MBL COVERED BOND TRUST

A.B.N. 90 643 622 525

Special Purpose Financial Report of the Trust as an individual entity for the financial period ended 31 March 2017

MACQUARIE

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

2017 Special Purpose Financial Report
Contents

	Page
Income statement	2
Statement of comprehensive income	3
Statement of financial position	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the financial statements	7
Note 1. Trust information	7
Note 2. Summary of significant accounting policies	7
Note 3. Profit for the financial period	15
Note 4. Receivables from financial institutions	15
Note 5. Other financial assets	15
Note 6. Other liabilities	16
Note 7. Net liabilities attributable to the unitholder	16
Note 8. Reserves	16
Note 9. Notes to the statement of cash flows	16
Note 10. Related party information	17
Note 11. Contingent liabilities and commitments	18
Note 12. Audit and other services provided by PricewaterhouseCoopers	18
Note 13. Events after the reporting period	18
Directors' Declaration	**19**
Independent auditor's report to the unitholder of MBL COVERED BOND TRUST	**20**

Marked for the purpose of
Identification only
PRICEWATERHOUSECOOPERS
SYDNEY

Income statement
for the financial period ended 31 March 2017

	Notes	26 November 2015 to 31 March 2017 $
Interest and similar income	3	39,618,808
Interest expense and similar charges	3	(26,470,252)
Net interest income		13,148,556
Fees and commission income		2,183,469
Fees and commission expense		(8,742,841)
Net fees and commission expense	3	(6,559,372)
Net trading income	3	2,143,774
Net operating income		8,732,958
Other operating charges	3	(165,054)
Total operating income		8,567,904
Operating profit for the financial year		8,567,904
Financing costs attributable to the unitholder		
Distributions to the unitholder		(11,116,942)
Increase in net liabilities attributable to the unitholder of the Trust		2,549,038
Profit attributable to the unitholder of MBL COVERED BOND TRUST		-

The above income statement should be read in conjunction with the accompanying notes.

Marked for the purpose of
identification only
PRICEWATERHOUSECOOPERS
SYDNEY

Statement of comprehensive income
for the financial period ended 31 March 2017

	Notes	26 November 2015 to 31 March 2017 $
Profit/(loss) for the financial period		**-**
Other comprehensive income[1]		-
Cash flow hedge, net of tax	8	**(6,013,136)**
Increase in net liabilities attributable to unitholder of the Trust		**6,013,136**
Total comprehensive income		**-**
Total comprehensive income is attributable to:		
The unitholder of MBL COVERED BOND TRUST		**-**

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

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Marked for the purpose of
identification only
PRICEWATERHOUSECOOPERS
SYDNEY

Statement of financial position
as at 31 March 2017

	Notes	2017 $
Assets		
Receivables from financial institutions	4	**64,566,051**
Other financial assets	5	**26,629,954**
Total assets		**91,196,005**
Liabilities		
Distributions payable		**9,410,947**
Derivative liabilities		**89,944,529**
Other liabilities	6	**402,603**
Total liabilities		**99,758,079**
Net liabilities attributable to the unitholder (excluded from total assets and total liabilities)	7	**(8,562,074)**

The above statement of financial position should be read in conjunction with the accompanying notes.

Marked for the purpose of
Identification only
PRICEWATERHOUSECOOPERS
SYDNEY

Statement of changes in equity
for the financial period ended 31 March 2017

	Total equity $
Balance as at 26 Nov 2015	-
Balance as at 31 Mar 2017	-

Under AIFRS, net assets/(liabilities) attributable to the unitholder are classified as financial assets/(liabilities) rather than equity. As a result there was no equity at the start or the end of the period. The net assets/(liabilities) attributable to the unitholder are disclosed in Note 7 to the financial statements.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows
for the financial period ended 31 March 2017

