Financial Statements: Notes to and Forming Part of the Financials Statements

Reserve Bank of Australia and Controlled Entity

Note 1 – Accounting Policies

The RBA reports its consolidated financial statements in accordance with the *Reserve Bank Act 1959* and the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). These financial statements for the year ended 30 June 2022 are a general purpose financial report prepared under Australian Accounting Standards (AAS) and accounting interpretations issued by the Australian Accounting Standards Board, in accordance with the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*, which is issued pursuant to the PGPA Act. The RBA is classified as a for-profit public sector entity for the purposes of financial disclosure. These financial statements comply with International Financial Reporting Standards. In preparing them, the RBA has not 'early adopted' new accounting standards or amendments to current standards that apply from 1 July 2022.

All amounts in these financial statements are expressed in Australian dollars, the functional and presentational currency of the RBA. All revenues and expenses are brought to account on an accruals basis.

Going concern

These financial statements are prepared on a going concern basis.

As at 30 June 2022, the RBA's liabilities exceeded its assets by $12.4 billion. The net liability position reflects unrealised valuation losses recorded on the RBA's holding of bonds issued by the Australian government and the state and territory borrowing authorities, which resulted from the significant rise in bond yields during 2021/22. These bonds were purchased as part of the RBA's response to the COVID-19 pandemic, including under the Bond Purchase Program and as part of achieving a target for the yield on the 3-year Australian Government bond.

The Governor and Reserve Bank Board are of the view that the RBA will continue to operate effectively, and in accordance with its policy functions and objectives set out in the Reserve Bank Act and in the Statement on the Conduct of Monetary Policy.

The RBA's liabilities are guaranteed by the Australian Government under section 77 of the Reserve Bank Act. As a central bank, the RBA also has the ability to create liquidity to meet its liabilities as and when they fall due and has substantial liabilities (in the form of banknotes on issue) which have a zero funding cost.

Additional information on the Bank's capital is provided in the 'Earnings, Distribution and Capital' chapter.

(a) Consolidation

The financial statements show information for the economic entity only; this reflects the consolidated results for the parent entity, the RBA, and its wholly owned subsidiary, Note Printing Australia Limited (NPA). The results of the parent entity do not differ materially from the economic entity and have therefore not been separately disclosed.

NPA was incorporated as a wholly owned subsidiary of the RBA on 1 July 1998.

Note Printing Australia Limited Balance Sheet

	2022 $M	**2021** $M
Assets	172.9	174.9
Liabilities	43.4	43.8
Equity	129.5	131.1

The assets, liabilities and results of NPA have been consolidated with the accounts of the parent entity in accordance with AASB 10 – *Consolidated Financial Statements*. All internal transactions and balances have been eliminated on consolidation. These transactions include items relating to the purchase of Australian banknotes, lease of premises and the provision of premises and security services.

(b) Financial instruments

A financial instrument is defined as any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The RBA accounts for its financial instruments in accordance with AASB 9 – *Financial Instruments* and reports these instruments *under* AASB 7 – *Financial Instruments: Disclosures* and AASB 13 – *Fair Value Measurement*.

The RBA brings its securities and foreign exchange transactions to account on a trade date basis. Deposits, repurchase agreements and gold swaps are brought to account on settlement date.

Financial assets

Australian dollar securities

Australian dollar securities, except those held under reverse repurchase agreements, are measured at fair value through profit or loss, as they are held to implement monetary policy and may be sold or lent, typically for short terms, under repurchase agreements. The securities are valued at market bid prices on balance date; valuation gains or losses are taken to profit. Interest earned on securities is accrued as revenue.

Reverse repurchase agreements

In carrying out operations to manage domestic liquidity and foreign reserves, the RBA enters into reverse repurchase agreements in Australian dollar and foreign currency securities. Reverse repurchase agreements were also used to provided funding via the Term Funding Facility. A reverse repurchase agreement involves the purchase of securities with an undertaking to reverse this transaction at an agreed price on an agreed future date. As a reverse repurchase agreement provides the RBA's counterparties with cash for the term of the agreement, the RBA treats it as an asset by recording a cash receivable. Reverse repurchase agreements are measured at amortised cost. Interest earned is accrued over the term of the agreement and recognised as revenue.

RBA open repurchase agreements are available to assist eligible financial institutions manage their liquidity after normal business hours. An RBA open repurchase agreement is an Australian dollar reverse repurchase agreement without an agreed maturity date. The RBA accrues interest daily on open repurchase agreements at the target cash rate.

Gold borrowed under gold swaps

Gold swaps are available to assist with domestic liquidity management and to enhance the return on the RBA's gold holdings.

Gold swaps involving the purchase of gold include an undertaking to reverse this transaction at an agreed price on an agreed future date. As these gold swaps provide the RBA's counterparty with cash for the term of the agreement, the RBA treats it as an asset by recording a cash receivable. Gold swaps are measured at amortised cost in accordance with AASB 9. The difference in agreed gold prices for the first and second legs is accrued over the term of the swap and recognised as interest income. Gold borrowed under a swap agreement is not recognised on the RBA's balance sheet, as the predominant risk and reward of ownership, including exposure to any movement in the market price of gold, remains with the counterparty.

Foreign government securities

Foreign government securities, except those held under reverse repurchase agreements, are measured at fair value through profit or loss, as they are available to be traded in managing the portfolio of foreign reserves. These securities are valued at market bid prices on balance date and valuation gains or losses are taken to profit. Interest earned on securities is accrued as revenue.

Foreign deposits

Some foreign currency reserves are invested in deposits with central banks and the Bank for International Settlements (BIS), while small working balances are also maintained with a small number of commercial banks. Deposits are measured at amortised cost. Interest is accrued over the term of deposits.

Foreign currency swaps

The RBA uses foreign currency swaps to assist domestic liquidity management and in managing foreign reserve assets and Australia's foreign currency commitments as a member of the IMF. A foreign currency swap is the simultaneous purchase and sale of one currency against another currency for a specified maturity. The cash flows are the same as borrowing one currency for a certain period and lending another currency for the same period. The pricing of the swap therefore reflects the interest rates applicable to these money market transactions. Interest rates are implicit in the swap contract but interest itself is not paid or received. Foreign currency swaps are measured at fair value through profit or loss.

Bond futures

The RBA uses bond futures contracts on overseas exchanges to manage interest rate risk on its portfolio of foreign assets. Bond futures positions are measured at fair value through profit or loss with valuation gains or losses taken to net profit. Futures positions are reported within 'Foreign currency investments'.

Asian Bond Fund 2 (ABF2)

Through its participation in the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) Asian Bond Fund, the RBA invests in a number of non-Japan Asian debt markets. This investment comprises units in ABF2, which invests in local currency-denominated bonds issued by sovereign and quasi-sovereign issuers in EMEAP markets. ABF2 is measured at fair value through profit or loss and is valued on balance date at the relevant unit price of the fund, with valuation gains or losses taken to profit. ABF2 is reported within 'Foreign currency investments'.

Shareholding in Bank for International Settlements

Shares in the BIS are owned exclusively by the central banks and monetary authorities that are its members, including the RBA. The RBA has made an election to designate its shareholding in the BIS at fair value through other comprehensive income, as permitted under AASB 9. The shareholding is measured at fair value and valuation gains or losses are transferred directly to the revaluation reserve for 'Shares in international and other institutions' (Note 5). An uncalled portion of this shareholding is disclosed as a contingent liability in Note 11. Dividends are recognised as revenue in net profit, when declared.

Financial liabilities

Deposit liabilities

Deposit liabilities are measured at amortised cost (see Note 9). Interest is accrued over the term of deposits and is paid periodically or at maturity. Interest accrued on deposits not yet paid is included in Note 10.

Australian banknotes on issue

Banknotes on issue are a financial liability recorded at face value.

The RBA pays interest on working balances of banknotes held by banks under cash distribution arrangements (see Note 4).

Costs related to materials used in the production of banknotes are included in 'Other expenses' in Note 2.

