

INVESTOR BOOKLET



QUEENSLAND
TREASURY
CORPORATION



Queensland Treasury Corporation (QTC) is the Queensland Government's central financing authority and corporate treasury services provider, with responsibility for:

- sourcing and managing the debt funding to finance Queensland's infrastructure requirements in the most cost-effective manner, and
- providing financial and risk management advice and services to the Queensland Government and Queensland's public sector bodies (our clients).

In its funding role, QTC borrows funds in the domestic and international financial markets by issuing a variety of debt instruments.

QTC is the largest Australian semi-government issuer of Australian dollar denominated bonds.

All data and charts in this book are as dated. Unless indicated otherwise, Queensland charts refer to financial years (1 July - 30 June) rather than calendar years. All charts have been created in Thomson Reuters Datastream.

Forecasts and projections:

- Queensland Government economic forecasts refer to 2017-18 and 2018-19
- Queensland Government economic projections refer to 2019-20 and 2020-21
- Queensland Government fiscal projections refer to 2018-19 to 2020-21
- Australian Government fiscal and economic estimates refer to 2017-18 to 2018-19
- Australian Government fiscal and economic projections refer to 2019-20 and 2020-21

EDITION AS AT 31 DECEMBER 2017

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AUSTRALIA



Australia

OVERVIEW

Australia is a stable, democratic society with a skilled workforce and a diversified, competitive economy. With a population of more than 24 million, Australia is the only nation to govern an entire continent and is the sixth largest country in the world by land area. Australia's multicultural society includes its indigenous peoples and migrants from some 200 countries worldwide. Its workforce is relatively large and highly trained, with many senior managers and technical staff possessing international experience. Three quarters of Australia's workforce has university, trade or diploma qualifications.

Australia is one of only nine countries with a AAA credit rating from all three major ratings agencies; Standard & Poor's, Moody's Investors Service and Fitch Ratings.

Government

Australia has six states (Queensland, New South Wales, Victoria, Tasmania, South Australia and Western Australia) and two territories (the Northern Territory and the Australian Capital Territory). The capital of Australia is Canberra, which is located in the Australian Capital Territory.

Australia has three levels of government: federal, state and local. The federal and state systems of government derive from the British Westminster system, although many features of Australia's Constitution are based on the United States' Constitution.

Under Australia's Constitution, the legislative power of the Commonwealth of Australia is vested in the Parliament of the Commonwealth, which consists of the Queen, the Senate, and the House of Representatives.



Australia – Quick facts

| | |
|---|-------------------------------------|
| Land area | 7.69 million km ² |
| Population (June 2017) | 24.6 million |
| Language | English |
| Currency | Australian dollar (AUD) |
| Gross Domestic Product (year ended September 2017) | AUD1,706 billion (USD1,299 billion) |
| Flight time: Brisbane to Perth | 5 hours |
| Fight time: Brisbane to Hong Kong | 8 hours 45 minutes |
| Fight time: Brisbane to Tokyo | 9 hours 30 minutes |
| Fight time: Brisbane to London | Approximately 22 hours |
| Fight time: Brisbane to New York (via Los Angeles) | Approximately 22 hours |
| Workforce* (November 2017) | 12.4 million |
| Headline inflation rate (year ended September 2017) | 1.8% |
| Overseas visitors (year ended June 2017) | 8.8 million |

* Total number of people employed.

Data source: Australian Department of Foreign Affairs and Trade, Australian Bureau of Statistics, and Bloomberg.

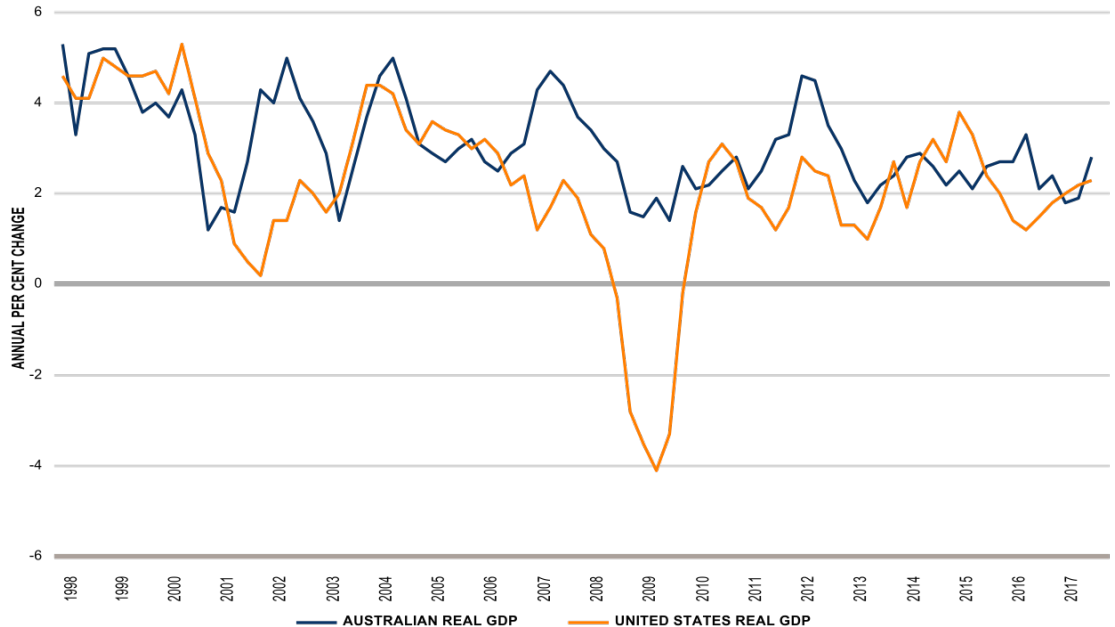


Australia's economic standing

GROWTH

The Australian economy has consistently outperformed the US economy since 2000.

Australia's economic growth compared to the United States



As at 30 September 2017, quarterly data.

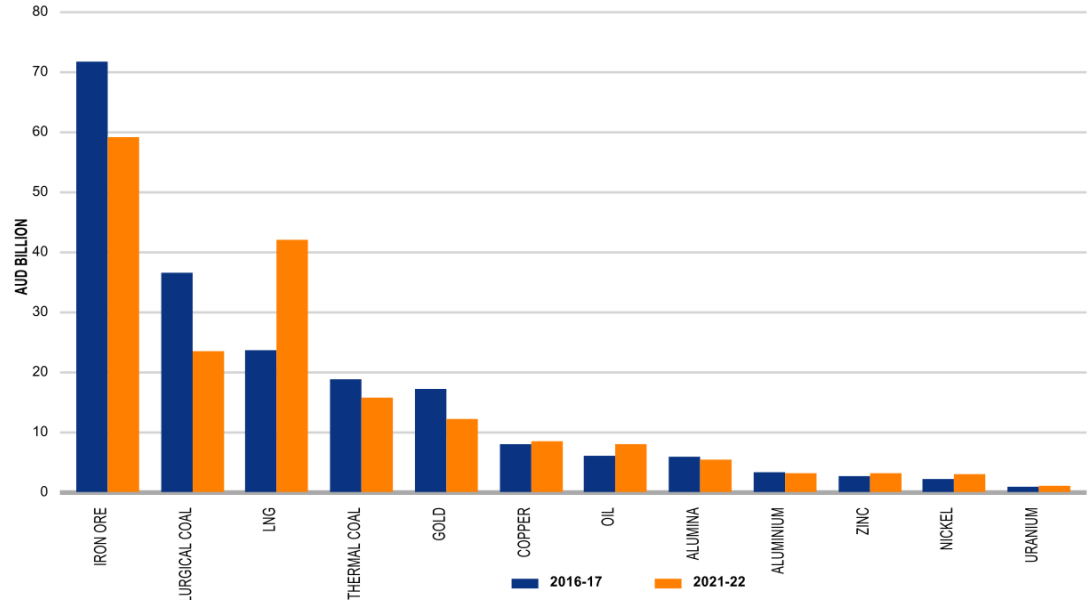
Data source: Bloomberg.



Iron ore and coal are Australia's largest resource exports by value. However, over the five years to 2021-22 significant growth in liquefied natural gas (LNG) exports is expected.

EXPORTS

Value of Australia's resources exports



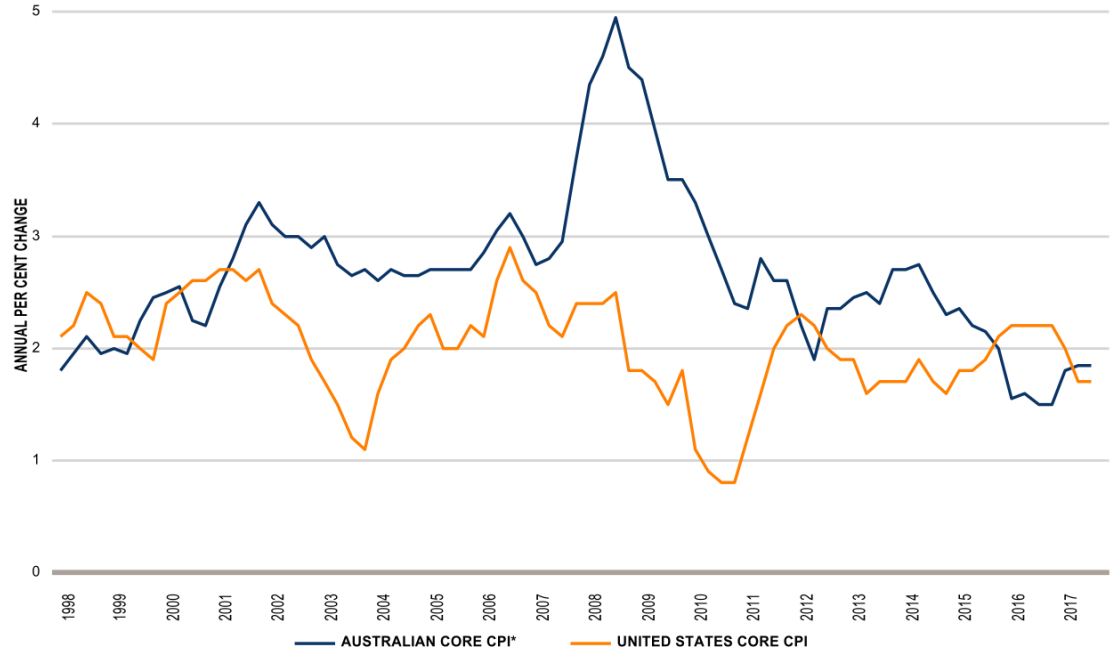
Data source: Department of Industry, Innovation and Science, Resources and Energy Quarterly Report, March 2017 (data released annually).



INFLATION

Australia's annual core inflation rate was 1.8 per cent in the September quarter 2017 and is expected to remain toward the bottom of, or slightly below, the Reserve Bank of Australia's 2-3 per cent target band until 2019.

Australia's core Consumer Price Index* (CPI) compared to the United States



As at September 2017.

*Australian core CPI is the average of the RBA's two statistical measures of underlying inflation.

Data source: Bloomberg.



QUEENSLAND



Queensland is nearly five times the size of Japan, seven times the size of Great Britain, and two and a half times the size of Texas.

Queensland

OVERVIEW

Queensland is Australia's second largest state by land area, covering more than 22 per cent of the continent. The economy is the third largest in Australia, after New South Wales and Victoria.

Queensland's natural wonder, the Great Barrier Reef, extends over some 2,000km, covering more than a quarter of the state's 7,400km of coastline. With a population of 4.93 million, more than 20 per cent of Australians live in Queensland. Around three million Queenslanders live in the state's south-east corner.

Queensland – Quick facts

| | |
|--|---------------------------------|
| Land area | 1.73 million km ² |
| Queensland population (as at June 2017) | 4.93 million |
| Brisbane population* (preliminary estimate as at 30 June 2016) | 2.36 million |
| Language | English |
| Currency | Australian dollar (AUD) |
| Gross State Product (year ending 30 June 2017) | AUD327 billion (USD246 billion) |
| Gross State Product, annual growth rate (long-run trend) | 3.9% |
| Flight time: Brisbane to Sydney | 1.5 hours |
| Workforce** (November 2017) | 2.46 million |
| Inflation rate (year ending 30 September 2017) | 1.5% |
| Overseas tourism visitor nights (year ending September 2017) | 34.7 million |

* Greater capital city statistical area ABS 3218.0.

** Total number of people employed.

Data source: Tourism Research Australia, ABS, RBA.

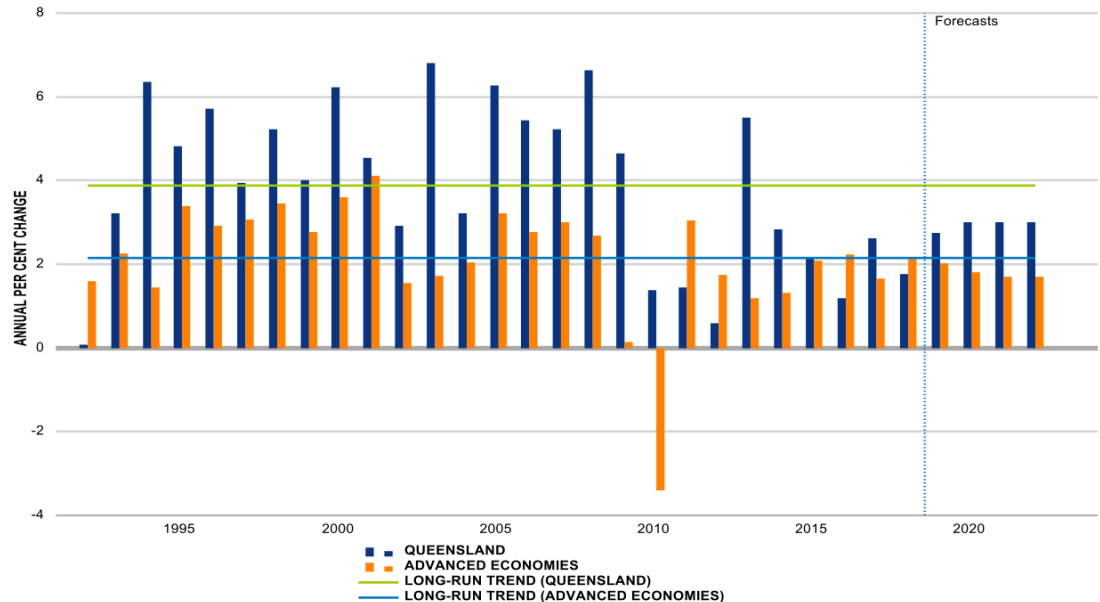


Queensland's economic standing

GROWTH

Queensland's rate of economic growth has consistently outperformed the average of other advanced economies since the early '90s, a trend that is forecast to continue.

