

# **Bendigo and Adelaide Bank Covered Bond Trust**

## **Financial Report 2023**

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# Trust Manager's Report

In accordance with the Trust Management Deed, the Directors of AB Management Pty Ltd, the Trust Manager of the Bendigo and Adelaide Bank Covered Bond Trust ("the Trust"), submit their report for the period ended 30 June 2023.

## Trust Information

The Trust is an Australian registered Trust, constituted on 11 October 2022.

### Trust Manager ("the Manager")

AB Management Pty Ltd (ABN 75 070 500 855)  
The Bendigo Centre,  
22-44 Bath Lane,  
Bendigo, Victoria, 3550.

### Trustee

Perpetual Corporate Trust Ltd  
Level 18, 123 Pitt Street  
Sydney NSW 2000

## Directors

The names of the Directors of AB Management Pty Ltd during the financial period and until the date of this report are:

- A Battilana (appointed 2 July 2023)
- L Davidson (appointed 8 August 2022)
- W M Rayner (resigned 29 July 2022)
- B J Speirs (resigned 3 July 2023)

All Directors were in office from the beginning of the financial period until the date of this report, unless otherwise stated.

## Nature of operations and principal activities

The principal activity of the Trust during the year was to act as the special purpose vehicle relating to the Covered Bonds issued by Bendigo and Adelaide Bank Limited ("the Bank").

The Trust obtains funding from the Bank through a series of loans, in order to purchase a cover pool of assets. This is achieved through an equitable assignment.

## Financial results

The performance of the Trust for the period ended 30 June 2023 as represented by the results of its operations, was as follows:

	\$000
Net assets:	-
Total interest income and other revenue:	14,085
Total operating profit:	11,209

The total value of assets held by the Bendigo and Adelaide Bank Covered Bond Trust as at 30 June 2023 was \$3,236 million.

Management fees paid to AB Management Pty Ltd during the financial year were \$302,196.

## Units on issue

1 residual capital unit and 1 residual income unit of the Trust were on issue as at 30 June 2023.

## Distributions

A distribution to the Residual Income Unitholder of \$11,209,267 was made during the period.

## Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Trust that occurred during the period.

## Significant events after balance date

The Manager is not aware of any other matter or circumstance not otherwise dealt with in this report or the financial statements 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 periods.

### Likely developments

The Trust is expected to continue its operations in accordance with the Trust's objectives outlined in the Trust Deed.

### Environmental regulation

The operations of the Trust are not subject to particular or significant environmental regulations under a Commonwealth, State or Territory Law.

### Insurance and Indemnification

No insurance premiums are paid out of the assets of the Trust in regards to insurance cover provided to either the Manager, the Trustee, or the auditor of the Trust. So long as the officers of both the Manager and the Trustee act in accordance with the Trust Management Deed and the Law, both parties remain fully indemnified out of the assets of the Trust against any losses incurred while acting on behalf of the Trust.

### Indemnification of Auditors

To the extent permitted by law, the Trust has agreed to its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial period.

### Rounding

The amounts contained in this report and the financial report have been rounded to the nearest thousand dollars (\$000's) unless otherwise stated.

### Key Management Personnel

#### (i) Directors

The Directors of AB Management Pty Ltd are considered to be Key Management Personnel of the Trust.

The Directors of AB Management Pty Ltd in office during the financial period and up to the date of this report, unless otherwise stated are:

- A Battilana - Executive Director of AB Management Pty Ltd (appointed 2 July 2023)
- L Davidson - Executive Director of AB Management Pty Ltd (appointed 8 August 2022)
- W M Rayner - Executive Director of AB Management Pty Ltd (resigned 29 July 2022)
- B J Speirs - Executive Director of AB Management Pty Ltd (resigned 3 July 2023)

#### (ii) Compensation of Key Management Personnel

No amount is paid by the Trust directly to the Directors of AB Management Pty Ltd. Consequently, no compensation as defined in AASB 124 *Related Party Disclosures* is paid by the Trust to the Directors as Key Management Personnel.

