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# Westpac Capital Notes 6

## Investor Presentation

**CAUTION – Westpac Capital Notes 6 are not deposit liabilities of Westpac, are riskier than bank deposits and may not be suitable for some investors. Their complexity may make them difficult to understand and the risks associated with the Notes could result in the loss of all of your investment. If you do not fully understand how they work or the risks associated with them, you should obtain professional advice.**

Results are reported throughout this Investor Presentation on a cash earnings basis unless otherwise stated. For an explanation of cash earnings refer to Appendix 4 and for a reconciliation to reported results refer to Appendix 3.

# Disclaimer

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This presentation has been prepared and authorised by Westpac Banking Corporation (ABN 33 007 457 141, AFSL 233714) ("Westpac") in connection with a proposed offer ("Offer") of Westpac Capital Notes 6 ("Notes").

The Offer is being made under a Prospectus which was lodged with the Australian Securities and Investments Commission ("ASIC") on 12 November 2018 and a replacement Prospectus, which will include the Margin and Broker Firm Application Form, expected to be lodged with ASIC on or about 20 November 2018.

Westpac Institutional Bank, ANZ Securities Limited, Commonwealth Bank of Australia, J.P. Morgan Securities Australia Limited, Morgans Financial Limited, National Australia Bank and UBS AG, Australia Branch are the Joint Lead Managers to the Offer ("Joint Lead Managers").

The information in this presentation is an indicative overview and does not contain all information necessary to make an investment decision in relation to Westpac Capital Notes 6. It is intended to constitute a summary of certain information relating to Westpac and the Offer and does not purport to be a complete description of Westpac or the Offer. This presentation also includes information derived from publicly available sources that has not been independently verified.

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Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from the expectations described in this presentation. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance.

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# Disclaimer (continued)

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**Westpac Capital Notes 6 are not deposit liabilities or protected accounts of Westpac for the purposes of the Banking Act 1959 (Cth) or the 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). Westpac Capital Notes 6 are not guaranteed or insured by any government agency, by any member of the Westpac Group or any other person.**

A copy of the Prospectus is available at [www.westpac.com.au/westpaccapnotes6](http://www.westpac.com.au/westpaccapnotes6). Applications for Westpac Capital Notes 6 may only be made during the Offer Period by completing and returning an Application Form attached to or accompanying the Prospectus or online at [www.westpac.com.au/westpaccapnotes6](http://www.westpac.com.au/westpaccapnotes6).

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All amounts are in Australian dollars unless otherwise indicated.

# Westpac Capital Notes 6 Summary of terms and conditions

<b>Issuer</b>	<ul style="list-style-type: none"> <li>Westpac Banking Corporation ("Westpac")</li> </ul>
<b>Quotation</b>	<ul style="list-style-type: none"> <li>Expected to be quoted on ASX under code WBCPI</li> </ul>
<b>Size</b>	<ul style="list-style-type: none"> <li>Approximately A\$750 million with the ability to raise more or less</li> </ul>
<b>Purpose</b>	<ul style="list-style-type: none"> <li>Notes will qualify as Additional Tier 1 Capital of the Westpac Group</li> <li>The proceeds received under the Offer will be used by Westpac for general business purposes</li> </ul>
<b>Term</b>	<ul style="list-style-type: none"> <li>Perpetual (no fixed maturity date) unless Converted, Redeemed<sup>1</sup> or Transferred                             <ul style="list-style-type: none"> <li>Westpac option to Convert, Redeem or Transfer on 31 July 2024 (approximately 5.6 years from issuance)</li> <li>Scheduled Conversion into Ordinary Shares on 31 July 2026 (approximately 7.6 years from issuance), subject to conversion conditions being satisfied</li> <li>Conversion<sup>2</sup> into Ordinary Shares must occur following a Capital Trigger Event or a Non-Viability Trigger Event</li> <li>Conversion, Redemption or Transfer in other limited circumstances</li> </ul> </li> </ul>
<b>Distributions</b>	<ul style="list-style-type: none"> <li>Floating rate, payable quarterly and expected to be fully franked<sup>3</sup></li> <li>Distribution Rate = (3 month BBSW Rate + Margin) x (1 – Tax Rate)</li> <li>Discretionary, non-cumulative and only payable subject to the Distribution Payment Conditions</li> <li>Margin expected to be in the range of 3.70% - 3.90% per annum. The Margin will be determined at the end of the Bookbuild</li> </ul>
<b>Distribution Payment Conditions</b>	<ul style="list-style-type: none"> <li>Distribution payments are subject to (i) Westpac's absolute discretion, (ii) the Distribution payment not resulting in a breach of Westpac's capital requirements (on a Level 1 or Level 2 basis), (iii) the Distribution payment not resulting in Westpac becoming, or being likely to become, insolvent, and (iv) APRA not otherwise objecting to the payment</li> </ul>
<b>Dividend and Capital Restrictions</b>	<ul style="list-style-type: none"> <li>If a Distribution is not paid in full on a relevant Distribution Payment Date, then until a Distribution is paid in full on a subsequent Distribution Payment Date (or in other limited circumstances), Westpac must not determine or pay Ordinary Share Dividends or undertake any Buy Back or Capital Reduction, subject to certain exceptions</li> </ul>

<sup>1</sup> Redemption is subject to APRA's prior written approval. There can be no certainty that APRA will provide its prior written approval. <sup>2</sup> The number of Ordinary Shares that can be issued on Conversion is limited to a Maximum Conversion Number. If Conversion of Notes following a Capital Trigger Event or a Non-Viability Trigger Event does not occur for any reason and Ordinary Shares are not issued for any reason by 5.00 pm on the 5th Business Day after the Capital Trigger Event Conversion Date or Non-Viability Trigger Event Conversion Date (as the case may be), all rights in relation to those Notes will be terminated (the investment will lose all of its value and Holders will not receive any compensation or unpaid Distributions) and Notes will have no ranking in a Winding Up. <sup>3</sup> Your ability to use franking credits will depend on your individual tax position. Refer to slide 14 in this Investor Presentation in relation to the risk of a Labor Party proposal to remove cash refunds for excess franking credits.



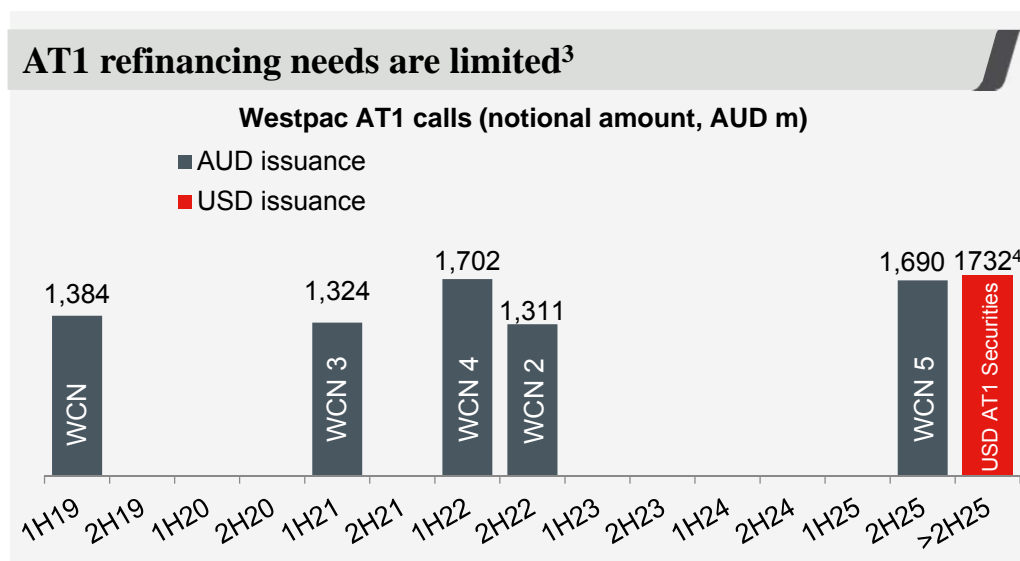
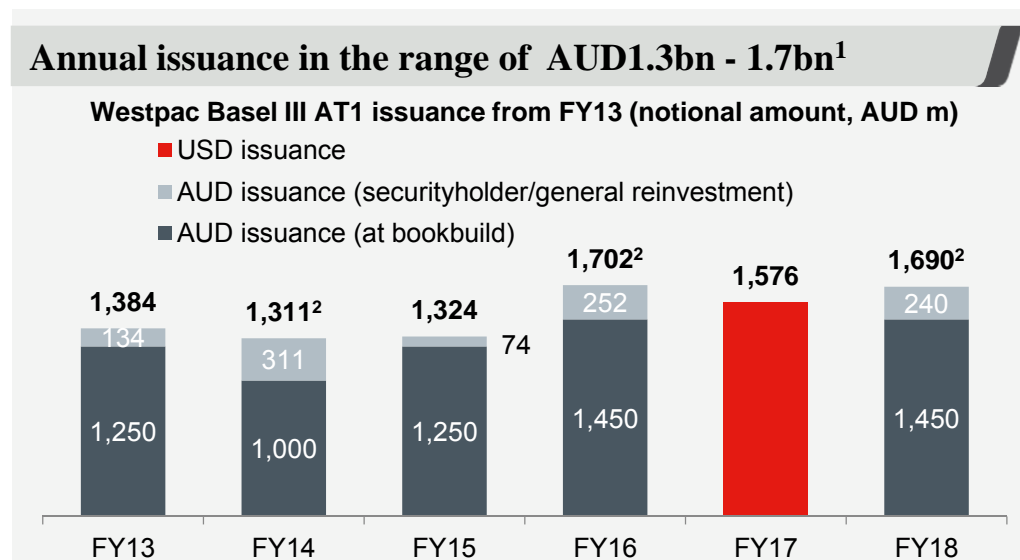
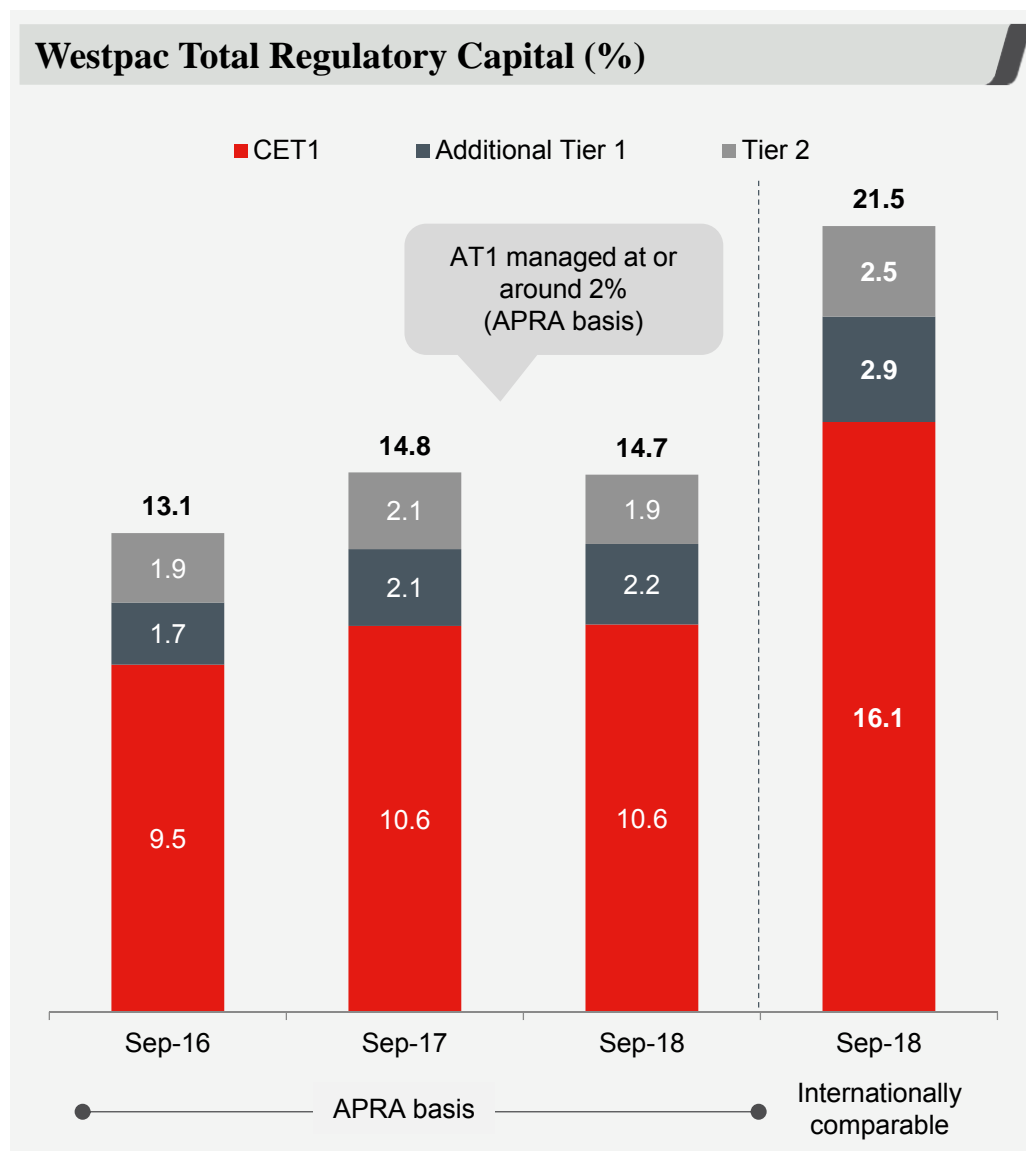
<b>Capital Trigger Event</b>	<ul style="list-style-type: none"> <li>A Capital Trigger Event occurs if Westpac determines, or APRA notifies Westpac in writing that it believes, that Westpac's Common Equity Tier 1 Capital Ratio is equal to or less than 5.125% on a Level 1 or Level 2 basis</li> </ul>
<b>Non-Viability Trigger Event</b>	<ul style="list-style-type: none"> <li>A Non-Viability Trigger Event occurs if APRA notifies Westpac in writing that it believes Conversion of all or some Notes (or conversion, write-off 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</li> <li>If a Non-Viability Trigger Event occurs because APRA has determined that Westpac would become non-viable without a public sector injection of capital (or equivalent support), all Notes must be Converted</li> </ul>
<b>Conversion following a Capital Trigger Event or Non-Viability Trigger Event</b>	<ul style="list-style-type: none"> <li>Upon the occurrence of a Capital Trigger Event or a Non-Viability Trigger Event, Westpac must immediately Convert all or some of the Notes into a variable number of Ordinary Shares at a 1% discount to the 5 Business Day VWAP prior to the Capital Trigger Event Conversion Date or Non-Viability Trigger Event Conversion Date (as applicable), subject to a Maximum Conversion Number</li> <li>Conversion in this case is not subject to conversion conditions</li> </ul>
<b>Maximum Conversion Number</b>	<ul style="list-style-type: none"> <li>The Maximum Conversion Number limits the number of Ordinary Shares that may be issued on Conversion</li> <li>The Maximum Conversion Number for a Capital Trigger Event or Non-Viability Trigger Event is the Face Value of the Note (initially \$100 per Note) divided by 20% of the Issue Date VWAP (as adjusted in limited circumstances)</li> <li>If any Notes are Converted following a Capital Trigger Event or Non-Viability Trigger Event, it is likely that the Maximum Conversion Number will apply and limit the number of Ordinary Shares to be issued. In this case, the value of the Ordinary Shares received 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 the Face Value of those Notes and holders may suffer loss as a consequence</li> </ul>
<b>Termination of Holders' rights if Conversion does not occur</b>	<ul style="list-style-type: none"> <li>If Conversion of the Notes does not occur for any reason by 5:00pm on the fifth Business Day after the Capital Trigger Event Conversion Date or Non-Viability Trigger Event Conversion Date, Holders' rights in relation to the Notes will be terminated and the Holders will lose all of their investment and they will not receive any compensation or unpaid Distributions</li> </ul>
<b>Ranking</b>	<ul style="list-style-type: none"> <li>In a Winding Up of Westpac, if not previously Redeemed, Converted or otherwise had the rights attaching to them terminated following a Capital Trigger Event or Non-Viability Trigger Event, the Notes would rank for payment (i) ahead of Westpac's obligations to holders of Ordinary Shares, (ii) equally among themselves and with Equal Ranking Capital Securities (which includes existing Basel III Additional Tier 1 Capital on issue), and (iii) behind Westpac's obligations to Senior Creditors</li> <li>The ranking of the investment in a Winding Up will be adversely affected if a Capital Trigger Event or Non-Viability Trigger Event occurs. If the Notes have Converted into Ordinary Shares, holders will rank equally with existing holders of Ordinary Shares. If Conversion does not occur for any reason, all rights in relation to the Notes will be terminated. It is likely that a Capital Trigger Event or Non-Viability Trigger Event would occur prior to a Winding Up</li> </ul>

