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# **WESTPAC** **CAPITAL NOTES 2**

PROSPECTUS AND WESTPAC SPS II  
REINVESTMENT OFFER INFORMATION

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**ISSUER**

Westpac Banking Corporation  
ABN 33 007 457 141

**DATE OF THIS PROSPECTUS**

15 May 2014

**ARRANGER**

Westpac Institutional Bank

**JOINT LEAD MANAGERS  
AND JOINT BOOKRUNNERS**

Westpac Institutional Bank  
ANZ Securities  
Commonwealth Bank of Australia  
Deutsche Bank  
Goldman Sachs  
National Australia Bank


**CO-MANAGER**

JBWere Limited

**ONLINE MANAGER**

Westpac Online Investing

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# IMPORTANT NOTICES

## ABOUT THIS PROSPECTUS

This Prospectus relates to the offer of Westpac Capital Notes 2 ("Notes") at an Initial Face Value of \$100 each to raise \$1 billion with the ability to raise more or less.

The Westpac Capital Notes 2 offered under this Prospectus are designated as Series 2014-1.

Westpac Capital Notes 2 are fully paid, non-cumulative, convertible, transferable, redeemable, subordinated, perpetual, unsecured notes issued by Westpac.

This Prospectus is dated 15 May 2014 and was lodged with the Australian Securities and Investments Commission ("ASIC") on that date. This is a replacement prospectus which replaces the prospectus dated 7 May 2014 and lodged with ASIC on that date ("Original Prospectus"). ASIC and ASX Limited ("ASX") take no responsibility for the content of this Prospectus nor for the merits of the investment to which this Prospectus relates. This Prospectus expires on the date which is 13 months after the date of the Original Prospectus ("Expiry Date") and no Notes will be issued or transferred on the basis of this Prospectus after the Expiry Date and no Westpac SPS II will be bought back through the On-Market Buy-Back Facility after 7 May 2015.

**The Notes are not deposit liabilities or protected accounts of Westpac for the purposes of the Banking Act or Financial Claims Scheme and are not subject to the depositor protection provisions of Australian banking legislation (including the Australian Government guarantee of certain bank deposits).**

**The Notes are unsecured and subordinated. Conversion of the Notes into Ordinary Shares or Redemption or Transfer of the Notes may occur in circumstances which are disadvantageous to you in light of market conditions or your individual circumstances. In particular, if a Capital Trigger Event or Non-Viability Trigger Event occurs, Westpac will be required to Convert some or all of the Notes (or, where that is not possible, all rights in relation to those Notes, including to Distributions, will be terminated). If Conversion occurs in these circumstances, Holders may receive, in the case of a Capital Trigger Event, and are likely to receive, in the case of a Non-Viability Trigger Event, Ordinary Shares that are worth significantly less than \$101.01 for each Note (based on the Initial Face Value of \$100 per Note) they hold (and may suffer loss as a consequence).**

The Notes are not secured. Investment-type products are subject to investment risk, including possible delays in payment and loss of income and principal invested. Neither Westpac nor any member of the Westpac Group in any way guarantees the capital value and/or performance of the Notes or any particular rate of return.

## DEFINED WORDS AND EXPRESSIONS

Some words and expressions used in this Prospectus are capitalised as they have defined meanings. The Glossary in Appendix A and clause 16.2 of the Westpac Capital Notes 2 Terms in Appendix B define these words and expressions.

A reference to time in this Prospectus is to Sydney time, unless otherwise stated. A reference to \$, A\$, dollars and cents is to Australian currency, unless otherwise stated.

## NO REPRESENTATIONS OTHER THAN IN THIS PROSPECTUS

You should rely only on information in this Prospectus. No person is authorised to provide any information or to make any representations in connection with the Offer which is not contained in this Prospectus. Any information or representations not contained in this Prospectus may not be relied upon as having been authorised by Westpac in connection with the Offer.

Except as required by law, and only to the extent so required, neither Westpac nor any other person warrants the future performance of the Notes, Westpac or any return on any investment made under this Prospectus.

The financial information provided in this Prospectus is for information purposes only and is not a forecast of operating results to be expected in future periods.

## THIS PROSPECTUS DOES NOT PROVIDE INVESTMENT ADVICE – YOU SHOULD SEEK YOUR OWN PROFESSIONAL INVESTMENT ADVICE

The information in this Prospectus is not investment advice and has been prepared without taking into account your investment objectives, financial situation and particular needs (including financial and taxation issues) as an investor. It is important that you read the entire Prospectus before deciding whether to invest in the Notes. In particular, it is important that you consider the risk factors that could affect the financial performance and position of the Notes and Westpac. You should carefully consider these factors and other information in the Prospectus in light of your particular

investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional investment advice from your financial adviser or other professional adviser before deciding whether to apply for Notes. For investment risks that you should consider, see Sections 1.4 and 6.

Except for any liability which cannot be excluded by law, each Joint Lead Manager and its respective directors, officers, employees and advisers expressly disclaims and does not accept any liability for the contents of the Prospectus, the Notes or the Offer.

This Prospectus also contains information in relation to (amongst other things) the Reinvestment Offer. Neither Westpac nor the On-Market Sale Agent nor any other person is providing any investment advice or making any recommendation to Eligible Westpac SPS II Holders in respect of the Reinvestment Offer.

## RESTRICTIONS IN FOREIGN JURISDICTIONS

This Offer is being made in Australia only. The distribution of this Prospectus (including an electronic copy) in jurisdictions outside Australia may be restricted by law. If you come into possession of this Prospectus in jurisdictions outside Australia, you should seek advice on, and observe, any such restrictions. If you fail to comply with such restrictions that failure may constitute a violation of applicable securities laws.

This Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Notes or the Offer or to otherwise permit a public offering of the Notes in any jurisdiction outside Australia. In particular, the Notes have not been, and will not be, registered under the US Securities Act or the securities law of any state of the United States. Therefore, the Notes may not be offered, sold, delivered or transferred, directly or indirectly, in the United States or to, or for the account or benefit, of any US Person.

Each of the Joint Lead Managers has agreed that it will not offer, sell, deliver or transfer the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offer and Issue Date (the "Distribution Compliance Period"), within the United States or to, or for the account or benefit of, US Persons, and it will have sent to each dealer, distributor or other relevant parties to which Notes are Allocated during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers, sales, deliveries and transfers of the Notes within the United States or to, or for the account or benefit of, US Persons.

In addition, until 40 days after the commencement of the Offer, an offer or sale of the Notes within the United States by any dealer that is not participating in the Offer may violate the registration requirements of the US Securities Act.

Each of the Joint Lead Managers has agreed that (i) neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts within the meaning of Rule 902 under the US Securities Act with respect to the Notes, and it and they have complied with and will comply with the offering restrictions requirement of Regulation S under the US Securities Act and (ii) it has not entered into and, without Westpac's prior consent, will not enter into, any contractual arrangement with respect to the distribution of the Notes, except with its affiliates.

## EXPOSURE PERIOD

The Corporations Act prohibits the acceptance of Applications during the seven day period after the date the Original Prospectus was lodged with ASIC. This period is referred to as the Exposure Period and ASIC may extend this period by up to a further seven days (that is up to 14 days in total). The purpose of the Exposure Period was to enable the Original Prospectus to be examined by market participants before the Opening Date.

## HOW TO OBTAIN A PROSPECTUS AND AN APPLICATION FORM

During the Offer Period:

- Eligible Westpac SPS II Holders will be sent a copy of this Prospectus with a personalised Reinvestment Form;
- Eligible Securityholders may obtain a copy of this Prospectus with a personalised Securityholder Application Form accompanying it (free of charge) by:
  - calling the **Westpac Capital Notes 2 Information Line (Monday to Friday, 8.30am to 5.30pm, Sydney time) on 1300 551 547**; or
  - registering online to receive a Prospectus at **www.westpac.com.au/westpacnotes2**.

During the Offer Period, Broker Firm Applicants can obtain a copy of this Prospectus,

including a Broker Firm Application Form, by downloading a copy from the Westpac website at **www.westpac.com.au/westpacnotes2** or from their Syndicate Broker.

An electronic copy of the Prospectus can be downloaded from the Westpac website at **www.westpac.com.au/westpacnotes2**.

If you access an electronic copy of this Prospectus, you should ensure that you download and read the entire Prospectus.

Application Forms will only be available during the Offer Period together with printed or electronic copies of the Prospectus. Eligible Westpac SPS II Holders and Eligible Securityholders may also apply online during the Offer Period at **www.westpac.com.au/westpacnotes2**.

## APPLICATIONS FOR WESTPAC CAPITAL NOTES 2

Applications for Notes under this Prospectus may only be made during the Offer Period on an Application Form attached to or accompanying this Prospectus including, in the case of Eligible Securityholders or Eligible Westpac SPS II Holders, an online Application. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a printed copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

You should read this Prospectus in its entirety before deciding to apply for Notes. If, after reading this Prospectus, you are unclear or have any questions about the Offer, then you should consult your financial adviser or other professional adviser.

For information on who is eligible to apply for Notes under the Offer and how to make an Application – see page 2 and Section 1.7 for a summary, and Section 4 and the Application Forms for full details.

## ELECTRONIC ACCESS TO PROSPECTUS

The following conditions apply if this Prospectus is accessed electronically:

- you must download the Prospectus in its entirety from **www.westpac.com.au/westpacnotes2**; and
- the Prospectus is only available electronically to persons accessing and downloading or printing the electronic version of the Prospectus in Australia.

## NO WITHDRAWAL OF APPLICATION

You cannot withdraw your Application once it has been lodged, except as permitted under the Corporations Act.

## REFUNDS

If you are Allocated less than the number of Notes that you applied for, you will receive a refund cheque as soon as possible after the Issue Date. If the Offer does not proceed, any Application Payment you have made will be refunded to you. No interest will be payable on Application Payments.

## TRADING IN WESTPAC CAPITAL NOTES 2

It is your responsibility to determine your Allocation before trading in Notes to avoid the risk of selling Notes you do not own. To assist you in determining your Allocation before the receipt of your Holding Statement, you may call the **Westpac Capital Notes 2 Information Line (Monday to Friday 8.30am to 5.30pm, Sydney time) on 1300 551 547** if you are an Eligible Securityholder or Eligible Westpac SPS II Holder or contact your Syndicate Broker if you are a Broker Firm Applicant. If you sell Notes before you receive confirmation of your Allocation, you do so at your own risk.

## PROVIDING PERSONAL INFORMATION

You will be asked to provide personal information to Westpac (directly or via its agents, including the Registrar) if you apply for Notes. See Section 9.10 for information on how Westpac (and its agents, including the Registrar on its behalf) collects, holds and uses this personal information. You can also obtain a copy of that policy at **www.westpac.com.au**.

## CODE OF BANKING PRACTICE

Westpac voluntarily subscribes to the Code of Banking Practice ("Code") which provides for certain standards of dealing with respect to individual and small business customers to whom it supplies banking services (as defined in the Code). A copy of the Code is available on Westpac's website at **www.westpac.com.au** and information regarding Westpac's obligations with respect to complaint handling procedures or other matters the subject of the Code which are relevant to the Notes is available on request.

## ENQUIRIES

If you have any questions in relation to the Offer, please call the **Westpac Capital Notes 2 Information Line (Monday to Friday 8.30am to 5.30pm, Sydney time) on 1300 551 547** (local call cost within Australia) or contact your financial adviser or other professional adviser.

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# HOW TO APPLY FOR WESTPAC CAPITAL NOTES 2

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- 1. Read this Prospectus in full**
  - If you are considering applying for Notes under the Offer, this Prospectus is important and should be read in its entirety.
  - You should have particular regard to the:
    - “Investment overview” in Section 1 and “Information about Westpac Capital Notes 2” in Section 2;
    - “Reinvestment Offer” in Section 3 (if you are an Eligible Westpac SPS II Holder);
    - “Investment risks” in Section 6; and
    - “Westpac Capital Notes 2 Terms” in Appendix B
  - In considering whether to apply for Notes, it is important to consider all risks and other information regarding an investment in Notes in light of your particular investment objectives and circumstances.
- 2. Speak to your professional adviser**
  - You should seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser about the Offer.
- 3. Consider the ASIC guidance for retail investors**
  - ASIC has published guidance which may be relevant to your consideration of the Notes – namely, information for retail investors who are considering investing in hybrid securities called “Hybrid securities and notes” (under the heading “Complex investments” at [www.moneysmart.gov.au/investing](http://www.moneysmart.gov.au/investing)). The guidance includes a series of questions you may wish to consider and a short quiz, to check your understanding of how hybrids work, their features and the risks of investing in them.
  - Free copies of the ASIC guidance can be obtained from ASIC’s website at [www.moneysmart.gov.au/investing](http://www.moneysmart.gov.au/investing) or by calling ASIC on 1300 300 630 (from Australia) or +61 3 5177 3988 (from outside Australia). Copies of the ASIC guidance can also be obtained from [www.westpac.com.au/westpaccapnotes2](http://www.westpac.com.au/westpaccapnotes2).
- 4. Complete and submit your Application Form and Application Payment**
  - If you have decided to apply for Notes, you must apply using an Application Form attached to or accompanying this Prospectus. Eligible Westpac SPS II Holders and Eligible Securityholders may also apply online at [www.westpac.com.au/westpaccapnotes2](http://www.westpac.com.au/westpaccapnotes2).
  - The Application process varies depending on whether you participate in the Reinvestment Offer, Securityholder Offer or Broker Firm Offer.
  - If you apply under the Reinvestment Offer, Securityholder Offer or Broker Firm Offer, your Application Form must be received by the Closing Date for the relevant Offer, expected to be 10 June 2014 for the Reinvestment Offer and 12 June 2014 for the Securityholder Offer and the Broker Firm Offer.
  - See Section 4 for more details on how to apply.
  - The Offer may close early so you are encouraged to submit your Application as soon as possible after the Opening Date.
- 5. Where can I obtain further information about Westpac and Westpac Capital Notes 2?**

Information about the Notes is contained in this Prospectus. You should read the Prospectus in its entirety. Westpac is a disclosing entity for the purposes of the Corporations Act and, as a result, is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. In addition, Westpac must notify ASX immediately (subject to certain exceptions) if it becomes aware of information about Westpac that a reasonable person would expect to have a material effect on the price or value of its securities, including the Notes.

Copies of documents lodged with ASIC can be obtained from, or inspected at, an ASIC office and Westpac’s ASX announcements may be viewed on [www.asx.com.au](http://www.asx.com.au). Further information about Westpac, including Westpac’s half-yearly and annual financial reports, presentations and other investor information, can be obtained from [www.westpac.com.au/investorcentre](http://www.westpac.com.au/investorcentre).

**An investment in the Notes is an investment in Westpac and may be affected by the ongoing performance, financial position and solvency of Westpac. The Notes are not deposit liabilities or protected accounts of Westpac for the purposes of the Banking Act or Financial Claims Scheme and are not subject to the depositor protection provisions of Australian banking legislation (including the Australian Government guarantee of certain bank deposits).**

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# KEY DATES

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## KEY DATES FOR THE OFFER

Record date for determining Eligible Securityholders (7.00pm Sydney time)	30 April 2014
Announcement of Offer and lodgement of Original Prospectus with ASIC	7 May 2014
Bookbuild	14 May 2014
Announcement of Margin	14 May 2014
Lodgement of this Prospectus with ASIC	15 May 2014
Opening Date	15 May 2014
Closing Date for the Reinvestment Offer (5.00pm Sydney time)	10 June 2014
Closing Date for the Securityholder Offer and Broker Firm Offer (5.00pm Sydney time)	12 June 2014
Issue Date of Notes	23 June 2014
Commencement of deferred settlement trading	24 June 2014
Holding Statements dispatched by	27 June 2014
Commencement of normal settlement trading	30 June 2014

## KEY DATES FOR WESTPAC CAPITAL NOTES 2

Record Date for first Distribution (7:00pm Sydney time)	15 September 2014
First Distribution Payment Date <sup>1</sup>	23 September 2014
Option for Westpac to Convert, Redeem or Transfer the Notes <sup>2</sup>	23 September 2022
Scheduled Conversion Date <sup>3</sup>	23 September 2024

## KEY DATES FOR THE REINVESTMENT OFFER

Reinvestment Offer Record Date for determining Eligible Westpac SPS II Holders (7.00pm Sydney time)	30 April 2014
Opening Date	15 May 2014
Closing Date for the Reinvestment Offer (5.00pm Sydney time)	10 June 2014
On-Market Buy-Back Date	18 June 2014
Record date for Pro-Rata Distribution (payable to Participating Westpac SPS II Holders) (7.00pm Sydney time)	20 June 2014
Issue Date of Notes	23 June 2014
Payment date for Pro-Rata Distribution (payable to Participating Westpac SPS II Holders) <sup>4</sup>	30 June 2014

<sup>1</sup> Distributions are payable quarterly, subject to satisfaction of the Distribution Payment Conditions – see Section 2.2.11.

<sup>2</sup> There can be no certainty that APRA will provide its prior written approval for any such Redemption.

<sup>3</sup> Conversion of the Notes to Ordinary Shares on this date is subject to satisfaction of the Scheduled Conversion Conditions – see Section 2.4.4.

<sup>4</sup> Subject to satisfaction of the distribution payment test in the Westpac SPS II terms.

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# KEY DATES

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## KEY DATES FOR NON-PARTICIPATING WESTPAC SPS II HOLDERS

Record date for scheduled Full Distribution (payable to Non-Participating Westpac SPS II Holders) (7.00pm Sydney time)	20 June 2014
Payment date for scheduled Full Distribution (payable to Non-Participating Westpac SPS II Holders) <sup>1</sup>	30 June 2014
Last day of trading in Westpac SPS II	17 September 2014
Record date for scheduled Final Distribution (payable to Non-Participating Westpac SPS II Holders) (7.00pm Sydney time)	22 September 2014
Payment date for scheduled Final Distribution (payable to Non-Participating Westpac SPS II Holders) <sup>1</sup>	30 September 2014
Expected date of transfer to Westpac SPS II Nominated Party	30 September 2014
Expected date of buy-back of Non-Participating Westpac SPS II from Westpac SPS II Nominated Party <sup>2</sup>	30 September 2014

### Dates May Change

These dates are indicative only and may change. Westpac and the Joint Lead Managers may, in their absolute discretion, close the Offer early or extend the Offer Period without notice. Westpac may also withdraw the Offer at any time before Notes are issued. Accordingly, if you wish to apply for Notes, you are encouraged to do so as soon as possible after the Opening Date. The period between the Opening Date and the Closing Dates is known as the Offer Period.

Except as otherwise specified in the Westpac Capital Notes 2 Terms, if any of these dates are not Business Days and an event under the Westpac Capital Notes 2 Terms is stipulated to occur on that day, then the event will occur on the next Business Day.

### Quotation of Westpac Capital Notes 2 on ASX

Westpac has applied to ASX for the Notes to be quoted on ASX. Quotation of the Notes is not guaranteed. If ASX does not grant permission for the Notes to be quoted, then the Notes will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as possible.

### Making an Application

For information on who is eligible to apply for the Notes under the Offer and how to make an Application – see page 2 and Section 1.7 for a summary and Section 4 and the Application Forms for full details.

<sup>1</sup> Subject to satisfaction of the distribution payment test in the Westpac SPS II terms.

<sup>2</sup> Subject to satisfaction of certain conditions set out in the Westpac SPS II terms.

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# 1

## INVESTMENT OVERVIEW

**This Section provides an overview of an investment in the Westpac Capital Notes 2.**

# INVESTMENT OVERVIEW

## 1.1 KEY FEATURES OF THE OFFER

Topic	Summary	Further information	Page(s)
1.1.1 What is the Offer?	<ul style="list-style-type: none"> <li>The Offer is for the issue of Westpac Capital Notes 2 to raise \$1 billion, with the ability to raise more or less. The Offer includes the Reinvestment Offer, which is a priority offer to Eligible Westpac SPS II Holders to sell all or some of their Westpac SPS II through the On-Market Buy-Back Facility and reinvest the sale proceeds in Notes.</li> </ul>	Section 4.1	82
1.1.2 Who is the issuer?	<ul style="list-style-type: none"> <li>Westpac Banking Corporation ABN 33 007 457 141</li> </ul>	Section 5	89-99
1.1.3 What are the Westpac Capital Notes 2?	<p>Westpac Capital Notes 2 are:</p> <ul style="list-style-type: none"> <li><b>fully paid</b> – the Issue Price (\$100 per Note, which will also be the Initial Face Value of the Note) must be paid to Westpac before the Notes are issued;</li> <li><b>non-cumulative</b> – they offer non-cumulative Distributions;</li> <li><b>convertible</b> – in certain circumstances Westpac will be required or permitted to Convert the Notes into Ordinary Shares;</li> <li><b>redeemable and transferable</b> – in certain circumstances Westpac may be permitted to repay the Face Value (initially \$100 per Note) of the Notes to Holders or transfer the Notes to a third party (but there are significant restrictions on repayment of the Notes);</li> <li><b>perpetual</b> – they do not have any fixed maturity date and could exist indefinitely (in which case you would not receive your capital back or be issued Ordinary Shares);</li> <li><b>unsecured</b> – they are not guaranteed nor are they deposit liabilities or protected accounts of Westpac under the Banking Act or Financial Claims Scheme and they are not subject to the depositor protection provisions of Australian banking legislation;</li> <li><b>subordinated</b> – although they have priority over Ordinary Shares and rank equally with certain other Capital Securities issued by Westpac, they are subordinated to claims of Senior Creditors in a Winding Up; and</li> </ul>	Section 2 Westpac Capital Notes 2 Terms	30-68, B.1-B.28



Topic	Summary	Further information	Page(s)
<b>1.1.3 What are the Westpac Capital Notes 2?</b> (continued)	<ul style="list-style-type: none"> <li><b>listed</b> – Westpac has applied for the Notes to be quoted on ASX and the Notes are expected to trade under ASX code WBCPE.</li> </ul> <p>The Westpac Capital Notes 2 Terms are complex and derive from the detailed capital requirements which APRA applies to these instruments. Westpac's ability to pay Distributions or to Convert, Redeem or Transfer the Notes is subject to a number of restrictions, including APRA either not objecting to the Distributions or giving prior written approval to a Redemption.</p>		
<b>1.1.4 Why is Westpac issuing the Westpac Capital Notes 2?</b>	<ul style="list-style-type: none"> <li>Westpac is issuing the Notes to raise regulatory capital which satisfies the regulatory capital requirements of the Australian Prudential Regulation Authority ("<b>APRA</b>"). The proceeds received under the Offer will be used by Westpac for general business purposes.</li> <li>The Notes and Westpac's other Capital Securities, including Ordinary Shares, help to protect Westpac's depositors and other creditors by providing a loss-absorbing capital buffer which supports losses that may be incurred on Westpac's assets.</li> <li>The Notes will qualify as Additional Tier 1 Capital to help satisfy Westpac's regulatory capital requirements.</li> </ul>	Sections 2.3.1 and 2.9	40, 57

## 1.2 KEY FEATURES OF WESTPAC CAPITAL NOTES 2

Topic	Summary	Further information	Page(s)
<b>1.2.1 What Distributions are payable?</b>	<ul style="list-style-type: none"> <li>The Notes offer Holders floating rate Distributions until the Notes are Converted or Redeemed. The Distribution Rate is determined quarterly as the sum of the 90 day Bank Bill Rate per annum plus the Margin per annum, together multiplied by <math>(1 - \text{Tax Rate})^1</math>.</li> <li>The Margin is 3.05% per annum.</li> </ul>	Section 2.2 Westpac Capital Notes 2 Terms clauses 3.1 and 3.5	33-39, B.2-B.3

<sup>1</sup> The Tax Rate is 30% (or 0.30 expressed as a decimal) as at the date of this Prospectus.

# INVESTMENT OVERVIEW

Topic	Summary	Further information	Page(s)
<b>1.2.1 What Distributions are payable?</b> (continued)	<ul style="list-style-type: none"> <li>Distributions are expected to be fully franked. The effect of Distributions being franked is to reduce the cash amount received by Holders on each Distribution Payment Date by an amount equal to the relevant level of franking. If a Distribution is not fully franked (other than because of an act by, or circumstance affecting, the particular Holder), then the amount of the Distribution entitlement will be adjusted to compensate for the unfranked amount.</li> <li>Distributions are scheduled to be paid quarterly in arrear beginning on 23 September 2014. The dates on which Distributions are paid are referred to as "Distribution Payment Dates".</li> </ul>		
<b>1.2.2 Will Distributions always be paid?</b>	<ul style="list-style-type: none"> <li>Payments of Distributions are within the absolute discretion of Westpac, which means Westpac does not have to pay them. Distributions are also only payable if the other Distribution Payment Conditions are satisfied. These conditions include the requirement that paying a Distribution would not result in a breach of APRA's regulatory capital requirements and that the payment of the Distribution would not result in Westpac becoming, or being likely to become, insolvent for the purposes of the Corporations Act.</li> <li>If any Distributions on the Notes are not paid, Westpac is prevented from determining or paying any Dividends on Ordinary Shares or undertaking any discretionary Buy Back or Capital Reduction unless the amount of the unpaid Distribution is paid in full within 20 Business Days, or all Notes have been Converted or Redeemed, a Distribution for a subsequent Distribution Period has been paid in full, or Holders pass a Special Resolution, and APRA does not otherwise object.</li> </ul>	Sections 2.2.11, 2.2.12 and 2.2.13  Westpac Capital Notes 2 Terms clauses 3.3, 3.4, 3.7 and 3.8	38-39, B.3-B.4

Topic	Summary	Further information	Page(s)
<b>1.2.2 Will Distributions always be paid?</b> (continued)	<ul style="list-style-type: none"> <li>Distributions are non-cumulative, which means that unpaid Distributions will not be made up or accumulate. Holders will not have any rights to compensation if Westpac does not pay Distributions. Failure to pay any Distribution is not an event of default (the Westpac Capital Notes 2 Terms do not include any events of default) and Holders have no right to apply for a Winding Up on the grounds of non-payment of a Distribution.</li> </ul>		
<b>1.2.3 Do my Westpac Capital Notes 2 have a fixed maturity date?</b>	<ul style="list-style-type: none"> <li>No, the Notes do not have a fixed maturity date.</li> </ul>	Sections 1.1.3 and 6.1.17  Westpac Capital Notes 2 Terms clause 1.1(a)	6, 107, B.2
<b>1.2.4 What will happen to my Westpac Capital Notes 2?</b>	<ul style="list-style-type: none"> <li>What will happen to the Notes is uncertain and depends on a number of factors including whether Scheduled Conversion will occur, whether a Capital Trigger Event, Non-Viability Trigger Event or Acquisition Event occurs, whether Westpac chooses to Convert, Redeem or Transfer the Notes (on 23 September 2022 or following a Tax Event or Regulatory Event) and whether APRA's approval is given when required under the Westpac Capital Notes 2 Terms. It is possible that the Notes could remain on issue indefinitely.</li> <li>Holders have no right to request or require Westpac to Convert, Redeem or arrange for the Transfer of the Notes.</li> <li>Unless a Conversion, Redemption or Transfer occurs, Holders would need to sell their Notes on ASX at the prevailing market price to realise their investment. That market price may be less than the Face Value, or there may be no liquid market in the Notes which may result in Holders suffering loss.</li> <li>If a Capital Trigger Event or Non-Viability Trigger Event occurs and Conversion of Notes is not possible, <b>all rights in relation to those Notes will be terminated (and your investment will lose all of its value and you will not receive any compensation or unpaid Distributions).</b></li> </ul>	Sections 2.1.1, 2.4, 2.5, 2.6 and 2.7  Westpac Capital Notes 2 Terms clauses 4, 5, 6, 7 and 8	31-32, 40-56, B.4-B.11

# INVESTMENT OVERVIEW

Topic	Summary	Further information	Page(s)
1.2.5 When can the Westpac Capital Notes 2 be Converted, Redeemed or Transferred at the option of Westpac?	<ul style="list-style-type: none"> <li>• Westpac will have the option to Convert, Redeem (if APRA gives its prior written approval) or Transfer some or all of the Notes on <b>23 September 2022</b><sup>1</sup>.</li> <li>• Westpac will also have the option to Convert, Redeem (if APRA gives its prior written approval) or Transfer all (but not some) of the Notes in the following circumstances: <ul style="list-style-type: none"> <li>– where a <b>Tax Event</b> occurs (for example, if Westpac determines that, as a result of a Change of Law, there is a more than insubstantial risk that the Westpac Group will incur an increase in costs or taxes in relation to the Notes other than a tax or cost that is minor or that Westpac expected at the Issue Date); or</li> <li>– where a <b>Regulatory Event</b> occurs (for example, if as a result of a change in law that Westpac did not expect at the Issue Date, additional requirements would be imposed on the Westpac Group in relation to the Notes or there would be a negative impact on the Westpac Group (in relation to or in connection with the Notes), or if Westpac determines that the Notes will not receive certain regulatory capital treatment).</li> </ul> </li> <li>• If on 23 September 2022 or following a Tax Event or Regulatory Event, Westpac chooses to: <ul style="list-style-type: none"> <li>– <b>Convert</b> the Notes – Holders will receive a variable number of Ordinary Shares and the Notes will be cancelled.</li> <li>– <b>Redeem</b> the Notes – Holders will receive the Face Value of their Redeemed Notes (initially \$100 per Note) and those Notes will be cancelled.</li> <li>– <b>Transfer</b> the Notes – the Notes will be transferred to a third party nominated by Westpac and Holders will receive the Face Value of their Transferred Notes (initially \$100 per Note) from the third party transferee (Referred to in the Westpac Capital Notes 2 Terms as the “<b>Nominated Party</b>”).</li> </ul> </li> </ul>	<p>Sections 2.5 and 2.6</p> <p>Westpac Capital Notes 2 Terms clauses 6, 7, 8 and 16.2 (definitions of “Tax Event” and “Regulatory Event”)</p>	<p>44-48, B.8-B.11, B.26-B.27</p>

<sup>1</sup> Under APRA's Prudential Standards, in order for Notes to qualify as Additional Tier 1 Capital, Westpac cannot have the right to redeem the Notes earlier than the fifth anniversary of the Issue Date and there must be at least two years from the date upon which Westpac can elect Redemption and the first possible Scheduled Conversion Date.

Topic	Summary	Further information	Page(s)
<p><b>1.2.5 When can the Westpac Capital Notes 2 be Converted, Redeemed or Transferred at the option of Westpac?</b> (continued)</p>	<ul style="list-style-type: none"> <li>Where Westpac has the option to Convert, Redeem or Transfer the Notes, it is important for Holders to be aware that: <ul style="list-style-type: none"> <li>Westpac’s ability to Redeem the Notes is subject to receiving APRA’s prior written approval. <b>There can be no certainty that APRA will provide its prior written approval.</b></li> <li>There are significant restrictions on Westpac’s right to Redeem the Notes with cash. Westpac can only Redeem the Notes if APRA is satisfied with Westpac’s capital position, which may mean that Westpac must replace the Notes with regulatory capital of the same or better quality. This is intended to protect Westpac’s depositors.</li> <li>Conditions apply to Westpac’s option to convert, (referred to in the Westpac Capital Notes 2 Terms as “<b>Optional Conversion</b>”), which require Westpac’s Ordinary Share price to be above a specified level in the period prior to Conversion. See Section 2.5.4 for information on these conditions.</li> </ul> </li> </ul>		
<p><b>1.2.6 When will the Westpac Capital Notes 2 mandatorily Convert to Ordinary Shares?</b></p>	<ul style="list-style-type: none"> <li>Conversion will occur on a <b>Scheduled Conversion Date</b>, in relation to all of the Notes. The Scheduled Conversion Date is 23 September 2024 or the first Distribution Payment Date after 23 September 2024 on which the Scheduled Conversion Conditions are satisfied. These conditions are intended to ensure that upon Conversion on the Scheduled Conversion Date, Holders will receive Ordinary Shares worth approximately \$101.01 per Note (based on the Initial Face Value of \$100 per Note and the volume weighted average price of Ordinary Shares during the 20 Business Days before the Scheduled Conversion Date, with the benefit of a 1% discount)<sup>1</sup>.</li> </ul>	<p>Sections 2.4 and 2.7 Westpac Capital Notes 2 Terms clauses 4, 5, 9 and 16.2 (definitions of “Acquisition Event”, “Capital Trigger Event” and “Non-Viability Trigger Event”)</p>	<p>40-44, 49-56, B.4-B.8, B.11- B.15 B.22- B.23, B.25</p>

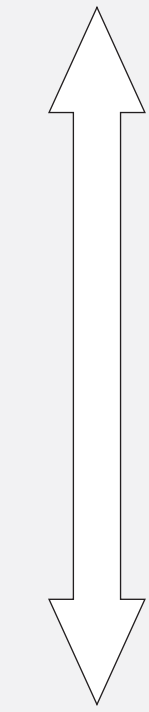
<sup>1</sup> However, if the market price of Ordinary Shares on the Scheduled Conversion Date is different to the price used to calculate the number of Ordinary Shares to be issued on Conversion, the value of Ordinary Shares resulting from the Conversion of one Note may be worth more or less than \$101.01. If the Scheduled Conversion Conditions are not met, Notes will not Convert on the Scheduled Conversion Date and the Scheduled Conversion Conditions will be re-tested on the next possible Scheduled Conversion Date. Notes may remain on issue indefinitely.

# INVESTMENT OVERVIEW

Topic	Summary	Further information	Page(s)
<b>1.2.6 When will the Westpac Capital Notes 2 mandatorily Convert to Ordinary Shares?</b> (continued)	<ul style="list-style-type: none"> <li>Conversion will also occur in relation to all or some of the Notes if:               <ul style="list-style-type: none"> <li>Westpac's Common Equity Tier 1 Capital Ratio becomes equal to or less than 5.125% on a Level 1 or Level 2 basis (a "<b>Capital Trigger Event</b>"); or</li> <li>APRA determines that Westpac is non-viable (a "<b>Non-Viability Trigger Event</b>").</li> </ul> </li> </ul> <p>Following such an event, Westpac will be required to Convert some or all of the Notes to Ordinary Shares (or, where that is not possible, <b>all rights in relation to those Notes, including to Distributions, will be terminated</b>). If Conversion occurs in these circumstances, Holders may, in the case of a Capital Trigger Event, and are likely to, in the case of a Non-Viability Trigger Event, receive Ordinary Shares in respect of some or all of the Notes that are worth significantly less than \$101.01 for each Note (based on the Initial Face Value of \$100 per Note) they hold (and may suffer loss as a consequence); and</p> <ul style="list-style-type: none"> <li>Westpac will also be required to Convert all of the Notes to Ordinary Shares if an <b>Acquisition Event</b> occurs (for example, if there is a takeover bid or scheme of arrangement in relation to Westpac) where certain conditions are satisfied.</li> </ul>		
<b>1.2.7 Do the Westpac Capital Notes 2 have voting rights?</b>	<ul style="list-style-type: none"> <li>Holders have no right to vote at any general meeting of Westpac before Conversion.</li> <li>Holders have certain voting rights which can be exercised at a meeting of Holders, as set out in the Notes Deed Poll.</li> <li>Following Conversion, Holders will become holders of Ordinary Shares, and have the voting rights that attach to Ordinary Shares.</li> </ul>	Sections 2.11.5, 2.15.1 and 8.2.4  Westpac Capital Notes 2 Terms clause 14.7(a)	61, 67, 133, B.20

Topic	Summary	Further information	Page(s)
<b>1.2.8 How would the Westpac Capital Notes 2 rank in a Winding Up of Westpac?</b>	<ul style="list-style-type: none"> <li>In the event of a Winding Up (and assuming the Notes are still on issue and have not been Redeemed or Converted), the Notes rank ahead of Ordinary Shares and equally with Equal Ranking Capital Securities (which currently include TPS 2004, Westpac TPS, Westpac SPS II, Westpac CPS and Westpac Capital Notes), but behind claims of Senior Creditors, including depositors of Westpac and all holders of Westpac's senior or less subordinated debt.</li> <li>However, the ranking of the Notes in a Winding Up will be adversely affected if a Capital Trigger Event or a Non-Viability Trigger Event occurs. If Conversion is not possible following one of these events, all rights in relation to those Notes will be terminated (and your investment will lose all of its value and you will not receive any compensation or unpaid Distributions). In these circumstances, the Notes will have no ranking in a Winding Up.</li> <li>If Conversion occurs, Holders will become holders of Ordinary Shares and, in a Winding Up of Westpac, will rank equally with all other holders of Ordinary Shares.</li> <li>The table below illustrates how the Notes would rank upon Winding Up of Westpac if they are on issue at that time:</li> </ul>	<p>Westpac Capital Notes 2 Terms clause 2</p> <p>For further information about the situation where a Capital Trigger Event or Non-Viability Trigger Event has occurred but Westpac is not able to issue Ordinary Shares, see Sections 2.10.4 and 6.1.9</p>	59,105, B.2

# INVESTMENT OVERVIEW

Higher ranking			Lower ranking
	Preferred and secured debt	Liabilities in Australia in relation to protected accounts (generally, savings accounts and term deposits) and other liabilities preferred by law including employee entitlements and secured creditors	
	Unsubordinated unsecured debt	Trade and general creditors, bonds, notes and debentures (including covered bonds) and other unsubordinated unsecured debt obligations	
	Subordinated unsecured debt issued prior to 1 January 2013	Westpac Subordinated Notes 2012, other subordinated bonds, notes and debentures and other subordinated unsecured debt obligations with a fixed maturity date	
	Subordinated unsecured debt issued after 1 January 2013 and subordinated perpetual debt	Westpac Subordinated Notes 2013, other subordinated bonds, notes and debentures and other subordinated unsecured debt obligations with a fixed maturity date and subordinated perpetual floating rate notes issued in 1986	
	Additional Tier 1 Capital securities	Westpac Capital Notes 2, and notes or preference shares in respect of TPS 2004, Westpac TPS, Westpac SPS II, Westpac CPS and Westpac Capital Notes	
	Ordinary shares	Ordinary Shares	

Topic	Summary	Further information	Page(s)
<b>1.2.9 ASX quotation</b>	<ul style="list-style-type: none"> <li>The Notes will be quoted on ASX (or, if ASX does not grant permission for the Notes to be quoted, the Notes will not be issued). They are expected to trade under the code WBCPE.</li> <li>Once quoted on ASX, you will be able to buy or sell Notes on market. However, there may or may not be a liquid market for the Notes, which in turn may affect the market price.</li> </ul>	Sections 4.4, 6.1.2 and 6.1.3	87, 101

<sup>1</sup> This diagram and the descriptions are simplified and illustrative only, and do not include every type of security or obligation that may be issued or entered into by Westpac, or every potential claim against Westpac in a Winding Up. Westpac will from time to time issue additional securities or incur other obligations that rank ahead of, equally with, or subordinated to, the Notes.



### 1.3 SUMMARY OF CERTAIN EVENTS WHICH MAY AFFECT WHAT HOLDERS RECEIVE AND WHEN THEY RECEIVE IT

The table below summarises certain events that may affect what Holders may receive in relation to the Notes. The events are subject to contingencies such as the non-viability of Westpac and, in some cases, election by Westpac and accordingly, these events may not occur.

Event	When?	Are there pre-conditions to the event?	What value will a Holder receive?	In what form will that value be provided to Holders?	Where to find further information?
<b>Scheduled Conversion</b>	23 September 2024	Yes. Conversion is conditional on Westpac's share price being above a specified level in the period prior to Conversion	Ordinary Shares worth approximately \$101.01 <sup>1</sup> per Note plus a Distribution <sup>2</sup>	A variable number of Ordinary Shares plus a cash Distribution <sup>2</sup>	Sections 1.2.6 and 2.4 Westpac Capital Notes 2 Terms clauses 4 and 9
<b>Conversion at Westpac's option</b>	23 September 2022 or if a Tax Event or Regulatory Event occurs	Yes. Conversion is conditional on Westpac's share price being above a specified level in the period prior to Conversion	Ordinary Shares worth approximately \$101.01 <sup>1</sup> per Note plus a Distribution <sup>2</sup>	A variable number of Ordinary Shares plus a cash Distribution <sup>2</sup>	Sections 1.2.5 and 2.5 Westpac Capital Notes 2 Terms clauses 6 and 9
<b>Redemption or Transfer at Westpac's option</b>	23 September 2022 or if a Tax Event or Regulatory Event occurs	APRA's prior written approval <sup>3</sup> is required for Redemption	Face Value (initially \$100 per note) plus a Distribution <sup>2</sup>	Cash	Sections 1.2.5 and 2.6 Westpac Capital Notes 2 Terms clauses 7 and 8
<b>Conversion upon an Acquisition Event</b>	If an Acquisition Event occurs	Yes. Conversion is conditional on Westpac's share price being above a specified level in the period prior to Conversion	Ordinary Shares worth approximately \$101.01 <sup>1</sup> per Note plus a Distribution <sup>2</sup>	A variable number of Ordinary Shares plus a cash Distribution <sup>2</sup>	Sections 1.2.6 and 2.7 Westpac Capital Notes 2 Terms clauses 5.9 and 9

<sup>1</sup> Based on the Initial Face Value of \$100 per Note and the volume weighted average price of Ordinary Shares during the relevant VWAP Period before the Conversion Date, with the benefit of a 1% discount. The value of Ordinary Shares received on the Conversion of one Note may be worth more or less than \$101.01 depending on the market price of Ordinary Shares before Conversion and the Face Value of the Notes at the Conversion Date.

<sup>2</sup> The Distribution would be for the period from (but excluding) the last Distribution Payment Date to (and including) the relevant Conversion Date, Redemption Date or Transfer Date (as applicable). Payments of Distributions are within the absolute discretion of Westpac, which means Westpac does not have to pay them. Distributions are also only payable if the Distribution Payment Conditions are satisfied.

<sup>3</sup> Holders should not expect that APRA's approval will be given if requested.

## INVESTMENT OVERVIEW

Event	When?	Are there pre-conditions to the event?	What value will a Holder receive?	In what form will that value be provided to Holders?	Where to find further information?
<b>Conversion upon a Capital Trigger Event or Non-Viability Trigger Event</b>	If a Capital Trigger Event or Non-Viability Trigger Event occurs	Yes, either or both the Westpac Level 1 Common Equity Tier 1 Capital Ratio or Westpac Level 2 Common Equity Tier 1 Capital Ratio is equal to or less than 5.125% (in the case of a Capital Trigger Event) or an APRA determination of non-viability (in the case of a Non-Viability Trigger Event)	A variable value, depending on the price of the Ordinary Shares at the relevant time  The value may (in the case of a Capital Trigger Event) and is likely to (in the case of a Non-Viability Trigger Event) be significantly less than \$101.01 for each Note (based on the Initial Face Value of \$100 per Note) and the value may be nothing if Conversion does not occur for any reason	A variable number of Ordinary Shares up to the Maximum Conversion Number  However, if Westpac is unable to Convert the Notes for any reason, the rights of Holders attaching to the Notes (including to repayment of the Face Value of the Notes (initially \$100 per Note)) will be terminated. Your investment will lose all of its value and you will not receive any compensation or unpaid Distributions	Sections 1.2.6 and 2.7  Westpac Capital Notes 2 Terms clauses 5 and 9

## 1.4 KEY RISKS ASSOCIATED WITH AN INVESTMENT IN WESTPAC CAPITAL NOTES 2 AND WESTPAC

Before applying for the Notes, you should consider whether the Notes are a suitable investment for you. There are risks involved with investing in the Notes and in Westpac. Many of these risks are outside the control of Westpac and the Westpac Directors. These risks include those in this Section 1.4 and Section 6 and any other matters referred to in this Prospectus.

### 1.4.1 What are the key risks of the Westpac Capital Notes 2?

Topic	Summary	Further information	Page(s)
<b>Westpac Capital Notes 2 are not deposit liabilities or protected accounts</b>	<ul style="list-style-type: none"> <li>The Notes are not deposit liabilities or protected accounts of Westpac for the purposes of the Banking Act or Financial Claims Scheme and are not subject to the depositor protection provisions of Australian banking legislation (including the Australian Government guarantee of certain bank deposits).</li> </ul>	Important Notices and 6.1.1	Inside cover, 101
<b>Market price of the Westpac Capital Notes 2 may fluctuate</b>	<ul style="list-style-type: none"> <li>The Notes may trade at a market price below Face Value (initially \$100 per Note).</li> <li>Circumstances in which the market price of the Notes may decline include general financial market conditions, changes in investor perception and sentiment in relation to Westpac, the availability of better rates of return on other securities issued by Westpac or other issuers and the occurrence or likely occurrence of a Capital Trigger Event or a Non-Viability Trigger Event.</li> </ul>	Section 6.1.2	101
<b>Liquidity of the Westpac Capital Notes 2 may be low</b>	<ul style="list-style-type: none"> <li>The market for the Notes will likely be less liquid than the market for Ordinary Shares.</li> <li>Holder s who wish to sell their Notes may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for the Notes.</li> </ul>	Section 6.1.3	101
<b>Distributions may not be paid</b>	<ul style="list-style-type: none"> <li>There is a risk that Distributions will not be paid. Distributions are discretionary and are only payable subject to the satisfaction of the Distribution Payment Conditions.</li> <li>Distributions are non-cumulative. If a Distribution is not paid in full because the Distribution Payment Conditions are not satisfied, Holder s are not entitled to receive the unpaid Distribution.</li> </ul>	Sections 2.2.11 and 6.1.4	38-39, 101-102

# INVESTMENT OVERVIEW

## 1.4.1 What are the key risks of the Westpac Capital Notes 2? (continued)

Topic	Summary	Further information	Page(s)
<b>Changes in the Distribution Rate</b>	<ul style="list-style-type: none"> <li>The Distribution Rate will fluctuate (and may increase and/or decrease) over time with movements in the 90 day Bank Bill Rate.</li> <li>There is a risk that the rate may become less attractive compared to returns available on comparable securities or investments.</li> </ul>	Sections 2.2.2, 2.2.3 and 6.1.5	33-36, 102
<b>Conversion or termination of rights on account of a Capital Trigger Event or a Non-Viability Trigger Event</b>	<ul style="list-style-type: none"> <li>The value of Ordinary Shares received for each Note that is Converted upon the occurrence of a Capital Trigger Event or Non-Viability Trigger Event may (in the case of a Capital Trigger Event) and is likely to (in the case of a Non-Viability Trigger Event) be significantly less than \$101.01 for each Note (based on the Initial Face Value of \$100 per Note).</li> <li>If for any reason Conversion of Notes is not possible following the occurrence of a Capital Trigger Event or Non-Viability Trigger Event (for example, due to applicable laws, order of a court or action of any government authority), all rights in relation to those Notes will be terminated (and your investment will lose all of its value and you will not receive any compensation or unpaid Distributions).</li> </ul>	Sections 2.7, 6.1.6, 6.1.7, 6.1.8 and 6.1.9	49-56, 102-105
<b>Exposure to Westpac's financial performance and position</b>	<ul style="list-style-type: none"> <li>Investments in the Notes may be affected by the ongoing performance and financial position of Westpac.</li> </ul>	Section 6.1.10	105
<b>Credit ratings</b>	<ul style="list-style-type: none"> <li>Any credit rating assigned to the Notes or other Westpac securities could be reviewed, suspended, withdrawn or downgraded, or credit rating agencies could change their rating methodology, at any time which could adversely affect the market price and liquidity of the Notes and other Westpac securities.</li> </ul>	Section 6.1.11	105
<b>The price used to calculate the number of Ordinary Shares to be issued on Conversion may not be the market price</b>	<ul style="list-style-type: none"> <li>The Ordinary Share price used to calculate the number of Ordinary Shares to be issued on Conversion may be different to the market price of Ordinary Shares at the time of Conversion because the price used is based on the VWAP during the relevant period prior to the Conversion Date.</li> <li>The value of Ordinary Shares you receive may therefore be less than the value of other Ordinary Shares on issue on the Conversion Date.</li> </ul>	Section 6.1.12	106

#### 1.4.1 What are the key risks of the Westpac Capital Notes 2? (continued)

Topic	Summary	Further information	Page(s)
<b>It is not certain whether and when the Westpac Capital Notes 2 will be Converted, Redeemed or Transferred</b>	<ul style="list-style-type: none"> <li>Conversion may not occur on 23 September 2024, being the first possible Scheduled Conversion Date, or at all if the Scheduled Conversion Conditions are not satisfied.</li> <li>Conversion, Redemption or Transfer may occur in certain circumstances before the Scheduled Conversion Date, which may be disadvantageous in light of market conditions or your individual circumstances.</li> <li>Holder have no right to request that their Notes be Converted, Redeemed or Transferred. Unless their Notes are Converted, Redeemed or Transferred, Holders would need to sell their Notes on ASX at the prevailing market price. That price may be less than the Face Value (initially \$100 per Note) and there may be no liquid market in the Notes.</li> </ul>	Sections 6.1.13, 6.1.14 and 6.1.15	106-107
<b>No fixed maturity date</b>	<ul style="list-style-type: none"> <li>As the Notes are perpetual instruments and have no fixed maturity date, there is a risk the Notes could remain on issue indefinitely and you may not be repaid your capital.</li> </ul>	Section 6.1.17	107
<b>Ranking of the Westpac Capital Notes 2</b>	<ul style="list-style-type: none"> <li>In the event of a Winding Up, if the Notes are still on issue and have not been Redeemed or Converted, they will rank ahead of Ordinary Shares, equally with all Equal Ranking Capital Securities and behind Senior Creditors.</li> <li>If there is a shortfall of funds on a Winding Up to pay all amounts ranking senior to and equally with Notes, Holders will lose all or some of their investment.</li> <li>The ranking of the Notes in a Winding Up will be adversely affected if a Capital Trigger Event or a Non-Viability Trigger Event occurs. If Conversion is not possible following one of these events, all rights in relation to those Notes will be terminated (and your investment will lose all of its value and you will not receive any compensation or unpaid Distributions). In these circumstances, the Notes will have no ranking in a Winding Up.</li> <li>If the Notes have been Converted, Holders will hold Ordinary Shares and rank equally with other holders of Ordinary Shares in a Winding Up.</li> </ul>	Sections 1.2.8, 2.11.1 and 6.1.9	13-14, 60, 105

# INVESTMENT OVERVIEW

## 1.4.1 What are the key risks of the Westpac Capital Notes 2? (continued)

Topic	Summary	Further information	Page(s)
<b>Future issues of securities by Westpac</b>	<ul style="list-style-type: none"> <li>Westpac may issue further securities which rank equally with or ahead of the Notes.</li> </ul>	Section 6.1.24	109

## 1.4.2 What are the key risks associated with Westpac and the Westpac Group?

Topic	Summary	Further information	Page(s)
<b>Compliance and regulatory change</b>	<ul style="list-style-type: none"> <li>Westpac could be adversely affected by failing to comply with existing laws and regulations, or by changes in laws and regulations and regulatory policy.</li> </ul>	Section 6.2.1	111-112
<b>Availability and cost of funding</b>	<ul style="list-style-type: none"> <li>Adverse credit and capital market conditions, or adverse changes to Westpac's credit ratings, may significantly affect the availability and cost of Westpac's funding.</li> </ul>	Sections 6.2.2 and 6.2.4	112-113
<b>Financial market volatility</b>	<ul style="list-style-type: none"> <li>Westpac could be adversely affected by disruptions to global financial markets or other financial market volatility.</li> </ul>	Sections 6.2.3 and 6.2.10	113, 116
<b>Economic conditions, asset values and credit losses</b>	<ul style="list-style-type: none"> <li>Economic disruptions or declines in asset values may cause Westpac to incur higher credit losses on lending and counterparty exposures.</li> </ul>	Sections 6.2.5, 6.2.6, 6.2.7 and 6.2.8	114-115
<b>Other risks</b>	<ul style="list-style-type: none"> <li>Westpac may be adversely affected by other events such as changes in competition, technology failures, fraud, supplier failures, environmental factors, or reputational damage.</li> </ul>	Sections 6.2.9, 6.2.11, 6.2.12, 6.2.13, 6.2.14, 6.2.15 and 6.2.16	115-118

## 1.5 COMPARISON OF THE WESTPAC CAPITAL NOTES 2 WITH CERTAIN OTHER WESTPAC INVESTMENTS OR PRODUCTS

Topic	Summary	Further information	Page(s)
<b>1.5.1 What are the differences between savings accounts, term deposits, Westpac Subordinated Notes 2013, Westpac Capital Notes 2 and Ordinary Shares?</b>	<ul style="list-style-type: none"> <li>There are differences between savings accounts, term deposits, Westpac Subordinated Notes 2013, Westpac Capital Notes 2 and Ordinary Shares. You should consider these differences in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) before deciding to invest in the Notes.</li> </ul>	See table below	21-23

	Westpac Savings Account	Westpac Term Deposit	Westpac Subordinated Notes 2013	Westpac Capital Notes 2	Ordinary Shares
<b>ASX code</b>	Not quoted on ASX	Not quoted on ASX	WBCHB	WBCPE <sup>1</sup>	WBC
<b>Legal form</b>	Deposit	Deposit	Unsecured subordinated debt obligation	Unsecured subordinated debt obligation	Ordinary share
<b>Protection under the Banking Act or Financial Claims Scheme<sup>2</sup></b>	Yes <sup>2</sup>	Yes <sup>2</sup>	No	No	No
<b>Term</b>	At call (usually)	One month to five years (usually)	10 years <sup>3</sup>	Perpetual (no fixed maturity date) with the first possible Scheduled Conversion Date in approximately 10 years <sup>4</sup>	Perpetual (no fixed maturity date)
<b>Issuer early redemption option</b>	No	No	Yes, on 22 August 2018 and each interest payment date after that date, subject to APRA's prior written approval	Yes, on 23 September 2022, subject to APRA's prior written approval	No
<b>Distribution /interest/ dividend rate</b>	Variable (usually)	Fixed (usually)	Floating	Floating	Variable dividends as determined by Westpac
<b>Distribution/ interest/ dividend payment frequency</b>	Monthly (usually)	End of term or per annum or monthly	Quarterly	Quarterly	Semi-annually
<b>Are Distributions/ interest/ dividends discretionary?</b>	No	No	No – however no interest will be paid if Westpac does not satisfy a solvency condition	Yes	Yes
<b>Transferable</b>	No	No	Yes – quoted on ASX	Yes – quoted on ASX <sup>1</sup>	Yes – quoted on ASX

1 Westpac has applied to have Westpac Capital Notes 2 quoted on ASX and they are expected to trade under the code WBCPE.

2 For deposits made from 1 February 2012 up to an amount per account holder per ADI of \$250,000.

3 Subject to possible early redemption by Westpac in certain circumstances with APRA's prior written approval.

4 Subject to possible early Redemption (with APRA's prior written approval), Transfer or Conversion in certain circumstances.

## INVESTMENT OVERVIEW

	Westpac Savings Account	Westpac Term Deposit	Westpac Subordinated Notes 2013	Westpac Capital Notes 2	Ordinary Shares
<b>Investor's ability to withdraw or redeem</b>	Yes	Yes, subject to conditions	No	No	No
<b>Ranking</b>	See Sections 1.2.8 and 2.11.1				
<b>Conversion into Ordinary Shares</b>	No	No	Yes, following a non-viability trigger event. If a non-viability trigger event occurs and conversion of Westpac Subordinated Notes 2013 is not possible, all rights in relation to those notes will be terminated	Yes, automatically following the Scheduled Conversion Date, a Capital Trigger Event, a Non-Viability Trigger Event or an Acquisition Event or, at Westpac's option, on 23 September 2022 or following a Tax Event or Regulatory Event. Conversion (other than following a Capital Trigger Event or Non-Viability Trigger Event) is subject to certain conditions  If Conversion occurs following a Capital Trigger Event or Non-Viability Trigger Event, Holders may (in the case of a Capital Trigger Event) and are likely to (in the case of a Non-Viability Trigger Event) receive Ordinary Shares in respect of some or all of the Notes that are worth significantly less than \$101.01 for each Note (based on the Initial Face Value of \$100 per Note) they hold (and may suffer loss as a consequence)  If a Capital Trigger Event or Non-Viability Trigger Event occurs and Conversion of Notes is not possible, all rights in relation to those Notes will be terminated (and your	N/A



Westpac Savings Account	Westpac Term Deposit	Westpac Subordinated Notes 2013	Westpac Capital Notes 2	Ordinary Shares
Conversion into Ordinary Shares (continued)			investment will lose all of its value and you will not receive any compensation or unpaid Distributions)	

## 1.6 INFORMATION FOR HOLDERS OF WESTPAC SPS II

This Section 1.6 sets out information for current holders of Westpac SPS II, who may be eligible to apply under the Reinvestment Offer to sell some or all of their Westpac SPS II through the On-Market Buy Back Facility and to automatically reinvest the sale proceeds in Notes.

