

QTC's Local Government Credit Rating and Outlook Definitions

RATINGS	
● Very Strong	The local government's capacity to meet its financial commitments in the short, medium and long-term is very strong. This capacity is very unlikely to be affected by adverse changes in general business and economic conditions including unforeseen financial shocks. It is also very unlikely to be affected by adverse changes to its business and operating environment. The capacity to manage core business risks is very strong.
● Strong	The local government's capacity to meet its financial commitments in the short, medium and long-term is strong. This capacity is not likely to be affected by adverse changes in general business and economic conditions including unforeseen financial shocks. It is also not likely to be affected by adverse changes to its business and operating environment. The capacity to manage core business risks is strong.
● Sound	The local government's capacity to meet its financial commitments in the short, medium and long-term is sound. This capacity may be more vulnerable to adverse changes in general business and economic conditions including unforeseen financial shocks. It may also be more vulnerable to adverse changes to its business and operational environment. The capacity to manage core business risks is sound.
● Moderate	The local government's capacity to meet its financial commitments is moderate in the short to medium-term but is at an acceptable level in the long-term. This capacity may be weakened by adverse changes in general business and economic conditions including unforeseen financial shocks. It may also be weakened by adverse changes to its business and operational environment. The capacity to manage core business risks is moderate.
● Weak	The local government's capacity to meet its financial commitments is weak in the short to medium-term and remains limited in the long-term. This capacity is likely to be weakened by adverse changes in general business and economic conditions including unforeseen financial shocks. It is also likely to be weakened by adverse changes to its business and operational environment. The capacity to manage core business risks is weak.
● Very Weak	The local government's capacity to meet its financial commitments is very weak in the short to medium-term, and is very limited in the long-term. This capacity is very likely to be impaired by adverse changes in general business and economic conditions including unforeseen financial shocks. It is also very likely to be impaired by adverse changes to its business and operational environment. The rating also indicates that the local government may experience difficulties in managing its core business risks and may need assistance from higher levels of government.
● Distressed	The local government has no capacity to meet its financial commitments in the short, medium and long-term. It has no capacity to withstand adverse changes in general business and economic conditions including unforeseen financial shocks. It also has no capacity to withstand adverse changes to its business and operating environment. The local government is unlikely to have the capacity to manage core business risks and may need structural reforms and assistance from higher levels of government.

A ratings outlook generally focuses on the potential movement in an entity's rating in the short term (ie, less than 24 months). Outlooks may be neutral, positive, negative or developing.

OUTLOOKS	
Neutral	Existing financial performance is consistent with the assigned rating. There are no known foreseeable events that would have a direct impact on the local government's capacity to meet its financial commitments. There is a low likelihood of a rating change over a one to two year period.
Positive	As a result of a foreseeable event or circumstance occurring, there is the potential for enhancement in the local government's capacity to meet its financial commitments (short and/or long-term). Such enhancement may result in a change in its rating over a one to two year period. However, it does not necessarily indicate that a rating change may be forthcoming.
Negative	As a result of a foreseeable event or circumstance occurring, there is the potential for deterioration in the local government's capacity to meet its financial commitments (short and/or long-term). Such deterioration may result in a change in its rating over a one to two year period. However, it does not necessarily indicate that a rating change may be forthcoming.
Developing	A single or a series of potential events or circumstances have been identified which indicate heightened probability of a significant direct impact on the financial sustainability of the local government, the final financial impact of which is uncertain. This means the rating may be raised, lowered or affirmed over the following one to two years.