



## APPENDICES



## AUSTRALIA'S FEDERALISM AND FISCAL SYSTEM

### Federalism

The Commonwealth of Australia ('Australian Government' or the 'Commonwealth') was formed as a federal union on 1 January 1901, when the six British colonies of New South Wales, Victoria, Queensland, South Australia, Western Australia and Tasmania were united as states in a federation. In addition to the six states, Australia has two territories — Northern Territory and the Australian Capital Territory — the latter hosting the nation's capital of Canberra.

### Powers

#### Australian Government

The Australian Parliament has power to legislate on specific matters of national interest, such as defence, external affairs, overseas and interstate trade and commerce, currency and banking.

The Australian Government also has primary responsibility for overall economic management in Australia. For example, they have responsibility for monetary policy, national budget policy, fiscal policy, exchange rates and external policy.

#### State Government

The state parliaments retain powers over all matters other than those granted to the Australian Government under the Constitution.

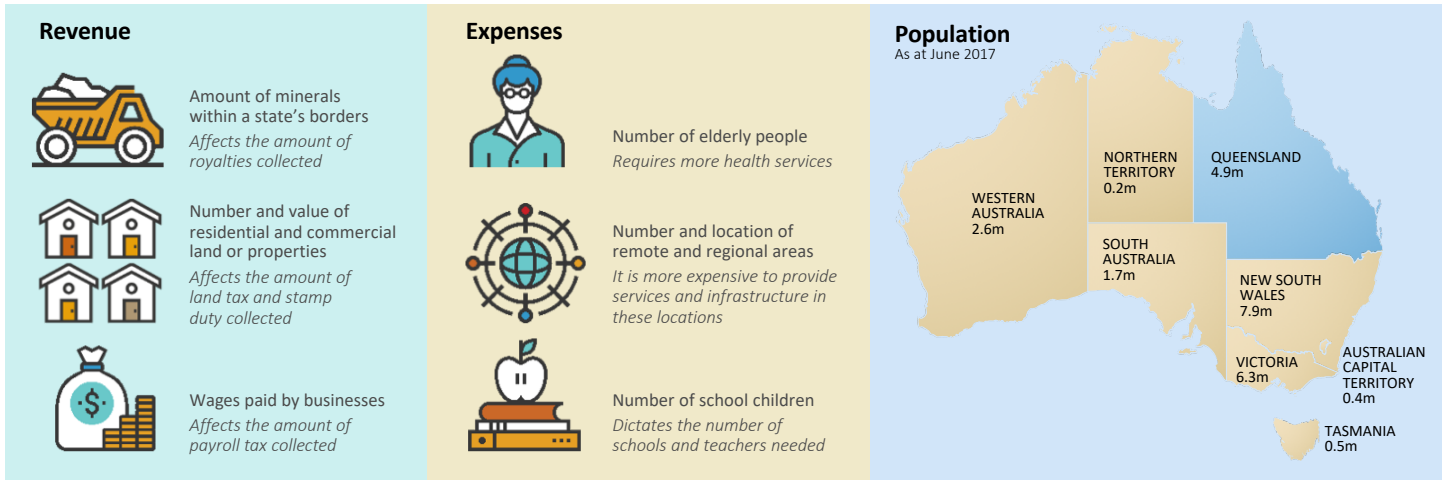
State powers include control over education, public health, police and justice, transport, roads and railways, industry, mining and agriculture, public works, ports, forestry, electricity, gas, and water supply and irrigation.



## Distribution of GST

- States and territories (states) receive all revenue collected by the Australian Government via the Goods and Services Tax (GST).
- It is allocated using the principles of horizontal fiscal equalisation, which is designed to equalise the states' fiscal capacity to provide public services to the same standard.
- Under this system, some states with below average revenue raising capacity or above average spending requirements receive a larger share of GST (and vice versa).
- The independent Commonwealth Grants Commission determines the annual allocation across the states.

### EXAMPLES OF DIFFERENCES BETWEEN STATES TO RAISE REVENUE AND THEIR EXPENSES





## QUEENSLAND STATE GOVERNMENT GUARANTEE

The Treasurer of Queensland, on behalf of the State Government, guarantees:

- QTC's obligations under the debt securities issued by QTC, and
- QTC's payment obligations to counterparties under derivative transactions governed by ISDA agreements.

In respect to all domestic securities issued by QTC, section 32 of the *Queensland Treasury Corporation Act 1988* provides a statutory guarantee of QTC's obligations to stockholders:

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**Section 32** The due repayment of principal on inscribed stock issued in accordance with this Act and, where payable, the due payment of interest relating to the inscribed stock are guaranteed by the Treasurer, on behalf of the Government.

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Section 33 of the *Queensland Treasury Corporation Act* empowers the Treasurer to guarantee due payment of moneys and due performance of obligations in accordance with financial arrangements or other arrangements entered into by QTC. Such discretionary guarantees have been granted by the Treasurer and continue to operate in support of QTC's offshore debt facilities.

All payments by the State Government under these guarantees are appropriated under section 34 of the *Queensland Treasury Corporation Act*, meaning they can be paid from the State's Consolidated Fund without any further legislative approval.

