



# Westpac Capital Notes 4

## PROSPECTUS AND WESTPAC TPS REINVESTMENT OFFER INFORMATION

### ISSUER

Westpac Banking Corporation  
ABN 33 007 457 141

### DATE OF THIS PROSPECTUS

17 May 2016

### ARRANGER

Westpac Institutional Bank

### JOINT LEAD MANAGERS

Westpac Institutional Bank  
ANZ Securities Limited  
Commonwealth Bank of Australia  
Morgan Stanley Australia Securities Limited  
Morgans Financial Limited  
National Australia Bank Limited  
UBS AG, Australia Branch

### CO-MANAGERS

Bell Potter Securities Limited  
JBWere Limited  
Macquarie Equities Limited  
Shaw and Partners Limited

### ONLINE MANAGER

Westpac Online Investing

Investments in Westpac Capital Notes 4 are an investment in Westpac and may be affected by the ongoing performance and financial position of Westpac. Westpac Capital Notes 4 are not deposit liabilities of Westpac, are riskier than a bank deposit and may not be suitable for some investors. In some circumstances, it is possible that Holders may lose all of the value of their investment.

# IMPORTANT NOTICES

## About this Prospectus

This Prospectus relates to the offer of Westpac Capital Notes 4 (“**Notes**”) at an Issue Price of \$100 each to raise approximately \$750 million with the ability to raise more or less.

The Westpac Capital Notes 4 offered under this Prospectus are designated as Series 2016-1.

This Prospectus is dated 17 May 2016 and was lodged with the Australian Securities and Investments Commission (“**ASIC**”) on that date. ASIC and ASX Limited (“**ASX**”) take no responsibility for the content of this Prospectus nor for the merits of the investment to which this Prospectus relates. This Prospectus expires on the date which is 13 months after the date of this Prospectus (“**Expiry Date**”) and no Notes will be issued or transferred on the basis of this Prospectus after the Expiry Date.

## Status of Westpac Capital Notes 4

Westpac Capital Notes 4 are fully paid, non-cumulative, convertible, transferable, redeemable, subordinated<sup>1</sup>, perpetual, unsecured notes issued by Westpac.

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

Investment-type products are subject to investment risk, including possible delays in payment and loss of income and principal invested. Except as required by law, and only to the extent so required, neither Westpac nor any other person in any way warrants or guarantees the capital value or performance of the Notes, the performance of Westpac or any particular rate of return on any investment made under this Prospectus. If a Capital Trigger Event or Non-Viability Trigger Event occurs, Westpac will be required to Convert some or all of the Notes (or, where Conversion does not occur for any reason and Ordinary Shares are not issued for any reason, then: (i) those Notes will not be Converted in respect of such Capital Trigger Event or Non-Viability Trigger Event (as the case may be) and will not be Converted, Redeemed or Transferred on any subsequent date; (ii) all rights in relation to those Notes will be terminated; and (iii) Holders will suffer loss as a consequence).

If Conversion occurs in these circumstances, Holders may (in the case of a Capital Trigger Event) and are likely to (in the case of a Non-Viability Trigger Event) receive Ordinary Shares that are worth significantly less than the Face Value of the Notes. If Holders receive Ordinary Shares worth less than the Face Value of the Notes, they will suffer loss as a consequence.

## Defined words and expressions

Some words and expressions used in this Prospectus are capitalised as they have defined meanings. The Glossary in Appendix A and clause 16.2 of the Westpac Capital Notes 4 Terms in Appendix B define these words and expressions.

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

## No representations other than in this Prospectus

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

## About the responsible entity of Westpac TPS Trust

Westpac RE Limited (ABN 80 000 742 478) (“**WREL**”) has not authorised or caused the issue of this Prospectus or the making of the Offer, and has not been involved in the preparation of any part of this Prospectus, other than those parts relating specifically to the redemption of Westpac TPS.

WREL has not made any statement or purported to make any statement in this Prospectus or any statement on which a statement in this Prospectus is based.

## Past performance information

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

## This Prospectus does not provide investment advice – you should seek your own professional investment advice

The information in this Prospectus is not investment advice and has been prepared without taking into account your investment objectives, financial situation and particular needs (including financial and taxation considerations) as an investor. You should consider the appropriateness of the Notes having regard to these factors before deciding to apply for Notes. It is important that you read the entire Prospectus (including the investment risks described in Sections 1.5 and 5) and seek professional investment advice from your financial adviser or other professional adviser before deciding whether to apply for Notes.

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

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

Note:

<sup>1</sup> See Sections 1.4 and 2.6 for a description of how the Notes will rank in a Winding Up.

## Restrictions in foreign jurisdictions

This Offer is being made in Australia only and this Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Notes or the Offer or to otherwise permit a public offering of the Notes in any jurisdiction outside Australia. The distribution of this Prospectus (including an electronic copy) in jurisdictions outside Australia may be restricted by law.

You should read the foreign selling restrictions (including, in particular, the restrictions on US Persons) in Section 7.13. If you come into possession of this Prospectus in jurisdictions outside Australia, you should seek advice on, and observe, any such restrictions. If you fail to comply with such restrictions that failure may constitute a violation of applicable securities laws.

## Exposure period

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

## How to obtain a Prospectus and an Application Form

During the Offer Period:

- Eligible Westpac TPS Holders will be mailed a hard copy of this Prospectus with a personalised Reinvestment Application Form;
- Eligible Securityholders may obtain a hard copy of this Prospectus with a personalised Securityholder Application Form accompanying it by:
  - registering online to receive a Prospectus and a Securityholder Application Form at [www.westpac.com.au/westpaccapnotes4](http://www.westpac.com.au/westpaccapnotes4); or
  - calling the **Westpac Capital Notes 4 Information Line (Monday to Friday, 8.30am to 5.30pm, Sydney time) on 1300 363 136**.
- Broker Firm Applicants can obtain a copy of this Prospectus, including a Broker Firm Application Form, by downloading an electronic copy from [www.westpac.com.au/westpaccapnotes4](http://www.westpac.com.au/westpaccapnotes4) or from their Syndicate Broker.

An electronic copy of this Prospectus can be downloaded at [www.westpac.com.au/westpaccapnotes4](http://www.westpac.com.au/westpaccapnotes4).

This Prospectus is only available electronically to persons accessing and downloading or printing the electronic version of this Prospectus in Australia. If you access an electronic copy of this Prospectus, you should ensure that you download and read the entire Prospectus.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

## Applications for Westpac Capital Notes 4

Applications for Notes under this Prospectus may only be made during the Offer Period on an Application Form attached to or accompanying this Prospectus including, in the case of Eligible Westpac TPS Holders and Eligible Securityholders, by submitting an online Application at [www.westpac.com.au/westpaccapnotes4](http://www.westpac.com.au/westpaccapnotes4).

For information on who is eligible to apply for Notes under the Offer and how to make an Application – see Section 8 and the Application Form.

## No withdrawal of Application

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

## Refunds

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

## Trading in Westpac Capital Notes 4

It is your responsibility to determine your Allocation before trading in Notes to avoid the risk of selling Notes you do not own. To assist you in determining your Allocation before the receipt of your Holding Statement, you may call the **Westpac Capital Notes 4 Information Line (Monday to Friday, 8.30am to 5.30pm, Sydney time) on 1300 363 136** if you are an Eligible Westpac TPS Holder or Eligible Securityholder, or contact your Syndicate Broker if you are a Broker Firm Applicant. If you sell Notes before you receive confirmation of your Allocation, you do so at your own risk.

## Providing personal information

You will be asked to provide personal information to Westpac (directly or via its agents, including the Registrar) if you apply for Notes. See Section 7.14 for information on how Westpac (and its agents, including the Registrar on its behalf) collects, holds and uses this personal information. You can also obtain a copy of Westpac’s privacy policy at [www.westpac.com.au/privacy](http://www.westpac.com.au/privacy).

## Incorporation by reference

Information contained in or accessible through the documents or websites mentioned in this Prospectus does not form part of this Prospectus unless it is specifically stated that the document or website is incorporated by reference and forms part of this Prospectus.

## Enquiries

If you have any questions in relation to the Offer, please call the **Westpac Capital Notes 4 Information Line (Monday to Friday, 8.30am to 5.30pm, Sydney time) on 1300 363 136** (local call cost within Australia) or contact your financial adviser or other professional adviser.

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Appendix A

Appendix B

# GUIDANCE FOR RETAIL INVESTORS

<b>1. Read this Prospectus in full</b>	<ul style="list-style-type: none"> <li>• If you are considering applying for Notes under the Offer, this Prospectus is important and should be read in its entirety.</li> <li>• You should have particular regard to the:             <ul style="list-style-type: none"> <li>– “Investment overview” in Section 1 and “Information about Westpac Capital Notes 4” in Section 2;</li> <li>– “Reinvestment Offer for Westpac TPS Holders” in Section 3 (if you are an Eligible Westpac TPS Holder);</li> <li>– “Investment risks” in Section 5; and</li> <li>– “Westpac Capital Notes 4 Terms” in Appendix B.</li> </ul> </li> <li>• In considering whether to apply for Notes, it is important to consider all risks and other information regarding an investment in Notes in light of your particular investment objectives and circumstances.</li> </ul>
<b>2. Speak to your professional adviser</b>	<ul style="list-style-type: none"> <li>• You should seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser about the Offer.</li> </ul>
<b>3. Consider the ASIC guidance for retail investors</b>	<ul style="list-style-type: none"> <li>• Further guidance on investing in bank hybrid securities can be found on ASIC’s MoneySmart website at <a href="https://www.moneysmart.gov.au">https://www.moneysmart.gov.au</a> or via a link at <a href="http://www.westpac.com.au/westpaccapnotes4">www.westpac.com.au/westpaccapnotes4</a>.</li> <li>• A free copy of the ASIC guidance may also be obtained by calling ASIC on 1300 300 630 (from within Australia) or +61 3 5177 3988 (from outside Australia).</li> </ul>
<b>4. Learn more about investing in bank hybrid securities</b>	<ul style="list-style-type: none"> <li>• Westpac’s Guide to Bank Hybrids, a web-based guide to help investors understand some of the typical features and risks associated with an investment in bank hybrid securities, is available at <a href="http://www.westpac.com.au/bankhybridguide">www.westpac.com.au/bankhybridguide</a>. The Guide to Bank Hybrids provides a brief overview of hybrid investments, including how to invest in an Australian bank and the typical features and risks of different types of bank hybrids. The Guide to Bank Hybrids may be helpful when you are considering an investment in the Notes.</li> </ul>
<b>5. Obtain further information about Westpac and Westpac Capital Notes 4</b>	<ul style="list-style-type: none"> <li>• Westpac is a disclosing entity for the purposes of the Corporations Act and, as a result, is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. In addition, Westpac must notify ASX immediately (subject to certain exceptions) if it becomes aware of information about Westpac that a reasonable person would expect to have a material effect on the price or value of its securities, including the Notes.</li> <li>• Copies of documents lodged with ASIC can be obtained from, or inspected at, an ASIC office and Westpac’s ASX announcements may be viewed on <a href="http://www.asx.com.au">www.asx.com.au</a> (ASX code WBC). Further information about Westpac, including Westpac’s half-yearly and annual financial reports, presentations and other investor information, can be obtained from <a href="http://www.westpac.com.au/investorcentre">www.westpac.com.au/investorcentre</a>.</li> </ul>

## KEY DATES

### KEY DATES FOR THE OFFER

Record date for determining Eligible Securityholders (7.00pm Sydney time)	10 May 2016
Announcement of the Offer and lodgement of this Prospectus with ASIC	17 May 2016
Bookbuild	25 May 2016
Announcement of Margin	25 May 2016
Lodgement of replacement Prospectus with ASIC	26 May 2016
Opening Date	26 May 2016
Closing Date for the Securityholder Offer (5.00pm Sydney time)	21 June 2016
Closing Date for the Broker Firm Offer (5.00pm Sydney time)	21 June 2016
Issue Date of Notes	30 June 2016
Commencement of deferred settlement trading	1 July 2016
Holding Statements dispatched by	5 July 2016
Commencement of normal settlement trading	6 July 2016

### KEY DATES FOR THE REINVESTMENT OFFER AND HOLDERS OF WESTPAC TPS

Reinvestment Offer Record Date for determining Eligible Westpac TPS Holders (7.00pm Sydney time)	10 May 2016
Opening Date for the Reinvestment Offer	26 May 2016
Last day of trading in Westpac TPS	10 June 2016
Record date for Final Distribution of Westpac TPS	15 June 2016
Closing Date for the Reinvestment Offer (5.00pm Sydney time)	21 June 2016
Payment date for Final Distribution <sup>1</sup> of Westpac TPS	30 June 2016
Date of redemption of Westpac TPS	30 June 2016
Issue Date of Notes for the Reinvestment Offer	30 June 2016

### KEY DATES FOR WESTPAC CAPITAL NOTES 4

Record Date for first Distribution	22 September 2016
First Distribution Payment Date <sup>2</sup>	30 September 2016
Option for Westpac to Convert, Redeem <sup>3</sup> or Transfer the Notes	20 December 2021
Scheduled Conversion Date <sup>4</sup>	20 December 2023

#### Dates may change

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

Except as otherwise specified in the Westpac Capital Notes 4 Terms, if any of these dates are not Business Days and an event under the Westpac Capital Notes 4 Terms is stipulated to occur on that day, then the event will occur on the next Business Day.

Note:

1 Subject to satisfaction of the distribution payment test in the Westpac TPS Terms.

2 Distributions are payable quarterly, subject to satisfaction of the Distribution Payment Conditions – see Section 2.1.9.

3 There can be no certainty that APRA will provide its prior written approval for any such Redemption.

4 Conversion of the Notes to Ordinary Shares on this date is subject to satisfaction of the Scheduled Conversion Conditions – see Section 2.2.3.

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# 1

## INVESTMENT OVERVIEW

**This Section sets out:**

- 1.1 Key features of the Offer and Westpac Capital Notes 4**
- 1.2 Summary of the Distributions payable on Westpac Capital Notes 4**
- 1.3 Summary of certain events which may affect what Holders of Westpac Capital Notes 4 receive and when they receive it**
- 1.4 Ranking of Westpac Capital Notes 4 in a Winding Up of Westpac**
- 1.5 Key risks associated with an investment in Westpac Capital Notes 4 and Westpac**
- 1.6 Comparison of the Westpac Capital Notes 4 with certain other Westpac investments or products**
- 1.7 Structure of the Offer and how to apply for Westpac Capital Notes 4**
- 1.8 Additional information**



# SECTION 1

## INVESTMENT OVERVIEW

### 1.1 KEY FEATURES OF THE OFFER AND WESTPAC CAPITAL NOTES 4

Topic	Summary	Further information	Page(s)
1.1.1 The Offer	<ul style="list-style-type: none"> <li>The Offer is for the issue of Westpac Capital Notes 4 to raise approximately \$750 million, with the ability to raise more or less. The Offer includes the Reinvestment Offer, which is a priority offer to Eligible Westpac TPS Holders to reinvest the redemption proceeds of some or all of their Westpac TPS in Notes.</li> </ul>	Sections 2, 3 and 8	18 - 43 and 85
1.1.2 The issuer	<ul style="list-style-type: none"> <li>Westpac Banking Corporation ABN 33 007 457 141.</li> </ul>	Section 4	44
1.1.3 Key features of Westpac Capital Notes 4	<p>Westpac Capital Notes 4 are:</p> <ul style="list-style-type: none"> <li><b>fully paid</b> – the Issue Price (\$100 per Note, which will also be the Initial Face Value of the Note) must be paid to Westpac before the Notes are issued;</li> <li><b>non-cumulative</b> – they offer non-cumulative Distributions;</li> <li><b>convertible</b> – in certain circumstances, Westpac will be required or permitted to Convert the Notes into Ordinary Shares;</li> <li><b>redeemable and transferable</b> – in certain circumstances, Westpac may be permitted to repay the Face Value (initially \$100 per Note) of the Notes to Holders or transfer the Notes to a third party (but there are significant restrictions on repayment of the Notes, including Westpac replacing the Notes with capital of the same or better quality (and the replacement is done under conditions that are sustainable for the income capacity of Westpac) or obtaining confirmation that APRA is satisfied that Westpac does not have to replace the Notes);</li> <li><b>perpetual</b> – they do not have a fixed maturity date and could exist indefinitely if not Redeemed, Converted or Transferred (in which case you would not receive your capital back, unless you sell your Notes on ASX at the prevailing market price to realise your investment);</li> <li><b>unsecured</b> – they are not guaranteed nor are they deposit liabilities or protected accounts of Westpac under the Banking Act or Financial Claims Scheme and they are not subject to the depositor protection provisions of Australian banking legislation;</li> <li><b>subordinated</b> – in the event of a Winding Up, if the Notes are still on issue and have not been Redeemed or Converted, or otherwise had the rights attaching to them terminated, they will have priority over Ordinary Shares and rank equally with certain other Capital Securities issued by Westpac, but they will be subordinated to claims of Senior Creditors. However, it is likely that a Capital Trigger Event or Non-Viability Trigger Event would occur prior to a Winding Up and the Notes would have been Converted into Ordinary Shares or otherwise had the rights attaching to them terminated; and</li> <li><b>listed</b> – Westpac will apply for the Notes to be quoted on ASX and the Notes are expected to trade under ASX code WBCPG.</li> </ul> <p>The Westpac Capital Notes 4 Terms are complex and derive from the detailed capital requirements that APRA applies to these instruments. Westpac's ability to pay Distributions or to Convert, Redeem or Transfer the Notes is subject to a number of restrictions, including APRA not objecting to the Distributions or giving prior written approval to a Redemption.</p>	Section 2 Westpac Capital Notes 4 Terms	18 102
1.1.4 Use of proceeds of the Westpac Capital Notes 4	<ul style="list-style-type: none"> <li>Westpac is issuing the Notes to raise regulatory capital which satisfies the regulatory capital requirements of APRA. The proceeds received under the Offer will be used by Westpac for general business purposes.</li> </ul>	Sections 4.1.4 to 4.2.1	48 - 50

# SECTION 1

## INVESTMENT OVERVIEW

### 1.2 SUMMARY OF THE DISTRIBUTIONS PAYABLE ON WESTPAC CAPITAL NOTES 4

Topic	Summary	Further information	Page(s)
<b>1.2.1 Distributions payable on Westpac Capital Notes 4</b>	<ul style="list-style-type: none"> <li>The Notes offer Holders quarterly, floating rate Distributions until the Notes are Converted or Redeemed.</li> <li>The first Distribution is scheduled to be paid on 30 September 2016.</li> <li>The Distribution Rate is determined quarterly as the sum of the 90 day Bank Bill Rate per annum plus the Margin per annum, together multiplied by (1 – Tax Rate<sup>1</sup>).</li> <li>The Margin is expected to be in the range of 4.90% to 5.10% per annum and will be determined at the end of the Bookbuild.</li> <li>Distributions are expected to be fully franked.</li> </ul>	Section 2.1 Westpac Capital Notes 4 Terms clause 3	19 103
<b>1.2.2 Distributions may not be paid on Westpac Capital Notes 4</b>	<ul style="list-style-type: none"> <li>Payments of Distributions are within the absolute discretion of Westpac, which means Westpac does not have to pay them. Distributions are also only payable if the other Distribution Payment Conditions are satisfied.</li> <li>Distributions are non-cumulative, which means that unpaid Distributions will not be made up or accumulate. Holders will not have any rights to compensation if Westpac does not pay Distributions. Failure to pay any Distribution is not an event of default<sup>2</sup> and Holders have no right to apply for a Winding Up on the grounds of non-payment of a Distribution.</li> <li>If for any reason a Distribution has not been paid in full for a relevant Distribution Payment Date, then until a Distribution is paid in full on a subsequent Distribution Payment Date (or all Notes are Converted, Redeemed or terminated), Westpac must not: <ul style="list-style-type: none"> <li>determine or pay any Dividends on its Ordinary Shares; or</li> <li>undertake any discretionary Buy Back or Capital Reduction, unless the amount of the unpaid Distribution is paid in full within 20 Business Days (and in certain other limited circumstances).</li> </ul> </li> </ul>	Sections 2.1.1, 2.1.9, 2.1.10 and 2.1.11 Westpac Capital Notes 4 Terms clauses 3.3, 3.4, 3.7 and 3.8	19 and 23 104 - 105

Note:

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

<sup>2</sup> The Westpac Capital Notes 4 Terms do not include any events of default.



### 1.3 SUMMARY OF CERTAIN EVENTS WHICH MAY AFFECT WHAT HOLDERS OF WESTPAC CAPITAL NOTES 4 RECEIVE AND WHEN THEY RECEIVE IT

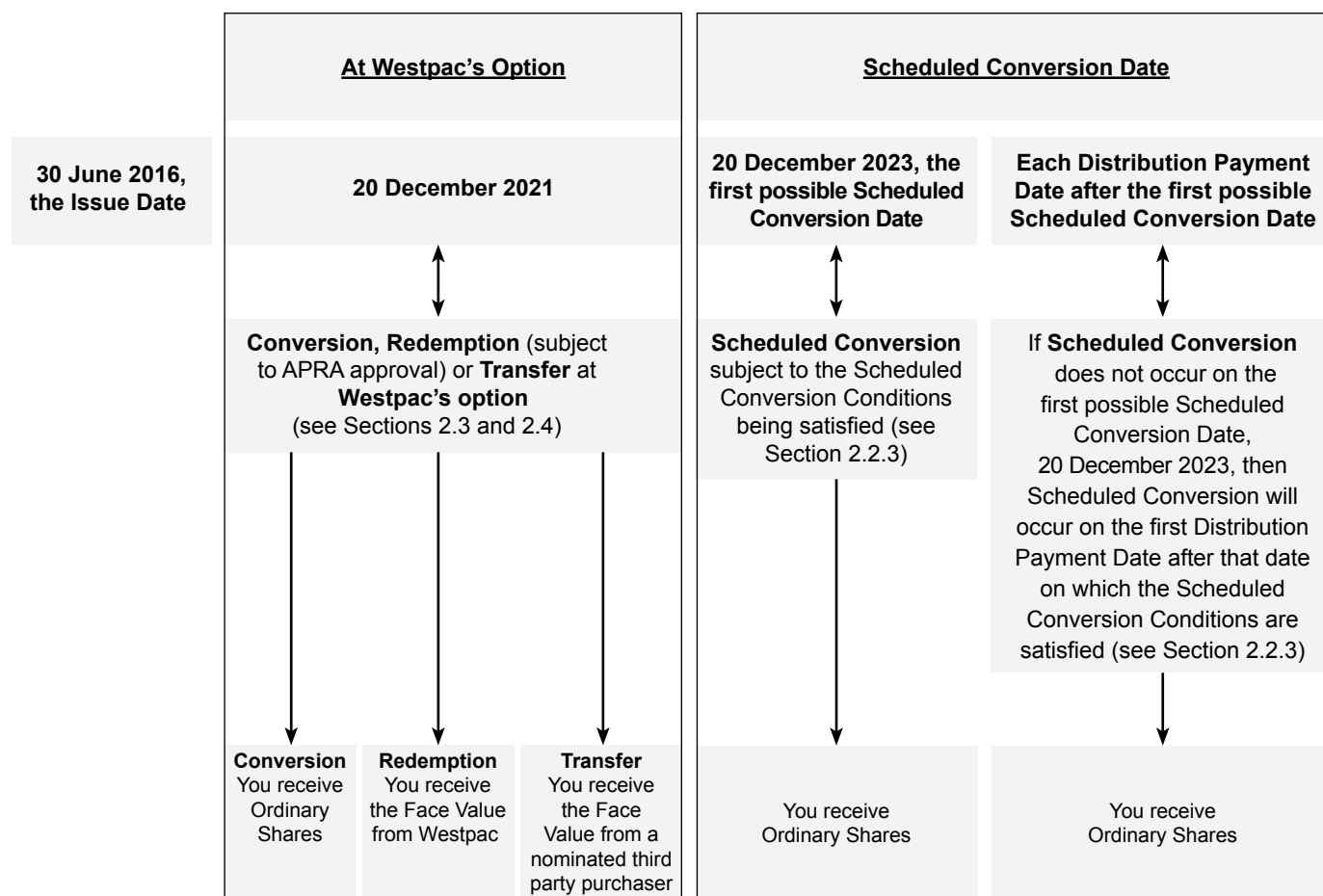
Topic	Summary	Further information	Page(s)
1.3.1 Events that may affect the Westpac Capital Notes 4	<ul style="list-style-type: none"> <li>The Notes do not have a fixed maturity date and Holders do not have a right to request or require Westpac to Convert, Redeem or arrange for the Transfer of the Notes. Accordingly, what will happen to the Notes is uncertain and depends on a number of factors including whether: <ul style="list-style-type: none"> <li>Scheduled Conversion (which is initially scheduled for 20 December 2023, subject to satisfaction of the Scheduled Conversion Conditions) will occur;</li> <li>a Capital Trigger Event, Non-Viability Trigger Event or Acquisition Event occurs;</li> <li>Westpac chooses to Convert, Redeem or Transfer the Notes (on 20 December 2021 or following a Tax Event or Regulatory Event); and</li> <li>APRA's approval is given when required under the Westpac Capital Notes 4 Terms.</li> </ul> </li> </ul> <p>It is possible that the Notes could remain on issue indefinitely and the Face Value (initially \$100 per Note) will not be repaid.</p> <ul style="list-style-type: none"> <li>Prior to any Conversion, Redemption or Transfer, Holders would need to sell their Notes on ASX at the prevailing market price to realise their investment. That market price may be less than the Face Value, or there may be no liquid market in the Notes which may result in Holders suffering loss.</li> <li>If a Capital Trigger Event or Non-Viability Trigger Event occurs, the value of Ordinary Shares received for each Note that is Converted may (in the case of a Capital Trigger Event) and is likely to (in the case of a Non-Viability Trigger Event) be significantly less than approximately \$101.01 for each Note (based on the Initial Face Value of \$100 per Note). This is because the number of Ordinary Shares issued on Conversion is limited to the Maximum Conversion Number, as required by APRA. The Maximum Conversion Number applied on a Conversion of this kind is based on an Ordinary Share price that reflects 20% of the Ordinary Share price at the time of issue of the Notes.</li> <li>If a Capital Trigger Event or Non-Viability Trigger Event occurs and Conversion of Notes does not occur for any reason and Ordinary Shares are not issued for any reason, then: <ul style="list-style-type: none"> <li>those Notes will not be Converted in respect of such Capital Trigger Event or Non-Viability Trigger Event (as the case may be) and will not be Converted, Redeemed or Transferred on any subsequent date; and</li> <li><b>all rights in relation to those Notes will be terminated, and Holders will lose all of the value of their investment and they will not receive any compensation or unpaid Distributions.</b></li> </ul> </li> </ul>	<p>Sections 2.2, 2.3, 2.4 and 2.5</p> <p>Westpac Capital Notes 4 Terms clauses 4, 5, 6, 7 and 8</p>	<p>23 - 33</p> <p>105 - 110</p>

# SECTION 1

## INVESTMENT OVERVIEW

### 1.3 SUMMARY OF CERTAIN EVENTS WHICH MAY AFFECT WHAT HOLDERS OF WESTPAC CAPITAL NOTES 4 RECEIVE AND WHEN THEY RECEIVE IT (CONTINUED)

The diagram below summarises certain events that may affect what Holders may receive in relation to the Notes under the Westpac Capital Notes 4 Terms.



#### Events that could occur at any time:

##### Tax Event or Regulatory Event

**Conversion, Redemption** (subject to APRA approval) or **Transfer at Westpac's option** if a **Tax Event** or **Regulatory Event** occurs (see Sections 2.3 and 2.4)

##### Acquisition Event

**Automatic Conversion** if an **Acquisition Event** occurs subject to the Second Scheduled Conversion Condition, as it applies to an Acquisition Event, being satisfied (see Section 2.5)

##### Capital Trigger Event or Non-Viability Trigger Event

**Automatic Conversion** if a **Capital Trigger Event** or **Non-Viability Trigger Event** occurs (or if Conversion does not occur for any reason, all rights in relation to those Notes will be terminated) (see Section 2.5)

The table below provides further summary details about events that may affect what Holders may receive in relation to the Notes under the Westpac Capital Notes 4 Terms.

Event	When?	Is APRA approval required?	Are there other pre-conditions to the event?	What value will a Holder receive?	In what form will that value be provided to Holders?	Where to find further information?
<b>Redemption at Westpac's option</b>	20 December 2021 or if a Tax Event or Regulatory Event occurs	Yes <sup>1</sup> , subject to pre-conditions	Yes, before or concurrently with Redemption, Westpac may only Redeem Notes if it replaces them with capital of the same or better quality (and the replacement is done under conditions that are sustainable for the income capacity of Westpac) or obtains confirmation that APRA is satisfied that Westpac does not have to replace the Notes	Face Value (initially \$100 per Note) plus a Distribution <sup>2</sup>	Cash	Sections 2.4.1 and 2.4.2 Westpac Capital Notes 4 Terms clause 7
<b>Transfer at Westpac's option</b>	20 December 2021 or if a Tax Event or Regulatory Event occurs	No	No	Face Value (initially \$100 per Note) plus a Distribution <sup>2</sup>	Cash <sup>3</sup>	Sections 2.4.1 and 2.4.3 Westpac Capital Notes 4 Terms clause 8
<b>Conversion at Westpac's option</b>	20 December 2021 or if a Tax Event or Regulatory Event occurs	No	Yes. Conversion is conditional on Westpac's share price being above a specified level in the period prior to Conversion	Ordinary Shares worth approximately \$101.01 <sup>4</sup> per Note plus a Distribution <sup>2</sup>	A variable number of Ordinary Shares plus a cash Distribution <sup>2</sup>	Section 2.3 Westpac Capital Notes 4 Terms clauses 6 and 9
<b>Scheduled Conversion</b>	20 December 2023	No	Yes. Conversion is conditional on Westpac's share price being above a specified level in the period prior to Conversion	Ordinary Shares worth approximately \$101.01 <sup>4</sup> per Note plus a Distribution <sup>2</sup>	A variable number of Ordinary Shares plus a cash Distribution <sup>2</sup>	Section 2.2 Westpac Capital Notes 4 Terms clauses 4 and 9
<b>Conversion upon an Acquisition Event</b>	If an Acquisition Event occurs	No	Yes. Conversion is conditional on Westpac's share price being above a specified level in the period prior to Conversion	Ordinary Shares worth approximately \$101.01 <sup>4</sup> per Note plus a Distribution <sup>2</sup>	A variable number of Ordinary Shares plus a cash Distribution <sup>2</sup>	Sections 2.5.1 to 2.5.5 Westpac Capital Notes 4 Terms clauses 5.9 and 9

Note:

1 Holders should not expect that APRA's approval will be given if requested.

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

3 On Transfer, Holders will receive the Face Value in cash from the Nominated Party to whom the Notes are transferred.

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


## SECTION 1

### INVESTMENT OVERVIEW

#### 1.3 SUMMARY OF CERTAIN EVENTS WHICH MAY AFFECT WHAT HOLDERS OF WESTPAC CAPITAL NOTES 4 RECEIVE AND WHEN THEY RECEIVE IT (CONTINUED)

Event	When?	Is APRA approval required?	Are there other pre-conditions to the event?	What value will a Holder receive?	In what form will that value be provided to Holders?	Where to find further information?
<b>Conversion upon a Capital Trigger Event or Non-Viability Trigger Event</b>	If a Capital Trigger Event or Non-Viability Trigger Event occurs	No	No	A variable value, depending on the price of the Ordinary Shares at the relevant time. The value may (in the case of a Capital Trigger Event) and is likely to (in the case of a Non-Viability Trigger Event) be significantly less than approximately \$101.01 for each Note (based on the Initial Face Value of \$100 per Note) and the value may be nothing if Conversion does not occur for any reason and Ordinary Shares are not issued for any reason	A variable number of Ordinary Shares up to the Maximum Conversion Number.  However, if Conversion of the Notes does not occur for any reason and Ordinary Shares are not issued for any reason, then: (i) those Notes will not be Converted in respect of such Capital Trigger Event or Non-Viability Trigger Event (as the case may be) and will not be Converted, Redeemed or Transferred on any subsequent date; and (ii) the rights of Holders attaching to the Notes (including to repayment of the Face Value of the Notes (initially \$100 per Note)) will be terminated.  In effect, Holders will lose all of the value of their investment and they will not receive any compensation or unpaid Distributions	Sections 2.5.1, 2.5.6 to 2.5.14 and 5.1.6 to 5.1.8  Westpac Capital Notes 4 Terms clauses 5.1 to 5.8 and 9

## 1.4 RANKING OF WESTPAC CAPITAL NOTES 4 IN A WINDING UP OF WESTPAC<sup>1</sup>

Higher ranking		Illustrative examples <sup>2</sup>
	<b>Preferred and secured debt</b>	Liabilities in Australia in relation to protected accounts (generally, savings accounts and term deposits) and other liabilities preferred by law including employee entitlements and secured creditors
	<b>Unsubordinated unsecured debt</b>	Trade and general creditors, bonds, notes and debentures and other unsubordinated unsecured debt obligations. This includes covered bonds which are an unsecured claim on Westpac, though they are secured over assets that form part of the Westpac Group
	<b>Subordinated unsecured debt issued prior to 1 January 2013</b>	Westpac Subordinated Notes 2012, other subordinated bonds, notes and debentures and other subordinated unsecured debt obligations with a fixed maturity date
	<b>Subordinated unsecured debt issued after 1 January 2013 and subordinated perpetual debt</b>	Westpac Subordinated Notes 2013, other subordinated bonds, notes and debentures and other subordinated unsecured debt obligations with a fixed maturity date and subordinated perpetual floating rate notes issued in 1986
	<b>Additional Tier 1 Capital securities</b>	<b>Westpac Capital Notes 4</b> , and notes or preference shares in respect of Westpac CPS, Westpac Capital Notes, Westpac Capital Notes 2 and Westpac Capital Notes 3
	<b>Ordinary shares</b>	Ordinary Shares
Lower ranking		

### Notes:

- 1 It is likely that a Capital Trigger Event or Non-Viability Trigger Event would occur prior to a Winding Up and the Notes would have been Converted into Ordinary Shares or otherwise had the rights attaching to them terminated.
- 2 This diagram and the descriptions are simplified and illustrative only, and do not include every type of security or obligation that may be issued or entered into by Westpac, or every potential claim against Westpac in a Winding Up. Westpac will from time to time issue additional securities or incur other obligations that rank ahead of, equally with, or subordinated to, the Notes. Further, some of the securities represented in the diagram (for example, Westpac Subordinated Notes 2013 and Additional Tier 1 Capital securities) may be converted into Ordinary Shares, which will then rank equally with other Ordinary Shares.

# SECTION 1

## INVESTMENT OVERVIEW

### 1.5 KEY RISKS ASSOCIATED WITH AN INVESTMENT IN WESTPAC CAPITAL NOTES 4 AND WESTPAC

Before applying for the Notes, you should consider whether the Notes are a suitable investment for you. There are risks involved with investing in the Notes and in Westpac. Many of these risks are outside the control of Westpac and the Westpac Directors. These risks include those in this Section 1.5 and Section 5 and any other matters referred to in this Prospectus.

#### 1.5.1 KEY RISKS OF THE WESTPAC CAPITAL NOTES 4

Topic	Summary	Further Information	Page(s)
<b>Westpac Capital Notes 4 are not deposit liabilities or protected accounts</b>	<ul style="list-style-type: none"> <li>The Notes are not deposit liabilities or protected accounts of Westpac for the purposes of the Banking Act or Financial Claims Scheme and are not subject to the depositor protection provisions of Australian banking legislation (including the Australian Government guarantee of certain bank deposits).</li> </ul>	Important Notices and Section 5.1.1	Inside front cover and 56
<b>Market price of the Westpac Capital Notes 4 may fluctuate</b>	<ul style="list-style-type: none"> <li>The Notes may trade at a market price below Face Value (initially \$100 per Note).</li> <li>Circumstances in which the market price of the Notes may decline include general conditions, changes in investor perception and sentiment in relation to Westpac, the availability of better rates of return on other securities issued by Westpac or other issuers and the occurrence of or increase in the likelihood of the occurrence of a Capital Trigger Event or a Non-Viability Trigger Event.</li> </ul>	Section 5.1.2	56
<b>Liquidity of the Westpac Capital Notes 4 may be low</b>	<ul style="list-style-type: none"> <li>The market for the Notes will likely be less liquid than the market for Ordinary Shares.</li> <li>Holders who wish to sell their Notes may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for the Notes.</li> </ul>	Section 5.1.3	56
<b>Distributions may not be paid</b>	<ul style="list-style-type: none"> <li>There is a risk that Distributions will not be paid. Distributions are discretionary and are only payable subject to the satisfaction of the Distribution Payment Conditions. For example, this includes the Distribution not resulting in a breach of capital requirements.</li> <li>Distributions are non-cumulative. If a Distribution is not paid in full because the Distribution Payment Conditions are not satisfied, Holders are not entitled to receive the unpaid Distribution.</li> </ul>	Sections 2.1.9 and 5.1.4	23 and 56
<b>Changes in the Distribution Rate</b>	<ul style="list-style-type: none"> <li>The Distribution Rate will fluctuate (and may increase and/or decrease) over time with movements in the 90 day Bank Bill Rate.</li> <li>There is a risk that the Distribution Rate may become less attractive compared to returns available on comparable securities or investments.</li> </ul>	Sections 2.1.2 and 5.1.5	19 and 57



### 1.5.1 KEY RISKS OF THE WESTPAC CAPITAL NOTES 4 (CONTINUED)

Topic	Summary	Further Information	Page(s)
<b>Conversion or termination of rights on account of a Capital Trigger Event or a Non-Viability Trigger Event</b>	<ul style="list-style-type: none"> <li>The value of Ordinary Shares received for each Note that is Converted upon the occurrence of a Capital Trigger Event or Non-Viability Trigger Event may (in the case of a Capital Trigger Event) and is likely to (in the case of a Non-Viability Trigger Event) be significantly less than approximately \$101.01 for each Note (based on the Initial Face Value of \$100 per Note). This is because the number of Ordinary Shares issued on Conversion is limited to the Maximum Conversion Number, as required by APRA. The Maximum Conversion Number applied on a Conversion of this kind is based on an Ordinary Share price that reflects 20% of the Ordinary Share price at the time of issue of the Notes.</li> <li>If Conversion of Notes does not occur for any reason and Ordinary Shares are not issued for any reason following the occurrence of a Capital Trigger Event or Non-Viability Trigger Event (for example, due to applicable laws, order of a court or action of any government authority), then: <ul style="list-style-type: none"> <li>those Notes will not be Converted in respect of such Capital Trigger Event or Non-Viability Trigger Event (as the case may be) and will not be Converted, Redeemed or Transferred on any subsequent date; and</li> <li>all rights in relation to those Notes will be terminated, and Holders will lose all of the value of their investment and they will not receive any compensation or unpaid Distributions.</li> </ul> </li> </ul>	Sections 2.5.11, 2.5.12, 5.1.7 and 5.1.8	32, 57 - 59
<b>Westpac's financial performance and position</b>	<ul style="list-style-type: none"> <li>Investments in the Notes may be affected by the ongoing performance and financial position of Westpac.</li> </ul>	Section 5.1.10	59
<b>Credit ratings</b>	<ul style="list-style-type: none"> <li>Any credit rating assigned to the Notes or other Westpac securities could be reviewed, suspended, withdrawn or downgraded by credit ratings agencies, or credit rating agencies could change their rating methodology, at any time which could adversely affect the market price and liquidity of the Notes and other Westpac securities.</li> </ul>	Section 5.1.11	59
<b>The price used to calculate the number of Ordinary Shares to be issued on Conversion may not be the market price</b>	<ul style="list-style-type: none"> <li>The Ordinary Share price used to calculate the number of Ordinary Shares to be issued on Conversion may be different to the market price of Ordinary Shares at the time of Conversion because the price used in the calculation is based on the VWAP during the relevant period prior to the Conversion Date.</li> <li>The value of Ordinary Shares Holders receive based on the calculation may therefore be less than the value of those Ordinary Shares based on the market price on the Conversion Date.</li> </ul>	Section 5.1.12	59 - 60
<b>It is not certain whether and when the Westpac Capital Notes 4 will be Converted, Redeemed or Transferred</b>	<ul style="list-style-type: none"> <li>Conversion may not occur on 20 December 2023, being the first possible Scheduled Conversion Date, or at all if the Scheduled Conversion Conditions are not satisfied.</li> <li>Conversion, Redemption or Transfer may occur in certain circumstances before the Scheduled Conversion Date, which may be disadvantageous in light of market conditions or your individual circumstances.</li> <li>Holders have no right to request that their Notes be Converted, Redeemed or Transferred. Unless their Notes are Converted, Redeemed or Transferred, Holders would need to sell their Notes on ASX at the prevailing market price to realise their investment. That price may be less than the Face Value (initially \$100 per Note) and there may be no liquid market in the Notes.</li> </ul>	Sections 5.1.13, 5.1.14 and 5.1.15	60

# SECTION 1

## INVESTMENT OVERVIEW

### 1.5.1 KEY RISKS OF THE WESTPAC CAPITAL NOTES 4 (CONTINUED)

Topic	Summary	Further information	Page(s)
<b>No fixed maturity date</b>	<ul style="list-style-type: none"> <li>As the Notes are perpetual instruments and have no fixed maturity date, there is a risk the Notes could remain on issue indefinitely and Holders may not be repaid their investment.</li> </ul>	Section 5.1.17	61
<b>Ranking of the Westpac Capital Notes 4</b>	<ul style="list-style-type: none"> <li>In the event of a Winding Up, if the Notes are still on issue and have not been Redeemed or Converted, they will rank ahead of Ordinary Shares, equally with all Equal Ranking Capital Securities and behind Senior Creditors (including depositors and holders of Westpac's senior or less subordinated debt). However, it is likely that a Capital Trigger Event or Non-Viability Trigger Event would occur prior to a Winding Up and the Notes would have been Converted into Ordinary Shares or otherwise had the rights attaching to them terminated.</li> <li>If there is a shortfall of funds on a Winding Up to pay all amounts ranking senior to and equally with Notes, Holders will lose all or some of their investment.</li> <li>The ranking of the Notes in a Winding Up will be adversely affected if a Capital Trigger Event or a Non-Viability Trigger Event occurs. If the Notes have been Converted, Holders will hold Ordinary Shares and rank equally with other holders of Ordinary Shares in a Winding Up.</li> <li>If Conversion does not occur for any reason and Ordinary Shares are not issued for any reason following one of these events, then:               <ul style="list-style-type: none"> <li>those Notes will not be Converted in respect of such Capital Trigger Event or Non-Viability Trigger Event (as the case may be) and will not be Converted, Redeemed or Transferred on any subsequent date; and</li> <li>all rights in relation to those Notes will be terminated, and Holders will lose all of the value of their investment and they will not receive any compensation or unpaid Distributions.</li> </ul> <p>In these circumstances, the Notes will have no ranking in a Winding Up.</p> </li> </ul>	Sections 1.4, 2.6, 5.1.8, 5.1.9, 5.1.24 and 5.1.26	11, 34, 59 and 62 - 63
<b>Future issues of securities by Westpac</b>	<ul style="list-style-type: none"> <li>Westpac may issue further securities which rank equally with or ahead of the Notes.</li> </ul>	Section 5.1.24	62

### 1.5.2 KEY RISKS ASSOCIATED WITH WESTPAC AND THE WESTPAC GROUP

Topic	Summary	Further information	Page(s)
<b>Compliance and regulatory change</b>	<ul style="list-style-type: none"> <li>Westpac could be adversely affected by failing to comply with existing laws and regulations, or by changes in laws and regulations and regulatory policy.</li> </ul>	Section 5.2.1	63 - 65
<b>Availability and cost of funding</b>	<ul style="list-style-type: none"> <li>Adverse credit and capital market conditions or depositor preferences, or failure to maintain Westpac's credit ratings, may significantly affect the availability and cost of Westpac's funding.</li> </ul>	Sections 5.2.2 and 5.2.4	65 - 66
<b>Financial market volatility</b>	<ul style="list-style-type: none"> <li>Westpac could be adversely affected by disruptions to global financial markets or other financial market volatility.</li> </ul>	Sections 5.2.3 and 5.2.10	65 and 67
<b>Economic conditions, asset values, commodity prices and credit losses</b>	<ul style="list-style-type: none"> <li>Economic disruptions, declines in asset values or declines in commodity prices may cause Westpac to incur higher credit losses on lending and counterparty exposures.</li> </ul>	Sections 5.2.5, 5.2.6, 5.2.7, 5.2.8 and 5.2.10	66 - 67
<b>Other risks</b>	<ul style="list-style-type: none"> <li>Westpac may be adversely affected by other events such as changes in competition, technology failures (including cyberattacks), fraud, supplier failures, environmental factors, reputational damage and other operational or conduct risks.</li> </ul>	Sections 5.2.9, 5.2.11 to 5.2.21	67 - 70

## 1.6 COMPARISON OF THE WESTPAC CAPITAL NOTES 4 WITH CERTAIN OTHER WESTPAC INVESTMENTS OR PRODUCTS

Topic	Summary	Further information	Page(s)
<b>Differences between savings accounts, term deposits, Westpac Subordinated Notes 2013, Westpac Capital Notes 4 and Ordinary Shares</b>	<ul style="list-style-type: none"> <li>There are differences between savings accounts, term deposits, Westpac Subordinated Notes 2013, Westpac Capital Notes 4 and Ordinary Shares. You should consider these differences in light of your investment objectives, financial situation and particular needs (including financial and taxation considerations) before deciding to invest in the Notes.</li> <li>Please refer to Section 2.8 for a comparison of the Westpac Capital Notes 4 with certain other Westpac Additional Tier 1 Capital securities.</li> </ul>	See table below Section 2.8	15 - 16 36

	Westpac Savings Account	Westpac Term Deposit	Westpac Subordinated Notes 2013	Westpac Capital Notes 4	Ordinary Shares
<b>ASX code</b>	Not quoted on ASX	Not quoted on ASX	WBCHB	WBCPG <sup>1</sup>	WBC
<b>Legal form</b>	Deposit	Deposit	Unsecured subordinated debt obligation	Unsecured subordinated debt obligation	Ordinary share
<b>Protection under the Banking Act or Financial Claims Scheme</b>	Yes <sup>2</sup>	Yes <sup>2</sup>	No	No	No
<b>Term</b>	At call (usually)	Seven days to 60 months (usually)	10 years <sup>3</sup>	Perpetual (no fixed maturity date) with the first possible Scheduled Conversion Date in approximately 7.5 years <sup>4</sup>	Perpetual (no fixed maturity date)
<b>Redemption at issuer's option</b>	No	No	Yes, on 22 August 2018 and each interest payment date after that date, and in certain specified circumstances, subject to APRA's prior written approval	Yes, on 20 December 2021, and in certain specified circumstances, subject to APRA's prior written approval and other conditions (see Section 2.4)	No
<b>Distribution / interest / dividend rate</b>	Variable (usually)	Fixed (usually)	Floating	Floating	Variable dividends as determined by Westpac
<b>Distribution / interest / dividend payment frequency</b>	Monthly (usually)	Either at specific intervals, at the end of term or at account closure	Quarterly	Quarterly	Semi-annually

Note:

<sup>1</sup> Westpac will apply to have Westpac Capital Notes 4 quoted on ASX and they are expected to trade under the code WBCPG.

