LION SERIES 2020-1 TRUST
ABN: 84 762 901 052

ANNUAL REPORT

YEAR ENDED 31 DECEMBER 2022

Contents **Page**

Manager's report	1
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6
Manager's Statement	19
Trustee's Report	20
Independent Auditor's report	21

Manager’s Report

Trust Manager and Trustee
The Manager of the Trust for the reporting period was HSBC Bank Australia Limited (“the Manager” or “the Trust Manager”)’. The Trustee of the Trust for the reporting year was Perpetual Trustee Company Limited.

The Manager submits this report together with the General Purpose Financial Statements (“the Financial Statements”) of Lion Series Trust 2020-1 (“the Trust”), for the year ended 31 December 2022 (“the financial year”). The comparative period used in this report is from inception of the Trust (14 August 2020) to the period ended 31 December 2021 (“the period”).

Principal Activities
The Trust was established under the Lion Series Master Trust Deed. The principal activities of the Trust during the financial year were the holding of loan receivables from the Bank and the issue of medium term notes to fund these assets.

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

Review of Operations
The Trust’s recorded net profit for the year ended 31 December 2022 was nil (2021: $nil). The unitholders were entitled to distributions of $3,613,003 (2021: $5,473,283).

State of Affairs
The Trust was established on 14 August 2020, and on 22 September 2020, the Trust issued $1 billion of residential mortgage backed securities. There have been no other significant changes in the nature of the Trust’s activities during the year.

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

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

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

Rounding of amounts
All amounts have been rounded to the nearest thousand dollars, unless indicated to the contrary.

Signed on behalf of the Manager

Antony Shaw
Executive Director and Chief Executive Officer
HSBC Bank Australia Limited.

27 April 2023

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year Ended 31 December 2022	Period from 14 August 2020 to 31 December 2021
		$'000	$'000
Interest income – related party		17,790	19,719
Interest expense on notes		(12,481)	(11,329)
Net interest income		**5,309**	**8,390**
Operating Expenses	2	(1,670)	(2,879)
Loan impairment expense		(26)	(37)
Distribution to residual unit holder		(3,613)	(5,474)
Profit from operating activities		-	-
Other Comprehensive Income		-	-
Total Comprehensive Income		-	-
Change in net assets attributable to unit-holders		-	-

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

LION SERIES 2020-1 TRUST

STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2022 $'000	31 December 2021 $'000
Assets			
Cash at bank		150	150
Other assets	5	1,888	1,471
Loan and other receivables	6	467,913	634,267
Total Assets		469,951	635,888
Liabilities			
Trade and other payables	7	2,095	1,514
Financial liabilities	8	467,856	634,374
Trust Corpus[1]		-	-
Total Liabilities		469,951	635,888
Net assets		-	-

[1]Trust Corpus of $130 is rounded to $nil.

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

STATEMENT OF CHANGES IN EQUITY

	Equity $'000
Balance as at 1 January 2022	-
Balance at 31 December 2022	-
Balance at 31 December 2021	-

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

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

STATEMENT OF CASH FLOWS

	Notes	For the year ended 31 December 2022 $'000	For the period ended 31 December 2021 $'000
Cash flows from operating activities			
Operating profit for the financial year / period		-	-
Net impairment movement		26	37
Net movements on financial liabilities		(26)	(37)
Increase in interest receivable		(414)	(1,425)
Increase in other assets		(3)	(46)
Increase in interest payable		361	177
Increase in other liabilities		220	1,337
Net cash flow from operating activities		164	43
Cash flows from investing activities			
Loan to HSBC Bank Australia Limited		-	(1,000,000)
Receipts on loans to HSBC Bank Australia Limited		166,328	365,696
Net cash flows from investing activities		166,328	(634,304)
Cash flows from financing activities			
Issuance of units		-	-
Issuance of notes		-	1,000,000
Repayment of notes		(166,492)	(365,589)
Net cash flow from financing activities		(166,492)	634,411
Net Increase in cash at bank		-	150
Cash at bank at beginning of the financial year / period		150	-
Cash at the bank at end of the financial year / period		150	150

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

1. **Summary of significant accounting policies**

(a) General information

Lion Series 2020-1 Trust ("the Trust") was constituted on 14 August 2020 and established under the Master Trust Deed dated 20 August 2020 ("the Master Trust Deed") and Series Supplement dated 20 September 2020 ("the Series Supplement").

