

16 February 2018

Market Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

By e-lodgement

ASX Code: WBC

Dear Sir / Madam

Westpac Banking Corporation (“Westpac”) – issue of AUD250,000,000 Subordinated Notes (“Tier 2 Subordinated Notes”)

Notice under section 708A(12H)(e) of the Corporations Act 2001 (Cth) (“Act”) as inserted by ASIC Corporations (Regulatory Capital Securities) Instrument 2016/71 (“Instrument”)

1. Westpac has issued the Tier 2 Subordinated Notes today. Offers of the Tier 2 Subordinated Notes did not require disclosure to investors under Part 6D.2 of the Act.
2. The terms and conditions of the Tier 2 Subordinated Notes (“**Conditions**”) are set out on pages 46 to 93 of the Information Memorandum relating to Westpac’s Debt Issuance Programme dated 5 March 2014 (“**Information Memorandum**”), as modified and supplemented by the Pricing Supplement dated 14 February 2018, the form of which is attached to this notice as Annex A (“**Pricing Supplement**”). The Information Memorandum was released to the Australian Securities Exchange (“**ASX**”) on 6 March 2014 and may be viewed on www.asx.com.au.
3. The Tier 2 Subordinated Notes will be treated as Tier 2 regulatory capital under the Basel III capital adequacy framework as implemented in Australia by the Australian Prudential Regulation Authority (“**APRA**”).
4. If APRA determines that Westpac is or would become non-viable, the Tier 2 Subordinated Notes may be:
 - (a) Converted into fully paid ordinary shares in the capital of Westpac; or
 - (b) immediately and irrevocably Written-off (and rights attaching to the Tier 2 Subordinated Notes terminated) if for any reason Conversion does not occur within five ASX Business Days of APRA notifying Westpac of the determination,in accordance with the Conditions.
5. In order to enable ordinary shares in the capital of Westpac issued on Conversion to be sold without disclosure under Chapter 6D of the Act, Westpac has elected to give this notice under section 708A(12H)(e) of the Act as inserted by the Instrument. The Conditions and the information in the attached Schedule are included in, and form part of, this notice.
6. Westpac confirms that:
 - (a) the information in this notice remains current as at today’s date;
 - (b) this notice complies with section 708A of the Act, as notionally modified by the Instrument; and
 - (c) this notice complies with the content requirements of section 708A(12I) of the Act as inserted by the Instrument.

7. Unless otherwise defined, capitalised expressions used in this notice have the meanings given to them in the Information Memorandum or Pricing Supplement.

Yours faithfully

Timothy Hartin
Company Secretary
Westpac Banking Corporation

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

This market announcement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction. The securities offered have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons absent registration or an applicable exemption from registration.

SCHEDULE

A. Effect on Westpac of the offer of the Tier 2 Subordinated Notes

The issuance of the Tier 2 Subordinated Notes raises Tier 2 regulatory capital to satisfy Westpac's regulatory requirements and maintain the diversity of Westpac's sources and types of capital funding.

The proceeds from the issue of the Tier 2 Subordinated Notes will be used for general corporate purposes. Those proceeds, less the costs of the issue, will be classified as loan capital in the financial statements of Westpac. The issue of the Tier 2 Subordinated Notes will not have a material impact on Westpac's financial position.

The proceeds of the issue, less the costs of the issue, will increase Westpac's total capital ratio on a Level 2 basis by less than 0.1%.

B. Rights and liabilities attaching to the Tier 2 Subordinated Notes

The rights and liabilities attaching to the Tier 2 Subordinated Notes are set out in the Conditions as supplemented by the Pricing Supplement.

C. Effect on Westpac of the issue of the ordinary shares if the Tier 2 Subordinated Notes are required to be Converted¹

A key feature of APRA's requirements for Tier 2 regulatory capital instruments is that they absorb losses at the point of non-viability of the issuer. The Conditions include provisions that require the Tier 2 Subordinated Notes to be Converted into ordinary shares in the capital of Westpac or Written-off on the occurrence of a Non-Viability Trigger Event. A Non-Viability Trigger Event will occur when APRA notifies Westpac in writing that it believes that relevant non-viability circumstances (as described in the definition of "Non-Viability Trigger Event" in the Conditions) subsist, which could occur at any time.

If a Non-Viability Trigger Event occurs and Westpac Converts the Tier 2 Subordinated Notes and issues ordinary shares to Holders (as required under the Conditions), the effect of Conversion on Westpac would be to reduce loan capital by the principal amount, less any unamortised costs of the issue, of the Tier 2 Subordinated Notes being Converted and increase Westpac's shareholders' equity (ordinary share capital) by a corresponding amount. APRA has not provided 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.

