

5 February 2018

Company Announcements
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

AMENDMENTS TO WESTPAC CPS TERMS

Westpac Banking Corporation today approved amendments to the Westpac Convertible Preference Shares (CPS) Terms to facilitate the Reinvestment Offer for Westpac Capital Notes 5, the transfers of Westpac CPS and related matters, details of which were separately lodged with the ASX today. A copy of the amended Westpac CPS Terms is attached.

Yours sincerely,



Tim Hartin
Company Secretary
Westpac Banking Corporation

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This announcement is not financial product advice and has not taken into account your objectives, financial situation or needs. This announcement does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. In particular, this announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933) (U.S. Person). Westpac Capital Notes 5 are being offered in Australia only and will not be offered or sold in the United States or to, or for the account or benefit of, any U.S. Person.

Preference Share Terms

1 Form, Face Value and issue price

- (a) Preference Shares are fully paid, unsecured, perpetual, non-cumulative preference shares in the capital of Westpac. They are issued, and may be Redeemed or Converted by Westpac, on the terms set out in these Preference Share Terms.
- (b) Each Preference Share will be issued by Westpac as fully paid at an issue price of \$100 (**Face Value**).
- (c) The Preference Shares are designated as the "2012 Series 1 Preference Shares" and comprise a separate class of shares in the capital of Westpac.

2 Register of Holders

2.1 Register

Westpac must ensure that the Register of Shareholders is maintained and that it records the names of the Preference Shareholders, the number of Preference Shares held and any additional information required by the Corporations Act or the ASX Listing Rules.

3 Dividends

3.1 Dividends

Subject to these Preference Share Terms, each Preference Share entitles the Preference Shareholder on a Record Date to receive on the relevant Dividend Payment Date a dividend (**Dividend**) calculated using the following formula:

$$\text{Dividend} = \frac{\text{Dividend Rate} \times \text{Face Value} \times N}{365}$$

where:

Dividend Rate (expressed as a percentage per annum) is calculated using the following formula:

$$\text{Dividend Rate} = (\text{Bank Bill Rate} + \text{Preference Share Margin}) \times (1 - \text{Tax Rate})$$

where:

Bank Bill Rate (expressed as a percentage per annum) means, for each Dividend Period, the average mid-rate for bills of a term of 180 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 Dividend Period, the Preference Share Issue Date, and in the case of any other Dividend Period, the first Business Day of that Dividend 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 180 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 180 days are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time on that date;

(provided that the Bank Bill Rate for the Dividend Period commencing on the day after the Reinvestment Date is the Bank Bill Rate for the Dividend Period ending on the Reinvestment Date):

Preference Share Margin is 3.25% per annum;

Tax Rate (expressed as a decimal) means the Australian corporate tax rate applicable to the franking account of Westpac at the relevant Dividend Payment Date; and

N means:

- (a) where the Dividend Payment Date is the Reinvestment Date, the number of days from (but excluding) 30 September 2017 until (and including) the Reinvestment Date;
- (b) where the Dividend Payment Date is the 3 April Transfer Date, the number of days from (but excluding) the Reinvestment Date until (and including) 31 March 2018; or
- (c) in any other case, the number of days from (but excluding) the Preference Share Issue Date until (and including) the first Dividend Payment Date or thereafter from (but excluding) each Dividend Payment Date until (and including) the next Dividend Payment Date

(each, a Dividend Period).

3.2 Gross-Up Amount of Dividend

If any Dividend will not be franked to 100% under Part 3-6 of the Tax Act (or any provisions that revise or replace that Part), or if franking credits (within the meaning of Part 3-6 of the Tax Act or any provisions that revise or replace that Part) in respect of a franked or partially franked Dividend are disallowed, otherwise than because of any act by, or circumstance affecting, any particular Preference Shareholder, each Preference Share entitles the Preference Shareholder on a Record Date to receive on the relevant Dividend Payment Date an amount (the **Gross-Up Amount**) calculated using the following formula:

Gross-Up Amount = ED – D

where:

$$ED = \frac{D}{1 - [\text{Tax Rate} \times (1 - \text{Franking Rate})]}$$

where:

D means the Dividend entitlement on that Dividend Payment Date as calculated under clause 3.1; and

Franking Rate (expressed as a decimal) means the percentage of Dividend 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), which are not disallowed, applicable to the relevant Dividend entitlement on that Dividend Payment Date.

3.3 Conditions to Dividends and Gross-Up Amounts

- (a) A Dividend and Gross-Up Amount must not be paid to Preference Shareholders if:
 - (i) the Westpac Directors, in their absolute discretion, have not determined that the Dividend and Gross Up Amount is payable;
 - (ii) the amount of the Dividend and Gross-Up Amount will exceed Distributable Profits, unless APRA otherwise gives its prior written approval; or
 - (iii) APRA otherwise objects to the payment.
- (b) Without limiting clause 3.3(a)(i), the Westpac Directors will not determine a Dividend and Gross Up Amount to be payable if, in their opinion, making the payment would result in Westpac becoming, or being likely to become, insolvent for the purposes of the Corporations Act.
- (c) Dividends and Gross-Up Amounts shall be paid in accordance with clause 9. For the purposes of making any Dividend and Gross-Up Amount payment in respect of a Preference Shareholder's total holding of Preference Shares, any fraction of a cent will be disregarded.

3.4 Dividends are non-cumulative

Dividends and Gross-Up Amounts are non-cumulative. If all or any part of a Dividend and Gross-Up Amount is not paid because of the provisions of clause 3.3 or because of any applicable law, Westpac has no liability to pay such Dividend and Gross-Up Amount to the Preference Shareholder and the Preference Shareholder has no:

- (a) claim (including, without limitation, on the winding up of Westpac); or
- (b) right to apply for the winding up or administration of Westpac, or right to cause a receiver or manager to be appointed in respect of Westpac,

in respect of such non-payment.

Non-payment of a Dividend and Gross-Up Amount because of the provisions of clause 3.3, or because of any applicable law, does not constitute an event of default.

No interest accrues on any unpaid Dividends and Gross-Up Amounts, and the Preference Shareholder has no claim or entitlement in respect of interest on any unpaid Dividends and Gross-Up Amounts.

3.5 Dividend Payment Dates

Subject to this clause 3, Dividends and Gross-Up Amounts are to be paid in arrear on the following dates (each a **Dividend Payment Date**):

- (a) other than in respect of a Dividend Period ending on the Reinvestment Date or on 31 March 2018, each 31 March and 30 September of each year commencing on 30 September 2012 until the Preference Shares are Redeemed or Converted; ~~and~~
- (b) on the Redemption Date or the Conversion Date (as the case may be) on which such Preference Shares are Redeemed or Converted, if that Redemption Date or Conversion Date is not 31 March or 30 September;
- (c) for the Dividend Period ending on the Reinvestment Date, the Reinvestment Date;
and
- ~~(b)~~(d) for the Dividend Period ending on 31 March 2018, the 3 April Transfer Date.

3.6 Record Dates

A Dividend and Gross-Up Amount is only payable on a Dividend Payment Date to those persons registered as Preference Shareholders on the Record Date for that Dividend and Gross-Up Amount.

