MBL Covered Bond Trust

A.B.N. 90 643 622 525

MACQUARIE

Annual Report
For the financial year ended 31 March 2023

The Trust's registered office is:
Perpetual Limited
123 Pitt Street
Sydney NSW 2000
Australia

MBL Covered Bond Trust

Annual Report for the financial year ended 31 March 2023

Contents

MBL Covered Bond Trust

Managers' Report
For the financial year ended 31 March 2023

The Directors of Macquarie Securitisation Limited (the "Manager") submit their report together with the General Purpose Financial Statements ("the Financial Statements") of Covered Bond Trust ("the Trust"), for the financial year ended 31 March 2023.

Trust Manager and Trustee
The Manager of the Trust for the financial year was Macquarie Securisation Limited.

The Trustee of the Trust for the financial year was Perpetual Limited.

Directors
The following persons were the Directors of the Manager of the Trust at any time during or since the end of the financial year to the date of this report:

Name of the Director	Appointed on	Resigned on
Andrew Hall	5 May 2014	-
Daniel McGrath	31 October 2017	-
Caroline Emma Fox	10 March 2022	-

Principal activity
The Trust was established under the Macquarie Bank Limited ("the Bank") Covered Bond Programme, under which the Bank will issue notes that are guaranteed by Perpetual Limited as Trustee of the Trust. The guarantee is secured by a cover pool of mortgages held by the Trust.

Result
The Financial Statements for the current and previous financial year, and the results herein, have been prepared in accordance with the Australian Accounting Standards.

Review of operations
The Trust recorded a profit for the financial year of $Nil (2022: $Nil).

Net operating income for the financial year was $11,749,368.

Distributions
Distributions paid and payable to the income unitholder, the Bank, in accordance with the Trust Deed, was $11,554,604 for the financial

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

Managers' Report
For the financial year ended 31 March 2023 (continued)

Likely developments and expected results of operations
Disclosure of information relating 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 the report as, in the opinion of the Directors, it may 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.

Events subsequent to the reporting date
At the date of this report, the Manager is not aware of any matter or circumstance that has occurred since the end of the financial year that has significant 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 dollar, unless otherwise indicated.

Signed for and on behalf of Macquarie Securitisation Limited as Manager of the Covered Bond Trust, in accordance with a resolution of the Directors.

DocuSigned by:
Daniel McGrath
AF349FD79D6F436...
Director

Sydney
26 June 2023

MBL Covered Bond Trust

Statement of Profit and Loss
For the financial year ended 31 March 2023

	Notes	2023 $	2022 (Restated) $
Interest and similar income	3	71,551,678	9,112,127
Interest and similar expense	3	(56,983,656)	(161,131)
Net interest income		14,568,022	8,950,996
Net trading (expense)/income	3	(2,818,654)	3,708
Net operating income		11,749,368	8,954,704
Other operating income		39	60
Credit impairment (charges)/reversal		(836,539)	282,636
Other operating expenses		(6,444,201)	(4,500,424)
Total operating income	3	4,468,667	4,736,976
Operating profit for the financial year		4,468,667	4,736,976
Financing costs attributable to the unitholder			
Distributions to the unitholder		(11,554,604)	(7,159,496)
Increase in net liabilities attributable to the unitholder of the Trust	10	7,085,937	2,422,520
Profit attributable to the unitholder of MBL Covered Bond Trust		-	-

The above Statement of Profit and Loss should be read in conjunction with the accompanying notes.

MBL Covered Bond Trust

Statement of Other Comprehensive Income
For the financial year ended 31 March 2023

	Notes	2023 $	2022 $
Profit/(loss) for the financial year		-	-
Other comprehensive income/(expense)[1]		-	-
Cash flow hedge	11	(5,509,360)	-
Increase in net liabilities attributable to unitholder of the Trust		5,509,360	-
Total comprehensive income/(expense)		-	-
Total comprehensive income/(expense) is attributable to:			
The unitholder of MBL Covered Bond Trust		-	-

[1] All items of other comprehensive income/(expense) may be reclassified subsequently to income statement.

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

MBL Covered Bond Trust

Statement of Financial Position
As at 31 March 2023

	Notes	2023 $	2022 (Restated) $
Assets			
Cash and cash equivalents	4	89,527,881	47,491,618
Other assets	5	988,585	530,137
Derivative assets		57,297,387	-
Financial assets	6	2,291,704,106	1,088,721,403
Total assets		2,439,517,959	1,136,743,158
Liabilities			
Other liabilities	8	4,390,774	858,588
Debt issued	9	2,454,868,512	1,140,427,174
Total liabilities (excluding net liabilities attributable to the unitholder)		2,459,259,286	1,141,285,762
Net liabilities - attributable to the unitholder	10	(19,741,327)	(4,542,604)

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

MBL Covered Bond Trust

Statement of Changes in Equity
For the financial year ended 31 March 2023

	Total Equity $
Balance as at 1 April 2021	-
Balance as at 31 March 2022	-
Cash flow hedge reserve	(5,509,360)
Transfer to unitholder	5,509,360
Balance as at 31 March 2023	-

Under Australian Accounting Standards (AAS), net liabilities attributable to the unitholder are classified as financial liabilities rather than equity. As a result there was no equity at the start or the end of the year. The net liabilities attributable to the unitholder are disclosed in note 10 to the financial statements.

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

MBL Covered Bond Trust

Statement of Cash Flows
For the financial year ended 31 March 2023

	Notes	2023 $	2022 (Restated) $
Cash flows (utilised in)/generated from operating activities			
Operating profit for the financial year		4,468,667	4,736,976
Adjustments to operating profit:			
Interest and similar income	3	(71,551,678)	(9,112,127)
Interest and similar expenses	3	56,983,656	161,131
Credit impairment charges/(reversal)	3	836,539	(282,636)
Changes in assets and liabilities:			
Loan assets		(1,212,056,154)	447,924,962
Other assets and other liabilities		(4,011,239)	(839,463)
Derivative assets		(383,388)	-
Interest and similar income received		79,992,992	7,762,966
Interest and similar expenses paid		(40,632,220)	(154,886)
Net cash flows (utilised in)/generated from operating activities		(1,186,352,825)	450,196,923
Cash flows generated from investing activities			
Net cash flows generated from investing activities		-	-
Cash flows generated from/(utilised) in financing activities			
Issuance of debt		2,805,486,683	-
Repayment of debt		(1,565,542,991)	(450,060,889)
Distributions paid to unitholder		(11,554,604)	(7,159,496)
Net cash flows generated from/(utilised in) financing activities		1,228,389,088	(457,220,385)
Net increase/(decrease) in cash and cash equivalents		42,036,263	(7,023,462)
Cash and cash equivalents at the beginning of the financial year		47,491,618	54,515,080
Cash and cash equivalents at the end of the financial year	12	89,527,881	47,491,618

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

Notes to the financial statements
For the financial year ended 31 March 2023

Note 1. General information

The General Purpose Financial Statements ("The Financial Statements") of Covered Bond Trust ("the Trust") for the financial year ended 31 March 2023 were approved and authorised for issue by the Board of Directors of Macquarie Securitisation Limited ("the Manager") on 26 June 2023. The Directors of the Manager have the power to amend and re-issue the Financial Statements.

The Trust was established on 5 June 2015 under the Establishment Deed dated 5 June 2015 between Perpetual Limited (the "Covered Bond Guarantor") and the Manager, and the Bond Trust Deed dated 10 June 2015 between the same parties.
The Trust is registered and domiciled in Australia. The address of the Trust's registered office is Perpetual Limited, 123 Pitt Street, Sydney NSW 2000, Australia.

The immediate parent entity of the Trust is Macquarie Bank Limited (MBL) and the ultimate parent entity is Macquarie Group Limited (MGL).

Note 2. Summary of significant accounting policies

(i) Basis of preparation

This Financial Report is a General Purpose Financial Report which has been prepared in accordance with the Australian Accounting Standards (AAS) and Interpretations issued by the Australian Accounting Standards Board (AASB). The Financial Statements of the Trust also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The principal accounting policies adopted in the preparation of the Financial Statements are set out below. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

The Financial Statements have been prepared under the historical cost convention, except for certain assets and liabilities as described in the accounting policies below.

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.

