Export Finance Australia

2018–2019 Annual Report

Helping Australia take on the world

Australian Government

export finance australia

Data in this report may not sum due to rounding.

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BY

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About Export Finance Australia

Export Finance Australia* 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). We are governed by an independent Board that is responsible for managing our affairs. Export Finance Australia is part of the Foreign Affairs and Trade portfolio of agencies, and reports to the Minister for Trade, Tourism and Investment, Senator the Hon Simon Birmingham (Minister).

What we do

As the Australian Government's export credit agency (ECA), we are an integral part of Australia's international trade focus – supporting businesses, jobs and the community. We play a critical role for our customers and partners by using our commercial financing capability to support viable exporters and overseas infrastructure development when financing from the banking market is unavailable.

We work closely with banks, other financial institutions, and Austrade and the Department of Foreign Affairs and Trade (DFAT), to support exporters and our international partners on their growth journey. By doing so, we encourage and catalyse private market financing.

In recent years, the Government has enhanced our mandate and capital base to enable us to support a wider range of exporters (especially small and medium-sized enterprises (SMEs)), assist other government entities and finance overseas infrastructure development, especially in the Pacific region.

These changes have complemented and enhanced our core export-focused mandate and used our specialist financing capabilities to support broader government policy initiatives.

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

** On 1 July 2019, the Export Finance and Insurance Corporation (Efic) began operating under the name Export Finance Australia.*

How we provide finance

We help customers with finance solutions, which may involve loans, bonds, guarantees and insurance. We deliver our support in one of two ways – through our Commercial Account and/or the National Interest Account.

Commercial Account

Under the Commercial Account we act as a for-profit corporation.

We retain all margins and fees and bear all risks and losses.

Decisions under the Commercial Account are the responsibility of the Export Finance Australia Board.

National Interest Account

Under the National Interest Account, the Minister can direct us to support transactions that are in the national interest.

We can also refer transactions to the Minister for consideration. This might be due to the transaction's size, tenor or significant exposure to the country of export.

The Commonwealth receives all income on National Interest Account transactions. It also bears all risks and losses. Decisions under the National Interest Account are the responsibility of the Government.

Financing for the Defence Export Facility and the Australian Infrastructure Financing Facility for the Pacific are delivered through the National Interest Account.

What is an export credit agency?

Most advanced countries worldwide have government-owned ECAs, with a role to support and enable export trade for their country. Generally, these agencies provide various financing solutions to help businesses grow exports. The type of support provided depends on the mandate from the government and can include providing loans, bonds, guarantees and insurance.

2018–2019 Highlights

147
transactions completed supporting 107 businesses

$377.6m
in support provided

$2.29b
in export contracts supported

3,033
potential customers reached

266
outreach activities with our banking partners

>80%
of all transactions referred to banks

41%
women in senior leadership

Expansion of our mandate to include infrastructure projects in the Indo-Pacific region

$1.64b
contributed to Australia's GDP

50%
employees from a non-English speaking background or with parents from a non-English speaking background

$10m
provided for a single transaction under the National Interest Account, supporting $261 million of export contracts

13,622
Australian jobs supported

A new trading name
– giving us a clearer and simpler way to say who we are and what we do

$36.8m
in pre-tax profit

Chairman's and Managing Director and CEO's report: Delivering export success

As Chairman and Managing Director and CEO of Export Finance Australia, we're delighted to present the Export Finance Australia 2018–19 Annual Report.

Australia relies on export trade to build prosperity, create jobs and help Australian businesses succeed internationally. By trading with other countries – including our closest neighbours – we advance our economies and deliver outcomes that bolster our interests and standing in the region.

As the Australian Government's ECA, we are an integral part of Australia's international trade focus – supporting businesses, jobs and the community. We provide financial support to Australian exporters and support the financing of overseas infrastructure development in our region. We play a critical role for our customers and partners by using our commercial financing capability to provide financial support when such support is unavailable from the banking market.

Significantly, our role and mandate continue to evolve. In April 2019, changes to the EFIC Act provided us with a $1 billion increase in our callable capital and a new infrastructure financing power.

The year in review

We continue to meet our core purpose of supporting Australian exporters. We set ourselves ambitious targets for 2018–19, and while we didn't achieve all our targets, we are pleased with the momentum we have created in our business.

The business delivered strong year-on-year growth, with the total value of transactions increasing from $194.2 million in 2017–18 to $377.6 million in 2018–19, an increase of 94%.

Of the $560 million to $660 million in transactional pipeline we had projected for 2018–19, approximately $222 million worth of transactions were delayed by our customers. This is to be expected given the challenging nature of our transactions and the emerging markets in which we operate. We anticipate signing these transactions in 2019-20.

Notwithstanding the above, our $377.6 million in financing for 107 Australian businesses enabled them to deliver more than $2.29 billion in export contracts and grow their businesses at home and abroad. The level of export contracts supported significantly exceeded our projection of $1.3 billion to $1.6 billion. It demonstrates the broader benefit of our support to the Australian economy as reflected in our contribution to GDP and jobs supported.

Building upon our input-output analysis from last year, we engaged the Centre for International Economics to conduct an independent review of our approach. Their review of our data indicates that our activities in 2018–19 contributed $1.64 billion to Australia's GDP and helped support 13,622 jobs. On a comparative basis, our contribution to GDP and support for jobs in 2017–18 was $984 million and 7,832 jobs respectively.

Our evolving role and mandate

Significantly, our role and mandate continue to evolve. In April 2019, changes to the EFIC Act provided us with a $1 billion increase in our callable capital and a new infrastructure financing power.

These changes represent a new and broader role for our organisation, supported by a greater overall financing capability and the ability to engage in transactions that support Australia's economic and strategic interests in the region.

Our new name 'Export Finance Australia' also better identifies who we are and what we do, making it easier for exporters and our partners to find us.

Meeting our strategic objectives

During the year we made great progress on the strategic priorities outlined in our 2018–19 Corporate Plan, specifically, in relation to supporting government initiatives, working with alliance partners and industry, and the continuous improvement of our systems and processes.

Supporting government initiatives

We worked closely with our colleagues at DFAT to establish the Australian Infrastructure Financing Facility for the Pacific (AIFFP). The AIFFP is an initiative linked to the Government's Pacific Step-up strategy, and aims to support transformative infrastructure in the region. We will continue to play a role in providing our financing expertise to the AIFFP and supporting its operational activities.

Over the past year, we also continued to provide support to the Indigenous Entrepreneurs Capital Scheme, the National Housing Finance and Investment Corporation and the Northern Australia Infrastructure Facility.

Building strong partnerships

In November 2018, we entered into a Trilateral Partnership for Infrastructure Investment in the Indo-Pacific with DFAT, the Japan Bank for International Cooperation and the US Overseas Private Investment Corporation. This partnership aims to invest in projects in the Indo-Pacific region that build infrastructure, address development challenges, increase connectivity and promote economic growth.

We've also significantly strengthened our relationship with Austrade. We are working together to provide a cohesive export finance solution for Australian businesses by harnessing our collective capabilities and resources. We're also collaborating on large international projects where Australian supply-chain businesses can access international opportunities. Collaboration between our two organisations has never been in better shape.

Working with industry

We continue to work with key industry partners to promote our services to the broader export business community. Through our sponsorship of the Export Awards and relationships with organisations like the Export Council of Australia, the Australian Tourism Export Council and Australia Post, we're engaging with more Australian businesses to help them understand how they can access our support to take on the world.

Our market gap mandate means we can only provide financial support when the private market is unable to do so. We work with our banking partners to ensure that our customers' needs can be met either by us taking a lead role or collaborating to provide a complementary solution.

Over the next year, we'll continue to develop our partnerships to help more Australian businesses take advantage of export opportunities.

Our systems

We enhanced our *exportonline* portal to better support a wider range of businesses, including tourism and online customers needing access to faster loan options. As a result of these changes, we were able to provide financing to a Victorian tourism business, Creswick Woollen Mills. Our financing helped Creswick Woollen Mills improve its facilities to better cater for international visitors.

We take great pride in ensuring our business meets the highest governance and compliance standards. We were pleased to receive a positive outcome from our Australian National Audit Office (ANAO) Performance Audit, which found that we were:

- operating within our prescribed mandate
- effectively managing our financial and service delivery functions
- operating on an appropriately commercial basis
- meeting our statutory and prudential management responsibilities, noting our annual performance statement reporting could be improved to enable a more comprehensive assessment of overall progress against our purpose.

This was an excellent outcome for our people and our organisation, and demonstrates our ongoing commitment to good governance.

Fostering our people and culture

We're building an organisational culture that focuses on our customers, drives value and innovation, and which encourages our people to learn and grow.

We're committed to diversity and inclusion and are pleased to report that 41% of our senior leaders are women, up from 36% a year ago. We remain proud of our strong cultural diversity with 50% of employees coming from a non-English speaking background or with parents from a non-English speaking background.

We continue to build on our Reflect Reconciliation Action Plan, working with Career Trackers to provide internship opportunities, and building relationships with Aboriginal and Torres Strait Islander procurement suppliers.

The year ahead

We are pleased with our progress against our strategic objectives and have developed a robust pipeline of opportunities, which will enable us to support more customers in 2019–20.

We look forward to helping Australian export-related businesses, building a strong pipeline of infrastructure development opportunities in the Indo-Pacific, and contributing positively to Australia's growing export trade.

Signed for and on behalf of the members of the Board, as the accountable authority of Export Finance Australia, and being responsible for preparing and giving the Annual Report to Export Finance Australia's Minister in accordance with Section 46 of the PGPA Act.

James M Millar AM
Chairman

25 September 2019

Swati Dave
Managing Director and CEO

25 September 2019

Our purpose

To play an impactful role in financing Australian exports and interests, including overseas infrastructure development.

We achieve our purpose by fulfilling our mandated functions, which are to:

- facilitate and encourage Australian export trade and overseas infrastructure development by providing finance
- encourage banks and other financial institutions to finance exports and overseas infrastructure development
- provide information and advice about finance to help support Australian export trade
- assist other Commonwealth entities and companies in providing finance and financial services
- administer payments in relation to overseas aid projects financed by the Commonwealth.

We do this by:

Supporting SMEs, corporates and governments to realise export opportunities

We support small, medium and large businesses across a range of industries – from advanced manufacturing and defence to tourism and shipbuilding.

Through our online digital service, *exportonline*, we provide SMEs with access to fast loan options.

Our specialist expertise allows us to help with financing solutions for larger corporate and sovereign projects. This enables us to bring Australian SMEs into a project's supply chain.

Helping finance sustainable infrastructure in the Pacific region and beyond

The Australian Government's 2017 Foreign Policy White Paper details how Australia's economic and security interests are converging. To meet the challenges of an increasingly contested and competitive region, it sets out an agenda for shaping a regional balance that supports Australian interests.

To support this agenda, the Government recently:

- enhanced our commercial mandate to include a new overseas infrastructure financing power
- provided us with an extra $1 billion in callable capital
- directed us to provide operational and technical support to the AIFFP, a $2 billion development-focused infrastructure financing facility for the Pacific
- encouraged our active participation in the Trilateral Partnership for Infrastructure Investment in the Indo-Pacific, with DFAT, the US Overseas Private Investment Corporation and the Japan Bank for International Cooperation.

Providing defence export finance through the Defence Export Facility

As part of the Government's focus on building Australia's defence export capabilities, we administer the US$3 billion Defence Export Facility. This amount is an upper limit available under the National Interest Account; it is not an amount that has been provided to Export Finance Australia. As directed by the Minister, this facility provides a way for us to finance defence exports where we may not be able to help under our Commercial Account.

The first loans under the Defence Export Facility were authorised in late 2018.

Enabling broader government objectives by supporting other Commonwealth entities

We provide expertise and support to other Commonwealth entities as directed by the Minister.

The AIFFP supports infrastructure that encourages prosperity in the Pacific and Timor-Leste.

The Indigenous Entrepreneurs Capital Scheme provides access to private sector capital for Indigenous businesses.

The National Housing Finance and Investment Corporation improves housing outcomes by making loans, investments and grants to encourage investment in social and affordable housing.

The Northern Australia Infrastructure Facility is a lending facility established to provide loans (which may be concessional) to infrastructure projects that benefit northern Australia.

Where we operate

We are a national organisation with an on-the-ground presence across the country.

Our headquarters are in Sydney, with a national network of employees located in Austrade's Adelaide, Brisbane, Melbourne and Perth offices. Our New South Wales, Victorian and Queensland staff support exporters in the Australian Capital Territory, Tasmania and the Northern Territory respectively.

Annual Performance Statement

Annual Performance Statement for the year ended 30 June 2019

Introductory statement

I, James M Millar, Chairman of the accountable authority, the Board of Export Finance Australia, present the 2018–2019 Annual Performance Statement of Export Finance Australia, as required under paragraph 39(1)(a) of the PGPA Act.

In my opinion, these Annual Performance Statements are based on properly maintained records, accurately reflect the performance of the entity, and comply with subsection 39(2) of the PGPA Act.

James M Millar AM
Chairman
Export Finance Australia

Approach

The criteria we report against are the performance targets for the Commercial Account, set out on page 21 of our *2018–19 Corporate Plan* (Plan).

1: Transactions completed	2: Customers supported	3: Financials
• $560–$660m total transactions • $1.3–$1.6b in export contracts supported	• 130–150 customers supported • 50–60% new to Export Finance Australia	• Pre-tax profit of $21.8m • Post-tax profit of $15.3m

Our performance – quantitative analysis

Commercial Account

It has been a strong year for Export Finance Australia, with our support creating a positive impact for Australia's export trade landscape.

Overall, we provided 147 transactions (254 in 2017–18) during the year, valued at $377.6 million ($194 million in 2017–18), supporting nearly $2.3 billion in export contracts and overseas investments ($1.4 billion in 2017–18).

Our post-tax profit of $25.8 million ($14.9 million in 2017–18) exceeded the Plan.

While we fell short in the number of businesses supported, this was driven by customer delays, the challenging nature of our transactions and the emerging markets in which we operate.

Enhancements to our mandate, and our updated Statement of Expectations, have directed how we can now support infrastructure projects in the Indo-Pacific region, while our new Australian benefit test means we can now help even more Australian businesses take on global opportunities.

The following analysis of our overall performance should be read with the rest of the Annual Report and the Chairman and Managing Director and CEO's report.

National Interest Account

We generally do not set performance targets for transactions on the National Interest Account, as it is a decision by the Minister, based on a referral from our Board.

However, when we do undertake transactions on the National Interest Account, we report them in our Annual Performance Statement.

This year we provided a loan facility of $10 million to Ferra Engineering Pty Ltd to fund additional machining equipment and associated intellectual property in support of contracts contributing to the Joint Strike Fighter program.

Results on the Commercial Account

Table 1: Transactions completed

We increased the value of export contracts supported but fell short on our Plan transaction volume and value targets.

Performance criteria	2017–18	2018–19 targets	Result against performance criteria
Transactions completed			
Dollar value of facilities signed	$194m	$560–$660m[1]	**$377.6m**
Dollar value of export contracts supported	$1.4b	$1.3–$1.6b[2]	**$2.3b**

1 Source: Corporate Plan 2018–19, page 21, Column 4, Line 2

2 Source: Corporate Plan 2018–19, page 21, Column 4, Line 3

Explanation

We provided facilities valued at $377.6 million, supporting export contracts valued at $2.3 billion.

While the value of facilities signed was below our target, approximately $222 million worth of transactions were delayed by our customers. We exceeded the value of export contracts supported significantly. This was driven by an increase in the number of larger project finance transactions completed throughout the year.

We also signed seven transactions under our alliance agreement with the Asian Development Bank, supporting Australian SMEs exporting to Bangladesh, Pakistan, Sri Lanka and Vietnam.

Our operations are subject to legislative and mandate requirements that may impact our performance, particularly when compared to peer or other financial organisations that do not operate under similar arrangements. As a countercyclical business, and one that operates in the 'market gap', when credit availability is strong, the need for our support may decrease.

In a practical sense, because we cannot compete with banks or other financial institutions, their risk appetite impacts the level of business we can undertake. For that reason, our planned business activity relating to transactions completed and customers supported is largely outside our control.

Long lead times also affect our ability to complete transactions and meet performance targets. This year we had a number of large transactions that experienced delays in closing. We expect these transactions to now close in 2019–20.

Table 2: Customers supported

We fell short of our performance targets for number of customers supported and percentage of new Export Finance Australia customers.

Performance criteria	2017–18	2018–19 targets	Result against performance criteria
Customers supported			
Number of customers supported	160	130–150[1]	**147 transactions supporting 107 customers**
Percentage of new customers supported	56.9%	50–60%[2]	**44%**

1 Source: Corporate Plan 2018–19, page 21, Column 4, Line 4

2 Source: Corporate Plan 2018–19, page 21, Column 4, Line 5

Explanation

This year we completed 147 transactions supporting 107 individual customers, 44% of which were new customers.

While these numbers are slightly below the Plan, they reflect our operating environment and the repeat nature of our business.

Often our customers work in industries and markets that may be considered too risky by the private sector, meaning their options for export-related finance are limited.

This year, we saw an increase in the number of renewals for our Export Line of Credit product, which was introduced in March 2017, adding to our number of repeat customers. We also continued to see additional bonds provided to existing customers.

Our demonstration role to the private market means we limit our support of the same business to three times within a three-year period. If support is needed beyond this threshold, our Board must be satisfied that the support relates to an emerging market or will not crowd out private sector financiers.

Table 3: Financials

We exceeded our profit targets as a result of our support for exporters and our ongoing focus on efficiency.

Performance criteria	2017–18	2018–19 targets	Result against performance criteria
Financials			
Commercial Account profit (pre-tax)	$21.3m*	$21.8m[1]	**$36.8m**
Commercial Account profit (post-tax)	$14.9m*	$15.3m[2]	**$25.8m**

1 Source: Corporate Plan 2018–19, page 21, Column 4, Line 6

2 Source: Corporate Plan 2018–19, page 21, Column 4, Line 7

* Adjusted 2017–18 figures refer to Note 3(x) in the Financial Statements

Explanation

Our Commercial Account annual pre-tax profit was $36.8 million and post-tax profit $25.8 million, which exceeded our Plan pre-tax profit of $21.8 million and post-tax profit of $15.3 million.

The 2018–19 Commercial Account profit was impacted by movements in both US dollar (USD) interest rates and exchange rates. Given over 70% of our portfolio is denominated in USD, movements in such rates can have a material impact on our profitability. While we hedge our loans and borrowings, the future net interest margin is not hedged. This year, as a result of market fluctuations, we booked $10.0 million in income (on a fair value basis) from movements in long-term USD interest rates. Offsetting this, we also booked an unrealised loss of $3.0 million from a decline in the AUD/USD exchange rate. The result of these market movements was additional net income of $7.0 million.

When we prepare our Corporate Plan, we assume the USD interest rate and exchange rate have no material impact on our underlying profitability. Therefore, when assessing Commercial Account profit for future years, we regularise profitability back to eliminate these market movements.

We continued to make allowance for payments to the Commonwealth covering a debt neutrality charge of $1.1 million, state equivalent taxes of $1.3 million and income tax equivalent payments of $11.0 million. In addition, we paid a dividend in December 2018 of $6.9 million, based on our reported 2017–18 profit.

An additional dividend payment is expected to be paid in December 2019 of $0.5 million to reflect the restated post-tax profit in 2017–18.

Our performance – qualitative measures

This Annual Performance Statement also includes some qualitative metrics, in response to a recommendation from our ANAO Performance Audit. While these weren't included in the *Corporate Plan 2018–19*, we have included them here to help demonstrate the impact that Export Finance Australia has had this year.

Delivering on our purpose

Facilitate and encourage Australian export trade

Our primary role is to facilitate and encourage Australian export trade and overseas infrastructure development through the provision of finance – enabling us to contribute to increased GDP and job growth.
To achieve this, we need to build greater awareness of Export Finance Australia and our financing solutions.

As part of our strategy to refine our business model, over the past year we've increased our business activity, raised awareness in export market segments and extended our support across a wider range of exporters. We've also streamlined our processes to improve customer service, including reducing our transaction turnaround times.

Contributed
$1.64b
to Australia's GDP

▲ **42%** from 2017–18

Helped support
13,622
Australian jobs

▲ **79%** from 2017–18

3,033 exporters engaged

Engagement of potential customers by our sales team is an important measure of how effective we are in raising awareness of our brand and purpose in our target segments. This year, we engaged 3,033 potential customers. For over one-third (1,131 engagements), this was their first engagement with us.

44%

of our customers this year are **new** to Export Finance Australia

28 market segments supported

In line with our enhanced mandate, we have increased the market segments in which we can offer support – enabling us to have a greater impact on the export economy. This year, our focus expanded to include tourism, online and larger businesses, while continuing to support SMEs. As such, we provided financing support to small, medium and large businesses across 28 industry or business segments, with annual turnovers between $250,000 and $190 million.

Evolving our online loan platform

This year we enhanced our *exportonline* platform to allow for loan applications from online and tourism businesses to support our expanded mandate. It provides an easy online loan application process for Australian SMEs, with loans from $20,000 to $350,000.

Creswick Woollen Mills

Need: Located in regional Victoria, Creswick Woollen Mills is home to the last coloured woollen spinning mill and is a regional tourism attraction. The business wanted to increase the number of international visitors to its mill but needed funding to help improve its facilities.

Support: We were able to provide Creswick Woollen Mills with a Small Business Export Loan to support improvements to its facilities to better cater for international tourists.

Encourage other financiers to support export trade

As well as providing finance directly, we encourage banks and other financial institutions to finance export-related businesses and overseas infrastructure development. To do this, we partner with banks and other financial institutions to provide better service and support to potential customers.

In some cases, this means providing a bond or guarantee that enables the bank to provide finance – without the need for further financial support. In other cases, banks may refer customers to us if they're unable to provide finance, so we can consider offering a financing solution.

Provide information and advice about export finance

The export market provides significant opportunities for Australian businesses. But it can also be confusing for those looking to expand overseas. To help foster successful exports, we provide information and advice to help Australian businesses navigate the complexities of exporting or supporting overseas infrastructure development.

We do this through our website, where we provide economic commentary, tips for new exporters, and country profiles and risk assessments. We also do this through our partnerships with other government agencies and associations, and at networking events.

26%

of our transactions were completed with banks, representing **43% of transaction value**

80

referrals from **banks**

>80%

of our transactions were **referred to banks**

266

sales activities with our banking partners, including **50 external presentations**

Australian Government
Australian Trade and Investment Commission

Australia UNLIMITED

Building our partnership with Austrade

We're serious about taking Australian businesses global, and so is Austrade. In 2018–19, we worked hard to develop and implement programs that will help build our inter-agency partnership and drive benefits for Australian export businesses looking for support. We are doing this through:

Connecting with **regional** Australia

Our business development team continued to build strong relationships with TradeStart advisers, attending regional roadshows and talking to businesses that may be finding it difficult to access financial support through their bank.

Supporting Austrade's **international** offices

We're working with Austrade's international offices to help them understand the financial support we can provide to their customers and potential customers. Through meetings, resources and internal channels, these programs will continue to grow and expand.

Sharing **resources** to support businesses

By sharing resources, including eNewsletters, eBooks, economic updates, direct mail marketing and events, we are helping Australian businesses get access to information that will help them take on the world.

Austrade is the Australian Government's international trade promotion and investment attraction agency.

Austrade generates market information and insights, promotes Australian capability, and facilitates connections through its extensive global network.

We're creating a **referral pathway** so that more Australian businesses are connecting with the right government agency

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CASE STUDY: MINA JUSTA

Export Finance Australia and Austrade work together to help Australian businesses succeed internationally – and grow Australia's export economy

Like Australia, Peru's largest exports include mining, agriculture and tourism. So the skills and expertise of Australian companies in these sectors are in high demand in the Peruvian economy. That's why forging strong relationships between businesses in the two countries can result in a win–win proposition.

Marie Hill is an Austrade Trade Commissioner based in Peru, who helps Australian businesses bring their goods and services to the South American country. She says that Australian mining equipment, technology and services (METS) companies have much to offer their Peruvian counterparts.

One project that has benefited from Austrade involvement is the Mina Justa copper project. Owned by Peruvian miner Minsur S.A. (member of Peruvian Group BRECA) and Alxar Internacional S.p.A. (member of Chilean Group COPEC) through its subsidiary Marcobre S.A.C., Mina Justa was set up to mine and process copper concentrates and copper cathode in the Ica province of Peru. Ausenco, the Australian-based engineering, procurement, construction management and operations company, was set to play a key role in the mine's construction.

Because the project involved a large role for Ausenco, it was potentially eligible to receive finance from Export Finance Australia. However, additional Australian content was required before the finance could be provided.

Austrade's Peru office became involved with the project when Jan Fuchter, Director, Corporate, Sovereign and Project Finance at Export Finance Australia, introduced Marie to Marcobre.

"Jan told us that Export Finance Australia was potentially providing finance to the project, and that this loan was conditional on Marcobre using Australian suppliers (in addition to Ausenco) as part of the supply chain," said Marie.

After Marcobre briefed Austrade on the project's needs, Austrade then used its knowledge of suitable Australian companies to generate a list of potential Australian suppliers for Marcobre to review.

A complex project

Gabriel Ayllon Garcia is Chief Finance Officer at Marcobre. He says that seeking finance for a huge project like Mina Justa, with its multiple international stakeholders, was very complex.

"Firstly, we had to find a new partner to share 40% of the company," he said. "Then, we had to find US$900 million of financing for the remaining value of the project."

To secure this financing, Marcobre and its advisers built a strong business case and outlined the investment projections to interested investors.

> "Our strategy was to show the export credit agencies how the project would meet their interests," Gabriel said. "Once it looked as though we had several export credit agencies on board, it was easier to approach commercial banks."

Next, they approached potential lenders, starting with export credit agencies. As well as Export Finance Australia, this included German state-owned development bank KfW, Export Development Canada, and KEXIM, South Korea's export credit agency.

Gabriel said Austrade was invaluable in helping them invite and secure the services of five Australian businesses with the expertise they needed.

A winning collaboration for Australian business

Hilary Boreham is a Senior Trade Advisor at Austrade and was involved with the procurement process for the Mina Justa project that resulted in Australian suppliers winning work. She says that cross-government collaboration between Export Finance Australia and Austrade has huge potential benefits for Australian businesses.

Hilary notes that South American markets like Peru and Chile are very competitive and relationship-based. Austrade can help Australian businesses learn about opportunities in these markets, and connect with local businesses.

What's more, the potential for international corporates to attract financing through Export Finance Australia can help them look more favourably at engaging Australian businesses as part of their supply chain.

Marie Hill,
Austrade Trade Commissioner

Working with other organisations to support Australian businesses

Partnering with Australia Post

This year we partnered with Australia Post to make it easier for Australian small businesses to find and access our finance solutions.

Australia Post's new digital hub helps small businesses sell overseas by aggregating relevant information, programs and service offerings.

The hub features our finance services, including our *exportonline* platform – providing finance for businesses, with loans from as little as $20,000.

Celebrating export success

We are longstanding sponsors of the Export Awards, and this year was no different.

This year we participated in the state-based and national awards.

Through the Export Awards, we celebrate the success of businesses we have supported, and engage with new businesses to share how we can help them grow their export business.

We want to see Australian businesses grow internationally, and the Export Awards are a great way of celebrating this success.

Supporting international tourism

In 2017–18, our mandate was expanded to include support for Australian tourism businesses that want to grow their international visitor numbers. As part of our strategy to engage with this new business sector, we worked together with the Australian Tourism Export Council to build awareness of Export Finance Australia. Through direct marketing and events, we have connected with more Australian tourism businesses than ever before.

Assist other Commonwealth entities

As part of our mandate, we also help other Commonwealth entities and companies to provide finance and financial services, as directed by the Minister. This leverages our financial services expertise for the benefit of these individual entities, delivering greater efficiencies to government. It also enables us to support the Government in achieving its policy objectives, including trade, innovation and industry policies, on the National Interest Account.

Australian Infrastructure Financing Facility for the Pacific (AIFFP)

The Prime Minister announced the AIFFP in November 2018. The AIFFP aims to work hand-in-hand with our Pacific partners to support infrastructure development in the region. Since November 2018, we have helped the Government establish and set up the AIFFP to ensure it was ready for operation from 1 July 2019.

Indigenous Entrepreneurs Capital Scheme

We continue to act as a trusted adviser to the Indigenous Entrepreneurs Capital Scheme, working closely with the Department of the Prime Minister & Cabinet, Indigenous Business Australia and other financial institutions. Our role will ensure the scheme is operating in a way that improves access to private sector capital for Indigenous businesses.