	Notes	26 November 2015 to 31 March 2017 $
Cash flows from operating activities		
Operating profit for the financial period		8,567,904
Adjustments to operating profit:		
Interest and similar income	3	(39,618,808)
Interest expense and similar charges	3	26,470,252
Individual/collective provisions for impairment	3	165,054
Changes in assets and liabilities:		
Change in net receivables from Macquarie Bank Limited		(21,855,757)
Change in other assets and other liabilities		172,408
Change in derivative liabilities		83,931,393
Cash from operating activities		57,832,446
Interest and similar income received		34,909,752
Interest expense and similar charges paid		(26,470,252)
Net cash flows from operating activities		66,271,946
Cash flows from investing activities		
Net cash flows from investing activities		-
Cash flows from financing activities		
Proceeds from the issue of units		100
Distributions paid		(1,705,995)
Net cash flows used in financing activities		(1,705,895)
Net increase/(decrease) in cash and cash equivalents		64,566,051
Cash and cash equivalents at the beginning of the financial period		-
Cash and cash equivalents at the end of the financial period	9	64,566,051

The above statement of cash flows should be read in conjunction with the accompanying notes.

Marked for the purpose of
Identification only
PRICEWATERHOUSECOOPERS
SYDNEY

Notes to the financial statements for the financial period ended 31 March 2017

Note 1. Trust information

The MBL COVERED BOND TRUST (Trust) is a Trust registered and domiciled in Australia. The address of the Trust's registered office is Perpetual Limited,123 Pitt Street, Sydney NSW 2000, Australia.

The principal activity of the Trust during the financial period ended 31 March 2017 was to act as the Special Purpose Vehicle for the securitisations of Macquarie Bank Limited's (MBL) mortgage portfolio. Macquarie Securitisation Limited (MSL) is the Trust Program Manager for the PUMA Securitisation program. Perpetual Limited is the trustee of the Trust.

Under The terms of The securitisation, The Trust issued bonds based off the value of The loan portfolio being securitised. These bondholders receive interest income and principal repayments over The term of The transactions. MBL receives any residual cash from The Trust after all disbursements.

Note 2. Summary of significant accounting policies

(i) Basis of preparation

The Trust is not a reporting entity because, in the opinion of Directors of the Program Manager (Directors), it is unlikely that users exist who are unable to command the preparation of reports tailored to satisfy, specifically, all of their information needs.

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

This special purpose Financial Report has been prepared in compliance with the Trust Deed to prepare and distribute a Financial Report. The Directors have determined that the recognition and measurement principles of all applicable Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board are adopted as deemed appropriate by the Trust Program Manager to meet the needs of the members. Disclosure requirements (including AASB 7 "Financial Instruments Disclosure") have not been adopted with the exception of the following:

- AASB 101: Presentation of Financial Statements
- AASB 107: Cash Flow Statements
- AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors
- AASB 1031: Materiality
- AASB 1048: Interpretation and Application of Standards

The Directors have determined that the Trust need not comply with AASB 139 "Financial Instruments: Recognition and Measurement".

Historical cost convention

This Financial Report has been prepared under the historical cost convention, as modified by the revaluation of derivative instruments at fair value.

Critical accounting estimates and significant judgements

The preparation of the Financial Report in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the Trust and the Financial Report such as:

– fair value of financial assets and liabilities (Note 2(ix)) and (Note 2(xii));
– individually assessed/collective provisions to recognise impairment of loan assets held at amortised cost (Note 2(x)) and;
– the validity of applying the "going concern" assumption where the Trust is in a net liability position (Note 2(xiii)).

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

Management believes the estimates used in preparing the Financial Report are reasonable. Actual results in the future may differ from those reported and therefore it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from our assumptions and estimates could require an adjustment to the carrying amounts of the assets and liabilities reported.

Notes to the financial statements for the financial period ended 31 March 2017 (continued)

Note 2. Summary of significant accounting policies (continued)

(i) Basis of preparation (continued)

New Australian Accounting Standards and amendments to Accounting Standards that are not yet effective

AASB 9 Financial Instruments

AASB 9 Financial Instruments will replace AASB 139 Financial Instruments: Recognition and Measurement with an effective date of 1 April 2018. The new standard results in changes to accounting policies for financial assets and liabilities covering three broad areas including classification and measurement, impairment and hedge accounting.

