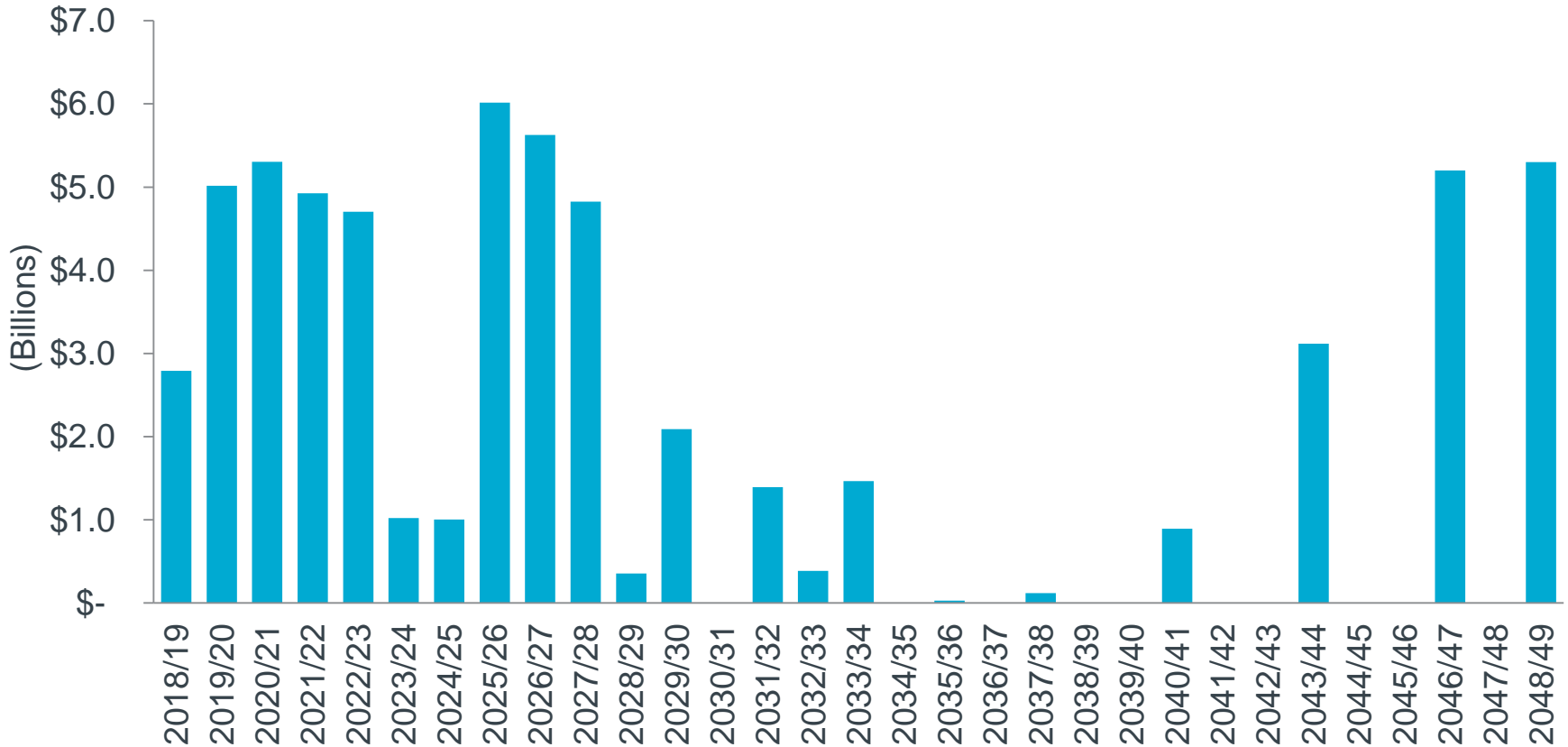


Projected net debt-to-GDP expected to peak at 13.1% in 2021-22; below the current net debt-to-GDP ratio of any other province⁽²⁾

(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 April 10, 2018.

(2) Alberta's 2021-22 ratio calculated by Alberta Treasury Board and Finance based on forecast Budget 2018 forecasts.

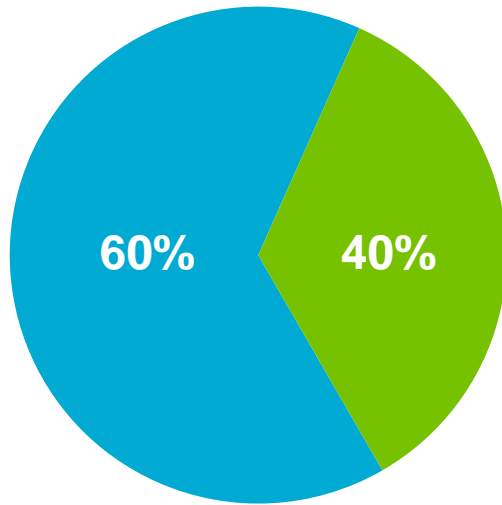
Maturity profile & liquidity⁽¹⁾



(1) As of April 19, 2018. Excludes Money Market amounts.

Borrowing platform

Target issuance



- Domestic
- International

- **Ensure domestic liquidity**
 - Maintain larger domestic benchmark sized issues (\$3-\$5B)
 - 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

Borrowing platform continued

Foreign currency borrowing

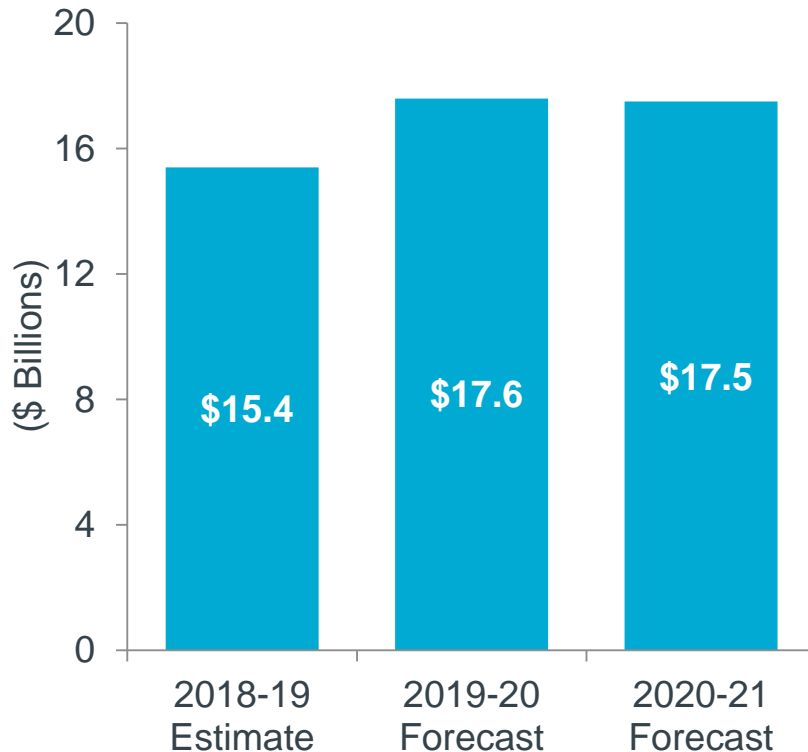
- Liquid US\$ Global Issues in 3, 5, 7, and 10 years
 - SEC Registered, large US\$ benchmarks
 - US\$ CP program launched in September 2017
- Sterling Benchmarks across curve driven by investor demand
- Targeting Euro benchmark for 2017-18
- MTN and structured issues in other currencies, including under the new AUD program as opportunities arise

