Capital Markets

2025 Public Sector Roundtable

DECEMBER 2025

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KEY THEMES

1. **Macroeconomic Outlook and Growth:** The Canadian economy is expected to continue to experience modest growth in 2026. Real GDP growth around 1% should be viewed as healthy given structural headwinds including near-zero population growth, weak productivity gains, and minimal business investment. The labour market has held up better than anticipated, though weakness in specific sectors like manufacturing highlight ongoing structural challenges. Consumer spending has been surprisingly resilient and is identified as critical to sustaining growth, though mortgage refinancing pressures and consumer caution about job security pose downside risks.

2. **Trade Tariffs and USMCA Uncertainty:** Tariff impacts have proven less dramatic than originally feared across provincial economies. Canada's economic diversity proved its worth, with resource sectors helping offset manufacturing pressures across different regions. However, uncertainty around USMCA renegotiation and new trade tariff measures pose potential challenges. Businesses are adapting by diversifying trade relationships beyond the United States and pursuing domestic opportunities.

3. **Housing Market Dynamics:** The market is shifting to rental-oriented construction and the government is addressing the affordability crisis via multi-unit residential-friendly construction policies. Housing affordability remains a significant constraint, although the pace of mortgage arrears growth remains very low. The slowdown in immigration is expected to ease demand pressures somewhat, but insufficient housing supply remains a structural challenge.

4. **Funding programs maintain domestic focus while pursuing strategic offshore diversification:** Canadian public sector issuers are expected to maintain a thoughtful balance between a consistent domestic issuance presence and international expansion, centered on maintaining strong relationships with core domestic investors while strategically accessing offshore markets for diversification. Borrowing requirements for Canadian public sector issuers are expected to remain elevated in 2026. Notably, the CMB program is increasing its public borrowing requirement by C$20 billion in 2026.

5. **Credit Spreads Remain at Multi-Year Tight Levels**: Credit spreads have compressed significantly, with front-end provincial and CMB domestic credit spreads at levels last seen in 2008. Record high overall funding volumes and all-time high levels of offshore issuance over the previous two years have been absorbed smoothly. Participants anticipate spreads remaining generally stable in the near term. Potential risks to this base case include: a sharp economic deterioration, increasing tensions over USMCA negotiations, and a significant increase in domestic issuance from the provinces due to a decline in offshore issuance.

6. **'Canada Inc.' Brand Strengthens Collective IR Effort**: The "Canada Inc" marketing approach positioning the Canadian public sector issuers as an appealing investment alternative amid global uncertainty is gaining traction with investors. There is deliberate coordination among the Canadian issuers to maintain depth in the domestic market while pursuing offshore opportunities strategically. International investor outreach initiatives are paying dividends with improved access to international capital markets.

Canada Outlook: The Canadian economy is expected to continue to experience modest growth in 2026

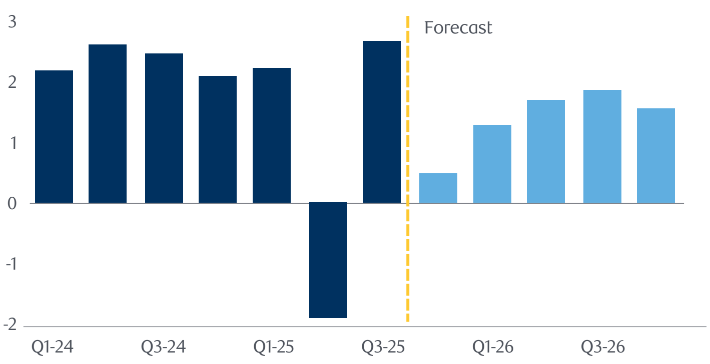
Jason Daw (RBC Rates Strategy): On the Canadian economy, the overall message is that there's been lots of disruption on the trade side and considerable uncertainty. The outcome has been better than expected, demonstrating resilience, though it's been a bumpy ride.

Quarterly GDP data has been mixed over the past three quarters, but the weakness has been very localized. The labour market tells the story:

- Over the past six to nine months, softness has been concentrated in manufacturing, transport, and warehousing.
- All other sectors combined have added jobs. If the weakness broadened to other areas then it would concern the Bank of Canada, but that hasn't happened yet and isn't our base case.

GDP

(%QoQ annualized) – RBC Forecasts



Source: RBC Capital Markets

When looking at the economy holistically, there's good news and bad news.

- **Bad News**: Business investment has been poor for ten years and has limited upside. Fiscal policy won't draw in private investment as it's not a capital price issue but a regulatory one. The housing market has been struggling with low resale activity for two years, with affordability as the binding constraint. Immigration is declining. 5-year fixed mortgage rates need to be closer to 3% instead of 4% to be stimulative for the housing market.
- **Good News**: The general bright spot has been the consumer. As long as the labour market holds up and the unemployment rate trends lower, the consumer should remain resilient.

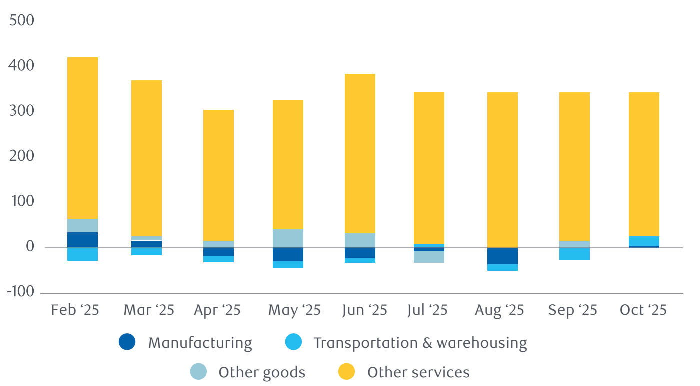
We need to reorient how we think about Canadian economic data. Over the next 12-18 months, European-style growth numbers are going to be the norm. 1% GDP growth and monthly employment gains averaging 10K per month is going to be a good outcome.

With population growth basically at zero and an anemic productivity growth backdrop (the Bank of Canada is assuming productivity growth around 1.5%, which seems overly optimistic given zero productivity growth cumulatively over ten years), we think potential GDP is somewhere between 0% and 1%. So, 1% GDP growth is actually good in the current macro environment. This is one reason the Bank of Canada closed the door on further rate cuts at the October meeting.

> "1% GDP growth and monthly employment gains averaging 10K per month is going to be a good outcome."
>
> *Jason Daw (RBC Rates Strategy)*

Canadian Employment Growth

Year-over-year change, thousands



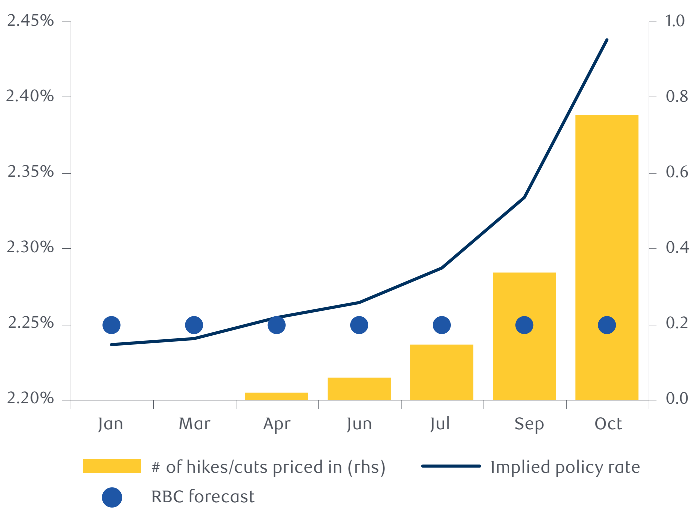
Source: Statistics Canada, RBC Economics

The Bank of Canada has been a very output gap-focused central bank. Over the past 30 years, the output gap and overnight interest rate track very well. When the output gap shrinks, they tend to raise rates and vice versa.

Our economics team's forecast shows the output gap should start to close more forcefully in the first half of the year, which would be historically consistent with rate hikes. They probably won't move that quickly; there will be a timing mismatch given lingering trade uncertainty and understanding how the population shock affects the demand-supply balance in the economy.

