Export Finance Australia

Financial Report

For the year ended 30 June 2022

Statement by Board Members and Chief Financial Officer

In the opinion of the members of the Board and the Chief Financial Officer of Export Finance Australia:

(a) the accompanying financial statements are drawn up to give a true and fair view of the performance of Export Finance Australia for the year ended 30 June 2022 and the financial position of Export Finance Australia at 30 June 2022;

(b) the financial statements have been prepared in accordance with Australian Accounting Standards (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);

(c) the financial statements have been prepared based on properly maintained financial records; and

(d) there are reasonable grounds to believe that Export Finance Australia will be able to pay its debts as and when they become due and payable.

Under section 62 of the *Export Finance and Insurance Corporation Act 1991 (EFIC Act)*, the Commonwealth guarantees the due payment by Export Finance Australia of any money payable by Export Finance Australia to third parties.

Signed in accordance with a resolution of the Board.

James M Millar AM
Chair
9 September 2022

Sonia Kammel
Chief Financial Officer
9 September 2022

John Hopkins
Managing Director & Chief Executive Officer
9 September 2022

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2022

		Commercial Account		National Interest Account	
	Note	**30 June 2022 $ m**	30 June 2021 $ m	**30 June 2022 $ m**	30 June 2021 $ m
Interest income	3(i)	**46.0**	54.4	**-**	-
Other interest income	3(ii)	**8.8**	9.4	**3.9**	5.6
Interest expense	3(iii)	**(40.1)**	(47.4)	**(10.7)**	(5.7)
Net interest income		**14.7**	16.4	**(6.8) -**	0.1
Fair value movement of third-party loans and guarantees	3(iv)	**36.0**	23.3	**-**	-
Fair value movement of other financial instruments	3(v)	**4.8**	(1.9)	**-**	-
Unrealised foreign exchange gain/(loss)		**(5.5)**	4.4	**1.0**	0.2
Other revenue	3(vi)	**3.6**	3.1	**33.9**	32.2
Operating income		**53.6**	45.3	**28.1**	32.3
Operating expenses	3(vii)	**(33.6)**	(27.6)	**(11.5)**	(4.5)
Expected credit loss	3(viii)	**-**	-	**(4.4)**	(12.0)
State tax equivalent charges	3(ix)	**(1.7)**	(1.5)	**-**	-
Net operating income		**18.3**	16.2	**12.2**	15.8
Specific provision	3(x)	**-**	-	**(3.6)**	14.7
Profit before tax equivalent		**18.3**	16.2	**8.6**	30.5
Income tax equivalent charge		**(5.5)**	**(4.9)**	**-**	-
Profit from ordinary activities		**12.8**	11.3	**8.6**	30.5
National Interest Account attributable directly to the Commonwealth		**-**	-	**(8.6)**	(30.5)
Net profit available to the Commonwealth		**12.8**	11.3	**-**	-
Other comprehensive income					
Items not subject to subsequent reclassification to profit or loss:					
Gain on revaluation of land and buildings	10	**37.0**	-	**-**	-
Total other comprehensive (loss)/income for the period		**37.0**	-	**-**	-
Total comprehensive income for the period available to the Commonwealth		**49.8**	11.3	**-**	-

The accompanying notes form an integral part of the financial statements.

Statement of Financial Position

as at 30 June 2022

		Commercial Account		National Interest Account	
	Note	**30 June 2022 $ m**	30 June 2021 $ m	**30 June 2022 $ m**	30 June 2021 $ m
Assets					
Cash and cash at bank	1(i)	**19.0**	12.6	**-**	-
Receivables from other financial institutions	4, 1(j)	**641.4**	137.5	**2,506.5**	-
Investment securities at amortised cost	6, 1(k)	**891.7**	856.0	**-**	-
Loans and receivables at amortised cost	7, 1(l)	**0.1**	-	**556.9**	398.6
Loans and receivables designated at fair value through profit or loss	8, 1(m)	**1,100.8**	1,226.9	**-**	-
Loans to National Interest Account designated at fair value through profit or loss	1(n)	**550.3**	390.2	**-**	-
Derivative financial assets	9, 1(o)	**23.3**	66.5	**-**	-
Property, plant and equipment	10, 1(p)	**143.2**	108.8	**-**	-
Other financial assets	11	**19.8**	18.3	**4.3**	6.3
Total assets		**3,389.6**	2,816.8	**3,067.7**	404.9
Liabilities					
Payables to other financial institutions	12, 1(q)	**-**	-	**2,511.4**	-
Amounts payable to the Commonwealth	5	**-**	-	**0.2**	15.5
Borrowings from Commercial Account at amortised cost	24, 1(r)	**-**	-	**552.2**	389.2
Borrowings designated at fair value through profit or loss	13, 1(s)	**2,379.3**	2,105.7	**-**	-
Guarantees designated at fair value through profit or loss	14, 1(t)	**8.5**	4.8	**-**	-
Derivative financial liabilities	9, 1(o)	**340.5**	96.6	**-**	-
Sundry provisions and allowances	15	**14.5**	15.2	**1.5**	-
Other financial liabilities	16	**59.9**	51.7	**2.4**	0.2
Total liabilities		**2,802.7**	2,274.0	**3,067.7**	404.9
Net assets		**586.9**	542.8	**-**	-
Equity					
Contributed equity		**206.0**	206.0	**-**	-
Reserves		**227.5**	190.5	**-**	-
Retained profits		**153.4**	146.3	**-**	-
Total equity		**586.9**	542.8	**-**	-

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity

for the year ended 30 June 2022

Commercial Account	Retained Profits $ m	Asset Revaluation Reserves $ m	Other Reserves $ m	Contributed Equity $ m	Total Equity $ m
Opening balance as at 30 June 2021	**146.3**	**124.3**	**66.2**	**206.0**	**542.8**
Comprehensive income					
Other comprehensive income	-	**37.0**	-	-	**37.0**
Profit for the period	**12.8**	-	-	-	**12.8**
Total comprehensive income	**12.8**	**37.0**	-	-	**49.8**
Transactions with the Commonwealth					
Dividends paid	**(5.7)**	-	-	-	**(5.7)**
Closing balance available to the Commonwealth as at 30 June 2022	**153.4**	**161.3**	**66.2**	**206.0**	**586.9**

Commercial Account	Retained Profits $ m	Asset Revaluation Reserves $ m	Other Reserves $ m	Contributed Equity $ m	Total Equity $ m
Opening balance as at 30 June 2020	140.6	124.3	66.2	206.0	537.1
Comprehensive income					
Profit for the period	11.3	-	-	-	11.3
Total comprehensive income	**11.3**	**-**	**-**	**-**	**11.3**
Transactions with the Commonwealth					
Dividends paid	(5.6)	-	-	-	(5.6)
Closing balance available to the Commonwealth as at 30 June 2021	**146.3**	**124.3**	**66.2**	**206.0**	**542.8**

The accompanying notes form an integral part of the financial statements.

The above tables are for the Commercial Account only as the National Interest Account holds no equity.

Contributed equity comprises of $6 million of capital advanced by the Commonwealth in November 1991 and an equity injection of $200 million paid in July 2014 that restored the capital base following a $200 million special dividend paid in June 2013.

In addition to the contributed equity, section 54 of the EFIC Act provides for $1.2 billion of callable capital from the Commonwealth, which to date has never been called.

Other reserves of $66.2 million represent other net assets transferred from the Australian Trade Commission on 1 November 1991.

As agreed with the Minister for Trade, Tourism and Investment (Minister), Export Finance Australia paid a dividend for the year ended 30 June 2021 based on the recommendation from the Board that 50% of the 2020–21 profit be paid as a dividend, and accordingly a dividend of $5.7 million was paid in January 2022.

Statement of Cash Flows

for the year ended 30 June 2022

	Note	Commercial Account 30 June 2022 $ m	Commercial Account 30 June 2021 $ m	National Interest Account 30 June 2022 $ m	National Interest Account 30 June 2021 $ m
Cash flows from operating activities					
Inflows:					
Premium and fees received*		**46.5**	44.1	**15.0**	15.3
Interest received		**52.6**	70.5	**2.7**	10.4
Insurance claim recoveries		**0.1**	0.1	**18.5**	19.4
Sundry income*		**3.7**	3.2	**-**	-
Net Repayments/(disbursements) of loans		**72.4**	289.7	**(144.5)**	383.0
Decrease in other debtors and prepayments		**2.7**	13.9	**-**	-
Net Increase/(decrease) in payables to the Commonwealth		**-**	-	**1.1**	(0.1)
Outflows:					
Premiums paid to reinsurers (net of commissions)		**(2.1)**	(2.7)	**-**	-
Interest and other costs of finance paid		**(35.7)**	(51.3)	**(4.9)**	(10.9)
Payments to creditors and employees*		**(38.3)**	(30.1)	**(3.8)**	-
* Grossed up for Goods and Services Tax					
Net cash from/(used by) operating activities	24	**101.9**	337.4	**(115.9)**	417.1
Cash flows from investing activities					
Inflows:					
Proceeds from investment securities		**1,093.5**	713.9	**-**	-
Outflows:					
Payments for investment securities		**(1,128.9)**	(831.9)	**-**	-
Payments for property, plant and equipment		**(0.8)**	(0.5)	**-**	-
Net cash from/(used by) investing activities		**(36.2)**	(118.5)	**-**	-
Cash flows from financing activities					
Inflows:					
Proceeds from payables to other financial institutions	24	**16.1**	124.7	**3,750.7**	-
Proceeds from other borrowings	24	**4,264.5**	4,325.3	**184.7**	105.7
Proceeds from derivatives	24	**3,523.6**	4,376.3	**-**	-
Receipts from the Commonwealth		**-**	-	**8.8**	7.0
Receipts from National Interest Account		**5.0**	5.3	**-**	-
Receipts from other Commonwealth entities		**1.8**	2.3	**-**	-
Outflows:					
Repayments of payables to other financial institutions	24	**(16.1)**	(129.5)	**(1,370.5)**	-
Repayments of other borrowings	24	**(3,889.2)**	(4,466.8)	**(39.9)**	(489.4)
Repayments of derivatives	24	**(3,469.5)**	(4,594.6)	**-**	-
Dividend payments to the Commonwealth		**(5.7)**	(5.6)	**-**	-
Other payments to the Commonwealth		**(7.9)**	(7.2)	**(32.7)**	(35.1)
Payments to Commercial Account		**-**	-	**(5.0)**	(5.3)
Net cash from/(used by) financing activities		**422.6**	(369.8)	**2,496.1**	(417.1)
Net increase/(decrease) in cash and cash equivalents held		**488.3**	(150.9)	**2,380.2**	-
Cash and cash equivalents at beginning of financial year		**150.1**	334.1	**-**	-
Net effects of exchange rate changes on cash and cash equivalent balances held in foreign currencies		**22.0**	(33.1)	**126.3**	-
Cash and cash equivalents at end of financial year	23	**660.4**	150.1	**2,506.5**	-

The accompanying notes form an integral part of the financial statements.

Notes to the financial statements

for the year ended 30 June 2022

Note 1 Summary of Significant Accounting Policies

Export Finance Australia (formerly known as the Export Finance and Insurance Corporation or Efic) is the Australian Government's export credit agency. We were established under the *Export Finance and Insurance Corporation Act 1991 (EFIC Act)* and are defined as a corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013 (PGPA Act).* Export Finance Australia is part of the Department of Foreign Affairs and Trade portfolio of agencies, and reports to the Minister for Trade, Tourism and Investment (the Minister).

In recent years, the Government has enhanced Export Finance Australia's mandate to enable us to support a wider range of exporters, assist other government entities, and finance overseas infrastructure development.

These changes have complemented and enhanced Export Finance Australia's core export-focused mandate and enable us to use our specialist financing capabilities to support broader government policy initiatives.

We are a corporate Commonwealth entity with an independent Board who are responsible for managing the affairs of Export Finance Australia. This includes determining strategy, defining risk appetite and monitoring performance.

The continued existence of Export Finance Australia in its present form is dependent on Government policy.

(a) Basis of preparation of the Financial Statements

The financial report has been prepared to assist the Directors of Export Finance Australia in complying with the financial reporting requirements with respect to the U.S. Programme for the Issuance of Debt Instruments.

The financial statements have been prepared in accordance with:

- the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period; and
- International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements are presented in Australian dollars and amounts are rounded to the nearest $0.1 million unless otherwise stated.

Export Finance Australia operates two separate accounts; (i) the Commercial Account and (ii) the National Interest Account. The results of these accounts are reported separately in the financial statements.

(i) Business undertaken on the Commercial Account

The majority of financial assets and liabilities on the Commercial Account are measured at fair value due to the way derivatives are used to hedge risk. Changes in fair value are taken through profit or loss. Some assets and liabilities, however, are measured at amortised cost. Typically, these transactions either qualify for hedge accounting, are receivables from other financial institutions, are investments in securities, or the transactions are short term and derivatives are not used to hedge the risk.

The Commercial Account operates on a for-profit basis and bears all the risks for those business activities undertaken under Part 4 of the EFIC Act.

(ii) Business undertaken on the National Interest Account

All financial assets and liabilities on the National Interest Account are currently measured at amortised cost.

The National Interest Account operates on an approval or direction from the Minister for Trade, Tourism and Investment (Minister) enabling Export Finance Australia to undertake business activities under Part 5 of the EFIC Act, which the Minister considers to be in the 'national interest'. Such activities may relate to a class of business which Export Finance Australia is not authorised to undertake, or involve terms and conditions Export Finance Australia would not accept in the normal course of business. Where the Minister directs Export Finance Australia to undertake a business activity under Part 5 of the EFIC Act, the credit risk is borne by the Commonwealth. The funding risk, however, is borne by the Commercial Account. The Commercial Account is compensated for this funding risk by retaining the difference between the actual borrowing rate and an agreed benchmark rate for funding loans on the National Interest Account. Premium or other income derived from the business activity on the National Interest Account is paid to the

The Commercial Account recovers from the Commonwealth, the costs of administering business undertaken under Part 5 and any losses incurred in respect of such business.

The EFIC Act also allows the Commercial Account to share part of a National Interest Account business activity. In such cases, income and expenses are apportioned between the two accounts in accordance with the risk participation.

