ONTARIO ELECTRICITY FINANCIAL CORPORATION

Audited Financial Statements

For the year ended March 31, 2026

Financial Statements

Management's Responsibility for Financial Information

The accompanying financial statements of the OEFC have been prepared in accordance with Canadian public sector accounting standards. The preparation of the financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit Committee of the Board.

The Board, through the Audit Committee, is responsible for ensuring management fulfils its responsibilities for financial reporting and internal controls. The Audit Committee reviews our financial statements and recommends them to the Board for approval. The Audit Committee is also responsible for reviewing our internal controls and advising the directors on auditing matters and financial reporting issues.

The Office of the Auditor General, appointed by our legislation has audited the financial statements in accordance with Canadian generally accepted auditing standards, as stated in their Independent Auditor's Report. The Office of the Auditor General has full and unrestricted access to the Audit Committee to discuss their audit and related findings.

Gadi Mayman
Chief Executive Officer and
Vice Chair, Board of Directors
(08-07-2026)

Muneeb Chaudhary
Vice President
(08-07-2026)

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INDEPENDENT AUDITOR'S REPORT

To the Ontario Electricity Financial Corporation

Opinion

I have audited the financial statements of the Ontario Electricity Financial Corporation (the OEFC), which comprise the statement of financial position as at March 31, 2026, and the statements of operations and change in accumulated deficit, change in net debt, remeasurement gains and losses and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the OEFC as at March 31, 2026, and the results of its operations, changes in its net debt, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the OEFC in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and my auditor's report thereon, in the OEFC's 2026 Annual Report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

I obtained the 2026 Annual Report prior to the date of this auditor's report. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact in this auditor's report. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the OEFC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the OEFC either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the OEFC's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the OEFC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the OEFC's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the OEFC to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Toronto, Ontario
August 7, 2026

Shelley Spence, FCPA, FCA, LPA
Auditor General

ONTARIO ELECTRICITY FINANCIAL CORPORATION

Statement of Financial Position

(in millions of dollars)	As at March 31 2026	March 31 2025
FINANCIAL ASSETS		
Cash	$ 53	$ -
Accounts receivable (Note 3)	19	24
Interest receivable	8	8
Derivatives (Note 8)	7	5
Due from Province of Ontario (Note 4)	45	36
Notes and loans receivable (Note 5)	8,926	8,926
Total financial assets	**9,058**	**8,999**
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	29	157
Derivatives (Note 8)	13	34
Interest payable	87	122
Debt (Note 7)	11,001	11,570
Total liabilities	**11,130**	**11,883**
Net debt	**(2,072)**	**(2,884)**
Accumulated operating deficit	(2,066)	(2,855)
Accumulated remeasurement losses	(6)	(29)
Accumulated deficit (Note 13)	**$ (2,072)**	**$ (2,884)**

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board:

Gadi Mayman
Vice-Chair and Chief Executive Officer

ONTARIO ELECTRICITY FINANCIAL CORPORATION

Statement of Operations and Change in Accumulated Deficit

(in millions of dollars)	For the year ended March 31 2026	March 31 2025
Revenues		
Payments-in-lieu of tax (PILs) (Note 10)	$ 625	$ 170
Interest income (Note 5)	487	490
Gross revenue charge	218	227
Provincial corporate income tax transfer (Note 4)	45	36
Power supply contract recoveries	43	40
Other	8	10
Total revenues	**1,426**	**973**
Expenses		
Interest on debt	530	594
Debt guarantee fee (Note 7)	58	60
Power supply contract costs	43	40
Operating	6	6
Total expenses	**637**	**700**
Operating surplus	**789**	**273**
Accumulated operating deficit, beginning of year	**(2,855)**	**(3,128)**
Accumulated operating deficit, end of year	**$ (2,066)**	**$ (2,855)**

The accompanying notes are an integral part of these financial statements.

