CBA Covered Bond Trust

ABN 63 954 593 219

Annual Report
for the year ended 30 June 2022

Commonwealth Bank

Contents

The Directors of Securitisation Advisory Services Pty Limited ("the Manager") submit their report together with the General Purpose Financial Statements ("the Financial Statements") of CBA Covered Bond Trust ("the Trust"), for the financial year ended 30 June 2022.

Trust manager and Trustee

The Manager of the Trust for the reporting year was Securitisation Advisory Services Pty Limited.
The Trustee of the Trust for the reporting year was Perpetual Corporate Trust Limited.

Directors

The names of the Directors of the Manager holding office during the financial year and up to the date of this report are as follows:

V Hickey
P Roa
C Bhindi (appointed 3 March 2022)
K Robb (resigned 11 October 2021)

Secretaries

The names of the Secretaries of the Manager holding office during the financial year and up to the date of this report are as follows:

S Blakeney (appointed 1 March 2022)
M Fairlie (appointed 1 March 2022)
M Baker (resigned 13 September 2021)
A Robinson (appointed 10 September 2021, resigned 4 March 2022)

Principal activities

The Trust's principal activities during the financial year were the holding of loan receivables from the Commonwealth Bank of Australia ("the Bank") and provision of guarantees and security over the issue of any covered bonds by the Bank. The Trust has a pool of economic assets available in providing these guarantees and security, including mortgage loan rights, and cash and cash equivalents.

There was no significant change in the nature of these activities during the financial year.

Review of operations

On 1 July 2021, the Trust ceased to apply hedge accounting to the interest rate swaps and cross currency swaps with the Bank. The cash flow hedge reserve and fair value hedge adjustments were crystallised, and will amortise over the remaining life of the interest rate swaps and cross currency swaps. Going forward, any mark-to-market movement on the interest rate swaps and cross currency swaps will be recognised in profit or loss.

The Trust recorded a net loss for the financial year of $60,190,000 (2021: profit $84,588,000), this is offset by gain in other comprehensive income of $60,190,000 (2021: loss $84,588,000).

Distribution

Distribution paid and payable to the income unitholder, the Bank, in accordance with the Master Trust Deed, was $nil for the financial year (2021: $nil).

Significant changes in the state of affairs

There have been no significant changes in the state of affairs during the financial year.

Likely developments and expected results of operations

Information as to likely developments in the operations of the Trust and the expected results of those operations in subsequent financial years have not been included in this report because, in the opinion of the Directors, it would prejudice the interests of the Trust.

Environmental regulation

The Trust's operations are not subject to any particular or significant environmental regulations under Australian Commonwealth, State or Territory law.

Interests in units of the Trust

As at the date of this report, no Director has any interests in the units of the Trust.

Events subsequent to the balance sheet date

On 22 July 2022, in accordance with the terms of the Series Supplement, the Manager directed the Trustee to purchase loans totalling $8,906,000,000 from the ultimate parent entity. $5,555,000,000 of the loans were purchased by the draw down of the demand loan, and $3,351,000,000 from collections of principal on pre-existing loans from the ultimate parent entity.

The Manager is not aware of any matter or circumstance that has occurred since the end of the financial year that has significantly affected or may significantly affect the operations, the results of those operations or the state of affairs of the Trust in subsequent years.

Rounding of amounts

The amounts contained in this report and in the Financial Statements have been rounded to the nearest thousand dollars (where rounding is applicable).

Signed for and on behalf of Securitisation Advisory Services Pty Limited as Manager of the CBA Covered Bond Trust.

Director

Sydney
20 October 2022

	Notes	2022 $'000	2021 $'000
Interest income:			
Revenue on loans from ultimate parent entity		**372,540**	407,177
Interest expense on intercompany loan - ultimate parent entity		**(393,820)**	(406,355)
Net interest income		**(21,280)**	822
Other banking operating income:			
Fee income[1]		**29,492**	14,942
Net (loss)/gain on derivatives		**(2,197,879)**	20,276
Net banking operating income before operating expenses, impairment and changes in net financial liabilities		**(2,189,667)**	36,040
Loan impairment gain	2	**18,909**	23,991
Operating expenses	3	**(8,212)**	(15,764)
Changes in net financial liabilities		**2,118,780**	40,321
Net (loss)/profit before income tax		**(60,190)**	84,588
Income tax expense		**-**	-
Net (loss)/profit after income tax from continuing operations		**(60,190)**	84,588
Other comprehensive income:			
Unamortised cumulative change in fair value of derivatives	10	**60,190**	(84,588)
Total comprehensive income net of tax		**60,190**	(84,588)
Net comprehensive income		**-**	-

[1] Fee income consists mainly of lending fees and early repayment adjustments payable by customers upon prepayment of home loans.

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

	Notes	**2022 $'000**	2021 $'000
Assets			
Cash and cash equivalents		**2,884,227**	4,719,132
Other assets	5	**846,512**	706,700
Derivative assets	6	**887,294**	2,980,386
Loans and other receivables	7	**28,427,156**	27,037,334
Total assets		**33,045,189**	35,443,552
Liabilities			
Trade and other payables	8	**170,776**	188,971
Derivative liabilities	6	**1,998,240**	434,936
Financial liabilities	9	**30,876,173**	34,819,645
Trust corpus[1]		**-**	-
Total liabilities		**33,045,189**	35,443,552
Net assets		**-**	-
Total equity		**-**	-

[1] Trust corpus of $200 has been rounded to $nil.

The above Balance Sheet should be read in conjunction with the accompanying notes.

	Notes	Total equity[1] $
Balance at 1 July 2020		-
Net profit after income tax from continuing operations	10	84,588
Unamortised cumulative change in fair value of derivatives	10	(84,588)
Balance at 30 June 2021		-
Balance at 1 July 2021		-
Net (loss) after income tax from continuing operations	10	(60,190)
Unamortised cumulative change in fair value of derivatives	10	60,190
Balance at 30 June 2022		-

[1] Under Australian Accounting Standards (AAS), trust corpus is classified as a financial liability rather than equity. As a result, there was no equity at the start or the end of the year.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CBA Covered Bond Trust
Statement of Cash Flows
For the year ended 30 June 2022

