

INVESTOR PRESENTATION

APRIL 2018





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All data and charts in this presentation are as at 31 December 2017 unless otherwise referenced. 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

1. Overview of Australia and Queensland
2. Queensland's economy
3. About QTC



AGENDA



OVERVIEW OF AUSTRALIA AND QUEENSLAND



QUEENSLAND

- AUD327 billion Gross State Product (GSP)¹
- 3.9% GSP annual growth rate²
- 4.93 million people³

AUSTRALIA

- AUD1,706 billion Gross Domestic Product (GDP)⁴
- 2.4% GDP annual growth rate⁵
- 24.6 million people³

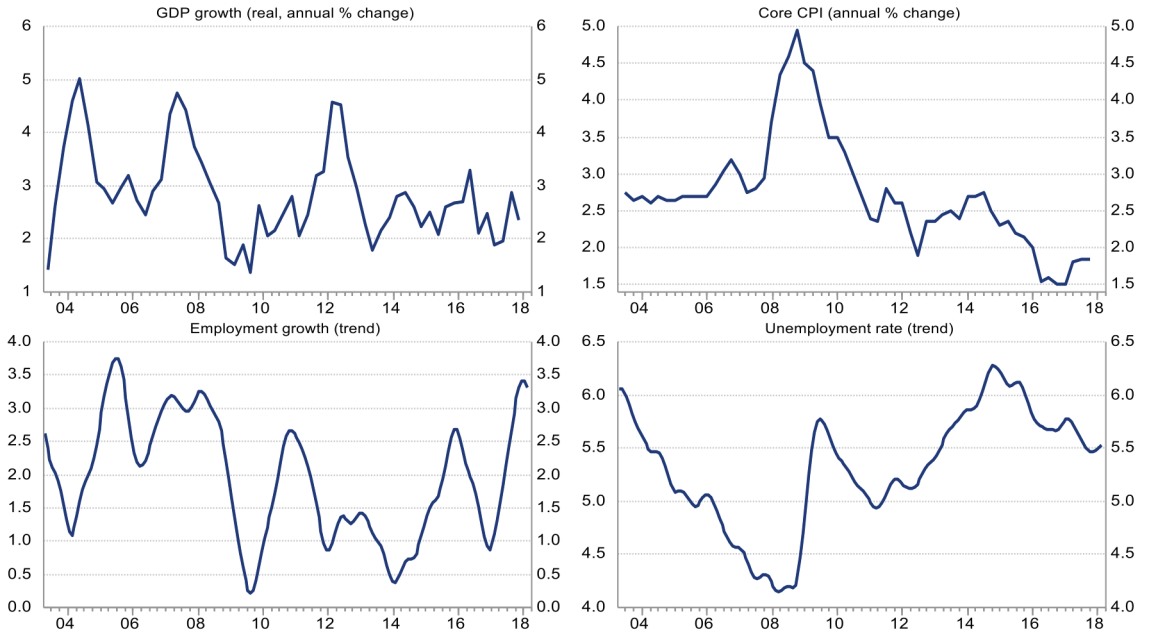
Data sources: Australian Bureau of Statistics, Queensland State Accounts and Bloomberg ¹Year ending 30 June 2017 ²Long-run trend. ³As at June 2017. ⁴Year ending September 2017 ⁵Year ending December 2017

OVERVIEW



Key indicators of the Australian economy

Australia's economic growth is stable and in-line with its long run average. Employment growth is increasing at the fastest pace in over ten years.