Signed for and on behalf of AB Management Pty Ltd as Manager of the Bendigo and Adelaide Bank Covered Bond Trust.



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L Davidson

7 September 2023

# Statement of comprehensive income

For the nine month period ended 30 June 2023

	Note	June 2023 \$000's
<b>Net interest income</b>		
Interest on loans		42,729
Interest on bank account		320
Swap receipts		9,660
Interest expense to loan providers		(39,376)
<b>Total net interest income</b>		<b>13,333</b>
<b>Other revenue</b>		
Fee revenue		752
<b>Total other revenue</b>		<b>752</b>
<b>Total interest income and other revenue</b>		<b>14,085</b>
<b>Expenses</b>		
Management fee		302
Servicing fee		2,518
Trustee fee		56
<b>Total expenses</b>		<b>2,876</b>
<b>Net profit attributable to unitholders</b>		<b>11,209</b>
<b>Other comprehensive income</b>		<b>-</b>
<b>Total comprehensive income attributable to unitholders</b>		<b>11,209</b>

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

# Statement of financial position

As at 30 June 2023

	Note	June 2023 \$000's
<b>Assets</b>		
Cash and cash equivalents	3	39,370
Trade and other receivables	4	40,949
Loans and receivables	5	3,155,461
<b>Total assets</b>		<b>3,235,780</b>
<b>Liabilities</b>		
Trade and other payables	6	4,315
Borrowings	7	3,231,465
<b>Total liabilities excluding net assets attributable to unitholders</b>		<b>3,235,780</b>
<b>Net assets attributable to unitholders</b>		<b>-</b>

# Statement of changes in Net Assets attributable to Unitholders

For the nine month period ended 30 June 2023

	Note	June 2023 \$000's
<b>Net assets attributable to unitholders at the beginning of the year</b>		<b>-</b>
Net profit attributable to unitholders		11,209
Distributions to unitholders	8	(11,209)
<b>Net assets attributable to unitholders at the end of the year</b>		<b>-</b>

The above Statement of Financial Position and Statement of changes in Net Assets attributable to Unitholders should be read in conjunction with the accompanying notes.

# Statement of cash flows

For the nine month period ended 30 June 2023

	Note	June 2023 \$000's
<b>Cash flows from operating activities</b>		
Interest on loans		35,290
Interest on collections		110
Fee revenue		752
Swap receipts		1,424
Payment to loan providers		(33,840)
Management fee		(264)
Servicing fee		(2,203)
Trustee fee		(39)
<b>Net cash flows from operating activities</b>	<b>9</b>	<b>1,230</b>
<b>Cash flows from investing activities</b>		
Purchase of loans		(3,370,375)
Loan repayments		233,175
Loan redraws		(43,325)
<b>Net cash flows from investing activities</b>		<b>(3,180,525)</b>
<b>Cash flows from financing activities</b>		
Principal proceeds from loan providers		3,225,929
Distribution to unitholders	8	(7,264)
<b>Net cash flows used in financing activities</b>		<b>3,218,665</b>
<b>Net increase in cash and cash equivalents</b>		<b>39,370</b>
<b>Cash and cash equivalents held at the beginning of the financial year</b>		<b>-</b>
<b>Cash and cash equivalents held at the end of the financial year</b>	<b>3</b>	<b>39,370</b>

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

# Notes to the Financial Statements

This section describes the Trust's significant accounting policies that relate to the financial statements and notes of the accounts. This section also details new accounting standards, amendments and interpretations, and whether they are effective in 2023 or later years. We explain how these changes are expected to impact the financial position and performance of the Trust.