Transition:

The Trust will not early adopt AASB 9. Changes in accounting policies from the adoption of the standard will be applied from 1 April 2018 with no restatement of comparative periods. Differences arising in the carrying value of financial assets and liabilities will be recognised as an adjustment to opening retained earnings and reserves at 1 April 2018.

AASB 9 requires that fair value changes on liabilities designated as fair value through profit or loss arising from changes in own credit risk are accounted for in other comprehensive income. The standard allows the trust to early adopt this guidance separately from the other requirements of AASB 9. The Trust is currently assessing whether to early adopt this requirement of AASB 9.

The key changes to accounting policies from the transition are summarized below:

Classification and Measurement:

Financial assets:

AASB 9 has three classification categories for financial assets including amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). The classification is based on the business model under which the financial instrument is managed and its contractual cash flows.

Compared to AASB 139, the FVTOCI and amortised cost categories will be added and held-to-maturity, loans and receivables and available-for-sale classification categories will be removed.

Under AASB 9, financial assets with embedded derivatives are classified in their entirety, without separating any derivative element.

The Trust will apply the following policies for the newly adopted classification categories under AASB 9.

Amortised cost

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

(i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) 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.

FVTOCI

A financial asset will be measured at FVTOCI if both of the following conditions are met:

(i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

(ii) 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.

FVTPL

All financial assets that are not measured at amortised cost or FVTOCI will be measured at FVTPL. All financial assets that are equity instruments will be measured at FVTPL unless Macquarie irrevocably elects to present subsequent changes in the fair value in other comprehensive income. Macquarie does not expect to make this election.

The Trust may also irrevocably elect to designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Notes to the financial statements for the financial period ended 31 March 2017 (continued)

Note 2. Summary of significant accounting policies (continued)

(i) Basis of preparation (continued)

New Australian Accounting Standards and amendments to Accounting Standards that are not yet effective (continued)

Business model assessment:

The Trust will determine the business model at the level that reflects how groups of financial assets are managed. In determining the business model, all relevant evidence that is available at the date of the assessment is used including:

(i) how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Trust's key management personnel;

(ii) the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and

(iii) how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

Financial liabilities:

The component of change in fair value of financial liabilities designated at fair value through profit or loss due to the Trust's own credit risk are presented in other comprehensive income, unless this creates an accounting mismatch. If a mismatch is created or enlarged, all changes in fair value (including the effects of credit risk) are presented in profit or loss. Under AASB 139, this component was recognised in profit or loss.

Impairment:

AASB 9 replaces the incurred loss model of AASB 139 with an expected loss model, resulting in an acceleration of impairment recognition.

The impairment requirements apply to financial assets measured at amortised cost and FVTOCI, lease receivables, amounts receivable from contracts with customers as defined in AASB 15 Revenue from Contracts with Customers, loan commitments, letters of credit and financial guarantee contracts.

Under the General Model, the Trust will apply a three-stage approach to measuring the Expected Credit Loss (ECL) based on credit migration between the stages. Where ECL is modelled collectively for portfolios of exposures, it is modelled as the product of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD).

The assessment of credit risk, and the estimation of ECL, will be unbiased and probability weighted, and incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable information about future events and economic conditions at the reporting date.

The impairment allowance is intended to be more forward looking under AASB 9.

(i) Stage 1 – 12 month ECL

At initial recognition, ECL is measured as the product of the 12 month PD, LGD and EAD, adjusted for forward-looking information.

(ii) Stage 2 – Lifetime ECL not credit-impaired

When there is a significant increase in credit risk (SICR), the ECL is increased to reflect the product of the lifetime PD, LGD and EAD, adjusted for forward-looking information.

(iii) Stage 3 – Lifetime ECL credit-impaired

An ECL is generally measured based on discounting expected cash flows from the individual exposure by the effective interest rate (EIR) for that exposure. This modelling methodology does not change from AASB 139. For credit-impaired exposures that are modelled collectively, ECL is measured as the product of the lifetime PD, LGD and EAD, adjusted for forward-looking information.

