CBA Covered Bond Trust

ABN 63 954 593 219

General Purpose
Annual Financial Report

for the year ended 30 June 2018

CommonwealthBank

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 2018.

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:

T Harvey
S R D Maidment
J Ferguson (appointed 27 August 2018)
C McBride (appointed 28 September 2018)
P Katerdjian (resigned 14 September 2018)
J Olivier (resigned 27 August 2018)

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:

R Taylor (appointed 3 August 2018)
A Clarke (resigned 3 August 2018)

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

The Trust recorded a loss for the financial year of $118,648,000 (2017: $107,515,000). The main driver for the loss of $118,648,000 (2017: $107,515,000) for the year was due to change in the fair value of hedges during the year. There was a decrease in interest income of $73,902,000 and a decrease in finance costs of $72,810,000, which were due to the lower average balances of the cover pool and intra-group loan respectively.

The requirement to fair value derivative financial instruments through profit or loss as required by AASB 139 *Financial Assets: Recognition and Measurement* will give rise to ongoing volatility in the Statement of Comprehensive Income of the Trust. The volatility due to the fair value movement in financial instruments does not affect the ability of the Trust to meet its debts as and when they fall due, the amount of any payment due to any investors or the timing of such payments.

Distribution

Distribution paid and payable to the income unitholder, the Bank, in accordance with the Trust Deed, was $nil for the financial year (2017: $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

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
25 October 2018

	Notes	**2018 $'000**	2017 $'000
Revenue from continuing operations	2	**865,137**	938,831
Finance costs	3	**(855,687)**	(928,658)
Expenses	4	**(8,867)**	(30,324)
Profit/(loss) before income tax		**583**	(20,151)
Income tax expense		**-**	-
Profit/(loss) for the year		**583**	(20,151)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges	13	**(119,231)**	(87,364)
Other comprehensive loss, net of tax		**(119,231)**	(87,364)
Total comprehensive loss attributable to unitholders of the Trust		**(118,648)**	(107,515)

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

CBA Covered Bond Trust
Balance Sheet
As at 30 June 2018

	Notes	2018 $'000	2017 $'000
Assets			
Cash and cash equivalents	17(a)	**1,648,209**	1,607,467
Loans and other receivables	6	**29,996,476**	26,413,632
Other assets	7	**618,416**	1,166,251
Derivative assets	8	**3,035,272**	2,918,273
Total assets		**35,298,373**	32,105,623
Liabilities			
Trade and other payables	9	**329,438**	304,300
Interest bearing liabilities	10	**35,072,315**	30,912,714
Derivative liabilities	8	**64,028**	937,369
Total liabilities		**35,465,781**	32,154,383
Net liabilities attributable to the unitholders of the Trust		**(167,408)**	(48,760)
Trust capital			
Trust corpus*	12	**-**	-
Cash flow hedges reserve	13	**(168,498)**	(49,267)
Retained earnings		**1,090**	507
Total trust capital attributable to the unitholders of the Trust		**(167,408)**	(48,760)

* Trust corpus of $200 has been rounded to $nil.

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

	Trust corpus* $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2016	-	38,097	20,658	58,755
Loss for the year	-	-	(20,151)	(20,151)
Other comprehensive loss	-	(87,364)	-	(87,364)
Total comprehensive loss attributable to unitholders of the Trust	**-**	**(87,364)**	**(20,151)**	**(107,515)**
Balance at 30 June 2017	**-**	**(49,267)**	**507**	**(48,760)**
Balance at 1 July 2017	-	(49,267)	507	(48,760)
Profit for the year	-	-	583	583
Other comprehensive loss	-	(119,231)	-	(119,231)
Total comprehensive (loss)/income attributable to unitholders of the Trust	**-**	**(119,231)**	**583**	**(118,648)**
Balance at 30 June 2018	**-**	**(168,498)**	**1,090**	**(167,408)**

* Trust corpus of $200 has been rounded to $nil.