Comparative figures represent the prior year annual results and where appropriate, are adjusted so as to be comparable with the figures stated in the current financial year.

Deficiency of net assets

The financial statements for current financial year have been prepared on a going concern basis despite there being an excess of liabilities over assets as at 31 March 2023 of $19,741,327 (2022: $4,542,604). The negative net assets position is largely attributable to distributions made by the Trust which were calculated based on distributable taxable income. The Trust has been structured to earn a net interest income each year and as such the financial statements have been prepared on a going concern basis.

(ii) Changes in accounting policies and disclosures

New and amended standards adopted by the Trust

The amendments made to existing standards that were manditorily effective or have been early adopted for the annual reporting period beginning on 1 April 2022 did not result in a material impact on this Financial Report. There were no new Australian accounting standards that were mandatorily effective or have been early adopted for the Financial Report.

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

Note 2. Summary of significant accounting policies (continued)

(ii) Changes in accounting policies and disclosures (continued)

Other amendments made to existing standards

Other amendments to existing standards that are not mandatorily effective for the annual reporting period beginning on 1 April 2022 and have not been early adopted, are not likely to result in a material impact on the Trust's financial statements.

(iii) Critical accounting estimates, significant judgements and errors

The preparation of the Financial Statements in compliance with Australian Accounting Standards requires the Manager to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(a) Significant estimates and judgements

The Notes to the Financial Statements set out areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the Trust and the Financial Statements, such as:

– the validity of applying the "going concern" assumption where the Trust is in a net liability position (note 2(i));
– the choice of inputs, estimates and assumptions used in the measurement of Expected Credit Loss, including the determination of significant increase in credit risk (SICR), forecast of economic conditions and the weightings assigned thereto (notes 2(vii)(d) and 7).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events.

(b) Prior period adjustments

During the year ended 31 March 2023, the Trust implemented the following financial statement line item changes that were applied retrospectively and impacted the prior periods' financial statements:

a) Revision of the presentation of fee income received on the underlying securitised mortgages, from fees and commission income to interest income of the Trust earned on financial assets.
b) Revision of recognising distribution of the Trust's operating profit for the year, to recognising distributions paid to the unitholder as equal to cash paid.
c) A review of offsetting practices resulted in reclassifications of income, expense, other assets and other liabilities; including the presentation of credit impairment reversal/charges on the face of the Statement of Profit and Loss, reclass of management fees from fee and commission expense to other operating expenses and netting of basis swap interest in interest and similar income.

These changes have been corrected by restating each of the affected financial statement line items for the prior period as follows:

Statement of Financial Position	31 March 2022 $	a) Income/ (expense) $	b) Income/ (expense) $	c) Income/ (expense) $	31 March 2022 (Restated) $
Assets					
Cash and cash equivalents	47,577,043	-	-	(85,425)	47,491,618
Other assets	4,067,927	-	(3,543,830)	6,040	530,137
Financial assets	1,088,723,315	-	-	(1,912)	1,088,721,403
Total assets	1,140,368,285	-	(3,543,830)	(81,297)	1,136,743,158
Liabilities					
Other liabilities	372,122	-	482,340	4,126	858,588
Debt issued	1,140,512,597	-	-	(85,423)	1,140,427,174
Total liabilities	1,140,884,719	-	482,340	(81,297)	1,141,285,762
Net assets/(liabilities) - attributable to the unitholder	(516,434)	-	(4,026,170)	-	(4,542,604)

MBL Covered Bond Trust

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

Note 2. Summary of significant accounting policies (continued)

(iii) Critical accounting estimates, significant judgements and errors

(b) Prior period adjustments (continued)

Statement of Profit and Loss

	31 March 2022 $	a) Income/ (expense) $	b) Income/ (expense) $	c) Income/ (expense) $	31 March 2022 (Restated) $
Interest and similar income	37,558,091	775,648	-	(29,221,612)	9,112,127
Interest and similar expense	(29,382,751)	-	-	29,221,620	(161,131)
Net interest income	8,175,340	775,648	-	8	8,950,996
Fee and commission income	775,648	(775,648)	-	-	-
Fee and commission expense	(4,493,368)	-	-	4,493,368	-
Net fees and commission expense	(3,717,720)	(775,648)	-	4,493,368	-
Net trading income/(expense)	(3,285)	-	-	6,993	3,708
Net operating income	4,454,335	-	-	4,500,369	8,954,704
Other operating income/(charges)	282,638	-	-	(282,638)	-
Other operating income	-	-	-	60	60
Credit impairment (charges)/reversal	-	-	-	282,636	282,636
Other operating expenses	-	-	-	(4,500,424)	(4,500,424)
Total operating income	4,736,973	-	-	3	4,736,976
Operating profit for the financial year	4,736,973	-	-	3	4,736,976
Distributions to the unitholder	(4,736,057)	-	(2,423,440)	-	(7,159,497)
Increase in net liabilities attributable to the unitholder of the Trust	(916)	-	2,423,437	-	2,422,521
Profit attributable to the unitholder	-	-	(3)	3	-

Statement of Cash Flows

	31 March 2022 $	a) Income/ (expense) $	b) Income/ (expense) $	c) Income/ (expense) $	31 March 2022 (Restated) $
Cash flows generated from operating activities					
Operating profit for the financial year	4,736,973	-	-	3	4,736,976
Adjustments to operating profit:					
Interest and similar income	(37,558,091)	(775,648)	-	29,221,612	(9,112,127)
Interest and similar expenses	29,382,751	-	-	(29,221,620)	161,131
Credit impairment (reversal)/charges	(282,638)	-	-	2	(282,636)
Changes in assets and liabilities:					
Loan assets	445,220,417	-	-	2,704,545	447,924,962
Other assets and other liabilities	(3,262,916)	-	2,423,440	13	(839,463)
Interest and similar income received	38,907,251	775,648	-	(31,919,933)	7,762,966
Interest and similar expenses paid	(29,376,505)	-	-	29,221,619	(154,886)
Net cash flows generated from operating activities	447,767,242	-	2,423,440	6,241	450,196,923
Cash flows utilised in financing activities					
Repayment of debt	(449,969,222)	-	-	(91,667)	(450,060,889)
Distributions paid to unitholder	(4,736,057)	-	(2,423,439)	-	(7,159,496)
Net cash flows utilised in financing activities	(454,705,279)	-	(2,423,439)	(91,667)	(457,220,385)
Net increase/(decrease) in cash and cash equivalents	(6,938,037)	-	1	(85,426)	(7,023,462)
Cash and cash equivalents at the beginning of the financial year	54,515,080	-	-	-	54,515,080
Cash and cash equivalents at the end of the financial year	47,577,043	-	1	(85,426)	47,491,618

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

Note 2. Summary of significant accounting policies (continued)

(iv) Foreign currency translation

Functional and presentation currency
The functional currency of the Trust is determined as the currency of the primary economic environment in which the Trust operates.
The Trust's financial statements are presented in Australian dollars (the presentation currency), which is also the Trust's functional currency.

Transactions and balances
At initial recognition, a foreign currency transaction is translated into the Trust's functional currency using the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of each reporting period:
- foreign currency monetary assets and liabilities are translated using the closing exchange rate; and
- non-monetary items (including equity) measured in terms of historical cost in a foreign currency remain translated using the spot exchange rate at the date of the transaction.

Foreign exchange gains and losses arising from settlement or translation of monetary items, are recognised in Net other operating income/(charges).

(v) Revenue and expense recognition

Interest income and expense
Interest income and expense are recognised using the effective interest method for financial assets and liabilities. This method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash flows over the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

When the estimates of payments or receipts of a financial instrument are subsequently revised, the carrying amount is adjusted to reflect the actual or revised cash flows with the remeasurement recognised as part of interest income (financial assets) or interest expense (financial liabilities). The calculation of the effective interest rate does not include expected credit losses.

Net trading income
Net trading income comprises gains and losses related to unrealised fair value changes on derivative financial instruments except fair value changes accounted for in other comprehensive income on application of cash flow hedge accounting. Hedge ineffectiveness is also reported in net trading income.

Other operating expenses
Other operating expenses are recognised in the Statement of Profit or Loss as and when the provision of services is received.