Notes to the financial statements

for the year ended 30 June 2022

Note 1 Summary of Significant Accounting Policies

(b) New Australian Accounting Standards (AAS)

Consistent with government policy, no accounting standard has been adopted earlier than the application date as stated in the standard. There has been no new standards that have an application date for this financial year that affect the financial statements.

AASB 9

Export Finance Australia has historically used LIBOR-based prices in several customer, borrowing, investments and derivative arrangements. Export Finance Australia closely matched its LIBOR-based assets and liabilities to lock in margins. Accordingly changes in LIBOR had minimal impact on margin. Export Finance Australia is in the process of replacing LIBOR with regulator approved alternative reference rates that will change the basis used to determine the contractual cash flows for financial assets and liabilities. The impact of the changes are still being assessed.

(c) Recognition of income and expenses

For the Commercial Account, revenue and expenses are recognised and measured at the fair value of the consideration received/paid or receivable/payable, to the extent it is probable that the economic benefits will flow and the revenue or expense can be reliably measured.

National Interest Account income and expense is at amortised cost, and recognised in the financial statements as earned or incurred from the date of attachment of risk and taken through the profit or loss using the effective interest method.

(d) Operating segments

Export Finance Australia operates its specialist financing activities through a single business segment - Export and Infrastructure Finance. Export Finance includes support for SME customers as well as larger corporate and sovereign customers by providing them with loans, bonds, guarantees and insurance products.

(e) Unamortised grants income on the National Interest Account

Unamortised grants income is comprised of funds previously provided from the Commonwealth's overseas aid appropriations. The Commonwealth provided overseas aid funds under a mixed credit scheme to assist developing countries to undertake high-priority public sector projects. The mixed credit grant, which is administered by Export Finance Australia on the National Interest Account, was blended with funding at commercial rates under Export Finance Australia's export finance facility to provide a 'soft loan' package to finance the project in the developing country and is known as the Development Import Finance Facility.

The mixed credit grant is amortised over the life of the loan to cover the difference between Export Finance Australia's commercial borrowing costs and the lower interest income earned on the loan using the effective interest method. The unamortised balance is included in the Statement of Financial Position of the National Interest Account as an offset to loan assets.

The Commonwealth discontinued the mixed credit scheme in 1996. One loan remains under this scheme, and the balance outstanding on this loan is shown in Note 7.

(f) Foreign currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables at reporting date are translated at exchange rates prevailing at reporting date.

All exchange gains and losses are brought to account in determining profit or loss for the year.

The principal exchange rates affecting the statement of financial position are the US dollar and the euro. The relevant exchange rates used are:

	2022	2021
Average rates during year		
US$ / A$	**0.7257**	0.7466
Euro / A$	**0.6437**	0.6259
Rates at 30 June		
US$ / A$	**0.6877**	0.7510
Euro / A$	**0.6587**	0.6312

Notes to the financial statements

for the year ended 30 June 2022

Note 1 Summary of Significant Accounting Policies

(g) Taxation

Under section 63 of the EFIC Act, Export Finance Australia is not subject to income tax and a number of other taxes. Under section 63A, Export Finance Australia is subject to tax-equivalent payments under competitive neutrality arrangements as outlined below.

Export Finance Australia is also subject to Goods and Services Tax (GST) and Fringe Benefits Tax (FBT). Revenues, expenses and assets are recognised net of the amount of GST, except:

- where the amount of GST incurred is not recoverable as an input tax credit from the Australian Taxation Office, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and

- the net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of the receivables, payables or commitments.

(h) Competitive neutrality

The competitive neutrality arrangements impose a mandatory obligation on Export Finance Australia to pay amounts as determined by the Minister each financial year.

Under section 61A of the EFIC Act, a direction dated 18 June 2015 by the Minister requires Export Finance Australia to pay a debt neutrality charge to the Commonwealth that consists of:

- a payment of 10 basis points on Export Finance Australia's cost of borrowing, which applies to all new borrowings and to existing debt that is rolled over or refinanced.

- On 31 January 2020, the Minister advised Export Finance Australia that the debt neutrality charge would no longer apply to new borrowings on the National Interest Account. The charge now applies to new borrowings on the Commercial Account and all existing Commercial Account debt that is rolled over or refinanced.

Under section 63A of the EFIC Act, a direction dated 18 June 2015 by the Minister requires Export Finance Australia to pay a tax-equivalent payment to the Commonwealth that consists of:

- a payment in lieu of Commonwealth income tax at 30% of accounting profits, and realised capital gains;

- a payment in lieu of New South Wales payroll tax calculated at 4.85% above the relevant threshold; and

- a payment in lieu of New South Wales land tax calculated at 2% above the relevant threshold.

(i) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand, bank account balances, and short term investments.

(j) Receivables from other financial institutions

Receivables from other financial institutions include overnight deposits and short-term fixed deposits with banks and other financial institutions. These are measured at amortised cost.

(k) Investment securities at amortised cost

The reason for holding investments is to collect the contractual cash flows which are 'solely payments of principal and interest on the principal amount outstanding'. Export Finance Australia's business model is to hold these financial assets until maturity. Investments may be sold due to credit quality issues and in limited cases for cash requirements. They are short-term, medium-term and long-term government, bank and other debt securities and include bonds, bills of exchange, commercial paper and certificates of deposit. Interest income is taken up using the effective interest method. They are carried at amortised cost.

Notes to the financial statements
for the year ended 30 June 2022

Note 1 Summary of Significant Accounting Policies

(l) Loans and receivables at amortised cost

On the Commercial Account, transactions that are recorded at amortised cost are floating rate loans and short-term loans. These transactions are physically hedged and derivatives are not used to hedge the risk. As such the amortised value approximates their fair value. Loans measured at amortised cost are evaluated for impairment using an expected credit loss model.

On the National Interest Account, export finance loans and rescheduled credit insurance debts are carried at amortised cost. The recoverable amount is represented by the gross value of the outstanding balances, adjusted by expected credit loss, specific provisions for impairment, deferred income, unearned premium, and unamortised grants (see Note 1(e)). Unearned premiums and deferred income received in cash at the start of the loan are brought to income on an effective yield basis over the life of the loan by reducing the carrying amount. Interest income is recognised using the effective interest method. A loan or receivable is recognised as impaired when it is likely that the debt will not be recovered in full. In this instance a specific provision will be created for the impairment.

Historically, there was no expected credit loss on the National Interest Account as the Commonwealth fully reimburses Export Finance Australia for any losses. However, as a result of the addition of the COVID-19 Facility which changed the risk profile of the National Interest Account, an expected credit loss is now recognised for National Interest Account exposures.

(m) Loans and receivables designated at fair value through profit or loss

Export finance loans and rescheduled credit insurance debts held on the Commercial Account are designated at fair value through profit or loss. They are designated at fair value as this designation significantly reduces the accounting mismatch that would otherwise arise from measuring the asset on a different basis from derivatives that have been entered into to hedge the transactions. Interest income through profit or loss is recorded using the effective interest method, which forms part of the fair value calculation. Movement in fair value for premium, reinsurance, residual margin, interest income and credit risk is recorded separately through profit or loss. For more detail on the fair value calculation, refer to Note 19.

(n) Loans to National Interest Account designated at fair value through profit or loss

The Commercial Account funds most of the loans on the National Interest Account from the pool of borrowings and this funding is recorded in the Commercial Account at fair value through profit or loss. For more detail, on the fair value calculation, refer to Note

(o) Derivative financial instruments

Export Finance Australia uses derivative financial instruments on the Commercial Account to manage exposures to interest rate and foreign exchange risk. These include foreign exchange contracts, interest rate and cross-currency swaps, and forward rate agreements. Derivatives are initially recognised at fair value on the date a derivative is entered into and are subsequently remeasured to their fair value at each reporting date. Derivatives are carried as assets when their fair value is positive (in the money) and as liabilities when their fair value is negative (out of the money). Any gains and losses arising from changes in the fair value of derivatives, except those that qualify for hedge accounting, are taken through profit or loss. For more details on the fair value calculation, refer to Note 19.

Notes to the financial statements
for the year ended 30 June 2022

Note 1 Summary of Significant Accounting Policies

(p) Property, plant and equipment

Property, plant and equipment are revalued periodically to fair value to ensure that the carrying amounts of assets do not differ materially from the assets fair value at the reporting date.

The valuation of property, comprising land and buildings, is made by an independent registered valuer based on an income approach and discounted cash flow analysis with reference to its highest and best use.

The valuation of plant and equipment is based on internal assessment by management to ensure that the carrying amounts do not differ materially from their fair value.

Revaluation increments are credited directly to the asset revaluation reserve and any subsequent decreases are written back against the asset revaluation reserve. On revaluation, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Property, plant and equipment, other than freehold land, is depreciated over their estimated useful economic lives using the straight-line method.

Depreciation rates used are as follows:

· building	3.0% pa
· computer equipment	33.3% pa
· other plant and equipment	10.0-22.5% pa

The profit or loss on disposal of property, plant and equipment is taken into account in determining the result for the year.

(q) Payables to other financial institutions

Payables to other financial institutions are short-term borrowings with banks and other financial institutions and are measured at amortised cost. They can be on both Commercial Account and also the National Interest Account if the funding is borrowed on a direct basis for an National Interest loan rather than from the pool of funds.

(r) Borrowings from Commercial Account

The National Interest Account loans that are funded from the Commercial Account borrowing pool are borrowed from the Commercial Account at an agreed benchmark rate and these borrowings are recorded in the National Interest Account at an amount equal to the net proceeds received. Interest expense is recognised using the effective interest method.

(s) Borrowings designated at fair value through profit or loss

Commercial paper, medium-term notes, bonds and structured bonds (which may have embedded derivatives) are designated at fair value through profit or loss. They are designated at fair value as this designation significantly reduces the accounting mismatch that would arise from measuring the liability on a different basis from derivatives that have been entered into to hedge the transactions. Interest expense in the profit or loss is recorded using the effective interest method, which forms part of the fair value calculation. The movement in fair value is recorded separately through profit or loss. For more details on the fair value calculation, refer to Note 19.

(t) Guarantees designated at fair value through profit or loss

Guarantees, medium-term insurance, bonds and political risk insurance transactions are regarded as financial instruments under accounting standards. These are designated at fair value through profit or loss at inception. Subsequently, they are carried at their fair value with any movements transferred through profit or loss. For more details on the fair value calculation, refer to Note 19.

Notes to the financial statements

for the year ended 30 June 2022

Note 1 Summary of Significant Accounting Policies

(u) Employee entitlements

Provisions for annual leave and long service leave have been established to provide for amounts expected to be paid to employees based on their entitlements. Where applicable, the entitlements take into account prior government service.

The provision for annual leave is based on the value of actual entitlements at reporting date. Long service leave is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date and discounted using appropriate market yields at reporting date.

Export Finance Australia makes contributions to the Commonwealth Superannuation Scheme (CSS) and Public Sector Superannuation Scheme (PSS) and its obligation is limited to a required annual contribution as determined by the actuaries of the superannuation plans administered by the Commonwealth. Accordingly, the plans are accounted for as defined contribution plans. The liability for defined benefits are recognised in the financial statements of the Australian Government and are settled by the Australian Government in due course.

Export Finance Australia staff can also be members of superannuation funds held outside the Australian Government. Export Finance Australia makes employer contributions to these funds as per the superannuation guarantee contribution rate. The liability for superannuation recognised as at 30 June represents outstanding contributions.

(v) Sundry creditors

Creditors and other financial liabilities are recognised when Export Finance Australia becomes obliged to make future payments resulting from the purchase of goods or services.

(w) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents includes cash on hand and at bank, and deposits with financial institutions, to maintain liquidity.

(x) Contingencies and commitments - assets and liabilities

Where, as a result of past events, there is a possible asset or liability whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Export Finance Australia, this will be disclosed as a contingent asset or contingent liability. When the inflow of economic benefits is probable, but not virtually certain, a contingent asset is recognised. When the outflow of economic benefits is probable, a contingent liability is recognised.

Commitments to provide financial facilities are contractually based. For loans and funded guarantees, Export Finance Australia has committed to lend a fixed amount and any undrawn amounts under these facilities are shown as commitments. For guarantees and bonds, Export Finance Australia has committed to cover a fixed exposure and any undrawn amounts under these facilities are shown as commitments.

(y) Events after the reporting period

The Government has committed to provide a financing package through Export Finance Australia (EFA) of USD1.33bn to support Telstra's Digicel acquisition, consistent with Australia's longstanding commitment to growing quality investment in regional infrastructure. This package will include debt and equity like securities designed to secure the Government a long-term return on its financing. This facility had not reached financial close prior to 30th June 2022 and so not included in the financial figures. This facility has subsequentially reached financial close in July 2022.

Notes to the financial statements

for the year ended 30 June 2022

Note 2 Significant accounting judgements, estimates and assumptions

In applying accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the financial statements.

All judgements, estimates and assumptions made are believed to be reasonable, based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of the financial statements are outlined below.

Impairment of investment securities at amortised cost

Export Finance Australia holds a number of investment securities. A review of these investments has been undertaken for the year ended 30 June 2022 and it has been determined that no investment is considered to be impaired. These investments have a maturity of less than three years and are held with Australian Authorised Deposit-taking institutions (ADIs) rated BBB- or above, or foreign financial institutions rates AA- or above.

Property, plant and equipment

The valuation of land and buildings is based on an independent assessment by a registered valuer every three (3) years. The valuation is based on an income approach and discounted cash flow analysis with reference to its highest and best use. A valuation was undertaken this year and the details are in Note 10.

The valuation of plant and equipment is based on an internal assessment by management to ensure that the carrying amounts do not differ materially from their fair value.

The depreciation rate on the building has been evaluated and 33 years (3.0%) is considered the appropriate rate.

Fair value of financial instruments

Where financial instruments have a price quoted in an active market, this is its fair value.

Where the fair value of financial instruments cannot be determined from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The valuation of financial instruments is described in more detail in Note 19.

There have been no significant changes in accounting judgements and assumptions in the current financial year.

