



APPENDICES

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.

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.

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

Queensland's long-term assets



- Queensland's long-term assets comprises investments set aside primarily to support the State's defined benefit superannuation.
- These assets were transferred to QTC by the Queensland Government under an administrative arrangement in 2008. These are managed by a separate board, the Long Term Asset Advisory Board. In return QTC issued fixed-rate notes to the State that provide a fixed rate of return.
- The assets are managed by Queensland Investment Corporation (QIC) and include cash, fixed interest, international equities and other diversified alternative investments.
- Queensland is in a unique position with financial holdings greater than its superannuation obligations, with assets under management of approximately AUD29 billion as at 30 June 2019.
- While QTC reports the fluctuations in the value and returns on the asset portfolio, there is no cash flow effect for QTC. Any losses incurred have no impact on QTC's capital markets activities or its ability to meet its obligations.

Australia's federal and state 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

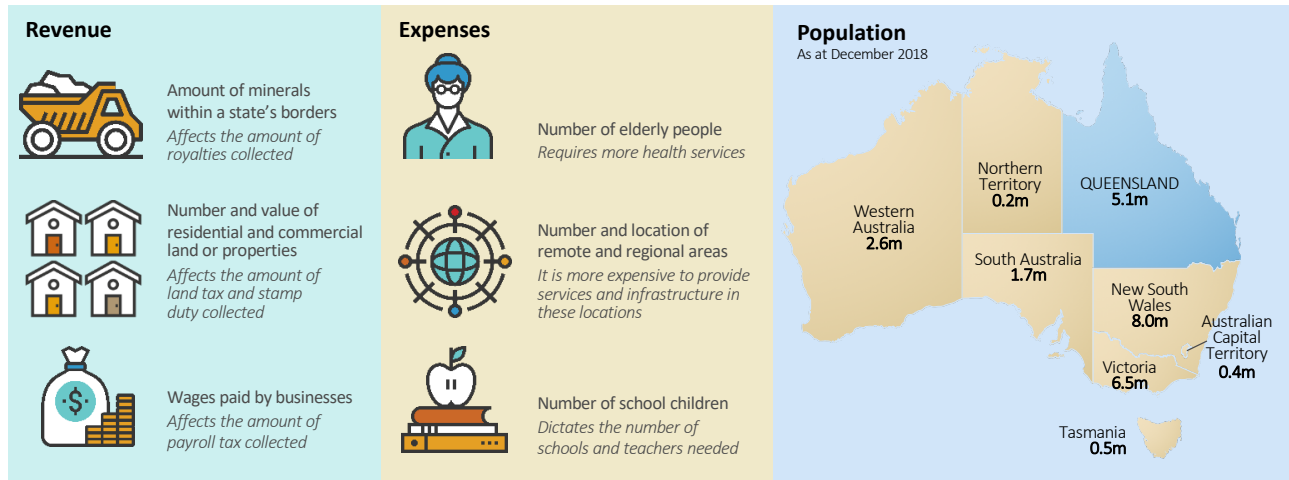
The state parliaments retain powers over all matters other than those granted to the Australian Government under the Constitution.

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.