3.7 Deductions

Westpac or the Nominated Party, as applicable, may deduct or withhold any tax, duty, assessment, levy, governmental charge or other amount from any Dividend, Gross-Up Amount or amount payable upon Redemption or transfer to the Nominated Party of any Preference Share (or upon or with respect to the issuance of any Ordinary Shares upon any Conversion), as required by applicable 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 Dividend, Gross-Up Amount or other amount payable has been paid (or, in the case of a Conversion, Ordinary Shares issued) to the relevant Preference Shareholder, then the full amount payable (or, in the case of a Conversion, the Conversion Number of Ordinary Shares) to such Preference Shareholder 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 Preference Shareholder, deliver to such Preference Shareholder confirmation of such payment without delay after it is received by Westpac or the Nominated Party, as applicable.

3.8 Restrictions in the case of non-payment

Subject to clause 3.9, if for any reason a Dividend and Gross-Up Amount has not been paid in full within 20 Business Days after the relevant Dividend Payment Date, Westpac must not during a Current Distribution Period:

- (a) declare or pay any dividends or distributions on any Ordinary Shares; or
- (b) buy back or reduce capital on any Ordinary Shares,

unless:

- (c) all Preference Shares have been Converted; or

- (d) a Special Resolution of the Preference Shareholders has been passed approving such action,

and APRA does not otherwise object.

3.9 Restrictions not to apply in certain circumstances

The restrictions in clause 3.8 do not apply to:

- (a) repurchases, redemptions or other acquisitions of shares of Westpac in connection with:
 - (i) 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;
 - (ii) a dividend plan or shareholder share purchase or disposal plan; or
 - (iii) the issuance of shares of Westpac, or securities convertible into or exercisable for such shares, as consideration in an acquisition transaction entered into prior to the occurrence of the failure to pay a Dividend on the relevant Dividend Payment Date;
- (b) an exchange, redemption or conversion of any class or series of Westpac's shares, or any shares of a member of the Westpac Group, for any class or series of Westpac's shares, or of any class or series of Westpac's indebtedness for any class or series of Westpac's shares;
- (c) the purchase of fractional interests in shares of Westpac under the conversion or exchange provisions of the shares or the security being converted or exchanged;
- (d) any payment or declaration of a dividend in connection with any shareholders' rights plan, or the issuance of rights, shares or other property under any shareholders' rights plan, or the redemption or repurchase of rights pursuant to the plan;
- (e) any dividend or distribution on any Ordinary Shares in the form of shares, warrants, options or other rights where the dividend shares or the shares issuable upon exercise of such warrants, options or other rights are Ordinary Shares; or
- (f) 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.

3.10 Dividends on Preference Shares are preferred

Preference Shareholders are entitled (subject to these Preference Share Terms) to receive Dividends and Gross-Up Amounts:

- (a) in priority to holders of Ordinary Shares; and
- (b) equally with the holders of Equal Ranking Capital Securities.

4 Conversion or Redemption

4.1 Conversion or Redemption of Preference Shares

- (a) Preference Shareholders have no right to seek or initiate Conversion or Redemption;
- (b) The Preference Shares will mandatorily Convert to Ordinary Shares following a Capital Trigger Event or, subject to clause 4.5, on a Scheduled Conversion Date or following an Acquisition Event;

- (c) Westpac may not Redeem the Preference Shares following a Capital Trigger Event; and
- (d) Westpac may Redeem the Preference Shares, or Convert them to Ordinary Shares, on the occurrence of a Tax Event, or Regulatory Event, or following certain Acquisition Events or on an Optional Conversion/Redemption Date, in accordance with clause 4.5.

4.2 Conversion Conditions

- (a) Where indicated in these terms, Conversion is subject to the satisfaction of the Conversion Conditions, which are that:
 - (i) the Test Conversion Number on the 25th Business Day before the Relevant Date is no greater than 90% of the Maximum Conversion Number (**First Conversion Condition**); and
 - (ii) the Conversion Number on the Relevant Date is no greater than the Maximum Conversion Number (**Second Conversion Condition**).
- (b) **Relevant Date** means:
 - (i) for mandatory Conversion, each of the dates set out in clauses 4.4(b)(i) and (ii);
 - (ii) for early Conversion, the relevant Conversion Date.

4.3 Test Conversion Number and Maximum Conversion Number

- (a) The **Test Conversion Number** means the Conversion Number calculated under clause 4.10(a) using the Test Reference Period and assuming that:
 - (i) in respect of mandatory Conversion, the Relevant Date is the Scheduled Conversion Date or Acquisition Event Conversion Date; and
 - (ii) in respect of early Conversion, the Relevant Date is the Conversion Date notified in the Conversion Notice under clause 4.5(g).
- (b) Subject to any adjustments under clauses 4.12 to 4.13, the **Maximum Conversion Number** is equal to the number of Ordinary Shares calculated (to four decimal places) using the following formula:

$$\text{Maximum Conversion Number} = \frac{\text{Face Value}}{0.5 \times \text{VWAP}}$$

where:

VWAP (expressed as a dollars and cents amount) means the VWAP during the Reference Period:

where:

Reference Period means the period of 20 Business Days on which trading in the Ordinary Shares took place immediately preceding, but not including, the Preference Share Issue Date.

- (c) Westpac will make an announcement to ASX to notify Preference Shareholders of the Maximum Conversion Number within a reasonable period after the Preference Share Issue Date.

4.4 Scheduled Conversion

- (a) Subject to clauses 4.5 and 5, on the earlier of the Scheduled Conversion Date and the Capital Trigger Event Conversion Date (if any), Westpac must Convert all Preference Shares on issue at that date into Ordinary Shares under clauses 4.8 and 4.10.
- (b) Subject to clause 4.4(e), the Scheduled Conversion Date will be the earlier of:
 - (i) 31 March 2020; and
 - (ii) the first Dividend Payment Date after 31 March 2020,on which both Conversion Conditions are satisfied.
- (c) If, in respect of any Relevant Date for mandatory Conversion, the First Conversion Condition is not satisfied Westpac will make an announcement to ASX not less than 21 Business Days prior to the Relevant Date notifying Preference Shareholders that mandatory Conversion will not proceed on the Relevant Date.
- (d) The Capital Trigger Event Conversion Date will be the date nominated by Westpac for Conversion of the Preference Shares following the occurrence of a Capital Trigger Event, which date must be as soon as practicable and in any event no later than 10 Business Days after the occurrence of the Capital Trigger Event.
- (e) Conversion on the Capital Trigger Event Conversion Date:
 - (i) will not be subject to the Conversion Conditions; and
 - (ii) will operate in precedence to any Conversion contemplated on a Scheduled Conversion Date.

4.5 Early Conversion or Redemption

- (a) Subject to APRA's prior written approval, Westpac may serve an Early Conversion/Redemption Notice:
 - (i) in respect of some or all of the Preference Shares, following the occurrence of a Tax Event or Regulatory Event;
 - (ii) in respect of all (but not some only) of the Preference Shares, following the occurrence of an Acquisition Event, provided that the Acquisition Event occurs on or after the fifth anniversary of the Preference Share Issue Date; and
 - (iii) in respect of some or all of the Preference Shares, on any Optional Conversion/Redemption Date.
- (b) Westpac must notify Preference Shareholders of the occurrence of an Acquisition Event by announcement to ASX as soon as practicable after becoming aware of the occurrence of that event.
- (c) If Westpac serves an Early Conversion/Redemption Notice, Westpac must include in that notice which, or which combination, of the following it intends to do in respect of Preference Shares the subject of the notice:
 - (i) Convert Preference Shares into Ordinary Shares under clauses 4.8 and 4.10; or
 - (ii) Redeem Preference Shares in accordance with clause 4.9 on the relevant Redemption Date.

