

OVERVIEW OF DEBT & ASSETS MANAGED BY THE AOFM

Face Value (a)

By Instrument (i)	30 June 2008 (\$ millions)	31 December 2008 (\$ millions)	31 March 2009 (\$ millions)	30 June 2009 (\$ millions)	30 September 2009 (\$ millions)	31 December 2009 (\$ millions)
Debt and Swaps						
Physical debt						
- Treasury Bonds	-49,395	-51,802	-61,956	-78,403	-86,293	-96,795
- Treasury Indexed Bonds	-6,020	-6,020	-6,020	-6,020	-10,030	-9,615
- Treasury Notes	-	-	-3,400	-16,700	-11,899	-10,900
- Other miscellaneous domestic debt	-4	0	0	0	0	0
- Foreign loans	-6	-8	-8	-7	-6	-6
	<u>-55,425</u>	<u>-57,830</u>	<u>-71,384</u>	<u>-101,130</u>	<u>-108,228</u>	<u>-117,316</u>
Interest rate swaps						
- Swaps to receive fixed interest rates	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
- Fixed legs	21,850	17,650	10,475	2,425	1,750	1,350
- Floating legs	-21,850	-17,650	-10,475	-2,425	-1,750	-1,350
- Swaps to pay fixed interest rates	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
- Fixed legs	-1,300	-300	-	-	-	-
- Floating legs	1,300	300	-	-	-	-
	<u><i>n.a.</i></u>	<u><i>n.a.</i></u>	<u><i>n.a.</i></u>	<u><i>n.a.</i></u>	<u><i>n.a.</i></u>	<u><i>n.a.</i></u>
Debt portfolio (after swaps)	-55,425	-57,830	-71,384	-101,130	-108,228	-117,316
Assets						
Physical assets						
- Term deposits with the RBA	29,050	9,200	15,550	26,500	17,050	11,550
- State & territory government bonds	-	3,448	3,818	2,024	-	244
- Kangaroo bonds	-	615	266	-	-	-
- Negotiable certificates of deposit	-	1,900	-	1,000	2,250	1,500
- Bank accepted bills	-	-	-	-	-	-
- Housing advances to the States (ii)	3,253	3,253	3,253	3,162	3,162	3,162
- Communications Fund (iii)	2,403	2,482	-	-	-	-
- Residential mortgage backed securities	-	1,995	3,184	6,024	7,017	7,169
Total assets managed	<u>34,706</u>	<u>22,893</u>	<u>26,071</u>	<u>38,710</u>	<u>29,479</u>	<u>23,624</u>

(a) The values in the table are face or par value for debt and assets and, for interest rate swaps, the notional value (on which the interest coupons are calculated).

(i) Debt holdings include all Commonwealth Government Securities on issue; excluding those issued on behalf of the States and Territories or held by the Commonwealth, and overdues. This is not the same as Commonwealth general government gross debt, as published in the Budget Papers, which includes other liabilities including those not managed by the AOFM.

(ii) Loans by the Commonwealth to State and Territory Governments under various Commonwealth-State Housing Agreements.

(iii) The Communications Fund is not part of the AOFM Financial Statements, but was managed for the Department of Broadband, Communications, and the Digital Economy by the AOFM. The Communications Fund was closed on 1 January 2009 and the assets transferred to the Building Australia Fund.

n.a. Not applicable.

OVERVIEW OF DEBT & ASSETS MANAGED BY THE AOFM (continued)

Market Value (b)