Repurchase agreements

A repurchase agreement involves the sale of securities with an undertaking to repurchase them on an agreed future date at an agreed price. Securities sold and contracted for repurchase under repurchase agreements are retained on the balance sheet and reported within the relevant investment portfolio (see 'Australian dollar securities' and 'Foreign government securities', above). The counterpart obligation to repurchase the securities is reported in 'Other liabilities' (Note 10) and measured at amortised cost. The difference between the sale and purchase price is accrued over the term of the agreement and recognised as interest expense.

Gold loaned under gold swaps

Gold swaps involving the sale of gold include an undertaking to reverse this transaction at an agreed price on an agreed future date. Gold sold under gold swaps is retained on the balance sheet and reported within gold holdings (Note 1(d)). The counterpart obligation to repurchase the gold is reported in 'Other liabilities' (Note 10) and measured at amortised cost. The difference in agreed gold prices for each leg is accrued over the term of the swap and recognised as interest expense.

(c) Foreign exchange translation

Assets and liabilities denominated in foreign currency are converted to Australian dollar equivalents at the relevant market exchange rate on balance date in accordance with AASB 121 – *The Effects of Changes in Foreign Exchange Rates*. Valuation gains or losses on foreign currency are taken to net profit. Interest revenue and expenses and revaluation gains and losses on foreign currency securities are converted to Australian dollars using exchange rates on the date they are accrued or recognised.

(d) Gold

Gold holdings (including gold sold under gold swaps or on loan to other institutions) are valued at the Australian dollar equivalent of the 3.00 pm fix in the London gold market on balance date. Valuation gains or losses on gold are transferred to the asset revaluation reserve for gold.

In addition to gold swaps (Note 1(b)), the RBA also lends gold to institutions that participate in the gold market under gold loan agreements. Similar to gold swaps, gold provided under a loan is retained on the balance sheet. Interest is accrued over the term of the loan and is paid at maturity. The interest receivable on gold loans is accounted for in accordance with AASB 9.

(e) Property, plant and equipment

The RBA accounts for property, plant and equipment it owns in accordance with AASB 116 – *Property, Plant and Equipment* and AASB 13. Property, plant and equipment held under lease arrangements, including overseas and interstate representative offices and computer hardware, are accounted for under AASB 16 – *Leases.*

Expenditure, revaluation adjustments and depreciation of property, plant and equipment, including leased assets, are included in Note 8.

Property

The RBA measures its property at fair value. The RBA's Australian properties are formally valued biennially by an independent valuer, with the most recent valuation conducted in 2020/21; overseas properties are independently valued on a triennial basis, with the most recent valuation conducted in 2021/22. Previously, formal independent valuations of the RBA's Australian properties were conducted on an annual basis. Between obtaining independent valuations, carrying values are reviewed by management to ensure that they remain appropriate. Reflecting their specialised nature, fair value for the RBA's Business Resumption Site and National Banknote Site is based on depreciated replacement cost. Valuation gains (losses) are generally transferred to (absorbed by) the asset revaluation reserve of each respective property. Any part of a valuation loss that exceeds the balance in the relevant asset revaluation reserve is expensed. Subsequent valuation gains that offset losses that were previously treated as an expense are recognised as income in net profit.

Annual depreciation is calculated on a straight line basis using assessments of the remaining useful life of the relevant building.

Plant and equipment

Plant and equipment is valued at cost less accumulated depreciation. Annual depreciation is calculated on a straight line basis using the RBA's assessment of the remaining useful life of individual assets.

Useful life for each class of depreciable asset

	Years
Buildings	15–50
Fit-out	5–10
Computer hardware	4
Motor vehicles	5
Plant and other equipment	4–20

Leased Assets

Leased assets are measured at cost and comprise of the amount equal to the lease liability, adjusted by the amount of any lease payments made before commencement date and initial direct costs less accumulated depreciation. Annual depreciation is calculated on a straight line basis using the length of the lease term.

(f) Computer software

Computer software is reported in accordance with AASB 138 – *Intangible Assets*. Computer software is recognised at cost less accumulated amortisation and impairment adjustments, if any (see Note 7). Amortisation of computer software is calculated on a straight line basis over the estimated useful life of the relevant asset, usually for a period of between four and six years (see Note 7). The useful life of payments systems and core banking software may be for a period of between 10 and 15 years, reflecting the period over which future economic benefits are expected to be realised from these assets.

(g) Capital and reserves

The capital of the Reserve Bank is established by the Reserve Bank Act.

The Reserve Bank Reserve Fund (RBRF) is also established by the Reserve Bank Act and is regarded essentially as capital. The RBRF is a reserve maintained to provide for events that are contingent and not foreseeable, including to cover losses from falls in the market value of the RBA's holdings of Australian dollar and foreign currency investments that cannot be absorbed by its other resources. The RBRF also provides for other risks such as operational risk. In accordance with the Reserve Bank Act, this reserve is funded only by transfers from net profits, as determined by the Treasurer, after consulting the Reserve Bank Board (see Note 1(h)). The Board assesses the adequacy of the balance of the RBRF each year (see 'Earnings, Distribution and Capital' chapter).

The RBA's equity also includes a number of other reserves.

Unrealised gains and losses on foreign exchange, foreign securities and Australian dollar securities are recognised in net profit. Such gains or losses are not available for distribution and are transferred to the unrealised profits reserve, where they remain available to absorb future unrealised losses or become available for distribution if gains are realised when assets are sold or mature.

The balance of the Superannuation reserve represents accumulated remeasurement gains or losses on the RBA's defined benefit superannuation obligations (Note 1(j)).

Balances of asset revaluation reserves reflect differences between the fair value of non-traded assets and their cost. These assets are: gold; property held outright; and shares in international and other institutions. Valuation gains on these assets are not distributable unless an asset is sold and these gains are realised.

Accumulated losses represent losses, as calculated under section 30 of the Reserve Bank Act (refer Note 1(h)), which could not be absorbed by the Reserve Bank Reserve Fund.

(h) Net profits

Net profits of the RBA are dealt with in the following terms by section 30 of the Reserve Bank Act:

1. Subject to subsection (2), the net profits of the Bank in each year shall be dealt with as follows:
   - aa. such amount as the Treasurer, after consultation with the Reserve Bank Board, determines is to be set aside for contingencies; and
   - a. such amount as the Treasurer, after consultation with the Reserve Bank Board, determines shall be placed to the credit of the Reserve Bank Reserve Fund; and
   - b. the remainder shall be paid to the Commonwealth.
2. If the net profit of the Bank for a year is calculated on a basis that requires the inclusion of unrealised gains on assets during the year, the amount to which subsection (1) applies is to be worked out as follows:
   - a. deduct from the net profit an amount equal to the total of all amounts of unrealised gains included in the net profit; and
   - b. if an asset in respect of which unrealised gains were included in the net profit for a previous year or years is realised during the year – add to the amount remaining after applying paragraph (a) the total amount of those unrealised gains.

Where the application of subsection (2) above results in a loss position, such losses are absorbed by the Reserve Bank Reserve Fund, to the extent possible; remaining losses are reflected in Accumulated losses (Note 1(g)).

(i) Provisions for employee benefits entitlements

In accordance with AASB 119 – *Employee Benefits*, the RBA records provisions for certain employee benefit entitlements, including accrued annual and long service leave and post-employment health insurance benefits. These provisions reflect the present value of the estimated future cost to meet those entitlements, including any applicable fringe benefit or payroll taxes and, in the case of leave entitlements, future leave accrual and superannuation contributions to the extent that any leave is assumed to be taken during service. The estimated future cost of these entitlements is discounted to its present value using yields on highly rated Australian dollar-denominated corporate bonds. Leave provisions are calculated using assumptions for length of staff service, leave utilisation and future salary. The provision for post-employment health insurance benefits is estimated using assumptions about the length of staff service, longevity of retired staff and future movements in health insurance costs. This post-employment benefit ceased to be available for new staff appointed after 30 June 2013.

Further detail on employee benefit provisions are included in Note 10.

(j) Superannuation funds

The RBA includes in its Statement of Financial Position an asset or liability representing the position of its defined benefit superannuation funds measured in accordance with AASB 119. Movements in the superannuation asset or liability are reflected in the Statement of Comprehensive Income. Remeasurement gains and losses are transferred to the Superannuation reserve.