National Housing Finance and Investment Corporation (NHFIC)

We continued our back-office support for the agency throughout its first year of operation. This year, NHFIC issued its first social bond, valued at $315 million. We were pleased to share our expertise in capital markets to help ensure a successful inaugural transaction for NHFIC and contribute to its role in providing affordable housing.

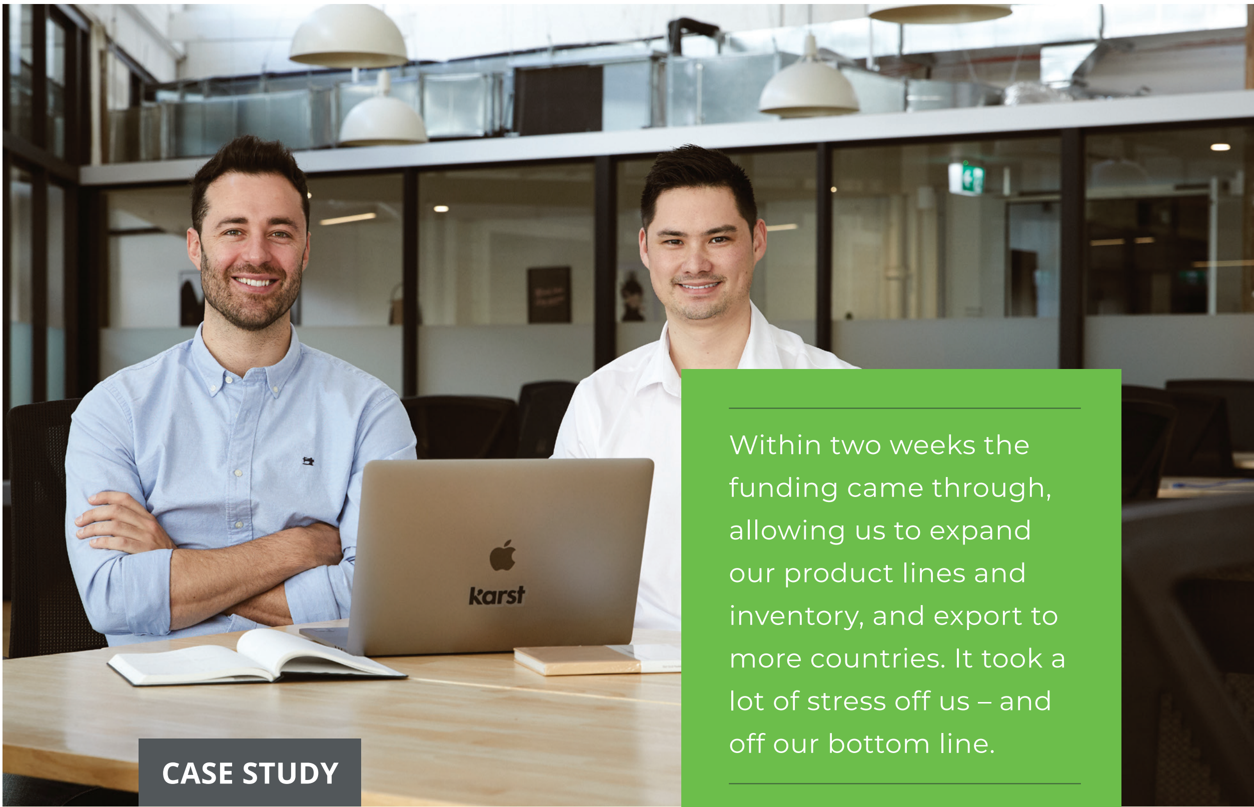
Northern Australian Infrastructure Facility (NAIF)

Our support for the NAIF is focused on providing back-office functions including IT infrastructure and helpdesk support, and property and financial expertise, as needed.

Administer overseas aid payments for the Commonwealth

In the 1980s and 1990s, Export Finance Australia made loans under the Australian Government's aid-supported mixed-credit program, the discontinued Development Import Finance Facility.

Reflecting the priorities of Australia's aid program at the time, these loans included exposures of about $450 million to Indonesia, China and the Philippines.



CASE STUDY

> Within two weeks the funding came through, allowing us to expand our product lines and inventory, and export to more countries. It took a lot of stress off us – and off our bottom line.
>
> Kevin Garcia
> Director and Founder,
> Karst Stone Paper

Karst Stone Paper

When Karst Stone Paper wanted to expand its sustainable paper stationery range – it turned to us for help.

When Director and Founder of Karst Stone Paper Kevin Garcia first encountered paper made from stone, he was fascinated by its sustainable properties – with no trees, water, bleach or acids needed to create the end product.

"We use recycled stone mixed with a non-toxic resin as a binder," said Kevin. "The factory producing the stone is powered partly by solar power. The process requires no water or wood pulp and uses 60% less carbon emissions than traditional paper. We also plant a tree for every notebook purchased online to help offset our total emissions."

The business spread the word about its sustainable product using digital platforms like Instagram, Facebook and Google Ads, successfully marketing its stationery to more than 65 countries, including the US, the UK and Europe.

"Traditional finance has always been a pain point for us – not only the amount of finance available but also the process of getting it," he said.

So when Karst Stone Paper approached us for help, it was surprised at how easy the process was.

"The only way for us to expand and move forward was to double down on the size of our invoicing and product ordering. Export Finance Australia was extremely important in enabling this growth," said Kevin.

CASE STUDY

> The support that Export Finance Australia provides helps bridge the gap where innovative, high-growth SMEs delivering superior products can compete against the incumbents or larger organisations that are already participating in the space.
>
> Will Shrapnel
> Founder, HeliMods

HeliMods

Our support helped Queensland helicopter modification company, HeliMods, break into the US and European markets.

HeliMods equips helicopters with everything they need to perform specialist missions, such as policing and aerial surveillance, emergency medical services, search and rescue, and military and paramilitary operations.

With innovation driving the business, HeliMods developed the Powered Aero Loader™, or PAL™, which allows the push-button loading of stretchers into helicopters. This means that sick and injured patients can be collected and delivered to hospital faster and more safely than before.

The business secured a significant opportunity with one of the largest North American ambulance fleets, Ornge, to upgrade its fleet to incorporate the power loading technology.

"And that's where we then sought some additional assistance from Export Finance Australia," said Will Shrapnel, Founder of HeliMods.

We supported HeliMods' working capital requirements with a $1.05 million loan. This loan enabled the business to compete with companies with much larger balance sheets – supporting its cash flow and ability to deliver.

"As an SME, you might be dealing with quite a large client that's used to contract terms that are very back-ended. That does get out of the realms of what our banks would typically cover comfortably or would cover without tying up significant additional equity. That's where Export Finance Australia's support is critical for SME growth into export markets."

CASE STUDY

> This was a game changer for us. It was astonishing to me what an absolutely tremendous service Export Finance Australia has provided.
>
> Stephen Rae
> Director, Lee Mathews

Lee Mathews

Our loan products have helped Australian fashion brand Lee Mathews grow its international presence.

With a long and varied career in the fashion industry, Lee Mathews began her self-named business by hand-making her own clothes and selling them to her circle of friends.

Since 2000, Lee has organically grown her business from a small store in Newport to eight stores across Australia and an online store.

"She began wholesaling pretty well straightaway to other boutiques across the country and has been very well established in David Jones for the last eight years," said Director Stephen Rae.

"Our initial exports were at a level that we could finance ourselves. We have always been self-financed. In the last year and a half, we have seen some real acceleration in our export business. What began as 0% of our business is now projected to grow to 30% in a very short time," said Stephen.

Stephen explained that it was clear export was going to work; however, they would need to look at finance to support this growth.

"Historically we have not had financial support through the banks. The challenge is that many banks require security and this adds a level of complexity. We have a close relationship with our finance partner; however, when you move into the export side of things it becomes hard."

This is where we came into the picture. Initially, the business applied for a Small Business Export Loan which was approved against two purchase orders pre-shipment and supported the order delivery.

With extremely positive sales growth projected over the next year, Stephen worked with us to set up a $500,000 line of credit.

"This was a game changer for us. It was astonishing to me what an absolutely tremendous service Export Finance Australia has provided. What an incredibly essential factor it is to our success and we frankly could not have done this without them. I want everybody to know it!" said Stephen.

CASE STUDY

With Export Finance Australia's help, we've been able to take our business to the US market.

Scott Fry
Founder, Loving Earth

Loving Earth

When plant-based chocolate manufacturer Loving Earth started breaking into the lucrative US market, it turned to us to make its dream a reality.

Scott Fry and Martha Butler began making plant-based chocolate late at night in their local bakery. Using a 'bootstrapping' business model – they self-funded the whole venture – the pair's delicious raw chocolate stood out in the market.

"We make the chocolate ourselves – from bean to bar," said Scott. "But we don't roast the chocolate beans – so it's truly raw chocolate. We are also plant-based, not using any dairy. So it's all really healthy chocolate that just tastes amazing."

After success at home, they entered the European market but found it challenging. They decided to focus more on the US with its huge market for plant-based food – using the lessons they'd learnt in Europe.

But soon after the first containers left Australian shores, Scott and Martha realised they'd need external funding to manage the extended working capital cycle involved in exporting to the US.

"We import raw ingredients like cacao and coconut sugar from Mexico and Indonesia respectively, which can take up to 40 days from payment to reach Australia," Scott explained. The manufacturing process in Melbourne can then take up to two months.

"The chocolate is shipped to the US, which takes a further two months until it lands in a warehouse. Then someone buys it and it may take up to 60 days for us to get paid – so trying to do it all self-financed is a stretch," said Scott.

While their bank supported them with equipment finance and a line of credit, they didn't have the appetite to provide finance for the export ventures. We were able to provide Loving Earth with a $75,000 Small Business Export Loan.

"Our financial controller filled in the application," Scott said. "It was completed online, and the process was fairly seamless, so that was brilliant. With Export Finance Australia's help, we've been able to take our business to the US market."

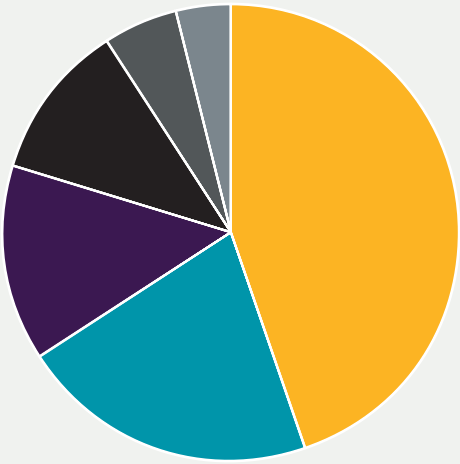
Exposure breakdown

Commercial Account

Our total exposure under the Commercial Account at 30 June 2019 was $2.1 billion. This included loans, export finance guarantees (including funded export finance guarantees), medium-term insurances, bonds and rescheduled credit insurance.

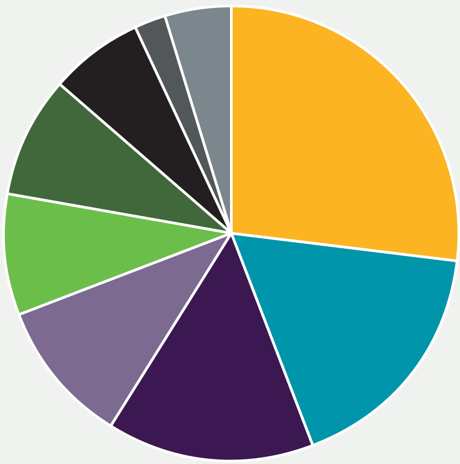
At 30 June 2019, the average maturity of facilities outstanding was 1.9 years. This includes an average maturity of 0.8 years for SME exposures and 5.0 years for larger corporate exposures.

FIGURE 1: Commercial Account at 30 June 2019 – exposure by region



Region	Value ($m)	Value (%)
Australia	931.8	44.8
Asia	441.6	21.2
North America	286.4	13.8
Europe	231.2	11.1
Pacific	108.2	5.2
South America	79.1	3.8
Other	0.6	0.1

FIGURE 2: Commercial Account at 30 June 2019 – exposure by industry sector



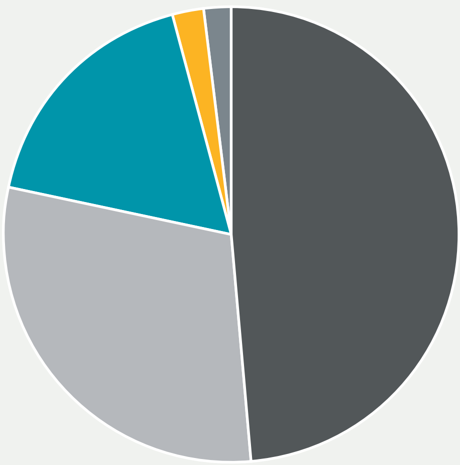
Region	Value ($m)	Value (%)
Reinsurance	561.6	27.0
Mining – LNG	362.6	17.4
Sovereign	302.6	14.6
Mining – Commodities	211.8	10.2
Transport, Postal and Warehousing	181.4	8.7
Manufacturing	178.7	8.6
Financial and Insurance Services	137.0	6.6
Construction	49.0	2.4
Other	94.2	4.5

National Interest Account

Our total exposure under the National Interest Account at 30 June 2019 was $534.0 million, largely comprising loans to sovereign countries or their agencies, and loans to natural resource projects in emerging markets.

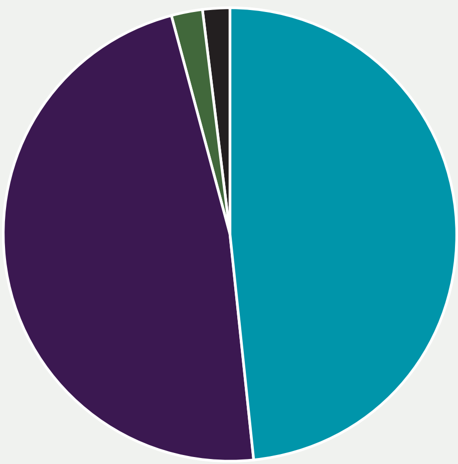
Our largest exposure is the PNG LNG project, with exposure of US$182.1 million (A$259.6 million) at 30 June 2019.

FIGURE 3: National Interest Account at 30 June 2019 – exposure by region

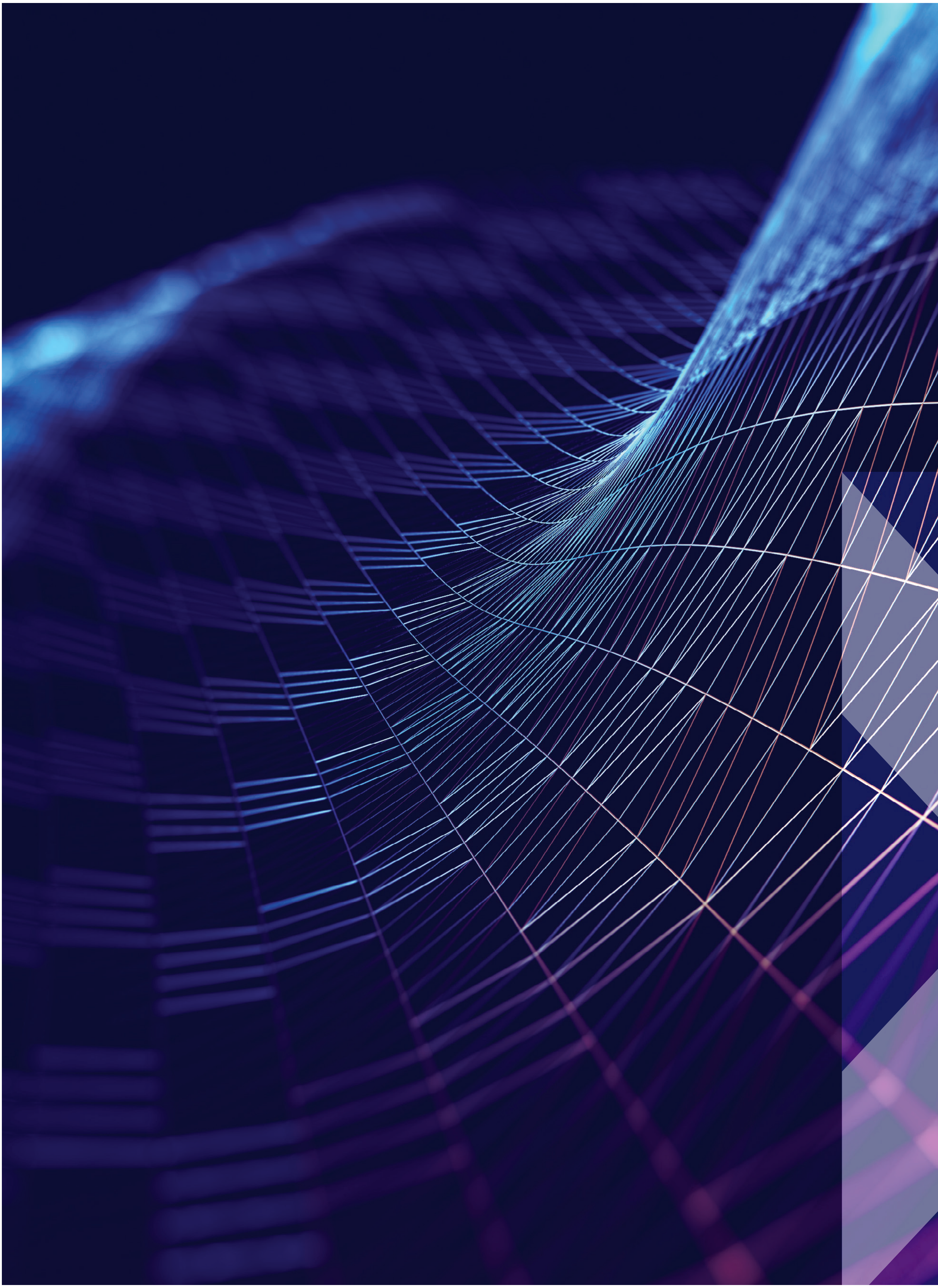


Region	Value ($m)	Value (%)
Pacific	259.6	48.6
Middle East	159.8	29.9
Asia	93.7	17.5
Australia	11.8	2.2
South America	9.1	1.8

FIGURE 4: National Interest Account at 30 June 2019 – exposure by industry sector



Region	Value ($m)	Value (%)
Mining – LNG	259.6	48.6
Sovereign	253.5	47.5
Manufacturing	11.8	2.2
Financial and Insurance Services	9.1	1.7



Our governing principles

Our financial operations

Export Finance Australia is self-funded and operates on a commercial basis. Our sources of income include:

- fees and risk premiums that we receive from customers
- interest on loans and investments that reflect the risk we take on by investing our cash capital and reserves.

Since 1991, we have generated post-tax profits in excess of $615 million and paid normal dividends in excess of $307 million. At the date of publication the dividend for the year ended 30 June 2019 had not been determined.

The Australian Government guarantees that all of our creditors will receive payment from us. However, this guarantee has never been called.

Post-tax profits

$25.8 million post-tax profit in 2018–19, contributing to over $615 million accumulated profits before dividend payments since 1991

Dividends

$6.9 million dividends paid in 2018, contributing to over $307 million of normal dividends paid since 1991

Debt

$1.1 million debt neutrality charge, payable in 2019, contributing to $4.1 million paid under competitive neutrality arrangements since 1 July 2015

State taxes

$1.3 million state equivalent taxes, payable in 2019, contributing to $5.0 million paid under competitive neutrality arrangements since 1 July 2015

Income tax

$11.0 million income tax equivalent charge of 30%, payable in 2019, contributing to $26.9 million paid under competitive neutrality arrangements since 1 July 2015

Our Board

Our Board is responsible for managing Export Finance Australia's affairs. Its responsibilities include:

- determining strategy
- defining risk appetite
- monitoring performance
- making recommendations to the Minister about dividends.

The Board met six times in 2018–19.

The Board consists of the Managing Director, seven Non-Executive Directors and a Government member. The Non-Executive Directors and Government member are appointed by the Minister. The Government member is the Secretary of DFAT (or their alternate).

For more information on our Board members, go to page 36.

Minister

The Minister provides guidance to the Board through a Statement of Expectations. Our Board responds with a Statement of Intent, confirming how we will operate to meet those expectations.

The Minister may direct us in writing to perform our functions or exercise our powers in the public interest, including approving transactions on the National Interest Account. Details of Ministerial directions for the financial year ended 30 June 2019 are set out on pages 58–61.

The Board must keep the Minister informed about our operations and any other information the Minister or the Minister for Finance needs. The Minister or their representative responds to questions from members of Federal Parliament about Export Finance Australia, and to parliamentary orders about us.

Our senior management team attends Senate estimates hearings three times a year to answer questions on behalf of the Minister on Export Finance Australia's operations.

Our privacy obligations

We are partially exempt from freedom of information legislation but are subject to confidentiality obligations under the EFIC Act.

This recognises the requirement to keep confidential any commercial information that is obtained from Australian exporters and investors. As part of the Information Publication Scheme, we are required to make certain information public. For more details, visit our **website**.

Our Board members

James M Millar AM
BCom, FCA, FAICD
Chairman

Term of appointment:
09/12/2014 to 08/12/2017 and 09/12/2017 to 08/12/2020

Independent, Non-executive member

James is the former CEO and Area Managing Partner of Ernst & Young in the Oceania region, and was a Director of the Ernst & Young Global Board. His career before his leadership roles at Ernst & Young was as a corporate reconstruction professional for large and small businesses, both within Australia and globally.

James is currently Chairman of the Forestry Corporation of NSW.

He is a Non-executive Director of Mirvac Limited and Macquarie Media Limited. He is the Chairman of The Vincent Fairfax Family Foundation.

Swati Dave
BCom, GAICD, GAIST
Managing Director and Chief Executive Officer

Appointed: 03/07/2017

Executive member

Swati is an experienced senior banking Executive and Non-executive Director with an established track record of successfully leading and growing complex businesses in Australia, the UK, Hong Kong and Singapore.

Swati has over 30 years of banking and finance experience across a number of sectors, including infrastructure, energy and utilities, renewable energy and property. She has held senior positions at National Australia Bank, Deutsche Bank, AMP, Henderson Global Investors, Bankers Trust and Westpac.

Swati currently serves on the boards of State Super and Asia Society Australia. She previously served as a Director of Australian Hearing, Great Western Bancorp, Inc. (USA) and the NAB Wealth Responsible Entity Boards.

Swati holds a Bachelor of Commerce from the University of Newcastle and is a Graduate Member of the Australian Institute of Company Directors and the Australian Institute of Superannuation Trustees.

Jodie Baker
BCom, GAICD, TFASFA
Board member

Term of appointment:
01/07/2018 to 30/06/2021

Independent,
Non-executive member

Jodie is a Non-executive Director with 30+ years experience in investment banking and funds management. She is also on the boards of Beyond Bank, where she chairs the Risk Committee, Spaceship Superannuation, a superannuation fund for millennials, performing arts group, Synergy and Taikoz and is a member of the Credit Committee of social impact investor and B Corporation, Social Enterprise Finance Australia.

During her executive career, Jodie's roles included Managing Partner of Blackhall & Pearl, a board, risk and governance advisory firm, CEO and Managing Director of a fintech business, Morgij Analtyics, and senior executive risk roles at ANZ, Société Générale and BT Financial Group. Earlier in her career, Jodie worked in frontline and risk roles at Westpac, Macquarie Bank and Bankers Trust Australia. She holds a Bachelor of Commerce from the University of Western Australia and is a Trustee Fellow of Association of Superannuation Funds of Australia and a Graduate of the Australian Institute of Company Directors.

Rob Chapman
SFFin, FAICD
Board member

Term of appointment:
01/03/2019 to 28/02/2022

Independent,
Non-executive member

Rob has enjoyed an extensive executive career within the financial services industry, having acted as both the Chief Executive Officer of St. George Banking Group (2010–2012) and the Managing Director of BankSA (2002–2010).

Rob is Chairman of Adelaide Airport Ltd, Adelaide Football Club, T-Ports and Barossa Infrastructure Ltd. He is also a Director on the Board of Coopers Brewery Limited and is the immediate past Chairman of BankSA and past President of Business SA and CEDA South Australia.

Rob has also served on the boards of Business SA; CEDA SA, Perks Integrated Business Services, BankSA Advisory Board, Kelly & Co. Advisory Council, Chairman of Catholic Church Diocesan Finance Council, Deputy Chairman SA Economic Development Board & Global Chairman of Investment Attraction Advisory Board.

Rob is a Fellow of the Australian Institute of Company Directors and Senior Fellow of the Financial Services Institute of Australasia and holds an Associate Diploma in Business from the South Australian Institute of Technology.
Rob has been recognised for his consistent pursuit of excellence and outstanding contribution to South Australia with the 2005 SA Great Award for Business.

Lynda Cheng
BCom, LLB (Hons), GAICD
Board member

Term of appointment:
13/05/2016 to 12/05/2019 and 13/05/2019 to 12/05/2022

Independent,
Non-executive member

Lynda is currently a Director of Corporate Development and Mergers and Acquisitions at Pratt Holdings and has held other senior executive roles for the Pratt Group since 2005, including CFO of Visy Industries. Previously, Lynda was in investment banking for a decade and worked for J.P. Morgan in its New York, San Francisco, Sydney and Melbourne offices. She brings a broad commercial and international corporate finance perspective.

Lynda was Deputy Chair of South East Water and Chair of its Finance Audit and Risk Management Committee, and is a current member of the Wesley College Council.

Lynda holds a Bachelor of Law (Honours) and Commerce degree, majoring in actuarial studies and economics from the University of Melbourne.

Denise Goldsworthy

BMet (Hons + University Medal), FTSE, FAIM, GAICD

Board member, Audit and Risk Committee member

Term of appointment:
05/11/2014 to 08/12/2017 and 09/12/2017 to 08/12/2020

Independent, Non-executive member

Denise is the Founder of Alternate Futures Pty Ltd, a company that connects solutions to problems by addressing knowledge, cultural and system barriers. In practice, this means connecting Australia's research organisations, tech start-ups and industry.

Before this, Denise worked as an executive for Rio Tinto, with roles including CCO of Autonomous Haul Trucks, Managing Director of Dampier Salt and Managing Director of HIsmelt. Denise started her career at BHP Steel Newcastle.

Denise is also Chair of ChemCentre WA, Chair of Minerals Research Institute WA (MRIWA), a Non-executive Director at Western Power and Leichardt Industrials, a member of Council and Chair of the Quality, Audit and Risk Committee of Edith Cowan University, a member of the Commercialisation Advisory Board for Curtin University, a member of the Cooperative Research Centre Advisory Committee (CRCAC) and Chair of the Navy Clearance Diver Trust.

Among Denise's honours is being named the 2010 Telstra Australian Business Woman of the Year.

Laura McBain

BCom

Board member, Audit and Risk Committee member

Term of appointment:
09/12/2014 to 08/12/2017 and 09/12/2017 to 08/12/2020

Independent, Non-executive member

Laura McBain is the Managing Director of Longtable Group Ltd, a listed food and beverage company offering a range of premium foods and brands for Australia and export. This appointment was made in August 2017. Longtable Group owns Maggie Beer Products Pty Limited, Paris Creek Farms, a biodynamic-organic dairy based in Adelaide Hills, South Australia, and St David Dairy Pty Ltd, a micro-dairy in the heart of Fitzroy, Melbourne.

Laura was formerly the CEO and Managing Director of Bellamy's Australia Ltd from 2014 to 2017, prior to which she was CEO/General Manager since 2007. During these years, Laura oversaw significant change, innovation and business growth including expansion into South-East Asia and China.

Prior to joining Bellamy's, Laura practised as an accountant and specialised in the areas of providing business advisory and taxation services to SMEs in both Sydney and Tasmania. Laura holds a Bachelor of Commerce, completed the IMD Leadership Challenge in 2013 and completed the IESE, Wharton and CEIBS Global Executive program in 2017.

In 2013, Laura was named as the Telstra Tasmanian Business Woman of the Year and she went on to be named the Telstra Australian Business Woman of the Year (Private and Corporate).

Rick Sawers
Deputy Chair, Board member, Audit and Risk Committee Chair

Term of appointment:
09/12/2014 to 08/12/2017 and 09/12/2017 to 08/12/2020

Independent, Non-executive member

Rick has over 44 years of commercial and international banking experience leading large frontline businesses in Australia, Japan, United Kingdom, Hong Kong and the US, and served on NAB's Group Executive Committee, (2009–15) and Group Risk Committee, (2005–2015). Rick has deep experience in treasury and balance sheet management, credit, market and operational risk, business administration and governance, financial markets (including capital markets, funding, liquidity, fixed income, money markets, FX and interest rate risk management), infrastructure and project finance, and human resources.

Rick is a Director of The Australian Rural Leadership Foundation and previous board positions include Chairman and board member of the Australian Financial Markets Association, Chairman and Director of Great Western Bancorp Inc, and Director of Clydesdale Bank PLC. He is a Fellow of the Financial Services Institute of Australia, a Graduate member of the Australian Institute of Company Directors and a life member of the Financial Markets Foundation for Children.