Queensland's economic growth compared to advanced economies¹



¹ Advanced economy data are calendar year terms, while Queensland data are financial year terms. Advanced economy data are constant prices. QLD data are Chain volume measure (CVM), 2015-16 reference year.

Data sources: IMF, ABS, Queensland Treasury.

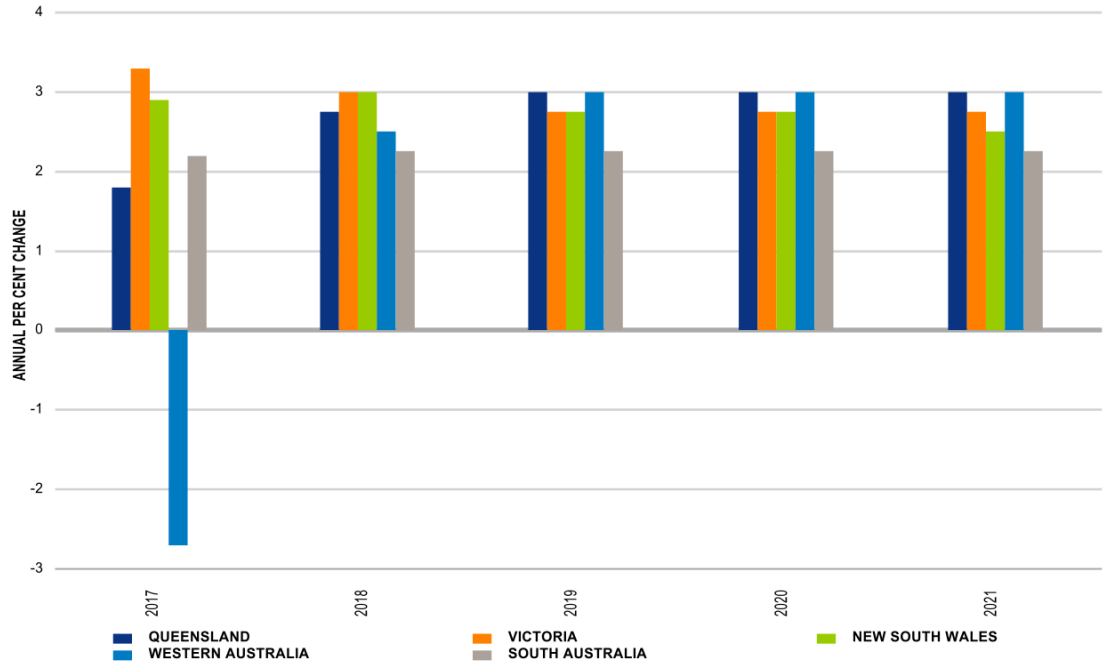
Note: 2017-18 onwards are forecasts / projections.

Source: Thomas Reuters Datastream, QTC



Queensland is forecast to be one of the strongest growing states in Australia over the next few years.

Queensland's economic growth compared to other states¹



¹ Growth is in real terms.

Data sources: Various State Budgets and mid-year reviews, ABS.



DIVERSE ECONOMY

Similar to Australia, Queensland has a diverse economy with no single sector making up more than 10 per cent of output.

¹2016-17, gross value added, current prices.

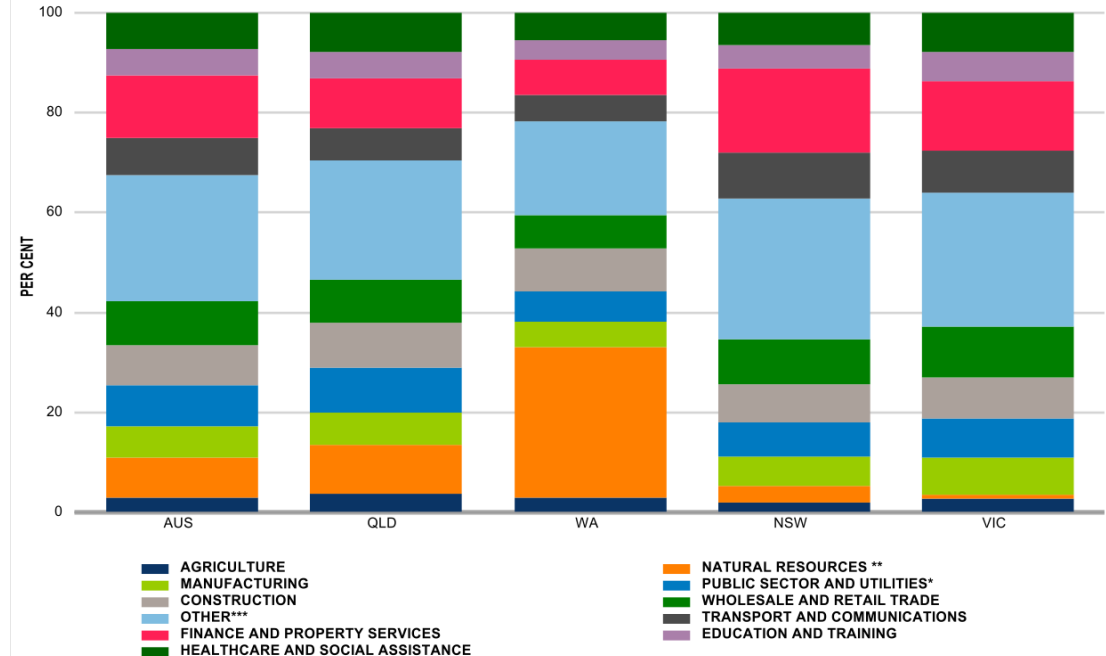
* Public sector and utilities includes: public administration and safety; and electricity, gas, water, waste services.

**Natural resources includes the extraction of naturally occurring mineral solids, such as coal and ores; liquid minerals, such as crude petroleum; and gases, such as natural gas.

***Other includes: dwellings; professional, scientific and technical services, accommodation and food services; other services; administrative and support services; arts and recreation.

Data source: ABS.

Australian states' economic output by sector¹





Following an unprecedented resources investment boom, the Queensland economy continues its transition to more broad-based growth.

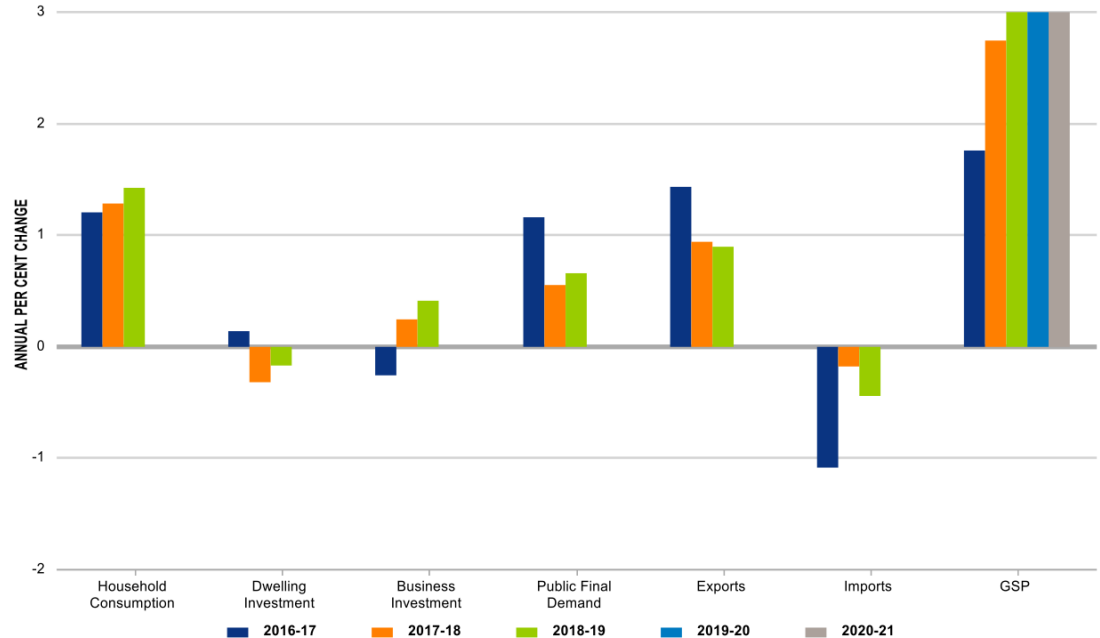
With LNG exports plateauing, an anticipated recovery in business investment and a solid contribution from public sector capital spending should support stronger domestic activity over the period ahead.

¹ Chain volume measure (CVM), 2015-16 reference year.

Data source: Queensland Treasury, ABS.

Note: 2017-18 onwards are forecasts / projections.

Contributions to growth in Queensland's Gross State Product¹



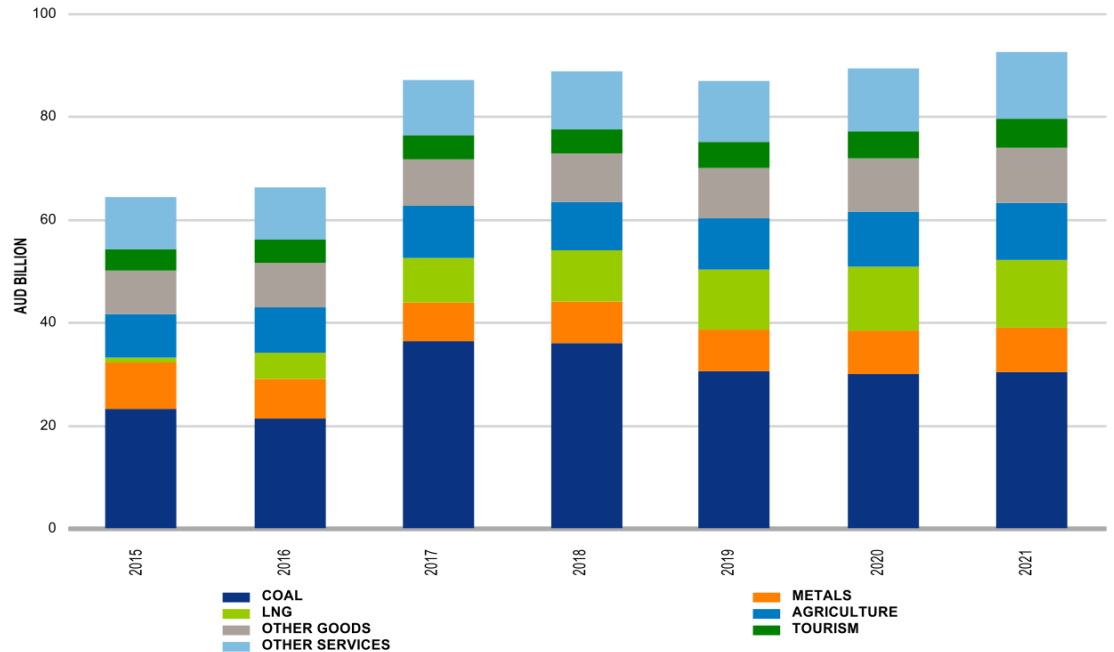


Economic drivers

EXPORTS

A spike in coal prices drove an increase in coal exports in 2016-17. LNG exports have increased significantly over the past few years as production has ramped up, however, are expected to plateau as production reaches capacity.

Queensland's total exports¹



¹ Nominal terms (\$ billions).

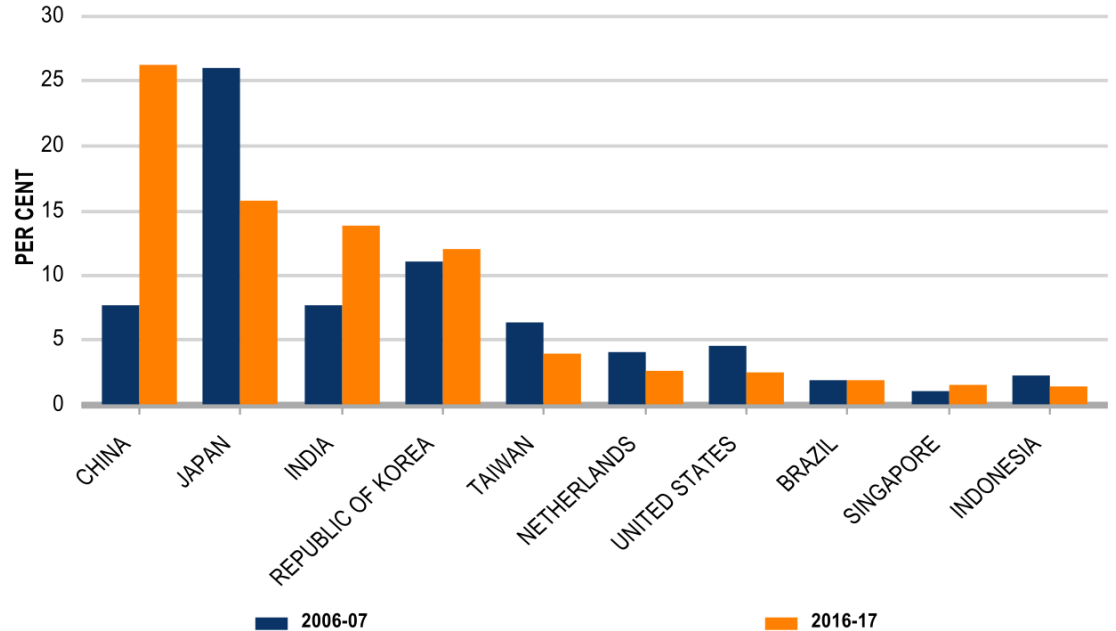
Data sources: ABS unpublished trade data, Queensland Treasury.