## 1 Trust Information

The Bendigo and Adelaide Bank Covered Bond Trust ("The Trust") was constituted on 11 October 2022 under the Bendigo and Adelaide Bank Covered Bond Trust Deed ("the Trust Deed"). The Trust Deed was executed between AB Management Pty Ltd (the "Trust Manager" or "the Manager"), Perpetual Corporate Trust Limited as trustee of the Bendigo and Adelaide Bank Covered Bond Trust (the "Covered Bond Guarantor" or "the Trustee"), DB Trustees (Hong Kong) Limited (the "Bond Trustee") and Bendigo and Adelaide Bank Limited (the "Issuer" or "BEN" or "the Bank" or "the Parent").

The Trust is an Australian registered Trust. The registered office of the Trust Manager, AB Management Pty Ltd, is The Bendigo Centre, 22-44 Bath Land, Bendigo, Victoria, 3550.

The financial report of the Trust for the period ended 30 June 2023 was authorised for issue in accordance with a resolution of the Directors of the Trust Manager on 7 September 2023.

The ultimate parent entity of the Manager and the Trust is Bendigo and Adelaide Bank Limited.

## 2 Summary of significant accounting policies

### (a) Basis of preparation

The financial report is a General Purpose Financial Report, which has been prepared in accordance with Australian Accounting Standards ("AAS") and Interpretations issued by the Australian Accounting Standards Board ("AASB"). The financial report has also been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The report is prepared in Australian Dollars, which is the functional currency of the Trust, with all values rounded to the nearest thousand dollars (\$'000s) (where rounding is applicable).

### Basis of measurement

The financial report has been prepared on a historical cost basis, except for certain assets and liabilities as described in the accounting policies below, if applicable.

### Going concern

The Trust Manager is responsible for assessing the ability of the Trust to continue as a going concern and disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

The Trust Manager has prepared the Financial Report on a going concern basis. Whilst there is a potential mismatch in timing between the demand loan payable and the loan receivable, the Trust Manager is responsible for the calling of the demand loan and therefore expects the cash inflows to align with the cash outflows. There is no current intention to liquidate the Trust or cease operations.

### Balance sheet presentation

Assets and liabilities have been presented in order of liquidity on the face of the balance sheet.

### (b) Changes in accounting policies

There have been no changes to the Trust's accounting policies other than those required by new accounting standards. The impact of any new accounting standards on the Trust is not material.

### Recently issued or amended standards not yet effective

Amendments to existing standards that are not mandatorily effective for the reporting period ending 30 June 2023 and have not been early adopted, are not likely to result in a material impact on the Trust's financial statements.

### (c) Significant accounting judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Trust's accounting policies and the reported amounts of assets, liabilities, revenues, expenses and the accompanying disclosures, as well as the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis.



## 2 Summary of significant accounting policies (continued)

### (d) Cash and cash equivalents

Cash comprises of cash at bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings as liabilities in the Statement of Financial Position.

### (e) Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

### (f) Loans and receivables

Loans and receivables are financial assets that have fixed and determinable payments that are not quoted in an active market. Loans and other receivables are initially recognised at fair value plus direct and incremental transaction costs on settlement date, and are subsequently measured at amortised cost using the effective interest method less any allowances for credit losses.

### Derecognition

Under Australian Accounting Standards, the underlying loans originated by the Bank and held by the Trust do not meet the derecognition criteria as specified by AASB 9 *Financial Instruments*. This is due to the transaction structure resulting in the Bank retaining substantially all the risk and rewards associated with the underlying mortgage loans.

As a result, the underlying loans remain on the Bank's Balance Sheet and the Trust has recognised a receivable from the Bank, representing the contractual cash flows owing under the arrangement.

### Effective interest method

Interest on loans is recognised using the effective interest method. The estimated future cash flows used in the calculation of the effective interest rate include those determined by the contractual term of the asset, and includes all fees, transaction costs and all other premiums or discounts.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of estimated future cash period, where appropriate, to the net carrying amount of the financial asset.

### Impairment of financial assets

AASB 9 *Financial Instruments* requires the Trust to recognise a provision for expected credit losses for all debt instruments.