# Comparison to other Westpac Group ASX listed **Additional Tier 1 securities**<sup>1</sup>

	Westpac Capital Notes 6	Westpac Capital Notes 5	Westpac Capital Notes
ASX code	WBCPI <sup>2</sup>	WBCPH	WBCPD
Issue date	• 18 December 2018	• 13 March 2018	• 8 March 2013
Term	• Perpetual with the first possible Scheduled Conversion Date on 31 July 2026	• Perpetual with the first possible scheduled conversion date on 22 September 2027	• Perpetual with the first possible scheduled conversion date on 8 March 2021
Margin	• Expected to be in the range of 3.70% - 3.90% p.a. and will be determined at the end of the Bookbuild	• 3.20% p.a.	• 3.20% p.a.
Distributions	• Discretionary, floating rate, non-cumulative, payable quarterly in arrear – subject to the Distribution Payment Conditions	• Discretionary, floating rate, non-cumulative, payable quarterly in arrear – subject to the distribution payment conditions	• Discretionary, floating rate, non-cumulative, payable quarterly in arrear – subject to the distribution payment conditions
Expected franking	• Yes, subject to gross-up for unfranked portion <sup>3</sup>	• Yes, subject to gross-up for unfranked portion <sup>3</sup>	• Yes, subject to gross-up for unfranked portion <sup>3</sup>
Westpac redemption rights (subject to prior written APRA approval)	• Yes, on 31 July 2024 and in certain specified circumstances	• Yes, on 22 September 2025 and in certain specified circumstances	• Yes, on 8 March 2019 and in certain specified circumstances
Conversion to Ordinary Shares (other than on a Capital Trigger Event or Non-Viability Trigger Event)	• Yes, Scheduled Conversion on 31 July 2026, following an Acquisition Event or Optional Conversion, each being subject to certain conditions	• Yes, scheduled conversion on 22 September 2027, following an acquisition event or optional conversion, each being subject to certain conditions	• Yes, scheduled conversion on 8 March 2021 or following an acquisition event, each being subject to certain conditions
Conversion upon a Capital Trigger Event or Non-Viability Trigger Event	• Yes <sup>4</sup> , some or all Notes must be Converted into Ordinary Shares, subject to a Maximum Conversion Number	• Yes <sup>4</sup> , some or all notes must be converted into ordinary shares, subject to a maximum conversion number	• Yes <sup>4</sup> , some or all notes must be converted into ordinary shares, subject to a maximum conversion number
Capital classification	• Additional Tier 1	• Additional Tier 1	• Additional Tier 1

<sup>1</sup> On 21 September 2017, Westpac issued perpetual non-call 10 USD SEC registered Additional Tier 1 securities (USD AT1 Securities) that rank pari passu with Westpac's ASX listed Additional Tier 1 securities and provides for loss absorption upon a capital trigger event and non-viability trigger event on substantially the same terms as Westpac's ASX listed Additional Tier 1 securities. The USD AT1 Securities pay a fixed coupon of 5% until the first reset date in September 2027. <sup>2</sup> Notes are expected to trade on ASX under code WBCPI. <sup>3</sup> Your ability to use franking credits will depend on your individual tax position. Refer to slide 14 in this Investor Presentation in relation to the risk of a Labor Party proposal to remove cash refunds for excess franking credits. <sup>4</sup> If Conversion of Notes does not occur for any reason and Ordinary Shares are not issued for any reason by 5.00 pm on the 5th Business Day after the Capital Trigger Event Conversion Date or Non-Viability Trigger Event Conversion Date (as the case may be), then the Holders' rights in relation to those Notes will be terminated, the investment will lose all of its value and Holders will not receive any compensation or unpaid Distributions.

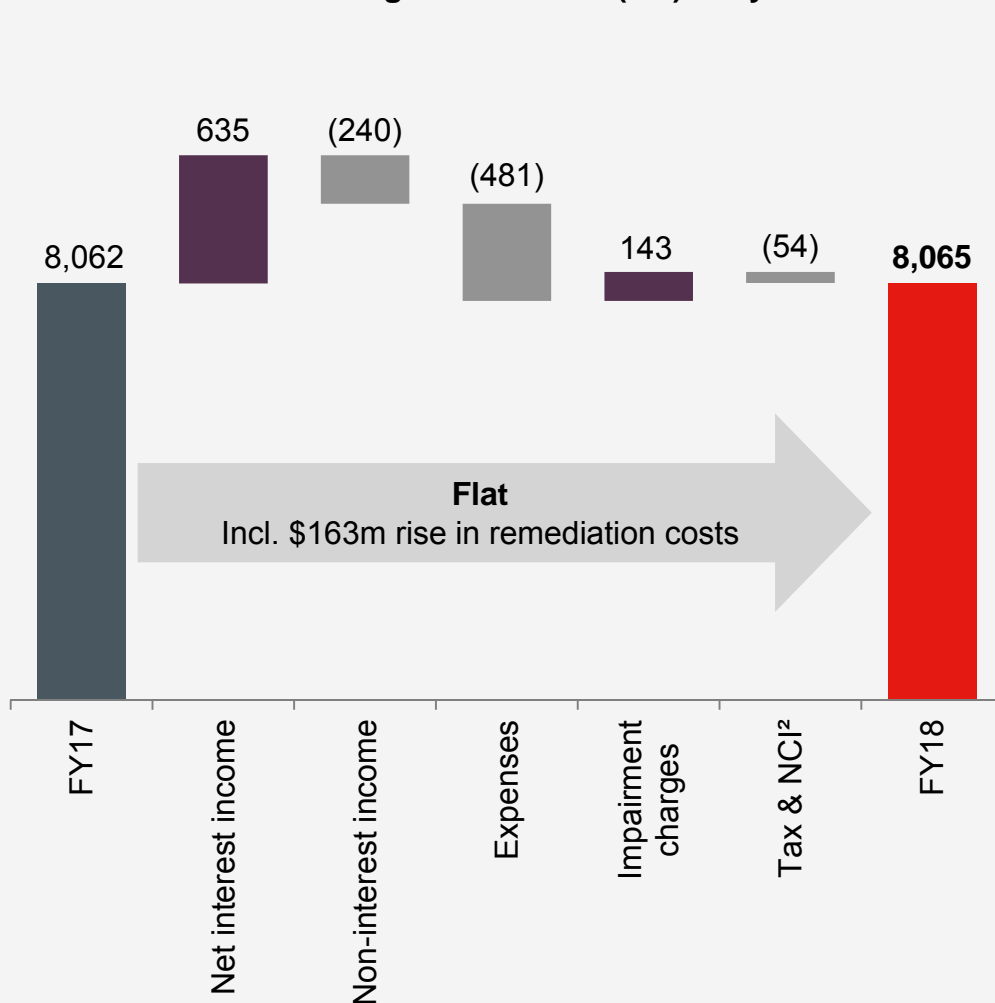
# Westpac has limited Additional Tier 1 needs



1 FX at issue date. 2 Transaction includes a reinvestment offer. 3 FX as at 28 September 2018. 4 USD1.25bn SEC AT1 Securities issued on 21 September 2017.

## Flat cash earnings<sup>1</sup> growth in a challenging year

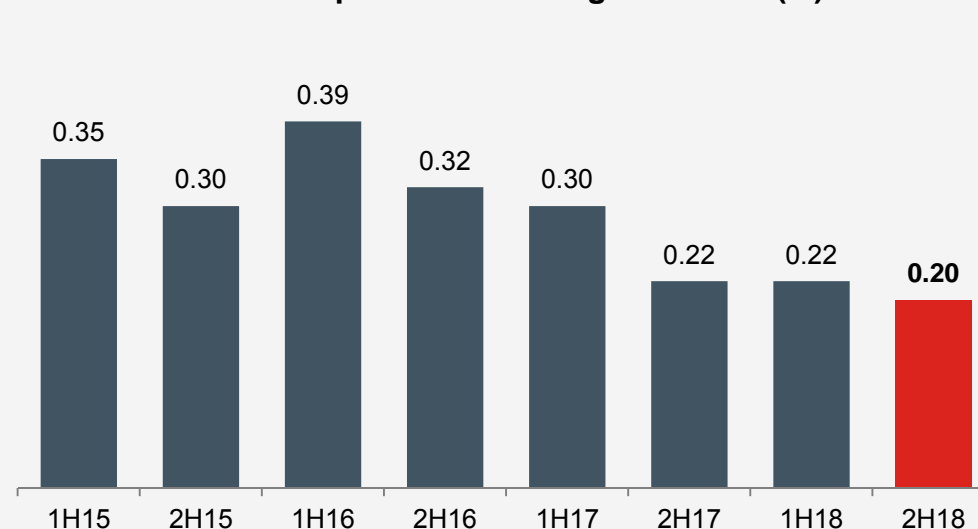
### Cash earnings movements (\$m) full year



## Balance sheet in great shape across all dimensions

- CET1 capital ratio 10.6%, APRA Basel III basis
- CET1 capital ratio 16.1%, Basel III internationally comparable<sup>3</sup> basis
- LCR 133%
- NSFR 114%
- Asset quality sound
  - Stressed exposures to TCE at 1.08%
  - Australian mortgages 90+ day delinquencies 72bps

### Gross impaired assets to gross loans (%)



1 Results are reported throughout this Investor Presentation on a cash earnings basis unless otherwise stated. For an explanation of cash earnings refer to Appendix 4 and for a reconciliation to reported results refer to Appendix 3. 2 NCI is non-controlling interests. 3 The basis of the internationally comparable CET1 capital ratio aligns with the APRA study titled "International capital comparison study", released 13 July 2015. For more details on adjustments refer to Appendix 1.

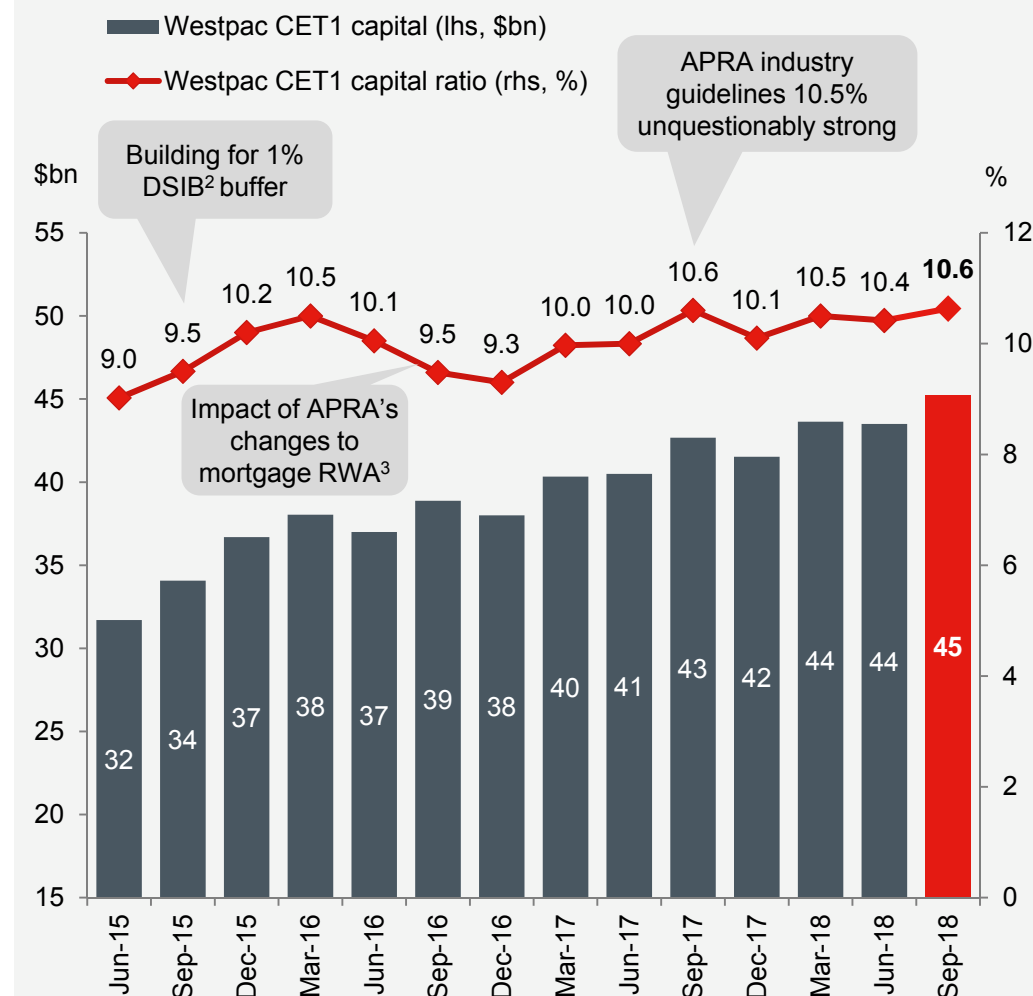


# Well positioned for ‘Unquestionably strong’

## Capital ratios (%)

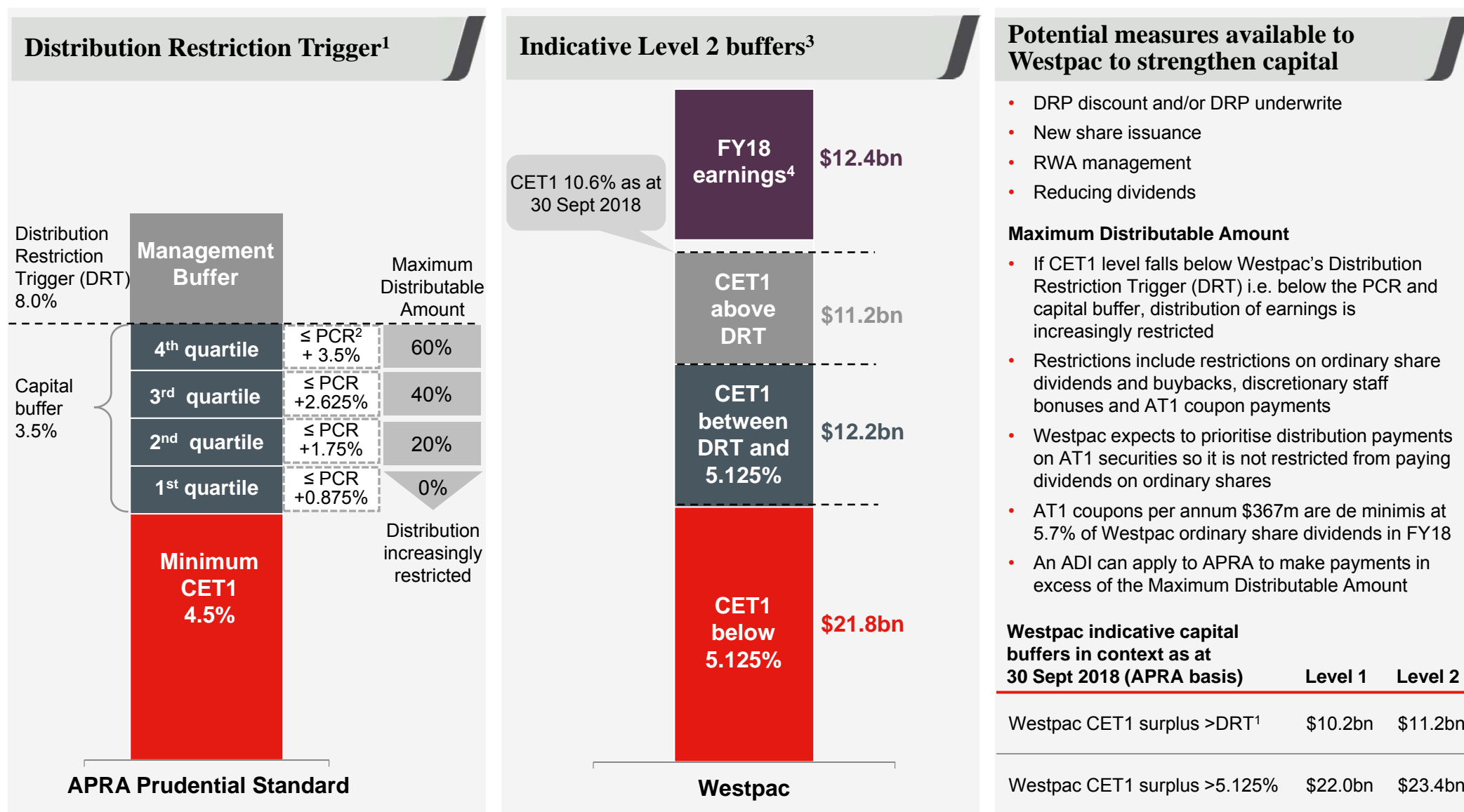
	Sep-17	Mar-18	Sep-18
CET1 capital ratio	10.6	10.5	<b>10.6</b>
Additional Tier 1 capital	2.1	2.3	<b>2.2</b>
Tier 1 capital ratio	12.7	12.8	<b>12.8</b>
Tier 2 capital	2.1	2.0	<b>1.9</b>
Total regulatory capital ratio	14.8	14.8	<b>14.7</b>
Risk weighted assets (RWA) (\$bn)	404	416	<b>425</b>
Leverage ratio	5.7	5.8	<b>5.8</b>
<b>Internationally comparable ratios<sup>1</sup></b>			
Leverage ratio (internationally comparable)	6.3	6.4	<b>6.5</b>
CET1 capital ratio (internationally comparable)	16.2	16.1	<b>16.1</b>

## CET1 capital ratio (%) and CET1 capital (\$bn) (APRA basis)



1 Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' dated 13 July 2015. 2 Domestic systemically important bank. 3 APRA's revision to the calculation of RWA for Australian residential mortgages, which came into effect on 1 July 2016.