<sup>2</sup> For deposits up to an amount per account holder per ADI of \$250,000 under the Financial Claims Scheme.

<sup>3</sup> Subject to possible early Redemption by Westpac in certain circumstances with APRA's prior written approval.

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

# SECTION 1

## INVESTMENT OVERVIEW

### 1.6 COMPARISON OF THE WESTPAC CAPITAL NOTES 4 WITH CERTAIN OTHER WESTPAC INVESTMENTS OR PRODUCTS (CONTINUED)

	Westpac Savings Account	Westpac Term Deposit	Westpac Subordinated Notes 2013	Westpac Capital Notes 4	Ordinary Shares
<b>Are Distributions /interest/ dividend payments discretionary?</b>	No	No	No, however no interest will be paid if Westpac does not satisfy a solvency condition	Yes	Yes
<b>Transferable</b>	No	No	Yes, quoted on ASX	Yes, quoted on ASX <sup>1</sup>	Yes, quoted on ASX
<b>Investor's ability to withdraw or redeem</b>	Yes	Generally yes, subject to conditions	No	No	No
<b>Ranking</b>	See Sections 1.4, 2.6, 5.1.8, 5.1.9, 5.1.24 and 5.1.26				
<b>Conversion into Ordinary Shares</b>	No	No	Yes, following a non-viability trigger event. If a non-viability trigger event occurs and conversion of Westpac Subordinated Notes 2013 is not possible, all rights in relation to those notes will be terminated	Yes, on the Scheduled Conversion Date (as described in Section 2.2), or by Optional Conversion (as described in Section 2.3), subject to certain conditions.  In addition, Conversion occurs automatically following a Capital Trigger Event, a Non-Viability Trigger Event or an Acquisition Event (as described in Section 2.5).  The number of Ordinary Shares issued on Conversion is limited to the Maximum Conversion Number.  However, if a Capital Trigger Event or Non-Viability Trigger Event occurs and Conversion of Notes is not possible, all rights in relation to those Notes will be terminated (as described in Section 2.5)	N/A

Note:

<sup>1</sup> Westpac will apply to have Westpac Capital Notes 4 quoted on ASX and they are expected to trade under the code WBCPG.

## 1.7 STRUCTURE OF THE OFFER AND HOW TO APPLY FOR WESTPAC CAPITAL NOTES 4

Topic	Summary	Further information	Page(s)
<b>1.7.1 Offer structure and who can apply</b>	<ul style="list-style-type: none"> <li>The Offer consists of: <ul style="list-style-type: none"> <li>a Reinvestment Offer – to Eligible Westpac TPS Holders;</li> <li>a Securityholder Offer – to Eligible Securityholders;</li> <li>a Broker Firm Offer – to Australian resident retail clients of the Syndicate Brokers; and</li> <li>an Institutional Offer – to Institutional Investors invited by Westpac Institutional Bank.</li> </ul> </li> <li>There is no guaranteed Allocation under the Offer, but Westpac will give priority to Applications received under the Reinvestment Offer (but not for Applications for additional Notes by Eligible Westpac TPS Holders).</li> <li>If there is excess demand Applications may be scaled back by Westpac.</li> <li>There is no general public offer of the Notes. However, Westpac reserves the right to accept Applications from other persons at its discretion.</li> </ul>	Sections 3 and 8	38 and 85
<b>1.7.2 How to apply</b>	<ul style="list-style-type: none"> <li>For information on how to apply for the Notes, see Section 8 and the Application Forms.</li> </ul>	Section 8	85
<b>1.7.3 Minimum Application amount</b>	<ul style="list-style-type: none"> <li>Applications must be for a minimum of 50 Notes (\$5,000).</li> <li>If your Application is for more than 50 Notes, you must apply in multiples of 10 Notes (\$1,000) thereafter.</li> <li>If you are an Eligible Westpac TPS Holder, you may apply to reinvest the redemption proceeds of some or all of your Westpac TPS. However, if you elect to participate in the Reinvestment Offer and: <ul style="list-style-type: none"> <li>you own 50 Westpac TPS or fewer, you must apply to reinvest the redemption proceeds of all of your Westpac TPS; or</li> <li>you own more than 50 Westpac TPS, you must apply to reinvest the redemption proceeds of a minimum of 50 Westpac TPS (\$5,000).</li> </ul> </li> <li>If you apply to reinvest the redemption proceeds of all of your Westpac TPS, you may also apply for additional Notes. Your application for additional Notes must be for a minimum of 50 additional Notes (\$5,000), and in multiples of 10 Notes (\$1,000) thereafter (over and above your Application for reinvestment).</li> </ul>	Section 8	85

## 1.8 ADDITIONAL INFORMATION

Topic	Summary	Further information	Page(s)
<b>More information about the Offer</b>	<ul style="list-style-type: none"> <li>A number of relevant documents are available free of charge from Westpac during the Offer Period. If, after reading this Prospectus, you have any questions, then you should contact your financial adviser or other professional adviser or call the <b>Westpac Capital Notes 4 Information Line (Monday to Friday, 8.30am to 5.30pm, Sydney time) on 1300 363 136.</b></li> </ul>	Section 7.2.2	78

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# 2

## INFORMATION ABOUT WESTPAC CAPITAL NOTES 4

**This Section sets out:**

- 2.1 Distributions**
- 2.2 Conversion on the Scheduled Conversion Date**
- 2.3 Optional Conversion**
- 2.4 Optional Redemption and optional Transfer**
- 2.5 Automatic Conversion – Acquisition Event, Capital Trigger Event and Non-Viability Trigger Event**
- 2.6 Ranking of the Westpac Capital Notes 4 in a Winding Up**
- 2.7 Other key features of the Westpac Capital Notes 4**
- 2.8 Comparison of the Westpac Capital Notes 4 with certain other Westpac Additional Tier 1 Capital securities**
- 2.9 Additional information**



## SECTION 2

### INFORMATION ABOUT WESTPAC CAPITAL NOTES 4

The following is an overview of the key terms of Westpac Capital Notes 4. It is important that you read this Prospectus, the Westpac Capital Notes 4 Terms, the Notes Deed Poll and Westpac's Constitution in full before deciding to invest in Westpac Capital Notes 4. If you have any questions, you should seek advice from your financial adviser or other professional adviser.

The full Westpac Capital Notes 4 Terms are contained in Appendix B. Rights and liabilities attaching to Westpac Capital Notes 4 may also arise under the Corporations Act, the ASX Listing Rules and other applicable laws.

#### 2.1 DISTRIBUTIONS

Topic	Summary	Further information	Page(s)																		
2.1.1 Distributions on Westpac Capital Notes 4	<p>Distributions on Notes are calculated based on the Distribution Rate and are expected to be paid quarterly in arrear.</p> <p>Distributions are discretionary, non-cumulative and only payable subject to the satisfaction of the Distribution Payment Conditions.</p> <p>Distributions are expected to be fully franked and accordingly Holders are expected to receive cash Distributions and franking credits.</p>	Westpac Capital Notes 4 Terms clause 3	103																		
2.1.2 Distribution Rate	<p>The Distribution Rate is a floating rate and will generally be set on the first Business Day of each Distribution Period using the following formula:</p> <table border="1"><tr><td><b>Distribution Rate</b></td><td><b>= (90 day Bank Bill Rate + Margin) x (1 - Tax Rate)</b></td></tr><tr><td><b>90 day Bank Bill Rate</b></td><td>The 90 day Bank Bill Rate on the first Business Day of the Distribution Period (except for the first Distribution Period, where the 90 day Bank Bill Rate will be determined on the Issue Date).</td></tr><tr><td><b>Margin</b></td><td>The Margin is expected to be in the range of 4.90% to 5.10% per annum. The Margin will be determined at the end of the Bookbuild and will not change after that determination is made.</td></tr><tr><td><b>Tax Rate</b></td><td>The Australian corporate tax rate applicable to the franking account of Westpac at the relevant Distribution Payment Date expressed as a decimal. At the date of this Prospectus, the relevant Tax Rate is 30% or, expressed as a decimal in the formula, 0.30 (but that rate may change).</td></tr></table> <p>As an example, assuming a Margin of 4.90% per annum, if the 90 day Bank Bill Rate on the Issue Date is the same as on 12 May 2016 and assuming that the Distribution will be fully franked, the Distribution Rate for that Distribution Period would be calculated as follows:<sup>1</sup></p> <table border="1"><tr><td>90 day Bank Bill Rate at 12 May 2016</td><td>1.9950% per annum</td></tr><tr><td>Plus the assumed Margin</td><td>+ 4.9000% per annum</td></tr><tr><td>Equivalent unfranked Distribution Rate</td><td>6.8950% per annum</td></tr><tr><td>Multiplied by (1 – Tax Rate)</td><td>x 0.70</td></tr><tr><td><b>Distribution Rate</b></td><td><b>4.8265% per annum</b></td></tr></table>	<b>Distribution Rate</b>	<b>= (90 day Bank Bill Rate + Margin) x (1 - Tax Rate)</b>	<b>90 day Bank Bill Rate</b>	The 90 day Bank Bill Rate on the first Business Day of the Distribution Period (except for the first Distribution Period, where the 90 day Bank Bill Rate will be determined on the Issue Date).	<b>Margin</b>	The Margin is expected to be in the range of 4.90% to 5.10% per annum. The Margin will be determined at the end of the Bookbuild and will not change after that determination is made.	<b>Tax Rate</b>	The Australian corporate tax rate applicable to the franking account of Westpac at the relevant Distribution Payment Date expressed as a decimal. At the date of this Prospectus, the relevant Tax Rate is 30% or, expressed as a decimal in the formula, 0.30 (but that rate may change).	90 day Bank Bill Rate at 12 May 2016	1.9950% per annum	Plus the assumed Margin	+ 4.9000% per annum	Equivalent unfranked Distribution Rate	6.8950% per annum	Multiplied by (1 – Tax Rate)	x 0.70	<b>Distribution Rate</b>	<b>4.8265% per annum</b>	Westpac Capital Notes 4 Terms clause 3.1	103
<b>Distribution Rate</b>	<b>= (90 day Bank Bill Rate + Margin) x (1 - Tax Rate)</b>																				
<b>90 day Bank Bill Rate</b>	The 90 day Bank Bill Rate on the first Business Day of the Distribution Period (except for the first Distribution Period, where the 90 day Bank Bill Rate will be determined on the Issue Date).																				
<b>Margin</b>	The Margin is expected to be in the range of 4.90% to 5.10% per annum. The Margin will be determined at the end of the Bookbuild and will not change after that determination is made.																				
<b>Tax Rate</b>	The Australian corporate tax rate applicable to the franking account of Westpac at the relevant Distribution Payment Date expressed as a decimal. At the date of this Prospectus, the relevant Tax Rate is 30% or, expressed as a decimal in the formula, 0.30 (but that rate may change).																				
90 day Bank Bill Rate at 12 May 2016	1.9950% per annum																				
Plus the assumed Margin	+ 4.9000% per annum																				
Equivalent unfranked Distribution Rate	6.8950% per annum																				
Multiplied by (1 – Tax Rate)	x 0.70																				
<b>Distribution Rate</b>	<b>4.8265% per annum</b>																				

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

## SECTION 2

### INFORMATION ABOUT WESTPAC CAPITAL NOTES 4

Topic	Summary	Further information	Page(s)																					
2.1.3 Calculation of Distributions	Distributions will be calculated as follows:	Westpac Capital Notes 4 Terms clause 3.1	103																					
	<table><tr><td><b>Distribution =</b></td><td><b><math>\frac{\text{Distribution Rate} \times \text{Face Value} \times N}{365}</math></b></td></tr><tr><td><b>Distribution Rate</b></td><td>See Section 2.1.2</td></tr><tr><td><b>Face Value</b></td><td>Initially \$100 per Note</td></tr><tr><td><b>N</b></td><td>The number of days in the Distribution Period</td></tr><tr><td><b>Distribution Period</b></td><td>The period from (but excluding) the previous Distribution Payment Date, or from (but excluding) the Issue Date in the case of the first Distribution Period, to (and including) the next Distribution Payment Date</td></tr><tr><td><b>Distribution Payment Date</b></td><td>See Section 2.1.7</td></tr></table> <p>As an example, if the Distribution was fully franked and the Distribution Rate was 4.8265% per annum as calculated in Section 2.1.2, then the cash amount of the Distribution on each Note for the Distribution Period (if the Distribution Period was 90 days) would be calculated as follows:<sup>1, 2</sup></p> <table><tr><td>Distribution Rate</td><td>4.8265% per annum</td></tr><tr><td>Multiplied by the Face Value</td><td>x \$100</td></tr><tr><td>Multiplied by the number of days in the Distribution Period (N)</td><td>x 90</td></tr><tr><td>Divided by</td><td>÷365</td></tr><tr><td><b>Cash amount of Distribution</b></td><td><b>\$1.1901</b></td></tr><tr><td>Franking credits<sup>3</sup> attached to the cash amount of the Distribution</td><td>\$0.5100</td></tr></table>			<b>Distribution =</b>	<b><math>\frac{\text{Distribution Rate} \times \text{Face Value} \times N}{365}</math></b>	<b>Distribution Rate</b>	See Section 2.1.2	<b>Face Value</b>	Initially \$100 per Note	<b>N</b>	The number of days in the Distribution Period	<b>Distribution Period</b>	The period from (but excluding) the previous Distribution Payment Date, or from (but excluding) the Issue Date in the case of the first Distribution Period, to (and including) the next Distribution Payment Date	<b>Distribution Payment Date</b>	See Section 2.1.7	Distribution Rate	4.8265% per annum	Multiplied by the Face Value	x \$100	Multiplied by the number of days in the Distribution Period (N)	x 90	Divided by	÷365	<b>Cash amount of Distribution</b>
<b>Distribution =</b>	<b><math>\frac{\text{Distribution Rate} \times \text{Face Value} \times N}{365}</math></b>																							
<b>Distribution Rate</b>	See Section 2.1.2																							
<b>Face Value</b>	Initially \$100 per Note																							
<b>N</b>	The number of days in the Distribution Period																							
<b>Distribution Period</b>	The period from (but excluding) the previous Distribution Payment Date, or from (but excluding) the Issue Date in the case of the first Distribution Period, to (and including) the next Distribution Payment Date																							
<b>Distribution Payment Date</b>	See Section 2.1.7																							
Distribution Rate	4.8265% per annum																							
Multiplied by the Face Value	x \$100																							
Multiplied by the number of days in the Distribution Period (N)	x 90																							
Divided by	÷365																							
<b>Cash amount of Distribution</b>	<b>\$1.1901</b>																							
Franking credits <sup>3</sup> attached to the cash amount of the Distribution	\$0.5100																							

<sup>1</sup> Distribution Periods will generally have 90-92 days in them. The number of days in the first Distribution Period will be 92 days.


<sup>2</sup> All calculations of payments will be rounded to four decimal places. Any fraction of a cent is disregarded when paying Distributions on a Holder's aggregate holding of Notes. The Distribution Rate on which this calculation is based, and the Distribution, are for illustrative purposes only and do not indicate the actual Distribution Rate or Distribution. It is not a guarantee or forecast of the actual Distribution that may be obtained. Past performance is not a reliable indicator of future performance.

<sup>3</sup> Australian resident taxpayers may be entitled to utilise franking credits. Australian resident taxpayers that are individuals or complying superannuation entities may be entitled to a refund of excess franking credits. Investors should seek professional advice in relation to their tax position. Reference should also be made to the summary of the Australian tax consequences for Holders in Section 6.

Topic	Summary	Further information	Page(s)
<b>2.1.4 Franking of Distributions</b>	<p>Westpac expects, but does not guarantee, that Distributions will be fully franked. If there is a change in the Tax Rate, the Distribution Rate will change accordingly.</p> <p>If a Distribution is not fully franked (including if that occurs because the current franking system is changed) then the amount of the Distribution entitlement would be adjusted to compensate for the unfranked amount. The formula for determining the adjusted Distribution is:</p> <div> <p><b>Adjusted Distribution =</b> <math>\frac{\text{Distribution}}{1 - [\text{Tax Rate} \times (1 - \text{Franking Rate})]}</math></p> <p><b>Distribution</b> The Distribution entitlement for the Distribution Period prior to adjustment – see Section 2.1.3</p> <p><b>Tax Rate</b> See Section 2.1.2</p> <p><b>Franking Rate</b> The percentage of the Distribution that would carry franking credits.</p> </div>	Westpac Capital Notes 4 Terms clauses 3.1 and 3.2	103 - 104
<b>2.1.5 Franking credits in respect of Distributions</b>	<p>It is expected (but not guaranteed) that Holders will receive franking credits in respect of Distributions (other than where a Holder's lack of entitlement to franking credits is a result of an act by, or circumstance affecting, the Holder). The franking credits represent each Holder's share of tax paid by Westpac on the profits from which the cash Distribution is paid.</p> <p>Westpac has applied for a public Class Ruling on behalf of Australian resident Holders which should confirm the ability of Holders to utilise the franking credits attached to those Distributions, subject to satisfaction of certain criteria.</p> <p><b>Impact of franking credits</b></p> <p>If the Distribution is fully franked, the potential value of the franking credits attached to a Distribution at the Distribution Rate of 4.8265% per annum in the example in Section 2.1.2 would be 2.0685% per annum. If that potential value is taken into account in full, the combined value of those franking credits and the cash Distribution would be equivalent to an unfranked Distribution Rate of approximately 6.8950% per annum. However, you should be aware that the potential value of the franking credits does not accrue to you at the same time as you receive the cash Distribution.</p> <p>You should also be aware that your ability to use the franking credits, either as an offset to your tax liability or by claiming a refund after the end of the year of income, will depend on your individual tax position.</p>	Section 6	71
<b>2.1.6 90 day Bank Bill Rate</b>	The 90 day Bank Bill Rate is a key benchmark interest rate for the Australian money market. It is based on an average of rates at which major Australian financial institutions lend short-term cash to each other over a 90-day period. This rate changes to reflect the supply and demand within the cash and currency markets.	Westpac Capital Notes 4 Terms clause 3.1	103

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### INFORMATION ABOUT WESTPAC CAPITAL NOTES 4

Topic	Summary	Further information	Page(s)
<b>2.1.6 90 day Bank Bill Rate (continued)</b>	<p>The movements in the 90 day Bank Bill Rate over the last 10 years are set out in the graph below.<sup>1</sup></p> 	Westpac Capital Notes 4 Terms clause 3.1	103
<b>2.1.7 Distribution Payment Dates</b>	<p>Distributions are payable quarterly in arrear on the Distribution Payment Dates, subject to satisfaction of the Distribution Payment Conditions.</p> <p>The Distribution Payment Dates are:</p> <ul style="list-style-type: none"> <li>• 30 March, 30 June, 30 September and 30 December of each year commencing on 30 September 2016, until the Notes are Converted, Redeemed or Transferred; and</li> <li>• the Conversion Date, Redemption Date or Transfer Date, if those dates are not 30 March, 30 June, 30 September or 30 December.</li> </ul> <p>If a Distribution Payment Date is not a Business Day, then the Distribution will be paid on the next Business Day (without any interest in respect of the delay).</p> <p>The first Distribution Period runs from (but excludes) the Issue Date to (and includes) 30 September 2016. Thereafter, each Distribution Period runs from (but excludes) the previous Distribution Payment Date to (and includes) the next Distribution Payment Date.</p> <p>The Distribution Rate for the first Distribution Period will be determined on the Issue Date. The number of days in the first Distribution Period will be 92 days.</p> <p>After the first Distribution Period, the Distribution Rate will be determined on the first Business Day of each Distribution Period.</p> <p>Distributions will be paid to persons who are Holders on the Record Date in respect of the Distribution.</p>	Westpac Capital Notes 4 Terms clause 3.5	104
<b>2.1.8 Method of payment of Distributions</b>	<p>Distributions will be paid in Australian dollars. Westpac will only pay Distributions directly into an Australian dollar account of a financial institution. Westpac reserves the right to vary the way in which any Distribution is paid in accordance with the Westpac Capital Notes 4 Terms (provided that Distributions are always paid in cash).</p>	Section 8.5.1 Westpac Capital Notes 4 Terms clause 11	90 114

<sup>1</sup> This graph is for illustrative purposes only and does not indicate, guarantee or forecast the actual 90 day Bank Bill Rate. Past levels are not necessarily indicative of future levels. The actual 90 day Bank Bill Rate for the first and any subsequent Distribution Period may be higher or lower than the rates in the above graph. Source: IRESS.

Topic	Summary	Further information	Page(s)
<b>2.1.9 Distribution Payment Conditions</b>	<p>Distributions are only payable subject to satisfaction of the Distribution Payment Conditions, being:</p> <ul style="list-style-type: none"> <li>Westpac's absolute discretion;</li> <li>the payment of the Distribution not resulting in a breach of Westpac's capital requirements (on a Level 1 basis) or of the Westpac Group's capital requirements (on a Level 2 basis) under the then current Prudential Standards at the time of the payment;</li> <li>the payment of the Distribution not resulting in Westpac becoming, or being likely to become, insolvent; and</li> <li>APRA not otherwise objecting to the payment.</li> </ul> <p>Distributions will also be subject to the Corporations Act and any other law regulating the payment of Distributions.</p>	<p>Section 5.1.4</p> <p>Westpac Capital Notes 4 Terms clause 3.3</p>	<p>56 - 57</p> <p>104</p>
<b>2.1.10 Consequence if a Distribution is not paid in full</b>	<p>Payments of Distributions are within the absolute discretion of Westpac and are non-cumulative. If a Distribution is not paid in full because the Distribution Payment Conditions are not satisfied or because of any other reason, Holders will not be entitled to receive the unpaid portion of that Distribution. No interest accrues on any unpaid Distributions and Westpac has no liability to the Holder and the Holder has no claim in respect of such non-payment. Non-payment of a Distribution will not be an event of default and Holders have no right to apply for a Winding Up on the grounds of Westpac's failure to pay a Distribution.</p>	<p>Westpac Capital Notes 4 Terms clause 3.4</p>	<p>104</p>
<b>2.1.11 Dividend and capital restrictions may apply to Westpac if a Distribution is not paid</b>	<p>If for any reason a Distribution has not been paid in full for a relevant Distribution Payment Date, then until a Distribution is paid in full on a subsequent Distribution Payment Date (or all Notes are Converted, Redeemed or terminated) Westpac must not:</p> <ul style="list-style-type: none"> <li>determine or pay any Dividends on its Ordinary Shares; or</li> <li>undertake any discretionary Buy Back or Capital Reduction, unless the amount of the unpaid Distribution is paid in full within 20 Business Days (and in certain other limited circumstances).</li> </ul>	<p>Westpac Capital Notes 4 Terms clauses 3.7 and 3.8</p>	<p>104 - 105</p>

## 2.2 CONVERSION ON THE SCHEDULED CONVERSION DATE

Topic	Summary	Further information	Page(s)
<b>2.2.1 Meaning of Conversion</b>	<p>Conversion means the conversion of the Notes into a variable number of Ordinary Shares in accordance with the formula contained in clause 9.1 of the Westpac Capital Notes 4 Terms.</p> <p>On Conversion of a Note, the Holder's rights (including to payment of Distributions and Face Value and any other payments) in relation to that Note will be immediately and irrevocably terminated. However, the Holder will be issued with Ordinary Shares that will have the same rights as other Ordinary Shares on issue at the relevant time.</p>	<p>Westpac Capital Notes 4 Terms clause 9.1</p>	<p>110</p>
<b>2.2.2 Scheduled Conversion Date</b>	<p>The Notes do not have a maturity date but have a Scheduled Conversion Date. Conversion is expected to occur on the Scheduled Conversion Date, which will be the earlier of:</p> <ul style="list-style-type: none"> <li>20 December 2023; and</li> <li>the first Distribution Payment Date after 20 December 2023, on which the Scheduled Conversion Conditions are satisfied.</li> </ul>	<p>Westpac Capital Notes 4 Terms clause 4.1</p>	<p>105</p>

## SECTION 2

# INFORMATION ABOUT WESTPAC CAPITAL NOTES 4

Topic	Summary	Further information	Page(s)
<b>2.2.3 Scheduled Conversion Conditions</b>	<p>The Scheduled Conversion Conditions in relation to a potential Scheduled Conversion Date are satisfied where:</p> <ul style="list-style-type: none"> <li><b>First Scheduled Conversion Condition:</b> the VWAP of Ordinary Shares on the 25<sup>th</sup> Business Day before (but not including) the potential Scheduled Conversion Date is greater than 56.12% of the Issue Date VWAP; and</li> <li><b>Second Scheduled Conversion Condition:</b> the VWAP of Ordinary Shares during the 20 Business Days before (but not including) the potential Scheduled Conversion Date is greater than 50.51% of the Issue Date VWAP.</li> </ul> <p>The percentages used in the Scheduled Conversion Conditions are derived from market precedents and the cap on the number of Ordinary Shares that are permitted to be issued under applicable Prudential Standards and ratings guidance.</p> <p>The following diagram illustrates the timeframes that are relevant for the Scheduled Conversion Conditions using the date 20 December 2023 as a potential Scheduled Conversion Date. These dates are indicative only and may change.</p>	Westpac Capital Notes 4 Terms clause 4.2	105
<p><b>15 November 2023</b> 25<sup>th</sup> Business Day before potential Scheduled Conversion Date</p> <p><b>22 November 2023</b> First Business Day of VWAP Period (20<sup>th</sup> Business Day before potential Scheduled Conversion Date)</p> <p><b>19 December 2023</b> Last Business Day of VWAP Period (Business Day before potential Scheduled Conversion Date)</p> <p><b>20 December 2023</b> Potential Scheduled Conversion Date (subject to satisfaction of the Scheduled Conversion Conditions)</p> <p><b>20 Business Day VWAP Period</b></p> <p><b>First Scheduled Conversion Condition</b> The VWAP of Ordinary Shares on the 25<sup>th</sup> Business Day before (but not including) a potential Scheduled Conversion Date is greater than 56.12% of the Issue Date VWAP</p> <p><b>Second Scheduled Conversion Condition</b> The VWAP of Ordinary Shares during the 20 Business Days before (but not including) a potential Scheduled Conversion Date is greater than 50.51% of the Issue Date VWAP</p>			
<b>2.2.4 Purpose of the Scheduled Conversion Conditions</b>	The Scheduled Conversion Conditions are intended to operate so that upon Conversion on the Scheduled Conversion Date, Holders will receive Ordinary Shares worth approximately \$101.01 per Note (based on the Initial Face Value of \$100 per Note and the average of the daily volume weighted average sales prices of Ordinary Shares during the 20 Business Days before the Scheduled Conversion Date, with the benefit of a 1% discount). <sup>1</sup>	Westpac Capital Notes 4 Terms clause 4.2	105
<b>2.2.5 Consequences if the Scheduled Conversion Conditions are not satisfied</b>	If the Scheduled Conversion Conditions are not satisfied on 20 December 2023, Conversion will not occur until the next Distribution Payment Date on which the Scheduled Conversion Conditions are satisfied.	Westpac Capital Notes 4 Terms clauses 4.1 and 4.2	105

<sup>1</sup> However, if the market price of Ordinary Shares on the Scheduled Conversion Date is different to the price used to calculate the number of Ordinary Shares to be issued on Conversion, the value of Ordinary Shares resulting from the Conversion of one Note may be worth more or less than \$101.01. The value of Ordinary Shares Holders receive could also be less than this amount if the Face Value has previously been reduced (following a Capital Trigger Event or Non-Viability Trigger Event – see Section 2.5 for more information). If the Scheduled Conversion Conditions are not met, Notes will not Convert on the Scheduled Conversion Date and the Scheduled Conversion Conditions will be re-tested on the next possible Scheduled Conversion Date. Notes may remain on issue indefinitely.



Topic	Summary	Further information	Page(s)										
2.2.6 VWAP and Issue Date VWAP	<p>In general terms, VWAP refers to the average of the daily volume weighted average sales prices of Ordinary Shares sold on ASX during the relevant period.</p> <p>The Issue Date VWAP means the VWAP of Ordinary Shares during the 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Issue Date (as adjusted in accordance with the Westpac Capital Notes 4 Terms).</p> <p>The satisfaction of the Scheduled Conversion Conditions on a potential Scheduled Conversion Date will depend on the price of Ordinary Shares. For example<sup>1</sup>, if the Issue Date VWAP is \$30.00, then, for the First Scheduled Conversion Condition and Second Scheduled Conversion Condition to be satisfied:</p> <ul style="list-style-type: none"><li>the VWAP for the First Scheduled Conversion Condition would need to be at least \$16.84 (56.12% of the Issue Date VWAP); and</li><li>the VWAP for the Second Scheduled Conversion Condition would need to be at least \$15.16 (50.51% of the Issue Date VWAP).</li></ul>	Westpac Capital Notes 4 Terms clauses 9.1 to 9.8 and 16.2 (definition of “Issue Date VWAP” and “VWAP”)	110 - 112, 120 and 122										
2.2.7 How many Ordinary Shares will I receive if the Westpac Capital Notes 4 are Converted?	<p>Upon Conversion, Holders will receive for each Note they hold a variable number of Ordinary Shares calculated using the following formula:</p> <table><tr><td></td><td><b>Face Value</b></td></tr><tr><td></td><td><b>0.99 x VWAP</b></td></tr><tr><td><b>Face Value</b></td><td>Initially \$100 per Note</td></tr><tr><td><b>VWAP</b></td><td>The VWAP during the VWAP Period</td></tr><tr><td><b>VWAP Period</b></td><td>In the case of a Scheduled Conversion, the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Scheduled Conversion Date</td></tr></table>		<b>Face Value</b>		<b>0.99 x VWAP</b>	<b>Face Value</b>	Initially \$100 per Note	<b>VWAP</b>	The VWAP during the VWAP Period	<b>VWAP Period</b>	In the case of a Scheduled Conversion, the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Scheduled Conversion Date	Westpac Capital Notes 4 Terms clause 9.1	110
	<b>Face Value</b>												
	<b>0.99 x VWAP</b>												
<b>Face Value</b>	Initially \$100 per Note												
<b>VWAP</b>	The VWAP during the VWAP Period												
<b>VWAP Period</b>	In the case of a Scheduled Conversion, the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Scheduled Conversion Date												
2.2.8 Is there a limit on the number of Ordinary Shares I will receive on a Scheduled Conversion Date?	<p>Yes. The Westpac Capital Notes 4 Terms provide that the number of Ordinary Shares that may be issued on Conversion is subject to a Maximum Conversion Number. However, due to the operation of the Scheduled Conversion Conditions, it is not possible for Conversion to occur if the Maximum Conversion Number would be exceeded.</p>	Sections 2.2.3 and 2.5.13  Westpac Capital Notes 4 Terms clauses 4.2(a) and 9.1	24 and 33  105 and 110										
2.2.9 What if I do not wish to receive Ordinary Shares or if I am prohibited or restricted from receiving Ordinary Shares?	<p>If you do not wish to receive Ordinary Shares, you can notify Westpac of this at any time prior to the Conversion Date. If Conversion occurs and you have notified Westpac that you do not wish to receive Ordinary Shares, or if you are an Ineligible Holder<sup>2</sup>, then Westpac will issue the relevant number of Ordinary Shares to the Sale Agent who will hold the Ordinary Shares on trust for sale for your benefit<sup>3</sup>. At the first reasonable opportunity, the Sale Agent will arrange for the sale of the Ordinary Shares on your behalf and pay the proceeds less selling costs to you. No guarantee is given in relation to the timing or price at which any sale will occur or whether a sale can be achieved.</p>	Westpac Capital Notes 4 Terms clause 9.10	112										

<sup>1</sup> This example is for illustrative purposes only and does not indicate whether or not the Scheduled Conversion Conditions will actually be satisfied in respect of a potential Scheduled Conversion Date.

<sup>2</sup> Westpac will treat a Holder as not being an Ineligible Holder unless the Holder has otherwise notified it after the Issue Date and prior to the Conversion Date.

<sup>3</sup> If Conversion is occurring because of the occurrence of a Capital Trigger Event or Non-Viability Trigger Event and the Conversion is not effective and Ordinary Shares are not issued for any reason to the Sale Agent within 5 Business Days, then: (i) those Notes will not be Converted in respect of such Capital Trigger Event or Non-Viability Trigger Event (as the case may be) and will not be Converted, Redeemed or Transferred on any subsequent date; and (ii) all rights in relation to those Notes will be terminated (and Holders will lose all of the value of their investment and they will not receive any compensation or unpaid Distributions).

## SECTION 2

# INFORMATION ABOUT WESTPAC CAPITAL NOTES 4

## 2.3 OPTIONAL CONVERSION

Topic	Summary	Further information	Page(s)
<b>2.3.1 When does Westpac have an option to Convert Westpac Capital Notes 4?</b>	<p>Subject to satisfaction of the Optional Conversion Restriction, Westpac may elect to Convert:</p> <ul style="list-style-type: none"> <li>all or some of the Notes on 20 December 2021; or</li> <li>all (but not some only) of the Notes following a Tax Event or Regulatory Event.</li> </ul> <p>Westpac also has the option to Redeem or Transfer the Notes in these circumstances.</p>	Westpac Capital Notes 4 Terms clause 6	108
<b>2.3.2 Tax Event</b>	<p>A Tax Event will occur if Westpac determines, after receiving a supporting opinion of reputable legal counsel or other tax adviser in Australia experienced in such matters, that (as a result of a Change of Law) there is a more than insubstantial risk that:</p> <ul style="list-style-type: none"> <li>Westpac will incur more than an insubstantial adverse tax consequence or increased cost in relation to the Notes; or</li> <li>any Distribution would not be a frankable distribution within the meaning of Division 202 of the Tax Act.</li> </ul>	Westpac Capital Notes 4 Terms clause 16.2 (definition of "Tax Event")	122
<b>2.3.3 Regulatory Event</b>	<p>Broadly, a Regulatory Event will occur if Westpac receives legal advice that, as a result of a change of law or regulation after the Issue Date:</p> <ul style="list-style-type: none"> <li>additional requirements would be imposed on the Westpac Group in relation to Notes which Westpac determines to be unacceptable; or</li> <li>Westpac determines that it will not be entitled to treat some or all of the Notes as Additional Tier 1 Capital of the Westpac Group.</li> </ul> <p>A Regulatory Event will not arise where, at the Issue Date, Westpac expected the event would occur.</p>	Westpac Capital Notes 4 Terms clause 16.2 (definition of "Regulatory Event")	121

Topic	Summary	Further information	Page(s)
<b>2.3.4 Restrictions or conditions on Optional Conversion</b>	<p>There are two types of restrictions or conditions that apply to Optional Conversion:</p> <ol style="list-style-type: none"> <li><b>1. A restriction that may prevent Westpac from choosing to Convert the Notes (i.e., from sending an Optional Conversion Notice to Holders)</b></li> </ol> <p>The <b>Optional Conversion Restriction</b> applies to Optional Conversion such that Westpac may not elect to Convert the Notes if on the second Business Day before the date on which Westpac is to send an Optional Conversion Notice the VWAP of Ordinary Shares is:</p> <ul style="list-style-type: none"> <li>– less than or equal to 56.12% of the Issue Date VWAP, where Westpac chooses to Convert the Notes on 20 December 2021; and</li> <li>– less than or equal to 22.20% of the Issue Date VWAP, where Westpac chooses to Convert the Notes following a Tax Event or Regulatory Event.</li> </ul> <ol style="list-style-type: none"> <li><b>2. A condition that may prevent Westpac from Converting the Notes on the Optional Conversion Date</b></li> </ol> <p>Once an Optional Conversion Notice has been sent, Westpac may still be prevented from Converting the Notes by the operation of the <b>Second Scheduled Conversion Condition</b> (modified in the case of a Tax Event or Regulatory Event, as described below), which is deemed to apply such that Optional Conversion will not occur if the VWAP of Ordinary Shares during the 20 Business Days before (but not including) the potential Optional Conversion Date is:</p> <ul style="list-style-type: none"> <li>– less than or equal to 50.51% of the Issue Date VWAP, where Westpac chooses to Convert the Notes on 20 December 2021; and</li> <li>– less than or equal to 20.20% of the Issue Date VWAP where Westpac chooses to Convert the Notes following a Tax Event or Regulatory Event.</li> </ul> <p>The percentages used in the above restrictions and conditions for Optional Conversion are derived from market precedents and the cap on the number of Ordinary Shares that are permitted to be issued under the Prudential Standards and ratings guidance.</p>	Westpac Capital Notes 4 Terms clauses 6.2 and 6.4	108
<b>2.3.5 Number of Ordinary Shares Holders will receive on an Optional Conversion Date</b>	<p>If the Notes are Converted on an Optional Conversion Date, Holders will receive a variable number of Ordinary Shares on the Conversion Date equal to the Conversion Number calculated in the same manner as if Conversion was occurring on the Scheduled Conversion Date (see Section 2.2.7), except that the VWAP Period will be 20 Business Days on which trading in Ordinary Shares took place immediately preceding, but not including, the Optional Conversion Date.</p>	Section 2.2.7 Westpac Capital Notes 4 Terms clause 16.2 (definition of "VWAP Period")	25 122
<b>2.3.6 Is there a limit on the number of Ordinary Shares I will receive on an Optional Conversion?</b>	<p>Yes. The Westpac Capital Notes 4 Terms provide that the number of Ordinary Shares that may be issued on Conversion is subject to a Maximum Conversion Number.</p>	Westpac Capital Notes 4 Terms clause 9.1	110

## SECTION 2

### INFORMATION ABOUT WESTPAC CAPITAL NOTES 4

Topic	Summary	Further information	Page(s)
<b>2.3.7 Consequences if Conversion does not occur on an Optional Conversion Date</b>	If Westpac chooses to Convert the Notes (and gives an Optional Conversion Notice to Holders) but the Second Scheduled Conversion Condition (applied as described in Section 2.3.4) prevents Conversion from occurring on the Optional Conversion Date, Westpac will notify Holders and the Conversion will be deferred until the next Distribution Payment Date on which the Scheduled Conversion Conditions are satisfied as if that Distribution Payment Date was a Scheduled Conversion Date (the “ <b>Deferred Conversion Date</b> ”). The Scheduled Conversion Conditions apply to Conversion on the Deferred Conversion Date except that in the case of a Tax Event or Regulatory Event, the Second Scheduled Conversion Condition will apply as if it referred to 20.20% of the Issue Date VWAP.	Westpac Capital Notes 4 Terms clause 6.5	108

## 2.4 OPTIONAL REDEMPTION AND OPTIONAL TRANSFER

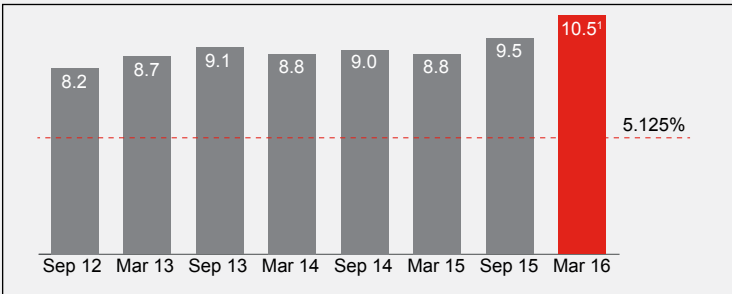
Topic	Summary	Further information	Page(s)
<b>2.4.1 Westpac’s option to Redeem or Transfer the Westpac Capital Notes 4</b>	<p>Instead of electing to Convert the Notes, Westpac may elect to Redeem or Transfer:</p> <ul style="list-style-type: none"> <li>all or some of the Notes on 20 December 2021; or</li> <li>all (but not some) of the Notes following a Tax Event or Regulatory Event.</li> </ul> <p>Redemption is subject to Westpac receiving APRA’s prior written approval. There can be no certainty that APRA will provide its prior written approval.</p>	<p>Sections 2.3.2 and 2.3.3 (for a brief description of Tax Events and Regulatory Events)</p> <p>Westpac Capital Notes 4 Terms clauses 7, 8 and 16.2 (definition of “Tax Event” and “Regulatory Event”)</p>	26  109 - 110, 121 and 122
<b>2.4.2 Meaning of Redemption</b>	<p>Redemption means Westpac will pay to Holders the Face Value (initially \$100 per Note) for each Note Redeemed.</p> <p>Westpac may only Redeem Notes if it replaces them with capital of the same or better quality (and the replacement is done under conditions that are sustainable for the income capacity of Westpac) or obtains confirmation that APRA is satisfied that Westpac does not have to replace the Notes.</p> <p>Holders cannot request Redemption of their Notes.</p>	Westpac Capital Notes 4 Terms clauses 7 and 16.2 (definition of “Redemption”)	109 and 121
<b>2.4.3 Meaning of Transfer</b>	<p>Transfer means Westpac will arrange for a Nominated Party to undertake to purchase Notes from Holders for the Face Value. On Transfer, Holders will receive the Face Value (initially \$100 per Note) for each Note from the Nominated Party, paid in cash.</p> <p>If the Nominated Party does not pay the Face Value to Holders on 20 December 2021 or following a Tax Event or Regulatory Event, the Transfer will not proceed and Holders will continue to hold their Notes.</p> <p>The Nominated Party cannot be a member of the Westpac Group or a related entity (as described in the Prudential Standards) of Westpac.</p> <p>Holders cannot request a Transfer of Notes.</p>	Westpac Capital Notes 4 Terms clauses 8 and 16.2 (definition of “Transfer”)	109 - 110 and 122

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

Topic	Summary	Further information	Page(s)
<b>2.5.1 Automatic Conversion of Westpac Capital Notes 4</b>	<p>Westpac must Convert all (but not some only) of the Notes following an <b>Acquisition Event</b> subject to a modified application of the Second Scheduled Conversion Condition (see Section 2.5.3 below).</p> <p>Westpac must also Convert all or some of the Notes following a:</p> <ul style="list-style-type: none"> <li>• <b>Capital Trigger Event</b>; or</li> <li>• <b>Non-Viability Trigger Event</b>.</li> </ul> <p>If Conversion does not occur for any reason following a Capital Trigger Event or Non-Viability Trigger Event and Ordinary Shares are not issued for any reason, then:</p> <ul style="list-style-type: none"> <li>• those Notes will not be Converted in respect of such Capital Trigger Event or Non-Viability Trigger Event (as the case may be) and will not be Converted, Redeemed or Transferred on any subsequent date; and</li> <li>• the Holder's rights in relation to those Notes will be immediately and irrevocably terminated, and Holders will lose all of the value of their investment and they will not receive any compensation.</li> </ul>	Westpac Capital Notes 4 Terms clause 5	105
<b>2.5.2 Acquisition Event</b>	<p>An Acquisition Event will occur where:</p> <ul style="list-style-type: none"> <li>• a takeover bid is made for Ordinary Shares and certain conditions are satisfied; or</li> <li>• a scheme of arrangement is proposed and approved and certain conditions are satisfied.</li> </ul> <p>However, an Acquisition Event will not have occurred where Westpac is replaced as the ultimate holding company of the Westpac Group by an Approved Successor in accordance with the Westpac Capital Notes 4 Terms.</p>	Westpac Capital Notes 4 Terms clause 16.2 (definition of "Acquisition Event")	118
<b>2.5.3 Conditions on Conversion following an Acquisition Event</b>	<p>The Second Scheduled Conversion Condition will apply in a modified form following an Acquisition Event such that Conversion will not occur unless the VWAP of Ordinary Shares during the 20 Business Days before (but not including) the Acquisition Event Conversion Date is greater than 20.20% of the Issue Date VWAP.</p>	Westpac Capital Notes 4 Terms clauses 4.2(a)(ii) and 5.9(b)	105 and 107
<b>2.5.4 How many Ordinary Shares will I receive on Conversion following an Acquisition Event?</b>	<p>If Notes are Converted following an Acquisition Event, Holders will receive a variable number of Ordinary Shares on the Conversion Date equal to the Conversion Number calculated in the same manner as if Conversion was occurring on the Scheduled Conversion Date (see Section 2.2.7), subject to the following adjustments:</p> <ul style="list-style-type: none"> <li>• the VWAP Period will be 20 Business Days on which trading in Ordinary Shares took place immediately preceding, but not including, the Acquisition Event Conversion Date;</li> <li>• the First Scheduled Conversion Condition will not apply; and</li> <li>• the Second Scheduled Conversion Condition will be applied as if the reference to 50.51% were a reference to 20.20%.</li> </ul>	Section 2.2.7 Westpac Capital Notes 4 Terms clauses 5.9(b), 9.1 and 16.2 (definition of "VWAP Period")	25 107, 110 and 122

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### INFORMATION ABOUT WESTPAC CAPITAL NOTES 4

Topic	Summary	Further information	Page(s)
<b>2.5.5 Is there a limit on the number of Ordinary Shares I will receive on Conversion following an Acquisition Event?</b>	Yes. The Westpac Capital Notes 4 Terms provide that the number of Ordinary Shares that may be issued on Conversion is subject to a Maximum Conversion Number.	Westpac Capital Notes 4 Terms clause 9.1	110
<b>2.5.6 Automatic Conversion following a Capital Trigger Event or a Non-Viability Trigger Event</b>	<p>Some or all of the Notes must be Converted immediately following:</p> <ul style="list-style-type: none"> <li>a Capital Trigger Event; or</li> <li>a Non-Viability Trigger Event.</li> </ul> <p>The proportion of Notes that will be Converted in these circumstances may be determined by APRA (in the case of a Non-Viability Trigger Event) or be dependent on restoration of Westpac's Common Equity Tier 1 Capital Ratio to above 5.125% (on a Level 1 or Level 2 basis) (in the case of a Capital Trigger Event). Where a Non-Viability Trigger Event occurs because APRA has determined that without a public sector injection of capital, or equivalent support, Westpac would become non-viable, all Notes must be Converted.</p>	Westpac Capital Notes 4 Terms clauses 5.2, 5.4 and 5.7	105 - 107
<b>2.5.7 Capital Trigger Event</b>	<p>A Capital Trigger Event will occur when Westpac determines, or APRA notifies Westpac in writing that it believes, Westpac's Common Equity Tier 1 Capital Ratio is equal to or less than 5.125% on either a Level 1 or Level 2 basis.</p> <p>Westpac's Common Equity Tier 1 Capital Ratio on a Level 2 basis of 10.5% as at 31 March 2016 equates to a surplus of \$19.4 billion of Common Equity Tier 1 Capital above the Capital Trigger Event level of 5.125%<sup>1</sup>. Westpac's Common Equity Tier 1 Capital Ratio on a Level 1 basis of 10.8% as at 31 March 2016 equates to a surplus of \$18.9 billion of Common Equity Tier 1 Capital above the Capital Trigger Event level of 5.125%<sup>1</sup>.</p> <p>See Sections 4.2.3, 4.2.4, 4.2.5 and 4.2.6 for more information about Westpac's Common Equity Tier 1 Capital Ratio.</p> <p>The graph below illustrates the historical Common Equity Tier 1 Capital Ratio of Westpac on a Level 2 basis.</p> <p><b>Westpac's Common Equity Tier 1 Capital Ratio<sup>2</sup> (Level 2 basis) (%)</b></p>  <p>The above graph is for illustrative purposes only and does not indicate, guarantee or forecast Westpac's Common Equity Tier 1 Capital Ratio. The ratio may be higher or lower and may be affected by regulatory change to the measurement of capital or risk weighted assets ("RWA") calculations and unexpected events affecting Westpac's business, operations and financial condition.</p>	<p>Sections 4.1.5 and 4.2.3 to 4.2.6</p> <p>Westpac Capital Notes 4 Terms clause 5.1</p>	<p>49 and 51 - 53</p> <p>105</p>

<sup>1</sup> Does not include the estimated increase in RWA for Australian residential mortgages related to a revised correlation factor (effective 1 July 2016) or Westpac's initial estimated impact of modelling updates to reflect changes in the reporting of mortgage hardship. If these requirements were in force as at 31 March 2016, the estimated impact would reduce Westpac's Common Equity Tier 1 Capital Ratio by approximately 1.3% to 9.2% (on a Level 2 basis) and by approximately 1.4% to 9.4% (on a Level 1 basis). The adjusted ratios would equate to an estimated surplus of approximately \$16.8 billion (on a Level 2 basis) and approximately \$16.3 billion (on a Level 1 basis) above the Capital Trigger Event level of 5.125%. The impact on RWA of the mortgage hardship changes is subject to ongoing consultation with and approval by APRA. See Sections 4.2.5 and 4.2.6 for more information.

