WESTPAC COVERED BOND TRUST

ABN 41 372 138 093

Annual Report

For the year ended 30 September 2021

WESTPAC COVERED BOND TRUST

Contents

This financial report, presented in Australian dollars, covers Westpac Covered Bond Trust (the Trust) as an individual entity. Westpac Covered Bond Trust is incorporated and domiciled in Australia.

The financial report was authorised for issue by Westpac Securitisation Management Pty Limited (the Manager) under delegation of BNY Trust Company of Australia Limited (the Trustee) on 7 December 2021. The Trustee has the power to amend and reissue the financial report.

The Manager's registered office is:

Level 18, Westpac Place
275 Kent Street
Sydney NSW 2000

WESTPAC COVERED BOND TRUST
Manager's report
30 September 2021

For the purposes of this report, the 'Manager' refers to Westpac Securitisation Management Pty Limited in its capacity as Administrative Agent. The Manager has prepared this general purpose financial report under delegation of BNY Trust Company of Australia Limited (the Trustee).

The Manager of the Westpac Covered Bond Trust (the Trust) presents its report together with the financial statements of the Trust for the financial year ended 30 September 2021.

Principal activities

The principal activity of the Trust is to provide a financial guarantee in respect of all interest and principal payable under the terms of the covered bonds issued, from time to time, by Westpac Banking Corporation (Westpac). The guarantee is triggered following the service of a notice to pay on Westpac under the terms of the covered bond programme. The Trust would gain access to a specific pool of residential mortgages to enable it to fulfil the potential financial obligations due to the covered bond holders. The Trust has entered into contingent swap agreements to hedge against any potential foreign currency exposure and interest rate risk.

There have been no significant changes in the nature of the principal activities of the Trust during the year.

Operating and financial review

The operating profit after income tax for the financial year ended 30 September 2021 was $119,192,071 (2020: $143,143,432). As the income unitholders are presently entitled to all taxable profits, no income tax is payable by the Trust.

Significant changes in state of affairs and events during and since the end of the 2021 financial year

During the year the Trust repaid $8.5bn of the borrowing from Westpac. There were no other significant changes in the state of affairs during the year

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

Developments and expected results

Other than the matters mentioned above, there are no likely developments that are expected to have a material impact on the results of the Trust.

Environmental disclosure

The operations of the Trust are not subject to significant environmental regulation under any law of the Commonwealth of Australia or of any state or territory of Australia. The Trust has not incurred any liability (including for rectification costs) under any environmental legislation.

Rounding of amounts

Amounts in this report and the accompanying financial report have been rounded to the nearest thousand dollars, unless indicated to the contrary.

Signed in accordance with a resolution of the Directors of the Manager.

Richard Burton	Rebecca Coates
Director	Director
Sydney	Sydney
7 December 2021	7 December 2021

WESTPAC COVERED BOND TRUST
Statement of profit or loss and other comprehensive income
For the years ended 30 September

	Note	2021 $'000	2020 $'000
Interest income	3	524,078	808,099
Interest expense	3	(401,503)	(660,912)
Net interest income		**122,575**	**147,187**
Operating expenses	4	(3,383)	(4,044)
Operating profit before income tax		**119,192**	**143,143**
Income tax expense		-	-
Operating profit after income tax		**119,192**	**143,143**
Financing costs attributable to unitholders	10	(119,192)	(143,143)
Net profit for the year		**-**	**-**
Other comprehensive income		-	-
Total comprehensive income for the year attributable to unitholders of Westpac Covered Bond Trust		**-**	**-**

The above statement of profit or loss and other comprehensive income should be read in conjunction with the Notes to the financial statements.