QUEENSLAND'S ECONOMY

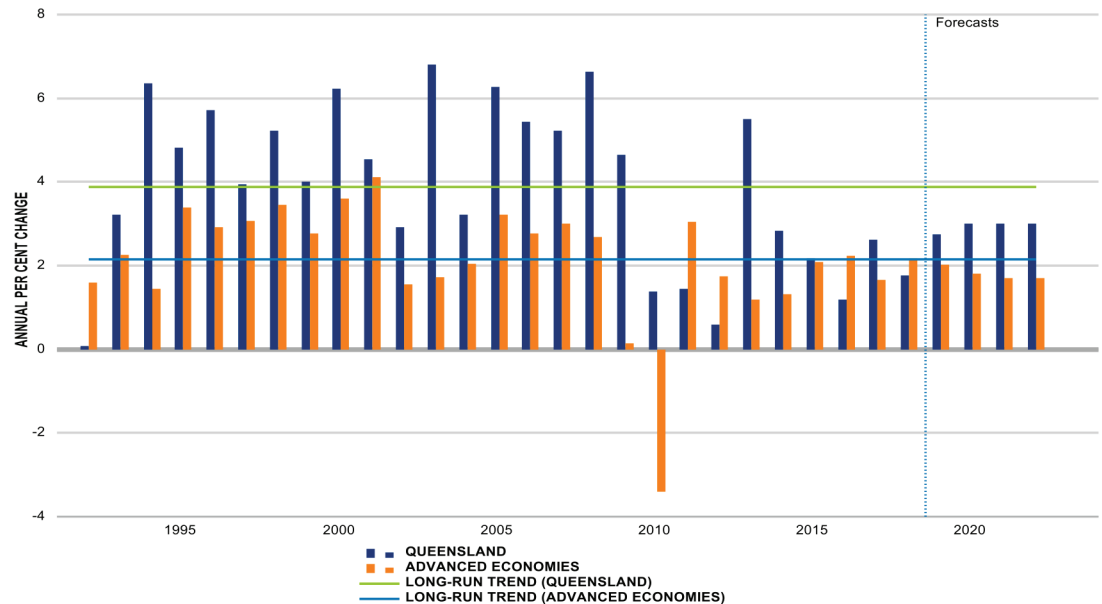


Queensland's economic standing

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.

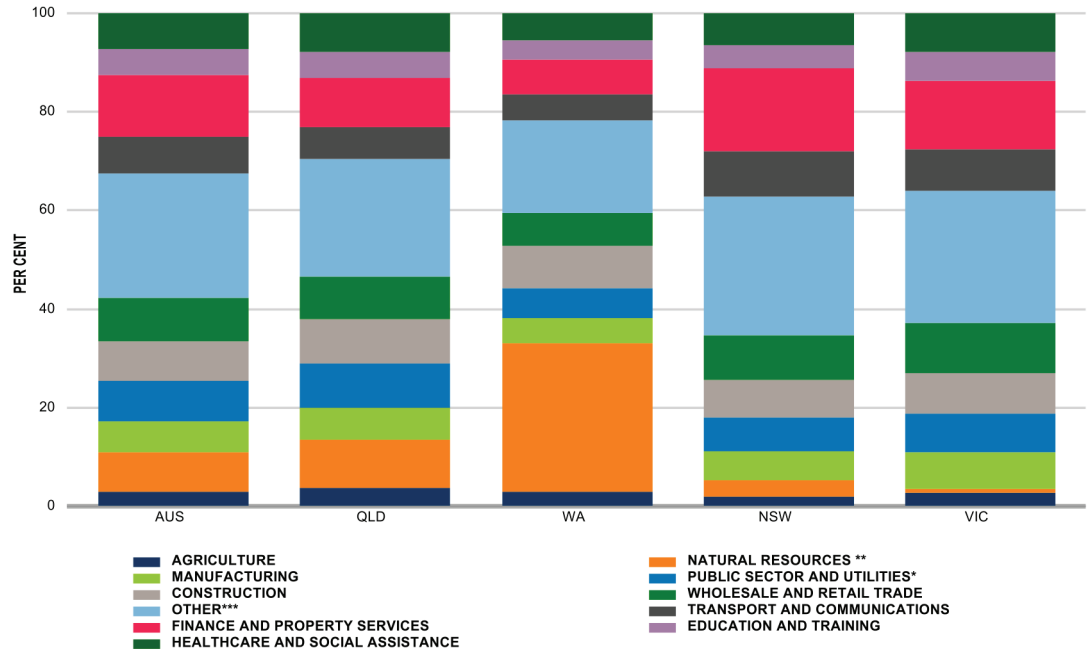


Queensland's economic standing

DIVERSE ECONOMY

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

Australian states' economic output by sector¹



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.



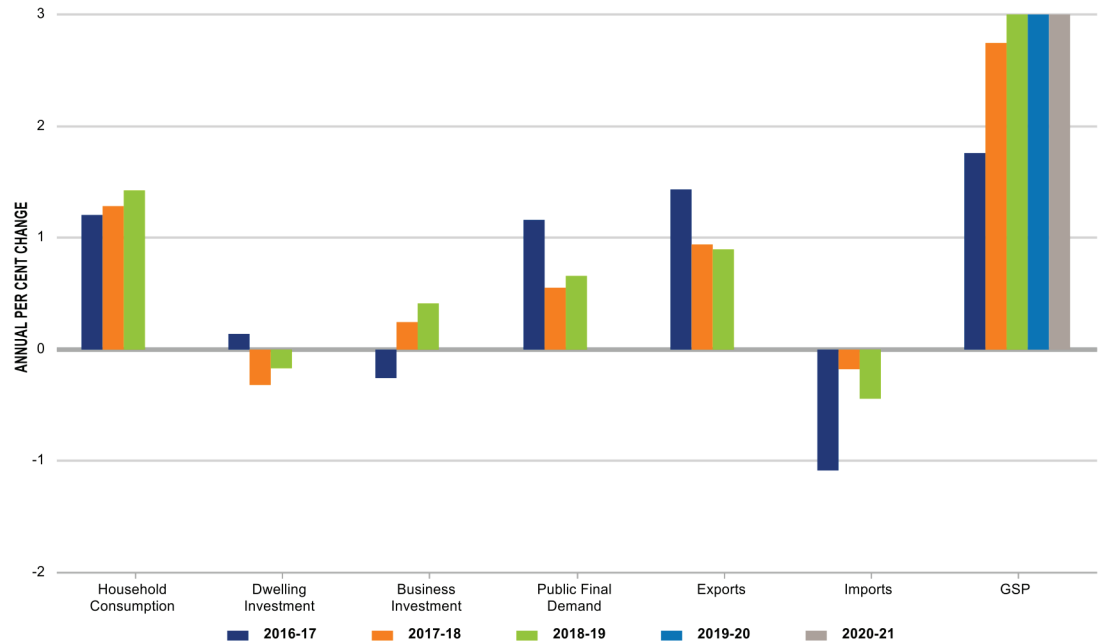
Queensland's economic standing

DIVERSE ECONOMY

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.