The principal activity of the Trust during the financial year ended on 31 December 2022 was to act as a special purpose vehicle for securitisation of a mortgage loan portfolio of HSBC Bank Australia Limited (the "Bank" or "HSBC). The Bank is the Manager and the Servicer of the Trust. Perpetual Limited is the Trustee of the Trust. The Bank is the capital unitholder, the residual income unitholder and the parent of the Trust.

Under the terms of the securitisation, the Trust has issued bonds based on the value of the loan portfolio that was securitised. These bondholders receive interest income and principal repayments over the term of the transactions. The Bank receives any residual cash form the Trust after all disbursements.

The Trust will terminate on its Termination Date unless terminated earlier in accordance with the provisions of the Master Trust Deed and the Series Supplement. The Termination Date means the earliest of the following dates to occur:

i. the day before the eightieth anniversary of the date it begins; and
ii. the date on which the Manager notifies the Trustee that it is satisfied that the Secured Money of that Trust has been unconditionally and irrevocably repaid in full.

The Trust is registered and domiciled in Australia and the address of the Trust's registered office is L36 One International Towers, 100 Barangaroo Avenue, Sydney NSW 2000, Australia.

(b) Basis of preparation

The Financial Statement is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs'), including Australian interpretations, adopted by the Australian Accounting Standards Board. The Trust is a for-profit entity for the purpose of preparing the financial statements.

The Financial Statements also comply with International Financial Reporting Standards ('IFRS') and interpretations adopted by the International Accounting Standards Board.

The Financial Statements are presented in Australian Dollars which is the Trust's functional currency.

Amounts in the financial statements have been rounded, where appropriate, to the nearest thousand dollars except where otherwise stated.

The Financial Statements have been prepared on a historical cost basis.

(c) New Accounting Standards and Future Accounting Developments

New and Amended standards adopted by the Trust
AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for certain For-Profit Private Sector Entities
For periods beginning from 1 July 2021, *AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for certain For-Profit Private Sector*

Entities ("AASB2020-2") removes the ability of most for-profit entities to be able to self-assess financial reporting requirements and prepare Special Purpose Financial Statements ("SPFS"). Upon adoption, they will need to prepare General Purpose Financial Statements ("GPFS"), either full disclosure GPFS or a new Tier 2 GPFS that comply with all recognition and measurement requirements in Australian Accounting Standards (AAS) (as per *AASB1060 General Purpose Financial Statements – Simplified Disclosure for For-Profit and No-for-Profit Tier 2 Entities*).

The Trust has adopted the amendments with effect from 1 January 2022 and prepared full disclosure GPFS for the year ended on 31 December 2022. There is no change to the recognition and measurement of the classes of transactions or financial statements line items as a result of adoption of AASB 2020-2. The following notes have been added to comply with the amendments:

- Note 3 Provision for impairment losses
- Note 9 Financial risk management
- Note 10 Key management personnel
- Note 11 Related party transactions

The current Financial Statements are the first annual financial report of the Trust prepared in accordance with Australian Accounting Standards and interpretations. Including AASB 1 First time Adoption of Australian Accounting Standards ("AASB 1"), with 1 January 2022 as the transition date.

The Financial Statements for the period ended 31 December 2021 were prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards only. Adoption of AASB 1 by the Trust did not have any impact on the financial position, financial performance and cash flows of the Trust. As such these financial statement do not include an opening balance sheet.

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

(d) Offsetting

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

(e) Revenue and expense recognition

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

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

Interest income
Interest income on loans and other receivables is measured using the effective interest method. The effective interest method calculates the amortised cost of a financial instrument, and allocates the interest over the expected life of the financial instrument. Fees and transaction costs integral to loan origination are capitalised and included in interest income recognised over the expected life of the loan.