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

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Interest received from ultimate parent entity		**849,472**	942,691
Fee income received		**6,427**	7,065
Finance costs paid to ultimate parent entity		**(848,695)**	(940,593)
Manager fees paid to related party		**(6,620)**	(7,175)
Trustee fees paid		**(256)**	(256)
Other expenses paid		**(2,231)**	(2,179)
Net cash outflow from operating activities	17(b)	**(1,903)**	(447)
Cash flows from investing activities			
Payment for acquisition of securitised mortgages		**(8,986,313)**	(7,678,300)
Receipts on loans to ultimate parent entity		**5,964,213**	11,651,610
Net cash (outflow)/inflow from investing activities		**(3,022,100)**	3,973,310
Cash flows from financing activities			
Repayment of loans to ultimate parent entity		**(2,460,593)**	(5,281,290)
Proceeds from loans from ultimate parent entity		**5,525,338**	1,487,817
Net cash inflow/(outflow) from financing activities		**3,064,745**	(3,793,473)
Net increase in cash and cash equivalents		**40,742**	179,390
Cash and cash equivalents at the beginning of the financial year		**1,607,467**	1,428,077
Cash and cash equivalents at the end of the financial year	17(a)	**1,648,209**	1,607,467

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 2018 were approved and authorised for issue by the Board of Directors of Securitisation Advisory Services Pty Limited ("the Manager") on 25 October 2018. 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 of 1959* ("the Banking Act") allows Australian banks to issue covered bonds for funding purposes.

Covered bonds are unsecured, senior, soft or hard bullet securities that provide investors with recourse to both the issuing institution and an underlying, revolving collateral pool. Covered bond noteholders rank pari passu with other senior unsecured noteholders of the issuing bank.

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 Ground Floor, Tower 1, 201 Sussex 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.

The principal accounting policies applied in the preparation of the Financial Statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated. The Financial Statements cover the Trust as an individual entity.

(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").

1 Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

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

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 on a going concern basis under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Trust's accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant are discussed further in Note 1 (q).

(c) New Accounting Standards and Future Accounting Developments

AASB 9 *Financial Instruments*

In December 2014, the AASB issued the Australian Accounting Standard AASB 9 *Financial Instruments* ("AASB 9"), which has replaced AASB 139 *Financial Instruments: recognition and Measurement* ("AASB 139"). The standard covers three broad topics: Impairment, Classification and Measurement and Hedging.

The Trust adopted AASB 9 classification and measurement, and impairment requirements on 1 July 2018.

AASB 9 currently provides an option to continue to apply hedging under the AASB 139 rules, or to apply the new hedging rules provided under IFRS 9 *Financial Instruments* ("IFRS 9"). The Trust has currently elected to continue applying the hedge accounting rules under AASB 139, in line with the Commonwealth Bank of Australia Group's ("the Group") election. The Trust can commence applying the IFRS 9 hedging at the beginning of any reporting period in the future. This choice is available until the amended standard resulting from IASB's project on macro hedging is effective, at which point the IFRS 9 hedging requirements will become mandatory.

AASB 9 requirements have been applied on a retrospective basis. The Trust has adjusted the carrying amounts of financial instruments resulting from adoption of AASB 9 through opening retained earnings and reserves on 1 July 2018 as if it has always applied the new requirements. As permitted by AASB 9, the Trust will not restate the prior period comparative financial statements.

The key changes to the Trust's accounting policies and the impacts resulting from the adoption of AASB 9 are described below.

Impairment

AASB 9 has introduced an expected credit loss ("ECL") impairment model which differs significantly from the incurred loss approach under AASB 139. The ECL model is prospective and does not require evidence of an actual loss event for impairment provisions to be recognised.

1 Summary of significant accounting policies (continued)

(c) New Accounting Standards and Future Accounting Developments (continued)

The implementation of AASB 9 has required management to make a number of judgements and assumptions and has had a significant impact on the Trust's impairment methodology. A description of the key components of the Trust's AASB 9 impairment methodology is provided below.

ECL model

The ECL model uses a three stage approach to ECL recognition. Financial assets migrate through these stages based on changes in credit risk since origination:

- *Stage 1: 12 months ECL - performing financial assets*
  On recognition, an impairment provision equivalent to 12 months' ECL is recognised against financial assets, being 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 recognise an impairment provision equivalent to lifetime ECL, being the credit losses expected to arise from defaults occurring over the remaining life of the 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*
  Credit impaired financial assets recognise an impairment provision equivalent to lifetime expected credit losses.

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.

The Trust will assess 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.

Classification and measurement

Under AASB 9 the Trust is required to differentiate between financial asset debt instruments and financial asset equity instruments.

Financial asset debt instruments

There are three classifications of financial asset debt instruments under AASB 9:

- *Amortised cost*: Financial assets with contractual cash flows that comprise the payment of principal and interest only and which are held in a business model whose objective is to collect their cash flows are measured at amortised cost
- *Fair value through other comprehensive income (FVOCI):* Financial assets with contractual cash flows that comprise the payment of principal and interest only and which are held in a business model whose objective is to both collect their cash flows and sell them are measured at FVOCI.
- *Fair value through profit or loss (FVTPL):* Other financial assets are measured at FVTPL.