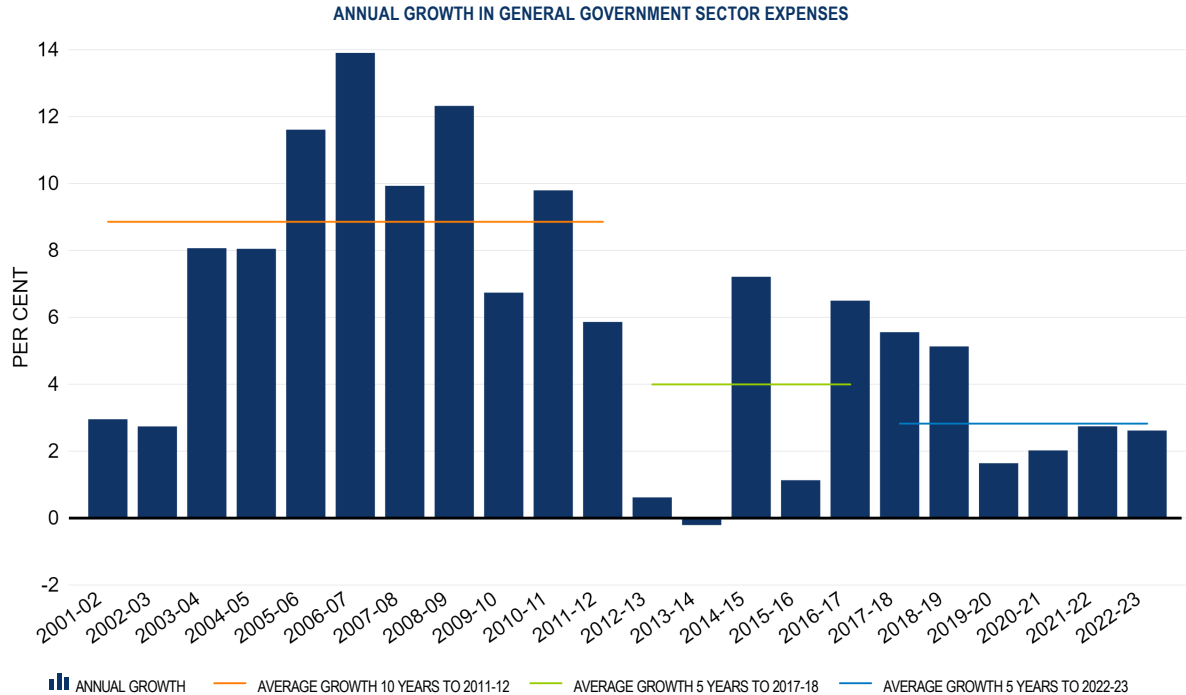
Distribution of GST

- 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

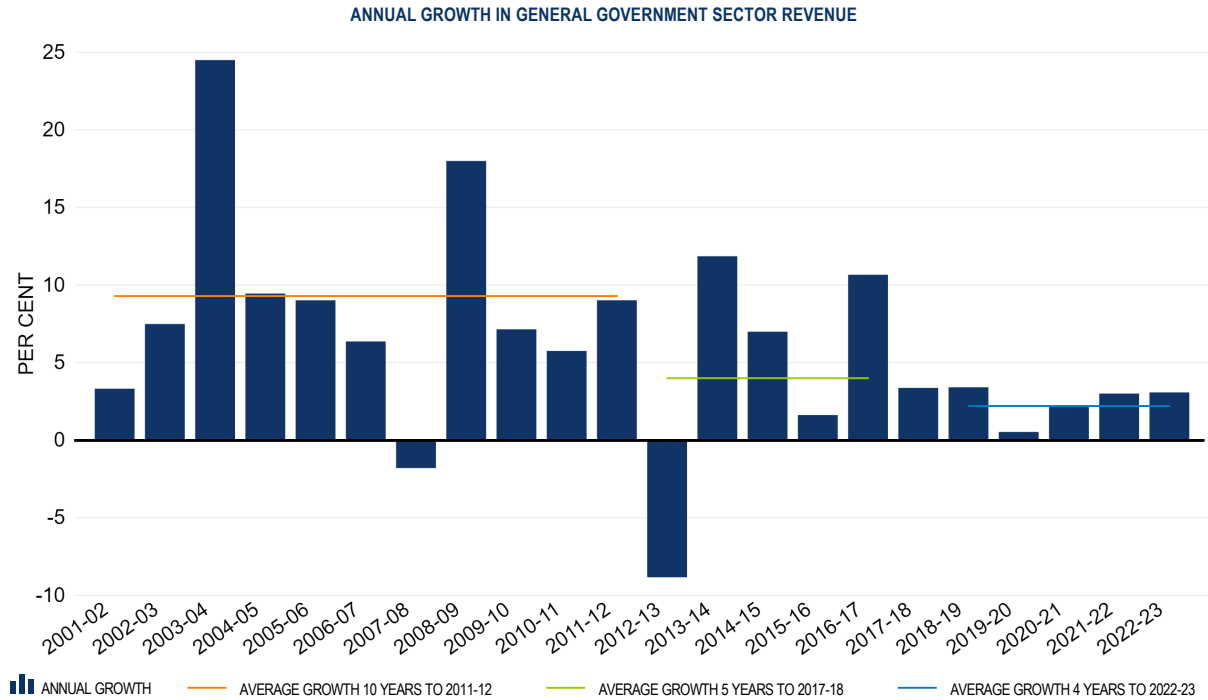


Queensland Government continues to focus on expense management



Data sources: Actuals data from Queensland Treasury. Forecasts and projections from the Queensland Government 2019-20 Budget.

