NOT FOR DISTRIBUTION IN THE UNITED STATES

ASX ANNOUNCEMENT

4 November 2019

WESTPAC LAUNCHES $2.5 BILLION CAPITAL RAISING

Westpac Banking Corporation ("Westpac") has today launched a capital raising, comprising:

- A fully underwritten $2 billion institutional share placement ("Placement"); and
- A non-underwritten share purchase plan ("SPP") under which Westpac is targeting to raise approximately $500 million[1],

(together, the "Offer").

Westpac's shares have been placed in a trading halt to enable the Placement to be completed, with trading expected to recommence on 5 November 2019.

Given our priority for balance sheet strength and our goal to support customers' growth, we are seeking to raise approximately $2.5 billion in capital to provide an increased buffer above the Australian Prudential Regulation Authority's ("APRA") "unquestionably strong" CET1 capital ratio benchmark of 10.5%[2]. The raising also creates flexibility for changes in capital rules and for potential litigation or regulatory action.

The Offer is expected to add approximately 46 to 58 basis points[3] to Westpac's Level 2 common equity Tier 1 ("CET1") capital ratio.

Details of the Placement

The fully underwritten Placement of new fully paid ordinary shares ("New Shares") to sophisticated and institutional investors in Australia and in certain overseas jurisdictions will raise $2 billion.

The Placement will be undertaken at a fixed price of $25.32 per New Share ("Placement Price"), representing a:

- 6.5% discount to the adjusted[4] last close price on ASX of $27.08 on 1 November 2019; and
- 8.1% discount to the adjusted[4] five day VWAP[5] on ASX of $27.56 to the close of trade on 1 November 2019.

The Placement will result in approximately 79 million New Shares being issued, representing approximately 2.3% of Westpac's existing issued capital[6].

It is intended that eligible institutional shareholders who bid for an amount less than or equal to their 'pro rata' share of New Shares under the Placement will be allocated their full bid, while eligible institutional shareholders who bid for more than their 'pro rata' share of New Shares are expected to be allocated at least their 'pro rata' share of New Shares, and any excess may be subject to

[1] Westpac may scale back applications above that target or issue a higher amount above that target, at its absolute discretion.
[2] Westpac seeks to be above 10.5% at March and September as measured under the existing capital framework.
[3] Based on risk weighted assets as at 30 September 2019. The 46 basis point increase reflects the impact of the Placement only, while a 58 basis point increase reflects the impact of both the Placement and the SPP, assuming the SPP raises $500 million (the basis point impacts are net of issue costs).
[4] Adjusted to take into account that the New Shares will not receive the 2019 final dividend of 80 cents per share.
[5] Volume weighted average price.
[6] The Placement does not require shareholder approval.

scaleback. All 'pro rata' allocations will be determined on a best endeavours basis. For this purpose, an eligible institutional shareholder's 'pro rata' share of New Shares will be estimated by reference to Westpac's beneficial register on 1 November 2019, but without undertaking reconciliation processes and ignoring shares that may be issued under the SPP[7].

New Shares issued under the Placement will rank equally with existing Westpac shares from their date of issue except that they will not be entitled to receive the 2019 final dividend of 80 cents per share.

New Shares under the Placement are expected to settle on 7 November 2019, with New Shares to be issued, and commence trading on the ASX on the following business day, 8 November 2019. New Shares under the Placement will trade under a separate ASX code ("WBCNB") up to and including 11 November 2019, being the day prior to the ex-dividend date for the 2019 final dividend. New Shares will then trade under the code "WBC" from 12 November 2019.

Details of the SPP

Under the SPP, each eligible Westpac shareholder being a registered holder of shares at the record date (7.00pm (Sydney time) on 1 November 2019), and shown on the register to have an address in Australia or New Zealand ("Eligible Shareholders") will have the opportunity to apply for up to $30,000 of new fully paid ordinary shares ("SPP Shares") without incurring brokerage or transaction costs.

Westpac may scale back applications should it receive demand above the target of approximately $500 million or issue a higher amount above that target, at its absolute discretion (and, if a higher amount is issued, either accept applications in full or scale back applications at its absolute discretion).

The issue price per SPP Share will be the lesser of:

- the Placement Price; and
- the VWAP of Westpac shares traded on the ASX during the five trading days up to, and including, the SPP closing date (expected to be 2 December 2019), less a 2% discount, rounded to the nearest cent.

SPP Shares will rank equally with existing Westpac shares from their date of issue, noting that they will not be entitled to receive the 2019 final dividend, as the SPP Shares will be issued after the record date for the 2019 final dividend.

An SPP booklet with further details on the SPP is expected to be sent to Eligible Shareholders in accordance with their communications election on or around 12 November 2019. For enquiries on the SPP, shareholders can call the Westpac SPP information line:

- 1800 804 255 (toll free within Australia) or +61 1800 804 255 (from outside Australia) from 8.30am to 7.30pm (Sydney time), Monday to Friday; or
- 0800 002 727 (toll free within New Zealand) from 8.30am to 5.30pm (New Zealand time), Monday to Friday.

[7] Unlike in a rights issue, this may not truly reflect the participating shareholder's actual pro rata share of New Shares. Nothing in this announcement gives a shareholder a right or entitlement to participate in the Placement and Westpac has no obligation to reconcile assumed holdings (e.g. for recent trading or swap positions) when determining a shareholder's 'pro rata' share of New Shares. Institutional shareholders who do not reside in Australia or other eligible jurisdictions will not be able to participate in the Placement. Westpac and the underwriters disclaim any duty or liability (including for negligence) in respect of the determination of a shareholder's 'pro rata' share of New Shares.

Key dates[8]

Record date for the SPP	7.00pm (Sydney time), 1 November 2019
Trading halt, announcement of FY2019 results and the Placement and SPP	4 November 2019
Placement bookbuild	4 November 2019
Placement completion announcement	5 November 2019
Trading halt lifted	5 November 2019
Settlement of New Shares to be issued under the Placement	7 November 2019
Issue date for New Shares under the Placement and commencement of trading under ASX code WBCNB[9]	8 November 2019
SPP offer opening date and dispatch of SPP booklet	12 November 2019
SPP offer closing date	5.00pm (Sydney time), 2 December 2019
Issue date for SPP Shares	11 December 2019
Holding statements for SPP Shares dispatched to shareholders and commencement of trading on ASX and NZX	12 December 2019

Important information

Refer to the attached investor presentation regarding the Offer for important information, including further details about the Offer and a description of the key risks.

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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 has been prepared for release in Australia. This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to persons acting for the account or benefit of persons in the United States, or in any jurisdiction in which such an offer would be illegal. The New Shares have not been, nor will be, registered under the U.S. Securities Act of 1933 (the "Securities Act"), or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares to be offered and sold in the Placement may not be offered or sold, directly or indirectly, to any person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. The SPP Shares to be offered and sold in the SPP may not be offered and sold, directly or indirectly, to any person in the United States or any person acting for the account or benefit of a person in the United States.

[8] The above timetable is indicative only and subject to change. The commencement of trading and quotation of New Shares issued under the Placement and of SPP Shares is subject to confirmation from ASX. Subject to the requirements of the Corporations Act, the ASX Listing Rules and other applicable rules, Westpac, with the consent of the underwriters, reserves the right to amend this timetable at any time, including extending the period for the SPP or accepting late applications, either generally or in particular cases, without notice.

[9] New Shares issued under the Placement will trade under a separate ASX code ("WBCNB") up to and including 11 November 2019, being the day prior to the ex-dividend date for the 2019 final dividend. New Shares will then trade under the code "WBC" from 12 November 2019.

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NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

4 November 2019

Investor Presentation

Westpac Group Capital Raising

Westpac Banking Corporation

ABN 33 007 457 141

Important notices and disclaimer

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES.

This presentation has been prepared and authorised by Westpac Banking Corporation (ABN 33 007 457 141) ("**Westpac**") in connection with a proposed capital raising by Westpac by way of an institutional placement of new fully paid ordinary shares in Westpac ("**New Shares**") to sophisticated and professional investors (the "**Placement**") and a share purchase plan to eligible shareholders in Australia and New Zealand (the "**Share Purchase Plan**").

NOT AN OFFER

This presentation is not a prospectus, product disclosure statement or other disclosure document under Australian law (and will not be lodged with the Australian Securities and Investments Commission ("**ASIC**")) or any other law. This presentation is for information purposes only and is not an offer or an invitation to acquire the New Shares or any other financial products in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer or invitation. This presentation does not constitute investment or financial advice (nor tax, accounting or legal advice) or any recommendation to acquire New Shares and does not and will not form any part of any contract for the acquisition of New Shares.

This presentation may not be distributed or released in the United States. This presentation does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The New Shares to be offered and sold under the Placement have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "**U.S. Securities Act**") or the securities laws of any state or other jurisdiction of the United States. The New Shares may not be offered or sold, directly or indirectly, to any person in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. state securities laws. Shares issued under the Share Purchase Plan described in this presentation may not be offered or sold, directly or indirectly, to any person in the United States or any person that is acting for the account or benefit of a person in the United States.

By accepting this presentation you represent and warrant that you are entitled to receive such presentation in accordance with the above restrictions and agree to be bound by the limitations contained herein.

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Each recipient of this presentation should make their own enquiries and investigations regarding all information included in this presentation including the assumptions, uncertainties and contingencies which may affect Westpac's future operations and the values and the impact that future outcomes may have on the Westpac Group.

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This presentation is for information purposes only and is not financial product advice or investment advice, nor a recommendation to acquire New Shares, will not form part of any contract for the acquisition of New Shares and has been prepared without taking into account the objectives, financial situation and needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek appropriate advice, including financial, legal and taxation advice appropriate to their jurisdiction. Cooling off rights do not apply to an investment in the New Shares.

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Past performance and pro forma historical financial information in this presentation is given for illustrative purposes only and should not be relied upon and is not an indication of future performance, including future share price information. Historical information in this presentation relating to the Westpac Group is information that has previously been released to the market. For further details on that historical information, please see past announcements released to the ASX.

KEY RISKS

An investment in Westpac is subject to investment risks including possible loss of income and principal invested. Westpac does not guarantee any particular rate of return or the performance of Westpac. Recipients should read the 'Risks' section of this presentation for a non-exhaustive summary of the key risks that may affect the Westpac Group and its financial and operating performance.

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The information in this presentation is subject to change without notice and Westpac is not obliged to update or correct it. This presentation contains statements that constitute "forward-looking statements" within the meaning of Section 21E of the U.S. Securities Exchange Act of 1934. The forward-looking statements include statements regarding Westpac's intent, belief or current expectations with respect to its business and operations, market conditions, results of operations and financial condition, including, without limitation, future loan loss provisions, lending growth, interest margins, operating income, expenses, productivity gains and other measures of Westpac's performance, indicative drivers, forecasted economic indicators and the outcome of the Placement and the Share Purchase Plan and the use of proceeds. Words such as "will", "may", "expect", "indicative", "intent", "seek", "would", "should", "could", "continue", "plan", "probability", "risk", "forecast", "likely", "estimate", "anticipate" , "believe", "aim" or similar words are used to identify forward-looking statements. These forward-looking statements reflect Westpac's current views with respect to future events, are subject to change without notice and are vulnerable to certain risks, uncertainties and assumptions which are, in many instances, beyond the control of Westpac, its officers, employees, agents and advisers and have been based upon management's expectations and beliefs concerning future developments and their potential effect upon Westpac.

Important notices and disclaimer

Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and their differences may be material. Investors should not place undue reliance on forward-looking statements. To the maximum extent permitted by law, responsibility for the accuracy or completeness of any forward-looking statements whether as a result of new information, future events or results or otherwise is disclaimed. Westpac disclaims any responsibility to update or revise any forward-looking statement to reflect any change in Westpac's financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based, except as required by law.