	Notes	2022 $'000	2021 $'000
Cash flows from operating activities:			
Net (loss)/profit before income tax		**(60,190)**	84,588
Net movement in the fair value of derivatives		**60,190**	(84,588)
Net loss/(gain) on derivatives		**2,197,879**	(20,276)
Net impairment movement on loans and other receivables		**(18,909)**	(23,991)
Net movement on financial liabilities		**(2,178,970)**	44,267
Net increase in hedge interest receivable		**28,316**	31,000
Net (increase)/decrease in interest receivable		**(10,165)**	39,291
Net (increase)/decrease in other assets		**(60,797)**	5,224
Net (decrease) in interest payable		**(18,299)**	(34,496)
Net increase/(decrease) in other payables		**105**	(148,376)
Changes in operating assets and liabilities		**(650)**	(191,945)
Net cash (used in) operating activities		**(60,840)**	(107,357)
Cash flows from investing activities:			
Payment for acquisition of securitised mortgages		**(9,362,493)**	-
Receipts on loans to ultimate parent entity		**7,922,730**	8,443,970
Net cash (used in)/provided by investing activities		**(1,439,763)**	8,443,970
Cash flows from financing activities:			
Proceeds from loans from ultimate parent entity	14	**7,556,867**	59,057
Repayment of loans to ultimate parent entity	14	**(7,891,169)**	(5,929,280)
Net cash (used in) financing activities		**(334,302)**	(5,870,223)
Net (decrease)/increase in cash at bank		**(1,834,905)**	2,466,390
Cash at bank at beginning of year		**4,719,132**	2,252,742
Cash at bank at end of year		**2,884,227**	4,719,132

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

(a) General information

The General Purpose Financial Statements ("the Financial Statements") of CBA Covered Bond Trust ("the Trust") for the financial year ended 30 June 2022 were approved and authorised for issue by the Board of Directors of Securitisation Advisory Services Pty Limited ("the Manager") on 20 October 2022. The Directors of the Manager have the power to amend and reissue the Financial Statements.

The Trust was constituted and commenced operations in accordance with the Establishment Deed on 13 November 2011 ("the Programme Date") for the purpose of acquiring mortgage loan rights from the Commonwealth Bank of Australia ("the Bank") with monies borrowed from the Bank to fund such acquisitions, including the granting of guarantees and security in respect of any covered bonds issued by the Bank in connection with the covered bonds programme. The Trustee of the Trust is Perpetual Corporate Trust Limited.

The *Banking Act 1959* ("the Banking Act") allows Australian banks to issue covered bonds for funding purposes.

Covered bonds are secured, senior, soft or hard bullet securities that provide investors with recourse to both the issuing institution and an underlying, revolving collateral pool.

The Trust will continue until, and will terminate on, the Vesting Date. The Vesting Date means the earliest of the following dates to occur:

(i) the date which is 80 years after the date of the constitution of the Trust;
(ii) the date on which the Trust terminates by operation of law or in accordance with the Establishment Deed;
(iii) following the occurrence of a Covered Bond Guarantor Event of Default, the date on which the Security Trustee has notified the Covered Bond Guarantor in writing that it has enforced the security and has distributed all of the amounts, which it is required to distribute under the Security Deed.

The Trust is domiciled in Australia. The address of its principal office is Commonwealth Bank Place South, Level 1, 11 Harbour Street, Sydney NSW 2000, Australia.

The ultimate parent entity of the Manager and the Trust is the Commonwealth Bank of Australia ACN 123 123 124.

(b) Basis of preparation

The Financial Statements have been prepared in accordance with the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB"). The Trust is a for-profit entity for the purpose of preparing the Financial Statements.

The Financial Statements of the Trust also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The functional and presentation currency of the Trust has been determined to be Australian Dollars (AUD) as this currency best reflects the economic substance of the underlying events and circumstances relevant to the Trust.

The Financial Statements have been prepared using a historical cost basis, unless otherwise specified.

1 Summary of significant accounting policies (continued)

(c) Future accounting developments

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2022 reporting period and have not been early adopted by the Trust. The Trust's assessment of the impact of these new standards and interpretations is set out below.

There are no other AASB interpretations that are effective subsequent to the 2022 financial year-end that would have a material impact on the results or financial position of the Trust.

AASB 2019-3 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform*

Background

Interbank offered rates (IBORs), such as the London Interbank Offered Rate (LIBOR), are subject to reform and will transition to alternative risk-free reference rates (RFRs). In March 2021, the UK Financial Conduct Authority (FCA) announced the date on which LIBOR will cease, after which representative LIBOR rates will no longer be available. The cessation date for all tenors of GBP, CHF, EUR and JPY LIBOR and the one week and two-month tenors for USD LIBOR was 31 December 2021. The cessation date for the remaining USD LIBOR tenors is 30 June 2023.

In October 2018, the Commonwealth Bank of Australia ("the Group") formed the Interest Rate Benchmark Reform Program (the Program). The Program includes a formal governance structure to ensure clear accountability for all decisions, and incorporates the requisite risk, treasury, finance, legal, business, and support functions.

Accounting amendments and the impact on financial reporting

AASB 2019-3 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform* amended hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interest rate benchmark reform. The amendments addressed the accounting effects of uncertainty in the period leading up to reform. The Trust early adopted the amendments for the year ended 30 June 2020.

AASB 2020-8 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2* was issued in September 2020. The amendments apply only to those changes to financial instruments and hedging relationships, that are a direct consequence of IBOR reform and where cash flows are amended on an economic basis. The amendments apply to the Trust with effect from 1 July 2021.

The Trust has no designated financial instruments where instruments currently reference LIBOR, as such the impact of the reform is expected to be nil.

Other accounting developments

Other amendments to existing standards that are not yet effective are not expected to result in significant changes to accounting policies.

1 Summary of significant accounting policies (continued)

(d) Offsetting

Income and expenses are only offset in the Statement of Comprehensive Income if permitted under the relevant accounting standard. Financial assets and liabilities are offset and the net amount is presented in the Balance Sheet if, and only if, there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(e) Revenue and expense recognition

Revenue is measured based on the consideration to which the Trust expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

The Trust recognises revenue when a performance obligation to a customer is satisfied. The Trust recognises revenue and expenses from the following major sources:

(i) Interest income

Interest income on loans and other receivables is measured using the effective interest method. The effective interest method calculates the amortised cost of a financial instrument, and allocates the interest over the expected life of the financial instrument. Fees and transaction costs integral to loan origination are capitalised and included in interest income recognised over the expected life of the loan. Any excess servicing fee payable to the income unitholder is included in interest income due to the imputed loan arrangement as it is part of the Commonwealth Bank of Australia Group's ("the Group") intra-group arrangements.

(ii) Fee income

Fee income is recognised over the service period on an accrual basis as the relevant service is rendered.

(iii) Interest expense

Finance costs relating to the loan from ultimate parent entity are measured on an accrual basis using the effective interest method.

(iv) Gains/losses on derivatives

Net gain/loss on derivatives designated as hedges represents both realised and unrealised losses from changes in the fair value of non-traded derivatives, recognised in the period they arise, and are held for risk management purposes.

(f) Income tax

Under current income tax legislation, the Trust is not liable for income tax provided its taxable income is fully distributed to the income unitholder.

1 Summary of significant accounting policies (continued)

(g) Cash and cash equivalents

Cash and cash equivalents presented in the Financial Statements comprise cash at bank. They are initially recognised at fair value and subsequently measured at amortised cost. Cash at bank earns interest at a floating rate based on daily deposit rates.

Guaranteed Investment Contract account (GIC)

The Guaranteed Investment Contract account ("GIC account") is a deposit account established to provide a guaranteed return of 1 month BBSW on deposits made into the GIC account in accordance with the CBA Covered Bond Trust Account Bank Agreement.