The number of ordinary shares issued on Conversion is variable, but is limited to the Maximum Conversion Number. Limiting the number of ordinary shares which may be issued to the Maximum Conversion Number means that it is likely that Holders will receive a number of ordinary shares that have a market value that is significantly less than the Outstanding Principal Amount of the Tier 2 Subordinated Notes.

The Maximum Conversion Number is calculated based on a VWAP set to reflect 20% of the Issue Date VWAP. The Maximum Conversion Number may be adjusted to reflect a consolidation, division or reclassification or pro rata bonus issue, of ordinary shares. However, no adjustment will be made to it on account of other transactions which may affect the price of ordinary shares, including for example, rights issues, returns of capital, buy-backs or special dividends.

The Maximum Conversion Number is 16,265 Westpac ordinary shares per Tier 2 Subordinated Note (with a nominal value of AUD100,000), based on the Issue Date VWAP of AUD30.74. If Conversion of any Tier 2 Subordinated Notes does not occur for any reason within five ASX Business Days after the occurrence of the Non-Viability Trigger Event, the Tier 2 Subordinated Notes will be Written-off, and all corresponding rights and claims of Holders under the Conditions (including with respect to payments of interest, the repayment of the Outstanding Principal Amount and upon Conversion, the receipt of ordinary shares) will be immediately and irrevocably written-off and terminated, with effect on and from the Non-Viability Trigger Event Date in

¹ If, in accordance with the Conditions, Westpac is replaced by an Approved Successor as debtor of the Tier 2 Subordinated Notes and the issuer of ordinary shares, Tier 2 Subordinated Notes may be Converted into fully paid ordinary shares in the capital of an Approved Successor in accordance with the Conditions. This notice also enables ordinary shares in the capital of an Approved Successor which is a NOHC for the purposes of the *Banking Act 1959 (Cth)* and the ultimate holding company of Westpac issued on Conversion to be sold without disclosure under Chapter 6D of the Act. Refer to the Conditions and the Instrument for further information.

accordance with the Conditions and investors will lose all or some of their investment and will not receive any compensation.

D. Rights and liabilities attaching to the ordinary shares in the capital of Westpac

Westpac was registered on 23 August 2002 as a public company limited by shares under the Act. Westpac's constitution was most recently amended at the general meeting held on 13 December 2012 ("**Constitution**", as amended from time to time). The ordinary shares in the capital of Westpac are admitted to trading on ASX. The rights attaching to the ordinary shares in the capital of Westpac are set out in the Act and the Constitution.

In addition, the rights and liabilities attaching to the ordinary shares in the capital of Westpac are described on pages 267 to 268 of the 2017 Westpac Group Annual Report². The Annual Report was released to ASX on 8 November 2017 and may be viewed at www.asx.com.au, and is also available on the Westpac website at www.westpac.com.au/investorcentre.

E. Additional information

Information about the Tier 2 Subordinated Notes is contained in the Information Memorandum and the Pricing Supplement.

Westpac is a disclosing entity for the purposes of the Act and, as a result, is subject to regular reporting and disclosure obligations under the 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 listed securities, including ordinary shares in the capital of Westpac.

Copies of documents lodged with the Australian Securities and Investments Commission ("**ASIC**") can be obtained from, or inspected at, an ASIC office and Westpac's ASX announcements may be viewed on www.asx.com.au.

Any person has the right to obtain copies of:

- Westpac's half-yearly and annual financial reports; and
- any continuous disclosure notices given by Westpac after the lodgement of the 2017 Westpac Group Annual Report, but before the date of this notice,

from www.westpac.com.au/investorcentre, or by request made in writing to Westpac at:

Westpac Group Secretariat
Level 20
Westpac Place
275 Kent Street
Sydney NSW 2000.

² If, in accordance with the Conditions, Westpac is replaced by an Approved Successor as debtor of the Tier 2 Subordinated Notes and the issuer of ordinary shares, then on Conversion Holders will be issued with fully paid ordinary shares in the capital of the Approved Successor.

ANNEX A

Form of Pricing Supplement dated 14 February 2018

Series No.: 2018-1

Tranche No.: 1



Westpac Banking Corporation

(ABN 33 007 457 141)

Debt Issuance Programme

Issue of

**A\$250,000,000 Callable Floating Rate Subordinated Notes due 16 February 2028
("Subordinated Notes")**

The date of this Supplement is 14 February 2018.