ONTARIO ELECTRICITY FINANCIAL CORPORATION

Statement of Remeasurement Gains and Losses

(in millions of dollars)	For the year ended March 31 2026	March 31 2025
Accumulated remeasurement losses, beginning of year	$ (29)	$ (21)
Unrealized gains (losses) attributable to derivatives (Note 8)	23	(8)
Net remeasurement gains (losses) for the year	**23**	**(8)**
Accumulated remeasurement losses, end of year	**$ (6)**	**$ (29)**

The accompanying notes are an integral part of these financial statements.

ONTARIO ELECTRICITY FINANCIAL CORPORATION

Statement of Change in Net Debt

	For the year ended	
(in millions of dollars)	**March 31 2026**	**March 31 2025**
Operating surplus	$ 789	$ 273
Net remeasurement gains (losses) for the year	23	(8)
Net change in net debt	**812**	**265**
Net debt, beginning of year	(2,884)	(3,149)
Net debt, end of year	**$ (2,072)**	**$ (2,884)**

The accompanying notes are an integral part of these financial statements.

ONTARIO ELECTRICITY FINANCIAL CORPORATION

Statement of Cash Flows

(in millions of dollars)	For the year ended March 31 2026	March 31 2025
Cash flows from operating activities		
Operating surplus	$ 789	$ 273
Adjustments for non-cash items:		
Zero coupon debt interest	81	81
Real return bond CPI adjustment	24	19
Other items	2	(2)
Changes in working capital items:		
Decrease/(increase) in accounts receivable	5	(3)
Decrease/(increase) in interest receivable	-	3
Decrease/(increase) in due from Province of Ontario	(9)	-
(Decrease)/increase in accounts payable and accrued liabilities	(128)	24
(Decrease)/increase in interest payable	(35)	(9)
Net cash flows from operating activities	**729**	**386**
Cash flows from investing activities		
Proceeds from sale of investments	-	21
Net cash flows from investing activities	**-**	**21**
Cash flows from financing activities		
Long-term debt issued	1,497	599
Long-term debt retired	(2,131)	(1,631)
Short-term debt (retired) issued, net	(42)	600
Net cash flows used in financing activities	**(676)**	**(432)**
Net increase (decrease) in cash	**53**	**(25)**
Cash, beginning of year	**-**	**25**
Cash, end of year	**$ 53**	**$ -**
Cash flows from operating activities include:		
Amounts of interest paid	$ 460	$ 503
Amounts of interest received	485	493

The accompanying notes are an integral part of these financial statements.

ONTARIO ELECTRICITY FINANCIAL CORPORATION

Notes to the financial statements

For the year ended March 31, 2026

Note 1: Nature of operations

(a) Overview

Ontario Electricity Financial Corporation (OEFC or the Corporation) is the legal continuation of Ontario Hydro and one of five entities established by the *Electricity Act, 1998* (the Act) as part of the 1999 restructuring of Ontario Hydro. The Corporation is a Crown agency and is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the *Income Tax Act* (Canada).

OEFC is a Crown agency; its mandate includes:

- managing its debt and administering the assets, liabilities, rights and obligations of Ontario Hydro not transferred to other successor entities;
- managing the former Ontario Hydro's contracts with non-utility generator (NUGs);
- providing financial assistance to the successor corporations of Ontario Hydro; and
- entering into financial and other agreements relating to the supply and demand management of electricity in Ontario.

The other Ontario Hydro successor entities are:

- Ontario Power Generation Inc. (OPG);
- Hydro One Inc. (now a subsidiary of Hydro One Limited; or Hydro One);
- Independent Electricity System Operator (IESO); and
- Electrical Safety Authority.

(b) Debt and liability management

On April 1, 1999, the Ministry of Finance determined that the estimated value of the assets being transferred to the new entities was $17.2 billion, which was exceeded by the former Ontario Hydro's total debt and other liabilities of $38.1 billion. OPG, Hydro One (and their subsidiaries) and the IESO were transferred assets valued at $8.5 billion, $8.6 billion and $78 million respectively in exchange for debt payable to OEFC. The resulting shortfall of $20.9 billion was determined by the Ministry of Finance to be "stranded debt." After adjusting for $1.5 billion in loans and other assets retained by OEFC, $19.4 billion was the unfunded liability reflected on OEFC's opening balance sheet.