Note: 2017-18 onwards are forecasts / projections.



Asia remains Queensland's most important export market, accounting for more than three-quarters of Queensland's exports in 2016-17.

Queensland's goods exports by country¹



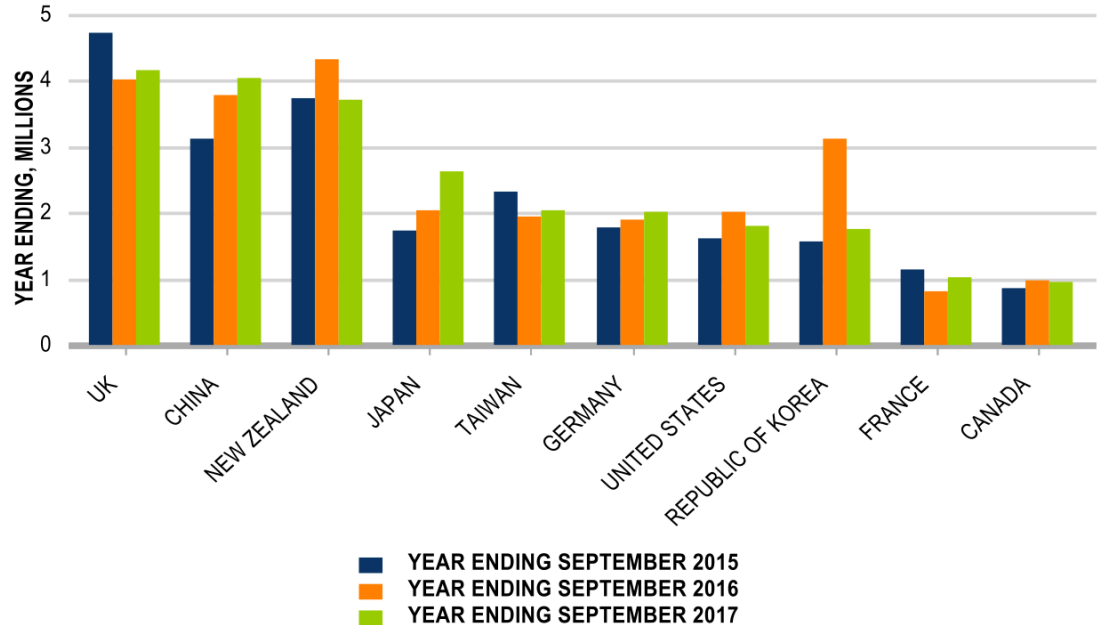
¹ Share of total goods exports, per cent.

Data sources: ABS unpublished trade data, Queensland Treasury.



Strong growth in overseas visitor nights since year ending September 2015 has been primarily driven by increases in visitor nights from China and Japan. This trend has been supported by rising levels of disposable income and a weaker Australian dollar, and should continue into the future as the Asian middle class continues to grow.

Queensland's international tourist nights by country of origin



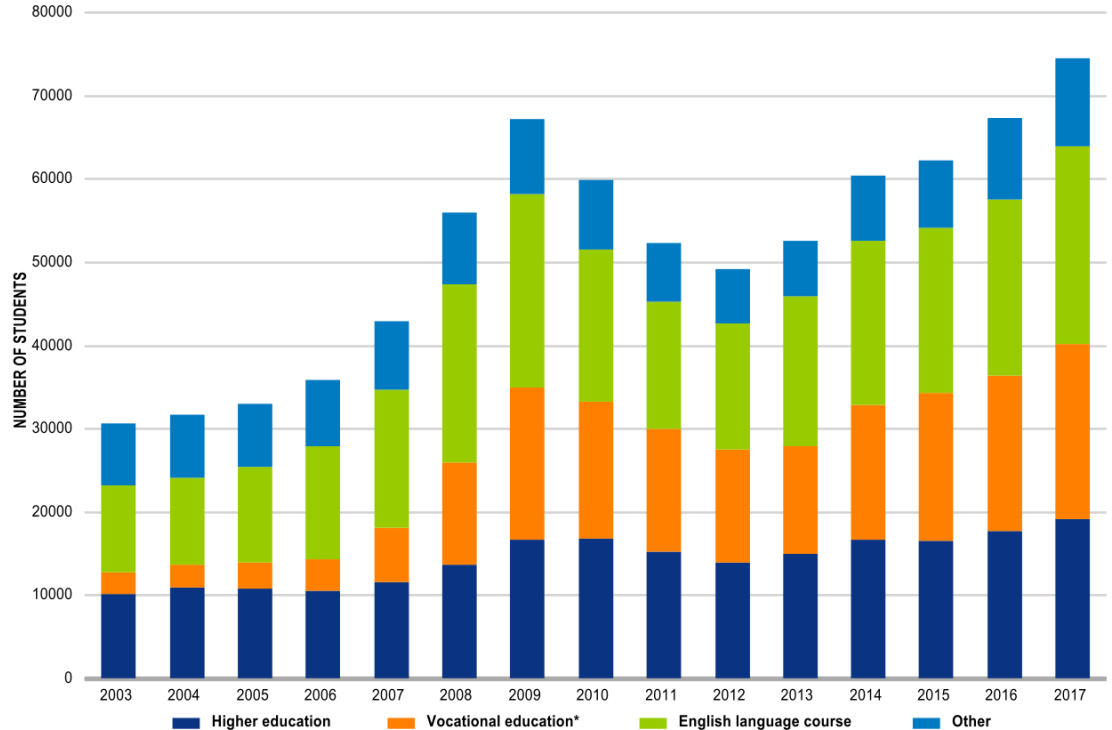
Data sources: Tourism Research Australia.



EDUCATION

Queensland's services exports (education): overseas student commencements

Strong increases in overseas vocational education and English language course student commencements have driven education exports in Queensland in recent years.



*Vocational education is tertiary education and training that provides accredited training in job ready and technical skills.

Note: 2017 data are inferred. Latest data available is to November 2017.

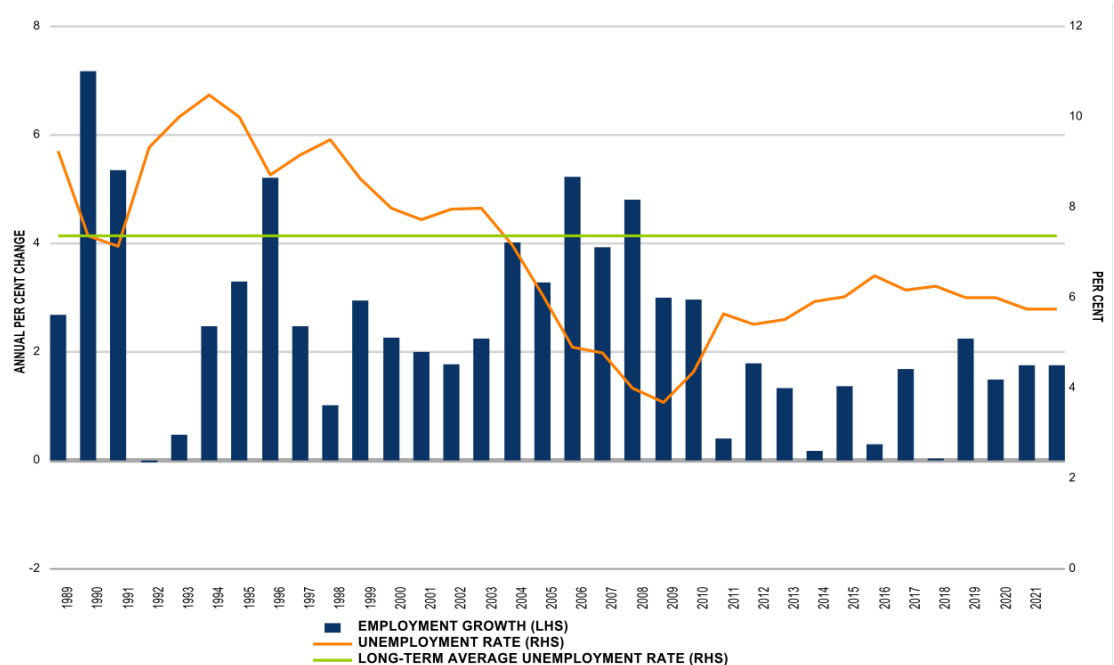
Data source: Austrade.



LABOUR MARKET

Queensland's labour market

Labour market conditions have improved further as the Queensland economy continues to transition to more broad based growth following the resources investment boom.



Data sources: ABS, Queensland Treasury.

Notes: Employment growth is seasonally adjusted over the year to June quarter and the unemployment rate is the seasonally adjusted rate for the June quarter in each year.



DEMOGRAPHICS

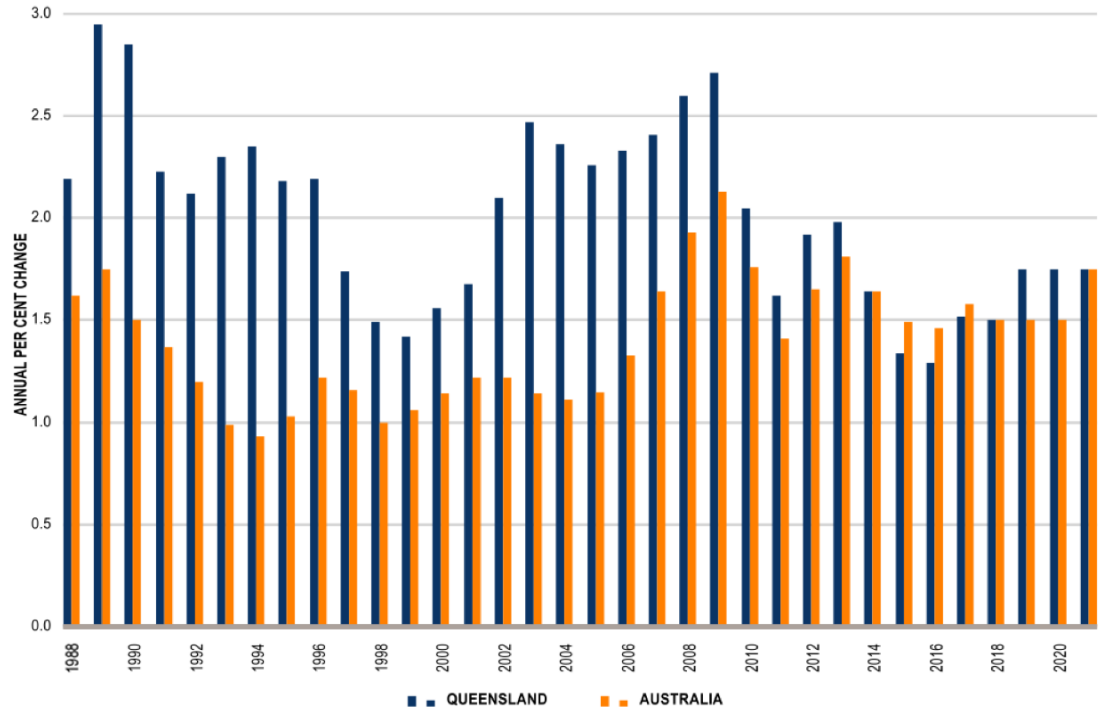
Queensland's population growth compared to Australia's¹

After slowing to 1.3 per cent in 2015-16 as the resources investment boom subsided, Queensland's population growth is forecast to average 1¼ per cent in 2018-19. Greater housing affordability in Brisbane is likely to lead to further strengthening in net interstate migration over the forward estimates.

¹ Australia's population forecasts / projections are through-the-year growth rates at 31 December for each year, and are not directly comparable to Queensland's forecasts / projections which are in year-average terms.

Data sources: ABS, Queensland Treasury, Australian Treasury.

Note: 2017-18 onwards are forecasts / projections.



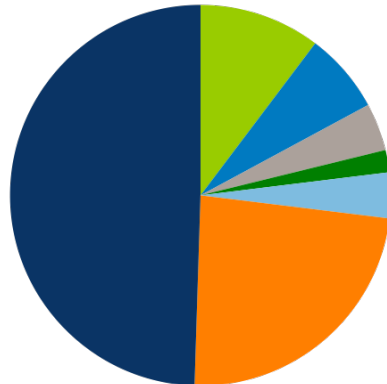


Queensland's fiscal position

REVENUES

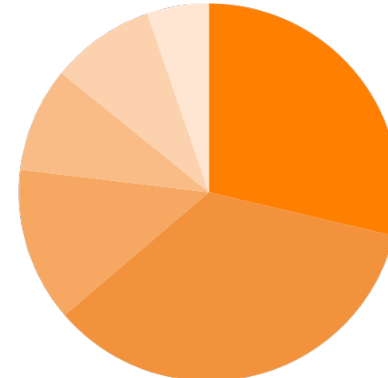
Total grants* of around AUD28 billion (including those from the Australian Government) are expected to account for approximately 50 per cent of Queensland's total government revenue in 2017-18.