This Supplement (as referred to in the Information Memorandum in relation to the above Programme dated 5 March 2014 ("**Information Memorandum**") relates to the Tranche of Subordinated Notes referred to above. It is supplementary to, and should be read in conjunction with the Subordinated Note Deed Poll dated 5 March 2014 made by Westpac Banking Corporation ("**Deed Poll**") and the Information Memorandum.

This Supplement does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Subordinated Notes or the distribution of this Supplement in any jurisdiction where such action is required.

Terms used but not otherwise defined in this Supplement have the meaning given in the applicable Conditions set forth in the Information Memorandum.

The particulars to be specified in relation to the Tranche of Subordinated Notes referred to above are as follows:

- | | | |
|----------|--|---|
| 1 | Issuer | : Westpac Banking Corporation
(ABN 33 007 457 141) |
| 2 | Lead Manager | : Westpac Banking Corporation
(ABN 33 007 457 141) |
| 3 | Relevant Dealer | : Westpac Banking Corporation
(ABN 33 007 457 141) |
| 4 | Registrar and Australian Paying Agent | : BTA Institutional Services Australia Limited (ABN 48 002 916 396) of Level 2, 1 Bligh Street, Sydney NSW 2000 |

5	Calculation Agent	: BTA Institutional Services Australia Limited (ABN 48 002 916 396)
6	Issuing and Paying Agent (Offshore)	: Not applicable
7	If to form a single Series with an existing Series, specify date on which all Subordinated Notes of the Series become fungible, if not the Issue Date	: Not applicable
8	Status	: Subordinated. The primary method of loss absorption is Conversion, subject to possible Write-off in accordance with Condition 5.3 For the purposes of: <ul style="list-style-type: none"> the formula in Condition 6.1(a) to be used for calculating the Conversion Number, P is 0.99; and Condition 6.10(b), the Clearing System Cut-off Date is 10 Business Days prior to the Non-Viability Trigger Event Date.
9	Currency	: Australian dollars ("A\$")
10	Aggregate Principal Amount of Tranche	: A\$250,000,000
11	If interchangeable with existing Series, Series No.	: Not applicable
12	Issue Date	: 16 February 2018
13	Issue Price	: 100 per cent. per Denomination
14	Commissions Payable	: As set out in the Subscription Acknowledgement dated 14 February 2018 between the Issuer and the Lead Manager and Dealer
15	Selling Concession	: Not applicable
16	Purchase Price	: A\$100,000 fully paid per Denomination
17	Denomination	: A\$100,000 The minimum aggregate consideration for offers or transfers of the Subordinated Notes in Australia must be at least A\$500,000 (disregarding moneys lent by the transferor or its associates to the transferee), unless the offer or invitation resulting in the transfer does not otherwise require disclosure to investors in accordance with Part 6D.2 or Chapter 7 of the Corporations Act 2001 of Australia.
18	Partly Paid Senior Notes	: Not applicable

19	Type of Debt Instruments	: Floating Rate Subordinated Notes
20	If interest-bearing, specify which of the relevant Conditions is applicable, and then specify the matters required for the relevant Condition, namely	: Condition 7.3 is applicable
21	Fixed Rate Debt Instruments	: Not applicable
22	Floating Rate Debt Instruments	: Applicable
	Interest Commencement Date, if not Issue Date	: Issue Date
	Interest Rate	: Condition 7.3(b)(i) (ISDA Determination) is applicable
	Interest Payment Dates	: Each 16 February, 16 May, 16 August, and 16 November, commencing 16 May 2018 to and including the Maturity Date, subject to adjustment in accordance with the Applicable Business Day Convention
	Applicable Business Day Convention	:
	- for Interest Payment Dates:	Modified Following Business Day Convention
	- for Interest Period End Dates:	Modified Following Business Day Convention
	- for Maturity Date:	Modified Following Business Day Convention
	- any other date:	Not applicable
	Additional Business Centre(s)	: Sydney
	Floating Rate Option	: AUD-BBR-BBSW (to four decimal places)
	Designated Maturity	: 3 months
	Reset Date	: Each Interest Payment Date
	Margin	: Plus 1.40 per cent. per annum
	Minimum/Maximum Interest Rate	: Not applicable
	Day Count Fraction	: Actual/365 (Fixed)
	Fallback Interest Rate	: Not applicable
23	Index-Linked Interest Debt Instrument provisions	: Not applicable
24	Other rates	: Not applicable
25	Accrual of interest	: Not applicable
26	Default Rate	: Not applicable
27	Overdue Rate	: Not applicable