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The New Shares are not deposit liabilities of Westpac, nor protected accounts for the purposes of the Banking Act or the Financial Claims Scheme and are not guaranteed or insured by any government agency, by any member of the Westpac Group or any other person.

FINANCIAL INFORMATION AND REFERENCES TO WESTPAC

In this presentation, unless otherwise stated or the context requires otherwise, references to 'dollar amounts', '$', 'AUD' or 'A$' are to Australian dollars. Statutory net profit has been prepared in accordance with Westpac Banking Corporation's accounting policies, these are available in the 2019 Full Year Financial Results available at www.westpac.com.au/investorcentre. Certain financial information in this presentation is presented on a cash earnings basis. Cash earnings is a non-IFRS measure. Refer to the 'Appendices' section of this presentation for more details of the basis of preparation of cash earnings. All comparisons are with Full Year 2018 unless otherwise stated.

Investors should note that certain financial measures included in this presentation are "non-IFRS financial information" under ASIC Regulatory Guide 230: "Disclosing non-IFRS financial information" published by ASIC and/or "non-GAAP financial measures" under Regulation G of the U.S. Securities Exchange Act of 1934. These measures may include "cash earnings", "cash EPS", "cash return on equity" and "notable items". The disclosure of non-IFRS and/or non-GAAP financial measures in the manner included in the presentation may not be permissible in a registration statement under the U.S. Securities Act. Non IFRS/non-GAAP financial measures do not have a standardised meaning prescribed by Australian Accounting Standards or International Financial Reporting Standards ("**IFRS**") and therefore may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards or IFRS. Although Westpac believes that non-IFRS/non-GAAP financial measures provide useful information to users in measuring the financial performance and condition of its business, investors are cautioned not to place undue reliance on any non-IFRS/non-GAAP financial measures included in the presentation.

In this presentation references to 'Westpac', 'WBC', 'Westpac Group', 'the Group', 'we', 'us' and 'our' are to Westpac Banking Corporation and its controlled subsidiaries.

For definitions of key terms not otherwise defined in this presentation, please refer to Westpac's 2019 Full Year Results Presentation and Investor Discussion Pack.

FY19 earnings snapshot

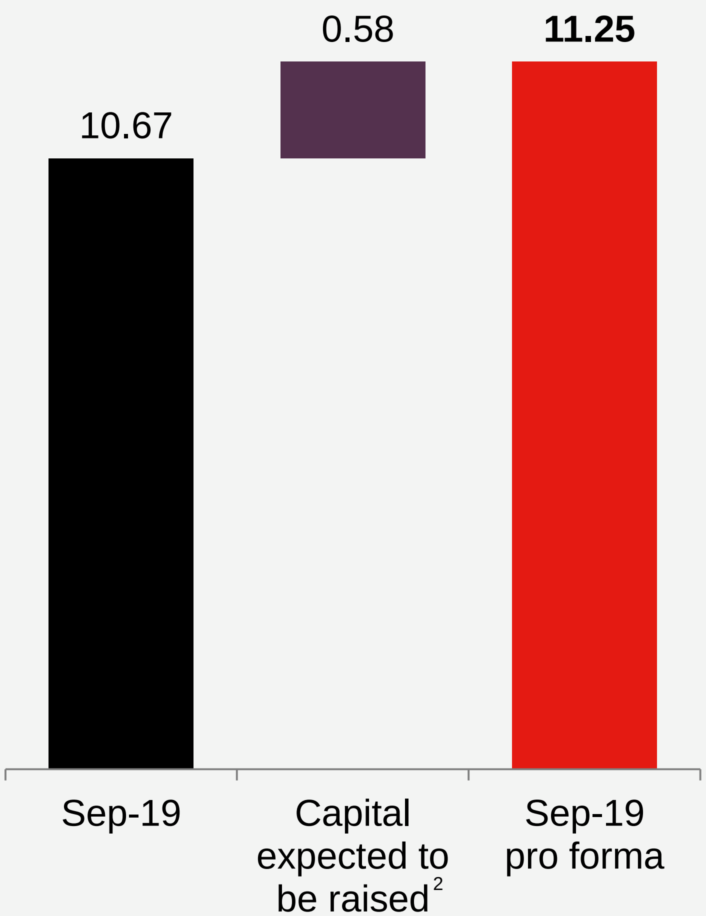
	FY19	Change FY19 – FY18[1]	Change 2H19 – 1H19[1]
Reported net profit	$6,784m	(16%)	14%
Cash earnings[2]	$6,849m	(15%)	8%
Cash EPS[3]	198.2c	(16%)	7%
Return on equity[4,5]	10.8%	(225bps)	63bps
Margin (excl. Treasury & Markets)[5]	2.04%	(7bps)	–
Expense to income ratio[5]	48.6%	Large	(261bps)
Dividend per share	174c	(7%)	(15%)
Cash earnings excluding notable items[6]			
Cash earnings[2]	$7,979m	(4%)	(3%)
Cash EPS[3]	230.9c	(6%)	(4%)
Return on equity[4]	12.5%	(94bps)	(59bps)
Margin (excl. Treasury & Markets)[5]	2.08%	(4bps)	(2bps)
Expense to income ratio[5]	43.9%	113bps	38bps

1 Prior year cash earnings comparatives have been restated for the impacts of AASB 9 & AASB 15. 2 Cash earnings is a measure of profit generated from ongoing operations for further detail see slide 39.
3 Cash EPS is cash earnings divided by weighted average ordinary shares. 4 Return on equity is cash earnings divided by average ordinary equity. 5 Cash earnings basis. 6 Notable items include provisions for estimated customer refunds, payments, associated costs, and litigation, along with costs associated with restructuring of the Group's wealth business. For further details see slide 38. Each remediation program has its own methodology. These methodologies and estimates may change over time as further facts emerge and may require additional provisions.

Prioritising strength – Capital

- CET1 capital ratio was little changed over FY19 (up 4bps). However, CET1 capital ratio was impacted by ~75 bps from
  - Operational risk overlays (CGA self-assessment, standardised model top-up)
  - New standardised model for derivatives RWA[1]
  - Customer remediation provisions and costs associated with the exit of financial planning
- Expect to raise around \$2.5bn of capital[2] via an underwritten institutional placement and a non-underwritten share purchase plan (SPP)
- Increases buffer over APRA's unquestionably strong benchmark and gives additional capacity to respond to
  - Potential litigation or regulatory actions
  - RBNZ and APRA capital changes
  - Customer growth

Common equity Tier 1 capital – Pro forma[3] (%)



1 RWA is risk weighted assets. 2 Assumes \$500m to be raised under the SPP – the actual amount raised could be more or less. 3 Based on RWA as at 30 September 2019.

Considerations for FY20[1]

Average lending	• Average lending expected to be relatively flat over FY20 as a likely decline in mortgage balances in 1H20 is offset by expected growth in 2H20
Net interest margin (excl. Treasury & Markets and notable[2] items)	• Margin for September 2019 (exit margin) of 2.04%[3] (2H19 margin of 2.07%)
Non-interest income (excluding notable[2] items)	• Banking fees expected to reflect modest loan growth and impact of regulatory changes to credit cards • Wealth management and insurance income likely to be lower in FY20 from – Exit of financial planning business ~$50m decline – Industry/legislative change including, Protecting Your Super legislation, corporate super migration, and platform margins (pricing & lower cash rates) ~$100m – Insurance income dependent on claims experience and lapse rates • Any sales of non-current assets in FY20 unlikely to realise material gains (FY19 ~$100m pre tax)
Impairment charges	• Impairment charges remained low in FY19 at 11bps of average gross loans, FY20 impairments to reflect economic environment

1 The information on this slide contains 'forward-looking statements' and statements of expectation reflecting Westpac's current views with respect to future events. They are subject to change without notice and certain risks, uncertainties and assumptions which are, in many instances, beyond its control. They have been based upon management's expectations and beliefs concerning future developments and their potential effect upon Westpac. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may differ materially from those expressed or implied in such statements. Investors should not place undue reliance on forward-looking statements and statements of expectation. Except as required by law, Westpac is not responsible for updating, or obliged to update, any matter arising after the date of this presentation. The information in this slide is subject to the information in Westpac's ASX filings, including its 2019 Annual Report, and elsewhere in this presentation, including the "Risks" starting on slide 13. 2 Notable items include provisions for estimated customer refunds, payments, associated costs, and litigation, along with costs associated with restructuring of the Group's wealth business. For further details see slide 38. Each remediation program has its own methodology. These methodologies and estimates may change over time as further facts emerge and may require additional provisions. 3 Margin for month of September 2019.

Considerations for FY20[1]… continued

FY20 expenses are expected to be 1% higher, excluding potential notable[2] items (based on FY19 expenses excluding notable[2] items of $9,570m)

Increase in amortisation

- Increase in amortisation of capitalised software of ~$170m expected in FY20 following the rise in capitalised software and new systems becoming operational. The largest contributor is the Customer Service Hub

Higher compliance/ risk spend

- Reflecting the Group's emphasis on strength, and a focus on enhancing Westpac's compliance/risk management processes; related operational expenses are expected to rise by ~$245m. Includes costs related to risk management, compliance, financial crime and complaints management
- This investment is expected to lead to a more efficient and effective risk environment and, while higher spending will remain in FY21, cost reductions are expected thereafter

Productivity offsets

- Expecting ~$500m in productivity in FY20, up 23% from the $405m in FY19
- Exit of financial planning business and Wealth reset expected to reduce expenses by ~$200m in FY20

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Operating environment

- Economic activity expected to improve through the year but remain subdued (GDP growth ending calendar 2020 at 2.4%)
- Housing expected to continue its recovery in Sydney and Melbourne
- Expect credit to increase moderately across both business and consumer
- Interest rates expected to go lower
- Some regulatory uncertainty remains – expecting more clarity through 2020, particularly on capital
- Continue to expect further remediation provisions/costs and possible litigation or regulatory actions

Offer details

Offer details

Offer Structure	• Fully underwritten $2 billion institutional share placement ("**Placement**"), and a non-underwritten share purchase plan ("**SPP**") under which Westpac is targeting to raise approximately $500 million[1] (together, the "**Offer**") • It is intended that eligible institutional shareholders who bid for an amount less than or equal to their 'pro rata' share of New Shares under the Placement will be allocated their full bid, on a best endeavours basis [2,3]
Use of Proceeds	• To strengthen the balance sheet and support customers' growth. The additional capital will increase the buffer above APRA's unquestionably strong CET1 capital benchmark of 10.5% • To provide flexibility to respond to any potential regulatory actions or litigation, along with possible RBNZ and APRA capital changes
Placement Size	• $2 billion fully underwritten Placement • Will result in approximately 79 million New Shares being issued, representing approximately 2.3% of Westpac's existing issued capital[4]
Placement Price	The Placement will be undertaken at a fixed price of $25.32 per New Share ("**Placement Price**"), representing a: • 6.5% discount to the adjusted[5] last close price on ASX of $27.08 on 1 November 2019; and • 8.1% discount to the adjusted[5] five day VWAP[6] on ASX of $27.56 to the close of trade on 1 November 2019
New Shares Ranking and Dividend	• New Shares under the Placement will rank equally with existing Westpac shares from their date of issue except that they will not be entitled to receive the 2019 final dividend of 80 cents per share • New Shares under the Placement will trade under a separate ASX code ("WBCNB") up to and including 11 November 2019, being the day prior to the ex-dividend date for the 2019 final dividend. New Shares will then trade under the code "WBC" from 12 November 2019.