To allow OEFC to service and retire $38.1 billion in total debt including the $20.9 billion in stranded debt, the Province established a long-term plan whereby debt service and

repayment would be through dedicated revenues from electricity-sector companies via:

- Notes receivable from the Province, OPG, Hydro One and IESO;
- Payments-in-lieu of taxes (PILs), paid by OPG, Hydro One and municipal electricity utilities (MEUs), which are equivalent to the corporate income, property and capital taxes paid by private corporations;
- Debt retirement charge (DRC) paid by electricity consumers, eliminated as of April 1, 2018; and
- A policy commitment from the Province to allocate annually the combined net income of OPG and Hydro One in excess of the Province's interest cost of its investment in its electricity subsidiaries to OEFC as the Electricity Sector Dedicated Income (ESDI). Beginning in 2019-20, the Province changed the ESDI policy commitment to allocate annually, at its discretion, OPG's net income in excess of the interest cost of the Province's investment, to OEFC.

As of April 1, 1999, the present value of the future PILs and the cumulative combined profits of OPG and Hydro One in excess of the government's $520 million annual interest cost of its investments in these two companies and dedicated to OEFC was estimated at $13.1 billion. The $13.1 billion was then applied to the stranded debt of $20.9 billion which resulted in an initial estimate of $7.8 billion for the residual stranded debt.

Pursuant to the Act and consistent with the principles of electricity restructuring, there is a long-term plan to defease the unfunded liability using funds from the electricity sector.

(c) Assets located on Reserves

Following the restructuring of Ontario Hydro in 1999, the other successor entities acquired from OEFC certain assets and liabilities. These were pursuant to transfer orders made under the Act, in exchange for debt issued to OEFC. However, title to some of the assets located on Reserves (as defined in the *Indian Act* (Canada)), were not transferred and continue to be held by OEFC until Hydro One and/or OPG obtain the consents necessary to complete these title transfers.

Hydro One and OPG manage these assets and are required to indemnify OEFC in respect of any costs or liabilities relating to these assets. OEFC does not generate revenues nor incur expense from these assets.

These assets are not included in these financial statements.

Note 2: Significant accounting policies

(a) Basis of accounting

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS) for government reporting entities established by the Canadian Public Sector Accounting Board.

(b) Comparison with budget

A comparison between budget and actual has been excluded due to the unique nature of OEFC's revenues and expenses over which OEFC has minimal control. OEFC is a passive recipient of revenues that it receives on the basis of either legislation (e.g., gross revenue charge, PILs, provincial corporate income tax transfer, and power supply contract recoveries) or allocation by the Province at its discretion (e.g., ESDI).

(c) Measurement uncertainty

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates include payments-in-lieu of tax revenue, payments-in-lieu of tax receivable, payments-in-lieu of tax refundable, and the determination of fair value of derivative contracts.

The payments-in-lieu of tax revenue, tax receivable and tax refundable estimates from OPG, Hydro One and MEUs are subject to change upon finalization or reassessment of the underlying tax filings.

The fair values of the derivative contracts are estimated using pricing models that incorporate current market data, such as prices of the underlying instruments, interest rates, exchange rates, and credit risk, which can change over time.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. By their nature, estimates are subject to measurement uncertainty. Actual results could differ from these estimates.

(d) Revenue recognition

Payments-in-lieu of taxes (PILs) comprises of amounts relating to income tax, and property tax from OPG, Hydro One and MEUs. Under the Act, the OEFC is entitled to receive the amount of taxes that these entities would have been liable to pay under federal and/or provincial tax legislation. PILs are recognized in the period in which the taxable event occurs and when they are authorized by legislation, or the ability to assess and collect the tax has been provided through legislative convention.

(i) **PILs income tax** are initially recognized as revenue in an amount equal to the tax instalments received from OPG and MEUs in the statement of operations and change in accumulated deficit. At each financial statement date, the Corporation uses tax assessments to assess whether there was an over- or underpayment of taxes from OPG and MEUs for a particular taxation year. In the absence of tax assessments, the Corporation estimates the amount of tax revenue based on other relevant sources of information. Over or underpayment of taxes are recognized as an increase or decrease to revenue and as a tax receivable or refundable in the statement of financial position. As management obtains better information, such as from audits or appeals, the resulting tax revenue adjustments are accounted for as changes in estimates and are recorded in the period in which they become known.