Authorised Investment account

The Authorised Investment account is a deposit account established to hold cash for the purposes of purchasing substitution assets from the Bank in order to increase the size of the cover pool. This is in accordance with the CBA Covered Bond Trust Account Bank Agreement.

Over Collateralisation account

The Over Collateralisation account ("OC account") is a deposit account established to provide a guaranteed return of 1 month BBSW on deposits made into the OC account in accordance with the CBA Covered Bond Trust Account Bank Agreement.

Swap Collateral Cash account

The Swap Collateral Cash account is a deposit account which cash is deposited into by a swap provider as collateral to secure the performance by such swap provider of its obligations under the relevant swap agreement.

(h) Financial assets and liabilities

The Trust categorises its significant financial assets and liabilities in the following categories:

- Loans and other receivables
- Other assets, excluding prepaid expenses
- Liabilities at amortised cost - interest bearing liabilities
- Derivative financial instruments

(i) Loans and other receivables

Loans and other receivables are financial assets with fixed and determinable payments that are not quoted in an active market. They include loans to the ultimate parent entity. These financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. The contractual cash flows on these financial assets comprise the payment of principal and interest only. These instruments are accordingly measured at amortised cost. Loans and other receivables are initially recognised at their fair value plus directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method and are presented net of provisions for impairment.

1 Summary of significant accounting policies (continued)

(h) Financial assets and liabilities (continued)

Under Australian Accounting Standards, securitised loans originated by the Bank and held by the Trust, are not permitted to be derecognised from the books of the Bank's Financial Statements. Accordingly, transactions and balances have been classified as intra-group assets, liabilities, revenues and expenses. This applies to transactions which have taken place with either the Bank or entities within the Group.

Mortgage loans rights are classified as amounts due from the ultimate parent entity.

Impairment

Provisions are recognised in accordance with the AASB 9 expected credit loss ("ECL") approach. A description of the key components of the Trust's AASB 9 impairment methodology is provided below.

ECL model

The ECL model applies to all financial assets measured at amortised cost. The model uses a three-stage approach to recognition of expected credit losses. Financial assets migrate through these stages based on changes in credit risk since origination:

- *Stage 1: 12 months ECL - performing financial assets*
  On origination, an impairment provision equivalent to 12 months ECL is recognised. 12 months ECL is the credit losses expected to arise from defaults occurring over the next 12 months.

- *Stage 2: Lifetime ECL - performing financial assets that have experienced a significant increase in credit risk ("SICR")*
  Financial assets that have experienced a SICR since origination are transferred to Stage 2 and an impairment provision equivalent to lifetime ECL is recognised. Lifetime ECL is the credit losses expected to arise from defaults occurring over the remaining life of financial assets. If credit quality improves in a subsequent period such that the increase in credit risk since origination is no longer considered significant the exposure is reclassified to Stage 1 and the impairment provision reverts to 12 months ECL.

- *Stage 3 - Lifetime ECL - non-performing financial assets*
  Financial assets in default are transferred to Stage 3 and an impairment provision equivalent to lifetime ECL is recognised. This includes assets that are considered credit impaired as well as assets that are considered to be in default but are not credit impaired.

Credit losses for financial assets in Stage 1 and Stage 2 are assessed for impairment collectively, whilst those in Stage 3 are subjected to either collective or individual assessment of ECL.

Interest revenue is recognised on gross carrying amounts for financial assets in Stage 1 and Stage 2, and gross carrying value net of impairment provisions for financial assets in Stage 3.

Significant increase in credit risk

SICR is assessed by comparing the risk of default occurring over the expected life of the financial asset at reporting date to the corresponding risk of default at origination. The Trust considers all available qualitative and quantitative information that is relevant to assessing SICR.

1 Summary of significant accounting policies (continued)

(h) Financial assets and liabilities (continued)

Definition of default, credit impaired assets and write-offs

The definition of default used in measuring ECL is aligned to the definition used by the Bank for internal credit risk management purposes across all portfolios. Default occurs when there are indicators that a debtor is unlikely to meet contractual credit obligations to the Trust in full, or the exposure is 90 days past due. Facilities are classified as credit impaired when there is doubt as to whether the full amounts due, including interest and other amounts, will be received in a timely manner.

Loans are written off when there is no reasonable expectation of recovery. Secured loans are generally written off when assets pledged to the Trust have been realised and there are no further prospects of additional recovery.

The Bank, as ultimate parent entity of the Trust, has developed and tested collective provisioning models, which the Trust used to calculate impairment provisions. Models have been independently validated and approved by the Group's Loan Loss Provisioning Committee and the Board Audit Committee. The Trust assessed impairment using the above methodology for cash and cash equivalents, loans to ultimate parent entity, interest receivable and collections of principal, interest and fees receivable.

ECL measurement

ECL is a probability weighted expected credit loss estimated by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and forecasts of future economic conditions. The Trust uses the following four alternative macroeconomic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL:

- Central scenario: This scenario considers economists' and Central Bank forecasts as well as the Group's base case assumptions used in business planning and forecasting;
- Downside scenario: This scenario contemplates the potential impact of possible, but less likely, adverse macroeconomic conditions, resulting from further significant inflationary pressures exacerbated by supply chain disruptions, shortages of goods and labour, and heightened energy prices compounded by geopolitical risks;
- Upside scenario: This scenario is included to account for the potential impact of remote, more favourable macroeconomic conditions; and
- Severe downside scenario: This scenario contemplates the potentially severe impact of remote, extremely adverse macroeconomic conditions.

Weights are assigned to each scenario based on management's best estimate of the proportion of potential future loss events that each scenario represents. The same economic scenarios and probability weights apply across all portfolios. The Group's assessment of SICR also incorporates the impact of multiple probability-weighted future forecast economic scenarios on exposures' internal risk grades using the same four forecast macroeconomic scenarios as described above.

1 Summary of significant accounting policies (continued)

(h) Financial assets and liabilities (continued)

Incorporation of experienced credit judgement

Management exercises credit judgement in assessing if an exposure has experienced SICR and in determining the amount of impairment provisions at each reporting date. Where applicable, model adjustments are made to incorporate reasonable and supportable information about known or expected risks that have not been considered in the modelling process. This includes but is not limited to information about emerging risks at an industry, geographical location or a particular portfolio segment level.

(ii) Other assets, excluding prepaid expenses

Other assets include collections of principal, interest and fees receivable from the ultimate parent entity as well as other unrealised income receivable and are recorded at the cash value to be realised when settled.

(iii) Liabilities at amortised cost - interest bearing liabilities

For each covered bond issuance by the Bank there is a corresponding intra-group loan between the Trust and the Bank. The intra-group loans are denominated in Australian dollars and foreign currencies. The Trust also has a demand loan, which represents the over-collateralised amount of the cover pool. They are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method.