# Significant capital and earnings buffers



1 The Distribution Restriction Trigger is currently 8.0% for D-SIBs, however, it may be higher for individual ADIs (including Westpac). Applicable at Level 1 and Level 2. 2 Prudential capital requirement. 3 Based on Westpac's capital position as at 30 September 2018 and assuming that industry minimums apply as at 30 September 2018. 4 Represents an additional potential amount that may be available to absorb losses (based on Westpac's financial year 2018 statutory profit before impairment charges and income tax expense). This amount is not a forecast of future earnings and past performance is not necessarily an indicator of future performance.

<b>Offer</b>	<ul style="list-style-type: none"><li>• The Offer is for the issue of Westpac Capital Notes 6 at an Issue Price of A\$100 to raise approximately A\$750 million, with the ability to raise more or less</li><li>• The Offer includes a Reinvestment Offer, which is a priority offer to Eligible Westpac Capital Notes Holders</li><li>• Westpac Capital Notes 6 are not deposit liabilities of Westpac, are riskier than bank deposits and may not be suitable for some investors. Their complexity may make them difficult to understand and the risks associated with the Notes could result in the loss of all of your investment. If you do not fully understand how they work or the risks associated with them, you should obtain professional advice</li></ul>
<b>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 – a priority offer to registered holders of Westpac Capital Notes at 7.00pm Sydney time on 5 November 2018 and shown on the Register to have an address in Australia</li><li>– a Securityholder Offer – an offer to registered holders of Ordinary Shares, Westpac Capital Notes 2, Westpac Capital Notes 3, Westpac Capital Notes 4 and/or Westpac Capital Notes 5 at 7.00pm Sydney time on 5 November 2018 and shown on the Register to have an address in Australia</li><li>– a Broker Firm Offer – an offer to Australian resident clients of the Syndicate Brokers</li><li>– an Institutional Offer – an offer to Institutional Investors invited by Westpac Institutional Bank</li></ul></li><li>• There is no general public offer of the Notes</li></ul>
<b>Applications</b>	<ul style="list-style-type: none"><li>• Applications under the Securityholder Offer and Applications for additional Notes under the Reinvestment Offer must be for a minimum of 50 Notes (A\$5,000) and in incremental multiples of 10 Notes (A\$1,000) thereafter</li><li>• Applications may be scaled back if there is excess demand</li></ul>
<b>How to apply</b>	<ul style="list-style-type: none"><li>• For more information on how to apply, see Section 8 of the Prospectus (“Applying for Westpac Capital Notes 6”)</li></ul>
<b>More information</b>	<ul style="list-style-type: none"><li>• The Prospectus contains important information about investing in Westpac Capital Notes 6 and you should read the Prospectus in full before applying. The information in this presentation should be read in conjunction with the Prospectus. A copy of the Prospectus is available at <a href="http://www.westpac.com.au/westpaccapnotes6">www.westpac.com.au/westpaccapnotes6</a></li></ul>

# Priority Reinvestment Offer for Eligible Westpac Capital Notes Holders

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<b>Reinvestment Offer</b>	<ul style="list-style-type: none"><li>• A priority offer to Eligible Westpac Capital Notes Holders to apply to reinvest some or all of their Westpac Capital Notes in Notes through the Reinvestment Offer</li></ul>
<b>Who can participate in the Reinvestment Offer?</b>	<ul style="list-style-type: none"><li>• An Eligible Westpac Capital Notes Holder is:<ul style="list-style-type: none"><li>– a registered holder of Westpac Capital Notes at 7.00pm (Sydney time) on 5 November 2018; and</li><li>– shown on the Register as having an address in Australia</li></ul></li></ul>
<b>Options for Eligible Westpac Capital Note Holders</b>	<ul style="list-style-type: none"><li>• Apply to automatically reinvest some or all of their Westpac Capital Notes in Notes</li><li>• Do nothing (see below)</li></ul>
<b>Applications</b>	<ul style="list-style-type: none"><li>• Eligible Westpac Capital Notes Holders who own 50 Westpac Capital Notes or fewer must apply to reinvest all of their Westpac Capital Notes and those who own more than 50 Westpac Capital Notes must apply to reinvest a minimum of 50 Westpac Capital Notes (\$5,000)</li><li>• Eligible Westpac Capital Notes Holders may apply for additional Notes if they reinvest all of their Westpac Capital Notes</li><li>• Priority will be given to Applications received under the Reinvestment Offer, but will not extend to Applications for additional Notes</li></ul>
<b>Pro-Rata Distributions</b>	<ul style="list-style-type: none"><li>• A pro-rata distribution on all Westpac Capital Notes for the period from 9 December 2018 to 18 December 2018 (inclusive), payable on 18 December 2018. This is the last distribution payable on any Participating Westpac Capital Notes<sup>1</sup></li></ul>
<b>Differences between Westpac Capital Notes and Notes</b>	<ul style="list-style-type: none"><li>• The Notes and Westpac Capital Notes are similar, however there are some key differences between the Notes and the Westpac Capital Notes which you should be aware of before deciding whether to reinvest your Westpac Capital Notes under the Reinvestment Offer. Eligible Westpac Capital Notes Holders should read the Prospectus in full before deciding whether to apply for Notes</li><li>• A comparison of Notes and Westpac Capital Notes is contained on slide 6 of this presentation and in section 3.4 of the Prospectus</li><li>• If you have any questions about the differences between Notes and Westpac Capital Notes or the Reinvestment Offer, you should seek advice from your professional adviser before deciding to participate in the Reinvestment Offer and invest in Notes</li></ul>
<b>Non-Participating WCN</b>	<ul style="list-style-type: none"><li>• On 8 March 2019, Westpac intends to transfer all outstanding Westpac Capital Notes to the Westpac Capital Notes Nominated Party in accordance with the Westpac Capital Notes Terms. If the intended transfer proceeds, Non-Participating Westpac Capital Notes Holders will receive \$100 per Westpac Capital Note</li><li>• A pro-rata distribution on all Westpac Capital Notes for the period from 9 December 2018 to 18 December 2018 (inclusive), payable on 18 December 2018<sup>1</sup></li><li>• An intended final distribution on Non-Participating Westpac Capital Notes for the period from 19 December 2018 to 8 March 2019 (inclusive), payable on 8 March 2019<sup>1</sup></li></ul>

<sup>1</sup> All Westpac Capital Notes distribution payments are subject to the satisfaction of the distribution payment conditions in the Westpac Capital Notes Terms

## Key dates for the Offer

Record date for determining Eligible Securityholders (7.00pm Sydney time)	5 November 2018
Announcement of Offer and lodgement of Prospectus with ASIC	12 November 2018
Bookbuild	19 November 2018
Announcement of Margin	19 November 2018
Lodgement of replacement Prospectus with ASIC	20 November 2018
Opening Date	20 November 2018
Closing Date for the Securityholder Offer (5.00pm Sydney time)	11 December 2018
Closing Date for the Broker Firm Offer (5.00pm Sydney time)	11 December 2018
Issue Date of Notes	18 December 2018
Commencement of deferred settlement trading	19 December 2018
Holding Statements dispatched by	21 December 2018
Commencement of normal settlement trading	24 December 2018

## Key dates for Westpac Capital Notes 6

Record Date for first Distribution	8 March 2019
First Distribution Payment Date <sup>1</sup>	18 March 2019
Option for Westpac to Convert <sup>2</sup> , Redeem <sup>3</sup> or Transfer the Notes	31 July 2024
Scheduled Conversion Date <sup>4</sup>	31 July 2026

## Key dates for Reinvestment Offer

Reinvestment Offer Record Date for determining Eligible Westpac Capital Notes Holders (7.00pm Sydney time)	5 November 2018
Opening Date for the Reinvestment Offer	20 November 2018
Ex-date for Pro-Rata Westpac Capital Notes Distribution	10 December 2018
Record date for Pro-Rata Westpac Capital Notes Distribution (7.00pm Sydney time)	11 December 2018
Closing Date for the Reinvestment Offer (5.00pm Sydney time)	11 December 2018
Expected date of transfer of Participating Westpac Capital Notes to Westpac Capital Notes Nominated Party	18 December 2018
Issue Date of Notes for the Reinvestment Offer	18 December 2018
Payment date for Pro-Rata Westpac Capital Notes Distribution <sup>5</sup>	18 December 2018

<sup>1</sup> Distributions are payable quarterly, subject to satisfaction of the Distribution Payment Conditions. <sup>2</sup> Subject to satisfaction of the Optional Conversion Restriction. <sup>3</sup> There can be no certainty that APRA will provide its prior written approval for any such Redemption. <sup>4</sup> Conversion of the Notes to Ordinary Shares on this date is subject to satisfaction of the Scheduled Conversion Conditions. <sup>5</sup> Subject to satisfaction of the distribution payment conditions in the Westpac Capital Notes Terms.



**Caution** - Westpac Capital Notes 6 are not deposit liabilities of Westpac, are riskier than bank deposits and may not be suitable for some investors. Their complexity may make them difficult to understand and the risks associated with the Notes could result in the loss of all of your investment. If you do not fully understand how they work or the risks associated with them, you should obtain professional advice

- 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)
- It is possible that the Notes may trade at a market price below their Face Value (initially \$100 per Note). Circumstances in which the market price of the Notes may decline include general conditions, changes in government policy, changes in regulatory policy, changes in investor sentiment in relation to Westpac, changes in the market price of other securities issued by Westpac or other issuers and the occurrence of or increase in the likelihood of the occurrence of a Capital Trigger Event or a Non-Viability Trigger Event
- 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
- In March 2018 the Labor Party announced plans to remove cash refunds for excess franking credits to certain investors that are currently able to claim them (including individuals and complying superannuation entities), with effect from 1 July 2019. If Labor forms Federal Government and its proposal becomes law in Australia, Holders may not be able to claim cash refunds for excess franking credits received in respect of Distributions on the Notes. Accordingly, the Notes may be less valuable to those investors in the future and the market price of the Notes and/or the liquidity of the market for the Notes could be adversely impacted
- There is a risk that Distributions will not be paid. Distributions are discretionary, non-cumulative and are only payable subject to satisfaction of the Distribution Payment Conditions
- If a Distribution is not paid in full because the Distribution Payment Conditions are not satisfied, unpaid Distributions will not be made up or accumulate
- The Distribution Rate will fluctuate (increase and/or decrease) over time with movements in the 3 month BBSW Rate. There is a risk that the Distribution Rate may become less attractive compared to returns available on comparable securities or investments
- If a Capital Trigger Event or Non-Viability Event Trigger occurs, the value of Ordinary Shares received on Conversion 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 approximately \$101.01 for each Note (based on the Initial Face Value of \$100 per Note)
- If for any reason Conversion of Notes does not occur and Ordinary Shares are not issued for any reason by 5.00pm on the fifth Business Day after the occurrence of a Capital Trigger Event or a Non-Viability Trigger Event (for example, due to applicable law, order of a court or action of any government authority or operational delays), all rights in respect of those Notes will be terminated and the Notes will not be Converted, Redeemed or Transferred at a later date. Holders will lose all of the value of their investment and they will not receive any compensation or unpaid Distributions

This is a summary of the key risks only. You should read the Westpac Capital Notes 6 Prospectus in full before deciding to invest (including Section 5 "Investment risks")

# Westpac Capital Notes 6 **key risks** (continued)

**Caution** - Westpac Capital Notes 6 are not deposit liabilities of Westpac, are riskier than bank deposits and may not be suitable for some investors. Their complexity may make them difficult to understand and the risks associated with the Notes could result in the loss of all of your investment. If you do not fully understand how they work or the risks associated with them, you should obtain professional advice

- Any credit rating assigned to the Notes or other Westpac securities could be reviewed, suspended, withdrawn or downgraded by ratings agencies, 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
- 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 in the calculations is based on the VWAP during the relevant period prior to the Conversion Date. The value of Ordinary Shares Holders receive may therefore be less than the value of those Ordinary Shares on the Conversion Date
- Conversion may not occur on 31 July 2026, being the first possible Scheduled Conversion Date, or at all, if the Scheduled Conversion Conditions are not satisfied
- 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. Holders have no right to request Conversion, Redemption or Transfer
- The Notes are perpetual instruments and have no fixed maturity date, so could remain on issue indefinitely, in which case Holders may not be repaid their investment
- 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 among themselves and with all other Equal Ranking Capital Securities and behind Senior Creditors, including depositors and all holders of Westpac's senior or less subordinated debt. If there is a shortfall of funds on a Winding Up to pay all amounts ranking senior to and equally with the Notes, Holders will lose all or some of their investment. However, it is likely that a Capital Trigger Event or Non-Viability Trigger Event would occur prior to a Winding Up and the Notes would have been Converted into Ordinary Shares, in which case Holders will hold Ordinary Shares and rank equally with other holders of Ordinary Shares in a Winding Up. If Conversion does not occur for any reason following a Capital Trigger Event or Non-Viability Trigger Event and Ordinary Shares are not issued for any reason by 5.00pm on the fifth Business Day after the Capital Trigger Event Conversion Date or Non-Viability Trigger Event Conversion Date (as the case may be), all rights attaching to those Notes will be terminated on the Capital Trigger Event Conversion Date or Non-Viability Trigger Event Conversion Date (as the case may be), and Holders will lose all of the value of their investment in those Notes and they will not receive any compensation or unpaid Distributions and those Notes will have no ranking in a Winding Up
- Any fall in Westpac's Common Equity Tier 1 Capital Ratio as a result of future changes to regulatory capital requirements may adversely impact the market price of the Notes or potentially increase the chance at a later date that Conversion takes place due to the occurrence of a Capital Trigger Event or Non-Viability Trigger Event
- Westpac may issue further securities which rank equally with, or ahead of, the Notes
- An investment in Notes may be affected by Westpac's ongoing performance and financial position and other risks associated with Westpac and the Westpac Group

This is a summary of the key risks only. You should read the Westpac Capital Notes 6 Prospectus in full before deciding to invest (including Section 5 "Investment risks")



# Additional Information and Appendices

# Westpac Group at a glance: Australia's First Bank

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- In its 202<sup>nd</sup> year, Australia's first bank and first company, opened 1817
- Australia's 2nd largest bank and 20<sup>th</sup> largest bank in the world; ranked by market capitalisation<sup>1</sup>
- Well positioned across key markets with a service-led strategy focused on customers
- Supporting consumers and businesses in Australia and New Zealand and customers with ties to these markets
- Unique portfolio of brands providing a full range of financial services including consumer, business and institutional banking, and wealth administration
- One of the most efficient banks globally<sup>2</sup>
- Consistent earnings profile over time
- Capital ratios are in the top quartile globally, with sound asset quality
- Credit ratings<sup>3</sup> AA- / Aa3 / AA-
- Leader in sustainability<sup>4</sup>

## Consumer Bank











## Business Bank









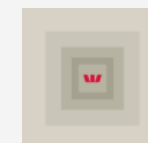
## BT Financial Group



BT Panorama



## Institutional Bank





## Westpac New Zealand



## Key statistics at 30 September 2018

Customers	14.2m
Australian household deposit market share <sup>5</sup>	23%
Australian mortgage market share <sup>6</sup>	23%
Australian business credit market share <sup>6</sup>	19%
New Zealand deposit market share <sup>7</sup>	18%
New Zealand consumer lending market share <sup>7</sup>	19%
Australian wealth platforms market share <sup>8</sup>	19%