WESTPAC COVERED BOND TRUST
Balance sheet
As at 30 September

	Note	2021 $'000	2020 $'000
Assets			
Cash and cash equivalents	11(a)	6,133,169	3,916,778
Loan	5	21,889,282	32,634,561
Due from related entities	6	16,497	1,183
Total assets		**28,038,948**	**36,552,522**
Liabilities			
Due to related entities	7	38,945	52,519
Borrowings	8	28,000,000	36,500,000
Other financial liabilities	9	3	3
Total liabilities excluding net assets attributable to unitholders		**28,038,948**	**36,552,522**
Net assets attributable to unitholders	10	-	-
Total liabilities		**28,038,948**	**36,552,522**
Net assets		**-**	**-**

The above balance sheet should be read in conjunction with the Notes to the financial statements.

WESTPAC COVERED BOND TRUST
Statement of changes in equity
For the years ended 30 September

	Total equity $'000
Balance at 1 October 2019	-
Balance at 30 September 2020	-
Balance at 30 September 2021	-

Under Australian Accounting Standards (AAS), net assets attributable to unitholders are classified as financial liabilities rather than equity. As a result there was no equity at the start or the end of the year. The net assets attributable to the unitholders are disclosed in note 10 to the financial statements.

The above statement of changes in equity should be read in conjunction with the Notes to the financial statements.

WESTPAC COVERED BOND TRUST
Cash flow statement
For the years ended 30 September

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Interest received		508,764	861,305
Interest paid		(412,809)	(691,693)
Payments to suppliers and service providers		(3,453)	(4,052)
Net cash provided by/(used in) operating activities	11(b)	**92,502**	**165,560**
Cash flows from investing activities			
Loan payments		-	(7,191,555)
Loan proceeds		10,745,279	8,627,886
Net cash provided by/(used in) investing activities		**10,745,279**	**1,436,331**
Cash flows from financing activities			
Repayment of borrowings		(8,500,000)	(3,500,000)
Proceeds from borrowings		-	2,500,000
Financing costs paid to unitholders		(121,390)	(143,256)
Net cash provided by/(used in) financing activities	11(c)	**(8,621,390)**	**(1,143,256)**
Net increase/(decrease) in cash and cash equivalents		**2,216,391**	**458,635**
Cash and cash equivalents as at the beginning of the year		3,916,778	3,458,143
Cash and cash equivalents as at the end of the year	11(a)	**6,133,169**	**3,916,778**

The above cash flow statement should be read in conjunction with the Notes to the financial statements.

1 General information

The Trust was established pursuant to a Trust Deed dated 26 October 2011.

The Trust's immediate and ultimate parent entity is Westpac, incorporated in Australia.

2 Financial statements preparation

(a) Basis of accounting

(i) General

The Trust prepares general purpose financial report as it was incorporated in reference to the Westpac Covered Bond program, under which debt issued by Westpac Banking Corporation was listed on the London Stock Exchange. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS) and Interpretations as issued by the Australian Accounting Standards Board.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial report also complies with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

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

(iii) Comparative revisions

Comparative information has been revised where appropriate to conform to changes in presentation in the current year and to enhance comparability.

(iv) Standards adopted during the year ended 30 September 2021

Revised Conceptual Framework

A revised Conceptual Framework (Framework) was issued in May 2019. This is effective for the Trust for the 30 September 2021 financial year. The revised Framework includes new definitions and recognition criteria for assets, liabilities, income and expenses and other relevant financial reporting concepts. The changes have not had a material impact on the Trust.

AASB 2019-5 Amendments to Australian Accounting Standards-Disclosure of the Effect of New IFRSs Not Yet Issued in Australia

AASB 2019-5 was adopted by the Trust on 1 October 2020 and amends *AASB 1054 Australian Additional Disclosures* to require disclosure of the effect of new IFRSs that have been issued by the International Accounting Standards Board but for which the equivalent AAS has yet to be issued by the AASB. The application of the Amending Standard has had no impact on the Trust.

There are no other standards and interpretations issued which have a material impact on the Trust.

(v) Balance sheet presentation

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

(vi) Functional and presentation currency

The financial statements are presented in Australian dollars which is the Trust's functional and presentation currency. The functional currency is the main currency of the economy the Trust operates in.