1 Westpac may scale back applications above that target or issue a higher amount above that target, at its absolute discretion.
2 For this purpose, an eligible institutional shareholder's 'pro rata' share of New Shares will be estimated by reference to Westpac's beneficial register on 1 November 2019, but without undertaking any reconciliation processes and ignoring shares that may be issued under the SPP. Unlike in a rights issue, this may not truly reflect the participating shareholder's actual 'pro rata' share of New Shares. Nothing in this presentation gives a shareholder a right or entitlement to participate in the Placement and Westpac has no obligation to reconcile assumed holdings (e.g. for recent trading or swap positions) when determining a shareholder's 'pro rata' share of New Shares. Institutional shareholders who do not reside in Australia or other eligible jurisdictions will not be able to participate in the Placement – see slides 33 to 36 for the eligible jurisdictions and relevant selling restrictions. Westpac and the Underwriters disclaim any duty or liability (including for negligence) in respect of the determination of a shareholder's 'pro rata' share of New Shares.
3 Eligible institutional shareholders who bid for more than their 'pro rata' share of New Shares are expected to be allocated at least their 'pro rata' share of New Shares on a best endeavours basis as set out in footnote 2 above, and any excess may be subject to scaleback.
4 The Placement does not require shareholder approval.
5 Adjusted to take into account that the New Shares will not receive the 2019 final dividend of 80 cents per share.
6 Volume weighted average price.

Share Purchase Plan details

SPP Overview

- Westpac will also offer Eligible Shareholders[1] the opportunity to participate in a non-underwritten SPP
- Westpac is targeting to raise approximately $500 million under the SPP, with the ability to scale back applications should it receive demand above that target or issue a higher amount above that target, at its absolute discretion (and, if a higher amount is issued, either accept applications in full or scale back applications at its absolute discretion)
- Maximum application size of $30,000 per Eligible Shareholder across all of their holdings

SPP Pricing

- The issue price per new fully paid ordinary share issued under the SPP ("**SPP Shares**") will be the lesser of:
  - the Placement Price; and
  - the VWAP of Westpac shares traded on the ASX during the five trading days up to, and including, the SPP closing date (expected to be 2 December 2019) less a 2.0% discount, rounded to the nearest cent

SPP Shares Ranking and Dividend

- SPP Shares will rank equally with existing Westpac shares from their date of issue
- The SPP Shares will not be entitled to receive the 2019 final dividend, as the SPP Shares will be issued after the record date for the 2019 final dividend

SPP Further Information

- No brokerage or transaction costs are payable by Eligible Shareholders in relation to the application for, and the issue of, SPP Shares
- An SPP booklet with further details on the SPP is expected to be sent to Eligible Shareholders, in accordance with their communications election, on or around 12 November 2019

1 An eligible shareholder is a registered holder of Westpac shares on the Record Date (being 7.00pm (Sydney time) on 1 November 2019) and shown on the Register to have an address in Australia or New Zealand ("**Eligible Shareholders**").

Key Offer dates[1]

Event	Date
Record date for the SPP	7.00pm (Sydney time), 1 November 2019
Trading halt, announcement of FY2019 results and the Placement and SPP	4 November 2019
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Issue date for SPP Shares	11 December 2019
Holding statements for SPP Shares dispatched to shareholders and commencement of trading on ASX and NZX	12 December 2019

1 The above timetable is indicative only and subject to change. The commencement of trading and quotation of New Shares issued under the Placement and of SPP Shares is subject to confirmation from ASX. Subject to the requirements of the Corporations Act, the ASX Listing Rules and other applicable rules, Westpac, with the consent of the Underwriters, reserves the right to amend this timetable at any time, including extending the period for the SPP or accepting late applications, either generally or in particular cases, without notice.
2 New Shares issued under the Placement will trade under a separate code ("WBCNB") up to and including 11 November 2019, being the day prior to the ex-dividend date for the 2019 final dividend. New Shares will then trade on the ASX under the code "WBC" from 12 November 2019.

Risks

1. Key risks associated with participating in the Offer

1.1 Risks associated with the Placement

Allocation of New Shares under the Placement

It is intended that eligible institutional shareholders who bid for an amount less than or equal to their 'pro rata' share of New Shares under the Placement will be allocated their full bid, while eligible institutional shareholders who bid for more than their 'pro rata' share of New Shares are expected to be allocated at least their 'pro rata' share of New Shares and excess may be subject to scaleback. All 'pro rata' allocations will be determined on a best endeavours basis. For this purpose, an eligible institutional shareholder's 'pro rata' share of New Shares will be estimated by reference to Westpac's beneficial register on 1 November 2019, but without undertaking any reconciliation processes and ignoring shares that may be issued under the SPP. Unlike in a rights issue, this may not truly reflect the participating shareholder's actual pro rata share of New Shares. Nothing in this presentation gives a shareholder a right or entitlement to participate in the Placement and Westpac has no obligation to reconcile assumed holdings (e.g. for recent trading or swap positions) when determining a shareholder's 'pro rata' share of New Shares. Institutional investors who do not reside in Australia or other eligible jurisdictions will not be able to participate in the Placement. Westpac and the Underwriters disclaim any duty or liability (including for negligence) in respect of the determination of a shareholder's 'pro rata' share of New Shares.

By way of example, if an eligible institutional shareholder's 'pro rata' share was determined to be 1% of Westpac's total issued share capital, and that shareholder bids for an amount less than or equal to 1% of the total number of New Shares available under the Placement, it is expected that the shareholder will be allocated their full bid, on a best endeavours basis.

An eligible institutional shareholder may not receive an allocation under the Placement which is truly reflective of their pro rata share and may receive no allocation.

Underwriting risk

Westpac has entered into an agreement with the Underwriters ("**Underwriting Agreement**"), under which the Underwriters will accept all New Shares offered if they are not bought by investors. If certain conditions are not satisfied or certain events occur, the Underwriters may terminate the Underwriting Agreement. The events which may trigger termination of the Underwriting Agreement include (but are not limited to) where:

i. Westpac ceases to be admitted to the official list of ASX or ordinary shares are suspended from trading or quotation;
ii. Westpac withdraws the Placement;
iii. there are certain delays in the timetable for the Placement without the Underwriters' consent;
iv. any of the information documents (including this presentation and all ASX announcements after this presentation which are specific to the Placement) omit certain material required by the Corporations Act, contain a statement which is misleading or deceptive or otherwise fail to comply with the Corporations Act unless, with the consent of the Underwriters, the statement, error or omission can be remedied by supplementary disclosure;
v. Westpac fails to perform any of its obligations under the Underwriting Agreement;
vi. Westpac contravenes its constitution, the Corporations Act or the ASX Listing Rules;
vii. Westpac's directors commit certain offences; or
viii. there is a material adverse change in the assets, liabilities, financial position or prospects of Westpac or the Westpac Group.

The ability of the Underwriters to terminate the Underwriting Agreement in respect of some events will depend on whether the event has or is likely to have a materially adverse effect on the success of the Placement, settlement of the Placement, or the value of New Shares.

If the Underwriting Agreement is terminated for any reason, then Westpac may not receive the full amount of the Placement, its financial position may change, and it may need to take other steps to raise capital.

Risks

1. Key risks associated with participating in the Offer (continued)

1.2 Risks associated with ordinary shares specifically

Market price of ordinary shares will fluctuate

Ordinary shares trade on ASX. The market price of ordinary shares on ASX may fluctuate due to various factors, including:

i. Australian and international general economic conditions (including inflation rates, the level of economic activity, interest rates and currency exchange rates), changes in government policy, changes in regulatory policy, the expressed views of regulators, investor sentiment and general market movements, which may or may not have an impact on Westpac's actual operating performance;

ii. operating results that vary from expectations of securities analysts and investors;

iii. changes in expectations as to Westpac's future financial performance, including financial estimates by securities analysts and investors;

iv. changes in market valuations of other financial services institutions;

v. changes in dividends paid to shareholders, Westpac's dividend payout policy or Westpac's ability to frank dividends;

vi. announcement of acquisitions, strategic partnerships, joint ventures or capital commitments by Westpac or its competitors;

vii. changes in the market price of ordinary shares and / or other capital securities or other equity securities issued by Westpac or by other issuers, or changes in the supply of equity securities or capital securities issued by Westpac or by other issuers;

viii. changes in laws, regulations and regulatory policy;

ix. Westpac's failure to comply with law, regulations or regulatory policy, which may result in regulatory investigations, inquiries, litigation, fines, penalties, infringement notices, revocation, suspension or variation of conditions of relevant regulatory licences or other enforcement or administrative action or agreements (such as enforceable undertakings);

x. other major Australian and international events such as hostilities and tensions, and acts of terrorism; and

xi. other events set out in Section 2 Key risks associated with Westpac's business.

It is possible that the price of ordinary shares will trade at a market price below the Placement Price as a result of these and other factors.

Liquidity risk

Shareholders who wish to sell their ordinary shares may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for ordinary shares. As New Shares issued under the Placement will not be entitled to the 2019 final dividend, New Shares under the Placement will trade under a separate ASX code ("WBCNB") up to and including 11 November 2019, being the day prior to the ex-dividend date for the 2019 final dividend. New Shares will then trade under the code "WBC" from 12 November 2019. As such, between the issue date of the New Shares under the Placement until the ex-dividend date for the 2019 final dividend, there may be insufficient liquidity for those New Shares trading under the temporary ASX code ("WBCNB").

Westpac does not guarantee the market price or liquidity of ordinary shares and there is a risk that you may lose some of the money you invested.

Westpac

Risks

1. Key risks associated with participating in the Offer (continued)

1.2 Risks associated with ordinary shares specifically

Dividends may fluctuate or may not be paid

Dividends are discretionary and do not accrue. The rate of dividends may fluctuate or Westpac may not pay dividends at all. There is a risk that dividends may become less attractive compared to returns on comparable securities or investments.

None of Westpac, Westpac's directors or any other person guarantees any particular rate of return on ordinary shares.

Restrictions on the amount of earnings that can be distributed through dividends, Additional Tier 1 Capital distributions and discretionary staff bonuses apply if Westpac's Common Equity Tier 1 Capital ratio falls below the prudential capital requirements set by APRA (which may be above the minimum capital ratios in APRA's prudential standards[1]) plus the capital buffer ("**Distribution Restriction Trigger**"). The Distribution Restriction Trigger is currently 8% for domestic systemically important banks, but it may be higher for individual Authorised Deposit-taking Institutions ("**ADI**") (including Westpac).

Taxation

Any change to the current rate of company income tax in jurisdictions where Westpac operates may impact on shareholder returns. Any changes to the current rates of income tax applying to shareholders, whether they are individuals, trusts or companies may similarly impact on shareholder returns.

Shareholders are subordinated and unsecured investors

In a winding up of Westpac, shareholders' claims will rank after the claims of creditors preferred by law, secured creditors and general creditors.

Shareholders' claims will rank equally with claims of holders of all other ordinary shares.

If Westpac were to be wound up and, after the claims of creditors preferred by law, secured creditors, general creditors and holders of subordinated instruments (including holders of hybrid securities) are satisfied, there are insufficient assets remaining, you may lose some or all of the money you invested in ordinary shares.

Investments in ordinary shares are not deposit liabilities or protected accounts under the Banking Act

Investments in ordinary shares are an investment in Westpac and will be affected by the ongoing performance, financial position and solvency of Westpac. They are not deposit liabilities or protected accounts under the Banking Act. Therefore, ordinary shares are not guaranteed or insured by any Australian government, government agency or compensation scheme of Australia or any other jurisdiction.

Foreign Account Tax Compliance Act ("FATCA") withholding and reporting

In order to comply with FATCA, Westpac (or, if Westpac shares are held through another financial institution, such other financial institution) may be required (pursuant to an agreement with the United States or under applicable law including pursuant to the terms of an applicable intergovernmental agreement entered into between the United States and any other jurisdiction) (i) to request certain information from holders or beneficial owners of Westpac shares, which information may be provided to the US Internal Revenue Service ("**IRS**"), and (ii) to withhold tax on any portion of payments with respect to Westpac shares treated as a 'foreign passthru payment' made two years after the date on which the final regulation that defines 'foreign passthru payment' is published, if such information is not provided or if payments are made to certain foreign financial institutions that have not entered into a similar agreement with the United States (and are not otherwise required to comply with the FATCA regime under applicable law including pursuant to the terms of an applicable intergovernmental agreement entered into between the United States and any other jurisdiction).

