



Treasury Corporation of Victoria

ANNUAL REPORT 2022 – 2023

ENHANCING FINANCIAL
OUTCOMES FOR VICTORIA

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Reference to Credit Ratings

All references to credit ratings in this document are provided for information purposes only. A credit rating is not a recommendation to buy, sell or hold any financial product. Such ratings are subject to revision or withdrawal at any time by the relevant rating agency.

Our Purpose

Treasury Corporation of Victoria (TCV or the Corporation) supports the State of Victoria (the State) and its agencies and departments by sourcing funding and assisting in the management of their financial risks.

We work together to understand each organisation's specific financing, investment and market risks, and provide the appropriate products, services and advice to manage these risks.

By centralising the financing, short-term investment and advisory expertise into one entity, the State ensures it has a single interface to financial markets to:

- centrally manage financing and short-term investment risk, and harvest the benefits of scale
- attract and retain employees who have the experience and expertise to meet our obligations, customer support and advisory needs
- manage liquidity at a Whole of State level
- promote the State's profile and reputation in domestic and international financial markets to support issuance
- prudently manage the interest rate, refinancing, credit, liquidity, foreign currency, commodity, information security and enterprise risks to which TCV is exposed
- support the State's activities in regard to the Rating Agencies.

The *Treasury Corporation of Victoria Act 1992* (TCV Act) enables TCV to provide services to Participating Authorities (public authorities accepted by TCV) and Departments of the State and Local Government.

In addition, at the direction of the Treasurer, TCV also lends to entities including housing associations, sporting associations and local governments.

At 30 June 2023, there were 150 Participating Authorities (2022: 146) in addition to the Budget Sector.

Our Borrowing Programs

TCV maintains a range of borrowing programs to facilitate access to long and short-term funding in domestic and international debt capital markets which allow us to access a diverse investor base. Our active management of these programs allows TCV to source funds at competitive pricing even in challenging market conditions.

Our Guarantee

Our payment obligations in relation to borrowings and derivative transactions are guaranteed by the State of Victoria (section 32 of the TCV Act). Our loans to all clients are guaranteed by the State of Victoria.

Our relationship with the Treasurer of Victoria

The Treasurer of Victoria (Treasurer) is responsible for the administration of the TCV Act.

In the exercise of its powers and performance of its functions under the TCV Act, TCV is subject to the general direction, control and specific approvals, requests, and determinations of the Treasurer.

Each year, TCV must pay from its surpluses to the Consolidated Fund of the Government of Victoria a dividend in such amount as the Treasurer determines.

The Treasurer's interests are monitored by the Department of Treasury and Finance (DTF), with Prudential oversight provided by an independent Prudential Supervisor.

Our Chair, on behalf of the Board of Directors, reports to the Treasurer.

Our People

Supporting and developing our people is the key to TCV's continued success, where everyone is valued, respected and has equal opportunities for promotion and advancement.

Our People and Culture strategy is aimed at fostering leadership, improving performance, developing our people, enhancing our ability to attract and retain the best employees and embedding diversity, health and wellbeing.

TCV's behavioural framework supports our performance through commercial acumen, communication, relationship management, management effectiveness, proactivity, problem solving, empathy and technical skills, with a particular focus on risk management.

TCV promotes the public sector values which include responsiveness, integrity, impartiality, accountability, respect, leadership and the promotion of human rights. The public sector values underpin the behaviours that the government and community expect of all public sector employees.

Report of the Chair and Managing Director

2022-23 was a year of considerable uncertainty, as a result of significant events including: the turn in the interest rate cycle; tighter market liquidity; the war in Ukraine and other geopolitical tensions; changes to the Bank of Japan's yield curve control settings; and the collapse of US regional banks.

Over the year, the Reserve Bank responded to significant shifts in expectations for inflation, interest rates and economic growth, increasing its cash rate target by 350bps while the domestic 10-year Commonwealth bond yield traded in a range of over 120bps.

Despite this challenging environment, TCV delivered excellent results. Among its achievements, TCV successfully completed \$33.4 billion in funding for the State of Victoria growing the loan book to \$125.9 billion, maintained approximately \$12.9 billion in liquid assets to support the State's liquidity position, and welcomed a further eleven new local government clients to the business. Importantly, TCV remained committed to providing quality guidance and support to an increasingly diverse client base.

TCV also supported the development and publication of Victoria's ground-breaking Climate-related Risk Disclosure Statement, and continued to issue under our Sustainability Bond framework, raising over \$1.2 billion for eligible green and social assets and projects throughout the year.

The strength of TCV's risk management framework and culture, and our robust information technology platform, have served us well through market volatility and growth in the business and we remain vigilant in light of the evolving, and dynamic environment.

Among the achievements, we remain thankful for the many relationships that are critical to our success. We have the privilege of working closely and collegiately with the government, and particularly with the Department of Treasury and Finance. Our clients continue to provide positive feedback and appreciation for TCV's expertise, and collaborative approach. We are grateful for the trust that is placed in us as partners to our clients. Similarly, feedback from our investors and dealers remains positive and makes mention of TCV's agile and proactive approach to issuance, as well as our professionalism and responsiveness in managing the funding program. We are proud to have the confidence and trust of our clients, and the ongoing backing of and engagement from our investors and dealers and we look forward to continuing to work together in a way befitting of their confidence.

None of this would be possible without our people. TCV has a strong culture of care – for our people, our clients, and our community. We are grateful for the commitment, expertise, resilience and flexibility of our employees and would like to acknowledge their efforts that contributed to the notable achievements of 2022-23. We would also like to take this opportunity to thank our Board, whose guidance, support and dedication allows us to continue to focus on delivering superior outcomes for the State.

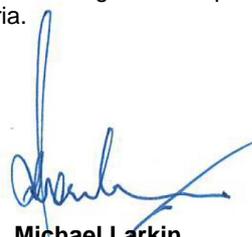
There have been some significant changes over the year, including at the management level. The Board would like to express its sincere gratitude for the exemplary service and leadership of Bill Whitford, and Mark Engeman. Bill retired as Managing Director in January 2023, and Mark is retiring as Deputy Managing Director and Corporation Secretary in August 2023. The Board also extends its thanks to Pamela Hauser, who retired from the Board this year. We welcomed our new Managing Director, Michael Larkin in February of 2023 and our newest director, Peter McGregor in May 2023.

As always, we are deeply appreciative of the guidance and support from the Treasurer, Tim Pallas, his staff, and the team at the Department of Treasury and Finance.

As we head into another year, we remain very focused on delivering on the important tasks ahead to ensure that we meet the expectations and needs of the State of Victoria.



Cassandra Kelly
Chair
10 August 2023



Michael Larkin
Managing Director
10 August 2023

Performance

TCV focuses on financial and non-financial objectives and performance indicators, which are agreed with the Victorian Treasurer as part of the yearly Corporate Planning process.

The table below summarises TCV's performance for the reporting period against these objectives:

Objective / Indicator	Outcome 2022-23
Delivery of the State's financing requirements	A key part of TCV's business model is to provide financing to Participating Authorities and other borrowing clients in the volume and maturity which they require. TCV once again achieved this objective through the year, meeting the 2022-23 financing requirement. Through our investor and dealer relationships and debt issuance programs, TCV retains strong access to funding markets.
Management of market risk within approved parameters	TCV employs a number of risk measures to manage its market risk. Principal amongst these is a Value at Risk (VaR) parameter, determined by the Board and approved by the Victorian Treasurer through the TCV Corporate Plan. Over the 2022-23 financial year, TCV managed market risk within approved limits.
Financial performance	TCV seeks to generate a positive return, representing the financial value added of our risk management activities, and the adherence to our approved operating budget. This is measured through a 'Return from at risk revenue on adjusted Equity' calculation (ROE). For 2022-23, TCV delivered a ROE of 32.9% and Net Profit of \$112.8 million.
Client satisfaction	TCV regularly measures client satisfaction through an independent Client Survey. The formal survey was last undertaken in May 2021 and delivered a high level of client satisfaction and a continued improvement in our Net Promotor Score. Informal feedback throughout the year continues to indicate high levels of client satisfaction. The next client survey will be undertaken during 2023-24.
Capacity	The Corporation's ability to deliver our critical tasks is observable through a number of metrics including Audit and Prudential supervision findings and our operational risk reporting. Throughout the year, these reports show that TCV continues to perform at a high level and maintain a strong operating capacity.
People	TCV has enjoyed a long period of stable leadership with low staff turnover and employee engagement in the top quartile in the most recent survey conducted in 2023. TCV successfully navigated the pandemic, looking after our people while continuing to deliver for our clients and execute our funding task against the backdrop of volatile markets. TCV's Corporate Plan seeks to build TCV's resilience through succession planning, talent management, learning and development, a renewed focus on leadership and a review of our employee value proposition.
OHS	TCV ensures the safety of our people through the oversight of the Board and OHS committees, and through a thorough training and compliance process. There were no notifiable incidents in 2022-2023.

Financial Summary

Income Summary	2022-23	2021-22	2020-21	2019-20	2018-19
	\$ million				
Net profit	113	92	132	52	50
Dividends paid	-	132	52	50	50
Balance sheet	2022-23	2021-22	2020-21	2019-20	2018-19
	\$ million				
Cash and cash equivalents	4,496	4,021	358	571	2,534
Investments	11,772	8,749	4,212	3,448	6,708
Derivatives	293	324	360	448	312
Loans	125,938	104,625	91,898	65,573	42,886
Other assets	5	193	269	72	267
Total assets	142,504	117,912	97,097	70,112	52,707
Other liabilities	9,842	10,906	6,014	7,031	3,537
Deposits	30	60	203	209	2,087
Derivatives	585	677	394	406	289
Domestic benchmark bonds	111,019	86,331	78,480	51,712	39,700
Domestic borrowings other	19,685	18,680	10,263	9,898	6,633
Offshore borrowings	994	1,023	1,442	643	233
Total liabilities	142,155	117,677	96,796	69,899	52,479
Total equity	349	235	301	213	228

Treasury Client Services

A core part of our business model is the provision of services to the State's departments, agencies and various business enterprises to assist them manage their funding and financial risks. This year these services included the activities detailed below.

Lending and Advisory Services

Total loans outstanding to the Budget Sector Debt Portfolio (BSDP) was \$120.1 billion at 30 June 2023. Loans to Participating Authorities and other organisations such as co-operatives, associations and companies that have the Treasurer's approval to borrow from TCV increased by \$1.2 billion to \$18.1 billion.

We continue to work closely with our Participating Authorities in the management of their debt portfolios. Debt management discussions are held regularly with our clients, including Barwon Region Water Corporation, Development Victoria, DTF, Greater Western Water, Melbourne Water Corporation, South East Water, Yarra Valley Water and the regional water corporations. TCV's advice includes portfolio activity and strategy reviews, treasury policy updates, debt structuring advice, interest cost scenario analysis and cash management strategies.

A key part of debt management discussions with Victoria's water corporations relates to the calculation and annual update of the trailing 10-year average debt allowance provided by the Essential Services Commission (ESC), the regulatory body responsible for setting prices for the water and sewerage services. The current trailing 10-year average methodology was again confirmed in the renewal of pricing determinations this year, and we have advised our water clients about the management of the relevant risk exposures and debt management practice that is aligned to the trailing average approach.

Foreign Exchange

DTF's foreign exchange risk management policy requires agencies and authorities to hedge any material foreign exchange exposures with TCV. We actively communicate this policy in our discussions with clients.

During 2022-23, TCV provided foreign exchange advice and services to clients in a number of government sectors including the arts, sports, utilities, transport and protective services. Over 136 transactions totalling approximately \$89 million Australian dollar equivalent of foreign exchange transactions were arranged for our clients.

Department of Treasury & Finance

TCV continues to maintain a very strong relationship with DTF and its officers. The points of focus for the year included:

- fulfillment of the State's funding requirements and the management of the BSDP. Funds on lent to the portfolio were \$25.5 billion over the year
- implementation of the updated Whole of State Liquidity Policy
- providing advice and support to DTF's Debt Portfolio Management Committee
- managing the daily funding of the State's One Account on behalf of DTF
- administering the State's lending schemes and monitoring financial covenant compliance
- providing advice and assistance on the policies relevant to the treasury operations of government business enterprises and departments
- supporting DTF by facilitating our clients' understanding and awareness of the State's treasury risk management philosophy.

These activities, together with management of the Budget Sector Debt Portfolio reduce Whole of State financing risks.

Client Engagement

TCV is dedicated to helping our clients manage their financial risks and fostering strong relationships with their finance teams. The Treasury Client Services (TCS) team met regularly with clients throughout the year and delivered webinars and electronic broadcasts on the economy and financial markets.

TCS also develops relationships with client industry associations and supports these organisations through sponsorships and the provision of conference presentations. This included supporting FinPro, the association that provides training and support to finance professionals across the Local Government sector, as well as VicWater and the Institute of Water Administrators' annual conferences.

State Banking Contract

TCV is responsible for the daily management of the State's One Account arrangements under the Victorian Government Banking and Financial Services State Purchase Contract (SPC) with the Commonwealth Bank of Australia (CBA), National Australia Bank (NAB) and Westpac Banking Corporation (Westpac).

Under the SPC, government agencies and public non-financial corporations (PNFC) have the ability to manage their banking arrangements with either Westpac, CBA or NAB.

TCV uses daily cashflow forecasts of the Public Account provided by DTF and monitors movements across the State's Central Banking System (CBS) accounts to determine the daily cash and funding requirements within the Public Account and across the One Account for the purpose of managing Whole of State liquidity.

Local Government Lending Scheme

TCV provides loans directly to the Local Government sector under the Local Government Lending Scheme, which is in its second year of operation. Fifty-five councils were approved by the Treasurer to borrow a total of \$2.33 billion from TCV in 2022-23. This is an increase on the total of \$1.874 billion approved by the Treasurer in November 2021.

TCV has been actively building relationships with councils to appraise them of TCV's services, including the availability of more competitively priced financing. At present, a number of councils have completed our documentation requirements and have drawn down TCV loans.

The sector represents a significant expansion in TCV's client base, and we look forward to building long lasting relationships with our local council clients in the years ahead.

As at 30 June 2023, outstanding loans to the local government sector total \$494.8 million.

Housing Association Loans

The Financing Social and Affordable Housing program provides government support of up to \$2.1 billion to help housing associations access financing at affordable rates. The FSAH program has been redesigned to make available TCV low-interest loans for financing social and affordable housing, including projects that provide affordable housing for essential and key workers.

FSAH program guidelines encourage projects that provide a mix of housing outcomes. This includes mixed tenure projects comprising social, affordable and market housing, with the market housing components funded from other finance providers or equity contributions.

As at 30 June 2023, outstanding loans under the FSAH program total \$238.5 million.

Community Sports Infrastructure Loan Scheme

The Community Sports Infrastructure Loan (CSIL) Scheme provides for low-interest, government-guaranteed TCV loans of between \$500,000 and \$10 million to deliver infrastructure that boosts grassroots participation in sports. Projects approved under the program include building or upgrading community sport and recreation infrastructure, such as pools, indoor stadiums and community sport precincts such as pavilions, grounds and synthetic surfaces. The first borrowers, 14 in total, comprise metropolitan and regional councils, sporting clubs and associations, and a privately-owned leisure management provider. A total loan program of \$158.2 million was approved for delivery and total funds provided to 30 June 2023 are \$66.4 million.

Community Infrastructure Loan Scheme

The Community Infrastructure Loan (CIL) scheme supports the development of community infrastructure at the local government level. The program is designed to provide councils access to low interest loans from TCV of between \$500,000 and \$10 million to fund eligible projects such as community centres, public libraries, kindergartens and public spaces.

Outstanding loans as of 30 June 2023 total \$65.0 million.

Research & Development Tax Incentive (R&DTI) Cash Flow Loan Program

In conjunction with Invest Victoria, an agency within the Department of Jobs, Skills, Industry and Regions, which is responsible for investment attraction and fostering long-term economic prosperity, TCV established a \$50 million R&DTI Cash Flow loan program. The program provides low-interest TCV loans to eligible Victorian SMEs who are claiming the Federal Government's R&DTI, an initiative that encourages companies to engage in R&D benefiting Australia by providing a tax offset for eligible R&D activities. A total of 58 organisations were successfully approved to borrow under the loan program.