<sup>2</sup> All numbers prior to March 2013 on a pro-forma Basel III basis.



Topic	Summary	Further information	Page(s)
<b>2.5.8 Non-Viability Trigger Event</b>	<p>A Non-Viability Trigger Event will occur when APRA notifies Westpac in writing that it believes Conversion of some or all Notes (or conversion or write down of other capital instruments of the Westpac Group) or a public sector injection of capital, or equivalent support, is necessary because, without it, Westpac would become non-viable.</p> <p>Whether a Non-Viability Trigger Event will occur is at the discretion of APRA. APRA has not provided guidance on when it will consider an entity to be non-viable and there are currently no Australian precedents for this. However, it is likely that APRA will consider an entity to be non-viable when, for example, the entity is suffering from significant financial stress, is insolvent or cannot raise money in the public or private market.</p>	Westpac Capital Notes 4 Terms clause 5.3	106
<b>2.5.9 How many Westpac Capital Notes 4 need to be Converted if a Capital Trigger Event or Non-Viability Trigger Event occurs?</b>	<p>Westpac must Convert (or otherwise terminate the rights attaching to) that number of the Notes (or such percentage of the Face Value of the Notes) as is:</p> <ul style="list-style-type: none"> <li>• in the case of a Capital Trigger Event, sufficient to return either or both the Westpac Level 1 Common Equity Tier 1 Capital Ratio or Westpac Level 2 Common Equity Tier 1 Capital Ratio (as the case may be) to above 5.125%; or</li> <li>• in the case of a Non-Viability Trigger Event, necessary (when added to the amount of any other Relevant Securities converted or written down) to satisfy APRA that Westpac will no longer be non-viable. Where a Non-Viability Trigger Event occurs because APRA has determined that without a public sector injection of capital, or equivalent support, Westpac would become non-viable, all Notes must be Converted.</li> </ul> <p>If Westpac is required to Convert some of the Notes following a Capital Trigger Event or Non-Viability Trigger Event, Westpac must treat Holders on an approximate pro-rata basis among themselves and other holders of Relevant Securities or in a manner that is otherwise, in the opinion of Westpac, fair and reasonable. This is subject to such adjustments as Westpac may determine to take account of the effect of marketable parcels of Notes and the need to round to whole numbers the number of Ordinary Shares and any Notes or other Relevant Securities remaining on issue, provided that such determination does not impede the immediate Conversion of the relevant number of Notes.</p> <p>Holders should be aware that:</p> <ul style="list-style-type: none"> <li>• Relevant Securities such as the Notes will be Converted, and other Relevant Securities will be converted or written down, before any Tier 2 Capital instruments are converted or written down.</li> <li>• Westpac Subordinated Notes 2013 and Westpac Subordinated Notes 2012 (and any other securities ranking equally with those securities) are not Relevant Securities (and will not be converted or written down before or pro-rata with the Notes).</li> <li>• Westpac has no obligation to maintain on issue any Relevant Securities, including the Notes, and does not, and may never, have on issue Relevant Securities which require them to be converted or written down before the Notes.</li> </ul>	Westpac Capital Notes 4 Terms clauses 5.2, 5.4, 5.7 and 9.1	105 - 107 and 110

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### INFORMATION ABOUT WESTPAC CAPITAL NOTES 4

Topic	Summary	Further information	Page(s)
<b>2.5.10 Do the Scheduled Conversion Conditions apply following a Capital Trigger Event or Non-Viability Trigger Event?</b>	No, the Scheduled Conversion Conditions do not need to be satisfied following a Capital Trigger Event or Non-Viability Trigger Event. Conversion will occur following a Capital Trigger Event or Non-Viability Trigger Event, unless Conversion is not able to occur for any reason (see Section 2.5.14) and Ordinary Shares are not issued for any reason.	Section 2.5.14 Westpac Capital Notes 4 Terms clause 5.5	33 106
<b>2.5.11 How many Ordinary Shares will I receive on Conversion following a Capital Trigger Event or Non-Viability Trigger Event?</b>	<p>If Notes are Converted following a Capital Trigger Event or Non-Viability Trigger Event then in respect of each Note that is Converted, Holders will receive a number of Ordinary Shares equal to the lower of:</p> <ul style="list-style-type: none"> <li>the Maximum Conversion Number (which, applied on a Conversion of this kind, is based on an Ordinary Share price that reflects 20% of the Ordinary Share price at the time of issue of the Notes); and</li> <li>the Conversion Number calculated in the same manner as if Conversion was occurring on the Scheduled Conversion Date (see Section 2.2.7) except that the VWAP Period will be the 5 Business Days in which trading of Ordinary Shares took place on ASX preceding, but not including, the Capital Trigger Event Conversion Date or Non-Viability Trigger Event Conversion Date, as applicable.</li> </ul> <p>In addition, the Conversion of Notes into Ordinary Shares on a Capital Trigger Event Conversion Date or Non-Viability Trigger Event Conversion Date is not subject to the Scheduled Conversion Conditions being satisfied. This means that, due to the application of the Maximum Conversion Number, depending on the market price of Ordinary Shares at the time, Holders may (in the case of a Capital Trigger Event) and are likely to (in the case of a Non-Viability Trigger Event) receive significantly less than approximately \$101.01 per Note (based on the Initial Face Value of \$100 per Note). If Holders receive Ordinary Shares worth less than the Face Value of the Notes, they will suffer loss as a consequence. The value received may be nothing if Conversion does not occur for any reason and Ordinary Shares are not issued for any reason.</p>	Westpac Capital Notes 4 Terms clauses 5.5, 5.7, 9.1 and 16.2 (definition of "VWAP Period")	106 - 107, 110 and 122
<b>2.5.12 Is there a limit on the number of Ordinary Shares I will receive on Conversion following a Capital Trigger Event or Non-Viability Trigger Event?</b>	Yes. The Maximum Conversion Number is used to limit the number of Ordinary Shares to be issued on Conversion following a Capital Trigger Event or Non-Viability Trigger Event.	Section 2.5.13 Westpac Capital Notes 4 Terms clause 9.1	33 110

Topic	Summary	Further information	Page(s)
<b>2.5.13 Maximum Conversion Number in the case of a Capital Trigger Event or Non-Viability Trigger Event</b>	<p>The Maximum Conversion Number is calculated using the following formula:</p> $\frac{\text{Face Value}}{\text{Relevant Percentage} \times \text{Issue Date VWAP}}$ <p>Where:</p> <p><b>Face Value:</b> Has the meaning given in clause 16.2 of the Westpac Capital Notes 4 Terms (initially \$100 per Note)</p> <p><b>Relevant Percentage:</b> If Conversion is occurring on a Capital Trigger Event Conversion Date or a Non-Viability Trigger Event Conversion Date: 0.20</p> <p><b>Issue Date VWAP:</b> The VWAP of Ordinary Shares for the 20 Business Days on which trading in Ordinary Shares took place immediately preceding, but not including, the Issue Date (as adjusted in accordance with the Westpac Capital Notes 4 Terms)</p> <p>For example:</p> <p>If the Face Value is \$100 and the Issue Date VWAP is \$30.00, then the Maximum Conversion Number on a Capital Trigger Event Conversion Date or a Non-Viability Trigger Event Conversion Date would be calculated as follows:</p> $\frac{\$100}{0.20 \times \$30.00} = 16.6667 \text{ Ordinary Shares}$ <p>The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual Issue Date VWAP or Maximum Conversion Number.</p> <p>The Maximum Conversion Number will be announced by Westpac to the ASX at the time of issue of the Notes.</p> <p>The Maximum Conversion Number may be adjusted up or down to reflect transactions affecting the capital of Westpac (including bonus issues, share splits, consolidations or other similar transactions not involving any cash payment (or the giving of any other form of consideration) to or by holders of Ordinary Shares. The Maximum Conversion Number will not be adjusted to reflect other transactions which may affect the price of Ordinary Shares, including, for example, rights issues, returns of capital, buy-backs or special dividends) as set out in the Westpac Capital Notes 4 Terms.</p>	Westpac Capital Notes 4 Terms clause 9.1	110
<b>2.5.14 What happens if Westpac is unable to issue Ordinary Shares following a Capital Trigger Event or Non-Viability Trigger Event?</b>	<p>If for any reason Conversion of Notes does not occur (for example due to applicable laws, order of a court or action of any government authority) and the Ordinary Shares are not issued for any reason by 5.00pm on the fifth Business Day following a Capital Trigger Event or Non-Viability Trigger Event, then:</p> <ul style="list-style-type: none"> <li>those Notes will not be Converted in respect of such Capital Trigger Event or Non-Viability Trigger Event (as the case may be) and will not be Converted, Redeemed or Transferred on any subsequent date; and</li> <li>all rights in relation to those Notes will be terminated, and Holders will lose all of the value of their investment and they will not receive any compensation or unpaid Distributions.</li> </ul>	Westpac Capital Notes 4 Terms clause 5.8	107

## SECTION 2

### INFORMATION ABOUT WESTPAC CAPITAL NOTES 4

#### 2.6 RANKING OF THE WESTPAC CAPITAL NOTES 4 IN A WINDING UP

Topic	Summary	Further information	Page(s)
<b>Ranking of Westpac Capital Notes 4 in a Winding Up</b>	<p>In the event of a Winding Up (and assuming the Notes are still on issue and have not been Redeemed or Converted or otherwise had the rights attaching to them terminated following a Capital Trigger Event or Non-Viability Trigger Event), the right of Holders to receive a return of capital will rank ahead of Ordinary Shares, equally among themselves and with Equal Ranking Capital Securities, but subordinated to Senior Creditors. The ranking of the Notes in a Winding Up will be adversely affected if a Capital Trigger Event or a Non-Viability Trigger Event occurs. It is likely that such an event would occur prior to a Winding Up, requiring the Conversion of Notes. If Conversion has occurred, Holders will hold Ordinary Shares and rank equally with other holders of Ordinary Shares.</p> <p>However, if for any reason Conversion of Notes following a Capital Trigger Event or Non-Viability Trigger Event does not occur (for example due to applicable laws, order of a court or action of any government authority) and the Ordinary Shares are not issued for any reason by 5.00pm on the fifth Business Day following a Capital Trigger Event or Non-Viability Trigger Event, then:</p> <ul style="list-style-type: none"> <li>those Notes will not be Converted in respect of such Capital Trigger Event or Non-Viability Trigger Event (as the case may be) and will not be Converted, Redeemed or Transferred on any subsequent date; and</li> <li>all rights in relation to those Notes will be terminated.</li> </ul> <p>In these circumstances, Holders will lose all of the value of their investment and they will not receive any compensation or unpaid Distributions and the Notes will have no ranking in a Winding Up.</p> <p>For a diagrammatic representation of the way Notes will rank on a Winding Up, see Section 1.4.</p> <p>For the potential effect on the assets of Westpac available to meet the claims of a Holder in a Winding Up where Westpac is replaced by an Approved Successor as the ultimate holding company of the Westpac Group, see Section 2.7.1.</p>	<p>Sections 1.4, 5.1.8, 5.1.9, 5.1.24 and 5.1.26</p> <p>Westpac Capital Notes 4 Terms clauses 2, 5.8 and 13.4</p>	<p>11, 34, 59 and 62 - 63</p> <p>103, 107 and 116</p>

#### 2.7 OTHER KEY FEATURES OF THE WESTPAC CAPITAL NOTES 4

Topic	Summary	Further information	Page(s)
<b>2.7.1 Approved Successor</b>	<p>Where Westpac is replaced as the ultimate holding company of the Westpac Group by an Approved Successor and certain other conditions are satisfied, Conversion of the Notes will not be triggered but Westpac may instead be allowed to make amendments (provided APRA's prior written approval is obtained) to substitute the Approved Successor as the debtor of the Notes and the issuer of ordinary shares issued on Conversion and to make certain other amendments to the Westpac Capital Notes 4 Terms. Accordingly, if:</p> <ul style="list-style-type: none"> <li>Westpac is replaced by an Approved Successor as the ultimate holding company of the Westpac Group; and</li> <li>a substitution of the Approved Successor as the debtor of the Notes and the issuer of ordinary shares on Conversion is effected under the Westpac Capital Notes 4 Terms,</li> </ul> <p>Holders will be obliged to accept Approved Successor Shares on Conversion, and will not receive Ordinary Shares on Conversion.</p>	<p>Westpac Capital Notes 4 Terms clauses 5.10 and 13.4</p>	<p>108 and 116</p>

Topic	Summary	Further information	Page(s)
<b>2.7.2 Westpac Capital Notes 4 are not deposit liabilities or protected accounts</b>	The Notes are not deposit liabilities or protected accounts of Westpac for the purposes of the Banking Act or Financial Claims Scheme and are not subject to the depositor protection provisions of Australian banking legislation (including the Australian Government guarantee of certain bank deposits).	Section 5.1.1 Westpac Capital Notes 4 Terms clause 14.1	56 116
<b>2.7.3 No restriction on future issues of securities by Westpac</b>	Westpac may issue other securities, including further Notes, or other Capital Securities that rank equally with, ahead of or behind the Notes whether in respect of distributions, dividends, return of capital or principal in a Winding Up of Westpac or otherwise, without the approval of Holders.	Section 5.1.24 Westpac Capital Notes 4 Terms clause 14.2	62 117
<b>2.7.4 Participation in future issues of securities by Westpac</b>	The Notes do not carry a right for Holders to participate in new issues of Westpac securities.	Westpac Capital Notes 4 Terms clause 14.7	117
<b>2.7.5 No set-off</b>	Neither Westpac nor any Holder is entitled to set-off any amounts due in respect of the Notes against any amount of any nature owed by Westpac to the Holder or by the Holder to Westpac (as applicable).	Westpac Capital Notes 4 Terms clause 14.3	117
<b>2.7.6 Voting rights</b>	Holders have no right to vote at any general meeting of Westpac before Conversion.  Holders have certain voting rights which can be exercised at a meeting of Holders, as set out in the Notes Deed Poll.  Following Conversion, Holders will become holders of Ordinary Shares and have the voting rights that attach to Ordinary Shares.	Section 7.4.4 Westpac Capital Notes 4 Terms clause 14.7	79 117
<b>2.7.7 Notes Deed Poll</b>	A trustee has not been appointed for the Notes. Instead, a Notes Deed Poll will be made by Westpac in favour of each person who is from time to time a Holder.  The Notes Deed Poll will contain: <ul style="list-style-type: none"> <li>the agreement of Westpac to observe its obligations as set out in the Westpac Capital Notes 4 Terms;</li> <li>an obligation to appoint the Registrar and procure the Registrar to establish and maintain a Westpac Capital Notes 4 Register; and</li> <li>provisions for meetings of Holders.</li> </ul> Holders will be bound by the terms of the Notes Deed Poll, the Westpac Capital Notes 4 Terms and this Prospectus when Notes are Allotted or transferred to them or they purchase Notes.  The Registrar will hold the original executed Notes Deed Poll on behalf of Holders. Each Holder can enforce the obligations of Westpac under the Notes Deed Poll and the Westpac Capital Notes 4 Terms independently of the Registrar and each other Holder.  The Notes Deed Poll is expected to be executed by Westpac on or around the date of the Bookbuild in the final form of the Notes Deed Poll, an electronic copy of which can be viewed and/or downloaded from Westpac's website at <a href="http://www.westpac.com.au/westpaccapnotes4">www.westpac.com.au/westpaccapnotes4</a> . The final form of the Notes Deed Poll is incorporated by reference into this Prospectus.	See the Notes Deed Poll, available at Westpac's website at <a href="http://www.westpac.com.au/westpaccapnotes4">www.westpac.com.au/westpaccapnotes4</a>	N/A

## SECTION 2

# INFORMATION ABOUT WESTPAC CAPITAL NOTES 4

## 2.8 COMPARISON OF THE WESTPAC CAPITAL NOTES 4 WITH CERTAIN OTHER WESTPAC ADDITIONAL TIER 1 CAPITAL SECURITIES

Topic	Summary	Further information	Page(s)
<b>Differences between Westpac Capital Notes 4, Westpac Capital Notes 3 and Westpac CPS</b>	<p>Westpac Capital Notes 4, Westpac Capital Notes 3 and Westpac CPS do have similarities in that they are all securities that qualify or are treated as Additional Tier 1 Capital of Westpac under APRA's current capital adequacy standards.</p> <p>However, the securities differ in several key respects. The table below provides a comparison of the key terms of Westpac Capital Notes 4, Westpac Capital Notes 3 and Westpac CPS, but is not exhaustive.</p> <p>In addition, see the table in Section 3.5 setting out the key differences between Westpac TPS and Westpac Capital Notes 4.</p>	See table below and Section 3.5	36 - 37 and 41 - 42

	Westpac Capital Notes 4	Westpac Capital Notes 3 <sup>1</sup>	Westpac CPS
<b>ASX code</b>	WBCPG <sup>2</sup>	WBCPF	WBCPC
<b>Legal form</b>	Note		Preference share
<b>Distributions</b>	Floating rate distributions – payable quarterly in arrear subject to certain specified payment conditions <sup>3</sup>		Floating rate dividends – payable semi-annually in arrear subject to a dividend payment test
<b>Expected to be fully franked</b>	Yes		
<b>Distribution rate</b>	(margin + 90 day bank bill rate) × (1 - tax rate)		(margin + 180 day bank bill rate) × (1 - tax rate)
<b>Margin</b>	Margin is expected to be in the range of 4.90% to 5.10% per annum and will be determined at the end of the Bookbuild	Margin of 4.00% per annum	Margin of 3.25% per annum
<b>Redemption at the Issuer's option (subject to APRA approval and certain other conditions)</b>	Yes, on 20 December 2021, and in certain specified circumstances – see Section 2.4	Yes, on 22 March 2021, and in certain specified circumstances	Yes, on 31 March 2018 and each dividend payment date thereafter, and in certain specified circumstances
<b>Conversion at Issuer's option (subject to certain conditions)</b>	Yes, on 20 December 2021, and in certain specified circumstances – see Section 2.3	Yes, on 22 March 2021, and in certain specified circumstances	Yes, on 31 March 2018 and each dividend payment date thereafter, and in certain specified circumstances
<b>Potential Conversion to Ordinary Shares (other than on a Capital Trigger Event or Non-Viability Trigger Event)</b>	Yes, Scheduled Conversion on 20 December 2023 (subject to the satisfaction of the Scheduled Conversion Conditions), and in certain specified circumstances – see Sections 2.2 and 2.5	Yes, scheduled conversion on 22 March 2023 (subject to the satisfaction of the scheduled conversion conditions), and in certain specified circumstances	Yes, scheduled conversion on 31 March 2020 (subject to the satisfaction of the conversion conditions), and in certain specified circumstances

<sup>1</sup> There are other Westpac Additional Tier 1 Capital securities on issue (Westpac Capital Notes and Westpac Capital Notes 2) which have similar terms to Westpac Capital Notes 3 (other than differences in their respective margins and key dates).

<sup>2</sup> Westpac will apply to have Westpac Capital Notes 4 quoted on ASX and they are expected to trade under the code WBCPG.

<sup>3</sup> Such payment conditions being the Distribution Payment Conditions for Westpac Capital Notes 4 (see Section 2.1.9) and the distribution payment conditions for Westpac Capital Notes 3.



	Westpac Capital Notes 4	Westpac Capital Notes 3 <sup>1</sup>	Westpac CPS
<b>Conversion to Ordinary Shares on a Capital Trigger Event or Non-Viability Trigger Event</b>	Yes – see Section 2.5  If a Capital Trigger Event or Non-Viability Trigger Event occurs and conversion of the notes does not occur for any reason and Ordinary Shares are not issued for any reason, then: (i) those notes will not be Converted in respect of such Capital Trigger Event or Non-Viability Trigger Event (as the case may be) and will not be Converted, Redeemed or Transferred on any subsequent date; and (ii) all rights in relation to those notes will be terminated (and holders will lose all of the value of their investment and they will not receive any compensation or unpaid distributions)	Yes	Yes, upon the occurrence of a capital trigger event only
<b>Ranking in Winding Up<sup>2</sup></b>	Rank ahead of Ordinary Shares, equally with all Equal Ranking Capital Securities and behind Senior Creditors (including depositors and holders of Westpac's senior or less subordinated debt) of Westpac.  If converted into Ordinary Shares, holders will become holders of Ordinary Shares and will rank equally with other holders of Ordinary Shares.  If Conversion is not possible following a Capital Trigger Event or a Non-Viability Trigger Event, all rights in relation to those Notes will be terminated and the Notes will have no ranking in a Winding Up.  Refer to Section 2.6 in relation to the ranking of Westpac Capital Notes 4 in a Winding Up		

## 2.9 ADDITIONAL INFORMATION

Topic	Summary	Further information	Page(s)
<b>More information about the Offer</b>	A number of relevant documents are available free of charge from Westpac during the Offer Period. If, after reading this Prospectus, you have any questions, then you should contact your financial adviser or other professional adviser or call the <b>Westpac Capital Notes 4 Information Line (Monday to Friday, 8.30am to 5.30pm, Sydney time) on 1300 363 136.</b>	Section 7.2.2	78

<sup>1</sup> There are other Westpac Additional Tier 1 Capital securities on issue (Westpac Capital Notes and Westpac Capital Notes 2) which have similar terms to Westpac Capital Notes 3 (other than differences in their respective margins and key dates).

<sup>2</sup> It is likely that a Capital Trigger Event or Non-Viability Trigger Event would occur prior to a Winding Up and Additional Tier 1 Capital securities would have been Converted into Ordinary Shares or otherwise had the rights attaching to them terminated.



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# 3

## REINVESTMENT OFFER FOR WESTPAC TPS HOLDERS

**This Section sets out:**

- 3.1 What are Westpac TPS?**
- 3.2 Westpac TPS redemption**
- 3.3 The Reinvestment Offer**
- 3.4 Options for Westpac TPS holders**
- 3.5 Key differences between Westpac TPS and Westpac Capital Notes 4**
- 3.6 What are the risks associated with the Reinvestment Offer?**
- 3.7 Further information about Westpac TPS and the Reinvestment Offer**

## SECTION 3

# REINVESTMENT OFFER FOR WESTPAC TPS HOLDERS

### 3.1 WHAT ARE WESTPAC TPS?

Westpac TPS are non-cumulative, redeemable, convertible, preferred units in the Westpac TPS Trust (“Trust”). The Trust is a registered managed investment scheme that was established for the purpose of issuing Westpac TPS to retail and institutional investors in Australia and investing the proceeds of Westpac TPS in notes issued by Westpac. The responsible entity of the Trust is Westpac RE Limited (“WREL”), which is a wholly owned subsidiary of Westpac<sup>1</sup>. Westpac TPS trade on ASX under the code “WCTPA”.

### 3.2 WESTPAC TPS REDEMPTION

Under the Westpac TPS Terms, Westpac may elect to initiate a redemption (subject to APRA's prior approval) or conversion to Ordinary Shares of all or some Westpac TPS on the Step-Up Date of 30 June 2016. On 17 May 2016, Westpac initiated the redemption of all Westpac TPS by requiring WREL to issue a redemption notice to Westpac TPS holders in accordance with the Westpac TPS Terms. WREL issued this notice on 17 May 2016.

As a result, Westpac TPS will be redeemed by WREL on 30 June 2016 (in accordance with the Westpac TPS Terms). On that date, Westpac TPS holders will be paid the redemption price of \$100 per Westpac TPS they still hold on 30 June 2016, plus the Final Distribution for each Westpac TPS they still hold on 15 June 2016 (the record date for the Final Distribution). The payment of the Final Distribution is subject to the distribution payment test in the Westpac TPS Terms being satisfied. Upon redemption, all other rights conferred, or restrictions imposed, by Westpac TPS will no longer have effect.

If an Eligible Westpac TPS Holder elects to participate in the Reinvestment Offer, the redemption proceeds of the Westpac TPS they elect to reinvest will be automatically reinvested in Notes (see Sections 3.3 and 3.4 for further details).

### 3.3 THE REINVESTMENT OFFER

The Reinvestment Offer is an opportunity for Eligible Westpac TPS Holders to apply to have the redemption proceeds of some or all of their Westpac TPS (i.e. \$100 per Westpac TPS) automatically reinvested in Notes (as further described in Option 1 in Section 3.4).

To be eligible to participate in the Reinvestment Offer, Westpac TPS holders must:

- be registered holders of Westpac TPS at 7.00pm (Sydney time) on the Reinvestment Offer Record Date, being 10 May 2016; and
- be shown on the Register as having an address in Australia.

Applicants will also need to satisfy the conditions outlined in the section entitled “Restrictions in foreign jurisdictions” on the inside front cover of this Prospectus and in Section 7.13 of this Prospectus.

All Eligible Westpac TPS Holders will be mailed a hard copy of this Prospectus with a personalised Reinvestment Application Form shortly after the Offer opens.

Westpac will give priority to Applications received under the Reinvestment Offer (including Applications made through Syndicate Brokers) when Allocating the Notes. This priority does not apply to Applications for additional Notes by Eligible Westpac TPS Holders (as further described in Option 1 in Section 3.4) and if you apply for additional Notes, you may not receive the full Allocation of additional Notes applied for.

Eligible Westpac TPS Holders who apply to participate in the Reinvestment Offer are taken to agree to a holding lock being placed on those Westpac TPS elected for reinvestment pending completion of the Reinvestment Offer. Once the holding lock has been applied, you will not be able to dispose of or otherwise successfully deal with those Westpac TPS. However, it is your responsibility to ensure that you do not dispose of or otherwise successfully deal with those Westpac TPS.

No brokerage or stamp duty is payable on the reinvestment of Westpac TPS under the Reinvestment Offer, or an Application for additional Notes.

### 3.4 OPTIONS FOR WESTPAC TPS HOLDERS

Eligible Westpac TPS Holders have two options to consider which are described in the table on the following page.

Holders of Westpac TPS who are not eligible to participate in the Reinvestment Offer should refer to Option 2 in the table on the following page.

<sup>1</sup> Westpac Funds Management Limited was the issuer and responsible entity of the Trust when Westpac TPS were issued on 21 June 2006. Effective from the close of business on 23 July 2010, WREL (a wholly owned subsidiary of Westpac) became the responsible entity of the Trust and issuer of Westpac TPS.

## SECTION 3

# REINVESTMENT OFFER FOR WESTPAC TPS HOLDERS

### Options

#### Option 1 Reinvest the redemption proceeds of some or all of your Westpac TPS

If you choose to participate in the Reinvestment Offer only in respect of some of your Westpac TPS, please also refer to Option 2 in respect of any Westpac TPS not reinvested

- Eligible Westpac TPS Holders may apply to participate in the Reinvestment Offer in respect of some or all of their Westpac TPS held on the Reinvestment Offer Record Date. See Section 8.2 for details on how to apply.
- If you choose to reinvest the redemption proceeds of some or all of your Westpac TPS in Notes, you do not need to submit an Application Payment in respect of Westpac TPS being reinvested. Rather, the redemption proceeds of Westpac TPS you elect to reinvest will be automatically applied towards the subscription for Notes.
- Eligible Westpac TPS Holders who apply to reinvest the redemption proceeds of all of their Westpac TPS may also apply for additional Notes. You will need to submit an Application Payment for the additional Notes. See Section 8.2 for details on how to apply.
- If you choose to reinvest the redemption proceeds of some or all of your Westpac TPS in Notes, you will receive the Final Distribution on 30 June 2016 for each Westpac TPS being reinvested, provided the distribution payment test in the Westpac TPS Terms is satisfied. This payment will be made in accordance with your payment instructions recorded on the Westpac TPS Register. You may amend these instructions with the Registrar up to 5.00pm (Sydney time) on 15 June 2016. You will also receive the Final Distribution on 30 June 2016 for any Westpac TPS not reinvested that you hold on 15 June 2016.

#### Option 2 Do not participate in the Reinvestment Offer

- Participation in the Reinvestment Offer is optional for Eligible Westpac TPS Holders.
- If you are:
  - an Eligible Westpac TPS Holder and you have chosen not to participate in the Reinvestment Offer; or
  - an Eligible Westpac TPS Holder and you have elected to participate in the Reinvestment Offer but only in respect of some of your Westpac TPS; or
  - not eligible to participate in the Reinvestment Offer as described on the previous page,
 your Westpac TPS will be redeemed by WREL on 30 June 2016 (in accordance with the Westpac TPS Terms). On that date, you will be paid the redemption price of \$100 per Westpac TPS not reinvested that you still hold on 30 June 2016. You will also be paid the Final Distribution on 30 June 2016 for each Westpac TPS you hold on 15 June 2016. The payment of the Final Distribution is subject to the distribution payment test in the Westpac TPS Terms being satisfied.
 

These payments will be made in accordance with your payment instructions recorded on the Westpac TPS Register. You may amend these instructions with the Registrar up to 5.00pm (Sydney time) on 15 June 2016.
- Holders of Westpac TPS who do not participate in the Reinvestment Offer, who participate in the Reinvestment Offer only in respect of some of their Westpac TPS, or who are not eligible to participate in the Reinvestment Offer, may choose to sell their Westpac TPS on ASX at the prevailing market price, which may be higher or lower than the redemption proceeds of \$100. If you choose to sell your Westpac TPS on ASX, you should contact your broker and sell your Westpac TPS on or before the last day of trading for Westpac TPS, which is expected to be 10 June 2016, after which the Westpac TPS will be suspended from quotation on ASX. You may be required to pay applicable brokerage if you choose to sell Westpac TPS on ASX.

### 3.5 KEY DIFFERENCES BETWEEN WESTPAC TPS AND WESTPAC CAPITAL NOTES 4

There are a number of differences between Westpac TPS and the Notes which you should be aware of before deciding whether to reinvest the redemption proceeds of your Westpac TPS under the Reinvestment Offer.

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

	Westpac Capital Notes 4	Westpac TPS
<b>Issuer</b>	Westpac	WREL as responsible entity of the Westpac TPS Trust <sup>1</sup>
<b>Issue price</b>	\$100 per Note	\$100 per Westpac TPS
<b>ASX code</b>	WBCPG <sup>2</sup>	WCTPA
<b>Legal form</b>	Note issued by Westpac – unsecured subordinated debt obligation	Preferred units in the Trust
<b>Distributions</b>	Discretionary, floating rate, non-cumulative Distributions, payable quarterly in arrear, subject to the satisfaction of the Distribution Payment Conditions	Discretionary, floating rate, non-cumulative distributions, payable quarterly in arrear, subject to the satisfaction of the distribution payment test
<b>Expected to be fully franked</b>	Yes	Yes
<b>Distribution rate</b>	(Margin + 90 day Bank Bill Rate) x (1 – Tax Rate)	(margin + 90 day bank bill rate) x (1 – tax rate)
<b>Margin</b>	Margin is expected to be in the range of 4.90% to 5.10% per annum and will be determined at the end of the Bookbuild	A margin of 1.00% per annum (up to and including 30 June 2016). If Westpac TPS are still on issue on the Step-Up Date of 30 June 2016, the margin will increase to 2.00% per annum for all subsequent distributions
<b>Maturity date</b>	No fixed maturity date but scheduled to Convert into Ordinary Shares on 20 December 2023 (subject to the Scheduled Conversion Conditions)	No fixed maturity date but scheduled to be exchanged for preference shares in Westpac on 30 September 2055
<b>Redemption at the issuer's option (subject to APRA's prior written approval)</b>	Yes, on 20 December 2021, and in certain specified circumstances (as described in Section 2.4)	Yes, at Westpac's option on 30 June 2016 and any distribution payment date after 30 June 2016, and in certain specified circumstances
<b>Potential conversion to Ordinary Shares (other than on a Capital Trigger Event or Non-Viability Trigger Event)</b>	Yes, Scheduled Conversion on 20 December 2023 (as described in Section 2.2), Optional Conversion (as described in Section 2.3) or following an Acquisition Event (as described in Section 2.5), each being subject to certain conditions	Yes, at Westpac's option on 30 June 2016 and any distribution payment date after 30 June 2016, and in certain specified circumstances

<sup>1</sup> Westpac Funds Management Limited was the issuer and responsible entity of the Trust when Westpac TPS were issued on 21 June 2006. Effective from the close of business on 23 July 2010, WREL (a wholly owned subsidiary of Westpac) became the responsible entity of the Trust and issuer of Westpac TPS.

<sup>2</sup> Westpac will apply for the Notes to be quoted on ASX and they are expected to trade under this code.

## SECTION 3

### REINVESTMENT OFFER FOR WESTPAC TPS HOLDERS

#### 3.5 KEY DIFFERENCES BETWEEN WESTPAC TPS AND WESTPAC CAPITAL NOTES 4 (CONTINUED)

	Westpac Capital Notes 4	Westpac TPS
<b>Conversion to Ordinary Shares on a Capital Trigger Event or Non-Viability Trigger Event</b>	Yes. Holders may receive, in the case of a Capital Trigger Event, and are likely to receive, in the case of a Non-Viability Trigger Event, Ordinary Shares that are worth significantly less than the Face Value. However, if a Capital Trigger Event or Non-Viability Trigger Event occurs and Conversion of Notes is not possible, all rights in relation to those Notes will be terminated (and Holders will lose all of the value of their investment and Holders will not receive any compensation or unpaid Distributions) (as described in Section 2.5)	No
<b>Automatic exchange into Westpac preference shares on an automatic exchange event</b>	No	Yes, following an event of default, an APRA event (unless APRA determines otherwise), or if Westpac TPS are still on issue on 30 September 2055
<b>Ranking in Winding Up of Westpac</b>	<p>If Notes are on issue at the time of a Winding Up, they will rank ahead of Ordinary Shares, equally with all Equal Ranking Capital Securities and behind Senior Creditors (including depositors and holders of Westpac's senior or less subordinated debt) of Westpac</p> <p>If Notes have been Converted into Ordinary Shares, Holders will become holders of Ordinary Shares and will rank equally with other holders of Ordinary Shares</p> <p>If Conversion is not possible following a Capital Trigger Event or a Non-Viability Trigger Event, all rights in relation to those Notes will be terminated and the Notes will have no ranking in a Winding Up</p> <p>Refer to Section 2.6</p>	Effectively rank in priority to Ordinary Shares, equally with equal ranking capital securities of Westpac and behind senior creditors (including depositors and holders of Westpac's senior or less subordinated debt) of Westpac

#### 3.6 WHAT ARE THE RISKS ASSOCIATED WITH THE REINVESTMENT OFFER?

The main risks of participating in the Reinvestment Offer are the same risks relating to an investment in Notes and in Westpac. For further information about these risks, see Section 5. These risks should be considered carefully before you apply to reinvest in Notes under the Reinvestment Offer or apply for additional Notes.

#### 3.7 FURTHER INFORMATION ABOUT WESTPAC TPS AND THE REINVESTMENT OFFER

##### 3.7.1 Taxation consequences of the Reinvestment Offer

Section 6 provides information about the general taxation consequences of participating in the Reinvestment Offer.

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

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

If you have elected to apply to reinvest the redemption proceeds of some or all of your Westpac TPS under the Reinvestment Offer or you did not participate in the Reinvestment Offer and the Offer does not proceed, your Westpac TPS will still be redeemed on 30 June 2016 (subject to the Westpac TPS Terms). On redemption, you will receive the redemption proceeds of \$100 per Westpac TPS you still hold on 30 June 2016, plus the Final Distribution for each Westpac TPS you hold on 15 June 2016 (provided the distribution payment test in the Westpac TPS Terms is satisfied).

These payments will be made in accordance with your payment instructions recorded on the Westpac TPS Register. You may amend these instructions with the Registrar up to 5.00pm (Sydney time) on 15 June 2016.

If the Offer does not proceed, any Application Payment in respect of additional Notes will be refunded to you. No interest will be payable on any Application Payment in respect of additional Notes received from Eligible Westpac TPS Holders.

### **3.7.3 What will happen if the redemption of Westpac TPS does not occur as expected?**

If for any reason Westpac TPS are not redeemed as expected on the Step-Up Date of 30 June 2016, the margin on Westpac TPS will increase to 2.00% per annum. Westpac TPS will remain on issue until otherwise dealt with in accordance with the Westpac TPS Terms.

If Westpac TPS remain on issue following 30 June 2016, they will no longer qualify as Additional Tier 1 Capital of Westpac.

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# 4

## ABOUT WESTPAC

**This Section sets out:**

- 4.1 Overview of Westpac's business including summary financial information**
- 4.2 Capital management strategy and capital ratios**
- 4.3 Funding and liquidity**



## SECTION 4

### ABOUT WESTPAC

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

##### 4.1.1 Overview of Westpac's business

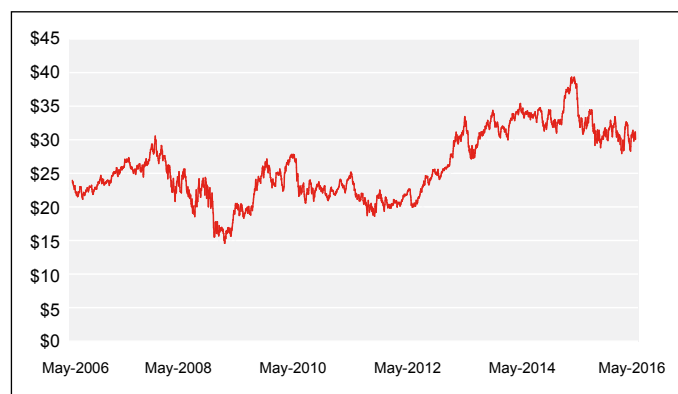
Westpac is one of the four major banking organisations in Australia and one of the largest banking organisations in New Zealand. The Westpac Group provides a broad range of banking and financial services in these markets, including consumer, business and institutional banking and wealth management services.

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

As at 31 March 2016, Westpac and its controlled entities had total assets of approximately \$832 billion. Westpac's Ordinary Shares and certain other securities are quoted on ASX and, as at 12 May 2016, Westpac's Ordinary Share market capitalisation was approximately \$101 billion.

The performance of Ordinary Shares during the period from May 2006 to May 2016 is set out in the graph below.

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



##### 4.1.2 Organisational structure

Westpac's vision is 'To be one of the world's great service companies, helping our customers, communities and people to prosper and grow'.

In supporting its vision, the Westpac Group operates five primary customer facing divisions organised to accelerate the Westpac Group's customer focused strategy by better aligning Westpac's business with key customer segments.

The five primary divisions are: Consumer Bank ("CB"), Business Bank ("BB"), BT Financial Group (Australia) ("BTFG"), Westpac Institutional Bank ("WIB") and Westpac New Zealand.

Through these five divisions Westpac serves over 13 million customers.

**Consumer Bank** is responsible for sales and service to consumer customers in Australia under the Westpac, St.George, BankSA, Bank of Melbourne and RAMS brands. Activities are conducted through a dedicated team of specialist consumer bankers along with an extensive network of branches, call centres and ATMs. Customers are also supported by a range of internet and mobile banking solutions. Through its network of branches, CB also assists with the provision of banking services to small business and commercial customers. In addition, CB works in an integrated way with BTFG and WIB in the sales and service of select financial services and products including in wealth and foreign exchange.

**Business Bank** is responsible for sales and service to micro, small-to-medium enterprise and commercial business customers for facilities up to approximately \$150 million. The division operates under the Westpac, St.George, BankSA and Bank of Melbourne brands. Customers are provided with a wide range of banking and financial products and services to support their lending, payments and transaction needs. In addition, specialist services are provided for cash flow finance, trade finance, automotive and equipment finance, property finance and treasury services. The division is also responsible for consumer customers with auto finance loans. BB works in an integrated way with BTFG and WIB in the sales and service of select financial services and products including corporate superannuation, foreign exchange and interest rate hedging. Through its network of branches, CB supports the provision of banking services to small business and commercial customers.

**BT Financial Group (Australia)** is the wealth management and insurance arm of the Westpac Group providing a broad range of associated services. BTFG's funds management operations include the manufacturing and distribution of investment, superannuation, retirement products, wealth administration platforms, private banking, margin lending and equities broking. BTFG's insurance business covers the manufacturing and distribution of life, general and lenders mortgage insurance. The division also uses third parties for the manufacture of certain general insurance products as well as actively reinsuring its risk using external providers. BTFG operates a range of wealth, funds management, and financial advice brands and operates under the banking brands

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

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## SECTION 4

### ABOUT WESTPAC

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of Westpac, St.George, Bank of Melbourne and BankSA for Private Wealth and Insurance. BT Investment Management Limited is 31% owned by BTFG (following a partial sale in 2015) with the business being equity accounted from July 2015. BTFG works in an integrated way with all the Westpac Group's Australian divisions in supporting the insurance and wealth needs of customers.

**Westpac Institutional Bank** delivers a broad range of financial products and services to commercial, corporate, institutional and government customers in Australia. The division also supports selected international customers who typically have connections to Australia and New Zealand. WIB operates through dedicated industry relationship and specialist product teams, with expert knowledge in transactional banking, financial and debt capital markets, specialised capital and alternative investment solutions. Customers are supported throughout Australia as well as through branches and subsidiaries in the US, UK, Asia and New Zealand. WIB is also responsible for Westpac Pacific, currently providing a range of banking services in Fiji, PNG and Vanuatu. WIB works in an integrated way with all the Westpac Group's divisions in the provision of financial markets solutions.

**Westpac New Zealand** is responsible for the sales and service of banking, wealth and insurance products for consumers, business and institutional customers in New Zealand. Westpac conducts its New Zealand banking business through two banks: Westpac New Zealand Limited, which is incorporated in New Zealand, and Westpac Banking Corporation (NZ Division), a branch of Westpac, which is incorporated in Australia. The division operates via an extensive network of branches and ATMs across both the North and South Islands. Business and institutional customers are also served through relationship and specialist product teams. Banking products are provided under the Westpac brand while insurance and wealth products are provided under Westpac Life and BT brands, respectively. New Zealand also has local infrastructure, including technology, operations and treasury.