If Westpac or any other person is required to withhold amounts under or in connection with FATCA from any payments made with respect to Westpac shares, holders and beneficial owners of Westpac shares will not be entitled to receive any gross up or additional amounts to compensate them for such withholdings. FATCA is complex and its application to Westpac shares remains uncertain. Shareholders are advised to consult their own tax advisers about the application of FATCA to Westpac shares. This information is based on guidance issued by the IRS or other relevant tax authority as at the date of this document. Future guidance may affect the application of FATCA to Westpac, shareholders or beneficial owners of Westpac shares.

1 APRA does not allow the prudential capital requirements for individual ADIs to be disclosed.

Risks

1. Key risks associated with participating in the Offer (continued)

1.2 Risks associated with ordinary shares specifically

Powers of a Banking Act statutory manager

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

i. where the ADI informs APRA that it considers it is likely to become unable to meet its obligations, or is about to suspend payment;

ii. where APRA considers that, in the absence of external support:
   A. the ADI may become unable to meet its obligations;
   B. the ADI may suspend payment;
   C. it is likely that the ADI will be unable to carry on banking business in Australia consistently with the interests of its depositors; or
   D. it is likely that the ADI will be unable to carry on banking business in Australia consistently with the stability of the financial system in Australia;

iii. the ADI becomes unable to meet its obligations or suspends payment; or

iv. where, in certain circumstances, the ADI, its holding company (if any) or any of its subsidiaries, is in default of compliance with a direction by APRA to comply with the Banking Act or regulations made under it and the Federal Court of Australia authorises APRA to assume control of the ADI's business.

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

Future issues of debt or other securities by Westpac

Westpac and members of the Westpac Group may, at their absolute discretion, issue additional securities in the future that may rank ahead of, equally with or behind ordinary shares, whether or not secured. Additionally, certain convertible securities currently on issue or which may be issued by Westpac and members of the Westpac Group in the future may be converted from debt to equity securities. Any issue or conversion of other securities may dilute the relative value of existing ordinary shares and affect your ability to recover any value in a winding up.

There are no restrictions on Westpac raising more debt or issuing other securities (subject to restrictions imposed under the ASX Listing Rules), requiring Westpac to refrain from certain business changes, or requiring Westpac to operate within certain ratio limits.

An investment in ordinary shares carries no right to participate in any future issue of securities (whether equity, hybrid, debt or otherwise) by any member of the Westpac Group, other than future pro rata issues if the shareholder is eligible to participate in the pro rata issue under relevant laws.

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

Risks

1. Key risks associated with participating in the Offer (continued)

1.2 Risks associated with ordinary shares specifically

Other external events

Acts of terrorism, an outbreak of international hostilities, labour strikes, civil wars or fires, floods, earthquakes, cyclones and other natural disasters (including where the frequency and severity of such events increase as a result of the effects of climate change) may cause an adverse change in investor sentiment with respect to Westpac specifically or the share market more generally, which could have a negative impact on the value of an investment in ordinary shares.

Risks

2. Key risks associated with Westpac's business

Westpac's business is subject to risks that can adversely impact Westpac's financial performance, financial condition and future performance. If any of the following risks occur, Westpac's business, prospects, reputation, financial performance or financial condition could be materially adversely affected, with the result that the trading price of Westpac securities could decline and as a security holder you could lose all, or part, of your investment. You should carefully consider the risks described and the other information in this presentation before investing in Westpac securities. The risks and uncertainties described below are not the only ones Westpac faces. Additional risks and uncertainties that Westpac is unaware of, or that Westpac currently deems to be immaterial, may also become important factors that affect the Westpac Group.

Westpac's businesses are highly regulated and Westpac has been and could be adversely affected by changes in laws, regulations or regulatory policy

As a financial institution, Westpac is subject to detailed laws and regulations in each of the jurisdictions in which Westpac operates or obtains funding, including Australia, New Zealand, the United Kingdom, the United States and various jurisdictions in Asia and the Pacific. Westpac is also supervised by a number of different regulatory and supervisory authorities which have broad administrative powers over Westpac's businesses.

The Westpac Group's business, prospects, reputation, financial performance and financial condition could all be affected by changes to law and regulation, changes to policies and changes in the supervisory activities and expectations of its regulators. The Westpac Group is currently operating in an environment where there is increased scrutiny of the financial services sector and specifically, increased scrutiny of financial services providers by regulators. In this environment, the Westpac Group faces increasing supervision and regulation in the jurisdictions in which it operates or obtains funding. This environment has also served to increase the pace and scope of regulatory change.

Regulatory change could directly and adversely affect the Westpac Group's financial condition and financial position. In recent years, new laws have required Westpac to maintain increased levels of liquidity and hold higher levels of, and better quality, capital and funding. Regulatory change may continue in this area. Regulation also affects the way Westpac operates its business. New regulation could require Westpac to change its existing business models (including by imposing restrictions on the types of businesses it can conduct) or amend Westpac's corporate structure.

Recently, policy makers and regulators have developed and implemented a range of regulations that affect how Westpac provides products and services to its customers. New laws have been introduced that further regulate its ability to provide products and services to certain customers and that require Westpac to alter its product and service offerings. Westpac's ability to set prices for certain products and services may also be impacted by future regulation. The competitive landscape may also be altered by new laws affecting banks and financial services companies, or Westpac's agents, authorised representatives and external service providers. The phasing in of Open Banking is one example of new laws that are likely to affect competition amongst banks and other financial services providers in Australia.

Regulatory changes of this type could adversely affect one or more of Westpac's businesses, restrict Westpac's flexibility, require Westpac to incur substantial costs, impact the profitability of one or more of Westpac's business lines, result in the Westpac Group being unable to increase or maintain market share and/or create pressure on the Westpac Group's margins and fees, any of which could adversely affect Westpac's business, prospects, financial performance or financial condition.

There are numerous sources of regulatory change that could affect Westpac's business. In some cases, changes to regulation are driven by international bodies, such as the Basel Committee on Banking Supervision ("**BCBS**"). Regulatory change may also flow from reviews and inquiries commissioned by Governments or regulators. These reviews and commissions of inquiry may lead to, and in some cases already have led to, substantial regulatory change or investigations, which could have a material impact on Westpac's business, prospects, reputation, financial performance or financial condition.

It is also possible that governments or regulators in jurisdictions in which Westpac operates or obtains funding might revise their application of existing regulatory policies that apply to, or impact, Westpac's business (including by instituting macro-prudential limits on lending). Regulators or governments may take this action for a variety of reasons, including for reasons relating to national interest and/or systemic stability.

Risks

2. Key risks associated with Westpac's business (continued)

Regulatory changes and the timing of their introduction continue to evolve and Westpac manages its businesses in the context of regulatory uncertainty and complexity. The nature and impact of future changes are not predictable and are beyond Westpac's control. Regulatory compliance and the management of regulatory change are an important part of Westpac's planning processes. Westpac expects that it will continue to invest significantly in compliance and the management and implementation of regulatory change and, at the same time, significant management attention and resources will be required to update existing or implement new processes to comply with new regulations (such as obligations to provide certain data and information to regulators) or new interpretations of existing laws or regulations. The failure of the Westpac Group to appropriately manage and implement regulatory change, including by failing to implement effective processes to comply with new regulations, has, in some instances, resulted in, and could in the future result in, the Westpac Group failing to meet a compliance obligation. Further information about the consequences of failing to meet a compliance obligation is set out in the section titled *'Westpac's businesses are highly regulated and Westpac has been or could be adversely affected by failing to comply with laws, regulations or regulatory policy'* below.

Another consideration in managing regulatory change arises when regulation is introduced in one jurisdiction in which Westpac operates that conflicts with the way it is introduced in other jurisdictions in which Westpac operates.

For further information about regulatory changes affecting Westpac, refer to 'Significant developments' in Section 1 and the sections 'Critical accounting assumptions and estimates' and 'Future developments' in Note 1 to the financial statements in Westpac's 2019 Annual Report.

Westpac's businesses are highly regulated and Westpac has been or could be adversely affected by failing to comply with laws, regulations or regulatory policy

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

The Westpac Group is subject to compliance risk, which is the risk of legal or regulatory sanction or financial or reputational loss, arising from Westpac's failure to abide by the compliance obligations required of it. This risk is exacerbated by the increasing complexity and volume of regulation and can also arise where Westpac interprets its obligations and rights differently to its regulators or a Court. The potential for this to occur may be heightened in circumstances where regulation is untested and/or not accompanied by extensive regulatory guidance.

The Westpac Group employs a compliance management system which is designed to identify, assess and manage compliance risk. While this system is currently in place, it may not always have been or continue to be effective. Breakdowns may occur in this system due, for example, to flaws in the design of controls or processes. This has resulted in, and may in the future result in, potential breaches of Westpac's compliance obligations, as well as poor customer outcomes.

The Westpac Group also depends on its employees, contractors, agents, authorised representatives and external service providers to 'do the right thing' for it to meet its compliance obligations. Inappropriate conduct by these individuals, such as neglecting to follow a policy or engaging in misconduct, could result in poor customer outcomes and a failure by the Westpac Group to comply with compliance obligations.

The Westpac Group's failure, or suspected failure, to comply with a compliance obligation could lead to a regulator commencing surveillance or an investigation into the Westpac Group. This may, depending on the circumstances, result in the regulator taking administrative or enforcement action against the Westpac Group and/or its representatives. Regulators could seek to pursue civil or criminal proceedings, seeking substantial fines, civil penalties or other enforcement outcomes. In addition, the failure or alleged failure of Westpac's competitors to comply with their obligations could lead to increased regulatory scrutiny across the financial services sector.

In many cases, Westpac's regulators have broad powers. For example, under the Banking Act, APRA can, in certain circumstances issue a direction to Westpac (such as a direction to comply with a prudential requirement, to conduct an audit, to remove a Director, executive officer or employee, to take remedial action, or not to undertake transactions) or disqualify an 'Accountable Person' under the Banking and Executive Accountability Regime.

APRA also has the power to require Westpac to hold additional capital, which they exercised earlier this year by applying a $500 million overlay to Westpac's operational risk capital requirement following the completion of Westpac's self-assessment into its frameworks and practices in relation to governance, culture and accountability. If the Westpac Group incurs additional capital overlays in the future it may need to raise additional capital which could have an adverse impact on Westpac's business, prospects, financial performance and financial condition.

Risks

2. Key risks associated with Westpac's business (continued)

The current political and regulatory environment that the Westpac Group is operating in has also seen (and may in the future see) Westpac's regulators receive new powers. Recently, legislation was passed by the Australian Parliament that provided ASIC with a product intervention power, which enables ASIC to make orders that prevent issuers of financial products from engaging in certain conduct.

In addition, legislation has been passed that materially increases the penalties that can be imposed for corporate and financial sector misconduct. In particular, ASIC can commence civil penalty proceedings and seek significant civil penalties against an Australian Financial Services licensee (such as Westpac) for failing to do all things necessary to ensure that financial services provided under the licence are provided efficiently, honestly and fairly. The Westpac Group may also face significant penalties for failing to comply with other obligations, such as those provided for under the recently legislated Consumer Data Right. This trend towards increasingly severe penalties for failing to meet compliance obligations could continue in the future and be expanded into other areas of regulation that the Westpac Group is subject to.

Changes may also occur in the oversight approach of regulators, which could result in a regulator preferring its enforcement powers over a more consultative approach. In recent years, there have been significant increases in the nature and scale of regulatory investigations, enforcement actions and the quantum of fines issued by global regulators.