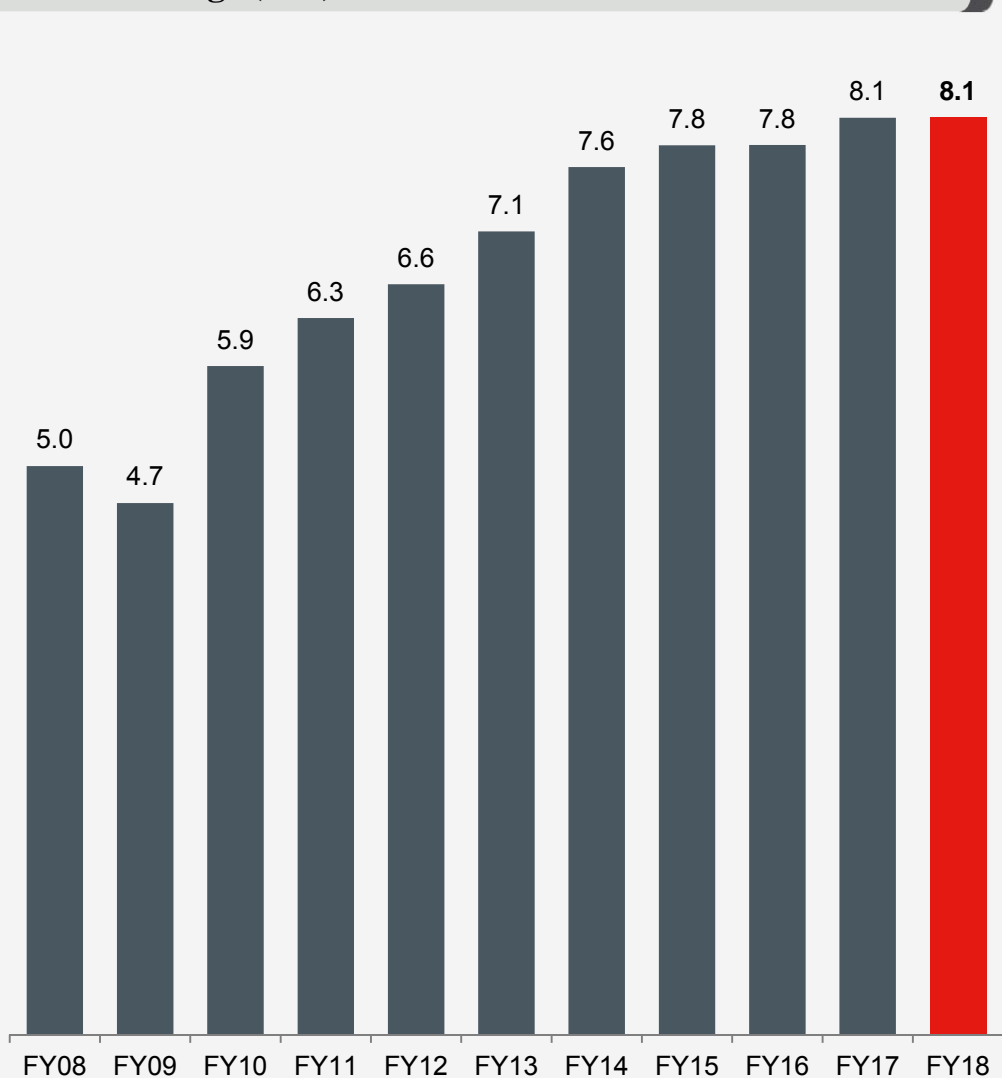
## Key financial data for Full Year 2018

Reported net profit after tax	\$8,095m
Cash earnings	\$8,065m
Expense to income ratio <sup>9</sup>	43.7%
Common equity Tier 1 capital ratio (APRA basis)	10.6%
Return on equity <sup>9</sup>	13.0%
Total assets	\$880bn
Market capitalisation <sup>10</sup>	\$96bn

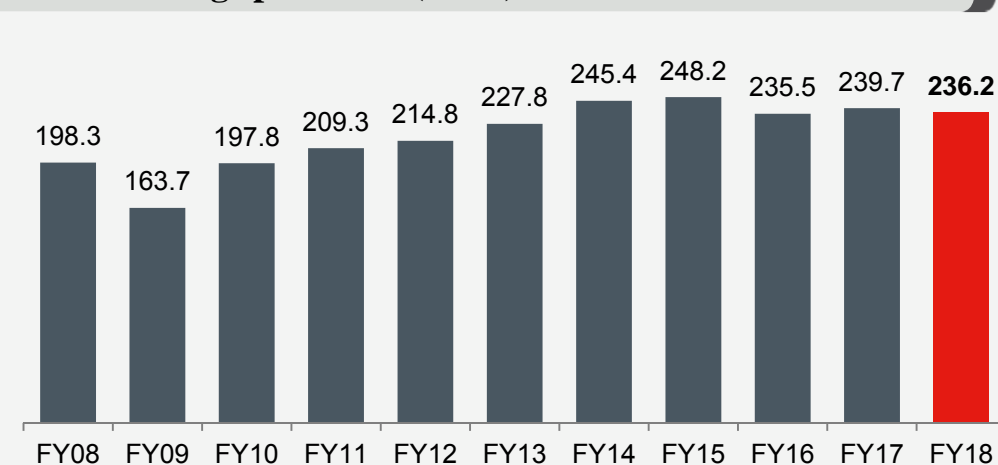
1 30 September 2018 Source: S&P Capital IQ, based in US\$. 2 Credit Suisse analysis of expense to income ratio of world's largest banks October 2018. 3 S&P Global Ratings, Moody's Investors Service and Fitch Ratings respectively. S&P Global Ratings has Westpac on a negative outlook, Moody's Investor Services and Fitch Ratings have Westpac on a stable outlook. 4 A member of banking sector leadership group DJSI World, since 2002. Ranked leader in Sustainability ESG Rating. 5 APRA Banking Statistics, September 2018. 6 RBA Financial Aggregates, September 2018. 7 RBNZ, September 2018. 8 Strategic Insights June 2018, All Master Funds Admin. 9 Cash earnings basis. 10 Based on share price at 28 September 2018 of \$27.93.

# Consistent performer over the long term

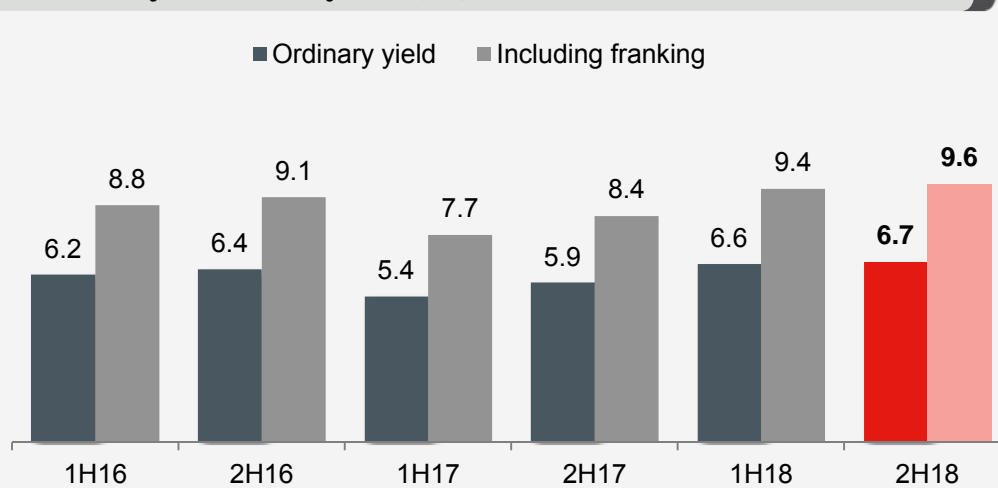
## Cash earnings (\$bn)



## Cash earnings per share (cents)



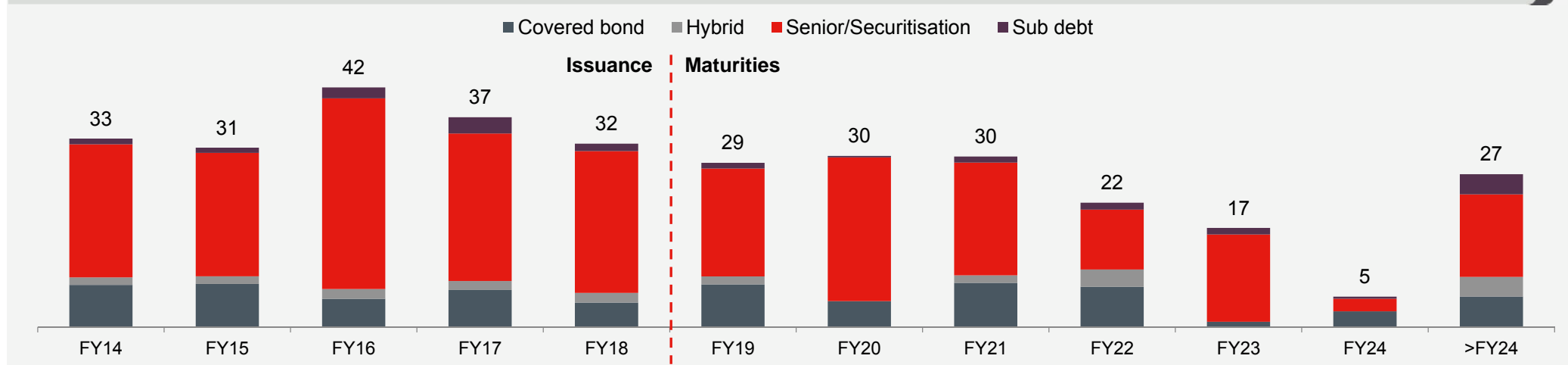
## Ordinary dividend yield (%)





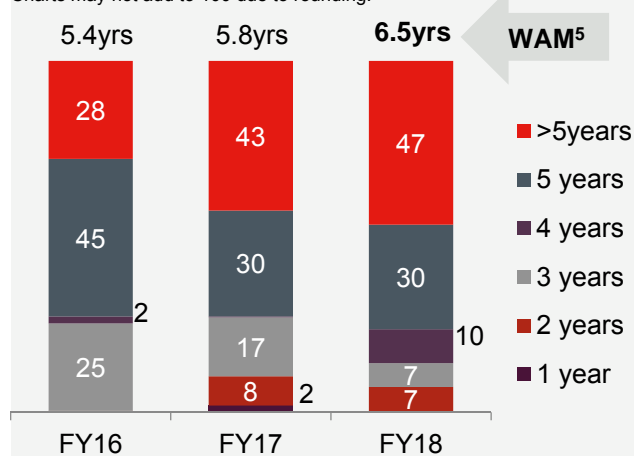
# AUD32bn new term funding raised in FY18

## Term debt issuance and maturity profile<sup>1,2,3</sup> (\$bn)



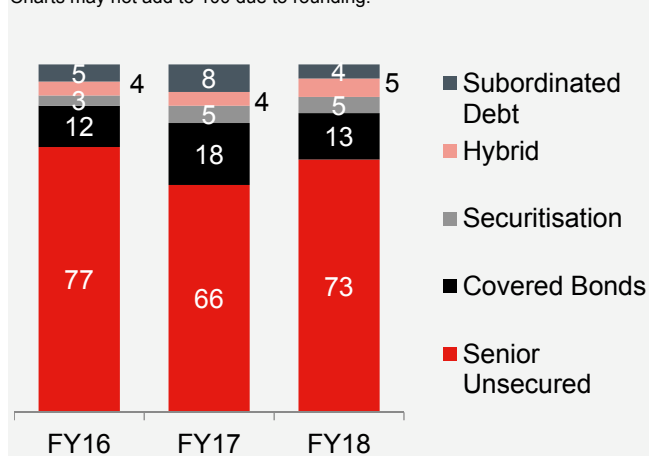
## New term issuance by tenor<sup>2,4</sup> (%)

Charts may not add to 100 due to rounding.



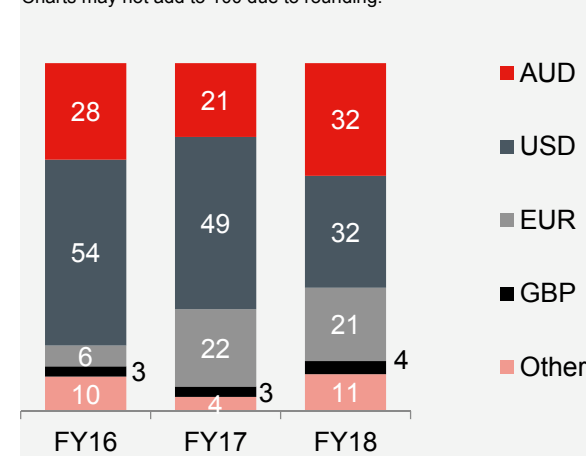
## New term issuance by type (%)

Charts may not add to 100 due to rounding.



## New term issuance by currency (%)

Charts may not add to 100 due to rounding.

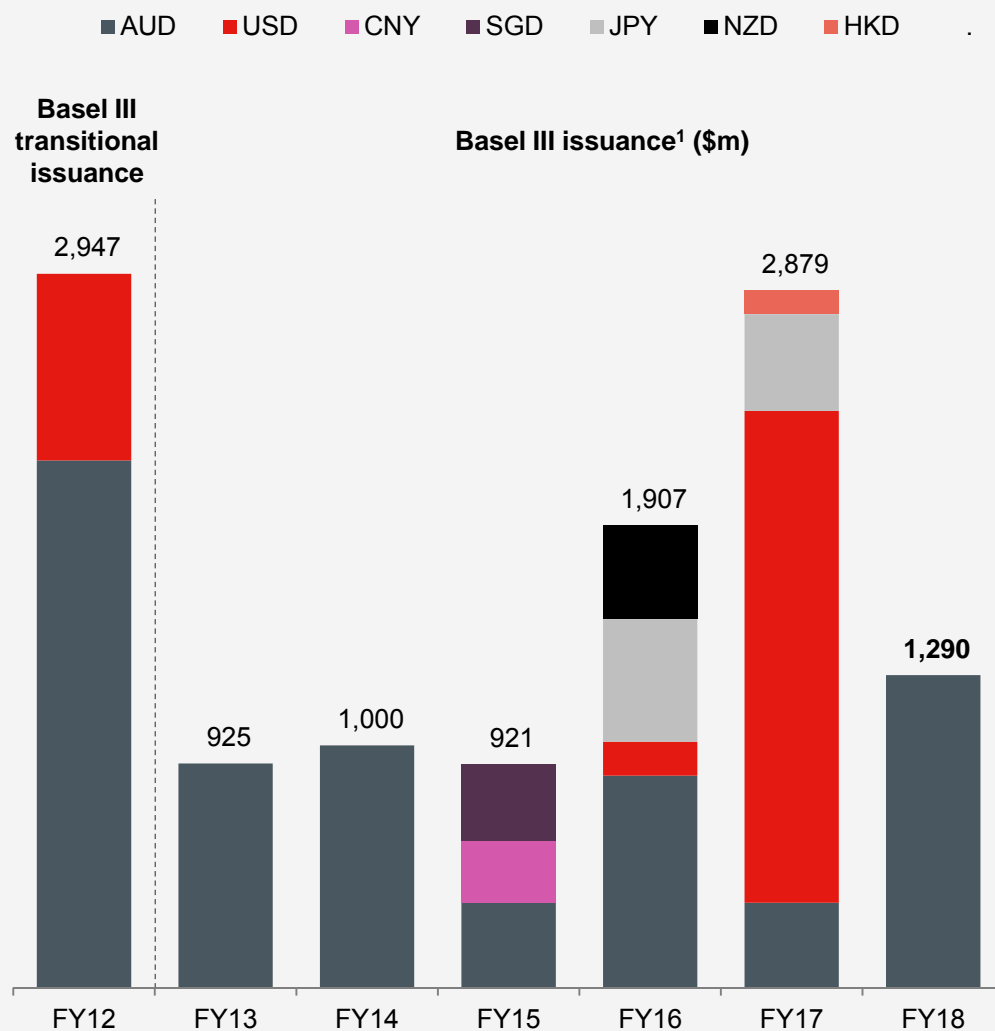


1 Based on residual maturity and FX spot currency translation. Includes all debt issuance with contractual maturity greater than 13 months excluding US Commercial Paper and Yankee Certificates of Deposit.

