

Westpac Covered Bond Trust

ABN 41 372 138 093

Annual Report

For the year ended 30 September 2019

WESTPAC COVERED BOND TRUST

CONTENTS

Manager's report.....	2
Statement of profit or loss and other comprehensive income.....	3
Balance sheet.....	4
Statement of changes in equity.....	5
Cash flow statement	6
Notes to the financial statements	7
Manager's declaration	18
Trustee's report.....	19
Independent auditor's report.....	20

This financial report covers Westpac Covered Bond Trust (the Trust) as an individual entity. The financial report is presented in Australian dollars. 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 9 December 2019. 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

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 2019.

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.

There have been no significant changes in the nature of the principal activities of the Trust during 2019.

Operating and financial review

The operating profit after income tax for the financial year ended 30 September 2019 was \$136,732,084 (2018: \$130,364,975). 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 2019 financial year

During the financial year the Trust increased the borrowings from Westpac by \$1,500,000,000 in March 2019. There were no other significant changes in the state of affairs of the Trust during the year.

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

Developments and expected results

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.



Director



Director

Sydney,
9 DEC 2019

WESTPAC COVERED BOND TRUST

Statement of profit or loss and other comprehensive income for the year ended 30 September 2019

	Note	2019 ¹ \$'000	2018 \$'000
Interest income	3	1,199,873	1,185,011
Interest expense	3	(1,059,230)	(1,050,927)
Net interest income		140,643	134,084
Operating expenses	4	(3,911)	(3,719)
Operating profit before income tax		136,732	130,365
Income tax expense		-	-
Operating profit after income tax		136,732	130,365
Financing costs attributable to unitholders	10	(136,732)	(130,365)
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 accompanying notes.

¹ The Trust has adopted AASB 9 and AASB 15 from 1 October 2018. Comparatives have not been restated. Refer to Note 2 for further information.

WESTPAC COVERED BOND TRUST

Balance sheet as at 30 September 2019

	Note	2019 ¹ \$'000	2018 \$'000
Assets			
Cash and cash equivalents	11(a)	3,458,143	5,842,761
Loan	5	34,070,892	30,192,057
Due from related entities	6	54,389	68,996
Total assets		37,583,424	36,103,814
Liabilities			
Due to related entities	7	83,421	103,811
Borrowings	8	37,500,000	36,000,000
Other financial liabilities ²	9	3	3
Total liabilities excluding net assets attributable to unitholders		37,583,424	36,103,814
Net assets attributable to unitholders	10	-	-
Total liabilities		37,583,424	36,103,814
Net assets		-	-

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

¹ The Trust has adopted AASB 9 and AASB 15 from 1 October 2018. Comparatives have not been restated. Refer to Note 2 for further information.

² In the current year, amounts in other liabilities have been reclassified to other financial liabilities where relevant. Comparatives have been restated. Refer to Note 2 for further information.

WESTPAC COVERED BOND TRUST

Statement of changes in equity for the year ended 30 September 2019

	Total equity ¹ \$'000
Balance at 1 October 2017	-
Balance at 30 September 2018	-
Balance at 30 September 2019	-

Under Australian Accounting Standards (AAS), net assets attributable to unitholders are classified as a 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 accompanying notes.

¹ The Trust has adopted AASB 9 and AASB 15 from 1 October 2018. Comparatives have not been restated. Refer to Note 2 for further information.

WESTPAC COVERED BOND TRUST

Cash flow statement for the year ended 30 September 2019

	Note	2019 ¹ \$'000	2018 \$'000
Cash flows from operating activities			
Interest received		1,214,480	1,177,301
Interest paid		(1,080,084)	(1,041,039)
Payments to suppliers and service providers		(3,899)	(3,711)
Net cash provided by/(used in) operating activities	11(b)	130,497	132,551
Cash flows from investing activities			
Non-recourse loan payments		(12,050,952)	(12,504,120)
Non-recourse loan proceeds		8,172,117	12,475,380
Net cash provided by/(used in) investing activities		(3,878,835)	(28,740)
Cash flows from financing activities			
Repayment of borrowings		-	(2,000,000)
Proceeds from borrowings		1,500,000	3,000,000
Financing costs paid to unitholders		(136,280)	(130,111)
Net cash provided by/(used in) financing activities	11(c)	1,363,720	869,889
Net (decrease)/increase in cash and cash equivalents		(2,384,618)	973,700
Cash and cash equivalents as at the beginning of the year		5,842,761	4,869,061
Cash and cash equivalents as at the end of the year	11(a)	3,458,143	5,842,761

The above cash flow statement should be read in conjunction with the accompanying notes. Details of the reconciliation of net cash provided by/(used in) operating activities to net profit are provided in Note 11.