(vii) Offsetting

Financial assets and liabilities are presented net in the balance sheet when the Trust has a legally enforceable right to offset them in all circumstances and there is an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

(b) Revenue recognition

Interest income

Interest income for all instruments measured at amortised cost is recognised in the statement of profit or loss and other comprehensive income using the effective interest 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.

2 Financial statements preparation (continued)

(b) Revenue recognition (continued)

Interest income (continued)

Interest relating to impaired loans is recognised using the loan's original effective rate based on the net carrying value of the impaired loan after giving effect to impairment charges, or for a variable loan, the current effective interest rate determined under the contract. This rate is also used to discount the future cash flows for the purpose of measuring the impairment loss.

(c) Expense recognition

(i) Interest expense

Interest expense is recognised in the statement of profit or loss and other comprehensive income for all instruments measured at amortised cost using the effective interest method (refer Note 2(b)).

(ii) Operating expenses

Operating expenses are recognised on an accrual basis over the period during which the service is performed.

(iii) Impairment charges

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 the statement of profit or loss and other comprehensive income, with a corresponding amount recognised as loans at amortised cost and due from related entities as a reduction of the carrying value of the financial asset through an offsetting provision account (refer Notes 5 and 6).

Uncollectable loans

A loan may become uncollectable in full or part if, after following the Trust's loan recovery procedures, the Trust remains unable to collect that loan's contractual repayments. In accordance with the Trust Deed, the Manager can remove any uncollectable loans from the Trust and replace with performing loans.

(d) Income tax

Under current legislation, the Trust is not subject to income tax provided the taxable income of the Trust is fully distributed to income unitholders.

(e) Assets

(i) Financial assets

Recognition

Purchases and sales by regular way of financial assets are recognised on trade-date, the date on which the Trust commits to purchase or sell the asset. Loans are recognised on settlement date, when cash is advanced to the borrowers.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the asset have expired, or when the Trust 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.

Classification and measurement

The Trust has grouped its financial assets into the following classes: cash and cash equivalents, loan and due from related entities.

Financial assets measured at fair value through profit or loss are recognised initially at fair value. All other financial assets are recognised initially at fair value plus directly attributable transaction costs.

The accounting policy for each category of financial asset mentioned above and the determination of its fair value is set out in the note for the relevant item.

(a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

2 Financial statements preparation (continued)

(e) Assets (continued)

(i) Financial assets (continued)

Classification and measurement (continued)

(b) Loan

The loan is a non-derivative financial asset with fixed or determinable payment that is not quoted in an active market. The loan to Westpac is recognised at the fair value of consideration and is subsequently measured at amortised cost. The terms of the loan include a number of linked agreements between Westpac and the Trust, including cash flow management agreements/derivative contracts, services provided by Westpac and the underlying pool of securitised assets. Recourse is limited to the underlying pool of securitised assets. Since the derivatives are deemed part of the terms of the loan, they are not being measured at fair value. The associated profit/interest and loss/fee items are included in interest income. These instruments are deemed to be one combined financial instrument as they were entered into in contemplation with each other, therefore these agreements have the same counterparties, contractual terms and contractual period.

(c) Provisions for expected credit losses (ECL)

The ECL is recognised for loans at amortised cost and due from related entities as a reduction of the carrying value of the financial asset through an offsetting provision account.

The Trust calculates the provision for ECL based on a three stage approach. ECL are a probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant timeframe. They are determined by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and forecasts of future economic conditions.

The models use three main components to determine the ECL (as well as the time value of money) including:

- Probability of default (PD): the probability that a counterparty will default;
- Loss given default (LGD): the loss that is expected to arise in the event of a default; and
- Exposure at default (EAD): the estimated outstanding amount of credit exposure at the time of the default.

Model stages

The three stages are as follows:

Stage 1: 12 months ECL - performing

For financial assets where there has been no significant increase in credit risk since origination a provision for 12 months ECL is recognised.

Stage 2: Lifetime ECL - performing

For financial assets where there has been a significant increase in credit risk since origination but where the asset is still performing a provision for lifetime ECL is recognised.