(iv) Derivative financial instruments

The Trust holds derivative financial instruments that comprise interest rate swaps and cross-currency swaps to manage exposures to interest rate and currency risks. They are initially measured at fair value. Subsequent to initial recognition, gains or losses on derivatives are recognised in profit or loss. The valuation techniques include the use of discounted cash flow analysis and other market accepted valuation models. A positive revaluation amount of a contract is reported as an asset and a negative revaluation amount of a contract as a liability. Changes in fair value of the derivatives are reflected in profit or loss immediately as they occur. Derivative assets and derivative liabilities are recognised at fair value and disclosed separately on the Balance Sheet.

Under Australian Accounting Standards, the securitised mortgage loans held by the Trust are not permitted to be derecognised from the financial statements of the originator. Derecognition is not permitted because the Bank provides interest rate swaps to the Trust and as a result retains exposure to substantially all the risks and rewards of the securitised loans. Under AASB 9, the Bank and the Trust should therefore not separately recognise the interest rate swaps in its entity-level Financial Statements.

Interest rate swaps and associated payments/receipts are therefore treated as part of imputed loans and intra-group interest. These derivatives are held for risk management purposes.

The Bank will be required to post collateral on these hedging derivatives with the Trust, or novate the derivatives to other, appropriately rated counterparts in the event that the Bank's credit rating falls below specified thresholds. The thresholds for collateral posting vary between two and three notches from the current rating, depending on the ratings agency. The thresholds for novation vary between four and six notches from the current rating, depending on the ratings agency. The fair value of funding these collateral arrangements has been recognised in the Trust's funding valuation adjustment.

1 Summary of significant accounting policies (continued)

(h) Financial assets and liabilities (continued)

Hedging strategy and hedge accounting

The Trust's Risk Management Strategy is to manage market risks within risk limits to minimise profit and capital volatility. From 1 July 2021, the Trust has elected to terminate the hedging relationships on the intergroup swaps as the potential volatility in profit or loss is not deemed material to the results of the Trust. The cash flow hedge reserve and fair value hedge adjustments were crystallised, and will amortise on a straight-line basis over the remaining life of the intergroup swaps. Any mark-to-market movement on the intergroup swaps will be recognised in the profit or loss.

(v) Financial guarantee

The Trust provides a financial guarantee in respect of interest and principal payable under the terms of the covered bonds issued by the Bank which will be triggered following the service of a notice to pay on the Bank under the terms of the covered bond programme. The financial guarantee is initially measured at the fair value of the consideration received, and subsequently at the higher of the amount initially recognised less cumulative amortisation recognised in the Income Statement, and the expected credit loss recognised under AASB 9.

Derecognition of financial assets and liabilities

The derecognition of a financial asset takes place when the Trust no longer controls the contractual rights that comprise the financial asset, which is normally the case when it is sold, or all the cash flows attributable to the asset are passed through to an independent third party and the risks and rewards have substantially been transferred.

The derecognition of a financial liability takes place when, and only when, it is extinguished, which is when the obligation specified in the contract is discharged, cancelled or expires.

(i) Excess servicing fee payable to the income unitholder

Excess servicing fee payable to the income unitholder is accrued on a monthly basis as the excess income after all expenses have been accrued, except for unrealised gains or losses arising from fair value of financial instruments and impairment on loans and other receivables plus adjustments to loans issued.

Excess servicing fee income represents the residual income of the Trust payable to the sole income unitholder, the Bank. Such income is offset with the interest income received on loans to the ultimate parent entity in the Financial Statements.

In accordance with the Master Trust Deed, the Trust distributes its income, and any other amounts determined by the Manager, to the income unitholder, the Bank.

(j) Trust capital

Trust corpus - the beneficial interest in the Trust is divided into two units: one capital unit and one income unit. The income unit is a separate class of unit to the capital unit.

Capital unit

The capital unitholder in the Trust is the Bank.

The beneficial interest in the Trust represented by the capital unit is in each asset of the Trust (other than the beneficial interests in the asset represented by the income unit).

1 Summary of significant accounting policies (continued)

(j) Trust capital (continued)

Income unit

The income unitholder in the Trust is the Bank. The beneficial interest represented by the income unit is limited to due but unpaid excess distribution.

Under Australian Accounting Standards (AAS), trust corpus is classified as a financial liability rather than equity. The Trust has been structured to earn a net interest income each year. Non-cash losses are retained in the Trust and are expected to reverse over time. The classification of trust corpus does not alter the underlying economic interest of the unitholders in the net assets/liabilities and comprehensive income attributable to unitholders of the Trust.

(k) Critical judgements and estimates

Critical accounting judgements and estimates are involved in calculating AASB 9 provisions for impairment, and the funding valuation adjustment for the fair value of derivative financial instruments, which are provided in Note 1(h). No other transactions or balances were subject to critical estimates or judgements during the financial year.

2 Provision for impairment losses

	2022 $'000	2021 $'000
Collective provision		
Opening balance	**39,162**	63,153
Changes in collective provision	**(18,909)**	(23,991)
Closing balance	**20,253**	39,162
Total provision for impairment loss	**20,253**	39,162

The majority of the credit exposures as at 30 June 2022 are classified in Stage 1 $27,990,806,000 (2021:$26,426,611,000) with the remaining in Stage 2 $448,608,000 (2021: $641,016,000) and Stage 3 $7,259,000 (2021: $7,669,000).

3 Operating expenses

	2022 $'000	2021 $'000
Manager fees - related party	**7,766**	8,218
Trustee fees	**256**	257
Other expenses	**190**	810
Amortisation of deferred transaction costs	**-**	6,479
Total operating expenses	**8,212**	15,764

4 Remuneration of auditor

	2022 $	2021 $
Non-audit fees	**155,481**	157,736
Audit fees	**35,530**	33,349

5 Other assets

	2022 $'000	2021 $'000
Excess servicing fees receivable - ultimate parent entity	**119,450**	59,095
Interest receivable on loans to ultimate parent entity	**29,706**	22,638
Collections of principal, interest and fees receivable - ultimate parent entity	**698,090**	626,167
Less: Provision for impairment losses	**(734)**	(1,200)
Total other assets	**846,512**	706,700

The amounts are due to be received within twelve months of the Balance Sheet date.

6 Derivative financial instruments

The following table details the Trust's derivative financial instruments and hedging instruments by the hedge relationship which they are designated.

	2022		2021	
Derivative assets and liabilities	**Fair Value Asset $'000**	**Fair Value Liability $'000**	Fair Value Asset $'000	Fair Value Liability $'000
Held for trading				
Interest rate swap	**6,005**	**(11,797)**	-	-
Cross currency swap	**881,289**	**(1,986,443)**	-	-
Total held for trading	**887,294**	**(1,998,240)**	-	-
Fair value hedges[1]				
Interest rate swap	-	-	52,254	(95)
Cross currency swap	-	-	2,882,414	(176,093)
Total fair value hedges	-	-	2,934,668	(176,188)
Cash flow hedges[1]				
Interest rate swap	-	-	290	-
Cross currency swap	-	-	45,428	(258,748)
Total cash flow hedges	-	-	45,718	(258,748)
Total hedging instrument assets/(liabilities)	**887,294**	**(1,998,240)**	2,980,386	(434,936)

[1] Hedge relationships have been de-designated. Remaining balances in the cash flow hedge reserve have been crystallised and will amortise on a straight-line basis over the remaining life of the swaps.