(iv) Purchased or originated credit-impaired

The ECL is measured as the product of the lifetime PD, LGD and EAD adjusted for forward-looking information or by discounting expected cash flows from the individual exposure by the credit-adjusted effective interest rate with increases and decreases in the measured ECL from the date of origination or purchase being recognised in profit or loss as an impairment expense or gain.

Credit impaired assets generally match the Australian Prudential Regulatory Authority (APRA) definition of default which includes exposures that are at least 90 days past due and where the obligor is unlikely to pay without recourse against available collateral.

(v) Simplified model for trade receivables and operating lease receivables

The Trust may choose to adopt a simplified model for these exposures which measures ECL under the Stage 2 approach unless the exposures are credit impaired in which case they would be measured under the Stage 3 approach.

Notes to the financial statements for the financial period ended 31 March 2017 (continued)

Note 2. Summary of significant accounting policies (continued)

(i) Basis of preparation (continued)

New Australian Accounting Standards and amendments to Accounting Standards that are not yet effective (continued)

Hedge accounting:

Hedge accounting under AASB 9 is more closely aligned with financial risk management, and may be applied to a greater variety of hedging instruments and risks.

Implementation Project:

A project was initiated in 2015 to manage the implementation of AASB 9 while considering all available accounting and regulatory guidance. A steering committee has been established that is responsible for governance of the project and includes senior executives from finance, risk and operations.

The key responsibilities of the steering committee include setting scope and milestones for the project, ensuring proper resourcing, setting accounting policy, making key project decisions and communicating the impact of the project.

The classification and measurement stream is focused on defining the significant business models and cash flow characteristics for all financial assets under the scope of AASB 9. Basis the initial assessment performed by the project team, the measurement change is not expected to result in a material change to equity.

The assessment and the transition adjustment to retained earnings is subject to the composition of financial assets held at the date of transition.

The impairment stream of the project is continuing to focus on the design and development of the ECL impairment model components for PD, LGD, EAD and SICR, including incorporating forward-looking information. The models are being ~~developed for retail and wholesale exposures separately which reflects the way the Trust manages credit risk.~~

The impairment stream is also focused on defining the operational requirements for the calculation of ECL and the design of the technology solution for tracking credit migration and calculating ECL.

Until the models have been developed and tested, the Trust is unable to provide a quantitative impact of the adoption of the standard.

The adoption of the hedge accounting requirements is not expected to have a material impact when compared to AASB 139.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces all current guidance on revenue recognition from contracts with customers. It requires identification of discreet performance obligations within a transaction and an associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of the goods or services are transferred to the customer. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probably that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.

AASB 15 also specifies the accounting treatment for costs incurred to obtain and fulfil a contract. Incremental costs are recognised as an asset if the Trust expects to recover them. Any capitalised contract costs are amortised on a systematic basis that is consistent with the transfer of the related goods and services.

The standard is effective for annual periods beginning on or after 1 January 2018. The Trust will first apply AASB 15 in the financial year beginning 1 April 2018 and will apply the standard retrospectively, recognising the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings.

Adoption of AASB 15 is not expected to have a material impact on the Trust.

Marked for the purpose of
Identification only
PRICEWATERHOUSECOOPERS
SYDNEY

Notes to the financial statements
for the financial period ended 31 March 2017 (continued)

Note 2. Summary of significant accounting policies (continued)

(ii) Enhanced Disclosure

The Trust purchased the legal rights to the cash flows from a portfolio of mortgages from MBL. This is accounted for as a failed sale under AASB 139. Accordingly MBL has not derecognised the mortgages and therefore the Trust does not recognise the mortgages nor does it recognise the securities that it issued to MBL.

Accordingly, if the Statement of financial position was to be presented gross then the following items would be recognised in the financial statements:

Statement of financial position
as at 31 March 2017

	2017 $
Assets	
Loan assets held at amortised cost[1]	1,349,855,366
Less: Collective provision for impairment	(165,054)
Total assets	**1,349,690,312**

[1]The balance represents mortgage loan assets expected to be recovered within twelve months after the balance date of $307,975,624 and $1,041,879,742 to be recovered more than twelve months after the reporting date.