Details of the superannuation funds and superannuation expenses are included in Note 14.

(k) Committed Liquidity Facility

The RBA provides a Committed Liquidity Facility (CLF) to eligible ADIs. Fees received from providing the CLF are recognised as fee income in net profit. Additional information on the CLF is provided in Note 11.

(l) Lease liabilities

Lease liabilities are measured at the present value of the remaining lease payments (see Note 10). The lease liability is subsequently remeasured where there is a change in the lease term or future lease payments. Lease payments in relation to new leases with a lease term of 12 months or less and leases for low-value assets are expensed on a straight-line basis over the lease term.

(m) Revenue from contracts with customers

In the course of its operations, the RBA enters into contracts for the provision of goods and services. These include: contracts for the provision of banking and payment services to the Australian Government, overseas central banks and official institutions; the provision of the CLF for participating ADIs (see Note 1(k)); and, in the case of the RBA's subsidiary, banknote and security products to overseas central banks.

Revenue is recognised on a gross basis at the point the contracted performance obligation is satisfied, as required by AASB 15 – *Revenue from Contracts with Customers*. In the case of banking and payment services, revenue is recognised upon the completion of the provision of service. Revenue from the sale of banknote and security products is recognised at the point at which the product is accepted and CLF fee income is recognised over the period the facility is provided.

Where the right to consideration for the completion of the performance obligation under the contract becomes unconditional, a receivable is recognised in the Statement of Financial Position; a contract asset is recorded when this right remains conditional (see Note 7). Where a performance obligation under a contract remains unsatisfied, but consideration has been received, the RBA reports this as an unearned contract liability (see Note 10).

(n) Rounding

Amounts in the financial statements are rounded to the nearest million dollars unless otherwise stated.

(o) Comparative information

Certain comparative information may be reclassified where required for consistency with the current year presentation.

(p) Application of new or revised Australian Accounting Standards

New Australian Accounting Standards and amendments made to existing standards that apply to the RBA's financial statements in the current and future financial years are not expected to result in a material impact on disclosures.

Note 2 – Net Profit

Net Profit

	Note	2022 $M	2021 $M
Net interest income			
Interest income	1(b), 4	8,869	4,432
Interest expense	1(b), 4	(411)	(147)
		8,458	4,285
Fees and commissions income			
Committed liquidity facility	1(k), 1(m)	228	331
Banking services	1(m)	110	96
Payment services	1(m)	38	33
		376	460
Other income			
Sales of banknote and security products	1(m)	11	37
Rental of Bank premises		3	3
Dividend revenue	1(b)	5	9
Other		6	4
		25	53
Net gains/(losses) on securities and foreign exchange			
Foreign investments	1(b)	(703)	(107)
Australian dollar securities	1(b)	(45,964)	(5,154)
Foreign currency	1(b)	1,769	(3,228)
		(44,898)	(8,489)
General administrative expenses			
Staff costs		(260)	(247)
Net gains/(losses) on employee provisions		24	(3)
Superannuation costs	1(j)	(64)	(70)
Depreciation of property, plant and equipment	1(e), 8	(55)	(52)
Amortisation of computer software	1(f), 7	(20)	(21)
Premises and equipment		(78)	(75)
Other		(17)	(15)
		(470)	(483)

	Note	2022 $M	2021 $M
Other expenses			
Banking service fees		(91)	(78)
Materials used in banknote and security products		(64)	(40)
Banknote distribution		(1)	(2)
Other		(35)	(38)
		(191)	(158)
Net Profit/(Loss)		**(36,700)**	**(4,332)**

Net losses on Australian dollar securities largely reflect unrealised valuation losses from the significant rise in bond yields during 2021/22. The chapter on 'Earnings, Distribution and Capital' provides additional analysis over the drivers of these losses.

Note 3 – Distribution Payable to the Commonwealth

Section 30 of the Reserve Bank Act requires that the net profits of the RBA, less amounts transferred to the RBRF as determined by the Treasurer, shall be paid to the Commonwealth (see Note 1(h)). Also under section 30, unrealised profits are not available for distribution. Instead they are transferred to the unrealised profits reserve where they remain available to absorb future valuation losses or are realised when relevant assets are sold or mature. Unrealised losses are, in the first instance, absorbed within the unrealised profits reserve where they are offset against unrealised profits accumulated from previous years. If such losses exceed the balance of the unrealised profits reserve, the amount by which they do so is initially charged against other components of net profit and then the RBRF, to the extent of the available balance in this reserve. Any remaining loss is transferred to accumulated losses.

In 2021/22, the RBA recorded an accounting loss which fully depleted the balances in both the unrealised profits reserve and the RBRF. The remainder of the accounting loss, a sum of $20,836 million, was transferred to accumulated losses. No dividend was payable to the Commonwealth.

Distribution Payable to the Commonwealth

	2022 $M	2021 $M
Opening balance	2,671	2,567
Distribution to the Commonwealth	(2,671)	(2,567)
Transfer from Statement of Distribution	–	2,671
As at 30 June	–	2,671

Note 4 – Interest Income and Interest Expense

Interest Income and Interest Expense

Analysis for the year ended 30 June 2022

	Average balance $M	Interest $M	Average annual interest rate Per cent
Interest income			
Foreign currency investments	61,713	231	0.4
Australian dollar investments	532,111	8,637	1.6
Overnight settlements	501	0	0.1
Cash collateral provided	267	0	0.1
Gold loans	478	0	0.1
Loans, advances and other	33	1	1.2
	595,103	8,869	1.5
Interest expense			
Exchange Settlement balances	410,163	299	0.1
Deposits from governments	55,845	112	0.2
Deposits from overseas institutions	18,156	0	0.0
Banknote holdings of banks	3,008	2	0.1
Foreign currency repurchase agreements	2,197	2	0.1
Australian dollar repurchase agreements	5,519	(5)	(0.1)
Gold loaned under gold swaps	261	0	(0.2)
Cash collateral received	386	1	0.2
	495,535	411	0.1
Net interest margin			**1.4**
Analysis for the year ended 30 June 2021			
Interest income	336,472	4,432	1.3
Interest expense	224,991	147	0.1
Net interest margin			**1.3**

Interest income for 2021/22 includes $336 million calculated using the effective interest method for financial assets not at fair value through profit or loss ($276 million in 2020/21). Interest expense for 2021/22 includes $411 million calculated using the effective interest method for financial liabilities not at fair value through profit or loss ($147 million in 2020/21).

Note 5 – Asset Revaluation Reserves

The composition of the RBA's asset revaluation reserves (Note 1(g)) is shown below.

Asset Revaluation Reserves

	Note	2022 $M	2021 $M
Gold	1(d)	6,644	5,894
Shares in international and other institutions	1(b), 7	491	462
Property	1(e), 8	390	397
As at 30 June		7,525	6,753

Note 6 – Cash and Cash Equivalents

Cash and Cash Equivalents

	2022 $M	2021 $M
Cash	41	17
Overnight settlements	441	704
As at 30 June	482	721

Cash and cash equivalents include net amounts of $441 million owed to the RBA for overnight clearances of financial transactions through the payments system ($704 million at 30 June 2021). Other cash and cash equivalents include NPA's bank deposits.

Cash and cash equivalents exclude Australian and foreign short-term investments held to implement monetary policy or as part of Australia's foreign reserve assets. These investments are disclosed as Australian dollar investments and foreign currency investments, respectively; further detail is disclosed in Note 15.