Topic	Summary	Further information	Page(s)
<b>1.6.1 What are Westpac SPS II?</b>	<ul style="list-style-type: none"> <li>Westpac SPS II are stapled securities that consist of a perpetual, unsecured, non-cumulative subordinated note issued by Westpac's New York branch, stapled to a preference share issued by Westpac. Westpac SPS II were issued in March 2009.</li> <li>These notes and preference shares cannot be traded separately while they remain stapled. While notes and preference shares are stapled, distributions are payable in respect of the notes only.</li> <li>Westpac SPS II trade on ASX under the code "WBCPB".</li> <li>The Westpac SPS II are scheduled to convert into a variable number of Ordinary Shares on the Initial Mandatory Conversion Date (30 September 2014).</li> </ul>	Section 3.1	70
<b>1.6.2 What is the Reinvestment Offer?</b>	<ul style="list-style-type: none"> <li>The Reinvestment Offer is an opportunity for Eligible Westpac SPS II Holders to apply to sell some or all of their Westpac SPS II through the On-Market Buy-Back Facility and to automatically reinvest the sale proceeds in Notes.</li> <li>The Reinvestment Offer is not a simple rollover into a similar investment. The Notes and Westpac SPS II have different benefits and risks, which must be evaluated separately.</li> </ul>	Sections 3.2, 3.6, 3.8 and 3.9	70, 75-80

# INVESTMENT OVERVIEW

Topic	Summary	Further information	Page(s)
<b>1.6.3 Will Non-Participating Westpac SPS II convert into Ordinary Shares or be transferred for cash on the Initial Mandatory Conversion Date?</b>	<ul style="list-style-type: none"> <li>Non-Participating Westpac SPS II are Westpac SPS II which are not reinvested in Notes under the Reinvestment Offer.</li> <li>Westpac intends that Non-Participating Westpac SPS II will be transferred from Non-Participating Westpac SPS II Holders to the Westpac SPS II Nominated Party on 30 September 2014 (the Initial Mandatory Conversion Date). A transfer notice is expected to be lodged on the ASX in due course in accordance with the Westpac SPS II terms. Non-Participating Westpac SPS II Holders will be paid \$100 per Non-Participating Westpac SPS II as part of the transfer. In addition, on 30 September 2014, Non-Participating Westpac SPS II Holders will receive the scheduled Final Distribution determined in accordance with the Westpac SPS II terms (provided the distribution payment test in the Westpac SPS II terms is satisfied). Non-Participating Westpac SPS II Holders will also be paid the scheduled Full Distribution of \$1.1262 per Non-Participating Westpac SPS II on 30 June 2014 (provided the distribution payment test in the Westpac SPS II terms is satisfied). These payments will be made in the same way in which distributions on Westpac SPS II have previously been paid. No brokerage will be payable by Non-Participating Westpac SPS II Holders.</li> <li>If a transfer notice is not issued in respect of the Non-Participating Westpac SPS II as expected, they will remain on issue until the first Westpac SPS II distribution payment date on which the Westpac SPS II Conversion Conditions are satisfied (which may be 30 September 2014) unless otherwise dealt with in accordance with their terms.</li> </ul>	Sections 3.3, 3.5.2, 3.9.4 and 3.10	70-71, 74-75, 79-80

Topic	Summary	Further information	Page(s)
<b>1.6.4 What are the terms of the Reinvestment Offer?</b>	<ul style="list-style-type: none"> <li>The On-Market Buying Broker, acting on behalf of Westpac, will offer to purchase on ASX all Westpac SPS II offered for sale at \$100 per Westpac SPS II on the On-Market Buy-Back Date (expected to be 18 June 2014).</li> <li>Eligible Westpac SPS II Holders who successfully participate in the Reinvestment Offer will receive one Note for each Westpac SPS II sold through the On-Market Buy-Back Facility.</li> <li>Eligible Westpac SPS II Holders do not need to submit an Application Payment to reinvest their Westpac SPS II in Notes (unless you apply for more Notes than the number of Westpac SPS II you hold).</li> </ul>	Sections 3.2 and 3.8	70, 78
<b>1.6.5 Who can participate in the Reinvestment Offer?</b>	<ul style="list-style-type: none"> <li>To be eligible to participate in the Reinvestment Offer, you must: <ul style="list-style-type: none"> <li>be a registered holder of Westpac SPS II on the Reinvestment Offer Record Date, being 7.00pm (Sydney time) on 30 April 2014; and</li> <li>be shown on the Register as having an address in Australia.</li> </ul> </li> <li>Applicants will also need to satisfy the conditions outlined in the Section entitled "Restrictions in foreign jurisdictions" on the inside front cover of this Prospectus.</li> </ul>	Section 3.2	Inside cover, 70
<b>1.6.6 What are the options available to Eligible Westpac SPS II Holders?</b>	<ul style="list-style-type: none"> <li>If you are an Eligible Westpac SPS II Holder, you have a number of options available to you (which are set out in detail in Section 3.4.1): <ul style="list-style-type: none"> <li>apply to reinvest in Notes by selling all of your Westpac SPS II under the Reinvestment Offer;</li> <li>apply to reinvest in Notes by selling some, but not all, of your Westpac SPS II under the Reinvestment Offer;</li> <li>apply to reinvest in Notes by selling all of your Westpac SPS II under the Reinvestment Offer and apply for additional Notes;</li> <li>sell your Westpac SPS II on market before the Initial Mandatory Conversion Date; or</li> <li>do nothing.</li> </ul> </li> </ul>	Section 3.4.1	71-74

# INVESTMENT OVERVIEW

Topic	Summary	Further information	Page(s)
<b>1.6.6 What are the options available to Eligible Westpac SPS II Holders?</b> (continued)	<ul style="list-style-type: none"> <li>If you are not an Eligible Westpac SPS II Holder, or you are otherwise a Non-Participating Westpac SPS II Holder, you are limited to the last two options above (being options 4 and 5 in the table in Section 3.4.1).</li> </ul>		
<b>1.6.7 If I elect to participate in the Reinvestment Offer, what distributions will I receive on my Westpac SPS II?</b>	<ul style="list-style-type: none"> <li>If you are an Eligible Westpac SPS II Holder and you elect to participate in the Reinvestment Offer, you will receive a Pro-Rata Distribution of \$1.0396 per Reinvested Westpac SPS II on 30 June 2014 (provided the distribution payment test in the Westpac SPS II terms is satisfied).</li> <li>The Pro-Rata Distribution is a portion of the distribution that would have been payable to the Eligible Westpac SPS II Holder on the next scheduled distribution payment date (30 June 2014) had they not disposed of their Westpac SPS II by electing to participate in the Reinvestment Offer.</li> <li>The Pro-Rata Distribution is for the period from (but excluding) 31 March 2014 to (and including) the Issue Date (23 June 2014).</li> <li>The Pro-Rata Distribution cannot be reinvested in Notes under the Reinvestment Offer because the Offer will have closed before it is paid.</li> <li>The Pro-Rata Distribution is the last distribution you will receive on any Reinvested Westpac SPS II.</li> </ul>	Section 3.5.1	74
<b>1.6.8 Will I receive a priority Allocation of Notes?</b>	<ul style="list-style-type: none"> <li>Yes. Westpac will give priority to Applications received under the Reinvestment Offer when Allocating the Notes.</li> </ul>	Section 3.9.3	78-79
<b>1.6.9 What are the risks associated with participating in the Reinvestment Offer?</b>	<ul style="list-style-type: none"> <li>The main risks of participating in the Reinvestment Offer in respect of Reinvested Westpac SPS II are the risks related to investing in Notes.</li> <li>In addition, there is a risk that holders of Westpac SPS II may not receive the full Allocation of Notes that they apply for, in which case, the balance of their Westpac SPS II will not be reinvested under the Reinvestment Offer. See Section 3.7 below for an explanation of what will happen to Westpac SPS II in these circumstances.</li> </ul>	Section 3.7	77

Topic	Summary	Further information	Page(s)
<p><b>1.6.10 If I choose not to reinvest all or some of my Westpac SPS II in Notes, what happens to my remaining Westpac SPS II?</b></p>	<p><b>Up to and including 30 June 2014</b></p> <ul style="list-style-type: none"> <li>• There will be no change to the expected distribution to be paid on Non-Participating Westpac SPS II. Non-Participating Westpac SPS II Holders will receive the scheduled Full Distribution of \$1.1262 per Non-Participating Westpac SPS II on 30 June 2014 (provided the distribution payment test in the Westpac SPS II terms is satisfied). The scheduled Full Distribution is for the period from (but excluding) 31 March 2014 to (and including) 30 June 2014.</li> <li>• This payment will be made in the same way in which distributions on Westpac SPS II have previously been paid.</li> </ul> <p><b>Post 30 June 2014</b></p> <ul style="list-style-type: none"> <li>• Westpac intends that Non-Participating Westpac SPS II will be transferred from Non-Participating Westpac SPS II Holders to the Westpac SPS II Nominated Party on 30 September 2014 (the Initial Mandatory Conversion Date). A transfer notice is expected to be lodged on the ASX in due course in accordance with the Westpac SPS II terms. Non-Participating Westpac SPS II Holders will be paid: <ul style="list-style-type: none"> <li>– \$100 per Non-Participating Westpac SPS II; plus</li> <li>– to the extent that the Non-Participating Westpac SPS II Holder continues to hold Westpac SPS II until the last day of trading (expected to be on 17 September 2014), a scheduled Final Distribution will be paid on 30 September 2014 determined in accordance with the Westpac SPS II terms (provided the distribution payment test in the Westpac SPS II terms is satisfied). This will be for the period from (but excluding) 30 June 2014 to (and including) 30 September 2014. This is expected to be the final distribution paid on Westpac SPS II.</li> <li>– The \$100 per Non-Participating Westpac SPS II and the scheduled Final Distribution will be paid to Non-Participating Westpac SPS II Holders</li> </ul> </li> </ul>	Section 3.9.4	79

## INVESTMENT OVERVIEW

Topic	Summary	Further information	Page(s)
<b>1.6.10 If I choose not to reinvest all or some of my Westpac SPS II in Notes, what happens to my remaining Westpac SPS II?</b> (continued)	in the same way in which distributions on Westpac SPS II have previously been paid. No brokerage will be payable by Non-Participating Westpac SPS II Holders.		
<b>1.6.11 What are the taxation consequences of the Reinvestment Offer?</b>	<ul style="list-style-type: none"> <li>You should obtain your own taxation advice regarding the implications of participating in the Reinvestment Offer, having regard to your individual circumstances.</li> <li>The Taxation Letter from Allens in Section 7 provides information about the general Australian taxation consequences of participating in the Reinvestment Offer.</li> </ul>	Section 7	120-130

## 1.7 KEY FEATURES OF THE OFFER AND HOW TO APPLY

Topic	Summary	Further information	Page(s)
<b>1.7.1 How is the Offer structured and who can apply?</b>	<ul style="list-style-type: none"> <li>The Offer consists of:               <ul style="list-style-type: none"> <li>a Reinvestment Offer – to Eligible Westpac SPS II Holders;</li> <li>a Securityholder Offer – to Eligible Securityholders;</li> <li>a Broker Firm Offer – to Australian resident retail clients of the Syndicate Brokers; and</li> <li>an Institutional Offer – to Institutional Investors invited by Westpac Institutional Bank.</li> </ul> </li> <li>If you are an Eligible Westpac SPS II Holder and you apply under the Reinvestment Offer, you will receive a priority Allocation of Notes if there is excess demand for Notes.</li> <li>If there is excess demand, Applications may be scaled back by Westpac.</li> <li>There is no general public offer of the Notes. However, Westpac reserves the right to accept Applications from other persons at its discretion.</li> </ul>	Sections 3, 4.1 and 4.2	69-85
<b>1.7.2 How to apply?</b>	<ul style="list-style-type: none"> <li>For information on how to apply for the Notes, see Section 4 and the Application Forms.</li> </ul>	Section 4.2	82-85

Topic	Summary	Further information	Page(s)
<b>1.7.3 What are the key dates for the Offer?</b>	<ul style="list-style-type: none"> <li>Please refer to pages 3 and 4 for key dates associated with the Offer, including the Reinvestment Offer.</li> </ul>	Key Dates	3-4
<b>1.7.4 Is there a minimum amount to be raised?</b>	<ul style="list-style-type: none"> <li>No. The Offer is for the issue of Notes to raise \$1 billion with the ability to raise more or less.</li> </ul>	Sections 4.1 and 4.3.2	82, 86
<b>1.7.5 Is the Offer underwritten?</b>	<ul style="list-style-type: none"> <li>No.</li> </ul>	Section 8.4	133-134
<b>1.7.6 Is there a minimum Application size?</b>	<ul style="list-style-type: none"> <li>Yes. Applications must be for a minimum of 50 Notes (\$5,000), and in increments of 10 Notes thereafter (\$1,000). These requirements do not necessarily apply to Eligible Westpac SPS II Holders, who may apply to reinvest a smaller number of Westpac SPS II in certain circumstances.</li> </ul>	Section 4.1	82
<b>1.7.7 Is brokerage or stamp duty payable?</b>	<ul style="list-style-type: none"> <li>No brokerage or stamp duty is payable to Westpac on your Application. You may have to pay brokerage on any subsequent trading of your Notes on ASX after the Notes have been quoted on ASX.</li> </ul>	Section 4.2.2	85
<b>1.7.8 What are the tax implications of investing in the Westpac Capital Notes 2?</b>	<ul style="list-style-type: none"> <li>A general description of the Australian taxation consequences of investing in Notes and of the Reinvestment Offer is set out in the Taxation Letter from Allens in Section 7.</li> <li>The taxation consequences of investing in the Notes and of participating in the Reinvestment Offer will depend on your individual circumstances. You should obtain your own taxation advice before you invest in, hold or dispose of Notes.</li> </ul>	Section 7	120-130
<b>1.7.9 How will I receive confirmation of my Allocation?</b>	<ul style="list-style-type: none"> <li>Westpac will announce the basis of Allocation by placing advertisements in major national and metropolitan newspapers in Australia on or before 24 June 2014.</li> <li>If you are a Broker Firm Applicant you should contact your Syndicate Broker to find out your Allocation.</li> <li>If you have applied under the Reinvestment Offer or Securityholder Offer, you should call the <b>Westpac Capital Notes 2 Information Line (Monday to Friday, 8.30am to 5.30pm, Sydney time) on 1300 551 547</b> to find out your Allocation.</li> </ul>	Sections 4.3.2 and 4.4.2	86-87

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# 2

## **INFORMATION ABOUT WESTPAC CAPITAL NOTES 2**

**This section provides an overview of the key terms of the Westpac Capital Notes 2.**



# INFORMATION ABOUT WESTPAC CAPITAL NOTES 2

## 2.1 DESCRIPTION OF WESTPAC CAPITAL NOTES 2

Topic	Summary	Further information	Page(s)
<b>2.1.1 What are the Westpac Capital Notes 2?</b>	<p>The Notes are fully paid, non-cumulative, convertible, transferable, redeemable, subordinated, perpetual, unsecured notes issued by Westpac, which, if they are on issue at the time, rank for payment in priority to Ordinary Shares in a Winding Up.</p> <p>The Notes:</p> <ul style="list-style-type: none"> <li>offer Holders non-cumulative, floating rate Distributions payable quarterly in arrear, which are expected to be fully franked. Distributions are discretionary and only payable subject to the satisfaction of the Distribution Payment Conditions;</li> <li>will be Converted into Ordinary Shares on the Scheduled Conversion Date<sup>1</sup> subject to the Scheduled Conversion Conditions being satisfied;</li> <li>are subject to earlier Conversion upon: <ul style="list-style-type: none"> <li>a Capital Trigger Event (without the Scheduled Conversion Conditions needing to be satisfied);</li> <li>a Non-Viability Trigger Event (without the Scheduled Conversion Conditions needing to be satisfied); or</li> <li>an Acquisition Event (subject to the Second Scheduled Conversion Condition, as it applies to an Acquisition Event, being satisfied);</li> </ul> </li> <li>may be Converted (subject to certain conditions), Redeemed or Transferred at the option of Westpac in certain circumstances including: <ul style="list-style-type: none"> <li>on 23 September 2022; and</li> <li>following a Tax Event or Regulatory Event.</li> </ul> </li> </ul> <p>Redemption is subject to Westpac receiving APRA's prior written approval. There can be no certainty that APRA will provide its prior written approval.</p>	<p>Sections 2.2, 2.4, 2.5, 2.6, 2.7, 2.11.1, 6.1.8, 6.1.9 and 6.1.24</p> <p>Westpac Capital Notes 2 Terms</p>	<p>33-56, 60, 104-105, 109, B.1-B.28</p>

<sup>1</sup> The first possible Scheduled Conversion Date will be 23 September 2024 – see Section 2.4 and clause 4.1 of the Westpac Capital Notes 2 Terms.

## INFORMATION ABOUT WESTPAC CAPITAL NOTES 2

Topic	Summary	Further information	Page(s)
<b>2.1.1 What are the Westpac Capital Notes 2?</b> (continued)	<b>Ranking</b> In a Winding Up, if the Notes: <ul style="list-style-type: none"> <li>are on issue at the time (and have not been Redeemed or Converted), the Notes will rank in priority to Ordinary Shares, and equally with Equal Ranking Capital Securities (which currently include TPS 2004, Westpac TPS, Westpac SPS II, Westpac CPS and Westpac Capital Notes) and subordinated to claims of Senior Creditors; or</li> <li>have been Converted into Ordinary Shares, Holders will become holders of Ordinary Shares and will rank equally with other holders of Ordinary Shares; or</li> <li>cannot be Converted following a Capital Trigger Event or Non-Viability Trigger Event, all rights in relation to those Notes will be terminated (and your investment will lose all of its value and you will not receive any compensation or unpaid Distributions) and the Notes will have no ranking.</li> </ul>		
<b>2.1.2 Can Westpac Capital Notes 2 be traded on ASX?</b>	<p>Westpac has applied for the Notes to be quoted on ASX. It is expected that the Notes will trade under ASX code 'WBCPE' however quotation is not guaranteed. If ASX does not grant permission for the Notes to be quoted, then the Notes will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as possible.</p> <p>If the Notes are quoted on ASX you will be able to buy or sell Notes through your broker at the market price at the time. The market price of the Notes may fluctuate due to a number of factors. There can be no assurances as to what that price will be.</p>	Sections 4.4.1, 4.4.2 and 6.1.2	87, 101
<b>2.1.3 How do you find out your Allocation of Westpac Capital Notes 2?</b>	<p>If you are a Broker Firm Applicant and wish to find out your Allocation of Notes prior to receiving your Holding Statement, you should contact your Syndicate Broker. Eligible Securityholder Applicants and Eligible Westpac SPS II Holder Applicants should call the <b>Westpac Capital Notes 2 Information Line (Monday to Friday, 8.30am to 5.30pm, Sydney time) on 1300 551 547.</b></p>	Sections 4.4.2 and 4.4.3	87
<b>2.1.4 Are Westpac Capital Notes 2 perpetual?</b>	<p>Yes. The Notes are perpetual instruments that may only be Converted, Redeemed or Transferred in accordance with the Westpac Capital Notes 2 Terms.</p>	Westpac Capital Notes 2 Terms clause 1.1	B.2

Topic	Summary	Further information	Page(s)
<b>2.1.5 What are the taxation consequences of investing in, holding or disposing of Westpac Capital Notes 2?</b>	<p>General information about the taxation consequences of investing in the Notes is included in the Taxation Letter from Allens in Section 7.</p> <p>The taxation consequences of investing in the Notes will depend on your individual circumstances. You should obtain your own taxation advice before you invest in, hold, or dispose of Notes.</p>	Section 7	120-130

## 2.2 DISTRIBUTIONS

Topic	Summary	Further information	Page(s)								
<b>2.2.1 What are Distributions?</b>	<p>Distributions on Notes are based on the Distribution Rate and are expected to be paid quarterly in arrear.</p> <p>Distributions are discretionary, non-cumulative and only payable subject to the satisfaction of the Distribution Payment Conditions.</p> <p>Distributions are expected to be fully franked and accordingly Holders are expected to receive cash Distributions and franking credits.</p>	Westpac Capital Notes 2 Terms clause 3	B.2-B.4								
<b>2.2.2 How will the Distribution Rate be determined?</b>	<p>The Distribution Rate is a floating rate and will be set on the first Business Day of each Distribution Period using the following formula:</p> <table border="1" style="margin-left: 20px;"> <tr> <td><b>Distribution Rate</b></td> <td><math>(90 \text{ day Bank Bill Rate} + \text{Margin}) \times (1 - \text{Tax Rate})</math></td> </tr> <tr> <td><b>90 day Bank Bill Rate</b></td> <td>The 90 day Bank Bill Rate on the first Business Day of the Distribution Period (except for the first Distribution Period, where the 90 day Bank Bill Rate will be determined on the Issue Date).</td> </tr> <tr> <td><b>Margin</b></td> <td>The Margin is 3.05% per annum.</td> </tr> <tr> <td><b>Tax Rate</b></td> <td>The Australian corporate tax rate applicable to the franking account of Westpac as at the relevant Distribution Payment Date expressed as a decimal. At the date of this Prospectus, the relevant Tax Rate is 30% or, expressed as a decimal in the formula, 0.30.</td> </tr> </table>	<b>Distribution Rate</b>	$(90 \text{ day Bank Bill Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$	<b>90 day Bank Bill Rate</b>	The 90 day Bank Bill Rate on the first Business Day of the Distribution Period (except for the first Distribution Period, where the 90 day Bank Bill Rate will be determined on the Issue Date).	<b>Margin</b>	The Margin is 3.05% per annum.	<b>Tax Rate</b>	The Australian corporate tax rate applicable to the franking account of Westpac as at the relevant Distribution Payment Date expressed as a decimal. At the date of this Prospectus, the relevant Tax Rate is 30% or, expressed as a decimal in the formula, 0.30.	Westpac Capital Notes 2 Terms clause 3.1	B.2-B.3
<b>Distribution Rate</b>	$(90 \text{ day Bank Bill Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$										
<b>90 day Bank Bill Rate</b>	The 90 day Bank Bill Rate on the first Business Day of the Distribution Period (except for the first Distribution Period, where the 90 day Bank Bill Rate will be determined on the Issue Date).										
<b>Margin</b>	The Margin is 3.05% per annum.										
<b>Tax Rate</b>	The Australian corporate tax rate applicable to the franking account of Westpac as at the relevant Distribution Payment Date expressed as a decimal. At the date of this Prospectus, the relevant Tax Rate is 30% or, expressed as a decimal in the formula, 0.30.										

## INFORMATION ABOUT WESTPAC CAPITAL NOTES 2

Topic	Summary	Further information	Page(s)																				
2.2.2 How will the Distribution Rate be determined? (continued)	<p>As an example, given the Margin of 3.05% per annum, if the 90 day Bank Bill Rate on the Issue Date is the same as on 12 May 2014 and assuming that the Distribution will be fully franked, the Distribution Rate for the first Distribution Period from (but excluding) the Issue Date to (and including) 23 September 2014 would be calculated as follows<sup>1</sup>:</p> <table border="1"> <tbody> <tr> <td>90 day Bank Bill Rate at 12 May 2014</td> <td>2.6867% per annum</td> <td></td> <td></td> </tr> <tr> <td>Plus the Margin</td> <td>3.0500% per annum</td> <td></td> <td></td> </tr> <tr> <td>Equivalent unfranked Distribution Rate</td> <td>5.7367% per annum</td> <td></td> <td></td> </tr> <tr> <td>Multiplied by (1 – Tax Rate)</td> <td></td> <td>x 0.70</td> <td></td> </tr> <tr> <td><b>Distribution Rate</b></td> <td><b>4.0157% per annum</b></td> <td></td> <td></td> </tr> </tbody> </table> <p><b>Impact of franking credits</b></p> <p>Distributions are expected to be fully franked and accordingly Holders are expected to receive cash Distributions and franking credits. The franking credits represent each Holder's share of tax paid by Westpac on the profits from which the cash Distribution is paid.</p> <p>If the Distribution is fully franked, the potential value of the franking credits attached to a Distribution at the Distribution Rate of 4.0157% per annum in the example above would be 1.7210% per annum. If that potential value is taken into account in full, the combined value of those franking credits and the cash Distribution would be equivalent to an unfranked Distribution Rate of approximately 5.7367% per annum. However, you should be aware that the potential value of the franking credits does not accrue to you at the same time as you receive the cash Distribution.</p> <p>You should also be aware that your ability to use the franking credits, either as an offset to your tax liability or by claiming a refund after the end of the year of income, will depend on your individual tax position.</p>	90 day Bank Bill Rate at 12 May 2014	2.6867% per annum			Plus the Margin	3.0500% per annum			Equivalent unfranked Distribution Rate	5.7367% per annum			Multiplied by (1 – Tax Rate)		x 0.70		<b>Distribution Rate</b>	<b>4.0157% per annum</b>				
90 day Bank Bill Rate at 12 May 2014	2.6867% per annum																						
Plus the Margin	3.0500% per annum																						
Equivalent unfranked Distribution Rate	5.7367% per annum																						
Multiplied by (1 – Tax Rate)		x 0.70																					
<b>Distribution Rate</b>	<b>4.0157% per annum</b>																						

<sup>1</sup> The calculation of the Distribution Rate will be rounded to four decimal places. The Distribution Rate above is for illustrative purposes only and does not indicate the actual Distribution Rate. It is not a guarantee or forecast of the actual Distribution Rate that may be achieved. The actual Distribution Rate may be higher or lower than this and may vary each Distribution Period depending on the applicable 90 day Bank Bill Rate, the Margin and the Tax Rate.

Topic	Summary	Further information	Page(s)
<b>2.2.2 How will the Distribution Rate be determined?</b> (continued)	<b>Impact of corporate tax rate changes</b> If the Australian corporate tax rate applicable to the franking account of Westpac goes down, the factor (1-Tax Rate) would increase, and so would the Distribution Rate, but the maximum franking credit applicable to the Distribution would become less. Conversely, if the Australian corporate tax rate applicable to the franking account of Westpac goes up, the factor (1-Tax Rate) would decrease, and so would the Distribution Rate, but the maximum franking credit applicable to the Distribution would become larger. In either case, assuming that the Distribution is fully franked and if the potential value of the franking credits is taken into account in full, the sum of the cash Distribution and the potential value of the franking credits would remain the same. You should seek professional advice in relation to your tax position. Investors should also refer to the Taxation Letter from Allens in Section 7.		
<b>2.2.3 How will Distributions be calculated?</b>	Distributions will be calculated as follows: <div style="border: 1px solid black; padding: 10px; margin-top: 10px;"> <math display="block">\frac{\text{Distribution Rate} \times \text{Face Value} \times N}{365}</math> <p><b>Distribution Rate</b> See Section 2.2.2</p> <p><b>Face Value</b> Initially \$100 per Note</p> <p><b>N</b> The number of days in the Distribution Period</p> <p><b>Distribution Period</b> The period from (but excluding) the previous Distribution Payment Date, or from (but excluding) the Issue Date in the case of the first Distribution Period, to (and including) the next Distribution Payment Date</p> <p><b>Distribution Payment Date</b> See Section 2.2.9</p> </div>	Westpac Capital Notes 2 Terms clause 3.1	B.2-B.3

## INFORMATION ABOUT WESTPAC CAPITAL NOTES 2

Topic	Summary	Further information	Page(s)										
<b>2.2.3 How will Distributions be calculated?</b> (continued)	<p>As an example, if the franked<sup>1</sup> Distribution Rate was 4.0157% per annum as calculated in Section 2.2.2, then the cash amount of the Distribution on each Note for a typical Distribution Period would be calculated as follows:<sup>2,3</sup></p> <table border="1"> <tbody> <tr> <td>Distribution Rate</td> <td>4.0157% per annum</td> </tr> <tr> <td>Multiplied by the Face Value</td> <td>x \$100</td> </tr> <tr> <td>Multiplied by the number of days in the Distribution Period (N)</td> <td>x 90</td> </tr> <tr> <td>Divided by</td> <td>÷ 365</td> </tr> <tr> <td><b>Cash amount of Distribution</b></td> <td><b>\$0.9902</b></td> </tr> </tbody> </table>	Distribution Rate	4.0157% per annum	Multiplied by the Face Value	x \$100	Multiplied by the number of days in the Distribution Period (N)	x 90	Divided by	÷ 365	<b>Cash amount of Distribution</b>	<b>\$0.9902</b>		
Distribution Rate	4.0157% per annum												
Multiplied by the Face Value	x \$100												
Multiplied by the number of days in the Distribution Period (N)	x 90												
Divided by	÷ 365												
<b>Cash amount of Distribution</b>	<b>\$0.9902</b>												
<b>2.2.4 Will Distributions be fully franked?</b>	Westpac expects, but does not guarantee, that Distributions will be fully franked. If there is a change in the Tax Rate, the Distribution Rate will change accordingly.	Westpac Capital Notes 2 Terms clauses 3.1 and 3.2	B.2-B.3										
<b>2.2.5 Will Holders receive franking credits in respect of Distributions?</b>	It is expected that Holders will receive franking credits in respect of Distributions (other than where a Holder's lack of entitlement to franking credits is a result of an act by, or circumstance affecting, the Holder). Westpac has applied for a public Class Ruling on behalf of Australian resident Holders which should confirm the ability of Holders to utilise the franking credits attached to those Distributions, subject to satisfaction of certain criteria.	Section 7	120-130										

<sup>1</sup> Australian resident taxpayers may be entitled to utilise franking credits. Australian resident taxpayers that are individuals or complying superannuation entities may be entitled to a refund of excess franking credits. Investors should seek professional advice in relation to their tax position. Reference should also be made to the Taxation Letter from Allens in Section 7.

<sup>2</sup> Distribution Periods will generally have 90-92 days in them.

<sup>3</sup> All calculations of payments will be rounded to four decimal places. Any fraction of a cent is disregarded when paying Distributions on a Holder's aggregate holding of Notes. The Distribution Rate on which this calculation is based, and the Distribution, are for illustrative purposes only and do not indicate the actual Distribution Rate or Distribution. It is not a guarantee or forecast of the actual Distribution that may be obtained.

Topic	Summary	Further information	Page(s)												
<b>2.2.6 What happens if Distributions are not fully franked?</b>	<p>If a Distribution is not fully franked (other than because of an act by, or circumstance affecting, the particular Holder), then the amount of the Distribution entitlement would be adjusted to compensate for the unfranked amount.</p> <p>The formula for determining the adjusted Distribution is:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: right;"><b>Adjusted Distribution</b></td> <td style="text-align: center;">=</td> <td style="text-align: center;"><math>\frac{\text{Distribution Rate}}{1 - [\text{Tax Rate} \times (1 - \text{Franking Rate})]}</math></td> </tr> <tr> <td><b>Distribution</b></td> <td></td> <td>The Distribution entitlement for the Distribution Period prior to adjustment - see Section 2.2.3</td> </tr> <tr> <td><b>Tax Rate</b></td> <td></td> <td>See Section 2.2.2</td> </tr> <tr> <td><b>Franking Rate</b></td> <td></td> <td>The percentage of the Distribution that would carry franking credits</td> </tr> </table>	<b>Adjusted Distribution</b>	=	$\frac{\text{Distribution Rate}}{1 - [\text{Tax Rate} \times (1 - \text{Franking Rate})]}$	<b>Distribution</b>		The Distribution entitlement for the Distribution Period prior to adjustment - see Section 2.2.3	<b>Tax Rate</b>		See Section 2.2.2	<b>Franking Rate</b>		The percentage of the Distribution that would carry franking credits	Westpac Capital Notes 2 Terms clause 3.2	B.3
<b>Adjusted Distribution</b>	=	$\frac{\text{Distribution Rate}}{1 - [\text{Tax Rate} \times (1 - \text{Franking Rate})]}$													
<b>Distribution</b>		The Distribution entitlement for the Distribution Period prior to adjustment - see Section 2.2.3													
<b>Tax Rate</b>		See Section 2.2.2													
<b>Franking Rate</b>		The percentage of the Distribution that would carry franking credits													
<b>2.2.7 Will the Margin change?</b>	No. The Margin will not change from 3.05% per annum.	Westpac Capital Notes 2 Terms clause 3.1	B.2-B.3												
<b>2.2.8 What is the 90 day Bank Bill Rate?</b>	The 90 day Bank Bill Rate is a key benchmark interest rate for the Australian money market. It is based on an average of rates at which major Australian financial institutions lend short-term cash to each other over a 90-day period. This rate changes to reflect the supply and demand within the cash and currency markets.	Westpac Capital Notes 2 Terms clause 3.1	B.2-B.3												
<b>2.2.9 When will Distributions be paid?</b>	<p>Distributions are payable quarterly in arrear on the Distribution Payment Dates, subject to satisfaction of the Distribution Payment Conditions.</p> <p>The Distribution Payment Dates are:</p> <ul style="list-style-type: none"> <li>each 23 March, 23 June, 23 September and 23 December of each year commencing on 23 September 2014, until the Notes are Converted or Redeemed; and</li> <li>the Conversion Date, Redemption Date or Transfer Date, if those dates are not 23 March, 23 June, 23 September or 23 December.</li> </ul> <p>If a Distribution Payment Date is not a Business Day, then the Distribution will be paid on the next Business Day (without any interest in respect of the delay).</p>	Westpac Capital Notes 2 Terms clause 3.5	B.3												

## INFORMATION ABOUT WESTPAC CAPITAL NOTES 2

Topic	Summary	Further information	Page(s)
<b>2.2.9 When will Distributions be paid?</b> (continued)	<p>The first Distribution Period runs from (but excluding) the Issue Date to (and including) 23 September 2014.</p> <p>Thereafter, each Distribution Period runs from (but excluding) the previous Distribution Payment Date to (and including) the next Distribution Payment Date.</p> <p>The Distribution Rate for the first Distribution Period will be determined on the Issue Date.</p> <p>After the first Distribution Period, the Distribution Rate will be determined on the first Business Day of each Distribution Period.</p> <p>Distributions will be paid to persons who are Holders on the Record Date in respect of the Distribution.</p>		
<b>2.2.10 How will Distributions be paid?</b>	<p>Distributions will be paid in Australian dollars. Westpac will only pay Distributions directly into an Australian dollar account of a financial institution. If you are Allotted any Notes, when you are sent your Holding Statement you will receive a form on which you should provide your Australian dollar financial institution account details.</p> <p>If you do not provide these account details to the Registrar, or if any Distribution paid to you is unsuccessful, then you will be sent a notice advising you of the amount of the Distribution. In that case the funds will be held in a bank account (maintained by Westpac) as a non-interest bearing deposit until such time as you provide appropriate account details or Westpac is entitled to or obliged to deal with the amount in accordance with the law relating to unclaimed money.</p> <p>Westpac reserves the right to vary the way in which any Distribution is paid in accordance with the Westpac Capital Notes 2 Terms (provided that Distributions must always be paid in cash).</p>	Section 4.5 Westpac Capital Notes 2 Terms clause 11	87-88, B.16- B.17
<b>2.2.11 Will Distributions always be paid?</b>	<p>Distributions are discretionary, non-cumulative and are only payable subject to satisfaction of the Distribution Payment Conditions, being:</p> <ul style="list-style-type: none"> <li>• Westpac's absolute discretion;</li> <li>• the payment of the Distribution not resulting in a breach of Westpac's capital requirements (on a Level 1 basis) or of the Westpac</li> </ul>	Westpac Capital Notes 2 Terms clause 3.3	B.3



Topic	Summary	Further information	Page(s)
<b>2.2.11 Will Distributions always be paid?</b> (continued)	<p>Group's capital requirements (on a Level 2 basis) under the then current Prudential Standards at the time of the payment;</p> <ul style="list-style-type: none"> <li>the payment of the Distribution not resulting in Westpac becoming, or being likely to become, insolvent; and</li> <li>APRA not otherwise objecting to the payment.</li> </ul> <p>Distributions will also be subject to the Corporations Act and any other law regulating the payment of Distributions.</p>		
<b>2.2.12 What happens if a Distribution is not paid in full?</b>	<p>Payments of Distributions are within the absolute discretion of Westpac and are non-cumulative. If a Distribution is not paid in full because the Distribution Payment Conditions are not satisfied or because of any other reason, Holders will not be entitled to receive the unpaid portion of that Distribution. No interest accrues on any unpaid Distributions and Westpac has no liability to the Holder and the Holder has no claim in respect of such non-payment. Non-payment of a Distribution will not be an event of default and Holders have no right to apply for a Winding Up on the grounds of Westpac's failure to pay a Distribution.</p>	Westpac Capital Notes 2 Terms clause 3.4	B.3
<b>2.2.13 What is the consequence for Westpac if a Distribution is not paid?</b>	<p>If for any reason a Distribution has not been paid in full on the relevant Distribution Payment Date, Westpac must not (other than in certain limited circumstances):</p> <ul style="list-style-type: none"> <li>determine or pay any Dividends on its Ordinary Shares; or</li> <li>undertake any discretionary Buy Back or Capital Reduction,</li> </ul> <p>unless the amount of the unpaid Distribution is paid in full within 20 Business Days of that Distribution Payment Date or:</p> <p>(a) all Notes have been Converted or Redeemed;</p> <p>(b) on a subsequent Distribution Payment Date, a Distribution for the subsequent Distribution Period is paid in full; or</p> <p>(c) a Special Resolution of the Holders has been passed approving such action,</p> <p>and, in respect of the actions contemplated by paragraphs (a), (b) and (c), APRA does not otherwise object.</p>	Westpac Capital Notes 2 Terms clauses 3.7 and 3.8	B.4

## INFORMATION ABOUT WESTPAC CAPITAL NOTES 2

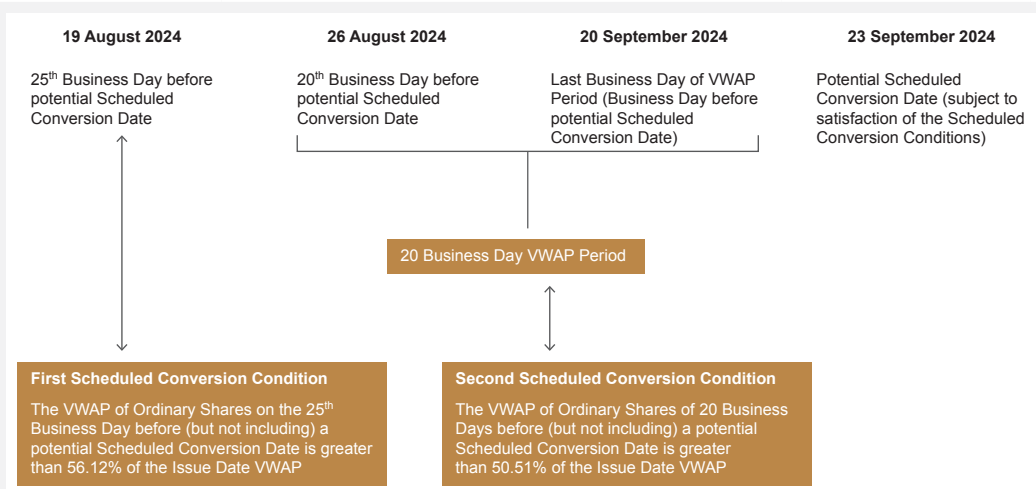
### 2.3 USE OF PROCEEDS

Topic	Summary	Further information	Page(s)
<b>2.3.1 Why is Westpac issuing the Westpac Capital Notes 2?</b>	Westpac is issuing the Notes to raise regulatory capital which satisfies the requirements of APRA. The Notes will qualify as Additional Tier 1 Capital for APRA purposes. The proceeds received under the Offer will be used by Westpac for general business purposes.	Sections 5.2.3 and 5.2.4	95, 97

### 2.4 CONVERSION ON THE SCHEDULED CONVERSION DATE

Topic	Summary	Further information	Page(s)
<b>2.4.1 What is Conversion?</b>	Conversion means the conversion of the Notes into a variable number of Ordinary Shares in accordance with the formula contained in clause 9.1(a) of the Westpac Capital Notes 2 Terms.  On Conversion of a Note, the Holder's rights (including to payment of Distributions and Face Value and any other payments) in relation to that Note will be immediately and irrevocably terminated. However, the Holder will be issued with Ordinary Shares that will have the same rights as other Ordinary Shares on issue at the relevant time.	Westpac Capital Notes 2 Terms clause 9.1	B.11- B.12
<b>2.4.2 When is Conversion expected to occur?</b>	The Notes do not have a maturity date but have a Scheduled Conversion Date. Conversion is expected to occur on the Scheduled Conversion Date.	Westpac Capital Notes 2 Terms clause 4.1	B.4
<b>2.4.3 When is the Scheduled Conversion Date?</b>	The Scheduled Conversion Date will be the earlier of: (i) 23 September 2024; and (ii) the first Distribution Payment Date after 23 September 2024,  on which the Scheduled Conversion Conditions are satisfied.	Westpac Capital Notes 2 Terms clause 4.1	B.4

Topic	Summary	Further information	Page(s)
<b>2.4.4 What are the Scheduled Conversion Conditions?</b>	<p>The Scheduled Conversion Conditions in relation to a potential Scheduled Conversion Date are satisfied where:</p> <ul style="list-style-type: none"> <li>• <b>First Scheduled Conversion Condition:</b> The VWAP of Ordinary Shares on the 25th Business Day before (but not including) the potential Scheduled Conversion Date is greater than 56.12% of the Issue Date VWAP; and</li> <li>• <b>Second Scheduled Conversion Condition:</b> The VWAP of Ordinary Shares during the 20 Business Days before (but not including) the potential Scheduled Conversion Date is greater than 50.51% of the Issue Date VWAP.</li> </ul> <p>The percentages used in the Scheduled Conversion Conditions are derived from market precedents and the cap on the number of Ordinary Shares that are permitted to be issued under applicable Prudential Standards and ratings guidance.</p> <p>The following diagram illustrates the timeframes that are relevant for the Scheduled Conversion Conditions using the date 23 September 2024 as a potential Scheduled Conversion Date. These dates are indicative only and may change.</p>	Westpac Capital Notes 2 Terms clause 4.2	B.4-B.5



## INFORMATION ABOUT WESTPAC CAPITAL NOTES 2

Topic	Summary	Further information	Page(s)
<b>2.4.5 What is the purpose of the Scheduled Conversion Conditions?</b>	The Scheduled Conversion Conditions are intended to ensure that upon Conversion on the Scheduled Conversion Date, Holders will receive Ordinary Shares worth approximately \$101.01 per Note (based on the Initial Face Value of \$100 per Note and the volume weighted average price of Ordinary Shares during the 20 Business Days before the Scheduled Conversion Date, with the benefit of a 1% discount). <sup>1</sup>	Westpac Capital Notes 2 Terms clause 4.2	B.4-B.5
<b>2.4.6 What happens if the Scheduled Conversion Conditions are not satisfied?</b>	If the Scheduled Conversion Conditions are not satisfied on 23 September 2024, Conversion will not occur until the next Distribution Payment Date on which the Scheduled Conversion Conditions are satisfied.	Westpac Capital Notes 2 Terms clauses 4.1 and 4.2	B.4-B.5
<b>2.4.7 What is the VWAP and the Issue Date VWAP?</b>	<p>In general terms, VWAP refers to the average of the daily volume weighted average sale prices of Ordinary Shares sold on ASX during the relevant period.</p> <p>The Issue Date VWAP means the VWAP of Ordinary Shares during the 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Issue Date (as adjusted in accordance with the Westpac Capital Notes 2 Terms).</p> <p>The satisfaction of the Scheduled Conversion Conditions on a potential Scheduled Conversion Date will depend on the price of Ordinary Shares. For example, if the Issue Date VWAP is \$35.00, then, for the First Scheduled Conversion Condition and Second Scheduled Conversion Condition to be satisfied:</p> <ul style="list-style-type: none"> <li>the VWAP for the First Scheduled Conversion Condition would need to be at least \$19.65 (56.12% of the Issue Date VWAP); and</li> <li>the VWAP for the Second Scheduled Conversion Condition would need to be at least \$17.68 (50.51% of the Issue Date VWAP).</li> </ul> <p>This example is for illustrative purposes only and does not indicate whether or not the Scheduled Conversion Conditions will actually be satisfied in respect of a potential Scheduled Conversion Date.</p>	Westpac Capital Notes 2 Terms clauses 9.1 to 9.8 and 16.2 (definition of "Issue Date VWAP" and "VWAP")	B.11- B.13, B.25, B.27

<sup>1</sup> However, if the market price of Ordinary Shares on the Scheduled Conversion Date is different to the price used to calculate the number of Ordinary Shares to be issued on Conversion, the value of Ordinary Shares resulting from the Conversion of one Note may be worth more or less than \$101.01. If the Scheduled Conversion Conditions are not met, Notes will not Convert on the Scheduled Conversion Date and the Scheduled Conversion Conditions will be re-tested on the next possible Schedule Conversion Date. Notes may remain on issue indefinitely.

Topic	Summary	Further information	Page(s)										
2.4.8 How many Ordinary Shares will I receive if the Westpac Capital Notes 2 are Converted?	<p>Upon Conversion, Holders will receive for each Note they hold a variable number of Ordinary Shares calculated using the following formula:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>Face Value</u></th> </tr> </thead> <tbody> <tr> <td></td> <td style="text-align: center;"><b>0.99 x VWAP</b></td> </tr> <tr> <td><b>Face Value</b></td> <td>Initially \$100 per Note</td> </tr> <tr> <td><b>VWAP</b></td> <td>The VWAP during the VWAP Period</td> </tr> <tr> <td><b>VWAP Period</b></td> <td>In the case of a Scheduled Conversion, the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Scheduled Conversion Date</td> </tr> </tbody> </table> <p>Where the total number of Ordinary Shares to be issued to a Holder in respect of all of that Holder's Notes being Converted includes a fraction, that fraction will be disregarded.</p>		<u>Face Value</u>		<b>0.99 x VWAP</b>	<b>Face Value</b>	Initially \$100 per Note	<b>VWAP</b>	The VWAP during the VWAP Period	<b>VWAP Period</b>	In the case of a Scheduled Conversion, the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Scheduled Conversion Date	Westpac Capital Notes 2 Terms clause 9.1	B.11- B.12
	<u>Face Value</u>												
	<b>0.99 x VWAP</b>												
<b>Face Value</b>	Initially \$100 per Note												
<b>VWAP</b>	The VWAP during the VWAP Period												
<b>VWAP Period</b>	In the case of a Scheduled Conversion, the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Scheduled Conversion Date												
2.4.9 Is there a limit on the number of Ordinary Shares I will receive on a Scheduled Conversion Date?	<p>Yes. The Westpac Capital Notes 2 Terms provide that the number of Ordinary Shares that may be issued on Conversion is subject to a Maximum Conversion Number. However, due to the operation of the Scheduled Conversion Conditions, it is not possible for Conversion to occur if the Maximum Conversion Number would be exceeded. This means that if the Scheduled Conversion Conditions are met and Conversion does occur on a Scheduled Conversion Date, Holders will always receive a number of Ordinary Shares that is less than the Maximum Conversion Number. This is intended to ensure that upon Conversion on a Scheduled Conversion Date, Holders will receive Ordinary Shares worth approximately \$101.01 per Note (based on the Initial Face Value of \$100 per Note) and not some lesser value.</p>	Sections 2.4.4 and 2.4.5 Westpac Capital Notes 2 Terms clauses 4.2(a) and 9.1	41-42, B.4-B.5, B.11- B.12										

## INFORMATION ABOUT WESTPAC CAPITAL NOTES 2

Topic	Summary	Further information	Page(s)
<b>2.4.10 What if I do not wish to receive Ordinary Shares or if I am prohibited or restricted from receiving Ordinary Shares?</b>	If you do not wish to receive Ordinary Shares, you can notify Westpac of this at any time prior to the Conversion Date. If Conversion occurs and you have notified Westpac that you do not wish to receive Ordinary Shares, or if you are an Ineligible Holder <sup>1</sup> , then Westpac will issue the relevant number of Ordinary Shares to the Sale Agent who will hold the Ordinary Shares on trust for sale for your benefit <sup>2</sup> . At the first reasonable opportunity, the Sale Agent will arrange for the sale of the Ordinary Shares on your behalf and pay the proceeds less selling costs to you. No guarantee is given in relation to the timing or price at which any sale will occur or whether a sale can be achieved.	Westpac Capital Notes 2 Terms clause 9.10	B.13- B.14

### 2.5 OPTIONAL CONVERSION

Topic	Summary	Further information	Page(s)
<b>2.5.1 When does Westpac have an option to Convert Westpac Capital Notes 2?</b>	Subject to satisfaction of the Optional Conversion Restriction, Westpac may elect to Convert: <ul style="list-style-type: none"> <li>all or some of the Notes on 23 September 2022; or</li> <li>all (but not some only) of the Notes following a Tax Event or Regulatory Event.</li> </ul> Westpac also has the option to Redeem or Transfer the Notes in these circumstances.	Westpac Capital Notes 2 Terms clause 6	B.8-B.9
<b>2.5.2 What is a Tax Event?</b>	A Tax Event will occur if Westpac determines, after receiving a supporting opinion of reputable legal counsel or other tax adviser in Australia, experienced in such matters, that (as a result of a Change of Law) there is a more than insubstantial risk that: <ul style="list-style-type: none"> <li>the Westpac Group will incur more than an insubstantial increase in costs or taxes in relation to the Notes; or</li> <li>any Distribution would not be a frankable distribution within the meaning of Division 202 of the Tax Act.</li> </ul>	Westpac Capital Notes 2 Terms clause 16.2 (definition of "Tax Event")	B.27

<sup>1</sup> Westpac will treat a Holder as not being an Ineligible Holder unless the Holder has otherwise notified it after the Issue Date and prior to the Conversion Date.

<sup>2</sup> If Conversion is occurring because of the occurrence of a Capital Trigger Event or Non-Viability Trigger Event and the Conversion is not effective and Westpac is not otherwise able to issue Ordinary Shares to the Sale Agent within 5 Business Days, all rights in relation to these Notes will be terminated (and your investment will lose all of its value and you will not receive any compensation or unpaid Distributions).

Topic	Summary	Further information	Page(s)
<b>2.5.3 What is a Regulatory Event?</b>	<p>A Regulatory Event will occur if:</p> <ul style="list-style-type: none"> <li>as a result of an amendment to, clarification of or change or prospective change that has been or will be introduced in Australian law or regulations or an Administrative Action that was not expected by Westpac at the Issue Date, additional requirements would be imposed on the Westpac Group in relation to the Notes or there would be a negative impact on the Westpac Group (in relation to or in connection with the Notes), which Westpac determines (as supported by advice from reputable legal counsel or confirmation from APRA), at its sole discretion, to be unacceptable; or</li> <li>Westpac determines (after having received advice from reputable legal counsel or confirmation from APRA) that all, some or a proportion of all or some Notes are not or will not be treated as Additional Tier 1 Capital of the Westpac Group under the Prudential Standards, other than as a result of a change of treatment expected by Westpac as at the Issue Date or because Westpac has exceeded a limit or other restriction on the recognition of Additional Tier 1 Capital which was in effect on the Issue Date or which on the Issue Date is expected by Westpac to come into effect.</li> </ul>	Westpac Capital Notes 2 Terms clause 16.2 (definition of “Regulatory Event”)	B.26
<b>2.5.4 What restrictions or conditions apply to Optional Conversion?</b>	<p>There are two types of restrictions or conditions that apply to Optional Conversion:</p> <ul style="list-style-type: none"> <li><i>A restriction that may prevent Westpac from choosing to Convert the Notes (ie, from sending an Optional Conversion Notice to Holders)</i></li> </ul> <p>The <b>Optional Conversion Restriction</b> applies to Optional Conversion such that Westpac may not elect to Convert the Notes if on the second Business Day before the date on which Westpac is to send an Optional Conversion Notice the VWAP of Ordinary Shares is:</p> <ul style="list-style-type: none"> <li>less than or equal to 56.12% of the Issue Date VWAP, where Westpac chooses to Convert the Notes on 23 September 2022; and</li> </ul>	Westpac Capital Notes 2 Terms clauses 6.2 and 6.4	B.8-B.9

## INFORMATION ABOUT WESTPAC CAPITAL NOTES 2

Topic	Summary	Further information	Page(s)
<p><b>2.5.4 What restrictions or conditions apply to Optional Conversion?</b> (continued)</p>	<ul style="list-style-type: none"> <li>– less than or equal to 22.20% of the Issue Date VWAP, where Westpac chooses to Convert the Notes following a Tax Event or Regulatory Event.</li> <li>• <i>A condition that may prevent Westpac from Converting the Notes on the Optional Conversion Date</i></li> </ul> <p>Once an Optional Conversion Notice has been sent, Westpac may still be prevented from Converting the Notes by the operation of the <b>Second Scheduled Conversion Condition</b> (modified in the case of a Tax Event or Regulatory Event, as described below), which is deemed to apply such that Optional Conversion will not occur if the VWAP of Ordinary Shares during the 20 Business Days before (but not including) the potential Optional Conversion Date is:</p> <ul style="list-style-type: none"> <li>– less than or equal to 50.51% of the Issue Date VWAP, where Westpac chooses to Convert the Notes on 23 September 2022; and</li> <li>– less than or equal to 20.20% of the Issue Date VWAP where Westpac chooses to Convert the Notes following a Tax Event or Regulatory Event.</li> </ul> <p>The percentages used in the above conditions for Optional Conversion are derived from market precedents and the cap on the number of Ordinary Shares that is permitted to be issued under the Prudential Standards and ratings guidance.</p>		
<p><b>2.5.5 How many Ordinary Shares will I receive on an Optional Conversion Date?</b></p>	<p>If the Notes are Converted on an Optional Conversion Date, Holders will receive a variable number of Ordinary Shares on the Conversion Date equal to the Conversion Number calculated in the same manner as if Conversion was occurring on the Scheduled Conversion Date (see Section 2.4.8), except that the VWAP Period will be 20 Business Days on which trading in Ordinary Shares took place immediately preceding, but not including, the Optional Conversion Date.</p>	<p>Section 2.4.8 Westpac Capital Notes 2 Terms clauses 9.1 and 16.2 (definition of “VWAP Period”)</p>	<p>43, B.11- B.12, B.27- B.28</p>



Topic	Summary	Further information	Page(s)
<b>2.5.6 Is there a limit on the number of Ordinary Shares I will receive on an Optional Conversion?</b>	Yes. The Westpac Capital Notes 2 Terms provide that the number of Ordinary Shares that may be issued on Conversion is subject to a Maximum Conversion Number. However, due to the operation of the Second Scheduled Conversion Condition (as it applies to an Optional Conversion), it is not possible for Conversion to occur if the Maximum Conversion Number would be exceeded. This means that if the Second Scheduled Conversion Condition is met and therefore Conversion does occur on the Optional Conversion Date, Holders will always receive a number of Ordinary Shares that is less than the Maximum Conversion Number. This is intended to ensure that upon Conversion on an Optional Conversion Date, Holders will receive Ordinary Shares worth approximately \$101.01 per Note (based on the Initial Face Value of \$100 per Note) and not some lesser value.	Sections 2.4.4 and 2.4.5 Westpac Capital Notes 2 Terms clauses 6.4 and 9.1	41-42, B.9, B.11- B.12
<b>2.5.7 What happens if Conversion does not occur on an Optional Conversion Date?</b>	If Westpac chooses to Convert the Notes (and gives an Optional Conversion Notice to Holders) but the Second Scheduled Conversion Condition (applied as described in Section 2.5.4 above) prevents Conversion from occurring on the Optional Conversion Date, Westpac will notify Holders and the Conversion will be deferred until the next Distribution Payment Date as if that Distribution Payment Date were a Scheduled Conversion Date (the <b>Deferred Conversion Date</b> ). The Scheduled Conversion Conditions are deemed to apply to Conversion on the Deferred Conversion Date except that in the case of a Tax Event or Regulatory Event, the Second Scheduled Conversion Condition will apply if it referred to 20.20% of the Issue Date VWAP.	Westpac Capital Notes 2 Terms clause 6.5	B.9

## INFORMATION ABOUT WESTPAC CAPITAL NOTES 2

### 2.6 OPTIONAL REDEMPTION AND OPTIONAL TRANSFER

Topic	Summary	Further information	Page(s)
<b>2.6.1 When does Westpac have an option to Redeem or Transfer the Westpac Capital Notes?</b>	<p>Instead of electing to Convert the Notes, Westpac may elect to Redeem or Transfer:</p> <ul style="list-style-type: none"> <li>all or some of the Notes on 23 September 2022; or</li> <li>all (but not some) of the Notes following a Tax Event or Regulatory Event.</li> </ul> <p>Redemption is subject to Westpac receiving APRA's prior written approval. There can be no certainty that APRA will provide its prior written approval.</p>	<p>Sections 2.5.2 and 2.5.3 (for a brief description of Tax Events and Regulatory Events)</p> <p>Westpac Capital Notes 2 Terms clauses 7, 8 and 16.2 (definition of "Tax Event" and "Regulatory Event")</p>	<p>44-45, B.9-B.12, B.26-B.27</p>
<b>2.6.2 What is Redemption?</b>	<p>Redemption means Westpac will pay to Holders the Face Value (initially \$100 per Note) for each Note Redeemed.</p> <p>Redemption is subject to Westpac receiving APRA's prior written approval. There can be no certainty that APRA will provide its prior written approval.</p> <p> Holders cannot request Redemption of their Notes.</p>	<p>Westpac Capital Notes 2 Terms clauses 7 and 16.2 (definition of "Redemption")</p>	<p>B.9-B.10, B.26</p>
<b>2.6.3 What is a Transfer?</b>	<p>Transfer means Westpac will arrange for a Nominated Party to undertake to purchase from Holders Notes for the Face Value.</p> <p>On Transfer, Holders will receive their Face Value (initially \$100 per Note) for each Note from the Nominated Party.</p> <p>If the Nominated Party does not pay the Face Value to Holders on 23 September 2022 or following a Tax Event or Regulatory Event, the Transfer will not proceed and Holders will continue to hold their Notes.</p> <p>The Nominated Party may not be a member of the Westpac Group or a related entity (as described in the Prudential Standards) of Westpac.</p> <p> Holders cannot request a Transfer of Notes.</p>	<p>Westpac Capital Notes 2 Terms clauses 8 and 16.2 (definition of "Transfer")</p>	<p>B.10-B.11, B.27</p>

## 2.7 AUTOMATIC CONVERSION – ACQUISITION EVENT, CAPITAL TRIGGER EVENT AND NON-VIABILITY TRIGGER EVENT

Topic	Summary	Further information	Page(s)
2.7.1 When will the Westpac Capital Notes 2 automatically Convert?	<p>Westpac must Convert all (but not some only) of the Notes following an <b>Acquisition Event</b> subject to a modified application of the Second Scheduled Conversion Condition (see Section 2.7.3 below).</p> <p>Westpac must also Convert all or some of the Notes following a:</p> <ul style="list-style-type: none"> <li>• <b>Capital Trigger Event</b>; or</li> <li>• <b>Non-Viability Trigger Event</b>.</li> </ul> <p>If Conversion is not possible following a Capital Trigger Event or Non-Viability Trigger Event, then the Holder’s rights in relation to those Notes will be immediately and irrevocably terminated and your investment will lose all of its value and you will not receive any compensation.</p>	Westpac Capital Notes 2 Terms clause 5	B.5-B.8
2.7.2 When will an Acquisition Event occur?	<p>An Acquisition Event will occur where:</p> <ul style="list-style-type: none"> <li>• a takeover bid is made for Ordinary Shares and the offer is, or becomes, unconditional and the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue; or</li> <li>• a court orders the holding of one or more meetings to approve a scheme of arrangement under Part 5.1 of the Corporations Act, which scheme would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented and either: <ul style="list-style-type: none"> <li>– the relevant classes of members of Westpac pass a resolution approving the scheme; or</li> <li>– an independent expert issues a report that the proposals in connection with the scheme are in the best interests of the holders of Ordinary Shares; or</li> <li>– Holders are treated as being a separate class for the purposes of a scheme of arrangement in respect of the replacement of Westpac as the ultimate holding company of the Westpac Group.</li> </ul> </li> </ul> <p>However, an Acquisition Event will not have</p>	Westpac Capital Notes 2 Terms clause 16.2 (definition of “Acquisition Event”)	B.22

## INFORMATION ABOUT WESTPAC CAPITAL NOTES 2

Topic	Summary	Further information	Page(s)
<b>2.7.2 When will an Acquisition Event occur?</b> (continued)	occurred where Westpac is replaced as the ultimate holding company of the Westpac Group by an Approved Successor in accordance with the Westpac Capital Notes 2 Terms.		
<b>2.7.3 What conditions apply to Conversion following an Acquisition Event?</b>	The Second Scheduled Conversion Condition is deemed to apply following an Acquisition Event such that Conversion will not occur unless the VWAP of Ordinary Shares during the 20 Business Days before (but not including) the Acquisition Event Conversion Date is greater than 20.20% of the Issue Date VWAP.	Westpac Capital Notes 2 Terms clauses 4.2(a)(ii) and 5.9(b)	B.5, B.8
<b>2.7.4 How many Ordinary Shares will I receive on Conversion following an Acquisition Event?</b>	If Notes are Converted following an Acquisition Event, Holders will receive a variable number of Ordinary Shares on the Conversion Date equal to the Conversion Number calculated in the same manner as if Conversion was occurring on the Scheduled Conversion Date (see Section 2.4.8), subject to the following adjustments: <ul style="list-style-type: none"> <li>the VWAP Period will be 20 Business Days on which trading in Ordinary Shares took place immediately preceding, but not including, the Acquisition Event Conversion Date;</li> <li>the First Scheduled Conversion Condition will not apply; and</li> <li>the Second Scheduled Conversion Condition will be applied as if the reference to 50.51% were a reference to 20.20%.</li> </ul>	Section 2.4.8 Westpac Capital Notes 2 Terms clauses 5.9(b), 9.1 and 16.2 (definition of “VWAP Period”)	43, B.8, B.11- B.12, B.27- B.28
<b>2.7.5 Is there a limit on the number of Ordinary Shares I will receive on Conversion following an Acquisition Event?</b>	Yes. The Westpac Capital Note 2 Terms provide that the number of Ordinary Shares that may be issued on Conversion is subject to a Maximum Conversion Number. However, due to the operation of the Second Scheduled Conversion Condition (as it applies to an Acquisition Event), it is not possible for Conversion to occur if the Maximum Conversion Number would be exceeded. This means that if the Second Scheduled Conversion Condition is met and therefore Conversion does occur on the Acquisition Event Conversion Date, Holders will always receive a number of Ordinary Shares that is less than the Maximum Conversion Number. This is intended to ensure that upon Conversion on an Acquisition Event Conversion Date, Holders will receive Ordinary Shares worth approximately \$101.01 per Note (based on the Initial Face Value of \$100 per Note) and not some lesser value.	Sections 2.4.4 and 2.4.5 Westpac Capital Notes 2 Terms clauses 5.9(b) and 9.1	41-42, B.8, B.11- B.12

Topic	Summary	Further information	Page(s)																		
<b>2.7.6 Automatic Conversion following a Capital Trigger Event or a Non-Viability Trigger Event</b>	<p>Some or all of the Notes must be Converted immediately following:</p> <ul style="list-style-type: none"> <li>• a Capital Trigger Event; or</li> <li>• a Non-Viability Trigger Event.</li> </ul> <p>The proportion of Notes that will be Converted in these circumstances may be determined by APRA (in the case of a Non-Viability Trigger Event) or be dependent on restoration of Westpac's Common Equity Tier 1 Capital Ratio to above 5.125% (on a Level 1 or Level 2 basis) (in the case of a Capital Trigger Event).</p>	Westpac Capital Notes 2 Terms clauses 5.2 and 5.4	B.5-B.6																		
<b>2.7.7 When will a Capital Trigger Event occur?</b>	<p>A Capital Trigger Event will occur when Westpac determines, or APRA notifies Westpac in writing that it believes, Westpac's Common Equity Tier 1 Capital Ratio is equal to or less than 5.125% on either a Level 1 or Level 2 basis.</p> <p>Westpac's Common Equity Tier 1 Capital Ratio on a Level 2 basis of 8.82% at 31 March 2014 is considerably above the Capital Trigger Event level of 5.125% - the difference being equivalent to \$11,916 million in Common Equity Tier 1 Capital. Westpac's Common Equity Tier 1 Capital Ratio on a Level 1 basis of 8.87% at 31 March 2014 is also considerably above the Capital Trigger Event level of 5.125% - the difference being equivalent to \$10,759 million in Common Equity Tier 1 Capital.</p> <p>Refer to Section 5.2.6 for more information about Westpac's Common Equity Tier 1 Capital Ratio.</p> <p>The graph below illustrates the historical Common Equity Tier 1 Capital Ratio of the Westpac Level 2 group under the Prudential Standards.</p> <p><b>Westpac's Common Equity Tier 1 Capital Ratio<sup>1</sup> (Level 2 basis)(%)</b></p> <table border="1"> <caption>Westpac's Common Equity Tier 1 Capital Ratio<sup>1</sup> (Level 2 basis)(%)</caption> <thead> <tr> <th>Period</th> <th>Ratio (%)</th> </tr> </thead> <tbody> <tr> <td>Mar-11</td> <td>7.3</td> </tr> <tr> <td>Sep-11</td> <td>7.4</td> </tr> <tr> <td>Mar-12</td> <td>7.7</td> </tr> <tr> <td>Sept-12</td> <td>8.2</td> </tr> <tr> <td>Mar-13</td> <td>8.7</td> </tr> <tr> <td>Sept-13</td> <td>9.1</td> </tr> <tr> <td>Mar-14</td> <td>8.8</td> </tr> <tr> <td>Threshold</td> <td>5.125%</td> </tr> </tbody> </table>	Period	Ratio (%)	Mar-11	7.3	Sep-11	7.4	Mar-12	7.7	Sept-12	8.2	Mar-13	8.7	Sept-13	9.1	Mar-14	8.8	Threshold	5.125%	Section 5.2.6 Westpac Capital Notes 2 Terms clause 5.1	98, B.5
Period	Ratio (%)																				
Mar-11	7.3																				
Sep-11	7.4																				
Mar-12	7.7																				
Sept-12	8.2																				
Mar-13	8.7																				
Sept-13	9.1																				
Mar-14	8.8																				
Threshold	5.125%																				

<sup>1</sup> All numbers prior to March 2013 on a pro-forma Basel III basis.