By Instrument	30 June 2008 (\$ millions)	31 December 2008 (\$ millions)	31 March 2009 (\$ millions)	30 June 2009 (\$ millions)	30 September 2009 (\$ millions)	31 December 2009 (\$ millions)
Debt and Swaps						
Physical debt						
- Treasury Bonds (i)	-48,910	-57,657	-67,193	-81,264	-89,967	-99,565
- Treasury Indexed Bonds (ii)(x)	-9,461	-9,734	-9,924	-9,469	-9,500	-13,015
- Treasury Notes	-	-	-3,374	-16,565	-11,830	-10,837
- Other miscellaneous domestic debt (i)	-4	0	0	0	0	0
- Foreign loans (iii)	-7	-11	-11	-9	-8	-8
	<u>-58,382</u>	<u>-67,402</u>	<u>-80,502</u>	<u>-107,306</u>	<u>-111,305</u>	<u>-123,425</u>
Interest rate swaps (iv)						
- Swaps to receive fixed interest rates	-1,058	1,014	557	67	40	18
- Fixed legs	21,207	19,003	11,151	2,510	1,805	1,380
- Floating legs	-22,265	-17,989	-10,594	-2,443	-1,766	-1,363
- Swaps to pay fixed interest rates	17	1	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>
- Fixed legs	-1,309	-305	-	-	-	-
- Floating legs	1,327	306	-	-	-	-
	<u>-1,041</u>	<u>1,015</u>	<u>557</u>	<u>67</u>	<u>40</u>	<u>18</u>
Debt portfolio (after swaps)	-59,423	-66,387	-79,945	-107,240	-111,266	-123,407
Assets						
Physical assets						
- Term deposits with the RBA (v)	29,099	9,209	15,565	26,516	17,064	11,569
- State & territory government bonds (vi)	-	3,272	4,086	2,072	-	249
- Kangaroo bonds (vi)	-	645	295	-	-	-
- Negotiable certificates of deposit (vii)	-	1,895	-	998	2,242	1,488
- Bank accepted bills (vii)	-	-	-	-	-	-
- Housing advances to the States	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
- Communications Fund (viii)	2,381	2,468	-	-	-	-
- Residential mortgage backed securities (ix)	-	2,001	3,212	5,901	6,905	7,129
Total assets managed	<u>31,480</u>	<u>19,492</u>	<u>23,159</u>	<u>35,486</u>	<u>26,212</u>	<u>20,435</u>

(b) The market value measures the value of the assets and liabilities based on current market yields. The valuations are based on market close of business mid-market rates.

(i) Treasury Bonds and other miscellaneous domestic debt are valued using a discounted present value of cash flows methodology using a zero coupon curve based on overnight indexed swap rates and liquid Treasury Bond yields.

(ii) Treasury Indexed Bonds are valued using the RBA secondary market pricing formula and market yields to maturity.

(iii) Foreign loans are valued using a discounted present value of cash flows methodology using a zero coupon curve based on the US swap curve and expressed in AUD equivalent terms using an end of day exchange rate.

(iv) Interest rate swaps are valued using a discounted present value of cash flows methodology using a zero coupon curve based on the AUD swap curve.

(v) Holdings of term deposits with the RBA are valued using a discounted present value of cash flows methodology using a zero coupon curve based on AUD overnight indexed swap rates.

(vi) Investments in State & Territory government bonds and Kangaroo bonds are valued using a secondary market pricing formula and the end of day market yields used for the UBS Australian Bond Indices.

(vii) Negotiable certificates of deposit (NCDs) and bank accepted bills (BABs) are valued flat to the Bank Bill Swap (BBSW) curve.

(viii) The Communications Fund consisted mainly of NCDs and BABs. The Communications Fund investments have been generally valued flat to the BBSW curve.

(ix) For the 31 December 2008 figure close-out issuer margins have been applied. Investments in RMBS are valued using a secondary market pricing formula using BBSW and traded margins.

For investments for which reliable traded margin data is not available, the margins are assumed unchanged from those at the time of issue.

(x) The AOFM undertook a \$4 billion TIB issuance on 30 September 2009. Since it had not settled at this time, the increase in the market value of the liability is being offset by the proceeds receivable on this date.

OVERVIEW OF DEBT & ASSETS MANAGED BY THE AOFM (continued)

Market Value Sensitivity (c)