(ii) **PILs property tax** is recognized when the tax instalments are due monthly for OPG and semi-annually for Hydro One and MEUs.

Gross revenue charge pertains to property taxes payable by hydro-electric station owners on their gross revenues. Gross revenue charge is recognized in the period in which the taxable event occurs and when they are authorized by legislation, or the ability to assess and collect the tax has been provided through legislative convention. Gross revenue charge is recognized as revenue in an amount equal to the tax assessment for OPG and MEUs.

Interest income pertains to notes receivable from the Province, OPG, and NUGs. OEFC recognizes interest income using the effective interest method.

Power supply contract recoveries relate to electricity generated by NUGs under power purchase agreements (PPAs) that are sold to consumers through the wholesale electricity market in Ontario, which is administered by the IESO. OEFC has determined its performance obligation is to supply electricity to consumers. The performance obligation to supply energy is satisfied over time, with revenue recognized in the amount that the OEFC has a right to invoice on a monthly basis to the IESO. Under the Act, the OEFC is entitled to receive from IESO an amount that is equal to the contracted price of the electricity generated by NUGs under the PPAs.

Provincial corporate income tax transfer is a government transfer without eligibility criteria or stipulations that is payable by the Ministry of Finance under section 91.2 of the Act. In each fiscal year, the OEFC recognizes the transfer as revenue in an amount equal to the provincial corporate income tax payable by Hydro One for the taxation year that ends in OEFC's fiscal year.

Electricity sector dedicated income (ESDI) is a government transfer without eligibility criteria or stipulations that is payable at the sole discretion of the Province of Ontario. The amount of ESDI is calculated using the cumulative net income of OPG in excess of the Province's interest costs of its investment. The OEFC recognizes ESDI as revenue when the

transfer is authorized by the Province. Given that payment of ESDI is at the sole discretion of the Province, the OEFC recognizes revenue as the transfer is received or when the Province decides to provide ESDI and the OEFC has an enforceable right to collect payment.

(e) Financial Instruments

Initial recognition and measurement
Financial instruments are classified at initial recognition as either (i) cost or amortized cost or (ii) fair value. In these financial statements, all financial instruments, other than derivatives are classified at cost or amortized cost. Fair value is the amount of consideration that would be agreed on in an arm's length transaction between knowledgeable, willing parties, who are under no compulsion to act.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

(i) Financial instruments at fair value

Derivatives are re-measured at their fair value at the end of each reporting period. Any unrealized gains and losses are recognized in the statement of remeasurement gains and losses and are subsequently reclassified to the statement of operations and change in accumulated deficit upon disposal or settlement.

The following hierarchy is used for determining and disclosing the fair value of derivatives:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: valuation techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: valuation techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The fair value of derivatives not traded in an active market is determined by appropriate valuation techniques, including forward pricing and swap models, using present value calculations. The models incorporate various inputs including forward interest rate curves.

(ii) Financial Instruments at cost or amortized cost

Cash, **investments, accounts receivable**, **interest receivable, due from the Province of Ontario, accounts payable and accrued liabilities** and **interest payable** are recorded at cost. These items are subject to an insignificant risk of change in value so carrying value approximates fair value.

For financial assets and financial liabilities measured at amortized cost, interest is to be recorded using the effective interest rate (EIR) method. The EIR is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, where appropriate, a shorter period.

Notes and loans receivable are recorded at amortized cost. Valuation allowances are made to reflect notes and loans receivable at the lower of amortized cost and net realizable value, when collectability and risk of loss exist. Changes in valuation allowances are recognized in the statement of operations and change in accumulated deficit.