Expected GoC Bond Yields

BoC Policy Rate: RBC vs. Market Pricing



RBC CAD Rate Forecasts

	Q1'26	Q2'26	Q3'26	Q4'26
Overnight Rate	2.25	2.25	2.25	2.25
2y	2.80	2.90	3.00	3.10
5y	3.15	3.20	3.25	3.30
10y	3.50	3.55	3.60	3.65
30y	3.85	3.85	3.90	3.90

Source: RBC Capital Markets

However, Bank of Canada's rhetoric could start tilting toward the hawkish side. Our base case is the Bank of Canada is on hold through 2026, with hikes penciled in for 2027. But there's a greater probability that they raise rates in 2026 compared to cutting more. If terminal pricing starts to rise, bond yields across the curve will be higher.

This is compounded by supply and rising term premium, which is more worrisome if the Bank of Canada isn't cutting (there won't be as much demand for duration). So, both of the main factors affecting the level of yields are pointing higher.

The curve shape is complicated. Term premiums argue for steeper; monetary policy argues for flatter. Historically, monetary policy has been the bigger driver, so we're looking at stable-to-flatter curves rather than steeper. This all changes if the Bank of Canada needs to cut significantly more, which would probably require the Fed to cut more than what's priced in.

> *" Our base case is the Bank of Canada is on hold through 2026, with hikes penciled in for 2027."*
>
> *Jason Daw (RBC Rates Strategy)*

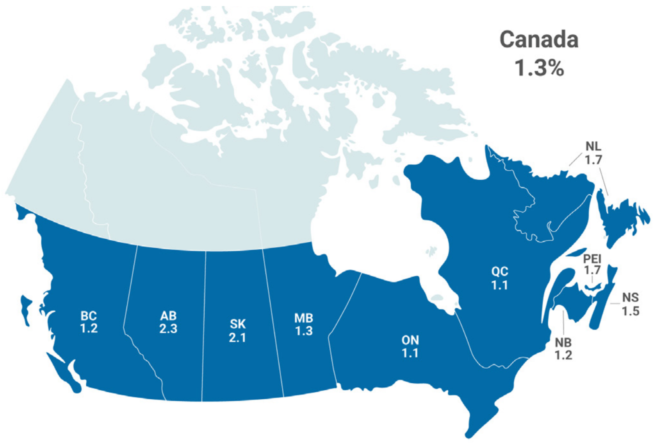
Matthew Cassell (HOOPP): Where will the growth come from in Canada?

Jason Daw (RBC Rates Strategy): We just need the consumer to grow around 1-2%, which isn't a lot.

Matthew Cassell (HOOPP): We're starting to see clear downside pressure from the Canadian consumer, with its contribution to Canadian GDP turning negative last quarter. A meaningful portion of this likely reflects the lagged impact of higher mortgage reset rates. In Canada, household leverage is overwhelmingly concentrated in residential mortgages, and upcoming refinancings are occurring at materially more restrictive levels. Many mortgages originated in 2020 and 2021 are now rolling over at significantly higher rates. Against that backdrop, the labour market is showing signs of softening, and consumers appear to be pulling back from major discretionary decisions — particularly home purchases and large real estate investments. At the same time, trade policy is unlikely to provide near-term support, with USMCA-related decisions deferred until mid-next year.

> *" We're starting to see clear downside pressure from the Canadian consumer, with its contribution to Canadian GDP turning negative last quarter."*
>
> *Matthew Cassell (HOOPP)*

RBC's 2026 growth forecasts for Canada
Annual real GDP growth by province, %



Source: Statistics Canada, RBC Economics

Jason Daw (RBC Rates Strategy): Our base case is the Bank of Canada stays on hold, but we think there's a greater chance they hike than cut. On mortgage refinancing, we've been at peak levels for the past six months, but the mortgage shock on payments over the next 12 months is less than what occurred over the previous 12-18 months.

We don't think mortgage refinancing is the cliff effect that some have worried about, it's been a slight drag. The consumer managed it okay in 2024 and into this year, It still hasn't been fantastic, but it's growing above zero and just needs to get close to 1%. It comes down to the labour market, if we start printing consecutive negative jobs and the unemployment rate goes up rather than down, that changes the calculus of what the BoC would need to do.

Among clients, we're seeing an even split between those sympathetic to our view and those sympathetic to a more dovish view. Our flow data shows low positioning across swaps, futures, and cash. Trades are very low conviction on either side of more hikes or more cuts.

Provincial Economic Update

Elizabeth Wallace (Ontario): We're in fair alignment with Jason's view. We expect household consumption to rise 3.8% this year, 3.1% next year, then back to 3.6% for the following two years. We're seeing retail sales following a similar pattern, Q1 was very slow, Q2 was much better, Q3 is looking slow again. It's not a trend but rather the back-and-forth of quarterly uncertainty.

There's an adjustment in Ontario's construction sector. The building of condos is slowing. As completed projects come to fruition, the next projects won't be one-bedroom condos. There's been a policy-supported switch toward other types of building. The construction industry won't stop. But tariffs' effect on building materials remains very concerning.

We're expecting continued population growth in Ontario. Net immigration will help, though it will be somewhat muted for the next year or two, before picking up again. Ontario's population is currently 16.1 million, by 2050 it's expected to surpass 20 million. These numbers align with our planning projection scenario. To date, Ontario's GDP is tracking slightly better than the 0.9% published in the 2025 budget.

More than 78% of Ontario's economy is service based while manufacturing is just over 10% of the goods component. Of that 10%, automotive and steel are roughly 2% each. The impact of tariffs is being felt but is softened by Ontario's well diversified economy and services focus. The work of the provinces right now is to figure out how to support key industries while navigating the uncertainties around trade with the US.

"The building of condos is slowing. As completed projects come to fruition, the next projects won't be one-bedroom condos."

Elizabeth Wallace (Ontario)

Dave Ayre (CMHC): Our housing view is very similar to Jason's. A year or two ago, we were much more concerned about the interest rate reset wave. Back then, people were potentially resetting at 5% mortgages coming from 1.5% in 2020. Today, with five-year fixed rates around 3.75%, it's definitely something we are monitoring, but consumers are generally showing resilience. Nationally, we're not seeing significant increases in mortgage arrears, they're sitting around 0.3%, up from 0.23% two years ago, but still below historical levels. However, we are keeping a close eye on Ontario and BC, and particularly the Greater Toronto Area, where mortgage delinquencies are still rising over the last few quarters.

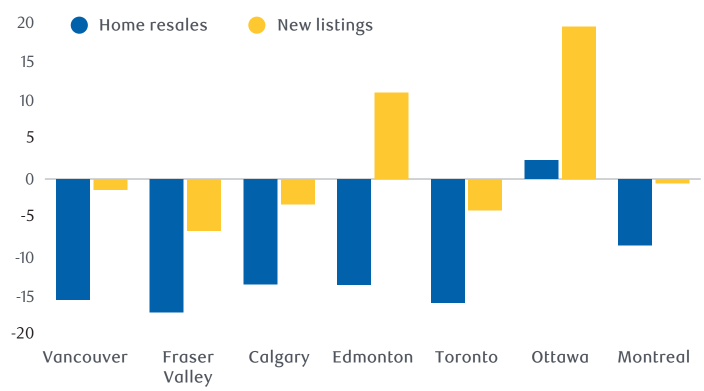
Ten years ago, housing starts in Canada were 80% homeowner, 20% rental. Now it's flipped dramatically. CMHC's MLI Select program, introduced four to five years ago, is making multi-unit rental construction viable for home builders. In 2025, housing starts are more than likely going to be over 50% rental. This shows how much the home building industry is relying on MLI Select to get shovels in the ground.