## INFORMATION ABOUT WESTPAC CAPITAL NOTES 2

Topic	Summary	Further information	Page(s)
<b>2.7.7 When will a Capital Trigger Event occur?</b> (continued)	The above graph is for illustrative purposes only and does not indicate, guarantee or forecast Westpac's Common Equity Tier 1 Capital Ratio. The ratio may be higher or lower and may be affected by unexpected events affecting Westpac's business, operations and financial condition.		
<b>2.7.8 When will a Non-Viability Trigger Event occur?</b>	<p>A Non-Viability Trigger Event will occur when APRA notifies Westpac in writing that it believes Conversion of some or all Notes (or conversion or write-down of other capital instruments of the Westpac Group) or a public sector injection of capital, or equivalent support, is necessary because, without it, Westpac would become non-viable.</p> <p>Whether a Non-Viability Trigger Event will occur is at the discretion of APRA. APRA has not provided guidance on when it will consider an entity to be non-viable and there are currently no Australian precedents for this. However, it is likely that APRA will consider an entity to be non-viable when, for example, the entity is suffering from significant financial stress, is insolvent or cannot raise money in the public or private market.</p>	Westpac Capital Notes 2 Terms clause 5.3	B.6
<b>2.7.9 How many Westpac Capital Notes 2 need to be Converted if a Capital Trigger Event or Non-Viability Trigger Event occurs?</b>	<p>Westpac must Convert (or otherwise terminate the rights attaching to) that number of the Notes (or such percentage of the Face Value of the Notes) as is:</p> <ul style="list-style-type: none"> <li>in the case of a Capital Trigger Event, sufficient to return either or both the Westpac Level 1 Common Equity Tier 1 Capital Ratio or Westpac Level 2 Common Equity Tier 1 Capital Ratio (as the case may be) to above 5.125%;</li> <li>in the case of a Non-Viability Trigger Event, necessary (when added to the amount of any other Relevant Securities converted or written down) to satisfy APRA that Westpac will no longer be non-viable.</li> </ul> <p>If Westpac is required to Convert some of the Notes following a Capital Trigger Event or Non-Viability Trigger Event, Westpac must treat Holders on an approximate pro-rata basis among themselves and other holders of Relevant Securities or in a manner that is otherwise, in the opinion of Westpac, fair and reasonable.</p>	Westpac Capital Notes 2 Terms clauses 5.2, 5.4, 5.7 and 9.1	B.5-B.7, B.11-B.12

Topic	Summary	Further information	Page(s)
<p><b>2.7.9 How many Westpac Capital Notes 2 need to be Converted if a Capital Trigger Event or Non-Viability Trigger Event occurs?</b> (continued)</p>	<p>This is subject to such adjustments as Westpac may determine to take account of the effect of marketable parcels of Notes and the need to round to whole numbers the number of Ordinary Shares and any Notes or other Relevant Securities remaining on issue, provided that such determination does not impede the immediate Conversion of the relevant number of Notes.</p> <p>Holders should be aware that:</p> <ul style="list-style-type: none"> <li>• Relevant Securities such as the Notes will be Converted, and other Relevant Securities will be converted or written down, before any Tier 2 Capital instruments are converted or written down.</li> <li>• Westpac Subordinated Notes 2013 and Westpac Subordinated Notes 2012 (and any other securities ranking equally with those securities) are not Relevant Securities (and will not be converted or written off before or pro-rata with the Notes).</li> <li>• Westpac has no obligation to maintain on issue any Relevant Securities, including the Notes, and does not, and may never, have on issue Relevant Securities which require them to be converted or written off before the Notes or in full.</li> </ul>		
<p><b>2.7.10 Do the Scheduled Conversion Conditions apply following a Capital Trigger Event or Non-Viability Trigger Event?</b></p>	<p>No, the Scheduled Conversion Conditions do not need to be satisfied following a Capital Trigger Event or Non-Viability Trigger Event. Unless Conversion is not possible (see Section 2.7.14), Conversion must occur following such events.</p>	<p>Section 2.7.14 Westpac Capital Notes 2 Terms clause 5.5</p>	<p>56, B.7</p>

## INFORMATION ABOUT WESTPAC CAPITAL NOTES 2

Topic	Summary	Further information	Page(s)
<b>2.7.11 How many Ordinary Shares will I receive on Conversion following a Capital Trigger Event or Non-Viability Trigger Event?</b>	<p>If Notes are Converted following a Capital Trigger Event or Non-Viability Trigger Event then in respect of each Note that is Converted, Holders will receive a number of Ordinary Shares equal to the lower of:</p> <ul style="list-style-type: none"> <li>• the Maximum Conversion Number; and</li> <li>• the Conversion Number calculated in the same manner as if Conversion was occurring on the Scheduled Conversion Date (see Section 2.4.8) except that the VWAP Period will be the 5 Business Days in which trading of Ordinary Shares took place on ASX preceding, but not including, the Capital Trigger Event Conversion Date or Non-Viability Trigger Event Conversion Date, as applicable.</li> </ul> <p>In addition, the Conversion of Notes into Ordinary Shares on a Capital Trigger Event Conversion Date or Non-Viability Trigger Event Conversion Date is not subject to the Scheduled Conversion Conditions being satisfied. This means that, due to the application of the Maximum Conversion Number, depending on the market price of Ordinary Shares at the time, Holders may (in the case of a Capital Trigger Event) and are likely to (in the case of a Non-Viability Trigger Event) receive significantly less than approximately \$101.01 (based on the Initial Face Value of \$100 per Note) per Note and may suffer loss as a consequence.</p>	Westpac Capital Notes 2 Terms clauses 5.5, 5.7, 9.1 and 16.2 (definition of "VWAP Period")	B.7, B.11- B.12, B.27- B.28
<b>2.7.12 Is there a limit on the number of Ordinary Shares I will receive on Conversion following a Capital Trigger Event or Non-Viability Trigger Event?</b>	Yes. The Maximum Conversion Number is used to limit the number of Ordinary Shares to be issued on Conversion following a Capital Trigger Event or Non-Viability Trigger Event.	Section 2.7.13 Westpac Capital Notes 2 Terms clause 9.1	55, B.11- B.12



Topic	Summary	Further information	Page(s)
2.7.13 What is the Maximum Conversion Number in the case of a Capital Trigger Event or Non-Viability Trigger Event?	<p>The Maximum Conversion Number is calculated using the following formula:</p> $\frac{\text{Face Value}}{\text{Relevant Percentage} \times \text{Issue Date VWAP}}$ <p>Where:</p> <p><b>Face Value:</b> has the meaning given in clause 16.2 of the Westpac Capital Notes 2 Terms (initially \$100 per Note)</p> <p><b>Relevant Percentage:</b> If Conversion is occurring on a Capital Trigger Event Conversion Date or a Non-Viability Trigger Event Conversion Date: 0.20</p> <p><b>Issue Date VWAP:</b> The VWAP of Ordinary Shares for the 20 Business Days on which trading in Ordinary Shares took place immediately preceding, but not including, the Issue Date (as adjusted in accordance with the Westpac Capital Notes 2 Terms)</p> <p>For example:</p> <p>If the Face Value is \$100 (the Initial Face Value) and the Issue Date VWAP is \$35.00, then the Maximum Conversion Number on a Capital Trigger Event Conversion Date or a Non-Viability Trigger Event Conversion Date would be calculated as follows:</p> $\frac{\$100}{0.20 \times \$35.00} = 14.2857 \text{ Ordinary Shares}$ <p>The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual Issue Date VWAP or Maximum Conversion Number.</p> <p>The Maximum Conversion Number may be adjusted up or down to reflect transactions affecting the capital of Westpac (including bonus issues, share splits, consolidations or other similar transactions not involving any cash payment (or the giving of any other form of consideration) to or by holders of Ordinary Shares but not including other transactions which may affect the price of Ordinary Shares, including, for example, rights issues, returns of capital, buy-backs or special dividends) as set out in the Westpac Capital Notes 2 Terms.</p>	Westpac Capital Notes 2 Terms clause 9.1	B.11- B.12

## INFORMATION ABOUT WESTPAC CAPITAL NOTES 2

Topic	Summary	Further information	Page(s)
<b>2.7.14 What happens if Westpac is unable to issue Ordinary Shares following a Capital Trigger Event or Non-Viability Trigger Event?</b>	If for any reason Conversion of Notes is not possible (for example due to applicable laws, order of a court or action of any government authority) and Westpac is not able to issue the Ordinary Shares by 5.00pm on the fifth Business Day following a Capital Trigger Event or Non-Viability Trigger Event, then all rights in relation to those Notes will be terminated (and your investment will lose all of its value and you will not receive any compensation or unpaid Distributions).	Westpac Capital Notes 2 Terms clause 5.8	B.7

## 2.8 TREATMENT OF WESTPAC CAPITAL NOTES 2 IF WESTPAC IS REPLACED BY AN APPROVED SUCCESSOR

Topic	Summary	Further information	Page(s)
<b>2.8.1 What happens if an Approved Successor is put in place?</b>	<p>Where Westpac is replaced as the ultimate holding company of the Westpac Group by an Approved Successor and certain other conditions are satisfied, Conversion of the Notes will not be triggered but Westpac may instead be allowed to make amendments (provided APRA's prior written approval is obtained) to substitute the Approved Successor as the debtor of the Notes and the issuer of ordinary shares issued on Conversion and to make certain other amendments to the Westpac Capital Notes 2 Terms. Accordingly, if:</p> <ul style="list-style-type: none"> <li>• Westpac is replaced by an Approved Successor as the ultimate holding company of the Westpac Group; and</li> <li>• a substitution of the Approved Successor as the debtor of the Notes and the issuer of ordinary shares on Conversion is effected under the Westpac Capital Notes 2 Terms,</li> </ul> <p>Holder will be obliged to accept Approved Successor Shares on Conversion, and will not receive Ordinary Shares on Conversion.</p>	Westpac Capital Notes 2 Terms clause 5.10 and 13.4	B.8, B.18-B.19

## 2.9 REGULATORY TREATMENT OF THE WESTPAC CAPITAL NOTES 2

Topic	Summary	Further information	Page(s)
<b>2.9.1 Who is APRA?</b>	APRA is the prudential regulator of the Australian financial services industry. It oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurers, friendly societies, and most members of the superannuation industry.	Section 5.2.1	94
<b>2.9.2 What is regulatory capital?</b>	<p>Capital is the cornerstone of an ADI's financial strength. It supports an ADI's operations by providing a buffer to absorb unanticipated losses from its activities and, in the event of problems, assists the ADI to continue to operate in a sound and viable manner while problems are addressed or resolved.</p> <p>For regulatory capital purposes, Total Capital is the sum of Tier 1 Capital and Tier 2 Capital. Tier 1 Capital is the sum of Common Equity Tier 1 Capital and Additional Tier 1 Capital. Tier 1 Capital is generally considered a higher quality capital than Tier 2 Capital.</p>	Sections 5.2.1, 5.2.4 and 5.2.6	94, 97-98
<b>2.9.3 What is Additional Tier 1 Capital?</b>	<p>Additional Tier 1 Capital comprises high quality components of capital that consists of certain securities not included in Common Equity Tier 1 Capital, but which include loss absorbing characteristics.</p> <p>Additional Tier 1 Capital ranks behind the claims of depositors and other more Senior Creditors in a Winding Up and provide fully discretionary capital distributions.</p> <p>Additional Tier 1 Capital must be the most subordinated instrument issued by Westpac other than Ordinary Shares.</p>	Section 5.2.4	97
<b>2.9.4 How are the Westpac Capital Notes 2 treated by APRA for regulatory capital purposes?</b>	APRA has confirmed that the Notes will be eligible for inclusion as Additional Tier 1 Capital under Prudential Standard APS 111.	Section 5.2.4	97

## INFORMATION ABOUT WESTPAC CAPITAL NOTES 2

### 2.10 RETURN ON YOUR INVESTMENT GENERALLY

Topic	Summary	Further information	Page(s)
<b>2.10.1 Are Distributions and your investment in the Westpac Capital Notes 2 guaranteed?</b>	<p>No. Distributions and amounts invested in the Notes are not guaranteed by Westpac or any other member of the Westpac Group and are not guaranteed or insured by any government agency or any other person.</p> <p>The value of the Notes as quoted on ASX may be lower or higher than the Initial Face Value (\$100 per Note) paid by you for the Notes. This may be due to a number of factors including prevailing interest rates, other economic factors, Westpac's financial performance and position, the Distributions actually paid and other matters.</p> <p>In certain circumstances the Notes will be Converted. In these circumstances, you will be issued with Ordinary Shares and therefore directly exposed to movements in the price of Ordinary Shares traded on ASX and the financial performance and position of Westpac.</p>	Sections 2.2.11, 6.1.1, 6.1.4, 6.1.5 and 6.1.7	38-39, 101-104
<b>2.10.2 Will you be able to request Conversion, Redemption or Transfer of your Westpac Capital Notes 2 once you have invested in them?</b>	<p>No. Holders have no right to request or require Westpac to Convert, Redeem or arrange for a Transfer of their Notes. To realise your investment, you can sell your Notes on ASX at the prevailing market price subject to the liquidity of that market. There can be no assurance as to the liquidity or the market price for the Notes. The market price of the Notes may be higher or lower than the Initial Face Value (\$100 per Note), and will depend, among other things, on the level of supply and demand for the Notes.</p>	<p>Sections 6.1.2, 6.1.3 and 6.1.13</p> <p>Westpac Capital Notes 2 Terms clauses 6.7, 7.5 and 8.4</p>	101, 106, B.9-B.11

Topic	Summary	Further information	Page(s)
<b>2.10.3 Is it possible that Conversion, Redemption or Transfer will not occur?</b>	<p>Yes. If Westpac has not elected to Convert, Redeem or Transfer Notes, APRA has not provided its prior written approval for Redemption, the Scheduled Conversion Conditions are not satisfied (where required), or a Capital Trigger Event, Non-Viability Trigger Event or Acquisition Event does not occur, Holders will not have their Notes Converted, Redeemed or Transferred and will hold their Notes until Conversion subsequently occurs (if at all), which may be dependent upon the future Ordinary Share price.</p> <p>Additionally, in the event of a Winding Up, it is possible that Conversion, Redemption or Transfer may not occur. For example, Westpac may be prevented from issuing Ordinary Shares after the commencement of a Winding Up unless a court orders otherwise.</p>	<p>Sections 6.1.13, 6.1.14, 6.1.15, 6.1.16 and 6.1.17</p> <p>Westpac Capital Notes 2 Terms clauses 4, 5, 6, 7 and 8</p>	106-107, B.4-B.11
<b>2.10.4 What happens if Conversion does not occur following a Capital Trigger Event or Non-Viability Trigger Event?</b>	<p>If following a Capital Trigger Event or Non-Viability Trigger Event, for any reason Conversion of Notes is not possible (for example due to applicable laws, order of a court or action of any government authority) and Westpac is not able to issue the Ordinary Shares by 5.00pm on the fifth Business Day following the Capital Trigger Event or Non-Viability Trigger Event, then the Holder's rights (including to payment of Distributions and Face Value and any other payments) in relation to those Notes are immediately and irrevocably terminated. Your investment will lose all of its value and you will not receive any compensation or unpaid Distributions.</p>	<p>Section 6.1.8</p> <p>Westpac Capital Notes 2 Terms clause 5.8</p>	104-105, B.7

## INFORMATION ABOUT WESTPAC CAPITAL NOTES 2

### 2.11 RANKING AND VOTING RIGHTS OF THE WESTPAC CAPITAL NOTES 2

Topic	Summary	Further information	Page(s)
<b>2.11.1 Where do the Westpac Capital Notes 2 rank in a Winding Up?</b>	<p>In the event of a Winding Up (and assuming the Notes are still on issue and have not been Redeemed or Converted) or otherwise had their rights terminated following a Capital Trigger Event or Non-Viability Trigger Event, the right of Holders to receive a return of capital will rank ahead of Ordinary Shares, equally among themselves and with Equal Ranking Capital Securities, but subordinated to Senior Creditors. The ranking of the Notes in a Winding Up will be adversely affected if a Capital Trigger Event or a Non-Viability Trigger Event occurs. It is likely that such an event would occur prior to a Winding Up, requiring the Conversion of Notes. If Conversion has occurred, Holders will hold Ordinary Shares and rank equally with other holders of Ordinary Shares.</p> <p>However, if for any reason Conversion of Notes following a Capital Trigger Event or Non-Viability Trigger Event is not possible (for example due to applicable laws, order of a court or action of any government authority) and Westpac is not able to issue the Ordinary Shares by 5.00pm on the fifth Business Day following a Capital Trigger Event or Non-Viability Trigger Event, then all rights in relation to those Notes will be terminated. In these circumstances, your investment will lose all of its value and you will not receive any compensation or unpaid Distributions and the Notes will have no ranking in a Winding Up.</p> <p>For the potential effect on the assets of Westpac available to meet the claims of a Holder in a Winding Up where Westpac is replaced by an Approved Successor as the ultimate holding company of the Westpac Group, see Section 6.1.24.</p>	<p>Sections 1.2.8, 6.1.8, 6.1.9, 6.1.24 and 6.1.25</p> <p>Westpac Capital Notes 2 Terms clauses 2, 5.8 and 13.4</p>	<p>13-14, 104-105, 109-110, B.2, B.7, B.18-B.19</p>
<b>2.11.2 Are Westpac Capital Notes 2 protected accounts or deposit liabilities?</b>	<p>No. The Notes are not deposit liabilities or protected accounts of Westpac for the purposes of the Banking Act or Financial Claims Scheme and are not subject to the depositor protection provisions of Australian banking legislation (including the Australian Government guarantee of certain bank deposits).</p>	<p>Section 6.1.1</p> <p>Westpac Capital Notes 2 Terms clause 14.1</p>	<p>101, B.20</p>

Topic	Summary	Further information	Page(s)
<b>2.11.3 Is Westpac restricted in relation to other securities it may issue?</b>	No. Westpac may issue other securities, including further Notes, or other Capital Securities that rank equally with, ahead of or behind the Notes whether in respect of distributions, dividends, return of capital or principal in a Winding Up of Westpac or otherwise, without the approval of Holders.	Section 6.1.24 Westpac Capital Notes 2 Terms clause 14.2	109, B.20
<b>2.11.4 Do the Westpac Capital Notes 2 have any participation rights?</b>	No. The Notes do not carry a right for Holders to participate in new issues of Westpac securities.	Westpac Capital Notes 2 Terms clause 14.7	B.20
<b>2.11.5 Do you have voting rights?</b>	No. Holders have no right to vote at any general meeting of Westpac before Conversion.  Holders have certain voting rights which can be exercised at a meeting of Holders, as set out in the Notes Deed Poll.  Following Conversion, Holders will become holders of Ordinary Shares and have the voting rights that attach to Ordinary Shares.	Sections 2.15.1 and 8.2.4  Westpac Capital Notes 2 Terms clause 14.7	67, 133, B.20
<b>2.11.6 Can the Westpac Capital Notes 2 Terms be amended?</b>	No amendment to the Westpac Capital Notes 2 Terms is permitted without APRA's prior written approval if such amendment would impact, or potentially impact, the classification of the Notes as Additional Tier 1 Capital on a Level 1 or Level 2 basis.  Subject to complying with all applicable laws and with APRA's prior written approval (as applicable), Westpac may amend the Westpac Capital Notes 2 Terms without the consent of Holders provided Westpac is of the opinion that the amendment is: <ul style="list-style-type: none"> <li>• of a formal, minor or technical nature; or</li> <li>• made to cure any ambiguity or correct any manifest error; or</li> <li>• expedient for the purpose of enabling the Notes to be listed for quotation or to retain listing on any stock exchange, or to be offered for, or subscription for, sale, and it is otherwise not considered by Westpac to be materially prejudicial to the interests of Holders as a whole; or</li> <li>• necessary to comply with the provisions of any laws or statutory authority or the ASX Listing Rules; or</li> </ul>	Section 6.1.26 Westpac Capital Notes 2 Terms clause 13	110, B.18- B.19

## INFORMATION ABOUT WESTPAC CAPITAL NOTES 2

Topic	Summary	Further information	Page(s)
<b>2.11.6 Can the Westpac Capital Notes 2 Terms be amended?</b> (continued)	<ul style="list-style-type: none"> <li>in any case, not materially prejudicial to the interests of Holders as a whole.</li> </ul> <p>Westpac may also amend the Westpac Capital Notes 2 Terms (with APRA's prior written approval as applicable):</p> <ul style="list-style-type: none"> <li>if the amendment has been approved by a Special Resolution of Holders; or</li> <li>to effect the substitution of an Approved Successor as the debtor in respect of the Notes and the issuer of ordinary shares on Conversion, in accordance with clause 13.4 of the Westpac Capital Notes 2 Terms.</li> </ul>		

## 2.12 COMPARISON OF THE WESTPAC CAPITAL NOTES 2 WITH CERTAIN OTHER WESTPAC ADDITIONAL TIER 1 CAPITAL SECURITIES

Topic	Summary	Further information	Page(s)	
<b>2.12.1 What are the differences between Westpac Capital Notes 2, Westpac Capital Notes, Westpac CPS and Westpac SPS II?</b>	<p>Westpac Capital Notes 2, Westpac Capital Notes, Westpac CPS and Westpac SPS II do have similarities in that they are all securities that qualify or are treated as Additional Tier 1 Capital of Westpac under APRA's current capital adequacy standards.</p> <p>However, the securities differ considerably in several key respects. The table below provides a comparison of the key terms of Westpac Capital Notes 2, Westpac Capital Notes, Westpac CPS and Westpac SPS II, but is not exhaustive.</p>	See table below	62-65	
	<b>Westpac Capital Notes 2</b>	<b>Westpac Capital Notes</b>	<b>Westpac CPS</b>	<b>Westpac SPS II</b>
<b>ASX code</b>	WBCPE <sup>1</sup>	WBCPD	WBCPC	WBCPB
<b>Legal form</b>	Note	Note	Preference share	Stapled security – one preference share and one subordinated note issued by Westpac

<sup>1</sup> Westpac has applied to have Westpac Capital Notes 2 quoted on ASX and they are expected to trade under the code WBCPE.



	Westpac Capital Notes 2	Westpac Capital Notes	Westpac CPS	Westpac SPS II
<b>Distributions</b>	Floating rate Distributions – payable quarterly in arrear subject to the Distribution Payment Conditions	Floating rate distributions – payable quarterly in arrear subject to the distribution payment conditions	Floating rate dividends – payable semi-annually in arrear subject to a dividend payment test	Floating rate distributions – payable quarterly in arrear subject to a distribution payment test
<b>Expected to be fully franked</b>	Yes	Yes	Yes	Yes
<b>Distribution rate</b>	(Margin + 90 day Bank Bill Rate) × (1 – Tax Rate)	(margin + 90 day bank bill rate) × (1 – tax rate)	(margin + 180 day bank bill rate) × (1 – tax rate)	(margin + 90 day bank bill rate) × (1 – tax rate)
<b>Margin/step up</b>	<ul style="list-style-type: none"> <li>Margin of 3.05% per annum;</li> <li>There is no step up in the Margin</li> </ul>	<ul style="list-style-type: none"> <li>A margin of 3.20% per annum;</li> <li>There is no step up in the margin</li> </ul>	<ul style="list-style-type: none"> <li>A margin of 3.25% per annum;</li> <li>There is no step up in the margin</li> </ul>	<ul style="list-style-type: none"> <li>A margin of 3.80% per annum;</li> <li>There is no step up in the margin</li> </ul>
<b>Issuer redemption rights (subject to APRA approval)</b>	Yes, on 23 September 2022 and in certain specified circumstances – see Section 2.6.1	Yes, on 8 March 2019 and in certain specified circumstances	Yes, on 31 March 2018 and each dividend payment date thereafter, and in certain specified circumstances	Yes, in certain specified circumstances
<b>Conversion at issuer's option</b>	Yes, on 23 September 2022 and in certain specified circumstances – see Section 2.5.1	No	Yes, on 31 March 2018 and each dividend payment date thereafter, and in certain specified circumstances	Yes, in certain specified circumstances
<b>Potential automatic Conversion to Ordinary Shares (other than on a Capital Trigger Event or Non-Viability Trigger Event)</b>	Scheduled Conversion on 23 September 2024 (subject to the satisfaction of the Scheduled Conversion Conditions) or in other specified circumstances	Scheduled conversion on 8 March 2021 (subject to the satisfaction of the scheduled conversion conditions) or in other specified circumstances	Scheduled conversion on 31 March 2020 (subject to the satisfaction of the conversion conditions) or in other specified circumstances	Mandatory conversion on 30 September 2014 (subject to the satisfaction of the Westpac SPS II Conversion Conditions) or in other specified circumstances

## INFORMATION ABOUT WESTPAC CAPITAL NOTES 2

	Westpac Capital Notes 2	Westpac Capital Notes	Westpac CPS	Westpac SPS II
<b>Conversion to Ordinary Shares on a Capital Trigger Event or Non-Viability Trigger Event</b>	<p>Conversion upon the occurrence of a Capital Trigger Event or Non-Viability Trigger Event, not subject to the satisfaction of Scheduled Conversion Conditions and with the number of Ordinary Shares limited to the Maximum Conversion Number</p> <p><b>If a Capital Trigger Event or Non-Viability Trigger Event occurs and Conversion of Notes is not possible, all rights in relation to those Notes will be terminated (your investment will lose all of its value and you will not receive any compensation or unpaid Distributions)</b></p>	<p>Conversion upon the occurrence of a Capital Trigger Event or Non-Viability Trigger Event (as those events apply to Westpac Capital Notes), not subject to the satisfaction of scheduled conversion conditions and with the number of Ordinary Shares limited to a maximum conversion number</p> <p><b>If a Capital Trigger Event or Non-Viability Trigger Event (as those events apply to Westpac Capital Notes) occurs and conversion of Westpac Capital Notes is not possible, all rights in relation to those Westpac Capital Notes will be terminated (holders' investment will lose all of its value and holders will not receive any compensation or unpaid Distributions)</b></p>	<p>Conversion upon the occurrence of a capital trigger event only, not subject to the satisfaction of conversion conditions and with the number of shares limited to the maximum conversion number</p>	No

	Westpac Capital Notes 2	Westpac Capital Notes	Westpac CPS	Westpac SPS II
<b>Ranking in Winding Up</b>	<p>If Notes are on issue at the time (and have not been Redeemed or Converted), rank in priority to Ordinary Shares, equally with Equal Ranking Capital Securities and behind Senior Creditors (including depositors)</p> <p>If Notes have been Converted into Ordinary Shares, Holders will become holders of Ordinary Shares and will rank equally with other holders of Ordinary Shares</p> <p>The ranking of Notes in a Winding Up will be adversely affected if a Capital Trigger Event or a Non-Viability Trigger Event occurs. If Conversion is not possible following one of these events, all rights in relation to those Notes will be terminated (and your investment will lose all of its value and you will not receive any compensation or unpaid Distributions). In these circumstances, the Notes will have no ranking in a Winding Up</p>	<p>If the Westpac Capital Notes are on issue at the time, rank in priority to Ordinary Shares, equally with equal ranking capital securities and behind senior creditors (including depositors)</p> <p>If the Westpac Capital Notes have been converted into Ordinary Shares, holders will become holders of Ordinary Shares and will rank equally with other holders of Ordinary Shares</p> <p>The ranking of Westpac Capital Notes in a Winding Up will be adversely affected if a Capital Trigger Event or a Non-Viability Trigger Event occurs (as those events apply to Westpac Capital Notes). If conversion is not possible following one of these events, all rights in relation to those Westpac Capital Notes will be terminated (and holders' investment will lose all of its value and holders will not receive any compensation or unpaid distributions). In these circumstances, the Westpac Capital Notes will have no ranking in a Winding Up</p>	<p>Rank in priority to Ordinary Shares, equally with equal ranking capital securities and behind senior creditors (including depositors)</p>	<p>Rank in priority to Ordinary Shares, equally with equal ranking capital securities and behind all Westpac depositors and all holders of senior and subordinated debt (in accordance with the terms of issue of Westpac SPS II)</p>

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## INFORMATION ABOUT WESTPAC CAPITAL NOTES 2

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### 2.13 PAYMENT FOR WESTPAC CAPITAL NOTES 2

Topic	Summary	Further information	Page(s)
<b>2.13.1 What will you be required to pay?</b>	The Issue Price and Initial Face Value of each Note is \$100. The minimum number of Notes that you can apply for is 50 Notes, requiring a minimum Application Payment of \$5,000. Applications for greater than the minimum number of Notes must be in multiples of 10 Notes – that is \$1,000.	Section 4.1	82
<b>2.13.2 Is brokerage or stamp duty payable?</b>	No brokerage or stamp duty is payable to Westpac on your Application. You may have to pay brokerage on any subsequent trading of your Notes on ASX after the Notes have been quoted on ASX.	Section 4.2.2	85
<b>2.13.3 Will you be required to pay any ongoing fees or other costs?</b>	No. You will generally not be required to pay any ongoing fees or other costs following the issue of the Notes. The costs of carrying out the Offer and maintaining an ASX listing for the Notes will be paid by Westpac.	Sections 8.4.2 and 9.4	134, 138

### 2.14 NO SET-OFF AGAINST OTHER AMOUNTS OWED

Topic	Summary	Further information	Page(s)
<b>2.14.1 No set-off</b>	Neither Westpac nor any Holder is entitled to set-off any amounts due in respect of the Notes against any amount of any nature owed by Westpac to the Holder or by the Holder to Westpac (as applicable).	Westpac Capital Notes 2 Terms clause 14.3	B.20

## 2.15 NOTES DEED POLL

Topic	Summary	Further information	Page(s)
2.15.1 Has a trustee been appointed for Westpac Capital Notes 2?	<p>No, a trustee has not been appointed for the Notes. Instead, there is a Notes Deed Poll made by Westpac in favour of each person who is from time to time a Holder.</p> <p>The Notes Deed Poll contains:</p> <ul style="list-style-type: none"> <li>• Westpac's agreement to observe its obligations as set out in the Westpac Capital Notes 2 Terms;</li> <li>• an obligation to appoint the Registrar and procure the Registrar to establish and maintain a Westpac Capital Notes 2 Register; and</li> <li>• provisions for meetings of Holders.</li> </ul> <p>Holders will be bound by the terms of the Notes Deed Poll, the Westpac Capital Notes 2 Terms and this Prospectus when Notes are Allotted or transferred to them or they purchase Notes.</p> <p>The Registrar holds the original executed Notes Deed Poll on behalf of Holders. Each Holder can enforce Westpac's obligations under the Notes Deed Poll and the Westpac Capital Notes 2 Terms independently of the Registrar and each other Holder.</p> <p>A copy of the Notes Deed Poll can be obtained from Westpac's website at <a href="http://www.westpac.com.au/westpaccapnotes2">www.westpac.com.au/westpaccapnotes2</a> and is incorporated by reference into this Prospectus.</p>	<p>See the Notes Deed Poll, available at Westpac's website at <a href="http://www.westpac.com.au/westpaccapnotes2">www.westpac.com.au/westpaccapnotes2</a>.</p>	N/A

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## INFORMATION ABOUT WESTPAC CAPITAL NOTES 2

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### 2.16 ADDITIONAL INFORMATION

Topic	Summary	Further information	Page(s)
<b>2.16.1 How can you find out more information about the Offer?</b>	A number of relevant documents are available free of charge from Westpac during the Offer Period. If, after reading this Prospectus, you have any questions, then you should contact your financial adviser or other professional adviser or call the <b>Westpac Capital Notes 2 Information Line (Monday to Friday, 8.30am to 5.30pm, Sydney time) on 1300 551 547.</b>	Section 9.2.2	137

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# 3

## **REINVESTMENT OFFER – FOR WESTPAC SPS II HOLDERS**

**This Section sets out information  
about the Reinvestment Offer for  
Westpac SPS II holders.**

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## REINVESTMENT OFFER

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### 3.1 WHAT ARE WESTPAC SPS II?

Westpac SPS II are stapled securities that consist of a perpetual, unsecured, non-cumulative subordinated note issued by Westpac's New York branch, stapled to a preference share issued by Westpac. Westpac SPS II were issued in March 2009. The notes and preference shares cannot be traded separately while they remain stapled. While notes and preference shares are stapled, distributions are payable in respect of the notes only. Westpac SPS II trade on ASX under the code "WBCPB".

### 3.2 WHAT IS THE REINVESTMENT OFFER AND WHO IS ELIGIBLE TO PARTICIPATE?

The Reinvestment Offer is an opportunity for Eligible Westpac SPS II Holders to apply to sell some or all of their Westpac SPS II through the On-Market Buy-Back Facility for \$100 per Westpac SPS II and to automatically reinvest the sale proceeds in Notes and receive a Pro-Rata Distribution in respect of their Westpac SPS II.

Non-Participating Westpac SPS II Holders should refer to Section 3.3, options 4 and 5 in the table in Section 3.4.1, and Section 3.5.2.

To be eligible to participate in the Reinvestment Offer, Applicants must:

- be registered holders of Westpac SPS II at 7.00pm (Sydney time) on 30 April 2014; and
- be shown on the Register as having an address in Australia.

Applicants will also need to satisfy the conditions outlined in the section entitled "Restrictions in foreign jurisdictions" on the inside front cover of this Prospectus.

Eligible Westpac SPS II Holders who apply to participate in the Reinvestment Offer are taken to agree to a holding lock being placed on those Westpac SPS II pending completion of the Reinvestment Offer.

All Eligible Westpac SPS II Holders will be sent a copy of this Prospectus with a personalised Reinvestment Form by post shortly after the Offer opens.

### 3.3 WHAT WILL HAPPEN TO NON-PARTICIPATING WESTPAC SPS II?

Non-Participating Westpac SPS II will be treated in accordance with the Westpac SPS II terms. Under the Westpac SPS II terms, on the Initial Mandatory Conversion Date, 30 September 2014, any of the following may occur:

- where the Westpac SPS II Conversion Conditions are satisfied, Westpac SPS II may convert into a variable number of Ordinary Shares (the number of Ordinary Shares issued upon conversion will generally depend on the average of the daily volume weighted average price of Ordinary Shares over the 20 Business Days on which trading in Ordinary Shares took place immediately prior to the Initial Mandatory Conversion Date);
- where the Westpac SPS II Conversion Conditions are not satisfied, Westpac may buy-back, cancel or redeem Westpac SPS II for their face value of \$100 per Westpac SPS II (subject to APRA's prior written approval); or
- whether or not the Westpac SPS II Conversion Conditions are satisfied, but subject to certain other conditions (including the issue of a transfer notice), Westpac may elect to transfer all Westpac SPS II to a Westpac SPS II Nominated Party (subject to APRA's prior written approval).

For an explanation of who are Non-Participating Westpac SPS II Holders, see Section 3.5.2 below. Westpac will confirm to holders of Westpac SPS II through ASX of what will happen to Non-Participating Westpac SPS II on 30 September 2014.

Westpac intends that Non-Participating Westpac SPS II will be transferred from Non-Participating Westpac SPS II Holders to the Westpac SPS II Nominated Party on 30 September 2014. On that date, Non-Participating Westpac SPS II Holders will be paid \$100 per Non-Participating Westpac SPS II, plus the scheduled Final Distribution (provided the distribution payment test in the Westpac SPS II terms is satisfied). This payment will be made in the same way in which distributions on Westpac SPS II have previously been paid. No brokerage will be payable by Non-Participating Westpac SPS II Holders. A transfer notice is expected to be lodged on the ASX in due course in accordance with the Westpac SPS II terms.



Following the transfer to the Westpac SPS II Nominated Party on 30 September 2014, Westpac intends to buy-back those Non-Participating Westpac SPS II from the Westpac SPS II Nominated Party by way of an off-market selective buyback in accordance with Division 2 of Part 2J of the Corporations Act (the “**Westpac SPS II Selective Buy-Back**”)<sup>1</sup>. The Westpac SPS II Selective Buy-Back will result in the cancellation of the Non-Participating Westpac SPS II on 30 September 2014. Such cancellation will not affect Non-Participating Westpac SPS II Holders, as they will no longer be holders of Westpac SPS II at that time (they will have received the face value of \$100 per Westpac SPS II).

If a transfer notice has not been issued in respect of the Non-Participating Westpac SPS II as expected, where the Westpac SPS II Conversion Conditions under the Westpac SPS II terms are satisfied on 30 September 2014, the Non-Participating Westpac SPS II will convert into Ordinary Shares. If those conversion conditions are not satisfied on 30 September 2014 or where a transfer notice has been issued in respect of the Non-Participating Westpac SPS II and for any reason the Non-Participating Westpac SPS II are not transferred as expected, the Non-Participating Westpac SPS II will remain on issue until the first Westpac SPS II distribution payment date on which the conditions are satisfied unless otherwise dealt with in accordance with their terms.

### 3.4 OPTIONS FOR ELIGIBLE WESTPAC SPS II HOLDERS

#### 3.4.1 Options available to Eligible Westpac SPS II Holders

Eligible Westpac SPS II Holders have five options to consider which are described in the table below.

Options	
<p><b>Option 1 – Invest in Westpac Capital Notes 2 by participating in the Reinvestment Offer</b> <i>(only available to Eligible Westpac SPS II Holders)</i></p>	<ul style="list-style-type: none"> <li>• Eligible Westpac SPS II Holders may apply to participate in the Reinvestment Offer in respect of all of the Westpac SPS II held on the Reinvestment Offer Record Date.</li> <li>• Apply by completing and returning the personalised paper Reinvestment Form accompanying the printed Prospectus by indicating “full reinvestment” on the personalised Reinvestment Form, or apply online at <a href="http://www.westpac.com.au/westpacnotes2">www.westpac.com.au/westpacnotes2</a> by selecting the Reinvestment Offer option, and indicating “full reinvestment” (you will need your SRN or HIN, which is on your personalised Reinvestment Form).</li> <li>• If, on the Closing Date for the Reinvestment Offer, a lesser number of Westpac SPS II are held than shown on your personalised Reinvestment Form, and you select the full reinvestment option, you will be taken to have applied for reinvestment of the lower of the number of Westpac SPS II you held on the Reinvestment Offer Record Date and the number of Westpac SPS II registered in your name on the Closing Date for the Reinvestment Offer, expected to be 5.00pm (Sydney time) on 10 June 2014.</li> <li>• Eligible Westpac SPS II Holders do not need to submit an Application Payment to reinvest their Westpac SPS II in Notes.</li> </ul>

<sup>1</sup> For the purposes of section 257D(1)(b) of the Corporations Act, the Westpac SPS II Selective Buy-Back was approved by ordinary shareholders of Westpac at Westpac’s annual general meeting on 13 December 2013.

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## REINVESTMENT OFFER

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### Options (continued)

**Option 1 – Invest in Westpac Capital Notes 2 by participating in the Reinvestment Offer**  
*(only available to Eligible Westpac SPS II Holders)*  
(continued)

- Eligible Westpac SPS II Holders who choose this option will receive a Pro-Rata Distribution of \$1.0396 per Reinvested Westpac SPS II on 30 June 2014 provided the distribution payment test in the Westpac SPS II terms is satisfied (see Section 3.5.1 for further details). The Pro-Rata Distribution is the last distribution you will receive on any Reinvested Westpac SPS II.

**Option 2 – Apply to reinvest some of your Westpac SPS II under the Reinvestment Offer**  
*(only available to Eligible Westpac SPS II Holders)*

- Eligible Westpac SPS II Holders may apply to have only some of the Westpac SPS II held on the Reinvestment Offer Record Date reinvested in Notes.
- Apply by completing and returning the personalised paper Reinvestment Form accompanying the printed Prospectus by indicating “partial reinvestment” and specifying the number of Westpac SPS II to be reinvested in Notes on the personalised Reinvestment Form, or apply online at [www.westpac.com.au/westpaccapnotes2](http://www.westpac.com.au/westpaccapnotes2) by selecting the Reinvestment Offer option, and entering the number of Westpac SPS II you wish to reinvest in Notes (you will need your SRN or HIN, which is on your personalised Reinvestment Form).
- If, on the Closing Date for the Reinvestment Offer, a lesser number of Westpac SPS II are held than you elect to reinvest on your personalised Reinvestment Form, you will be taken to have applied for reinvestment of the lower of the number of Westpac SPS II you elect to reinvest and the number of Westpac SPS II registered in your name on the Closing Date for the Reinvestment Offer, expected to be 5.00pm (Sydney time) on 10 June 2014.
- Eligible Westpac SPS II Holders do not need to submit an Application Payment to reinvest their Westpac SPS II in Notes.
- Eligible Westpac SPS II Holders who choose this option will receive a Pro-Rata Distribution of \$1.0396 per Reinvested Westpac SPS II on 30 June 2014 provided the distribution payment test in the Westpac SPS II terms is satisfied (see Section 3.5.1 for further details). The Pro-Rata Distribution is the last distribution you will receive on any Reinvested Westpac SPS II.
- Refer to Options 4 and 5 in respect of Westpac SPS II not sold through the Reinvestment Offer.

**Option 3 – Apply to reinvest all of your Westpac SPS II under the Reinvestment Offer and apply for additional Notes**  
*(only available to Eligible Westpac SPS II Holders)*

- Eligible Westpac SPS II Holders that select the “full reinvestment” option, may also apply for more Notes than the number of Westpac SPS II held on the Reinvestment Offer Record Date.
- Apply by completing and returning the personalised paper Reinvestment Form accompanying the printed Prospectus by indicating “full reinvestment” and specifying the number of additional Notes you wish to apply for in Section C of the personalised Reinvestment Form, or apply online at [www.westpac.com.au/westpaccapnotes2](http://www.westpac.com.au/westpaccapnotes2) by selecting the

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## Options (continued)

### **Option 3 – Apply to reinvest all of your Westpac SPS II under the Reinvestment Offer and apply for additional Notes (only available to Eligible Westpac SPS II Holders)** (continued)

- Reinvestment Offer option, indicating “full reinvestment”, and entering the number of additional Notes being applied for (you will need your SRN or HIN, which is on your personalised Reinvestment Form).
- If, on the Closing Date for the Reinvestment Offer, a lesser number of Westpac SPS II are held than shown on your personalised Reinvestment Form, and you select the full reinvestment and additional Notes options, you will be taken to have applied for the reinvestment of the lower of the number of Westpac SPS II you held on the Reinvestment Offer Record Date and the number of Westpac SPS II registered in your name on the Closing Date for the Reinvestment Offer, expected to be 5.00pm (Sydney time) on 10 June 2014, plus the additional Notes.
  - Applications for additional Notes must be for a minimum of 50 Notes (\$5,000), and thereafter in multiples of 10 Notes (\$1,000) and enclose an Application Payment for any additional Notes applied for.
  - Application Payments must be made by cheque if applying using the personalised Reinvestment Form or by BPAY® if applying online – see Section 4 for further details.
  - Eligible Westpac SPS II Holders who choose this option will receive a Pro-Rata Distribution of \$1.0396 per Reinvested Westpac SPS II on 30 June 2014 provided the distribution payment test in the Westpac SPS II terms is satisfied (see Section 3.5.1 for further details). The Pro-Rata Distribution is the last distribution you will receive on any Reinvested Westpac SPS II.

Eligible Westpac SPS II Holders are not obliged to participate in the Reinvestment Offer and may wish to consider other options which best meet their needs or investment objectives. These other options, which are also available to holders of Westpac SPS II who are not eligible to participate, include:

### **Option 4 – Sell your Westpac SPS II on market and do not participate in the Reinvestment Offer (available to all holders of Westpac SPS II)**

- Sell or dispose of your Westpac SPS II on ASX at the prevailing market price, which may be higher or lower than the price you will receive if you reinvest your Westpac SPS II in Notes through the Reinvestment Offer (which is expected to be \$100 per Westpac SPS II).
- The market price of Westpac SPS II is subject to change from time to time.
- Up to date information about the market price of Westpac SPS II can be obtained from [www.asx.com.au](http://www.asx.com.au) (ASX code: WBCPB).
- To choose this option, you should contact your broker and sell your Westpac SPS II on or before the last day of trading for Westpac SPS II, which is expected to be 17 September 2014, after which trading in Westpac SPS II will be suspended.
- Under this option, you may have to pay brokerage and may receive a price greater or less than the Face Value of \$100 per Westpac SPS II. If you choose this option, you will only be entitled to receive the scheduled Full Distribution if you held the Westpac SPS II on the record date for the Full Distribution payable on 30 June 2014 or the scheduled Final Distribution if you held the Westpac SPS II on the record date for the Final Distribution payable on 30 September 2014.

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# REINVESTMENT OFFER

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## Options (continued)

### **Option 5 – Do nothing (available to all holders of Westpac SPS II)**

- Holders of Westpac SPS II are not required to participate in the Reinvestment Offer and therefore can choose to do nothing.
- Westpac intends that Non-Participating Westpac SPS II will be transferred from you to the Westpac SPS II Nominated Party on 30 September 2014. On that date, you will receive \$100 per Non-Participating Westpac SPS II, plus the scheduled Final Distribution determined in accordance with the Westpac SPS II terms (provided the distribution payment test in the Westpac SPS II terms is satisfied). You will also receive the scheduled Full Distribution of \$1.1262 per Westpac SPS II on 30 June 2014, provided the distribution payment test in the Westpac SPS II terms is satisfied (see Section 3.5.2 for further details). These payments will be made in the same way in which distributions on Westpac SPS II have previously been paid. A transfer notice is expected to be lodged on the ASX in due course in accordance with the Westpac SPS II terms.

### **3.4.2 Options available for holders of Westpac SPS II who are not eligible or do not wish to participate**

If you are a holder of Westpac SPS II on the Reinvestment Offer Record Date but do not meet the eligibility criteria to qualify as an Eligible Westpac SPS II Holder to participate in the Reinvestment Offer, or you do not wish to participate in the Reinvestment Offer, you are limited to options 4 and 5 in the table above in Section 3.4.1.

Please note that if you hold other Westpac securities and you are an Eligible Securityholder, you may apply for Notes under the Securityholder Offer, provided the other eligibility criteria under the Securityholder Offer are met. Please refer to Section 4.2 for further information.

## **3.5 DISTRIBUTIONS PAYABLE ON WESTPAC SPS II**

### **3.5.1 Participating Westpac SPS II Holders**

If you are an Eligible Westpac SPS II Holder and you elect to participate in the Reinvestment Offer, you will, provided the distribution payment test in the Westpac SPS II terms is satisfied, receive a Pro-Rata Distribution of \$1.0396 per Reinvested Westpac SPS II on 30 June 2014. The Pro-Rata Distribution will be in respect of the period from (but excluding) 31 March 2014 to (and including) 23 June 2014 (being the Issue Date) and will be the final distribution you will receive on Reinvested Westpac SPS II. Westpac has amended the terms of Westpac SPS II to enable the Pro-Rata Distribution to be made.

The amended Westpac SPS II terms were lodged by Westpac with the ASX on 7 May 2014.

The Pro-Rata Distribution will be paid to you in the same way in which distributions on your Westpac SPS II have previously been paid to you.

### **3.5.2 Non-Participating Westpac SPS II Holders**

If you are:

- an Eligible Westpac SPS II Holder and you have chosen not to participate in the Reinvestment Offer; or
  - an Eligible Westpac SPS II Holder and you have elected to participate in the Reinvestment Offer but in respect of only some of your Westpac SPS II; or
  - a holder of Westpac SPS II on the Reinvestment Offer Record Date but do not meet the eligibility criteria to qualify as an Eligible Westpac SPS II Holder and therefore cannot choose to participate in the Reinvestment Offer; or
  - an Eligible Westpac SPS II Holder who has elected to participate in the Reinvestment Offer but either (a) did not receive an Allocation or (b) had your Allocation scaled back,
- you are considered a “Non-Participating Westpac SPS II Holder” in relation to any Westpac SPS II you continue to hold after 18 June 2014 (being the On-Market Buy-Back Date for Reinvested Westpac SPS II).

If you continue to hold your Westpac SPS II on 20 June 2014 (the record date for the scheduled

30 June 2014 distribution), you will, provided the distribution payment test in the Westpac SPS II terms is satisfied, receive the scheduled Full Distribution on 30 June 2014 as detailed in Section 3.4.1. If you continue to hold your Westpac SPS II until the last day of trading in Westpac SPS II (expected to be on 17 September 2014), you will, provided the distribution payment test in the Westpac SPS II terms is satisfied, receive the scheduled Final Distribution determined in accordance with the Westpac SPS II terms on 30 September 2014, which will be in respect of the period from (but excluding) 30 June 2014 to (and including) 30 September 2014. This will be the final distribution paid on Westpac SPS II.

These distributions will be paid to you in the same way in which distributions on your Westpac SPS II have previously been paid to you.

See Sections 3.3 and 3.9.4 for further information in relation to the expected transfer of Non-Participating Westpac SPS II on 30 September 2014.

Following the intended transfer to the Westpac SPS II Nominated Party on 30 September 2014, Westpac

intends to carry out the Westpac SPS II Selective Buy-Back (see Section 3.3 for more information about the Westpac SPS II Selective Buy-Back). The Westpac SPS II Selective Buy-Back (and subsequent cancellation of Westpac SPS II) will not affect Non-Participating Westpac SPS II Holders, as they will no longer be holders of Westpac SPS II at that time (they will have received the face value of \$100 per Westpac SPS II).

### 3.5.3 Can I elect to reinvest my Pro-Rata Distribution, Full Distribution and/or Final Distribution (as applicable) in Notes?

No. The Pro-Rata Distribution, the scheduled Full Distribution and the scheduled Final Distribution will be paid to relevant holders of Westpac SPS II in the same way in which distributions on Westpac SPS II have previously been paid. They may not be reinvested in Notes through the Reinvestment Offer, because the Offer will have closed by the time the relevant payment is made.

## 3.6 THE KEY DIFFERENCES BETWEEN WESTPAC SPS II AND WESTPAC CAPITAL NOTES 2

There are a number of differences between Westpac SPS II and the Notes which you should be aware of before deciding to reinvest your Westpac SPS II under the Reinvestment Offer or apply for additional Notes.

The following table describes the key features of the Westpac SPS II and the Notes and highlights the main differences between them. This table is not an exhaustive description of the differences between Westpac SPS II and Notes. If you have any questions about the differences between Westpac SPS II and Notes, you should seek advice from your financial or other professional adviser before deciding to invest in the Notes.

	Westpac Capital Notes 2	Westpac SPS II
<b>ASX Code</b>	WBCPE <sup>1</sup>	WBCPB
<b>Legal Form</b>	Note issued by Westpac – unsecured subordinated debt obligation	Stapled security – one preference share and one subordinated note issued by Westpac
<b>Distributions</b>	Discretionary floating rate Distributions (non-cumulative) – payable quarterly in arrear, subject to the satisfaction of the Distribution Payment Conditions	Discretionary floating rate distributions (non-cumulative) – payable quarterly in arrear, subject to a distribution payment test
<b>Expected to be fully franked</b>	Yes	Yes

<sup>1</sup> Westpac has applied for the Notes to be quoted on ASX and they are expected to trade under this code.

## REINVESTMENT OFFER

	Westpac Capital Notes 2	Westpac SPS II
<b>Distribution rate</b>	(Margin + 90 day Bank Bill Rate) x (1 – Tax Rate)	(margin + 90 day bank bill rate) x (1 – tax rate)
<b>Maturity date</b>	The Notes do not have a fixed maturity date but are scheduled to Convert into Ordinary Shares on 23 September 2024 (subject to the Scheduled Conversion Conditions)	Westpac SPS II do not have a fixed maturity date but are scheduled to convert on 30 September 2014 (subject to the Westpac SPS II Conversion Conditions)
<b>Margin</b>	Margin of 3.05% per annum	A margin of 3.80% per annum
<b>Potential Conversion to Ordinary Shares (other than on a Capital Trigger Event or Non-Viability Trigger Event)</b>	Yes, Scheduled Conversion on 23 September 2024 (subject to the Scheduled Conversion Conditions) or following an Acquisition Event (subject to the Second Scheduled Conversion Condition) or, at Westpac’s option, on 23 September 2022 or following a Tax Event or Regulatory Event (subject to the Optional Conversion Restriction and the Second Scheduled Conversion Condition (modified in the case of a Tax Event or Regulatory Event))	Yes, mandatory conversion on 30 September 2014 (subject to the Westpac SPS II Conversion Conditions) or in other specified circumstances
<b>Issuer redemption rights (subject to APRA’s prior written approval)</b>	Yes, on 23 September 2022 and in certain limited circumstances	Yes, in certain limited circumstances
<b>Conversion to Ordinary Shares on a Capital Trigger Event or Non-Viability Trigger Event</b>	Yes If a Capital Trigger Event or Non-Viability Trigger Event occurs and Conversion of Notes is not possible, all rights in relation to those Notes will be terminated (and your investment will lose all of its value and you will not receive any compensation or unpaid Distributions)	No

	Westpac Capital Notes 2	Westpac SPS II
<b>Ranking in Winding Up<sup>1</sup></b>	<p>If Notes are on issue at the time, they will rank in priority to Ordinary Shares, equally with Equal Ranking Capital Securities and behind Senior Creditors (including depositors)</p> <p>If Notes have been Converted into Ordinary Shares, Holders will become holders of Ordinary Shares and will rank equally with other holders of Ordinary Shares</p> <p>The ranking of Notes in a Winding Up will be adversely affected if a Capital Trigger Event or a Non-Viability Trigger Event occurs. If Conversion is not possible following one of these events, all rights in relation to those Notes will be terminated (and your investment will lose all of its value and you will not receive any compensation or unpaid Distributions). In these circumstances, the Notes will have no ranking in a Winding Up</p>	<p>Rank in priority to Ordinary Shares, equally with equal ranking capital securities and behind all Westpac depositors and all holders of senior and subordinated debt (in accordance with the terms of issue of Westpac SPS II)</p>

### 3.7 WHAT ARE THE RISKS ASSOCIATED WITH PARTICIPATING IN THE REINVESTMENT OFFER?

The main risks of participating in the Reinvestment Offer are the same risks relating to an investment in Notes and in Westpac. For further information about these risks, see Section 6. These risks should be considered carefully before you apply to reinvest in Notes under the Reinvestment Offer.