Reconciliation of net cash used in operating activities to Net Profit

	Note	2022 $M	2021 $M
Net Profit		(36,700)	(4,332)
Net loss on overseas investments	2	703	107
Net loss on Australian dollar securities	2	45,964	5,154
Net (gain)/loss on foreign currency	2	(1,769)	3,228
Depreciation of property, plant and equipment	2	55	52
Amortisation of computer software	2	20	21
Net payments for investments		(110,603)	(267,996)
(Increase) in interest receivable		(827)	(911)
Increase/(decrease) in interest payable		268	(16)
Cash collateral received		325	132
Other		17	(9)
Net cash used in operating activities		(102,547)	(264,570)

Note 7 – Other Assets

Other Assets

	Note	2022 $M	2021 $M
Shareholding in Bank for International Settlements	1(b)	534	507
Superannuation asset	1(j), 14	433	–
Computer software	1(f)	83	90
Other		87	119
As at 30 June		1,137	716

At 30 June 2022, the gross book value of the RBA's computer software amounted to $197.0 million and the accumulated amortisation on these assets was $114.4 million ($192.9 million and $102.5 million, respectively, at 30 June 2021). During 2021/22, there were $4.1 million in net additions to computer software ($18.3 million in 2020/21) and $20.2 million in amortisation expense ($20.9 million in 2020/21). The RBA had contractual commitments of $0.8 million as at 30 June 2022 for the acquisition of computer software ($0.8 million at 30 June 2021).

Other assets include receivables of $24.1 million at 30 June 2022 ($33.6 million at 30 June 2021).

There were no contract assets at 30 June 2022 (Note 1(m)).

Note 8 – Property, Plant and Equipment

Property, Plant and Equipment

	Land and buildings $M	Plant and equipment $M	Leased assets $M	Total $M
Gross Book Value as at 30 June 2021	**598**	**357**	**26**	**981**
Accumulated depreciation	(1)	(218)	(8)	(227)
Net Book Value	**597**	**139**	**18**	**754**
Additions	13	34	4	51
Depreciation expense	(16)	(34)	(5)	(55)
Net gain/(loss) recognised in Net Profit	–	1	–	1
Net gain/(loss) recognised in Other Comprehensive Income	(6)	–	–	(6)
Disposals	–	(1)	–	(1)
Net additions to net book value	(9)	–	(1)	(10)
Gross Book Value as at 30 June 2022	**603**	**382**	**30**	**1,015**
Accumulated depreciation	(15)	(243)	(13)	(271)
Net Book Value	**588**	**139**	**17**	**744**

The net book value of the RBA's property, plant and equipment includes $48.7 million of work in progress ($48.3 million at 30 June 2021). The carrying amount of leased assets at 30 June 2022 includes

$12.7 million in property and $4.5 million in plant and equipment ($11.3 million and $6.7 million, respectively, at 30 June 2021).

As at 30 June 2022, the RBA had contractual commitments of $220.0 million for acquisitions relating to its property, plant and equipment ($19.2 million at 30 June 2021), of which $88.5 million are due within one year ($16.6 million at 30 June 2021). Included within these contractual commitments is an amount of $207.8 million which relates to the refurbishment of the RBA's Head Office in Sydney, of which $77.5 million is due within one year.

Note 9 – Deposits

Deposits

	2022 $M	2021 $M
Exchange Settlement balances	420,211	341,800
Australian Government	89,595	61,539
State governments	37	44
Foreign governments, foreign institutions and international organisations	3,914	12,193
Other depositors	0	0
As at 30 June	513,757	415,576

Note 10 – Other Liabilities

Other Liabilities

	Note	2022 $M	2021 $M
Provisions			
Provision for annual and other leave	1(i)	31	29
Provision for long service leave	1(i)	51	56
Provision for post-employment benefits	1(i)	78	98
Other		2	4
		162	187
Other			
Securities sold under agreements to repurchase	1(b)	7,893	996
Payable for unsettled purchases of securities	1(b)	143	1,480
Foreign currency swap liabilities	1(b)	1,572	383
Interest accrued on deposits	1(b)	271	5
Superannuation liability	1(j), 14	–	23
Other		74	86
		9,953	2,973
Total Other Liabilities as at 30 June		10,115	3,160

The RBA's provision for its post-employment benefits was $20.0 million lower in 2021/22, largely due to a rise in discount rates used to measure the estimated future cost of providing these benefits in present value terms. Benefits of $4.6 million were paid out of the provision for post-employment benefits in 2021/22. The balance of the provision will change if assumptions about the length of staff service, the longevity of retired staff, future costs of providing benefits, or discount rates vary.

Other provisions include amounts for workers compensation.

Other liabilities include contract liabilities of $11.3 million mainly relating to unearned revenue from the provision of the CLF (Note 1(m)) and $18.9 million in lease liabilities. Interest on lease liabilities was $0.2 million in 2021/22.

Note 11 – Contingent Assets and Liabilities

Committed Liquidity Facility

Since 1 January 2015, the RBA has provided a CLF to eligible ADIs as part of Australia's implementation of the Basel III liquidity standards. The CLF provides ADIs with a contractual commitment to funding under repurchase agreements with the RBA, subject to certain conditions. It was established to ensure that ADIs are able to meet their liquidity requirements under Basel III. The CLF was originally made available to ADIs in Australia because the supply of high-quality liquid assets (HQLA) was lower in Australia than is typical in other major economies (in other countries, these liquidity requirements are usually met by banks' HQLAs on their balance sheet). While the RBA administers the CLF, the Australian Prudential Regulation Authority (APRA) determines which institutions have access to the facility and the limits available. Any drawdown must meet certain conditions, including: APRA does not object to the drawdown; and the RBA assesses that the ADI has positive net worth. Accordingly, the potential funding under the CLF is disclosed as a contingent liability; repurchase agreements associated with providing funding are disclosed as a contingent asset. If an ADI drew on the CLF, the funds drawn would be shown as a deposit liability of the RBA, and the counterpart repurchase agreement as an Australian dollar investment.

In September 2021, APRA and the RBA assessed that there was sufficient HQLA for locally incorporated ADIs to meet their liquidity requirements without the need to utilise the CLF. Accordingly, APRA expects ADIs to reduce their usage of the CLF to zero by the end of 2022. This transition is being made in a series of steps over 2022.

APRA has stated that the CLF will remain available should it need to be reactivated in the future to meet shortfalls in the availability of HQLA.

The aggregate undrawn commitment of the CLF at 30 June 2022 totalled $65 billion for 12 ADIs ($115 billion for 14 ADIs at 30 June 2021).

Bank for International Settlements

The RBA has a contingent liability for the uncalled portion of its shares held in the BIS amounting to $69.6 million at 30 June 2022 ($68.3 million at 30 June 2021).

Insurance

The RBA carries its own insurance risks except when external insurance cover is considered to be more cost-effective or is required by legislation.

Performance guarantees

In the course of providing services to its customers, the RBA provides performance guarantees to third parties in relation to customer activities. Such exposure is not material and has not given rise to losses in the past.

Similarly, the RBA has provided a performance guarantee for pension payments to members of the Reserve Bank of Australia UK Pension Scheme in relation to a UK insurer. This exposure is not material. Further detail is provided in Note 14.

Note 12 – Key Management Personnel

The key management personnel of the RBA are the Governor and Deputy Governor, non-executive members of the Reserve Bank Board, non-executive members of the Payments System Board and the Assistant Governors, who are the senior staff responsible for planning, directing and controlling the activities of the RBA. There were 20 of these positions in 2021/22 (unchanged from 2020/21). A total of 20 individuals occupied these positions for all or part of the financial year (23 in the previous year). Following the resignation of Dr Guy Debelle as Deputy Governor of the Reserve Bank of Australia in March 2022, Ms Michele Bullock was appointed to the position in April 2022. Ms Bullock's previous position of Assistant Governor (Financial System) was filled in July 2022.

The positions of Governor and Deputy Governor are designated as Principal Executive Offices in terms of the *Remuneration Tribunal Act 1973*, which provides for the Remuneration Tribunal to determine the applicable remuneration for these positions. Within the parameters determined by the Remuneration Tribunal, the Reserve Bank Board Remuneration Committee, comprising three non-executive members, makes a recommendation on remuneration for these positions for the approval of the Board, which is the 'employing body' for the positions. In accordance with provisions of the Reserve Bank Act, neither the Governor nor the Deputy Governor takes part in decisions of the Reserve Bank Board relating to the determination or application of any terms or conditions on which either of them holds office. In June 2021, the Remuneration Tribunal determined that no adjustment would be made at that time to the remuneration of offices in its jurisdiction, including Principal Executive Offices. Accordingly, the remuneration reference rates for these positions of Governor and Deputy Governor were unchanged in 2021/22 at $1,061,210 (superannuable salary of $774,683) for the Governor and $795,910 (superannuable salary of $581,014) for the Deputy Governor. Remuneration of any individual occupying these positions in 2021/22 was at the applicable reference rate. No performance payments were made to any individual while occupying these positions in 2021/22.