1 Summary of significant accounting policies (continued)

(c) New Accounting Standards and Future Accounting Developments (continued)

Financial asset equity instruments

Similar to AASB 139, AASB 9 requires investments in financial asset equity instruments to be measured at FVTPL, but permits non-traded equity investments to be designated at FVOCI on an instrument by instrument basis. Should this election be made under AASB 9, gains or losses are not reclassified from other comprehensive income to profit or loss on disposal of the investment. These gains or losses however, may be reclassified within equity.

Hedging

As previously disclosed, the Trust has currently elected to continue applying the hedge accounting rules under AASB 139, in line with the Group's election.

AASB 9 implementation and impact

Impairment

The Bank, as ultimate parent entity of the Trust, has developed and tested AASB 9 models, which the Trust will use to calculate impairment provisions. Models have been independently validated and approved by the Group's Loan Loss Provisioning Committee and the Board Audit Committee. Prior to adoption on 1 July 2018, the Group completed parallel runs of the models, which included testing, calibration and analysis of models, processes and outputs.

The Trust is in the process of implementing changes required to finance systems and controls to ensure compliance with the disclosure requirements introduced by AASB 9.

The impact to the Trust's financial statements upon adoption of AASB 9 will result in a one-off decrease to opening retained earnings of $23,266K, and a corresponding increase to impairment provisions recognised on the balance sheet of $23,266K.

Classification and measurement

The Trust has completed the accounting analysis of its financial assets, and where necessary, has implemented or is in the process of implementing changes to finance systems and controls required to ensure financial asset measurement and presentation is compliant with external reporting requirements.

There is no impact to the Trust's classification of financial assets as a result of adopting this part of the standard.

Hedging

The Trust has elected to continue applying AASB 139 hedging in line with the Group's election.

AASB 15 *Revenue from contracts with customers*

The Trust has adopted AASB 15 *Revenue from Contracts with Customers* ("AASB 15") from 1 July 2018, replacing the previous standard, AASB 118 *Revenue* ("AASB 118"). AASB 118 focused on revenue recognition upon the transfer of risks and rewards from the seller to the buyer. AASB 15 has introduced a single, principle-based five step recognition and measurement model for revenue recognition with a focus on when the performance obligations of the contract are satisfied.

Where there is variable consideration in calculating a transaction price, revenue will only be recognised if it is highly probable that a significant revenue reversal will not subsequently occur. AASB 15 applies to contracts with customers except for revenue arising from items such as financial instruments, insurance contracts and leases.

1 Summary of significant accounting policies (continued)

(c) New Accounting Standards and Future Accounting Developments (continued)

There is no impact to the Trust upon adoption of the standard, as the Trust has assessed that there will be no change to the recognition of its revenues under AASB 15.

AASB 16 *Leases*

AASB 16 *Leases* ("AASB 16") amends the accounting for leases and will replace AASB 117 *Leases* ("AASB 117"). Lessees will be required to bring both operating and finance leases on Balance Sheet as a right of use asset along with the associated lease liability. Interest expense will be recognised in profit or loss using the effective interest rate method, and the right of use asset will be depreciated. Lessor accounting remains largely unchanged. AASB 16 is not mandatory until 1 July 2019. The Trust does not expect any financial impact upon adoption of the standard.

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

(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 recognised and measured at the fair value of consideration received or receivable.

The Trust recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Trust, and specific criteria have been met for each of the Trust's activities as described below.

(i) Interest income

Interest income is recognised on an accrual basis using the effective interest method and includes fees integral to the establishment of financial instruments. Fee income and direct costs relating to loan origination are deferred and amortised to interest earned on loans and other receivables over the life of the loan using the effective interest method.

(ii) Fee income

Fee income is recognised on an accrual basis.

(iii) Finance Costs

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

(iv) Other expenses

Other expenses are recognised on an accrual basis.

1 Summary of significant accounting policies (continued)

(f) Foreign currency translations

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the date of each transaction. Amounts receivable or payable in foreign currencies at balance date are translated at the rates of exchange on that date.

Monetary assets and liabilities denominated in foreign currencies are translated using the spot rate as at the reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

With the exception of the revaluations classified in equity, exchange differences relating to amounts measured at fair value in foreign currencies are recognised as exchange gains or losses in profit or loss in the Statement of Comprehensive Income.