Alberta focuses on a responsible approach to the market to support issuance requirements for now and the future



Borrowing requirements

Forecasted term debt issuance



Forecasted short-term debt issuance

- It is expected that the current money market debt outstanding of approximately \$10 billion will remain in place during the fiscal year

Summary

- Strong economic base; real GDP growth forecast to be 4.5% in 2017 and 2.7% in 2018
- Demonstrated resilience to past commodity price shocks
- Continued high level of fiscal capacity
- Strong bond ratings
- Multi-currency, multi-market borrowing platforms
- Strong secondary liquidity

Path to balance

Path to balance - 3 Pillars

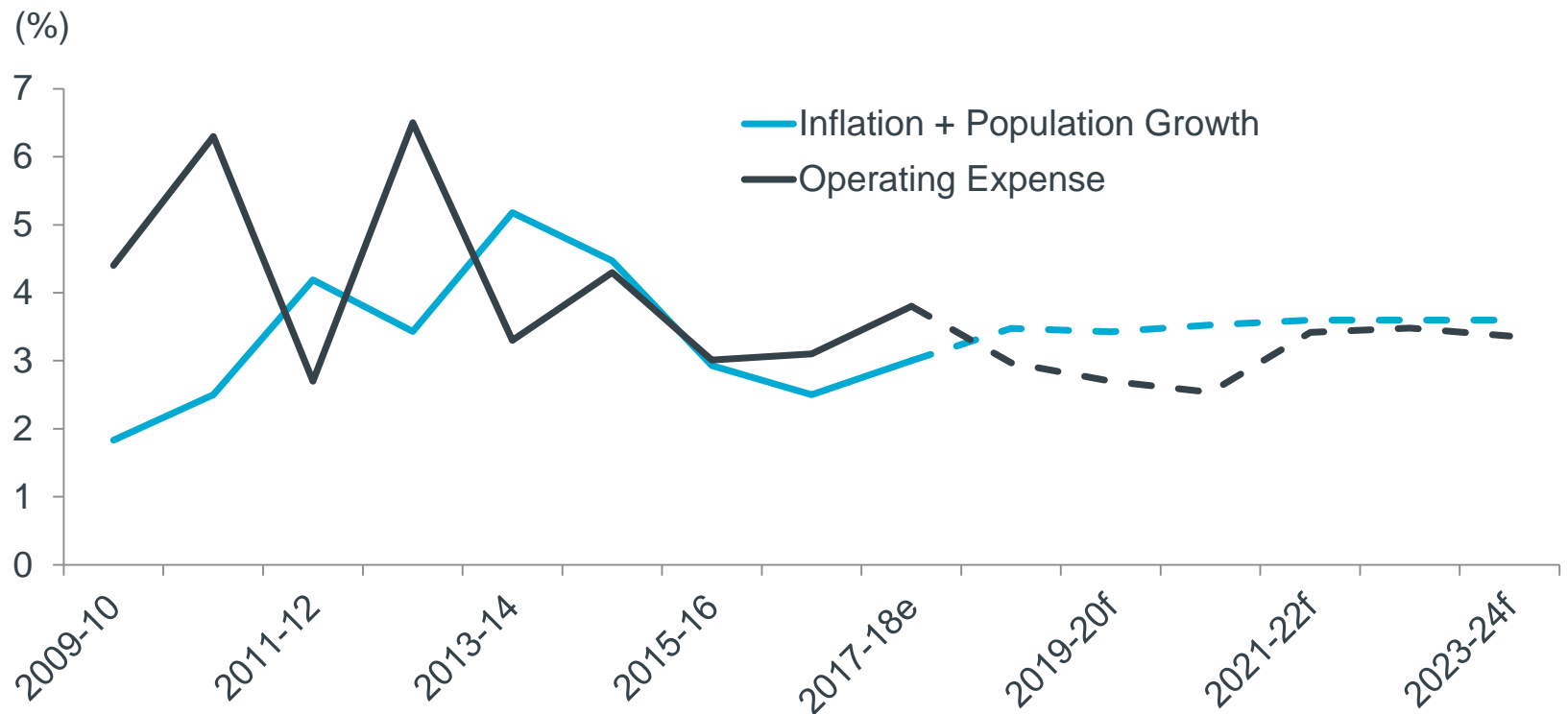
- Strong and diversified economy
- Stable spending and cost containment
- Reducing reliance on resource revenue

A strong and diversified economy

- The Alberta government has taken a number of steps to promote the growth of a more diversified economy
- These include:
 - Securing approval of the Line 3 replacement and TMX
 - Diversifying Alberta's energy sector and encouraging value-added production by investing in the Petroleum Diversification Program, petrochemical feedstock infrastructure and partial upgrading
 - Introducing three tax incentives – the Alberta Investor Tax Credit, the Capital Investment Tax Credit and the Interactive Digital Media Tax Credit
 - Creating 3,000 new post-secondary technology spaces and new scholarship programs to support emerging sectors