Distribution expense
In accordance with the Transaction Documents, the Trust fully distributes its income to unitholders by reference to the net taxable income of the Trust. The distributions are recognised in the Statement of Profit or Loss as finance costs attributable to the unitholder.

(vi) Taxation

Income Tax
Under the current legislation, the Trust is not subject to income tax because all taxable income has been distributed in full to the unitholder.

Goods and services tax (GST)
Items in the income statement are recognised net of GST except where the tax incurred is not recoverable from the taxation authority. In these circumstances, the tax is recognised as part of the expense or included in the cost of the asset. The Trust also records credit for GST paid by the Manager of the Trust, after excluding the non recoverable GST.

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

Note 2. Summary of significant accounting policies (continued)

(vii) Assets

(a) Cash and cash equivalents
Cash and cash equivalents comprise of cash at bank and balances with financial institutions, including with the parent entity.

(b) Financial assets

Recognition
Financial assets are recognised when the Trust becomes a party to the contractual provisions of the asset.

Derecognition
Financial assets are derecognised when the rights to receive cash flows from the asset have expired, or when the Trust has either transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full under a 'pass through' arrangement and transferred substantially all the risks and rewards of ownership.

Classification and measurement
The Trust has purchased the rights, title and interest in a pool of mortgages from the Bank. In addition, the Trust has entered into basis swaps with the Bank in relation to the underlying mortgage pool receivable, and issued to the Bank the residual income units of the Trust.

The Bank is unable to derecognise the mortgage loans sold to the Trust as the terms of the transaction structure result in the Bank retaining substantially all the risks and rewards associated with the underlying mortgage loans. Accordingly, the Bank is unable to separately recognise the basis swaps in its standalone financial statements.

Consequently, the Trust has recognised as a financial asset the receivable from the Bank representing the contractual cash flows owing under the securitisation arrangement. The basis swap forms part of the financial asset as one unit. The 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. The financial asset is therefore initially recognised at the fair value of the consideration paid and is subsequently measured at amortised cost.

Payments under the basis swaps are recognised in the Statement of Profit or Loss as net interest income from the financial assets.

(c) Other assets
Other assets primarily includes balance due from related entities, mortgage insurance recoverables and government taxes.

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

Note 2. Summary of significant accounting policies (continued)

(vii) Assets (continued)

(d) Impairment

Impairment requirements are based on an expected credit loss (ECL) model.

The ECL model applies to all financial assets measured at amortised cost. The Manager determines expected loss on financial assets by reference to the underlying loans from which the receivable from the Bank is derived.

The model uses a three-stage approach to measuring the ECL based on changes in the financial asset's underlying credit risk and includes forward looking and macroeconomic information.

The calculation of ECL requires judgement and the choice of inputs, estimates and assumptions. Refer to Note 7 – Expected credit loss for further information. Outcomes within the next financial period that are different from management's assumptions and estimates could result in changes to the timing and amount of ECL to be recognised.

The ECL is determined with reference to the following stages:

(i) Stage 1: 12 months ECL - performing financial assets
At initial recognition, and for financial assets for which there has not been a significant increase in credit risk (SICR) since initial recognition, an impairment provision equivalent to 12 months ECL is recognised. 12 months ECL is the credit losses expected to arise from defaults occuring over the next 12 months.

(ii) 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 initial recognition 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.

(iii) 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.

Presentation of ECL allowances
The ECL allowances for financial assets and other assets are presented as a deduction to the gross carrying amount in the statement of financial position.
When the Trust Manager concludes that there is no reasonable expectation of recovering cash flows from the financial asset and all possible collateral has been realised, the financial asset is written off, either partially or in full, against the related provision. Recoveries of loans previously written off are recorded based on the cash received.

(viii) Derivative instruments and hedging activities
The Trust enters into cross currency interest rate swap to manage its exposure to interest rate risk and foreign exchange rate risk.
These derivative instruments are principally used for the risk management of existing financial liabilities. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value. Fair values are obtained from quoted prices in active markets, where available and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Movements in the fair values of such derivatives are recognised in the income statement in net trading income, unless the derivative meets the requirements for cash flow hedge accounting.
The best evidence of a derivative's fair value at initial recognition is its transaction price, unless its fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique for which variables include only data from observable markets. Where such evidence exists, the Trust recognises profits or loss immediately when the derivative is recognised.

Hedge accounting
As part of its ongoing business, the Trust is exposed to several financial risks, principally that of interest and foreign exchange rates risk (collectively referred to as the hedged risk or exposure). The Trust has limited appetite for such risks and has policies and practices in place to ensure that these risks are effectively managed. The Trust mitigates these risks through the use of derivative financial instruments (collectively referred to as hedging instruments). In order to account for the difference in measurement bases or location of the gains and losses between the exposure that is being hedged and the hedging instrument, the Trust applies hedge accounting as detailed in the table that follows:

MBL Covered Bond Trust

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

Note 2. Summary of significant accounting policies (continued)

(viii) Derivative instruments and hedging activities (continued)

	Fair value hedges	Cash flow hedges
Nature of hedge	The hedge of the fair value risk of a financial liability.	The hedge of the change in cash flows of a financial liability.
Hedged risk	- Interest rate risk	- Foreign exchange risk
Hedged item	- Fixed interest rate financial liabilities	- Foreign currency denominated interest bearing
Hedging instruments	Cross currency interest rate swaps	
Designation and documentation	At inception of the hedge relationship, documentation is required of the Trust's risk management objective and strategy for the hedge, hedging instrument, hedged item, hedged risk and how the hedge relationship will meet the hedge effectiveness requirements.	
Hedge effectiveness method	All hedge relationships are assessed for prospective hedge effectiveness both at the inception of the hedge, at each reporting period and on any significant change in circumstances affecting the hedge, by demonstrating that: - an economic relationship exists between the hedged item and the hedging instrument; - credit risk does not dominate the changes in value of either the hedged item or the hedging instrument; and - the hedge ratio is reflective of the Trust's risk management approach. The hedge effectiveness assessment is performed by a combination of qualitative and, where applicable, quantitative assessments. Changes in the hedge ratio, or rebalancing, may be required to adjust the designated quantities of either the hedged item or the hedging instrument.	
Accounting treatment for the hedging instrument	Fair value through the income statement.	Fair value through the cash flow hedge reserve as part of OCI and then recognised in the income statement at the time at which the hedged item affects the income statement for the hedged risk.
Accounting treatment for the hedged item	Adjustments to the carrying value are recognised in the income statement for changes in fair value attributable to the hedged risk.	Accounted for on an amortised cost basis.
Accounting treatment for hedge ineffectiveness	Recognised as part of net trading income in the income statement to the extent that changes in fair value of the hedged item attributable to the hedged risk are not offset by changes in fair value of the hedging instrument.	Recognised as part of net trading income in the income statement to the extent to which changes in fair value of the hedging instrument exceed, in absolute terms, the change in the fair value of the hedged item.
Accounting treatment if the hedge relationship is discontinued	Where the hedged item still exists, adjustments to the hedged item are amortised to the income statement on an effective interest rate basis.	The gain or loss remains in the cash flow hedge reserve to the extent that the hedged cash flows are still expected to take place and subsequently recognised in the income statement at the time at which the hedged item affects the income statement for the hedged risk. Where the hedged cash flows are no longer expected to take place, the gain or loss in the cash flow hedge reserve is recognised immediately in the income statement.
Other accounting policies	None	The foreign currency basis spread of financial instruments, being the liquidity charge for exchanging different currencies, is excluded from the hedge designation. This spread is deferred in the cost of hedging reserves and released to the income statement at the time when the hedged exposure affects the income statement.

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

Note 2. Summary of significant accounting policies (continued)

ix) Liabilities

(a) Other liabilities

Other liabilities includes payables and accrued expenses owing by the Trust which are unpaid as at balance sheet date. They are initially recognised at fair value and subsequently measured at amortised cost.

(b) Debt issued

Recognition
Financial liabilities, including debt issued, are recognised when the Trust becomes a party to the contractual provisions of the liability.

Derecognition
Financial liabilities are de-recognised from the Statement of Financial Position when the Trust's obligation has been discharged, cancelled or has expired.

Classification and measurement
The Trust has issued debt securities which are initially recognised at fair value net of transaction costs incurred, and subsequently measured at amortised cost under the effective interest method.