Interest Expense
Finance costs relating to the issued notes are measured on an accrual basis using the effective interest method.

(f) Income Tax

Under current legislation, the Trust is not subject to income tax, as the Trust fully distributes its distributable income, calculated in accordance with the Trust Constitution and applicable legislation, to unit-holders who are presently entitled to income under the Constitution. No tax expense is recognised in the Trust as the contribution to the HSBC tax consolidated group's tax liability from the distributable income is made by the beneficiary of the distribution, not the Trust itself.

The timing and amount of the residual income payments cannot be reliably measured because of the significant uncertainties inherent in estimating future movements in the repayment rates on the underlying mortgage loans and the mortgage loan interest margins. Consequently, future residual income payments are not recognised as liabilities.

(g) Cash and cash equivalents

Cash and cash equivalents presented in the Financial Statements comprise cash at bank. They are initially recognised at fair value and subsequently measured at amortised cost.

Extraordinary Expense Reserve
An extraordinary expense reserve was provided to meet possible shortfalls in the payment of interest on the notes and senior expenses in the event where all available facilities have been exhausted. The extraordinary expense reserve is $150,000 (2021: $150,000).

(h) Financial assets and Liabilities

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

- Loans and other receivables
- Other assets
- Liabilities at amortised cost – interest bearing liabilities
- Derivatives

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

Under Australian Accounting Standards, based on the arrangements between the Bank and the Trust, securitised loans originated by the Bank and held by the Trust, are not permitted to be derecognised from the Bank's Financial Statements. Accordingly, transactions and balances have been classified as intra-group assets, liabilities, revenues and expenses. Securitised mortgage loans are classified as loans to the Bank.

Expected Credit Losses
Expected credit losses ('ECL') are recognised for loans and advances and other financial assets held at amortised cost.

At initial recognition, allowance is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) ('12-month ECL'). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12- month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit impaired are in 'stage 3'.

Unimpaired and without significant increase in credit risk (stage 1)
ECL resulting from default events that are possible within the next 12 months are recognised for financial instruments that remain in stage 1.

Significant increase in credit risk (stage 2)
An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment explicitly or implicitly compares the risk of default occurring at the reporting date compared with that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. The assessment is unbiased, probability-weighted, and to the extent relevant, uses forward-looking information consistent with that used in the measurement of ECL. The analysis of credit risk is multifactor.

For retail portfolios, the Bank assesses default risk using a reporting date 12-month PD derived from credit scores which incorporate all available information about the customer. This PD is adjusted for the effect of macroeconomic forecasts for periods longer than 12 months and is considered to be a reasonable approximation of a lifetime PD measure. The stage 2 accounts are defined as accounts with an adjusted 12- month PD greater than the average 12-month PD of loans in that portfolio 12 months before they become 30 days past due. The expert credit risk judgement is that no prior increase in credit risk is significant.

Credit impaired (stage 3)
The Bank determines that a financial instrument is credit impaired and in stage 3 by considering relevant objective evidence, primarily whether:
• contractual payments of either principal or interest are past due for more than 90 days;
• there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
• the loan is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due, even where regulatory rules permit default to be defined based on 180 days past due. Therefore, the definitions of credit impaired and default are aligned as far as possible so that stage 3 represents all loans which are considered defaulted or otherwise credit impaired.

Interest income is recognised by applying the effective interest rate to the amortised cost amount, i.e. gross carrying amount less ECL allowance.

Measurement of ECL
The Trust utilises the same models and approach to ECL calculation as the Bank.

The assessment of credit risk, and the estimation of ECL, are unbiased and probability-weighted, and incorporate all available information that is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

In general, the Bank calculates ECL using three main components, a PD, a loss given default ('LGD') and the exposure at default ('EAD').

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively. The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

Forward-looking economic inputs
The Bank will in general apply three forward-looking global economic scenarios determined with reference to external forecast distributions, the consensus economic scenario approach. This approach is considered sufficient to calculate unbiased expected loss in most economic environments. In certain economic environments, additional analysis may be necessary and may result in additional scenarios or adjustments, to reflect a range of possible economic outcomes sufficient for an unbiased estimate.