Contributions to growth in Queensland's Gross State Product¹



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

Data source: Queensland Treasury, ABS.

Note: 2017-18 onwards are forecasts / projections.

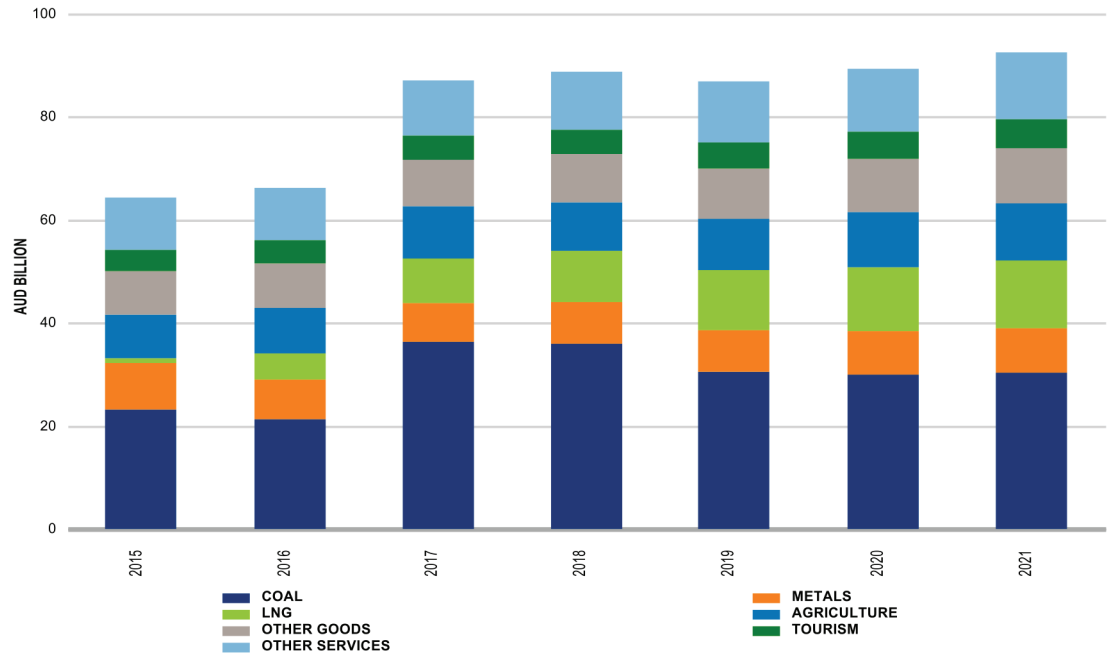


Economic drivers

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.



The Federal-State fiscal relationship

THE STATES' SOURCES OF REVENUE

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.

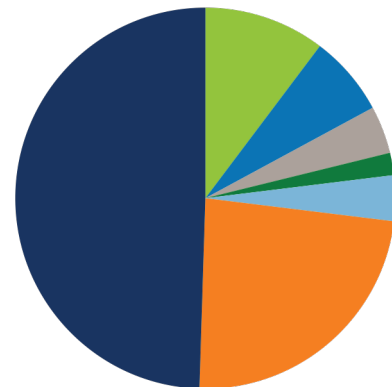


Queensland's fiscal position

REVENUES

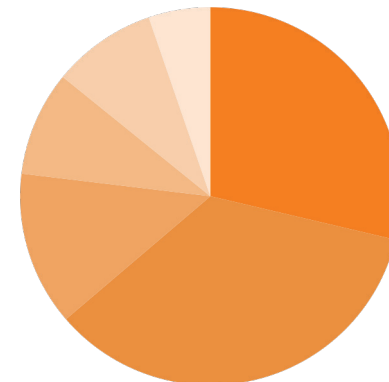
Total grants* of around AUD28 billion (including those from the Australian Government) are expected to account for approximately 50 per cent of Queensland's total government revenue in 2017-18.

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.