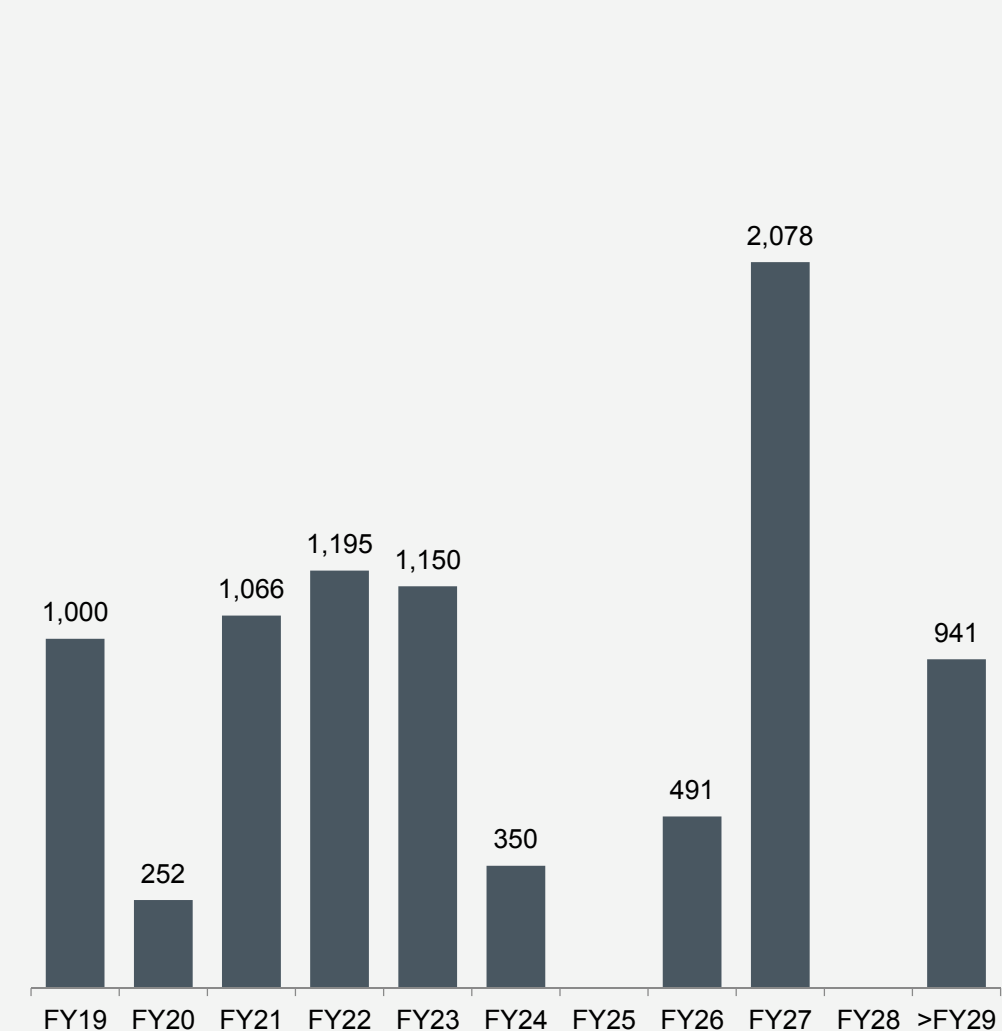
2 Contractual maturity date for hybrids and callable subordinated instruments is the first scheduled conversion date or call date for the purposes of this disclosure. 3 Perpetual sub-debt has been included in >FY23 maturity bucket. Maturities exclude securitisation amortisation. 4 Tenor excludes RMBS and ABS. 5 WAM is weighted average maturity.

# Westpac Tier 2 issuance and maturities

## Westpac Tier 2 issuance (\$m, AUD equivalent)<sup>1</sup>



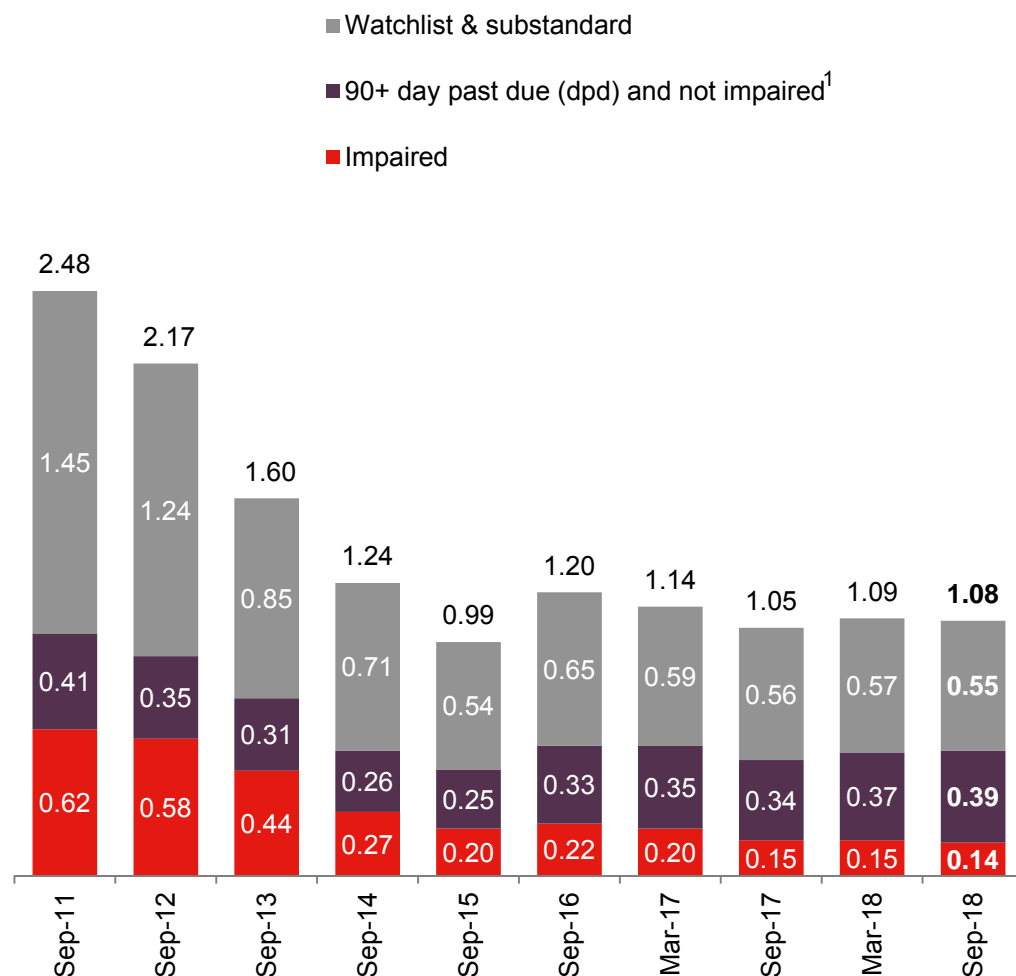
## Westpac Tier 2 maturities<sup>2</sup> (A\$m)



<sup>1</sup> Represents AUD equivalent notional amount using spot FX translation at time of issuance. <sup>2</sup> Represents AUD equivalent notional amount using spot FX translation at 28 September 2018. Dated callable Tier 2 trades are profiled to the first call date for the purposes of this disclosure except for the perpetual floating rate note issued September 1986.

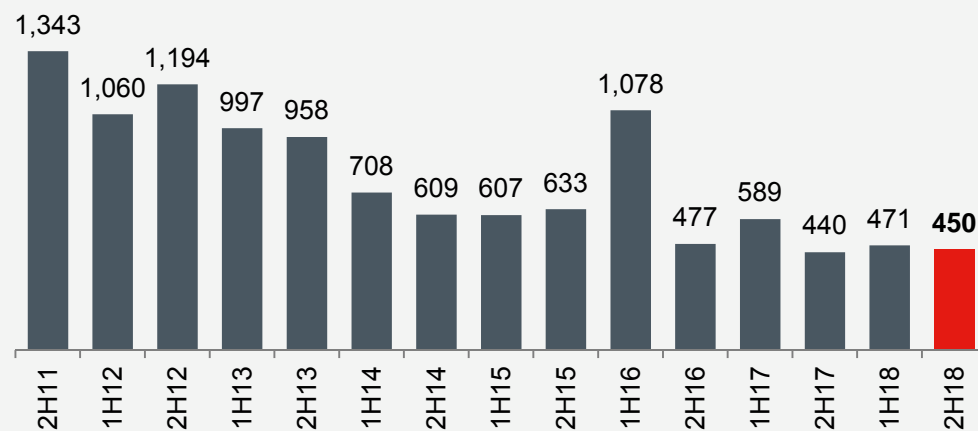
# Stressed exposures **little changed**

## Stressed exposures as a % of TCE (%)



¹ Facilities 90 days or more past due date not impaired. These facilities, while in default, are not treated as impaired for accounting purposes.

## New and increased gross impaired assets (\$m)



## Provisions

	Sep-17	Mar-18	Sep-18
Total provisions to gross loans (bps)	45	45	43
Impaired asset provisions to impaired assets (%)	46	46	46
Collectively assessed provisions to credit RWA (bps)	76	75	73

# Australian mortgage portfolio performance

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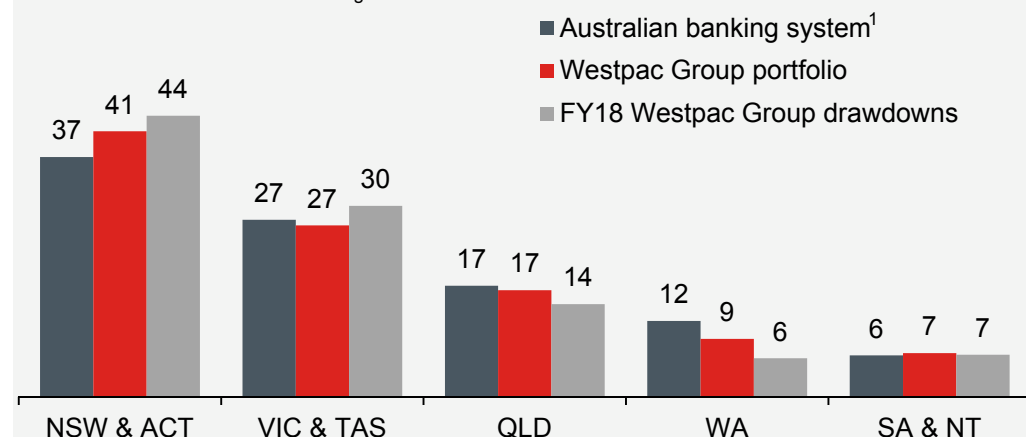
## Australian mortgage delinquencies and properties in possession (PIPs)

	Sep-17	Mar-18	Sep-18
30+ day delinquencies (bps)	130	144	<b>140</b>
90+ day delinquencies (bps) (includes impaired mortgages)	67	69	<b>72</b>
Consumer PIPs	437	398	<b>396</b>

Properties in possession continue to be mostly in WA and Qld however Qld properties reduced over the year, while WA increased. A targeted collections approach has improved customer outcomes, supporting customers through the foreclosure process

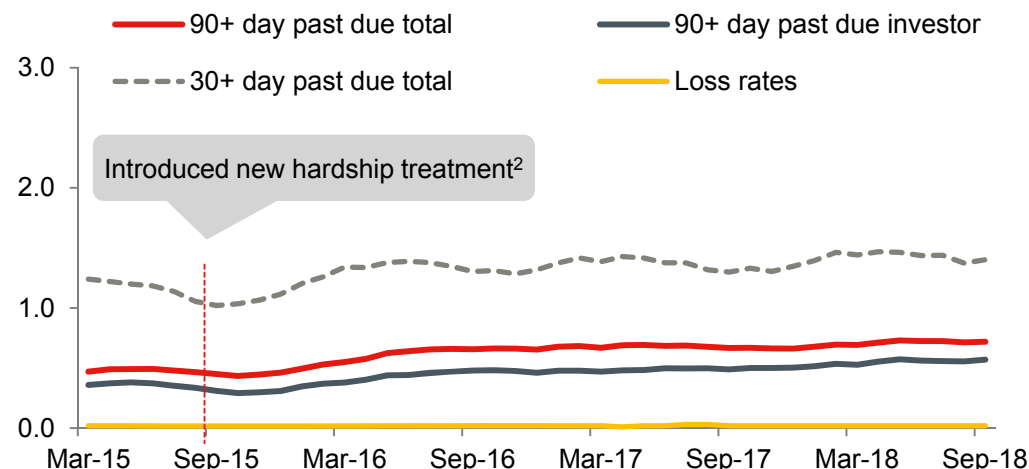
## Housing lending portfolio by State (%)

Chart does not add to 100 due to rounding

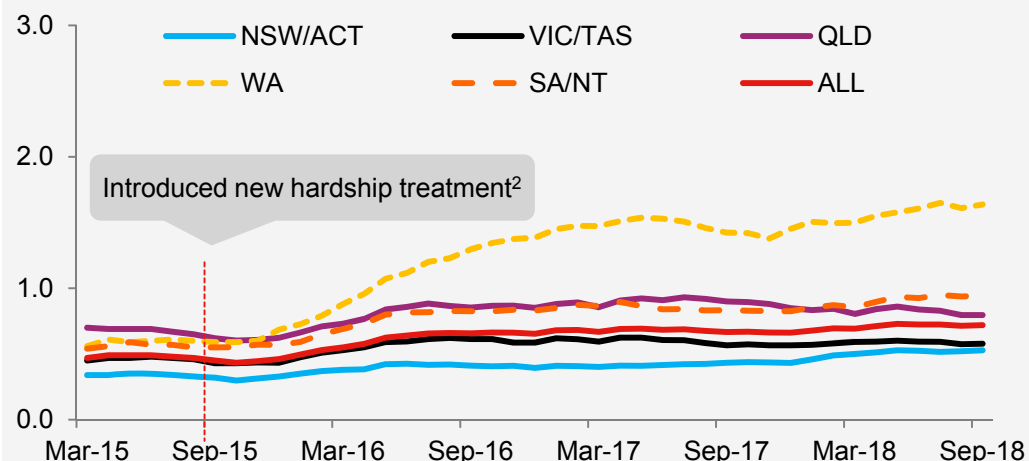


<sup>1</sup> Source ABA Cannex August 2018. <sup>2</sup> Under the changes in hardship treatment, an account in hardship continues to migrate through delinquency buckets until 90+ days past due. Accounts are then reported as 90+ days past due until full repayments are maintained for 6 months.

## Australian mortgage portfolio delinquencies (%)



## Australian mortgages 90+ day delinquencies by State (%)



# Australian mortgage portfolio well collateralised

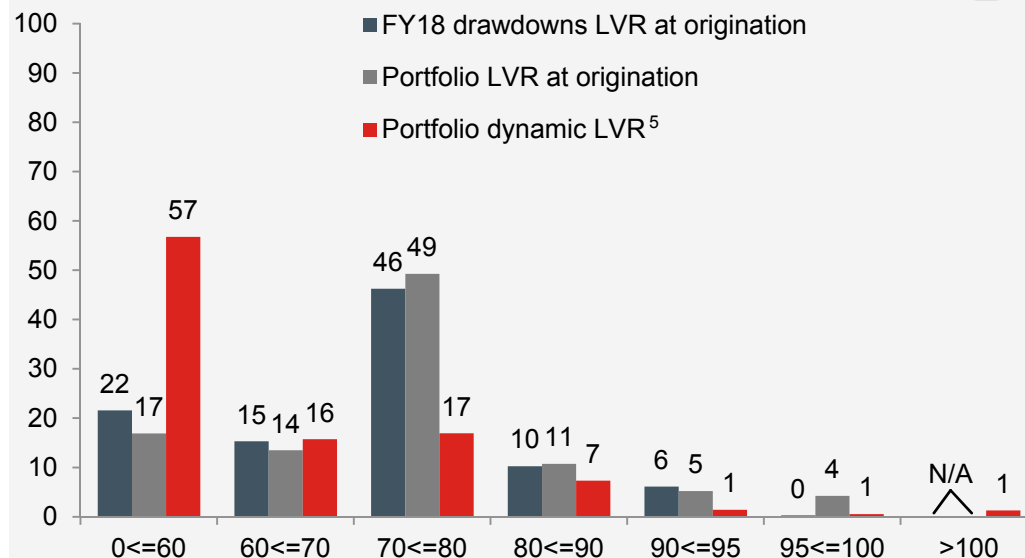
Australian mortgage portfolio	Sep-17 balance	Mar-18 balance	Sep-18 balance	2H18 flow <sup>1</sup>
Total portfolio (\$bn)	427.2	437.2	<b>444.7</b>	<b>36.9</b>
Owner occupied (%)	55.5	56.0	<b>56.8</b>	<b>62.0</b>
Investment property loans (%)	39.8	39.5	<b>39.1</b>	<b>37.6</b>
Portfolio loan/line of credit (%)	4.7	4.5	<b>4.1</b>	<b>0.4</b>
Variable rate / Fixed rate (%)	79 / 21	77 / 23	<b>77 / 23</b>	<b>78 / 22</b>
Interest only (%)	45.5	39.6	<b>34.8</b>	<b>23.1</b>
Proprietary channel (%)	57.3	56.5	<b>56.1</b>	<b>51.6</b>
First home buyer (%)	8.1	7.9	<b>7.8</b>	<b>8.2</b>
Mortgage insured (%)	17.5	16.9	<b>16.3</b>	<b>11.1</b>

	Sep-17	Mar-18	Sep-18
Average loan size <sup>2</sup> (\$'000)	264	270	<b>273</b>
Customers ahead on repayments including offset account balances <sup>3</sup> (%)	70	68	<b>69</b>
Actual mortgage losses net of insurance <sup>4</sup> (\$m, for the 6 months ending)	48	48	<b>38</b>
Actual mortgage loss rate annualised (bps, for the 6 months ending)	2	2	<b>2</b>

1 Flow is new mortgages settled in the 6 months ended 30 September 2018 and includes RAMS. 2 Includes amortisation. 3 Excludes RAMS in 2H17. Includes RAMS in 1H18 and 2H18. Loans ahead on payments exclude equity/line of credit products as there are no scheduled principal payments. 4 Mortgage insurance claims 2H18 \$4m (1H18 \$6m; 2H17 \$9m). 5 Excludes RAMS in all periods. 6 LVR calculated as simple average by balances. 7 Dynamic LVR is the loan-to-value ratio taking into account the current loan balance, changes in security value, offset account balances and other loan adjustments. Property valuation source Australian Property Monitors. 8 Average LVR of new loans is on rolling 6 months. 9 Weighted average LVR calculation considers size of outstanding balances.