¹ The Trust has adopted AASB 9 and AASB 15 from 1 October 2018. Comparatives have not been restated. Refer to Note 2 for further information.

WESTPAC COVERED BOND TRUST

NOTES TO THE FINANCIAL STATEMENTS

Note 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 Banking Corporation (Westpac), incorporated in Australia.

Note 2. Financial statements preparation

a. Basis of accounting

(i) General

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 (IFRS) 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 where otherwise stated.

(iii) Changes in accounting policies

Balance sheet

The following voluntary presentation changes to the balance sheet (and related notes) have been made to improve consistency and provide more relevant information to the users of the financial statements by reporting balances of a similar nature together in the same place in the balance sheet. These changes have no effect on the measurement of these items and therefore had no impact on retained earnings or net profit. These changes are:

- reclassification of financial liabilities included in other liabilities to other financial liabilities.

Comparatives have been restated for these voluntary presentation changes and are detailed in the respective note.

(iv) Standards adopted during the year ended 30 September 2019

AASB 9 Financial Instruments (December 2014) (AASB 9)

The Trust adopted AASB 9 on 1 October 2018. The adoption of AASB 9 has been applied retrospectively by adjusting the opening balance sheet at 1 October 2018, with no restatement of comparatives as permitted by the standard.

Impairment

AASB 9 introduces a revised impairment model which requires entities to recognise expected credit losses (ECL) based on unbiased forward looking information, replacing the incurred loss model under AASB 139 Financial Instruments: Recognition and Measurement (AASB 139) which only recognised impairment if there was objective evidence that a loss had been incurred. The revised impairment model applies to all financial assets at amortised cost.

The accounting policy for the provision for expected credit losses under AASB 9 is detailed in Note 2e(iii).

Classification and measurement

AASB 9 replaced the classification and measurement model in AASB 139 with a new model that categorises financial assets based on a) the business model within which the assets are managed, and b) whether the contractual cash flows under the instrument represents solely payment of principal and interest (SPPI).

The accounting policies for the classification and measurement of financial assets and financial liabilities are located in the relevant notes to the financial statements for financial assets and financial liabilities.

The adoption of AASB 9 has had no material impact on the Trust.

AASB 15 Revenue from Contracts with Customers (AASB 15)

The Trust adopted AASB 15 on 1 October 2018. It replaced AASB 118 Revenue and related interpretations and applies to all contracts with customers, except leases, financial instruments and insurance contracts.

The adoption of AASB 15 has had no 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 it 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.

WESTPAC COVERED BOND TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2. Financial statements preparation (continued)

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.

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)(i)).

(ii) Operating expenses

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

(iii) Impairment charges

As comparatives have not been restated upon the adoption of AASB 9 the accounting policy applied in 2019 differs to that applied in comparative periods. The accounting policy applied in comparative periods is discussed in Note 17. The accounting policy applied in 2019 is as follows.

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 follows:

- 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

Financial assets

Recognition

Purchases and sales of regular way 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

As comparatives have not been restated upon the adoption of AASB 9 the accounting policy applied in 2019 differs to that applied in comparative periods. The accounting policy applied in comparative periods is discussed in Note 18. The accounting policy applied in 2019 is as follows.

The Trust classifies its financial assets in the following categories: 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 determination of its fair value is set out in the note for the relevant item.

WESTPAC COVERED BOND TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2. Financial statements preparation (continued)

e. Assets (continued)

Financial assets (continued)

(i) Cash and cash equivalents

For the purposes of presentation in the cash flow statement, 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.

(ii) Loan

The loan is a non-derivative financial asset with fixed or determinable payment that is not quoted in an active market. The non-recourse 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.

(iii) Provisions for expected credit losses

As comparatives have not been restated upon the adoption of AASB 9 the accounting policy applied in 2019 differs to that applied in comparative periods. The accounting policy applied in comparative periods is discussed in Note 17. The accounting policy applied in 2019 is as follows.

Impairment under AASB 9 applies to all financial assets at amortised cost.

The expected credit losses determined under AASB 9 are recognised as follows:

- 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.

Measurement

The Trust calculates the provisions for expected credit losses (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 expected credit losses 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 expected losses is recognised.