Stable expense growth below population growth and inflation

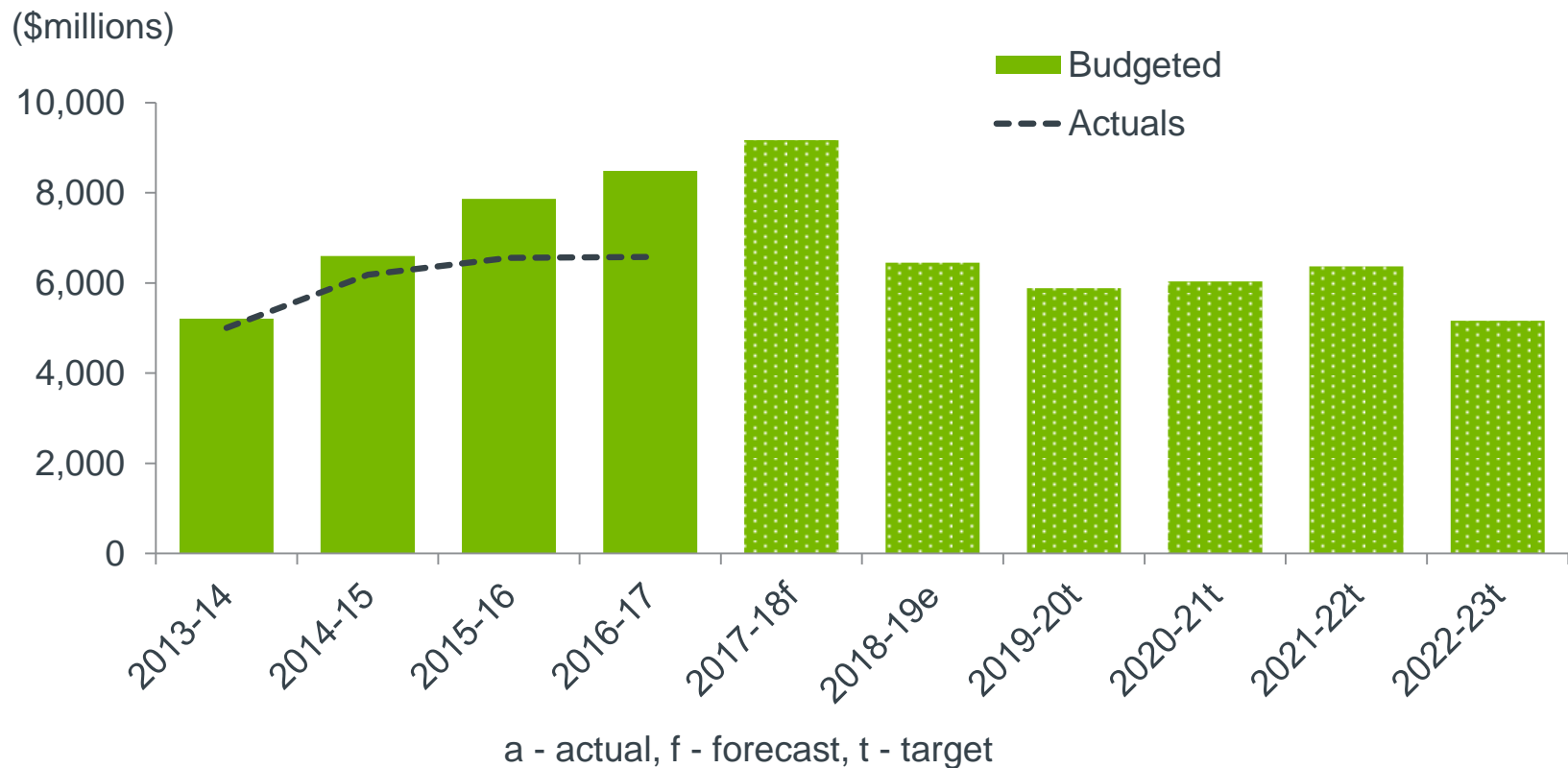
Operating expense growth



Sources: Government of Alberta Annual Reports and Budget 2018, e-estimate, f-forecast