(c) Net assets/(liabilities) attributable to the unitholder

Under the terms of the Master Trust Deed and the transaction documents of the Trust, residual income units and residual capital units have been issued to unitholders.

Capital unit
The capital unitholder of the Trust is the Bank. Residual capital unitholders have no right to receive distributable income except on termination of the Trust to an amount equal to the intiail subscription price, subject to availability of funds in the Trust. The units issued are initially recognised and subsequently measured at cost, being the fair value of the consideration received.

Income unit
The income unitholder of the Trust is the Bank. Residual income unitholders have a present entitlement to the distributable income of the Trust. All net assets attributable to unitholders have been recognised as liabilities of the Trust, rather than as equity due to the entitlement to the income and/or the mandatory redemption of the units. The Trust has been structured to earn a net interest income each year. Non-cash gains/(losses) are retained in the Trust and are expected to reverse over time. The classification of the net assets/liabilities attributable to the unitholder does not alter the underlying economic interest of the unitholders in the net assets and comprehensive income attributable to unitholders of the Trust. The income units issued are initially measured at fair value, being consideration received, and subsequently measured at amortised cost.

x) Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount reported on the statement of financial position, when there is a current legally enforceable right to offset the amounts and either there is an intention to settle on a net basis or realise the financial asset and settle the financial liability simultaneously.

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

Note 2. Summary of significant accounting policies (continued)

xi) Contingent liabilities and commitments

Undrawn commitments on the financial assets represent commitments that the Trust has to its parent entity MBL, on the underlying securitised mortgage assets. This includes fully or partially undrawn commitments against which clients can borrow money under defined terms and conditions. Despite being revokable, these commitments are considered to be exposed to credit risk.

xii) Segment reporting

The Trust operates in only one segment that is domiciled in Australia to act as a special purpose vehicle for securitisation of MBL mortgage portfolio. The Trust has no other operating segment.

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

	2023 $	2022 (Restated) $
Note 3. Profit for the financial year		
Net interest income		
Interest and similar income	71,551,678	9,112,127
Interest and similar expense	(56,983,656)	(161,131)
Net interest income	14,568,022	8,950,996
Net trading (expense)/income	(2,818,654)	3,708
Net operating income	11,749,368	8,954,704
Other operating income		
Other fees income	39	60
Impairment reversal/(charges)		
- Cash and cash equivalents	7,037	1,965
- Financial assets	(632,137)	280,697
- Other assets	(11,823)	(25)
- Other liabilities	(199,616)	(1)
Other operating expenses		
Management fees[1]	(5,935,389)	(3,261,606)
Trustee fees	(193,150)	(107,920)
Custody fees	(72,985)	(39,316)
Other expenses	(242,677)	(1,091,582)
Total operating income	4,468,667	4,736,976

[1]The management fees has been calculated as 25 basis points (2022: 25 basis points) on the monthly average loan balance.

The Trust had no employees during the current and previous financial year.

	2023 $	2022 (Restated) $
Note 4. Cash and cash equivalents		
Cash and cash equivalents	78,022,448	6,577,223
Due from parent entity	11,505,433	40,914,395
Total cash and cash equivalents	89,527,881	47,491,618

The above amounts are expected to be recovered within 12 months of the reporting date by the Trust.

	2023 $	2022 (Restated) $
Note 5. Other assets		
Due from related entities		
Parent entity	987,624	396,837
Other	11,135	5,313
Goods and services tax receivable	2,101	320
ECL allowance[1]	(12,276)	-
Other	1	127,667
Total other assets	988,585	530,137

The above amounts are expected to be recovered within 12 months of the reporting date by the Trust.

[1]Relates to ECL allowance on other assets.

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

	2023 $	2022 (Restated) $
Note 6. Financial assets		
Due from parent entity[1, 2]	2,293,085,557	1,089,470,717
Less: ECL allowance	(1,381,451)	(749,314)
Total financial assets	2,291,704,106	1,088,721,403

[1]Of the above amount, $480,419,449 (2022: $233,411,744) is expected to be recovered within twelve months of the reporting date and the remaining $1,812,666,108 (2022: $856,058,973) is expected to be recovered after twelve months of the reporting date by the Trust.

[2]Mortgage loan assets have been purchased by the Trust from MBL by equitable assignment, but fail the derecognition criteria for MBL under the accounting standards. As a result, MBL continues to recognise the individual assets in its statement of financial position and the Trust has recorded Financial assets, receivable from MBL.

Note 7. Expected credit losses

Background

At the reporting date, the Trust has presented the ECL allowances for financial assets measured at amortised cost as a deduction against the gross carrying amount in its statement of financial position.

The financial assets of the Trust represents a receivable from the Bank of cash flows on the underlying securitised mortgages. Expected credit losses estimated on the underlying securitised mortgages, including undrawn commitments of the mortgages, is therefore used to derive the expected credit losses of the financial assets of the Trust.

Model inputs

The Bank, as ultimate parent entity of the Trust, has developed and tested models which the Trust uses to calculate expected credit loss provisions. ECL is modelled for on-balance sheet financial assets measured at amortised cost or fair value through other comprehensive income, as well as off-balance sheet items such as undrawn commitments.

These models incorporate a range of inputs notably that of Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD) ('credit inputs') as well as Forward-Looking Information (FLI). For retail portfolios, behavioural variables are also considered in the determination of inputs for ECL modelling.

The key model inputs used in measuring the ECL include:
- Exposure at default: The EAD represents the estimated exposure in the event of a default. For internals, this is based on net balance of each counterparty in the books of accounts.
- Probability of default: The determination of PDs for retail exposures is generally performed at a facility level. Retail exposures are segmented based on product type and shared characteristics that are highly correlated to credit risk such as region, product, counterparty groupings, loan-to-value ratio (LVR) and other similar criteria. In calculating the PD, credit performance information for each portfolio is gathered and statistically analysed to determine a point in time PD. PD estimates for retail portfolios are adjusted for FLI. For balances with Macquarie group entities, this is based on internally assigned rating grades of each entity and if not rated, this is based on the lowest existing rating grade. This is assessed and potentially adjusted on a semi-annual basis.
- Loss given default (LGD): The LGD associated with the PD used is the magnitude of the ECL in a default event. The LGD is estimated using historical loss rates considering relevant factors for individual exposures or portfolios. These factors include collateral, seniority, industry, recovery costs and the structure of the facility. LGD estimates are also adjusted for FLI. For balances with Macquarie group entities, this is based on default LGD depending upon whether the counterparty is bank or non bank entity.

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

Note 7. Expected credit losses (continued)

Significant increase in credit risk (SICR)
The Bank periodically assesses exposures to determine whether there has been a SICR, which may be evidenced by either qualitative or quantitative factors. Qualitative factors may include, but are not limited to, whether an exposure has been identified and placed on CreditWatch, an internal credit monitoring mechanism supervised by the CreditWatch management committee to closely monitor exposures showing signs of stress. Where exposures' credit risk profile deteriorate, the exposures are monitored on a monthly basis through the CreditWatch reports. CreditWatch is an internal Credit Status used to signify that a counterparty has or is anticipated to experience a material deterioration in credit quality. The business remains responsible for management of the counterparty and of the risk position, but Risk Management Group (RMG) oversight is increased to ensure that positions are managed for optimal outcomes. All exposures on CreditWatch are classified as stage II or, if defaulted, as stage III.

Retail exposures
Exposures are assigned a behavioural score which considers the exposures' lifetime PD on initial recognition. This behavioural score is periodically assessed and updated to reflect changes in the underlying exposures' behaviour. The score includes factors such as limit utilisation, payment history (including delinquency) and product specific features.
SICR movement thresholds between origination and reporting date behavioural score movements have been established that, where exceeded, result in the exposure being categorised as stage II. Where the behavioural score subsequently improves such that the change since origination is back within the SICR threshold, the exposure is assessed for categorisation back to stage I. The pre-defined SICR thresholds are periodically reviewed and calibrated based on historical default experience.
For retail portfolios:
– The AASB 9 ‘low credit risk’ exemption is not applied by the Trust to material portfolios of any significant duration in assessing whether there has been a SICR.
– For material retail portfolios the credit risk for an exposure or portfolio is generally deemed to have increased significantly if the exposure is more than 30 days past due, unless there are product specific characteristics that indicate that this threshold should be rebutted.