Stage 3: Lifetime ECL – non-performing

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

Collective and individual assessment

Financial assets that are in stages 1 and 2 are assessed on a collective basis as are financial assets in stage 3 below specified thresholds. Those financial assets in stage 3 above the specified thresholds are assessed on an individual basis.

Expected life

Expected credit losses are determined as a lifetime ECL in stages 2 and 3.

In considering the lifetime timeframe 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 2 if they are no longer assessed to be non-performing.

(iv) 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 provision for expected credit losses (in 2019 based on AASB 9) or provisions for impairment prior to 2019 (based on AASB139).

WESTPAC COVERED BOND TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2. Financial statements preparation (continued)

f. Liabilities

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 accounting policy for classification and measurement has not changed with the adoption of AASB 9. The accounting policy applied in 2019 is as follows.

The Trust classifies its financial liabilities into the following categories: 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 plus 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.

(i) Borrowings

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

(ii) Due to related entities

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

(iii) 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.

(iv) 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 cost, being the fair value of consideration received.

h. Goods and Services Tax (GST)

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

Revenues, 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.

WESTPAC COVERED BOND TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2. Financial statements preparation (continued)

k. Critical accounting judgements and estimates

Applying the Company's accounting policies requires the use of judgement, assumptions and estimates which impact the financial information. It has been determined that no critical accounting estimates and assumptions have been made this year.

l. Future developments in accounting standards

The following new standards and interpretations which may have a material impact on the Trust have been issued but are not yet effective, and unless otherwise stated, have not been early adopted by the Trust:

(i) AASB 16 Leases

AASB 16 Leases (AASB 16) was issued on 23 February 2016 and will be effective for the 30 September 2020 financial year. The standard will not result in significant changes for lessor accounting. The main changes under the standard are:

- all operating leases of greater than 12 months duration will be required to be presented on balance sheet by the lessee as a right-of-use asset and lease liability. The asset and liability will initially be measured at the present value of non-cancellable lease payments and payments to be made in optional periods where it is reasonably certain that the option will be exercised; and
- all leases on balance sheet will give rise to a combination of interest expense on the lease liability and depreciation of the right-of-use asset (ROU).

Alternative methods of calculating the right-of-use asset are allowed under AASB 16 which impact the size of the transition adjustment. The application of AASB 16 will not have an impact on the Trust as the Trust has no leasing arrangements.

WESTPAC COVERED BOND TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3. Net interest income

	2019 \$'000	2018 \$'000
Interest income		
Transactions with ultimate parent entity:		
Non-recourse loan	1,147,726	1,106,029
Bank interest	52,147	78,982
Total interest income	1,199,873	1,185,011
Interest expense		
Transactions with ultimate parent entity:		
Borrowings	1,059,230	1,050,927
Total interest expense	1,059,230	1,050,927
Net interest income	140,653	134,084

Note 4. Operating expenses

	2019 \$'000	2018 \$'000
Transactions with related entities:		
Management fees	3,682	3,470
Trustee fees	229	249
Total operating expenses	3,911	3,719

Note 5. Loan

	2019 \$'000	2018 \$'000
Balances with ultimate parent entity:		
Non-recourse loan - principal	34,070,892	30,192,057
Total loan	34,070,892	30,192,057

The loan matures beyond 12 months.

Note 6. Due from related entities

	2019 \$'000	2018 \$'000
Balances with ultimate parent entity:		
Accrued interest receivable - non-recourse loan	54,389	68,996
Total due from related entities	54,389	68,996

Receivables to be recovered within 12 months. As at 30 September 2019, there were no overdue amounts from receivables (2018: nil).

Note 7. Due to related entities

	2019 \$'000	2018 \$'000
Balances with ultimate parent entity:		
Financing costs payable to unitholders	12,093	11,641
Accrued interest payable - borrowings	71,020	91,874
Balances with related entities:		
Management fees payable	308	296
Total due to related entities	83,421	103,811

Payables to be settled within 12 months. As at 30 September 2019, there were no overdue amounts from payables (2018: nil).

WESTPAC COVERED BOND TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 8. Borrowings

	2019 \$'000	2018 \$'000
Balances with ultimate parent entity:		
Borrowings	37,500,000	36,000,000
Total borrowings	37,500,000	36,000,000

The borrowing matures beyond 12 months.

Note 9. Other financial liabilities

	2019 ¹ \$'000	2018 \$'000
Accrued expenses	3	3
Total other financial liabilities	3	3

¹ In the current year, accrued expenses of \$3 thousand from 2018 has been reclassified from other liabilities to other financial liabilities. Comparatives have been restated. Refer to Note 2 for further information.