Debt is composed of short, medium and long-term bonds, notes and debentures and is recorded at amortized cost. Discounts, premiums and commissions arising from the issuance of debt or the acquisition of debt prior to maturity are deferred and amortized to operations over the life of the underlying debt using the effective interest rate method. Transaction costs, such as debt issuance costs, are added to the carrying amount of debt.

(f) Foreign currency translation

The financial statements are presented in Canadian dollars. At the transaction date, each asset, liability and amounts reported in the statement of operations and accumulated deficit arising from a foreign currency transaction is translated into Canadian dollars by applying the exchange rate in effect at that date. At each financial statement date, monetary assets and monetary liabilities denominated in a foreign currency, such as foreign debt, are translated into Canadian dollars at period-end rates of exchange. Any unrealized exchange gains or losses are reported in the statement of remeasurement gains and losses.

Note 3: Accounts receivable

As at March 31 ($ millions)	2026	2025
Payments-in-lieu of tax receivable	$ 7	$ 10
Power supply contract recoveries	4	4
Other receivables	8	10
Total	**$ 19**	**$ 24**

Note 4: Due from Province of Ontario

As at March 31 ($ millions)	2026	2025
Allocation of Hydro One Inc. provincial corporate income tax	$ 45	$ 36
Total	**$ 45**	**$ 36**

Section 91.2 of the Act requires the Province to pay to the Corporation an amount equal to the amount of tax payable under the *Taxation Act, 2007* by Hydro One Inc. (or subsidiaries). For fiscal 2025–26, OEFC recognized $45 million under section 91.2 of the Act (2025 – $36 million) and was included in provincial corporate income tax transfer on the statement of operations and accumulated deficit. During fiscal 2025-26, the Province made payments of $36 million (2025 – $36 million) to reduce the balance due.

Note 5: Notes and loans receivable

As at March 31 ($ millions)					
	Maturity Date	**Interest Rate**	**Interest Payable**	**2026**	**2025**
Province of Ontario	2039–2041	5.85	Monthly	$ 6,804	$ 6,804
OPG	2026–2048	3.04 to 5.40	Semi-Annually	2,100	2,100
				8,904	8,904
Add: Loans receivable from NUGs				28	28
Allowance for doubtful accounts				(6)	(6)
Net loans receivable from NUGs				22	22
Total				**$ 8,926**	**$ 8,926**

OEFC's interest revenue of $487 million (2025 – $490 million) included interest from notes receivable of $486 million (2025 – $485 million) and $1 million (2025 – $5 million) from other sources including temporary investments.

Province of Ontario

As noted above, in 1999, the Province received equity of $8.9 billion in OPG and Hydro One in exchange for assuming debt payable to OEFC. During fiscal 2025–26, the Province did not make any payments to reduce the principal notes outstanding (2025 – $nil).

Ontario Power Generation (OPG)

OEFC provides OPG financing on commercial terms and conditions. Set out below is a summary by year of maturity of OPG's debt to OEFC:

Fiscal Year	**Amount ($ millions)**
2026–27	$ 50
2039–40	100
2040–41	150
2041–42	350
2046–47	250
2047–48	1,200
Total	**$ 2,100**

OEFC agreed with OPG to not sell notes owing without their prior approval.

In November 2021, OEFC agreed to provide OPG a $750 million credit facility for the period January 1, 2022 to December 31, 2026. As at March 31, 2026, no balance had been drawn on

the credit facility.

Non-Utility Generators (NUGs)

Loans receivable from NUGs at March 31, 2026 totalled $22 million (2025 – $22 million), net of an allowance for doubtful accounts of $6 million (2025 – $6 million).

Note 6: Accounts payable and accrued liabilities

As at March 31 ($ millions)	2026	2025
Payments-in-lieu of tax refundable	$ 22	$ 151
Power supply contracts	4	4
Other liabilities	3	2
Total	**$ 29**	**$ 157**

Payments-in-lieu of taxes refundable includes an amount of $3 million (2025 - $134 million) to OPG.

Power supply contracts relate to normal business transactions with third-party suppliers and are subject to standard commercial terms.