## Australian housing loan-to-value ratios (LVRs) (%)



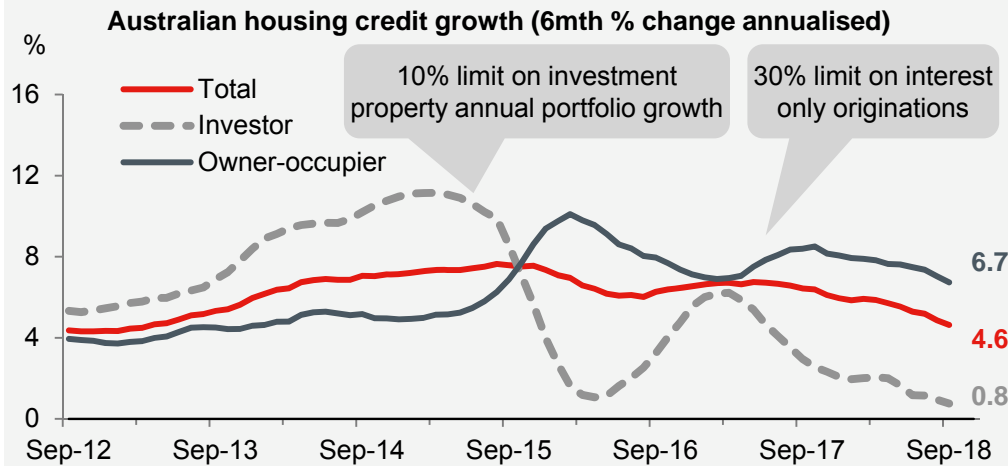
Australian mortgage portfolio LVRs		Sep-17 balance	Mar-18 balance	Sep-18 balance
Simple averages	LVR at origination <sup>6</sup> (%)	70	70	<b>70</b>
	Dynamic LVR <sup>5,6,7</sup> (%)	42	41	<b>43</b>
	LVR of new loans <sup>6,8</sup> (%)	67	69	<b>69</b>
Weighted averages	LVR at origination <sup>9</sup> (%)	74	74	<b>74</b>
	Dynamic LVR <sup>5,7,9</sup> (%)	52	52	<b>54</b>
	LVR of new loans <sup>8,9</sup> (%)	73	71	<b>71</b>



# Impact of macro-prudential measures across Australian industry

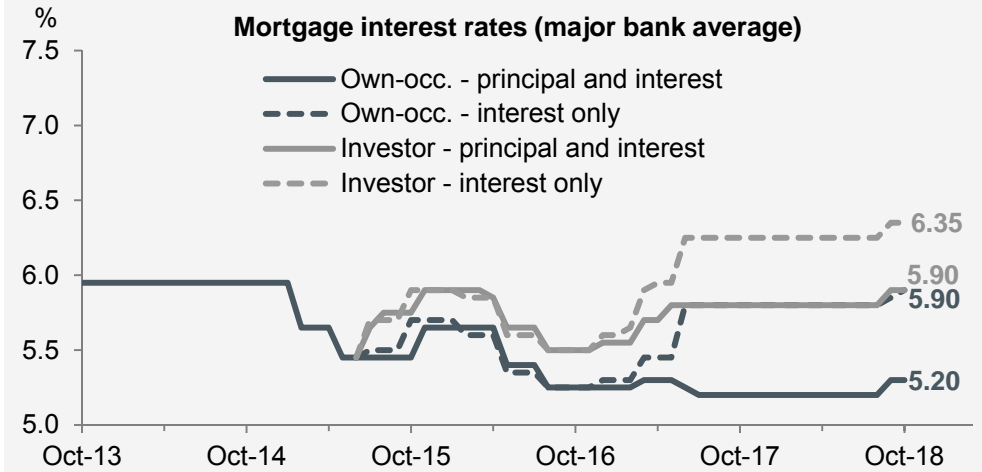
24

## Change in composition of housing credit



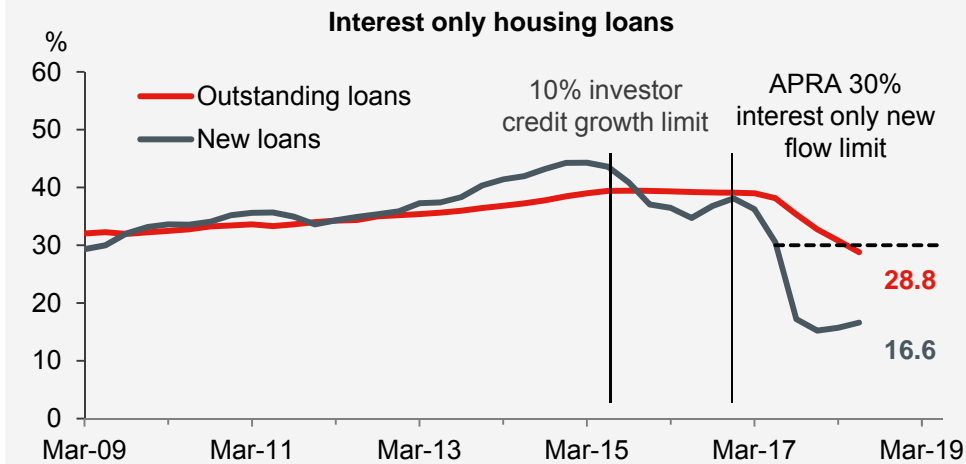
Sources: RBA, Westpac Economics.

## Introduction of differentiated mortgage pricing



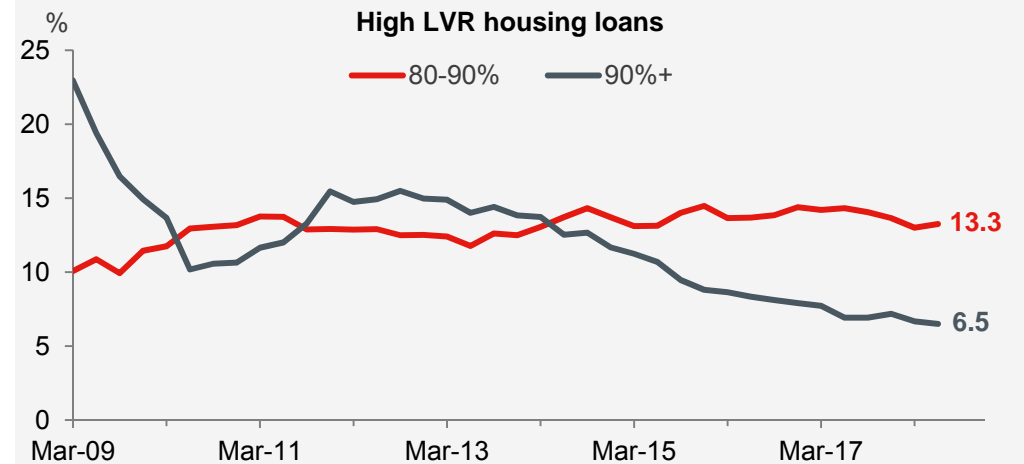
Source: APRA, RBA, Westpac Economics

## Lower flow of interest only loans



Sources: ABS, APRA, RBA, Westpac Economics.

## Lower new flow of 90%+ LVR loans

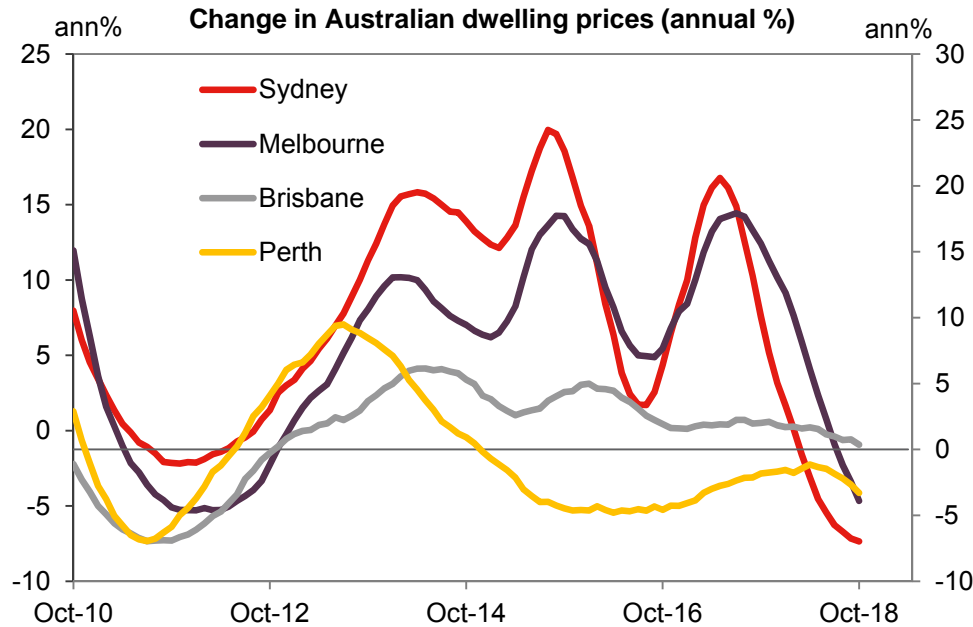


Sources: ABS, APRA, RBA, Westpac Economics

# The Australian housing market **has cooled**

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## Dwelling prices cooling

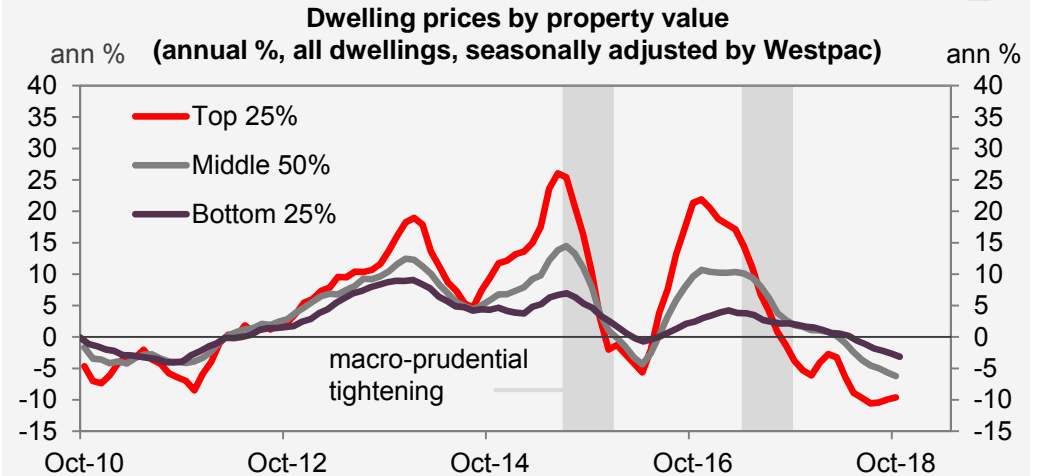


Sources: CoreLogic, Westpac Economics. Dwelling prices are all dwellings, 6mth annualised growth.

Capital city	Pop'n	% Change last 3mths (Oct-18)	% Change YoY (Oct-18)	Avg since 2007
Sydney	4.8m	Down 2.0%	Down 7.4%	Up 5.1%
Melbourne	4.5m	Down 2.1%	Down 4.7%	Up 4.8%
Brisbane	2.3m	Flat	Up 0.4%	Up 0.9%
Perth	1.9m	Down 2.0%	Down 3.3%	Down 0.8%

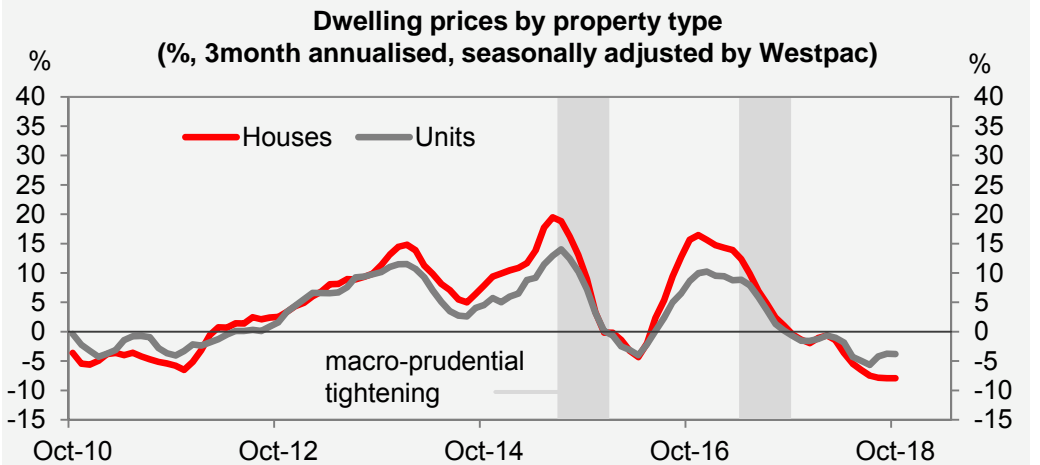
Sources: ABS, CoreLogic, Westpac Economics.

## Price decline felt most in the top 25% of house prices



Sources: CoreLogic, Westpac Economics.

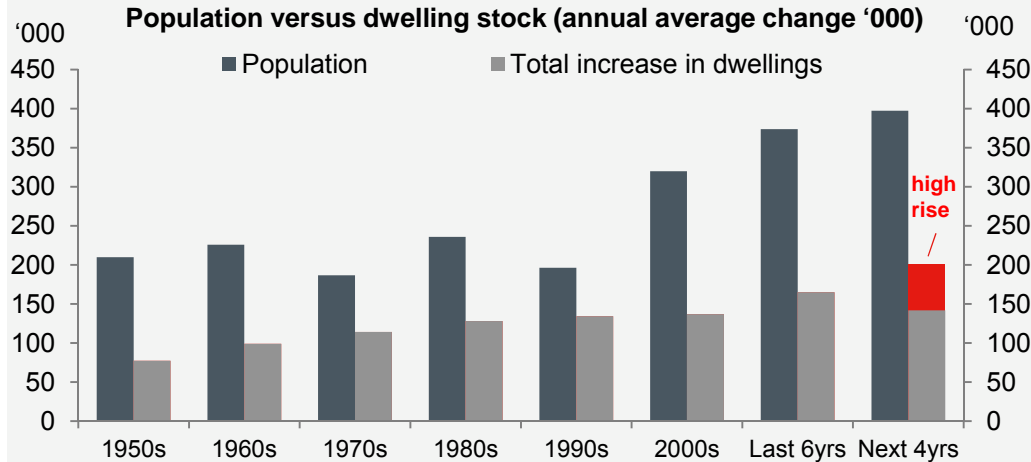
## Unit pricing vs. detached house pricing



Sources: CoreLogic, Westpac Economics.