Stage 3: Lifetime ECL - non-performing

For financial assets that are non-performing a provision for lifetime ECL is recognised.

Collective and individual assessment

Financial assets that are in Stages 1 and 2 are assessed on a collective basis. This means that they are grouped in pools of similar assets with similar credit risk characteristics including the type of product and the customer risk grade. Financial assets in Stage 3 are assessed on an individual basis and calculated collectively for those below a specified threshold.

Expected life

In considering the lifetime timeframe for ECL in Stages 2 and 3, the standard generally requires use of the remaining contractual life adjusted where appropriate for prepayments, extension and other options.

Movement between stages

Assets may move in both directions through the stages of the impairment model. Assets previously in Stage 2 may move back to Stage 1 if it is no longer considered that there has been a significant increase in credit risk. Similarly, assets in Stage 3 may move back to Stage 1 or Stage 2 if they are no longer assessed to be non-performing.

2 Financial statements preparation (continued)

(e) Assets (continued)

(i) Financial assets (continued)

Classification and measurement (continued)

(d) Due from related entities

Amounts due from related entities are initially recognised at fair value of consideration and are subsequently measured at amortised cost, less the provision for ECL.

(f) Liabilities

(i) Financial liabilities

Recognition

Financial liabilities are recognised when an obligation arises.

Derecognition

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Classification and measurement

The Trust has grouped its financial liabilities into the following classes: borrowings, due to related entities and other financial liabilities.

Financial liabilities are measured at amortised cost if they are not held for trading or designated at fair value through profit or loss otherwise they are measured at fair value through statement of profit or loss and other comprehensive income.

Financial liabilities measured at fair value through profit or loss are recognised initially at fair value. All other financial liabilities are recognised initially at fair value minus directly attributable transaction costs.

The accounting policy for each category of financial liability mentioned above and determination of fair value is set out in the note for the relevant item.

(a) Borrowings

Loans from the ultimate parent entity are initially recognised at fair value minus transaction costs. They are subsequently measured at amortised cost.

(b) Due to related entities

Due to related entities are initially recognised at fair value and subsequently measured at amortised cost.

(c) Other financial liabilities

Other financial liabilities include payables and accrued expenses owing by the Trust which are unpaid as at balance sheet date. They are initially recognised at fair value and subsequently measured at amortised cost.

(d) Financial guarantees

Financial guarantees are initially recognised at fair value and subsequently measured at the higher of (a) the best estimate of the amount required to settle the liability, taking into account any default event and (b) the amortised cost.

(g) Net assets attributable to unitholders

Units are redeemable on a fixed date 80 years after the commencement of the Trust, unless the Trust is terminated before this date in accordance with the provisions of the Trust Deed. Under the terms of the Trust Deed and the transaction documents of the Trust, residual income unit and residual capital units have been issued to unitholders. Residual income unitholders have a present entitlement to the distributable income of the Trust. Residual capital unitholders have no right to receive distributable income except on termination of the Trust to an amount equals to the initial subscription price, subject to availability of funds in the Trust. All net assets attributable to unitholders have been recognised as liabilities of the Trust, rather than as equity due to the entitlement to the income and/or the mandatory redemption of the units. The classification of net assets attributable to unitholders does not alter the underlying economic interest of the unitholders in the net assets and comprehensive income attributable to unitholders of the Trust. The units issued are initially recognised and subsequently measured at amortised cost, being the fair value of consideration received.

2 Financial statements preparation (continued)

(h) Goods and Services Tax (GST)

The Trust is part of a GST consolidated group, of which Westpac is the head entity. Net GST payable or recoverable is presented on the balance sheet as a payable to or receivable from the ultimate parent entity.

Revenue, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not deemed recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are recognised inclusive of GST.

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

Commitments are disclosed net of the amount of GST ultimately recoverable from, or payable to, the ATO.

(i) Segment reporting

The Trust operates in only one segment that is domiciled in Australia to act as a special purpose vehicle for the securitisation of the Westpac home loan mortgage portfolio. The Trust has no other operating segment.