Project Advisory Services

TCV's Project Advisory Services team provides support for clients in the development and implementation of infrastructure financing proposals. The team provides analysis and advice on financing options for publicly funded projects and assists clients to evaluate and select infrastructure proposals submitted by the private sector. Our services focus on financial evaluation, contract management and risk management advice, as well as assistance with transaction implementation where required. This year these services included the following activities:

Department of Treasury and Finance

TCV provides advice to DTF on financing aspects of Public Private Partnerships (PPP) including forecasting of the overall liabilities and exposures of its PPP program and advice on PPP refinancing, contract negotiations and risk management aspects.

Contract Management for Partnerships Victoria Projects

TCV offers assistance to departments and agencies for invoicing and contract management of Partnerships Victoria projects.

Key services include undertaking financial audits of PPP invoicing models as well as regular verification of monthly and/or quarterly invoices, amendments for modifications and contractual adjustments, abatements and refinancing provisions.

In 2022-23 TCV provided these services to a number of clients including:

- Department of Health for the Casey (including the Casey Expansion Project), Royal Women's, Royal Children's, New Bendigo hospitals and the Victorian Comprehensive Cancer Centre
- Department of Energy, Environment and Climate Action for the Victorian Desalination Project
- Department of Justice and Community Safety for the Hopkins Correctional Centre and Victorian Correctional Facilities Projects (Metropolitan Remand Centre and Marngoneet Correctional Centre) and Ravenhall Prison
- Department of Transport and Planning for the Melbourne Convention Centre, Melbourne Exhibition Centre Expansion, Biosciences Research Centre and Royal Melbourne Showgrounds Redevelopment Projects
- Department of Education for the Partnerships Victoria in Schools Project and New Schools PPP.

PPP Procurements and Refinancing

TCV provides specialist financing advice to DTF (as central contract administrator) as well as Government departments and agencies on the refinancing of PPPs. TCV also provides advice to DTF and procuring agencies on financing aspects of PPP procurement submissions from business case through to providing assistance with benchmarking for the Financial Close rate set processes.

Specific PPP refinancings and procurements where TCV provided advice during the year included:

- Ground Lease Model One and Two (Social Housing)
- Geelong Convention and Exhibition Centre
- Eastlink
- Peninsula Link
- Western Roads Upgrade.

Renewable Energy Projects and Programs

TCV supports clients in the development and operation of renewable energy programs and projects. Key clients include the Department of Energy, Environment and Climate Action (DEECA) and Zero Emissions Water among others. This support includes use of the TCV REC Registry Account for Large Scale Renewable Energy Generation Certificates (LGCs) and associated transactional activity, independent financial modelling, proponent invoice verification and settlement support.

In 2022-23, key services included:

- LGC transaction support and demand / supply modelling for DEECA's Renewable Certificate Purchasing Initiative and Solar Trams program

- support to Zero Emissions Water (a body set up to procure solar power by thirteen Water Authorities from the Kiamal Solar Farm) including invoice verification, Large-scale Generation Certificate (LGC) transfers, valuation modelling and settlement support
- support for DEECA's Victorian Renewable Energy Auction Scheme and Bulgana Green Power Hub projects, including invoice verification and LGC transactional support
- support to Barwon Water and Barwon Health for the Barwon Region Renewable Energy Project including invoice verification and valuation modelling.

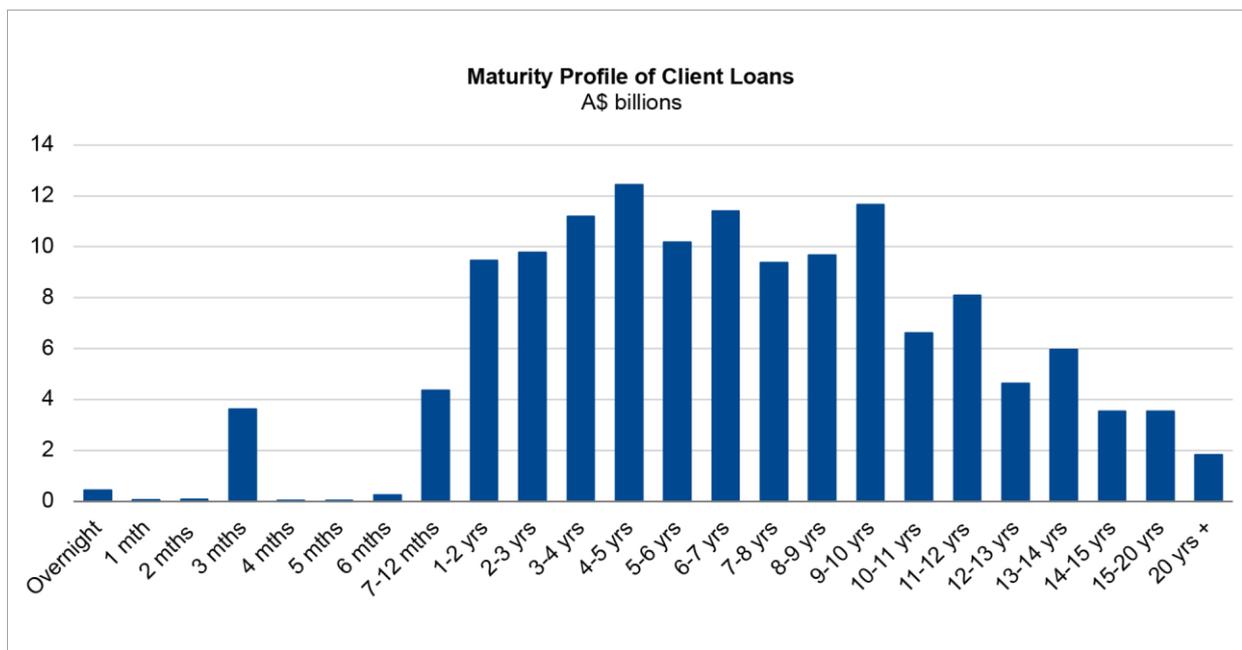
Business Case Development

During the year, TCV assisted Monash Health to develop a Business Case and Financial Model in support of a multi-deck car park at the Casey Hospital. TCV also provided financial modelling to the Department of Jobs, Skills, Industry and Regions (DJSIR) on the borrowing capacity of Melbourne and Olympic Parks Trust (MOPT) to support capital works.

Funding and Markets

TCV provides tailored loans to clients, which are available on demand and provided at wholesale rates. Client loan facilities can extend from short-term at call facilities to long-term commitments of 30 years or more.

At 30 June 2023, the maturity profile of these client loans is shown in the chart below:



To finance this lending activity, TCV maintains four key funding programs:

- Australian Dollar Note program, the cornerstone of the Corporation's funding strategy, which incorporates 16 benchmark stock lines and a further seven non-benchmark lines, as well as five Floating Rate Note (FRN) maturities
- US\$3 billion Euro Medium Term Note (EMTN) program
- A\$5 billion Euro Commercial Paper (ECP) program
- A\$10 billion Domestic Promissory Note program.

This suite of programs helps TCV to maintain continual access to sources of liquidity and to meet client funding requirements in volume and duration at a competitive price.

Activity in each program is facilitated through dealer panels. The dealer panels distribute TCV's debt, support our access to financial markets and currently comprise:

Australian Dollar Note program	
Australia and New Zealand Banking Group Limited	National Australia Bank Limited
Barrenjoey Markets Pty Limited	Nomura International plc
Citigroup Global Markets Australia Pty Ltd	Royal Bank of Canada
Commonwealth Bank of Australia	The Toronto-Dominion Bank
Deutsche Bank AG, Sydney Branch	UBS AG, Australia Branch
J.P. Morgan Securities Australia Limited	Westpac Banking Corporation
Merrill Lynch (Australia) Futures Limited	

A\$10 billion Domestic Promissory Note	
Australia and New Zealand Banking Group Limited	National Australia Bank Limited
Commonwealth Bank of Australia	Westpac Banking Corporation
Macquarie Bank Limited	

US\$3 billion Euro Medium Term Note	
Australia and New Zealand Banking Group Limited	National Australia Bank Limited
Barclays Bank plc	Nomura International plc
Commonwealth Bank of Australia	RBC Europe Limited
Deutsche Bank AG, London Branch	The Toronto-Dominion Bank
J.P. Morgan Securities plc	UBS AG London Branch
Merrill Lynch International	Westpac Banking Corporation

A\$5 billion Euro Commercial Paper	
Bank of America Merrill Lynch Limited	Commonwealth Bank of Australia
Barclays Bank plc	National Australia Bank Limited, Hong Kong Branch
Citibank International plc	UBS AG, London Branch
Credit Suisse	

2022-23 Funding Activity

Long-term funding programs

Domestic Benchmark Bond outstandings increased by \$29.8 billion during the year.

Maturity	30 June 2023 Face Value Outstandings (\$A million)	YOY Face Value Change (\$A million)
Oct 2022	0.0	-3,730.3
Nov 2023	4,931.6	-461.9
Dec 2024	6,225.9	-306.1
Nov 2025	9,755.4	2,273.7
Nov 2026	10,699.7	2,789.0
Nov 2027	8,158.1	1,291.2
Oct 2028	10,903.9	2,264.7
Oct 2029	10,200.4	916.4
Nov 2030	8,400.9	1,269.2
Sep 2031	10,881.7	1,263.2
Dec 2032	11,098.6	4,388.5
Sep 2033	8,444.1	4,397.0
Nov 2034	8,672.5	4,058.7
Sep 2035	5,475.0	1,220.6
Sep 2036	6,188.0	6,188.0
Nov 2037	2,978.7	1,811.9
Nov 2041	1,897.8	142.8

In total, TCV issued \$33.4 billion during the year.

TCV launched one new benchmark transaction during the year, the September 2036 maturity.

Non benchmark outstandings total \$2.9 billion.

Maturity	30 June 2023 Face Value Outstandings (\$A million)	YOY Face Value Change (\$A million)
Nov 2030 (4.75%)	143.6	-44.3
Nov 2040 (2.25%)	388.2	34.9
Nov 2040 (5.0%)	478.9	14.7
Nov 2042	652.9	0.5
Nov 2047	268.8	13.0
Aug 2050	970.7	-39.0

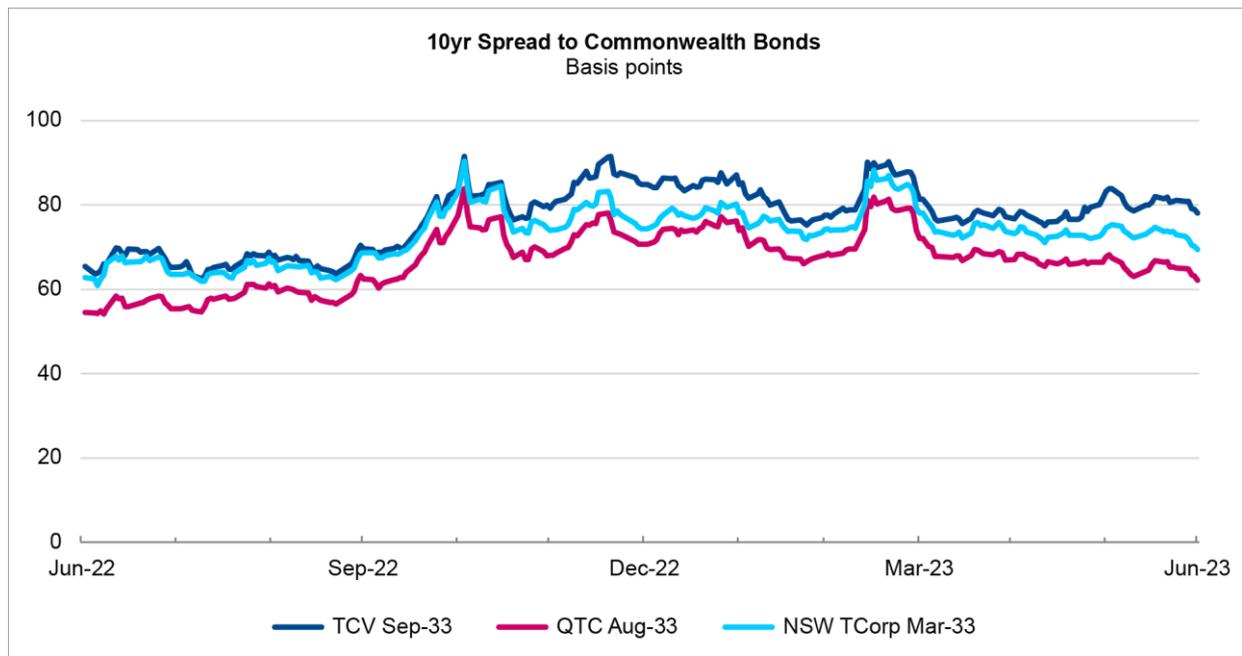
FRN outstandings total \$12.96 billion.

Maturity	30 June 2023 Face Value Outstandings (\$A million)	YOY Face Value Change (\$A million)
Mar 2024 (FRN)	3,000	0
Apr 2025 (FRN)	2,310	0
Sep 2027 (FRN)	3,250	0
Mar 2028 (FRN)	2,150	0
Mar 2030 (FRN)	2,250	0

Outstandings within the Domestic Promissory Note program increased by \$A1.5 billion to \$A3.5 billion while ECP issued decreased from A\$317.9 million outstanding to \$A264.1 million.

Cost of Funds

Victoria's cost of funds relative to the Commonwealth Government increased throughout 2022-23.



Future Funding Strategy

TCV's funding requirement for 2023-24 is \$33.7 billion, which is comprised of \$8.3 billion of refinancing and \$25.4 billion in client new money requirement.

The 2023-24 long-term funding requirement will be predominantly satisfied through the Domestic Benchmark Bond program. TCV will consider non-AUD issuance when issuance conditions are favourable and meet the demand of TCV's borrowing clients.

TCV's funding strategy will continue to focus on accessing markets via a combination of bond tenders, syndication and reverse enquiry.

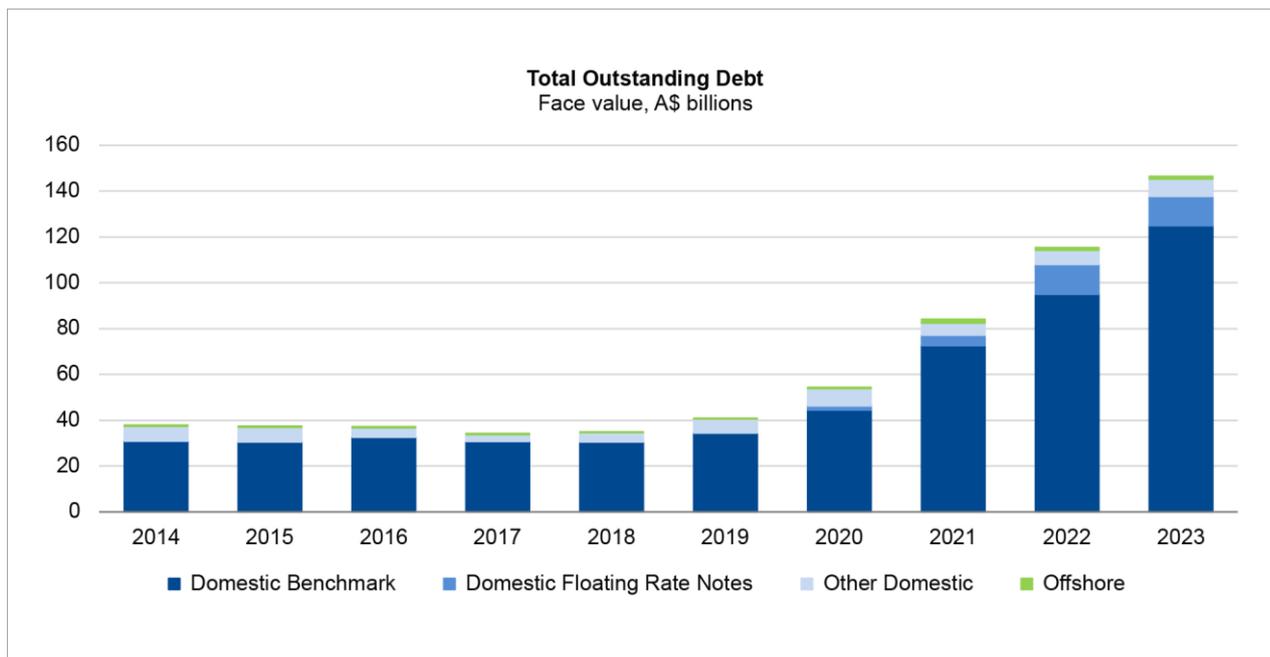
Short-term borrowing activities will continue to be sourced from TCV's Australian Dollar Domestic Promissory Note program and the Euro Commercial Paper program. The mix of issuance will be determined by relative pricing and demand conditions in each of these markets.