Definition of default
The Bank's definition of default determines the reference point for the calculation of the ECL components, and in particular the PD. Default is generally defined as the point when the borrower is unlikely to pay its credit obligations in full, without recourse by the Bank to the realisation of collateral; or the borrower is 90 days or more past due.

The Bank periodically monitors its exposures for potential indicators of default such as significant financial difficulty of the borrower which includes breaches of lending covenants; it is probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Retail exposures that are identified as in default can be reclassified from stage III following a pre-defined period over which the exposure demonstrates that it has returned to a performing status.

MBL Covered Bond Trust

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

Note 7. Expected credit losses (continued)

Forward looking information

The inclusion of FLI in calculating ECL allowances adjusts the PD, the determination of SICR as well as the LGD (that is relevant to the determination of the recovery rates on collateral). The Trust has identified several key indicators that are used in modelling the ECL, the most significant of which are gross domestic product (GDP), the unemployment rate, the level of house prices, interest rates, equity indices and commodity prices. The predicted relationships between various market indicators and the key model inputs in measuring the ECL have been developed by analysing historical data as part of the model build, calibration and validation process. These indicators, both in terms of the magnitude and type of indicator, are reviewed throughout the financial year.

The Trust applies its professional judgement in determining whether there are any inherent risks in the models' predictive outcomes. The overlays primarily reflect management's assessment of the current economic and credit environment relative to the FLI credit cycle model. These overlays account for the risk that underlying credit risk events have occurred but observable modelled inputs are yet to reflect those events, as well as risks that are specific to regions, counterparties or industries which are difficult to account for within the modelled outcomes. Over time the credit models are recalibrated to enhance the predictive capability. These judgements are reviewed by FMG and RMG at each reporting date.

RMG is responsible for the FLI including the development of scenarios and the weighting applied to those scenarios. For this purpose, three possible economic scenarios have been developed, being an upside, downside and base case scenario. In calculating the ECL, each of the scenarios are probability weighted and then applied to the exposures' PDs and LGDs.

The table below presents the gross exposure and related ECL allowance for assets measured at amortised cost subject to impairment requirements of AASB 9.

	As at 31 March 2023		As at 31 March 2022 (Restated)	
	Gross exposure $	ECL allowance $	Gross exposure $	ECL allowance $
Cash and cash equivalents	89,530,573	(2,692)	47,501,347	(9,729)
Other assets	1,000,861	(12,276)	530,137	-
Financial assets	2,293,085,557	(1,381,451)	1,089,470,717	(749,314)
Undrawn commitments	997,982,373	(199,664)	405,109,783	(48)
Total	3,381,599,364	(1,596,083)	1,542,611,984	(759,091)

The following tables provide a reconciliation between the opening and closing balance of the ECL allowance.

	Cash, bank and other demand deposits $	Other assets $	Financial assets $	Other liabilities $	Total $
Balance as at 1 April 2021	11,694	(25)	1,030,011	47	1,041,727
Impairment (reversal)/charge	(1,965)	25	(280,697)	1	(282,636)
Foreign exchange, reclassification and other movements	-	-	-	-	-
Balance as at 31 March 2022	9,729	-	749,314	48	759,091
Impairment (reversal)/charge	(7,037)	11,823	632,137	199,616	836,539
Foreign exchange, reclassification and other movements	-	453	-	-	453
Balance as at 31 March 2023	2,692	12,276	1,381,451	199,664	1,596,083

Financial assets represent the Trust's most significant component of credit exposures on which ECL allowances are carried. Acquisition of loan assets from the parent entity during the year contributed to the loss allowance.

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

Note 7. Expected credit losses (continued)

ECL on financial assets

The tables below represent the reconciliation of the ECL allowance on financial assets to which the impairment requirements under AASB 9 are applied.

		Lifetime ECL		
	Stage 1 12 month ECL	Stage II Not credit impaired	Stage III Credit impaired	Total ECL allowance
	$	$	$	$
Balance as at 1 April 2021	422,714	500,654	106,643	1,030,011
Transfers during the year	53,626	(34,722)	(18,904)	-
Credit impairment (reversal)/charge (Note 3)	(124,899)	(124,877)	(30,921)	(280,697)
Balance as at 31 March 2022	351,441	341,055	56,818	749,314
Transfers during the year	30,335	(20,755)	(9,580)	-
Credit impairment (reversal)/charge (Note 3)	351,469	271,340	9,328	632,137
Balance as at 31 March 2023	733,245	591,640	56,566	1,381,451

	2023	2022
	$	$
Note 8. Other liabilities		
Creditors	160	160
Due to related entities:		
Parent		
Other	227,637	602,765
Other		
Management fees	516,744	242,244
Other	408,104	-
ECL allowance[1]	199,665	48
Other[2]	3,038,464	13,371
Total other liabilities	4,390,774	858,588

The above amounts are expected to be settled within 12 months of the reporting date by the Trust.

[1]Relates to ECL on undrawn commitments in Note 15 - Contingent liabilities and commitments.

[2]The majority of the balances relate to unsettled cash transactions and receivable from insurers on mortgages.

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

	2023 $	2022 (Restated) $
Note 9. Debt issued		
Opening debt balance	1,140,427,174	1,590,392,121
Debt issued to MBL	2,805,486,683	-
Debt repaid	(1,565,557,951)	(449,964,947)
Fair value hedge adjustment	(32,385,441)	-
Accrued interest	16,366,396	-
FX revaluation and other	90,531,651	-
Total debt issued[1]	2,454,868,512	1,140,427,174

The balance represents term loan taken from MBL in EUR 608,377,841 (2022: $nil) (AUD equivalent $988,268,677 (2022: $nil)) and AUD $1,498,985,276 (2022: $1,140,427,174).

[1]Of the above amount, $294,854,502 (2022: $244,170,959) is expected to be recovered within twelve months of the reporting date and the remaining $2,160,014,010 (2022: $896,256,215) is expected to be recovered after twelve months of the reporting date by the Trust.

There are Covered Bonds of EUR 600m issued by MBL, collateralised against loan assets of MBL Covered Bond Trust. These are debt obligations (guaranteed by Perpetual Limited (note 15) that benefit from dual recourse to both MBL and the pool of home loans. MBL's Covered Bond programme is managed by Group Treasury of Macquarie Group and Trust Manager administers the cover pool of home loans. These bonds are due to expire in September 2027.

	2023 $	2022 (Restated) $
Note 10. Net liabilities - attributable to the unitholder		
Net liabilities attributable to the unitholder is represented by:		
Opening balance	(4,542,604)	(2,120,084)
Net other operating income	4,468,667	4,736,976
Payment of distribution attributable for the year	(11,554,604)	(7,159,496)
Transfer from cash flow hedge reserve (note 11)	(5,509,360)	-
Transfer from cost of hedging reserve (note 11)	(2,603,426)	-
Net liabilities - attributable to the unitholder	(19,741,327)	(4,542,604)

The Residual Income Unitholder is entitled to the residual income of the Trust.

Note 11. Net reserves - attributable to the unitholder	2023	2022
Cash flow hedge reserve	$	$
Balance at the beginning of the financial year	-	-
Net movement recognised in OCI during the financial year, net of tax	(88,265,637)	-
Transferred to income statement on realisation, net of tax	82,756,277	-
Transfer to unitholder	5,509,360	-
Balance at the end of the financial period	**-**	**-**
Cost of hedge reserve	$	$
Balance at the beginning of the financial year	-	-
Net movement recognised in OCI during the financial year, net of tax	(2,603,426)	-
Transferred to income statement on realisation, net of tax	-	-
Transfer to unitholder	2,603,426	-
Balance at the end of the financial period	**-**	**-**

Note 12. Notes to the Statement of Cash Flows
Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year are reflected in the related items on the Statement of Financial Position as follows:

Cash, bank and other demand deposits[1] (note 4)	89,527,881	47,491,618
Cash and cash equivalents at the end of the financial year	89,527,881	47,491,618

[1] Includes cash at bank and cash equivalents due from Parent.