Other divisions in the Westpac Group include:

- Treasury, the primary focus of which is the management of the Westpac Group's interest rate risk and funding requirements by managing the mismatch between the Westpac Group's assets and liabilities.
- Customer & Business Services, which encompasses banking operations, customer contact centres, product marketing, compliance, legal and property services.
- Group Technology, which comprises functions responsible for technology strategy and architecture, infrastructure and operations, applications development and business integration.
- Core Support, which comprises those functions performed centrally including finance, risk and human resources.

## SECTION 4

### ABOUT WESTPAC

#### 4.1.3 Consolidated Income Statement and selected financial information<sup>1</sup>

	Reported 31 March 2015 \$m	Reported 31 March 2016 \$m
Interest income	16,531	16,000
Interest expense	(9,547)	(8,523)
Net interest income	6,984	7,477
Non-interest income	3,013	2,996
Net operating income before operating expenses and impairment charges	9,997	10,473
Operating expenses	(4,410)	(4,568)
Impairment charges	(341)	(667)
<b>Profit before income tax</b>	5,246	5,238
Income tax expense	(1,604)	(1,528)
<b>Net profit for the period</b>	3,642	3,710
Net profit attributable to non-controlling interests	(33)	(9)
<b>Net profit attributable to owners of Westpac Banking Corporation</b>	3,609	3,701
<b>Selected financial information</b>		
Expense to income ratio	44.1%	43.6%
Statutory earnings per Ordinary Share — basic (cents)	115.5	112.3
Ordinary Dividends per Ordinary Share (cents)	93	94

<sup>1</sup> The consolidated income statement has been derived from Westpac's unaudited interim financial report as at and for the half year ended 31 March 2016.

## SECTION 4

### ABOUT WESTPAC

#### 4.1.4 Consolidated Balance Sheet and unaudited pro-forma Consolidated Balance Sheet<sup>1</sup>

	Reported 30 September 2015 \$m	Reported 31 March 2016 \$m	Pro-forma Adjustments \$m	Pro-forma 31 March 2016 \$m
<b>Assets</b>				
Cash and balances with central banks	14,770	18,811	(24)	18,787
Receivables due from other financial institutions	9,583	13,503		13,503
Trading securities, other financial assets designated at fair value and available-for-sale securities	82,287	84,331		84,331
Derivative financial instruments	48,173	39,199		39,199
Loans	623,316	640,687		640,687
Life insurance assets	13,125	13,540		13,540
Other assets	20,902	21,689		21,689
<b>Total assets</b>	<b>812,156</b>	<b>831,760</b>	<b>(24)</b>	<b>831,736</b>
<b>Liabilities</b>				
Payables due to other financial institutions	18,731	21,205		21,205
Deposits and other borrowings	475,328	494,246		494,246
Other financial liabilities at fair value through income statement	9,226	7,172		7,172
Derivative financial instruments	48,304	51,230		51,230
Debt issues	171,054	165,065		165,065
Life insurance liabilities	11,559	11,875		11,875
Other liabilities	10,199	9,969		9,969
<b>Total liabilities excluding loan capital</b>	<b>744,401</b>	<b>760,762</b>		<b>760,762</b>
Loan capital	13,840	13,017	739	13,756
<b>Total liabilities</b>	<b>758,241</b>	<b>773,779</b>	<b>739</b>	<b>774,518</b>
<b>Net assets</b>	<b>53,915</b>	<b>57,981</b>	<b>(763)</b>	<b>57,218</b>
<b>Shareholders' equity</b>				
Total equity attributable to owners of Westpac Banking Corporation	53,098	57,171	(8) <sup>2</sup>	57,163
Non-controlling interests	817	810	(755) <sup>3</sup>	55
<b>Total shareholders' equity and non-controlling interests</b>	<b>53,915</b>	<b>57,981</b>	<b>(763)</b>	<b>57,218</b>

#### Impact of the issue of the Westpac Capital Notes 4 on Westpac's consolidated balance sheet

The unaudited pro-forma balance sheet shows the adjustments that would be made to Westpac's unaudited consolidated balance sheet as at 31 March 2016, assuming:

- an issue of \$750 million of Notes, less Offer costs of \$11 million<sup>4</sup>; and
- the redemption of \$763 million of Westpac TPS.

The impact of the pro-forma adjustments show a decrease in Westpac's net assets and shareholders' equity of \$763 million. This decrease arises due to the replacement of Westpac TPS which are recognised in non-controlling interests, a component of shareholders' equity, with the Notes which will be recognised as financial liabilities. The Offer will not have a material impact on Westpac's financial position.

The anticipated proceeds received under the Offer will be used by Westpac for general business purposes.

<sup>1</sup> The consolidated balance sheet has been derived from Westpac's unaudited interim financial report as at and for the half year ended 31 March 2016.

<sup>2</sup> \$8 million of Westpac TPS offer costs will be reclassified to retained earnings on the redemption of Westpac TPS.

<sup>3</sup> \$763 million of Westpac TPS, less offer costs of \$8 million, are recognised in shareholders' equity (non-controlling interests). On 17 May 2016, Westpac initiated the redemption of all Westpac TPS in accordance with the Westpac TPS Terms. It is expected that \$763 million of Westpac TPS will be redeemed on 30 June 2016.

<sup>4</sup> Westpac may raise more or less than \$750 million under the Offer and these figures will be impacted accordingly.

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

Capital and Leverage ratios (Level 2)	Reported 31 March 2016	Pro-forma Adjustments	Pro-forma 31 March 2016
Common Equity Tier 1 Capital Ratio	10.5%	-	10.5%
Additional Tier 1 Capital Ratio	1.6%	-	1.6%
Tier 1 Capital Ratio	12.1%	-	12.1%
Tier 2 Capital Ratio	1.9%	-	1.9%
Total Capital Ratio	14.0%	-	14.0%
Leverage Ratio	5.0%	-	5.0%

#### Impact of the issue of the Westpac Capital Notes 4 on Westpac's Level 2 capital adequacy position

The reported Level 2 capital adequacy position of Westpac as at 31 March 2016 is set out in the above table. The reported Level 2 capital adequacy position of Westpac is discussed in Section 4.2.6.

The table also shows the unaudited pro-forma capital adequacy position (Level 2) as at 31 March 2016 assuming the following pro-forma adjustments:

- the issue of \$750 million of Notes, less Offer costs of \$11 million, which increases the pro-forma Tier 1 Capital Ratio by 0.2%<sup>1</sup>; and
- the redemption of \$763 million of Westpac TPS which reduces the pro-forma Tier 1 Capital Ratio by 0.2%.

The pro-forma ratios remain unchanged as the total impact of the pro-forma adjustments are less than 0.01%.

Westpac's Level 2 Common Equity Tier 1 Capital Ratio of 10.5% is above its preferred range of 8.75% to 9.25% (see Section 4.2.3 and 4.2.5) as the Westpac Group has raised capital ahead of the increase in risk weighted assets ("RWA") for Australian residential mortgages related to a revised correlation factor (effective 1 July 2016) and Westpac's initial estimated impact of modelling updates to reflect changes in the reporting of mortgage hardship. If these requirements were in force as at 31 March 2016, the estimated impact would reduce Westpac's Level 2 Common Equity Tier 1 Capital Ratio by 1.3%. The impact on RWA of the mortgage hardship changes is subject to ongoing consultation with and approval by APRA.

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

<sup>1</sup> Westpac may raise more or less than \$750 million under the Offer and these figures will be impacted accordingly.

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## SECTION 4

### ABOUT WESTPAC

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#### 4.2 CAPITAL MANAGEMENT STRATEGY AND CAPITAL RATIOS

##### 4.2.1 Capital adequacy

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

APRA’s Prudential Standards aim to ensure that ADIs remain adequately capitalised to support the risks associated with their activities and to generally protect Australian depositors.

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

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

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

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

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

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

Total Capital is the sum of Tier 1 Capital and Tier 2 Capital. Tier 2 Capital includes other components of capital that, to varying degrees, do not meet the criteria for Tier 1 Capital, but nonetheless contribute to the overall strength of an ADI and its capacity to absorb losses.

APRA’s Basel III Prudential Standards require Australian banks (including Westpac) to maintain minimum ratios of capital to RWA at Level 1 and Level 2 of at least 4.5% Common Equity Tier 1 Capital, 6% Tier 1 Capital and 8% Total Capital. APRA also requires ADIs, including Westpac, to meet prudential capital ratios (“PCRs”) which may be above the minimum capital ratios. APRA does not allow the PCRs to be disclosed.

From 1 January 2016, APRA required Australian banks to hold capital buffers above minimum capital requirements at Level 1 and Level 2. At 31 March 2016, the capital conservation buffer (“CCB”) applicable to Westpac equals 3.5% of RWA, and includes a 2.5% base requirement and 1% surcharge for Domestic Systemically Important Banks (“D-SIB”)¹.

At APRA’s discretion, a further countercyclical buffer of between 0% and 2.5% of RWA may be applied². The countercyclical buffer requirement is currently set to zero for Australia and New Zealand³.

APRA has indicated its intent to introduce a minimum leverage ratio requirement, but has yet to prescribe any minimum requirement at this time. From 1 July 2015, APRA has required select ADIs, including Westpac, to disclose their leverage ratio on a quarterly basis.

1 The CCB is to be met wholly by Common Equity Tier 1 Capital.

2 Operating as an extension of the CCB and met wholly by Common Equity Tier 1 Capital. ADIs will be notified of any decision to set, or increase, the level of the countercyclical buffer up to 12 months before the date from which it applies.

3 The countercyclical buffer has been activated in other jurisdictions where Westpac has credit exposure. Westpac’s countercyclical buffer requirement resulting from these exposures is less than 0.01% at 31 March 2016.



## 4.2.2 Capital regulatory developments

### Financial System Inquiry (“FSI”) recommendations

The FSI has made four key recommendations relating to capital:

- Australian bank capital ratios should be in the top quartile of global peers to demonstrate the banks are ‘unquestionably strong.’ APRA expects to set out how an unquestionably strong framework will be achieved by the end of 2016 taking into consideration the evolving international regulatory framework (discussed below);
- Increase mortgage risk weights for Advanced Internal-Ratings Based (“**IRB**”) banks to narrow the differences in mortgage capital requirements between Advanced IRB and Standardised banks. In response, APRA announced an interim change to how RWA will be calculated on Australian residential mortgages for banks that use the Advanced IRB approach to credit risk. The outcome of this change is expected to lead to the ratio of mortgage RWA to mortgage exposures for the Westpac Group to increase to approximately 25%, effective from 1 July 2016. Westpac has raised capital in anticipation of this change. See Section 4.2.5;
- The implementation of a framework for minimum loss absorbing and recapitalisation capacity sufficient to facilitate the orderly resolution of an ADI and minimise taxpayer support, in line with emerging international practice; and
- Introduction of a leverage ratio that acts as a backstop to ADIs’ risk-based capital requirements. See Section 4.2.1.

### International regulatory reforms

#### *Reform of the risk-based capital framework*

The BCBS recently released two consultation papers related to the risk based capital framework. The first was released in December 2015, which put forward possible amendments to the Standardised Approach for Credit Risk and the second was released in March 2016, which proposed constraints on the use of internal models for the calculation of RWA.

In March 2016, the BCBS also released a consultation paper covering the standardised measurement approach for operational risk. This paper proposed the removal of internal model approaches to measure operational risk capital and the replacement of these with a revised framework based on the proposed standardised measurement approach. The revised standards for the minimum capital requirements for market risk were released by the BCBS in January 2016.

In combination, reforms to the risk-based capital framework are intended to improve the consistency and comparability of bank capital ratios. However, finalisation of the remaining BCBS changes is not expected before the end of 2016.

#### *Increased loss absorbency*

In November 2015, the Financial Stability Board (“**FSB**”) released its “Principles on Loss-absorbing and Recapitalisation Capacity of G-SIBs in Resolution” and “TLAC Term

Sheet”. These outlined the minimum loss absorbing and recapitalisation capacity requirements for Globally Systemically Important Banks (“**G-SIB**”) with requirements to be phased-in from 2019. The new rules form part of the G20’s initiatives aimed at ‘Ending too-big-to-fail’ and ensuring that the resolution of a failing G-SIB can be carried out without causing systemic disruption or resorting to taxpayer support.

#### *Leverage ratio*

The Basel III capital framework also introduced a leverage ratio requirement. The BCBS proposes that introducing a simple, non-risk based leverage ratio requirement would act as a credible supplementary measure to the risk-based capital requirements.

In April 2016, the BCBS published a consultation paper regarding additional requirements for G-SIBs while confirming a minimum leverage ratio of 3% as a Pillar 1 requirement from January 2018.

### APRA’s response to regulatory reforms

APRA will be responsible for responding to the FSI recommendations and interpreting international regulatory reforms to Australia’s circumstances. The final outcomes will depend on APRA’s implementation and remain uncertain at this time.

APRA has broadly indicated that for risk based capital “... 2016 is the year for finalising the international framework, 2017 will be the year for consultation on its domestic application having regard to the FSI, and 2018 will be the year for implementation”.

APRA has also indicated that it expects to begin consultation on a domestic Total Loss Absorbing Capacity (“**TLAC**”) framework during 2016, taking into consideration the global implementation of the TLAC framework.

## 4.2.3 Capital management strategy

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

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



## SECTION 4

### ABOUT WESTPAC

#### Westpac's preferred capital range

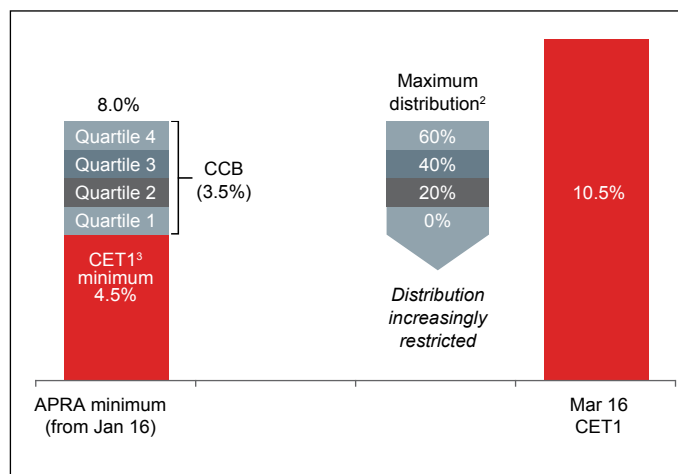
Westpac's preferred range for its Common Equity Tier 1 Capital Ratio is 8.75% to 9.25%. This preferred range takes into consideration:

- current regulatory minimums;
- the CCB (including Westpac's D-SIB surcharge) which came into effect on 1 January 2016;
- stress testing to calibrate an appropriate buffer against a downturn; and
- quarterly volatility of capital ratios under Basel III due to the half yearly cycle of dividend payments.

#### 4.2.4 Capital Conservation Buffer

Westpac's preferred range for its Common Equity Tier 1 Capital Ratio is calibrated to provide a buffer above the sum of the 4.5% minimum Common Equity Tier 1 Capital requirement and 3.5% CCB, which together total 8% of RWA<sup>1</sup>. Should Westpac's Common Equity Tier 1 Capital Ratios fall below 8%, restrictions on the distribution of earnings will apply. In addition, the percentage of earnings that can be distributed decreases as Westpac's Common Equity Tier 1 Capital Ratio reduces below 8%, as illustrated in the graph below. Distributions for this purpose are defined as payment of dividends on Ordinary Shares, discretionary bonuses and distributions on Additional Tier 1 Capital securities.

#### Capital Conservation Buffer Restrictions



If Westpac's Level 1 or Level 2 Common Equity Tier 1 Capital Ratios fall below 8%, distributions on Additional Tier 1 Capital securities such as the Notes may not be paid in full.

Under the Terms, if a Distribution has not been paid in full for a relevant Distribution Payment Date, then until a Distribution is paid in full on a subsequent Distribution Payment Date (or all Notes are Converted, Redeemed or terminated) Westpac must not:

- determine or pay any Dividends on its Ordinary Shares; or
- undertake any discretionary Buy Back or Capital Reduction,

unless the amount of the unpaid Distribution is paid in full within 20 Business Days (and in certain other limited circumstances).

However, it is expected that Westpac would give priority to distributions on Additional Tier 1 Capital securities (including Notes) over other distributions to enable the payment of dividends on Ordinary Shares.

Other Additional Tier 1 Capital securities within the Westpac Group include similar restrictions if distributions on those securities are not paid in full.

#### 4.2.5 Common Equity Tier 1 Capital Ratio and Australian Residential Mortgage RWA Changes

Westpac's reported Common Equity Tier 1 Capital Ratio at 31 March 2016 was 10.5% on a Level 2 basis, and 10.8% on a Level 1 basis. These capital ratios are above Westpac's preferred range as Westpac has raised Common Equity Tier 1 Capital ahead of changes that increase RWA for Australian residential mortgages related to a revised correlation factor (effective 1 July 2016) and Westpac's initial estimated impact of modelling updates to reflect changes in the reporting of mortgage hardship. If these requirements had been in force as at 31 March 2016, Westpac's Level 2 Common Equity Tier 1 Capital Ratio would reduce by approximately 1.3% to 9.2% and would be at the upper end of the preferred range of 8.75% to 9.25%. The impact on RWA of the mortgage hardship changes is subject to ongoing consultation with and approval by APRA.

#### 4.2.6 Common Equity Tier 1 Capital Ratio and the Notes

Under the Terms, the Notes include certain loss absorption requirements required by APRA, such as Conversion of the Notes into Ordinary Shares or the termination of Holders' rights when Westpac's Common Equity Tier 1 Capital Ratio falls to or below a certain threshold – see Sections 2.5.7 and 5.1.7 for a discussion on the Capital Trigger Event. A Capital Trigger Event may occur if Westpac's Common Equity Tier 1 Capital Ratio declines to (or falls below) 5.125%, on either a Level 1 or Level 2 basis, as defined by APRA.

The table on the following page shows Westpac's Common Equity Tier 1 Capital surplus above the Capital Trigger Event level of 5.125%. Westpac's reported Level 2 Common Equity Tier 1 Capital Ratio of 10.5% at 31 March 2016 equates to a surplus of \$19.4 billion above the Capital Trigger Event level of 5.125%.

If the increase in RWA for Australian residential mortgages and Westpac's initial estimated impact of modelling updates to reflect changes in the reporting of mortgage hardship were in force as at 31 March 2016, Westpac's Level 2 Common Equity Tier 1 Capital Ratio of 9.2% would equate to a surplus of approximately \$16.8 billion above the Capital Trigger Event level of 5.125%. The impact on RWA of the mortgage hardship changes is subject to ongoing consultation with and approval by APRA.

<sup>1</sup> The countercyclical buffer requirement is currently set to zero in Australia and New Zealand. The countercyclical buffer has been activated in other jurisdictions where Westpac has credit exposure. Westpac's countercyclical buffer requirement resulting from these exposures is currently less than 0.01%.

<sup>2</sup> The maximum distribution is expressed as a percentage of earnings.

<sup>3</sup> "CET1" means Common Equity Tier 1 Capital.

## Westpac's Common Equity Tier 1 Capital surplus above the Capital Trigger Event level (Level 2)

	Reported 31 March 2015	Reported 30 September 2015	Reported 31 March 2016
Common Equity Tier 1 Capital (%)	8.8%	9.5%	10.5%
Common Equity Tier 1 Capital (\$bn)	30.4	34.1	38.0
Surplus (%) above Capital Trigger Event level of 5.125%	3.6%	4.4%	5.3%
Surplus (\$bn) above Capital Trigger Event level of 5.125%	12.6	15.7	19.4

Westpac's reported Level 1 Common Equity Tier 1 Capital Ratio at 31 March 2016 of 10.8% equates to a surplus of \$18.9 billion of Common Equity Tier 1 Capital above the Capital Trigger Event level of 5.125%. If the increase in RWA for Australian residential mortgages and Westpac's initial estimated impact of modelling updates to reflect changes in the reporting of mortgage hardship were in force at 31 March 2016, Westpac's Level 1 Common Equity Tier 1 Capital Ratio would reduce by approximately 1.4% to 9.4% and would equate to a surplus of approximately \$16.3 billion above the Capital Trigger Event level of 5.125%. The impact on RWA of the mortgage hardship changes is subject to ongoing consultation with and approval by APRA.

Differences between Westpac's Level 1 and Level 2 Common Equity Tier 1 Capital Ratios relate principally to the level of capital held by, and RWA of, offshore banking subsidiaries. Westpac expects its Level 1 and Level 2 capital ratios to move in a similar way over time, based on Westpac's current capital management policy for Westpac subsidiaries which assumes surplus capital is repatriated from subsidiaries (subject to subsidiary board and overseas regulatory approvals).

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

## 4.3 FUNDING AND LIQUIDITY

### 4.3.1 Funding

The Westpac Group monitors the composition and stability of its funding so that it remains within the Westpac Group's funding risk appetite. This includes targeting a stable funding ratio ("SFR") of greater than 75%. Stable funding includes customer deposits, wholesale term funding with residual contractual maturity greater than 12 months, securitisation and equity.

The Westpac Group's SFR at 31 March 2016 was 83.3%.

At 31 March 2016, the proportion of the Westpac Group's total funding sourced from customer deposits was 60%, from equity was 7.8%, from securitisation was 1.4%, and from long term funding with a residual maturity greater than one year was 14.1%.

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

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

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## SECTION 4

### ABOUT WESTPAC

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#### 4.3.2 Liquidity

The Westpac Group has a liquidity risk management framework designed with the objective of meeting cash flow obligations under a wide range of market conditions, including name specific and market-wide stress scenarios as well as meeting the requirements of the Liquidity Coverage Ratio (“**LCR**”).

##### Liquid Assets

The Group holds a portfolio of liquid assets. These assets are unencumbered and eligible to be used as collateral for repurchase agreements with the Reserve Bank of Australia (“**RBA**”) or other central banks. As at 31 March 2016, Westpac held in total \$138.5 billion in liquid assets. At 31 March 2016 the portfolio comprised:

- \$66.9 billion of cash, deposits at central banks, government and semi-government bonds;
- \$13.8 billion of repo-eligible private securities; and
- \$57.8 billion of self-originated AAA rated mortgage backed securities, which are eligible collateral for repurchase agreements with the RBA or the Reserve Bank of New Zealand.

##### LCR

The LCR requires banks to hold sufficient high-quality liquid assets, as defined by APRA, to withstand 30 days under a regulator-defined acute stress scenario. Given the limited amount of Government debt in Australia, the RBA, jointly with APRA, has made available to ADIs a Committed Liquidity Facility (“**CLF**”). Subject to the satisfaction of qualifying conditions, the CLF can be accessed to help meet the LCR requirement. In order to have access to a CLF, ADIs are required to pay a fee of 15 basis points (0.15%) per annum to the RBA on the approved facility. Westpac has received approval from APRA for a CLF of \$58.6 billion for the 2016 calendar year.

Westpac maintains a buffer over the regulatory minimum of 100%. The Westpac Group’s LCR as at 31 March 2016, including the CLF of \$58.6 billion, was 127%.

##### Net Stable Funding Ratio

The Westpac Group will be required to maintain a Net Stable Funding Ratio (“**NSFR**”), designed to encourage longer-term funding resilience, of at least 100% when it comes into effect on 1 January 2018. APRA released a discussion paper on the implementation of the NSFR on 31 March 2016 and intends to issue a revised draft of the APRA liquidity standard APS 210 by the end of 2016. Westpac is taking steps to comply with the NSFR from 1 January 2018.

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# 5

## INVESTMENT RISKS

**This Section sets out:**

- 5.1 Investment risks relating to the Westpac Capital Notes 4**
- 5.2 Investment risks relating to Westpac**

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## SECTION 5

### INVESTMENT RISKS

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Before applying for Notes, you should consider whether the Notes are a suitable investment for you. There are risks associated with an investment in the Notes, many of which are outside the control of Westpac. These risks include those in this Section 5 and other matters referred to in this Prospectus. You should carefully consider the risks described and the other information in this Prospectus before investing in Notes. 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 Notes or Westpac.

#### 5.1 INVESTMENT RISKS RELATING TO THE WESTPAC CAPITAL NOTES 4

Set out in this Section 5.1 are risks associated specifically with an investment in the Notes. In particular, these risks arise from the nature of the Notes and the Westpac Capital Notes 4 Terms. You should also consider the other risks in Section 5.2 as they relate to Westpac.

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

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

##### 5.1.2 Market price of the Notes may fluctuate

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

- Australian and international general conditions (including inflation rates, 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;
- operating results of Westpac that vary from expectations of securities analysts and investors;
- changes in expectations as to Westpac's future financial performance, including financial estimates by securities analysts and investors;
- changes in market valuations of other financial services institutions;
- announcement of acquisitions, strategic partnerships, joint ventures or capital commitments by Westpac or its competitors;
- changes in the market price of Ordinary Shares and/or other debt securities or other Capital Securities issued by Westpac or by other issuers;

- the occurrence or increase in the likelihood of the occurrence of a Capital Trigger Event or a Non-Viability Trigger Event; and
- other major Australian and international events such as hostilities and tensions, and acts of terrorism.

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

##### 5.1.3 The liquidity of the Notes may be low

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

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

##### 5.1.4 Distributions may not be paid

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

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

Since 1 January 2016, restrictions on the proportion of earnings that can be paid through dividends, Additional Tier 1 Capital distributions and discretionary staff bonuses apply if Westpac's Common Equity Tier 1 Capital Ratios fall into the CCB, which is set at a level in accordance with the Prudential Standards. For example, if Westpac's Common Equity Tier 1 Capital Ratios fall within the CCB (as more fully described in Sections 4.2.1 and 4.2.4), this may result in a Distribution Payment Condition not being satisfied.

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

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

However, if a Distribution has not been paid in full for a relevant Distribution Payment Date, then until a Distribution is paid in full on a subsequent Distribution Payment Date (or all Notes are Converted, Redeemed or terminated) Westpac must not:

- determine or pay any Dividends on its Ordinary Shares; or
- undertake any discretionary Buy Back or Capital Reduction,



unless the amount of the unpaid Distribution is paid in full within 20 Business Days (and in certain other limited circumstances).

However, it is expected that Westpac would give priority to distributions on Additional Tier 1 Capital securities (including Notes) over other distributions to enable the payment of dividends on Ordinary Shares.

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

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

If distribution restrictions for another security apply to payments on the Notes, Westpac may not be able to pay Distributions when scheduled to do so under the Westpac Capital Notes 4 Terms and may not be able to Redeem Notes. Westpac is not restricted from issuing other securities of this kind or agreeing in the terms of issue of other securities additional or different payment tests or distribution restrictions – see also Section 5.1.24.

### 5.1.5 Changes in the Distribution Rate

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

Refer to the graph in Section 2.1.6 to see the movements in the 90 day Bank Bill Rate over the last 10 years.

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

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

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

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

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

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

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

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

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

Westpac has frameworks in place to manage capital, funding and liquidity risk to lower the risk of experiencing financial difficulty. Refer to Section 4.2.6 for further details regarding the surplus of Common Equity Tier 1 Capital above the Capital Trigger Event level of 5.125%.

Differences between Westpac's Level 1 and Level 2 Common Equity Tier 1 Capital relate principally to the level of capital held by, and risk weighted assets of, offshore banking subsidiaries. Westpac expects its Level 1 and Level 2 capital ratios to move in a similar way over time based on Westpac's current capital management policy for Westpac subsidiaries.

### 5.1.7 Conversion following a Capital Trigger Event or Non-Viability Trigger Event

Upon the occurrence of a Capital Trigger Event or Non-Viability Trigger Event, all or some of the Notes (or a percentage of the Face Value of each Note), will Convert into the Conversion Number of Ordinary Shares based on the VWAP during the 5 Business Days prior to but not including the Capital Trigger Event Conversion Date or Non-Viability Trigger Event Conversion Date.

If a Non-Viability Trigger Event occurs because APRA has determined that without a public sector injection of capital, or other public sector support, Westpac would become non-viable, then Westpac must Convert all of the Notes.

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## SECTION 5

### INVESTMENT RISKS

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Conversion following a Capital Trigger Event or Non-Viability Trigger Event is not subject to the Scheduled Conversion Conditions being satisfied and Holders will receive the Conversion Number of Ordinary Shares on the Conversion Date, which will not exceed the Maximum Conversion Number.

#### Maximum Conversion Number

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

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

The Maximum Conversion Number may be adjusted to reflect a consolidation, division or reclassification, or pro rata bonus issue, of Ordinary Shares. However, no adjustment will be made to it on account of other transactions which may affect the price of Ordinary Shares, including for example, rights issues, returns of capital, buy-backs or special dividends. The Westpac Capital Notes 4 Terms do not limit the transactions that Westpac may undertake with respect to its share capital and any such action may increase the risk that Holders receive only the Maximum Conversion Number and so adversely affect the position of Holders.

#### Order of Conversion of Relevant Securities

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

- first, Westpac will convert or write down such number or amount of the face value of any other Relevant Securities whose terms require them to be converted or written down before Conversion of the Notes as is necessary to return either or both Westpac's Level 1 Common Equity Tier 1 Capital Ratio or Westpac's Level 2 Common Equity Tier 1 Capital Ratio, as the case may be, to above 5.125% or satisfy APRA that Westpac will no longer be non-viable; and
- second, if conversion or write down of those Relevant Securities is not sufficient, Westpac will Convert the Notes and/or convert or write down other Relevant Securities, on a pro-rata basis or in a manner that is otherwise, in the opinion of Westpac, fair and reasonable, the Face Value of the Notes and the face value of any Relevant Securities whose terms require or permit them to be converted or written down in that manner (subject to such adjustments as Westpac may determine to take into account the effect on marketable parcels and whole numbers of Ordinary Shares and any Notes or Relevant Securities remaining on issue), but such determination will not impede the

immediate Conversion of the relevant number of Notes or percentage of the Face Value of each Note (as the case may be), or, if applicable, termination of the relevant Holders' rights and claims.

However, Westpac has no obligation to have or maintain on issue any Relevant Securities (and does not, and may never, have on issue Relevant Securities) which are required to be converted or written down ahead of Notes and Westpac gives no assurance that there will be any such instruments on issue at the time at which the Notes may be required to be Converted.

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

Westpac expects that any ASX purchase or sale transactions in Notes that have not settled on the date a Capital Trigger Event or Non-Viability Trigger Event occurs will continue to settle in accordance with the normal ASX T+2 settlement, although Westpac expects that the seller will be treated as having delivered, and the buyer will be treated as having acquired, the number of Ordinary Shares into which the Notes have been Converted as a result of the occurrence of the Capital Trigger Event or Non-Viability Trigger Event.

#### Ordinary Shares

The Ordinary Shares issued on Conversion may not be listed. Westpac's Ordinary Shares may not have been listed for some period of time, for example, if Westpac is acquired by another entity and delisted. The price of Ordinary Shares and the ability to trade them may be affected if not listed.

The Ordinary Shares may not be able to be sold at prices representing their value based on the VWAP. In particular, the VWAP prices will be based on trading days which occur before the Capital Trigger Event or Non-Viability Trigger Event.

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



### 5.1.8 Termination of rights where Conversion does not occur following a Capital Trigger Event or Non-Viability Trigger Event

If for any reason Conversion of Notes does not occur (for example due to applicable laws, order of a court or action of any government authority) and the Ordinary Shares are not issued for any reason by 5.00pm on the fifth Business Day following a Capital Trigger Event or Non-Viability Trigger Event, then:

- those Notes will not be Converted in respect of such Capital Trigger Event or Non-Viability Trigger Event (as the case may be) and will not be Converted, Redeemed or Transferred on any subsequent date; and
- all rights in relation to those Notes will be terminated, and Holders will lose all of the value of their investment and they will not receive any compensation or unpaid Distributions.

### 5.1.9 Ranking of the Notes

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

- ahead of Ordinary Shares;
- equally with all Equal Ranking Capital Securities which at the Issue Date, would include Westpac CPS, Westpac Capital Notes, Westpac Capital Notes 2 and Westpac Capital Notes 3; and
- behind Senior Creditors.

If, in a Winding Up, the Notes have not been Converted, Redeemed, or Transferred, Holders will be entitled to be paid the Liquidation Sum at the commencement of the Winding Up (or if less actual cash is available to Westpac for distribution to Holders, a proportionate share of that cash). The Liquidation Sum is an amount of surplus assets equal to \$100 (as adjusted for a Conversion under clauses 5.2 or 5.4 of the Westpac Capital Notes 4 Terms or termination of rights under clause 5.8 of the Westpac Capital Notes 4 Terms).

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

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

Where a Capital Trigger Event or Non-Viability Trigger Event occurs, the ranking of Notes in a Winding Up will be adversely affected.

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

If for any reason Conversion of Notes does not occur following one of these events (for example due to applicable laws, order of a court or action of any government authority) and the

Ordinary Shares are not issued for any reason by 5.00pm on the fifth Business Day following such an event, then:

- those Notes will not be Converted in respect of such Capital Trigger Event or Non-Viability Trigger Event (as the case may be) and will not be Converted, Redeemed or Transferred on any subsequent date; and
- all rights in relation to those Notes will be terminated, and Holders will lose all of the value of their investment and they will not receive any compensation or unpaid Distributions. In these circumstances, the Notes will have no ranking in a Winding Up.

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

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

On the Scheduled Conversion Date Holders will receive Ordinary Shares issued by Westpac subject to the satisfaction of the Scheduled Conversion Conditions. Furthermore, Notes will Convert into Ordinary Shares prior to the Scheduled Conversion Date in certain specified circumstances – see Sections 2.3 and 2.5.

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

### 5.1.11 Changes to credit rating

Any credit rating assigned to the Notes or other Westpac securities could be reviewed, suspended, withdrawn or downgraded. Credit rating agencies may withdraw, revise or suspend credit ratings or change the methodology by which securities are rated at any time. Any revisions and any other changes could adversely affect the market price and liquidity of the Notes or other Westpac securities.

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

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

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

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

Holders receiving Ordinary Shares on Conversion may not be able to sell those Ordinary Shares at the price on which the Conversion calculation is based, or at all.

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

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

#### **5.1.14 Conversion may or may not occur on 20 December 2023**

The Notes may Convert into Ordinary Shares on 20 December 2023, being the first possible Scheduled Conversion Date. However, there is a risk that Conversion will not occur on 20 December 2023 because the Scheduled Conversion Conditions are not satisfied – see Sections 2.2.3 and 2.2.5. The Scheduled Conversion Conditions will not be satisfied if the VWAP of Ordinary Shares on the 25th Business Day on which trading in Ordinary Shares took place before (but not including) the Scheduled Conversion Date is less than or equal to 56.12% of the Issue Date VWAP, or the VWAP of Ordinary Shares during the period of 20 Business Days on which trading in Ordinary Shares took place before (but not including) the Scheduled Conversion Date is less than or equal to 50.51% of the Issue Date VWAP.

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

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

#### **5.1.15 Westpac may initiate Conversion, Redemption or Transfer of Notes**

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

- of some or all of the Notes on 20 December 2021; or
- of all (but not some only) of the Notes following the occurrence of a Tax Event or Regulatory Event.

If Westpac elects to Redeem Notes, APRA's prior written approval is required. There can be no certainty that APRA will provide its prior written approval. Westpac may only Redeem Notes if it replaces them with capital of the same or better quality (and the replacement is done under conditions that are sustainable for the income capacity of Westpac) or obtains confirmation that APRA is satisfied that Westpac does not have to replace the Notes.

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

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

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

#### **5.1.16 Westpac may issue a Transfer Notice requiring the Transfer of Notes to a Nominated Party**

Westpac may elect to issue a Transfer Notice, requiring all or some Notes (in the case of a Transfer on 20 December 2021) or all (but not some only) Notes (in the case of a Tax Event or Regulatory Event) to be Transferred to a Nominated Party for a cash amount per Note equal to the Face Value.

Upon a Transfer of Notes (in the circumstances described in Section 5.1.15), it will be the Nominated Party's obligation to pay the aggregate Face Value of the Notes being Transferred, not Westpac's. If the Nominated Party does not pay this amount to Holders, the Transfer will not proceed, in which case Holders will continue to hold Notes in accordance with the Westpac Capital Notes 4 Terms.

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

### 5.1.17 No fixed maturity date

The Notes are perpetual instruments. The Notes may Convert on a potential Scheduled Conversion Date, but it is possible that market conditions at the time may be such that the Scheduled Conversion Conditions are not satisfied. If the Ordinary Share price falls far enough and never recovers it is possible that the Notes will not Convert at any point in time. Furthermore, any Optional Conversion, Redemption or Transfer is subject to the discretion of Westpac and certain other restrictions. Redemption is also subject to obtaining APRA's prior written approval. It is possible that Optional Conversion, Redemption or Transfer will not occur at any point in time.

### 5.1.18 Changes to regulatory capital requirements in Australia

Any fall in Westpac's Common Equity Tier 1 Capital Ratio as a result of future changes to regulatory capital requirements may adversely impact the market price of the Notes or potentially increase the chance at a later date that Conversion of Notes takes place due to the occurrence of a Capital Trigger Event (a Capital Trigger Event will occur where Westpac's Common Equity Tier 1 Capital Ratio is equal to or less than 5.125% on a Level 1 or Level 2 basis) or a Non-Viability Trigger Event (a Non-Viability Trigger Event will occur where APRA notifies Westpac in writing that it believes Conversion of some or all of the Notes or conversion or write down of capital instruments of the Westpac Group or a public sector injection of capital, or equivalent support, is necessary because, without it, Westpac would become non-viable).

See Section 5.1.7 for the risk associated with Conversion of the Notes due to the occurrence of a Capital Trigger Event or Non-Viability Trigger Event.

See Sections 4.2.1 and 4.2.2 for more information about the Basel III capital framework and proposed changes to regulatory capital requirements.

### 5.1.19 Regulatory classification

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

However, if APRA subsequently determines that the Notes do not or will not qualify for Additional Tier 1 Capital treatment (under the Basel III capital adequacy framework, as amended from time to time), Westpac may decide that a Regulatory Event has occurred and may elect to Convert, Redeem (subject to APRA's prior written approval) or Transfer the Notes – see Sections 2.3 and 2.4.

A Regulatory Event may also occur as a result of other regulatory changes. See Section 2.3.3 for information on what constitutes a Regulatory Event, and Section 5.2.1 for risks associated with regulation for Westpac generally.

### 5.1.20 Taxation treatment

A general description of the Australian taxation consequences of investing in the Notes is set out in Section 6. The information in Section 6 is provided in general terms and is not intended to provide specific advice in relation to the circumstances of any particular potential investor or Holder. Accordingly, you should seek independent advice in relation to your individual tax position before you choose to apply for or invest in the Notes.

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

- Westpac will incur more than an insubstantial adverse tax consequence or increased cost in relation to the Notes; or
- any Distribution would not be a frankable distribution within the meaning of Division 202 of the Tax Act.

In each of those situations, the risk may itself be a Tax Event, even before the cost or adverse tax consequence is incurred or the Distribution ceases to be frankable. If a Tax Event occurs, Westpac may Convert, Redeem or Transfer the Notes (subject to the conditions contained in the Westpac Capital Notes 4 Terms, including that Westpac has obtained a supporting opinion of reputable legal counsel or other tax adviser, experienced in such matters, in relation to the Tax Event – see Section 2.3.2).

### 5.1.21 Foreign Account Tax Compliance Act (“FATCA”) withholding and reporting

In order to comply with FATCA, Westpac (or, if Notes are held through another financial institution, such other financial institution) may be required (pursuant to an agreement with the United States or under applicable law including pursuant to the terms of an applicable intergovernmental agreement entered into between the United States and any other jurisdiction) (i) to request certain information from Holders or beneficial owners of Notes, which information may be provided to the US Internal Revenue Service (“IRS”), and (ii) to withhold tax on some portion of payments made after 31 December 2018 with respect to Notes if such information is not provided or if payments are made to certain foreign financial institutions that have not entered into a similar agreement with the United States (and are not otherwise required to comply with the FATCA regime under applicable law including pursuant to the terms of an applicable intergovernmental agreement entered into between the United States and any other jurisdiction).

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

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This information is based on guidance issued by the IRS or other relevant tax authority as at the date of this Prospectus. Future guidance may affect the application of FATCA to Westpac, Holders or beneficial owners of Notes or Ordinary Shares.

#### 5.1.22 Accounting standards

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

#### 5.1.23 Powers of an ADI statutory manager

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

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

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

#### 5.1.24 Future issues of debt or other securities by Westpac

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

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

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

The Westpac Capital Notes 4 Terms do not require Westpac to refrain from certain business changes or require Westpac to operate within certain ratio limits.

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

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

#### 5.1.25 Force majeure events may occur

Acts of terrorism, an outbreak of international hostilities or fires, floods, earthquakes, labour strikes, civil wars and other natural disasters 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 Notes.

#### 5.1.26 Successor holding company

Where Westpac is replaced as the ultimate holding company of the Westpac Group by an Approved Successor and certain other conditions are satisfied, Conversion of Notes will not be triggered but Westpac may be allowed to instead make amendments (provided APRA's prior written approval is obtained) to substitute the Approved Successor as the debtor in respect of the Notes and as the issuer in respect of the ordinary shares issued on Conversion and to make certain other amendments to the Westpac Capital Notes 4 Terms. Accordingly, potential investors should be aware that, if:

- Westpac is replaced by an Approved Successor as the ultimate holding company of the Westpac Group; and
- a substitution of the Approved Successor as the debtor in respect of the Notes and the issuer of the ordinary shares on Conversion is effected under the Westpac Capital Notes 4 Terms,

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



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

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

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

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

#### **5.1.27 Amendment of the Westpac Capital Notes 4 Terms**

Westpac may, with APRA's prior written approval where required and subject to compliance with applicable laws, amend the Westpac Capital Notes 4 Terms without the approval of Holders. This includes an amendment which, in Westpac's opinion, is:

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

Westpac may also amend the Westpac Capital Notes 4 Terms, with APRA's prior written approval, if the amendment has been approved by a Special Resolution of Holders or is necessary to effect the substitution of an Approved Successor as the debtor in respect of the Notes and the issuer of ordinary shares on Conversion.

Amendments under these powers are binding on all Holders despite the fact that a Holder may not agree with the amendment. APRA's prior written approval to amend the Westpac Capital Notes 4 Terms is always required where the amendment would impact, or potentially impact, the classification of the Notes as Additional Tier 1 Capital on a Level 1 or Level 2 basis.

#### **5.1.28 No rights if control of Westpac is acquired**

If a person other than an Approved Successor acquires control of Westpac, the Westpac Capital Notes 4 Terms do not provide any right or remedy for the Holders on account of such an acquisition occurring. Further, such an acquisition of Westpac may result in Westpac's Ordinary Shares no longer being quoted on ASX.

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

### **5.2 INVESTMENT RISKS RELATING TO WESTPAC**

Set out in this Section 5.2 are specific risks associated with an investment in Westpac. Westpac's business is subject to risks that can adversely impact its business, financial performance, financial condition and future performance. These risks are relevant to an investment in Notes and Ordinary Shares as the value of such an investment in Notes will depend on Westpac's financial condition and future performance, regardless of when or if the Notes are Converted, Redeemed, Transferred or, in the event of a Capital Trigger Event or Non-Viability Trigger Event, terminated. If any of the following risks occur, Westpac's business, prospects, financial performance or financial condition could be materially adversely affected, with the result that the trading price of Westpac's securities could decline and as a Holder you could lose all, or part, of your investment.

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

As a financial institution, Westpac is subject to detailed laws and regulations in each of the jurisdictions in which it operates or obtains funding, including Australia, New Zealand, the United Kingdom, the United States and Asia. Westpac is also supervised by a number of different regulatory and supervisory authorities which have broad administrative powers over its businesses. In Australia, the relevant regulatory authorities include APRA, RBA, ASIC, ASX, Australian Competition and Consumer Commission ("ACCC"), the Australian Transaction Reports and Analysis Centre ("AUSTRAC") and ATO. The Reserve Bank of New Zealand ("RBNZ") and the Financial Markets Authority ("FMA") have supervisory oversight of Westpac's New Zealand operations. In the United States, Westpac is subject to supervision and regulation by the US Office of the Comptroller of the Currency ("OCC"), the Board of Governors of the Federal Reserve System, the Commodity

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Futures Trading Commission (“**CFTC**”) and the US Securities and Exchange Commission (“**SEC**”). In the United Kingdom, Westpac is subject to supervision and regulation by the Financial Conduct Authority (“**FCA**”) and the Prudential Regulation Authority (“**PRA**”). In Asia, Westpac is subject to supervision and regulation by local authorities, including the Monetary Authority of Singapore (“**MAS**”) and the Hong Kong Monetary Authority (“**HKMA**”). In other jurisdictions in which Westpac operates, including various Pacific countries, it is also required to comply with relevant requirements of the local regulatory bodies.

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

Compliance risk is the risk of legal or regulatory sanction or financial or reputational loss, arising from Westpac’s failure to abide by applicable legal and regulatory standards. In Australia, an example of the broad administrative power available to regulatory authorities is the power available to APRA under the Banking Act in certain circumstances to investigate Westpac’s affairs and/or 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 or not to undertake transactions). Other regulators also have the power to investigate, including looking into past conduct. 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. The nature of these reviews can be wide ranging and may result in litigation, fines, penalties, revocation, suspension or variation of conditions of relevant regulatory licences or other administrative action by regulators. For example, in April 2016, ASIC commenced civil proceedings against Westpac in the Federal Court of Australia, alleging certain misconduct in relation to the setting of the bank bill swap reference rate in the period April 2010 to June 2012, including market manipulation and unconscionable conduct. Westpac intends to defend the proceedings. During the half year ended 31 March 2016, Westpac has received other notices and requests for information from its regulators. Regulatory investigations, litigation, fines, penalties or restrictions or regulator imposed conditions could adversely affect Westpac’s business, reputation, prospects, financial performance or financial condition.