28	Zero Coupon Debt Instrument	: Not applicable
29	Reference Price	: Not applicable
30	Maturity Date	: 16 February 2028
31	Maturity Redemption Amount	: 100% of the Outstanding Principal Amount
32	Early Redemption Amount (Tax)	
	Specify if applicable	: Not applicable
33	Early Redemption Amount (Call)	
	Specify if applicable	: Condition 8.3 is applicable, but only in respect of the Interest Payment Date scheduled to fall on 16 February 2023 and each Interest Payment Date thereafter
	Specify minimum notice period	: 15 days
	Specify maximum notice period	: 45 days
	Specify any additional conditions to exercise the call option	: Not applicable
	Specify first date on which the call option may be exercised in the case of Subordinated Notes	: 16 February 2023
	Specify if Early Redemption Amount (Call) is not the Outstanding Principal Amount, together with accrued interest (if any) thereon of the Subordinated Notes, insert amount or full calculation provisions	: Not applicable
	Specify whether redemption is permitted in respect of some only of the Subordinated Notes and, if so, any minimum aggregate principal amount and the means by which Subordinated Notes will be selected for redemption	: Yes, the Issuer may redeem all or some Subordinated Notes at its discretion under Condition 8.3
34	Early Redemption Amount (Put)	
	Specify if applicable	: Not applicable
35	Early Redemption Amount (Adverse Tax Event)	
	Specify if applicable	: Condition 8.4 is applicable
	Specify minimum notice period	: 15 days
	Specify maximum notice period	: 45 days

	Specify any additional conditions to exercise of option	: Not applicable
	Specify if Early Redemption Amount (Adverse Tax Event) is not the Outstanding Principal Amount, together with accrued interest (if any) thereon of the Subordinated Notes, insert amount or full calculation provisions	: Not applicable
	Specify whether redemption is permitted in respect of some only of the Subordinated Notes and, if so, any minimum aggregate principal amount and the means by which Subordinated Notes will be selected for redemption	: Not applicable
36	Early Redemption Amount (Regulatory Event)	
	Specify if applicable	: Condition 8.5 is applicable
	Specify minimum notice period	: 15 days
	Specify maximum notice period	: 45 days
	Specify any additional conditions to exercise of option	: Not applicable
	Specify if Early Redemption Amount (Regulatory Event) is not the Outstanding Principal Amount, together with accrued interest (if any) thereon of the Subordinated Notes, insert amount or full calculation provisions	: Not applicable
	Specify whether redemption is permitted in respect of some only of the Subordinated Notes and, if so, any minimum aggregate principal amount and the means by which Subordinated Notes will be selected for redemption	: Not applicable
37	Early Termination Amount	
	If Early Termination Amount is not the Outstanding Principal Amount of the Subordinated Notes, insert amount or full calculation provisions	: Not applicable
	Specify if Holders are not to receive accrued interest on early redemption on default	: Not applicable

38	Redemption of Zero Coupon Debt Instruments	: Not applicable
39	Deed Poll	: Subordinated Note Deed Poll dated 5 March 2014
40	Taxation	: Condition 10.8 is applicable
41	Other relevant terms and conditions	: Not applicable
42	ISIN	: AU3FN0040754
43	Common Code	: 177158194
44	Common Depository	: Not applicable
45	Austraclear Number	: WP2218
46	Any Clearing System other than Euroclear / Clearstream / Austraclear	: Not applicable
47	Settlement procedures	: Customary medium term note settlement and payment procedures apply
48	U.S. selling restrictions	: As set out in the Information Memorandum
49	Distribution of Information Memorandum	: As set out in the Information Memorandum
50	Other selling restrictions	: As set out in the Information Memorandum
51	Australian interest withholding tax	<p>: The Issuer intends to issue the Subordinated Notes in a manner consistent with the public offer test set out in section 128F(3) of the Income Tax Assessment Act 1936 of Australia (the "Tax Act"). If the requirements of section 128F of the Tax Act are not satisfied, Condition 10.8 will be applicable (subject to Item 40 above), and accordingly the Issuer may, subject to certain exceptions, be obliged to pay Additional Amounts in accordance with Condition 10.8.</p> <p>See also the section of the Information Memorandum entitled "Australian Taxation".</p>
52	Transaction Documents	: Not applicable
53	Listing	: It is intended that the Subordinated Notes will be quoted on the Australian Securities Exchange
54	Events of Default	: Condition 9 is applicable
55	Additional or alternate newspapers	: Not applicable
56	Stabilisation Manager	: Not applicable
57	Other amendments	: The "Conditions of the Subordinated Notes" contained in the Information Memorandum are

amended as set out in the Schedule 1

58 Other disclosure

: As set out in Schedule 2 to this Pricing Supplement

Schedule 1

1. Condition 1.1 is amended as follows:

- the definition of “Write-down” is deleted; and
- the definition of “Write-off” is deleted and replaced with the following:

Write-off has the meaning given to it in Condition 5.3(c). **Written-off** shall have a corresponding meaning.