- (d) Westpac may only apply the mechanisms in clause 4.5(c) if APRA has given its prior written approval to such mechanisms being applied.

Preference Shareholders should not expect that APRA's prior written approval will be given.

- (e) Westpac may apply the mechanism in clause 4.5(c)(i) only if the Conversion Conditions are satisfied.
- (f) Where Westpac has elected to serve an Early Conversion/Redemption Notice under clause 4.5(a), Westpac must serve the Early Conversion/Redemption Notice:
 - (i) subject to paragraphs (ii) and (iii), no later than 20 Business Days after APRA has given its prior written approval to the application of any of the mechanisms in clause 4.5(c) in respect of some or all of the Preference Shares;
 - (ii) in respect of an Acquisition Event, no later than the 10th Business Day immediately following the Acquisition Event; or
 - (iii) in respect of an Optional Conversion/Redemption Date, no later than the 25th Business Day, and no earlier than the 35th Business Day, preceding the Optional Conversion/Redemption Date.
- (g) If Westpac serves an Early Conversion/Redemption Notice under clause 4.5(a)(i) or (ii), the Conversion Date or Redemption Date (as appropriate) is the date stated in the Early Conversion/Redemption Notice provided that:
 - (i) the Conversion Date, where relevant, is a Business Day that is no earlier than 25 Business Days and no later than 30 Business Days after the date of the Early Conversion/Redemption Notice; and
 - (ii) the Redemption Date, where relevant, is a Business Day that is no earlier than 10 Business Days and no later than 20 Business Days after the date of the Early Conversion/Redemption Notice.
- (h) If an Acquisition Event occurs and Westpac has not issued an Early Conversion/Redemption Notice under clause 4.5(a)(ii) within 10 Business Days after the Acquisition Event, Westpac must, provided the Conversion Conditions are satisfied, Convert all Preference Shares on issue into Ordinary Shares in accordance with clauses 4.8 and 4.10 on the Business Day prior to the date reasonably determined by Westpac to be the last date on which holders of Ordinary Shares can participate in the bid or scheme concerned or such earlier date as Westpac may reasonably determine having regard to the timing for implementation of the bid or scheme concerned (the **Acquisition Event Conversion Date**).
- (i) If, in respect of the Relevant Date for early Conversion, the First Conversion Condition is not satisfied:
 - (i) Westpac will make an announcement to ASX not less than 21 Business Days prior to the Relevant Date notifying Preference Shareholders that early Conversion will not proceed on the Relevant Date; and
 - (ii) Westpac may, subject to APRA's prior written approval, elect to Redeem all (but not some) Preference Shares on the Relevant Date in accordance with clause 4.9 by issuing an Early Conversion/Redemption Notice not less than 21 Business Days prior to the Relevant Date.

4.6 Issue of ordinary shares of a successor holding company

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, mandatory Conversion of the Preference Shares may not occur as a consequence of the Replacement. Instead, these Preference Share Terms may be amended in accordance with clause 11.4.

4.7 Early Conversion/Redemption Notice irrevocable

- (a) Subject to paragraph (b), an Early Conversion/Redemption Notice given by Westpac under clause 4.5(a) is irrevocable and may include any other information that Westpac considers necessary or appropriate to effect the Conversion or Redemption in an orderly manner.
- (b) On the occurrence of a Capital Trigger Event, any Early Conversion/Redemption Notice then on issue will become immediately void and the Preference Shares will Convert to Ordinary Shares in accordance with clause 4.4.

4.8 Meaning of Conversion

Each Preference Share, on any Conversion, confers all of the rights attaching to one fully paid Ordinary Share but these rights do not take effect until 5.00pm on the Conversion Date. At that time:

- (a) all other rights and restrictions conferred on Preference Shares under these Preference Share Terms will no longer have any effect (except for any rights relating to a Dividend payable on or before the Conversion Date and any rights to any allotment of additional Ordinary Shares issued upon Conversion under clause 4.10, which will subsist); and
- (b) each Preference Share on Conversion will rank equally with all other Ordinary Shares then on issue and Westpac will issue a statement that the holder of those shares holds a share so ranking.

The variation of the status of, and the rights attaching to, a Preference Share under this clause 4.8 and any allotment of additional Ordinary Shares under clause 4.10 is, for the purposes of these Preference Share Terms, together termed 'Conversion'. Conversion does not constitute redemption, cancellation or buy-back of a Preference Share or an issue, allotment or creation of a new share (other than any additional Ordinary Shares allotted under clause 4.10).

4.9 Meaning of Redemption

Redemption, in respect of a Preference Share, means the Preference Share is redeemed, bought back (other than by an on-market buy-back) or cancelled pursuant to a reduction of capital (or any combination of these) for an amount of cash equal to the Face Value. Subject to APRA's prior written approval, if Westpac elects to Redeem the Preference Shares, the following provisions apply:

- (a) Westpac will Redeem the Preference Shares specified in the Early Conversion/Redemption Notice by payment of the Face Value and any due but Unpaid Dividends per Preference Share to the Preference Shareholder on the relevant Redemption Date;

- (b) upon payment of the Face Value and any due but Unpaid Dividends per Preference Share, all other rights conferred, or restrictions imposed, by those Preference Shares held by that Preference Shareholder under these Preference Share Terms will no longer have effect;
- (c) if the Redemption involves a buy-back of Preference Shares:
 - (i) each Preference Shareholder agrees to accept the buy-back offer for their Preference Shares to which the Early Conversion/Redemption Notice relates and will be deemed to have sold those Preference Shares to Westpac on the Redemption Date. For the avoidance of doubt, no agreement arises under this clause 4.9(c)(i) until the later of the date the Early Conversion/Redemption Notice is sent to Preference Shareholders, the date all relevant consents to the buy-back have been procured and the Record Date for the final Dividend to be paid as identified in the Early Conversion/Redemption Notice; and
 - (ii) if under applicable law Preference Shareholders are entitled to vote on a resolution to approve that buy-back, each Preference Shareholder agrees to vote in favour of that resolution;
- (d) if the Redemption involves a reduction of capital with respect to Preference Shares and under applicable law Preference Shareholders are entitled to vote on a resolution to approve that reduction of capital, each Preference Shareholder agrees to vote in favour of that resolution.

4.10 Conversion and issue of Ordinary Shares

- (a) On the Conversion Date in respect of any Conversion:
 - (i) each Preference Share being Converted will Convert into one fully paid Ordinary Share; and
 - (ii) subject to clause 4.10(b), each Preference Shareholder will be allotted an additional number of fully paid Ordinary Shares for each Preference Share that is being Converted equal to **one less than** the Conversion Number, where the Conversion Number means the number of Ordinary Shares calculated (to four decimal places) using the following formula:

$$\text{Conversion Number} = \frac{\text{Face Value}}{\text{VWAP} \times (1 - \text{Conversion Discount})}$$

where:

VWAP (expressed as a dollars and cents amount) means the VWAP during the Reference Period:

where:

Reference Period means for the purpose of calculating the Conversion Number:

- (A) for the Test Conversion Number, the period of trading in the Ordinary Shares on ASX on the 25th Business Day before the Relevant Date (or if trading in Ordinary Shares did not occur on that date, the period of trading on the last Business Day prior to that date on which trading in Ordinary Shares occurred) (Test Reference Period);

- (B) for Conversion in respect of an Acquisition Event, the lesser of:
 - (1) 20 Business Days on which trading in the Ordinary Shares took place immediately preceding, but not including, the relevant Conversion Date; and
 - (2) the number of Business Days that Ordinary Shares are quoted for trading on ASX or the principal securities exchange on which Ordinary Shares are then quoted following the occurrence of the Acquisition Event and preceding, but not including, the relevant Conversion Date,
 or if there is no trading in Ordinary Shares after the Acquisition Event, the offer price for Ordinary Shares under the relevant Acquisition Event;
- (C) for Conversion in respect of a Capital Trigger Event, the period of 5 Business Days on which trading in the Ordinary Shares took place immediately preceding, but not including, the date of the Capital Trigger Event Conversion Date; and
- (D) in all other cases, the period of 20 Business Days on which trading in the Ordinary Shares took place immediately preceding, but not including, the relevant Conversion Date.