(j) Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is not probable or cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet but are disclosed unless the outflow of economic resources is remote.

(k) Critical accounting assumptions and estimates

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

- Provision for ECL-The Trust's operating procedures removes delinquent 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 from ultimate parent.

Management have not made any other significant accounting judgements, estimates or assumptions in preparing these financial statements.

(l) Future developments in accounting standards

There are no standards or interpretations that have been issued which have a material impact on the Trust.

3 Net interest income

	2021 $'000	2020 $'000
Interest income		
Transactions with ultimate parent entity:		
Loan	521,824	789,972
Bank interest	2,254	18,127
Total interest income	**524,078**	**808,099**
Interest expense		
Transactions with ultimate parent entity:		
Borrowings	401,503	660,912
Total interest expense	**401,503**	**660,912**
Net interest income	**122,575**	**147,187**

4 Operating expenses

	2021 $'000	2020 $'000
Transactions with related entities:		
Management fees	3,155	3,803
Trustee fees	228	241
Total operating expenses	**3,383**	**4,044**

5 Loan

	2021 $'000	2020 $'000
Balances with ultimate parent entity:		
Loan-principal	21,889,282	32,634,561
Total loan	**21,889,282**	**32,634,561**

The loan matures beyond 12 months.

Of the above amount, $6,450,763,566 (2020: $10,745,279,816) is expected to be recovered within twelve months of the reporting date and remaining $15,438,517,879 (2020:$21,889,281,445) is expected to be recovered after 12 months of the reporting date by the Trust.

6 Due from related entities

	2021 $'000	2020 $'000
Balances with ultimate parent entity:		
Accrued interest receivable - loan	16,497	1,183
Total due from related entities	**16,497**	**1,183**

Receivables to be recovered within 12 months. As at 30 September 2021, there were no overdue amounts from receivables (2020: $nil).

7 Due to related entities

	2021 $'000	2020 $'000
Balances with ultimate parent entity:		
Financing costs payable to unitholders	9,782	11,980
Accrued interest payable – borrowings	28,933	40,239
Balances with related entities:		
Management fees payable	230	300
Total due to related entities	**38,945**	**52,519**

Payables to be settled within 12 months. As at 30 September 2021, there were no overdue amounts from payables (2020: $nil).

8 Borrowings

	2021 $'000	2020 $'000
Balances with ultimate parent entity:		
Borrowings	28,000,000	36,500,000
Total borrowings	**28,000,000**	**36,500,000**

The borrowing matures beyond 12 months.

9 Other financial liabilities

	2021 $'000	2020 $'000
Accrued expenses	3	3
Total other financial liabilities	**3**	**3**

10 Net assets attributable to unitholders

	2021 $'000	2020 $'000
Net assets attributable to unitholders	-	-
Total net assets attributable to unitholders	**-**	**-**

Movements in net assets attributable to unitholders	2021 $'000	2020 $'000
Opening balance	-	-
Operating profit after income tax	119,192	143,143
Financing costs attributable to unitholders	(119,192)	(143,143)
Closing balance	**-**	**-**

	2021 Units	2020 Units
On issue at beginning of the year	2	2
On issue at the end of the year	**2**	**2**

10 Net assets attributable to unitholders (continued)

The residual capital unit holder, Westpac, has no right to receive monies in respect of the Trust other than the right to receive, on the termination of the Trust, the entire beneficial interest of the Trust subject to the rights of the holders of the residual income unit.
Residual income and residual capital units were issued at a face value of $10.