2. Condition 4.4(b)(ii) is deleted and replaced with the following:

- (ii) shall rank equally with the obligations of the Issuer to the holders of other Subordinated Notes that have not been Converted or Written-off (or that have been partially Converted or Written-off), and the obligations of the Issuer to holders of Equal Ranking Instruments; and

3. Condition 4.8 is deleted and replaced with the following:

No amendment to the Conditions of a Subordinated Note that at the time of such amendment qualifies as Tier 2 Capital is permitted without the prior written consent of APRA if such amendment may affect the eligibility of the Subordinated Note as Tier 2 Capital as described in the Prudential Standards.

4. Condition 5.1(a) is deleted and replaced with the following:

5.1 Non-Viability Trigger Event

- (a) If a Non-Viability Trigger Event occurs, the Issuer must:

- (i) subject to Condition 5.3 (“No further rights”), Convert; or
- (ii) if the Supplement specifies that the primary method of loss absorption will be Write-off without Conversion in accordance with Condition 5.3, Write-off,

all Subordinated Notes or, if paragraph (a) of the definition of “Non-Viability Trigger Event” applies, subject to the provisions described in Condition 5.1(b), all or some Subordinated Notes (or a percentage of the Outstanding Principal Amount of each Subordinated Note), such that the aggregate Outstanding Principal Amount of all Subordinated Notes Converted or Written-off, together with the face value or outstanding principal amount of all other Relevant Securities converted, written-off or written-down as described in Condition 5.1(b), is equal to the aggregate face value or outstanding principal amount of Relevant Securities which APRA has notified the Issuer must be converted, written-off or written-down (or, if APRA has not so notified the Issuer, all or some Subordinated Notes (or a percentage of the Outstanding Principal Amount of each Subordinated Note), as is necessary to satisfy APRA that the Issuer will no longer be non-viable).

5. Condition 5.1(b) is deleted and replaced with the following:

- (b) In determining the Subordinated Notes or percentage of the Outstanding Principal Amount of each Subordinated Note which must be Converted or Written-Off in accordance with this Condition 5.1, the Issuer will:
- (i) first, convert, write-off or write-down an amount of the face value or outstanding principal amount of all outstanding Relevant Tier 1 Securities before Conversion or Write-off of the Subordinated Notes; and
 - (ii) second, if conversion, write-off or write-down of those Relevant Tier 1 Securities is not sufficient to satisfy APRA that the Issuer would not become non-viable, Convert or Write-off (in the case of the Subordinated Notes) and convert, write-off or write-down (in the case of any Relevant Tier 2 Securities), on a pro-rata basis or in a manner that is otherwise, in the opinion of the Issuer, fair and reasonable, the face value or Outstanding Principal Amount of the Subordinated Notes and any Relevant Tier 2 Securities (subject to such adjustments as the Issuer may determine to take into account the effect on marketable parcels and whole numbers of Ordinary Shares and any Subordinated Notes or Relevant Tier 2 Securities remaining on issue, and the need to effect the conversion immediately),

but such determination will not impede the immediate Conversion or Write-off of the relevant Subordinated Notes or percentage of the Outstanding Principal Amount of each Subordinated Note (as the case may be).

6. Condition 5.1(c) is deleted and replaced with the following:

- (c) If a Non-Viability Trigger Event occurs:
- (i) the Subordinated Notes or the percentage of the Outstanding Principal Amount of each Subordinated Note determined in accordance with Conditions 5.1(a) and (b), shall be Converted or Written-off immediately upon the occurrence of the Non-Viability Trigger Event in accordance with Conditions 5.2 ("Automatic Conversion or Write-off upon the occurrence of a Non-Viability Trigger Event") and 6 ("Procedures for Conversion"). The Conversion or Write-off will be irrevocable;
 - (ii) the Issuer must give notice to Holders in accordance with Condition 13 ("Notices") and the ASX as soon as practicable that a Non-Viability Trigger Event has occurred and that Conversion or Write-off has occurred on the Non-Viability Trigger Event Date;
 - (iii) the notice must specify (A) the date on which Conversion or Write-off occurred (**Non-Viability Trigger Event Date**) and the Subordinated Notes or percentage of the Outstanding Principal Amount of each Subordinated Note which was Converted or, if Condition 5.3 ("No further rights") is applicable, Written-off, and (B) details of the Relevant Securities converted, written-off or written down in accordance with Condition 5.1(b); and

- (iv) in the case of Conversion, 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 Subordinated Notes remaining on issue.