Queensland budgeted revenues¹ 2017-18: AUD56 billion



- SALES OF GOODS AND SERVICES (10.3%)
- ROYALTIES AND LAND RENTS (6.8%)
- INTEREST INCOME (4%)
- OTHER REVENUE (1.9%)
- DIVIDEND AND TAX EQUIVALENT REVENUE (3.9%)
- TAXATION REVENUE** (23.6%)
- GRANTS* (49.5%)

Queensland budgeted taxation revenues¹ 2017-18: AUD13 billion



- PAYROLL TAX (28.7%)
- DUTIES (35%)
- MOTOR VEHICLE REGISTRATION (13.2%)
- LAND TAX (9%)
- GAMBLING TAXES AND LEVIES (8.9%)
- OTHER TAXES (5.3%)

¹ May not add to 100 per cent due to rounding.

* Grants from the Australian Government are almost evenly split between general and specific purpose payments. General purpose payments include GST revenue grants, are 'untied' and used for both recurrent and capital purposes. Specific purpose payments are 'tied' and used to fund specific projects or programs in order to support service delivery and facilitate reforms.

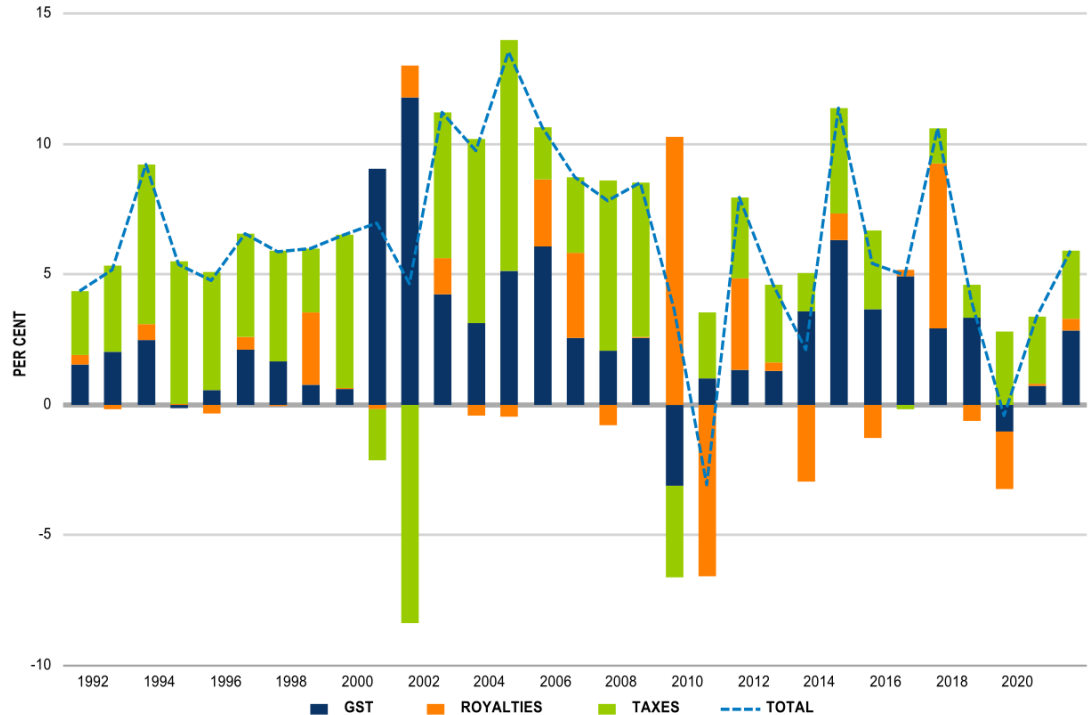
** This comprises the taxes and levies listed in the budgeted taxation revenues chart.

Data source: Queensland Government 2017-18 MYFER.



The key revenue sources of GST, royalties and taxes are expected to grow at rates more consistent with long-run average rates over the coming years, as opposed to the rapid pace of growth observed for most of the 2000s.

Contribution of key items to revenue growth



Data source: Queensland Treasury.



THE FEDERAL-STATE FISCAL RELATIONSHIP

The states' sources of revenue

- Australian states and territories (states) impose taxes, duties and charges in areas distinct from those where the Australian Government has authority. Examples of state taxes include payroll taxes, royalties as well as stamp duties and land taxes.
- The Australian Government provides explicit and predictable financial support to all states in the form of:

General purpose payments – 'untied' grants which are funded by the Goods and Services Tax (GST) revenue and are used for both recurrent and capital purposes.

Payments for specific purposes – 'tied' grants to fund specific projects or programs in order to support service delivery and facilitate reforms.

The Australian Government's Natural Disaster Relief and Recovery Arrangements, which provide partial reimbursement for eligible costs incurred as a result of natural disasters, are also classified as a payment for specific purposes.

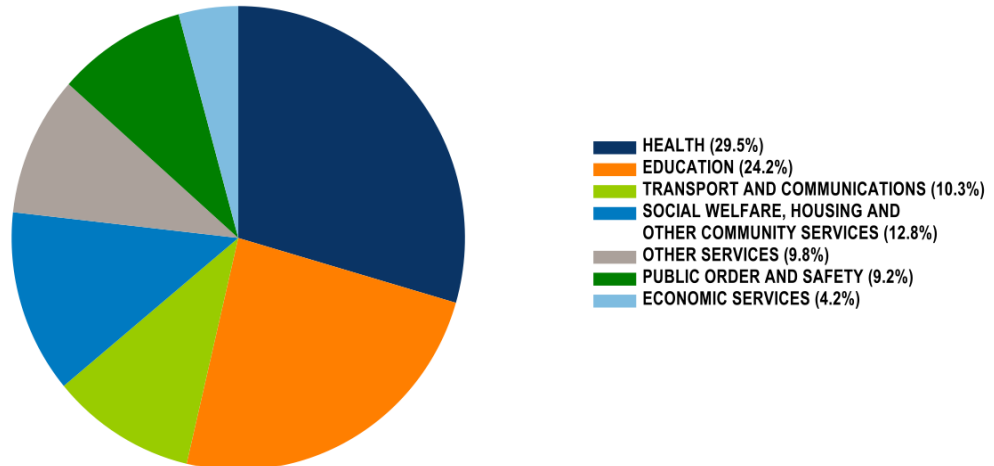
See Appendices for more information on tax sharing arrangements and ratings.



EXPENSES

Queensland budgeted expenses¹ 2017-18 **AUD56 billion**

Health and education make up more than half of the State's 2017-18 budgeted expenses.



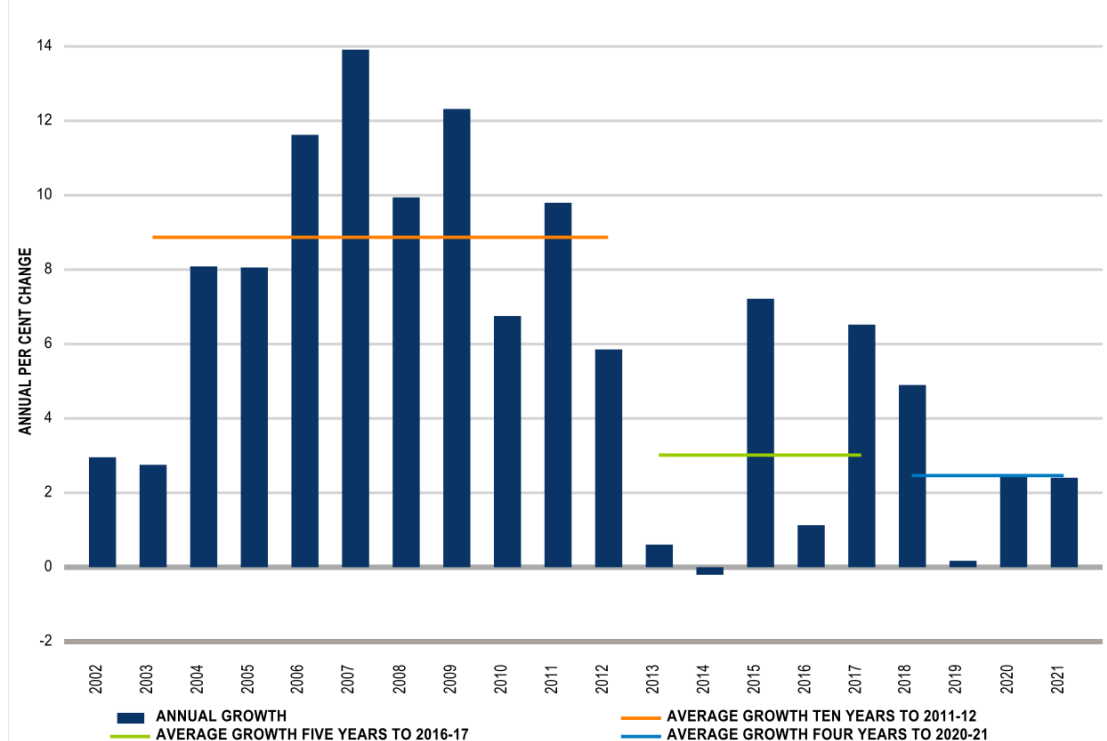
¹ May not add to 100 per cent, due to rounding.

Data source: Queensland Government
2017-18 Budget.



Queensland has and will continue to implement strong expense management.

Annual growth in general government sector expenses



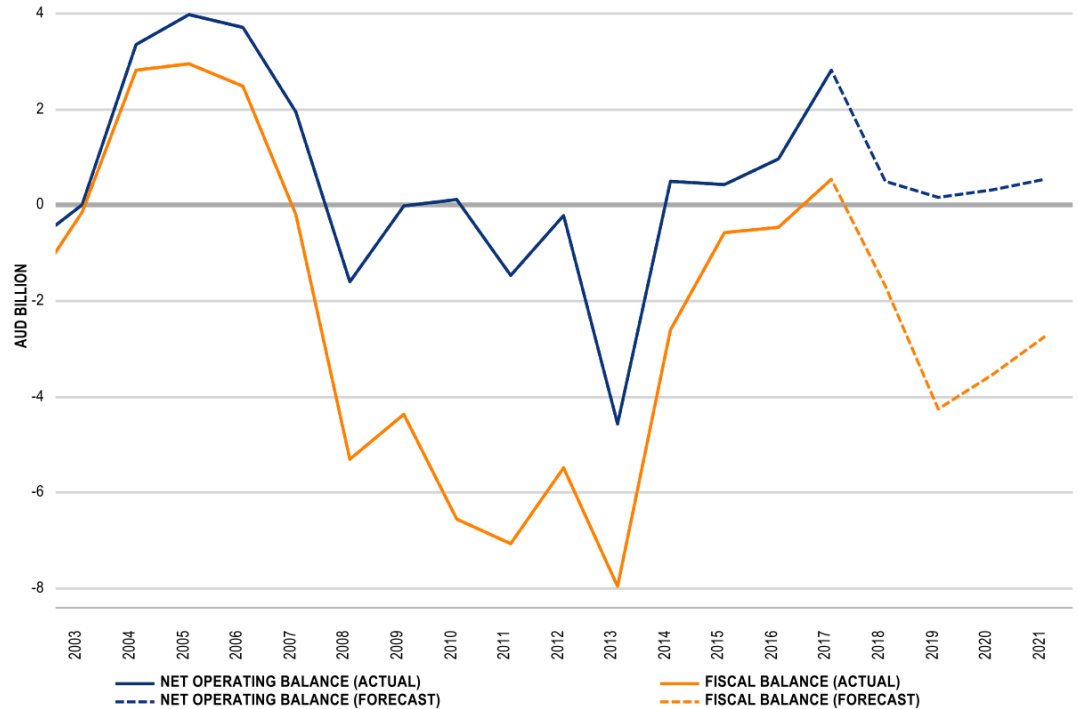
Data sources: Actuals data from Queensland Treasury. Forecasts and projections from the Queensland Government 2017-18 MYFER.



BUDGET BALANCE

General government sector net operating and fiscal balances

Net operating surpluses are expected in each year of the forward estimates.



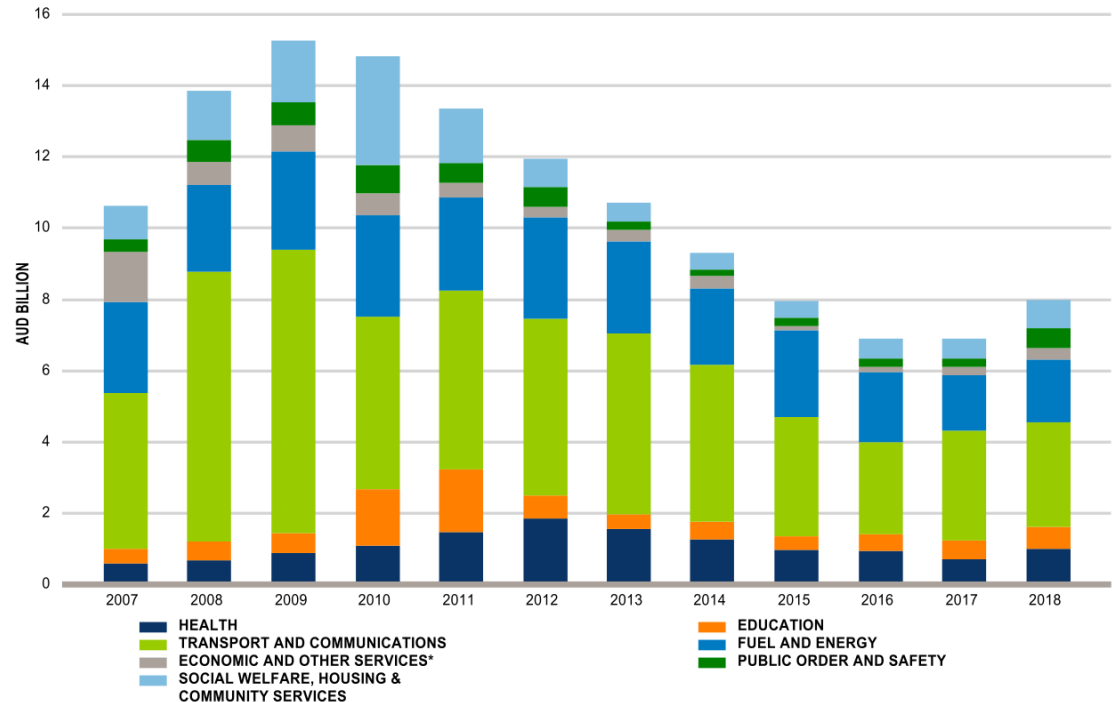
Data sources: Actuals data from Queensland Treasury. Forecasts and projections from the Queensland Government 2017-18 MYFER.