11 Notes to the cash flow statement

(a) Reconciliation of cash

	2021 $'000	2020 $'000
Cash with ultimate parent entity	6,133,169	3,916,778
Cash and cash equivalents at end of the year	**6,133,169**	**3,916,778**

(b) Reconciliation of net cash provided by/(used in) operating activities to net profit for the year is set out below:

	2021 $'000	2020 $'000
Net profit for the year	119,192	143,143
Changes in operating assets and liabilities:		
Decrease/(increase) in assets		
Interest receivable	(15,314)	53,206
Increase/(decrease) in liabilities		
Interest payable	(11,306)	(30,781)
Management fees payable	(70)	(8)
Net cash provided by/(used in) operating activities	**92,502**	**165,560**

11 Notes to the cash flow statement (continued)

(c) Reconciliation of liabilities arising from financing activities

Movement in liabilities arising from financing activities:

	Borrowings $'000	Financing costs payable to unitholders $'000	Total $'000
Balance as at 1 October 2019	**37,500,000**	**12,093**	**37,512,093**
Proceeds	2,500,000	-	2,500,000
Repayments	(3,500,000)	-	(3,500,000)
Other cash movements	-	(143,256)	(143,256)
Total cash movements	**(1,000,000)**	**(143,256)**	**(1,143,256)**
Other non-cash movements	-	143,143	143,143
Total non-cash movements	**-**	**143,143**	**143,143**
Balance as at 30 September 2020	**36,500,000**	**11,980**	**36,511,980**
Proceeds	-	-	-
Repayments	(8,500,000)	-	(8,500,000)
Other cash movements	-	(121,390)	(121,390)
Total cash movements	**(8,500,000)**	**(121,390)**	**(8,621,390)**
Other non-cash movements	-	119,192	119,192
Total non-cash movements	**-**	**119,192**	**119,192**
Balance as at 30 September 2021	**28,000,000**	**9,782**	**28,009,782**

12 Financial risk management

Risk management policies and procedures

Categories of risk

The financial condition and operating results of the Trust are affected by a number of key financial and non-financial risks. These risks may include the following:

- Credit risk: the potential for financial loss where a customer or counterparty fails to meet their financial obligations to the Trust.
- Market risk: the risk to earnings from changes in market factors. The principal market risk is interest rate risk, the potential loss arising from the changes in market interest rates.
- Liquidity risk: the potential loss arising from cash outflows exceeding cash inflows over a given period.

The Trust's objectives and policies in respect of managing these risks are set out below.

12 Financial risk management (continued)

Governance framework

The Trust operates within the governance and risk management frameworks of Westpac. These frameworks support effective and efficient decision-making through established reporting obligations to the Board of the Westpac Group and the Committees which support the Board.

The key components of the Operational Risk Management and Compliance and Conduct Management frameworks include:

- Risk and control identification and assessment;
- Ongoing monitoring of control effectiveness;
- Internal and external assurance reviews, reporting and actions;
- Incident and issue management and reporting; and
- Regulatory breach reporting.

The Trust's risk and compliance framework is aligned with Westpac's business units rather than the individual entities that comprise the Westpac Group. Nevertheless the framework recognises the governance arrangements that are in place in relation to all Westpac Group entities and is designed to ensure that all risks and risk related issues that impact the Trust are captured, escalated and managed appropriately via the appropriate forums and committees.

(a) Credit risk

(i) Credit risk exposure

The table below sets out the maximum exposure to credit risk and the credit risk concentrations to which the Trust is exposed.

	2021 $'000	2020 $'000
On-balance sheet credit exposures consist of		
Cash and cash equivalents	6,133,169	3,916,778
Loan	21,889,282	32,634,561
Due from related entities	16,497	1,183
Total credit exposures	**28,038,948**	**36,552,522**
Analysis of credit exposures by industry and economic sector		
Financial	28,038,948	36,552,522
Total credit exposures	**28,038,948**	**36,552,522**

The Trust has a credit exposure of $28,038,948 thousand comprised mainly of loan assets of $21,889,282 thousand. 93% of the underlying loans are Stage 1 of the ECL model.

(ii) Credit quality of financial assets

There are a variety of techniques to reduce the credit risk arising on the underlying portfolio of residential mortgages. Enforceable legal documentation establishes direct, irrevocable and unconditional recourse to any collateral, security or other credit enhancements provided. All residential mortgages are secured by fixed charges over borrowers' residential properties and are subject to Westpac's credit lending policies, including lenders mortgage insurance as required.