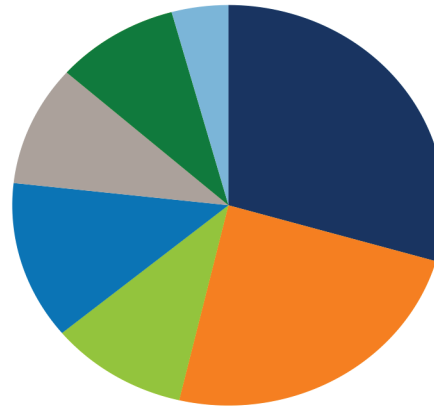
Queensland's fiscal position

QUEENSLAND'S FISCAL POSITION – OPERATING AND CAPITAL EXPENDITURE

Health and education are expected to make up more than half of the State's operating expenses in 2017-18.

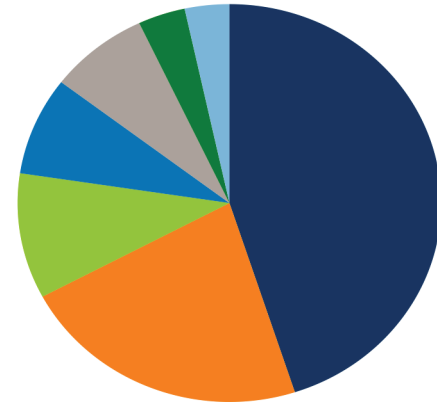
Spending on improving Queensland's 'transport and communication' and 'fuel and energy' infrastructure is expected to make up the bulk of the Government's budgeted capital works program in 2017-18.

Operating expenditure



- HEALTH (29.5%)
- EDUCATION (24.2%)
- TRANSPORT AND COMMUNICATIONS (10.3%)
- COMMUNITY SERVICES (12.8%)
- OTHER SERVICES (9.8%)
- PUBLIC ORDER AND SAFETY (9.2%)
- ECONOMIC SERVICES (4.2%)

Capital expenditure



- TRANSPORT AND COMMUNICATIONS (45%)
- FUEL AND ENERGY (22.2%)
- HEALTH (10%)
- SOCIAL WELFARE, HOUSING, AND OTHER COMMUNITY SERVICES (8%)
- EDUCATION (7.6%)
- PUBLIC ORDER AND SAFETY (3.6%)
- ECONOMIC AND OTHER SERVICES* (3.4%)