"Ten years ago, housing starts in Canada were 80% homeowner, 20% rental. Now it's flipped dramatically. "

Dave Ayre (CMHC)

Home Resales vs. New Listings

Annual % Change, November 2025



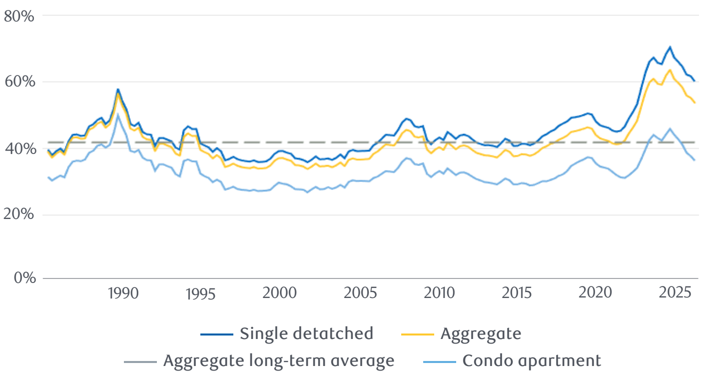
Source: REBGV, CREB, RAE, TRREB, OREB, QPAREB, RBC Economics

The Canadian housing market is very regional. Overcapacity is a problem in the Toronto and Vancouver condo markets, but not a Canada-wide problem. For example, the Montreal housing market is predominantly rental-based and the vacancy rate has increased in Montreal, but affordability still remains a challenge for low income households.

Across Canada generally, the slowdown in immigration growth has helped cool demand; however housing starts have been flat with limited year over year growth, so Canada is not building enough housing to fix the affordability issue. The high cost of building homes remains a significant issue.

RBC Housing Affordability Measures – Canada

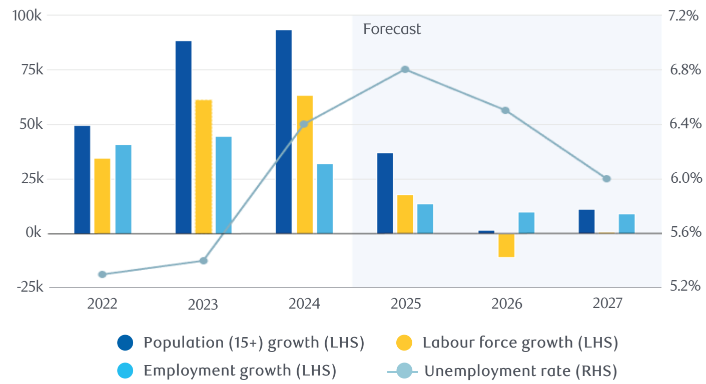
Ownership costs as % of median household income



Source: RBC Economics

Slower Canadian population growth weighing on labour supply

Thousands per month, Annual average in %



Source: Statistics Canada, RBC Economics

Jason Daw (RBC Rates Strategy): Manitoba and Saskatchewan, Can you please provide an overview of your economy?

Nicoleta Oprea (Manitoba): Real GDP growth is forecasted at 1.1% for this year and 1.3% for next year. This represents a downward revision of approximately 0.6 percentage points from Budget. Two key factors contributed to this year's revised outlook: ongoing uncertainty related to trade tariffs and the impact of widespread wildfires during the summer.

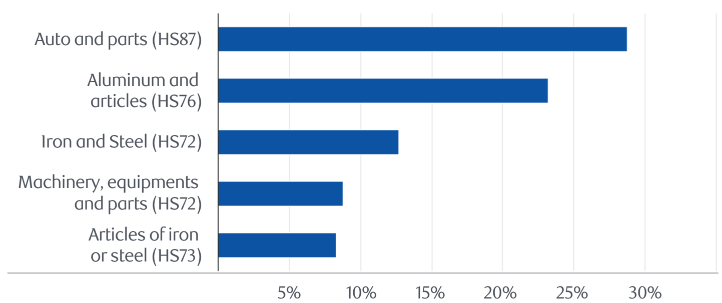
The economy has been resilient, mostly driven by household spending and consumer activity.

- Housing starts showed 9.9% growth as of September, indicating continued confidence in the market despite interest rate levels. Building permits are down 4.1%, driven primarily by non-residential sector. Businesses appear to be delaying projects due to uncertainty around tariffs.
- Retail sales have also grown steadily at 5%, driven by motor vehicle sales (up by 11%). There has been a lot of pumped-up demand on cars to avoid potential price volatility related to tariffs.

Population growth is going to be a concern for us next year, we are still seeing some growth this year at 1.2% however forecasting 0.3% increase for 2026. We have been relying on international migration to bring in skilled labour into Manitoba, the change in immigration targets are anticipated to create challenges in meeting labour market needs.

Auto and metals among the most tariffed Canadian Exports

%, April to August 2025



Source: Census Bureau, RBC Economics

Rod Balkwill (Saskatchewan): Overall we have the same experience with the rest of the Canada as the economy performing better than expected due partially to lower tariff impacts. The Federal Department of Finance is estimating a 5% average tariff in Canada, and Saskatchewan is under 2% average tariff. Clearly some sectors – steel, autos, aluminum are getting hit the hardest though the rest of the economy has been a positive surprise.

Saskatchewan had a lower population growth than the average of Canada last year at around 3%, which we expect will be down to 1.5% this year and 1% next year. Most of the population change came from international migration as Nicoleta mentioned.

Saskatchewan's retail sales numbers have been pretty good too, and we see that in our sales tax revenue. Everything is beating what we expected in terms of consumption spending, which might have a lagging affect from the population growth the year prior.

Uranium Futures Contract Historical Price Chart

(USD$/lb.)

Source: Bloomberg

Another area that we were outperforming expectations is in capital formation, especially mining. We still have couple of big projects going on, e.g. BHP is building a large potash mine and some uranium mines are re-opening or in development. The economic value of what comes out of the ground is huge. Oil revenues are down a bit, it's really the potash and uranium that are moving the needle upward.

The economic outlook is pretty good, but it will also depend on what happens with the review of the trade agreement with the U.S. and Mexico. Our real GDP last year was 3% and have 1.8% forecast for this year. Our unemployment rate continued to be low at 5.6%, that's a good economic indicator, but shows that the province can benefit from high international in-migration as we generally have high labour needs due to moderate interprovincial net out-migration.

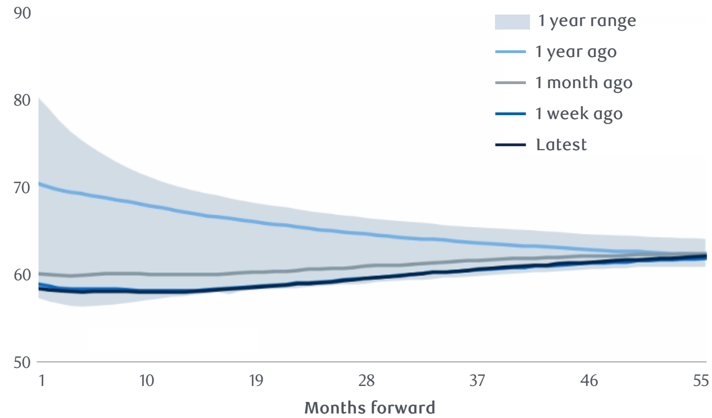
> *"Oil revenues are down a bit, it's really the potash and uranium that are moving the needle upward."*
>
> *Rod Balkwill (Saskatchewan)*

Jason Daw (RBC Rates Strategy): Oil has been going down this year but there has been some positive pipeline news, how is that affecting Alberta?

Kevin Karpyshyn (Alberta): The economy has been resilient with strong consumer demand and increased construction, mostly as a catch up to our immigration story. Somewhere along the line our population grew to 5 million, we used to be at 4 million for the longest time. Another big win in Alberta is we still have affordable housing.