		Commercial Account		National Interest Account	
		30 June 2022	30 June 2021	**30 June 2022**	30 June 2021
	Note	**$ m**	$ m	**$ m**	$ m
Note 3 Revenue and Expenses					
(i) Interest income					
Loans and receivables designated at fair value through profit or loss		**12.4**	11.5	**-**	-
Loans to National Interest Account designated at fair value through profit or loss		**2.2**	4.5	**-**	-
Derivative financial instruments receivable		**31.4**	38.4	**-**	-
Total interest income		**46.0**	54.4	**-**	-
(ii) Other interest income					
Receivables from other financial institutions		**1.4**	0.7	**0.2**	-
Investment securities at amortised cost		**7.4**	8.7	**-**	-
Loans at amortised cost		**-**	-	**3.7**	5.6
Total other interest income		**8.8**	9.4	**3.9**	5.6
(iii) Interest expense					
Payables to other financial institutions		**(0.3)**	(0.2)	**(7.0)**	-
Borrowings from Commercial Account at amortised cost		**-**	-	**(3.7)**	(5.7)
Borrowings designated at fair value through profit or loss		**(28.6)**	(34.9)	**-**	-
Derivative financial instruments payable		**(10.1)**	(10.8)	**-**	-
Debt neutrality charge		**(1.1)**	(1.5)	**-**	-
Total interest expense		**(40.1)**	(47.4)	**(10.7)**	(5.7)
(iv) Fair value movement of third-party loans and guarantees					
Net premium and fees		**33.9**	39.6	**-**	-
Reinsurance		**0.3**	-	**-**	-
Interest		**(6.4)**	(0.6)	**-**	-
Credit risk		**17.1**	(12.2)	**-**	-
Claims paid		**-**	(3.4)	**-**	-
Specific events		**(8.9)**	(0.1)	**-**	-
Total fair value movement of third-party loans and guarantees		**36.0**	23.3	**-**	-
(v) Fair value movement of other financial instruments					
Loans to National Interest Account designated at fair value through profit or loss		**(3.8)**	(2.6)	**-**	-
Borrowings designated at fair value through profit or loss		**164.8**	40.9	**-**	-
Derivative financial instruments		**(156.2)**	(40.2)	**-**	-
Total fair value movement of other financial instruments		**4.8**	(1.9)	**-**	-

Notes to the financial statements

for the year ended 30 June 2022

		Commercial Account		National Interest Account	
		30 June 2022	30 June 2021	30 June 2022	30 June 2021
	Note	$ m	$ m	$ m	$ m
Note 3 Revenue and Expenses					
(vi) Other revenue					
Premium and fees		-	-	**15.4**	14.7
Rental income		**3.3**	2.8	-	-
Sundry income		**0.2**	0.2	-	-
Recoveries from credit insurance		**0.1**	0.1	**18.5**	17.5
Total other revenue		**3.6**	3.1	**33.9**	32.2
(vii) Operating expenses					
Employee costs		**(22.2)**	(19.9)	-	-
Professional fees		**(4.5)**	(2.6)	**(5.8)**	-
Depreciation and amortisation		**(3.4)**	(3.7)	-	-
Superannuation costs		**(2.4)**	(1.9)	-	-
Computer and communication costs		**(1.7)**	(1.7)	-	-
Provision for employee entitlements		**(1.5)**	(0.7)	-	-
Property costs		**(1.3)**	(1.2)	-	-
Advertising and promotional costs		**(1.2)**	(0.8)	-	-
Insurance		**(0.9)**	(0.5)	-	-
Credit information		**(0.7)**	(0.5)	-	-
Other expenses		**(1.1)**	(0.9)	-	-
National Interest Account recovery/(expense)		**5.7**	4.5	**(5.7)**	(4.5)
Recovery from other Commonwealth entities		**1.6**	2.3	-	-
Total operating expenses		**(33.6)**	(27.6)	**(11.5)**	(4.5)
(viii) Expected credit loss					
Expected credit loss		-	-	**(4.4)**	(12.0)
Total expected credit loss		-	-	**(4.4)**	(12.0)
(ix) State tax-equivalent charges					
Payroll tax-equivalent charge		**(1.2)**	(1.0)	-	-
Land tax-equivalent charge		**(0.5)**	(0.5)	-	-
Total state tax-equivalent charges		**(1.7)**	(1.5)	-	-
(x) Specific provision					
Specific provision		-	-	**(3.6)**	16.4
Write offs		-	-	-	(1.7)
Total specific provision		-	-	**(3.6)**	14.7

Notes to the financial statements

for the year ended 30 June 2022

		Commercial Account		National Interest Account	
		30 June 2022	30 June 2021	**30 June 2022**	30 June 2021
	Note	**$ m**	$ m	**$ m**	$ m
Note 4 Receivables from other financial institutions					
	1(j)				
Overnight deposits		**376.3**	106.4	**2,506.5**	-
Short-term cash deposits		**265.1**	31.1	**-**	-
Total receivables from other financial institutions		**641.4**	137.5	**2,506.5**	-
Maturity analysis of receivables from other financial institutions					
At call		**376.3**	106.4	**2,506.5**	-
Due in less than 3 months		**236.5**	8.7	**-**	-
Due after 3 months to 1 year		**28.6**	22.4	**-**	-
Total receivables from other financial institutions		**641.4**	137.5	**2,506.5**	-

These receivables are from various banking institutions all rated AA- or above.

Notes to the financial statements

for the year ended 30 June 2022

	Commercial Account		National Interest Account	
	30 June 2022 $ m	30 June 2021 $ m	**30 June 2022 $ m**	30 June 2021 $ m
Note 5 Amounts payable to the Commonwealth				
Commonwealth opening balance payable	-	-	**15.5**	13.1
Net payments to the Commonwealth	-	-	**(23.9)**	(28.1)
Profit for the year on National Interest Account	-	-	**8.6**	30.5
Total amounts payable to the Commonwealth	-	-	**0.2**	15.5

		Commercial Account		National Interest Account	
	Note	**30 June 2022 $ m**	30 June 2021 $ m	**30 June 2022 $ m**	30 June 2021 $ m
Note 6 Investment securities					
Investment securities at amortised cost	1(k)				
Discount securities		**257.4**	207.8	**-**	-
Floating rate notes		**256.0**	231.0	**-**	-
Fixed rate bonds		**378.3**	417.2	**-**	-
Total investment securities at amortised cost		**891.7**	856.0	**-**	-
Maturity analysis of investment securities at amortised cost					
Due in 3 months or less		**53.0**	102.5	**-**	-
Due after 3 months to 1 year		**264.9**	420.8	**-**	-
Due after 1 year to 5 years		**573.8**	332.7	**-**	-
Total investment securities at amortised cost		**891.7**	856.0	**-**	-

Refer to Note 18 for further information regarding credit risk and market risk.

Notes to the financial statements

for the year ended 30 June 2022

		Commercial Account		National Interest Account	
		30 June 2022	30 June 2021	**30 June 2022**	30 June 2021
	Note	**$ m**	$ m	**$ m**	$ m
Note 7 Loans and receivables at amortised cost					
	1(l)				
Gross export finance loans		**-**	-	**561.1**	398.1
Gross rescheduled credit insurance debts		**0.4**	0.4	**108.6**	116.1
Loans and receivables gross		**0.4**	0.4	**669.7**	514.2
Unearned premiums		**-**	-	**(3.5)**	(3.3)
Expected credit loss		**-**	-	**(15.2)**	(12.0)
Specific provision for impairment		**(0.3)**	(0.4)	**(94.1)**	(100.1)
Unamortised grants	1(e)	**-**	-	**-**	(0.2)
Total loans and receivables at amortised cost		**0.1**	-	**556.9**	398.6
Maturity analysis loans and receivables gross					
Overdue		**-**	-	**5.4**	-
Due in 3 months or less		**-**	-	**14.2**	11.4
Due after 3 months to 1 year		**0.1**	-	**98.1**	77.9
Due after 1 year to 5 years		**0.3**	0.3	**298.3**	311.3
Due after 5 years		**-**	0.1	**253.7**	113.6
Total loans and receivables gross		**0.4**	0.4	**669.7**	514.2
Restructured exposures included above		**0.4**	0.4	**117.5**	130.4
Overdue by:					
61 to 90 days		**-**	-	**0.9**	-
Over 90 days		**-**	-	**4.5**	-
Total overdue loans and receivables gross		**-**	-	**5.4**	-

Loans and receivables are considered restructured when the original contractual terms are modified. Restructured loans and receivables continue to accrue interest.

A loan or receivable is recognised as impaired when it is likely that the debt will not be recovered in full. In this instance a specific provision will be created for the impairment. For these overdue loans, Export Finance Australia has either received the payments in July 2022 or is working with the customer to receive payment in full or the amount has been fully provided for as a specific provision.

Expected credit loss				
Expected credit loss opening balance	**-**	-	**12.0**	-
Expected credit loss created	**-**	-	**7.8**	12.0
Expected credit loss written back	**-**	-	**(4.9)**	-
Foreign exchange movement	**-**	-	**0.3**	-
Expected credit loss closing balance	**-**	-	**15.2**	12.0
Specific provision for impairment				
Specific provision for impairment opening balance	**0.4**	0.5	**100.1**	144.9
Specific impairment created	**-**	-	**8.5**	5.9
Foreign exchange movement	**-**	-	**7.8**	(11.9)
Loans written off	**-**	-	**-**	(1.6)
Specific impairment written back	**(0.1)**	(0.1)	**(22.3)**	(37.2)
Specific provision closing balance	**0.3**	0.4	**94.1**	100.1
Impaired loans				
Impaired loans	**0.4**	0.4	**130.2**	129.1
Specific provision for impairment	**(0.3)**	(0.4)	**(94.1)**	(100.1)
Carrying value of impaired loans	**0.1**	-	**36.1**	29.0

The carrying value of impaired loans represent amounts expected to be recovered.

Amounts shown under the National Interest Account represent loans made by Export Finance Australia under Part 5 of the EFIC Act.

		Commercial Account		National Interest Account	
	Note	**30 June 2022 $ m**	30 June 2021 $ m	**30 June 2022 $ m**	30 June 2021 $ m
Note 8 Loans and receivables designated at fair value through profit or loss					
Gross export finance loans		**1,148.0**	1,253.0	-	-
Gross funded export finance guarantees		**44.5**	56.6	-	-
Loans and receivables gross	1(m)	**1,192.5**	1,309.6	-	-
Fair value net premium and fees		**34.8**	42.5	-	-
Fair value interest income		**(4.7)**	0.9	-	-
Fair value of credit risk		**(100.3)**	(111.0)	-	-
Fair value of specific events		**(21.5)**	(15.1)	-	-
Total loans and receivables at fair value		**1,100.8**	1,226.9	-	-
Maturity analysis loans and receivables gross					
Overdue		**15.6**	1.7	-	-
Due in 3 months or less		**38.2**	63.9	-	-
Due after 3 months to 1 year		**186.3**	129.7	-	-
Due after 1 year to 5 years		**628.4**	632.9	-	-
Due after 5 years		**324.0**	481.4	-	-
Total loans and receivables gross		**1,192.5**	1,309.6	-	-
Restructured exposures included above		**7.5**	6.5	-	-
Overdue by:					
Less than 30 days		**3.7**	0.6	-	-
30 to 60 days		**9.0**	-	-	-
61 to 90 days		**2.0**	-	-	-
Over 90 days		**0.9**	1.1	-	-
Total overdue loans and receivables gross		**15.6**	1.7	-	-

Loans and receivables are considered restructured when the original contractual terms are modified. Restructured loans and receivables continue to accrue interest.

A loan or receivable is recognised as impaired when it is likely that the debt will not be recovered in full. In this instance, a specific event will be created for the impairment.

For these overdue loans, Export Finance Australia has either received the payments in July 2022 or is working with the customer to receive payment in full or the amount has been fully provided for as a specific provision.

Refer to Note 18 for further information regarding credit risk including maximum exposures and market risk.

Notes to the financial statements

for the year ended 30 June 2022

	Note	Commercial Account		National Interest Account	
		30 June 2022 $ m	30 June 2021 $ m	**30 June 2022 $ m**	30 June 2021 $ m
Note 9 Derivative financial instruments					
	1(o)				
Derivative financial assets					
Interest rate swaps		**8.6**	0.1	-	-
Cross-currency swaps		**8.2**	51.3	-	-
Forward foreign exchange contracts		**6.5**	15.1	-	-
Total derivative financial assets	24	**23.3**	66.5	-	-
Maturity analysis of derivative financial assets					
Due in 3 months or less		**5.0**	6.3	-	-
Due after 3 months to 1 year		**5.4**	16.0	-	-
Due after 1 year to 5 years		**8.7**	46.5	-	-
Due after 5 years		**4.2**	(2.3)	-	-
Total derivative financial assets		**23.3**	66.5	-	-
Derivative financial liabilities					
Interest rate swaps		**82.8**	2.4	-	-
Cross-currency swaps		**257.7**	94.2	-	-
Forward foreign exchange contracts		**-**	-	-	-
Total derivative financial liabilities	25	**340.5**	96.6	-	-
Maturity analysis of derivative financial liabilities					
Due in 3 months or less		**42.1**	(8.0)	-	-
Due after 3 months to 1 year		**33.0**	(1.7)	-	-
Due after 1 year to 5 years		**179.2**	104.9	-	-
Due after 5 years		**86.2**	1.4	-	-
Total derivative financial liabilities		**340.5**	96.6	-	-

A derivative financial asset arises when the underlying value of the contract results in a overall receipt of funds by Export Finance Australia, and a derivative liability arises when the underlying value of the contract results in a overall payment of funds by Export Finance Australia. Derivatives are undertaken to hedge borrowings, loans or investments. Derivatives may create anomalies when looking at maturities in certain periods. While a contract may be an asset or a liability, cash received in certain periods may change the nature of the underlying asset or liability in that period.

Refer to Note 18 for further information regarding credit risk, liquidity risk and market risk.