This dynamic is apparent, with ASIC committing to conducting more enforcement actions against large financial institutions and adopting a 'why not litigate?' enforcement stance. ASIC has also continued to implement its 'Close and Continuous Monitoring' program, which has seen ASIC staff embedded within the institutions they supervise, including Westpac.

APRA has publicly committed to a revised approach to enforcement as well. APRA has indicated that it will use enforcement where appropriate to prevent and address serious prudential risks and hold entities and individuals to account.

The current environment may see a shift in the nature of enforcement proceedings commenced by regulators. As well as conducting more civil penalty proceedings, Westpac's regulators may be more likely to bring criminal proceedings against institutions and/or their representatives in the future. Alternatively, regulators may elect to make criminal referrals to the Commonwealth Department of Public Prosecutions or other prosecutorial bodies.

The provision of new powers to regulators, coupled with the increasingly active supervisory and enforcement approaches adopted by them, increases the prospect of adverse regulatory action being brought against the Westpac Group. Further, the severity and consequences of that action are now greater, given the expansion of penalties for corporate and financial sector misconduct.

Regulatory action brought against the Westpac Group may expose the Westpac Group to an increased risk of litigation brought by third parties (including through class action proceedings), which may require the Westpac Group to pay compensation to third parties and/or undertake further remediation activities.

Regulatory investigations, inquiries, litigation, fines, penalties, infringement notices, revocation, suspension or variation of conditions of relevant regulatory licences or other enforcement or administrative action or agreements (such as enforceable undertakings) could, either individually or in aggregate with other regulatory action, adversely affect Westpac's business, prospects, reputation, financial performance or financial condition. For further details about regulatory matters that may affect Westpac, refer to 'Significant Developments' in Section 1 of Westpac's 2019 Annual Report.

The failure to comply with financial crime obligations could have an adverse effect on Westpac's business and reputation

The Westpac Group is subject to anti-money laundering and counter-terrorism financing ("**AML/CTF**") laws, anti-bribery and corruption laws, economic and trade sanctions laws and tax transparency laws in the jurisdictions in which it operates. These laws can be complex and, in some circumstances, impose a diverse range of obligations. For example, AML/CTF laws require Westpac and other regulated institutions to (amongst other things) undertake customer identification and verification, conduct ongoing due diligence on customers, maintain and comply with an AML/CTF program and undertake ongoing risk assessments. AML/CTF laws also require Westpac to report certain matters and transactions to regulators (including in relation to International Funds Transfer Instructions, Threshold Transaction Reports and Suspicious Matter Reports) and ensure that certain information is not disclosed to third parties in a way that would contravene the 'tipping off' provisions in AML/CTF legislation.

Risks

2. Key risks associated with Westpac's business (continued)

In recent years there has been increased focus on compliance with financial crime obligations, with regulators around the globe commencing large-scale investigations and taking enforcement action where they have identified non-compliance (often seeking significant monetary penalties). Further, due to the large volume of transactions that the Westpac Group processes, the undetected failure or the ineffective implementation, monitoring or remediation of a system, policy, process or control (including in relation to a regulatory reporting obligation) has in some instances, and could in the future result in, a significant number of breaches of AML/CTF obligations. This in turn could lead to significant monetary penalties.

While the Westpac Group has systems, policies, processes and controls in place that are designed to manage its financial crime obligations (including its reporting obligations), these have not always been, and may not in the future always be, effective. The Westpac Group is currently undertaking a multi-year program designed to address areas of control weaknesses in its financial crime management framework and improve the management of this risk class.

If Westpac fails, or where Westpac has failed, to comply with these obligations, Westpac could face regulatory enforcement action such as litigation, significant fines, penalties and the revocation, suspension or variation of licence conditions. As reported in the Westpac Group's 2018 Annual Report, the Westpac Group self-reported to AUSTRAC a failure to report a large number of ITFIs (as required under Australia's AML/CTF Act). AUSTRAC has issued a number of detailed statutory notices over the last year requiring information relating to the Westpac Group's processes, procedures and oversight. These notices relate to a range of matters including these IFTI reporting failures and associated potential failings related to record keeping and obligations to obtain and pass on certain data in funds transfer instructions, as well as correspondent banking due diligence, risk assessments and transaction monitoring. Further information is set out in 'Significant Developments' in Section 1 and in Note 27 to the financial statements in Westpac's 2019 Annual Report. Non-compliance with financial crime obligations could also lead to litigation commenced by third parties (including class action proceedings) and cause reputational damage. These actions could, either individually or in aggregate, adversely affect Westpac's business, prospects, reputation, financial performance or financial condition.

Reputational damage could harm Westpac's business and prospects

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

Reputation risk is the risk of loss of reputation, stakeholder confidence or public trust and standing. It arises where there are differences between stakeholders' current and emerging perceptions, beliefs and expectations and Westpac's past, current and planned activities, processes, performance and behaviours.

There are various potential sources of reputational damage. Westpac's reputation may be damaged where any of its policies, processes, practices or behaviours result in a negative outcome for a customer or a class of customers. Other potential sources of reputational damage include the failure to effectively manage risks in accordance with Westpac's risk management frameworks , failure to comply with legal and regulatory requirements, adverse findings from regulatory reviews (including Westpac-specific and industry-wide reviews), environmental, social and ethical issues, failure of information security systems, technology failures, security breaches and inadequate record keeping which may prevent Westpac from demonstrating that a past decision was appropriate at the time it was made.

Westpac may suffer reputational damage where its conduct, practices, behaviours or business activities do not align with the evolving standards and expectations of the community, Westpac's regulators and other stakeholders. As these expectations may exceed the standard required in order to comply with the law, Westpac may incur reputational damage even where it has met its legal obligations. Westpac's reputation could also be adversely affected by the actions of the financial services industry in general or from the actions of its competitors, customers, suppliers, joint-venture partners, strategic partners and other counterparties.

Furthermore, the risk of reputational damage may be heightened by factors such as the increasing use of social media or the increasing prevalence of groups which seek to publicly challenge the Westpac Group's strategy or approach to aspects of its business.

Failure, or perceived failure, to appropriately address issues that could or do give rise to reputational risk could also impact the regulatory change agenda, give rise to additional legal risk, subject Westpac to regulatory investigations, regulatory enforcement actions, fines and penalties or litigation brought by third parties (including class actions), require Westpac to remediate and compensate customers and incur remediation costs or harm its reputation among customers, investors and the marketplace. This could lead to loss of business which could adversely affect Westpac's business, prospects, financial performance or financial condition.

Risks

2. Key risks associated with Westpac's business (continued)

The Royal Commission has led to, and may continue to lead to, regulatory enforcement activity, litigation and changes in laws, regulations or regulatory policy, and has resulted in, and may continue to result in, ongoing reputational damage to the Westpac Group, all of which has and may continue to have an adverse effect on Westpac's business and prospects

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry investigated (amongst other things) whether any conduct, practices, behaviours or business activities engaged in by financial services entities amounted to potential misconduct, or fell below community standards and expectations.

These investigations (including the public hearings, submissions, evidence and findings of the Royal Commission) had, and may continue to have, an adverse impact on the Westpac Group's reputation and potentially the financial performance of the Westpac Group's businesses. In addition, the Royal Commission's findings have led to, and may continue to lead in the future to, regulators commencing investigations and/or enforcement action against financial institutions (including the Group). This environment has also resulted in an increase in class actions or other litigation being commenced by the Westpac Group's customers, including in relation to matters raised at the Royal Commission. For further information about this risk, refer to the section titled '*Westpac has suffered and could suffer losses due to litigation (including class action proceedings)*' below.

In addition, the recommendations made in the Final Report of the Commission (which was publicly released on 4 February 2019) have resulted and will, depending on how its recommendations are implemented, result in further changes to legislation, and further influence the policies and practices of Westpac's regulators. In some instances, this has already had, and may continue to have in the future, an adverse effect on Westpac's business, prospects, financial performance or financial condition.

The Royal Commission has also led to increased political or regulatory scrutiny of the financial industry in New Zealand, and may continue to do so.

Westpac has suffered and could suffer losses due to litigation (including class action proceedings)

The Westpac Group (and individual entities within the Westpac Group) may, from time to time, be involved in legal proceedings, regulatory actions or arbitration arising from the conduct of their business and the performance of their legal and regulatory obligations.

Proceedings could be commenced against the Westpac Group by a range of potential plaintiffs, such as Westpac's customers, shareholders, suppliers and counterparties. These plaintiffs may commence proceedings individually or they may commence class action proceedings.

In recent years, there has been an increase in the number of class action proceedings brought against financial services companies (and other organisations more broadly), many of which have resulted in significant monetary settlements. The risk of class action proceedings being commenced is heightened by findings from regulatory investigations or inquiries (such as the Royal Commission into Misconduct in the Financial Services Industry), adverse media, an adverse judgment or the settlement of proceedings brought by a regulator. Furthermore, there is a risk that class action proceedings commenced against a competitor could lead to similar class action proceedings being commenced against the Westpac Group.

The growth in third party litigation funding in Australia has also contributed to a recent increase in the number of class actions being commenced in Australia. This trend may continue in light of recent court judgments which have clarified the courts' approach to liability and loss on certain types of class action claims. This clarification may encourage plaintiffs, law firms and funders to bring and maintain class action proceedings, as well as potentially improve the ability of plaintiffs to establish certain types of class action claims.

From time to time, class action proceedings are commenced against the Westpac Group. For further information about class action proceedings that the Westpac Group is currently involved in, refer to Note 27 to the financial statements in its 2019 Annual Report.

Litigation (including class action proceedings) may, either individually or in aggregate, adversely affect the Westpac Group's business, operations, prospects, reputation or financial condition. This risk is heightened by the recent increases in the severity of penalties for certain breaches of the law. Such matters are subject to many uncertainties (for example, the outcome may not be able to be predicted accurately). Furthermore, the Westpac Group's ability to respond to and defend litigation may be adversely affected by inadequate record keeping.

Depending on the outcome of any litigation, the Westpac Group may be required to comply with broad court orders, including compliance orders, enforcement orders or otherwise pay money such as damages, fines, penalties or legal costs.

The Westpac Group's material contingent liabilities are described in Note 27 to the financial statements in its 2019 Annual Report. There is a risk that the Westpac Group's contingent liabilities may be larger than anticipated or that additional litigation or other contingent liabilities may arise, which could adversely affect Westpac's business, prospects, reputation, financial performance or financial condition.

Risks

2. Key risks associated with Westpac's business (continued)

Westpac has suffered and could in the future suffer information security risks, including cyberattacks

The proliferation of new technologies, the increasing use of the internet and telecommunications to conduct financial transactions and the growing sophistication and activities of attackers (including organised crime and state-sponsored actors) have resulted in increased information security risks for major financial institutions such as Westpac and Westpac's external service providers.

While Westpac has systems in place to protect against, detect and respond to cyberattacks, these systems have not always been, and may not in the future always be effective. There can be no assurance that Westpac will not suffer losses from cyberattacks or other information security breaches. The Westpac Group may not be able to anticipate and prevent a cyberattack, or it may not be able to implement effective measures to respond to a cyberattack in progress. Further, there is a risk that the Westpac Group will not be able to rectify or minimise the damage resulting from a cyberattack.

If the Westpac Group incurs a successful cyberattack technology systems might fail to operate properly or become disabled and it could result in the unauthorised release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of the Westpac Group, its employees, customers or third parties or otherwise adversely impact network access, business operations or availability of services.

In addition, as cyber threats continue to evolve, Westpac may be required to expend significant additional resources to modify or enhance its systems or to investigate and remediate any vulnerabilities or incidents.