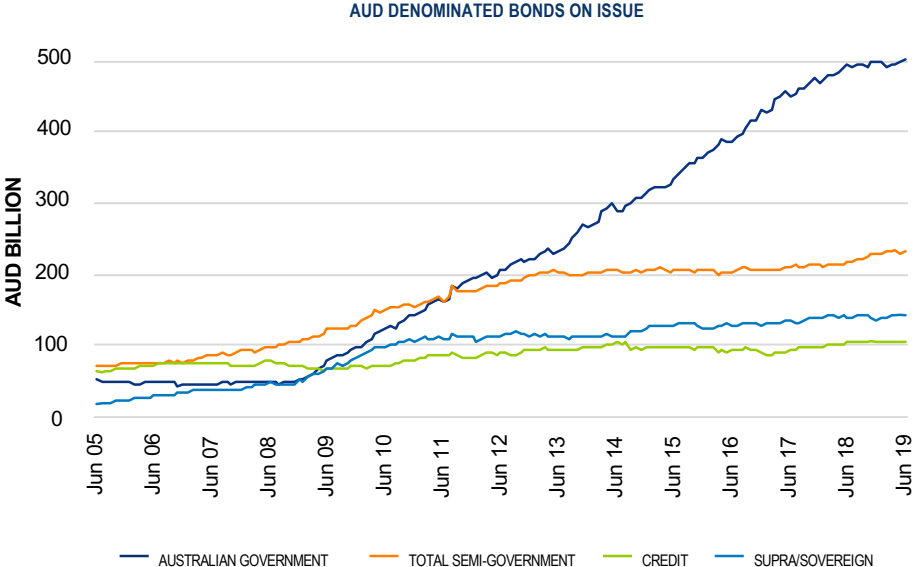
Consistent with global trends, revenue growth has slowed



Data sources: Actuals data from Queensland Treasury. Forecasts and projections from the Queensland Government 2019-20 Budget.

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 as at 30 June 2019.

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

Queensland's peers' credit ratings

Australian	Rating agency	
	S&P Global	MOODY'S
Queensland	AA+/Stable/A-1+	Aa1/Stable/P-1
Australian Capital Territory	AAA/Stable/A-1+	Rating withdrawn 20 August 2005 (from Aaa)
New South Wales	AAA/Stable/A-1+	Aaa/Stable/P-1
Northern Territory	Not rated by S&P	Aa3/Stable/--
South Australia	AA+/Stable/A-1+	Aa1/Stable/P-1
Tasmania	AA+/Stable/A-1+	Aa2/Stable/P-1
Victoria	AAA/Stable/A-1+	Aaa/Stable/P-1
Western Australia	AA+/Stable/A-1+	Aa1/Stable/P-1

As at 30 June 2019. According to information provided by S&P Global and Moody's.

Royalty assumptions

Coal royalty assumptions	2018-19 Est. Act.	2019-20 Budget	2020-21 Projection	2021-22 Projection	2022-23 Projection
Tonnages – crown export ¹ coal (Mt)	213	220	224	229	237
Exchange rate USD per AUD ²	0.72	0.72	0.73	0.73	0.73
Year average coal prices³					
Hard coking (USD)	206	179	153	150	150
Semisoft (USD)	153	138	121	118	118
Thermal (USD)	106	93	86	84	84
Year average oil prices					
Brent (USD per barrel) ⁴	69	69	68	67	66

¹ Excludes coal produced for domestic consumption and coal where royalties are not paid to the Government, i.e. private royalties. 2019-20 estimate for domestic coal volume is approximately 24.7 Mt and private coal is 9.4 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 2019-20 as follows: Hard coking US\$167/t and thermal US\$76/t. ⁴ Published Brent oil prices are lagged by one quarter to better align with royalty revenue.

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 as at 30 June 2019		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: 2020-2030 and 2033 A range of non-benchmark lines (e.g. Green Bonds, FRNs etc)	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 30 June 2019.

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



As at 30 June 2019.

* 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

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

US MTN

- ANZ Securities
- BofA Merrill Lynch
- Citi
- Commonwealth Bank of Australia
- Daiwa Capital Markets
- Deutsche Bank Securities
- JP Morgan Securities LLC
- NAB Securities, LLC
- RBC Capital Markets
- TD Securities
- UBS Investment Bank

As at 30 June 2019.

* 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

- ANZ Banking Group Limited
- Commonwealth Bank of Australia
- Deutsche Bank
- National Australia Bank Limited
- Westpac Banking Corporation

Euro CP

- Barclays
- BofA Merrill Lynch
- Citi
- UBS Investment Bank

US CP

- BofA Merrill Lynch
- Citi
- UBS Securities

As at 30 June 2019.

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

Glossary

ABS	Australian Bureau of Statistics	IWT	Interest withholding tax
AGG	Australian Government Guarantee	LNG	Liquefied natural gas
APRA	Australian Prudential Regulation Authority	(mv)	Market value
AUD	Australian dollar	MTN	Medium-term note
CGS	Commonwealth Government Securities	MYEFO	Mid-Year Economic and Fiscal Outlook
CIB	Capital indexed bond	MYFER	Mid-Year Fiscal and Economic Review
CP	Commercial paper	QIC	Queensland Investment Corporation
CPI	Consumer price index	QTC	Queensland Treasury Corporation
DTC	The Depository Trust Company	RBA	Reserve Bank of Australia
(fv)	Face value	RHS	Right hand side
GDP	Gross Domestic Product	SGG	State Government Guarantee (Queensland)
FRN	Floating rate note	T-Note	Treasury note
ISDA	International Swaps and Derivatives Association		

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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'.

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