Fees for non-executive members of the Reserve Bank Board and the Payments System Board are determined by the Remuneration Tribunal. The Governor determines the rates of remuneration of the Assistant Governors. For staff generally, remuneration aims to be market competitive and designed to attract and retain appropriately skilled people. Remuneration levels for employees are externally benchmarked.

The disclosure of key management personnel remuneration is based on AASB 124 – *Related Party Disclosures*, as shown below. The figures are disclosed on an accruals basis and show the full cost to the consolidated entity; they include all leave and fringe benefits tax charges.

Key Management Personnel Remuneration

	2022 $	2021 $
Short-term employee benefits	5,007,991	5,125,974
Post-employment benefits	797,946	805,758
Other long-term employee benefits	56,471	304,513
Termination benefits	–	–
Total compensation[(a)]	**5,862,408**	**6,236,245**

(a) Within the group of key management personnel, 18 individuals (21 in 2020/21) were remunerated and included in this table; the two key management personnel that are not remunerated are the individuals who held the positions of Secretary to the Treasury, as a member of the Reserve Bank Board, and the Chair of APRA, as a member of the Payments System Board.

Short-term benefits include salary and, for relevant executives, lump-sum performance payments and motor vehicle, car parking and health benefits (including any fringe benefits tax on these benefits).

Post-employment benefits include superannuation and, in the case of executives, an estimate of the cost to provide health benefits in retirement. Other long-term employee benefits include long service leave and annual leave, as well as the effect of revaluing previously accrued leave entitlements in accordance with AASB 119 (see Note 10).

There were no loans to Board members or other key management personnel during 2021/22 and 2020/21. Transactions with Board member-related entities and key management personnel that occurred in the normal course of the RBA's operations were incidental and conducted on terms no more favourable than similar transactions with other employees or customers, and at arms-length; any vendor relationships with such entities complied with the RBA's procurement policy.

Note 13 – Auditor's Remuneration

Auditor's Remuneration

	2022 $	2021 $
Fees paid or payable to the statutory auditor (Australian National Audit Office) for audit services	441,091	409,000

KPMG has been contracted by the Australian National Audit Office (ANAO) to provide audit services for the external audit of the RBA and the RBA's subsidiary, NPA.

During 2021/22, KPMG earned additional fees of $52,019 for non-audit services that were separately contracted by the RBA ($34,395 in 2020/21). These fees included professional services provided to the RBA.

Note 14 – Superannuation Funds

The RBA sponsors two superannuation funds: RB Super and the Reserve Bank of Australia UK Pension Scheme.

RB Super is a hybrid plan, with a mix of defined benefit members, defined contribution members and pensioners. Current and future benefits are funded by member and RBA contributions and the existing assets of the scheme. Defined benefit members receive a defined benefit in accordance with RB Super's plan rules. Most members have unitised accumulation balances, which comprise employer contributions and members' personal contributions plus earnings on these contributions. Defined benefit membership was closed to new RBA staff from 1 August 2014. From that date, new staff have been offered defined contribution superannuation. The RBA does not have a role in directly operating or governing RB Super and has no involvement in the appointment of the RB Super Trustees.

The UK Pension Scheme is a closed defined benefit scheme subject to relevant UK regulation. In 2018, the Trustees, with agreement from the RBA, entered into the buy-in side of a bulk purchase annuity contract with Aviva Life and Pensions UK Limited (Aviva) to reduce the funding risk in relation to the UK Pension Scheme's pension liabilities. During 2019 and 2020, the Trustees completed their work with Aviva to convert the buy-in policy to a buy-out policy, thereby fully securing members' benefits with Aviva. The process of winding up the Scheme is expected to be completed in early 2022/23. Defined benefit accrual for current members ceased on 30 June 2018. From that date, current and new staff have been offered defined contribution arrangements in a separate fund.

Funding valuation

An independent actuarial valuation of RB Super is conducted every three years. The most recent review was completed for the financial position as at 30 June 2020 using the Attained Age Funding method. Accrued benefits were determined as the value of the future benefits payable to members (allowing for future salary increases), discounted by the expected rate of return on assets held to fund these benefits. At the time of this review, the surplus was $313 million. On the same valuation basis, the RB Super surplus as at 30 June 2022 amounted to $614 million. The RBA maintained its contribution rate to fund defined benefit obligations at 18.3 per cent of salaries in 2021/22, consistent with the actuary's recommendation.

Accounting valuation

For financial statement purposes, disclosures required by AASB 119 are provided only for RB Super, as the UK Pension Scheme is not material.

Actuarial assumptions

Principal actuarial assumptions for the AASB 119 valuation of RB Super

	2022 Per cent	**2021** Per cent
Discount rate (gross of tax)[(a)]	5.5	3.6
Future salary growth[(b)]	3.0	3.0
Future pension growth[(b)]	3.0	3.0

(a) Based on highly rated Australian dollar-denominated corporate bond yields.

(b) In 2021, this includes a short-term assumption of 2.0 per cent for the first two years of the projections.

Maturity analysis

The weighted average duration of the defined benefit obligation for RB Super is 17 years (20 years at 30 June 2021).

Expected maturity profile for defined benefit obligations of RB Super

	2022 Per cent	**2021** Per cent
Less than 5 years	19	14
Between 5 and 10 years	18	14
Between 10 and 20 years	29	27
Between 20 and 30 years	19	22
Over 30 years	15	23
Total	100	100

Risk exposures

Key risks from the RBA's sponsorship of the RB Super defined benefit plan include investment, interest rate, longevity, salary and pension risks.

Investment risk i s the risk that the actual future return on plan assets will be lower than the assumed rate.

Interest rate risk is the exposure of the defined benefit obligations to adverse movements in interest rates. A decrease in interest rates will increase the present value of these obligations.

Longevity risk is the risk that RB Super members live longer, on average, than actuarial estimates of life expectancy.

Salary risk is the risk that higher than assumed salary growth will increase the cost of providing a salary-related pension.

Pension risk is the risk that pensions increase at a faster rate than assumed, thereby increasing the cost of providing them.

The table below shows the estimated change in the defined benefit obligation resulting from movements in key actuarial assumptions. These estimates change each assumption individually, holding other factors constant; they do not incorporate any correlations among these factors.

Change in defined benefit obligation

	2022 $M	**2021** $M
Change in defined benefit obligation from an increase of 0.25 percentage points in:		
– Discount rate (gross of tax)	(54)	(86)
– Future salary growth	10	18
– Future pension growth	44	68
Change in defined benefit obligation from a decrease of 0.25 percentage points in:		
– Discount rate (gross of tax)	57	93
– Future salary growth	(10)	(18)
– Future pension growth	(42)	(65)
Change in defined benefit obligation from an increase in life expectancy of one year	31	49

Asset distribution

Distribution of RB Super's assets used to fund members' defined benefits at 30 June

	Per cent of fund assets	
	2022	**2021**
Cash and short-term securities	2	2
Fixed interest and indexed securities	9	9
Australian equities	27	28
International equities	27	26
Property	10	10
Private equity	10	10
Infrastructure	10	10
Alternative strategies	5	5
Total	100	100

AASB 119 Reconciliation

The table below contains a reconciliation of the AASB 119 valuation of RB Super. These details are for the defined benefit component only, as the RBA faces no actuarial risk on defined contribution balances and these balances have no effect on the measurement of the financial position of RB Super.