(g) 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.

(h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Balance Sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of any amount of GST recoverable from, or payable to, the taxation authority.

(i) Cash and cash equivalents

Cash and cash equivalents presented in the Financial Statements comprise cash at bank and money at short call with an original maturity of three months or less. They are measured at the face value or the gross value of the outstanding balance. 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.

1 Summary of significant accounting policies (continued)

(i) Cash and cash equivalents (continued)

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 established into which cash is deposited by a swap provider as collateral to secure the performance by such swap provider of its obligations under the relevant swap agreement.

(j) Financial assets and liabilities

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

- Loans and other receivables
- 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. Loans and other receivables are initially recognised at fair value including direct and incremental costs and are subsequently measured at amortised cost using the effective interest method.

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. 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 the Group.

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

The Trust does not assess these intra-group receivables for impairment.

Note 1(e) provides additional information with respect to revenue recognition.

(ii) Interest bearing liabilities

Interest bearing liabilities comprise of loans from the ultimate parent entity. For each 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. Interest bearing liabilities qualifying for hedging are measured at fair value. All other notes are subsequently measured at amortised cost using the effective interest rate method.

1 Summary of significant accounting policies (continued)

(j) Financial assets and liabilities (continued)

(iii) 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.

Derivative financial instruments are used to hedge certain assets and liabilities. They are subsequently measured at fair value using inputs other than quoted prices which are observable for the asset or liability, either directly or indirectly. 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 unless a derivative is designated within a cash flow hedging relationship. 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 139 *Financial Instruments: Recognition and Measurement*, 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 imputed loans and intra-group interest, other than interest rate swaps that are designated to be in a hedging relationship.

These derivatives are held for risk management purposes and when transactions meet the criteria for hedge accounting they are classified into one of the two hedge accounting models: fair value hedge accounting or cash flow hedge accounting as appropriate.

Fair value hedges

Changes in fair value of derivatives that qualify and are designated as fair value hedges are recorded in profit or loss, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The changes in the fair value of the hedged asset or liability shall be adjusted against their carrying value.

If the hedge relationship no longer meets the criteria for hedge accounting, it is discontinued. For fair value hedges of interest rate risk, the fair value adjustment to the hedged item is amortised to profit or loss over the period to maturity of the previously designated hedge relationship using the effective interest method. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in profit or loss.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

1 Summary of significant accounting policies (continued)

(j) Financial assets and liabilities (continued)

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

Cash flow hedge reserve

The cash flow hedge reserve is used to record fair value gains or losses associated with the effective portion of designated cash flow hedging instruments. Amounts are reclassified to profit or loss when the hedged transaction impacts profit or loss.

Embedded derivatives

In certain instances, a derivative may be embedded within a host contract. If the host contract is not carried at fair value through profit or loss and the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, the embedded derivative is separated from the host contract. It is then accounted for as a stand-alone derivative instrument at fair value.

The Trust provides a Covered Bond Guarantee to the investors in relation to interest and principal obligations due under the covered bond. The consideration exchanged for the guarantee is equal to its fair value at inception. The consideration for the Covered Bond Guarantee is the difference between the fair value of the intra-group loan and demand loan from the Bank to the Trust in order for the Trust to purchase the mortgages.

As this difference is nil at inception, the value of the guarantee at inception is considered to be negligible. As the value of the embedded derivative mirrors that of the Covered Bond Guarantee, the Trust recognises the embedded derivative initially at its fair value of nil and movements in the fair value of the embedded derivative in the Statement of Comprehensive Income.

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.

(k) Other assets

Other assets include collections of principal, interest, fees, prepaid expenses and other unrealised income receivable. These assets are recorded at the cash value to be realised when settled.

(l) Provisions

A provision is recognised in the Balance Sheet when the Trust has a present obligation (legal, equitable or constructive) as a result of a past event, and where it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably measured.

1 Summary of significant accounting policies (continued)

(m) Trade and other payables

Interest payable is recognised at amortised cost using the effective interest method. All other trade and other payables are recognised on an accrual basis and represent liabilities for goods and services provided to the Trust prior to the end of the financial year and arise when the Trust becomes obliged to make future payments in respect of the purchase of these goods and services.

(n) 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.

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 Trust Deed, the Trust distributes its distributable (taxable) income, and any other amounts determined by the Manager, to the income unitholder, the Bank.

(o) 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).

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.

(p) Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in these Financial Statements.