Capital spending to return to normal levels

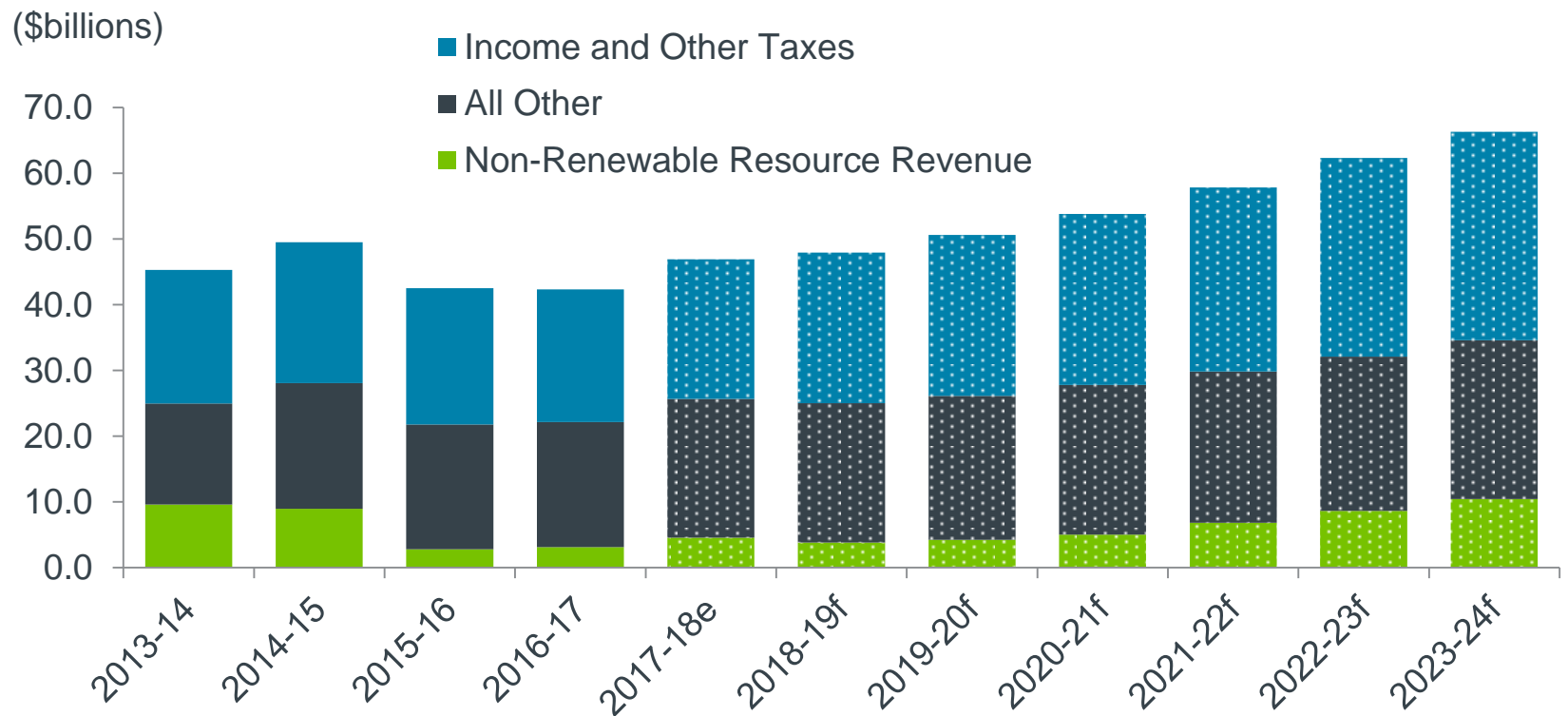
Capital plan - Consolidated basis



Sources: Budget 2018 and Government of Alberta Annual Reports

Revenue surpasses pre-recession level in 2019-20

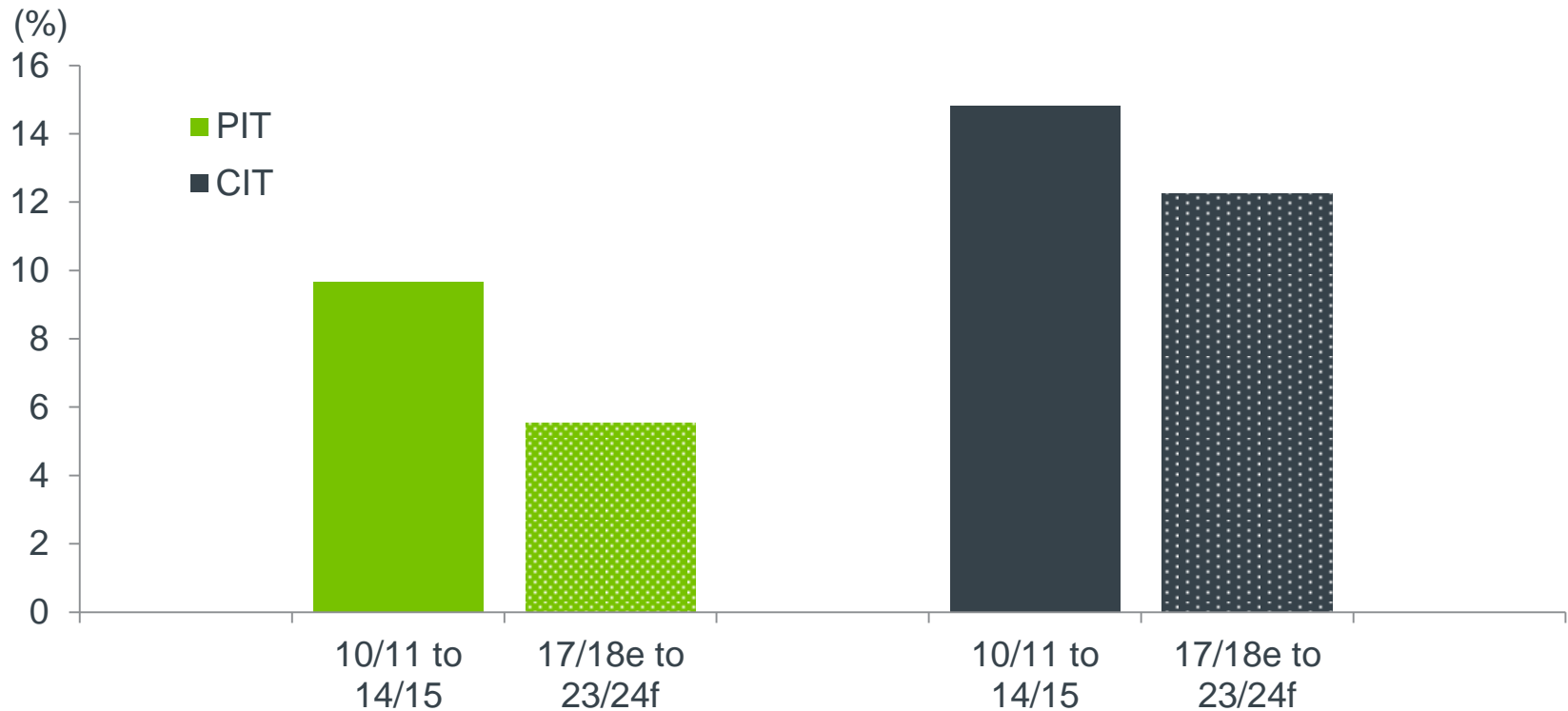
Government of Alberta revenues by source



Source: Treasury Board and Finance

Income tax revenue growing at slower pace

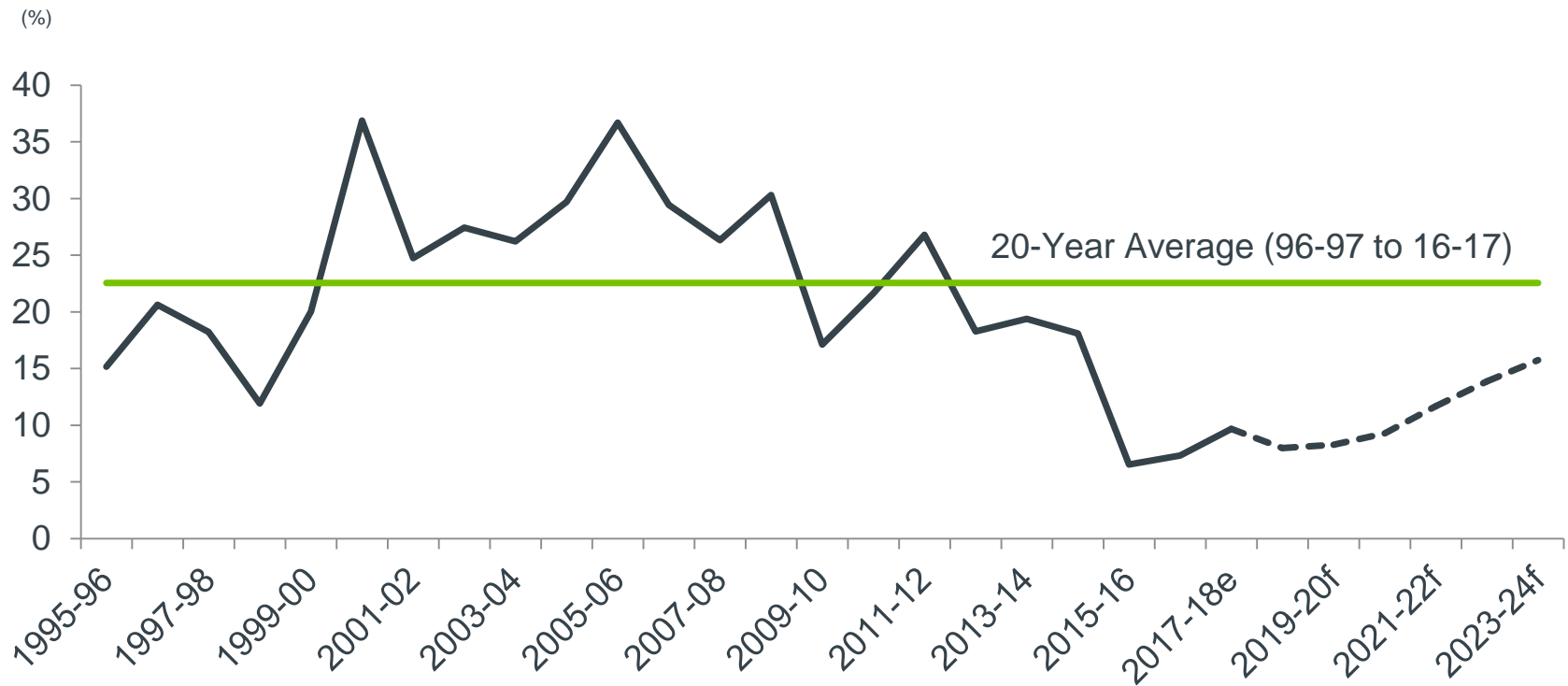
Alberta compound average annual income tax growth