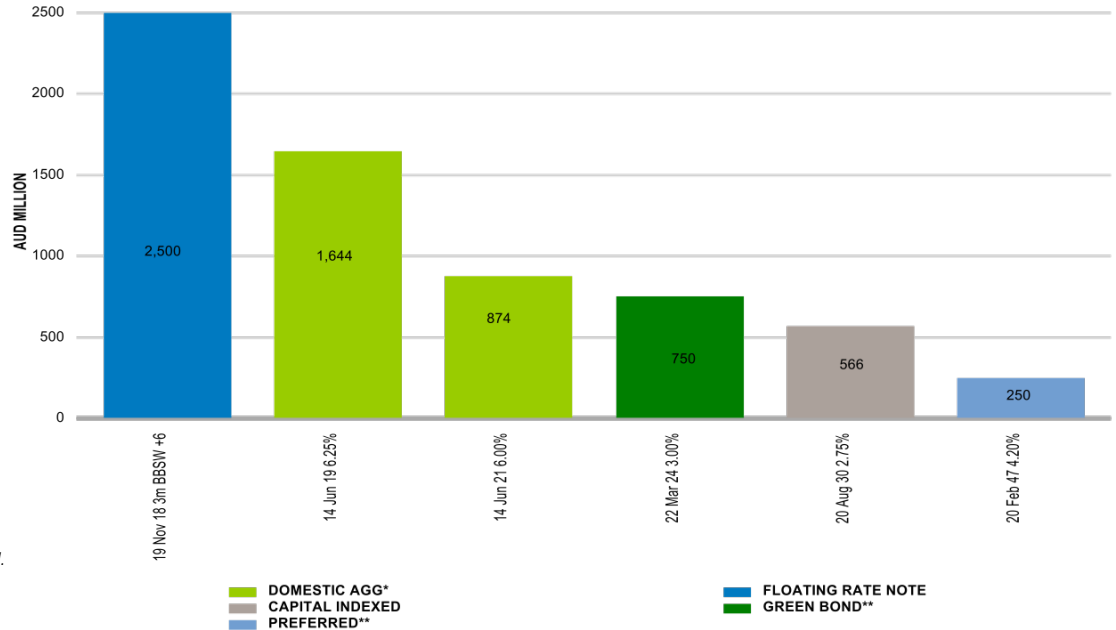
Any profits made by QTC accrue to the benefit of the Consolidated Fund of the State of Queensland and any losses of QTC are also the responsibility of the Consolidated Fund.



## AUD NON-BENCHMARK BONDS

### QTC AUD non-benchmark bonds, outstandings by maturity

QTC has several non-benchmark AUD bonds that were issued under its domestic AUD bond program. To supplement its 13 liquid AUD benchmark bond lines, QTC monitors the market to issue other instruments using this program, taking into account investor demand and client funding requirements. Through market intermediaries, QTC will consider switching its Australian Government Guaranteed AUD bonds (AAA/Aaa) into equivalent AUD benchmark bonds (AA+/Aa1).



As at 31 December 2017.

\*AGG – Australian Government Guaranteed.

\*\*144A capability.

Note: The 20 Aug 2030 Capital Index Bond outstandings do not include indexation of \$181.5 million.

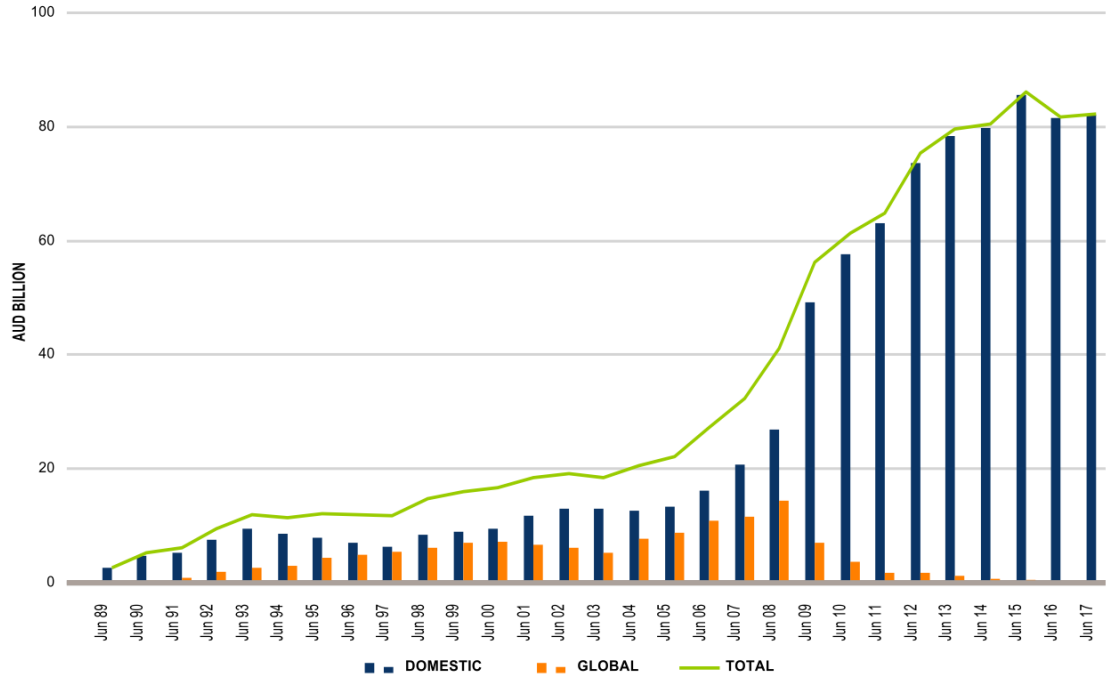


## QTC AUD BOND OUTSTANDINGS OVER TIME

QTC's AUD bond outstandings have traditionally increased over time adding to the depth and liquidity of individual lines.