Note 10. Net assets attributable to unitholders

	2019 \$'000	2018 \$'000
Net assets attributable to unitholders	-	-
Total net assets attributable to unitholders	-	-

	2019 \$'000	2018 \$'000
Movements in net assets attributable to unitholders		
Opening balance	-	-
Operating profit after income tax	136,732	130,365
Financing costs attributable to unitholders	(136,732)	(130,365)
Closing balance	-	-

	2019 Units	2018 Units
On issue at beginning of the year	2	2
On issue at end of the year	2	2

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.

WESTPAC COVERED BOND TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 11. Notes to the cash flow statement

	2019	2018	
	\$'000	\$'000	
(a) Reconciliation of cash			
Cash	3,458,143	5,842,761	
Cash and cash equivalents at end of the year	3,458,143	5,842,761	
(b) Reconciliation of net cash provided by/(used in) operating activities to operating profit for the year is set out below:			
Operating profit for the year	136,732	130,365	
Change in operating assets and liabilities:			
Decrease/(increase) in assets			
Interest receivable	14,607	(7,710)	
Increase/(decrease) in liabilities			
Interest payable	(20,854)	9,888	
Management fees payable	12	8	
Net cash provided by/(used in) operating activities	130,497	132,551	
(c) Reconciliation of liabilities arising from financing activities			
Movement in liabilities arising from financing activities:			
	Borrowings	Financing costs attributable to unitholders	Total
	\$'000	\$'000	\$'000
Balance as at 1 October 2017	35,000,000	11,387	35,011,387
Proceeds	3,000,000	-	3,000,000
Repayments	(2,000,000)	-	(2,000,000)
Other cash movements	-	(130,111)	(130,111)
Total cash movements	1,000,000	(130,111)	869,889
Other non-cash movements	-	130,365	130,365
Total non-cash movements	-	130,365	130,365
Balance as at 30 September 2018	36,000,000	11,641	36,011,641
Proceeds	1,500,000	-	1,500,000
Other cash movements	-	(136,280)	(136,280)
Total cash movements	1,500,000	(136,280)	1,363,720
Other non-cash movements	-	136,732	136,732
Total non-cash movements	-	136,732	136,732
Balance as at 30 September 2019	37,500,000	12,093	37,512,093

WESTPAC COVERED BOND TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 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.

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 and the committees which support the Board, as well as measure staff performance.

The key components of the risk and compliance framework include:

- Incident management and reporting;
- Targeted monitoring of control effectiveness;
- Internal and external assurance reviews, reporting and actions;
- Risk and control assessments;
- Operational risk scorecards; 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.

(i) Credit risk

(a) 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.

	2019 \$'000	2018 \$'000
On-balance sheet credit exposures consist of		
Cash and cash equivalents	3,458,143	5,842,761
Loan	34,070,892	30,192,057
Due from related entities	54,389	68,996
Total credit exposures	37,583,424	36,103,814
Analysis of credit exposures by industry and economic sector		
Financial	37,583,424	36,103,814
Total credit exposures	37,583,424	36,103,814

The Trust has a credit exposure of \$37,583,424 thousand comprised mainly of loan assets of \$34,070,892 thousand. These loans are within the Stage 1 of expected credit loss model.

(b) 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.

(ii) 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.

WESTPAC COVERED BOND TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 12. Financial risk management (continued)

Risk management policies and procedures (continued)

(iii) 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.

(iv) 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.

(v) 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.

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

30 September 2019

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Loan	-	-	39,939,655	39,939,655
Due from related entities	-	-	54,389	54,389
Total financial assets carried at fair value	-	-	39,994,044	39,994,044
Financial liabilities				
Borrowings	-	-	42,048,854	42,048,854
Due to related entities	-	-	83,421	83,421
Total financial liabilities carried at fair value	-	-	42,132,275	42,132,275

30 September 2018

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Loan	-	-	34,595,749	34,595,749
Due from related entities	-	-	68,996	68,996
Total financial assets carried at fair value	-	-	34,664,745	34,664,745
Financial liabilities				
Borrowings	-	-	40,750,146	40,750,146
Due to related entities	-	-	103,811	103,811
Total financial liabilities carried at fair value	-	-	40,853,957	40,853,957

WESTPAC COVERED BOND TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 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 Banking Corporation, incorporated in Australia.