Westpac's operations rely on the secure processing, storage and transmission of information on Westpac's computer systems and networks, and the systems and networks of external suppliers. Although Westpac implements measures to protect the security, integrity and confidentiality of its information, there is a risk that the computer systems, software and networks on which Westpac relies may be subject to security breaches, unauthorised access, malicious software, external attacks or internal breaches that could have an adverse impact on Westpac's confidential information or that of Westpac's customers and counterparties.

Major banks in other jurisdictions have suffered security breaches from sophisticated cyberattacks. Westpac's external service providers, other parties that facilitate Westpac's business activities and financial platforms and infrastructure (such as clearing houses, payment systems and exchanges) are also subject to the risk of cyberattacks. Any such security breach could result in the loss of customers and business opportunities, significant disruption to Westpac's operations, misappropriation of Westpac's confidential information and/or that of Westpac's customers and damage to Westpac's computers or systems and/or those of Westpac's customers. Such a security breach could also result in reputational damage, claims for compensation and regulatory investigations and penalties, which could adversely affect Westpac's business, prospects, financial performance or financial condition.

Westpac's risk and exposure to such threats remains heightened because of the evolving nature of technology, Westpac's prominence within the financial services industry, the prominence of Westpac's customers (including those in the government, mining and health sectors), increasing obligations to make data and information available to external third parties and Westpac's plans to continue to improve and expand its internet and mobile banking infrastructure.

Westpac could suffer losses due to technology failures or Westpac's inability to appropriately manage and upgrade its technology

The reliability, integrity and security of Westpac's information and technology is crucial in supporting Westpac's customers' banking requirements and meeting Westpac's compliance obligations and Westpac's regulators' expectations.

While the Westpac Group has a number of processes in place to provide for and monitor the availability and recovery of Westpac's systems, there is a risk that Westpac's information and technology systems might fail to operate properly or become disabled, including as a result of events that are wholly or partially beyond Westpac's control. If Westpac incurs a technology failure it may fail to meet a compliance obligation (such as the obligation to retain records and data for requisite periods of time), or Westpac's customers may be adversely affected. This could potentially result in reputational damage, remediation costs and a regulator commencing an investigation and/or taking administrative or enforcement action against Westpac. The overuse or overreliance on legacy or outdated systems may heighten the risk of a technology failure occurring.

Further, in order to continue to deliver new products and services to customers, comply with Westpac's regulatory obligations (such as obligations to report certain data and information to regulators) and meet the ongoing expectations of Westpac's regulators and customers, Westpac needs to regularly renew and enhance its technology.

Risks

2. Key risks associated with Westpac's business (continued)

Westpac is constantly managing technology projects including projects to consolidate technology platforms, simplify and enhance its technology and operations environment, assist Westpac to comply with legal obligations, improve productivity and provide for a better customer experience. Failure to implement these projects or manage associated change effectively could result in cost overruns, unrealised productivity, operational instability, failure to meet compliance obligations, reputational damage and/or result in the loss of market share to competitors. In turn, this could place Westpac at a competitive disadvantage and adversely affect Westpac's financial performance.

Adverse credit and capital market conditions or depositor preferences may significantly affect Westpac's ability to meet funding and liquidity needs and may increase Westpac's cost of funding

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

Global credit and capital markets can experience periods of extreme volatility, disruption and decreased liquidity as was demonstrated during the Global Financial Crisis. While there have now been extended periods of stability in these markets, the environment remains unpredictable. The main risks Westpac faces are damage to market confidence, changes to the access and cost of funding and a slowing in global activity or other impacts on entities with whom Westpac does business.

As of 30 September 2019, approximately 30% of Westpac's total funding originated from domestic and international wholesale markets. Of this, around 65% was sourced outside Australia and New Zealand. Customer deposits provide around 63% of total funding. Customer deposits held by Westpac are comprised of both term deposits which can be withdrawn after a certain period of time and at call deposits which can be withdrawn at any time.

A shift in investment preferences could result in deposit withdrawals by customers which could increase Westpac's need for funding from other, potentially less stable, or more expensive, forms of funding.

If market conditions deteriorate due to economic, financial, political or other reasons, there may also be a loss of confidence in bank deposits and Westpac could experience unexpected deposit withdrawals. In this situation Westpac's funding costs may be adversely affected and Westpac's liquidity and its funding and lending activities may be constrained.

If Westpac's current sources of funding prove to be insufficient, Westpac may be forced to seek alternative financing. The availability of such alternative financing, and the terms on which it may be available, will depend on a variety of factors, including prevailing market conditions, the availability of credit, Westpac's credit ratings and credit market capacity. Even if available, these alternatives may be more expensive or on unfavourable terms, which could adversely affect Westpac's financial performance, liquidity, capital resources or financial condition. There is no assurance that Westpac will be able to obtain adequate funding, do so at acceptable prices, or that Westpac will be able to recover any additional costs.

If Westpac is unable to source appropriate funding, Westpac may also be forced to reduce its lending or begin selling liquid securities. Such actions may adversely impact Westpac's business, prospects, liquidity, capital resources, financial performance or financial condition. If Westpac is unable to source appropriate funding for an extended period, or if it can no longer sell liquid securities, there is a risk that Westpac will be unable to pay its debts as and when they become due and payable.

Westpac enters into collateralised derivative obligations, which may require Westpac to post additional collateral based on movements in market rates, which has the potential to adversely affect Westpac's liquidity or ability to use derivative obligations to hedge its interest rate, currency and other financial instrument risks.

For a more detailed description of liquidity risk, refer to 'Funding and liquidity risk' in Note 21 to the financial statements in its 2019 Annual Report.

Sovereign risk may destabilise financial markets adversely

Sovereign risk is the risk that governments will default on their debt obligations, will be unable to refinance their debts as they fall due or will nationalise parts of their economy including assets of financial institutions such as Westpac. Sovereign defaults could negatively impact the value of Westpac's holdings of high quality liquid assets. There may also be a cascading effect to other markets and countries, the consequences of which, while difficult to predict, may be similar to or worse than those experienced during the Global Financial Crisis. Such an event could destabilise global financial markets, adversely affecting Westpac's liquidity, financial performance or financial condition.

Risks

2. Key risks associated with Westpac's business (continued)

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

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

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

A downgrade or series of downgrades to Westpac's credit ratings could have an adverse effect on Westpac's cost of funds and related margins, collateral requirements, liquidity, competitive position and its access to capital markets. The extent and nature of these impacts would depend on various factors, including the extent of any ratings change, whether Westpac's ratings differ among agencies (split ratings) and whether any ratings changes also impact Westpac's competitors or the sector.

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

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

As outlined above, during the past decade the financial services industry and capital markets have been, and may continue to be, adversely affected by market volatility, global economic conditions, geopolitical instability (such as threats of or actual conflict occurring around the world) and political developments. In particular, there are significant and ongoing global political developments that have the potential to impact major global economies, including Brexit and the introduction of tariffs and other protectionist measures by various countries, such as the US and China. A shock to one of the major global economies could again result in currency and interest rate fluctuations and operational disruptions that negatively impact the Westpac Group.

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

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

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

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

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

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

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

Westpac's revenues and earnings are dependent on economic activity and the level of financial services its customers require. In particular, lending is dependent on various factors including economic growth, business investment, business and consumer sentiment, levels of employment, interest rates, asset prices and trade flows in the countries in which Westpac operates.

Risks

2. Key risks associated with Westpac's business (continued)

Westpac conducts the majority of its business in Australia and New Zealand and, consequently, its performance is influenced by the level and cyclical nature of lending in these countries. These factors are in turn impacted by both domestic and international economic conditions, natural disasters and political events. A significant decrease in Australian and New Zealand housing valuations could adversely impact its home lending activities because borrowers with loans in excess of their property value show a higher propensity to default. In the event of defaults Westpac's security may be eroded, causing it to incur higher credit losses. The demand for Westpac's home lending products may also decline due to adverse changes in tax legislation (such as changes to tax rates, concessions or deductions), regulatory requirements or other buyer concerns about decreases in values.

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

Monetary policy can also significantly affect the Westpac Group. Interest rate settings (including low or negative rates), as well as other actions taken by central banks (such as quantitative easing), may adversely affect Westpac's cost of funds, the value of its lending and investments and its margins. Monetary policies also impact the broader economic conditions of the various jurisdictions that the Westpac Group operates or obtains funding in. These policies could affect demand for Westpac's products and services and/or have a negative impact on the Westpac Group's customers and counterparties, potentially increasing the risk that they will default on their obligations to the Westpac Group. All of these factors could adversely affect Westpac's business, prospects, financial performance or financial condition.

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

Credit risk is the risk of financial loss where a customer or counterparty fails to meet their financial obligations to Westpac. It is a significant risk and arises primarily from Westpac's lending activities.

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

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

For a discussion of Westpac's risk management procedures, including the management of credit risk, refer to the 'Risk management' section and Note 21 to the financial statements in its 2019 Annual Report.

Westpac faces intense competition in all aspects of its business

The financial services industry is highly competitive. Westpac competes, both domestically and internationally, with a range of firms, including retail and commercial banks, asset managers, investment banking firms, brokerage firms, other financial service firms and businesses in other industries with emerging financial services aspirations. This includes specialist competitors that may not be subject to the same capital and regulatory requirements and therefore may be able to operate more efficiently. Digital technologies are changing consumer behaviour and the competitive environment. The use of digital channels by customers to conduct their banking continues to rise and emerging competitors are increasingly utilising new technologies and seeking to disrupt existing business models, including in relation to digital payment services. The Westpac Group faces competition from established providers of financial services as well as from banking businesses developed by non-financial services companies.

The competitive environment may also change as a result of legislative reforms.

If Westpac is unable to compete effectively in the increasingly competitive environment in which its various businesses operate, its market share may decline. This may adversely affect Westpac by diverting business to its competitors or creating pressure to lower margins and fees.

Risks

2. Key risks associated with Westpac's business (continued)

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

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

For more detail on how Westpac addresses competitive pressures, refer to the section titled 'Competition' in the Directors' Report in Section 1 of its 2019 Annual Report.

Westpac could suffer losses due to market volatility

Westpac is exposed to market risk as a consequence of its trading activities in financial markets, its defined benefit plan and through the asset and liability management of its financial position. This is the risk of an adverse impact on earnings resulting from changes in market factors, such as foreign exchange rates, commodity prices, equity prices, and interest rates including the potential for low or negative interest rates. This includes interest rate risk in the banking book, such as the risk to interest income from a mismatch between the duration of assets and liabilities that arises in the normal course of business activities.

Changes in market factors could be driven by a number of developments. As an example, in July 2017, the FCA which regulates the London Interbank Offered Rate ("LIBOR"), announced that it would not require panel banks to continue to submit rates for the calculation of the LIBOR benchmark after 2021. Accordingly, the continuation of LIBOR in its current form will not be guaranteed after 2021, and it appears likely that LIBOR will be discontinued or modified by 2021. Any such developments or future changes in the administration of LIBOR or any other benchmarks could result in adverse consequences to the return on, value of and market for securities and other instruments whose returns are linked to any such benchmark, including those securities or other instruments issued by the Westpac Group.

If Westpac were to suffer substantial losses due to any market volatility (including changes in the return on, value of or market for, securities or other instruments) it may adversely affect Westpac's business, prospects, liquidity, capital resources, financial performance or financial condition. For a discussion of Westpac's risk management procedures, including the management of market risk, refer to the 'Risk management' section in Westpac's 2019 Annual Report.

Westpac has and could suffer losses due to operational risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It also includes, among other things, reputational risk, technology risk, model risk and outsourcing risk, as well as the risk of business disruption due to external events such as natural disasters, environmental hazard, damage to critical utilities, and targeted activism and protest activity. While Westpac has policies, processes and controls in place to manage these risks, these may not always have been, or continue to be effective.