Global bond outstanding's declined after QTC's domestic bonds became eligible for exemption from Australian interest withholding tax in December 2008.

QTC no longer has any global bond lines outstanding following the maturity of our last global bond in September 2017.



As at 31 December 2017.



In the Australian market, QTC bond outstandings are second only to those of the Australian Government (Australian Government Bonds—AGB).

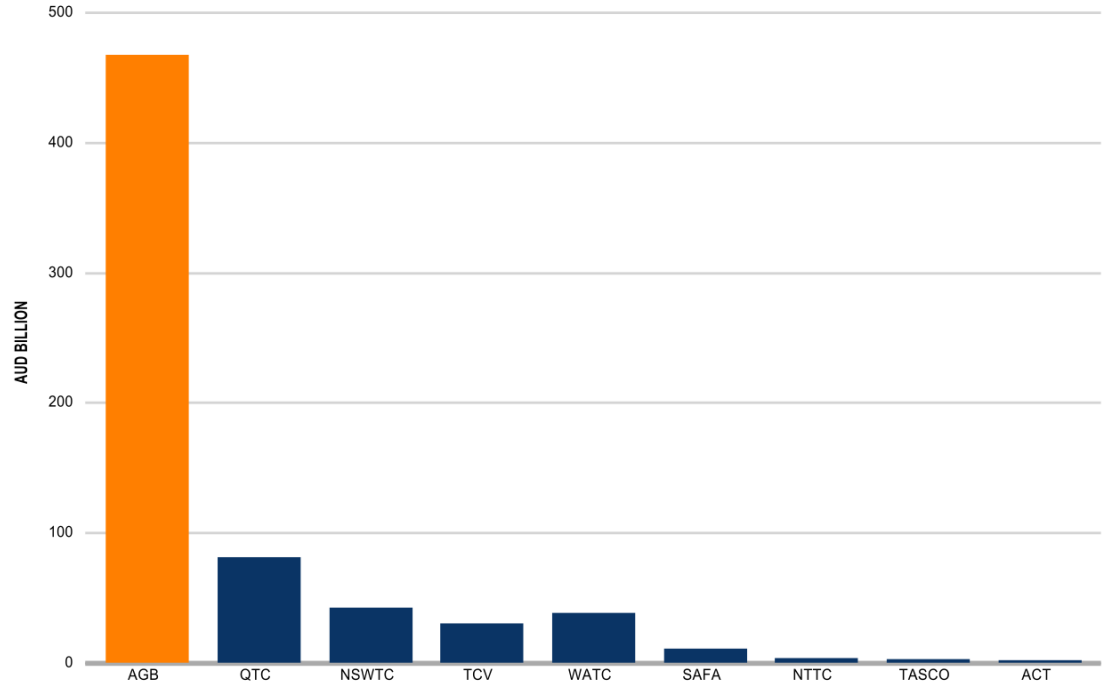
As at 31 December 2017.

\* Includes AGG Bonds.

Data source: Bloomberg Composite Bond Index.