There is a risk that you may not receive the full Allocation of Notes that you apply for, in which case Westpac intends that your Non-Participating Westpac SPS II will be transferred from you to the Westpac SPS II Nominated Party on 30 September 2014. In those circumstances you will be paid \$100 per Non-Participating Westpac SPS II, plus the scheduled Final Distribution (provided the distribution payment test in the Westpac SPS II terms is satisfied). A transfer notice is expected to be lodged on the ASX in due course in accordance with the Westpac SPS II terms.

The risks associated with holding Westpac SPS II until transfer to the Westpac SPS II Nominated Party are as follows:

- after the completion of the Reinvestment Offer, it is anticipated that the number of Westpac SPS II available to trade on the ASX will decline as a result of the sale of Reinvested Westpac SPS II through the On-Market Buy-Back Facility as those Westpac SPS II are expected to be bought back and cancelled by Westpac. This may lead to a less liquid market for Westpac SPS II that remain outstanding, which could negatively impact the ability of remaining Westpac SPS II holders to sell their Westpac SPS II on-market at an acceptable price, or at all, prior to the intended transfer of the Westpac SPS II to the Westpac SPS II Nominated Party; and
- if you hold both Westpac SPS II and Notes, you will hold two securities with different terms and conditions and different risk profiles until, as intended, your Westpac SPS II are transferred to the Westpac SPS II Nominated Party.

<sup>1</sup> See Section 1.2.8 for a general description of how the Notes will rank in a Winding Up. In particular, see the table illustrating the ranking.

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## REINVESTMENT OFFER

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### 3.8 THE ON-MARKET SALE AGENT AND THE ON-MARKET BUY-BACK DATE

The On-Market Sale Agent is Pacific Custodians Pty Limited. The On-Market Sale Agent will act on behalf of Eligible Westpac SPS II Holders who elect to participate in the Reinvestment Offer and will act as legal custodian in respect of their Westpac SPS II as a preparatory step to facilitate the sale of their Westpac SPS II through the On-Market Buy-Back Facility.

Eligible Westpac SPS II Holders who apply to participate in the Reinvestment Offer are taken to agree to a holding lock being placed on those Westpac SPS II, pending completion of the Reinvestment Offer.

Eligible Westpac SPS II Holders who elect to participate in the Reinvestment Offer will retain beneficial ownership of their Westpac SPS II prior to the sale of those Westpac SPS II through the On-Market Buy-Back Facility, as described below.

On the On-Market Buy-Back Date (expected to be 18 June 2014), the On-Market Sale Agent will instruct Goldman Sachs (an ASX market participant) to offer for sale on ASX all Westpac SPS II participating in the Reinvestment Offer for \$100 per Westpac SPS II or, in the unlikely event that there is a higher market price available on that day, that higher market price.<sup>1</sup> On that day, the On-Market Buying Broker (who is acting on behalf of Westpac) will make offers on ASX to purchase Westpac SPS II offered for sale at \$100 per Westpac SPS II. The On-Market Buying Broker is Deutsche Bank.

Following settlement of these trades on 23 June 2014, the On-Market Sale Agent will then reinvest the sale proceeds on your behalf in Notes. For every Reinvested Westpac SPS II you sell, you will receive one Note. Refer to Section 4.3 for information in relation to any scaleback. The Westpac SPS II that are bought back by Westpac under the above process will be cancelled on the On-Market Buy-Back Date.

### 3.9 FURTHER INFORMATION ABOUT WESTPAC SPS II AND PARTICIPATING IN THE REINVESTMENT OFFER

#### 3.9.1 Taxation consequences of the Reinvestment Offer

Section 7 provides information about the general taxation consequences of participating in the Reinvestment Offer.

The Australian taxation consequences of selling some or all of your Westpac SPS II and reinvesting the proceeds in the Notes will depend on your individual circumstances. You should obtain your own taxation advice before you invest in, hold, or dispose of Westpac SPS II and/or Notes.

#### 3.9.2 Is there a minimum number of Westpac SPS II required to be held in order to participate in the Reinvestment Offer?

There is no minimum number of Westpac SPS II that you must hold to be able to participate in the Reinvestment Offer. If you are an Eligible Westpac SPS II Holder and wish to participate in the Reinvestment Offer, you may apply in respect of some or all of your Westpac SPS II, except that, if you wish to participate in the Reinvestment Offer and:

- you own 50 Westpac SPS II or fewer, you must apply to reinvest all your Westpac SPS II; or
- you own more than 50 Westpac SPS II, you must reinvest a minimum of 50 Westpac SPS II (\$5,000).

If you apply to reinvest all of your Westpac SPS II and wish to apply for additional Notes, you must apply for a minimum of 50 additional Notes (\$5,000), and thereafter in multiples of 10 Notes (\$1,000).

#### 3.9.3 Will I receive a priority Allocation on my Reinvested Westpac SPS II and what is the scaleback policy?

Westpac will give priority to Applications received under the Reinvestment Offer in respect of Reinvested Westpac SPS II (including Applications

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<sup>1</sup> If any Westpac SPS II are sold for more than \$100, any amount in excess of \$100 (that is at least equal to \$0.01 per Westpac SPS II) will be Allocated to Participating Westpac SPS II Holders in proportion to the number of Westpac SPS II sold on their behalf. If the amount in excess of \$100 is less than \$0.01 per Westpac SPS II, Participating Westpac SPS II Holders will not receive that excess and it will instead be donated to a charity nominated by Westpac. Any excess that is payable to Participating Westpac SPS II Holders will be paid to you in the same way in which distributions on your Westpac SPS II have previously been paid to you. Therefore the amount that you receive from the sale of your Westpac SPS II through the On-Market Buy-Back Facility (in the form of Notes and possibly cash) may be more or less than the actual price received by the On-Market Sale Agent for those Westpac SPS II.



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to reinvest Westpac SPS II made through Syndicate Brokers) when Allocating the Notes.

For a summary of the scaleback policy for Applications received under the Reinvestment Offer, see Section 4.3.

If you elect to participate in the Reinvestment Offer and do not submit your application via your Syndicate Broker, the On-Market Sale Agent or its agent will need to verify certain information requested in your Reinvestment Form in order to comply with its anti-money laundering and counter-terrorism financing obligations. If your Reinvestment Form is incomplete or the On-Market Sale Agent or its agent is unable to verify the required information by the Closing Date for the Reinvestment Offer, expected to be 10 June 2014, your Application may not be processed and you will be treated as though you did nothing with respect to your Westpac SPS II.

### **3.9.4 If I choose not to participate in the Reinvestment Offer for some or all of my Westpac SPS II, what happens to my remaining Westpac SPS II?**

If you choose not to participate in the Reinvestment Offer, Westpac intends that Non-Participating Westpac SPS II will be transferred from you to the Westpac SPS II Nominated Party on 30 September 2014. A transfer notice is expected to be lodged on the ASX in due course in accordance with the Westpac SPS II terms. Non-Participating Westpac SPS II Holders will be paid \$100 per Non-Participating Westpac SPS II, plus the scheduled Full Distribution and the scheduled Final Distribution (provided the distribution payment test in the Westpac SPS II terms is satisfied in each case). These payments will be made in the same way in which distributions on Westpac SPS II have previously been paid.

No brokerage will be payable by Non-Participating Westpac SPS II Holders. Westpac will notify holders of Westpac SPS II through ASX of its intention for Non-Participating Westpac SPS II on 30 September 2014.

Following the intended transfer to the Westpac SPS II Nominated Party on 30 September 2014, Westpac intends to carry out the Westpac SPS II Selective Buy-Back (see Section 3.3 for more information

about the Westpac SPS II Selective Buy-Back). The Westpac SPS II Selective Buy-Back (and subsequent cancellation of Westpac SPS II) will not affect Non-Participating Westpac SPS II Holders, as they will no longer be holders of Westpac SPS II at that time (they will have received the face value of \$100 per Westpac SPS II).

### **3.9.5 Can I sell my Westpac SPS II after I have submitted my Reinvestment Form or applied online to participate in the Reinvestment Offer? Will a holding lock be applied?**

If you choose to participate in the Reinvestment Offer, once you have submitted a Reinvestment Form, it is your responsibility to ensure that you do not dispose of the relevant Westpac SPS II. If you dispose of your Westpac SPS II that are intended to be sold under the Reinvestment Offer prior to the Closing Date for the Reinvestment Offer, the number of Notes that may be Allocated to you will be reduced to the extent that the required number of Westpac SPS II are not available on the Closing Date for the Reinvestment Offer, expected to be 10 June 2014.

Eligible Westpac SPS II Holders who apply to participate in the Reinvestment Offer are taken to agree to a holding lock being placed on those Westpac SPS II, pending completion of the Reinvestment Offer.

Once the holding lock has been applied, you will not be able to trade Westpac SPS II on-market. The holding lock will be released from those Westpac SPS II not successfully sold through the On-Market Buy-Back Facility as soon as practicable after the Issue Date. If your election to reinvest your Westpac SPS II is unsuccessful, you will continue to hold Westpac SPS II until 30 September 2014 (unless you sell them on ASX before the last trading day for Westpac SPS II, expected to be 17 September 2014), when Westpac intends that they will be transferred to the Westpac SPS II Nominated Party.

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## **REINVESTMENT OFFER**

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### **3.9.6 Is there any brokerage or stamp duty payable?**

No brokerage or stamp duty is payable on the sale of your Westpac SPS II under the Reinvestment Offer, the transfer of your Westpac SPS II to the Westpac SPS II Nominated Party (to the extent you do not participate in the Reinvestment Offer) or your Application for Notes.

Holders of Westpac SPS II who choose to sell their Westpac SPS II on ASX through their broker may be required to pay applicable brokerage.

### **3.9.7 What happens if the Offer does not proceed?**

If you have elected to apply to reinvest some or all of your Westpac SPS II under the Reinvestment Offer and the Offer does not proceed, your Westpac SPS II will not be sold under the Reinvestment Offer, and you will continue to hold Westpac SPS II. If your Westpac SPS II have already been sold through the On-Market Buy-Back Facility, the proceeds will be refunded to you (without interest). Any Application Payment in respect of additional Notes will be refunded to you. No interest will be payable on any Application Payment in respect of additional Notes received from Eligible Westpac SPS II Holders.

If the Offer does not proceed, Westpac will directly notify holders of Westpac SPS II through ASX of its intention in relation to Westpac SPS II prior to the Initial Mandatory Conversion Date on 30 September 2014.

### **3.10 WHAT WILL HAPPEN IF THE TRANSFER OF NON-PARTICIPATING WESTPAC SPS II TO A WESTPAC SPS II NOMINATED PARTY DOES NOT OCCUR AS EXPECTED?**

If a transfer notice has not been issued in respect of the Non-Participating Westpac SPS II as expected, where the Westpac SPS II Conversion Conditions under the Westpac SPS II terms are satisfied on 30 September 2014, the Non-Participating Westpac SPS II will convert into Ordinary Shares. If those conversion conditions are not satisfied on 30 September 2014 or where a transfer notice has been issued in respect of the Non-Participating Westpac SPS II and for any reason the Non-Participating Westpac SPS II are not transferred as expected, the Non-Participating Westpac SPS II will remain on issue until the first Westpac SPS II distribution payment date on which the conditions are satisfied unless otherwise dealt with in accordance with their terms.

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# 4

## APPLICATION INFORMATION

**This Section sets out what you must do if you wish to apply for Westpac Capital Notes 2.**

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# APPLICATION INFORMATION

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## 4.1 THE OFFER

The Offer is for the issue of Notes at an Initial Face Value of \$100 each to raise \$1 billion, with the ability to raise more or less.

The Offer consists of:

- a Reinvestment Offer — a priority offer to Eligible Westpac SPS II Holders;
- a Securityholder Offer — to Eligible Securityholders;
- a Broker Firm Offer — to Australian resident retail clients of the Syndicate Brokers; and
- an Institutional Offer — to certain Institutional Investors invited by Westpac Institutional Bank to bid for Notes under the Bookbuild.

There is no general public offer of the Notes. However, Westpac reserves the right to accept Applications from anyone at its discretion.

Westpac and the Joint Lead Managers may, in their absolute discretion, close the Offer early or extend the Offer Period without notice, Westpac may also withdraw the Offer at any time before Notes are issued. Accordingly, if you wish to apply for Notes you are encouraged to do so as soon as possible after the Opening Date.

No action has been taken to register or qualify Notes or otherwise permit a public offer of the Notes in any jurisdiction outside Australia. See Section 9.9 which details selling restrictions applicable to the Offer.

Applications must be for a minimum of 50 Notes (\$5,000). If your Application is for more than 50 Notes, then you must apply in incremental multiples of 10 Notes (\$1,000). For further details about how this applies to the Reinvestment offer, please see Section 4.2 under “Reinvestment Offer”.

## 4.2 APPLYING FOR WESTPAC CAPITAL NOTES 2

Reinvestment Offer	
<b>Who may apply</b>	<ul style="list-style-type: none"><li>• Eligible Westpac SPS II Holders.</li></ul>
<b>When to apply</b>	<ul style="list-style-type: none"><li>• Completed Reinvestment Forms or online Applications and, if you are applying for more Notes than the number of Westpac SPS II you hold, Application Payments must be received by the Registrar by the Closing Date for the Reinvestment Offer, expected to be 5.00pm (Sydney time) on 10 June 2014.</li><li>• If you are a client of a Syndicate Broker, you should contact your Syndicate Broker for information about participating in the Reinvestment Offer.</li></ul>
<b>How to apply online</b>	<ul style="list-style-type: none"><li>• Complete the Reinvestment Form online by visiting the Westpac website at <a href="http://www.westpac.com.au/westpaccapnotes2">www.westpac.com.au/westpaccapnotes2</a> and following the instructions. You will need your SRN or HIN which you will find on the personalised Reinvestment Form which will be mailed to you shortly after the Offer opens.</li><li>• If you are applying for additional Notes, you must make your Application Payment using BPAY®<sup>1</sup>. Otherwise, no Application Payment is necessary as the sale proceeds from your Westpac SPS II will be reinvested directly in Notes.</li><li>• Eligible Westpac SPS II Holders who are clients of a Syndicate Broker should seek instructions from their Syndicate Broker or controlling participant as to how to apply.</li></ul>

<sup>1</sup> Registered to BPAY Pty Limited (ABN 69 079 137 518). See also “How to apply online” under “Securityholder Offer” below.

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## Reinvestment Offer (continued)

### How to apply using a personalised Reinvestment Form

- A paper copy of this Prospectus and a personalised Reinvestment Form will be sent to you shortly after the Opening Date if you are an Eligible Westpac SPS II Holder. Instructions on how to complete a paper Reinvestment Form are set out on the paper Reinvestment Form.
- Complete and return the paper Reinvestment Form and your Application Payment for any additional Notes to the Registrar by the Closing Date for the Reinvestment Offer.
- If you are applying for additional Notes, you must make your Application Payment by cheque. You should ensure that you post both the Reinvestment Form and Application Payment in sufficient time so that they are received by the Registrar by the Closing Date for the Reinvestment Offer (see Section 4.2.1 for further details). If your Reinvestment Form is not accompanied by an Application Payment for the additional Notes, you will be taken to have applied for reinvestment of the lower of the number of Westpac SPS II you held on the Reinvestment Offer Record Date and the number of Westpac SPS II registered in your name on the Closing Date for the Reinvestment Offer.
- Application Payments can only be made by cheque(s) in Australian dollars drawn on an Australian branch of a financial institution and made payable to 'Westpac Capital Notes 2 Offer'. Cheque(s) should be crossed 'not negotiable'. Cash payments and bank cheques will not be accepted.
- If you wish to make your Application Payment by BPAY® you need to apply online.

### Minimum Application amount

- There is no minimum number of Westpac SPS II that you must hold to be able to participate in the Reinvestment Offer.
- You may apply in respect of some or all of your Westpac SPS II, except that, if you wish to participate in the Reinvestment Offer and:
  - you own 50 Westpac SPS II or fewer, you must apply to reinvest all your Westpac SPS II; or
  - you own more than 50 Westpac SPS II, you must apply to reinvest a minimum of 50 Westpac SPS II (\$5,000).
- If you apply to reinvest all of your Westpac SPS II and wish to apply for additional Notes, you must apply for a minimum of 50 additional Notes (\$5,000), and thereafter in multiples of 10 Notes (\$1,000).

## Securityholder Offer

### Who may apply

- Eligible Securityholders.

### When to apply

- Completed Securityholder Application Forms or online Applications and Application Payments must be received by the Registrar before the Closing Date for the Securityholder Offer, expected to be 5.00pm (Sydney time) on 12 June 2014.

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## APPLICATION INFORMATION

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### Securityholder Offer (continued)

#### How to apply online

- Complete the Securityholder Application Form online by visiting the Westpac website at [www.westpac.com.au/westpaccapnotes2](http://www.westpac.com.au/westpaccapnotes2) and following the instructions. You will need your SRN or HIN.
- You must make your Application Payment by BPAY®. You should check your daily transaction limit with your bank, credit union or building society to ensure your Application Payment can be made using BPAY®.

#### How to apply using a personalised Securityholder Application Form

- Eligible Securityholders may apply using the personalised Securityholder Application Form included with the paper copy of this Prospectus.
- You may request a paper copy of the Prospectus and a personalised Securityholder Application Form by either calling the **Westpac Capital Notes 2 Information Line (Monday to Friday, 8.30am to 5.30pm, Sydney time) on 1300 551 547** or registering online at [www.westpac.com.au/westpaccapnotes2](http://www.westpac.com.au/westpaccapnotes2).
- Instructions on how to complete a paper Securityholder Application Form are set out on the paper Securityholder Application Form.
- Complete and return the paper Securityholder Application Form and Application Payment to the Registrar by the Closing Date for the Securityholder Offer (see Section 4.2.1 for further details).
- You should ensure that you post both the paper Securityholder Application Form and Application Payment in sufficient time so that they are received by the Registrar by the Closing Date for the Securityholder Offer.
- Application Payments can only be made by cheque(s) in Australian dollars drawn on an Australian branch of a financial institution and made payable to 'Westpac Capital Notes 2 Offer'. Cheque(s) should be crossed 'not negotiable'. Cash payments and bank cheques will not be accepted.
- If you wish to make your Application Payment by BPAY®, you need to apply online.

#### Minimum Application amount

- Your Application must be for a minimum of 50 Notes (\$5,000).
- If your Application is for more than 50 Notes, you must apply in multiples of 10 Notes (\$1,000) thereafter.

### Broker Firm Offer

#### Who may apply

- Australian resident retail clients of the Syndicate Brokers, including clients who are also Eligible Westpac SPS II Holders and applying under the Reinvestment Offer.

#### When to apply

- Completed Broker Firm Application Forms and, where applicable, Application Payments must be received by your Syndicate Broker in time for them to process your Application on your behalf by the Closing Date for the Broker Firm Offer, expected to be 5.00pm (Sydney time) on 12 June 2014.
- You must contact your Syndicate Broker directly for instructions on how to participate in the Broker Firm Offer.

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## Broker Firm Offer (continued)

<b>How to apply</b>	<ul style="list-style-type: none"><li>• Contact your Syndicate Broker for instructions on how to apply generally.</li></ul>
<b>Minimum Application amount</b>	<ul style="list-style-type: none"><li>• Applications must be for a minimum of 50 Notes (\$5,000).</li><li>• If your Application is for more than 50 Notes, you must apply in multiples of 10 Notes (\$1,000) thereafter.</li><li>• If you are an Eligible Westpac SPS II Holder who is also a client of a Syndicate Broker, the minimum Application amount requirements applicable to the Reinvestment Offer apply (see above).</li></ul>

### 4.2.1 Where to send your completed Application Form and Application Payment (if you don't apply online or through your Syndicate Broker)

Unless you are a Broker Firm Applicant or you are applying online, your completed paper Reinvestment Form or Securityholder Application Form together with your Application Payment (if any) should be returned to either of the addresses below so that they are received by the Registrar before the Closing Date for the Reinvestment Offer (which is expected to be 5.00pm (Sydney time) on 10 June 2014) or for the Securityholder Offer (which is expected to be 5.00pm (Sydney time) on 12 June 2014):

#### Mail

Westpac Capital Notes 2 Offer  
Link Market Services Limited  
Reply Paid 3560  
Sydney NSW 2001

OR

#### Hand delivery

Westpac Capital Notes 2 Offer  
Link Market Services Limited  
1A Homebush Bay Drive  
Rhodes NSW 2138

Reinvestment Forms or Securityholder Application Forms and Application Payments (if any) will not be accepted at any other address (including Westpac's registered office or any other Westpac office or branch).

### 4.2.2 Brokerage and stamp duty

No brokerage or stamp duty is payable to Westpac on your Application. You may have to pay brokerage on any later sale of your Notes on ASX after Notes have been quoted on ASX.

### 4.2.3 Refunds and interest

All Application Payments received by the Registrar or by BPAY® before the Notes are issued will be held by Westpac in a non-interest bearing bank account established solely for the purpose of depositing Application Payments received. No interest is paid on refunded Application Payments.

If you are not Allocated any Notes or you are Allocated fewer Notes than the number that you applied for as a result of a scaleback, all or some of your Application Payment (as applicable) will be returned to you (without interest) as soon as possible after the Issue Date.

In addition, if the Offer does not proceed for any reason, Applicants will have their Application Payments refunded to them (without interest) as soon as possible.

If you are an Eligible Westpac SPS II Holder and the Offer does not proceed, you will continue to hold all your Westpac SPS II (unless they have already been sold under the On-Market Buy-Back Facility in which case you will receive the proceeds of the sale of your Westpac SPS II, without interest).

If you are an Eligible Westpac SPS II Holder and you have applied for additional Notes under the Reinvestment Offer and your Application is scaled back, you will have the applicable part of your Application Payment refunded to you (without interest) as soon as possible.

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## APPLICATION INFORMATION

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### 4.3 ALLOCATION AND ALLOTMENT

#### 4.3.1 Allocation, scaleback and priority

The Allocation policy for any Notes applied for under the Reinvestment Offer, including any additional Notes, and any Application under the Securityholder Offer will be determined by Westpac in consultation with the Joint Lead Managers at the close of the Offer. This Allocation policy and any scaleback will be announced on ASX on or before the day the Notes commence trading on a deferred settlement basis, which is expected to be 24 June 2014.

There is no guaranteed Allocation under the Offer, but Westpac will give priority to Applications received under the Reinvestment Offer, including applications from Eligible Westpac SPS II Holders received through Syndicate Brokers under the Broker Firm Offer.

Westpac reserves the right not to accept Applications from any Applicant and Westpac and the Joint Lead Managers reserve the right to Allocate any Eligible Westpac SPS II Holder or Eligible Securityholder a lesser number of Notes than applied for, including less than the minimum Application of 50 Notes (\$5,000). Westpac and the Joint Lead Managers also reserve the right to scaleback Applications and to treat Applications in excess of \$250,000 as part of the Institutional Offer.

If you are an Eligible Westpac SPS II Holder and you apply for more Notes than the number of Westpac SPS II shown on your personalised Reinvestment Form, you will be considered to have applied for additional Notes, and your Application for additional Notes may be scaled back if there is excess demand for the Offer.

If you are an Eligible Westpac SPS II Holder and your Application to reinvest Westpac SPS II in Notes is scaled back and you continue to hold Westpac SPS II until the last day of trading (expected to be 17 September 2014), Westpac intends that your Non-Participating Westpac SPS II will be transferred to the Westpac SPS II Nominated Party on 30 September 2014. On that date, Non-Participating Westpac SPS II Holders will be paid \$100 per Non-Participating Westpac SPS II, plus the scheduled Final Distribution determined in accordance with the Westpac SPS II terms (provided the distribution payment test in the Westpac SPS II terms is satisfied). A transfer notice is expected to be lodged on the ASX in due course in accordance with the Westpac SPS II terms. See Section 3.3 for further information about Non-Participating Westpac SPS II.

The Allocation policy for Joint Lead Managers and Institutional Investors was determined under the Bookbuild – see this Section 4.3.1 and Section 8.4. Westpac and the Joint Lead Managers have the right to nominate the persons to whom Notes were or will be Allocated, including in respect of firm Allocations to Syndicate Brokers and Institutional Investors under the Bookbuild.

Allocations to Broker Firm Applicants by a Syndicate Broker are at the discretion of that Syndicate Broker.

Westpac also reserves the right not to issue any Notes. In this instance no Applicants will receive an Allocation.

#### 4.3.2 Allotment

Westpac intends to issue and Allot 10,000,000 Notes at an Initial Face Value of \$100 each, to raise \$1 billion with the ability to raise more or less.

Westpac will not Allot any Notes until it has been granted approval for the Notes to be quoted on ASX and all proceeds from accepted Applications have been received by Westpac. Subject to approval for quotation being granted, Westpac intends to Allot the Notes on 23 June 2014. Westpac and the Joint Lead Managers may, in their absolute discretion, close the Offer early or extend the Offer Period without notice. Westpac may also withdraw the Offer at any time before Notes are issued.



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## 4.4 ASX QUOTATION, TRADING AND HOLDING STATEMENTS

### 4.4.1 ASX quotation

Westpac has applied for the Notes to be quoted on ASX. Quotation is not guaranteed. If ASX does not grant permission for the Notes to be quoted, then the Notes will not be issued, Application Payments will be refunded (without interest) to Applicants as soon as possible and Eligible Westpac SPS II Holders will continue to hold their Westpac SPS II (unless they have already been sold via the On-Market Buy-Back Facility, in which case they will receive the proceeds of the sale of their Westpac SPS II). No interest will be payable on Application Payments.

It is expected that the Notes will be quoted under ASX code WBCPE.

### 4.4.2 Trading

It is expected that the Notes will begin trading on ASX on a deferred settlement basis on 24 June 2014. Trading of the Notes on a deferred settlement basis is expected to continue until the dispatch of Holding Statements is completed, which is expected to occur on or by 27 June 2014. It is expected that trading of the Notes will begin on a normal settlement basis on 30 June 2014.

You are responsible for confirming your Allocation before trading Notes to avoid the risk of selling Notes you do not own. If you sell your Notes before you receive confirmation of your Allocation, you do so at your own risk. To assist you in determining your Allocation prior to receipt of your Holding Statement, Westpac will announce the basis of Allocation by placing advertisements in major national and metropolitan newspapers in Australia on or before 24 June 2014.

If you are a Broker Firm Applicant (including an Eligible Westpac SPS II Holder reinvesting in Notes through a Syndicate Broker) you should contact your Syndicate Broker to find out your Allocation prior to receiving your Holding Statement. If you have applied under the Reinvestment Offer or the Securityholder Offer, you should call the **Westpac Capital Notes 2 Information Line (Monday to Friday, 8.30am to 5.30pm, Sydney time) on 1300 551 547**.

### 4.4.3 Holding Statements

Westpac expects Holding Statements will be dispatched to successful Applicants on or by 27 June 2014. Westpac has applied for the Notes to participate in CHESS. Westpac does not intend to quote the Notes on any securities exchange apart from ASX. No certificates will be issued for the Notes.

## 4.5 NEW HOLDER INFORMATION

Applicants issued with Notes under the Offer will be sent a new investor pack shortly after the Issue Date. In addition to a Holding Statement, this pack will contain important information relating to how Distributions and other amounts will be paid on the Notes.

### 4.5.1 Provision of bank account details for Distributions and other payments

Westpac will only pay Distributions directly into an Australian dollar account of a financial institution nominated by you at any time before close of business on the Record Date in respect of that payment. Westpac will not pay Distributions on the Notes by cheque.

As part of the new investor pack, the Registrar will send to each Holder an account nomination form either requesting your account details or confirming that your preference is to use existing dividend or distribution account details, if applicable, for the direct crediting of payments of Distributions, repayment of Face Value and payments of other amounts. You must complete and return this Account Nomination Form as soon as possible.

If you have not notified Westpac of an appropriate account by the close of business on the Record Date, or the credit of any money to your account does not complete for any reason, then Westpac will send a notice to the postal address or email address most recently notified by you advising of the uncompleted payment. In that case, the amount of the uncompleted payment will be held as a deposit in a non-interest bearing account until the first to occur of the following:

- you nominate a suitable Australian dollar account maintained in Australia with a financial institution to which the payment may be credited; or
- Westpac is entitled or obliged to deal with the amount in accordance with the law relating to unclaimed moneys.

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## **APPLICATION INFORMATION**

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No interest is payable in respect of any delay in payment.

### **4.5.2 Provision of Tax File Number or Australian Business Number**

The Registrar will provide Holders with a form so that a Holder may provide a TFN, ABN or both. A Holder may quote their TFN or ABN. If a Holder does not quote a TFN (or in certain circumstances an ABN) or proof of exemption, Westpac may be required to withhold Australian taxation at the maximum marginal tax rate including the Medicare Levy (currently 46.5%, to be increased to 47% from 1 July 2014 and presently proposed to be increased to 49% to reflect the presently proposed 2% Temporary Budget Repair Levy) from any Distribution payable on Notes and remit the amount withheld to the ATO. You should also read the Taxation Letter from Allens in Section 7.

## **4.6 ENQUIRIES**

**If you have any questions on how to apply for Notes, you should contact the Westpac Capital Notes 2 Information Line (Monday to Friday, 8.30am to 5.30pm, Sydney time) on 1300 551 547.**

**If you are unclear in relation to any matter or are uncertain if the Notes are a suitable investment for you, you should consult your financial adviser or other professional adviser.**

**If you are a Broker Firm Applicant and you are in any doubt about what action you should take, you should contact your Syndicate Broker.**

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# 5

## **ABOUT WESTPAC**

**This Section sets out information about Westpac and the Westpac Group.**

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## ABOUT WESTPAC

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### 5.1 OVERVIEW OF WESTPAC'S BUSINESS INCLUDING SUMMARY FINANCIAL INFORMATION

#### 5.1.1 Overview of Westpac's business

Westpac is one of the four major banking organisations in Australia and one of the largest banking organisations in New Zealand. The Westpac Group provides a broad range of banking and financial services in these markets, including retail, business and institutional banking and wealth management services.

Westpac has branches, affiliates and controlled entities throughout Australia, New Zealand and the Pacific region and maintains branches and offices in some of the key financial centres around the world.

As at 31 March 2014, Westpac had total assets of \$729.4 billion. Westpac's Ordinary Shares and certain other securities are quoted on ASX and, as at 12 May 2014, Westpac's market capitalisation was approximately \$108.5 billion.

The performance of Ordinary Shares during the period from May 2004 to May 2014 is set out in the graph below.

#### Westpac Ordinary Shares daily closing price<sup>1</sup>



<sup>1</sup> Past performance is not necessarily an indicator of future performance.  
Source: IRESS.

#### 5.1.2 Organisational structure

The Westpac Group's operations comprise the following key customer-facing business divisions operating under multiple brands, serving around 12 million customers.

- **Australian Financial Services ("AFS")** is responsible for the Westpac Group's Australian retail banking, business banking and wealth operations. It incorporates the operations of Westpac Retail & Business Banking, St. George Banking Group and BT Financial Group (Australia) as follows. AFS also includes the product, marketing and risk responsibilities for Australian retail banking and wealth.
  - **Westpac Retail & Business Banking ("Westpac RBB")** is responsible for sales and service to consumer, SME, commercial and agribusiness customers (with turnover of up to \$100 million) in Australia under the Westpac brand. Activities are conducted through Westpac RBB's network of branches, third party distributors, call centres, ATMs, EFTPOS terminals, internet and mobile banking services, business banking centres and specialised consumer and business relationship managers. Support is provided by cash flow, trade finance, transactional banking, financial markets, property finance and wealth specialists.
  - **St. George Banking Group ("St. George")** is responsible for sales and service to consumer, SME and corporate customers (businesses with facilities up to \$150 million) in Australia under the St. George, BankSA, Bank of Melbourne and RAMS brands. Activities are conducted through St. George's network of branches, third party distributors, call centres, ATMs, EFTPOS terminals, internet and mobile banking services, business banking centres and specialised consumer and business relationship managers. Support is provided by cash flow, trade finance, transactional banking, automotive and equipment finance, financial markets, property finance, and wealth specialists.
  - **BT Financial Group (Australia) ("BTFG")** is Westpac's Australian wealth division. BTFG's funds management operations include the

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manufacturing and distribution of investment, superannuation and retirement products, platforms including BT Wrap and Asgard, private banking, financial planning as well as equity capability and broking. BTFG's insurance solutions cover the manufacturing and distribution of life, general and lenders mortgage insurance. BTFG's brands include Advance Asset Management, Ascalon, Asgard, BT, BT Investment Management Ltd (61.1% owned by the Westpac Group and consolidated in BTFG's Funds Management business), Licensee Select, BT Select, Securator and the Advice, Private Banking and Insurance operations of Bank of Melbourne, BankSA, St.George and Westpac.

- **Westpac Institutional Bank ("WIB")** delivers a broad range of financial services to commercial, corporate, institutional and government customers with connections to Australia and New Zealand. WIB operates through dedicated industry relationship and specialist product teams, with expert knowledge in transactional banking, financial and debt capital markets, specialised capital and alternative investment solutions. Customers are supported through branches and subsidiaries located in Australia, New Zealand, the United States, the United Kingdom and Asia.
- **Westpac New Zealand** is responsible for the sales and service of banking, wealth and insurance products for consumers, business and institutional customers in New Zealand. Westpac conducts its New Zealand banking business through two banks in New Zealand: Westpac New Zealand Limited, which is incorporated in New Zealand and Westpac Banking Corporation (NZ Division), a branch of Westpac, which is incorporated in Australia. The division operates via an extensive network of branches and ATMs across both the North and South Islands. Business and institutional customers are also served through relationship and specialist product teams. Banking products are provided under the Westpac and WIB brands while insurance and wealth products are provided under Westpac Life and BT brands, respectively. New Zealand also has its own infrastructure, including technology, operations and treasury.

Other divisions in the Westpac Group include:

- **Westpac Pacific**, which provides banking services for retail and business customers in seven Pacific Island Nations. Branches, ATMs, telephone banking and internet banking channels are used to deliver business activities in Fiji, Papua New Guinea, Vanuatu, Cook Islands, Tonga, Solomon Islands and Samoa. Westpac Pacific's financial products include personal savings, business transactional accounts, personal and business lending products, business services and a range of international products;
- **Group Services**, which encompasses technology, banking operations, compliance, legal and property services;
- **Treasury**, which is primarily focused on the management of the Group's interest rate risk and funding requirements by managing the mismatch between Westpac Group assets and liabilities; and
- **Core Support**, which comprises certain functions performed centrally, including finance, risk and human resources.

### 5.1.3 Summary and selected financial information

#### Consolidated income statement and other selected financial information<sup>1</sup>

	Half Year Ended 31 March 2014 \$m	Half Year Ended 31 March 2013 \$m
Interest income	15,864	16,864
Interest expense	(9,225)	(10,572)
Net interest income	6,639	6,292
Non-interest income	3,151	2,878
Net operating income before operating expenses and impairment charges	9,790	9,170
Operating expenses <sup>2</sup>	(4,195)	(3,933)
Impairment charges	(341)	(438)
<b>Profit before income tax<sup>2</sup></b>	<b>5,254</b>	<b>4,799</b>
Income tax expense <sup>2</sup>	(1,595)	(1,477)
<b>Net profit for the year<sup>2</sup></b>	<b>3,659</b>	<b>3,322</b>
Profit attributable to non-controlling interests	(37)	(35)
<b>Net profit attributable to owners of Westpac Banking Corporation<sup>2</sup></b>	<b>3,622</b>	<b>3,287</b>
<b>Selected financial information</b>		
Expense to income ratio	42.8%	42.9%
Statutory earnings per Ordinary Share (cents)	116.8	106.5
Ordinary Dividends per Ordinary Share (cents)	90	86
Special Dividends per Ordinary Share (cents)	-	10

<sup>1</sup> The consolidated income statement and other selected financial information has been derived from Westpac's unaudited interim financial report as at and for the half year ended 31 March 2014.

<sup>2</sup> Prior period comparatives have been restated for the effects of new and amended Accounting Standards that are effective this period. For more information, see Note 1 to the financial statements in Westpac's unaudited interim financial report as at and for the half year ended 31 March 2014.

## Consolidated Balance Sheet<sup>1</sup>

	As at 31 March 2014 \$m	As at 30 Sept 2013 \$m
<b>Assets</b>		
Cash and balances with central banks	16,375	11,699
Receivables due from other financial institutions	8,744	11,210
Trading securities	43,420	46,330
Other financial assets designated at fair value	2,787	2,759
Derivative financial instruments	26,207	28,356
Available-for-sale securities	33,185	30,011
Loans – housing and personal	398,643	382,702
Loans – business	165,926	153,462
Life insurance assets <sup>2</sup>	12,841	13,149
Regulatory deposits with central banks overseas	1,575	1,571
Property, plant and equipment	1,294	1,174
Deferred tax assets <sup>2</sup>	1,395	1,773
Goodwill and other intangible assets	12,683	12,341
Other assets	4,300	4,560
<b>Total assets<sup>2</sup></b>	<b>729,375</b>	<b>701,097</b>
<b>Liabilities</b>		
Payables due to other financial institutions	15,211	8,836
Deposits and other borrowings	437,405	424,482
Financial liabilities at fair value through income statement	15,077	10,302
Derivative financial instruments	31,330	32,990
Debt issues	150,098	144,133
Current tax liabilities <sup>2</sup>	430	895
Life insurance liabilities <sup>2</sup>	11,594	11,938
Provisions	1,364	1,576
Deferred tax liabilities	27	22
Other liabilities <sup>2</sup>	8,488	9,056
<b>Total liabilities excluding loan capital<sup>2</sup></b>	<b>671,024</b>	<b>644,230</b>
Loan capital	10,320	9,330
<b>Total liabilities<sup>2</sup></b>	<b>681,344</b>	<b>653,560</b>
<b>Net assets<sup>2</sup></b>	<b>48,031</b>	<b>47,537</b>
<b>Shareholders' equity</b>		
Share capital:		
Ordinary share capital	26,954	27,021
Treasury shares and RSP treasury shares	(305)	(253)
Reserves	960	953
Retained profits <sup>2</sup>	19,556	18,953
<b>Total equity attributable to owners of Westpac Banking Corporation<sup>2</sup></b>	<b>47,165</b>	<b>46,674</b>
Non-controlling interests	866	863
<b>Total shareholders' equity and non-controlling interests<sup>2</sup></b>	<b>48,031</b>	<b>47,537</b>

<sup>1</sup> The consolidated balance sheet has been derived from Westpac's unaudited interim financial report as at the half year ended 31 March 2014.

<sup>2</sup> Prior period comparatives have been restated for the effects of new and amended Accounting Standards that are effective this period. For more information, see Note 1 to the financial statements in Westpac's unaudited interim financial report as at and for the half year ended 31 March 2014.

### 5.2 CAPITAL MANAGEMENT STRATEGY AND CAPITAL RATIOS

#### 5.2.1 Capital adequacy

APRA is the prudential regulator of the Australian financial services industry. It oversees credit unions, building societies, general insurance and reinsurance companies, life insurers, friendly societies, most members of the superannuation industry, and ADIs such as Westpac. APRA's website at [www.apra.gov.au](http://www.apra.gov.au) includes further details of its functions and prudential standards.

APRA's prudential standards aim to ensure that ADIs remain adequately capitalised to support the risks associated with their activities and to generally protect Australian depositors.

APRA's risk-based capital adequacy guidelines are generally consistent with the *International Regulatory Framework for Banks*, also known as Basel III, issued by the Basel Committee on Banking Supervision ("BCBS"), except where APRA has exercised certain discretions. On balance, the application of these discretions acts to reduce capital ratios reported under APRA's prudential standards relative to the BCBS approach and to those reported in other jurisdictions.

APRA applies a tiered approach to measuring Westpac's capital adequacy by assessing financial strength at three levels:

- Level 1, comprising Westpac and its subsidiary entities that have been approved by APRA for the purposes of measuring capital adequacy;
- Level 2, the consolidation of Westpac and all its subsidiary entities (including offshore subsidiaries such as Westpac New Zealand Limited) except those entities specifically excluded by APRA regulations such as insurance or wealth management subsidiaries; and
- Level 3, the consolidation of Westpac Banking Corporation and all its subsidiary entities.

On 1 January 2013, APRA's Basel III prudential capital standards came into effect requiring Australian banks (including Westpac) to maintain minimum ratios of capital to risk weighted assets at Level 1 and Level 2 of at least 4.5% Common Equity Tier 1 Capital, 6% Tier 1 Capital and 8% Total Capital. APRA also requires ADIs, including Westpac, to maintain minimum prudential capital ratios which may not be disclosed.

From 1 January 2016, APRA will require Australian banks to hold capital buffers above minimum capital requirements at Level 1 and Level 2. The capital buffers include a capital conservation buffer ("CCB") of 2.5%, and a higher loss absorbency ("HLA") requirement of 1% for Domestic Systemically Important Banks ("D-SIB")<sup>1</sup>. Implementation of the D-SIB HLA requirement is through an extension of the CCB, effectively increasing the capital buffer above minimum regulatory capital ratios from 2.5% to 3.5%.<sup>2</sup> Restrictions on the distribution of earnings, including payment of dividends, discretionary bonuses and Additional Tier 1 Capital distributions apply when capital ratios fall within the CCB (including the D-SIB HLA requirement).

At APRA's discretion, a further countercyclical buffer of between 0% and 2.5% may be applied<sup>3</sup> which would require Westpac to hold additional capital where APRA determines excess credit growth is associated with a build-up of system-wide risk. The countercyclical buffer requirement is currently 0%.

APRA is currently finalising its framework for the supervision of conglomerate groups (also known as Level 3)<sup>4</sup> which is expected to take effect from 1 January 2015. Based on the draft standards, Westpac is not expecting any material impact to its capital position.

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<sup>1</sup> On 23 December 2013 APRA published an information paper on its framework for D-SIBs in Australia. In the paper APRA determined that the four major Australian banks, including Westpac, are D-SIBs.

<sup>2</sup> The CCB, including the D-SIB HLA requirement, is to be met wholly by Common Equity Tier 1 Capital.

<sup>3</sup> Operating as a further extension of the CCB and met wholly by Common Equity Tier 1 Capital.

<sup>4</sup> On 26 September 2013, APRA released a consultation package for the draft reporting requirements of conglomerate groups (Level 3). The package follows the release of draft prudential standards for conglomerate groups published on 9 May 2013.



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The BCBS, as part of its Regulatory Consistency Assessment Program (“**RCAP**”), has assessed the Australian adoption of Basel III and its consistency with the Basel framework. In their March 2014 report, the BCBS confirmed that Australian prudential regulation is compliant with the Basel framework. The report noted some items in APRA’s prudential standards that, while differing from the Basel III standards, have in most cases no material or practical effect.

The BCBS also introduced a simple, non-risk based leverage ratio requirement which would act as a supplementary measure to risk-based capital requirements. The leverage ratio is expected to be determined by the ratio of Tier 1 Capital to the sum of certain on and off-balance sheet exposures. APRA has proposed to introduce this measure in line with the BCBS requirements, with public disclosure expected to commence from 1 January 2015 and a 3% minimum leverage ratio expected to be effective from 1 January 2018.

### 5.2.2 Capital management strategy

Westpac’s approach to capital management seeks to balance the fact that capital is an expensive form of funding with the need to be adequately capitalised as an ADI. Westpac considers the need to balance efficiency, flexibility and adequacy when determining sufficiency of capital and when developing capital management plans. Westpac evaluates these considerations through an Internal Capital Adequacy Assessment Process (“**ICAAP**”), the key features of which include:

- the development of a capital management strategy, including preferred capital range, capital buffers and contingency plans;
- consideration of both economic and regulatory capital requirements;
- a process that challenges the capital measures, coverage and requirements which incorporates, amongst other things, the impact of adverse economic scenarios; and
- consideration of the perspectives of external stakeholders including rating agencies and equity and debt investors.

### 5.2.3 Impact of the issue of the Westpac Capital Notes 2 on Westpac’s consolidated balance sheet

The following unaudited pro-forma balance sheet shows the adjustments that would be made to Westpac’s consolidated balance sheet as at 31 March 2014, assuming:

- an issue of \$1 billion of Notes, less Offer costs of \$11 million<sup>1</sup>;
- the proposed buy-back of \$908 million of Westpac SPS II under the Reinvestment Offer and/or following the intended transfer to the Westpac SPS II Nominated Party on 30 September 2014; and
- \$1 million of deferred issue costs related to Westpac SPS II is expensed.

The net impact of the pro-forma adjustments show a reduction in Westpac’s net assets and shareholders’ equity of \$1 million.

The anticipated proceeds of the Offer will be used by Westpac for general business purposes. The Offer will not have a material impact on Westpac’s cash flow.

<sup>1</sup> Westpac may raise more or less than \$1 billion under the Offer and these figures will be impacted accordingly.

## ABOUT WESTPAC

### Unaudited Pro-forma Consolidated Balance Sheet

	Reported 31 March 2014 <sup>1</sup> \$m	Pro-forma Adjustments \$m	Pro-forma 31 March 2014 \$m
<b>Assets</b>			
Cash and balances with central banks	16,375	81	16,456
Receivables due from other financial institutions	8,744		8,744
Trading securities	43,420		43,420
Other financial assets designated at fair value	2,787		2,787
Derivative financial instruments	26,207		26,207
Available-for-sale securities	33,185		33,185
Loans – housing and personal	398,643		398,643
Loans – business	165,926		165,926
Life insurance assets	12,841		12,841
Regulatory deposits with central banks overseas	1,575		1,575
Property, plant and equipment	1,294		1,294
Deferred tax assets	1,395		1,395
Goodwill and other intangible assets	12,683		12,683
Other assets	4,300		4,300
<b>Total assets</b>	<b>729,375</b>	<b>81</b>	<b>729,456</b>
<b>Liabilities</b>			
Payables due to other financial institutions	15,211		15,211
Deposits and other borrowings	437,405		437,405
Financial liabilities at fair value through income statement	15,077		15,077
Derivative financial instruments	31,330		31,330
Debt issues	150,098		150,098
Current tax liabilities	430		430
Life insurance liabilities	11,594		11,594
Provisions	1,364		1,364
Deferred tax liabilities	27		27
Other liabilities	8,488		8,488
<b>Total liabilities excluding loan capital</b>	<b>671,024</b>		<b>671,024</b>
Loan capital	10,320	82	10,402
<b>Total liabilities</b>	<b>681,344</b>	<b>82</b>	<b>681,426</b>
<b>Net assets</b>	<b>48,031</b>	<b>(1)</b>	<b>48,030</b>
<b>Shareholders' equity</b>			
Share capital:			
Ordinary share capital	26,954		26,954
Treasury shares and RSP treasury shares	(305)		(305)
Reserves	960		960
Retained profits	19,556	(1)	19,555
<b>Total equity attributable to owners of Westpac Banking Corporation</b>	<b>47,165</b>	<b>(1)</b>	<b>47,164</b>
Non-controlling interests	866		866
<b>Total shareholders' equity and non-controlling interests</b>	<b>48,031</b>	<b>(1)</b>	<b>48,030</b>

<sup>1</sup> The consolidated balance sheet has been derived from Westpac's unaudited interim financial report as at the half year ended 31 March 2014.

## 5.2.4 Prudential capital classification

APRA measures an ADI's regulatory capital using three regulatory measures, being Common Equity Tier 1 Capital, Tier 1 Capital and Total Capital.

Common Equity Tier 1 Capital comprises the highest quality components of capital that consists of paid-up share capital, retained profits and certain reserves, less the deduction of certain intangible assets, capitalised expenses and software, and investments and retained profits in insurance and funds management subsidiaries that are not consolidated for capital adequacy purposes.

Tier 1 Capital is the sum of Common Equity Tier 1 Capital and Additional Tier 1 Capital. Additional Tier 1 Capital comprises high quality components of capital that consists of certain securities not included in Common Equity Tier 1 Capital, but which include loss absorbing characteristics.

Total Capital is the sum of Tier 1 Capital and Tier 2 Capital. Tier 2 Capital includes other components of capital that, to varying degrees, fall short of the quality of Tier 1 Capital, but nonetheless contribute to the overall strength of an ADI and its capacity to absorb losses.

APRA has confirmed that the Notes will be eligible for inclusion as Additional Tier 1 Capital under APRA's prudential standard APS 111.

## 5.2.5 Westpac's reported and pro-forma Level 2 capital adequacy position as at 31 March 2014

The following unaudited pro-forma capital adequacy position shows the adjustments that would be made to Westpac's reported Level 2 capital adequacy position as at 31 March 2014, assuming:

- the issue of \$1 billion of Notes, less Offer costs of \$11 million<sup>1</sup>, which increases the pro-forma Tier 1 Capital Ratio by 0.31%; and
- the proposed buy-back of \$908 million of Westpac SPS II under the Reinvestment Offer and/or following the intended transfer to the Westpac SPS II Nominated Party on 30 September 2014, which reduces the pro-forma Tier 1 Capital Ratio by 0.28%.

The net impact of the pro-forma adjustments show an increase in Westpac's Tier 1 Capital Ratio and Total Capital Ratio of 0.03%.

## Westpac reported and pro-forma consolidated capital adequacy position (Level 2)

Capital Ratios	Reported 31 March 2014	Pro-forma Adjustments	Pro-forma 31 March 2014
Common Equity Tier 1 Capital Ratio	8.82%	0.00%	8.82%
Tier 1 Capital Ratio	10.33%	0.03%	10.36%
Total Capital Ratio	12.10%	0.03%	12.13%

<sup>1</sup> Westpac may raise more or less than \$1 billion under the Offer and these figures will be impacted accordingly.

### **5.2.6 Common Equity Tier 1 Capital Ratio**

Westpac's Common Equity Tier 1 Capital Ratio at 31 March 2014 was 8.82% on a Level 2 basis, and 8.87% on a Level 1 basis. These ratios are above the minimum regulatory capital and CCB requirement (including the D-SIB HLA requirement) of 8.0% that is now applicable from 1 January 2016.

Westpac's preferred range for its Common Equity Tier 1 Capital Ratio is currently 8.0% to 8.5%. This preferred range accommodates the variances in regulatory capital ratios due to the timing of dividend payments. Westpac is reviewing its preferred capital range in response to the D-SIB HLA requirement.

Under APRA's Basel III requirements, Additional Tier 1 Capital instruments such as the Notes, must include certain loss absorption requirements such as Conversion of the Notes into Ordinary Shares or the termination of Holders' rights when Westpac's Common Equity Tier 1 Capital ratio falls to or below a certain threshold – see Sections 2.7.7 and 6.1.7 for a discussion on the Capital Trigger Event. A Capital Trigger Event may occur if Westpac's Common Equity Tier 1 Capital Ratio declines to (or falls below) 5.125%, on either a Level 1 or Level 2 basis, as defined by APRA.

Westpac's Common Equity Tier 1 Capital Ratio on a Level 2 basis of 8.82% at 31 March 2014 is considerably above the Capital Trigger Event level of 5.125% – the difference being equivalent to \$11,916 million in Common Equity Tier 1 Capital.

On a Level 1 basis Westpac's Common Equity Tier 1 Capital Ratio at 31 March 2014 of 8.87% is also considerably above the Capital Trigger Event level of 5.125% – the difference being equivalent to \$10,759 million in Common Equity Tier 1 Capital. Differences between Westpac's Level 1 and Level 2 Common Equity Tier 1 Capital Ratios relate principally to the level of capital held within offshore banking subsidiaries. Westpac expects its Level 1 and Level 2 capital ratios to move in a similar way over time, based on Westpac's current capital management policy for offshore banking subsidiaries which assumes surplus capital is repatriated from subsidiaries (subject to subsidiary board and overseas regulatory approvals).

Westpac gives no assurance as to what its Common Equity Tier 1 Capital Ratio on a Level 1 or Level 2 basis will be at any time as it may be significantly impacted by unexpected events affecting its business, operations and financial condition.

## **5.3 FUNDING AND LIQUIDITY**

### **5.3.1 Funding**

The Westpac Group monitors the composition and stability of its funding base to ensure it remains appropriately within the Westpac Group's funding liquidity risk appetite. This includes a target stable funding ratio greater than 75%. The stable funding ratio is total stable funding divided by total funding. Stable funding includes customer deposits, wholesale term funding with residual contractual maturity greater than 12 months, securitisation and equity. Total funding includes customer deposits, total wholesale funding (short and long term) and equity.

In the 6 months to 31 March 2014, a pick up in system credit growth and the acquisition of Lloyds' Australian business translated into a lift on asset growth for the Westpac Group. This was funded through growth in customer deposits and an increase in term wholesale funding, maintaining the stable funding ratio at 83%.

Maintaining a diverse funding base and ensuring the Westpac Group has capacity and flexibility to access a wide range of funding markets, debt investors and products is an important part of managing liquidity risk.

Westpac also undertakes an annual funding review that outlines the funding strategy for the coming year. This review encompasses trends in global markets, peer analysis, wholesale funding capacity, expected funding requirements and a funding risk analysis. This strategy is continuously reviewed to take account of changing market conditions, investor sentiment and estimations of asset and liability growth rates.

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### 5.3.2 Liquidity

The Westpac Group has a liquidity risk management framework that assists the Westpac Group to meet cash flow obligations under a wide range of market conditions, including name-specific and market wide stress scenarios.

Westpac's liquidity risk management framework models its ability to fund under both normal conditions and during crisis situations, with models run globally and for specific geographical regions: Australia, New Zealand and other offshore jurisdictions. This approach is designed to ensure that Westpac's funding framework is sufficiently flexible to accommodate a wide range of market conditions. The liquidity risk management framework is reviewed annually.

As at 31 March 2014, the Group held liquid assets that qualify as eligible collateral for repurchase agreements with an applicable central bank of \$127 billion.

On 20 December 2013, APRA released its final liquidity framework including the final liquidity prudential standard. The framework includes a requirement for Westpac to comply with the liquidity coverage ratio ("**LCR**") from 1 January 2015 and further detail on the net stable funding ratio ("**NSFR**"). The LCR requires banks to hold sufficient high quality liquid assets, as defined, to withstand 30 days under a specific acute stress scenario. Since there are insufficient government bonds available in the Australian marketplace to allow institutions to meet the LCR, the Reserve Bank of Australia has announced, jointly with APRA, that it will make available to Australian institutions a Committed Liquidity Facility that, subject to satisfaction of qualifying conditions, can be accessed to help meet the LCR requirement.

As part of its final liquidity framework, APRA noted that the BCBS has yet to finalise the rules for the NSFR. Once the rules are published, APRA will consult on the implementation of the NSFR in Australia. The NSFR is expected to become effective from 1 January 2018.

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# 6

## INVESTMENT RISKS

**This Section describes some of the potential risks associated with an investment in the Westpac Capital Notes 2. It is divided into risks that are specific to the Westpac Capital Notes 2 and risks that relate to an investment in Westpac.**

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**Before applying for Notes, you should consider whether the Notes are a suitable investment for you. There are risks associated with an investment in the Notes, many of which are outside the control of Westpac. These risks include those in this Section 6 and other matters referred to in this Prospectus.**

## **6.1 INVESTMENT RISKS RELATING TO THE NOTES**

Set out in this Section 6.1 are risks associated specifically with an investment in the Notes. In particular, these risks arise from the nature of the Notes and the Westpac Capital Notes 2 Terms. You should also consider the other risks in Section 6.2 as they relate to Westpac.

### **6.1.1 Investments in Notes are not deposit liabilities or protected accounts under the Banking Act or Financial Claims Scheme**

The Notes are not deposit liabilities or protected accounts of Westpac for the purposes of the Banking Act or Financial Claims Scheme and are not subject to the depositor protection provisions of Australian banking legislation (including the Australian Government guarantee of certain bank deposits). Therefore, the Notes are not guaranteed or insured by any Australian government, government agency or compensation scheme of Australia or any other jurisdiction.

### **6.1.2 Market price of the Notes may fluctuate**

Westpac has applied for quotation of the Notes on ASX, but Westpac is unable to forecast the market price and liquidity of the market for the Notes. The market price for the Notes may fluctuate due to various factors, including:

- changes in Australian and international economic and market conditions, interest rates, credit margins, foreign exchange rates and equity markets;
- changes in investor perception and sentiment in relation to Westpac or the financial services industry;
- changes in the market price of Ordinary Shares and/or other debt securities or other Capital Securities issued by Westpac or by other issuers;

- Westpac's financial performance and position;
- the occurrence or potential occurrence of a Capital Trigger Event or a Non-Viability Trigger Event; and
- other major Australian and international events such as hostilities and tensions, and acts of terrorism

It is possible that the Notes will trade at a market price above or below the Face Value as a result of these and other factors.

### **6.1.3 The liquidity of the Notes may be low**

The market for the Notes will likely be less liquid than the market for Ordinary Shares. Holders who wish to sell their Notes may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for the Notes.

Westpac does not guarantee the market price of the Notes. There is a risk that if you sell Notes before the Scheduled Conversion Date, you may lose some of the money you invested.

### **6.1.4 Distributions may not be paid**

Distributions are discretionary and only payable subject to satisfaction of the Distribution Payment Conditions, being:

- Westpac's absolute discretion;
- the payment of Distributions not resulting in a breach of Westpac's capital requirements (on a Level 1 basis) or of the Westpac Group's capital requirements (on a Level 2 basis) under the then current Prudential Standards at the time of payment;
- the payment of Distributions not resulting in Westpac becoming, or being likely to become, insolvent; and
- APRA not otherwise objecting to the payment.

Payments of Distributions are non-cumulative. If a Distribution is not paid in full because the Distribution Payment Conditions are not satisfied, you will not be entitled to receive the unpaid portion of that Distribution. No interest accrues on any unpaid Distributions and Westpac has no liability to the Holder and the Holder has no claim in respect of such non-payment.

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## INVESTMENT RISKS

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Non-payment of a Distribution will not be an event of default and Holders have no right to apply for a Winding Up on the grounds of Westpac's failure to pay a Distribution.

Further, the terms of Westpac's other outstanding and future securities could limit Westpac's ability to make payments on the Notes. If Westpac does not make payments on other securities (such as TPS 2004 or Westpac TPS), payments may not be permitted to be made in respect of the Notes.

The payment tests applying to other securities (whether currently outstanding or issued in the future) may be different to the Distribution Payment Conditions applying to Notes. Accordingly, Westpac may not be permitted to make a payment on another security in circumstances where it would otherwise be permitted to make a payment on the Notes. In these circumstances, the distribution restrictions on the other securities may then apply, preventing Westpac from making a payment on the Notes. Similarly, Westpac may not be permitted to make a payment on the Notes in circumstances where the payment tests on other securities have been passed.