(q) Critical judgements and estimates

The application of the Trust's accounting policies requires the use of judgement, estimates and assumptions. The estimates and associated assumptions are based on historical experience and other factors, including expectations of future events, that are considered to be relevant, and are reviewed on an ongoing basis. Actual results may differ from these estimates, which could impact the Trust's net assets and profit. The following critical accounting estimates and judgements were made in preparing the Financial Statements:

1 Summary of significant accounting policies (continued)

(q) Critical judgements and estimates (continued)

(i) Derivative financial instruments

Derivative financial instruments at fair value through profit or loss are valued using inputs other than quoted prices which are observable for the asset or liability, either directly or indirectly. The valuation techniques include the use of discounted cash flow analysis and other market accepted valuation models.

2 Revenue from continuing operations

	2018 $'000	2017 $'000
Interest income	**857,301**	931,203
Fee income	**6,105**	7,295
Net hedging ineffectiveness comprised of:		
Net gain on derivatives not qualifying as hedges	**956**	-
Amortisation of deferred startup costs	**468**	333
Exchange gain on foreign currency denominated interest bearing liabilities	**307**	-
Total revenue from continuing operations	**865,137**	938,831

3 Finance costs

	2018 $'000	2017 $'000
Interest expense on intra-group loan and demand loan - ultimate parent entity	**855,687**	928,488
Exchange loss on foreign currency denominated interest bearing liabilities	**-**	170
Total finance costs	**855,687**	928,658

4 Expenses

	2018 $'000	2017 $'000
Manager fees - related party	**6,690**	7,145
Trustee fees	**256**	256
Other expenses	**1,548**	2,772
Net hedging ineffectiveness comprised of:		
Net loss on financial instruments designated in a fair value hedge relationship	**373**	1,166
Net loss on derivatives not qualifying as hedges	**-**	18,985
Total expenses	**8,867**	30,324

5 Remuneration of auditor

	2018 $	2017 $
Audit fees	**30,459**	29,544

6 Loans and other receivables

	2018 $'000	2017 $'000
Loans to ultimate parent entity	**29,996,476**	26,413,632
Total loans and other receivables	**29,996,476**	26,413,632

7 Other assets

	2018 $'000	2017 $'000
Deferred startup costs	**6,754**	5,979
Interest receivable - ultimate parent entity	**46,227**	43,999
Collections of principal, interest and fees receivable - ultimate parent entity	**565,435**	1,116,205
Prepaid expenses	**-**	68
Total other assets	**618,416**	1,166,251

8 Derivative financial instruments

	2018			2017		
	Notional amount	**Fair value**		Notional amount	Fair value	
		Asset	**Liability**		Asset	Liability
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Derivative assets & liabilities						
Held for hedging	**26,442,696**	**3,035,272**	**(64,028)**	45,003,857	2,900,818	(937,335)
Other derivatives	**-**	**-**	**-**	5,238,668	17,455	(34)
Total derivative assets/(liabilities)	**26,442,696**	**3,035,272**	**(64,028)**	50,242,525	2,918,273	(937,369)
Derivative held for hedging						
Fair value hedges						
Exchange rate related contracts:						
Cross currency swaps	**11,224,873**	**3,037,076**	**(34,755)**	13,628,201	2,670,797	(765,122)
Interest rate related contracts:						
Interest rate swaps	**1,468,000**	**26,582**	**(12,868)**	7,959,025	87,109	(1,978)
Total fair value hedges	**12,692,873**	**3,063,658**	**(47,623)**	21,587,226	2,757,906	(767,100)
Cash flow hedges						
Exchange rate related contracts:						
Cross currency swaps	**12,349,823**	**(28,408)**	**(16,405)**	14,650,184	170,448	(140,037)
Interest rate related contracts:						
Interest rate swaps	**1,400,000**	**22**	**-**	8,766,447	(27,536)	(30,197)
Total cash flow hedges	**13,749,823**	**(28,386)**	**(16,405)**	23,416,631	142,912	(170,234)
Total derivative assets/(liabilities) held for hedging	**26,442,696**	**3,035,272**	**(64,028)**	45,003,857	2,900,818	(937,334)
Derivatives held for economic hedging						
Interest rate related contracts:						
Interest rate swaps	**-**	**-**	**-**	5,238,668	17,455	(34)
Total derivatives held for economic hedging	**-**	**-**	**-**	5,238,668	17,455	(34)
Total derivative assets/(liabilities) held for economic hedging	**-**	**-**	**-**	5,238,668	17,455	(34)

8 Derivative financial instruments (continued)

Cash flow hedges - deferred gains and losses

The following table shows the net amount of deferred losses held in equity in relation to cash flow hedges.

