Westpac NZ Covered Bond Limited

Annual report

For the year ended 30 September 2026

Westpac NZ Covered Bond Limited

Contents

Directors' report 2
Statement of comprehensive income 3
Balance sheet 3
Statement of changes in equity 3
Statement of cash flows 4
Notes to the financial statements 5
Independent auditor's report 15

This Annual Report covers Westpac NZ Covered Bond Limited (the '**Company**') as an individual entity.

Westpac NZ Covered Bond Limited is a company limited by shares, incorporated and domiciled in New Zealand. Its registered office is:

Westpac on Takutai Square
16 Takutai Square
Auckland

The members of the board of Directors of the Company ('**Board**') as at the signing date of these financial statements are Euan Hamilton Abernethy, Stephen Richard O'Brien, and Oliver Christopher Williams.

Westpac NZ Covered Bond Limited

Directors' report

Pursuant to section 211(3) of the Companies Act 1993, the shareholder of the Company has agreed that the Annual Report of the Company need not comply with the requirements of paragraphs (a), and (e) to (j) of subsection (1) and subsection (2) of section 211.

Accordingly, there is no information to be included in the Annual Report other than the financial statements for the year ended 30 September 2026 and the independent auditor's report on those financial statements.

For and on behalf of the Board of Directors:



Director
10 November 2026



Director
10 November 2026

Westpac NZ Covered Bond Limited

Statement of comprehensive income for the year ended 30 September 2026

	Note	2026 $'000	2025 $'000
Interest income		**251,362**	355,363
Interest expense		**(262,933)**	(365,212)
Net interest expense	2	**(11,571)**	(9,849)
Non-interest income	3	**13,514**	11,597
Total non-interest income		**13,514**	11,597
Net operating income before operating expenses		**1,943**	1,748
Operating expenses	4	**(1,830)**	(1,637)
Profit before income tax expense		**113**	111
Income tax expense	6	**–**	-
Profit after income tax expense		**113**	111
Other comprehensive income (net of tax)		**–**	-
Total comprehensive income for the year		**113**	111

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

Balance sheet as at 30 September 2026

	Note	2026 $'000	2025 $'000
Assets			
Cash and cash equivalents	9	**1,478,014**	1,423,886
Receivables due from related entities	7, 9	**6,046,380**	6,101,540
Total assets		**7,524,394**	7,525,426
Liabilities			
Payables due to related entities	9	**7,524,053**	7,525,098
Total liabilities		**7,524,053**	7,525,098
Net assets		**341**	328
Shareholder's equity			
Share capital	8	**1**	1
Retained profits		**340**	327
Total shareholder's equity		**341**	328

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity for the year ended 30 September 2026

		Attributable to owners of the Company		
		Share Capital	Retained Profits	Total
	Note	$'000	$'000	$'000
As at 1 October 2024		1	316	317
Year ended 30 September 2025				
Profit after income tax expense		–	111	111
Total comprehensive income for the year		–	111	111
Transactions with the owners:				
Dividends paid on ordinary shares	8	–	(100)	(100)
As at 30 September 2025		1	327	328
Year ended 30 September 2026				
Profit after income tax expense		**–**	**113**	**113**
Total comprehensive income for the year		**–**	**113**	**113**
Transactions with the owners:				
Dividends paid on ordinary shares	8	**–**	**(100)**	**(100)**
As at 30 September 2026		**1**	**340**	**341**

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

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Westpac NZ Covered Bond Limited

Statement of cash flows for the year ended 30 September 2026

	Note	2026 $'000	2025 $'000
Cash flows from operating activities			
Interest income received		**252,400**	366,082
Guarantee fees received		**13,464**	11,300
Interest expense paid		**(263,982)**	(379,145)
Operating expenses paid		**(1,826)**	(1,618)
Net cash provided by/(used in) operating activities	12	**56**	(3,381)
Cash flows from investing activities			
Principal collection from underlying housing loans		**1,568,783**	1,420,017
Purchase of housing loans to replenish/increase the cover pool		**(1,514,611)**	(1,618,770)
Net cash provided by/(used in) investing activities		**54,172**	(198,753)
Cash flows from financing activities			
Dividends paid on ordinary shares	8	**(100)**	(100)
Net cash provided by/(used in) financing activities		**(100)**	(100)
Net increase/(decrease) in cash and cash equivalents		**54,128**	(202,234)
Cash and cash equivalents at beginning of the year		**1,423,886**	1,626,120
Cash and cash equivalents at end of the year	9	**1,478,014**	1,423,886

The above statement of cash flows should be read in conjunction with the accompanying notes. Details of the reconciliation of net cash provided by/(used in) operating activities to profit after income tax expense are provided in Note 12.

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Westpac NZ Covered Bond Limited

Notes to the financial statements

Note 1. Financial statements preparation

These financial statements were authorised for issue by the Board on 10 November 2026. The Board has the power to amend and reissue the financial statements.