## AUSTRALIAN FIXED INCOME MARKET

### AUD bond outstandings\* of Australian Government issuers (face value)

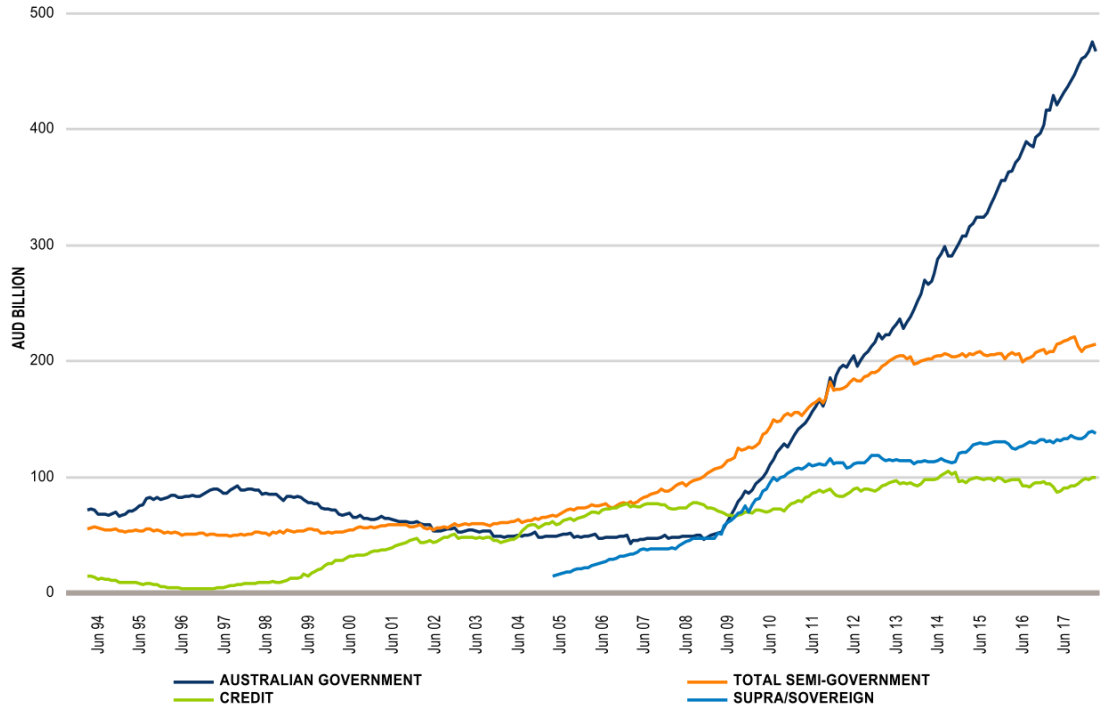




## AUD DENOMINATED BONDS ON ISSUE

### AUD denominated bonds on issue

It is widely expected that under current fiscal estimates, the volume of semi-government benchmark bonds on issue will continue to increase.



Data source: Bloomberg Composite Bond Index.

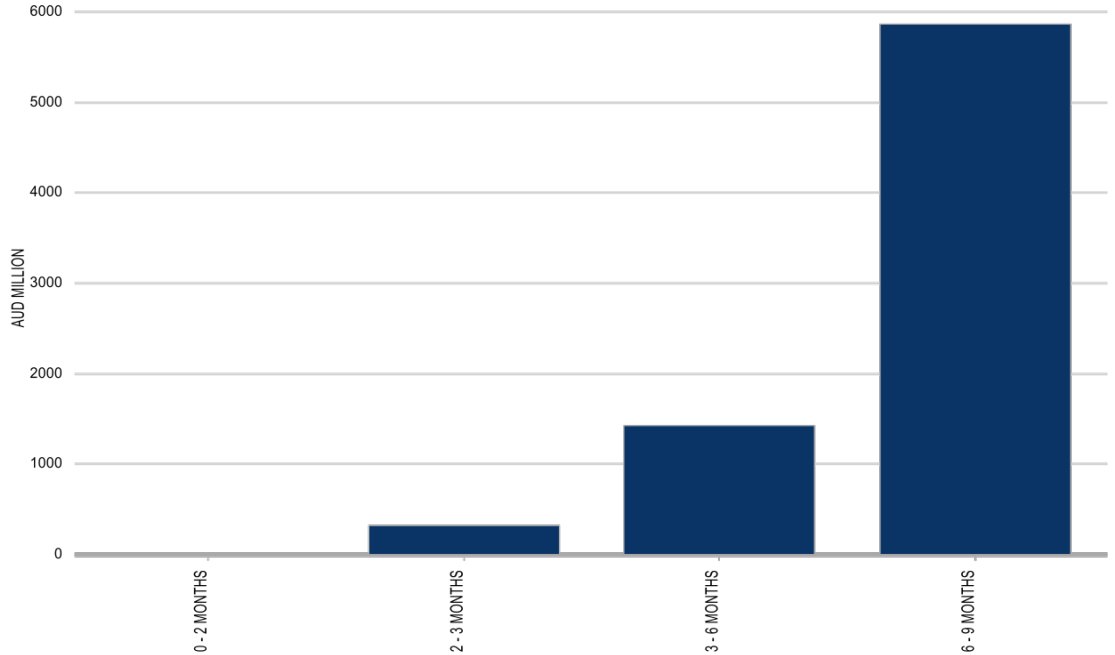
Note: The change to Bloomberg Composite Index has resulted in changes to the credit and supra/sovereign data.





## COMMERCIAL PAPER AND T-NOTE PROGRAMS

### Commercial Paper and Treasury Note programs, tenor of issuance



As at 31 December 2017.



## QUEENSLAND'S DOMESTIC PEERS' CREDIT RATINGS

Australian state or territory	Rating agency	
	STANDARD & POOR'S	MOODY'S
<b>Australian Capital Territory</b>	AAA/Negative/A-1+	Rating withdrawn 20 August 2005 (from Aaa)
<b>New South Wales</b>	AAA/Negative/A-1+	Aaa/Stable/P-1
<b>Northern Territory</b>	Not rated by S&P	Aa2/Stable/--
<b>Queensland</b>	AA+/Stable/A-1+	Aa1/Stable/P-1
<b>South Australia</b>	AA/Positive/A-1+	Aa1/Stable/P-1
<b>Tasmania</b>	AA+/Stable/A-1+	Aa2/Stable/P-1
<b>Victoria</b>	AAA/Negative/A-1+	Aaa/Stable/P-1
<b>Western Australia</b>	AA+/Negative/A-1+	Aa2/Stable/P-1

*According to information provided  
by Standard & Poor's and Moody's.*



## QUEENSLAND'S INTERNATIONAL PEERS' CREDIT RATINGS

<b>Entity</b>	<b>Comparable jurisdiction/area governed</b>	<b>Credit rating</b> (Assigned by Standard & Poor's)
<b>Queensland</b>	Federal State of Australia	AA+/Stable
<b>Alberta</b>	Province of Canada	A+/Stable
<b>Basel-City</b>	Canton of Switzerland	AA+/Positive
<b>British Columbia</b>	Province of Canada	AAA/Stable
<b>Burgenland</b>	State of Austria	AA/Stable
<b>Saxony-Anhalt</b>	State of Germany	AA+/Stable
<b>Styria</b>	State of Austria	AA/Negative
<b>Vaud</b>	Canton of Switzerland	AAA/Stable

*According to information provided  
by Standard & Poor's.*



## QUEENSLAND'S COAL INDUSTRY

Queensland is Australia's largest coal exporter. In 2016-17 Queensland was responsible for around 95 per cent of Australia's hard coking coal exports and more than a quarter of its thermal coal exports.