As with other financial services providers, Westpac faces increasing supervision and regulation in most of the jurisdictions in which it operates or obtains funding, particularly in the areas of funding, liquidity, capital adequacy, conduct and prudential regulation, anti-bribery and corruption, anti-money laundering and counter-terrorism financing and trade sanctions. In December 2010, the BCBS announced a revised global regulatory framework known as Basel III. Basel III, among other things, increased the required quality and quantity of capital held by banks and introduced new standards for the management of liquidity risk. The BCBS continues to refine this framework and APRA is expected to incorporate the majority of

these changes into its prudential standards. Further details on the Basel III framework are set out in Section 4.2.1.

During the half year ended 31 March 2016, there were also a series of other regulatory releases from authorities in the various jurisdictions in which Westpac operates or obtains funding proposing significant regulatory change for financial institutions. This includes new accounting and reporting standards which have been finalised and global OTC derivatives reform. Other areas of proposed or potential change that could impact Westpac include changes to tax legislation, including dividend imputation, regulation relating to remuneration, consumer protection and competition legislation, privacy and data protection, anti-bribery and corruption, anti-money laundering and counter-terrorism financing laws and trade sanctions. In addition, further changes may occur driven by policy, prudential or political factors. For example in 2013, the Australian Government commissioned a Financial System Inquiry (“**FSI**”) with broad terms of reference. The FSI’s Final Report made 44 recommendations and the Government endorsed the overwhelming majority of them. The Government is now establishing a number of consultation processes to consider detailed implementation. The Australian Government or other regulators may also initiate further reviews, or commissions of inquiry, which could lead to additional regulatory change. The final impact of the FSI and the impact of any additional reviews or inquiries is difficult to predict but may result in further substantial regulatory changes which could have a material impact on Westpac’s business, prospects, financial performance or financial condition.

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

Changes may also occur in the oversight approach of regulators. It is possible that governments in jurisdictions in which Westpac operates or obtains funding might revise their application of existing regulatory policies that apply to, or impact, Westpac’s business, including for reasons relating to national interest and/or systemic stability. The powers exercisable by Westpac’s regulators may also be expanded in the future. For example, on 20 April 2016, the Federal Government announced that it would accelerate the implementation of certain recommendations made by the FSI, including the recommendation that ASIC be granted a product intervention power.

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

resources will be required to update existing or implement new processes to comply with the new regulations.

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

### **5.2.2 Adverse credit and capital market conditions or depositor preferences may significantly affect Westpac's ability to meet funding and liquidity needs and may increase its 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 volatile and 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 through other impacts on entities with whom Westpac does business.

As of 31 March 2016, approximately 32% of Westpac's total funding originated from domestic and international wholesale markets. Of this around 60% was sourced outside Australia and New Zealand. Customer deposits provide around 60% of 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.

Separately, 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 its 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, the cost of these alternatives may be more expensive or on unfavourable terms, which could adversely affect Westpac's financial performance, liquidity, capital resources and financial condition. There is no assurance that Westpac will be able to obtain adequate funding and do so at acceptable prices, nor that 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.

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.

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

Sovereign risk is the risk that foreign 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.

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

Credit ratings are independent opinions on Westpac's creditworthiness. Westpac's credit ratings 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 quality credit ratings is important.

The credit ratings assigned to Westpac by rating agencies are based on an evaluation of a number of factors, including Westpac's financial strength, structural considerations regarding the Australian financial system and the credit rating of the Australian Government. A credit rating downgrade could be driven by a downgrade of the Australian Government, the occurrence of one or more of the other risks identified in this Section 5.2 or by other events including changes to the methodologies used by the rating agencies to determine ratings.



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Failure to maintain Westpac's current credit ratings could adversely affect Westpac's cost of funds and related margins, collateral requirements, liquidity, competitive position and Westpac's 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.

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

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

As outlined above, during the past decade the financial services industry and capital markets have been, and may continue to be, adversely affected by market volatility and the negative outlook for global economic conditions. A shock to one of the major global economies could 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 its earnings. These conditions may also affect the ability of Westpac's borrowers to repay their loans or its counterparties to meet their obligations, causing Westpac to incur higher credit losses. These events could also result in the undermining of confidence in the financial system, reducing liquidity, impairing Westpac's access to funding and impairing Westpac's customers and counterparties and their businesses. If this were to occur, Westpac's business, prospects, financial performance or financial condition could be adversely affected.

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

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

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

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

Declining asset prices could also impact customers and counterparties and the value of security (including residential and commercial property) Westpac holds against loans and derivatives which may impact 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 Westpac's profitability and financial condition.

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

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

Westpac conducts the majority of its business in Australia and New Zealand and, consequently, Westpac's 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 Westpac's home lending activities because borrowers with loans in excess of their property value show a higher propensity to default and in the event of defaults Westpac's security would be eroded, causing Westpac to incur higher credit losses. The demand for Westpac's home lending products may also decline due to adverse changes in taxation or buyer concerns about decreases in values.

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

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

Credit risk is 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. If economic conditions deteriorate, some customers and/or counterparties could experience higher levels of financial stress and Westpac may experience a

significant increase in defaults and write-offs, and be required to increase its provisioning. Such events would diminish available capital and could adversely affect Westpac's liquidity, capital resources, financial performance or financial condition.

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

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

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

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

Increased competition for deposits could also increase Westpac's cost of funding and lead Westpac to access other types of funding 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, Westpac 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 Westpac's business, prospects, financial performance or financial condition.

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

Westpac is exposed to market risk as a consequence of its trading activities in financial markets and through the asset and

liability management of its financial position. This is the risk of an adverse impact on earnings resulting from changes in market factors, such as foreign exchange rates, interest rates, commodity prices and equity prices. 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. If Westpac were to suffer substantial losses due to any market volatility, this may adversely affect Westpac's business, prospects, liquidity, capital resources, financial performance or financial condition.

### **5.2.11 Westpac 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, technology risk, model risk and outsourcing risk. While Westpac has policies and processes to manage the risk of human error these policies and processes may not always be effective.

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 Westpac's systems and customers' accounts. If systems, procedures and protocols for managing fraud fail, or are ineffective, they could lead to loss which could adversely affect Westpac's business, prospects, reputation, financial performance or financial condition.

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

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

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

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

### **5.2.12 Westpac could 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

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## SECTION 5

### INVESTMENT RISKS

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actors) have resulted in increased information security risks for major financial institutions such as Westpac and its external service providers.

While Westpac has systems in place to detect and respond to cyberattacks, these systems may not always be effective and there can be no assurance that Westpac will not suffer losses from cyberattacks or other information security breaches in the future.

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 its customers and counterparties.

Major banks in other jurisdictions have suffered security breaches from sophisticated cyberattacks. Westpac's external service providers or other parties that facilitate its business activities (e.g. vendors, exchanges, clearing houses, central depositories and financial intermediaries) 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 its customers and damage to Westpac's computers or systems and/or those of its 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 government, mining and health) and Westpac's plans to continue to improve and expand its internet and mobile banking infrastructure.

#### **5.2.13 Westpac could suffer losses due to technology failures**

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

Further, Westpac's ability to develop and deliver products and services to customers is dependent upon technology that requires periodic renewal. Westpac is constantly managing technology projects including projects to consolidate technology platforms, simplify and enhance Westpac's technology and operations environment, improve productivity and provide for a better customer experience.

Failure to implement these projects or manage associated change effectively could result in cost overruns, a failure to achieve anticipated productivity, operational instability or reputational damage. In turn, this could place Westpac at a competitive disadvantage and adversely affect Westpac's financial performance.

#### **5.2.14 Westpac could suffer losses due to conduct risk**

Conduct risk is the risk arising from unfair or inappropriate behaviour or practices of the Westpac Group or its staff. Westpac is highly dependent on the conduct of its employees, contractors and external service providers. Westpac could, for example, be adversely affected in the event that an employee, contractor or external service provider engages in unfair or inappropriate conduct. This could include losses from a failure to meet a professional obligation to specific clients, including fiduciary and suitability requirements, or from the nature or design of a product. While Westpac has policies and processes to manage employee, contractor or external service provider misconduct, these policies and processes may not always be effective.

#### **5.2.15 Westpac could suffer losses due to failures in governance or risk management strategies**

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

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

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 its business, prospects, financial performance or financial condition.

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

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

Reputation risk is the risk to earnings or capital arising from negative public opinion resulting from the loss of reputation or public trust and standing. It arises where there are differences between stakeholders' current and emerging perceptions, beliefs and expectations and Westpac's current and planned activities, performance and behaviours.

There are various potential sources of reputational damage including failure to effectively manage risks in accordance with

Westpac's risk management frameworks, potential conflicts of interest, pricing policies, failure to comply with legal and regulatory requirements, failure to meet its market disclosure obligations, regulatory investigations into past conduct, making inaccurate public statements, environmental, social and ethical issues, engagement and conduct of external suppliers, failure to comply with anti-money laundering and anti-bribery and corruption laws, trade sanctions and counter-terrorism finance legislation or privacy laws, litigation, failure of information security systems, improper sales and trading practices, failure to comply with personnel and supplier policies, improper conduct of companies in which Westpac holds strategic investments, technology failures and security breaches. Westpac's reputation could also be adversely affected by the actions of the financial services industry in general or from the actions of Westpac's customers, suppliers and other counterparties.

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, class actions or remediation costs, or harm Westpac's 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.

### **5.2.17 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 or terrorism events) 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.

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

### **5.2.18 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 and financial condition.

Insurance risk is the risk of mis-estimation of the expected cost of insured events, volatility in the number or severity of insured events, and mis-estimation of the cost of incurred claims.

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

In the general insurance business, insurance risk arises mainly through environmental factors (including 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. Further details on environmental risk factors are discussed above.

In the lenders mortgage insurance business, insurance risk arises primarily from an unexpected downturn in economic conditions.

Westpac could also suffer losses if its reinsurance arrangements are not effective.

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

In certain circumstances Westpac may be exposed to a reduction in the value of intangible assets. As at 31 March 2016, Westpac carried goodwill principally related to its investments in Australia, other intangible assets principally relating to assets recognised on acquisition of subsidiaries and capitalised software balances.

Westpac is required to assess the recoverability of the goodwill balances on at least an annual basis 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 expected changes in future cash flows, could materially impact this assessment, resulting in the potential write-off of part or all of the goodwill balances.

Capitalised software and other intangible assets are assessed for indicators of impairment at least annually or on indication of impairment. 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.



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#### **5.2.20 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.

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

**The summary of risks in this Section 5 is not exhaustive and you should read this Prospectus in its entirety and consult your financial adviser or other professional adviser before deciding whether to invest in Westpac Capital Notes 4.**

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# 6

## AUSTRALIAN TAX SUMMARY

**This Section sets out:**

- 6.1 Summary of the Australian tax consequences for Holders**
- 6.2 Class Ruling**
- 6.3 Distributions**
- 6.4 Disposals of Westpac Capital Notes 4**
- 6.5 Conversion of Westpac Capital Notes 4**
- 6.6 Westpac TPS Reinvestment Offer**
- 6.7 Provision of TFN and/or ABN**
- 6.8 GST**
- 6.9 Stamp Duty**

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## SECTION 6

# AUSTRALIAN TAX SUMMARY

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### 6.1 SUMMARY OF THE AUSTRALIAN TAX CONSEQUENCES FOR HOLDERS

The following is a summary of the Australian tax consequences for certain Australian resident and non-Australian resident Holders who subscribe for Westpac Capital Notes 4 under this Prospectus. This summary has been prepared by Allens, the Australian legal and tax adviser to the Offer on the assumption that all the transactions described in this Prospectus will be carried out in the manner described in this Prospectus.

Allens has consented to the inclusion of this summary in this Prospectus but this consent should not be taken as a statement about any other matter in this Prospectus or in relation to Westpac or the performance of any investment in Westpac.

The information contained in this summary does not constitute financial product advice for the purposes of the Corporations Act. Allens is not licenced, under the Corporations Act, to provide financial product advice and to the extent that this summary contains any information about a financial product within the meaning of the Corporations Act, taxation is only one of the matters that must be considered when making a decision about the relevant financial product. An investor or prospective investor should, before making any decision to invest in the Westpac Capital Notes 4, consider taking financial advice from a person who holds an AFSL under the Corporations Act.

This summary does not address all tax consequences of ownership of Westpac Capital Notes 4 and, in particular, does not address the positions of Holders who:

- acquire their Westpac Capital Notes 4 in the course of a business of trading or investing in securities, such as share traders, investment companies, banks or insurance companies, or who otherwise hold Westpac Capital Notes 4 on revenue account or as trading stock; and/or
- are subject to the “taxation of financial arrangements” rules in Division 230 of the Tax Act.

The actual tax consequences of your investment in Westpac Capital Notes 4 may differ depending upon your individual circumstances. **You should consult your own professional tax adviser regarding the consequences of acquiring, holding or disposing of Westpac Capital Notes 4 in light of your particular circumstances.**

This summary is based on Australian tax laws and regulations and the current administrative practice of the Australian Taxation Office (“ATO”) as at the date of this Prospectus.

### 6.2 CLASS RULING

Westpac has applied for a public Class Ruling requesting confirmation of the ATO’s views on the principal tax issues considered below. The Class Ruling may not be issued until after the issue of the Westpac Capital Notes 4. When it has been issued, it will be available on the ATO and Westpac websites.

### 6.3 DISTRIBUTIONS

The Westpac Capital Notes 4 should be characterised as “non-share equity interests” for Australian income tax purposes and Distributions should be treated as “non-share dividends” which are frankable.

#### 6.3.1 Australian resident Holders

##### Distributions

Australian resident Holders will be required to include the amounts of any Distributions in their assessable income.

Any franking credits attached to those Distributions should also be included in Holders’ assessable income and tax offsets should generally be available, equal to the amounts of the franking credits, subject to the requirements that the Westpac Capital Notes 4 be held “at risk” for the requisite periods (see below regarding the “holding period rule”) and that the Commissioner of Taxation does not make an adverse determination under certain anti-avoidance rules (see below).

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

To the extent that any Distributions are unfranked, those unfranked amounts will also be included in Holders’ assessable income, without any tax offsets.

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

##### “Holding period rule”

A Holder will not be entitled to tax offsets in respect of franking credits on a franked Distribution unless the Holder is a “qualified person” in relation to the Distribution.

To be a “qualified person” in relation to a Distribution, a Holder must have held the Westpac Capital Notes 4 “at risk” for a continuous period of at least 90 days (excluding the days of acquisition and disposal) during:

- the “primary qualification period”, which is the period beginning on the day after the day on which the Westpac Capital Notes 4 are acquired by a Holder and ending on the 90<sup>th</sup> day after the day that the Westpac Capital Notes 4 became ex-Distribution; or
- if a Holder, or an associate, is under an obligation to make “related payments” (which have the effect of passing on the benefit of the Distribution to other entities) in respect of the Distribution, the “secondary qualification period”, which is the period beginning on the 90<sup>th</sup> day before, and ending on the 90<sup>th</sup> day after, the day that the Westpac Capital Notes 4 became ex-Distribution.



To be held “at risk”, the Holder must effectively retain 30% or more of the risks and benefits associated with holding the Westpac Capital Notes 4. Whether or not the Westpac Capital Notes 4 are held “at risk” by a Holder during the relevant periods will depend upon whether the Holder has financial positions or undertakes risk management strategies (e.g. using limited recourse loans, options or forward sale contracts) in relation to the Westpac Capital Notes 4. On the basis that Holders will continue to hold the Westpac Capital Notes 4 for at least the “primary qualification period”, will not have any financial positions or enter into any relevant risk management strategies in relation to the Westpac Capital Notes 4, and will not be under an obligation to make “related payments” to other entities, Holders should be “qualified persons” in relation to Distributions on the Westpac Capital Notes 4.

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

The application of the franking rules to Holders will depend upon the particular circumstances of each Holder. Accordingly, each Holder should seek independent advice as to whether they will be treated as a “qualified person” in relation to Distributions received on the Westpac Capital Notes 4.

#### Anti-avoidance rule

Section 177EA of the Tax Act is an anti-avoidance provision which is designed to counter schemes where one of the purposes (other than an incidental purpose) of the scheme is to inappropriately divert franking credits and obtain an imputation benefit. There are a number of different objective factors that the Commissioner may take into account in forming a view as to whether a scheme has such a purpose. Where section 177EA applies, the Commissioner may make a written determination with the effect of either:

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

The Commissioner of Taxation has indicated that, in the usual case, he would not ordinarily assert that section 177EA applied to a convertible instrument which satisfied the requirements to be classified as Additional Tier 1 Capital for APRA regulatory reporting purposes. Based on that and current case-law, we expect the Commissioner to make a favourable Class Ruling on this issue, which would be binding on the Commissioner in favour of Holders who subscribe for Westpac Capital Notes 4 under this Prospectus.

### 6.3.2 Non-Australian resident Holders

To the extent that Distributions paid to non-Australian resident Holders, who do not hold their Westpac Capital Notes 4 through a permanent establishment in Australia, are franked, those Distributions will not be subject to Australian withholding tax. Where such Distributions are not fully franked, the unfranked portion of any such Distribution will be subject to withholding tax at the rate of 30%. This rate may be reduced if the non-Australian resident is resident in a country that has a double taxation agreement with Australia.

## 6.4 DISPOSALS OF WESTPAC CAPITAL NOTES 4

### Australian resident Holders

We expect the Commissioner of Taxation to take the view that the Westpac Capital Notes 4 are not “traditional securities” for the purposes of the Tax Act. On that basis, any gains or losses made by Holders on the disposal of their Westpac Capital Notes 4 will be taxed under the capital gains tax (“CGT”) provisions.

A disposal of a Westpac Capital Note 4, whether through an on-market disposal, Redemption, or pursuant to a Transfer Notice, will be a CGT event. Holders may make a capital gain or a capital loss, depending upon whether their capital proceeds from the disposal are more than the cost base of their Westpac Capital Notes 4, or whether the capital proceeds are less than the reduced cost base of their Westpac Capital Notes 4, respectively.

For Holders who acquire Westpac Capital Notes 4 pursuant to this Prospectus, the first element of the cost base of a Westpac Capital Note 4 will be the amount paid for the relevant Westpac Capital Note 4, which will be its Initial Face Value. Other amounts associated with the acquisition or disposal of the Westpac Capital Notes 4, such as broker fees, may be added to the cost base.

The capital proceeds from a Redemption or Transfer of a Westpac Capital Note 4 will be equal to the Initial Face Value of the Westpac Capital Note 4 (unless there has been a reduction in the Face Value of the Notes because there has been a Capital Trigger Event or a Non-Viability Trigger Event). Therefore, Holders who acquire their Westpac Capital Notes 4 under the Offer in this Prospectus should not make capital gains on the Redemption or Transfer of their Westpac Capital Notes 4. If, however, the Face Value of the Westpac Capital Notes 4 has been reduced because there has been a Capital Trigger Event or a Non-Viability Trigger Event, Holders may make a capital loss on the Redemption or Transfer of their Westpac Capital Notes 4. Holders should seek their own tax advice as to whether any such capital loss may be applied to offset capital gains in their particular circumstances.

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## SECTION 6

### AUSTRALIAN TAX SUMMARY

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The capital proceeds from an on-market disposal of a Westpac Capital Note 4 will be the sale price of the Westpac Capital Note 4. Holders who sell their Westpac Capital Notes 4 on-market may make capital gains or capital losses, depending upon the amount of capital proceeds that they receive.

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

If a Holder is an individual, complying superannuation entity or a trust, and held their Westpac Capital Notes 4 for 12 months or more before the disposal, the Holder should be entitled to a "CGT Discount" for any capital gain made on the disposal of their Westpac Capital Notes 4.

The "CGT Discount" provisions may entitle Holders to reduce their capital gain on the disposal of a Westpac Capital Note 4 (after deducting available capital losses) by half, in the case of individuals and trusts, or by one-third, in the case of complying superannuation entities. Trustees should seek specific advice regarding the tax consequences of making distributions attributable to discounted capital gains.

The "CGT Discount" is not available to companies, nor can it apply to Westpac Capital Notes 4 disposed of by Holders under an agreement entered into within 12 months of the acquisition of the Westpac Capital Notes 4 by those Holders. Holders should seek independent advice to determine if their Westpac Capital Notes 4 have been held for the requisite period.

#### **Non-Australian resident Holders**

Any capital gain or capital loss made by a non-Australian resident Holder from the disposal of their Westpac Capital Notes 4 is likely to be disregarded on the basis that Westpac Capital Notes 4 are not likely to be "taxable Australian property" at the time of sale, unless the Westpac Capital Notes 4 were used by the non-resident in carrying on business through a permanent establishment in Australia.

Any non-Australian resident Holders who held their Westpac Capital Notes 4 in the course of carrying on a business should obtain specific advice in respect of the potential consequences of a disposal of their Westpac Capital Notes 4 in their particular circumstances.

#### **6.5 CONVERSION OF WESTPAC CAPITAL NOTES 4**

When a Westpac Capital Note 4 is Converted, a Holder's rights in relation to the Westpac Capital Note 4 will be terminated for an amount equal to the Face Value of the Westpac Capital Note 4 and Westpac will apply that amount for the Holder in subscribing for Ordinary Shares which are to be issued by Westpac at a discount. The Conversion of a Westpac Capital Note 4 into Ordinary Shares in this way should not give rise to a capital gain or a capital loss, nor an assessable revenue gain or a deductible revenue loss, for a Holder. The recognition of any gain or loss that might otherwise have arisen on the termination of a Westpac Capital Note 4 is effectively deferred until any subsequent sale of the Ordinary Shares acquired by the Holder from the Conversion. This applies to both Australian resident Holders and non-Australian resident Holders.

The first element of the cost base or reduced cost base of the Ordinary Shares acquired as a result of a Conversion will be the amount of the Holder's cost base for each Converted Westpac Capital Note 4.

The Ordinary Shares that will be acquired as a result of a Conversion will be deemed to have been acquired by Holders at the time of Conversion for capital gains tax purposes, including for the purpose of calculating the 12 month ownership period required for the "CGT Discount" (see above).

#### **6.6 WESTPAC TPS REINVESTMENT OFFER**

Under the Reinvestment Offer, Eligible Westpac TPS Holders may elect for some or all of their Westpac TPS redemption proceeds to be automatically applied in subscribing for Westpac Capital Notes 4.

For Westpac TPS holders who do not participate in the Reinvestment Offer (or only participate in respect of some of their Westpac TPS), their Westpac TPS will be redeemed by WREL on 30 June 2016 (in respect of any Westpac TPS they still hold on that date and in accordance with the Westpac TPS Terms).

The following income tax consequences will generally apply to Eligible Westpac TPS Holders who participate in the Reinvestment Offer, and other Westpac TPS holders who have their Westpac TPS redeemed by Westpac, who are Australian tax residents, hold their Westpac TPS as capital assets, are not in the business of dealing or trading in securities and do not otherwise hold their Westpac TPS on revenue account for tax purposes.

Westpac TPS holders may also wish to refer to the Tax Letter in the Product Disclosure Statement for Westpac TPS dated 19 May 2006 which contains a summary of the tax treatment of certain entities that invested in Westpac TPS under the Product Disclosure Statement and Class Ruling CR 2006/87 which contains the ATO's binding views in respect of the tax treatment of certain entities that invested in Westpac TPS under the Product Disclosure Statement for Westpac TPS. A copy of the Class Ruling is available on Westpac's website at [www.westpac.com.au/westpactps](http://www.westpac.com.au/westpactps).

### 6.6.1 Redemption proceeds

Under the Westpac TPS Terms, Westpac TPS are to be redeemed for an amount equal to the redemption price of \$100 for each Westpac TPS, which was also the issue price. On that basis, no part of the Westpac TPS redemption proceeds should be taken to be ordinary assessable income upon receipt by Westpac TPS holders.

### 6.6.2 Final distribution

Westpac TPS holders are entitled to receive the Final Distribution on 30 June 2016 for each Westpac TPS they hold on 15 June 2016, in respect of the period from (but excluding) 31 March 2016 to (and including) 30 June 2016, subject to the distribution payment test in the Westpac TPS Terms being satisfied.

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

### 6.6.3 CGT consequences of redemption of Westpac TPS

#### Australian residents

The redemption of Westpac TPS will be a CGT event for Westpac TPS holders.

Westpac TPS holders may make a capital gain if their capital proceeds from the redemption of their Westpac TPS are more than their "cost base" for their Westpac TPS, or may make a capital loss if their capital proceeds are less than their "reduced cost base" for their Westpac TPS:

- **Cost base or reduced cost base:** the first element of a Westpac TPS holder's cost base, or reduced cost base, for their Westpac TPS is the amount paid by the Westpac TPS holder for their Westpac TPS. Other amounts associated with the acquisition or disposal of Westpac TPS, such as broker fees, may be added to the cost base.
- **Capital proceeds:** the capital proceeds that will be received by a Westpac TPS holder on redemption of Westpac TPS will be a cash amount equal to the redemption price of \$100 for each Westpac TPS held by the Westpac TPS holder.

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

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

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

#### Non-Australian residents

Any capital gain or capital loss made by non-Australian resident Westpac TPS holders is likely to be disregarded on the basis that Westpac TPS are not likely to be 'taxable Australian property' at the time of sale, unless they were used by the non-resident in carrying on business through a permanent establishment in Australia. Any non-resident Westpac TPS holders who held their Westpac TPS in the course of a business should obtain specific advice in respect of the potential consequences of that disposal of Westpac TPS in their particular circumstances.

### 6.6.4 Cost base of Westpac Capital Notes 4 acquired pursuant to the Reinvestment Offer

The amount of Westpac TPS redemption proceeds that is applied in subscribing for Westpac Capital Notes 4 pursuant to the Reinvestment Offer will be included in a Holder's cost base for the purposes of determining any future gain or loss on the disposal, Conversion, Redemption or Transfer of the Westpac Capital Notes 4 (refer to Sections 6.4 and 6.5 above).

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## SECTION 6

### AUSTRALIAN TAX SUMMARY

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#### 6.7 PROVISION OF TFN AND/OR ABN

Westpac is required to deduct withholding tax from payments of Distributions in respect of the Westpac Capital Notes 4 that are not 100% franked, at the rate specified in the *Taxation Administration Regulations 1976* (currently 49% of the unfranked amount), and remit such amounts to the ATO, unless a Tax File Number or an Australian Business Number has been quoted by a Holder, or a relevant exemption applies (and has been notified to Westpac).

#### 6.8 GST

No GST should be payable by a Holder in respect of acquiring Westpac Capital Notes 4 or on a sale, Conversion, Redemption or Transfer of Westpac Capital Notes 4, other than in respect of brokerage or similar fees.

#### 6.9 STAMP DUTY

No stamp duty should be payable by a Holder on the issue, sale, Conversion, Redemption or Transfer of Westpac Capital Notes 4.

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# 7

## OTHER INFORMATION

**This Section sets out:**

- 7.1 Restrictions on ownership for Westpac**
- 7.2 Information, disclosure and availability**
- 7.3 Rights attaching to Westpac Capital Notes 4**
- 7.4 Rights attaching to Ordinary Shares**
- 7.5 Rights attaching to Approved Successor Shares**
- 7.6 Summary of the Offer Management Agreement**
- 7.7 Consents**
- 7.8 Interests of advisers**
- 7.9 Interests of Westpac Directors**
- 7.10 Westpac legal proceedings**
- 7.11 ASIC relief**
- 7.12 ASX waivers and approvals**
- 7.13 Foreign selling restrictions**
- 7.14 Acknowledgment and privacy statement**
- 7.15 Governing law**



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## SECTION 7

### OTHER INFORMATION

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#### 7.1 RESTRICTIONS ON OWNERSHIP FOR WESTPAC

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

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

#### 7.2 INFORMATION, DISCLOSURE AND AVAILABILITY

##### 7.2.1 Reporting and disclosure obligations

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

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

##### 7.2.2 Accessing information about Westpac

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

- the financial statements of Westpac for the year ended 30 September 2015 (being the most recent annual financial statements lodged with ASIC before the lodgement of this Prospectus);
- the interim financial report of Westpac for the half year ended 31 March 2016 (being the most recent interim financial statements lodged with ASIC before the lodgement of this Prospectus);

- any document or financial statement lodged by Westpac with ASIC or ASX under the continuous disclosure reporting requirements in the period after the lodgement of the annual financial statements and before the lodgement of this Prospectus; and
- Westpac's Constitution.

Copies of Westpac's financial statements are available at: [www.westpac.com.au/about-westpac/investor-centre/financial-information](http://www.westpac.com.au/about-westpac/investor-centre/financial-information).

Copies of Westpac's Constitution are available at: [www.westpac.com.au/about-westpac/westpac-group/corporate-governance/constitution-board](http://www.westpac.com.au/about-westpac/westpac-group/corporate-governance/constitution-board).

Written requests for copies of these documents should be addressed to:

Westpac Group Secretariat  
Level 20  
275 Kent Street  
Sydney NSW 2000

#### 7.3 RIGHTS ATTACHING TO WESTPAC CAPITAL NOTES 4

The rights attaching to the Notes are contained in the Westpac Capital Notes 4 Terms, which are contained in Appendix B.

#### 7.4 RIGHTS ATTACHING TO ORDINARY SHARES

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

The rights attaching to Ordinary Shares are set out in Westpac's Constitution, the ASX Listing Rules and the Corporations Act. A summary of these rights is set out below.

##### 7.4.1 Transfers

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

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

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

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

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

#### 7.4.2 Profits and dividends

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

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

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

Additionally, dividends would not be payable if making such a payment would breach or cause a breach by Westpac of applicable capital adequacy or other supervisory requirements of APRA, or if Westpac was directed by APRA not to pay a dividend under the Banking Act. APRA's requirements include that Westpac must obtain APRA's written approval prior to making a dividend payment on Ordinary Shares if the aggregate amount of dividend payments on Ordinary Shares in the 12 months covered by one or more sets of publicly available operating results preceding the date of the proposed dividend payment exceeds Westpac's after-tax earnings after taking into account any payments on more senior capital instruments in the same 12 months.

Since 1 January 2016, restrictions on the distribution of earnings, including payment of dividends, discretionary bonuses and Additional Tier 1 Capital distributions also apply when capital ratios fall within the CCB. Refer to Sections 4.2.1 and 4.2.4 for further information.

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

#### 7.4.3 Winding Up of Westpac

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

#### 7.4.4 Meetings and voting rights

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

#### 7.4.5 Issue of further Ordinary Shares

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

### 7.5 RIGHTS ATTACHING TO APPROVED SUCCESSOR SHARES

If Westpac is replaced as the ultimate holding company of the Westpac Group by an Approved Successor, and the Westpac Capital Notes 4 Terms are amended to enable substitution of the Approved Successor as debtor of the Westpac Capital Notes 4 and the issuer of ordinary shares on Conversion, Holders will be issued with Approved Successor Shares on Conversion (rather than Ordinary Shares). In order to be classified as an Approved Successor, the shares of the proposed successor holding company must be listed on an internationally recognised stock exchange – see clause 16.2 of the Westpac Capital Notes 4 Terms (definition of "Acquisition Event"). The Approved Successor will be obliged to use all reasonable endeavours to obtain quotation of the Approved Successor Shares issued under the Westpac Capital Notes 4 Terms on the stock exchanges on which the other Approved Successor Shares are quoted at the time of a Conversion – see clause 13.4 of the Westpac Capital Notes 4 Terms.

### 7.6 SUMMARY OF THE OFFER MANAGEMENT AGREEMENT

Westpac and the Joint Lead Managers entered into the Offer Management Agreement ("OMA") on 17 May 2016. Under the OMA, Westpac has appointed Westpac Institutional Bank, ANZ Securities Limited, Commonwealth Bank of Australia, Morgan Stanley Australia Securities Limited, Morgans Financial Limited, National Australia Bank Limited and UBS AG, Australia Branch as the Joint Lead Managers and joint bookrunners for the Offer.

Under the OMA, the Joint Lead Managers agree to conduct the Bookbuild before the Opening Date. In this process, Syndicate Brokers and Institutional Investors are invited to lodge bids for a number of Notes at various margins within an indicative Margin range. Using those bids, Westpac and the Joint Lead Managers will set the Margin and determine the firm Allocations to Syndicate Brokers and Institutional Investors. The Bookbuild will be conducted on the terms and conditions in the OMA.

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

The OMA provides that Westpac will not, without the Joint Lead Managers' consent (not to be unreasonably withheld or delayed), allot, agree to allot or indicate in any way that it may or will allot or agree to allot any hybrid debt or



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## SECTION 7

### OTHER INFORMATION

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preference security with Tier 1 Capital or Tier 2 Capital status in the Australian retail market before the Issue Date, other than pursuant to the Offer and in certain other specified circumstances.

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

#### 7.6.1 Settlement support

Each Joint Lead Manager has agreed to provide settlement support for the number of Notes Allocated to Syndicate Brokers under the Bookbuild. Under the OMA, as part of that settlement support, each Joint Lead Manager will pay to Westpac, or procure payment to Westpac of, its JLM Broker Firm Amount under the Bookbuild by the settlement date (29 June 2016). Each Joint Lead Manager is only responsible for ensuring that payment is made for Notes Allocated to them or at their direction. Westpac Institutional Bank need only pay, or procure payment, to Westpac of the proportion of its JLM Broker Firm Amount, Other Broker Firm Amount, Institutional Amount and Co-Manager Amount that it actually receives from third party investors.

#### 7.6.2 Fees

Under the OMA, Westpac will pay:

- each Joint Lead Manager, a selling fee of 1.00% of that Joint Lead Manager's JLM Broker Firm Amount;
- each Joint Lead Manager whose bid into the Bookbuild equals or exceeds a minimum threshold, a bookrunning fee of 0.50% of that Joint Lead Manager's JLM Broker Firm Amount;
- to Westpac Institutional Bank, a bookrunning fee of 0.50% of the Co-Manager Amount; and
- to Westpac Institutional Bank, a selling fee of 0.25% of the Institutional Amount.

Westpac Institutional Bank agrees to pay, on behalf of Westpac, a selling fee of 1.00% of the Co-Manager Amount to any Co-Managers, subject to receipt of this fee from Westpac. Westpac Institutional Bank also agrees to pay, on behalf of Westpac, a selling fee of 1.00% of the Other Broker Firm Amount to Third Party Brokers and certain other participating brokers, subject to Westpac Institutional Bank receiving the selling fee of 1.00% of its JLM Broker Firm Amount described above.

Westpac may pay to Westpac Institutional Bank, and Westpac Institutional Bank agrees to pay on Westpac's behalf to certain investors, a commitment fee of up to 1.00% of the Application Payment made by those investors. This is subject to the satisfaction of certain conditions, including a minimum bid under the Bookbuild and a minimum holding period in respect of the Notes Allocated to those investors.

The Joint Lead Managers may pay fees on behalf of Westpac to Australian financial services licensees and their authorised representatives ("**External Third Parties**") in respect of Notes Allocated to them for allocation to their clients. Under the OMA, the amount of the fee payable to an External Third Party must not exceed 1.00% (or 1.50% if the External Third Party is an affiliate of the Joint Lead Manager or an External Third Party approved by Westpac) of the amount of valid Applications received from that External Third Party multiplied by the Initial Face Value. External Third Parties may in turn rebate fees (which may not exceed 1.00% of the amount of valid Applications received from that External Third Party multiplied by the Initial Face Value) to other External Third Parties for procuring Applications for Notes by their clients, among other things.

#### 7.6.3 Termination

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

- a downgrade of certain credit ratings assigned to Westpac;
- ASIC issues a stop order in relation to the Offer;
- a supplementary prospectus is required under section 719 of the Corporations Act;
- ASX refuses to quote the Notes on ASX;
- any person (other than a Joint Lead Manager or Co-Manager) withdraws their consent to be named in this Prospectus;
- certain breaches of the OMA;
- Westpac withdraws this Prospectus or the Offer;
- trading of certain ASX listed Capital Securities is suspended for a certain period of time, or certain ASX listed Capital Securities cease to be quoted on ASX;
- unauthorised alterations to the Notes Deed Poll or Westpac's Constitution; and
- an adverse change in the financial position or prospects of the Westpac Group.

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

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

## 7.7 CONSENTS

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

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

- has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based other than as specified in point 4 below;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements or omissions from this Prospectus, other than the reference to its name and/or statement or report included in this Prospectus with the consent of that Consenting Party;
- has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named; and
- in the case of Allens, has given and has not, before the lodgement of this Prospectus with ASIC withdrawn its written consent to the inclusion of Section 6 in the form and context in which it appears in this Prospectus.

Role	Consenting Parties
Arranger	Westpac Institutional Bank
Joint Lead Managers	Westpac Institutional Bank ANZ Securities Limited Commonwealth Bank of Australia Morgan Stanley Australia Securities Limited Morgans Financial Limited National Australia Bank Limited UBS AG, Australia Branch
Co-Managers	Bell Potter Securities Limited JBWere Limited Macquarie Equities Limited Shaw and Partners Limited
Australian legal and tax adviser to the Offer	Allens
Australian legal adviser to the Reinvestment Offer	King & Wood Mallesons
Auditor	PricewaterhouseCoopers
Accounting adviser	PricewaterhouseCoopers Securities Limited
Registrar	Link Market Services Limited
Online Manager	Westpac Online Investing acting through Westpac Securities Limited
Responsible Entity of the Trust	WREL

## 7.8 INTERESTS OF ADVISERS

Westpac Institutional Bank has acted as arranger and a Joint Lead Manager, in respect of which it will receive the fees set out in Section 7.6.2. The remaining Joint Lead Managers and Co-Managers will receive fees, as also set out in Section 7.6.2.

The Joint Lead Managers are full service securities firms and they, along with their respective affiliates, are engaged in various activities, including securities trading, investment management, financing and brokerage activities and financial planning and benefits counselling for both companies and individuals. In the ordinary course of these activities, the Joint Lead Managers and their respective affiliates may trade or provide advice in relation to the securities of Westpac and its related bodies corporate, and may receive customary fees or commissions for so doing.

Allens has acted as Australian legal and tax adviser to Westpac in relation to the Offer and has performed work in relation to preparing the due diligence and verification program and performed due diligence required on legal and taxation matters. In respect of this work, Westpac estimates that it will pay to Allens approximately \$375,000 (excluding disbursements and GST). Further amounts in relation to the Offer may be paid to Allens under its normal time-based charges.

King & Wood Mallesons has acted as Australian legal adviser to Westpac in relation to the Reinvestment Offer. In respect of this work, Westpac estimates that it will pay to King & Wood Mallesons approximately \$160,000 (excluding disbursements and GST). Further amounts in relation to the Reinvestment Offer may be paid to King & Wood Mallesons under its normal time-based charges.

PricewaterhouseCoopers Securities Limited has acted as accounting adviser to Westpac. Westpac estimates that it will pay to PricewaterhouseCoopers Securities Limited approximately \$80,000 (excluding disbursements and GST). Further amounts in relation to the Offer may be paid to PricewaterhouseCoopers Securities Limited under its normal time-based charges.

Other than as set out in this Prospectus:

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

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

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

Other than as set out in this Prospectus, no such person has been paid or agreed to be paid any amount, nor has any benefit been given or agreed to be given to any such persons

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for services provided by them, in connection with the formation or promotion of Westpac or with the Offer.

#### 7.9 INTERESTS OF WESTPAC DIRECTORS

The Directors' interests in Ordinary Shares as at 4 May 2016 are detailed in the following table:

Westpac Director	Ordinary Shares
Lindsay Maxsted	18,892
Brian Hartzer	53,722
Elizabeth Bryan	27,967
Ewen Crouch	36,412
Alison Deans	9,392
Craig Dunn	8,869
Robert Elstone	11,043
Peter Hawkins	15,880
Peter Marriott	20,870

The Westpac Directors and their associates may acquire Notes offered under this Prospectus subject to the ASX Listing Rules, including any waivers described in Section 7.12.

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

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

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

#### 7.10 WESTPAC LEGAL PROCEEDINGS

As part of ASIC's ongoing industry-wide investigations into setting of the bank bill swap reference rate ("BBSW"), on 5 April 2016, ASIC commenced civil proceedings against Westpac in the Federal Court of Australia, alleging certain misconduct in relation to the setting of the BBSW, including market manipulation and unconscionable conduct. The conduct that is the subject of the proceedings is alleged to have occurred between 6 April 2010 and 6 June 2012. Westpac is defending these proceedings. ASIC is seeking from the court

declarations that Westpac breached various provisions of the Corporations Act and the *Australian Securities and Investments Commission Act 2001* (Cth), pecuniary penalties of unspecified amounts and orders requiring Westpac to implement a comprehensive compliance program for persons involved in Westpac's trading in the relevant market.

Contingent liabilities exist in respect of actual and potential claims and proceedings. An assessment of Westpac's likely loss has been made on a case-by-case basis for the purposes of Westpac's 31 March 2016 interim financial report and specific provisions have been made where appropriate. Refer to note 14 of Westpac's 31 March 2016 interim financial report for further details.

#### 7.11 ASIC RELIEF

ASIC relief has been obtained to enable Westpac to issue a "transaction-specific" prospectus which complies with section 713 of the Corporations Act (as modified by ASIC Corporations (Regulatory Capital Securities) Instrument 2016/71) in relation to the Offer.

ASIC relief has also been obtained in relation to the application of a holding lock to all Westpac TPS which are the subject of a reinvestment Application pursuant to the Reinvestment Offer.

It was necessary for Westpac to seek and obtain this relief as, under the terms of the Reinvestment Offer, the holding lock will prevent the disposal of Westpac TPS held by Eligible Westpac TPS Holders who elect to participate in the Reinvestment Offer, pending completion of the Reinvestment Offer. In the absence of ASIC relief, the holding lock would confer on Westpac a 'relevant interest' in those Westpac TPS for the purposes of Chapters 6 and 6C of the Corporations Act, so that Westpac would not be able to impose the holding lock to the extent that more than 20% of the total amount of Westpac TPS on issue are subject to a reinvestment Application, and Westpac would be required to lodge substantial holding notices in relation to those Westpac TPS during the Offer Period.

However, under the terms of the relief granted by ASIC, Westpac is able to impose the holding lock regardless of whether more than 20% of the total amount of Westpac TPS on issue are subject to a reinvestment Application, and Westpac is not required to lodge substantial holding notices in relation to Westpac TPS elected for reinvestment.

#### 7.12 ASX WAIVERS AND APPROVALS

Westpac has received the following ASX waivers or confirmations in relation to the Westpac Capital Notes 4 Terms and the Offer:

- Listing Rule 10.11 has been waived to the extent necessary to permit the Westpac Directors and their associates to participate in the Offer and be issued Notes without shareholder approval on the following conditions:
  - the number of Notes which may be issued to Westpac Directors and their associates collectively is no more than 0.2% of the total number of Notes issued under the Offer, and the participation of the Westpac Directors and

- their associates in the Offer is on the same terms and conditions as applicable to other subscribers for Notes;
- Westpac releases the terms of the waiver to the market when the Offer is announced; and
  - when the Notes are issued, Westpac announces to the market the total number of Notes issued to the Westpac Directors and their associates in aggregate;
- the Westpac Capital Notes 4 Terms are appropriate and equitable for the purposes of Listing Rule 6.1;
  - Listing Rule 6.12 does not apply to the terms of issue of the Notes which provide for their Conversion, Redemption or Transfer;
  - for the purposes of Listing Rule 7.1, it is acceptable that the maximum number of Ordinary Shares into which the Notes can be Converted in accordance with Listing Rule 7.1B.1(c) will be calculated based on the market price of Ordinary Shares at the close of trade on the trading day prior to the date of issue of this Prospectus; and
  - a confirmation that the timetable for the Offer (including the Reinvestment Offer) is acceptable.

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

## 7.13 FOREIGN SELLING RESTRICTIONS

### 7.13.1 Other foreign jurisdictions

The distribution of this Prospectus (including an electronic copy) in jurisdictions outside Australia may be restricted by law. If you come into possession of this Prospectus in jurisdictions outside Australia, then you should seek advice on, and observe, any such restrictions. If you fail to comply with such restrictions, that failure may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify Notes or the Offer or to otherwise permit a public offering of Notes in any jurisdiction outside Australia.

### 7.13.2 United States

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

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

the Notes within the United States or to, or for the account or benefit of, US Persons.

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

Each of the Joint Lead Managers has agreed that (i) neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts within the meaning of Rule 902 under the US Securities Act with respect to the Notes, and it and they have complied with and will comply with the offering restrictions requirement of Regulation S under the US Securities Act and (ii) it has not entered and will not enter into any contractual arrangement with any person with respect to the distribution of the Notes, unless such person has agreed in writing that all offers and sales of the Notes prior to the expiration of the Distribution Compliance Period shall be made only in accordance with the OMA and Regulation S under the US Securities Act.

### 7.13.3 New Zealand

This Prospectus has not been and will not be registered in New Zealand. Notes may not be offered or sold directly or indirectly in New Zealand, other than to a “wholesale investor” as that term is defined in clause 3(2) of Schedule 1 to the *Financial Markets Conduct Act 2013 of New Zealand*, being:

- a person who is:
  - an “investment business”;
  - “large”; or
  - a “government agency”,
 in each case as defined in Schedule 1 to the *Financial Markets Conduct Act 2013 of New Zealand*; or
- a person who meets the “investment activity criteria” specified in clause 38 of Schedule 1 to the *Financial Markets Conduct Act 2013 of New Zealand*.



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## SECTION 7

### OTHER INFORMATION

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#### 7.14 ACKNOWLEDGMENT AND PRIVACY STATEMENT

By completing and submitting an Application Form or making an online Application you acknowledge that you have read this Prospectus.

Westpac is required to collect certain information about Holders under company and tax law. Applicants will be asked to provide personal information to Westpac (directly or via its agents, including the Registrar). You acknowledge that the personal information submitted as part of and the Application Form or other forms and otherwise provided to Westpac (directly or via its agents, including the Registrar) will be collected, used and disclosed by Westpac (and its agents, including the Registrar) in order to process your Application, service your needs as a Holder (and following Conversion, if applicable, your holding of Ordinary Shares), provide facilities and services that you request, carry out appropriate administration, send you information about the products and services of members of the Westpac Group, including future offers of securities and as otherwise required or authorised by law (including, without limitation, any law relating to taxation, money laundering or counter-terrorism).