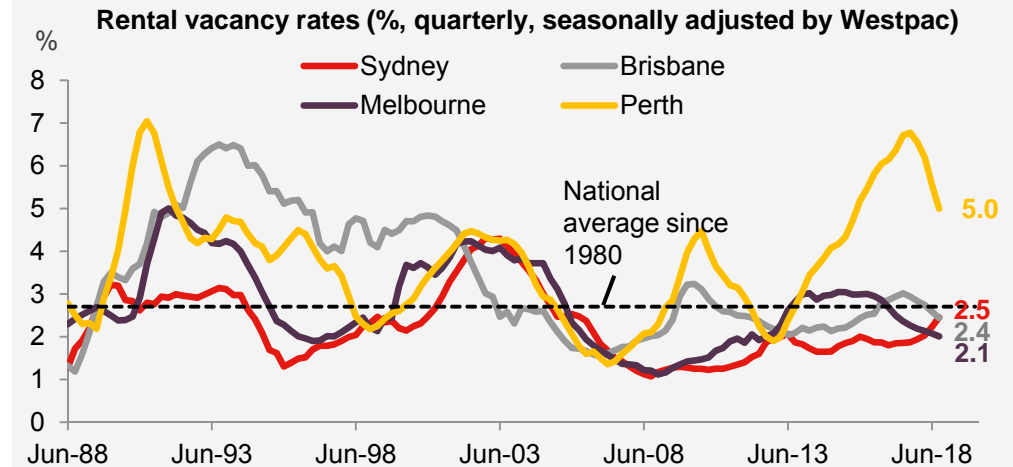
# Physical supply/demand **fundamentals remain supportive** across wider market | 26

## Dwelling supply has not kept pace with stronger demand



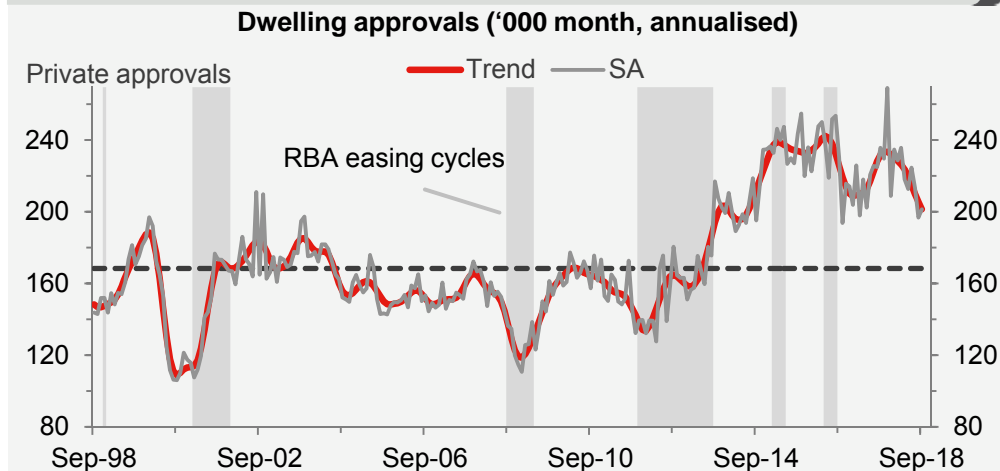
Sources: ABS, Westpac Economics. Dwelling stock is net of demolitions – implied by Census data.

## Rental vacancy rates remain low in Sydney and Melbourne



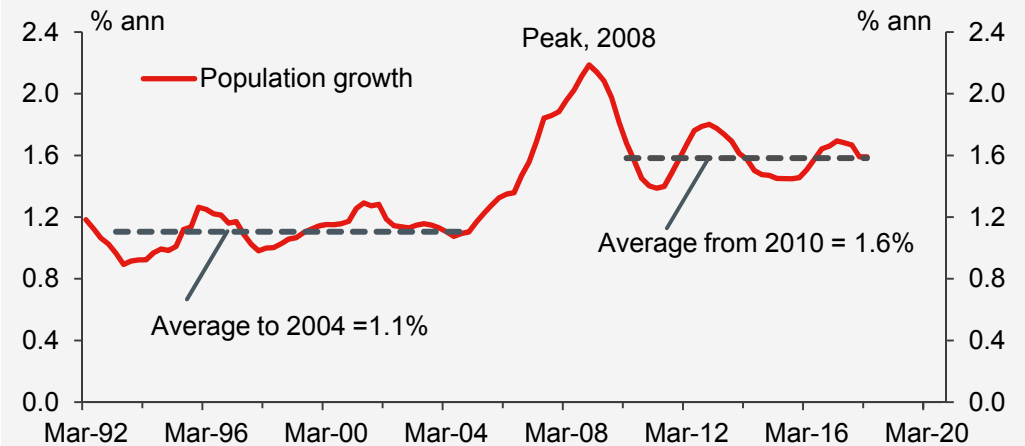
Sources: REIA, Westpac Economics

## Dwelling approvals down from 2016 highs



Sources: ABS, RBA, Westpac Economics.

## Population growth remains high in Australia



Source: ABS, Westpac Economics

# Australian economic snapshot – growth to moderate

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## Australian economy key statistics (latest available as at October 2018)

**GDP** **3.4%**

Westpac Economics Forecast  
(end calendar 2019) 2.7%

**Unemployment Rate** **5.0%**

Westpac Economics Forecast  
(end calendar 2019) 5.0%

**Inflation** **1.9%**

Westpac Economics Forecast  
(end calendar 2019) 1.7%

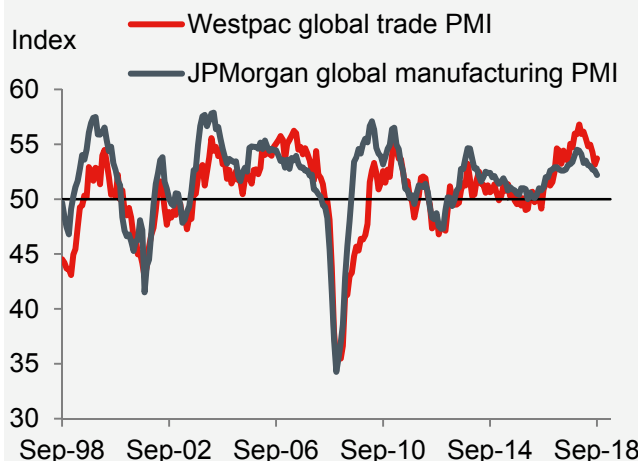
**Cash Rate** **1.50%**

Westpac Economics Forecast  
(end calendar 2019) 1.50%

**AUD/USD** **US\$0.71<sup>3</sup>**

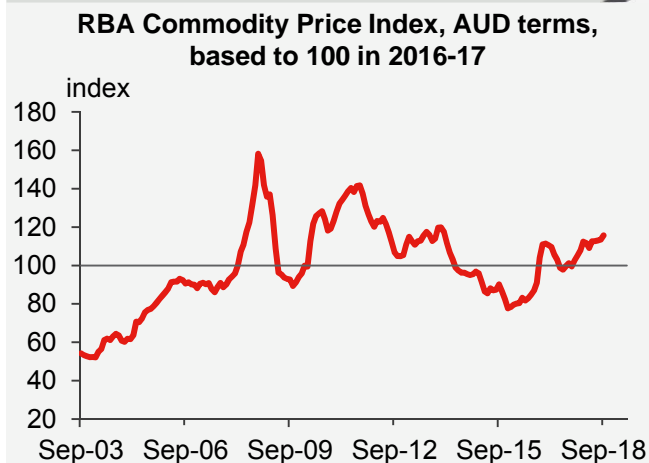
Westpac Economics Forecast  
(end calendar 2019) US\$0.72

## Global backdrop less positive



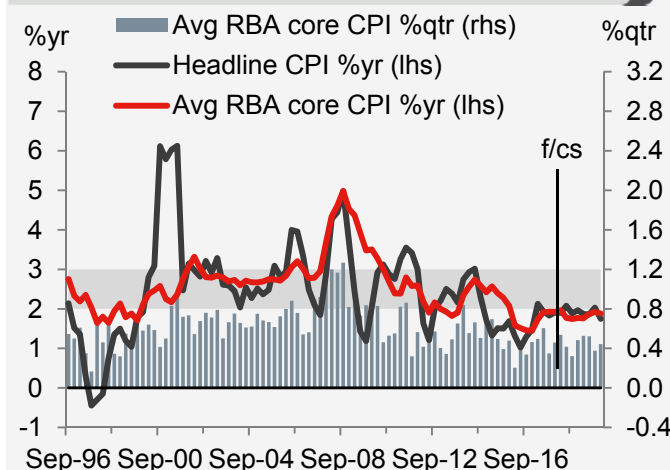
Sources: Reuters, Westpac Economics

## Commodity prices resilient in 2018



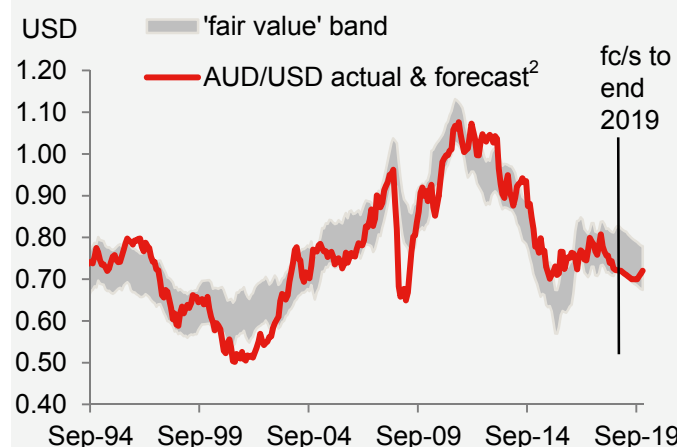
Sources: RBA, Westpac Economics.

## Inflation remains subdued<sup>1</sup>



Sources: ABS, RBA, Westpac Economics

## AUD has moved lower



Sources: RBA, Westpac Economics.

1 Average RBA core CPI is average of seasonally adjusted trimmed mean & weighted median CPI. 2 Includes WCFI+BI commodities index, 2 year swap spread and NFD to GDP. 3 Exchange rate at as 31 October 2018.

<b>Distributions</b>	<ul style="list-style-type: none"> <li>• Non-cumulative, floating rate Distributions paid quarterly in arrear</li> <li>• Expected to be fully franked (if not fully franked the cash amount of the Distribution will be increased to compensate for the unfranked portion)<sup>1</sup></li> <li>• Distributions are payable on 18 March, 18 June, 18 September, and 18 December of each year, commencing on 18 March 2019</li> <li>• Distributions are at Westpac's discretion and subject to the Distribution Payment Conditions being satisfied</li> <li>• Non-payment will not be an event of default and Holders have no right to apply for a Winding Up for non-payment</li> </ul>
<b>Distribution Rate and Margin</b>	<ul style="list-style-type: none"> <li>• The Distribution Rate = (3 month BBSW Rate + Margin) × (1 – Tax Rate)</li> <li>• Margin expected to be in the range of 3.70% - 3.90% per annum. The Margin will be determined at the end of the Bookbuild</li> </ul>
<b>Dividend and Capital Restriction</b>	<ul style="list-style-type: none"> <li>• If for any reason a Distribution has not been paid in full for a relevant Distribution Payment Date, then until a Distribution is paid in full on a subsequent Distribution Payment Date (or all Notes are Converted at their full Face Value, Redeemed or terminated following a failure to Convert) Westpac must not: <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> unless the amount of the unpaid Distribution is paid in full within 20 Business Days of the relevant Distribution Payment Date (and in certain other limited circumstances)</li> </ul>
<b>Optional Conversion, Redemption or Transfer</b>	<ul style="list-style-type: none"> <li>• Westpac may elect to Convert into Ordinary Shares (subject to certain conditions), Redeem or Transfer: <ul style="list-style-type: none"> <li>– all or some of the Notes on 31 July 2024; or</li> <li>– all (but not some) of the Notes following a Tax Event or a Regulatory Event</li> </ul> </li> <li>• Redemption is subject to Westpac receiving APRA's prior written approval<sup>2</sup></li> <li>• Conversion is subject to certain conditions</li> </ul>
<b>Mandatory Conversion upon an Acquisition Event</b>	<ul style="list-style-type: none"> <li>• Westpac must Convert all (but not some) of the Notes into Ordinary Shares following an Acquisition Event, subject to certain conditions</li> </ul>
<b>Holder rights</b>	<ul style="list-style-type: none"> <li>• Holders have no right to request Conversion, Redemption or Transfer for any reason</li> <li>• To realise their investment, Holders may sell their Notes on the 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</li> </ul>

<sup>1</sup> Refer to slide 14 in this Investor Presentation in relation to the risk of a Labor Party proposal to remove cash refunds for excess franking credits. <sup>2</sup> There can be no certainty that APRA will provide its prior written approval for any such Redemption.



# Westpac Capital Notes 6 Additional Information

## Scheduled Conversion

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### Scheduled Conversion

- On 31 July 2026, the first possible “Scheduled Conversion Date” and subject to the Scheduled Conversion Conditions being satisfied, the Notes will mandatorily Convert into Ordinary Shares
- Holders will receive for each Note they hold a variable number of Ordinary Shares with the benefit of a 1% discount to the 20 Business Day VWAP prior to the Scheduled Conversion Date

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### Scheduled Conversion Conditions

- The satisfaction of the Scheduled Conversion Conditions will depend on the price of Ordinary Shares:
  - **First Scheduled Conversion Condition** - the VWAP of Ordinary Shares on the 25th Business Day before (but not including) the potential Scheduled Conversion Date must be greater than 56.12% of the Issue Date VWAP; and
  - **Second Scheduled Conversion Condition** - the VWAP of Ordinary Shares during the 20 Business Days before (but not including) the potential Scheduled Conversion Date must be greater than 50.51% of the Issue Date VWAP

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### Purpose of the Scheduled Conversion Conditions

- It is intended that upon a Scheduled Conversion Holders should receive Ordinary Shares worth approximately \$101.01<sup>1</sup> per Note

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### Deferral of Conversion

- If the Scheduled Conversion Conditions are not met on 31 July 2026, Conversion will not occur until the next Distribution Payment Date on which the Scheduled Conversion Conditions are satisfied
  - Notes may remain on issue indefinitely if those conditions are not satisfied
- 

<sup>1</sup> Based on the Initial Face Value of \$100 per Note and the VWAP of Ordinary Shares during the relevant VWAP Period before the Scheduled Conversion Date, with a benefit of a 1% discount. The value of the Ordinary Shares received on Conversion 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. Holders would also receive a Distribution. Distributions are subject to the Distribution Payment Conditions being satisfied, including being at Westpac's absolute discretion.

# Westpac Capital Notes 6 Additional Information

## Summary of certain events that may occur

The table below is a summary of certain events that may occur while the Notes are on issue and what Holders may receive under the Westpac Capital Notes 6 Terms. The events may not occur as their occurrence is dependent upon factors including share price, the occurrence of contingencies and in some cases Westpac's discretion.

Event	When?	Is APRA approval required?	Are there other pre-conditions to the event?	What value will Holder receive for each Note?	In what form will that value be provided to Holders?
<b>Scheduled Conversion</b>	31 July 2026 or the first Distribution Payment Date after that date on which the Scheduled Conversion Conditions are satisfied	No	Yes <sup>2</sup>	Ordinary Shares worth approximately \$101.01 <sup>3,4</sup>	Variable number of Ordinary Shares
<b>Redemption at Westpac's option</b>	31 July 2024 or if a Tax Event or Regulatory Event occurs	Yes <sup>1</sup>	Yes <sup>8</sup>	\$100 <sup>4,5</sup>	Cash
<b>Transfer at Westpac's option</b>	31 July 2024 or if a Tax Event or Regulatory Event occurs	No	No	\$100 <sup>4,5</sup>	Cash
<b>Conversion at Westpac's option</b>	31 July 2024 or if a Tax Event or Regulatory Event occurs	No	Yes <sup>2</sup>	Ordinary Shares worth approximately \$101.01 <sup>3,4</sup>	Variable number of Ordinary Shares
<b>Conversion in other circumstances</b>	If an Acquisition Event occurs	No	Yes <sup>2</sup>	Ordinary Shares worth approximately \$101.01 <sup>3,4</sup>	Variable number of Ordinary Shares
	If a Capital Trigger Event or Non-Viability Trigger Event occurs	No	No	Depending on the price of Ordinary Shares, at the relevant 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 <sup>6</sup> and may receive nothing if Conversion does not occur for any reason and Ordinary Shares are not issued for any reason <sup>7</sup>	Variable number of Ordinary Shares up to the Maximum Conversion number <sup>7</sup> .

1 Holders should not expect that APRA's approval will be given if requested. 2 Conversion is conditional on Westpac's Ordinary Share price being above a specified level in the period prior to Conversion. 3 Based on the Initial Face Value of \$100 per Note and the VWAP of Ordinary Shares during the relevant VWAP Period before the Conversion Date, with a benefit of a 1% discount. The value of the Ordinary Shares received on Conversion 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. 4 Holders would also receive a Distribution. Distributions are subject to the Distribution Payment Conditions being satisfied, including being at Westpac's absolute discretion. 5 Based on the Initial Face Value of \$100, may be less if the Face Value has been reduced (following a Capital Trigger Event or Non-Viability Trigger Event). 6 Based on an Initial Face Value of \$100 per Note. 7 If for any reason Conversion of Notes does not occur and Ordinary Shares are not issued for any reason by 5.00 pm on the 5th Business Day after the Capital Trigger Event Conversion Date or Non-Viability Trigger Event Conversion Date (as the case may be), then the Holders' rights in relation to those Notes are terminated, the investment will lose all of its value and Holders will not receive any compensation or unpaid Distributions. 8 Westpac may only Redeem Notes if it replaces them with capital of the same or better quality (and the replacement is done under conditions that are sustainable for the income capacity of Westpac) or obtains confirmation that APRA is satisfied that Westpac does not have to replace the Notes.