TCV will consider non-AUD issuance via its EMTN program when issuance conditions are favourable and meet the demand of TCV's borrowing clients.

TCV will continue to issue into the 2035 Sustainability Bond. The Sustainable Bond market brings valuable diversification to our investor mix and actively supports the State's Environmental and Social agenda.

Total Outstanding Debt

This chart depicts the mix of TCV's total outstanding debt at 30 June 2023, relative to previous periods.



Corporate Governance

Board of Directors

Cassandra Kelly, BEc (Hons) AM **Chair**

First appointed: 11 August 2015

Current appointment expires: 10 August 2024

Ms Kelly has extensive experience in advising on finance, risk, strategy and policy. In 2003, she co-founded Pottinger, a corporate advisory company, where she contributes as a senior advisor. Following on from her role advising the G20/B20 on matters of infrastructure, finance, health and digitalisation, Ms Kelly is a continuing member of the European Union's Global Tech Panel, chaired by the EU Vice Commissioner.

Ms Kelly has held executive roles at GMAC Commercial Mortgage and Deutsche Bank and was a consultant at McKinsey and Co. Her experience is broad and spans areas such as financial services, infrastructure, technology, digital media and professional services.

Ms Kelly is an experienced director. She was formerly chair of Pottinger and Allpress Espresso International, and a director of Flight Centre Travel Group and UNSW Foundation. Ms Kelly was appointed a member in the General Division of the Order of Australia in June 2019 for significant service to business through executive roles, and as an advocate for gender equity.

Ms Kelly held the following appointments during the year:

- Chair, Atomli Inc (resigned during 2023)
- Director, Pottinger Co Pty Limited
- Director, Pink Hope
- Member, European Union Global Tech Panel
- Member, Multiple Sclerosis Research Australia Leadership Council (resigned during 2023)
- Advisory Council Member, Centre for Universal Education, Brookings Institute
- Chair of the Global Council of Exponent, the diversity initiative incubated by Google (resigned during 2023)
- Chair Futurefeed.

Helen Thornton, BEc, ACA, GAICD **Deputy Chair**

First appointed: 1 July 2017

Current appointment expires: 30 June 2026

Ms Thornton is a Chartered Accountant with over 30 years' experience across a wide range of industries including financial services.

Ms Thornton has extensive experience in governance, audit and risk management and she has held senior leadership roles at Deloitte, KPMG, BHP Ltd and Bluescope Steel Ltd, where she was responsible for the global risk management function.

Ms Thornton has over 20 years' experience as a non-executive director and held the following appointments during the year:

- Director, Yarra Valley Water
- Director, Legal Practitioners Liability Committee (retired 30 June 2023)
- Director, ISPT Pty Ltd
- Director, ANSVAR Insurance Pty Ltd
- Director, McPhersons
- Independent Member of Risk and Audit Committee, Department of Education and Training
- Director, Arena REIT.

Debra Hazelton, BA (Hons) MComm, GAICD

First appointed: 18 August 2018

Current appointment expires: 17 August 2024

Ms Hazelton has over 30 years' experience in global financial services, with a particular focus on Australia and Japan. She has expertise across fixed interest securities, treasury, institutional banking, risk management and global financial markets as well as organisational culture.

Ms Hazelton's most recent executive role was leading corporate culture globalisation for Mizuho Financial Group, based in Tokyo. She has held national CEO positions in both Australia and Japan, namely Mizuho Bank and Commonwealth Bank of Australia respectively.

Ms Hazelton is Chair of AMP Limited and AMP Bank, and non-executive director of Persol Holdings Co, Ltd (Japan). Her previous board experience includes AMP Capital Holdings, Australia-Japan Foundation (DFAT), Australian Financial Markets Association (AFMA), Asia Society and Women in Banking and Finance. She is also a Principal of Kokusai Business Advisory.

Ms Hazelton held the following appointments during the year:

- Director, AMP Limited (Chair from August 2020)
- Director, AMP Bank (Chair from August 2020)
- Director, Persol Asia Pacific Pte Ltd (Singapore) (resigned 30 June 2023)
- Director, Persol Holdings Co, Ltd (Japan) (appointed 1 July 2023)
- Member of Japan Advisory Committee for the Australian Chamber Orchestra (ACO)
- Principal of Kokusai Business Advisory
- Vice-President Australia Japan Business Co-operation Committee (AJBCC).

Michael Larkin, BEc, MBA, GAICD
Managing Director and Chief Executive Officer

First appointed: 1 February 2023

Current appointment expires: 31 January 2028

Mr Larkin is responsible for the successful leadership and management of the Corporation according to the strategic direction set by the Board and the Treasurer of Victoria.

Mr Larkin has more than 30 years' international corporate finance experience in the real estate, transport, construction materials, building materials and investment banking industries, with a particular interest in financial strategy, funding and capital management.

Most recently, Mr Larkin spent 10 years at Lendlease as Group Treasurer with responsibility for the global funding, liquidity, financial risk management and transaction banking of both the Lendlease Group and the projects and funds managed by Lendlease and its subsidiaries. During his tenure, Mr Larkin repositioned the Lendlease global treasury team as a business partner that consistently delivered on its core mission of enabling commercial outcomes for the Group and its stakeholders, and established Lendlease as a leader in corporate sustainable financing in Australia.

Mr Larkin is a Director of the Australian Corporate Treasury Association.

Peter McGregor, B.Com F.Fin.MAICD

First appointed: 16 May 2023

Current appointment expires: 15 May 2026.

Mr McGregor is Chair of the Audit Committee.

Mr McGregor is a company Director and adviser. He has over 30 years' experience in senior finance roles, with a particular expertise in Financial Markets and Funds Management.

His previous roles including having been Chief Financial Officer of the ASX50 company, Asciano, and a partner in the Investment Banking firm of Goldman Sachs JBWere. He was also Managing Director and Head of Institutional Banking & Markets, Victoria, with Commonwealth Bank of Australia.

Mr McGregor has extensive experience as a company Director. He is a former Chairman of the Port of Geelong and Director of Melbourne Airport. Mr McGregor held the following appointments during the year:

- Director Imricor Medical Systems
- Executive Director and CEO True Infrastructure Management Limited.

David Martine, BEc (Hons), MBA, PSM

First appointed: 13 May 2014

Current appointment expires: 15 May 2026.

Mr Martine is Secretary of the Victorian Department of Treasury & Finance. He leads the Department providing economic, policy and service delivery advice to the Victorian Government.

Mr Martine previously worked as a senior executive in the Commonwealth public sector providing strategic advice to governments on a range of complex economic and other policy issues. He has extensive budget, finance, policy and organisational leadership experience, and has been involved in wide ranging strategic policy reform.

Mr Martine holds an honours degree in economics from Monash University and completed his Master of Business Administration in 2005.

Mr Martine was awarded the Public Service Medal (PSM) - Victoria in the Australia Day Honours 2019 for outstanding public service to social, microeconomic and public sector reform and innovation in Victoria.

Mr Martine held the following appointments during the year:

- Director, Victorian Funds Management Corporation
- Director, Infrastructure Victoria Board
- Director, Tax and Transfer Policy Institute in the Crawford School of Public Policy, Australian National University.

John Pearce, BEc, MAppFin

First appointed: 14 April 2015

Current appointment expires: 13 April 2024

Mr Pearce has over 25 years' experience in the financial services industry both in Australia and Asia. He is Chief Investment Officer of UniSuper, having joined in July 2009.

Mr Pearce has held several senior positions including Chief Executive Officer and General Manager, Investments of Australia's largest asset management company, Colonial First State, from 2000 to 2006. From 2006 to 2008 Mr Pearce was the Head of Global Asset Management for Ping An, which is China's second largest insurance company.

**William (Bill) Whitford, MBA, FAICD, GAIST
Managing Director**

First appointed: 28 July 2003

Retired 1 February 2023.

Pamela Hauser, BA, LLB, MAICD

First appointed: 21 February 2017

Retired 20 February 2023.

Appointment of Directors

The TCV Act provides for a Board of Directors consisting of the Chief Executive Officer (the Managing Director) and between five and seven other Directors appointed by Victoria's Governor in Council on the recommendation of the Treasurer of Victoria.

The Managing Director of the Corporation cannot be appointed Chair or Deputy Chair of the Board. Officers of the Corporation, other than the Managing Director, are not eligible to be Directors.

Under the TCV Act, the Managing Director is appointed by the Board with the approval of the Treasurer of Victoria for a term not exceeding five years but is eligible for reappointment. Directors are appointed for a maximum period of three years and are also eligible for reappointment.

The Governor in Council determines Directors' remuneration, other than that of the Managing Director or a Director who is also an officer of the public service. Details regarding the remuneration of Directors are given in Note 24 of the Financial Statements 2023.

During the year the Board comprised the Managing Director, William Whitford, until his retirement, replaced by Michael Larkin in February 2023, the Secretary of the Victorian Department of Treasury and Finance, David Martine, and the following independent Directors:

- Cassandra Kelly (Chair)
- Helen Thornton (Deputy Chair and Audit Chair 21 February-15 May 2023)
- Debra Hazelton
- David Martine
- John Pearce
- Peter McGregor (commenced 16 May 2023 and Audit Chair from 16 May 2023)
- Pamela Hauser (Audit Chair) retired 20 February 2023.

Responsibility of Directors

Under the TCV Act, the Board is responsible for the management of the affairs of the Corporation. The Board reviews and approves strategic plans annually, monitors the performance of the Corporation and of the Managing Director throughout the year, assesses and monitors business risks and the achievement of financial objectives and provides overall policy guidance.

The Board also approves key policies in relation to risk management activities and monitors the management of the Corporation's business within the prudential framework established by the Treasurer of Victoria. The Board meets regularly, and Directors may meet with senior management between Board meetings to review specific issues or matters of concern.

The TCV Act requires a Director who has a pecuniary interest in a matter being considered by the Board to declare the nature of the interest at a meeting, as soon as practicable after the relevant facts have come to their knowledge. It is required that such a declaration is recorded in the minutes. The TCV Act also provides that, unless the Board (excluding the Director) resolves otherwise, the Director must not be present during any deliberations with respect to the matter. The Director is not entitled to vote on the matter and, if the Director does vote on the matter, the TCV Act requires the vote to be disallowed.

TCV Directors are also bound by the *Victorian Public Entity Director's Code of Conduct* (the Code) issued by the Victorian Public Sector Standards Commissioner to promote adherence to public sector values by Directors of Victorian public entities.

The Code requires Directors to act with honesty and integrity, be open and transparent, to use power responsibly, not to place themselves in a position of conflict of interest and to strive to earn and sustain public trust at a high level. The Code also requires Directors to act in good faith, in the best interests of the public entity, fairly and impartially, to use information or their position as Directors appropriately, to act in a financially responsible manner, to exercise due care, diligence and skill, to comply with establishing legislation and to demonstrate leadership and stewardship.

Charters have been established for the Board and each of its Committees. The charters are statements of the purpose and objectives, roles and responsibilities, authority and performance requirements of the Board and its Committees. The charters are reviewed annually. An annual review of board performance is also conducted consistent with the *Standing Directions* issued under the *Financial Management Act 1994*.

Board Committees

Audit Committee

All of the Corporation's Directors are members of the Audit Committee with the exception of the Managing Director, who is invited to attend committee meetings. The Audit Committee was chaired by Ms Pamela Hauser until her retirement. Director Thornton chaired February and May 2023 meetings with Director McGregor the current Chair.

Meetings of the committee are held quarterly, or as required. The purpose of the committee is to assist the TCV Board to discharge its responsibility to exercise due care, diligence and skill in relation to the oversight of TCV's governance, accountability and financial reporting obligations.

Remuneration Committee

All of the Corporation's Directors are members of the Remuneration Committee, with the exception of the Managing Director, who is invited to attend committee meetings. The Remuneration Committee is chaired by Ms Cassandra Kelly and meets bi-annually, or as required. The primary objectives are to ensure that TCV has appropriate processes to determine remuneration, to review remuneration strategy and budgetary costs, to approve remuneration terms for senior management and to set the terms and conditions of the Managing Director's appointment.

Occupational Health and Safety Committee

All of the Corporation's Directors are members of the Occupational Health & Safety Committee, which is chaired by Ms Cassandra Kelly and meets bi-annually, or as required. The primary objectives are to oversee TCV's occupational health and safety policies and procedures, ensuring compliance with the *Occupational Health and Safety Act 2004 (Victoria)* and fostering and maintaining a safe working environment throughout the Corporation.

Nominations Committee

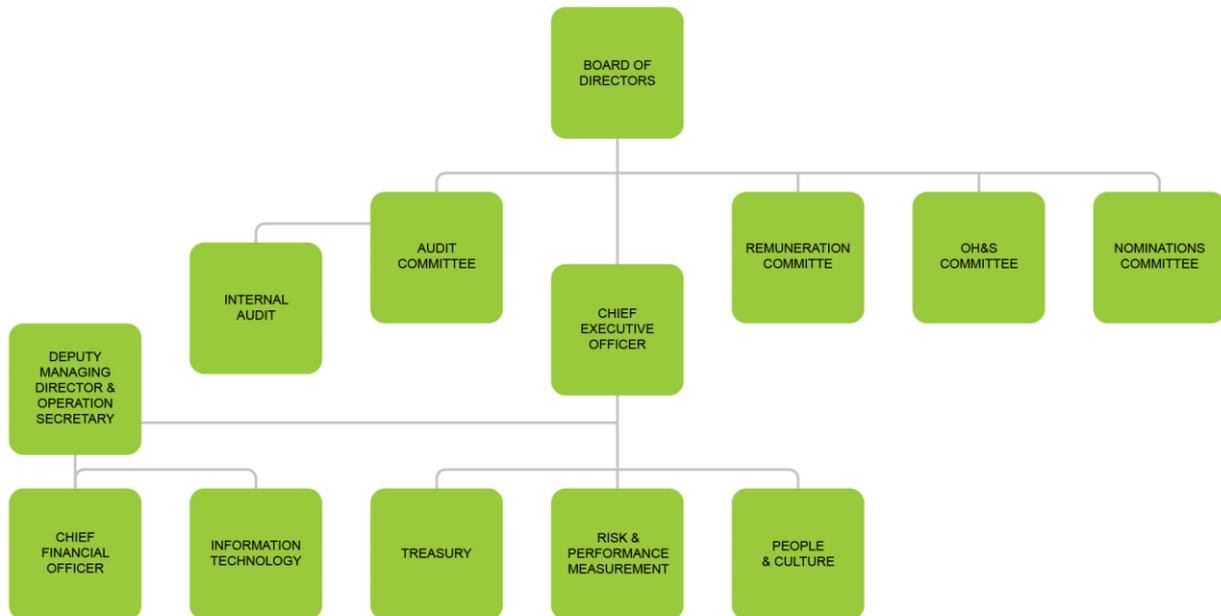
All of the Corporation's Directors are members of the Nominations Committee with the exception of the Managing Director. The Committee, which is chaired by Ms Cassandra Kelly, meets as required. The Committee is newly formed, its sole objective being to recruit a replacement Managing Director after the announcement of the current Managing Director's retirement.