If distribution restrictions for another security apply to payments on the Notes, Westpac may not be able to pay Distributions when scheduled to do so under the Westpac Capital Notes 2 Terms and may not be able to Redeem Notes. Westpac is not restricted from issuing other securities of this kind or agreeing in the terms of issue of other securities additional or different payment tests or distribution restrictions – see also Section 6.1.24.

The distribution restriction on Westpac's outstanding securities differ from, and in the case of TPS 2004 and Westpac TPS are substantially more restrictive than, the distribution restriction set out in clause 3.7 of the Westpac Capital Notes 2 Terms. That restriction only restricts distributions in respect of Ordinary Shares and only applies until and including the next Distribution Payment Date. The dates for distribution with respect to Ordinary Shares are determined by Westpac and do not bear a fixed relation to the Distribution Payment Dates for the Notes. Accordingly as soon as the distribution restriction ceases to apply (as will be the case if the next scheduled Distribution is paid in full) Westpac will not be restricted from making a distribution on its Ordinary Shares.

### 6.1.5 Changes in the Distribution Rate

The Distribution Rate is calculated for each Distribution Period by reference to the relevant 90 day Bank Bill Rate, which is influenced by a number of factors and varies over time. The Distribution Rate will fluctuate and may increase and/or decrease over time with movements in the 90 day Bank Bill Rate.

The movements in the 90 day Bank Bill Rate over the last 10 years are set out in the graph below.

As the Distribution Rate fluctuates, there is a risk that the rate may become less attractive when compared to returns available on comparable securities issued by Westpac or other issuers or other investments.

Westpac does not guarantee any particular rate of return on the Notes.

#### 90 day Bank Bill Rate (% per annum)<sup>1</sup>



<sup>1</sup> The above graph is for illustrative purposes only and does not indicate, guarantee or forecast the actual Bank Bill Rate. Past levels are not necessarily indicative of future levels. The actual Bank Bill Rate for the first and any subsequent Distribution Period may be higher or lower than the rates in the above graph. Source: IRESS

### 6.1.6 A Capital Trigger Event or a Non-Viability Trigger Event may occur

A Capital Trigger Event occurs when Westpac determines, or APRA notifies Westpac in writing that it believes, that either or both the Westpac Level 1 Common Equity Tier 1 Capital Ratio or Westpac Level 2 Common Equity Tier 1 Capital Ratio is equal to or is less than 5.125%.

The Common Equity Tier 1 Capital Ratio is the ratio of Westpac's Common Equity Tier 1 Capital to its risk weighted assets, where Common Equity Tier 1 Capital comprises the highest quality components of capital.

A Non-Viability Trigger Event occurs when APRA notifies Westpac in writing that it believes:



- Conversion of all or some Notes (or conversion or write down of other capital instruments of the Westpac Group) is necessary because, without it, Westpac would become non-viable; or
- a public sector injection of capital, or equivalent support, is necessary because, without it, Westpac would become non-viable.

It should be noted that whether a Non-Viability Trigger Event will occur is at the discretion of APRA and there are currently no Australian precedents for this. The circumstances in which APRA may exercise its discretion are not limited to when APRA may have a concern about a bank's capital levels but may also include when APRA has a concern about a bank's funding and liquidity levels or any other matters affecting a bank's viability.

APRA has indicated that at this time it will not provide guidance as to how it would determine non-viability. Non-viability could be expected to include serious impairment of Westpac's financial position, concerns about its capital, funding or liquidity levels and / or insolvency. However, it is possible that APRA's definition of non-viability may not necessarily be confined to these matters and APRA's position on these matters may change over time. As the occurrence of a Non-Viability Trigger Event is at the discretion of APRA, there can be no assurance given as to the factors and circumstances that might give rise to such an event.

Westpac has frameworks in place to manage capital, funding and liquidity risk to lower the risk of experiencing financial difficulty. Westpac's Common Equity Tier 1 Capital Ratio on a Level 2 basis of 8.82% at 31 March 2014 is considerably above the Capital Trigger Event level of 5.125% – the difference being equivalent to \$11,916 million in Common Equity Tier 1 Capital. Westpac's Common Equity Tier 1 Capital Ratio on a Level 1 basis of 8.87% at 31 March 2014 is also considerably above the Capital Trigger Event level of 5.125% – the difference being equivalent to \$10,759 million in Common Equity Tier 1 Capital.

Differences between Westpac's Level 1 and Level 2 Common Equity Tier 1 Capital relate principally to the level of capital held within offshore banking subsidiaries. Westpac expects its Level 1 and Level 2 capital ratios to move in a similar way over time,

based on Westpac's current capital management policy for Westpac subsidiaries.

### **6.1.7 Conversion following a Capital Trigger Event or Non-Viability Trigger Event**

Upon the occurrence of a Capital Trigger Event or Non-Viability Trigger Event, all or some of the Notes (or a percentage of the Face Value of each Note), will Convert into the Conversion Number of Ordinary Shares based on the VWAP during the 5 Business Days prior to but not including the Capital Trigger Event Conversion Date or Non-Viability Trigger Event Conversion Date. Such Conversion is not subject to the Scheduled Conversion Conditions being satisfied and Holders will receive the Conversion Number of Ordinary Shares on the Conversion Date, which will not exceed the Maximum Conversion Number.

Westpac expects that any ASX purchase or sale transactions in Notes that have not settled on the date a Capital Trigger Event or Non-Viability Trigger Event occurs will continue to settle in accordance with the normal ASX T+3 settlement, although Westpac expects that the seller will be treated as having delivered, and the buyer will be treated as having acquired, the number of Ordinary Shares into which the Notes have been Converted as a result of the occurrence of the Capital Trigger Event or Non-Viability Trigger Event.

If a Non-Viability Trigger Event occurs because there has been a public sector injection of capital, or other public sector support, APRA may require the full Face Value of Notes to be Converted.

#### **Order of Conversion of Relevant Securities**

If Westpac is only required to convert a certain amount of Relevant Securities, Westpac will determine the amount of Notes which will be Converted and other Relevant Securities which will be converted or be written-down as follows:

- first, Westpac will convert or write-down such number or amount of the face value of any other Relevant Securities whose terms require them to be converted or written down before Conversion of the Notes as is necessary to return either or both Westpac Level 1 Common Equity Tier 1 Capital Ratio or Westpac Level 2 Common Equity Tier 1 Capital Ratio, as the case may be, to above

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## INVESTMENT RISKS

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- 5.125% or satisfy APRA that Westpac will no longer be non-viable; and
- second, if conversion or write-down of those Relevant Securities is not sufficient, Westpac will Convert the Notes and/or convert or write-down other Relevant Securities, on a pro-rata basis or in a manner that is otherwise, in the opinion of Westpac, fair and reasonable, the Face Value of the Notes and the face value of any Relevant Securities whose terms require or permit them to be converted or written down in that manner (subject to such adjustments as Westpac may determine to take into account the effect on marketable parcels and whole numbers of Ordinary Shares and any Notes or Relevant Securities remaining on issue),

but such determination will not impede the immediate Conversion of the relevant number of Notes or percentage of the Face Value of each Note (as the case may be), or, if applicable, termination of the relevant Holders' rights and claims.

However, Westpac has no obligation to have or maintain on issue Relevant Securities which are liable to be converted or written off ahead of Notes and gives no assurance that there will be any such instruments on issue at the time at which the Notes may be required to be Converted.

Further, in Converting Notes or converting or writing-off other Relevant Securities, although Westpac will endeavour to treat Holders and holders of other Relevant Securities on an approximately proportionate basis, Westpac may discriminate to take account of the effect on marketable parcels of Notes and other logistical considerations. Accordingly, should a Capital Trigger Event or Non-Viability Trigger Event occur and only some of the Notes must be Converted, it is possible that not all Holders will have their Notes Converted into Ordinary Shares.

### Ordinary Shares

The Ordinary Shares issued on Conversion may not be listed. They may not have been listed for some period of time, for example, if Westpac is acquired by another entity and delisted. The Ordinary Shares may not be able to be sold at prices representing their value based on the VWAP. In particular, the VWAP prices will be based on trading days which occur before the Capital Trigger Event or Non-Viability Trigger Event.

Ordinary Shares are a different type of investment to the Notes. Dividends are payable at the absolute discretion of Westpac and the amount of each dividend is also discretionary (and not subject to a formula). In a Winding Up, claims of holders of Ordinary Shares rank behind claims of holders of all other securities and debts of Westpac. The market price of Ordinary Shares may fluctuate and be more sensitive than that of Notes to changes in Westpac's performance, operational issues and other business issues.

The Conversion Number of Ordinary Shares following a Capital Trigger Event or Non-Viability Trigger Event is subject to the Maximum Conversion Number. The Maximum Conversion Number of Ordinary Shares, following a Capital Trigger Event or Non-Viability Trigger Event, will be calculated based on a VWAP set to reflect 20% of the Issue Date VWAP.

The Maximum Conversion Number may be adjusted to reflect a consolidation, division or reclassification, or pro rata bonus issue, of Ordinary Shares. However, no adjustment will be made to it on account of other transactions which may affect the price of Ordinary Shares, including for example, rights issues, returns of capital, buy-backs or special dividends. The Scheduled Conversion Conditions do not limit the transactions that Westpac may undertake with respect to its share capital and any such action may increase the risk that Holders receive only the Maximum Conversion Number and so adversely affect the position of Holders.

Accordingly, depending upon the Ordinary Share price during the 5 Business Days prior to a Capital Trigger Event Conversion Date or Non-Viability Trigger Event Conversion Date, the value of Ordinary Shares received for each Note may (in the case of a Capital Trigger Event) and is likely to (in the case of a Non-Viability Trigger Event) be significantly less than \$101.01 for each Note (based on the Initial Face Value of \$100 per Note).

### 6.1.8 Termination of rights where Conversion not possible following a Capital Trigger Event or Non-Viability Trigger Event

If for any reason Conversion of Notes is not possible (for example due to applicable laws, order of a court

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or action of any government authority) and Westpac is not able to issue the Ordinary Shares by 5.00pm on the fifth Business Day following a Capital Trigger Event or Non-Viability Trigger Event, all rights in relation to those Notes will be terminated (and your investment will lose all of its value and you will not receive any compensation or unpaid Distributions).

### 6.1.9 Ranking of the Notes

In the event of a Winding Up, if the Notes are still on issue and have not been Redeemed or, Converted, they will rank for payment:

- ahead of Ordinary Shares;
- equally with all Equal Ranking Capital Securities which currently include TPS 2004, Westpac TPS, Westpac SPS II, Westpac CPS and Westpac Capital Notes; and
- behind Senior Creditors.

If, in a Winding Up, the Notes have not been Converted, Redeemed, or Transferred Holders will be entitled to be paid the Liquidation Sum at the commencement of the Winding Up (or if less actual cash is available to Westpac for distribution to Holders, a proportionate share of that cash). The Liquidation Sum is an amount of surplus assets equal to \$100 (as adjusted for a Conversion under clauses 5.2 or 5.4 of the Westpac Capital Notes 2 Terms or termination of rights under clause 5.8 of the Westpac Capital Notes 2 Terms).

The claim for the Liquidation Sum effectively ranks equally with Equal Ranking Capital Securities, but is subordinated to Senior Creditors. As the Notes rank after Senior Creditors, there is a risk that in the Winding Up, there will be insufficient funds to provide any return to Holders.

If the Notes have been Converted (including in the unlikely occurrence of a Capital Trigger Event or Non-Viability Trigger Event), Holders will hold Ordinary Shares and rank equally with other holders of Ordinary Shares in a Winding Up.

Where a Capital Trigger Event or Non-Viability Trigger Event occurs, the ranking of Notes in a Winding Up will be adversely affected. If for any reason Conversion of Notes is not possible following one of these events (for example due to applicable laws, order of a court or action of any government authority)

and Westpac is not able to issue the Ordinary Shares by 5.00pm on the fifth Business Day following such an event, all rights in relation to those Notes will be terminated (and your investment will lose all of its value and you will not receive any compensation or unpaid Distributions). In these circumstances, the Notes will have no ranking in a Winding Up.

However it is likely that any Capital Trigger Event or Non-Viability Trigger Event would occur prior to a Winding Up, requiring the Conversion of the Notes.

### 6.1.10 Exposure to Westpac's financial performance and position

Investments in Notes are an investment in Westpac and may be affected by the ongoing performance and financial position of Westpac.

On the Scheduled Conversion Date you will receive Ordinary Shares issued by Westpac subject to the satisfaction of the Scheduled Conversion Conditions. Furthermore, Notes will Convert into Ordinary Shares prior to the Scheduled Conversion Date in certain specified circumstances – see Sections 2.5 and 2.7.

As a result, if Westpac's financial performance or position declines, or if market participants anticipate that it may decline, an investment in the Notes could decline in value even if the Notes have not been Converted.

### 6.1.11 Changes to credit rating

Any credit rating assigned to the Notes or other Westpac securities could be reviewed, suspended, withdrawn or downgraded. Credit rating agencies may withdraw, revise or suspend credit ratings or change the methodology by which securities are rated at any time. On 6 February 2014 Standard & Poor's Ratings Services published a Request for Comment on revisions it is proposing to how it rates hybrid capital instruments for banks and prudentially regulated finance companies, "RFC: Assigning Issue Credit Ratings To Bank And Prudentially Regulated Finance Company Hybrid Capital Instruments." Any resulting revisions and any other changes could adversely affect the market price and liquidity of the Notes or other Westpac securities.

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### **6.1.12 The Ordinary Share price used to calculate the Conversion Number of Ordinary Shares may be different to the market price of Ordinary Shares at the time of Conversion**

The number of Ordinary Shares issued to Holders upon Conversion will generally depend on the average of the daily VWAP of Ordinary Shares over the 20 Business Days on which trading in Ordinary Shares took place immediately prior to the relevant Conversion Date (or in the case of a Capital Trigger Event or Non-Viability Trigger Event, the average of the daily VWAP over 5 Business Days prior to the Conversion Date). Accordingly, the Ordinary Share price used to calculate the Conversion Number of Ordinary Shares may be different to the market price of Ordinary Shares at the time of Conversion so that the value of Ordinary Shares you receive may be less than the value of those Ordinary Shares based on the Ordinary Share price on the Conversion Date.

The market price for Ordinary Shares following Conversion will fluctuate due to various factors, including:

- changes in Australian and international economic and market conditions, interest rates, credit margins, foreign exchange rates and equity markets;
- changes in investor perception and sentiment in relation to Westpac or the financial services industry;
- changes in the market price of Ordinary Shares and/or other debt securities or other Capital Securities issued by Westpac or by other issuers;
- Westpac's financial performance and position; and
- other major Australian and international events such as hostilities and tensions, and acts of terrorism.

These risks are described in Section 6.2 and may have an impact on the market price of Ordinary Shares, as well as the market price of the Notes.

### **6.1.13 Holders cannot request Conversion, Redemption or Transfer of the Notes**

Holders have no right to request Conversion, Redemption or Transfer of the Notes for any reason. Therefore, to realise your investment you would have to sell your Notes on ASX at the prevailing market price. Depending on market conditions at the time, the Notes may be trading at a market price below the Face Value and/or the market for the Notes may not be liquid. Brokerage fees may also be payable if Notes are sold through a broker. Westpac does not guarantee that you will be able to sell your Notes on the ASX at an acceptable price or at all.

### **6.1.14 Conversion may or may not occur on 23 September 2024**

The Notes may Convert into Ordinary Shares on 23 September 2024, being the first possible Scheduled Conversion Date. However, there is a risk that Conversion will not occur on 23 September 2024 because the Scheduled Conversion Conditions are not satisfied – see Sections 2.4.4 and 2.4.6. The Scheduled Conversion Conditions will not be satisfied if the VWAP of Ordinary Shares on the 25th Business Day on which trading in Ordinary Shares took place before (but not including) the Scheduled Conversion Date is less than 56.12% of the Issue Date VWAP, or the VWAP of Ordinary Shares during the period of 20 Business Days on which trading in Ordinary Shares took place before (but not including) the Scheduled Conversion Date is less than 50.51% of the Issue Date VWAP.

The market price of Ordinary Shares will fluctuate due to various factors including:

- changes in Australian and international economic and market conditions, interest rates, credit margins, foreign exchange rates and equity markets;
- changes in investor perception and sentiment in relation to Westpac or the financial services industry;
- changes in the market price of Ordinary Shares and/or other debt securities or other Capital Securities issued by Westpac or by other issuers;
- Westpac's financial performance and position; and
- other major Australian and international events such as hostilities and tensions, and acts of terrorism.

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There can be no assurance as to what the market price of Ordinary Shares will be around 23 September 2024.

If Conversion does not occur on a potential Scheduled Conversion Date, Distributions will continue to be paid on the Notes, subject to the Distribution Payment Conditions.

The Notes are perpetual instruments. If the Ordinary Share price deteriorates significantly and never recovers, it is possible that the Scheduled Conversion Conditions will never be satisfied and, if this occurs, the Notes may never Convert.

#### **6.1.15 Conversion, Redemption or Transfer at Westpac's initiation**

Westpac may initiate Conversion, Redemption (subject to APRA's prior written approval) or Transfer:

- of some or all of the Notes on 23 September 2022; or
- of all (but not some only) of the Notes following the occurrence of a Tax Event or Regulatory Event.

If Westpac elects to Redeem Notes, APRA's prior written approval is required. There can be no certainty that APRA will provide its prior written approval.

Holders have no right to request or require a Conversion, Redemption or Transfer of their Notes.

Any Conversion, Redemption or Transfer may occur on dates not previously contemplated by you, which may be disadvantageous in light of market conditions or your individual circumstances. This means that the period for which Holders will be entitled to the benefit of the rights attaching to the Notes is unknown.

Where you receive cash on Redemption or Transfer, the rate of return at which you could reinvest your funds may be lower than the Distribution Rate at the time. Further, upon Redemption you will receive the Face Value of the Notes which may be less than their market value immediately prior to Redemption.

#### **6.1.16 Nominated Party's obligation to pay the Face Value to Holders on a Transfer**

Westpac may elect to issue a Transfer Notice, requiring all or some Notes (in the case of a Transfer on 23 September 2022) or all (but not some only) Notes (in the case of a Tax Event or Regulatory Event) to be Transferred to a Nominated Party for a cash amount per Note equal to the Face Value.

Upon a Transfer of Notes (in the circumstances described in Section 6.1.15), it will be the Nominated Party's obligation to pay the aggregate Face Value of the Notes being Transferred, not Westpac's. If the Nominated Party does not pay this amount to Holders, the Transfer will not proceed, in which case Holders will continue to hold Notes in accordance with the Westpac Capital Notes 2 Terms.

Where you receive cash pursuant to a Transfer, the rate of return at which you could reinvest your funds may be lower than the Distribution Rate at the time.

#### **6.1.17 No fixed maturity date**

The Notes are perpetual instruments. The Notes may Convert on a potential Scheduled Conversion Date, but it is possible that market conditions at the time may be such that the Scheduled Conversion Conditions are not satisfied. If the Ordinary Share price falls far enough and never recovers, it is possible that the Notes will not Convert at any point in time. Furthermore, any Optional Conversion, Redemption or Transfer is subject to the discretion of Westpac and certain other restrictions. Redemption is also subject to obtaining APRA's prior written approval. It is possible that neither Redemption or Transfer occurs at any point in time.

#### **6.1.18 Implementation of the Basel III framework in Australia**

Any fall in Westpac's Common Equity Tier 1 Capital Ratio as a result of changes to APRA's implementation of the Basel III framework may adversely impact the market price of the Notes or potentially increase the chance at a later date that Conversion of Notes takes place due to the occurrence of a Capital Trigger Event (a Capital Trigger Event will occur where Westpac's Common Equity Tier 1 Capital Ratio is equal to or less than 5.125% on a Level 1 or Level 2 basis) or

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## INVESTMENT RISKS

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a Non-Viability Trigger Event (a Non-Viability Trigger Event will occur where APRA notifies Westpac in writing that it believes Conversion of some or all of the Notes or conversion or writedown of capital instruments of the Westpac Group or a public sector injection of capital, or equivalent support, is necessary because, without it, Westpac would become non-viable).

See Section 6.1.7 for the risk associated with Conversion of the Notes due to the occurrence of a Capital Trigger Event or Non-Viability Trigger Event.

See Sections 2.9, 5.2.1, 5.2.2, 5.2.3 and 5.2.6 for more information about the Basel III capital framework.

### 6.1.19 Regulatory classification

APRA has confirmed that the Notes will be eligible for inclusion as Additional Tier 1 Capital under APRA's prudential standard APS 111.

However, if APRA subsequently determines that the Notes do not or will not qualify for Additional Tier 1 Capital treatment (under the Basel III capital adequacy framework, as amended from time to time), Westpac may decide that a Regulatory Event has occurred and may elect to Convert, Redeem (subject to APRA's prior written approval) or Transfer the Notes – see Sections 2.5.3 and 2.6.1.

A Regulatory Event may also occur as a result of other regulatory changes. See Sections 2.5.3 for information on what constitutes a Regulatory Event, and Section 6.2.1 for risks associated with regulation for Westpac generally.

### 6.1.20 Taxation treatment

A general description of the Australian taxation consequences of investing in the Notes is set out in the Taxation Letter from Allens in Section 7. This Taxation Letter is provided in general terms and is not intended to provide specific advice in relation to the circumstances of any particular potential investor or Holder. Accordingly, you should seek independent advice in relation to your individual tax position before you choose to apply for or invest in the Notes.

A Tax Event will occur if Westpac determines, after receiving a supporting opinion of reputable legal counsel or other tax adviser experienced in such matters, that (as a result of a Change of Law), there is a more than insubstantial risk that:

- the Westpac Group will incur more than an insubstantial increase in costs or taxes in relation to the Notes; or
- any Distribution would not be a frankable distribution within the meaning of Division 202 of the Tax Act.

In each of those situations, the risk may itself be a Tax Event, even before the cost or tax is incurred or the Distribution ceases to be frankable. If a Tax Event occurs, Westpac may Convert, Redeem or Transfer the Notes (subject to the conditions contained in the Westpac Capital Notes 2 Terms, including that Westpac has obtained a supporting opinion of reputable legal counsel or other tax adviser, experienced in such matters, in relation to the Tax Event – see Section 2.5.2).

### 6.1.21 FATCA withholding and reporting

Legislation incorporating provisions referred to as the Foreign Account Tax Compliance Act or “**FATCA**”, was passed in the United States on 18 March 2010. This description is based on guidance issued to date by the US Treasury including recently issued final regulations. Future guidance may affect the application of FATCA to the Notes.

It is possible that, in order to comply with FATCA, Westpac (or, if Notes are held through another financial institution, such other financial institution) may be required (pursuant to an agreement with the United States or under applicable law including pursuant to the terms of an applicable intergovernmental Agreement entered into between the United States and any other jurisdiction) (i) to request certain information from Holders or beneficial owners of Notes, which information may be provided to the US Internal Revenue Service (“**IRS**”), and (ii) to withhold tax on some portion of payments made after 31 December 2016 with respect to Notes if such information is not provided or if payments are made to certain foreign financial institutions that have not entered into a similar agreement with the United States (and are not otherwise required to comply with the FATCA regime under applicable law including pursuant to the terms of an applicable intergovernmental Agreement entered into between the United States and any other jurisdiction).

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If Westpac or any other person is required to withhold amounts under or in connection with FATCA from any payments made with respect to Notes or with respect to the issuance of any Ordinary Shares upon any Conversion, Holders and beneficial owners of Notes, and holders of Ordinary Shares issued upon any Conversion will not be entitled to receive any gross up or additional amounts to compensate them for such withholdings. FATCA is complex and its application to the Notes remains uncertain. Prospective investors are advised to consult their own tax advisors about the application of FATCA to the Notes.

### 6.1.22 Accounting standards

A change in accounting standards by either the International Accounting Standards Board or Australian Accounting Standards Board may affect the reported earnings and financial position of Westpac in future financial periods. This may adversely affect the ability of Westpac to pay Distributions.

### 6.1.23 Powers of an ADI statutory manager

In certain circumstances APRA may appoint a statutory manager to take control of the business of an ADI, such as Westpac. Those circumstances are defined in the Banking Act to include:

- where the ADI informs APRA that it considers it is likely to become unable to meet its obligations, or is about to suspend payment;
- where APRA considers that, in the absence of external support:
  - the ADI may become unable to meet its obligations;
  - the ADI may suspend payment;
  - it is likely that the ADI will be unable to carry on banking business in Australia consistently with the interests of its depositors; or
  - it is likely that the ADI will be unable to carry on banking business in Australia consistently with the stability of the financial system in Australia;
- the ADI becomes unable to meet its obligations or suspends payment; or
- where, in certain circumstances, the ADI is in default of compliance with a direction by APRA to comply with the Banking Act or regulations made under it and the Federal Court of Australia authorises APRA to assume control of the ADI's business.

The powers of an ADI statutory manager include the power to alter an ADI's constitution, to issue, cancel or sell shares (or rights to acquire shares) in the ADI and to vary or cancel rights or restrictions attached to shares in a class of shares in the ADI. The ADI statutory manager is authorised to do so despite the Corporations Act, the ADI's constitution, any contract or arrangement to which the ADI is party or the ASX Listing Rules. In the event that a statutory manager is appointed to Westpac in the future, these broad powers of an ADI statutory manager may be exercised in a way which adversely affects the rights attaching to the Notes and the position of Holders.

### 6.1.24 Future issues of securities by Westpac

Westpac and members of the Westpac Group may, at their absolute discretion, issue securities in the future that:

- rank for distribution or payment of capital (including in the Winding Up of Westpac or another member of the Westpac Group) equally with, behind or ahead of the Notes; or
- have the same or different dividend, interest or distribution rates as the Notes; or
- have the same or different terms and conditions as the Notes.

Any issue of other securities may affect your ability to recover the Liquidation Sum due to you on a Winding Up, if the Notes are on issue at the time.

The Westpac Capital Notes 2 Terms do not require Westpac to refrain from certain business changes or require Westpac to operate within certain ratio limits.

An investment in Notes carries no right to participate in any future issue of securities (whether equity, hybrid, debt or otherwise) by any member of the Westpac Group.

No prediction can be made as to the effect, if any, such future issues of securities by an entity in the Westpac Group may have on the market price or liquidity of the Notes.

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### 6.1.25 Successor holding company

Where Westpac is replaced as the ultimate holding company of the Westpac Group by an Approved Successor and certain other conditions are satisfied, Conversion of Notes will not be triggered but Westpac may instead be allowed to make amendments (provided APRA's prior written approval is obtained) to substitute the Approved Successor as the debtor in respect of the Notes and the issuer of the ordinary shares issued on Conversion and to make certain other amendments to the Westpac Capital Notes 2 Terms. Accordingly, potential investors should be aware that, if:

- Westpac is replaced by an Approved Successor as the ultimate holding company of the Westpac Group; and
- a substitution of the Approved Successor as the debtor in respect of the Notes and the issuer of the ordinary shares on Conversion is effected under the Westpac Capital Notes 2 Terms,

Holder will be obliged to accept Approved Successor Shares and will not receive Ordinary Shares on Conversion.

Potential investors should also be aware that Holders may not have a right to vote on any proposal to approve, implement or give effect to the establishment of an Approved Successor.

Westpac has not made a decision to substitute an Approved Successor as the ultimate holding company of the Westpac Group.

Where Westpac transfers its assets to an Approved Successor, Westpac may as a result have reduced assets which may affect its credit rating and the likelihood Holders will receive their claims in full in a Winding Up.

There is also a risk that establishment of a successor holding company that is not an Approved Successor is treated as an Acquisition Event, leading to the Conversion of the Notes. Further, if the establishment of a successor holding company is treated as an Acquisition Event and Conversion does not occur, a number of different risks may arise for Holders, including that Westpac may be assigned a different credit rating and its financial position may be materially altered thereby adversely affecting its ability to pay Distributions.

### 6.1.26 Amendment of the Westpac Capital Notes 2 Terms

Westpac may, with APRA's prior written approval where required and subject to compliance with applicable laws, amend the Westpac Capital Notes 2 Terms without the approval of Holders. This includes an amendment which, in Westpac's opinion, is:

- of a formal, minor or technical nature;
- made to cure ambiguities and manifest errors;
- necessary to give effect to the listing of the Notes on any stock exchange (and is not considered by Westpac to be materially prejudicial to the interest of Holders as a whole) or to comply with applicable laws; or
- generally not materially prejudicial to the interest of Holders as a whole.

Westpac may also amend the Westpac Capital Notes 2 Terms, with APRA's prior written approval, if the amendment has been approved by a Special Resolution of Holders or is necessary to effect the substitution of an Approved Successor as the debtor in respect of the Notes and the issuer of ordinary shares on Conversion.

Amendments under these powers are binding on all Holders despite the fact that a Holder may not agree with the amendment.

APRA's prior written approval to amend the Westpac Capital Notes 2 Terms is always required where the amendment may impact, or potentially impact, the eligibility of the Notes as Additional Tier 1 Capital.

### 6.1.27 No rights if control of Westpac is acquired

If a person other than an Approved Successor acquires control of Westpac, the Westpac Capital Notes 2 Terms do not provide any right or remedy for the Holders on account of such an acquisition occurring. Further, such an acquisition of Westpac may result in Westpac's Ordinary Shares no longer being quoted on ASX.



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If after such an acquisition has occurred a Non-Viability Trigger Event occurs, the number of Ordinary Shares issued on Conversion will reflect the VWAP for the period of 5 Business Days on which the Ordinary Shares were last traded on ASX. The period of 5 Business Days may be well before the Non-Viability Trigger Event and, accordingly, the value of the Conversion Number of Ordinary Shares when issued may be very different from the value based on that VWAP. This may adversely affect the value of the Ordinary Shares which are issued to Holders upon Conversion and such Ordinary Shares may not be freely tradable.

## 6.2 INVESTMENT RISKS RELATING TO WESTPAC

Set out in this Section 6.2 are specific risks associated with an investment in Westpac. Westpac's business is subject to risks that can adversely impact its business, result of operations, financial condition and future performances. These risks are relevant to an investment in Notes and Ordinary Shares as the value of such an investment in Notes will depend on Westpac's financial condition and future performance, regardless of when or if the Notes are Converted, Redeemed, Transferred or, in the event of a Capital Trigger Event or Non-Viability Trigger Event, terminated. The risks and uncertainties described below are not the only ones Westpac may face. Additional risks and certainties that Westpac is not aware of, or that Westpac currently deems to be immaterial, may also become important factors that affect Westpac.

### 6.2.1 Westpac's businesses are highly regulated and it could be adversely affected by failing to comply with existing laws, regulations or by changes in laws, regulations or regulatory policy

As a financial institution, Westpac is subject to detailed laws and regulations in each of the jurisdictions in which it operates or obtains funding, including Australia, New Zealand and the United States. Westpac is also supervised by a number of different regulatory and supervisory authorities which have broad administrative power over its businesses. In Australia, the relevant regulatory and

supervisory authorities include APRA, ASIC, ASX, the Reserve Bank of Australia ("RBA"), the Australian Competition and Consumer Commission ("ACCC"), the Australian Transaction Reports and Analysis Centre ("AUSTRAC") and the Australian Taxation Office ("ATO"). The Reserve Bank of New Zealand ("RBNZ") and the Financial Markets Authority ("FMA") have supervisory oversight of Westpac's New Zealand operations. In the United States Westpac is subject to supervision and regulation by the US Office of the Comptroller of the Currency ("OCC"), the Board of Governors of the Federal Reserve System, the US Commodity Future Trading Commission ("CFTC") and the US Securities and Exchange Commission ("SEC"). In other jurisdictions in which Westpac operates, including the United Kingdom, Asia and various Pacific countries, it is also required to comply with relevant requirements of local regulatory bodies.

Westpac is responsible for ensuring that it complies with all applicable legal and regulatory requirements (including accounting standards) and industry codes of practice in the jurisdictions in which it operates or obtains funding, as well as meeting its ethical standards.

Compliance risk arises from these legal and regulatory requirements. If Westpac fails to comply, it may be subject to fines, penalties or restrictions on its ability to do business. An example of the broad administrative power available to regulatory authorities is the power available to APRA under the Banking Act 1959 in certain circumstances to investigate Westpac's affairs and/or issue a direction to it (such as a direction to comply with a prudential requirement, to conduct an audit, to remove a director, executive officer or employee or not to undertake transactions). Any such costs and restrictions could adversely affect Westpac's business, reputation, prospects, financial performance or financial condition.

As with other financial services providers, Westpac faces increasing supervision and regulation in most of the jurisdictions in which it operates or obtains funding, particularly in the areas of funding, liquidity, capital adequacy, conduct and prudential regulation and anti-money laundering and counter-terrorism financing. In December 2010 the Basel Committee on Banking Supervision ("BCBS") announced a revised global regulatory framework, known as Basel III.

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Basel III, among other things, increases the required quality and quantity of capital held by banks and introduces new standards for the management of liquidity risk. APRA has now incorporated much of the framework into its Prudential Standards.

During the half year ended 31 March 2014, there were also a series of other regulatory releases from authorities in the various jurisdictions in which Westpac operates or obtains funding proposing significant regulatory change for financial institutions. This includes global 'over the counter' derivatives reform, as well as the US Dodd-Frank legislation, including the Volcker Rule promulgated thereunder, which is designed to reform the entire system for the supervision and regulation of financial firms that operate in or have a connection with the United States, including foreign banks like Westpac. Other areas of proposed or potential change that could impact Westpac include changes to accounting and reporting requirements, tax legislation, regulation relating to remuneration, consumer protection and competition legislation and bribery, privacy and data protection, anti-money laundering and counter-terrorism financing laws. In addition, further changes may occur driven by policy, prudential or political factors. The Australian Government is conducting a Financial System Inquiry with broad terms of reference. The outcomes of this Inquiry are difficult to predict but may be significant for Westpac and other Australian financial institutions.

Regulation is becoming increasingly extensive and complex. Some areas of potential regulatory change involve multiple jurisdictions seeking to adopt a coordinated approach. This may result in conflicts with specific requirements of the jurisdictions in which Westpac operates and, in addition, such changes may be inconsistently introduced across jurisdictions.

Changes may also occur in the oversight approach of regulators. It is possible that governments in jurisdictions in which Westpac operates or obtains funding might revise their application of existing regulatory policies that apply to, or impact, Westpac's business, including for reasons relating to national interest and/or systemic stability.

Regulatory changes and the timing of their introduction continue to evolve and Westpac currently manages its businesses in the context of regulatory uncertainty. The nature and impact of future changes are not predictable and are beyond Westpac's control. Regulatory compliance and the management of regulatory change is an increasingly important part of Westpac's strategic planning. Westpac expects that it will be required to continue to invest significantly in compliance and the management and implementation of regulatory change and, at the same time, significant management attention and resources will be required to update existing processes or implement new processes to comply with the new regulations.

Regulatory change may also impact Westpac's operations by requiring it to have increased levels of liquidity and higher levels of, and better quality, capital as well as place restrictions on the businesses Westpac conducts, require it to amend its corporate structure or require it to alter its product and service offerings. If regulatory change has any such effect, it could adversely affect one or more of Westpac's businesses, restrict Westpac's flexibility, require Westpac to incur substantial costs and impact the profitability of one or more of Westpac's business lines. Any such costs or restrictions could adversely affect Westpac's business, prospects, financial performance or financial condition.

### **6.2.2 Adverse credit and capital market conditions may significantly affect Westpac's ability to meet funding and liquidity needs and may increase its cost of funding**

Westpac relies on credit and capital markets to fund its business and as a source of liquidity. Westpac's liquidity and costs of obtaining funding are related to credit and capital market conditions.

Global credit and capital markets have experienced extreme volatility, disruption and decreased liquidity in recent years. While there have been periods of stability in these markets, the environment has become more volatile and unpredictable. This has been exacerbated by the potential for sovereign debt defaults and/or banking failures which has contributed to volatility in stock prices and credit spreads. The main risks Westpac faces are damage

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to market confidence, changes to the access and cost of funding and a slowing in global activity or through other impacts on entities with whom Westpac does business.

As of 31 March 2014, approximately 33% of Westpac's total funding originated from domestic and international wholesale markets, of this around 59% was sourced outside Australia and New Zealand.

A shift in investment preferences of businesses and consumers away from bank deposits towards other asset or investment classes would increase Westpac's need for funding from relatively less stable or more expensive forms of funding.

If market conditions deteriorate due to economic, financial, political or other reasons, Westpac's funding costs may be adversely affected and its liquidity, funding and lending activities may be constrained.

If Westpac's current sources of funding prove to be insufficient, it may be forced to seek alternative financing. The availability of such alternative financing, and the terms on which it may be available, will depend on a variety of factors, including prevailing market conditions, the availability of credit, Westpac's credit ratings and credit market capacity. Even if available, the cost of these alternatives may be more expensive or on unfavourable terms, which could adversely affect Westpac's results of operations, liquidity, capital resources and financial condition. There is no assurance that Westpac will be able to obtain adequate funding and do so at acceptable prices, nor that it will be able to recover any additional costs.

If Westpac is unable to source appropriate funding, it may also be forced to reduce its lending or begin selling liquid securities, or it may be unable to pay its debts. Such actions may adversely impact Westpac's business, prospects, liquidity, capital resources, financial performance or financial condition.

Westpac enters into collateralised derivative obligations, which may require Westpac to post additional collateral based on movements in market rates, which has the potential to adversely affect Westpac's liquidity.

### **6.2.3 Sovereign risk may destabilise financial markets adversely**

Sovereign risk is the risk that foreign governments will default on their debt obligations, increase borrowings as and when required, be unable to refinance their debts as they fall due, or nationalise participants in their economy. Should one sovereign default, there could be a cascading effect to other markets and countries, the consequences of which, while difficult to predict, may be similar to or worse than those experienced during the global financial crisis. Such an event could destabilise global financial markets, adversely affecting Westpac's liquidity, financial performance or financial condition.

### **6.2.4 Failure to maintain credit ratings could adversely affect Westpac's cost of funds, liquidity, competitive position and access to capital markets**

Credit ratings are independent opinions on Westpac's creditworthiness. Westpac's credit ratings affect the cost and availability of its funding from capital markets and other funding sources and they may be important to customers or counterparties when evaluating Westpac's products and services. Therefore, maintaining high quality credit ratings is important.

The credit ratings assigned to Westpac by rating agencies are based on an evaluation of a number of factors, including Westpac's financial strength, structural considerations regarding the Australian financial system and the credit rating of the Australian Government. A credit rating downgrade could be driven by the occurrence of one or more of the other risks identified in this Section 6.2 or by other events including changes to the methodologies used by the rating agencies to determine ratings.

Failure to maintain current credit ratings could adversely affect Westpac's cost of funds and related margins, collateral requirements, liquidity, competitive position and its access to capital markets. The extent and nature of these impacts would depend on various factors, including the extent of any ratings change, whether Westpac's ratings differ among agencies (split ratings) and whether any ratings changes also impact Westpac's peers or the sector.

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### **6.2.5 A systemic shock in relation to the Australian, New Zealand or other financial systems could have adverse consequences for Westpac or its customers or counterparties that would be difficult to predict and respond to**

There is a risk that a major systemic shock could occur that causes an adverse impact on the Australian, New Zealand or other financial systems.

As outlined above, over recent years the financial services industry and capital markets have been, and may continue to be, adversely affected by market volatility and the negative outlook for global economic conditions. A shock to one of the major global economies, could result in currency and interest rate fluctuations and operational disruptions that negatively impact the Westpac Group.

Any such market and economic disruptions could adversely affect financial institutions such as Westpac because consumer and business spending may decrease, unemployment may rise and demand for the products and services Westpac provides may decline, thereby reducing its earnings. These conditions may also affect the ability of Westpac's borrowers to repay their loans or its counterparties to meet their obligations, causing Westpac to incur higher credit losses. These events could also result in the undermining of confidence in the financial system, reducing liquidity, impairing Westpac's access to funding and impairing Westpac's customers and counterparties and their businesses. If this were to occur, Westpac's business, prospects, financial performance or financial condition could be adversely affected.

The nature and consequences of any such event are difficult to predict and there can be no guarantee that Westpac could respond effectively to any such event.

### **6.2.6 Declines in asset markets could adversely affect Westpac's operations or profitability**

Declines in Australian, New Zealand or other asset markets, including equity, residential and commercial property and other asset markets, could adversely affect Westpac's operations and profitability.

Declining asset prices also impact Westpac's wealth management business. Earnings in Westpac's wealth management business are, in part, dependent on asset values because it typically receives fees based on the value of securities and/or assets held or managed. A decline in asset prices could negatively impact the earnings of this business.

Declining asset prices could also impact customers and counterparties and the value of security (including residential and commercial property) Westpac holds against loans and derivatives which may impact its ability to recover amounts owing to it if customers or counterparties were to default. It may also affect Westpac's level of provisioning which in turn impacts profitability.

### **6.2.7 Westpac's business is substantially dependent on the Australian and New Zealand economies**

Westpac's revenues and earnings are dependent on economic activity and the level of financial services its customers require. In particular, lending is dependent on various factors including economic growth, business investment, business and consumer sentiment, levels of employment, interest rates and trade flows in the countries in which Westpac operates. Westpac currently conducts the majority of its business in Australia and New Zealand and, consequently, its performance is influenced by the level and cyclical nature of lending in these countries. These factors are in turn impacted by both domestic and international economic conditions, natural disasters and political events. A significant decrease in Australian and New Zealand valuations could adversely impact Westpac's home lending activities because borrowers with loans in excess of their property value may show a higher propensity to default and in the event of defaults Westpac's security would be eroded, causing Westpac to incur higher credit losses, and the demand for Westpac's home lending products may decline due to buyer concerns about further market declines.

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Adverse changes to the economic and business conditions in Australia and New Zealand and other countries such as China, India and Japan, could also adversely affect the Australian economy and Westpac's customers. In particular, due to the current relationship between Australia and China, particularly in the mining and resources sectors, a slowdown in China's economic growth could negatively impact the Australian economy. Changes in economic conditions could in turn result in reduced demand for Westpac's products and services and affect the ability of its borrowers to repay their loans. If this were to occur, it could negatively impact Westpac's business, prospects, financial performance or financial condition.

#### **6.2.8 An increase in defaults in credit exposures could adversely affect Westpac's liquidity, capital resources, financial performance or financial condition**

Credit risk is a significant risk and arises primarily from Westpac's lending and derivatives activities. The risk arises from the possibility that some customers and counterparties will be unable to honour their obligations to Westpac, including the repayment of loan principal and interest.

Westpac holds provisions for credit impairment based on current information. If economic conditions deteriorate, some customers and/or counterparties could experience higher levels of financial stress and Westpac may experience a significant increase in defaults and write-offs, and be required to increase its provisioning. Such events would diminish available capital and could adversely affect Westpac's liquidity, capital resources, financial performance or financial condition.

Credit risk also arises from certain derivative contracts Westpac enters into and from Westpac's dealings with, and holdings of, debt securities issued by other banks, financial institutions, companies, governments, and government bodies the financial conditions of which may be impacted to varying degrees by economic conditions in global financial markets.

#### **6.2.9 Westpac faces intense competition in all aspects of its business**

The financial services industry is highly competitive. Westpac competes, both domestically and internationally, with retail and commercial banks, asset managers, investment banking firms, brokerage firms, other financial service firms and businesses in other industries with emerging financial services aspirations. This includes specialist competitors that may not be subject to the same capital and regulatory requirements and therefore may be able to operate more efficiently.

If Westpac is unable to compete effectively in its various businesses and markets, its market share may decline. Increased competition may also adversely affect Westpac by diverting business to its competitors or creating pressure to lower margins.

Increased competition for deposits could also increase Westpac's cost of funding and lead Westpac to access other types of funding. Westpac relies on bank deposits to fund a significant portion of its balance sheet and deposits have been a relatively stable source of funding. Westpac competes with banks and other financial services firms for such deposits. To the extent that it is not able to successfully compete for deposits, Westpac would be forced to rely more heavily on more expensive or less stable forms of funding, or reduce its lending activities.

Westpac is also dependent on its ability to offer products and services that match evolving customer preferences. If Westpac is not successful in developing or introducing new products and services or responding or adapting to changes in customer preferences and habits, Westpac may lose customers to its competitors. This could adversely affect Westpac's business, prospects, financial performance and financial condition.

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### **6.2.10 Westpac could suffer losses due to market volatility**

Westpac is exposed to market risk as a consequence of its trading activities in financial markets and through the asset and liability management of its financial position. In Westpac's financial markets trading business, it is exposed to losses arising from adverse movements in levels and volatility of interest rates, foreign exchange rates, commodity prices, credit prices and equity prices. If Westpac were to suffer substantial losses due to any market volatility, this may adversely affect its business, prospects, liquidity, capital resources, financial performance or financial condition.

### **6.2.11 Westpac could suffer losses due to operational risks**

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events, including legal risk but excluding strategic and reputational risk. It also includes, among other things, technology risk, model risk and outsourcing risk. Westpac, as a financial services organisation, is exposed to a variety of operational risks.

Westpac is also highly dependent on the conduct of its employees, contractors and external service providers. Westpac could, for example, be adversely affected in the event of human error, inadequate or failed processes, or if an employee, contractor or external service provider engages in fraudulent conduct. Westpac could incur losses from incorrect or fraudulent payments and settlements, particularly real-time payments. Westpac could also incur losses from an unintentional or negligent failure to meet a professional obligation to specific clients, including fiduciary and suitability requirements, or from the nature or design of a product. These may include client, product and business practice risks such as product defects and unsuitability, market manipulation, insider trading, misleading or deceptive conduct, and inadequate or defective financial advice. While Westpac has policies and processes to minimise the risk of human error and employee, contractor or external service provider misconduct, these policies and processes may not always be effective.

Fraudulent conduct can also emerge from external parties seeking to access Westpac's systems and customers' accounts. If systems, procedures and protocols for managing and minimising fraud fail, or are ineffective, they could lead to loss which could adversely affect Westpac's business, prospects, reputation, financial performance or financial condition.

Entities within the Westpac Group may be involved from time to time in legal proceedings arising from the conduct of their business. There is a risk that these contingent liabilities may be larger than anticipated or that additional litigation or other contingent liabilities may arise.

As a financial services organisation, Westpac is heavily reliant on the use of models in the conduct of its business. Westpac is therefore exposed to model risk, being the risk of loss arising because of errors or inadequacies in a model, or in the control and use of the model.

Westpac relies on a number of suppliers, both in Australia and overseas, to provide services to it and its customers. Failure by these suppliers to deliver services as required could disrupt services and adversely impact Westpac's operations, profitability or reputation.

Operational risks could impact on Westpac's operations or adversely affect demand for its products and services. Operational risks can directly impact Westpac's reputation and result in financial losses which would adversely affect Westpac's financial performance or financial condition.

### **6.2.12 Westpac could suffer losses due to security breaches or technology failures**

The reliability and security of Westpac's information and technology infrastructure are crucial in maintaining our banking applications and processes. There is a risk that Westpac's information and technology systems might fail to operate properly or become disabled as a result of events that are wholly or partially beyond Westpac's control.

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The proliferation of new technologies, the increasing use of the internet and telecommunications to conduct financial transactions and the growing sophistication and activities of organised crime have resulted in increased information security risks for major financial institutions such as Westpac.

While Westpac has systems in place to detect and respond to cyber attacks, there can be no assurance that it will not suffer losses from cyber attacks or other information security breaches in the future.

Our operations rely on the secure processing, storage and transmission of information on Westpac's computer systems and networks, and the systems and networks of external suppliers. Although Westpac implements significant measures to protect the security and confidentiality of its information, there is a risk that the computer systems, software and networks on which it relies may be subject to security breaches, unauthorised access, malicious software, external attacks or internal breaches that could have an adverse impact on Westpac's confidential information or that of its customers and counterparts. Any such security breach could result in regulatory enforcement actions, reputational damage and reduced operational effectiveness. Such events could subsequently adversely affect Westpac's business, prospects, financial performance or financial condition.

Westpac's risk and exposure to such threats remains heightened because of the evolving nature of technology, Westpac's prominence within the financial services industry and its plans to continue to improve and expand its internet and mobile banking infrastructure.

Westpac continues to seek to strengthen and enhance its cybersecurity systems and investigate or remediate any information security vulnerabilities, investing additional resources as required to counter new and emerging threats as they continue to evolve.

Security breaches or cyberattacks on Westpac's networks, systems or devices could result in the loss of customers and business opportunities, theft of intellectual property, significant disruption to Westpac's operations and business, misappropriation of Westpac's confidential information and/or that of its customers, damage to Westpac's computers or systems and/or those of its customers, reputational damage and claims for compensation and regulatory investigations and penalties, which could adversely affect its business, prospects, financial performance, or financial condition.

Further, Westpac's ability to develop and deliver products and services to customers is dependent upon technology that requires periodic renewal. Westpac is constantly managing technology projects including projects to consolidate technology platforms, simplify and enhance Westpac's technology and operations environment, improve productivity and provide for a better customer experience. Failure to implement these projects or manage associated change effectively could result in cost overruns, a failure to achieve anticipated productivity, operational instability or reputational damage. In turn, this could place Westpac at a competitive disadvantage and adversely affect its financial performance.

#### **6.2.13 Westpac could suffer losses due to failures in risk management strategies**

Westpac has implemented risk management strategies and internal controls involving processes and procedures intended to identify, monitor and manage the risks to which it is subject, including liquidity risk, credit risk, market risk (such as interest rate, foreign exchange and equity risk), compliance risk, conduct risk and operational risk all of which may impact the Westpac Group's reputational risk.

However, there are inherent limitations with any risk management framework as there may exist, or emerge in the future, risks that Westpac has not anticipated or identified.

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## INVESTMENT RISKS

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If any of Westpac's risk management processes and procedures prove ineffective or inadequate or are otherwise not appropriately implemented, Westpac could suffer unexpected losses and reputational damage which could adversely affect its business, prospects, financial performance or financial condition.

### **6.2.14 Westpac could suffer losses due to insurance risk**

Westpac has exposure to insurance risk in its life insurance and general insurance businesses, which may adversely affect its business, operations and financial condition.

Insurance risk is the risk of loss due to increases in policy benefits paid to customers arising from variations in the incidence or severity of insured events.

In the life insurance business, insurance risk arises primarily through mortality (death) and morbidity (illness and injury) risks being greater than expected.

In the general insurance business, insurance risk arises mainly through environmental factors (including floods and bushfires) and other calamities, such as earthquakes, tsunamis and volcanic activity, as well as general variability in home, contents, motor, travel and other insurance claim amounts. Further details on environmental risk factors are discussed below.

### **6.2.15 Westpac could suffer losses due to environmental factors**

Westpac and its customers operate businesses and hold assets in a diverse range of geographic locations. Any significant environmental change or external event (including fire, storm, flood, earthquake or pandemic) in any of these locations has the potential to disrupt business activities, impact on Westpac's operations, damage property and otherwise affect the value of assets held in the affected locations and its ability to recover amounts owing to it. In addition, such an event could have an adverse impact on economic activity, consumer and investor confidence, or the levels of volatility in financial markets.

The risk of loss due to environmental factors is also relevant to Westpac's insurance business. The frequency and severity of external events such as natural disasters is difficult to predict and it is possible that the amounts Westpac reserves for such events may not be adequate to cover actual claims that may arise, which could adversely affect its business, prospects, financial performance or financial condition.

### **6.2.16 Reputational damage could harm Westpac's business and prospects**

Westpac's ability to attract and retain customers and its prospects could be adversely affected if its reputation is damaged.

Reputation risk arises where there are differences between stakeholders' current and emerging perceptions, beliefs and expectations and Westpac's current and planned activities, performance and behaviours.

There are various potential sources of reputational damage including failure to effectively manage risks in accordance with Westpac's risk management frameworks, potential conflicts of interest, pricing policies, failure to comply with legal and regulatory requirements, environmental, social and ethical issues, engagement and conduct of external suppliers, failure to comply with money laundering laws, trade sanctions and counter-terrorism finance legislation or privacy laws, litigation, failure of information security systems, improper sales and trading practices, failure to comply with personnel and supplier policies, improper conduct of companies in which Westpac holds strategic investments, technology failures and security breaches. Westpac's reputation could also be adversely affected by the actions of the financial services industry in general or from the actions of its customers, suppliers and other counterparties.

Failure to appropriately address issues that could or do give rise to reputational risk could also impact the regulatory change agenda, give rise to additional legal risk, subject Westpac to regulatory enforcement actions, fines and penalties or remediation costs, or harm its reputation among its customers, investors and the marketplace. This could lead to loss of business which could adversely affect Westpac's business, prospects, financial performance or financial condition.



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### **6.2.17 Westpac could suffer losses due to impairment to capitalised software, goodwill and other intangible assets that may adversely affect its business, operations and financial condition**

In certain circumstances Westpac may be exposed to a reduction in the value of intangible assets. As at 31 March 2014, Westpac carried goodwill principally related to its investments in Australia, other intangible assets principally relating to assets recognised on acquisition of subsidiaries and capitalised software balances.

Westpac is required to assess the recoverability of the goodwill balances on at least an annual basis. For this purpose Westpac uses either a discounted cash flow or a multiple of earnings calculation. Changes in the assumptions upon which the calculation is based, together with expected changes in future cash flows, could materially impact this assessment, resulting in the potential write-off of part or all of the goodwill balances.

Capitalised software and other intangible assets are assessed for indicators of impairment at least annually or indication of impairment. In the event that an asset is no longer in use, or that the cash flows generated by the asset do not support the carrying value, an impairment will be recorded, adversely impacting the Group's financial condition.

### **6.2.18 Westpac could suffer losses if it fails to syndicate or sell down underwritten securities**

As a financial intermediary Westpac underwrites listed and unlisted debt and equity securities. Underwriting activities include the development of solutions for corporate and institutional customers who need capital and investor customers who have an appetite for certain investment products. Westpac may guarantee the pricing and placement of these facilities. Westpac could suffer losses if it fails to syndicate or sell down its risk to other market participants. This risk is more pronounced in times of heightened market volatility.

### **6.2.19 Certain strategic decisions may have adverse effects on Westpac's business**

Westpac, at times, evaluates and may undertake strategic decisions which may include business expansion. The expansion or integration of a new business can be complex and costly and may require Westpac to comply with additional local or foreign regulatory requirements which may carry additional risks. These decisions may, for a variety of reasons, not deliver the anticipated positive business results and could have a negative impact on Westpac's business, prospects, engagement with regulators, financial performance or financial condition.

The summary of risks in this Section 6 is not exhaustive and you should read this Prospectus in its entirety and consult your financial adviser or other professional adviser before deciding whether to invest in Westpac Capital Notes 2.

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# 7

## TAXATION LETTER

**If you are considering applying for Westpac Capital Notes 2, it is important that you understand the taxation consequences of investing in Westpac Capital Notes 2. You should read the Taxation Letter from Allens in this Section, and discuss the taxation consequences with your tax adviser, financial adviser or other professional adviser, before deciding whether to invest.**

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15 May 2014

The Directors  
Westpac Banking Corporation  
Westpac Place  
275 Kent Street  
Sydney NSW 2000

Ladies and Gentlemen

### **Westpac Capital Notes 2**

We have been requested to provide a taxation summary regarding the principal Australian tax consequences for holders of **Westpac Capital Notes 2** to be issued by Westpac Banking Corporation (**Westpac**) for inclusion in the Prospectus.

The summary below is a general outline of the likely tax consequences for individuals, companies and complying superannuation entities who apply to acquire Westpac Capital Notes 2 under the Prospectus, are residents of Australia for the purpose of Australian income tax laws and who hold Westpac Capital Notes 2 on capital account (**Investors**).

The summary does not address all taxation consequences of ownership of Westpac Capital Notes 2, nor the positions of other persons who acquire Westpac Capital Notes 2 in the course of a business of trading or investing in securities, such as share traders, investment companies, banks or insurance companies, or who otherwise hold Westpac Capital Notes 2 on revenue account or as trading stock.

Potential Investors should be aware that the actual tax consequences of ownership of Westpac Capital Notes 2 may differ depending on their individual circumstances. **Information contained in this summary is necessarily general in nature and Investors in Westpac Capital Notes 2 will need to consult their own professional tax advisers regarding the consequences of acquiring, holding or disposing of Westpac Capital Notes 2 in light of their particular circumstances.**

This summary assumes that all of the transactions described in the Prospectus will be carried out in the manner described in the Prospectus.

This summary is provided solely for the benefit of Westpac. It is not to be relied upon by any other person. Allens has consented to the inclusion of this letter in the Prospectus, but this letter should not be taken as a statement about any other matter in the Prospectus or in relation to Westpac or the performance of any investment in Westpac, and is subject to the terms of Allens' consent to be named as set out in the Prospectus.

Allens is an independent partnership operating in alliance with Linklaters LLP.

Beijing > Brisbane > Hanoi > Ho Chi Minh City > Hong Kong > Jakarta > Melbourne > Perth > Port Moresby > Shanghai > Singapore > Sydney > Ulaanbaatar

This summary reflects the current provisions of the *Income Tax Assessment Act 1936 (Cth)* (**1936 Act**) and the *Income Tax Assessment Act 1997 (Cth)* (**1997 Act**), the regulations made under those Acts and the current administrative practice of the Australian Taxation Office (**ATO**). Except where expressly stated, it does not otherwise take into account or anticipate changes in taxation laws, whether by way of future judicial decision or legislative actions.

Capitalised terms used in this letter have the same meaning as in the Prospectus, unless otherwise indicated.

For the purpose of preparing this summary we have been instructed by Westpac that:

- the Westpac Capital Notes 2 will be issued by Westpac in Australia ;
- Westpac intends to apply the proceeds from the issue of the Westpac Capital Notes 2 for general business purposes; and
- Distributions paid on Westpac Capital Notes 2 are expected, but not guaranteed, to be fully franked.

Westpac has applied for a public Class Ruling requesting confirmation of the ATO's views on the principal tax issues considered below. A Class Ruling might not be issued until after the issue of the Westpac Capital Notes 2. When it has been issued, it will be available on the ATO and Westpac websites.

## 1. Distributions

### (a) Franking credits and tax offsets

The Westpac Capital Notes 2 should be regarded as 'non-share equity interests' and Distributions should be treated as 'non-share dividends' which are frankable.

Investors will be required to include the amounts of any Distributions in their assessable income.

Any franking credits attached to those Distributions should also be included in the assessable income of Investors and tax offsets should generally be available, equal to the amounts of the franking credits, subject to the requirements that the Westpac Capital Notes 2 be held 'at risk' for the requisite periods (see below regarding the 'holding period rule') and that the Commissioner of Taxation does not make an adverse determination (see below regarding the 'anti-avoidance rule').

Where Investors that are individuals or complying superannuation entities are entitled to tax offsets, those offsets will either reduce any tax payable by the Investor, or give rise to a tax refund to the extent that the tax offsets exceed the tax that is otherwise payable by the Investor.

To the extent that any Distributions are unfranked, those amounts would also be included in an Investor's assessable income, without any tax offsets.

Investors that are companies are not entitled to refunds of excess tax offsets, but will be entitled to a credit in their franking account equal to the amount of the franking credits attached to a Distribution, subject to the qualifications mentioned above and discussed further below.