AASB 119 Reconciliation

	2022 $M	**2021** $M
Opening balances:		
Net market value of assets	1,581	1,325
Accrued benefits	(1,604)	(1,572)
Opening superannuation asset/(liability)	**(23)**	**(247)**
Change in net market value of assets	(10)	256
Change in accrued benefits	467	(32)
Change in superannuation asset/(liability)	**456**	**224**
Closing balances:		
Net market value of assets	1,571	1,581
Accrued benefits	(1,138)	(1,604)
Closing superannuation asset/(liability)	**433**	**(23)**
Interest income	56	46
Benefit payments	(49)	(49)
Return on plan assets	(36)	240
Contributions from RBA to defined benefit schemes	19	19
Change in net market value of assets	**(10)**	**256**
Current service cost	(44)	(44)
Interest cost	(58)	(54)
Benefit payments	49	49

	2022 $M	2021 $M
Gains/(losses) from change in demographic assumptions	–	(58)
Gains/(losses) from change in financial assumptions	524	21
Gains/(losses) from change in other assumptions	(4)	54
Change in accrued benefits	**467**	**(32)**
Current service cost	(44)	(44)
Net Interest (expense)/income	(2)	(8)
Productivity and superannuation guarantee contributions	(11)	(11)
Superannuation (expense)/income included in profit or loss	(57)	(63)
Actuarial remeasurement gain/(loss)	**484**	**257**
Superannuation (expense)/income included in Statement of Comprehensive Income	**426**	**194**

The components of this table may not add due to rounding.

Note 15 – Financial Instruments and Risk

As the central bank in Australia, the RBA is responsible for implementing monetary policy, facilitating the smooth functioning of the payments system and managing Australia's foreign reserve assets. Consequently, the RBA holds a range of financial assets, including government securities, repurchase agreements and foreign currency swaps. With regard to financial liabilities, the RBA issues Australia's banknotes and takes deposits from its customers, mainly the Australian Government, and eligible financial institutions. The RBA also provides banking services to its customers and operates Australia's high-value payments and interbank settlement systems.

Financial risk

The RBA is exposed to a range of financial risks that reflect its policy and operational responsibilities. These risks include market risk, liquidity risk and credit risk. The chapters on 'Operations in Financial Markets' and 'Risk Management' provide information on the RBA's management of these financial risks. The RBA's approach to managing financial risk is set out in the Risk Appetite Statement available on the RBA website.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. In the RBA's case, market risk comprises foreign exchange risk and interest rate risk.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or cash flows of the RBA's foreign currency assets and liabilities will fluctuate because of movements in exchange rates. The RBA's net foreign currency exposure as at 30 June 2022 was $52.6 billion ($51.6 billion as at 30 June 2021). An appreciation in the Australian dollar would result in valuation losses, while a depreciation would lead to valuation gains. The overall level of foreign currency exposure is determined by policy considerations. Foreign currency risk can be mitigated to a limited extent by holding assets across a diversified portfolio of currencies. The RBA holds foreign reserves in seven currencies – the US dollar, euro, Japanese yen, Canadian dollar, Chinese renminbi, UK pound sterling and South Korean won.

The RBA also undertakes foreign currency swaps to assist its daily domestic liquidity management and in managing foreign reserve assets and Australia's foreign currency commitments as a member of the IMF. These instruments carry no foreign exchange risk.

Concentration of foreign exchange

The RBA's net holdings of foreign exchange (excluding Special Drawing Rights and Asian Bond Fund 2) were distributed as follows as at 30 June.

Concentration of foreign exchange

	Per cent of foreign exchange	
	2022	**2021**
US dollar	55	55
Euro	20	20
Japanese yen	5	5
Canadian dollar	5	5
Chinese renminbi	5	5
UK pound sterling	5	5
South Korean won	5	5
Total foreign exchange	100	100

Sensitivity to foreign exchange risk

The sensitivity of the RBA's profit and equity to a movement of +/–10 per cent in the value of the Australian dollar exchange rate as at 30 June is shown below. These figures are generally reflective of the RBA's exposure over the financial year.

Sensitivity to foreign exchange risk

	2022 $M	**2021** $M
Change in profit/equity due to a 10 per cent:		
– appreciation in the reserves-weighted value of the A$	(4,812)	(4,693)
– depreciation in the reserves-weighted value of the A$	5,881	5,736

Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of financial instruments will fluctuate because of movements in market interest rates. The RBA faces interest rate risk because most of its assets are financial assets that have a fixed income stream, such as Australian dollar and foreign currency securities. The price of such securities rises when market interest rates decline, and it falls if market rates rise. Interest rate risk increases with the maturity of a security. Interest rate risk on foreign assets is controlled through limits on the duration of these portfolios.

Sensitivity to interest rate risk

The figures below show the effect on the RBA's profit and equity of a movement of +/–1 percentage point in interest rates, given the level, composition and modified duration of the RBA's foreign currency and Australian dollar securities as at 30 June. The increase in interest rate risk on Australian dollar securities is primarily due to purchases under the bond purchase program, which have increased the RBA's holdings at 30 June 2022. Purchases under the program concluded in February 2022.

Sensitivity to interest rate risk

	2022 $M	**2021** $M
Change in profit/equity due to movements of +/–1 percentage point across yield curves:		
– Foreign currency securities	–/+282	–/+294
– Australian dollar securities	–/+16,313	–/+13,650

Liquidity risk

Liquidity risk is the risk that the RBA will not have the resources required at a particular time to meet its obligations to settle its financial liabilities. As the ultimate source of liquidity in Australian dollars, the RBA can create liquidity in unlimited amounts in Australian dollars at any time. A small component of the RBA's liabilities is in foreign currencies, namely foreign repurchase agreements and, at times, obligations to repurchase gold sold under gold swap agreements.

Liquidity risk may also be associated with the RBA, in extraordinary circumstances, being forced to sell a financial asset at a price less than its fair value. The RBA manages this risk by holding a diversified portfolio of highly liquid Australian dollar and foreign currency assets.

The analysis of portfolio maturity in the table that follows is based on the RBA's contracted portfolio as reported in the RBA's Statement of Financial Position. All financial instruments are shown at their remaining term to maturity, which is equivalent to the repricing period. Other liabilities include amounts outstanding under repurchase agreements and obligations to repurchase gold sold under gold swap agreements. Foreign currency swaps reflect the gross contracted amount of the RBA's outstanding foreign currency swap positions.

Maturity Analysis – as at 30 June 2022

	Balance sheet total $M	Contracted maturity $M					No specified maturity $M	Weighted average effective rate %
		On demand	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Assets								
Cash and cash equivalents	482	39	441	–	–	–	2	0.55
Australian dollar investments								
Securities sold under repurchase agreements	4,178	–	–	–	3,977	201	–	3.05
Securities purchased under repurchase agreements	201,123	–	10,574	12,367	175,265	–	2,917	0.22
Other securities	330,619	–	2,763	16,321	136,168	175,367	–	3.38
Accrued interest	2,222	–	548	1,245	429	–	–	n/a
	538,142							
Foreign currency investments								
Balance with central banks	13,592	12,705	887	–	–	–	–	0.10
Securities sold under repurchase agreements	3,646	–	–	591	3,055	–	–	2.25
Securities purchased under repurchase agreements	3,864	–	3,864	–	–	–	–	0.92
Other securities	44,351	–	18,248	8,639	10,252	106	7,106	1.27
Deposits	696	0	696	–	–	–	–	2.37
Cash collateral provided	279	–	279	–	–	–	–	0.81
Accrued interest	69	–	50	19	–	–	–	n/a
	66,497							

	Balance sheet total $M	Contracted maturity $M					No specified maturity $M	Weighted average effective rate %
		On demand	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Gold								
Gold holdings on loan	510	–	170	340	–	–	–	0.10
Gold holdings	6,262	–	–	–	–	–	6,262	n/a
	6,772							
Property, plant & equipment	744	–	–	–	–	–	744	n/a
Other assets	1,137	–	31	9	1	0	1,096	n/a
Total assets	**613,774**	**12,744**	**38,551**	**39,531**	**329,147**	**175,674**	**18,127**	**2.03**
Liabilities								
Deposits	513,757	427,672	86,085	–	–	–	–	0.81
Distribution payable to the Commonwealth	–	–	–	–	–	–	–	n/a
Cash collateral received	715	–	715	–	–	–	–	0.81
Australian banknotes on issue	102,345	–	–	–	–	–	102,345	0.02
Other liabilities	9,400	–	8,371	327	540	2	160	0.38
Total liabilities	**626,217**	**427,672**	**95,171**	**327**	**540**	**2**	**102,505**	**0.67**
Capital and reserves	(12,443)							
Total balance sheet	**613,774**							
Swaps								
Australian dollars								
– Contractual outflow	(56)	–	(56)	–	–	–	–	n/a
– Contractual inflow	8,889	–	331	2,285	6,273	–	–	n/a
	8,833	–	275	2,285	6,273	–	–	