Attendance by Directors at Directors' Meetings 1 July 2022 – 30 June 2023

	Board		Audit		Remuneration		OH&S		Nominations	
	Meetings eligible to attend	Meetings attended								
C Kelly	10	10	4	4	2	2	2	2	7	7
M Larkin	5	5	2	2	1	1	1	1	0	0
H Thornton	10	9	4	4	2	2	2	2	7	7
D Martine	10	9	4	3	2	1	2	1	7	6
J Pearce	10	10	4	4	2	2	2	2	7	7
P McGregor	2	2	4	4	1	1	1	1	0	0
D Hazelton	10	9	4	4	2	2	2	2	7	7
W Whitford	5	5	2	2	1	1	1	1	0	0
P Hauser	5	4	2	2	1	1	1	1	7	6

Management

Organisation Structure



Management Team

The TCV Management Team comprises the Managing Director and six senior managers including:

Mark Engeman

Deputy Managing Director and Corporation Secretary

Mark is responsible for the technology, legal, accounting, settlements, communications and audit operations at TCV.

Prior to joining TCV in 2001, Mark had a range of market and technology roles with CRA Limited, State Bank Victoria, Australian Wheat Board and SunGard data systems.

Mark holds a Bachelor of Economics from Monash University and an MBA from Melbourne Business School. He is a member of the Australian Institute of Company Directors (GAICD), a graduate of the Australian Institute for Superannuation Trustees (GAIST) and is a CPA.

Mark is a non-executive director of Protect, an industry income severance and redundancy fund.

Mike van de Graaf

General Manager, Risk & Performance Measurement

Mike is responsible for market risk, credit risk, liquidity risk, operational risk and balance sheet management. He develops and maintains risk appetite, risk frameworks, policies, controls and risk data analytics and technologies. He provides independent risk assessments to the Board, the Audit Committee, the Prudential Supervisor and the Department of Treasury and Finance, and co-ordinates TCV's Environment, Social and Governance (ESG) program of work. Prior to joining TCV in 2012, Mike held executive and senior roles in Balance Sheet & Capital Management, Market Risk and Credit Risk at ANZ, and at the Financial Services practices of Deloitte in Amsterdam, Chicago and Melbourne.

Mike holds a Master of Science, a Financial Risk Manager (FRM) and Sustainability and Climate Risk (SCR) qualification from the Global Association of Risk Professionals (GARP), an International Treasury Management Certification from the Association of Corporate Treasurers and is a member of the Australian Institute of Company Directors (GAICD). In 2015, Mike completed the Advanced Management Program at INSEAD. Mike is a Director of the Melbourne Chapter for GARP and a member of the AFMA ESG Risk Forum.

Justin Lofting
General Manager, Treasury

Justin is responsible for managing our treasury and dealing room functions, including balance sheet management, debt capital markets program management, client and project advisory services and economic services.

Justin joined TCV in February 1995 and before moving into his current role, Justin held senior risk management roles within the Corporation.

He holds an MBA from Melbourne Business School and a Bachelor of Business, Banking and Finance from Victoria University. Justin is a member of the Australian Financial Markets Association Market Governance Committee and a member of the Australian Institute of Company Directors (GAICD).

Natasha Lloyd
General Manager, People and Culture

Natasha is an accomplished Executive with over 20 years' experience in leading people and culture teams, designing and implementing people and culture strategies, and delivering effective outcomes for leading national and international organisations. She is a trusted advisor to the executive and senior management teams with successful people & culture initiatives to enhance employee performance and engagement.

Prior to joining the team at Treasury, Natasha was the Director of People and Integrity (Diversity and Inclusion) at V/Line, and she has held Head of People and Culture roles within the Private and Public Sectors.

Natasha has a proven track record in all areas of strategy, cultural evolution, and operational human resources management, and is passionate about the power of HR leadership, equality and inclusion to drive organisational performance.

She is a member of the Australian Institute of Company Directors, has a Graduate Diploma of Business (Human Resources), is a Certified Mental Health First Aid Officer, a Certified Professional Member of the Australian Human Resources Institute, as well as being a Member of the National Safety Council of Australia and a Member of FIRG.

Peter Wyatt
Chief Financial Officer

Peter has responsibility for TCV's finance and reporting and settlements functions.

Prior to joining TCV in 2006, Peter was the Chief Financial Officer of the State Superannuation Fund, having formerly held senior management roles in life insurance and financial services organisations.

Peter has a Bachelor of Business and a Graduate Diploma of Applied Finance, is a Certified Practising Accountant, a member of the Australian Institute of Company Directors (GAICD).

Peter is member of the Audit and Risk Committee of the Portable Long Service Authority.

Warren Murray
General Manager, Information Technology

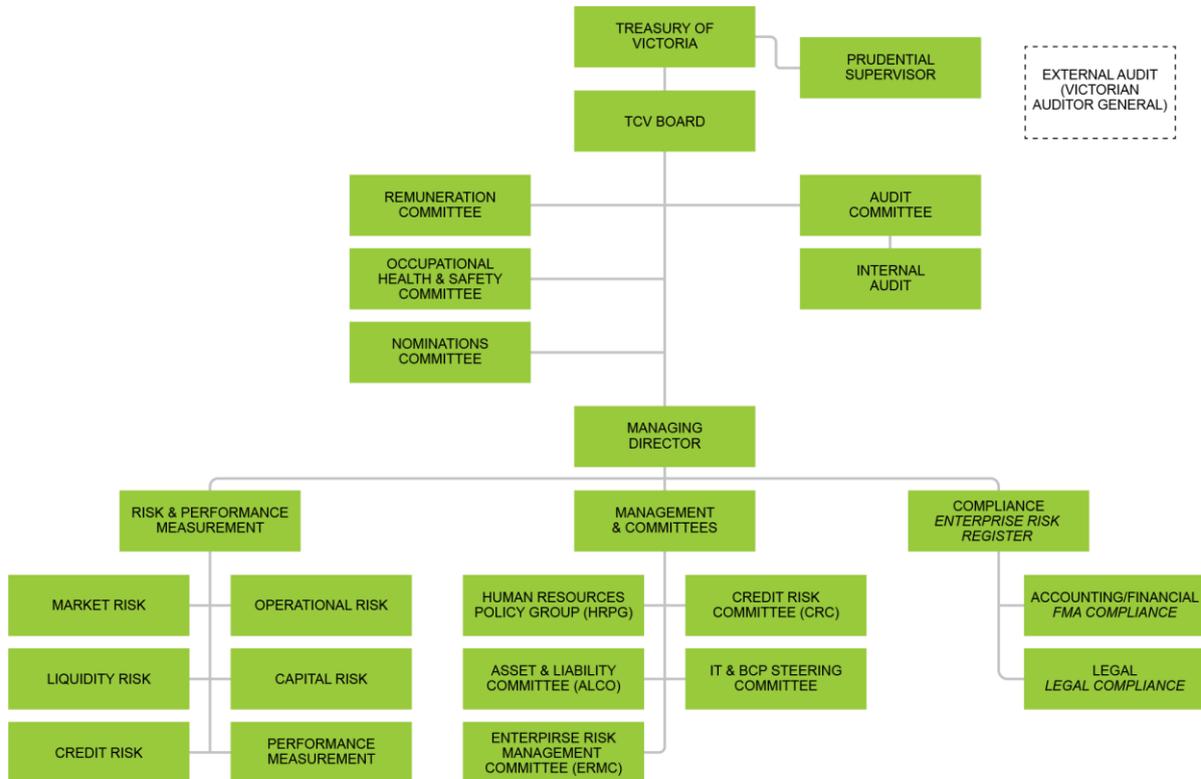
Warren is responsible for the development and implementation of strategies to deliver secure, accurate and highly available information technology to the Corporation within recognised governance frameworks. Warren also acts as the Business Continuity Facilitator and is the Chief Information Security Officer.

Prior to joining TCV in 1999, Warren held software development and implementation roles at the treasury system vendor Misys and implemented and supported treasury and funds management systems at over twenty local and overseas financial institutions.

Warren holds a Bachelor of Applied Science and is a senior member of the Australian Computer Society.

Risk and Control

The risk governance management and control framework is shown below:



Prudential Supervision

The Victorian Government has significant financial assets and liabilities that need to be managed in a professional and efficient manner. The Victorian Government actively promotes prudent behaviour by managers of the State’s public financial corporations. Consistent with these aims, the Treasurer has implemented a Prudential Supervision standard, which aims to ensure that TCV operates in a sound and prudent manner.

Prudential Supervision at TCV integrates with, and builds on, existing government wide (financial) risk policies. A Prudential Supervisor (Ernst & Young) has been appointed by the Treasurer to independently assess the fitness for purpose of requirements as set down by the Australian Prudential Regulation Authority (APRA) in its application to TCV. This assessment is reflected in TCV’s Prudential Standard.

TCV Management and DTF meet with the Prudential Supervisor regularly during the year to review compliance of TCV against the Prudential Standard and to assess impacts of changes that emerge from global and domestic financial markets and regulation.

Internal Risk Management & Control

TCV’s operations expose the Corporation to financial and operational risks. Management of these risks is therefore a core element of organisational objectives. In this respect, TCV’s principal objective is to provide a robust and consistent risk management, performance measurement and capital management framework commensurate with TCV’s business mandate, corporate objectives, business strategies and its risk appetite.

TCV’s risk appetite is articulated by a formal Risk Appetite Statement approved by the Board.

The risk management framework is consistent with the Prudential Standard requirements and is monitored by the Board and the Prudential Supervisor. The risk management framework of TCV includes a dedicated and independent Risk & Performance Measurement business unit. The General Manager, Risk & Performance Measurement reports directly to the Managing Director. The Business Unit has established internal risk management policies and controls set by the Board and senior management. In addition, TCV maintains an Internal Audit function (an activity outsourced to PricewaterhouseCoopers (PwC)) to, amongst other things, monitor compliance with TCV’s risk management requirements.

Interest Rate Risk

Interest rate risk is the risk of a loss due to adverse movements in market prices or interest rates of financial instruments and their derivatives. TCV has a comprehensive measurement and limits framework to manage and control interest rate risk.

Interest rate risk is quantified daily using both Value at Risk and other portfolio level risk measures. These assess the potential loss that TCV might incur under various market scenarios and stress tests. Risk is managed within an approved limit and control structure and monitored daily, with breaches or excesses being reported to the Managing Director and the Board.

Funding and Liquidity Risk

Funding and liquidity risk is the risk that TCV may not be able to raise funds to meet its financial obligations as and when they fall due.

TCV has a comprehensive internal policy on liquidity risk management, the key elements of which are:

- operational controls including limits against daily net and cumulative cash flows, balance sheet mismatches, sources of funding, investment risk, and cash flow stress tests
- a liquidity crisis action plan that is reviewed and updated periodically.

Credit Risk

Credit risk to TCV arising from loans it makes is covered, in all instances, by a guarantee from the State of Victoria. TCV's primary credit exposure therefore arises from investment in financial assets and derivative transactions. TCV's credit exposures are actively managed within Board approved limits based on external credit ratings. TCV has implemented Credit Support Annexes (CSAs) with derivative counterparties consistent with market practice. The table below shows the distribution, by counterparty credit rating, of TCV's credit risk exposure on loans, derivatives and investments at 30 June 2023.

Standard & Poor's Rating	Derivatives % of Portfolio	Investments & loans % of Portfolio	Moody's Investors Service Rating	Derivatives % of Portfolio	Investments & loans % of Portfolio
Victorian Government Guaranteed	29	89	Victorian Government Guaranteed	29	89
AAA	-	1	Aaa	-	2
AA+	-	2	Aa1	9	1
AA	-	-	Aa2	-	-
AA-	48	8	Aa3	60	7
A+	23	-	A1	2	1
A	-	-	A2	-	-
A-	-	-	A3	-	-
BBB+	-	-	Baa1	-	-
Not rated by S&P	-	-	Not rated by Moody's	-	-
Total	100	100	Total	100	100

Enterprise Risk Management & Operational Risk

The generally accepted definition of operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

TCV has an Enterprise Wide Risk Management approach, integrating risk identification (risk register), risk measurement (risk self-assessments) and risk mitigation and reporting (operational/incident reporting). A Risk Management Policy embeds the Enterprise Risk Framework into TCV's operations.

The Enterprise Risk Management Committee meets at least quarterly to address operational risk management issues and reviews actual operational risk incidents as well as guide the Enterprise Risk activities across TCV.

A report on operational risk management is presented to the Board quarterly, whilst any significant operational risk or near-miss events are reported to the Board monthly. Details on such events are captured in an internal operational risk database.

Climate Risk assessments are made for physical and transition risks for each of the risks that are annually reviewed in the risk register. TCV has proactively worked with departments to develop the State's inaugural comprehensive Climate Risk disclosure this financial year.

In addition, Anti Money Laundering and Counter-Terrorism Financing (AML/CTF) policies and processes are implemented by TCV to ensure that TCV takes a risk-based approach to AML/CTF risks, consistent with the Board's risk-appetite. Current and emerging AML/CTF risks are identified, measured, mitigated and reported.

Capital Adequacy

TCV's risk management framework incorporates a risk-based capital adequacy approach as specified in its Prudential Standard and generally follows APRA's standards on Capital Management. Under this standard, the Corporation is required to hold a minimum capital adequacy ratio of 8% of risk-weighted assets. The Corporation targets a capital ratio of at least 10.5% of risk weighted assets.

Business Continuity

Business continuity is critical to TCV's ability to achieve its objectives. As part of its overall crisis management plan, TCV has in place detailed business continuity and information technology and cyber risk recovery plans to ensure that:

- the safety of TCV's staff is prioritised above all else
- all aspects of the business are addressed, with particular emphasis on information technology and the front and back office operations
- all critical TCV business operations can continue
- key resources are available and effectively managed.

Business Continuity plans are reviewed and tested quarterly with a full disaster recovery test performed annually.

In addition, TCV conducts a range of activities in relation to cyber security to ensure the ongoing integrity of information systems, including testing the incident response plan.

Business continuity is embedded at a cultural level across the organisation.

The COVID crisis necessitated an extended period where TCV staff worked from home. TCV's flexible working strategy enables employees to work from home two days per week, and is governed by our working remotely, and COVIDsafe plans. These arrangements reduce the impact of a premises loss on TCV's operations.

Occupational Health & Safety (OHS)

TCV manages the potential risks to the health and safety of our staff and visitors through a comprehensive OHS risk management program. The TCV Board OHS Committee oversees this program.

Internally, the OHS (Staff) Committee leads, manages and administers the program and coordinates training and awareness sessions including inductions. This committee consists of two employer appointed and two staff elected representatives.

The committee reports to the TCV Board OHS Committee on a semi-annual basis.

External Controls and Compliance

TCV is subject to an extensive compliance monitoring regime consistent with the State's financial management principles and financial risk management framework. Several external entities are responsible for monitoring, supervising and reporting on TCV's activities including:

- Treasurer of Victoria - Member of Parliament and TCV's sole stakeholder
- Prudential Supervisor - reports to the Treasurer. Oversees TCV's risk framework and provides independent advice to the Treasurer on the financial health, risks and risk management policies of TCV's operations. The Treasurer has currently appointed Ernst & Young as TCV's Prudential Supervisor
- Department of Treasury and Finance - reports to the Treasurer, maintains a stakeholder monitoring role and manages the prudential supervision relationship with TCV
- Auditor-General - reports to Parliament, provides an independent audit of TCV's financial report and expresses an opinion on it to the Members of the Parliament of Victoria, the responsible Ministers and TCV's Board, as required by the *Audit Act* 1994. The Victorian Auditor-General's Office has currently appointed Ernst & Young as its agent
- Assistant Treasurer - Member of Parliament. Monitors TCV's compliance with the applicable requirements of the Financial Management Act
- Internal Audit - provides assurance to the Board and management that TCV's risk management, governance and internal control processes are operating effectively

Regulatory Compliance and Disclosures

Treasury Corporation of Victoria Act 1992 (Victoria)

The TCV Act establishes TCV and sets out its objectives, functions and powers.