Liabilities	
Debt issued to MBL[1]	1,322,640,942
Other liabilities	649,611
Total liabilities	**1,323,290,553**
Net receivable from MBL	**26,399,759**

[1]The balance represents term loan taken from MBL in EUR and AUD currency.

Of the above amount, $301,766,530 is expected to be settled within 12 months of the balance date and $1,020,874,412 to be recovered more than 12 months after the reporting date.

There are Covered Bonds of EUR 500m issued under MBL's Programme, collateralised against loan assets of MBL Covered Bond Trust. These are unsecured debt obligations that benefit from dual recourse to both MBL and the pool of home loans. MBL's Covered Bond programme is managed by Group Treasury and Trust Program Manager administers the cover pool of home loans.

Provision for impairment	
Collective provision	
Balance at the beginning of the financial period	-
Provided for during the period	(165,054)
Balance at the end of the financial period	**(165,054)**

Income statement
for the financial period ended 31 March 2017

	26 November 2015 to 31 March 2017 $
Interest and similar income	102,624,483
Interest expense and similar charges	(66,223,181)
Net interest and similar income from MBL (Note 3)	**36,401,302**

Notes to the financial statements for the financial period ended 31 March 2017 (continued)

Note 2. Summary of significant accounting policies (continued)

(iii) Foreign currency translations

Functional and presentation currency

The Trust's financial statements are presented in Australian dollars (the presentation currency), which is also the Trust's functional currency.

Transactions and balances

Foreign currency transactions are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gain and loss resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iv) Revenue and expense recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the each major revenue streams as follows:

Net interest income

Interest received as part of the interest premium that varies over the life of a stated income loan and deferred establishment fees has been brought to account on an accrual basis. All other interest income and expense arising from loans and deposits is brought to account using the effective interest method. The effective interest method calculates the amortised cost of a financial instrument and allocates the interest income or expense over the relevant period. The effective interest rate is that 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 net carrying amount of the financial asset or liability. Originator fees charged by the Trust Program Manager over the life of the loan, are recognised as interest income using the effective interest method.

Fees and commission income

Fees and commission income is brought to account as and when earned.

Fees and commission expense

The Trustee and the Trust Program Manager are entitled to a fee for performing their duties in respect of each collection period. Such fee is an amount agreed per the Trust Deed and Offer Memorandum and is payable in arrears on the distribution date following the end of the collection period.

(v) Distributions

In accordance with the Trust Deed, the Trust distributes its distributable income, and any other amounts determined by the Trust Program Manager, to the unitholder in cash. The distributions are recognised in the income statement as finance costs attributable to the unitholder.

(vi) Income Tax

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

(vii) Derivative instruments

Derivative instruments entered into by the Trust include swaps in the interest rate and foreign exchange markets. These derivative instruments are principally used for the risk management of existing financial assets and financial liabilities.

All derivatives, including those used for statement of financial position hedging purposes, are recognised on the statement of financial position and are disclosed as an asset where they have a positive fair value at balance date or as a liability where the fair value at balance date is negative.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Movements in the fair values of derivatives are recognised in the income statement in net trading income, unless the derivative meets the requirements for cash flow hedge accounting.

Marked for the purpose of
Identification only
PRICEWATERHOUSECOOPERS
SYDNEY

Notes to the financial statements
for the financial period ended 31 March 2017 (continued)

Note 2. Summary of significant accounting policies (continued)

(vii) Derivative instruments (continued)

The best evidence of a derivative's fair value at initial recognition is its transaction price, unless its fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. Where such evidence exists, the Trust recognises profits or loss immediately when the derivative is recognised.

(viii) Hedge accounting

The Trust designates certain derivatives or financial instruments as hedging instruments in qualifying hedge relationships. On initial designation of the hedge, the Trust documents the hedging relationship between hedging instruments and hedged items, as well as its risk management objectives and strategies. The Trust also documents its assessment, both at hedge inception and on an ongoing basis, of whether hedging relationships have been and will continue to be highly effective.