Source: Treasury Board and Finance

A reduced reliance on resource revenue

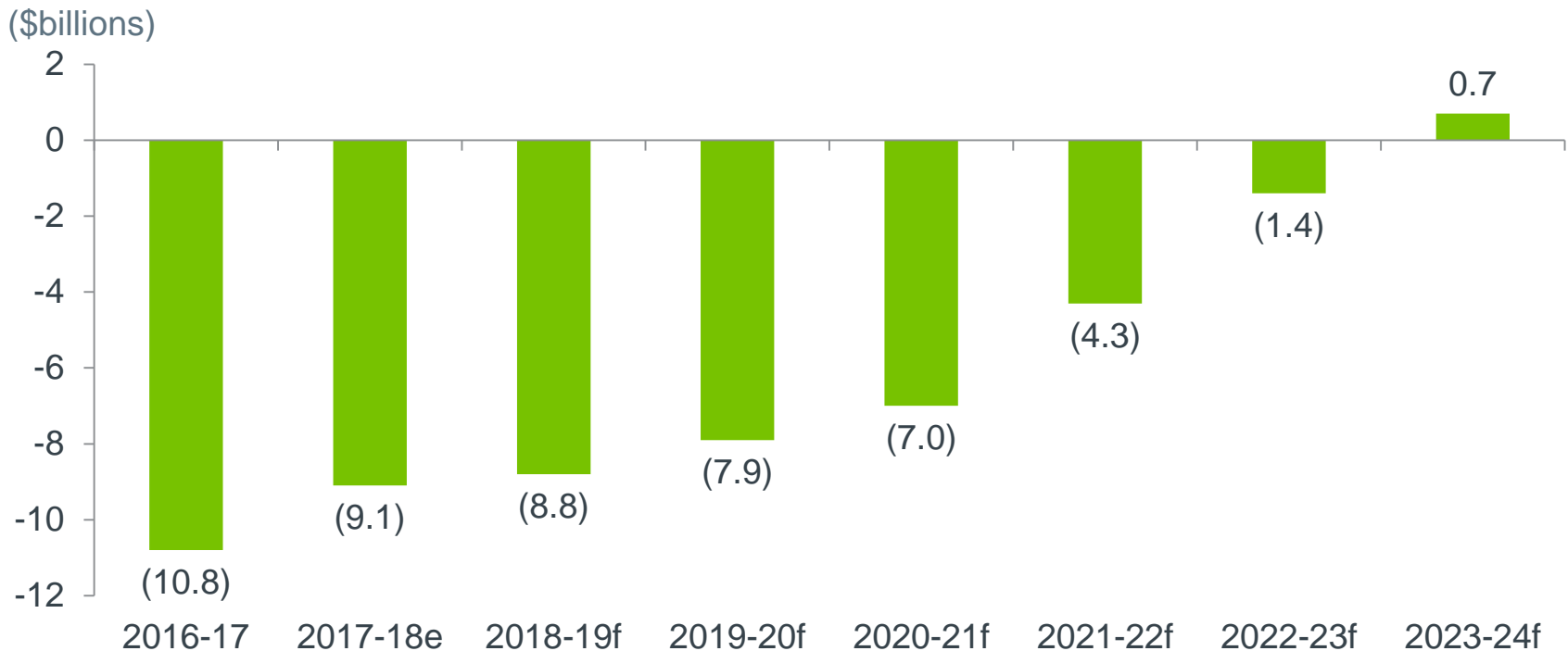
Non-renewable resource revenue as share of total government revenue



Source: Government of Alberta Annual Reports, e-estimate, f-forecast

Deficit declines over time

Consolidated fiscal surplus (deficit)



Source: Alberta Treasury Board and Finance, e-estimate, f-forecast

Path to balance

Fiscal metrics

Energy and exchange rate assumptions

	Forecast 2017-18	Estimate 2018-19	Target 2019-20	Target 2020-21	Projection 2021-22	Projection 2022-23	Projection 2023-24
Revenue	46.9	47.9	50.6	53.8	57.8	62.3	66.3
Tax Revenue	21.2	22.9	24.5	26.0	28.0	30.2	31.7
Non-Renewable Resource Revenue	4.5	3.8	4.2	5.0	6.8	8.6	10.4
Other Revenue	21.1	21.2	21.9	22.8	23.0	23.5	24.2
Operating Expense	46.4	47.8	49.1	50.3	52.0	53.8	55.6
% change	3.8	3.0	2.7	2.5	3.4	3.5	3.4
CPI inflation population growth %	3.0	3.5	3.4	3.5	3.6	3.6	3.6
Total Expense	55.9	56.2	57.8	59.8	62.2	63.7	65.5
Surplus (Deficit)	(9.1)	(8.8)	(7.9)	(7.0)	(4.3)	(1.4)	0.7
Capital Plan	9.2	6.4	5.9	6.0	6.4	5.2	4.8
Net Financial Debt	20.3	30.5	39.8	48.2	53.9	56.2	56.0
% GDP	6.0	8.7	10.8	12.4	13.1	12.9	12.3