Failure to undertake any of the steps in Conditions 5.1(c)(ii) to (iv) does not prevent, invalidate, delay or otherwise impede Conversion or Write-off.

7. Condition 5.2 is deleted and replaced with the following:

- 5.2 If a Non-Viability Trigger Event has occurred and all or some Subordinated Notes are (or a percentage of the Outstanding Principal Amount of each Subordinated Note is) required to be Converted or Written-off in accordance with Condition 5.1 ("Non-Viability Trigger Event"), then
- (a) Conversion or Write-off of such Subordinated Notes or percentage of the Outstanding Principal Amount of each Subordinated Note will occur in accordance with Condition 5.1 ("Non-Viability Trigger Event") and, if applicable Condition 5.3 ("No further rights"), immediately upon the Non-Viability Trigger Event Date;
 - (b) in the case of Conversion and subject to Condition 6.10 ("Conversion: Clearing Systems, where the Holder does not wish to receive Ordinary Shares or is an Ineligible Holder"), the entry with respect to a Holder's Subordinated Notes in the Register will constitute an entitlement of that Holder to (i) the Conversion Number of Ordinary Shares in respect of such Subordinated Notes or percentage of the Outstanding Principal Amount of each Subordinated Note in accordance with Condition 6.1, and (ii) unless the Subordinated Notes shall have been Converted or Written-off in full, to Subordinated Notes with an Outstanding Principal Amount equal to the aggregate of the remaining percentage of the Outstanding Principal Amount of each Subordinated Note, and the Issuer will recognise the Holder as having been issued the Conversion Number of Ordinary Shares for all purposes, in each case without the need for any further act or step by the Issuer, the Holder or any other person (and the Issuer will, as soon as possible thereafter and without delay on its part, take any appropriate procedural steps to effect such Conversion, including updating the Ordinary Share register); and
 - (c) a Holder has no further right or claim under these Conditions in respect of such Subordinated Notes or percentage of the Outstanding Principal Amount of each Subordinated Note (including to payments of interest or accrued interest and the repayment of the Outstanding Principal Amount), except the Holder's entitlement, if any, to Subordinated Notes which have not been required to be Converted or Written-off or Subordinated Notes representing the Outstanding Principal Amount of such Subordinated Notes which have not been required to be Converted or Written-off and, in the case of Conversion, subject to Condition 6.10 ("Conversion: Clearing Systems, where the Holder does not wish to receive Ordinary Shares or is an Ineligible Holder") to the Conversion Number of Ordinary Shares issuable in accordance with Condition 6 ("Procedures for Conversion").

8. Condition 5.3 is deleted and replaced with the following:

5.3 No further rights

If:

- (a) for any reason, Conversion of any Subordinated Notes (or a percentage of the Outstanding Principal Amount of any Subordinated Notes) required to be Converted under Condition 5.1 ("Non-Viability Trigger Event") does not occur within five ASX Business Days after the Non-Viability Trigger Event Date; or
- (b) the Pricing Supplement specifies that the primary method of loss absorption will be Write-off without Conversion in accordance with Condition 5.3 ("No further rights"),

then:

- (c) the relevant Holders' rights and claims under these Conditions in relation to such Subordinated Notes or the percentage of the Outstanding Principal Amount of such Subordinated Notes to be Converted or Written-off (including to payments of interest or accrued interest, and the repayment of the Outstanding Principal Amount and, in the case of Conversion, to be issued with the Conversion Number of Ordinary Shares in respect of such Subordinated Notes or percentage of the Outstanding Principal Amount of each Subordinated Note), are immediately and irrevocably written-off and terminated with effect on and from the Non-Viability Trigger Event Date ("**Write-off**"); and
- (d) the Outstanding Principal Amount of the Subordinated Notes is reduced on that date by the Outstanding Principal Amount of the Subordinated Notes to be Converted or Written-off, as determined in accordance with Conditions 5.1(a) and (b) and any accrued and unpaid interest and any unpaid Additional Amounts shall be correspondingly reduced.