The Company is a special purpose entity which was set up to purchase and hold housing loans ('**cover pool**') and to provide financial guarantees of the covered bonds issued from time to time by Westpac Securities NZ Limited ('**WSNZL**') under Westpac New Zealand Limited's ('**WNZL**') Global Covered Bond programme ('**CB Programme**'). The accounting policies are set out below and in the relevant notes to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

a. Basis of preparation

(i) Basis of accounting

These financial statements are general purpose financial statements prepared in accordance with the requirements of the Financial Conduct Authority UK Listing Rules and comply with Generally Accepted Accounting Practice, applicable New Zealand equivalents to International Financial Reporting Standards ('**NZ IFRS**') and other authoritative pronouncements of the External Reporting Board ('**XRB**'), as appropriate for for-profit entities. These financial statements also comply with IFRS Accounting Standards, as issued by the International Accounting Standards Board.

All amounts in these financial statements have been rounded to the nearest thousand of New Zealand dollars unless otherwise stated.

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention.

(iii) Standards adopted during the year ended 30 September 2026

No new accounting standards have been adopted by the Company for the year ended 30 September 2026. There have been no amendments to existing accounting standards that have had a material impact on the Company.

(iv) Foreign currency translation

Functional and presentation currency

These financial statements are presented in New Zealand dollars which is the Company's functional and presentation currency.

Transactions and balances

There are no transactions or balances denominated in foreign currencies.

b. Financial assets and financial liabilities

(i) Recognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the terms of the contract, which is generally on the settlement date (the date payment is made or cash is advanced).

(ii) Classification and measurement

Financial assets

The Company classifies its financial assets at amortised cost, which include cash and cash equivalents and receivables due from related entities.

Financial assets are classified based on a) the business model within which the assets are managed, and b) whether the contractual cash flows of the instrument represent solely payments of principal and interest ('**SPPI**').

The Company determines the business model at the level that reflects how groups of financial assets are managed. When assessing the business model, the Company considers factors including how performance and risks are managed, evaluated and reported and the frequency and volume of, and reason for, sales in previous periods and expectations of sales in future periods.

When assessing whether contractual cash flows are SPPI, interest is defined as consideration primarily for the time value of money and the credit risk of the principal outstanding. The time value of money is defined as the element of interest that provides consideration only for the passage of time and not consideration for other risks or costs associated with holding the financial asset. Terms that could change the contractual cash flows so that they may not meet the SPPI criteria include contingent and leverage features, non-recourse arrangements, and features that could modify the time value of money.

Financial liabilities

The Company classifies its financial liabilities at amortised cost, which include payables due to related entities.

Financial assets and financial liabilities are recognised initially at fair value plus or minus directly attributable transaction costs respectively.

Further details of the accounting policy for each category of financial asset or financial liability mentioned above is set out in the note for the relevant item.

The Company's policies for determining the fair value of financial assets and financial liabilities are set out in Note 11.

(iii) Derecognition

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

There may be situations where the Company has partially transferred the risks and rewards of ownership but has neither transferred nor retained substantially all the risks and rewards of ownership. In such situations, the asset continues to be recognised on the balance sheet to the extent of the Company's continuing involvement in the asset.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts recognised in the profit or loss.

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Notes to the financial statements

Note 1. Financial statements preparation (continued)

The terms are deemed to be substantially different if the discounted present value of the cash flows under the new terms (discounted using the original effective interest rate) is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Qualitative factors such as a change in the currency the instrument is denominated in, a change in the interest rate from fixed to floating and conversion features are also considered.

(iv) Impairment of financial assets

Impairment charges are based on an expected loss model which measures the difference between the current carrying amount and the present value of expected future cash flows taking into account past experience, current conditions and multiple probability-weighted macroeconomic scenarios for reasonably supportable future economic conditions.

Impairment charges are recognised in profit or loss, with a corresponding amount recognised as a reduction of the carrying value of the financial asset through an offsetting provision account.

c. Statement of cash flows

Operating, investing and financing activities

Operating activities are the principal revenue-producing activities of the Company and other activities that are not investing or financing activities. Investing activities are the acquisition and disposal of long-term assets and other investments that are not included in cash and cash equivalents. Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Company.

d. Critical accounting assumptions and estimates

Applying the Company's accounting policies requires the use of judgement, assumptions and estimates which impact the financial information.

– Provision for Expected Credit Losses ('**ECL**') – The Company's operating procedures remove non-performing loans from the underlying pool of residential mortgages, which is assumed to continue for future periods, hence no provision for ECL has been recorded on the deemed loan to WNZL.

No other significant accounting judgements, estimates or assumptions have been made in preparing these financial statements.

e. Future developments in accounting standards

NZ IFRS 18 *Presentation and Disclosure in Financial Statements* (NZ IFRS 18) was issued in May 2024 and will be effective for the 30 September 2028 year end unless early adopted. NZ IFRS 18 will replace *NZ IAS 1 Presentation of Financial Statements*. This standard will not change the recognition and measurement of items in the financial statements, but will impact the presentation and disclosure in the financial statements, including:

- New categories and subtotals in the income statement to enhance comparability;
- Enhancing the disclosure of management defined performance measures; and
- Changes to the grouping of information in the financial statements to provide more useful information.