Ineffective processes and controls have resulted in, and could in the future result in, an adverse outcome for Westpac's customers. For example, a process breakdown could result in a customer not receiving a product on the terms and conditions, or at the pricing, they agreed to. In addition, inadequate record keeping may prevent Westpac from demonstrating that a past decision was appropriate at the time it was made or that a particular action or activity was undertaken. If this was to occur, Westpac may incur significant costs in paying refunds and compensation to customers, as well as remediating any underlying process breakdown. Failed processes could also result in Westpac incurring losses because it is not able to enforce its contractual rights. This could arise in circumstances where Westpac did not correctly document its rights or failed to perfect a security interest. These types of operational failures may also result in increased regulatory scrutiny and depending on the nature of the failure and its impact, result in a regulator potentially commencing an investigation and/or taking other enforcement, administrative or supervisory action.

Westpac could incur losses from fraudulent applications for loans or from incorrect or fraudulent payments and settlements, particularly real-time payments. Fraudulent conduct can also emerge from external parties seeking to access the bank's systems and customers' accounts. If systems, procedures and protocols for managing fraud fail, or are ineffective, they could lead to losses which could adversely affect Westpac's customers, as well as Westpac's business, prospects, reputation, financial performance or financial condition.

Risks

2. Key risks associated with Westpac's business (continued)

Accurate and complete data is critical to ensure that Westpac's systems (both customer facing and back-office) and financial reporting processes operate effectively. In some areas of its business and operations, Westpac is affected by poor data quality. This has arisen and could in the future arise in a number of ways, including through inadequacies in systems, processes and policies. This could lead to deficiencies or failings in customer service, risk management, financial reporting (including in the calculation of risk weighted assets), credit systems and processes, compliance with legal obligations (including obligations to provide data to regulators) and also result in poor decision making, including in relation to the provision of credit and the terms on which it is provided. Poor data quality could affect the ability of Westpac to improve systems and processes. Westpac is also exposed to model risk, being the risk of loss arising from errors or inadequacies in data or a model, or in the control and use of a model.

Westpac is required to retain and access data and documentation for specific retention periods in order to satisfy its compliance obligations. In some cases, Westpac also retains data to enable it to demonstrate that a past decision was appropriate at the time it was made. Failings in systems, processes and policies could all adversely affect Westpac's ability to retain and access data.

In recent times, financial services entities have been increasingly sharing data with third parties, such as suppliers and regulators (both domestic and offshore), in order to conduct their business activities and meet regulatory obligations. A breakdown in a process or control related to the transfer, storage or protection of data transferred to a third party, or the failure of a third party to use and handle this data correctly, could result in the Westpac Group failing to meet a compliance obligation (including any relevant privacy obligations, and/or have an adverse impact on Westpac's customers and the Westpac Group.

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

The Westpac Group could also be adversely affected by events that cause disruption within the banking and financial services industry. For example, there is a risk that if central banks adopt negative interest rates in the future, the technology systems used by the Westpac Group, its counterparties and/or financial infrastructure providers may fail to operate correctly and this may cause loss or damage to the Westpac Group and/or its counterparties. Operational risks can directly impact Westpac's reputation and result in financial losses (including through decreased demand for its products and services) which would adversely affect Westpac's financial performance or financial condition.

For a discussion of Westpac's risk management procedures, including the management of operational risk, refer to the 'Risk management' section in Westpac's 2019 Annual Report.

Operational risk, technology risk, conduct risk or compliance risk events have required, and could in the future require, Westpac to undertake customer remediation activity

Westpac relies on a large number of policies, processes, procedures, systems and people to conduct its business. Breakdowns or deficiencies in one of these areas (arising from one or more operational risk, technology risk, conduct risk or compliance risk events) have resulted, and could in the future result in, adverse outcomes for customers which Westpac is required to remediate.

These events could require the Westpac Group to incur significant remediation costs (which may include compensation payments to customers and costs associated with correcting the underlying issue) and result in reputational damage.

There are significant challenges and risks involved in customer remediation activities. Westpac's ability to investigate an adverse customer outcome that may require remediation could be impeded if the issue is a legacy matter spanning beyond Westpac's record retention period, or if Westpac's record keeping is otherwise inadequate. Depending on the nature of the issue, it may be difficult to quantify and scope the remediation activity.

Determining how to properly and fairly compensate customers can also be a complicated exercise involving numerous stakeholders, such as the affected customers, regulators and industry bodies. The Westpac Group's proposed approach to a remediation may be affected by a number of events, such as a group of affected customers commencing class action proceedings on behalf of the broader population of affected customers, or a regulator exercising their powers to require that a particular approach to remediation be taken. These factors could impact the timeframe for completing the remediation activity, potentially resulting in Westpac failing to execute the remediation in a timely manner. A failure of this type could lead to a regulator commencing enforcement action against the Westpac Group. The ineffective or slow completion of a remediation also exposes the Westpac Group to reputational damage, with the Westpac Group potentially being criticised by regulators, affected customers, the media and other stakeholders, resulting in reputational damage.

Risks

2. Key risks associated with Westpac's business (continued)

The significant challenges and risks involved in scoping and executing remediations in a timely way also create the potential for remediation costs actually incurred to be higher than those initially estimated by the Westpac Group.

If the Westpac Group cannot effectively scope, quantify or implement a remediation activity in a timely way, there could be a negative impact on Westpac's business, prospects, reputation, financial performance or financial condition.

Westpac has suffered and could suffer losses due to conduct risk

Conduct risk is the risk that Westpac's provision of services and products results in unsuitable or unfair outcomes for its stakeholders or undermines market integrity. Conduct risk could occur through the provision of products and services to Westpac's customers that do not meet their needs or do not support market integrity, as well as the poor conduct of Westpac's employees, contractors, agents, authorised representatives and external service providers, which could include deliberate attempts by such individuals to circumvent Westpac's controls, processes and procedures. This could occur through a failure to meet professional obligations to specific clients (including fiduciary and suitability requirements), poor product design and implementation, failure to adequately consider customer needs or selling products and services outside of customer target markets. Conduct risk may also arise where there has been a failure to adequately provide a product or services that Westpac had agreed to provide a customer.

While Westpac has frameworks, policies, processes and controls that are designed to manage poor conduct outcomes, these policies and processes may not always have been or continue to be effective. The failure of these policies and processes could result in financial losses and reputational damage and this could adversely affect Westpac's business, prospects, financial performance or financial condition.

Westpac could suffer losses and its business has been and could be adversely affected by the failure to adopt and implement effective risk management

Westpac has implemented risk management strategies, policies and internal controls involving processes and procedures intended to identify, monitor and manage risks facing the Westpac Group. However, Westpac's risk management framework has not always been, or may not in the future prove to be, effective.

This could be because the design of the framework may be inadequate, which could result in key information not being provided to decision-makers in the right form and in a timely manner, or because of weaknesses in underlying data. There is also the possibility that key risk management policies, controls and processes may be ineffective, either due to inadequacies in their design, or because of the poor implementation of these policies, controls and processes.

There are also inherent limitations with any risk management framework as there may exist, or emerge in the future, risks that Westpac has not anticipated or identified and Westpac's controls may not be effective.

Risk management frameworks may also prove ineffective because of weaknesses in risk culture, which may result in risks and control weaknesses not being identified, escalated and acted upon. Further, while the development of appropriate remuneration structures can play an important role in supporting a sound risk culture, a deficiency in the design or operation of Westpac's remuneration structures could have a negative effect, potentially resulting in staff engaging in excessive risk taking behaviours.

Risk management failings of the type outlined above could adversely the Westpac Group in numerous ways, with the Westpac Group potentially being exposed to higher levels of risk than expected, which may result in the Westpac Group incurring unexpected losses, breaches of compliance obligations and reputational damage.

As part of the Westpac Group's risk management framework, the Westpac Group measures and monitors risks against its risk appetite. Where the Westpac Group identifies a risk as being out-of-appetite, the Westpac Group needs to take steps to bring this risk back into appetite in a timely way. However, the Westpac Group may not always be able to achieve this within proposed timeframes. This may occur because, for example, the Westpac Group experiences delays in enhancing its information technology systems to better manage the out-of-appetite risk, or in recruiting sufficient numbers of appropriately trained staff to undertake required activities. It is also possible that, because of external factors beyond the Westpac Group's control, certain risks may be inherently outside of appetite for periods of time. In addition, the Westpac Group is required to periodically review its risk management framework to determine whether it remains appropriate.

Risks

2. Key risks associated with Westpac's business (continued)

If the Westpac Group is unable to bring risks back into appetite, or if it is determined that the Westpac Group's risk management framework is no longer appropriate, the Westpac Group may incur unexpected losses and be required to undertake considerable remedial work. The failure to remedy this situation could result in increased scrutiny from regulators, who could take supervisory action such as requiring the Westpac Group to hold additional capital or directing the Westpac Group to spend money to enhance its risk management systems and controls. The Westpac Group has been adversely affected by weaknesses in risk management systems and controls in the recent past, with APRA requiring Westpac to hold additional capital following the completion of its Compliance, Governance and Accountability self-assessment. Inadequacies in addressing risks or in the Westpac Group's risk management framework could also result in the Westpac Group failing to meet a compliance obligation and/or financial losses.

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

For a discussion of Westpac's risk management procedures, refer to the 'Risk management' section in Westpac's 2019 Annual Report.

The Westpac Group's failure to recruit and retain key executives, employees and Directors may have adverse effects on Westpac's business

Key executives, employees and Directors play an integral role in the operation of Westpac's business and its pursuit of its strategic objectives. The unexpected departure of an individual in a key role, or the Westpac Group's failure to recruit and retain appropriately skilled and qualified persons into these roles, could each have an adverse effect on Westpac's business, prospects, reputation, financial performance or financial condition.

Climate change may have adverse effects on Westpac's business

Westpac, its customers and external suppliers, may be adversely affected by the physical risks of climate change, including increases in temperatures, sea levels, and the frequency and severity of adverse climatic events including fires, storms, floods and droughts. These effects, whether acute or chronic in nature, may directly impact Westpac and its customers through reputational damage, environmental factors, insurance risk and business disruption and may have an adverse impact on financial performance (including through an increase in defaults in credit exposures).

Initiatives to mitigate or respond to adverse impacts of climate change may impact market and asset prices, economic activity, and customer behaviour, particularly in geographic locations and industry sectors adversely affected by these changes. Failure to effectively manage these transition risks could adversely affect Westpac's business, prospects, reputation, financial performance or financial condition.

Westpac could suffer losses due to environmental factors

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

Westpac could suffer losses due to insurance risk

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

Insurance risk is the risk in Westpac's licensed regulated insurance entities of lapses being greater than expected, or the costs of claims being greater than expected due to a failure in product design, underwriting, reinsurance arrangements or an increase in the severity and/or frequency of insured events.

Risks

2. Key risks associated with Westpac's business (continued)

In the life insurance business, risk arises primarily through mortality (death) and morbidity (illness and injury) risks, the costs of claims relating to those risks being greater than was anticipated when pricing those risks and policy lapses (including through an unexpected or sustained increase in the rate of policy lapses).

In the general insurance business, insurance risk arises mainly through environmental factors (including storms, floods and bushfires) and other calamities, such as earthquakes, tsunamis and volcanic activity, as well as general variability in home and contents insurance claim amounts. The frequency and severity of external events such as natural disasters is difficult to predict and it is possible that the amounts Westpac reserves for potential losses from existing events, such as those arising from natural disaster events, may not be adequate to cover actual claims that may arise.

In the lenders mortgage insurance business, insurance risk arises primarily from unexpected downturns in economic conditions leading to higher levels of mortgage defaults from unemployment or other economic factors.

If Westpac's reinsurance arrangements are ineffective, this could lead to greater risk, and more losses than anticipated. There is also a risk that Westpac will not be able to renew an expiring reinsurance arrangement on similar terms, including in relation to the cost, duration and amount of reinsurance cover provided under that arrangement.