Four economic scenarios have been used to capture the exceptional nature of the current economic environment and to articulate management's view of the range of potential outcomes. Scenarios produced to calculate ECL are aligned to HSBC's Top and Emerging Risks. Starting Q4 2021, HSBC's methodology has been adjusted so that the use of four scenarios, of which two are downside scenarios, is the standard approach to ECL calculation. The second downside scenario is known as the 'Downside 2' scenario.

Three of these scenarios are drawn from consensus forecasts and distributional estimates. The Central scenario is deemed the 'most likely' outcome, and usually attracts the largest probability weighting, while the outer scenarios represent the tails of the distribution which are less likely to occur. The Central scenario is created using the average of a panel of external forecasters. Consensus Upside and Downside scenarios are created with reference to distributions for select markets that capture forecasters' views of the entire range of outcomes. In the later years of the scenarios, projections revert to long-term consensus trend expectations. In the consensus outer scenarios, reversion to trend expectations is done mechanically with reference to historically observed quarterly changes in the values of macroeconomic variables. The fourth scenario, Downside 2, is designed to represent Management's view of severe downside risks. It is a globally consistent, narrative driven, scenario that explores more extreme economic outcomes than those captured by the consensus scenarios. In this scenario, variables do not, by design, revert to long-term trend expectations. They may instead explore alternative states of equilibrium, where economic activity moves permanently away from past trend.

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

iii) Liabilities at amortised cost – interest bearing liabilities
Interest bearing liabilities comprise of Australian dollar denominated medium term notes issued by the Trust. Interest bearing liabilities are initially measure at fair value using direct and incremental costs and subsequently measured at amortised cost using the effective interest method.

iv) Derivatives
The Trust is party to derivative instruments that comprise of interest rate swaps to manage exposure to interest rate risk. These are used to hedge certain assets and liabilities.

Under Australian Accounting Standards, securitised loans originated by the Bank and held by the Trust, are not permitted to be derecognised from the Bank's Financial Statements. Derecognition is not permitted as a consequence of the interest rate swaps and the holding of the residual income unit entitlements, which mean that the Bank is exposed to substantially all of the risks and rewards of the securitised loans. Under AASB9 the Bank and the Trust should therefore not separately recognise the interest rate swaps in its entity-level Financial Statements.

Interest rate swaps and associated payments/receipts are therefore treated as part of imputed loans and intra-group interest.

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

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

(i) Trust Capital

Under the Master Trust Deed and the Notice of Creation of Trust, the Trust has two classes of units: the Residual Income unit and the Residual Capital unit. All units are held by the Bank.

The Residual Income Unit is classified as a liability as it has a contractual entitlement under the Master Trust Deed and the Notice of Creation of Trust to receive payment of net taxable income in each year / period.

The Residual Capital Unit is classified as a liability as its only right is to the remaining assets after all notes have been redeemed and all other creditors have been paid on termination of the trust.

The Trust has been structured to earn a net interest income in each period. Non-cash losses are retained in the Trust and are expected to reverse over time. The classification of trust corpus does not alter the underlying economic interest of the unitholders in the net assets/liabilities and profit or loss attributable to the unitholders of the Trust.

(j) Critical judgements and estimates

The preparation of the Trust's financial report requires the use of judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future may differ from those reported.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year / period in which the estimate is revised if the revision affects only that year/ period, or in the period of the revision and future years / periods if the revision affects both current and future years / periods.

Critical accounting judgements and estimates are involved in calculating ECLs (refer to note 1 (h) for details on ECL assumptions made). No other transactions or balances were subject to critical estimates or judgements during the financial year.