The Company is continuing to assess the impact of adopting NZ IFRS 18.

Other new standards and amendments to existing standards that are not yet effective are not expected to have a material impact on the Company.

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Westpac NZ Covered Bond Limited

Notes to the financial statements

Note 2. Net interest expense

Accounting policy

Interest income and expense for all interest earning financial assets and interest-bearing financial liabilities, detailed within the table below, are recognised using the effective interest rate method.

The effective interest rate method calculates the amortised cost of a financial instrument by discounting the financial instrument's estimated future cash receipts or payments to their present value and allocates the interest income or interest expense, including any fees, costs, premiums or discounts integral to the instrument, over its expected life.

	Note	**2026 $'000**	2025 $'000
Interest income			
Calculated using the effective interest rate method			
Cash and cash equivalents	9	**20,730**	26,613
Receivables due from related entities	9	**230,632**	328,750
Total interest income calculated using the effective interest rate method		**251,362**	355,363
Total interest income		**251,362**	355,363
Interest expense			
Calculated using the effective interest rate method			
Payables due to related entities	9	**(262,933)**	(365,212)
Total interest expense calculated using the effective interest rate method		**(262,933)**	(365,212)
Total interest expense		**(262,933)**	(365,212)
Net interest expense		**(11,571)**	(9,849)

Note 3. Non-interest income

Accounting policy

Guarantee fee income which arises from fees received on financial guarantees of the covered bonds issued, whereby the Company acts as a principal, are recognised in profit or loss when the performance obligation is satisfied by transferring the promised service.

	Note	**2026 $'000**	2025 $'000
Non-interest income			
Guarantee fee income - related entities	9	**13,514**	11,597
Total non-interest income		**13,514**	11,597

Note 4. Operating expenses

	Note	**2026 $'000**	2025 $'000
Management fees - related entities	9	**750**	750
Contingent swap fees - related entities	9	**811**	696
Security trustee fees - related entities	9	**103**	83
Directors' fees	9	**30**	37
Auditor's fees - agreed upon procedures in relation to the CB Programme	5	**79**	25
Purchased services		**57**	46
Total operating expenses		**1,830**	1,637

Note 5. Auditor's remuneration

KPMG was appointed as the Company's external auditor, beginning 1 October 2024. As a result, auditor's remuneration relate to fees for services provided by KPMG as KPMG were the external auditor for both years. Amounts paid to the previous external auditor (PwC) for services in the comparative financial year ended 30 September 2025 are classified as purchased services within operating expenses in Note 4. These amounts arose due to the timing of the auditor transition and are described below to assist with year-on-year comparability.

The fees for the audit of the financial statements for the year ended 30 September 2026 amounting to $10,000 (2025: $10,000) were borne by WNZL. Fees for agreed-upon procedures engagements on reports obtained for updates to the CB Programme for the year ended 30 September 2026 amounted to $78,696 (2025: $25,000).

During the year ended 30 September 2025, $44,193 was paid to PwC relating to agreed-upon procedures engagements on reports obtained for updates to the CB Programme due to the timing of the auditor transition.

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Westpac NZ Covered Bond Limited

Notes to the financial statements

Note 6. Income tax expense

Accounting policy

Income tax

The Company does not have an income tax expense, current tax or deferred tax balance due to being a debt funding special purpose vehicle. WNZL is deemed to carry on the activity of the Company for tax purposes and therefore accounts for the taxable income of the Company. Accordingly, the Company does not make any income tax payments and has a nil imputation credit balance.

Goods and services tax ('GST')

Where applicable, revenue, expenses and assets are recognised net of GST, except to the extent that GST is not recoverable from Inland Revenue. In these circumstances, the GST is recognised as part of the expense or the cost of the asset.

	2026	2025
	$'000	$'000
Income tax expense		
Current tax	**–**	-
Total income tax expense	**–**	-
Reconciliation of income tax expense to profit before income tax expense		
Profit before income tax expense	**113**	111
Tax calculated at a rate of 28% (30 September 2025: 28%)	**32**	31
Tax effect of amounts which are not assessable in calculating taxable income:		
Income not assessable for tax purposes	**(32)**	(31)
Total income tax expense	**–**	-

Note 7. Credit risk management

Credit risk is the risk of financial loss where a customer or counterparty fails to meet their financial obligations. This arises primarily from the housing loans held by the Company and the ability of the customers to meet their loan payment obligations.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

The Company's credit risk policy involves a number of key processes and controls designed to ensure that the covered bonds maintain their credit rating and remain free of any impairment. These key processes and controls include:

- The Administrative Agent and Cash Manager, Westpac Securitisation Management NZ Limited ('**WSM NZ**', a New Zealand Company, and a wholly owned, indirect subsidiary of WNZL), participates in monthly meetings to review key reports such as Covered Bond Asset Coverage Tests and to monitor key triggers and forecasts and discuss any critical issues such as possible changes to ratings and rating methodologies.
- Collecting and enforcing housing loan repayments in accordance with WNZL's general lending policies and identifying the loans that will be offered to sell back to WNZL. The Securitisation Trust Management team (a business unit of WNZL) periodically arranges for WNZL to repurchase any loans that are more than 90 days in arrears from the cover pool and replaces them with a good/satisfactory credit rated equivalent loan. Under the terms of the contractual arrangements between the Company and WNZL, WNZL is obliged to repurchase any loan sold to and held by the Company in certain circumstances including but not limited to:
  - (i) it is discovered that there has been a material breach of a sale warranty (or any such sale warranty is materially untrue);
  - (ii) the loan becomes materially impaired or is enforced prior to the second monthly covered bond payment date falling after the assignment of the loan; or
  - (iii) at the cut-off date relating to the loan, there were arrears of interest and that loan subsequently becomes a delinquent loan prior to the second monthly covered bond payment date falling after the assignment of the loan. Before a replacement loan can be added to the cover pool it must first meet the eligibility criteria outlined in the Mortgage Sale Agreement between the Company and WNZL.
- Covered Bond Assets Coverage Reports are sent monthly to rating agencies and other parties to the covered bond transaction. The external rating agencies will also undertake an annual due diligence review of the covered bond transactions.
- Climate change-related credit risks are considered in line with Westpac Banking Corporation's ('**WBC**') Climate Change Position Statement and Action Plan. Climate change risks are managed in line with WNZL's Risk Management Framework which is supported by WNZL's Sustainability Risk Management Framework, WNZL's Climate Risk Policy, WNZL's Environmental, Social and Governance. Credit Risk Policy and WNZL's Board Risk Appetite Statements. Where appropriate, these are applied at the portfolio, customer and transaction level.
- The WNZL Credit Risk Committee oversees work to identify and manage the potential impact on credit exposures from climate change-related transition and physical risks across WNZL and its controlled entities.

(i) External Credit Rating

WNZL has the following credit ratings with respect to its long-term senior unsecured obligations, including obligations payable in New Zealand in New Zealand dollars as at 30 September 2026 and at the date the Directors signed these financial statements.

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Notes to the financial statements

Note 7. Credit risk management (continued)

Credit ratings for WNZL

Rating agency	Current Credit Rating	Rating Outlook
Fitch Ratings	A+	Positive
Moody's Investors Service	A1	Stable
S&P Global Ratings	AA-	Stable

A credit rating is not a recommendation to buy, sell or hold securities of WNZL. Such ratings are subject to revision, qualification, suspension or withdrawal at any time by the assigning rating agency. Investors in WNZL's securities are cautioned to evaluate each rating independently of any other rating.

(ii) Gross credit exposures at amortised cost

The following table provides an analysis of the credit quality of the Company's gross credit exposure from receivables due from related entities measured at amortised cost. The Company adopts the same internal credit rating system as applied by WNZL for the retail (program-managed) portfolios where the underlying housing loans are grouped into pools of similar risk based on analysis of characteristics that have historically predicted the likelihood of default, and a probability of default ('**PD**') is assigned relative to the credit exposure pool. The exposure is then assigned to strong, good/satisfactory or weak by benchmarking that PD against WNZL's credit risk grades which are in turn mapped to external ratings. In addition, any program-managed exposures that are past due are classified as weak.

	2026	2025
	$'000	$'000
Strong	**911,091**	943,630
Good/Satisfactory	**5,068,057**	5,102,089
Weak	**67,232**	55,821
Total gross loans	**6,046,380**	6,101,540

(iii) Loans by collateral

The following analysis shows management's assessment of the coverage provided by collateral held in support of the loan balance. The estimated realisable value of collateral held is based on a combination of:

- formal valuations currently held in respect of such collateral; and
- management's assessment of the estimated realisable value of all collateral held given its experience and market data with similar types of assets in similar situations and the circumstances peculiar to the subject collateral.

This analysis also takes into consideration any other relevant knowledge available to management at the time. It is current practice to obtain updated valuations when either management considers that it cannot satisfactorily estimate a realisable value or when it is determined to be necessary to move to a forced sale of the collateral.

In the table below, a loan is deemed to be 'fully secured' where the ratio of the loan amount to our current estimated net present value of the realisable collateral is less than or equal to 100%. Such assets are deemed to be 'partially secured' when this ratio exceeds 100% but not more than 150%, and 'unsecured' when either no security is held or where the secured loan to estimated recoverable value exceeds 150%.

	2026[1]	2025[1]
	%	%
Fully secured	**100**	100
Partially secured	**–**	–
Unsecured	**–**	–
Total net loans	**100**	100

[1]At 30 September 2026, the Company's loan portfolio comprised mainly performing loans (stage 1 and stage 2 loans) and $8,717,727 of non-performing loans (stage 3) (2025: $6,681,317). Loans are classified as stage 1 where there has been no significant increase in credit risk since origination. Loans are classified as stage 2 where there has been a significant increase in credit risk since origination but where the asset is still performing. Loans are classified as stage 3 where the asset is non-performing and are in default.