Notes to the financial statements

for the year ended 30 June 2022

		Commercial Account		National Interest Account	
		30 June 2022	30 June 2021	**30 June 2022**	30 June 2021
	Note	**$ m**	$ m	**$ m**	$ m
Note 10 Property, plant and equipment					
	1(p)				
Freehold land and building, at valuation		**140.0**	110.0	-	-
Accumulated depreciation		-	(4.9)	-	-
Net book value - land and building		**140.0**	105.1	-	-
Plant and equipment, at valuation		**18.9**	18.1	-	-
Accumulated depreciation		**(15.7)**	(14.4)	-	-
Net book value - plant and equipment		**3.2**	3.7	-	-
Total property, plant and equipment		**143.2**	108.8	-	-

	Land and buildings	Plant and equipment	Total
	$ m	**$ m**	**$ m**
Gross value			
Balance as at 30 June 2021	110.0	18.1	128.1
Additions	-	0.8	0.8
Write back of accumulated depreciation on revaluation	(7.0)	-	(7.0)
Revaluation increment	37.0	-	37.0
Gross value as at 30 June 2022	**140.0**	**18.9**	**158.9**
Accumulated depreciation			
Balance as at 30 June 2021	(4.9)	(14.4)	(19.3)
Depreciation charged for assets held at 1 July 2021	(2.1)	(1.3)	(3.4)
Write back on revaluation	7.0	-	7.0
Depreciation as at 30 June 2022	-	**(15.7)**	**(15.7)**
Net book value as at 1 July 2021	105.1	3.7	108.8
Net book value as at 30 June 2022	**140.0**	**3.2**	**143.2**

	Land and buildings	Plant and equipment	Total
	$ m	**$ m**	**$ m**
Gross value			
Balance as at 30 June 2020	110.0	17.5	-
Additions	-	0.6	-
Disposals	-	-	-
Gross value as at 30 June 2021	0.0	-	-
Accumulated depreciation			
Balance as at 30 June 2020	(2.8)	(12.8)	-
Depreciation charged for assets held at 1 July 2020	(2.1)	(1.5)	-
Depreciation charged for additions	-	-	-
Depreciation charged for additions	-	(0.1)	-
Depreciation recovered on disposals	-	-	-
Depreciation as at 30 June 2021	-	-	-
Net book value as at 1 July 2020	-	-	-
Net book value as at 30 June 2021	-	-	-

An independent valuation of land and buildings was carried out in June 2022 by Mr Benjamin Masters AAPI, Registered Valuer No. 16930. On an income approach and discounted cash flow analysis with reference to its highest and best use, the land and buildings were valued at $140,000,000.

Leased accommodation

Freehold land and buildings includes accommodation which has been leased to third parties. The valuation, accumulated depreciation and depreciation charge attributed to the leased space has been derived based on the floor area of the leased space.

The allocated valuation, accumulated depreciation, written-down value and depreciation expense of the leased space is based on a pro rata of floor space:

	30 June 2022 $ m	30 June 2021 $ m
Leased accommodation		
Freehold land and building, at valuation	**107.6**	65.2
Accumulated depreciation	**-**	(2.9)
Written-down value	**107.6**	62.3
Depreciation expense	**1.6**	1.2

	Commercial Account		National Interest Account	
	30 June 2022 $ m	30 June 2021 $ m	**30 June 2022 $ m**	30 June 2021 $ m
Note 11 Other financial assets				
Accrued interest receivable	**14.2**	15.7	**1.7**	0.8
Loan fees receivable	**-**	-	**1.2**	0.7
Sundry debtors and prepayments	**5.6**	2.6	**1.4**	4.8
Total other financial assets	**19.8**	18.3	**4.3**	6.3

Notes to the financial statements

for the year ended 30 June 2022

		Commercial Account		National Interest Account	
		30 June 2022	30 June 2021	**30 June 2022**	30 June 2021
	Note	**$ m**	$ m	**$ m**	$ m
Note 12 payable to other financial institutions					
	1(q)				
Short-term borrowings		-	-	**2,511.4**	-
Total payables to other financial institutions	24	-	-	**2,511.4**	-

Maturity analysis of payables to other financial institutions				
Due in 3 months or less	-	-	**1,542.9**	-
Due in 3 months to 1 Year	-	-	**968.5**	
Total payables to other financial institutions	-	-	**2,511.4**	-

		Commercial Account		National Interest Account	
		30 June 2022	30 June 2021	**30 June 2022**	30 June 2021
	Note	**$ m**	$ m	**$ m**	$ m
Note 13 Borrowings designated at fair value through profit or loss					
Borrowings	1(s)	**2,379.3**	2,105.7	**-**	-
Total borrowings at fair value	24	**2,379.3**	2,105.7	**-**	-
Borrowings designated at fair value through profit or loss					
Non-structured borrowings					
Australian dollar		**1,410.8**	1,325.1	**-**	-
Fijian Dollar		**7.3**	-		
Total non-structured borrowings		**1,418.1**	1,325.1	**-**	-
Euro commercial paper					
US dollar		**877.7**	645.7	**-**	-
Euro		**83.5**	134.9	**-**	-
Total euro commercial paper		**961.2**	780.6	**-**	-
Total borrowings at fair value		**2,379.3**	2,105.7	**-**	-
Maturity analysis of borrowings					
Due in 3 months or less		**879.4**	514.3	**-**	-
Due after 3 months to 1 year		**205.5**	289.0	**-**	-
Due after 1 year to 5 years		**892.5**	1,038.2	**-**	-
Due after 5 years		**401.9**	264.2	**-**	-
Total borrowings at fair value		**2,379.3**	2,105.7	**-**	-

Where borrowings are in a different currency from the assets being financed, cross-currency swaps or foreign exchange contracts are entered into for economic hedging purposes.

A debt neutrality charge of 10 basis points on new borrowings and on existing debt that is rolled over or refinanced is payable to the Commonwealth. This neutrality charge is not charged if the borrowing is for a National Interest Loan.

Refer to Note 18 for further information regarding credit risk, liquidity risk, market risk and contractual amounts.

		Commercial Account		National Interest Account	
	Note	**30 June 2022 $ m**	30 June 2021 $ m	**30 June 2022 $ m**	30 June 2021 $ m
Note 14 Guarantees designated at fair value through profit and loss					
	1(t)				
Fair value of credit risk		**10.5**	11.0	**-**	-
Fair value of specific events		**4.6**	1.2	**-**	-
Fair value of net premium receivable		**(6.6)**	(7.4)	**-**	-
Total guarantees designated at fair value through profit or loss		**8.5**	4.8	**-**	-

When it is likely that a guarantee will be called or a claim has been submitted but not yet paid, then a specific event will be recognised for the exposure that may be called or the claim that may be paid.

Refer to Note 18 for further information regarding credit risk, market risk and maximum exposures.

		Commercial Account		National Interest Account	
	Note	**30 June 2022 $ m**	30 June 2021 $ m	**30 June 2022 $ m**	30 June 2021 $ m
Note 15 Sundry provisions and allowances					
Employee entitlements	1(u)	**6.3**	7.3	**-**	-
Provision for Guarantees		**-**	-	**1.5**	-
Provision for tax equivalent charges		**8.2**	7.9	**-**	-
Total sundry provisions and allowances		**14.5**	15.2	**1.5**	-

		Commercial Account		National Interest Account	
	Note	**30 June 2022 $ m**	30 June 2021 $ m	**30 June 2022 $ m**	30 June 2021 $ m
Note 16 Other financial liabilities					
Sundry creditors	1(v)	**10.5**	18.1	**1.2**	-
Security bond deposits		**49.4**	33.6	**-**	-
Interest payable		**-**	-	**1.2**	0.2
Total other financial liabilities		**59.9**	51.7	**2.4**	0.2

	Commercial Account		National Interest Account	
	30 June 2022 $ m	30 June 2021 $ m	**30 June 2022 $ m**	30 June 2021 $ m
Note 17 Contingencies and commitments				
Contingent liabilities				
Guarantees*	**115.5**	124.0	**46.5**	-
Bonds	**155.0**	112.5	-	-
Medium-term insurance	-	121.0	-	-
Total contingent liabilities	**270.5**	357.5	**46.5**	-

* Guarantees include facilities signed under risk participation agreements.

These contingent liabilities commit Export Finance Australia to make payments should a default occur by a customer.

Commitments to provide financial facilities				
Loans	**92.4**	254.7	**1,998.4**	125.0
Bonds	**14.3**	8.6	-	-
Guarantees*	**57.0**	69.9	**16.8**	62.0
Total commitments to provide financial facilities	**163.7**	333.2	**2,015.2**	187.0

* Guarantees include facilities signed under risk participation agreements.

Commitments to provide financial facilities are contractually based.

The Government has committed to provide a financing package through Export Finance Australia (EFA) of USD1.33bn to support Telstra's Digicel acquisition, consistent with Australia's longstanding commitment to growing quality investment in regional infrastructure. This package will include debt and equity like securities designed to secure the Government a long-term return on its financing. This facility had not reached financial close prior to 30th June 2022 and so not included in the above figures. This facility has subsequentially reached financial close in July 2022.

Commitments payable				
Capital commitments				
Due in 1 year or less	**0.1**	0.1	-	-
Operating lease payable				
Due in 1 year or less	**0.1**	0.3	-	-
Due after 1 year to 2 years	-	0.1	-	-
Total commitments payable	**0.2**	0.5	-	-
Commitments receivable				
Operating lease receivable				
Due in 1 year or less	**4.7**	3.8	-	-
Due after 1 year to 2 years	**4.3**	3.8	-	-
Due after 2 years to 5 years	**4.6**	4.9	-	-
Due after 5 years	**0.5**	1.0	-	-
Total commitments receivable	**14.1**	13.5	-	-

Operating lease receivable represents rental income to be received in respect of the property owned and partially occupied by Export Finance Australia.

Small business building tenants have again this year been provided rent relief due to the COVID-19 crisis.

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for the year ended 30 June 2022

Note 18 Financial risk management

(i) General

As part of its normal operations, Export Finance Australia enters into a variety of transactions, including loans, guarantees, insurance, and bonds, which can be denominated in various currencies.

Export Finance Australia enters into a number of financial derivative transactions on the Commercial Account to protect against interest rate, foreign exchange and funding risks associated with normal operations, including funding the National Interest Account. The derivative instruments are not entered into for speculative or trading purposes. Derivative transactions include:

•interest rate swaps and forward rate agreements, which protect against interest rate movements where the interest rate basis of the borrowing is different from that of the required liability to fund assets;

•cross-currency swaps, which protect against interest rate and foreign exchange movements where the currency and interest rate of the borrowing is different from that of the required liability to fund assets. These contracts are used primarily to convert the borrowing and interest payment into the same currency and type as the loan or investment; and

•forward foreign exchange contracts which are used to protect against foreign exchange movements in investments, loans and borrowings.

Export Finance Australia also conducts detailed stress testing, including examining the impact on the credit portfolio of slower economic growth in emerging markets and adverse movements in foreign exchange rates and commodity prices.

(ii) Credit risk

(a) Commercial Account exposures

Credit risk arises from the possibility of defaults by counterparties on contractual obligations, resulting in financial loss.

Exposures to credit risk for the Commercial Account are as follows:

Credit risk exposures	Note	**30 June 2022 $ m**	30 June 2021 $ m
Receivables from other financial institutions	4, 1(j)	**641.4**	137.5
Investment securities at amortised cost	6, 1(k)	**891.7**	856.0
Loans and receivables at amortised cost	7, 1(l)	**0.1**	-
Loans and receivables designated at fair value through profit or loss	8, 1(m)	**1,100.8**	1,226.9
Derivative financial assets	9, 1(o)	**23.3**	66.5
Total*		**2,657.3**	2,286.9
Contingent liabilities	17	**270.5**	357.5
Commitments	17	**163.7**	333.2
Total		**434.2**	690.7
Total credit risk exposure		**3,091.5**	2,977.6

* Cash and cash at bank, loans to National Interest Account designated at fair value through profit or loss, other financial assets, and property, plant and equipment have not been included in the above table as there is no significant associated credit risk.

> ***Exposures to treasury counterparties***

Credit risk arising from Export Finance Australia through its investment portfolios and from interest rate and foreign exchange management is limited to Commonwealth and state or territory governments, ADIs rated BBB- or above and other entities with credit ratings the equivalent of AA- or above. However, if after purchase or a contracting counterparty subsequently falls below the minimum credit rating, management evaluates the risk and will decide on the applicable action, which may include selling the asset, novating the contract, holding the asset to maturity, or obtaining security through credit support annexures (CSAs).

The PGPA Act limits investment by Export Finance Australia of surplus monies to:

(i) money with ADIs in Australia rated BBB- or above;

(ii) securities issued by or guaranteed by the Commonwealth, a state or territory;

(iii) money with other entities with credit ratings the equivalent of AA- or better;

(iv) deposits with, or securities issued by, the above ADIs;

(v) deposits with, or securities issued or guaranteed by, the above entities;

subject to:

(a) investments in ADIs with a rating lower than A- must not exceed 25% of total investments;

(b) investments in ADIs with a term longer than six months and a rating lower than A- must be able to be traded in the secondary market and must not exceed a term of three years;

(c) investments in an individual ADI with a rating lower than A- must not exceed 10% of total investments.

In addition to the PGPA Act requirements, the Board does not permit proprietary trading and has set further controls for Export Finance Australia treasury operations which consist of:

(i) a cap on foreign exchange open positions;

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for the year ended 30 June 2022

Note 18 Financial risk management

(ii) a cap on interest rate exposure to asset maturity;
(iii) minimum levels for committed funding over the life of assets;
(iv) a cap on the structured borrowing component of funding;
(v) limits relating to individual counterparty exposures and terms;
(vi) limits relating to portfolio exposures and terms;
(vii) limits on investments in structured, multi-credit entities;
(viii) performance benchmarks relating to specific portfolios; and
(ix) derivative limits and a CSA collateral policy.

All individual counterparty limits and sub-limits required by treasury are approved in line with the policies and the usage against limits is monitored independently of treasury.

All limits set by the Board are monitored by management. The Board also sets triggers that require information to be notified to the Board. A treasury report, addressing prudential controls, risk, limits and triggers is submitted to the Board Audit and Risk Committee meeting quarterly, which then reports to the Board. A treasury update is provided at each Board meeting.

Credit risk on treasury derivative transactions is mitigated by the fact that most of the contracts have a mutual five-year right to break clause. In addition, some contracts include a clause that allows the contract to be terminated if the counterparty rating falls below an agreed credit rating. Some contracts also have CSAs in operation where Export Finance Australia receives collateral to offset the exposure.

The tables below show treasury credit risk exposures for Commercial Account by the current counterparty rating:

Investment securities	Note	**30 June 2022 $ m**	30 June 2021 $ m
Australian authorised deposit-taking institutions			
AA-		**647.7**	655.0
A+		**-**	13.0
BBB+		**90.0**	70.0
Other financial institutions or foreign entities			
AA-		**154.0**	118.0
Exposure to credit risk of investment securities	1(l), 6	**891.7**	856.0

Derivative financial assets	Note	**30 June 2022 $ m**	30 June 2021 $ m
Australian authorised deposit-taking institutions			
AA-		**7.8**	56.4
Other financial institutions or foreign entities			
AA-		**15.5**	10.1
Exposure to credit risk for derivative financial assets	1(o), 9	**23.3**	66.5

For treasury exposures there are no overdue or restructured amounts.