	Balance sheet total $M		Contracted maturity $M				No specified maturity $M	Weighted average effective rate %
		On demand	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Foreign currency								
– Contractual outflow	(34,760)	–	(25,976)	(2,511)	(6,273)	–	–	n/a
– Contractual inflow	25,927	–	25,701	226	–	–	–	n/a
	(8,833)	–	(275)	(2,285)	(6,273)	–	–	

Maturity Analysis – as at 30 June 2021

	Balance sheet total $M	Contracted maturity $M					No specified maturity $M	Weighted average effective rate %
		On demand	0 to 3months	3 to 12 months	1 to 5 years	Over 5 years		
Assets								
Cash and cash equivalents	721	14	704	–	–	–	3	0.00
Australian dollar investments								
Securities sold under repurchase agreements	979	–	–	–	960	19	–	0.43
Securities purchased under repurchase agreements	221,994	–	7,704	–	187,722	–	26,568	0.14
Other securities	250,587	–	355	4,572	92,076	153,584	–	0.90
Accrued interest	1,414	–	352	875	187	–	–	n/a
	474,974							
Foreign currency investments								
Balance with central banks	14,756	14,024	732	–	–	–	–	0.00
Securities sold under repurchase agreements	–	–	–	–	–	–	–	n/a
Securities purchased under repurchase agreements	281	–	281	–	–	–	–	0.05
Other securities	41,047	–	16,786	7,886	10,103	93	6,179	0.22
Deposits	524	0	524	–	–	–	–	2.53
Cash collateral provided	52	–	52	–	–	–	–	0.03
Accrued interest	50	–	33	17	–	–	–	n/a
	56,710							

	Balance sheet total $M	Contracted maturity $M					No specified maturity $M	Weighted average effective rate %
		On demand	0 to 3months	3 to 12 months	1 to 5 years	Over 5 years		
Gold								
Gold holdings on loan	454	–	303	151	–	–	–	0.09
Gold holdings	5,568	–	–	–	–	–	5,568	n/a
	6,022							
Property, plant & equipment	754	–	–	–	–	–	754	n/a
Other assets	716	–	39	10	3	1	663	n/a
Total assets	**539,897**	**14,038**	**27,865**	**13,511**	**291,051**	**153,697**	**39,735**	**0.50**
Liabilities								
Deposits	415,576	359,025	56,551	–	–	–	–	0.01
Distribution payable to the Commonwealth	2,671	–	2,671	–	–	–	–	n/a
Cash collateral received	163	–	163	–	–	–	–	0.03
Australian banknotes on issue	95,485	–	–	–	–	–	95,485	0.00
Other liabilities	2,997	–	2,596	2	188	3	208	(0.04)
Total liabilities	**516,892**	**359,025**	**61,981**	**2**	**188**	**3**	**95,693**	**0.01**
Capital and reserves	23,005							
Total balance sheet	**539,897**							
Swaps								
Australian dollars								
– Contractual outflow	(29)	–	(29)	–	–	–	–	n/a
– Contractual inflow	4,449	–	75	–	4,374	–	–	n/a
	4,420	–	46	–	4,374	–	–	

	Balance sheet total $M	Contracted maturity $M					No specified maturity $M	Weighted average effective rate %
		On demand	0 to 3months	3 to 12 months	1 to 5 years	Over 5 years		
Foreign currency								
– Contractual outflow	(28,159)	–	(23,785)	–	(4,374)	–	–	n/a
– Contractual inflow	23,739	–	23,739	–	–	–	–	n/a
	(4,420)	–	(46)	–	(4,374)	–	–	

Credit risk

Credit risk is the potential for financial loss arising from an issuer or counterparty defaulting on its obligations to repay principal, make interest payments due on an asset, or settle a transaction. The RBA's credit exposure is managed within a framework designed to contain risk to a level consistent with its very low appetite for such risk. In particular, credit risk is controlled by holding securities issued by a limited number of highly rated governments, government-guaranteed agencies and supranational organisations and holding high-quality collateral under reverse repurchase agreements.

The RBA held no impaired assets at 30 June 2022 or 30 June 2021.

The RBA's maximum exposure to credit risk for each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the balance sheet.

The RBA's maximum credit risk exposure to derivative financial instruments is:

1. *Foreign exchange swaps* – As at 30 June 2022, the RBA was under contract to purchase $25.9 billion of foreign currency ($23.7 billion at 30 June 2021) and sell $34.8 billion of foreign currency ($28.2 billion at 30 June 2021). As of that date there was a net unrealised gain of $0.5 billion on these swap positions included in net profit (less than $0.1 billion unrealised loss at 30 June 2021).

   The RBA has a credit exposure from foreign exchange swaps because of the risk that a counterparty might fail to deliver the second leg of a swap, a sum that would then have to be replaced in the market, potentially at a loss. To manage credit risk on both foreign exchange and gold swaps (see 'Gold exchanged under gold swap agreements' below), the RBA exchanges collateral with counterparties under terms specified in credit support annexes (CSAs), which cover the potential cost of replacing the swap position in the market if a counterparty fails to deliver. The RBA's CSAs specify that only Australian dollar cash is eligible as collateral. Under CSAs, either party to the agreement may be obliged to deliver collateral with interest paid or received on a monthly basis. At 30 June 2022, the RBA held $0.4 billion of collateral ($0.1 billion of collateral was held at 30 June 2021).

2. *Bond futures* – As at 30 June 2022, the RBA did not hold any bond futures contracts (as at 30 June 2021, the amount of credit risk on margin accounts associated with bond futures contracts held by the RBA was approximately $2.4 million with unrealised losses of less than $0.1 million on those contracts).

Assessment of expected credit loss under AASB 9

The RBA assesses its financial assets carried at amortised cost, mainly its reverse repurchase agreements, gold swaps and foreign currency-denominated balances held with other central banks, for any deterioration in credit quality which could result in losses being recorded. The RBA's assessment is done on an individual exposure basis and takes account of: the counterparties with which balances are held; the collateral, if any, it holds against exposures and the terms upon which collateral is margined; and the remaining terms to maturity of such exposures. Based on the assessment at 30 June 2022, the provision for expected credit losses was immaterial.

Collateral held under reverse repurchase agreements

Cash invested under reverse repurchase agreements in overseas markets is secured against government securities or securities issued by US agencies; the RBA takes and maintains collateral to the value of 102 per cent of the cash invested.

Cash invested under Australian dollar reverse repurchase agreements is secured by securities issued by Australian governments, supranational organisations, banks and various corporate and asset-backed securities. The RBA holds collateral equivalent to the amount invested plus a margin according to the risk profile of the collateral held. If the current value of collateral falls by more than a predetermined amount, the counterparty is required to provide additional collateral to restore this margin; the thresholds are specified in the legal agreement that governs these transactions. The management of collateral and cash associated with tri-party repurchase agreements is conducted through a third party, in this case the Australian Securities Exchange. The terms and requirements of tri-party repurchase agreements are broadly consistent with bilateral agreements and the RBA manages the risk in a similar way. The RBA does not sell or re-pledge securities held as collateral under reverse repurchase agreements.

Collateral provided under repurchase agreements

At 30 June 2022, the carrying amount of securities sold and contracted for purchase under repurchase agreements was $7.9 billion ($1.0 billion at 30 June 2021). Terms and conditions of repurchase agreements are consistent with those for reverse repurchase agreements disclosed above.