(iv) Concentration of credit risk

The concentration of credit risk for the Company arises from Due from related entities, which represents the underlying pool of housing loans. Each housing loan is secured over a mortgaged property located in New Zealand. The Company is entitled to the cash flows from this collateral in the event the underlying borrowers default and the mortgaged property is subsequently sold.

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Westpac NZ Covered Bond Limited

Notes to the financial statements

Note 8. Shareholder's equity

Accounting policy

Ordinary shares are recognised at the amount paid up per ordinary share net of directly attributable issue costs.

Ordinary shares fully paid

	2026	2025
	Number of Shares Issued	Number of Shares Issued
Balance at beginning of the year	**1,000**	1,000
Balance at end of the year	**1,000**	1,000

Ordinary shares

Ordinary shares entitle the holder, subject to the constitution of the Company, to carry the right to one vote on a poll at meetings of shareholders, the right to an equal share in dividends authorised by the Board and the right to an equal share in the distribution of the surplus assets of the Company in the event of winding up. Under the constitution of the Company, the Board may only authorise a dividend if the dividend is payable on or after a Distribution Date (as defined in the Master Definitions and Construction Agreement entered into on 26 November 2010) and if the aggregate dividend declared does not exceed the lesser of (i) $100,000 and (ii) the net profit after tax of the Company for the period ending on that Distribution Date after providing or paying for all obligations in respect of such period ending on the Distribution Date.

Pursuant to a Deed of Agreement ('**Deed**') dated 23 November 2010, the Company and Westpac NZ Covered Bond Holdings Limited ('**WNZCBHL**') agreed to be bound by the terms of the constitution of the Company and WNZCBHL. Further, in the event that there is a change in the shareholder of the Company, then WNZCBHL agreed to ensure that any new shareholder will accede to the Deed. The constitution of the Company provides that if a deadlock (i.e. a resolution put to the Board which was not passed due to an equal number of votes of Directors for and against passing such resolution) occurs, any Director of the Company may give written notice of the deadlock to the board of the shareholder of the Company, and the shareholders will make a decision in relation to the deadlock. The constitution of WNZCBHL provides that there shall be a deadlock panel comprising an authorised person of each shareholder of WNZCBHL.

The effect of the above is that voting does not take place in proportion to the number of ordinary shares held.

The ordinary shares have no par value.

Dividends paid

In the year ended 30 September 2026, the Company paid dividends in respect of the ordinary shares amounting to $100,000 (2025: $100,000), being $100.00 per share (2025: $100.00 per share).

Note 9. Related entities

Accounting policy

Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions, or one other party controls both. Examples include subsidiaries, associates, joint ventures and superannuation plans as well as key management personnel and their related parties.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and at call money market deposits.

Receivables due from related entities

Due from related entities is the financial asset recognised by the Company in the form of a deemed loan to WNZL representing the underlying pool of housing loans. As a consequence of the Company being a guarantor under the CB Programme, it entered into several linked arrangements with WNZL, including interest rate swaps, a servicing fee, and an asset performance fee (net of impairment losses). These arrangements are accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. Any accrued interest in respect of the deemed loan is also treated as part of the loan.

Due from related entities also includes accrued guarantee fees receivable from WSNZL and is measured at amortised cost using the effective interest rate method where contractual cash flows represent SPPI on the principal balance outstanding and the business model is achieved through holding the receivables to collect these cash flows.

Payables due to related entities

Due to related entities include demand and guarantee loans which are subsequently measured at amortised cost, accrued interest arising on amounts due to related entities, accrued security trustee fees payable to NZGT (WNZCB) Security Trustee Limited and the accrued contingent swap fee payable to a related entity. These are all measured at amortised cost.

Ultimate parent company

The Company is a wholly-owned subsidiary of WNZCBHL.

WNZL is considered to control WNZCBHL and the Company based on certain contractual arrangements existing between the Company and WNZL, and as such both WNZCBHL and the Company are consolidated within the financial statements of WNZL Banking Group (i.e. WNZL and its controlled entities). WNZL's Disclosure Statement is available, free of charge, at www.westpac.co.nz. WNZL is an indirectly wholly-owned subsidiary of WBC (the ultimate parent company), which is incorporated in Australia and whose financial statements are available, free of charge, at www.westpac.com.au.

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Notes to the financial statements

Note 9. Related entities (continued)

Nature of transactions

The Company is a special purpose entity which was established to purchase and hold housing loans and to provide a financial guarantee in respect of the covered bonds issued from time to time by WSNZL under the CB Programme. All proceeds from covered bonds issued by WSNZL are on-lent to WNZL. WSNZL is an indirectly wholly-owned subsidiary of WNZL. Investors in covered bonds issued by WSNZL also have recourse: first, to WNZL as WNZL guarantees all the covered bonds issued by WSNZL and second, to the Company as the Company guarantees the covered bonds issued by WSNZL and supports the guarantee by granting security over the assets it holds.

The Company's portfolio was funded by WNZL pursuant to an intercompany loan and is non-cash related. The balance of the intercompany loan has remained at $7.5 billion (2025: $7.5 billion).