	2018 $'000	2017 $'000
Exchange rate related contracts		
Within 6 months	**752**	-
6 months - 1 year	**602**	564
1-2 years	**4,057**	3,272
2-5 years	**60,331**	38,419
After 5 years	**102,756**	7,012
Net deferred losses	**168,498**	49,267

9 Trade and other payables

	2018 $'000	2017 $'000
Interest payable - ultimate parent entity	**195,702**	174,885
Excess servicing fees payable - ultimate parent entity	**132,823**	128,128
Manager fees payable - related party	**645**	575
Trustee fees payable	**23**	23
Other payables	**245**	689
Total trade and other payables	**329,438**	304,300

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

10 Interest bearing liabilities

	2018 $'000	2017 $'000
Demand Loan	**5,931,431**	5,701,347
Intra-group loan by currency:		
AUD denominated	**2,590,085**	2,584,000
CHF denominated	**630,628**	626,348
EUR denominated	**16,698,694**	13,329,572
GBP denominated	**2,119,738**	2,579,018
HKD denominated	**1,052,441**	-
NOK denominated	**731,601**	655,855
NZD denominated	**302,979**	306,381
USD denominated	**5,014,718**	5,130,193
Total intra-group loan	**29,140,884**	25,211,367
Total interest bearing liabilities	**35,072,315**	30,912,714

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

11 Distribution

Distribution paid and payable to the income unitholder, the Bank, for the financial year was $nil (2017: $nil).

12 Trust corpus

Trust corpus as at 30 June 2018 was $200 (2017: $200), which is rounded to $nil.

Capital management

The Trust's capital management objectives are to ensure sufficient capital resource to support the Trust's business and operational requirements and comply with the Establishment Deed. Periodic reviews of the Trust's capital requirements are performed to ensure the Trust is meeting its objectives.

The Trust's capital is defined as "total assets" as shown in the Balance Sheet.

13 Reserves

	2018 **$'000**	2017 $'000
Cash flow hedge reserve		
Balance at 1 July	**(49,267)**	38,097
Changes in the fair value of derivatives	**(119,231)**	(87,364)
Balance at 30 June	**(168,498)**	(49,267)

14 Financial risk management

Financial risk management is the process of identifying, assessing, 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 CBA 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 bonds issued by the Bank. Intra-group loans denominated in foreign currencies (refer Note 10) 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.

(ii) Interest rate risk

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

14 Financial risk management (continued)

(a) Market risk (continued)

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 resulting in nil cash flow hedge ineffectiveness recorded in the Statement of Comprehensive Income. 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. This is a result of limited fair value hedge ineffectiveness recorded in the Statement of Comprehensive Income.

(b) Credit risk

Credit risk is the potential of loss arising from failure of a debtor or counterparty to meet their contractual obligations. 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 of 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 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, there are no impaired or past due receivables as at 30 June 2018 (2017: $nil).

(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.

14 Financial risk management (continued)

(c) Liquidity risk (continued)

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.

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

	0-3 months $'000	3-12 months $'000	1-5 years $'000	Over 5 years $'000	Total $'000
As at 30 June 2018					
Financial liabilities					
Excess servicing fees payables - ultimate parent entity	132,823	-	-	-	132,823
Manager fees payable - related party	645	-	-	-	645
Trustee fees payable	23	-	-	-	23
Other payables	158	87	-	-	245
Demand Loan Interest payable	14,570	-	-	-	14,570
Intra-group Loan Interest payable	90,882	90,250	-	-	181,132
Intra-group Loan Principal	-	5,383,459	13,970,901	9,786,524	29,140,884
Derivative liabilities	-	-	42,902	21,126	64,028
Demand Loan Principal*	5,931,431	-	-	-	5,931,431
Total financial liabilities	6,170,532	5,473,796	14,013,803	9,807,650	35,465,781

14 Financial risk management (continued)

Maturity analysis of financial liabilities (continued)