Management have considered whether a provision is required and concluded that the operation of the Trust, including the requirements for the Seller to repurchase loans 90+ days in arrears, mean the credit risk remains with the Bank, and therefore a provision is not required.

### (g) Trade and other receivables

Trade and other receivables, which are generally received within 30 days, are recognised and carried at original invoice amount. Bad debts are written off when identified.

Any impairment losses are recorded in line with the AASB 9 expected credit loss model.

### (h) Borrowings

Financial liabilities, including borrowings, are initially measured at fair value, less directly attributable transaction costs. Financial liabilities, including borrowings, are subsequently measured at amortised cost, with interest expense recognised using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial liability or a shorter period, where appropriate, to the net carrying amount of the financial liability.

## 2 Summary of significant accounting policies (continued)

### (i) Trade and other payables

Trade payables are carried at amortised cost and represent liabilities for goods and services provided to the Trust prior to the end of the financial year that are unpaid and arise when the Trust becomes obliged to make future payments in respect of the purchase of these goods and services which are generally settled within 30 days.

### (j) Derivative financial instruments

The Trust holds derivative financial instruments that comprise of interest rate swaps to manage exposure to interest rate risk. As detailed in note 2(f) the underlying mortgage loans held by the Trust are not permitted to be derecognised from the Bank's Balance Sheet as the Bank retains exposure to substantially all the risks and rewards of the underlying loans, in part, because the Bank provides interest rate swaps to the Trust.

Therefore, in accordance with AASB 9 *Financial Instruments*, the Bank and the Trust cannot separately recognise the fair value of the interest rate swaps in their respective Balance Sheets. Interest rate swaps and associated payments/receipts are treated as part of imputed loans and interest.

### (k) Revenue recognition

Fee revenue is recognised at an amount that reflects the consideration to which the Trust expects to be entitled, once the fee can be reliably measured and any underlying performance obligations are satisfied.

### (l) Interest income

Interest income or expense on financial instruments that are recognised at amortised cost or fair value through other comprehensive income are measured using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial instrument.

Calculation of the effective interest rate takes into account fees receivable (i.e. origination and application fees) or payable that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are an integral part of the instrument's yield, premiums or considered when estimating future cash flows.

### (m) Distributions/Contributions

Distributions to/(Contributions from) the residual income Unitholder are made in arrears on a monthly basis. Distribution/ (Contribution) is the interest receipts from receivables net of trust related expenses.

### (n) Income tax

Under current Income Tax Legislation, the Trust is not liable to pay income tax on that part of taxable income which is distributed to Unitholders.

### (o) Goods & Services Tax (GST)

Expenses incurred by the Trust are recognised net of the amount of GST that can be recovered from the Australian Taxation Office (ATO). Amounts recognised as receivables and payables at balance date include the amount of GST payable.

Reduced input tax credits (RITC) recoverable by the Trust from the ATO are recognised as receivables in the Statement of Financial Position.

### (p) Units on issue

#### Residual capital units

Each unit issued confers upon the unitholder an equal interest in the Trust, and is of equal value. A unit does not confer any interest in any particular asset or investment of the Trust.

Unitholders have various rights under the Trust documentation, including the right to:

- have their units redeemed; and
- participate in the termination and winding up of the Trust.

The rights, obligations and restrictions attached to each unit are identical in all respects.

### 3 Cash and cash equivalents

	June 2023
	\$000's
Bank deposit	39,370
<b>Total cash and cash equivalents</b>	<b>39,370</b>

### 4 Trade and other receivables

	June 2023
	\$000's
<b>Due from related entities</b>	
Mortgage collections and other receivables - Bendigo and Adelaide Bank Ltd	32,498
Swap receivable - Bendigo and Adelaide Bank Ltd	8,241
<b>Due from other entities</b>	
Goods and services tax receivable	210
<b>Total trade and other receivables</b>	<b>40,949</b>

Mortgage collections receivable represent principal and interest payments from mortgages that have been received by BEN but not yet paid to the Trust. These payments are transferred to the Trust on a monthly basis, the day before the distribution date. Other receivables include accrual balances attributable to the loan portfolio or investments held by the Trust.