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

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

Data source: Queensland Government 2017-18 Budget

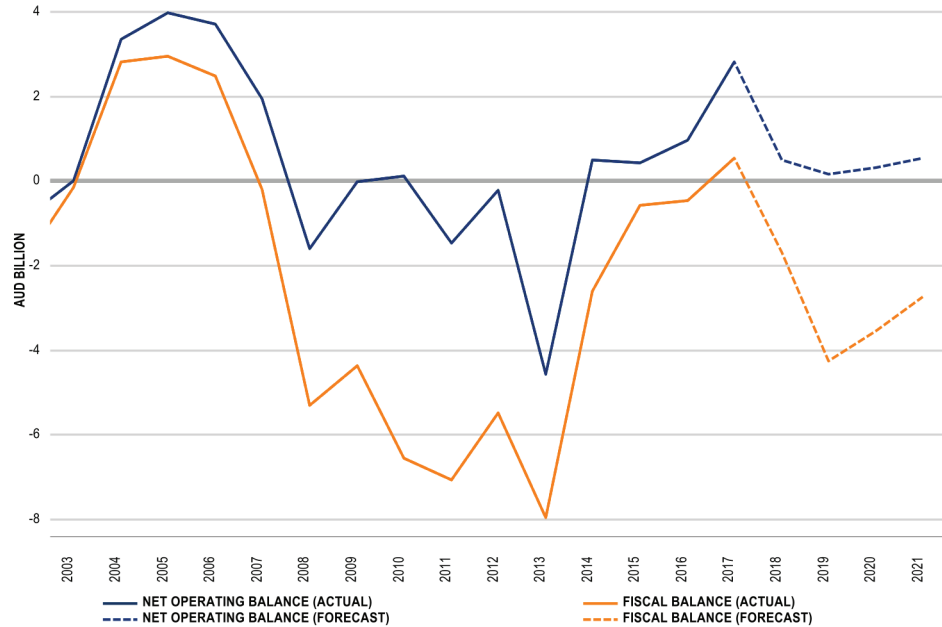


Queensland's fiscal position

BUDGET BALANCE

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

General government sector net operating and fiscal balances



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



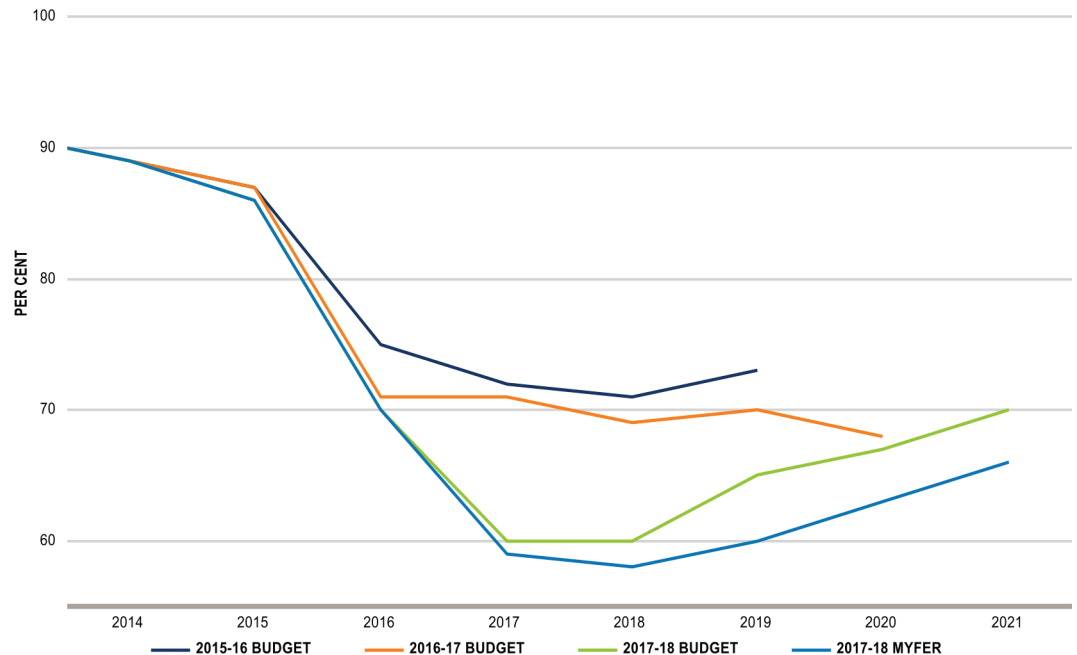
Queensland's fiscal position

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 per cent in 2012-13 to 58 per cent 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.



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

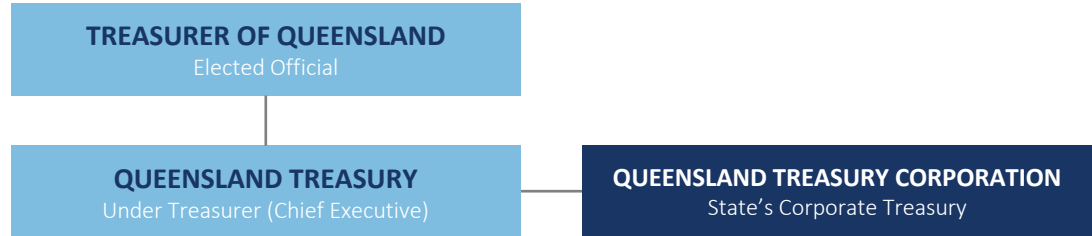
The Treasurer of Queensland, on behalf of the Queensland State Government, guarantees all of QTC's obligations under all debt securities issued by QTC.

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.

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

Overview

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

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	12 benchmark lines: 2019-2028, 2030 and 2033			AUD
			2 AGG* lines: 2019 and 2021			AUD
			1 QTC Green Bond: 2024			AUD
			2 floating rate notes: 2018 and 2022	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 March 2018.

*AGG – Australian Government Guaranteed.

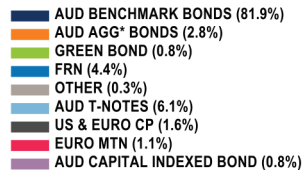
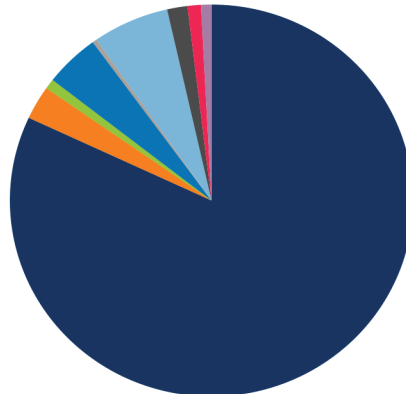
Funding

FUNDING SOURCES

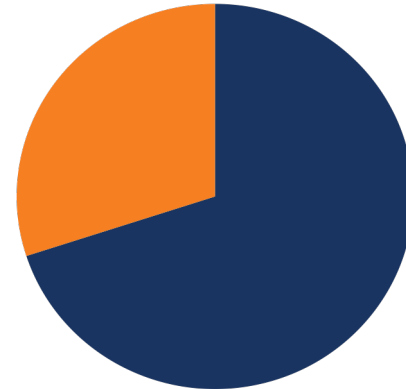
QTC's domestic and global investors include central banks and other sovereign investors, multi-national finance, superannuation and investment corporations, and major domestic and international banks. Approximately 30 per cent of QTC's funding is currently sourced from offshore based investors.

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

Funding sources by facility
(face value) AUD90.3 billion



Funding sources by investor location**



As at 29 March 2018.

* AGG - Australian Government Guaranteed.