	0-3 months $'000	3-12 months $'000	1-5 years $'000	Over 5 years $'000	Total $'000
As at 30 June 2017					
Financial liabilities					
Excess servicing fees payables - ultimate parent entity	128,128	-	-	-	128,128
Manager fees payable - related party	575	-	-	-	575
Trustee fees payable	23	-	-	-	23
Other payables	689	-	-	-	689
Demand Loan Interest payable	12,737	-	-	-	12,737
Intra-group Loan Interest payable	85,522	76,626	-	-	162,148
Intra-group Loan Principal	-	738,476	16,041,165	8,431,726	25,211,367
Derivative liabilities	-	65,058	507,039	365,272	937,369
Demand Loan Principal*	5,701,347	-	-	-	5,701,347
Total financial liabilities	5,929,021	880,160	16,548,204	8,796,998	32,154,383

* The terms of the Demand Loan are such that the Bank can request for all or part of the principal of the Demand Loan to be repaid at any time. The Demand Loan principal has therefore been classified in the 0-3 months maturity bucket and prior year has been reclassified from the over 5 years bucket to the 0-3 months bucket.

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 carrying value of financial assets and liabilities, excluding derivative financial instruments are assumed to approximate their fair value due to their short-term nature.

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

Level 1 - the fair value is calculated using quoted prices unadjusted in active markets.

Level 2 - the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

Financial assets held by the Trust are cash and cash equivalents, and trade and other receivables which are categorised at level 1 and 2 respectively for the purposes of the fair value hierarchy.

Financial liabilities held by the Trust are trade and other payables which are categorised at level 2 for the purposes of the fair value hierarchy.

14 Financial risk management (continued)

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

The classification in the fair value hierarchy of the Trust's financial assets and liabilities measured at fair value is presented in the table below. No transfers were made between levels during the year ended 30 June 2018:

	Fair value as at 30 June 2018			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets measured at fair value on a recurring basis				
Derivative financial instruments	-	**3,035,272**	-	**3,035,272**
Total financial assets measured at fair value	-	**3,035,272**	-	**3,035,272**
Financial liabilities measured at fair value on a recurring basis				
Derivative financial instruments	-	**(64,028)**	-	**(64,028)**
Total financial liabilities measured at fair value	-	**(64,028)**	-	**(64,028)**

	Fair Value as at 30 June 2017			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets measured at fair value on a recurring basis				
Derivative financial instruments	-	2,918,273	-	2,918,273
Total financial assets measured at fair value	-	2,918,273	-	2,918,273
Financial liabilities measured at fair value on a recurring basis				
Derivative financial instruments	-	(937,369)	-	(937,369)
Total financial liabilities measured at fair value	-	(937,369)	-	(937,369)

The carrying value of the Trust's financial assets and liabilities not disclosed in the table above are assumed to be approximate to their fair value.

15 Related party transactions

Ultimate parent entity

The ultimate parent entity is the Commonwealth Bank of Australia.

15 Related party transactions (continued)

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 10). Each covered bond issuance will have either a fixed interest rate or a floating rate based on the interbank rate (LIBOR, EURIBOR, HIBOR, BBSW), 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 to the intra-group loan provider interest on the daily balance of the intra-group loans.

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 2018 the balance of the demand loan is $5,931,430,993 (2017: $5,701,347,679*).

*Comparative information has been restated to correct a presentation error in the previous year.

	2018	2017
	$	$
The following transactions occurred with related parties:		
Revenue		
Ultimate parent entity:		
Interest income	**857,300,977**	931,203,484
Fee income	**6,105,286**	7,294,642
Net hedging ineffectiveness comprises of:		
Net gain on derivatives not qualifying as hedges	**956,629**	-
Amortisation of deferred startup costs	**468,238**	333,360
Exchange gain on foreign currency denominated interest bearing liabilities	**307,144**	-
Total revenue from continuing operations	**865,138,274**	938,831,486

15 Related party transactions (continued)

	2018 $	2017 $
Expenses		
Ultimate parent entity:		
Finance costs on intra-gtoup loan and demand loan	**855,687,371**	928,657,458
Other expenses	**1,249,237**	2,232,509
Net hedging ineffectiveness comprises of:		
Net loss on financial instruments designated in a fair value hedge relationship	**373,349**	1,165,941
Net loss on derivatives not qualifying as hedges	**-**	18,958,293
Manager:		
Manager fees	**6,689,931**	7,145,309
Total expenses	**863,999,888**	958,159,510

	2018 $	2017 $
Assets		
Ultimate parent entity:		
Cash and cash equivalents	**1,648,208,858**	1,607,466,646
Loans to ultimate parent entity	**29,996,475,650**	26,413,631,960
Derivative assets	**3,035,272,334**	2,918,272,906
Deferred startup costs	**6,753,936**	5,978,554
Interest receivable	**46,227,068**	43,998,616
Collections of principal, interest and fees receivable - ultimate parent entity	**565,434,869**	1,116,204,762
Prepaid expenses	**-**	67,824
Total assets	**35,298,372,715**	32,105,621,268