Swap receivable represents the payment due as at 30 June 2023 to the Trust, under the fixed and basis swap agreements with the Bank.

### 5 Loans and receivables

	June 2023
	\$000's
<b>Due from related entities</b>	
Loans - Bendigo and Adelaide Bank Ltd	3,148,023
Accrued interest on loans - Bendigo and Adelaide Bank Ltd	7,438
<b>Total loans and other receivables</b>	<b>3,155,461</b>

As outlined in the 'Summary of significant accounting policies', Bendigo and Adelaide Bank Ltd continues to recognise the underlying loans in the trust, and the Trust recognises a loan receivable from the Bank. The underlying cover pool loans are of various terms to maturity ranging up to 30 years from origination and at various fixed and variable interest rates.

The following table provides details of the maturity profile of the underlying loans based on the loan balances as at 30 June 2023:

	June 2023
	\$000's
Not longer than 3 months	7,440
Longer than 3 and not longer than 12 months	68
Longer than 1 and not longer than 5 years	11,955
Longer than 5 years	3,135,998
<b>Total loans and receivables</b>	<b>3,155,461</b>

## 6 Trade and other payables

	June 2023 \$000's
<b>Due to related entities</b>	
Distribution payable - Bendigo and Adelaide Bank Ltd	3,945
Servicer fee payable - Bendigo and Adelaide Bank Ltd	316
Management fee payable - AB Management Pty Ltd	38
<b>Due to other entities</b>	
Trustee fee payable	16
<b>Total trade and other payables</b>	<b>4,315</b>

## 7 Borrowings

	June 2023 \$000's
<b>Due to related entities</b>	
Intercompany Loan (Floating) - Bendigo and Adelaide Bank Ltd	650,000
Intercompany Loan (Fixed) - Bendigo and Adelaide Bank Ltd	550,000
Demand Loan - Bendigo and Adelaide Bank Ltd	2,025,929
Interest payable to loan provider - Bendigo and Adelaide Bank Ltd	5,536
<b>Total borrowings</b>	<b>3,231,465</b>

### Demand Loan

The Trust borrows funds from the Bank in order to acquire the cover pool assets via equitable assignment.

The Demand loan is denominated in Australian Dollars. There is no set maturity for the Demand loan. The Trust Manager may direct a Demand Loan repayment of all or part of the Demand Loan under certain circumstances. The following table provides details of key terms of the Demand Loan as at 30 June 2023.

	Balance	Rate	Margin
June 2023	\$000's	%	%
Demand Loan	2,025,929	RBA cash rate	(0.25%)

### Intercompany Loan

Intercompany Loans are obtained by the Trust from the Bank and mirror the Covered Bonds issued by the Bank.

The following table provides details of key terms of the Intercompany Loans as at 30 June 2023.

	Balance	Rate	Margin	Maturity
June 2023	\$000's	%	%	
Intercompany Floating Loan Series 2022-1 - Tranche 1	250,000	3mBBSW	0.95%	11-Nov-2025
Intercompany Floating Loan Series 2023-1 - Tranche 2	400,000	3mBBSW	1.15%	16-Jun-2028
Intercompany Fixed Loan Series 2022-2 - Tranche 1	200,000	5.10%	-	11-Nov-2025
Intercompany Fixed Loan Series 2023-2 - Tranche 2	350,000	5.10%	-	16-Jun-2028

## 8 Distribution to Unitholders

	June 2023
	\$000's
Accrued distribution at the beginning of the year	-
Add profit for the year	11,209
Less distribution for the year	(7,264)
<b>Accrued distribution to Unitholders</b>	<b>3,945</b>

## 9 Cash flow statement reconciliation

	June 2023
	\$000's
Profit after income tax	11,209
<b>Adjustments for accrued operating movements</b>	
Increase in interest on loans and receivables	(7,438)
Increase in GST receivable	(210)
Increase in swap receivable	(8,236)
Increase in interest expense payable to loan providers	5,536
Increase in other payables	369
<b>Net cash flow from operating activities</b>	<b>1,230</b>

## 10 Covered Bond Guarantee

Under the Bendigo and Adelaide Bank Covered Bond Programme, Perpetual Corporate Trust Limited, as Trustee for the Trust, is also the Covered Bond Guarantor ("CB Guarantor").