Conversion Discount (expressed as a decimal) means 0.01.

- (b) If, following a Capital Trigger Event, the number of Ordinary Shares that a Preference Shareholder would be entitled to receive for each Preference Share calculated in accordance with clause 4.10(a) would exceed the Maximum Conversion Number, the Preference Shareholder will instead receive a number of Ordinary Shares equal to the Maximum Conversion Number for each Preference Share.
- (c) If, pursuant to the introduction of Basel III for Australian ADIs, there is a determination by APRA in relation to Additional Tier 1 Capital securities, the effect of which is such that the number of Ordinary Shares that may be issued on a Conversion Date is greater than the Maximum Conversion Number, then the number of Ordinary Shares that a Preference Shareholder will receive on a Conversion Date shall not be limited to the Maximum Conversion Number as provided in clause 4.10(b), but will instead be limited to such greater number of Ordinary Shares as may be issued in accordance with such determination by APRA.
- (d) Where the total number of Ordinary Shares that a Preference Shareholder is entitled to in respect of the total number of Preference Shares being Converted at that time includes a fraction, that fraction will be disregarded.

4.11 Adjustments to VWAP

For the purposes of calculating VWAP in clause 4.10(a):

- (a) where, on some or all of the Business Days in the Reference Period, Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and Preference Shares will Convert into Ordinary Shares after the date those Ordinary Shares no longer carry that dividend, distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend, cum distribution or cum entitlement shall be reduced by an amount (**Cum Value**) equal to in the case of:
 - (i) a dividend or other distribution, the amount of that dividend or 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) an entitlement that is not a dividend or other distribution under clause 4.11(a)(i) and 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 Reference Period on the Business Days on which those entitlements were traded; or
- (iii) an entitlement that is not a dividend or other distribution under clause 4.11(a)(i) and which is not traded on ASX during the Reference Period, the value of the entitlement as reasonably determined by the Westpac Directors;

where, on some or all of the Business Days in the Reference Period, Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement, and Preference Shares will Convert 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, ex distribution or ex entitlement shall be increased by the Cum Value; and

- (b) where during the relevant Reference Period the Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities (not involving any form of cash consideration to, or from, Ordinary Shareholders) (each a **Reconstruction**), in calculating the VWAP for that Reference Period, the daily volume weighted average share price for each Business Day in the relevant Reference Period which falls before the date on which trading in Ordinary Shares is conducted on a post Reconstruction basis will be adjusted under the following formula:

$$\text{Daily VWAP(R)} = \text{Daily VWAP} \times \frac{\text{RD}}{\text{RN}}$$

where:

Daily VWAP(R) means the daily volume weighted average share price applying immediately after the application of this formula;

Daily VWAP means the daily volume weighted average share price applying immediately prior to the application of this formula;

RD means the number of Ordinary Shares on issue immediately before the Reconstruction;

RN means the number of Ordinary Shares on issue immediately after the Reconstruction.

Any adjustment made under this paragraph will constitute an alteration to these Preference Share Terms and will be binding on all Preference Shareholders and these Preference Share Terms will be construed accordingly. Any such adjustment will promptly be notified to all Preference Shareholders.

4.12 Adjustments to Maximum Conversion Number for bonus issues

- (a) Subject to clauses 4.12(b) and 4.12(c), if Westpac makes a bonus issue (being a pro rata issue) of Ordinary Shares to Ordinary Shareholders generally, the Maximum Conversion Number will be adjusted immediately under the following formula:

$$\text{CN} = \text{CNo} \times \frac{(\text{RD} + \text{RN})}{\text{RD}}$$

where:

CN means the Maximum Conversion Number applying immediately after the application of this formula;

CNo means the Maximum Conversion Number applying immediately before the application of this formula;

RD means the number of Ordinary Shares on issue immediately before the issue of new Ordinary Shares under the bonus issue;

RN means the number of Ordinary Shares issued under the bonus issue_s; and

- (b) Clause 4.12(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 purpose of this clause 4.12, an issue will be regarded as a pro rata issue notwithstanding that Westpac does not make offers to some or all Ordinary Shareholders with registered addresses outside Australia, provided that in so doing Westpac is not in contravention of ASX Listing Rules.

4.13 Adjustments to Maximum Conversion Number for share splits, consolidations or other similar transactions

- (a) Where the Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities (not involving any form of cash consideration to, or from, Ordinary Shareholders) (each a **Reconstruction**), the Maximum Conversion Number will be adjusted immediately under the following formula:

$$\text{CN} = \text{CNo} \times \frac{\text{RN}}{\text{RD}}$$

where:

CN means the Maximum Conversion Number applying immediately after the application of this formula;

CNo means the Maximum Conversion Number applying immediately before the application of this formula;

RN means the number of Ordinary Shares on issue immediately after the Reconstruction;

RD means the number of Ordinary Shares on issue immediately before the Reconstruction.

- (b) Any adjustment made under this clause will constitute an alteration to these Preference Share Terms and will be binding on all Preference Shareholders and these Preference Share Terms will be construed accordingly. Any such adjustment will promptly be notified to all Preference Shareholders.

4.14 On-market buy-backs

Subject to APRA's prior written approval, Westpac may buy back Preference Shares at any time and at any price by an on-market buy-back.

4.15 Power of attorney

Each Preference Shareholder irrevocably appoints each of Westpac, its officers and any liquidator or administrator of Westpac (each an **Attorney**) severally to be the attorney of the Preference Shareholder with power in the name and on behalf of the Preference Shareholder 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 Preference Shareholder to observe or perform the Preference Shareholder's obligations under these Preference Share Terms including, but not limited to:

- (a) accepting any buy-back offer or exercising voting power in relation to any consent or approval required for Redemption or Conversion; or
- (b) voting in favour of any scheme of arrangement in respect of the proposed replacement of Westpac as the ultimate holding company of the Westpac Group under which Preference Shareholders may receive shares in the successor holding company and where the scheme does not, in the reasonable opinion of Westpac, otherwise adversely affect the interests of Preference Shareholders; or
- (c) as otherwise contemplated under these Preference Share Terms.

The power of attorney given in this clause 4.15 is given for valuable consideration and to secure the performance by the Preference Shareholder of the Preference Shareholder's obligations under these Preference Share Terms and is irrevocable.