	2018 $	2017 $
Liabilities		
Ultimate parent entity:		
Interest payable	**195,701,810**	174,884,649
Excess servicing fees payable	**132,823,237**	128,127,856
Derivative liabilities	**64,028,451**	937,368,978
Other payables	**158,405**	689,186
Loans from ultimate parent entity	**35,072,314,686**	30,912,714,137
Manager:		
Manager fees payable	**645,009**	575,113
Total liabilities	**35,465,671,598**	32,154,359,919

16 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:

T Harvey
S R D Maidment
J Ferguson (appointed 27 August 2018)
C McBride (appointed 28 September 2018)
P Katerdjian (resigned 14 September 2018)
J Olivier (resigned 27 August 2018)

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

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 (2017: $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 or employees of the Bank. There were no loans provided to any KMP or their related parties for the year ended 30 June 2018 (2017: $nil).

There were no other transactions with KMP during the financial year (2017: $nil).

17 Notes to the Statement of Cash Flows

(a) Reconciliation of cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash at bank and money at short call.

	2018 $'000	2017 $'000
Cash at bank	**1,648,209**	1,607,467
Cash and cash equivalents at the end of the year	**1,648,209**	1,607,467

17 Notes to the Statement of Cash Flows (continued)

(b) Reconciliation of profit/(loss) for the year to net cash outflow from operating activities

	2018 $'000	2017 $'000
Profit/(loss)	**583**	(20,151)
Adjustment for non cash items:		
Net hedging ineffectiveness	**(583)**	20,151
Hedge interest	**(14,132)**	81,730
Change in operating assets and liabilities:		
(Increase)/decrease in other assets	**(12,909)**	34,347
Increase/(decrease) in interest payable	**20,817**	(93,665)
Increase/(decrease) in other payables	**4,321**	(22,859)
Net cash outflow from operating activities	**(1,903)**	(447)

(c) Reconciliation of liabilities arising from financing activities

	Interest bearing liabilities $'000	Total $'000
Balance at 1 July 2016	**37,139,736**	**37,139,736**
Changes from financing cash flows		
Repayment of loans to ultimate parent entity	(5,281,290)	(5,281,290)
Proceeds from loans from ultimate parent entity	1,487,817	1,487,817
Adjustment for non-cash items		
Fair value movements of fair value hedges on loans payable	(943,661)	(943,661)
Foreign exchange movements on loan payable	(1,489,888)	(1,489,888)
Balance at 30 June 2017	**30,912,714**	**30,912,714**
Balance at 1 July 2017	**30,912,714**	**30,912,714**
Changes from financing cash flows		
Repayment of loans to ultimate parent entity	(2,460,593)	(2,460,593)
Proceeds from loans from ultimate parent entity	5,525,338	5,525,338
Adjustments for non-cash items		
Fair value movements of fair value hedges on loans payable	(62,993)	(62,993)
Foreign exchange movements on loan payable	1,157,849	1,157,849
Balance at 30 June 2018	**35,072,315**	**35,072,315**

18 Contingent liabilities, contingent assets and commitments

There were no outstanding contingent liabilities, contingent assets or commitments as at 30 June 2018 (2017: $nil).

19 Events subsequent to the balance sheet 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 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 2018 and of its performance for the financial year ended 30 June 2018;

(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 2018 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
25 October 2018

The General Purpose Financial Statements for the financial year ended 30 June 2018 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
25 October 2018

Independent auditor's report

To the unitholders of CBA Covered Bond Trust

Our opinion

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of CBA Covered Bond Trust (the Trust) as at 30 June 2018 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

What we have audited

The financial report comprises:

- the balance sheet as at 30 June 2018
- 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 a summary of significant accounting policies
- 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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

Other information

The Manager of the Trust (Securitisation Advisory Services Pty Limited) is responsible for the other information. The other information comprises the information included in the Annual Financial Report for the year ended 30 June 2018, including the Manager's Report and the Trustee's Report, 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 identified above and, in doing so, consider whether the other information is materially inconsistent

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

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, 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 Trust Manager for the financial report

The Manager of the Trust is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal control as the Manager of the Trust 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 of the Trust 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 of the Trust either intends to liquidate the Trust or to cease operations, or has 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

Ashley Wood

A S Wood
Partner

Sydney
25 October 2018