WTI Forward Curve

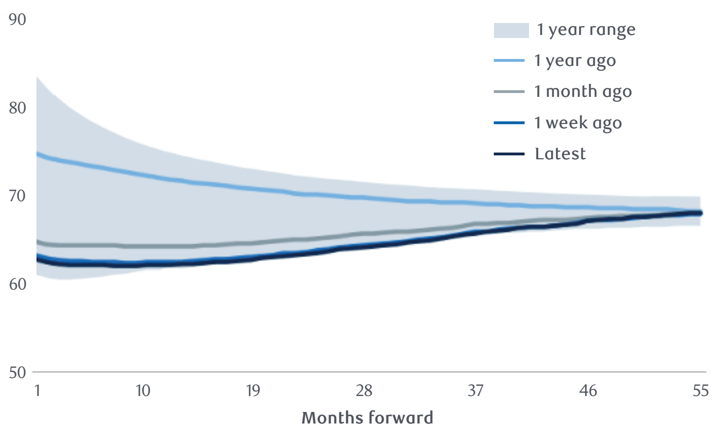
($/bbl)



Source: Bloomberg, US DOE, US GSA, BNEF, RBC Capital Markets

Brent Forward Curve

($/bbl)



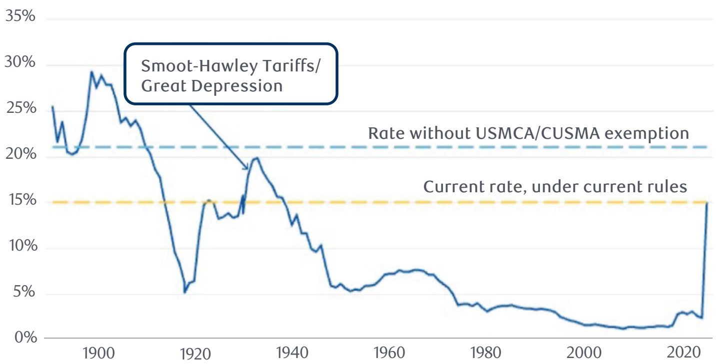
Source: Bloomberg, US DOE, US GSA, BNEF, RBC Capital Markets

The downside is energy, we started at US$68/bbl at our Budget, Q1 we went to US$64/bbl, now we are down again at US$61.5/bbl. The market access this year has been a win after the introduction to TMX (Trans Mountain Expansion Project) last year, we went from capacity of 300,000 barrels to 800,000 barrels per day, that additional 500,000 barrels a day was why we ended up with a surplus last year.

GDP is forecasted at 2.1%, below last year's but still pretty strong, we expect it to fall to 1.8% mostly due to population slowdown. Labour market is still soft where job gains were mostly in the public sector. Unemployment right now is still sitting at 7.4%, we expect employment to grow at 2.4% and unemployment to drop to 6.9% next year.

U.S. Average Import Duties rising to highest since 1930s

% duties collected/total imports



Source: US ITC, RBC Economics

We have seen less of an impact in regards of tariff where our deficit in Q2 has been mostly unchanged, and we continue to see it shrank. Most of our tariff impact is negligible, 90% of what we produce are USMCA exempt, and the remaining 10% is only taxed at 10%. The drop in oil price and the tariff combined left us at that C$6.4 billion deficit for the year.

> *"Most of our tariff impact is negligible, 90% of what we produce are USMCA exempt, and the remaining 10% is only taxed at 10%."*
>
> *Kevin Karpyshyn (Alberta)*

Trade Tariffs and USMCA Uncertainty

Jason Daw (RBC Rates Strategy): There is a possibility that Trump doesn't sign the USMCA in 2026 and the negotiations get pushed off. Considering the US hasn't threatened to leave USMCA yet, we think they are hoping to modify it but still keep it, and there are concessions Canada and Mexico might have to give. What worries me more is that if the supreme court rules on the IEEPA tariff, it might fuel Trump to pursue more measures under section 232 and 338 that would not have USMCA exclusions. The other risk is the decision to sign trade agreements is more of a congress decision than a president decision, there's going to be a lot of noise. The US might think it's too costly to blow up the whole thing.

Chad, what do you see on how the tariff is affecting people on the ground?

Chad Buffel (EDC): Noise is probably the best way you could describe it, however the net effect, as we have seen through the economic numbers, has not been as drastic as one might have thought. It's really has been only 15% of exports that's been affected. On the other side, we are actively working with businesses to look at other export and sales alternatives, so far businesses have been fairly resilient in absorbing the initial cost of tariffs, diversifying themselves by looking at more domestic sales.

> *"Noise is probably the best way you could describe it."*
>
> *Chad Buffel (EDC)*

What's important for us is how do we help the business community diversify. We will never fully move away from trade with the US, it is more about how do we manage this from a diversification perspective so future hits are not as serious. Non-US exports have increased by 14% over the last 8 months.

> *"What's important for us is how do we help the business community diversify."*
>
> *Chad Buffel (EDC)*

We initially started with 2% tariff regime and now it has increased to around 18%, if we can get that down a little bit closer to 10% that would be something, in my view, Canada can get through.

Jason Daw (RBC Rates Strategy): Like the changes from NAFTA to USMCA 1.0, there can small changes that Trump can touts as a big win.

Chad Buffel (EDC): You don't have to have a big win, many things on the margin would be helpful.

Sam Dorri (CPPIB): When we first looked at this issue, we considered a scenario in which trade negotiations persist for a prolonged period of time; and it feels like we're partway through that period. The question we asked ourselves was how long uncertainty would impact business investment, and if that might wear off over time. While growth skewed lower in these scenarios, there were outcomes in which the magnitude of those moves wasn't quite as severe.

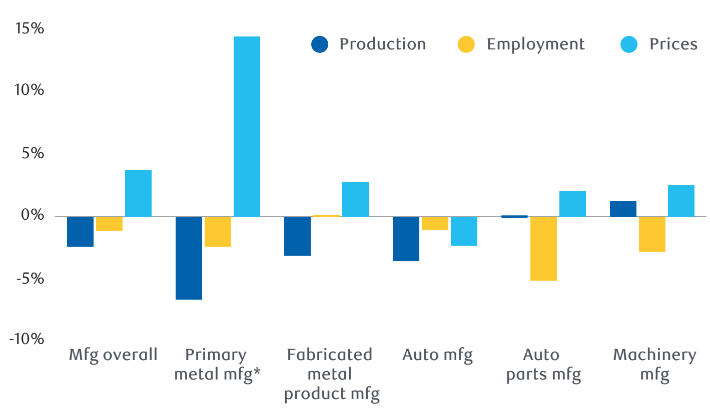
> *"While growth skewed lower in these scenarios, there were outcomes in which the magnitude of those moves wasn't quite as severe."*
>
> *Sam Dorri (CPPIB)*

Chad Buffel (EDC): Businesses are used to navigating through volatility. Earlier this year, a lot of projects that we were supposed to move forward did not. Just in the last few months, things have picked up again. We won't know where the cards will fall, but as businesses acclimatize to the new forms of uncertainty, they will start making decisions.

The current government is changing their underlying attitude for businesses and being a bit more proactive, including expanding political capital to it. They are trying to address Canada's productivity shortfalls. Everyone needs to come to the table to talk about regulations, how to manage things across provinces, and have thoughtful engagement with stakeholders etc.

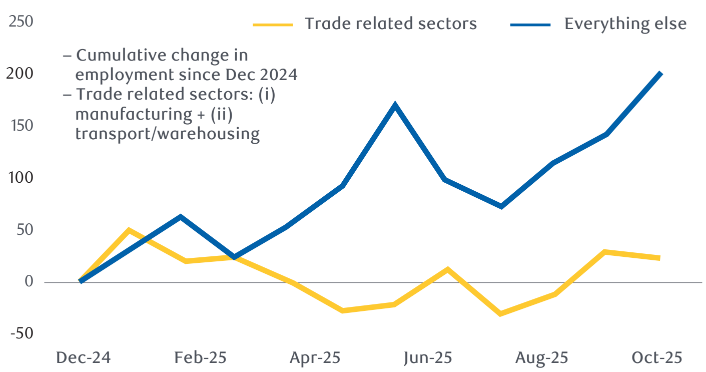
Lower production, fewer jobs, higher prices in Canada's tariffed industries

Year-over-year % change, Jan-Sep total, 2025



*Prices higher for aluminum and gold mfg. lower for steel mfg.
Source: Statistics Canada, RBC Economics

Trade-related sectors have taken the economic hit



Source: Statistics Canada, Macrobond, RBC Capital Markets

Elizabeth Wallace (Ontario): The steel industry – which supports Ontario's automotive sector could, for example, support pipeline construction if traditional markets for their products become limited. We anticipate goods producers will employ a broader mindset and include interprovincial and international opportunities in their business case analyses.