Such disclosure may include disclosure to third parties including other members of the Westpac Group and to Westpac's agents, service providers, auditors and advisers. Such disclosure may also include disclosure to domestic and overseas regulators or other government agencies (including ASIC and the ATO), stock exchanges, and the public by way of public registers maintained by regulators or other bodies. Some of these recipients may be located outside Australia. You acknowledge that if you do not provide the personal information required by the Application Form or other forms, it might not be possible to process your Application, administer your securityholding and/or send you information about the products and services of members of the Westpac Group, including future offers of securities.

If you do not wish to receive information about the products and services of members of the Westpac Group, including future offers of securities, please contact the **Westpac Capital Notes 4 Information Line (Monday to Friday, 8.30am to 5.30pm, Sydney time) on 1300 363 136** and request that we do not send you marketing material.

Westpac's privacy policy is available on Westpac's website ([www.westpac.com.au/privacy](http://www.westpac.com.au/privacy)) and contains information about how you may access and seek correction of the personal information that Westpac holds about you, how you may complain about a breach of the *Privacy Act 1988* (Cth) by Westpac and how Westpac will deal with such a complaint.

#### 7.15 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of Applications are governed by the laws applicable in New South Wales, Australia and each Applicant submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

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# 8

## APPLYING FOR WESTPAC CAPITAL NOTES 4

**This Section sets out:**

- 8.1 The Offer**
- 8.2 Applying for Westpac Capital Notes 4**
- 8.3 Allocation and Allotment**
- 8.4 ASX quotation, trading and Holding Statements**
- 8.5 Holding information**
- 8.6 Enquiries**

## SECTION 8

### APPLYING FOR WESTPAC CAPITAL NOTES 4

#### 8.1 THE OFFER

The Offer is for the issue of Notes at the Issue Price of \$100 each to raise approximately \$750 million, with the ability to raise more or less.

The Offer consists of:

- a Reinvestment Offer – to Eligible Westpac TPS Holders;
- a Securityholder Offer – to Eligible Securityholders;
- a Broker Firm Offer – to Australian resident retail clients of the Syndicate Brokers; and
- an Institutional Offer – to Institutional Investors invited by Westpac Institutional Bank to bid for Notes in the Bookbuild.

Westpac will give priority to Applications received under the Reinvestment Offer (including Applications made through Syndicate Brokers) when Allocating the Notes. This priority does not apply to Applications for additional Notes by Eligible Westpac TPS Holders.

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

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

No action has been taken to register or qualify Notes or otherwise permit a public offer of the Notes in any jurisdiction outside Australia. See Section 7.13 which details selling restrictions applicable to the Offer.

Applications must be for a minimum of 50 Notes (\$5,000). If your Application is for more than 50 Notes, then you must apply in multiples of 10 Notes (\$1,000) thereafter. For further details about how this applies to the Reinvestment Offer, please see Section 8.2.1. Please also see Section 3 for further details about the Reinvestment Offer.

#### 8.2 APPLYING FOR WESTPAC CAPITAL NOTES 4

##### 8.2.1 REINVESTMENT OFFER

###### How to apply

**All Eligible Westpac TPS Holders will be mailed a hard copy Prospectus accompanied by a personalised Reinvestment Application Form shortly after the Offer opens. If you do not receive these documents, please call the Westpac Capital Notes 4 Information Line (Monday to Friday, 8.30am to 5.30pm, Sydney time) on 1300 363 136.**

<b>Who may apply</b>	<ul style="list-style-type: none"><li>• Eligible Westpac TPS Holders</li></ul>
<b>When to apply</b>	<ul style="list-style-type: none"><li>• Completed hard copy Reinvestment Application Forms or online Applications and Application Payments (if applying for additional Notes), must be received by the Registrar by the Closing Date, expected to be 5.00pm (Sydney time) on 21 June 2016.</li><li>• Eligible Westpac TPS Holders who are clients of a Syndicate Broker should seek instructions from their Syndicate Broker or controlling participant as to how to participate in the Reinvestment Offer.</li></ul>
<b>How to apply online</b>	<ul style="list-style-type: none"><li>• Complete the online Reinvestment Application Form at <b><a href="http://www.westpac.com.au/westpaccapnotes4">www.westpac.com.au/westpaccapnotes4</a></b> after the Offer opens. You will need your SRN or HIN. If you elect to reinvest the redemption proceeds of some or all of your Westpac TPS, the redemption proceeds of those Westpac TPS will be automatically reinvested in Notes. Application Payments are only required if you apply for additional Notes.</li><li>• If you are applying for additional Notes, you must make your Application Payment for additional Notes by BPAY® and your BPAY® payment must be received by the Registrar by the Closing Date, expected to be 5.00pm (Sydney time) on 21 June 2016. You should check your daily transaction limit with your bank, credit union or building society to ensure your Application Payment can be made using BPAY®.</li></ul>



## 8.2.1 REINVESTMENT OFFER (CONTINUED)

How to apply	
<b>How to apply using a personalised Reinvestment Application Form</b>	<ul style="list-style-type: none"><li>• Eligible Westpac TPS Holders may apply using the personalised Reinvestment Application Form included with the hard copy of the replacement Prospectus.</li><li>• Instructions on how to complete your personalised Reinvestment Application Form are set out on the personalised Reinvestment Application Form.</li><li>• Complete and return your personalised Reinvestment Application Form to the Registrar by the Closing Date, expected to be 5.00pm (Sydney time) on 21 June 2016 (see Section 8.2.4 for further details). You may use the priority post reply-paid envelope that accompanied your personalised Reinvestment Application Form and Prospectus. If you elect to reinvest the redemption proceeds of some or all of your Westpac TPS, the redemption proceeds of those Westpac TPS will be automatically reinvested in Notes.</li><li>• If you are applying for additional Notes, you must make your Application Payment by cheque and return your Reinvestment Application Form and cheque to the Registrar by the Closing Date. If your Reinvestment Application Form is not accompanied by an Application Payment for the additional Notes, you will not be taken to have applied for additional Notes.</li><li>• Please be aware that mail delivery times have recently changed. You should allow sufficient time for your Reinvestment Application Form and Application Payment (if applying for additional Notes) to arrive prior to the Closing Date. If you have any doubts that your Application will arrive in time, please consider applying online.</li><li>• If you are applying for additional Notes, Application Payments accompanying a personalised Reinvestment Application Form can only be made by cheque(s) in Australian dollars drawn on an Australian branch of a financial institution and made payable to "Westpac Capital Notes 4 Offer". Cheque(s) should be crossed "not negotiable". Cash payments will not be accepted.</li><li>• If you wish to make your Application Payment for additional Notes by BPAY®, you need to apply online.</li></ul>
<b>Minimum Application amount</b>	<ul style="list-style-type: none"><li>• There is no minimum number of Westpac TPS that you must hold to be able to participate in the Reinvestment Offer.</li><li>• You may apply to reinvest the redemption proceeds of some or all of your Westpac TPS in Notes, except that, if you wish to participate in the Reinvestment Offer and:<ul style="list-style-type: none"><li>– you own 50 Westpac TPS or fewer, you must apply to reinvest the redemption proceeds of all of your Westpac TPS; or</li><li>– you own more than 50 Westpac TPS, you must apply to reinvest the redemption proceeds of a minimum of 50 Westpac TPS (\$5,000).</li></ul></li><li>• If you apply to reinvest the redemption proceeds of all of your Westpac TPS, you may also apply for additional Notes. Your application for additional Notes must be for a minimum of 50 additional Notes (\$5,000), and thereafter in multiples of 10 Notes (\$1,000) (over and above your Application for reinvestment).</li></ul> <ul style="list-style-type: none"><li>• If you apply to participate in the Reinvestment Offer, you are taken to agree to a holding lock being placed on those Westpac TPS elected for reinvestment, pending completion of the Reinvestment Offer. If on the Closing Date you hold less Westpac TPS than you elected to reinvest, your reinvestment Application will be for the number of Westpac TPS registered in your name on the Closing Date.</li></ul>

## 8.2.2 SECURITYHOLDER OFFER

How to apply
<b>All Eligible Securityholders who register to receive a hard copy Prospectus and personalised Securityholder Application Form will be mailed these documents during the Offer Period. To register to receive a hard copy of these documents, please register online at <a href="http://www.westpac.com.au/westpaccapnotes4">www.westpac.com.au/westpaccapnotes4</a> or call the Westpac Capital Notes 4 Information Line (Monday to Friday, 8.30am to 5.30pm, Sydney time) on 1300 363 136.</b>

## SECTION 8

### APPLYING FOR WESTPAC CAPITAL NOTES 4

How to apply	
<b>Who may apply</b>	<ul style="list-style-type: none"> <li>Eligible Securityholders</li> </ul>
<b>When to apply</b>	<ul style="list-style-type: none"> <li>Completed Securityholder Application Forms or online Applications and Application Payments must be received by the Registrar by the Closing Date, expected to be 5.00pm (Sydney time) on 21 June 2016.</li> </ul>
<b>How to apply online</b>	<ul style="list-style-type: none"> <li>Complete the Securityholder Application Form online at <b><a href="http://www.westpac.com.au/westpaccapnotes4">www.westpac.com.au/westpaccapnotes4</a></b> after the Offer opens. You will need your SRN or HIN.</li> <li>You must make your Application Payment by BPAY® and your BPAY® payment must be received by the Registrar by the Closing Date, expected to be 5.00pm (Sydney time) on 21 June 2016. You should check your daily transaction limit with your bank, credit union or building society to ensure your Application Payment can be made using BPAY®.</li> </ul>
<b>How to apply using a personalised Securityholder Application Form</b>	<ul style="list-style-type: none"> <li>Eligible Securityholders may apply using a personalised Securityholder Application Form.</li> <li>Instructions on how to complete a personalised Securityholder Application Form are set out on the personalised Securityholder Application Form.</li> <li>Complete and return the personalised Securityholder Application Form and Application Payment to the Registrar by the Closing Date, expected to be 5.00pm (Sydney time) on 21 June 2016 (see Section 8.2.4 for further details). You may use the priority post reply-paid envelope that accompanied your personalised Securityholder Application Form and Prospectus.</li> <li>Please be aware that mail delivery times have recently changed. You should allow sufficient time for your Securityholder Application Form and Application Payment to arrive prior to the Closing Date. If you have any doubts that your Application will arrive in time, please consider applying online.</li> <li>Application Payments accompanying a personalised Securityholder Application Form can only be made by cheque(s) in Australian dollars drawn on an Australian branch of a financial institution and made payable to "Westpac Capital Notes 4 Offer". Cheque(s) should be crossed "not negotiable". Cash payments will not be accepted.</li> <li>If you wish to make your Application Payment by BPAY®, you need to apply online.</li> </ul>
<b>Minimum Application amount</b>	<ul style="list-style-type: none"> <li>Applications must be for a minimum of 50 Notes (\$5,000).</li> <li>If your Application is for more than 50 Notes, you must apply in multiples of 10 Notes (\$1,000) thereafter.</li> </ul>

#### 8.2.3 BROKER FIRM OFFER

How to apply	
<b>Who may apply</b>	<ul style="list-style-type: none"> <li>Australian resident retail clients of the Syndicate Brokers, including clients who are also Eligible Westpac TPS Holders and applying under the Reinvestment Offer.</li> </ul>
<b>When to apply</b>	<ul style="list-style-type: none"> <li>Completed Broker Firm Application Forms and, where applicable, Application Payments must be received by your Syndicate Broker in sufficient time for them to process your Application on your behalf by the Closing Date, expected to be 5.00pm (Sydney time) on 21 June 2016.</li> <li>You must contact your Syndicate Broker directly for instructions on how to participate in the Broker Firm Offer.</li> </ul>
<b>How to apply</b>	<ul style="list-style-type: none"> <li>Contact your Syndicate Broker for instructions on how to apply generally.</li> </ul>
<b>Minimum Application amount</b>	<ul style="list-style-type: none"> <li>Applications must be for a minimum of 50 Notes (\$5,000).</li> <li>If your Application is for more than 50 Notes, you must apply in multiples of 10 Notes (\$1,000) thereafter.</li> <li>If you are an Eligible Westpac TPS Holder who is also a client of a Syndicate Broker, the minimum Application amount requirements applicable to the Reinvestment Offer apply (see Section 8.2.1).</li> </ul>

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

Unless you are a Broker Firm Applicant or you are applying online, your completed hard copy Reinvestment Application Form or Securityholder Application Form together with your Application Payment (if applicable) should be returned to either of the addresses below so that they are received by the Registrar before the Closing Date (which is expected to be 5.00pm (Sydney time) on 21 June 2016):

#### Mail

Westpac Capital Notes 4 Offer  
Link Market Services Limited  
Reply Paid 3560  
Sydney NSW 2001

OR

#### Hand delivery

Westpac Capital Notes 4 Offer  
Link Market Services Limited  
1A Homebush Bay Drive  
Rhodes NSW 2138

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

### 8.2.5 Brokerage, stamp duty and other ongoing fees and costs

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

You will not be required to pay any ongoing fees or other costs following the issue of the Notes. The costs of carrying out the Offer and maintaining an ASX listing for the Notes will be paid by Westpac.

### 8.2.6 Refunds and interest

All Application Payments received by the Registrar or through BPAY® before the Notes are issued will be held by Westpac in a non-interest bearing bank account established solely for the purpose of depositing Application Payments received.

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

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

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

If you are an Eligible Westpac TPS Holder and you have elected to apply to reinvest the redemption proceeds of some or all of your Westpac TPS and the Offer does not proceed, your Westpac TPS will still be redeemed on 30 June 2016 (in accordance with the Westpac TPS Terms). On redemption, you will receive \$100 per Westpac TPS you still hold on 30 June 2016, plus the Final Distribution for each Westpac TPS you hold on 15 June 2016 (provided the distribution payment test in the Westpac TPS Terms is satisfied). Any Application Payment in respect of additional Notes will be refunded to you. No interest will be payable on any Application Payment in respect of additional Notes received from Eligible Westpac TPS Holders.

## 8.3 ALLOCATION AND ALLOTMENT

### 8.3.1 Allocation, scaleback and priority

The Allocation policy for any Notes applied for under the Reinvestment Offer, including any additional Notes, and any Application under the Securityholder Offer will be determined by Westpac in consultation with the Joint Lead Managers at the close of the Offer. This Allocation policy and any scaleback will be announced on ASX on or before the day the Notes commence trading on a deferred settlement basis, which is expected to be 1 July 2016.

There is no guaranteed Allocation under the Offer, but Westpac will give priority to Applications received under the Reinvestment Offer, including Applications from Eligible Westpac TPS Holders received through Syndicate Brokers under the Broker Firm Offer. This priority does not apply to Applications for additional Notes by Eligible Westpac TPS Holders.

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

If you are an Eligible Westpac TPS Holder and you apply for additional Notes, your Application for additional Notes may be scaled back if there is excess demand for the Offer.

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## SECTION 8

### APPLYING FOR WESTPAC CAPITAL NOTES 4

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The Allocation policy for Joint Lead Managers and Institutional Investors will be determined under the Bookbuild – see this Section 7.6.1 and 8.3. Westpac and the Joint Lead Managers have the right to nominate the persons to whom Notes were or will be Allocated, including in respect of firm Allocations to Syndicate Brokers and Institutional Investors under the Bookbuild.

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

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

#### 8.3.2 Allotment

Westpac intends to issue and Allot approximately 7,500,000 Notes at an Issue Price of \$100 each, to raise approximately \$750 million with the ability to raise more or less.

Westpac will not Allot any Notes until it has been granted approval for the Notes to be quoted on ASX and all proceeds from accepted Applications have been received by Westpac. Subject to approval for quotation being granted, Westpac intends to Allot the Notes on 30 June 2016. Westpac and the Joint Lead Managers may, in their absolute discretion, close the Offer early or extend the Offer Period without notice. Westpac may also withdraw the Offer at any time before Notes are issued.

### 8.4 ASX QUOTATION, TRADING AND HOLDING STATEMENTS

#### 8.4.1 ASX quotation

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

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

#### 8.4.2 Trading

It is expected that the Notes will begin trading on ASX on a deferred settlement basis on 1 July 2016. Trading of the Notes on a deferred settlement basis is expected to continue until the dispatch of Holding Statements is completed, which is expected to occur on or by 5 July 2016. It is expected that trading of the Notes will begin on a normal settlement basis on 6 July 2016.

You are responsible for confirming your Allocation before trading Notes to avoid the risk of selling Notes you do not own. If you sell your Notes before you receive confirmation of your Allocation, you do so at your own risk. To assist you in determining your Allocation prior to receipt of your Holding Statement, Westpac will announce the basis of Allocation by placing advertisements in two major national newspapers in Australia on or before 1 July 2016.

If you are a Broker Firm Applicant (including an Eligible Westpac TPS Holder reinvesting in Notes through a Syndicate Broker) you should contact your Syndicate Broker to find out your Allocation prior to receiving your Holding Statement. If you have applied under the Reinvestment Offer or the Securityholder Offer, you should call the **Westpac Capital Notes 4 Information Line (Monday to Friday, 8.30am to 5.30pm, Sydney time) on 1300 363 136.**

#### 8.4.3 Holding Statements

Westpac expects Holding Statements will be dispatched to successful Applicants on or by 5 July 2016. Westpac will apply for the Notes to participate in CHESS. Westpac does not intend to quote the Notes on any securities exchange apart from ASX. No certificates will be issued for the Notes.

### 8.5 HOLDING INFORMATION

Applicants issued with Notes under the Offer will be sent a new investor pack shortly after the Issue Date. In addition to a Holding Statement, this pack will contain important information relating to your holding of Westpac Capital Notes 4.

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

Westpac will direct credit payment of Distributions, repayment of Face Value and other amounts relating to the Notes into an Australian dollar account of a financial institution nominated by you. Westpac will not pay Distributions on the Notes or other payments by cheque.

As part of the new investor pack for Notes, you will have the opportunity to provide or update your bank account details. Please provide these account details to the Registrar as soon as possible.

If your Notes are issued under an existing holding number with Westpac, your current elections, including bank account details, will apply to the Notes unless you advise the Registrar otherwise.

If the payment of any money to your account does not complete for any reason, Westpac will send a notice to the postal address or email address most recently notified by you advising of the uncompleted payment. In that case, the amount of the uncompleted payment will be held as a deposit in a non-interest bearing account until one of the following occurs:

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

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

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### 8.5.2 Provision of Tax File Number or Australian Business Number

The Registrar will invite Holders to quote or update their TFN, ABN or both. A Holder may, but is not required to, quote their TFN or ABN. If a Holder does not quote a TFN (or in certain circumstances an ABN) or proof of exemption, Westpac may be required to withhold Australian taxation at the maximum marginal tax rate including the Medicare Levy (currently 49% of the unfranked amount) from any Distribution payable on Notes which is not fully franked and remit the amount withheld to the ATO. You should also read the information about Australian tax consequences for Holders in Section 6.

If your Notes are issued under an existing holding number with Westpac, your current elections, including TFN or ABN details, will apply to the Notes unless you advise the Registrar otherwise.

## 8.6 ENQUIRIES

If you have any questions on how to apply for Notes, you should contact the **Westpac Capital Notes 4 Information Line (Monday to Friday, 8.30am to 5.30pm, Sydney time) on 1300 363 136.**

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

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

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# A

## APPENDIX A GLOSSARY



## APPENDIX A

### GLOSSARY

Defined terms in this glossary and in clause 16.2 of the Westpac Capital Notes 4 Terms are used throughout this Prospectus and the attached, or accompanying, Application Forms.

<b>ABN</b>	Australian Business Number
<b>Acquisition Event</b>	<p>occurs when:</p> <ul style="list-style-type: none"> <li>• a takeover bid is made and certain conditions are satisfied; or</li> <li>• a scheme of arrangement is proposed and approved and certain conditions are satisfied</li> </ul> <p>An Acquisition Event does not occur upon the proposed replacement of Westpac as the ultimate holding company of the Westpac Group if certain conditions are met</p>
<b>Acquisition Event Conversion Date</b>	has the meaning set out in clause 5.9(a)(iii) of the Westpac Capital Notes 4 Terms
<b>Additional Tier 1 Capital</b>	has the meaning prescribed by APRA in the Prudential Standards
<b>ADI</b>	an Authorised Deposit-taking Institution under the Banking Act
<b>AFSL</b>	Australian Financial Services Licence
<b>Allocation</b>	<p>the number of Notes allocated under the Offer to:</p> <ul style="list-style-type: none"> <li>• Eligible Westpac TPS Holders and Eligible Securityholders at the end of the Offer Period; and</li> <li>• Syndicate Brokers and Institutional Investors under the Bookbuild</li> </ul> <p><b>Allocate</b>, <b>Allocated</b> and <b>Allocating</b> have the corresponding meanings</p>
<b>Allotment</b>	<p>the issue of Notes to Applicants on the Issue Date under their Allocation</p> <p><b>Allotted</b> and <b>Allot</b> have the corresponding meanings</p>
<b>Applicant</b>	a person who submits an Application in accordance with this Prospectus
<b>Application</b>	<ul style="list-style-type: none"> <li>• a valid application made under this Prospectus to apply for a specified number of Notes by using the Securityholder Application Form or Broker Firm Application Form; and/or</li> <li>• a valid application made under this Prospectus to reinvest the redemption proceeds of a specified number of Westpac TPS in Notes (and application for any additional Notes) by using the Reinvestment Application Form</li> </ul>
<b>Application Form or Application Forms</b>	the application form (being the Reinvestment Application Form, the Securityholder Application Form or the Broker Firm Application Form) attached to or accompanying this Prospectus, or an online version of the Application Form, upon which an Application may be made
<b>Application Payment</b>	the monies payable on Application, calculated as the number of Notes applied for multiplied by the Initial Face Value
<b>Approved Successor</b>	a holding company that replaces, or is proposed to replace, Westpac as the ultimate holding company of the Westpac Group and that satisfies the requirements under paragraphs (c) to (h) of the definition of "Acquisition Event" in clause 16.2 of the Westpac Capital Notes 4 Terms
<b>Approved Successor Share</b>	a fully paid ordinary share in the capital of the Approved Successor
<b>APRA</b>	Australian Prudential Regulation Authority
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited (ABN 98 008 624 691) or the financial market operated by ASX Limited, as the context requires
<b>ASX Listing Rules</b>	the listing rules of ASX with any modification or waivers which ASX may grant to Westpac
<b>ASX Operating Rules</b>	the market operating rules of ASX as amended, varied or waived by ASX from time to time
<b>ATO</b>	Australian Taxation Office
<b>Bank Bill Rate</b>	has the meaning given in clause 3.1 of the Westpac Capital Notes 4 Terms
<b>Banking Act</b>	<i>Banking Act 1959</i> (Cth)

# APPENDIX A

## GLOSSARY

<b>BCBS</b>	Basel Committee on Banking Supervision
<b>Bookbuild</b>	the process conducted by the Joint Lead Managers as agents for Westpac to determine the Margin and firm Allocations of the Notes to certain Syndicate Brokers and Institutional Investors
<b>Broker Firm Applicant</b>	an Australian resident retail client of a Syndicate Broker who applies for a broker firm Allocation from a Syndicate Broker under the Broker Firm Offer
<b>Broker Firm Application Form</b>	the Application Form attached to or accompanying this Prospectus upon which a Broker Firm Applicant can make an Application
<b>Broker Firm Offer</b>	the invitation made to Australian resident retail clients of the Syndicate Brokers to apply for a broker firm Allocation from the relevant Syndicate Broker under this Prospectus
<b>Business Day</b>	a business day as defined in the ASX Listing Rules
<b>Buy Back</b>	a transaction involving the acquisition by Westpac of its Ordinary Shares pursuant to the provisions of Part 2J of the Corporations Act
<b>Capital Reduction</b>	a reduction in capital by Westpac of its Ordinary Shares in any way permitted by the provisions of Part 2J of the Corporations Act
<b>Capital Securities</b>	Ordinary Shares or any equity, hybrid or subordinated debt capital security (whether comprised of one or more instruments) issued by Westpac excluding the Notes
<b>Capital Trigger Event</b>	occurs when: <ul style="list-style-type: none"> <li>• Westpac determines; or</li> <li>• APRA notifies Westpac in writing that it believes,</li> </ul> that either or both the Westpac Level 1 Common Equity Tier 1 Capital Ratio or Westpac Level 2 Common Equity Tier 1 Capital Ratio (each as defined in the Westpac Capital Notes 4 Terms) is equal to or less than 5.125%
<b>Capital Trigger Event Conversion Date</b>	has the meaning set out in clause 5.2(d)(iii) of the Westpac Capital Notes 4 Terms
<b>CCB</b>	capital conservation buffer
<b>Change of Law</b>	<ul style="list-style-type: none"> <li>• an amendment to, change in or announced prospective change (that has been or will be introduced) in any laws or regulations under those laws affecting taxation in Australia;</li> <li>• a judicial decision interpreting, applying or clarifying laws or regulations affecting taxation in Australia;</li> <li>• an administrative pronouncement, ruling, confirmation, advice or action (including a failure or refusal to provide a ruling) affecting taxation in Australia that represents an official position, including a clarification of an official position of the governmental authority or regulatory body making the administrative pronouncement or taking any action; or</li> <li>• a challenge in relation to (or in connection with) the tax treatment of the Notes asserted or threatened in writing from a governmental authority or regulatory body in Australia,</li> </ul> which amendment or change is announced or which action or clarification or challenge occurs on or after the Issue Date and which Westpac did not expect as at the Issue Date
<b>CHESS</b>	Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited (ABN 49 008 504 532)
<b>Closing Date</b>	the last day on which Applications for the Reinvestment Offer, Securityholder Offer and Broker Firm Offer will be accepted, expected to be 5.00pm Sydney time on 21 June 2016 <sup>1</sup>
<b>Co-Managers</b>	Bell Potter Securities Limited, JBWere Limited, Macquarie Equities Limited, Shaw and Partners Limited and any other co-managers appointed to the Offer by the Joint Lead Managers and approved by the Joint Lead Managers and Westpac
<b>Co-Manager Amount</b>	the Allocation to any Co-Managers multiplied by the Initial Face Value

<sup>1</sup> Westpac and the Joint Lead Managers may, in their absolute discretion, close the Offer early or extend the Offer Period without notice. Westpac may also withdraw the Offer at any time before the Notes are issued.

<b>Common Equity Tier 1 Capital</b>	has the meaning prescribed by APRA in the Prudential Standards
<b>Common Equity Tier 1 Capital Ratio</b>	has the meaning prescribed by APRA in the Prudential Standards
<b>Consenting Party</b>	each of the consenting parties named in Section 7.7
<b>Conversion</b>	the conversion of all, some or a proportion of the Face Value of, each Note into Ordinary Shares under the Westpac Capital Notes 4 Terms <b>Convert</b> and <b>Converted</b> have the corresponding meaning
<b>Conversion Date</b>	the applicable: <ul style="list-style-type: none"> <li>• Scheduled Conversion Date;</li> <li>• Capital Trigger Event Conversion Date;</li> <li>• Non-Viability Trigger Event Conversion Date;</li> <li>• Acquisition Event Conversion Date; or</li> <li>• Optional Conversion Date</li> </ul>
<b>Conversion Number</b>	has the meaning given in clause 9.1 of the Westpac Capital Notes 4 Terms
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth)
<b>Distribution</b>	interest on the Face Value of each Note as set out in clause 3.1 of the Westpac Capital Notes 4 Terms
<b>Distribution Payment Conditions</b>	the conditions set out in clause 3.3 of the Westpac Capital Notes 4 Terms, being: <ul style="list-style-type: none"> <li>• Westpac's absolute discretion;</li> <li>• the payment of the Distribution not resulting in a breach of Westpac's capital requirements (on a Level 1 basis) or of the Westpac Group's capital requirements (on a Level 2 basis) under the Prudential Standards as they are applied to the Westpac Group at the time of the payment;</li> <li>• the payment of the Distribution not resulting in Westpac becoming, or being likely to become, insolvent for the purposes of the Corporations Act; and</li> <li>• APRA not otherwise objecting to the payment of the Distribution</li> </ul>
<b>Distribution Payment Date</b>	has the meaning given in clause 3.5 of the Westpac Capital Notes 4 Terms
<b>Distribution Period</b>	the period from (but excluding) the Issue Date until (and including) the first Distribution Payment Date or thereafter from (but excluding) each Distribution Payment Date until (and including) the next Distribution Payment Date
<b>Distribution Rate</b>	has the meaning given in clause 3.1 of the Westpac Capital Notes 4 Terms
<b>Dividend</b>	any interim, final or special dividends payable in accordance with the Corporations Act and Westpac's Constitution in relation to Ordinary Shares
<b>D-SIB</b>	Domestic Systemically Important Bank
<b>Eligible Securityholder</b>	a registered holder of Ordinary Shares, Westpac CPS, Westpac Subordinated Notes 2012, Westpac Subordinated Notes 2013, Westpac Capital Notes, Westpac Capital Notes 2 and/or Westpac Capital Notes 3 at 7.00pm Sydney time on 10 May 2016 and shown on the Register to have an address in Australia
<b>Eligible Westpac TPS Holder</b>	a registered holder of Westpac TPS at 7.00pm Sydney time on 10 May 2016 and shown on the Register to have an address in Australia
<b>Equal Ranking Capital Securities</b>	has the meaning given in clause 16.2 of the Westpac Capital Notes 4 Terms

## APPENDIX A

### GLOSSARY

<b>Face Value</b>	as applicable, either: <ul style="list-style-type: none"> <li>the Initial Face Value; or</li> <li>the Initial Face Value reduced by the amount of Face Value per Note which has previously been Converted in accordance with clauses 5.2 or 5.4 of the Westpac Capital Notes 4 Terms or the rights in respect of which have been terminated in accordance with clause 5.8 of the Westpac Capital Notes 4 Terms</li> </ul>
<b>FATCA</b>	sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (or any consolidation amendment, re-enactment or replacement of those provisions and including any regulations or official interpretations issued, agreements entered into or non-US laws enacted with respect to those provisions)
<b>Final Distribution</b>	in respect of Westpac TPS, means the expected final distribution to be paid to a Westpac TPS holder in respect of their Westpac TPS for the period from (but excluding) 31 March 2016 to (and including) 30 June 2016, provided such Westpac TPS holder is a registered holder of Westpac TPS at 7.00pm Sydney time on 15 June 2016 (provided the distribution payment test in the Westpac TPS Terms is satisfied)
<b>Financial Claims Scheme</b>	the financial claims scheme established under the Banking Act
<b>First Scheduled Conversion Condition</b>	the VWAP on the 25 <sup>th</sup> Business Day on which trading in Ordinary Shares took place immediately preceding (but not including) the Scheduled Conversion Date is greater than 56.12% of the Issue Date VWAP, as set out in clause 4.2(a)(i) of the Westpac Capital Notes 4 Terms
<b>GST</b>	Goods and Services Tax, as contained in the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth) and any relevant GST regulations
<b>HIN</b>	holder identification number
<b>Holder</b>	a registered holder of Notes
<b>Holding Statement</b>	a statement issued to Holders by the Registrar which sets out details of Notes Allotted to them under the Offer
<b>Ineligible Holder</b>	either: <ul style="list-style-type: none"> <li>a Holder who is prohibited or restricted by any applicable law or regulation in force in Australia (including but not limited to Chapter 6 of the Corporations Act, the <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth), the <i>Financial Sector (Shareholdings) Act 1998</i> (Cth) and Part IV of the <i>Competition and Consumer Act 2010</i> (Cth)) from being offered, holding or acquiring Ordinary Shares (provided that if the relevant prohibition or restriction only applies to the Holder in respect of some of its Notes, it shall only be treated as an Ineligible Holder in respect of those Notes and not in respect of the balance of its Notes); or</li> <li>a Holder whose address in the Register is a place outside Australia or who Westpac otherwise believes may not be a resident of Australia and Westpac is not satisfied that the laws of the Holder's country of residence permit the offer, holding or acquisition of Ordinary Shares to the Holder (but Westpac will not be bound to enquire into those laws), either unconditionally or after compliance with conditions which Westpac, in its absolute discretion, regards as acceptable and not unduly onerous</li> </ul>
<b>Initial Face Value or Issue Price</b>	\$100 per Note
<b>Institutional Amount</b>	the Allocation to Institutional Investors multiplied by the Initial Face Value
<b>Institutional Investor</b>	an investor to whom offers of securities can be made without the need for a prospectus (or other formality, other than a formality which Westpac is willing to comply with), including in Australia persons to whom offers of securities can be made without the need for a lodged prospectus under Chapter 6D of the Corporations Act
<b>Institutional Offer</b>	the invitation by Westpac Institutional Bank to Institutional Investors to bid for Notes in the Bookbuild
<b>Issue Date</b>	the date on which the Notes are issued, expected to be 30 June 2016

<b>Issue Date VWAP</b>	the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding but not including the Issue Date, as adjusted in accordance with clauses 9.4 to 9.7 of the Westpac Capital Notes 4 Terms
<b>JLM Broker Firm Amount</b>	for each Joint Lead Manager, the Initial Face Value multiplied by the Allocation to that Joint Lead Manager
<b>Joint Lead Managers</b>	Westpac Institutional Bank, ANZ Securities Limited, Commonwealth Bank of Australia, Morgan Stanley Australia Securities Limited, Morgans Financial Limited, National Australia Bank Limited and UBS AG, Australia Branch
<b>Level 1, Level 2 and Level 3</b>	has the meaning prescribed by APRA in the Prudential Standards
<b>Liquidation Sum</b>	an amount of surplus assets equal to \$100 per Note (as adjusted for any Conversion under clauses 5.2 or 5.4 of the Westpac Capital Notes 4 Terms or any termination of rights under clause 5.8 of the Westpac Capital Notes 4 Terms)
<b>Margin</b>	the margin for the Notes, which is expected to be in the range of 4.90% to 5.10% per annum and will be determined at the end of the Bookbuild
<b>Maximum Conversion Number</b>	has the meaning given in clause 9.1 of the Westpac Capital Notes 4 Terms, calculated according to the following formula:  <b>Face Value / (Relevant Percentage x Issue Date VWAP)</b>  Where: <b>Relevant Percentage</b> means if Conversion is occurring on a Scheduled Conversion Date or the Optional Conversion Date on 20 December 2021, 0.50; and if Conversion is occurring at any other time, 0.20
<b>Nominated Party</b>	one or more third parties selected by Westpac in its absolute discretion (which cannot include a member of the Westpac Group or a related entity (as described in the Prudential Standards) of Westpac)
<b>Non-Viability Trigger Event</b>	occurs when APRA notifies Westpac in writing that it believes: <ul style="list-style-type: none"> <li>• Conversion of all or some of the Notes, or conversion or write down of capital instruments of the Westpac Group, is necessary because, without it, Westpac would become non-viable; or</li> <li>• a public sector injection of capital, or equivalent support, is necessary because, without it, Westpac would become non-viable</li> </ul>
<b>Non-Viability Trigger Event Conversion Date</b>	has the meaning set out in clause 5.4(c)(iii) of the Westpac Capital Notes 4 Terms
<b>Notes Deed Poll</b>	the Notes Deed Poll in relation to the Notes to be dated on or around the date of the Bookbuild
<b>Offer</b>	the offer of the Notes under this Prospectus at an Initial Face Value and Issue Price of \$100 each to raise approximately \$750 million with the ability to raise more or less. The offer is comprised of the Reinvestment Offer, the Securityholder Offer, the Broker Firm Offer and the Institutional Offer
<b>Offer Period</b>	the period from the Opening Date to the Closing Date <sup>1</sup>
<b>OMA or Offer Management Agreement</b>	the Offer Management Agreement entered into between Westpac and the Joint Lead Managers as summarised in Section 7.6
<b>Online Manager</b>	Westpac Online Investing is a securities trading service provided through Westpac Securities Limited (ABN 39 087 924 221, AFSL No. 233723) by Australian Investment Exchange Limited (ABN 71 076 515 930, AFSL No. 241400) (the “Participant”), a Participant of the ASX Group and Chi-X Australia
<b>Opening Date</b>	the day the Offer opens, which is expected to be 26 May 2016
<b>Optional Conversion</b>	a Conversion at Westpac’s option in accordance with clause 6 of the Westpac Capital Notes 4 Terms

<sup>1</sup> Westpac and the Joint Lead Managers may, in their absolute discretion, close the Offer early or extend the Offer Period without notice. Westpac may also withdraw the Offer at any time before the Notes are issued.

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### GLOSSARY

<b>Optional Conversion Date</b>	<p>in respect of each Note:</p> <ul style="list-style-type: none"> <li>• 20 December 2021; or</li> <li>• the date specified by Westpac as the Optional Conversion Date in accordance with clause 6.3(b)(i)(B) of the Westpac Capital Notes 4 Terms</li> </ul>
<b>Optional Conversion Notice</b>	a notice issued in accordance with clause 6 of the Westpac Capital Notes 4 Terms
<b>Optional Conversion Restriction</b>	has the meaning given in clause 6.2 of the Westpac Capital Notes 4 Terms
<b>Ordinary Share</b>	a fully paid ordinary share in the capital of Westpac
<b>Other Broker Firm Amount</b>	the Allocation to any Third Party Brokers and other participating brokers multiplied by the Initial Face Value
<b>Prospectus</b>	this document (including the electronic form), and any supplementary or replacement Prospectus in relation to the Offer (including the electronic form)
<b>Prudential Standards</b>	the Prudential Standards and guidelines published by APRA and applicable to Westpac or the Westpac Group from time to time
<b>Record Date</b>	<p>in the case of:</p> <ul style="list-style-type: none"> <li>• the payment of Distributions, the date which is eight calendar days before the relevant Distribution Payment Date or, if that date does not fall on a Business Day, the immediately preceding Business Day (or such other date as may be prescribed under the ASX Listing Rules or, if not prescribed by the ASX Listing Rules, a date determined by Westpac and notified to ASX); and</li> <li>• the payment of the Face Value of the Note upon a Redemption or Transfer, a date determined by Westpac and notified to ASX (or such other date as may be prescribed by ASX)</li> </ul>
<b>Redemption</b>	<p>the redemption of all or some of the Notes for their Face Value under the Westpac Capital Notes 4 Terms</p> <p><b>Redeem</b> and <b>Redeemed</b> have corresponding meanings</p>
<b>Redemption Date</b>	<p>in respect of each Note:</p> <ul style="list-style-type: none"> <li>• 20 December 2021; or</li> <li>• the date specified by Westpac as the Redemption Date in accordance with clause 7.2(b)(i)(B) of the Westpac Capital Notes 4 Terms</li> </ul>
<b>Register</b>	the official register of Ordinary Shares, Westpac Capital Notes 4 (if issued), Westpac Capital Notes 3, Westpac Capital Notes 2, Westpac Subordinated Notes 2013, Westpac Capital Notes, Westpac Subordinated Notes 2012 or Westpac CPS maintained by Westpac, or the official register of Westpac TPS maintained by the Registrar on the issuer's behalf, and includes any sub-register established and maintained under CHESS
<b>Registrar</b>	Link Market Services Limited (ABN 54 083 214 537) or any other registrar that Westpac (or in the case of Westpac TPS, WREL) appoints to maintain a register of its securities
<b>Regulatory Event</b>	<p>broadly, will occur if Westpac receives legal advice that, as a result of a change of law or regulation after the Issue Date:</p> <ul style="list-style-type: none"> <li>• additional requirements would be imposed on the Westpac Group in relation to Notes which Westpac determines to be unacceptable; or</li> <li>• Westpac determines that it will not be entitled to treat some or all of the Notes as Additional Tier 1 Capital of the Westpac Group.</li> </ul> <p>A Regulatory Event will not arise where, at the Issue Date, Westpac expected the event would occur</p>
<b>Reinvestment Application Form</b>	the Application Form accompanying this Prospectus (or an online version of such a form) upon which an Application to participate in the Reinvestment Offer (and if applicable, to apply for any additional Notes) may be made



<b>Reinvestment Offer</b>	the priority offer to Eligible Westpac TPS Holders to apply to have the redemption proceeds of some or all of their Westpac TPS automatically reinvested in Notes as described in Sections 3 and 8
<b>Reinvestment Offer Record Date</b>	10 May 2016 (7.00pm Sydney time)
<b>Relevant Securities</b>	a security forming part of the Tier 1 Capital of Westpac on a Level 1 basis or Level 2 basis
<b>RWA</b>	risk weighted assets
<b>Sale Agent</b>	the nominee (who cannot be a member of the Westpac Group or a related entity (as described in the Prudential Standards) of Westpac) appointed by Westpac under the facility established for the sale of Ordinary Shares issued by Westpac on Conversion on behalf of Holders who do not wish to receive Ordinary Shares on Conversion or who are Ineligible Holders
<b>Scheduled Conversion</b>	Conversion on the Scheduled Conversion Date
<b>Scheduled Conversion Conditions</b>	the First Scheduled Conversion Condition and the Second Scheduled Conversion Condition
<b>Scheduled Conversion Date</b>	the date that is the earlier of: <ul style="list-style-type: none"> <li>• 20 December 2023; and</li> <li>• the first Distribution Payment Date after 20 December 2023, on which the Scheduled Conversion Conditions are satisfied</li> </ul>
<b>Second Scheduled Conversion Condition</b>	the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Scheduled Conversion Date is greater than 50.51% of the Issue Date VWAP, as set out in clause 4.2(a)(ii) of the Westpac Capital Notes 4 Terms except that the Second Scheduled Conversion Condition applies to a Conversion following an Acquisition Event as though the proposed Acquisition Event Conversion Date were a Scheduled Conversion Date for the purposes of clause 4 of the Westpac Capital Notes 4 Terms and the reference to 50.51% is a reference to 20.20% of the Issue Date VWAP
<b>Securityholder Application Form</b>	the Application Form accompanying this Prospectus (or an online version of such a form) upon which an Eligible Securityholder can make an Application
<b>Securityholder Offer</b>	the invitation to Eligible Securityholders to apply for Notes under this Prospectus
<b>Senior Creditors</b>	all creditors of Westpac (present and future), including depositors of Westpac and all holders of Westpac's senior or subordinated debt: <ul style="list-style-type: none"> <li>• whose claims are admitted in a Winding Up; and</li> <li>• whose claims are not made as holders of indebtedness arising under: <ul style="list-style-type: none"> <li>– an Equal Ranking Capital Security; or</li> <li>– an Ordinary Share</li> </ul> </li> </ul>
<b>Solvent Reconstruction</b>	a scheme of amalgamation or reconstruction, not involving a bankruptcy or insolvency, where the obligations of Westpac in relation to the outstanding Notes are assumed by the successor entity to which all, or substantially all of the property, assets and undertakings of Westpac are transferred or where an arrangement with similar effect not involving a bankruptcy or insolvency is implemented
<b>Special Resolution</b>	<ul style="list-style-type: none"> <li>• a resolution passed at a meeting of Holders by a majority of at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution; or</li> <li>• the written approval of Holders holding at least 75% of the Notes</li> </ul>
<b>SRN</b>	securityholder reference number
<b>Step-Up Date</b>	30 June 2016, being the first distribution payment date on or after the tenth anniversary of the issue date of Westpac TPS
<b>Sydney time</b>	time in Sydney, New South Wales, Australia
<b>Syndicate Broker</b>	any of the Joint Lead Managers (or their affiliated retail brokers), Co-Managers or Third Party Brokers and any other participating broker in the Offer

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## GLOSSARY

<b>Tax Act</b>	the <i>Income Tax Assessment Act 1936</i> (Cth) or the <i>Income Tax Assessment Act 1997</i> (Cth) (both as amended from time to time, as the case may be, and a reference to a section of the <i>Income Tax Assessment Act 1936</i> (Cth) includes a reference to that section as rewritten in the <i>Income Tax Assessment Act 1997</i> (Cth)) and any other law setting the rate of income tax payable or regulation made under such laws
<b>Tax Event</b>	occurs when Westpac determines, after receiving a supporting opinion of reputable legal counsel or other tax adviser in Australia, experienced in such matters, that (as a result of a Change of Law) there is a more than insubstantial risk that: <ul style="list-style-type: none"> <li>• Westpac would be exposed to a more than de minimis adverse tax consequence or increased cost in relation to the Notes; or</li> <li>• any Distribution would not be a frankable distribution within the meaning of Division 202 of the Tax Act</li> </ul>
<b>Tax Rate</b>	the Australian corporate tax rate applicable to the franking account of Westpac at the relevant Distribution Payment Date. At the date of this Prospectus, the relevant Tax Rate is 30% or, expressed as a decimal, 0.30 (but that rate may change)
<b>TFN</b>	Tax File Number
<b>Third Party Broker</b>	any third party brokers appointed to the Offer by Westpac Institutional Bank to participate in the Bookbuild
<b>Tier 1 Capital, Tier 1 Capital Ratio, Tier 2 Capital, Tier 2 Capital Ratio, Total Capital and Total Capital Ratio</b>	have the meaning prescribed by APRA in the Prudential Standards
<b>Transfer</b>	the transfer of Notes by Holders to a Nominated Party in accordance with clause 8 of the Westpac Capital Notes 4 Terms <b>Transferred</b> has a corresponding meaning
<b>Transfer Date</b>	in respect of each Note: <ul style="list-style-type: none"> <li>• 20 December 2021; or</li> <li>• the date specified by Westpac as the Transfer Date in accordance with clause 8.2(b)(i)(B) of the Westpac Capital Notes 4 Terms</li> </ul>
<b>Transfer Notice</b>	a notice issued in accordance with clause 8 of the Westpac Capital Notes 4 Terms under which Westpac elects that a Transfer occur in relation to some or all of the Notes
<b>Trust</b>	Westpac TPS Trust (ARSN 119 504 380) established under the constitution of the Trust dated 8 August 2005, as amended by certain supplemental deeds
<b>US Person</b>	has the meaning given in Regulation S of the US Securities Act
<b>US Securities Act</b>	United States Securities Act of 1933, as amended
<b>VWAP</b>	subject to any adjustments under clauses 9.2 and 9.3 of the Westpac Capital Notes 4 Terms, the average of the daily volume weighted average sales prices (each rounded to the nearest full cent) of Ordinary Shares sold on ASX during the relevant period or on the relevant days but does not include any “crossing” transacted outside the “Open Session State” or any “special crossing” transacted at any time, each as defined in the ASX Operating Rules or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares
<b>VWAP Period</b>	the period over which the VWAP is calculated, as set out in clause 16.2 of the Westpac Capital Notes 4 Terms
<b>Westpac</b>	Westpac Banking Corporation (ABN 33 007 457 141, AFSL No. 233714)
<b>Westpac’s Constitution</b>	the constitution of Westpac
<b>Westpac Capital Notes</b>	the 13,835,690 Westpac Capital Notes issued by Westpac under a prospectus dated 7 February 2013

<b>Westpac Capital Notes 2</b>	the 13,105,705 Westpac Capital Notes 2 issued by Westpac under a prospectus dated 15 May 2014
<b>Westpac Capital Notes 3</b>	the 13,244,280 Westpac Capital Notes 3 issued by Westpac, acting through its London branch, under a prospectus dated 6 August 2015
<b>Westpac Capital Notes 4 or Notes</b>	are fully paid, non-cumulative, convertible, transferable, redeemable, subordinated, perpetual, unsecured notes of Westpac, to be issued under the Offer in accordance with the Westpac Capital Notes 4 Terms
<b>Westpac Capital Notes 4 Terms</b>	the Westpac Capital Notes 4 terms of issue set out in Appendix B
<b>Westpac CPS</b>	the 11,893,605 Convertible Preference Shares issued by Westpac under a prospectus dated 24 February 2012 (referred to in the Westpac Capital Notes 4 Terms as Westpac CPS 2012)
<b>Westpac Directors</b>	some or all of the directors of Westpac acting as a board
<b>Westpac Group</b>	Westpac and its controlled entities taken as a whole
<b>Westpac Institutional Bank</b>	Westpac Institutional Bank, a division of Westpac
<b>Westpac Subordinated Notes 2012</b>	the 16,762,190 Westpac Subordinated Notes issued by Westpac under an information memorandum dated 23 July 2012 and designated as Westpac Subordinated Notes
<b>Westpac Subordinated Notes 2013</b>	the 9,252,850 Westpac Subordinated Notes 2 issued under a prospectus dated 18 July 2013 and designated as Westpac Subordinated Notes II
<b>Westpac TPS</b>	the 7,627,375 Westpac Trust Preferred Securities issued under a product disclosure statement dated 19 May 2006
<b>Westpac TPS Terms</b>	the full terms of issue of Westpac TPS set out in Appendix B of the Westpac TPS product disclosure statement dated 19 May 2006
<b>Winding Up</b>	<ul style="list-style-type: none"> <li>• a court order is made for the winding up of Westpac; or</li> <li>• an effective resolution is passed by shareholders or members for the winding up of Westpac, other than in connection with a Solvent Reconstruction</li> </ul>
<b>WREL</b>	Westpac RE Limited (ABN 80 000 742 478) as responsible entity of the Westpac TPS Trust

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# B

## **APPENDIX B WESTPAC CAPITAL NOTES 4 TERMS**

## APPENDIX B

### WESTPAC CAPITAL NOTES 4 TERMS

#### 1 FORM AND INITIAL FACE VALUE OF WESTPAC CAPITAL NOTES 4

##### 1.1 Form

Westpac Capital Notes 4:

- (a) are non-cumulative, convertible, transferable, redeemable, subordinated, perpetual, unsecured notes of Westpac;
- (b) are designated as being of a particular series as set out in the Prospectus;
- (c) are constituted under and issued on the terms set out in the Deed Poll and these Terms; and
- (d) take the form of entries in the Westpac Capital Notes 4 Register.