Borrowing and Investment Powers Act 1987 (Victoria)

TCV's power to borrow, invest and undertake financial arrangements is conferred under this Act and the TCV Act.

Financial Management Act 1994 (Victoria) and Financial Reporting Directions

This annual report has been prepared in accordance with this Act.

Information in respect of Financial Reporting Direction 22 *Standard Disclosures in the Report of Operations* (FRD 22) under the Act which is not contained in this annual report has been prepared and is available to the Treasurer, Members of Parliament and the public on request, subject to the provisions of the *Freedom of Information Act 1982*.

Public Administration Act 2004 (Victoria)

The Corporation is a 'public entity' as defined in the Public Administration Act. As a public entity, TCV is required to observe the public sector values and employment principles contained in the Act and to comply with codes of conduct and certain Whole of Government policies established by the Act. TCV must also keep and make readily available to its Directors' documents required to be kept by standard entities under the Act.

Freedom of Information Act 1982 (Victoria)

Pursuant to section 40 of the TCV Act, TCV is not and is not eligible to be declared to be, an agency or prescribed authority within the meaning of the Freedom of Information Act.

Equal Opportunity, Gender Equality and Anti-Discrimination Legislation

TCV is subject to Commonwealth and State legislation prohibiting unlawful discrimination and harassment. TCV is a proponent of equal opportunity in the workplace and staff selection is based on skills, competence and experience. Equal opportunity policies are regularly updated, and an employee awareness program is in place. All employees and potential employees are entitled to be treated with dignity, free from discrimination of any kind.

TCV considers sexual harassment, harassment, bullying and discrimination unacceptable forms of behaviour that will not be tolerated under any circumstances. TCV believes that all people have the right to work in an environment that is free of harassment and discrimination.

TCV has a Gender Equality Action Plan approved by the Gender Equality Commission.

Occupational Health and Safety and Accident Compensation Legislation

TCV is subject to the obligations contained in the Occupational Health and Safety Act.

TCV has in place occupational health and safety policies and procedures to ensure it complies with its obligations under the Act. TCV has an active Occupational Health and Safety Committee, comprising management and employee representatives, which facilitates consultation on health and safety matters.

TCV is committed to providing a safe and healthy workplace. As part of this commitment, TCV provides a Health@Work program with a focus on health education, prevention and participation. The program is available to all employees and addresses issues of interest and relevance to the working environment.

TCV is also required to comply with the *Workplace Injury Rehabilitation and Compensation Act 2013* and the *Accident Compensation Act 1985*. TCV is registered with WorkSafe Victoria to be covered by WorkCover insurance and maintains a register of injuries.

TCV has a Risk Management and Occupational Rehabilitation program, developed in consultation with employees. In the event of a work-related injury, TCV will endeavour to ensure the injury does not recur. Should an employee incur a work-related injury that means they are unable to continue their normal work, TCV will provide the necessary assistance for them to remain at work or return to work as soon as it is safely possible.

During 2022-23 TCV received one workers' compensation claim, which did not proceed, and there were no managed cases relating to risk management and occupational rehabilitation.

Privacy and Data Protection Act 2014 (Victoria) and Health Records Act 2001 (Victoria)

TCV is subject to the *Privacy and Data Protection Act 2014* which aims to protect personal information and promote the transparent handling of personal information in the public sector. TCV is also subject to the *Health Records Act 2001* which aims to protect personal information contained in health records.

All TCV employees receive training to ensure compliance with the Privacy and Data Protection Act.

Local Jobs First Act 2003 (Victoria)

TCV is subject to the *Local Jobs First Act 2003* and *Local Jobs First Policy* (LJFP). The LJFP objectives are to promote employment and business growth by expanding market opportunities for local industry; provide contractors with increased access to, and raised awareness of, local industry capability; expose local industry to world's best practice in workplace innovation, e-commerce and use of new technologies and materials; and develop local industry's international competitiveness and flexibility in responding to changing global markets by giving local industry a fair opportunity to compete against foreign suppliers. Public bodies are required to apply the LJFP for all procurements and construction or grant or loan projects over \$A3 million in metropolitan Melbourne and \$A1 million in regional Victoria. In 2022-23, TCV did not conduct any procurements or projects that met these value thresholds.

Competition Policies and Taxation

The *Competition and Consumer Act 2010 (Commonwealth)*, *Australian Consumer Law and Fair Trading Act 2012 (Victoria)* and regulations thereunder apply to TCV. The Competitive Neutrality Policy of Victoria is also applicable to the Corporation. The Corporation is, however, excluded from the National Tax Equivalent Regime.

With the exception of income and certain withholding tax exemptions, the Corporation is subject to the usual Commonwealth and State taxes, charges and fees (e.g. Goods and Services Tax, Payroll Tax, Fringe Benefits Tax, Transport Accident Corporation registration fees, TAC levy and Stamp Duty).

Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Commonwealth)

TCV is subject to the suspicious matters reporting requirement of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*. TCV has designated an Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) compliance officer and implemented an AML/CTF program which is subject to oversight by the Board. The program is risk-based and sets out TCV's approach to activities including training of employees, employee due diligence, reporting of suspicious matters and ongoing customer/transaction monitoring and customer identification processes and procedures.

Code of Conduct

TCV has in place codes of conduct for all employees based on the code of conduct developed by the Australian Financial Markets Association, and the *Code of Conduct for Victorian Public-Sector Employees*. Compliance is a condition of employment and all employees are encouraged to use the codes as a frame of reference in their daily activities.

TCV also has an agreed behavioural framework which forms part of every employee's performance plan and review.

Employee Numbers

At 30 June 2023, TCV employed 47 FTE (full-time equivalent) employees.

Consultants

Pursuant to FRD 22 *Standard Disclosures in the Report of Operations*, TCV is required to provide disclosures in respect of consultancy engagements. During 2022-23, there were four consultancy engagements valued more than \$10,000 (exclusive of GST), with a total of \$60,604 incurred (exclusive of GST). Further information on these consultancies is available on TCV's website (www.tcv.vic.gov.au). There were no consultancy engagements valued at less than \$10,000 (exclusive of GST).

Information and Communications Technology Expenditure

FRD 22 *Standard Disclosures in the Report of Operations*, requires that TCV disclose its Information and Communications Technology (ICT) expenditure.

ICT expenditure includes:

- operating and capital expenditure (including depreciation)
- ICT services internally and externally sourced
- cost of providing ICT services (including personnel and facilities).

Non-Business as Usual ICT expenditure is incurred to extend or enhance current ICT capabilities, activities usually run as projects.

Business as Usual ICT expenditure is all other ICT expenditure (operational and capital).

Expenditure 2022-23	\$000
Business as Usual ICT	7,068
Non-Business as Usual ICT	nil

Environmental, Social and Governance Risk

TCV is focused on improving the sustainability of our operations and business model and contributing to the sustainability strategies of our clients.

In relation to TCV's operations, during 2022-23:

- TCV's 2022-23 electricity consumption (measured as KWh per FTE) was down 3.2% on 2021-22 and down 18.7% compared to 2018-19, being the last full year unaffected by the COVID pandemic
- Continued to purchase 100% green power for all of TCV's electricity needs and subscribed to our disaster recovery provider's carbon neutral offering for TCV's data centre storage
- TCV purchased 1,045 Australian Carbon Credit Units (ACCU's) to fully offset all of TCV's Scope One and Two carbon emissions in respect of the 2021-22 financial year under the Climate Active accreditation program. Full details are available in TCV's Climate Active Disclosure Statement available at <https://www.climateactive.org.au/buy-climate-active/certified-members/treasury-corporation-victoria>
- TCV achieved a 5.3% reduction in landfill waste per employee compared to 2021-22 and a reduction of approximately 50% since the implementation of enhanced recycling programs in 2009.

During the year the following initiatives to improve the sustainability of TCV's business model were completed:

- Climate risk assessments, including assessment for physical and transition risks as per the Task Force on Climate-related Financial Disclosures, were incorporated into TCV's Enterprise Risk Management framework
- TCV mapped its liquid asset holdings against participation in the United Nations Paris-aligned Net Zero Banking Alliance (NZBA). As at 30 June 2023, TCV held a total of \$16.2 billion in cash and investments, of which \$10.1 billion was in investments in Authorised Deposit-taking Institutions. By value, 97% of these investments were held with signatories to the NZBA.

TCV's contribution during 2022-23 to the sustainability objectives of our clients included:

- Working with DTF and DEECA to complete the inaugural Victorian climate related risk disclosure statement
- Issuance of \$1.2 billion in sustainability bonds to provide funding for eligible green and social projects and assets
- Provision of advice, verification, settlement and other transaction support services to Zero Emissions Water and to other water sector clients in relation to LGCs, to DEECA in relation to the Renewable Certificates Purchasing Initiative, the Victorian Desalination Plant, the Solar Trams initiative, the Victorian Renewable Energy Auction Scheme and Bulgana Green Power Hub and to Barwon Water and Barwon Health in relation to the Barwon Region Renewable Energy Project.

Environmental Data

FRD 24 Reporting of environmental data by government entities (June 2022) was introduced by the Victorian Government to provide transparency on public sector performance on environmental indicators in organisations year-on-year; identify and manage government exposure to climate-related risks; and promote continuous improvement in environmental reporting by government entities.

TCV is required under FRD 24 to report the indicators discussed in the three sections below. All the operations and activities of TCV are included within the organisational boundary for this reporting period.

Electricity consumption

For the 2022-23 financial year, TCV operated on a hybrid basis (work from home and office) in line with Government policies. TCV has implemented a range of energy efficiency measures to reduce electricity consumption including:

- improving efficiency of the computer server room through virtualisation and resulting reduced air conditioning requirements
- installation of LED lighting.

Key electricity consumption is reported below:

	2022-23 (MWh)
Purchased electricity - State Purchase Contract	192.3
Not directly purchased but from outside the organisation*	105.4
Electricity offsets – green power	192.3
Electricity offsets – carbon neutral electricity	47.7

* Includes TCV's share of electricity for the 1 Collins Street base building and TCV's Disaster Recovery Site.

Transportation

TCV did not own or lease any vehicles in 2022-23.

Environmentally Sustainable Design in new buildings and infrastructure

TCV's occupies leased space and has not engaged in a substantial tenancy fit out since 2005-06.

Public Interest Disclosures Act 2012

The *Public Interest Disclosures Act 2012* (formerly the *Protected Disclosure Act 2012*) (PID Act) encourages and facilitates making disclosures of improper conduct by public bodies or public sector employees and protects people who report improper conduct from reprisal. Public bodies or public officers include TCV and its employees.

Protections include keeping the identity of the person reporting improper conduct confidential and protecting them from reprisals including bullying, harassment or legal action.

TCV does not tolerate improper conduct by its employees, officers or directors, nor the taking of reprisals against those who come forward to disclose such conduct.

TCV recognises the value of transparency and accountability in its administrative and management practices and supports the making of disclosures revealing improper conduct and will take all reasonable steps to protect people making disclosures from reprisals. We are also committed to affording natural justice to the person subject of the disclosure.

TCV is not able to receive disclosures regarding improper conduct by its employees, officers, or Directors under the PID Act. Any such disclosures are required to be made to the Independent Broad-based Anti-Corruption Commission (IBAC) or investigating entities if the discloser wishes the disclosure to be protected under the PID Act.

TCV has established procedures to:

- make TCV employees and other persons aware that they can make disclosures under the Public Interest Disclosures Act directly to IBAC
- keep a discloser's identity and the content of a disclosure confidential
- manage the welfare of disclosers including protecting them from detrimental action.

TCV's Public Interest Disclosures procedures are accessible on TCV's website at www.tcv.vic.gov.au.

Financial Management Compliance Attestation Statement

I Cassandra Kelly, on behalf of the Board, certify that Treasury Corporation of Victoria has no Material Compliance Deficiency with respect to the applicable Standing Directions under the Financial Management Act 1994 and Instructions.



Cassandra Kelly
Chair

10 August 2023

Financial Statements 2023

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Statement of Comprehensive Income

For the year ended 30 June 2023

	Note	2023 \$ million	2022 \$ million
Net gain on financial assets and liabilities at fair value through profit and loss	2	122.8	107.1
Interest from financial assets at amortised cost		20.2	20.2
Other fees and income		8.3	8.4
		151.3	135.7
Borrowing related expenses	3	10.8	18.0
Other operational expenses	3	21.5	19.4
Interest on financial liabilities at amortised cost		5.6	5.4
Hedge ineffectiveness on cash flow hedge		0.6	0.6
		38.5	43.4
Net profit		112.8	92.3
Other comprehensive income			
<i>Items that might be reclassified subsequently to profit and loss</i>			
Net gain/(loss) on cashflow hedges		1.4	(26.9)
Total other comprehensive income		1.4	(26.9)
Total comprehensive income		114.2	65.4

This statement should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2023

	Note	2023 \$ million	2022 \$ million
Assets			
Cash and cash equivalents	6	4,496.2	4,020.8
Other receivables	7	0.8	185.4
Investments	8	11,772.0	8,748.9
Derivative financial instruments	9	292.9	323.9
Loans	10	125,938.3	104,624.9
Other assets		3.5	8.3
Total assets		142,503.7	117,912.2
Liabilities			
Deposits		29.8	59.6
Other payables	11	9,821.0	10,865.5
Derivative financial instruments	9	585.4	676.8
Interest bearing liabilities – domestic	12	130,704.2	105,011.5
Interest bearing liabilities – offshore	13	993.5	1,023.4
Other liabilities		16.4	36.4
Provisions		4.4	4.2
Total liabilities		142,154.7	117,677.4
Net assets		349.0	234.8
Equity			
Contributed equity		30.0	30.0
Hedge reserves		(43.7)	(45.1)
Retained earnings		362.7	249.9
Total equity		349.0	234.8

This statement should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2023

	Note	Contributed equity \$ million	Hedge reserves \$ million	Retained earnings \$ million	Total \$ million
As at 30 June 2022		30.0	(45.1)	249.9	234.8
Net profit for the period		-	-	112.8	112.8
Other comprehensive income		-	1.4	-	1.4
Dividend paid	22	-	-	-	-
As at 30 June 2023		30.0	(43.7)	362.7	349.0

	Note	Contributed equity \$ million	Hedge reserves \$ million	Retained earnings \$ million	Total \$ million
As at 30 June 2021		30.0	(18.2)	289.2	301.0
Net profit for the period		-	-	92.3	92.3
Other comprehensive income		-	(26.9)	-	(26.9)
Dividend paid	22	-	-	(131.6)	(131.6)
As at 30 June 2022		30.0	(45.1)	249.9	234.8

This statement should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2023

	2023	2022
Note	\$ million	\$ million
Cashflows from operating activities		
Interest received on loans	2,954.7	2,029.6
Interest received on investments and cash	104.2	20.1
Interest paid on borrowings and deposits	(3,287.2)	(2,391.8)
Net interest (paid)/received on derivatives	(24.9)	14.3
Fees received	8.2	9.3
Borrowing related and other operational expenses paid	(38.7)	(33.3)
	(283.7)	(351.8)
Cashflows used in operating activities before changes in operating assets and liabilities		
Increase in loans to the State of Victoria (Department of Treasury and Finance)	(22,713.1)	(20,693.3)
Increase in loans to Participating Authorities	(1,213.1)	(963.7)
Increase in Treasury guaranteed loans	(13.8)	(17.8)
Increase in investments	(2,916.7)	(4,700.9)
Change in derivatives	(19.2)	31.6
Increase in borrowings	27,665.9	30,633.9
Decrease in deposits	(30.0)	(143.7)
	760.0	4,146.1
Net cash inflow from operating activities	476.3	3,794.3
	23	
Cash flows from investing activities		
Payments for other assets	(0.9)	(0.3)
	(0.9)	(0.3)
Cash flows from financing activities		
Dividend paid	-	(131.6)
	-	(131.6)
	22	
Net increase in cash and cash equivalents	475.4	3,662.4
Cash and cash equivalents at beginning of year	4,020.8	358.4
	4,496.2	4,020.8
	6	

This statement should be read in conjunction with the accompanying notes.