# Appendix 1:

## Internationally comparable capital ratio reconciliation

APRA's Basel III capital requirements are more conservative than those of the Basel Committee on Banking Supervision (BCBS), leading to lower reported capital ratios by Australian banks. In July 2015, APRA published a study that compared the major banks' capital ratios against a set of international peers<sup>1</sup>. The following details the adjustments from this study and how Westpac's APRA Basel III CET1 capital ratio aligns to an internationally comparable ratio

		(%)
<b>Westpac's CET1 capital ratio (APRA basis)</b>		<b>10.6</b>
Equity investments	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements	0.4
Deferred tax assets	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements	0.3
Interest rate risk in the banking book (IRRBB)	APRA requires capital to be held for IRRBB. The BCBS does not have a Pillar 1 capital requirement for IRRBB	0.4
Residential mortgages	Loss given default (LGD) of 15%, compared to the 20% LGD floor under APRA's requirements. APRA also applies a correlation factor for mortgages higher than the 15% factor prescribed in the Basel rules	1.8
Unsecured non-retail exposures	LGD of 45%, compared to the 60% or higher LGD under APRA's requirements	0.7
Non-retail undrawn commitments	Credit conversion factor of 75%, compared to 100% under APRA's requirements	0.5
Specialised lending	Use of internal-ratings based (IRB) probabilities of default (PD) and LGDs for income producing real estate and project finance exposures, reduced by application of a scaling factor of 1.06. APRA applies higher risk weights under a supervisory slotting approach, but does not require the application of the scaling factors	0.8
Currency conversion threshold	Increase in the A\$ equivalent concessional threshold level for small business retail and small to medium enterprise corporate exposures	0.2
Capitalised expenses	APRA requires these items to be deducted from CET1. The BCBS only requires exposures classified as intangible assets under relevant accounting standards to be deducted from CET1	0.4
<b>Internationally comparable CET1 capital ratio</b>		<b>16.1</b>
<b>Internationally comparable Tier 1 capital ratio</b>		<b>19.0</b>
<b>Internationally comparable total regulatory capital ratio</b>		<b>21.5</b>

<sup>1</sup> Methodology aligns with the APRA study titled "International capital comparison study", dated 13 July 2015.

## Appendix 2: Regulatory capital agenda

	2H18	2019	2020	2021	2023+
<b>New Basel III framework</b>	Consult	Finalise		Implementation	
<b>Counterparty credit risk</b>		Implement – 1 July 2019			
<b>Leverage ratio</b>	Finalise	Implement – 1 July 2019			
<b>Standardised approach to credit risk</b>	Consult	Consult and finalise		Implementation	
<b>Advanced approach to credit risk capital</b>	Consult	Consult and finalise		Implementation	
<b>Measurement of capital</b>	Consult	Finalise		Implementation	
<b>Related party exposures</b>	Consult	Finalise		Implementation	
<b>Loss absorbing capacity</b>	Commence consult	APRA expects to notify D-SIBs of increases to their Total Capital requirements in 2019			Implementation
<b>Resolution planning</b>		Consult			

## Appendix 3: Cash earnings adjustments

Cash earnings adjustment	FY18 (\$m)	FY17 (\$m)	Description
<b>Reported net profit</b>	<b>8,095</b>	<b>7,990</b>	Net profit attributable to owners of Westpac Banking Corporation
<b>Amortisation of intangible assets</b>	17	137	Identifiable intangible assets arising from business acquisitions are amortised over their useful lives, ranging between four and twenty years. This amortisation (excluding capitalised software) is a cash earnings adjustment because it is a non-cash flow item and does not affect cash distributions available to shareholders. The last of these intangible assets were fully amortised in December 2017
<b>Fair value (gain)/loss on economic hedges</b>	(126)	69	<p>Fair value on economic hedges (which do not qualify for hedge accounting under AAS) comprise:</p> <ul style="list-style-type: none"> <li>The unrealised fair value (gain)/loss on foreign exchange hedges of future New Zealand earnings impacting non-interest income is reversed in deriving cash earnings as their may create a material timing difference on reported results but do not affect the Group's cash earnings over the life of the hedge; and</li> <li>The unrealised fair value (gain)/loss on hedges of accrual accounted term funding transactions are reversed in deriving cash earnings as they may create a material timing difference on reported results but do not affect the Group's cash earnings over the life of the hedge</li> </ul>
<b>Ineffective hedges</b>	13	16	The unrealised (gain)/loss on ineffective hedges is reversed in deriving cash earnings for the period because the gain or loss arising from the fair value movement in these hedges reverses over time and does not affect the Group's profits over time
<b>Adjustments related to Pandal (previously BTIM)</b>	73	(171)	The Group recognised a gain, net of costs, associated with the partial sale of shares in Pandal Group Limited in FY17. In FY18, the Group marked to market its current holdings of Pandal shares. Consistent with prior years, these items have been treated as a cash earnings adjustment given their size and that it does not reflect ongoing operations. The Group has indicated that it may sell the remaining 10% shareholding in Pandal at some future date. Any future gain or loss on this shareholding will similarly be excluded from the calculation of cash earnings
<b>Treasury shares</b>	(7)	21	Under AAS, Westpac shares held by the Group in the managed funds and life businesses are deemed to be Treasury shares and the results of holding these shares can not be recognised as income in the reported results. In deriving cash earnings, these results are included to ensure there is no asymmetrical impact on the Group's profits because the Treasury shares support policyholder liabilities and equity derivative transactions which are re-valued in determining income
<b>Cash earnings</b>	<b>8,065</b>	<b>8,062</b>	

## Appendix 4: Definitions

<b>Capital ratios</b>	As defined by APRA (unless stated otherwise)	
<b>Risk weighted assets or RWA</b>	Assets (both on and off-balance sheet) are risk weighted according to each asset's inherent potential for default and what the likely losses would be in case of default. In the case of non asset-backed risks (i.e. market and operational risk), RWA is determined by multiplying the capital requirements for those risks by 12.5	
<b>Leverage ratio</b>	As defined by APRA (unless stated otherwise). Tier 1 capital divided by 'exposure measure' and expressed as a percentage. 'Exposure measure' is the sum of on-balance sheet exposures, derivative exposures, securities financing transaction exposures and other off-balance sheet exposures	
<b>Internationally comparable ratios</b>	Internationally comparable regulatory capital ratios are Westpac's estimated ratios after adjusting the capital ratios determined under APRA Basel III regulations for various items. Analysis aligns with the APRA study titled "International capital comparison study" dated 13 July 2015	
<b>Cash earnings</b>	Cash earnings is viewed as a measure of the level of profit that is generated by ongoing operations and is therefore considered in assessing distributions, including dividends. Cash earnings is neither a measure of cash flow nor net profit determined on a cash accounting basis, as it includes both cash and non-cash adjustments to statutory net profit. Management believes this allows the Group to more effectively assess performance for the current period against prior periods and to compare performance across business divisions and across peer companies. To determine cash earnings, three categories of adjustments are made to reported results: material items that key decision makers at the Westpac Group believe do not reflect ongoing operations; items that are not considered when dividends are recommended such as the amortisation of intangibles, impact of Treasury shares and economic hedging; and, accounting reclassifications between individual line items that do not impact reported results. For details of these adjustments refer to Appendix 3.	
		<b>Net stable funding ratio (NSFR)</b>  The NSFR is defined as the ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF) defined by APRA. The amount of ASF is the portion of an ADI's capital and liabilities expected to be a reliable source of funds over a one year time horizon. The amount of RSF is a function of the liquidity characteristics and residual maturities of an ADI's assets and off-balance sheet activities. ADI's must maintain an NSFR of at least 100%
		<b>Liquidity coverage ratio (LCR)</b>  An APRA requirement to maintain an adequate level of unencumbered high quality liquid assets, to meet liquidity needs for a 30 calendar day period under an APRA-defined severe stress scenario. Absent a situation of financial stress, the value of the LCR must not be less than 100%, effective 1 January 2015. LCR is calculated as the percentage ratio of stock of HQLA and CLF over the total net cash out flows in a modelled 30 day defined stressed scenario
		<b>High quality liquid assets (HQLA)</b>  Assets which meet APRA's criteria for inclusion as HQLA in the numerator of the LCR
		<b>Committed liquidity facility (CLF)</b>  The RBA makes available to Australian Authorised Deposit-taking Institutions a CLF that, subject to qualifying conditions, can be accessed to meet LCR requirements under APS210 Liquidity

## Appendix 4: Definitions (cont.)

<b>Total committed exposures (TCE)</b>	Represents the sum of the committed portion of direct lending (including funds placement overall and deposits placed), contingent and pre-settlement risk plus the committed portion of secondary market trading and underwriting risk		
<b>Impaired assets</b>	<p>Includes exposures that have deteriorated to the point where full collection of interest and principal is in doubt, based on an assessment of the customer's outlook, cashflow, and the net realisation of value of assets to which recourse is held and includes:</p> <ul style="list-style-type: none"> <li>facilities 90 days or more past due, and full recovery is in doubt: exposures where contractual payments are 90 or more days in arrears and the net realisable value of assets to which recourse is held may not be sufficient to allow full collection of interest and principal, including overdrafts or other revolving facilities that remain continuously outside approved limits by material amounts for 90 or more calendar days;</li> <li>non-accrual assets: exposures with individually assessed impairment provisions held against them, excluding restructured loans;</li> <li>restructured assets: exposures where the original contractual terms have been formally modified to provide for concessions of interest or principal for reasons related to the financial difficulties of the customer;</li> <li>other assets acquired through security enforcement (includes other real estate owned): includes the value of any other assets acquired as full or partial settlement of outstanding obligations through the enforcement of security arrangements; and</li> <li>any other assets where the full collection of interest and principal is in doubt.</li> </ul>	<b>Collectively assessed provisions</b>	Loans not found to be individually impaired or significant will be collectively assessed in pools of similar assets with similar risk characteristics. The size of the provision is an estimate of the losses already incurred and will be estimated on the basis of historical loss experience for assets with credit characteristics similar to those in the collective pool. The historical loss experience will be adjusted based on current observable data. Included in the collectively assessed provision is an economic overlay provision which is calculated based on changes that occurred in sectors of the economy or in the economy as a whole
<b>Individually assessed provisions</b>	Provisions raised for losses that have already been incurred on loans that are known to be impaired and are assessed on an individual basis. The estimated losses on these impaired loans is based on expected future cash flows discounted to their present value and as this discount unwinds, interest will be recognised in the income statement	<b>Stressed assets</b>	Stressed assets are the total of watchlist and substandard, 90 days past due and not impaired and impaired assets
		<b>Watchlist and substandard</b>	Loan facilities where customers are experiencing operating weakness and financial difficulty but are not expected to incur loss of interest or principal
		<b>90 days past due and not impaired</b>	<p>Includes facilities where:</p> <ul style="list-style-type: none"> <li>contractual payments of interest and / or principal are 90 or more calendar days overdue, including overdrafts or other revolving facilities that remain continuously outside approved limits by material amounts for 90 or more calendar days, including accounts for customers who have been granted hardship assistance; or</li> <li>an order has been sought for the customer's bankruptcy or similar legal action has been instituted which may avoid or delay repayment of its credit obligations; and</li> <li>the estimated net realisable value of assets / security to which Westpac has recourse is sufficient to cover repayment of all principal and interest, where there are otherwise reasonable grounds to expect payment in full and interest is being taken to profit on an accrual basis.</li> </ul> <p>These facilities, while in default, are not treated as impaired for accounting purposes</p>



## Appendix 5: Joint Lead Managers

### ARRANGER AND JOINT LEAD MANAGER

Westpac Institutional Bank



- Allan O'Sullivan (02) 8254 1425
- Ryan Evans (02) 8254 4694

### JOINT LEAD MANAGERS

ANZ Securities Limited



- Tariq Holdich (02) 8037 0622

Commonwealth Bank of Australia



- Truong Le (02) 9118 1205
- Annie Feng (02) 9117 7591

J.P. Morgan Securities Australia Limited



- Duncan Beattie (02) 9003 8358
- Rishik Arya (02) 9003 7923

Morgans Financial Limited



- Steven Wright (07) 3334 4941

National Australia Bank Limited

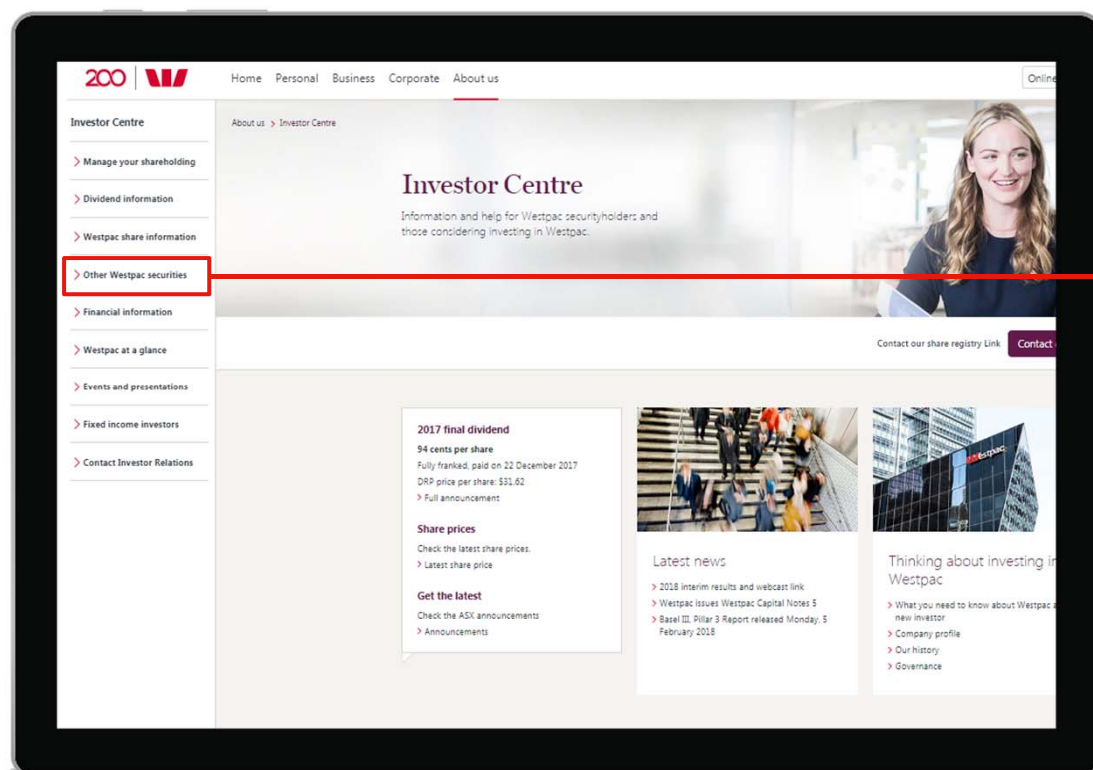


- Nicholas Chaplin (02) 9237 9518
- Stefan Visser (02) 9237 9505

UBS AG, Australia Branch



- Enrico Musso (02) 9324 2985



## Other Westpac securities

Westpac hybrid securities, preference shares, capital notes and subordinated notes listed on the Australian Securities Exchange.

### Westpac's Guide to Bank Hybrids

Westpac's Guide to Bank Hybrids, a web-based guide to help investors understand some of the typical features and risks associated with an investment in bank hybrid securities. The Guide to Bank Hybrids provides a brief overview of hybrid investments, including how to invest in an Australian bank and the typical features and risks of different types of bank hybrids.

### Latest distribution/interest/dividend payments

Security	Payment date	Rate per annum	Amount per note/share
Westpac Subordinated Notes II	22 August 2018	4.2453%	\$1.0700
Westpac NZD Subordinated Notes	3 September 2018	4.6950%	NZ\$0.0117375
Westpac Capital Notes	10 September 2018	3.6793%	\$0.9274
Westpac Capital Notes 3	24 September 2018	4.2770%	\$1.0780
Westpac Capital Notes 5	24 September 2018	3.7170%	\$0.9369
Westpac Capital Notes 2	24 September 2018	3.6120%	\$0.9104
Westpac Capital Notes 4	1 October 2018	4.9000%	\$1.2351

## Key Treasury contacts

### Curt Zuber

Treasurer, Westpac Banking Corporation

☎ +61 2 8253 4230

✉ [czuber@westpac.com.au](mailto:czuber@westpac.com.au)

### John Georgiades

Executive Director, Structured Funding & Capital

☎ +61 2 8253 1053

✉ [johngeorgiades@westpac.com.au](mailto:johngeorgiades@westpac.com.au)

### Joanne Dawson

Deputy Treasurer, Westpac Banking Corporation

☎ +61 2 8204 2777

✉ [joannedawson@westpac.com.au](mailto:joannedawson@westpac.com.au)

### Jacqueline Boddy

Director, Debt Investor Relations

☎ +61 2 8253 3133

✉ [jboddy@westpac.com.au](mailto:jboddy@westpac.com.au)

### Guy Volpicella

Managing Director, Structured Funding & Capital

☎ +61 2 8254 9261

✉ [gvolpicella@westpac.com.au](mailto:gvolpicella@westpac.com.au)