GOVERNMENT CAPITAL EXPENDITURE

Queensland's disaggregated state infrastructure spending

Spending on improving Queensland's 'transport and communication' and 'fuel and energy' infrastructure comprises the bulk of the Government's budgeted capital works program in 2017-18.



*Mainly includes general government sector equipment investment expenditures on economic services and those not classified elsewhere.

Data sources: Actuals data from Queensland Treasury, Forecasts from the Queensland Government 2017-18 Budget.



Moody's Investor Service rating outlook for Queensland was revised from negative to stable on 20 April 2017.

Data source: Standard & Poor's: Full Analysis: Queensland (State of), 23 October 2017.

Data source: Moody's Investors Service: Credit Opinion: Queensland (State of) Australia, 20 April 2017.

Note: Information on Queensland's domestic and international peers' credit ratings can be found in the Appendices.

Credit ratings

RATINGS AGENCIES RATIONALE

STANDARD & POOR'S
AA+/Stable/A-1+

Summary rating rationale

'Queensland has exceptional liquidity, a very strong economy, strong financial management and budgetary performance, and low contingent liabilities. The State's strong financial management has improved its budgetary performance and achieved operating surpluses by controlling expenditure growth. The stable outlook reflects our expectation that the State's financial management will remain strong and its budgetary performance will continue to improve compared to recent years.'

MOODY'S INVESTORS SERVICE
Aa1/Stable/P-1

'The rating reflects Queensland's financial performance which has shown improvements in recent years. The rating also reflects an easing in the state's debt burden from previously elevated levels. Moreover, the state's debt burden is projected to decline further. Queensland is unique among Australian states in that it has substantial financial holdings that are more than sufficient to fully fund its superannuation obligations. Credit is also supported by the state's growing and diverse economy.'

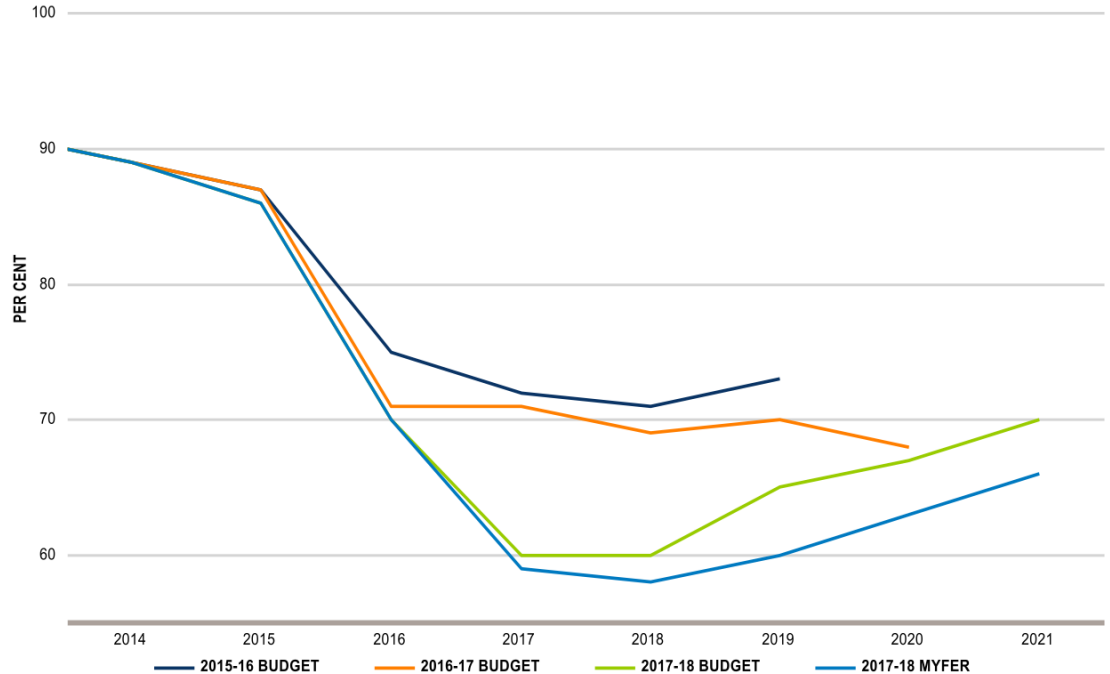


One of the Government's fiscal principles is to target an ongoing reduction in Queensland's debt burden, as measured by the general government debt to revenue ratio.

As a result of significant initiatives implemented through the Debt Action Plan, the General Government sector's debt to revenue ratio has fallen substantially from a peak of 91% in 2012-13 to 58% in 2017-18, an improvement on the forecast at the 2017-18 Budget.

Other key fiscal ratios can be found in the Appendices.

General government debt to revenue ratio



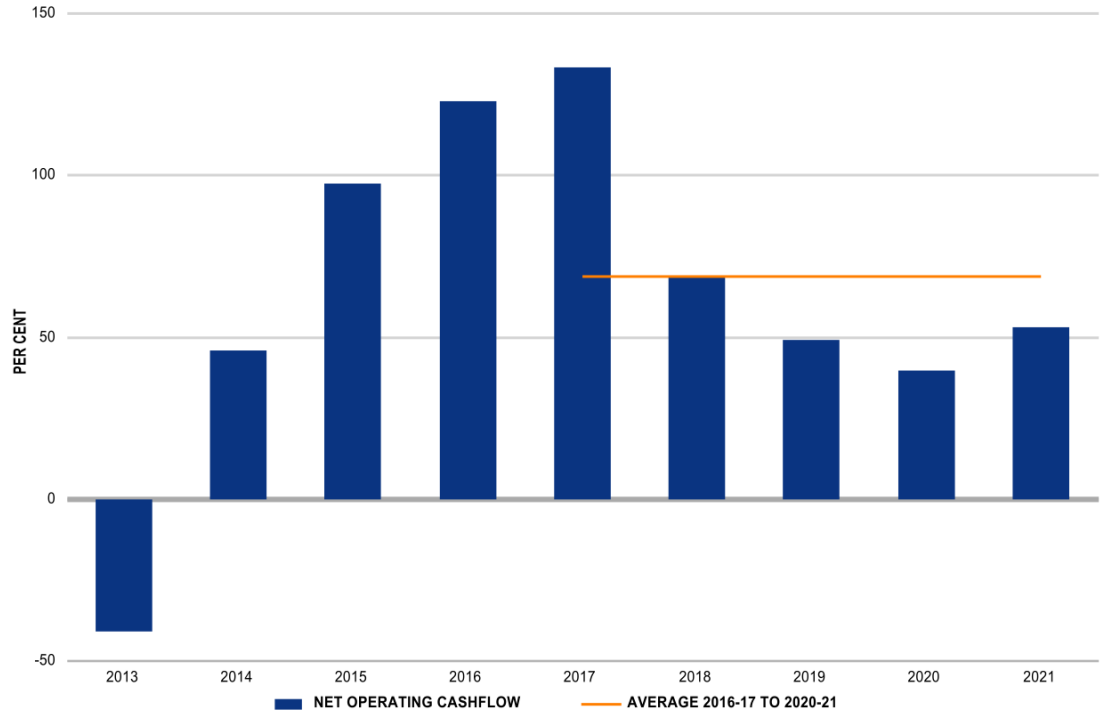
Data source: Various Queensland Government Budgets and the 2017-18 MYFER.



One of the Government's fiscal principles is to target net operating surpluses that ensure any new General Government sector capital investment is primarily funded through recurrent revenues rather than borrowing.

Across the period 2016-17 to 2020-21, the proportion of the capital program that is projected to be funded via net cash inflows from operating activities is 69 per cent.

General Government Sector net operating cash flow as a proportion of capital expenditure



Data source: Queensland Government 2017-18 MYFER.



Summary of key points

The State of Queensland:

- has a diverse economy with services making up a significant proportion of total output
- has an economy which is expected to grow in line with the national average over the next few years
- has a stable revenue stream in the form of grants it receives from the Australian Government
- has General Government debt levels that have fallen over the past few years
- has an ongoing General Government capital works program, which will be funded primarily through recurrent revenue as opposed to borrowing, and
- is rated AA+/Stable/A-1+ and Aa1/Stable/P1 by Standard & Poor's and Moody's Investors Service respectively.

See Appendices for more information on tax sharing arrangements and ratings.



The Queensland Coat of Arms, represented in Queensland Treasury Corporation's logo, was granted by Queen Victoria in 1893 and symbolises her constitutional authority for the State.

At the top, the State badge is surrounded by two stems of sugar cane. Below the badge, the shield features the heads of a bull and a merino ram, a sheaf of wheat, and a column of gold rising from a pile of quartz, over a spade and pick. These elements symbolise Queensland's strong agricultural and mining industries.

In 1977, during her Silver Jubilee year, Queen Elizabeth II granted the Arms two 'supporters', a red deer and Queensland's native brolga.

The State motto, *Audax at Fidelis*, means 'Bold but Faithful'.

QUEENSLAND TREASURY CORPORATION

Queensland Treasury Corporation

ROLE

- Founded in 1988, Queensland Treasury Corporation (QTC) is a corporation sole, constituted by the Under Treasurer in accordance with the Queensland Treasury Corporation Act 1988.
- QTC has responsibility for the State of Queensland's debt funding and financial risk management. In its funding role, QTC borrows funds in the domestic and international markets by issuing a variety of debt instruments.
- QTC's whole-of-State focus means it is able to capture significant economies of scale and scope in the issuance, management and administration of the State's debt.

GUARANTEES

Queensland State Government Guarantee

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

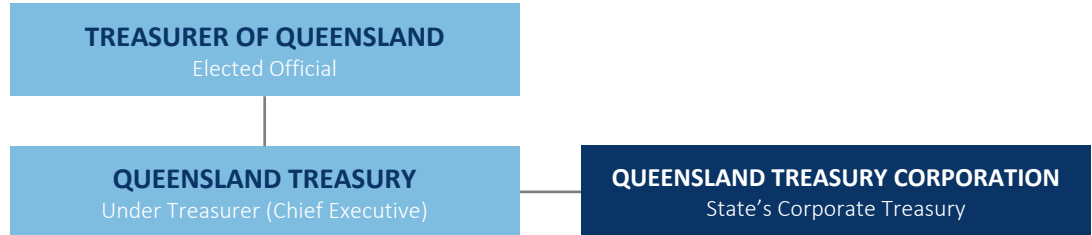
- all of QTC's obligations under all debt securities issued by QTC, and
- QTC's payment obligations to counterparties under derivative transactions governed by ISDA agreements.

All QTC debt obligations carry the same credit rating as the Queensland Government (AA+/Aa1).

See Appendices for further details.

Overview

OPERATIONAL FRAMEWORK



Queensland Treasury's role is to:

- provide core economic and fiscal advice to the State Government of Queensland
- assist Government with the management of its finances
- prepare an annual State Budget
- collect and administer State revenue, and
- conduct economic and statistical research.

Queensland Treasury Corporation's role is to:

- source and manage the debt funding for the State in the most cost effective manner
- provide financial risk management advice, and
- invest the State's short to medium-term cash surpluses to maximise returns to clients.

CONSOLIDATED ASSET BASE (MARKET VALUE – UNAUDITED, AS AT 31 DECEMBER 2017)

| | Capital markets operations | Long term assets [#] | QTC consolidated |
|---|----------------------------|-------------------------------|------------------|
| | AUD bn [^] | AUD bn [^] | AUD bn |
| Loan to clients | 85.9 | - | 85.9 |
| Liquidity/management reserves* | 14.7 | - | 14.7 |
| Sub-total | 100.6 | - | 100.6 |
| Assets under management-client deposits | 8.2 | - | 8.2 |
| Other managed investments [#] | - | 32.1 | 32.1 |
| Total | 108.8 | 32.1 | 140.9 |

Clients

- Principally Queensland’s public sector (also entities guaranteed, supported or approved by the State).
- 140 borrowing clients (government-owned corporations, government departments, local governments and statutory bodies).
- 200 investors in QTC’s Capital Guaranteed Cash Fund (government-owned corporations, government departments, local governments and statutory bodies).

Cost recovery business model

- As the State’s central financing authority, QTC operates on a cost recovery basis.

As at 31 December 2017.

[^]Amounts stated at market value.

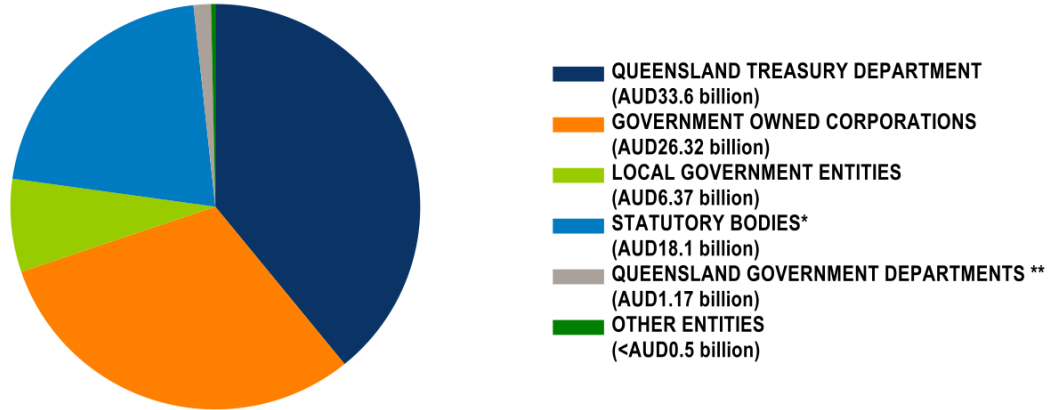
* Excludes any QTC bonds held as assets.