**(b) Holding period rule**

An Investor will not be entitled to tax offsets in respect of franking credits on a franked Distribution unless the Investor is a 'qualified person' in relation to the Distribution.

To be a 'qualified person' in relation to a Distribution, an Investor must have held the Westpac Capital Notes 2 'at risk' for a continuous period of at least 90 days (excluding the days of acquisition and disposal) during:

- the 'primary qualification period', which is the period beginning on the day after the day on which the Westpac Capital Notes 2 are acquired by an Investor and ending on the 90<sup>th</sup> day after the day that the Westpac Capital Notes 2 became ex-Distribution; or
- if an Investor, or an associate, is under an obligation to make 'related payments' (which have the effect of passing on the benefit of the Distribution to other entities) in respect of the Distribution, the 'secondary qualification period', which is the period beginning on the 90<sup>th</sup> day before, and ending on the 90<sup>th</sup> day after, the day that the Westpac Capital Notes 2 became ex-Distribution.

To be held 'at risk', the Investor must effectively retain 30% or more of the risks and benefits associated with holding the Westpac Capital Notes 2. Whether or not the Westpac Capital Notes 2 are held 'at risk' by an Investor during the relevant periods will depend upon whether the Investor has financial positions or undertakes risk management strategies (e.g. using limited recourse loans, options or forward sale contracts) in relation to the Westpac Capital Notes 2. On the basis that Investors will continue to hold the Westpac Capital Notes 2 for at least the 'primary qualification period', will not have any financial positions or enter into any relevant risk management strategies in relation to the Westpac Capital Notes 2, and will not be under an obligation to make 'related payments' to other entities, Investors should be 'qualified persons' in relation to Distributions on the Westpac Capital Notes 2.

Investors who are individuals and who will not claim tax offsets in any one year in excess of \$5,000, will automatically be taken to be 'qualified persons' in relation to all Distributions that they receive (provided that they are not under an obligation to make a 'related payment' as described above).

The application of the franking rules to Investors will depend upon the particular circumstances of each Investor. Accordingly, each Investor should seek independent advice as to whether they will be treated as a 'qualified person' in relation to Distributions received on the Westpac Capital Notes 2.

**(c) Anti-avoidance rule**

Section 177EA of the 1936 Act is an anti-avoidance provision which is designed to counter schemes where one of the purposes (other than an incidental purpose) of the scheme is to inappropriately divert franking credits and obtain an imputation benefit. There are a number of different objective factors that the Commissioner

may take into account in forming a view as to whether a scheme has such a purpose. Where section 177EA applies, the Commissioner may make a written determination with the effect of either:

- (i) imposing a franking debit on the distributing entity's franking account; or
- (ii) denying the imputation benefit on the Distribution that flowed directly or indirectly to the relevant taxpayer.

In our view, section 177EA should not apply to the Westpac Capital Notes. Westpac has received a Private Ruling from the Commissioner of Taxation confirming that the Commissioner would not make any such determination under section 177EA in relation to the Westpac Capital Notes 2. That ruling is binding on the Commissioner only in favour of Westpac. However, the Commissioner has indicated that, in the usual case, he would not ordinarily be expected to assert that section 177EA applied to a convertible instrument which satisfied the requirements to be classified as Additional Tier 1 capital. Accordingly, we expect the Commissioner to make a favourable Class Ruling on this issue, which would be binding on the Commissioner in favour of subscribers for Westpac Capital Notes 2.

## 2. Disposals of Westpac Capital Notes 2

We expect the Commissioner of Taxation to take the view that the Westpac Capital Notes 2 are not 'traditional securities' for the purposes of the 1936 Act. On that basis, any gains or losses made by Investors on the disposal of their Westpac Capital Notes 2 will be taxed under the CGT provisions.

A disposal of a Westpac Capital Note 2, whether by an on-market disposal, Redemption, or pursuant to a Transfer Notice, will be a CGT event.

Investors may make a capital gain or a capital loss depending upon whether their capital proceeds from the disposal are more than the cost base for their Westpac Capital Notes 2, or whether the capital proceeds are less than the reduced cost base of their Westpac Capital Notes 2, respectively.

For Investors who acquire Westpac Capital Notes 2 pursuant to the Prospectus, the first element of the cost base of a Westpac Capital Note 2 to an Investor will be the amount paid for the relevant Westpac Capital Note 2, which will be an amount equal to the Initial Face Value of the Westpac Capital Note 2. Other amounts associated with the acquisition or disposal of the Westpac Capital Notes 2, such as broker fees, may be added to the cost base.

The capital proceeds from a Redemption or a Transfer of a Westpac Capital Note 2 will be equal to the Initial Face Value of the Westpac Capital Note 2 (unless there has been a reduction in the Face Value of the Notes because there has been a Capital Trigger Event or a Non-Viability Trigger Event). Therefore, Investors who acquire their Westpac Capital Notes 2 pursuant to the Offer under the Prospectus should not make capital gains on the Redemption or Transfer of their Westpac Capital Notes 2. If, however, the Face Value of the Westpac Capital Notes 2 has been reduced because there has been a Capital Trigger

Event or a Non-Viability Trigger Event, Investors are likely to make a capital loss on the Redemption or Transfer of their Westpac Capital Notes 2.

The capital proceeds that will be received by an Investor from an on-market disposal of a Westpac Capital Note 2 will be the on-market sale price of the Westpac Capital Note 2. Investors who sell their Westpac Capital Notes 2 on-market may make capital gains or capital losses on the disposal of their Westpac Capital Notes 2, depending upon the amount of capital proceeds that they receive.

Any capital gain or capital loss made by an Investor would be aggregated with other capital gains and capital losses of the Investor in the relevant year of income to determine whether the Investor has a net capital gain or net capital loss. A net capital gain, if any, will be included in the Investor's assessable income and is subject to income tax, however the 'CGT Discount' may be available to reduce the taxable gain for the Investor, as described below. A net capital loss may not be deducted against other assessable income, but may be carried forward to be offset against net capital gains realised in later income years.

If an Investor is an individual, complying superannuation entity or a trust, and held their Westpac Capital Notes 2 for 12 months or more before the disposal, the Investor would be entitled to a 'CGT Discount' for any capital gain made on the disposal of their Westpac Capital Notes 2.

The CGT Discount provisions may entitle Investors to reduce their capital gain on the disposal of a Westpac Capital Note 2 (after deducting available capital losses) by half, in the case of individuals and trusts, or by one-third, in the case of complying superannuation entities. However, trustees should seek specific advice regarding the tax consequences of making distributions attributable to discounted capital gains.

The 'CGT Discount' is not available to companies, nor can it apply to Westpac Capital Notes 2 disposed of by Investors under an agreement entered into within 12 months of the acquisition of the Westpac Capital Notes 2 by those Investors. Investors should seek independent advice to determine if their Westpac Capital Notes 2 have been held for the requisite period.

### **3. Conversion of Westpac Capital Notes 2**

For each Westpac Capital Note 2 that is Converted, an Investor's rights in relation to the Westpac Capital Note 2 will be terminated for an amount equal to the Face Value of the Westpac Capital Note 2 and Westpac will apply that amount for the Investor in subscribing for Ordinary Shares which are to be issued by Westpac at a discount. The Conversion of a Westpac Capital Note 2 into Ordinary Shares in this way should not give rise to a capital gain or a capital loss, nor an assessable revenue gain or a deductible revenue loss, for an Investor. The recognition of any gain or loss that might otherwise have arisen on the termination of a Westpac Capital Note 2 is effectively deferred until any subsequent sale of the Ordinary Shares acquired by the Investor from the Conversion.

The first element of the cost base or reduced cost base of the Ordinary Shares acquired as a result of the Conversion of a Westpac Capital Note 2 will be the amount of the Investor's cost base for the Converted Westpac Capital Note 2.

The Ordinary Shares that will be acquired as a result of a Conversion of Westpac Capital Notes 2 are taken to have been acquired by Investors, for capital gains tax purposes, including for the purpose of calculating the 12 month ownership period required for the 'CGT discount' (see above), at the time of Conversion.

The capital proceeds that will be received by an Investor on a subsequent disposal of an Ordinary Share on-market will be the sale price of the Ordinary Share.

Any capital gain (or capital loss) made by an Investor will be aggregated with other capital gains and capital losses of the Investor in the relevant year of income to determine whether the Investor has a net capital gain or net capital loss. A net capital gain, if any, will be included in the Investor's assessable income and is subject to income tax, however the 'CGT Discount' may be available to reduce the taxable gain for the Investor, in the same way as described above in relation to a disposal of Westpac Capital Notes 2. A net capital loss may not be deducted against other income for income tax purposes, but may be carried forward to be offset against net capital gains realised in later income years.

#### **4. Westpac SPS II holders: Reinvestment Offer or sale to Nominated Party**

Eligible Westpac SPS II holders have the option to participate in the Reinvestment Offer. Under the Reinvestment Offer, Eligible Westpac SPS II holders may choose to sell all or some of their Westpac SPS II on-market through the On-Market Buy-Back Facility for \$100 per Westpac SPS II, with the proceeds of sale (excluding any Pro-Rata Distribution paid by Westpac on the Westpac SPS II to the Reinvestment Offer participants) being automatically applied to acquire Westpac Capital Notes 2.

For Westpac SPS II holders who do not participate in the Reinvestment Offer, it is currently intended that their Westpac SPS II will be transferred to the Nominated Party for \$100 per Westpac SPS II on 30 September 2014. If the transfer to the Nominated Party does not occur for any reason, where the conversion conditions are satisfied on 30 September 2014, the Non-Participating Westpac SPS II will convert into Ordinary Shares or otherwise remain on issue until the first Westpac SPS II distribution payment date on which the conversion conditions are satisfied, unless the Westpac SPS II are otherwise dealt with in accordance with their terms.

The Australian Taxation Office (**ATO**) considers each Westpac SPS II to be a single asset comprised of a Note stapled to a Preference Share that is not a traditional security. On that basis, dealings with the Preference Share or the Note which are components of that single asset do not have tax consequences that should be analysed in isolation from the single asset of which they are treated as being components. The principal consequence of this approach is that a disposal of a Westpac SPS II by a holder should not give rise to separately calculated income or deductions.

The following income tax consequences will generally apply for Eligible Westpac SPS II holders who participate in the Reinvestment Offer, and other Westpac SPS II holders who have their Westpac SPS II purchased by the Nominated Party, who are Australian tax residents, hold their Westpac SPS II as capital assets, are not in the business of dealing or



trading in securities and do not otherwise hold their Westpac SPS II on revenue account for tax purposes.

Eligible Westpac SPS II holders and other Westpac SPS II holders may also wish to refer to Class Ruling CR 2009/19 which contains the ATO's binding views in respect of the tax treatment of certain entities who invested in their Westpac SPS II under the prospectus for the Westpac SPS II. A copy of the Class Ruling is available on Westpac's website at [www.westpac.com.au/westpacsp2](http://www.westpac.com.au/westpacsp2).

**(a) Distributions**

An Eligible Westpac SPS II holder who elects to participate in the Reinvestment Offer will receive a Pro-Rata Distribution on 30 June 2014, calculated in respect of the period from (but excluding) 31 March 2014 to and including 23 June 2014, on each Westpac SPS II, subject to the payment conditions in the Westpac SPS II terms being met.

A Westpac SPS II holder who does not participate in the Reinvestment Offer and continues to hold Westpac SPS II on 20 June 2014, being the record date for the scheduled 30 June 2014 distribution, will receive a Full Distribution on 30 June 2014. The Full Distribution is calculated in respect of the period from (but excluding) 31 March 2014 to and including 30 June 2014. Westpac SPS II holders who continue to hold their Westpac SPS II on the last day of trading in Westpac SPS II (expected to be on 17 September 2014) will receive a Final Distribution on 30 September 2014 on each Westpac SPS II, in respect of the period from (but excluding) 30 June 2014 to (and including) 30 September 2014. In each case, distributions are subject to the payment conditions in the Westpac SPS II terms being met.

We are instructed that Westpac expects all of these distributions to be fully franked. These distributions will be subject to the same taxation treatment as other distributions paid on Westpac SPS II. In particular, Australian resident Westpac SPS II holders should include the amount of each distribution in their assessable income. In addition, if they are not companies and they satisfy the qualified person (related payments and holding period) rules, they should also include an amount equal to the franking credits attached to the distribution in their assessable income, in which case they should qualify for a tax offset equal to the amount of those franking credits.

**(b) CGT consequences**

**(i) Australian residents**

A disposal of a Westpac SPS II, either on-market pursuant to the Reinvestment Offer, or to the Nominated Party on 30 September 2014, will constitute a CGT event for a Westpac SPS II holder.

Westpac SPS II holders may make a capital gain or a capital loss depending on whether their capital proceeds from the disposal are more than their 'cost base' for the Westpac SPS II, or whether the capital

proceeds are less than their 'reduced cost base' of their Westpac SPS II, respectively.

The first element of the cost base, or reduced cost base, of a Westpac SPS II to a holder will be the amount paid for the Westpac SPS II. Other amounts associated with the acquisition or disposal of the Westpac SPS II, such as broker fees, may be added to the cost base.

If the on-market buy-back of Westpac SPS II occurs in the ordinary course of trading, as we understand that Westpac intends will occur, the amount that is received by an Investor on the disposal of a Westpac SPS II on-market will be the capital proceeds from that disposal. That amount would be either the \$100 purchase price paid by Westpac, if it is the purchaser, through the On-Market Buy-back Facility or, if a third party purchases Westpac SPS II at a higher price, the proceeds actually received by the Westpac SPS II holder.

The capital proceeds that will be received on a Transfer to the Nominated Party will be \$100 per Westpac SPS II.

Any capital gain (or capital loss) made by a Westpac SPS II holder from the disposal of their Westpac SPS II will be aggregated with other capital gains and capital losses in the relevant year of income to determine whether the Westpac SPS II holder has a net capital gain or net capital loss. A net capital gain, if any, will be included in the Westpac SPS II holder's assessable income and is subject to income tax, however the 'CGT Discount' may be available to reduce the taxable gain for the Westpac SPS II holder, as described below. A net capital loss may not be deducted against other assessable income, but may be carried forward to be offset against net capital gains realised in later income years.

If a Westpac SPS II holder is an individual, complying superannuation entity or a trust, and held their Westpac SPS II for 12 months or more before the disposal, the Westpac SPS II holder may be entitled to a 'CGT Discount' for any capital gain made on the disposal of their Westpac SPS II. Westpac SPS II holders should seek independent advice to determine if their Westpac SPS II have been held for the requisite period.

The CGT Discount provisions may entitle Westpac SPS II holders to reduce their capital gain on the disposal of a Westpac SPS II (after deducting available capital losses) by half, in the case of individuals and trusts, or by one-third in the case of complying superannuation entities. However, trustees should seek specific advice regarding the tax consequences of making distributions attributable to discounted capital gains. The 'CGT Discount' is not available to companies.

**(ii) Non-residents**

Any capital gain or capital loss made by non-resident Westpac SPS II holders is likely to be disregarded on the basis that Westpac SPS II are not

likely to be 'taxable Australian property' at the time of sale, unless they were used by the non-resident in carrying on business through a permanent establishment in Australia. Any non-resident Westpac SPS II holders who held their Westpac SPS II in the course of a business should obtain specific advice in respect of the potential consequences of that disposal of Westpac SPS II in their particular circumstances.

**(iii) Cost of Notes**

Where Westpac Capital Notes 2 are acquired by Eligible Westpac SPS II holders pursuant to the Reinvestment Offer, the proceeds from the sale of Westpac SPS II that are applied to acquire those Notes will be included in the cost of the Westpac Capital Notes 2 for the purposes of determining any future gain or loss on the disposal, Redemption, Transfer or Conversion of the Notes – refer to parts 2 and 3 above.

## **5. Withholding Requirements**

Westpac is required to deduct withholding tax from payments of any Distributions that may be paid in respect of the Westpac Capital Notes 2 and that are not 100% franked, at the rate specified in the *Taxation Administration Regulations 1976* (currently 46.5%, to be increased to 47% from 1 July 2014 and presently proposed to be increased further to 49%, to reflect the presently proposed 2% Temporary Budget Repair Levy), and remit such amounts to the Australian Taxation Office, unless a Tax File Number or an Australian Business Number has been quoted by an Investor, or a relevant exemption applies (and has been notified to Westpac).

## **6. Taxation of Financial Arrangements (TOFA) rules**

The broad objective of the TOFA rules is to tax financial arrangements on an accruals or marked-to-market basis and the rules are intended to apply to certain 'equity interests' (section 230-50) in some circumstances. The Westpac Capital Notes 2 are 'equity interests' for Australian tax purposes.

The TOFA rules do not generally apply to individuals, superannuation entities or funds with assets of less than \$100 million and any other entities that have aggregated turnovers of less than \$100 million, financial assets of less than \$100 million and total assets of less than \$300 million, except in certain limited circumstances where the relevant arrangement would have been subject to accruals taxation in any event.

In addition, the TOFA provisions provide that the accruals, realisation, foreign exchange retranslation and, generally, the hedging financial arrangements methods, do not apply to gains or losses from a financial arrangement if the arrangement is an 'equity interest'. Therefore, only the fair value or the financial reports method may apply, depending upon an Investor's particular circumstances, to an investment in the Westpac Capital Notes 2.

Investors should seek their own taxation advice as to the potential application of the TOFA rules to their investment in the Westpac Capital Notes 2 in their particular circumstances.

## 7. GST

No GST should be payable by an Investor in respect of acquiring Westpac Capital Notes 2 or on a sale, Conversion, Redemption or Transfer of Westpac Capital Notes 2 other than in respect of brokerage or similar fees.

## 8. Stamp Duty

No stamp duty will be payable by an Investor on the acquisition, sale, Conversion, Redemption or Transfer of Westpac Capital Notes 2, so long as the Westpac Capital Notes 2 and any Ordinary Shares issued to an Investor on Conversion are quoted on ASX (as the Prospectus states is Westpac's intention) and no Investor (on an associate-inclusive basis) will hold an interest (as respectively defined in the landholder stamp duty provisions of New South Wales, Victoria, Queensland, South Australia, Western Australia and the Northern Territory) of 90% or more in Westpac (including in Westpac's Ordinary Shares).

No stamp duty will be payable by a Westpac SPS II holder on the sale of Westpac SPS II through the On-Market Buy-Back Facility or a Transfer to the Nominated Party.

## 9. Not financial product advice

The information contained in this opinion does not constitute financial product advice for the purposes of the Corporations Act. The Allens partnership providing this opinion is not licensed, under the Corporations Act, to provide financial product advice. To the extent that this letter contains any information about a financial product within the meaning of the Corporations Act, taxation is only one of the matters that must be considered when making a decision about the relevant financial product. An Investor or prospective Investor should, before making any decision to invest in the Westpac Capital Notes 2 described above, consider taking financial advice from a person who holds an Australian Financial Services Licence under the Corporations Act.

Yours faithfully



ALLENS

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# 8

## SUMMARY OF IMPORTANT DOCUMENTS

**This Section summarises important documents. It does not summarise the Westpac Capital Notes 2 Terms which are set out in full in Appendix B or the Notes Deed Poll which can be obtained from [www.westpac.com.au/westpaccapnotes2](http://www.westpac.com.au/westpaccapnotes2).**

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## SUMMARY OF IMPORTANT DOCUMENTS

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This is only a summary of important documents relating to the Offer. Westpac will provide a copy of certain important documents free of charge to any person who requests a copy during the Offer Period. For a list of those documents and how to get a copy – see Section 9.2.2.

### 8.1 OVERVIEW OF RIGHTS ATTACHING TO THE NOTES

Rights attaching to the Notes are contained in the Westpac Capital Notes 2 Terms.

Some of the rights attaching to the Notes are linked with rights arising under other documents, for example, Notes may be Converted into Ordinary Shares in certain circumstances.

The rights attaching to Ordinary Shares are set out in Westpac's Constitution, the ASX Listing Rules and the Corporations Act.

For a summary of important rights attaching to the Ordinary Shares – see Section 8.2.

### 8.2 RIGHTS ATTACHING TO ORDINARY SHARES

Ordinary Shares may be issued to Holders by Westpac on Conversion. These Ordinary Shares will be issued as fully paid and will rank equally with all other Ordinary Shares already on issue in all respects.

#### 8.2.1 Transfers

Transfers of Ordinary Shares are not effective until registered. Subject to the ASX Listing Rules, Westpac may refuse to register a transfer of Ordinary Shares without giving any reasons. However, the ASX Listing Rules substantially restrict when Westpac may refuse to register a transfer.

Unless otherwise required by law, Westpac is not required to recognise any interest in Ordinary Shares apart from that of registered holders of Ordinary Shares.

Where two or more persons are registered as joint holders of Ordinary Shares, they are taken to hold the Ordinary Shares as joint tenants with rights of survivorship.

Westpac is not required to register more than three persons as joint holders of an Ordinary Share or issue more than one share certificate or holding statement for Ordinary Shares jointly held.

Restrictions apply in respect of persons who become entitled to Ordinary Shares by reason of the death, bankruptcy or mental incapacity of a holder of Ordinary Shares.

#### 8.2.2 Profits and dividends

Holders of Ordinary Shares are entitled to receive such dividends on Ordinary Shares as may be declared by Westpac. Dividends determined by Westpac are payable to holders of Ordinary Shares in proportion to the amounts paid on the Ordinary Shares that they hold.

Dividends must only be paid in accordance with applicable laws and Westpac's Constitution. Westpac is restricted from paying dividends unless:

- Westpac's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- the payment of the dividend is fair and reasonable to Westpac's shareholders as a whole; and
- the payment of the dividend does not materially prejudice Westpac's ability to pay its creditors.

Additionally, dividends would not be payable if making such a payment would breach or cause a breach by Westpac of applicable capital adequacy or other supervisory requirements of APRA, or if Westpac was directed by APRA not to pay a dividend under the Banking Act.

From 1 January 2016, restrictions on the distribution of earnings, including payment of dividends, discretionary bonuses and Additional Tier 1 Capital distributions also apply when capital ratios fall within the CCB (including the D-SIB HLA requirement).

Dividends that are paid, but not claimed, may be invested by the Westpac Directors for the benefit of Westpac until required to be dealt with under any law relating to unclaimed monies.

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### 8.2.3 Winding Up of Westpac

Subject to the preferential entitlement (if any) of preference shareholders, holders of Ordinary Shares are entitled to share equally in any surplus assets if Westpac is wound up.

### 8.2.4 Meetings and voting rights

Holders of Ordinary Shares are entitled to receive notice of, attend and vote at general meetings of Westpac. Each holder of Ordinary Shares present at a general meeting (whether in person or by proxy or representative) is entitled to one vote on a show of hands or, on a poll, one vote for each Ordinary Share held.

### 8.2.5 Issue of further Ordinary Shares

The Westpac Directors control the issue of Ordinary Shares. Subject to the Corporations Act, the Westpac Directors may issue further Ordinary Shares, and grant options and pre-emptive rights over Ordinary Shares, on terms as they think fit.

## 8.3 RIGHTS ATTACHING TO APPROVED SUCCESSOR SHARES

If Westpac is replaced as the ultimate holding company of the Westpac Group by an Approved Successor, and the Westpac Capital Notes 2 Terms are amended to enable substitution of the Approved Successor as debtor of the Westpac Capital Notes 2 and the issuer of ordinary shares on Conversion, Holders will be issued with Approved Successor Shares on Conversion (rather than Ordinary Shares). In order to be classified as an Approved Successor, the shares of the proposed successor holding company must be listed on an internationally recognised stock exchange – see clause 16.2 of the Notes Terms (definition of “Acquisition Event”). The Approved Successor will be obliged to use all reasonable endeavours to obtain quotation of the Approved Successor Shares issued under the Westpac Capital Notes 2 Terms on the stock exchanges on which the other Approved Successor Shares are quoted at the time of a Conversion – see clause 13.4 of the Westpac Capital Notes 2 Terms.

## 8.4 SUMMARY OF THE OFFER MANAGEMENT AGREEMENT

Westpac and the Joint Lead Managers entered into the Offer Management Agreement (“OMA”) on 7 May 2014. Under the OMA Westpac has appointed Westpac Institutional Bank, ANZ Securities, Commonwealth Bank of Australia, Deutsche Bank, Goldman Sachs and National Australia Bank as the Joint Lead Managers and joint bookrunners for the Offer. Under the OMA, the Joint Lead Managers agreed to conduct the Bookbuild before the Opening Date. In this process, Syndicate Brokers and Institutional Investors were invited to lodge bids for a number of Notes at various margins within an indicative Margin range. Using those bids, Westpac and the Joint Lead Managers set the Margin and determined the firm Allocations to Syndicate Brokers and Institutional Investors. The Bookbuild was conducted on the terms and conditions in the OMA.

The OMA contains various representations and warranties, and imposes various obligations on Westpac, including representations, warranties and obligations to ensure that this Prospectus complies with the Corporations Act and ASX Listing Rules, and to conduct the Offer under the agreed timetable, ASX Listing Rules, Prospectus and all other applicable laws.

The OMA provides that Westpac will not, without the Joint Lead Managers’ consent (not to be unreasonably withheld or delayed), allot, agree to allot or indicate in any way that it may or will allot or agree to allot any hybrid debt or preference security with Tier 1 Capital or Tier 2 Capital status in the Australian retail market before the Issue Date, other than pursuant to the Offer and in certain other specified circumstances.

Westpac has agreed to indemnify the Joint Lead Managers (other than Westpac Institutional Bank) and parties affiliated with each Joint Lead Manager against damages, losses, costs, expenses and liabilities in connection with the Offer, other than where these result from any fraud, recklessness, wilful misconduct or negligence of the indemnified parties or certain other events.

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## SUMMARY OF IMPORTANT DOCUMENTS

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### 8.4.1 Settlement support

Each Joint Lead Manager agreed to provide settlement support for the number of Notes Allocated to Syndicate Brokers under the Bookbuild. Under the OMA, as part of that settlement support, each Joint Lead Manager will pay to Westpac, or procure payment to Westpac of, its JLM Broker Firm Amount under the Bookbuild by the settlement date (20 June 2014). Each Joint Lead Manager is only responsible for ensuring that payment is made for Notes Allocated to them or at their direction. Westpac Institutional Bank need only pay, or procure payment, to Westpac of the proportion of its JLM Broker Firm Amount, Third Party Broker Firm Amount, Institutional Amount and Co-Manager Amount that it actually receives from third party investors.

### 8.4.2 Fees

Under the OMA, Westpac will pay:

- to Westpac Institutional Bank:
  - a selling fee of 1.00% of the Third Party Broker Firm Amount; and
  - a selling fee of 1.00% of the Co-Manager Amount,while Westpac Institutional Bank is responsible for paying all fees payable to any Co-Managers and Third Party Brokers;
- each Joint Lead Manager a selling fee of 1.00% of that Joint Lead Manager's JLM Broker Firm Amount (provided that Westpac Institutional Bank will only receive this fee in respect of the portion of its JLM Broker Firm Amount for which it has obtained payment and which is not allocated in respect of Institutional Investors);
- each Joint Lead Manager (which includes Westpac Institutional Bank) whose bid into Bookbuild equals or exceeds a minimum threshold, a bookrunning fee of 0.50% of that Joint Lead Manager's JLM Broker Firm Amount;
- to Westpac Institutional Bank 0.50% of the sum of the Third Party Broker Firm Amount and the Co-Manager Amount; and
- Westpac Institutional Bank a selling fee of 0.25% of the Institutional Amount for which it has obtained payment.

The Joint Lead Managers may pay fees on behalf of Westpac to Australian financial services licensees

and their authorised representatives ("External Third Parties"), in respect of Notes Allocated to them for allocation to their clients. Under the OMA, the amount of the fee payable to an External Third Party must not exceed 1% of the valid Applications received from that External Third Party, unless the External Third Party is an affiliate of the Joint Lead Manager or an External Third Party approved by Westpac, in which case the amount of the fee payable to that External Third Party by a Joint Lead Manager may not exceed 1.5% of valid Applications received from that External Third Party and that fee must not be provided by the External Third Party to other persons. External Third Parties may in turn rebate fees to other External Third Parties for procuring Applications for Notes by their clients, among other things. The amount of the fee paid to an External Third Party by another External Third Party may not exceed 1% of valid Applications received from that External Third Party.

### 8.4.3 Termination

Any/each Joint Lead Manager may terminate its obligations under the OMA on the occurrence of a number of customary termination events, including (among others):

- a credit rating downgrade of Westpac;
- a specified fall in the All Ordinaries Index of ASX or the S&P ASX 200;
- ASIC issues a stop order in relation to the Offer;
- a supplementary prospectus is required under section 719 of the Corporations Act;
- ASX refuses to quote the Notes on ASX;
- any person (other than a Joint Lead Manager or Co-Manager) withdraws their consent to be named in the Prospectus;
- certain breaches of the OMA;
- Westpac withdraws the Prospectus or the Offer;
- trading of Ordinary Shares, Westpac TPS, Westpac SPS II, Westpac CPS, Westpac Subordinated Notes 2012, Westpac Subordinated Notes 2013 or Westpac Capital Notes is suspended for a certain period of time, or, Westpac TPS, Westpac SPS II, Westpac CPS, Westpac Subordinated Notes 2012, Westpac Subordinated Notes 2013, Westpac Capital Notes or Ordinary Shares cease to be quoted on ASX;



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- unauthorised alterations to the Notes Deed Poll or Westpac's Constitution; and
  - an adverse change in the financial position or prospects of the Westpac Group.

Certain termination events will only give rise to a right to terminate if the Joint Lead Manager has reasonable and bona fide grounds to believe and does believe that the event has or is likely to have a material adverse effect on the Offer. If termination occurs, the Joint Lead Manager who terminates (or each Joint Lead Manager that terminates) will no longer be a lead manager or bookrunner and will not be obliged to conduct the Bookbuild or provide settlement support for the Bookbuild.

Under the OMA, if one Joint Lead Manager terminates, each other Joint Lead Manager must give notice in writing to Westpac and each of the terminating Joint Lead Managers stating whether it will also terminate or whether it will assume the obligations of the terminating Joint Lead Manager(s).

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## **ADDITIONAL INFORMATION**

**You should be aware of a number of other matters that may not have been addressed in detail elsewhere in this Prospectus.**

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## 9.1 RESTRICTIONS ON OWNERSHIP FOR WESTPAC

The *Financial Sector (Shareholdings) Act 1988* (Cth) restricts the aggregate voting power of a person and their associates in an Australian bank to 15%. A shareholder may apply to the Treasurer of the Commonwealth of Australia to extend its stake beyond 15%, however approval cannot be granted unless the Treasurer is satisfied that it is in the national interest to approve a holding of greater than 15%.

Acquisitions of interests in shares in Australian companies by foreign persons are subject to review and approval by the Treasurer of the Commonwealth of Australia under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) in certain circumstances. Potential investors should consult their professional advisers to determine whether the *Foreign Acquisitions and Takeovers Act 1975* (Cth) may affect their holding or ownership of Notes or Ordinary Shares.

## 9.2 INFORMATION, DISCLOSURE AND AVAILABILITY

### 9.2.1 Reporting and disclosure obligations

Westpac is a disclosing entity for the purposes of the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These obligations require that Westpac prepare both yearly and half-yearly financial statements and a report on the operations of Westpac during the relevant accounting period together with an audit or review report by its auditor. Copies of these documents and other documents lodged with ASIC by Westpac may be obtained from, or inspected at, an ASIC office.

Westpac also has an obligation under the ASX Listing Rules to notify ASX immediately of any information concerning Westpac of which it becomes aware and which a reasonable person would expect to have a material effect on the price or value of Westpac's securities unless exceptions from disclosure apply under ASX Listing Rules. ASX maintains records of company announcements for all companies listed on ASX. Westpac's announcements may be viewed on ASX's website ([www.asx.com.au](http://www.asx.com.au)).

### 9.2.2 Accessing information about Westpac

Westpac will provide a copy of any of the following documents free of charge to any person who requests a copy during the Offer Period in relation to this Prospectus:

- the financial statements of Westpac for the year ended 30 September 2013 (being the most recent annual financial statements lodged with ASIC before the lodgement of this Prospectus);
- the interim financial report of Westpac for the half year ended 31 March 2014 (being the most recent interim financial statements lodged with ASIC before the lodgement of this Prospectus);
- any document or financial statement lodged by Westpac with ASIC or ASX under the continuous disclosure reporting requirements in the period after the lodgement of the interim financial report and before the lodgement of the Prospectus; and
- Westpac's Constitution.

Copies of the above documents may be obtained in person or in writing from Westpac at:

Westpac Group Secretariat  
Level 20  
275 Kent Street  
Sydney NSW 2000

## 9.3 CONSENTS

Each Westpac Director has given, and not withdrawn, their consent to the lodgement of this Prospectus with ASIC.

Each of the parties (referred to as "**Consenting Parties**"), who are named below:

- has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified in points 4 and 5 below;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements or omissions from this Prospectus, other than the reference to its name and/or statement or report included in this Prospectus with the consent of that Consenting Party;

## ADDITIONAL INFORMATION

- has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named;
- in the case of Allens, has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of the Taxation Letter in the form and context in which it appears in this Prospectus; and
- in the case of Pacific Custodians Pty Limited, has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of its Financial Services Guide in the form and context in which it appears in Appendix C to this Prospectus.

Role	Consenting Parties
<b>Arranger</b>	Westpac Institutional Bank
<b>Joint Lead Managers</b>	Westpac Institutional Bank ANZ Securities Commonwealth Bank of Australia Deutsche Bank Goldman Sachs National Australia Bank
<b>Co-Manager</b>	JBWere Limited
<b>Legal and tax adviser to the Offer</b>	Allens
<b>Auditor</b>	PricewaterhouseCoopers
<b>Accounting adviser</b>	PricewaterhouseCoopers Securities Ltd
<b>Registrar</b>	Link Market Services Limited
<b>Online Manager</b>	Westpac Online Investing acting through Westpac Securities Limited
<b>On-Market Buying Broker</b>	Deutsche Bank
<b>On-Market Sale Agent</b>	Pacific Custodians Pty Limited
<b>Agent of the On-Market Sale Agent</b>	Goldman Sachs
<b>Settlement agent</b>	Deutsche Bank

### 9.4 INTERESTS OF ADVISERS

Westpac Institutional Bank has acted as arranger and a Joint Lead Manager, in respect of which it will receive the fees set out in Section 8.4.2. The remaining Joint Lead Managers and Co-Managers will receive fees, as also set out in Section 8.4.2.

Allens has acted as legal and tax adviser to Westpac in relation to the Offer and has performed work in relation to preparing the due diligence and verification program, performed due diligence required on legal and taxation matters, and has prepared the Taxation Letter included in Section 7. In respect of this work, Westpac estimates that it will pay to Allens approximately \$400,000 (excluding disbursements and GST). Further amounts in relation to the Offer may be paid to Allens under its normal time-based charges.

PricewaterhouseCoopers Securities Ltd has acted as the accounting adviser to Westpac. Westpac estimates that it will pay approximately \$75,000 (excluding disbursements and GST) to PricewaterhouseCoopers Securities Ltd. Further amounts in relation to the Offer may be paid to PricewaterhouseCoopers Securities Ltd under its normal time-based charges.

Other than as set out in this Prospectus:

- no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; and
- no promoter or underwriter of the offer of the Notes or financial services licensee named in this Prospectus as a financial services licensee involved in the offer of the Notes,

holds at the date of this Prospectus, or has held in the two years before that date, an interest in:

- the formation or promotion of Westpac;
- the offer of the Notes; or
- any property acquired or proposed to be acquired by Westpac in connection with its formation or promotion or with the offer of the Notes.

Other than as set out in this Prospectus, no such person has been paid or agreed to be paid any amount, nor has any benefit been given or agreed to be given to any such persons for services provided by them, in connection with the formation or promotion of Westpac or with the Offer.

## 9.5 INTERESTS OF WESTPAC DIRECTORS

The Directors' interests in Ordinary Shares as at 12 May 2014 are detailed in the following table:

Westpac Director	Ordinary Shares
Lindsay Maxsted	16,945
Gail Kelly	1,542,459
Elizabeth Bryan	26,117
Robert Elstone	10,000
Peter Hawkins	15,218
Ann Pickard	10,800 <sup>1</sup>
Ewen Crouch	34,492
Peter Marriott	20,000
Alison Deans	Nil

The Westpac Directors and their associates may acquire Notes offered under this Prospectus subject to the ASX Listing Rules, including any waivers described in Section 9.8.

Other than as set out above, no Westpac Director or proposed Westpac Director holds, at the date of this Prospectus, or has held in the two years before that date, an interest in:

- the formation or promotion of Westpac;
- the Offer; or
- any property acquired or proposed to be acquired by Westpac in connection with its formation or promotion or with the Offer.

No Westpac Director or proposed Westpac Director has been paid or agreed to be paid any amount (whether in cash or in shares or otherwise), nor has any benefit been given or agreed to be given to any Westpac Director or proposed Westpac Director to induce them to become or qualify them as a Westpac Director, or for services provided by them in connection with the formation or promotion of Westpac or with the Offer.

## 9.6 WESTPAC LEGAL PROCEEDINGS

Contingent liabilities exist in respect of actual and potential claims and proceedings. An assessment of Westpac's likely loss has been made on a case-by-case basis for the purposes of Westpac's 31 March 2014 interim financial report and specific provisions have been made where appropriate. Refer to note 10 of Westpac's interim financial report for further details.

## 9.7 ASIC RELIEF

ASIC relief has been obtained to enable Westpac to issue a "transaction-specific" prospectus which complies with section 713 of the Corporations Act in relation to the Offer.

ASIC relief has also been obtained in relation to:

- sections 601QA(1), 911A(2)(1) and 1020F(1) (a) of the Corporations Act in relation to the On-Market Buy-Back Facility, and confirmation has been obtained that to the extent Westpac invites a holder of a Westpac SPS II to make an offer to sell their Westpac SPS II through the On-Market Buy-Back Facility, Westpac does not need to comply with Division 5A of Part 7.9 of the Corporations Act. This relief also applies to each of the Registrar, Pacific Custodians Pty Limited (as the On-Market Sale Agent), Goldman Sachs (as agent of the On-Market Sale Agent), Deutsche Bank (as the On-Market Buying Broker) and Deutsche Securities Australia Limited (as the ASX participant for the On-Market Buying Broker); and
- provisions of Division 2 of Part 7.7 of the Corporations Act as they potentially apply to Pacific Custodians Pty Limited, so that this Prospectus can include the Financial Services Guide for Pacific Custodians Pty Limited in relation to the On-Market Buy-Back Facility (see Appendix C) and such a Financial Services Guide does not need to be issued separately.

<sup>1</sup> Ann Pickard's interests arise through holding 10,800 Westpac American Depository Shares ("ADS"). One ADS represents one Westpac Ordinary Share.

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## ADDITIONAL INFORMATION

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### 9.8 ASX WAIVERS AND APPROVALS

Westpac has received the following ASX waivers or confirmations in relation to the Westpac Capital Notes 2 Terms and the Offer:

- Listing Rule 10.11 has been waived to the extent necessary to permit the Westpac Directors and their associates to participate in the Offer and be issued Notes without shareholder approval on the following conditions:
  - the number of Notes which may be issued to Westpac Directors and their associates collectively is no more than 0.2% of the total number of Notes issued under the Offer, and the participation of the Westpac Directors and their associates in the Offer is on the same terms and conditions as applicable to other subscribers for Notes;
  - Westpac releases the terms of the waiver to the market when the Offer is announced; and
  - when the Notes are issued, Westpac announces to the market the total number of Notes issued to the Westpac Directors and their associates in aggregate;
- the Westpac Capital Notes 2 Terms are appropriate and equitable for the purposes of Listing Rule 6.1;
- Listing Rule 6.12 does not apply to the terms of issue of the Notes which provide for their Conversion or Redemption;
- for the purposes of Listing Rule 7.1, it is acceptable that the maximum number of Ordinary Shares into which the Notes can be Converted in accordance with Listing Rule 7.1B.1(c) will be calculated based on the market price of Ordinary Shares at the close of trade on the trading day prior to the date of issue of this Prospectus; and
- that the issue of Ordinary Shares on Conversion of the Notes will be within exception 4 of Listing Rule 7.2

ASX has also agreed to allow Notes to trade on a deferred settlement basis for a short time following the issue of the Notes (subject to certain conditions).

Westpac has received the following ASX confirmations in relation to Westpac SPS II and the Reinvestment Offer:

- that the amendments to the terms of Westpac SPS II described in Section 3.5.1 are appropriate and equitable for the purposes of Listing Rule 6.1; and
- that the Pro-Rata Distribution is permitted under Listing Rule 6.10

ASX has also provided certain confirmations in relation to the On-Market Sale Agent's use of CHES message functionality in connection with the On-Market Buy-Back Facility.

### 9.9 FOREIGN SELLING RESTRICTIONS

#### 9.9.1 Other foreign jurisdictions

The distribution of this Prospectus (including an electronic copy) in jurisdictions outside Australia may be restricted by law. If you come into possession of this Prospectus in jurisdictions outside Australia, then you should seek advice on, and observe, any such restrictions. If you fail to comply with such restrictions, that failure may constitute a violation of applicable securities laws.

This Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify Notes or the Offer or to otherwise permit a public offering of Notes in any jurisdiction outside Australia.

#### 9.9.2 United States

The Notes have not been and will not be registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold, delivered or transferred in the United States or to, or for the account or benefit of, any US Person. Neither this Prospectus nor any Application Form or other materials relating to the Offer may be distributed in the United States.

Each of the Joint Lead Managers has agreed that it will not offer, sell, deliver or transfer the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offer and Issue Date (the "**Distribution Compliance Period**"), within the United States or to, or for the account or benefit of, US Persons, and it will have sent to each dealer, distributor or other

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relevant parties to which Notes are Allocated during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers, sales, deliveries and transfers of the Notes within the United States or to, or for the account or benefit of, US Persons.

In addition, until 40 days after the commencement of the Offer, an offer or sale of Notes within the United States by any dealer that is not participating in the Offer may violate the registration requirements of the US Securities Act.

Each of the Joint Lead Managers has agreed that (i) neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts within the meaning of Rule 902 under the US Securities Act with respect to the Notes, and it and they have complied with and will comply with the offering restrictions requirement of Regulation S under the US Securities Act and (ii) it has not entered into and, without Westpac's prior consent, will not enter into, any contractual arrangement with respect to the distribution of the Notes, except with its affiliates.

### 9.9.3 New Zealand

This Prospectus has not been and will not be registered in New Zealand. Notes may not be offered or sold directly or indirectly in New Zealand, other than:

- to persons whose principal business is the investment of money;
- to persons who in the course of and for the purposes of their business habitually invest money; or
- in any other circumstance which does not constitute an offer to the public within the meaning of section 3(2) of the *Securities Act 1978 (New Zealand)*.

## 9.10 ACKNOWLEDGMENT AND PRIVACY STATEMENT

By completing and submitting an Application Form or making an online Application you acknowledge that you have read this Prospectus.

Westpac is required to collect certain information about Holders under company and tax law. Applicants will be asked to provide personal information to Westpac (directly or via its agents, including the Registrar). You acknowledge that the personal information submitted as part of this form and otherwise provided to Westpac (directly or via its agents, including the Registrar) will be collected, used and disclosed by Westpac (and its agents, including the Registrar) in order to process your Application, service your needs as a holder of Westpac Capital Notes 2 (and following Conversion, if applicable, your holding of Ordinary Shares), provide facilities and services that you request, carry out appropriate administration, send you information about the products and services of members of the Westpac Group, including future offers of securities and as otherwise required or authorised by law (including, without limitation, any law relating to taxation, money laundering or counter-terrorism).

Such disclosure may include disclosure to third parties including other members of the Westpac Group and to Westpac's agents, service providers, auditors and advisors. Such disclosure may also include disclosure to domestic and overseas regulators or other government agencies (including ASIC and the Australian Taxation Office), stock exchanges, and the public by way of public registers maintained by regulators or other bodies. Some of these recipients may be located outside Australia. You acknowledge that if you do not provide the personal information required by the Application Form, it might not be possible to process your Application, administer your securityholding and/or send you information about the products and services of members of the Westpac Group, including future offers of securities.

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## **ADDITIONAL INFORMATION**

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If you do not wish to receive information about the products and services of members of the Westpac Group, including future offers of securities, please contact the Westpac Capital Notes 2 Information Line (Monday to Friday, 8.30am to 5.30pm, Sydney time) on 1300 551 547 and request that we do not send you marketing material.

Westpac's privacy policy available on Westpac's website ([www.westpac.com.au](http://www.westpac.com.au)) contains information about how you may access and seek correction of the personal information that Westpac holds about you, how you may complain about a breach of the *Privacy Act 1988* (Cth) by Westpac and how Westpac will deal with such a complaint.

### **9.11 GOVERNING LAW**

This Prospectus and the contracts that arise from the acceptance of Applications are governed by the law applicable in New South Wales, Australia and each Applicant submits to the exclusive jurisdiction of the courts of New South Wales, Australia.





# APPENDIX A GLOSSARY

The following is a glossary of terms used in this Prospectus. There is also a list of defined terms in clause 16.2 of the Westpac Capital Notes 2 Terms.

## APPENDIX A

### GLOSSARY

Defined terms in this glossary and in clause 16.2 of the Westpac Capital Notes 2 Terms are used throughout this Prospectus and the attached, or accompanying, Application Forms.

<b>ABN</b>	Australian Business Number
<b>Acquisition Event</b>	<p>occurs when:</p> <ul style="list-style-type: none"> <li>• a takeover bid is made and certain conditions are satisfied; or</li> <li>• a scheme of arrangement is proposed and approved and certain conditions are satisfied</li> </ul> <p>An Acquisition Event does not occur upon the proposed replacement of Westpac as the ultimate holding company of the Westpac Group if certain conditions are met</p>
<b>Acquisition Event Conversion Date</b>	has the meaning set out in clause 5.9(a)(iii) of the Westpac Capital Notes 2 Terms
<b>Additional Tier 1 Capital</b>	has the meaning prescribed by APRA in the Prudential Standards
<b>ADI</b>	authorised deposit-taking institution
<b>Administrative Action</b>	any judicial decision, official administrative pronouncement or action, published or private ruling, interpretative decision, regulatory procedure or policy, application of a regulatory procedure or policy and any notice or announcement (including any notice or announcement of intent to adopt or make any of those things)
<b>AFSL</b>	Australian Financial Services Licence
<b>Allocation</b>	<p>the number of Notes allocated under the Offer to:</p> <ul style="list-style-type: none"> <li>• Eligible Westpac SPS II Holders and Eligible Securityholders at the end of the Offer Period; and</li> <li>• Syndicate Brokers and Institutional Investors under the Bookbuild</li> </ul> <p><b>Allocate, Allocated</b> and <b>Allocating</b> have the corresponding meanings</p>
<b>Allotment</b>	<p>the issue of Notes to Applicants on the Issue Date under their Allocation</p> <p><b>Allotted</b> and <b>Allot</b> have the corresponding meanings</p>
<b>ANZ Securities</b>	ANZ Securities Limited (ABN 16 004 997 111)
<b>Applicant</b>	a person who submits an Application in accordance with the Prospectus
<b>Application</b>	a valid application and/or election to reinvest Westpac SPS II made under this Prospectus by using the relevant Application Form to apply for a specified number of Notes and/or reinvest a specified number of Westpac SPS II
<b>Application Form or Application Forms</b>	the application form (being the Reinvestment Form, the Securityholder Application Form or the Broker Firm Application Form) attached to or accompanying this Prospectus, or an online version of the Application Form, upon which an Application may be made
<b>Application Payment</b>	the monies payable on Application, calculated as the number of Notes applied for multiplied by the Initial Face Value

<b>Approved Successor</b>	a holding company that replaces, or is proposed to replace, Westpac as the ultimate holding company of the Westpac Group and that satisfies the requirements under paragraphs (c) to (h) of the definition of “Acquisition Event” in clause 16.2 of the Westpac Capital Notes 2 Terms
<b>Approved Successor Share</b>	a fully paid ordinary share in the capital of the Approved Successor
<b>APRA</b>	Australian Prudential Regulation Authority
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASTC</b>	ASX Settlement Pty Limited (ABN 49 008 504 532)
<b>ASX</b>	ASX Limited (ABN 98 008 624 691) or the financial market operated by ASX Limited, as the context requires
<b>ASX Listing Rules or Listing Rules</b>	the listing rules of ASX with any modification or waivers which ASX may grant to Westpac
<b>ASX Market Rules</b>	the operating rules of ASX from time to time
<b>ATO</b>	Australian Taxation Office
<b>Bank Bill Rate</b>	has the meaning given in clause 3.1 of the Westpac Capital Notes 2 Terms
<b>Banking Act</b>	the <i>Banking Act 1959</i> (Cth)
<b>BCBS</b>	Basel Committee on Banking Supervision
<b>Bookbuild</b>	the process conducted by the Joint Lead Managers as agents for Westpac to determine the Margin and firm Allocations of the Notes to certain Syndicate Brokers and Institutional Investors
<b>Broker Firm Applicant</b>	an Australian resident retail client of a Syndicate Broker who applies for a broker firm Allocation from a Syndicate Broker under the Broker Firm Offer
<b>Broker Firm Application Form</b>	the Application Form attached to or accompanying this Prospectus upon which a Broker Firm Applicant can make an Application
<b>Broker Firm Offer</b>	the invitation made to Australian resident retail clients of the Syndicate Brokers to apply for a broker firm Allocation from the relevant Syndicate Broker under this Prospectus
<b>Business Day</b>	a business day as defined in the ASX Listing Rules
<b>Buy Back</b>	a transaction involving the acquisition by Westpac of its Ordinary Shares pursuant to the provisions of Part 2J of the Corporations Act
<b>Capital Reduction</b>	a reduction in capital by Westpac of its Ordinary Shares in any way permitted by the provisions of Part 2J of the Corporations Act
<b>Capital Securities</b>	Ordinary Shares or any equity, hybrid or subordinated debt capital security (whether comprised of one or more instruments) issued by Westpac excluding the Notes
<b>Capital Trigger Event</b>	occurs when: <ul style="list-style-type: none"> <li>• Westpac determines; or</li> <li>• APRA notifies Westpac in writing that it believes,</li> </ul> that either or both the Westpac Level 1 Common Equity Tier 1 Capital Ratio or Westpac Level 2 Common Equity Tier 1 Capital Ratio (each as defined in the Westpac Capital Notes 2 Terms) is equal to or less than 5.125%

## APPENDIX A

### GLOSSARY

<b>Capital Trigger Event Conversion Date</b>	has the meaning set out in clause 5.2(d)(iii) of the Westpac Capital Notes 2 Terms
<b>CCB</b>	capital conservation buffer
<b>Change of Law</b>	<ul style="list-style-type: none"> <li>an amendment to, change in or announced prospective change that has been or will be introduced in any laws or regulations under those laws affecting taxation in Australia;</li> <li>a judicial decision interpreting, applying or clarifying laws or regulations affecting taxation in Australia;</li> <li>an administrative pronouncement, ruling, confirmation, advice or action (including a failure or refusal to provide a ruling) affecting taxation in Australia that represents an official position, including a clarification of an official position of the governmental authority or regulatory body in Australia making the administrative pronouncement or taking any action; or</li> <li>a challenge in relation to (or in connection with) the Notes asserted or threatened in writing from the Australian Taxation Office,</li> </ul> <p>which amendment or change is announced or which action or clarification or challenge occurs on or after the Issue Date and which Westpac did not expect as at the Issue Date</p>
<b>CHESS</b>	Clearing House Electronic Subregister System operated by ASTC
<b>Closing Date</b>	the last day on which Applications will be accepted, expected to be: <sup>1</sup> <ul style="list-style-type: none"> <li>5.00pm Sydney time on 10 June 2014 for the Reinvestment Offer</li> <li>5.00pm Sydney time on 12 June 2014 for the Securityholder Offer; and</li> <li>5.00pm Sydney time on 12 June 2014 for the Broker Firm Offer</li> </ul>
<b>Co-Manager</b>	JBWere Limited and any other co-managers appointed to the Offer by the Joint Lead Managers and approved by the Joint Lead Managers and Westpac
<b>Co-Manager Amount</b>	the Allocation to any Co-Managers multiplied by the Initial Face Value
<b>Common Equity Tier 1 Capital</b>	has the meaning prescribed by APRA in the Prudential Standards
<b>Common Equity Tier 1 Capital Ratio</b>	has the meaning prescribed by APRA in the Prudential Standards
<b>Commonwealth Bank of Australia</b>	Commonwealth Bank of Australia (ABN 48 123 123 124)
<b>Consenting Party</b>	each of the consenting parties named in Section 9.3
<b>Conversion</b>	the conversion of all, some or a proportion of each Note into Ordinary Shares under the Westpac Capital Notes 2 Terms
	<b>Convert, Converted and Convertible</b> have the corresponding meaning

<sup>1</sup> Westpac and the Joint Lead Managers may, in their absolute discretion close the Offer early or extend the Offer Period without notice. Westpac may also withdraw the Offer at any time before the Notes are issued.