Government members

Frances Adamson

BEc

Government member

Appointed: 13/09/2016

Ms Adamson has led DFAT as Secretary since 25 August 2016.

Prior to her appointment as Secretary, Ms Adamson was International Adviser to the Prime Minister, the Hon Malcolm Turnbull MP, from November 2015.

From 2011–2015, Ms Adamson was Ambassador to the People's Republic of China. She served in the Australian Consulate-General in Hong Kong in the late 1980s during the early years of China's reform and opening. From 2001–2005, she was seconded as Representative to the Australian Commerce and Industry Office in Taipei.

Ms Adamson has twice served in the Australian High Commission in London, as Deputy High Commissioner from 2005–2008 and as Political Counsellor from 1993–1997.

She was Chief of Staff to the Minister for Foreign Affairs and then the Minister for Defence from 2009–2010.

Ms Adamson is President of the Institute of Public Administration Australia, ACT Division. She is a member the Advisory Board of the Australian National University's National Security College and the Asia Society Australia Advisory Council. Ms Adamson is a Special Adviser to the Male Champions of Change and a member of Chief Executive Women. She was awarded a Sir James Wolfensohn Public Service Scholarship in 2015.

Ms Adamson has a Bachelor of Economics from the University of Adelaide and was a recipient of a 2014 Distinguished Alumni Award. She joined the then Department of Foreign Affairs in 1985.

She is married with four children.

Christopher Langman

BA

Alternate Government member

Appointed: 04/04/2018

Mr Langman is responsible for the Trade, Investment and Business Engagement Group at the Department of Foreign Affairs and Trade, which includes:

- Regional Trade Agreements Division
- Investment and Economic Division
- Office of Trade Negotiations
- Europe and Latin America Division
- state and territory offices.

Mr Langman acts as the alternate ex-officio Government member on the Export Finance Australia Board.

Mr Langman was appointed as a Deputy Secretary in DFAT in March 2018. Previously, he was Australia's Ambassador to Iraq. Mr Langman earlier served as Ambassador to the OECD in Paris, as Deputy Head of Mission to the United Nations in Geneva, and in Washington and Buenos Aires.

In Canberra, Mr Langman has held a number of senior positions, including as First Assistant Secretary, G20 Policy in the Department of the Prime Minister and Cabinet in the lead-up to and during Australia's host year in 2014. He also led DFAT's Trade and Economic Division and the Office of Trade Negotiations, and was Special Negotiator for Agriculture and Australian Ambassador for the Environment.

Members whose term ended in 2018–19

No Board members' term ended during 2018–19.

Board and Board Audit and Risk Committee appointments

Ms Cheng was reappointed to the Board for a second term on 13 May 2019.

Mr Chapman was appointed to the Board on 1 March 2019.

Transactions with Board members and related entities of Board members

Directors have made appropriate disclosures in respect of transactions that Export Finance Australia has undertaken where they may have, or may be perceived to have, a material personal interest.

Declared conflicts and potential conflicts of interest

Our Board always ensures that a Board member does not participate in discussions where there is, or may be, a conflict between their own interests, those of Export Finance Australia or one of our customers. We maintain a register, which is updated with the disclosed interests of all Board members.

Table 4: Board attendance

Board member	Attended	Eligible to attend
James M Millar (Chairman)	6	6
Swati Dave	6	6
Jodie Baker	6	6
Rob Chapman	2	2
Lynda Cheng	6	6
Denise Goldsworthy	6	6
Laura McBain	5	6
Rick Sawers	6	6
Government member (or alternate)	5	6

Table 5: Audit Committee attendance

Audit Committee member	Attended	Eligible to attend
Rick Sawers (Chair)	4	4
Denise Goldsworthy	4	4
Laura McBain	4	4

Our people and culture

We rely on our people to deliver the highest level of service to our customers.

We encourage our people to think differently, collaborate effectively and actively challenge the status quo. We are creating a culture that:

- fosters leadership empowerment
- enhances accountability
- promotes inclusivity
- values diversity.

Our culture is built on these four pillars:

WE EXCEL	WE LISTEN	WE COLLABORATE	WE GROW
We value high performance and are proud of achievements that are aligned with our purpose	We adapt to changing customer and market needs, and continuously improve the customer experience	We keep each other well informed and seek contributions from others to remain relevant	We grow our organisation and ourselves
We embed our purpose, values and performance expectations into our key performance indicators, roles and responsibilities	*We design our systems and processes to meet the needs of our customers*	*We provide consistent, transparent and timely communication (up, down and sideways)*	*We promote and reward different ways of working across all roles to improve outcomes, and provide leadership support and mentoring to help people grow*

Workforce profile

Table 6: Number of full-time equivalent employees

	30 June 2019	30 June 2018	30 June 2017
Employees (excluding short-term)	89.7	87.2	98.1
Short-term contract employees	8.0	6.6	4.6

Table 7: Workforce diversity

Classification	Female	Male	Total	NESB[1]	ATSI[2]	PWD[3]
Support	12	7	19	11	1	0
Technical	20	15	35	23	0	0
Middle management	10	20	30	14	0	0
Leadership	7	10	17	3	0	0
Total	49	52	101	51	1	0

1: NESB: Non–English speaking background (or with parents from a non–English speaking background)
2: ATSI: Aboriginal or Torres Strait Islander background
3: PWD: People with disability

Key management remuneration

This report covers the remuneration of our key management personnel (KMP), including Non-executive Directors and those Executives deemed to be KMP by the Board, as outlined in the table below for the year ended 30 June 2019.

Table 8: Key management personnel

Name	Title	FY19 Status	KMP Status
MD & CEO and Senior Executives			
Swati Dave	Managing Director and Chief Executive Officer	Full year	Current
Victoria Doherty	Chief Human Resources Officer	Part year	Current
Peter Field	Chief Customer Officer	Full year	Current
John Hopkins	Chief Operating Officer & General Counsel	Full year	Current
Katharine McLennan	Chief Strategy & Talent Officer	Part year	Former
Stuart Neilson	Chief Financial Officer & Chief Risk Officer	Full year	Current
John Pacey	Chief Credit Officer	Full year	Current
Board members			
James M Millar	Chairman	Full year	Current
Swati Dave	Managing Director and Chief Executive Officer	Full year	Current
Rick Sawers	Deputy Chair	Full year	Current
Jodie Baker	Director	Full year	Current
Lynda Cheng	Director	Full year	Current
Rob Chapman	Director	Part year	Current
Denise Goldsworthy	Director	Full year	Current
Laura McBain	Director	Full year	Current

The following changes were made in KMP during the year:

- Katharine McLennan ceased to be a KMP on 21 December 2018
- Rob Chapman was appointed as a Non-executive Director on 1 March 2019
- Victoria Doherty was appointed as a KMP on 2 April 2019.

In accordance with Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) and the Public Governance, Performance and Accountability Amendment (Reporting Executive Remuneration) Rules 2019, this report also contains summary data of other highly paid staff. Other highly paid staff are employees who are neither KMP nor senior executives and whose total remuneration exceeds the $220,000 threshold for this reporting period.

Export Finance Australia had no staff classified as senior executives, as the Executive team who report directly into the Managing Director and CEO have been classified as KMP.

Remuneration strategy

Our remuneration strategy supports the strategic imperatives of the organisation, and enables performance-based reward and recognition of highly capable employees while remaining aligned to market practice and in the interests of our key stakeholders.

Executive remuneration is designed to attract and retain the right people, with the right expertise, to help deliver our vision and achieve the strategic objectives and targets set out in our Corporate Plan. To enable this, our Executive remuneration strategy establishes an effective link between pay and performance.

We achieve this through:

- conducting annual reviews of the Executive remuneration framework, including the performance measures under the Short-Term Incentive (STI) program, to ensure alignment with our evolving mandate and corporate objectives
- considering market remuneration practices when determining Executive remuneration
- ensuring performance gateways are achieved by the individual before any STI payments can be earned
- balancing Executive remuneration against corporate and individual performance outcomes.

2018–19 remuneration structure

Board Directors' remuneration

All Board Directors of Export Finance Australia are appointed by the Commonwealth Government through our Minister. The Board is established and governed by the provisions of the EFIC Act.

Fees for Board Directors (other than the Government member) are set and paid according to the determination of the Commonwealth Remuneration Tribunal (the Tribunal). We have no role in determining the level of the Board Director fees.

Statutory superannuation is paid in addition to the fees set by the Tribunal.

Executive remuneration

Our remuneration structure is designed to responsibly, fairly and competitively reward Executives while complying with all our regulatory obligations. To accomplish these goals, remuneration for all Executives consists of two components; a Fixed Annual Remuneration (FAR) and 'at risk' remuneration delivered through the STI program.

The FAR aims to reward Executives for executing the core requirements of their role. The STI program is an 'at risk' annual incentive opportunity where an STI payment may be awarded subject to the achievement of relevant corporate and individual key performance indicators (KPIs).

The FAR for Export Finance Australia's Managing Director and CEO is determined by the Tribunal and the role is currently classified as a Principal Executive Officer (PEO) Band D. The Board has discretion to determine total remuneration within the range from 10% below to 5% above the Total Remuneration Reference Rate (TRRR). The Tribunal has also consented to an 'at risk' performance pay of up to 35% of total remuneration for the Managing Director and CEO, including a deferred option. The Board determines the bonus of the Managing Director and CEO based on performance and against agreed KPIs.

For other Executives and highly paid staff, their expertise, relevant government policies and industry benchmarks all influence the setting of the FAR component. We work within the parameters of the Australian Public Service Commission (APSC) Workplace Bargaining Policy. Proposed increases to remuneration must be approved by the APS Commissioner through a Funding Productivity and Remuneration Declaration submission. A funding declaration was approved for remuneration increases of up to 6%, averaged over three years for the September 2017 to August 2020 period. Other highly paid staff, who are not classified as Executive, are also covered by the Export Finance and Insurance Corporation Workplace Agreement 2008–2011.

FAR comprises of base salary, superannuation contributions and any non-cash benefits. Factors considered when setting the appropriate FAR for any Executive include:

- market data for comparable roles
- complexity of the role
- internal relativities
- an individual's skills and experience
- individual performance assessments.

We utilise the Finance Institutions Remuneration Group (FIRG) system to provide independent benchmarking in determining appropriate remuneration for roles across the organisation. Remuneration benchmarking aims to position total remuneration competitively against comparable organisations. The guiding principle is to position total remuneration towards the mid-point of the benchmark for comparable roles in the Australian market, while working within the parameters set by the APSC. To ensure consideration of government policies, individual and company performance and market conditions, remuneration levels of each Executive are reviewed annually by the Board.

A portion of Executive remuneration is 'at risk' to ensure alignment with our strategic objectives. In August each year, the Managing Director and CEO will recommend to the Board an aggregate STI bonus pool. The size of the bonus pool will range from zero to a maximum currently of 12% of total annual salaries plus superannuation based on achievement of corporate KPIs, as set out in the Corporate Plan and as agreed with the Board in August the previous year.

Individual bonuses, including those of each Executive and other highly paid staff, are capped at 20% of their annual salary package inclusive of superannuation. The cap of 20% is consistent with Executive employment contracts. The 'at risk' remuneration is tied to the achievements of Export Finance Australia and individual performance contributions. Actual remuneration received may vary from the target remuneration set out above.

In 2018–19, each Executive and other highly paid staff were required to meet performance gateways, which describe the minimum behaviours required to be eligible for a bonus at year end. These were:

- proactive management of operational risk and compliance
- consistent demonstration of our desired cultural behaviours.

For 2018–19, the Executive remuneration framework consisted of fixed remuneration and STI.

Table 9: Executive remuneration framework

Component	Objective	Performance condition
FAR	Reflects the market value of the role and the Executive's skills and experience	Reviewed annually or upon significant change in responsibilities
STI	Incentive for achievement of company and individual objectives and targets for financial year	Participate in an STI plan which assesses performance against agreed KPIs over the financial year

Remuneration governance arrangements

This section describes how Executive remuneration decisions are determined.

Management

Management is accountable for ensuring it responsibly rewards employees, having regard to the performance of Export Finance Australia, individual performance, statutory and regulatory requirements and current business norms. In reference to Executive remuneration decisions, management achieve this by:

- the Managing Director and CEO making recommendations to the Board for individual Executive remuneration arrangements, target setting and performance assessment of incentive plans for Executives
- Executives making remuneration recommendations for all individuals within their respective department including other highly paid staff, on both fixed annual remuneration and STI bonus allocations, which are endorsed by the Managing Director and CEO
- implementing performance management and remuneration policies and practices, as agreed.

Board

The Board is responsible for ensuring that we have coherent policies and practices that fairly and responsibly manage the performance and remuneration arrangements for the Managing Director and CEO and Executives. They achieve this by:

- monitoring management's performance against the approved Corporate Plan
- assessing the performance and setting the remuneration of the Managing Director and CEO consistent with the Government's remuneration policy framework
- reviewing and approving the Executive remuneration policy framework and outcomes
- providing guidance to the Managing Director and CEO on matters concerning the appointment and evaluation of Executives.

To inform decision making in 2018–19, the Board sought advice on performance and remuneration-related matters from the Managing Director and CEO, Executives and other management throughout the year.

Financial remuneration information

The following tables detail the fees paid to Board Directors and the remuneration received by KMP in 2018–19.

Note 1: Key management personnel remuneration for the reporting period 2018–19

	$
Short-term employee benefits:	
Salary	2,619,203
Bonus	443,000
Other benefits and allowances (incl. annual leave)	0
Total short-term employee benefits	**3,062,203**
Superannuation	182,978
Total post-employment employee benefits	**182,978**
Other long-term benefits	0
Long service leave	48,304
Total other longer term benefits	**48,304**
Termination benefits	0
Total key management personnel remuneration	**3,293,485**

Table 10: Key management personnel remuneration for the reporting period 2018–19*

Name	Position title	Salary	Short-term benefits				Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
			Annual leave adjustment	Base salary	Bonuses	Other benefits and allowances	Superannuation contributions	Long service leave	Other long-term benefits		
		($)	($)	($)	($)	($)	($)	($)	($)	($)	($)
MD & CEO and Executives											
Swati Dave	MD & CEO	484,712	(3,576)	481,136	175,000	-	20,549	11,678	-	-	688,363
Peter Field	Executive	398,510	10,416	408,926	68,000	-	25,000	9,703	-	-	511,629
Stuart Neilson	Executive	374,828	11,285	386,113	73,000	-	25,537	9,197	-	-	493,847
John Pacey	Executive	348,819	(7,907)	340,912	60,000	-	25,005	8,593	-	-	434,510
John Hopkins	Executive	324,791	74	324,865	67,000	-	20,582	7,991	-	-	420,438
Katharine McLennan	Executive	136,081	-	136,081	-	-	14,092	-	-	-	150,173
Victoria Doherty	Executive	63,023	3,151	66,174	-	-	5,987	1,142	-	-	73,303
SUBTOTAL		2,130,764	13,443	2,144,207	443,000	-	136,752	48,304	-	-	2,772,263
Board Members											
James M Millar	Chairman	113,183	-	113,183	-	-	10,752	-	-	-	123,935
Rick Sawers	Deputy Chair	100,887	-	100,887	-	-	9,584	-	-	-	110,471
Denise Goldsworthy	Director	64,251	-	64,251	-	-	6,104	-	-	-	70,355
Laura McBain	Director	64,251	-	64,251	-	-	6,104	-	-	-	70,355
Lynda Cheng	Director	56,251	-	56,251	-	-	6,445	-	-	-	62,696
Jodie Baker	Director	56,700	-	56,700	-	-	5,387	-	-	-	62,087
Rob Chapman	Director	19,473	-	19,473	-	-	1,850	-	-	-	21,323
SUBTOTAL		474,996	-	474,996	-	-	46,226	-	-	-	521,222
TOTAL		**2,605,760**	**13,443**	**2,619,203**	**443,000**	**-**	**182,978**	**48,304**	**-**	**-**	**3,293,485**

*To be read in conjunction with Table 8.

Table 11: Other highly paid staff remuneration for the reporting period 2018–19

Remuneration band	Number of other highly paid staff	Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
		Average base salary ($)	Average bonuses ($)	Average other benefits and allowances ($)	Average superannuation contributions ($)	Average long service leave ($)	Average other long-term benefits ($)	Average termination benefits ($)	Average total remuneration ($)
$220,000–$245,000	7	184,670	21,173	333	22,654	3,050	-	-	**231,881**
$245,001–$270,000	4	207,082	15,000	5,546	24,536	5,274	-	-	**257,438**
$270,001–$295,000	2	211,994	39,100	-	30,000	5,380	-	-	**286,474**
$295,001–$320,000	2	226,306	33,125	-	32,528	5,928	-	-	**297,887**
$320,001–$345,000	3	264,804	24,417	-	30,080	6,644	-	-	**325,945**
$345,001–$370,000	1	213,379	-	-	24,843	5,456	-	109,133	**352,811**

Workforce highlights

Culture

We know that attracting and retaining the best people is critical to our ongoing success. We are focused on creating an inclusive culture that promotes growth, fosters belonging and encourages all teams and individuals to actively contribute to our broader purpose. This year, our culture champions group have introduced a range of initiatives to continue to enhance our culture and to improve the experience of our customers, partners and employees. With the cultural pillars as our foundation, we have worked to embed the mindsets, behaviours and rituals in the way our people do things at Export Finance Australia, reinforced through communications, learning and leadership practices.

Promoting diversity and inclusion

As a result of our commitment to diversity and inclusion, we are pleased to report that 41% of our senior leaders are women, up from 36% a year ago. We have aligned people processes to ensure gender parity, and worked to remove any inherent gender biases that may exist. We are proud of our cultural diversity, with 50% of employees from a non-English speaking background or with parents from a non-English speaking background.

Supporting reconciliation

Our Reflect Reconciliation Action Plan has been adopted and embraced by our employees, promoting an appreciation and respect for Aboriginal and Torres Strait Islander peoples. We have partnered with Career Trackers to provide internship opportunities and have built relationships with Aboriginal and Torres Strait Islander procurement suppliers.

Flexibility

We are committed to supporting flexible working arrangements for our employees, to enable them to achieve a healthy work–life balance, which in turn fosters productivity and engagement. We encourage our people to adopt the right flexible arrangement for their own circumstances. This year, 17% of men and 35% of women have work-from-home arrangements, while 27% of women work part-time. We have ensured that our technology supports our people to work at their preferred time and environment, enabling engagement with their colleagues no matter where they are working.

Learning and development

We have continued to lift the capability of teams and to support them in the key work they do. We have invested in building the technical learning capability of our customer-facing team and provided development experiences for all employees identified in their career and development discussions. We have built new channels of learning experiences through our Savvy Series and Culture Champion Lunch and Learn program, facilitated by our employees and leaders, focused on the topics and areas that matter most to our people.

Work health and safety

We're committed to providing a positive and safe work environment for all of our people, in line with our Board Charter and our due diligence requirements under the *Work Health and Safety Act 2011* (WHS Act).

Consultation

Our Work Health and Safety Committee, made up of employees and management, helps the Board to meet its health and safety obligations.

The Committee meets before every Board meeting to review the findings of regular workplace inspections by our Health and Safety Representatives. It then establishes an action plan to address any material issues, monitors ongoing risks and reports all key issues to the Board.

The Work Health and Safety Committee also reviews our compliance requirements annually.

The Work Health and Safety Committee completes an annual audit of Committee activities to ensure that all outstanding issues and other work have been actioned.

Risk management

We take a pragmatic, risk-based approach to maintaining our work health and safety compliance framework and management practices. This is backed by our strong culture of incident notification and investigation, which includes reporting any accidents or 'near misses'.

To support this approach, we:

- include a work health and safety overview with our Health and Safety Representative for all new employees
- provide ongoing training on safe workplace behaviour, as part of our compliance program
- provide regular training for first aid officers
- ensure officers and key employees undertake additional training to increase awareness of legislative requirements and best practice.

International business travel

International business travel has been identified as a key risk. All employees travelling offshore are required to complete our certified traveller program. Employees also have access to 24/7 medical and security assistance for emergency and non-emergency situations while travelling overseas.

Health and wellbeing

Employee physical and mental health is very important to us. We provide employees with access to:

- an Employee Assistance Program with confidential counselling services
- executive health checks for senior employees and frequent overseas travellers
- annual health and wellbeing program offerings, including workshops, activities and presentations by specialist health professionals.

Health and safety outcomes

For the period, we have not, in relation to work health and safety matters, been investigated or received any notices. There were no 'notifiable incidents' under the WHS Act during 2018–19.

Corporate responsibility

We're committed to supporting the growth of Australian businesses internationally in a way that is ethically, environmentally and socially responsible.

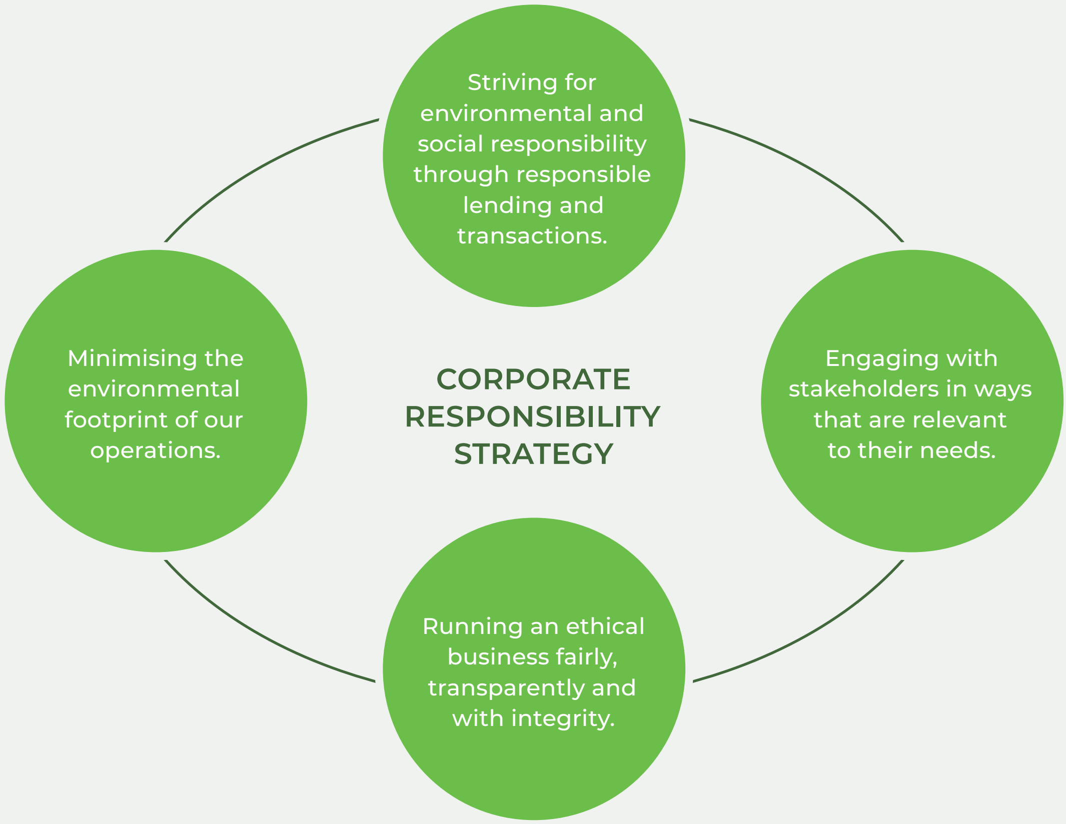
Our corporate responsibility strategy outlines the ways in which we fulfil these responsibilities, whether serving our customers, our people, the Government's broader policy objectives, or the wider community.

Employees from across our organisation advise our Executive team and Board, and recommend business improvements in line with external best practices.

We also have a statutory obligation under Section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) to report on our environmental performance (see Table 13).

Our approach to corporate responsibility

Our corporate responsibility strategy encompasses several areas.



Equator Principles

We are a signatory to the Equator Principles, a risk management framework for financial institutions to determine, assess and manage environmental and social risk in projects. It provides a minimum standard for due diligence and monitoring to support responsible risk decision making.

As a signatory, we're required to provide an annual report on project-related transactions that have reached financial close. We are actively involved with the Equator Principles Association.

Our transaction process

We review each transaction to help ensure they meet our principles of ecologically sustainable development.

We categorise new projects as:

Category A	Category B	Category C
Transactions with potentially significantly adverse environmental or social impacts	Transactions with environmental or social impacts somewhere between categories A and C	Transactions with minimal or no adverse environmental or social impacts

You can find out more about our transaction policies and procedures on our **website**.

Table 12: Environmental and social review summary

Year	Environmental and social impact category				
	Category A	Category B	Category C	Existing project and non-project potential impact	
				Yes	No
2018–19					
All facilities	1	1	3	0	142
Project finance	1	0	0	Not applicable	Not applicable
Project-related corporate loans	0	0	0	Not applicable	Not applicable
2017–18					
All facilities	0	1	6	5	176
Project finance	0	0	0	Not applicable	Not applicable
Project-related corporate loans	0	0	0	Not applicable	Not applicable
2016–17					
All facilities	0	0	5	1	128
Project finance	0	0	0	Not applicable	Not applicable
Project-related corporate loans	0	0	0	Not applicable	Not applicable

Our environmental footprint

One of our key priorities is to minimise our environmental footprint, including our energy and water use, solid waste generation and business travel.

We occupy three and a half floors of Export House, 22 Pitt Street, Sydney, and lease the remaining floors to tenants on standard commercial terms.

Table 13: Our environmental footprint

Parameter	2018–19	2017–18	2016–17
Energy use, megajoules/m^2			
Export Finance Australia occupancy[a], electricity	392	377	396
Building services[b], electricity	413	376	391
Building services[b], gas	85	96	196
Water (sewage data not available)			
Water, kilolitres[c]	5,403	5,382	5,500
Solid waste, tonnes			
Comingle (recycled)	0.7	1.0	0.6
Cardboard (recycled)	13.1	10.0	13.9
Waste to landfill	86.8	78.0	74.8
Business travel by our employees			
Total domestic (million km)	0.39	1.55	1.4
Total international (million km)	0.88	0.82	0.99

a This figure represents energy used on the floors we occupy.

b Building services are common facilities for all floors of Export House and include lighting to common areas, lifts, air conditioning and hot water. Energy use per square metre is the building average.

c This figure represents total usage by Export House. It is not possible to separately identify water use by floor or tenancy.

As at 30 June 2019, green energy sources accounted for 30% of Export Finance Australia's electricity supply.

As at 30 June 2019, our building had a 4-star energy rating and a 3-star water rating under the National Australian Built Environment Rating System (NABERS).

Electricity and water use in Export House has been generally consistent over the past three years.

We will continue to identify any methods to help minimise future use, including the use of alternate energy sources. Since 2014, we have sourced some of our electricity supply from green energy sources, including mini hydro, wind power, solar, biogas and biomass.

We continue to consider how to decrease waste generation and how to increase the proportion of waste we recycle.

Our employees flew 1.27 million kilometres during 2018–19. The majority of this travel was associated with due diligence and risk assessment of new transactions, or the management of existing transactions.

Indemnities and insurance

Our employees and Board members were indemnified during 2018–19, as were certain former employees and Board members, relating to liabilities and related legal costs incurred as officers of Export Finance Australia. The scope of this indemnity is consistent with legislative requirements.

We also maintained and paid premiums for professional indemnity insurance and Directors' and officers' liability insurance, including cover for certain legal costs. In total, we paid $150,018 in premiums during 2018–19. We did not pay out any amount in connection with Board member or employee indemnities during the year.

Judicial and administrative decisions and reviews

ANAO performance review

In July 2018, the ANAO announced that it would be undertaking an audit to assess the effectiveness of Export Finance Australia. To form a conclusion against the audit objective, the ANAO adopted the following high-level audit criteria. Export Finance Australia is:

- operating within its prescribed mandate
- effectively managing its financial and service delivery functions
- meeting its statutory and prudential responsibilities.

The results of the audit were tabled in Parliament on 6 June 2019, concluding that Export Finance Australia:

- is operating within its prescribed mandate. It has developed a framework to interpret, operationalise and comply with each mandate requirement
- manages its financial and service delivery functions, and the evidence can support a view that Export Finance Australia is operating on an appropriately commercial basis
- is meeting its statutory and prudential responsibilities, noting Export Finance Australia's Annual Performance Statement reporting could be improved to enable a more comprehensive assessment of overall progress against its purpose.

The recommendation by the ANAO to incorporate more qualitative measures in our Annual Performance Statement reporting has been implemented in this Annual Report.