[#] The Queensland Government transferred to QTC the States’ long-term assets which are held to meet the future superannuation and other long-term obligations of the State. These assets are managed by QIC Limited.

LOAN TO CLIENTS (UNAUDITED)

Loans to clients¹ (market value) **AUD85.9 billion**

Since 1988, QTC has funded the State of Queensland's public sector capital works programs.



As at 31 December 2017

¹ Figures are rounded.

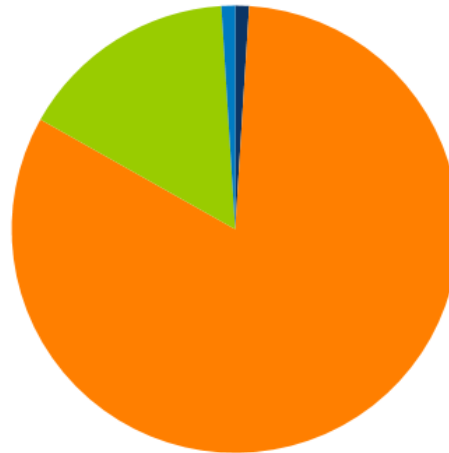
* Includes Queensland water entities, universities, grammar schools and water boards.

** Includes other bodies within the public accounts.

GOVERNANCE AND RISK MANAGEMENT PRACTICES

QTC's credit exposures

84 per cent of QTC's counterparty credit exposures are rated AA- or higher as at 31 December 2017.¹



As at 31 December 2017.

¹ Changes in composition are driven by S&P of AMP Bank, Bank of Queensland, Bendigo Bank in May 2017.

Note: May not add to 100 per cent due to rounding.

- All types of financial risk, including interest rate, foreign exchange and counterparty risk, are managed within QTC's Board approved risk parameters.
- Enterprise risk management processes are independent to operational activities.
- Risk provisions are in line with industry best practice and Basel Committee recommendations.
- Diversified funding facilities and regular issuance programs are used to mitigate funding risks.
- A portfolio of diverse, liquid financial securities is held to meet the State's liquidity requirements.
- Market credit exposure is restricted to dealings with counterparties rated BBB+ or higher.

Credit ratings

Moody's Investor Service rating outlook for Queensland was revised from negative to stable on 20 April 2017.

| QTC's credit ratings | | | |
|-----------------------------|-----------|------------|---------|
| | LONG-TERM | SHORT-TERM | OUTLOOK |
| Local currency | | | |
| Moody's | Aa1 | P-1 | Stable |
| Standard & Poor's | AA+ | A-1+ | Stable |
| Foreign currency | | | |
| Moody's | Aa1 | P-1 | Stable |
| Standard & Poor's | AA+ | A-1+ | Stable |

Funding

KEY FUNDING PRINCIPLES

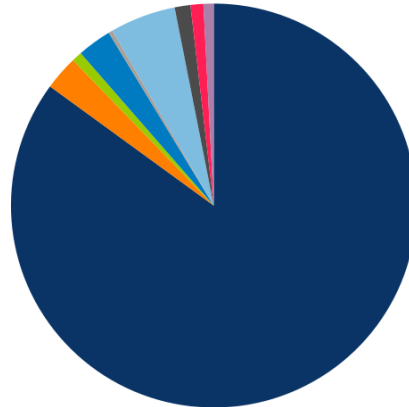
| | |
|--------------|---|
| CONSERVATIVE | Balanced debt maturity profile supported by liquid reserves |
| PRUDENT | Disciplined approach to financial risk management |
| TRANSPARENT | Comprehensive, regular market updates |
| COMMITTED | Valued long-term investor and intermediary relationships |

FUNDING SOURCES

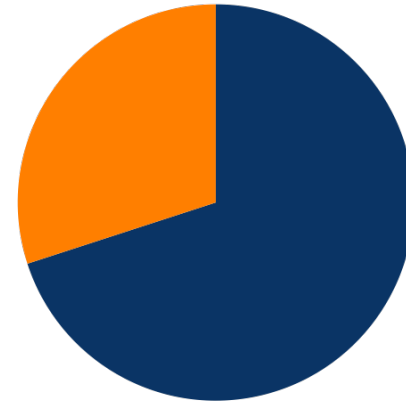
QTC maintains a diversified global focus in meeting its funding requirements.

QTC's domestic and global investors include central banks and other sovereign investors, multi-national finance, superannuation and investment corporations, and major domestic and international banks. Approximately 30 per cent of QTC's funding is currently sourced from offshore based investors.

Funding sources by facility (face value) AUD91.7 billion



Funding sources by investor location**



As at 31 December 2017.

* AGG - Australian Government Guaranteed.

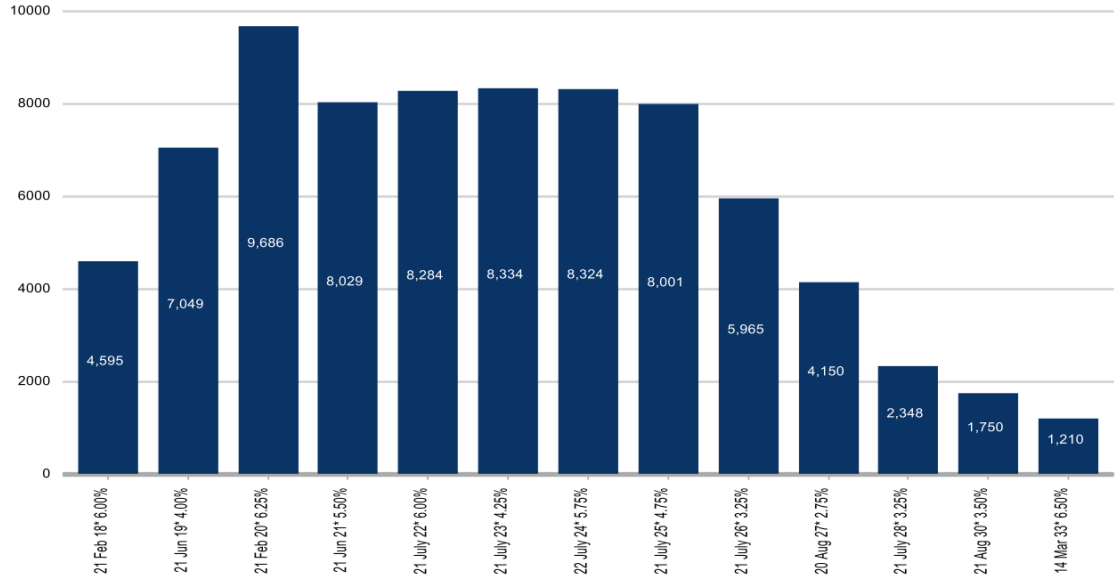
** Estimate based on QTC internal data.

Note: May not add to 100 per cent due to rounding.

AUD BENCHMARK BONDS

QTC AUD benchmark bonds, outstandings by maturity

QTC has 13 benchmark bond lines. New bond lines issued under the domestic program may be offered in the US to 'qualified institutional buyers' pursuant to Rule 144A.



As at 31 December 2017.

*144A capability.

AUD benchmark bonds: Key characteristics

| | |
|------------------------------|--|
| Government Guaranteed | <ul style="list-style-type: none"> All of QTC's obligations under all debt securities are unconditionally guaranteed by the Queensland Government. |
| Liquidity support | <ul style="list-style-type: none"> All secondary market activity is supported by 12 dedicated distribution group members (see Appendices). Issuance via tap, tender, reverse enquiry and syndication. Well established domestic bond market. |
| Choice of maturities | <ul style="list-style-type: none"> Principal source of funding. Established lines with choice of 13 benchmark bond maturities ranging from 2018 to 2033. |
| Acceptability | <ul style="list-style-type: none"> In implementing the Basel Committee¹ global liquidity standard, Australian Prudential Regulation Authority (APRA) has determined QTC's AUD bonds as level 1, highest-quality liquid assets (HQLA1). Eligible asset for outright investment by Reserve Bank of Australia (RBA). Eligible collateral for repurchase agreements with RBA. APRA applies a zero per cent risk weighting to QTC as part of the Basel II standardised approach to assessing credit risk. Australia is an OECD member country. New bond lines under the domestic program may be offered in the US to 'qualified institutional buyers' pursuant to Rule 144A. |
| Tax status | <ul style="list-style-type: none"> Exempt from Australian interest withholding tax. |

As at 31 December 2017.

¹ On 16 December 2010, the Basel Committee on Banking Supervision (Basel Committee) announced its global framework for promoting stronger liquidity buffers at internationally active banking institutions.

QTC's Borrowing Program

2017-18 indicative term debt borrowing program

In addition to the total term debt requirement, QTC expects to maintain a minimum of approximately \$5 billion of short-term debt outstandings.

| Requirements | 2017-18 Budget AUD m* | 2017-18 MYFER AUD m* |
|---|--------------------------|-------------------------|
| State (includes general government and government-owned corporations) | 0 | 200 |
| Local Government and other entities [#] | 600 | 600 |
| Total new money | 600 | 800 |
| Net term debt refinancing | 6,200 | 6,200 |
| Total term debt requirement | 6,800 | 7,000 |

As at 31 December 2017.

* Numbers are rounded to the nearest \$100 million.

[#] Other entities include: universities, grammar schools, retail water entities and water boards.

Note: Funding activity may vary depending upon actual client requirements, the State's fiscal position and financial market conditions.

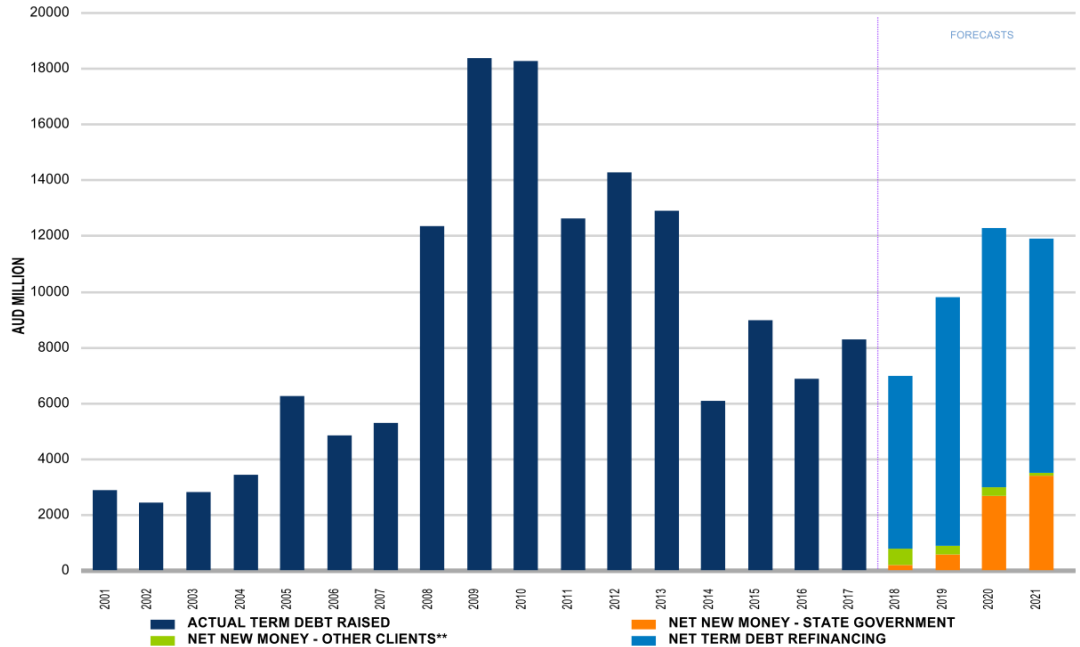
QTC's borrowing requirements over the forward estimates are primarily expected to reflect term debt refinancings.

As at 31 December 2017.

*Does not include short-term debt of approximately \$5 billion each year.

** Other clients include: local governments, retail water entities, universities, grammar schools and water boards.

QTC's annual term debt borrowing programs (actual and forecast)*



Summary of key points

Queensland Treasury Corporation:

- funds the Queensland Government public sector
- is 100 per cent government-owned
- has all debt security and derivative obligations fully guaranteed by the State of Queensland
- issues debt that carries the following credit rating (identical to the State of Queensland)
 - Moody's: Aa1/Stable/P-1
 - Standard & Poor's: AA+/Stable/A-1+
- has 13 AUD benchmark bond lines on issue
- has selected AUD domestic bonds that also carry the guarantee of the Australian Government and are rated AAA/Aaa by Standard & Poor's and Moody's respectively
- has a term debt borrowing program of \$7.0 billion for 2017-18
- employs a conservative and transparent funding strategy, and
- has 30 years' experience in global debt capital markets.

See Appendices for further details.



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.