By Instrument	30 June 2008 (\$ millions)	31 December 2008 (\$ millions)	31 March 2009 (\$ millions)	30 June 2009 (\$ millions)	30 September 2009 (\$ millions)	31 December 2009 (\$ millions)
Debt and Swaps						
Physical debt						
- Treasury Bonds	18.77	24.97	28.15	32.83	37.53	40.29
- Treasury Indexed Bonds (i)	6.35	6.14	6.12	5.52	10.40	10.70
- Treasury Notes	-	-	0.10	0.45	0.21	0.16
- Other miscellaneous domestic debt	0.00	0.00	0.00	0.00	0.00	0.00
- Foreign loans	0.00	0.01	0.01	0.01	0.00	0.00
	25.13	31.11	34.38	38.81	48.15	51.16
Interest rate swaps						
- Swaps to receive fixed interest rates	-5.59	-5.14	-2.30	-0.07	-0.03	0.00
- Fixed legs	-6.09	-5.52	-2.52	-0.13	-0.07	-0.03
- Floating legs	0.50	0.39	0.22	0.06	0.04	0.03
- Swaps to pay fixed interest rates	0.02	0.00	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
- Fixed legs	0.04	0.00	-	-	-	-
- Floating legs	-0.02	0.00	-	-	-	-
	-5.57	-5.14	-2.30	-0.07	-0.03	0.00
Debt portfolio (after swaps)	19.55	25.97	32.08	38.74	48.12	51.15
Assets						
Physical assets						
- Term deposits with the RBA	-0.09	-0.01	-0.03	-0.08	-0.02	-0.02
- State & territory government bonds	-	-1.65	-1.69	-1.00	-	-0.03
- Kangaroo bonds	-	-0.17	-0.06	-	-	-
- Negotiable certificates of deposit	-	-0.01	-	-0.01	-0.02	-0.03
- Bank accepted bills	-	-	-	-	-	-
- Housing advances to the States	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
- Communications Fund	-0.03	-0.03	-	-	-	-
- Residential mortgage backed securities (ii)	-	-0.01	-0.02	0.00	-0.01	-0.02
Total assets managed	0	-1.89	-1.81	-1.08	-0.05	-0.10

(c) The sensitivity is measured as the change in market value that would result from a one basis point (0.01 percentage point) increase in all market yields. A positive number denotes a decrease in the market value of debt or an increase in the market value of assets, whereas a negative number denotes an increase in the market value value of debt or a decrease in the value of assets.

(i) The increase in market yields is taken to be reflected fully in real yields on TIBs with no change in inflation.

(ii) The sensitivity figure for RMBS investments measures the sensitivity to short term BBSW resetting on the investments. These investments also have a significant sensitivity to changes in the traded margin on these transactions as they have a fixed margin that applies over the life of these deals.

OVERVIEW OF DEBT & ASSETS MANAGED BY THE AOFM (continued)

Modified Duration (d)

By Instrument	30 June 2008	31 December 2008	31 March 2009	30 June 2009	30 September 2009	31 December 2009
Debt and Swaps						
Physical debt						
- Treasury Bonds	3.84	4.33	4.19	4.04	4.17	4.05
- Treasury Indexed Bonds (i)	6.71	6.30	6.17	5.83	10.95	8.22
- Treasury Notes	-	-	0.29	0.27	0.18	0.15
- Other miscellaneous domestic debt	0.04	0.00	0.00	0.00	0.00	0.00
- Foreign loans	6.39	6.38	6.31	6.00	5.96	5.72
	4.30	4.62	4.27	3.62	4.33	4.14
Interest rate swaps						
- Swaps to receive fixed interest rates	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
- Fixed legs	2.87	2.91	2.26	0.51	0.39	0.24
- Floating legs	0.22	0.22	0.21	0.25	0.22	0.24
- Swaps to pay fixed interest rates	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
- Fixed legs	0.31	0.07	-	-	-	-
- Floating legs	0.16	0.07	-	-	-	-
	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Debt portfolio (after swaps)	3.29	3.91	4.01	3.61	4.32	4.15
Assets						
Physical assets						
- Term deposits with the RBA	0.03	0.01	0.02	0.03	0.01	0.02
- State & territory government bonds	-	5.06	4.15	4.81	-	1.34
- Kangaroo bonds	-	2.64	2.15	-	-	-
- Negotiable certificates of deposit	-	0.06	-	0.05	0.10	0.18
- Bank accepted bills	-	-	-	-	-	-
- Housing advances to the States	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
- Communications Fund	0.11	0.13	-	-	-	-
- Residential mortgage backed securities (ii)	-	0.05	0.06	0.00	0.01	0.03
Total assets managed	0.04	0.97	0.78	0.30	0.02	0.05

(d) Modified duration represents the percentage change in market value that would arise for a 100 basis point (1 percentage point) increase in market yields.

(i) The increase in market yields is taken to be reflected fully in real yields on TIBs with no change in inflation.

(ii) The duration figure for RMBS investments measures the sensitivity to short term BBSW resetting on the investments. These investments also have a significant sensitivity to changes in the traded margin on these transactions as they have a fixed margin that applies over the life of these deals.