Queensland coal export volumes (mt)	2015-16	2016-17	Change (%)
Hard coking	111.9	108.2	-3.4
Semisoft/PCI	50.9	42.4	-16.6
Thermal	57.3	56.5	-1.4
<b>Total</b>	<b>220.1</b>	<b>207.1</b>	<b>-5.9</b>

Queensland coal export values (nominal, AUDm)	2015-16	2016-17	Change (%)
Hard coking	12,441	24,141	94.0
Semisoft/PCI	4,768	6,660	39.7
Thermal	4,051	5,009	23.6
<b>Total</b>	<b>21,261</b>	<b>35,810</b>	<b>68.4</b>

Source: ABS unpublished trade data and QLD Treasury.

Note: Data accurate as at January 2018.



## Royalty assumptions and revenue risks

<b>Coal royalty assumptions</b>	<b>2017-18 MYFER</b>	<b>2018-19 Projection</b>	<b>2019-20 Projection</b>	<b>2020-21 Projection</b>
Tonnages – crown export <sup>1</sup> coal (Mt)	207	217	220	224
Exchange rate USD per AUD <sup>2</sup>	0.77	0.75	0.75	0.75
<b>Year average coal prices<sup>3</sup></b>				
Hard coking (USD)	161	123	120	120
Semisoft (USD)	129	102	98	98
Thermal (USD)	83	74	70	70
<b>Year average oil prices</b>				
Brent (USD per barrel)	51	54	57	60

<sup>1</sup> Excludes coal produced for domestic consumption and coal where royalties are not paid to the Government, i.e. private royalties. 2017-18 estimate for domestic coal volume is approximately 25.3 Mt and private coal is 14.4 Mt.

<sup>2</sup> Year average.

<sup>3</sup> Price for highest quality coking and thermal coal. Lower quality coal can be sold below this price with indicative average prices for 2017-18 as follows: Hard coking US\$152 and thermal US\$77.



## KEY FISCAL RATIOS

<b>General Government</b>	<b>2016-17 Actual</b>	<b>2017-18 Revised</b>	<b>2018-19 Projection</b>	<b>2019-20 Projection</b>	<b>2020-21 Projection</b>
Gross debt (% of revenue)	59	58	60	63	66
Gross debt (% of GSP)	10	10	10	10	10
Interest expense (% of revenue)	3	3	3	3	3
Capital program/infrastructure expense (% of total expense)	9	9	12	13	12
Fiscal balance (% of revenue)	1	-3	-8	-6	-5

<b>Total State</b>	<b>2016-17 Actual</b>	<b>2017-18 Revised</b>	<b>2018-19 Projection</b>	<b>2019-20 Projection</b>	<b>2020-21 Projection</b>
Gross debt (% of revenue)	111	111	116	118	120
Gross debt (% of GSP)	22	21	21	21	21
Interest expense (% of revenue)	6	5	5	5	5
Capital program/infrastructure expense (% of total expense)	12	12	15	16	15
Fiscal balance (% of revenue)	2	-3	-8	-6	-4

Data source: Queensland  
Government 2017-18 MYFER.