Gold exchanged under gold swap agreements

Credit exposure from gold swaps is managed under CSAs the RBA has established with its swap counterparties, which cover both gold swaps and foreign exchange swaps. Australian dollar cash collateral is exchanged to cover the potential cost of replacing swap positions in the market if a counterparty fails to meet their obligations. The potential cost is assessed as the net costs of replacing all outstanding swap positions covered by the CSA.

There was no gold swap agreement outstanding at 30 June 2022 or 30 June 2021.

Concentration of credit risk

As noted, the RBA operates to minimise its credit risk exposure through comprehensive risk management policy guidelines. The following table indicates the concentration of credit risk in the RBA's investment portfolio at 30 June.

Concentration of credit risk

	Risk rating of security/ issuer[(a)]	Risk rating of counterparties[(a)]	Per cent of Investments 2022	2021
Australian dollar investments				
Holdings of Australian Government Securities	Aaa	n/a	43.8	37.8
Holdings of semi-government securities	Aaa	n/a	2.7	0.1
	Aa	n/a	7.7	8.7
Securities purchased under reverse repurchase agreements	Aaa	Aa	22.4	29.1
	Aaa	A	5.9	7.0
	Aaa	Baa	1.3	1.4
	Aaa	Other[(b)]	0.2	0.5
	Aa	Aa	0.7	0.5

	Risk rating of security/ issuer[a]	Risk rating of counterparties[a]	Per cent of Investments 2022	2021
	Aa	A	0.8	1.3
	Aa	Baa	0.3	0.1
	Aa	Other[b]	0.0	0.3
	A	Aa	0.3	0.2
	A	A	0.6	0.7
	A	Baa	0.2	0.1
	A	Other[b]	0.0	–
	Baa	Aa	0.0	0.0
	Baa	A	0.1	0.1
	Baa	Baa	0.0	0.0
	Baa	Other[b]	0.0	–
Securities sold under repurchase agreements	Aaa	Aa	0.6	0.1
	Aaa	A	0.1	–
	Aaa	Other[b]	0.0	–
	Aa	Aa	0.0	–
Foreign investments				
Holdings of securities	Aaa	n/a	3.2	3.5
	Aa	n/a	0.7	1.5
	A	n/a	2.8	2.5
	Other	n/a	0.3	–
Securities purchased under reverse repurchase agreements	Aaa	Aa	0.4	0.1
	Aaa	A	0.0	–
	Aa	A	0.2	–
Securities sold under repurchase agreements	Aaa	Aa	0.4	–
	Aaa	A	0.2	–
Deposits	n/a	Aaa	0.4	0.4
	n/a	Aa	0.0	0.0
	n/a	A	1.9	2.4
	n/a	Ba	0.0	–
	n/a	B	0.0	–
	n/a	Other[b]	0.1	0.1
Other	Aaa	A	0.0	0.1
	Aaa	Other[b]	0.0	–
	n/a	Aaa	0.0	–
	n/a	Aa	0.2	–
	n/a	A	0.0	–

	Risk rating of security/ issuer[a]	Risk rating of counterparties[a]	Per cent of Investments	
			2022	2021
Other assets			1.5	1.4
			100.0	100.0

(a) Average of the credit ratings of the three major rating agencies, where available.

(b) This category includes counterparties that are not rated.

Note 16 – Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. This is the quoted market price if one is available. The RBA's financial assets measured at fair value include its holdings of Australian dollar securities, foreign government securities, bond futures, foreign currency swap contracts and its shareholding in the BIS. Non-financial assets carried on the balance sheet at fair value include the RBA's property and gold holdings. Other than derivatives, there are no financial liabilities measured at fair value.

AASB 13 requires financial and non-financial assets and liabilities measured at fair value to be disclosed according to their position in the fair value hierarchy. This hierarchy has three levels: valuation for Level 1 is based on quoted prices in active markets for identical assets; for Level 2, valuation is based on quoted prices or other observable market data not included in Level 1; Level 3 includes inputs to valuation other than observable market data.

The table below presents the RBA's assets and liabilities measured and recognised at fair value and their classification within the fair value hierarchy at 30 June 2022.

Fair Value Hierarchy – as at 30 June 2022

	Fair Value			Amortised Cost	Total
	Level 1 $M	Level 2 $M	Level 3 $M	$M	$M
As at 30 June 2022					
Financial assets					
At fair value through profit or loss					
– Australian dollar securities	332,829	3,693	–	n/a	336,522
– Foreign government securities	40,911	5,582	–	n/a	46,493
– Foreign currency swaps	0	1,331	–	n/a	1,331
At fair value through other comprehensive income					
– Shares in international and other institutions	–	–	534	n/a	534
At amortised cost	n/a	n/a	n/a	220,798	220,798
	373,740	10,606	534	220,798	605,678
Non-financial assets					
– Land and buildings	–	–	588	12	600
– Gold holdings	6,772	–	–	n/a	6,772
– Other	–	–	–	724	724

	Fair Value Level 1 $M	Fair Value Level 2 $M	Fair Value Level 3 $M	Amortised Cost $M	Total $M
	6,772	–	588	736	8,096
Total assets	**380,512**	**10,606**	**1,122**	**221,534**	**613,774**
Financial liabilities					
At fair value through profit or loss					
– Foreign currency swaps	–	856	–	n/a	856
Not at fair value through profit or loss	n/a	n/a	n/a	625,168	625,168
	–	856	–	625,168	626,024
Non-financial liabilities	n/a	n/a	n/a	193	193
Total liabilities	**–**	**856**	**–**	**625,361**	**626,217**

Fair Value Hierarchy – as at 30 June 2021

	Fair Value Level 1 $M	Fair Value Level 2 $M	Fair Value Level 3 $M	Amortised Cost $M	Total $M
As at 30 June 2021					
Financial assets					
At fair value through profit or loss					
– Australian dollar securities	250,029	2,705	–	n/a	252,734
– Foreign government securities	35,386	4,982	–	n/a	40,368
– Foreign currency swaps	–	212	–	n/a	212
At fair value through other comprehensive income					
– Shares in international and other institutions	–	–	510	n/a	510
At amortised cost	n/a	n/a	n/a	239,125	239,125
	285,415	7,899	510	239,125	532,949
Non-financial assets					
– Land and buildings	–	–	597	12	609
– Gold holdings	6,021	–	–	n/a	6,021
– Other	–	–	–	318	318
	6,021	–	597	330	6,948
Total assets	**291,436**	**7,899**	**1,107**	**239,455**	**539,897**
Financial liabilities					
At fair value through profit or loss					
– Foreign currency swaps	–	220	–	n/a	220
Not at fair value through profit or loss	n/a	n/a	n/a	516,409	516,409
	–	220	–	516,409	516,629
Non-financial liabilities	n/a	n/a	n/a	263	263

	Fair Value Level 1 $M	Level 2 $M	Level 3 $M	Amortised Cost $M	Total $M
Total liabilities	**–**	**220**	**–**	**516,672**	**516,892**

The RBA's Level 2 financial instruments include foreign currency swaps priced with reference to an active market yield or rate, but which have been interpolated to reflect maturity dates. Prices for some Australian dollar and foreign currency-denominated securities are derived from markets that are not considered active.

Level 3 assets include the RBA's shareholding in the BIS and its property (excluding leased property, which is recorded at amortised cost). The shareholding in the BIS is valued using the net asset value, as published in annual financial statements of the BIS, less a discount of 30 per cent. The discount applied is based on a Hague Arbitral Tribunal decision on compensation paid to former private shareholders in 2002, which remains the latest repurchase conducted by the BIS. Fair values of the RBA's property incorporate factors such as net market income and capitalisation rates, for property valued using an income capitalisation or a discounted cash flow approach, and depreciation rates for property valued using a depreciable replacement cost methodology.

There were no transfers between levels within the fair value hierarchy during the financial year.

Movements in the fair value of the RBA's property during the financial year are detailed in Note 8. Fair value changes in the RBA's shareholdings in international and other institutions reflect valuation movements recognised in Other Comprehensive Income and the divestment of the RBA's interest in NPP Australia Limited.

Note 17 – Subsequent Events

Unless otherwise disclosed in these financial statements, there are no events subsequent to 30 June 2022 to be disclosed.