6 Derivative financial instruments (continued)

Hedging instruments

The following table details the Trust's hedging instruments by the hedge relationship which they are designated and the type of risk being hedged.

Hedging Instruments	Hedged Risk	2022 Notional $'000	2022 Fair Value Derivative Asset $'000	2022 Fair Value Derivative Liability $'000	2021 Notional $'000	2021 Fair Value Derivative Asset $'000	2021 Fair Value Derivative Liability $'000
Fair value hedges[1]							
Interest rate swap	Interest rate	-	-	-	1,184,000	52,254	(95)
Cross currency swap	Interest rate and foreign exchange	-	-	-	22,664,022	2,882,414	(176,093)
Total fair value hedges		-	-	-	23,848,022	2,934,668	(176,188)
Cash flow hedges[1]							
Interest rate swap	Interest rate	-	-	-	1,400,000	290	-
Cross currency swap	Foreign exchange	-	-	-	2,953,695	45,428	(258,748)
Total cash flow hedges		-	-	-	4,353,695	45,718	(258,748)
Total hedging instrument assets/(liabilities)		-	-	-	28,201,717	2,980,386	(434,936)

[1] Hedge relationships have been de-designated on 1 July 2021. Fair value hedge and cash flow hedge balances are nil for the year ended 30 June 2022.

6 Derivative financial instruments (continued)

The table below provides maturity analysis of notional values of the Trust's hedging instruments by the type of hedge relationship in which they are designated and the type of risk being hedged.

2022

		Notional Amounts			
		Due within 1 year $'000	**Due from 1 to 5 years $'000**	**Due beyond 5 years $'000**	**Total $'000**
	Hedged Risk				
Fair value hedges	Interest rate	-	-	-	-
	Interest rate and foreign exchange	-	-	-	-
Cash flow hedges	Interest rate	-	-	-	-
	Foreign exchange	-	-	-	-

[1] Hedge relationships have been de-designated on 1 July 2021. Fair value hedge and cash flow hedge balances are nil for the year ended 30 June 2022.

2021

		Notional Amounts			
		Due within 1 year $'000	Due from 1 to 5 years $'000	Due beyond 5 years $'000	Total $'000
	Hedged Risk				
Fair value hedges	Interest rate	700,000	284,000	200,000	1,184,000
	Interest rate and foreign exchange	5,386,132	6,739,162	10,538,729	22,664,023
Cash flow hedges	Interest rate	1,400,000	-	-	1,400,000
	Foreign exchange	1,112,488	1,841,207	-	2,953,695

6 Derivative financial instruments (continued)

Hedged Items In Cash Flow Hedges

The table below details the Trust's hedged items designated in cash flow by risk type being hedged.

Hedged Items	Hedged Risk	**2022** Cash Flow Hedge Reserve[1] $'000	2021 Cash Flow Hedge Reserve[1] $'000
Interest bearing liabilities	Interest rate	-	(700)
Interest bearing liabilities	Foreign exchange	-	(240,972)
	Total	-	(241,672)

[1] Hedge relationships have been de-designated on 1 July 2021. Cash flow hedge balance is nil for the year ended 30 June 2022.

Hedged Items in Fair Value Hedges

The table below provides details of the Trust's hedged items designated in fair value hedge relationships by the type of risk being hedged.

		2022		2021	
Hedged Items	**Hedged Risk**	**Carrying amount[1] $'000**	**Fair Value Adjustment[1] $'000**	Carrying amount $'000	Fair Value Adjustment $'000
Interest bearing liabilities	Interest rate	-	-	1,230,987	46,987
Interest bearing liabilities	Interest rate and foreign exchange	-	-	23,843,893	1,179,870
	Total	-	-	25,074,880	1,226,857

[1] Hedge relationships have been de-designated on 1 July 2021. Fair value hedge balance is nil for the year ended 30 June 2022.

6 Derivative financial instruments (continued)

Hedge Effectiveness

The table below details effectiveness of the Trust's hedges by the type of hedge relationship and the type of risk being hedged.

	2022		
	Change in Value of Hedged Item[1]	**Change in Value of Hedging Instrument**	**Hedge Ineffectiveness recognised in Income Statement[2]**
	$'000	**$'000**	**$'000**
Fair value hedges			
Interest rate	-	-	-
Interest rate and foreign exchange	-	-	-
Total fair value hedges	-	-	-
Cash flow hedges			
Interest rate	-	-	-
Foreign exchange	-	-	-
Total cash flow hedges	-	-	-

[1] Hedge relationships have been de-designated on 1 July 2021. As such, hedge effectiveness is no longer applicable as mark-to-market movements on the intra-group swaps are recognised in the profit or loss.

	2021		
	Change in Value of Hedged Item	Change in Value of Hedging Instrument	Hedge Ineffectiveness recognised in Income Statement
	$'000	$'000	$'000
Fair value hedges[1]			
Interest rate	30,663	(31,059)	(396)
Interest rate and foreign exchange	1,787,817	(1,766,592)	21,225
Total fair value hedges	1,818,480	(1,797,651)	20,829
Cash flow hedges[1]			
Interest rate	(2,049)	2,049	-
Foreign exchange	141,245	(141,798)	(553)
Total cash flow hedges	139,196	(139,749)	(553)

7 Loans and other receivables

	2022 $'000	2021 $'000
Loans to ultimate parent entity	**28,446,675**	27,075,296
Less: Provision for impairment losses	**(19,519)**	(37,962)
Total loans and other receivables	**28,427,156**	27,037,334

The majority of the amounts are due to be received more than twelve months after the Balance Sheet date.

8 Trade and other payables

	2022 $'000	2021 $'000
Interest payable - ultimate parent entity	**169,846**	188,145
Manager fees payable - related party	**660**	662
Trustee fees payable	**23**	23
Other payables	**247**	141
Total trade and other payables	**170,776**	188,971

The majority of the amounts are due to be settled within twelve months of the Balance Sheet date.

9 Financial liabilities

	2022 $'000	2021[1] $'000
Demand Loan	**5,313,830**	5,659,089
Intra-group loan by currency:		
AUD denominated	**511,662**	2,625,936
CHF denominated	**289,449**	146,771
EUR denominated	**16,983,882**	17,415,552
GBP denominated	**3,891,194**	4,067,705
HKD denominated	**-**	1,044,364
NOK denominated	**-**	653,330
USD denominated	**6,227,971**	3,429,933
Total intra-group loan[2]	**27,904,158**	29,383,591
Changes in estimated financial liabilities	**(2,341,815)**	(223,035)
Total financial liabilities	**30,876,173**	34,819,645

[1] Comparative information has been restated to conform to presentation in the current year.

[2] The majority of the amounts are due to be settled more than twelve months after the Balance Sheet date.