Financial statements audit

The Auditor-General provided his annual independent auditor's report on our financial statements. The report was unmodified. This is discussed in the 'Financial statements' section on pages 88–89 (auditor's report).

Directions from the Minister

Section 9 of the EFIC Act

Under Section 9 of the EFIC Act, the Minister can issue directions with respect to how we perform our functions or exercise our powers. We complied with each of the Section 9 directions referred to below during 2018–19.

During the year ended 30 June 2019, directions dated 4 July 2007 were in effect in relation to:

- our continuing participation as part of the Australian Government's negotiations in the Paris Club, the role of which is to find payment solutions for debtor nations
- our compliance with Australia's obligations under the OECD Arrangement on Officially Supported Export Credits
- funding arrangements arising from the 2006 EFIC Review.

Australian Infrastructure Financing Facility for the Pacific

On 21 November 2018, the Minister issued a direction under Section 9 of the EFIC Act, instructing Export Finance Australia to assist the Department of Foreign Affairs and Trade (DFAT) in establishing and administering the Australian Infrastructure Financing Facility for the Pacific (AIFFP) and, upon its establishment, to assist the AIFFP in its financial arrangements and agreements in accordance with Section 7(1)(dc) of the EFIC Act.

National Housing Finance and Investment Corporation

On 8 May 2018, the Minister issued a direction under Section 9 of the EFIC Act, instructing Export Finance Australia to assist the Treasury in establishing and administering the National Housing Finance and Investment Corporation (NHFIC) and, upon its establishment, to assist NHFIC in its administration and operations, in accordance with Section 7(1)(dc) of the EFIC Act.

Indigenous Entrepreneurs Capital Scheme

On 8 May 2018, the Minister issued a direction under Section 9 of the EFIC Act, instructing Export Finance Australia to assist the Department of the Prime Minister and Cabinet in establishing and managing the pilot Indigenous Entrepreneurs Capital Scheme, in accordance with Section 7(1)(dc) of the EFIC Act.

Uranium

A Section 9 direction in relation to uranium, dated 18 June 2014, was in effect during the year ended 30 June 2019. This direction states that Export Finance Australia must not provide assistance for any transaction linked to uranium unless we are satisfied that any foreign countries relevant to the particular transaction:

- are a party to the Treaty on the Non-Proliferation of Nuclear Weapons or have concluded a Nuclear Cooperation Agreement with Australia
- have in force a safeguard agreement and an additional protocol on strengthened safeguards within the International Atomic Energy Agency.

We must also obtain a proliferation risk assessment from DFAT and be satisfied accordingly that the proliferation risk is acceptable.

Iran

A Section 9 direction in relation to trade with Iran, dated 15 February 2016, was in effect during the year ended 30 June 2019. This states that Export Finance Australia shall resume facilitating and encouraging Australian export trade to Iran. However, we shall not provide services or perform functions in relation to a prohibited activity under the Autonomous Sanctions Regulations 2011 and the Charter of the United Nations (Sanctions – Iran) Regulations 2008.

Zimbabwe

A Section 9 direction in relation to Zimbabwe, dated 27 May 2009, was in effect during the year ended 30 June 2019. Under this direction:

- all decisions regarding support for trade with, or investment in, Zimbabwe must be made by our Board
- our Board must not approve any application prior to referring the matter to DFAT for determination
- our Board must accept as decisive a determination by DFAT on the compliance or otherwise of an application with Australian autonomous sanctions in respect of Zimbabwe.

Democratic People's Republic of Korea

A Section 9 direction in relation to the Democratic People's Republic of Korea (DPRK), dated 19 July 2009, was in effect during the year ended 30 June 2019. This direction states that Export Finance Australia must not:

- accept an application from a person in respect of any transaction that relates to trade with, or investment in, the DPRK
- provide any insurance or financial services or products or in any other way assist or facilitate any trade with, or investment in, the DPRK.

Australian Public Sector Workplace Bargaining Policy

A Section 9 direction in relation to new workplace bargaining arrangements for Commonwealth public sector employees, dated 26 May 2014, was in effect during the year ended 30 June 2019. This requires the adoption of the relevant policy covering the bargaining of new enterprise agreements across the Commonwealth public sector.

Cuba

A Section 9 direction relating to the 12 December 2015 Agreed Minutes between the Republic of Cuba and the Group of Creditors to Cuba, dated 22 March 2016, was in effect during the year ended 30 June 2019. This states that we are to exercise our powers and perform our functions in accordance with, and to give effect to, the parties' agreement recorded in these Minutes.

Section 26 of the EFIC Act

Section 26 of the EFIC Act permits the Minister to issue directions to us regarding circumstances in which applications are, or are not, to be referred to the Minister.

Australian Infrastructure Financing Facility for the Pacific

On 3 April 2019, the Minister issued a Section 26 direction in relation to the AIFFP, instructing Export Finance Australia to refer applications to the Minister – up to a maximum amount of $1.5 billion in total – that relate to the provision of financial support:

- for the financing of infrastructure required by Pacific island countries or Timor-Leste
- the referral of which to the Minister would be in accordance with Export Finance Australia's statement of expectations in force at the time
- where Export Finance Australia is satisfied that private financiers are unable or unwilling to provide the financial support requested by the application.

Defence Export Facility

On 15 January 2018, the Minister issued a Section 26 direction in relation to the Defence Export Facility. Under this direction, Export Finance Australia must refer applications to the Minister – up to a maximum amount of US$3 billion over 10 years – that relate to the provision of financial support for Australian defence exports where:

- Export Finance Australia has identified a private finance market gap
- any necessary Defence Export Control export permit or in-principle approval has already been obtained
- we have conducted due diligence for the application in the same manner as we would for a transaction on our own Commercial Account.

Section 27 of the EFIC Act

Section 27(4) of the EFIC Act permits the Minister to issue directions to Export Finance Australia regarding loans made under Section 23 of the EFIC Act in respect of eligible export transactions if the Minister is satisfied that it is in the national interest.

On 3 December 2018, the Minister issued two Section 27 directions in relation to the Australian Government's Defence Export Strategy for:

- a loan of up to $90 million to CEA Technologies Pty Ltd (and/or its wholly owned subsidiary)
- a loan of up to US$80 million for the Government of Trinidad and Tobago (as borrower or as guarantor for a related entity borrower).

In accordance with Section 28(c) of the EFIC Act, each approval is subject to:

- the relevant loan being managed in accordance with Export Finance Australia's normal commercial practices
- the final terms and conditions offered under the relevant loan being consistent with its summary term sheet.

Section 29 of the EFIC Act

Section 29 of the EFIC Act permits the Minister to issue directions to us regarding specified transactions on the National Interest Account. During the year ended 30 June 2019, a direction dated 4 July 2007 was in effect that set out facility terms for us to provide indemnities or guarantees up to an aggregate of $30 million in relation to contracts or proposed contracts.

Section 31 of the EFIC Act

Section 31 of the EFIC Act permits the Minister to issue directions to us to reduce or reschedule any of our actual or contingent liability made under Part 5 (National interest transactions) of the EFIC Act. For more information, please refer to the 'Financial matters' section on page 68.

Section 55 of the EFIC Act

Section 55(2) of the EFIC Act permits the Minister to issue directions to us regarding the payment of a dividend to the Commonwealth.

A dividend of $6.9 million of the 2017–18 Commercial Account profit was paid based on a direction from the Minister.

At the date of publication, the dividend for the year ended 30 June 2019 had not been determined.

Section 61A of the EFIC Act

Section 61A of the EFIC Act permits the Minister to issue directions to us regarding the payment of a debt neutrality charge.

During the year ended 30 June 2019, a direction dated 18 June 2015 required Export Finance Australia to pay a debt neutrality charge of 10 basis points on its cost of borrowing. The charge applies to new borrowings on all portfolios and existing debt that is rolled over or refinanced. The amount payable is $1.1 million.

Section 63A of the EFIC Act

Section 63A of the EFIC Act permits the Minister to issue directions to us regarding tax equivalent payments. During the year ended 30 June 2019, a direction dated 18 June 2015 required Export Finance Australia to pay a tax equivalent payment comprising:

- a payment in lieu of Commonwealth income tax at 30% of accounting profits, and realised capital gains, with a capacity to carry forward any tax losses
- a payment in lieu of New South Wales (NSW) payroll tax levied on wages, allowance, bonuses, fringe benefits and superannuation, at rates and thresholds specified in the NSW Budget
- a payment in lieu of NSW land tax, at rates and threshold specified in the NSW Budget.

The amount payable in lieu of Commonwealth income tax is $11.0 million, the amount payable in lieu of NSW payroll tax is $0.9 million and the amount payable in lieu of NSW land tax is $0.4 million.

Our Risk Management Framework

Risk management is a vital part of our business. We have developed an enterprise-wide Risk Management Framework that defines our core principles and the types of risks we face. Our Risk Management Framework is available on our **website**.

Our approach to risk management involves ensuring that the level and quality of capital is appropriate for our risk profile. Our Risk Appetite Statement* details our risk tolerance and sets appropriate limits on the risks we are willing to take.

We also operate based on a Risk Control Matrix.* This sets out each individual risk we face, as well as mitigation measures and the people responsible for managing certain risks. It also rates the likelihood and consequences of each risk event.

We review the Risk Control Matrix regularly to add new risks or identify changes to existing risks. This approach engenders a culture of risk awareness across our organisation.

Types of risks

- reputational risk
- strategic risk
- credit risk
- country risk
- market risk
- operational and financial risk.

Oversight of risk management

Our Risk Appetite Statement incorporates quantitative and qualitative measures to ensure effective monitoring and governance. Risk policies, tolerances and operational limits are set by our Board, the PGPA Act, and the EFIC Act and Regulations.

These comprehensive arrangements highlight our commitment to continuously improving our risk management practices. Assessing and underwriting risk is central to our Risk Management Framework. All transactions we underwrite are reviewed by our Board, or by management as delegated by the Board.

Country-related economic and political risks are assessed by a team of experts.

Risk Appetite Statement*	Risk Control Matrix*	
Details our risk tolerance and sets appropriate limits on the risks we are willing to take. Our risk appetite incorporates quantitative and qualitative measures to ensure effective monitoring and governance.	Sets out: • individual risks • mitigation measures • likelihood • consequences.	We review the Risk Control Matrix regularly to add new risks or identify changes to existing risks. This approach engenders a culture of risk awareness across our organisation.

* Due to their commercial sensitivity, these documents are not made public.

Core principles

Our risk management is built on a strong foundation that includes:

- A commitment to our shared purpose and Code of Conduct, which we review and renew periodically.
- Strong policies and procedures, supported by robust systems and processes.
- Strategies to recruit, develop and retain employees who have the required specialist skills.
- Clear lines of responsibility and accountability for achieving set outcomes.
- Rigorous control processes, including management reporting, supported by Board oversight and independent review.
- A culture that seeks to anticipate and mitigate risks before they occur, and always seeks to learn and improve.

Roles and responsibilities

Our Board is responsible for setting the organisation's risk strategy, including our risk appetite and tolerances.

The Board's Audit and Risk Committee oversees all aspects of risk management and internal control. This includes reviewing our compliance activity, financial reporting and performance reporting, our audit program, and the adequacy of our accounting policies and procedures.

Our Executive and senior management teams, led by our Managing Director and CEO, implement the Board's risk strategy. This involves developing policies, processes, procedures and controls to identify and manage risks across all our areas of activity, every day.

The Board also engages an independent auditor to review our risk management and internal controls. This service provider, currently Deloitte, reports to our Board via the Board Audit and Risk Committee and the Executive team. It enjoys full access to our employees and company data when conducting these reviews.

The ANAO and its appointed agent, currently KPMG, perform an independent review of our financial statements.

Role of committees

The following internal committees support our risk management processes:

Executive Committee • Examines all aspects of the business • Chaired by the Chief Executive Officer	**Credit Committee** • Examines large potential transactions • Chaired by the Chief Credit Officer
Risk and Compliance Committee • Examines, monitors and regulates compliance risks • Chaired by the Chief Risk Officer	**Treasury Risk Review Committee** • Examines Treasury activities, limits, noteworthy transactions and current issues • Chaired by the Treasurer
Work Health and Safety Committee • Examines workplace risks and reports any hazards or safety problems that may cause harm or injury to employees, contractors or visitors • Chaired by the Chief Operating Officer	**Business Continuity Planning Steering Committee** • Coordinates annual Crisis Management and Business Continuity Planning • Chaired by the Chief Operating Officer

Capital management

Our Board is required to ensure that Export Finance Australia's capital and reserves at any time are sufficient, according to sound commercial principles, under Section 56 of the EFIC Act. We are required to maintain sufficient capital and reserves to meet our likely liabilities and provide for the possibility of loan defaults.

The approach we apply is to set our own standards by drawing on the prudential standards set by the Australian Prudential Regulation Authority (APRA) and the Bank for International Settlements through the Basel Committee on Banking Supervision (Basel Committee).

The requirement to hold sufficient capital and reserves only relates to our Commercial Account activities. We hold no capital against the National Interest Account exposures, as the Australian Government bears these risks. For more information on our capital adequacy, see Note 21 of the 'Financial statements' section on pages 144–145.

Large exposures

We model our large exposure policy on APRA guidelines. Australian banks are required to consult with APRA before committing to any aggregate exposures to non-government, non-bank counterparties exceeding 10% of their capital base.

APRA has also indicated a maximum exposure per non-bank counterparty (or related group of counterparties) of 25% of capital, but has emphasised that this is an upper limit. Only better rated risks would be contemplated for these levels of exposures.

Our Board allows a small tolerance above these limits for foreign exchange movements, given the majority of our large exposures are in foreign currency against an Australian dollar capital base. The Board is also prepared to consider exceptional cases.

Under current delegations, our Board must approve all transactions that involve commitments valued at over $50 million.

Allowances for risks

Allowance for credit risk

While it is never possible to know in advance the losses a financial institution will suffer in a particular year, we can forecast the average level of credit losses it can reasonably expect to experience. The APRA guidelines refer to such losses as 'expected losses'.

Our approach is to take credit risk into account in the fair value calculation of all credit exposures, both on and off the balance sheet. We assess this in light of the expected losses over the life of facilities. Our current model takes into account the magnitude and nature of the exposures, their risk grading, the type of exposure and the maturity of the risk.

Periodically, we review our methodology and results against independent market sources to ensure consistency. When it is likely that a loan or debt will not be recovered in full due to a specific event, we do not use the model and instead determine an appropriate amount to set aside for expected loss. The allowance for credit risk also provides for possible loan defaults and potential claims in relation to off-balance-sheet facilities, such as export finance guarantees.

We do not make any collective provision for losses on National Interest Account facilities, as the Commonwealth reimburses us for such losses.

Allowance for derivative risk

It is standard practice within financial markets to value the credit risk component of derivative transactions. Different counterparties may value the same transaction differently, giving rise to valuation risk.

Each year, we consult our external auditors on how to value our derivative exposures to recognise both credit and valuation risk. Valuation risk is calculated on all cross-currency transactions.

Residual margin

When we value our loans and guarantees on a fair-value basis, we use a discounted cash flow methodology to calculate a valuation on day one for that particular transaction. The difference between the cash flow on day one and the net present value of the income stream (including an allowance for credit risk adjustment on that transaction) is termed 'residual margin'. This includes other risk factors such as servicing costs and prepayment risk.

When these factors are included in the valuation, the day one profit equates to zero. The residual margin is then recognised over the life of the transaction.

Loans at amortised cost

Most of our loans and guarantees are measured at fair value, although a few are measured at amortised cost. Changes to the accounting standards (AASB 9) now require loans at amortised cost to be evaluated for impairment using an expected credit loss model; previously an incurred loss model was used.

The expected loss model for amortised cost is similar to the expected loss model we use when assessing loans at fair value.

Handling currency exposure

Our loans and rescheduled debts are mostly denominated in foreign currencies. As of 30 June 2019, 74.2% of our loans were denominated in US dollars and 8.2% were in euros. Generally speaking, we convert income and expenses to Australian dollars when we receive or pay them.

Any currency exposure is subject to a Board-approved limit. To protect our assets and liabilities, we borrow in the same currency as our assets. Alternatively, we borrow in another currency and use cross-currency swaps and other foreign exchange instruments to manage currency risks. We also use interest rate swaps and forward rate agreements to substantially match the interest rate profiles of our liabilities with those of our loans.

Foreign exchange rates do affect our fair-value calculations, including the allowance for credit risk on the Commercial Account. This is because we do not hedge future income and expenses that are expected to be received and paid in foreign currencies.

Our activities

Activities

The core function of our Treasury unit is to prudently raise funding at competitive rates. Treasury also manages the investment of our capital and reserves, as well as our other investment and liquidity portfolios.

These activities are carried out within a control framework approved by our Board and compliant with the EFIC Act, the PGPA Act and associated approvals required by the Australian Government.

Our Treasury operates according to the following key principles:

- We aim to minimise the cost of funding our loan assets for the Commercial Account and the National Interest Account.
- We seek to maximise the return on our investments, including funds that represent our equity, cash reserves and working capital.
- In transacting on wholesale markets, our Treasury unit manages credit risk within Board and management-approved limits, and does not trade speculatively.
- We use derivative products to minimise currency and interest rate risks.

See Note 19 of the 'Financial statements' section on pages 120–137 for further details about our financial exposure.

Borrowings

We borrow money to fund our activities on either the Commercial Account or the National Interest Account.

Funding capacity is also necessary to cover the possibility of borrower defaults on our contingent liabilities, such as when banks call in our export finance guarantees.

We maintain a diversified funding capability with spare capacity. This ensures we have the strength and flexibility to accommodate financial market disruption and enables us to pursue a range of pricing and risk management strategies.

The main borrowing instruments we currently use are medium-term notes issued in the capital markets, and euro commercial paper.

We are authorised to raise funds from our approved commercial paper borrowing facility in advance of our loan funding needs. Our funding activity in 2018–19 comprised of issuing short-term direct loans from banks. We are generally able to borrow US dollars at margins below the benchmark London Interbank Offered Rate (LIBOR).

Investments and liquidity

The investment approval issued by the Finance Minister under the PGPA Act requires our Treasury investments to be in entities rated AA– or better, or authorised deposit-taking institutions rated BBB– or better.

As at 30 June 2019, the face value of our investment and liquidity holdings on the Commercial Account was $1.4 billion, comprising cash, bank deposits and investment securities. Of this amount:

- $496 million represented cash capital and reserves
- the remaining $925 million represented liquidity being held to fund future loan drawdowns, maintain a minimum market presence, reduce collateral posting risk or refinance borrowings.

Financial matters

Rescheduling and debt forgiveness

Export Finance Australia has rescheduled debts owed by the Indonesian, Cuban and Iraqi governments in recent years. This has occurred pursuant to the Paris Club, a group of government creditors charged with finding coordinated and sustainable solutions to debtor nations' payment difficulties.

As at 30 June 2019, all previously rescheduled amounts had been paid on time, in line with various rescheduling agreements.

Indonesia

As at 30 June 2019, our rescheduled loans to the Indonesian Government were valued at $52.9 million on the National Interest Account and $2.1 million on the Commercial Account. The National Interest Account loans were predominantly loans supported by aid grants and approved under the now-discontinued Development Import Finance Facility. These loans have various maturities; the longest requires a final repayment in 2021. As at 30 June 2019, all rescheduled amounts had been paid on time, as set out in the rescheduling agreements.

Iraq

Between 1987 and 1992, we paid credit insurance claims, mostly from the National Interest Account, regarding non-payment by the Iraqi Government for exports from Australia.

These credit insurance claims were expensed as paid. The prevailing situation in Iraq following the claim payments had prevented us and the Australian Government from pursuing the recovery of this money. After the passage of United Nations Security Council Resolution 1546 and transfer of full sovereignty to the interim Iraqi Government, the Paris Club restructured the country's external debt.

The Paris Club agreed to provide Iraq with 80% debt forgiveness in three stages. In May 2006, we signed a bilateral agreement with Iraq, which triggered 60% forgiveness under stages one and two of the debt relief package. The third and final 20% stage of debt forgiveness was made in accordance with the last International Monetary Fund (IMF) Board review of Iraq's three-year IMF Program, in December 2008.

The remaining principal debt is to be repaid over 17 years until January 2028.

The rescheduled debt balance at 30 June 2019 is US$112.1 million on the National Interest Account and US$0.4 million on the Commercial Account. As at 30 June 2019, all rescheduled amounts have been paid on time as per the rescheduling agreements.

However, the current situation in Iraq and the continuing deterioration in the economic environment were assessed as posing a real threat to the reliability of future payments. Accordingly, in consultation with DFAT, we retain a 100% provision for impairment against the rescheduled debt.

Future payments from Iraq will only be recognised as income on receipt and booked as a recovery, consistent with current practice. Recoveries made during the year under this agreement resulted in $23.1 million taken up as income during 2018–19, on the National Interest Account.

Cuba

As at 30 June 2019, our rescheduled loans to Cuba were valued at $9.1 million.

In the mid-1980s, we issued four National Interest Account loans to Banco Nacional de Cuba to support the sale of sugar cultivation and harvesting equipment. In December 2015, the Paris Club's 'Group of Creditors of Cuba', which included Australia, agreed with Havana the terms upon which Cuba's outstanding debt would be rescheduled. We executed a bilateral agreement with Cuba in late May 2016 on terms consistent with those established by the Paris Club creditors. The debt is to be repaid over 18 years.

We received $0.2 million during 2018–19. The loans have had a 100% provision in place since the payments ceased, and this is maintained at 30 June 2019.

Dividends

Section 55 of the EFIC Act requires our Board to recommend in writing to the Minister that Export Finance Australia pay a specified dividend, or not pay a dividend, to the Commonwealth for that financial year.

The Minister then either approves the recommendation or directs that we pay a different dividend.

We paid a dividend of $6.9 million in December 2018, based on a recommendation from the Board.

At the date of publication, the dividend for the year ended 30 June 2019 had not been determined.

Table of facilities

Table 14: Table of facilities

Exporter/investor/ client	Industry of export	Goods/services	Export destination	Integral to supply chain	Products/ transactions	Number of facilities	Amount (A$ million equivalent)	Environmental/ social impact category (a)
Active Apparel Group Pty Ltd	Manufacturing	Synthetic Textile Manufacturing	United States		ELOC	1	3.37	Low Potential - note 1
ADB - Bank for Investment and Development of Vietnam (BIDV)	Wholesale Trade	Cereal Grain Wholesaling	Vietnam		RPA	Existing Facility	0.22	Low Potential - note 2
ADB - Bank for Investment and Development of Vietnam (BIDV)	Wholesale Trade	Cereal Grain Wholesaling	Vietnam		RPA	Existing Facility	0.17	Low Potential - note 2
ADB - Bank for Investment and Development of Vietnam (BIDV)	Wholesale Trade	Metal and Mineral Wholesaling	Vietnam		RPA	Existing Facility	0.40	Low Potential - note 2
ADB - Bank for Investment and Development of Vietnam (BIDV)	Wholesale Trade	Cereal Grain Wholesaling	Vietnam		RPA	Existing Facility	0.09	Low Potential - note 2
ADB - Bank for Investment and Development of Vietnam (BIDV)	Wholesale Trade	Cereal Grain Wholesaling	Vietnam		RPA	Existing Facility	0.09	Low Potential - note 2
ADB - Bank for Investment and Development of Vietnam (BIDV)	Wholesale Trade	Cereal Grain Wholesaling	Vietnam		RPA	Existing Facility	0.09	Low Potential - note 2
ADB - Bank for Investment and Development of Vietnam (BIDV)	Wholesale Trade	Cereal Grain Wholesaling	Vietnam		RPA	Existing Facility	0.09	Low Potential - note 2
Aerison Pty Ltd	Mining	Heavy and Civil Engineering Construction	Australia	Y	Bond	Existing Facility	1.61	Low Potential - note 1
Aerison Pty Ltd	Mining	Heavy and Civil Engineering Construction	Australia	Y	Bond	1	1.61	Low Potential - note 1
Air Affairs (Australia) Pty Ltd	Manufacturing	Machinery and Equipment Manufacturing	South Korea		Bond	Existing Facility	0.22	Low Potential - note 1
Air Affairs (Australia) Pty Ltd	Manufacturing	Machinery and Equipment Manufacturing	Various		Bond	1	0.67	Low Potential - note 1
AJ Lucas Group Limited	Mining	Oil and Gas Extraction	Indonesia		Bond	1	1.28	Low Potential - note 1

Exporter/investor/ client	Industry of export	Goods/services	Export destination	Integral to supply chain	Products/ transactions	Number of facilities	Amount (A$ million equivalent)	Environmental/ social impact category (a)
Alice McCall Pty Limited	Wholesale Trade	Clothing and Footwear Wholesaling	Various		ELOC	1	0.60	Low Potential - note 1
Allied Metal Recyclers Pty Ltd	Wholesale Trade	Basic Non-Ferrous Metal Product Manufacturing	Australia	Y	EWCG-R	Existing Facility	0.50	Low Potential - note 1
Alltype Engineering Pty Ltd	Mining	Fabricated Metal Product Manufacturing	Australia	Y	Bond	Existing Facility	0.11	Low Potential - note 1
Alltype Engineering Pty Ltd	Mining	Fabricated Metal Product Manufacturing	Australia	Y	Bond	Existing Facility	0.11	Low Potential - note 1
Alltype Engineering Pty Ltd	Mining	Fabricated Metal Product Manufacturing	Australia	Y	Bond	Existing Facility	0.18	Low Potential - note 1
Alltype Engineering Pty Ltd	Mining	Fabricated Metal Product Manufacturing	Australia	Y	Bond	Existing Facility	0.08	Low Potential - note 1
Alltype Engineering Pty Ltd	Mining	Fabricated Metal Product Manufacturing	Australia	Y	Bond	1	0.13	Low Potential - note 1
Alltype Engineering Pty Ltd	Mining	Fabricated Metal Product Manufacturing	Australia	Y	Bond	Existing Facility	0.13	Low Potential - note 1
ANT Technologies International Pty Ltd	Manufacturing	Machine Tool and Parts Manufacturing	India		ECL	1	0.80	Low Potential - note 1
APC Equipment Hire Pty Ltd	Mining	Non-Residential Building Construction	Australia	Y	Bond	Existing Facility	1.57	Low Potential - note 1
APC Equipment Hire Pty Ltd	Mining	Non-Residential Building Construction	Australia	Y	Bond	Existing Facility	1.29	Low Potential - note 1
APC Equipment Hire Pty Ltd	Mining	Non-Residential Building Construction	Australia	Y	Bond	Existing Facility	2.80	Low Potential - note 1
APC Equipment Hire Pty Ltd	Mining	Non-Residential Building Construction	Australia	Y	Loan	1	17.00	Low Potential - note 1
Aquatic Leisure Technologies Pty Ltd	Manufacturing	Rigid and Semi-Rigid Polymer Product Manufacturing	Various		SBEL	1	0.13	Low Potential – note 3

Exporter/investor/ client	Industry of export	Goods/services	Export destination	Integral to supply chain	Products/ transactions	Number of facilities	Amount (A$ million equivalent)	Environmental/ social impact category (a)
Arterial Design Pty Ltd	Professional, Scientific and Technical Services	Specialised Design Services	Qatar		SBEL	1	0.06	Low Potential – note 3
Aspen Medical Pty Ltd	Health Care and Social Assistance	General Practice Medical Services	United Arab Emirates		ECL	1	16.97	Category B
Atomos AU Pty Ltd	Manufacturing	Electronic Equipment Manufacturing	United States		ELOC-R	1	1.50	Low Potential - note 1
Atomos AU Pty Ltd	Manufacturing	Electronic Equipment Manufacturing	United States		ELOC	1	1.50	Low Potential - note 1
Aus Air Charter Pty Ltd	Arts and Recreation Services	Tourism	Australia		ECL	1	0.55	Low Potential - note 1
Ausenco Pty Ltd	Professional, Scientific and Technical Services	Engineering Design and Engineering Consulting Services	Peru		Bond	1	5.46	Low Potential - note 1
Australian Mustard Oil Pty Ltd	Manufacturing	Oil and Fat Manufacturing	Various		ECL	1	0.45	Low Potential - note 1
Blanalko Pty Ltd atf Blanalko (S.C.T.) Property Trust	Transport, Postal and Warehousing	Non-Residential Property Operators	Australia	Y	Loan	1	30.00	Low Potential - note 1
Blaq Pty Ltd	Wholesale Trade	Pharmaceutical and Toiletry Goods Wholesaling	United States		ECL	1	0.20	Low Potential - note 1
BlueAnt Wireless Pty Ltd	Manufacturing	Manufacturing	Poland		ELOC	1	0.82	Low Potential - note 1
Boost Media Holdings Pty Ltd	Information Media and Telecommunications	Information Services	Various		EWCG-R	1	1.50	Low Potential - note 1
Borghesi & Adam Publishers Pty Ltd	Information Media and Telecommunications	Book Publishing	Various		SBEL	1	0.06	Low Potential – note 3
Calix Limited	Professional, Scientific and Technical Services	Engineering Design and Engineering Consulting Services	Belgium		ECL	1	2.37	Category C
Camilla Australia Pty Limited	Retail Trade	Clothing Retailing	United States		ODI	1	2.00	Category C
CCB Envico Pty Ltd	Electricity, Gas, Water and Waste Services	Waste Treatment and Disposal Services	Kiribati		Bond	Existing Facility	0.33	Low Potential - note 1
CCB Envico Pty Ltd	Electricity, Gas, Water and Waste Services	Waste Treatment and Disposal Services	Kiribati		Bond	Existing Facility	0.26	Low Potential - note 1
CCB Envico Pty Ltd	Electricity, Gas, Water and Waste Services	Waste Treatment and Disposal Services	Kiribati		Bond	1	0.52	Low Potential - note 1