** Estimate based on QTC internal data.

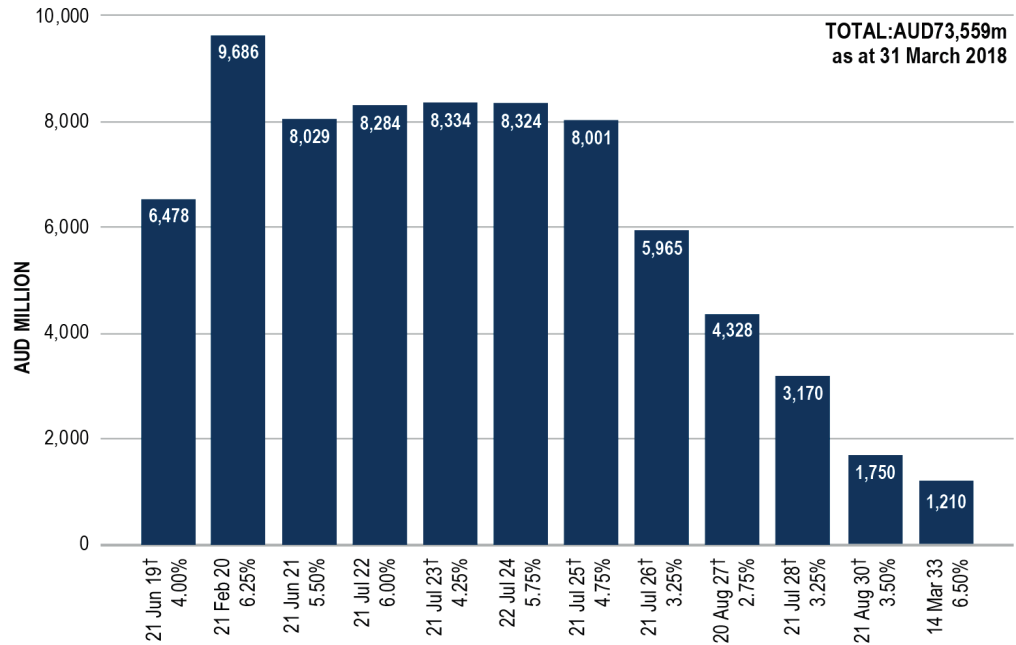
Note: May not add to 100 per cent due to rounding.

Funding

AUD BENCHMARK BONDS

QTC has 12 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.

QTC AUD benchmark bonds, outstandings by maturity



As at 31 March 2018.

† 144A capability.

Funding

AUD NON-BENCHMARK BONDS

QTC has several non-benchmark AUD bonds that were issued under its domestic AUD bond program. To supplement its 12 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).

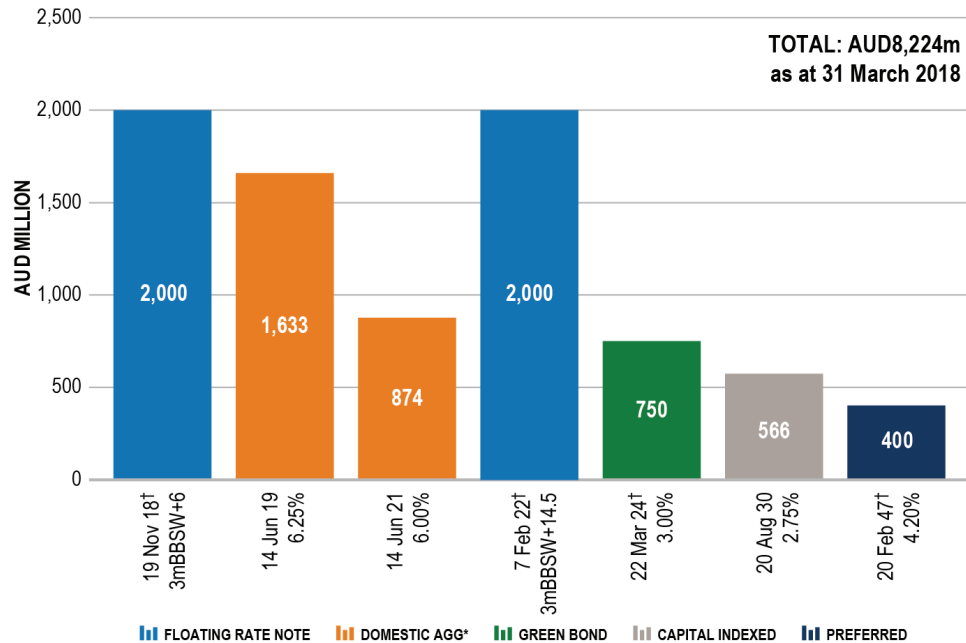
As at 31 March 2018.

*AGG – Australian Government Guaranteed.

† 144A capability.

Note: The 20 Aug 2030 Capital Index Bond outstandings do not include indexation of \$191.7 million.