"We anticipate goods producers will employ a broader mindset and include interprovincial and international opportunities in their business case analyses."

Elizabeth Wallace (Ontario)

Chad Buffel (EDC): Give support to industries like aluminum and steel that have been hit pretty hard; but these are also the industries providing products that Canada needs.

Matthew Cassell (HOOPP): Our base case remains a renewal of USMCA with relatively modest technical adjustments. That said, the key downside risk is a scenario in which the U.S. negotiates a side arrangement with Mexico. If Mexico were willing to accept targeted concessions or a fixed tariff in exchange for certainty, it could give Canada fewer degrees of freedom in negotiations.

Chad Buffel (EDC): We have a lot of resources that they need, regardless of what is reported. We have more than enough to offer of what is needed, that the Americans can't afford to shut the door.

Canada has been awakened from a trade diversification perspective and is open to pursuing opportunities with trading partners in Europe, in Indo-Pac and other parts of the world.

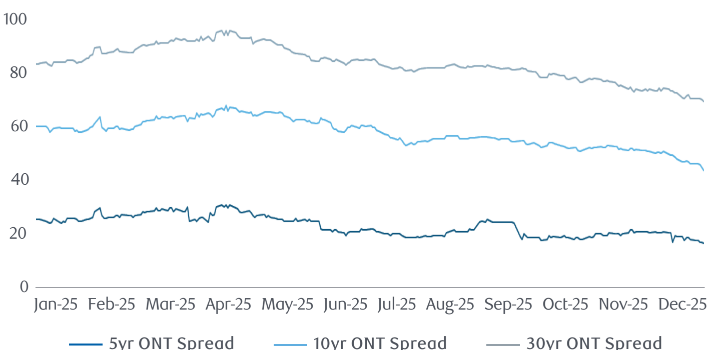
Credit Spreads Remain at Multi-Year Tight Levels

Alex Caridia (RBC Public Sector Origination): If I look back on the year, we're close to record highs in terms of funding and credit spreads are close to all time tights. CMB announced a C$20bn increase in its issuance program and their spreads tightened in on the news. Offsetting some of this was the amount of offshore issuance, which at 40% of total funding was an all-time high and taken some pressure off the domestic market.

Our investor friends, where do you think credit spreads are going?

Ontario Historical Spreads

Spread vs. GoC (bps)



Source: RBC Capital Markets as of December 16, 2025

Andrew Halton (Polar): I think at the longer-end, spreads still have some room to perform. That said, the front end has started to run out of room as we converge towards Canada. CMB 5-year spreads are now firmly in single digits vs Canada's. I am old enough to remember the last time this occurred was prior to the GFC.

December seasonality tends to see issuers step away from the market and spreads grind tighter. Investors are going to need to think come 2026, where they are getting paid: risk vs. reward here.

The shorter end of the curve (10-years and in) is spicy, but lots of factors could keep it that way for a long time.

> *"I think at the longer-end, spreads still have some room to perform."*
>
> *Andrew Halton (Polar)*

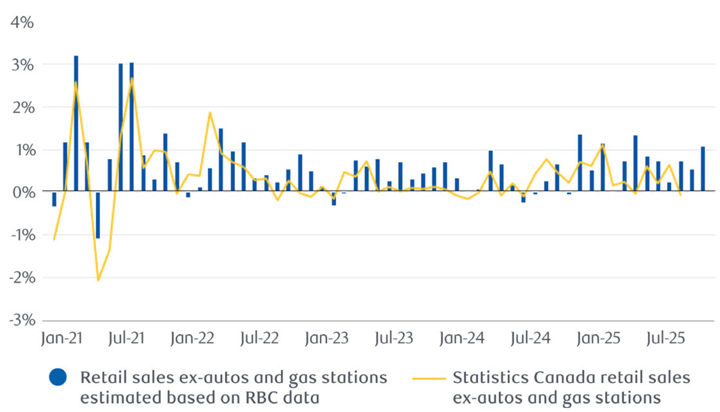
Matthew Cassell (HOOPP): I think spreads won't move much from current levels. It's hard to see spreads materially wider unless maybe we get a hard USMCA de-coupling, or a big move wider in Canadian swap spreads, or a material drop in offshore issuance. All-in yields are still pretty attractive, asset swap levels are still pretty good, and there is a lot of cash that has to be put to work.

Ross Turner (RBC Treasury): Spreads are very tight and there are a lot of people in seats like mine that have been saying "I don't really want to extend out my duration. I'll take the swap spread trade right now." Deposit growth in Canada is still robust at 3% to 4% growth, those are decent numbers. I don't see credit spreads going anywhere and likely will stay near current levels assuming the provinces continue to take advantage of international issuance opportunities.

> *"I don't see credit spreads going anywhere and likely will stay near current levels assuming the provinces continue to take advantage of international issuance opportunities."*
>
> *Ross Turner (RBC Treasury)*

Tracking core retail sales in Canada

Monthly % change, three month moving average, seasonally adjusted



Source: Statistics Canada, RBC Economics

Funding programs maintain domestic focus while pursuing strategic offshore diversification

Alex Caridia (RBC Public Sector Origination): I think most of the provinces take that five year and below bucket to look at offshore currencies, and USD in particular. Maybe over to you Dave to in terms of your funding plan.

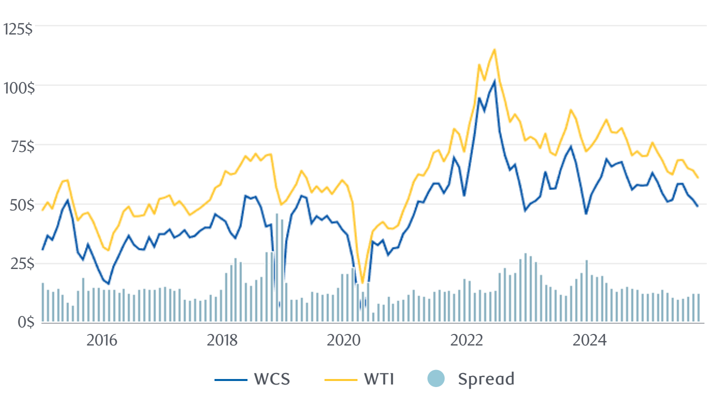
Dave Ayre (CMHC): Our public issuance program is increasing by 70% from C$30 billion in 2025 up to C$50 billion in 2026; and while it seems like a large increase in percentage terms, this is not unchartered territory for the CMB program. We issued C$45 billion in 2023 and we issued C$53 billion in 2020. If you think about the housing finance system in Canada, we're sort of catching up now as we lagged a little bit over the last couple of years. The C$20 billion increase in funding is exclusively dedicated to multi-unit and market rental housing supply.

Kevin Karpyshyn (Alberta): Our term bond borrowing program is approximately C$10.5 billion for the government fiscal year 2025/26 and we will have some issuance to do through the first 2 quarters of 2026.

We really haven't seen much of an impact from the tariffs in oil prices. It feels like it is going to be there, but sometimes our receipts have a delay. The offset to some of this though is there's also been increased production. Enbridge has added to their main line, adding another 150,000 barrels per day. With OPEC looking to increase production, we're hearing around US$50/bbl, that's going to have an impact at some point. Right now, it is just being ready for it.

Lower global oil prices could weigh on oil production next year

$US



Source: U.S. EIA, Alberta Energy, RBC Economics

Elizabeth Wallace (Ontario): What's your funding sensitivity on per dollar change in oil prices?

Kevin Karpyshyn (Alberta): For every US$ dollar decrease in oil price, we need to borrow C$750 million more. It used to be C$200 million and then we diversified, our differential is also about the same through the WTI and the WTS. The other thing is our receipts are in USD so we do enjoy a strong USD

Remember that during the COVID period, oil prices went as low as zero temporarily but production continued. The one thing that we have in our favour on the bitumen side is that most of those production costs are fixed, that's how we were able to get through the COVID disruptions.