Cash flow hedge

For a derivative or financial instrument designated as hedging the variability in cash flows exposure attributable to a particular risk associated with a recognised asset or liability (or a highly probable forecast transaction), the gain or loss on the derivative or financial instrument associated with the effective portion of the hedge is initially recognised in OCI in the cash flow hedge reserve and subsequently released to the income statement when the hedged item affects the income statement. The gain or loss relating to the ineffective portion of the hedge is recognised immediately in the income statement. Movements in cash flow hedge reserve in equity are shown in note 8. The cash flow hedge reserve is included in net assets/(liabilities) attributable to

Cross currency swaps have been designated in a cash flow hedge relationship to hedge the currency risk associated with the foreign currency debt.

Fair value hedge

For a derivative or financial instrument designated as hedging the change in fair value of a recognised asset or liability, the gain or loss on the derivative or financial instrument is recognised in the income statement immediately together with the loss or gain on the hedged asset or liability that is attributable to the hedged risk.

Cross currency swaps have been designated in a cash flow hedge relationship to hedge the currency risk associated with the foreign currency debt except for the component of the swap relating to fair value movements arising from interest rate risk, which has been designated in a fair value hedge relationship.

(ix) Financial assets

Financial assets represents interest in mortgage loans secured by residential real estate that have been sold to the Trust by MBL. The related mortgage assets are not derecognised from MBL's Statement of Financial Position as they do not meet the de-recognition criteria set out under AASB 139. These assets are measured at amortised cost.

(x) Impairment

A provision for impairment is recognised when there is objective evidence of impairment, and is calculated based on the present value of expected future cash flows, discounted using the original effective interest rate.

Individually assessed provisions for impairment are recognised where impairment of individual loans are identified. Where individual loans are found not to be impaired, they are placed into pools of assets with similar risk profiles and collectively assessed for losses that have been incurred but not are yet specifically identifiable.

The Trust makes judgements as to whether there is any observable data indicating that there is a significant decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of the borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Changes in assumptions used for estimating future cash flows could result in a change in the estimated provisions for impairment on loan assets at the end of reporting period.

If, in a subsequent period, the amount of impairment losses decrease and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment losses are reversed through the income statement to the extent of what the amortised cost would have been had the impairment not been recognised.

An unrecoverable loan is written off, either partially or in full, against the related provision for loan impairment. This occurs when the Trust concludes that there is no reasonable expectation of recovering cash flows from the asset or the debtor and all possible collateral has been realised. Recoveries of loans previously written off are recorded based on the cash received.

Bad debts are written off in the period in which they are identified.

Notes to the financial statements for the financial period ended 31 March 2017 (continued)

Note 2. Summary of significant accounting policies (continued)

(x) Impairment (continued)

When the Trust concludes that there is no reasonable expectation of recovering cash flows from the loan asset and all possible collateral has been realised, the loan is written off, either partially or in full, against the related provision. Recoveries of loans previously written off are recorded based on the cash received.

Bad debts are written off in the period in which they are identified.

(xi) Other liabilities

Other liabilities includes liabilities and accrued expense owed by the Trust which are unpaid as at balance date. The distribution amount payable to the unitholder as at the reporting date is recognised separately on the statement of financial position when the unitholder is presently entitled to the distributable income under the Trust Deed.

(xii) Debt issued at amortised cost

The Trust has issued debt securities and instruments which are initially recognised at fair value net of transaction costs incurred, and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the financial period of the borrowings using the effective interest method.

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

The unitholder is entitled to the net income of the Trust following payment of Trust expenses, Trust Program Manager fee, payment to swap providers or liquidity facility providers and interest expenses of the Trust. This net income payment may further be subordinated to make any principal shortfalls. Following all payments being made under the cash flow waterfall, the unitholder is entitled to any residual. As a result, net assets/(liabilities) attributable to the unitholder are classified as financial liabilities/(assets).

Income/(expense) not distributed is included in net assets/(liabilities) attributable to the unitholder. Movements in net assets/(liabilities) attributable to the unitholder is recognised in the income statement as finance cost.

Where net assets/(liabilities) exist these mostly relate to swaps and this position is expected to reverse in the future.

(xiv) Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with banks.