WNZL sells mortgage loans to and repurchases mortgage loans from the Company. The net impact of these transactions is represented in the statement of cash flows as the purchase of housing loans to replenish/increase the cover pool.

The Company is a party to a contingent swap agreement, with Westpac Banking Corporation New Zealand Branch ('**NZ Branch**') as the counterparty, such that in the event that a notice to pay the guaranteed amount under the CB Programme is served on the Company, the Company is hedged against currency and other risks in respect of amounts it receives under the current structure and the amounts that may become payable in respect of the obligations under the guarantee agreement.

The fair value of the contingent swap agreement as at balance date is nil as the likelihood of the swap being activated is considered remote (2025: nil).

Pursuant to the Mortgage Sale Agreement between WNZL and the Company, the Company pays an asset performance fee to WNZL for the quality and asset generating performance of the housing loans. This enables WNZL to obtain a majority (99.75%) of the benefits of the Company's activities, i.e. to recognise the servicing or maintenance of the housing loans in the cover pool. The performance fee is calculated net of any impairment losses on the cover pool. The remaining balance of 0.25% is available for distribution to the owners of the Company subject to the dividend policy disclosed in Note 8.

To manage the interest rate mismatch between the underlying cover pool and the intercompany loan, the Company entered into an interest rate swap agreement with WNZL to exchange the combination of fixed and floating rate interest received on the underlying pool of housing loans for Bank Bill Reference Rate ('**BKBM**') plus margin. The interest rate swap agreement is treated as part of the overall deemed loan in accordance with the accounting policies outlined in the accounting policy section above.

Loan finance, current account banking facilities and other financial products are provided by WNZL to the Company.

The Company received interest income on cash deposits with WNZL.

The Company received interest income on the underlying cover pool. The outstanding balance from the underlying cover pool at year end is included in Loan – principal and the outstanding balance of accrued interest receivable at year end is included in Loan - accrued interest receivable.

The Company received a guarantee fee from WSNZL for providing the financial guarantee in respect of WSNZL's obligations under the CB Programme. The outstanding balance at year end is included in Accrued guarantee fee income.

The Company paid interest expense on the loan made by WNZL to the Company to enable the Company to fund the purchase of the cover pool. The outstanding balance of the loan from WNZL at year end is included in Loan payable and the outstanding balance of accrued interest payable at year end is included in Loan - accrued interest payable.

The Company paid fees under the contingent swap agreement with NZ Branch. The outstanding balance at year end is included in Accrued contingent swap fee payable.

Management fees are charged by the Administrative Agent and Cash Manager. The outstanding balance at year end is included in Accrued management fee payable.

Security trustee fees are paid to NZGT (WNZCB) Security Trustee Limited which is a wholly-owned subsidiary of The New Zealand Guardian Trust Company Limited ('**NZGT**'). The outstanding balance at year end is nil (2025: nil). NZGT, as a trustee for a charitable trust, owns 81% of WNZCBHL's ordinary shares.

The audit fees for the current year and prior year have been borne by WNZL, refer to Note 5.

Refer to Note 8 for information on dividends paid by the Company to its parent entity in the current and prior year.

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Westpac NZ Covered Bond Limited

Notes to the financial statements

Note 9. Related entities (continued)

Transactions with related entities

	Note	2026 $'000	2025 $'000
Dividend paid to WNZCBHL	8	**100**	100
Income			
Interest income from cash deposits with WNZL[1]	2	**20,730**	26,613
Interest income from cover pool[1]	2	**230,632**	328,750
Guarantee fee from WSNZL[2]	3	**13,514**	11,597
Total income		**264,876**	366,960
Expenses			
Interest expense on loan from WNZL[3]	2	**262,933**	365,212
Management fees charged by WSM NZ[4]	4	**750**	750
Security trustee fees charged[4]	4	**103**	83
Contingent swap fee expense with NZ Branch[4]	4	**811**	696
Total expenses		**264,597**	366,741

[1]*Included in interest income in the statement of comprehensive income*

[2]*Included in non-interest income in the statement of comprehensive income*

[3]*Included in interest expense in the statement of comprehensive income*

[4]*Included in operating expenses in the statement of comprehensive income*

Due from and to related entities

	2026 $'000	2025 $'000
Cash and cash equivalents		
Deposits held with WNZL	**1,478,014**	1,423,886
Total cash and cash equivalents	**1,478,014**	1,423,886
Receivables due from related entities		
Loan - principal with WNZL	**6,025,811**	6,079,983
Loan - accrued interest receivable with WNZL	**19,343**	20,381
Accrued guarantee fee income with WSNZL	**1,226**	1,176
Total receivables due from related entities	**6,046,380**	6,101,540
Total receivables due from related entities including cash and cash equivalents	**7,524,394**	7,525,426
Settlement profile:		
Amounts expected to be settled within 12 months	**1,863,072**	1,791,868
Amounts expected to be settled after 12 months	**5,661,322**	5,733,558
Total receivables due from related entities including cash and cash equivalents	**7,524,394**	7,525,426
Payables due to related entities		
Loan payable to WNZL	**7,500,000**	7,500,000
Loan - accrued interest payable to WNZL	**23,917**	24,965
Accrued contingent swap fee payable to NZ Branch	**74**	71
Accrued management fee payable to WSM NZ	**62**	62
Total payables due to related entities	**7,524,053**	7,525,098
Settlement profile:		
Amounts expected to be settled within 12 months	**24,053**	25,098
Amounts expected to be settled after 12 months	**7,500,000**	7,500,000
Total payables due to related entities	**7,524,053**	7,525,098