<b>Conversion Date</b>	the applicable: <ul style="list-style-type: none"> <li>• Scheduled Conversion Date;</li> <li>• Capital Trigger Event Conversion Date;</li> <li>• Non-Viability Trigger Event Conversion Date;</li> <li>• Acquisition Event Conversion Date; or</li> <li>• Optional Conversion Date</li> </ul>
<b>Conversion Number</b>	has the meaning given in clause 9.1 of the Westpac Capital Notes 2 Terms
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth)
<b>Deutsche Bank</b>	Deutsche Bank AG, Sydney Branch (ABN 13 064 165 162)
<b>Distribution</b>	interest on the Face Value of each Note as set out in clause 3.1 of the Westpac Capital Notes 2 Terms
<b>Distribution Payment Conditions</b>	the conditions set out in clause 3.3 of the Westpac Capital Notes 2 Terms, being: <ul style="list-style-type: none"> <li>• Westpac's absolute discretion;</li> <li>• the payment of the Distribution not resulting in a breach of Westpac's capital requirements (on a Level 1 basis) or of the Westpac Group's capital requirements (on a Level 2 basis) under the Prudential Standards as they are applied to the Westpac Group at the time of the payment;</li> <li>• the payment of the Distribution not resulting in Westpac becoming, or being likely to become, insolvent for the purposes of the Corporations Act; and</li> <li>• APRA not otherwise objecting to the payment of the Distribution</li> </ul>
<b>Distribution Payment Date</b>	has the meaning given in clause 3.5 of the Westpac Capital Notes 2 Terms
<b>Distribution Period</b>	the period from (but excluding) the Issue Date until (and including) the first Distribution Payment Date or thereafter from (but excluding) each Distribution Payment Date until (and including) the next Distribution Payment Date
<b>Distribution Rate</b>	has the meaning given in clause 3.1 of the Westpac Capital Notes 2 Terms
<b>Dividend</b>	any interim, final or special dividends payable in accordance with the Corporations Act and Westpac's Constitution in relation to Ordinary Shares
<b>D-SIB</b>	Domestic Systemically Important Bank
<b>Eligible Securityholder</b>	a registered holder of Ordinary Shares, Westpac TPS, Westpac CPS, Westpac Subordinated Notes 2012, Westpac Subordinated Notes 2013 and/or Westpac Capital Notes at 7.00pm Sydney time on 30 April 2014 and shown on the Register to have an address in Australia
<b>Eligible Westpac SPS II Holder</b>	a registered holder of Westpac SPS II at 7.00pm, Sydney time on 30 April 2014 and shown on the Register to have an address in Australia
<b>Equal Ranking Capital Securities</b>	has the meaning given in clause 16.2 of the Westpac Capital Notes 2 Terms
<b>Exposure Period</b>	the 7 day period commencing on the day after the Original Prospectus was lodged with ASIC

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### GLOSSARY

<b>Face Value</b>	as applicable, either: <ul style="list-style-type: none"> <li>• the Initial Face Value; or</li> <li>• the Initial Face Value reduced by the amount of Face Value per Note which has previously been Converted in accordance with clause 5.2 or clause 5.4 of the Westpac Capital Notes 2 Terms or the rights in respect of which have been terminated in accordance with clause 5.8 of the Westpac Capital Notes 2 Terms</li> </ul>
<b>FATCA</b>	sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (or any consolidation, amendment, re-enactment or replacement of those provisions and including any regulations or official interpretations issued, agreements entered into or non-US laws enacted with respect to those provisions)
<b>Final Distribution</b>	in respect of Westpac SPS II, means the distribution to be paid to a Non-Participating Westpac SPS II Holder in respect of their Non-Participating Westpac SPS II for the period from (but excluding) 30 June 2014 to (and including) 30 September 2014 on the Initial Mandatory Conversion Date, provided such Non-Participating SPS II Holder is a registered holder of Westpac SPS II at 7.00pm (Sydney time) on 22 September 2014
<b>Financial Claims Scheme</b>	the financial claims scheme established under the Banking Act
<b>First Scheduled Conversion Condition</b>	the VWAP on the 25th Business Day on which trading in Ordinary Shares took place immediately preceding (but not including) the Scheduled Conversion Date is greater than 56.12% of the Issue Date VWAP, as set out in clause 4.2(a)(i) of the Westpac Capital Notes 2 Terms
<b>Foreign Holder</b>	a Holder whose address in the Register is a place outside Australia or who Westpac otherwise believes may not be a resident of Australia and Westpac is not satisfied that the laws of the Holder's country of residence permit the offer, holding or acquisition of Ordinary Shares to the Holder (but Westpac will not be bound to enquire into those laws), either unconditionally or after compliance with conditions which Westpac, in its absolute discretion, regards as acceptable and not unduly onerous
<b>Franking Rate</b>	the percentage of any Distribution that would carry franking credits (within the meaning of Part 3-6 of the Tax Act or any provisions that revise or replace that Part), applicable to the relevant Distribution entitlement on that Distribution Payment Date
<b>Full Distribution</b>	in respect of Westpac SPS II, means the distribution of \$1.1262 per Westpac SPS II to be paid to a Non-Participating Westpac SPS II Holder in respect of their Non-Participating Westpac SPS II for the period from (but excluding) 31 March 2014 to (and including) 30 June 2014 on 30 June 2014, provided such holder is a registered holder of Westpac SPS II at 7.00pm (Sydney time) on 20 June 2014
<b>Goldman Sachs</b>	Goldman Sachs Australia Pty Ltd (ABN 21 006 797 897)
<b>GST</b>	Goods and Services Tax
<b>HIN</b>	holder identification number
<b>HLA</b>	higher loss absorbency

<b>Holder</b>	a registered holder of Notes
<b>Holding Statement</b>	a statement issued to Holders by the Registrar which sets out details of Notes Allotted to them under the Offer
<b>Ineligible Holder</b>	either: <ul style="list-style-type: none"> <li>• a Holder who is prohibited or restricted by any applicable law or regulation in force in Australia (including but not limited to Chapter 6 of the Corporations Act, the <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth), the <i>Financial Sector (Shareholdings) Act 1998</i> (Cth) and Part IV of the <i>Competition and Consumer Act 2010</i> (Cth)) from being offered, holding or acquiring Ordinary Shares (provided that if the relevant prohibition or restriction only applies to the Holder in respect of some of its Notes, it shall only be treated as an Ineligible Holder in respect of those Notes and not in respect of the balance of its Notes); or</li> <li>• a Foreign Holder</li> </ul>
<b>Initial Face Value or Issue Price</b>	\$100 per Note
<b>Initial Mandatory Conversion Date</b>	in respect of Westpac SPS II, 30 September 2014
<b>Institutional Amount</b>	the Allocation to Institutional Investors multiplied by the Initial Face Value
<b>Institutional Investor</b>	an investor to whom offers of securities can be made without the need for a Prospectus (or other formality, other than a formality which Westpac is willing to comply with), including in Australia persons to whom offers of securities can be made without the need for a lodged Prospectus under Chapter 6D of the Corporations Act
<b>Institutional Offer</b>	the invitation by Westpac Institutional Bank to Institutional Investors to bid for Notes in the Bookbuild
<b>Issue Date</b>	the date on which the Notes are issued, expected to be 23 June 2014
<b>Issue Date VWAP</b>	the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding but not including the Issue Date, as adjusted in accordance with clauses 9.4 to 9.7 of the Westpac Capital Notes 2 Terms
<b>Issue Price or Initial Face Value</b>	\$100 per Note
<b>JLM Broker Firm Amount</b>	for each Joint Lead Manager, the Initial Face Value multiplied by the Allocation to that Joint Lead Manager
<b>Joint Lead Managers</b>	Westpac Institutional Bank, ANZ Securities, Commonwealth Bank of Australia, Deutsche Bank, Goldman Sachs and National Australia Bank
<b>Level 1, Level 2 and Level 3</b>	has the meaning prescribed by APRA in the Prudential Standards
<b>Liquidation Sum</b>	an amount of surplus assets equal to \$100 per Note (as adjusted for any Conversion under clauses 5.2 or 5.4 of the Westpac Capital Notes 2 Terms or any termination of rights under clause 5.8 of the Westpac Capital Notes 2 Terms)

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### GLOSSARY

<b>Margin</b>	3.05% per annum
<b>Maximum Conversion Number</b>	has the meaning given in clause 9.1 of the Westpac Capital Notes 2 Terms
<b>National Australia Bank</b>	National Australia Bank Limited (ABN 12 004 044 937)
<b>Non-Participating Westpac SPS II</b>	Westpac SPS II which are not reinvested in Notes under the Reinvestment Offer, whether because: <ul style="list-style-type: none"> <li>• an Eligible Westpac SPS II Holder chose not to participate in the Reinvestment Offer; or</li> <li>• an Eligible Westpac SPS II Holder elected to participate in the Reinvestment Offer but in respect of only some of his or her Westpac SPS II; or</li> <li>• a holder of Westpac SPS II on the Reinvestment Offer Record Date does not meet the eligibility criteria to qualify as an Eligible Westpac SPS II Holder and therefore cannot choose to participate in the Reinvestment Offer; or</li> <li>• an Eligible Westpac SPS II Holder elected to participate in the Reinvestment Offer but either (a) did not receive an Allocation or (b) had his or her Allocation scaled back</li> </ul>
<b>Non-Participating Westpac SPS II Holder</b>	a holder of Non-Participating Westpac SPS II
<b>Nominated Party</b>	one or more third parties selected by Westpac in its absolute discretion (which cannot include a member of the Westpac Group or a related entity (as described in the Prudential Standards) of Westpac)
<b>Non-Viability Trigger Event</b>	occurs when APRA notifies Westpac in writing that it believes: <ul style="list-style-type: none"> <li>• Conversion of all or some of the Notes, or conversion or write down of capital instruments of the Westpac Group, is necessary because, without it, Westpac would become non-viable; or</li> <li>• a public sector injection of capital, or equivalent support, is necessary because, without it, Westpac would become non-viable</li> </ul>
<b>Non-Viability Trigger Event Conversion Date</b>	has the meaning set out in clause 5.4(c)(iii) of the Westpac Capital Notes 2 Terms
<b>Notes Deed Poll</b>	the Notes Deed Poll in relation to the Notes
<b>Offer</b>	the offer of the Notes under this Prospectus at an Initial Face Value and Issue Price of \$100 each to raise \$1 billion with the ability to raise more or less. The offer comprises the Reinvestment Offer, the Securityholder Offer, the Broker Firm Offer and the Institutional Offer
<b>Offer Period</b>	the period from the Opening Date to the Closing Date <sup>1</sup>
<b>OMA (or Offer Management Agreement)</b>	the Offer Management Agreement entered into between Westpac and the Joint Lead Managers as summarised in Section 8.4
<b>Online Manager</b>	Westpac Online Investing acting through Westpac Securities Limited (ABN 39 087 924 221, AFSL No. 233723), a service provided by Australian Investment Exchange Ltd (ABN 71 076 515 930, AFSL No. 241400), a participant of ASX

<sup>1</sup> Westpac and the Joint Lead Managers may, in their absolute discretion, close the Offer early or extend the Offer Period without notice. Westpac may also withdraw the Offer at any time before the Notes are issued



<b>On-Market Buy-Back Date</b>	18 June 2014
<b>On-Market Buy-Back Facility</b>	the facility under which Eligible Westpac SPS II Holders sell all or some of their Westpac SPS II to the On-Market Buying Broker on the On-Market Buy Back Date
<b>On-Market Buying Broker</b>	Deutsche Bank
<b>On-Market Sale Agent</b>	Pacific Custodians Pty Limited (ABN 66 009 682 866, AFSL No. 295142)
<b>Opening Date</b>	the day the Offer opens, being 15 May 2014
<b>Optional Conversion</b>	a Conversion at Westpac's option in accordance with clause 6 of the Westpac Capital Notes 2 Terms
<b>Optional Conversion Date</b>	in respect of each Note, the date specified by Westpac as the Optional Conversion Date in accordance with clause 6 of the Westpac Capital Notes 2 Terms
<b>Optional Conversion Notice</b>	a notice issued in accordance with clause 6 of the Westpac Capital Notes 2 Terms
<b>Optional Conversion Restriction</b>	has the meaning given in clause 6.2 of the Westpac Capital Notes 2 Terms
<b>Ordinary Share</b>	a fully paid ordinary share in the capital of Westpac
<b>Original Prospectus</b>	the prospectus dated 7 May 2014 and lodged with ASIC on that date, which this Prospectus replaces
<b>Participating Westpac SPS II Holder</b>	an Eligible Westpac SPS II Holder who elects to participate in the Reinvestment Offer
<b>Pro-Rata Distribution</b>	in respect of Westpac SPS II, means the distribution of \$1.0396 per Westpac SPS II to be paid to a Participating Westpac SPS II Holder in respect of Reinvested Westpac SPS II for the period from (but excluding) 31 March 2014 to (and including) 23 June 2014 on 30 June 2014, provided such holder is a registered holder of Westpac SPS II at 7.00pm (Sydney time) on 20 June 2014
<b>Prospectus</b>	this document (including the electronic form of this Prospectus), and any supplementary or replacement Prospectus in relation to the Offer
<b>Prudential Standards</b>	the Prudential Standards and guidelines published by APRA and applicable to Westpac or the Westpac Group from time to time
<b>Record Date</b>	in the case of: <ul style="list-style-type: none"> <li>the payment of Distributions, the date which is eight calendar days before the relevant Distribution Payment Date or, if that date does not fall on a Business Day, the immediately preceding Business Day (or such other date as may be prescribed under the ASX Listing Rules or, if not prescribed by the ASX Listing Rules, a date determined by Westpac and notified to ASX); and</li> <li>the payment of the Face Value of the Note upon a Redemption or Transfer, a date determined by Westpac and notified to ASX (or such other date as may be prescribed by ASX)</li> </ul>

## APPENDIX A

### GLOSSARY

<b>Redemption</b>	<p>the redemption of all or some of the Notes for their Face Value under the Westpac Capital Notes 2 Terms</p> <p><b>Redeem, Redeemable</b> and <b>Redeemed</b> have corresponding meanings</p>
<b>Redemption Date</b>	in respect of each Note, the date specified by Westpac as the Redemption Date in accordance with clause 7 of the Westpac Capital Notes 2 Terms
<b>Redemption Notice</b>	a notice issued in accordance with clause 7 of the Westpac Capital Notes 2 Terms
<b>Register</b>	the official register of Ordinary Shares, Westpac Capital Notes 2 (if issued), Westpac SPS II, Westpac CPS, Westpac Subordinated Notes 2012, Westpac Subordinated Notes 2013 or Westpac Capital Notes maintained by Westpac, or the official register of Westpac TPS maintained by the Registrar on the issuer's behalf, and includes any sub-register established and maintained under CHESS
<b>Registrar</b>	Link Market Services Limited (ABN 54 083 214 537) or any other registrar that Westpac appoints to maintain a register of its securities
<b>Regulatory Event</b>	<p>will occur if:</p> <ul style="list-style-type: none"> <li>• as a result of an amendment to, clarification of, or change or prospective change (that has been or will be introduced) in Australian law or regulations or an Administrative Action that was not expected by Westpac as at the Issue Date, additional requirements would be imposed on the Westpac Group in relation to the Notes, or there would be a negative impact on the Westpac Group (in relation to or in connection with the Notes), in relation to which Westpac has received a supporting opinion of reputable legal counsel in Australia (experienced in such matters), or confirmation from APRA, and which Westpac determines at its sole discretion, to be unacceptable; or</li> <li>• Westpac determines, after having received a supporting opinion of reputable legal counsel in Australia (experienced in such matters), or confirmation from APRA, that all, some or a proportion of all or some Notes are not or will not be treated as Additional Tier 1 Capital of the Westpac Group under the Prudential Standards, other than as a result of a change of treatment expected by Westpac as at the Issue Date or because Westpac has exceeded a limit or other restriction on the recognition of Additional Tier 1 Capital which was in effect on the Issue Date or which on the Issue Date is expected by Westpac to come into effect</li> </ul>
<b>Reinvested Westpac SPS II</b>	Westpac SPS II held by an Eligible Westpac SPS II Holder that are reinvested in Notes under the terms of the Reinvestment Offer
<b>Reinvestment Form</b>	the form accompanying this Prospectus, or an online version of the form, upon which an Application to participate in the Reinvestment Offer may be made
<b>Reinvestment Offer</b>	the priority offer to Eligible Westpac SPS II Holders to sell all or some of their Westpac SPS II through the On-Market Buy-Back Facility and reinvest the sale proceeds in Notes as described in Sections 3 and 4

<b>Reinvestment Offer Record Date</b>	30 April 2014
<b>Relevant Securities</b>	a security forming part of the Tier 1 Capital of Westpac on a Level 1 basis or Level 2 basis
<b>Risk Weighted Assets</b>	risk weighted assets as defined by APRA
<b>Sale Agent</b>	the nominee (who cannot be a member of the Westpac Group or a related entity (as described in the Prudential Standards) of Westpac) appointed by Westpac under the facility established for the sale of Ordinary Shares issued by Westpac on Conversion on behalf of Holders who do not wish to receive Ordinary Shares on Conversion or who are Ineligible Holders
<b>Scheduled Conversion</b>	Conversion on the Scheduled Conversion Date
<b>Scheduled Conversion Conditions</b>	the First Scheduled Conversion Condition and the Second Scheduled Conversion Condition
<b>Scheduled Conversion Date</b>	the date that is the earlier of: <ul style="list-style-type: none"> <li>• 23 September 2024; and</li> <li>• the first Distribution Payment Date after 23 September 2024, on which the Scheduled Conversion Conditions are satisfied</li> </ul>
<b>Second Scheduled Conversion Condition</b>	the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Scheduled Conversion Date is greater than 50.51% of the Issue Date VWAP, as set out in clause 4.2(a)(ii) of the Westpac Capital Notes 2 Terms except that the Second Scheduled Conversion Condition applies to a Conversion following an Acquisition Event as though the proposed Acquisition Event Conversion Date were a Scheduled Conversion Date for the purposes of clause 4 of the Westpac Capital Notes 2 Terms and the reference to 50.51% is a reference to 20.20% of the Issue Date VWAP
<b>Securityholder Application Form</b>	the Application Form accompanying this Prospectus (or an online version of such a form) upon which an Eligible Securityholder can make an Application
<b>Securityholder Offer</b>	the invitation to Eligible Securityholders to apply for Notes under this Prospectus
<b>Senior Creditors</b>	all creditors of Westpac (present and future), including depositors of Westpac and all holders of Westpac's senior or subordinated debt whose claims are not made as holders of indebtedness arising under Capital Securities that rank equally with or behind the Notes and whose claims are admitted in a Winding Up
<b>Solvent Reconstruction</b>	a scheme of amalgamation or reconstruction, not involving a bankruptcy or insolvency, where the obligations of Westpac in relation to the outstanding Notes are assumed by the successor entity to which all, or substantially all of the property, assets and undertakings of Westpac are transferred or where an arrangement with similar effect not involving a bankruptcy or insolvency is implemented

## APPENDIX A

### GLOSSARY

<b>Special Resolution</b>	<ul style="list-style-type: none"> <li>a resolution passed at a meeting of Holders by a majority of at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution; or</li> <li>the written approval of Holders holding at least 75% of the Notes</li> </ul>
<b>SRN</b>	securityholder reference number
<b>Sydney time</b>	time in Sydney, New South Wales, Australia
<b>Syndicate Broker</b>	any of the Joint Lead Managers (or their affiliated retail brokers), Co-Managers or Third Party Brokers and any other participating broker in the Offer
<b>Tax Act</b>	the <i>Income Tax Assessment Act 1936</i> (Cth) or the <i>Income Tax Assessment Act 1997</i> (Cth) (both as amended from time to time, as the case may be, and a reference to a section of the <i>Income Tax Assessment Act 1936</i> (Cth) includes a reference to that section as rewritten in the <i>Income Tax Assessment Act 1997</i> (Cth)) and any other law setting the rate of income tax payable or regulation made under such laws
<b>Tax Event</b>	<p>occurs when Westpac determines, after receiving a supporting opinion of reputable legal counsel or other tax adviser in Australia, experienced in such matters, that (as a result of a Change of Law) there is a more than insubstantial risk that:</p> <ul style="list-style-type: none"> <li>the Westpac Group would be exposed to a more than de minimis adverse tax consequence or increased cost in relation to the Notes; or</li> <li>any Distribution would not be a frankable distribution within the meaning of Division 202 of the Tax Act</li> </ul>
<b>Tax Rate</b>	the Australian corporate tax rate applicable to the franking account of Westpac at the relevant Distribution Payment Date
<b>Taxation Letter</b>	the taxation letter from Allens dated 15 May 2014 in Section 7
<b>TFN</b>	Tax File Number
<b>Third Party Broker</b>	any third party brokers invited by Westpac Institutional Bank to participate in the Bookbuild
<b>Third Party Broker Firm Amount</b>	the Allocation to any Third Party Brokers multiplied by the Initial Face Value
<b>Tier 1 Capital</b>	has the meaning prescribed by APRA in the Prudential Standards
<b>Tier 1 Capital Ratio</b>	has the meaning prescribed by APRA in the Prudential Standards
<b>Tier 2 Capital</b>	has the meaning prescribed by APRA in the Prudential Standards
<b>Total Capital</b>	has the meaning prescribed by APRA in the Prudential Standards
<b>Total Capital Ratio</b>	has the meaning prescribed by APRA in the Prudential Standards
<b>TPS 2004</b>	525,000 trust preferred securities issued by Westpac Capital Trust IV at US\$1,000 each on 5 April 2004 (referred to in the Westpac Capital Notes 2 Terms as TPS 2004 Preference Shares and TPS 2004 Debentures)

<b>Transfer</b>	the transfer of Notes by Holders to a Nominated Party in accordance with clause 8 of the Westpac Capital Notes 2 Terms  <b>Transferred</b> has a corresponding meaning
<b>Transfer Date</b>	in respect of each Note, the date specified by Westpac as the Transfer Date in accordance with clause 8 of the Westpac Capital Notes 2 Terms
<b>Transfer Notice</b>	a notice issued in accordance with clause 8 of the Westpac Capital Notes 2 Terms under which Westpac elects that a Transfer occur in relation to some or all of the Notes
<b>US Person</b>	has the meaning given in Regulation S of the US Securities Act
<b>US Securities Act</b>	United States Securities Act of 1933, as amended
<b>VWAP</b>	subject to any adjustments under clauses 9.2 and 9.3 of the Westpac Capital Notes 2 Terms, the average of the daily volume weighted average sale prices (rounded to the nearest full cent) of Ordinary Shares sold on ASX during the relevant period or on the relevant days but does not include any “crossing” transacted outside the “Open Session State” or any “special crossing” transacted at any time, each as defined in the ASX Market Rules or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares
<b>VWAP Period</b>	the period over which the VWAP is calculated, as set out in clause 16.2 of the Westpac Capital Notes 2 Terms
<b>Westpac</b>	Westpac Banking Corporation (ABN 33 007 457 141, AFSL No. 233714)
<b>Westpac’s Constitution</b>	the constitution of Westpac
<b>Westpac Capital Notes</b>	the 13,835,690 Westpac Capital Notes issued by Westpac under a prospectus dated 7 February 2013
<b>Westpac Capital Notes 2 or Notes</b>	are fully paid, non-cumulative, convertible, transferable, redeemable, subordinated, perpetual, unsecured notes of Westpac issued under the Offer in accordance with the Westpac Capital Notes 2 Terms
<b>Westpac Capital Notes 2 Terms</b>	the Westpac Capital Notes 2 terms of issue set out in Appendix B
<b>Westpac CPS</b>	the 11,893,605 Convertible Preference Shares issued by Westpac under a prospectus dated 24 February 2012 (referred to in the Westpac Capital Notes 2 Terms as Westpac CPS 2012)
<b>Westpac Directors</b>	some or all of the directors of Westpac acting as a board
<b>Westpac Group</b>	Westpac and its controlled entities taken as a whole
<b>Westpac Institutional Bank</b>	Westpac Institutional Bank, a division of Westpac
<b>Westpac SPS II</b>	the 9,083,278 Westpac Stapled Preferred Securities issued by Westpac under a prospectus dated 2 March 2009 (referred to in the Westpac Capital Notes 2 Terms as SPS 2008 II Preference Shares and SPS 2008 II Notes)

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## APPENDIX A

### GLOSSARY

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<b>Westpac SPS II Conversion Conditions</b>	has the meaning given to 'Conversion Conditions' in the Preference Share Terms contained in Appendix B of the prospectus dated 2 March 2009 for the issue of Westpac SPS II. These conditions require that Westpac's share price be above a specified level in the period prior to conversion of Westpac SPS II
<b>Westpac SPS II Nominated Party</b>	the nominated party identified in a transfer notice given under clause 5.1 of the amended Westpac SPS II preference share terms lodged by Westpac with the ASX on 7 May 2014, in respect of all Non-Participating Westpac SPS II
<b>Westpac SPS II Selective Buy-Back</b>	the off-market selective buy-back of Non-Participating Westpac SPS II in accordance with Division 2 of Part 2J of the Corporations Act proposed to be undertaken by Westpac on 30 September 2014, following the transfer of Non-Participating Westpac SPS II to the Westpac SPS II Nominated Party
<b>Westpac Subordinated Notes 2012</b>	the 16,762,190 Westpac Subordinated Notes issued by Westpac under an information memorandum dated 23 July 2012 and designated as Westpac Subordinated Notes
<b>Westpac Subordinated Notes 2013</b>	the 9,252,850 Westpac Subordinated Notes II issued under a prospectus dated 18 July 2013 and designated as Westpac Subordinated Notes II
<b>Westpac TPS</b>	the 7,627,375 Westpac Trust Preferred Securities issued under a product disclosure statement dated 19 May 2006 (referred to in the Westpac Capital Notes 2 Terms as TPS 2006 Preference Shares and TPS 2006 Notes)
<b>Winding Up</b>	<ul style="list-style-type: none"><li>• a court order is made for the winding up of Westpac; or</li><li>• an effective resolution is passed by shareholders or members for the winding up of Westpac, other than in connection with a Solvent Reconstruction</li></ul>

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# B

## **APPENDIX B WESTPAC CAPITAL NOTES 2 TERMS**

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## APPENDIX B

### WESTPAC CAPITAL NOTES 2 TERMS

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#### 1 FORM AND INITIAL FACE VALUE OF WESTPAC CAPITAL NOTES 2

##### 1.1 Form

Westpac Capital Notes 2:

- a. are non-cumulative, convertible, transferable, redeemable, subordinated, perpetual, unsecured notes of Westpac;
- b. are designated as being of a particular series as set out in the Prospectus;
- c. are constituted under and issued on the terms set out in the Deed Poll and these Terms; and
- d. take the form of entries in the Westpac Capital Notes 2 Register.

##### 1.2 Initial Face Value

Each Westpac Capital Note 2 is issued fully paid at an issue price of \$100.

#### 2 RANKING ON WINDING UP

- a. Holders do not have any right to prove in a Winding Up in respect of Westpac Capital Notes 2, except as permitted under clause 2(b).
- b. Westpac Capital Notes 2 will rank for payment of the Liquidation Sum in a Winding Up:
  - i. senior to Ordinary Shares;
  - ii. equally among themselves and with all other Equal Ranking Capital Securities;
  - iii. junior to or equally with any other notes or preference shares Westpac may issue, as may be designated in the terms of issue for such notes or preference shares; and
  - iv. junior to, and are conditional on the prior payment in full of, the claims of all Senior Creditors.
- c. Holders may not exercise voting rights as a creditor in respect of Westpac Capital Notes 2 in a Winding Up to defeat the subordination in this clause.
- d. Westpac Capital Notes 2 are perpetual and the terms of Westpac Capital Notes 2 do not include events of default or any other provisions entitling the Holders to require that Westpac Capital Notes 2 be Redeemed. Holders do not have any right to

apply for a Winding Up on the ground of Westpac's failure to pay Distributions or for any other reason.

- e. For the avoidance of doubt, but subject to clause 5.8, if a Capital Trigger Event or Non-Viability Trigger Event has occurred, Holders will rank for payment in a Winding Up as holders of the number of Ordinary Shares to which they became entitled under clauses 5.2 or 5.4.

#### 3 DISTRIBUTIONS

##### 3.1 Distributions

Subject to these Terms, each Westpac Capital Note 2 entitles the Holder to receive on the relevant Distribution Payment Date interest on the Face Value of the Westpac Capital Note 2 (Distribution), calculated using the following formula:

$$\text{Distribution} = \frac{\text{Distribution Rate} \times \text{Face Value} \times \text{N}}{365}$$

where:

**Distribution Rate** (expressed as a percentage per annum) is calculated using the following formula:

$$\text{Distribution Rate} = (\text{Bank Bill Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$$

where:

**Bank Bill Rate** (expressed as a percentage per annum) means, for each Distribution Period, the average mid-rate for bills of a term of 90 days which average rate is displayed on Reuters page BBSW (or any page that replaces that page) at 10.30am (Sydney time) on, in the case of the first Distribution Period, the Issue Date, and in the case of any other Distribution Period, the first Business Day of that Distribution Period, or if there is a manifest error in the calculation of that average rate or that average rate is not displayed at 10.30am (Sydney time) on that date, the rate specified in good faith by Westpac at or around that time on that date having regard, to the extent possible, to:

- a. the rates otherwise bid and offered for bills of a term of 90 days or for funds of that tenor displayed on Reuters page BBSW (or any page which replaces that page) at that time on that date; and
- b. if bid and offer rates for bills of a term of 90 days are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time on that date;



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**Margin** means 3.05% per annum;

**Tax Rate** (expressed as a decimal) means the Australian corporate tax rate applicable to the franking account of Westpac at the relevant Distribution Payment Date; and

**N** means, in respect of a Distribution Period, the number of days in that Distribution Period.

### 3.2 Adjustment to calculation of Distributions if not fully franked

If payment of any Distribution will not be franked to 100% under Part 3-6 of the Tax Act (or any provisions that revise or replace that Part), otherwise than because of any act by, or circumstances affecting, any particular Holder, the Distribution will be calculated using the following formula:

$$\text{Distribution} = \frac{D}{1 - [\text{Tax Rate} \times (1 - \text{Franking Rate})]}$$

where:

**D** means the Distribution entitlement on that Distribution Payment Date as calculated under clause 3.1;

**Tax Rate** (expressed as a decimal) means the Australian corporate tax rate applicable to the franking account of Westpac at the relevant Distribution Payment Date; and

**Franking Rate** (expressed as a decimal) means the percentage of Distribution that would carry franking credits (within the meaning of Part 3-6 of the Tax Act or any provisions that revise or replace that Part), applicable to the relevant Distribution entitlement on that Distribution Payment Date.

### 3.3 Conditions to payment of Distributions

- a. The payment of any Distribution on a Distribution Payment Date is subject to:
  - i. Westpac's absolute discretion;
  - ii. the payment of the Distribution not resulting in a breach of Westpac's capital requirements (on a Level 1 basis) or of the Westpac Group's capital requirements (on a Level 2 basis) under the then current Prudential Standards at the time of the payment;

- iii. the payment of the Distribution not resulting in Westpac becoming, or being likely to become, insolvent for the purposes of the Corporations Act; and

- iv. APRA not otherwise objecting to the payment of the Distribution.

- b. Westpac must notify ASX as soon as reasonably practicable if payment of any Distribution will not be made because of this clause.

### 3.4 Distributions are discretionary, non-cumulative and only payable in cash

- a. Payments of Distributions are within the absolute discretion of Westpac and are non-cumulative. If a Distribution is not paid because of the provisions of clause 3.3 or because of any other reason, Westpac has no liability to pay such Distribution to the Holder and the Holder has no:

- i. claim (including, without limitation, on a Winding Up); or
  - ii. right to apply for a Winding Up, in respect of such non-payment.

- b. Any payments of Distributions to Holders must be made in the form of cash.

Non-payment of a Distribution because of the provisions of clause 3.3, or because of any other reason, does not constitute an event of default.

### 3.5 Distribution Payment Date

Distributions in respect of Westpac Capital Notes 2 are payable:

- a. quarterly in arrear on 23 March, 23 June, 23 September and 23 December of each year, commencing on 23 September 2014 until that Westpac Capital Note 2 has been Converted or Redeemed; and
- b. on the Conversion Date, Redemption Date or Transfer Date (as the case may be) on which such Westpac Capital Note 2 is Converted, Redeemed or Transferred,

(each a **Distribution Payment Date**).

### 3.6 Record Dates

Distributions are only payable on a Distribution Payment Date to those persons registered as Holders on the Record Date for that Distribution Payment Date.

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#### 3.7 Restrictions in the case of non-payment of a Distribution

Subject to clause 3.8, if for any reason a Distribution has not been paid in full on the relevant Distribution Payment Date, Westpac must not:

- a. determine or pay any Dividends; or
- b. undertake any discretionary Buy Back or Capital Reduction,

unless the amount of the unpaid Distribution is paid in full within 20 Business Days of that Distribution Payment Date or:

- c. all Westpac Capital Notes 2 have been Converted or Redeemed;
- d. on a subsequent Distribution Payment Date, a Distribution for the subsequent Distribution Period is paid in full; or
- e. a Special Resolution of the Holders has been passed approving such action,

and, in respect of the actions contemplated by paragraphs (c), (d) and (e), APRA does not otherwise object.

#### 3.8 Restrictions not to apply in certain circumstances

The restrictions in clause 3.7 do not apply in connection with:

- a. any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants of Westpac or any member of the Westpac Group; or
- b. Westpac or any of its controlled entities purchasing shares in Westpac in connection with transactions for the account of customers of Westpac or any of its controlled entities or in connection with the distribution or trading of shares in Westpac in the ordinary course of business (such distribution or trading of shares in the ordinary course of business is subject to the prior written approval of APRA); or
- c. to the extent that at the time a Distribution has not been paid on the relevant Distribution Payment Date Westpac is legally obliged to pay on or after that date a Dividend or complete on or after that date a Buy Back or Capital Reduction.

#### 3.9 Notification

- a. In relation to each Distribution Period, Westpac must notify the ASX of the Distribution Rate and the amount of Distribution payable on each Westpac Capital Note 2.
- b. Westpac must give notice under this clause 3.9 as soon as practicable after it makes its calculations or determinations and, in any event by no later than the fifth Business Day of the relevant Distribution Period.
- c. Westpac may amend the calculation or determination of any amount, date, or rate (or make appropriate alternative arrangements by way of adjustment) including as a result of the extension or reduction of a Distribution Period without prior notice, but must notify ASX promptly after doing so.

#### 3.10 Calculations and determinations final

The calculation or determination by Westpac of all rates and amounts payable by it in relation to Westpac Capital Notes 2 is, in the absence of manifest or proven error, final and binding on Westpac, the Registrar and each Holder.

## 4 SCHEDULED CONVERSION

### 4.1 Scheduled Conversion

Subject to clauses 5, 6, 7 and 8, Westpac must Convert all (but not some) Westpac Capital Notes 2 on issue on the date that is the earlier of:

- a. 23 September 2024; and
- b. the first Distribution Payment Date after 23 September 2024,

on which the Scheduled Conversion Conditions are satisfied (each a **Scheduled Conversion Date**).

### 4.2 Scheduled Conversion Conditions

- a. The Scheduled Conversion Conditions for each Scheduled Conversion Date are:
  - i. the VWAP on the 25th Business Day on which trading in Ordinary Shares took place immediately preceding (but not including) the Scheduled Conversion Date is greater than 56.12% of the Issue Date VWAP (**First Scheduled Conversion Condition**); and

- 
- ii. the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Scheduled Conversion Date is greater than 50.51% of the Issue Date VWAP (the **Second Scheduled Conversion Condition**).
  - b. If the First Scheduled Conversion Condition is not satisfied, Westpac will announce to ASX not less than 21 Business Days before the Scheduled Conversion Date that Conversion will not proceed on the Scheduled Conversion Date.
  - c. If the Second Scheduled Conversion Condition is not satisfied, Westpac will notify Holders on or as soon as practicable after the Scheduled Conversion Date that Conversion did not occur.

## 5 AUTOMATIC CONVERSION

### 5.1 Capital Trigger Event

A Capital Trigger Event occurs when:

- a. Westpac determines; or
- b. APRA notifies Westpac in writing that it believes, that either or both the Westpac Level 1 Common Equity Tier 1 Capital Ratio or Westpac Level 2 Common Equity Tier 1 Capital Ratio is equal to or less than 5.125%.

### 5.2 Consequences of a Capital Trigger Event

- a. Westpac must notify APRA immediately in writing if it determines that a Capital Trigger Event has occurred.
- b. If a Capital Trigger Event occurs, Westpac must Convert such number of Westpac Capital Notes 2 (or, if it so determines, such percentage of the Face Value of each Westpac Capital Note 2) as is sufficient (following any conversion or write down of other Relevant Securities as referred to in paragraph 5.2(c)(i) below) to return either or both the Westpac Level 1 Common Equity Tier 1 Capital Ratio or Westpac Level 2 Common Equity Tier 1 Capital Ratio, as the case may be, to above 5.125%.
- c. In determining the number of Westpac Capital Notes 2, or percentage of the Face Value of each Westpac Capital Note 2, which must be Converted in accordance with this clause, Westpac will:

- i. first, convert or write down such number or percentage of the face value of any other Relevant Securities whose terms require them to be converted or written down, before Conversion of Westpac Capital Notes 2; and
- ii. second, if conversion or write down of those Relevant Securities is not sufficient, Convert (in the case of Westpac Capital Notes 2) and convert or write down (in the case of any other Relevant Securities) on a pro-rata basis or in a manner that is otherwise, in the opinion of Westpac, fair and reasonable, the Face Value of the Westpac Capital Notes 2 and the face value of any Relevant Securities whose terms require or permit them to be converted or written down in that manner (subject to such adjustment as Westpac may determine to take into account the effect on marketable parcels and whole numbers of Ordinary Shares and any Westpac Capital Notes 2 or other Relevant Securities remaining on issue),  
but such determination will not impede the immediate Conversion of the relevant number of Westpac Capital Notes 2 or percentage of the Face Value of each Westpac Capital Note 2 (as the case may be) or, if applicable, the termination of the relevant Holder's rights and claims in accordance with clause 5.8.
- d. If a Capital Trigger Event occurs:
  - i. the relevant number of Westpac Capital Notes 2, or percentage of the Face Value of each Westpac Capital Note 2, must be Converted immediately upon occurrence of the Capital Trigger Event in accordance with clauses 5.7 and 9 and the Conversion will be irrevocable;
  - ii. Westpac must give notice as soon as practicable that Conversion has occurred to ASX and the Holders;
  - iii. the notice must specify the date on which Conversion occurred (**Capital Trigger Event Conversion Date**); and
  - iv. the notice must specify the details of the Conversion process, including any details which were taken into account in relation to the effect on marketable parcels and whole numbers of Ordinary Shares, and the impact on any Westpac Capital Notes 2 remaining on issue.

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Failure or delay in undertaking any of the steps in clauses 5.2(d)(ii) to (iv), or in quotation of the Ordinary Shares to be issued on Conversion, does not prevent, invalidate or otherwise impede Conversion.

#### 5.3 Non-Viability Trigger Event

A Non-Viability Trigger Event occurs when APRA notifies Westpac in writing that it believes:

- a. Conversion of all or some Westpac Capital Notes 2, or conversion or write down of capital instruments of the Westpac Group, is necessary because, without it, Westpac would become non-viable; or
- b. a public sector injection of capital, or equivalent support, is necessary because, without it, Westpac would become non-viable.

#### 5.4 Consequences of a Non-Viability Trigger Event

- a. If a Non-Viability Trigger Event occurs, Westpac must Convert such number of Westpac Capital Notes 2 (or, if it so determines, such percentage of the Face Value of each Westpac Capital Note 2) as is equal (following any conversion or write down of other Relevant Securities as referred to in paragraph 5.4(b)(i) below) to the aggregate face value of capital instruments which APRA has notified Westpac must be converted or written down (or, if APRA has not so notified Westpac, such number or, if Westpac so determines, such percentage of the Face Value of Westpac Capital Notes 2, as is necessary when added to the amount of the other Relevant Securities converted or written down pursuant to clause 5.4(b) to satisfy APRA that Westpac will no longer be non-viable).
- b. In determining the number of Westpac Capital Notes 2, or percentage of the Face Value of each Westpac Capital Note 2, which must be Converted in accordance with this clause, Westpac will:
  - i. first, convert or write down such number or percentage of the face value of any other Relevant Securities whose terms require them to be converted or written down before Conversion of Westpac Capital Notes 2; and
  - ii. second, if conversion or write down of those securities is not sufficient, Convert (in the case of Westpac Capital Notes 2) and convert or

write down (in the case of any other Relevant Securities), on a pro-rata basis or in a manner that is otherwise, in the opinion of Westpac, fair and reasonable, the Face Value of the Westpac Capital Notes 2 and the face value of any Relevant Securities whose terms require or permit them to be converted or written down in that manner (subject to such adjustments as Westpac may determine to take into account the effect on marketable parcels and whole numbers of Ordinary Shares and any Westpac Capital Notes 2 or other Relevant Securities remaining on issue),

but such determination will not impede the immediate Conversion of the relevant number of Westpac Capital Notes 2 or percentage of the Face Value of each Westpac Capital Note 2 (as the case may be) or, if applicable, the termination of the relevant Holder's rights and claims in accordance with clause 5.8.

- c. If a Non-Viability Trigger Event occurs:
  - i. the relevant number of Westpac Capital Notes 2, or percentage of the Face Value of each Westpac Capital Note, must be Converted immediately upon occurrence of the Non-Viability Trigger Event in accordance with clauses 5.7 and 9 and the Conversion will be irrevocable;
  - ii. Westpac must give notice as soon as practicable that Conversion has occurred to ASX and the Holders;
  - iii. the notice must specify the date on which Conversion occurred (**Non-Viability Trigger Event Conversion Date**); and
  - iv. the notice must specify the details of the Conversion process, including any details which were taken into account in relation to the effect on marketable parcels and whole numbers of Ordinary Shares, and the impact on any Westpac Capital Notes 2 remaining on issue.

Failure to undertake any of the steps in clauses 5.4(c)(ii) to (iv) does not prevent, invalidate or otherwise impede Conversion.

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## 5.5 Scheduled Conversion Conditions not applicable

For the avoidance of doubt, the Scheduled Conversion Conditions do not apply to Conversion as a result of a Capital Trigger Event or Non-Viability Trigger Event.

## 5.6 Priority of early Conversion obligations

A Conversion required because of a Capital Trigger Event or a Non-Viability Trigger Event takes place on the date, and in the manner, required by clauses 5.2, 5.4, 5.7 and 5.8, notwithstanding any other provision for Conversion, Redemption or Transfer in these Terms.

## 5.7 Automatic Conversion upon the occurrence of a Capital Trigger Event or Non-Viability Trigger Event

If a Capital Trigger Event or Non-Viability Trigger Event has occurred and all or some Westpac Capital Notes 2 (or percentage of the Face Value of each Westpac Capital Note 2) are required to be Converted in accordance with clauses 5.2 or 5.4, then:

- a. Conversion of the relevant Westpac Capital Notes 2 or percentage of the Face Value of each Westpac Capital Note 2 will be taken to have occurred in accordance with clause 9 immediately upon the Capital Trigger Event Conversion Date or Non-Viability Trigger Event Conversion Date;
- b. subject to clause 9.10, the entry of the corresponding Westpac Capital Notes 2 in each relevant Holder's holding in the Westpac Capital Notes 2 Register will constitute an entitlement of that Holder to the relevant number of Ordinary Shares (and, if applicable, also to any remaining balance of Westpac Capital Notes 2 or Westpac Capital Notes 2 with a Face Value equal to the aggregate of the remaining percentage of the Face Value of each Westpac Capital Note 2), and Westpac will recognise the Holder as having been issued the relevant Ordinary Shares for all purposes, in each case without the need for any further act or step by Westpac, the Holder or any other person (and Westpac will, as soon as possible thereafter and without delay on the part of Westpac, take any appropriate procedural steps to record such Conversion, including updating

the Westpac Capital Notes 2 Register and the Ordinary Share register); and

- c. subject to clause 9.10, upon Conversion a Holder has no further right or claim under these Terms in respect of the Westpac Capital Notes 2 Converted, except in relation to the relevant number of Ordinary Shares and the Holder's entitlement, if any, to Westpac Capital Notes 2 representing the unconverted outstanding Face Value.

## 5.8 No further rights if Conversion cannot occur

If for any reason Conversion of any Westpac Capital Notes 2 (or a percentage of the Face Value of any Westpac Capital Notes 2) required to be Converted under clauses 5.2 or 5.4 fails to take effect under clauses 5.7(a) and (b) and Westpac is not otherwise able to issue the Ordinary Shares required to be issued in respect of such Conversion by 5.00pm on the fifth Business Day after the Capital Trigger Event Conversion Date or Non-Viability Trigger Event Conversion Date, then the relevant Holders' rights (including to payment of Distributions and Face Value and any other payments) in relation to such Westpac Capital Notes 2 or percentage of the Face Value of Westpac Capital Notes 2 are immediately and irrevocably terminated and such termination will be taken to have occurred immediately upon the Capital Trigger Event Date or Non-Viability Trigger Event Date, as the case may be.

## 5.9 Automatic Conversion upon the occurrence of an Acquisition Event

- a. If an Acquisition Event occurs, then:
  - i. Westpac must Convert all (but not some) Westpac Capital Notes 2;
  - ii. Westpac must give notice as soon as practicable and in any event within 10 Business Days after becoming aware of that event occurring to ASX and the Holders;
  - iii. the notice must specify a date on which it is proposed Conversion will occur (proposed **Acquisition Event Conversion Date**) being:
    - A. in the case of an Acquisition Event that is a takeover bid, no later than the Business Day prior to the then announced closing date of the relevant takeover bid; or

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- B. in the case of an Acquisition Event that is a court approved scheme, a date no later than the record date for participation in the relevant scheme of arrangement; and
  - iv. the notice must specify the details of the Conversion process including any details to take into account the effect on marketable parcels and whole numbers of Ordinary Shares; and
  - v. on the proposed Acquisition Event Conversion Date, all Westpac Capital Notes 2 will Convert in accordance with clause 9.
- b. Subject to clause 5.9(a), the Second Scheduled Conversion Condition applies to a Conversion following an Acquisition Event as though the proposed Acquisition Event Conversion Date were a Scheduled Conversion Date for the purposes of clause 4 (except that in the case of an Acquisition Event, the Second Scheduled Conversion Condition will apply as if it referred to 20.20% of the Issue Date VWAP). If the Second Scheduled Conversion Condition is not satisfied, the Westpac Capital Notes 2 will not Convert.
- c. If the Second Scheduled Conversion Condition is not satisfied on the proposed Acquisition Event Conversion Date, Westpac will notify Holders as soon as practicable after the proposed Acquisition Event Conversion Date that Conversion did not occur.

#### 5.10 Issue of ordinary shares of Approved Successor

Where there is a replacement of Westpac as the ultimate holding company of the Westpac Group and the successor holding company is an Approved Successor, Conversion of the Westpac Capital Notes 2 may not occur as a consequence of the Replacement. Instead, these Terms may be amended in accordance with clause 13.4.

## 6 OPTIONAL CONVERSION

### 6.1 Conversion at the option of Westpac

- a. Subject to the other provisions of this clause 6, Westpac may at its option Convert in accordance with clause 9:
  - i. all or some Westpac Capital Notes 2 on 23 September 2022; or
  - ii. all (but not some) of the Westpac Capital Notes on an Optional Conversion Date following the occurrence of a Tax Event or Regulatory Event.
- b. If only some (but not all) Westpac Capital Notes 2 are to be Converted under clause 6.1(a)(i), those Westpac Capital Notes 2 to be Converted will be specified in the Optional Conversion Notice and selected:
  - i. in a manner that is, in the opinion of Westpac, fair and reasonable; and
  - ii. in compliance with any applicable law, directive or requirement of ASX.

### 6.2 Restriction on election to Convert

Westpac may only elect to Convert the Westpac Capital Notes 2 under clause 6.1(a) if on the second Business Day before the date on which an Optional Conversion Notice is to be sent by Westpac (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Ordinary Shares occurred) the VWAP on that date is:

- a. in respect of a Conversion under clause 6.1(a)(i), greater than 56.12% of the Issue Date VWAP; and
- b. in respect of a Conversion under clauses 6.1(a)(ii), is greater than 22.20% of the Issue Date VWAP, (the **Optional Conversion Restriction**).

### 6.3 Optional Conversion Notice

- a. Subject to clause 6.2, Westpac may only Convert under clause 6.1(a)(i) if Westpac has given an Optional Conversion Notice of its election to do so at least 25 Business Days before the proposed Optional Conversion Date to ASX and the Holders.
- b. The Optional Conversion Notice must specify:
  - i. the date on which it is proposed the Optional Conversion will occur, which:
    - A. in the case of clause 6.1(a)(i), will be 23 September 2022; and
    - B. in the case of a Tax Event or Regulatory Event, is the Next Distribution Payment Date, unless Westpac determines an earlier date having regard to the best interests of Holders as a whole and the relevant event;
  - ii. whether any Distribution will be paid in respect of the Westpac Capital Notes 2 to be Converted on the Optional Conversion Date; and

- 
- iii. the details of the Conversion process including any details to take into account the effect on marketable parcels and whole numbers of Ordinary Shares.

#### **6.4 Restriction on Conversion on the Optional Conversion Date**

- a. The Second Scheduled Conversion Condition applies to an Optional Conversion as though the proposed Optional Conversion Date were a Scheduled Conversion Date for the purposes of clause 4 (except that in the case of an Optional Conversion following a Tax Event or Regulatory Event, the Second Scheduled Conversion Condition will apply as if it referred to 20.20% of the Issue Date VWAP).
- b. If the Second Scheduled Conversion Condition is not satisfied on the proposed Optional Conversion Date:
  - i. the Westpac Capital Notes 2 will not Convert; and
  - ii. Westpac will notify Holders as soon as practicable after the proposed Optional Conversion Date that Conversion did not occur.

#### **6.5 Deferred Conversion**

If Westpac has given an Optional Conversion Notice under clause 6.3 and the Second Scheduled Conversion Condition (as if it applied on the Optional Conversion Date) is not satisfied, then, notwithstanding any other provision of these Terms:

- a. the Optional Conversion Date will be deferred until the first Distribution Payment Date (under clause 3.5(a)) on which the Scheduled Conversion Conditions are satisfied (except that in the case of a Tax Event or Regulatory Event, the Second Scheduled Conversion Condition will apply as if it referred to 20.20% of the Issue Date VWAP) as if that Distribution Payment Date were a Scheduled Conversion Date for the purposes of clause 4 (the **Deferred Conversion Date**);
- b. Westpac must convert the Westpac Capital Notes 2 on the Deferred Conversion Date unless the Westpac Capital Notes 2 are Converted earlier in accordance with these Terms; and

- c. until the Deferred Conversion Date, all rights attaching to the Westpac Capital Notes 2 will continue as if the Optional Conversion Notice had not been given.

#### **6.6 Final Distribution**

For the avoidance of doubt, Optional Conversion may occur even if Westpac, in its absolute discretion, does not pay a Distribution for the final Distribution Period.

#### **6.7 No Conversion at the option of the Holders**

Holders do not have a right to request Conversion of their Westpac Capital Notes 2 at any time.

### **7 OPTIONAL REDEMPTION**

#### **7.1 Redemption at the option of Westpac**

- a. Subject to the other provisions of this clause 7, Westpac may at its option Redeem:
  - i. all or some Westpac Capital Notes 2 on 23 September 2022; or
  - ii. all (but not some) of the Westpac Capital Notes 2 on a Redemption Date following the occurrence of a Tax Event or Regulatory Event, in each case for their Face Value.
- b. If only some (but not all) Westpac Capital Notes 2 are to be Redeemed under clause 7.1(a)(i), those Westpac Capital Notes 2 to be Redeemed will be specified in the Redemption Notice and selected:
  - i. in a manner that is, in the opinion of Westpac, fair and reasonable; and
  - ii. in compliance with any applicable law, directive or requirement of ASX.

#### **7.2 Optional Redemption Notice**

- a. Westpac may only Redeem under clause 7.1(a) if Westpac has given a Redemption Notice of its election to do so at least 21 Business Days (and no more than 60 Business Days) before the proposed Redemption Date to ASX and the Holders.
- b. The Redemption Notice must specify:
  - i. the date on which it is proposed the Redemption will occur, which must be:

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- A. in the case of clause 7.1(a)(i), 23 September 2022;
  - B. in the case of a Tax Event or Regulatory Event, the Next Distribution Payment Date, unless Westpac determines an earlier date having regard to the best interests of Holders as a whole and the relevant event; and
- ii. whether any Distribution will be paid in respect of the Westpac Capital Notes 2 to be Redeemed on the Redemption Date.

#### 7.3 APRA approval to Redeem

Westpac may only Redeem under this clause 7 if:

- a. either
  - i. before or concurrently with Redemption, Westpac replaces Westpac Capital Notes 2 with a capital instrument which is of the same or better quality (for the purposes of the Prudential Standards) than Westpac Capital Notes 2 and the replacement of Westpac Capital Notes 2 is done under conditions that are sustainable for the income capacity of the Westpac Group; or
  - ii. Westpac obtains confirmation from APRA that APRA is satisfied, having regard to the capital position of the Westpac Group, that Westpac does not have to replace Westpac Capital Notes 2; and
- b. APRA has given its prior written approval to the Redemption. Approval is at the discretion of APRA and may or may not be given.

#### 7.4 Final Distribution

For the avoidance of doubt, Redemption may occur even if Westpac, in its absolute discretion, does not pay a Distribution for the final Distribution Period.

#### 7.5 No Redemption at the option of the Holders

Holders do not have a right to request Redemption of their Westpac Capital Notes 2 at any time.

#### 7.6 Effect of Redemption Notice

Subject to any early Conversion required because of a Capital Trigger Event or a Non-Viability Trigger Event and any termination of rights under clause 5.8, any Redemption Notice given under

this clause 7 is irrevocable and Westpac must (subject to clause 11.1) Redeem Westpac Capital Notes 2 on the Redemption Date specified in that Redemption Notice.

## 8 OPTIONAL TRANSFER

### 8.1 Transfer at the option of Westpac

- a. Westpac may elect that Transfer occur in relation to:
  - i. all or some Westpac Capital Notes 2 on 23 September 2022; or
  - ii. all (but not some) of the Westpac Capital Notes 2 on a Transfer Date following the occurrence of a Tax Event or Regulatory Event.
- b. If only some (but not all) Westpac Capital Notes 2 are to be Transferred under clause 8.1(a)(i), the number of Westpac Capital Notes 2 to be Transferred will be specified in the Transfer Notice and selected:
  - i. in a manner that is, in the opinion of Westpac, fair and reasonable; and
  - ii. in compliance with any applicable law, directive or requirement of ASX.

### 8.2 Optional Transfer Notice

- a. Westpac may only elect to Transfer Westpac Capital Notes 2 under clause 8.1(a) if Westpac has given a Transfer Notice at least 21 Business Days (and no more than 60 Business Days) before the proposed Transfer Date to ASX and the Holders.
- b. The Transfer Notice must specify:
  - i. the date on which it is proposed the Transfer will occur, which must be:
    - A. in the case of clause 8.1(a)(i), 23 September 2022;
    - B. in the case of a Tax Event or Regulatory Event, the Next Distribution Payment Date, unless Westpac determines an earlier date having regard to the best interests of Holders as a whole and the relevant event; and
  - ii. whether any Distribution will be paid in respect of the Westpac Capital Notes to be Transferred on the Transfer Date.



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### 8.3 Final Distribution

For the avoidance of doubt, Transfer may occur even if Westpac, in its absolute discretion, does not pay a Distribution for the final Distribution Period.

### 8.4 No Transfer at the option of the Holders

Holders do not have a right to request Transfer of their Westpac Capital Notes 2 at any time.

### 8.5 Effect of Transfer Notice

- a. Any Transfer Notice given under this clause 8 is irrevocable and Westpac must (subject to clause 11.1) Transfer Westpac Capital Notes 2 on the Transfer Date specified in that Transfer Notice.
- b. If Westpac issues a Transfer Notice under this clause 8:
  - i. each Holder is taken irrevocably to offer to sell the relevant number of their Westpac Capital Notes 2 to the Nominated Party on the Transfer Date for a cash amount per Westpac Capital Note 2 equal to the Face Value (and to have appointed Westpac as its agent and attorney to execute documents and do all things necessary which Westpac considers may be necessary or desirable in connection with that offer and any resulting sale);
  - ii. subject to payment by the Nominated Party of the Face Value to Holders, all right, title and interest in the relevant number of Westpac Capital Notes 2 will be transferred from the Holders to the Nominated Party on the Transfer Date; and
  - iii. if the Nominated Party does not pay the Face Value to the relevant Holders on the Transfer Date, the relevant number of Westpac Capital Notes 2 will not be transferred to the Nominated Party.
- c. Clause 11 will apply to payments by the Nominated Party as if the Nominated Party were Westpac. If any payment to a particular Holder is not made or treated as made on the Transfer Date because of any error by or on behalf of the Nominated Party, the relevant Westpac Capital Notes 2 of that Holder will not be transferred until payment is made but the transfer of all other relevant Westpac Capital Notes 2 will not be affected by the failure.

## 9 GENERAL PROVISIONS APPLICABLE TO CONVERSION

### 9.1 Conversion

On the Conversion Date, subject to clauses 5.6 and 9.10, the following will apply:

- a. Westpac will allot and issue the Conversion Number of Ordinary Shares for each Westpac Capital Note 2 held by the Holder. The Conversion Number is calculated according to the following formula, and subject always to the Conversion Number being no greater than the Maximum Conversion Number:

$$\text{Conversion Number for each Westpac Capital Note 2} = \frac{\text{Face Value}}{0.99 \times \text{VWAP}}$$

where:

**VWAP** (expressed in dollars and cents) means the VWAP during the VWAP Period.

**Maximum Conversion Number** means a number calculated according to the following formula:

$$\text{Maximum Conversion Number} = \frac{\text{Face Value}}{\text{Relevant Percentage} \times \text{Issue Date VWAP}}$$

**Relevant Percentage** means:

- i. if Conversion is occurring on a Scheduled Conversion Date or the Optional Conversion Date on 23 September 2022, 0.50; and
  - ii. if Conversion is occurring at any other time, 0.20.
- b. Each Holder's rights (including to Distributions) in relation to each Westpac Capital Note 2 that is being Converted will be immediately and irrevocably terminated for an amount equal to the Face Value and Westpac will apply the Face Value of each Westpac Capital Note 2 by way of payment for the subscription for the Ordinary Shares to be allotted and issued under clause 9.1(a). Each Holder is taken to have irrevocably directed that any amount payable under this clause 9.1 is to be applied as provided for in this clause and Holders do not have any right to payment in any other way.
  - c. If the total number of Ordinary Shares to be allotted and issued in respect of a Holder's

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aggregate holding of Westpac Capital Notes 2 includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded.

#### 9.2 Adjustments to VWAP generally

For the purposes of calculating VWAP under clause 9.1:

- a. where, on some or all of the Business Days in the relevant VWAP Period, Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and Westpac Capital Notes 2 will be Converted into Ordinary Shares after that date and those Ordinary Shares will no longer carry that dividend or that other distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend or cum any other distribution or entitlement will be reduced by an amount (**Cum Value**) equal to:
  - i. in the case of a dividend or other distribution, the amount of that dividend or other distribution including, if the dividend or distribution is franked, the amount that would be included in the assessable income of a recipient of the dividend or distribution who is a natural person resident in Australia under the Tax Act;
  - ii. in the case of any other entitlement that is not a dividend or other distribution under clause 9.2(a)(i) which is traded on ASX on any of those Business Days, the volume weighted average price of all such entitlements sold on ASX during the VWAP Period on the Business Days on which those entitlements were traded (excluding trades of the kind that would be excluded in determining VWAP under the definition of that term); or
  - iii. in the case of any other entitlement which is not traded on ASX during the VWAP Period, the value of the entitlement as reasonably determined by Westpac; and
- b. where, on some or all of the Business Days in the VWAP Period, Ordinary Shares have been quoted as ex dividend or ex any other distribution or entitlement, and Westpac Capital Notes 2 will be Converted into Ordinary Shares which would be entitled to receive the relevant dividend, distribution or entitlement, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement will be increased by the Cum Value.

#### 9.3 Adjustments to VWAP for capital reconstruction

- a. Where during the relevant VWAP Period there is a change to the number of Ordinary Shares on issue because the Ordinary Shares are reconstructed, consolidated, divided or reclassified (in a manner not involving any cash payment (or the giving of any other form of consideration) to or by holders of Ordinary Shares) (**Reclassification**) into a lesser or greater number, the daily VWAP for each day in the VWAP Period which falls before the date on which trading in Ordinary Shares is conducted on a post Reclassification basis will be adjusted by multiplying the VWAP applicable on the Business Day immediately before the date of any such Reclassification by the following formula:

$$\frac{A}{B}$$

where:

**A** means the aggregate number of Ordinary Shares immediately before the Reclassification; and

**B** means the aggregate number of Ordinary Shares immediately after the Reclassification.

- b. Any adjustment made by Westpac in accordance with clause 9.3(a) will be effective and binding on Holders under these Terms and these Terms will be construed accordingly.

#### 9.4 Adjustments to Issue Date VWAP generally

For the purposes of determining the Issue Date VWAP under clause 9.1, adjustments will be made in accordance with clause 9.2 and clause 9.3 during the VWAP Period for the Issue Date VWAP. On and from the Issue Date, adjustments to the Issue Date VWAP:

- a. may be made by Westpac in accordance with clauses 9.5 to 9.7 (inclusive);
- b. if so made, will correspondingly affect the application of the Scheduled Conversion Conditions and the Optional Conversion Restriction and cause an adjustment to the Maximum Conversion Number; and

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- c. if so made, will be effective and binding on Holders under these Terms and these Terms will be construed accordingly.

### **9.5 Adjustments to Issue Date VWAP for bonus issues**

- a. Subject to clauses 9.5(b) and 9.5(c), if Westpac makes a pro-rata bonus issue of Ordinary Shares to holders of Ordinary Shares generally (in a manner not involving any cash payment (or the giving of any other form of consideration) to or by holders of Ordinary Shares), the Issue Date VWAP will be adjusted immediately in accordance with the following formula:

$$V = V_o \times RD / (RD + RN)$$

Where:

**V** means the Issue Date VWAP applying immediately after the application of this formula;

**V<sub>o</sub>** means the Issue Date VWAP applying immediately prior to the application of this formula;

**RD** means the number of Ordinary Shares on issue immediately prior to the allotment of new Ordinary Shares pursuant to the bonus issue; and

**RN** means the number of Ordinary Shares issued pursuant to the bonus issue.

- b. Clause 9.5(a) does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or a dividend reinvestment plan.
- c. For the purposes of this clause, an issue will be regarded as a bonus issue notwithstanding that Westpac does not make offers to some or all holders of Ordinary Shares with registered addresses outside Australia, provided that in so doing Westpac is not in contravention of the ASX Listing Rules.

### **9.6 Adjustments to Issue Date VWAP for capital reconstruction**

If at any time after the Issue Date there is a change to the number of Ordinary Shares on issue because of a Reclassification (in a manner not involving any cash payment (or the giving of any other form of consideration) to or by holders of Ordinary Shares)

into a lesser or greater number, the Issue Date VWAP will be adjusted by multiplying the Issue Date VWAP applicable on the Business Day immediately before the date of any such Reclassification by the following formula:

**A**

**B**

Where:

**A** means the aggregate number of Ordinary Shares on issue immediately before the Reclassification; and

**B** means the aggregate number of Ordinary Shares on issue immediately after the Reclassification.

### **9.7 No adjustment to Issue Date VWAP in certain circumstances**

Despite the provisions of clauses 9.5 and 9.6, no adjustment will be made to the Issue Date VWAP where any such adjustment (rounded if applicable) would be less than one percent of the Issue Date VWAP then in effect.

### **9.8 Announcement of adjustments to Issue Date VWAP**

Westpac will notify any adjustment to the Issue Date VWAP under this clause to ASX and the Holders within 10 Business Days of Westpac determining the adjustment and the adjustment will be final and binding.

### **9.9 Status and listing of Ordinary Shares**

- a. Ordinary Shares issued or arising from Conversion will rank equally with all other fully paid Ordinary Shares provided that the rights attaching to the Ordinary Shares issued or arising from Conversion do not take effect until 5.00pm (Sydney time) on the Conversion Date.
- b. Westpac will use all reasonable endeavours to list the Ordinary Shares issued on Conversion of Westpac Capital Notes 2 on ASX.