OVERVIEW OF DEBT & ASSETS MANAGED BY THE AOFM (continued)

Average Term to Repricing (e)

By Instrument	30 June 2008 (years)	31 December 2008 (years)	31 March 2009 (years)	30 June 2009 (years)	30 September 2009 (years)	31 December 2009 (years)
Debt and Swaps						
Physical debt						
- Treasury Bonds	5.00	5.21	5.06	5.09	5.22	5.06
- Treasury Indexed Bonds (i)	7.99	7.48	7.24	6.99	10.43	10.48
- Treasury Notes	-	-	0.29	0.28	0.18	0.15
- Other miscellaneous domestic debt	0.04	0.00	0.00	0.00	0.00	0.00
- Foreign loans	8.71	8.20	7.96	7.71	7.46	7.20
	5.32	5.44	5.02	4.41	5.15	5.05
Interest rate swaps						
- Swaps to receive fixed interest rates	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
- Fixed legs	3.55	3.31	2.53	0.53	0.40	0.25
- Floating legs	0.23	0.22	0.22	0.25	0.22	0.25
- Swaps to pay fixed interest rates	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
- Fixed legs	0.32	0.08	-	-	-	-
- Floating legs	0.17	0.08	-	-	-	-
	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Debt portfolio (after swaps)	4.02	4.50	4.68	4.40	5.15	5.05
Assets						
Physical assets						
- Term deposits with the RBA	0.03	0.01	0.02	0.03	0.02	0.02
- State & territory government bonds		5.05	4.87	6.01	-	1.42
- Kangaroo bonds		0.07	0.00	0.05	0.11	0.19
- Negotiable certificates of deposit						
- Bank accepted bills						
- Housing advances to the States	25.71	25.20	24.96	24.87	24.62	24.37
- Communications Fund	0.12	0.13	-	-	-	-
- Residential mortgage backed securities	-	0.05	0.05	0.04	0.04	0.04
Total assets managed	2.44	4.51	3.90	2.37	2.67	3.31

(e) The average term to repricing measures the average period to when the interest rate on assets and liabilities is reset. For fixed interest rate securities this is the maturity date when debt is refinanced and for floating interest rate securities this is the next interest rate reset date. The weighted average period to the repricing across portfolios is based on face value / notional value weightings.

(i) The calculation for TIBs reflects when the coupon is reset. It does not take account of Kt uplifts for inflation outcomes.

OVERVIEW OF DEBT & ASSETS MANAGED BY THE AOFM (continued)

Average Term to Maturity (f)

By Instrument	30 June 2008 (years)	31 December 2008 (years)	31 March 2009 (years)	30 June 2009 (years)	30 September 2009 (years)	31 December 2009 (years)
Debt and Swaps						
Physical debt						
- Treasury Bonds	5.00	5.21	5.06	5.09	5.22	5.06
- Treasury Indexed Bonds	7.99	7.48	7.24	6.99	10.43	10.48
- Treasury Notes	-	-	0.29	0.28	0.18	0.15
- Other miscellaneous domestic debt	0.03	0.00	0.00	0.00	0.00	0.00
- Foreign loans	8.71	8.20	7.96	7.71	7.46	7.20
	5.32	5.44	5.02	4.41	5.15	5.05
Interest rate swaps						
- Swaps to receive fixed interest rates	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
- Fixed legs	3.55	3.31	2.53	0.53	0.40	0.24
- Floating legs	3.55	3.31	2.53	0.53	0.40	0.24
- Swaps to pay fixed interest rates	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
- Fixed legs	0.32	0.08	-	-	-	-
- Floating legs	0.32	0.08	-	-	-	-
	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Debt portfolio (after swaps)	5.32	5.44	5.02	4.41	5.15	5.05
Assets						
Physical assets						
- Term deposits with the RBA	0.03	0.01	0.02	0.03	0.02	0.02
- State & territory government bonds		5.05	4.87	6.01	-	1.42
- Kangaroo bonds		0.07	0.00	0.05	0.11	0.19
- Negotiable certificates of deposit						
- Bank accepted bills						
- Housing advances to the States	25.71	25.20	24.96	24.87	24.62	24.37
- Communications Fund	0.12	0.13	-	-	-	-
- Residential mortgage backed securities (i)	-	31.38	31.01	30.92	30.71	30.49
Total assets managed	2.44	7.23	7.68	7.18	9.97	12.55

(f) The average term to maturity measures the average contractual term remaining on the debt, asset or interest rate swap instrument. The weighted average period to maturity across portfolios is based on face value / notional value weightings.

(i) The term to maturity reflects the legal maturity date for the RMBS issue. These securities typically pay down well ahead of the legal maturity date as the mortgages backing the security are repaid.