Exporter/investor/ client	Industry of export	Goods/services	Export destination	Integral to supply chain	Products/ transactions	Number of facilities	Amount (A$ million equivalent)	Environmental/ social impact category (a)
CCB Envico Pty Ltd	Electricity, Gas, Water and Waste Services	Waste Treatment and Disposal Services	Kiribati		Bond	Existing Facility	0.26	Low Potential - note 1
Choice M Pty Ltd	Wholesale Trade	Meat, Poultry and Smallgoods Wholesaling	South Korea		EWCG-R	1	1.10	Low Potential - note 1
CO YO Pty Ltd	Manufacturing	Cheese and Other Dairy Product Manufacturing	Various		SBEL	1	0.15	Low Potential – note 3
Cohda Wireless Pty Ltd	Manufacturing	Communication Equipment Manufacturing	United Kingdom		ELOC	Existing Facility	0.25	Low Potential - note 1
Cohda Wireless Pty Ltd	Manufacturing	Communication Equipment Manufacturing	United Kingdom		ELOC	1	0.75	Low Potential - note 1
Commex International Pty Ltd	Wholesale Trade	Agricultural Product Wholesaling	Egypt		EWCG	1	0.20	Low Potential - note 1
Contract Electrical (Qld) Pty Ltd	Construction	Electrical Services	Papua New Guinea		ECL	1	0.25	Low Potential - note 3
Contract Electrical (Qld) Pty Ltd	Construction	Electrical Services	Papua New Guinea		SBEL	1	0.35	Low Potential – note 3
Craneford Nominees Pty Ltd ATF Craneford Nominees Unit Trust	Manufacturing	Wine and Other Alcoholic Beverage Manufacturing	Various		SBEL	1	0.22	Low Potential – note 3
Creswick Woollen Mills Pty Ltd	Retail Trade	Tourism	Various		SBEL	1	0.08	Low Potential – note 3
Delight Decor Pty Ltd	Wholesale Trade	Goods Wholesaling	United Kingdom		SBEL	1	0.20	Low Potential – note 3
Deotome Pty Ltd	Manufacturing	Machinery and Equipment Manufacturing	United States		SBEL	1	0.08	Low Potential – note 3
Deotome Pty Ltd	Manufacturing	Machinery and Equipment Manufacturing	United States		SBEL	1	0.06	Low Potential – note 3
Dicky Bill Farming Pty Ltd	Agriculture, Forestry and Fishing	Crop Growing n.e.c.	Singapore		ECL	1	0.75	Low Potential - note 1
DJ&A Pty Limited	Manufacturing	Food Product Manufacturing n.e.c.	Various		ELOC	1	0.70	Low Potential - note 1
Dunstans Construction Group Pty Ltd	Construction	Heavy and Civil Engineering Construction	United States		ECL	1	4.25	Low Potential - note 1
Earthnote Australia Pty Ltd	Agriculture, Forestry and Fishing	Nursery Production (Outdoors)	Vietnam		SBEL	1	0.18	Low Potential – note 3

Exporter/investor/ client	Industry of export	Goods/services	Export destination	Integral to supply chain	Products/ transactions	Number of facilities	Amount (A$ million equivalent)	Environmental/ social impact category (a)
Eco Structures Australia Pty Ltd	Manufacturing	Prefabricated Metal Building Manufacturing	South Africa		SBEL	1	0.35	Low Potential - note 1
Ellery Land Pty Limited	Manufacturing	Clothing Manufacturing	Various		ELOC	1	0.60	Low Potential - note 1
Enertion Boards Pty Ltd	Manufacturing	Transport Equipment Manufacturing	Various		SBEL	1	0.10	Low Potential - note 3
Eredyne Group Pty Ltd	Manufacturing	Specialised Machinery and Equipment Manufacturing	United Arab Emirates		ECL	1	0.40	Low Potential - note 1
ESS Weathertech Pty Ltd	Manufacturing	Specialised Machinery and Equipment Manufacturing	Various		ELOC	1	12.86	Low Potential - note 1
FCT Holdings Pty Ltd	Professional, Scientific and Technical Services	Engineering Design and Engineering Consulting Services	China		Bond	Existing Facility	0.07	Low Potential - note 1
FCT Holdings Pty Ltd	Professional, Scientific and Technical Services	Engineering Design and Engineering Consulting Services	China		Bond	1	0.49	Low Potential - note 1
FCT Holdings Pty Ltd	Professional, Scientific and Technical Services	Engineering Design and Engineering Consulting Services	China		Bond	Existing Facility	0.20	Low Potential - note 1
FCT Holdings Pty Ltd	Professional, Scientific and Technical Services	Engineering Design and Engineering Consulting Services	China		Bond	Existing Facility	0.23	Low Potential - note 1
Ferguson Australia Pty Ltd	Wholesale Trade	Fish and Seafood Wholesaling	Various		ECL	1	2.00	Low Potential - note 1
Fin Design and Effects Pty Ltd	Information Media and Telecommunications	Post-production Services and Other Motion Picture and Video Activities	Various		ECL	Existing Facility	0.75	Low Potential - note 1
Fin Design and Effects Pty Ltd	Information Media and Telecommunications	Post-production Services and Other Motion Picture and Video Activities	Various		Bond	1	0.56	Low Potential - note 1
Finnigan Investments (Aust) Pty Limited	Information Media and Telecommunications	Internet Publishing and Broadcasting	United States		ELOC-R	1	0.50	Low Potential - note 1
Fitch Metals Engineering (Aust) Pty Ltd	Manufacturing	Machine Tool and Parts Manufacturing	Mexico		ECL	1	1.00	Low Potential - note 1
Geoscan Pty Ltd	Mining	Mining Support Services	Indonesia		SBEL	1	0.35	Low Potential - note 1
Geovert Ground Engineering Pty Ltd	Construction	Heavy and Civil Engineering Construction	United States		Bond	Existing Facility	0.27	Low Potential - note 1

Exporter/investor/ client	Industry of export	Goods/services	Export destination	Integral to supply chain	Products/ transactions	Number of facilities	Amount (A$ million equivalent)	Environmental/ social impact category (a)
Geovert Ground Engineering Pty Ltd	Construction	Heavy and Civil Engineering Construction	United States		Bond	1	0.81	Low Potential - note 1
Graviti Distribution Pty Ltd Atf The Raffaut Family Trust	Information Media and Telecommunications	Telecommunications Services	Singapore		SBEL	1	0.04	Low Potential – note 3
HeliMods Pty Ltd	Manufacturing	Fabricated Metal Product Manufacturing	Canada		ECL	1	1.05	Low Potential - note 1
Honan Holdings Pty Ltd	Manufacturing	Grain Mill Product Manufacturing	United States		EFG	1	35.00	Low Potential - note 1
HTA Group Pty Ltd	Manufacturing	Metal Coating and Finishing	United States		ECL	1	0.60	Low Potential - note 1
Incat Australia Pty Limited	Manufacturing	Shipbuilding and Repair Services	Spain		Loan	1	55.90	Low Potential - note 1
Industree Group Pty Ltd	Wholesale Trade	Clothing and Footwear Wholesaling	Papua New Guinea		SBEL	1	0.20	Low Potential - note 1
Inflatable Packers International Pty Ltd	Manufacturing	Mining and Construction Machinery Manufacturing	Malaysia		SBEL	1	0.10	Low Potential - note 1
Inner Profit Pty Ltd	Education and Training	Adult, Community and Other Education	United Kingdom		SBEL	1	0.09	Low Potential – note 3
Isochem Australia Pty Ltd	Manufacturing	Polymer Product Manufacturing	Various		EWCG	1	2.78	Low Potential - note 1
Karst Group Pty Ltd	Retail Trade	Newspaper and Book Retailing	Various		SBEL	1	0.08	Low Potential – note 3
Key 2 Learning Pty Ltd	Education and Training	Technical and Vocational Education and Training	Philippines		SBEL	1	0.10	Low Potential – note 3
Koala Eco Company Pty Ltd	Manufacturing	Cleaning Compound Manufacturing	China		SBEL	1	0.05	Low Potential – note 3
Lanotec Australia Pty Ltd	Manufacturing	Basic Organic Chemical Manufacturing	Various		SBEL	1	0.13	Low Potential – note 3
Lee Mathews Workroom Pty Ltd ATF Mathews Family Trust	Wholesale Trade	Clothing and Footwear Wholesaling	Various		ELOC-R	Existing Facility	0.50	Low Potential - note 1
Lee Mathews Workroom Pty Ltd ATF Mathews Family Trust	Wholesale Trade	Clothing and Footwear Wholesaling	Various		ELOC	1	0.50	Low Potential - note 1

Exporter/investor/ client	Industry of export	Goods/services	Export destination	Integral to supply chain	Products/ transactions	Number of facilities	Amount (A$ million equivalent)	Environmental/ social impact category (a)
Lee Mathews Workroom Pty Ltd ATF Mathews Family Trust	Wholesale Trade	Clothing and Footwear Wholesaling	Various		ELOC	1	0.50	Low Potential - note 1
Louvelle Pty Ltd	Wholesale Trade	Clothing and Footwear Wholesaling	United States		SBEL	1	0.03	Low Potential - note 1
Loving Earth Pty Ltd	Manufacturing	Confectionery Manufacturing	United States		SBEL	1	0.10	Low Potential – note 3
Mackenzie Marine & Towage Pty Ltd	Transport, Postal and Warehousing	Water Freight Transport	Australia	Y	SBEL	1	0.25	Low Potential – note 3
Mandala Trading Pty Ld	Wholesale Trade	Agricultural Product Wholesaling	Nepal		ELOC	1	0.75	Low Potential - note 1
Marcobre SAC	Professional, Scientific and Technical Services	Copper Ore Mining	Peru		Loan	1	69.08	Category A
Maritime Constructions Pty Ltd	Mining	Heavy and Civil Engineering Construction	Australia	Y	ECL	1	1.85	Category C
Marque of Brands Pty Ltd	Manufacturing	Cosmetic and Toiletry Preparation Manufacturing	Various		ELOC-R	Existing Facility	2.00	Low Potential - note 1
Marque of Brands Pty Ltd	Manufacturing	Cosmetic and Toiletry Preparation Manufacturing	Netherlands		ECL	1	0.13	Low Potential - note 3
Minemet Australasia Pty Ltd	Wholesale Trade	Metal and Mineral Wholesaling	Various		EWCG-R	1	2.50	Low Potential - note 1
Mobicon Systems Pty Ltd	Manufacturing	Lifting and Material Handling Equipment Manufacturing	United States		ELOC	1	0.40	Low Potential - note 1
Muir Engineering Pty Ltd	Manufacturing	Specialised Machinery and Equipment Manufacturing	Various		SBEL	1	0.35	Low Potential – note 3
Nicholas The Label Pty Ltd	Manufacturing	Clothing Manufacturing	Various		ELOC-R	1	1.00	Low Potential - note 1
Ocean & Earth Australia Pty Ltd	Wholesale Trade	Toy and Sporting Goods Wholesaling	Various		EWCG-R	1	0.71	Low Potential - note 1
OneWorld Collection Pty Ltd	Manufacturing	Wooden Furniture and Upholstered Seat Manufacturing	United States		SBEL	1	0.10	Low Potential - note 1
Pacific Welding Installations Pty Ltd	Construction	Heavy and Civil Engineering Construction	Vanuatu		SBEL	1	0.08	Low Potential - note 1

Exporter/investor/ client	Industry of export	Goods/services	Export destination	Integral to supply chain	Products/ transactions	Number of facilities	Amount (A$ million equivalent)	Environmental/ social impact category (a)
Phibion Pty Ltd	Manufacturing	Mining and Construction Machinery Manufacturing	Jamaica		ECL	1	0.60	Low Potential - note 1
Precision Marketing Holdings Pty Ltd	Professional, Scientific and Technical Services	Market Research and Statistical Services	Various		ELOC-R	1	2.41	Low Potential - note 1
Precision Marketing Holdings Pty Ltd	Professional, Scientific and Technical Services	Market Research and Statistical Services	Various		ELOC-R	Existing Facility	1.15	Low Potential - note 1
Pro-Test Pty Ltd	Mining	Mining Support Services	Australia		ECL	1	2.25	Low Potential - note 1
Quickflix Ltd	Information Media and Telecommunications	Internet Publishing and Broadcasting	Hong Kong		SBEL	1	0.10	Low Potential – note 3
Quickstep Holdings Ltd	Manufacturing	Machinery and Equipment Manufacturing	United States		ELOC-R	1	4.00	Low Potential - note 1
Reeves International Pty Ltd	Construction	Non-Residential Building Construction	Kiribati		Bond	Existing Facility	0.26	Low Potential - note 1
Reeves International Pty Ltd	Construction	Non-Residential Building Construction	Tonga		Bond	Existing Facility	0.66	Low Potential - note 1
Reeves International Pty Ltd	Construction	Non-Residential Building Construction	Tonga		Bond	Existing Facility	0.17	Low Potential - note 1
Reeves International Pty Ltd	Construction	Non-Residential Building Construction	Tuvalu		Bond	Existing Facility	0.93	Low Potential - note 1
Rex Service Pty Ltd	Wholesale Trade	Dairy Produce Wholesaling	China		ELOC-R	1	0.45	Low Potential - note 1
Rhodes Project Services Pty Ltd	Construction	Non-Residential Building Construction	Papua New Guinea		Bond	1	0.86	Low Potential - note 1
Rhodes Project Services Pty Ltd	Construction	Non-Residential Building Construction	Papua New Guinea		Bond	Existing Facility	0.86	Low Potential - note 1
Rich Metals Pty Ltd	Other Services	Personal Services	India		SBEL	1	0.03	Low Potential - note 1
RJE Global Pty Ltd	Manufacturing	Specialised Machinery and Equipment Manufacturing	Mongolia		Bond	Existing Facility	0.07	Low Potential - note 1
RUC Cementation Mining Contractors Pty Ltd	Construction	Construction Services	Mongolia		Loan	1	16.37	Low Potential - note 1

Exporter/investor/client	Industry of export	Goods/services	Export destination	Integral to supply chain	Products/transactions	Number of facilities	Amount (A$ million equivalent)	Environmental/social impact category (a)
SD and CC Ritchings Pty Ltd as trustee for SD and CC Ritchings Family Trust	Manufacturing	Fabricated Metal Product Manufacturing	South Africa		SBEL	1	0.32	Low Potential – note 3
Security Infrastructure Solution Consulting	Professional, Scientific and Technical Services	Computer System Design and Related Services	Germany		SBEL	1	0.20	Low Potential – note 3
Seeing Machines Limited	Professional, Scientific and Technical Services	Computer System Design and Related Services	Various		ELOC-R	Existing Facility	2.80	Low Potential - note 1
Seeing Machines Limited	Professional, Scientific and Technical Services	Computer System Design and Related Services	Various		ELOC	1	2.10	Low Potential - note 1
Silverfield Enterprises Pty Ltd	Wholesale Trade	Commission-Based Wholesaling	Saudi Arabia		SBEL	1	0.10	Low Potential – note 3
SmartCap Technologies Pty Ltd	Manufacturing	Electrical Equipment Manufacturing	Chile		ECL	1	0.70	Low Potential - note 1
Special Snowflakes Pty Ltd	Wholesale Trade	Grocery Wholesaling	Various		SBEL	1	0.04	Low Potential – note 3
Stonefish International Pty Ltd	Manufacturing	Wine and Other Alcoholic Beverage Manufacturing	China		SBEL	1	0.18	Low Potential – note 3
TelSoft Pty Ltd	Information Media and Telecommunications	Telecommunications Services	Malaysia		SBEL	1	0.12	Low Potential – note 3
TelSoft Pty Ltd	Information Media and Telecommunications	Telecommunications Services	Malaysia		SBEL	1	0.11	Low Potential – note 3
Thompson Meat Machinery Pty Limited	Manufacturing	Machine Tool and Parts Manufacturing	Various		ELOC-R	1	1.00	Low Potential - note 1
Total Livestock Genetics Pty Ltd	Wholesale Trade	Agricultural Product Wholesaling	Japan		ELOC	1	1.00	Low Potential - note 1
Tritium Pty Ltd	Manufacturing	Electrical Equipment Manufacturing	Various		ECL	1	14.00	Low Potential - note 1
Tritium Pty Ltd	Manufacturing	Electrical Equipment Manufacturing	Germany		Bond	1	3.24	Low Potential - note 1
Tritium Pty Ltd	Manufacturing	Electrical Equipment Manufacturing	Germany		Bond	Existing Facility	3.24	Low Potential - note 1
UAP Australia Pty Ltd	Professional, Scientific and Technical Services	Other Specialised Design Services	United States		ECL	1	2.03	Low Potential - note 1

Exporter/investor/ client	Industry of export	Goods/services	Export destination	Integral to supply chain	Products/ transactions	Number of facilities	Amount (A$ million equivalent)	Environmental/ social impact category (a)
United Wool Company Pty Ltd	Wholesale Trade	Wool Wholesaling	Various		EWCG-R	1	1.50	Low Potential - note 1
Vertiscope by Inverleigh Pty Ltd	Information Media and Telecommunications	Motion Picture and Video Distribution	Various		ECL	1	0.46	Low Potential - note 1
Vyta Buzz Pty Ltd	Wholesale Trade	Goods Wholesaling	New Zealand		SBEL	1	0.05	Low Potential – note 3
Wax Converters Textiles Pty Ltd	Manufacturing	Textile Finishing and Other Textile Product Manufacturing	United States		ECL	1	0.75	Low Potential - note 1
Worldpoly Pty Ltd	Manufacturing	Machinery and Equipment Manufacturing	Various		ELOC-R	1	0.38	Low Potential - note 1
Zinc Group Pty Ltd	Professional, Scientific and Technical Services	Advertising Services	China		ECL	1	4.00	Low Potential - note 1
Total Commercial Interest Account (to 30/06/2019)					**147**	**109**	**377.63**	

National Interest Account transactions for 1 July 2018 to 30 June 2019

Exporter/investor/ client	Industry of export	Goods/services	Export destination	Integral to supply chain	Products/ transactions	Number of facilities	Amount (A$ million equivalent)	Environmental/ social impact category (a)
Ferra Engineering Pty Ltd	Manufacturing	Structural Metal Product Manufacturing	United States		ECL	1	10.00	Low Potential - note 1
Total National Interest Account (to 30/06/2019)					**1**	**1**	**10.00**	

As at 30 June 2019, on the Commercial Account the weighted average margin on all facilities signed during the year was around 5.0%, with a weighted average tenor of 3.6 years.

EWCG: Export Working Capital Guarantee
EWCG-R: Export Working Capital Guarantee Renewal
ELOC-R: Export Line of Credit Renewal
ELOC: Export Line of Credit
SBEL: Small Business Export Loan
EFG: Export Finance Guarantee
RPA: Risk Participation Agreement
ECL: Export Contract Loan
ODI: Overseas Direct Investment
DCG: Documentary Credit Guarantee
FEFG: Funded Export Finance Guarantee

(a) These notes refer to Export Finance Australia's Procedure for environmental and social review of transactions that is available on Export Finance Australia's **website** under 'Our Organisation - Our Corporate Responsibility - Transactions - Environmental and Social Review - Procedure'. This Procedure applies to all transactions Export Finance Australia assesses after commencing its credit assessment and due diligence processes.

Note 1: Transaction associated with either a non-project or a bond. This association determines the way that Export Finance Australia considers the potential environmental and social impacts of the transaction. Further details are available in section 2.3 of the above Procedure.

Note 2: This type of product was assessed and found to always have a low or no potential for significant environmental and social impact.

Note 3: Assessed under a screen to identify which transactions require a detailed environmental and social review.

Ten-year summary

Commercial Account
Years ended 30 June ($m)

	2019 ($)	2018[1] ($)	2017 ($)	2016 ($)	2015 ($)	2014 ($)	2013 ($)	2012 ($)	2011 ($)	2010 ($)	2009 ($)
Signings	**378**	194	396	390	179	577	514	990	593	697	377
Export contracts and overseas investments supported	**2,289**	1,394	996	1,475	823	2,138	2,075	4,278	3,473	3,561	817
Net interest income	**24.7**	22.0	22.5	24.6	26.5	22.6	32.8	38.1	39.6	38.3	44.5
Net premiums and fees	**42.8**	29.6	24.1	26.7	26.4	27.2	14.4	16.5	14.5	32.0	11.0
Fair value other financial instruments	**0.7**	(0.9)	0.0	0.1	(0.2)	(2.0)	(3.0)	(4.1)	(6.1)	(7.4)	(4.2)
Foreign exchange profit/(loss)	**(2.9)**	(1.4)	1.9	(1.6)	(5.4)	0.2	0.6	0.0	0.0	0.0	(0.1)
Debt neutrality charge	**(1.1)**	(1.0)	(1.1)	(0.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other income	**3.8**	3.2	2.9	2.6	2.5	4.1	4.7	3.1	3.0	2.6	3.0
Operating income	**68.0**	51.5	50.3	51.5	49.8	52.1	49.5	53.6	51.0	65.5	54.2
Operating expenses	**(29.3)**	(29.0)	(32.4)	(34.0)	(31.5)	(27.9)	(26.9)	(26.7)	(24.5)	(23.8)	(20.6)
State tax-equivalent charges	**(1.3)**	(1.2)	(1.3)	(1.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Charge)/credit for sundry allowances	**(0.6)**	0.0	0.0	0.1	(0.1)	0.0	0.0	0.1	3.6	(3.4)	(0.2)
Profit/(loss) from the discontinued credit insurance business	**0.0**	0.0	0.0	0.1	0.0	0.0	0.0	(0.2)	0.1	0.0	0.2
Profit before tax equivalent	**36.8**	21.3	16.6	16.5	18.2	24.2	22.6	26.8	30.2	38.3	33.6
Income tax-equivalent charge	**(11.0)**	(6.4)	(5.0)	(5.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit for Export Finance Australia	**25.8**	14.9	11.6	11.5	18.2	24.2	22.6	26.8	30.2	38.3	33.6

[1] Since the payment of the dividend in December 2018, the 2017–18 profit has been restated from $13.9 million to $14.9 million. An additional dividend payment is expected to be paid in December 2019 of $0.5 million to reflect the restated post-tax profit in 2017–18.

	2019 ($)	2018[1] ($)	2017 ($)	2016 ($)	2015 ($)	2014 ($)	2013 ($)	2012 ($)	2011 ($)	2010 ($)	2009 ($)
Dividend (paid in subsequent years)	**Not decided**	(6.9)	(5.8)	(5.8)	(13.6)	(18.2)	(11.3)	(26.8)	(30.2)	(28.7)	(16.8)
Dividend payout ratio (%)	**Not decided**	50	50	50	75	75	50	100	100	75	50
Special dividend/ capital injection	**0.0**	0.0	0.0	0.0	200.0	0	(200.0)	0	0	0	0
Equity	**539.3**	459.3	451.3	444.8	436.8	225.9	216.3	418.1	408.1	407.6	376.7
Return on average equity (% pa) before tax equivalent	**7**	5	4	4	5	11	7	6	7	10	9
Capital adequacy ratio including callable capital (%)	**60.2**	25.0	25.2	26.1	30.5	22.5	21.2	31.0	34.6	37.3	31.2
Face value of Commercial Account client facilities outstanding (before provisions)											
Loans	**1,070**	911	813	867	878	594	535	458	361	342	227
Funded EFGs	**34**	51	72	99	117	123	149	101	102	115	55
Guarantees and other off-balance-sheet exposures	**413**	431	420	436	438	663	654	513	362	403	514
Exposures reinsured	**562**	640	634	673	601	478	362	327	112	87	206
Rescheduled credit insurance	**1**	1	1	3	8	13	16	20	24	22	24
Total Commercial Account facilities	**2,079**	**2,033**	**1,940**	**2,079**	**2,042**	**1,871**	**1,716**	**1,419**	**961**	**969**	**1,026**

[1] Since the payment of the dividend in December 2018, the 2017–18 profit has been restated from $13.9 million to $14.9 million. An additional dividend payment is expected to be paid in December 2019 of $0.5 million to reflect the restated post-tax profit in 2017–18.

National Interest Account
Years ended 30 June ($m)

	2019 ($)	2018 ($)	2017 ($)	2016 ($)	2015 ($)	2014 ($)	2013 ($)	2012 ($)	2011 ($)	2010 ($)	2009 ($)
Signings	**10**	0	49	0	0	0	0	13	0	274	200
Export contracts and overseas investments supported	**261**	0	2,667	0	0	0	0	240	0	2,411	530
Exports supported by Australian content by drawdown	**64**	0	1,723	6	12	305	904	1,005	338	0	0
Net interest income (including grant amortised)	**0.5**	0.7	0.9	1.4	1.8	2.1	2.1	1.2	1.0	2.9	3.0
Net premiums and fees	**11.8**	12.7	13.9	14.4	12.2	9.8	7.7	5.3	5.0	6.9	2.2
Total revenue	**12.3**	13.4	14.8	15.8	14.0	11.9	9.8	6.5	6.0	9.8	5.2
Operating expenses	**(1.4)**	(1.4)	(1.4)	(1.2)	(1.0)	(1.6)	(2.2)	(1.4)	(1.5)	(2.5)	(2.7)
Foreign exchange profit/(loss)	**(0.1)**	0.0	(0.1)	(0.1)	(0.3)	(0.2)	(0.1)	(0.2)	2.5	0.7	(2.9)
(Charge)/credit for specific provisions	**0.2**	0.2	(7.5)	(19.7)	(14.3)	(9.6)	(8.3)	(8.1)	(7.5)	0.1	0.2
Profit/(loss) from the discontinued credit insurance business	**23.1**	20.1	19.9	19.4	17.6	15.5	14.8	19.8	8.2	1.3	0.0
Operating profit attributable to the Commonwealth	**34.1**	32.3	25.7	14.2	16.0	16.0	14.0	16.6	7.7	9.4	(0.2)
Face value of National Interest Account client facilities outstanding (before provisions)											
Loans	**366**	431	527	597	665	625	670	590	567	722	898
Guarantees and other off-balance-sheet exposures	**8**	10	10	11	12	11	11	6	0	1	4
Exposures reinsured	**0**	0	0	0	0	0	5	10	18	33	45
Rescheduled credit insurance	**160**	169	179	215	238	232	72	87	101	101	111
Total National Interest Account facilities	**534**	**610**	**716**	**822**	**915**	**867**	**758**	**693**	**686**	**858**	**1,058**

Financial statements

Contents

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 2019 and the financial position of Export Finance Australia at 30 June 2019

(b) the financial statements for the year ended 30 June 2019 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act)

(c) the financial statements have been prepared in accordance with Australian Accounting Standards

(d) the financial statements have been prepared based on properly maintained financial records

(e) 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
CHAIRMAN
22 AUGUST 2019

Stuart Neilson
CHIEF FINANCIAL OFFICER
22 AUGUST 2019

Swati Dave
MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER
22 AUGUST 2019

Independent auditor's report

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for Trade, Tourism and Investment

Opinion

In my opinion, the financial statements of Export Finance Australia ('the Entity') for the year ended 30 June 2019:

(a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and

(b) present fairly the financial position of the Entity as at 30 June 2019 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following statements as at 30 June 2019 and for the year then ended:

- Statement by the Board members and Chief Financial Officer;
- Statement of Profit and Loss and Other Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The Accountable Authority is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019 but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Entity, the Board is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply

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with Australian Accounting Standards and the rules made under the Act. The Board is also responsible for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office

Clea Lewis

Clea Lewis

Executive Director

Delegate of the Auditor-General

Canberra

23 August 2019

Statement of profit or loss and other comprehensive income for the year ended 30 June 2019

		Commercial Account		National Interest Account	
	Note	**30 June 2019 $ m**	30 June 2018[1] $ m	**30 June 2019 $ m**	30 June 2018 $ m
Interest income	3(i)	**158.0**	127.2	**15.8**	15.4
Other interest income	3(i)	**31.7**	23.9	**-**	-
Interest expense	3(ii)	**(166.1)**	(130.1)	**(15.3)**	(14.7)
Net interest income		**23.6**	21.0	**0.5**	0.7
Fair value movement of third-party loans and guarantees	3(iii)	**42.8**	29.6	**-**	-
Fair value movement of other financial instruments	3(iv)	**0.7**	(0.9)	**-**	-
Unrealised foreign exchange loss		**(2.9)**	(1.4)	**(0.1)**	-
Other revenue	3(v)	**3.8**	3.2	**34.9**	32.8
Operating income		**68.0**	51.5	**35.3**	33.5
Operating expenses	3(vi)	**(29.3)**	(29.0)	**(1.4)**	(1.4)
Allowance for credit loss expenses	3(vii)	**(0.6)**	-	**-**	-
State tax equivalent charges	3(viii)	**(1.3)**	(1.2)	**-**	-
Net operating income		**36.8**	21.3	**33.9**	32.1
Net rescheduled loans and debt forgiveness	3(ix)	**-**	-	**0.2**	0.2
Profit before tax equivalent		**36.8**	21.3	**34.1**	32.3
Income tax equivalent charge		**(11.0)**	(6.4)	**-**	-
Profit from ordinary activities		**25.8**	14.9	**34.1**	32.3
National Interest Account attributable directly to the Commonwealth		**-**	-	**(34.1)**	(32.3)
Net profit available to the Commonwealth		**25.8**	14.9	**-**	-
Other comprehensive income					
Items not subject to subsequent reclassification to profit or loss:					
Gain on revaluation of land and buildings	10	**61.7**	-	**-**	-
Items subject to subsequent reclassification to profit or loss:					
Net fair value loss taken to equity on cash flow hedge		**-**	(0.1)	**-**	-
Net fair value (loss)/gain on available-for-sale investments		**-**	(1.0)	**-**	-
Total other comprehensive (loss)/income for the period		**61.7**	(1.1)	**-**	-
Total comprehensive income for the period available to the Commonwealth		**87.5**	13.8	**-**	-

[1] Adjusted 2017–18 figures. Refer to Note 3(x).