Note 7: Debt

Debt is either held, or guaranteed as to principal and interest, by the Province as set out below:

As at March 31 ($ millions)	2026			2025		
	Held by the Province	Guaranteed by the Province	Total	Held by the Province	Guaranteed by the Province	Total
Short-term debt	$ 1,218	–	$ 1,218	$ 1,260	–	$ 1,260
Current portion of long-term debt	-	1,081	1,081	1,050	1,081	2,131
Long-term debt	7,839	863	8,702	6,315	1,864	8,179
Total	**$ 9,057**	**$ 1,944**	**$ 11,001**	**$ 8,625**	**$2,945**	**$ 11,570**

All debt issues were denominated in Canadian dollars. Debt maturity is set out below:

($ millions)	2026	2025
Maturing in:		
1 year	$ 2,299	$ 3,391
2 years	186	1,073
3 years	1,744	179
4 years	126	1,738
5 years	54	121
1–5 years	4,409	6,502
6–10 years	2,636	1,136
11–15 years	1,578	1,554
16–20 years	1,007	482
21–25 years	1,452	1,951
26–50 years	-	26
	$ 11,082	**$ 11,651**
Debt issue costs	**(81)**	**(81)**
Total	**$ 11,001**	**$ 11,570**

The effective rate of interest on the debt portfolio was 4.68 per cent after considering the effect of derivative instruments used to manage interest rate risk (2025 – 5.01 per cent). The longest term to maturity is December 2, 2050. There was no foreign currency denominated debt issued at March 31, 2026 (2025 – $nil).

Debt Guarantee Fee

A fee equal to 0.5 per cent is payable to the Province annually based on the principal amount of notes, debentures and other indebtedness of the OEFC owed to the Province or guaranteed by the Province excluding adjustments to debt related to unamortized debt issue costs.

Note 8: Derivatives

OEFC operates within strict risk exposure limits to ensure exposure to risk is managed in a prudent and cost-effective manner. A variety of strategies are used including the use of derivative financial instruments (derivatives). Derivatives are financial contracts, the value of which is derived from underlying instruments. OEFC uses derivatives for the purpose of hedging and to minimize interest costs. Hedges are created primarily through swaps, which are legal arrangements under which OEFC agrees with another party to exchange cash flows based upon one or more notional amounts during a specified period. This allows OEFC to offset its existing obligations and thereby effectively convert them into

obligations with more desirable characteristics. Other derivative instruments used by OEFC include forward foreign exchange contracts, forward rate agreements, futures and options.

Derivatives are recorded at fair value as at March 31, 2026 resulting in derivative assets of $7 million and derivative liabilities of $13 million on the statement of financial position with net unrealized losses of $6 million on the statement of remeasurement gains and losses (March 31, 2025 – derivative assets of $5 million and derivative liabilities of $34 million with net unrealized losses of $29 million on the statement of remeasurement gains and losses). Fair values were determined using level 2 basis of valuation as defined in Note 2.

Note 9: Risk management

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. OEFC is exposed to interest rate risk in debt with floating interest rate. OEFC reduced exposure to interest rate changes by entering into derivative contracts that convert floating interest payments to fixed interest payments. The current policy allows unhedged floating rate debt and fixed rate debt maturing within the next 12 months, net of liquid reserves, to reach a maximum of 35.0 per cent of total debt on March 31 of a fiscal year. In addition, to minimize interest rate risk, loans to OPG continue to be funded by borrowings on similar terms to maturity, regardless of OEFC's liquid reserve position.

As at March 31, 2026, net interest rate risk as a percentage of total debt was 26.9 per cent (2025 – 32.1 per cent).

If interest rates had been 100 basis points higher or lower and all other variables were held constant, OEFC's interest on debt for the year ended March 31, 2026 would increase/decrease by $12 million (2025 - $19 million) and have a $8 million (2025 - $15 million) impact to accumulated remeasurement gains (losses).

Liquidity Risk

Liquidity risk is the risk OEFC will not be able to meet its current short-term financial obligations. As explained in Note 13, OEFC is dependent on the Province to borrow funds to finance maturing debt and to cover any cash shortfalls in the Corporation, and on OPG repaying its outstanding notes receivable. OEFC manages exposure to liquidity risk through the management of liquid reserve levels and short-term borrowing programs.