9. Condition 5.4(a) is deleted and replaced with the following:

5.4 Subject to any Write-off required in accordance with Condition 5.3 ("No further rights"), each Holder by its purchase or holding of a Subordinated Note irrevocably agrees that:

- (a) upon Conversion in accordance with Condition 5 ("Non-viability, Conversion and Write-off") and Condition 6 ("Procedures for Conversion"), it consents to becoming a member of the Issuer and agrees to be bound by the constitution of the Issuer;

10. Conditions 6.1(a), (b) and (c) are deleted and replaced with the following:

6.1 Conversion

On the Non-Viability Trigger Event Date, subject to Condition 5.3 ("No further rights") and Condition 6.10 ("Conversion: Clearing Systems, where the Holder does not wish to receive Ordinary Shares or is an Ineligible Holder"), the following provisions will apply.

- (a) The Issuer will allot and issue the Conversion Number of Ordinary Shares for each Subordinated Note to each Holder of a Subordinated Notes. The Conversion Number is, subject always to the Conversion Number being no greater than the Maximum Conversion Number, either (x) the number specified, or determined in accordance with the relevant provisions in, the Supplement or, (y) if no Conversion Number and no such provisions are specified in the Supplement, calculated according to the following formula:

$$\text{Conversion Number for each Subordinated Note} = \frac{\text{Outstanding Principal Amount of the Subordinated Note (translated if necessary into Australian Dollars in accordance with paragraph (d) of the definition of Outstanding Principal Amount, except that the calculation date shall be the Conversion Date)}}{P \times \text{VWAP}}$$

where:

Outstanding Principal Amount has the meaning given to it in Condition 1.1 ("Definitions"), as adjusted in accordance with Condition 6.13 ("Conversion or Write-off of a percentage of Outstanding Principal Amount").

P means the number specified in the Supplement.

VWAP means the VWAP during the VWAP Period.

Maximum Conversion Number means a number calculated according to the following formula:

$$\text{Maximum Conversion Number} = \frac{\text{Outstanding Principal Amount of the Subordinated Note (translated if necessary into Australian Dollars in accordance with paragraph (d) of the definition of Outstanding Principal Amount)}}{0.20 \times \text{Issue Date VWAP}}$$

where:

Outstanding Principal Amount has the meaning given to it in Condition 1.1 ("Definitions"), as adjusted in accordance with Condition 6.13 ("Conversion or Write-off as a percentage of Outstanding Principal Amount").

- (b) Subject to Condition 6.10 ("Conversion: Clearing Systems, where the Holder does not wish to receive Ordinary Shares or is an Ineligible Holder"), each Holder's rights in relation to each Subordinated Note that is being Converted as determined in accordance with Conditions 5.1(a) and (b) will be immediately and irrevocably written-off and terminated for an amount equal to the Outstanding Principal Amount and the Issuer will apply such Outstanding Principal Amount of each such Subordinated Note to be so Converted to subscribe for the Ordinary Shares to be allotted and issued under Condition 6.1(a). Each Holder is taken to have irrevocably directed that any amount payable under this Condition 6.1 is to be applied as

provided for in this Condition 6.1 without delay (notwithstanding any other provisions in these Conditions providing for payments to be delayed) and Holders do not have any right to payment in any other way.

- (c) Any calculation under Condition 6.1(a) shall, unless the context requires otherwise, be rounded to four decimal places provided that if the total number of Ordinary Shares to be allotted and issued in respect of a Holder's aggregate holding of Subordinated Notes includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will not be issued or delivered on Conversion.

11. Condition 6.3 (a) is deleted and replaced with the following:

6.3 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 another 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 such daily VWAP 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

12. Condition 6.9(a) is deleted and replaced with the following:

6.9 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 Non-Viability Trigger Event Date (or such other time required by APRA).

13. Condition 6.10(a) is deleted and replaced with the following:

- (a) If Subordinated Notes are required to be Converted and the Holder is the operator of a Clearing System or a nominee for a common depository for any one or more Clearing Systems (such operator or nominee for a common depository acting in such capacity as is specified in the rules and regulations of the relevant Clearing System or Clearing Systems), then, with effect from the Non-Viability Trigger Event Date, the Holder's rights in relation to each such Subordinated Note being Converted shall be immediately and irrevocably terminated and the Issuer will issue the relevant aggregate Conversion Number of Ordinary Shares issued to one or more Sale and

Transfer Agents for no additional consideration to hold on trust for sale for the benefit of the participants in, or members of, the relevant Clearing System or Clearing Systems who held the corresponding Subordinated Notes through the relevant Clearing System or Clearing Systems immediately prior to Conversion ("**Clearing System Participants**"). A Clearing System Participant will be entitled to receive Ordinary Shares (or the proceeds of the sale of Ordinary Shares) in accordance with this Condition 6.10.