5 Transfer Notice

5.1 Transfer Notice

- (a) Except in respect of a Capital Trigger Event Conversion Date and an Acquisition Event Conversion Date occurring prior to the fifth anniversary of the Preference Share Issue Date, Westpac may issue to Preference Shareholders a ~~notice~~ (Transfer Notice) specifying that all Preference Shares then outstanding will be acquired by ~~a party~~ ~~nominated by Westpac~~ (the Nominated Party) on the relevant Conversion Date for cash for the amount of the Face Value per Preference Share provided:
 - (i) in the case of the Scheduled Conversion Date, the Transfer Notice is issued no less than 30 Business Days, and no more than 50 Business Days prior to the Scheduled Conversion Date;
 - (ii) in the case of an Acquisition Event Conversion Date occurring on or after the fifth anniversary of the Preference Share Issue Date, the Transfer Notice is issued no less than 25 Business Days prior to the Acquisition Event Conversion Date; and
 - (iii) in any other case, the Transfer Notice is issued on, or within 3 Business Days, of the relevant Early Conversion/Redemption Notice being issued.

- (b) In respect of Reinvestment Preference Shares only, Westpac may issue to Preference Shareholders a Transfer Notice specifying that all Reinvestment Preference Shares will be acquired by the Nominated Party on the Reinvestment Date for cash for the amount of the Face Value per Preference Share provided the Transfer Notice is issued no less than 10 Business Days, and no more than 50 Business Days prior to the Reinvestment Date.
- (c) Westpac may issue to Preference Shareholders a Transfer Notice specifying that all Preference Shares will be acquired by the Nominated Party on the first Optional Conversion/Redemption Date (the **3 April Transfer Date**) for cash for the amount of the Face Value per Preference Share provided the Transfer Notice is issued no less than 20 Business Days, and no more than 50 Business Days prior to the 3 April Transfer Date.
- ~~(b)~~(d) The Nominated Party:
- (i) may not be an affiliate of Westpac unless otherwise approved by APRA in writing; and
 - (ii) must have a senior credit rating of either:
 - (A) “A-” or higher by Standard & Poor’s Ratings Services; or
 - (B) “A3” or higher by Moody’s Investors Service, Inc.
- ~~(c)~~(e) Westpac must not issue a Transfer Notice if it believes in good faith that there is a more than insubstantial risk that the Nominated Party will be unable (or will otherwise not be required) to fulfil its obligations under the Transfer Notice or that the transfer to the Nominated Party would otherwise not occur.
- ~~(d)~~(f) If, following the issue of a Transfer Notice in respect of a Conversion Date, the Reinvestment Date or the 3 April Transfer Date, the Nominated Party fails (or is otherwise not required) to fulfil its obligations under the relevant Transfer Notice, then:
- (i) the transfer to the Nominated Party will not occur and Preference Shareholders will continue to hold the Preference Shares (including Reinvestment Preference Shares, if applicable); and
 - (ii) if the Transfer Notice relates to a Conversion Date, Conversion to Ordinary Shares will not occur on that date, and other than a Conversion scheduled in connection with an Acquisition Event, Conversion will occur on the next Dividend Payment Date.
- ~~(e)~~(g) A Transfer Notice given in accordance with this clause 5.1 shall bind Preference Shareholders in accordance with its terms.

6 Preference Shares general rights

6.1 Ranking on winding-up

Preference Shares and due but unpaid Dividends on them will rank upon a winding-up of Westpac:

- (a) senior to Ordinary Shares;
- (b) senior to any Junior Ranking Capital Securities;
- (c) equally among themselves and with all other Equal Ranking Capital Securities;

- (d) junior to, equally with or senior to 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
- (e) junior to, and are conditional on the prior payment in full of, the claims of all Senior Creditors.

6.2 Not deposit liabilities

Preference Shares are not deposit liabilities of Westpac and are not subject to the depositor protection provisions of Australian banking legislation.

6.3 Further issues

Westpac reserves the right to issue further Preference Shares or preference shares, or permit the exchange of shares to preference shares, which rank senior to, equally with or behind existing Preference Shares, whether in respect of dividends, return of capital on a winding-up or otherwise. Such an issue does not constitute a variation or cancellation of the rights attached to the then existing Preference Shares.

6.4 No set-off

Neither Westpac nor any Preference Shareholder is entitled to set off any amounts due in respect of the Preference Shares against any amount of any nature owed by the Preference Shareholder to Westpac.

6.5 Return of capital

If there is a return of capital on a winding-up of Westpac, Preference Shareholders will be entitled to receive out of the assets of Westpac available for distribution to holders of shares and securities of Westpac, in respect of each Preference Share held, an amount of cash (**Liquidation Sum**) equal to the sum of:

- (a) the amount of any Unpaid Dividends; and
- (b) the Face Value,

before any return of capital is made to Ordinary Shareholders or any other Junior Ranking Capital Securities. A winding up of Westpac is the only form of default which could occur in respect of the Preference Shares which would give rise to an obligation on Westpac to pay the Liquidation Sum, and does not affect the subordination of the Preference Shares as set out in clause 6.1.

6.6 Shortfall on winding-up

If, upon a return of capital on a winding-up of Westpac, there are insufficient funds to pay in full the Liquidation Sum and the amounts payable in respect of any other shares or securities in Westpac ranking equally with Preference Shares on a winding-up of Westpac, Preference Shareholders and the holders of any such other shares and securities will share in any distribution of assets of Westpac in proportion to the amounts to which they are entitled respectively.

6.7 No participation in surplus assets

Preference Shares do not confer on their Preference Shareholders any further right to participate in the surplus assets of Westpac on a winding-up of Westpac beyond payment of the Liquidation Sum.

6.8 No other rights

Preference Shares do not confer on Preference Shareholders any right to participate in profits or property of Westpac except as set out in these Preference Share Terms. Preference Shares do not confer on Preference Shareholders any right to subscribe for new securities in Westpac or to participate in any bonus issues of shares in Westpac's capital.

7 Voting rights

7.1 Voting

Preference Shareholders will not be entitled to vote at any general meeting of Westpac except in the following circumstances:

- (a) on a proposal:
 - (i) to reduce the share capital of Westpac;
 - (ii) that affects rights attached to Preference Shares;
 - (iii) to wind up Westpac; or
 - (iv) for the disposal of the whole of the property, business and undertaking of Westpac;
- (b) on a resolution to approve the terms of a share buy-back agreement other than a resolution to approve a Redemption;
- (c) during a period in which a Dividend or part of a Dividend is in arrears; or
- (d) during the winding-up of Westpac.

7.2 General meeting

At a general meeting of Westpac, Preference Shareholders are entitled, when entitled to vote in respect of the matters listed in clause 7.1:

- (a) on a show of hands, to exercise one vote; and
- (b) on a poll, to one vote for each Preference Share.

8 Notice and reports

Each Preference Shareholder is entitled to receive notice of any general meeting of Westpac and a copy of every circular and like document sent out by Westpac to Ordinary Shareholders and to attend and speak at general meetings of Westpac.

9 Payments

- (a) Any Dividend or other money payable on or in respect of the Preference Shares must be paid:
 - (i) in Australian dollars only; and
 - (ii) free of any set off, deduction or counter claim except as required by law.