Notes to and Forming Part of the Financial Statements

Note 1 Basis of preparation

Treasury Corporation of Victoria (TCV or the Corporation) is Victoria's central financing authority and financial markets adviser and operates mainly within the domestic financial markets. It has a single reportable operating segment. TCV's primary customers are the Government of Victoria and Participating Authorities.

This audited financial report of TCV was authorised for issue in accordance with a resolution of the Board on 10 August 2023. The Board has the power to amend and reissue the financial statements.

Significant accounting policies adopted in the preparation of these financial statements are reported in this and subsequent notes to the financial statements. These policies have been consistently applied to the years presented, unless otherwise stated.

(a) Basis of accounting

TCV, a Victorian Government corporation, is a for-profit entity for the purposes of preparing the financial statements.

This report is a general-purpose financial report, prepared in accordance with Direction 5.2 Annual Reporting of the Standing Directions under the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards including interpretations, and other mandatory professional reporting requirements.

The financial statements also comply with International Financial Reporting Standards issued by the International Accounting Standards Board.

The financial statements have been prepared in accordance with the historical cost convention except for those financial assets and liabilities which are reported at fair value and certain provisions.

The presentation currency is Australian dollars which is the Corporation's functional currency.

All values are rounded to the nearest \$100,000, unless otherwise indicated.

(b) Foreign currency

Assets and liabilities denominated in foreign currencies are initially converted at the rate of exchange at the date of the transaction and, at the end of the financial year, are translated using the applicable rates of exchange. Net unrealised gains and losses arising from translation of foreign currency assets and liabilities are brought to account in the Statement of Comprehensive Income.

(c) Income tax

TCV is not a tax payer under the Income Tax Assessment Act 1936 and is not subject to Victorian taxation under the State Owned Enterprises Act 1992. Income tax expense is therefore not reflected in the Statement of Comprehensive Income.

(d) Critical estimates and assumptions

In preparing the financial statements, a number of estimates and assumptions are made that affect the amounts reported.

The fair value of financial instruments that cannot be sourced from active markets is determined using industry standard valuation techniques that involve significant estimates and assumptions. Valuation techniques include the use of indicative quotes for prices directly from, or interpolated or extrapolated from, prices for like instruments in active markets, and the use of quotes from market makers and established brokers.

Where the valuation technique requires adjustments that cannot be sourced directly from active markets, they are determined from inputs from market makers/brokers and internally developed models. The level of subjectivity and degree of management judgment required varies depending on the sophistication of the models and proportion of unobservable inputs.

(e) Adoption of new and revised accounting standards

Commencing 1 July 2022, TCV adopted AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments. These amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(f) New and amended accounting standards issued but not yet effective

There are no standards that are not yet effective that are expected to have a material impact on the Corporation in the current or future reporting periods or on foreseeable future transactions.

Revenue and Expenditure

Note 2 Net gain on financial assets and liabilities at FVTPL

The Corporation generates revenue from its lending activities and the management of associated risks. Revenue is primarily generated from the realised or unrealised differential between the fair value movements of financial assets and financial liabilities, inclusive of interest earned on assets or paid on liabilities, being the 'Net gain on financial assets and liabilities at fair value through profit and loss'.

	2023	2022
	\$ million	\$ million
Financial assets designated at fair value through profit and loss		
Interest income on cash assets and investments	371.8	32.5
Interest income on loans	3,012.0	2,021.4
	3,383.8	2,053.9
Realised and unrealised market movements of financial assets	(1,825.4)	(14,053.9)
Net gain/(loss) on financial assets designated at fair value through profit and loss	1,558.4	(12,000.0)
Financial liabilities designated at fair value through profit and loss		
Interest expense on borrowings	(3,355.4)	(2,068.5)
Realised and unrealised market movements of financial liabilities	1,920.5	14,458.9
Net (loss)/gain on financial liabilities designated at fair value through profit and loss	(1,434.9)	12,390.4
Net (loss) on derivatives	(0.7)	(283.3)
Net gain on financial assets and liabilities at fair value through profit and loss	122.8	107.1

Note 3 Operational expenses

	2023	2022
	\$ million	\$ million
Borrowing related expenses		
Syndication fees	7.4	11.9
Other fees and charges	3.4	6.1
	10.8	18.0
Other operational expenses		
Salaries and other direct employee expenses		
- Salaries, wages and entitlements including superannuation	12.2	11.9
- Net (gain) arising from revaluation of long service leave liability	(0.1)	(1.7)
Information technology	2.7	2.8
Professional services ⁽¹⁾	1.3	1.6
Market information services	2.0	1.8
Other supplies and services	3.4	3.0
	21.5	19.4

⁽¹⁾ Professional services include \$382,800 (2022: \$371,800) paid or payable to the Victorian Auditor-General in respect of the audit of the financial statements. No other amounts have been paid or are payable.

Financial Instruments

Note 4 Financial instruments accounting policy overview

All financial assets and liabilities, except for those in the hedge accounting portfolio, on recognition are designated at Fair Value Through Profit or Loss (FVTPL). The designation is determined on the basis that TCV manages and evaluates the performance of its financial assets and liabilities on a fair value basis in accordance with documented risk management strategies. Designation of financial assets and liabilities into the hedge accounting portfolio is assessed on a transaction by transaction basis.

Financial assets and liabilities at FVTPL are initially recognised and subsequently measured at fair value.

Financial assets and liabilities designated into the hedge accounting portfolio are initially recognised at fair value and are subsequently measured at amortised cost with interest recognised in the profit and loss using the effective interest method. This applies to financial liabilities that are evaluated on a basis other than their fair value, because they are formally designated as hedged items, as well as client loans funded by those liabilities. The assets are held with the objective of collecting contractual cashflows that are payments of principal and interest.

The majority of TCV's financial assets are measured at FVTPL and as such are not subject to the impairment requirements. Assets designated at amortised cost, due to them being part of the hedge accounting portfolio, are guaranteed by the State of Victoria provided the conditions incorporated in the Treasurer of the State of Victoria's (the Treasurer's) approval of the borrowing are complied with.

At the request of the Department of Treasury and Finance (DTF) and subject to the provision of a guarantee by the Treasurer, TCV may provide loans to, and/or enter into interest rate swaps with, other entities. The provision of the guarantee is integral to the provision of the relevant loan or swap. If DTF charge a fee for the provision of the guarantee that is included in interest charges, the fair value of the relevant instrument is net of the proportion of the interest payable to DTF. The interest received by TCV is also reported net of this charge.

Financial asset and liability transactions are recognised at trade date. Amounts receivable for transactions executed but not yet settled, including unsettled borrowings, are included in the Statement of Financial Position under 'Other receivables'. Amounts payable for transactions executed but not yet settled, including unsettled loans, are included in the Statement of Financial Position under 'Other payables'.

Until maturity, TCV debt securities may be repurchased from the market and cancelled. Similarly, loans to authorities may be repaid before maturity. Gains and losses associated with these repurchases/repayments are recognised immediately in the Statement of Comprehensive Income.

Note 5 Overview of fair value determination

The fair value of financial instruments is determined by the Risk and Performance Measurement business unit independent of Treasury.

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 the measurement date. It is assumed that the transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. All financial instruments, with the exception of those in the hedge accounting portfolio, are measured at fair value on a recurring basis.

Fair values are initially determined exclusive of bid offer spreads. Where assets and liabilities do not have offsetting market risks, bid-offer spreads are applied to the net open positions.

Further information on the determination of fair value is provided in Notes 6 to 14.

Note 6 Cash and cash equivalents

Cash and cash equivalents include deposits with financial institutions and liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

	2023	2022
	\$ million	\$ million
Current		
Cash at bank and on hand	16.1	71.6
Deposits with futures clearing house	5.5	6.4
Deposits with financial institutions	278.7	198.8
Short term discounted securities	2,194.0	2,343.7
Reverse repurchase agreements	2,001.9	1,400.3
Total cash and cash equivalents	4,496.2	4,020.8

With the exception of short term discounted securities and reverse repurchase agreements the fair value of cash and cash equivalents reflects the sum of interest accrued and their nominal value. Short term discounted securities are valued by discounting the face value of the securities using yields interpolated off curves derived from market data. The fair value of reverse repurchase agreements reflects the discounted value of their cash flows. The fair value of securities purchased under reverse repurchase agreements was \$1,997.5 million (2022: \$1,407.1 million).

Note 7 Other receivables

Other receivables include amounts receivable in respect of transactions executed but not yet settled, fees and other receivables due from clients. The fair value of unsettled trades reflects the discounted value of their cash flows.

	2023	2022
	\$ million	\$ million
Current		
Unsettled trades - receivable	-	184.4
Fee and other receivables	0.8	1.0
Total other receivables	0.8	185.4

Note 8 Investments

Investments include liquid securities and deposits with financial institutions with original maturities longer than three months.

	2023	2022
	\$ million	\$ million
Short term discounted securities	5,436.9	3,151.4
Fixed interest securities	4,463.3	1,400.2
Term deposits with financial institutions	1,630.4	4,197.3
Floating rate securities	241.4	-
Total investments	11,772.0	8,748.9
Maturity in 12 months or less	7,308.7	7,360.8
Maturity in more than 12 months	4,463.3	1,388.1
Total investments	11,772.0	8,748.9

Short term discounted securities are valued by discounting the face value of the securities using yields interpolated off curves derived from market data. The fair value of fixed interest securities is determined utilising market quotes. The fair value of term deposits is determined by discounting the cash flows using yields derived from market data.

Note 9 Derivative financial instruments

TCV enters into derivative instruments primarily to manage interest rate and currency risks inherent in the borrowing and asset management activities of the Corporation and the risk inherent in activities of the State of Victoria and Participating Authorities. TCV may also enter into foreign exchange and commodity derivatives to manage risks associated with client activities.

Derivative instruments are initially recognised at fair value with changes to their fair value recognised in the Statement of Comprehensive Income, unless the derivative is a hedging item within a formally designated hedge relationship. In that case, to the extent the hedge is effective, changes in fair value of the derivative are recorded in the hedge reserves with any ineffectiveness recorded in the Statement of Comprehensive Income.

	2023	2022
	\$ million	\$ million
Derivative financial instrument assets		
Interest rate swaps	258.4	281.5
Forward foreign exchange contracts	19.6	20.4
Other	14.9	22.0
Total derivative asset	292.9	323.9
Maturity in 12 months or less	22.3	29.8
Maturity in more than 12 months	270.6	294.1
Total derivative asset	292.9	323.9
Derivative financial instrument liabilities		
Interest rate swaps	496.0	528.7
Cross currency swaps	64.0	105.4
Forward foreign exchange contracts	19.6	20.4
Other	5.8	22.3
Total derivative liability	585.4	676.8
Maturity in 12 months or less	15.9	40.1
Maturity in more than 12 months	569.5	636.7
Total derivative liability	585.4	676.8

Over the counter derivatives such as interest rate swaps and foreign currency swaps are valued on a cash flow basis off the appropriate swap curves. Where DTF charge a fee for the provision of the guarantee that is included in interest charges (refer Note 4), fair value is determined exclusive of the fee payable to DTF.

The cross currency swaps are valued in accordance with market conventions utilising relevant swap curves adjusted where applicable for cross currency and single currency basis risk.

A credit valuation adjustment (a provision for counterparty default) and debit valuation adjustment (a provision for TCV's own risk) have also been provided for in the determination of the fair value of derivative positions.

Note 10 Loans

A function of the Corporation under Section 8(1) of the TCV Act is to provide financial accommodation to a Participating Authority or the State of Victoria. A Participating Authority is a public authority that is accepted, for the purpose of providing financial accommodation, by the Corporation under the TCV Act. At the request of DTF and subject to the provision of a guarantee by the Treasurer, TCV also provides loans to other entities.

Loans are presented at fair value unless otherwise stated.

	2023	2022
	\$ million	\$ million
Short term cash	452.5	530.2
Floating rate loans	14,311.6	14,344.6
Fixed interest loans	110,376.6	88,935.3
Fixed interest loans at amortised cost(1)	683.8	683.8
Index linked loans	113.8	131.0
Total loans	125,938.3	104,624.9
Maturity in 12 months or less	8,947.0	6,090.3
Maturity in more than 12 months	116,307.5	97,850.8
Maturity in more than 12 months - Fixed interest loans at amortised cost(1)	683.8	683.8
Total loans	125,938.3	104,624.9
State of Victoria (Department of Treasury and Finance)	108,103.1	87,829.0
State of Victoria (Department of Treasury and Finance) - Fixed interest loans at amortised cost (1)	683.8	683.8
Participating Authorities	15,690.4	14,608.9
Treasurer guaranteed loans	1,461.0	1,503.2
Total loans	125,938.3	104,624.9

(1) Fixed interest loans carried at amortised cost are part of the hedge accounting portfolio. The fair value of the loans as at 30 June 2023 was \$453.4 million (2022: \$505.4 million).

The fair value of short term cash loans reflects the sum of interest accrued and the nominal value.

Floating rate loans are valued using standard market conventions, with future cash flows derived from the AUD swap curve with discounting yields derived from the TCV yield curve.

Fixed interest loans, except those carried at amortised cost, are valued by using standard market conventions utilising yields derived from the TCV yield curve.

In respect of floating rate or fixed interest loans subject to a Treasurer guarantee, if TCV collects from the client and pays DTF a proportion of interest received for the provision of the guarantee (refer Note 4), fair value is determined from cash flows net of that fee.

Indexed linked loans are valued off a curve derived from market quotes for indexed linked securities.

Note 11 Other payables

Other payables reflect amounts payable in respect of transactions executed but not yet settled and other financial liabilities. The fair value of unsettled trades reflects the discounted value of their cash flows.

	2023	2022
	\$ million	\$ million
Unsettled trades		
- loans payable to State of Victoria and Participating Authorities	9,337.1	10,281.9
- Treasurer guaranteed loans payable	483.8	523.2
- amounts payable to market participants	-	55.7
Other financial liabilities	0.1	4.7
Total other payables	9,821.0	10,865.5
Maturity in 12 months or less	9,770.0	10,410.6
Maturity in more than 12 months	51.0	454.9
Total other payables	9,821.0	10,865.5

Note 12 Interest bearing liabilities – domestic

All instruments issued by TCV have the benefit of the guarantee of the Government of Victoria pursuant to Section 32 of the TCV Act.

Domestic Benchmark Bonds are fixed interest securities that form the cornerstone of the Corporation's funding strategy. TCV aims to have sufficient volume on issue to support its lending activities. TCV also issues other fixed interest bonds with different maturities, in smaller volumes, and floating rate notes to compliment the more liquid Domestic Benchmark Bond lines.

TCV Promissory Notes are promissory notes issued under the \$10 billion Commercial Paper Program with maturities up to one year.

	2023	2022
	\$ million	\$ million
Benchmark programs		
Domestic Benchmark Bonds	111,019.2	86,331.2
TCV Promissory Notes	3,422.7	1,975.2
Total benchmark programs	114,441.9	88,306.4
Domestic borrowings – other		
TCV fixed interest bonds	2,984.2	3,361.5
TCV floating rate notes	13,010.3	13,048.9
Indexed linked securities	180.5	211.5
Payables to market participants	87.3	83.2
Total domestic borrowings - other	16,262.3	16,705.1
Total domestic borrowings	130,704.2	105,011.5
Maturity in 12 months or less	11,573.1	6,144.9
Maturity in more than 12 months	119,131.1	98,866.6
Total domestic borrowings	130,704.2	105,011.5

The fair value of Domestic Benchmark Bonds is determined from quoted yields.

The fair value of floating rate bonds is determined from projected cash flows derived from the relevant swap curve, discounted off the TCV yield curve. Index linked securities are valued using standard market conventions and yields provided by a market participant. Other instruments are valued by discounting the instrument cash flows utilising rates derived from the TCV yield curve.

Note 13 Interest bearing liabilities – offshore

From time to time TCV issues Euro Commercial Paper under the AUD 5 billion multi-currency Euro Commercial Paper (ECP) Program. The ECP balance at 30 June 2023 was USD175 million (2022: USD150 million and AUD100 million).