As described in the transaction documents, the gross carrying amount of the medium term notes held at amortised cost absorb the expected shortfalls in cash flows. Accordingly, the estimated payments on medium term notes may increase or decrease in future periods up to a maximum of the face value of the medium term notes. The movement in financial liabilities to reflect the estimated cash flows is shown in the reconciliation in Note 14.

10 Reserves

	Cash flow hedge reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2020	(157,084)	157,084	-
Unamortised cumulative change in fair value of derivatives	(84,588)	84,588	-
Balance at 30 June 2021	**(241,672)**	**241,672**	-
Balance at 1 July 2021	(241,672)	241,672	-
Unamortised cumulative change in fair value of derivatives	60,190	(60,190)	-
Balance 30 June 2022	**(181,482)**	**181,482**	-

11 Financial risk management

Financial risk management is the process of identifying, assessing, fair value approximation, reporting and taking action to mitigate risks. The Trust's risks are managed under the Bank's overall risk management program which seeks to minimise the potential adverse effects of financial markets on the Bank and its subsidiaries.

The Trust has an exposure to market risk (including foreign exchange and interest rate), credit risk and liquidity risk. These risks are monitored and managed at a business unit level through the Group's Risk Management Framework.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from the possibility that changes in currency exchange rates will affect the future cash flows of financial instruments.

The Trust has intra-group loans with the ultimate parent entity representing the covered bonds issued by the Bank. Intra-group loans denominated in foreign currencies (refer Note 9) give rise to foreign exchange risk as their carrying value in Australian dollars ("AUD") fluctuate due to changes in the exchange rates. The Trust mitigates foreign exchange rate risk by entering into cross-currency swaps with the Bank by transferring AUD cashflows on underlying mortgage assets and in exchange receives foreign currency cash flows to meet any payments on foreign currency liabilities to the Bank. The amount receivable on the cross currency swaps for each distribution period is calculated taking into account the commitments on each foreign currency intra-group loan. This effectively aligns the AUD cash flows receivable on the underlying mortgage assets and the foreign currency cash flows payable on the foreign currency liabilities from the Bank. Any volatility represents unrealised gains or losses due to the fair value movement in the derivative assets and liabilities.

11 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows of financial instruments.

In relation to the Trust, interest rate risk arises due to the pricing on the underlying mortgage assets not matching the pricing of interest bearing liabilities. Interest rate risk is the current and prospective impact of changes in interest rates to which the Trust's earnings are exposed. The Trust mitigates interest rate risk by entering into a series of interest rate swaps with the Bank by transferring cash inflows from underlying mortgage assets and in return receives cash flows based on the Bank Bill Swap rate plus a margin sufficient to meet the interest commitments on the loans from the Bank, associated swaps and fees payable. The margin payable is calculated based on a weighted average margin of the liabilities to the Bank for each distribution period and also includes a margin for fees, including excess servicing fees payable to the Bank. This effectively aligns the cash flows receivable on the underlying mortgage assets and the cash flows payable on the liabilities from the Bank. Any residual income after payment for fees is distributed to the Bank as an excess servicing fee. Any volatility represents unrealised gains or losses due to the fair value movement in the derivative assets and liabilities.

Sensitivity analysis

Based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, the impact on the Trust's profit or loss and equity of a reasonably possible upwards or downwards movement in interest rates assuming that all other variables remain constant is $nil (2021: $nil).

(b) Credit risk

Credit risk is the potential for loss arising from failure of a counterparty to meet their contractual obligations to the Trust. The maximum exposure to credit risk at the end of the reporting period, excluding the value of any collateral or other security, in relation to recognised financial assets, is the carrying value of those assets as disclosed in the Balance Sheet and Notes to the Financial Statements.

In relation to the Trust, credit risk arises due to the potential loss arising from mortgage holders failing to meet repayments on the underlying mortgage assets. The home loans are serviced by the Bank, including foreclosure of homes. All home loans are secured by fixed charges over borrowers' residential properties. Further, Lenders Mortgage Insurance (LMI) is taken out for most loans with a Loan to Value Ratio (LVR) higher than 80% at origination to cover 100% of the original principal plus interest.

The credit risk of the covered bonds issued by the Bank is reflective of the underlying mortgages in the covered bond pool. The risk in relation to the bonds issued by the Bank is considered to be low, as the bonds issued are AAA-rated. The Manager monitors the mortgages in the covered bond pool to ensure it meets an asset coverage test. Any mortgage assets that do not satisfy the asset coverage test, including non-performing or delinquent mortgages are repurchased by the Bank and substituted with performing mortgages. The difference between the operational date of repurchases and date of Investor Reports give rise to minimal timing differences. As a result, the balance of credit exposures as at 30 June 2022 classified as Stage 3 is $7,259,000 (2021: $7,669,000).

11 Financial risk management (continued)

(b) Credit risk (continued)

(i) Credit quality

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2022 $'000	2021 $'000
Cash and cash equivalents		
Counterparties with external credit rating (S&P)		
AA-: Commonwealth Bank of Australia	**2,884,227**	4,719,132
	2,884,227	4,719,132
Trade receivables		
Counterparties with external credit rating (S&P)		
AA-: Commonwealth Bank of Australia	**847,246**	707,900
	847,246	707,900
Loans and other receivables		
Counterparties with external credit rating (S&P)		
AA-: Commonwealth Bank of Australia	**28,446,675**	27,075,296
	28,446,675	27,075,296

Financial assets amounting to $32,178,148,000 (2021: $32,502,328,000) are concentrated within Australia, all of which are held with the ultimate parent entity.

Details of the ECL model applied by the Trust, as well as impairment on receivables, are provided in Note 1(h) and Note 2 respectively.

(c) Liquidity risk

Liquidity risk is the risk of being unable to meet financial obligations as they fall due. Liquidity risk may arise as the maturity profile of the covered assets does not match the bullet maturities of the covered bonds. This can create a need for liquidity, especially if the Bank defaults immediately prior to the maturity of a covered bond. In this case, the Trust may not have time to raise enough funding against the cover pool to repay the covered bonds on a timely basis. This is particularly true if the assets in the cover pool are not regularly traded, as is the case for Australian residential loans.

For this reason, covered bonds issued under the covered bonds programme will either be issued as soft-bullet covered bonds with a maturity extension period of up to one year or, otherwise, as hard-bullet covered bonds subject to a 12-month pre-maturity test. This allows the Trust up to 12 months to raise liquidity by selling all or part of the cover pool.

In the event a pre-maturity test is breached, the Trust can request a demand loan drawdown from the Bank, request the Bank to repurchase cover pool assets, or sell cover pool assets to an amount sufficient for the Trust to meet its obligations under the covered bond programme.

Where soft-bullet covered bonds are issued, in the event that the Bank fails to pay all amounts due on the scheduled maturity date the scheduled final maturity will automatically be extended by 12 months to the extended payment date. This allows the Trust up to 12 months to raise liquidity by selling all or part of the cover pool.