##### 1.2 Initial Face Value

Each Westpac Capital Note 4 is issued fully paid at an issue price of \$100.

#### 2 RANKING ON WINDING UP

- (a) Holders do not have any right to prove in a Winding Up in respect of Westpac Capital Notes 4, except as permitted under clause 2(b).
- (b) Westpac Capital Notes 4 will rank for payment of the Liquidation Sum in a Winding Up:
  - (i) senior to Ordinary Shares;
  - (ii) equally among themselves and with all other Equal Ranking Capital Securities; and
  - (iii) junior to, and are conditional on the prior payment in full of, the claims of all Senior Creditors.
- (c) Holders may not exercise voting rights as a creditor in respect of Westpac Capital Notes 4 in a Winding Up to defeat the subordination in this clause.
- (d) Westpac Capital Notes 4 are perpetual and the Terms of Westpac Capital Notes 4 do not include events of default or any other provisions entitling the Holders to require that Westpac Capital Notes 4 be Redeemed. Holders do not have any right to apply for a Winding Up on the ground of Westpac's failure to pay Distributions or for any other reason.
- (e) For the avoidance of doubt, but subject to clause 5.8, if a Capital Trigger Event or Non-Viability Trigger Event has occurred, Holders will rank for payment in a Winding Up as holders of the number of Ordinary Shares to which they became entitled under clauses 5.2 or 5.4.

#### 3 DISTRIBUTIONS

##### 3.1 Distributions

Subject to these Terms, each Westpac Capital Note 4 entitles the Holder to receive on the relevant Distribution Payment Date interest on the Face Value of the Westpac Capital Note 4 (Distribution), calculated using the following formula:

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

where:

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

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

where:

**Bank Bill Rate** (expressed as a percentage per annum) means, for each Distribution Period, the average mid-rate for bills of a term of 90 days which average rate is displayed on Reuters page BBSW (or any page that replaces that page) at 10.30am (Sydney time) on, in the case of the first Distribution Period, the Issue Date, and in the case of any other Distribution Period, the first Business Day of that Distribution Period, or if there is a manifest error in the calculation of that average rate or that average rate is not displayed at 10.30am (Sydney time) on that date, the rate specified in good faith by Westpac at or around that time on that date having regard, to the extent possible, to:

- (a) the rates otherwise bid and offered for bills of a term of 90 days or for funds of that tenor displayed on Reuters page BBSW (or any page which replaces that page) at that time on that date; and
- (b) if bid and offer rates for bills of a term of 90 days are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time on that date;

**Margin** means the rate (expressed as a percentage per annum) determined under the Bookbuild;

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

**N** means, in respect of a Distribution Period, the number of days in that Distribution Period.

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#### 3.2 Adjustment to calculation of Distributions if not fully franked

If payment of any Distribution will not be franked to 100% under Part 3-6 of the Tax Act (or any provisions that revise or replace that Part), otherwise than because of any act by, or circumstances affecting, any particular Holder, the Distribution will be calculated using the following formula:

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

where:

**D** means the Distribution entitlement on that Distribution Payment Date as calculated under clause 3.1;

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

**Franking Rate** (expressed as a decimal) means the percentage of Distribution that would carry franking credits (within the meaning of Part 3-6 of the Tax Act or any provisions that revise or replace that Part), applicable to the relevant Distribution entitlement on that Distribution Payment Date.

#### 3.3 Conditions to payment of Distributions

- (a) The payment of any Distribution on a Distribution Payment Date is subject to:
- (i) Westpac's absolute discretion;
  - (ii) the payment of the Distribution not resulting in a breach of Westpac's capital requirements (on a Level 1 basis) or of the Westpac Group's capital requirements (on a Level 2 basis) under the then current Prudential Standards at the time of the payment;
  - (iii) the payment of the Distribution not resulting in Westpac becoming, or being likely to become, insolvent for the purposes of the Corporations Act; and
  - (iv) APRA not otherwise objecting to the payment of the Distribution.
- (b) Westpac must notify ASX as soon as reasonably practicable if payment of any Distribution will not be made because of this clause.

#### 3.4 Distributions are discretionary, non-cumulative and only payable in cash

- (a) Payments of Distributions are within the absolute discretion of Westpac and are non-cumulative. If a Distribution is not paid because of the provisions of clause 3.3 or because of any other reason, Westpac has no liability to pay such Distribution to the Holder and the Holder has no:
- (i) claim (including, without limitation, on a Winding Up); or
  - (ii) right to apply for a Winding Up, in respect of such non-payment.

- (b) Any payments of Distributions to Holders must be made in the form of cash.
- (c) Non-payment of a Distribution because of the provisions of clause 3.3, or because of any other reason, does not constitute an event of default.

#### 3.5 Distribution Payment Date

Distributions in respect of Westpac Capital Notes 4 are payable:

- (a) quarterly in arrear on 30 March, 30 June, 30 September and 30 December of each year, commencing on 30 September 2016 until that Westpac Capital Note 4 has been Converted or Redeemed; and
- (b) on the Conversion Date, Redemption Date or Transfer Date (as the case may be) on which such Westpac Capital Note 4 is Converted, Redeemed or Transferred, (each a **Distribution Payment Date**).

#### 3.6 Record Dates

Distributions are only payable on a Distribution Payment Date to those persons registered as Holders on the Record Date for that Distribution Payment Date.

#### 3.7 Restrictions in the case of non-payment of a Distribution

Subject to clause 3.8, if for any reason a Distribution has not been paid in full on the relevant Distribution Payment Date, Westpac must not:

- (a) determine or pay any Dividends; or
  - (b) undertake any discretionary Buy Back or Capital Reduction, unless the amount of the unpaid Distribution is paid in full within 20 Business Days of that Distribution Payment Date or;
  - (c) all Westpac Capital Notes 4 have been Converted or Redeemed;
  - (d) on a subsequent Distribution Payment Date, a Distribution for the subsequent Distribution Period is paid in full; or
  - (e) a Special Resolution of the Holders has been passed approving such action,
- and, in respect of the actions contemplated by paragraphs (c), (d) and (e), APRA does not otherwise object.

#### 3.8 Restrictions not to apply in certain circumstances

The restrictions in clause 3.7 do not apply in connection with:

- (a) any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants of Westpac or any member of the Westpac Group; or
- (b) Westpac or any of its controlled entities purchasing shares in Westpac in connection with transactions for the account of customers of Westpac or any of its controlled entities or in connection with the distribution or trading of shares in Westpac in the ordinary course of business (such distribution or trading of shares in the ordinary course of business is subject to the prior written approval of APRA); or



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- (c) to the extent that at the time a Distribution has not been paid on the relevant Distribution Payment Date, Westpac is legally obliged to pay on or after that date a Dividend or complete on or after that date a Buy Back or Capital Reduction.

#### 3.9 Notification

- (a) In relation to each Distribution Period, Westpac must notify the ASX of the Distribution Rate and the amount of Distribution payable on each Westpac Capital Note 4.
- (b) Westpac must give notice under this clause 3.9 as soon as practicable after it makes its calculations or determinations and, in any event, by no later than the fifth Business Day of the relevant Distribution Period.
- (c) Westpac may amend the calculation or determination of any amount, date, or rate (or make appropriate alternative arrangements by way of adjustment) including as a result of the extension or reduction of a Distribution Period without prior notice, but must notify ASX promptly after doing so.

#### 3.10 Calculations and determinations final

The calculation or determination by Westpac of all rates and amounts payable by it in relation to Westpac Capital Notes 4 is, in the absence of manifest or proven error, final and binding on Westpac, the Registrar and each Holder.

## 4 SCHEDULED CONVERSION

#### 4.1 Scheduled Conversion

Subject to clauses 5, 6, 7 and 8, Westpac must Convert all (but not some) Westpac Capital Notes 4 on issue on the date that is the earlier of:

- (a) 20 December 2023; and
- (b) the first Distribution Payment Date after 20 December 2023, on which the Scheduled Conversion Conditions are satisfied (each a **Scheduled Conversion Date**).

#### 4.2 Scheduled Conversion Conditions

- (a) The Scheduled Conversion Conditions for each Scheduled Conversion Date are:
- (i) the VWAP on the 25th Business Day on which trading in Ordinary Shares took place immediately preceding (but not including) the Scheduled Conversion Date is greater than 56.12% of the Issue Date VWAP (**First Scheduled Conversion Condition**); and
- (ii) the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Scheduled Conversion Date is greater than 50.51% of the Issue Date VWAP (the **Second Scheduled Conversion Condition**).
- (b) If the First Scheduled Conversion Condition is not satisfied, Westpac will announce to ASX not less than 21 Business Days before the Scheduled Conversion Date that Conversion will not proceed on the Scheduled Conversion Date.

- (c) If the Second Scheduled Conversion Condition is not satisfied, Westpac will notify Holders on or as soon as practicable after the Scheduled Conversion Date that Conversion did not occur.

## 5 AUTOMATIC CONVERSION

#### 5.1 Capital Trigger Event

A Capital Trigger Event occurs when:

- (a) Westpac determines; or
- (b) APRA notifies Westpac in writing that it believes, that either or both the Westpac Level 1 Common Equity Tier 1 Capital Ratio or Westpac Level 2 Common Equity Tier 1 Capital Ratio is equal to or less than 5.125%.

#### 5.2 Consequences of a Capital Trigger Event

- (a) Westpac must notify APRA immediately in writing if it determines that a Capital Trigger Event has occurred.
- (b) If a Capital Trigger Event occurs, Westpac must Convert such number of Westpac Capital Notes 4 (or, if it so determines, such percentage of the Face Value of each Westpac Capital Note 4) as is sufficient (following any conversion or write down of other Relevant Securities as referred to in paragraph 5.2(c)(i) below) to return either or both the Westpac Level 1 Common Equity Tier 1 Capital Ratio or Westpac Level 2 Common Equity Tier 1 Capital Ratio, as the case may be, to above 5.125%.
- (c) In determining the number of Westpac Capital Notes 4, or percentage of the Face Value of each Westpac Capital Note 4, which must be Converted in accordance with this clause, Westpac will:
- (i) first, convert or write down such number or percentage of the face value of any other Relevant Securities whose terms require them to be converted or written down, before Conversion of Westpac Capital Notes 4; and
- (ii) second, if conversion or write down of those Relevant Securities is not sufficient, Convert (in the case of Westpac Capital Notes 4) and convert or write down (in the case of any other Relevant Securities) on a pro-rata basis or in a manner that is otherwise, in the opinion of Westpac, fair and reasonable, the Face Value of the Westpac Capital Notes 4 and the face value of any Relevant Securities whose terms require or permit them to be converted or written down in that manner (subject to such adjustment as Westpac may determine to take into account the effect on marketable parcels and whole numbers of Ordinary Shares and any Westpac Capital Notes 4 or other Relevant Securities remaining on issue),

but such determination will not impede the immediate Conversion of the relevant number of Westpac Capital Notes 4 or percentage of the Face Value of each Westpac Capital Note 4 (as the case may be) or, if applicable, the termination of the relevant Holder's rights and claims in accordance with clause 5.8.

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### WESTPAC CAPITAL NOTES 4 TERMS

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- (d) If a Capital Trigger Event occurs:
- (i) the relevant number of Westpac Capital Notes 4, or percentage of the Face Value of each Westpac Capital Note 4, must be Converted immediately upon occurrence of the Capital Trigger Event in accordance with clauses 5.7 and 9 and the Conversion will be irrevocable;
  - (ii) Westpac must give notice as soon as practicable that Conversion has occurred to ASX and the Holders;
  - (iii) the notice must specify the date on which the Capital Trigger Event occurred (**Capital Trigger Event Conversion Date**); and
  - (iv) the notice must specify the details of the Conversion process, including any details which were taken into account in relation to the effect on marketable parcels and whole numbers of Ordinary Shares, and the impact on any Westpac Capital Notes 4 remaining on issue.
- (e) Failure or delay in undertaking any of the steps in clauses 5.2(d)(ii) to (iv), or in quotation of the Ordinary Shares to be issued on Conversion, does not prevent, invalidate or otherwise impede Conversion.

#### 5.3 Non-Viability Trigger Event

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

- (a) Conversion of all or some Westpac Capital Notes 4, or conversion or write down of capital instruments of the Westpac Group, is necessary because, without it, Westpac would become non-viable; or
- (b) a public sector injection of capital, or equivalent support, is necessary because, without it, Westpac would become non-viable.

#### 5.4 Consequences of a Non-Viability Trigger Event

- (a) If a Non-Viability Trigger Event occurs, Westpac must Convert such number of Westpac Capital Notes 4 (or, if it so determines, such percentage of the Face Value of each Westpac Capital Note 4) as is equal (following any conversion or write down of other Relevant Securities as referred to in paragraph 5.4(b)(ii)(A) below) to the aggregate face value of capital instruments which APRA has notified Westpac must be converted or written down (or, if APRA has not so notified Westpac, such number or, if Westpac so determines, such percentage of the Face Value of Westpac Capital Notes 4, as is necessary when added to the amount of the other Relevant Securities converted or written down pursuant to clause 5.4(b)(ii) to satisfy APRA that Westpac will no longer be non-viable).
- (b) In determining the number of Westpac Capital Notes 4, or percentage of the Face Value of each Westpac Capital Note 4, which must be Converted in accordance with this clause, Westpac will:
- (i) where a Non-Viability Trigger Event occurs under clause 5.3(b), Convert all of the Westpac Capital Notes 4; or

- (ii) in all other circumstances:

- (A) first, convert or write down such number or percentage of the face value of any other Relevant Securities whose terms require them to be converted or written down before Conversion of Westpac Capital Notes 4; and
- (B) second, if conversion or write down of those securities is not sufficient, Convert (in the case of Westpac Capital Notes 4) and convert or write down (in the case of any other Relevant Securities), on a pro-rata basis or in a manner that is otherwise, in the opinion of Westpac, fair and reasonable, the Face Value of the Westpac Capital Notes 4 and the face value of any Relevant Securities whose terms require or permit them to be converted or written down in that manner (subject to such adjustments as Westpac may determine to take into account the effect on marketable parcels and whole numbers of Ordinary Shares and any Westpac Capital Notes 4 or other Relevant Securities remaining on issue),

but such determination will not impede the immediate Conversion of the relevant number of Westpac Capital Notes 4 or percentage of the Face Value of each Westpac Capital Note 4 (as the case may be) or, if applicable, the termination of the relevant Holder's rights and claims in accordance with clause 5.8.

- (c) If a Non-Viability Trigger Event occurs:

- (i) the relevant number of Westpac Capital Notes 4, or percentage of the Face Value of each Westpac Capital Note 4, must be Converted immediately upon occurrence of the Non-Viability Trigger Event in accordance with clauses 5.7 and 9 and the Conversion will be irrevocable;
  - (ii) Westpac must give notice as soon as practicable that Conversion has occurred to ASX and the Holders;
  - (iii) the notice must specify the date on which the Non-Viability Trigger Event occurred (**Non-Viability Trigger Event Conversion Date**); and
  - (iv) the notice must specify the details of the Conversion process, including any details which were taken into account in relation to the effect on marketable parcels and whole numbers of Ordinary Shares, and the impact on any Westpac Capital Notes 4 remaining on issue.
- (d) Failure to undertake any of the steps in clauses 5.4(c)(ii) to (iv) does not prevent, invalidate or otherwise impede Conversion.

#### 5.5 Scheduled Conversion Conditions not applicable

For the avoidance of doubt, the Scheduled Conversion Conditions do not apply to Conversion as a result of a Capital Trigger Event or Non-Viability Trigger Event.

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#### 5.6 Priority of early Conversion obligations

A Conversion required because of a Capital Trigger Event or a Non-Viability Trigger Event takes place on the date, and in the manner, required by clauses 5.2, 5.4, 5.7 and 5.8, notwithstanding any other provision for Conversion, Redemption or Transfer in these Terms.

#### 5.7 Automatic Conversion upon the occurrence of a Capital Trigger Event or Non-Viability Trigger Event

If a Capital Trigger Event or Non-Viability Trigger Event has occurred and all or some Westpac Capital Notes 4 (or percentage of the Face Value of each Westpac Capital Note 4) are required to be Converted in accordance with clauses 5.2 or 5.4, then:

- (a) Conversion of the relevant Westpac Capital Notes 4 or percentage of the Face Value of each Westpac Capital Note 4 will be taken to have occurred in accordance with clause 9 immediately upon the Capital Trigger Event Conversion Date or Non-Viability Trigger Event Conversion Date;
- (b) subject to clause 9.10, the entry of the corresponding Westpac Capital Notes 4 in each relevant Holder's holding in the Westpac Capital Notes 4 Register will constitute an entitlement of that Holder to the relevant number of Ordinary Shares (and, if applicable, also to any remaining balance of Westpac Capital Notes 4 or Westpac Capital Notes 4 with a Face Value equal to the aggregate of the remaining percentage of the Face Value of each Westpac Capital Note 4), and Westpac will recognise the Holder as having been issued the relevant Ordinary Shares for all purposes, in each case without the need for any further act or step by Westpac, the Holder or any other person (and Westpac will, as soon as possible thereafter and without delay on the part of Westpac, take any appropriate procedural steps to record such Conversion, including updating the Westpac Capital Notes 4 Register and the Ordinary Share register); and
- (c) subject to clause 9.10, upon Conversion a Holder has no further right or claim under these Terms in respect of the Westpac Capital Notes 4 Converted, except in relation to the relevant number of Ordinary Shares and the Holder's entitlement, if any, to Westpac Capital Notes 4 representing the unconverted outstanding Face Value.

#### 5.8 No further rights if Conversion does not occur for any reason

If, for any reason, Conversion of any Westpac Capital Notes 4 (or a percentage of the Face Value of any Westpac Capital Notes 4) required to be Converted under clauses 5.2 or 5.4 fails to take effect under clauses 5.7(a) and (b) or does not occur for any other reason and the Ordinary Shares are not issued for any reason in respect of such Conversion by 5.00pm on the fifth Business Day after the Capital Trigger Event

Conversion Date or Non-Viability Trigger Event Conversion Date, then:

- (a) such Westpac Capital Notes 4 or percentage of the Face Value of Westpac Capital Notes 4 will not be Converted in respect of such Capital Trigger Event Conversion Date or Non-Viability Trigger Event Conversion Date (as the case may be) and will not be Converted, Redeemed or Transferred under these Terms on any subsequent date; and
- (b) the relevant Holders' rights (including to payment of Distributions and Face Value and any other payments) in relation to such Westpac Capital Notes 4 or percentage of the Face Value of Westpac Capital Notes 4 are immediately and irrevocably terminated and such termination will be taken to have occurred immediately upon the Capital Trigger Event Conversion Date or Non-Viability Trigger Event Conversion Date, as the case may be.

#### 5.9 Automatic Conversion upon the occurrence of an Acquisition Event

- (a) If an Acquisition Event occurs, then:
  - (i) Westpac must Convert all (but not some) Westpac Capital Notes 4;
  - (ii) Westpac must give notice as soon as practicable and in any event within 10 Business Days after becoming aware of that event occurring to ASX and the Holders;
  - (iii) the notice must specify a date on which it is proposed Conversion will occur (proposed **Acquisition Event Conversion Date**) being:
    - (A) in the case of an Acquisition Event that is a takeover bid, no later than the Business Day prior to the then announced closing date of the relevant takeover bid; or
    - (B) in the case of an Acquisition Event that is a court approved scheme, a date no later than the record date for participation in the relevant scheme of arrangement; and
  - (iv) the notice must specify the details of the Conversion process including any details to take into account the effect on marketable parcels and whole numbers of Ordinary Shares; and
  - (v) on the proposed Acquisition Event Conversion Date, all Westpac Capital Notes 4 will Convert in accordance with clause 9.
- (b) The Second Scheduled Conversion Condition applies to a Conversion following an Acquisition Event as though the proposed Acquisition Event Conversion Date were a Scheduled Conversion Date for the purposes of clause 4 (except that in the case of an Acquisition Event, the Second Scheduled Conversion Condition will apply as if it referred to 20.20% of the Issue Date VWAP). If the Second Scheduled Conversion Condition is not satisfied, the Westpac Capital Notes 4 will not Convert.
- (c) If the Second Scheduled Conversion Condition is not satisfied on the proposed Acquisition Event Conversion Date, Westpac will notify Holders as soon as practicable after the proposed Acquisition Event Conversion Date that Conversion did not occur.

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#### 5.10 Issue of ordinary shares of Approved Successor

Where there is a replacement of Westpac as the ultimate holding company of the Westpac Group and the successor holding company is an Approved Successor, Conversion of the Westpac Capital Notes 4 may not occur as a consequence of the Replacement (as defined in clause 13.4(a)). Instead, these Terms may be amended in accordance with clause 13.4.

## 6 OPTIONAL CONVERSION

### 6.1 Conversion at the option of Westpac

- (a) Subject to the other provisions of this clause 6, Westpac may at its option Convert in accordance with clause 9:
  - (i) all or some Westpac Capital Notes 4 on 20 December 2021; or
  - (ii) all (but not some) of the Westpac Capital Notes 4 on an Optional Conversion Date following the occurrence of a Tax Event or Regulatory Event.
- (b) If only some (but not all) Westpac Capital Notes 4 are to be Converted under clause 6.1(a)(i), those Westpac Capital Notes 4 to be Converted will be specified in the Optional Conversion Notice and selected:
  - (i) in a manner that is, in the opinion of Westpac, fair and reasonable; and
  - (ii) in compliance with any applicable law, directive or requirement of ASX.

### 6.2 Restriction on election to Convert

Westpac may only elect to Convert the Westpac Capital Notes 4 under clause 6.1(a) if on the second Business Day before the date on which an Optional Conversion Notice is to be sent by Westpac (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Ordinary Shares occurred) the VWAP on that date is:

- (a) in respect of a Conversion under clause 6.1(a)(i), greater than 56.12% of the Issue Date VWAP; and
- (b) in respect of a Conversion under clauses 6.1(a)(ii), is greater than 22.20% of the Issue Date VWAP,  
(the **Optional Conversion Restriction**).

### 6.3 Optional Conversion Notice

- (a) Subject to clause 6.2, Westpac may only Convert under clause 6.1(a)(i) if Westpac has given an Optional Conversion Notice of its election to do so at least 25 Business Days before the proposed Optional Conversion Date to ASX and the Holders.
- (b) The Optional Conversion Notice must specify:
  - (i) the date on which it is proposed the Optional Conversion will occur, which:
    - (A) in the case of clause 6.1(a)(i), will be 20 December 2021; and
    - (B) in the case of a Tax Event or Regulatory Event, is the Next Distribution Payment Date, unless Westpac determines an earlier date having regard to the best interests of Holders as a whole and the relevant event;

- (ii) whether any Distribution will be paid in respect of the Westpac Capital Notes 4 to be Converted on the Optional Conversion Date; and
- (iii) the details of the Conversion process including any details to take into account the effect on marketable parcels and whole numbers of Ordinary Shares.

### 6.4 Restriction on Conversion on the Optional Conversion Date

- (a) The Second Scheduled Conversion Condition applies to an Optional Conversion as though the proposed Optional Conversion Date were a Scheduled Conversion Date for the purposes of clause 4 (except that in the case of an Optional Conversion following a Tax Event or Regulatory Event, the Second Scheduled Conversion Condition will apply as if it referred to 20.20% of the Issue Date VWAP).
- (b) If the Second Scheduled Conversion Condition is not satisfied on the proposed Optional Conversion Date:
  - (i) the Westpac Capital Notes 4 will not Convert; and
  - (ii) Westpac will notify Holders as soon as practicable after the proposed Optional Conversion Date that Conversion did not occur.

### 6.5 Deferred Conversion

If Westpac has given an Optional Conversion Notice under clause 6.3 and the Second Scheduled Conversion Condition (as if it applied on the Optional Conversion Date) is not satisfied, then, notwithstanding any other provision of these Terms:

- (a) the Optional Conversion Date will be deferred until the first Distribution Payment Date (under clause 3.5(a)) on which the Scheduled Conversion Conditions are satisfied (except that in the case of a Tax Event or Regulatory Event, the Second Scheduled Conversion Condition will apply as if it referred to 20.20% of the Issue Date VWAP) as if that Distribution Payment Date were a Scheduled Conversion Date for the purposes of clause 4 (the **Deferred Conversion Date**);
- (b) Westpac must convert the Westpac Capital Notes 4 on the Deferred Conversion Date unless the Westpac Capital Notes 4 are Converted earlier in accordance with these Terms; and
- (c) until the Deferred Conversion Date, all rights attaching to the Westpac Capital Notes 4 will continue as if the Optional Conversion Notice had not been given.

### 6.6 Final Distribution

For the avoidance of doubt, Optional Conversion may occur even if Westpac, in its absolute discretion, does not pay a Distribution for the final Distribution Period.

### 6.7 No Conversion at the option of the Holders

Holders do not have a right to request Conversion of their Westpac Capital Notes 4 at any time.



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#### 7 OPTIONAL REDEMPTION

##### 7.1 Redemption at the option of Westpac

- (a) Subject to the other provisions of this clause 7, Westpac may at its option Redeem:
- (i) all or some Westpac Capital Notes 4 on 20 December 2021; or
  - (ii) all (but not some) of the Westpac Capital Notes 4 on a Redemption Date following the occurrence of a Tax Event or Regulatory Event, in each case for their Face Value.
- (b) If only some (but not all) Westpac Capital Notes 4 are to be Redeemed under clause 7.1(a)(i), those Westpac Capital Notes 4 to be Redeemed will be specified in the Redemption Notice and selected:
- (i) in a manner that is, in the opinion of Westpac, fair and reasonable; and
  - (ii) in compliance with any applicable law, directive or requirement of ASX.

##### 7.2 Optional Redemption Notice

- (a) Westpac may only Redeem under clause 7.1(a) if Westpac has given a Redemption Notice of its election to do so at least 21 Business Days before the proposed Redemption Date to ASX and the Holders.
- (b) The Redemption Notice must specify:
- (i) the date on which it is proposed the Redemption will occur, which must be:
    - (A) in the case of clause 7.1(a)(i), 20 December 2021;
    - (B) in the case of a Tax Event or Regulatory Event, the Next Distribution Payment Date, unless Westpac determines an earlier date having regard to the best interests of Holders as a whole and the relevant event; and
  - (ii) whether any Distribution will be paid in respect of the Westpac Capital Notes 4 to be Redeemed on the Redemption Date.

##### 7.3 APRA approval to Redeem

Westpac may only Redeem under this clause 7 if:

- (a) either
- (i) before or concurrently with Redemption, Westpac replaces Westpac Capital Notes 4 with a capital instrument which is of the same or better quality (for the purposes of the Prudential Standards) than Westpac Capital Notes 4 and the replacement of Westpac Capital Notes 4 is done under conditions that are sustainable for the income capacity of Westpac; or
  - (ii) Westpac obtains confirmation from APRA that APRA is satisfied, having regard to the capital position of the Westpac Group, that Westpac does not have to replace Westpac Capital Notes 4; and
- (b) APRA has given its prior written approval to the Redemption. Approval is at the discretion of APRA and may or may not be given.

##### 7.4 Final Distribution

For the avoidance of doubt, Redemption may occur even if Westpac, in its absolute discretion, does not pay a Distribution for the final Distribution Period.

##### 7.5 No Redemption at the option of the Holders

Holders do not have a right to request Redemption of their Westpac Capital Notes 4 at any time.

##### 7.6 Effect of Redemption Notice

Subject to any early Conversion required because of a Capital Trigger Event or a Non-Viability Trigger Event and any termination of rights under clause 5.8, any Redemption Notice given under this clause 7 is irrevocable and Westpac must (subject to clause 11.1) Redeem Westpac Capital Notes 4 on the Redemption Date specified in that Redemption Notice.

#### 8 OPTIONAL TRANSFER

##### 8.1 Transfer at the option of Westpac

- (a) Westpac may elect that Transfer occur in relation to:
- (i) all or some Westpac Capital Notes 4 on 20 December 2021; or
  - (ii) all (but not some) of the Westpac Capital Notes 4 on a Transfer Date following the occurrence of a Tax Event or Regulatory Event.
- (b) If only some (but not all) Westpac Capital Notes 4 are to be Transferred under clause 8.1(a)(i), the number of Westpac Capital Notes 4 to be Transferred will be specified in the Transfer Notice and selected:
- (i) in a manner that is, in the opinion of Westpac, fair and reasonable; and
  - (ii) in compliance with any applicable law, directive or requirement of ASX.

##### 8.2 Optional Transfer Notice

- (a) Westpac may only elect to Transfer Westpac Capital Notes 4 under clause 8.1(a) if Westpac has given a Transfer Notice at least 21 Business Days (and no more than 60 Business Days) before the proposed Transfer Date to ASX and the Holders.
- (b) The Transfer Notice must specify:
- (i) the date on which it is proposed the Transfer will occur, which must be:
    - (A) in the case of clause 8.1(a)(i), 20 December 2021;
    - (B) in the case of a Tax Event or Regulatory Event, the Next Distribution Payment Date, unless Westpac determines an earlier date having regard to the best interests of Holders as a whole and the relevant event; and
  - (ii) whether any Distribution will be paid in respect of the Westpac Capital Notes 4 to be Transferred on the Transfer Date.

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#### 8.3 Final Distribution

For the avoidance of doubt, Transfer may occur even if Westpac, in its absolute discretion, does not pay a Distribution for the final Distribution Period.

#### 8.4 No Transfer at the option of the Holders

Holders do not have a right to request Transfer of their Westpac Capital Notes 4 at any time.

#### 8.5 Effect of Transfer Notice

- (a) Any Transfer Notice given under this clause 8 is irrevocable and Westpac must (subject to clause 11.1) Transfer Westpac Capital Notes 4 on the Transfer Date specified in that Transfer Notice.
- (b) If Westpac issues a Transfer Notice under this clause 8:
- (i) each Holder is taken irrevocably to offer to sell the relevant number of their Westpac Capital Notes 4 to the Nominated Party on the Transfer Date for a cash amount per Westpac Capital Note 4 equal to the Face Value (and to have appointed Westpac as its agent and attorney to execute documents and do all things necessary which Westpac considers may be necessary or desirable in connection with that offer and any resulting sale);
  - (ii) subject to payment by the Nominated Party of the Face Value to Holders, all right, title and interest in the relevant number of Westpac Capital Notes 4 will be Transferred from the Holders to the Nominated Party on the Transfer Date; and
  - (iii) if the Nominated Party does not pay the Face Value to the relevant Holders on the Transfer Date, the relevant number of Westpac Capital Notes 4 will not be Transferred to the Nominated Party.
- (c) Clause 11 will apply to payments by the Nominated Party as if the Nominated Party were Westpac. If any payment to a particular Holder is not made or treated as made on the Transfer Date because of any error by or on behalf of the Nominated Party, the relevant Westpac Capital Notes 4 of that Holder will not be Transferred until payment is made but the Transfer of all other relevant Westpac Capital Notes 4 will not be affected by the failure.

## 9 GENERAL PROVISIONS APPLICABLE TO CONVERSION

#### 9.1 Conversion

On the Conversion Date, subject to clauses 5.6 and 9.10, the following will apply:

- (a) Westpac will allot and issue the Conversion Number of Ordinary Shares for each Westpac Capital Note 4 held by the Holder. The Conversion Number is calculated according to the following formula, and subject always to the Conversion Number being no greater than the Maximum Conversion Number:

$$\text{Conversion Number for each Westpac Capital Note 4} = \frac{\text{Face Value}}{0.99 \times \text{VWAP}}$$

where:

**VWAP** (expressed in dollars and cents) means the VWAP during the VWAP Period.

**Maximum Conversion Number** means a number calculated according to the following formula:

$$\text{Maximum Conversion Number} = \frac{\text{Face Value}}{\text{Relevant Percentage} \times \text{Issue Date VWAP}}$$

**Relevant Percentage** means:

- (i) if Conversion is occurring on a Scheduled Conversion Date or the Optional Conversion Date on 20 December 2021, 0.50; and
  - (ii) if Conversion is occurring at any other time, 0.20.
- (b) Each Holder's rights (including to Distributions) in relation to each Westpac Capital Note 4 that is being Converted will be immediately and irrevocably terminated for an amount equal to the Face Value and Westpac will apply the Face Value of each Westpac Capital Note 4 by way of payment for the subscription for the Ordinary Shares to be allotted and issued under clause 9.1(a). Each Holder is taken to have irrevocably directed that any amount payable under this clause 9.1 is to be applied as provided for in this clause and Holders do not have any right to payment in any other way.
- (c) If the total number of Ordinary Shares to be allotted and issued in respect of a Holder's aggregate holding of Westpac Capital Notes 4 includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded.

#### 9.2 Adjustments to VWAP generally

For the purposes of calculating VWAP under clause 9.1:

- (a) where, on some or all of the Business Days in the relevant VWAP Period, Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and Westpac Capital Notes 4 will be Converted into Ordinary Shares after that date and those Ordinary Shares will no longer carry that dividend or that other distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend or cum any other distribution or entitlement will be reduced by an amount (**Cum Value**) equal to:
- (i) in the case of a dividend or other distribution, the amount of that dividend or other distribution including, if the dividend or distribution is franked, the amount that would be included in the assessable income of a recipient of the dividend or distribution who is a natural person resident in Australia under the Tax Act;
  - (ii) in the case of any other entitlement that is not a dividend or other distribution under clause 9.2(a)
    - (i) which is traded on ASX on any of those Business Days, the volume weighted average price of all such entitlements sold on ASX during the VWAP Period on the Business Days on which those entitlements were traded (excluding trades of the kind that would be excluded in determining VWAP under the definition of that term); or



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- (iii) in the case of any other entitlement which is not traded on ASX during the VWAP Period, the value of the entitlement as reasonably determined by Westpac; and
- (b) where, on some or all of the Business Days in the VWAP Period, Ordinary Shares have been quoted as ex dividend or ex any other distribution or entitlement, and Westpac Capital Notes 4 will be Converted into Ordinary Shares which would be entitled to receive the relevant dividend, distribution or entitlement, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement will be increased by the Cum Value.

#### 9.3 Adjustments to VWAP for capital reconstruction

- (a) Where during the relevant VWAP Period there is a change to the number of Ordinary Shares on issue because the Ordinary Shares are reconstructed, consolidated, divided or reclassified (in a manner not involving any cash payment (or the giving of any other form of consideration) to or by holders of Ordinary Shares) (**Reclassification**) into a lesser or greater number, the daily VWAP for each day in the VWAP Period which falls before the date on which trading in Ordinary Shares is conducted on a post Reclassification basis will be adjusted by multiplying the VWAP applicable on the Business Day immediately before the date of any such Reclassification by the following formula:

$$\frac{A}{B}$$

Where:

**A** means the aggregate number of Ordinary Shares immediately before the Reclassification; and

**B** means the aggregate number of Ordinary Shares immediately after the Reclassification.

- (b) Any adjustment made by Westpac in accordance with clause 9.3(a) will be effective and binding on Holders under these Terms and these Terms will be construed accordingly.

#### 9.4 Adjustments to Issue Date VWAP generally

For the purposes of determining the Issue Date VWAP under clause 9.1, adjustments will be made in accordance with clause 9.2 and clause 9.3 during the VWAP Period for the Issue Date VWAP. On and from the Issue Date, adjustments to the Issue Date VWAP:

- (a) may be made by Westpac in accordance with clauses 9.5 to 9.7 (inclusive);
- (b) if so made, will correspondingly affect the application of the Scheduled Conversion Conditions and the Optional Conversion Restriction and cause an adjustment to the Maximum Conversion Number; and
- (c) if so made, will be effective and binding on Holders under these Terms and these Terms will be construed accordingly.

#### 9.5 Adjustments to Issue Date VWAP for bonus issues

- (a) Subject to clauses 9.5(b) and 9.5(c), if Westpac makes a pro-rata bonus issue of Ordinary Shares to holders of Ordinary Shares generally (in a manner not involving any cash payment (or the giving of any other form of consideration) to or by holders of Ordinary Shares), the Issue Date VWAP will be adjusted immediately in accordance with the following formula:

$$V = V_o \times RD / (RD + RN)$$

Where:

**V** means the Issue Date VWAP applying immediately after the application of this formula;

**V<sub>o</sub>** means the Issue Date VWAP applying immediately prior to the application of this formula;

**RD** means the number of Ordinary Shares on issue immediately prior to the allotment of new Ordinary Shares pursuant to the bonus issue; and

**RN** means the number of Ordinary Shares issued pursuant to the bonus issue.

- (b) Clause 9.5(a) does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or a dividend reinvestment plan.
- (c) For the purposes of this clause, an issue will be regarded as a bonus issue notwithstanding that Westpac does not make offers to some or all holders of Ordinary Shares with registered addresses outside Australia, provided that in so doing Westpac is not in contravention of the ASX Listing Rules.

#### 9.6 Adjustments to Issue Date VWAP for capital reconstruction

If at any time after the Issue Date there is a change to the number of Ordinary Shares on issue because of a Reclassification (in a manner not involving any cash payment (or the giving of any other form of consideration) to or by holders of Ordinary Shares) into a lesser or greater number, the Issue Date VWAP will be adjusted by multiplying the Issue Date VWAP applicable on the Business Day immediately before the date of any such Reclassification by the following formula:

$$\frac{A}{B}$$

where:

**A** means the aggregate number of Ordinary Shares on issue immediately before the Reclassification; and

**B** means the aggregate number of Ordinary Shares on issue immediately after the Reclassification.

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#### **9.7 No adjustment to Issue Date VWAP in certain circumstances**

Despite the provisions of clauses 9.5 and 9.6, no adjustment will be made to the Issue Date VWAP where any such adjustment (rounded if applicable) would be less than one percent of the Issue Date VWAP then in effect.

#### **9.8 Announcement of adjustments to Issue Date VWAP**

Westpac will notify any adjustment to the Issue Date VWAP under this clause to ASX and the Holders within 10 Business Days of Westpac determining the adjustment and the adjustment will be final and binding.

#### **9.9 Status and listing of Ordinary Shares**

- (a) Ordinary Shares issued or arising from Conversion will rank equally with all other fully paid Ordinary Shares provided that the rights attaching to the Ordinary Shares issued or arising from Conversion do not take effect until 5.00pm (Sydney time) on the Conversion Date (or such other time required by APRA).
- (b) Westpac will use all reasonable endeavours to list the Ordinary Shares issued on Conversion of Westpac Capital Notes 4 on ASX.

#### **9.10 Conversion where the Holder does not wish to receive Ordinary Shares or is an Ineligible Holder**

- (a) If Westpac Capital Notes 4 of a Holder are required to be Converted and:
  - (i) the Holder has notified Westpac that it does not wish to receive Ordinary Shares as a result of Conversion, which notice may be given at any time on or after the Issue Date and prior to the Conversion Date; or
  - (ii) the Holder is an Ineligible Holder,

then, on the Conversion Date, all of the Holder's rights in relation to each such Westpac Capital Note 4 being Converted are immediately and irrevocably terminated and Westpac will issue the Conversion Number of Ordinary Shares to the Sale Agent for no additional consideration to hold on trust for sale for the benefit of the relevant Holder. At the first opportunity to sell the Ordinary Shares, the Sale Agent will arrange for their sale at market value and pay the proceeds less selling costs to the relevant Holder.

Westpac will be entitled to treat a Holder as not being an Ineligible Holder unless the Holder has otherwise notified it after the Issue Date and prior to the Conversion Date.

- (b) If Conversion under this clause 9.10 is occurring because of the occurrence of a Capital Trigger Event or Non-Viability Trigger Event and the Conversion fails to take effect under clauses 5.2 or 5.4 or does not occur for any other reason and the Ordinary Shares are not issued to the Sale Agent for any reason in respect of such Conversion by 5.00pm on the fifth Business Day after the Capital Trigger Event Conversion Date or Non-Viability Trigger Event Conversion Date, then:

- (i) such Westpac Capital Notes 4 or percentage of the Face Value of Westpac Capital Notes 4 will not be Converted in respect of such Capital Trigger Event Conversion Date or Non-Viability Trigger Event Conversion Date (as the case may be) and will not be Converted, Redeemed or Transferred under these Terms on any subsequent date; and
- (ii) the relevant Holders' rights (including to payment of Distributions and Face Value and any other payments) in relation to such Westpac Capital Notes 4 or percentage of the Face Value of Westpac Capital Notes 4 are immediately and irrevocably terminated and such termination will be taken to have occurred immediately upon the Capital Trigger Event Conversion Date or Non-Viability Trigger Event Conversion Date, as the case may be.

#### **9.11 Final Distribution**

For the avoidance of doubt, Conversion may occur even if Westpac, in its absolute discretion, does not pay a Distribution for the final Distribution Period.

#### **9.12 No Conversion after Winding Up commences**

If before the Conversion Date a Winding Up commences, then Conversion will not occur and clause 2 will apply, except where Conversion is required for a Capital Trigger Event or Non-Viability Trigger Event (in which case such Conversion shall occur (subject to clause 5.8) in accordance with clauses 5.2 or 5.4 (as applicable) and clause 5.7).

#### **9.13 Conversion of a percentage of Face Value**

If under these Terms it is necessary to Convert a percentage of the Face Value, this clause 9 will apply to the Conversion as if references to the Face Value were references to the relevant percentage of the Face Value to be Converted multiplied by the Face Value.