(xv) Offsetting financial instruments

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

Notes to the financial statements for the financial period ended 31 March 2017 (continued)

	26 November 2015 to 31 March 2017 $
Note 3. Profit for the financial period	
Net interest income	
Net interest and similar income from MBL (Note 2(ii))	36,401,302
Interest income on receivable from financial institution	3,217,506
Interest expense and similar charges	(26,470,252)
Net interest income	13,148,556
Net fees and commission expense	
Fees and commission income	
Discharge and late fees	551,141
Account management fees	726,213
Other fees income	906,115
Fees and commission expense	
Management fees[1]	(5,314,832)
Trustee fees	(323,101)
Custody fees	(100,724)
Other expenses	(3,004,184)
Net fees and commission expense	(6,559,372)

[1]The management fees has been calculated as 25 basis points (inclusive of GST) on the monthly average bond balanse.

Net trading income	
Gain from derivatives	2,143,774
Net trading income	2,143,774
Other operating charges	
Loans and other assets provided for during the financial period	
- Collective provision provided for	(165,054)
Total other operating charges	(165,054)
Total operating income	8,567,904

The Trust has no employees.

	2017 $
Note 4. Receivables from financial institutions	
Cash at bank	14,743,705
Due from Parent	49,822,346
Total receivables from financial institutions	64,566,051

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

Note 5. Other financial assets	
Net receivables from MBL[1]	26,399,759
Others [2]	230,195
Total other financial assets	26,629,954

[1]The balance primarily represents mortgage loan assets that have been purchased by the Trust from MBL, but under accounting standards fail derecognition criteria, offset by debt taken from MBL. As a result, MBL continues to recognise the individual assets in its statement of financial position and the Trust has recorded a financial asset, a net receivable from MBL. Refer Note 2(ii) for details.

[2] The material portion of this balance represents government taxes.

Refer Note 2(ii) for maturity profile of the net receivables from MBL. The majority of the other amounts are expected to be settled within 12 months of the balance date by the Trust.

Marked for the purpose of identification only
PRICEWATERHOUSECOOPERS
SYDNEY

Notes to the financial statements
for the financial period ended 31 March 2017 (continued)

	2017 $
Note 6. Other liabilities	
Trustee fees	21,754
Others[1]	87,824
Creditors	12,593
Other related entities	
Management fees	280,432
Total other liabilities	**402,603**

[1] The material portion of this balance represents accrued facility fees, custody fees and enforcement expenses.
The majority of the above amounts are expected to be settled within 12 months of the balance date by the Trust

Note 7. Net liabilities attributable to the unitholder

Net liabilities attributable to the unitholder is represented by:	
Opening balance	-
Net proceeds from issue of units	100
Net operating income	8,567,904
Payment of distribution attributable for the period	(1,705,995)
Distribution payable	(9,410,947)
Transfer from cash flow hedge reserve (note 8)	(6,013,136)
Net liabilities attributable to the unitholder	**(8,562,074)**

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

Note 8. Reserves

Cash flow hedge reserve	
Balance at the beginning of the financial period	-
Revaluation movement for the financial period, net of tax	(6,013,136)
Transfer to unitholder	6,013,136
Balance at the end of the financial period	**-**

Note 9. Notes to the statement of cash flows

Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial period are reflected in the related items in the statement of financial position as follows:

Receivables from financial institutions[1]	64,566,051
Cash and cash equivalents at the end of the financial period	**64,566,051**

[1] Includes cash at bank and with MBL as per Note 4.

Notes to the financial statements
for the financial period ended 31 March 2017 (continued)

Note 10. Related party information

Parent

The immediate parent entity is Macquarie Bank Limited (MBL). The ultimate parent entity is Macquarie Group Limited.

Trust Program Manager

The Trust Program Manager of MBL COVERED BOND TRUST is Macquarie Securitisation Limited (MSL).