> Exposures to customers

Export Finance Australia's principal exposure to credit risk arises from the financing and credit facilities extended to customers. On the Commercial Account, loans written off during the year or called credit facilities that were not subsequently recovered within the year were nil (2021: $3.4 million).

Gross exposures (before fair value adjustments) on each of the products on the Commercial Account are as follows:

Gross exposures	Note	**30 June 2022 $ m**	30 June 2021 $ m
Export finance loans	8, 1(m)	**1,148.0**	1,253.0
Funded export finance guarantees	8, 1(m)	**44.5**	56.6
Rescheduled credit insurance debts at amortised cost	7	**0.4**	0.4
Guarantees	17	**115.5**	124.0
Medium-term insurance	17	**-**	121.0
Bonds	17	**155.0**	112.5
Total gross exposures		**1,463.4**	1,667.5
Reinsured exposures included above		**118.3**	202.7

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for the year ended 30 June 2022

Note 18 Financial risk management

Gross exposures are also monitored by country of risk (not country of export). On the Commercial Account the country exposures are as follows:

Country exposures*	**30 June 2022 $ m**	**30 June 2022 % of total**	30 June 2021 $ m	30 June 2021 % of total
Australia**	**801.5**	**54.8**	894.3	53.7
Trinidad & Tobago	**157.4**	**10.8**	157.8	9.5
Mongolia	**142.5**	**9.7**	131.8	7.9
Norway	**83.1**	**5.7**	89.0	5.3
Papua New Guinea	**77.1**	**5.3**	79.3	4.8
Vietnam	**56.8**	**3.9**	-	0.0
Chile	**52.0**	**3.5**	43.3	2.6
Bermuda	**42.5**	**2.9**	41.4	2.5
United Kingdom	**24.7**	**1.7**	28.7	1.7
Sri Lanka	**15.7**	**1.1**	19.0	1.1
Saudi Arabia	**5.8**	**0.4**	10.9	0.7
Bangladesh	**2.1**	**0.1**	2.2	0.1
New Zealand	**1.8**	**0.1**	2.1	0.1
Canada	-	-	80.7	4.8
China	-	-	40.4	2.4
Peru	-	-	40.0	2.4
Other	**0.4**	-	6.6	0.4
Total country exposures	**1,463.4**	**100.0**	1,667.5	100.0
Reinsured exposures included above	**118.3**		202.7	

* Underlying country exposures are shown after applying reinsurance which does not change gross exposures but reallocates risk to the reinsurers' country of risk.

** Includes performance bonds and guarantees issued on behalf of Australian companies.

Allowance for credit risk on the above gross exposures on the Commercial Account is as follows:

Allowance for credit risk by product	**30 June 2022 $ m**	30 June 2021 $ m
Export finance loans	**(100.3)**	(108.6)
Funded export finance guarantees	-	(2.4)
Guarantees	**(3.8)**	(5.0)
Bonds	**(6.7)**	(6.0)
Allowance for credit risk closing balance	**(110.8)**	(122.0)

The movement in the allowance for credit risk on the Commercial Account is comprised of:

Allowance for credit risk for gross exposures	**30 June 2022 $ m**	30 June 2021 $ m
Allowance for credit risk opening balance	**(122.0)**	(117.9)
New exposures	**(37.4)**	(39.7)
Repayments	**28.3**	18.0
Change in risk grade	**4.3**	(1.6)
Change in term to maturity	**17.9**	13.7
Change in probability of default rates	**4.0**	(4.1)
Change in loss given default rates	-	1.6
Exchange rate movements	**(5.9)**	8.0
Allowance for credit risk closing balance	**(110.8)**	(122.0)

Export Finance Australia employs a risk grading system to rank risks according to both the counterparty risk and the level of country risk inherent in the exposure. Export Finance Australia also measures and monitors country, industry and counterparty concentration risk on the Commercial Account. Any significant concentration risk on the Commercial Account is taken into account in assessing the amount of capital which is required to conduct the Commercial Account activities.

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Note 18 Financial risk management

Export Finance Australia uses nine broad categories of risk grade, with category 1 representing the lowest risk. Within categories 1 to 6, an outlook modifier of plus or minus is used if the counterparty is particularly strong or weak for that risk grade. The equivalent risk, based on Standard and Poor's risk rating, is stated in brackets. The gross exposures (before fair value adjustments) for the Commercial Account after reinsurance under each category are as follows:

Gross exposures loans and receivables	Note	**30 June 2022 $ m**	30 June 2021 $ m
Risk category 1 (AA- to AAA)		**27.2**	31.2
Risk category 2 (A- to A+)		**89.6**	88.2
Risk category 3 (BBB- to BBB+)		**-**	135.1
Risk category 4 (BB- to BB+)		**328.7**	363.2
Risk category 5 (B- to B+)		**305.9**	206.8
Risk category 6 (CCC+)		**331.4**	372.4
Risk category 7 (C to CCC)		**99.8**	111.6
Risk category 8 doubtful		**9.9**	1.1
Risk category 9 impaired		**0.4**	0.4
Gross exposures loans and receivables	1(n), 7, 8	**1,192.9**	1,310.0

As part of its normal operations, Export Finance Australia enters into a variety of transactions that give rise to contingent liabilities, including guarantees, insurance, and bonds. The maximum exposure to credit risk for these types of transactions is the maximum amount that Export Finance Australia would pay if called upon to do so. The exposures for the Commercial Account after reinsurance under each risk category are as follows:

Contingent liabilities*	Note	**30 June 2022 $ m**	30 June 2021 $ m
Risk category 1 (AA- to AAA)		**51.3**	117.7
Risk category 2 (A- to A+)		**-**	40.4
Risk category 3 (BBB- to BBB+)		**-**	61.2
Risk category 4 (BB- to BB+)		**84.9**	30.8
Risk category 5 (B- to B+)		**40.4**	24.0
Risk category 6 (CCC+)		**85.7**	73.1
Risk category 7 (C to CCC)		**1.5**	10.3
Risk category 8 doubtful		**6.7**	-
Total contingent liabilities	17	**270.5**	357.5

* There are no exposures in category 9.

As part of its normal operations, Export Finance Australia enters into a variety of transactions that give rise to commitments, including loans, guarantees, insurance and bonds. The maximum exposure to credit risk on Commercial Account is the full amount of the commitment.

Commitments*	Note	**30 June 2022 $ m**	30 June 2021 $ m
Risk category 1 (AA- to AAA)		**-**	7.3
Risk category 3 (BBB- to BBB+)		**-**	40.0
Risk category 4 (BB- to BB+)		**46.2**	63.3
Risk category 5 (B- to B+)		**65.4**	149.9
Risk category 6 (CCC+)		**52.0**	72.0
Risk category 7 (C to CCC)		**0.1**	0.7
Total commitments	17	**163.7**	333.2

* There are no exposures in categories 2, 8 and 9.

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for the year ended 30 June 2022

Note 18 Financial risk management

> ***Retained sector exposure***

The sectors that represents more than 15% of Export Finance Australia's Commercial Account retained exposure are the Mining - LNG, the Transport, Postal and Warehousing, Mining and Manufacturing sectors. At 30 June 2022, the exposure to the Mining - LNG sector was $255 million, representing 19% of total retained exposure (2021: $400.8 million, representing 27.4%), the exposure to the Transport, Postal and Warehousing sector was $241.7 million, representing 18% of total retained exposure (2021: $269.5 million, representing 18.4%), the exposure to the Mining sector was $206.1 million, representing 15.3% of total retained exposure (2021: $208.6 million, representing 14.2%) and the exposure to the Manufacturing sector was $203.7 million, representing 15.1% of total retained exposure (2021: $208.3 million, representing 14.2%).

> ***Reinsured exposure***

To reduce Export Finance Australia's exposure to counterparties in the higher risk categories or to reduce concentration risk, contracts are entered into with reinsurers, including other export credit agencies. This will change the exposure from the counterparty in the higher risk categories to an exposure to the reinsurers that will be in lower risk categories, or reduce concentration risk to a counterparty with the same or lower risk. As can be seen from the table below, Export Finance Australia has reinsured exposures with counterparties in risk category 8 to reinsurers in risk categories 1 or 2.

Reinsurance	**30 June 2022 $ m**	30 June 2021 $ m
Reinsured to		
Risk category 1 (AA- to AAA)	**28.8**	114.5
Risk category 2 (A- to A+)	**89.6**	88.2
Reinsured from		
Risk category 2 (A- to A+)	**-**	(80.7)
Risk category 4 (BB- to BB+)	**-**	(2.0)
Risk category 6 (CCC+)	**(71.3)**	(65.9)
Risk category 7 (C to CCC)	**-**	(54.1)
Risk category 8 doubtful	**(47.1)**	-
Total reinsurance	**-**	(0.0)

The above tables do not take into account the value of any collateral or security held which may include first-ranking mortgage over assets financed by Export Finance Australia, standby documentary credits, third-party guarantees and recourse to companies and company directors. No collateral has been called and held at year end. For the bond product in the normal course of business, we do hold cash security deposits which at 30 June 2022 were $49.4 million (2021: $33.6 million).

(b) National Interest Account exposures

Under the National Interest Account (NIA), the Minister can direct Export Finance Australia to support transactions that are in the national interest. The Commonwealth receives all income on NIA transactions and bears all risks and losses.

Section 66 of the *Export Finance and Insurance Corporation Act 1991 (Efic Act)* details loans made in the national interest and 66(6)(b) provides that the Commonwealth is liable to pay Export Finance Australia an amount equal to any defaulted amount under an NIA loan. Section 66(7) & 66(8) empowers the Minister to direct Export Finance Australia to access the market to borrow an amount equal to that due by the Commonwealth. Any such borrowings would then be supported by the Commonwealth Guarantee at Section 62.

Decisions under the NIA are the responsibility of the Government. The Defence Export Facility, the Australian Infrastructure Financing Facility for the Pacific (AIFFP) and the COVID-19 Export Capital Facility are examples of financing delivered through the NIA.

Under the NIA, the exposures for non-project finance loans and rescheduled credit insurance debts are all to overseas governments, or entities owned or guaranteed by overseas governments.

Project finance loans are project specific where the loan repayments are solely reliant on income from the project.

Exposures under the Export Capital Facility are loans to assist previously profitable businesses impacted by COVID-19.

The National Interest Account principal exposure to credit risk arises from the financing and credit facilities extended to customers. Loans written off during the year were Nil (2021: $1.7 million).

Gross exposures (before unearned premiums, expected credit loss, specific provision for impairment and unamortised grants) on each of the products offered on the National Interest Account are as follows:

Gross exposures	Note	**30 June 2022 $ m**	30 June 2021 $ m
Export finance loans	1(l), 7	**561.1**	398.1
Rescheduled credit insurance debts	1(l), 7	**108.6**	116.1
Guarantees	17	**46.5**	-
Total gross exposures		**716.2**	514.2

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for the year ended 30 June 2022

Note 18 Financial risk management

Gross exposures are also monitored by country of risk (not country of export) and on the National Interest Account the country exposures are as follows:

Country exposures	30 June 2022 $ m	30 June 2022 % of total	30 June 2021 $ m	30 June 2021 % of total
Papua New Guinea	**288.4**	**40.3**	198.3	38.6
Australia*	**136.6**	**19.1**	80.1	15.6
Iraq	**108.6**	**15.2**	116.1	22.6
Trinidad & Tobago	**106.6**	**14.9**	104.2	20.2
Fiji	**53.1**	**7.4**	-	-
Palau	**13.1**	**1.8**	-	-
Cuba	**9.0**	**1.2**	8.8	1.7
Indonesia	**0.8**	**0.1**	6.7	1.3
Total country exposures	**716.2**	**100.0**	514.2	100.0

* Includes performance bonds and guarantees issued on behalf of Australian companies.

Expected credit loss on the above gross exposures on the National Interest Account is as follows:

Expected credit loss by product	30 June 2022 $ m	30 June 2021 $ m
Export finance loans	**(16.7)**	(12.0)
Allowance for credit risk closing balance	**(16.7)**	(12.0)

(c) Rescheduled debt exposures

Iraq: The rescheduled debt balance at 30 June 2022 is US$74.7 million (2021: US$87.2 million) on the National Interest Account and US$0.3 million (2021: US$0.3 million) on the Commercial Account. The situation was assessed as significantly impacting the likelihood of future payments from Iraq. During 2021-22, it was deemed appropriate to use a 72.8% impairment provision against the rescheduled debt and this treatment will be reviewed on an annual basis. Future payments from Iraq are recognised as income on receipt and booked as a recovery and the provision reversed, consistent with current practice. Recoveries made during the year under this agreement were $18.5 million on the National Interest Account. These debts arose from credit insurance claims between 1987 and 1992 in respect of non-payment by the Iraqi Government on wheat exports from Australia. These debts were subject to rescheduling, with 80% debt forgiveness in three stages at the Paris Club. The repayment schedule for the remaining rescheduled amounts call for six-monthly payments until January 2028. At 30 June 2022, all rescheduled amounts have been paid on time as per the rescheduling

Cuba: At 30 June 2022, the rescheduled debt balance on the National Interest Account was $8.9 million (2021: $8.8 million). In June 2021, the 'Group of Creditors of Cuba' at the Paris Club (of which Australia is a member) agreed to defer principal and interest payments due in 2020, 2021 and 2022, together with interest in 2023 and 2024. Export Finance Australia executed a bilateral agreement with Cuba in late December 2021 to document those arrangements. The maturity date of the debt remains October 2033. The debt has a 100% provision in place and this is maintained at 30 June 2022.

(iii) Liquidity risk

Prudent liquidity risk management on the Commercial Account is achieved by maintaining sufficient cash and marketable securities to meet any sudden shortfalls in the ability to fund Export Finance Australia. Export Finance Australia also has the explicit guarantee of the Commonwealth of Australia, which is rated AAA, and therefore in normal markets there is no significant liquidity risk. Section 61 of the EFIC Act states that 'Efic must not borrow or raise money except under section 58 or 59'. Section 58 allows the Finance Minister, on behalf of the Commonwealth, to lend money to Efic and section 59 allows Efic to borrow or raise money, subject to written approval of the Finance Minister. To date, Export Finance Australia has funded its activities under section 59 and does not borrow directly from the Commonwealth of Australia. Notwithstanding the above, a liquid investment portfolio is maintained.