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

Statement of financial position as at 30 June 2019

		Commercial Account		National Interest Account	
	Note	**30 June 2019 $ m**	30 June 2018[1] $ m	**30 June 2019 $ m**	30 June 2018 $ m
Assets					
Cash and liquid assets	1(j)	**10.3**	3.4	**-**	-
Receivables from other financial institutions	4, 1(k)	**456.9**	306.5	**-**	-
Investment securities at amortised cost	6, 1(l)	**963.6**	-	**-**	-
Available-for-sale investment securities	6, 1(l)	**-**	952.3	**-**	-
Loans and receivables at amortised cost	7, 1(m)	**54.5**	47.6	**361.1**	422.4
Loans and receivables designated at fair value through profit or loss	8, 1(n)	**1,299.4**	1,224.3	**-**	-
Loans to National Interest Account designated at fair value through profit or loss	1(o)	**361.7**	428.4	**-**	-
Derivative financial assets	9, 1(p)	**87.4**	108.2	**-**	-
Property, plant and equipment	10, 1(q)	**115.1**	57.8	**-**	-
Intangible assets	11, 1(r)	**-**	0.8	**-**	-
Other assets	12	**10.3**	4.3	**9.8**	9.8
Total assets		**3,359.2**	3,133.6	**370.9**	432.2
Liabilities					
Payables to other financial institutions	13, 1(s)	**9.2**	28.9	**-**	-
Amounts payable to the Commonwealth	5	**-**	-	**15.1**	13.4
Borrowings from Commercial Account at amortised cost	25, 1(t)	**-**	-	**354.6**	417.1
Borrowings designated at fair value through profit or loss	14, 1(u)	**2,408.1**	2,288.6	**-**	-
Guarantees designated at fair value through profit or loss	15, 1(v)	**5.9**	6.6	**-**	-
Derivative financial liabilities	9, 1(p)	**348.6**	295.7	**-**	-
Sundry provisions and allowances	16	**19.5**	12.5	**-**	-
Other liabilities	17	**28.6**	42.0	**1.2**	1.7
Total liabilities		**2,819.9**	2,674.3	**370.9**	432.2
Net assets		**539.3**	459.3	**-**	-
Equity					
Contributed equity		**206.0**	206.0	**-**	-
Reserves		**190.5**	129.4	**-**	-
Retained profits		**142.8**	123.9	**-**	-
Total equity		**539.3**	459.3	**-**	-

[1] Adjusted 2017–18 figures. Refer to Note 3(x).

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

Statement of changes in equity for the year ended 30 June 2019

	Retained profits	Asset revaluation reserves	Available-for-sale investment reserve	Cash flow hedge reserve (Note 19)	Other reserves	Contributed equity	Total equity
Commercial Account	**$ m**	**$ m**	**$ m**	**$ m**	**$ m**	**$ m**	**$ m**
Opening balance as at 30 June 2018*	**123.9**	**62.6**	**0.6**	**-**	**66.2**	**206.0**	**459.3**
Adjustment on initial application of AASB 9	**-**	**-**	**(0.6)**	**-**	**-**	**-**	**(0.6)**
Adjusted balance as at 1 July 2018	**123.9**	**62.6**	**-**	**-**	**66.2**	**206.0**	**458.7**
Comprehensive income							
Other comprehensive income	**-**	**61.7**	**-**	**-**	**-**	**-**	**61.7**
Profit for the period	**25.8**	**-**	**-**	**-**	**-**	**-**	**25.8**
Total comprehensive income	**25.8**	**61.7**	**-**	**-**	**-**	**-**	**87.5**
Transactions with the Commonwealth							
Dividends paid 50% of 2017–18 profit	**(6.9)**	**-**	**-**	**-**	**-**	**-**	**(6.9)**
Closing balance available to the Commonwealth 30 June 2019	**142.8**	**124.3**	**-**	**-**	**66.2**	**206.0**	**539.3**
Commercial Account							
Opening balance as at 30 June 2017	114.8	62.6	1.6	0.1	66.2	206.0	451.3
Comprehensive income							
Other comprehensive income	-	-	(1.0)	(0.1)	-	-	(1.1)
Profit for the period[1]	14.9	-	-	-	-	-	14.9
Total comprehensive income	14.9	-	(1.0)	(0.1)	-	-	13.8
Transactions with the Commonwealth							
Dividends paid 50% of 2016–17 profit	(5.8)	-	-	-	-	-	(5.8)
Closing balance available to the Commonwealth 30 June 2018[1]	123.9	62.6	0.6	-	66.2	206.0	459.3

* Export Finance Australia has initially applied AASB 9 as at 1 July 2018. Under the transition methods chosen, comparative information is not restated.

[1] Adjusted 2017–18 figures. Refer to Note 3(x).

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. Due to a change in the mandate of Export Finance Australia, the callable capital was increased during the year from $0.2 billion to $1.2 billion.

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 2018 based on the recommendation from the Board that 50% of the 2017–18 profit be paid as a dividend, and accordingly a dividend of $6.9 million was paid in December 2018. Since the payment of the dividend in December 2018, the 2017–18 profit has been restated from $13.9 million to $14.9 million. On the restated 2017–18 profit, a dividend of $7.4 million was payable. The additional dividend of $0.5 million is expected to be paid in December 2019 with the 2018–19 dividend.

Cash flow statement
for the year ended 30 June 2019

	Note	Commercial Account 30 June 2019 $ m	Commercial Account 30 June 2018 $ m	National Interest Account 30 June 2019 $ m	National Interest Account 30 June 2018 $ m
Cash flows from operating activities					
Inflows:					
Premium and fees received*		**48.4**	43.5	**11.1**	11.5
Interest received		**179.5**	138.8	**13.6**	11.7
Insurance claim recoveries		**0.1**	0.1	**21.9**	19.5
Guarantees and associated costs recovered		**-**	0.2	**-**	-
Sundry income*		**3.4**	3.4	**-**	-
Rescheduled debt repayments		**-**	-	**0.2**	0.2
Net repayments of loans		**59.3**	122.0	**85.7**	123.8
Net increase in payables to the Commonwealth		**-**	-	**0.2**	0.7
Outflows:					
Premiums paid to reinsurers (net of commissions)		**(6.3)**	(9.0)	**-**	-
Interest and other costs of finance paid		**(155.0)**	(116.1)	**(16.0)**	(15.3)
Guarantees called/ loans written off and associated costs		**(0.7)**	(0.2)	**-**	-
Net decrease/(increase) in other debtors and prepayments		**(16.4)**	4.3	**-**	-
Payments to creditors and employees*		**(25.7)**	(27.7)	**-**	-
* Grossed up for Goods and Services Tax					
Net cash from/(used by) operating activities	24	**86.6**	159.3	**116.7**	152.1
Cash flows from investing activities					
Inflows:					
Proceeds from available-for-sale investments		**1,275.1**	836.5	**-**	-
Outflows:					
Payments for available-for-sale investments		**(1,290.8)**	(984.8)	**-**	-
Payments for property, plant and equipment		**(0.2)**	(0.1)	**-**	-
Net cash from/(used by) investing activities		**(15.9)**	(148.4)	**-**	-

		Commercial Account		National Interest Account	
	Note	**30 June 2019 $ m**	30 June 2018 $ m	**30 June 2019 $ m**	30 June 2018 $ m
Cash flows from financing activities					
Inflows:					
Net proceeds from derivatives	25	**75.1**	12.1	**-**	-
Net proceeds/(repayments) of other borrowings	25	**34.3**	(44.2)	**(82.9)**	(119.8)
Receipts from the Commonwealth		**-**	-	**1.3**	1.3
Receipts from National Interest Account		**1.3**	1.3	**-**	-
Receipts from other Commonwealth entities		**1.7**	1.7	**-**	-
Outflows:					
Net proceeds/(repayments) of payables to other financial institutions	25	**(20.9)**	0.6	**-**	-
Dividend payments to the Commonwealth		**(6.9)**	(5.8)	**-**	-
Other payments to the Commonwealth		**(8.1)**	(7.3)	**(33.8)**	(32.3)
Payments to Commercial Account		**-**	-	**(1.3)**	(1.3)
Net cash from/(used by) financing activities		**76.5**	(41.6)	**(116.7)**	(152.1)
Net increase/(decrease) in cash equivalents held		**147.2**	(30.7)	**-**	-
Cash equivalents at beginning of financial year		**309.9**	331.2	**-**	-
Net effects of exchange rate changes on cash–equivalent balances held in foreign currencies		**10.1**	9.4	**-**	-
Cash equivalents at end of financial year	24	**467.2**	309.9	**-**	-

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

Notes to and forming part of the financial statements for the year ended 30 June 2019

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 our 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 our core export-focused mandate and used 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 statements are general purpose financial statements and are required by Section 42 of the PGPA Act.

The financial statements have been prepared in accordance with:

- the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that apply for the reporting period
- Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR).

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 transaction qualify for hedge accounting, are receivables from other financial institutions, 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 measured at amortised cost. Derivative financial instruments (e.g. swaps, foreign exchange contracts or borrowings with embedded derivatives) are not entered into on the National Interest Account.

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 Commonwealth.

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.

There is also a provision in the EFIC Act which 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.

(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.

The adoption of new standards and amendments that came into effect for this financial year did not have a significant financial impact on the financial statements.

AASB 9 – Financial Instruments

AASB 9 has been applied from 1 July 2018, under the transition method chosen; comparative information has not been restated.

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale. The adoption of AASB 9 has not had a significant effect on the financial statements.

Notes to and forming part of the financial statements for the year ended 30 June 2019

Note 1: Summary of significant accounting policies (continued)

Investments held as available-for-sale under AASB 139 are now classified as financial assets measured at amortised cost under AASB 9. 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.

AASB 9 requires all investments and loans measured at amortised cost to be evaluated for impairment at transition date and also requires an ongoing evaluation using an expected credit loss model.

On evaluation, all investment securities have a deal life from six months to three years and are held with Australian authorised deposit-taking institutions (ADIs) rated BBB– or higher or overseas financial institutions rated AA– or higher. Therefore, it has been determined that no impairment should be recognised on day one or in the subsequent 12 months.

Loans measured at amortised cost on the Commercial Account were previously under an incurred loss model for impairment. Under AASB 9, this has been replaced with an expected credit loss model. These loans were evaluated at 30 June 2019 using an expected credit loss model.

For loans measured at amortised cost on the National Interest Account, no allowance is made for credit impairment as the Commonwealth has borne the risks and reimburses the National Interest Account for any specific losses.

AASB 15 – Revenue from contracts with customers

Effective 1 July 2018, AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue.

There is no significant effect to the accounting results on the implementation of this standard.

A number of new and revised Australian accounting standards apply to Export Finance Australia's financial statements in later years. The assessment of the main effects of these standards on its financial statements is set out below.

AASB 16 - Leases

Effective 1 July 2019, AASB 16 requires the majority of operating leases to be brought onto the balance sheet. As Export Finance Australia does not hold any significant leases this will have no material impact.

(c) Recognition of income and expenses

Commercial Account income and expenses are recognised in the financial statements at fair value by applying market rates and using a discounted cash flow valuation. All future income and expense to be received or paid are estimated based on actual disbursements and receipts or the best estimate of future disbursements and receipts. The future cash flows are discounted to their present value. For transactions at amortised cost, the income or expenses are taken through the profit or loss using the effective interest method.

National Interest Account income and expenses are 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 concessional 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. The balances outstanding on these loans are 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.

Notes to and forming part of the financial statements for the year ended 30 June 2019

Note 1: Summary of significant accounting policies (continued)

The principal exchange rates affecting the statement of financial position are the US dollar, the euro, New Zealand dollar and the Japanese yen. The relevant exchange rates used are:

	2019	2018
Average rates during year		
US$ / A$	**0.7156**	0.7753
euro / A$	**0.6271**	0.65
NZD / A$	**1.0670**	1.0851
JPY / A$	**79.5315**	85.567
Rates at 30 June		
US$ / A$	**0.7013**	0.7391
euro / A$	**0.6171**	0.6344
NZD / A$	**1.0462**	1.0903
JPY / A$	**75.540**	81.820

(g) Hedge accounting

Hedge accounting is only applied on transactions where the formal documentation and designation criteria have been met.

The purpose of cash flow hedges is to hedge the exposure to variability in interest rate movements that are attributable to future interest cash flows. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion of the hedge is recognised through profit or loss.

The purpose of fair value hedges is to hedge the exposure to variability in fair value movements that are attributable to future interest cash flows. The change in the fair value of the hedging instrument is recognised through profit or loss. Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recognised as an adjustment to the carrying value of the hedged item and is also recognised through profit or loss.

Hedges are assessed for effectiveness each reporting period both retrospectively and prospectively. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%.

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

(i) 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, Export Finance Australia has been instructed by the Minister 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.

Under Section 63A of the EFIC Act, Export Finance Australia has been instructed by the Minister to pay to the Commonwealth a tax-equivalent payment 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 5.45% above the relevant threshold
- a payment in lieu of New South Wales land tax calculated at 2% above the relevant threshold.

(j) Cash and liquid assets

Cash and liquid assets include cash on hand and bank account balances. Cash is recognised at its nominal amount as this is considered fair value.

(k) 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 using the effective interest method which is equivalent to fair value.

(l) 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 and forming part of the financial statements for the year ended 30 June 2019

Note 1: Summary of significant accounting policies (continued)

(m) 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 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.

(n) 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 20.

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

The Commercial Account funds the loans on the National Interest Account 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 20.

(p) 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 20.

(q) 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 the net present value of future income expected to be generated from the land and buildings.

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 remain the same as last year, and the rates used are as follows:

- buildings 6.7% 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.

(r) Intangible assets (software costs)

The identifiable and directly associated external and internal costs of acquiring and developing software are capitalised and recognised as an intangible asset where the software is controlled by the entity, and where it is probable that the future economic benefits will flow from its use over more than one year. Costs associated with maintaining the software are recognised as an expense as incurred.

Computer software and other intangible assets are stated at cost less amortisation and impairment losses, if any.

Capitalised software costs are amortised on a systematic basis, using the straight-line method over its useful life.

(s) Payables to other financial institutions

Payables to other financial institutions are short-term borrowings with banks and other financial institutions, and are measured using the effective interest method as this would be equivalent to their fair value.

Notes to and forming part of the financial statements for the year ended 30 June 2019

Note 1: Summary of significant accounting policies (continued)

(t) Borrowings from Commercial Account

The National Interest Account loans are funded 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.

(u) 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 20.

(v) 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 20.

(w) 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 liabilities 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.

(x) Sundry creditors

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

(y) Cash flows

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

(z) 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.

(aa) Events after the reporting period

There have been no material events occurring after the reporting period that impact these financial statements for the year ended 30 June 2019.

Notes to and forming part of the financial statements for the year ended 30 June 2019

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.

Export Finance Australia holds a number of investment securities. A review of these investments has been undertaken for the year ended 30 June 2019 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 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 years. The valuation is 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 an internal assessment by management to ensure that the carrying amounts do not differ materially from their fair value.

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; however, 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 20.

Significant accounting events on judgements, estimates and assumptions during the year

There have been no significant accounting events in the current financial year.

Note 3: Revenue and expenses

		Commercial Account		National Interest Account	
	Note	**30 June 2019 $ m**	30 June 2018[1] $ m	**30 June 2019 $ m**	30 June 2018 $ m
(i) Interest income					
Receivables from other financial institutions		**6.5**	2.8	**-**	-
Investment securities at amortised cost		**25.0**	-	**-**	-
Available-for-sale investment securities		**-**	21.0	**-**	-
Loans at amortised cost		**0.2**	0.1	**15.8**	15.4
Loans and receivables designated at fair value through profit or loss		**41.7**	29.0	**-**	-
Loans to National Interest Account designated at fair value through profit or loss		**14.6**	14.5	**-**	-
Derivative financial instruments receivable		**101.7**	83.7	**-**	-
Total interest income		**189.7**	151.1	**15.8**	15.4
(ii) Interest expense					
Payables to other financial institutions		**(0.9)**	(0.8)	**-**	-
Borrowings from Commercial Account at amortised cost		**-**	-	**(15.3)**	(14.7)
Borrowings at amortised cost		**-**	(0.1)	**-**	-
Borrowings designated at fair value through profit or loss		**(82.4)**	(72.2)	**-**	-
Derivative financial instruments payable		**(81.7)**	(56.0)	**-**	-
Debt neutrality charge		**(1.1)**	(1.0)	**-**	-
Total interest expense		**(166.1)**	(130.1)	**(15.3)**	(14.7)
(iii) Fair value movement of third-party loans and guarantees					
Net premium and fees		**61.2**	36.3	**-**	-
Reinsurance		**(2.3)**	(7.3)	**-**	-
Interest		**0.2**	0.1	**-**	-
Credit risk		**(15.2)**	2.7	**-**	-
Claims paid		**(0.7)**	(0.2)	**-**	-
Claims recovered		**-**	0.1	**-**	-
Specific events		**(0.4)**	(2.1)	**-**	-
Total fair value movement of third-party loans and guarantees		**42.8**	29.6	**-**	-
(iv) Fair value movement of other financial instruments					
Loans to National Interest Account designated at fair value through profit or loss		**(3.9)**	(8.0)	**-**	-
Borrowings designated at fair value through profit or loss		**(26.4)**	11.8	**-**	-
Derivative financial instruments		**31.0**	(4.7)	**-**	-
Total fair value movement of other financial instruments		**0.7**	(0.9)	**-**	-

Notes to and forming part of the financial statements for the year ended 30 June 2019

Note 3: Revenue and expenses (continued)

		Commercial Account		National Interest Account	
	Note	**30 June 2019 $ m**	30 June 2018[1] $ m	**30 June 2019 $ m**	30 June 2018 $ m
(v) Other revenue					
Premium and fees		**-**	-	**11.8**	12.7
Rental income		**3.6**	2.9	**-**	-
Sundry income		**0.1**	0.1	**-**	-
Gain on disposal of available-for-sale investments		**-**	0.1	**-**	-
Recoveries from credit insurance		**0.1**	0.1	**23.1**	20.1
Total other revenue		**3.8**	3.2	**34.9**	32.8
(vi) Operating expenses					
Staff costs		**(17.4)**	(17.2)	**-**	-
Depreciation and amortisation		**(5.4)**	(5.0)	**-**	-
Superannuation costs		**(1.7)**	(1.7)	**-**	-
Computer and communication costs		**(1.6)**	(1.4)	**-**	-
Professional fees		**(1.5)**	(1.4)	**-**	-
Property costs		**(1.3)**	(1.2)	**-**	-
Advertising and promotional costs		**(0.7)**	(1.2)	**-**	-
Credit information		**(0.5)**	(0.8)	**-**	-
Travel costs		**(0.4)**	(0.6)	**-**	-
Provision for employee entitlements		**(0.4)**	(0.2)	**-**	-
Other expenses		**(1.4)**	(1.6)	**-**	-
National Interest Account recovery/(expense)		**1.4**	1.4	**(1.4)**	(1.4)
Recovery from other Commonwealth entities		**1.6**	1.9	**-**	-
Total operating expenses		**(29.3)**	(29.0)	**(1.4)**	(1.4)
(vii) Allowance for credit loss					
Allowance for credit loss		**(0.6)**	-	**-**	-
Total net allowance for credit loss		**(0.6)**	-	**-**	-
(viii) State tax-equivalent charges					
Payroll tax-equivalent charge		**(0.9)**	(0.9)	**-**	-
Land tax-equivalent charge		**(0.4)**	(0.3)	**-**	-
Total state tax-equivalent charges		**(1.3)**	(1.2)	**-**	-
(ix) Net rescheduled loans					
Recoveries of loans		**-**	-	**0.2**	0.2
Total rescheduled loans		**-**	-	**0.2**	0.2

(x) Prior year restatement		Reported 2017–18 $ m	Correction $ m	Restated 2017–18 $ m
Net premium and fees	3(iii)	34.8	1.5	36.3
Other assets	12	2.8	1.5	4.3
Provision for tax equivalent charges	16	8.1	0.5	8.6
Income tax-equivalent charge	3(viii)	5.9	0.5	6.4
Closing equity		**458.3**	1.0	**459.3**

[1] Adjusted 2017–18 figures. Refer to Note 3(x).

This relates to a commitment fee bill of $1.5 million ($1.0 million after tax) due in 2017–18, but not reported until 2018–19. The 2017–18 profit has been restated from $13.9 million to $14.9 million to reflect this.

Note 4: Receivables from other financial institutions

		Commercial Account		National Interest Account	
	Note	**30 June 2019 $ m**	30 June 2018 $ m	**30 June 2019 $ m**	30 June 2018 $ m
	1(k)				
Overnight deposits		**179.9**	126.8	**-**	-
Short-term cash deposits		**277.0**	179.7	**-**	-
Total receivables from other financial institutions		**456.9**	306.5	**-**	-
Maturity analysis of receivables from other financial institutions					
At call		**179.9**	126.8	**-**	-
Due in less than 3 months		**36.8**	19.8	**-**	-
Due after 3 months to 1 year		**240.2**	159.9	**-**	-
Total receivables from other financial institutions		**456.9**	306.5	**-**	-

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

Notes to and forming part of the financial statements for the year ended 30 June 2019

Note 5: Amounts payable to the Commonwealth

	Commercial Account		National Interest Account	
	30 June 2019 $ m	30 June 2018 $ m	**30 June 2019 $ m**	30 June 2018 $ m
Commonwealth opening balance payable	**-**	-	**13.4**	12.0
Net payments to the Commonwealth	**-**	-	**(32.4)**	(30.9)
Profit for the year on National Interest Account	**-**	-	**34.1**	32.3
Total amounts payable to the Commonwealth	**-**	-	**15.1**	13.4

Note 6: Investment securities

		Commercial Account		National Interest Account	
	Note	**30 June 2019 $ m**	30 June 2018 $ m	**30 June 2019 $ m**	30 June 2018 $ m
INVESTMENT SECURITIES AT AMORTISED COST	1(l)				
Discount securities		**406.9**	-	**-**	-
Floating rate notes		**394.8**	-	**-**	-
Fixed rate bonds		**161.9**	-	**-**	-
Total investment securities at amortised cost		**963.6**	-	**-**	-
Maturity analysis of investment securities at amortised cost					
Due in 3 months or less		**216.8**	-	**-**	-
Due after 3 months to 1 year		**420.7**	-	**-**	-
Due after 1 year to 5 years		**326.1**	-	**-**	-
Total investment securities at amortised cost		**963.6**	-	**-**	-
AVAILABLE-FOR-SALE INVESTMENT SECURITIES					
Discount securities		**-**	392.6	**-**	-
Floating rate notes		**-**	475.5	**-**	-
Fixed rate bonds		**-**	84.2	**-**	-
Total available-for-sale investment securities		**-**	952.3	**-**	-
Maturity analysis of available-for-sale investment securities					
Due in 3 months or less		**-**	265.3	**-**	-
Due after 3 months to 1 year		**-**	384.2	**-**	-
Due after 1 year to 5 years		**-**	302.8	**-**	-
Total available-for-sale investment securities		**-**	952.3	**-**	-

Refer to Note 19 for further information regarding credit risk and market risk.

Note 7: Loans and receivables at amortised cost

		Commercial Account		National Interest Account	
	Note	**30 June 2019 $ m**	30 June 2018 $ m	**30 June 2019 $ m**	30 June 2018 $ m
	1(m)				
Gross export finance loans		**55.1**	43.4	**366.0**	431.2
Gross funded export finance guarantees		**-**	**4.2**	**-**	**-**
Gross rescheduled credit insurance debts		**0.6**	0.6	**159.8**	168.5
Loans and receivables gross		**55.7**	48.2	**525.8**	599.7
Unearned premiums		**-**	-	**(2.4)**	(3.1)
Allowance for credit risk		**(0.6)**	-	**-**	-
Specific provision for impairment		**(0.6)**	(0.6)	**(160.0)**	(169.3)
Unamortised grants	1(e)	**-**	-	**(2.3)**	(4.9)
Total loans and receivables at amortised cost		**54.5**	47.6	**361.1**	422.4
Maturity analysis loans and receivables gross					
Due in 3 months or less		**55.1**	-	**10.0**	14.4
Due after 3 months to 1 year		**0.1**	47.6	**73.4**	88.8
Due after 1 year to 5 years		**0.2**	0.3	**255.7**	269.2
Due after 5 years		**0.3**	0.3	**186.7**	227.3
Total loans and receivables gross		**55.7**	48.2	**525.8**	599.7
Restructured exposures included above		**0.6**	0.6	**221.8**	255.1

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

All payments due in the year in respect of restructured exposures have been paid on time in accordance with the restructured terms.

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. There are no overdue amounts for non-impaired loans.

Allowance for credit risk				
Allowance for credit risk opening balance	**-**	-	**-**	-
Allowance for credit risk created	**0.6**	-	**-**	-
Allowance written back	**-**	-	**-**	-
Allowance for credit risk closing balance	**0.6**	-	**-**	-
Specific provision				
Specific provision opening balance	**0.6**	0.6	**169.3**	179.3
Foreign exchange movement	**0.1**	0.1	**8.6**	6.6
Provision written back	**(0.1)**	(0.1)	**(17.9)**	(16.6)
Specific provision closing balance	**0.6**	0.6	**160.0**	169.3
Impaired loans				
Impaired loans	**0.6**	0.6	**168.8**	177.7
Specific provision for impairment	**(0.6)**	(0.6)	**(160.0)**	(169.3)
Carrying value of impaired loans	**-**	-	**8.8**	8.4
Interest forgone on impaired loans	**-**	-	**0.1**	0.1

The carrying value of impaired loans represent amounts due in July 2019 that have been received.

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

Notes to and forming part of the financial statements for the year ended 30 June 2019

Note 8: Loans and receivables designated at fair value through profit or loss

		Commercial Account		National Interest Account	
	Note	**30 June 2019 $ m**	30 June 2018 $ m	**30 June 2019 $ m**	30 June 2018 $ m
Gross export finance loans		**1,209.2**	1,098.2	**-**	-
Gross funded export finance guarantees		**135.6**	171.5	**-**	-
Loans and receivables gross	1(n)	**1,344.8**	1,269.7	**-**	-
Fair value net premium and fees		**45.1**	25.3	**-**	-
Fair value interest income		**4.0**	3.8	**-**	-
Fair value of credit risk		**(87.7)**	(68.0)	**-**	-
Fair value of specific events		**(6.8)**	(6.5)	**-**	-
Total loans and receivables at fair value		**1,299.4**	1,224.3	**-**	-
Maturity analysis loans and receivables gross					
Overdue		**2.9**	0.6	**-**	-
Due in 3 months or less		**17.2**	133.8	**-**	-
Due after 3 months to 1 year		**148.7**	40.6	**-**	-
Due after 1 year to 5 years		**700.0**	636.3	**-**	-
Due after 5 years		**476.0**	458.4	**-**	-
Total loans and receivables gross		**1,344.8**	1,269.7	**-**	-
Restructured exposures included above		**5.0**	6.9	**-**	-
Maturity analysis of overdue loans and receivables gross					
Less than 30 days		**0.9**	-	**-**	-
30 to 60 days		**0.5**	0.6	**-**	-
61 to 90 days		**0.3**	-	**-**	-
Over 90 days		**1.2**	-	**-**	-
Total overdue loans and receivables gross		**2.9**	0.6	**-**	-

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

All payments due in the year in respect of restructured exposures have been paid on time in accordance with the restructured terms.