2. Operating expenses

	2022 $'000	2021 $'000
Manager and servicer fees – related entity	1,441	2,519
Liquidity and redraw facility fees – related entity	42	73
Trustee Fees	85	148
Other expenses	102	139
	1,670	2,879

3. Provision for impairment losses

	2022 $'000	2021 $'000
Collective provision		
Opening balance	37	-
Change in collective provision	26	37
Closing balance	63	37
Total provision for impairment loss	63	37

The majority of the credit exposures as at 31 December 2022 are classified in Stage 1 $391,965,850 (2021: $615,404,936) with the remaining in Stage 2 $74,391,936 (2021: $17,912,828) and Stage 3 $1,561,080 (2021: $1,093,309).

4. Auditor's remuneration

The costs of auditor's remuneration for auditing services being $21,104 have been borne by the Bank.

5. Other assets

	2022 $'000	2021 $'000
Interest receivable on loans to the Bank	1,839	1,425
Prepaid expenses	49	46
	1,888	1,471

The amounts are due to be received within twelve months of the Balance Sheet date. As at 31 December 2022, there were no overdue amounts (2021: $nil).

6. Loan and other receivables

	2022	2021
	$'000	$'000
Loans to the Bank[1]	467,976	634,304
Less: Provision for impairment losses	(63)	(37)
	467,913	634,267

[1]Of the above amount, $106,242,950 (2021: $144,979,747) is expected to be recovered within twelve months of the reporting date and the remaining $361,733,356 (2021: $489,324,241) is expected to be recovered after twelve months of the reporting date by the Trust.

7. Trade and other payables

	2022	2021
	$'000	**$'000**
Interest payable – issued notes	538	177
Distribution payable	1,362	1,133
Accrued expenses – related entities	34	42
Trustee fees payable	2	3
Other accrued expenses	9	9
Expense reserve payable – related entity	150	150
	2,095	1,514

Out of the total trade and other payables, $1,945,146 (2021: $1,363,942) is due to be settled within twelve months. As at 31 December 2022, there were no overdue amounts (2021: $nil).

8. Financial Liabilities

	2022	2021
	$'000	**$'000**
Issued notes[1]	467,919	634,411
Change in estimated financial liabilities	(63)	(37)
	467,856	634,374

Class A1 $392,388,992 (2021: $554,411,073) and A2 $28,323,703 (2021: $30,000,000) notes are listed on the ASX.

[1]Of the above amount, $106,185,510 (2021: $145,086,832) is expected to be settled within twelve months of the reporting date and the remaining $361,733,356 (2021: $489,324,241) is expected to be settled after twelve months of the reporting date by the Trust.

9. Financial risk management

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

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

(a) Market risk

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

In relation to the Trust interest rate risk arises due to the pricing on the underlying mortgage assets not matching the pricing of interest bearing liabilities. Interest rate risk is the current and prospective impact of changes in interest rates to which the Trust's earnings are exposed. The Trust mitigates interest rate risk by entering into a series of interest rate swaps with the Bank by transferring cash inflows from underlying mortgage assets and in return receives cash flows based on the Bank Bill Swap rate plus a margin sufficient to meet the interest commitments on the loans from the Bank, associated swaps and fee payable. The margin payable is calculated based on a weighted average margin of the liabilities to the Bank for each distribution period and also includes a margin for fees payable to the Bank.

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

(b) Credit risk

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

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

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

	2022 $'000	**2021 $'000**
Cash and cash equivalents		
Counterparties with external credit rating (S&P Global Ratings)		
A+: HSBC Bank Australia	150	150
	150	150
Other assets		
Counterparties with external credit rating (S&P Global Ratings)		
A+: HSBC Bank Australia	1,839	1,425
	1,839	1,425

	2022 $'000	2021 $'000
Loans and other receivables		
Counterparties with external credit rating *(S&P Global Ratings)*		
A+: HSBC Bank Australia	467,976	634,304
	467,976	634,304

All the financial assets are held within Australia, all of which are held with the parent entity.

Details of the ECL model applied by the Trust, as well as impairment on receivables, are provided in Note 1(h) and Note 3 respectively.

(c) Liquidity risk

Liquidity risk is the risk of being unable to meet financial obligations as they fall due. Liquidity risk may arise as the maturity profile of the mortgage assets does not match the maturities of the issued notes. For this reason, a liquidity facility is provided by the Bank for the purpose of funding certain income shortfalls in the Trust up to the facility limited specified in Note 12(a).