On the National Interest Account, currently all the cash flows on loans are matched with funding from the Commercial Account, and accordingly there is no liquidity risk on these. There are short term borrowings that are invested in short term investments on the National Interest Account which also currently do not create any liquidity risk.

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for the year ended 30 June 2022

Note 18 Financial risk management

The liquidity table below is based on estimated future cash flows for principal and interest and is not their fair value as is shown on the statement of financial position. For the Commercial Account, the contractual undiscounted amounts comprise principal and interest repayment obligations and are as follows:

	Contractual undiscounted principal and interest			
	3 months or less	3 months to 1 year	1 year to 5 years	Greater than 5 years
30 June 2022	**$ m**	**$ m**	**$ m**	**$ m**
Undiscounted financial assets				
Cash and cash at bank	**19.0**	-	-	-
Receivables from other financial institutions	**613.7**	**28.9**	-	-
Investment securities at amortised cost	**57.4**	**281.3**	**605.3**	-
Loans and receivables at amortised cost	-	**0.1**	**0.3**	-
Loans and receivables designated at fair value through profit or loss	**41.1**	**243.9**	**777.7**	**370.4**
Loans to National Interest Account designated at fair value through profit or loss	**37.8**	**78.5**	**273.5**	**301.3**
Derivative financial instruments receivable				
- Contractual amounts receivable	**315.8**	**346.0**	**1,200.3**	**515.6**
Total undiscounted financial assets	**1,084.8**	**978.7**	**2,857.1**	**1,187.3**
Undiscounted financial liabilities				
Borrowings designated at fair value through profit or loss				
- Euro commercial paper	**770.7**	**192.6**	-	-
- Non-structured borrowings	**110.6**	**14.2**	**962.3**	**557.9**
Derivative financial instruments payable				
- Contractual amounts payable	**352.8**	**374.0**	**1,377.4**	**579.6**
Total undiscounted financial liabilities	**1,234.1**	**580.8**	**2,339.7**	**1,137.5**
Net undiscounted financial assets/(liabilities)	**(149.3)**	**397.9**	**517.4**	**49.8**

Export Finance Australia has legally enforceable master netting arrangements which apply on default and as such have not been taken into account. If these master netting arrangements were considered then the derivative assets would be $12.3 million and the derivative liabilities would be $99.5 million after taking into account the $223.2 million collateral posted.

	Contractual undiscounted principal and interest			
	3 months or less	3 months to 1 year	1 year to 5 years	Greater than 5 years
30 June 2021	$ m	$ m	$ m	$ m
Undiscounted financial assets				
Cash and cash at bank	12.6	-	-	-
Receivables from other financial institutions	115.0	22.4	-	-
Investment securities at amortised cost	107.1	428.4	346.4	-
Loans and receivables at amortised cost	-	-	0.3	0.1
Loans and receivables designated at fair value through profit or loss	68.9	162.2	753.9	536.6
Loans to National Interest Account designated at fair value through profit or loss	7.3	71.2	241.9	105.2
Derivative financial instruments receivable				
- Contractual amounts receivable	220.1	400.3	1,156.6	301.6
Total undiscounted financial assets	531.0	1,084.5	2,499.1	943.5
Undiscounted financial liabilities				
Payables to other financial institutions	-	-	-	-
Borrowings designated at fair value through profit or loss				
- Euro commercial paper	505.7	274.8	-	-
- Non-structured borrowings	8.7	14.2	1,055.9	296.9
- Structured borrowings	-	-	-	-
Derivative financial instruments payable				
- Contractual amounts payable	205.7	382.1	1,215.0	301.3
Total undiscounted financial liabilities	720.1	671.1	2,270.9	598.2
Net undiscounted financial assets/(liabilities)	(189.1)	413.4	228.2	345.3

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Note 18 Financial risk management

(iv) Market risk

(a) Interest rate risk

As Export Finance Australia is involved in lending and borrowing activities, interest rate risks arise. Interest rate swaps, forward rate agreements, and cross-currency swaps are used on the Commercial Account as the primary methods of reducing exposure to interest rate movements.

Export Finance Australia's policy is to minimise interest rate risk. If loans are not at floating rates, a fixed to floating rate swap is generally entered into from the time terms and conditions are agreed.

In certain circumstances, cash flow hedges may be entered into to hedge the exposure to variability in interest rate movements that are attributable to future interest cash flows. At year end, there are no outstanding cash flow hedges.

Fair value hedges are intended to hedge the exposure to variability in fair value movements that are attributable to future interest cash flows only. At year end, there are no outstanding fair value hedges.

National Interest Account loans are funded from the Commercial Account at a matched rate and therefore they are not exposed to interest rate risk.

Fixed interest loans and borrowing portfolios have an opportunity cost exposure to changes in market value. The change in market value can be caused by either a general shift in the level of interest rates or by a change in the credit margin of individual assets. Exposure to the general level of interest rates is a function of 'duration', whereas exposure to credit margin is a function of 'term to maturity'. Management sets a benchmark for the 'duration' of the capital and reserves portfolio. Other fixed interest portfolios, loan and investments and borrowing portfolios are not impacted by changes in the general level of interest rates due to duration hedging.

The table below is based on actual or notional principal balances and is not their fair value as shown on the statement of financial position. The amounts shown are the undiscounted principal exposure and notional principal amounts outstanding.

	Contractual undiscounted principal exposure				
30 June 2022	**Floating interest rate**	**Fixed Less than 1 year**	**Fixed 1 to 5 years**	**Fixed More than 5 years**	**Fixed Total**
Undiscounted principal exposures	**$ m**	**$ m**	**$ m**	**$ m**	**$ m**
Financial assets					
Cash and cash at bank	19.0	-	-	-	-
Receivables from other financial institutions	641.4	-	-	-	-
Investment securities at amortised cost	515.0	60.5	317.8	-	378.3
Loans and receivables designated at amortised cost	0.4	-	-	-	-
Loans and receivables designated at fair value through profit or loss	1,146.6	2.5	11.0	32.4	45.9
Loans to National Interest Account designated at fair value through profit or loss	544.8	0.4	7.0	-	7.4
Total financial assets	2,867.2	63.4	335.8	32.4	431.6
Financial liabilities					
Derivative financial instruments					
- Cross-currency swaps	837.0	(100.0)	(235.0)	(280.0)	(615.0)
- Foreign exchange swaps	(6.9)	-	-	-	
- Interest rate swaps*	849.9	6.3	(638.6)	(217.6)	(849.9)
Borrowings designated at fair value through profit or loss	963.2	100.0	891.6	530.0	1,521.6
Other monetary liabilities	49.4	-	-	-	-
Total financial liabilities	2,692.6	6.3	18.0	32.4	56.7
Net interest exposures	174.6	57.1	317.8	-	374.9
Capital and reserves portfolio	155.3	60.5	317.8	-	378.3
Net interest exposures	19.3	(3.4)	-	-	(3.4)

* Notional principal amounts.

The capital and reserves portfolio is the investment of the cash equity. The investment of these funds is exposed to interest rate movements and the tables below in the interest margin (duration) section show the analysis of the sensitivity of these investments to interest rate movements. The net interest exposure after these investments show that there is insignificant interest rate exposure in the rest of the assets and liabilities. Other areas are indirectly affected by the change in future anticipated interest rates due to the discounting factor when calculating the net present value of future cash flows.

Notes to the financial statements

for the year ended 30 June 2022

Note 18 Financial risk management

30 June 2021	Contractual undiscounted principal exposures Floating interest rate	Fixed Less than 1 year	Fixed 1 to 5 years	Fixed More than 5 years	Fixed Total
Undiscounted principal exposures	$ m	$ m	$ m	$ m	$ m
Financial assets					
Cash and cash at bank	12.6	-	-	-	-
Receivables from other financial institutions	137.5	-	-	-	-
Investment securities at amortised cost	438.9	169.4	247.7	-	417.1
Loans and receivables designated at amortised cost	0.4	-	-	-	-
Loans and receivables designated at fair value through profit or loss	1,309.6	-	-	-	-
Loans to National Interest Account designated at fair value through profit or loss	382.6	5.8	0.7	-	6.5
Derivative financial instruments					
Total financial assets	2,281.6	175.2	248.4	-	423.6
Financial liabilities					
Payables to other financial institutions	-	-	-	-	-
Derivative financial instruments					
- Cross-currency swaps	714.5	-	(335.0)	(280.0)	(615.0)
- Foreign exchange swaps	(15.3)	-	-	-	-
- Interest rate swaps*	643.1	6.2	(649.3)	-	(643.1)
Borrowings designated at fair value through profit or loss	780.5	-	985.0	280.0	1,265.0
Other monetary liabilities	44.6	-	-	-	-
Total financial liabilities	2,167.4	6.2	0.7	-	6.9
Interest exposures	114.2	169.0	247.7	-	416.7
Capital and reserves portfolio	113.3	169.4	247.7	-	417.1
Net interest exposures	0.9	(0.4)	-	-	(0.4)

* Notional principal amounts.

> Interest margin (duration)

To ensure consistency and a common approach to interest rate sensitivity analysis, the recommendations provided by the Commonwealth as to the sensitivity rates to use in the analysis have been adopted. The sensitivity analysis movement percentages are based on both statistical and non-statistical analysis. The statistical analysis is based on the cash rate for the past five years issued by the Reserve Bank of Australia (RBA) as the underlying data set. This information is then revised and adjusted for reasonableness under the current economic circumstances. The below percentage changes are the recommendations for interest rate sensitivity provided by the Commonwealth.

Sensitivity analysis of interest rate risk (which is the risk that the fair value will fluctuate because of changes in market interest rates and not credit factors) for the Commercial Account is only performed for capital and reserve investments. The net interest exposure after these investments show that there is insignificant interest rate exposure in the rest of the assets and liabilities. Other areas are indirectly affected by the change in future anticipated interest rates due to the discounting factor when calculating the net present value of future cash flows.

30 June 2022	Exposure at risk $ m	Increase in basis points Change in market value $ m	Decrease in basis points Change in market value $ m	Increase in basis points Effect on equity $ m	Decrease in basis points Effect on equity $ m
Capital and reserve portfolio					
Fixed rate investments	**378.3**				
Change of 79 basis points interest margin		**6.5**	**(6.5)**	-	-
Floating rate investments	**155.3**				
Change of 79 basis points interest margin		**1.2**	**(1.2)**	-	-

Note 18 Financial risk management

30 June 2021	Exposure at risk $ m	Increase in basis points Effect on profit $ m	Decrease in basis points Effect on profit $ m	Increase in basis points Effect on equity $ m	Decrease in basis points Effect on equity $ m
Capital and reserve portfolio					
Fixed rate investments	417.1				
Change of 74 basis points interest margin		5.3	(5.3)	-	-
Floating rate investments	113.3				
Change of 74 basis points interest margin		0.8	(0.8)	-	-

> ***Credit margin (term to maturity)***

For Export Finance Australia's investment portfolio, there is a credit revaluation risk as the fair value of the investments will fluctuate because of changes in the credit quality of the investment counterparty.

As at 30 June 2022, Export Finance Australia's investment approval is derived from the PGPA Act. This authority requires Export Finance Australia to invest its surplus money in only Australian Commonwealth and state or territory government securities, on deposit with or in securities issued by ADIs rated at least BBB- or above, and on deposit with or in securities of other entities with credit ratings the equivalent of AA- or above. However, if after purchase a counterparty subsequently falls below the minimum credit rating, management evaluates the risk and will decide on the applicable action, which may include selling the asset, holding the asset to maturity, or obtaining security through CSA's.

Notwithstanding such a high level of credit quality in investments, the portfolio is exposed to movements in credit spreads.

Unrealised marked to market movements are minimised by having an average life to maturity of approximately two years. As investments are classified at amortised cost, mark to market movements are not reflected in the financial statements, and assuming no credit defaults, losses or gains would not be realised in the profit or loss.

Sensitivity analysis of credit risk for the Commercial Account is as follows:

	Exposure at risk 2022 $ m	Exposure at risk 2021 $ m	**Increase in basis points change in market value 2022 $ m**	**Decrease in basis points change in market value 2022 $ m**	**Increase in basis points Effect on equity** 2021 $ m	**Decrease in basis points Effect on equity** 2021 $ m
Investment portfolio						
Fixed rate investments	**378.3**	417.1				
Change of 50 basis points credit margin			**(4.3)**	**4.3**	(3.4)	3.4
Change of 120 basis points credit margin			**(10.3)**	**10.3**	(8.3)	8.3
Change of 200 basis points credit margin			**(17.1)**	**17.2**	(13.7)	13.8
Floating rate investments	**1,156.4**	576.4				
Change of 50 basis points credit margin			**(3.3)**	**3.3**	(1.8)	1.8
Change of 120 basis points credit margin			**(7.9)**	**7.9**	(4.3)	4.3
Change of 200 basis points credit margin			**(13.2)**	**13.2**	(7.2)	7.2

Notes to the financial statements

for the year ended 30 June 2022

Note 18 Financial risk management

(b) Foreign exchange risk

Export Finance Australia extends facilities in various currencies, principally in US dollars and euros. Where the borrowing currency is different from the currency of the assets being funded, cross-currency swaps or foreign exchange contracts are used to offset the exposure (before allowances and provisions).

The table below does not include any balances that are in AUD as they are not exposed to foreign currency movements. Foreign currency exposures for the Commercial Account in Australian dollar equivalents are:

	Foreign currency fair value exposures		
	USD	**EUR**	**Other**
30 June 2022	**A$ m**	**A$ m**	**A$ m**
Financial assets exposure in foreign currencies			
Cash and cash at bank	2.6	9.3	1.8
Receivables from other financial institutions	568.3	-	-
Loans and receivables at amortised cost	0.1	-	-
Loans and receivables designated at fair value through profit or loss	834.3	72.1	-
Loans to National Interest Account designated at fair value through profit or loss	410.6	-	7.3
Derivative financial instruments receivable	693.6	-	-
Other financial assets	0.6	-	-
Total financial assets exposure in foreign currencies	2,510.1	81.4	9.1
Financial liabilities exposure in foreign currencies			
Borrowings designated at fair value through profit or loss	877.7	83.5	7.3
Guarantees designated at fair value through profit or loss	3.8	2.6	(0.1)
Derivative financial instruments payable	1,661.1	6.1	-
Other financial liabilities	37.4	1.1	0.3
Total financial liabilities exposure in foreign currencies	2,580.0	93.3	7.5
Net foreign exchange exposures in foreign currencies	(69.9)	(11.9)	1.6

As shown in the above table, the net foreign exchange exposure as at 30 June 2022 is minimal in value for all currencies other than USD with an exposure of $69.9 million and EUR with an exposure of $11.9 million. The exposure in this currency is largely due to movements in credit risk provisioning.