11 Financial risk management (continued)

(c) Liquidity risk (continued)

As required by the Banking Act, the Trust is required to maintain an over-collateralisation of at least 3% of the bonds issued. This over-collateralisation enables the Trust to collect greater interest and fee income from the underlying mortgages, which assists in mitigating any liquidity risk that it may face. There were no breaches of the Banking Act identified for the current financial year.

These features considerably minimise the risk of the Trust defaulting in the event of a default by the Bank.

Maturity analysis of financial liabilities

Amounts shown in the tables below are based on contractual undiscounted cash flows for the remaining contractual maturities.

	0-3 months $'000	**3-12 months $'000**	**1-5 years $'000**	**Over 5 years $'000**	**Total $'000**
As at 30 June 2022					
Financial liabilities					
Manager fees payable - related party	**660**	**-**	**-**	**-**	**660**
Trustee fees payable	**23**	**-**	**-**	**-**	**23**
Other payables	**77**	**170**	**-**	**-**	**247**
Derivative liabilities	**1,998,240**	**-**	**-**	**-**	**1,998,240**
Intra-group Loan Interest payable	**111,263**	**287,325**	**1,029,796**	**772,813**	**2,201,197**
Intra-group Loan Principal	**6,156**	**3,412,881**	**12,185,933**	**12,299,186**	**27,904,156**
Demand Loan Interest payable	**7,680**	**-**	**-**	**-**	**7,680**
Demand Loan Principal	**5,313,830**	**-**	**-**	**-**	**5,313,830**
Total financial liabilities	**7,437,929**	**3,700,376**	**13,215,729**	**13,071,999**	**37,426,033**

	0-3 months $'000	3-12 months $'000	1-5 years $'000	Over 5 years $'000	Total $'000
As at 30 June 2021					
Financial liabilities					
Manager fees payable - related party	662	-	-	-	662
Trustee fees payable	23	-	-	-	23
Other payables	83	58	-	-	141
Derivative liabilities	11,673	(1,487)	302,218	27,166	339,570
Intra-group Loan Interest payable	109,154	319,507	909,843	887,715	2,226,219
Intra-group Loan Principal	1,122,986	7,556,929	8,913,418	11,790,258	29,383,591
Demand Loan Interest payable	5,445	-	-	-	5,445
Demand Loan Principal	5,659,089	-	-	-	5,659,089
Total financial liabilities	6,909,115	7,875,007	10,125,479	12,705,139	37,614,740

11 Financial risk management (continued)

Fair Values

According to AASB 13 *Fair Value Measurement*, fair value is a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market at measurement date.

The Trust uses various methods in estimating fair value. The methods comprise:

Level 1 - this category includes assets and liabilities for which the valuation is determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Level 2 - this category includes assets and liabilities that have been valued using inputs other than quoted prices as described for Level 1, but which are observable for the asset or liability, either directly or indirectly. The valuation techniques include the use of discounted cash flow analysis, option pricing models and other market accepted valuation models.

Level 3 - this category includes assets and liabilities where the valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally derived and extrapolated from observable inputs to match the risk profile of the financial instrument, and are calibrated against current market assumptions, historic transactions and economical models, where available. These inputs may include the timing and amount of future cash flows, rates of estimated credit losses, discount rates and volatility.

Fair Value Hierarchy for Financial Assets and Liabilities measured at Fair Value

Management's assessment of the fair value of the derivative financial instruments is deemed to be materially consistent with their carrying value. Derivative financial instruments are classified as level 2 in the fair value hierarchy.

Fair Value Hierarchy for Financial Assets and Liabilities not measured at Fair Value

Management's assessment of the fair value of the loans to ultimate parent entity and intra-group loans is deemed to be materially consistent with their carrying value. The fair value of all other financial assets and liabilities approximates their carrying value as at 30 June 2022 and 30 June 2021 due to their short-term nature. Financial assets and liabilities are classified as level 3 in the fair value hierarchy unless stated otherwise.

12 Key management personnel

The Directors of the Manager have been determined to be key management personnel ("KMP") within the scope of AASB 124 *Related Party Disclosures*. The names of persons who were Directors of the Manager at any time during the financial year are as follows:

V Hickey
P Roa
C Bhindi (appointed 3 March 2022)
K Robb (resigned 11 October 2021)

Directors were in office for the full period unless otherwise stated.

12 Key management personnel (continued)

None of the Directors hold any shares, options or other interests in the Trust.

Compensation of key management personnel

The Manager's KMP are employees of the ultimate parent entity, the Bank. The Manager receives management services from the Bank, which includes the provision of KMP. The Manager does not remunerate KMP or directly reimburse the Bank for this cost. No management fees are paid by the Trust to the Bank. It is also the practice of the Bank that its employees are not remunerated for director appointments as their role as KMP is incidental to their role as an employee of the Bank.

There were no other transactions between the Manager and KMP during the financial year (2021: $nil).

Loans and other transactions

Any loans to KMP or other related parties are made by the Bank, a provider of finance on terms and conditions that apply to similar transactions with other Directors or employees of the Bank. There were no loans provided to any KMP or their related parties for the year ended 30 June 2022 (2021: $nil).

There were no other transactions with KMP during the financial year (2021: $nil).

13 Related party transactions

Ultimate parent entity

The ultimate parent entity is the Commonwealth Bank of Australia.

Transactions with related parties

Manager fees

The Trust pays management fees to the Manager, which is a wholly owned subsidiary of the Bank. The fee is calculated as 0.03% per annum applied to the average balance of the covered bonds issued by the Bank in the determination period. The determination period is the period between the first day of the month and the last day of the month, inclusive of both days.

Servicing fees

The Trust also pays servicing fees to the ultimate parent entity. The fee is calculated as 0.25% per annum applied to the average balance of the covered bonds issued by the Bank in the determination period. Servicing fees are disclosed within 'Interest income' under ultimate parent entity.

Loans

The Trust has intra-group loans with the ultimate parent entity. The intra-group loans correspond to the covered bonds issued by Bank, which are issued in Australian Dollars and foreign currencies (refer Note 9). Each covered bond issuance will have either a fixed interest rate or a floating interest rate based on the interbank rate (AONIA, LIBOR, EURIBOR, HIBOR, BBSW and SONIA), plus a margin. The intra-group loans' interest rate on each tranche mirrors the relevant covered bond issuance interest rate. The Trust is required to pay interest on the daily balance of the intra-group loans to the intra-group loan provider.

13 Related party transactions (continued)

Transactions with related parties (continued)

The Trust also has a demand loan with the ultimate parent entity. The demand loan corresponds to the over-collateralised portion of the cover pool. The Trust is required to pay to the demand loan provider, the ultimate parent entity, interest on the daily balance of the demand loan. The interest payable is calculated at 1M BBSW plus a margin of 1.10%. As at 30 June 2022 the balance of the demand loan is $5,313,829,644 (2021: $5,659,089,179).