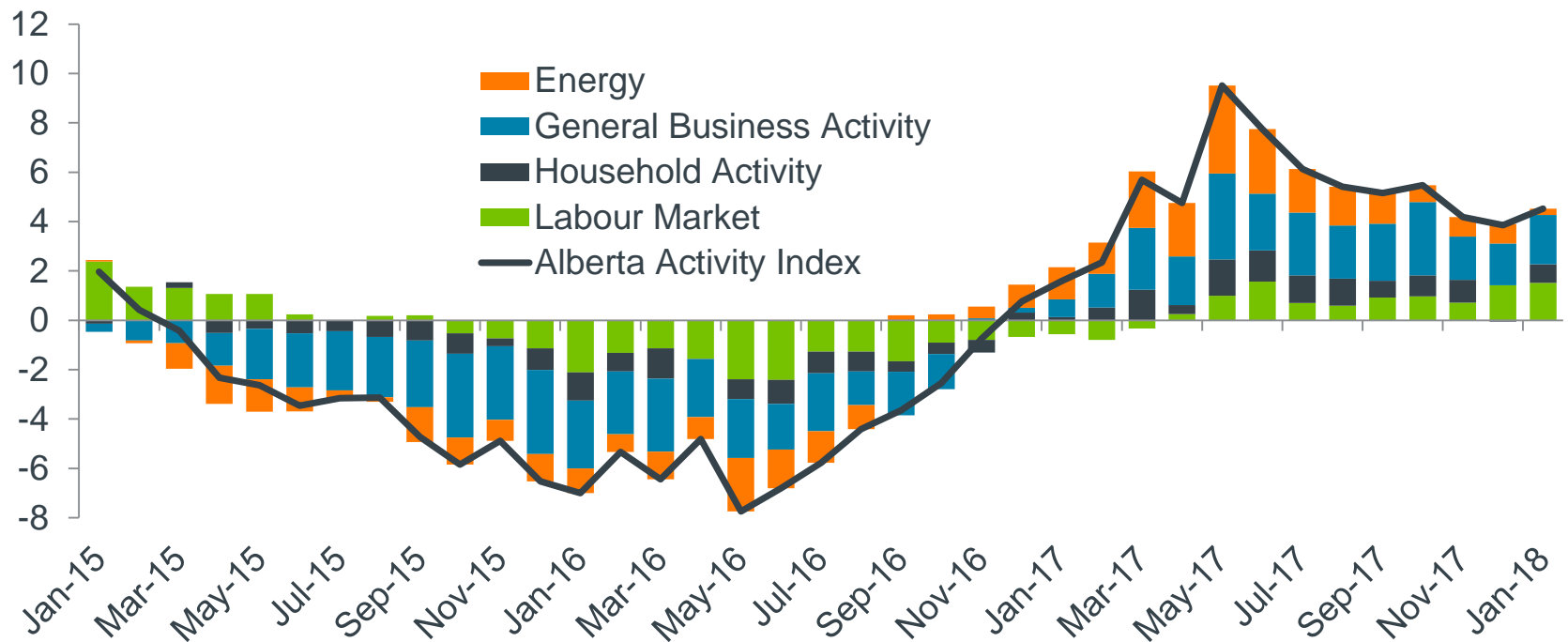
Appendix

Appendix

Broad-based recovery

Contribution to year-over-year change in the Alberta Activity Index (AAX)

(Percentage Points)

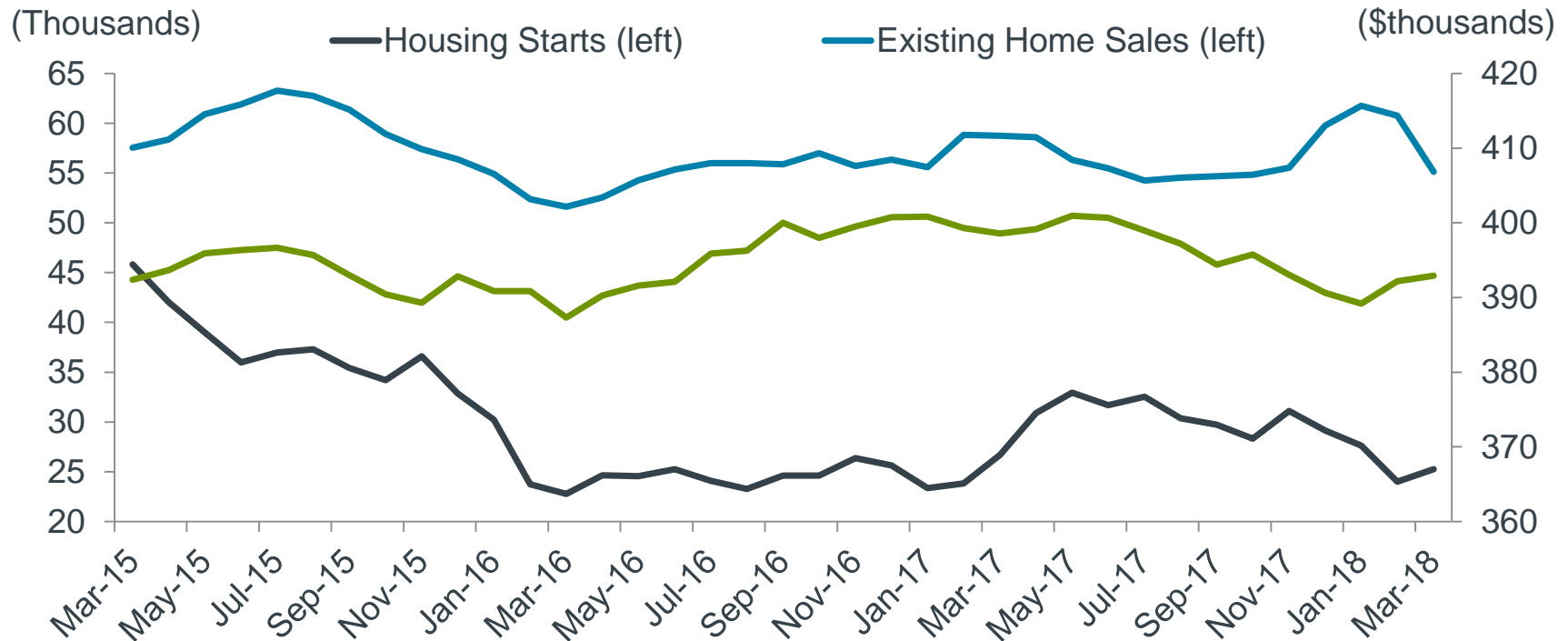


Source: Statistics Canada and Alberta Treasury Board and Finance

Appendix

Housing activity steady

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



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

Appendix

Market access remains key

TRANS MOUNTAIN EXPANSION PROJECT

Additional Capacity:
590,000 b/d

POTENTIAL MARKETS:
Asia and California

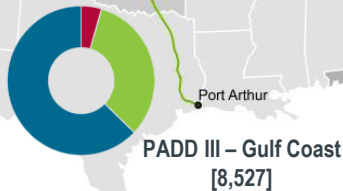
STATUS:

Approved November 29, 2016
with 157 conditions by the
federal government.



PADD V
[2,349]

PADD IV
[598]



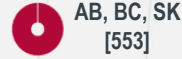
PADD III – Gulf Coast
[8,527]



PADD II
[3,622]



ON
[330]



AB, BC, SK
[553]

Qc + Atlantic Canada
[704]



PADD I – East Coast
[1,108]

TRANSCANADA KEYSTONE XL

Additional Capacity:
830,000 b/d

POTENTIAL MARKETS:
Heavy oil refineries along
the Gulf Coast

STATUS:

U.S. Presidential permit received
on March 24, 2017.

ENBRIDGE LINE 3 REPLACEMENT

Additional Capacity:
370,000 b/d

POTENTIAL MARKETS:
Central and Eastern Canada,
U.S. Midwest and Gulf Coast

STATUS:

Approved November 29, 2016
with 89 conditions by the
federal government.