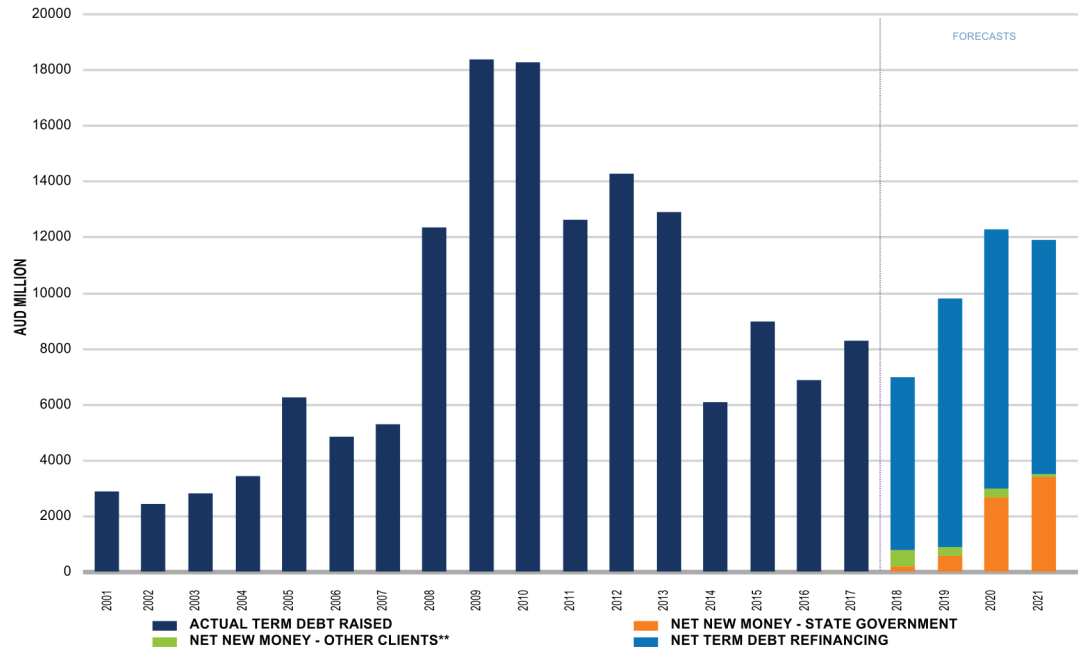
QTC AUD non-benchmark publically issued bonds, outstandings by maturity



QTC's Borrowing Program

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

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



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.

Summary of key points

The State of Queensland:

- has a diverse economy with services making up a significant proportion of total output
- 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

Queensland Treasury Corporation:

- 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+



APPENDICES



Quick facts overview

Australia

Population growth (year ended September 2017)	1.6 per cent
Gross Domestic Product growth (year ended December 2017)	2.4 per cent
Core inflation rate (year ended December 2017)	1.8 per cent
Employment growth (year ended February 2018)	3.3 per cent
Unemployment rate (as at February 2018)	5.5 per cent

Queensland

Population growth (year ended September 2017)	1.7 per cent
Gross State Product growth (year ended September 2017)	2.1 per cent
Inflation rate (year ended December 2017)	1.9 per cent
Employment growth (year ended February 2018)	4.6 per cent
Unemployment rate (as at February 2018)	6.1 per cent

Data sources: Australian Bureau of Statistics, Queensland State Accounts, Reserve Bank of Australia and Bloomberg



Credit ratings

RATINGS AGENCIES RATIONALE

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

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

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.'

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.

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

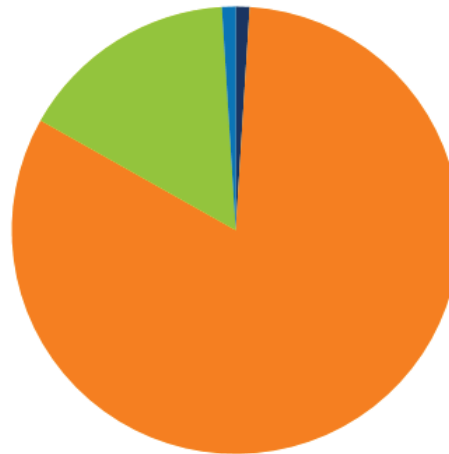
'The rating reflects Queensland's financial performance which has shown improvements in recent years. The rating also reflects an easing in the state's debt burden from previously elevated levels. Moreover, the state's debt burden is projected to decline further. Queensland is unique among Australian 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.'



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 downgrades of AMP Bank, Bank of Queensland, Bendigo & Adelaide Bank in May 2017.