(a) Parent entity

Westpac Banking Corporation 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 2018 and up to the date of this report unless otherwise stated are:

Curtis Zuber

Gaetano Volpicella

Richard Burton

Rachel Grimes (appointed 22 November 2019)

David Lees (resigned 22 November 2019)

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 Banking Corporation.

(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.

Note 14. Auditor's remuneration

The auditor's remuneration for audit of the financial statements of \$18,524 (2018: \$18,524) was paid by the ultimate parent entity, Westpac.

Note 15. Contingent liabilities and commitments

Upon the serving of notice to pay, the financial guarantee covers the covered bonds issued by Westpac in the following currencies, AUD 1.7bn, EUR 10.7bn, NOK 2.8bn, USD 5.8bn, CHF 4m and GBP 1bn.

Note 16. Subsequent events

No matters have arisen since the year ended 30 September 2019 which is not otherwise dealt with in this report, 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 periods.

Note 17. Accounting policies relating to prior years

Due to the adoption of AASB 9, the accounting policies relating to the accounting for some financial instruments and related balances have changed. The policies applicable to the current year are provided in the relevant note to the financial statements above. As prior comparative years have not been restated, the accounting policies detailed below reflect the policies applicable to financial years prior to 2019 based on AASB 139. Refer to Note 2 for further information.

Impairment of financial assets (Note 2(c)(iii))/(Note 2(e)(ii))

Assets carried at amortised cost

At each balance sheet date, Westpac, as Servicer, assesses whether there was any objective evidence of impairment of its financial assets. An impairment charge was recognised if there was objective evidence that its financial asset may not be recoverable and when the financial impact can be reliably measured.

The impairment charge was measured as the difference between the financial asset's current carrying amount and the present value of its estimated future cash flows. The estimated future cash flows exclude any expected future credit losses which have not yet occurred and were discounted to their present value using the financial asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment was the current effective interest rate determined under the contract.

The impairment charge was recognised in the statement of profit or loss and other comprehensive income with a corresponding reduction of the carrying value of the financial asset through an offsetting provision account.

In subsequent periods, objective evidence may indicate that an impairment charge should be reversed. The impairment charge was reversed in the statement of profit or loss and other comprehensive income of that future period and the related provision for impairment was reduced.

Classification and measurement of financial assets (Note 2(e))

Financial assets were recognised initially at fair value plus directly attributable transaction costs.

Critical accounting assumptions and estimates

Provision for impairment charges on loan

The Trust's loan impairment provision was established to recognise incurred impairment in its portfolio of loans. A loan was impaired when there was objective evidence that events occurring since the loan was recognised have affected expected cash flows from the loan. The impairment charge was the difference between the carrying value of the loan and the present value of estimated future cash flows calculated at the loan's original effective interest rate for fixed rate loans and the loan's current effective interest rate for variable rate loans. Provision for loan impairment represents management's estimate of the impairment charges incurred in the loan portfolio as at the balance sheet date. Changes to the provision for loan impairment were reported in the statement of profit or loss and other comprehensive income as part of impairment charges on loan.

WESTPAC COVERED BOND TRUST

MANAGER'S DECLARATION

We report that in our opinion:

- (a) the Trust has operated during the year ended 30 September 2019 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 2019 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.

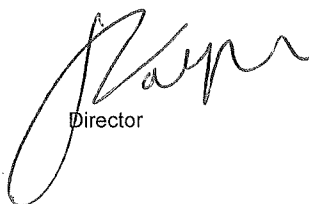
For and on behalf of the Manager:

Westpac Securitisation Management Pty Limited

(ABN 73 081 709 211)



Director



Director

Sydney

9 DEC 2019

WESTPAC COVERED BOND TRUST

TRUSTEE'S REPORT

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.



Michael J.S. Thomson

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 2019 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

What we have audited

The financial report comprises:

- the balance sheet as at 30 September 2019
- 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 a summary of significant accounting policies
- the Manager's declaration.

Basis for opinion

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

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

Independence

We are independent of the Trust in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (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 use

We draw attention to Note 2a in the financial report, which describes the basis of accounting. The financial report has been prepared to meet the 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 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 Manager are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 September 2019, but does not include the financial report and our auditor's report thereon.

PricewaterhouseCoopers, ABN 52 780 433 757

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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 Manager for the financial report

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

In preparing the financial report, the directors of the Manager is responsible for assessing the ability of the Trust to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the 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

David R Cox
Partner

9 Sydney
December 2019