(b) Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty in meeting obligations associated with the financial liabilities due to lack of liquid assets or access to adequate funding on acceptable terms. No significant liquidity risk exposure existed at balance date. All financial liabilities are expected to mature within three months, with the exception of distributions payable which have an expected maturity of less than one year and borrowings, which have an expected maturity of greater than five years. This is for the current and comparative periods.

12 Financial risk management (continued)

(b) Liquidity risk (continued)

The table below set out the amount of contractual maturity of financial liabilities.

	2021 $'000	2020 $'000
<1 year	352,016	489,574
1-5 years	1,408,064	1,958,298
>5 years	30,525,835	39,521,949
	32,285,915	**41,969,821**

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market variables such as interest and foreign exchange rates. No significant market risk exposure existed at balance date.

The Trust does not enter or trade financial instruments for speculative purpose.

(d) Interest rate risk

Interest rate risk is the risk of loss resulting from changes in market interest rates. Adverse changes in market interest rates can potentially decrease returns on financial assets.

The Trust is not materially impacted by market interest rates due to economic hedging of interest bearing assets and interest bearing liabilities.

The Trust has also entered into contingent swaps to manage any potential interest rate risk which may occur if the guarantee is triggered.

(e) Fair value measurements

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 is only recognised in the statement of comprehensive income when the inputs become observable, or over the life of the instrument.

The Trust categorises all fair value instruments according to the hierarchy described below:

Level 1 instruments

The fair value of financial instruments traded in active markets based on recent unadjusted quoted prices. These prices are based on actual arm's length basis transactions. The valuation of Level 1 instruments requires little or no management judgement. The Trust does not hold instruments classified as Level 1 in the fair value hierarchy.

Level 2 instruments

The fair value for financial instruments that are not actively traded are determined using valuation techniques which maximise the use of observable market prices. Valuation techniques include the use of market standard discounting methodologies. The Trust does not hold instruments classified as Level 2 in the fair value hierarchy.

Level 3 instruments

Financial instruments valued where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data due to illiquidity or complexity of the product. The carrying value of financial instruments approximate their net fair value as they are based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for similar risk profiles. The financial instruments relate to intercompany balances which are deemed to have no observable market. The Trust holds instruments which are classified as Level 3 in the fair value hierarchy.

12 Financial risk management (continued)

(e) Fair value measurements (continued)

The table below summarises the estimated fair value and fair value hierarchy of financial instruments not measured at fair value:

30 September 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Loan	-	-	25,835,902	25,835,902
Due from related entities	-	-	16,497	16,497
Fair value of the financial assets carried at amortised cost	**-**	**-**	**25,852,399**	**25,852,399**
Financial liabilities				
Borrowings	-	-	31,721,933	31,721,933
Due to related entities	-	-	38,945	38,945
Fair value of financial liabilities carried at amortised cost	**-**	**-**	**31,760,878**	**31,760,878**

30 September 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Loan	-	-	38,460,508	38,460,508
Due from related entities	-	-	1,183	1,183
Fair value of the financial assets carried at amortised cost	**-**	**-**	**38,461,691**	**38,461,691**
Financial liabilities				
Borrowings	-	-	41,430,831	41,430,831
Due to related entities	-	-	52,519	52,519
Fair value of financial liabilities carried at amortised cost	**-**	**-**	**41,483,350**	**41,483,350**

13 Related Party disclosures

The Manager of the Westpac Covered Bond Trust is Westpac Securitisation Management Pty Limited, incorporated in Australia. The Manager is a wholly owned subsidiary of Westpac, incorporated in Australia.

(a) Parent entity

Westpac is the immediate and ultimate parent entity of the Trust.

(b) Key management personnel (KMP)

Key management personnel are those who, directly or indirectly, have authority and responsibility for planning, directing and controlling the activities of the Trust. This includes all Executive and Non-Executive Directors.