The underlying pool of housing loans did not qualify for derecognition in the financial statements of WNZL in accordance with the accounting policies outlined in Note 1, thus the same pool was not recognised in the Company's financial statements.

Loan advances are interest-bearing. Non-loan related amounts owing to related entities are normally settled within 90 days. Other amounts due are in relation to services provided and are settled in accordance with the terms of the transaction.

Key management personnel compensation

Key management personnel is defined as being Directors of the Company, who may also be employees of WNZL. During the year, the Company paid short term compensation of $30,000 to Directors that are not employees of WNZL (2025: $36,953). The Company did not make any payments to Directors who are employees of WNZL (2025: nil). Apportioning the compensation received by the Directors in their capacity as WNZL employees would not be material to the Company's financial statements.

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Westpac NZ Covered Bond Limited

Notes to the financial statements

Note 10. Risk management, liquidity risk and market risk

Holders of the covered bonds issued by WSNZL have dual recourse: first, to WNZL as WNZL guarantees all the debt securities issued by WSNZL and second, (as a result of the Company's financial guarantee of the covered bonds issued by WSNZL) to the cover pool owned by the Company.

The Company's business activities expose it to a range of financial risks.

Categories of financial risk

The key financial risks that the Company is exposed to are discussed below:

- Credit risk: the risk of financial loss where a customer or counterparty fails to meet their financial obligations. Refer to Note 7 Credit risk management;
- Liquidity risk: the risk that the Company will not be able to fund assets and meet its payment obligations as they come due.
- Market risk: the risk of an adverse impact on earnings resulting from changes in market factors, such as foreign exchange rates and interest rates;

The Company is exposed to market risk in the form of interest rate risk and currency risk. The Company is subject to interest rate risk when changes in market interest rates adversely impact the Company's floating rate payment obligations and also the fair value interest rate risk associated with the fixed rate loans included in the cover pool. Currency risk is only a factor in the event WNZL is unable to honour its obligations under the financial guarantee. If this were to occur, then under the terms of the covered bond guarantee, the Company is required to make the necessary payments to the investors in the currency the covered bonds were originally issued. To mitigate this risk the Company entered into a contingent swap agreement with NZ Branch.

The Company will be exposed to liquidity risk if any of the loans in the cover pool become impaired as any reduction in the expected cash flows collected from WNZL may result in the Company not having sufficient cash to meet its payment obligations under the intercompany loan it has with WNZL.

Additional details surrounding the risk management activities relating to the management of the financial risks are discussed below.

a. **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to fund assets and meet obligations as they become due, without incurring unacceptable losses.

The liquidity risk within the Company is its inability to meet its payment obligations under the terms of the intercompany loan on a timely basis. This risk is managed through the use of an interest rate swap discussed in the interest rate risk section below.

The portion of the intercompany loan repayable on demand by WNZL as at 30 September 2026 is $941,804,722 (2025: $1,177,304,241). This represents the balance in excess of the minimum amount required to be held contractually to maintain asset coverage for the purposes of the covered bond guarantee. The remaining portion of the loan has no fixed contractual maturity. There is a bilateral netting agreement in place to mitigate any material liquidity risk arising between the Company and WNZL.

WNZL has indemnified the Company for any payments required to be made under the guarantee (the 'indemnity amount'). The indemnity amount is paid first by reducing the intercompany loan payable and then the payment of any shortfall under the guarantee.

b. **Market risk**

Market risk is the potential for loss arising from adverse movements in the level and volatility of market factors such as foreign exchange rates and interest rates. The Company is primarily exposed to interest rate risk and foreign currency risk.

i) Interest rate risk

Interest rate risk is the potential loss arising from the changes in the value of financial instruments due to changes in market interest rates or their implied volatility. Financial instruments with floating rate interest expose the Company to cash flow interest rate risk, whereas financial instruments with fixed rate interest expose the Company to fair value interest rate risk.