> *"For every US$ dollar decrease in oil price, we need to borrow C$750 million more."*
>
> *Kevin Karpyshyn (Alberta)*

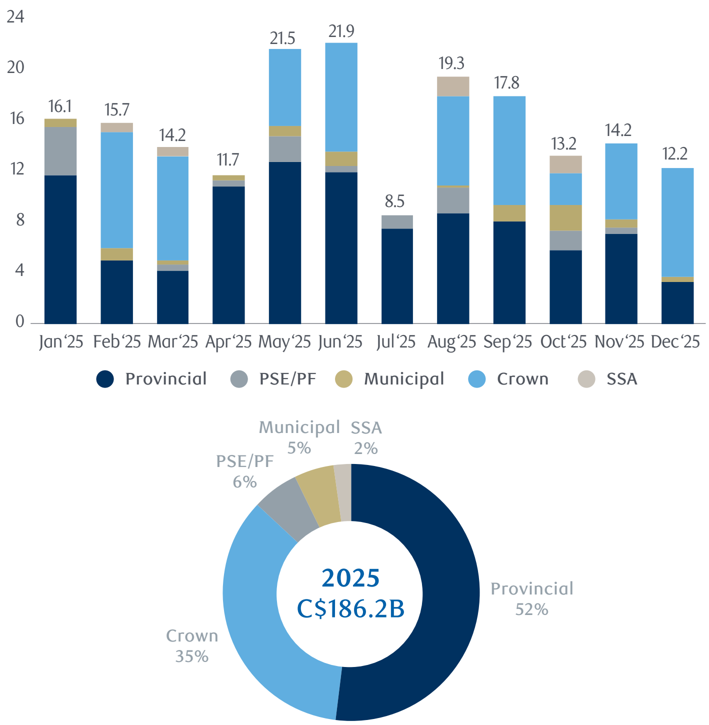
Alex Caridia (RBC Public Sector Origination): Sam, a few years ago CPPIB made some changes around focusing more on Canada and using a provincial-style issuance. CPPIB also does a lot of offshore issuance. What is the program looking like next year?

Sam Dorri (CPPIB): Our objective remains to be as steady and consistent as possible in our core currencies. As such you won't see any material changes from us. At the margin we may lean a bit more into 10yr CAD issuance vs 5s next year, provided the demand profile continues to favor 10s – but we'll largely retain our minimum size commitments for each issued tranche. Those commitments include two benchmark USD deals a year, a benchmark EUR or GBP, C$7-8 billion of CAD in 5s and 10s, and 2 benchmark AUD deals per year with a minimum total size commitment of A$4bn in that market. That leaves us a few billion additional of funding to lean into more USD or EUR/GBP if demand warrants it. As for the mix between 'home-market' and 'offshore' – our commitments in each currency mean we're oriented a bit differently than the Provinces; in a way we don't consider CAD a home market from which to measure cost of funds against.

> *"Our objective remains to be as steady and consistent as possible in our core currencies."*
>
> *Sam Dorri (CPPIB)*

Domestic Public Sector Issuance (Monthly)

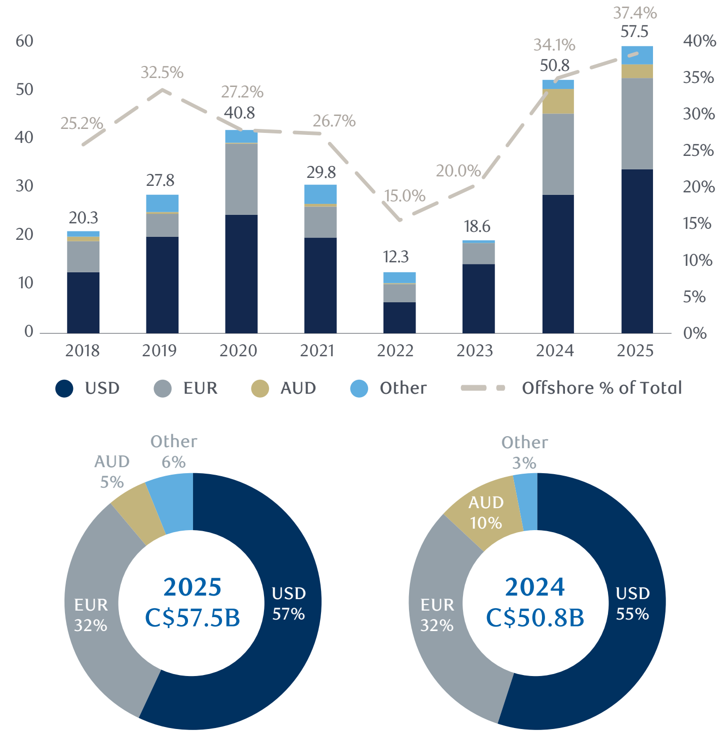
Domestic Issuance (C$Bn)



Source: RBC Capital Markets as of December 23, 2025

Provincial Offshore Funding Activity (Yearly)

Offshore Issuance (C$Bn Equiv.)



Source: RBC Capital Markets as of December 23, 2025

Sam Dorri (CPPIB): But I'll flip this question over to some of the Provinces with smaller funding programs – because with arbitrage available in most markets the last year, how do you all think about the appropriate balance between the CAD market and opportunities in offshore markets?

Rod Balkwill (Saskatchewan): We have focused on getting our international issuance program off the ground over the last couple of years and working towards an approximate 25% share of our total program. This meant establishing good benchmarks in EUR and USD, which we now have. We are close to our 25% level and have the ability to issue AUD, GBP and CHF so future currency selection will depend on investor needs and comparable funding costs in CAD. CAD will remain 75% of total outstanding at a minimum.

Nicoleta Oprea (Manitoba): Maintaining a strong presence in the domestic market is a priority for the province as our goal is to build 10-year and 30-year benchmarks. We are focused on building each line to a total outstanding size to C$2-2.5 billion for each line. At the same time, international issuance continues to play an important role in our debt management strategy. In some years we've done as much as 30-40% of the program offshore. Going forward we will continue to consider opportunities in international markets when these opportunities support our overall debt management goals.

Sam Dorri (CPPIB): That makes a lot of sense – and with our investor hat it's great to hear. There's certainly a case to be made that names like Saskatchewan, Manitoba and Alberta outperform in the coming year given some of these dynamics

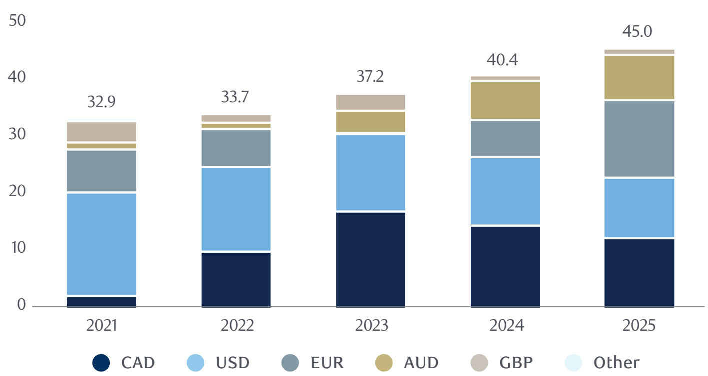
Elizabeth Wallace (Ontario): We're always thinking of the domestic investor as the one who knows our story best. We're interested in making sure they feel there is enough liquidity and enough choice to do the trading they want to do in the CAD market. Foreign issuance markets can be cost effective while allowing for investor diversification but these opportunities come and go. We've been through years when we've only done 12% of our total funding offshore due to the relative cost of that issuance while at other times it has been a much bigger part of overall borrowing. Strategically, Ontario maintains a presence in USD and EUR markets, with other foreign markets regularly monitored for issuance opportunities.

'Canada Inc.' Brand Strengthens Collective IR Effort

Sam Dorri (CPPIB): I'm curious how some of the Provinces think about the pension presence in the market – not only in CAD, but principally globally. Do you see value in the cases where we lead in offshore markets, how we think about marketing Canada Inc as a collective and whether we can assist in opening new markets?

Canadian PSE/PF Issuance

Issuance Volume (C$Bn Equiv.)



Source: RBC Capital Markets as of December 23, 2025

Nicoleta Oprea (Manitoba): From a domestic perspective, there were initial concerns about how additional supply from the pensions and CMB program might impact the province's own programs. However, good communication and coordination among the issuers has ensured that the process is working smoothly with little to no impact to our program.