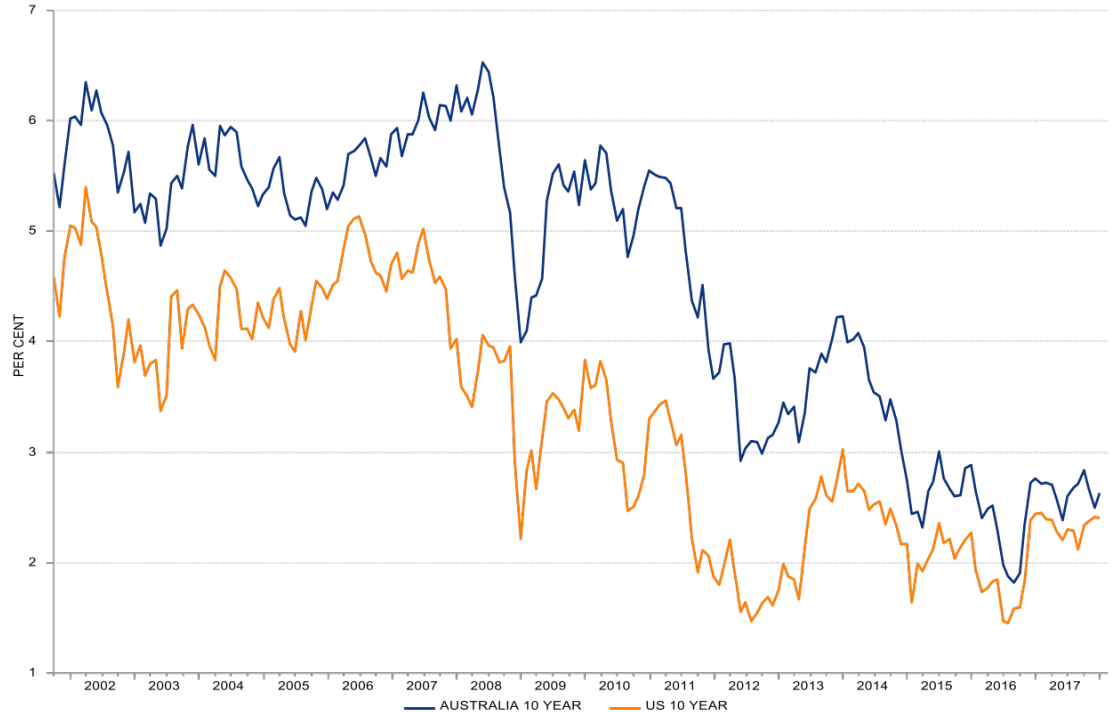


## INTEREST RATES

### Australia's term interest rates compared to the United States

Australian interest rates have consistently been higher than those in the US as a result of Australia's relative economic outperformance.

The interest rate has narrowed in recent times however, given divergent monetary policy cycles.



Data source: Generic 10 year bond yields sourced from Bloomberg.



## EXCHANGE RATES

### AUD/USD spot exchange rate

The Australian dollar has fallen against the US dollar over the past few years, but has stabilised more recently.

Across the globe, the Australian dollar is the fifth most traded currency with the AUD/USD being the fourth most traded currency pair.



As at 31 December 2017.

Data source: Bloomberg.

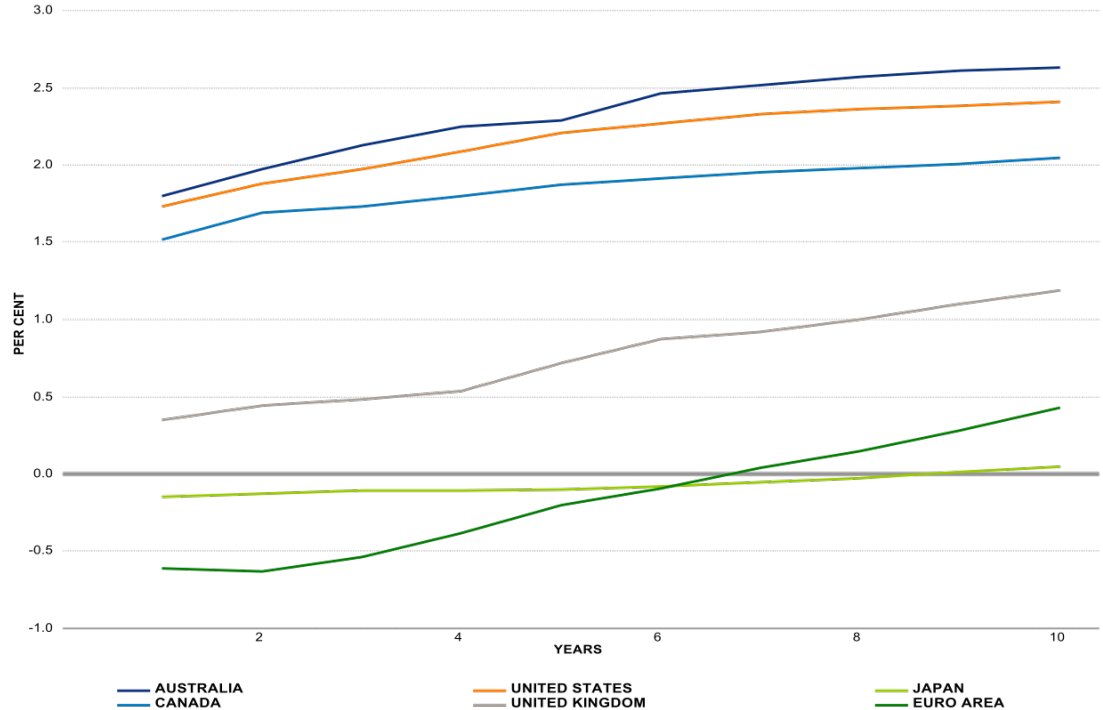




## YIELD CURVES

Australian Government bonds currently yield more than those issued by governments in other major developed economies reflecting Australia's relative economic outperformance.

### Australia's yield curve compared to international peers



Note: Where generic bond yield information is not available for specific maturities, yields at these points along the curve have been interpolated.