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

Note 13. Related party information

Parent

The immediate parent entity is Macquarie Bank Limited (MBL). The ultimate parent entity is Macquarie Group Limited (MGL).
- MBL is the residual capital and income unit holder of the Trust

Trust Manager

The Trust Manager of MBL Covered Bond Trust is Macquarie Securitisation Limited (MSL).

Transactions with related parties	2023	2022 (Restated)
During the financial year, the following transactions were made with the parent entity:	$	$
Distributions paid/payable	(11,554,604)	(7,159,496)
Interest and similar income	70,134,287	9,112,530
Interest and similar expense	(49,846,488)	(161,130)
Credit, impairment charges	(836,539)	282,636
Other operating expenses	(960)	-
During the financial year, the following transactions were made with other related entity:		
Management fees (note 3)	(5,935,389)	(3,261,606)

Amounts receivable from and payable to related entities are disclosed in note 4, 5, 6, 8, 9 and 14 to the financial statements. During the financial year $1,915,915,218 of loans were acquired from MBL (FY22: $Nil), and $7,493,677 were sold to MBL (FY22: $15,134,262).
The sole residual income unitholder in the Trust is MBL.
All transactions with related entities were made on normal commercial terms and conditions and at market rates except where indicated.

Note 14. Key Management Personnel disclosure

Key Management Personnel (KMP)

The following persons were Directors of the Trust Manager and those having the authority and responsibility for planning, directing and controlling activities of the Trust (Key Management Personnel – KMP) during the financial years ended 31 March 2023 and 31 March 2022 unless otherwise indicated were:

Name of Director	**Appointed on**	**Resigned on**
Andrew Hall	05 May 2014	-
Daniel McGrath	31 October 2017	-
Caroline Emma Fox	10 March 2022	-

No Directors of the Manager are Directors of the ultimate parent entity.

Remuneration to Key Management Personnel

The KMP did not receive any other benefits or consideration in connection with the management of the Trust. All other benefits that were received by KMP were solely related to other services performed with respect to their employment within the Macquarie Group Limited.

Note 15. Contingent liabilities and commitments

	2023	2022
Credit commitments	$	$
Undrawn commitments on financial assets	997,982,373	405,109,783
Total credit commitments	997,982,373	405,109,783

Undrawn credit commitments on the financial assets include fully or partially undrawn commitments against which underlying mortgage holders can borrow money from the Bank under defined terms and conditions. The Trust has an obligation to fund these commitments to the Bank.
The Trust has no other contingent liabilities or commitments which are individually material or a category of contingent liabilities or commitments which are material.

Perpetual Limited, in its capacity as Trustee of the Covered Bond Trust, has issued a guarantee in favour of the Bond Trustee (DB Trustees (Hong Kong) Limited. As the Covered Bonds Guarantor, Perpetual Limited as Trustee of the Covered Bonds Trust has agreed to guarantee all Covered Bonds issued by the Bank under the Programme.

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

Note 16. Hedge accounting

Hedging strategy

The use of derivative and non-derivative instruments to economically hedge non-traded positions potentially gives rise to income statement volatility as a result of mismatches in the accounting treatment between the derivative instruments and the related exposure, namely EUR fixed interest rate liabilities. The Trust's objective is to reduce the risk of volatility in earnings. This volatility may be managed by allowing hedges to naturally offset one another or, where the earnings volatility exceeds pre-defined thresholds, hedge accounting is considered.

Hedging instruments

The following table details the hedging instruments, the nature of hedged risks, as well as the notional and the carrying amount of derivative financial instruments for each type of hedge relationship. The maturity profile for the hedging instruments' notional amounts are reported based on their contractual maturity. Where a cross currency swap has been dual designated in both a cash flow and fair value hedge, the notional is shown more than once. Increases in notional profiles of hedging instruments are presented as negative balances, with decreases and maturities presented as positive balances.
There was no hedging applied in the prior year.

			Maturity analysis per Notional					Carrying amount[1]
2023	Risk	Hedging instruments	Less than 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Total $	Total $
Hedging instruments - assets								
Cash flow hedges	Foreign exchange	Cross currency interest rate swaps	-	-	974,659,440	-	974,659,440	(29,825,917)
Fair value hedges	Interest rate	Cross currency interest rate swaps	-	-	974,659,440	-	974,659,440	90,026,713
Total								**60,200,796**

[1]The carrying amounts represent balances in the statement of financial position at balance date and includes accrued interest where applicable.

Hedge accounting executed rates

The following table shows the executed rates for the most significant hedging instruments designated in cash flow hedges.

	Hedging instruments	Currency/ currency pair	2023
Cash flow hedges	Cross currency swaps	AUD/EUR	0.68

Hedge relationships

Cash flow hedges

The cash flow hedge reserve, representing the effective portion of the movements in the hedging instrument, is disclosed in Note 11 Reserves. Changes in this reserve are reported in the Trust's Statement of Other Comprehensive Income.

Fair value hedges

The following table shows the carrying value of hedged items designated in fair value hedge accounting relationships and the cumulative fair value hedge accounting adjustment that has been recognised as part of that carrying value. These balances are being amortised to the Statement of Profit and Loss on an effective yield basis. As noted in the Trust's accounting policies, since the hedged item is adjusted only for the hedged risk, the hedged item's carrying value disclosed in the table will not be equivalent to its fair value as disclosed in other notes to these financial statements.

	2023	
	Carrying amount[1] $	Fair value hedge adjustments $
Debt issued	(2,487,253,953)	32,385,441

[1]The carrying amounts in the table above exclude accrued interest from the carrying amount of hedged items.

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

Note 16. Hedge accounting (continued)

Hedge Ineffectiveness
In the case of a fair value hedge, hedge ineffectiveness is the extent to which the changes in the fair value of the hedging instrument differ to that of the hedged item, and in the case of cash flow hedge relationships, the extent to which the change in the fair value of the hedging instrument exceeds, in absolute term, that of the hedged item. Sources of hedge ineffectiveness primarily arise from basis and timing differences between the hedged items and hedging instruments. Hedge ineffectiveness is reported in Net trading income in the Statement of Profit and Loss.

The following table contains the hedge ineffectiveness associated with cash flow hedge and fair value hedge relationships during the period, as reported in the Net trading income line in the income statement:

2023	Risk	Hedging instruments	Gains/(losses) on hedging instruments $	Gains/(losses) on hedged items attributable to the $	Hedge ineffectiveness recognised in the $
Cash flow hedge	Foreign exchange	Cross currency interest rate swaps	(8,339,019)	8,112,786	(226,232)
Fair value hedge	Interest rate	Cross currency interest rate swaps	(32,159,209)	32,385,441	226,232

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

Note 17. Financial risk management

Risk Management Group (RMG)

Risk is an integral part of the Macquarie Group's businesses. 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, credit risk, and liquidity risk. These risks are monitored and managed at a business unit level through the Group's Risk Management Framework.

RMG is independent of other areas of the Macquarie Group. RMG approval is required for all material risk acceptance decisions. RMG reviews and assesses risks and sets limits. Where appropriate, these limits are approved by the Executive Committee and the Board. The Head of RMG, as Macquarie's CRO, is a member of the Executive Committee of MGL and MBL and reports directly to the CEO with a secondary reporting line to the Board Risk Committee.

Note 17.1 Credit risk

Credit risk is the risk that a counterparty will fail to complete its contractual obligations when they fall due or changes in the creditworthiness of the counterparty. The consequential loss is either the amount of the loan or financial obligation not repaid, the change in the value of a non-traded debt instrument, or the loss incurred in replicating a trading contract with a new counterparty.

Credit risk within the Trust is managed by the RMG at MGL.

Ratings and reviews

For internals balances, credit rating of each affiliate entity has been defined based on rating grades assigned internally to these counterparties for the pricing of internal funding arrangements on an arm's length basis. In case the affiliate is not rated, the same has been classified as below investment grade on a conservative basis.

Credit quality of financial assets

The table below discloses as at 31 March 2023, by credit rating grades and ECL impairment stage, the gross carrying amount of assets measured at amortised cost of the Trust subject to the impairment requirements of AASB 9 Financial instruments.

The credit risk on the financial assets of the Trust is derived from the credit risk of the underlying securitised mortgages.

The credit quality is based on the counterparty's credit rating using the Bank's credit rating system and excludes the benefit of any collateral and credit enhancements.