The Directors of the Manager of the Trust during the year since 1 October 2020 and up to the date of this report unless otherwise stated are:

Richard Burton	
Rebecca Coates	(appointed on 28 August 2021)
Joanne Dawson	(appointed on 10 November 2020)
Rachel Grimes	(resigned on 8 March 2021)
Gaetano Volpicella	

No compensation is paid to key management personnel directly by the Trust. Total key management personnel compensation is paid by the ultimate parent entity, Westpac.

(c) Transactions with other related parties

The transactions with related entities were disclosed in the notes to the financial statements and were made on normal commercial terms and conditions and at market rates except where indicated.

14 Auditor's remuneration

The auditor's remuneration for the audit of the Trust's financial statements of $30,000 (2020: $18,894) was paid by the ultimate parent entity, Westpac.

15 Contingent liabilities and commitments

Upon the serving of notice to pay, the financial guarantee issued by the Trust covers the covered bonds issued by Westpac in the following currencies, Australian Dollars 3.3 billion, Euro 9.4 billion, Norwegian Krone 2.8 billion, United States Dollars 3.8 billion, Swiss Francs 400 million and British Pound Sterling 1 billion.

16 Subsequent events

On 20 October 2021, the borrowing from Westpac was increased by $7.0bn, the proceeds plus $6.7bn of available cash was used to increase the loan to Westpac.

No other matters have arisen since the year ended 30 September 2021 which are not otherwise dealt with in this report, that have significantly affected or may significantly affect the operations of the Trust, the results of its operations or the state of affairs of the Trust in subsequent periods.

WESTPAC COVERED BOND TRUST
Manager's declaration
30 September 2021

We report that in our opinion:

(a) the Trust has operated during the year ended 30 September 2021 in accordance with the provisions of the Administration Deed for the Trust;

(b) the general purpose financial report of the Trust is properly drawn up in accordance with the Administration Deed for the Trust so as to present fairly the state of affairs of the Trust at 30 September 2021 in accordance with Note 2(a) to the financial report and the results and cash flows of the Trust for the year ended at that date; and

(c) at the date of this declaration, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they fall due.

For and on behalf of the Manager
Westpac Securitisation Management Pty Limited
(ABN 73 081 709 211)

Richard Burton Director	Rebecca Coates Director
Sydney 7 December 2021	Sydney 7 December 2021

WESTPAC COVERED BOND TRUST
Trustee's report
30 September 2021

Pursuant to the Administration Deed for the Trust this general purpose financial report has been prepared by Westpac Securitisation Management Pty Limited (the Administration Agent), and has been audited by PricewaterhouseCoopers, who were appointed by the Trustee and whose report is attached.

The Trustee is not aware of any material matters that require disclosure and that have not been disclosed. The Trustee is not aware of any material matters that have occurred since the date of the financial report that require disclosure and that have not been disclosed.

Digitally signed by Mike Thomson

Director

Digitally signed by David Mrkic
DN: cn=David Mrkic
e=David.Mrkic@BNYMellon.com
Location:

Director

For and on behalf of:
BNY Trust Company of Australia Limited
Sydney

Independent auditor's report

To the unitholders of Westpac Covered Bond Trust

Our opinion

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of Westpac Covered Bond Trust (the Trust) as at 30 September 2021 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 2 (a) of the financial report.

What we have audited

The financial report comprises:

- the balance sheet as at 30 September 2021
- the statement of changes in equity for the year then ended
- the cash flow statement for the year then ended
- the statement of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the declaration of the directors of the Trust Manager.

Basis for opinion

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

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

Independence

We are independent of the Trust in accordance with the ethical requirements of the Accounting Professional & 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 2 (a) in the financial report, which describes the basis of accounting. The financial report has been prepared to assist the directors of the Trust Manager to meet the financial reporting requirements of the Administration Deed. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for Westpac Covered Bond Trust and its unitholders and should not be distributed to or used by parties other than Westpac Covered Bond Trust 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 30 September 2021, 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 2 (a) of the financial report, and for such internal control as the directors of the Trust Manager determines 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 2 (a) 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 intends 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: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

Rob Spring
Partner

Sydney
7 December 2021