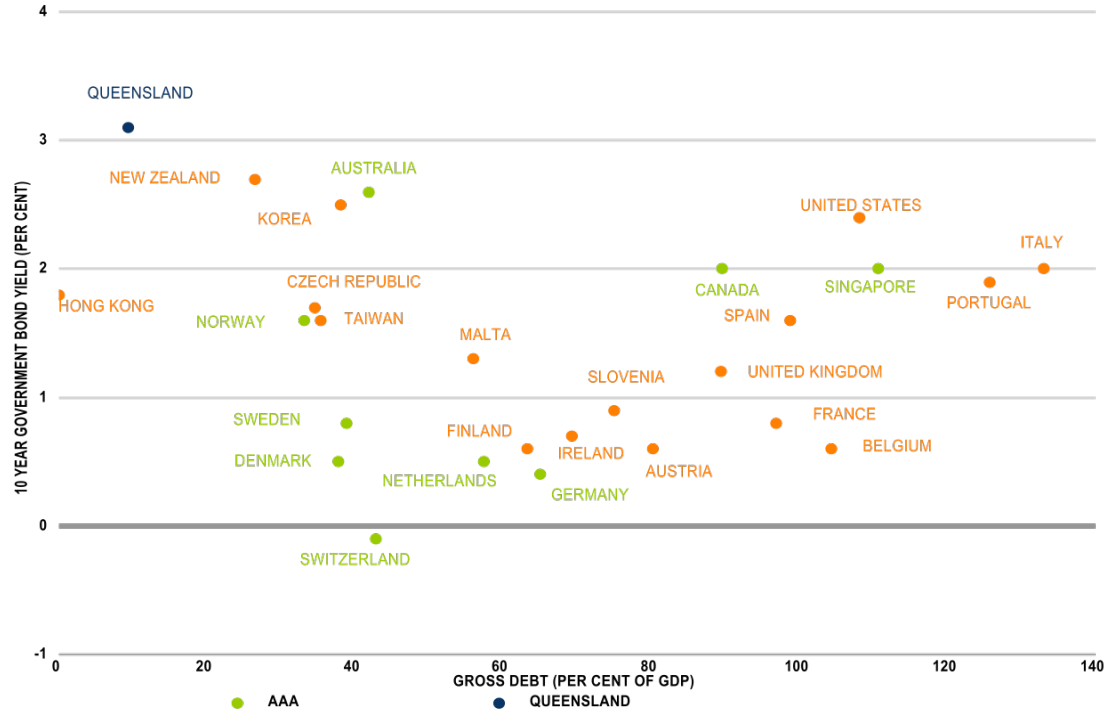
Data source: Bloomberg 29 December 2017.



## PEER COMPARISON

Among advanced economies, Australia stands out due to its strong credit rating, low debt levels and high yield.

### Bond yields and gross debt levels for advanced economies



Data sources: Bloomberg, Queensland Treasury.

Note: Excludes Japan and Greece (high debt levels reduce comparability), as well as Slovakia, Luxembourg, Israel and Iceland (lack of available ten-year bond yield data).



## FUNDING FACILITIES

QTC has a diverse range of funding facilities in a variety of markets and currencies.

The majority of QTC's funding is sourced through long-term debt facilities, with QTC's AUD benchmark bonds being the principal source of funding.

Overview		Size \$M	Maturities available		Currencies
Short-term	Domestic T-Note	Unlimited	7-365 days		AUD
	Euro CP	USD10,000	1-364 days		Multi-currency
	US CP	USD10,000	1-270 days		USD
Long-term	AUD Bond	Unlimited	13 benchmark lines: 2018-2028, 2030 and 2033		AUD
			2 AGG* lines: 2019 and 2021		AUD
			1 QTC Green Bond: 2024		AUD
			1 floating rate note: 2018	1 capital indexed bond: 2030	1 preferred line: 2047
	Global AUD Bond	AUD20,000	None currently outstanding		AUD
	Euro MTN	USD10,000	Any maturity subject to market regulations		Multi-currency
	US MTN	USD10,000	9 months-30 years		Multi-currency

As at 31 December 2017.

\*AGG – Australian Government Guaranteed.



## AUD Benchmark Bond Distribution Group\*

QTC's Fixed Income Distribution Group of 12 banks is committed to providing investors with two way pricing in the secondary market, as well as supporting primary issuance activity.

ANZ Banking Group Limited	Deutsche Bank	RBC Capital Markets
Bank of America Merrill Lynch	JP Morgan	TD Securities
Citi	National Australia Bank Limited	UBS Investment Bank
Commonwealth Bank of Australia	Nomura International plc	Westpac Banking Corporation

As at 31 December 2017

\* Actual dealer entities may vary depending on the facility and location of the dealer.



## MEDIUM-TERM NOTE (MTN) PROGRAMS

- Queensland State Government guaranteed
- Australian interest withholding tax exempt
- Multi-currency
- Euro and US programs
- Structured to meet investor requirements (currency, coupon, maturity etc.)
- Reverse enquiry placement through MTN Distribution Group
- Reverse enquiry placement through non-Distribution Group members ('Dealer for a Day')

### MTN Distribution Group\*

Euro MTN		US MTN	
ANZ Banking Group Limited	National Australia Bank Limited	ANZ Securities	JP Morgan Securities LLC
BofA Merrill Lynch	Nomura International	BofA Merrill Lynch	NAB Securities, LLC
Citi	RBC Capital Markets	Citi	RBC Capital Markets
Commonwealth Bank of Australia	TD Securities	Commonwealth Bank of Australia	TD Securities
Deutsche Bank	UBS Investment Bank	Daiwa Capital Markets	UBS Investment Bank
JP Morgan Securities plc	Westpac Banking Corporation	Deutsche Bank Securities	

As at 31 December 2017

\* Actual dealer entities may vary depending on the facility and location of the dealer.