	Foreign currency fair value exposures		
	USD	EUR	Other
30 June 2021	A$ m	A$ m	A$ m
Financial assets exposure in foreign currencies			
Cash and cash at bank	4.1	5.4	0.9
Receivables from other financial institutions	60.3	12.7	-
Loans and receivables designated at fair value through profit or loss	917.4	118.1	-
Loans to National Interest Account designated at fair value through profit or loss	314.0	-	-
Derivative financial instruments receivable	684.2	-	-
Other financial assets	0.1	-	-
Total financial assets exposure in foreign currencies	1,980.1	136.2	0.9
Financial liabilities exposure in foreign currencies			
Borrowings designated at fair value through profit or loss	645.7	134.9	-
Guarantees designated at fair value through profit or loss	2.7	1.6	(0.1)
Derivative financial instruments payable	1,365.5	12.6	-
Other financial liabilities	35.3	1.3	-
Total financial liabilities exposure in foreign currencies	2,049.2	150.4 -	0.1

Notes to the financial statements

for the year ended 30 June 2022

Note 18 Financial risk management

Net foreign exchange exposures in foreign currencies	(69.1)	(14.2)	1.0

Export Finance Australia's business creates foreign exchange exposures in relation to future income and expense. The current policy is only to hedge 'realised' income and expense, not to hedge 'unrealised' or future foreign currency income and expense. There is also unrealised exposure to the discounting factor applied to the future cash flows. The discount factor can be affected by the anticipated future interest rates, which then can give rise to a profit or loss movement based on the discounted rate used to net present value the future anticipated cash flows.

The exposure to foreign exchange rate movement is kept to a minimum as borrowings are converted via cross-currency swaps into the currency that is needed to lend to customers. The three main components that are exposed to foreign exchange movements relate to:

(i) future fixed interest profit that has been taken to income in foreign currency;
(ii) future risk premiums and other residual components taken to income in foreign currency; and
(iii) the allowance for credit risk which is held in Australian-dollar equivalents against loans predominantly in foreign currency.

To ensure consistency and a common approach to foreign exchange sensitivity, the recommendations provided by the Commonwealth have been adopted. The sensitivity analysis movement percentages are based on both statistical and non-statistical analysis. The statistical analysis is based on main currency movements for the last five years. This information is then revised and adjusted for reasonableness under the current economic circumstances. Sensitivity has only been performed on the currencies that are material to financial statements.

Sensitivity analysis for foreign exchange on the Commercial Account:

30 June 2022	**Change in foreign exchange (FX) rate %**	**Exposure at risk A$ m**	**Increase in FX rate Effect on profit A$ m**	**Decrease in FX rate Effect on profit A$ m**
Exposure to USD	**8.3**	**(69.9)**	**5.4**	**(6.4)**
Exposure to EUR	**8.3**	**(11.9)**	**0.9**	**(1.1)**

30 June 2021	Change in foreign exchange (FX) rate %	Exposure at risk A$ m	Increase in FX rate Effect on profit A$ m	Decrease in FX rate Effect on profit A$ m
Exposure to USD	7.9	(69.1)	5.0	(5.9)
Exposure to EUR	7.9	(14.2)	1.1	(1.2)

Foreign currency exposures for the National Interest Account in Australian dollar equivalents are:

	USD 30 June 2022 A$ m	**FJD 30 June 2022 A$ m**	USD 30 June 2021 A$ m	EUR 30 June 2021 A$ m
Financial assets exposure				
Receivables from other financial institutions	**2,506.5**	**-**	-	-
Loans and receivables at amortised cost	**437.3**	**6.4**	334.0	-
Other financial assets	**(0.1)**	**0.2**	1.1	-
Total financial assets exposure	**2,943.7**	**6.6**	335.1	-
Financial liabilities exposure				
Payables to other financial institutions	**2,511.4**	**-**	-	-
Borrowings from Commercial Account	**413.2**	**6.6**	313.0	-
Sundry provisions and allowances	**-**	**1.5**	-	-
Other financial liabilities	**0.9**	**-**	0.2	-
Total financial liabilities exposure	**2,925.5**	**8.1**	313.2	-
Net foreign exchange exposures	**18.2**	**(1.5)**	21.9	-

The policy of the Commonwealth is not to hedge these exposures.

Note 18 Financial risk management

Sensitivity analysis for foreign exchange on the National Interest Account:

30 June 2022	**Change in foreign exchange (FX) rate %**	**Exposure at risk A$ m**	**Increase in FX rate Effect on profit A$ m**	**Decrease in FX rate Effect on profit A$ m**
Exposure to USD	**8.3**	**18.2**	**1.4**	**(1.7)**

30 June 2021	Change in foreign exchange (FX) rate %	Exposure at risk A$ m	Increase in FX rate Effect on profit A$ m	Decrease in FX rate Effect on profit A$ m
Exposure to USD	7.9	21.9	1.6	(1.9)

Notes to the financial statements

for the year ended 30 June 2022

Note 19 Fair value of financial instruments

(i) Determination of fair value hierarchy

Export Finance Australia uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs significantly affecting the recorded fair value are observable, either directly or indirectly; and
- Level 3: other techniques for which inputs significantly affecting the recorded fair value are not based on observable market data.

For assets and liabilities that are recognised in the financial statements on a recurring basis, it is determined whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table shows an analysis of financial instruments in the Commercial Account recorded at fair value by level of the fair value hierarchy:

	Carrying amount	Fair value exposures by hierarchy			
	Total	Level 1	Level 2	Level 3	Total
30 June 2022	$ m	$ m	$ m	$ m	$ m
Financial assets measured at fair value					
Loans and receivables designated at fair value through profit or loss	1,100.8	-	-	1,100.8	1,100.8
Loans to National Interest Account designated at fair value through profit or loss	550.3	-	550.3	-	550.3
Interest rate swaps	8.6	-	8.6	-	8.6
Cross-currency swaps	8.2	-	8.2	-	8.2
Forward foreign exchange contracts	6.5	-	6.5	-	6.5
Non financial assets					
Property, plant and equipment	143.2	-	143.2	-	143.2
Investment securities measured at amortised cost					
Discount securities	257.4	-	257.5	-	257.5
Floating rate notes	256.0	-	260.1	-	260.1
Fixed rate bonds	378.3	-	376.2	-	376.2
Total	2,709.3	-	1,610.6	1,100.8	2,711.4
Financial liabilities					
Borrowings designated at fair value through profit or loss	(2,379.3)	-	(2,379.3)	-	(2,379.3)
Guarantees designated at fair value through profit or loss	(8.5)	-	-	(8.5)	(8.5)
Interest rate swaps	(82.8)	-	(82.8)	-	(82.8)
Cross-currency swaps	(257.7)	-	(257.7)	-	(257.7)
Total	(2,728.3)	-	(2,719.8)	(8.5)	(2,728.3)

Notes to the financial statements

for the year ended 30 June 2022

Note 19 Fair value of financial instruments

	Carrying amount	Fair value exposures by hierarchy			
	Total	Level 1	Level 2	Level 3	Total
30 June 2021	$ m	$ m	$ m	$ m	$ m
Financial assets					
Loans and receivables designated at fair value through profit or loss	1,226.9	-	-	1,226.9	1,226.9
Loans to National Interest Account designated at fair value through profit or loss	390.2	-	390.2	-	390.2
Interest rate swaps	0.1	-	0.1	-	0.1
Cross-currency swaps	51.3	-	51.3	-	51.3
Forward foreign exchange contracts	15.1	-	15.1	-	15.1
Investment securities measured at amortised cost					
Discount securities	207.8	-	207.9	-	207.9
Floating rate notes	231.0	-	232.9	-	232.9
Fixed rate bonds	417.2	-	437.6	-	437.6
Total	2,539.6	-	1,335.1	1,226.9	2,562.0
Financial liabilities					
Borrowings designated at fair value through profit or loss	(2,105.7)	-	(2,105.7)	-	(2,105.7)
Guarantees designated at fair value through profit or loss	(4.8)	-	-	(4.8)	(4.8)
Interest rate swaps	(2.4)	-	(2.4)	-	(2.4)
Cross-currency swaps	(94.2)	-	(94.2)	-	(94.2)
Forward foreign exchange contracts	(5.0)	-	-	-	-
Total	(2,212.1)	-	(2,202.3)	(4.8)	(2,207.1)

The following table shows an analysis of movement in level 3 fair value hierarchy on the Commercial Account:

	Movement in level 3 fair value exposures						
	At 1 July 2021	**New Deals**	**Repayments**	**Foreign exchange**	**Profit/(loss) deals matured**	**Profit/(loss) deals existing**	**At 30 June 2022**
	$ m	**$ m**	**$ m**	**$ m**	**$ m**	**$ m**	**$ m**
Level 3 financial assets							
Loans and receivables designated at fair value through profit or loss	**1,226.9**	**348.7**	**(547.6)**	**81.8**	-	**(8.9)**	**1,100.8**
	1,226.9	**348.7**	**(547.6)**	**81.8**	-	**(8.9)**	**1,100.8**
Level 3 financial liabilities							
Guarantees designated at fair value through profit or loss*	**(4.8)**	-	-	**(0.3)**	-	**(3.4)**	**(8.5)**
	(4.8)	-	-	**(0.3)**	-	**(3.4)**	**(8.5)**
Total net level 3	**1,222.1**	**348.7**	**(547.6)**	**81.5**	-	**(12.3)**	**1,092.3**

Notes to the financial statements

for the year ended 30 June 2022

Note 19 Fair value of financial instruments

Movement in level 3 fair value exposures

	At 1 July 2020	New Deals	Repayments	Foreign Exchange	Profit/(loss) deals matured	Profit/(loss) deals existing	At 30 June 2021
	$ m	$ m	$ m	$ m	$ m	$ m	$ m
Level 3 Financial assets							
Loans and receivables designated at fair value through profit or loss	1,248.4	409.1	(318.6)	(100.3)	-	(11.7)	1,226.9
Cross-currency swaps	2.9	-	(3.6)	-	0.7	-	-
	1,251.3	409.1	(322.2)	(100.3)	0.7	(11.7)	1,226.9
Level 3 Financial liabilities							
Borrowings designated at fair value through profit or loss	(27.1)	-	25.4	1.7	-	-	-
Guarantees designated at fair value through profit or loss*	(5.6)	-	-	0.2	-	0.6	(4.8)
	(32.7)	-	25.4	1.9	-	0.6	(4.8)
Total net level 3	1,218.6	409.1	(296.8)	(98.4)	0.7	(11.1)	1,222.1

*Guarantees are contingent liabilities and so the face value is not held in the statement of financial position.

The profit or loss on the above level 3 financial assets and liabilities is recorded in the statement of profit or loss or other comprehensive income in either the category fair value of third party loans and guarantees or the category fair value of other financial instruments.

The following table shows the quantitative information of significant unobservable inputs for level 3 fair value exposures on the Commercial Account:

	Sensitivity of level 3 fair value exposures			
	At 30 June 2022	**Effect of reasonable alternative assumptions**	At 30 June 2021	Effect of reasonable alternative assumptions
	$ m	**$ m**	$ m	$ m
Level 3 financial assets				
Loans and receivables designated at fair value through profit or loss	**1,100.8**	**(23.5)**	1,226.9	(33.9)
Level 3 financial liabilities				
Guarantees designated at fair value through profit or loss	**(8.5)**	**(3.7)**	(4.8)	(3.2)

Note 19 Fair value of financial instruments

In order to determine reasonable alternative assumptions, the following model inputs were adjusted:

For both loans and receivables designated at fair value through profit or loss, and guarantees designated at fair value through profit or loss, the credit risk assumptions were adjusted. This involved adjusting the ratings modifier down by one notch (e.g. risk category 5 flat to 5 negative) across the entire portfolio, which is considered a reasonable alternative assumption.

For borrowings designated at fair value through profit or loss and cross-currency swaps, the discount rate assumption was adjusted by 10 basis, points which is considered a reasonable alternative assumption.

(ii) Determination of fair value
The process for determination of fair value is regularly reviewed, and any changes recommended to the inputs used in the valuations are documented and submitted to the Board Audit and Risk Committee and then to the Board for approval if necessary. A summary paper is submitted to the Board Audit and Risk Committee and Board every year prior to the approval of the financial statements, which documents the accounting estimates used in fair value calculations including level 3 unobservable inputs.

Export Finance Australia is closely monitoring technical and regulatory developments offshore affecting the replacement of LIBOR and expects to adopt the market consensus as it emerges.

The following is a description of the determination of fair value for financial instruments that are recorded at fair value using valuation techniques.

Commercial Account loans and receivables designated at fair value through profit or loss
The fair value on day one is the transaction price, and subsequent fair value is determined by applying market interest rates and using a discounted cash flow valuation through an external valuation system. These are classified as level 3 as the credit risk component is included in the valuation through an internal model to reflect the impact of expected loss on the fair value of each loan or receivable. A residual margin covering prepayment risks, other risks and servicing costs is also included in the fair value of each loan or receivable. When it is likely that a loan or debt will not be recovered in full, a specific event is recognised and recorded using the discounted cash flow method. All individual facilities are reviewed regularly.

Loans to National Interest Account designated at fair value through profit or loss
Fair value is determined by applying market rates and using a discounted cash flow valuation through an external valuation system. These loans are classified as level 2.

Derivative financial instruments

The fair value of derivative financial instruments is determined by applying market rates and using a discounted cash flow valuation. For derivatives that are associated with borrowings, an adjusted curve is derived from the London Inter-bank Offered Rate (LIBOR) or risk-free curve and then adjusted to calculate a margin based on Export Finance Australia's current ability to issue debt at a margin to LIBOR. These valuations before the allowance for derivative risk are being obtained from an external valuation system. In the calculation of the allowance for derivative risk, a credit risk component is included through the use of published credit default spreads and a valuation risk component is included through an internal model. Vanilla derivatives are classified as level 2, whereas non-vanilla structured derivatives are classified as level 3. The structured derivatives are classified as level 3 as they have a complex interest rate formula that includes foreign exchange rates.