[2016 total refinery receipts]

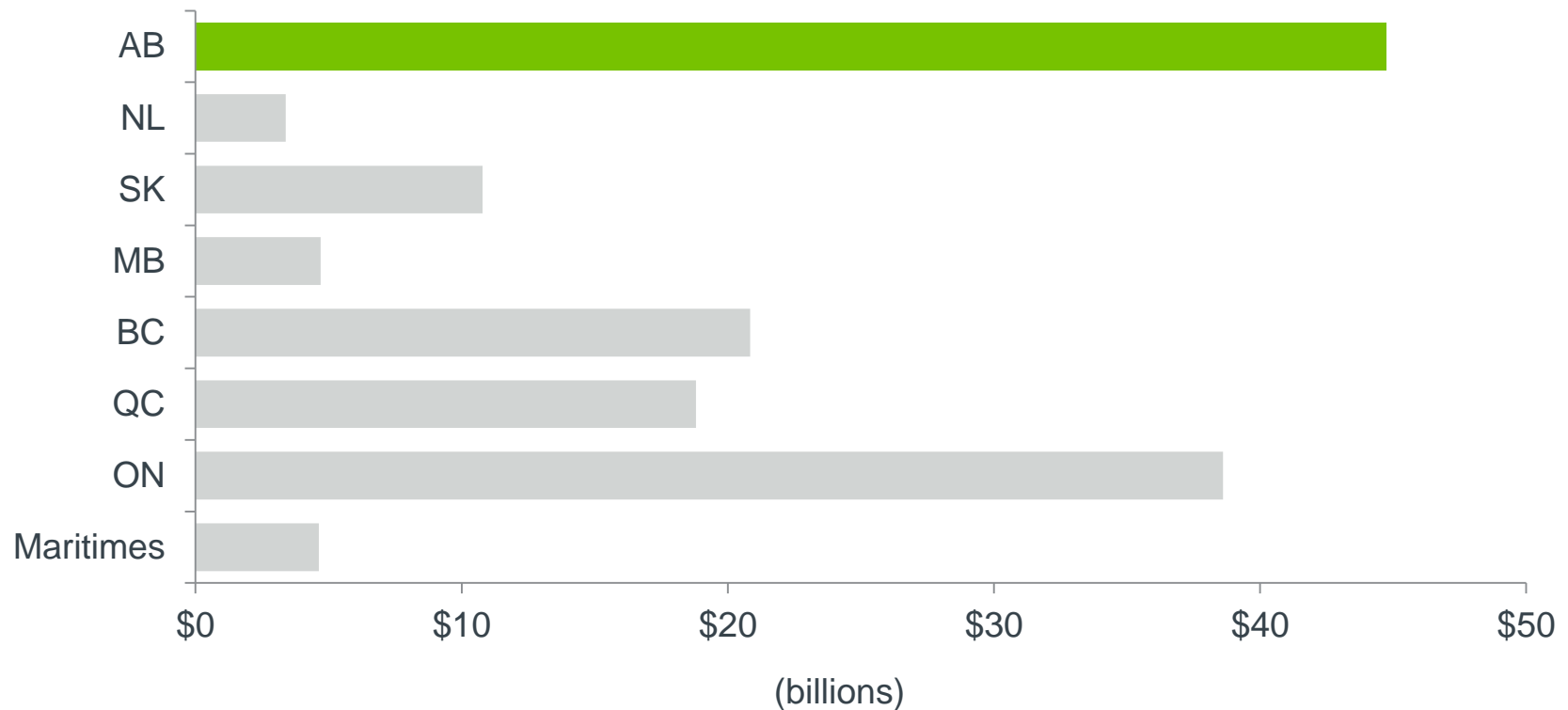
Thousand barrels per day

- U.S. – Alaska only
- U.S. (excluding Alaska)
- Other Imports
- Atlantic Canada
- Western Canada

Source: CAPP, CA Energy Commission, EIA, Statistics Canada

Appendix - Alberta leads provinces in private sector investment

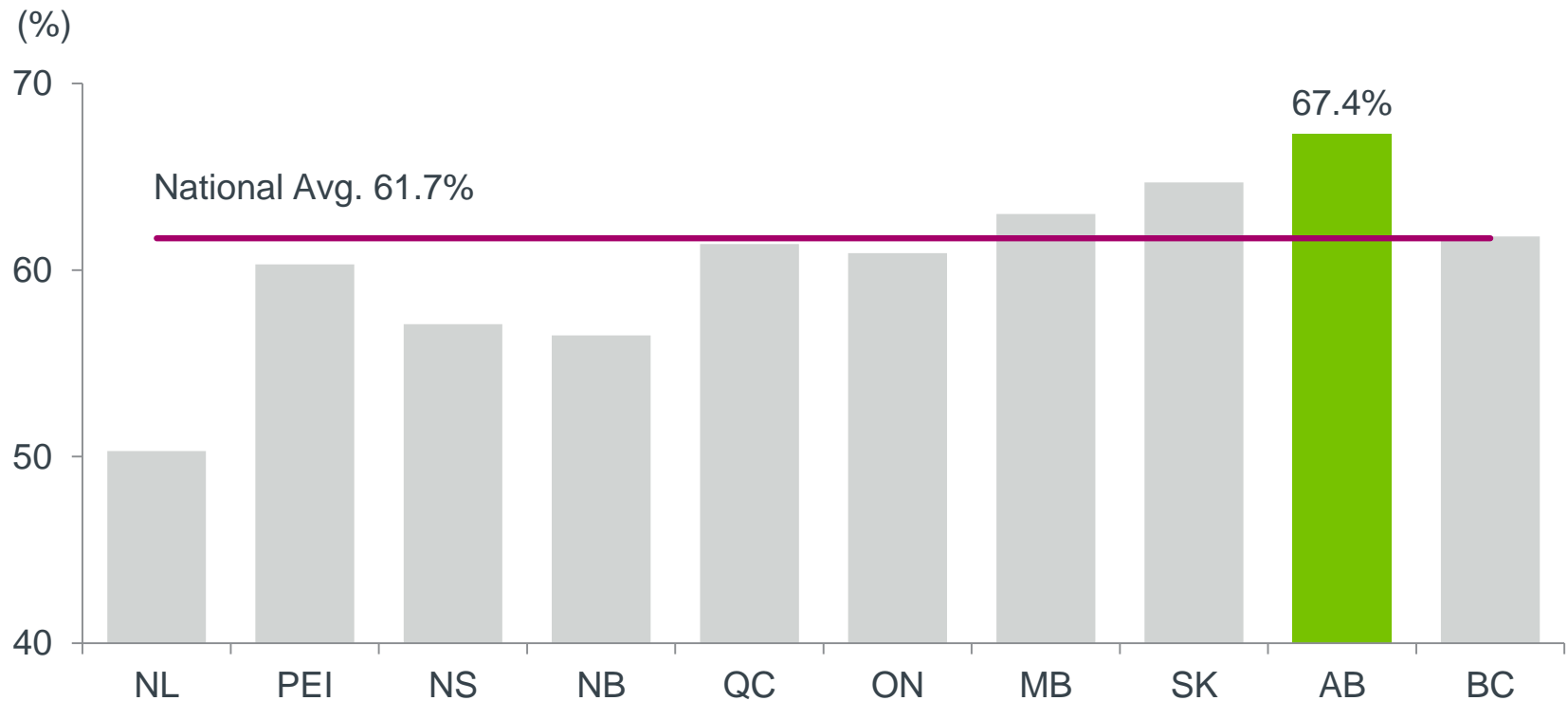
2018 Private sector investment intentions by province