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

Note 17. Financial risk management (continued)

Note 17.1 Credit risk (continued)

As at 31 March 2023	Stage I[2] $	Stage II[2] $	Stage III[2] $	Total $
Investment grade				
Cash and cash equivalents	89,530,573	-	-	89,530,573
Other assets	1,000,861	-	-	1,000,861
Financial assets	1,077,560,434	31,490,042	-	1,109,050,476
Other liabilities[1]	806,123,692	5,409,564	-	811,533,256
Total investment grade	**1,974,215,560**	**36,899,606**	**-**	**2,011,115,166**
Non-investment grade				
Financial assets	834,977,329	345,026,701	-	1,180,004,030
Other liabilities[1]	171,404,320	14,986,083	-	186,390,403
Total non-investment grade	**1,006,381,649**	**360,012,784**	**-**	**1,366,394,433**
Default				
Financial assets	-	-	4,031,051	4,031,051
Other liabilities[1]	58,190	524	-	58,714
Total Default	**58,190**	**524**	**4,031,051**	**4,089,765**
Total	**2,980,655,399**	**396,912,914**	**4,031,051**	**3,381,599,364**
Financial assets by ECL stage				
Cash and cash equivalents	89,530,573	-	-	89,530,573
Other assets	1,000,861	-	-	1,000,861
Financial assets	1,912,537,763	376,516,743	4,031,051	2,293,085,557
Other liabilities[1]	977,586,202	20,396,171	-	997,982,373
Total financial assets by ECL stage[2]	**2,980,655,398**	**396,912,914**	**4,031,051**	**3,381,599,364**

[1]Relate to undrawn commitments in Note 15 - Contingent liabilities and commitments.

[2]For definitions of stage I, II and III, refer to Note 2(vii)(d) Expected credit losses. Whilst exposures may have migrated to stage II it should not be inferred that such exposures are of a lower credit quality. The ECL for the stage III assets includes the benefit of collateral and other credit enhancements.

Credit quality of financial assets

The table below discloses as at 31 March 2022, by credit rating grades and ECL impairment stage, the gross carrying amount of assets measured at amortised cost of the Trust subject to the impairment requirements of AASB 9. The credit quality is based on the counterparty's credit rating using the Trust's credit rating system and excludes the benefit of any collateral and credit enhancements.

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

Note 17. Financial risk management (continued)

Note 17.1 Credit risk (continued)

As at 31 March 2022 (Restated)

	Stage I[2] $	Stage II[2] $	Stage III[2] $	Total $
Investment grade				
Cash and cash equivalents	47,501,347	-	-	47,501,347
Other assets	530,137	-	-	530,137
Financial assets	472,994,272	21,520,205	-	494,514,477
Other liabilities[1]	379,129,720	-	-	379,129,720
Total investment grade	**900,155,476**	**21,520,205**	**-**	**921,675,681**
Non-investment grade				
Financial assets	366,379,422	223,422,133	-	589,801,555
Other liabilities[1]	25,979,461	-	-	25,979,461
Total non-investment grade	**392,358,883**	**223,422,133**	**-**	**615,781,016**
Default				
Financial assets	-	-	5,154,685	5,154,685
Other liabilities[1]	602	-	-	602
Total Default	**602**	**-**	**5,154,685**	**5,155,287**
Total	**1,292,514,961**	**244,942,338**	**5,154,685**	**1,542,611,984**
Financial assets by ECL stage				
Cash and cash equivalents	47,501,347	-	-	47,501,347
Other assets	530,137	-	-	530,137
Financial assets	839,373,694	244,942,338	5,154,685	1,089,470,717
Other liabilities[1]	405,109,783	-	-	405,109,783
Total financial assets by ECL stage[2]	**1,292,514,961**	**244,942,338**	**5,154,685**	**1,542,611,984**

[1]Relate to undrawn commitments in Note 15 - Contingent liabilities and commitments.

[2]For definitions of stage I, II and III, refer to Note 2(vii)(d) Expected credit losses. Whilst exposures may have migrated to stage II it should not be inferred that such exposures are of a lower credit quality. The ECL for the stage III assets includes the benefit of collateral and other credit enhancements.

MBL Covered Bond Trust

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

Note 17. Financial risk management (continued)

Note 17.1 Credit risk (continued)

Credit risk concentration

The table below details the concentration of credit risk by significant geographical locations and counterparty type of the Trust's financial assets, derived from the concentration of credit risk of the underlying securitised mortgages, measured at amortised cost subject to impairment requirements of AASB 9. The geographical location is determined by the country of risk or country of domicile and counterparty type is based on APRA classification.

	Cash and cash equivalents	Financial assets	Other assets	Other liabilities[1]	Total
As at 31 March 2023	**$**	**$**	**$**	**$**	**$**
Australia					
Financial institutions	89,530,573	-	987,624		90,518,196
Other	-	2,293,085,557	13,237	997,982,373	3,291,081,167
Total Australia	**89,530,573**	**2,293,085,557**	**1,000,861**	**997,982,373**	**3,381,599,364**
Total gross credit risk	**89,530,573**	**2,293,085,557**	**1,000,861**	**997,982,373**	**3,381,599,364**
As at 31 March 2022 (Restated)					
Australia					
Financial institutions	47,501,347	-	396,837	-	47,898,184
Other	-	1,089,470,717	133,300	405,109,783	1,494,713,800
Total Australia	**47,501,347**	**1,089,470,717**	**530,137**	**405,109,783**	**1,542,611,984**
Total gross credit risk	**47,501,347**	**1,089,470,717**	**530,137**	**405,109,783**	**1,542,611,984**

[1]Relate to undrawn commitments in Note 15 - Contingent liabilities and commitments.

Maximum exposure to credit risk

For on-balance sheet instruments, the maximum exposure to credit risk is the carrying amount reported on the balance sheet.

Collateral and credit enhancements held

Financial assets

The Trust's financial assets represent a receivable from MBL of the cash flows of the underlying securitised mortgages. Mortgages are secured by fixed charges over the borrower's property. The Bank has purchased risk protection from a diversified panel of rated counterparties via an excess of loss and quota share structure.

The following table provides information on the loan to collateral value ratio as determined using the carrying values and the most recent valuation of the home loan collateral:

	2023	2022
	$	$
<=25%	144,731,336	51,606,276
>25% to 50%	577,448,502	241,516,359
>50% to 70%	960,871,732	408,417,134
>70% to 80%	519,496,579	321,264,343
>80% to 90%	85,030,697	65,761,043
>90% to 100%	480,835	699,381
Partly collateralised	-	-
Total	2,288,059,681	1,089,264,536

MBL Covered Bond Trust

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

Note 17. Financial risk management (continued)

Note 17.2 Liquidity risk

Liquidity risk is the risk of an entity encountering difficulty in meeting obligations with financial liabilities.

Contractual undiscounted cash flows

The following table summarises the maturity profile of the Trust's financial liabilities (debt issued) as at 31 March based on contractual undiscounted repayment basis and hence would vary from the carrying value at the reporting date shown in the Statement of Financial Position. Repayments subject to notice are treated as if notice were given immediately.

2023	On demand $	0 to 3 months $	3 to 12 months $	1 to 5 years $	More than 5 years $	Total $
Debt issued[1]	-	124,540,998	290,913,683	1,915,572,175	650,599,854	2,981,626,710
Other liabilities[2]	-	1,783,536	-	-	-	1,783,536
Total	**-**	**126,324,534**	**290,913,683**	**1,915,572,175**	**650,599,854**	**2,983,410,246**
Loan redraw commitments[3]	**997,982,373**	**-**	**-**	**-**	**-**	**997,982,373**

[1]The maturity of debt is dependent on the repayments of the underlying mortgage assets, which is on expected maturity.

[2]Excludes non-financial liabilities of $2,607,236 which are included in Note 8 - Other liabilities.

[3]Cash flows on contingent liabilities and commitments are dependent on the occurrence of various future events and conditions and may or may not result in an outflow of resources.