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

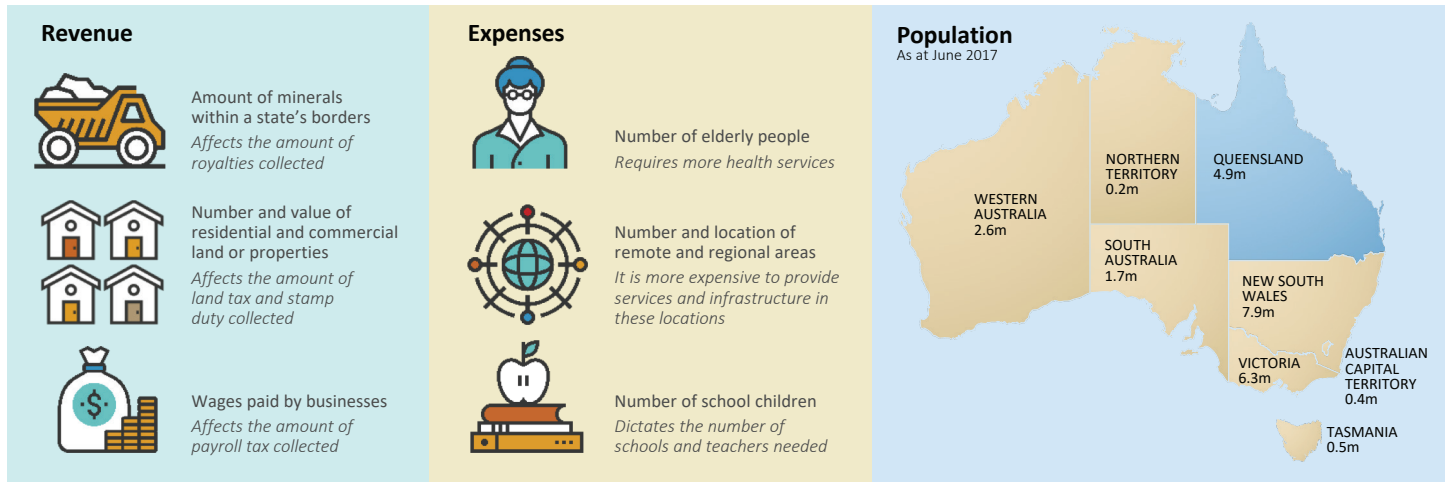
- All types of financial risk, including interest rate, foreign exchange and counterparty risk, are managed within QTC's Board approved risk parameters.
- Enterprise risk management processes are independent to operational activities.
- Risk provisions are in line with industry best practice and Basel 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.



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' ability to provide similar levels of services to the community, taking into account their different revenue raising abilities.
- 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).

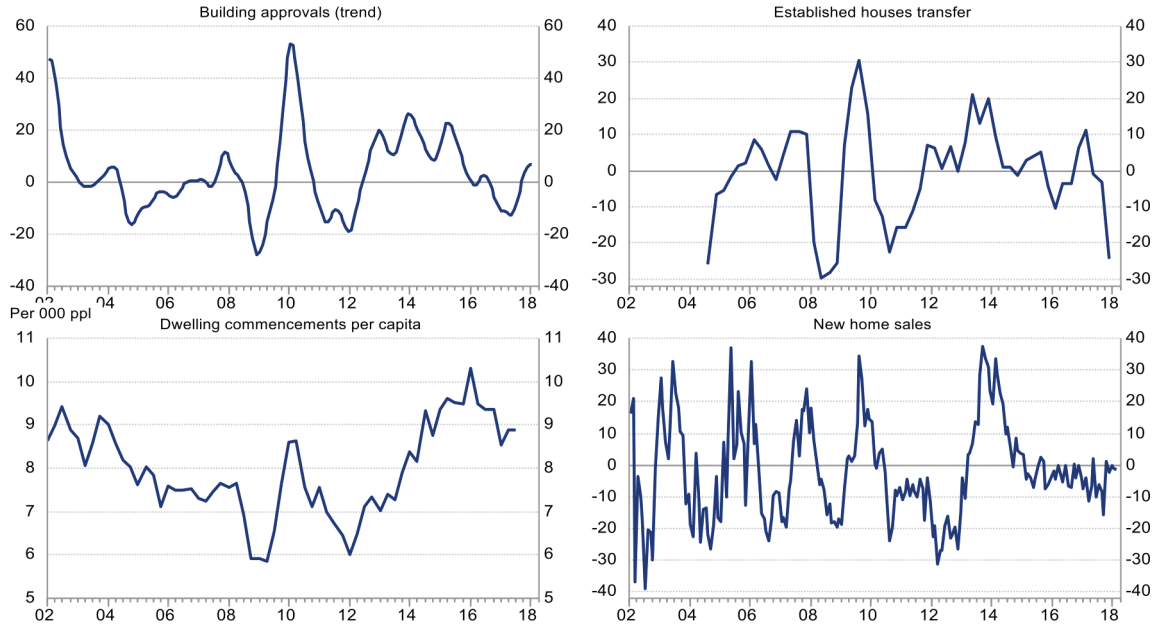
EXAMPLES OF DIFFERENCES BETWEEN STATES TO RAISE REVENUE AND THEIR EXPENSES





Housing market indicators

AUSTRALIA HOUSING MARKET ACTIVITY MATRIX*



* All axes are annual % change unless otherwise stated.
Source: Thomson Reuters
DataStream, as at 31 March 2018



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