Maturity analysis of financial liabilities
Amounts shown in the tables below are based on contractual undiscounted cash flows for the remaining contractual maturities.

	0-3 months $'000	3-12 months $'000	1-5 years $'000	over 5 years $'000	Total $'000
As at 31 December 2022					
Financial liabilities					
Distribution payable - related entity	1,362	-	-	-	1,362
Manager and servicer fees - related entity	33	-	-	-	33
Liquidity and redraw facility fees – related entity	1	-	-	-	1
Expense reserve payable – related entity	-	-	-	150	150
Other payables	11	-	-	-	11
Issued notes interest payable	4,744	12,752	38,352	5,201	61,049
Issued notes	29,161	77,025	232,534	129,199	467,919
Total financial liabilities	35,312	89,777	270,886	134,550	530,525

	0-3 months $'000	3-12 months $'000	1-5 years $'000	over 5 years $'000	Total $'000
As at 31 December 2021					
Financial liabilities					
Distribution payable - related entity	1,133	-	-	-	1,133
Manager and servicer fees - related entity	41	-	-	-	41
Liquidity and redraw facility fees – related entity	1	-	-	-	1
Expense reserve payable – related entity	-	-	-	150	150
Other payables	12	-	-	-	12
Issued notes interest payable	1,744	4,799	14,697	3,560	24,800
Issued notes	39,876	105,211	316,143	173,181	634,411
Total financial liabilities	42,807	110,009	330,840	176,891	660,547

(d) Fair value estimation

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

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

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

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

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

Management's assessment of the fair value of the loans to parent entity and issued notes is deemed to be materially consistent with their carrying value. The fair value of all other financial assets and liabilities approximates their carrying value as at 31 December 2022 and 31 December 2021 due to their short-term nature. Financial assets and liabilities are predominantly classified as level 3 in the fair value hierarchy except for the issued notes which are classified as level 2.

10. Key management personnel

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

Grant King, Non-executive Director and Chairman
Carol Austin, Non-executive Director (resigned 31 January 2022)
Philip Fellowes, Non-executive Director (appointed 14 July 2022)
Kaber Mclean, Executive Director and Chief Executive Officer (resigned 31 August 2022)
Kenneth Ng, Non-executive Director
Gail Pemberton, Non-executive Director
Surendranath Rosha, Non-executive Director (resigned 14 July 2022)
Antony Shaw, Executive Director and Chief Executive Officer (appointed 1 September 2022)
Jann Skinner, Non-executive Director
Geoff Wilson, Non-executive Director

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

None of the key management personnel hold any shares, options or other interests in the Trust.

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

There were no other transactions between the Manager and KMP during the financial year.

Loans and other transactions
Any loans to KMP or other related parties are made by the Bank, a provider of finance on terms and conditions that apply to similar transaction with other Directors or employees of the Bank. There were no loans provided to any KMP or their related parties for the year ended 31 December 2022.

There are no other transactions with KMP during the financial year.

11. Related party transactions

Parent entity
The parent entity is the HSBC Bank Australia Limited.

Transaction with related parties

Manager and Servicing Fees
The Trust pays management and servicing fees to the parent entity of the Trust. The fees are calculated at the rate agreed between the Trust and the parent entity, applied to the balance of the issued notes issued by the Trust in the determination period. The determination period is the period between the twenty second day of the month and the twenty first day of the following month.

Liquidity facility fees
The Trust also pays liquidity facility fees to the parent entity. The fee is calculated at the rate agreed between the Trust and the parent entity, applied to the undrawn balance of the liquidity facility issued by the Bank in the determination period.