Commercial Account borrowings designated at fair value through profit or loss
The fair value of borrowings is determined by applying market interest rates and using a discounted cash flow valuation. An adjusted curve is derived from the LIBOR or risk-free curve and then adjusted to calculate a margin based on Export Finance Australia's current ability to issue debt at a margin to LIBOR. These valuations are being obtained from an external valuation system. Non-structured borrowings are classified as level 2, whereas structured borrowings are classified as level 3. The structured borrowings are classified as level 3 as they have a complex interest rate formula that includes foreign exchange rates.

Guarantees designated at fair value through profit or loss
The fair value on day one is the transaction price, and subsequent fair value is determined by applying market rates and using a discounted cash flow valuation through an external valuation system. These are classified as level 3 as the credit risk component is included in the valuation through an internal model to reflect the impact of expected loss on the fair value of each guarantee. A residual margin covering prepayment risks, other risks and servicing costs is also included in the fair value of the guarantee. When it is likely that a guarantee will be called, a specific event is recognised and recorded using the discounted cash flow method. All individual facilities are reviewed regularly.

Investment securities measured at amortised cost
The indicative fair value quoted in the above table are for information purposes only and are determined by applying market interest rates and using a discounted cash flow valuation. These valuations are being obtained from an external valuation system and are classified as level 2. The assets are held at amortised costs in the financial statements.

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for the year ended 30 June 2022

		Commercial Account		National Interest Account	
		30 June 2022 $ m	30 June 2021 $ m	**30 June 2022 $ m**	30 June 2021 $ m
Note 20 Capital equivalent					
Capital available					
Equity at start of period		**542.8**	537.1	**-**	-
Profit		**12.8**	11.3	**-**	-
Asset revaluation reserve	10	**37.0**	-	**-**	-
Dividend payable/paid		**(5.7)**	(5.6)	**-**	-
Equity at end of period		**586.9**	542.8	**-**	-
Eligible allowance for credit risk in capital		**16.8**	18.4	**-**	-
Export Finance Australia capital		**603.7**	561.2	**-**	-
Callable capital		**1,200.0**	1,200.0	**-**	-
Capital available (including callable capital)		**1,803.7**	1,761.2	**-**	-

Commercial Account

Capital management

Under section 56 of the EFIC Act, the Board is required 'to ensure, according to sound commercial principles, that the capital and reserves of Export Finance Australia at any time are sufficient'. This requirement relates only to our Commercial Account activities, and this provides guidance in fulfilling the obligation by setting regulatory standards drawing upon both the standards of APRA and those set by the Bank for International Settlements through the Basel Committee on Banking Supervision.

Actual capital available (cash and callable) is used by the Board as the base for setting risk tolerances for counterparty and country exposure limits.

Export Finance Australia has modelled its large exposure policy on Basel and APRA guidelines. Our large exposures limits are 25% of eligible capital for internal risk grades 1 and 2 (A- and above), and 15% for internal risk grades 3 and worse (below A-). Any exceptions above these limits are subject to Board approval. In addition, the Board allows a small tolerance above these limits for foreign exchange movements given the majority of the large exposures are in foreign currency against an AUD capital base.

Export Finance Australia's approach to capital management is based around assessing the level of, and appetite for risk, and ensuring that the level and quality of capital is appropriate to that risk profile. Prudent practice also requires that capital management be forward-looking, having regard to changes in strategy, business plans and the operating environment as well as changes in the type, amount and concentration of risk that might impact on the capital resources available.

Capital also supports the operations by providing a buffer to absorb unanticipated losses from its normal business activities. In the event cash capital is insufficient, the Board, in consultation with the Government, may call additional cash capital up to a prescribed amount. Export Finance Australia is also supported by a Commonwealth guarantee that protects third parties from any financial loss in the event Export Finance Australia cannot meet its obligations. This guarantee has never been called.

The Board treats the capital as equivalent to the regulatory capital under Basel and APRA guidelines and uses this as the basis for setting risk tolerances with regard to large exposures. Changes to the EFIC Act in 2013, which gave the Minister power under section 55A(2) to 'direct Efic to pay specified dividends within a specific period', means the capital base may not meet the regulatory definition of 'capital'.

When making this assessment, the Board is required to include as equity the $1.2 billion of callable capital that is available from the Commonwealth in accordance with the provisions of section 54(8)(a) of the EFIC Act.

National Interest Account

Export Finance Australia holds no capital against the National Interest Account business on the basis that the risks are borne by the Commonwealth.

Notes to the financial statements

for the year ended 30 June 2022

	Commercial Account		National Interest Account	
	30 June 2022	30 June 2021	**30 June 2022**	30 June 2021
	$	$	**$**	$
Note 21 Remuneration of external auditors				
Auditor's remuneration				
Amounts received or due and receivable by Export Finance Australia's auditors for:				
Other services	**-**	-	**-**	-
An audit or review of the annual report	**229,700**	223,030	**-**	-
Total audit remuneration	**229,700**	223,030	**-**	-

	Commercial Account		National Interest Account	
	30 June 2022 $	30 June 2021 $	**30 June 2022 $**	30 June 2021 $
Note 22 Related party disclosures				

Key management remuneration expenses for the reporting period

Total remuneration received and receivable by key management personnel for the year (includes Directors). Remuneration includes all cash remuneration, superannuation and any non-cash benefits (including applicable fringe benefits tax).

Short-term employee benefits	**3,893,769**	3,925,253	**-**	-
Post-employment benefits	**281,042**	261,013	**-**	-
Long-term employee benefits	**60,215**	68,719		
Termination benefits	**-**	-	**-**	-
Total remuneration	**4,235,026**	4,254,985	**-**	-
Total number of senior management personnel	**17**	17	**-**	-

The table has been based on the requirements stipulated in the Resource Management Guide No. 138 *Commonwealth Entities Executive Remuneration Reporting Guide for Annual Reports* .

The number of key management personnel at 30 June 2022 were 15 positions comprising 7 Board Members, the Managing Director & Chief Executive Officer, and 7 Executives. There has been one position added to KMPs this year compared to the prior year. The numbers that hold these positions vary depending on how many positions had departures and new starters within the year.

Transactions with key management personnel

Export Finance Australia has not entered into any direct transactions with key management personnel.

Under the EFIC Act, Export Finance Australia has a number of transactions with the Commonwealth. The principal transactions are those related to the National Interest Account activities.

The Commonwealth guarantees the due payment by Export Finance Australia of any money that becomes payable to a third party.

		Commercial Account		National Interest Account	
		30 June 2022	30 June 2021	**30 June 2022**	30 June 2021
	Note	**$ m**	$ m	**$ m**	$ m
Note 23 Reconciliation of profit to net cash flows from operating activities					
Profit from ordinary activities		**12.8**	11.3	**8.6**	30.5
Adjustments for non-cash items					
Depreciation	3(vii)	**3.4**	3.7	**-**	-
Employee entitlements	3(vii)	**1.5**	0.7	**-**	-
Amortisation of deferred income		**(6.3)**	(2.1)	**0.1**	0.4
Movement in accruals		**-**	-	**7.2**	(0.6)
Credit risk movement	3(iv),(viii)	**(17.1)**	12.2	**4.4**	12.0
Unrealised foreign exchange losses		**5.5**	(4.4)	**(1.0)**	(0.2)
Unearned premium		**-**	-	**0.6**	0.1
Operating expenses		**-**	-	**5.0**	4.6
Fair value movement of third-party loans and guarantees		**16.0**	2.5	**-**	-
Fair value movement of other financial instruments	3(v)	**(4.8)**	1.9	**-**	-
Specific provision for credit risk	3(iv)	**8.9**	0.1	**3.6**	(14.7)
Provision for competitive neutrality charges	15	**8.2**	7.9	**-**	-
Other		**(1.3)**	-	**0.1**	2.0
Adjustment for non-cash items					
Net movement in receivables/payables		**2.7**	13.9	**-**	-
Net repayments of loan balances		**72.4**	289.7	**(144.5)**	383.0
Net cash inflows/(outflows) from operating activities		**101.9**	337.4	**(115.9)**	417.1
Reconciliation of cash					
Cash and cash equivalents at end of financial year is reconciled to the related items in the statement of financial position as follows:					
Cash and cash at bank		**19.0**	12.6	**-**	-
Receivables from other financial institutions	4	**641.4**	137.5	**2,506.5**	-
Cash and cash equivalents end of financial year		**660.4**	150.1	**2,506.5**	-
Financing facilities					
Borrowing facilities available at end of financial year					
Overdraft facilities		**0.3**	0.3	**-**	-
Amount of facilities used		**-**	-	**-**	-
Amount of facilities unused		**0.3**	0.3	**-**	-

Notes to the financial statements

for the year ended 30 June 2022

Note 24 Reconciliation of liabilities arising from financing activities

Commercial Account	Note	At 1 July 2021 $ m	Cash Proceeds $ m	Cash Repayments $ m	Net Proceeds/ (Repayments) $ m	Fair Value/ Foreign Exchange $ m	At 30 June 2022 $ m
Derivative assets and liabilities							
Derivative financial assets	9	66.5	2,196.3	(2,162.2)	34.1	(77.3)	23.3
Derivative financial liabilities	9	(96.6)	1,327.3	(1,307.3)	20.0	(263.9)	(340.5)
		(30.1)	3,523.6	(3,469.5)	54.1	(341.2)	(317.2)
Payables to other financial institutions							
Payables to other financial institution	12	-	16.1	(16.1)	-	-	-
Borrowings designated at fair value through profit and loss							
Non-structured borrowings		1,325.1	256.5	-	256.5	(163.5)	1,418.1
Euro commercial paper		780.6	4,008.0	(3,889.2)	118.8	61.8	961.2
	13	2,105.7	4,264.5	(3,889.2)	375.3	(101.7)	2,379.3

National Interest Account	Note	At 1 July 2021 $ m	Cash Proceeds $ m	Cash Repayments $ m	Net Proceeds/ (Repayments) $ m	Fair Value/ Foreign Exchange $ m	At 30 June 2022 $ m
Payables to other financial institutions							
Payables to other financial institution	12	-	3,750.7	(1,370.5)	2,380.2	131.2	2,511.4
Borrowings from Commercial Account							
Borrowings from Commercial Account		389.2	184.7	(39.9)	144.8	18.2	552.2

Notes to the financial statements

for the year ended 30 June 2022

Note 24 Reconciliation of liabilities arising from financing activities

Commercial Account	Note	At 1 July 2020 $ m	Cash proceeds $ m	Cash repayments $ m	Net proceeds/ (repayments) $ m	Fair value/ foreign exchange $ m	At 30 June 2021 $ m
Derivative assets and liabilities							
Derivative financial assets	9	48.5	1,456.0	(1,448.7)	7.3	10.7	66.5
Derivative financial liabilities	9	(350.9)	2,920.3	(3,145.9)	(225.6)	479.9	(96.6)
		(302.4)	4,376.3	(4,594.6)	(218.3)	490.6	(30.1)
Payables to other financial institutions							
Payables to other financial institutions	12	5.3	124.7	(129.5)	(4.8)	(0.5)	-
Borrowings designated at fair value through profit and loss							
Structured borrowings		27.1	-	(25.4)	(25.4)	(1.7)	-
Non-structured borrowings		1,069.0	800.0	(500.0)	300.0	(43.9)	1,325.1
Euro commercial paper		1,290.8	3,525.3	(3,941.4)	(416.1)	(94.1)	780.6
	13	2,386.9	4,325.3	(4,466.8)	(141.5)	(139.7)	2,105.7
National Interest Account							
Borrowings from Commercial Account							
Borrowings from Commercial Account		832.3	101.7	(489.4)	(387.7)	(55.4)	389.2

	Commercial Account		National Interest Account	
	30 June 2022 $m	30 June 2021 $ m	**30 June 2022 $m**	30 June 2021 $ m
Note 25 Aggregate assets and liabilities				
Assets expected to be recovered in:				
No more than 12 months	**1,364.6**	983.8	**2,593.2**	77.5
More than 12 months	**2,025.0**	1,833.0	**474.5**	327.4
Total assets	**3,389.6**	2,816.8	**3,067.7**	404.9
Liabilities expected to be settled in:				
No more than 12 months	**1,230.6**	857.2	**2,593.2**	77.5
More than 12 months	**1,572.1**	1,416.8	**474.5**	327.4
Total liabilities	**2,802.7**	2,274.0	**3,067.7**	404.9
Net assets and liabilities	**586.9**	542.8	**-**	-

Independent Auditor's Report

To the Directors of Export Finance Australia

Opinion

We have audited the **Financial Report** of Export Finance Australia (the Entity).

In our opinion, the accompanying Financial Report gives a true and fair view of the financial position of Export Finance Australia as at 30 June 2022, and of its financial performance and its cash flows for the year then ended, in accordance with *Australian Accounting Standards, International Financial Reporting Standards as issued by the International Accounting Standards Board*.

The ***Financial Report*** comprises:

- Statement of financial position as at 30 June 2022
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Entity in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the *Financial Report* in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other matter

The Entity has prepared a separate set of financial statements for the year ended 30 June 2022 in accordance with Australian Accounting Standards on which another auditor issued an unmodified auditor's report to the Minister of Trade, Tourism and Investment for Export Finance Australia dated 30 August 2022.

Other Information

Other Information is financial and non-financial information in Export Finance Australia's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

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Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards, International Financial Reporting Standards as issued by the International Accounting Standards Board;*
- implementing necessary internal control to enable the preparation of Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Entity's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

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Restriction on use and distribution

The Financial Report has been prepared to assist the Directors of Export Finance Australia in complying with the financial reporting requirements with respect to the U.S. Programme for the Issuance of Debt Instruments.

As a result, the Financial Report and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for use in the U.S. Programme for the Issuance of Debt Instruments and should not be used by or distributed to parties other than the incorporation in U.S. Programme for the Issuance of Debt Instruments. We disclaim any assumption of responsibility for any reliance on this report, or on the Financial Report to which it relates, to any person other purpose than that for which it was prepared.

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A.R

Andrew Reeves
Partner

Sydney
9 September 2022