The Company is exposed to interest rate risk associated with the fixed and floating rate housing loans that make up the underlying cover pool. Additionally, the intercompany loan exposes the Company to a floating interest rate risk (BKBM plus margin). To manage the interest rate mismatch between the underlying cover pool and the intercompany loan, the Company entered into an interest rate swap agreement with WNZL to exchange the combination of fixed and floating rate interest received on the underlying pool of housing loans for BKBM plus margin. The interest rate swap is designed to ensure that all amounts received by the Company under the interest rate swap will enable the Company to meet its obligations. Therefore there is no material unmatched interest rate risk in the Company and any changes in market interest rates will not materially affect the statement of comprehensive income and equity of the Company.

ii) Currency risk

The Company is currently not exposed to any currency risk as the loans in the cover pool and the intercompany loan payable to WNZL are denominated in New Zealand dollars. However, in the event WSNZL or WNZL is unable to meet its commitments such that the guarantee is called by the covered bond noteholders against the Company, the Company would be required to pay the investors in the currency the covered bonds were issued. The possibility of this 'trigger' event occurring is deemed to be remote given WNZL is rated a 'high credit quality' financial institution by rating agencies. However, if the trigger event were to occur any currency risk is managed through the contingent swap agreement the Company has in place with NZ Branch. The contingent swap will enable the Company to exchange its New Zealand dollar cash flows received from the underlying pool of housing loans for foreign currency required to satisfy the obligations to the covered bond noteholders.

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Westpac NZ Covered Bond Limited

Notes to the financial statements

Note 11. Fair value of financial instruments

Accounting policy

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

On initial recognition, the transaction price generally represents the fair value of the financial instrument unless there is observable information from an active market to the contrary. Where unobservable information is used, the difference between the transaction price and the fair value (day one profit or loss) is only recognised in profit or loss when the inputs become observable, or over the life of the instrument.

Financial instruments not measured at fair value

Fair value of financial instruments has been determined as follows:

Receivables due from related entities

As discussed in Note 9, included as part of the deemed loan balance is the interest rate swap entered into by the Company and WNZL. This interest rate swap is not accounted for separately. The interest rate swap, which is repriced on a monthly basis, converts the fixed and floating interest received from the underlying pool of housing loans to BKBM plus margin. As the loan balance and the interest rate swap are not accounted for separately, this implies that the carrying value approximates the fair value.

Payables due to related entities

The interest rate on the intercompany loan is a floating rate determined by WNZL as intercompany loan provider. The intercompany loan is repriced on a monthly basis therefore its carrying value approximates its fair value. The carrying value of accrued security trustee fees and the accrued covered bond swap payable are a reasonable approximation of fair value as they are short-term in nature.

For cash and cash equivalents, accrued interest receivable and accrued guarantee fee income included in receivables due from related entities, accrued interest payable, accrued contingent swap fee and accrued management fee included in payables due to related entities, which are carried at amortised cost, the carrying amount is equivalent to fair value. These items are either short-term in nature or reprice frequently, and are of a high credit rating.

Note 12. Reconciliation of net cash provided by/(used in) operating activities to profit after income tax expense

	2026	2025
	$'000	$'000
Profit after income tax expense	**113**	111
Adjustments:		
Movement of accrued income in receivables due from related entities	**988**	10,422
Movement of accrued expenses in payables due to related entities	**(1,045)**	(13,914)
Net cash provided by/(used in) operating activities	**56**	(3,381)

Note 13. Capital

The Company is not subject to any externally imposed capital requirements. The Company is a wholly-owned subsidiary of WNZCBHL which itself is a part of the WNZL Banking Group. Capital for the Company is managed as part of the WNZL Banking Group..

Note 14. Contingent assets, contingent liabilities and commitments

There were no contingent assets, contingent liabilities or unrecognised contractual commitments as at 30 September 2026 (2025: nil).

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Independent Auditor's Report

To the shareholder of Westpac NZ Covered Bond Limited

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements which comprise:

- the balance sheet as at 30 September 2026;
- the statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including material accounting policy information and other explanatory information.

In our opinion, the accompanying financial statements of Westpac NZ Covered Bond Limited (the **Company**) on pages 3 to 14 presents fairly in all material respects the Company's financial position as at 30 September 2026 and its financial performance and cash flows for the year ended on that date,in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) issued by the New Zealand Accounting Standards Board and the International Financial Reporting Standards issued by the International Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (**ISAs (NZ)**). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of Westpac NZ Covered Bond Limited in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (**IESBA Code**), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

Our firm has provided other services to the Company in relation to agreed upon procedures in respect of the debt issuance programme. Subject to certain restrictions, partners and employees of our firm may also deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company. These matters have not impaired our independence as auditor of the Company. The firm has no other relationship with, or interest in, the Company.

Other information

The Directors, on behalf of the Company, are responsible for the other information. The other information comprises information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

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

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholder. Our audit work has been undertaken so that we might state to the shareholder those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, none of KPMG, any entities directly or indirectly controlled by KPMG, or any of their respective members or employees, accept or assume any responsibility and deny all liability to anyone other than the shareholder for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of Directors for the financial statements

The Directors, on behalf of the Company, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with NZ IFRS issued by the New Zealand Accounting Standards Board and the International Financial Reporting Standards issued by the International Accounting Standards Board;
- implementing the necessary internal control to enable the preparation of a set of financial statements that is free from material misstatement, whether due to fraud or error; and
- assessing the ability of the Company to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but it is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-8/

This description forms part of our independent auditor's report.

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KPMG
Auckland

10 November 2026