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#### 9.14 Consent to receive Ordinary Shares and other acknowledgements

Subject to clause 5.8, each Holder irrevocably:

- (a) upon receipt of the Conversion Number of Ordinary Shares following Conversion of Westpac Capital Notes 4 in accordance with clauses 4, 5 or 6 consents to becoming a member of Westpac and agrees to be bound by the constitution of Westpac, in each case in respect of Ordinary Shares issued on Conversion;
- (b) acknowledges and agrees that, unless it has given notice in accordance with clause 9.10 that it does not wish to receive Ordinary Shares as a result of Conversion, it is obliged to accept Ordinary Shares of Westpac on Conversion notwithstanding anything that might otherwise affect a Conversion of Westpac Capital Notes 4 including:
  - (i) any change in the financial position of Westpac since the issue of the Westpac Capital Notes 4;
  - (ii) any disruption to the market or potential market for Ordinary Shares or capital markets generally; or
  - (iii) any breach by Westpac of any obligation in connection with the Westpac Capital Notes 4;
- (c) acknowledges and agrees that:
  - (i) Conversion is not subject to any conditions other than those expressly provided for in these Terms;
  - (ii) subject to any conditions, Conversion must occur immediately on the Conversion Date and that may result in disruption or failures in trading or dealings in the Westpac Capital Notes 4;
  - (iii) it will not have any rights to vote in respect of any Conversion; and
  - (iv) notwithstanding clause 9.9, Ordinary Shares issued on Conversion may not be quoted at the time of Conversion or at all;
- (d) acknowledges and agrees that where clause 5.8 applies, no other conditions or events will affect the operation of that clause and it will not have any rights to vote in respect of any termination under that clause;
- (e) acknowledges and agrees that it has no right to request that Westpac Convert Westpac Capital Notes 4; and
- (f) acknowledges and agrees that it has no remedies on account of the failure of Westpac to issue Ordinary Shares in accordance with clauses 5.2 or 5.4 other than, subject to clause 5.8, to seek specific performance of Westpac's obligation to issue Ordinary Shares.

## 10 TITLE AND TRANSFER OF WESTPAC CAPITAL NOTES 4

### 10.1 CHESS

While a Westpac Capital Note 4 remains in CHESS:

- (a) the rights of a person holding an interest in the Westpac Capital Note 4; and
- (b) all dealings (including transfers and payments) in relation to the Westpac Capital Note 4,

will be governed by and subject to the rules and regulations of CHESS (but without affecting any of these Terms which affect the eligibility of the Westpac Capital Notes 4 as Additional Tier 1 Capital). To the extent of any inconsistency:

- (c) between these Terms (other than any of these Terms which affect the eligibility of the Westpac Capital Notes 4 as Additional Tier 1 Capital) and the rules and regulations of CHESS, the rules and regulations of CHESS prevail; and
- (d) between any of these Terms which affect the eligibility of the Westpac Capital Notes 4 as Additional Tier 1 Capital and the rules and regulations of CHESS, these Terms prevail.

### 10.2 Effect of entries in Westpac Capital Notes 4 Register

Each entry in the Westpac Capital Notes 4 Register of a person as a Holder constitutes:

- (a) conclusive evidence of that person's:
  - (i) absolute ownership of those Westpac Capital Notes 4; and
  - (ii) entitlement to the other benefits given to Holders under these Terms in respect of Westpac Capital Notes 4; and
- (b) an undertaking by Westpac to pay a Distribution and any other amount in accordance with these Terms, subject to correction of the Westpac Capital Notes 4 Register for fraud or error.

### 10.3 Non-recognition of interests

Except as required by law, Westpac and the Registrar must treat the person whose name is entered in the Westpac Capital Notes 4 Register as a Holder as the absolute owner of that Westpac Capital Notes 4. This clause applies despite any notice of ownership, trust or interest in that Westpac Capital Notes 4.

### 10.4 Joint Holders

Where two or more persons are entered in the Westpac Capital Notes 4 Register as joint Holders, they are taken to hold those Westpac Capital Notes 4 as joint tenants with rights of survivorship but the Registrar is not bound to register more than three persons as joint Holders of any Westpac Capital Notes 4.

### 10.5 Transfers

- (a) A Holder may transfer Westpac Capital Notes 4:
  - (i) while Westpac Capital Notes 4 are registered with CHESS, in accordance with the rules and regulations of CHESS; or
  - (ii) at any other time:
    - (A) by a proper transfer under any other applicable computerised or electronic system recognised by the Corporations Act; or
    - (B) by any proper or sufficient instrument of transfer of marketable securities under applicable law, provided such instrument is delivered to the Registrar with any evidence the Registrar reasonably requires to prove title to or the right to transfer Westpac Capital Notes 4.

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- (b) Title to Westpac Capital Notes 4 passes when details of the transfer are entered in the Westpac Capital Notes 4 Register.
- (c) Westpac Capital Notes 4 may be transferred in whole but not in part.
- (d) Westpac must comply with all Applicable Regulations and any other relevant obligations imposed on it in relation to the transfer of Westpac Capital Notes 4.
- (e) Westpac must not charge any fee on the transfer of Westpac Capital Notes 4.
- (f) The Holder is responsible for any stamp duty or other similar taxes which are payable in any jurisdiction in connection with a transfer, assignment or other dealing with Westpac Capital Notes 4.
- (g) Upon registration and entry of the transferee in the Westpac Capital Notes 4 Register, the transferor ceases to be entitled to future benefits under these Terms in respect of the transferred Westpac Capital Notes 4.
- (h) Subject to Applicable Regulations, Westpac may determine that transfers of some or all Westpac Capital Notes 4 will not be registered during any period reasonably specified by it prior to the Conversion Date, Redemption Date or Transfer Date of such Westpac Capital Notes 4.

#### 10.6 Refusal to register

Westpac may only refuse to register a transfer of Westpac Capital Notes 4 if permitted by, or if such registration would contravene or is forbidden by, Applicable Regulations or the Terms.

If Westpac refuses to register a transfer, Westpac must give the lodging party notice of the refusal and the reasons for it within five Business Days after the date on which the transfer was delivered to the Registrar.

#### 10.7 Transmission

A person becoming entitled to Westpac Capital Notes 4 as a consequence of the death, bankruptcy, liquidation or a winding-up of a Holder or of a vesting order by a court or other body with power to make the order, or a person administering the estate of a Holder, may, upon providing evidence as to that entitlement or status, and if Westpac so requires an indemnity in relation to the correctness of such evidence, as Westpac considers sufficient, become registered as the Holder of those Westpac Capital Notes 4.

## 11 PAYMENTS

### 11.1 General

All payments in respect of Westpac Capital Notes 4:

- (a) must be made:
  - (i) in Australian dollars; and
  - (ii) free of any set off, deduction or counter claim except as required by law or any agreement with a governmental authority;
- (b) are subject to applicable fiscal and other laws and the administrative practices and procedures of fiscal and other authorities;

(c) will be made in accordance with:

- (i) the rules and regulations of CHESS while Westpac Capital Notes 4 remain in CHESS;
- (ii) the particulars recorded in the Westpac Capital Notes 4 Register on the relevant Record Date; and
- (iii) these Terms.

If the date scheduled for any payment under these Terms (other than a payment made under clause 9.1(b) in connection with the Conversion of Notes following a Capital Trigger Event or a Non-Viability Trigger Event) is not a Business Day, then the payment will be made on the next Business Day (and without any additional interest or other payment in respect of such delay).

All calculations of payments will be rounded to four decimal places. For the purposes of making any payment in respect of a Holder's aggregate holding of Westpac Capital Notes 4, any fraction of a cent will be disregarded.

### 11.2 Payments to Holders

- (a) Each payment in respect of a Westpac Capital Note 4 will be made to the person that is recorded in the Westpac Capital Notes 4 Register as the Holder of that Westpac Capital Note 4 on the Record Date for that payment.
- (b) A payment to any one joint Holder of a Westpac Capital Note 4 will discharge Westpac's liability in respect of the payment.

### 11.3 Method of payments

- (a) Westpac may, in its absolute discretion, pay to a Holder or any other person entitled to any amount payable in respect of a Westpac Capital Note 4:
  - (i) by crediting an account nominated in writing by that Holder or person;
  - (ii) by cheque made payable to the Holder or person, sent to the address of that Holder or person as notified to Westpac by that Holder or person; or
  - (iii) in any other manner as Westpac determines (provided that Distributions must always be paid in cash).
- (b) Westpac may send a cheque referred to in clause 11.3(a) (ii), if relevant, to:
  - (i) the address in the Westpac Capital Notes 4 Register of the Holder;
  - (ii) if that Westpac Capital Note 4 is jointly held, the address in the Westpac Capital Notes 4 Register of the Holder named first in the register in respect of the Westpac Capital Note 4; or
  - (iii) any other address which that person directs in writing.
- (c) If Westpac decides to make a payment by electronic or other means determined under clause 11.3(a)(iii) and an account is not nominated by the Holder or joint Holder, Westpac may hold the amount payable in a separate account of Westpac until the Holder or joint Holder (as the case may be) nominates an account, without any obligation to pay interest, and the amount so held is to be treated as having been paid to the Holder or joint Holder at the time it is credited to that separate account of Westpac.



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- (d) All amounts payable but unclaimed may be invested by Westpac as it thinks fit for the benefit of Westpac until claimed or until required to be dealt with in accordance with any law relating to unclaimed moneys.
- (e) Westpac (or any person through whom payments are made), in its absolute discretion, may withhold payment to a Holder where it is required to do so under any applicable fiscal or other law or any administrative practice or procedure of any fiscal or other authority (including any law prohibiting dealings with terrorist organisations or money laundering, or any other type of sanction and any withholding or deduction arising under or in connection with FATCA), or where it has reasonable grounds to suspect that the Holder may be subject to any such law, administrative practice or procedure or sanction or involved in acts of terrorism or money laundering, and may deal with such payment and the Holder's Westpac Capital Notes 4 in accordance with such applicable law, administrative practice or procedure or the requirements of any relevant government or regulatory authority.
- (f) Westpac shall not be liable for any costs or loss suffered by a Holder in exercising its discretion under clause 11.3(e), even where a Holder later demonstrates that they were not subject to such law, administrative practice or procedure or sanction.

## 12 TAXATION

### 12.1 Deductions

Westpac or the Nominated Party, as applicable, may deduct or withhold any tax, duty, assessment, levy, governmental charge or other amount from any Distribution or amount payable upon Redemption or Transfer to the Nominated Party of any Westpac Capital Note 4 (or upon or with respect to the issuance of any Ordinary Shares upon any Conversion), as required by law or any agreement with a governmental authority. If any such deduction or withholding has been made and paid over to the relevant governmental authority and the balance of the Distribution or other amount payable has been paid (or, in the case of a Conversion, Ordinary Shares issued) to the relevant Holder, then the full amount payable (or, in the case of a Conversion, the Conversion Number of Ordinary Shares) to such Holder shall be deemed to have been duly paid and satisfied (or, in the case of a Conversion, issued) by Westpac or the Nominated Party, as applicable.

Westpac or the Nominated Party, as applicable, shall pay the full amount required to be deducted or withheld to the relevant governmental authority within the time allowed for such payment without incurring any penalty under applicable law and shall, if requested by any Holder, deliver to such Holder confirmation of such payment without delay after it is received by Westpac or the Nominated Party, as applicable.

### 12.2 FATCA

Without limiting clause 12.1, if any withholding or deduction arises under or in connection with FATCA, Westpac will not be required to pay any further amounts on account of such withholding or deduction or otherwise reimburse or

compensate, or make any payment to, a Holder for or in respect of any such withholding or deduction.

### 12.3 Tax File Number withholdings

- (a) Westpac will, if required, withhold an amount from payment of Distributions on Westpac Capital Notes 4 at the highest marginal tax rate plus the highest Medicare levy if a Holder has not supplied an appropriate tax file number, Australian business number or exemption details.
- (b) If a Holder supplies exemption details and Westpac subsequently determines that the relevant exemption was not available, Westpac may recover the amount that should have been deducted from the relevant Holder and may deduct that amount from any subsequent payment due to that Holder in respect of Westpac Capital Notes 4.

## 13 AMENDMENT OF THESE TERMS

### 13.1 Amendment generally

No amendment to these Terms is permitted without APRA's prior written approval if such amendment would impact, or potentially impact, the classification of the Westpac Capital Notes 4 as Additional Tier 1 Capital on a Level 1 or Level 2 basis.

### 13.2 Amendment without consent

Subject to clause 13.1, and complying with all applicable laws and with APRA's prior written approval (except in the case of paragraph (a)(iii) below), Westpac may, without the authority, assent or approval of Holders, amend these Terms:

- (a) if Westpac is of the opinion that the amendment is:
  - (i) of a formal, minor or technical nature;
  - (ii) made to cure any ambiguity;
  - (iii) made to correct any manifest error;
  - (iv) expedient for the purpose of enabling the Westpac Capital Notes 4 to be listed for quotation or to retain listing on any stock exchange or to be offered for, or subscription for, sale under the laws for the time being in force in any place and it is otherwise not considered by Westpac to be materially prejudicial to the interests of Holders as a whole; or
  - (v) necessary to comply with the provisions of any statute, the requirements of any statutory authority, the ASX Listing Rules or the listing or quotation requirements of any stock exchange on which the Westpac Capital Notes 4 are quoted; or
- (b) generally, in any case where such amendment is considered by Westpac not to be materially prejudicial to the interests of Holders as a whole.

### 13.3 Amendment with consent

Without limiting clause 13.2 and subject to clause 13.1, Westpac may, with APRA's prior written approval, amend these Terms if the amendment has been approved by a Special Resolution.

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#### 13.4 Amendment for Approved Successor

- (a) Subject to clause 13.4(c), if:
- (i) it is proposed that Westpac be replaced as the ultimate holding company of the Westpac Group by an Approved Successor (**Replacement**); and
  - (ii) the Approved Successor agrees to expressly assume Westpac's obligations under these Terms by entering into a deed poll for the benefit of Holders under which it agrees (among other things):
    - (A) to deliver Approved Successor Shares under all circumstances when Westpac would have otherwise been obliged to deliver Ordinary Shares on a Conversion, subject to the same terms and conditions of these Terms as amended by this clause 13.4;
    - (B) to comply with the restriction in clause 3.7 (with all appropriate modifications) of these Terms; and
    - (C) to use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure quotation of the Approved Successor Shares issued under these Terms on the stock exchanges on which the other Approved Successor Shares are quoted at the time of a Conversion,

Westpac may, with APRA's prior written approval, but without the authority, assent or approval of Holders, give a notice (an **Approved Replacement Notice**) to Holders (which, if given, must be given as soon as practicable before the Replacement and in any event no later than 10 Business Days before the Replacement occurs) specifying the amendments to these Terms which will be made in accordance with this clause 13.4 to effect the substitution of the Approved Successor as the debtor in respect of Westpac Capital Notes 4 and the issuer of ordinary shares on Conversion.

An Approved Replacement Notice, once given, is irrevocable.

- (b) If Westpac gives an Approved Replacement Notice to Holders in accordance with clause 13.4(a), then with effect on and from the date specified in the Approved Replacement Notice:
- (i) the Approved Successor will assume all of the obligations of, and succeed to, and be substituted for, and may exercise every right and power of, Westpac under these Terms (as may be amended from time to time) with the same effect as if the Approved Successor had been named as Westpac in these Terms;
  - (ii) Westpac (or any corporation which has previously assumed the obligations of Westpac) will be released from its liability under the Terms;
  - (iii) references to Westpac in these Terms will be taken to be references to the Approved Successor and references to Ordinary Shares in these Terms will be taken to be references to Approved Successor Shares;
  - (iv) such other amendments may be made to these Terms as in Westpac's reasonable opinion are necessary and appropriate to effect the substitution of an Approved

Successor as debtor in respect of Westpac Capital Notes 4 and the issuer of the Approved Successor Shares on Conversion in the manner contemplated by these Terms (including such amendment as is necessary or expedient for the purposes of complying with the provisions of Chapter 2L of the Corporations Act where the Approved Successor is not an ADI).

- (c) Where an amendment under clause 13.4(b) results in Approved Successor Shares being issued to Holders, each Holder agrees to become a member of the Approved Successor immediately prior to the issue of the Approved Successor Shares and appoints Westpac as its attorney as contemplated under clause 14.10 to do all things necessary or desirable to give effect to this clause 13.4.
- (d) Westpac must not issue an Approved Replacement Notice unless:
- (i) the Approved Successor or another entity which is not a member of the Westpac Group and approved by APRA subscribes for Ordinary Shares or other capital instruments acceptable to APRA in such amount as may be necessary, or take other steps acceptable to APRA to ensure that the capital position of Westpac on a Level 1 and Level 2 basis as described in the Prudential Standards will not be adversely affected, including, if required by APRA or the Prudential Standards, undertaking any capital injection in relation to Westpac to replace the Westpac Capital Notes 4; and
  - (ii) any capital injection carried out pursuant to paragraph (i) is:
    - (A) unconditional;
    - (B) occurs simultaneously with the substitution of the Approved Successor; and
    - (C) of equal or better quality capital and at least the same amount as the Westpac Capital Notes 4, unless otherwise approved by APRA in writing.
- (e) Nothing in this clause 13.4 prevents Westpac from proposing, or limits, any scheme of arrangement or other similar proposal that may be put to Holders or other members of Westpac.

#### 13.5 Meanings

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

### 14 GENERAL

#### 14.1 Not deposit liabilities or protected accounts

- (a) Westpac Capital Notes 4 are not deposit liabilities of Westpac nor protected accounts for the purposes of the Banking Act or Financial Claims Scheme and are not subject to the depositor protection provisions of the Banking Act.
- (b) No member of the Westpac Group (other than Westpac) has any liability for Westpac Capital Notes 4 and neither Westpac nor any member of the Westpac Group guarantees Westpac Capital Notes 4.



## APPENDIX B

### WESTPAC CAPITAL NOTES 4 TERMS

#### 14.2 Further issues

Westpac reserves the right to issue further Westpac Capital Notes 4 or other securities which rank senior to, equally with or behind existing Westpac Capital Notes 4, whether in respect to distributions, dividends, return of capital on a Winding Up or otherwise.

#### 14.3 No set-off

Neither Westpac nor any Holder is entitled to set-off any amounts due in respect of the Westpac Capital Notes 4 against any amount of any nature owed by Westpac to the Holder or by the Holder to Westpac (as applicable).

#### 14.4 Quotation

Westpac must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure quotation of Westpac Capital Notes 4 on the financial market operated by ASX.

#### 14.5 Meetings

The Deed Poll contains provisions for convening meetings of the Holders. Any such meeting may consider any matters affecting the interests of Holders, including, without limitation, the amendment of the Terms and the granting of approvals, consents and waivers.

#### 14.6 Notices

The Deed Poll contains provisions for the giving of notices.

#### 14.7 No other rights

Before Conversion, Westpac Capital Notes 4 confer no rights on a Holder:

- (a) to vote at, or receive notices of, any meeting of shareholders of Westpac;
- (b) to subscribe for new securities or to participate in any bonus issues of securities of Westpac; or
- (c) to otherwise participate in the profits or property of Westpac, except as set out in these Terms.

#### 14.8 Ability to trade, buy-back or purchase

- (a) Westpac or any member of the Westpac Group may, to the extent permitted by applicable laws and regulations and with APRA's prior written approval, at any time buy or sell Westpac Capital Notes 4 in the open market, by tender to all or some of the Holders, by private agreement or in any other manner, at any price.
- (b) Subject to APRA's prior written approval, Westpac may purchase on-market or otherwise conduct a buy-back in relation to Westpac Capital Notes 4 at any time and at any price.
- (c) Any Westpac Capital Note 4 purchased or bought-back by Westpac pursuant to this clause is immediately cancelled.

#### 14.9 Waiver of immunity

Westpac irrevocably and unconditionally waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 15.

#### 14.10 Power of attorney

Each Holder irrevocably appoints each of Westpac, its officers and any liquidator or administrator of Westpac (each an **Attorney**) severally to be the attorney of the Holder with power in the name and on behalf of the Holder to sign all documents and transfers and do any other thing as may in the Attorney's opinion be necessary or desirable to be done in order for the Holder to observe or perform the Holder's obligations under these Terms.

The power of attorney given in this clause 14.10 is given for valuable consideration and to secure the performance by the Holder of the Holder's obligations under these Terms and is irrevocable.

### 15 GOVERNING LAW

These Terms are governed by the laws of New South Wales, Australia. Each party irrevocably submits to the non-exclusive jurisdiction of the courts of New South Wales, and agrees that it will not object to the venue or claim that the relevant action or proceedings have been brought in an inconvenient forum.

### 16 INTERPRETATION AND DEFINITIONS

#### 16.1 Interpretation

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

- (a) Definitions and interpretation under Westpac's constitution will also apply to these Terms unless the contrary intention is expressed.
- (b) Unless the context otherwise requires, if there is any inconsistency between the provisions of these Terms and Westpac's constitution then, to the maximum extent permitted by law, the provisions of these Terms will prevail.
- (c) Unless otherwise specified, the Westpac Directors may exercise all powers of Westpac under these Terms as are not, by the Corporations Act or by Westpac's constitution, required to be exercised by Westpac in general meeting.
- (d) Notices may be given by Westpac to a Holder in the manner prescribed by Westpac's constitution for the giving of notices to members of Westpac and the relevant provisions of Westpac's constitution apply with all necessary modification to notices to Holders.
- (e) Unless otherwise specified, a reference to a clause is a reference to a clause of these Terms.
- (f) If a calculation is required under these Terms, unless the contrary intention is expressed, the calculation will be rounded to four decimal places.

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## APPENDIX B

### WESTPAC CAPITAL NOTES 4 TERMS

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- (g) If a payment is required to be made under these Terms, unless the contrary intention is expressed, the payment will be made in Australian dollars only.
  - (h) Any provisions which refer to the requirements of APRA or any other prudential regulatory requirements will apply to Westpac only if Westpac is an entity, or the holding company of an entity, subject to regulation and supervision by APRA at the relevant time.
  - (i) Any provisions in these Terms requiring the prior written approval by APRA for a particular course of action to be taken by Westpac do not imply that APRA has given its consent or approval to the particular action as of the Issue Date.
  - (j) The terms takeover bid, relevant interest, scheme of arrangement, buy-back and on-market buy-back when used in these Terms have the meaning given in the Corporations Act.
  - (k) Headings and boldings are for convenience only and do not affect the interpretation of these Terms.
  - (l) The singular includes the plural and vice versa.
  - (m) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
  - (n) Other than in relation to a Capital Trigger Event or a Non-Viability Trigger Event (including a Conversion of the Westpac Capital Notes 4 on a Capital Trigger Event Conversion Date or Non-Viability Trigger Event Conversion Date and any termination of rights under clause 5.8) and other than as otherwise specified in these Terms, if an event under these Terms must occur on a stipulated day which is not a Business Day, then the event will be done on the next Business Day.
  - (o) A reference to \$, dollars or cents is a reference to the lawful currency of Australia.
  - (p) A reference to time in these Terms is a reference to Sydney, New South Wales, Australia time.
  - (q) Calculations, elections and determinations made by Westpac under these Terms are binding on Holders in the absence of manifest error.
  - (r) If any provision of these Terms is prohibited or unenforceable in its terms but would not be prohibited or unenforceable if it were read down, and is capable of being read down, that provision must be read down accordingly. If, despite this clause, a provision is still prohibited or unenforceable, if the provision would not be prohibited or unenforceable if a word or words were omitted, the relevant words must be severed and, in any other case, the whole provision must be severed. However, the remaining provisions of the Terms are of full force and effect.
  - (b) a court orders one or more meetings to be convened to approve a scheme of arrangement under Part 5.1 of the Corporations Act which scheme would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented and either:
    - (i) the relevant classes of members pass a resolution approving the scheme; or
    - (ii) an independent expert issues a report that the proposals in connection with the scheme are in the best interests of the holders of Ordinary Shares; or
    - (iii) Holders are treated as being a separate class for the purposes of a scheme of arrangement in respect of the replacement of Westpac as the ultimate holding company of the Westpac Group.
- Notwithstanding the foregoing, the proposed replacement of Westpac as the ultimate holding company of the Westpac Group shall not constitute an Acquisition Event if:
- (c) the proposed successor holding company complies with all applicable legal requirements and obtains any necessary regulatory approvals (including APRA's prior written approval);
  - (d) the proposed successor holding company agrees to take any necessary action to give effect to an amendment to the Terms as contemplated in clause 13.4;
  - (e) the ordinary shares of the proposed successor holding company are to be listed on any internationally recognised stock exchange;
  - (f) the proposed successor holding company has a place of business in New South Wales or has appointed a process agent in New South Wales to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with Westpac Capital Notes 4;
  - (g) the proposed successor holding company has, in the reasonable opinion of Westpac, the financial capacity to satisfy Westpac's obligations under these Terms and the Deed Poll; and
  - (h) the proposed replacement of Westpac and the events described in paragraphs (c) to (e) would not, in the reasonable opinion of Westpac, otherwise adversely affect the interests of Holders.
- Acquisition Event Conversion Date** has the meaning set out in clause 5.9(a)(iii).
- Additional Tier 1 Capital** has the meaning prescribed by APRA in the Prudential Standards.
- ADI** means an Authorised Deposit-taking Institution under the Banking Act.
- Administrative Action** means any judicial decision, official administrative pronouncement or action, published or private ruling, interpretative decision, regulatory procedure or policy, application of a regulatory procedure or policy and any notice or announcement (including any notice or announcement of intent to adopt or make any of those things).

#### 16.2 Definitions

In these Terms, except where the contrary intention appears:

**Acquisition Event** means:

- (a) a takeover bid is made for Ordinary Shares and the offer is, or becomes, unconditional and the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue; or

## APPENDIX B

### WESTPAC CAPITAL NOTES 4 TERMS

**Applicable Regulations** means the ASX Listing Rules, the ASX Settlement Operating Rules, the rules and regulations of CHESS, the Corporations Act and any rules or regulations made under or pursuant to them.

**Approved Replacement Notice** has the meaning given in clause 13.4(a).

**Approved Successor** means a holding company that replaces, or is proposed to replace, Westpac as the ultimate holding company of the Westpac Group and that satisfies the requirements under paragraphs (c) to (h) of the definition of 'Acquisition Event' in these Terms.

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

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

**ASX** means ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires.

**ASX Listing Rules** means the listing rules of ASX from time to time with any modifications or waivers in their application to Westpac, which ASX may grant.

**ASX Operating Rules** means the market operating rules of ASX as amended, varied or waived by ASX from time to time.

**ASX Settlement Operating Rules** means the settlement operating rules of ASX from time to time with any applicable modification or waiver granted by ASX.

**Bank Bill Rate** has the meaning given in clause 3.1.

**Banking Act** means the *Banking Act 1959* (Cth).

**Bookbuild** means a process conducted by or on behalf of Westpac whereby bids are lodged for the Westpac Capital Notes 4, and, on the basis of those bids, Westpac determines the Margin.

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

**Buy Back** means a transaction involving the acquisition by Westpac of its Ordinary Shares pursuant to the provisions of Part 2J of the Corporations Act.

**Capital Reduction** means a reduction in capital by Westpac of its Ordinary Shares in any way permitted by the provisions of Part 2J of the Corporations Act.

**Capital Securities** means shares or any equity, hybrid or subordinated debt capital security (whether comprised of one or more instruments) issued by Westpac excluding the Westpac Capital Notes 4. **Capital Security** has the corresponding meaning.

**Capital Trigger Event** has the meaning given in clause 5.1.

**Capital Trigger Event Conversion Date** has the meaning set out in clause 5.2(d)(iii).

**Change of Law** means:

- (a) an amendment to, change in or announced prospective change that has been or will be introduced in any laws or regulations under those laws affecting taxation in Australia;
- (b) a judicial decision interpreting, applying or clarifying laws or regulations affecting taxation in Australia;
- (c) an administrative pronouncement, ruling, confirmation, advice or action (including a failure or refusal to provide a ruling) affecting taxation in Australia that represents an official position, including a clarification of an official position of the governmental authority or regulatory body making the administrative pronouncement or taking any action; or
- (d) a challenge in relation to (or in connection with) the tax treatment of Westpac Capital Notes 4 asserted or threatened in writing from a governmental authority or regulatory body in Australia,

which amendment or change is announced or which action or clarification or challenge occurs on or after the Issue Date and which Westpac did not expect as at the Issue Date.

**CHESS** means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited (ABN 49 008 504 532).

**Common Equity Tier 1 Capital** has the meaning prescribed by APRA in the Prudential Standards.

**Conversion** means, the conversion of all, some or a proportion of the Face Value of, each Westpac Capital Note 4 into Ordinary Shares under these Terms and **Convert** and **Converted** have corresponding meanings.

**Conversion Date** means the applicable:

- (a) Scheduled Conversion Date;
- (b) Capital Trigger Event Conversion Date;
- (c) Non-Viability Trigger Event Conversion Date;
- (d) Acquisition Event Conversion Date; or
- (e) Optional Conversion Date.

**Conversion Number** has the meaning given in clause 9.1.

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

**Deed Poll** means the deed poll entitled "Westpac Capital Notes 4 Deed Poll" executed by Westpac and dated on or around the date of the Bookbuild.

**Distribution** has the meaning given in clause 3.1.

**Distribution Payment Date** has the meaning given in clause 3.5.

**Distribution Period** means the period from (but excluding) the Issue Date until (and including) the first Distribution Payment Date or thereafter from (but excluding) each Distribution Payment Date until (and including) the next Distribution Payment Date.

**Distribution Rate** has the meaning given in clause 3.1.

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## APPENDIX B

### WESTPAC CAPITAL NOTES 4 TERMS

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**Dividends** means any interim, final or special dividends payable in accordance with the Corporations Act and Westpac's constitution in relation to Ordinary Shares.

**Equal Ranking Capital Security** means:

- (a) in the case of a dividend, distribution or interest in respect of the Capital Security, a Capital Security (including Westpac CPS 2012, Westpac Capital Notes, Westpac Capital Notes 2 and Westpac Capital Notes 3) which ranks or is expressed to rank for payment of a dividend, distribution or interest equally with Westpac Capital Notes 4; and
- (b) in the case of redemption or repayment of, reduction of capital on, cancellation of or acquisition of the Capital Security, a Capital Security (including Westpac CPS 2012, Westpac Capital Notes, Westpac Capital Notes 2 and Westpac Capital Notes 3) which ranks or is expressed to rank equally with Westpac Capital Notes 4 for repayment or a return of capital if Westpac is wound up.

**Face Value** means as applicable either:

- (a) the Initial Face Value; or
- (b) the Initial Face Value reduced by the amount of Face Value per Westpac Capital Note 4 which has previously been Converted in accordance with clause 5.2 or clause 5.4 or the rights in respect of which have been terminated in accordance with clause 5.8.

**FATCA** means sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (or any consolidation, amendment, re-enactment or replacement of those provisions and including any regulations or official interpretations issued, agreements entered into or non-US laws enacted with respect to those provisions).

**Financial Claims Scheme** means the financial claims scheme established under the Banking Act.

**First Scheduled Conversion Condition** has the meaning set out in clause 4.2(a)(i).

**Holder** means, in respect of a Westpac Capital Note 4, the person whose name is for the time being entered in the Westpac Capital Notes 4 Register as the owner of it or, where it is held jointly by two or more persons, the persons whose names appear in the Westpac Capital Notes 4 Register as the joint owners of the Westpac Capital Note 4.

**Ineligible Holder** means either:

- (a) a Holder who is prohibited or restricted by any applicable law or regulation in force in Australia (including but not limited to Chapter 6 of the Corporations Act, the *Foreign Acquisitions and Takeovers Act 1975* (Cth), the *Financial Sector (Shareholdings) Act 1998* (Cth) and Part IV of the *Competition and Consumer Act 2010* (Cth)) from being offered, holding or acquiring Ordinary Shares (provided that if the relevant prohibition or restriction only applies to the Holder in respect of some of its Westpac Capital Notes 4, it shall only be treated as an Ineligible Holder in respect of those Westpac Capital Notes 4 and not in respect of the balance of its Westpac Capital Notes 4); or

- (b) a Holder whose address in the Westpac Capital Notes 4 Register is a place outside Australia or who Westpac otherwise believes may not be a resident of Australia and Westpac is not satisfied that the laws of the Holder's country of residence permit the offer, holding or acquisition of Ordinary Shares to the Holder (but Westpac will not be bound to enquire into those laws), either unconditionally or after compliance with conditions which Westpac, in its absolute discretion, regards as acceptable and not unduly onerous.

**Initial Face Value** means \$100 per Westpac Capital Note 4.

**Issue Date** means the date on which Westpac Capital Notes 4 are issued, which is expected to be on or about 30 June 2016.

**Issue Date VWAP** means the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding but not including the Issue Date, as adjusted in accordance with clauses 9.4 to 9.7.

**Level 1** and **Level 2** has the meaning prescribed by APRA in the Prudential Standards.

**Liquidator** means the liquidator or other official responsible for the conduct and administration of a Winding Up.

**Liquidation Sum** means an amount of surplus assets equal to \$100 per Westpac Capital Note 4 (as adjusted for any Conversion under clauses 5.2 or 5.4 or any termination of rights under clause 5.8).

**Margin** has the meaning given in clause 3.1.

**Maximum Conversion Number** has the meaning given in clause 9.1.

**Next Distribution Payment Date** means the scheduled quarterly Distribution Payment Date immediately following the date on which the Optional Conversion Notice, Redemption Notice or Transfer Notice (as applicable) was given by Westpac provided that if such Distribution Payment Date is less than 21 Business Days following the date on which such notice was given then it shall be the immediately following Distribution Payment Date.

**Nominated Party** means one or more third parties selected by Westpac in its absolute discretion (which cannot include a member of the Westpac Group or a related entity (as described in the Prudential Standards) of Westpac).

**Non-Viability Trigger Event** has the meaning given in clause 5.3.

**Non-Viability Trigger Event Conversion Date** has the meaning set out in clause 5.4(c)(iii).

**Optional Conversion** means a Conversion in accordance with clause 6.

**Optional Conversion Date** means, in respect of each Westpac Capital Note 4:

- (a) 20 December 2021; or



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### WESTPAC CAPITAL NOTES 4 TERMS

(b) the date specified by Westpac as the Optional Conversion Date in accordance with clause 6.3(b)(i)(B).

**Optional Conversion Notice** means a notice issued in accordance with clause 6.

**Optional Conversion Restriction** has the meaning given in clause 6.2.

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

**Prospectus** means the prospectus relating to the offer of Westpac Capital Notes 4 dated on or about 17 May 2016 and any supplementary or replacement prospectus.

**Prudential Standards** means the Prudential Standards and guidelines published by APRA and applicable to Westpac or the Westpac Group from time to time.

**Reclassification** has the meaning given in clause 9.3.

**Record Date** means, in the case of:

- (a) the payment of Distributions, the date which is eight calendar days before the relevant Distribution Payment Date or, if that date does not fall on a Business Day, the immediately preceding Business Day (or such other date as may be prescribed under the ASX Listing Rules or, if not prescribed by the ASX Listing Rules, a date determined by Westpac and notified to ASX); and
- (b) the payment of the Face Value of the Westpac Capital Note 4 upon a Redemption or Transfer, a date determined by Westpac and notified to ASX (or such other date as may be prescribed by ASX).

**Redemption** means the redemption of all or some Westpac Capital Notes 4 for their Face Value under these Terms and **Redeem**, **Redeemable** and **Redeemed** have corresponding meanings.

**Redemption Date** means, in respect of each Westpac Capital Note 4:

- (a) 20 December 2021; or
- (b) the date specified by Westpac as the Redemption Date in accordance with clause 7.2(b)(i)(B).

**Redemption Notice** means a notice issued in accordance with clause 7.

**Registrar** means Link Market Services Limited (ABN 54 083 214 537) or any other person appointed by Westpac to maintain the Westpac Capital Notes 4 Register.

**Regulatory Event** means either:

- (a) as a result of:
  - (i) any amendment to, clarification of, or change (including any announcement of a prospective change that has been or will be introduced) in the laws or regulations of Australia; or

- (ii) any Administrative Action or any amendment to, clarification of, or change in an Administrative Action, in each case by any legislative body, court, government authority or regulatory body (irrespective of the manner in which such amendment, clarification, change or Administrative Action is effective or Administrative Action is announced) after the Issue Date provided it was not expected by Westpac as at the Issue Date;

- (iii) additional requirements would be imposed on the Westpac Group in relation to the Westpac Capital Notes 4; or

- (iv) there would be a negative impact on the Westpac Group in relation to (or in connection with) Westpac Capital Notes 4,

in relation to which Westpac has received a supporting opinion of reputable legal counsel in Australia, experienced in such matters, or confirmation from APRA, and which Westpac determines, at its sole discretion, to be unacceptable; or

- (b) as a result of any amendment to, clarification of, or change (including any announcement of a prospective change that has been or will be introduced) in any laws or regulations (including the Prudential Standards) by any legislative body, court, government authority or regulatory body (irrespective of the manner in which such amendment, clarification or change is effective) after the Issue Date, Westpac determines, after having received a supporting opinion of reputable legal counsel in Australia, experienced in such matters, or confirmation from APRA, that all, some or a proportion of the Face Value of all or some, Westpac Capital Notes 4 are not or will not be treated as Additional Tier 1 Capital of the Westpac Group under the Prudential Standards, other than as a result of a change of treatment expected by Westpac as at the Issue Date or because Westpac has exceeded a limit or other restriction on the recognition of Additional Tier 1 Capital which was in effect on the Issue Date or which on the Issue Date is expected by Westpac to come into effect.

**Relevant Security** means a security forming part of the Tier 1 Capital of Westpac on a Level 1 basis or Level 2 basis.

**Replacement** has the meaning given in clause 13.4(a).

**Sale Agent** means the nominee (who cannot be a member of the Westpac Group or a related entity (as described in the Prudential Standards) of Westpac) appointed by Westpac under the facility established for the sale of Ordinary Shares issued by Westpac on Conversion on behalf of Holders who do not wish to receive Ordinary Shares on Conversion or who are Ineligible Holders.

**Scheduled Conversion Conditions** means the conditions in clause 4.2.

**Scheduled Conversion Date** has the meaning given in clause 4.1.

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## APPENDIX B

### WESTPAC CAPITAL NOTES 4 TERMS

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**Second Scheduled Conversion Condition** has the meaning set out in clause 4.2(a)(ii).

**Senior Creditors** means all creditors of Westpac (present and future), including depositors of Westpac and all holders of Westpac's senior or subordinated debt:

- (a) whose claims are admitted in a Winding Up; and
- (b) whose claims are not made as holders of indebtedness arising under:
  - (i) an Equal Ranking Capital Security; or
  - (ii) an Ordinary Share.

**Solvent Reconstruction** means a scheme of amalgamation or reconstruction, not involving a bankruptcy or insolvency, where the obligations of Westpac in relation to the outstanding Westpac Capital Notes 4 are assumed by the successor entity to which all, or substantially all of the property, assets and undertaking of Westpac are transferred or where an arrangement with similar effect not involving a bankruptcy or insolvency is implemented.

**Special Resolution** means:

- (a) a resolution passed at a meeting of Holders by a majority of at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution; or
- (b) the written approval of Holders holding at least 75% of the Westpac Capital Notes 4.

**Subsidiary** has the meaning given in the Corporations Act.

**Tax Act** means:

- (a) the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth) (both as amended from time to time, as the case may be, and a reference to any section of the *Income Tax Assessment Act 1936* (Cth) includes a reference to that section as rewritten in the *Income Tax Assessment 1997* (Cth)); and
- (b) any other law setting the rate of income tax payable; and
- (c) any regulation made under such laws.

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

- (a) Westpac would be exposed to a more than *de minimis* adverse tax consequence or increased cost in relation to Westpac Capital Notes 4; or
- (b) any Distribution would not be a frankable distribution within the meaning of Division 202 of the Tax Act.

**Terms** means these terms and conditions of Westpac Capital Notes 4.

**Tier 1 Capital** has the meaning prescribed by APRA in the Prudential Standards.

**Transfer** means the transfer of Westpac Capital Notes 4 by Holders to a Nominated Party in accordance with clause 8 and **Transferred** has a corresponding meaning.

**Transfer Date** means, in respect of each Westpac Capital Note 4:

- (a) 20 December 2021; or
- (b) the date specified by Westpac as the Transfer Date in accordance with clause 8.2(b)(i)(B).

**Transfer Notice** means a notice issued in accordance with clause 8.

**VWAP** means, subject to any adjustments under clauses 9.2 and 9.3, the average of the daily volume weighted average sales prices (each rounded to the nearest full cent) of Ordinary Shares sold on ASX during the relevant period or on the relevant days but does not include any "crossing" transacted outside the "Open Session State" or any "special crossing" transacted at any time, each as defined in the ASX Operating Rules or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares.

**VWAP Period** means:

- (a) in the case of a Conversion resulting from an Acquisition Event the lesser of:
  - (i) 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Acquisition Event Conversion Date; and
  - (ii) the number of Business Days after the occurrence of the Acquisition Event on which:
    - (A) the Ordinary Shares are quoted for trading on ASX; and
    - (B) trading in Ordinary Shares took place, in each case immediately preceding (but not including) the Business Day before the Acquisition Event Conversion Date;
- (b) in the case of a Conversion resulting from a Capital Trigger Event, or a Non-Viability Trigger Event, the period of 5 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Conversion Date; and
- (c) in the case of any other Conversion, the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Conversion Date; or
- (d) otherwise, the period for which the VWAP is to be calculated in accordance with these Terms.

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

**Westpac Capital Notes** means the notes issued by Westpac under the note deed poll dated 30 January 2013.

**Westpac Capital Notes 2** means the notes issued by Westpac under the note deed poll dated 7 May 2014.



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### WESTPAC CAPITAL NOTES 4 TERMS

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**Westpac Capital Notes 3** means the notes issued by Westpac, acting through its London branch, under the note deed poll dated 27 July 2015.

**Westpac Capital Notes 4** means the Westpac Capital Notes 4 issued by Westpac under the Terms.

**Westpac Capital Notes 4 Register** means the register of Holders maintained by Westpac or its agent and includes any subregister established and maintained under CHES.

**Westpac CPS 2012** means the convertible preference shares of Westpac designated as Westpac CPS.

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

**Westpac Group** means Westpac and its controlled entities taken as a whole.

**Westpac Level 1 Common Equity Tier 1 Capital Ratio** means, in respect of the Westpac Level 1 Group, the ratio of the Common Equity Tier 1 Capital of the Westpac Level 1 Group to the risk weighted assets of the Westpac Level 1 Group, calculated in accordance with the Prudential Standards.

**Westpac Level 1 Group** means either:

- (a) Westpac; or
- (b) the “extended licensed entity” which is comprised of Westpac and each Subsidiary of Westpac as specified in any approval granted by APRA in accordance with the Prudential Standards.

**Westpac Level 2 Common Equity Tier 1 Capital Ratio** means, in respect of the Westpac Level 2 Group, the ratio of the Common Equity Tier 1 Capital of the Westpac Level 2 Group to the risk weighted assets of the Westpac Level 2 Group, calculated in accordance with the Prudential Standards.

**Westpac Level 2 Group** means Westpac and each Subsidiary that is recognised by APRA as part of Westpac’s Level 2 group in accordance with the Prudential Standards.

**Winding Up** means:

- (a) a court order is made for the winding up of Westpac; or
- (b) an effective resolution is passed by shareholders or members for the winding up of Westpac, other than in connection with a Solvent Reconstruction.

A Winding Up must be commenced by a court order or an effective resolution of shareholders or members. Neither (i) the making of an application, the filing of a petition, or the taking of any other steps for the winding up of Westpac (or any other procedure whereby Westpac may be dissolved, liquidated, sequestered or cease to exist as a body corporate), nor (ii) the appointment of a receiver, administrator, administrative receiver, compulsory manager, ADI statutory manager or other similar officer (other than a Liquidator) in respect of Westpac, constitutes a Winding Up for the purposes of these Terms.

#### 16.3 Inconsistency with ASX Listing Rules

So long as Westpac Capital Notes 4 are quoted on ASX, these Terms as they relate to those Westpac Capital Notes 4 are to be interpreted in a manner consistent with the applicable ASX Listing Rules, provided always that where a clause of the Terms is required to give effect to the Prudential Standards, the interpretation which gives effect to that APRA requirement shall prevail.

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# CORPORATE DIRECTORY

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## REGISTERED OFFICE OF WESTPAC

Westpac Banking Corporation  
Westpac Group Secretariat  
Level 20, Westpac Place  
275 Kent Street  
Sydney NSW 2000

## AUSTRALIAN LEGAL AND TAXATION ADVISER TO THE OFFER

Allens  
Level 28, Deutsche Bank Place  
Corner Hunter & Phillip Streets  
Sydney NSW 2000

## AUSTRALIAN LEGAL ADVISER TO THE REINVESTMENT OFFER

King & Wood Mallesons  
Level 61, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000

## AUDITOR

PricewaterhouseCoopers  
Darling Park Tower 2  
201 Sussex Street  
Sydney NSW 2000

## ACCOUNTING ADVISER

PricewaterhouseCoopers Securities Limited  
Darling Park Tower 2  
201 Sussex Street  
Sydney NSW 2000

## REGISTRAR

Link Market Services Limited  
Level 12, 680 George Street  
Sydney NSW 2000

## HOW TO CONTACT US

**Website:** [www.westpac.com.au/westpaccapnotes4](http://www.westpac.com.au/westpaccapnotes4)

**Westpac Capital Notes 4 Information Line**  
**1300 363 136** (local call cost within Australia)  
(Monday to Friday – 8.30am to 5.30pm, Sydney time)

## ARRANGER AND JOINT LEAD MANAGER

Westpac Institutional Bank  
Level 2, Westpac Place  
275 Kent Street  
Sydney NSW 2000

## JOINT LEAD MANAGERS

ANZ Securities Limited  
Level 9, Docklands  
833 Collins Street  
Melbourne VIC 3008

Commonwealth Bank of Australia  
Ground Floor, Tower 1  
201 Sussex Street  
Sydney NSW 2000

Morgan Stanley Australia Securities Limited  
Level 39, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

Morgans Financial Limited  
Level 29, Riverside Centre  
123 Eagle Street  
Brisbane QLD 4000

National Australia Bank Limited  
Level 25, 255 George Street  
Sydney NSW 2000

UBS AG, Australia Branch  
Level 16, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

## CO-MANAGERS

Bell Potter Securities Limited  
Level 38, Aurora Place  
88 Phillip Street  
Sydney NSW 2000

JBWere Limited  
Level 16, 101 Collins Street  
Melbourne VIC 3000

Macquarie Equities Limited  
1 Shelley Street  
Sydney NSW 2000

Shaw and Partners Limited  
Level 15, 60 Castlereagh Street  
Sydney NSW 2000