Subject to the provisions in the transaction documents, the CB Guarantor has guaranteed the payment obligations to bondholders of the Covered Bonds issued by the Bank.

The CB Guarantor has no obligation to make payments under the guarantee until the occurrence of an Issuer Event of Default.

For further details on the Covered Bond Programme, including what constitutes an Issuer Event of detail, refer to the Bendigo and Adelaide Bank website:

[www.bendigoadelaide.com.au/investor-centre/investor-information/covered-bonds/](http://www.bendigoadelaide.com.au/investor-centre/investor-information/covered-bonds/)

As at 30 June 2023, the Bank has issued \$1,200 million of AUD Covered Bonds, rated as AAA by Fitch and Aaa by Moody's.

## 11 Risk Management

### Nature of risk

The key financial risks associated with the Trust's activities are:

- > interest rate risk;
- > liquidity and cash flow risk; and
- > credit risk.

Further details regarding the nature and extent of each key financial risk, and how these are managed, are outlined in this note.

### (a) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates might adversely affect net interest income of the Trust.

This risk is managed by limiting the mismatch in the repricing dates of the Trust's asset and liabilities and through the use of interest rate hedging products such as swaps.

The risk of the carrying value of the Trust's investment being affected by movements in interest rates is managed by ensuring all transactions are within defined, approved limits.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant at year end.

Sensitivity to interest rates arises from mismatches in the period to repricing of assets and liabilities. These mismatches are managed as part of the overall asset and liability management process.

Taking into account the fact that the official cash rate in Australia was 4.10% as at 30 June 2023, the table below represents the change to the Trust's Statement of Comprehensive Income from a 25 basis point increase rate shock, and a 10 basis point decrease rate shock.

June 2023	+25 basis points \$000's	-10 basis points \$000's
<b>Financial Asset</b>		
Cash and cash equivalents	98	(39)
Loans and receivables	7,870	(3,148)
<b>Financial Liability</b>		
Borrowings	(8,065)	3,226

## 11 Risk Management (continued)

### (b) Liquidity and cash flow risk

Liquidity risk is the risk of being unable to meet financial obligations as they fall due. Liquidity may arise as the maturity of the cover pool does not match the maturities of the borrowings in the Trust.

The Trust is required by the Banking Act to maintain over-collateralisation of at least 3% of the covered bonds issued by the Bank. The Bendigo and Adelaide Bank Covered Bond Programme requires a 5% over-collateralisation. This feature assists in mitigating the liquidity risk that the Trust may face.

The table below summarises the maturity profile of the Trusts's financial liabilities at 30 June 2023. Borrowings are comprised of the Intercompany loan and the Demand loan. The maturity date of the Intercompany loan is described in Note 7.

The maturity analysis has been prepared on the contractual cash flows. Actual repayment obligations could be earlier or later than presented below.

Liabilities	June 2023			
	Not longer than 3 months	3 to 12 months	1 to 5 years	Longer than 5 years
	\$000's	\$000's	\$000's	\$000's
Management fees accrued	38	-	-	-
Other creditors	4,277	-	-	-
Borrowings <sup>1</sup>	4,085,590	87,419	461,180	795,595
<b>Total</b>	<b>4,089,905</b>	<b>87,419</b>	<b>461,180</b>	<b>795,595</b>

<sup>1</sup> The analysis above assumes the intercompany loan tranches as at 30 June 2023 are not replaced by new tranches on maturity. By its contractual nature, the Demand loan has been included in 'not longer than 3 months', however the expected timing of cash flows is in line with the principal receipts of the underlying loans in the cover pool.