Accounts payable and accrued liabilities are all due within one year from the financial statement date. For the maturity analysis of debt refer to Note 7.

The table below presents a maturity schedule of OEFC's derivatives outstanding at March 31, 2026 based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk

or actual cash flows.

Fiscal Year	Amount ($ millions)
2026–27	$ 423
2027-28	177
2035-36	53
Total notional value	**$ 653**

Credit risk

Credit risk is the risk that the counterparty to a financial instrument may fail to discharge an obligation or commitment into which it has entered, and cause a financial loss for the other party. The OEFC is exposed to credit risk on its accounts receivable, notes and loans receivable, and derivatives, however the risk is considered low and minimal.

The OEFC manages credit risk on accounts receivable and notes and loans receivable through ongoing monitoring of counterparties and borrowers. Accounts receivables are primarily due from the Province of Ontario and related public-sector entities, resulting in a low level of credit risk.

The table below presents the credit risk associated with the derivative financial instrument portfolio, measured through the replacement value of derivative contracts, at March 31, 2026.

Credit Risk Exposure ($ millions)	2026	2025
Gross credit risk exposure	$ 7	$ 5
Less: netting	(7)	(5)
Net credit risk exposure	**$ 0**	**$ 0**

OEFC manages its credit risk exposure from derivatives by dealing only with high credit quality counterparties and regularly monitoring compliance to credit limits. As at March 31, 2026, OEFC holds derivative positions exclusively with the Province of Ontario. OEFC has entered into contractual agreements that provide for termination netting and, if applicable, payment netting with the Province.

Note 10: Payments-in-lieu of tax

($ millions)	2026	2025
Corporate income tax	$ 610	$ 154
Property tax	15	16
Total payments-in-lieu of tax	**$ 625**	**$ 170**

Note 11: Contingencies

OEFC may from time to time be involved in legal actions arising out of the ordinary course

and conduct of business. For some claims which relate to the former Ontario Hydro prior to the establishment of OEFC on April 1, 1999, OPG or Hydro One is required to indemnify OEFC for any liability arising from the claim. For claims on which OEFC is provided no indemnification and where the outcome and ultimate disposition of these legal actions is not determinable at this time, the settlements, if any, will be reflected in the period in which settlement occurs.

Note 12: Related party transactions

The Province of Ontario is a related party as it is the controlling entity of OEFC. The Ontario Financing Authority provides day-to-day management services to OEFC on a cost-recovery basis of $4 million (2025 – $4 million). The Ministry of Finance provides revenue collection and reporting services to OEFC on a cost-recovery basis of $2 million (2025 – $2 million).

In addition, related party transactions pertain to:

a) Province of Ontario – Interest revenue of $398 million (2025 - $402 million) from the Province is included on the statement of operations and change in accumulated deficit, and interest receivable of $1 million (2025 - $1 million) is included on the statement of financial position. Amounts payable by the Province (Due from Province) under section 91.2 of the Act (provincial corporate income tax transfer) is disclosed in Note 4. Note receivable from the Province is disclosed in Note 5. Debt held and guaranteed by the Province is disclosed in Note 7. Derivatives held by the Province are disclosed in Note 8.
b) Ontario Power Generation Inc. – Interest revenue of $87 million (2025 - $87 million), PILs of $565 million (2025 – $122 million) and gross revenue charge of $217 million (2025 – $226 million) are included on the statement of operations and change in accumulated deficit. Interest receivable of $7 million (2025 - $7 million) is included on the statement of financial position. Loan receivable from OPG is disclosed in Note 5. Amounts due to OPG relating to PILs is disclosed in Note 6.
c) Hydro One Inc. payments-in-lieu of property tax of $1 million (2025 – $2 million) is included in PILs on the statement of operations and change in accumulated deficit.

Note 13: Economic dependence

OEFC is dependent on the Province to borrow funds to finance maturing debt and to cover any cash shortfalls in the Corporation, and on OPG repaying its outstanding notes receivable.