- (b) All calculations of payments will be rounded to four decimal places. For the purposes of making any payment in respect of a Preference Shareholder's aggregate holding of Preference Shares, any fraction of a cent will be disregarded.
- (c) If the date scheduled for any payment under these Preference Share Terms is not a Business Day, then the payment will be made on the next Business Day (and without any interest or other payment in respect of such delay).
- (d) Westpac may pay a person entitled to any Dividend or other amount payable in respect of a Preference Share by:
 - (i) crediting an account nominated in writing by that person;
 - (ii) cheque made payable to the person, sent to the address of that person as notified to Westpac by that person; or
 - (iii) any other manner as Westpac determines.
- (e) Westpac may send a cheque referred to in clause 9(d)(ii), if relevant, to:
 - (i) the address in the Register of Shareholders;
 - (ii) if that Preference Share is jointly held, the address in the Register of Shareholders named first in the register in respect of the Preference Share; or
 - (iii) any other address which that person directs in writing.
- (f) If Westpac decides to make a payment by electronic or other means determined under clause 9(d)(iii) and an account is not nominated by the Preference Shareholder or joint Preference Shareholder, Westpac may hold the amount payable in a separate account of Westpac until the Preference Shareholder or joint Preference Shareholder nominate an account, without any obligation to pay interest, and the amount so held is to be treated as having been paid to the Preference Shareholder or joint Preference Shareholder at the time it is credited to that separate account of Westpac.
- (g) 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 monies.
- (h) Westpac, in its absolute discretion, may withhold payment to a Preference Shareholder where it is required to do so under any applicable law, including any law prohibiting dealings with terrorist organisations or money laundering, or any other type of sanction, or where it has reasonable grounds to suspect that the Preference Shareholder may be subject to any such law or sanction or involved in acts of terrorism or money laundering, and may deal with such payment and the Preference Shareholder's Preference Shares in accordance with such applicable law or the requirements of any relevant government or regulatory authority. Westpac shall not be liable for any costs or loss suffered by a Preference Shareholder in exercising its discretion under this clause, even where a Preference Shareholder later demonstrates that they were not subject to such law or sanction.

10 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 Preference Shares on the financial market operated by ASX.

11 Amendment of these Preference Share Terms

11.1 Amendment generally

No amendment to these Preference Share Terms is permitted without APRA's prior written approval if such amendment would impact, or potentially impact, the classification of the Preference Shares as Non-innovative residual Tier 1 Capital, or Additional Tier 1 Capital, on a Level 1 or Level 2 basis.

11.2 Amendment without consent

Subject to clause 11.1, 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 Preference Shareholders, amend these Preference Share 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 Preference Shares 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 Preference Shareholders 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 Preference Shares are quoted; or
- (b) generally, in any case where such amendment is considered by Westpac not to be materially prejudicial to the interests of Preference Shareholders as a whole.

11.3 Amendment with consent

Without limiting clause 11.2 and subject to clause 11.1, Westpac may, with APRA's prior written approval, amend these Preference Share Terms if the amendment has been approved by a Special Resolution.

11.4 Amendment for successor holding company

- (a) 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 for the benefit of Preference Shareholders:
 - (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 Preference Share Terms as amended by this clause 11.4;
 - (B) to comply with the restriction in clause 3.8 (with all appropriate modifications) of these Preference Share Terms; and

- (C) to use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure quotation of the Approved Successor Shares issued under these Preference Share 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 Preference Shareholders, give a notice (an **Approved Replacement Notice**) to Preference Shareholders (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 Preference Share Terms which will be made in accordance with this clause 11.4 to effect the substitution of an Approved Successor as the issuer of ordinary shares on Conversion (the **Approved Replacement Terms**).

An Approved Replacement Notice, once given, is irrevocable.

- (b) If Westpac gives an Approved Replacement Notice to Preference Shareholders in accordance with clause 11.4(a), the Approved Replacement Terms:
 - (i) will have effect on and from the date specified in the Approved Replacement Notice; and
 - (ii) may:
 - (A) amend the definition of Conversion in these Preference Share Terms such that, with APRA's prior written approval, on the date on which the Preference Shares are to be Converted:
 - (1) each Preference Share that is being Converted will be automatically transferred by each Preference Shareholder free from encumbrances to the Approved Successor (or another member of the Westpac Group) (the **Transferee**) on the date the Conversion is to occur;
 - (2) each Preference Shareholder will be issued a number of Approved Successor Shares equal to the Conversion Number (which is calculated using the formula in clause
 - (3) 4.10 of these Preference Share Terms as though references in that clause to Ordinary Shares are references to Approved Successor Shares); and
 - (4) as between Westpac and the Transferee:
 - (I) each Preference Share held by the Transferee as a result of the transfer will be automatically Converted into an Ordinary Share; and
 - (II) an additional number of Ordinary Shares will be issued to the Transferee, such that the total number of Ordinary Shares held by the Transferee by reason of sub-paragraphs (I) and (II) increases by the number which equals the number of

Approved Successor Shares issued by the Approved
Successor to Preference Shareholders on Conversion; and

- (B) make such other amendments as in Westpac's reasonable opinion are necessary and appropriate to effect the substitution of an Approved Successor as the provider of the ordinary shares on Conversion in the manner contemplated by these Preference Share Terms.
- (c) Where an amendment under clause 11.4(b) results in Approved Successor Shares being issued to Preference Shareholders, each Preference Shareholder 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 4.15 to do all things necessary or desirable to give effect to this clause 11.4.
- (d) Nothing in this clause 11.4 prevents Westpac from proposing, or limits, any scheme of arrangement or other similar proposal that may be put to Preference Shareholders or other members of Westpac.

11.5 Meanings

In this clause **amend** includes modify, cancel, alter or add to and **amendment** has a corresponding meaning.

12 Governing Law

These Preference Share 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.

13 Definitions and Interpretation

13.1 Definitions

The following words and expressions in bold have these meanings in these Preference Share Terms unless the contrary intention appears or the context otherwise requires.

[3 April Transfer Date has the meaning given to that term in clause 5.1\(c\).](#)

Acquisition Event means:

- (a) a takeover bid is made to acquire all or some 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) Preference Shareholders 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 Preference Share Terms as contemplated in clauses 11.4(a) to (c);
- (e) the ordinary shares of the proposed successor holding company are to be listed on an internationally recognised stock exchange; and
- (f) 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 Preference Shareholders.

Acquisition Event Conversion Date has the meaning given in clause 4.5(h).

Additional Tier 1 Capital has the meaning contained in the paper *Basel III: A global regulatory framework for more resilient banks and banking systems*, published by the Basel Committee on Banking Supervision on 16 December 2010, as adapted and implemented by APRA, and as subsequently amended and modified by APRA, from time to time.

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).

Approved Replacement Notice has the meaning given to that term in clause 11.4(a).

Approved Replacement Terms has the meaning given to that term in clause 11.4(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 (f) of the definition of Acquisition Event.

Approved Successor Share means a fully paid ordinary share in the capital of the Approved Successor.

APRA means the Australian Prudential Regulation Authority (ABN 79 635 582 658) or any authority succeeding to its powers or responsibilities.

ASTC means ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532).

ASX means ASX Limited (ABN 98 008 624 691).

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 Market Rules means the operating rules of ASX from time to time.

Bank Bill Rate has the meaning given to that term in clause 3.1.

Business Day means a business day as defined in the ASX Listing Rules.

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 Preference Shares. **Capital Security** has the corresponding meaning.

Capital Trigger Event means the ratio of Westpac's Fundamental Tier 1 Capital (or from 1 January 2013, Westpac's Common Equity Tier 1), to risk weighted assets (each as published from time to time) falls to, or below, 5.125%, calculated on a Level 2 basis.

Capital Trigger Event Conversion Date has the meaning given to that term in clause 4.4(d).

Common Equity Tier 1 has the meaning contained in the paper *Basel III: A global regulatory framework for more resilient banks and banking systems* published by the Basel Committee on Banking Supervision on 16 December 2010, as adapted and implemented by APRA, and as subsequently amended and modified by APRA, from time to time.