Source: Statistics Canada

Appendix - Alberta has the highest employment rate among provinces

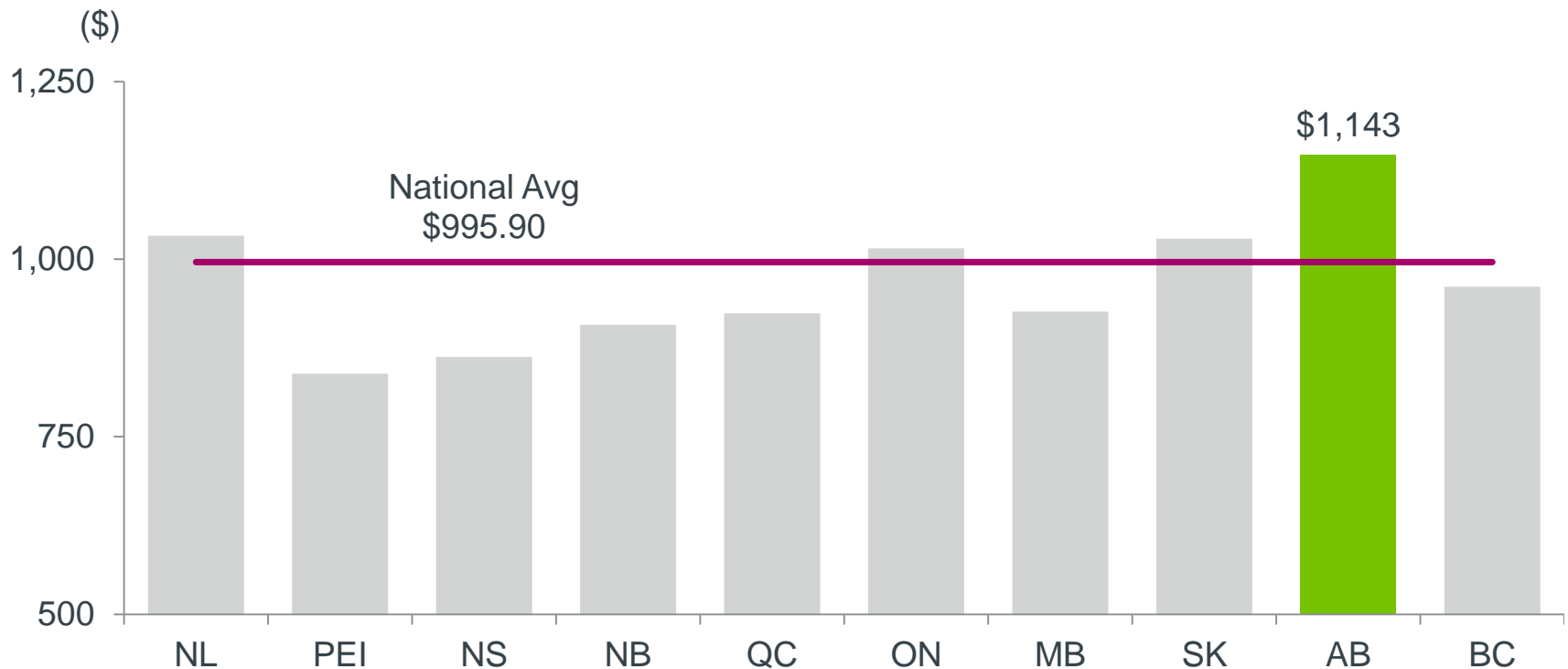
Employment rate* (March 2018)



Source: Statistics Canada
* Share of Adults (15+) with a job

Appendix - Alberta workers continue to earn more than in any other province

Average weekly earnings* (January 2018)



Source: Statistics Canada
* Including overtime

Appendix

NAFTA

Potential impact of US withdrawal from NAFTA on Alberta

- Assume US reverts to WTO-level tariffs following NAFTA repeal
- Less risk on AB relative to other provinces
 - While US is Alberta's top export market, 70% is made up of oil and gas extraction products which are not subject to tariffs
 - No material impact expected on Alberta crude prices and light-heavy differential
 - Impacts likely concentrated on non-energy sectors (e.g., beef).
 - Overall economic impact would likely be mitigated by depreciation of Canadian dollar and lower interest rate policy

Appendix

Well funded public sector pensions

Public Sector Pensions

Fiscal Year Ending Mar 31	2013	2014	2015	2016	2017
Net Pension Assets (billions)	\$44.4	\$52.2	\$60.1	\$67.1	\$73.1
Aggregate Funded Status	81.5%	87.1%	93.8%	99.5%	100.3%
Liability for Province's employer share (billions)	\$1.8	\$1.8	\$1.7	\$1.5	\$1.2
Total Government Unfunded Pension Liabilities (billions)	\$10.9	\$11.6	\$11.2	\$10.6	\$10.0

- \$7.9B of total unfunded liability from a settlement with teachers to deal with an issue stemming from 1992 pension reform
- Aggregate Funded Status has greatly improved, while unfunded Pension Liability's absolute value has remained fairly static

Appendix

Credit ratings

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

Appendix

Assumptions

Energy and exchange rate assumptions

	Forecast 2017-18	Estimate 2018-19	Target 2019-20	Target 2020-21	Projection 2021-22	Projection 2022-23	Projection 2023-24
WTI Oil (US\$/bbl) ⁽⁷⁾	54.00	59.00	60.00	63.00	68.00	70.00	73.00
Light-Heavy Differential (US\$/bbl) ⁽⁷⁾	14.50	22.40	21.00	22.30	20.00	19.00	18.40
Natural Gas (Cdn\$/GJ) ⁽⁷⁾	1.90	2.00	2.20	2.40			
Exchange Rate (US¢/Cdn\$) ⁽⁷⁾	78.0	80.0	80.0	80.0			

Economic assumptions

	Forecast							
	2017	2018	2019	2020	2021	2022	2023	2024
Real GDP (% change)	4.5	2.7	2.5	2.4	2.6	2.7	2.4	2.6
Nominal GDP (% change)	6.8	4.7	4.3	5.6	6.0	5.5	5.0	4.6
Employment (% change)	1.0	2.0	1.7	1.8	1.6	1.6	1.5	1.4
Unemployment Rate (%)	7.8	6.8	6.2	5.7	5.3	5.1	5.0	4.9

Appendix

Sensitivities

Fiscal Sensitivities to Key Assumptions in Budget, 2018-19⁽¹⁾

(millions of dollars)	Change	Net Impact (2018 – 2019)
Oil Price (WTI US\$/bbl)	-\$1.00	-265
Light-Heavy Differential (US\$/bbl)	+\$1.00	-210
Natural Gas Price (Cdn\$/GJ)	-10 Cents	+10 ⁽⁹⁾
Exchange Rate (US¢/Cdn\$)	+1 cent	-198
Interest Rates	+1%	-226
Primary Household Income	-1 %	-150

(1) Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land lease sales

Information and contact

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