From an international perspective, the investor relations work that CPP and other peers have done has benefited the province. While we had not conducted international investor relations since 2019 (we resumed European outreach this year), I believe the success we had with the AUD issuance last year was in part supported by the groundwork laid by CPP and similar issuers in that market.

Dave Ayre (CMHC): I think there is a great Canada Inc. story. The public sector issuers often work together to promote each other with international investors.

Sam Dorri (CPPIB): And I'll just echo Dave's comments. We are very much aligned – by way of one example, I asked Dave for talking points on our most recent trip to Japan given it followed the announcement of their larger borrowing program. Being able to cross-sell and advocate for Canada Inc can only help the cohort.

Kevin Karpyshyn (Alberta): What we're finding on the international issuance side now is that there seems to be more discussion about spread differentiation among the different Canadian issuers. With the recent increase in offshore issuance from the Canadian public sector issuers, you are seeing a lot more international investor interest in the space and now they're looking harder at credit and execution which will likely lead to further spread differentiation.

Matthew Cassell (HOOPP): While Public Sector Entities have been issuing more paper, the impact has been accretive to liquidity across the spread complex. By rigorously encouraging liquidity from the dealer community—both in secondary markets and through repo eligibility—the PSEs have effectively introduced a new, highly financeable "flavour" of government spread product. That expansion has broadened the investable universe, created additional relative value opportunities, and attracted a wider investor base deploying capital. At the same time, the larger fee wallet has incentivized greater dealer focus on Canadian spread product, reinforcing liquidity conditions. Taken together, this strong emphasis on liquidity has materially benefited the entire Canadian government spread complex.

Select Canadian Public Sector Borrowing Programs – 2025

The need and appetite for borrowing varies greatly between each Province and organization. To help understand the various key Canadian public sector borrowing programs and their characteristics, below is a comparison breakdown.

	ONTARIO	QUEBEC	ALBERTA	MANITOBA	SASKATCHEWAN	BRITISH COLUMBIA	NFLD & LABRADOR
PREMIER/CEO	Hon. Doug Ford	Hon. François Legault	Hon. Danielle Smith	Hon. Wab Kinew	Hon. Scott Moe	Hon. David Eby	Hon. Tony Wakeham
FINANCE MINISTER/CFO	Hon. Peter Bethlenfalvy	Hon. Éric Girard	Hon. Nate Horner	Hon. Adrien Sala	Hon. Jim Reiter	Hon. Brenda Bailey	Hon. Crag Pardy
CAPITAL/HEADQUARTERS	Toronto	Quebec City	Edmonton	Winnipeg	Regina	Victoria	St. John's
POPULATION ('000S)[1]	16,258	9,058	5,029	1,510	1,267	5,698	550
SHARE OF CANADA GDP (%)[2]	38.8%	19.5%	15.4%	3.2%	3.6%	13.8%	1.3%
BORROWING YEAR	Apr-Mar	Apr-Mar	Apr-Mar	Apr-Mar	Apr-Mar	Apr-Mar	Apr-Mar
RATINGS (DBRS/MOODY'S/S&P)	AA / Aa3 / AA-	AA(L) / Aa2 / A+	AA / Aa2 / AA-	A(H) / Aa2 / A+	AA(L) / Aa1 / AA	AA(H) / Aa1 / A+	A / A1 / A
% CAD ISSUANCE FYTD[3]	65%	63%	39%	91%	44%	41%	100%
RECENT INTERNATIONAL ISSUANCE[3]	USD, EUR, CHF	CHF, USD, AUD, EUR, GBP	USD, EUR	EUR, CHF	EUR, CHF, USD	AUD, EUR, USD	EUR, CHF
2024/25 BORROWING (C$BN)[3]	50.1	36.0	10.2	6.1	4.9	29.9	2.8
2025/26 BORROWING REQUIREMENT (C$BN)[3]	42.5	24.3	10.9	5.9	4.8	35.1	4.1
YOY INCREASE (C$BN)	-7.6 (-15.2%)	-11.7 (-32.5%)	0.7 (6.9%)	-0.2 (-3.3%)	-0.1 (-1.6%)	5.2 (17.3%)	1.3 (46.4%)
ESTIMATED 2026/27 BORROWING (C$BN)[4]	41.1	34.1	11.1	5.9	4.8	36.0	4.1
DOMESTIC TARGET TERMS	5 / 10 / 30	10 / 30	5 / 10 / 30	5 / 10 / 30	5 / 10 / 30	5 / 10 / 30	5 / 7 / 10 / 30
PUBLIC DEBT O/S (C$BN)[5]	453.4	286.3	94.0	59.1	36.3	137.7	24.2
MIN. CARVE-OUT SIZE[6]	$600M (5yr) / $500M (10yr) / $400M (30yr)	n/a	$200M	$150M	$100M	$300M	$100M
ACTIVE ESG ISSUANCE PROGRAM	Sustainable Bond Issuer	Green Bond Issuer	n/a	n/a	n/a	n/a	n/a

(1) Statistics Canada. Table 17-10-0009-01 Population estimates, quarterly as of Q3 2025
(2) Statistics Canada. Table 36-10-0402-01 Gross domestic product (GDP) at basic prices, by industry, provinces and territories, growth rates (x 1,000,000), as of 2025
(3) RBC Capital Markets. Canada, Provincials, PSP & BCI based on Government Fiscal Year (April 1-March 31) CMHC, CPP, CDPQ, OMERS, OTPP and EDC based on Calendar year
(4) Provinces, RBC Capital Markets, figures based on most recent borrowing program
(5) Bloomberg, Bank of Canada (As of November 30, 2025)
(6) Large order protocol, order placed to one investor
(7) Acting CIO
* Government of Canada 2025 Budget, Table A4.2 Projected Domestic Gross Issuance of Bonds and Bills for 2025-26 and 2026-27
† Based on Jan - Dec Calendar Year

Select Canadian Public Sector Borrowing Programs – 2025 Continued

	NOVA SCOTIA	NEW BRUNSWICK	PEI	YUKON	HYDRO-QUÉBEC	CANADA	CMHC	PSP
PREMIER/CEO	Hon. Tim Houston	Hon. Susan Holt	Hon. Rob Lantz	Hon. Currie Dixon	Claudine Bouchard	Hon. Mark Carney	Coleen Volk	Deborah K. Orida
FINANCE MINISTER/CFO	Hon. John Lohr	Hon. René Legacy	Hon. Jill Burridge	Hon. Currie Dixon	Maxime Aucoin	Hon. François-Philippe Champagne	Michel Tremblay	Caroline Vermette
CAPITAL/HEADQUARTERS	Halifax	Fredricton	Charlottetown	Whitehorse	Montreal	Ottawa	Ottawa	Montreal
POPULATION ('000S)[1]	1,093	870	183	46	n/a	41,652	n/a	n/a
SHARE OF CANADA GDP (%)[2]	2.0%	1.6%	0.3%	0.1%	n/a	n/a	n/a	n/a
BORROWING YEAR	Apr-Mar	Apr-Mar	Apr-Mar	Apr-Mar	Jan-Dec	Apr-Mar	Jan-Dec	Apr-Mar
RATINGS (DBRS/MOODY'S/S&P)	A(H) / Aa2 / AA-	A(H) / Aa1 / A+	A / Aa2 / A	- /- / AA	AA(L) / Aa2 / A+	AAA / Aaa / AAA	AAA / Aaa / AAA	AAA / Aaa / AAA
% CAD ISSUANCE[3]	100%	100%	100%	100%	125%	66%	100%	7%
RECENT INTERNATIONAL ISSUANCE[3]	n/a	n/a	n/a	n/a	n/a	USD	n/a	GBP, AUD, EUR, USD
2024/25 BORROWING (C$BN)[3]	2.5	1.7	0.4	n/a	5.8†	241.0*	60.0†	7.0
2025/26 BORROWING REQUIREMENT (C$BN)[3]	3.0	3.3	0.8	n/a	6.3†	316.0*	60.0†	7.5
YOY INCREASE (C$BN)	0.5 (18.8%)	1.6 (96.5%)	0.4 (100.0%)	n/a	0.5 (8.6%)	75.0 (31.1%)	0.0 (0.0%)	0.5 (7.1%)
ESTIMATED 2026/27 BORROWING (C$BN)[4]	3.5	3.3	0.8	n/a	9.0†	298.0*	80.0†	7.5-10†
DOMESTIC TARGET TERMS	5 / 10 / 30	5 / 10 / 30	5 / 7 / 10 / 30	5 / 10	7 / 40	2 / 5 / 10 / 30	5 / 10	5 / 10 / 30
PUBLIC DEBT O/S (C$BN)[5]	19.6	24.5	3.5	0.2	48.4	1156.45	304.3	29.3
MIN. CARVE-OUT SIZE[6]	n/a	$100M	n/a	n/a	n/a	n/a	n/a	n/a
ACTIVE ESG ISSUANCE PROGRAM	n/a	n/a	n/a	n/a	n/a	Green Bond Issuer	n/a	Green Bond Issuer