TCV also issues Medium Term Notes under the USD 3 billion Euro Medium Term Note (EMTN) Program. The 2023 liability balance comprises face value of AUD104 million (2022: AUD122 million), JPY7.5 billion (2022: JPY7.5 billion) and EUR350 million (2022: EUR350 million).

Liabilities issued under these programs have the benefit of the guarantee of the State of Victoria pursuant to Section 32 of the TCV Act. All foreign currency risk associated with foreign currency issuances is fully hedged by the Corporation using derivatives. Hedge accounting is applied to certain long term foreign currency borrowing arrangements.

Liabilities are presented at fair value unless otherwise stated.

	2023	2022
	\$ million	\$ million
Euro Commercial Paper	262.1	315.9
Euro Medium Term Notes	78.3	95.1
Euro Medium Term Notes at amortised cost	653.1	612.4
Total offshore borrowings	993.5	1,023.4
Maturity in 12 months or less	262.1	333.6
Maturity in more than 12 months	731.4	689.8
Total offshore borrowings	993.5	1,023.4

AUD-denominated EMTNs are valued through the discounting of cash flows using the TCV yield curve. The JPY and EUR denominated EMTNs which are hedged items within cashflow hedge relationships are carried at amortised cost. The fair value of the EMTNs at amortised cost at 30 June 2023 was AUD416.1 million (2022: AUD434.8 million).

Note 14 Fair Value Hierarchy

The Fair Value Hierarchy, by distinguishing between inputs that are observable in the marketplace, and therefore more objective, and those that are unobservable and therefore more subjective, is designed to indicate the relative subjectivity and estimation reliability of the fair value measurements. The nature of the inputs used to determine the fair value of instruments determines the hierarchical level into which they fall:

- Level 1 instruments are valued utilising unadjusted prices quoted in active markets for identical assets or liabilities
- Level 2 instruments are valued utilising valuation techniques that utilise prices for like instruments in active markets without significant adjustment
- Level 3 instruments are valued utilising inputs that are not based on observable market data.

The table over page summarises the fair value of the financial instruments and the appropriate fair value hierarchy into which they fall as at year end. TCV's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer.

Transfers between level categories

There were no transfers between fair value hierarchy categories.

Note 14 Fair Value Hierarchy (cont.)

	Level 1 (quoted prices in active markets) \$ million	Level 2 (inputs other than quoted prices) \$ million	Level 3 (unobservable inputs) \$ million	Total \$ million
2023				
Assets				
Cash and cash equivalents	2,302.2	2,194.0	-	4,496.2
Other receivables	-	0.8	-	0.8
Investments	4,463.3	7,308.7	-	11,772.0
Derivative financial instruments	20.4	272.5	-	292.9
Loans (excludes loans at amortised cost)	452.5	124,802.0	-	125,254.5
	7,238.4	134,578.0	-	141,816.4
Liabilities				
Deposits	21.0	8.8	-	29.8
Other payables	-	9,821.0	-	9,821.0
Derivative financial instruments	20.8	564.6	-	585.4
Interest bearing liabilities – domestic	111,106.5	19,597.7	-	130,704.2
Interest bearing liabilities – offshore (excludes debt at amortised cost)	-	340.4	-	340.4
	111,148.3	30,332.5	-	141,480.8
2022				
Assets				
Cash and cash equivalents	1,677.1	2,343.7	-	4,020.8
Other receivables	-	185.4	-	185.4
Investments	1,400.2	7,348.7	-	8,748.9
Derivative financial instruments	21.2	302.7	-	323.9
Loans (excludes loans at amortised cost)	530.2	103,410.9	-	103,941.1
	3,628.7	113,591.4	-	117,220.1
Liabilities				
Deposits	39.8	19.8	-	59.6
Other payables	-	10,865.5	-	10,865.5
Derivative financial instruments	22.7	654.1	-	676.8
Interest bearing liabilities – domestic	86,414.4	18,597.1	-	105,011.5
Interest bearing liabilities – offshore (excludes debt at amortised cost)	-	411.0	-	411.0
	86,476.9	30,547.5	-	117,024.4

Note 15 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset, with the net amount reported in the Statement of Financial Position, only where there is a currently legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The majority of the offsetting applied by TCV relates to derivatives and collateral arrangements, as well as repurchase and reverse repurchase agreements.

The following table provides information on the impact of offsetting on the Statement of Financial Position, as well as the financial impact of netting for instruments subject to an enforceable master netting arrangement or similar agreement, as well as available cash and financial instrument collateral.

In line with general market practice, TCV has entered into arrangements that do not meet criteria for offsetting in a normal course of business, but allow for the relevant amounts to be set off in certain circumstances, such as bankruptcy, default or insolvency. The effect of these agreements is reflected in the column 'Impact of master netting arrangements'.

The 'Cash and financial instrument collateral' column discloses collateral amounts received or pledged in relation to the total amounts of assets and liabilities, including those that were not offset. The rights to set off relating to the cash and financial instruments collateral are conditional upon the default of the counterparty.

The column 'Net amount' shows the impact on TCV's Statement of Financial Position if all existing rights of offset were exercised.

	Effects of offsetting on the Statement of Financial Position			Related amounts not offset		
	Gross amounts	Gross amounts set off in the Statement of Financial Position	Net amounts presented in the Statement of Financial Position	Impact of master netting arrangements	Cash and financial instrument collateral	Net amount
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
2023						
Assets						
Reverse repurchase agreements ⁽²⁾	2,001.9	-	2,001.9	-	(1,997.5)	4.4
Derivative financial instruments ⁽¹⁾	300.1	(7.2)	292.9	(178.7)	(91.5)	22.7
	2,302.0	(7.2)	2,294.8	(178.7)	(2,089.0)	27.1
Liabilities						
Derivative financial instruments ⁽¹⁾	592.6	(7.2)	585.4	(178.7)	(61.5)	345.2
	592.6	(7.2)	585.4	(178.7)	(61.5)	345.2
2022						
Assets						
Reverse repurchase agreements ⁽²⁾	1,400.3	-	1,400.3	-	(1,400.3)	-
Derivative financial instruments ⁽¹⁾	324.9	(1.0)	323.9	(218.4)	(69.1)	36.4
	1,725.2	(1.0)	1,724.2	(218.4)	(1,469.4)	36.4
Liabilities						
Derivative financial instruments ⁽¹⁾	677.8	(1.0)	676.8	(218.4)	(124.7)	333.7
	677.8	(1.0)	676.8	(218.4)	(124.7)	333.7

(1) Cash collateral received, and cash collateral pledged are presented within cash and cash equivalents and interest-bearing liabilities – domestic respectively.

(2) Reverse repurchase agreements are recognised within 'Cash and Cash Equivalents' if the maturity date is within 3 months.

Note 16 Contractual obligations and financial liabilities

The difference between financial liabilities carrying amount and the amount contractually required to be paid at maturity is detailed below.

	2023	2023	2023	2022	2022	2022
	Carrying amount	Principal owing at maturity ⁽¹⁾	Variance	Carrying amount	Principal owing at maturity ⁽¹⁾	Variance
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Deposits	29.8	29.8	-	59.6	59.6	-
Interest bearing liabilities – domestic	130,704.2	145,476.7	(14,772.5)	105,011.5	114,416.2	(9,404.7)
Interest bearing liabilities – offshore	993.5	1,019.7	(26.2)	1,023.4	1,050.8	(27.4)

⁽¹⁾ Principal owing at maturity is the amount TCV is contractually required to pay at maturity, to the holder of the obligation, exclusive of interest due.

Risk Management

Note 17 Risk management framework

The primary risks arising from financial instruments that result from TCV's activities are market risk, funding and liquidity risk and credit risk. TCV may also be exposed to foreign currency risk which is limited to AUD 250,000 equivalent.

Management of these risks is carried out in accordance with TCV's risk management framework. The framework is consistent with the Prudential Standard for the Treasury Corporation of Victoria (Prudential Standard). Compliance with the requirements of the Prudential Standard is monitored by an independent Prudential Supervisor appointed by the Treasurer.

The risk management framework comprises the following key components:

- the TCV Board is responsible for ensuring that TCV's risk management framework is sound, for approving TCV's Risk Appetite Statement and approving key risk policies
- the Managing Director and CEO is responsible for the set up and maintenance of the risk management framework and the risk management policies, ensuring that the risks are controlled and within Board approved levels
- the TCV Audit Committee assists the TCV Board in discharging its responsibility for oversight, implementation and operation of the risk management framework
- the Treasury business unit is responsible for day-to-day management of the Corporation's assets and liabilities, funding and liquidity risks in accordance with established risk policies
- the Risk and Performance Measurement business unit is responsible for developing and maintaining appropriate risk policies consistent with the Prudential Standard and the guidelines of the Board, relating to risk identification, measurement, control, reporting and implementation
- Internal Audit provides an independent objective risk assurance and advisory service to assist the TCV Board, through its Audit Committee, to evaluate the effectiveness of TCV's risk control and governance framework
- executive committees such as the Asset and Liability Committee (ALCO), the Credit Risk Committee and the Enterprise Risk Management Committee include the Managing Director and CEO and members of the executive management team and other managers who are responsible for ensuring the Corporation's financial assets and liabilities are managed prudently and efficiently.

The Managing Director and CEO and TCV executives are required to promptly advise the Board, Prudential Supervisor and the Treasurer, via DTF, and relevant stakeholders of any breach by the Corporation of the Prudential Standard.

Note 18 Market risk

Market risk is the risk of a loss due to adverse movements in market prices, yields or rates of financial instruments and derivatives.

TCV's treasury management model is based on providing tailored loans to TCV's clients to meet their cashflow financing needs. TCV then structures its funding activities to manage interest rate risk mismatches. In a similar manner, TCV actively manages its liquid assets portfolio to generate returns. These risks are managed within Value at Risk (VaR) and contingent loss risk (CLR) limits.

Value at Risk

Value at Risk (VaR) is a measure of the potential daily loss on any day - within a 99% confidence interval - faced by TCV on its risk positions. TCV calculates VaR on 500 days of immediate past historical movement of prices, yields and spreads.

The Managing Director and CEO is responsible for recommending to the Board a total aggregate VaR limit that TCV can undertake at any point in time across all its portfolios. The Board considers and approves the limit to be recommended to the Treasurer for approval as part of the annual Corporate Plan process.

Within the aggregate VaR limit, the Managing Director and CEO has discretion to allocate sub limits to individual portfolios or sets of portfolios, as well as to allocate a lower level of limit to the General Manager, Treasury for day-to-day portfolio management purposes. VaR is measured and reported to management daily.

The VaR estimates are checked via back-testing against actual daily Treasury Operations Revenue results for reasonableness and the continued accuracy of the model. Back-testing exceptions are monitored and reported consistent with the Prudential Standard.

The Corporation's VaR measure for the financial year was as follows:

	2023	2022
	\$ million	\$ million
30 June	4.4	3.1
Average daily value during the year	3.8	3.0
Highest	5.4	4.2
Lowest	2.1	2.4

The VaR utilisation of the Corporation remained within limits the entire year.

As VaR relies on historical data and assumes recent historic market conditions, it may not always accurately predict the size of potential losses. The use of VaR is therefore complemented by Stressed VaR and a range of scenarios for stress testing exposure to market risk and by using interest rate shocks to yield curves. This provides additional information about potential outcomes that may lie outside of the chosen confidence interval in the VaR measurement.

Contingent loss risk

TCV uses an interest rate scenario model to quantify the exposure of TCV's core portfolios to plausible interest rate scenarios. The resulting CLR reports and details of the basis risk inherent in the core portfolios are used to monitor, and assist in the management of, market risk within limits.

The CLR total aggregate, sector and scenario limits are approved by the Managing Director and CEO.

Note 19 Funding and liquidity risk

Funding and liquidity risk is the risk of an inability to meet financial obligations when they fall due and/or the ability to raise funds at the required volume or price.

TCV has liquidity policies and procedures in place, as required by the Prudential Standard. In addition, DTF requires that TCV holds levels of surplus liquid assets for the State of Victoria to maintain the Whole of Victoria Government (WOVG) Liquidity Ratio at specified levels.

TCV has strong access to markets as its domestic bonds are repurchase agreement (repo) eligible under the Reserve Bank of Australia's framework and qualify for authorised deposit-taking institutions as a Level 1 asset for the purposes of calculating Australian Prudential Regulation Authority's Liquidity Coverage Ratio. In addition to domestic bond issuance, TCV utilises to varying degrees its domestic Commercial Paper Program and its Euro Medium Term Note and Euro Commercial Paper programs.

The Treasury business unit plans and executes funding activities for the State in volume and duration. The Victorian State Budget and its updates provide a guide to the State's funding requirements for four years. Market demands for volumes and maturities are incorporated into the funding plans.

The Treasury and Risk and Performance Measurement business units monitor daily existing and forecast liquidity requirements using a number of measures including: the WOVG Liquidity Ratio, the cumulative cashflows and funding capacity, the liquidity stress scenario coverage ratio and other measures.

The table below summarises the maturity profile of the Corporation's liabilities based on contracted undiscounted repayment obligations.

Maturity in:	At call	Less than 3 months	3 to 12 months	Between 1 and 2 years	Between 2 and 5 years	Greater than 5 years	Total
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
2023							
Deposits	21.0	8.8	-	-	-	-	29.8
Interest bearing liabilities – domestic	87.3	2,971.5	12,634.1	12,546.8	43,448.2	102,343.7	174,031.6
Interest bearing liabilities – offshore	-	188.6	81.5	6.1	18.3	856.0	1,150.5
	108.3	3,168.9	12,715.6	12,552.9	43,466.5	103,199.7	175,211.9
2022							
Deposits	39.9	9.1	10.9	-	-	-	59.9
Interest bearing liabilities – domestic	83.2	1,231.5	7,725.6	11,509.2	31,889.1	83,215.0	135,653.6
Interest bearing liabilities – offshore	-	111.5	230.1	5.9	17.6	816.3	1,181.4
	123.1	1,352.1	7,966.6	11,515.1	31,906.7	84,031.3	136,894.9

Note 20 Credit risk

Credit risk refers to the possibility that TCV may suffer financial loss due to the inability of its counterparties to honour their financial obligations as and when they fall due.

The types of counterparties with which TCV may invest and the type of securities TCV may hold are set out in TCV's Investment Powers. These powers are approved by the Governor in Council on the recommendation of the Treasurer and are based on external ratings. TCV's powers to enter into derivative transactions are subject to the approval of the Treasurer. These approvals do not prescribe the individual counterparties with which TCV may transact.

The Board delegates to the Managing Director and CEO the authority to approve new or varied credit limits in accordance with the Board approved maximum exposures. The Managing Director and CEO has the authority to immediately suspend, reduce or withdraw a counterparty credit limit originally approved by the Board to ensure credit quality standards are not diminished by an actual or prospective downgrading of the counterparty.

Note 20 Credit risk (cont.)

In respect of loans to the State of Victoria, Participating Authorities (which are guaranteed by the State of Victoria) and Treasurer guaranteed loans, the ultimate credit exposure is to the State of Victoria.

The principal focus of TCV's credit risk analysis and monitoring is therefore the risk that arises through investment of funds in financial assets and through derivative transactions with market counterparties. Under TCV's risk management framework, this credit risk is managed by:

- external credit ratings based maximum exposure limits consistent with the Investment Powers
- internal risk assessment based individual exposure limits to counterparties and investments approved by the Board or the Managing Director and CEO (under powers delegated by the Board)
- periodic credit reviews and on-going monitoring of the credit quality of investments and exposures to market counterparties to ensure that any diminution of credit quality of a counterparty or investment occurring subsequent to the establishment of a limit is addressed.

Concentration of Credit Risk - by credit rating (Standard & Poor's)

The credit quality of financial assets that are neither past due or impaired are assessed by reference to external ratings. The following table details the credit ratings of the Corporation's primary financial assets. The amounts shown are recorded at fair value unless otherwise stated.