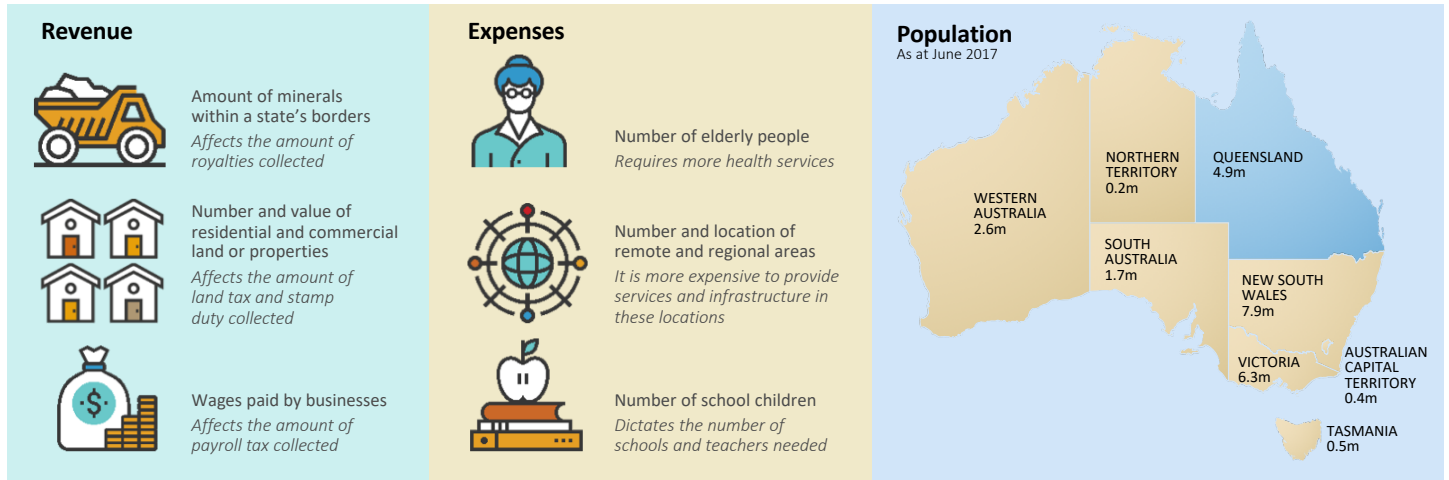
State powers include control over education, public health, police and justice, transport, roads and railways, industry, mining and agriculture, public works, ports, forestry, electricity, gas, and water supply and irrigation.



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:

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.

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

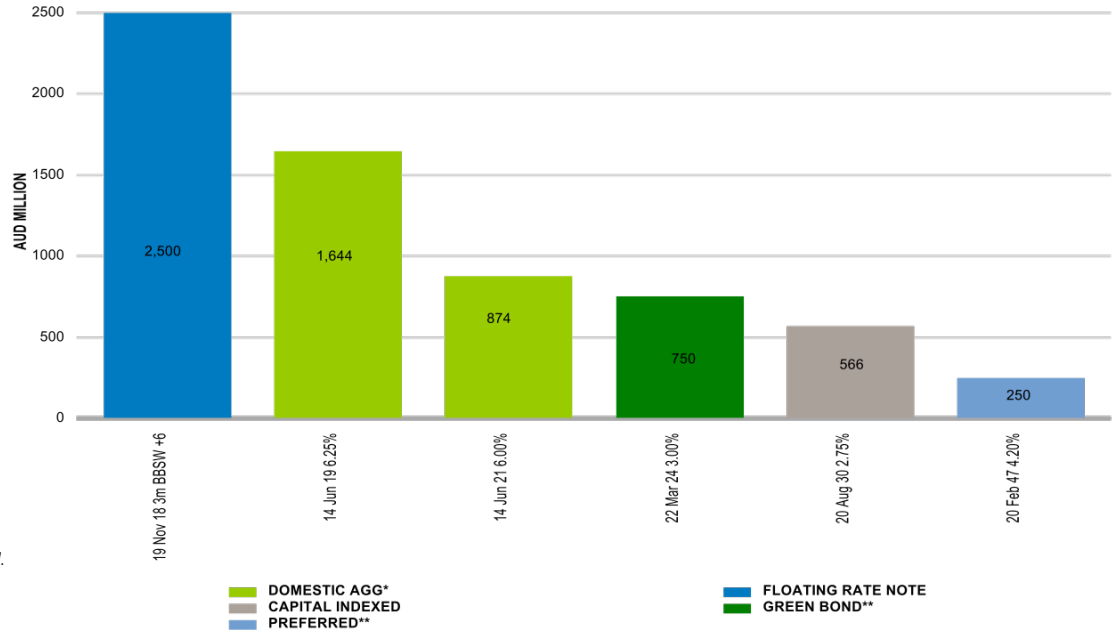
QTC has several non-benchmark AUD bonds that were issued under its domestic AUD bond program. To supplement its 13 liquid AUD benchmark bond lines, QTC monitors the market to issue other instruments using this program, taking into account investor demand and client funding requirements. Through market 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.



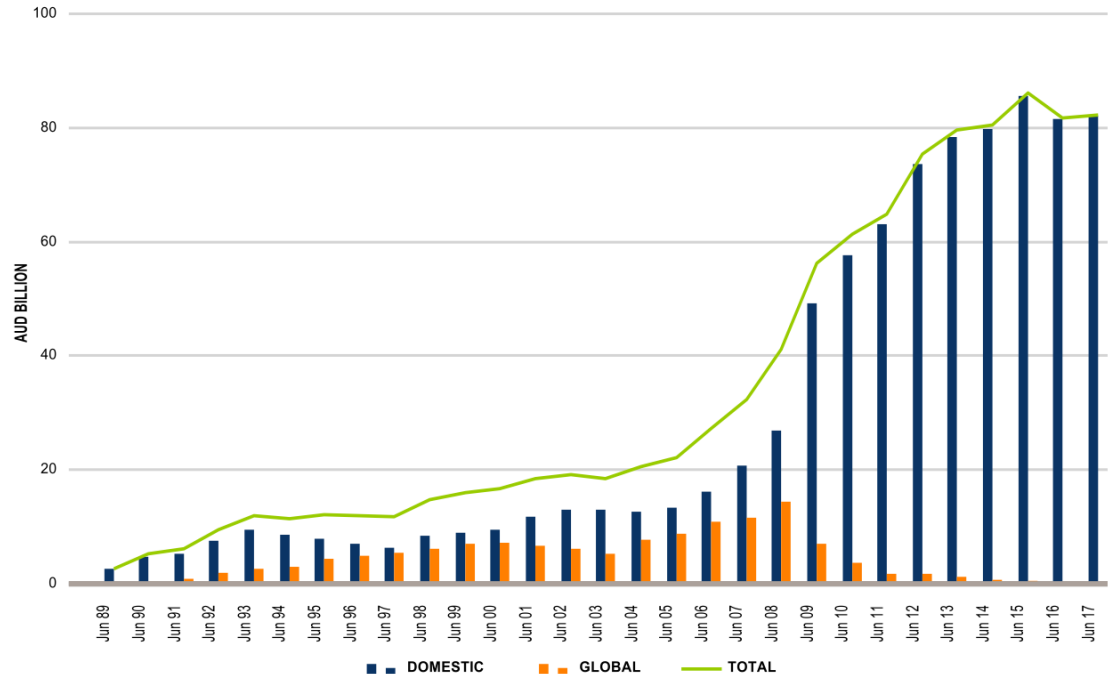


QTC AUD BOND OUTSTANDINGS OVER TIME

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).

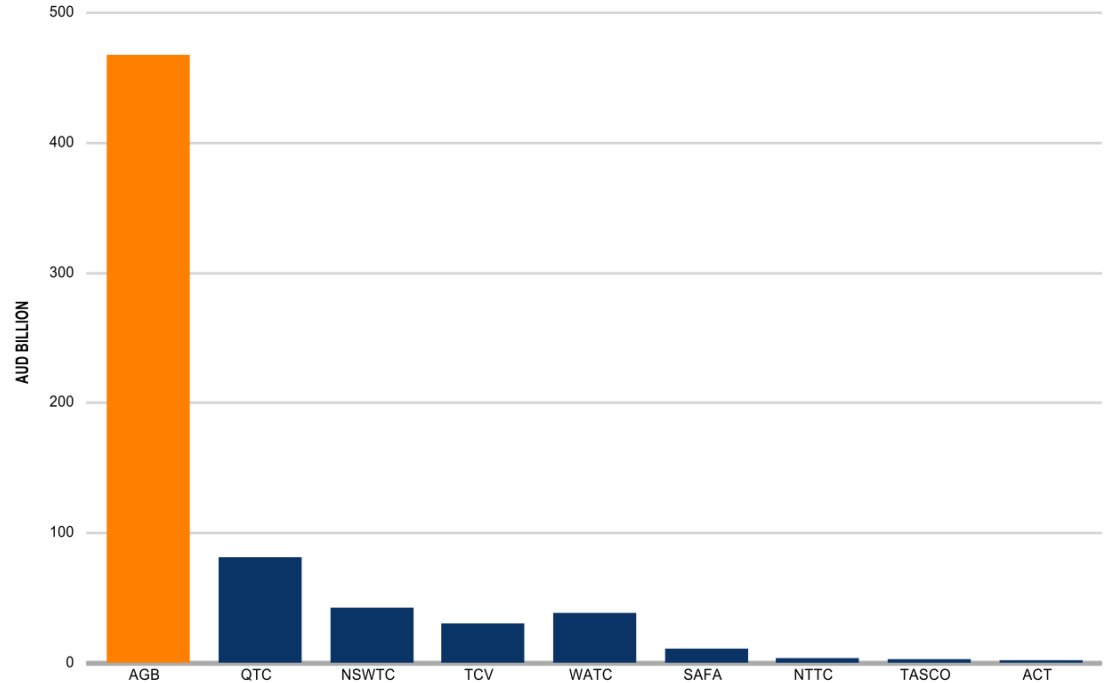
As at 31 December 2017.

* Includes AGG Bonds.

Data source: Bloomberg Composite Bond Index.

AUSTRALIAN FIXED INCOME MARKET

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

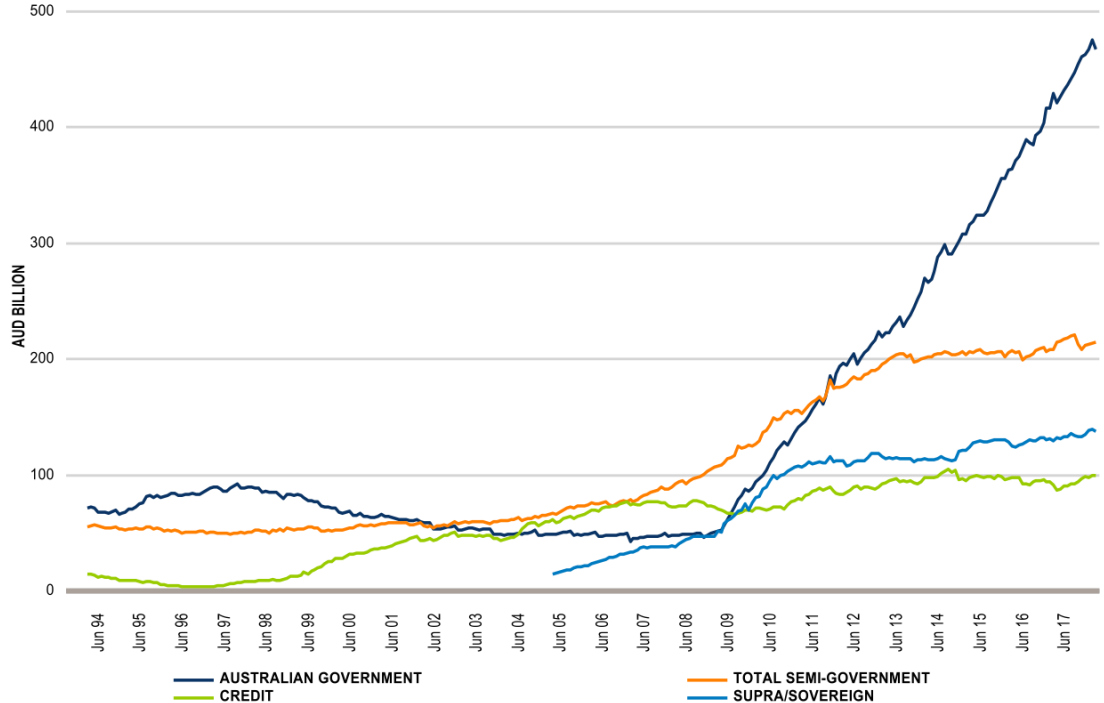




AUD DENOMINATED BONDS ON ISSUE

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.



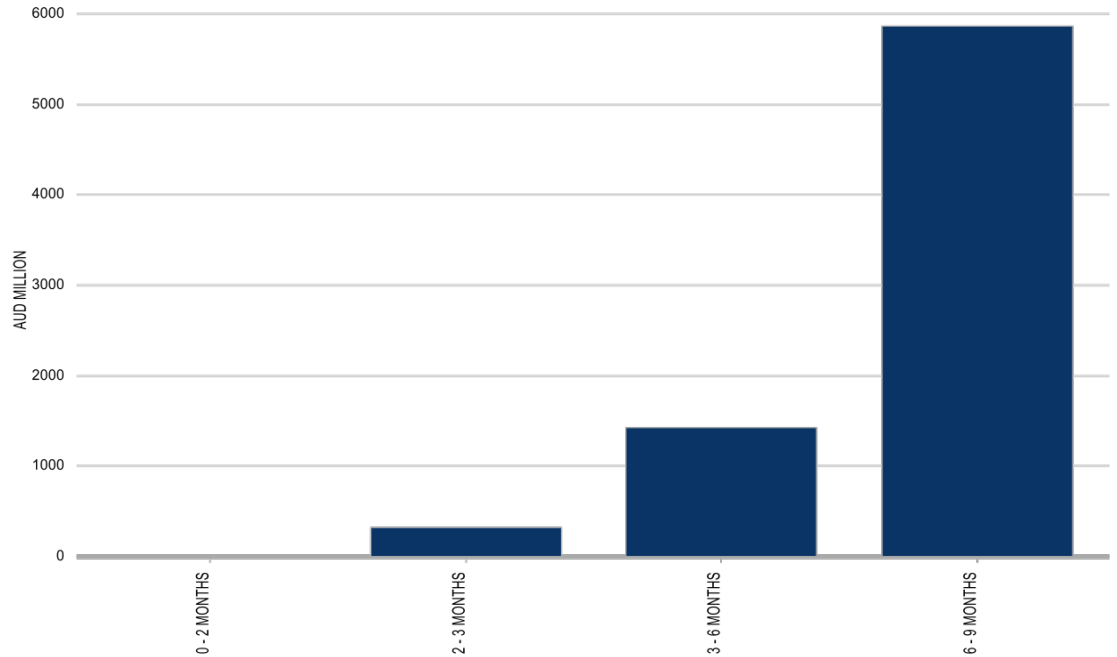
Data source: Bloomberg Composite Bond Index.