Conversion has the meaning given in clause 4.8 and includes mandatory Conversion under clause 4.4 and **Convert** and **Converted** have corresponding meanings.

Conversion Conditions has the meaning given to that term in clause 4.2.

Conversion Date means the Scheduled Conversion Date, the Capital Trigger Event Conversion Date, the Acquisition Event Conversion Date or, in respect of early Conversion, the date on which Conversion is to occur as notified in the Early Conversion/Redemption Notice under clause 4.5(g), as the context requires.

Conversion Discount has the meaning given to that term in clause 4.10.

Conversion Number has the meaning given to that term in clause 4.10.

Corporations Act means the *Corporations Act 2001* (Cth).

Current Distribution Period means the period from (but excluding) the most recent Dividend Payment Date in respect of which a Dividend was not paid, to (and including) the next scheduled Dividend Payment Date.

Distributable Profits means the lesser of Level 1 Distributable Profits and Level 2 Distributable Profits.

Dividend has the meaning given to that term in clause 3.1.

Dividend Payment Date has the meaning given to that term in clause 3.5 whether or not a Dividend and Gross-Up Amount is paid on that date.

Dividend Period has the meaning given to that term in clause 3.1.

Dividend Rate has the meaning given to that term in clause 3.1.

Early Conversion/Redemption Notice means a notice given by Westpac to a Preference Shareholder under clause 4.5 specifying that their Preference Shares will be Redeemed or Converted (or combination of both), as the case may be.

Equal Ranking Capital Securities means:

- (a) in the case of a dividend, distribution or interest in respect of the Capital Security, a Capital Security (including TPS 2003 Preference Shares, TPS 2004 Preference Shares, TPS 2006 Preference Shares, SPS 2008 I Preference Shares and SPS 2008 II Preference Shares) which ranks or is expressed to rank for payment of the dividend, distribution or interest equally with Preference Shares; 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 2003 Preference Shares, TPS 2004 Preference Shares, TPS 2006 Preference Shares, SPS 2008 I Preference Shares and SPS 2008 II Preference Shares) which ranks or is expressed to rank equally with Preference Shares for repayment or a return of capital if Westpac is wound up.

Face Value has the meaning given to that term in clause 1(b).

First Conversion Condition means the condition set out in clause 4.2(a)(i).

Franking Rate has the meaning given to that term in clause 3.2.

Fundamental Tier 1 Capital has the meaning contained in APRA *Prudential Standard APS111 Capital Adequacy: Measurement of Capital*, as subsequently amended and modified by APRA from time to time, net of all Tier 1 Capital deductions otherwise listed in that standard.

Gross-Up Amount has the meaning given to that term in clause 3.2.

Junior Ranking Capital Securities means:

- (a) in the case of a dividend, distribution or interest in respect of the Capital Security, a Capital Security which ranks for payment of the dividend, distribution or interest behind Preference Shares; 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 which:
 - (i) is, or is expressed to be, subordinated on a winding-up of Westpac to the claims of Preference Shareholders; or
 - (ii) ranks behind Preference Shares for repayment or a return of capital if Westpac is wound up.

Level 1 and **Level 2** means those terms as defined by APRA from time to time.

Level 1 Distributable Profits means:

- (a) the aggregate of the consolidated profits after tax of Westpac, its subsidiaries and other entities whose financial results are required to be consolidated with Westpac on a Level 1 basis (calculated before any dividends or distributions on Westpac's Upper Tier 2 Capital and Tier 1 Capital (on a Level 1 basis)) for the immediately preceding two six-monthly financial periods for which results have been publicly announced (or such other amount as determined by APRA in its discretion to be appropriate in Westpac's circumstances for the purposes of paying dividends or distributions on Westpac's Upper Tier 2 and Tier 1 Capital on a Level 1 basis), less
- (b) the aggregate amount of dividends or distributions paid or payable by Westpac, its subsidiaries and other entities whose financial results are required to be consolidated with Westpac on a Level 1 basis, on its Upper Tier 2 Capital and Tier 1 Capital in the twelve months to and including the applicable Dividend Payment Date, but excluding:
 - (i) dividends or distributions paid or payable to a member of the Level 1 group; and
 - (ii) dividends payable in relation to the Preference Shares on the applicable Dividend Payment Date.

Level 2 Distributable Profits means:

- (a) the aggregate of the consolidated profits after tax of Westpac, its subsidiaries and other entities whose financial results are required to be consolidated with Westpac on a Level 2 basis (calculated before any dividends or distributions on Westpac's Upper Tier 2 Capital and Tier 1 Capital (on a Level 2 basis)) for the immediately preceding two six-monthly financial periods for which results have been publicly announced (or such other amount as determined by APRA in its discretion to be appropriate in Westpac's circumstances for the purposes of paying dividends or distributions on Westpac's Upper Tier 2 and Tier 1 Capital on a Level 2 basis), less
- (b) the aggregate amount of dividends or distributions paid or payable by Westpac, its subsidiaries and other entities whose financial results are required to be consolidated with Westpac on a Level 2 basis, on Upper Tier 2 Capital and Tier 1 Capital (on a Level 2 basis) in the twelve months to and including the applicable Dividend Payment Date, but excluding:
 - (i) dividends or distributions paid or payable to a member of the Level 2 group; and
 - (ii) dividends payable in relation to the Preference Shares on the applicable Dividend Payment Date.

Liquidation Sum has the meaning given in clause 6.5.

Maximum Conversion Number has the meaning given to that term in clause 4.3.

Nominated Party ~~has the meaning given to that term in clause 5.1(a)~~ means a party nominated by Westpac.

Optional Conversion/Redemption Date means any Dividend Payment Date falling on or after 31 March 2018.

Ordinary Share means a fully paid ordinary share in the capital of Westpac.

Ordinary Shareholder means a person whose name is registered as the holder of an Ordinary Share.

Preference Share has the meaning given in clause 1(a).

Preference Share Issue Date means the date on which Preference Shares are issued, which is expected to be on or about 23 March 2012.

Preference Share Margin has the meaning given to that term in clause 3.1.

Preference Share Terms means these terms of issue of Preference Shares.

Preference Shareholder means a person entered on the Register of Shareholders as the holder of a Preference Share.

Record Date means:

- (a) for payment of a Dividend and Gross-Up Amount (other than a Dividend and Gross-Up Amount payable in respect of the Dividend Period ending on the Reinvestment Date), the date which is 8 calendar days before the Dividend Payment Date for that Dividend and Gross-Up Amount, or such other date as may be required by ASX and adopted by Westpac; or
- (b) for payment of a Dividend and Gross-Up Amount payable in respect of the Dividend Period ending on the Reinvestment Date, the date falling prior to the Reinvestment Date which is determined by Westpac to be the Record Date for that Dividend or such other date as may be required by ASX and adopted by Westpac.

Redemption has the meaning given in clause 4.9 and **Redeem** and **Redeemed** have corresponding meanings.

Redemption Date means the date on which Redemption is to occur as notified in the Early Conversion/Redemption Notice under clause 4.5(g).

Register of Shareholders means the register of the holders of Preference Shares maintained by Westpac or its agent and includes any subregister established and maintained under the Clearing House Electronic Subregister System operated by ASTC.