	2022	2021
	$'000	$'000
The following transactions occurred with related parties:		
Revenue		
Ultimate parent entity:		
Interest income	**372,540**	407,177
Fee income	**29,492**	14,943
Net (loss)/gain on derivatives designated as fair value hedges	**(2,197,879)**	20,276
Total revenue from continuing operations	**(1,795,847)**	442,396

	2022	2021
	$'000	$'000
Expenses		
Ultimate parent entity:		
Finance costs on intra-group loan and demand loan	**393,820**	406,355
Other expenses	**1**	1
Amortisation of deferred transaction costs	**-**	6,479
Manager:		
Manager fees	**7,766**	8,218
Total expenses	**401,587**	421,053

	2022	2021
	$'000	$'000
Assets		
Ultimate parent entity:		
Cash and cash equivalents	**2,884,227**	4,719,132
Interest receivable on loans to ultimate parent entity	**29,706**	22,638
Excess servicing fees receivable - ultimate parent entity	**119,450**	59,095
Derivative assets	**887,294**	2,980,386
Collections of principal, interest and fees receivable - ultimate parent entity	**698,090**	626,167
Loans to ultimate parent entity	**28,446,675**	27,075,296
Less: Total provision for impairment	**(20,253)**	(39,162)
Total assets	**33,045,189**	35,443,552

13 Related party transactions (continued)

	2022 $'000	2021 $'000
Liabilities		
Ultimate parent entity:		
Interest payable	**169,846**	188,145
Derivative liabilities	**1,998,240**	434,936
Other payables	**78**	82
Loans from ultimate parent entity	**33,217,986**	35,042,680
Less: Changes in estimated financial liabilities	**(2,341,815)**	(223,035)
Manager:		
Manager fees payable	**660**	662
Total liabilities	**33,044,995**	35,443,470

14 Notes to the Statement of Cash Flows

Reconciliation of liabilities arising from financing activities

	Financial liabilities $'000	Total $'000
Balance at 1 July 2020	**42,659,127**	**42,659,127**
Changes from financing cash flows		
Repayment of loans to ultimate parent entity	(5,929,280)	(5,929,280)
Proceeds from loans from ultimate parent entity	59,057	59,057
Adjustment for non-cash items		
Fair value movements of fair value hedges on loans payable	(895,680)	(895,680)
Foreign exchange movements on loan payable and related hedges	(1,051,787)	(1,051,787)
Amortisation of deferred transaction costs	18,528	18,528
Movement in financial liabilities	(40,320)	(40,320)
Balance at 30 June 2021[1]	**34,819,645**	**34,819,645**
Balance at 1 July 2021	**34,819,645**	**34,819,645**
Changes from financing cash flows		
Repayment of loans to ultimate parent entity	(7,891,169)	(7,891,169)
Proceeds from loans from ultimate parent entity	7,556,867	7,556,867
Adjustment for non-cash items		
Fair value movements of fair value hedges on loans payable	(324,144)	(324,144)
Foreign exchange movements on loan payable and related hedges	(1,180,393)	(1,180,393)
Amortisation of deferred transaction costs	14,147	14,147
Movement in financial liabilities	(2,118,780)	(2,118,780)
Balance at 30 June 2022	**30,876,173**	**30,876,173**

[1] Comparative information has been restated to conform to presentation in the current year.

15 Contingent liabilities, contingent assets and commitments

Perpetual Corporate Trust Limited in its capacity as trustee of the Trust has guaranteed payments of interest and principal under the covered bonds pursuant to a guarantee which is secured over the mortgage loans and other assets of the Trust.

There were no other contingent liabilities, contingent assets or commitments as at 30 June 2022 (2021: $nil).

16 Events subsequent to the balance sheet date

On 22 July 2022, in accordance with the terms of the Series Supplement, the Manager directed the Trustee to purchase loans totalling $8,906,000,000 from the ultimate parent entity. $5,555,000,000 of the loans were purchased by the draw down of the demand loan, and $3,351,000,000 from collections of principal on pre-existing loans from the ultimate parent entity.

The Manager is not aware of any other matter or circumstance that has occurred since the end of the financial year that has significantly affected or may significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust in subsequent financial years.

In the opinion of the Manager:

(a) the Financial Statements and Notes thereto comply with Australian Accounting Standards and the Establishment Deed dated 13 November 2011;

(b) the Financial Statements and Notes thereto give a true and fair view of the Trust's financial position as at 30 June 2022 and of its performance for the financial year ended 30 June 2022;

(c) in compliance with the accounting standards, the Notes to the Financial Statements include an explicit and unreserved statement of compliance with International Financial Reporting Standards (see Note 1(b));

(d) the Trust operated during the year ended 30 June 2022 in accordance with the provisions of the Establishment Deed; and

(e) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Signed for and on behalf of Securitisation Advisory Services Pty Limited as Manager of CBA Covered Bond Trust.

Director
Sydney
20 October 2022

The General Purpose Financial Statements for the financial year ended 30 June 2022 have been prepared by the Trust Manager, Securitisation Advisory Services Pty Limited as required by the Establishment Deed.

The Auditor of the Trust, PricewaterhouseCoopers, who has been appointed by us in accordance with the Establishment Deed, has conducted an audit of these Financial Statements.

A review of operations of the Trust and the results of those operations for the reporting period is contained in the Manager's report.

Based on our ongoing program of monitoring the Trust, the Trust Manager and our review of the Financial Statements, we believe that:

(i) the Trust has been conducted in accordance with the Establishment Deed; and

(ii) the Financial Statements have been appropriately prepared and contain all relevant and required disclosures.

We are not aware of any material matter or significant change in the state of affairs of the Trust occurring up to the date of this report that requires disclosure in the Financial Statements and the Notes thereto that has not already been disclosed.

Signed for and on behalf of Perpetual Corporate Trust Limited as Trustee of CBA Covered Bond Trust.

Sydney
20 October 2022

Independent auditor's report

To the unitholders of CBA Covered Bond Trust

Our opinion

In our opinion the accompanying financial report gives a true and fair view of the financial position of CBA Covered Bond Trust (the Trust) as at 30 June 2022 and of its financial performance and its cash flows for the year then ended in accordance with the Establishment Deed dated 13 November 2011.

What we have audited

The financial report comprises:

- the balance sheet as at 30 June 2022
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the Manager's statement.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Trust in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter - basis of accounting and restriction on use

We draw attention to Note 1 in the financial report, which describes the basis of accounting. The financial report has been prepared to assist CBA Covered Bond Trust to meet the requirements of the Establishment Deed dated 13 November 2011. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for CBA Covered Bond Trust and its unitholders and should not be used by parties other than CBA Covered Bond Trust and its unitholders. Our opinion is not modified in respect of this matter.

Other information

The Manager of the Trust (the Manager) is responsible for the other information. The other information comprises the information included in the Annual Report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial report

The Manager is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Establishment Deed dated 13 November 2011, and for such internal control as the Manager determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Manager is responsible for assessing the ability of the Trust to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives 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 our 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Alastair Findlay

Alastair Findlay
Partner

Sydney
20 October 2022