## TREASURY NOTE (T-NOTE) AND COMMERCIAL PAPER (CP) PROGRAMS

- Queensland State Government Guaranteed
- Australian, Euro and US programs
- AUD and multi-currency
- Reverse enquiry placement through dealer panels
- T-Note, Euro and US CP programs are Australian interest withholding tax exempt

### T-Note and CP Dealer Panels\*

Domestic T-Note	Euro CP	US CP
ANZ Banking Group Limited	Barclays	BofA Merrill Lynch
Commonwealth Bank of Australia	BofA Merrill Lynch	Citi
Deutsche Bank	Citi	UBS Securities
National Australia Bank Limited	UBS Investment Bank	
Westpac Banking Corporation		

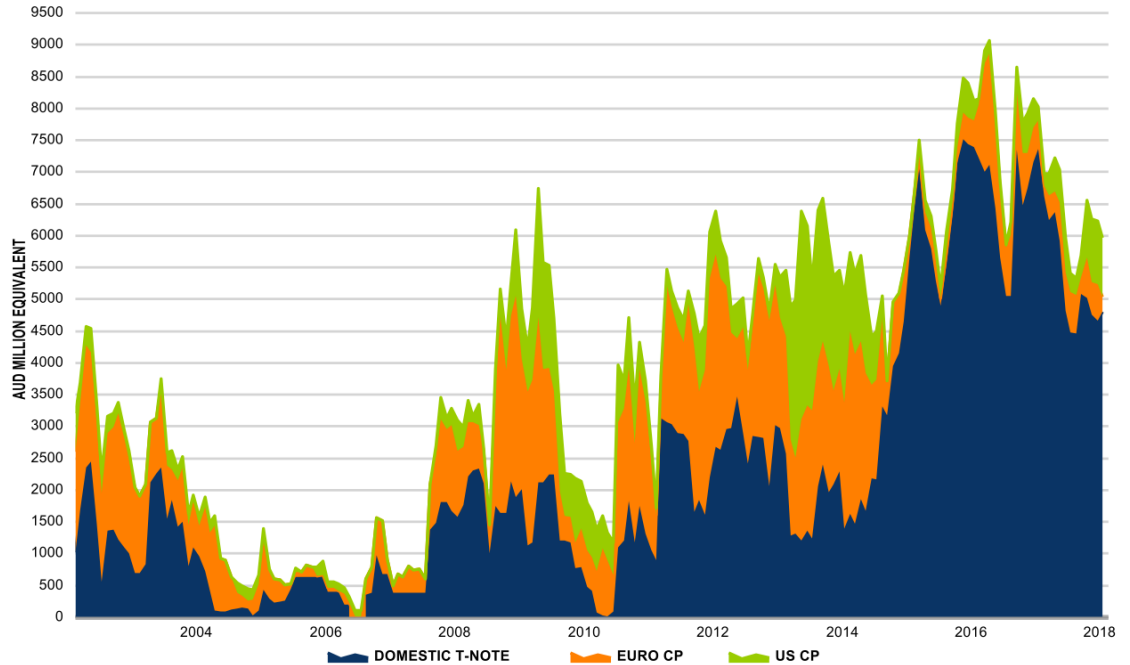
As at 31 December 2017

\* Actual dealer entities may vary depending on the facility and location of the dealer.



QTC's Treasury Note and Commercial Paper programs allow for continued access to short-term funding.

## QTC Treasury Note and Commercial Paper, outstandings over time



As at 31 December 2017.



## GLOSSARY

<b>ABS</b>	Australian Bureau of Statistics	<b>ISDA</b>	International Swaps and Derivatives Association	<b>QTC</b>	Queensland Treasury Corporation
<b>ACT</b>	Australian Capital Territory	<b>IWT</b>	Interest withholding tax	<b>RBA</b>	Reserve Bank of Australia
<b>AGG</b>	Australian Government Guarantee	<b>LNG</b>	Liquefied natural gas	<b>RHS</b>	Right hand side
<b>APRA</b>	Australian Prudential Regulation Authority	<b>MYEFO</b>	Mid-Year Economic and Fiscal Outlook	<b>SA</b>	South Australia
<b>AUD</b>	Australian dollar	<b>MYFER</b>	Mid-Year Fiscal and Economic Review	<b>SAFA</b>	South Australian Financing Authority
<b>CGS</b>	Commonwealth Government Securities	<b>MTN</b>	Medium-term note	<b>SGG</b>	State Government Guarantee (Queensland)
<b>CP</b>	Commercial paper	<b>(mv)</b>	Market value	<b>T-Note</b>	Treasury note
<b>CIB</b>	Capital indexed bond	<b>NSW</b>	New South Wales	<b>TAS</b>	Tasmania
<b>CPI</b>	Consumer price index	<b>NSWTC</b>	New South Wales Treasury Corporation	<b>TASCORP</b>	Tasmanian Public Finance Corporation
<b>DTC</b>	The Depository Trust Company	<b>NT</b>	Northern Territory	<b>TCV</b>	Treasury Corporation of Victoria
<b>(fv)</b>	Face value	<b>NTTC</b>	Northern Territory Treasury Corporation	<b>US</b>	United States of America
<b>FRN</b>	Floating rate note	<b>QIC</b>	Queensland Investment Corporation	<b>VIC</b>	Victoria
<b>GDP</b>	Gross Domestic Product	<b>QLD</b>	Queensland	<b>WA</b>	Western Australia
				<b>WATC</b>	Western Australia Treasury Corporation