	2022 **$**	**2021** **$**
The following transactions occurred with related parties:		
Revenue		
Parent entity:		
Interest income	17,789,767	19,718,709
Total revenue from continuing operations	17,789,767	19,718,709

	2022 **$**	**2021** **$**
Expenses		
Parent entity:		
Manager and servicer fees	1,441,104	2,518,765
Liquidity and redraw facility fees	41,532	73,251
Total expenses	1,482,636	2,592,016

	2022 $	2021 $
Assets		
Parent entity:		
Cash at bank	150,130	150,130
Collections of principal, interest and fees receivable from ultimate parent entity	1,838,794	1,424,698
Loans to ultimate parent entity	467,976,306	634,303,988
Less: Provision for impairment losses	(62,926)	(36,842)
Total assets	469,902,303	635,841,974

	2022 $	2021 $
Liabilities		
Parent entity:		
Distribution Payable	1,361,783	1,133,009
Accrued expenses – related entities	34,290	41,845
Expense reserve payable – related entity	150,000	150,000
Total liabilities	1,546,073	1,324,854

12. Financing Facilities

The Trust has access to a liquidity facility for the purpose of funding certain income shortfalls in the Trust up to the facility limit of $ 4,667,152 (2021: $6,344,111). The amount drawn under the facility at period end was $nil (2021: $nil).

13. Contingent liabilities, contingent assets and commitments

There were no outstanding contingent liabilities, contingent assets or commitments as at 31 December 2022 (2021: $nil).

14. Events subsequent to the balance sheet date

There were no significant events subsequent to the reporting date.

Manager's Statement

In the opinion of the Manager:

i) the Financial Statements and Notes thereto comply with applicable Accounting Standards to the extent described in Note 1 and the Security Trust Deed dated 14 August 2020;
ii) the Financial Statements and Notes thereto give a true and fair view of the Trust's financial position at the 31 December 2022 and of its performance for the financial year 1 January 2022 to 31 December 2022;
iii) the Financial Statements also comply with International Financial Reporting Standards as disclosed in Note 1(b).
iv) The Trust operated during the year ended 31 December 2022 in accordance with the provisions of the Master Trust Deed and the Series Supplement; and
v) There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Signed on and on behalf of HSBC Bank Australia Limited as Manager of Lion Trust Series 2020-1.

Antony Shaw
Executive Director and Chief Executive Officer
HSBC Bank Australia Limited.
Sydney

27 April 2023

LION SERIES 2020-1 TRUST

Trustee's Report

The General Purpose Financial Statements for the financial year ended 31 December 2022 have been prepared by the Trust Manager, HSBC Bank Australia Limited, as required by the Security Trust Deed for distribution to the Trustee.

The auditor of the Trust, PricewaterhouseCoopers, who has been appointed by the Manager, has conducted an audit of these Financial Statements.

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

i) The Trust has been conducted in accordance with the Master Trust Deed and the Series Supplement; and
ii) The Financial Statements have been appropriately prepared and contain all relevant and required disclosures.

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

In making this statement, the Trustee has relied upon information, representations and warranties provided by the Trust Manager.

Signed for and on behalf of Perpetual Trustee Company Limited as Trustee of Lion Trust Series 2020-1.

……………………………………
Nathan Gale

Independent auditor's report

To the unitholders of Lion Series 2020-1 Trust

Our opinion

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of Lion Series 2020-1 Trust (the Trust) as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards to the extent described in Note 1 of the financial report.

What we have audited

The financial report comprises:

- the statement of financial position as at 31 December 2022
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the Manager's statement.

Basis for opinion

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

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

Independence

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

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

We draw attention to Note 1 in the financial report, which describes the basis of accounting. The financial report has been prepared to assist the directors of HSBC Bank Australia Limited (the Trust Manager) in meeting the requirements of the Lion Series Master Security Trust Deed dated 14 August 2020. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for Lion Series 2020-1 Trust and its unitholders and should not be used by parties other than Lion Series 2020-1 Trust and its unitholders. Our report should not be distributed to parties other than Lion Series 2020-1 Trust, its Trustee, its noteholders and its unitholders. Our opinion is not modified in respect of this matter.

Other information

The directors of the Trust Manager are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2022, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the 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 to the extent described in Note 1 of the financial report, and for such internal control as the directors of the Trust Manager determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. The directors of the Trust Manager have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the needs of the unitholders.

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

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Ashley Wood

A S Wood
Partner

Sydney
27 April 2023