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.

The overdue amount of $2.9 million relates to 19 SME export finance loans where payment was not received on time. For these overdue loans, Export Finance Australia has either received the payments in July 2019 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 19 for further information regarding credit risk including maximum exposures and market risk.

Note 9: Derivative financial instruments

		Commercial Account		National Interest Account	
	Note	**30 June 2019 $ m**	30 June 2018 $ m	**30 June 2019 $ m**	30 June 2018 $ m
	1(p)				
Derivative financial assets					
Interest rate swaps		**35.7**	44.7	**-**	-
Cross-currency swaps		**48.9**	48.5	**-**	-
Forward foreign exchange contracts		**2.8**	15.0	**-**	-
Total derivative financial assets	25	**87.4**	108.2	**-**	-
Maturity analysis of derivative financial assets					
Due in 3 months or less		**4.0**	9.2	**-**	-
Due after 3 months to 1 year		**47.3**	46.4	**-**	-
Due after 1 year to 5 years		**39.4**	52.6	**-**	-
Due after 5 years		**(3.3)**	-	**-**	-
Total derivative financial assets		**87.4**	108.2	**-**	-
Derivative financial liabilities					
Interest rate swaps		**6.5**	9.8	**-**	-
Cross-currency swaps		**337.1**	285.9	**-**	-
Forward foreign exchange contracts		**5.0**	-	**-**	-
Total derivative financial liabilities	25	**348.6**	295.7	**-**	-
Maturity analysis of derivative financial liabilities					
Due in 3 months or less		**(4.5)**	(6.9)	**-**	-
Due after 3 months to 1 year		**32.9**	10.3	**-**	-
Due after 1 year to 5 years		**233.6**	217.5	**-**	-
Due after 5 years		**86.6**	74.8	**-**	-
Total derivative financial liabilities		**348.6**	295.7	**-**	-

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 19 for further information regarding credit risk, liquidity risk and market risk.

Notes to and forming part of the financial statements for the year ended 30 June 2019

Note 10: Property, plant and equipment

		Commercial Account		National Interest Account	
	Note	**30 June 2019 $ m**	30 June 2018 $ m	**30 June 2019 $ m**	30 June 2018 $ m
	1(q)				
Freehold land and building, at valuation		**110.0**	57.0	**-**	-
Accumulated depreciation		**-**	(5.8)	**-**	-
Net book value – land and building		**110.0**	51.2	**-**	-
Plant and equipment, at valuation		**16.5**	16.5	**-**	-
Accumulated depreciation		**(11.4)**	(9.9)	**-**	-
Net book value – plant and equipment		**5.1**	6.6	**-**	-
Total property, plant and equipment		**115.1**	57.8	**-**	-

	Land and buildings $ m	Plant and equipment $ m	Total $ m
Gross value			
Balance as at 30 June 2018	57.0	16.5	73.5
Additions	-	0.2	0.2
Write-back of accumulated depreciation on revaluation	(8.7)	-	(8.7)
Revaluation increment	61.7	-	61.7
Disposals	-	(0.2)	(0.2)
Gross value as at 30 June 2019	**110.0**	**16.5**	**126.5**
Accumulated depreciation			
Balance as at 30 June 2018	(5.8)	(9.9)	(15.7)
Depreciation charged for assets held at 1 July 2018	(2.9)	(1.6)	(4.5)
Write back on revaluation	8.7	-	8.7
Depreciation recovered on disposals	-	0.1	0.1
Depreciation as at 30 June 2019	**-**	**(11.4)**	**(11.4)**
Net book value as at 1 July 2018	51.2	6.6	57.8
Net book value as at 30 June 2019	**110.0**	**5.1**	**115.1**

An independent valuation of land and buildings was carried out in June 2019 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 $110,000,000.

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 have 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 are based on a pro rata of floor space:

	30 June 2019 $ m	30 June 2018 $ m
Leased accommodation		
Freehold land and building, at valuation	**75.2**	39.0
Accumulated depreciation	**-**	(4.0)
Written-down value	**75.2**	35.0
Depreciation expense	**2.0**	2.0

Note 11: Intangible assets

		Commercial Account		National Interest Account	
	Note	**30 June 2019 $ m**	30 June 2018 $ m	**30 June 2019 $ m**	30 June 2018 $ m
	1(r)				
Cost		**1.5**	1.5	**-**	-
Accumulated amortisation		**(1.5)**	(0.7)	**-**	-
Net book value – intangible assets		**-**	0.8	**-**	-

	Intangible asset $ m
Gross value	
Balance as at 30 June 2018	1.5
Gross value as at 30 June 2019	**1.5**
Accumulated amortisation	
Balance as at 30 June 2018	(0.7)
Amortisation	(0.8)
Amortisation as at 30 June 2019	**(1.5)**
Net book value as at 1 July 2018	0.8
Net book value as at 30 June 2019	**-**

The carrying amount of the internally generated software has been reduced to nil as the asset has been fully depreciated and has no value.

Notes to and forming part of the financial statements for the year ended 30 June 2019

Note 12: Other assets

	Commercial Account		National Interest Account	
	30 June 2019 $ m	30 June 2018[1] $ m	**30 June 2019 $ m**	30 June 2018 $ m
Accrued interest receivable	**5.5**	-	**3.9**	3.7
Sundry debtors and prepayments	**4.8**	4.3	**5.9**	6.1
Total other assets	**10.3**	4.3	**9.8**	9.8

1 Adjusted 2017–18 figures. Refer to Note 3(x).

Note 13: Payables to other financial institutions

		Commercial Account		National Interest Account	
	Note	**30 June 2019 $ m**	30 June 2018 $ m	**30 June 2019 $ m**	30 June 2018 $ m
	1(s)				
Short-term borrowings		**9.2**	24.7	**-**	-
Floating rate borrowing*		**-**	4.2	**-**	-
Total payables to other financial institutions	25	**9.2**	28.9	**-**	-
Maturity analysis of payables to other financial institutions					
At call		**5.1**	6.8	**-**	-
Due in 3 months or less		**4.1**	17.9	**-**	-
Due after 3 months to 1 year		**-**	4.2	**-**	-
Total payables to other financial institutions		**9.2**	28.9	**-**	-

* The floating rate borrowing was part of a cash flow hedge.

Note 14: Borrowings designated at fair value through profit or loss

		Commercial Account		National Interest Account	
	Note	**30 June 2019 $ m**	30 June 2018 $ m	**30 June 2019 $ m**	30 June 2018 $ m
Borrowings	1(u)	**2,408.1**	2,288.6	**-**	-
Total borrowings at fair value	25	**2,408.1**	2,288.6	**-**	-
Borrowings designated at fair value through profit or loss					
Structured borrowings					
Japanese yen		**47.3**	109.1	**-**	-
Total structured borrowings		**47.3**	109.1	**-**	-
Non-structured borrowings					
Australian dollar		**1,159.3**	1,134.3	**-**	-
New Zealand dollar		**156.8**	147.6	**-**	-
Total non-structured borrowings		**1,316.1**	1,281.9	**-**	-
Euro commercial paper					
US dollar		**923.1**	858.2	**-**	-
Euro		**121.6**	39.4	**-**	-
Total euro commercial paper		**1,044.7**	897.6	**-**	-
Total borrowings at fair value		**2,408.1**	2,288.6	**-**	-
Maturity analysis of borrowings					
Due in 3 months or less		**825.2**	714.0	**-**	-
Due after 3 months to 1 year		**524.1**	297.6	**-**	-
Due after 1 year to 5 years		**695.0**	944.3	**-**	-
Due after 5 years		**363.8**	332.7	**-**	-
Total borrowings at fair value		**2,408.1**	2,288.6	**-**	-

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.

Refer to Note 19 for further information regarding credit risk, liquidity risk, market risk and contractual amounts.

Notes to and forming part of the financial statements for the year ended 30 June 2019

Note 15: Guarantees designated at fair value through profit or loss

	Note	Commercial Account		National Interest Account	
		30 June 2019 $ m	30 June 2018 $ m	**30 June 2019 $ m**	30 June 2018 $ m
	1(v)				
Fair value of credit risk		**10.4**	10.6	**-**	-
Fair value of specific events		**1.5**	1.4	**-**	-
Fair value of net premium receivable		**(6.0)**	(5.4)	**-**	-
Total guarantees designated at fair value through profit or loss		**5.9**	6.6	**-**	-

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 19 for further information regarding credit risk, market risk and maximum exposures.

Note 16: Sundry provisions and allowances

	Note	Commercial Account		National Interest Account	
		30 June 2019 $ m	30 June 2018 $ m	**30 June 2019 $ m**	30 June 2018 $ m
Employee entitlements	1(w)	**5.6**	3.9	**-**	-
Provision for tax-equivalent charges		**13.9**	8.6	**-**	-
Total sundry provisions and allowances		**19.5**	12.5	**-**	-

1 Adjusted 2017–18 figures. Refer to Note 3(x).

Note 17: Other liabilities

	Note	Commercial Account		National Interest Account	
		30 June 2019 $ m	30 June 2018 $ m	**30 June 2019 $ m**	30 June 2018 $ m
Sundry creditors	1(x)	**8.8**	22.5	**-**	-
Security bond deposits		**19.8**	19.5	**-**	-
Interest payable		**-**	-	**1.2**	1.7
Total other liabilities		**28.6**	42.0	**1.2**	1.7

Note 18: Contingencies and commitments

		Commercial Account		National Interest Account	
	Note	**30 June 2019 $ m**	30 June 2018 $ m	**30 June 2019 $ m**	30 June 2018 $ m
Contingent liabilities					
Guarantees*		**243.9**	263.4	**8.2**	10.4
Bonds		**85.5**	86.4	**-**	-
Medium-term insurance		**349.0**	365.3	**-**	-
Total contingent liabilities		**678.4**	715.1	**8.2**	10.4

* 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		**220.9**	229.0	**6.4**	-
Funded guarantees		**-**	61.2	**-**	-
Guarantees*		**3.2**	4.7	**0.3**	0.7
Total commitments to provide financial facilities		**224.1**	294.9	**6.7**	0.7

* Guarantees include facilities signed under risk participation agreements.

Commitments to provide financial facilities are contractually based.

Commitments payable					
Capital commitments					
Due in 1 year or less		**-**	0.1	**-**	-
Operating lease payable					
Due in 1 year or less		**0.3**	0.4	**-**	-
Due after 1 year to 2 years		**0.2**	0.1	**-**	-
Total commitments payable		**0.5**	0.6	**-**	-

Commitments receivable					
Operating lease receivable					
Due in 1 year or less		**3.2**	3.4	**-**	-
Due after 1 year to 2 years		**1.7**	2.5	**-**	-
Due after 2 years to 5 years		**1.6**	3.5	**-**	-
Due after 5 years		**4.3**	1.9	**-**	-
Total commitments receivable		**10.8**	11.3	**-**	-

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

Notes to and forming part of the financial statements for the year ended 30 June 2019

Note 19: 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
- 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:

	Note	**30 June 2019 $ m**	30 June 2018 $ m
Credit risk exposures			
Receivables from other financial institutions	4, 1(k)	**456.9**	306.5
Investment securities at amortised cost	6, 1(l)	**963.6**	-
Available-for-sale investment securities	6, 1(l)	**-**	952.3
Loans and receivables at amortised cost	7, 1(m)	**54.5**	47.6
Loans and receivables designated at fair value through profit or loss	8, 1(n)	**1,299.4**	1,224.3
Derivative financial assets	9, 1(p)	**87.4**	108.2
Total*		**2,861.8**	2,638.9
Contingent liabilities	18	**678.4**	715.1
Commitments	18	**224.1**	294.9
Total		**902.5**	1,010.0
Total credit risk exposure		**3,764.3**	3,648.9

* Cash and liquid assets, loans to National Interest Account designated at fair value through profit or loss, other 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

(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

(ix) derivative limits and a CSA collateral policy.

Notes to and forming part of the financial statements for the year ended 30 June 2019

Note 19: Financial risk management (continued)

All individual counterparty limits and suB–limits required by Treasury are approved by the Treasurer, Chief Credit Officer and Chief Financial Officer 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 by the current counterparty rating.

	Note	**Amortised cost** **30 June 2019** **$ m**	**Available-for-sale** 30 June 2018 $ m
Investment securities			
Australian authorised deposit-taking institutions			
AA–		**426.5**	444.6
A+		**13.0**	23.7
A		**99.5**	105.6
A–		**50.0**	-
BBB+		**199.7**	175.0
BBB		**19.9**	34.9
Other financial institutions or foreign entities			
AA–		**155.0**	168.5
Exposure to credit risk of investment securities	1(l), 6	**963.6**	952.3

	Note	**30 June 2019** **$ m**	30 June 2018 $ m
Derivative financial assets			
Australian authorised deposit-taking institutions			
AA–		**50.5**	73.3
Other financial institutions or foreign entities			
AA–		**31.0**	18.7
A+ *		**0.9**	2.5
A *		**5.0**	13.7
Exposure to credit risk for derivative financial assets	1(p), 9	**87.4**	108.2

* At time of purchase, all derivatives with other financial institutions or foreign entities were rated at AA– or above.

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 $0.7 million (2018: $0.3m).

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

	Note	**30 June 2019 $ m**	30 June 2018 $ m
Gross exposures			
Export finance loans	8, 1(n)	**1,209.2**	1,098.2
Funded export finance guarantees	8, 1(n)	**135.6**	171.5
Export finance loans at amortised cost	7	**55.1**	43.4
Funded export finance guarantees at amortised cost	7	**-**	4.2
Rescheduled credit insurance debts at amortised cost	7	**0.6**	0.6
Guarantees	18	**243.9**	263.4
Medium-term insurance	18	**349.0**	365.3
Bonds	18	**85.5**	86.4
Total gross exposures		**2,078.9**	2,033.0
Reinsured exposures included above		**561.6**	639.7

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

	30 June 2019 $ m	**30 June 2019 % of total**	30 June 2018 $ m	30 June 2018 % of total
Country exposures*				
Australia**	**931.8**	**44.8**	874.8	43.0
Canada	**232.7**	**11.2**	243.5	12.0
Mongolia	**142.6**	**6.9**	135.3	6.7
China	**118.8**	**5.7**	127.4	6.3
Papua New Guinea	**103.9**	**5.0**	109.1	5.4
Japan	**85.7**	**4.1**	90.9	4.5
Chile	**63.7**	**3.1**	67.6	3.3
United Kingdom	**61.4**	**3.0**	75.3	3.7
Norway	**57.7**	**2.8**	-	-
Belgium	**54.5**	**2.6**	57.8	2.8
Malaysia	**53.8**	**2.6**	56.8	2.8
Bermuda	**53.6**	**2.6**	55.2	2.7

Notes to and forming part of the financial statements for the year ended 30 June 2019

Note 19: Financial risk management (continued)

	30 June 2019 $ m	30 June 2019 % of total	30 June 2018 $ m	30 June 2018 % of total
France	**38.2**	**1.8**	40.5	2.0
Sri Lanka	**32.7**	**1.6**	37.8	1.9
Russia	**16.9**	**0.8**	22.8	1.1
Peru	**15.4**	**0.7**	-	-
New Zealand	**4.3**	**0.2**	5.0	0.2
Taiwan	**3.3**	**0.2**	3.5	0.2
Turkey	**2.6**	**0.1**	12.1	0.6
Vietnam	**2.5**	**0.1**	4.7	0.2
Indonesia	**2.1**	**0.1**	2.9	0.1
Other	**0.7**	**0.0**	10.0	0.5
Total country exposures	**2,078.9**	**100.0**	2,033.0	100.0
Reinsured exposures included above	**561.6**		639.7	

* 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:

	30 June 2019 $ m	30 June 2018 $ m
Allowance for credit risk by product		
Export finance loans	**(85.2)**	(64.6)
Funded export finance guarantees	**(2.5)**	(3.4)
Guarantees	**(5.0)**	(4.7)
Medium-term insurances	**(0.2)**	(0.3)
Bonds	**(5.2)**	(5.6)
Allowance for credit risk closing balance	**(98.1)**	(78.6)

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

	30 June 2019 $ m	30 June 2018 $ m
Allowance for credit risk for gross exposures		
Allowance for credit risk opening balance	**(78.6)**	(78.4)
New exposures	**(25.7)**	(14.3)
Repayments	**10.3**	9.7
Change in risk grade	**(7.8)**	(4.9)
Change in term to maturity	**6.0**	10.0
Change in probability of default rates	**2.1**	2.6
Exchange rate movements	**(4.4)**	(3.3)
Allowance for credit risk closing balance	**(98.1)**	(78.6)

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.

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:

	Note	**30 June 2019 $ m**	30 June 2018 $ m
Gross exposures loans and receivables			
Risk category 1 (AA– to AAA)		**216.2**	218.5
Risk category 2 (A– to A+)		**288.3**	348.1
Risk category 3 (BBB– to BBB+)		**241.2**	245.5
Risk category 4 (BB– to BB+)		**49.4**	29.0
Risk category 5 (B– to B+)		**146.7**	116.5
Risk category 6 (CCC+)		**450.5**	351.2
Risk category 7 (C to CCC)		**4.2**	6.0
Risk category 8 doubtful		**3.4**	2.5
Risk category 9 impaired		**0.6**	0.6
Gross exposures loans and receivables	1(n), 7, 8	**1,400.5**	1,317.9

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:

	Note	**30 June 2019 $ m**	30 June 2018 $ m
Contingent liabilities*			
Risk category 1 (AA– to AAA)		**359.5**	401.0
Risk category 2 (A– to A+)		**146.5**	160.6
Risk category 3 (BBB– to BBB+)		**42.8**	32.8
Risk category 4 (BB– to BB+)		**37.5**	-
Risk category 5 (B– to B+)		**15.1**	38.7
Risk category 6 (CCC+)		**76.7**	80.3
Risk category 7 (C to CCC)		**0.3**	1.7
Total contingent liabilities	18	**678.4**	715.1

* There are no exposures in categories 8 and 9.

Notes to and forming part of the financial statements for the year ended 30 June 2019

Note 19: Financial risk management (continued)

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 is the full amount of the commitment.

	Note	**30 June 2019 $ m**	30 June 2018 $ m
Commitments*			
Risk category 1 (AA– to AAA)		**-**	13.9
Risk category 2 (A– to A+)		**-**	37.0
Risk category 3 (BBB– to BBB+)		**61.0**	40.6
Risk category 4 (BB– to BB+)		**27.4**	-
Risk category 5 (B– to B+)		**5.8**	1.8
Risk category 6 (CCC+)		**129.8**	201.6
Risk category 7 (C to CCC)		**0.1**	-
Total commitments	18	**224.1**	294.9

* There are no exposures in categories 8 and 9.

> *Retained sector exposure*

The sector that represents more than 15% of Export Finance Australia's Commercial Account retained exposure is the Mining LNG sector. At 30 June 2019, the exposure to the Mining LNG sector was $362.6 million, representing 17.4% of total retained exposure (2018: $345.3 million, representing 17.0%).

> *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 categories 2, 3, 4 and 6 to reinsurers in risk categories 1 or 2.

	30 June 2019 $ m	30 June 2018 $ m
Reinsurance		
Reinsured to		
Risk category 1 (AA– to AAA)	**286.7**	303.7
Risk category 2 (A– to A+)	**274.9**	336.0
Reinsured from		
Risk category 2 (A– to A+)	**(232.7)**	(301.4)
Risk category 3 (BBB– to BBB+)	**(82.3)**	(124.4)
Risk category 4 (BB– to BB+)	**(71.7)**	(26.5)
Risk category 6 (CCC+)	**(174.9)**	(187.4)
Total reinsurance	**-**	-

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 2019 were $19.8 million (2018: $19.5 million).

(b) National Interest Account exposures

Under the National Interest Account, 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. Structured finance loans are for equipment finance where the loan repayments are solely reliant on the underlying transaction. On the National Interest Account, there was no debt forgiveness during the year.

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

	Note	**30 June 2019 $ m**	30 June 2018 $ m
Gross exposures			
Export finance loans	1(m), 7	**366.0**	431.2
Rescheduled credit insurance debts	1(m), 7	**159.8**	168.5
Guarantees	18	**8.2**	10.4
Total gross exposures		**534.0**	610.1

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:

	30 June 2019 $ m	**30 June 2019 % of total**	30 June 2018 $ m	30 June 2018 % of total
Country exposures*				
Papua New Guinea	**259.6**	**48.6**	272.7	44.7
Iraq	**159.8**	**30.0**	168.5	27.6
Indonesia	**93.7**	**17.5**	144.8	23.8
Australia**	**11.8**	**2.2**	10.4	1.7
Cuba	**9.1**	**1.7**	9.3	1.5
China	**-**	**-**	4.4	0.7
Total country exposures	**534.0**	**100.0**	610.1	100.0

* 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.

Notes to and forming part of the financial statements for the year ended 30 June 2019

Note 19: Financial risk management (continued)

(c) Rescheduled debt exposures

Indonesia: At 30 June 2019, our rescheduled loans to the Indonesian Government were $52.9 million (2018: $77.3 million) on the National Interest Account and $2.1 million (2018: $2.9 million) on the Commercial Account. Scheduled payments from Indonesia due from December 1998 to December 2003 have been rescheduled on three occasions in the Paris Club, of which two have been fully repaid. The one remaining rescheduling requires six-monthly payments until June 2021. As at 30 June 2019, all rescheduled amounts have been paid on time as per the rescheduling agreements.

Iraq: The rescheduled debt balance at 30 June 2019 is US$112.1 million (2018: US$124.5 million) on the National Interest Account and US$0.4 million (2018: US$0.4 million) on the Commercial Account. At 30 June 2019, all rescheduled amounts have been paid on time as per the rescheduling agreements. However, the current situation was assessed as significantly impacting the likelihood of future payments from Iraq. Accordingly, in consultation with DFAT, it was deemed appropriate to retain a 100% provision for impairment against the rescheduled debt and this treatment will be reviewed on an annual basis. Future payments from Iraq will therefore be recognised as income on receipt and booked as a recovery, consistent with current practice. Recoveries made during the year under this agreement were taken to income, resulting in $23.1 million taken up as income during 2018–19 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 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.

Cuba: At 30 June 2019, the rescheduled debt balance on the National Interest Account was $9.1 million (2018: $9.3 million). Rescheduled amounts have been paid on time as per the rescheduling agreements. A bilateral agreement with Cuba was executed in late May 2016 on terms consistent with those established by the Paris Club creditors. The debt is to be repaid over 18 years. The loans have had a 100% provision in place and this is maintained at 30 June 2019.

(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, all the cash flows on loans are matched with funding from the Commercial Account, and accordingly there is no liquidity risk on the National Interest Account.

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			
30 June 2019	**3 months or less $ m**	**3 months to 1 year $ m**	**1 year to 5 years $ m**	**Greater than 5 years $ m**
Undiscounted financial assets				
Cash and liquid assets	**10.3**	-	-	-
Receivables from other financial institutions	**217.4**	**242.7**	-	-
Investment securities at amortised cost	**221.2**	**429.7**	**336.1**	-
Loans and receivables at amortised cost	**55.1**	-	**0.3**	**0.3**
Loans and receivables designated at fair value through profit or loss	**23.4**	**169.5**	**749.8**	**497.2**
Loans to National Interest Account designated at fair value through profit or loss	**1.4**	**72.5**	**198.1**	**111.5**
Derivative financial instruments receivable				
- Contractual amounts receivable	**339.1**	**1,071.9**	**1,551.8**	**404.5**
Total undiscounted financial assets	**867.9**	**1,986.3**	**2,836.1**	**1,013.5**
Undiscounted financial liabilities				
Payables to other financial institutions	**9.3**	-	-	-
Borrowings designated at fair value through profit or loss				
- Euro commercial paper	**806.3**	**242.1**	-	-
- Non-structured borrowings	**7.0**	**279.6**	**680.7**	**402.7**
- Structured borrowings	**13.9**	**6.8**	**26.5**	-
Derivative financial instruments payable				
- Contractual amounts payable	**330.4**	**1,055.8**	**1,754.6**	**517.5**
Total undiscounted financial liabilities	**1,166.9**	**1,584.3**	**2,461.8**	**920.2**
Net undiscounted financial assets/(liabilities)	**(299.0)**	**402.0**	**374.3**	**93.3**

While the above maturity profile shows a refinancing shortfall in the next three months, this is predominantly due to the euro commercial paper borrowing facility, which comprises short-term borrowings that are funding longer term assets. The majority of the euro commercial paper maturing ($804.4m) in the next three months will be reissued and will cover any refinancing shortfall shown in the maturity profile.

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 $28.1 million and the derivative liabilities would be $208.3 million.

Notes to and forming part of the financial statements for the year ended 30 June 2019

Note 19: Financial risk management (continued)

As at 30 June 2019, Export Finance Australia holds collateral of $5.1 million (2018: $6.8 million) and has posted collateral of $77.8 million (2018: $60.4 million) on derivative transactions.

	Contractual undiscounted principal and interest			
30 June 2018	3 months or less $ m	3 months to 1 year $ m	1 year to 5 years $ m	Greater than 5 years $ m
Undiscounted financial assets				
Cash and liquid assets	3.4	-	-	-
Receivables from other financial institutions	146.6	159.9	-	-
Available-for-sale investment securities	269.7	386.0	301.7	-
Loans and receivables at amortised cost	-	47.7	0.3	0.3
Loans and receivables designated at fair value through profit or loss	137.3	66.7	722.6	495.1
Loans to National Interest Account designated at fair value through profit or loss	6.4	91.5	230.3	143.1
Derivative financial instruments receivable				
- Contractual amounts receivable	159.9	584.6	2,246.3	418.9
Total undiscounted financial assets	723.3	1,336.4	3,501.2	1,057.4
Undiscounted financial liabilities				
Payables to other financial institutions	24.7	4.2	-	-
Borrowings designated at fair value through profit or loss				
- Euro commercial paper	695.6	205.5	-	-
- Non-structured borrowings	7.0	42.1	946.9	416.6
- Structured borrowings	12.9	52.5	43.5	-
Derivative financial instruments payable				
- Contractual amounts payable	143.9	547.9	2,430.4	515.3
Total undiscounted financial liabilities	884.1	852.2	3,420.8	931.9
Net undiscounted financial assets/(liabilities)	(160.8)	484.2	80.4	125.5

(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. No fair value hedges are currently held.

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 2019	Floating interest rate $ m	Fixed Less than 1 year $ m	Fixed 1 to 5 years $ m	Fixed More than 5 years $ m	Fixed total $ m
Undiscounted principal exposures					
Financial assets					
Cash and liquid assets	10.3	-	-	-	-
Receivables from other financial institutions	456.9	-	-	-	-
Investment securities at amortised cost	803.3	18.8	143.2	-	162.0
Loans and receivables designated at amortised cost	55.7	-	-	-	-
Loans and receivables designated at fair value through profit or loss	1,344.8	-	-	-	-
Loans to National Interest Account designated at fair value through profit or loss	316.2	21.4	17.0	-	38.4
Total financial assets	2,987.2	40.2	160.2	-	200.4
Financial liabilities					
Payables to other financial institutions	9.2	-	-	-	-
Derivative financial instruments					
- Cross-currency swaps	1,060.1	(237.7)	(100.0)	(365.0)	(702.7)
- Foreign exchange swaps	0.7	-	-	-	
- Interest rate swaps*	460.7	21.7	(482.4)	-	(460.7)
Borrowings designated at fair value through profit or loss	1,094.7	237.7	600.0	365.0	1,202.7
Other monetary liabilities	20.3	-	-	-	-
Total financial liabilities	2,645.7	21.7	17.6	-	39.3
Net interest exposure	341.5	18.5	142.6	-	161.1
Capital and reserves portfolio	334.5	18.8	143.2	-	162.0
Net interest exposures	7.0	(0.3)	(0.6)	-	(0.9)

* Notional principal amounts.

Notes to and forming part of the financial statements for the year ended 30 June 2019

Note 19: Financial risk management (continued)

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 shows 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.