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 |
| Australian Capital Territory | AAA/Negative/A-1+ | Rating withdrawn 20 August 2005 (from Aaa) |
| New South Wales | AAA/Negative/A-1+ | Aaa/Stable/P-1 |
| Northern Territory | Not rated by S&P | Aa2/Stable/-- |
| Queensland | AA+/Stable/A-1+ | Aa1/Stable/P-1 |
| South Australia | AA/Positive/A-1+ | Aa1/Stable/P-1 |
| Tasmania | AA+/Stable/A-1+ | Aa2/Stable/P-1 |
| Victoria | AAA/Negative/A-1+ | Aaa/Stable/P-1 |
| Western Australia | 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

| Entity | Comparable jurisdiction/area governed | Credit rating (Assigned by Standard & Poor's) |
|------------------|---------------------------------------|---|
| Queensland | Federal State of Australia | AA+/Stable |
| Alberta | Province of Canada | A+/Stable |
| Basel-City | Canton of Switzerland | AA+/Positive |
| British Columbia | Province of Canada | AAA/Stable |
| Burgenland | State of Austria | AA/Stable |
| Saxony-Anhalt | State of Germany | AA+/Stable |
| Styria | State of Austria | AA/Negative |
| Vaud | 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 |
| Total | 220.1 | 207.1 | -5.9 |

| 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 |
| Total | 21,261 | 35,810 | 68.4 |

Source: ABS unpublished trade data and QLD Treasury.

Note: Data accurate as at January 2018.



Royalty assumptions and revenue risks

| Coal royalty assumptions | 2017-18 MYFER | 2018-19 Projection | 2019-20 Projection | 2020-21 Projection |
|--|--------------------------|-------------------------------|-------------------------------|-------------------------------|
| Tonnages – crown export ¹ coal (Mt) | 207 | 217 | 220 | 224 |
| Exchange rate USD per AUD ² | 0.77 | 0.75 | 0.75 | 0.75 |
| Year average coal prices³ | | | | |
| Hard coking (USD) | 161 | 123 | 120 | 120 |
| Semisoft (USD) | 129 | 102 | 98 | 98 |
| Thermal (USD) | 83 | 74 | 70 | 70 |
| Year average oil prices | | | | |
| Brent (USD per barrel) | 51 | 54 | 57 | 60 |

¹ 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.

² Year average.

³ 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

| General Government | 2016-17 Actual | 2017-18 Revised | 2018-19 Projection | 2019-20 Projection | 2020-21 Projection |
|--|---------------------------|----------------------------|-------------------------------|-------------------------------|-------------------------------|
| 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 |

| Total State | 2016-17 Actual | 2017-18 Revised | 2018-19 Projection | 2019-20 Projection | 2020-21 Projection |
|--|---------------------------|----------------------------|-------------------------------|-------------------------------|-------------------------------|
| 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.

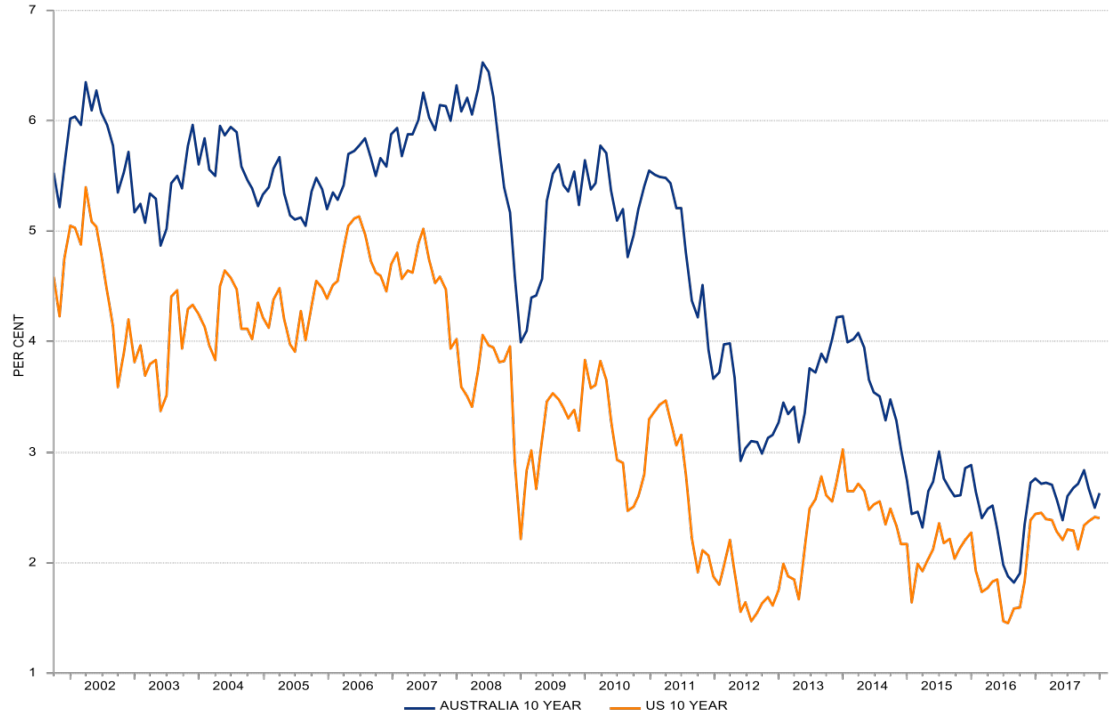


INTEREST RATES

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.

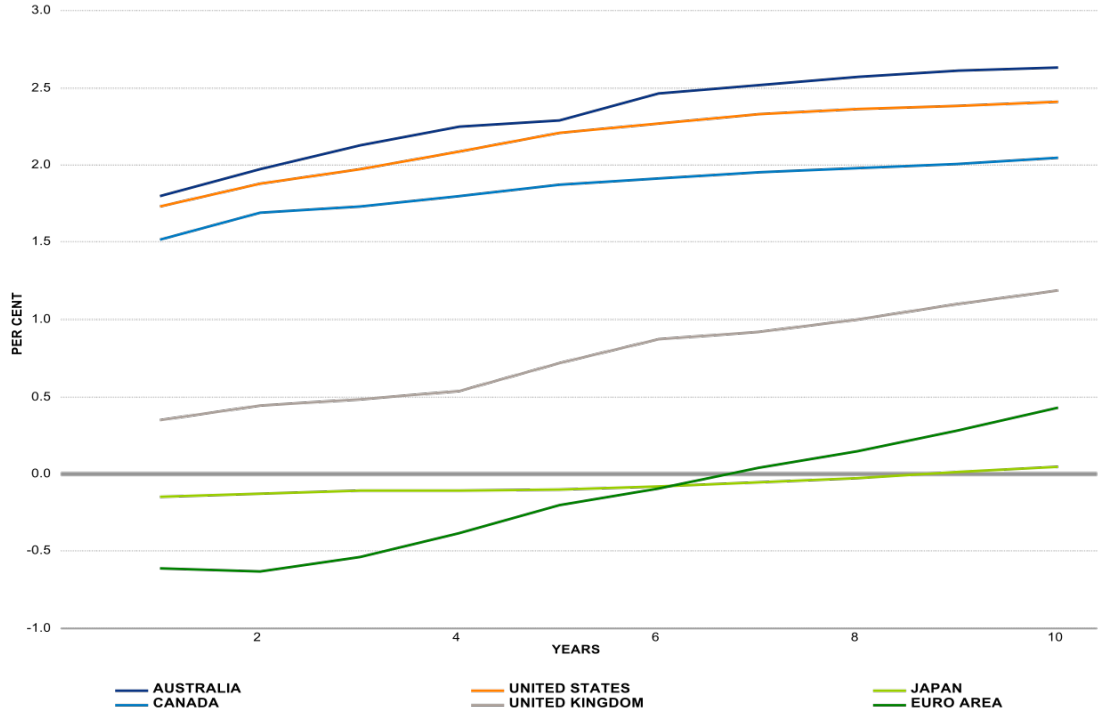
Data source: Bloomberg.



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.

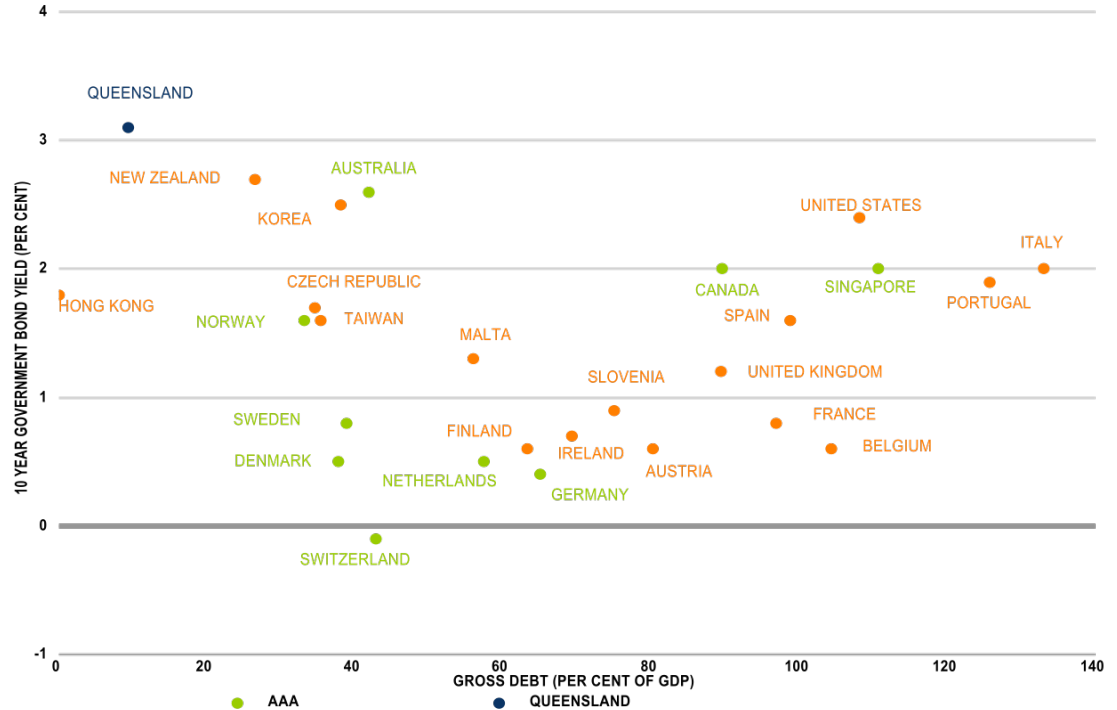
Data source: Bloomberg 29 December 2017.



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 | AUD |
| | 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 | | |

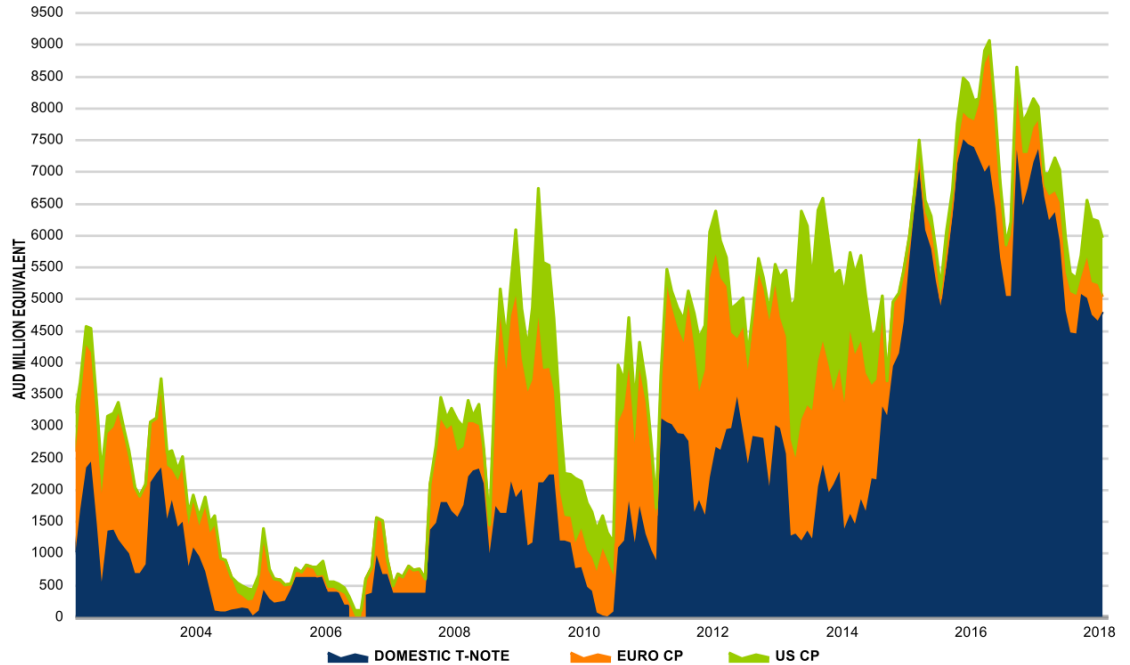
As at 31 December 2017

* 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

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



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