Regulatory Event means either:

- (a) receipt by Westpac of advice from a reputable legal counsel to the effect that, as a result of:
 - (i) any amendment to, clarification of, or change (including any announcement of a prospective change) 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, governmental authority or regulatory body (irrespective of the manner in which such amendment, clarification, change or Administrative Action is made known), which amendment, clarification, change or Administrative Action is effective or Administrative Action is announced on or after the Preference Share Issue Date (whether or not the subject of a notice or announcement prior to that date) (including clarification that does not change the law but differs from Westpac's understanding of the law at the Preference Share Issue Date);
 - (iii) additional requirements would be imposed on Westpac in relation to the Preference Shares; or
 - (iv) there would be a negative impact on Westpac or holders of Preference Shares,
which Westpac determines, at its sole discretion, to be unacceptable; or
- (b) the determination by Westpac (at its sole discretion) that there is a risk that the Preference Shares will not be included (in whole or in part) in Westpac's Non-innovative residual Tier 1 Capital, or Additional Tier 1 Capital, on a Level 1 or Level 2 basis (except where the non-inclusion results by reason only of any applicable limitation on the amount or composition of Westpac's Tier 1 Capital on a Level 1 or Level 2 basis).

Reinvestment Date means the date of issue of Westpac Capital Notes 5, as described in the Westpac Capital Notes 5 Prospectus.

Reinvestment Offer means the offer made by Westpac to eligible Preference Shareholders to reinvest all or some of the transfer proceeds of their Preference Shares in Westpac Capital Notes 5 on the terms and conditions set out in the Westpac Capital Notes 5 Prospectus.

Reinvestment Preference Share means any Preference Share which is to be reinvested in Westpac Capital Notes 5 under the Reinvestment Offer.

Relevant Date has the meaning given to that term in clause 4.2.

Replacement has the meaning given to that term in clause 11.4(a).

Scheduled Conversion Date has the meaning given to that term in clause 4.4.

Second Conversion Condition means the condition 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 the winding-up of Westpac; and
- (b) whose claims are not made as holders of indebtedness arising under:
 - (i) an Equal Ranking Capital Security; or
 - (ii) a Junior Ranking Capital Security.

Special Resolution means:

- (a) a resolution passed at a meeting of Preference Shareholders by a majority of at least 75% of the votes validly cast by Preference Shareholders in person or by proxy and entitled to vote on the resolution; or
- (b) the written approval of Preference Shareholders holding at least 75% of the Preference Shares.

SPS 2008 I Preference Shares means the preference shares of Westpac designated as 2008 Series I Preference Shares.

SPS 2008 II Preference Shares means the preference shares of Westpac designated as 2008 Series II Preference Shares.

Tax Act means:

- (a) the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth) 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 Act 1997* (Cth); and
- (b) any other law setting the rate of income tax payable; and
- (c) any regulation made under such laws.

Tax Event means:

- (a) any amendment to, clarification of, or change (including any announced prospective change), in the laws or treaties (or any regulations made under such laws or treaties) of any jurisdiction or any political subdivision or taxing authority of the jurisdiction;
- (b) any Administrative Action or any amendment to, clarification of, or change in, an Administrative Action, (other than a determination made pursuant to subsection 177EA(5) of the Tax Act which is authorised under the Tax Act as in effect on the Preference Share Issue Date),

in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change or Administrative Action is made known, which amendment, clarification, change or Administrative Action is effective, or which Administrative Action is announced, on or after the Preference Share Issue Date (whether or not the subject of a notice or announcement prior to that date), where Westpac has received an opinion from a reputable legal counsel or other tax adviser experienced in such matters to the effect that, as a result of such amendment, clarification, change or Administrative Action (or amendment, clarification or change in respect of an Administrative Action), there is more than an insubstantial risk (and that risk is materially greater than it was at the Preference Share Issue Date) that:

- (c) the Westpac Group would be exposed to a more than *de minimis* increase in its costs in relation to the Preference Shares or any holder of Preference Shares would be exposed to such an increase in relation to the Preference Shares; or
- (d) there would be more than a *de minimis* increase in the taxes, duties or government charges imposed on the Westpac Group in respect of or resulting from the Preference Shares or imposed on any holder of Preference Shares; or
- (e) Preference Shares would not be treated as equity interests for Australian taxation purposes or any Dividend would not be a frankable distribution within the meaning of Division 202 of the Tax Act or holders of Preference Shares would be denied or otherwise not be entitled to franking credits in respect of Dividends (other than where the Preference Shareholder's lack of entitlement to franking credits in respect of Dividends is a result of any act by or circumstance affecting the Preference Shareholder) or franking debits would be posted to Westpac's franking account.

Tax Rate has the meaning given to that term in clause 3.1.

Test Conversion Number has the meaning given to that term in clause 4.3.

Test Reference Period has the meaning given to that term in clause 4.10(a).

Tier 1 Capital means at any time any equity, debt or hybrid so described by APRA.

TPS 2003 Preference Shares means the preference shares of Westpac designated as 2003 Series 1 Preference Shares.

TPS 2004 Preference Shares means the preference shares of Westpac designated as 2004 Series 1 Preference Shares.

TPS 2006 Preference Shares means the preference shares of Westpac designated as 2006 Series 1 Preference Shares.

Transfer Notice means a notice given by Westpac for the purposes of clause 5.1(a), 5.1(b) or 5.1(c), as the case may be.

Unpaid Dividends means any unpaid Dividends and Gross-Up Amount in respect of the Preference Shares.

Upper Tier 2 Capital means at any time any equity, debt or hybrid so described by APRA.

VWAP means, subject to any adjustments under clause 4.11, 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.

Westpac means Westpac Banking Corporation (ABN 33 007 457 141).

Westpac Capital Notes 5 means the capital notes to be issued by Westpac on the terms and conditions set out in the Westpac Capital Notes 5 Prospectus.

Westpac Capital Notes 5 Prospectus means the prospectus lodged by Westpac with ASIC on or around 5 February 2018 and any replacement or supplementary prospectus, and may include application forms accompanying that prospectus (including the electronic form).

Westpac Directors means some or all of the directors of Westpac acting as a board.

Westpac Group means Westpac and its controlled entities.

13.2 Interpretation

The following rules of interpretation apply in these Preference Share Terms unless the contrary intention appears or the context otherwise requires.

- (a) Definitions and interpretation under Westpac's constitution will also apply to these Preference Share Terms unless the contrary intention is expressed.
- (b) Unless the context otherwise requires, if there is any inconsistency between the provisions of these Preference Share Terms and Westpac's constitution then, to the maximum extent permitted by law, the provisions of these Preference Share Terms will prevail.
- (c) Unless otherwise specified, the Westpac Directors may exercise all powers of Westpac under these Preference Share 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 Preference Shareholder 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 Preference Shareholders.
- (e) Unless otherwise specified, a reference to a clause is a reference to a clause of these Preference Share Terms.
- (f) If a calculation is required under these Preference Share 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 Preference Share 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 Preference Share 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 Preference Share Issue Date.
- (j) The terms takeover bid, relevant interest, scheme of arrangement, buy-back and on-market buy-back when used in these Preference Share 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 Preference Share 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) If an event under these Preference Share 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. A reference to time in these Preference Share Terms is a reference to Sydney, New South Wales, Australia time.

- (p) Calculations, elections and determinations made by Westpac under these Preference Share Terms are binding on Preference Shareholders in the absence of manifest error.
- (q) If any provision of these Preference Share 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 and, in any other case, the whole provision must be severed. However, the remaining provisions of the Preference Share Terms are of full force and effect.