## 11 Risk Management (continued)

### (c) Credit risk

Credit risk, is the risk that the Trust will suffer a financial loss due to the unwillingness or inability of counterparties to fully meet their contractual debts and obligations. This risk is managed in accordance with the policies of the Servicer.

The Trust's credit exposure is concentrated primarily to one counterparty, Bendigo and Adelaide Bank Ltd.

Nonetheless, there is an intrinsic link between the receivable from the Bank, and the credit risk of the underlying cover pool assets.

#### Maximum exposure to credit risk

The total credit risk exposure of the Trust is limited to the carrying value of assets on the Statement of Financial Position.

#### Credit quality

The table below categorises the financial assets of the Trust by their grading profile.

Cash and cash equivalents are graded based on the credit rating of the financial institution in which the cash is held.

Trade and other receivables and Loans and receivables are graded based on credit rating of the counterparty, Bendigo and Adelaide Bank Ltd.

Credit risk on the underlying loans that support the receivables is managed through the Asset Coverage Test which supports the issuance of Covered Bonds by the Bank. Loans which are more than three months in arrears will be given zero value under the Asset Coverage Test and accordingly the Bank is incentivised to buy back such loans.

The credit risk exposures of the Trust are concentrated entirely within Australia.

Credit risk arises from lending activities, financial market transactions and other associated activities. The Servicer of the loans has a credit risk framework in place to provide a structured and disciplined approach to all lending activities.

	June 2023			Total \$000's
	High Grade \$000's	Standard Grade \$000's	Sub-Standard Grade \$000's	
Cash and cash equivalents	39,370	-	-	<b>39,370</b>
Trade and other receivables	48,387	-	-	<b>48,387</b>
Loans and receivables	3,148,023	-	-	<b>3,148,023</b>



## 12 Financial Instruments

### a) Measurement basis of financial assets and liabilities

The accounting policies in Note 2 describe how different classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

### b) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets for identical instruments held by the Trust. For all other financial instruments, the Trust determines fair value using the discounted future cash flows.

#### Valuation of financial assets and liabilities

The Trust measures fair values using the following fair value hierarchy, which reflects the significance of the inputs in making the measurement. The fair value hierarchy is as follows:

#### Level 1

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets/liabilities.

#### Level 2

Level 2 fair value measurements are those derived from inputs other than quoted prices within level 1 that are observable either directly (as prices) or indirectly (derived from prices).

#### Level 3

Level 3 fair value measurements are from inputs that are unobservable. Where equity investments have no quoted market price and fair value cannot be reliably measured these investments are carried at cost less impairment.

Transfers between levels are deemed to have occurred at the beginning of the reporting period in which instruments are transferred. There were no significant transfers between levels during the year.

#### Valuation methodology

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 methodologies and assumptions have been used to determine fair values.

#### (i) Trade and other receivables

Trade and other receivables and other assets include accrued interest, loan portfolio premium, other investments and other receivables. The carrying value is a reasonable estimate at fair value.

#### (ii) Loans and receivables

For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of fair value.

The net fair value for fixed loans is calculated by utilising discounted cash flow models (i.e. the net present value of the portfolio future principal and interest cash flows), based on the maturity of the loans. The discount rates applied represent the rate the market is willing to offer for these loans at arms-length. The net fair value of impaired loans is calculated by discounting expected cash flows using these rates.

#### (iii) Borrowings

The fair value for fixed rate borrowings is calculated using a discounted cash flow model applying market rates and margins for similar instruments.

#### (iv) Trade and other payables

The carrying value for payables approximates fair value.

The fair values presented in the table are at a specific date and may be significantly different from the amounts which will actually be paid or received on the maturity or settlement date.