14. Condition 6.10(e) is deleted and replaced with the following:

- (e) If Conversion under this Condition 6.10 does not occur within five ASX Business Days, then the Holder's rights will be immediately and irrevocably written-off and terminated in accordance with Condition 5.3 ("No further rights").

15. Condition 6.13 is deleted and replaced with the following:

If under these Conditions it is necessary to Convert or Write-off a percentage only of the Outstanding Principal Amount of each Subordinated Note upon the occurrence of a Non-Viability Trigger Event then Condition 6 ("Procedures for Conversion") will apply to the Conversion or Write-off as if references to the Outstanding Principal Amount of each Subordinated Note were references to the relevant percentage of the Outstanding Principal Amount of each Subordinated Note to be Converted or Written-off.

16. Condition 7.5(d)(i) is deleted and replaced with the following:

interest accrues on the Outstanding Principal Amount of each Subordinated Note or as otherwise indicated in the Supplement. Interest ceases to accrue as from the due date for redemption of a Subordinated Note unless the relevant payment is not made in which case interest will continue to accrue thereon (both before and after any demand or judgment) at the rate then applicable to the Outstanding Principal Amount of the Subordinated Note until the date on which the relevant payment is made or, if earlier, the seventh day after the date on which any Agent receives the funds required to make such payment (provided that notice of such circumstance is given to the Holders in accordance with Condition 13 ("Notices")) except to the extent that there is failure in the subsequent payment thereof to the relevant Holder; and

17. Condition 8.3(c)(iii) is deleted and replaced with the following:

- (iii) before or concurrently with redemption, the Issuer:
 - (A) replaces the Subordinated Notes with a capital instrument which is of the same or better quality (for the purposes of the Prudential Standards) than the Subordinated Notes and the replacement of the Subordinated Notes is done under conditions that are sustainable for the income capacity of the Issuer (for the purposes of the Prudential Standards); or
 - (B) obtains confirmation from APRA that APRA is satisfied, having regard to the capital position of the Issuer and the Westpac Group, that the Issuer does not have to replace the Subordinated Notes.

18. Condition 8.4(c)(ii) is deleted and replaced with the following:

- (ii) before or concurrently with redemption, the Issuer:
 - (A) replaces the Subordinated Notes with a capital instrument which is of the same or better quality (for the purposes of the Prudential Standards) than the Subordinated Notes and the replacement of the Subordinated Notes is done under conditions that are sustainable for the income capacity of the Issuer (for the purposes of the Prudential Standards); or
 - (B) obtains confirmation from APRA that APRA is satisfied, having regard to the capital position of the Issuer and the Westpac Group, that the Issuer does not have to replace the Subordinated Notes.

19. Condition 8.5(c)(iii) is deleted and replaced with the following:

- (iii) before or concurrently with redemption, the Issuer:
 - (A) replaces the Subordinated Notes with a capital instrument which is of the same or better quality (for the purposes of the Prudential Standards) than the Subordinated Notes and the replacement of the Subordinated Notes is done under conditions that are sustainable for the income capacity of the Issuer (for the purposes of the Prudential Standards); or
 - (B) obtains confirmation from APRA that APRA is satisfied, having regard to the capital position of the Issuer and the Westpac Group, that the Issuer does not have to replace the Subordinated Notes.

20. The final paragraph of Condition 8.7 is deleted and replaced with the following:

Except where Subordinated Notes the subject of a notice of redemption are required to be Converted or Written-off pursuant to Condition 5.1(c), a notice of redemption is irrevocable and, subject to Condition 4.3 ("Solvency condition"), obliges the Issuer to redeem the Notes at the time and in the manner specified in the notice.

21. The following words are added at the end of Condition 10.4:

This Condition 10.4(b) does not apply to the payment referred to in Condition 6.1(b).

Schedule 2

On 14 December 2017, the Australian Government established a Royal Commission into the alleged misconduct of Australia's banks and other financial services entities. The inquiry will consider a number of matters, including the conduct of banks, insurers, financial services providers and superannuation funds (not including self-managed superannuation funds), and how well equipped regulators are to identify and address misconduct. The inquiry will not inquire into other matters such as financial stability or the resilience of Australia's banks. The Royal Commissioner is required to have regard to the implications of any proposed changes to laws on the general economy, the cost of financial services for consumers, competition in the financial sector and financial system stability.

Under its terms of reference, the Royal Commission will be required to submit its final report by 1 February 2019 (and may provide an interim report by no later than 30 September 2018). The recommendations by, and the adopted outcomes of, the Royal Commission are uncertain and could, either individually or in aggregate with other regulatory action, adversely affect Westpac's business, reputation, prospects, financial performance or financial condition.