2022 (Restated)	On demand $	0 to 3 months $	3 to 12 months $	1 to 5 years $	More than 5 years $	Total $
Debt issued[1]	-	66,700,818	177,598,398	555,059,118	341,818,908	1,141,177,242
Other liabilities[2]	-	10,948	-	-	-	10,948
Total	**-**	**66,711,766**	**177,598,398**	**555,059,118**	**341,818,908**	**1,141,188,190**
Loan redraw commitments[3]	**405,109,783**	**-**	**-**	**-**	**-**	**405,109,783**

[1]The maturity of debt is dependent on the repayments of the underlying mortgage assets, which is on expected maturity.

[2]Excludes non-financial liabilities of $847,640 which are included in Note 8 - Other liabilities.

[3]Cash flows on contingent liabilities and commitments are dependent on the occurrence of various future events and conditions and may or may not result in an outflow of resources.

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

Note 17. Financial risk management (continued)

17.3 Market Risk

Non Traded Market Risk

The Trust has exposure to non-traded market risks arising from transactions entered into during its normal course of business. These risks include:

– **interest rates:** changes in the level, shape and volatility of yield curves

– **foreign exchange:** changes in the spot exchange rates;

Interest rate risk

Interest rate risk relates to changes in the level, shape and volatility of yield curves, and/or client behaviour given these changes.

The Trust is exposed to interest rate risk on its cash and cash equivalents and financial assets. The sensitivity of profit after tax has been calculated on these balances.

The table below indicates the Trust's exposure to movements in interest rates as at 31 March.

	Movement in basis points	2023 Sensitivity of profit after tax $	2022 (Restated) Sensitivity of profit after tax $
Australian dollar	**+50**	11,913,081	5,684,860
Total[1]		11,913,081	5,684,860
Australian dollar	**-50**	(11,913,081)	(5,684,860)
Total[1]		(11,913,081)	(5,684,860)

[1]Sensitivity of profit after tax has been calculated on the balances receivable from financial institutions.

Foreign currency risk

Trust has entered into cross currency swaps to hedge its exposure on borrowings in foreign currency, resulting in effective hedging and hence is not exposed to any foreign currency risk. The Trust has economically hedged its EUR 600m fixed rate liability via cross currency swaps. This represents a full economic hedge of EUR to AUD foreign exchange risk (cash flow hedge). The 1:1 hedge ratio is consistent with the Trust's limited appetite for foreign exchange rate risks and the Trust's risk management objectives of reducing the risk of volatility in earnings.

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

Note 18. Fair value of financial assets and financial liabilities
Fair value reflects 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.

The fair values calculated for financial instruments which are carried on the Statement of Financial Position at amortised cost are for disclosure purposes only. The methods and assumptions applied to derive these fair values, as described earlier, can require significant judgement by management and therefore may not necessarily be compared to other financial institutions.

Fair value of financial assets and financial liabilities held at amortised cost
Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date.

The values derived from applying these techniques are affected by the choice of valuation model used and the underlying assumptions made regarding inputs such as timing and amounts of future cash flows, discount rates, credit risk, volatility and correlation.
Financial instruments measured at fair value are categorised in their entirety, in accordance with the levels of the fair value hierarchy as outlined below:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3	Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The appropriate fair value hierarchy level for an instrument is determined on the basis of the lowest level input that is significant to the fair value measurement.

AASB 13 *Fair Value Measurement* requires use of the price within the bid-offer spread that is most representative of fair value. Valuation systems will typically generate mid-market prices. The bid-offer adjustment reflects the extent to which bid-offer costs would be incurred if substantially all of the residual net exposure to market risks were closed, on a portfolio basis, using available hedging instruments.
The fair values calculated for financial instruments which are carried in the statement of financial position at amortised cost are for disclosure purposes only.

The following methods and assumptions applied to derive these fair values can require significant judgement by management and therefore may not necessarily be comparable to other financial institutions nor may it be the price at which the asset is sold or a liability repurchased in a market-based transaction:
- the fair values of liquid assets and other instruments maturing within three months are approximate to their carrying amounts. This assumption is applied to liquid assets and short term portion of all other financial assets and financial liabilities;
- the fair values of variable rate financial instruments, including certain loan assets and borrowings carried at amortised cost are approximates their carrying amounts; and
- the fair values of balances due from/to related entities are approximated by their carrying amount as the balances are generally short term in nature.

The following methods and significant assumptions have been applied in determining the fair values of financial instruments which are measured at fair value:
- financial assets and liabilities, derivative financial instruments and other transactions undertaken for trading purposes are measured at fair value by reference to quoted prices in active markets where available (for example listed securities). If quoted prices in active markets are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;

Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated periodically to test that outputs reflect prices from observable current market transactions in the same instrument or other available observable market data. To the extent possible, models use only observable market data, however management is required to make assumptions for certain inputs that are not supported by prices from observable current market transactions in the same instrument, such as volatility and correlation.

MBL Covered Bond Trust

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

Note 18. Fair value of financial assets and financial liabilities (continued)

The table below summarises the carrying value and fair value of assets and liabilities held at amortised cost, except where the carrying value is approximately equal to the fair value. Fair values are calculated for disclosure purpose only.

	2023 Carrying amount $	**2023 Fair value $**	2022 Carrying amount $	2022 Fair value $
Assets				
Loan assets	2,291,704,106	2,286,477,639	1,088,721,403	1,088,463,665
Total assets	**2,291,704,106**	**2,286,477,639**	**1,088,721,403**	**1,088,463,665**

2023	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Loan assets	-	-	2,286,477,639	2,286,477,639
Total assets	**-**	**-**	**2,286,477,639**	**2,286,477,639**

2022	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Loan assets	-	-	1,088,463,665	1,088,463,665
Total assets	**-**	**-**	**1,088,463,665**	**1,088,463,665**

Notes to the financial statements
For the financial year ended 31 March 2023 (continued)

Note 18. Fair value of financial assets and financial liabilities (continued)

(b) Assets and liabilities measured at fair value on recurring basis
The following table summarises the levels of the fair value hierarchy for assets and liabilities that are recognised and measured at fair value in the financial statement:

	Level 1	Level 2	Level 3	Total
2023	$	$	$	$
Assets				
Derivative assets	-	57,297,387	-	57,297,387
Total	**-**	**57,297,387**	**-**	**57,297,387**

	Level 1	Level 2	Level 3	Total
2022	$	$	$	$
Assets				
Derivative assets	-	-	-	-
Total	**-**	**-**	**-**	**-**

Note 19. Audit and other services provided by Pricewaterhouse Coopers

The cost of auditor's remuneration for auditing services of $46,980 (2022: $34,240) has been borne by Macquarie Group Services Australia Pty Limited, a wholly-owned subsidiary within the MGL. The auditors received no other benefits.

Note 20. Events after the reporting date

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 significant affect the operations of the Trust, the results of those operations or the state of affairs of the Trust in subsequent financial years.

Managers' Declaration

In the opinion of the Directors of the Trust Manager:

(a) the financial statements and notes set out on pages 4 to 35 are in accordance with the Establishment Deed dated 5 June 2015, as amended, including:

(i) complying with the Australian Accounting Standards and regulations; and

(ii) giving a true and fair view of the MBL Covered Bond Trust's financial position as at 31 March 2023 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that MBL Covered Bond Trust will be able to pay its debts as and when they become due and payable; and

(c) the Financial Report also complies with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors.

DocuSigned by:
Daniel McGrath
AF349FD79D6F436...
Director

Sydney
26 June 2023

Independent auditor’s report

To the unitholders of MBL Covered Bond Trust

Our opinion

In our opinion the accompanying financial report gives a true and fair view of the financial position of MBL Covered Bond Trust (the Trust) as at 31 March 2023 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards - Simplified Disclosures.

What we have audited

The financial report comprises:

- the statement of financial position as at 31 March 2023
- the statement of other comprehensive income for the year then ended
- the statement of profit and loss 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 Managers’ declaration.

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 2 in the financial report, which describes the basis of accounting. The financial report has been prepared to assist the directors of the Trust Manager to meet the financial reporting requirements of the Establishment Deed dated 5 June 2015, as amended. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for MBL

Covered Bond Trust and its unitholders and should not be used by parties other than MBL Covered Bond Trust and its unitholders. Our opinion is not modified in respect of this matter.

Other information

The Manager is responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 March 2023, 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 Australian Accounting Standards - Simplified Disclosures, 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

Joe Sheeran
Partner

Sydney
26 June 2023