	Contractual undiscounted principal exposures				
30 June 2018	Floating interest rate $ m	Fixed Less than 1 year $ m	Fixed 1 to 5 years $ m	Fixed More than 5 years $ m	Fixed total $ m
Undiscounted principal exposures					
Financial assets					
Cash and liquid assets	3.4	-	-	-	-
Receivables from other financial institutions	306.1	-	-	-	-
Available-for-sale investment securities	867.1	53.5	28.8	-	82.3
Loans and receivables designated at amortised cost	48.2	-	-	-	-
Loans and receivables designated at fair value through profit or loss	1,269.7	-	-	-	-
Loans to National Interest Account designated at fair value through profit or loss	346.4	34.2	36.1	0.4	70.7
Derivative financial instruments					
- Foreign exchange swaps	15.3	-	-	-	
Total financial assets	2,856.2	87.7	64.9	0.4	153.0
Financial liabilities					
Payables to other financial institutions	28.9	-	-	-	-
Derivative financial instruments					
- Cross-currency swaps	968.0	-	(331.3)	(365.0)	(696.3)
- Interest rate swaps*	428.3	34.4	(463.1)	0.3	(428.4)
Borrowings designated at fair value through profit or loss	1,007.5	-	831.3	365.0	1,196.3
Other monetary liabilities	32.6	-	-	-	-
Total financial liabilities	2,465.3	34.4	36.9	0.3	71.6
Interest exposures	390.9	53.3	28.0	0.1	81.4
Capital and reserves portfolio	395.7	53.5	28.8	-	82.3
Net interest exposures	(4.8)	(0.2)	(0.8)	0.1	(0.9)

* 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 2019	**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	**162.0**				
Change of 20 basis points interest margin		**0.6**	**(0.6)**	**-**	**-**
Floating rate investments	**334.5**				
Change of 20 basis points interest margin		**0.5**	**(0.5)**	**-**	**-**

30 June 2018	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	82.3				
Change of 20 basis points interest margin		-	-	(0.2)	0.2
Floating rate investments	395.7				
Change of 20 basis points interest margin		0.7	(0.7)	(0.1)	0.1

Notes to and forming part of the financial statements for the year ended 30 June 2019

Note 19: Financial risk management (continued)

> *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 2019, 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 CSAs.

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 2019 $ m	Exposure at risk 2018 $ m	**Increase in basis points/ Change in market value 2019 $ m**	**Decrease in basis points/ Change in market value 2019 $ m**	Increase in basis points/ Effect on equity 2018 $ m	Decrease in basis points/ Effect on equity 2018 $ m
Investment portfolio						
Fixed rate investments	**162.0**	82.3				
Change of 50 basis points credit margin			**(1.5)**	**1.5**	(0.4)	0.4
Change of 120 basis points credit margin			**(3.5)**	**3.5**	(1.0)	1.0
Change of 200 basis points credit margin			**(5.9)**	**5.9**	(1.6)	1.6
Floating rate investments	**1,260.2**	1,173.2				
Change of 50 basis points credit margin			**(3.5)**	**3.5**	(3.7)	3.7
Change of 120 basis points credit margin			**(8.4)**	**8.4**	(8.9)	8.9
Change of 200 basis points credit margin			**(14.0)**	**14.0**	(14.8)	14.8

(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				
30 June 2019	**USD A$ m**	**EUR A$ m**	**NZD A$ m**	**JPY A$ m**	**Other A$ m**
Financial assets exposure in foreign currencies					
Cash and liquid assets	**-**	**7.8**	**0.3**	**0.3**	**0.3**
Receivables from other financial institutions	**371.0**	**25.9**	**-**	**-**	**-**
Loans at amortised cost	**-**	**54.5**	**-**	**-**	**-**
Loans and receivables designated at fair value through profit or loss	**1,000.8**	**60.2**	**-**	**2.2**	**-**
Loans to National Interest Account designated at fair value through profit or loss	**330.1**	**27.9**	**-**	**-**	**-**
Derivative financial instruments receivable	**226.4**	**(51.5)**	**23.7**	**47.3**	**-**
Other assets	**0.8**	**0.1**	**-**	**-**	**-**
Total financial assets exposure in foreign currencies	**1,929.1**	**124.9**	**24.0**	**49.8**	**0.3**
Financial liabilities exposure in foreign currencies					
Payables to other financial institutions	**6.8**	**-**	**-**	**2.4**	**-**
Borrowings designated at fair value through profit or loss	**923.1**	**121.6**	**156.8**	**47.3**	**-**
Guarantees designated at fair value through profit or loss	**3.6**	**0.7**	**-**	**-**	**-**
Derivative financial instruments payable	**1,031.1**	**2.6**	**(133.1)**	**-**	**-**
Other liabilities	**10.8**	**0.4**	**0.2**	**-**	**-**
Total financial liabilities exposure in foreign currencies	**1,975.4**	**125.3**	**23.9**	**49.7**	**-**
Net foreign exchange exposures in foreign currencies	**(46.3)**	**(0.4)**	**0.1**	**0.1**	**0.3**

As shown in the above table, the net foreign exchange exposure as at 30 June 2019 is minimal in value for all currencies other than USD with an exposure of $46.3 million. The exposure in this currency is largely due to movements in credit risk provisioning.

Notes to and forming part of the financial statements for the year ended 30 June 2019

Note 19: Financial risk management (continued)

	Foreign currency fair value exposures				
30 June 2018	USD A$ m	EUR A$ m	NZD A$ m	JPY A$ m	Other A$ m
Financial assets exposure in foreign currencies					
Cash and liquid assets	-	0.8	0.3	0.1	0.9
Receivables from other financial institutions	228.9	31.5	-	-	-
Available-for-sale investment securities	-	-	-	-	-
Loans at amortised cost	4.2	43.4	-	-	-
Loans and receivables designated at fair value through profit or loss	1,030.5	2.4	-	2.2	-
Loans to National Interest Account designated at fair value through profit or loss	385.5	42.8	-	-	-
Derivative financial instruments receivable	608.4	(69.9)	111.7	108.9	-
Other assets	0.1	-	-	-	-
Total financial assets exposure in foreign currencies	2,257.6	51.0	112.0	111.2	0.9
Financial liabilities exposure in foreign currencies					
Payables to other financial institutions	12.7	7.1	-	2.2	-
Borrowings designated at fair value through profit or loss	858.2	39.4	147.6	109.1	-
Guarantees designated at fair value through profit or loss	4.2	1.0	-	-	(0.2)
Derivative financial instruments payable	1,408.6	3.8	(35.5)	-	-
Other liabilities	10.8	0.4	0.2	-	0.6
Total financial liabilities exposure in foreign currencies	2,294.5	51.7	112.3	111.3	0.4
Net foreign exchange exposures in foreign currencies	(36.9)	(0.7)	(0.3)	(0.1)	0.5

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

(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 2019	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	**8.7**	**(46.3)**	**3.7**	**(4.4)**
Exposure to EUR	**8.7**	**(0.4)**	**-**	**-**
Exposure to NZD	**8.7**	**0.1**	**-**	**-**
Exposure to JPY	**8.7**	**0.1**	**-**	**-**

30 June 2018	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	9.2	(36.9)	3.1	(3.7)
Exposure to EUR	9.2	(0.7)	0.1	(0.1)
Exposure to NZD	9.2	(0.3)	-	-
Exposure to JPY	9.2	(0.1)	-	-

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

	USD 30 June 2019 A$ m	EUR 30 June 2019 A$ m	USD 30 June 2018 A$ m	EUR 30 June 2018 A$ m
Financial assets exposure				
Loans and receivables	**325.7**	**25.3**	379.8	39.0
Other assets	**1.5**	**0.1**	0.5	-
Total financial assets exposure	**327.2**	**25.4**	380.3	39.0
Financial liabilities exposure				
Borrowings from Commercial Account	**325.7**	**25.3**	378.2	38.9
Other liabilities	**1.1**	**0.1**	1.6	0.1
Total financial liabilities exposure	**326.8**	**25.4**	379.8	39.0
Net foreign exchange exposures	**0.4**	**-**	0.5	-

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

Sensitivity analysis for foreign exchange on the National Interest Account:

30 June 2019	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	**8.7**	**0.4**	**-**	**-**

30 June 2018	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	9.2	0.5	-	-

Notes to and forming part of the financial statements for the year ended 30 June 2019

Note 20: 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
- 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			
30 June 2019	Total $ m	Level 1 $ m	Level 2 $ m	Level 3 $ m	Total $ m
Financial assets measured at fair value					
Loans and receivables designated at fair value through profit or loss	**1,299.4**	**-**	**-**	**1,299.4**	**1,299.4**
Loans to National Interest Account designated at fair value through profit or loss	**361.7**	**-**	**361.7**	**-**	**361.7**
Interest rate swaps	**35.7**	**-**	**35.7**	**-**	**35.7**
Cross-currency swaps	**48.9**	**-**	**45.2**	**3.7**	**48.9**
Forward foreign exchange contracts	**2.8**	**-**	**2.8**	**-**	**2.8**
Investment securities measured at amortised cost					
Discount securities	**406.9**	**-**	**407.3**	**-**	**407.3**
Floating rate notes	**394.8**	**-**	**399.8**	**-**	**399.8**
Fixed rate bonds	**161.9**	**-**	**169.8**	**-**	**169.8**
Total	**2,712.1**	**-**	**1,422.3**	**1,303.1**	**2,725.4**
Financial liabilities					
Borrowings designated at fair value through profit or loss	**(2,408.1)**	**-**	**(2,360.8)**	**(47.3)**	**(2,408.1)**
Guarantees designated at fair value through profit or loss	**(5.9)**	**-**	**-**	**(5.9)**	**(5.9)**
Interest rate swaps	**(6.5)**	**-**	**(6.5)**	**-**	**(6.5)**
Cross-currency swaps	**(337.1)**	**-**	**(337.1)**	**-**	**(337.1)**
Forward foreign exchange contracts	**(5.0)**	**-**	**(5.0)**	**-**	**(5.0)**
Total	**(2,762.6)**	**-**	**(2,709.4)**	**(53.2)**	**(2,762.6)**

30 June 2018	Fair value exposures by hierarchy Level 1 $ m	Level 2 $ m	Level 3 $ m	Total $m
Financial assets				
Loans and receivables designated at fair value through profit or loss	-	-	1,224.3	1,224.3
Loans to National Interest Account designated at fair value through profit or loss	-	428.4	-	428.4
Interest rate swaps	-	44.7	-	44.7
Cross-currency swaps	-	37.5	11.0	48.5
Forward foreign exchange contracts	-	15.0	-	15.0
Available-for-sale financial assets				
Discount securities	-	392.6	-	392.6
Floating rate notes*	-	390.1	85.4	475.5
Fixed rate bonds	-	84.2	-	84.2
Total	-	1,392.5	1,320.7	2,713.2
Financial liabilities				
Borrowings designated at fair value through profit or loss	-	(2,179.5)	(109.1)	(2,288.6)
Guarantees designated at fair value through profit or loss	-	-	(6.6)	(6.6)
Interest rate swaps	-	(9.8)	-	(9.8)
Cross-currency swaps	-	(285.9)	-	(285.9)
Total	-	(2,475.2)	(115.7)	(2,590.9)

* Floating rate notes that were classified as level 3 asset last year have been transferred to a classification of level 2 in 2019. This follows changes arising from AASB 9 requiring floating rate notes to be valued at amortised cost and not available-for-sale. The indicative fair values 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.

Notes to and forming part of the financial statements for the year ended 30 June 2019

Note 20: Fair value of financial instruments (continued)

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 2018 $ m	**New deals $ m**	**Repayments $ m**	**Foreign exchange $ m**	**Profit/ (loss) deals matured $ m**	**Profit/ (loss) deals existing $ m**	**At 30 June 2019 $ m**
Level 3 financial assets							
Loans and receivables designated at fair value through profit or loss	**1,224.3**	**248.5**	**(230.6)**	**57.9**	**-**	**(0.7)**	**1,299.4**
Cross-currency swaps	**11.0**	**-**	**(6.1)**	**0.3**	**(0.7)**	**(0.8)**	**3.7**
	1,235.3	**248.5**	**(236.7)**	**58.2**	**(0.7)**	**(1.5)**	**1,303.1**
Level 3 financial liabilities							
Borrowings designated at fair value through profit or loss	**(109.1)**	**-**	**63.7**	**(4.2)**	**1.0**	**1.3**	**(47.3)**
Guarantees designated at fair value through profit or loss*	**(6.6)**	**-**	**-**	**(0.2)**	**-**	**0.9**	**(5.9)**
	(115.7)	**-**	**63.7**	**(4.4)**	**1.0**	**2.2**	**(53.2)**
Total net level 3	**1,119.6**	**248.5**	**(173.0)**	**53.8**	**0.3**	**0.7**	**1,249.9**

	At 1 July 2017 $ m	New deals $ m	Repayments $ m	Foreign exchange $ m	Profit/ (loss) deals matured $ m	Profit/ (loss) deals existing $ m	At 30 June 2018 $ m
Level 3 Financial assets							
Loans and receivables designated at fair value through profit or loss	1,228.5	186.7	(224.5)	44.6	-	(11.0)	1,224.3
Cross-currency swaps	11.6	-	-	1.5	-	(2.1)	11.0
Available-for-sale financial assets							
Floating rate notes**	43.1	85.0	(43.0)	-	(0.1)	0.4	85.4
	1,283.2	271.7	(267.5)	46.1	(0.1)	(12.7)	1,320.7
Level 3 Financial liabilities							
Borrowings designated at fair value through profit or loss	(106.0)	-	-	(5.8)	-	2.7	(109.1)
Guarantees designated at fair value through profit or loss*	(9.6)	-	-	0.2	-	2.8	(6.6)
	(115.6)	-	-	(5.6)	-	5.5	(115.7)
Total net level 3	1,167.6	271.7	(267.5)	40.5	(0.1)	(7.2)	1,205.0

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

** Floating rate notes that were classified as level 3 asset last year have been transferred to a classification of level 2 in 2019. This follows changes arising from AASB 9 requiring floating rate notes to be valued at amortised cost and not available-for-sale. The indicative fair values 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.

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 2019 $ m	**Effect of reasonable alternative assumptions $ m**	At 30 June 2018 $ m	Effect of reasonable alternative assumptions $ m
Level 3 financial assets				
Loans and receivables designated at fair value through profit or loss	**1,299.4**	**(21.8)**	1,224.3	(23.0)
Cross-currency swaps	**3.7**	**-**	11.0	0.1
Available-for-sale financial assets				
Floating rate notes	**-**	**-**	85.4	(0.1)
Level 3 financial liabilities				
Borrowings designated at fair value through profit or loss	**(47.3)**	**(0.1)**	(109.1)	(0.3)
Guarantees designated at fair value through profit or loss	**(5.9)**	**(3.1)**	(6.6)	(2.9)

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.

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

Notes to and forming part of the financial statements for the year ended 30 June 2019

Note 20: Fair value of financial instruments (continued)

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 Interbank 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.

Notes to and forming part of the financial statements for the year ended 30 June 2019

Note 21: Capital equivalent

		Commercial Account		National Interest Account	
	Note	**30 June 2019 $ m**	30 June 2018[1] $ m	**30 June 2019 $ m**	30 June 2018 $ m
Capital available					
Equity at start of period		**459.3**	451.3	**-**	-
Adjustment on initial application of AASB 9		**(0.6)**	-	**-**	-
Profit		**25.8**	14.9	**-**	-
Asset revaluation reserve	10	**61.7**	-	**-**	-
Net gain on cash flow hedges		**-**	(0.1)	**-**	-
Net gain/(loss) on available-for-sale investments		**-**	(1.0)	**-**	-
Dividend payable/paid		**(6.9)**	(5.8)	**-**	-
Equity at end of period		**539.3**	459.3	**-**	-
Eligible allowance for credit risk in capital		**17.5**	16.2	**-**	-
Export Finance Australia capital		**556.8**	475.5	**-**	-
Callable capital		**1,200.0**	200.0	**-**	-
Capital available (including callable capital)		**1,756.8**	675.5	**-**	-

[1] Since the payment of the dividend in December 2018, the 2017–18 profit has been restated from $13.9 million to $14.9 million. An additional dividend payment is expected to be paid in December 2019 of $0.5 million to reflect the restated post-tax profit in 2017–18.

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 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, and in the past has limited large exposures to 25% of eligible capital for internal grades 1 and 2 (A– and above), and adopted a more conservative target of 15% for internal risk grades 3 and worse (below A–) within the general limit of 25%, with exceptions 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.

Note 22: Remuneration of external auditors

		Commercial Account		National Interest Account	
	Note	**30 June 2019 $ m**	30 June 2018 $ m	**30 June 2019 $ m**	30 June 2018 $ m
Auditor's remuneration					
Amounts received or due and receivable by Export Finance Australia's auditors for:					
Other services		**-**	24,500	**-**	-
An audit or review of the annual report		**240,000**	240,000	**-**	-
Total audit remuneration		**240,000**	264,500	**-**	-

Export Finance Australia's auditor is the Australian National Audit Office (ANAO) that has retained KPMG to assist with the assignment.

Notes to and forming part of the financial statements for the year ended 30 June 2019

Note 23: Related party disclosures

		Commercial Account		National Interest Account	
	Note	**30 June 2019 $ m**	30 June 2018 $ m	**30 June 2019 $ m**	30 June 2018 $ m
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		**3,062,203**	3,259,871	**-**	-
Post-employment benefits		**182,978**	220,815	**-**	-
Long-term employee benefits		**48,304**	-		
Termination benefits		**-**	226,214	**-**	-
Total remuneration		**3,293,485**	3,706,900	**-**	-
Total number of senior management personnel		**14**	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.

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.

Note 24: Reconciliation of operating profit to net cash flows from operating activities

		Commercial Account		National Interest Account	
	Note	**30 June 2019 $ m**	30 June 2018 $ m	**30 June 2019 $ m**	30 June 2018 $ m
Operating profit from ordinary activities		**25.8**	14.9	**34.1**	32.3
Reclassification on non-cash items					
Depreciation		**5.4**	5.0	**-**	-
Employee entitlements		**0.4**	0.2	**-**	-
Amortisation of deferred income		**(0.4)**	-	**(2.5)**	(3.8)
Credit risk movement		**15.8**	(2.7)	**-**	-
Unrealised foreign exchange losses		**2.9**	1.4	**0.1**	-
Unearned premium		**-**	-	**(0.8)**	(0.4)
Fair value movement of third-party loans and guarantees		**(18.2)**	4.9	**-**	-
Fair value movement of other financial instruments		**(0.7)**	0.9	**-**	-
Specific provision for credit risk		**0.4**	2.1	**-**	-
Provision for competitive neutrality charges		**13.9**	8.6	**-**	-
Other		**(1.6)**	(2.3)	**(0.1)**	-
Reclassification on cash items					
Net movement in receivables/payables		**(16.4)**	4.3	**-**	-
Net repayments of loan balances		**59.3**	122.0	**85.7**	123.8
Rescheduled debt repayments		**-**	-	**0.2**	0.2
Net cash inflows/(outflows) from operating activities		**86.6**	159.3	**116.7**	152.1
Reconciliation of cash					
Cash at end of financial year is reconciled to the related items in the statement of financial position as follows:					
Cash		**10.3**	3.4	**-**	-
Receivables from other financial institutions		**456.9**	306.5	**-**	-
Cash (including liquid funds) at end of financial year		**467.2**	309.9	**-**	-
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 and forming part of the financial statements for the year ended 30 June 2019

Note 25: Reconciliation of liabilities arising from financing activities

Commercial Account	Note	At 1 July 2018 $ m	Cash proceeds $ m	Cash repayments $ m	Net proceeds/ (repayments) $ m	Fair value/ Foreign exchange $ m	At 30 June 2019 $ m
Derivative assets and liabilities							
Derivative financial assets	9	**108.2**	**620.4**	**(599.1)**	**21.3**	**(42.1)**	**87.4**
Derivative financial liabilities	9	**(295.7)**	**2,281.4**	**(2,227.6)**	**53.8**	**(106.7)**	**(348.6)**
		(187.5)	**2,901.8**	**(2,826.7)**	**75.1**	**(148.8)**	**(261.2)**
Payables to other financial institutions							
Payables to other financial institutions	13	**28.9**	**175.6**	**(196.5)**	**(20.9)**	**1.2**	**9.2**
Borrowings designated at fair value through profit and loss							
Structured borrowings		**109.1**	**-**	**(63.7)**	**(63.7)**	**1.9**	**47.3**
Non-structured borrowings		**1,281.9**	**-**	**-**	**-**	**34.2**	**1,316.1**
Euro commercial paper		**897.6**	**5,120.2**	**(5,022.2)**	**98.0**	**49.1**	**1,044.7**
	14	**2,288.6**	**5,120.2**	**(5,085.9)**	**34.3**	**85.2**	**2,408.1**
National Interest Account							
Borrowings from Commercial Account							
Borrowings from Commercial Account		**417.1**	**3.6**	**(86.5)**	**(82.9)**	**20.4**	**354.6**

Commercial Account	Note	At 1 July 2017 $ m	Cash proceeds $ m	Cash repayments $ m	Net proceeds/ (repayments) $ m	Fair value/ Foreign exchange $ m	At 30 June 2018 $ m
Derivative assets and liabilities							
Derivative financial assets	9	127.3	608.6	(579.9)	28.7	(47.8)	108.2
Derivative financial liabilities	9	(254.7)	1,165.7	(1,182.3)	(16.6)	(24.4)	(295.7)
		(127.4)	1,774.3	(1,762.2)	12.1	(72.2)	(187.5)
Payables to other financial institutions							
Payables to other financial institutions	13	28.3	357.3	(356.7)	0.6	-	28.9
Borrowings designated at fair value through profit and loss							
Structured borrowings		106.0	-	-	-	3.1	109.1
Non-structured borrowings		1,170.3	130.0	-	130.0	(18.4)	1,281.9
Euro commercial paper		1,037.8	3,506.7	(3,680.9)	(174.2)	34.0	897.6
	14	2,314.1	3,636.7	(3,680.9)	(44.2)	18.7	2,288.6
National Interest Account							
Borrowings from Commercial Account							
Borrowings from Commercial Account		518.1	6.7	(126.5)	(119.8)	18.8	417.1

Note 26: Aggregate assets and liabilities

		Commercial Account		National Interest Account	
	Note	**30 June 2019 $ m**	30 June 2018 $ m	**30 June 2019 $ m**	30 June 2018 $ m
Assets expected to be recovered in:					
No more than 12 months		**1,462.8**	1,338.5	**81.9**	101.0
More than 12 months		**1,896.4**	1,795.1	**289.0**	331.2
Total assets		**3,359.2**	3,133.6	**370.9**	432.2
Liabilities expected to be settled in:					
No more than 12 months		**1,432.2**	1,095.6	**81.9**	101.0
More than 12 months		**1,387.7**	1,578.7	**289.0**	331.2
Total liabilities		**2,819.9**	2,674.3	**370.9**	432.2
Total assets and liabilities		**539.3**	459.3	**-**	-

Index of statutory reporting requirements

Index of statutory reporting requirements

We report in accordance with the requirements of the various acts and statutory instruments as set out in Table 11.

Table 15: Index of statutory reporting requirements

Part A: PGPA Act, Public Governance, Performance and Accountability Rule 2014

Section	Subject	Location	Page
Public Governance, Performance and Accountability Act 2013			
Section 39	The Board must prepare Annual Performance Statements.	Annual Performance Statement	13–25
Section 43	A copy of the annual financial statements and the Auditor-General's report must be included in an annual report.	Independent auditor's report Financial statements	85–149 88–89
Section 46	The Board must prepare an annual report.	Report of operations Financial statements Auditor-General's report	1–154
Public Governance, Performance and Accountability Rule 2014			
Section 17BB	The Board must approve the annual report by a resolution of Directors and signed by a Director and include how and when approval was given.	Letter from the Chairman and Managing Director and CEO	5–7
Section 17BE (a)(b)	The annual report must detail Export Finance Australia's enabling legislation, its objects and functions and its purposes as set out in its Corporate Plan.	About Export Finance Australia Our purpose	1–3 9–11
Section 17BE (c)(f)	The annual report must detail the particulars of the responsible Minister and any directions given or policy orders applied during the financial year.	About Export Finance Australia Directions from the Minister	2–3 58–61
Section 17BE (g)	The annual report must include Export Finance Australia's Annual Performance Statements.	Annual Performance Statement	13–25
Section 17BE (h)(i)	The annual report must detail any significant issues reported to the Minister.	No issues reported	–
Section 17BE(j)	The annual report must detail particulars of the Board.	Our Board	36–43

Section	Subject	Location	Page
Section 17BE (k)(l)	The annual report must detail particulars of Export Finance Australia's organisational structure.	About Export Finance Australia Where we operate	1–3 11
Section 17BE (m)(p)	The annual report must outline the main corporate governance practices.	Our governing principles	33–65
Section 17BE (q)(s)	The annual report must detail any judicial and administrative decisions or reviews or reports having a significant effect on Export Finance Australia.	Judicial and administrative decisions and reviews	58
Section 17BE(t)	The annual report must detail any indemnity applied during the financial year.	Indemnity and insurances	58
Section 17BE(ta)	The annual report must contain information about Executive remuneration.	Our people and culture	45
Section 17BE(u)	The annual report must include an index of Export Finance Australia's statutory reporting requirements.	Index of statutory reporting requirements	150–151

Part B: Other legislation

Section	Subject	Location	Page
Environment Protection and Biodiversity Conservation Act 1999			
Section 516A(6)	Ecologically sustainable development and environmental performance.	Our governing principles – Corporate responsibility	55–57
Export Finance and Insurance Corporation Act 1991			
Section 9(4)	Particulars of Ministerial directions issued under Section 9(2).	Our governing principles – Directions from the Minister	58–61
Section 70(2)	Financial effect on the operations of Export Finance Australia of each Ministerial direction issued under Section 9(2).	Our governing principles – Directions from the Minister	58–61
Section 85(2)(a)	Particulars of Ministerial directions issued under Section 9(2).	Our governing principles – Directions from the Minister	58–61
Section 85(2)(b)	Statement of principal objectives.	About Export Finance Australia Our purpose Annual Performance Statement	1–3 9–11 13–25
Section 85(2)(c)	Assessment of principal objectives achieved.	Annual Performance Statement	13–25
Equal Employment Opportunity (Commonwealth Authorities) Act 1987			
Section 9(4)	Report on Equal Employment Opportunity program.	Our governing principles – Our people	45
Work Health and Safety Act 2011			
Schedule 2, Part 4, Clause 4(2)	Work health and safety initiatives, outcomes, statistics and investigations.	Our governing principles – Work health and safety	54

Abbreviations and acronyms

Table 16: Abbreviations and acronyms

Abbreviation / acronym	Description
ADB	Asian Development Bank
ADI	Authorised deposit-taking institution
AIFFP	Australian Infrastructure Financing Facility for the Pacific
ANAO	Australian National Audit Office
APRA	Australian Prudential Regulation Authority
APSC	Australian Public Service Commission
ATSI	Aboriginal or Torres Strait Islander background
CEDA	Committee for Economic Development of Australia
CSA	Credit support annexure
CSS	Commonwealth Superannuation Scheme
DCG	Documentary Credit Guarantee
DFAT	Department of Foreign Affairs and Trade
DPRK	Democratic People's Republic of Korea
ECA	Export credit agency
ECL	Export Contract Loan
EFG	Export Finance Guarantee
EFIC Act	*Export Finance and Insurance Corporation Act 1991*
EWCG	Export Working Capital Guarantee
ELOC	Export Line of Credit
ELOC-R	Export Line of Credit Renewal
EPBC Act	*Environment Protection and Biodiversity Act 1999*
EWCG-R	Export Working Capital Guarantee Renewal
FAR	Fixed Annual Remuneration
FBT	Fringe Benefits Tax
FEFG	Funded Expert Finance Guarantee
FIRG	Finance Institutions Remuneration Group
GST	Goods and Services Tax
IMF	International Monetary Fund

Abbreviation / acronym	Description
KMP	Key management personnel
LIBOR	London Interbank Offered Rate
LNG	Liquefied natural gas
METS	Mining equipment, technology and services
NABERS	National Australian Built Environment Rating System
NAIF	Northern Australia Infrastructure Facility
NESB	Non–English speaking background
NHFIC	National Housing Finance and Investment Corporation
ODI	Overseas Direct Investment
OECD	Organisation for Economic Co-operation and Development
PEO	Principal Executive Officer
PGPA Act	*Public Governance, Performance and Accountability Act 2013*
PNG	Papua New Guinea
PSS	Public Sector Superannuation Scheme
PWD	People with disability
RPA	Risk Participation Agreement
SBEL	Small Business Export Loan
SME	Small and medium-sized enterprise
STI	Short-Term Incentive
TRRR	Total Remuneration Reference Rate
WHS Act	*Work Health and Safety Act 2011*

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