Key Management Personnel

The Directors' of the Trust Program Manager were having authority and responsibility for planning, directing and controlling activities of the Trust (Key Management Personnel – KMP) during the financial period ended 31 March 2017 unless otherwise indicated:

Name of Director	Appointed on	Resigned on
Andrew Hall	5 May 2014	-
Frank Nicholas Ganis	8 August 1995	2 June 2017
James Angus	1 August 2013	-
James Casey	3 March 2010	-

Remuneration to key management personnel

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

Transactions with related parties

	26 November 2015 to 31 March 2017 $
During the period, the following transactions were made with the parent entity:	
Distributions to the unitholder	**(11,116,942)**
Net interest and similar income from MBL (Note 3)	**36,401,302**
During the period, the following transactions were made with other related entity:	
Other fee and commission expense	
Management fees (Note 3)	**(5,314,832)**

Amounts receivable and payable to related entities are disclosed in Note 4, 5 and 6 to the financial statements. Transactions between the Trust and MSL result from normal dealings with that company as the Trust Manager.

The sole income unitholder in the Trust is MBL.

There are derivative transactions entered for economic hedging on an arm's length basis through companies within the Macquarie Group.

All transactions with related entities were made on normal commercial terms and conditions and at market rates except where indicated.

Notes to the financial statements
for the financial period ended 31 March 2017 (continued)

Note 11. Contingent liabilities and commitments

The Trust has no contingent liabilities or commitments which are individually material or a category of contingent liabilities or commitments which are material.

Note 12. Audit and other services provided by PricewaterhouseCoopers

The cost of auditor's remuneration for auditing services of $14,000 has been borne by Macquarie Group Services Australia Pty Limited, a wholly-owned subsidiary within the Macquarie Group. The auditors received no other benefits.

Note 13. Events after the reporting period

There were no material events subsequent to 31 March 2017 that have not been reflected in the financial statements.

Directors' Declaration

As stated in Note 2(i) to the financial statements, in the opinion of the Directors of the Trust Program Manager (Directors), the Trust is not a reporting entity because there are no users dependent on general purpose Financial Report. The Financial Report has been prepared in accordance with the Australian Accounting Standards and mandatory professional reporting requirements to the extent described in Note 2.

In the opinion of the Directors:

(a) the financial statements and notes set out on pages 2 to 18 are in accordance with the Trust Deed dated 13 July 1990, as amended, including:
(i) complying with the Australian Accounting Standards and regulations to the extent described in Note 2; and
(ii) giving a true and fair view of MBL COVERED BOND TRUST's financial position as at 31 March 2017 and of its performance for the financial period ended on that date; and

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

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

Director JAMES ANGUS

Sydney
28 June 2017

Marked for the purpose of identification only
PRICEWATERHOUSECOOPERS
SYDNEY

pwc

Independent auditor's report

To the unitholders of MBL COVERED BOND TRUST

Our opinion

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of MBL COVERED BOND TRUST (the Trust) as at 31 March 2017 and of its financial performance and its cash flows for the period 26 November 2015 to 31 March 2017 in accordance with Australian Accounting Standards to the extent described in note 2 and the Trust Deed dated 13 July 1990.

What we have audited

The financial report comprises:

- the statement of financial position as at 31 March 2017
- the statement of changes in equity for the period 26 November 2015 to 31 March 2017
- the statement of cash flows for the period 26 November 2015 to 31 March 2017
- the income statement and statement of comprehensive income for the period 26 November 2015 to 31 March 2017
- the notes to the financial statements, which include a summary of significant accounting policies
- the declaration of the directors of the Trust Program Manager.

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.

Emphasis of matter - basis of accounting and restriction on distribution and use

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to meet the requirements of the Trust Deed dated 13 July 1990. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Trust and should not be distributed to or used by parties other than the Trust. Our opinion is not modified in respect of this matter.

Marked for the purpose of identification only
PRICEWATERHOUSECOOPERS
SYDNEY

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

pwc

Responsibilities of management and the directors of the Trust Program Manager for the financial report

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards to the extent described in note 2 and the Trust Deed dated 13 July 1990 and, for such internal control as Management determine 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, Management 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 Management either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

The directors of the Trust Program Manager are responsible for overseeing the Trust's financial reporting process.

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_files/ar3.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

Rob Spring
Partner

Sydney
28 June 2017

Marked for the purpose of
Identification only
PRICEWATERHOUSECOOPERS
SYDNEY