Changes in critical accounting estimates and judgements could expose the Westpac Group to losses

The Westpac Group is required to make estimates, assumptions and judgements when applying accounting policies and preparing its financial statements, particularly in connection with the calculation of provisions (including those related to remediations or credit losses) and the determination of the fair value of financial instruments. A change in a critical accounting estimate, assumption and/or judgement resulting from new information or from changes in circumstances or experience could result in the Westpac Group incurring losses greater than those anticipated or provided for. This may have an adverse effect on the Westpac Group's financial performance, financial condition and reputation. The Westpac Group's financial performance and financial condition may also be impacted by changes to accounting standards or to generally accepted accounting principles.

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

In certain circumstances, Westpac may be exposed to a reduction in the value of intangible assets. As at 30 September 2019, Westpac carried goodwill principally related to its investments in Australia, other intangible assets principally relating to assets recognised on acquisition of subsidiaries and capitalised software balances.

Westpac is required to assess the recoverability of the goodwill and other intangible asset balances on at least an annual basis or wherever an indicator of impairment exists. For this purpose, Westpac uses a discounted cash flow calculation. Changes in the methodology or assumptions upon which the calculation is based, together with changes in expected future cash flows, could materially impact this assessment, resulting in the potential write-off of part or all of the intangible assets.

In the event that an asset is no longer in use, or its value has been reduced or that its estimated useful life has declined, an impairment will be recorded, adversely impacting the Westpac Group's financial condition. The estimates and assumptions used in assessing the useful life of an asset can be affected by a range of factors including changes in strategy and the rate of external changes in technology and regulatory requirements.

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

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

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

Westpac, at times, evaluates and may implement strategic decisions and objectives including diversification, innovation, divestment or business expansion initiatives.

Risks

2. Key risks associated with Westpac's business (continued)

The expansion or integration of a new business, or entry into a new business, can be complex and costly and may require Westpac to comply with additional local or foreign regulatory requirements which may carry additional risks.

Westpac also acquires and invests in businesses owned and operated by external parties. These transactions involve a number of risks for the Westpac Group. For example, Westpac may incur financial losses if a business it invests in does not perform as anticipated or subsequently proves to be overvalued at the time that the transaction was entered into.

In addition, Westpac may be unable to successfully divest businesses or assets. These activities may, for a variety of reasons, not deliver the anticipated positive business results and could have a negative impact on Westpac's business, prospects, reputation, engagement with regulators, financial performance or financial condition.

Electing not to pursue a course of action can have an adverse effect on the Westpac Group. If Westpac fails to appropriately respond to changes in the business environment it operates in (including changes related to economic, geopolitical, regulatory, technological, social and competitive factors) this could have a range of adverse effects on the Westpac Group's business, such as being unable to increase or maintain market share as well as creating pressure on margins and fees, any of which could have a negative impact on the Westpac Group's business, prospects, financial performance or financial condition.

Foreign Selling Restrictions

This document does not constitute an offer of New Shares of Westpac in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

China

The information in this document does not constitute a public offer of the New Shares, whether by way of sale or subscription, in the People's Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The New Shares may not be offered or sold directly or indirectly in the PRC to legal or natural persons other than directly to "qualified domestic institutional investors", sovereign wealth funds and quasi-government investment funds.

European Union

This document has not been, and will not be, registered with or approved by any securities regulator in the European Union. Accordingly, this document may not be made available, nor may the New Shares be offered for sale, in the European Union except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the "Prospectus Regulation").

In accordance with Article 1(4)(a) of the Prospectus Regulation, an offer of New Shares in the European Union is limited to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation).

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "**SFO"**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Foreign Selling Restrictions

Japan

The New Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the “**FIEL**”) pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the New Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires New Shares may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of New Shares is conditional upon the execution of an agreement to that effect.

Korea

Westpac is not making any representation with respect to the eligibility of any recipients of this document to acquire the New Shares under the laws of Korea, including, without limitation, the Foreign Exchange Transaction Act and regulations thereunder. The New Shares have not been, and will not be, registered under the Financial Investment Services and Capital Markets Act of Korea (“**FSCMA**”) and therefore may not be offered or sold (directly or indirectly) in Korea or to any resident of Korea or to any persons for re-offering or resale in Korea or to any resident of Korea (as defined under the Foreign Exchange Transaction Act of Korea and its enforcement decree), except as permitted under the applicable laws and regulations of Korea.

Accordingly, the New Shares may not be offered or sold in Korea other than to "accredited investors" (as defined in the FSCMA).

Malaysia

No approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to any offer of New Shares. The New Shares may not be offered or sold in Malaysia except pursuant to, and to persons prescribed under, Part I of Schedule 6 of the Malaysian Capital Markets and Services Act.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "**FMC Act**"). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The New Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

Foreign Selling Restrictions

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of Westpac shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) an "accredited investor" (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

South Africa

This document does not, nor is it intended to, constitute a prospectus prepared and registered under the South African Companies Act and may not be distributed to the public in South Africa.

An entity or institution resident in South Africa may not implement participation in the offer unless (i) permitted under the South African Exchange Control Regulations or (ii) a specific approval has been obtained from an authorised foreign exchange dealer in South Africa or the Financial Surveillance Department of the South African Reserve Bank.

Sweden

This document has not been, and will not be, registered with or approved by Finansinspektionen (the Swedish Financial Supervisory Authority). Accordingly, this document may not be made available, nor may the New Shares be offered for sale in Sweden, other than under circumstances that are deemed not to require a prospectus under the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC. Any offering of New Shares in Sweden is limited to persons who are "qualified investors" (as defined in the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC). Only such investors may receive this document and they may not distribute it or the information contained in it to any other person.

Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering material relating to the New Shares (i) constitutes a prospectus or a similar notice as such terms are understood under art. 652a, art. 752 or art. 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of art. 27 et seqq. of the SIX Listing Rules or (ii) has been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority ("**FINMA**").

Neither this document nor any other offering material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland. The New Shares will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations. This document is personal to the recipient and not for general circulation in Switzerland.

United Arab Emirates

Neither this document nor the New Shares have been approved or passed on in any way by the Emirates Securities and Commodities Authority ("**ESCA**") or any other governmental authority in the United Arab Emirates. Westpac has not received authorisation from the ESCA or any other governmental authority to market or sell the New Shares within the United Arab Emirates. This document does not constitute, and may not be used for the purpose of, an offer of securities in the United Arab Emirates. No services relating to the New Shares, including the receipt of applications, may be rendered within the United Arab Emirates.

Foreign Selling Restrictions

No offer or invitation to subscribe for New Shares is valid, or permitted from any person, in the Abu Dhabi Global Market or the Dubai International Financial Centre.

United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (“**FSMA**”)) has been published or is intended to be published in respect of the New Shares.

This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to Westpac.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (“**FPO**”), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

United States

This presentation does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The New Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States. The New Shares to be offered and sold in the Placement may not be offered or sold, directly or indirectly, to any person in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. state securities laws.

Appendices

Notable items in FY19 and FY18

In FY19 and FY18, the Group raised certain provisions known throughout this document as “notable items” and relate to the following:

Customer remediation

Provisions of $958m (after tax) in FY19, $281m in FY18. The majority of the provisions relate to remediation programs for

- Certain ongoing advice service fees associated with the Group’s salaried financial planners and authorised representatives
- Refunds for certain customers that had interest only loans that did not automatically switch, when required, to principal and interest loans
- Refunds to certain business customers who were provided with business loans where they should have been provided with loans covered by the *National Consumer Credit Protection Act*
- Other items as part of our ‘get it right, put it right’ review of products

Resetting Wealth

In March 2019, the Group announced its decision to reset its Wealth business. In FY19, provisions for restructuring and transition costs were $241m (after tax $172m)

	Remediation					
FY19 notable items ($m)	**Consumer**	**Business**	**NZ**	**GB[1]**	**Wealth reset GB**	**Group**
Net interest income	(85)	(246)	(13)	-	-	**(344)**
Non-interest income	(2)	(55)	(4)	(759)	-	**(820)**
Expenses	25	(87)	(15)	(143)	(241)	**(461)**
Core earnings	(62)	(388)	(32)	(902)	(241)	**(1,625)**
Impairment charges	-	-	-	-	-	**-**
Tax and non- controlling interests	29	118	9	270	69	**495**
Cash earnings	**(33)**	**(270)**	**(23)**	**(632)**	**(172)**	**(1,130)**

	Remediation					
FY18 notable items ($m)	**Consumer**	**Business**	**NZ**	**GB[1]**	**Wealth reset GB**	**Group**
Net interest income	(99)	-	(2)	(4)	-	**(105)**
Non-interest income	(12)	-	(11)	(140)	-	**(163)**
Expenses	(39)	(5)	(3)	(65)	-	**(112)**
Core earnings	(150)	(5)	(16)	(209)	-	**(380)**
Impairment charges	-	-	-	-	-	**-**
Tax and non- controlling interests	36	-	4	59	-	**99**
Cash earnings	**(114)**	**(5)**	**(12)**	**(150)**	**-**	**(281)**

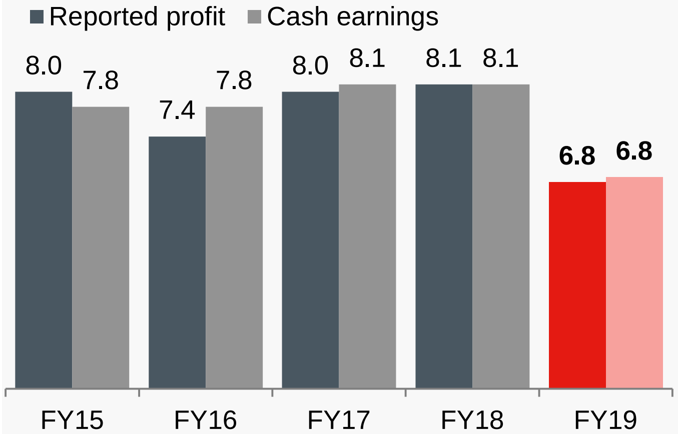
1 Group Businesses.

Cash earnings and reported net profit reconciliation

Cash earnings[1] policy

- Westpac Group uses a measure of performance referred to as cash earnings to assess financial performance at both a Group and divisional level
- This measure has been used in the Australian banking market for over 15 years and management believes it is the most effective way to assess performance for the current period against prior periods and to compare performance across divisions and across peer companies
- To calculate cash earnings, reported net profit is adjusted for
  - Material items that key decision makers at the Westpac Group believe do not reflect the Group's operating performance
  - Items that are not considered when dividends are recommended, such as the amortisation of intangibles, impact of treasury shares and economic hedging impacts
  - Accounting reclassifications between individual line items that do not impact reported results

Reported net profit and cash earnings ($bn)



	FY19 ($m)	% chg FY19-FY18	% chg 2H19-1H19
Cash earnings	**6,849**	(15)	8
Cash EPS (cents)	**198.2**	(16)	7
Reported net profit	**6,784**	(16)	14
Reported EPS (cents)	**196.5**	(17)	13

Reported net profit and cash earnings adjustments ($m)

	FY18	FY19
Reported net profit	8,095	**6,784**
Amortisation of intangible assets	17	**-**
Fair value (gain)/ loss on economic hedges	(126)	**35**
Ineffective hedges	13	**(20)**
Adjustments related to Pendal Group (formerly BTIM)	73	**45**
Treasury shares	(7)	**5**
Cash earnings	**8,065**	**6,849**

1 Cash earnings is not a measure of cash flow or net profit determined on a cash accounting basis, as it includes non-cash items reflected in net profit determined in accordance with AAS (Australian Accounting Standards). The specific adjustments outlined include both cash and non-cash items. Cash earnings is reported net profit adjusted for material items to ensure they appropriately reflect profits available to ordinary shareholders. All adjustments shown are after tax.