



Westpac Europe Limited

Section 172 of the Companies Act 2006 Disclosure

Review and principal activities

The Company was incorporated in the UK on 21 December 2005. The principal activities of the Company comprise the conducting of banking and financial markets transactions with European companies and financial institutions.

The WEL Board comprises two Executive Directors (the General Manager, Europe & Americas and the Chief Operating Officer, Europe & Americas) and three Non-Executive Directors including the Non-Executive Chairman of the Board.

WEL was granted permission under Part IV of the Financial Services and Markets Act 2000 and is licensed to operate as a bank by the UK Financial Services Authority as of 19 May 2006.

WEL is primarily a sales and marketing operation, which was initially established to generate business in selected EEA countries. Following the departure of the UK from the EU, WEL's primary business focus is maintenance of existing customer facilities and, in particular bi-lateral and syndicated loan facilities. The ability to deal with counterparties in these jurisdictions is important in generating business in Australasia through the Australasian subsidiaries of EEA companies. Westpac continues to value the ongoing maintenance and growth of its business in Europe, and promoting its AUD\$ and NZ\$ franchise.

In accordance with the Companies Act 2006 (the 'Act') for the year ended 30 September 2021, the Directors provide the following statement describing how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Company under section 172.



Statement of Engagement with Employees and Other Stakeholders

In accordance with the Large and Medium-sized Companies and Groups (accounts and Reports) Regulations 2008, the following statement also provides details on how the Directors have engaged with and had regard to, the interest of key stakeholders and employees.

Employees

WEL does not have any direct employees but staff are seconded from Westpac Banking Corporation London Branch where required together with utilising the skilled employees in other parts of Westpac to maintain its operations and risk management.

All such employees are expected to observe Westpac Banking Corporation policies and procedures including appropriate conduct rules.

Customers

The Company has continued to focus on maintaining relationships with our existing customers. The directors recognise the importance of treating customers fairly. This has been evident during the COVID-19 pandemic where discussions have centred on impacts to customers and endeavouring to provide support where appropriate.

Shareholders

The Company is a wholly owned subsidiary of Westpac Banking Corporation, forming part of Westpac's Institutional Division. As a wholly owned subsidiary, the directors ensure that the strategy, priorities, processes and practices of the Company are aligned to those of Westpac Banking Corporation, ensuring that the interests of Westpac Banking Corporation as the Company's sole shareholder are duly acknowledged. The Board is committed to openly engaging with our shareholder to ensure clear understanding of strategy and objectives.

Communities and the Environment

WEL has undertaken analysis of the impact of the risks of climate change on its business which will be regularly updated going forward. The directors are mindful of the community in which WEL is based, being the City of London. The board of WEL understand that through our activities we may impact on human rights, whether in our role as a financial service provider, lender, purchaser of goods and services, or supporter of communities. We recognise we have both a responsibility to respect human rights, and find opportunities to positively impact human rights across the value chain.



Regulators

The Company provides periodic updates on its current status to the PRA and FCA, including disclosures on its loan profile and capital position. During 2021 the Company's Executive Directors had meetings with relevant regulators endeavouring to provide, proactive engagement across key regulation changes and areas of regulatory focus.

How stakeholder interest has influenced decision making

The directors acknowledge that one of the primary responsibilities of the Board is to ensure the strategy of the Company, as aligned to that of Westpac Banking Corporation, is to effectively manage its customer base to generate sustainable returns, central to which is ensuring engagement with stakeholders, and considering in all instances the long-term implications of decisions made, acting at all times to maintain the highest standards of conduct. Board meetings have included discussion on subjects such as the implications of Brexit, Interbank-offered rates (IBOR) reform and the impacts of climate change.

Business performance and position

The Company's net profit for the year ended 30 September 2021 was US\$265,000 (2020: US\$915,000). The decrease was primarily driven by lower interest rates on US Treasury Notes where WEL's excess capital is invested. The Company has total assets of US\$328 million (2020: US\$440 million). Underlying loan exposures decreased by 32% during the year to US\$224 million reflecting a reduction in loans to Infrastructure and Utilities clients. WEL currently has US\$65 million of Tier 1 capital which the Board considers more than sufficient to cover the risk profile of the firm.

Future outlook

The Company has ceased to transact new business in the EU countries which does not give passporting rights under the trade and co-operation agreement (TCA). However, under various local licensing regimes in certain EEA countries, the Company is permitted to service loan and derivative commitments entered into prior 31 December 2020, (that is existing loans and derivative commitments) post 1 January 2021. Over time, WEL may seek approval to transfer a number, but not all, of its loans to a new WBC group subsidiary, Westpac Europe GmbH. In addition the board may also consider transferring a number of loans to the parent, Westpac Banking Corporation. There remains uncertainty as to the longer-term implications of Brexit on WEL going forward but the Board is continuing to monitor developments and the implications for its business, and continues to service existing client relationships where permitted under local licensing rules.



Interbank-offered rates (IBOR) reform

In July 2017, the Financial Conduct Authority, which regulates the London Interbank Offered Rate (“LIBOR”), announced that it would not require panel banks to continue to submit rates for the calculation of the LIBOR benchmark after 2021. On 5 March 2021, the FCA announced the dates that panel bank submissions for all LIBOR settings will cease, after which representative LIBOR rates will no longer be available.

WEL has ceased offering new products referencing GBP, USD, EUR, CHF & JPY LIBOR and all existing loans which referenced IBOR have been transitioned to an Alternative Reference Rate (“ARR”).

Principal risks & uncertainties

WEL’s tolerance level for risk is very low due to the business model and strategy of not taking any risk on transactions coupled with a desire to maintain its public AA- rating (Standard and Poor’s). The Board has limited appetite for taking on market risk. As a result, all material positions are backed out to Westpac Banking Corporation through its London Branch.

The material credit risk that is retained within WEL is in relation to the cash collateral received from Westpac, and on WEL’s capital, which are invested in fixed income debt securities. To manage the credit risk, WEL has adopted Westpac’s Investment Management Policy. As at 30 September 2021, WEL invested US\$237 million in fixed income debt securities with central governments and highly rated financial institutions. By adopting Westpac’s Investment Management Policy, WEL’s investment decisions are made by considering the results of periodic investment reviews performed by Westpac. The Directors have oversight of WEL’s investments monthly and continue to endorse Westpac’s Investment Management Policy.

Liquidity risk is a material risk to WEL. This risk is mitigated by the holding of high-quality liquid assets (HQLA) of face value US\$200 million US Treasuries (2020: US\$203 million) and EUR10 million (US\$11.6 million) German government bonds (2020: EUR5 million) as at 30 September 2021. It enables WEL to pass its liquidity adequacy assessment process without taking any other management actions.

The Board will continue to review WEL’s collateral structure and capital requirements to ensure there is enough cash collateral and capital buffers to manage the above risks under different business and market scenarios.



Operational risk is closely monitored and there were no operational risk losses incurred by WEL during the 2021 year.

Key performance indicators

Board meetings are held quarterly to review WEL's overall business performance and risk management. The assessments of WEL's liquidity risk and capital adequacy are reviewed monthly by the senior management team based on financial key performance indicators.

Westpac Europe Limited is a company registered in England and Wales under the Companies Act 1985 as Company No. 5660032, having its registered office at 23 Camomile Street, London EC3A 7LL. Westpac Europe Limited is authorised by the Prudential Regulation Authority (PRA) and regulated in the United Kingdom by the PRA and Financial Conduct Authority. Westpac Europe Limited is a wholly owned subsidiary of Westpac Banking Corporation ABN 33 007 457 14