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Select Canadian Public Sector Borrowing Programs – 2025 Continued

	CPP	CDPQ	OMERS	BCI	OTPP	EDC
PREMIER/CEO	John Graham	Charles Émond	Blake Hutcheson	Gordan Fyfe	Jo Taylor	Alison Nankivell
FINANCE MINISTER/CFO	Kristina Fanjoy	Maarika Paul	Jonathan Simmons	Gordan Fyfe (7)	Mabel Wong	Scott Moore
CAPITAL/HEADQUARTERS	Toronto	Montreal	Toronto	Victoria	Toronto	Ottawa
POPULATION ('000S)(1)	n/a	n/a	n/a	n/a	n/a	n/a
SHARE OF CANADA GDP (%)(2)	n/a	n/a	n/a	n/a	n/a	n/a
BORROWING YEAR	Jan-Dec	Jan-Dec	Jan-Dec	Apr-Mar	Jan-Dec	Jan-Dec
RATINGS (DBRS/MOODY'S/S&P)	AAA / Aaa / AAA	AAA / Aaa / AAA	AAA / Aa1 / AAA	AAA / Aaa / AAA	AAA / Aa1 / AAA	AAA(u) / Aaa / AAA
% CAD ISSUANCE(3)	30%	11%	0%	100%	0%	0%
RECENT INTERNATIONAL ISSUANCE(3)	USD, EUR, AUD	EUR, AUD, USD	EUR, USD	n/a	EUR	USD, AUD, HKD, MXN, CNY, and more
2024/25 BORROWING (C$BN)(3)	17.8†	6.0†	3.1†	2.5	3.0†	14.0†
2025/26 BORROWING REQUIREMENT (C$BN)(3)	16.0†	9.0†	3.5†	2.5	3.0†	9.0†
YOY INCREASE (C$BN)	-1.8 (-10.1%)	3.0 (50.0%)	0.4 (12.9%)	0.0 (0.0%)	0.0 (0.0%)	-5.0 (-35.7%)
ESTIMATED 2026/27 BORROWING (C$BN)(4)	20.0†	10†	3.5†	4†	3†	US$10-12†
DOMESTIC TARGET TERMS	5 / 10	5 / 10	n/a	5 / 10	5 / 10	n/a
PUBLIC DEBT O/S (C$BN)(5)	93.0	36.3	14.4	8.3	29.1	55.7
MIN. CARVE-OUT SIZE(6)	$200M	n/a	n/a	n/a	n/a	n/a
ACTIVE ESG ISSUANCE PROGRAM	Green Bond Issuer	Green Bond Issuer	Sustainable Bond Issuer	n/a	Green Bond Issuer	Sustainable Bond Issuer

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† Based on Jan - Dec Calendar Year

This publication is proudly presented by the RBC Public Sector Origination Toronto Team

Select RBC-Led Transactions in 2025

Domestic

Canada
C$2,000,000,000
3.00% Mar-32
Green
AAA/Aaa/AAA
Joint Bookrunner
February 2025

Hydro Québec
C$500,000,000
4.00% Feb-65
AA(Low)/Aa2/A+
Lead
May 2025

Municipal Finance Authority of BC
C$430,000,000
3.30% Oct-30
-/Aaa/AAA
Joint Bookrunner
May 2025

Manitoba
C$450,000,000
4.60% Sep-57
A (High)/Aa2/A+
Lead
May 2025

PSP
C$500,000,000
4.25% Dec-55
AAA/Aaa/AAA
Joint Bookrunner
June 2025

CMHC SCHL
C$8,500,000,000
2.85% June-30
AAA/Aaa/AAA
Lead
June 2025

Québec
C$750,000,000
4.20% Dec-57
AA (Low)/Aa2/A+
Lead
June 2025

CPP Investments
C$1,000,000,000
4.00% Jun-35
AAA/Aaa/AAA
Lead
July 2025

BCI
C$1,500,000,000
4.00% Jun-35
AAA/Aaa/AAA
Joint Bookrunner
August 2025

British Columbia
C$900,000,000
4.60% Jun-57
AA (High)/Aa1/A+
Lead
August 2025

Saskatchewan
C$400,000,000
3.80% Jun-35
AA (Low)/Aa1/AA
Lead
August 2025

Toronto
C$200,000,000
4.00% Dec-34
Green
AA/Aa1/AA+
Lead
September 2025

Ottawa
C$220,000,000
3.75% Oct-34
-/Aaa/AA+
Joint Bookrunner
September 2025

Yukon
C$200,000,000
3.80% Jun-35
-/-/AA
Joint Lead
September 2025

Ontario
C$1,000,000,000
3.95% Dec-35
AA/Aa3/AA-
Lead
September 2025

Durham Region
C$140,000,000
3.75% Oct-35
-/Aaa/AAA
Joint Bookrunner
October 2025

Select RBC-Led Transactions in 2025

Offshore

Issuer	Amount	Coupon / Maturity	Ratings	Role	Date
Québec	GBP750,000,000	4.75% Jan-30	AA (Low)/Aa2/AA-	Joint Bookrunner	January 2025
OMERS	USD1,000,000,000	4.375% Mar-30	AAA/Aa1/AAA	Joint Bookrunner	March 2025
Alberta Government	EUR1,250,000,000	3.375% Apr-35	AA/Aa2/AA-	Joint Bookrunner	March 2025
Canada	USD3,500,000,000	4.00% Mar-30	AAA/Aaa/AAA	Joint Bookrunner	March 2025
CPP Investments	AUD1,750,000,000	3.90% Oct-28	AAA/Aaa/AAA	Joint Bookrunner	April 2025
Québec	EUR3,000,000,000	3.25% May 35	AA (Low)/Aa2/A+	Joint Bookrunner	May 2025
CDPQ	AUD1,750,000,000	4.10% Jun-30	AAA/Aaa/AAA	Joint Bookrunner	June 2025
EDC	USD2,000,000,000	4.00% Jun-30	AAA/Aaa/AAA	Joint Bookrunner	June 2025
Ontario	USD3,000,000,000	3.90% Sep-30	AA/Aa3/AA-	Joint Bookrunner	August 2025
British Columbia	EUR2,000,000,000	3.90% Oct-45	AA (High)/Aa1/A+	Joint Bookrunner	September 2025
PSP	GBP600,000,000	4.25% Oct-30	AAA/Aaa/AAA	Joint Bookrunner	September 2025
Saskatchewan	EUR1,000,000,000	3.25% Sep-35	AA(Low)/Aa1/AA	Joint Bookrunner	September 2025

Maple Offerings

Issuer	Amount	Coupon / Maturity	Ratings	Role	Date
L-BANK Staatsbank für Baden-Württemberg	C$750,000,000	3.00% Mar-28	-/Aaa/AA+	Joint Bookrunner	February 2025
European Investment Bank	C$750,000,000	2.65% Apr-28 SAB	AAA/Aaa/AAA	Joint Bookrunner	March 2025
ADB	C$750,000,000	2.60% Oct-28 Green	-/Aaa/AAA	Joint Bookrunner	October 2025
IFC	C$600,000,000	2.55% Jan-29 Green	-/Aaa/AAA	Joint Bookrunner	October 2025

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