	Level 1	Level 2	Level 3	Total fair value amount	Total carrying amount
June 2023	\$000's	\$000's	\$000's	\$000's	\$000's
Cash and cash equivalents	-	39,370	-	39,370	39,370
Trade and other receivables	-	-	40,949	40,949	40,949
Loans and receivables	-	-	3,137,010	3,137,010	3,155,461
<b>Total financial assets carried at amortised cost</b>	-	<b>39,370</b>	<b>3,177,959</b>	<b>3,217,329</b>	<b>3,235,780</b>
Trade and other payables	-	-	4,315	4,315	4,315
Borrowings	-	-	3,227,807	3,227,807	3,231,465
<b>Total financial liabilities carried at amortised cost</b>	-	-	<b>3,232,122</b>	<b>3,232,122</b>	<b>3,235,780</b>

### 13 Related Party Disclosures

Bendigo and Adelaide Bank Ltd ("the Bank") is the counterparty to the Trust in relation to the loans and receivable balance of the Trust, and in relation to the Intercompany and Demand Loans.

Under the Covered Bond Programme, the Bank is also the Issuer, Seller, Servicer, Demand Loan Provider, Intercompany Loan Provider and Swap Swap Provider. AB Management is the Trust Manager for the Trust. The Bank and AB Management receive fees for providing services to the Trust.

Principal and interest collections are received from underlying borrowers by the Bank and transferred to the Trust on a monthly basis.

No employees nor directors of related entities are paid by the Trust.

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

	Amounts paid by related parties \$000's	Amounts paid to related parties \$000's	Amounts owed by related parties \$000's	Amounts owed to related parties \$000's
<b>June 2023</b>				
Bendigo and Adelaide Bank Ltd	36,715	43,307	3,196,199	3,235,726
AB Management Pty Ltd	-	264	-	38

Refer to individual disclosures for further detail of the balances due to/ from related parties.

### 14 Auditor's Remuneration

	Audit services \$	Non-Audit services \$
<b>June 2023</b>		
Total fees paid or due and payable to Ernst & Young (Australia):	14,000	64,000

### 15 Events after balance sheet date

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years.

### 16 Commitments and contingencies

The Trust has no material commitments or contingencies as at 30 June 2023, other than those already disclosed in this report.

# Trust Manager's Declaration

In the opinion of AB Management Pty Ltd, Trust Manager of the Bendigo and Adelaide Bank Covered Bond Trust:

(a) the financial statements and notes of the Trust:

- (i) Have been prepared in accordance with the Trust Management Deed and Australian Accounting Standards (including Interpretations issued by the Australian Accounting Standards Board);
- (ii) Comply with the requirements of International Financial Reporting Standards as disclosed in Note 2;
- (iii) Present fairly the Trust's financial position as at 30 June 2023 and of its performance for the period ended that date; and

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



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L Davidson  
for and on behalf of AB Management Pty Ltd  
as Manager of the Bendigo and Adelaide Bank Covered Bond Trust  
7 September 2023



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working world**

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## **Independent auditor's report to the Unitholders of Bendigo and Adelaide Bank Covered Bond Trust**

### **Opinion**

We have audited the financial report of the Bendigo and Adelaide Bank Covered Bond Trust (the "Trust"), which comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and cash flow statement for the period then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Trust as at 30 June 2023, and its financial performance and its cash flows for the period then ended in accordance with Australian Accounting Standards.

### **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 are independent of the Company in accordance with the ethical requirements of the Accounting Professional and 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.

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

### **Information other than the financial report and auditor's report thereon**

The directors are responsible for the other information. The other information is the Trust Managers' report accompanying the financial report.

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, 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 directors of the Trust Manager for the financial report**

The directors of the Trust Manager are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in blue ink that reads "Ernst &amp; Young".

Ernst & Young

A handwritten signature in blue ink that reads "Clare Sporle".

Clare Sporle  
Partner  
Sydney  
7 September 2023