### **9.10 Conversion where the Holder does not wish to receive Ordinary Shares or is an Ineligible Holder**

- a. If Westpac Capital Notes 2 of a Holder are required to be Converted and:

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- i. the Holder has notified Westpac that it does not wish to receive Ordinary Shares as a result of Conversion, which notice may be given at any time on or after the Issue Date and prior to the Conversion Date; or
- ii. the Holder is an Ineligible Holder, then, on the Conversion Date, the Holder's rights (including to Distributions) in relation to each such Westpac Capital Note 2 being Converted are immediately and irrevocably terminated and Westpac will issue the Conversion Number of Ordinary Shares to the Sale Agent for no additional consideration to hold on trust for sale for the benefit of the relevant Holder. At the first opportunity to sell the Ordinary Shares, the Sale Agent will arrange for their sale at market value and pay the proceeds less selling costs to the relevant Holder.

Westpac will be entitled to treat a Holder as not being an Ineligible Holder unless the Holder has otherwise notified it after the Issue Date and prior to the Conversion Date.

- b. If Conversion under this clause 9.10 is occurring because of the occurrence of a Capital Trigger Event or Non-Viability Trigger Event and the Conversion fails to take effect and Westpac is not otherwise able to issue Ordinary Shares to the Sale Agent within five Business Days, then Holders' rights will be immediately and irrevocably terminated in accordance with clause 5.8.

#### 9.11 Final Distribution

For the avoidance of doubt, Conversion may occur even if Westpac, in its absolute discretion, does not pay a Distribution for the final Distribution Period.

#### 9.12 No Conversion after Winding Up commences

If before the Conversion Date a Winding Up commences, then Conversion will not occur and clause 2 will apply, except where Conversion is required for a Capital Trigger Event or Non-Viability Trigger Event (in which case such Conversion shall occur (subject to clause 5.8) in accordance with clause 5.2 or 5.4 (as applicable) and clause 5.7).

#### 9.13 Conversion of a percentage of Face Value

If under these Terms it is necessary to Convert a percentage of the Face Value, this clause 9 will apply to the Conversion as if references to the Face Value were references to the relevant percentage of the Face Value to be Converted multiplied by the Face Value.

#### 9.14 Consent to receive Ordinary Shares and other acknowledgements

Subject to clause 5.8, each Holder irrevocably:

- a. upon receipt of the Conversion Number of Ordinary Shares following Conversion of Westpac Capital Notes 2 in accordance with clauses 4,5 or 6 consents to becoming a member of Westpac and agrees to be bound by the constitution of Westpac, in each case in respect of Ordinary Shares issued on Conversion;
- b. acknowledges and agrees that, unless it has given notice in accordance with clause 9.10 that it does not wish to receive Ordinary Shares as a result of Conversion, it is obliged to accept Ordinary Shares of Westpac on Conversion notwithstanding anything that might otherwise affect a Conversion of Westpac Capital Notes 2 including:
  - i. any change in the financial position of Westpac since the issue of the Westpac Capital Notes 2;
  - ii. any disruption to the market or potential market for Ordinary Shares or capital markets generally; or
  - iii. any breach by Westpac of any obligation in connection with the Westpac Capital Notes 2;
- c. acknowledges and agrees that:
  - i. Conversion is not subject to any conditions other than those expressly provided for in these Terms;
  - ii. Subject to any conditions, Conversion must occur immediately on the Conversion Date and that may result in disruption or failures in trading or dealings in the Westpac Capital Notes 2;
  - iii. it will not have any rights to vote in respect of any Conversion; and

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- iv. notwithstanding clause 9.9, Ordinary Shares issued on Conversion may not be quoted at the time of Conversion or at all;
  - d. acknowledges and agrees that where clause 5.8 applies, no other conditions or events will affect the operation of that clause and it will not have any rights to vote in respect of any termination under that clause;
  - e. acknowledges and agrees that it has no right to request that Westpac Convert Capital Notes 2; and
  - f. acknowledges and agrees that it has no remedies on account of the failure of Westpac to issue Ordinary Shares in accordance with clauses 5.2 or 5.4 other than, subject to clause 5.8, to seek specific performance of Westpac's obligation to issue Ordinary Shares.

## **10 TITLE AND TRANSFER OF WESTPAC CAPITAL NOTES 2**

### **10.1 CHESS**

While a Westpac Capital Note 2 remains in CHESS:

- a. the rights of a person holding an interest in the Westpac Capital Note 2; and
- b. all dealings (including transfers and payments) in relation to the Westpac Capital Note 2,

will be governed by and subject to the rules and regulations of CHESS (but without affecting any of these Terms which affect the eligibility of the Westpac Capital Notes 2 as Additional Tier 1 Capital). To the extent of any inconsistency:

- c. between these Terms (other than any of these Terms which affect the eligibility of the Westpac Capital Notes 2 as Additional Tier 1 Capital) and the rules and regulations of CHESS, the rules and regulations of CHESS prevail; and
- d. between any of these Terms which affect the eligibility of the Westpac Capital Notes 2 as Additional Tier 1 Capital and the rules and regulations of CHESS, these Terms prevail.

### **10.2 Effect of entries in Westpac Capital Notes 2 Register**

Each entry in the Westpac Capital Notes 2 Register of a person as a Holder constitutes:

- a. conclusive evidence of that person's:

- i. absolute ownership of those Westpac Capital Notes 2; and
  - ii. entitlement to the other benefits given to Holders under these Terms in respect of Westpac Capital Notes 2; and
- b. an undertaking by Westpac to pay a Distribution and any other amount in accordance with these Terms,

subject to correction of the Westpac Capital Notes 2 Register for fraud or error.

### **10.3 Non-recognition of interests**

Except as required by law, Westpac and the Registrar must treat the person whose name is entered in the Westpac Capital Notes 2 Register as a Holder as the absolute owner of that Westpac Capital Notes 2. This clause applies despite any notice of ownership, trust or interest in that Westpac Capital Notes 2.

### **10.4 Joint Holders**

Where two or more persons are entered in the Westpac Capital Notes 2 Register as joint Holders, they are taken to hold those Westpac Capital Notes 2 as joint tenants with rights of survivorship but the Registrar is not bound to register more than three persons as joint Holders of any Westpac Capital Notes 2.

### **10.5 Transfers**

- a. A Holder may transfer Westpac Capital Notes 2:
  - i. while Westpac Capital Notes 2 are registered with CHESS, in accordance with the rules and regulations of CHESS; or
  - ii. at any other time:
    - A. by a proper transfer under any other applicable computerised or electronic system recognised by the Corporations Act; or
    - B. by any proper or sufficient instrument of transfer of marketable securities under applicable law, provided such instrument is delivered to the Registrar with any evidence the Registrar reasonably requires to prove title to or the right to transfer Westpac Capital Notes 2.
- b. Title to Westpac Capital Notes 2 passes when details of the transfer are entered in the Westpac Capital Notes 2 Register.

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- c. Westpac Capital Notes 2 may be transferred in whole but not in part.
- d. Westpac must comply with all Applicable Regulations and any other relevant obligations imposed on it in relation to the transfer of Westpac Capital Notes 2.
- e. Westpac must not charge any fee on the transfer of Westpac Capital Notes 2.
- f. The Holder is responsible for any stamp duty or other similar taxes which are payable in any jurisdiction in connection with a transfer, assignment or other dealing with Westpac Capital Notes 2.
- g. Upon registration and entry of the transferee in the Westpac Capital Notes 2 Register, the transferor ceases to be entitled to future benefits under these Terms in respect of the transferred Westpac Capital Notes 2.
- h. Subject to Applicable Regulations, Westpac may determine that transfers of some or all Westpac Capital Notes 2 will not be registered during any period reasonably specified by it prior to the Conversion Date, Redemption Date or Transfer Date of such Westpac Capital Notes 2.

#### 10.6 Refusal to register

Westpac may only refuse to register a transfer of Westpac Capital Notes 2 if permitted by, or if such registration would contravene or is forbidden by, Applicable Regulations or the Terms.

If Westpac refuses to register a transfer, Westpac must give the lodging party notice of the refusal and the reasons for it within five Business Days after the date on which the transfer was delivered to the Registrar.

#### 10.7 Transmission

A person becoming entitled to Westpac Capital Notes 2 as a consequence of the death, bankruptcy, liquidation or a winding-up of a Holder or of a vesting order by a court or other body with power to make the order, or a person administering the estate of a Holder, may, upon providing evidence as to that entitlement or status, and if Westpac so requires an indemnity in relation to the correctness of such evidence, as Westpac considers sufficient, become registered as the Holder of those Westpac Capital Notes 2.

## 11 PAYMENTS

### 11.1 General

All payments in respect of Westpac Capital Notes 2:

- a. must be made:
  - i. in Australian dollars; and
  - ii. free of any set off, deduction or counter claim except as required by law or any agreement with a governmental authority;
- b. are subject to applicable fiscal and other laws and the administrative practices and procedures of fiscal and other authorities;
- c. will be made in accordance with:
  - i. the rules and regulations of CHESSE while Westpac Capital Notes 2 remain in CHESSE;
  - ii. the particulars recorded in the Westpac Capital Notes 2 Register on the relevant Record Date; and
  - iii. these Terms.

If the date scheduled for any payment under these Terms (other than a payment made under clause 9.1(b) in connection with the Conversion of Notes following a Capital Trigger Event or a Non-Viability Trigger Event) is not a Business Day, then the payment will be made on the next Business Day (and without any additional interest or other payment in respect of such delay).

All calculations of payments will be rounded to four decimal places. For the purposes of making any payment in respect of a Holder's aggregate holding of Westpac Capital Notes 2, any fraction of a cent will be disregarded.

### 11.2 Payments to Holders

- a. Each payment in respect of a Westpac Capital Note 2 will be made to the person that is recorded in the Westpac Capital Notes 2 Register as the Holder of that Westpac Capital Note 2 on the Record Date for that payment.
- b. A payment to any one joint Holder of a Westpac Capital Note 2 will discharge Westpac's liability in respect of the payment.

### 11.3 Method of payments

- a. Westpac may, in its absolute discretion, pay to a Holder or any other person entitled to any

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amount payable in respect of a Westpac Capital Notes 2:

- i. by crediting an account nominated in writing by that Holder or person;
  - ii. by cheque made payable to the Holder or person, sent to the address of that Holder or person as notified to Westpac by that Holder or person; or
  - iii. in any other manner as Westpac determines (provided that Distributions must always be paid in cash).
- b. Westpac may send a cheque referred to in clause 11.3(a)(ii), if relevant, to:
- i. the address in the Westpac Capital Notes 2 Register of the Holder;
  - ii. if that Westpac Capital Note 2 is jointly held, the address in the Westpac Capital Notes 2 Register of the Holder named first in the register in respect of the Westpac Capital Note; or
  - iii. any other address which that person directs in writing.
- c. If Westpac decides to make a payment by electronic or other means determined under clause 11.3(a)(iii) and an account is not nominated by the Holder or joint Holder, Westpac may hold the amount payable in a separate account of Westpac until the Holder or joint Holder (as the case may be) nominates an account, without any obligation to pay interest, and the amount so held is to be treated as having been paid to the Holder or joint Holder at the time it is credited to that separate account of Westpac.
- d. All amounts payable but unclaimed may be invested by Westpac as it thinks fit for the benefit of Westpac until claimed or until required to be dealt with in accordance with any law relating to unclaimed moneys.
- e. Westpac (or any person through whom payments are made), in its absolute discretion, may withhold payment to a Holder where it is required to do so under any applicable fiscal or other law or any administrative practice or procedure of any fiscal or other authority (including any law prohibiting dealings with terrorist organisations or money laundering, or any other type of sanction and any withholding or deduction arising under

or in connection with FATCA), or where it has reasonable grounds to suspect that the Holder may be subject to any such law, administrative practice or procedure or sanction or involved in acts of terrorism or money laundering, and may deal with such payment and the Holder's Note in accordance with such applicable law, administrative practice or procedure or the requirements of any relevant government or regulatory authority.

- f. Westpac shall not be liable for any costs or loss suffered by a Holder in exercising its discretion under clause 11.3(e), even where a Holder later demonstrates that they were not subject to such law, administrative practice or procedure or sanction.

## 12 TAXATION

### 12.1 Deductions

Westpac or the Nominated Party, as applicable, may deduct or withhold any tax, duty, assessment, levy, governmental charge or other amount from any Distribution or amount payable upon Redemption or Transfer to the Nominated Party of any Westpac Capital Note 2 (or upon or with respect to the issuance of any Ordinary Shares upon any Conversion), as required by law or any agreement with a governmental authority. If any such deduction or withholding has been made and paid over to the relevant governmental authority and the balance of the Distribution or other amount payable has been paid (or, in the case of a Conversion, Ordinary Shares issued) to the relevant Holder, then the full amount payable (or, in the case of a Conversion, the Conversion Number of Ordinary Shares) to such Holder shall be deemed to have been duly paid and satisfied (or, in the case of a Conversion, issued) by Westpac or the Nominated Party, as applicable.

Westpac or the Nominated Party, as applicable, shall pay the full amount required to be deducted or withheld to the relevant governmental authority within the time allowed for such payment without incurring any penalty under applicable law and shall, if requested by any Holder, deliver to such Holder confirmation of such payment without delay after it is received by Westpac or the Nominated Party, as applicable.

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#### 12.2 FATCA

Without limiting clause 12.1, if any withholding or deduction arises under or in connection with FATCA, Westpac will not be required to pay any further amounts on account of such withholding or deduction or otherwise reimburse or compensate, or make any payment to, a Holder for or in respect of any such withholding or deduction.

#### 12.3 Tax File Number withholdings

- a. Westpac will, if required, withhold an amount from payment of Distributions on Westpac Capital Notes 2 at the highest marginal tax rate plus the highest Medicare levy if a Holder has not supplied an appropriate tax file number, Australian business number or exemption details.
- b. If a Holder supplies exemption details and Westpac subsequently determines that the relevant exemption was not available, Westpac may recover the amount that should have been deducted from the relevant Holder and may deduct that amount from any subsequent payment due to that Holder in respect of Westpac Capital Notes 2.

### 13 AMENDMENT OF THESE TERMS

#### 13.1 Amendment generally

No amendment to these Terms is permitted without APRA's prior written approval if such amendment would impact, or potentially impact, the classification of the Westpac Capital Notes 2 as Additional Tier 1 Capital on a Level 1 or Level 2 basis.

#### 13.2 Amendment without consent

Subject to clause 13.1, and complying with all applicable laws and with APRA's prior written approval (except in the case of paragraph (a)(iii) below), Westpac may, without the authority, assent or approval of Holders, amend these Terms:

- a. if Westpac is of the opinion that the amendment is:
  - i. of a formal, minor or technical nature;
  - ii. made to cure any ambiguity;
  - iii. made to correct any manifest error;
  - iv. expedient for the purpose of enabling the Westpac Capital Notes 2 to be listed for quotation or to retain listing on any stock exchange or to be offered for, or subscription for, sale under the laws for the time being in force in any place and it is otherwise not considered by Westpac to be materially prejudicial to the interests of Holders as a whole; or
- v. necessary to comply with the provisions of any statute, the requirements of any statutory authority, the ASX Listing Rules or the listing or quotation requirements of any stock exchange on which the Westpac Capital Notes 2 are quoted; or
- b. generally, in any case where such amendment is considered by Westpac not to be materially prejudicial to the interests of Holders as a whole.

#### 13.3 Amendment with consent

Without limiting clause 13.2 and subject to clause 13.1, Westpac may, with APRA's prior written approval, amend these Terms if the amendment has been approved by a Special Resolution.

#### 13.4 Amendment for Approved Successor

- a. Subject to clause 13.4(c), if:
  - i. it is proposed that Westpac be replaced as the ultimate holding company of the Westpac Group by an Approved Successor (**Replacement**); and
  - ii. the Approved Successor agrees to expressly assume Westpac's obligations under these Terms by entering into a deed poll for the benefit of Holders under which it agrees (among other things):
    - A. (to deliver Approved Successor Shares under all circumstances when Westpac would have otherwise been obliged to deliver Ordinary Shares on a Conversion, subject to the same terms and conditions of these Terms as amended by this clause 13.4;
    - B. to comply with the restriction in clause 3.7 (with all appropriate modifications) of these Terms; and
    - C. to use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably



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necessary in order to procure quotation of the Approved Successor Shares issued under these Terms on the stock exchanges on which the other Approved Successor Shares are quoted at the time of a Conversion,

Westpac may, with APRA's prior written approval, but without the authority, assent or approval of Holders, give a notice (an **Approved Replacement Notice**) to Holders (which, if given, must be given as soon as practicable before the Replacement and in any event no later than 10 Business Days before the Replacement occurs) specifying the amendments to these Terms which will be made in accordance with this clause 13.4 to effect the substitution of the Approved Successor as the debtor in respect of Westpac Capital Notes 2 and the issuer of ordinary shares on Conversion.

An Approved Replacement Notice, once given, is irrevocable.

- b. If Westpac gives an Approved Replacement Notice to Holders in accordance with clause 13.4(a), then with effect on and from the date specified in the Approved Replacement Notice:
  - i. the Approved Successor will assume all of the obligations of, and succeed to, and be substituted for, and may exercise every right and power of, Westpac under these Terms (as may be amended from time to time) with the same effect as if the Approved Successor had been named as Westpac in these Terms;
  - ii. Westpac (or any corporation which has previously assumed the obligations of Westpac) will be released from its liability under the Terms;
  - iii. references to Westpac in these Terms will be taken to be references to the Approved Successor and references to Ordinary Shares in these Terms will be taken to be references to Approved Successor Shares;
  - iv. such other amendments may be made to these Terms as in Westpac's reasonable opinion are necessary and appropriate to effect the substitution of an Approved Successor as debtor in respect of Westpac Capital Notes 2 and the issuer of the Approved Successor

Shares on Conversion in the manner contemplated by these Terms (including such amendment as is necessary or expedient for the purposes of complying with the provisions of Chapter 2L of the Corporations Act where the Approved Successor is not an ADI).

- c. Where an amendment under clause 13.4(b) results in Approved Successor Shares being issued to Holders, each Holder agrees to become a member of the Approved Successor immediately prior to the issue of the Approved Successor Shares and appoints Westpac as its attorney as contemplated under clause 14.10 to do all things necessary or desirable to give effect to this clause 13.4.
- d. Westpac must not issue an Approved Replacement Notice unless:
  - i. the Approved Successor or another entity which is not a member of the Westpac Group and approved by APRA subscribes for Ordinary Shares or other capital instruments acceptable to APRA in such amount as may be necessary, or take other steps acceptable to APRA to ensure that the capital position of Westpac on a Level 1 and Level 2 basis as described in the Prudential Standards will not be adversely affected, including, if required by APRA or the Prudential Standards, undertaking any capital injection in relation to Westpac to replace the Westpac Capital Notes 2; and
  - ii. any capital injection carried out pursuant to paragraph (i) is:
    - A. unconditional;
    - B. occurs simultaneously with the substitution of the Approved Successor; and
    - C. of equal or better quality capital and at least the same amount as the Westpac Capital Notes 2, unless otherwise approved by APRA in writing.
- e. Nothing in this clause 13.4 prevents Westpac from proposing, or limits, any scheme of arrangement or other similar proposal that may be put to Holders or other members of Westpac.

### 13.5 Meanings

In this clause **amend** includes modify, cancel, alter or add to and **amendment** has a corresponding meaning.

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### WESTPAC CAPITAL NOTES 2 TERMS

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#### 14 GENERAL

##### 14.1 Not deposit liabilities or protected accounts

- a. Westpac Capital Notes 2 are not deposit liabilities of Westpac nor protected accounts for the purposes of the Banking Act or Financial Claims Scheme and are not subject to the depositor protection provisions of the Banking Act.
- b. No member of the Westpac Group (other than Westpac) has any liability for Westpac Capital Notes 2 and neither Westpac nor any member of the Westpac Group guarantees Westpac Capital Notes 2.

##### 14.2 Further issues

Westpac reserves the right to issue further Westpac Capital Notes 2 or other securities which rank senior to, equally with or behind existing Westpac Capital Notes 2, whether in respect distributions, dividends, return of capital on a Winding Up or otherwise.

##### 14.3 No set-off

Neither Westpac nor any Holder is entitled to set-off any amounts due in respect of the Westpac Capital Notes 2 against any amount of any nature owed by Westpac to the Holder or by the Holder to Westpac (as applicable).

##### 14.4 Quotation

Westpac must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure quotation of Westpac Capital Notes 2 on the financial market operated by ASX.

##### 14.5 Meetings

The Deed Poll contains provisions for convening meetings of the Holders. Any such meeting may consider any matters affecting the interests of Holders, including, without limitation, the amendment of the Terms and the granting of approvals, consents and waivers.

##### 14.6 Notices

The Deed Poll contains provisions for the giving of notices.

##### 14.7 No other rights

Before Conversion, Westpac Capital Notes 2 confer no rights on a Holder:

- a. to vote at, or receive notices of, any meeting of shareholders of Westpac;
- b. to subscribe for new securities or to participate in any bonus issues of securities of Westpac; or
- c. to otherwise participate in the profits or property of Westpac, except as set out in these Terms.

##### 14.8 Ability to trade, buy-back or purchase

- a. Westpac or any member of the Westpac Group may, to the extent permitted by applicable laws and regulations and with APRA's prior written approval, at any time buy or sell Westpac Capital Notes 2 in the open market, by tender to all or some of the Holders, by private agreement or in any other manner, at any price.
- b. Subject to APRA's prior written approval, Westpac may purchase on-market or otherwise conduct a buy-back in relation to Westpac Capital Notes 2 at any time and at any price.
- c. Any Westpac Capital Note 2 purchased or bought-back by Westpac pursuant to this clause is immediately cancelled.

##### 14.9 Waiver of immunity

Westpac irrevocably and unconditionally waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 15.

##### 14.10 Power of attorney

Each Holder irrevocably appoints each of Westpac, its officers and any liquidator or administrator of Westpac (each an **Attorney**) severally to be the attorney of the Holder with power in the name and on behalf of the Holder to sign all documents and transfers and do any other thing as may in the Attorney's opinion be necessary or desirable to be done in order for the Holder to observe or perform the Holder's obligations under these Terms.

The power of attorney given in this clause 14.10 is given for valuable consideration and to secure the

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performance by the Holder of the Holder's obligations under these Terms and is irrevocable.

## 15 GOVERNING LAW

These Terms are governed by the laws of New South Wales, Australia. Each party irrevocably submits to the non-exclusive jurisdiction of the courts of New South Wales, and agrees that it will not object to the venue or claim that the relevant action or proceedings have been brought in an inconvenient forum.

## 16 INTERPRETATION AND DEFINITIONS

### 16.1 Interpretation

The following rules of interpretation apply in these Terms unless the contrary intention appears or the context otherwise requires.

- a. Definitions and interpretation under Westpac's constitution will also apply to these Terms unless the contrary intention is expressed.
- b. Unless the context otherwise requires, if there is any inconsistency between the provisions of these Terms and Westpac's constitution then, to the maximum extent permitted by law, the provisions of these Terms will prevail.
- c. Unless otherwise specified, the Westpac Directors may exercise all powers of Westpac under these Terms as are not, by the Corporations Act or by Westpac's constitution, required to be exercised by Westpac in general meeting.
- d. Notices may be given by Westpac to a Holder in the manner prescribed by Westpac's constitution for the giving of notices to members of Westpac and the relevant provisions of Westpac's constitution apply with all necessary modification to notices to Holders.
- e. Unless otherwise specified, a reference to a clause is a reference to a clause of these Terms.
- f. If a calculation is required under these Terms, unless the contrary intention is expressed, the calculation will be rounded to four decimal places.
- g. If a payment is required to be made under these Terms, unless the contrary intention is expressed, the payment will be made in Australian dollars only.
- h. Any provisions which refer to the requirements of APRA or any other prudential regulatory requirements will apply to Westpac only if Westpac is an entity, or the holding company of an entity, subject to regulation and supervision by APRA at the relevant time.
- i. Any provisions in these Terms requiring the prior written approval by APRA for a particular course of action to be taken by Westpac do not imply that APRA has given its consent or approval to the particular action as of the Issue Date.
- j. The terms takeover bid, relevant interest, scheme of arrangement, buy-back and on-market buy-back when used in these Terms have the meaning given in the Corporations Act.
- k. Headings and boldings are for convenience only and do not affect the interpretation of these Terms.
- l. The singular includes the plural and vice versa.
- m. A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
- n. Other than in relation to a Capital Trigger Event or a Non-Viability Trigger Event (including a Conversion of the Westpac Capital Notes 2 on a Capital Trigger Event Conversion Date or Non-Viability Trigger Event Conversion Date and any termination of rights under clause 5.8) and other than as otherwise specified in these Terms, if an event under these Terms must occur on a stipulated day which is not a Business Day, then the event will be done on the next Business Day.
- o. A reference to \$, dollars or cents is a reference to the lawful currency of Australia.
- p. A reference to time in these Terms is a reference to Sydney, New South Wales, Australia time.
- q. Calculations, elections and determinations made by Westpac under these Terms are binding on Holders in the absence of manifest error.
- r. If any provision of these Terms is prohibited or unenforceable in its terms but would not be prohibited or unenforceable if it were read down, and is capable of being read down, that provision must be read down accordingly. If, despite this clause, a provision is still prohibited or unenforceable, if the provision would not be prohibited or unenforceable if a word or words were omitted, the relevant words must be severed

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## APPENDIX B

### WESTPAC CAPITAL NOTES 2 TERMS

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and, in any other case, the whole provision must be severed. However, the remaining provisions of the Terms are of full force and effect.

#### 16.2 Definitions

In these Terms, except where the contrary intention appears:

**Acquisition Event** means:

- a. a takeover bid is made for Ordinary Shares and the offer is, or becomes, unconditional and the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue; or
- b. a court orders one or more meetings to be convened to approve a scheme of arrangement under part 5.1 of the Corporations Act which scheme would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented and either:
  - i. the relevant classes of members pass a resolution approving the scheme; or
  - ii. an independent expert issues a report that the proposals in connection with the scheme are in the best interests of the holders of Ordinary Shares; or
  - iii. Holders are treated as being a separate class for the purposes of a scheme of arrangement in respect of the replacement of Westpac as the ultimate holding company of the Westpac Group.

Notwithstanding the foregoing, the proposed replacement of Westpac as the ultimate holding company of the Westpac Group shall not constitute an Acquisition Event if:

- c. the proposed successor holding company complies with all applicable legal requirements and obtains any necessary regulatory approvals (including APRA's prior written approval);
- d. the proposed successor holding company agrees to take any necessary action to give effect to an amendment to the Terms as contemplated in clause 13.4;
- e. the ordinary shares of the proposed successor holding company are to be listed on any internationally recognised stock exchange;
- f. the proposed successor holding company has a place of business in New South Wales or has

appointed a process agent in New South Wales to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with Westpac Capital Notes 2;

- g. the proposed successor holding company has, in the reasonable opinion of Westpac, the financial capacity to satisfy Westpac's obligations under these Terms and the Deed Poll; and
- h. the proposed replacement of Westpac and the events described in paragraphs (c) to (e) would not, in the reasonable opinion of Westpac, otherwise adversely affect the interests of Holders.

**Acquisition Event Conversion Date** has the meaning set out in clause 5.9(a)(iii).

**Additional Tier 1 Capital** has the meaning prescribed by APRA in the Prudential Standards.

**ADI** means an Authorised Deposit-taking Institution under the Banking Act.

**Administrative Action** means any judicial decision, official administrative pronouncement or action, published or private ruling, interpretative decision, regulatory procedure or policy, application of a regulatory procedure or policy and any notice or announcement (including any notice or announcement of intent to adopt or make any of those things).

**Applicable Regulation** means the ASX Listing Rules, the ASX Settlement Operating Rules, the rules and regulations of CHESS, the Corporations Act and any rules or regulations made under or pursuant to them.

**Approved Replacement Notice** has the meaning given in clause 13.4(a).

**Approved Successor** means a holding company that replaces, or is proposed to replace, Westpac as the ultimate holding company of the Westpac Group and that satisfies the requirements under paragraphs (c) to (h) of the definition of 'Acquisition Event' in these Terms.

**Approved Successor Share** means a fully paid ordinary share in the capital of the Approved Successor.

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**APRA** means the Australian Prudential Regulation Authority (ABN 79 635 582 658) or any authority succeeding to its powers or responsibilities.

**ASX** means ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires.

**ASX Listing Rules** means the listing rules of ASX from time to time with any modifications or waivers in their application to Westpac, which ASX may grant.

**ASX Settlement Operating Rules** means the settlement operating rules of ASX from time to time with any applicable modification or waiver granted by ASX.

**Bank Bill Rate** has the meaning given in clause 3.1.

**Banking Act** means the *Banking Act 1959* (Cth).

**Bookbuild** means a process conducted by or on behalf of Westpac whereby bids are lodged for the Westpac Capital Notes 2, and, on the basis of those bids, Westpac determines the Margin.

**Business Day** means a business day as defined in the ASX Listing Rules.

**Buy Back** means a transaction involving the acquisition by Westpac of its Ordinary Shares pursuant to the provisions of Part 2J of the Corporations Act.

**Capital Reduction** means a reduction in capital by Westpac of its Ordinary Shares in any way permitted by the provisions of Part 2J of the Corporations Act.

**Capital Securities** means shares or any equity, hybrid or subordinated debt capital security (whether comprised of one or more instruments) issued by Westpac excluding the Westpac Capital Notes 2.

**Capital Security** has the corresponding meaning.

**Capital Trigger Event** has the meaning given in clause 5.1.

**Capital Trigger Event Conversion Date** has the meaning set out in clause 5.2(d)(iii).

**Change of Law means:**

- a. an amendment to, change in or announced prospective change that has been or will be

introduced in any laws or regulations under those laws affecting taxation in Australia;

- b. a judicial decision interpreting, applying or clarifying laws or regulations affecting taxation in Australia;
- c. an administrative pronouncement, ruling, confirmation, advice or action (including a failure or refusal to provide a ruling) affecting taxation in Australia that represents an official position, including a clarification of an official position of the governmental authority or regulatory body in Australia making the administrative pronouncement or taking any action; or
- d. a challenge in relation to (or in connection with) Westpac Capital Notes 2 asserted or threatened in writing from the Australian Taxation Office,

which amendment or change is announced or which action or clarification or challenge occurs on or after the Issue Date and which Westpac did not expect as at the Issue Date.

**CHESS** means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited (ABN 49 008 504 532).

**Common Equity Tier 1 Capital** has the meaning prescribed by APRA in the Prudential Standards.

**Conversion** means the conversion of all, some or a proportion of each Westpac Capital Note 2 into Ordinary Shares under these Terms and **Convert** and **Converted** have corresponding meanings.

**Conversion Date** means the applicable:

- a. Scheduled Conversion Date;
- b. Capital Trigger Event Conversion Date;
- c. Non-Viability Trigger Event Conversion Date;
- d. Acquisition Event Conversion Date; or
- e. Optional Conversion Date.

**Conversion Number** has the meaning given in clause 9.1.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Deed Poll** means the deed poll entitled "Westpac Capital Notes 2 Deed Poll" executed by Westpac and dated 7 May 2014.

**Distribution** has the meaning given in clause 3.1.

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## APPENDIX B

### WESTPAC CAPITAL NOTES 2 TERMS

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**Distribution Payment Date** has the meaning given in clause 3.5.

**Distribution Period** means the period from (but excluding) the Issue Date until (and including) the first Distribution Payment Date or thereafter from (but excluding) each Distribution Payment Date until (and including) the next Distribution Payment Date.

**Distribution Rate** has the meaning given in clause 3.1.

**Dividends** means any interim, final or special dividends payable in accordance with the Corporations Act and Westpac's Constitution in relation to Ordinary Shares.

**Equal Ranking Capital Security** means:

- a. in the case of a dividend, distribution or interest in respect of the Capital Security, a Capital Security (including TPS 2004 Preference Shares, TPS 2004 Debentures, TPS 2006 Preference Shares, TPS 2006 Notes, SPS 2008 II Preference Shares, SPS 2008 II Notes, Westpac CPS 2012 and Westpac Capital Notes) which ranks or is expressed to rank for payment of the dividend, distribution or interest equally with Westpac Capital Notes 2; and
- b. in the case of redemption or repayment of, reduction of capital on, cancellation of or acquisition of the Capital Security, a Capital Security (including TPS 2004 Preference Shares, TPS 2004 Debentures, TPS 2006 Preference Shares, TPS 2006 Notes, SPS 2008 II Preference Shares, SPS 2008 II Notes, Westpac CPS 2012 and Westpac Capital Notes) which ranks or is expressed to rank equally with Westpac Capital Notes 2 for repayment or a return of capital if Westpac is wound up.

**Face Value** means as applicable either:

- a. the Initial Face Value; or
- b. the Initial Face Value reduced by the amount of Face Value per Westpac Capital Note 2 which has previously been Converted in accordance with clause 5.2 or clause 5.4 or the rights in respect of which have been terminated in accordance with clause 5.8.

**FATCA** means sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (or any consolidation, amendment, re-

enactment or replacement of those provisions and including any regulations or official interpretations issued, agreements entered into or non-US laws enacted with respect to those provisions).

**Financial Claims Scheme** means the financial claims scheme established under the Banking Act.

**First Scheduled Conversion Condition** has the meaning set out in clause 4.2(a)(i).

**Foreign Holder** means a Holder whose address in the Westpac Capital Notes 2 Register is a place outside Australia or who Westpac otherwise believes may not be a resident of Australia and Westpac is not satisfied that the laws of the Holder's country of residence permit the offer, holding or acquisition of Ordinary Shares to the Holder (but Westpac will not be bound to enquire into those laws), either unconditionally or after compliance with conditions which Westpac, in its absolute discretion, regards as acceptable and not unduly onerous.

**Holder** means, in respect of a Westpac Capital Note 2, the person whose name is for the time being entered in the Westpac Capital Notes 2 Register as the owner of it or, where it is held jointly by two or more persons, the persons whose names appear in the Westpac Capital Notes 2 register as the joint owners of the Westpac Capital Note 2.

**Ineligible Holder** means either:

- a. a Holder who is prohibited or restricted by any applicable law or regulation in force in Australia (including but not limited to Chapter 6 of the Corporations Act, the *Foreign Acquisitions and Takeovers Act 1975* (Cth), the *Financial Sector (Shareholdings) Act 1998* (Cth) and Part IV of the *Competition and Consumer Act 2010* (Cth)) from being offered, holding or acquiring Ordinary Shares (provided that if the relevant prohibition or restriction only applies to the Holder in respect of some of its Westpac Capital Notes 2, it shall only be treated as an Ineligible Holder in respect of those Westpac Capital Notes 2 and not in respect of the balance of its Westpac Capital Notes 2); or
- b. a Foreign Holder.

**Initial Face Value** means \$100 per Westpac Capital Note 2.

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**Issue Date** means the date on which Westpac Capital Notes 2 are issued, which is expected to be on or about 23 June 2014.

**Issue Date VWAP** means the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding but not including the Issue Date, as adjusted in accordance with clauses 9.4 to 9.7.

**Level 1** and **Level 2** has the meaning prescribed by APRA in the Prudential Standards.

**Liquidator** means the liquidator or other official responsible for the conduct and administration of a Winding Up.

**Liquidation Sum** means an amount of surplus assets equal to \$100 per Westpac Capital Note 2 (as adjusted for any Conversion under clauses 5.2 or 5.4 or any termination of rights under clause 5.8).

**Margin** has the meaning given in clause 3.1.

**Maximum Conversion Number** has the meaning given in clause 9.1.

**Next Distribution Payment Date** means the scheduled quarterly Distribution Payment Date immediately following the date on which the Optional Conversion Notice, Redemption Notice or Transfer Notice (as applicable) was given by Westpac provided that if such Distribution Payment Date is less than 21 Business Days following the date on which such notice was given then it shall be the immediately following Distribution Payment Date.

**Nominated Party** means one or more third parties selected by Westpac in its absolute discretion (which cannot include a member of the Westpac Group or a related entity (as described in the Prudential Standards) of Westpac).

**Non-Viability Trigger Event** has the meaning given in clause 5.3.

**Non-Viability Trigger Event Conversion Date** has the meaning set out in clause 5.4(c)(iii).

**Optional Conversion** means a Conversion in accordance with clause 6.

**Optional Conversion Date** means, in respect of each Westpac Capital Note 2:

- a. 23 September 2022; or
- b. the date specified by Westpac as the Optional Conversion Date in accordance with clause 6.3(b)(i)(B).

**Optional Conversion Notice** means a notice issued in accordance with clause 6.

**Optional Conversion Restriction** has the meaning given in clause 6.2.

**Ordinary Share** means a fully paid ordinary share in the capital of Westpac.

**Prospectus** means the prospectus relating to the offer of Westpac Capital Notes 2 dated on or about 7 May 2014 and any supplementary or replacement prospectus.

**Prudential Standards** means the Prudential Standards and guidelines published by APRA and applicable to Westpac or the Westpac Group from time to time.

**Reclassification** has the meaning given in clause 9.3.

**Record Date** means, in the case of:

- a. the payment of Distributions, the date which is eight calendar days before the relevant Distribution Payment Date or, if that date does not fall on a Business Day, the immediately preceding Business Day (or such other date as may be prescribed under the ASX Listing Rules or, if not prescribed by the ASX Listing Rules, a date determined by Westpac and notified to ASX); and
- b. the payment of the Face Value of the Westpac Capital Note 2 upon a Redemption or Transfer, a date determined by Westpac and notified to ASX (or such other date as may be prescribed by ASX).

**Redemption** means the redemption of all or some Westpac Capital Notes 2 for their Face Value under these Terms and **Redeem**, **Redeemable** and **Redeemed** have corresponding meanings.

**Redemption Date** means, in respect of each Westpac Capital Note 2:

- a. 23 September 2022; or
- b. the date specified by Westpac as the Redemption Date in accordance with clause 7.2(b)(i)(B).

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## APPENDIX B

### WESTPAC CAPITAL NOTES 2 TERMS

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**Redemption Notice** means a notice issued in accordance with clause 7.

**Registrar** means Link Market Services Limited (ABN 54 083 214 537) or any other person appointed by Westpac to maintain the Westpac Capital Notes 2 Register.

**Regulatory Event** means either:

a. as a result of:

- i. any amendment to, clarification of, or change (including any announcement of a prospective change that has been or will be introduced) in, the laws or regulations of Australia; or
- ii. any Administrative Action or any amendment to, clarification of, or change in an Administrative Action,

in each case by any legislative body, court, government authority or regulatory body (irrespective of the manner in which such amendment, clarification, change or Administrative Action is effective or Administrative Action is announced) after the Issue Date provided it was not expected by Westpac as at the Issue Date:

- iii. additional requirements would be imposed on the Westpac Group in relation to the Westpac Capital Notes 2; or
- iv. there would be a negative impact on the Westpac Group in relation to (or in connection with) Westpac Capital Notes 2,

in relation to which Westpac has received a supporting opinion of reputable legal counsel in Australia, experienced in such matters, or confirmation from APRA, and which Westpac determines, at its sole discretion, to be unacceptable; or

- b. Westpac determines, after having received a supporting opinion of reputable legal counsel in Australia, experienced in such matters, or confirmation from APRA, that all, some or a proportion of all or some Westpac Capital Notes 2 are not or will not be treated as Additional Tier 1 Capital of the Westpac Group under the Prudential Standards, other than as a result of a change of treatment expected by Westpac as at the Issue Date or because Westpac has exceeded a limit or other restriction on the recognition of Additional Tier 1 Capital which was in effect on the

Issue Date or which on the Issue Date is expected by Westpac to come into effect.

**Relevant Security** means a security forming part of the Tier 1 Capital of Westpac on a Level 1 basis or Level 2 basis.

**Replacement** has the meaning given in clause 13.4(a).

**Sale Agent** means the nominee (who cannot be a member of the Westpac Group or a related entity (as described in the Prudential Standards) of Westpac) appointed by Westpac under the facility established for the sale of Ordinary Shares issued by Westpac on Conversion on behalf of Holders who do not wish to receive Ordinary Shares on Conversion or who are Ineligible Holders.

**Scheduled Conversion Conditions** means the conditions in clause 4.2.

**Scheduled Conversion Date** has the meaning given in clause 4.1.

**Second Scheduled Conversion Condition** has the meaning set out in clause 4.2(a)(ii).

**Senior Creditors** means all creditors of Westpac (present and future), including depositors of Westpac and all holders of Westpac's senior or subordinated debt:

- a. whose claims are admitted in a Winding Up; and
- b. whose claims are not made as holders of indebtedness arising under:
  - i. an Equal Ranking Capital Security; or
  - ii. an Ordinary Share.

**Solvent Reconstruction** means a scheme of amalgamation or reconstruction, not involving a bankruptcy or insolvency, where the obligations of Westpac in relation to the outstanding Westpac Capital Notes 2 are assumed by the successor entity to which all, or substantially all of the property, assets and undertakings of Westpac are transferred or where an arrangement with similar effect not involving a bankruptcy or insolvency is implemented.

**Special Resolution means:**

- a. a resolution passed at a meeting of Holders by a majority of at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution; or



- 
- b. the written approval of Holders holding at least 75% of the Westpac Capital Notes 2.

**SPS 2008 II Notes** means the notes issued by Westpac under the note deed poll dated 20 February 2009.

**SPS 2008 II Preference Shares** means the preference shares of Westpac designated as 2008 Series II Preference Shares.

**Subsidiary** has the meaning given in the Corporations Act.

**Tax Act** means:

- a. the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth) (both as amended from time to time, as the case may be, and a reference to any section of the *Income Tax Assessment Act 1936* (Cth) includes a reference to that section as rewritten in the *Income Tax Assessment 1997* (Cth)); and
- b. any other law setting the rate of income tax payable; and
- c. any regulation made under such laws.

**Tax Event** occurs when Westpac determines, after receiving a supporting opinion of reputable legal counsel or other tax adviser in Australia, experienced in such matters, that (as a result of a Change of Law) there is a more than insubstantial risk that:

- a. the Westpac Group would be exposed to a more than de minimis adverse tax consequence or increased cost in relation to Westpac Capital Notes 2; or
- b. any Distribution would not be a frankable distribution within the meaning of Division 202 of the Tax Act.

**Terms** means these terms and conditions of Westpac Capital Notes 2.

**Tier 1 Capital** has the meaning prescribed by APRA in the Prudential Standards.

**TPS 2004 Debentures** means the securities issued under Westpac's Junior Subordinated Indenture dated 13 August 2003 as supplemented by the Supplemental Indenture No 2 dated 5 April 2004.

**TPS 2004 Preference Shares** means the preference shares of Westpac designated as 2004 Series 1 Preference Shares.

**TPS 2006 Notes** means the notes issued by Westpac under the note deed between Westpac and Westpac Funds Management Limited dated 10 May 2006.

**TPS 2006 Preference Shares** means the preference shares of Westpac designated as 2006 Series 1 Preference Shares.

**Transfer** means the transfer of Westpac Capital Notes 2 by Holders to a Nominated Party in accordance with clause 8 and **Transferred** has a corresponding meaning.

**Transfer Date** means, in respect of each Westpac Capital Note 2:

- a. 23 September 2022; or
- b. the date specified by Westpac as the Transfer Date in accordance with clause 8.2(b)(i)(B).

**Transfer Notice** means a notice issued in accordance with clause 8.

**VWAP** means, subject to any adjustments under clauses 9.2 and 9.3, the average of the daily volume weighted average sale prices (rounded to the nearest full cent) of Ordinary Shares sold on ASX during the relevant period or on the relevant days but does not include any "crossing" transacted outside the "Open Session State" or any "special crossing" transacted at any time, each as defined in the ASX Market Rules or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares.

**VWAP Period** means:

- a. in the case of a Conversion resulting from an Acquisition Event the lesser of:
  - i. 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Acquisition Event Conversion Date; and
  - ii. the number of Business Days after the occurrence of the Acquisition Event on which:
    - A. the Ordinary Shares are quoted for trading on ASX; and
    - B. trading in Ordinary Shares took place, in each case immediately preceding (but not

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## APPENDIX B

### WESTPAC CAPITAL NOTES 2 TERMS

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including) the Business Day before the Acquisition Event Conversion Date.

- b. in the case of a Conversion resulting from a Capital Trigger Event, or a Non-Viability Trigger Event, the period of 5 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Conversion Date; and
- c. in the case of any other Conversion, the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Conversion Date; or
- d. otherwise, the period for which the VWAP is to be calculated in accordance with these Terms.

**Westpac** means Westpac Banking Corporation (ABN 33 007 457 141).

**Westpac Capital Notes** means the notes issued by Westpac under the note deed poll dated 30 January 2013.

**Westpac Capital Notes 2** means the Westpac Capital Notes 2 issued by Westpac under the Terms.

**Westpac Capital Notes 2 Register** means the register of Holders maintained by Westpac or its agent and includes any subregister established and maintained under CHES.

**Westpac CPS 2012** means the convertible preference shares of Westpac designated as Westpac CPS.

**Westpac Directors** means some or all of the directors of Westpac acting as a board.

**Westpac Group** means Westpac and its controlled entities taken as a whole.

**Westpac Level 1 Common Equity Tier 1 Capital Ratio** means, in respect of the Westpac Level 1 Group, the ratio of the Common Equity Tier 1 Capital of the Westpac Level 1 Group to the risk weighted assets of the Westpac Level 1 Group, calculated in accordance with the Prudential Standards.

**Westpac Level 1 Group** means either:

- a. Westpac; or
- b. the “extended licensed entity” which is comprised of Westpac and each Subsidiary of Westpac as specified in any approval granted by APRA in accordance with the Prudential Standards.

**Westpac Level 2 Common Equity Tier 1 Capital Ratio** means, in respect of the Westpac Level 2 Group, the ratio of the Common Equity Tier 1 Capital of the Westpac Level 2 Group to the risk weighted assets of the Westpac Level 2 Group, calculated in accordance with the Prudential Standards.

**Westpac Level 2 Group** means Westpac and each Subsidiary that is recognised by APRA as part of Westpac’s Level 2 group in accordance with the Prudential Standards.

**Winding Up** means:

- a. a court order is made for the winding up of Westpac; or
- b. an effective resolution is passed by shareholders or members for the winding up of Westpac, other than in connection with a Solvent Reconstruction.

A Winding Up must be commenced by a court order or an effective resolution of shareholders or members. Neither (i) the making of an application, the filing of a petition, or the taking of any other steps for the winding up of Westpac (or any other procedure whereby Westpac may be dissolved, liquidated, sequestered or cease to exist as a body corporate), nor (ii) the appointment of a receiver, administrator, administrative receiver, compulsory manager, ADI statutory manager or other similar officer (other than a Liquidator) in respect of Westpac, constitutes a Winding Up for the purposes of these Terms.

### 16.3 INCONSISTENCY WITH ASX LISTING RULES

So long as Westpac Capital Notes 2 are quoted on ASX, these Terms as they relate to those Westpac Capital Notes 2 are to be interpreted in a manner consistent with the applicable ASX Listing Rules, provided always that where a clause of the Terms is required to give effect to the Prudential Standards, the interpretation which gives effect to that APRA requirement shall prevail.



# APPENDIX C

Financial Services Guide for  
Pacific Custodians Pty Limited  
(ABN 66 009 682 866, AFSL No. 295142) in  
relation to the On-Market Buy-Back Facility

**Pacific Custodians Pty Ltd  
Street Address**

Level 12  
680 George Street  
Sydney, NSW 2000

**Postal Address**

PO Box 20344  
World Square, NSW 2002

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## APPENDIX C

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### **THIS FSG IS ISSUED BY PACIFIC CUSTODIANS PTY LIMITED (PACIFIC CUSTODIANS)**

Unless otherwise defined herein, capitalised expressions have the meanings given to them in Appendix A to the Prospectus.

This Financial Services Guide (“**FSG**”) is an important document intended to provide you with information about Pacific Custodians who may provide the services to you, covered in this FSG. It contains information about the remuneration paid to Pacific Custodians in relation to the financial services provided by Pacific Custodians as well as how we deal with any complaints you may have.

Please contact us if you have any questions about us or this FSG.

#### **Who is Pacific Custodians and how can they be contacted?**

Pacific Custodians is, a wholly owned subsidiary of Link Market Services Limited ABN 54 083 214 537 (“**LMS**”), the share registry provider for Westpac Banking Corporation. Pacific Custodians holds Australian Financial Services License (AFSL) 295142. You can contact Pacific Custodians via the details shown on the previous page.

#### **What Services will Pacific Custodians provide?**

If you submit a Reinvestment Form, Pacific Custodians will arrange for your Westpac SPS II to be sold into the On-Market Buy-Back Facility and will hold your Westpac SPS II as custodian, pending their sale through the On-Market Buy-Back Facility. Pacific Custodians will not provide any services to you if you do not submit a Reinvestment Form. Pacific Custodians will not provide any advisory service and you should seek independent advice in this regard.

Pacific Custodians provides services on its own behalf and is responsible for the financial services it provides to you. Pacific Custodians is neither responsible nor liable for any part of the Prospectus, other than this FSG (for which it is responsible).

#### **How do I provide instructions to Pacific Custodians?**

You do not need to provide any instructions directly to Pacific Custodians. The completion and submission of the Reinvestment Form in accordance with the instructions on the Reinvestment Form provides all the instructions that are required.

#### **How is Pacific Custodians remunerated?**

Pacific Custodians will not charge you any fees in relation to the services that it provides to you in relation to your Westpac SPS II.

#### **Are there any relationship or associations?**

LMS is a related body corporate of Pacific Custodians.

#### **How do I make a complaint?**

Pacific Custodians is committed to providing quality financial services. We have developed a fast and efficient complaint handling procedure to enable us to deal with any complaints you may have about us. If you have a complaint about our services, please contact us via the details shown on the previous page. Pacific Custodians is a member of the Financial Ombudsman Service (FOS) which is an externally managed dispute resolution scheme registered with the Australian Securities and Investments Commission. If you feel we have not dealt with your complaint satisfactorily, you may refer your complaint to FOS by:

<b>Phone</b>	1300 780 808
<b>Mail</b>	<b>Financial Ombudsman Service</b> GPO Box 3 Melbourne VIC 3001
<b>Fax</b>	(03) 9613 6399
<b>Internet</b>	<a href="http://www.fos.org.au">www.fos.org.au</a>

#### **What compensation arrangements are in place?**

Pacific Custodians has compensation arrangements in place, in the form of Professional Indemnity (PI) insurance (covering past and present staff) which satisfies the requirements of section 912B of the Corporations Act.



# GUIDE TO THE BROKER FIRM APPLICATION FORM

- A Number of Notes applied for:** Enter the number of Notes you wish to apply for. The Application must be for a minimum of 50 Notes (A\$5,000) and thereafter in multiples of 10 Notes (A\$1,000). Westpac may Allocate you all of the Notes applied for, a lesser number, or none at all.
- B Application Payment:** Enter the amount of your Application Payment. To calculate the amount, multiply the number of Notes applied for by the Issue Price (A\$100). Amounts should be in Australian dollars. Please ensure you enclose your Application Payment equalling this amount with your Application.  
Broker Firm Applicants must contact the Syndicate Broker who offered them an Allocation under the Broker Firm Offer for instructions on how to submit their Broker Firm Application Form and Application Payment. Do not send your completed Broker Firm Application Form and Application Payment to the Registrar or Westpac.
- C Registrable name(s):** Enter the full name you wish to appear on your Holding Statement. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct forms of registrable names. Applications using the wrong form of names may be rejected. **CHES participants should complete their name identically** to that presently registered in CHES.

- D Address:** Enter your postal address for all correspondence. All communications to you from Westpac and the Registrar will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E CHES participant:** Westpac will apply to ASX for Notes to participate in CHES, operated by ASX Settlement Pty Limited. Westpac will operate an electronic CHES sub-register and an electronic issuer-sponsored sub-register. Together, the two sub-registers will make up Westpac's principal register of Notes. Westpac will not be issuing paper certificates to Applicants in respect of Notes unless required by law. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Notes Allocated to you under this Application on the CHES sub-register, enter your CHES Holder Identification Number (HIN).  
**Notes will only be issued under an existing CHES HIN if your full name and address details on this Broker Firm Application Form are identical to your CHES registration details.** If your CHES registration details are not identical, you will not be able to include any Notes Allocated to you on your existing CHES HIN. Instead, you will be issued with an issuer-sponsored holding for any Notes Allocated to you. Once Notes have been Allotted, you may be able to combine your Notes holding with your existing CHES sponsored holdings by contacting your broker.
- F Contact details:** Enter your telephone number and contact name in case we need to contact you in relation to your Application.

## ACCEPTANCE OF THE OFFER

By returning this Broker Firm Application Form and Application Payment to my/our Syndicate Broker in accordance with their instructions, I/we:

- acknowledge having personally received a printed or electronic copy of the full Prospectus (and any supplementary or replacement document) accompanying this Broker Firm Application Form and declare that I/we have read them all in full;
- agree to be registered as a holder of Notes and to be bound by the terms of the Offer, the Prospectus, the Westpac Capital Notes 2 Terms and the Notes Deed Poll;
- declare that all details and statements in this Broker Firm Application Form are complete and accurate;
- declare that each Applicant, if a natural person, is over 18 years of age;
- acknowledge and declare that I/we consent to the use and disclosure of my/our personal information by Westpac and members of the Westpac Group (and their agents, including the Registrar on their behalf) in the manner set out in Section 9.10 of the Prospectus;
- acknowledge that once I/we submit this Broker Firm Application Form I/we may not modify or withdraw it subject to applicable law;
- apply for the number of Notes at the Australian dollar amount shown on the front of this Broker Firm Application Form;
- agree to be Allocated the number of Notes that I/we apply for, or a lower number Allocated in a way described in the Prospectus, or no Notes at all;
- authorise Westpac and the Joint Lead Managers and their respective officers or agents, to do anything on my/our behalf necessary for Notes to be Allocated to me/us, including to act on instructions received by the Registrar upon using the contact details in Sections C, D or F;
- acknowledge that the information contained in the Prospectus (and any supplementary or replacement document) is not financial product or investment advice or a recommendation that Notes are suitable for me/us, given my/our investment objectives, financial situation or particular needs;
- represent and warrant that I am/we are not acting for the account or benefit of any person to whom it would not be lawful to make the Offer under applicable securities law;
- represent and warrant that I am/we are not in a jurisdiction in which it would not be lawful for the Offer to be made to me/us, and that I am/we are not in the United States and I am/we are not a US Person (and not acting for the account or benefit of a US Person), and I/we will not offer, sell, deliver or transfer Notes in the United States or to, or for the account or benefit of, any US Person;
- acknowledge that Notes are not deposit liabilities or protected accounts of Westpac for the purposes of the Banking Act 1959 (Cth) or Financial Claims Scheme, are not subject to the depositor protection provisions of Australian banking legislation, and are not guaranteed or insured by any Australian government, government agency, compensation scheme of Australia or any other jurisdiction, or any other person;
- acknowledge that an investment in Notes is subject to investment risk, including possible delays in payment and loss of income and principal invested, and that neither Westpac nor any member of the Westpac Group guarantees the capital value or performance of Notes or any particular rate of return;
- acknowledge that investments in the Notes are an investment in Westpac and may be affected by the ongoing performance, financial position and solvency of Westpac;
- agree to become a member of Westpac and to be bound by the terms of Westpac's Constitution, if issued Ordinary Shares on Conversion; and
- acknowledge that Westpac may reject an Application without giving any reason, including where this Broker Firm Application Form is not properly completed.

**Personal Information Collection Notification Statement:** Westpac advises that once you become a holder of Notes, personal information about you will be held on the public register in accordance with Chapter 2C of the Corporations Act 2001. The personal information submitted on the Notes application form will be collected, used and disclosed as set out in the acknowledgment and privacy statement in Section 9.10 of the Prospectus. If some or all of the information is not collected then it might not be possible to process your application or administer your holding. For details about the personal information handling practices of the Registrar, including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit the Link Market Services Limited ("Link") website at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) for a copy of the Link Group condensed privacy statement, or contact Link by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of Link's complete privacy policy. For more information about how your personal information will be collected, used and disclosed by Westpac, please see Westpac's privacy policy, which is available on Westpac's website at [www.westpac.com.au/privacy](http://www.westpac.com.au/privacy).

## CORRECT FORMS OF REGISTRABLE NAME(S)

Note that ONLY legal entities are allowed to hold Notes. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable name(s) below.

Type of investor	Correct form of registration	Incorrect form of registration
<b>Individual</b> Use given name(s) in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
<b>Company</b> Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
<b>Joint holdings</b> Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
<b>Trusts</b> Use the trustee(s) personal name(s) or company name (in the case of a corporate trustee)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>, or ABC Pty Ltd <Alessandra Smith A/C>	Alessandra Smith Family Trust
<b>Deceased estates</b> Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
<b>Minor (a person under the age of 18 years)</b> Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
<b>Partnerships</b> Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
<b>Long names</b>	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
<b>Clubs / Unincorporated bodies / Business names</b> Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
<b>Superannuation funds</b> Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicants and/or account description using < > as indicated above in designated spaces at section C on this Broker Firm Application Form.

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# CORPORATE DIRECTORY

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## REGISTERED OFFICE OF WESTPAC

Westpac Banking Corporation  
Westpac Group Secretariat  
Level 20, Westpac Place  
275 Kent Street  
Sydney NSW 2000

## LEGAL AND TAXATION ADVISER TO THE OFFER

Allens  
Level 28, Deutsche Bank Place  
Corner Hunter & Phillip Streets  
Sydney NSW 2000

## AUDITOR

PricewaterhouseCoopers  
Darling Park Tower 2  
201 Sussex Street  
Sydney NSW 2000

## REGISTRAR

Link Market Services Limited  
Level 12, 680 George Street  
Sydney NSW 2000

## ARRANGER AND JOINT LEAD MANAGERS

### Arranger

Westpac Institutional Bank  
Level 2, Westpac Place  
275 Kent Street  
Sydney NSW 2000

### Joint Lead Managers

Westpac Institutional Bank  
Level 2, Westpac Place  
275 Kent Street  
Sydney NSW 2000

ANZ Securities Limited  
ANZ Centre Melbourne  
Level 9, 833 Collins Street  
Docklands VIC 3008

Commonwealth Bank of Australia  
Ground Floor, Tower 1  
201 Sussex Street  
Sydney NSW 2000

Deutsche Bank AG, Sydney Branch  
Level 16, Deutsche Bank Place  
Corner Hunter & Phillip Streets  
Sydney NSW 2000

Goldman Sachs Australia Pty Ltd  
Level 46, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000

National Australia Bank Limited  
Level 25, 255 George Street  
Sydney NSW 2000

## CO-MANAGER

JBWere Limited  
Level 42, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000

## HOW TO CONTACT US

**Westpac Capital Notes 2 Information Line**  
1300 551 547 (local call cost within Australia)  
(Monday to Friday – 8.30am to 5.30pm, Sydney time)  
Website: [www.westpac.com.au/westpacnotes2](http://www.westpac.com.au/westpacnotes2)