	AAA	AA+/AA/AA-	A+/A/A-	BBB+/BBB	Other	Total
2023	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Cash and cash equivalents	-	3,960.8	535.4	-	-	4,496.2
Other receivables	-	0.8	-	-	-	0.8
Investments ⁽¹⁾	1,583.0	9,177.2	817.6	124.3	69.9	11,772.0
Derivative financial instrument assets ⁽²⁾⁽³⁾	-	274.0	18.1	-	-	292.1
Loans ⁽³⁾⁽⁴⁾	-	125,938.3	-	-	-	125,938.3
Total credit risk exposure	1,583.0	139,351.1	1,371.1	124.3	69.9	142,499.4
2022						
Cash and cash equivalents	-	3,347.6	623.2	50.0	-	4,020.8
Other receivables	-	160.4	-	-	25.0	185.4
Investments ⁽¹⁾	557.7	7,058.5	965.3	99.7	67.7	8,748.9
Derivative financial instrument assets ⁽²⁾⁽³⁾	-	313.3	9.9	-	-	323.2
Loans ⁽³⁾⁽⁴⁾	-	104,624.9	-	-	-	104,624.9
Total credit risk exposure	557.7	115,504.7	1,598.4	149.7	92.7	117,903.2

(1) Investments classified as rated "Other" are rated Aa3 by Moody's.

(2) Reflects the credit exposure of derivative assets. This exposure is mitigated by derivative portfolio netting pursuant to Master Netting Agreements and collateral deposits. At 30 June 2023, TCV held \$91.5 million (2022: \$71.2 million) in cash deposits pursuant to Credit Support Annexures which provide for the provision of collateral to cover the credit risk arising from net derivative exposures to market counterparties.

(3) Rating may reflect the State of Victoria's rating or its rating as guarantor.

(4) Balances include client loans that are held at amortised cost and not FVTPL, due to being part of the hedge accounting portfolio.

Ageing analysis of past due but not impaired loans

At 30 June 2023 \$nil amounts were past due (30 June 2022: \$nil).

Capital and Dividends

Note 21 Capital adequacy

The Prudential Standard requires the Corporation to maintain sufficient capital to act as a buffer against the risks associated with its activities. The Corporation is required to hold a minimum capital adequacy ratio of 8% of risk weighted assets and to target a capital ratio of at least 10.5% of risk weighted assets.

The total capital of the Corporation consists of the contributed equity and retained earnings. It is exclusive of hedge reserves.

	Actual 2023	Required 2023	Actual 2022	Required 2022
	\$ million	\$ million	\$ million	\$ million
Total capital ⁽¹⁾	392.7	151.8	279.9	143.8
Risk weighted assets	1,897.2	1,897.2	1,797.0	1,797.0
Capital ratio	20.7%	8.0%	15.6%	8.0%

⁽¹⁾ Total capital is the sum of contributed equity and retained earnings. It excludes hedge reserves.

Note 22 Dividends

Under Section 31 of the TCV Act, TCV is required to pay to the Government of Victoria, from its surplus for the preceding financial year, such dividend as the Treasurer shall determine after consultation with the Corporation. At 30 June 2023, no dividend in respect of the year ended 30 June 2023 (2022: \$nil) has been provided for in the accounts of TCV. In respect of the prior year's surplus, no dividend (2022: \$131.6 million) was declared and paid after the relevant reporting date.

Other Information

Note 23 Notes supporting Statement of Cash Flows

(i) Cash flows presented on a net basis

Cash flows arising from operating activities are presented on a net basis in the Statement of Cash Flows.

(ii) Reconciliation of net cash outflow from operating activities to net profit

	2023	2022
	\$ million	\$ million
Net profit	112.8	92.3
Depreciation and amortisation	1.2	1.3
Decrease in other payables and liabilities	(19.7)	(26.1)
Decrease in other receivables and assets	0.5	0.8
Increase in accrued interest receivable	(166.9)	(45.7)
Increase in accrued interest payable	191.8	103.2
Discount/premium amortisation	(296.3)	(403.0)
Net gain from financial assets and liabilities	(107.7)	(75.2)
Hedge ineffectiveness	0.6	0.6
Operating cashflow items not included in profit	760.0	4,146.1
Net cash outflow from operating activities	476.3	3,794.3

Note 24 Responsible persons

The following Directors together with the Treasurer, Tim Pallas MP, are or have been responsible persons of TCV during the year:

Cassandra Kelly, Chair

Michael Larkin, Managing Director and CEO (appointed 1 February 2023)

William Whitford, Managing Director (to 31 January 2023, retired 3 February 2023)

Helen Thornton, Deputy Chair

David Martine

John Pearce

Debra Hazelton

Peter McGregor (appointed 16 May 2023)

Pamela Hauser (retired 20 February 2023)

TCV Directors have the benefit of indemnities given by the Treasurer pursuant to the Financial Management Act and by Victorian Managed Insurance Authority pursuant to the *Victorian Managed Insurance Authority Act 1996*.

Remuneration

The total remuneration paid or payable to Directors for the year is \$1,080,821 (2022: \$1,034,568). These amounts include all employee benefits which are all forms of consideration paid, payable or provided by the Corporation, or on behalf of the Corporation, in exchange for service rendered. Amounts relating to ministers are reported in the State's Annual Financial Report.

Remuneration of Directors Income band	2023	2022
	No. of Directors	No. of Directors
\$630,000 to \$639,999	-	1
\$370,000 to \$379,999 ⁽¹⁾	1	-
\$310,000 to \$319,999 ⁽¹⁾	1	-
\$140,000 to \$149,999	1	1
\$60,000 to \$69,999	3	4
\$30,000 to \$39,999	1	-
\$10,000 to \$19,999	1	-
\$0 to \$9,999 ⁽²⁾	1	1

⁽¹⁾ The total remuneration reported for the Managing Director and CEO, and the former Managing Director, includes recreational leave and long service leave accrued during the year. Non-executive directors do not accrue these benefits.

⁽²⁾ Director David Martine, an employee of DTF, is not compensated by TCV.

Note 25 Remuneration of executives

The table below presents the total remuneration received or receivable by executives and the number of executives exclusive of the Managing Director and CEO and the former Managing Director (refer Note 24). Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the Corporation, or on behalf of the Corporation, in exchange for services rendered. Accordingly, remuneration is determined on an accrual basis and is disclosed in the following categories:

- short-term employee benefits including amounts such as wages, salaries, accrued bonus, annual leave or sick leave that are usually paid or payable on a regular basis
- post-employment benefits being benefits paid or payable on a discrete basis when employment has ceased
- other long-term benefits being long service leave accrued
- termination benefits including termination of employment payments, such as severance packages.

Remuneration of executive officers	2023	2022
	\$	\$
Short-term benefits	1,975,578	1,913,675
Post-employment benefits	151,962	139,011
Other long-term benefits	87,897	83,709
Termination benefits	-	-
Total remuneration	2,215,437	2,136,395
Total number of executive officers ⁽¹⁾	7	6
Total annualised employee equivalent (AEE) ⁽²⁾	5.7	5.6

(1) Includes an executive that retired in 2022-2023.

(2) The total annualised employee equivalent (AEE) provides a measure of full-time equivalent executive officers over the reporting period based on working 5 days per week.

Note 26 Related parties

TCV is the central financing authority and financial markets adviser for the State of Victoria. TCV provides treasury services to the State of Victoria and Participating Authorities. TCV also provides financial advice and analytical services to Participating Authorities, government departments and agencies and other parties at the direction of the Treasurer. Significant transactions with government related entities that occurred during the year are discussed below.

Related parties of the TCV include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over)
- all cabinet ministers and their close family members
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

Key management personnel

Key management personnel of the TCV include the Treasurer, Tim Pallas MP, TCV's Directors (refer Note 24) and the following members of the senior executive team:

Mark Engeman, Deputy Managing Director and Corporation Secretary

Mike van de Graaf, General Manager, Risk and Performance Management

Justin Lofting, General Manager, Treasury

Natasha Lloyd, General Manager, People and Culture (commenced 28 November 2022)

Judy Utley, General Manager, People and Culture (retired 10 November 2022)

Peter Wyatt, Chief Financial Officer

Warren Murray, General Manager, Information Technology

Note 26 Related parties (cont.)

The remuneration below excludes the salaries and benefits of the Treasurer. Amounts relating to ministers are reported within the State's Annual Financial Report.

Remuneration of key management personnel	2023	2022
	\$	\$
Short-term benefits	2,968,754	2,867,791
Post-employment benefits	218,640	198,872
Other long-term benefits	108,863	104,300
Termination benefits	-	-
Total remuneration	3,296,257	3,170,963

Significant transactions with government related entities

In December 2019, TCV entered into a Deed of Guarantee and Indemnity with the Treasurer acting for and on behalf of the Crown in the right of the State of Victoria. The guarantee unconditionally and irrevocably indemnifies TCV against demands, claims, suits, actions, damages, liabilities, losses, costs and expenses incurred by TCV in respect of the obligations and payments of Aquasure Finance Pty Ltd for three floating rate amortising loans (loans) and four interest rate swaps (swaps) to be provided by TCV. On trade date the loans had a face value of \$1.2 billion and the swaps a notional amount of \$1.8 billion. In consideration for providing that guarantee, DTF will receive a proportion of interest received from the loans and swaps by TCV. In respect of this consideration, in 2022-23 TCV paid DTF \$6.0 million (2022: \$6.4 million), with a further \$133.6 million (2022: \$140.0 million) due to be paid over the life of the loans and swaps until their maturity in 2038.

Transactions and balances with key management personnel and other related parties

All transactions that involve the related parties listed below are dealt with on normal commercial terms and conditions and without reference to the key management personnel concerned. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

Key management person	Related party	Key management person relationship with related party	Services provided to the related party
Helen Thornton, Deputy Chair	Yarra Valley Water	Director	Loan, deposit and advisory services
David Martine, Director	Department of Treasury and Finance	Secretary	Loan and deposit products and advisory services
	Victorian Funds Management Corporation	Director	Bond repurchase agreements

Note 27 Undrawn client loan facilities

Undrawn client loan facilities that did not expire on 30 June 2023 totalled \$897.1 million (2022: \$905.9 million).

Note 28 Subsequent events

The Corporation had no material or significant events occurring after the reporting date.

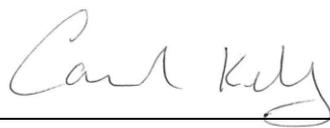
Certification of Financial Statements

The attached financial statements for Treasury Corporation of Victoria have been prepared in accordance with Direction 5.2 of the Standing Directions 2018 under the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards including interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2023 and financial position of Treasury Corporation of Victoria as at 30 June 2023.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 10 August 2023.



Cassandra Kelly
Chair

Melbourne
Date: 10 August 2023



Michael Larkin
Managing Director and CEO

Melbourne
Date: 10 August 2023



Peter Wyatt
Chief Financial Officer

Melbourne
Date: 10 August 2023

Independent Auditor's Report

To the Board of the Treasury Corporation of Victoria

Opinion	<p>I have audited the financial report of the Treasury Corporation of Victoria (the Corporation) which comprises the:</p> <ul style="list-style-type: none"> • statement of financial position as at 30 June 2023 • statement of comprehensive income for the year then ended • statement of changes in equity for the year then ended • statement of cash flows for the year then ended • notes to the financial statements, including significant accounting policies • certification of the financial statements. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the Corporation as at 30 June 2023 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the Corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Key audit matters	<p>Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.</p>

Key audit matter	How I addressed the matter
<p>Valuation of financial instruments carried at fair value and related net gain on financial assets and liabilities at fair value</p> <p>Refer to Note 4 of the financial report for the accounting policy associated with the valuation of financial instruments and the fair value determination section of the relevant financial instrument notes for the assumptions applied by management in valuing financial instruments.</p> <hr/> <p>Financial assets at fair value - \$141.8 billion. Financial liabilities at fair value - \$141.5 billion. Net gain on financial assets and liabilities at fair value - \$122.8 million.</p> <p>I considered this to be a key audit matter because:</p> <ul style="list-style-type: none"> • financial instruments and the related fair value gain on financial assets and liabilities are financially significant • the underlying models used by management to reliably fair value financial instruments with higher estimation uncertainty are complex • a significant degree of management judgement is required in valuing these financial instruments • the performance of financial markets fluctuated over the period impacting the value of financial assets • manual valuation adjustments made outside of the system are complex and subject to management judgement • a small adjustment to a valuation input may have a significant impact on the fair value of each financial instrument • extensive disclosures are required by Australian accounting standards which are critical to the users understanding of the valuation of financial instruments carried at fair value. 	<p>My key procedures included:</p> <ul style="list-style-type: none"> • gaining an understanding of the valuation processes and identifying key controls supporting the valuation of financial instruments, and the calculation and measurement of related net gains • assessing the sufficiency and appropriateness of methodologies and valuation models across financial instrument classes • assessing the design and operating effectiveness of key manual, IT-dependent manual and automated controls supporting the valuation processes • assessing the characteristics and valuation methodology for each type of financial instrument and categorising them based on the level of estimation uncertainty in the valuation • engaging valuation specialists to perform independent testing of key valuation inputs, valuation methodology and assumptions for financial instruments with a higher level of estimation uncertainty • assessing, in conjunction with our valuation specialists, any manual fair value adjustments made to financial assets and liabilities that impact the net gain • obtaining independent counterparty confirmations of financial instruments at 30 June 2023 and agreeing these to the recorded balances • assessing the completeness and adequacy of financial statements disclosures against the requirements of Australian Accounting Standards.

The Board's responsibilities for the financial report The Board of the Corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

Auditor's responsibilities for the audit of the financial report As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian 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 report, 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 Corporation's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- conclude on the appropriateness of the Board'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 Corporation'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 report 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 Corporation to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Auditor's responsibilities for the audit of the financial report (continued)

I communicate with the Board 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.

From the matters communicated with the Board, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. I describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

MELBOURNE
18 August 2023



Andrew Greaves
Auditor General

Appendix 1 – Disclosure Index

The Annual Report of Treasury Corporation of Victoria (TCV) is prepared in accordance with all relevant Victorian legislation and statutory disclosure requirements. This index has been prepared to facilitate identification of TCV's compliance with statutory disclosure requirements.

Victorian Legislation and Pronouncements	Requirement	Page Reference
Financial Reporting Directions		
FRD10	Disclosure index	57
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FRD21	Responsible person and executive officer disclosures	48-50
FRD22	Manner of establishment and the relevant Minister	2
FRD22	Purpose, functions, powers and duties	2
FRD22	Nature and range of services provided	2-9
FRD22	Organisational charts	19, 21
FRD22	Key initiatives and projects	3-9
FRD22	Workforce data, employment and conduct principals	25
FRD22	Occupational health and safety	24
FRD22	Summary of the financial results	5
FRD22	Significant changes in financial position	3
FRD22	Subsequent events	50
FRD22	Expenditure on consultancies	25
FRD22	Expenditure on government advertising	n/a
FRD22	Information and Communications Technology expenditure	25-26
FRD22	Disclosure of asset maturity assessment	n/a
FRD22	Application of <i>Freedom of Information Act 1982</i>	24
FRD22	Application and operation of the Public Interest Disclosures Act 2012	27
FRD22	Statement on National Competition Policy	25
FRD22	Summary of environmental performance	26-27
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<i>Public Interest Disclosures Act 2012</i>		27
<i>Local Jobs First Act 2003</i>		25
<i>Financial Management Act 1994</i>		24

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	+61 3 9651 4843	Settlements
Facsimile	+61 3 9651 4880	General
	+61 3 9651 4880	Dealing room
	+61 3 9651 4899	Settlements
Registry of Inscribed Stock	Inscribed stock registries are operated by Computershare Investor Services Pty Ltd, located at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria, 3067 Telephone: +61 3 9415 5000 Facsimile: +61 3 9473 2535.	
Government Bonds of Victoria	Freecall number 1800 628 008	
Designated Investment Bonds	For information on Designated Investment Bonds issued under the Australian Department of Immigration and Border Protection, please email tcv@tcv.vic.gov.au or telephone +61 3 9911 3636.	



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